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## Ruukki in brief

Rautaruukki supplies metal-based components, systems and integrated systems to the construction and mechanical engineering industries. The company has a wide selection of metal products and services. Rautaruukki has operations in 23 countries and employs 13,000 people. The company's share is quoted on the Helsinki Exchanges (Rautaruukki Oyj: RTRKS). The Corporation has used the marketing name Ruukki since 2004.

Ruukki has three divisions with customer responsibility: Ruukki Construction, Ruukki Engineering and Ruukki Metals. The fourth division, Ruukki Production, is responsible for cost-effective production.

### Ruukki Construction

Ruukki Construction supplies metal-based solutions for building construction, especially for retail, industrial and logistics construction, as well as for infrastructure construction.

### Ruukki Engineering

Ruukki Engineering supplies metal-based solutions to the lifting, handling and transportation equipment industry, as well as to the paper and wood processing, shipbuilding, energy and offshore industries.

### Ruukki Metals

Ruukki Metals supplies a wide selection of steel, stainless steel and aluminium as standard and special products, parts and components.

### Ruukki Production

Ruukki Production manufactures hot-rolled, cold-rolled and coated plate and strip products, as well as steel tubes for Ruukki's divisions with customer responsibility.

### Ruukki's strategic intent



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# Rautaruukki

## Annual report 2006

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## Ruukki geared up for profitable growth

Rautaruukki's growth focus is on construction solutions especially in Central Eastern Europe, Russia and Ukraine. On the engineering front, Ruukki Engineering is supplying highly upgraded components and systems in response to growing demand in the lifting, handling and transportation equipment industry. Ruukki Metals is increasing the share of profitable special products in its product range and enhancing service centre functions in its core market area. Supplementary acquisitions are fast-tracking profitable organic growth.

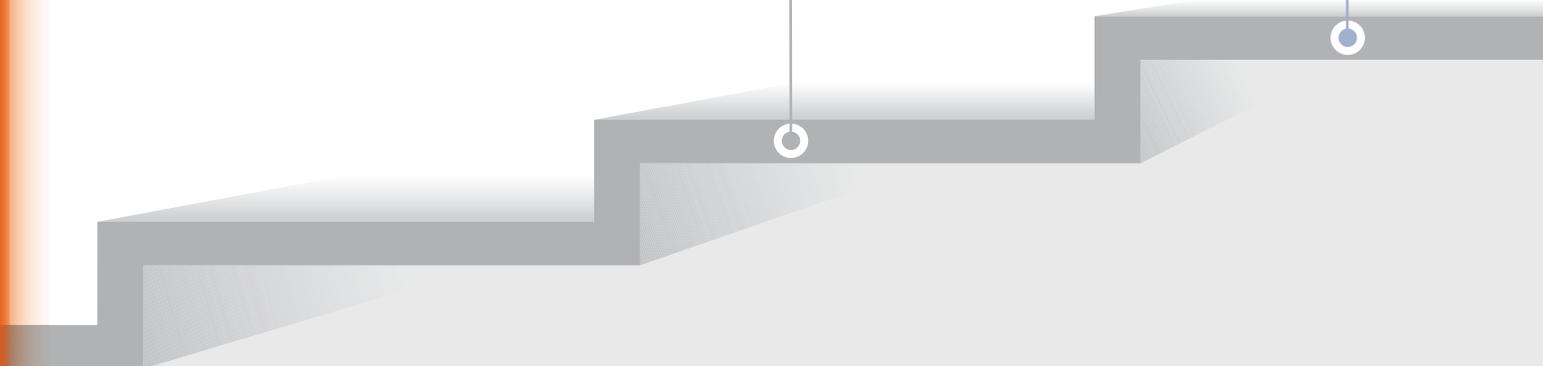
### Streamlined corporate structure

Strong balance sheet  
Structure less susceptible to cyclical fluctuations

### Growth areas

Promising growth potential:

1. Construction solutions in Eastern Europe
2. Selected customers in the engineering industry
3. Special steel products



## Focus on profitable growth

Organic growth and carefully selected acquisitions  
Ruukki United efficiency programme

## Financial growth targets

Increase in net sales of over 10 per cent p.a.

Operating profit of over 12 per cent of net sales

Return on capital employed of over 20 per cent

Gearing ratio of less than 60 per cent

Dividend of 40–60 per cent of EPS

## Excellent results for 2006

- Good demand in core markets
- Excellent results for 2006
- Rautaruukki has a strong financial position
- New growth and profitability targets, redefined dividend policy
- Withdrawal from long steel products completed
- Solutions business added to through acquisitions

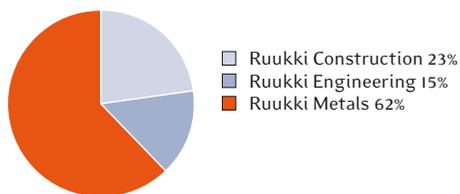
Key figures	2006	2005
Net sales, €m	3,682	3,654
Operating profit, €m	529	618
Operating profit, as % of net sales	14.4	16.9
Profit before taxes, €m	635	612
Return on capital employed, %	31.5	32.8
Return on equity, %	30.1	34.7
Equity ratio, %	61.6	56.0
Gearing ratio, %	1.2	22.8
Net interest-bearing liabilities, €m	22	341
Earnings per share, €	3.65	3.31
Dividend per share, €	1.50+0.50*	1.40
Equity per share, €	13.26	10.98
Personnel on average	13,121	11,684

\* The Board of Directors proposes a dividend of EUR 1.50 per share and an additional dividend of EUR 0.50 arising from the profit of Ovako divestment.

Net sales by region 2006

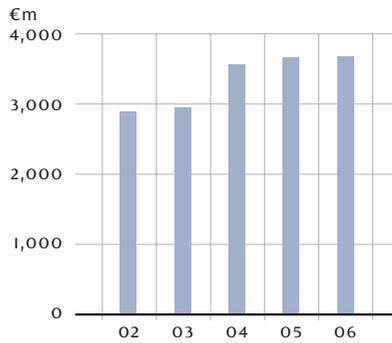


Net sales by division 2006

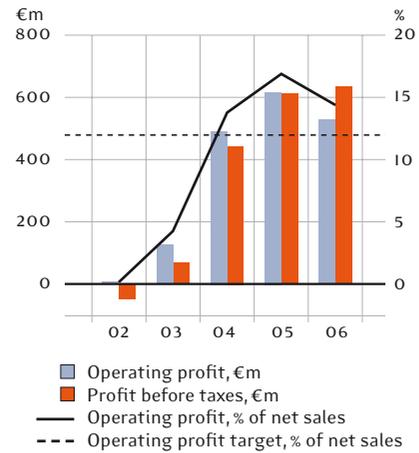


Financial statements for 2002-2003 according to Finnish accounting standards (FAS) and for 2004-2006 according to international IFRS standards.

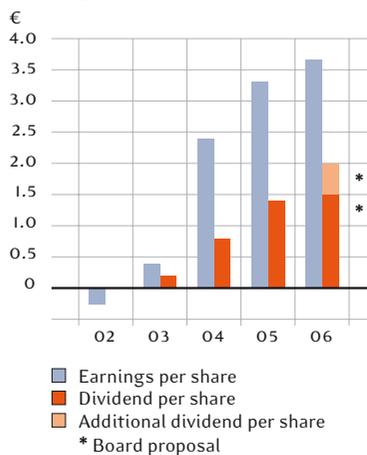
**Net sales**



**Operating profit and profit before taxes**



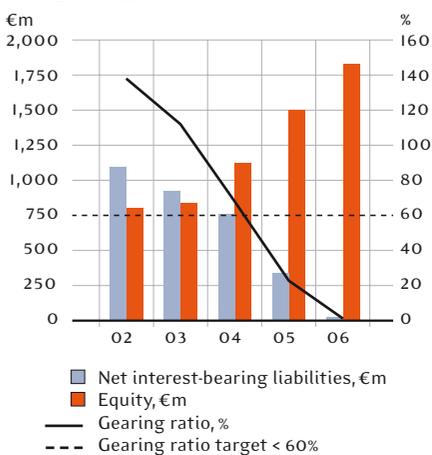
**Earnings and dividend per share**



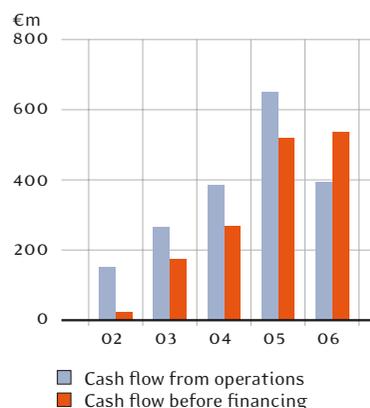
**Return on equity and return on capital employed**

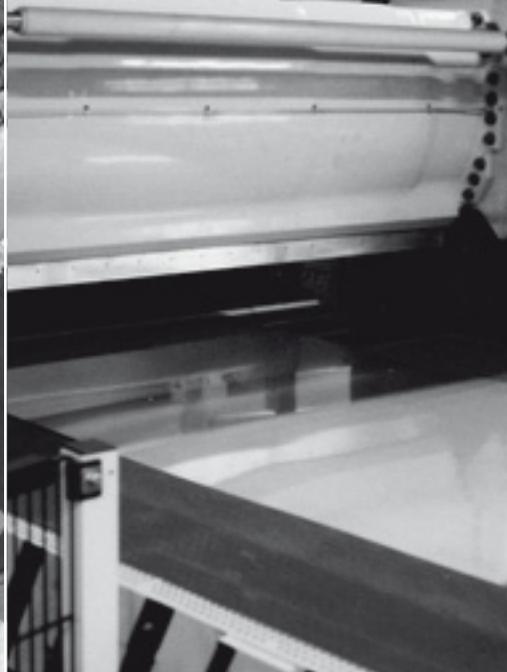


**Net interest-bearing liabilities, equity and gearing ratio**



**Cash flow**





## Headlines in 2006

**18 Jan** Rautaruukki has completed the acquisition of PPTH

**30 Jan** Rautaruukki to publish financial statement bulletin 2005 on Wednesday, 8 February at 9:00

**31 Jan** Proposal on the Board composition by the Nomination Committee of Rautaruukki

**6 Feb** Rautaruukki continues to simplify Group's legal structure

**8 Feb** Rautaruukki Corporation financial statement bulletin 2005

**8 Feb** Rautaruukki reports an excellent year - demand outlook good

**8 Feb** Rautaruukki Notice of Annual General Meeting

**13 Mar** Rautaruukki's Annual report 2005 published

**13 Mar** Rautaruukki, SKF and Wärtsilä explore strategic options for their ownership in Ovako

**23 Mar** Rautaruukki's Annual General Meeting today

**23 Mar** Transfer of Rautaruukki's own shares - Share bonus scheme 2004

**23 Mar** The resolutions of Rautaruukki's Annual General Meeting

**24 Mar** Rautaruukki received competition authority approval for purchase of Steel-Mont

**30 Mar** Rautaruukki has completed the acquisition of Steel-Mont

**31 Mar** Rautaruukki to acquire leading Russian steel constructor Ventall

**18 Apr** Rautaruukki to publish Interim report Q1/06 on Wednesday, 26 April at 9:00

**25 Apr** Rautaruukki to divest its Nordic reinforcing steel business

**25 Apr** Rautaruukki to purchase colour coating line from Ukraine

**26 Apr** Rautaruukki Corporation Interim report January-March 2006

**26 Apr** Rautaruukki's profit was good but decreased compared with year before - market situation remains favourable

**11 May** Rautaruukki sells Metalplast Systems in MBO

**17 May** Rautaruukki applies for listing of A and B warrants for 2003 bond loan on Helsinki Exchanges

**18 May** Rautaruukki received authority approval for the purchase of Ventall

**22 May** Rautaruukki received authority approval for acquiring AZST-Kolor

**22 May** 2003 A/B-option rights of Rautaruukki Corporation will be listed on May 24, 2006

**31 May** Rautaruukki completed the acquisition of AZST-Kolor

**14 Jun** Rautaruukki has completed the acquisition of Ventall

**14 Jun** Rautaruukki's Corporate responsibility report 2005 published

**21 Jun** Rautaruukki's financial information in 2007

**4 Jul** Rautaruukki sells the operations of Duisburg service centre

**5 Jul** Rautaruukki received authority approval for selling the operations of Duisburg service centre

**17 Jul** Rautaruukki, SKF and Wärtsilä to sell Ovako

**18 Jul** Rautaruukki to publish Interim report Q2/06 on Wednesday, 26 July at 9:00

**26 Jul** Rautaruukki Corporation Interim report January-June 2006

**26 Jul** Rautaruukki's earnings up on the previous quarter - the good earnings trend is estimated to continue



**26 Jul** Rautaruukki Board approves the remunerations of the Group's share bonus scheme 2003-2005

**28 Jul** Rautaruukki Corporation - transfer of the shares held by the company

**31 Jul** The sale of Rautaruukki's reinforcing steel business received regulatory approvals

**2 Aug** Subsidiaries merged into Rautaruukki Corporation

**3 Aug** The sale of Rautaruukki's Nordic reinforcing steel business completed

**9 Aug** Subscription of Rautaruukki's shares with warrants

**27 Sep** Rautaruukki launches investment plans in Ukraine and Romania with total value of EUR 50 million

**6 Oct** Rautaruukki: Update on sale process of Oy Ovako Ab

**23 Oct** Rautaruukki to publish Interim report Q3/06 on Wednesday, 1 November at 9:00

**1 Nov** Rautaruukki's new financial targets and dividend policy

**1 Nov** Rautaruukki Corporation Interim report January-September 2006

**1 Nov** Rautaruukki's comparable third quarter operating profit grew by 26% from last year

**1 Nov** Rautaruukki continues to simplify Group's legal structure

**3 Nov** Subscription of Rautaruukki's shares with warrants

**10 Nov** Rautaruukki: The sale of Ovako received relevant regulatory approvals

**13 Nov** Rautaruukki's Nomination Committee representatives

**16 Nov** Rautaruukki entitled to use the name Ruukki

**20 Nov** Rautaruukki: Closure of Ovako sale

**18 Dec** Rautaruukki strengthens position through acquisition of AB Omeo Mekaniska Verkstad in Sweden

**21 Dec** Subscription of Rautaruukki's shares with warrants

[www.ruukki.com](http://www.ruukki.com)

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## Strong growth expectations in Eastern Europe

- **Results for 2006 were excellent and Ruukki has a strong financial position**
- **We focused on developing business structure with further acquisitions in the solutions business**
- **Ruukki is playing a strong role in building Central Eastern Europe, Russia and Ukraine**

### Heavy inputs in customer focus

Ruukki's strategic intent is to be the most desired supplier of metal-based solutions.

Ruukki Construction is developing construction technology and ways of working to benefit our customers. Our total solutions enable customers to shorten construction times and to benefit both from Ruukki's complete range of services and the right deliveries at the right time. The subtext of this is improved construction quality and less risk of error.

Ruukki Engineering focuses especially on streamlining the supply chain of its customers in the lifting, handling and transportation equipment industry by the timely delivery of ready-assembled core components and systems straight to the customer's production process. Customers can draw extensively on Ruukki's design, materials and welding expertise, as well as benefit from deliveries of parts and components. An extensive supplier network also forms the basis of our good ability to serve.

Ruukki Metals' strength lies in reliable and precise product delivery and an evolving range of special products to give our customers a noticeable competitive edge. Benefits to the customer in this respect include lighter structures, lower maintenance costs and longer service life. Customers can also save costs through Ruukki's tailored just-in-time deliveries.

### Platform for profitable growth through acquisitions

Our focus is on commercial, industrial and infrastructure construction in the fast-growing markets in Central Eastern Europe, Russia and Ukraine. In June 2006, we acquired Russia's leading steel constructor, Ventall. As far as future growth is concerned, Ventall gives us a firm foothold in an important market, a market we intend to capture our fair share of.

Ruukki's customer base is growing as customers in the engineering industry increasingly outsource operations. During the year, we strengthened our capacity to supply special products to key European customers and built on our

network of local service centres in the Nordic countries and St Petersburg region.

To speed up our organic growth, we continue to be geared up to expanding our solutions business through acquisitions and additional investments in line with our strategy. Growth and specialisation are being supported by investments in the development and production of high-strength steel grades. Acquisitions and investments already made create a sound platform for future organic growth.

### Good demand and excellent results

Demand was good in our core markets. Increasing metal construction fuelled the growing demand for components and integrated solutions. The engineering industry grew and its customer sectors had strong order books. There was continuing good demand for standard and special steel products throughout the year.

Ruukki reported excellent results for 2006 and is almost debt-free. During the latter part of the year, we set new financial targets that better reflect the growth and profitability potential of our present business. In the same context, we also redefined our dividend policy.

Many mergers of major steel companies were in evidence in the international steel industry during the year under review. The consolidation trend has positive fallout in view of the industry as a whole. We have chosen a direction of specialisation; more extensive solutions and special products driven by customer needs.

### Good prospects for 2007

We are approaching our interim objective of striking a balance between the share of net sales and profit generated by our solutions business and metal products. A strong balance sheet enables us to carry out our growth strategy. The principal tasks facing us in 2007 include ensuring continued profitability and organic growth. The results of our work on this front will be for the benefit of our customers and owners alike.

I would like to warmly thank all of you who have been building on Ruukki's success.

Helsinki, 7 February 2007

Sakari Tamminen  
President & CEO  
Rautaruukki Corporation



Rautaruukki's capital market day for investors and analysts was held in Budapest in September 2006.

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# Case 1



**Total construction delivery:**

## Five-building logistics complex

### **Precision components from foundations to roof**

Ruukki and Polish property developer Trasko Inwest have been actively working together for several years. Their latest project is a five-building logistics complex under construction at Krekshino, near Moscow for the National Logistics Company (NLC), Russia's leading company of its kind.

A diverse range of Ruukki's products and services have gone into building the new complex, which totals 26,000 square metres. The load-bearing structures were made at Ventall's facility in Obninsk, Russia, which Ruukki acquired in June 2006, and the sandwich elements at Ruukki's plant in Oborniki, Poland.

Construction met all the quality and safety criteria. Ruukki provided the components at exactly the times agreed and installation was faster than planned.

### **Ruukki is a strong, reliable supplier**

"For us, quality and reliable deliveries are paramount. Above all, we value our partners' dependability. This is why we chose Ruukki to be a supplier in this project. Ruukki has been in the market a long time and we rank the quality of their products highly," says Valdemar Seradzki Trasko Inwest's technical project director.

"Ruukki shares the customer's views regarding quality and technical requirements," says Ruukki's Russian sales manager Vladimir Vladimirov. Ruukki is determined to make progress on the Russian market. We want to develop new technology and to provide more versatile solutions for our customers.

[www.ruukki.com](http://www.ruukki.com)

## Sights set on faster profitable growth

- **Structural change progresses apace**
- **Competence base for organic growth**
- **Diverse growth potential in Eastern Europe**

Ruukki's strategic intent is to specialise by transforming from a reliable supplier of steel to the preferred metal-based solutions supplier to chosen customer segments by 2010. The solutions business will enable profitable growth, reduce the company's exposure to fluctuations in the business cycle and tie up less capital than traditional steel production.

### **Structural change progresses apace**

Structural change has been promoted by acquisitions and the divestment of non-core operations taking place in recent years. The solutions business is approaching its target of accounting for 50 per cent of the company's net sales and earnings. Besides acquisitions, investments in Central Eastern Europe and Russia ensure growth in these rapidly developing markets.

Ruukki is also geared up for organic growth. The company not only has an extensive sales network and production facilities in most Eastern European countries, but also a range of products and services to ideally meet the needs of growing economies. Implementation of structural change and customer-focused operations has also led to changes in Ruukki's operating models and corporate culture, and paves the way for greater dynamic cooperation across the company. The extensive insight of Ruukki's people into the industry of our customers, a strong local presence in our core markets and a diverse range of products and systems are the key assets in carrying out our strategy.

### **Platform in place for solutions business**

Solutions comprise the parts, components and systems that Ruukki Construction and Ruukki Engineering deliver to selected customer segments. Acquisitions have strengthened Ruukki's market position, range of products as well as planning and project management, thus creating a platform for organic growth. Ruukki has a strong presence in all main markets and through acquisitions has gained a firm foothold in Eastern Europe. Acquisitions and investments will also foster future growth and development.

### **Industrialisation of construction process**

Ruukki Construction operates in the Nordic countries and in the heart of a dynamically growing Eastern Europe. Ruukki Construction is a leading metal-based construction solutions provider. The steel construction market is witnessing strong growth in the commercial building sector in Eastern Europe. Ruukki Construction's critical success factors include good customer insight, a strong local presence in core markets, a good reputation among customers and an extensive range of quality products and services. Offering its customers total solutions makes Ruukki Construction a leader in its field.

The importance of design and project excellence is highlighted in total deliveries. To secure market leadership, Ruukki

Construction is innovating new technologies to industrialise the construction process. For customers, this translates into shorter construction times, better quality and fewer risks between work stages. As the number of subcontractors decreases, safety at work improves and staff costs fall.

### **More effective engineering customer value chain**

The focus of Ruukki Engineering's strategy is in component and systems deliveries in the lifting, handling and transportation equipment industry. Ruukki Engineering seeks to be one of the leading solutions providers in this customer segment and to increase the share of parts, components and systems deliveries. Ruukki fosters the business growth of selected customers by establishing an effective operations network in Northern Europe, Central Eastern Europe and, in future, in Russia. The greatest growth potential lies in rationalising the lifting, handling and transportation equipment industry value chain.

Ruukki's strength lies in its in-depth materials excellence combined with product development, design, effective process management and logistics. R&D takes place in partnership with customers in a bid to enhance customers and Ruukki's competitiveness.

Ruukki Engineering is primarily a supplier of parts and components to the paper and wood processing industry and marine and offshore industry.

### **Leading position in metal products in Nordic countries and Baltics**

In metal products, Ruukki is strengthening its leading position in its core markets in the Nordic countries and Baltics. Business is also undergoing strong development in the St Petersburg region in Russia. During fourth quarter of 2006, a decision was made to expand our St Petersburg service centre in response to growing demand.

Ruukki has a unique integrated supply chain. Deliveries are order-specific, either direct from the works or service centres. This enables Ruukki to provide its customers with an extensive range of products, first-class service and effective logistics.

Ruukki Metals is increasingly focusing on customised, prefabricated products. The growing solutions business intensifies customer relationships and paves the way for growth also in special steel products. Customers require lighter structures, lower maintenance costs, longer product lifecycles and better design for their products. Ruukki provides special products across Europe, primarily for key customers using high-strength steel grades.

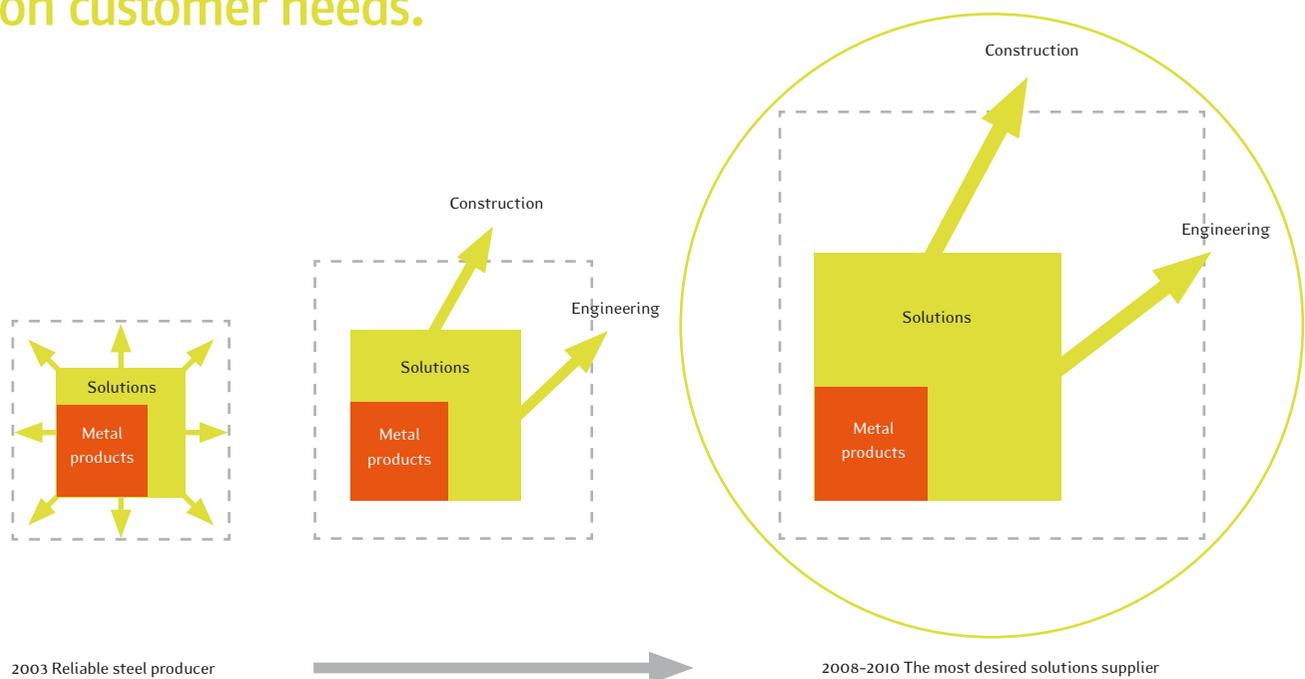
### **Specialisation of steel production**

Ruukki Metals' focus on special products is driving Ruukki Production's investments. The deployment of modern technology aims at the cost-effective manufacture of increasingly challenging special products. The focal shift towards special products gives us a competitive edge compared to cost-

**Growth potential**

<b>Ruukki Construction</b>	<b>Ruukki Engineering</b>	<b>Ruukki Metals</b>
<ul style="list-style-type: none"> <li>■ Utilisation of growth potential and fast-tracking of growth especially in Eastern Europe</li> <li>■ Development of new products and services to industrialise the construction process</li> <li>■ Market potential EUR 10 billion</li> </ul>	<ul style="list-style-type: none"> <li>■ Stepping up growth in the lifting, handling and transportation equipment industry</li> <li>■ Establishment of an efficient manufacturing network in Central Eastern Europe and Russia</li> <li>■ Market potential EUR 5 billion</li> </ul>	<ul style="list-style-type: none"> <li>■ Strengthening of market leadership in the Nordic countries</li> <li>■ Transformation of sales structure from standard to special steel products</li> </ul>

**We provide solutions for chosen sectors based on customer needs.**



effective Eastern European and Asian producers. Furthermore, special steel products are less susceptible than standard products to business fluctuations in the steel markets. Besides specialisation, steel production is particularly addressing improvements in delivery reliability and flexibility.

### Diverse growth potential in Eastern Europe

Strong market growth in Eastern Europe translates into a major opportunity for all Ruukki's businesses. Ruukki is committed to a marked strengthening of its share of the market and growth in net sales in Central Eastern Europe, Russia and Ukraine.

Not only strongly growing construction in particular in these emerging markets, but also relocation of the production of the Western European engineering industry to these regions and the modernisation of local engineering industries create opportunities both for Ruukki Engineering and Ruukki Metals. Ruukki's strong presence in all target countries enables us to react quickly to market changes. Ruukki has had an active presence in Eastern Europe since the early 1990s and today has 42 sales offices, 21 processing units and around 4,300 employees in Eastern Europe. Major expansion investments were launched in Romania and Ukraine in 2006. On completion, these investments will enable Ruukki to considerably increase deliveries of commercial and industrial construction components and total solutions to customers in Ukraine, Romania and Bulgaria.

### Profitability is key to all operations

Business profitability takes precedence over volume in all Ruukki's operations. Customer service, delivery capacity and cost-effectiveness are being improved corporate-wide through the Ruukki United programme, which seeks to enhance and harmonise ways of working in different countries and businesses corporate-wide. The programme is also aimed at permanently reducing the cost structure and improving the

working capital turnover ratio. Cost savings are expected to have a positive impact of around EUR 150 million on the Group's operating profit by year-end 2008. By year-end 2006, roughly EUR 43 million of this figure had been achieved. Rationalising our ways of working is also expected to release a further EUR 150 million of working capital by year-end 2008. At year-end 2006, EUR 59 million of this target had been achieved.

### Acquisitions 2004–2006

	At time of purchase		
	Net sales, €m	Employees	Closed
TP-teräskeskus Oy	4	18	3/2004
Velsa Oy	47	400	10/2004
Metalplast-Oborniki	65	685	6/2005
Syneco Industri AB	37	495	10/2005
PPTH Steelmanagement Oy	101	500	1/2006
Steel-Mont a.s.	27	130	3/2006
000 Ventall	70	1,250	6/2006
AZST-Kolor CJSC	-	100	6/2006
AB Omeo Mekaniska Verkstad	23	55	1/2007

### Divestments 2004–2006

	At time of sale		
	Net sales, €m	Employees	Closed
Technology Sales unit	3	8	3/2004
Star Tubes Ltd	15	50	4/2004
Welding wire production	-	30	6/2004
Long steel products (Ovako)	600	1,900	5/2005
Froh HouseTech GmbH	12	50	9/2005
Halikko works	13	100	10/2005
Reinforcing steel business	328	690	8/2006
Metalplast Systems Sp.zo.o.	8	245	8/2006
Duisburg service centre	-	75	9/2006
Fredericia works	15	21	11/2006
Oy Ovako Ab	-	-	11/2006



In Estonia, Ruukki has a construction component factory and a service centre.

## Financial targets

Based on the growth strategy and the current structure, an annual target of 10 per cent has been set for growth in Rautaruukki's net sales. The operating profit target has been raised from 7 per cent to 12 per cent of net sales. The ROCE target has been revised upwards from 15 per cent to 20 per cent. The target for gearing is to keep it below 60 per cent instead of 80 per cent as earlier.

	Target	2006	Actual 2005	2004
Growth in net sales, %	10%	0.8	2.5	20.7
Operating profit, as % of net sales	12%	14.4	16.9	13.8
Return on capital employed, %	20%	31.5	32.8	26.0
Gearing ratio, %	< 60%	1.2	22.8	68.0

## Dividend policy

Ruukki's dividend policy is to pay a dividend of 40-60 per cent of earnings for the financial year. The goal is a steadily increasing dividend that takes into account the requirements for business growth.

	Target	2006	Actual 2005	2004
Dividend per share, €		1.50+0.50*	1.40	0.80
Dividend per earnings, %	40-60%	55.1*	41.9	34.7
Dividend, €m		276*	191	109

\* The Board of Directors proposes a dividend of EUR 1.50 per share and an additional dividend of EUR 0.50 arising from the profit of Ovako divestment.

Ruukki has diverse  
growth potential  
in Eastern Europe.



# Strong growth in customer industries

- **Strong growth in global economy, especially in Ruukki's core markets**
- **Boom in Eastern European construction market**
- **Healthy growth in order books in engineering industry**

On the operations front, 2006 was a good year for Ruukki against a background of exceptionally strong world economic growth. Economic growth in Ruukki's core markets - the Nordic countries, Baltics and Eastern Europe - was markedly stronger than in the rest of Europe. The economy in Euroland also considerably picked up. Continuing strong growth in Asia, especially in China, played a major role in driving the global economy.

### Strong construction growth in Ruukki's target markets

The European construction market developed encouragingly in 2006. Construction in Ruukki's target markets was up by an average of over seven per cent, with even stronger growth in Russia and Ukraine. Driven by the Swedish and Norwegian markets, construction also increased in the Nordic countries.

In Eastern Europe, particularly strong growth was witnessed in commercial and industrial construction and in infrastructure construction. Demand also picked up in the light of a rise in the market share of steel construction.

A shortage of raw materials on the growing markets slowed construction growth. Companies such as Ruukki, which produce their own raw materials, have the best chances of surviving in the scant raw material market. In the Nordic countries, the Baltics and parts of Russia, a shortage of skilled labour is slowing construction growth and pushing up labour costs. On

the other hand, the shortage of skilled labour is fuelling the demand for prefabricated construction products.

### Order books burgeoning in the engineering industry

Demand remained particularly strong in the engineering industry. Growth was in evidence in expansion projects and in investments on several continents. Further progress was made in focusing on core operations such as service and maintenance. Core production is being concentrated on concepts and components are now sourced in countries with lower production costs.

Order books in the lifting, handling and transportation equipment industry continued to grow strongly. Ruukki's customers have performed well and, in the light of market growth and healthy order books, can look forward to continued prosperity. The order books of materials processing suppliers are at a record high. The consumption and high price of metals is reflecting positively on the construction and mining machinery markets.

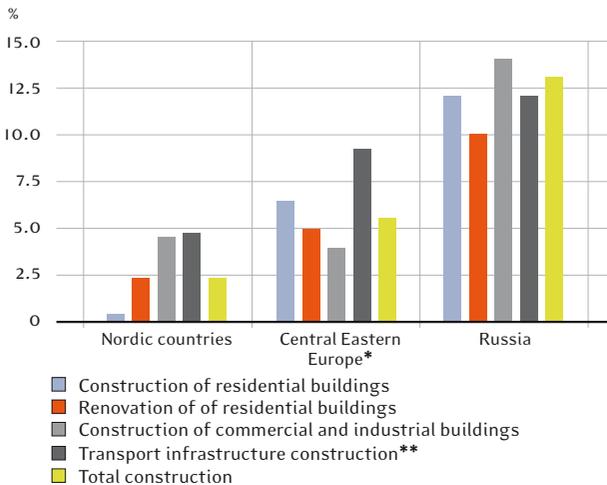
The growing global need for energy is driving the development of renewable forms of energy such as wind power. High oil prices and growing consumption are resulting in oil exploration in new, increasingly inaccessible areas. This has resulted in a major growth in demand in the offshore industry. Order books were healthy in the shipbuilding industry. Demand also held up well in the paper and wood processing industry.

### Consolidation gathered momentum in the steel industry

Consolidation within the steel industry gathered momentum in the first half of 2006 when Mittal Steel and Arcelor merged to create the world's largest steel company, with an annual

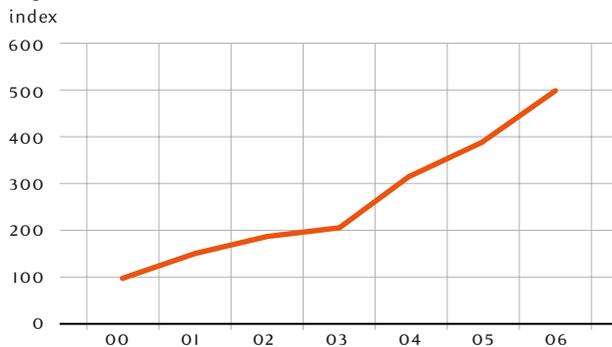
### Strong growth in target markets

Expected growth in volume, 2007



\* Poland, Czech Republic, Slovakia, Hungary  
 \*\* Road projects in Russia, road and rail projects elsewhere  
 Sources: Euroconstruct 12/2006, BuildEcon

### Increase in order books of Ruukki Engineering's key customers



Source: Order book data of Ruukki's key customers

steel output of around 115 million tonnes. The year under review also saw many other European, Russian and Asian steel companies hold merger talks. On the other hand, smaller niche steel companies continued to develop by dedicating themselves to special products or increasing the degree of upgrading in chosen customer segments.

**Keen demand for steel throughout the year**

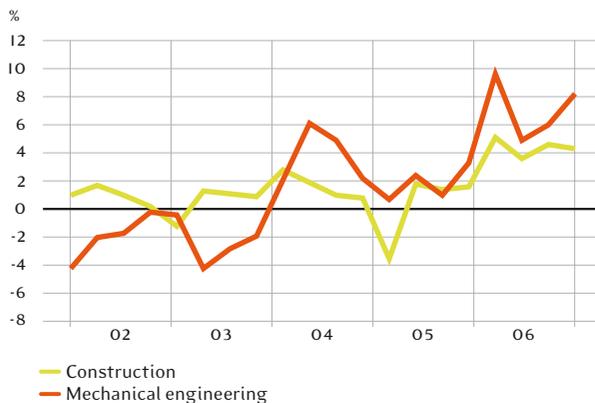
China, which makes around one third of the world's raw steel, is accounting for a growing share of the increase in world steel production. Steel production was also up in Europe, with strongest growth in the new EU Member States. Demand for steel in the European market remained keen throughout the year. Customer industries, especially the automotive and electronics industries, are increasingly relocating production to Central Eastern Europe and Russia. This has also resulted in the need for steel service centres and distributors in the region. The challenging needs of customer industries resulted in demand for special steel outpacing that for standard products.

Driven by low stocks and keen demand, prices of basic steel products began to rise during the second quarter of the year. In autumn 2006, the price of flat steel products was approaching the same level as in 2004. The cost of raw materials (concentrated iron ore and coal) and energy remained roughly the same as at year-end 2005, even though the price of coal and recycled steel started to fall slightly during the second half of 2006. In the early part of the year, China exported steel mostly to Asia and the United States. Whilst imports of Chinese steel to Southern Europe rose during the latter half of the year, they had no material impact on steel prices.

**Favourable business environment in 2006.**

**Industrial production in EU**

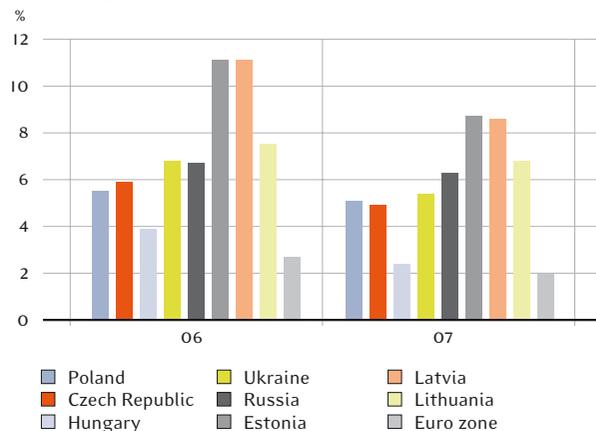
Year-to-year changes



Source: Eurofer, January 2007

**Strong growth expectations in Central Eastern Europe**

Expected growth in GDP compared to previous year



Source: Consensus Forecasts, January 2007

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# Case 2

## Wider range of products:

# Efficiency in bridge projects

### Shorter construction time an added bonus

The city of Jönköping in Sweden decided to build a new bridge across lake Munksjö to generate growth potential in the heart of the city and to strengthen the city's position as a local centre.

Skanska Sverige AB was the main contractor in the project, which was carried out between 2005 and 2006. Ruukki provided 35-44 metre piles for the project. PPTH, acquired by Ruukki in 2006, provided the load-bearing steel structures and pylons for the bridge.

Ruukki worked with the other parties involved in the project to innovate a suitable solution for the customer and adapted the construction plans to make them compatible with engineering production. Highly prefabricated products meant shorter on-site construction time, which in turn translated into cost savings for the customer. Prefabrication also reduced construction risks and ensured high quality.

Ruukki supplied the large steel piles and structures for the bridge, ready coated and to the exact measurements. The construction time was challenging and Ruukki delivered right on schedule.

Ruukki has carried out similar bridge projects in other Nordic countries and delivered bridge components for bridges spanning wide rivers in Hungary, Ukraine and Russia.

[www.ruukki.com](http://www.ruukki.com)

# Ruukki's expertise

## Solutions and processing expertise

### Ruukki Construction

Percentage of:

-  Net sales 23%
-  Operating profit 19%
-  Personnel 34%

### Ruukki Engineering

Percentage of:

-  Net sales 15%
-  Operating profit 20%
-  Personnel 15%

### Ruukki Metals

Percentage of:

-  Net sales 62%
-  Operating profit 69%
-  Personnel 12%

## Divisional overview

Ruukki Construction supplies metal-based solutions for building construction, especially for retail, industrial and logistics construction, as well as for infrastructure construction.

## Customer insight

- Developers
- Construction firms
- Distributors

## Production and sourcing expertise

### Sourcing

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### Logistics

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Ruukki Engineering supplies metal-based solutions to the lifting, handling and transportation equipment industry, as well as to the paper and wood processing, shipbuilding and offshore industries.

- Lifting, handling and transportation equipment industry
- Energy industry
- Wood processing industry
- Shipbuilding and offshore industry

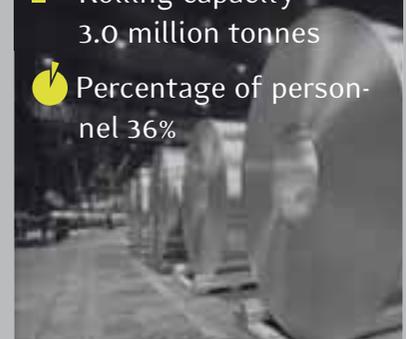
Ruukki Metals supplies a wide selection of steel, stainless steel and aluminium as standard and special products, parts and components.

- Small, medium and large enterprises using metal products

### Ruukki Production

- Steel production capacity 2.9 million tonnes
- Rolling capacity 3.0 million tonnes

■ Percentage of personnel 36%



Ruukki Production manufactures hot-rolled, cold-rolled and coated plate and strip products, as well as steel tubes for Ruukki's divisions with customer accountability.

## Ruukki Construction:

# Acquisitions fast-track growth in total deliveries

- Strong growth continued in core markets
- Good progress made with integrating acquisitions
- Investment projects launched in Ukraine and Romania

Ruukki Construction is a division specialising in customer-focused building and infrastructure construction solutions and supplies metal-based components, systems and total deliveries. The strategic intent is to become the leading supplier in the core market area of the Nordic countries, the Baltics, Central Eastern Europe, Russia and Ukraine. The aim is for profitable growth both organically and through further acquisitions. Implementation of the growth strategy is promoted by developing and drawing on new technological innovations.

### Customer-focused operations

Private and public sector developers, construction companies, facilities end-users and distributors constitute the key customer segments in building construction. Architects and structural engineers are important partners. Ruukki can deliver extensive total solutions for single-storey retail, logistics and industrial halls and for multi-storey office and hotel buildings. Total deliveries include foundations, the frame, façades and roof. Besides an extensive range of construction products and systems, Ruukki can also provide related design and installation services.

Ruukki focuses on road and railway construction and harbour projects in infrastructure construction and on piling and foundations solutions for building construction. Customers are contractors and developers. Designers are important partners.

### Further growth in net sales and operating profit

In 2006, Ruukki Construction's net sales were up by 51 per cent to EUR 829 million (550). Operating profit was EUR 101 million (86). The division accounted for 23 per cent of consolidated net sales.

Net sales and operating profit were fast-tracked by major acquisitions as planned, strong organic growth, increased construction activity in our core market on the back of a healthy market, as well as by rationalised business processes.

### Market remained healthy

Growth remained buoyant in building and infrastructure construction in Ruukki Construction's core markets. Healthy economic growth, an obsolete building stock and abundance of investments fuelled demand for Ruukki's services, especially in Central Eastern Europe. Demand also picked up in the light of a major rise in the market share of metal-based construction.

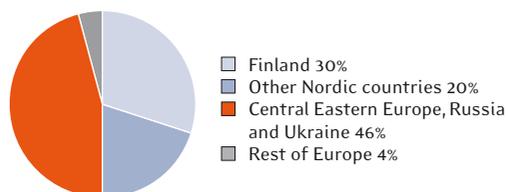
Sales of components remained good in the Nordic countries and the Baltics and there was a rise in the numbers of total deliveries. Delivery volumes for infrastructure construction grew throughout the year. Acquisitions resulted in increasing deliveries of bridge structures in particular. In Central Eastern Europe, total deliveries especially remained on a strong growth track. In Russia and Ukraine, systems and total deliveries accounted for a higher share of sales in tandem with sales of components.

### Acquisitions, investments and partnerships strengthened know-how

The year under review saw the completion of three acquisitions which expanded our know-how and production capacity in the building construction frame business in core market areas and strengthened know-how in bridge structures.



**Net sales by region 2006**



Acquisition of PPTH, the leading steel frame constructor in the Nordic countries, strengthened Ruukki's range of products and services especially in those countries. Steel-Mont, Slovakia's leading steel constructor, together with the acquisition of Metalplast in Poland in 2005 and a production investment in Hungary, have strengthened Ruukki's delivery capacity especially in Central Eastern Europe.

Acquisition of Ventall, Russia's leading supplier of steel frames and sandwich panels, enables Ruukki to step up and diversify its delivery capacity in the rapidly growing Russian market. Ruukki has expanded its operating area in Russia and, in addition to Moscow, St Petersburg and Oblinski, has local sales units in six cities: Yekaterinburg, Kazan, Nizhny Novgorod, Novosibirsk, Samara and Rostov.

Diverse new investment projects worth EUR 50 million in Ukraine and Romania were launched in 2006. On completion, these investments will enable Ruukki to considerably increase deliveries for commercial and industrial construction to customers in Ukraine, Romania and Bulgaria.

Strong growth in sales and production will require us not only to build on our own skills matrix, but also to establish a strong, reliable partnership network throughout the entire supply

**Key figures**

	2006	2005
Net sales, €m	829	550
Operating profit, €m	101	86
Operating profit, as % of net sales	12.2	15.6
Personnel at year-end	4,498	2,428

chain from the sourcing of raw materials to design and, when required, also installation services.

Ruukki's growth in the construction business means recruiting hundreds of people each year to ensure a strong local presence and competence. The challenge facing us is to constantly build on our competence and particularly to strengthen project management expertise. Alongside the sharp rise in employee numbers, Ruukki has also paid particular attention to personnel competence development and maintaining and improving safety at work.

**Work continues on developing operational models**

Business areas are responsible for design solutions and for production planning. This translates into more flexible and faster customer service. We intend to improve product range management to ensure continual competitiveness and profitability and to optimise cost-effectiveness in the supply chain.

The Ruukki United project defined corporate-wide ways of working for the order-delivery process and financial administration. First deployments of the IT application supporting ways of working will be in Ruukki Construction during 2007. The greatest benefits of the application will be enhanced customer service and delivery capacity.

**Ruukki has almost 1,900 employees in Russia.**



## Ruukki Engineering:

# Geared up for more extensive solutions

- **Market remained healthy**
- **Further improvement in profitability**
- **Greater cabin production capacity**

Ruukki Engineering supplies systems, components and parts to the engineering industry. For customers, the division seeks to be a strategic supplier that excels in increasingly more extensive solutions. Ruukki Engineering customers are leading globally operating European players in their respective fields.

For the lifting, handling and transportation equipment industry, Ruukki is a strategic solutions supplier that provides components and systems. For customers in the paper and wood processing, energy and offshore industries, Ruukki is a supplier of parts and components.

Ruukki Engineering has a strong focus on product development and design.

### **Market remained healthy**

The market remained healthy in all Ruukki Engineering's sectors in 2006. The share of systems deliveries to the lifting, handling and transportation equipment industry was up year-on-year. Deliveries rose, particularly to manufacturers of container handling equipment and to manufacturers of equipment used in the mining industry and construction.

The order books of corporate customers within the paper and wood processing industries swelled during the year. Further growth was witnessed in the market for wind farms, with new farms being planned in Finland, especially in coastal areas. Likewise, demand remained healthy in the shipbuilding and offshore industries, where order books also grew.

In 2006, Ruukki Engineering's net sales were up by 17 per cent to EUR 557 million (476). The operating profit was EUR 106 million (96). The division accounted for 15 per cent of consolidated net sales.

### **Greater manufacturing capacity**

The acquisitions of Velsa Oy in 2004 and Syneco Industri AB in 2005 enable Ruukki to provide its customers with even larger solutions ranging from cabins, frames, masts and booms to ready assembled end-products. Integration of the acquisitions into Ruukki has gone smoothly.

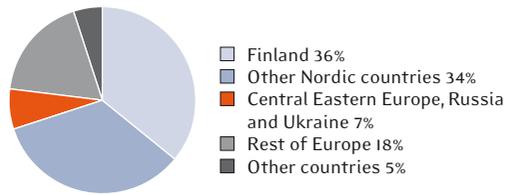
Cabin manufacturing capacity was increased in response to greater demand in the lifting, handling and transportation equipment industry and to streamline production. Summer 2006 saw a new cabin assembly plant come on stream at Kurikka in Finland. This move has increased manufacturing capacity by around one third. Cabin frame production was expanded in the Wroclaw unit in Poland, where welded components are made for the lifting, handling and transportation equipment industry. In the wake of increased demand, the Wroclaw manufacturing facilities were enlarged and a new paintshop was built. This began operating in January 2007. Ruukki Engineering supports the business of selected customers by establishing an effective operations network in Northern Europe and Central Eastern Europe.

In January 2007, Ruukki acquired AB Omeo Mekaniska Verkstad of Sweden. The deal strengthens Ruukki Engineering's position by adding to frame and boom solutions for customers in the lifting, handling and transportation equipment industry.

Increased quenching capacity for steel plates improved Ruukki's ability to deliver components made of high-strength steel. These components include booms, grabs and other lifting equipment.



## Net sales by region 2006

**Focus on product development**

Ruukki Engineering's efforts in product development foster our aim of providing total systems comprising welded components and ready-assembled systems for manufacturers of mobile machines.

Working together with partners, Ruukki launched product development projects for the wind power industry. Such projects included the development of a new generation of wind farm tower. Ruukki stepped up deliveries of parts to the wind power industry and began deliveries of components.

For the offshore industry, Ruukki delivered increasingly larger solutions in collaboration with a partnership network it coordi-

## Key figures

	2006	2005
Net sales, €m	557	476
Operating profit, €m	106	96
Operating profit, as % of net sales	19.0	20.2
Personnel at year-end	1,999	1,649

nated. Examples of this include pile anchors which Ruukki delivered to the North Sea, where they are used to attach tanker loading and unloading buoys to the sea bed.

**More effective operations**

Parts manufacturing operations were rationalised by merging the operations of two separate units in Tampere, Finland. Investments in new machinery and equipment increased parts manufacturing capacity at the service centre in Raahe, Finland.

Ruukki Engineering overhauled its organisational structure in order to better support the implementation of the strategy.

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In Poland, Ruukki has component factories and service centres.

## Ruukki Metals:

# Stronger than ever in home market

- Continued healthy demand for steel products
- Focus on special products
- Divestment of Nordic reinforcing steel business

Ruukki Metals supplies metal products in the form of standard and special products, parts and components. The division's competitiveness is based on a customer-focused way of working, an integrated supply chain, a range of products and services tailored for each market and an operational model ensuring speed and reliability.

In its core market area of the Nordic countries, Baltics and Russia, Ruukki Metals' strength lies in its unique total service concept consisting of deliveries from Ruukki's works and service centres complemented by materials from leading external suppliers. The range of products comprises an extensive selection of steel, stainless steel and aluminium and a diverse range of associated prefabrication services.

In other markets, especially in Central and Southern Europe, Ruukki Metals focuses on highly upgraded products developed for challenging applications in selected customer industries and on developing logistics and distribution channels to support this focus.

The division's customer sectors include construction, the automotive and transportation equipment industry, the engineering, household appliance and electronics industries as well as subcontractors and retailers. The division also plays an important role in supporting the solutions divisions and supplementing their products and services.

### Arrangements concluded in long steel products

August saw Rautaruukki sell its Nordic reinforcing steel business to BT Norway AS. The business was part of Ruukki Metals and included Fundia Armeringsstål AS and Fundia Armering AS in Norway, Fundia Betoniteräkset Oy in Finland, Fundia Armering AB in Sweden and Fundia Armering A/S in Denmark. In 2005, the reinforcing steel business had net sales of EUR 328 million, an operating profit of EUR 30 million and employed around 690 people.

### Continued healthy demand for steel products

In 2006, Ruukki Metals reported net sales of EUR 2,291 million (2,625), down 13 per cent compared to 2005. The fall in net sales was primarily attributable to divestment of the Nordic reinforcing steel business in August 2006 and the transfer of the bar and wire steel business to Oy Ovako Ab in May 2005. Operating profit was EUR 364 million (486). The division accounted for 62 per cent of consolidated net sales.

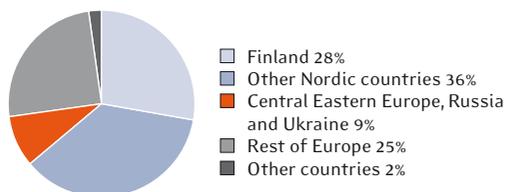
In 2006, comparable net sales were EUR 2,124 million (2,128) and the comparable operating profit was EUR 350 million (409).

Demand for steel products remained healthy in Ruukki's core markets. This also reflected in prices, which rose slightly with average prices for the year ending marginally higher than in 2005. Whilst wholesalers had topped up their stocks in the second half of the year in Southern Europe, stocks were at a normal level in Northern Europe. Strong demand and fluctuations in certain products even gave rise to supply problems, especially in the Nordic countries. The construction boom continued in Central Eastern Europe and resulted in increased demand particularly for coated flat products.



Ruukki has an extensive service centre network in Norway.

### Net sales by region 2006



### Good platform for growth in special products

Ruukki's strategy on the metal products front is to further strengthen its position in its core markets through a wide range of products and services and an unrivalled supply chain. In the Central and Southern European markets, Ruukki is focusing on the sales of special products and on developing supporting distribution channels. Ruukki focuses on special products by investing in high-strength steel grades.

The delivery capacity of the St Petersburg service centre in Russia was strengthened with a new combi line that combines cutting-to-length and slitting. Year-end 2006 saw the launch of a EUR 20-million investment programme aimed at enhancing the capacity of the service centre and preparing for future challenges in the growing Russian market.

The Hyvinkää service centre in Finland ordered a laser cutting line capable of handling large structural hollow sections. The

### Key figures

	2006	2005
Net sales, €m	2,291	2,625
Operating profit, €m	364	486
Operating profit, as % of net sales	15.9	18.5
Personnel at year-end	1,626	2,089

line is the first of its kind in Finland and is scheduled to come on stream in summer 2007.

In the Central European market, further progress was made with developing the sales structure and focusing on the deliveries of special products. To improve logistics, Ruukki opened distribution centres at Biatorbágy in Hungary and at Gliwice in Poland. The operations of the Duisburg service centre in Germany were sold. The centre mainly upgraded sheet products. The buyer assumed responsibility for the centre and its staff of around 75 persons on 1 September 2006.

Ruukki's strategic intent is to become a unified company with corporate-wide ways of working. As part of a development programme covering the entire company, also the company's information systems are to be harmonised. The first stage of the project was put in place in Ruukki's service centre in Finland, where a SAP-based ERP system was deployed in the autumn.

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## Ruukki Production:

# Production efficiency and flexibility

- **Greater special steel production capacity**
- **Positive progress in occupational safety**
- **Colour coating line came on stream smoothly in Ukraine**

Ruukki's production is organised within Ruukki Production, which manufactures hot-rolled, cold-rolled and coated plate and sheet products, steel tubes and cold-formed sections. Rautaruukki's reinforcing steel business was sold to BT Norway AS in August.

Ruukki Production has a steel works in Finland and 11 other production facilities in Finland, Sweden and Ukraine. Ruukki's divisions with customer accountability handle the process management and sales of products made by Ruukki Production.

Excellent cost-effectiveness, delivery reliability, flexible production and corporate-wide supply chain management are Ruukki Production's main goals.

Whereas the price of iron ore was slightly up, the price of coking coal fell. Zinc and energy prices rose on the world market. Hedging agreements ensure a more modest rise in the price of zinc than the rise on the world market. Long-term delivery contracts ensure the availability of raw materials. No steel slabs were purchased from outside suppliers, thus lowering production costs.

### **Good demand for plates and coated products**

Steel production totalled 3,217,000 tonnes (3,813,000), with the Raahelä Works in Finland producing 2,853,000 tonnes of steel (2,747,000). Between January and July, steel output at the Mo i Rana mills in Norway was 365,000 tonnes before divestment in August.

The greatest demand was for plates used in the engineering industry and shipbuilding and for coated sheet products used primarily in construction. Output of these products ran at full capacity throughout the year.

Production line operating reliability and efficiency was enhanced in different production units.

### **Greater capacity to deliver high-strength steel**

The second stage of upgrading the automation system at the hot strip mill was carried out in July. A new hot strip coiler that began operating at the mill in September enables thicker and high-strength steel grades to be coiled.

The direct quenching system for plates began operating for certain sizes in the autumn. Progress was made as planned with the second stage of the project and the entire system will be up and running in summer 2007.

A decision was taken in the autumn to invest in a new plate cold leveller in the plate mill. Also ladle metallurgy capacity is to be raised. The investments will increase the production capacity of demanding special steel and are scheduled for completion during 2008.

In December, a decision was made to increase the capacity of the cutting line at the hot strip mill and to expand the size range. These projects will take place over a three-year period. The investments mean Ruukki will be able to step up the production of ultra-strength structural steel and wear resistant steel grades much faster than originally intended.

These investments support Ruukki Engineering's business in the lifting, handling and transportation equipment industry and in growing the share of high-strength steel in Ruukki Metals' sales.



The colour coating line acquired in May at Antratsit in Ukraine came on stream in July and serves Ruukki Construction's customers in the growing Russian and Ukraine markets. Production has gone to plan.

At the end of 2006, Rautaruukki divested the operations of the Fredericia works in Denmark. The unit manufactures cold-formed sections.

#### Lower accident frequency rate

Ruukki Production pressed ahead with unit-specific safety training and training was exported to sites outside Finland. Positive progress was made with attitudes and working practices. The accident frequency rate continued to fall year-on-year and was down to 22 accidents (25) per million working hours.

#### Ruukki's production capacity

##### Steel production

Raahe  
2.9 Mt steel



##### Standard products

plates	0.61 Mt	Raahe
hot rolled sheets	0.45 Mt	Raahe
cold rolled sheets	0.12 Mt	Hämeenlinna
galvanised sheets	0.51 Mt	Hämeenlinna
colour coated sheets	0.35 Mt	Hämeenlinna, Kankaanpää, Antratsit, Gävle, Anderslöv
tubes and cold-formed sections	0.52 Mt	Hämeenlinna, Lappohja, Oulainen, Pulkkila, Toijala, Virsbo

##### Production site

#### Key figures

	2006	2005
Steel production, 1000 t	3,217	3,813
Accident frequency rate, per million working hours	22	25
Personnel at year-end	4,782	4,976

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Ruukki has product and component manufacturing facilities in Sweden.

## Higher investment in R&D

- **Customers in key position in solutions development**
- **Main focus on high-strength steels in steel grades R&D**
- **Cost savings through process development**

A total of EUR 22 million was spent on R&D. Two thirds of this sum was spent on developing solutions and one third on developing production methods and processes.

Product development resources were strengthened and, in line with Ruukki's chosen strategy, increasingly aimed at innovating solutions that create value added for customers. A development team providing expert services was set up at corporate level to assist business groups. Towards the end of the year, the team launched an extensive project to explore the use of laser technology. New generation steel solutions for construction and engineering industry customers will be developed within the framework of this project.

### **Innovations to rationalise the construction process**

Ruukki Construction is investing in the development of a new technology to rationalise the construction process. Particular areas of development are construction industrialisation and the optimisation of total deliveries. The aim is to rationalise the customer's business by cutting construction times and by reducing the work done and number of persons required on site. Work continued on the development of integrated frame and envelope structures to this end. A new system was innovated for the foundations of single-storey buildings to enable work on erecting the frame to get under way earlier than before.

Ruukki doubled the number of patent applications during the year under review in the wake of a streamlined, more systematic approach to its quest for and development of new innovations. A major improvement in the properties of coated sheets through long-term development in production technology

provides a sound platform for the product development of façade structures in particular.

Welded tubes and structural hollow sections form the basic elements in most steel structures. Optimal structural design is based on making use of the properties of these elements. High-strength steel and management of the entire production chain provide a sound platform on which to work in partnership with end customers to develop low-cost structural hollow section structures.

### **Light-weight solutions for lifting, handling and transportation equipment**

R&D in lifting, handling and transportation equipment is based on strong excellence in materials technology, complemented by product design, an insight into manufacturing technology and industrial design. Additional resources and acquisitions enable us to provide total solutions comprising welded components and ready systems for manufacturers of mobile machines.

In cabin product development, new projects were launched for existing customers and products developed for new customers were added to our product range. The focus was on the use of ultra-strength steels in welded structures. These will help to considerably improve the performance and transfer capacity of lifting equipment and mobile machines.

Work continued to forge ahead on the development of high-strength hot rolled steels and their applications to strengthen the product base. Higher strength translates into lighter structures, greater bearing capacity, more efficient use of space, and a longer life span and the safety of end products.

Ultra high-strength structural steel Optim 1100 QC in the 3-6 millimetre range was included in the production programme during 2006. The production of thicker, direct-quenched sheets will be possible on completion of the equipment investment project currently in progress. More resources are being channelled into management of the challenging manufacturing process and into work on developing direct-quenched products.

**Ruukki's R&D is focusing on developing new customer applications and solutions.**

**High-strength products for vehicles**

Many vehicle manufacturers are increasingly shifting over to using high-strength steels in a bid to make structures lighter and to cut fuel consumption. Ruukki is at the leading edge of developing and making dual phase (DP) steel. Work on developing the product family of DP steels pressed ahead by expanding the testing of customer applications to DP 1000 steel grades. The development of transformation-induced plasticity (TRIP) steel grades progressed from the laboratory to full-scale production tests.

**Longer-lasting, multi-feature coatings**

Coatings development is driven by coating durability, appearance and environmental aspects. A promising new field is functional coatings, to which more resources were directed. Several projects are underway to develop functional coatings and their curing methods. In line with the requirements of the RoHS Directive (Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment), the company shifted over to completely chrome-free coatings in products supplied to the electrical and electronics industry. Such products are used in housing for electronic equipment and in lighting frames.

**More efficient, environmentally friendly production technology**

Production technologies were developed for the manufacture of new, ultra high-strength strip steel and flat products. Dual phase vacuum treatment was used in the manufacture of ultra low carbon bainite steels to achieve low carbon and hydrogen content. High performing flat products and new direct-quenched flat products call for good control of hydrogen content.

A reduction in carbon dioxide emissions was studied by participating in the joint European ULCOS project. The first phase is evaluating all possible ways to cut emissions. This will be followed by a second pilot phase to test the function of the most promising technologies.



**Manufacture of integrated façade elements at the Pärnu plant**

Ruukki introduced an integrated 3-D design and manufacturing process with investment in a new stud machine at Pärnu, Estonia. The 3-D model can be used direct in the manufacture of elements, thus making the process distinctly more efficient, reducing errors and making design work much more interesting. The way of working based on the product model will also enable scheduling and pricing to be linked to the same 3-D model.

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## Case 3

### In-depth materials expertise:

## Sturdy road transport equipment

Siimet Oy's roots date back to the mid-1940s. Specialising in the design and manufacture of special-purpose transport equipment for use on roads and in industry, the company makes around ten customised platforms each year. The latest platform model, which is almost 19 metres long and has a load-bearing capacity of 80 tonnes, was launched in spring 2006.

Although Ruukki has long been a major supplier of materials to Siimet Oy, recent years have seen the customer relationship intensify into a partnership, in which Ruukki's technical customer service is actively involved.

#### **Choice of the right steel means less weight**

"The plates used in the new platform are of ultra high-strength steel with a yield strength of 700 N/mm<sup>2</sup>. We reached this solution after consultation with Ruukki's experts. Besides this, the frame structure features Ruukki's high-strength structural hollow sections, which make the platform 2,500 kg lighter," says Markku Häkkinen, Siimet's managing director. The weight saved is a major advantage since we can increase the payload accordingly. Additionally, in fast-paced projects, it's important to get the right material at the right time.

#### **Based on customer's wishes**

"It all starts with the end-user's wishes and requirements. Siimet knows the performance it expects of its raw materials and together we explore the options available," says Ruukki's sales representative Jarkko Tynys, who has been working with Siimet for 11 years.

When designing the new platform, Siimet chose high-strength steel as the material after accurate calculations. Ruukki's technical customer service helped in issues relating to welding technology, for example, since high-strength steel requires different treatment to conventional steel.

The Siimet plant is in Mikkeli, Eastern Finland. Here you can see Ruukki's sales representative Jarkko Tynys and Siimet Oy's managing director Markku Häkkinen watching a platform being made.

[www.ruukki.com](http://www.ruukki.com)

## Responsibility in managing environmental issues

- **Division-wide certifications for environmental management systems**
- **Preparations for second emissions trading period**
- **New environmental permit for the Raahe Works**

### Each of Ruukki's employees is responsible for the environment

The environmental policy, which was updated in 2005, governs environmental protection at Ruukki. Within Ruukki's Extended Management Group, environmental issues are the responsibility of the Senior Vice President, Technology, under whom the Vice President, Energy and Environment coordinates environmental issues.

During 2006, Ruukki pressed ahead with the introduction of corporate-wide procedures for environment, health, safety and quality systems. The divisions and individual sites have operative responsibility for environmental issues.

Responsibility for environmental issues means effectively minimising the environmental impacts of a product throughout its life cycle. Operations are subject to the Group's environmental objectives, which during 2005 and 2006 were to develop environmental management and energy saving activities, to reduce waste and promote product related environmental issues.

The environmental management systems at Ruukki's main production sites have been certified in accordance with ISO 14001. At year-end 2006, these systems covered 95 per cent (96 in 2005) of production and 70 per cent (77) of employees. During 2006, Ruukki Production and Ruukki Construction's site-specific environmental management systems were brought together under division-specific certificates, which cover the main sites and operations. Work has started on a similar study in Ruukki Engineering and Ruukki Metals.

### Environmental investments in many places

In Finland, work continued on major repairs to the pre-heaters of the blast furnaces at the Raahe Works. This project is expected to deliver significant energy savings. Also at Raahe, work was carried out to improve the environmental safety of the coal tar processing system in the coking plant. Two new gas scrubbers were acquired for the welding lines at Sundern in Germany and a new recoverable hydrochloric acid loading and discharge area, complete with run-off basins was built at Hämeenlinna in Finland. At the Kankaanpää Works, Finland the furnace and afterburner of the coating line were replaced to, among other things, reduce VOC emissions (Volatile Organic Compounds). Ruukki spent a total of EUR 8 million on environmental investments in 2006.

### New environmental permit for the Raahe Works

In February 2006, the Raahe Works received a new environmental permit in accordance with the IPPC (Integrated

Pollution Prevention and Control) Directive. The permit was appealed because the company considered the timescale to be too tight to make the investments required by the decision. A decision on the appeal is expected during 2007.

The permit decision reversed the authorities' earlier decision that the mineral products generated in iron- and steel-making be classed as waste. This interpretation promotes use of the products in earthworks and road construction, cement-making and soil conditioning.

### Chromium-free products

The EU's Directive on the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive) entered into force at the start of July 2006. At Ruukki, this marked the end of using hexavalent chromium (Cr6+) to protect galvanised products against corrosion and to pre-treat coated products for the electronics industry. Since the start of 2006, Ruukki has supplied products based on trivalent chromium or completely chromium-free products. Modernisation of equipment carried out towards the end of 2006 enabled a significant increase in the production of hexavalent chromium-free products.

### Two years of emissions trading

At year-end 2006, the Raahe Works and steam boilers at the Hämeenlinna Works fell within the scope of EU emissions trading as regards Ruukki's operations. The Mo i Rana rolling mill comes under the Norwegian emissions trading scheme. In 2006, Ruukki's total carbon dioxide emissions were 5.0 million tonnes.

In the initial allocation of emissions allowances, Ruukki received a total of 18.6 million allowances, equivalent to 18.6 million tonnes of carbon dioxide emissions. In conjunction with corporate divestments, 3.2 million allowances were transferred to Oy Ovako AB in 2005 and 0.2 million allowances to BT Norway AS in 2006. Verified carbon dioxide emissions in 2005, excluding Ovako, were 4.83 million tonnes, of which the share of the operations transferred to BT Norway AS accounted for 0.05 million tonnes.

Owing to the reduction in carbon dioxide emissions resulting from production acclimatisation at the Raahe Works during 2005, Ruukki sold emission allowances for EUR 3 million during 2006. This transaction has no material impact on the income statement. At Ruukki, trading in emissions allowances is coordinated in accordance with the company's risk policy.

During 2006, Finland submitted its national allocation plan for the next emissions trading period, 2008-2012. The initial allocation plan requires the approval of the European Commission.

### New chemicals legislation changes ways of working

The EU's REACH Regulation (Registration, Evaluation and Authorisation of Chemicals), which aims at the safe use of chemicals and substances was approved in December 2006. The Regulation shifts the onus on the safe use and assessment

of the possible hazards of substances from the authorities to industry.

REACH puts obligations on Ruukki as a user, importer and manufacturer of substances. The Regulation will mean the registration of many substances and increased communication along the supply chain. Ruukki has prepared for the Regulation by updating existing product data safety sheets and by charting critical substances as regards production.

**Further information  
in the Corporate responsibility  
report or at  
[www.ruukki.com](http://www.ruukki.com)**

**Corporate responsibility**

Ruukki complies with the principles of sustainable development in its operations. In Ruukki, the actions of each employee are steered by the Code of Conduct and actions of senior management by the Corporate Governance.

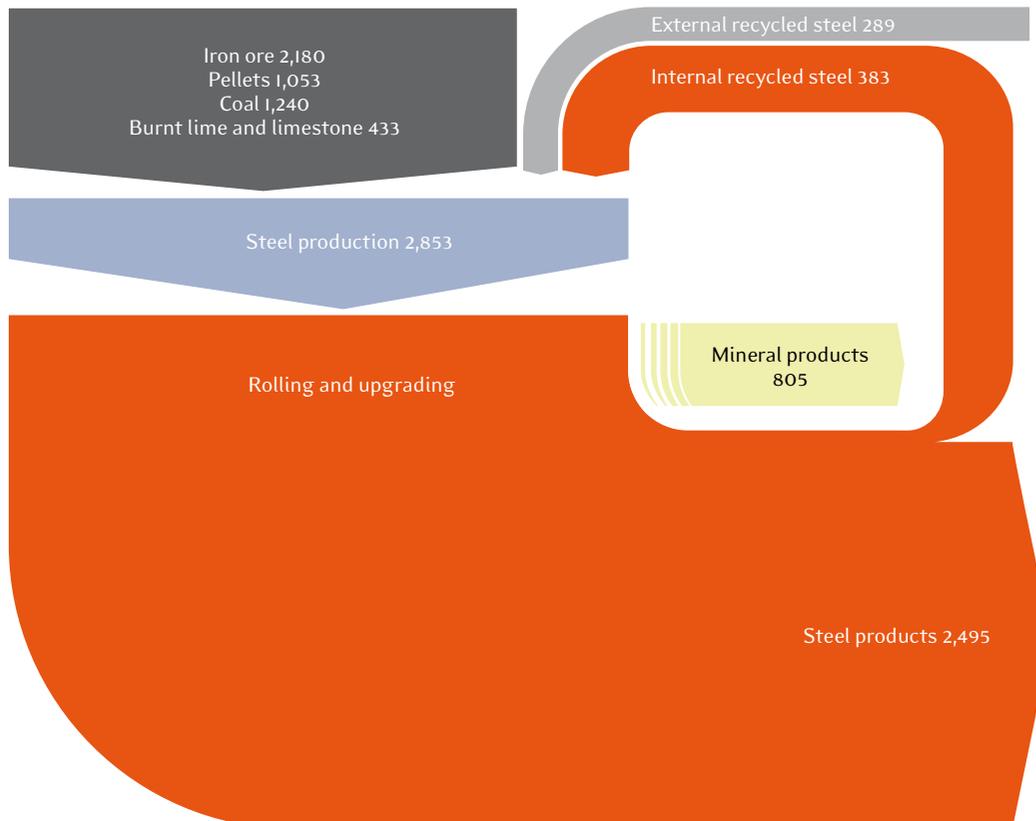
Corporate responsibility seeks to safeguard Ruukki's long-term operating conditions. These include profitability, the commitment and availability of skilled personnel and continuous improvement of operations, also in environmental protection.

Profitable growth safeguards the conditions of corporate responsibility and underpins shareholder value. For customers, Ruukki is committed to being a reliable supplier whose solutions business reduces exposure to cyclical fluctuations.

Ruukki respects the universally adopted human rights enshrined in international declarations and places particular emphasis on employee competence and development.

**Steel recycling in Ruukki**

1,000 tonnes



Steel is the world's most recycled material. Its properties do not weaken from one recycling stage to the next.

In ore-based production up to 20-30 per cent of used raw materials is recycled steel.

Steel's magnetic properties and a global recycling market help promote the post-usage recycling of end-products.

In 2006, Ruukki used 672,000 tonnes of recycled steel, an average of 76,700 kilos per hour.

The mineral products derived as by-products are used in earthworks and road construction, the cement industry and as soil conditioners.

## Personnel competence plays key role

- **Safety management delivers good results**
- **International management training programmes foster competence development**
- **Ruukki-wide employee opinion survey serves as basis for development and management**

Growth in the solutions business and its focus on Central Eastern Europe and Russia, acquisitions, the harmonisation of operations and the near future retirement of many experienced employees pose new challenges, especially on the resourcing and competence development fronts.

Ruukki has reviewed personnel development and management in accordance with business targets and the extensive corporate-wide employee opinion survey conducted in early 2006. The survey showed that Ruukki's people experienced a strong feeling of team spirit and confidence in intra-group cooperation. Ruukki's employee satisfaction index of 60.4 is on a par with the international average.

Focal areas of human resources (HR) management are on competence development at the customer interface, effective resources management and the development of a shared international management culture.

### **Focus on human resources management**

At year-end 2006, Ruukki had a total of 13,303 employees across 23 countries. During the year under review, acquisitions meant Ruukki took aboard some 2,000 new employees, whereas divestments resulted in around 1,000 persons leaving the company. Working practices in HR management have been enhanced to ensure the successful integration of the personnel of an acquired company.

Ruukki is also strongly growing organically. We plan to meet new needs by making more effective use of internal job mobility and competence development. In recruiting, ways of working were reviewed across our entire area of operations.

### **Competence development**

Competence development seeks to ensure that Ruukki has the skilled people to meet its business goals now and in the future. Competence is developed through acquisitions, the recruitment of experts - especially for sales - internal job rotation, the development of working practices, mentoring and various training programmes.

Ruukki's own training is aimed at speeding up strategy implementation and the building of a unified company. Training content particularly takes into account customer-focus, special annual themes - such as safety and delivery reliability - and unified ways of working.

The main development programmes for Ruukki's management and key employees were the Talent, Excellence and Strategy training programmes. Safety Management, the most extensive programme in terms of participant numbers, has been taken to other countries where Ruukki has a presence.

Development discussion practice is an inherent part of the company's annual planning. The discussions review the personal targets for each employee and make a development plan based on competence evaluation.

### **Motivating reward system**

All Ruukki's personnel belong to a profit sharing scheme. The bonus distributable to employees on the basis of 2006 earnings is EUR 8 million.

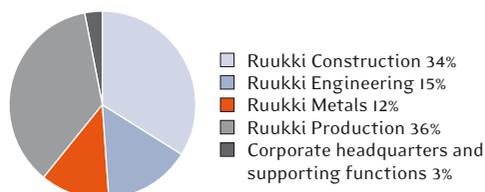
Part of the bonus of salaried employees covered by the performance bonus scheme is linked to personal targets and performance. Ruukki also has share bonus schemes for management. These are presented in greater detail on pages 51-53.

### **Professional skills through training by recruitment**

Ruukki has long recognised the opportunities provided by training by recruitment to secure skilled labour. Ruukki Industrial Institute enables further vocational qualifications and specialist vocational qualifications to be awarded in training for production foremen positions, for example.



**Personnel by division at 31 December 2006**



**Accident frequency**



Young Professionals, the long induction programme for young university graduates, has proved to be a successful way of recruiting and introducing young people to challenging jobs. Ruukki is currently developing forms of training by recruitment in response to the challenges posed by internationalisation and changes in our business operations.

**Accident-free operations through safety management**

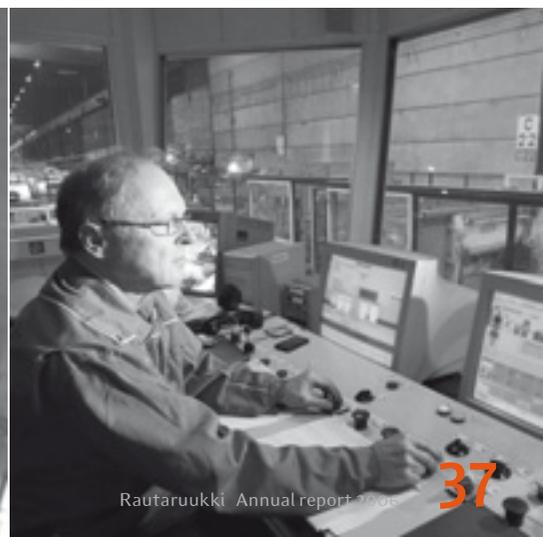
Safety management training and the development of safety issues continued in 2006. A safe working environment is an inherent part of corporate responsibility and improves operational quality. In 2006, the accident frequency rate across the Group was 21 (24). The aim is to achieve a further marked

**Personnel by country at year-end**

	2006	2005
Finland	7,157	6,601
Russia	1,880	216
Poland	1,161	1,260
Sweden	691	865
Norway	479	834
Germany	327	449
Ukraine	330	186
Estonia	259	203
Slovakia	201	38
China	171	123
Czech Republic	139	79
Hungary	128	96
Latvia	100	84
Lithuania	90	84
Netherlands	61	71
Other countries	129	231
<b>Total</b>	<b>13,303</b>	<b>11,374</b>

improvement in the accident frequency rate. Safety management is part of operative management and the responsibility for ensuring safety rests with everyone. The goal is to work proactively to prevent the occurrence of hazardous situations and accidents.

Spring 2006 saw the adoption of corporate-wide safety management principles, which impose new basic safety requirements to be complied with by each unit. Targets have been set for the numbers of accidents, hazardous situation reports and the severity of incidents. Occupational safety starts from identifying, managing and eliminating the risks arising in the everyday working environment and on actions to continually improve safety. In many units, safety is part of the bonus scheme.



*more* with metals





## Case 4

### Total component delivery:

## Advanced reachstacker

Kalmar is part of Cargotec and the global market leader in providing equipment and services for container and other heavy material handling.

Ruukki has been supplying Kalmar with components and systems for years and seeks to play a larger role in the customer's value chain. Kalmar is interested in a supplier with the resources to develop operations at the start of the supply chain and the capacity to enter new market territories with its globally-operating customers.

Used to handle containers at ports and terminals, the ContChamp reachstacker is an excellent example of long-standing cooperation between Ruukki and Kalmar. Ruukki supplies the ContChamp's frame, steering axle and ready-fitted cabin, which the customer incorporates into the machine. Cooperation has further intensified since Ruukki began to provide booms.

### Customer is able to focus on own core business

It is not without good reason that the global market leader in container handling equipment has chosen Ruukki as its supplier in producing Kalmar's most-advanced reachstacker. Ruukki's design, materials and welding excellence, in tandem with flexible logistics, enable Kalmar to focus on its own core business.

Ruukki is continually enhancing its design, production, tools and process competence to boost efficiency and to improve the competitiveness of its customers. The importance of welding excellence is particularly highlighted in making booms, whose challenging telescopic structure requires the utmost straightness. Ruukki's flexible logistics ensure timely and accurate deliveries of ready-to-assemble components for the customer's assembly process.

[www.ruukki.com](http://www.ruukki.com)

## Rautaruukki's administration principles

### General principles

Administration at Rautaruukki is based on the laws of Finland, the Articles of Association and the corporate governance principles adopted by the company's Board of Directors. Rautaruukki's shares are listed on the Helsinki Stock Exchange and the company complies with the Exchange's rules and regulations applying to listed companies. Rautaruukki complies with the corporate governance recommendation for listed companies issued by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers and with the Guidelines for Insiders issued by the Helsinki Stock Exchange.

Rautaruukki's corporate responsibility is guided by ethical principles, a Code of Conduct, which serves as a basis for the company's administration and dealings with stakeholders. Each and every employee at Ruukki undertakes to comply with the company's ethical principles and to ensure he or she is familiar with and complies with valid legislation in his or her work.

### Governing bodies

Responsibility for the administration and operations of the Rautaruukki Group is vested in the governing bodies of the parent company, Rautaruukki Corporation. These bodies are: the General Meeting of Shareholders, the Board of Directors, the Supervisory Board and the President & CEO.

#### Rautaruukki's governing bodies



### General meetings of shareholders

Ultimate decision-making power is vested in Rautaruukki's General Meeting of Shareholders, which convenes at least once a year. The Annual General Meeting must be held each year before the end of May and transacts the business assigned to it pursuant to the Finnish Companies Act. Such business includes adopting the accounts and proposed dividend, appointing the Board of Directors, the Supervisory Board and the auditor and approving their emoluments.

Notice of general meetings is given by the Board of Directors no earlier than two (2) months and no later than seventeen (17) days before the meeting.

### Nomination Committee

#### appointed by the General Meeting

The Nomination Committee appointed by the Annual General Meeting on 23 March 2006 prepares proposals for appoint-

ments to the Board of Directors and for the emoluments of Board members for presentation at the following Annual General Meeting. The Nomination Committee consists of representatives appointed by the three (3) largest shareholders as at 1 November preceding the General Meeting, and the Chairman of the Board of Directors as an expert member. The Chairman of the Board convenes the Nomination Committee. The Committee must submit its proposal to the company's Board of Directors by 1 February preceding the Annual General Meeting.

Rautaruukki's three largest registered shareholders as at 1 November 2006 were the Finnish State, Esa Rannila and Varma Mutual Pension Insurance Company, whose representatives on the Nomination Committee are Markku Tapio, Esa Rannila and Matti Vuoria respectively.

### Board of Directors

The General Meeting elects the Chairman, Deputy Chairman and other members of the Board for a term of office lasting one (1) year at a time. Besides the Chairman and Deputy Chairman, the Board of Directors consists of between two (2) and six (6) other members. Rautaruukki's President & CEO attends meetings of the Board of Directors. During the term of office lasting from 23 March 2006 to 20 March 2007, the Board had eight (8) members and during the previous term seven (7) members. In 2006, the Board of Directors met 12 times of which four meetings were held by telephone. The average attendance rate at Board meetings was 98 per cent.

The Board of Directors is responsible for the company's administration and proper arrangement of its business operations, oversees operations and management and decides on significant matters relating to the company's strategy, investments, organisation and finance. The Board approves its own working order. The main responsibilities of the Board of Directors are to:

- set long-term goals and approve strategies,
- approve annual plans and the organisational structure,
- appoint the President & CEO and other senior management,
- confirm the principles of performance-related pay and bonus schemes,
- decide overall capital expenditure and the largest individual investments,
- approve the principles Rautaruukki is to comply with, such as corporate governance, risk management, financial control, financing and HR management and
- oversee proper arrangements for accounting and asset management.

### Emoluments paid to the Board of Directors

€	2006	2005
Chairman of the Board	56,300	51,500
Deputy chairman of the Board	39,900	38,600
Other members of the Board	204,000	168,800

The Board of Directors sets the profitability and equity ratio targets as the benchmarks for creating economic value added. The Board monitors how these principles are implemented and annually assesses its own work and ways of working.

#### Independence of Board members

The Board of Directors has assessed the independence of its own members. All members are independent of the company and all members, except for Kalle J. Korhonen, are independent of the company's major shareholders.

#### Board Committees

The Board of Directors' committees assist the Board by preparing matters within the Board's remit. The Board of Directors has two permanent committees, the Audit Committee and the Compensation Committee, and oversees the work of the committees.

#### Audit Committee

In 2006, the Audit Committee had four (4) independent members: Pirkko Juntti (chair), Maarit Aarni-Sirviö, Christer Granskog and Reino Hanhinen. The Committee met six (6) times.

The Audit Committee assists the Board of Directors in carrying out its supervisory duties, prepares and assesses risk management, internal control systems, financial reporting, the external and internal audits.

Members of the Audit Committee must possess broad business knowledge and adequate experience of financial and supervisory matters.

#### Compensation Committee

In 2006, The Compensation Committee had three (3) members: Jukka Viinanen (chair), Georg Ehrnrooth and Kiuru Schalin. The Committee met five (5) times.

The Compensation Committee is tasked with ensuring the objectivity of decision-making, furthering achievement of the company's goals through incentive schemes and with ensuring the transparency and systematicness of remuneration systems. The Committee prepares and assesses remuneration and appointment matters relating to the President & CEO and other senior management and incentive schemes for the rest of the personnel.

#### Emoluments of Board members

The Chairman of the Board of Directors receives an emolument of EUR 4,000, the Deputy Chairman EUR 2,700 and other

members EUR 2,200 a month. A fee of EUR 500 is paid for Board and Committee meetings.

#### Supervisory Board

The Annual General Meeting elects the Supervisory Board for a term of office lasting one year at a time. The Supervisory Board consists of five (5) to twelve (12) members. The Ministry of Trade and Industry is entitled to appoint one (1) member and the company's founding shareholders two (2) members. There were nine (9) members in 2006. Four (4) representatives appointed by employee groups attend Supervisory Board meetings, at which they have a right to be present and to speak. In 2006, the Supervisory Board met four times. The average attendance rate was 77 per cent.

The Supervisory Board oversees the administration of the company for which the Board of Directors and President & CEO are responsible.

#### Emoluments of Board members

The Chairman of the Supervisory Board receives a fee of EUR 1,000, the Deputy Chairman EUR 600 and other members EUR 500 a month. A fee of EUR 200 is paid for meetings.

#### President & CEO

The Board of Directors appoints the President & CEO, who is responsible for managing the Group's business in accordance with the Finnish Companies Act, the Articles of Association and the instructions issued by the Board of Directors. The President & CEO manages and oversees Rautaruukki's operations and those of the business divisions. He also chairs the Management Group and divisional Steering Groups.

The President & CEO is entitled to retire on a full 60 per cent pension at the age of 60. He is also entitled to severance pay corresponding to 24 months' salary if dismissed by the company.

#### Management Group

The President & CEO and other persons appointed by the Board of Directors form the Management Group, which assists the President & CEO in preparing business plans, the strategy, acquisitions, operating principles and other corporate-wide matters for the business divisions and groups.

At year-end 2006, the Management Group had seven (7) members and the Extended Management Group an additional four (4) members.

#### Emoluments paid to the President & CEO and the Management Group

€	Salaries and fringe benefits		Performance bonuses		Share bonuses		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
President & CEO	484,729	426,426	170,005	128,280	2,726,737	-	3,381,470	554,706
Other members of the Management Group	1,070,498	936,044	266,537	285,454	5,020,992	1,196,676	6,358,027	2,418,173

### Group business organisation

Rautaruukki's business operations are organised by division. The presidents of the divisions report to the President & CEO and inform him of the business environment in their respective division. Divisional presidents are responsible for developing the operations of their respective division, for its performance and equity, as well as for arranging its administration.

In managing the Group, the President & CEO is assisted by the Management Group and corporate headquarters staff, who are tasked with strategic planning, business development, logistics, communications, R&D, human resources, finance and treasury, investor relations, IT and legal affairs. The Group's headquarters staff also comprises functions providing services to the divisions and their units.

### Division Steering Groups

Acting on the proposal of the President & CEO, the Board of Directors of the parent company appoints Division Steering Groups from amongst senior Group and divisional executives. Employees also have a representative in each Steering Group. The President & CEO of the parent company serves as the Chairman of the Steering Groups, which consider matters relating to divisional development and monitoring.

### Long-term incentive schemes

Rautaruukki's long-term incentive schemes consist of the Group's two (2) share bonus schemes (2000 and 2004) for key persons and a bond loan with warrants (2003) targeted at the personnel and Rautaruukki's Personnel Fund. For more information on the incentive schemes, see pages 51–53.

### Monitoring system

The management system referred to above ensures the control and monitoring of Rautaruukki Group's operations. The Group employs the reporting systems required to effectively monitor business. Ultimate responsibility for the proper arrangement of accounting and supervision of asset management is vested in the Board of Directors. The President & CEO is responsible for ensuring that accounting complies with legal requirements and that asset management is reliably organised.

### Internal audit

Internal audit examines and evaluates the appropriateness and functioning of the Group's internal auditing system, the suitability and efficiency of functions, the reliability of financial information and reporting and compliance with rules, operating principles and guidelines. Rautaruukki Group's internal audit reports to the President & CEO. The reports are also submitted to the Chairman of the Board of Directors and the Audit Committee. The audit plans are presented to the entire Board of Directors. The Group's auditor evaluates the effectiveness of internal controls as part of legality control.

### Audit

Through its global organisation, the firm of authorised public accountants appointed by the Annual General Meeting to audit the parent company carries out an audit of the entire Group and is responsible for auditing the accounting records, financial

statements and the administration. The auditor of the parent company must also audit the consolidated financial statements. The auditor's term of office comprises the financial year under way at the time of appointment and expires at the end of the first Annual General Meeting following appointment.

Rautaruukki's auditor is Ernst & Young Oy and the principal auditor Pekka Luoma, Authorised Public Accountant.

### Auditor's fee

Fees paid to independent auditors for the audit and other services relating to the 2006 financial statements are:

- Audit and closely related fees: EUR 1,724,000 (1,293,000 in 2005)
- Other services: EUR 373,000 (468,000).

### Insiders

Under the Finnish Securities Markets Act, Rautaruukki's public insiders are the members of the Board of Directors and the Supervisory Board, the President & CEO and his deputy, as well as the principal auditor. Under a decision taken by Rautaruukki's Board of Directors, members of the Management Group and Extended Management Group are also counted as public insiders. Information about the interests in Rautaruukki of public insiders and their related parties is public. Besides a public insider register, Rautaruukki also keeps a company-specific and a project-specific insider register. Permanent company-specific insiders are persons who, by virtue of their position or duties, regularly receive insider information and whom the company has defined as company-specific insiders. The company-specific register is not public.

Rautaruukki complies with the insider guidelines of the Helsinki Stock Exchange that entered into force on 1 January 2006. The guidelines recommend that insiders schedule trading in a company's securities at times when the market has as much information as possible about any factors affecting the value of that company's share. Rautaruukki's permanent insiders may not trade in securities issued by the company for a period of fourteen (14) days prior to publication of the company's financial statement release or interim report (closed window).

Rautaruukki's insider registers are maintained by the Group's Legal Affairs Department in the Finnish Central Securities Depository's SIRE system, where securities ownership can be obtained directly from the book-entry system. The interests of insiders on the public insider register are given on the company's website ([www.ruukki.com](http://www.ruukki.com)) and updated once a day.

# Supervisory Board 23 March 2006–20 March 2007

## Chairman

**Turo Bergman**

b. 1946, LicPolSc

## Deputy Chairman

**Jouko Skinnari**

b. 1946, Member of Parliament, LLM

## Other members

**Heikki Allonen**

b. 1954, President and CEO, Fiskars Corporation, MSc (Tech)

**Inkeri Kerola**

b. 1957, Member of Parliament, class teacher

**Miapetra Kumpula-Natri**

b. 1972, Member of Parliament, BSc (Eng), student of economics

**Petri Neittaanmäki**

b. 1975, Member of Parliament, MSocSc

**Markku Tynkkynen**

b. 1952, Executive Vice President, Resources, UPM-Kymmene Corporation, MSc (Tech)

**Tapani Tölli**

b. 1951, Member of Parliament, MPolSc

**Lasse Virén**

b. 1949, Member of Parliament, police officer

## Employee representatives

**Jarmo Kemppainen**

b. 1951, Chief shop steward

**Jouko Luttinen**

b. 1956, Chief shop steward

**Markku Pelkkikangas**

b. 1950, Project manager

**Eero Raivio**

b. 1945, Stoker

## Board of Directors at 31 December 2006



Chairman  
**Jukka Viinänen**  
b. 1948

MSc (Tech)  
President and CEO, Orion Corporation.  
Previously President and CEO, Neste Corporation (1997-1999), Senior VP and Board member, Neste Corporation (1990-1997).  
Member and Chairman of Rautaruukki's Board since 2001.  
Shares: -



Deputy Chairman  
**Georg Ehrnrooth**  
b. 1940

MSc (Tech), DrSc (Tech) hc  
Previously President and CEO, Metra Corporation (1991-2000), President and CEO, Lohja Corporation (1979-1991), executive duties, Wärtsilä Corporation (1965-1979).  
Principal Board memberships: Sampo plc (chairman), Oy Karl Fazer Ab, Nokia Corporation, Sandvik AB (publ.), The Research Institute of the Finnish Economy ETLA (deputy chairman), Finnish Business and Policy Forum EVA (deputy chairman).  
Member and Deputy Chairman of Rautaruukki's Board since 2001.  
Shares: 1,902



**Maarit Aarni-Sirviö**  
b. 1953

MSc (Tech), MBA  
Vice President, Phenol Business Unit, Borealis Group.  
Previously different positions in Borealis Group since 1994 and at Neste Corporation (1977-1994).  
Principal Board memberships: Borealis Polymers Oy (Finland), Vattenfall AB (Sweden).  
Member of Rautaruukki's Board since 2004.  
Shares: 1,000



**Christer Granskog**  
b. 1947

MSc (Tech)  
President and CEO, Kalmar Industries AB.  
Previously Deputy to the President and CEO, Partek Oy Ab, President and CEO, Partek Cargotek AB (1997-1998), President and CEO, Sisu Group (1994-1997), President and CEO, Valmet Automation Oy (1990-1994).  
Principal Board memberships: Oy E Sarlin Ab.  
Member of Rautaruukki's Board since 2001.  
Shares: -



### Reino Hanhinen

b. 1943

MSc (Tech), DrSc (Tech) hc  
Previously President and CEO, YIT Corporation (1987-2005), Group CEO (2000-2005), Managing Director, Perusyhtymä Oy (1986-1987), Managing Director, YIT Oy Yleinen Insinööri-toimisto (1985-1986), Managing Director, Oy PPTH-Norden Ab (1976-1985).

Principal Board memberships: YIT Corporation (chairman), Kone Corporation.

Member of Rautaruukki's Board since 2006.

Shares: 2,000



### Pirkko Juntti

b. 1945

LLM

Previously expert and executive duties in international financing, Senior Advisor, HSH Gudme Corporate Finance Oy (1998-2003), executive, JP Morgan (1983-1998).

Principal Board memberships: AB Svensk Exportkredit, Boardman Oy.

Member of Rautaruukki's Board since 2003.

Shares: -



### Kalle J. Korhonen

b. 1948

MSc (Tech)

Director General, Ministry of Trade and Industry.

Previously different duties at the Ministry of Trade and Industry (1973-1999).

Principal Board memberships: Finnvera plc (chairman), Finpro ry.

Member of Rautaruukki's Board since 2005.

Shares: -



### Kiuru Schalin

b. 1961

Student of economics

Managing Director, Oy AGA Ab, Senior VP, Human Resources, Safety, Environment & Quality, AGA Region North Europe.

Previously Controller, HR Director, Administrative Director and Board member, Tecnomen Corporation (1996-1998), Administrative Manager, Oy Kilroy Travels Finland Ab (1990-1996).

Principal Board memberships: Oy AGA Ab, Agorum Oy, AGA Gas AB.

Member of Rautaruukki's Board since 2005.

Shares: -

## Management Group at 31 December 2006



Chairman

### Sakari Tamminen

b. 1953, MSc (Econ)

President & CEO.

Joined the company in 2003.

Management Group member since 2003.

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

Principal Board memberships: SanomaWSOY Corporation, Lemminkäinen Corporation, Confederation of Finnish Industries EK, Technology Industries of Finland, Association of Finnish Steel and Metal Producers, Finnish Foundation for Share Promotion, Eurofer, International Iron and Steel Institute.

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

Shares: 42,466



### Markku Koljonen

b. 1951, BSc (Eng)

President of Ruukki Engineering.

Joined the company in 1989.

Management Group member since 2001.

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

Shares: 32,806



### Heikki Rusila

b. 1949, MSc (Tech)

President of Ruukki Production, Deputy to the President & CEO.

Joined the company in 1974.

Management Group member since 2001.

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

Principal Board memberships: VR-Group Ltd.

Shares: 43,330



### Mikko Hietanen

b. 1953, MSc (Econ)

Chief Financial Officer.

Joined the company in 2004.

Management Group member since 2004.

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

Principal Board memberships: Lohjan Puhelin Oy.

Shares: 12,000



### Saku Sipilä

b. 1968, MSc (Tech)

President of Ruukki Construction.

Joined the company in 2005.

Management Group member since 2005.

Previous main positions: Senior VP, Business premises division, YIT Construction Ltd.

Shares: 1,000



### Olavi Huhtala

b. 1962, BSc (Eng)

President of Ruukki Metals.

Joined the company in 1987.

Management Group member since 2003.

Previous main positions: President of Ruukki Fabrication, Sales and executive duties, Rautaruukki Metform.

Shares: 24,642



### Marko Somerma

b. 1966, LicTech

Senior Vice President, Corporate Planning.

Joined the company in 2004.

Management Group member since 2005.

Previous main positions: Chief Process & Information Technology Officer, Instrumentarium Corporation, Business development director, Gustav Paulig Ltd.

Shares: 10,000



#### Extended Management Group at 31 December 2006

Comprises the members of the Management Group along with:

Terhi Heikkinen	b. 1964, MSc (Econ), Senior VP, Human resources. Joined the company in 2005. Shares: 200
Taina Kyllönen	b. 1967, MSc (Econ), VP, Corporate Communications. Joined the company in 2004. Shares: 6,000
Ismo Platan	b. 1953, BSc (IT), Chief Information Officer. Joined the company in 2003. Shares: 6,000
Peter Sandvik	b. 1953, DrSc (Tech), Senior VP, Technology. Joined the company in 1983. Shares: 22,942

## Risk management at Ruukki

- **Work forged ahead on introduction of the risk management model**
- **Work started on business continuity planning**
- **Further progress made with corporate-wide insurance programmes**

Risk management is an integrated part of Ruukki's management system. The risk management policy approved by the Board of Directors defines the operating principles and process of the Group's risk management. The President & CEO is responsible for the proper arrangement of the Group's risk management and the Group's CFO for defining the risk management framework and the organisation of reporting. Heads of the divisions and support functions are responsible for identifying risks, managing risks and developing risk management in their own area. Risks which require special expertise, such as credit and environmental risk management, have been focused on the relevant organisations. The Group's risk management function supports the divisions and other functions to develop risk management and is responsible for issuing instructions, reporting and insurance programmes at Group level.

### Principles of risk management

Ruukki's risk management is an integrated part of the Group's control system. Risk management is used to help ensure the risks affecting the Group's business are identified and prepared for. Risk is defined as an external or internal factor of uncertainty that threatens the implementation of Ruukki's strategy, the achievement of its targets or business continuity.

A unified corporate-wide risk management model paves the way for better decision-making information, improved allocation and use of resources and the transparency of operations required by good corporate governance.

The paragraphs below outline the critical risks to which Ruukki's operations are exposed. Ruukki seeks to manage and contain any impacts of these risks.

### Strategic risks

Critical risks jeopardising implementation of the strategy and achievement of objectives relate to new businesses and the control of growth.

To support new business, Ruukki underlines effective, profitable utilisation of market potential and product development. This is effected through acquisitions and organic growth, whilst adopting new shared business models.

Control of growth is assisted by existing management and control systems and by a defined acquisition process, which takes into account integration issues in respect an acquired company. Internationalisation of the organisation and the recruitment of experts are major ways to control growth. The relevant valuation and due diligence procedures combined with the experience and expertise of the acquisition team

and divisional management form the basis for integrating an acquired company into Ruukki.

### Operational risks

Demand for steel and other metal products and the prices for standard products fluctuate with business cycles. The situation in the global steel market is reflected in Ruukki's main market areas. Growth of the solutions business reduces the Group's dependence on the price fluctuations of standard products. The Group enjoys a strong market position in many products. This, in tandem with cost-effectiveness, strengthens Ruukki's ability to acclimatise to the conditions of the prevailing business cycle. When implementing its strategy and expanding its area of operations, Ruukki also takes into account the political risks in each country in planning and assessing investments.

The prices, including freight charges, of iron ore, coal and other raw materials used in steel production are determined on the world market. The cost of raw materials can be very volatile and their sourcing changed from time to time. Electricity and zinc derivatives are used in managing the price risk over the next three years.

To keep availability risks under control, Ruukki makes long-term agreements to source the main raw materials and energy used in steel production. The Nordic electricity market is used in sourcing electrical energy. The Group generates almost half of the electrical energy it uses by utilising the gases released in the production process. The remainder is sourced on the Nordic energy market.

The start-up of EU greenhouse gas emissions trading is expected to lead to a rise in the cost of electricity purchased over the next few years. Corporate-wide control of the emissions balance is used to manage the market risks of EU emissions trading. This ensures the cost-effectiveness of emissions trading. Increasingly strict environmental regulations are actively monitored and best efforts are made to anticipate them.

Disruptions in the labour market and illegal strikes are also risks which could jeopardise business performance. These risks are lowered by further improving existing consultation and decision-making mechanisms.

Ruukki's production systems are in good condition and feature modern, competitive technology. To avert any threat to business continuity, the production units undergo systematic maintenance and replacement investments are made according to a prior plan. The Group has insurance covering property damage, business interruption, product liability and operating liability.

The Group's quality and environmental management system complies with the requirements of ISO 9001 and ISO 14001 respectively. The systems are being harmonised in line with changes in the Group's business and the company's unified operational model and corporate-wide instructions have been drawn up for them to rationalise operations.

All Ruukki's main production sites operate in accordance with ISO 14001 environmental management systems. Ruukki operates in accordance with the principles of sustainable development. This means we are committed to profitable business taking the environment and various stakeholders equally into account. Environmental impacts are assessed as part of the plant's design process when modernising production processes or building new ones.

### Risks of damage

The principle in managing risk of damage is to adequately protect the Group's earnings ability and financial position against any damage or loss. Maintaining proper insurance cover against property damage and business interruption is an essential part of managing risks of damage. Insurance management was further improved by strengthening human resources in risk management and by overhauling the structures in the Group's insurance programme in respect of policies taken out in 2007.

To eliminate injuries, occupational safety training ensured the principles of safety cascaded down through the Group.

### Financial risks

Ruukki's financing operations and financing and credit risk management are dealt with centrally by the parent company's Corporate Treasury function in accordance with the financing and credit policy approved by the Board of Directors. The Group's main raw materials are priced in US dollars. This gives rise to a significant foreign exchange risk since the Group's sales are mostly denominated in euros and partly pounds sterling and Nordic kronor/kroner. The interest rate risk associated with the Group's borrowings is managed by keeping 30-70 per cent of the loans at a fixed rate. Additional information is given in Note 3 to the Financial statements.

## Allocation of risk management responsibility at Ruukki

### Board of Directors

Responsibility for the Group's risk management policy and for ensuring its implementation. Approval of the risk management policy.

### President & CEO

Responsibility for the proper arrangement of risk management.

### Chief Financial Officer

Responsibility for the risk management model and for reporting.

### Management Group

Involved in risk identification, assessment, accountability and control.

### Heads of divisions and support functions

Responsibility for identifying and managing risks in their own area and for implementing and reporting risk management development.

### Corporate Risk Manager

Responsibility for supporting the divisions and other functions to develop risk management and maintain risk information.

### Internal audit

Evaluates the group's risk management.

### Each employee

Responsibility for identifying and assessing work-related or any other risks and bringing them to the attention of his or her supervisor.

## New dividend policy adopted

- **Proposed dividend of EUR 1.50 per share plus an additional dividend of EUR 0.50 due to the profit of Ovako divestment**
- **Share trading turnover up by 127 per cent**
- **Market capitalisation rose to EUR 4,220 million**

### Share capital and shares

Rautaruukki Oyj's fully paid share capital entered in the Finnish Trade Register as at 31 December 2006 was EUR 237,927,610.60, divided into 139,957,418 shares. During 2006, the share capital was increased by EUR 1,820,654.10 as a result of subscriptions exercised under the 2003 bond loan with warrants.

Rautaruukki Oyj has issued one series of share only. Each Series K Share entitles the holder to ten (10) votes at general meetings of shareholders. No Series A shares as provided for by the Articles of Association have been issued.

### Treasury shares

At year-end 2006, the company had 1,785,381 treasury shares, corresponding to 1.28 per cent of the company's shares outstanding and votes.

### State ownership

At 31 December 2006, the Finnish State had a holding of 39.8 per cent. Pursuant to authorisation obtained from the Finnish Parliament, the Government may reduce the State's shareholding in Rautaruukki Oyj to a minimum of 20 per cent of the company's shares and votes. In its capacity as shareholder, the State has given no guarantees or otherwise made commitments to assume responsibility for the company's debts or liabilities.

### Share trading on the Helsinki Stock Exchange

Rautaruukki Oyj's share (RTRKS) is listed on the Helsinki Stock Exchange. On the list of the Nordic Exchange, Rautaruukki is placed in the Large Cap segment and classified under Materials.

During 2006, a total of 179 million (159 in 2005) of the company's shares were traded, representing 128 per cent (114) of the shares outstanding, for a total of EUR 4,628 million (2,041). The average daily trading was 714,002 shares. During 2006, Rautaruukki's share was up 47 per cent, the OMX Helsinki CAP Index 25 per cent and the OMX Helsinki Materials Index 25 per cent.

### Board of Directors' authorisations

Meeting on 23 March 2006, Rautaruukki's Annual General Meeting authorised the Board of Directors to decide to buy back a maximum of 11,000,000 of the company's Series K Shares, equivalent to 7.92 per cent of the total number of shares. The AGM also authorised the Board of Directors to resolve to convey a maximum of 13,592,697 Series K treasury shares. Under this authorisation, the company conveyed, without consideration, a total of 810,316 Series K treasury shares held by the company to persons covered by the Group's share bonus scheme.

Rautaruukki Oyj's Board of Directors has no valid authorisation to issue convertible bonds, bonds with warrants or to increase the company's share capital.

### Dividend policy

Rautaruukki Oyj's dividend policy is to pay out 40–60 per cent of earnings for the financial year. The aim is for a steadily rising dividend that takes into account the requirements for business growth. The Board of Directors is to propose to the Annual General Meeting on 20 March 2007 that a dividend of EUR 1.50 per share and an additional dividend of EUR 0.50 arising from the profit of Ovako divestment be paid for the 2006 financial year.

### 2003 bond loan with warrants

On 26 May 2003, Rautaruukki Oyj issued a EUR 3.5 million bond loan with warrants targeted at the Group's personnel and Rautaruukki's Personnel Fund. The warrants entitle holders to subscribe for a maximum aggregate of 1,400,000 new Series K Shares to be issued by Rautaruukki between 24 May 2006



and 23 May 2009. The subscription price is EUR 4.40 less the amount of any dividends declared after 23 May 2003 prior to the exercise of subscription rights; nevertheless at least the counterbook value of the share EUR 1.70. In consequence of share subscriptions through the exercise of warrants, the company's share capital can be increased by a maximum of EUR 2,380,000.

Under the bond loan with warrants, 1,070,973 Rautaruukki shares were subscribed during 2006 and the share capital was increased by EUR 1,820,654.10 accordingly.

#### Option programme

Rautaruukki has no option programmes in effect.

#### Share bonus scheme 2000

In February 2000, Rautaruukki introduced a share bonus scheme as part of the Group's incentive programme for key personnel. The scheme comprises of three-year performance periods, the first of which commenced on 1 January 2000. Thereafter the periods have commenced at the start of each year. The final period began on 1 January 2004 and ran until the end of 2006.

Under the share bonus scheme, the Group's key personnel can receive a maximum bonus of half their annual salary at the beginning of the performance periods. Of the bonus, 40 per cent is given in the form of Rautaruukki shares and 60 per cent in cash to cover taxes on the bonus. Shares awarded as a bonus may not be sold earlier than two years after the end of the incentive period.

To achieve the maximum bonus, Rautaruukki Group's average return on assets during the three-year incentive period must rank among the best three companies in a peer group. Payment of a bonus is dependent on Rautaruukki achieving at least median ranking, i.e. sixth place. In this case the bonus is five per cent of annual salary.

If Rautaruukki is placed fourth or fifth, the size of the bonus varies linearly within the above limits. In addition to Rautaruukki, the peer group comprises Arcelor, Corus, Feralpi Group, Ispat International, Outokumpu, Salzgitter, SSAB, Stelco, US Steel and VA Stahl.

Rautaruukki's Board of Directors approved maximum bonuses for the incentive period 2003-2005. The scheme covered 88 persons. As the share part of the bonus package, 519,316 of the company's K Shares were transferred without consideration to the beneficiaries on 28 July 2006.

#### Share bonus scheme 2004

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

The incentive scheme is divided into three year-long performance periods, which are the years 2005, 2006 and 2007. Any bonuses earned are paid out during the following year. Bonus payment is contingent upon achieving the financial targets set, which are gauged by the criteria of earnings per share (EPS) and return on capital employed (ROCE). Any bonuses are paid as a combination of Rautaruukki shares and a cash component.

Shares awarded as a bonus may not be sold earlier than two years after the end of each performance period. However, the President & CEO and members of the Management Group must keep the number of shares corresponding at least to the value of their gross annual salary for as long as the President & CEO's tenure as chief executive continues or as long as members serve in the Management Group.

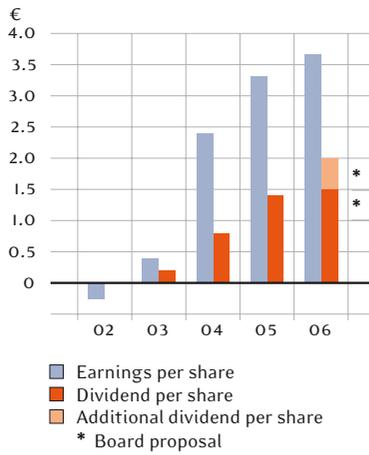
The total aggregate of Rautaruukki Oyj's K Shares that may be conveyed under the bonus scheme is 1,020,000 shares. Any shares to be conveyed under the scheme can be either treasury



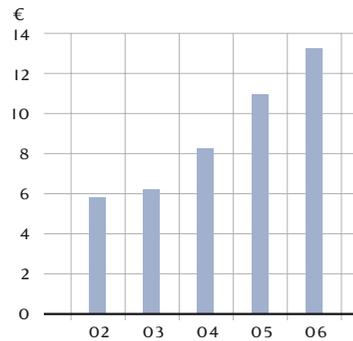
Ruukki has production and sales units in Germany.

## Shares and shareholders

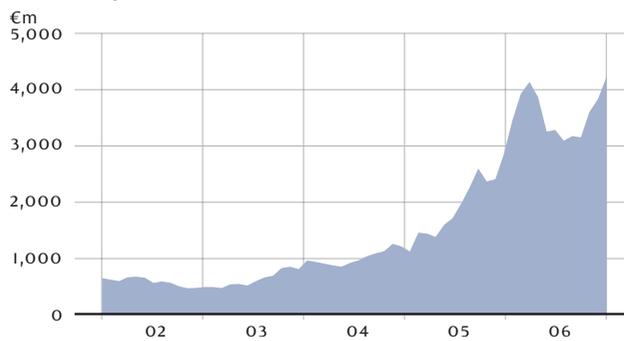
### Earnings and dividend per share



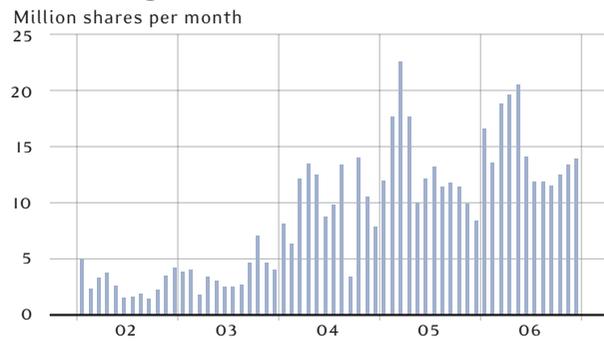
### Equity per share



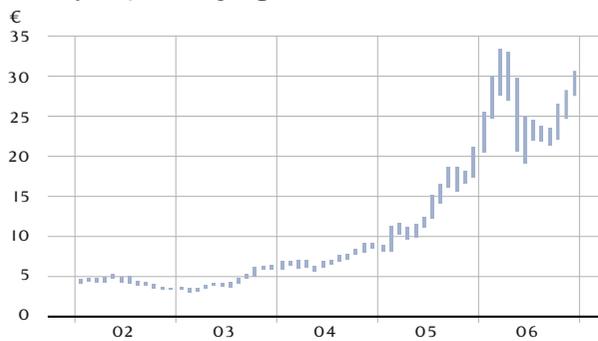
### Market capitalisation



### Share trading



### Share price, monthly high-low



### Ownership structure as at 31 December 2006



### Share data for 2006

Highest price, € (in March)	33.31
Lowest price, € (in June)	19.00
Average price, €	25.70
Closing price, €	30.15
- year-on-year change, %	47
Market capitalisation at year-end, €m	4,220

shares or shares obtained under public trading. Thus the scheme does not have a diluting effect on the share value.

For the 2005 performance period, a total of 291,000 of the company's Series K Shares were transferred without consideration to beneficiaries on 23 March 2006.

### Board and management interests

At 31 December 2006, members of the Supervisory Board and Board of Directors owned a total of 5,887 shares in the company, corresponding to 0.004 per cent of the shares and votes. Members of the Management Group owned a total of 166,244 shares in the company, corresponding to 0.12 per cent of the shares and votes, at 31 December 2006. Management interests are discussed in more detail on page 47. The interests

of Rautaruukki Corporation's public insiders may be viewed on the company's website at [www.ruukki.com](http://www.ruukki.com).

### Incentive schemes

For personnel	Number of persons	Subscription price	Max. amount	Subscription period	Shares subscribed	Effect on share capital	Restrictions
Bond loan with warrants 2003	• personnel • personnel fund	€ 4.40 less dividends declared after 23 May 2003; not less than € 1.70	1,400,000	24 May–31 Dec 2006 15 Apr–31 Dec 2007 15 Apr–31 Dec 2008 15 Apr–23 May 2009	1,070,973	+ 0.8 %	Could not be subscribed by management
For management	Number of persons	Condition	Bonus	Incentive periods	Shares transferred	Effect on share capital	Restrictions
Share bonus scheme 2000	about 100	Average return on assets during the performance period in a peer group	Half of annual salary, of which • 40% in shares • 60% in cash	1 Jan 2000–31 Dec 2002 1 Jan 2001–31 Dec 2003 1 Jan 2002–31 Dec 2004 1 Jan 2003–31 Dec 2005 1 Jan 2004–31 Dec 2006	– 197,040 480,263 519,316	none	The shares can be sold no earlier than two years after the end of each incentive period
Share bonus scheme 2004	about 60	Achieving the financial targets gauged by the criteria of earnings per share and return on capital employed	Combination of shares and cash	1 Jan–31 Dec 2005 1 Jan–31 Dec 2006 1 Jan–31 Dec 2007	291,000	none	The shares can be sold no earlier than two years after the end of each incentive period
Stock options	–						

### Per share financial indicators (FAS 2002–2003, IFRS 2004–2006)

	2006	2005	2004	2003	2002
Earnings per share, EPS, €	3.66	3.35	2.42	0.39	–0.26
– diluted, €	3.65	3.31	2.40	0.39	–0.26
Equity per share, €	13.26	10.98	8.29	6.07	5.81
Dividend per share, €	1.50+0.50*	1.40	0.80	0.20	0.00
Dividend per earnings, %	55.1*	41.9	34.7	51.3	0.0
Price per earnings, P/E	8.2	6.1	3.8	15.0	–13.2
Effective dividend yield, %	6.6*	6.8	9.2	3.4	0.0
Share trading, €m	4,628	2,041	912	207	145
Average price, €	25.70	12.90	7.16	4.66	4.26
Lowest price, €	19.00	8.02	5.67	3.05	3.36
Highest price, €	33.31	21.15	9.19	6.36	5.30
Closing price, €	30.15	20.55	8.74	5.84	3.44
Market capitalisation, €m	4,220	2,854	1,214	811	478
Average adjusted number of shares, thousands	136,864	135,977	135,683	135,616	135,616
– diluted, thousands	137,145	137,377	137,083	136,606	136,016
Adjusted number of shares at year-end, thousands	139,957	138,886	138,886	138,886	138,886
Number of shares at year-end, thousands	139,957	138,886	138,886	138,886	138,886
– excluding treasury shares, thousands	138,172	136,294	135,813	135,616	135,616
– diluted, thousands	138,501	137,694	137,213	137,016	136,016
Share trading, thousands	179,214	158,463	127,415	44,429	33,902
– % of shares	128	116	94	33	25

\* The Board of Directors proposes a dividend of EUR 1.50 per share and an additional dividend of EUR 0.50 arising from the profit of Ovako divestment.

**Rautaruukki Corporation's largest shareholders according to the share register as at 31 December 2006**

Shareholder	Shares, %	Number of shares
1 The Finnish State	39.77	55,656,699
2 Rautaruukki Corporation	1.28	1,785,381
3 Rautaruukki Pension Foundation	1.13	1,585,455
4 Esa Rannila	1.04	1,455,800
5 Mutual Pension Insurance Company Varma	0.83	1,164,150
6 Mutual Pension Insurance Company Ilmarinen	0.75	1,047,621
7 Odin Norden	0.69	969,320
8 Mutual Insurance Company Eläke-Fennia	0.39	548,500
9 Finnish State Pension Fund	0.37	521,571
10 Rautaruukki Personnel Fund	0.37	518,128
11 Sampo Suomi Share Investment Fund	0.26	360,759
12 Odin Förvaltnings AS	0.23	325,050
13 Stiftelsen för Åbo Akademi	0.21	300,000
14 Etera Mutual Pension Insurance Company	0.20	280,000
15 Einari Vidgrén	0.19	271,500
16 Onnenmäki Foundation	0.18	245,257
17 Finnish National Fund for R&D, Sitra	0.17	235,666
18 Veritas Pension Insurance Company Ltd	0.14	200,000
19 Neste Oil Pension Fund	0.13	184,300
20 Special Mutual Fund OMX Helsinki 25 Index Share Fund	0.12	166,476
Nominee registered shares	39.60	55,426,967
Other shareholders	11.94	16,708,818
<b>Total</b>	<b>100.00</b>	<b>139,957,418</b>

**Shareholders by share ownership according to the share register as at 31 December 2006**

Number of shares	Shareholders		Shares	
	No.	%	Thousands	%
1-100	4,213	23.19	269	0.19
101-1 000	11,812	65.03	4,856	3.47
1 001-10 000	1,882	10.36	4,955	3.54
10 001-100 000	226	1.25	5,880	4.20
100 001-	31	0.17	123,998	88.60
	18,164	100.00	139,957	100.00

**Shareholders by sector according to the share register as at 31 December 2006**

	Shareholders		Shares	
	No.	%	Thousands	%
Companies	642	3.53	3,809	2.72
Banks and insurance companies	79	0.43	57,226	40.89
Public institutions	39	0.21	61,874	44.21
Non-profit institutions	210	1.16	2,391	1.71
Households	17,100	94.14	12,998	9.29
International owners	94	0.52	1,658	1.18
<b>Total</b>	<b>18,164</b>	<b>100.00</b>	<b>139,957</b>	<b>100.00</b>
- of which nominee registered shares	12	0.07	55,427	39.60

# Information for shareholders

## Annual General Meeting

The 2007 Annual General Meeting of Rautaruukki Corporation will take place in Helsinki at 3pm Finnish time on Tuesday 20 March 2007 at the Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki. Listing of those attending the Meeting and distribution of ballot slips will commence at 2.30pm.

To be eligible to attend the Annual General Meeting, shareholders must be registered in the share register maintained by the Finnish Central Securities Depository Ltd by 9 March 2007 and have notified of their intention to attend the meeting. A shareholder in whose name the shares are held is automatically registered in the company's share register. Nominee-registered shareholders can be temporarily entered in the company's share register, provided they do so by 9 March 2007.

Shareholders wishing to attend the Annual General Meeting must notify the company of their intention to do so by 4pm Finnish time on 15 March 2007 either online on Rautaruukki's website at [www.ruukki.com](http://www.ruukki.com), or by email to [yhtiokokous@ruukki.com](mailto:yhtiokokous@ruukki.com), by letter to Rautaruukki Oyj, Osakerekisteri, PO Box 138, FI-00811 Helsinki, by fax to +358 20 592 9104 or by telephoning +358 10 804 430 from Monday to Friday between 9am and 4pm Finnish time.

## Payment of dividends

The Board of Directors is to propose to the Annual General Meeting that a dividend of EUR 1.50 per share and an additional dividend of EUR 0.50 be paid for the year 2006. The dividend will be paid on 4 April 2007 to shareholders registered at the record date, 23 March 2007, in the share register kept by the Finnish Central Securities Depository.

## Financial reporting in 2007

Financial statement bulletin 2006: Wednesday 7 February 2007, Q1/2007 interim report: Wednesday 25 April 2007, Q2/2007 interim report: Wednesday 1 August 2007, Q3/2007 interim report: Wednesday 24 October 2007.

The 2006 Annual Report was published during week 11 in March 2007 and is available in Finnish and in English. The report may also be viewed on the company's website at [www.ruukki.com](http://www.ruukki.com). Interim reports are published in Finnish and English as stock exchange releases and on the company's website.

## Closed period

Rautaruukki observes the principle of a 14-day closed period before earnings disclosures. During this period the company does not meet capital market representatives or discuss matters relating to the company's performance with them.

## Investor relations

Rautaruukki Corporation's Investor Relations is principally tasked with regular communication with the investor community, in other words with present and potential shareholders and analysts. This is done by actively communicating information about events affecting the company's operations, strategic decisions and significant operational

actions. The company also holds separate events and personal meetings for the investor community. IR's core principles are to impartially and simultaneously provide investors with consistent adequate information in all situations as well as to give honest and transparent service. IR seeks to provide investors and analysts with the tools to correctly determine the value of Rautaruukki Oyj's share.

IR is responsible for contacts with the investor community. The company's senior management actively participates in good investor relations.

## Investment analysis

According to information received by the company, the following banks and stockbrokers have regularly analysed Rautaruukki Group at their own initiative during 2006. Rautaruukki Corporation accepts no liability for their views.

ABG Sundal Collier, Alfred Berg ABN Amro, Cheuvreux Nordic AB, Credit Suisse First Boston, D. Carnegie AB, Danske Equities, Deutsche Bank, Enskilda Securities, eQ Bank Ltd., Evli Securities, FIM Securities, Handelsbanken Capital Markets, Kaupthing Sofi, Mandatum Stockbrokers Ltd, Opstock Ltd., Swedbank Markets, UBS, Öhman Equities.

## Changes of address

Shareholders should notify the bank with which they have their book-entry account or the Finnish Central Securities Depository of any changes of address.

## Basic share information

Rautaruukki Corporation has one (I) series of shares. Series K shares are listed on the Helsinki Stock Exchange and registered in the book-entry system maintained by the Finnish Central Securities Depository. No Series A shares as provided for by the Articles of Association have been issued.

Trading code: RTRKS

Trading lot: 1 share

Codes used by news agencies:

Reuters: RTRKS.HE, Bloomberg: RTRKS FH, Startel: RTRKS

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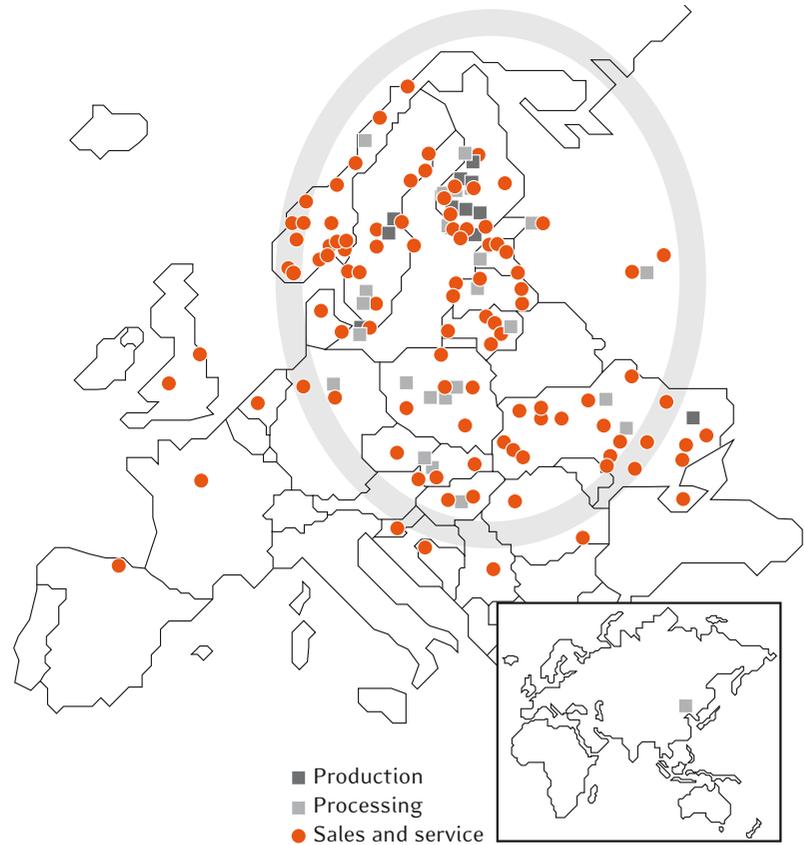
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