The above ground parts of the new Kamppi Centre received the 2006 Steel Structure of the Year award. Ruukki received an award for steel contracting.

Rautaruukki Oyj
Financial statements bulletin 2006

7 February 2007

REPORT OF THE BOARD OF DIRECTORS 2006

Operating environment

Economic development remained positive in Rautaruukki's core market areas throughout 2006. GDP growth in the Nordic countries was above the average of that in the euro zone, and especially in Central Eastern Europe, the Baltics and Russia, economic growth was considerably stronger than elsewhere in Europe. Demand held up well in the Group's most important customer industries. Construction activity was buoyant throughout Rautaruukki's market area, with particularly strong growth evidenced in commercial and industrial construction in Eastern Europe. Rautaruukki's engineering industry customers, particularly those in the lifting, handling and transportation equipment industry, saw a sizeable increase in their order books. Demand also remained strong in the shipbuilding and offshore industry, as well as in the paper, wood-processing and energy industries. The overall costs of raw materials used to make steel were similar to those at year-end 2005. Good demand for standard steel products was evidenced in Northern Europe throughout 2006.

Strategy and financial targets

Solutions deliveries within metal-based construction and the engineering industry now account for a much greater share of Rautaruukki's business. Non-core businesses have been divested. A marked strengthening of the company's balance sheet structure gives the company a sound financial platform to continue forging ahead with its strategy.

In November 2006, the Board of Directors revised the company's financial targets for the next three years, setting an annual growth target of 10 per cent for net sales. The operating profit target was raised from seven to twelve per cent of net sales. Likewise, the target for return on capital employed was upgraded 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.

In the same context, the Board of Directors redefined Rautaruukki's dividend policy, which is to pay a dividend of 40-60 per cent of the result for the financial year. The aim is to pay a steadily increasing dividend whilst taking into account the requirements for business growth.

Net sales and result for 2006 (comparative figures for 2005)

Consolidated net sales for the whole of 2006 were EUR 3,682 million. This result exceeded net sales of EUR 3,654 million in 2005. Comparable net sales were up by 12 per cent to EUR 3,515 million (3,128m). This figure excludes Oy Ovako Ab, which has not been reported since 1 May 2005 and the Nordic reinforcing steel business, which ceased to be reported as of 1 August 2006.

The solutions businesses accounted for 38 per cent (28) of net sales. This increase is attributable to organic growth and acquisitions. Of net sales, 31 per cent (29) were generated in Finland, 31 per cent (30) from the other Nordic countries, 17 per cent (12) from Central Eastern Europe, Russia and Ukraine, 19 per cent (26) in the rest of Europe and 2 per cent (3) in other countries.

Operating profit was EUR 529 million (618m), corresponding to 14 per cent (17) of net sales. The comparable operating profit was EUR 515 million (539m), or 15 per cent (17) of net sales. Profitability of the solutions businesses rose during the year and accounted for 39 per cent (29) of consolidated operating profit.

The US dollar weakened around 12 per cent against the euro, falling from an exchange rate of 1.18 to the euro at the start of 2006 to 1.3170 at 31 December 2006. The average exchange rate of the US dollar was just under one per cent weaker than in 2005. The impact of the US dollar on the company's operating profit, including hedging, was approximately EUR 26 million negative compared to 2005. The operating profit includes net foreign exchange differences of EUR 16 million negative.

Net financial expenses amounted to EUR -22 million (-30m). Net interest expenses were EUR -20 million (-28m).

The share of associated companies' profit was EUR 129 million (23m), of which Ovako accounted for EUR 125 million. This figure includes a capital gain of EUR 100 million on the divestment of Ovako and includes the share of Ovako's earnings generated after the end of June.

Profit before taxes was EUR 635 million (612m).

Group taxes totalled EUR 134 million (157m) including a change in deferred taxes of EUR 1 million negative (1m). The effective tax rate was 26 per cent (27).

Net profit was EUR 501 million (455m).

Diluted earnings per share were EUR 3.65 (3.31), of which the capital gain on the disposal of Ovako was EUR 0.73. The capital gain also includes the share of Ovako's earnings generated after the end of June.

The return on capital employed was 31.5 per cent (32.8) and the return on equity was 30.1 per cent (34.7).

Balance sheet

The consolidated balance sheet total at 31 December 2006 was EUR 3,026 million, up by EUR 325 million compared to year-end 2005. The equity ratio was 61.6 per cent (56.0) at year-end 2006 and the gearing ratio 1.2 per cent (22.8).

Cash flow and financing

Cash flow from operations was EUR 396 million (652m) and cash flow after investments was EUR 536 million (519m). Divestment of Ovako and the reinforcing steel business contributed EUR 362 million to the company's cash flow.

At year-end 2006, net interest-bearing liabilities were EUR 22 million (341m). Working capital increased by EUR 76 million (0m) as a result of higher stocks and trade receivables.

At year-end 2006, the Group had liquid assets of EUR 361 million and a total of EUR 300 million of unused committed revolving credit facilities with banks. Interest-bearing liabilities were EUR 383 million at 31 December 2006. The average interest on loans at the end of the year was 5 per cent and the average maturity 2.6 years.

At year-end 2006, shareholders' equity was EUR 1,832 million (1,497m), corresponding to EUR 13.26 per share (10.98).

Efficiency programme delivers savings

Ruukki United, Rautaruukki's programme to harmonise ways of working and improve efficiency, aims to achieve permanent cost savings of around EUR 150 million by year-end 2008. EUR 43 million of these cost savings had been achieved by the end of the period under review. Besides this action, earnings have been considerably improved by overhauling the sales structure and disposing of poorly performing businesses.

The Ruukki United programme also seeks to permanently free up some EUR 150 million of capital by year-end 2008. EUR 59 million of this target had been achieved by the end of the period under review. Additionally, divestments of non-core businesses during the year released EUR 456 million.

Personnel

The Group employed an average of 13,121 people (11,684) during 2006 and had 13,303 employees (11,374) at the end of the year. Acquisitions completed during 2006 saw Rautaruukki take aboard 1,980 new employees, whereas divestments resulted in 1,031 persons leaving the company.

Staff salaries and other employee benefits totalled EUR 448 million (454m), of which EUR 22 million (36m) was expenses relating to the share bonus scheme and EUR 8 million (19m) expenses relating to the profit sharing scheme. Nearly all Ruukki's personnel belong to the profit sharing scheme.

A total of EUR 22 million (36m) was booked for the year under review as expenses in respect of the share bonus scheme serving as a long-term incentive for the Group's key personnel. Under the Share Bonus Scheme 2000, maximum bonuses were paid for the period 2003-2005. Expenses of EUR 4 million for the 2006 financial year were booked in the income statement. Under the Share Bonus Scheme 2004, maximum bonuses were as well paid for 2005. Expenses of EUR 8 million for the 2006 financial year were booked in the income statement. Expenses of EUR 10 million were booked in the income statement in respect of periods maturing later under existing schemes. Share bonus schemes cover around 120 senior executives or persons classified as key personnel.

Research and development

Group R&D expenditure in 2006 totalled EUR 22 million (22m), representing 0.6 per cent (0.6) of net sales. Product development resources were strengthened and, in keeping with Rautaruukki's chosen strategy, increasingly aimed at innovating solutions that generate value added to customers. Towards the end of the year, the company 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.

Two thirds of the money spent on R&D was on developing solutions and one third on developing production methods and processes. Rautaruukki doubled the number of new patent applications during 2006 in the wake of a streamlined, more systematic approach to its quest for and development of new innovations.

Within construction solutions, Rautaruukki is addressing the development of 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.

Within engineering industry solutions, product development 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 the 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.

Coatings development is driven by coating durability, appearance and environmental aspects. A promising new field is functional coatings, to which more resources were directed.

M&A arrangements completed

Acquisition of PPTH Steelmanagement Oy, the leading steel frame constructor in the Nordic countries, considerably expanded Rautaruukki's construction design and project know-how. In the same context, it also established a skills base to support Rautaruukki's growth in construction solutions also in Central Eastern Europe. The deal was completed in January 2006 and took Rautaruukki's holding in the company from 20 per cent to 100 per cent. The shares were acquired for around EUR 7 million. As part of the deal, Rautaruukki assumed EUR 24 million of interest-bearing liabilities. PPTH has been accounted for in Rautaruukki's consolidated financial statements since 1 January 2006.

Acquisition of Slovak steel constructor Steel-Mont a.s. for around EUR 10 million in March increased Rautaruukki's strategically important steel structure production and installation capacity. The company was debt-free. Steel-Mont has been accounted for in Rautaruukki's consolidated financial statements since 1 April 2006. Together with a new plant opened in Hungary in spring 2006, the acquisition greatly increased Rautaruukki's total deliveries capacity in Central Eastern Europe.

In May, Rautaruukki sold the non-core business of its operations in Poland in an MBO. Metalplast Systems Sp z o.o's business included hot-dip galvanising and container businesses. The debt-free price was EUR 2.6 million.

Also in May, Rautaruukki acquired AZST-Kolor CJSC to safeguard delivery reliability and a competitive source of high-quality raw materials, especially in Russia and Ukraine. AZST-Kolor has a coating line in Ukraine. The shares were acquired at a cost of EUR 5 million and the company was debt-free. AZST-Kolor has been accounted for in Rautaruukki's consolidated financial statements since 1 June 2006.

In June, Rautaruukki completed the acquisition of Russian steel constructor OOO Ventall, thereby strengthening the Group's position in the dynamically growing Russian construction market. Ventall also brings Rautaruukki a local manufacturing presence within steel structures and sandwich panels. Ventall has been accounted for in Rautaruukki's consolidated financial statements since 30 June 2006. The shares were bought for EUR 99 million. The company was debt-free. Under the terms of the agreement, a possible additional purchase price, contingent on earnings in 2006 and subject to a maximum of EUR 27.5 million, has been booked in the cost of acquisition.

Withdrawal from the Nordic reinforcing steel business in conjunction with the divestment of Ovako in August marked the end of Rautaruukki's disengagement from the long steel business. In July, Rautaruukki Corporation, AB SKF and Wärtsilä Corporation signed an agreement on the sale of the operating companies owned by Oy Ovako Ab to a company owned by Hombergh Holdings BV's shareholders, WP de Pundert Ventures BV and Pampus Industrie Beteiligungen GmbH & Co. KG. Rautaruukki had a 47 per cent interest in Ovako and received EUR 311 million as its share of the selling price. The tax-exempt capital gain on the transaction and the share of Ab Ovako's result generated after 30 June 2006 is presented in share of results of associated companies. The capital gain on the sale was EUR 100 million. Divestment of Ovako was completed in November.

The sale of the Nordic reinforcing steel business to BT Norway AS was completed in August. The reinforcing steel business was part of the Ruukki Metals division and included the Fundia Armeringsstål AS melt shop and rolling mill in Mo i Rana, Norway and the following companies specialising in steel reinforcement fabrication and distribution: Fundia Betoniteräkset Oy in Finland, Fundia Armering AB in Sweden, Fundia Armering AS in Norway and Fundia Armering A/S in Denmark. The selling price was around EUR 125 million, including the dividend paid to Rautaruukki, and corresponds to the carrying value of the companies sold.

Ruukki Metals is in the Central and Southern European markets focusing on selling special products and on developing the supporting distribution channels. As part of business model development, Rautaruukki sold the operations, related fixed assets and inventories of the Duisburg service centre in Germany, which mainly upgraded sheet products. The buyer assumed responsibility for the centre and its staff of around 75 persons on 1 September 2006.

To strengthen Ruukki Engineering’s position in the lifting, handling and transportation equipment industry customer segment, Rautaruukki signed an agreement in December 2006 to acquire the company’s entire share capital of AB Omeo Mekaniska Verkstad from its five owners for a debt-free price of around EUR 3.73 million. The transaction was closed in January 2007.

Capital expenditure

Capital expenditure in tangible and intangible assets in 2006 totalled EUR 147 million (103m). During the period under review, disposals of property, plant and equipment amounted to EUR 28 million (16m). During the 2006 financial year, EUR 112 million (31m) was spent on M&A arrangements less the cash and cash equivalents of companies purchased at the time of acquisition. Acquisitions increased the Group’s net interest-bearing liabilities by EUR 24 million. Tangible and intangible assets, excluding goodwill, obtained through acquisitions rose by EUR 120 million, working capital by EUR 17 million and goodwill by EUR 58 million.

Investment projects worth EUR 50 million were launched in Ukraine and Romania during 2006. On completion, these investments will enable Rautaruukki to considerably increase deliveries for commercial and industrial construction to customers in Ukraine, Romania and Bulgaria. Investment in a new plant in Hungary strengthened the delivery and service capacity in total deliveries of Rautaruukki’s main construction components.

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. Cabin frame production was also launched in the Wroclaw unit in Poland.

The second stage of upgrading the automation system at Ruukki Production’s hot strip mill was carried out in July. 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 is scheduled to be up and running in summer 2007.

In November, Rautaruukki decided to embark on a EUR 20-million investment to expand its St Petersburg service centre to respond to the growing demand for materials and pre-treatment services by western and local customers.

Environmental and safety issues

The Group’s environment policy governs the environmental management of Rautaruukki’s operations. Steel production at the Raahe Works, which received a new environmental permit in 2006, accounts for the Group’s most significant environmental impacts.

All Rautaruukki’s main production sites operate in accordance with ISO 14001 environmental management systems, which covered 95 (96) per cent of production in 2006. An ISO 9001 quality system is in place to manage quality issues. During 2006, systems that had been earlier certified locally were brought together under Ruukki Production and Ruukki Construction‘s certificates.

Rautaruukki is committed to the principles of sustainable development. The environmental risks arising from operations are assessed as part of planning when modernising production processes or building new ones. Internal environmental risks were mapped at 30 operating sites during 2006. Environmental due diligence studies to assess the standard of environmental protection were carried out at sites acquired in conjunction with acquisitions.

Environmental investments in 2006 totalled EUR 8 million.

At year-end 2006, the Raahe Works and steam boilers at the Hämeenlinna Works fell within the scope of EU emissions trading as regards Rautaruukki’s operations. The Mo i Rana rolling mill comes under the Norwegian emissions trading scheme. In 2006, the company sold emissions allowances for a total of EUR 3 million. These allowances arose following market acclimatisation of production at the Raahe Works in 2005.

The EU's new REACH Regulation (Registration, Evaluation and Authorisation of Chemicals) was adopted in December 2006. For Rautaruukki, the Regulation will mean the registration of many substances and increased communication along the supply chain. The EU's Directive on the Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS Directive) also entered into force during 2006. At Rautaruukki, this marked the end of using hexavalent chromium to protect galvanised products against corrosion and to pre-treat coatings in products for the electronics industry.

Safety management training and the development of safety issues continued in 2006, when the accident frequency rate was 21 (24) accidents per million working hours. The aim is to achieve a further marked 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 pro-actively to prevent the occurrence of hazardous situations and accidents.

The company reports environmental issues in more detail in the Corporate Responsibility Report and in site environmental reports.

Risks and risk management

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 for arranging 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 centralised. 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.

Critical risks jeopardising implementation of the strategy and target achievement relate to new businesses and growth management. Growth management is assisted by existing management and control systems and by a defined acquisition process, which takes into account integration issues in respect of acquired companies. Internationalisation of the organisation and the recruitment and development of experts are essential ways to control growth.

Rautaruukki aims at reducing vulnerability to market disruptions caused by fluctuations in the demand for and supply of standard steel products by growing the share of the customer-focused solutions business, developing the operations of our own service centres and enhancing customer service. The prices, including freight charges, of iron ore, coal and other raw materials used in steel production are determined on the world market. Depending on the business cycle, 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, Rautaruukki makes long-term agreements to source the main raw materials and energy used in steel production.

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. Work forged ahead with occupational safety training to eliminate injuries.

Rautaruukki'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 most significant risk arises from the fact that the main raw materials are priced in US dollars. This risk is hedged through forward contracts and options.

A more detailed account of the Group's risk management is given in the Annual Report.

Shares and share capital

During 2006, Rautaruukki Oyj shares were traded for a total of EUR 4,628 million (2,041m) on the Helsinki Stock Exchange. The highest price quoted was EUR 33.31, in March, and the lowest was EUR 19.00, in June. The volume weighted average share price was EUR 25.70 and the share closed on the year at EUR 30.15. Rautaruukki had a market capitalisation of EUR 4,220 million.

The company's registered share capital at 31 December 2006 was EUR 237.9 million. There were 139,957,418 Series K shares issued. At year-end 2006, the company held 1,785,381 treasury shares, corresponding to 1.28 per cent of the company's shares and votes. The treasury shares had an acquisition cost of EUR 7 million and a market value at 31 December 2006 of EUR 53.8 million.

Rautaruukki Corporation's 2006 Annual General Meeting authorised the Board of Directors to buy back a maximum of 11,000,000 of the company's own shares on the Helsinki Stock Exchange at the market price. The authorisation is valid for one year from 23 March 2006, the date of the Annual General Meeting. To date, no shares have been acquired pursuant to this authorisation.

Rautaruukki Corporation's 2006 Annual General Meeting authorised the Board of Directors to decide on the transfer of treasury shares. Under this authorisation, during 2006, the company transferred 810,316 Series K treasury shares to persons covered by the Group's share bonus scheme.

A total of 1,070,973 Series K shares were subscribed between 24 May and 31 December 2006 through the exercise of warrants issued under the 2003 employee bond with warrants. Rautaruukki Corporation's Board of Directors approved the subscriptions, which resulted in an increase of EUR 1,820,654 in the company's share capital.

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

Corporate governance and auditors

Rautaruukki Corporation's Annual General Meeting appointed the company's Board of Directors for a term of office expiring at the end of the 2007 Annual General Meeting. Jukka Viinanen, President & CEO of Orion Corporation, and Georg Ehrnrooth were reappointed as chairman and deputy chairman of the Board of Directors respectively. Maarit Aarni-Sirviö, Vice President, Phenol Business Unit, Borealis Group, Christer Granskog, President & CEO, Kalmar Industries AB, Pirkko Juntti LLM, Kalle J. Korhonen, Director-General, Ministry of Trade and Industry, and Kiuru Schalin, Managing Director, Oy Aga Ab, were reappointed as Board members. Reino Hanhinen, chairman of the Board of Directors of YIT Corporation was appointed as a new member to the Board.

Rautaruukki Corporation's Annual General Meeting reappointed Turo Bergman LicPolSc and Jouko Skinnari MP as chairman and deputy chairman respectively of the Supervisory Board for a term of office expiring at the end of the 2007 Annual General Meeting. Heikki Allonen, President & CEO, Fiskars Oyj Abp, members of the Finnish Parliament Inkeri Kerola, Miapetra Kumpula-Natri, Petri Neittaanmäki, Tapani Tölli and Lasse Virén were all reappointed to the Supervisory Board. Markku Tynkkynen, Executive Vice President Resources, UPM-Kymmene Corporation was appointed as a new member to the Supervisory Board.

Members of the Board of Directors' Audit Committee during the 2006 financial year were Pirkko Juntti (chairwoman), Maarit Aarni-Sirviö, Christer Granskog and Reino Hanhinen. Members of the Board of Directors' Compensation Committee during the 2006 financial year were Jukka Viinanen (chairman), Georg Ehrnrooth and Kiuru Schalin.

The Annual General Meeting reappointed the firm of independent public accountants Ernst & Young Oy as the company's auditors, with Pekka Luoma, Authorised Public Accountant, as the principal auditor.

Resolutions of the Annual General Meeting

Rautaruukki Corporation's Annual General Meeting held on 23 March 2006 approved the Board of Directors' proposals concerning the transfer of treasury shares and buy back of own shares within one year of the close of the meeting. The Annual General Meeting passed a resolution to set up a Nomination Committee to prepare proposals concerning members of the Board of Directors and their emoluments for presentation to the next Annual General Meeting.

The Annual General Meeting decided to pay a dividend of EUR 1.40 per share, a total of EUR 191 million, for the financial year ending 31 December 2005.

Post balance sheet events

In January 2007, the competition authorities approved the agreement signed by Rautaruukki in December 2006 to purchase AB Omeo Mekaniska Verkstad. The shares were acquired debt-free for EUR 3.7 million. The transaction strengthens Ruukki Engineering's position in the lifting, handling and transportation equipment customer segment.

On 29 January 2007, Rautaruukki Corporation and LKAB of Sweden signed a long-term contract for the supply of iron ore pellets used as raw material in iron production at the Raahe Works. Deliveries will commence as of 1 April 2007. This long-term contract will ensure the availability of high-quality iron ore raw material at the Raahe Works.

Outlook for 2007

Demand is expected to hold up in well in Rautaruukki's core market areas. It is anticipated good economic growth will continue in the Nordic countries and economic growth will be much faster in Eastern Europe than in the rest of Europe. Construction activity is expected to remain good across our market area, especially in Eastern Europe. Strong growth is envisaged in commercial and in infrastructure construction, on which Rautaruukki has focused. Customers in the engineering industry have strong order books. The good market for steel products is expected to continue in Rautaruukki's core market areas.

Comparative net sales in 2007 are expected to develop in line with growth targets set. Operating profit for 2007 is anticipated to markedly exceed the comparative figure for last year.

Board of Directors' proposal for the disposal of distributable funds

The Group's distributable equity at 31 December 2006 was EUR 1,060 million. The parent company's distributable equity was EUR 664 million.

The Board of Directors has decided to propose to the Annual General Meeting to be held on 20 March 2007 that a dividend of EUR 1.50 per share (EUR 1.40) be paid for 2006 together with an additional dividend of EUR 0.50 arising from the profit of Ovako divestment. This brings the total dividend proposed to EUR 276 million. The proposed dividend payout date is 4 April 2007.

Helsinki, 6 February 2007

Board of Directors

DIVISIONAL BUSINESS REVIEW 2006

Ruukki Construction

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06	III/06	IV/06	2006
Net sales	88	137	170	155	550	133	181	244	271	829
Operating profit	9	22	39	17	86	8	21	33	39	101
as % of net sales	10	16	23	11	16	6	12	14	14	12

Ruukki Construction's net sales in 2006 were up by 51 per cent to reach EUR 829 million (550m). Operating profit was EUR 101 million (86m). The division accounted for 23 per cent (15) of consolidated net sales. Net sales and operating profit rose as a result of major acquisitions, organic growth, increasing construction activity in our core markets bolstered by a healthy market, as well as rationalised business processes. Development measures launched during 2006 improved PPTH's profitability during the second half of the year.

Construction activity remained brisk throughout the year, with unseasonably warm weather prolonging the construction season. Extremely good demand for components, systems and integrated systems increased deliveries in all market areas. In the Nordic countries and Baltics, sales of components held up well and there was a steady growth in the volume of integrated solutions. Deliveries rose for infrastructure construction projects in the Nordic countries. Bolstered significantly by acquisitions and new investment projects, growth, especially in integrated systems, has held up well in Central Eastern Europe. Delivery volumes in Russia and Ukraine showed were up sharply towards the end of the year, with systems and integrated systems accounting for a higher share of sales.

M&A arrangements effected during the year under review added to the Group's design and project know-how, delivery accuracy and the availability of high-quality raw materials, especially in the growing Central Eastern European and Eastern European markets. PPTH, the leading steel constructor in the Nordic countries, was integrated into Ruukki Construction as of 1 January 2006. Likewise, Slovakia's leading steel constructor, Steel-Mont, was integrated into the division as of 1 April 2006. In May, Rautaruukki acquired AZST-Kolor's coating line in Ukraine. The acquisition of Russia's leading steel constructor, OOO Ventall, was completed in June and Ventall was integrated into Ruukki Construction as of 30 June 2006. Rautaruukki opened eight new sales offices in Russia last year. In June, the Group started up a new plant in Hungary to strengthen delivery capability for the main components and integrated systems used in construction when making total deliveries.

September saw the launch of major investment projects totalling EUR 50 million in Central Eastern Europe. The total investment in the plant to be built in Ukraine is put at around EUR 15 million and production is expected to come on stream during the first quarter of 2008. The total investment in the plant to be built in Romania is put at EUR 35 million and production is expected to commence in late 2007. On completion, these investments will enable Rautaruukki to considerably increase deliveries of components and integrated systems for commercial and industrial construction to customers in Ukraine, Romania and Bulgaria.

Ruukki Engineering

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06	III/06	IV/06	2006
Net sales	124	114	101	137	476	132	142	127	157	557
Operating profit	22	23	23	27	96	25	21	28	33	106
as % of net sales	18	21	23	20	20	19	15	22	21	19

Ruukki Engineering's net sales in 2006 were up 17 per cent to EUR 557 million (476m). Operating profit was EUR 106 million (96m). The division accounted for 15 per cent (13) of consolidated net sales. Higher net sales were fuelled by good demand, investments and increased capacity.

The market remained good in all Ruukki Engineering's business sectors in 2006. Extremely healthy demand continued in the lifting, handling and transportation equipment industry, with systems deliveries accounting for a higher share of sales than in 2005. Deliveries were up, particularly to manufacturers of container handling equipment and also manufacturers of equipment used in the mining industry and construction.

Further growth was witnessed in the market for wind farms. A start was made on pilot deliveries of new components for the frames of wind farms to customers in the energy industry. Demand held up well in the shipbuilding and offshore industry, where customers reported bigger order books. Likewise, customers in the paper and wood processing industry had thicker order books than a year earlier.

Ruukki Engineering strengthened its position as a supplier of frames and booms in the lifting, handling and transportation equipment industry through an agreement signed in December 2006 to acquire AB Omeo Mekaniska Verkstad of Sweden. The competition authorities gave the green light to the transaction in January 2007.

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 also launched 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 production 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.

Ruukki Engineering's efforts in product development strengthen our ability to provide total systems comprising welded components and ready-assembled systems for manufacturers of mobile machines. Increased quenching capacity for steel plates improved Rautaruukki's ability to deliver components made of high-strength steel. These components include booms, grabs and other lifting equipment.

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

For the offshore industry, Rautaruukki delivered increasingly larger solutions in collaboration with a partnership network it coordinated. Examples of this include pile anchors delivered to the North Sea to attach tanker loading and unloading buoys to the sea bed.

Ruukki Metals

EUR million	I/05	II/05	III/05	IV/05	2005	I/06	II/06	III/06	IV/06	2006
Net sales	802	686	541	596	2625	591	604	514	583	2291
Operating profit	180	147	69	91	486	77	87	89	111	364
as % of net sales	22	21	13	15	19	13	14	17	19	16

Ruukki Metals' net sales were down 13 per cent to EUR 2,291 million (2,625m). Comparable net sales were EUR 2,124 million (2,128m). Operating profit was down 25 per cent to EUR 364 million (486m) and the comparable operating profit for 2006 was EUR 350 million (409m). Higher raw material costs were the main reason for this fall. The division accounted for 62 per cent (72) of consolidated net sales.

Good demand for steel products continued in our core markets and product selling prices rose. 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.

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.

The Group's metal products strategy is to further strengthen its position in its core market through an extensive range of products and services and an unrivalled supply chain. In the Central and Southern European markets, Rautaruukki is focusing on the sales of special products and on developing supporting distribution channels. The division has addressed special products by investing in ultra high-strength steels.

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 in the immediate term and preparing for growing demand on the Russian market.

The Hyvinkää service centre in Finland ordered a laser cutting line capable of handling large structural hollow sections. The line is the only one 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, Rautaruukki opened a distribution centre at Biatorbágy in Hungary. 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.

The first stage of a project to upgrade and harmonise the company's information systems was completed in the autumn with the deployment of a SAP-based ERP system at Rautaruukki's service centre in Finland. Deployment initially resulted in a marked decline in delivery accuracy, but this had been virtually restored by the end of the year.

Ruukki Production

1000 tonnes	I/05	II/05	III/05	IV/05	2005	I/06	II/06	III/06	IV/06	2006
Steel production	1176	982	765	888	3813	888	860	725	744	3217
Steel production at Raahe	716	715	614	701	2746	709	693	705	744	2853

Production ran smoothly at all facilities and output totalled 3,217,000 tonnes. Steel production at Raahe, Finland reached a record high of 2,853,000 tonnes (2,747,000). Production at the Mo i Rana mills in Norway between January and July was 365,000 tonnes (687,000 for Jan-Dec). The Mo i Rana mills were divested in August 2006. The output of plates and coated strip products ran at full capacity throughout the year.

Overall costs of raw materials were roughly similar to those at year-end 2005, although raw material costs for the entire 2006 financial year were higher than in 2005. 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 meant a more modest impact on the price of zinc than the sharp rise on the world market. Long-term delivery contracts safeguarded the availability of raw materials. No steel slabs were purchased from outside suppliers, thus lowering production costs.

Investments were made at the Raahe Works to increase the capacity of high-strength steel grades. 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 grades 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 dimensional range. These projects will take place over a three-year period. The investments will enable Rautaruukki to step up production of ultra-strength structural steel and wear resistant steel grades much faster than originally intended.

The above investments support Ruukki Engineering's business in the lifting, handling and transportation industry and will grow the share of high-strength steel in Ruukki Metals' sales.

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

At the Kankaanpää Works in Finland, the furnace and afterburner of the coating line and certain other production process equipment were replaced. The modernised line particularly serves Ruukki Construction customers.

Rautaruukki's reinforcing steel business was sold to BT Norway AS in August. In November, a decision was taken to divest operations of the production works in Fredericia, Denmark, which manufactures cold formed sections. Part of the business was taken over by Ib Andresen Industri A/S on 1 January 2007. These moves were made as part of the structural reorganisation in accordance with Rautaruukki's strategy aimed at divesting non-core business units.

CONSOLIDATED FINANCIAL STATEMENT INFORMATION (unaudited)

Individual figures and grand totals have been rounded off to the nearest million euros. This means they will not always tally when added together or subtracted.

SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

EUR million	10-12/06	10-12/05	2006	2005
Net sales	1 013	889	3 682	3 654
Other operating income	9	11	32	28
Operating expenses	-819	-739	-3037	-2 908
Depreciation and value adjustments	-36	-38	-148	-156
Operating profit	167	123	529	618
Financing income and charges	-3	-6	-22	-30
Share of results of associated companies	94	4	129	23
Profit before taxes	258	121	635	612
Taxes	-44	-27	-134	-157
Net profit	213	93	501	455
Attributable to:				
Equity holders of the company	213	93	501	455
Minority interests	0	0	0	0
Diluted earnings per share, €	1.55	0.68	3.65	3.31
Basic earnings per share, €	1.55	0.68	3.66	3.35
Operating profit as % of net sales	16.5	13.8	14.4	16.9

SUMMARY OF CONSOLIDATED BALANCE SHEET

EUR million	31 Dec 2006	31 Dec 2005	Change, %
ASSETS			
Non-current assets	1 454	1 476	-2
Current assets			
Inventories	586	534	10
Trade and other receivables	624	528	18
Cash and cash equivalents	361	163	122
	3 026	2 701	12
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the company	1 832	1 497	22
Minority interests	1	1	
Non-current liabilities			
Interest-bearing	218	372	-41
Other	226	194	16
Current liabilities			
Interest-bearing	164	132	24
Trade payables and other liabilities	584	505	16
	3 026	2 701	12

SUMMARY OF CASH FLOW STATEMENT

EUR million	2006	2005
Profit for the period	501	455
Adjustments	168	333
Cash flow before change in working capital	669	788
Change in working capital	-76	0
Financing items and taxes	-197	-137
Cash flow from operating activities	396	652
Cash flow from investing activities	140	-133
Cash flow before financing activities	536	519
Dividends paid	-191	-109
Other net cash flow from financing activities	-147	-307
Change in cash and cash equivalents	198	103

KEY FIGURES	2006	2005
Net sales, EUR m	3 682	3 654
Operating profit, EUR m	529	618
as % of net sales	14.4	16.9
Profit before taxes, EUR m	635	612
as % of net sales	17.3	16.7
Profit for the period, EUR m	501	455
as % of net sales	13.6	12.5
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, EUR m	22	341
Equity per share, EUR	13.26	10.98
Personnel on average	13 121	11 684
Number of shares	139 957 418	138 886 445
- excluding treasury shares	138 172 037	136 293 748
- diluted, average	137 144 515	137 377 120

CHANGES IN EQUITY 2006
EUR million

	Equity attributable to shareholders of the company						
	Share-capital	Share-premium-account	Fair value and other reserves	Trans-lation differences	Retained earnings	- Total	Minority interests
EQUITY at 1 Jan	236	220	31	-5	1 016	1 497	1
Increase in share capital	2					2	
Cash flow hedging							
Transferred to equity		21				21	
Share of deferred taxes		-6				-6	
Cost of share-based payments			4			4	
Disposal of treasury shares			-6		7	1	
Change in translation difference				2		2	
Dividend distribution					-191	-191	
Profit for the period					501	501	
EQUITY at 31 Dec	238	220	44	-3	1 333	1 832	1

CHANGES IN EQUITY 2005
EUR million

	Equity attributable to shareholders of the company						
	Share-capital	Share-premium-account	Fair value and other reserves	Trans-lation differences	Retained earnings	- Total	Minority interests
EQUITY at 1 Jan adjusted)	236	220	4	-2	670	1 126	1
Cash flow hedging							
Transferred to equity			32			32	
Share of deferred taxes			-8			-8	
Change in translation difference				-3		-3	
Cost of share-based payments			4			4	
Dividend distribution					-109	-109	
Profit for the period					455	455	
EQUITY at 31 Dec	236	220	31	-5	1016	1 497	1

NET SALES BY DIVISION

EUR million	2006	2005
Ruukki Construction *)	829	550
Ruukki Engineering	557	476
Ruukki Metals *)	2 291	2 625
Group management and other units	4	3
Consolidated net sales	3 682	3 654

OPERATING PROFIT BY DIVISION

EUR million	2006	2005
Ruukki Construction *)	101	86
Ruukki Engineering	106	96
Ruukki Metals *)	364	486
Group management and other units	-42	-50
Consolidated operating profit	529	618

QUARTERLY NET SALES

EUR million	I/05	II/05	III/05	IV/05	I/06	II/06	III/06	IV/06
Ruukki Construction *)	88	137	170	155	133	181	244	271
Ruukki Engineering	124	114	101	137	132	142	127	157
Ruukki Metals *)	802	686	541	596	591	604	514	583
Group management and other units	0	2	0	1	0	1	0	2
Consolidated net sales	1 014	939	812	889	856	928	885	1013

QUARTERLY OPERATING PROFIT

EUR million	I/05	II/05	III/05	IV/05	I/06	II/06	III/06	IV/06
Ruukki Construction *)	9	22	39	17	8	21	33	39
Ruukki Engineering	22	23	23	27	25	21	28	33
Ruukki Metals *)	180	147	69	91	77	87	89	111
Group management and other units	-10	-12	-17	-11	-15	-2	-9	-16
Consolidated operating profit	201	180	114	123	95	127	140	167

QUARTERLY NET SALES (PRO FORMA) EXCLUDING UNITS TRANSFERRED TO OVAKO AND NORDIC REINFORCING UNITS

EUR million	I/05	II/05	III/05	IV/05	I/06	II/06	III/06	IV/06
Ruukki Construction *)	88	137	170	155	133	181	244	271
Ruukki Engineering	103	107	101	137	132	142	127	157
Ruukki Metals *)	571	561	474	522	521	523	497	583
Group management and other units	0	2	0	1	0	1	0	2
Consolidated net sales	761	807	745	815	786	848	868	1013

QUARTERLY OPERATING PROFIT (PRO FORMA) EXCLUDING UNITS TRANSFERRED TO OVAKO AND NORDIC REINFORCING UNITS

EUR million	I/05	II/05	III/05	IV/05	I/06	II/06	III/06	IV/06
Ruukki Construction *)	9	22	39	17	8	21	33	39
Ruukki Engineering	21	24	23	27	25	21	28	33
Ruukki Metals *)	135	122	67	85	71	79	90	111
Group management and other units	-10	-12	-17	-11	-15	-2	-9	-16
Consolidated operating profit	154	156	112	117	89	119	141	167

* The pipelines business was transferred from Ruukki Construction to Ruukki Metals in August 2005. The reference data has been updated for comparability.

NET SALES BY REGION

as % of net sales	2006	2005
Finland	31	29
Other Nordic countries	31	30
Central Eastern Europe, Russia and Ukraine	17	12
Rest of Europe	19	26
Other countries	2	3

CONTINGENT LIABILITIES

EUR million	31 Dec 2006	31 Dec 2005
Mortgaged real estates	26	29
Pledges given	5	19
Collateral		
Given on behalf of associates	0	1
Given on behalf of others	5	4
Leasing rental liabilities	100	141
Other financial liabilities	11	4

Subsequent to the divestment of the operating companies of Oy Ovako Ab, both Oy Ovako Ab and its subsidiary Ovako Svenska AB were put into voluntary liquidation and most of Oy Ovako Ab's assets were distributed to shareholders as a disbursement. The shareholders (Rautaruukki Corporation, AB SKF and Wärtsilä Corporation) have, as required under the Finnish Companies Act, submitted to the liquidator a directly enforceable guarantee as surety against payment of the disbursements.

VALUES OF DERIVATIVE CONTRACTS 31 Dec 2006, EUR million

CASH FLOW HEDGES INCLUDED IN HEDGE ACCOUNTING

	Nominal value	Fair value
Interest rate derivatives		
Interest rate swaps	25	0.2
Zinc derivatives		
Forward contracts *	30 000	50.9
Electricity derivatives		
Forward contracts **	1 513	4.3

The unrealised result of cash flow hedges is recognised in equity to the extent the hedge is effective. Other changes in fair value are recorded in the income statement.

DERIVATIVES NOT INCLUDED IN HEDGE ACCOUNTING

	Nominal value	Fair value
Interest rate derivatives		
Interest rate swaps	100	0.6
Foreign currency derivatives		
Forward contracts	788	-6.4
Options		
Bought	70	-0.9
Sold	70	0.2
	140	-0.8

* nominal amount, tonnes
** nominal amount, GWh

CHANGES IN PLANT, PROPERTY AND EQUIPMENT

EUR million	2006	2005
Carrying value at 1 Jan	1 033	1 192
Increase	130	84
Increase through acquisitions	71	19
Decrease	-19	-15
Decrease through divestments	-42	-105
Depreciation and value adjustments	-130	-144
Translation differences	-1	4
Carrying value at 31 Dec	1 043	1 033

TRANSACTIONS WITH RELATED PARTIES (ASSOCIATED COMPANIES)

EUR million	2006	2005
Sales to associated companies	29	51
Purchases from associated companies	27	33
Non-current receivables at 31 Dec	0	39
Trade and other receivables at 31 Dec	10	13
Trade and other creditors at 31 Dec	2	6

INVESTMENT COMMITMENTS*

EUR million	after 31 Dec 2006
Maintenance investments	20
Development investments and outlays on special products	143
Total	163

*Investment commitments include the estimated costs of projects that have received permission to go ahead.

INFORMATION ABOUT ACQUISITIONS

EUR million	Fair values booked on combination	Carrying value before combination
Acquisition cost	149	
including conditional purchase price	29	
Assets and liabilities of acquired companies (carrying value)		
Non-current assets	114	44
Current assets		
Inventories	25	25
Trade and other receivables	34	34
Cash and cash equivalents	8	8
Total assets	181	111
Non-current liabilities		
Interest-bearing	30	23
Other	19	2
Current liabilities		
Interest -bearing	1	7
Other	42	39
Total liabilities	92	71
Net assets	89	40
Acquisition cost	149	149
Goodwill	60	109
Acquisition cost paid in cash	120	120
Cash and cash equivalents of the acquired subsidiary	8	8
Impact on cash flow	112	112

Includes information about the following acquisitions: PPTH Steelmanagement Oy, Steel-Mont a.s., AZST-Kolor CJSC and OOO Ventall.

Annual General Meeting

The Annual General Meeting of Rautaruukki Corporation will take place in Helsinki starting at 3pm Finnish time on Tuesday 20 March 2007 at Helsinki Fair Centre.

Financial reporting in 2007

The 2006 Annual report will be published in March 2007 during week 11.

Rautaruukki Corporation's interim reports will be published as follows:
January to March on 25 April 2007
January to June on 1 August 2007
January to September on 24 October 2007

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