

Rautaruukki Corporation

Interim Report
January–June 2006

RTRKS

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26 July 2006

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RAUTARUUKKI CORPORATION INTERIM REPORT JANUARY-JUNE 2006

This interim report has been prepared in accordance with IAS 34 in conformity with the accounting policies published in the 2005 financial statements.

Net sales and result for January-June 2006 (comparative figures for January-June 2005)

Consolidated net sales in January-June 2006 were EUR 1,784 million (1,953), a decrease of 9 per cent. The units that transferred to Ovako were removed from financial reporting as from 1 May 2005. Measured against comparable net sales in January-June 2005 of EUR 1,701 million, the increase was 5 per cent. Net sales were lifted by the good trend in sales by the solutions businesses as well as by the acquisitions that were made. The solutions businesses accounted for 33 per cent of net sales in the report period (24). Of net sales, 79 per cent (68) came from the core market areas: 32 per cent from Finland (28), 34 per cent from the other Nordic countries (31) and 13 per cent from central eastern Europe (9). The rest of Europe accounted for 19 per cent (29) and other countries for 2 per cent (3).

Construction activity grew in the second quarter of the year, and integrated systems accounted for an increased share of Rautaruukki's sales. Order books in the engineering industry have grown further, leading to an increase in Rautaruukki's deliveries.

Deliveries of steel products declined by about 20 per cent compared with the same period a year earlier. Eliminating the effect of the units transferred to Ovako, deliveries were down by about 4 per cent. Average selling prices of Rautaruukki's steel products in the report period were somewhat below the same period of last year. Demand for steel products remained strong in Europe and prices headed upward in the second quarter.

Operating profit in the report period was EUR 222 million (381; comparable operating profit: 332). Operating profit was reduced by lower prices for steel products and by higher raw material costs compared with the same period last year. The share of the Group's operating profit attributable to the solutions businesses rose to 34 per cent (20). Foreign exchange differences reduced operating profit by a total of EUR 10 million (+11), of which the effect of the US dollar, including hedging, was a loss of EUR 28 million (+17). The costs of share bonus schemes booked to the report period came to about EUR 15 million (17).

Net financial expenses amounted to EUR 13 million (19). Net interest expenses were EUR 10 million (18).

The share of associate companies' profit was EUR 29 million (13), of which Ovako accounted for EUR 26 million (12).

The result before taxes was EUR 237 million (376).

The Group's taxes totalled EUR 53 million (98), including a change in deferred taxes of EUR -2 million (+8).

Profit for the report period was EUR 184 million (278).

Diluted earnings per share were EUR 1.33 (2.02).

Over the past twelve months, the return on capital employed was 24.1 per cent (35.2) and the return on equity 25.5 per cent (41.3).

Balance sheet

The Group's total assets were EUR 2,908 million (2,701). Total assets increased by EUR 125 million from the end of June of last year and by EUR 207 million from the end of 2005. OOO Ventall, which was purchased in June, accounted for EUR 148 million of total assets.

Cash flow and financing

Cash flow from operating activities was EUR 139 million (258) and cash flow after investing activities EUR 18 million (196). The change in the first-half liquid funds was influenced by the payment of dividend, EUR 191 million, the residual tax for 2005, EUR 67 million, and the purchase of Ventall, EUR 99 million.

Interest-bearing net debt at the end of June totalled EUR 538 million (661). At the end of 2005, interest-bearing net debt stood at EUR 341 million. Working capital increased by EUR 18 million in January-June (142).

The equity ratio was 53.2 per cent (47.3) and the gearing ratio 35.4 per cent (50.5). At the end of June, the Group's liquid funds amounted to EUR 72 million and it had a total of EUR 300 million of committed unused revolving credit facilities with banks. Shareholders' equity stood at EUR 1,520 million at the end of June (1,311), or EUR 11.12 per share (9.65). Total dividends of EUR 191 million that were declared by a resolution of the Annual General Meeting held in March were paid out on 4 April 2006.

Personnel

The average number of personnel employed by the Group in the January-June period was 12,645 (11,924) people. At the end of June the entire payroll numbered 14,952 employees (11,982). The change in the number of employees was an increase of 2,970 people. The increase in personnel strength resulting from the acquisitions carried out by the end of June 2006 was about 2,200 employees. In 2005, 1,900 Rautaruukki staff transferred to the employ of Ovako and 1,600 people were added to the Group payroll via acquisitions.

Structural changes in the Group

In the report period, four acquisitions were completed that increased Rautaruukki's capabilities of delivering integrated systems to customers in the construction industry, whilst further strengthening the company's project know-how.

The acquisition of PPTH Steelmanagement Oy, the leading steel constructor in the Nordic countries, was seen to completion in January 2006. The deal raised Rautaruukki's holding in the company from 20 per cent to 100 per cent. The shares were bought for a price of about EUR 7 million. As part of the deal, Rautaruukki assumed EUR 24 million of interest-bearing liabilities. PPTH was included in Rautaruukki's consolidated financial statements as from 1 January 2006.

The purchase of the Slovak steel constructor Steel-Mont a.s. was completed in March. The shares were bought for a price of about EUR 10 million. The company was debt-free. Steel-Mont was consolidated within Rautaruukki's accounts as from 1 April 2006.

In May, Rautaruukki purchased AZST-Kolor CJSC, which operates a colour coating line in Ukraine, at a acquisition cost of EUR 5 million. The company was debt-free. AZST-Kolor was consolidated within Rautaruukki's accounts as from 1 June 2006. The acquisition means that Rautaruukki has a competitive source of ensuring its delivery accuracy and the availability of high-quality raw materials, especially in Russia and Ukraine.

In June, Rautaruukki completed the acquisition of the Russian steel constructor OOO Ventall, thereby strengthening its position in the fast-growing Russian market. Ventall was included in

Rautaruukki's consolidated financial statements as from 30 June 2006. The shares were bought for a price of EUR 99 million. The company was debt-free. Under the terms of the agreement, a provision for a possible additional purchase price which is dependent on the earnings in 2006 and is a maximum of EUR 27.5 million was recorded on the acquisition cost. The company will bring Rautaruukki a strong position in Russia's growing construction market as well as a local manufacturing presence within steel structures and sandwich panels.

Capital expenditure

Investments in tangible and intangible assets in January-June totalled EUR 59 million (67). Disposals of property, plant and equipment during the report period amounted to EUR 4 million (7). Capital expenditure on the replacement of production equipment in 2006 is estimated to come to about EUR 80 million and outlays on special products and expanding processing capacity will be about EUR 60 million.

In the report period, spending on M&A arrangements totalled EUR 120 million. The acquisitions increased the Group's interest-bearing net debt by EUR 30 million. Via the acquisitions, the amount of property, plant and equipment increased by EUR 44 million, working capital by EUR 19 million and goodwill by EUR 109 million.

Shares and share capital

The trading volume of the Rautaruukki Corporation share on the Helsinki Stock Exchange in January-June was EUR 2,732 million (949). The share registered a high of EUR 33.31 in March and a low of EUR 19.00 in June. The volume-weighted average price was EUR 26.32. The price of the share at the end of the report period on 30 June 2006 was EUR 23.62 and the company had a market capitalisation of EUR 3,280 million (1,715).

The company's registered share capital at 30 June 2006 stood at EUR 236.1 million. The number of Series K shares issued was 138,886,445.

The warrants of the bond loan directed at Rautaruukki's personnel in 2003 were admitted to public trading on the Helsinki Stock Exchange on 24 May 2006. The warrants entitle their holders to subscribe for a maximum of 1,400,000 shares by 23 May 2009. The subscription price of the shares is EUR 2.00. As a consequence of share subscriptions, the company's share capital can be increased by a maximum of EUR 2,380,000.

Rautaruukki Corporation's Annual General Meeting held on 23 March 2006 authorised the Board of Directors to decide on buying back a maximum of 11,000,000 of the company's own Series K shares (7.92 per cent of the shares outstanding). The Annual General Meeting furthermore authorised the Board of Directors to decide on transferring a maximum of 13,592,697 Series K treasury shares. Under the Board of Directors' existing authorisation, on 23 March 2006 the company transferred 291,000 of its own Series K shares (treasury shares) without consideration to persons covered by the Group's share bonus scheme. Following the transfer, the company had 2,301,697 treasury shares. The treasury shares had a market value at 30 June 2006 of EUR 54 million.

In addition to the above, the Board of Directors does not have a valid authorisation to issue convertible bonds and/or bonds with warrants or to increase the company's share capital.

Environmental compliance

The EU's internal emissions trading scheme, which was launched in 2005, includes the following Rautaruukki sites: in Finland, the Raahe Steel Works and the steam boilers of the Hämeenlinna Works. In Norway, a similar system has been developed, and it covers the Mo i Rana Steel Works and rolling mills.

In the initial allocation of free emission rights, Rautaruukki received a total of about 15.4 million tonnes for the period 2005-2007. The confirmed volume of carbon dioxide emissions for 2005 was 4.83 million tonnes. Last year the company's steel production was adjusted in line with profitable demand, thereby also lowering carbon dioxide emissions. The difference between emission rights according to the initial allocation and actual emissions will be determined finally only after the close of the three-year period from 2005 to 2007. At this stage, however, it is not estimated that the purchase of emission rights will result in significant costs to the company's steel production from the standpoint of overall operations.

Improvements in cost-effectiveness

Cost savings under the Ruukki United programme aiming at harmonising and enhancing the company's ways of working are expected to contribute about EUR 150 million to consolidated operating profit by the end of 2008. About EUR 70 million worth of projects has been identified by the end of 2006, of which EUR 25 million had been implemented by the end of the report period.

The objective of the Ruukki United programme is to free up permanently about EUR 150 million of capital by the end of 2008. About half of the programme to reduce tied-up capital had already been realised by the end of the report period.

The effects which the programmes will have on staffing levels are to be ascertained on a project-specific basis, and the reductions are expected to be made primarily by way of retirement and relocation.

Divestment of the steel reinforcement business

In April, Rautaruukki signed an agreement on the sale of its Nordic steel reinforcement business to BT Norway AS. The shares were sold for a price of about EUR 123 million, including the dividend to be paid to Rautaruukki before the time of completion of the sale. The purchase price corresponds to the carrying amount of the companies to be sold. The final purchase price will be determined on the basis of the balance sheet of the divested companies at the time of completion of the transaction.

The divestment will streamline Rautaruukki's structure and is connected to the arrangements that were launched last year for divesting the long steel products business. The steel reinforcement business is part of the Ruukki Metals division and it comprises 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. Net sales in 2005 were about EUR 328 million and the business generated operating profit of EUR 30 million. The company had a payroll of 689 employees at the end of 2005. The divestment is contingent on the required regulatory approvals and it is expected to be completed by the end of July 2006.

Events after the close of the report period

Rautaruukki, SKF and Wärtsilä signed an agreement in July on the sale of the operating companies of their associated company Oy Ovako Ab. Ovako's debt-free selling price is about EUR 700 million. The total price for the shares is about EUR 660 million, comprising a cash payment at closing of approximately EUR 535 million, a deferred cash payment of EUR 15 million to be paid in July 2008 and an interest-bearing vendor note of EUR 110 million to be paid within 3-6 years from closing. In addition, the buyer will assume estimated net debt of EUR 40 million at closing. Rautaruukki owns 47.0 per cent of Ovako. As a consequence of carrying out the transaction and the subsequent dissolution of Oy Ovako Ab, Rautaruukki will book a tax-free capital gain of about EUR 100 million on the transaction. Completion of the deal calls for regulatory approvals and it is expected to be consummated during September 2006.

In July, Rautaruukki sold its steel service centre business located in Duisburg, Germany, which primarily prefabricates sheet metal products. The steel service centre and the approximately 75 people on its payroll will transfer to the purchaser's employ on 1 September 2006. The deal fits in

with Rautaruukki's strategy whereby Ruukki Metals will concentrate on selling special products in the markets of central and southern Europe, and will develop distribution channels that support this.

Near-term outlook

The market situation in the Group's core market areas and main customer industries has held up well. The construction season is under way and customers in the engineering industry still have strong order books. Demand is expected to remain firm within the construction and the engineering industries, and prices of steel products are set to strengthen further in the latter half of the year. Costs of the raw materials used in steel manufacture are estimated to remain at the level seen in the second half of 2005.

Full-year consolidated net sales in 2006 are expected to increase on the comparable net sales in 2005. In the latter half of the year, operating profit is estimated to be clearly better compared with the same period in 2005. In addition, the Ovako arrangement – when completed – will bring Rautaruukki a tax-free capital gain of about EUR 100 million. Cash flow will improve remarkably due to divestments of reinforcing steel business and Ovako. The most significant factors of uncertainty relate to movements in the steel product markets in Asia and to the general trend in the world economy.

This Interim Report has not been audited.

Helsinki, 26 July 2006

Rautaruukki Corporation
Board of Directors

DIVISIONS

Ruukki Construction

EUR million	I/2005	II/2005	III/2005	IV/2005	2005	I/2006	II/2006
Net sales	88	137	170	155	550	133	181
Operating profit	9	22	39	17	86	8	21
- % of net sales	10	16	23	11	16	6	12

In January-June 2006, Ruukki Construction had net sales of EUR 315 million (225), up 40 per cent on the same period of 2005. Net sales growth was driven not only by acquisitions, but also by the rise in the proportion of integrated systems. The division's share of consolidated net sales was 18 per cent (12). Operating profit was EUR 29 million (31). The profitability of the period was influenced by the rise in the price of zinc used in colour coated products that has not yet fully been transferred to product prices. On the other hand, PPTH which was acquired at the beginning of the year has not yet reached the targeted profitability level.

Within construction, there was good demand for components, systems and integrated systems, and deliveries increased in all market areas. In the Nordic countries and the Baltic area, sales of components have held up well and integrated systems have grown in volume. Deliveries for infrastructure construction projects in the Nordic countries have likewise shown continued strength. There has been buoyant growth in central eastern Europe, especially for integrated systems, bolstered in large measure by the acquisitions and new capital expenditure projects that have been carried out. In Russia and Ukraine, systems and integrated systems represent an increased share of sales, alongside sales of components.

Two acquisitions were completed in the first quarter, bringing an increase in Ruukki's manufacturing know-how within steel structures and significantly strengthening Ruukki's design and project expertise in the construction industry. PPTH, the leading steel constructor in the Nordic countries,

was made a part of Ruukki Construction as from 1 January 2006, and Slovakia's leading steel constructor, Steel-Mont, was added to the division on 1 April 2006.

In May, Rautaruukki acquired AZST-Kolor, which operates a colour coating line in city of Antratsit, Ukraine. The purchase of AZST-Kolor serves Ruukki's customers in the construction industry, especially in the growing markets of Russia and Ukraine. Via the acquisition, Ruukki has secured a competitive means of ensuring its delivery reliability and the availability of high-quality raw materials.

In June, Rautaruukki completed the acquisition of OOO Ventall, Russia's leading steel constructor. Ventall was included in Rautaruukki's financial reporting as from 30 June 2006. Ventall is a strategically important step in expanding the solutions businesses. The company brings Ruukki a strong position in Russia's growing construction market as well as a local manufacturing presence within steel structures and sandwich panels. Ruukki's and Ventall's design expertise in the area of steel structures and their mutually complementary construction components will bring a significant increase in Ruukki's service capability in key customer segments in Russia and they will also support growth in Ukraine.

In June, a new production plant went into operation in Hungary. The new plant will strengthen significantly Ruukki's delivery capability of main construction components and improve its service capability for integrated deliveries in unison with the acquisitions that have been carried out in the strategically important central eastern Europe market area.

Ruukki Engineering

EUR million	I/2005	II/2005	III/2005	IV/2005	2005	I/2006	II/2006
Net sales	124	114	101	137	476	132	142
Operating profit	22	23	23	27	96	25	21
- % of net sales	18	21	23	20	20	19	15

In January-June 2006, Ruukki Engineering had net sales of EUR 274 million (238), an increase of 15 per cent on the same period of 2005. Comparable net sales in January-June 2005 amounted to EUR 209 million. Compared with this figure, growth in the first half of 2006 was 31 per cent. The higher net sales were attributable both to the continued good market situation and the acquisition of Syneco Industri AB that was made towards the end of 2005. The division's share of consolidated net sales was 15 per cent (12; comparable basis: 12). Operating profit was EUR 46 million (46, comparable basis: 44). Due to long-term contracts the product price increases have not yet compensated the rise in raw material costs.

Order books have strengthened further in all of Ruukki Engineering's customer industries. Customers in the lifting, handling and transportation equipment industry had a strong order intake, and this was reflected in the good demand for deliveries by Ruukki. Demand in the paper and wood processing industries has held up well and there has been good growth in the wind power plant market. In the marine and offshore industry as well, the order intake is at a very good level.

Demand for parts, components and systems supplied by Ruukki Engineering has continued to grow. Manufacturing capacity is being beefed up in line with the increased demand and with an eye to boosting production efficiency. The Kurikka plant is moving its machine cabin production to the new production facilities that were completed in April, lifting machine cabin production capacity by about a third. A production expansion project was also launched at the plant in Wroclaw, Poland.

The steel service centre that went into operation in Raahe last year has continued to expand its operations. Quenching capacity for steel plates will be raised at the production in order to ramp up deliveries of components made from high-strength steels.

Ruukki Metals

EUR million	I/2005	II/2005	III/2005	IV/2005	2005	I/2006	II/2006
Net sales	802	686	541	596	2625	591	604
Operating profit	180	147	69	91	486	77	87
- % of net sales	22	21	13	15	19	13	14

Ruukki Metals' net sales in January-June 2006 totalled EUR 1,195 million (1,488). Net sales were down 20 per cent, due largely to the non-inclusion in the division's figures, as from 1 May 2005, of the units that were transferred to Ovako. Comparable net sales in January-June 2005 amounted to EUR 1,264 million. Compared with this figure, the decrease in net sales in the first quarter of 2006 was 5 per cent. This was due mainly to the decrease in deliveries compared with the high level seen last year. The division accounted for 67 per cent of consolidated net sales (76; comparable basis: 74). Operating profit was EUR 164 million (326; comparable basis: 279). The drop in profitability was attributable to the clear rise in raw material costs and to the somewhat lower price level of steel products.

Demand for steel products has been buoyant in the main customer industries in all the core markets. Wholesalers' stock levels have decreased further and are in part already at a lower than normal level. Strong demand in the Nordic countries, accompanied by dips and peaks from product to product, has led to delivery difficulties for certain products. The surge in construction activity in central eastern Europe has fuelled demand for coated sheet products in particular. Special products made up an increased share of total deliveries.

Improvement of the sales structure is continuing in the west European market, with a greater emphasis on deliveries of special products. Accordingly, in July Rautaruukki divested its steel service centre business located in Duisburg, Germany, which primarily prefabricates sheet metal products. The steel service centre and the approximately 75 people on its payroll will transfer to the purchaser's employ on 1 September 2006.

Ruukki is continuing to strengthen and develop its network of steel service centres in the Nordic countries, the Baltic area and Russia.

Investments in increasing the delivery capability for ultra high-strength steels are progressing according to plan. A new laser cutting line for large hollow sections will go into operation at the steel service centre in Hyvinkää by the end of the year.

Ruukki Production

1000 tonnes	I/2005	II/2005	III/2005	IV/2005	2005	I/2006	II/2006
Steel production	1176	982	765	888	3813	888	860
- excluding Ovako	883	897	765	888	3434	888	860

Steel output in January-June was 1,748,000 tonnes. The comparative figure for 2005, excluding the units transferred to Ovako, was 1,780,000 tonnes. Output in the current year was reduced by the repair that was made in June to the charging equipment for the blast furnace in Raahe.

Prices of raw materials for ironmaking have been agreed for the current year and partly for next year. All in all, ironmaking raw material costs are estimated to remain at the level of the second half of last year. The price of zinc used in steel coating is about double that of last year. 40,000 tonnes of zinc is used annually. The hedging measures that have been taken out will dampen the effect on costs of fluctuations in the market price.

Investments aimed at strengthening the delivery capability for special products are moving ahead according to plan. A new coiler will go into operation at the hot strip rolling mill in August. Likewise in August, preparatory works will be carried out so that the direct quenching equipment at the plate rolling mill can go into full production use in summer 2007. A decision has been taken to increase the ladle metallurgy capacity at the Raahe Steel Works. The equipment, which will bring a significant increase in the proportion of demanding special steels, will be completed during 2008.

In May, Rautaruukki acquired AZST-Kolor, which operates a colour coating line in the city of Antratsit, Ukraine. The line has a colour coating capacity of 80,000 tonnes a year. Start-up of production on the colour coating line is under way.

TABLES

Individual figures and grand totals presented in the tables have been rounded off to full millions of euros from exact figures, which mean that when added together or subtracted they will not always tally. The figures in the tables are unaudited.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONDENSED)

EUR million	4-6/06	4-6/05	1-6/06	1-6/05	2005
Net sales	928	939	1784	1953	3654
Other operating income	6	-3	10	12	28
Operating expenses	-770	-716	-1499	-1503	-2908
Depreciation	-37	-39	-74	-81	-156
Operating profit	127	180	222	381	618
Financing income and expenses	-7	-10	-13	-19	-30
Share of results in associated companies	16	12	29	13	23
Profit before taxes	136	182	237	376	612
Taxes	-29	-49	-53	-98	-157
Net profit	106	133	184	278	455
Attributable to:					
Equity holders of the company	106	133	184	278	455
Minority interest	0	0	0	0	0
Diluted earnings per share, e	0.77	0.97	1.33	2.02	3.31
Basic earnings per share, e	0.78	0.98	1.35	2.04	3.35
Operating profit, % of net sales	13.7	19.2	12.4	19.5	16.9

CONSOLIDATED BALANCE SHEET (CONDENSED)

EUR million	2006 30 Jun	2005 30 Jun	2005 31 Dec
ASSETS			
Non-current assets	1549	1503	1476
Current assets			
Inventories	499	605	534
Trade and other receivables	595	613	528
Cash and cash equivalents	46	63	163
Non-current assets held for sale*	218		
	2908	2783	2701
EQUITY AND LIABILITIES			
Equity			
Capital attributable to the Company's equity holders	1519	1310	1497
Minority interest	1	1	1
Non-current liabilities			
Interest bearing	334	440	372
Other	215	235	194
Current liabilities			
Interest bearing	271	284	132
Trade creditors and other liabilities	501	513	505
Liabilities related to non-current assets held for sale*	66		
	2908	2783	2701

* As non-current assets held for sale, the Group has classified the Nordic reinforcing steel business, Duiburg service center and Metalplast Systems, of which Rautaruukki has signed agreements to sell. Non-current assets held for sale include EUR 26 million cash and cash equivalents.

CASH FLOW STATEMENT (CONDENSED)

EUR million	1-6/06	1-6/05	1-12/05
Net profit	184	278	455
Adjustments	111	199	333
Cash flow before working capital changes	295	477	788
Change in working capital	-18	-142	0
Financing items and taxes	-138	-77	-137
Cash flow from operations	139	258	652
Cash flow from investing activities	-121	-62	-133
Cash flow before financing	18	196	519
Dividends paid	-191	-109	-109
Other net cash flow from financing	83	-84	-307
Change in cash and cash equivalents	-91	3	103

KEY FIGURES	4-6/06	4-6/05	2005
Net sales, Me	928	939	3654
Operating profit, Me	127	180	618
Operating profit, % of net sales	13.7	19.2	16.9
Profit before taxes, Me	136	182	612
Earnings per share, diluted, e	0.77	0.97	3.31

KEY FIGURES	1-6/06	1-6/05	2005
Net sales, Me	1784	1953	3654
Operating profit, Me	222	381	618
- % of net sales	12.4	19.5	16.9
Profit before taxes, Me	237	376	612
- % of net sales	13.3	19.2	16.7
Net profit, Me	184	278	455
- % of net sales	10.3	14.2	12.5
Return on capital employed*, %	24.1	35.2	32.8
Return on equity *, %	25.5	41.3	34.7
Equity ratio, %	53.2	47.3	56.0
Gearing ratio, %	35.4	50.5	22.8
Interest-bearing net debt, Me	538	661	341
Equity per share, e	11.12	9.65	10.98
Personnel on average	12,645	11,924	11,684
Number of shares	138,886,445	138,886,445	138,886,445
- not counting own shares	136,584,748	135,813,485	136,293,748
- diluted, average	137,853,798	137,213,485	137,377,120

* Based on previous 12 months

STATEMENT OF CHANGES IN EQUITY 1-6/2006

EUR million

	Attributable to equity holders of the Company					Total	Minority interest
	Share capital	Share premium account	Fair value and other reserves	Translation differences	Retained earnings		
EQUITY 1.1.	236	220	31	-5	1016	1497	1
Cash flow hedging							
Increase (hedging reserve)			32			32	
Deferred taxes			-8			-8	
Share-based compensation			2			2	
Treasury shares granted			-3		2	0	
Change in translation difference				4		4	
Dividend distribution					-191	-191	
Net profit					184	184	
EQUITY 30.6.	236	220	55	-1	1009	1519	1

STATEMENT OF CHANGES IN EQUITY 1-6/2005

EUR million

	Attributable to equity holders of the Company					Total	Minority interest
	Share capital	Share premium account	Fair value and other reserves	Translation differences	Retained earnings		
EQUITY 1.1.	236	220	4	-2	670	1126	1
Cash flow hedging							
Increase (hedging reserve)			19			19	
Deferred taxes			-5			-5	
Change in translation difference				-4		-4	
Share-based compensation			2			2	
Dividend distribution					-109	-109	
Net profit					278	278	
EQUITY 30.6.	236	220	21	-6	839	1310	1

NET SALES BY DIVISION

Me	1-6/06	1-6/05	1-12/05
Ruukki Construction	315	225	550
Ruukki Engineering	274	238	476
Ruukki Metals	1195	1488	2625
Other units	2	2	3
Consolidated net sales	1784	1953	3654

OPERATING PROFIT BY DIVISION

Me	1-6/06	1-6/05	1-12/05
Ruukki Construction	29	31	86
Ruukki Engineering	46	46	96
Ruukki Metals	164	326	486
Group management and other units	-17	-22	-50
Consolidated operating profit	222	381	618

NET SALES BY QUARTER

Me	I/05	II/05	III/05	IV/05	I/06	II/06
Ruukki Construction	88	137	170	155	133	181
Ruukki Engineering	124	114	101	137	132	142
Ruukki Metals	802	686	541	596	591	604
<u>Other units</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Consolidated net sales	1014	939	812	889	856	928

OPERATING PROFIT BY QUARTER

Me	I/05	II/05	III/05	IV/05	I/06	II/06
Ruukki Construction	9	22	39	17	8	21
Ruukki Engineering	22	23	23	27	25	21
Ruukki Metals	180	147	69	91	77	87
<u>Group management and other units</u>	<u>-10</u>	<u>-12</u>	<u>-17</u>	<u>-11</u>	<u>-15</u>	<u>-2</u>
Consolidated operating profit	201	180	114	123	95	127

NET SALES BY QUARTER (PRO FORMA) EXCLUDING UNITS
TRANSFERRED TO OVAKO

Me	I/05	II/05	III/05	IV/05	I/06	II/06
Ruukki Construction	88	137	170	155	133	181
Ruukki Engineering	103	107	101	137	132	142
Ruukki Metals	632	633	541	596	591	604
<u>Other units</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>
Consolidated net sales	822	878	812	889	856	928

OPERATING PROFIT BY QUARTER (PRO FORMA) EXCLUDING UNITS
TRANSFERRED TO OVAKO

Me	I/05	II/05	III/05	IV/05	I/06	II/06
Ruukki Construction	9	22	39	17	8	21
Ruukki Engineering	21	24	23	27	25	21
Ruukki Metals	143	135	69	91	77	87
<u>Group management and other units</u>	<u>-10</u>	<u>-12</u>	<u>-17</u>	<u>-11</u>	<u>-15</u>	<u>-2</u>
Consolidated operating profit	163	169	114	123	95	127

NET SALES BY AREA

% of net sales	1-6/06	1-6/05	1-12/05
Finland	32	28	29
Other Nordic countries	34	31	30
Central eastern Europe	13	9	12
Other western Europe	19	29	26
Other countries	2	3	3

CONTINGENT LIABILITIES

Me	2006 30 Jun	2005 30 Jun	2005 31 Dec
Mortgaged real estates	34	27	29
Given as pledges	18	0	19
Collateral given on behalf of associated companies	2	17	3
others	2	6	2
Leasing and rental liabilities	135	149	141
Other financial liabilities	4	1	4

VALUES OF DERIVATIVE CONTRACTS 30 June 2006

Me

Cash flow hedges included

<u>in hedge accounting</u>	<u>Nominal value</u>	<u>Fair value</u>
Interest rate derivatives		
Interest rate swaps	25	0.2
Zinc derivatives		
Forward contracts	39,750*	34.0
Electricity derivatives		
Forward contracts	2,574**	33.4

*tonnes

** GWh

The unrealised profit/loss of the cash flow hedges are booked to equity, if the hedge is effective. Other fair value changes are booked to profit and loss.

Derivatives not included

<u>in hedge accounting</u>	<u>Nominal value</u>	<u>Fair value</u>
Interest rate derivatives		
Interest rate swaps	100	0.6
Foreign currency derivatives		
Forward contracts	621	-2.8
Options		
Boughts	35	-0.4
Sold	<u>35</u>	<u>0.1</u>
	70	-0.3

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

<u>Me</u>	<u>1-6/06</u>	<u>1-6/05</u>	<u>1-12/05</u>
Book value at the beginning of the period	1033	1192	1192
Increases	52	33	84
Increases through acquisitions	42	12	19
Decreases	-2	-7	-15
Decreases through divestments	0	-102	-105
Depreciation	-68	-78	-144
Exchange differences	0	-4	4
Book value at the end of the period	1057	1046	1033

TRANSACTIONS WITH RELATED PARTIES (ASSOCIATED COMPANIES)

<u>Me</u>	<u>1-6/06</u>	<u>1-6/05</u>	<u>1-12/05</u>
Sales to associated companies	16	29	59
Purchases from associated companies	38	40	56
Non-current receivables at the end of the period	0	40	39
Trade receivables and other receivables at the end of the period	8	72	13
Trade creditors and other liabilities at the end of the period	9	14	6

INVESTMENT COMMITMENTS*

<u>Me</u>	<u>after</u>
	<u>30 June 2006</u>
Maintenance investments	43
Development investments and outlays on special products	<u>78</u>
Total	122

*Investment commitments include the estimated costs of projects that have received a go-ahead permit.

INFORMATION ON ACQUISITIONS*

Me	
Acquisition cost	149
including conditional purchase price	29
Acquired entities' assets and liabilities (book value)	
Non-current assets	44
Current assets	
Inventories	25
Trade receivables and other receivables	34
Cash and cash equivalents	8
Total assets	111
Non-current liabilities	
Interest-bearing	23
Other	2
Current liabilities	
Interest-bearing	7
Other	39
Total liabilities	69
Goodwill from acquisitions	109

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

The acquisitions have been recorded on a preliminary basis in the manner permitted under IFRS 3. The determination of the fair value of assets and liabilities is still incomplete when the interim report is published.

Rautaruukki Corporation

Taina Kyllönen
VP, Corporate Communications

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. The company has operations in 23 countries and employs 12,000 people. Net sales in 2005 totalled EUR 3.7 billion. The company's share is quoted on the Helsinki Exchanges (Rautaruukki Corporation: RTRKS). The Corporation has used the marketing name Ruukki since 2004.

www.ruukki.com