www.ruukki.com

Rautaruukki Corporation

ANNUAL REPORT 2011

Energy-efficient steel solutions for better LIVING. WORKING. MOVING.

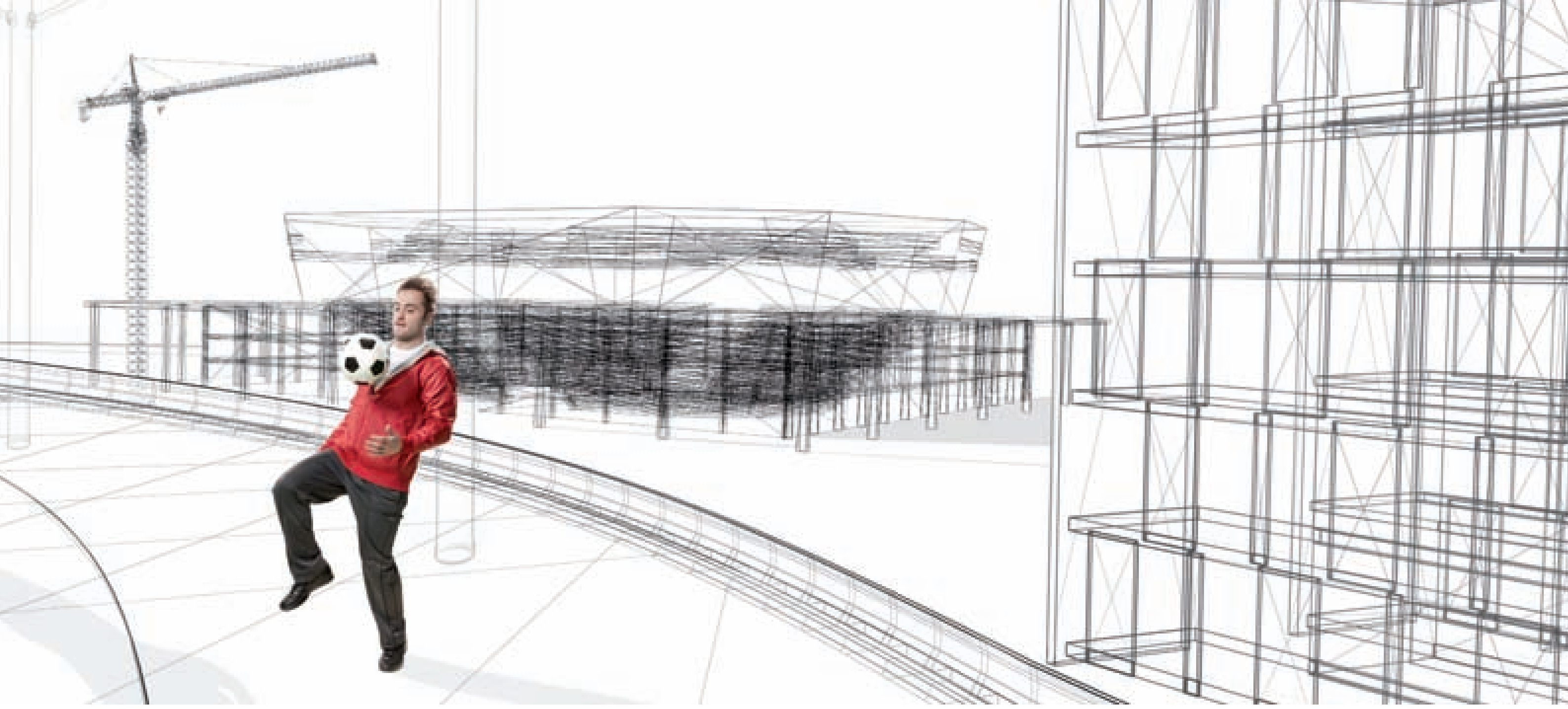
Every choice is a chance to do things better and go further.
The goals we set and the decisions we make, determine our success.

Ruukki's customers choose energy-efficient steel solutions for better living, working and moving.

Our principal channel for investor communication and reporting is www.ruukki.com. Alongside this condensed printed version of our annual report, we also publish an online version, which can be found on the navigation bar in our investor section at www.ruukki.com > Investors > Annual report 2011.

You can download the main sections of the annual report as pdf and excel documents from the online annual report download centre.

The Corporate Responsibility Report for 2011 is also published on our website at www.ruukki.com > Corporate responsibility.



Ruukki in brief

Ruukki provides its customers with energy efficient steel solutions for more enjoyable living, working and moving. Ruukki operates in some 30 countries and employs around 11,800 people. Net sales in 2011 totalled EUR 2.8 billion. The company's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS).

Our business areas

Ruukki Construction

Lifecycle- and energy-efficient steel structure solutions for commercial, office and industrial construction, single family homes, port and transport infrastructure construction.

Ruukki Engineering

Fully-assembled systems and components for the engineering industry. Our core product areas are operator cabins and various energy-efficient special steel and other components.

Ruukki Metals

Energy-efficient special steel products including high-strength, wear-resistant and special-coated products for demanding applications. Steel service centres supply steel products and related prefabrication, logistics and storage services.

Our values

Ruukki's values describe our way to work and the things that are important to us. Values guide our choices and decision-making.

We take responsibility

- We are worth our customers' trust
- We keep our promises
- We work safely and responsibly
- We work honestly and responsibly as individuals

We succeed together

- We succeed together with our customers
- We deliver results
- We trust each other
- We benefit from our multicultural expertise

We challenge tomorrow

- We understand our customers' future needs
- We are curious about new things
- We quickly take action
- We encourage continuous renewal and learning

Responsibility

Responsibility is part of Ruukki's everyday business. In 2011, Ruukki achieved the position of industry leader in Dow Jones Sustainability indexes.

Year 2011

Net sales grew 16 per cent and cash flow improved

Ruukki's profitability improved year on year despite a weakening of the business environment and a weak end to the year.

- Cash flow from operating activities was EUR 114 million (-64)
- Order intake was up 15 per cent at EUR 2,675 million (2,326)
- Comparable net sales were up 16 per cent at EUR 2,797 million (2,403)
- Comparable operating profit was EUR 56 million (38), equating to 2 per cent of net sales
- Comparable result before taxes was EUR 22 million (8), equating to 0.8 per cent of net sales

Estimate of the financial outlook for 2012

Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

Dividend proposal

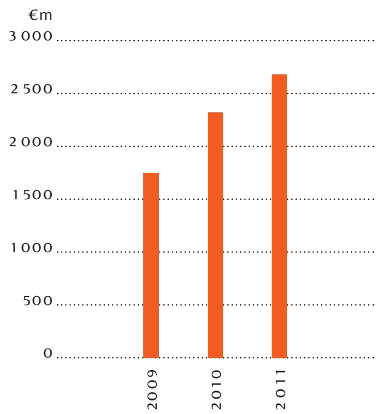
The Board of Directors proposes payment of a dividend of EUR 0.50 per share (0.60), to make a total dividend payout of EUR 69 million (83).

Key figures

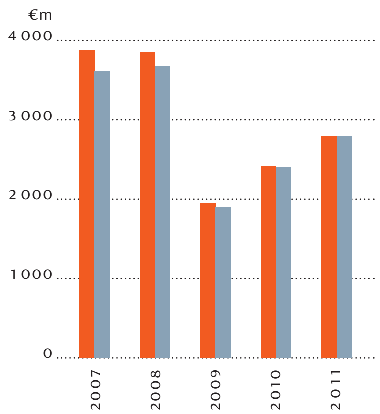
	2011	2010	2009	2008	2007
Comparable figures					
Net sales, €m [1]	2 797	2 403	1 901	3 681	3 614
Operating profit, €m [1]	56	38	-272	566	626
Operating profit as % of net sales	2.0	1.6	-14.3	15.4	17.3
Result before income tax, €m	22	8	-303	546	610
Reported figures					
Net sales, €m	2 798	2 415	1 950	3 851	3 876
Operating profit, €m	22	-12	-323	568	637
Operating profit as % of net sales	0.8	-0.5	-16.6	14.7	16.4
Result before income tax, €m	-12	-74	-359	548	621
Net cash from operating activities, €m	114	-64	182	382	417
Net cash before financing activities, €m	-57	-226	30	169	271
Return on capital employed, %	1.3	-0.3	-14.2	25.6	29.8
Return on equity, %	-0.8	-5.4	-15.9	20.7	24.2
Equity ratio, %	48.5	55.3	59.9	65.9	70.1
Gearing ratio, %	60.4	44.7	22.3	7.9	1.4
Net interest-bearing liabilities, €m	770	621	336	155	28
Earnings per share, diluted, €	-0.07	-0.57	-1.98	2.93	3.31
Dividend per share, €	0.50[2]	0.60	0.45	1.35	1.70 + 0.30[3]
Equity per share, €	9.17	9.99	10.85	14.04	14.13
Personnel on average	11 821	11 693	12 664	14 953	14 326

1) Comparable figures exclude the divested business operations of Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH, the Mo i Rana unit, held for sale, unrealised gains and losses on USD derivatives (2009-2010) as well as non-recurring items.
2) Board of Directors' proposal.
3) Additional dividend from funds freed up from long steel business.

Order intake



Net sales

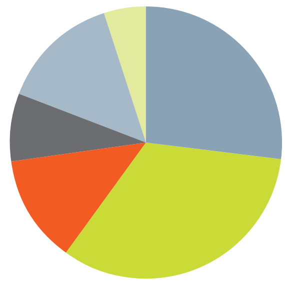


■ Net sales

■ Comparable net sales [1)]

[1)] Comparable figures exclude the divested business operations of Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH as well as the Mo i Rana unit, held for sale.

Comparable net sales by region 2011



■ Finland 27% (27)

■ Other Nordic countries 33% (31)

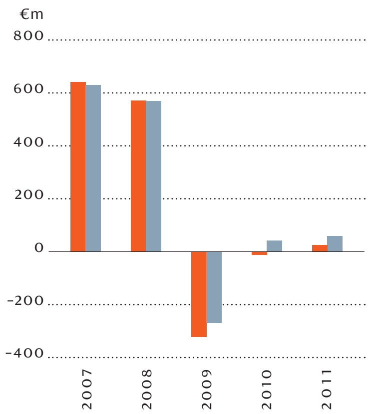
■ Central Eastern Europe 13% (12)

■ Russia and Ukraine 8% (8)

■ Rest of Europe 14% (15)

■ Other countries 5% (7)

Operating profit

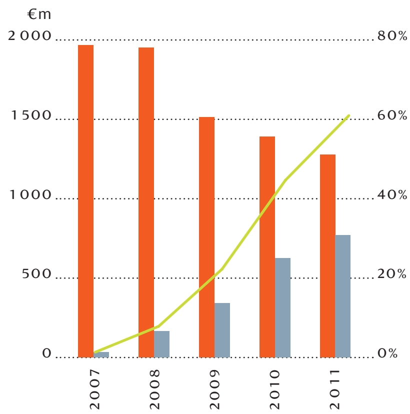


■ Operating profit

■ Comparable operating profit [1)]

[1)] Comparable figures exclude the divested business operations of Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH, the Mo i Rana unit, held for sale, unrealised gains and losses on USD derivatives (2009–2010) as well as non-recurring items.

Equity and gearing ratio

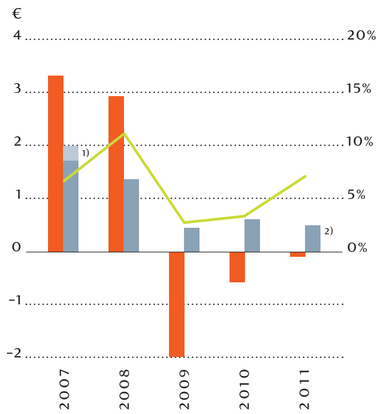


■ Equity attributable to owners of the company

■ Net interest-bearing liabilities

— Gearing ratio, %

Earnings and dividend per share



■ EPS, diluted

■ Dividend per share

■ Additional dividend

— Effective dividend yield, %

[1)] Additional dividend from funds freed up from long steel business

[2)] Board of Directors' proposal

CEO's review

We aim to grow into an innovative provider of energy-efficient solutions – our challenge is to continuously improve competitiveness.

A new normal was revealed in 2011

At the latest, 2011 revealed that we have migrated to a so-called new normal, in other words a time of lower economic growth and fast changes. This particularly applies to Europe and North America. The emerging markets are still growing faster, but they are also increasingly exposed to fluctuations in the global economy. The assumption is that growth peaks will remain shorter than before and that cyclicality, as well as various risks that give rise to uncertainty, will increase. On-line communication means that impacts spread to the global economy faster than earlier. As a result of globalisation, improving efficiency and cost competitiveness have become increasingly more important.

We at Ruukki have consistently lightened our cost structure. Our Boost operational excellence programme helped us to achieve permanent annual savings of €124 million. We have kept our fixed costs at the same level for three years, despite strong growth in our net sales. Now, in 2012, we aim to carry out a number of smaller or larger actions in each of our business areas to further improve permanent cost-competitiveness. We also seek greater flexibility to react to changes in the market environment. In February, Ruukki Metals initiated a project targeted at ensuring earnings performance and efficiency in the steel business also when production is running at a utilisation rate of 80 per cent. The project aims to achieve a permanent annual earnings improvement of around €50 million during 2013. Based on an analysis in the first stage of the project, the schedule and targets will be set during the first quarter of the current year.

Our starting point for 2012 is relatively good

For us, the past year was strongly divided into two - and was almost a reflection of 2010. After a good start to the year, weakened demand followed during the summer due to the uncertainty caused by the difficulties facing some economies in Europe. These changes in the business environment were reflected in Ruukki's business so that after a very good second quarter, the second half of the year was difficult, especially in our steel business.

Comparable net sales were up 16 per cent at around €2.8 billion. Net sales grew across all our businesses. Our profitability improved year on year despite a weakening of the business environment and a weak end to the year. During the year, we particularly focused on improving the profitability base of our solutions businesses - construction and engineering. Indeed, there was a clear improvement totalling €63 million in operating profit of the solutions businesses, even though they were still slightly unprofitable. Profitability is something we must clearly improve. Cash flow was good and the balance sheet healthy and, in the latter part of the year, gearing decreased to 60 per cent, which was in line with our target.

Our order intake was up by some 15 per cent year on year at around €2.7 billion. Order intake grew steadily across all businesses, with Finland, Poland and Russia showing strongest development in our main market areas. Even though there is still clear market uncertainty, some degree of levelling off can, however, be noticed. Our starting point for 2012 is relatively good.

Energy-efficient choices mean a better built environment

During 2011, we made some progress towards achieving our strategic targets: the share of net sales of the emerging markets rose as sales grew in Eastern Europe, likewise the relative shares of the solutions businesses and special steels also rose. In the construction business, we continue to focus on scalable products and concepts in commercial and industrial construction, as well as on residential roofing products and infrastructure construction. In the engineering business, our priority is products in which we can utilise our own steel and design competence. In the steel business, the thrust is on special steel products. There is clear demand in our market areas for new energy-efficient solutions, especially in commercial and industrial construction and in the lifting, handling and transportation equipment industry.

Ruukki has long been working on developing energy-efficient products and solutions. We are now strengthening this competence area and its value creation for our customers. We have revamped our strategic intent to our people and customers in the form of a new vision and brand promise. We intend to be an innovative and acknowledged provider of energy-efficient steel solutions to build a better living environment together with our customers. Our message is that every choice is a chance to do things better and go further. Ruukki's customers choose energy-efficient steel solutions for better living, working and moving. In keeping with our values, we intend to continuously challenge tomorrow and to help our customers to do the same.

Energy-efficiency is not a rapidly passing phenomena. Global challenges affect us and our customers. The world's population is expected to rise from 7 billion to 9 billion by 2050. A higher standard of living will result in an increase of 50 per cent in energy consumption by 2030. Rising energy prices, climate change and increasingly stricter environmental regulations will add momentum to the development of sustainable, energy-efficient solutions. We have taken up the challenge. We provide energy-efficient solutions for living, working and moving. In 2011, we launched innovative solutions - such as energy panels, energy piles and solar panel façades - that improve energy-efficiency.

Ruukki people are actively on the ball

We announced Ruukki's values in February 2011 after working on and defining them together with our personnel. The values were actively discussed in development discussions, supervisor meetings and coaching and training sessions. We also actively communicated the values to our customers. The values create a shared base and direction to take Ruukki further.

As was the case last year, 2012 has got off to a busy start for our people. The thought of continuous improvement is also a part of good leadership, since this is the only way we can ensure business continuity and the wellbeing of our people. During the current year, our priority will again be on improving safety at all Ruukki sites. In addition, we will also be focusing on the work ability of our people and on the continuous competence development. I would like to warmly thank all Ruukki's people across almost 30 countries for their admirable work for the benefit of our customers and our company.

I also extend my warm thanks to our shareholders, customers, subcontractors and partners for their continued confidence in us. I look forward to being able to further build on our cooperation during 2012.

Sakari Tamminen
President & CEO
Rautaruukki Corporation

Ruukki is an expert in the construction and engineering industries, with strong know-how in special steels.

We are pursuing growth in specialisation and emerging markets.

Focus areas

- Growth in the construction and engineering businesses
- Focus in steel business on special steel products
- Growth focus on emerging markets
- Strengthened competitive position
- Scalability and balanced business structure
- Innovations
- Cost competitiveness

Strategic targets

- Growth in the share of the solutions businesses - construction and engineering - to 60 per cent of consolidated net sales
- Increase in the share of special steel products to 60 per cent of the company's steel business
- Growth in the share of emerging markets to 50 per cent of consolidated net sales
- Strengthened market positions in all core businesses (aim to achieve #1, #2 or otherwise strong market position in chosen segments).

Strengths

- Focused range of products and services
- Scalable products and concepts
- Extensive sales and manufacturing network
- Strong foothold in emerging markets, especially in Russia and Central Eastern Europe
- Energy-efficient solutions
- Strong market position in the Nordic countries
- Strong know-how in steel

Ruukki embarked on a process of structural transformation in 2004 with the aim of specialisation and growing the share of the solutions businesses - construction and engineering. Ruukki has divested non-core businesses, which included long steel products, and also reduced the share of standard steel products.

Ruukki invested heavily in structural transformation and growth before the global economic crisis. At the time, the company built a strong, modern manufacturing and sales network to serve construction and engineering customers in Central Eastern Europe, Russia and China. Likewise, most of the technology and production capacity investments in the manufacture of special steel products have been made to enable the company to execute its strategy. In future, Ruukki can leverage these investments to focus on growing its business.

In the construction business, the main focus is on scalable and energy-efficient solutions for industrial and commercial construction, residential roofing and infrastructure construction.

In the engineering business, we focus on products where we can make stronger use than earlier of our steel know-how and design expertise. In the future, customer-centric designing and technically demanding special-steel-based components will form the basis of our engineering business.

In the steel business, our main focus areas are special steel products and strengthening our market position in the Nordic countries. To increase the sales of special steel products, we are further expanding our sales and distribution network, especially in emerging markets. In addition, there is growth potential for special steels, especially for wear-resistant steels, in mining-intensive countries such as Australia, Brazil and South Africa.

Achievement of our strategic targets requires not just organic growth, but also acquisitions. Product development, innovations and the launch of new products are vital to accelerate growth.

Implementation of the strategy in 2011

The strategic focus in 2011 was on specialisation, growth in the emerging markets and continuous improvement in cost competitiveness in all businesses.

In the construction business, the focus was especially on increasing sales of residential roofing products and on growing net sales in Russia. Net sales of residential roofing products rose to account for 21 per cent (20) of Ruukki Construction's net sales for 2011. The early part of the year saw Ruukki Construction change its business structure from an area to a more focused product organisation. The new structure supports sales management, product pricing, optimal use of production capacity at units and is also improving operational efficiency. Also the project business in different countries was merged into one entity. This was done not only to save costs, but also to ensure the transfer of project expertise from one market to another. The cost structure and competitiveness was improved also by centralising sales activities in Russia and in the Central Eastern European region.

In the engineering business, the focus was on rationalising the product portfolio and expanding the customer base to achieve economies of scale in production. The thrust in product portfolio management was increasingly more on the development of own technology and design, as well as on utilisation of the company's materials expertise, especially with regard to special steels. The second half of the year saw engineering win new component business customers from the construction and mining industry segments, and new cabin customers from the

lifting, handling and transportation equipment industry. Some of these new customers were at the production stage and others still at the ramping up stage of production in late 2011. Ruukki Engineering's overheads were cut and the full impact of this will be visible in 2012. In addition, sourcing in cabin production shifted clearly towards a more global operational model and a more effective internal division of roles is being pursued between production units.

In the steel business, the focus was on special steel products and expanding the distribution network into new, mainly emerging markets and on maintaining a strong market position in the Nordic countries and other nearby areas. The distribution network was expanded by opening a sales office in Beijing, China and one in Mumbai, India. In addition, Ruukki strengthened its own sales organisation in Australia and concluded new partnership agreements in, among other countries, Turkey, France and Brazil.

The main objectives in 2011 also included operational efficiency, freeing up working capital and thus improving cash flow. Even though growth forecasts in a number of markets were revised downwards towards the end of the year, market forecasts in Ruukki's main market areas in the Nordic countries, Central Eastern Europe and Russia continued to be more positive than elsewhere in Europe.

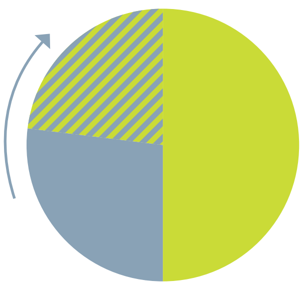
In 2011, the share of the solutions businesses rose to account for 36 per cent (34) of consolidated net sales. The share of special steel products rose to account for 31 per cent (27) of net sales in the steel business. The share of the emerging markets rose to account for 27 per cent (23) of consolidated comparable net sales.

The company kept its financial targets unchanged:

- growth in comparable net sales > 10 per cent a year
- comparable operating profit > 15 per cent of net sales
- return on capital employed > 20 per cent
- gearing ratio of around 60 per cent
- dividend payout ratio of 40–60 per cent of the result for the period

Strategic targets

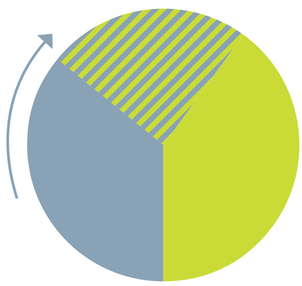
Share of emerging markets of consolidated net sales in 2011



27% (23)

Target 50%

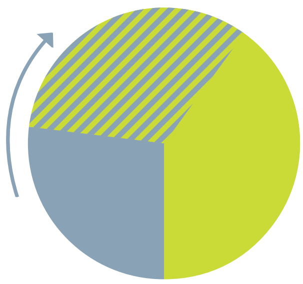
Share of the solution businesses of consolidated net sales in 2011



36% (34)

Target 60%

Share of special steel products of steel business in 2011



31% (27)

Target 60%

Business environment and markets

Business environment in 2011

Global economic growth continued during 2011, albeit more moderately than in 2010. The emerging markets in particular served as drivers of economic growth. Economic growth in Europe was buoyed up by strong growth in Germany, the largest economy in Europe. Also in the Nordic countries economic growth was favourable, with strongest growth in Sweden, where private consumption fuelled demand. The Finnish economy depends on export demand for capital goods and weakened international demand resulted in slower economic growth in Finland than that forecast in the early part of the year. In Ruukki's main market areas strongest growth was seen in Russia, as well as in Poland and other countries in Central Eastern Europe. During the second half of the year in particular, the European debt crisis increased uncertainty in the financial markets and weakened overall economic confidence.

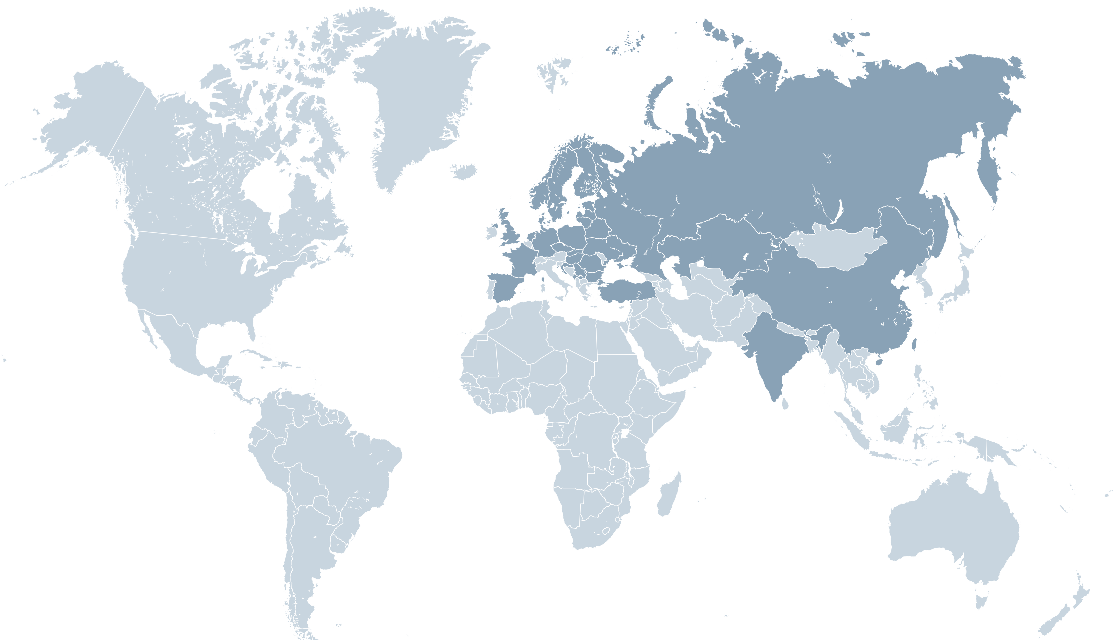
Construction in Europe grew year on year. After the seasonally quiet first quarter, demand for residential roofing products picked up clearly especially in Finland, and also in Poland and other countries in Central Eastern Europe. Activity in commercial and industrial construction was low during the early part of the year, but picked up during the course of the second quarter. Commercial and industrial construction grew on the back of investments starting up, especially in Russia, and at Ruukki this was reflected in growing order volumes, particularly in agricultural construction and in industrial, commercial and logistics sectors. Construction activity slowed due to seasonality towards the end of the year, but thanks to favourable weather conditions the slow-down occurred slightly later than usual.

In the engineering industry, the markets strengthened during the early part of the year in Ruukki's important customer segments and remained good also during the second half of the year. The order intake and order books of Ruukki's main customers were clearly up compared to the previous year. Supported by growth in the emerging markets such as Brazil and Chile, demand for mining industry machines and equipment was good throughout the year. Strong growth was also seen in demand for materials handling equipment. In the offshore market, demand for drilling platforms and other industrial products developed well. Likewise, activity in the energy industry was at a good level. Order volumes in shipbuilding remained low throughout 2011.

Steel demand in the EU-27 region was up around 7 per cent compared to the previous year. Stronger growth in demand in the early part of the year came to a halt in the second half of the year mostly because of the uncertainty prevailing in the financial markets in Europe and weakened economic outlook, which resulted in cautious decision-making. Despite increased demand, apparent steel use in Europe lagged well behind the levels seen in 2007 and 2008. Price rises in the raw materials used in steel production and growing end-customer demand led to higher market prices for steel products in the early part of the year. Market prices declined during the second and third quarters and continued declining also during the fourth quarter.

Stock levels of steel wholesalers in Europe grew somewhat during January-August, but started to decline at the end of September. Also stock levels compared to sales in Europe were at a higher level than normal after the summer, but returned to their normal level towards the end of the year. The market price of iron ore and coking coal, two of the main raw materials used in steel production, rose during the early part of the year. The market price of coking coal rose strongly because of flood damage to mines and their infrastructure in Australia and Brazil. Towards the end of the year, the market prices of the main raw materials decreased from the very high level earlier in the year.

Ruukki operates in nearly 30 countries



Market position

Ruukki Construction

Main market areas: Nordic countries, Russia, Central Eastern Europe and the Baltic states. Ruukki has a strong market position in all segments (commercial and industrial construction, residential construction and infrastructure construction) in Scandinavia and also in roofing products in Central Eastern Europe.

Ruukki Engineering

Leading supplier of systems and components to globally-operating OEMs in the materials handling, construction, mining, forest machinery and energy industry and to machinery and equipment manufacturers in the energy industry.

Ruukki Metals

Strong position in core markets in the Nordic countries and Baltic states. Global, cutting-edge manufacturer of special steel products. Diverse range of services in steel service centres in Finland, Sweden, Norway, Poland and Russia.

Competitive edges and competitors

Ruukki Construction

Competitive edges

- Lasting customer relationships and a strong market position in the Nordic countries and Baltic states
- Good foothold in growing markets in Central Eastern Europe and Russia
- Europe-wide production network
- Innovative, energy-efficient products, solutions and services
- Well-known brand, especially in residential roofing products
- Strong project management expertise (design, project management and installation)
- In infrastructure construction, solutions, products and strong project competence that stand out from those of competitors
- Strong materials expertise

We are pursuing a cutting edge by innovating new lifecycle- and energy-efficient solutions that promote safety and speed up and rationalise construction. We serve designers, investors and construction companies locally with a range of products and services based on international steel construction know-how. We focus on lasting customer relationships.

Competitors

- System suppliers such as Lindab and LLENTAB
- Steel frame suppliers such as Normek, Contiga and Polimex Mostostal
- Component suppliers such as Kingspan, Trimo, Lindab, Weckman Steel, Metall Profil, Balex Metal and Blachy Pruszynski
- Construction business of global steel companies
- Small, local companies
- Alternative construction materials

Ruukki Engineering

Competitive edges

- Lasting customer relationships
- Combined materials expertise and supply chain to make special-steel components
- Strong design and manufacturing expertise
- Consistently high-quality products and deliveries

Cost-efficient manufacturing network in Finland, the emerging markets in Central Eastern Europe and in China enable us to shorten the customer's supply chain and help customers to internationalise.

Competitors

- Boom and boom component manufacturers such as Vlassenroot, Henschel Engineering and PPS Group
- Medium-size local component manufacturers
- Offshore competitors: small and medium-size shipyards and engineering works near good shipping links
- Cabin manufacturers such as Fritzmeier, SIAC Group and Bosal-Sekura Industries

Ruukki Metals

Competitive edges in special steel products

- Strong, growing customer base in Europe
- Strong technology and materials expertise
- Modern production capacity
- Strong partner and distribution network

Competitive edges in the Nordic countries

- Strong market position
- Comprehensive prefabrication and processing services
- Extensive, flexible distribution network
- Steel products individually tailored to customer needs

We help our customers to develop optimal end-products and work with customers to design new applications for steel.

Competitors

- Manufacturers of special steel products such as SSAB, Dillinger Hütte and Salzgitter
- Nordic steel suppliers such as BE Group, Tibnor, Kontino and Norsk Stål
- International steelmakers such as ArcelorMittal, ThyssenKrupp and Tata Steel Europe

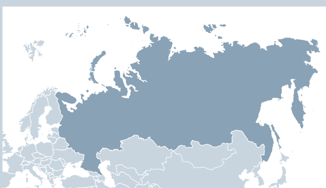
Success stories 2011

Kilden Performing Arts Centre – demanding steel structure project

The recently completed Performing Arts Centre in Kristiansand, southern Norway has an arresting façade on the seaward side. The façade undulates like a curtain in dialogue with the sea in front of it. Known as Kilden, the building is the second largest cultural building in Norway and has 2,300 seats for culture lovers. Ruukki was responsible for the detail design, fabrication and installation of the steel structures for the performing arts centre. The construction of Kilden shows an innovative combination of different materials: steel, wood and stone.

Ruukki Spider-V system halls – market leader in Russia

There is now demand for modern production and logistics solutions in the agricultural sector in Russia, where modernisation of agriculture is progressing apace. Ruukki has a strong foothold in Russia. Concept buildings are a strategic focus area. In addition to Ruukki Spider-V halls (500–5,000 m^2), the offering includes Ruukki Condor (5,000–10,000 m^2) and Ruukki Trusscon halls (> 10,000 m^2). Modifiable layouts and long spans enable a building to be tailored to the customer's need. Energy-efficient wall and roof structures reduce energy costs during the building's lifespan.



Lövö bridge – erected in record time

Lövö bridge, in Dragsfjärd, in the west Uusimaa archipelago was an attraction even before it was completed. The new bridge is the fastest bridge to be installed on site in Finland: installation work normally takes months, but the steel structures for the Lövö bridge were lifted into place in just four working days. The most challenging part of the project was lifting the bridge sections made by Ruukki into place. Experts decided to lift the sections into place from the sea: a large sea crane resembling a large ship lifted the sections up and into place on the bridge. This was the first time the technique had been used in Finland, but Ruukki had used the same technique on a number of occasions earlier in Sweden and Norway.

Energy-efficient sports centre in Sole Skog, Norway

Sole Skog sports centre, in a new residential area of the same name just outside the Norwegian capital of Oslo, is a very airtight and thus energy-efficient building. Ruukki energy panels, which come with an airtight promise, were used in the building. Ruukki is the first manufacturer in the world to guarantee the exact level of airtightness of its exterior wall panels and thus low energy consumption - something which pleases both the budget and nature.

Luna – lighter, stronger cranes

The Brazilian company LUNA ALG is one of the leading crane manufacturers in South America. One of the biggest challenges facing crane manufacturers is to combine lightness, strength and load capacity. Ruukki supplies LUNA with Ruukki Optim steels that have excellent weldability and formability properties. The properties of these special steels make it easy to manufacture products and enables stronger, lighter and more efficient design.

Business areas

Ruukki Construction

Construction business

Lifecycle- and energy-efficient steel structure solutions for commercial, office and industrial construction, single-family houses, port and infrastructure construction. We offer customers the best end-result by combining competitive products and cost-efficient production with strong design and project management excellence. Our products are fast and safe to install and we provide services ranging from design support to installation.

Ruukki Construction employs around 3,500 people.

Products and services

- Solutions for single- and multi-storey commercial, office and industrial construction, including foundation, frame, roof and wall components,
- System halls
- Construction components such as sandwich panels, profiled sheets and façade claddings
- Steel roofs, rainwater and roof safety systems, foundations for residential construction
- Bridges, noise barriers and safety barriers
- Piles, retaining wall structures and foundations for harbour construction

Core business segments

- Commercial and industrial construction
- Residential construction
- Infrastructure construction

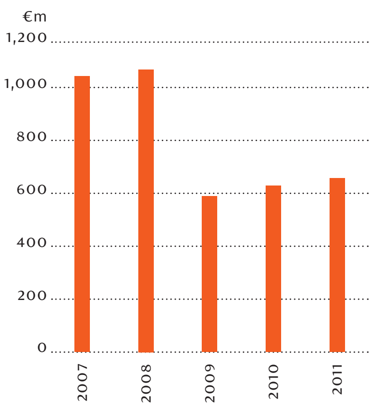
Customers, end-users and decision-makers

Investors in commercial, industrial, agricultural, logistics, office and sports centre premises, as well as energy companies, designers, architects, installation companies and contractors, residential roofing dealers, roofers and consumers.

Strategic choices

- Further improvement in the construction process through construction solutions in commercial, office and industrial construction based on end-user needs
- Strengthened market position with the aim of achieving #1 or #2 position
- Balance business cyclicality by growing the areas of residential and infrastructure construction
- Growth in the Russian market

Comparable net sales Ruukki Construction



Net sales by region 2011 Ruukki Construction

- Finland 27% (27)
- Other Nordic countries 34% (33)
- Central Eastern Europe, Russia and Ukraine 13% (11)
- Rest of Europe 19% (20)
- Other countries 7% (9)

Net sales by product group 2011 Ruukki Construction

- Commercial and industrial construction 62% (62)
- Residential construction 21% (20)
- Infrastructure construction 16% (19)

Ruukki Engineering

Engineering business

Fully-assembled systems and components for the engineering industry. Our core product areas are operator cabins and various energy-efficient special-steel and other components. Customers include leading globally-operating manufacturers of equipment for the materials handling, construction, mining, forestry and energy industries, the offshore industry and companies in the wood & paper industry.

Our engineering business focuses on operator cabins and demanding components where we can capitalise on the supply chain of our own steel business, special steels and materials expertise. In the same context, our own customer-driven design is featuring more strongly in products - both in cabins and components.

Work continues on making the supply chain more efficient to improve cost-efficiency. The thrust of production and sales is on strategic products and we are expanding the customer base.

Ruukki Engineering employs around 1,900 people.

Products and services

- Cabins for mobile machines
  - fully-assembled cabins for e.g. materials handling, mining, forest and construction machines
- Components for mobile machines
  - booms, masts, frames, support legs and other components, etc. made of high-strength and wear-resistant steels
- Other components
  - components for the energy industry such as wind tower components, oil sumps and based frames for generators and engines
  - heavy offshore components such as suction anchors and steel structures for offshore wind turbines

Customers

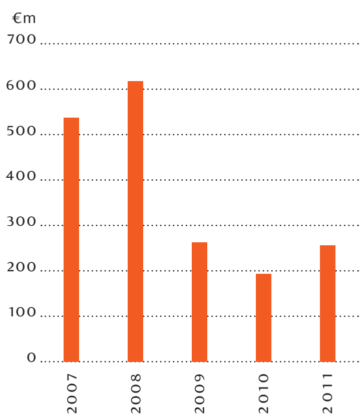
- Equipment manufacturers in the materials handling, construction, mining and forest machine industries
- Equipment manufacturers in the energy industry
- Offshore industry
- Wood & paper industry

Engineering industry customers are typically cutting-edge, globally-operating European OEMs in their field.

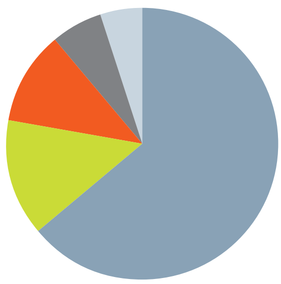
Strategy

- Focus on strategic products and broadening the customer base
- Shift of focus in the component business to special-steel-based components
- Growing the cabin business
- Building a cost-efficient business model
- Investing in design expertise together with the steel business

Comparable net sales Ruukki Engineering



Net sales by customer segment 2011 Ruukki Engineering



- Lifting, handling and transportation equipment industry 64% (59)
- Energy equipment industry 14% (18)
- Shipbuilding 11% (14)
- Offshore 6% (2)
- Paper and Wood 5% (7)

Ruukki Metals

Steel business

Ruukki is an internationally operating manufacturer of special steel products, with a portfolio that includes high-strength, wear-resistant and special-coated products. We are one of the leading manufacturers and suppliers of steel products in the Nordic countries and Baltic states. Our steel service centres in the Nordic countries, Russia and Poland ensure prompt, accurate deliveries, as well as the prefabrication of products to meet customer-specific needs.

Ruukki Metals - our steel business - is responsible for the manufacture of Ruukki's steel products and for associated prefabrication, logistics and storage services. The main focuses in the steel business are to develop and expand the special steel product business and distribution network, to strengthen the market position in the Nordic countries and Baltic states and cost efficiency.

In special steel products, Ruukki has both strong technological know-how and modern manufacturing capacity.

Wear-resistant steels prolong the useful life and lighten the structure of end- products, whilst reducing lifecycle costs. Applications include excavator buckets, cutting edges for earthmoving machines, wearing parts for mining machines, concrete mixers and wood processing machines, various base structures, feeders and funnels.

High-strength steels enable lighter, longer-lasting end-products, increased safety, lower fuel consumption and higher payloads. Applications include various vehicles, transportation equipment, tipper bodies, lifting equipment booms and containers.

We aim to grow the share of special steels to account for 60 per cent of the steel business during the next few years. Europe is our core market area, although we are also pursuing growth in the rapidly emerging markets such as China, Brazil, India and Turkey. The growth of, for example, construction and the mining industry in these markets will accelerate the demand for special steels.

In the Nordic markets, our strength lies in our extensive service centre network to ensure prompt accurate deliveries, as well as the prefabrication of products to meet customer-specific needs. We are strengthening our position by continuously developing our processes, further improving our customer service, delivery accuracy and the quality of our products and services throughout the supply chain.

Ruukki is a technological leader in its field. We have been working hard for a number years to improve energy efficiency and reduce emissions. In recognition of our work on this front, Ruukki rose 2011 to industry leader position in two Dow Jones Sustainability indexes (DJSI World and DJSI Europe). The indexes include top companies that are committed to sustainable development. Since 2000, Ruukki has developed direct quenching technology to enable efficient, high-quality production of high-strength and wear-resistant steel grades. Today, Ruukki is one of the world's leading users of direct quenching technology in steel production.

Ruukki Metals employs a total of around 5,400 people.

Products and services

- Special steel products
  - high-strength structural steels (Ruukki Optim)
  - wear-resistant steels (Ruukki Raex)
  - special-coated steels (Ruukki Litec, Ruukki Pural, Ruukki Purex, PVDF)
  - armour steels (Ruukki Ramor)
- Steel products
  - hot- and cold-rolled steel products
  - metal- and colour-coated steels
  - tubes, bars, beams and profiles
- Other products and services
  - stainless steel and aluminium sold as trading products
  - product-related prefabrication, parts processing, logistics and storage services
  - mineral products generated as by-products in steelmaking

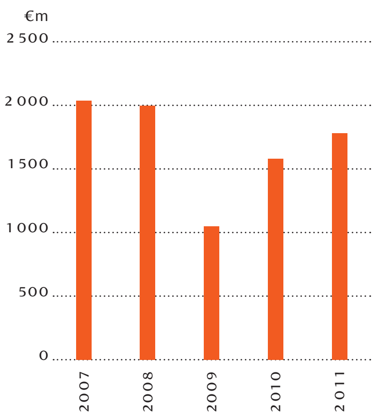
Customers

- Companies in the transportation equipment, construction, engineering and white goods industries
- Steel suppliers

Strategy

- International development of sales and distribution of special steel products
- Strengthened market position in the Nordic countries
- Continuous improvement in cost-efficiency

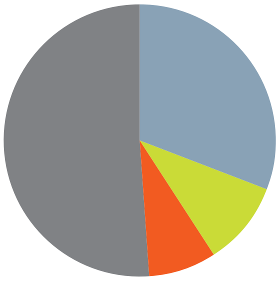
Comparable net sales
Ruukki Metals



Net sales by region 2011
Ruukki Metals

- Finland 27% (27)
- Other Nordic countries 34% (33)
- Central Eastern Europe, Russia and Ukraine 13% (11)
- Rest of Europe 19% (20)
- Other countries 7% (9)

Net sales by product group 2011
Ruukki Metals



- Special steel products 31% (27)
- Standard steel products 10% (11)
- Stainless steel and aluminium 8% (8)
- Customised steel products 51% (55)

Success stories 2011

Stockholm Waterfront Congress Centre, Stockholm's new landmark

Not only does Stockholm Waterfront Congress Centre afford superb views, the building is also a sight in itself. Consisting of steel, stone and glass, the building stands out in the urban landscape. Ruukki delivered the steel frame and load-bearing roof structures for the Congress Centre. Ruukki designed the structures so that they could be delivered to the cramped construction site in the heart of Stockholm. The steel truss was assembled resting against support towers and welded together on site. The largest wall truss in the steel frame is 15 metres tall and 50 metres long. The wall truss bears the roof trusses, the largest of which weighs over 40 tonnes.

Holic, Slovakia – cabins for mobile machines

Holic in Slovakia is one of the places Ruukki manufactures cabins for its globally-operating customers. Holic is logistically close to customers' own locations. Ruukki supplies cabins that are tested, fully assembled and ready to install.

Druskininkai Snow Arena – year-round winter wonderland

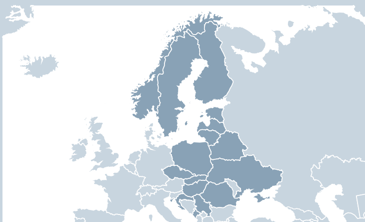
Up to a thousand visitors at a time can pursue many different winter sports - including skiing, tobogganing, snowboarding - under the same roof, throughout the year. The arena is the only one of its kind in Lithuania and the Baltic states. Ruukki delivered 500 tonnes of steel structures, 15,200 m² of sandwich panels and over 69,000 m² of load-bearing steel sheets for the project.

Novar – Cor-Ten steel for power plants

Novar is a Polish company specialising in the manufacture and installation of steel structures designed for the energy sector and environmental protection. Ruukki supplies Novar with Cor-Ten® steel for use in heat exchangers in power plants. Cor-Ten® steel has a corrosion resistance four times greater than that of standard steel. Cor-Ten® is a registered trademark of USS Steel Corporation.

Imposing and impressive Ruukki steel roofs

Ruukki is one of the leading roofing manufacturers in Europe. Ruukki's roofing products have a strong market position in Scandinavia and Central Eastern Europe. Ruukki's steel roofs are designed to make life easier for homeowners. The roofs are easy to keep clean and maintain. One of Ruukki's newest roofing products is Ruukki Adamante, which is sold on the Eastern European market.



Hyva – lightweight transport solutions

Hyva (India) Pvt. Limited wants to combine light weight and durability in its vehicles to prolong their useful life. Hyva India chose to use wear-resistant Ruukki Raex 400 and Ruukki Raex 450 steels, as well as high-strength Ruukki Optim 700 MC structural steels of various thicknesses in its tippers and compactor bodies. India is a strategically important area for Ruukki. In late 2011, Ruukki strengthened its special steels sales network with the opening of an office in Mumbai.

Corporate responsibility

In practice, corporate responsibility at Ruukki is shared between our different business areas, support functions and sites. This ensures as far as possible implementation of corporate responsibility as an integrated part of everyday business activities.

Ruukki is publishing a separate Corporate Responsibility Report for 2011 which can be read at www.ruukki.com/Corporate responsibility.

Objectives

The objective of corporate responsibility is to ensure long-term business conditions from the financial, social and environmental aspects. We are constantly pushing to improve different aspects of our operations and responsibility is broadly reflected in the decisions we take.

The promotion of energy efficiency and continuous improvement in safety are high on Ruukki's corporate responsibility agenda. We want to continue ranking among the best companies in developing responsibility in our sector.

Management of corporate responsibility

Ruukki's values are present in everything we do. In addition, the company's operations are driven by:

- Corporate governance
- Code of conduct
- Corporate strategy

The management of different aspects of corporate responsibility are defined in:

- Safety management principles
- Environmental policy
- Quality policy

You can read about these at www.ruukki.com/Corporate responsibility > Management of corporate responsibility.

Since the start of 2012, Ruukki's principles of social responsibility have been integrated into Ruukki's Code of Conduct.

The company's production sites operate in compliance with certified ISO 14001:2004 environmental management and ISO 9001:2000 quality management systems, which cover 99 per cent of production.

Main objectives of corporate responsibility at Ruukki

Aspects	Some of our achievements in 2011
Financial responsibility	
• Achievement of financial targets • Compliance with Code of Conduct	Total economic value of €2,872 million (2,495) was created for stakeholders Dividends totalling €83.3 million (62.5) were paid Comparable operating profit was €56 million (38) Code of Conduct was revised
Social responsibility	
• Improved safety • Strengthened top-quality expertise • Development of leadership culture	Safety was improved by enhancing pro-action and induction • 6.5 (4.5) safety actions/per employee • teams held over 26,800 (19,000) safety moments • safety was assessed on over 25,400 (20,000) safety rounds The personnel took part in an average of 1.76 (1.87) training days a year. A total of 92% (80) of salaried employees had development discussions in which competence evaluation and target setting were key elements.
Environmental responsibility	
• Promotion of energy efficiency • Increased recycling and materials efficiency • Compliance with environmental systems and requirements of environmental permits	Ruukki launched airtight energy panels etc, was the first company to launch a photovoltaic system integrated into a façade and piloted ground-source heat solutions integrated into steel piles Recycling steel and mineral products reduced CO_2 emissions by 600,000 tonnes (700,000) An ISO 14001 environmental management scheme is in use already at 99% of Ruukki's production sites. Environmental investments totalled €29 million (29)

The corporate responsibility task force coordinates the development of corporate responsibility. The task force is made up of representatives from Human Resources, Legal, Marketing and Communications, Finance, and the Energy and Environment function. The corporate Energy and Environment function monitors and is responsible for overall development.

On Ruukki's Corporate Executive Board, the SVP, Technology, Energy and Environment is responsible for corporate responsibility and also chairs the corporate responsibility task force.

Ruukki at the top in international assessments

Ruukki achieved the position of industry leader in two Dow Jones Sustainability indexes: DJSI World and DJSI Europe. The indexes include the top companies that are committed to sustainable development.

Ruukki is included in the DJSI World Index for the fourth year running and in the European index for the fifth year. The results show that Ruukki has achieved industry leadership for the first time.

In October, Ruukki was awarded **worldsteel's prize for sustainability reporting**. The prize was based on the fact that Ruukki has produced extensive information and case examples about its corporate responsibility to its interest groups.

In March, Ruukki was chosen for inclusion in NASDAQ OMX's new **OMX GES Sustainability Finland index**.

Global Compact

In December 2011, Ruukki joined the UN's Global Compact initiative, a strategic policy initiative for businesses that are committed to enhancing good corporate citizenship. By signing the initiative, Ruukki is committed to voluntarily promoting sustainable solutions in its operations. Examples of this include energy efficiency, which is a key aspect of Ruukki's products and work to develop them, and the commitment in recent years to improve safety. The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus.

Accident frequency 1991–2011

Clear reduction in emissions

The Raahe Works in Finland is the most significant Ruukki unit with regard to environmental impacts. Raahe accounts for around 98% of carbon dioxide emissions arising from production at Ruukki. Reducing environmental impacts at the Raahe Works accounted for 97% of environmental investments made during the year.

Modernisation of both Ruukki's blast furnaces at Raahe was completed in 2011 and environmental investments totalling some €50 million have been made in connection with blast furnace modernisation over the past two years. Blast furnace 2 was modernised in summer 2011 and, at the end of the year, the Raahe Works switched over to using iron pellets instead of sinter as the main feedstock in iron-making.

The environmental investments made in the context of blast furnace modernisation, together with the closure of the sinter plant and change in feedstock, reduce emissions into the air and energy consumption. Particulate emissions are estimated to decrease by over 75% or 1,400 tonnes, and carbon dioxide emissions by over 10% or 400,000 tonnes a year. Thanks to these actions, sulphur dioxide emissions will halve and the malodours caused by sulphur compounds will be eliminated as emissions of malodorous compounds will fall by 80%.

Steel production at Ruukki ranks among the world's most carbon dioxide efficient, with coal and energy consumption approaching the minimum possible using current technology. Compared to the European average, Ruukki's steel production generates around 300,000 tonnes less carbon dioxide emissions a year.

Economic sustainability

For us, economic sustainability forms the foundation on which everything is built. Competent people, a well-managed personnel and environmental agenda form the foundation for economic sustainability. We are constantly pushing to improve different aspects of our operations and responsibility is reflected in the decisions we take.

Environmental responsibility

We aim to provide customers with environmentally-effective solutions and to continuously improve the level of environmental protection and energy efficiency of our operations.

As a fully recyclable material, steel forms a good base for energy-efficient building solutions. Our recyclable, wear-resistant and high-strength special steel products improve the material efficiency of lifting, handling and transportation equipment and reduce energy consumption.

Social responsibility

Ruukki's people want to provide customers with top-quality products and good, reliable service. We are revisiting our ways of working to ensure we continue to meet customer needs. This is possible through a high standard of expertise, committed people and good supervisory work. Ruukki wants to purposefully focus on the personnel and safety. We strive to ensure that Ruukki people are competent, happy in their work and motivated to take part in developing our business.

Corporate governance statement

1. Regulatory environment

Rautaruukki Corporation is a Finnish limited company and the responsibilities and obligations of its management bodies are provided by the law of Finland, the company's Articles of Association and the principles of corporate governance determined by the company's Board of Directors.

Corporate governance and decision-making at Rautaruukki are in compliance with the Finnish Limited Liability Companies Act, other similar legislation, other rules applying to listed companies, the company's Articles of Association and rules and regulations applying to listed companies issued by NASDAQ OMX Helsinki Ltd (Helsinki Exchange) and the Financial Supervisory Authority (FIN-FSA). In addition, Rautaruukki complies with the Finnish Corporate Governance Code 2010 published by the Securities Market Association.

2. Administration, governing and supervisory bodies

Responsibility for the administration and operations of the Rautaruukki group is vested in the executive bodies of the parent company, Rautaruukki Corporation. Ultimate decision-making authority is exercised by shareholders at the General Meeting. The Board of Directors and the President & CEO are responsible for managing the company. The Board of Directors' committees assist the Board in its duties. The Board seeks to ensure Rautaruukki complies with good corporate governance principles.

3. Organisational structure of the business

The President & CEO, assisted by the Corporate Executive Board, is responsible for operating activities within the group and the executive vice presidents of the divisions, assisted by their respective management boards, are responsible for the operations of the divisions.

In 2011, the business was structured into the following reporting divisions or business areas: Ruukki Construction, Ruukki Engineering and Ruukki Metals.

The parent company, Rautaruukki Corporation, is responsible for corporate administration, strategic planning, accounting and finance and arranges shared functions with the divisions.

4. General Meeting of Shareholders

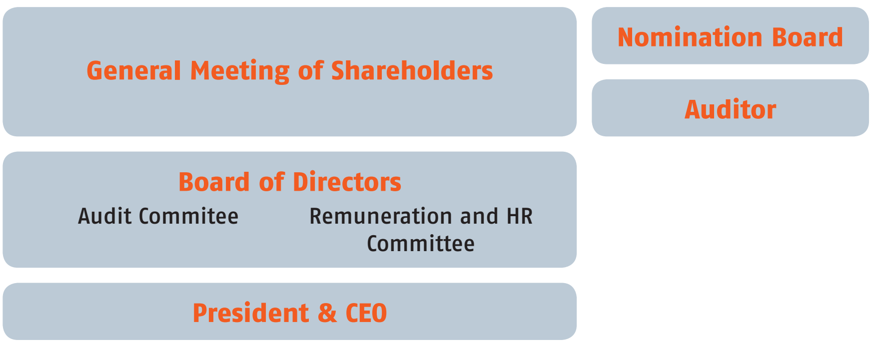
The General Meeting of Shareholders is Rautaruukki's ultimate decision-making body. Each shareholder is entitled to attend General Meetings. Each share conveys one vote. The Annual General Meeting is held by the end of June each year.

The Annual General Meeting transacts the business assigned to it pursuant to the Finnish Limited Liability Companies Act and the company's Articles of Association.

The Board of Directors is responsible for convening a General Meeting of Shareholders. Notice of General Meetings is published in one or more national newspapers with wide circulation and is posted on the company's website no earlier than two months and no later than three weeks before the meeting.

By law, a shareholder is entitled to have a matter falling within the remit of a General Meeting of Shareholders considered by the General Meeting provided that the matter is submitted in good time for it to be included in the notice convening the meeting.

Rautaruukki's governing bodies



Rautaruukki Corporation's Corporate Governance Statement for 2011 can be read in full in the company's online annual report and on the company's website at www.ruukki.com > Investors > Corporate governance.

Annual General Meeting 2011

The 2011 Annual General Meeting was held in Helsinki on 23 March 2011 and was attended by 872 shareholders, representing 62.4 per cent of the company's votes, either in person or by proxy.

The resolutions of and documents relating to the Annual General Meeting can be viewed on the company's website at www.ruukki.com > Investors > Corporate Governance > General Meeting of Shareholders.

5. Nomination Board appointed by the Annual General Meeting

The Nomination Board appointed by the Annual General Meeting prepares proposals for the following Annual General Meeting concerning nominations for appointments to the Board of Directors and the remuneration of its members.

5.1 Nomination Committee 2010 – ahead of the 2011 Annual General Meeting

Rautaruukki's three largest shareholders as at 1 November 2010 appointed the following members to the Nomination Committee: Kari Järvinen (chairman), Managing Director, Solidium Oy; Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company and Risto Murto, Executive Vice President, Investments, Varma Mutual Pension Insurance Company. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, served as the Nomination Committee's expert member.

The Nomination Committee proposed to the Annual General Meeting convening on 23 March 2011 that the number of members of the Board of Directors remained unchanged at seven. The Nomination Committee also proposed the re-election of Maarit Aarni-Sirviö, Reino Hanhinen, Pertti Korhonen, Liisa Leino, Matti Lievonen, Hannu Ryöppönen and Jaana Tuominen for a further term of office from the 2011 Annual General Meeting until the close of the 2012 Annual General Meeting. Furthermore, the Nomination Committee proposed the re-election of Reino Hanhinen as Chairman of the Board and Hannu Ryöppönen as Deputy Chairman.

Moreover, the Committee proposed that the annual fees of the Board of Directors would be €72,000 for the Chairman, €44,000 for the Deputy Chairman and €34,000 for members, as well as an attendance fee of €600 per meeting for Board meetings and Board of Directors' committee meetings. The Nomination Committee also proposed that 40 per cent of the annual fee would be paid in the form of Rautaruukki Oyj shares purchased on the market. The shares would be purchased within two weeks of the publication of the company's interim report for the first quarter of 2011.

The proposals referred to were included in the notice of the Annual General Meeting.

5.2 Nomination Board 2011 – ahead of the 2012 Annual General Meeting

Rautaruukki's three largest shareholders as at 1 October 2011 appointed the following members to the Nomination Board: Kari Järvinen, Managing Director, Solidium Oy, Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company and Risto Murto, Executive Vice President, Investments, Varma Mutual Pension Insurance Company. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, serves as the Nomination Board's expert member.

The Nomination Board has proposed to the Annual General Meeting convening on 14 March 2012 that the number of members of the Board of Directors remains unchanged at seven. The Nomination Board further proposed the re-election of current members of the Board of Directors, President & CEO Pertti Korhonen, Chairman of the Board of Directors Liisa Leino, President & CEO Matti Lievonen, Hannu Ryöppönen BA (Bus Admin) and CEO Jaana Tuominen for a further term of office lasting one year from the 2012 Annual General Meeting until the close of the 2013 Annual General Meeting. The Nomination Board has proposed the election of President and CEO Kim Gran and CFO Saila Miettinen-Lähde as new members of the Board of Directors.

Furthermore, the Nomination Board has proposed that Kim Gran be elected as Chairman of the Board of Directors and Hannu Ryöppönen as Deputy Chairman. Moreover, the Nomination Board proposed that the annual fees of the Board of Directors would be €72,000 for the Chairman, €44,000 for the Deputy Chairman and €34,000 for members, as well as an attendance fee of €600 per meeting for Board of Directors' meetings and Board of Directors' committee meetings. The Nomination Board also proposes that 40 per cent of the annual fee is to be paid in the form of Rautaruukki Oyj shares purchased on the market. The shares would be purchased within two weeks of the publication of the company's interim report for the first quarter of 2012.

6. Board of Directors

The Annual General Meeting elects the Chairman, Deputy Chairman and, under the Articles of Association, between two and six other members to the Board of Directors. The term of office of Board members begins at the meeting at which they were elected and expires at the close of the first Annual General Meeting following election. The majority of Board members must be independent of the company and, additionally, at least two members must be independent of the company's largest shareholders. No person who has reached the age of 68 may be elected to the Board.

6.1 Main tasks of the Board of Directors

The Board of Directors is responsible for the company's administration and proper organisation of the company's operations. The Board is responsible for ensuring the proper organisation and oversight of the company's accounting and financial management.

The Board of Directors deals with all matters for which it is responsible by law, other regulations and the company's Articles of Association. It oversees the company's operations and management and decides on significant matters relating to the company's strategy, investments, organisation and finance.

The Board of Directors has adopted principles to govern its work in a charter approved by the Board.

6.2 Board of Directors 2011

Board of Directors until 23 March 2011

Chairman Reino Hanhinen MSc (Eng), DSc (Tech) h.c., b.1943
Deputy Chairman Hannu Ryöppönen BA (Business Admin), b. 1952
Maarit Aarni-Sirviö MSc (Tech), MBA, b. 1953
Pertti Korhonen MSc (Electronics Eng), b. 1961
Liisa Leino MSc (Nutrition), b. 1960
Matti Lievonen BSc (Eng), eMBA, b. 1958
Jaana Tuominen MSc (Chemical Eng), b. 1960

Board of Directors since 23 March 2011

The Annual General Meeting of 23 March 2011 elected a chairman, deputy chairman and five members of the Board of Directors:
Chairman Reino Hanhinen
Deputy Chairman Hannu Ryöppönen
Maarit Aarni-Sirviö
Pertti Korhonen
Liisa Leino
Matti Lievonen
Jaana Tuominen

The Board of Directors met 10 times during 2011.

7. Board of Directors' committees

The Board of Directors has two committees: the Audit Committee and the Remuneration and HR Committee. In its organisation meeting held after the Annual General Meeting, the Board of Directors appoints the members and chairpersons to the Committees. The Board has approved the charters of the committees. These charters contain the committees' main remit and principles. The committees have no independent decision-making authority.

Attendance of Board members at meetings

1 Jan – 31 Dec 2011	Board	Audit Committee	Remuneration Committee
Reino Hanhinen	10/10		6/6
Hannu Ryöppönen	10/10	6/6	
Maarit Aarni-Sirviö	9/10		6/6
Pertti Korhonen	10/10		6/6
Liisa Leino	10/10	5/6	
Matti Lievonen[1)]	10/10	1/1	5/5
Jaana Tuominen	10/10	6/6	

1) Member of the Audit Committee 23 March 2010 - 23 March 2011 and member of the Remuneration Committee since 23 March 2011. The Audit Committee met once during 1 January 2011 - 23 March 2011 and the Remuneration Committee met five times since 23 March 2011.

7.1 Audit Committee

The Board of Directors appoints the Audit Committee to assist it in carrying out its supervisory duties. The Audit Committee comprises a chairman and between two and four members, who must be independent of the company. The majority of members must be independent of the company's major shareholders.

7.2 Remuneration and HR Committee

The Board of Directors appoints a chairman and between two and four members of the Remuneration Committee from among independent Board members for a term of office lasting one year at a time. The Committee is tasked with safeguarding objective decision-making, promoting achievement of the company's objectives by means of remuneration schemes and the transparency and systemisation of remuneration schemes.

The charter of the Remuneration Committee was revised in December 2011, when the name of the Committee was changed to Remuneration and HR Committee.

8. President & CEO

The Board of Directors appoints the company's President & CEO, who is tasked with implementing the company's strategy and managing the company's business in accordance with the Finnish Limited Liability Companies Act, the company's Articles of Association and the instructions given by the Board of Directors. In addition, the President & CEO is responsible for ensuring that the company's accounting and financial management is in compliance with the law and has been reliably organised. The President & CEO reports to the Board of Directors and provides the Board with information about the company's financial position, business environment and other important matters. The President & CEO prepares items to be considered by the Board of Directors and its committees and executes the Board's decisions.

The company's President & CEO is Sakari Tamminen, who also chairs Rautaruukki's Corporate Executive Board.

9. Corporate Executive Board

The main remit of the Corporate Executive Board is to assist the company's President & CEO in corporate operative management and in business planning. The President & CEO chairs the Corporate Executive Board.

The Corporate Executive Board considers and oversees corporate and divisional strategy, investments, finances, divestments, acquisitions, corporate collaboration, organisational structure and control processes.

Details of members of the Corporate Executive Board can be found on pages 32-33.

Main features of internal control and risk management systems relating to the financial reporting process

Internal control seeks to ensure Rautaruukki's operations comply with valid legislation, regulations and the company's internal operating principles and that the company's financial and management reporting is reliable.

10. Risk management and internal control system

Rautaruukki's Board of Directors approves the corporate risk management policy, which defines the aims, principles, areas of responsibility and processes of risk management. Risk management and internal control is an ongoing process aimed at underpinning the achievement of strategies and financial targets and at ensuring business continuity. The internal control process also seeks to ensure that business is conducted ethically in compliance with applicable laws and regulations, and in accordance with the principles of Rautaruukki's Code of Conduct and internal policies.

11. Internal control system

11.1 Risk management

Risk management seeks to underpin the company's strategy, achievement of targets and to ensure business continuity. Identifying and classifying risks consistently so as to enable comparison creates effective risk management processes and the transparency required by good corporate governance.

11.2 Control functions

Rautaruukki's financial reporting process and associated internal control consists of different areas:

- Effective registration and processing of business transactions
- Compliance with financial reporting regulations
- Financial reporting supporting business and decision-making.

12. Compliance with laws and the Code of Conduct

In all its operations, Rautaruukki complies with the laws and regulations in force, good practices and with the Code of Conduct, which was revised in 2011. The purpose of the Code of Conduct adopted by Rautaruukki's Board of Directors is to highlight the company's ethical values and to create for the personnel a consistent way to operate responsibly around the world. Each Rautaruukki employee is required to be familiar with the legislation and policies applying to his or her own area of responsibility and, without exception, to comply with them.

Rautaruukki has defined values guiding its operations. These values for their part serve as an ethical guideline. In keeping with the values, we take responsibility, we succeed together and we challenge tomorrow.

No cases of financial misconduct were reported in 2011.

13. Internal audit

The company's internal audit unit carries out internal auditing within the group and reports to the President & CEO. All organisational levels and units corporate-wide are subject to internal audit.

14. Audit

Under its Articles of Association, the company has one auditor, which must be a KHT audit firm, an audit firm authorised by the Central Chamber of Commerce of Finland. The audit firm appoints an auditor having the principal responsibility. The Annual General Meeting elects an auditor for a term of office which ends at the close of the Annual General Meeting following election. In the statutory audit, the auditor audits the company's accounting, directors' report, financial statements and administration for the period. The auditor of the parent company also audits the consolidated financial statements.

Auditor 2011

The 2011 Annual General Meeting elected KHT audit firm KPMG Oy Ab as Rautaruukki Corporation's auditor, with Pekka Pajamo KHT as the principal auditor.

Fees paid to the auditor (€)

	2011	2010
Audit fees	1 219 000	1 198 000
Other services	238 000	466 000
Total	1 457 000	1 664 000

15. Insiders and related parties

Insiders

Under the Finnish Securities Markets Act, Rautaruukki's public insiders are members of the Board of Directors, the President & CEO and his deputy, and the principal auditor. Under a decision taken by Rautaruukki's Board of Directors, members of the Corporate Executive Board are also considered as public insiders. Information about the interests in Rautaruukki of public insiders and their related parties is public.

Besides a public register, Rautaruukki keeps company-specific and project-specific registers.

Related parties

Rautaruukki complies with the requirements of the Finnish Limited Liability Companies Act and International Accounting Standards (IAS 24) concerning the monitoring of related party transactions. The group's related parties include the parent company, Rautaruukki Corporation, subsidiaries, equity-accounted investees, Rautaruukki's Pension Foundation and significant ownership entities. Also the managing directors, directors and other named key persons of companies belonging to the group and members of the parent company's Corporate Executive Board are considered as related parties. The spouses and other family members living in the same household as the persons referred to above are also related parties.

16. Information and communication

Rautaruukki's share is listed on NASDAQ OMX Helsinki Ltd. In its disclosure policy, Rautaruukki complies with Finnish legislation, the regulations of NASDAQ OMX Helsinki Ltd and guidelines issued by the Financial Supervisory Authority (FIN-FSA).

Rautaruukki's Board of Directors approved the company's Disclosure Policy on 2 February 2011. The Policy describes the main principles that Rautaruukki, as a listed company, complies with in its communications with the media, capital markets and other stakeholder audiences.

17. Remuneration

In addition to this Corporate Governance Statement, Rautaruukki publishes a separate remuneration statement, which includes a description of the financial benefits paid to the Board of Directors and the President & CEO. The remuneration statement may be viewed also on the company's website at www.ruukki.com > Investors > Corporate Governance.

Remuneration statement

The remuneration of Rautaruukki's management is based on a monthly salary, benefits, a short-term performance incentive bonus and a long-term share-based incentive plan.

The company seeks to offer a competitive remuneration package to retain, attract and motivate talented key resources.

Decision-making

The Board of Directors decides the principles of remuneration and the remuneration of the company's President & CEO. The Board of Directors' Remuneration and HR Committee is responsible for management remuneration plans and the remuneration of the Corporate Executive Board. Remuneration reflects the com-pany's financial performance and remuneration levels for similar positions in comparable companies.

The Annual General Meeting decides the fees paid to members of the Board of Directors.

Remuneration of the President & CEO and other management

The remuneration of the President & CEO and other management consists of a fixed monthly salary, benefits (car, cell phone and, in some cases, housing benefit), an annual performance bonus and long-term incentive plans such as pension benefits and share-based incentive plans.

Performance bonuses – short-term incentive plans

The company's short-term incentive plan, the bonus plan, supports the achievement of corporate strategic and financial targets. The Board of Directors confirms the plan and its bonus conditions and criteria annually on the recommendation of the Remuneration and HR Committee.

Any bonuses payable to management depend on the financial targets - either corporate and/or divisional financial performance - set in the programme, as well as on the achievement of their team and personal targets. Management's maximum annual bonus is 40 per cent of taxable annual salary, excluding bonuses. Achievement of the maximum bonus requires all targets to be exceeded. The Board of Directors' Remuneration and HR Committee evaluates, and the Board of Directors confirms, the performance of the President & CEO. The direct supervisor evaluates the performance of other management, which their supervisor confirms. The Remuneration and HR Committee confirms performance bonuses payable to the Corporate Executive Board.

Share bonuses – long-term incentive plans

The Board of Directors decides long-term share-based incentive plans and the Annual General Meeting decides the authorities regarding the purchase and transfer of own shares related to the programmes. Share ownership plans seek to align the objectives of shareholders and key employees to increase shareholder value and to commit key persons to the company.

Rautaruukki has had long-term share ownership plans as long-term performance incentive plans for management and key employees since 2000.

Share-based incentive plan 2011–2013

In December 2010, the Board of Directors decided to launch a new share-based incentive plan. The plan aims to align the objectives of shareholders and key employees to enhance the value of the company, commit key employees to the company and to offer them a competitive reward plan based on ownership of shares in the company. The plan covers around 100 key employees.

The plan consists of three one-year earning periods, which are the calendar years 2011, 2012 and 2013. Furthermore, the plan includes one three-year earning period, 1 January 2011-31 December 2013. The company's Board of Directors will decide on the earning criteria and the targets to be established for them at the beginning of each earning period. Any bonus for the earning period 2011 will be based on Rautaruukki's consolidated net sales growth and return on capital employed (ROCE) and, for the earning period 2011-2013, on corporate strategic targets.

Any bonuses for the earning period will be paid during the following year. Any bonuses for the earning period 2011-2013 will be paid in 2014. The proportion to be paid in cash will cover taxes and tax-related costs arising from the bonus. The bonus payable on the basis of the plan during three years will not exceed three years' gross salary of the key person concerned.

The shares may not be transferred during the lock-up period, which will end three years after the end of the earning period. Should a key person's employment or service in a group company end during the lock-up period, he or she must return, gratuitously, the bonus shares received to the company. Members of the Corporate Executive Board must hold shares also after the lock-up period until their total shareholding corresponds to the value of their gross annual salary. Such number of shares must be held for as long as their employment or service in a group company continues.

The bonuses awarded on the basis of the plan for the earning periods 2012 and 2011-2013 will equate to the value of a maximum aggregate of approximately 1,200,000 Rautaruukki Oyj shares, including also the proportion to be paid in cash.

Persons covered by the share-based incentive plan do not participate in the employee profit sharing scheme.

Option programmes

Rautaruukki has no option programmes in effect.

Pension arrangements – long-term incentive plans

The company's Finnish management belongs to the Finnish Employees Pension Act (TyEL) scheme, which provides for pension security based on years of service and earnings as stipulated by law. Under the Finnish earnings-based pension system, base salary, including taxable benefits, and bonuses are considered as earnings, but income from share ownership plans is not. The age of retirement is between the ages of 63 and 68 according to own choice.

The President & CEO is entitled to a defined benefit supplementary pension of 60 per cent of average salary calculated during the past three years. Everyone covered by Section A of Rautaruukki's Pension Fund who has opted for a reduced retirement age retires at the age of 60. One member of the Corporate Executive Board belongs to this group. The amount of supplementary pension paid by the Pension Fund depends on the number of earning years and is generally between 30 - 60% of retirement pay. The Board of Directors' Remuneration Committee (now Remuneration and HR Committee) has outlined that no new defined benefit pension plans are to be introduced.

Two members of the Corporate Executive Board have a defined contribution supplementary pension plan. The defined contribution pension plan does not guarantee the level of future pensions, which depend on the pension insurance contributions made and the return on investments. The Board of Directors decides annually the supplementary insurance premium as a percentage of annual salary.

The supplementary pension costs of the President & CEO amounted to €475,548 in 2011 (2010: €449,000).

In addition, the President & CEO has an agreed severance pay package under which he is entitled to total severance pay equal to 24 months' salary if his contract is terminated by the company.

Remuneration paid to the President & CEO and to the rest of the Corporate Executive Board*)

€	Regular salary and benefits		Performance bonuses		Share bonuses **)		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
President & CEO	652 810	624 474	50 000	87 779	0	0	702 810	712 253
Other Corporate Executive Board members	1 376 268	1 114 396	153 000	178 751	0	0	1 529 268	1 293 147

*) The Corporate Executive Board had, including the president & CEO, 6 members 1 Jan-31 Oct 2010, 7 members 1 Nov 2010-31 March 2011, 6 members 1 Apr-30 Sep 2011 and 9 members since 1 Oct 2011.
**) No share bonuses awarded during 2010 and 2011.

Fees and benefits paid to the Board of Directors

The Annual General Meeting decides each year the fees paid to the Board of Directors for one term of office at a time.

Fees of the Board of Directors in 2011

The 2011 Annual General Meeting approved the following annual fees to the Board of Directors:
Chairman: €72,000 a year
Deputy chairman: €44,000 a year
Members: €34,000 a year.

In addition, an attendance fee of €600 per meeting is paid for Board and Board Committee meetings. Travel expenses are reimbursed according to the company's travel rules.

In accordance with the resolution of the 2011 Annual General Meeting, 40 per cent of the annual fees are to be paid in the form of Rautaruukki Oyj shares purchased on the market within two weeks of publication of the company's interim report for 1 January–31 March 2011.

Fees paid to the Board of Directors

	2011**)	2010*)
Chairman	81 000	94 200
Deputy Chairman	52 400	64 500
Other members of the Board	211 400	252 300
Total	344 800	411 000

*) 40 per cent of the annual fee for 2010 was paid in the form of the company's shares on 27 April 2010, some of fees for the period of office are allocated to 2011.
**) 40 per cent of the annual fee for 2011 was paid in the form of the company's shares on 28 April 2011, some of fees for the period of office are allocated to 2012.

Board of Directors 31 December 2011

Chairman

Reino Hanhinen
b. 1943

Member (2006–) and Chairman (2009–) of Rautaruukki's Board; Member (2007-) and Chairman (2009–) of Remuneration Committee
Independent member of the Board

MSc (Eng), DSc (Tech) h.c.

Previous main positions: YIT Corporation, President & CEO, (1987–2005) and Group CEO (2000–2005); Perusyhtymä Oy, Managing Director (1986–1987); YIT Oy Yleinen Insinööritoimisto, Managing Director (1985–1986); Oy PPTH-Norden Ab, Managing Director (1976–1985)

Other elected positions: Kone Corporation, Board member (2005–); YIT Corporation, Board member (2009–)

Previous elected positions: YIT Corporation, Chairman of the Board (2006–2009)

Rautaruukki shares:
1 January 2011: 11,618
31 December 2011: 13,323

Deputy Chairman

Hannu Ryöppönen
b. 1952

Member of Rautaruukki's Board (2009–); Chairman of the Audit Committee (2009–)
Independent member of the Board

BA (Business Admin)

Previous main positions: Stora Enso Corporation, Deputy CEO (2008–2009); Stora Enso Corporation, Deputy CEO and CFO (2007–2008) and Senior Executive Vice President and CFO (2005–2007); Royal Ahold (the Netherlands), Executive Vice President and CFO (2003–2005); Industri Kapital Group (London), Finance Director (1999-2003); Ikea Group (Denmark), Executive Vice President (1985-1999)

Other elected positions: Amer Sports Corporation, Board member (2009–); Neste Oil Corporation, Board member (2009–); Citigroup Inc., Nordic Advisory Board, member (November 2010–); Tiimari Plc, Board member (2011–); Korsnäs AB, Board member (2010–); Novo Nordisk AS, Board member (2009–); Value Creation Investments Limited, Board member (2003–); Altor 2003 GP Limited and Altor Fund II GP Limited Chairman of the Board (2005–); Altor Fund III GP, Chairman of the Board (2009–)

Previous elected positions: Tiimari Plc, Chairman of the Board (2009–2011)

Rautaruukki shares:
1 January 2011: 1,011
31 December 2011: 2,053

Maarit Aarni-Sirviö
b. 1953

Member of Rautaruukki's Board (2004–); Member of the Remuneration Committee (2008–)
Independent member of the Board

MSc (Tech), MBA
Senior Adviser, Eera Oy (2011–)

Previous main positions: Mint of Finland Ltd, President & CEO (2008–2010); Borealis Group (1994–2008), several senior positions latest as Vice President BU Phenol (2001–2008) and Vice President BU Olefins (1997–2001) (Copenhagen, Denmark); Neste Corporation (1977–1994), starting as plant engineer, later e.g. production manager and business manager

Other elected positions: Wärtsilä Corporation, Board member (2007–); Hallitusammattilaiset ry (the Finnish Association of Professional Board Members), Board member (2010–)

Previous elected positions: Ponsse Corporation, Board member (2007–2010); Borealis Polymers Oy, Board member (1997–2008); Epec Oy, Board member (2007–2010); Oy Nordic Moneta Ab, Chairman of the Board (2008–2010); Det Norske Myntverket AS, Chairman of the Board (2008–2010); Noretyl AS (Norway), Board member (1997–2001); North Sea Petrochemicals (Belgium), Board member (1997–2001); Vattenfall AB, Board member (2003–2007)

Rautaruukki shares:
1 January 2011: 1,780
31 December 2011: 2,585

Pertti Korhonen
b. 1961

Member of Rautaruukki's Board (2010–); Member of the Remuneration Committee (2010–)
Independent member of the Board

MSc (Electronics Engineering)

Outotec Oyj, President and CEO (2010-)

Previous main positions: Outotec Oyj, Chief Operating Officer (1 October – 31 December 2009); Elektrobit Corporation, CEO (2006–2009); Nokia Corporation, Chief Technology Officer (2004–2006), Member of Nokia Group Executive Board (2002–2006); Nokia Mobile Software, Executive Vice President (2001–2003); Various management positions in Nokia Mobile Phones, such as Senior Vice President, Global Operations, Logistics and Sourcing; Vice President, Manufacturing Europe; Project Executive; Vice President, R&D (1990–2001); Micronas Oy, Vice President, Product Development (1990)

Other elected positions: Ahlström Corporation, Vice Chairman of the Board (2011–); Association of Finnish Steel and Metal Producers, Member of the Council (2010–); Finnish Defence Forces, Member of the Advisory Board (2007–)

Previous elected positions: Elisa Corporation, Board member (2008–2011); Veho Group Ltd, Board member (2007–2011); QPR Software Corporation, Member of the Board (2001–2003); Rosettanet, Member of the EC Board (2000–2001); Finnish Quality Award, Member of the Jury (1997–1998)

Rautaruukki shares:
1 January 2011: 780
31 December 2011: 1,585

Liisa Leino
b. 1960

Member of Rautaruukki's Board (2007–); Member of the Audit Committee (2007–)
Independent member of the Board

MSc (Nutrition)

Leinovalu Oy, CEO (2011–)

Previous main positions: Nurmi Group & Perkko Oy, Managing Director (2003–2004); Sitra, Business Director (2002–2003); Gillette Central Europe, Business Director (1999–2002); Gillette Braun Finland Oy, Managing Director (1996–1999); Nestlé Finland Ltd, various positions in marketing (1989–1996)

Other elected positions: Leinovalu Oy, Chairman of the Board (2006–); M-real Corporation, Board member (2009–); Alko Inc., Board member (2009–); Varma Mutual Pension Insurance Company, Deputy member of the Board (2011–); Elomatic Ltd, Board member (2011–); Confederation of Finnish Industries EK, Board member (2011–); Finnish Business and Policy Forum EVA, Supervisory Board member (2010–); The Federation of Finnish Technology Industries, Board member (2011–)

Previous elected positions: Varma Mutual Pension Insurance Company, Supervisory Board member (2007–2010)

Rautaruukki shares:
1 January 2011: 1,780
31 December 2011: 2,585

Matti Lievonen
b. 1958

Member of Rautaruukki's Board (2010–); Member of the Remuneration Committee (2011–)
Independent member of the Board

BSc (Eng), eMBA

Neste Oil Corporation, President and CEO (2008–)

Previous main positions: UPM-Kymmene, President of Fine and Speciality Papers Division (2004–2008); Executive Vice President, Business & Technology Optimization (2002–2003) and other senior positions at UPM (1986-2002); Member of UPM Executive Team (2002–2008)

Other elected positions: Ilmarinen Mutual Pension Insurance Company, Supervisory Board member (2008–); Chemical Industry Federation of Finland, Board member (2009–2010), Deputy Chairman of the Board (2011–); Excellence Finland, Chairman of Advisory Board (2009–); National Emergency Supply Agency, Member of Advisory Board (2010–)

Previous elected positions: The Confederation of European Paper Industries, Deputy Chairman of the Board (2004–2008); Oy Keskuslaboratorio - Centrallaboratorium Ab, Deputy member of the Board (2003–2008); Finnish Oil and Gas Federation, Board member (2009–2010)

Rautaruukki shares:
1 January 2011: 780
31 December 2011: 1,585

Jaana Tuominen
b. 1960

Member of Rautaruukki's Board (2010–); Member of the Audit Committee (2010–)
Independent member of the Board

MSc (Chemical Engineering)

Paulig Group, Chief Executive Officer (2008–)

Previous main positions: GE Healthcare (former Instrumentarium Corporation), General manager, Monitoring Solutions and Managing Director, GEHC Finland Oy (2002–2008); NAF Oy and NAF AB, Managing Director of NAF Oy and NAF Industries Oy and Director, Sales and Marketing, NAF AB (1998–2002); Instrumentarium Oy/Datex-Ohmeda, Marketing Manager, Product Manager (1993–1998); Valmet Automation AB, Area Sales Manager (1989–1993)

Other elected positions: Finnish Food and Beverage Industries' Federation, Board member (2009–); Several Paulig Group companies, Chairman of the Board (2008–)

Previous elected positions: Paulig Group companies, Chairman of the Board (2008–2009); GE Healthcare group companies, Chairman of the Board and Board member (2002–2008); NAF group companies, Chairman of the Board and Board member (1998–2002)

Rautaruukki shares:
1 January 2011: 780
31 December 2011: 1,585

Information about the fees and other benefits of the Board of Directors can be found in the Remuneration statement on the company's website at www.ruukki.com > Investors > Corporate Governance > Remuneration statement.

Corporate Executive Board 31 December 2011

Chairman

Sakari Tamminen
b. 1953

MSc (Econ)

President and CEO

Joined the company in 2003

Corporate Executive Board member since 2003

Previous main positions: Metso Corporation, Executive VP and CFO, Deputy to the President and CEO (1999–2003); Rauma Corporation, Executive VP and CFO, Deputy to the President and CEO (1991–1999)

Elected positions: Varma Mutual Pension Insurance Company, Board member (2008-) and Chairman (2009–); Sanoma Corporation, Board member (2003–) and Deputy Chairman (2009–); Finnish Fair Cooperative, Supervisory Board member (2004–); Eurofer, Board member (2004–); Finnish Business and Policy Forum EVA and Research Institute of the Finnish Economy ETLA, Board member (2009–); Association of Finnish Metal and Steel Producers, Board member (2009-) and Chairman (2011–); Finnish Foundation for Share Promotion, Board member (2003–); Technology Industries of Finland Centennial Foundation, Board member (2007–); Federation of Finnish Technology Industries, Board member (2004–); TT Foundation, Board member (2008-) and Chairman (2011–); World Steel Association, Board member (2004–)

Previous elected positions: Technology Academy Finland, Board member (2009–2011); Lemminkäinen Corporation, Board member (2003–2009); Mutual Pension Insurance Company Varma, Supervisory Board member (2004–2007); Confederation of Finnish Industries EK, Board member (2006) and Chairman (2009–2010)

Rautaruukki shares:
1 January 2011: 73,238
31 December 2011: 76,938

Tommi Matomäki
b. 1967

MSc (Tech)

Executive Vice President, Ruukki Construction

Joined the company in 2008

Corporate Executive Board member since 2008

Previous main positions: Ruukki Engineering, President (2008–2010); Technip Offshore Finland Oy, Managing Director (2003–2008); Metso Works Oy (1995–2002)

Elected positions: Leinovalu Oy, Board member (2010–)

Rautaruukki shares:
1 January 2011: 1,640
31 December 2011: 1,640

Marko Somerma
b. 1966

LicSc (Tech)

Executive Vice President, Ruukki Engineering and CSO

Joined the company in 2004

Corporate Executive Board member since 2005

Previous main positions: Rautaruukki Corporation, Chief Strategy Officer (2004–2010); Instrumentarium Ltd, Chief Process & Information Technology Officer (2002–2004); Gustav Paulig Ltd, Business Development Director (1997–2002)

Rautaruukki shares:
1 January 2011: 19,190
31 December 2011: 19,190

Olavi Huhtala
b. 1962

BSc (Eng)

Executive Vice President, Ruukki Metals

Joined the company in 1987

Corporate Executive Board member since 2003

Previous main positions: Ruukki Fabrication, President (2003–2004); Rautaruukki Metform, Marketing and executive duties (2000–2003)

Rautaruukki shares:
1 January 2011: 33,596
31 December 2011: 33,596

Markku Honkasalo
b. 1964

LLM, eMBA

Chief Financial Officer

Joined the company in 2009

Corporate Executive Board member since 2010

Previous main positions: Rautaruukki Corporation, Vice President, Financing (2009–2010); Myllykoski Corporation, Director, Legal and Administration (2003–2009); Nordea Group, number of management positions within financing (1989–2003)

Rautaruukki shares:
1 January 2011: -
31 December 2011: 500

Eija Hakakari
b. 1961

MSc (Educ)

Senior Vice President, HR

Joined the company in 2008

Corporate Executive Board member since 2011

Previous main positions: Rautaruukki Corporation, Senior Vice President, HR (2009–); Rautaruukki Corporation, Ruukki Engineering, HR Director (2008); Virvo Oy, HR Advisor/China (2004–2008); Setec, HR Director (2000–2004); KPMG, HR Director (1997–2000); Itella, Management position within HR, HRD and Sales (1987–1997)

Rautaruukki shares:
1 January 2011: 400
31 December 2011: 400

Toni Hemminki
b. 1975

MSc (Tech)

Senior Vice President, Technology, Energy and Environment

Joined the company in 2001

Corporate Executive Board member since 2011

Previous main positions: Rautaruukki Corporation, VP, Energy and Environment (2007–2011); Rautaruukki Corporation, R&D Manager and specialist duties (2001–2007)

Elected positions: Voimaosakeyhtiö SF Oy, Deputy member of the Board (2011–); Rajakiiri Oy, Board member (2008–); ElFi Oy, Deputy member of the Board (2007), Board member (2008–) and Chairman (2009–); CLEEN Oy, Deputy member of the Board (2011–); Finnish Business & Society Ry, Board member (2011–)

Rautaruukki shares:
1 January 2011: 328
31 December 2011: 328

Taina Kyllönen
b. 1967

MSc (Econ)

Senior Vice President, Marketing and Communications

Joined the company in 2004

Corporate Executive Board member since 2011

Previous main positions: Rautaruukki Corporation, SVP, Marketing (2007–2011); Rautaruukki Corporation, VP, Corporate Communications and Branding (2004–2007); Metso Corporation/ Rauma Corporation, VP, Investor Relations (1996–2004); Aktia Securities, Equity Analyst (1994–1996); Jaakko Pöyry Consulting Group, Market and Financial Analyst (1989–1994)

Rautaruukki shares:
1 January 2011: 11,191
31 December 2011: 11,191

Ismo Platan
b. 1953

BSc (IT)

Senior Vice President, IT, SCM and Opex

Joined the company in 2003

Corporate Executive Board member since 2011

Previous main positions: Rautaruukki Corporation, CIO (2003–2011); Metso Corporation, CIO (1999–2003); Rauma Corporation, CIO (1993–1999); Neles-Jamesbury, IT Director (1980–1993)

Rautaruukki shares:
1 January 2011: 13,669
31 December 2011: 19,669

Information about the fees and other benefits of the company's management can be found in the Remuneration statement on the company's website at www.ruukki.com > Investors > Corporate Governance > Remuneration statement.

Information about members of the Corporate Executive Board can be found on the company's website at www.ruukki.com > About Ruukki > Management.

Risk management

- Long-term risk management is used to identify and evaluate risks and to ensure business continuity
- Ruukki's risk and crisis management received top points in Dow Jones sustainability assessments, where Ruukki was the best company overall in its class

Ruukki has defined risk as an external or internal uncertainty that could prevent the company from carrying out its strategy, achieving its targets or continuing its business.

Risk management seeks to underpin the achievement of Ruukki's strategy and targets and to ensure business continuity. Identifying and classifying risks consistently so as to enable comparison leads to effective risk management processes and the transparency required by good corporate governance.

Risk management is guided by the corporate risk management processes and actions defined in risk management policy approved by Ruukki's Board of Directors.

Corporate security and travel safety risk developed and risk assessments improved in 2011

Ruukki is continuously improving its risk management by taking into account changes in the business environment and operating activities.

Corporate risk management practices were further strengthened in 2011. Thanks to a site-specific risk management reporting system, positive improvement was made in the level of management of hazard and operative risks. In performing risk assessments, particular attention was given to effectiveness, in other words the usefulness of the time spent and quality of risk information. After site-specific risk assessments, participants were asked to give feedback to improve activities. The data-system-based risk management system used to identify and assess risks and to determine actions required was completed in 2011.

Started in 2010, work continued in 2011 on the development of corporate security with special focus on travel safety and the readiness of crisis action in situations of emergency.

In 2012, Ruukki will proceed further with developing strategic and proactive risk management with the business. Preventing losses and minimising their impacts will be a particular area of focus. Likewise, claims settlement will also be further improved.

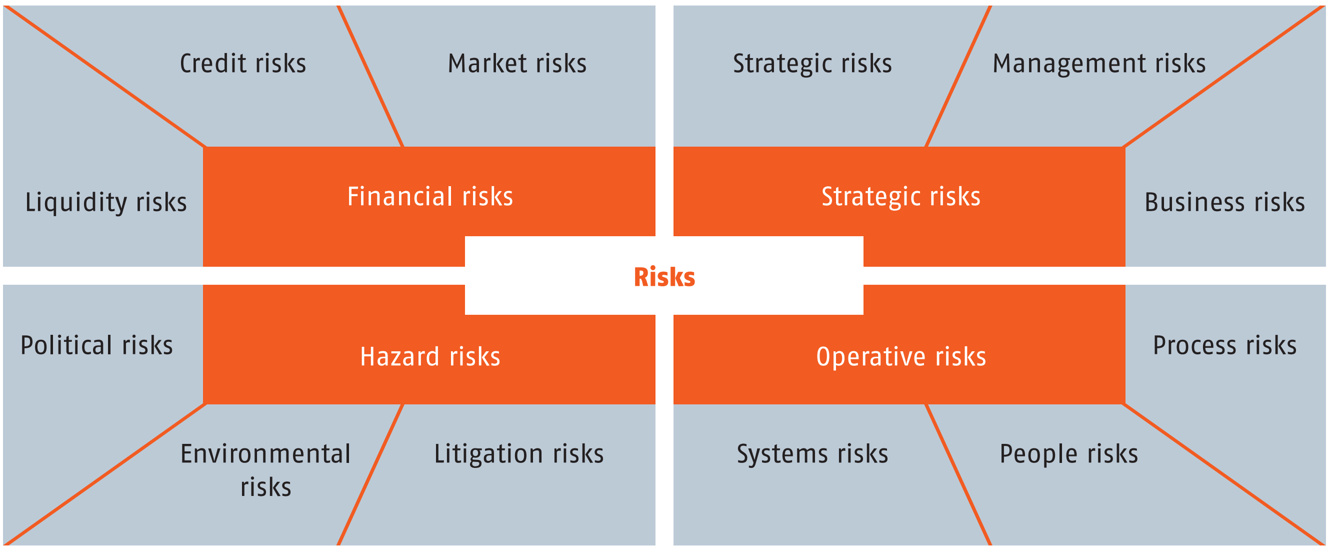
Enterprise risk management is part of the management system

Risk management at Ruukki is based on consistent risk identification, assessment and reporting across the company.

Risk management is an integrated part of the management system and the risk aspect is incorporated into the everyday activities and decision-making of all business areas and core corporate support processes.

The risks in each area are identified and evaluated each year in all Ruukki's operations and the associated risk management strategies are determined as part of business planning and leadership. The corporate risk management function assists with evaluation and compiles a summarised risk report. The evaluation results and key risks are reported to corporate management and the Board of Directors.

Risk assessment framework



Ruukki employs a continuous risk assessment programme

Ruukki's risk assessment programme combines an evaluation of hazard risks with an evaluation of strategic operative and financial risks.

In 2011, an annual risk assessment was performed at 23 sites in seven countries. Risks were assessed using the bottom-up and top-down approaches.

Corporate management, business area management and persons responsible for sites, processes and support functions took part in the evaluations. More than 100 persons were interviewed and over 30 risk assessments were made in conjunction with the process. Internal and external audit, insurance brokers and companies also took part. In addition, four external specialist organisations performed risk assessments for the company.

Ruukki has defined a total of 13 key risks confronting its operations. A slowdown in market growth rates and increasing volatility in main market areas, together with the cost competitiveness of the company's own steel production are high on the risk management agenda. The availability and prices of steel feedstock and critical services also constitute key risks.

Risk classification helps identification and assessment

Ruukki divides risks into four main groups:

1) strategic risks
2) operative risks
3) financial risks
4) hazard risks

Classification in this way makes it easier to understand the nature and potential ways of managing risks.

In addition, Ruukki examines risks from a strategic aspect and classifies them into **three groups**:

1) risks that jeopardise strategy implementation and targets
2) external risks jeopardising business performance and over which the company has limited control
3) Internal and external risks that threaten corporate operations and over which the company has significant control

Risks are assessed on the basis of their likelihood, seriousness, possible development and manageability. Risk assessments are performed systematically in Ruukki's units, within business areas and at the corporate level.

Different risk management strategies are aimed at risk avoidance, elimination and at minimising the likelihood of them occurring. It is also important to contain the impact of risks. Furthermore, every effort is made to ensure the continuity of operations if a risk materialises.

Key risks facing Ruukki

Risks jeopardising strategy implementation and targets

Challenges facing growth of the solutions and special steel businesses

Ruukki's strategic target is to grow the solutions businesses - construction and engineering - and the special steel products business. Growth requires an expansion of business in the emerging markets both organically and through acquisitions. Ruukki has prepared for growth by improving its management system and business processes. Recruiting and training programmes have been systematised to respond to new needs. A takeover process that takes particular account of personnel competence has been developed for acquisitions.

Major change in competition in main market areas in the steel business

Most of the company's steel products are sold in Finland and the other Nordic countries. Any major change in the competitive position in these markets or, for example, the relocation of customers to lower-cost countries might affect the company's business.

Ruukki has prepared for such scenarios by, among other things, developing its international distribution network for special steel products and by securing its market share by improving distribution, delivery reliability and customer service in the Nordic countries. Ruukki is strongly focusing on products and segments where it can achieve a strong market position.

Reputation risks

A good corporate image and a positive image among stakeholders are important to Ruukki. Reputation risks faced by the company might result from various crisis situations or from unmanageable or negative media publicity. Corporate responsibility may also involve reputation risks. Working together with the personnel, Ruukki has defined the values that form the basis for the company's ways of working. Risks to reputation are prevented also by performing comprehensive audits in respect of environmental and social responsibility and by improving occupational safety. The company has prepared for any crisis situations through thorough training in crisis management and communication.

External risks jeopardising business performance and over which the company has limited control

Slow economic growth and increasing volatility in main market areas

Economic growth has slowed and volatility increased in the Western European and many other developed markets. The company has prepared for this by, among other things, shifting its focus of growth to emerging countries. The share of specialisation in the steel business is being increased, which will open up growth potential also in the emerging markets. Efforts are being made to balance the business structure by focusing on business segments - such as residential roofing products and infrastructure construction - that are less vulnerable to economic fluctuations. Adequate financial reserves have been acquired in case of business cyclicality.

Availability and prices of steel feedstock and critical services

Raw materials account for a significant part of the value of steel products. The prices of iron ore, coking coal and other main raw materials used in steel production, including freight charges, are determined on the global markets. This can make the cost of raw materials fluctuate greatly even at short notice. Ruukki's operations also depend on the availability and cost of icebreaking and transportation services. Most of the company's sales contracts are based on quarterly or shorter pricing. This enables flexible pricing when the costs of raw materials change. To ensure business continuity and cost levels, the company constantly pursues alternative supply channels for raw materials. The company ensures the availability of critical raw materials through long-term supply contracts. Particular attention has been given to ensuring the availability of icebreaking and transportation services.

Increasingly stricter environmental regulations

Additional costs arising from increasingly stricter environmental regulations and carbon emissions trading impact on the company's competitiveness, especially if the same rules of play do not apply equally to all players on the field. Coal consumption in steel production at Ruukki is almost at the minimum possible using current process technology and the company is among the world's best in terms of carbon dioxide efficiency. To reduce emissions, Ruukki has switched over to using iron pellets instead of iron ore in steelmaking. The company has taken thorough steps to forecast and actively track changes in environmental legislation. All the company's main production sites operate in compliance with the ISO 14001:2004 environmental management system.

Financial risks

Ruukki's business is exposed among other things to risks caused by currency fluctuations. Business volatility requires adequate financial reserves to be maintained.

Ruukki's financing, financial and credit risk management is centralised at the parent company's Financing function in accordance with the financing and credit policy approved by the Board of Directors. Derivatives are used to hedge currency risks. The company has continuous access to undrawn committed credit limits and liquid assets to manage the liquidity risk. Ruukki's financial reserves are at an adequate level and the long-term maturity structure has been spread out with different banks. It is to be assumed that counterparty risk will also increase as the emerging markets account for a growing share of the company's business. Ruukki's customer credit risks are conveniently monitored and the amount of credit losses compared to net sales has been very minor in recent years. The group's currency, interest rate, commodity price, liquidity and credit risks are detailed in Note 3 to the financial statements.

Key risks facing Ruukki

Risks jeopardising strategy implementation and target

- Challenges facing growth of the solutions and special steel businesses
- Major change in competition in main market areas in the steel business
- Reputation risks

External risks jeopardising business performance and over which the company has limited control

- Slow economic growth and increasing volatility in main market areas
- Availability and prices of steel feedstock and critical services
- Increasingly stricter environmental regulations
- Financial risks
- Labour market disruptions

Internal and external risks that threaten corporate operations and over which the company has significant control

- Cost competitiveness of own steel production
- Major breakdown in production
- Contract and liability risks
- Injuries

Labour market disruptions

Delivery accuracy is becoming an increasingly critical competitive factor and delivery disruptions exert a growing economic impact. Labour market disruptions, especially illegal strikes, are one main cause of disruptions to delivery. These disruptions can be prevented proactively by improving supervisory work and leadership. Decision-making mechanisms are being clarified and the role and competence of work supervision are being strengthened. Emergency plans are being drawn up in case of disruptions. The entire personnel has been set the goal of continuously improving delivery accuracy.

Internal and external risks that threaten corporate operations and over which the company has significant control

Cost competitiveness of own steel production

The gradual opening of the European market to, for example, Russian and Ukrainian actors may increase disruption in Ruukki's main market area. International comparison shows Ruukki's steel production to be competitive, but small in terms of volume. Crude steel production takes place using two blast furnaces integrated into one production unit. This means steel production has limited flexibility compared to large competitors, who have a number of production units and who can thus optimise production between several units. Ruukki has prepared for this risk by improving cost efficiency and production flexibility. The company is improving its market position in the main market area by developing customer service and delivery accuracy. The portfolio of steel products is being expanded to special steels, where there is less international competition.

Major breakdown in production

There is a high risk of breakdown in the company's own steel production, especially upstream in the process. This is why much attention has been given to risk management at the steel mill. Modern, systematic proactive maintenance of processes and systems is a key part of risk management and can help to prevent the occurrence of disruptions in production. Risks are also mitigated by setting up standard procedures to choose suppliers and other partners, and to ensure the quality of unfinished products in own production. From the business continuity aspect, it is important to ensure adequate operational readiness of core processes in all situations. The group has comprehensive property damage, business interruption and transport insurance programmes.

Contract and liability risks

As the degree of upgrading Ruukki's products and services rises, the liability of product and service functionality and the contracts signed with customers becomes more important. The company examines its own operational processes to eliminate the risk of quality and product liability. For larger deals, the company carries out systematic project reviews both at the start and during deliveries. Contract risks are studied in all business activities and contractual expertise is ensured for all significant deals. The company operates adequate quality management systems to avoid quality defects and product liability risks in its products and solutions, and has appropriate liability insurance for its business. The company's integrated environmental management system complies with ISO 9001:2000 and 14001:2004.

Injuries

The company is pushing for a zero-accident, safe working environment. This aim can be achieved by complying with corporate-wide safety operating models. Safety has been integrated into the management system and everyday supervisory work. To avoid injuries, Ruukki is particularly focusing on personnel training and on an extensive oversight of operations. Safety in the working environment is continuously monitored at all sites using a common reporting system and operating process. Best safety practices are pursued by comparing our operations with those of other companies.

Responsibility for risk management

Board of Directors	Responsible for the corporate risk management policy and oversees its implementation. Approves the risk management policy.
President & CEO	Responsible for the proper arrangement of risk management.
Executive Vice President, Business Development	Responsible for the risk management model and reporting.
Corporate Executive Board	Participates in risk identification, assessments, accountability and control.
Heads of business areas and support functions	Responsible for identifying and managing risks in their own area and for implementing and reporting risk management development.
Corporate Risk Manager	Responsible for supporting the business areas and other functions in risk management, developing risk management and for maintaining risk information.
Internal audit	Evaluates corporate risk management.
Each employee	Responsible for identifying and assessing work-related or any other risks and for reporting them to his or her supervisor.

Financial statements 2011

Report of the Board of Directors 2011

Business environment in 2011

Global economic growth continued during 2011, albeit more moderately than in 2010. The emerging markets in particular served as drivers of economic growth. Economic growth in Europe was buoyed up by strong growth in Germany, the largest economy in Europe. Also in the Nordic countries economic growth was favourable, with strongest growth in Sweden, where private consumption fuelled demand. The Finnish economy depends on export demand for capital goods and weakened international demand resulted in slower economic growth in Finland than that forecast in the early part of the year. In Ruukki's main market areas strongest growth was seen in Russia, as well as in Poland and other countries in Central Eastern Europe. During the second half of the year in particular, the European debt crisis increased uncertainty in the financial markets and weakened overall economic confidence.

Construction in Europe grew year on year. After the seasonally quiet first quarter, demand for residential roofing products picked up clearly especially in Finland, and also in Poland and other countries in Central Eastern Europe. Activity in commercial and industrial construction was low during the early part of the year, but picked up during the course of the second quarter. Commercial and industrial construction grew on the back of investments starting up, especially in Russia, and at Ruukki this was reflected in growing order volumes, particularly in agricultural construction and in industrial, commercial and logistics sectors. Construction activity slowed due to seasonality towards the end of the year, but thanks to favourable weather conditions the slow-down occurred slightly later than usual.

In the engineering industry, the markets strengthened during the early part of the year in Ruukki's important customer segments and remained good also during the second half of the year. The order intake and order books of Ruukki's main customers were clearly up compared to the previous year. Supported by growth in the emerging markets such as Brazil and Chile, demand for mining industry machines and equipment was good throughout the year. Strong growth was also seen in demand for materials handling equipment. In the offshore market, demand for drilling platforms and other industrial products developed well. Likewise, activity in the energy industry was at a good level. Order volumes in shipbuilding remained low throughout 2011.

Steel demand in the EU-27 region was up around 7 per cent compared to the previous year. Stronger growth in demand in the early part of the year came to a halt in the second half of the year mostly because of the uncertainty prevailing in the financial markets in Europe and weakened economic outlook, which resulted in cautious decision-making. Despite increased demand, apparent steel use in Europe lagged well behind the levels seen in 2007 and 2008. Price rises in the raw materials used in steel production and growing end-customer demand led to higher market prices for steel products in the early part of the year. Market prices declined during the second and third quarters and continued declining also during the fourth quarter.

Stock levels of steel wholesalers in Europe grew somewhat during January-August, but started to decline at the end of September. Also stock levels compared to sales in Europe were at a higher level than normal after the summer, but returned to their normal level towards the end of the year. The market price of iron ore and coking coal, two of the main raw materials used in steel production, rose during the early part of the year. The market price of coking coal rose strongly because of flood damage to mines and their infrastructure in Australia and Brazil. Towards the end of the year, the market prices of the main raw materials decreased from the very high level earlier in the year.

Order intake and order book

Order intake by business area

EUR million	2011	2010
Order intake		
Ruukki Construction	721	629
Ruukki Engineering	263	230
Ruukki Metals	1 691	1 458
Others		8
Order intake, total	2 675	2 326

Unless otherwise stated, the figures in brackets refer to the same period a year earlier.

Group order intake in 2011 was EUR 2,675 million (2,326), up 15 per cent year on year. Order intake grew steadily across all businesses, with strongest improvement in demand in Finland and the other Nordic countries, as well as in Central Eastern Europe, including Poland. Demand in Russia was also at a good level.

At year-end 2011, the group order book was slightly higher than a year earlier.

Net sales

Net sales by business area

EUR million	2011	2010
Comparable net sales		
Ruukki Construction	757	628
Ruukki Engineering	257	193
Ruukki Metals	1 783	1 581
Others	0	1
Comparable net sales, total	2 797	2 403
Items affecting comparability included in reported net sales	1	12
Reported net sales	2 798	2 415

Consolidated comparable net sales for 2011 were up 16 per cent at EUR 2,797 million (2,403). Net sales rose across all businesses, with the engineering business accounting for relatively highest growth. In the construction business net sales growth was especially attributable to larger delivery volumes than earlier in commercial and industrial construction, and in residential construction. Net sales were up in the engineering business due to increased order volumes, especially in deliveries to the lifting, handling and transportation equipment industry.

Consolidated comparable net sales for the report period grew in almost all market areas. Growth was strongest in Finland and the other Nordic countries. Relatively best net sales growth was seen in Central Eastern Europe, where higher delivery volumes, especially in the construction business, increased sales. In Finland, net sales were up 17 per cent and Finland accounted for 27 per cent (27) of consolidated comparable net sales for 2011. The share of emerging markets of consolidated comparable net sales increased to 27 per cent (23).

The share of the solutions businesses - Ruukki Construction and Ruukki Engineering - of consolidated comparable net sales for 2011 increased to 36 per cent (34). The share of special steel products of Ruukki Metals' net sales for 2011 increased to 31 per cent (27).

Reported net sales for 2011 were EUR 2,798 million (2,415). Reported net sales includes the net sales of the Mo i Rana unit in Norway which was transferred in 2010 from Ruukki Engineering to Businesses available-for-sale and is reported under Other group.

Net sales by region

EUR million	2011	2010
Comparable net sales		
Finland	761	651
Other Nordic countries	914	756
Central Eastern Europe	363	290
Russia and Ukraine	223	188
Rest of Europe	388	360
Other countries	148	157
Comparable net sales, total	2 797	2 403
Items affecting comparability included in reported net sales	1	12
Reported net sales	2 798	2 415

Operating profit

Operating profit by business area

EUR million	2011	2010
Comparable operating profit		
Ruukki Construction	-3	-45
Ruukki Engineering	-7	-28
Ruukki Metals	80	126
Others	-14	-15
Comparable operating profit, total	56	38
Items affecting comparability included in reported operating profit	-34	-49
Reported operating profit	22	-12

Consolidated comparable operating profit for 2011 was EUR 56 million (38), which equates to 2.0 per cent (1.6) of net sales. Higher comparable operating profit year on year was attributable to larger delivery volumes than earlier and better capacity utilisation rate in the solutions businesses. There was a clear improvement in the profitability year on year of the solutions businesses, which was one of the company's main objectives in 2011. Group profitability was better during the first half of the year than during the second, when the loss made by the steel business in particular impacted negatively on consolidated operating profit.

Profitability in the steel business was good during the first half of the year. The loss made during the second half of the year was mainly due to the low utilisation rate in steel production and higher raw material costs. During the fourth quarter, the loss was mainly attributable to sales of low-margin steel products to outside the main market areas and to a decrease in average selling prices of deliveries in the main market areas. The company's aim during the fourth quarter was to free up working capital and thus improve cash flow, which is why Ruukki Metals delivered low-margin steel products to outside its main market areas during the fourth quarter.

Consolidated reported operating profit for 2011 was EUR 22 million (-12). Items affecting the comparability of operating profit have been unbundled from the reported figures to ensure a better understanding and comparability of the company's operating activities and result. The largest item affecting comparability during the report period was a cost of EUR 25 million caused by the low capacity utilisation rate relating to the modernisation of blast furnace 2 at the Raahe Steel Works in Finland.

Items affecting comparability included in reported operating profit are detailed in notes to the consolidated financial statements (Note 4 Segment reporting).

Financial items and result

Consolidated net finance costs in 2011 totalled EUR 37 million (66). Net interest costs were EUR 32 million (29).

Group taxes for 2011 were EUR 1 million positive (-4).

The result for 2011 was -EUR 10 million (-79).

Earnings per share were -EUR 0.07 (-0.57).

Balance sheet, cash flow and financing

Total assets at year-end 2011 were EUR 2,657 million (2,539). Equity at 31 December 2011 was EUR 1,273 million (1,387) equating to EUR 9.17 per share (9.99). Equity decreased by EUR 114 million since the end of 2010. This was mainly because of the dividend payout of EUR 83 million in April.

The equity ratio at year-end 2011 was 48.5 per cent (55.3) and the gearing ratio was 60.4 per cent (44.7), which is in line with the company's long-term target level. Net interest-bearing liabilities at 31 December 2011 were EUR 770 million (621).

Return on equity for 2011 was -0.8 per cent (-5.4) and return on capital employed was 1.3 per cent (-0.3).

Net cash from operating activities for the report period was EUR 114 million (-64) and net cash before financing activities was -EUR 57 million (-226). EUR 9 million was tied up in working capital during the year (EUR 147 million tied up).

At the end of December 2011, the group had liquid funds of EUR 78 million (53) and undrawn committed credit facilities of EUR 475 million. Repayments of long-term interest-bearing liabilities in 2012 total EUR 27 million.

Capital expenditure

Net cash used in investing activities during the report period was -EUR 171 million (-162).

Investments in tangible and intangible assets during 2011 totalled EUR 179 million (173), of which maintenance investments accounted for EUR 131 million (123) and development investments for EUR 48 million (50). Net cash inflow from other investing activities was EUR 8 million (10).

Depreciation and impairments for the report period were EUR 149 million (162).

Investments in tangible and intangible assets in 2012 are expected to be in the region of EUR 100 million.

Personnel

Personnel by region

	31 Dec 2011	31 Dec 2010
Finland	6 369	6 150
Other Nordic countries	622	659
Central Eastern Europe	2 130	2 020
Russia and Ukraine	1 845	2 062
Rest of Europe	70	69
Other countries	346	326
Total	11 382	11 286

The group employed an average of 11,821 persons (11,693) during 2011 and at year-end, the headcount was 11,382 (11,286). At 31 December 2011, 56 per cent (54) of Ruukki's personnel worked in Finland. Employee numbers rose in Finland mainly because of fixed contract workers hired for production at Ruukki Metals and persons recruited for the company's training programmes.

Salaries and other employee benefits paid to the personnel during the report period totalled EUR 395 million (379). Nearly all the group's personnel belong to the profit sharing scheme. No expenses were booked in respect of profit sharing in 2011 (2010: no expenses). Expenses of EUR 0.3 million (2010: no expenses) were booked in respect of the earning period 2011 of the valid share ownership plan. At year-end 2011, the share ownership plan covered 99 executives or other key personnel. The company has operated share-based incentive plans for key persons since the year 2000.

During 2011, safety measured in terms of accidents per million working hours was 8 (7).

Business areas

Ruukki Construction

EUR million	2011	2010
Order intake	721	629
Net sales	757	628
Comparable operating profit	-3	-45
Unrealised gains and losses on USD derivatives		2
Expenses related to restructuring	-3	
Reported operating profit	-6	-43
Comparable operating profit as % of net sales	-0,4	-7,2
Personnel at end of period	3 538	3 791

Order intake and order book

Ruukki Construction's order intake in 2011 was up 15 per cent year on year at EUR 721 million (629). Order flow in residential roofing products grew in almost all market areas, especially in Finland, as well as in Central Eastern Europe, particularly in Poland and Ukraine. Order volumes in commercial and industrial construction showed good development in, among other places, Finland and the other Nordic countries. In Russia, orders for concept buildings were up year on year, especially in agricultural construction. Order intake for piles used in foundations in infrastructure construction showed steady growth compared to the previous year.

The order book at year-end 2011 was 8 per cent lower year on year.

Net sales

Ruukki Construction's net sales for 2011 were up 20 per cent year on year at EUR 757 million (628). The construction business accounted for 27 per cent (26) of consolidated comparable net sales.

Net sales in residential construction in 2011 were up 33 per cent. Net sales rose in all market areas, especially in Finland and Central Eastern Europe, including Poland and the Czech Republic.

Net sales in commercial and industrial construction were 21 per cent higher year on year. Deliveries showed good development in all market areas. Development in net sales growth was best in the Nordic countries, especially in Finland and Sweden, as well as in Russia. Project sales in particular, but also sales of components were up in Finland and Sweden. In Russia, deliveries of building projects and concept buildings were at a good level. Net sales showed good development also in Central Eastern Europe, especially in Poland and the Czech Republic, as well as in the Baltic states.

In infrastructure construction, net sales were up 5 per cent. Best development in net sales was in Sweden, especially because of increased deliveries of piles used in foundations and increased road and rail construction deliveries. Also in Poland, delivery volumes were up year on year. In Finland, sales were at a slightly lower level year on year due to the impact of fewer bridge projects.

Residential roofing products accounted for 21 per cent (20) of Ruukki Construction's net sales for 2011 and infrastructure construction products for 16 per cent (19).

Operating profit

Comparable operating profit for 2011 improved clearly year on year to -EUR 3 million (-45). Compared to the previous year, improved operating profit was due to better operational efficiency, larger delivery volumes across all business segments and an improved capacity utilisation rate. Operating profit was negative mostly because of the loss made by the project business, which had an impact of -EUR 14 million on operating profit. One third of this was due to loss-making projects, one third to non-recurring costs related to structural changes and the remainder was due to unused capacity. Operating profit was also negatively affected by exceptionally low delivery volumes during the first quarter and a low capacity utilisation rate during the first and second quarters.

Reported operating profit for 2011 was negative at -EUR 6 million (-43), which includes costs totalling EUR 3 million relating to the restructuring of business operations in Russia, Central Eastern Europe and the Nordic countries.

Actions to improve profitability and other operational development

During the early part of 2011, Ruukki Construction changed its business structure from an area to a more focused product organisation. The new structure supports sales management, product pricing, optimal use of production capacity at units and is also improving operational efficiency. Also the project business in different countries was merged into one entity. This was done not only to save costs, but also to ensure the transfer of project expertise from one market to another.

In 2011, the efficiency of Ruukki Construction's sales activities was improved and they were reorganised in Russia and Central Eastern Europe, where, among other things, local project sales in the region were centralised. These actions will improve the cost structure and competitiveness in the regions concerned.

During the second quarter, Ruukki opened a new sandwich panel production line near Kiev, in Ukraine. The investment supports Ruukki's strategic target of increasing the share of the emerging markets of its net sales. The new production line will help Ruukki to pursue market share growth in sandwich panels in Ukraine and Russia. The investment was worth EUR 5 million.

During the year a total of 14 new Ruukki Express outlets were opened in 7 different countries. At year-end 2011, the company had 46 Ruukki Express outlets in 9 different countries. New outlets were opened in countries such as Finland, Sweden, Lithuania, Poland and Estonia. Ruukki Express is a store and service concept with a range of products that includes roofs, rainwater systems, roof safety products and other locally tailored products and services.

Employer-employee negotiations initiated by Ruukki Construction during the fourth quarter of 2011 to adjust production and costs at the Ylivieska works in Finland due to weakened market conditions were completed in January 2012, after the report period. The negotiations concerned layoffs and affected the entire production personnel of around 100 people. As a result of the negotiations, the entire personnel at Ylivieska can, if necessary, be laid off in various ways until further notice.

Major orders and product development

A number of major delivery contracts were agreed during the first quarter of 2011. In February, Ruukki signed a contract with Outokumpu to manufacture and install the steel structures for the ferrochrome smelter at the Tornio Works in Finland. In addition, in March Ruukki agreed on the delivery and installation of steel structures for two bridges at Rorebro on the E4 highway between Stockholm and Arlanda in Sweden. These are scheduled for completion during 2013. In March, the Adamante steel roof was launched in Poland. The roof features a tiled pattern and is a premium roofing product designed for residential construction. Sales of Adamante roofs developed well during the year. In March, Ruukki also launched its new airtight panels, which save on a building's heating costs and also reduce its carbon dioxide emissions, thus enabling a clear improvement in the energy rating of buildings. Sales of energy panels in Finland developed well during 2011.

During the second quarter of 2011, Ruukki announced deliveries of energy piles, the steel frame and prefabricated wall elements for the new Technopolis Innova 2 office building in Jyväskylä, Finland. The building is scheduled for completion in spring 2012. In addition, Ruukki agreed contracts worth around EUR 6 million to design, manufacture and install the steel frame and façade structures for the Tervaskangas shopping centre in Kouvola, Finland. The centre is scheduled for completion in 2012. In April-June, Ruukki was the first company to launch a photovoltaic system fully integrated into a façade.

During the third quarter of 2011, Ruukki signed a contract worth over EUR 13 million with Peab AB of Sweden to manufacture and install the steel structures for the process plant building and stockpile buildings at the Kaunisvaara iron ore mine in Pajala, Sweden. In addition, Ruukki announced deliveries of energy panels for the new IKEA store under construction in Kuopio, the Ikano shopping centre being built in Vantaa and for Itella's new logistics centre at Pennala in Orimattila, as well as steel frame deliveries for media company Alma Media's new head office in Helsinki and for the House of Travel and Transportation office premises to be built at Helsinki-Vantaa Airport. In July-September, contracts totalling over EUR 14 million were made for steel structure deliveries to Stora Enso's new paper mill to be built in Ostroleka, Poland and for Akmenes Cementas' new cement factory in Lithuania. August saw the launch of Ruukki's smart roof. In smart roof technology, sensors fitted to the roof notice any changes in roof loading. This improves roof safety and results in savings because it eliminates needless clearing of snow from roofs.

During the fourth quarter of 2011, Ruukki signed a contract with Kesko to design, manufacture and install the frame and envelope structures for the new K-citymarket in Kauhajoki, Finland. Towards the end of the year, Kilden Performing Arts Centre won the steel structure of the year award. Ruukki was responsible for the detailed design, manufacture and installation of the steel structures for the performing arts centre, which was built in Kristiansand, Norway. The Finnish Constructional Steelwork Association (TRY) makes an award for the best steel structural design every year.

After the report period, Ruukki announced a total delivery for a new mail terminal to be built in Hallsberg, Central Sweden. The new building will total around 30,000 square metres. The order was placed with Ruukki by NCC Construction Sverige AB, the main contractor in the project. Total delivery comprises the steel frame, façades and load-bearing roof structures. The building is scheduled for completion in 2012.

Ruukki Engineering

EUR million	2011	2010
Order intake	263	230
Net sales	257	193
Comparable operating profit	-7	-28
Expenses related to restructuring	0	-5
Cost of strike	0	
Unrealised gains and losses on USD derivatives		1
Reported operating profit	-7	-32
Comparable operating profit as % of net sales	-2,7	-14,5
Personnel at end of period	1 914	1 763

Order intake and order book

Ruukki Engineering's order intake in 2011 was up 14 per cent year on year at EUR 263 million (230). Order intake grew in almost all customer sectors. Best development in order flow was in the lifting, handling and transportation equipment sector. Order intake from materials handling equipment manufacturers and construction and mining industry equipment manufacturers in particular showed good development. Demand was at a good level in the energy industry. Order flow in shipbuilding was at about the same level as a year earlier.

The order book at year-end 2011 was about 4 per cent higher year on year. A large single order from the offshore sector was booked in order intake in the fourth quarter of the previous year.

Net sales

Ruukki Engineering's net sales for 2011 were up 33 per cent at EUR 257 million (193) and accounted for 9 per cent (8) of consolidated comparable net sales.

Compared to the previous year, the increase in net sales was attributable to larger delivery volumes to almost all customer segments. Best development was seen in deliveries to the lifting, handling and transportation industry, especially to materials handling equipment manufacturers. Likewise, delivery volumes to construction and mining industry equipment manufacturers also showed clear growth year on year. Also sales to equipment manufacturers in the energy industry were higher than in 2010.

Equipment manufacturers in the lifting, handling and transportation industry accounted for 64 per cent (59) of net sales in the engineering business in 2011, with construction and mining industry equipment manufacturers accounting for around a fifth of this figure. Equipment manufacturers in the energy industry accounted for 14 per cent (18) of net sales.

Operating profit

Operating profit for 2011 was negative at -EUR -7 million (-EUR 28 million comparable, -EUR 32 million reported). Compared to the previous year, improved operating profit was mostly attributable to larger delivery volumes and a better capacity utilisation rate, as well as good development at the Poland and Hungary units and better average selling prices. Operating profit was weakened by the costs of ramping up production at the Holic unit in Slovakia. Operations at the Shanghai unit made a loss for the report period, which had an impact of -EUR 7 million on operating profit. Operating profit was also burdened by a cost of EUR 5 million booked due to the overrun of the original cost estimate of Kvaerner's offshore wind farm project in the North Sea. In other respects, Ruukki Engineering's business progressed to plan during 2011.

Actions to improve profitability and other operational development

Ruukki's engineering business is focusing on fewer products than earlier in order to improve profitability of the product portfolio, expand the customer base on the basis of chosen products and to achieve economies of scale in production. The thrust in product portfolio management is increasingly more on the development of own technology and design, as well as on utilisation of the company's materials expertise, especially with regard to special steels.

In line with the strategy, the engineering business targeted sales in 2011 towards new cabin and special steel component customers. The second half of the year saw engineering win new component business customers from the construction and mining industry segments, and new cabin customers from the lifting, handling and transportation equipment industry. Some of these new customers were at the production stage and others still at the ramping up stage of production in late 2011.

To improve cost competitiveness, the engineering business is focusing on quality assurance, delivery accuracy and cost-efficiency. During 2011, Ruukki Engineering cut its overheads and the full impact of this will be visible in 2012. In addition, sourcing in cabin production shifted clearly towards a more global operational model and a more effective internal division of roles is being pursued between production units.

During the first quarter of 2011, Ruukki announced a EUR 3 million investment in a new surface treatment line mainly to serve cabin customers at the Holic unit in Slovakia. Work has progressed to plan and the line is scheduled to start up in spring 2012.

Employer-employee negotiations concerning possible layoffs and redundancies, initiated by Ruukki Engineering in December 2011 to adjust operations and production at the Kurikka unit due to weakened market conditions, were completed in January 2012, after the report period. The negotiations affected all Ruukki Engineering's personnel, a total of 434 persons, in Kurikka. The negotiations resulted in a need for 35 redundancies, of which 30 are workers and 5 salaried or senior salaried employees. Most of the redundancies will take place through pension arrangements. In addition to redundancies, layoffs will be implemented subject to a separate plan.

Ruukki Metals

EUR million	2011	2010
Order intake	1 691	1 458
Net sales	1 783	1 581
Comparable operating profit	80	126
Expense caused by modernisation of blast furnaces	-25	-18
Cost of strike	-5	
Income from sale of shares	2	
Unrealised gains and losses on USD derivatives		-13
Cost of production test runs		-2
Reported operating profit	52	93
Comparable operating profit as % of net sales	4,5	8,0
Personnel at end of period	5 450	5 291

Order intake and order book

Ruukki Metals' order intake in 2011 was up 16 per cent year on year at EUR 1,691 million (1,458). Order intake grew in almost all market areas. Development in order flow was best in Finland, the other Nordic countries and the Baltic states. Order intake was also at a good level in Russia and Central Eastern Europe, where demand increased especially in the manufacture of materials handling equipment, the heavy vehicle industry and the construction industry. Good development was seen in order volumes for special steel products in new market areas such as South Africa, Turkey and Brazil. During the second half of the year, several indicators of economic development weakened in Europe in the wake of the European debt crisis. This was reflected in slower decision-making, especially by mill delivery customers. Service centre orders remained at a good level also in the latter part of the year despite the European debt crisis.

The order book at year-end 2011 was 9 per cent up year on year.

Net sales

Ruukki Metals' net sales for 2011 were up 13 per cent year on year at EUR 1,783 million (1,581) and accounted for 64 per cent (66) of consolidated net sales. Net sales growth was stronger during the first half of the year than during the second. After the summer, the European debt crisis caused uncertainty in the general economic outlook and this was reflected particularly in a decrease in mill deliveries in the steel business in the latter part of the year. Despite the uncertainty caused by the European debt crisis, service centre sales remained at a good level during the latter part of the year and towards the end of the fourth quarter, a small recovery in demand was also visible among mill delivery customers. Compared to a year earlier, net sales growth was mainly attributable to higher average selling prices and an increased share of special steel products of deliveries.

In 2011, deliveries of steel products increased to the lifting, handling and transportation equipment industry, especially to materials handling equipment manufacturers, subcontractors in the heavy vehicle industry and to mining industry equipment manufacturers. Delivery volumes to the automotive industry were at a good level. Also sales to the construction industry were up. Deliveries to white goods manufacturers and equipment manufacturers in the energy industry declined year on year.

Compared to the previous year, sales of steel products grew in almost all market areas. Deliveries showed good development in Finland and the other Nordic countries, especially Sweden and Norway. Relatively strongest growth in net sales was seen in Russia and Central Eastern Europe, especially in Poland and the Czech Republic. Sales in the Baltic states were also up. Sales of special steel products showed good development in new market areas, especially in South Africa and Turkey. Sales of special steel products in China remained roughly at the same level as a year earlier as regulatory actions by the state slowed down growth in the latter part of the year. Sales in the United States were down significantly.

In 2011, special steel products accounted for 31 per cent (27) of Ruukki Metals' net sales. Net sales of stainless steel and aluminium, sold as trading products, were up 8 per cent year on year at EUR 139 million (129).

Operating profit

Comparable operating profit for 2011 was EUR 80 million (126). The profitability of the steel business was good during the first half of the year. The decrease in operating profit year on year was mainly due to the low capacity utilisation rate in steel production and higher raw material costs during the second half of the year. In addition, operating profit during the fourth quarter was weakened by sales of low-margin steel products outside the main market areas and by lower average selling prices of deliveries in the main market areas. During October-December, Ruukki Metals delivered low-margin steel products to outside the main market areas because it focused on freeing up working capital and thus on improving cash flow in line with corporate targets set for the fourth quarter of the year.

At the end of the third quarter, the working capital in the steel business was higher than normal because of the modernisation of blast furnace 2. Demand in the main market areas was insufficient to absorb total steel supply at the targeted production utilisation rate and at the level of stock reduction pursued in October-December. This is why Ruukki Metals delivered low-margin steel products to outside the main market areas during the fourth quarter of the year. Stock levels normalised towards the end of 2011 and low-margin sales to outside main market areas as described above are not expected to continue during 2012.

Reported operating profit for the period was EUR 52 million (93), which includes a cost item of EUR 25 million arising from the low utilisation rate in steel production as a result of the modernisation of blast furnace 2 at the Raahe Steel Works, a cost item of EUR 5 million arising from a strike over pay disputes with the Federation of Finnish Technology Industries in October-November and a capital gain of EUR 2 million on the sale of shares in a fixed asset property.

Steel production

1 000 tonnes	2011	2010
Steel production	2 215	2 229

Steel production was 542 thousand tonnes (591) in the fourth quarter and 2,215 thousand tonnes (2,229) for the whole year.

Blast furnace 2 at the Raahe Steel Works in Finland was modernised during the third quarter. Because the blast furnace was idled, the capacity utilisation rate in steel production during the third quarter was around 60 per cent of the normal level of production. The blast furnace was idled for about two months from the end of June and was restarted in early September. Blast furnace 2 was in normal production by the end of September, since when the utilisation rate in steel production has been around 80 per cent due to weakened order activity.

Around EUR 115 million of the investment in modernising the blast furnaces was allocated for 2011 and it is estimated that around EUR 8 million will be allocated for 2012. Total investment in the modernisation of blast furnace 1, completed in 2010, and blast furnace 2, completed in 2011, is around EUR 265 million, of which environmental investments accounted for around EUR 50 million.

Modernisation of the blast furnaces at the Raahe Steel Works was completed in 2011. The investment requirement in future years will be significantly lower than in 2010 and 2011.

The sinter plant at the Raahe Works was closed in December. Starting from the beginning of 2012 only iron ore pellets are used as the raw material for iron-making instead of a combination of iron ore concentrate and pellets.

Raw materials in steel production

A new price contract for iron ore was made during the third quarter, when prices were agreed in an annual contract with the Swedish company LKAB.

Market prices for iron ore and coking coal, the main raw materials used in steel production, decreased during the fourth quarter of the year and are forecast to remain at their present level during the early part of 2012. The prices agreed by Ruukki Metals follow general market development.

Ruukki has three coking coal suppliers, one in the United States, one in Canada and the third in Australia. Coking coal is normally bought between April and November, when it is possible to ship it to Finland by sea.

Operational development and major delivery contracts

Expansion of the distribution network for special steels was one of the main focus areas in the steel business in 2011. The distribution network was expanded by opening sales offices in Beijing, China and Mumbai, India. By opening new sales offices, Ruukki aims to provide increasingly better service locally to its special steel products customers. Also in 2011, Ruukki strengthened its own sales organisation in Australia and concluded new partnership agreements in, among other countries, Turkey, France and Brazil.

The first quarter of the year saw the start of pilot deliveries of Optim 550 MCW, a new high-strength structural steel. A new property of this hot-rolled special steel is its weather resistance without being coated. Potential applications for Optim 550 MCW include lattice-structured pylons for power cables and the structures of tank wagons designed to transport minerals.

During the second quarter, Ruukki signed a contract with Caterpillar to deliver wear-resistant special steel Raex to Caterpillar's main production facilities in Europe in 2011. Raex is used in the main body structure of ADT trucks, which is one of the most demanding applications for wear-resistant special steels due to the continual impact and wear experienced.

In January, after the report period, Ruukki announced it had acquired a second bevel laser cutting line for its service centre in Seinäjoki, Finland. Deployment of the new line is in response to increased demand for prefabrication services and will improve the potential to offer customers cost-effective solutions. The new bevel laser cutting line can process both special and standard steels.

Actions to improve profitability

Due to weakened market conditions, in October Ruukki Metals began adjusting production and costs at its tube mills in Finland. Employer-employee negotiations began concerning possible layoffs at the Hämeenlinna, Lappohja, Pulkkila and Oulainen tube mills and at the Toijala Works, which makes cold roll-formed steel sections. The negotiations applied to all personnel groups and a total of around 400 people. The negotiations resulted in layoffs in Hämeenlinna, Lappohja and Toijala in late 2011. No layoffs at Pulkkila and Oulainen began in 2011.

Environmental matters at the company

Energy efficiency is a key theme at Ruukki. In practice, this means energy-efficient products and the active development of new solutions. In keeping with Ruukki's environmental policy, the target is to also reduce environmental impacts arising from production.

Environmental matters are improved using corporate and site environmental objectives and targets. The achievement of targets is regularly tracked. Ruukki's production sites operate in compliance with certified ISO 14001 environmental management and ISO 9001 quality management systems. In 2011, these systems covered 99 per cent (99) of production.

During 2011, Ruukki focused on developing energy-efficiency and on the potential of renewable energy in steel construction. In spring, Ruukki launched airtight panels, which deliver considerable savings in the heating costs of a building and also reduce the carbon dioxide emissions arising from heating a building. Ruukki is the only manufacturer in the world to guarantee the exact level of airtightness of exterior wall panels. In addition, Ruukki was the first company to launch a photovoltaic system fully integrated into a façade to convert solar radiation directly into electricity. During the past year, Ruukki worked together with Uponor to develop a system whereby the steel piles used in foundations utilise ground-source heat.

In 2011, environmental investments at Ruukki totalled EUR 29 million, of which 97 per cent was directed towards reducing environmental impacts at the Raahe Works in Finland. Summer saw the completion of blast furnace modernisations at the Raahe Works and a total of around EUR 50 million in environmental investments were made in conjunction with modernisations in 2010 and 2011. At the end of the year, the Raahe Works switched over to using only iron ore pellets in iron-making instead of a combination of iron ore concentrate and pellets. Environmental investments made in conjunction with blast furnace modernisations, together with the closure of the sinter plant and change in feedstock, will reduce emissions into the air and energy consumption. Particulate emissions are forecast to decrease by 75 per cent or 1,400 tonnes and carbon dioxide emissions by 10 per cent or 400,000 tonnes. Thanks to these actions, sulphur dioxide emissions will halve and the malodour caused by hydrogen sulphide will decrease in the works environment.

In 2011, the company's carbon dioxide emissions were 4.1 million tonnes, of which 98 per cent come under the emissions trading scheme. In the free initial allocation of emissions allowances for the second period 2008-2012 of the EU Emissions Trading Scheme, the Raahe and Hämeenlinna Works in Finland received a total of 23.5 million emissions allowances. In 2011, emissions rights trading generated income totalling EUR 4 million. In 2011, Ruukki's Raahe and Hämeenlinna works applied for emissions allowances for the emissions trading period 2013–2020. The allocation of allowances is based on European benchmarks of steel industry efficiency. At the time of writing, it is estimated final information about the allocation of free emissions allowances will be known during 2012. As part of managing the carbon dioxide emissions balance sheet, Ruukki is a participant in the World Bank's Community Development Carbon Fund and GreenStream Network Oy's Fine Carbon and Climate Opportunity Funds. These funds purchase certified carbon emission reductions, based on the Kyoto Protocol, that can be used for compliance in the EU's Emissions Trading Scheme.

Ruukki has received many recognitions for its work on the corporate responsibility front. In February, Ruukki was selected for inclusion in the Ethibel EXCELLENCE Investment Register. Forum ETHIBEL reviews companies worldwide on their economic, social and environmental performance. Forum draws on the research of the rating agency Vigeo that covers hundreds of listed companies every year. In March, Ruukki was selected for inclusion in the new OMX GES Finland Sustainability index, which comprises the 40 leading NASDAQ OMX Helsinki listed companies in terms of sustainability. Assessment for inclusion in the index is done by GES Investment Services, Northern Europe's leading research and service provider for Responsible Investment. Assessment is based on environmental, social and governance aspects.

In September, Ruukki was assessed for the first time as leader in two Dow Jones Sustainability indexes: DJSI World and DJSI Europe. The indexes include the top companies that are committed to sustainable development. Ruukki is included in the DJSI World Index for the fourth year running and in the European index for the fifth year. In October, Ruukki was awarded worldsteel's prize for sustainability reporting. The prize was based on the fact that Ruukki has produced extensive information and case examples for stakeholders about its corporate responsibility.

During 2011, Ruukki improved the environmental performance both of its production processes and products by active participation in various national and international joint projects relating to the environment. Research work carried out by Swerea MEFOS in collaboration with Ruukki, SSAB and LKAB during the year spawned a new innovative technique to separate vanadium from the slag arising in steel production. The invention was developed as part of the ViLD (vanadium in LD slag) project in Luleå, northern Sweden, which received the Swedish Recycling Industries' Association's Inspiration Award for 2011.

Ruukki actively tracks environmental regulations and seeks to anticipate changes in environmental legislation. In March 2011, Ruukki published updated environmental product and safety information declarations that contain information about the environmental impacts, lifecycle properties and safety aspects of products for users, designers and builders.

In 2011, Ruukki updated the safety data sheets in line with the requirements of revised chemical legislation in Europe. Since late 2011, Ruukki has also brought into use a new chemical safety data sheet management system to support information exchange and manage information about the use of chemicals.

More information about environmental matters can be found in environmental product declarations, the environmental reviews of the Raahe and Hämeenlinna Works and on the company's website at www.ruukki.com.

Research and development

A total of EUR 29 million (27) was spent on research and development in 2011. This equates to one per cent (1) of the company's comparable net sales.

R&D at Ruukki focused mainly on broadening the special steel portfolio, strengthening customer product development support and working on a number of projects aimed at benefiting from the user experience in developing products and solutions. In addition, work continued on the successful development of energy-efficient products by creating lighter structures and more energy-efficient building components.

Ruukki Construction continued work on the energy-efficiency front. Ruukki energy panels were successfully launched in Finland, where sales developed well over the year. The year also saw the launch of Liberta Solar, a glazed façade featuring fully integrated photovoltaic system. A pilot project was completed for energy piles which utilise ground source straight from the foundations of a building. The roof safety of industrial halls was improved through the innovation of an intelligent roofing system, which reports the actual roof loading. Within residential roofing, a new roof profile, Adamante, was launched. A number of new products such as Ruukki Easy Bridge, rock shoes for drill piles and new median road barrier were developed within infrastructure solutions. In addition, the new lattice wind tower design received certification. In Finland, the competitiveness of single-storey construction was strengthened through a new fire protection certificate, which affords up to 90 minutes protection for steel structures when using sprinklers. Also CE labelling has been applied for the sprinkler system.

Ruukki Engineering continued work on developing the Products & Technology function, where the focus was on cabins and components. Two new cabin products entered production in 2011. Work started on a number of cabin technology development projects aimed at building on competence in virtual design, noise and vibration control and in utilising operator experience. A new components development team was set up to support component business customers and to develop competence in the design and application of special steel components.

The focus of development in steel products was on high-strength, wear-resistant and structural steels, as well as chromium-free colour-coated products. A number of new products were rolled out for the mining industry, construction and automotive industry markets. New high-strength products provide quality solutions for heavy industry applications worldwide and direct quenching technology enables a broader spectrum of steel grades and dimensional ranges of metal-coated products. Ruukki's double grade high-strength structural tube was launched on the European market. It combines the strength of fine-grain steel and the usability of conventional structural steel in the same steel grade. The first phase started in the transition to chromium-free colour-coated products designed for outdoor use.

The production process moved ahead by switching over to using only iron pellets in iron-making instead of a combination of iron ore concentrate and pellets when the sinter plant at the Raahe Works was closed down in December 2011. During the year, Ruukki joined the large ULCOS II EU project consortium. The project aims at building a full-scale demonstration plant capable of radically decreasing CO_2 emissions in steel-making. In addition, Ruukki is participating in the CLEEN CCS project, which is studying carbon capture and storage in Finnish conditions. In the process development of hot-rolling products, opening production bottlenecks and improving surface quality were high on the agenda.

Two new research programmes got under way in the Finnish Metals and Engineering Competence Cluster (FIMECC Ltd): Research of business development based on customer and user experience (UXUS) and the programme for the industrial service business (FutIS). In addition to these, Ruukki is involved in four FIMECC programmes that focus on product and production energy efficiency, environmental impacts and innovations.

Corporate governance 2011

Rautaruukki Corporation's Annual General Meeting was held in Helsinki on 23 March 2011 and 872 shareholders were represented at the meeting.

In accordance with the resolution of the Annual General Meeting, a dividend of EUR 0.60 per share was paid for 2010. The dividend payout totalled EUR 83 million and was paid out on 6 April 2011.

The Annual General Meeting confirmed that the number of members of the Board of Directors is seven. Reino Hanhinen; Maarit Aarni-Sirviö MSc (Tech), MBA; President & CEO Pertti Korhonen; Chairman of the Board Liisa Leino; President & CEO Matti Lievonen; Hannu Ryöppönen, BA (Bus Admin) and CEO Jaana Tuominen were re-elected to the Board. Reino Hanhinen was re-elected as chairman of the Board and Hannu Ryöppönen was elected as deputy chairman. All members of the Board are independent both of the company and of the company's major shareholders.

KHT audit firm KPMG Oy Ab was re-appointed as the company's auditor, with KHT Pekka Pajamo as the principal auditor.

The Annual General Meeting granted the Board of Directors the authority to purchase the company's own shares and to decide on a share issue. These authorities are discussed under Shares and share capital.

The Annual General Meeting resolved to establish a Nomination Board to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and directors' fees. The Nomination Board comprised Kari Järvinen, Solidium Oy; Timo Ritakallio, Ilmarinen Mutual Pension Insurance Company; and Risto Murto, Varma Mutual Pension Insurance Company, as representatives of Rautaruukki's three largest shareholders. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, served as the Nomination Board's expert member.

In its organisation meeting of 23 March 2011, the Board of Directors appointed its members to the Board of Directors' committees. The Board appointed Hannu Ryöppönen as chairman and Liisa Leino and Jaana Tuominen as members of the Audit Committee. Reino Hanhinen was appointed chairman and Maarit Aarni-Sirviö, Pertti Korhonen and Matti Lievonen were appointed members of the Remuneration Committee.

Rautaruukki will publish its Corporate Governance Statement separately from the Report of the Board of Directors in 2011. After publication, the statement will be available on the company's website at www.ruukki.com.

Shares and share capital

During 2011, a total of 200 million (182) Rautaruukki Oyj shares (RTRKS) were traded on NASDAQ OMX Helsinki for a total of EUR 2,280 million (2,712). The highest price quoted was EUR 18.77 in January and the lowest was EUR 5.91 in November. The volume-weighted average price was EUR 11.23. The share closed at EUR 7.12 (17.51) on the year and the company had a market capitalisation of EUR 998 million (2,456).

Rautaruukki's share is also traded on multilateral trading facilities (MTF). According to information received by the company, a total of 57 million shares (43) were traded on MTFs for a total of EUR 649 million (629) during 2011.

The company's registered share capital at 31 December 2011 was EUR 238.5 million and there were 140,285,425 shares outstanding. There were no changes in share capital in 2011. The company has one series of shares, with each share conveying one vote. Under the Articles of Association, a voting restriction applies whereby the votes of an individual shareholder are restricted to 80 per cent of the total number of votes represented by shares at a General Meeting.

At year-end 2011, the company held a total of 1,423,051 treasury shares, which had a market value of EUR 10.1 million and an accounting par value of EUR 2.4 million. Treasury shares accounted for 1.01 per cent of the total shares and votes.

The 2011 Annual General Meeting granted the Board of Directors the authority to purchase a maximum of 12,000,000 of the company's own shares. The authority is valid until the 2012 Annual General Meeting. This authority superseded the earlier authority to purchase 12,000,000 shares granted by the 2010 Annual General Meeting and which was valid until the 2011 Annual General Meeting.

The Annual General Meeting granted the Board of Directors the authority to decide on a share issue, which includes the right to issue new shares and/or to transfer treasury shares held by the company. The authority applies to a maximum of 28,000,000 shares. The Board of Directors has the right to disapply the pre-emption rights of existing shareholders in a directed issue. The authority also includes the right to decide on a bonus issue. The authority is valid for a period of two years following the date of decision of the Annual General Meeting. This authority superseded the earlier authority, which applied to a maximum total of 15,000,000 shares, granted by the 2009 Annual General Meeting and which was in force until the close of the 2011 Annual General Meeting.

By 31 December 2011, the Board of Directors had not exercised its authority to issue shares or to purchase the company's own shares. At the end of the report period, the Board of Directors had no valid authority to issue options or other special rights providing entitlement to shares.

Information about the company's shareholder structure by sector and size of holding, the largest shareholders and Board of Director and Corporate Executive Board interests can be found on the company's website at www.ruukki.com

Flagging notifications

The company received no flagging notifications during the report period.

Litigation and other pending legal actions

A number of lawsuits, claims and disputes based on various grounds are pending against Rautaruukki around the world. Management believes that the outcome of these lawsuits, claims and disputes will not have a material adverse effect on Rautaruukki's financial position. Rautaruukki has itself also presented legal claims or is a plaintiff in disputes based on various grounds.

Implementation of the strategy in 2011

The strategic focus in 2011 was on specialisation, growth in the emerging markets and continuous improvement in cost competitiveness in all businesses.

In the construction business, the focus was especially on increasing sales of residential roofing products and on growing net sales in Russia. Net sales of residential roofing products rose to account for 21 per cent (20) of Ruukki Construction's net sales for 2011. The early part of the year saw Ruukki Construction change its business structure from an area to a more focused product organisation. The new structure supports sales management, product pricing, optimal use of production capacity at units and is also improving operational efficiency. Also the project business in different countries was merged into one entity. This was done not only to save costs, but also to ensure the transfer of project expertise from one market to another. The cost structure and competitiveness was improved also by centralising sales activities in Russia and in the Central Eastern European region.

In the engineering business, the focus was on rationalising the product portfolio and expanding the customer base to achieve economies of scale in production. The thrust in product portfolio management was increasingly more on the development of own technology and design, as well as on utilisation of the company's materials expertise, especially with regard to special steels. The second half of the year saw engineering win new component business customers from the construction and mining industry segments, and new cabin customers from the lifting, handling and transportation equipment industry.

Some of these new customers were at the production stage and others still at the ramping up stage of production in late 2011. Ruukki Engineering's overheads were cut and the full impact of this will be visible in 2012. In addition, sourcing in cabin production shifted clearly towards a more global operational model and a more effective internal division of roles is being pursued between production units.

In the steel business, the focus was on special steel products and expanding the distribution network into new, mainly emerging markets and on maintaining a strong market position in the Nordic countries and other nearby areas. During the report period, the distribution network was expanded by opening a sales office in Beijing, China and one in Mumbai, India. In addition, Ruukki strengthened its own sales organisation in Australia and concluded new partnership agreements in, among other countries, Turkey, France and Brazil.

The main objectives in 2011 also included operational efficiency, freeing up working capital and thus improving cash flow. Even though growth forecasts in a number of markets were revised downwards towards the end of the year, market forecasts in Ruukki's main market areas in the Nordic countries, Central Eastern Europe and Russia continued to be more positive than elsewhere in Europe.

The strategic targets defined in 2010 were kept unchanged:

- Growth in the share of the solutions businesses - construction and engineering - to 60 per cent of consolidated net sales
- Increase in the share of special steel products to 60 per cent of the company's steel business
- Growth in the share of emerging markets to 50 per cent of consolidated net sales
- Strengthened market position in all core businesses

In 2011, the share of the solutions businesses rose to account for 36 per cent (34) of consolidated net sales. The share of special steel products rose to account for 31 per cent (27) of net sales in the steel business. The share of the emerging markets rose to account for 27 per cent (23) of consolidated comparable net sales.

The company kept its financial targets unchanged:

- growth in comparable net sales > 10 per cent a year
- comparable operating profit > 15 per cent of net sales
- return on capital employed > 20 per cent
- gearing ratio of around 60 per cent
- dividend payout ratio of 40–60 per cent of the result for the period

Changes in corporate structure and management

During the report period, Rautaruukki Corporation divided its Finnish operations into four different companies in addition to the parent company. Ruukki's construction business, engineering business, steel business and stainless steel and aluminium trading business have each acted as separate companies since 1 May 2011. Rautaruukki Corporation is the parent company of the new companies.

The arrangement was an administrative one under which the corporation clarified its corporate structure to correspond to its existing businesses. The arrangements do not apply to the group's units outside Finland. Demerger of the Finnish operations has no impact on Rautaruukki Corporation's financial reporting.

Rautaruukki enlarged its Corporate Executive Board, which since 1 October 2011 has consisted of:

- Sakari Tamminen, President & CEO and Chairman of the Executive Board
- Markku Honkasalo, CFO
- Tommi Matomäki, EVP, Ruukki Construction
- Marko Somerma, EVP, Ruukki Engineering and CSO
- Olavi Huhtala, EVP, Ruukki Metals
- Eija Hakakari, SVP, Human Resources
- Toni Hemminki, SVP, Technology, Energy and Environment
- Taina Kyllönen, SVP, Marketing and Communications
- Ismo Platan, SVP, Supply Chain Management, IT and OPEX

Mikko Hietanen, EVP, Business Development, has been responsible for risk management and business development projects since 1 October 2011.

Most significant risks and risk management

Risk management at Ruukki is an integrated part of the management system and is guided by the risk management policy approved by the Board of Directors. Risk management seeks to underpin the achievement of the company's strategy and targets and to ensure business continuity. In 2011, Ruukki's risk and crisis management received top points in Dow Jones Sustainability assessment, where Ruukki was overall industry leader.

Risk management is continuously being improved by taking into account changes in the business environment and operating activities. Corporate risk management practices were further strengthened in 2011 and thanks to a site-specific risk management reporting system, positive improvement was made in the level of management of hazard and operative risks. The data-system-based risk management system used to identify and assess risks and to determine actions required was completed in 2011. Started in 2010, work continued in 2011 on the development of corporate security with special focus on travel safety and the readiness of crisis action in situations of emergency.

The slow-down in economic growth and increased volatility in the Western European and other developed markets constitute a risk to Ruukki's business. The company has prepared for this by gradually shifting its focus of growth to emerging countries. The share of specialisation in the steel business is being increased, which will open up growth potential also in the emerging markets. The business structure is being balanced by increasing the share of business segments - such as residential roofing products and infrastructure construction - that are less vulnerable to economic fluctuations. In case of business cyclicality, adequate financial reserves have been acquired and the loan maturity structure has been spread out long-term with different banks.

Most of the company's steel products are sold in Finland and the other Nordic countries. Any major change in the competitive position in these markets or, for example, the relocation of customers to lower-cost countries might affect the company's business. The company has prepared for such scenarios by, among other things, developing its international distribution network for special steel products and by securing its market share in the Nordic countries by improving distribution, delivery reliability and customer service. Ruukki is focusing on products and segments where it can achieve a strong market position.

The gradual opening of the European market to, for example, Russian and Ukrainian actors, constitutes a risk in Ruukki's main market area. International comparison shows Ruukki's steel production to be competitive, but small in terms of volume. Crude steel production takes place using two blast furnaces integrated into one production unit. This means steel production has limited flexibility compared to large competitors, who have a number of production units and who can thus optimise production between several units. Ruukki has prepared for this risk by improving cost efficiency and production flexibility and by strengthening its position in its home market and by expanding its portfolio into special steels, where there is less international competition.

There is a high risk of breakdown in the company's own steel production, especially upstream in the process. Modern, proactive maintenance and replacement of processes and systems is a key part of risk management at the steel mill. Risks are also mitigated by setting up standard procedures to choose suppliers and other partners, and to ensure the quality of unfinished products in own production. The group has comprehensive property damage, business interruption and transport insurance programmes.

Raw materials account for a significant part of the value of steel products. The prices of iron ore, coking coal and other main raw materials used in steel production, including freight charges, are determined on the global markets. This can make the costs fluctuate greatly even at short notice. Most of the company's sales contracts are based on quarterly or shorter pricing. This enables flexible pricing when the costs of raw materials change. A key aspect of risk management is also to pursue alternative supply channels to safeguard business continuity and cost levels. Supplies of critical raw materials are ensured through long-term supply contracts and particular attention is given to ensuring the availability of icebreaking and transportation services.

Additional costs arising from increasingly stricter environmental regulations and carbon emissions trading impact on the company's competitiveness, especially if the same rules of play do not apply equally to all players on the field. Coal consumption in steel production at Ruukki is almost at the minimum possible using current process technology and the company is among the world's best in terms of carbon dioxide efficiency. To reduce emissions, Ruukki has switched over to using iron pellets instead of iron ore in steelmaking. Thorough steps have been taken to forecast and actively track changes in environmental legislation. All the company's main production sites operate in compliance with the ISO 14001:2004 environmental management system.

The company's risks and risk management are detailed in the Annual Report 2011.

Near-term outlook

Growth in Ruukki's most important market areas is forecast to be more favourable than in many other countries, even though economic growth in Ruukki's main market areas in developed economies is expected to be slower than in the previous year. In most emerging economies, such as Russia, growth is likely to remain strong. The European debt crisis is causing considerable uncertainty in market development and it is difficult to estimate what the direct and indirect implications of this will be.

Moderate growth is forecast in the construction market in 2012. Activity in residential construction is forecast to be at a good level in all main market areas. The weakened economic outlook causes uncertainty in the market development of commercial and industrial construction, which is dependent on investment demand, but demand in Russia is expected to be at a good level. Infrastructure construction activity in the Nordic countries is anticipated to remain steady. Construction activity during the first months of the year is quiet because of seasonality.

In the engineering business, market conditions are expected to remain relatively good in 2012. Demand from mining industry machinery and equipment manufacturers is estimated to be at a good level, as is demand from heavy cargo handling and other materials handling equipment manufacturers. Also demand in the energy industry in the baseload power generation market is forecast to remain good. The weakened economic outlook is expected to affect demand from forest machine manufacturers.

In the steel business, service centre sales are expected to continue at a good level. Demand from mill delivery customers is estimated to gradually pick up. Stock levels in the steel business normalised towards the end of 2011. Average selling prices of steel products are expected to rise moderately in early 2012. However, the European debt crisis and its direct and indirect implications cause uncertainty in the market development of the steel business.

The company's priorities for 2012 include improving cost competitiveness and cash flow. Capital expenditure is estimated to be clearly lower than during the previous year, at about EUR 100 million. Because of actions already completed and those ongoing, the company's cost structure is clearly lighter than in previous years.

Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

Consolidated financial statements

Consolidated income statement

€m	Note	2011	2010
Net sales	4	**2 798**	2 415
Cost of sales	8	**-2 533**	-2 185
Gross profit		**265**	229
Other operating income	7	**19**	15
Selling and marketing expenses	8	**-118**	-103
Administrative expenses	8	**-144**	-152
Other operating expenses	7	**0**	-1
Operating profit		**22**	-12
Finance income		**55**	65
Finance costs		**-91**	-131
Net finance costs	11	**-37**	-66
Share of profit of equity-accounted investees	16	**3**	3
Result before income tax		**-12**	-74
Income taxes	12	**1**	-4
Result for the period		**-10**	-79
Attributable to			
Owners of the company		**-10**	-79
Non-controlling interest		**0**	0
Earnings per share:			
Basic, €	13	**-0.07**	-0.57
Diluted, €	13	**-0.07**	-0.57

Consolidated statement of comprehensive income

€m	Note	2011	2010
Result for the period		**-10**	-79
Other comprehensive income			
Cash flow hedges, net of tax	20	**-8**	10
Cash flow hedges reclassified to profit and loss during the period, net of tax		**0**	
Translation differences		**-6**	18
Defined benefit plan actuarial gains and losses, net of tax	29	**-5**	-7
Total other comprehensive income, net of tax		**-19**	22
Total comprehensive income		**-29**	-57
Attributable to			
Owners of the company		**-29**	-57
Non-controlling interest		**0**	0

Consolidated statement of financial position

€m	Note	31 Dec 2011	31 Dec 2010
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1 214**	1 180
Goodwill	15	**103**	104
Other intangible assets	15	**64**	68
Equity-accounted investees	16	**15**	14
Available-for-sale financial assets	18	**13**	13
Other non-current receivables	19	**5**	9
Deferred tax assets	20	**27**	26
Total non-current assets		**1 441**	1 414
Current assets			
Inventories	21	**720**	640
Trade receivables	22	**324**	325
Other receivables	22	**79**	89
Income tax receivables		**2**	3
Financial assets	24	**37**	14
Cash and cash equivalents	25	**41**	40
Total current assets		**1 203**	1 110
Assets held for sale	6	**14**	15
Total assets		**2 657**	2 539
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital	26	**238**	238
Share premium	27	**220**	220
Translation differences	27	**-29**	-23
Retained earnings and other reserves	27	**843**	951
		1 273	1 387
Non-controlling interest		**2**	2
Total equity		**1 275**	1 389
Non-current liabilities			
Loans and borrowings	31	**551**	477
Other non-interest-bearing liabilities	29, 32	**56**	49
Provisions	30	**2**	2
Deferred tax liabilities	20	**25**	39
Total non-current liabilities		**633**	566
Current liabilities			
Loans and borrowings	31	**297**	198
Trade payables	32	**246**	171
Other non-interest-bearing liabilities	32	**185**	200
Provisions	30	**8**	4
Income tax liabilities		**8**	4
Total current liabilities		**745**	577
Liabilities held for sale	6	**5**	7
Total liabilities		**1 382**	1 150
Total equity and liabilities		**2 657**	2 539

Consolidated statement of changes in equity

	Equity attributable to owners of the company							
€m	Share capital	Share premium	Fair value and other reserves	Translation differences	Treasury shares	Retained earnings	Non-controlling interest	Total equity
EQUITY AT 1 JAN 2010	238	220	2	-41	-6	1095	2	1509
Transactions with owners of the company								
Dividend distribution						-62		-62
Share-based payments			-1		0			-1
Total comprehensive income			10	18		-85	0	-57
EQUITY AT 31 DEC 2010	238	220	11	-23	-6	946	2	1389
Transactions with owners of the company								
Dividend distribution						**-83**		**-83**
Share-based payments			**0**		**0**			**0**
Total comprehensive income			**-8**	**-6**		**-16**	**0**	**-29**
EQUITY AT 31 DEC 2011	**238**	**220**	**3**	**-29**	**-6**	**846**	**2**	**1 275**

In line with the meeting on 31 January 2012, the Board of Directors proposes a dividend of EUR 0.50 per share, amounting to EUR 69 million. These financial statements do not include bookings related to the proposed dividend distribution.

More information on equity items can be found from notes 26, 27 ja 28.

Consolidated statement of cash flows

€m	Note	2011	2010
Cash flows from operating activities			
Result for the period		**-10**	-79
Adjustments:			
Adjustments to cash flows	33	**142**	120
Net finance costs		**37**	66
Income tax expense		**-1**	4
Changes in working capital:			
Change in trade and other receivables		**17**	-77
Change in inventories		**-80**	-136
Change in trade and other payables		**53**	66
Interest and other finance costs paid		**-76**	-70
Interest and other finance income received		**37**	43
Dividends received from equity- accounted investees		**2**	1
Income tax paid		**-5**	-3
Net cash from operating activities		**114**	-64
Cash flows from investing activities			
Divestment of subsidiaries, net of cash at divestment date	5		3
Investments in property, plant and equipment		**-164**	-157
Investments in intangible assets		**-16**	-15
Proceeds from sale of property, plant and equipment		**9**	7
Investments in loan receivables and other financial assets		**0**	0
Net cash used in investing activities		**-171**	-162
Net cash flow before financing activities		**-57**	-226
Cash flows from financing activities			
Dividends paid		**-83**	-62
Proceeds from loans and borrowings		**130**	126
Repayments of loans and borrowings		**-57**	-103
Change in current liabilities		**99**	63
Other net cash flow from financing activities		**-8**	-9
Net cash from financing activities		**81**	15
Change in cash and cash equivalents		**24**	-211
Cash and cash equivalents at the beginning of period		**53**	261
Effect of exchange rate fluctuations on cash held		**1**	4
Cash and cash equivalents at end of period		**78**	53

Notes to the consolidated financial statements

1. Accounting policies

General information
Rautaruukki supplies metal-based components, systems and integrated systems to the construction and engineering industries. The company has a wide selection of metal products and services. Rautaruukki has operations in some 30 countries and employs around 11,800 people. Net sales in 2011 totalled around EUR 2.8 billion. Rautaruukki Corporation, the parent company, is domiciled in Helsinki and its registered address is PO Box 138, Suolakivenkatu 1, FI-00810 Helsinki, Finland. The company's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS). The Corporation uses the marketing name Ruukki.

At its meeting on 31 January 2012, Rautaruukki Corporation's Board of Directors approved these financial statements for disclosure. Under the Finnish Limited Liability Companies Act, shareholders may adopt or reject the financial statements at the Annual General Meeting held after disclosure. The Meeting may also resolve to amend the financial statements.

In 2010 and 2011, consistent with Rautaruukki's management organisation, business was structured into the following reporting divisions:

Ruukki Construction
Lifecycle-efficient steel structure solutions for commercial, office and industrial construction, single family homes, port and transport infrastructure construction.

Ruukki Engineering
Fully-assembled systems and components for the engineering industry. Our core product areas are operator cabins and various special steel and other components.

Ruukki Metals
Special steel products including high-strength, wear-resistant and special-coated products for demanding applications. Steel service centres supply steel products and related prefabrication, logistics and storage services.

The customer-facing divisions - Ruukki Construction, Ruukki Engineering and Ruukki Metals - formed the group's reporting operating segments which are detailed in Note 4 Segment reporting.

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations in force at 31 December 2011. In the Finnish Accounting Act and the regulations based thereon, IFRS refers to the standards and the interpretations issued with regard to them, which have been endorsed for application within the EU in accordance with the procedure prescribed in EU Regulation (EC) 1606/2002. The notes to the consolidated financial statements also take in the requirements of Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared under the historic cost convention, except for the items below, which are measured at fair value as required by the standards. The parent company and subsidiaries have the same accounting period, which is the calendar year, and subsidiaries comply with the consolidation principles described here.

The financial statements are presented in millions of euros. For the purposes of presentation, individual figures and totals are rounded to the nearest whole million of euros. This means that the sum of the individual figures may differ from the total shown.

New accounting policies
Amendments to and new interpretations of standards coming into force in 2011 had no material impact on the consolidated financial statements. The amendments and interpretations are stated below:

- Revised IAS 24 *Related Party Disclosures*. The definition of a related party has been simplified and the disclosure requirements in respect of government-related entities have been changed.

Adoption of the following standards, interpretations and amendments thereto had no impact on the consolidated financial statements:

- *Improvements to IFRS standards* (May 2010). The amendments in question apply to a total of seven standards and vary according to the standard.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. The interpretation clarifies the accounting treatment in cases where a company renegotiates the terms of financial liabilities and issues equity instruments to its debtors in full or partial settlement of the liabilities.
- Amendments to the interpretation of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. Subsequent to the amendments, companies may recognise as assets in the statement of financial position some voluntary prepayments of a minimum funding requirement.
- Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*. The amendment applies to the accounting treatment and classification for the issue of shares, options and warrants outside the issuers functional currency.

Changes in the method of presentation and accounting practice
To ensure better understanding and comparability of Ruukki's operating activities and their result, the interim reports in 2010 switched over to reporting not just the consolidated figures, but also the comparable group and segment net sales and operating profit. Items affecting comparability include items related to changes in business operations, items unrelated to current business activities and significant items related to ongoing business operations. These items affecting comparability are itemised in Note 4 Segment reporting of the notes to the financial statements.

In 2010, the company switched over from reporting segment assets to reporting segment operative capital employed because this is the indicator that is reported to management and which management monitors. Operative capital employed is defined as follows:

+ Tangible and intangible assets
+ Available-for-sale financial assets
+ Inventories
+ Trade receivables
- Trade payables
- Advances received

Use of estimates
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions and to exercise judgment in the process of applying the group's accounting policies. Although estimates are based on management's best view at the end of the report period, actual results could differ from those assumptions and estimates made. Significant estimates relate to fair value adjustments in business combinations when measuring the fair values of assets and liabilities, the determination of the financial holding periods of tangible and intangible assets, the recognition and measurement of provisions, the determination of pension liabilities, deferred taxes and to testing the impairment of goodwill. The bases for estimates are detailed in these accounting policies and elsewhere in the relevant notes to the financial statements.

2. Consolidation and accounting policies

Subsidiaries
The consolidated financial statements include Rautaruukki Corporation and its subsidiaries. Subsidiaries are companies in which the group has a controlling interest, which arises when it holds more than half of the voting rights or otherwise has the power to govern the financial and operating policies of a company. The existence of potential voting rights is taken into account when assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date. At the end of the report period, 31 December 2011 or 31 December 2010, the group has no instruments conferring potential voting rights.

Intra-group share ownership has been eliminated by means of the purchase method. The consideration transferred and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Acquisition costs, except for costs arising from the issue of debt or equity securities, are expensed. Consideration transferred does not include businesses treated separately from the acquisition. The impact of these is recognised through profit and loss in connection with the acquisition. Any contingent consideration is measured at fair value at the acquisition date and is classified as either a loss or equity. Contingent consideration classified as debt is measured at fair value at each report period-end and the gain or loss arising is recognised through profit and loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured.

Acquired subsidiaries are accounted for in the consolidated financial statements from the time the group gains control and divested subsidiaries are accounted for up to the time control ceases. Intra-group transactions, receivables, liabilities and intra-group profits are eliminated in preparing the financial statements. Any non-controlling interest in the acquisition is measured either at fair value or at the non-controlling interest's proportionate share of the identifiable net assets of the acquisition. The measuring principle is defined separately for each acquisition. The consolidated comprehensive income is attributed to the owners of the parent company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance. The proportion of equity belonging to non-controlling interests is shown as a separate item under equity in the statement of financial position. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Ownership of an acquisition that takes place in stages is measured at fair value and the profit or loss arising is accounted for through profit and loss. When the group loses control in a subsidiary, the remaining investment is measured at fair value at the date control ceased and the difference arising is accounted for through profit and loss.

Acquisitions taking place before 1 January 2010 are treated in accordance with the standards in force at the time.

Equity-accounted investees
Equity-accounted investees are companies in which the group exercises significant influence, which generally arises when the group holds 20-50% of a company's voting rights or otherwise has significant influence in a company's operating policies, but does not have control.

Investments in equity-accounted investees are accounted for in the consolidated financial statements using the equity method. The equity method is a method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of the net assets of the investee. The investor books it share of the result of the equity-accounted investee through profit and loss. If the group's share of losses exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the group has given a commitment to fulfil the obligations. Unrealised profits between the group and equity-accounted investees are eliminated pro rata to the company's shareholding. The investment includes the goodwill arising from acquisition. The pro rata share of the results of equity-accounted investees for the financial period is shown as a separate item after operating profit.

The financial period of equity-accounted investees is the same as that of group companies. Insofar as the accounting policies of equity-accounted investees do not substantially correspond to those of the group, the necessary adjustments to the figures reported by the equity-accounted investee have been made when preparing the consolidated financial statements.

Joint ventures
The group had no investments in joint ventures in the report periods ending 31 December 2011 or 31 December 2010.

Foreign currency transactions
Figures relating to the profit and financial position of group units are measured in the currency of the primary economic environment in which the unit operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

Foreign currency transactions are booked in euros at the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currency are translated into euros using the prevailing period-end exchange rates. Non-monetary items denominated in foreign currency and measured at fair value are translated into euros using the exchange rates prevailing at the measurement date. Otherwise non-monetary items are measured at the exchange rates prevailing at the date of the transaction. Gains and losses arising from foreign currency transactions and the translation of monetary items are reported in the income statement. Foreign exchange gains and losses on operations (sales and purchases) are included in the corresponding items above operating profit. Foreign exchange gains and losses on financing are included in finance income and costs.

Items of income and expense in the income statements and statements of comprehensive income of consolidated companies outside Finland have been translated into euros at the average exchange rate for the period and the statements of financial position have been prepared using period-end exchange rates. The exchange rate difference arising from using different exchange rates to translate the result for the period in the income statement and statement of comprehensive income on the one hand and in equity on the other is recognised under other comprehensive income and is included in Translation differences in equity. Translation differences arising from eliminating the cost of foreign subsidiaries and from translating post-acquisition equity items are also recognised in other comprehensive income. When a subsidiary is sold, either in full or in part, the cumulative translation difference associated with the subsidiary is charged or credited to profit and loss as part of the adjusted capital gain or loss.

Goodwill arising from the acquisition of foreign units as well as the fair value adjustments made to the carrying amounts of the assets and liabilities of such units are treated as assets and liabilities of the units concerned. These are translated into euros using the prevailing period-end exchange rates.

Financial instruments

Financial assets
The group's financial assets have been classified into the following groups: loans and other receivables, financial assets at fair value through profit and loss and available-for-sale financial assets. Classification is made on the basis of the purpose for which the financial assets were originally acquired. The basis for classification is re-assessed on each reporting day.

Transaction costs are included in the original carrying amount of financial assets when an item is not measured at fair value through profit and loss. The group recognises purchases and sales of financial assets on the basis of the trade date. A financial item is derecognised from the statement of financial position when and only when the contractual rights to cash flows from the financial asset expire or the group transfers the item included in financial assets to another party such that the rewards and risks incidental to ownership of the item or control over it are transferred to the other party.

The group assesses at the end of each report period whether there is any objective evidence that a financial asset other than an item recognised through profit or loss is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment and the effect on estimated future cash flows of the financial assets accumulated can be reliably measured. Objective evidence impairment can be deemed to include a significant decline in the counterparty's result or the breach of contract of a debtor. The amount of the loss recognised on receivables is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset. Impairments are recognised immediately through profit and loss.

Loans and other receivables
Loans and other receivables are non-derivative financial assets with fixed or definable payments. They are not quoted on established markets and the group does not hold them for trading purposes. Loans and other receivables are measured at amortised cost, which is determined using the effective interest method. They are included in the statement of financial position under trade receivables or payables either as current or non-current assets, depending on their nature. Current trade receivables are recognised at the original amount invoiced less doubtful debts. In the measurement of non-current receivables, estimated future payments are discounted to present value.

Financial assets recognised at fair value through profit and loss
An item included in financial assets is classified as a financial asset at fair value through profit and loss if it has been acquired to be held for trading purposes or if it is classified at fair value through profit and loss when originally acquired. Investments managed on the basis of fair value are classified as being in the latter group. Derivatives that do not qualify for hedge accounting have been classified as being held for trading purposes. Items in this category have been measured at fair value and are measured later at fair value at the end of each report period. Fair value is determined using quoted market prices and rates as well as other appropriate valuation methods. Unrealised or realised gains and losses arising from changes in fair value are recognised in the income statement during the financial period they are incurred.

Available-for-sale financial assets
Available-for-sale financial assets are assets (excluding derivative assets) which have been expressly classified in this group or which have not been classified in any other group. Unless the intention is to sell them within 12 months of the end of the report period, they are included in non-current assets. These assets are measured at fair value or, if the fair value cannot reliably be determined, at acquisition cost. Rautaruukki's investments in other companies are classified as available-for-sale financial assets. This category includes shares in listed and unlisted companies. Listed shares are measured at fair value. Unlisted shares whose fair value cannot be reliably determined are measured at acquisition cost less any impairment. Fair value is determined using the market prices and rates quoted at the end of the report period as we all as other appropriate valuation methods.

Changes in the value of available-for-sale financial assets are recognised net of tax in other comprehensive income and are included in the fair value reserve in equity. Cumulative changes in fair value included in equity are transferred to the income statement and loss when the investment is sold or when its fair value has been impaired to the extent that an impairment loss must be recognised for it.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits and other current, liquid investments. Items classified as cash and cash equivalents have a maximum of three months' duration from the acquisition date. Credit accounts relating to group accounts are included in current liabilities in the statement of financial position.

Financial liabilities
The group's financial liabilities are classified at either fair value through profit and loss and recognised in financial liabilities or are recognised in other financial liabilities (financial liabilities measured at amortised acquisition cost). A financial liability is classified as current unless the

group has an unconditional right to defer settlement of the liability for a least 12 months after the end of the report period. A financial liability (or part of it) is derecognised from the statement of financial position when, and only when, the liability has been extinguished, i.e. when the obligation specified in the contract has been discharged, cancelled or lapses.

Financial liabilities recognised at fair value through profit and loss
Financial liabilities measured at fair value through profit and loss include derivatives that do not qualify for hedge accounting. Unrealised or realised gains and losses arising from changes in the fair value of derivatives are recognised in the income statement during the financial period they are incurred.

Other financial liabilities (financial liabilities measured at amortised cost)
Other financial liabilities consist of loans taken out by the group and are initially recognised at fair value. Transaction costs directly attributable to obtaining loans are included in the original amortised cost of the loan and allocated to interest expense using the effective interest method. In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest method.

Derivative contracts and hedge accounting
Derivative contracts are initially recognised at fair value and continue to be measured at fair value thereafter. Gains and losses arising from measurement at fair value are treated in the accounts in the manner determined by the purpose of the derivative contracts. When the group enters into derivative contracts, it treats them as hedges of the fair value of receivables, liabilities or firm commitments, hedges of the cash flow of a highly probable forecast transaction, hedges of a net investment in a foreign unit or as derivative contracts which do not qualify for hedge accounting. Fair value hedging is applied separately to certain fixed-interest loans. Cash flow hedging is used to hedge against cash flow fluctuations attributable to the materialisation of a risk associated with a particular recognised asset or liability in the statement of financial position or with a highly probable forecast transaction. The group had no hedging in respect of net investments made in subsidiaries outside the eurozone in the report periods 2011 and 2010. The fair value hedging has ended during 2011. Derivatives that do not qualify for hedge accounting have been acquired to mitigate the impacts of the result and/or cash flow relating to business or financing.

The group applies hedge accounting to commodity derivatives (zinc and electricity) and to certain foreign exchange derivatives (USD) and interest rate swaps. In addition, the group has foreign exchange derivatives to which hedge accounting is not applied. At the inception of the hedging arrangement, the group documents the relationship between each hedging instrument and the hedged asset as well as the objectives of risk management and the strategy for undertaking hedging. The effectiveness of hedging instruments is tested before and after. Effectiveness refers to the capacity of the hedging instrument to offset changes in the fair value of the hedged item or in cash flow from a hedged transaction due to the materialisation of the risk being hedged. A hedging relationship is considered to be highly effective when the change in the fair value of hedging instrument offsets changes in the cash flow attributable to the hedged risk in the range of 80-125%. Hedge accounting is discontinued when the criteria for hedge accounting are no longer met.

The profit or loss of derivative contracts constituting a hedging relationship is stated consistently with the hedged item in the income statement. The unrealised change in the fair value of derivatives hedging cash flow is recorded in other comprehensive income and is stated in equity in the fair value reserve to the extent the hedge is effective. Changes in fair values of the ineffective portion of the hedge are recognised through profit and loss. Cumulated gains and losses in equity are transferred to the income statement during the period the hedged item is recognised in the income statement. When a hedging instrument acquired to hedge a cash flow matures, is sold or no long qualifies for hedge accounting, the cumulative gain or loss remains in equity until the forecast transaction is realised. However, if the forecast transaction is assumed to no longer be realised, the gain or loss accrued in equity is recognised in the income statement. Changes in the fair value of a hedge and in the fair value of the derivative hedging it in relation to the hedged risk are reported through profit and loss in financial items.

Derivatives other than those qualifying for hedge accounting belong to the category Financial assets and liabilities at fair value through profit and loss, for which changes in fair value are recorded in full in the income statement. Exchange rate differences related to operative business (purchases and sales) are reported in the income statement above Operating profit and exchange rate differences related to financial items are reported in financial items.

The fair values of derivatives are determined by using market prices and generally available valuation models. The data and assumptions used in valuation models are based on verifiable market prices. More information about the fair values of derivatives can be found from note 23. Derivative contracts.

The group separates embedded derivatives from their host contract and treats them in the same way as other derivatives if they meet the following criteria: the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, the terms of the embedded derivative correspond to the definition of a derivative, and the hybrid instrument contained by the embedded derivative is not measured at fair value through profit and loss.

Property, plant and equipment
Property, plant and equipment is measured at historical cost less depreciation and impairment losses. If an item of property, plant and equipment consists of several parts with different estimated economic lives, each part is treated as a separate asset. The cost of replacing an element is then capitalised and the remainder is expensed. Borrowing costs directly attributable to the acquisition, construction of production of a qualifying asset are included in the acquisition cost of that asset. A qualifying asset is an asset that necessarily requires a substantial period of time to prepare it for its intended use or sale. Subsequent costs are included in the carrying value of an item of property, plant and equipment only when it is probable that future economic benefits from the asset will flow to the group and the cost of the asset can be determined reliably. Other repair and maintenance expenses are charged to the income statement as incurred.

Assets are depreciated on a straight-line basis over their useful lives. No depreciation is made for land. The depreciation times of tangible assets are as follows:

Buildings	15-25 years
Process machinery and equipment	10-20 years
Other machinery and equipment	5-10 years

Property, plant and equipment acquired on finance leases is depreciated over the estimated useful life or lease term, whichever is the shorter.

The residual value and useful life of assets are regularly reviewed and, where necessary, adjusted to reflect changes that have occurred in the expectation of an asset's useful life. Depreciation of an item of property, plant and equipment ceases when it is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for sale and Discontinued Operations* (see Note 6 Assets held for sale).

Gains and losses arising from the disposals and transfer of property, plant and equipment are included either in other operating income or other operating expenses.

Government grants
Government grants related to the purchase of property, plant and equipment are deducted from the carrying amounts of the assets concerned. Grants are recognised as income in the form of smaller depreciation charges over the lifetime of the asset. Other government grants are recognised in other operating income. The group received no significant government grants in 2011 and 2010. The accounting treatment of carbon dioxide emissions allowances is discussed below under Emissions allowances.

Intangible assets
Goodwill
For business combinations taking place on or after 1 January 2010, the excess of the consideration transferred, the amount of non-controlling interests in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of identifiable net assets is booked as goodwill. Goodwill is measured at cost less accumulated impairment losses.

Acquisitions taking place between 1 January 2004 and 31 December 2009 have been accounted for in accordance with earlier IFRS standards. Goodwill arising from business combinations taking place before 2004 correspond to the carrying values of the previous financial statement framework that has been used as deemed cost in accordance with IFRS standards.

Goodwill (and other intangible assets with indefinite useful lives) is not amortised, but tested annually or, where necessary, more frequently, (see Note 15 Intangible assets). For this purpose, goodwill has been allocated to cash-generating units that correspond to management's way of monitoring the business and related goodwill. Cash-generating units at Rautaruukki correspond to the reported operating segments. In the case of equity-accounted investees, goodwill is included in the acquisition cost of the equity-accounted investee concerned.

Research and development costs
Research and development costs are expensed in the income statement as incurred. If research costs are expected to generate future income, they are capitalised as intangible assets and depreciated over the period of the income streams. No development costs were capitalised in the consolidated statement of financial position at 31 December 2011 or during the previous report period.

Emissions allowances
The group is party to the EU Emissions Trading Scheme and has been allocated a specific number of emissions allowances (EUA) for a specific period. Emissions allowances and certified emission reductions (CER) purchased, as well as units in funds generating CERs are recognised in the acquisition cost of intangible assets and the cost of emissions received free of charge is nil. An impairment loss is recognised in the income statement if the carrying value of emissions allowances or carbon credits exceeds their fair value.

A provision to cover the obligation to return emissions allowances is recognised unless emissions allowances received free of charge cover actual emissions. Any impact on the result will reflect the difference between actual emissions and emissions allowances received and acquired. Any provision is assessed at the fair value of emissions allowances at the end of the report period. The group has no provisions for emissions allowances in the statement of financial position at 31 December 2011 and 2010 because the actual emissions did not exceed the amount of allowances received free of charge and acquired. The difference between actual emissions and emissions allowances received and acquired, changes in the likely value of the provision and the capital gains on the sale of emissions allowances and CERs are included in operating profit.

Other intangible assets
Patents, trademarks, licences and other intangible assets having finite useful life are recognised in the statement of financial position and amortised on a straight-line basis in the income statement over their useful life. Intangible assets having infinite useful life are not amortised, but tested annually, or where necessary, more frequently for impairment. At the end of the report period and the preceding report period, the group had no intangible assets having infinite useful life.

Intangible assets are depreciated on a straight-line basis during the course of their estimated useful life. The estimated useful lives of intangible assets are:

Customer contracts and associated customer relationships	3-10 years
Software	3-5 years
Other intangible rights	5-10 years

The cost of intangible assets comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use.

A gain or loss arising on the sale of intangible assets is recognised in other operating income or other operating expenses in the income statement.

Leases
Leases of property, plant and equipment where the group holds substantially all the risks and rewards incidental to ownership are classified as finance leases. An asset leased under a finance lease is grouped according to its nature and recognised in the statement of financial position at its fair value at the date of inception or at the present minimum value of lease payments, whichever is the lower. An asset obtained

on a finance lease is depreciated over the useful life of the asset or the lease term, whichever is the shorter. Lease obligations are included in interest-bearing financial liabilities.

Leases in which the risks and rewards incidental to ownership remain with the lessor are classified as other leases. Lease payments under other leases are expensed in the income statement on a straight-line basis over the lease term. Incentives received are deducted from rents paid on the basis of the time span of the user's benefit.

Impairment of assets
At the end of each report period, the group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount is measured. The recoverable amount is the asset's net selling price or its value in use, whichever is the higher. Value in use means the estimated future net cash flows obtainable from the asset in question discounted at their present value.

Impairment testing in respect of goodwill, intangible assets with an infinite useful life as well as in-process tangible assets is done annually regardless of whether or not there are any indications of impairment.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. Impairment losses are recognised in the income statement. An impairment loss is reversed if a change has occurred in the circumstances and the recoverable amount of the asset has changed since the last impairment loss was recognised. However, the reversal must not cause the carrying amount to be higher (less booked depreciation) than it would have been had no impairment loss been recognised. Impairment losses in respect of goodwill are not reversed.

Inventories
Inventories are stated at acquisition cost or net realisable value, whichever is the lower. For raw materials, acquisition cost is determined using the FIFO method, and for finished and semi-finished products the weighted average cost method is used. The cost of finished and semi-finished products comprises raw materials, direct labour costs as well as an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In ordinary operations, net realisable value is the estimated selling price obtainable, less the estimated costs incurred in bringing the product to its present condition and selling expenses.

Employee benefits
Pension obligations
The group has a number of defined contribution and defined benefit pension plans in different countries. A defined contribution plan is a plan under which the group pays fixed contributions to a separate unit. If the recipient of the contributions is unable to pay the pension benefits, the group has no legal or constructive obligation to pay further contributions. All plans not satisfying these conditions are defined benefit pension plans. Payments to defined pension plans are recognised in the income statement as incurred.

The group has defined benefit plans in Finland, Norway and Germany. Obligations under these pension plans have been determined separately for each plan using the projected unit credit method. Pension costs are expensed over the expected average remaining working lives of the employees participating in the plans on the basis of calculations made by authorised actuaries. For each defined benefit plan, the net total of the present value of the obligation, the fair value of plan assets and past service cost is stated as an asset or liability in the consolidated statement of financial position. The limited value of a defined benefit asset that can be recognised in the consolidated statement of financial position is the present value of economic benefits, including unrecognised gains and losses, available in the form of refunds from the plan or reductions in future payments to the plan. Economic benefit is deemed as being the group's receivables should the group be able to realise them at some point during the validity of the plan or when the obligations in respect of the plan have been met. Actuarial gains and losses are recognised in other comprehensive income.

Share-based payments
Rautaruukki has share bonus schemes for management in which part of the bonuses are paid in shares and the remainder in cash. More information about share-based plans is given in Note 28 Share-based payments. The group had no option programmes in effect during the report period ended 31 December 2011 or during the previous report period.

Provisions and contingent liabilities
A provision is recognised when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate item when it is practically certain such reimbursement will be received.

A contingent liability is a potential liability based on previous events and depends on the materialisation of an uncertain future event outside the group's control. Contingent liabilities include obligations that will probably not require payment or the amount of payment cannot be reliably determined. Contingent liabilities are disclosed in the Notes.

A warranty provision is booked, based on historical experience of the realisation of warranty expense, when a product covered by warranty expenses is sold. A restructuring provision is booked when the group has prepared a detailed restructuring plan and commenced implementation of the plan or announced the matter publicly. A provision is recognised for an onerous contract when the outflow of resources required to settle the obligations exceeds the benefits of the contract. An environmental provision is booked on the basis of interpretations of environmental production acts and regulations prevailing at the end of the report period.

Income taxes
Taxes in the consolidated income statement comprise current tax and the change in deferred tax. Current tax on taxable income for the period is determined using the tax rates enacted or which in practice have been adopted in each country at the end of the report period. Tax is adjusted for any tax for previous periods. Any related tax effects for transactions and other events recognised through profit and loss are also recognised through profit and loss. Any related tax effects for transactions and other events recognised in other comprehensive income or directly in equity are likewise recognised accordingly either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recognised on all temporary differences between the carrying amount of assets and liabilities and their tax base. The largest temporary differences arise from depreciation of property, plant and equipment, the fair valuation of derivatives, defined benefit pension plans, finance leases, provisions, unused tax losses and the fair value of net assets in acquired companies. Deferred tax is not recognised for taxation purposes on non-deductible impairment losses on goodwill or on the undistributed earnings of subsidiaries to the extent the difference will probably not be reversed in the future. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The amount and probability of the utilisation of a tax asset are reviewed at the end of each report period. Deferred taxes are measured based on the tax rates enacted or which have been adopted in practice by the end of the report period. A change in a deferred tax asset or liability is recognised in the income statement, except for taxes arising from a transaction or event that are recognised in other comprehensive income or which are the result of a business combination. Deferred tax assets and liabilities are stated as separate items in the consolidated statement of financial position under non-current assets or liabilities. Deferred tax assets and liabilities are offset against each other only when the entity has a legally enforceable right to set off the recognised amounts, and the deferred tax asset and tax liability relate to income taxes levied by the same tax authority.

Revenue recognition
Goods sold and long-term projects
Revenue from the sale of goods is recognised when the significant risks, rewards and actual control incidental to ownership have been transferred to the buyer, the revenue and costs incurred in respect of the transaction can be reliably measured and it is probable that the economic benefits of the transaction will flow to the company.

Revenue from long-term projects, which include product installation, is recognised based on degree of completion, which is measured using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. When the outcome of a transaction cannot reliably be estimated, revenue is recognised only to the extent of the expenses probably recoverable. Transaction costs are expensed in the financial period incurred. An expected loss on a project is expensed immediately.

Revenue is measured at the fair value of the consideration received or receivable. VAT and other similar indirect taxes are deducted from sales revenues. Amounts payable to tax authorities are stated as current liabilities in the statement of financial position under Other liabilities and amounts receivable from tax authorities are stated as current receivables in the statement of financial position under Other receivables.

Interest, royalties and dividends
Interest, royalties and dividends are recognised when it is probable that the economic benefits of the transaction will flow to the group and the amount of revenue can be reliably measured. Interest income is recognised using the effective interest method. Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Dividends are recognised when the shareholder's right to receive payment is established.

Assets held for sale and discontinued operations
The group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and under customary terms, management must be committed to a plan to sell the asset, an active programme has been initiated to locate a buyer and it is highly probable that the sale will be completed within a year.

The scope of IFRS 5 includes assets held for sale and asset items related to discontinued operations, which are classified as held for sale and measured at their carrying amount or fair value less costs to sell, whichever is the lower. Depreciation and amortisation on these asset items is discontinued at the time of classification (see Note 6 Assets held for sale).

Treasury shares
The group presents treasury shares as a reduction in equity. A gain or loss on the purchase, sale, issuance or cancellation of treasury shares is not recorded in the income statement but the consideration paid or received is booked, net of transaction costs, direct to retained earnings in equity.

Adoption of new standards and interpretations
The IASB has published the following new standards, interpretations and amendments that the group will apply as the standards enter into force below and the European Commission has endorsed them for application. The group adopts each standard and interpretation from the date it enters into force, except where this differs from the start of the report period, in which case the standard or interpretation is effective from the start of the following report period.
*= The amendment has not yet been endorsed for application in the EU.
.

- Amendment to IFRS 7 Financial Instruments: Disclosures (effective from report periods starting on or after 1 July 2011). This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment has no material impact on Rautaruukki's consolidated financial statements.

- Amendment to IAS 12 Income Taxes* (effective from report periods starting on or after 1 January 2012). The amendment applies to the background assumption concerning the recognition of deferred taxes. The amendment introduces the assumption that the carrying value of certain asset items, such as investment property, will in future be recovered through sale instead of continuous use. The amendment has no material impact on Rautaruukki's consolidated financial statements.

- Amendment to IAS 1 Presentation of Financial Statements * (effective from report periods starting on or after 1 July 2012). The main amendment requires items of other comprehensive income to be grouped according to whether they are subsequently reclassifiable to profit and loss when specific conditions are met. The amendment has no material impact on Rautaruukki's consolidated financial statements.

- Amendment to IAS 19 Employee benefits* (effective from report periods starting on or after 1 January 2013). In future all actuarial gains and losses will be recognised in other comprehensive income as they occur. In other words, the corridor approach will be discontinued and the financing expense is determined on a net funding basis. Rautaruukki has yet to assess the impacts of the amendments.

- Amendments to IFRS 7 Financial Instruments: Disclosures* (effective from report periods starting on or after 1 January 2013). The amended standard requires the disclosure of such information to enable users to evaluate the impact of offsetting arrangements on an entity's statement of financial position. The notes required by the amendments must be disclosed retrospectively. Rautaruukki does not expect the new standard to have any material impact on the consolidated financial statements.

- IFRS 10 Consolidated Financial Statements* (effective from report periods starting on or after 1 January 2013). IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity is to be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Rautaruukki does not expect the new standard to have any material impact on the consolidated financial statements.

- IFRS 11 Joint arrangements* (effective from report periods starting on or after 1 January 2013). IFRS 11 addresses the rights and obligations ensuing in the tax treatment of joint arrangements rather than their legal form. There are two types of joint arrangement: joint operations and joint ventures. In future one method, the equity method, must be used in the reporting of joint arrangements. The earlier option of proportionate consolidation will no longer be allowed. Rautaruukki does not expect the new standard to have any material impact on the consolidated financial statements.

- IFRS 12 Disclosures of interests in other entities* (effective from report periods starting on or after 1 January 2013). IFRS 12 provides a single source of the requirements concerning the information to be disclosed in financial statements. These relate to various interests in other entities including equity-accounted investees, joint arrangements, special purpose vehicles and other vehicles off the statement of financial position. The new standard adds disclosure requirements, but otherwise will have no material impact on the consolidated financial statements.

- IFRS 13 Fair value measurement* (effective from report periods starting on or after 1 January 2013). IFRS 13 provides a single source of the requirements concerning the determination of fair value and the disclosure of information in the financial statements. In addition, the new standard includes a precise definition of fair value. The standard does not extend the use of fair value, but provides guidance on how it should be applied where its use is already permitted or required by other standards. Rautaruukki does not expect the new standard to have any material impact on the consolidated financial statements.

- IAS 27 (revised 2011) Separate financial statements* (effective from report periods starting on or after 1 January 2013). The revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. Rautaruukki does not expect the new standard to have any material impact on the consolidated financial statements.

- IAS 28 (revised 2011) Associates and joint ventures* (effective from report periods starting on or after 1 January 2013). The revised standard includes the requirements for joint ventures, as well as associates to be equity accounted following the issue of IFRS 11. Rautaruukki does not expect the new standard to have any material impact on the consolidated financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation* (effective from report periods starting on or after 1 January 2014). The amendments clarify the requirements for offsetting financial assets and liabilities in the statement of financial position. The amended standard will be applied retrospectively. The amendments are not expected to have any material impact on Rautaruukki's consolidated financial statements.

- IFRS 9 Financial Instruments* and amendments to it (IASB has deferred the effective date of the standard to 1 January 2015 or report periods starting after (earlier 1 January 2013)). The new standard will be published in three phases and is intended to replace the existing standard IAS 39 *Financial Instruments: Classification and Measurement*. Amendments in the first phase concern the classification, recognition and measurement of financial assets and liabilities. Different ways of measuring financial assets have been retained, but simplified. Based on measurement, financial assets are divided into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on the company's business model and the characteristics of contractual cash flows. Most of the IAS 39 requirements for financial liabilities were carried forward unchanged to the new standard. Rautaruukki has yet to assess the impacts of the amendments.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* (effective from report periods starting on or after 1 January 2013). The interpretation provides the requirements for accounting for stripping costs in the production phase of a surface mine when two benefits accrue from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. This interpretation does not apply to Rautaruukki.

3. Financial risk and capital management

Principles

Corporate financial risk management aims at minimising the unfavourable impacts of financial risks on the group's result, equity and cash flow, and at ensuring the group's liquidity. Financial risk management is centralised on Corporate Treasury and is based on the financing policy approved by the Board of Directors. This policy defines the main principles for the organisation of financing, funding, financial risk management, reporting and oversight. The most significant financial matters are dealt with by the Corporate Finance Committee, which is chaired by the company's President & CEO. The Finance Committee decides on the risk limits valid at any given time within the framework of the financing policy. Financial transactions are carried out solely to fund the group's ordinary business and to manage the associated financial risks

The corporate level is the point of departure for arranging funding and carrying out financial transactions. Basically financial transactions required by subsidiaries are carried out internally by Corporate Treasury and are based on corporate principles. Ruukki Metals, together with Corporate Treasury, is responsible for commodity price risk management in respect of zinc. The corporate Energy and Environment function is responsible centrally for managing electricity and special heavy fuel price risks. Some of the group's operations are within the scope of the EU Emissions Trading Scheme and management of the related emissions balance is dealt with centrally by the corporate Energy and Environment function.

Market risks

Foreign exchange risk

Rautaruukki has international operations and its business is therefore exposed to risks caused by exchange rate fluctuations. The greatest foreign exchange risks involve the US dollar (USD) and the Swedish krona (SEK). The raw materials needed to make steel are generally priced in USD. Corporate sales in USD offset only a very small percentage of the dollar deficit arising from the purchase of these materials. The SEK risk occurs primarily because the parent company has exports to Sweden denominated in SEK that the cash flows from the Swedish subsidiary do not eliminate. The aim of foreign exchange risk management is to limit the volatility on consolidated cash flow, result and statement of financial position. Foreign exchange risk management is centralised on Corporate Treasury. Foreign exchange risks are managed as a transaction position and translation position. The transaction position comprises the cash flows from business transactions agreed and forecast in currencies outside the eurozone and from items denominated in foreign currencies in the statement of financial position. Consistent with corporate operating principles, confirmed net cash flows are as a rule hedged in full. With some exceptions, foreign currency items included in the statement of financial position are hedged. In 2011 the Ukrainian hryvnia was not hedged.

Starting on 1 January 2011, Rautaruukki has applied cash flow hedge accounting in accordance with IAS 39 -standard for its USD-denominated raw material purchases. Hence, effective hedges of open USD-derivatives are recognised in other comprehensive income under equity whereas earlier they were recognised through profit and loss. The result of USD-denominated derivatives is transferred from equity to adjust the cost of goods sold in the period when the hedged item affects the result.

The table below shows income and expense from the group's external operations in different foreign currencies in 2011 and 2010. CEE currencies in the table refer to the following currencies: Polish zloty, Romanian leu, Croatian kuna, Czech koruna, Hungarian forint, Estonian kroon, Latvian lats and Lithuanian litas.

2011 €m	EUR	USD	SEK	NOK	RUB/UAH	CEE curren-cies	Other	Total
% of sales	**57 %**	**1 %**	**12 %**	**10 %**	**8 %**	**7 %**	**5 %**	**100 %**
+	**1 601**	**27**	**349**	**266**	**232**	**194**	**128**	**2 798**
-	**-1 715**	**-533**	**-87**	**-142**	**-138**	**-134**	**-27**	**-2 776**
% of costs	**62 %**	**19 %**	**3 %**	**5 %**	**5 %**	**5 %**	**1 %**	**100 %**

2010 €m	EUR	USD	SEK	NOK	RUB/UAH	CEE curren-cies	Other	Total
% of sales	55 %	2 %	12 %	10 %	8 %	8 %	4 %	100 %
+	1 328	53	296	242	188	200	108	2 415
-	-1 585	-368	-76	-136	-120	-118	-23	-2 427
% of costs	65 %	15 %	3 %	6 %	5 %	5 %	1 %	100 %

The translation position, which causes fluctuation in equity, consists of net investments in subsidiaries and equity-accounted investees outside the eurozone. Management assesses the need to hedge against the translation risk on a case-by-case basis, taking into account, for example, market conditions and the cost of hedging. The exchange rate risk arising on net investments in companies outside the eurozone was not hedged in 2011. The table below shows the group's translation position as regards the most significant foreign currencies

Group translation position

€m	31 Dec 2011	31 Dec 2010
RUB	**116**	126
NOK	**49**	47
SEK	**50**	46
PLN	**33**	17

Positions determined at exchange rates at 31 Dec 2011 and 31 Dec 2010.

Sensitivity of the group's net investments (translation position) to exchange rate movements

	31 Dec 2011	31 Dec 2010
€m	Equity	Equity
+/-10% movement in EUR/RUB exchange rate	**-10.5/+12.9**	-11.4/+13.9
+/-10% movement in EUR/NOK exchange rate	**-4.4/+5.4**	-4.3/+5.2
+/-10% movement in EUR/SEK exchange rate	**-4.5/+5.5**	-4.2/+5.1
+/-10% movement in EUR/PLN exchange rate	**-3.0/+3.6**	-1.6/+1.9

+ means a strengthening of the euro, - means a weakening of the euro against other currencies

Sensitivity to foreign exchange risks arising from financial instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a +/- 10% movement in exchange rates would affect the consolidated income statement and equity by examining the impact of the following items: derivatives hedging cash flow, derivatives hedging the statement of financial position, trade payables, internal and external loans and receivables, and cash. The sensitivity analysis excludes the taxation impact.

Sensitivity to foreign exchange risks

	31 Dec 2011		31 Dec 2010	
€m	Result	Equity	Result	Equity
+/-10 % movement in EUR/USD exchange rate	**+6.1/-7.5**	**-21.3/+26.1**	-17.3/+20.3	
+/-10 % movement in EUR/SEK exchange rate	**+4.1/-9.2**		+3.9/-6.5	
+/-10 % movement in EUR/NOK exchange rate	**+1.7/-5.8**		+1.4/-1.7	

+ means a strengthening of the euro, - means a weakening of the euro against other currencies

Statement of financial position items denominated in USD, SEK and NOK were hedged at year-end 2011. The sensitivity analysis above excludes cash flows forecast from business transactions. At year-end 2011, cash flows from business transactions in USD were hedged for around four months, in SEK for around five months and in NOK for around five months.

Interest risk

The group is exposed to interest rate risks through interest-bearing liabilities and receivables. Net interest-bearing financial liabilities at 31 December 2011 were EUR 770 million (621), which includes finance lease loans for EUR 45 million (45). The group's liquid assets were EUR 78 million (53). The group's interest rate risk management is dealt with centrally by Corporate Treasury. Interest risk management aims to level out fluctuations in the consolidated result, whilst seeking to optimise corporate financing costs within the given risk limits. The interest rate position is managed by currency. The euro is the group's most important currency in the interest risk position and accounts for almost 100% (around 92) of the assets and liabilities covered by the position. The interest rate risk position excludes foreign exchange derivatives. To manage the interest rate risk, borrowing and investments have been spread over fixed- and variable interest instruments. In addition, derivative instruments can be used to modify the duration of the interest rate risk position. The group has applied fair value hedge accounting in accordance with IAS 39 -standard to its interest rate derivatives. The fair value hedge accounting has ended during 2011 and at 31 December 2011 there were no open interest rate derivative instruments. The interest rate risk is monitored and managed as interest rate flow risk and as price risk. Interest rate flow risk is examined by calculating the impact of a one percentage point rise in interest rates on net financial costs during the following 12 months. Price risk has no impact on income statement. Duration of the group's debt position at 31 December 2011 was 2.3 years (2.5)

Sensitivity to interest rate risks arising from financial instruments as referred to in IFRS 7
A sensitivity analysis has assessed how a hike of one percentage point in market interest rates would affect the consolidated result and equity. The impact on result consists of the interest flow risk and price risk. The analysis includes all the group's interest-bearing items. The sensitivity analysis excludes the taxation impact.

Sensitivity to interest rate risks

	31 Dec 2011		31 Dec 2010	
€m	Result	Equity	Result	Equity
+ 1% point movement in market interest rate	-2.5		-2.5	+/-0

Commodity price risks
The raw materials used by the group involve price risks for which the established derivatives markets cover zinc. Zinc price risk management is carried out through derivative contracts. Ruukki Metals division is responsible for managing the zinc price risk, which in practice is carried out by Corporate Treasury. Under its zinc sourcing risk policy, Ruukki Metals hedges zinc purchases for the following 12 months at a hedging level of 30-100%. In 2011, Ruukki purchased around 29,000 tonnes of zinc.

Rautaruukki Corporation is one of the largest users of electricity in Finland. The group's largest electricity consuming production units are in Finland, with most electricity being consumed at the company's works in Raahe and Hämeenlinna. In 2011, the group used around 1,3 TWh (1.3) of electricity. The group generates in Finland about 40% of the electricity it uses and buys the remainder. Production process gases are used in own electricity generation at the Raahe Steel Works. Most of the electricity bought to meet the group's need in the Nordic countries is sourced centrally. Electricity price risk management aims to limit volatility, caused by fluctuations in the price of electricity, in cash flows and results. Electricity is hedged primarily through standard derivative products listed on the market and through fixed electricity supply contracts. The electricity price risk is also managed centrally within the group. The hedging horizon in managing the electricity price risk at Ruukki is the current year and the following five calendar years.

Rautaruukki applies IAS 39-compliant hedge accounting to both its zinc and electricity derivatives. Starting on 1 January 2012, Rautaruukki has applied cash flow hedge accounting in accordance with IAS 39 for purchases of special heavy fuel oil. The zinc, electricity and special heavy fuel oil derivatives employed by the group have been defined as cash flow hedges. The relationship between the hedging instrument and the hedged item is documented when the hedging contract is made. Hedge effectiveness is measured both at the start of the hedging relationship and quarterly throughout the validity of the relationship. The effective part of movements in the fair value of the derivatives that are designated as and qualify for cash flow hedging is recognised in other comprehensive income. The ineffective part of movements in the fair value of the derivatives is booked direct to the cost of goods sold. The realised income of the effective part of hedges is recognised as an adjustment to the cost of sales in the period during which the hedged items affects the result

Sensitivity to commodity price risks arising from financial instruments as referred to in IFRS 7
A sensitivity analysis has assessed how a +/- 10% movement in prices of electricity and zinc would affect the consolidated result and equity by examining the derivative contracts. The sensitivity analysis excludes the taxation impact.

Sensitivity to commodity price risks

	31 Dec 2011		31 Dec 2010	
€m	Result	Equity	Result	Equity
+/-10 % movement in price of electricity	+/-0	+6.3/-6.3	+/- 0	+8.5/-8.5
+/-10 % movement in price of zinc	+/-0	+1.7/-1.7	+/- 0	+3.6/-3.6

Liquidity risk
Liquidity risk is defined as a situation in which the group's financial assets and borrowing options are insufficient to support future operational needs or a situation in which the costs of fundraising required are exceptionally high. Corporate Treasury is responsible for the group's liquidity and the fundraising process. To minimise the risk of refinancing, the group aims for a balanced maturity profile in its loan portfolio and utilises a variety of funding sources. The group's Treasury Policy specifies that the amount of undrawn committed credit lines with financial institutions must at least equal the amount of debt maturing during the following 12 months. In addition, the weighted maturity of loans due after 12 months shall be at least three years. At year-end 2011 the maturity of non-current loans after 12 months was 5.5 years (4.1).

The group has defined the sufficient liquidity reserve, which includes cash and liquid assets, committed undrawn credit lines and undrawn loans from banks less short-term credit. The liquidity reserve is deemed as being adequate when it covers the forecast net cash flow, including all non-current loans maturing, for the following 12 months. To ensure liquidity, the group had committed revolving credit facilities totalling EUR 475 million (350), which were completely undrawn at year-end. The group has overdraft facilities totalling around EUR 73 million (72). In addition, the group has non-committed credit lines totalling EUR 75 million (75) from banks and a EUR 350 million (250) commercial paper programme, of which EUR 98 million (94) remained undrawn at the end of the year. The table below shows the maturity profile of financial liabilities.

Maturities of the group's financial liabilities at 31 December 2011

€m	Currency	2012	2013	2014	2015	2016	2017-	Total	% of loan stock
Bonds	EUR			150				150	14 %
Loans from financial institutions	EUR	26	40	46	46	39	173	370	34 %
	SEK	0						0	0 %
	CNY	7						7	1 %
	USD	1						1	0 %
Pension loans	EUR	5	5	5	5	3		24	2 %
	SEK						1	1	0 %
Commercial papers	EUR	252						252	23 %
Finance leases	EUR	7	6	6	4	4	17	45	4 %
Trade payables	EUR	246						246	22 %
		544	51	208	55	46	192	1095	100 %

Contractual interest flows at interest rates valid at 31 December 2011							
€m	EUR	26	23	20	10	8	18

Maturities of the group's financial liabilities at 31 December 2010

€m	Currency	2011	2012	2013	2014	2015	2016-	Total	% of loan stock
Bonds	EUR				150			150	18 %
Loans from financial institutions	EUR	22	20	38	37	37	90	244	29 %
	SEK		33					33	4 %
	CNY	2						2	0 %
	USD	1						1	0 %
Pension loans	EUR	7	7	7	7	7	8	42	5 %
	SEK						1	1	0 %
Commercial papers	EUR	156						156	18 %
Other	EUR	1						1	0 %
Finance leases	EUR	10	6	5	5	3	16	45	5 %
Trade payables	EUR	171						171	20 %
		369	66	50	199	47	115	845	100 %

Contractual interest flows at interest rates valid at 31 December 2010							
€m	EUR	22	20	17	16	6	13

Credit and counterparty risks

Credit risks

Corporate Finance is responsible for credit risk management, processes, instructions and reporting. The key principles applying to credit sales have been determined by corporate management and credit policies have been prepared geographically, regionally or on a subsidiary-specific basis to support credit risk control in practice. Decisions concerning customer credit limits and risks are taken in line with the authorisations decided by the Board of Directors and corporate management assesses the most significant risks. Credit risks and changes in the business environment are reported to corporate management on a monthly basis. In the same context, the most significant risks from the corporate and divisional aspect are analysed in detail.

Rautaruukki's management of credit risks in relation to trade receivables is based on deciding a credit limit separately for each customer. Sales exceeding the credit limit are not allowed under credit sales principles. The company's first risk management tool is credit risk insurance and, in keeping with the company's credit sales principles, efforts are made to insure all trade receivables. Bank guarantees, other similar collateral - such as advance and cash payments - as well as irrevocable letters of credit and export collections confirmed by a bank are taken into account as factors mitigating the risk. The company's maximum credit risk equates to the carrying value of the financial assets at the end of the period. Financial assets by category are specified in note 17 Financial assets and liabilities by category.

Rautaruukki has no significant risk clusters in trade receivables because sales are spread over a broad customer base and no single customer or group of customers is significant to the company. Most trade receivables are insured and the amount of uninsured receivables has decreased considerably during the year.

Credit losses of EUR 2.9 million (3.4) were booked during the period. This equates to 0.10% (0.14) of net sales. Losses were spread across a number of subsidiaries within the group and no individual losses were significant to subsidiaries.

The share of overdue trade receivables at year-end rose to 20% (16). Receivables overdue by less than 7 days accounted for the majority of receivables overdue. This is mainly explained by the time taken to process money transactions between financial institutions before payment is recognised in the company's bank account. The structure of overdue receivables for the whole year was similar to that of last year. In other words, factors of uncertainty in the business environment have not impacted significantly on the structure of trade receivables.

Trade receivables

€m	2011	2010
Trade receivables	**324**	325
Overdue by		
1-30 days	**49**	40
31-60 days	**8**	8
61-90 days	**3**	3
more than 91 days	**5**	3
Total overdue	**66**	53

The amount of doubtful receivables recognised in profit and loss rose to EUR 16 million during 2011. In the table above, doubtful receivables are subtracted from trade receivables.

Doubtful receivables

€m	2011	2010
Doubtful receivables at 1 Jan	**15**	23
Change in doubtful receivables	**4**	-5
Final credit losses	**-3**	-3
Doubtful receivables at 31 Dec	**16**	15
Analysis of doubtful receivables		
Not yet maturing	**0**	1
1-30 days	**0**	0
31-60 days	**0**	0
61-90 days	**0**	0
more than 91 days	**15**	14
Total	**16**	15

Rautaruukki hold bank guarantees in respect of trade receivables. However, the significance of guarantees as an item improving credit quality is small since their amount is small compared to total trade receivables.

Counterparty risks

To minimise the counterparty risk in financing, the company enters into contracts only with leading creditworthy financial institutions and other counterparties. In investing activities, counterparty risk is managed by defining separate risk limits for each counterparty. The company has a valid ISDA framework agreement or similar agreement in respect of derivative contracts negotiated outside a stock exchange. No losses from financial counterparty risks were incurred during 2011.

Capital management

Rautaruukki's capital management aims at safeguarding business conditions in all circumstances. The capital structure seeks to ensure flexible access to capital markets to secure adequate funding at a competitive rate compared to other actors in the industry.

Development of the capital structure is constantly monitored through gearing. The strategic intent is to keep gearing in the region of about 60%. Net interest-bearing financial liabilities at year-end 2011 were EUR 770 million (621) and the gearing ratio was 60.4% (44.7). Net interest-bearing financial liabilities included financial liabilities less cash and current financial assets. The group has defined the weighted average cost of capital (WACC) applied to capital allocation decision-making and in assessing the efficiency of the use of capital. The strategic target for return on capital employed is 20%. The group's dividend policy is a payout ratio of 40-60% of the result for the period. The aim is for a steadily rising dividend whilst taking into account the needs of business growth.

Gearing ratio at 31 Dec

€m	2011	2010
Non-current financial liabilities	**551**	477
Current financial liabilities	**297**	198
Cash and current financial assets	**-78**	53
Net interest-bearing financial liabilities	**770**	621
Total equity	**1 275**	1 389
Gearing ratio	**60.4%**	44.7%

4. Operating segments

Operating Segments

The business segments consist of the following reporting divisions consistent with Rautaruukki's organisational and management structure and internal financial reporting:

Ruukki Construction

Ruukki Construction supplies lifecycle-efficient steel structure solutions for commercial, office and industrial construction, single family homes, port and transport infrastructure construction.

Ruukki Engineering

Ruukki Engineering supplies fully-assembled systems and components for the engineering industry. The core product areas are operator cabins and various special steel and other components.

Ruukki Metals

Ruukki Metals produces and supplies special steel products including high-strength, wear-resistant and special-coated products for demanding applications. Steel service centres supply steel products and related prefabrication, logistics and storage services.

The reporting segments are based on products and customers. The external sales of the segments are based on information of sales by customer. Segments' cost of sales are based on the standard costs of the products. Sales and administrative costs consist of the segment´s own costs and costs allocated to the segment based on net sales or use of resources. There are no inter-segment sales which the company´s management would monitor in internal reporting.

Income statement

€m	2011	2010
Net Sales		
Ruukki Construction	**757**	628
Ruukki Engineering	**257**	193
Ruukki Metals	**1 783**	1 581
Others	**1**	13
Group	**2 798**	2 415
Operating profit		
Ruukki Construction	**-6**	-43
Ruukki Engineering	**-7**	-32
Ruukki Metals	**52**	93
Others	**-16**	-30
Group	**22**	-12
Net finance costs	**-37**	-66
Share of profit of equity-accounted investees	**3**	3
Income tax expense	**1**	-4
Result for the period	**-10**	-79

Depreciation and impairment

€m	Depreciation 2011	Depreciation 2010	Impairment 2011	Impairment 2010
Ruukki Construction	**28**	30	**2**	1
Ruukki Engineering	**8**	9	**1**	4
Ruukki Metals	**108**	108	**1**	1
Others	**0**	1	**0**	8
Group	**144**	148	**5**	14

Operative capital employed of business segments

In 2010 the group switched over from reporting segment assets to reporting segment operative capital employed because this is the indicator that is reported to management and which management monitors. Operative capital employed is defined as follows:

+ Tangible and intangible assets
+ Available-for-sale financial assets
+ Inventories
+ Trade receivables
- Trade payables
- Advances received

Figures for the reference period are similarly stated.

Operative capital employed and additions to non-current assets	Operative capital employed		Additions to non-current assets	
€m	**2011**	2010	**2011**	2010
Ruukki Construction	**425**	429	**13**	12
Ruukki Engineering	**163**	144	**8**	13
Ruukki Metals	**1 568**	1 547	**161**	143
Others	**20**	30	**6**	5
Group total	**2 175**	2 150	**189**	173

Geographical information	Net sales		Non-current assets	
€m	**2011**	2010	**2011**	2010
Finland	**761**	652	**1 070**	1 015
Other Nordic countries	**914**	745	**50**	54
Central Eastern Europe*	**363**	291	**117**	127
Russia and Ukraine	**223**	188	**150**	160
Rest of the Europe	**388**	372	**1**	2
Other countries	**148**	166	**7**	8
Group total	**2 798**	2 415	**1 395**	1 367

* Central Eastern Europe refers to the Baltic states, Bulgaria, Croatia, Poland, Romania, Serbia, Slovakia, Slovenia, Czech Republic and Hungary.

Income from geographical regions is determined by customer location and the carrying amount of non-current assets is determined based on their location.

Transactions between geographical regions are conducted in compliance with general market prices and conditions.

Comparable net sales and operating profit

In interim reports in 2010 items affecting the comparability of consolidated and segment net sales and operating profit have been separated from the group's reported figures to ensure a better understanding and comparability of Ruukki's operating activities and result. Figures for the reference period are similarly stated.

Comparable net sales and operating profit	Net sales		Operating profit	
€m	**2011**	2010	**2011**	2010
Ruukki Construction	**757**	628	**-3**	-45
Ruukki Engineering	**257**	193	**-7**	-28
Ruukki Metals	**1 783**	1 581	**80**	126
Others	**0**	1	**-14**	-15
Total	**2 797**	2 403	**56**	38

Items affecting comparability

Items affecting comparability of net sales and operating profit comprise:

Items related to changes in business structure, for example

- Changes in group structure (acquisitions and disposals)
- Items related to discontinued and held for sale operations, for example
    - Write-down of inventories and impairment of assets
    - Restructuring costs
    - Impairment of goodwill and purchase price allocations

Items not related to current business operations, for example fine regarding price collusion.

Items related to continued business operatons, for example

- Unrealised gains and losses on USD derivatives not accounted for as hedges according to IAS 39 (in 2010)
- Expense caused by low utilisation rate related to blast furnace modernisation

Items affecting comparability by segments

€m	2011	2010
Items affecting comparability of the group's net sales		
Others		
Net sales of Mo i Rana unit	**1**	12
Items affecting comparability of the group´s operating profit		
Ruukki Construction		
Unrealised gains and losses on USD derivatives		2
Expenses related to restructuring	**-3**	
Ruukki Engineering		
Unrealised gains and losses on USD derivatives		1
Expenses related to restructuring	**0**	-5
Cost of strike	**0**	
Ruukki Metals		
Expense caused by low utilisation rate related to blast furnace modernisation	**-25**	-18
Cost of strike	**-5**	
Income from sale of shares	**2**	
Unrealised gains and losses on USD derivatives		-13
Cost of production test runs for change in feedstock base		-2
Others		
Operating profit of Mo i Rana unit	**-2**	-11
Fine regarding price collusion in divested (in 2006) prestressing steel business		-4
Items affecting comparability, total	**-34**	-49

5. Business combinations

2011
Acquisitions
There were no business acquisitions in 2011.

Divestments
There were no business divestments in 2011.

2010
Acquisitions
There were no business acquisitions in 2010.

Divestments
In April 2010 Rautaruukki Oyj sold the real estate company Kiinteistö Oy Järvenpään Puurtajankatu 2 for a cash consideration of three million euros.

6. Assets held for sale

In December 2009, Rautaruukki announced it was to launch a study to reorganise operations at its Mo i Rana unit in Norway, which made shipbuilding profiles and flange profiles for wind turbine towers. The unit was part of the Ruukki Engineering segment. The unit had net sales of EUR 49 million in 2009 and posted an operating loss of EUR 30 million. It was decided to study the options, including the partial or entire closure of operations, available to correct the plant's financial performance. In this connection, worker consultation with the around 110 persons affected was initiated.

Based on a decision made in September, the plant is to be disposed of and the relating assets and liabilities are disclosed in the statement of financial position separately from other assets and liabilities. The assets and liabilities of Mo i Rana unit were measured at 30 September 2010 at the carrying amount or at fair value less costs to sell, whichever is the lower. In the same context, the unit was classified as being in the disposal group. The impairment of EUR 8 million booked on property, plant and equipment in this connection is shown under depreciation and impairments. The unit represents neither a major line of business nor a geographical area of operations and so does not satisfy the conditions of discontinued operations.

Assets and liabilities of Mo i Rana unit at 31 December

€m	2011	2010
Assets		
Inventories	**1**	2
Deferred tax assets	**12**	14
Trade and other receivables	**0**	0
Cash and cash equivalents	**0**	0
Total assets	**14**	15
Liabilities		
Trade and other payables	**1**	3
Provisions	**4**	5
Total liabilities	**5**	7

7. Other operating income and expenses

Other operating income

€m	2011	2010
Gains on the sale of property, plant and equipment	7	3
Subsidies received	5	5
Other	7	8
Total	19	15

Other operating expenses

€m	2011	2010
Loss on the sale of property, plant and equipment	0	1

8. Specification of costs by function

€m	2011	2010
Raw materials, consumables and supplies	1 224	1 283
Employee benefits	489	472
External services	291	272
Freights	251	235
Depreciation, amortisation and impairment	149	162
Energy and fuels	154	146
Rents	32	37
Other	69	57
Production for own use	-11	-16
Change in inventories	147	-206
Total	2 794	2 441

Costs by function include cost of sales, selling, marketing and administration costs.

Auditors' fees

€k	2011	2010
Statutory auditing	1 259	1 310
Other auditing	162	115
Tax services	246	209
Other services	37	404
Total	1 703	2 038

9. Employee benefits

€m	2011	2010
Wages and salaries	395	379
Profit sharing bonus		
Share-based payments		
benefits granted paid as shares	0	0
benefits granted paid as cash	0	
Pension insurance contributions and pensions		
defined contribution pension plans	52	52
defined benefit pension plans	1	2
Other indirect employee costs	41	39
Total	489	472

Employee benefits by function

€m	2011	2010
Cost of sales	**355**	340
Sales and marketing	**65**	62
Administration	**69**	70
Total	**489**	472

Management's employee benefits are specified in Note 34 Related party disclosures, and share bonus plans in Note 28 Share-based payments.

Average number of personnel by function	2011	2010
Cost of sales	**9 379**	9 179
Sales and marketing	**1 175**	1 226
Administration	**1 267**	1 288
Total	**11 821**	11 693

10. Depreciation, amortisation and impairment

Depreciation and amortisation by asset group

€m	2011	2010
Intangible assets	**19**	20
Tangible assets		
Buildings and structures	**27**	28
Machinery, equipment and other tangible assets	**98**	100
Total depreciation and amortisation	**144**	148
Impairment	**5**	14
Total depreciation, amortisation and impairments	**149**	162

Depreciation, amortisation and impairment by function

€m	2011	2010
Cost of sales	**137**	151
Sales and marketing	**2**	2
Administration	**10**	9
Total	**149**	162

Depreciation includes EUR 3 million (3) depreciation on leased buildings and structures and depreciation of EUR 3 million (4) on leased machinery and equipment. Impairments are included in costs of sales and previously recognised impairments have not been reversed.

11. Finance income and costs

€m	2011	2010
Dividend income	0	0
Interest income from loans and other receivables	1	2
Income from cash and cash equivalents measured at fair value through profit and loss	0	1
Other finance income	0	0
Total finance income	2	2
Interest expense from financial liabilities measured at amortised cost	-30	-26
Interest expense on finance items measured at fair value through profit and loss	-6	-8
Capitalised interest expense	3	2
Impairment losses on loan receivables	0	-33
Other finance costs	-6	-5
Total finance costs	-39	-70
Exchange rate gains from loans and other receivables	19	37
Exchange rate gains from foreign currency derivatives not qualifying for hedge accounting	33	26
Exchange rate gains from loans measured at amortised cost	1	
Total exchange rate gains	53	63
Exchange rate losses from loans and other receivables	-35	-32
Exchange rate losses from foreign currency derivatives not qualifying for hedge accounting	-18	-25
Exchange rate losses from loans measured at amortised cost		-4
Total exchange rate losses	-53	-61
Total finance income and costs	-37	-66

Less than one EUR million (+3) arising on electricity derivatives qualifying for hedge accounting has been recognised in the income statements as an adjustment to electricity purchases. Realised result of the zinc derivatives qualifying for hedge accounting was EUR +3 million (+2). -EUR 2 million (-) arising on foreign currency derivatives qualifying for hedge accounting has been recognised in the income statements as an adjustment to raw material purchases. In addition to the exchange rate differences disclosed in Finance income and costs, the consolidated operating profit included exchange rate differences less than one million on sales, none of which resulted from derivatives (-7, of which derivatives -7) and -EUR 5 million on purchases, none of which resulted from derivatives (+3, of which derivatives +6).

The divestment of Rautaruukki´s equity-accounted investee Oy Ovako Ab was completed in 2006. As part of the transaction, Rautaruukki received a vendor note from Ovako. In August 2010, private equity investor Triton acquired the entire share capital of the Bar, Bright Bar and Tube and Ring companies, which were part of Ovako. As a result of the arrangement, Rautaruukki waived the vendor note in return for a security entitling it to ownership of around 2.2 per cent in Ovako. Rautaruukki wrote down the loan receivable of EUR 33 million in 2010.

12. Income taxes

€m	2011	2010
Current tax	**-9**	-1
Taxes for previous years	**0**	-2
Change in deferred tax assets and liabilities	**10**	-2
Total	**1**	-4

Income taxes recognised in the consolidated income statement differ from the 26 per cent tax rate in force in Finland as follows:

€m	2011	2010
Result before income tax	**-12**	-74
Taxes calculated using parent company's tax rate	**3**	19
Effect of differing tax rates in foreign subsidiaries	**-3**	-4
Effect of changes in tax rates	**-1**	-1
Tax-free income and non-decuctible expenses	**-1**	-13
Utilisation of unrecognised tax losses carried forward	**1**	1
Unrecognised taxes on losses carried forward	**-2**	-7
Other temporary differences	**4**	-1
Taxes for previous years	**0**	2
Income taxes	**1**	-4

Finnish corporate tax rate will decrease from 26 per cent to 24.5 per cent in 2012.

Taxes booked directly to other comprehensive income and specification of other changes in deferred taxes are given in Note 20 Deferred tax assets and liabilities.

13. Earnings per share

Basic earning per share are calculated by dividing the result for the period attributable to owners of the company by the weighted number of shares outstanding during the period.

	2011	2010
Result for the period attributable to owners of the company, €m	**-10**	-79
Weighted average number of shares outstanding during the period, 1,000	**138 862**	138 864
Basic earnings per share, €	**-0.07**	-0.57

In calculating earnings per share adjusted for the effect of dilution, the diluting effect due to the conversion into shares of all dilutive potential shares is taken into account in stating the weighted average number of shares.

	2011	2010
Result for the period attributable to owners of the company, €m	**-10**	-79
Net result for the period for the calculation of earnings per share adjusted for the dilution effect, €m	**-10**	-79
Weighted average number of shares during the period, 1,000	**138 862**	138 864
Weighted average number of shares for calculating earnings per share adjusted for the dilution effect, 1,000	**138 862**	138 864
Earnings per share, diluted, €	**-0.07**	-0.57

14. Property, plant and equipment

€m	2011	2010
Land and water		
Acquisition cost at 1 Jan	**21**	21
Additions	**0**	0
Disposals	**0**	0
Disposals through divestments		0
Exchange rate differences	**0**	0
Carrying amount at 31 Dec	**21**	21
Buildings and structures		
Acquisition cost at 1 Jan	**709**	703
Additions	**35**	20
Disposals	**-3**	-15
Disposals through divestments		-3
Exchange rate differences	**0**	4
Acquisition cost at 31 Dec	**741**	709
Accumulated depreciation at 1 Jan	**-353**	-337
Accumulated depreciation on disposals	**3**	15
Accumulated depreciation on divestments		0
Depreciation and impairment for the period	**-28**	-29
Exchange rate differences	**-3**	-2
Accumulated depreciation at 31 Dec	**-382**	-353
Carrying amount at 31 Dec	**359**	356
Machinery, equipment and other tangible assets		
Acquisition cost at 1 Jan	**2 468**	2 336
Additions	**171**	157
Disposals	**-48**	-31
Transfers between tangible asset items	**11**	
Exchange rate differences	**-6**	6
Acquisition cost at 31 Dec	**2 596**	2 468
Accumulated depreciation at 1 Jan	**-1 768**	-1 684
Accumulated depreciation on disposals	**48**	27
Accumulated depreciation on divestments	**0**	0
Depreciation and impairment for the period	**-100**	-109
Exchange rate differences	**2**	-3
Accumulated depreciation at 31 Dec	**-1 818**	-1 768
Carrying amount at 31 Dec	**778**	700
Advance payments and construction in progress		
Acquisition cost at 1 Jan	**103**	120
Changes	**-47**	-17
Carrying amount at 31 Dec	**56**	103
Total tangible assets	**1 214**	1 180

Interest of EUR 3 million (2) was capitalised in the acquisition cost of tangible assets in 2011. The capitalisation rate used averaged 3.2 per cent (3.8).

Finance leases

Tangible assets include property acquired under finance leases as follows:

€m	2011	2010
Buildings and structures		
Acquisition cost	**43**	38
Accumulated depreciation	**-27**	-18
Carrying amount at 31 Dec	**16**	19
Machinery and equipment		
Acquisition cost	**45**	44
Accumulated depreciation	**-23**	-28
Carrying amount at 31 Dec	**22**	16

The group has leased buildings as well as machinery and equipment under finance lease agreements with different terms. Additions to property, plant and equipment in 2011 include EUR 11 million assets under finance leases (-).

15. Intangible assets

€m	2011	2010
Goodwill		
Acquisition cost at 1 Jan	**104**	103
Impairment		-2
Exchange rate differences	**-2**	4
Carrying amount at 31 Dec	**103**	104
Customer relationships		
Acquisition cost at 1 Jan	**48**	47
Additions	**1**	
Disposals	**-3**	
Exchange rate differences	**0**	1
Acquisition cost at 31 Dec	**46**	48
Accumulated depreciation at 1 Jan	**-28**	-21
Accumulated depreciation on disposals	**3**	
Depreciation and impairment for the period	**-5**	-7
Accumulated depreciation at 31 Dec	**-30**	-28
Carrying amount at 31 Dec	**16**	20
Other intangible assets		
Acquisition cost at 1 Jan	**183**	188
Additions	**14**	9
Disposals	**-1**	-15
Transfers between intangible asset items	**3**	
Exchange rate differences	**0**	1
Acquisition cost at 31 Dec	**200**	183
Accumulated depreciation at 1 Jan	**-148**	-147
Accumulated depreciation on disposals	**1**	14
Depreciation and impairment for the period	**-15**	-14
Transfers between intangible asset items	**2**	
Exchange rate differences	**0**	0
Accumulated depreciation at 31 Dec	**-160**	-148
Carrying amount at 31 Dec	**40**	35

€m	2011	2010
Advance payments		
Acquisition cost at 1 Jan	**13**	6
Changes	**-4**	7
Carrying amount at 31 Dec	**8**	13
Total other intangible assets	**64**	68

The group's intangible assets consist mostly of goodwill and purchased software. The group has no intangible assets with indefinite useful lives or significant internally generated intangible assets.

Emissions allowances

In the free initial allocation of emissions allowances for the second period of 2008-2012 of the EU Emissions Trading Scheme, the Raahe Works and Hämeenlinna Works in Finland received a total of 23.5 million emissions allowances. In late April, the EU Commission approved the new emission factors applicable in the EU's Emissions Trading Scheme for 2013-2020. These emissions factors apply to free allocations of emissions allowances. New allocation rules for free emissions allowances have been harmonised: country-specific quotas will disappear and free emissions allowances will be based on the same emissions factors for all taking into account carbon dioxide efficiency. The EU plans to gradually reduce the amount of emissions allowances. Ruukki's works in Raahe and Hämeenlinna applied for emissions allowances in 2011. The allocation of allowances is based on European benchmarks of steel industry efficiency. According to current estimates, final information about free emissions allowances will be known during 2012.

The value of emissions allowances, emissions reductions and units in funds generating carbon credits totalled EUR 3 million (3) in the statement of financial position at the end of the period. In 2011, emissions allowances trading generated income of EUR 4 million (9). Actual carbon dioxide emissions under the emissions allowance scheme in 2011 were around 4 million tonnes (4) and around 4 million emissions allowances equating to these will be returned by 30 April 2012.

Allocated goodwill by segments and impairment testing

€m	2011	2010
Ruukki Construction	**66**	67
Ruukki Engineering	**25**	25
Ruukki Metals	**12**	12
Total	**103**	104

For the purposes of impairment testing, goodwill is allocated to cash-generating units. Cash-generating units correspond to specific segments, which is the level at which management monitors operations and the related goodwill. The recoverable amount is determined on the basis of value-in-use calculations, which are based on management-approved forecasts covering three years. The forecast cash flows are discounted to the present value. The discount rate used was 9.65 per cent (9.90) for all cash-generating units.

Cash flow growth forecasts reflect management's view of the behaviour of sales and cost items during the forecasting period. Cash flows subsequent to the forecasting period have been taken into account applying a growth assumption of one per cent. The growth assumption does not exceed the average non-current growth in the industry.

Materialisation of the calculations depends on the following assumptions made: market prices of steel products and raw materials, business cycles in construction and the engineering industry and the trend in foreign exchange rates. The assumptions applied by management are based on previous experience as well as on the general view regarding the outlook for the industry.

Impairment tests carried out show that the group has no need to recognise any impairment charges. The recoverable amount determined in impairment testing clearly exceeds the carrying amount of the units tested, whereby to the best of management's belief and understanding, any conceivable change in the principle assumptions applied in the calculations would not entail an impairment situation.

16. Equity-accounted investees

Combined figures of equity-accounted investees

€m	Net sales	Result	Assets	Liabilities
2011				
Equity-accounted investees, total	**212**	**12**	**100**	**40**
2010				
Equity-accounted investees, total	177	8	98	45

Equity-accounted investees

Name	Country	Domicile	Holding %
Bet-Ker Oy	Finland	Ylivieska	44.4
Heléns Rör AB	Sweden	Halmstad	25.0

Equity-accounted investees are not listed companies. The accounting period of equity-accounted investees is the calendar year. The results have been consolidated using preliminary figures if the financial statements of the companies have not been completed according to the schedule for the consolidated financial statements.

17. Financial assets and liabilities by category

31 December 2011 €m	Financial assets/ liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives qualifying for hedge accounting	Carrying amount of the statement of financial position items	Fair value
Non-current assets							
Available-for-sale investments			13			13	13
Loan receivables		1				1	1
Derivative contracts					0	0	0
Other receivables		4				4	4
Current assets							
Trade receivables		324				324	324
Other receivables		7				7	7
Derivative contracts	5				17	22	22
Financial assets		37				37	37
Cash and cash equivalents		41				41	41
Carrying amount by measurement category	5	413	13		17	448	448
Non-current liabilities							
Loans and borrowings				551		551	559
Derivatives					7	7	7
Other non-current liabilities				14		14	14
Current liabilities							
Loans and borrowings				297		297	297
Derivative contracts	4				8	12	12
Trade payables				246		246	246
Carrying amount by measurement category	4			1 109	15	1 127	1 136

31 December 2010 €m	Financial assets/ liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amorti-sed cost	Derivatives qualifying for hedge accounting	Carrying amount of the state-ment of financial position items	Fair value
Non-current assets							
Available-for-sale investments			13			13	13
Loan receivables		1					1
Derivative contracts					4	4	4
Other receivables		4				4	4
Current assets							
Trade receivables		325				325	325
Other receivables		8				8	8
Derivative contracts	3				14	17	17
Financial assets	8	5				14	14
Cash and cash equivalents		40				40	40
Carrying amount by measurement category	11	382	13		18	424	424
Non-current liabilities							
Loans and borrowings				477		477	482
Derivatives					3	3	3
Other non-current liabilities				14		14	14
Current liabilities							
Loans and borrowings				198		198	198
Derivative contracts	17				0	17	17
Trade payables				171		171	171
Carrying amount by measurement category	17			860	3	880	886

18. Available-for-sale financial assets

€m	2011	2010
1 Jan	**13**	12
Additions	**1**	0
Disposals	**0**	0
31 Dec	**13**	13

Available-for-sale financial assets consist of shares in unlisted companies in which the group´s share of the votes is under 20 per cent. The financial assets have been recognised at acquisition cost because their fair value cannot be reliably determined.

19. Other non-current receivables

€m	2011	2010
Interest-bearing loan receivables	**1**	1
Other non-current receivables	**4**	8
Total	**5**	9

The fair values of non-current loan receivables are disclosed in Note 17 Financial assets and liabilities by category.

20. Deferred tax assets and liabilities

Changes in deferred taxes during 2011

€m	1 Jan	Recognised in income statement	Recognised in other compre-hensive income	Exchange rate differen-ces and other changes	31 Dec
Deferred tax assets					
Provisions	3	1		0	4
Tangible and intangible assets	2	2		-2	2
Finance leases	3	-1		0	2
Employee benefits	12	-1	2	0	12
Measurement of derivatives at fair value		5	6	-5	7
Taxable losses	95	4		-2	97
Other items	4	1		-1	4
Total	120	10	8	-10	128
Transfer to assets held for sale	-14				-12
Netted out against deferred tax liabilities	-80				-89
Deferred tax assets	26				27
Deferred tax liabilities					
Tangible and intangible assets	108	-1		0	107
Measurement of derivatives at fair value	4	4	4	-5	7
Other items	7	-3		-4	0
Total	119	0	4	-9	114
Netted out against deferred tax assets	-80				-89
Deferred tax liabilities	39				25

Changes in deferred taxes during 2010

€m	1 Jan	Recognised in income statement	Recognised in other compre-hensive income	Exchange rate differen-ces and other changes	31 Dec
Deferred tax assets					
Provisions	3	1		0	3
Tangible and intangible assets	0	2		0	2
Finance leases	4	-1			
Employee benefits	12	-3	2	0	12
Taxable losses	87	7		1	95
Other items	7	-3		0	
Total	113	3	2	2	120
Presented under assets held for sale					-14
Netted out against deferred tax liabilities	-74				-80
Deferred tax assets	39				26
Deferred tax liabilities					
Tangible and intangible assets	106	1		0	108
Measurement of derivatives at fair value	0	1	4	0	4
Other items	4	3		0	7
Total	110	4	4	1	119
Netted out against deferred tax assets	-74				-80
Deferred tax liabilities	37				39

Deferred tax assets and tax liabilities are stated as net amounts in the statement of financial position in the event the entity has a legally enforceable right to set off the current tax assets and current tax liability, and the deferred tax asset and tax liability relate to income tax levied by the same tax authority.

At 31 December 2011, the group had taxable losses EUR 119 million (106), for which no tax asset has been recognised because the ability to make use of the losses concerned is doubtful. Of the taxable losses, EUR 57 million (58) expire within five years.

Majority of the deferred tax asset booked for losses consists of assets booked by the Finnish group companies. Management expects the companies to accrue future taxable income against which the losses can be utilised.

Deferred tax liabilities have not been recognised for the undistributed retained earnings of subsidiaries, because it is unlikely that the earnings will be distributed in the near future.

Taxes included in other comprehensive income

	2011			2010		
€m	**Before taxes**	**Taxes**	**Net of taxes**	**Before taxes**	**Taxes**	**Net of taxes**
Cash flow hedges	**-11**	**3**	**-8**	14	-4	10
Translation differences	**-6**		**-6**	18		18
Actuarial gains and losses	**-7**	**2**	**-5**	-9	2	-7
Total	**-24**	**5**	**-19**	23	-1	22

21. Inventories

€m	2011	2010
Raw materials and consumables	**292**	239
Finished and semi-finished products	**428**	401
Total	**720**	640

During 2011, a charge of EUR 4 million (4) was recognised to write down the carrying value of inventories to net realisable value. Of previous year write-downs EUR 3 million (9) was reversed as a result of improvement in net realisable values.

22. Trade and other receivables

€m	2011	2010
Trade receivables	**321**	319
Trade receivables from equity-accounted investees	**3**	5
Total trade receivables	**324**	325
Prepayments and accrued income	**36**	28
Derivative contracts qualifying for hedge accounting	**17**	14
Derivative contracts not qualifying for hedge accounting	**5**	3
Other receivables	**21**	44
Total other receivables	**79**	89

The fair values of receivables are disclosed in Note 17 Financial assets and liabilities by category.

Age analysis of trade receivables as well as doubtful receivables are disclosed in Note 3 Financial risk and capital management.

23. Derivative contracts

The table below discloses the nominal values and fair values of the group's foreign currency, interest rate and commodity derivatives. The fair values of derivatives are based on available market prices. General valuation models are used to determine the fair values of options. Nominal values do not represent the amounts exchanged by the parties and they also include closed contracts.

Cash flow hedges qualifying for hedge accounting

	Nominal amount				Fair value, €m					
	Valid				Positive			Negative		
Years	**<1**	**1-5**	**>5**	**Total**	**<1**	**1-5**	**>5**	**<1**	**1-5**	**>5**
31 Dec 2011										
Zinc derivatives										
Forward contracts, tonnes	**12 000**			**12 000**	**0**			**-2**		
Electricity derivatives										
Forward contracts, GWh	**476**	**956**	**166**	**1 598**	**0**	**0**		**-5**	**-6**	**-1**
Foreign currency derivatives										
Forward contracts	**230**			**230**	**15**			**0**		
Options										
Bought	**27**			**27**	**1**					
Sold	**25**			**25**				**0**		
31 Dec 2010										
Zinc derivatives										
Forward contracts, tonnes	13 500	6 000		19 500	6	2				
Electricity derivatives										
Forward contracts, GWh	466	957	236	1 659	8	2	0	0	-3	-1

Fair value hedges qualifying for hedge accounting

	Nominal amount, €m				Fair value, €m					
	Valid				Positive			Negative		
Years	**<1**	**1-5**	**>5**	**Total**	**<1**	**1-5**	**>5**	**<1**	**1-5**	**>5**
31 Dec 2011										
Interest rate derivatives										
31 Dec 2010										
Interest rate derivatives	75			75	0					

Derivatives not qualifying for hedge accounting

	Nominal amount, €m				Fair value, €m					
	Valid				Positive			Negative		
Years	**<1**	**1-5**	**>5**	**Total**	**<1**	**1-5**	**>5**	**<1**	**1-5**	**>5**
31 Dec 2011										
Foreign currency derivatives										
Forward contracts	**283**			**283**	**4**			**-2**		
Options										
Bought	**120**			**120**	**1**					
Sold	**240**			**240**				**-1**		
31 Dec 2010										
Foreign currency derivatives										
Forward contracts	544			544	2			-13		
Options										
Bought	138			138	1			-3		
Sold	137			137						

The unrealised result of cash flow hedges is booked to other comprehensive income to the extent the hedge is effective. Other fair value changes are booked through profit and loss. Forecast hedged cash flows are estimated to occur over the same period as the derivatives itemised above. The ineffectiveness of derivatives qualifying for hedge accounting was around EUR 1 million in 2011 (less than 1). Ineffectiveness was attributable to contracts hedging electricity purchases and has been recognised in the income statement as an adjustment to energy expenses. The fair value hedges have been highly effective. The profit and loss impact of the hedged item and hedging instrument was insignificant in 2011. Fair value hedging has ended during 2011.

The group had no significant embedded derivatives at 31 December 2011 or at 31 December 2010.

Hierarchy used in measuring the fair value of financial assets and liabilities

Fair value at 31 December 2011	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value			
Foreign currency derivatives		**5**	
Foreign currency derivatives (cash flow hedges)		**16**	
Commodity derivatives (cash flow hedges)			
Electricity		**0**	
Zinc		**0**	
Available-for-sale financial assets			**13**
Liabilities measured at fair value			
Foreign currency derivatives		**-4**	
Foreign currency derivatives (cash flow hedges)		**-1**	
Commodity derivatives (cash flow hedges)			
Electricity		**-11**	
Zinc		**-2**	

Fair value at 31 December 2010	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value			
Foreign currency derivatives		3	
Interest rate derivatives (fair value hedges)		0	
Commodity derivatives (cash flow hedges)			
Electricity		10	
Zinc		7	
Investments recognised at fair value through profit and loss		8	
Available-for-sale financial assets			13
Liabilities measured at fair value			
Foreign currency derivatives		-16	
Commodity derivatives (cash flow hedges)			
Electricity		-3	

The fair values of foreign exchange forward contracts are determined by using the market prices at year-end for contracts with the same duration. The fair values of interest rate swaps are based on discounted cash flows and the net present value method and supported by market information at year-end. The fair values of commodity derivatives are determined by using publicly quoted market prices. Options are measured using generally accepted valuation methods. The carrying value of contracts other than derivatives corresponds to their fair value because discounting has no material impact taking into account contract maturity.

The fair values in level 1 are based fully on the prices of similar asset or debt items on established markets. The fair values in level 2 are determined using generally accepted valuation models whose input data is largely based on verifiable market prices. The fair value of financial instruments in level 3 is not based on verifiable market prices, but to a significant extent on management's estimates and their use in generally accepted valuation models. The hierarchy in which a certain item measured at fair value has been classified is determined at the lowest level based on input data. The discount rates used to determine the fair value of derivatives ranges from 0.3-2.8 per cent. Specification of changes in level 3 financial assets is presented in Note 18 Available-for-sale financial assets.

24. Current financial assets

€m	2011	2010
Financial assets recognised at fair value through profit and loss		8
Financial assets classified as loans and receivables	**37**	5
Total	**37**	14

Includes commercial papers, certificates of deposit and short fixed-term deposits. The duration of financial assets does not exceed three months.

25. Cash and cash equivalents

€m	2011	2010
Cash and cash equivalents	**41**	40
Total	**41**	40

Cash and cash equivalents presented in the consolidated statement of cash flows are defined as follows:

€m	2011	2010
Financial assets recognised at fair value through profit and loss		8
Financial assets classified as loans and receivables	**37**	5
Cash and cash equivalents	**41**	40
Total	**78**	53

26. Shares and share capital

Rautaruukki Corporation has one series of shares and each share conveys one vote. The countervalue is EUR 1.70 per share. The registered share capital at 31 December 2011 was EUR 238,485,222.50 (238,485,222.50) and has been paid up in full.

Changes in the number of shares

No.	Shares issued	Treasury shares	Shares outstanding
1 Jan 2010	140 285 425	1 421 575	138 863 850
Returned shares		1 476	
31 Dec 2010	140 285 425	1 423 051	138 862 374
31 Dec 2011	**140 285 425**	**1 423 051**	**138 862 374**

The market value of the treasury shares at 31 December 2011 was EUR 10.1 million (24.9).

27. Reserves in equity

€m	2011	2010
Share premium	**220**	220
Translation differences	**-29**	-23
Treasury shares	**-6**	-6
Reserve for share-based payments	**0**	
Fair value and other reserves	**3**	11

Rautaruukki Corporation’s share premium reserve of EUR 220 million has accrued from share issues and share premiums from subscriptions taking place through bond loans with warrants. The share premium reserve is in accordance with the Finnish Companies Act part of restricted equity and can no longer be added to. The share premium reserve can be reduced in accordance with the rules applying to reduction of share capital and can be used to increase the share capital as a reserve increase.

Translation differences arise from translation of foreign subsidiaries' financial statements into euros.

Rautaruukki Oyj had in its possesion 1 423 051 treasury shares on 31 Dec 2011. The acquisition cost of treasury shares was approximately EUR 4,27 and they represent 1.0 per cent of the share capital and votes. The total bookkeeping countervalue of the treasury shares is EUR 2.4 million.

Fair value and other reserves contain the effective portion of the change in fair value of instruments taken out to hedge future cash flows.

In the balance sheet treasury shares, reserve for share-based payments as well as fair value and other reserves are included in Retained earnings and other reserves.

28. Share-based payments

Rautaruukki has had share ownership plans as long-term performance incentive plans for management and key employees since 2000.

Share-based incentive plan 2011–2013

In December 2010, the Board of Directors decided to launch a new share-based incentive plan. The plan aims to align the objectives of shareholders and key employees to enhance the value of the company, commit key employees to the company and to offer them a competitive reward plan based on ownership of shares in the company. The plan is targeted at 100 key employees.

The plan includes three one-year earning periods, which are the calendar years 2011, 2012 and 2013. Furthermore, the plan includes one three-year earning period, from 1 January 2011 to 31 December 2013. The company's Board of Directors will decide on the earning criteria and the targets to be established for them at the beginning of each earning period. Any bonus for the earning period 2011 will be based on Rautaruukki's consolidated net sales growth and return on capital employed (ROCE) and, for the earning period 2011-2013, on group strategic targets.

Any bonuses for the earning period will be paid during the following year. Any bonuses for the earning period 2011-2013 will be paid in 2014. The proportion to be paid in cash will cover taxes and tax-related costs arising from the bonus. The bonus payable on the basis of the plan during three years will not exceed three years' gross salary of the key person concerned.

The shares may not be transferred during the lock-up period, which will end three years after the end of the earning period. Should a key person's employment or service in a group company end during the lock-up period, he or she must return, gratuitously, the bonus shares received to the company. Members of the Corporate Executive Board must hold shares also after the lock-up period such that the total value of their shareholding corresponds to the value of their gross annual salary. Such number of shares must be held for as long as their employment or service in a group company continues.

The bonuses awarded on the basis of the plan for the earning periods 2011 and 2011-2013 will equate to the value of a maximum aggregate of approximately 1,200,000 Rautaruukki Oyj shares, including also the proportion to be paid in cash. Persons covered by the share-based incentive plan do not participate in the employee profit sharing scheme.

Changes in number of shares to be awarded

Number of shares	2011	2010
At 1 Jan	**256 500**	157 310
Share bonuses granted	**299 750**	265 000
Shares awarded		
Share bonuses cancelled	**-279 500**	-165 810
At 31 Dec	**276 750**	256 500

The change in the number of shares shows changes in the maximum number of shares to be awarded. The number of shares awarded depends on the achievement of the targets set. The difference between the maximum number of shares and the maximum number of shares awarded, as well as the proportion of the number of shares for persons who have left the company’s employ, are presented under Share bonuses cancelled.

Share bonuses granted to key persons

Year	Grant date*	Maximum number of shares awarded	Market value of share on grant date, €
2011	8 Apr 2011	**276 750**	17.21
2010	27 Mar 2010	265 000	16.31

* grant date = the date by which the persons announced their participation in the share ownership plan

Shares awarded

The criteria for the second earning period, 2010, were not met and no share bonuses were awarded in 2011.

Expenses of share ownership plans in 2011

Earnings period	No. of persons	Earnings periods in progress, €m
2011	**99**	**0**
2010	100	

29. Pension obligations

The group has voluntary defined benefit plans in Finland arranged through Rautaruukki's Pension Foundation and insurance companies. The statutory pension scheme under the Finnish Employees Pensions Act (TyEL) is a defined contribution plan and arranged through insurance companies. In addition, the group has defined benefit plans in Germany and Norway.
The group's defined benefit plans are summarised below.

The items recognised in the statement of financial position are as follows

€m	2011	2010
Current value of unfunded obligations	21	23
Current value of funded obligations	150	144
Fair value of assets	-140	-140
Funded status	31	27
Unrecognised past service cost	4	5
Presented under liabilities held for sale	0	-2
Net liability (+) / asset (-)	34	31
Defined benefit asset in statement of financial position		
Defined benefit obligation in statement of financial position	34	31
Net	34	31

Expense from defined benefit plans recognised in income statement

€m	2011	2010
Current service cost	3	4
Interest cost	7	8
Expected return on plan assets	-8	-8
Past service cost	-1	-1
Effect of curtailments and settlements		-1
Total	1	2

In 2011 the actual return on plan assets was negative at EUR 3 million (positive 9).

Changes in the current value of plan obligations

€m	2011	2010
Defined benefit obligations at 1 Jan	168	170
Current service cost	3	4
Interest cost	7	8
Actuarial gains (-) and losses (+)	4	8
Past service cost		0
Curtailments and settlements		-10
Benefits paid	-12	-11
Exchange rate differences	0	-1
Defined benefit obligations at 31 Dec	170	168

Changes in fair value of plan assets

€m	2011	2010
Fair value of plan assets at 1 Jan	**140**	141
Expected return on plan assets	**8**	8
Actuarial gains (+) and losses (-)	**-5**	1
Employer contributions	**5**	3
Benefits paid	**-10**	-9
Curtailments and settlements		-5
Exchange rate differences	**1**	2
Fair value of plan assets at 31 Dec	**140**	140

Rautaruukki´s Pension Foundation plan assets by asset group

€m	2011	2010
Equity finance instruments	**16**	21
Non-current debt finance instruments	**70**	70
Current debt finance instruments	**6**	2
Real estate	**3**	2
Other	**5**	5

Rautaruukki Pension Foundation's assets include Rautaruukki Oyj shares, which have a fair value of EUR 2 million (4), and real estate occupied by Rautaruukki worth EUR 2 million (2).

The expected return on plan assets is based on non-current yields estimated for the assets in question. The expected yield reflects non-current actual yields on the markets concerned.

Actuarial assumptions used

%	2011	2010
Discount rate	**3.2-4.6**	4.0-4.5
Expected rate of return on plan assets	**4.0-6.5**	4.0-6.5
Estimated wage and salary increase	**3.0-4.1**	2.3-3.0
Inflation	**1.0-2.0**	1.0-2.0

History of defined benefit obligations and assets

€m	2011	2010	2009	2008	2007
Defined benefit obligation	**-170**	-168	-170	-568	-593
Fair value of plan assets	**140**	140	141	604	665
Surplus (+) / Deficit (-)	**-30**	-27	-29	36	73
Experience adjustments					
Actuarial gain (-) / loss (+) on obligation	**0**	-1	3	32	5
Actuarial gain (+) / loss (-) on plan assets	**-7**	0	22	-85	-24

Actuarial gains and losses recognised in other comprehensive income

	During the period		Accumulated	
€m	2011	2010	2011	2010
Actuarial gains (+) / losses (-)	**-7**	-9	**-34**	-26
Deferred taxes	**2**	2	**9**	7
Total	**-5**	-7	**-25**	-19

The group expects the contributions to its defined benefit plans in 2012 total some EUR 6 million.

30. Provisions

€m	Environment provisions	Warranty provisions	Restructuring provisions	Other	Total
1 Jan 2011	0	2	1	3	6
Additions	0	0	3	4	7
Provisions used	0	-1	-1	-1	-3
Reversals of unused provisions		0	0	0	-1
31 Dec 2011	0	1	3	5	10
Non-current provisions	0	1	0	0	2
Current provisions	0	0	3	5	8
	0	1	3	5	10

Environmental obligations

An environmental provision is booked on the basis of existing interpretations of environmental protection acts and regulations. A provision is booked, when it is probable that an obligation has arisen and the amount of the obligation can be reliably estimated.

Regarding the closed Rautuvaara mine, the company has made a plan of action to prevent the negative impacts on waterways. In September 2010 the Finnish-Swedish Frontier Rivers Commission gave a resolution, based on which Rautaruukki is obliged to execute the closure plan within five years. No provision in respect of the mine closure has been booked.

Restructuring provisions

A restructuring provision is booked when the group has prepared a detailed restructuring plan and started to implement the plan or has announced the matter.

Warranty provision

The group gives a warranty on certain products, for which a warranty provision is set up based on previous experience.

Other provisions

Provisions for onerous contracts and litigations are reported under Other provisions. EUR 3 million of increase in other provisions is due to loss in an offshore wind farm project.

31. Loans and borrowings

€m	2011	2010
Non-current		
Loans from financial institutions	**344**	256
Bonds	**149**	150
Finance lease liabilities	**38**	35
Pension loans	**20**	36
Non-current loans and borrowing total	**551**	477
Current		
Loans from financial institutions	**34**	24
Finance lease liabilities	**7**	10
Pension loans	**5**	7
Commercial papers	**252**	156
Other current interest-bearing liabilities		0
Current loans and borrowing total	**297**	198

Information about bonds

€m	Coupon rate	Currency	2011	2010
Nominal value				
2009 - 2014	5.25%	EUR	**150**	150
			150	150

The weighted average of effective interest rates (including interest rate derivatives) for loans and borrowings at 31 December

%	2011	2010
Bonds and loans from financial institutions	**3.2**	3.4
Finance lease liabilities	**6.9**	6.8

Finance lease liabilities

The group has leased power plants, hall structures, as well as office premises and other items of property, plant and equipment under finance lease agreements of varying length. In the event of a sale and leaseback, the group has recognised the capital gain in the statement of financial position and recognises the revenue over the lease period. Unrecognised capital gain of EUR 2 million (4) is included in the statement of financial position at 31 December 2011.

Maturities of finance lease liabilities

€m	2011	2010
Finance lease liabilities - minimum lease payments		
Within one year	**9**	12
Between one and five years	**28**	25
After five years	**21**	21
Total	**58**	58
Future financial costs	**-13**	-14
Present value of finance lease liabilities	**45**	45
Finance lease liabilities - present value of minimum lease payments		
Within one year	**7**	10
Between one and five years	**21**	19
After five years	**17**	16
Total	**45**	45

32. Trade and other payables

€m	2011	2010
Non-current		
Defined benefit pension plans	**34**	31
Derivative contracts qualifying for hedge accounting	**7**	3
Other non-interest-bearing liabilities	**14**	14
Total other non-interest-bearing liabilities	**56**	49
Current		
Trade payables	**246**	171
Trade payables to equity-accounted investees	**0**	0
Total trade payables	**246**	171
Accrued expenses and deferred income	**125**	135
Derivative contracts qualifying for hedge accounting	**8**	0
Derivative contracts not qualifying for hedge accounting	**4**	17
Advances received	**30**	27
Other liabilities	**19**	22
Total other non-interest-bearing liabilities	**185**	200

The material items included in accrued expenses and deferred income consist of personnel expenses and accrued interest on loans and borrowings.

33. Adjustments to cash flows

€m	2011	2010
Non-cash transactions		
Depreciation, amortisation and impairment	**149**	162
Provisions	**4**	-5
Share of profit of equity-accounted investees	**-3**	-3
Employee benefits	**4**	-3
Exchange rate differences	**-1**	-12
Other	**-10**	-20
Total	**142**	120

34. Related party disclosures

The group's related parties include the parent company, corporate subsidiaries, equity-accounted investees (Note 16 Equity-accounted investees), and Rautaruukki's Pension Foundation as well as remarkable owner entities.The managing directors, members of the Board of Directors and other named key persons of Ruukki and its subsidiaries as well as members of the parent company's Corporate Executive Board are also included in related parties. These persons have been specified on the basis of Ruukki's organisation and the list of persons is updated regularly. Spouses and other family members of the persons referred to above who reside in the same household are also related parties of Ruukki.

The group's parent and subsidiary relationships at 31 Dec 2011

Name	Country	Domicile	The group's share of share capital, %	The group's share of votes, %
Parent: Rautaruukki Corporation	FI	Helsinki		
Subsidiaries of Rautaruukki Corporation:				
Kiinteistö Oy Ylläslehto	FI	Kolari	100	100
LLC Ruukki Ukraine	UA	Kiev	100	100
OOO Ruukki Rus	RU	St Petersburg	100	100
OOO Stalpark	RU	St Petersburg	100	100
Presteel Oy	FI	Raahe	80.1	80.1
Ruukki Bulgaria EOOD	BG	Sofia	100	100
Ruukki Construction Oy	FI	Helsinki	100	100
Ruukki Croatia d.o.o	HR	Zagreb	100	100
Ruukki CZ s.r.o.	CZ	Velvary	100	100
Ruukki d.o.o.	SI	Ljubljana	100	100
Ruukki DOO Belgrade	RS	Belgrade	100	100
Ruukki Engineering Oy	FI	Helsinki	100	100
Ruukki France SARL	FR	Paris	100	100
Ruukki Holding AB	SE	Stockholm	100	100
Ruukki Norge AS	NO	Oslo	100	100
Ruukki Holding B.V.	NL	Amsterdam	100	100
Ruukki Holding Danmark A/S	DK	Brøndby	100	100
Ruukki Holding GmbH	DE	Düsseldorf	100	100
Ruukki Hungary Kft	HU	Budapest	100	100
Ruukki Insurance Ltd.	GG	Guernsey	100	100
Ruukki Istanbul Metal	TR	Istanbul	100	100
Ruukki Metal Components (Shanghai) Co Ltd	CN	Shanghai	100	100
Ruukki Metals Oy	FI	Helsinki	100	100
Ruukki Metals Trading and Marketing India Private Limited	IN	Mumbai	100	100
Ruukki Polska Sp.zo.o	PL	Zyrardów	100	100
Ruukki Products AS	EE	Pärnu	100	100
Ruukki Romania s.r.l.	RO	Bucharest	100	100
Ruukki Slovakia s.r.o.	SK	Kosice	100	100
Ruukki Stainless Steel & Aluminium Oy	FI	Helsinki	100	100
Ruukki Spain S.L.	ES	Vitoria-Gasteiz	100	100
Ruukki Trading (Shanghai) Co Ltd	CN	Shanghai	100	100
Ruukki UK Ltd	GB	Solihull	100	100
SIA Ruukki Latvija	LV	Riga	100	100
UAB Ruukki Lietuva	LT	Vilnius	100	100
Subsidiary of Ruukki Holding AB:				
Ruukki Sverige AB	SE	Halmstad	100	100
Subsidiaries of Ruukki Norge AS:				
Ruukki Construction Norge AS	NO	Sandnessjøen	100	100
Ruukki Profiler AS	NO	Mo i Rana	100	100
Subsidiaries of Ruukki Holding B.V:				
Ruukki Finance B.V.	NL	Raamsdonksveer	100	100
Ruukki Benelux B.V.	NL	Almelo	100	100
Subsidiary of Ruukki Holding Danmark A/S:				
Ruukki Danmark A/S	DK	Brøndby	100	100

Name	Country	Domicile	The group's share of share capital, %	The group's share of votes, %
Subsidiaries of Ruukki Holding GmbH:				
Ruukki Deutschland GmbH	DE	Duisburg	100	100
Ruukki Wind Towers GmbH	DE	Dortmund	100	100
Subsidiary of Ruukki Hungary Kft:				
Ruukki Tisza Zrt.	HU	Jászberény	99.6	99.6
Subsidiary of LLC Ruukki Ukraine:				
LLC Ruukki Investment Ukraine	UA	Kiev	100	100

Transactions with related parties

€m	Sales	Purchases	Trade receivables	Trade payables
2011				
Equity-accounted investees total	**25**	**6**	**3**	
Rautaruukki´s Pension Foundation	**0**	**0**		
2010				
Equity-accounted investees total	31	7	5	0
Rautaruukki´s Pension Foundation	0	0		

Sales of goods and services to related parties were conducted at market conditions and prices.

Rautaruukki Corporation has not paid any employee contributions to Rautaruukki Pension Foundation in 2011 (-). Rautaruukki paid rents totalling EUR 0 million (0) to Rautaruukki Pension Foundation. There are no collaterals or guarantees relating to the leasing of real estate.

Management's employee benefits

€m	2011	2010
Salaries and other current employee benefits	**2**	2
Share-based payments	**0**	0
Total	**2**	2

The company's management participates in a share ownership plan used as an incentive. The terms and conditions of share-based payment are detailed in Note 28 Share-based payments.

The company's Finnish management belongs to the Finnish Employees Pension Act (TyEL) scheme, which provides for pension security based on years of service and earnings as stipulated by law. Under the Finnish earnings-based pension system, base salary, including taxable benefits, and bonuses are considered as earnings, but income from share ownership plans is not. The age of retirement is between the ages of 63 and 68 according to own choice.The President & CEO is entitled to a defined benefit supplementary pension of 60 per cent of average salary calculated during the past three years. Everyone covered by Section A of Rautaruukki's Pension Fund who has opted for a reduced retirement age retires at the age of 60. One member of the Corporate Executive Board belongs to this group. The amount of supplementary pension paid by the Pension Fund depends on the number of earning years and is generally between 30-60% of retirement pay. The Board of Directors' Remuneration Committee (now Remuneration and HR Committee) has outlined that no new defined benefit pension plans are to be introduced.

The defined contribution supplementary pension plan does not guarantee the level of future pensions, which depend on the pension insurance contributions made and the return on investments. The Board of Directors decides annually the supplementary pension insurance premium as a percentage of annual salary.

In addition, the President & CEO has an agreed severance pay package under which he is entitled to total severance pay equal to 24 months' salary if his contract is terminated by the company.

Wages, salaries and other benefits

€k	2011	2010
President & CEO	**703**	713
Deputy to the President & CEO	**238**	269
Other members of the Corporate Executive Board	**1 291**	1 024
Board of Directors	**345**	411
Supervisory Board		17

The group has no other significant transactions, receivables, liabilities or guarantees with related parties.

35. Contingent liabilities and investment commitments

Contingent liabilities

€m	2011	2010
Mortgaged real estate	**59**	64
Guarantees given		
On own behalf	**32**	26
On behalf of others		2
Rental obligations under operating leases	**85**	71
Other commitments	**6**	

Mortgages have been given as collateral for pension loans and loans from financial institutions and for Rautaruukki's pension liability. The group has leased buildings, vehicles and other items of property, plant and equipment also under operating lease agreements. Rental obligations under operating leases exclude finance lease liabilities specified in Note 31 Loans and borrowings.

Minimum rents payable under operating leases

€m	2011	2010
Within one year	**17**	14
Between one and five years	**30**	30
After five years	**37**	28
Total	**85**	71

The agreements do not include significant sublease agreements or conditional leases.

Investment commitments

€m	After 31 Dec 2011	After 31 Dec 2010
Maintenance investments	**51**	137
Development investments and investments in special steel products	**60**	52
Total	**111**	189

Investment commitments comprise approved capital expenditure for the next two years.

36. Litigation and other pending legal actions

A number of lawsuits, claims and disputes based on various grounds are pending against Rautaruukki around the world. Management believes that the outcome of these lawsuits, claims and disputes will not have a material adverse effect on Rautaruukki's financial position. Rautaruukki has itself presented legal claims or is a plaintiff in disputes based on various grounds.

Financial indicators

		2011	2010	2009	2008	2007
Net sales	€m	**2 798**	2 415	1 950	3 851	3 876
Operating profit	€m	**22**	-12	-323	568	637
% of net sales	%	**0.8**	-0.5	-16.6	14.7	16.4
Result before taxes	€m	**-12**	-74	-359	548	621
% of net sales	%	**-0.4**	-3.1	-18.4	14.2	16.0
Result for the period	€m	**-10**	-79	-275	406	458
% of net sales	%	**-0.4**	-3.3	-14.1	10.5	11.8
Return on capital employed	%	**1.3**	-0.3	-14.2	25.6	29.8
Return on equity	%	**-0.8**	-5.4	-15.9	20.7	24.2
Equity ratio	%	**48.5**	55.3	59.9	65.9	70.1
Gearing ratio	%	**60.4**	44.7	22.3	7.9	1.4
Net interest-bearing liabilities	€m	**770**	621	336	155	28
Net cash from operating activities	€m	**114**	-64	182	382	417
Gross capital expenditure *	€m	**179**	173	161	229	172
% of net sales	%	**6.4**	7.2	8.2	6.2	5.1
Research and development	€m	**29**	27	29	27	28
% of net sales	%	**1.0**	1.1	1.5	0.7	0.7
Net interest costs	€m	**32**	29	26	11	8
% of net sales	%	**1.1**	1.2	1.3	0.3	0.2
Total assets	€m	**2 657**	2 539	2 532	2 983	2 835
Personnel on average		**11 821**	11 693	12 664	14 953	14 326
PER SHARE DATA						
Earnings per share, EPS, basic	€	**-0.07**	-0.57	-1.98	2.93	3.31
- diluted	€	**-0.07**	-0.57	-1.98	2.93	3.31
Equity per share	€	**9.17**	9.99	10.85	14.04	14.13
Dividend per share **	€	**0.50**	0.60	0.45	1.35	1.70 + 0.30
Dividend per earnings **	%	**neg.**	neg.	neg.	46.1	
Price per earnings, P/E	€	**neg.**	neg.	neg.	4.2	9.0
Share trading	1 000 shares	**200 241**	182 131	189 371	251 096	219 940
% of shares issued	%	**143**	129	136	181	
Share trading	€m	**2 280**	2 712	2 752	5 530	8 444
Volume weighted average share price	€	**11.23**	14.48	14.53	22.03	38.34
Lowest price of share	€	**5.91**	11.62	11.06	9.51	27.38
Highest price of share	€	**18.77**	17.78	18.14	34.77	52.50
Average adjusted number of shares	1 000 shares	**138 862**	138 864	138 846	138 746	138 491
- diluted	1 000 shares	**138 862**	138 864	138 846	138 773	138 566
Adjusted number of shares at year-end	1 000 shares	**140 285**	140 285	140 285	140 255	140 198
- excluding treasury shares	1 000 shares	**138 862**	138 862	138 864	138 789	138 721
- diluted	1 000 shares	**138 862**	138 862	138 864	138 824	138 796
Closing price at period end	€	**7.12**	17.51	16.14	12.16	29.65
Market capitalisation at year-end	€m	**998**	2 456	2 264	1 706	4 157
Effective dividend yield **	%	**7.0**	3.4	2.8	11.1	6.7

* Gross investments in tangible and intangible assets.
** Calculated in accordance with the Board of Directors' proposal for 2011.

Formulas for the calculation of indicators

Return on capital employed, %	=	result before income tax + finance costs - exchange rate gains / total equity + loans and borrowings (average at beginning and end of period)	x 100
Return on equity, %	=	result before income tax - income tax expense / total equity (average at beginning and end of period)	x 100
Equity ratio, %	=	total equity / total assets - advances received	x 100
Gearing ratio, %	=	net interest-bearing financial liabilities / total equity	x 100
Net interest-bearing financial liabilities	=	loans and borrowings - current financial assets and cash and cash equivalents	
Earnings per share (EPS)	=	result for the period attributable to owners of the company / weighted average number of shares outstanding during the period	
Earnings per share (EPS), diluted	=	result for the period attributable to owners of the company / weighted average diluted number of shares outstanding during the period	
Equity per share	=	equity attributable to owners of the company / basic number of shares outstanding at the end of period	
Dividend per share	=	dividends paid / basic number of shares at the end of period	
Dividend per earnings, %	=	dividend per share / earnings per share	x 100
Effective dividend yield, %	=	dividend per share / closing price at the end of period	x 100
Price per earnings (P/E)	=	closing price at the end of period / earnings per share	
Trading volume, %	=	number of shares traded during the period / average basic number of shares	x 100
Volume weighted average share price	=	total EUR trading of shares / number of shares traded	
Market capitalisation	=	basic number of shares at the end of the financial period x closing price at the end of period	
Personnel on average	=	total number of personnel at the end of each month divided by the number of months	

Parent company financial statements

Parent company income statement (FAS)

€m	2011	2010
Net sales	**734**	1 882
Change in inventories of finished goods and work in progress	**140**	264
Production for own use	**4**	14
Other operating income	**53**	16
Materials and services	**-586**	-1 456
Salaries and other employee benefits	**-137**	-348
Depreciation, amortisation and impairment	**-39**	-106
Other operating expenses	**-123**	-266
Operating profit	**47**	-1
Net finance income and costs	**9**	-58
Result before extraordinary items	**56**	-58
Extraordinary items		
Result before appropriations and taxes	**56**	-58
Appropriations	**1**	-12
Result before taxes	**56**	-70
Income taxes	**0**	0
Result for the period	**56**	-71

Parent company balance sheet (FAS)

€m	31 Dec 2011	31 Dec 2010
ASSETS		
Non-current assets		
Intangible assets	**10**	41
Tangible assets	**8**	925
Financial assets		
Investments in group companies	**856**	443
Investments in equity-accounted investees	**0**	7
Other shares	**8**	8
Total non-current assets	**883**	1 423
Current assets		
Inventories		477
Non-current receivables	**891**	88
Current receivables	**58**	402
Cash and cash equivalents	**38**	18
Total current assets	**987**	985
TOTAL ASSETS	**1 869**	2 409
EQUITY AND LIABILITIES		
Equity		
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve		33
Retained earnings	**480**	636
Result for the period	**57**	-71
Total equity	**996**	1 056
Appropriations	**1**	375
Provisions	**16**	18
Liabilities		
Non-current interest-bearing	**511**	440
Current interest-bearing	**317**	254
Current non-interest-bearing	**27**	265
Total liabilities	**855**	959
TOTAL EQUITY AND LIABILITIES	**1 869**	2 409

Parent company cash flow statement (FAS)

€m	2011	2010
Cash flows from operating activities		
Result before extraordinary items	**56**	-58
Adjustments for cash flows *	**27**	170
Cash flow before change in working capital	**83**	112
Changes in working capital		
Change in current operating receivables	**-29**	-83
Change in inventories	**-72**	-133
Change in current non-interest-bearing liabilities	**64**	37
Change in working capital	**-37**	-179
Interest and other finance costs paid	**-71**	-69
Dividends received	**13**	3
Interest received	**68**	55
Taxes paid	**0**	0
Net cash from operating activities	**56**	-79
Cash flows from investing activities		
Investments in tangible and intangible assets	**-57**	-150
Proceeds from sale of tangible and intangible assets	**1**	5
Investments in other financial assets	**-65**	-21
Proceeds from sale of other financial assets	**34**	0
Net cash used in investing activities	**-87**	-166
Net cash before financing activities	**-31**	-244
Cash flows from financing activities		
Change in current liabilities	**61**	71
Withdrawal of non-current loans	**131**	120
Repayment of non-current loans	**-57**	-96
Dividends paid	**-83**	-62
Net cash from financing activities	**51**	32
Change in cash and cash equivalents	**20**	-212
Cash and cash equivalents at 1 Jan	**18**	230
Cash and cash equivalents at 31 Dec	**38**	18
	20	-212
		0
* Adjustments for cash flows from operating activities		
Depreciation according to plan	**39**	106
Unrealised foreign exchange gains and losses	**-2**	11
Impairment of shares	**0**	41
Dividends received	**-13**	-3
Provisions	**-1**	-3
Finance income and expenses	**4**	18
Other adjustments	**-1**	0
	27	170

Parent company equity

€m	2011	2010
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve		33
Retained earnings at 1 Jan	**565**	698
Change in treasury shares	**0**	0
Write-down of revaluation	**-1**	
Dividend distribution	**-83**	-62
Retained earnings at 31 Dec	**480**	636
Result for the period	**57**	-71
Equity at 31 Dec	**996**	1 056
Distributable equity		
Retained earnings	**480**	636
Result for the period	**57**	-71
Distributable equity total	**538**	565

Parent company contingent liabilities

€m	2011	2010
Mortgaged real estates		64
Amount of debt for which mortagages given		55
Guarantees given		
On own behalf	**6**	23
On behalf of group companies	**130**	54
On behalf of others		2
	137	79
Finance and operating lease liabilities		
Due within one year	**2**	19
Due later	**2**	92
	4	111

Board of Directors´ proposal for the disposal of distributable funds

The Board of Directors is to propose to the Annual General Meeting to be held on 14 March 2012 that a dividend of EUR 0.50 be paid for the financial year ended 31 December 2011 and that the remainder of the distributable capital be retained.

The parent company´s distributable equity was EUR 537,811,267.39.

The total amount of dividend on the 138,862,374 shares outstanding at 31 January 2012 is EUR 69,431,187.00. No dividend will be paid on shares in the company´s possession (treasury shares) at the record date for dividend payment.

The proposed record date for the dividend payout is 19 March 2012 and the dividend payment date is 28 Match 2012.

Helsinki, 31 January 2012

Reino Hanhinen
Chairman of the Board

Maarit Aarni-Sirviö

Pertti Korhonen

Liisa Leino

Matti Lievonen

Hannu Ryöppönen

Jaana Tuominen

Sakari Tamminen
President & CEO

AUDITOR'S REPORT

To the Annual General Meeting of Rautaruukki Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rautaruukki Corporation for the year ended December 31, 2011. The financial statements comprise the consolidated statement of financial position, consolidate income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, January 31, 2012

KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Figures by quarter

Reported net sales

€m	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	2011
Construction	109	163	184	172	628	**135**	**201**	**219**	**203**	**757**
Engineering	42	50	45	56	193	**62**	**62**	**59**	**73**	**257**
Metals	348	434	386	413	1 581	**478**	**467**	**396**	**442**	**1 783**
Others	5	8	0	0	13	**0**	**0**	**1**	**0**	**1**
Total	505	655	614	641	2 415	**675**	**730**	**675**	**718**	**2 798**

Reported operating profit

€m	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	2011
Construction	-21	-10	1	-13	-43	**-13**	**3**	**10**	**-7**	**-6**
Engineering	-5	-10	-7	-9	-32	**-2**	**-2**	**1**	**-4**	**-7**
Metals	-4	64	11	22	93	**42**	**73**	**-32**	**-31**	**52**
Others	-6	-10	-11	-3	-30	**-3**	**-6**	**-3**	**-5**	**-16**
Total	-36	34	-6	-3	-12	**25**	**68**	**-24**	**-47**	**22**

Comparable net sales

€m	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	2011
Construction	109	163	184	172	628	**135**	**201**	**219**	**203**	**757**
Engineering	42	50	45	56	193	**62**	**62**	**59**	**73**	**257**
Metals	348	434	386	413	1 581	**478**	**467**	**396**	**442**	**1 783**
Others	0	1	0	0	1	**0**	**0**	**0**	**0**	**0**
Total	500	647	615	641	2 403	**675**	**730**	**674**	**718**	**2 797**

Comparable operating profit

€m	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	2011
Construction	-23	-10	1	-13	-45	**-13**	**4**	**11**	**-6**	**-3**
Engineering	-6	-8	-7	-6	-28	**-2**	**-2**	**1**	**-4**	**-7**
Metals	-10	66	51	19	126	**42**	**75**	**-9**	**-28**	**80**
Others	-4	-4	-4	-4	-15	**-3**	**-6**	**-3**	**-3**	**-14**
Total	-43	45	41	-5	38	**25**	**71**	**1**	**-40**	**56**

Items affecting comparability of net sales

€m	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	2011
Mo i Rana net sales										
Others	5	7	0	0	12		**0**	**0**	**0**	**1**

Items affecting comparability of operating profit

€m	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	2011
Unrealised gains and losses on USD derivatives										
Construction	2				2					
Engineering	1				1					
Metals	6	15	-40	6	-13					
Expense caused by low utilisation rate related to blast furnace modernisation										
Metals		-18			-18		**-2**	**-23**		**-25**
Cost of production test runs for change in feedstock base										
Metals				-2	-2					
Cost of strike										
Engineering									**0**	**0**
Metals									**-5**	**-5**
Expenses related to restructuring										
Construction							**-1**	**-2**	**-1**	**-3**
Engineering		-1		-3	-5			**0**	**0**	**0**
Income from sale of shares										
Metals									**2**	**2**
Mo i Rana operating profit										
Others	-2	-2	-7	0	-11	**0**	**0**	**0**	**-2**	**-2**
Fine regarding price collusion in divested (in 2006) prestressing steel business										
Others		-5	0		-4					
Total	7	-11	-47	1	-49	**0**	**-2**	**-25**	**-6**	**-34**

Information for shareholders

Investor relations

The main principles guiding investor relations at Rautaruukki include providing consistent, adequate information impartially at the same time to all investor audiences in all situations. The company also aims at honesty, transparency and good service. Rautaruukki's principal channel for investor relations is the www.ruukki.com website, which seeks to give updated information about the company's news and financial performance to determine the value of Rautaruukki's share. The website also features a comprehensive archive of the company's releases and other investor material. The company publishes its annual report, interim report and other stock exchange releases in Finnish and English.

Annual General Meeting

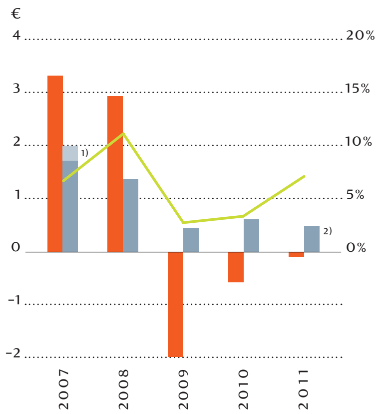
The Annual General Meeting of Rautaruukki Corporation will be held at Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki starting at 2pm on Wednesday 14 March 2012. The Meeting will be conducted in Finnish. Details of how to register for the meeting can be found in the Notice of the Annual General Meeting at www.ruukki.com > Investors > Corporate Governance > General Meeting of Shareholders.

Rautaruukki Corporation's major shareholders 31.12.2011

Shareholder	Number of shares	% of shares
1. Solidium Oy*	55,656,599	39.67
2. Ilmarinen Mutual Pension Insurance Company	5,379,210	3.83
3. Varma Mutual Pension Insurance Company	3,514,322	2.51
4. The State Pension Fund	1,555,000	1.11
5. Odin – Funds	1,451,566	1.03
6. Rautaruukki Corporation	1,423,051	1.01
7. Nordea – Funds	1,309,826	0.93
8. Etera Mutual Pension Insurance Company	1,050,000	0.75
9. E & K Rannila Oy	910,000	0.65
10. Rumtec Holding Oy	910,000	0.65
11. ABN Amro – Funds	676,995	0.48
12. Danske Invest – Funds	656,202	0.47
13. OP – Funds	600,000	0.43
14. Mutual Insurance Company Pension-Fennia	596,200	0.42
15. Toivonen Antero	500,000	0.36
16. Oy Ingman Finance Ab	470,000	0.34
17. OP Pension Fund	464,405	0.33
18. Rautaruukin Henkilöstörahasto HR	458,528	0.33
19. SEB Gyllenberg – Funds	433,800	0.31
20. Nordea Life Assurance Finland Ltd.	400,000	0.29

* Solidium Oy is fully owned by the Finnish State

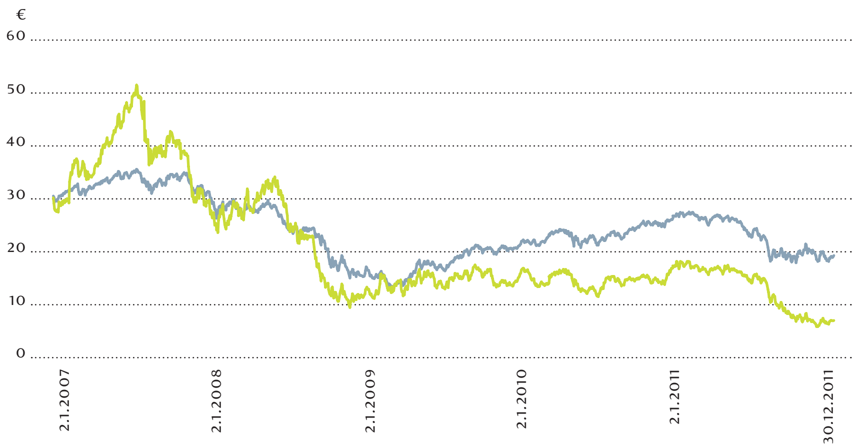
Earnings and dividend per share



EPS, diluted
Dividend per share
Additional dividend
Effective dividend yield, %

1) Additional dividend from funds freed up from long steel business
2) Board of Directors' proposal

Share price



Rautaruukki, RTRKS
OMX Helsinki CAP (scaled to Rautaruukki's share price)

Share-related key figures 2007–2011 [1]

	2011	2010	2009	2008	2007
Earnings per share (EPS), basic, €	−0.07	−0.57	−1.98	2.93	3.31
diluted, €	−0.07	−0.57	−1.98	2.93	3.31
Dividend per share, €	0.50 [2]	0.60	0.45	1.35	1.70+0.30 [3]
Dividend per earnings, %	neg. [2]	neg.	neg.	46.1	60.4
Effective dividend yield, %	7.0 [2]	3.4	2.8	11.1	6.7
Equity per share, €	9.17	9.99	10.85	14.04	14.13
Price per earnings (P/E)	neg.	neg.	neg.	4.2	9.0
Share price during the year					
Lowest price, €	5.91	11.62	11.06	9.51	27.38
Highest price, €	18.77	17.78	18.14	34.77	52.50
Average price weighted by trading volume	11.23	14.48	14.53	22.03	38.34
Closing price, €	7.12	17.51	16.14	12.16	29.65
Market capitalisation at balance sheet date, €m	998	2 456	2 264	1 706	4 157
Share trading during the year					
Share trading, €m	2 280	2 712	2 752	5 530	8 444
Share trading, 1,000	200 241	182 131	189 371	251 096	219 940
% of shares [4]	144	129	136	181	157
Number of shares at balance sheet date					
Number of shares outstanding, 1,000	138 862	138 862	138 864	138 789	138 721
Treasury shares, 1,000	1 423	1 423	1 422	1 467	1 477
Total number of shares, 1,000	140 285	140 285	140 285	140 255	140 198
Adjusted average number of shares outstanding, 1,000	138 862	138 864	138 846	138 746	138 491
Diluted, 1,000	138 862	138 864	138 846	138 773	138 566

1) All information about share trading and the key figures derived therefrom is based on trading data on NASDAQ OMX Helsinki. In addition to NASDAQ OMX Helsinki, Rautaruukki's share is traded on multilateral trading facilities (MTF).
2) Board of Directors' proposal, €0.50 per share
3) Additional dividend from funds freed up from long steel business
4) Of adjusted average number of shares outstanding

Financial reporting in 2012

Financial statements release 2011: Wednesday 1 February 2012
Annual report 2011: published in week 8
Interim report Q1/2012: Tuesday 24 April 2012
Interim report Q2/2012: Thursday 19 July 2012
Interim report Q3/2012: Tuesday 23 October 2012

Silent period

Rautaruukki observes a silent period of 21 days before the disclosure of results. During this period, the company does not meet capital market representatives, comment on the quarter concerned or report on matters relating to the company's performance.

Share basics

Listing: NASDAQ OMX Helsinki
Date of listing: 20 October 1989
Trading currency: euro
Sector: Basic Materials
Market cap segment: Large Cap
Trading ticker: RTRKS
ISIN code: FI0009003552
Trading lot: 1 share
Reuters ticker: RTRKS.HE
Bloomberg ticker: RTRKS FH

Contact information

Suolakivenkatu 1
PO Box 138, FI-00811 Helsinki, Finland
Tel.+358 20 5911
Fax +358 20 592 9088
Business ID 0113276-9
VAT No. FI 01132769
Registered office Helsinki

Chief Financial Officer

Markku Honkasalo
tel. +358 20 592 8840
markku.honkasalo@ruukki.com

Senior Vice President, Marketing and Communications

Taina Kyllönen
tel. +358 20 592 9040
taina.kyllonen@ruukki.com

Senior Vice President, Technology, Energy and Environment

Toni Hemminki
Tel. +358 20 592 9217
toni.hemminki@ruukki.com

Investor Relations

Vice President, Investor relations
Timo Pirskanen
Tel. +358 20 593 9009
timo.pirskanen@ruukki.com

ir@ruukki.com

Requests for meetings:
IR Assistant
Tanja Mäkinen
Tel. +358 20 592 9170
tanja.makinen@ruukki.com

Rautaruukki uses the marketing name Ruukki.
The company's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS).

Rautaruukki Corporation, Suolakivenkatu 1, PO Box 138, FI-00811 Helsinki, Finland
www.ruukki.com