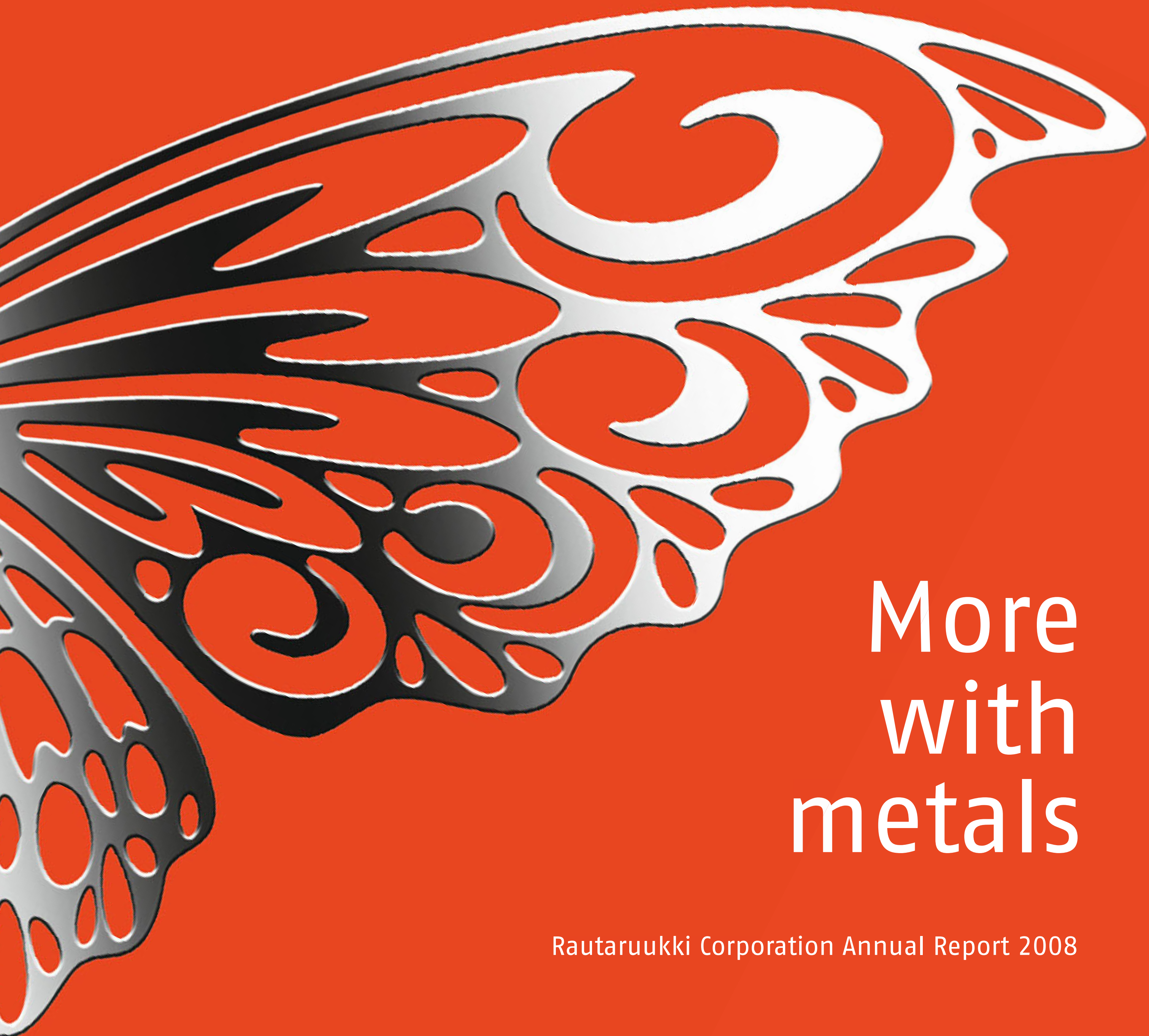


More with metals

Rautaruukki Corporation Annual Report 2008

ruukki

Contents

Ruukki is a multi-skilled actor in the steel and engineering industries.

The company's vision is to be the most desired solutions supplier to construction and engineering industry customers.

Rautaruukki's Annual Report 2008 is published in English and Finnish. The report includes the corporate responsibility part. Copies of the report may be ordered by emailing annualreport@ruukki.com and online at www.ruukki.com, where the annual report may also be downloaded in pdf format.

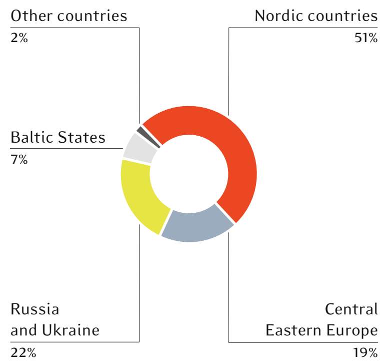
Business divisions

Ruukki Construction, Ruukki Engineering and Ruukki Metals	Breakdown of net sales 2008	Share of consolidated net sales 2008	Share of consolidated operating profit[1] 2008	Key figures

Ruukki Construction

Supplies more efficient, time-saving steel construction solutions for commercial and industrial construction, as well as for infrastructure foundation and transport infrastructure projects.

Product portfolio: Building frames, wall and roofing products, integrated systems for single- and multi-storey construction. Bridges, traffic noise barriers and highway guard rails for infrastructure construction, piles, retaining wall structures and foundations for harbour construction.



28%

23%

	2008	2007	change, %
Net sales, €m	1 067	1 042	+2.4
Operating profit, €m [2]	132	163	-19.2
Operating profit, as % of net sales [2]	12	16	-3.3
Personnel at year-end	5 039	5 278	-4.5

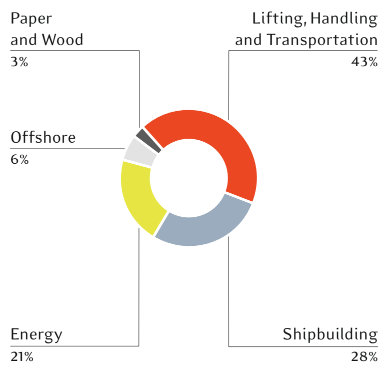
Main markets:
Nordic countries, Baltic states, Central Eastern Europe, Russia and Ukraine.

Customers:
Developers, designers and builders of commercial, industrial and office premises, logistics and sports complexes, and infrastructure services, as well as roofing suppliers.

Ruukki Engineering

Supplies systems and components to the engineering industry.

Product portfolio:
- Cabins, booms, masts and frames for goods and container handling, the construction and mining industry and forestry
- Telescopic booms, frames and parts for mobile cranes
- Windmill components (base frames, flanges for joining sections and welded frame structures) and windmill tower plates for the energy industry
- Oil sumps, common base frames and base frames for ships and power plant diesel generators



20%

22%

	2008	2007	change, %
Net sales, €m	765	667	+14.8
Operating profit, €m [2]	128	103	+24.5
Operating profit, as % of net sales [2]	17	15	+1.3
Personnel at year-end	2 702	3 044	-11.2

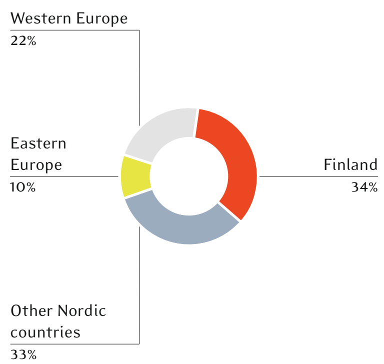
Main markets:
The division serves globally-operating European companies.

Customers:
Leading companies in the lifting, handling and transportation equipment industry, energy industry, marine & offshore industry and paper & wood industry.

Ruukki Metals

Supplies steel products and provides associated prefabrication, logistics and storage services. The division is responsible for the company's steel production and steel service centres.

Product portfolio: Hot- and cold-rolled steels, metal- and colour-coated steels, tubes and profiles, as well as stainless steel and aluminium sold as trading products. Also product-related prefabrication, logistics and storage services.



52%

60%

	2008	2007	change, %
Net sales, €m [3]	1 997	2 035	-1.9
Operating profit, €m [2]	350	395	-11.5
Operating profit, as % of net sales [2]	18	19	-1.9
Personnel at year-end [4]	6 080	5 876	+3.5

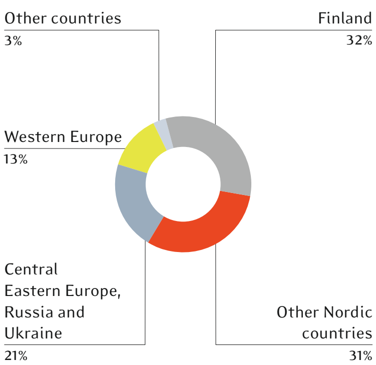
Main markets:
Nordic countries, Baltic states and Russia, selected customers for special steel products in Europe.

Customers:
Transportation equipment, construction, engineering and electronics industries.

1) Comparable, excluding non-recurring items. Corporate management costs have not been allocated to divisions (–5% of consolidated operating profit). 2) Comparable, excluding non-recurring items. 3) Comparable. 4) Including Ruukki Production, which is part of Ruukki Metals as of 1 Feb 2009.

Rautaruukki Corporation

Net sales by region 2008



The figures in the annual report have been rounded. This means that the sum of the individual figures may deviate from the total shown or percentages may not add up to 100.

Key figures

€m	2008	2007	change, %
Net sales	3 851	3 876	−0.6
Net sales, comparable	3 829	3 744	+2.3
Operating profit	568	637	-11.0
Operating profit, comparable*	584	635	−8.1
Operating profit, as % of net sales	14.7	16.4	-1.7
Operating profit, as % of net sales, comparable*	15.3	17.0	-1.7
Personnel, average number	14 953	14 326	+4.4

** Excluding non-recurring items*

Rautaruukki Corporation

Rautaruukki supplies metal-based components, systems and integrated systems to construction and the engineering industry.

The company has a wide range of metal products and services.

Operations are structured into three divisions:

- Construction division **Ruukki Construction**
- Engineering division **Ruukki Engineering**
- Steel business division **Ruukki Metals**

Ruukki

Rautaruukki uses the marketing name Ruukki.

The company's registered office is in Helsinki, Finland.

Rautaruukki's share is quoted on Nasdaq OMX Helsinki (Rautaruukki Oyj: RTRKS).

Around 14,300 employees in 26 countries across Europe.

Europe is the market area: Strong position in the Nordic countries, long-term focus of growth in Central Eastern Europe, Russia and Ukraine.

CEO's review

The past year was clearly divided into two parts, not just in the economy in general, but also for us at Rautaruukki.

Demand during the first three quarters of the year was strong and sales volumes were high in all our customer industries. However, there was a dramatic change in the market environment during the fourth quarter, especially in December, since the international credit crunch has affected almost all Rautaruukki's customer industries.

For Rautaruukki, profitable demand is key to all business. In the face of a marked slowdown in demand in customer industries towards the year-end, we had to adjust steel production and other operations to market conditions.

Boost operational excellence programme

Maintaining profitability calls for corporate-wide improvements in operational efficiency. In October, we launched our Boost programme, which aims at further operational efficiency and improving cost-efficiency to ensure the company's long-term competitive edge and good profitability. Through Boost, we are aiming at a EUR 150-million permanent improvement in operating profit, compared to 2008, by year-end 2011.

A start was made on implementing the first actions under the Boost programme during the fourth quarter of 2008. To optimise the production network and logistics in Central Eastern Europe and the Baltics, we decided to centralise profiling production on larger plants. In Hungary, a decision was made to switch component production serving the engineering industry from the small unit at Hatvan to the Jászberény components plant. In Finland, a decision was taken to centralise parts processing on Raahe and Seinäjoki. This will mean closure of the steel service centre in Tampere by summer 2009.

Adjusting operations to market conditions, together with actions under the Boost programme, has regrettably also meant job reductions. In December 2008, we initiated employer-employee negotiations in respect of redundancies, layoffs and part-time working in several units. Pension arrangements, shift reorganisation, possible redeployment within the company and close contact with local employment authorities have been made to lessen the impact on personnel.

Clear direction

Despite difficult market conditions, we continue to take the company forward in our chosen direction. We have selected commercial and industrial construction in Central Eastern Europe and CIS countries, the lifting, handling and transportation equipment industry, equipment manufacture for the energy industry and special steel products as our business focus areas. These are areas in which we have a good foothold in the market and see further promising growth potential, also in the long-term.

We have invested to increase delivery capacity within commercial and industrial construction, especially in Central Eastern Europe and Russia. The past year has seen us start up new production lines to serve the steel construction markets in Poland, Romania, Russia and Ukraine. In addition, we have also launched new innovations on the construction markets. In Central Eastern Europe, we launched a construction solution that considerably speeds up and improves the design and construction efficiency of single-storey industrial, logistics and commercial buildings.

We strengthened our position among engineering customers, especially in systems and component deliveries for the lifting, handling and transportation equipment industry and equipment manufacturers within the energy industry. Acquisition of German company Wolter Metallverarbeitung, which makes telescopic booms for mobile and special cranes, gave us entry into a new product range and expanded our customer base. We also automated welding operations at our sites in Finland, Poland and Hungary. Besides our main market in Europe, China is also growing increasingly important in Rautaruukki's engineering operations and strategy. The completion, at the end of last year, of an extension to Rautaruukki's unit in Shanghai will considerably increase production capacity at the site and broaden the product range.

In steel products, we made good progress towards our aim of growing the share of special steel products of Ruukki Metals' net sales. In addition, we decided to centralise steel service centre operations and to reorganise work between the units. In Oborniki, Poland, we opened a new steel service centre and enlarged the one in St Petersburg, Russia. We will further expand steel service centre operations in Russia when a new centre starts up on the site of our plant in Obninsk, near Moscow.

The success of a company's strategy is particularly weighed up when business conditions change. By focusing resources on projects and investments that enable us to build future market positions, we will emerge even stronger when the current economic downturn gives way to an upswing.

I would like to warmly thank our customers, shareholders and partners for the confidence they have placed in us over the past year. I am also grateful to all Rautaruukki's people for their contribution in taking the company forward.

Sakari Tamminen
President & CEO

"The success of a company's strategy is particularly weighed up when business conditions change. By focusing resources on projects and investments that enable us to build future market positions, we will emerge even stronger when the current economic downturn gives way to an upswing."

2008 in brief

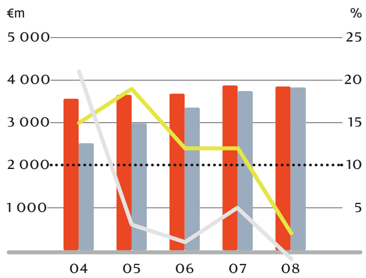
- **Comparable consolidated net sales up 2 per cent to EUR 3,829 million (3,744).**
- **Comparable consolidated operating profit, excluding non-recurring items, EUR 584 million (635). Non-recurring restructuring costs of -EUR 11 million booked for the fourth quarter.**
- **Return on capital employed at good level: 25.6 per cent (29.8%).**
- **Earnings per share (diluted) EUR 2.93 (3.31).**
- **Board of Directors' dividend proposal: EUR 1.35 per share (2007: 1.70 and additional dividend of 0.30).**

Key figures

	2008	2007
Net sales, €m	3 851	3 876
Comparable net sales, €m	3 829	3 744
Operating profit, €m	568	637
Comparable operating profit, excluding non-recurring items, €m	584	635
Operating profit, as % of net sales	14.7	16.4
Comparable operating profit, excluding non-recurring items, as % of net sales	15.3	17.0
Profit before taxes, €m	548	621
Comparable profit before taxes, excluding non-recurring items, €m	564	619
Return on capital employed, %	25.6	29.8
Return on equity, %	20.7	24.2
Equity ratio, %	65.9	70.1
Gearing ratio, %	7.9	1.4
Net interest-bearing financial liabilities, €m	155	28
Earnings per share, € (diluted)	2.93	3.31
Dividend per share, €	1.35*	1.70+0.30
Equity per share, €	14.04	14.13
Personnel on average	14 953	14 326

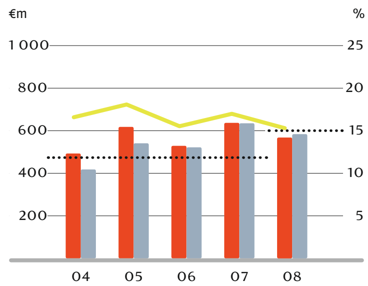
** Board of Directors' proposal*

Net sales and sales growth



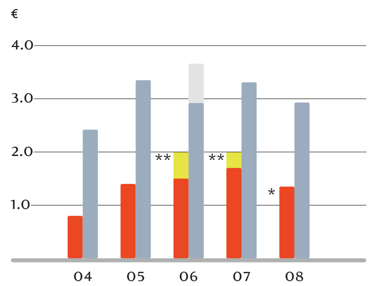
- Net sales, €m
- Comparable net sales, €m
- Comparable net sales growth, %
- Net sales growth, %
- Net sales growth target, %

Operating profit and operating profit margin



- Operating profit, €m
- Comparable operating profit, excluding non-recurring items, €m
- Comparable operating profit, excluding non-recurring items, % of net sales
- Operating profit margin target, % of net sales

Earnings and dividend per share

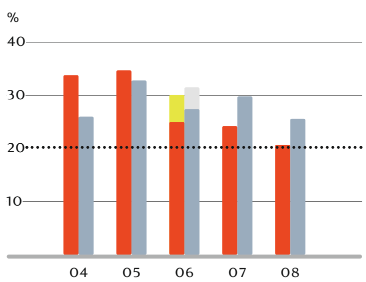


- Dividend per share, €
- Earnings per share, EPS, €
- Additional dividend per share, €
- Earnings per share, EPS incl. Ovako gain, €

* Board of Directors' proposal

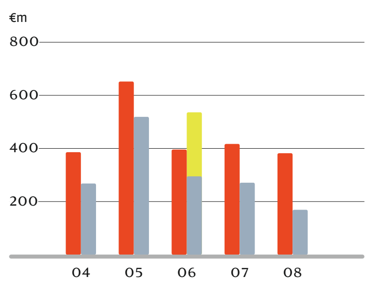
** Additional dividend from funds freed up from long-steel business

Return on equity and return on capital employed



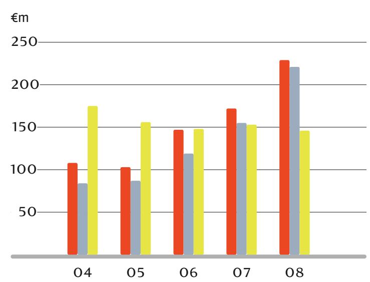
- Return on equity, %
- Return on capital employed, %
- Return on equity including Ovako capital gain, %
- Return on capital employed including Ovako capital gain, %
- Return on capital employed, target %

Cash flow



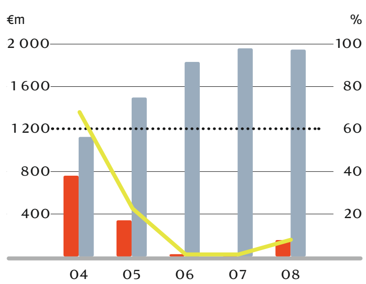
- Cash flow from operating activities
- Cash flow before financing activities
- Impact of Ovako gain

Capex vs. depreciation



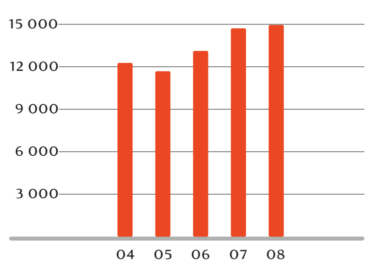
- Gross capex (on tangible and intangible assets)
- Net capex (on tangible and intangible assets)
- Depreciation

Equity and gearing ratio



- Net interest-bearing financial liabilities, €m
- Equity, €m
- Gearing ratio, %
- Gearing ratio target, %

Personnel on average



+ Selected financial data for the past five years are on page 125

Unusual year – good demand changed into historically challenging market conditions

- **Good demand in all market areas and customer industries during first months of year**
- **Global credit crunch rapidly weakened market conditions towards year-end**
- **Long-term growth potential especially in energy industry**

Market conditions in Rautaruukki's core market areas and main customer industries were good throughout the first half of the year. During the third quarter, there were signs of a weaker market in some of the company's customer segments and, towards the end of 2008, the markets experienced one of the most dramatic changes in economic history.

During the autumn, the markets unexpectedly nosedived into a downturn, the depth of which could not have been anticipated a few months earlier. The global credit crunch resulted in a marked weakening of market conditions in Rautaruukki's core market areas and main customer industries.

Various forecasts during the year predicted that Europe, Eastern Europe and Finland would be spared the fallout of the global credit crunch. However, the global nature of trade and finance meant the downturn hit all economic regions almost at the same time and growth weakened far more than expected. Economic development also in Finland remained considerably weaker than expected in 2008.

International credit crunch reflected in construction at year-end

Demand for commercial and industrial construction was good in all market areas, especially in the Nordic countries and Russia, during the first three quarters of 2008. In the fourth quarter, the global credit crunch slowed construction markets. In Central Eastern Europe and Russia, decisions to start construction projects were pushed back and some projects were discontinued until further notice as customers found it difficult to arrange funding.

Good demand continued in infrastructure construction – bridge, harbour and road construction. It is thought the prevailing market conditions will open up opportunities within infrastructure projects in the Nordic countries on the back of recovery measures decided by the public sector. Within infrastructure construction, Rautaruukki's market areas are Finland and the other Nordic countries.

Demand for residential roofing products remained reasonably strong, except in the Baltic states. In the Nordic countries, the focus in demand for roofing components has shifted from new to renovation construction.

Looking further ahead, the emerging economies in Eastern Europe in particular will provide business potential. Undeveloped infrastructure and the need for industrial and commercial construction in certain Central Eastern European countries, and especially in CIS countries, will increase construction demand. In these areas, too, the steadily growing middle class will increase the need for residential construction. In addition, increasing emphasis will be given to the environmental aspects of construction and construction materials.

Significant potential in the energy industry

The engineering industry, where order books in different customer segments were mostly strong throughout the year, was Rautaruukki's business segment least affected by the global credit crunch in 2008. Market conditions within the systems and component business were good and order books were strong in the lifting, handling and transportation equipment industry.

Favourable market conditions continued throughout the year within the energy industry, especially within wind energy. Equipment manufacture for the energy industry is also currently seen as having potential as it seems to have been little affected by the economic downturn.

Good demand also continued in the shipbuilding & offshore industry and paper & wood industry during 2008, although growth in demand in the forest machinery sector levelled off towards the year-end.

In the long term, globalisation and productivity growth requirements provide a strong platform for the development of the engineering market. Industrial production is increasing and the need to increase capacity and productivity is growing the lifting, handling and transportation equipment market. The credit crunch may impact on growing energy needs over the next few years, but in the long run, increasing energy needs, the development of new renewable forms of energy and environmental regulations will drive growth on the energy industry market.

Good demand for steel products during the first months of the year, demand fell during last quarter

The market for steel products was brisk during the first half of the year, with good demand in all the company's market areas and customer industries.

During the fourth quarter of the year, there was a marked decline in demand in all Ruukki Metals' market areas and customer industries, except for a few customer segments such as the electrical and electronic industry. The sharpest fall in demand was seen among subcontractors to the Swedish automotive industry.

Stock levels of steel products rose throughout the supply chain towards the end of the year. The fact that large multinational steelmakers had to considerably scale back production shows just how rapid the turnaround in the steel market was.

Compared to 2007, steel consumption is expected to have declined by some 4 per cent in 2008 across the EU-15, but increased in Central Eastern Europe and CIS countries by around 3 and 9 per cent respectively. China accounts for an increasingly large share of the growth in world steel production and makes over one third of the world's raw steel.

Prices of coal and iron ore, the main raw materials Rautaruukki uses in steel production, rose sharply on the global market in 2008. A strengthening of the US dollar towards the end of the year also contributed to higher market prices of raw materials.

In the long term, demands to increase productivity whilst identifying energy-efficient solutions will add to demand for special steel products. Higher energy costs and scarcity are spawning a need for longer-lasting, durable and energy-efficient products. In addition, modernisation of the engineering industry is expected to grow the market for special steel products in Eastern Europe.

Difficult to predict how market conditions will develop

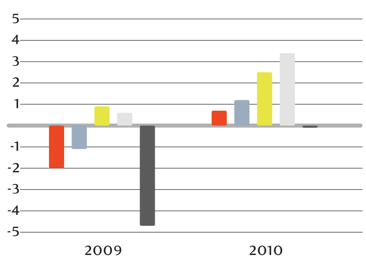
The global credit crunch and its impact on the real economy have increased general uncertainty also in all Rautaruukki's market areas and customer industries. Near-term outlooks are gloomy for various economies. The European Commission expects the gross national product to shrink throughout the European Union in 2009. The economic outlook has also weakened in Eastern Europe, and the Russian economy especially faces a threat from low oil prices. Customers' difficulties in obtaining finance are reflected in demand in all markets.

It is impossible to predict the length and depth of the economic downturn and particularly difficult to predict short-term market prospects. How deep and protracted the downturn becomes is instrumental to the markets .

+ More about market conditions in customer industries in the Report of the Board of Directors on pages 76–81

GDP growth in Europe
Forecast 2009–2010

%, change on previous year

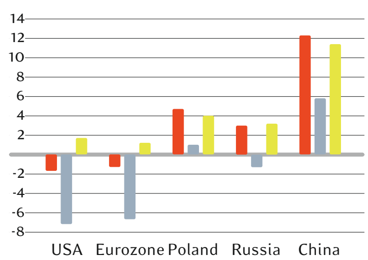


- Eurozone
- Nordic countries: Finland, Sweden, Norway, Denmark
- Central Eastern Europe: Czech, Hungary, Poland, Slovakia
- Russia and Ukraine
- Baltics

Source: Consensus Economics, Eurozone & Nordic countries, February 2009; others, January 2009

Industrial production growth
Forecast 2008–2010

%, change on previous year

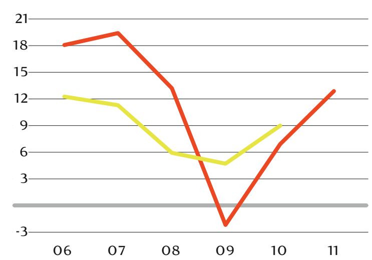


- 2008
- 2009
- 2010

Source: Consensus Economics, USA & Eurozone, February 2009; Poland & Russia January 2009; CRU: China, January 2009

Construction market
Forecast 2009–2011

%, Russia and Central Eastern Europe

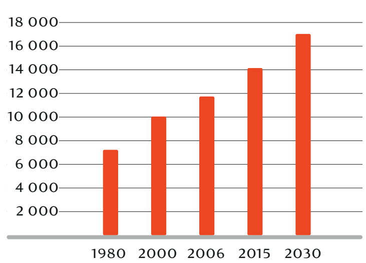


- Russia
- Central Eastern Europe

Sources: PMR: Russia, January 2009; Euroconstruct: Czech, Hungary, Poland & Slovakia, December 2008; Buildecon: Serbia & Ukraine, January 2009; Romania, November 2008; Croatia, August 2008; Slovenia, July 2008; Bulgaria, May 2008

World primary energy demand
Forecast until 2030

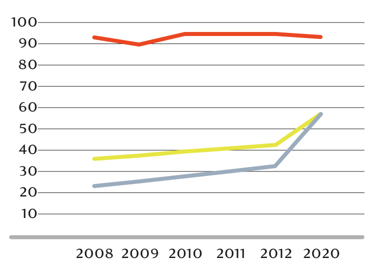
Mtoe



Source: International Energy Agency, World Energy Outlook, Reference scenario 2008

Steel consumption
Forecast until 2020

Mt

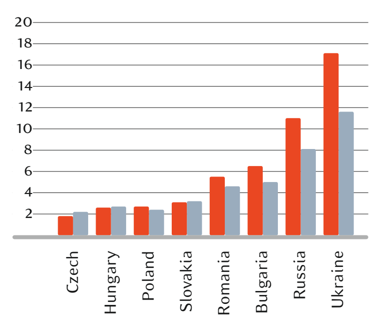


- EU15
- Rest of Europe
- Russia & CIS

Source: Metal Bulletin Research, Predictable pain scenario, 2008

Inflation
Forecast 2009–2010

%, change in consumer prices



- 2009
- 2010

Source: Consensus Economics, January 2009

Vision and strategic intents

Ruukki is a multi-skilled actor in the steel and engineering industries.

The company's vision is to be the most desired solutions supplier to construction and engineering industry customers.

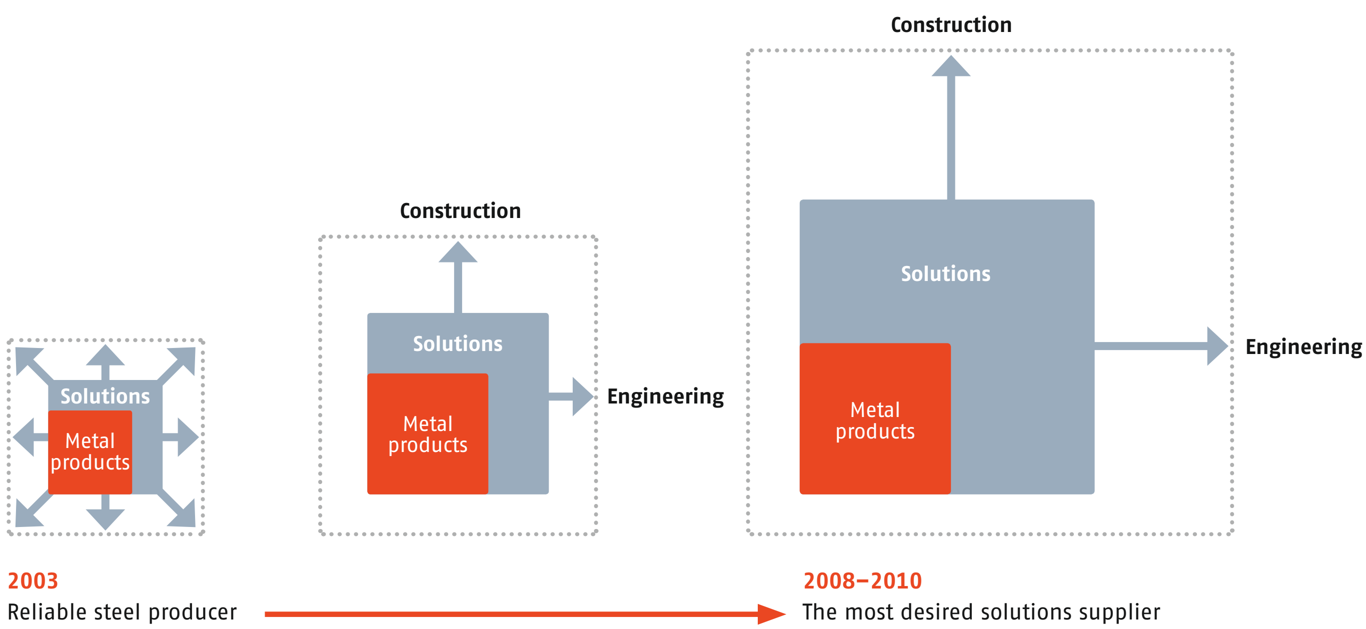
Rautaruukki's strategic intents by division are:

- Ruukki Construction aims to be Europe's leading supplier of steel construction solutions.
- Ruukki Engineering aims to be one of the leading providers of components and systems to the lifting, handling and transportation industry, and to the energy industry.
- Ruukki Metals aims to strengthen its position in steel and special steel products in its core markets in the Nordic countries. In addition, the division aims for special steel products to account for an increasing share of its net sales.
- The target for the company's structural transformation is for the solutions businesses – Ruukki Construction and Ruukki Engineering – to account for over 50 per cent of consolidated net sales.

Good progress has been made since 2003 with systematically transforming Rautaruukki's structure from that of a steel producer to a solutions supplier. Structural transformation has resulted in a marked decrease in the percentage of net sales attributable to price sensitive products. In 2008, the solutions businesses and special steel products accounted for 62 per cent of the company's net sales.

In the long-term, the solutions businesses will give the company a strong competitive edge. A better understanding of the customer's process and ensuing longer-term customer cooperation are instrumental to the company the more specialised it becomes.

The next stage following the company's structural transformation is to continue to develop selected focus areas and build efficient operations to create long-term profitable growth. Profitability is the key word in all operations.



Long-term financial targets

- Rautaruukki has set a comparable top line growth target of 10 per cent a year.
- Rautaruukki's EBIT margin target is to exceed 15 per cent of net sales.
- The target for return on capital employed is 20 per cent and for the gearing ratio ~60 per cent.
- Rautaruukki's dividend policy is a payout ratio of 40-60 per cent of earnings for the financial year. The aim is for a steadily rising dividend whilst also taking into account the needs of business growth.

Divisional financial targets are given below:

- Ruukki Construction's target is net sales of EUR 1.5 billion through organic growth by the end of 2010.
- Ruukki Metals' target is for special steel products to account for 40 per cent of the division's net sales by the end of 2010.

In light of the prevailing market climate, it is uncertain whether these targets can be achieved within the timescale set.

Strategic focus areas to strengthen future market positions

Systematic and consistent implementation of the company's strategy creates a sound platform for Rautaruukki's long-term growth. The company focuses on growing markets and on lasting customer relationships with growth potential. The company's strategy defines four focus areas of business. Focusing on these areas will strengthen the company's future market positions and improve its long-term competitive edge and profitability.

The strategic focus areas of business are:

- commercial and industrial construction in Central Eastern Europe and CIS countries (Ruukki Construction)
- lifting, handling and transportation equipment industry (Ruukki Engineering)
- equipment manufacturers for the energy industry (Ruukki Engineering)
- special steel products (Ruukki Metals)

Maintaining a strong position in the Nordic markets is key to long-term profitability in all businesses. Eastern Europe, and especially Russia, is the company's most significant growth area. The selected focus areas of business offer considerable growth potential and also reduce susceptibility to fluctuations in the economic cycle.

The company's strong balance sheet enables growth to be supported through carefully considered investments and acquisitions.

Eastern Europe offers considerable potential for all businesses

The company's long-term aim is to significantly grow net sales in Central Eastern Europe, Russia and Ukraine.

Emerging markets naturally hold great potential, especially in construction. In addition, the relocation of engineering production from Western to Eastern Europe, in tandem with the modernisation of the local engineering industry in emerging markets, translates into growth potential also for Ruukki Engineering and Ruukki Metals. Rautaruukki's strong presence across Eastern Europe enables it to react quickly to market changes.

Ruukki Construction focuses on commercial and industrial construction

Ruukki Construction is a pacesetter in steel construction in Northern and Eastern Europe, especially in the construction of commercial, industrial and office premises and logistics and sports complexes. In addition to building construction, Ruukki Construction is the leading foundations and transport infrastructure constructor in the Nordic countries.

The division's strategic intent is for continued growth in the commercial and industrial construction markets of Central Eastern Europe and CIS countries by innovating new solutions for construction. The division is strengthening its foothold in these market areas by building on its expertise, expanding its sales network, investments and by strategic acquisitions.

Ruukki Construction is focusing on growth on the commercial and industrial contruction markets in Central Eastern Europe and CIS countries. Central Eastern Europe in this context means Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia. CIS countries are Russia, Ukraine, Belarus and Kazakhstan. In 2008, Central Eastern European and CIS countries accounted for 41 per cent or EUR 435 million of the division's net sales.

The stage of development in the national economy and associated construction development provide good business opportunities for Ruukki Construction. Undeveloped infrastructure in Central Eastern European countries, and particularly in CIS countries, in tandem with the need for commercial and industrial construction are driving demand for construction. The steadily growing middle class in these countries is increasing demand for residential buildings more than in Western Europe.

Ruukki Engineering focuses on the LHT equipment industry and on equipment manufacturers in the energy industry

Ruukki Engineering's strategy is to work with customers to enhance the value chain in the engineering industry. The division's most important growth area is the lifting, handling and transportation equipment industry and energy industry markets. In addition, the division will continue to develop solutions serving its other customer industries: offshore & marine and paper & wood industries.

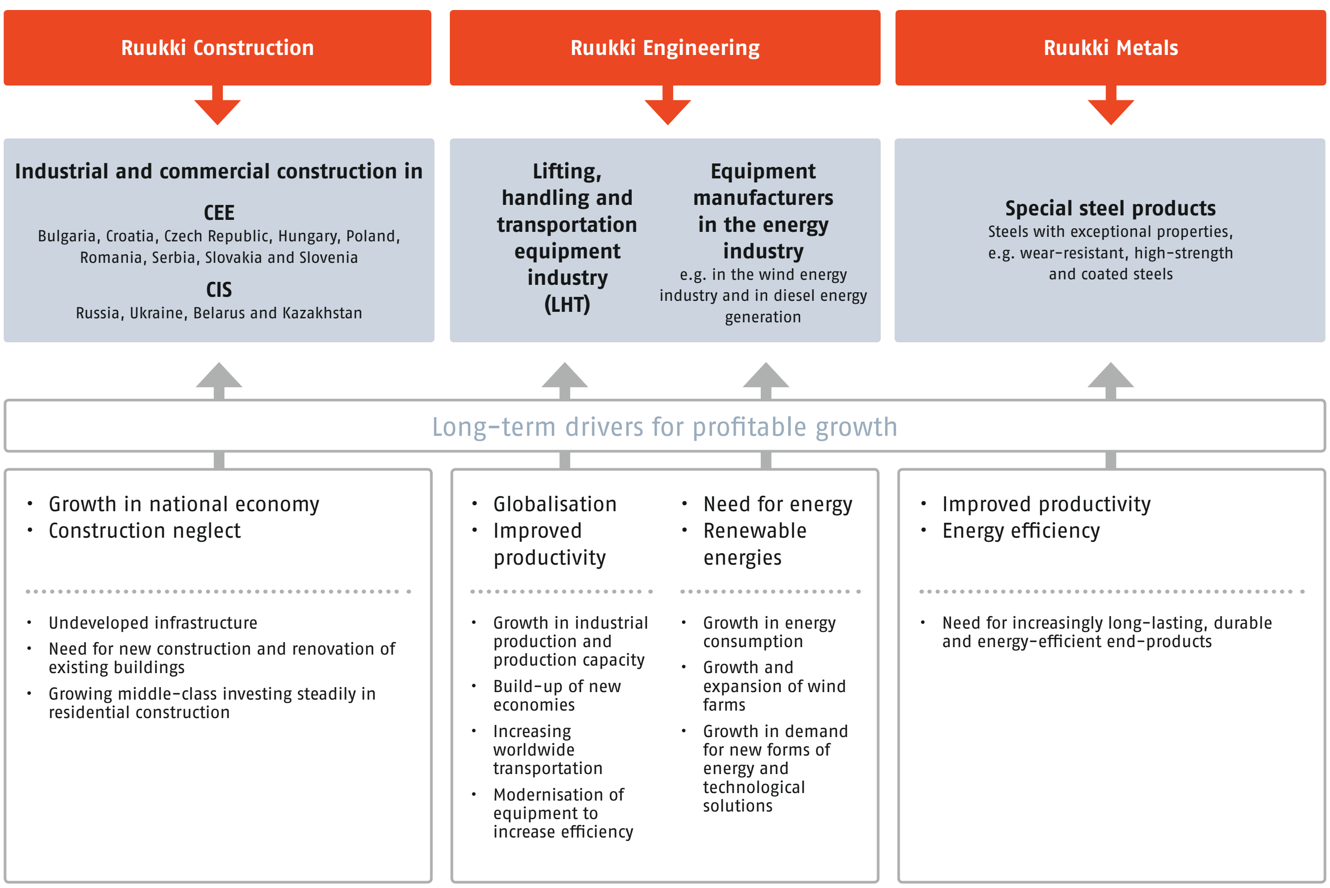
In the long term, Ruukki Engineering is focusing on growing its business among OEM customers in the lifting, handling and transportation equipment industry and equipment manufacturers in the energy industry. In this context, the energy industry means, for example, the wind power and diesel energy generation sectors. In 2008, customers in the lifting, handling and transportation equipment industry accounted for 43 per cent or EUR 326 million and the energy industry for 21 per cent or EUR 159 million of the division's net sales.

Achievement of the strategy requires investments in competence and greater manufacturing capacity, carefully considered acquisitions and value chain rationalisation. The value chain in the lifting, handling and transportation equipment industry has much potential to improve efficiency since supply chains are fragmented and suppliers are often small, local companies.

Globalisation, production growth and a need to improve the efficiency of the value chain create a sound platform for Ruukki Engineering's long-term growth. An expansion of the customer base and product range, as well as increasing outsourcing, also creates opportunities. Besides this, new industrial economic regions continue to spring up in the developing world and the transportation sector is expanding towards becoming a global network.

The credit crunch may impact on growing energy needs over the next few years, but in the long run, increasing energy needs and the development of new renewable forms of energy will be the global growth drivers in the energy industry. Research into new forms of energy production and energy solutions is gathering momentum and new wind farms are being set up around the world. It is estimated that by 2030, the basic energy need will be 50 per cent higher than it is today (IEA, International Energy Agency). The growing debate about climate change opens up new growth potential also for Rautaruukki. Significant growth is predicted in the renewable energy market and, for example, wind power capacity is expected to approximately double by 2012.

Strategic focus areas



Ruukki Metals to increase profitability by special steel products

Responsible for the steel business, Ruukki Metals' strategy is to strengthen its leading position in its core markets in the Nordic countries. The division's strategy is geared towards special steel products and development of the parts processing business.

Special steel products include high-strength, wear-resistant and coated steels and associated services. The lifting, handling and transportation equipment industry uses high-strength steels to lighten machinery and thus increase payloads. Parts processing means for example that Ruukki Metals delivers parts ready for assembly direct to the customer's production line. This frees up the customer's own resources for engineering operations proper.

As the focus shifts towards demanding special steel products, Ruukki Metals competes increasingly less with steel companies that make standard products. In 2008, the special steel product business accounted for 27 per cent or EUR 537 million of the division's net sales.

Demands to increase productivity whilst identifying energy-efficient solutions translate into potential growth in demand for special steel products. Higher energy costs and scarcity are spawning a need for long-term, durable and sustainable energy-efficient products.

Besides special steel products expertise and parts processing, Ruukki Metals is particularly addressing continuous improvement in delivery reliability, efficiency and operational flexibility. To this end, collaboration between steel production and sales has been stepped up and Ruukki Production was merged with Ruukki Metals at the start of February 2009.

Building long-term profitability and competitive edge during prevailing market conditions

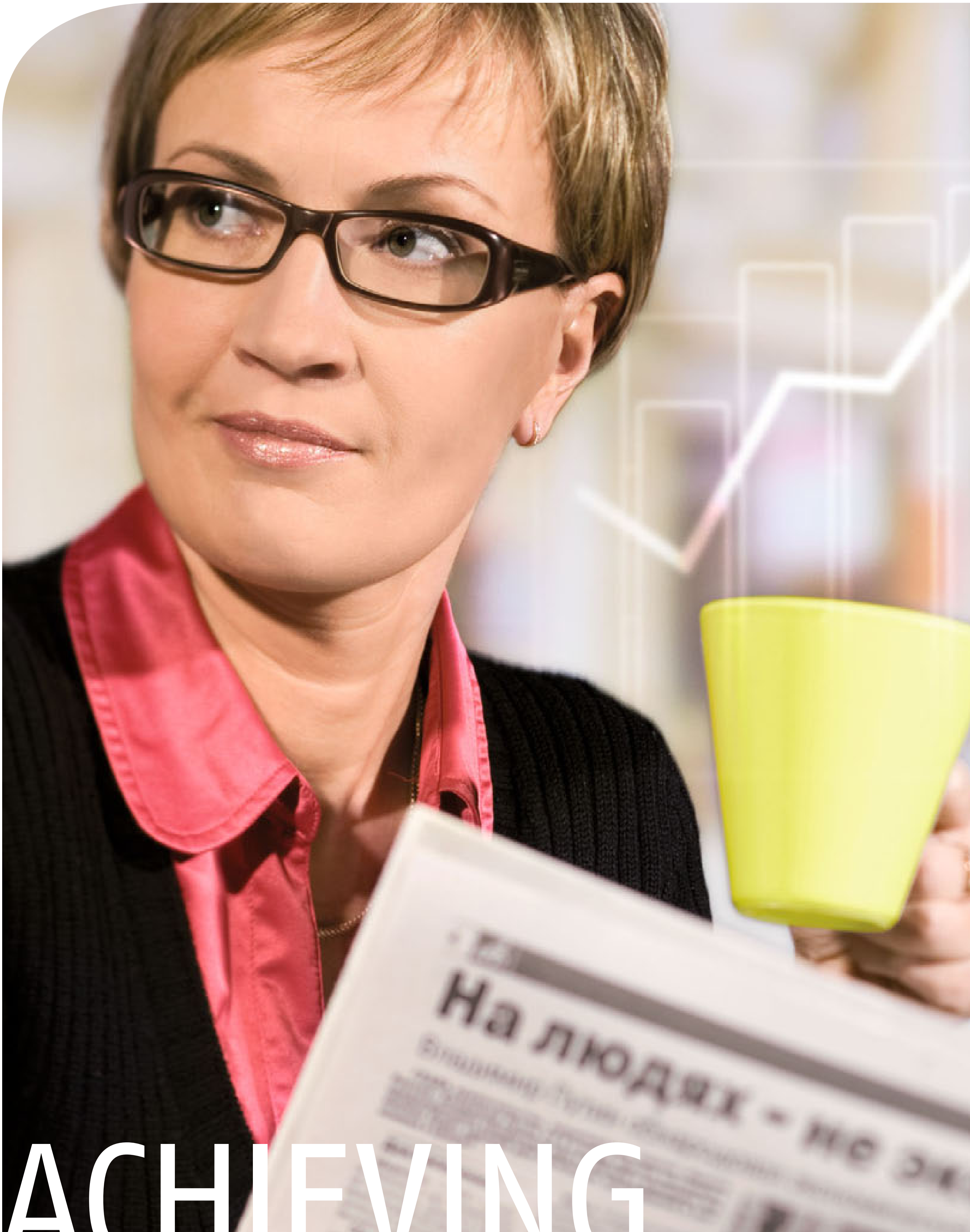
Over the past five years, Rautaruukki has structured its businesses to give the company a maximum competitive edge also in economic downturns. The thrust of structural transformation has been on strategic focus areas and a withdrawal from standard steel products by divestment, for example, of the long steels units. The prevailing weak market conditions are the time to build future market positions and improve the company's long-term competitive edge and profitability. Acquisitions, capital expenditure and the corporate-wide operational excellence programme Boost are enablers of long-term profitability growth.

Launched in October 2008, Boost aims at further operational efficiency and at ensuring the company retains its good competitive edge and profitability in the future. The significance of the programme will become increasingly apparent as the economy slows. The Boost programme aims at a EUR 150 million permanent improvement in the company's operating profit, compared to the 2008 level, by year-end 2011. Boost consists of numerous programmes at the divisional and corporate level. In this context, the company will, among other things, launch new products and technologies, optimise the production network, improve supply chain management, plant capacity utilisation and sourcing. Production plants will shorten lead times, improve productivity and quality, automate bottlenecks and ramp up new investments. The company will also continue to improve the efficiency of and develop support functions, divest non-core businesses and discontinue unprofitable operations.

+ More about projects in 2008 under the Boost programme on page 17

Divisions' market position, competitive edges and main competitors

	Ruukki Construction	Ruukki Engineering	Ruukki Metals
Market position	■ Pacesetter in steel construction especially in the construction of commercial, industrial and office premises and logistics and sports complexes in Northern, Central Eastern and Eastern Europe ■ Leading foundations and transport infrastructure constructor in the Nordic countries	■ Leading supplier of systems and components to global OEM customers in chosen segments in the lifting, handling and transportation equipment industry and to equipment manufacturers in the energy industry	■ Strong foothold in core markets in the Nordic countries ■ Cutting-edge maker of special steel products ■ Extensive range of services at steel service centres in Finland, Sweden, Poland and Russia
Competitive edges	■ Fast, safe, efficient construction solutions to meet customer needs ■ Modularity and full integration of pre-fabricated components and systems ■ Expert design, project management and installation services ■ Extensive local production and delivery network ■ Increasingly faster construction using the latest innovations of product development ■ Lasting customer relationships and strong foothold in core markets	■ Total deliveries: the complete value chain for fully-assembled systems and components ■ Ability to rationalise and shorten customer supply chains ■ Cost-efficient network of specialised product factories ■ Ability to efficiently transfer / replicate / increase production in global manufacturing network ■ Ability to grow internationally with customers ■ Lasting customer relationships	■ First-class special steel products ■ Customised products ■ Flexible, reliable deliveries to meet customer needs: either from mills, service centres or stocks ■ Diverse range of prefabrication and processing services at service centres ■ Strong network of works and service units by Northern European standards ■ Lasting customer relationships and strong foothold in core markets
Main competitors	■ System suppliers such as Lindab, Trimo, Llentab ■ Component suppliers such as Kingspan, Weckman Steel, Metal profil, Balex Metal, Blachy Pruszynski ■ Construction divisions of global steel companies ■ Small, local companies ■ Alternative building materials such as bricks and concrete	■ Cabin manufacturers such as Fritzmeier and Bosal-Sekura Industries ■ Boom and boom component manufacturers such as Vlassenroot, Henschel Engineering and PPS Group a.s. ■ Mid-size local component manufacturers	■ Makers of special steel products such as SSAB, Dillinger Hütte, Salzgitter ■ Nordic service centres such as BE Group, Tibnor, Kontino, Norsk Stål ■ International steelmakers such as ArcelorMittal, ThyssenKrupp, Corus



ACHIEVING

Long-term profitability from strategic focus areas

Systematic and consistent implementation of the company's strategy creates a sound platform for Rautaruukki's growth. Whereas it is important for all the company's businesses to maintain their strong position in the Nordic markets, Eastern Europe holds great potential for all Rautaruukki's divisions. The company has defined four focus areas of business.

1 Ruukki Construction's long-term focus areas are commercial and industrial construction in Central Eastern Europe and CIS countries. Ruukki Construction's net sales in this region have shown steady growth and in 2008 accounted for around EUR 435 million and 41 per cent of the division's net sales (2007: EUR 433 million, 42%).

2 Consistent with its strategy, Ruukki Engineering is focusing on two businesses. One of these is lifting, handling and transportation equipment. OEM customers in this business accounted for around EUR 326 million and 43 per cent of the division's net sales in 2008 (2007: EUR 277 million, 42%).

3 Ruukki Engineering's other focus area is the equipment manufacturers in the energy industry, for example, to meet the needs of wind and diesel power machinery. Customers in the energy industry accounted for around EUR 159 million and 21 per cent of the division's net sales in 2008 (2007: EUR 126 million, 19%).

4 Special steel products are strengthening Ruukki Metals' profitability. High-strength steels, which are included in special steel products, are used in the lifting, handling and transportation equipment industry to lighten equipment and increase payloads. Special steel products accounted for EUR 537 million and 27 per cent of the division's net sales in 2008 (2007: EUR 514 million, 24%).

More with metals.

Delivering on the strategy – strong platform for growth and development

- **Good progress made with transformation from steel supplier to solutions provider**
- **Strong foothold in core markets and Nordic countries is a significant competitive edge**
- **Profitability target achieved**

Recent years have seen Rautaruukki focus on structural transformation. This transformation has progressed to plan and the company is now focusing on further improving operational efficiency and on growth in selected segments. The company has structured its businesses to provide maximum competitiveness in all market conditions.

Progress made with transformation to solutions provider

Good progress has been made with the Group's transformation from a steel supplier to a solutions provider. Ruukki Construction and Ruukki Engineering, the divisions forming the focus of the solutions business, are approaching the target of 50 per cent of the company's net sales and earnings. Solutions include parts, components and systems deliveries that Ruukki Construction and Ruukki Engineering supply to selected customer segments.

In all, the solutions businesses accounted for 48 per cent (2007: 44%) of consolidated net sales and 45 per cent (2007: 42%) of consolidated operating profit in 2008. When a start was made on implementing the present strategy in 2004, the solutions businesses accounted for below 20 per cent of consolidated net sales.

The company has also made good progress with its strategy to grow the special steel product business. Special steel products accounted for 27 per cent (2007: 24%) of Ruukki Metals' net sales in 2008 - the aim is for special steel products to account for 40 per cent of the division's net sales by year-end 2010.

The solutions businesses and special steel products are extremely important to Rautaruukki's business. The chosen structure protects the company against strong fluctuations in steel prices and customised products boost the company's competitive edge.

In 2008, the company sourced 15 per cent (2007: around 20%) of steel from outside. The company's growth, especially in Eastern Europe, requires raw materials to be sourced also from outside own steel production. Almost all the steel Rautaruukki uses in Russia, for example, is sourced from outside the company.

Eastern Europe generates over a fifth of net sales

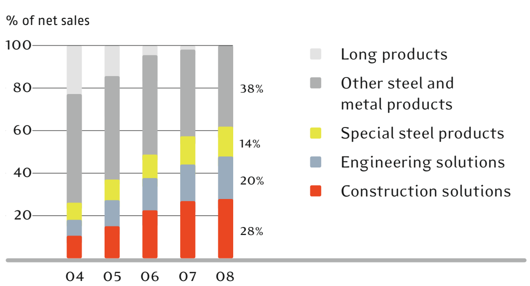
Rautaruukki's comparable net sales have been steadily increasing since 2004. Comparable net sales for 2008 rose by two per cent year-on-year to reach EUR 3,829 million (2007: 3,744).

The company has a strong market position in Finland and the other Nordic countries. In 2008, Finland accounted for 32 per cent (2007: 31%) of consolidated net sales and the other Nordic countries for 31 per cent (2007: 31%). A firm foothold in the domestic market gives all the company's divisions a competitive edge and provides the fundamentals for the company's profitability.

Rautaruukki's strong, local presence in almost all Eastern and Central Eastern European countries enables the company to react quickly to market changes. There is long-term, strong growth potential in the markets in this region and also significant opportunities for all the company's businesses.

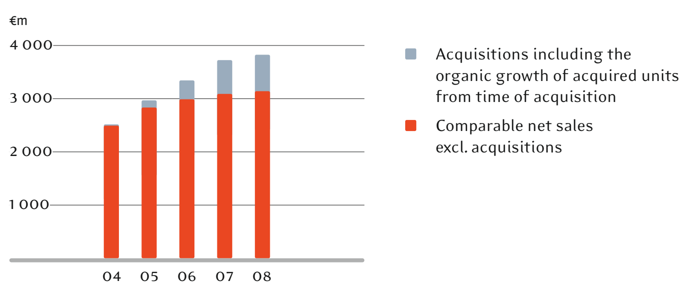
Rautaruukki has been an active player in Eastern Europe since the early 1990s. At year-end 2008, the company had a total of around 5,500 workers, 62 sales offices and 19 production facilities across Central Eastern and Eastern Europe. In 2008, Central Eastern Europe, Russia and

Structural transformation 2004–2008



Comparable net sales 2004–2008

Around half of the company's growth is organic and around half came from acquisitions



Financial targets and their achievement

	Target set	Target	Actual				
			2008	2007	2006	2005	2004
Growth in net sales, %, comparable	2006	>10%	2	12	12	19	15
Operating profit, as % of net sales, comparable, excluding non-recurring items	2008 (was >12%)	>15%	15.3	17.0	15.6	18.1	16.6
Return on capital employed, %	2006	>20%	25.6	29.8	31.4	32.8	26.0
Gearing ratio, %	2006	~60%	7.9	1.4	1.2	22.8	68.0
Dividend and dividend policy							
Dividend per share, %			1.35*	1.70+0.30	1.50+0.50	1.40	0.80
Dividend per earnings, €m	2006	40–60%	46.1*	60.4	55.1	41.9	33.1
Dividend, €m			187*	277	276	191	109

** The Board of Directors proposes a dividend of EUR 1.35 per share.*

Ukraine accounted for 21 per cent (2007: 21%) of consolidated net sales. Since 2004, growth has been strongest namely in Central Eastern Europe, Russia and Ukraine. The relative share of net sales attributable to the rest of Europe declined to 13 per cent (2007: 15%) during 2008. This was mainly because of divestments made in line with the company's strategy.

In 2008, Rautaruukki invested a total of EUR 74 million in Eastern Europe. During the report period, new plants serving construction were completed in Romania and Ukraine. A three-year investment to increase capacity in Russia is scheduled for completion during 2009. Ruukki Metals has invested heavily in steel service centres in Eastern Europe: 2008 saw the start-up of a new service centre in Poland and a new cut-to-length line at the service centre in St Petersburg, Russia.

Profitability on sound platform

The company's long-term profitability has been good and the company has exceeded its EBIT margin target each year since 2004. The EBIT margin target was >12% until October 2008, when it was upgraded to >15%. Consolidated comparable operating profit excluding non-recurring items in 2008 was EUR 584 million (2007: 635), equating to 15.3 per cent (2007: 17.0) of net sales.

Boost programme to further improve profitability

In October 2008, Rautaruukki initiated its corporate-wide Boost programme, which aims at further operational efficiency and at ensuring the company retains its sustainable competitive edge and good profitability in the future. The Boost programme aims at a EUR-150-million permanent improvement in the company's operating profit, compared to 2008, by year-end 2011.

The following projects started under the Boost programme in 2008:

- Ruukki Construction: a decision was taken to centralise the manufacture of construction products in the Baltic states on the Pärnu plant in Estonia. The small profiling units in Riga, Latvia and in Vilnius, Lithuania will be closed by the end of April 2009.
- Ruukki Construction: a decision was taken to close the small profiling unit in Ostrava in the Czech Republic and to gradually transfer the production equipment there to the company's larger plants in Hungary, Poland and Romania during the first quarter of 2009.
- Ruukki Construction: a profitability improvement programme was initiated at the Oborniki steel frame and sandwich panel plant in Poland. The programme, which will last until summer 2009, aims to make operating processes more efficient and significantly improve the plant's profitability performance.
- Ruukki Engineering: production at the Hatvan site in Hungary was transferred to the Jászberény components plant during the first quarter of 2009.
- In addition, all divisions and business support functions initiated a number of programmes to improve operational and cost efficiency and to eliminate overlapping activities.
- Similarly, in early 2009, Ruukki Metals decided to close the steel service centre in Tampere by the end of June 2009 and focus parts processing on Raahe and Seinäjoki in Finland. In addition, at the Oulainen plant in Finland, it was decided to discontinue the production of spiral-welded line pipes used in natural gas transmission pipelines since it is not part of the company's core business.

Between 2004 and 2008, before the launch of the Boost programme, Rautaruukki developed and harmonised ways of working in different countries and businesses under the Ruukki United programme. Ruukki United improved the cost structure and working capital turnover ratio.

By year-end 2008, the Ruukki United programme achieved annual cost savings of around EUR 135 million (the target when the programme began was EUR 150 million). By year-end 2008, around EUR 75 million in capital was freed up (target: EUR 150 million). The savings mainly resulted from more efficient production and sourcing and divestments of operations not forming part of the company's core business.

M&A arrangements to support the solutions business

Structural transformation and growth within the Group have required considerable resources in recent years. A total of EUR 270 million has been invested in numerous M&A arrangements to support structural transformation since 2004.

However, since the market situation and high valuation levels did not favour major acquisitions, 2008 was a comparatively quiet year in this respect. Consequently, the focus was mainly on organic growth and capital expenditure. In 2008, EUR 9 million (44) was spent on M&A arrangements. Acquisition opportunities are actively studied the whole time.

M&A arrangements in 2008:

- Acquisition of German company Wolter Metallverarbeitung GmbH (Wolter), which makes telescopic booms for mobile and special cranes. This acquisition is consistent with Rautaruukki's strategy to grow the capacity and range of products serving the lifting, handling and transportation equipment industry. Wolter mainly serves leading, globally operating OEMs of mobile cranes and makers of special cranes used in windmill tower installation.
- Acquisition of the business operations of Finnish laser and laser-hybrid welding specialist HybriSteel Oy. These welding technologies are especially used in construction, the shipbuilding industry and the lifting, handling and transportation equipment industry. This acquisition is consistent with Rautaruukki's strategy, especially in special steel products.
- Acquisition of the entire share capital of Lithuanian steel constructor Gensina, whose customers are international and local investors and construction firms in Lithuania. Gensina's strong foothold in its home market strengthens Rautaruukki's position in construction in the Baltics and furthers the development of Rautaruukki's frame and envelope project management business across the market area.
- Divestment of German company Carl Froh GmbH, which makes precision tubes and automotive components, to Arques Industries AG. The transaction is consistent with Ruukki Metals' strategy to focus in the Central and Southern European markets on special steel products.
- Divestment of the colour-coating line, serving automotive industry, in Gävle, Sweden to the Swedish company Trelleborg

Acquisitions 2004–2008

	At time of acquisition		
	Net sales[1], €m	Employees	Closed
UAB Gensina	9	82	Dec/2008
Hybri-Steel Oy			Apr/2008
Wolter Metallverarbeitung GmbH	5	31	Feb/2008
Aprítógépgyár Zrt	43	740	May/2007
Scanbridge AS	9	75	Apr/2007
AB Omeo Mekaniska Verkstad	23	55	Jan/2007
AZST-Kolor CJSC		100	Jun/2006
OOO Ventall	70	1 250	Jun/2006
Steel-Mont a.s.	27	130	Mar/2006
PPTH Steelmanagement	101	500	Jan/2006
Syneco Industri AB	37	495	Oct/2005
Metalplast-Oborniki	65	685	Jun/2005
Velsa Oy	47	400	Oct/2004
TP-teräskeskus Oy	4	18	Mar/2004

[1] *Net sales for the full financial year before acquisition.*

Divestments 2004–2008

	At time of divestment		
	Net sales[2], €m	Employees	Closed
Colour-coating line Gävle, Sweden		35	Nov/2008
Carl Froh GmbH	58	200	Jun/2008
Ruukki Welbond BV	10	45	Nov/2007
Ruukki Betonstahl GmbH	66	68	Nov/2007
Oy Ovako Ab			Nov/2006
Fredericia Works	15	21	Nov/2006
Duisburg service centre		75	Sep/2006
Metalplast Sytems Sp.zo.o.	8	245	Aug/2006
Reinforcing steel business	328	690	Aug/2006
Halikko works	13	100	Oct/2005
Froh HouseTech GmbH	12	50	Sep/2005
Long steel products (Ovako)	600	1 900	May/2005
Welding wire production		30	Jun/2004
Star Tubes Ltd	15	50	Apr/2004
Technology Sales unit	3	8	Mar/2004

[2] *Net sales for the full financial year before divestment.*

Rubore AB. The transaction is part of Rautaruukki's structural change and is consistent with the strategy to divest units not forming part of its core business.

Strong balance sheet an asset in prevailing market conditions

Rautaruukki's financial position provides a platform for investments and acquisitions consistent with the company's strategy. At year-end 2008, the company's equity ratio was 65.9 per cent (2007: 70.1%). The gearing ratio remained relatively low at 7.9 per cent (2007: 1.4%). Net interest-bearing financial liabilities at year-end 2008 totalled EUR 155 million (2007: 28).

At year-end 2008, the company's equity was EUR 1,948 million (2007: 1,960), equating to EUR 14.04 per share (2007: 14.13). In April 2008, Rautaruukki paid its shareholders dividends totalling EUR 277 million.

Investments support structural transformation

Since 2004, Rautaruukki has invested a total of around EUR 1 billion, of which considerably more than half has been spent on acquisitions and green field. Maintenance investments have averaged EUR 75 million a year since 2004.

Ruukki Construction's investments have focused on acquisitions and on growing steel construction expertise and capacity. Between 2004 and 2008, the division invested a total of EUR 400 million, of which acquisitions accounted for around EUR 200 million and greenfield for around EUR 170 million.

Ruukki Engineering's investments have in recent years focused on improving the efficiency of service to key European customers. Between 2004 and 2008, the division invested a total of EUR 120 million, of which acquisitions accounted for almost EUR 70 million and greenfield for around EUR 40 million.

Ruukki Metals and Ruukki Production's investments have focused on increasing special steel product expertise. Between 2004 and 2008, these divisions invested some EUR 450 million. During this period around EUR 175 million was spent on greenfield investments and around EUR 265 million on maintenance investments.

Investments in 2008 focused on steel construction and special steel products

Gross investments in tangible and intangible assets in 2008 totalled EUR 229 million (2007: 172). Some EUR 150 million of this figure was greenfield investments and some EUR 75 million maintenance

Investments in tangible and intangible assets by division in 2008

	Ruukki Construction	Ruukki Engineering	Ruukki Metals[1]
Total investments	€74m	€19m	€129m
Greenfield investments	€70m	€16m	€66m incl. environmental investments
Maintenance investments	€4m	€3m	€63m
Largest single investments	New steel frame and sandwich panel plant in Romania (Bucharest) Largely started up in late 2008, sandwich panel line in 2009	Investments in machining and automation in Finland (Mustasaari) Start-up: 2009	New cold leveller unit to serve special steel production at the Raahe Works in Finland Start-up: 2009
	New sandwich panel plant in Finland (Alajärvi) Start-up: 2009	New boom line to serve the lifting, handling and transportation equipment industry in Poland (Wrocław) Start-up: 2008	New ladle treatment unit to serve special steel production at the Raahe Works in Finland Start-up: 2008–2009
	New sandwich panel and profile line in Ukraine (Kiev) Start-up: 2009	New machining unit and paint shop in Hungary (Tisza) Start-up: 2009	New steel service centre in Poland (Oborniki) Start-up: 2008
	New steel frame plant in Poland (Oborniki) Start-up: late 2008	Welding robot line to serve cabin assembly in Finland (Kurikka) Start-up: late 2008	Modernisation of steel service centre machinery in Russia (St Petersburg) Start-up: 2008–2009
	New sandwich panel plant in Russia (Obninsk) Start-up: 2009	Investments in expanding Shanghai unit in China Start-up: 2008–2009	Reorganisation of steel service centres in Finland (Naantali, Järvenpää) and Sweden (Halmstad) Start-up: 2008–2009
	Expansion of steel structure plant in Finland (Ylivieska) Start-up: 2008		

[1] *Includes Ruukki Metals and Ruukki Production's investment. More about environmental investments on page 52.*

investments. The largest single investments in 2008 were related to increasing steel construction and expertise in special steel products.

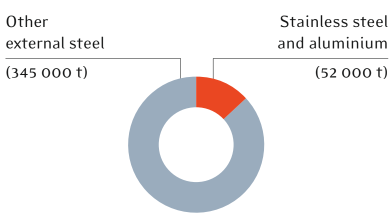
Ruukki Construction made investments totalling EUR 74 million in 2008. Investments related to steel construction were mainly to increase the production capacity of steel structures and sandwich panels in the Russian and Central Eastern European construction markets. The division's EUR 120 million investment programme to expand capacity in Central Eastern Europe, Russia and Finland was largely completed during the year. Under the programme, the division has made investments to increase steel construction capacity all-round: investments have focused on steel frame and sandwich panel production. In the context of the programme, 2009 will see the start-up of a sandwich panel line at the Romanian plant, a profile production and sandwich panel line at the Ukraine plant and a new sandwich panel production line in Finland.

Ruukki Engineering made investments totalling EUR 19 million in 2008. The main thrust was technology investments to serve European engineering industry customers and to broaden the customer base. The division invested in new manufacturing technology to boost production and further improve product quality and delivery reliability. This included automating welding operations at Wrocław, Poland and at Peräseinäjoki, Finland, as well as investments in machining operations at Sepänkylä and Kurikka in Finland and at Jászberény, Hungary. New equipment is being used to make components for the energy industry and lifting, handling and transportation equipment industry.

Ruukki Metals and Ruukki Production made investments totalling EUR 129 million in 2008. The largest investments were to increase expertise in special steel products. In addition, also extensive maintenance investments were made. A total of EUR 45 million was spent in 2008 on increasing the expertise of special steels. A new plasma cutting and packaging unit, as well as the commissioning of the first stage of a new ladle treatment unit and a cold leveller at the plate mill increased the production capacity of high-strength and wear-resistant steels and components for use, in particular, in the lifting, handling and transportation equipment industry. Plasma cutting capacity was also expanded. A modernised colour-coating line, which mostly serves construction, started up in Antratsyt, Ukraine. In Oborniki, Poland, August saw the opening of a new steel service centre and a new cut-to-length line was commis-

Steel, stainless steel and aluminium sourced externally

2008: 397 000 t (2007: 593 000 t)



Key achievements in 2008

January	February	March	April	June
Investments ■ Delivery capacity within non-residential construction strengthened: decision to build a new sandwich panel plant in Alajärvi, Finland (€20 million).	**Acquisitions** ■ Acquisition of German company Wolter Metallverarbeitung GmbH, which makes telescopic booms and booms for special cranes for customers in the lifting, handling and transportation equipment industry. **Innovations and launches** ■ First practical application of rock foundation solution developed by Rautaruukki to speed up construction.	**Innovations and launches** ■ Start of launches of solution to speed up and improve the design and construction efficiency of single-storey commercial and industrial construction. The solution was presented in six Central Eastern European countries in 2008.	**Investments** ■ Delivery capacity of special steel products increased: decision to start up a cut-to-length line in Raahe to serve engineering industry customers (€23 million). ■ Expansion of operations in Russia: decision to build a steel service centre on the site of the production plant in Obninsk to serve the engineering industry (€13 million). **Acquisitions** ■ Acquisition of the business operations of Finnish company Hybri-Steel Oy, which specialises in laser-welded plates and laser and laser-hybrid welding.	**Divestments** ■ Divestment of German unit Carl Froh GmbH, which makes precision tubes. **Investments** ■ Start-up of new steel frame and structure production lines in Poland and Romania, and expansion investments in Russia during summer and autumn.

sioned and machinery modernised at the steel service centre at Parnas, St Petersburg, Russia. In addition, a decision was made to invest EUR 12 million in steel service centres to improve delivery accuracy, cost-efficiency and profitability.

Innovations for construction

Ruukki Construction is a pacemaker in steel construction in Europe. Recent years have seen the division roll out a number of construction solutions for use across the company's entire market area.

In 2008, Ruukki Construction launched a total solution on the Central Eastern European market to speed up and make the design and construction of single-storey, industrial, logistics and commercial premises more efficient. Effective design software can be used to enable delivery of foundations, frame and envelope structures within just two months at the fastest. The new single-storey solution was used to build 18 projects during 2008.

Also in 2008, the division presented in Finland a total solution, developed in tandem with research institutes and the authorities, to improve fire safety. The solution makes use of performance-based fire design and is particularly intended for commercial buildings and sports complexes to ensure fire safety in all fire conditions.

Since 2007, Ruukki Construction has provided total solutions in Finland and Sweden to fast-track and make the construction of multi-storey office and commercial buildings more efficient and improve on-site safety. The solution can also include a new type of pile foundation base or rock foundation.

+ More about market conditions in 2008 in the Report of the Board of Directors on pages 76–81 and in the business environment presentation on pages 6–7

+ More about the divisions in 2008 on pages 24–29

+ More about acquisitions and divestments in Notes 5 and 6 to the financial statements on pages 100–102

+ More about product development on pages 36–37

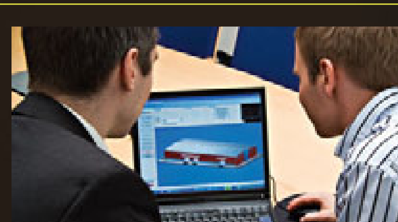
August	September	October	November	December
Investments ■ New steel service centre opened in Oborniki, Poland. ■ Decision to invest (a total of €12 million) in conjunction with specialisation of steel service centres. ■ Decision made regarding investments in Peräseinäjoki and Sepänkylä (Mustasaari), Finland to serve the engineering industry.	**Innovations and launches** ■ Presentation of new solution to improve the fire safety of steel buildings.	**Operational efficiency and financial targets** ■ Roll-out of corporate-wide operational excellence programme Boost to improve efficiency and ensure competitive edge and profitability. ■ EBIT margin target raised to >15 per cent (was >12%).	**Divestments** ■ Divestment in Gävle, Sweden of colour-coating line serving the automotive industry. **Investments** ■ New colour-coating line commissioned in Ukraine, primarily to serve construction.	**Acquisitions** ■ Acquisition of Lithuanian steel constructor Gensina to further frame and envelope project management business. **Investments** ■ Start-up of new robot welding line to make booms at Wrocław, Poland. ■ Pilot use of new cold leveller at the plate mill in Raahe, Finland.

DESIGNING

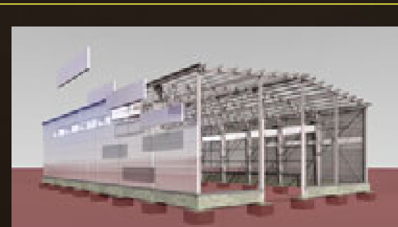
Faster way to build commercial and industrial premises

Rautaruukki has innovated a solution to considerably speed up the construction of commercial and industrial premises. Software developed by Rautaruukki enables the fast design of building foundations, frame and envelope structures. The use of prefabricated structures translates into cost-efficiency and fast, safe installation. Rautaruukki launched its solution for single-storey construction in Central Eastern Europe during 2008.

1 A building can be designed together with the customer. Standardised structures speed up design and design software enables the simulation of various design options. The end-result is 2D and 3D images of the building and quote for total delivery.

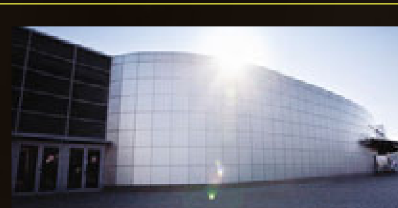


2 At its broadest, Rautaruukki's delivery consists of the building's foundations, steel frame and wall and roofing structures, including installation. All parts are designed and prefabricated to fit seamlessly together. This increases the efficiency and safety of the installation process. At best, delivery can take place within just eight weeks from receipt of order.



3 Despite prefabricated, standard structures, the buildings have individual features, with flexible choice of cladding materials and door and window openings. In addition, the premises can easily be later adapted or enlarged to meet the needs of the end-customer's business.

4 In 2008, the new solution was used in 18 deliveries of single-storey buildings for industrial, logistics and commercial purposes. A more advanced version of the design software will be rolled out in spring 2009.



More with metals.

Ruukki Construction

Innovations, investments and operational efficiency translate into cutting-edge construction

- **Innovations for fast, safe construction**
- **Operational excellence programme actioned**
- **Market area expanded eastwards**

Ruukki Construction supplies steel-based solutions and components to speed up and rationalise commercial and industrial construction, as well as foundation and transport infrastructure construction projects.

Ruukki Construction aims to become the industry leader in steel construction in Europe. The division seeks to achieve this aim by developing profitable business across its markets, with Eastern Europe as the lynchpin of business growth. The division's market area is the Nordic countries, the Baltic states, Central Eastern Europe, Russia, Ukraine, Belarus and Kazakhstan.

The division is seeking a competitive edge by innovating solutions to speed up and rationalise new commercial and industrial, and infrastructure construction. Designers, developers and construction firms are served locally by a portfolio of products and services based on international steel construction expertise.

Annual net sales of over one billion euros

Ruukki Construction's net sales for 2008 rose to EUR 1,067 million (1,042). Operating profit excluding non-recurring items was EUR 132 million (163). The division accounted for 28 per cent (27) of consolidated net sales. Net sales rose on the back of good demand for commercial and industrial construction during the early months of the year, higher price levels and growth in the frame and project business across the entire market area. Operating profit was negatively affected by the start-up of the investment programme in Central Eastern Europe and cost of building the associated organisation and sales network, as well as by high steel material costs. The later months of the year were additionally adversely affected by low capacity utilisation rates due to slack demand and by tougher competition.

New production lines in Eastern Europe

May 2008 saw the completion of an extension to increase frame structure production capacity in Poland. The frame line at the new plant in Romania started up in 2008 and the new sandwich panel line will enter production in early 2009. Additional frame, load-bearing roof structure and purlin production capacity was completed in Russia. Late 2008 saw the start up of the profile line at the new plant in Ukraine, where a sandwich panel line will be completed in the second quarter of 2009. Work progressed to plan during 2008 on building a new sandwich panel line at Alajärvi in Finland. Production at the plant is expected to start up in autumn 2009. Likewise, a new sandwich panel line under construction in Russia is scheduled for completion during the third quarter of 2009.

A sandwich panel is a prefabricated element with two steel sheet layers bonded to an inner insulation core between them. Ready-to-install panels are especially used for industrial and commercial building construction.

Design tools speed up construction

A solution to fast track the design and construction of single-storey industrial, logistics and commercial premises was launched on the Central Eastern European market in Hungary, Slovakia, Czech Republic, Poland, Ukraine and Romania during the spring and autumn of 2008. This new solution for single-storey construction was used to design 18 customer projects in 2008.

Design and bid calculation software developed by Rautaruukki speeds up the design and quotation process for industrial hall buildings. Integrated foundation, frame and envelope structures are prefabricated for fast, safe installation. Although based on modular solutions, the buildings can be given individual features, with flexible choice even of building span and cladding materials. At best, a building comprising the parts above can be delivered in just eight weeks from receipt of order.

In autumn 2008, Ruukki Construction launched on the Finnish market a new solution for performance-based fire design. The greatest benefits of this solution include ensuring fire safety in all fire situations and the most economically effective fire protection methods based on actual fire loads. The design software was developed together with research institutes in the field and the authorities.

Aiming for efficient production and logistics

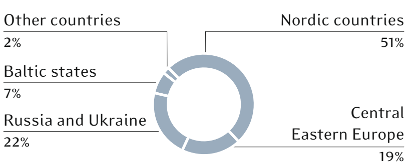
In autumn 2008, Ruukki Construction actioned improvements to the division's operational efficiency under the corporate-wide Boost programme. A decision was made to close down smaller units and centre profile production on larger plants to optimise the production network and logistics in Central Eastern Europe and the Baltics.

A decision was taken to relocate the production equipment from the Czech profiling unit, which operates in rented premises, to units in Hungary, Poland and Romania and to shift production from units in Latvia and Lithuania to Estonia in spring 2009. Local sales and customer service will continue as earlier in all these countries. An operational efficiency programme was initiated at the Oborniki steel frame and sandwich panel plant in Poland to significantly improve the plant's profitability performance.

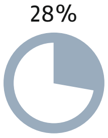
Major steel deliveries for Vuosaari harbour

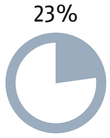
The new Vuosaari Harbour in Helsinki opened in November 2008. Ruukki Construction supplied a considerable amount of piles for the harbour between 2003 and 2008. The largest piles were more than 30 metres long and weighed over 10 tonnes each. In addition, the company delivered the steel frames and envelope structures for 16 buildings in the harbour area. The photo shows quay structures built on Rautaruukki's piles.

Net sales by region



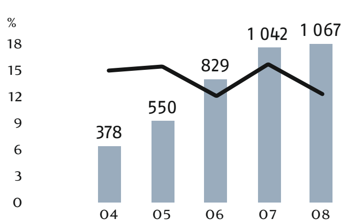
Share of consolidated net sales	Share of consolidated operating profit*
28%	23%





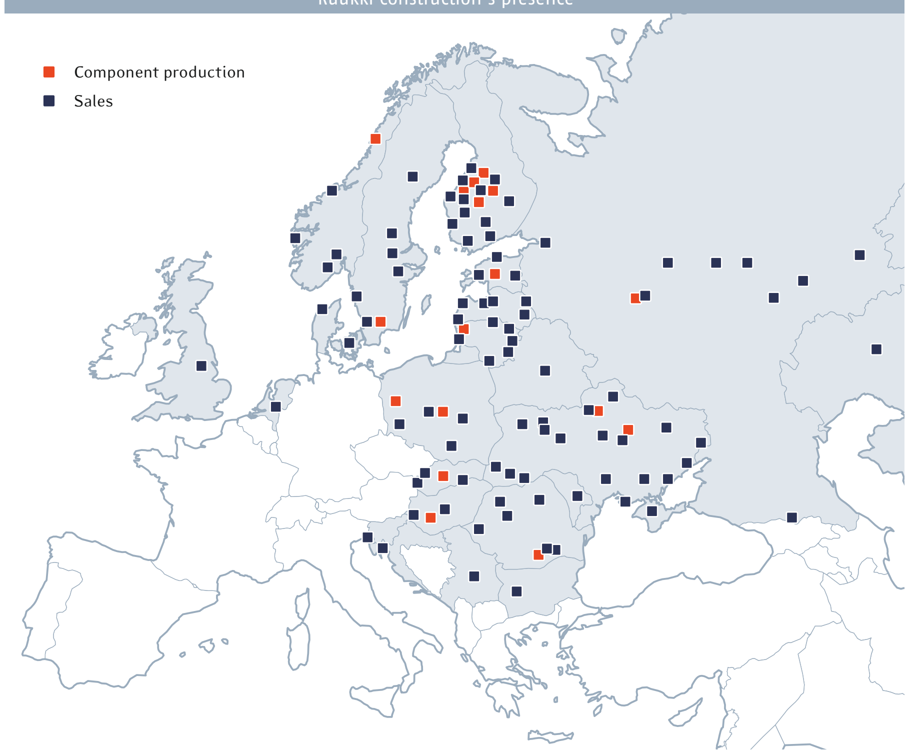
€1 067m	€132m

Net sales 2004–2008 €m
Operating profit %*



* Excluding non-recurring items

Ruukki Construction's presence**



** 1 February 2009

Ruukki Engineering

Strong position in engineering system and component deliveries

- **Acquisition of German company making telescopic booms for mobile cranes**
- **Start made on investments in new manufacturing technology**
- **Significant growth of Chinese unit**

Ruukki Engineering supplies systems and components to the engineering industry. The division's customers include leading, globally operating OEM companies in the lifting, handling and transportation equipment industry, as well as the energy, offshore & marine and paper & wood industries.

The division aims to be the leading solutions supplier in selected focus segments. Ruukki Engineering's long-term growth drivers are OEM customers in the lifting, handling and transportation equipment industry and global equipment customers in the energy industry.

The division's profitable growth is based on its systems and components business. Competitive edge lies in total deliveries and an ability to deliver to customers a complete value chain for fully-assembled systems and components. Customers benefit from Rautaruukki's network of manufacturing units, reliable, consistent quality and its ability to grow internationally with the customer.

Strong demand in lifting, handling and transportation equipment industry, as well as in energy industry

Ruukki Engineering's net sales for 2008 rose to EUR 765 million (667) and operating profit, excluding non-recurring items, to EUR 128 million (103). The division accounted for 20 per cent (17) of consolidated net sales.

Net sales rose due to growing demand in the systems and component business and the resulting rise in sales volumes, especially to the lifting, handling and transportation equipment industry and the energy industry. Operating profit rose on the back of continued strong demand, the profit improvement programme currently under way and higher sales prices. The division also reorganised production and broadened its product portfolio to improve profitability.

Acquisitions form platform for organic growth

In February 2008, Rautaruukki acquired the German company Wolter Metallverarbeitung GmbH (Wolter), which makes telescopic booms for mobile and special cranes. The main products are telescopic booms for leading, globally operating European OEMs of mobile cranes. The company also makes booms for special heavy cranes used in windmill tower installation. The acquisition gave Ruukki Engineering entry into a new product range and brought with it new high-profile European customers.

The integration of Wolter and Hungarian company AGJ (now Ruukki Tisza Zrt.), which was acquired in 2007, was completed during 2008.

Investments in new manufacturing technology

Ruukki Engineering invested in new manufacturing technology to boost production and further improve product quality and delivery accuracy. This involved automating and streamlining production lines to make core components for the energy industry and lifting, handling and transportation equipment industry.

The division automated welding operations at Wrocław, Poland, where a new robot welding line for booms came on stream. Other investments included welding robots to make products for the energy industry at Peräseinäjoki, Finland and the automatic welding of cabin frames at Kurikka, Finland. Investments were also made in machining operations at Sepänkylä, Finland and at Jászberény, Hungary. June 2008 saw the completion of a second production hall in Germany, which provides more space for the production of telescopic booms.

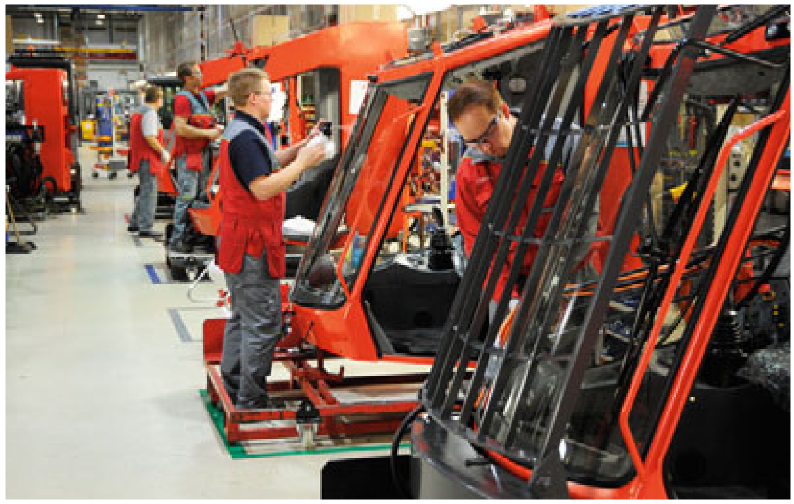
Significant investments in machinery and equipment were made at the Shanghai unit in China. At the start of 2009, the unit expanded into considerably larger production premises. The first deliveries out of these premises to customers in the energy industry and lifting, handling and transportation equipment industry will be made in the first half of 2009. During the year, the headcount at the unit grew by 100 to 380 people. The customer base was expanded and the unit intensified cooperation with existing customers.

Profitability programme delivers marked improvement in operating profit

Ruukki Engineering's profitability improvement programme, launched in February 2008, delivered an improvement of around EUR 15 million in the division's operating profit for 2008, compared to the 2007 level.

The division adopted a new organisation and management model to foster growth and profitability. The year also saw the division give priority to lasting customer relationships with growth potential. Sales prices were increased to price away the rise in raw material costs, with the exception of some customers on an annual contract.

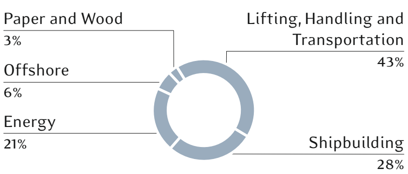
Ruukki Tisza Zrt., the Hungarian unit, adopted a new ERP system to improve operational efficiency. Restructuring and a reorganisation of production processes resulted in the loss of 190 clerical jobs in Hungary. In addition, at the start of 2009, under the new corporate-wide operational excellence programme, Boost, the division announced plans to transfer production from the Hatvan site in Hungary to the Jászberény components plant.



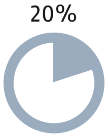
Cabin assembly for the lifting, handling and transportation equipment industry

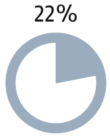
The Kurikka plant in Finland assembles cabins for mobile machines used in goods and container handling, construction, mining and forestry.

Net sales by customer segment

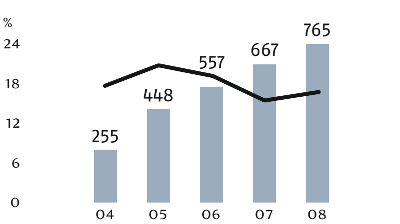


Share of consolidated net sales	Share of consolidated operating profit*
20%	22%
€765m	€128m



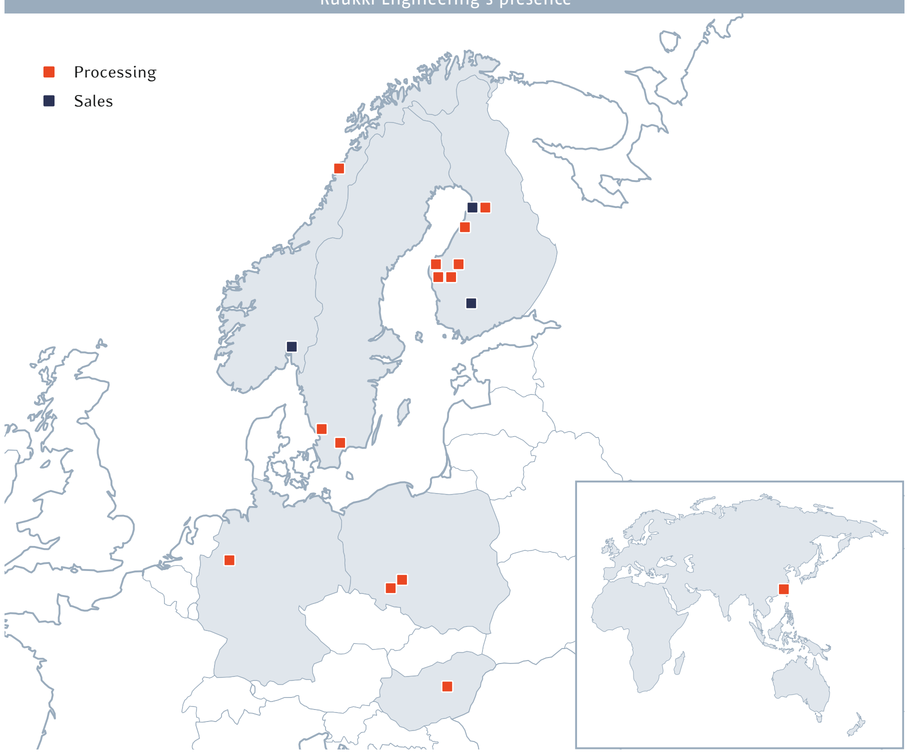


Net sales 2004–2008 €m
Operating profit %*



* Excluding non-recurring items

Ruukki Engineering's presence**



** 1 February 2009

Ruukki Metals

All-round steel expertise close to the customer

- **Strong position on core market in Nordic countries**
- **Special steel products are growth driver**
- **Specialisation of steel service centres**

Ruukki Metals supplies customers with hot-rolled, cold-rolled, metal-coated and colour-coated steels, tubes and profiles, parts and components, prefabrication, stock and logistics services, and also provides technical support and consultation.

The division's main customers are the engineering, construction, transportation and electronics industries.

Since February 2009, the division has also been responsible for Rautaruukki's steel business. Ruukki Metals makes steel also for Rautaruukki's two solutions divisions: Ruukki Construction and Ruukki Engineering.

Ruukki Metals aims to increase the share of special steel products – high-strength, wear-resistant and coated steels – and associated services of the division's net sales. Special steel products enable customers to improve the efficiency of their business and develop increasingly more advanced products and processes.

Consistent with this aim, special steel products accounted for an increase to 27 per cent (24%) of the division's net sales in 2008. The target is for special steel products to account for 40 per cent of the division's net sales by year-end 2010. The parts processing business is also a growth driver.

The division also offers prefabrication services to process and cut special steel products to customer wishes. Depending on customer need, Ruukki Metals can cut to shape, weld, bend, machine and coat products and product parts.

When customers use Ruukki Metals' prefabrication services, they no longer need to invest in machinery or manage stocks of materials. Rautaruukki has an unrivalled network of steel production, steel service centres and stock units in Northern Europe. The company has steel service centres in Finland, Sweden, Poland and Russia, together with a number of product stockpiles and processing units across Europe.

Net sales of around EUR 2 billion

Ruukki Metals' net sales in 2008 were EUR 2,019 million (2,168) and comparable net sales were EUR 1,997 million (2,035). Operating profit was EUR 338 million (397) and comparable operating profit excluding non-recurring items was EUR 350 million (395). The division accounted for 52 per cent (56) of consolidated net sales in 2008.

The fall in net sales was largely owing to general uncertainty caused by the global credit crunch, which in turn weakened end-customer demand in almost all main product groups towards the end of the year. Operating profit was weakened because of price competition, together with the high level of fixed costs in steel production, especially in December, as a result of the shut-down of one of the two blast furnaces at the Raahe Works in Finland. Operating profit from stainless steel and aluminium, which are sold as trading products, was also lower than in 2007.

Strong position on core market

The Nordic countries form the core market for Ruukki Metals' products and the whole of Europe is the market area for special steel products. Supply chain reliability – delivery accuracy and customer service – is the division's principal competitive edge.

An optimal portfolio of products for each country ranges from steel products and services, tubes and profiles to parts processing. Ruukki Metals' approach is evident as customer insight and lasting customer relationships, based on the company's ability to identify the best-in-class service concept for each customer. Top product quality, delivery reliability and accuracy, in tandem with an ability to act flexibly and react quickly, further enhance Ruukki Metals' competitive edge.

Significant investments in steel service centres

Heavy investments were made in steel service centre operations in 2008. In April, a decision was taken to invest around EUR 13 million to build a new steel service centre in Obninsk, to the southwest of Moscow. In addition, service centre operations were centralised at Naantali and Järvenpää in Finland and at Halmstad in Sweden to improve delivery accuracy, cost efficiency and profitability. A decision was taken to invest EUR 12 million in the specialisation of service centres. A new cut-to-length line came on stream at the steel service centre at Parnas, St Petersburg in autumn 2008.

Rautaruukki's total investment programme also includes the technical changes required as a result of the direct quenching method. These changes will enable the production programme to be expanded into new dimensional ranges and increasingly higher-strength steel products.

A number of decisions were taken in 2008 to further Ruukki Metals' special steel products strategy. In April, Rautaruukki acquired the business assets of Hybri-Steel Oy, a company in Uusikaupunki, Finland. The Uusikaupunki steel service centre's core products are laser-welded steel plates and laser and laser-hybrid welding, which particularly serve construction, shipbuilding and the lifting, handling and transportation equipment industry. June saw the divestment of Rautaruukki's precision tube unit, Carl Froh GmbH, to the German company Arques Industries AG. In November, Rautaruukki sold Ruukki Production's colour-coating line in Gävle, Sweden to the Swedish company Trelleborg Rubore AB. The colour-coating line served the automotive industry. In addition, a decision was taken in January 2009 to discontinue the production of spiral-welded gas pipes in Oulainen, Finland. Spiral-welded pipes are not part of the Rautaruukki's core business.

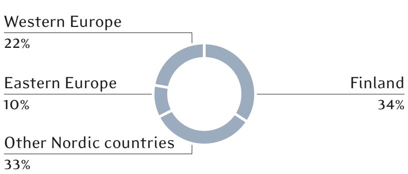
Steel product manufacturing part of Ruukki Metals as of February 2009

The steel product manufacturing division, Ruukki Production, was merged with Ruukki Metals as of 1 February 2009. Merging the large production works, tube works and service centres forming the steel business into a new seamless entity will improve the flexibility and efficiency of the steel business. The removal of overlapping activities will also mean more efficient use of resources and capital, and improve cost efficiency. The merger also aims at a clear improvement in delivery accuracy and customer service. The restructure will not result in any changes to segment reporting.

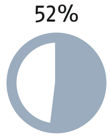
Steel production, Raahe Works

	2008	2007	2006	2005	2004
Thousand tonnes	2 585	2 546	2 853	2 747	2 719

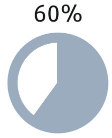
Net sales by region



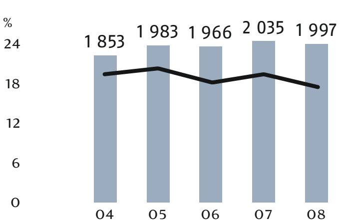
Share of consolidated net sales*



Share of consolidated operating profit**



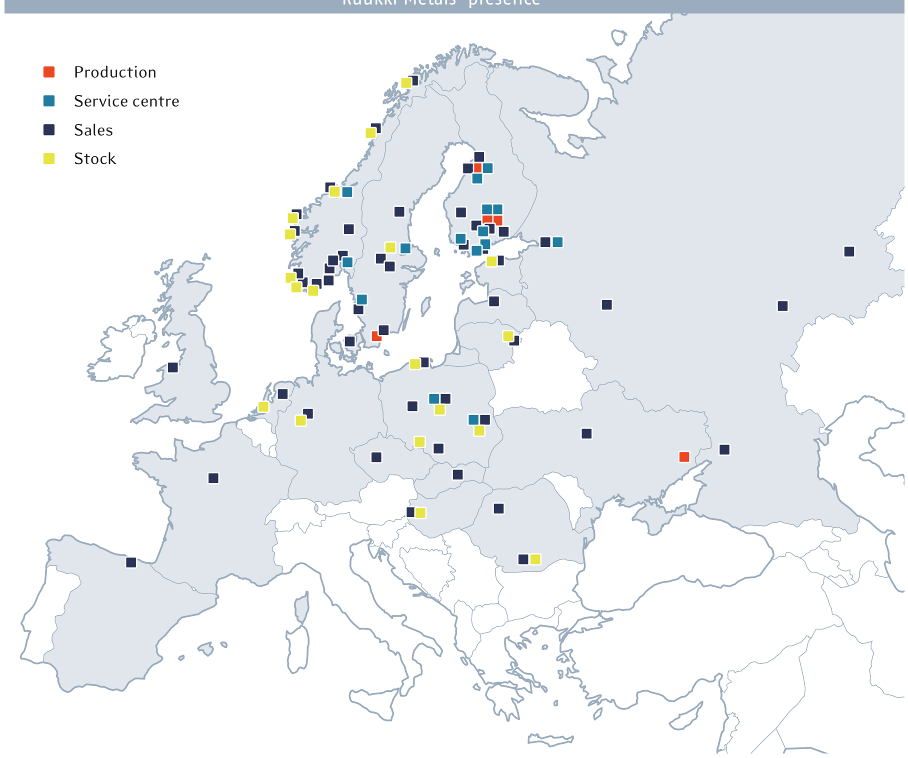
Net sales 2004–2008 €m
Operating profit %**



* Comparable

** Comparable, excluding non-recurring items

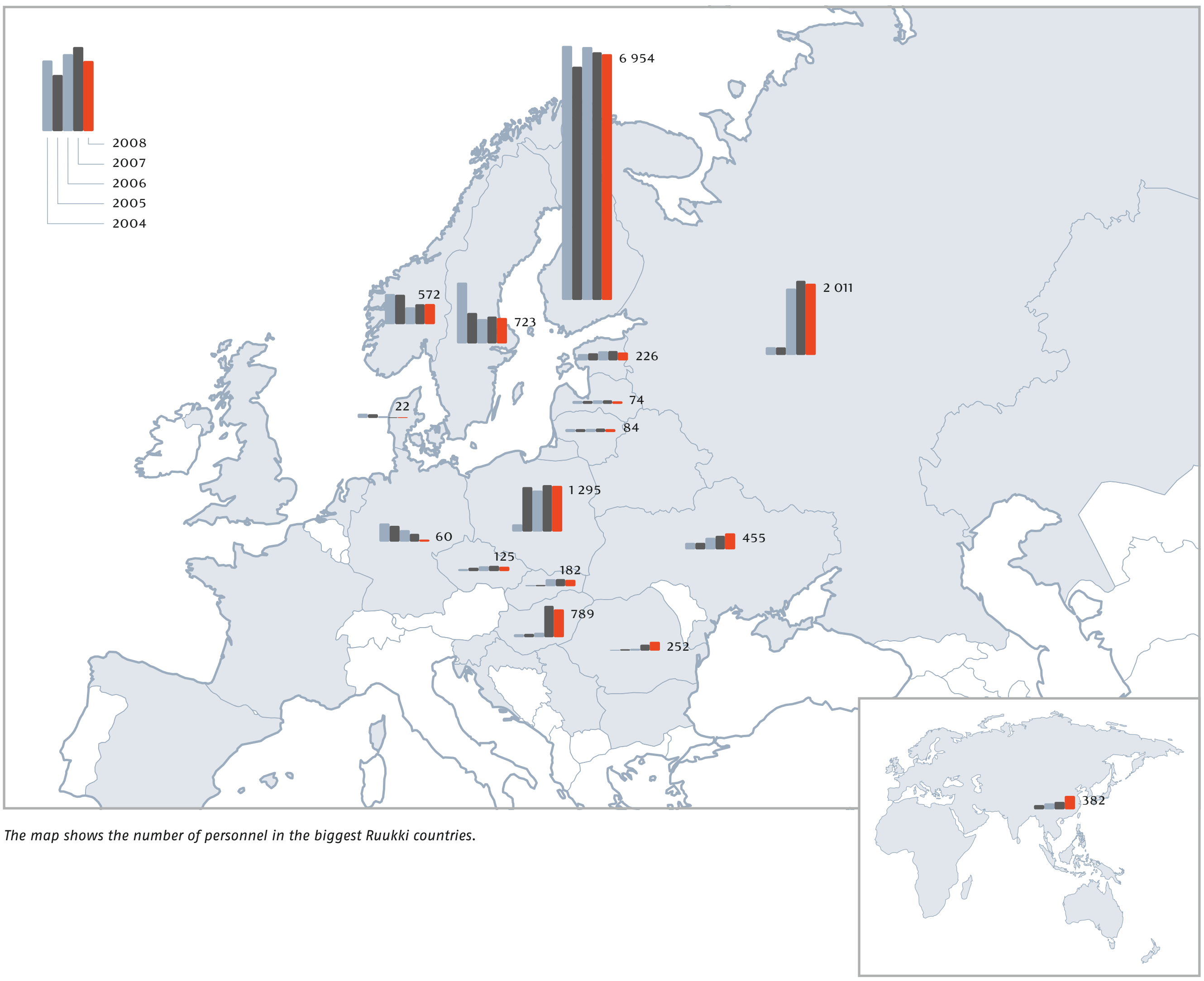
Ruukki Metals' presence***



*** 1 February 2009

Ruukki has 14 300 people across 26 countries

A presence in core market areas enables local customer service and prompt reaction to market changes. The company's headcount has grown by 19 per cent between 2004 and 2008. The recruiting focus has been on Central Eastern Europe and Russia. A total of 4,565 new employees have joined Rautaruukki through acquisitions and 3,517 people have left through divestments.



The map shows the number of personnel in the biggest Ruukki countries.

Market area – Europe

Upholding Rautaruukki's strong market position on the Nordic markets is key to long-term profitability in all businesses. Eastern Europe, and especially Russia, form the company's core growth regions.

Ruukki Construction's main markets are the Nordic countries, Baltic states, Central Eastern Europe, Russia and Ukraine. Ruukki Engineering serves globally-operating European companies. Ruukki Metals' main market areas are the Nordic countries, Baltic states and Russia, together with European customers of special steel products.

	Belarus	Bulgaria	China	Croatia	Czech Republic	Denmark	Estonia	Finland	France	Germany	Hungary	Kazakhstan	Latvia
PERSONNEL [1]	3	7	382	12	125	22	226	6 954	4	60	789	4	74
SALES OFFICE	●	●	●	●	●	●	●	●	●	●	●	●	●
RUUKKI CONSTRUCTION [2]													
Component and system production							●	●			●		
RUUKKI ENGINEERING [2]													
Processing			●					●		●	●		
RUUKKI METALS [2]													
Production								●					
Processing								●					
Stock							●	●		●	●		

	Lithuania	Netherlands	Norway	Poland	Romania	Russia	Serbia	Slovakia	Slovenia	Spain	Sweden	Ukraine	United Kingdom
PERSONNEL [1]	84	10	572	1 295	252	2 011	6	182	13	4	723	455	17
SALES OFFICE	●	●	●	●	●	●	●	●	●	●	●	●	●
RUUKKI CONSTRUCTION [2]													
Component and system production	●		●	●	●	●		●			●	●	
RUUKKI ENGINEERING [2]													
Processing			●	●							●		
RUUKKI METALS [2]													
Production											●	●	
Processing			●	●		●					●		
Stock	●	●	●	●	●	●					●		

[1] Personnel by country at 31 December 2008. [2] Units at 1 February 2009.

Stock exchange releases 2008

29 Jan 2008 Rautaruukki to build a new sandwich panel plant in Finland

31 Jan 2008 Proposals of the Nomination Committee regarding the composition and remuneration of Rautaruukki's Board of Directors

6 Feb 2008 Rautaruukki Corporation's financial statement bulletin 2007

6 Feb 2008 Notice of annual general meeting

6 Feb 2008 Ruukki Engineering launches profitability improvement programme

14 Feb 2008 Subscription of Rautaruukki's shares with warrants

22 Feb 2008 Rautaruukki to deliver EUR 100 million steel structure order for football stadium in St Petersburg

27 Feb 2008 Summary of stock exchange releases of Rautaruukki in 2007

10 Mar 2008 Rautaruukki's annual report 2007 published

12 Mar 2008 Rautaruukki to close sinter plant at Raahe Works by the end of 2011

26 Mar 2008 Rautaruukki's Board of Directors approved bonuses for the 2007 earning period under the Group's Share Ownership Plan

28 Mar 2008 Rautaruukki Corporation – Transfer of shares held by the company

28 Mar 2008 Rautaruukki to deliver steel structures for Hudälven bridge in Sweden

2 Apr 2008 Resolutions of Rautaruukki Corporation's Annual General Meeting

2 Apr 2008 Rautaruukki to increase delivery capacity of special products to engineering customers

23 Apr 2008 Rautaruukki to expand operations in Russia with new steel service centre

23 Apr 2008 Rautaruukki Corporation's Interim report for January-March 2008

30 Apr 2008 Rautaruukki sells its German precision tube unit

6 May 2008 Rautaruukki to streamline engineering operations in Hungary

28 May 2008 Disclosure notification under Chapter 2 Section 10 of the Securities Markets Act

30 May 2008 Effect of strike at Rautaruukki's Raahe Works on operating profit is about EUR 5 million

2 Jun 2008 Competition authority approval for Rautaruukki's sale of Carl Froh GmbH

10 Jun 2008 EUR 12 million steel structures from Rautaruukki for oriented strand board plant in Russia

26 Jun 2008 Subscription of Rautaruukki's shares with warrants

30 Jun 2008 Rautaruukki's financial information in 2009

7 Jul 2008

When built, the Partihallarna bridge in Gothenburg, Sweden will be 1.2 kilometres long. The bridge is part of the Swedish Road Administration's most important road project in the Gothenburg area. Rautaruukki is delivering and installing superstructures weighing a total of 2,200 tonnes for the bridge. These structures are being made at Rautaruukki's unit in Sandnessjøen, Norway.

7 Jul 2008 Ruukki to deliver steel structures for major bridge project in Sweden

11 Jul 2008 Employer-employee negotiations related to Ruukki Engineering's profitability improvement programme finished in Hungary and Finland

30 Jul 2008 Rautaruukki Corporation's Interim report for January-June 2008

21 Aug 2008 Steel structures worth EUR 10 million from Rautaruukki for Russian shopping centre

26 Sep 2008 Capital Market Day 1-2 October 2008

1 Oct 2008 Rautaruukki raises EBIT margin target and expects continued growth in company's main market areas

2 Oct 2008 Subscription of Rautaruukki's shares with warrants

7 Oct 2008 Rautaruukki to improve operational efficiency of Ruukki Construction in Central Eastern Europe

21 Oct 2008 Notice to Rautaruukki Corporation of exemption decision by the Finnish Financial Supervision Authority

22 Oct 2008 Rautaruukki Corporation's Interim report for January-September 2008

31 Oct 2008 Rautaruukki won arbitration proceedings initiated by Boliden

4 Nov 2008 Rautaruukki to adjust its tube business

11 Nov 2008 Rautaruukki divests colour-coating line in Sweden

17 Nov 2008 Rautaruukki's Nomination Committee appointed

1 Dec 2008 Rautaruukki adjusts steel production and continues actions to improve efficiency. The company expects 2008 operating profit to remain at 2007 level

4 Dec 2008 Impact on personnel will become clear after Rautaruukki's employer-employee negotiations

10 Dec 2008 Rautaruukki to acquire Lithuanian steel frame company

12 Dec 2008 Notification under Chapter 2, Section 10 of the Finnish Securities Markets Act

16 Dec 2008 Change in disclosure of Rautaruukki's Q2 financial information in 2009

17 Dec 2008 Subscription of Rautaruukki's shares with warrants

30 Dec 2008 Rautaruukki's acquisition of Lithuanian steel frame company approved

+ All stock exchange and press releases and release archives can be viewed online at www.ruukki.com

+ Emails of the company's releases may also be ordered online at www.ruukki.com

2 Apr 2008
A decision was made to invest in a new cut-to-length line at the Raahe Works in Finland. The new line will serve engineering customers and have a capacity of around 200,000 tonnes a year, which equates to the amount of steel needed to make 60,000 tipper bodies.

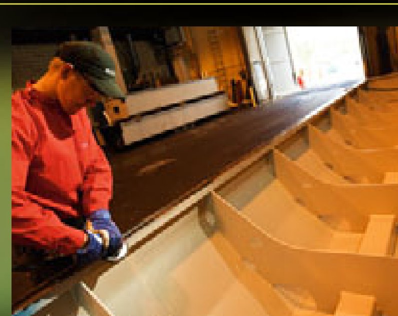
21 Aug 2008
Steel structure deliveries equivalent to the size of eight football pitches were made for the expansion and addition of new floors to a shopping and entertainment centre in Samara, Russia. Delivery to Victor & Co's Megacomplex included the steel frame, walls and roof.

OPTIMISING

Global service for engineering industry customers

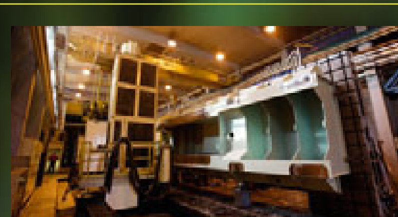
Rautaruukki provides its engineering customers with total deliveries: the complete value chain for fully-assembled systems and components. World-class expertise in the manufacture of steel structures and investments in automated component production lines further the success of our customers.

1 Rautaruukki is a global component supplier to Wärtsilä, which has a presence in 70 countries around the world. Wärtsilä is a cutting-edge power solutions provider within the marine and energy sectors. The company's products include ship propulsion systems and flexible power plants, with maintenance services. Rautaruukki supplies Wärtsilä with common base frames and oil sumps used in ships and power plants, and flame-cut parts for flywheel and crankshaft counterweights.



2 Rautaruukki's unrivalled way of doing things ensures reliable deliveries of products of consistent quality from a network of manufacturing plants. The continuous development of products and working practices creates a steady platform for long-term customer collaboration and personal service.

3 We are a partner that is ready to grow geographically and ramp up production volumes. A wide range of products from steel plate to components enables customers to order on a one-stop-shop basis. We manufacture common base frames from start to finish, including coating and machining.



More with metals.

Research and development – faster, higher and lighter

- **Product development is driven by end-user needs**
- **Focus is on design and construction efficiency**
- **For customers, new direct-quenched special steel grades translate into increasingly lighter, more wear-resistant products that have less environmental impact**

Rautaruukki's product range and working practices are constantly evolving and improving to meet business needs and the challenges of a changing operating environment. Change is based on sound research and product development, which creates the conditions for both short-term sustainable improvement and long-term breakthroughs and new territorial conquests.

Research and development spawns tomorrow's state-of-the-art cabins, wind tower structures, functional coatings, high-strength and wear-resistant steels, software to speed up the design process, as well as many other products and service concepts.

Development is always driven by end-user needs, such as reducing vehicle fuel consumption or a building's energy requirements.

In line with our business strategy, the thrust in R&D during 2008 was on construction efficiency, new solutions for construction needs and on high-strength and wear-resistant steels structures for lifting, handling and transportation equipment. More resources were allocated to the customer touchpoint to further intensify cooperation in product development. Resources were also allocated to the ongoing improvement of production processes, product maintenance and developing methods of manufacture for new products.

Technology centres as competence clusters

In order to create sufficiently large competence clusters and to carry out extensive product development projects, Rautaruukki's product development experts are centred on six research units. A total of around 220 people work at these units in Raahe, Hämeenlinna, Kurikka and Vantaa in Finland, Obninsk in Russia and Zyrardów in Poland.

The corporate strategic technology research unit tests outside futuristic ideas and looks for breakthrough applications. Research is mostly carried out in tandem with universities and research bodies.

To boost long-term product development, the company was actively involved in 2008 in preparations for the national Strategic Centres for Science, Technology and Innovation (CSTI) under construction.

Solutions for faster, safer construction

The main thrust in the development of construction solutions was on projects to improve the efficiency of design and construction. The aim is to gain a competitive edge by shortening construction times through the use of highly prefabricated components and systems that fit each other in foundation, frame and façade structures. This also improves construction energy efficiency and site safety.

The company launched a solutions package on the Central Eastern European market to speed up and improve the efficiency of the design and construction of single-storey industrial, logistics and commercial buildings. Using an effective software application to scale dimensions, a building can be offered to customers quickly and the foundations, frame and envelop structures can be delivered at best within just two months.

In late 2008, Rautaruukki launched, initially in Finland, a new solution for performance-based fire design to improve fire safety. Major benefits of the solution include ensuring the fire safety of buildings in all fire conditions and choice of the most cost-efficient fire protection method in each case.

A study of the possibility of using high-strength steel grades across the entire dimensional range resulted in piles with greater load-bearing capacity. This improves the competitive edge of steel piles. A comprehensive testing programme was completed for splices for drilled piles to ensure perfect function throughout the useful life of piles. Steel pipe piles are used in foundation construction.

The results of a study of steel bridge superstructure coatings make it possible to use fewer coatings, thus considerably reducing the adverse environmental impacts of surface treatment. Construction solutions were taken further in a development project focusing on yield strength class 420–900 MPa steels and their applications, especially the development of galvanised products and structural tubes. Progress is being made with the testing of increasingly durable and cost-effective metal coatings and laboratory results have been extremely encouraging.

Special coatings: colours and functionality

To increase façade diversity and improve appearance, Rautaruukki has developed special colour and structured matt surfaces to provide architects and customers with greater choice. During the year, a new cladding material with a matt finish was launched to meet today's architectonic requirements.

On the development front, work on dirt-repellent and easily washable graffiti-repellent surfaces progressed to production-scale tests and the first pilot projects. Work on developing functional coatings continued with new up and coming coatings and applications. In addition, development work was concluded on anti-bacterial coatings for applications requiring a high standard of hygiene.

More efficient wind power plants

Wind power generates no carbon dioxide emissions during operation. Rautaruukki is engaged in the construction of cleaner energy by, for example, playing a part in more cost-effective solutions for windmill towers. Read more about wind energy on page 57.

Lighter, longer-lasting frames and boom structures

In the engineering industry, Rautaruukki aims at long-term partnerships as a component and systems provider. The company meets the challenges of the industry by in-depth materials expertise in tandem with product development, design and good logistics management.

Utilisation of high-strength, direct-quenched steels – made using Rautaruukki's unique direct-quenching method – and new constructions makes structures lighter and improves their performance. This requires increasingly more diversified, in-depth expertise in both the design and manufacture of structures.

Throughout 2008, intense work continued with customers on the development of new applications and a greater thrust was given to customer information.

Digitality for cabin design

Cabin development projects vary from one customer to another. One customer may want a completely new generation cabin, another just wants an existing solution modernised.

Virtual technology is the latest new tool Rautaruukki has started to employ in cabin design. Use of a 3D CAD-image model of a cabin in a virtual environment makes it possible to quickly assess the various working environment options for operators.

Use of virtual technology as a product development tool delivers added value to visibility, safety and ergonomics in particular. Virtual technology shortens lead time during the product design stage and thus enables customers to launch new products faster.

Special steel products for the engineering industry

High-strength, wear-resistant steels have lower environmental loading and are particularly suitable for lifting, handling and transportation equipment structures.

The year saw further development of the direct quenching method for high-strength steels and the launch of new grades of steels. Optim 1100 QC, ultra high-strength structural steel for the needs of the lifting, handling and transportation equipment industry and weather-resistant Optim 960 QCW were added to the production programme. Ramor 500, a steel for ballistic protection, was the third new direct-quenched strip product.

A new direct quenching unit started up at the plate mill to manufacture wear-resistant steels. The production programme now includes wear-resistant steels Raex 400, Raex 450 and Raex 500 - which can be used, for example, in mining and earthmoving machinery – and high-strength structural steel S690QL, which is also used for the needs of the lifting, handling and transportation equipment industry.

Steels of increasingly higher-strength, yet also good formability, are being used in vehicle structures to make them lighter and thus improve fuel consumption. The first successful tests to make strength category TRIP 800 (Transformation Induced Plasticity) steel were a very significant step forward in this sector.

+ More about energy-efficient construction and special steel products on pages 56–57

Responsibility an integrated part of business

- **Good profitability fundamental to corporate responsibility**
- **Stakeholder expectations actively studied**

Rautaruukki is committed to corporate responsibility and the principles of sustainable development. Corporate responsibility seeks 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 in this respect is broadly reflected in the decisions we take.

Financial responsibility is reflected in the decisions through which we achieve our financial targets, serve as a responsible link in the supply chain and deliver economic value added to stakeholders. Social responsibility is reflected through active personnel development, decisions fostering workplace well-being and the recruiting of people based on applicants' competence. On the environment front, we make responsible choices by factoring environmental aspects into all the company's development projects, by minimising emissions and by cutting energy consumption both in our own production and during the lifecycle of end products.

Business profitability a cornerstone of responsibility

Good profitability is a cornerstone of responsibility. A profitable company is able to carry out both its environmental and social responsibility. In turn, the availability and commitment of competent personnel, together with a well-managed social and environmental responsibility agenda, form a cornerstone for profitability.

In 2008, Rautaruukki was included for the first time in the Dow Jones Sustainability World (DJSI World) index and for the second year running in the Dow Jones STOXX Sustainability (DJSI STOXX) index. The indexes include the top companies in their sector that are committed to sustainable development. In 2008, Rautaruukki was ranked among the world's best six steel companies in the DJSI World index. In addition, SAM Group Holding AG, the independent assessment party, gave Rautaruukki Bronze Class recognition.

Stakeholder confidence is decisive

Stakeholders are an important part of corporate responsibility. Our stakeholder groups include customers, the personnel, investors and owners, partners and subcontractors, the authorities, local residents, organisations, educational institutions and the media.

We actively study the expectations of our stakeholders and respond to them as best we can. Our aim is honest, interactive and respectful stakeholder relations achieved through open communication, active feedback processing and joint meetings and events.

We use customer satisfaction surveys to ascertain, for example, customers' expectations of us. The results show that customers expect us to deliver good quality/price ratio, excellent supply and project management and good customer service. We respond to expectations by optimal customer focus, which includes highlighting personal sales work, providing technical support and training, holding customer events and actively communicating our activities.

Towards the end of 2008, Rautaruukki started work on a joint stakeholder strategy. The project began by defining the most important stakeholders and by preparing more consistent stakeholder plans than earlier. These plans will be completed in 2009, when clear responsibilities for managing stakeholder relations will be specified.

Cooperation with the authorities, especially those in Russia and elsewhere in Eastern Europe, was also another aspect addressed during 2008.

Regular reporting part of corporate responsibility

The different aspects of managing corporate responsibility are based on environmental and quality policies, the principles of social responsibility and certified management systems. Rautaruukki's production sites operate in conformance with certified ISO 14001:2004 environmental management and ISO 9001:2000 quality management systems. Certified systems covered 98 per cent (95) of production and 80 per cent (75) of employees in 2008. Corporate-wide safety management principles are used in the push for a zero-accident working environment.

We regularly report corporate responsibility matters. The company's corporate responsibility report is part of the annual report and based on Global Reporting Initiative (GRI) G3 guidelines.

+ More information about corporate responsibility than that given here is available in the Corporate Responsibility section of our website, which also contains a comparison of GRI G3 reporting guidelines

+ The company's operations are subject to the provisions of the Code of Conduct and Corporate Governance. More about these on pages 60–65

Corporate responsibility at Rautaruukki

Sectors

Financial responsibility

- Achievement of financial targets and creation of value added to stakeholders
- Responsible operations as an integrated part of the supply chain

Social responsibility

- Ensuring a safe, continuously improving work environment
- Fair and just treatment of the personnel

Environmental responsibility

- Minimisation of a product's environmental impacts during its life cycle
- Promotion of energy efficiency

Achievements in 2008

Financial responsibility

- Profitability target achieved despite a difficult year-end.
- Economic value added of EUR 1,903 million created for stakeholders. Purchases from suppliers totalled EUR 1,948 million and dividend payout of EUR 187 million (Board of Directors' proposal) to shareholders.
- Supply chain management was further improved by, for example, bringing into use new tools.

Social responsibility

- Personnel were provided with various opportunities to uphold their competence and diversify their expertise.
- Training programmes focused on sales, leadership and safety.
- Teams started to action more than two thousand points for development identified through the employee opinion survey.
- Safety training was extended to encompass a wider target group and the accident frequency rate (number of accidents per million hours worked) improved to 11 (18).

Environmental responsibility

- The corporate environmental policy was revised to highlight the company's commitment to improving energy efficiency.
- A calculation tool, which can help calculate the benefits of using special steel products in transportation equipment, was developed for the sale of energy-efficient products.
- Quality and environmental management systems covered almost all production sites.
- Recycling steel and use of mineral products reduced global carbon dioxide emissions by 687,000 tonnes.
- Environmental investments totalled EUR 12 million.

Recognition in international ratings

Rautaruukki is included in the DJSI World and DJSI STOXX indexes, which represent the top companies in their sector committed to sustainable development.

Dow Jones Sustainability Indexes
Member 2008/09

Rautaruukki took part in the Carbon Disclosure Project (CDP) assessment for the first time and was classed among the leading Nordic companies in carbon intensive industries.

CARBON DISCLOSURE PROJECT

Future on sustainable platform

- **Profitable, efficient operations deliver economic value added to stakeholders**
- **Customers are particularly satisfied with Rautaruukki's product quality, expertise and smooth cooperation**

Rautaruukki is a profitable, financially healthy company and a reliable and responsible partner. Our own operations enable us to deliver economic well-being to internal and external stakeholders alike. In addition to profitability, the platform for this is based on company size and operational efficiency. Creating added value for stakeholders also calls for the continuous development of our working practices and business risk management.

Rautaruukki's net sales in 2008 totalled EUR 3.9 billion (3.9) and the value added (net sales less purchases) generated by the company was EUR 1,903 million (2,026), which equates to 6 per cent less than in 2007.

We aim to achieve our financial targets through ethically and socially fair business. We expect our partners to be able to develop and grow with us. Rautaruukki aims at long-term cooperation with customers and subcontractors whenever possible.

Capital adequacy provides a good platform for business

Rautaruukki has set the following financial targets:

- Annual top-line growth: >10 per cent
- EBIT margin: >15 per cent
- ROCE: >20 per cent
- Gearing ratio: ~60 per cent

The profitability target has been achieved over the past five years, but the growth target was missed in 2008.

Rautaruukki's return on capital employed for 2008 was 26 per cent (30). The return on capital employed, because of the company's low gearing and cost of debt in recent years, has mainly benefited shareholders.

The company also has a strong balance sheet. Good operative cash flow has enabled the company to repay loans and the gearing ratio at year-end 2008 was 8 per cent (1). This is well below the target level and means Rautaruukki's capital cost is higher than optimal. On the other hand, capital adequacy and low indebtedness are good buffers in a volatile market environment.

Customers appreciate our expertise

Rautaruukki's operations are customer driven. The company has more than 20,000 active customers, of which the ten largest in 2008 accounted for around 8 per cent of net sales.

Customer satisfaction is measured each year by a customer satisfaction survey, which in spring 2008 was completed by customers from 27 countries. The results show that customers are particularly satisfied with Rautaruukki's product quality, expertise and smooth cooperation. After a slight hiccough in 2007, customer satisfaction has been restored to the level reported in 2006.

The results of the customer satisfaction survey are used to draw up annual development plans, which are implemented both locally and corporate-wide. The results of the 2008 survey indicated delivery speed and accuracy and dealing with problem situations as the points for development.

To improve customer relationships and customer service, Rautaruukki introduced a new customer relationship management tool in 2008. Designed to meet the needs of sales, marketing, technical customer service and product development, the tool helps in practical customer work, customer information management and in charting new potential customers. Work will continue in 2009 on rolling out the tool corporate-wide and the aim is for it to be in the active use of around 1,500 people.

Responsible part of the value chain

In sourcing, we appreciate delivery flexibility, reliability and accuracy, taking into account cost factors. When these criteria are met, sourcing is done as locally as possible whenever feasible. This creates local and regional well-being through our subcontractors. Rautaruukki's Code of Conduct is taken into account in the general terms and conditions of sourcing contracts.

In 2008, Rautaruukki's purchases totalled EUR 1,948 million (1,850). Higher raw material costs in steel production were the main reason for the rise in costs.

Supply chain management plays an important role in operational efficiency. Information flow and reaction time in the supply chain are being accelerated by communications to suppliers, developing processes and by the deployment of new tools. Professional stock management, a reduction in transport needs and accurate deliveries are optimising the cost structure and operational efficiency.

Almost entire personnel belongs to profit sharing scheme

Rautaruukki's units in different countries employ mostly local people. Wages and salaries totalling EUR 464 million (448) were paid to the personnel in 2008. Pensions and pension insurance premiums were EUR 49 million (42) and other social security costs were EUR 72 million (58).

Almost all Rautaruukki's employees belong to a profit sharing scheme, whereby the bonus, determined according to 2008 earnings, is EUR 3 million (12). In Finland, the bonus is paid into a personnel fund and in other countries is paid to employees as a non-recurring payment.

Additionally, the company has a share ownership plan for management. Expenses totalling EUR 1 million (9) were recognised for this in the 2008 financial year.

Significant donations to educational institutions

As part of its financial responsibility, Rautaruukki funds research work and sponsors educational institutions. In 2008, we further strengthened our cooperation with educational institutions at the corporate level by donating a total of EUR 300,000 towards university research work.

Revenue to society

In 2008, Rautaruukki paid taxes totalling EUR 150 million (204), of which income taxes accounted for around EUR 142 million. Approximately 98 per cent of income tax was paid to the Finnish tax authorities (86). Besides income tax, the company also paid other public charges such as real estate and road taxes, as well as environmental charges.

The company received no significant government grants during the year.

The company's shareholders benefit from dividends paid. Under the Board of Directors' proposal, shareholders will be paid a total amount of dividend EUR 187 million for 2008. This equates to 46 per cent of earnings for the period. Solidium Oy, the Finnish State's investment vehicle, has a 39.7 per cent holding in Rautaruukki and, under the Board of Directors' proposal, will be paid a dividend of EUR 75.1 million.

EUR 27 million spent on product development

Rautaruukki puts money into further developing its activities. Such expenditure includes investments in new technology, production plants and product development. In 2008, the company spent EUR 27 million (28), equating to 1 per cent (1) of net sales, on research and development. About two thirds of this sum was spent on developing solutions and the remainder on developing production methods and processes. Investments in tangible and intangible assets totalled EUR 229 million (172).

+ More about the company's strategy and its implementation on pages 8–21

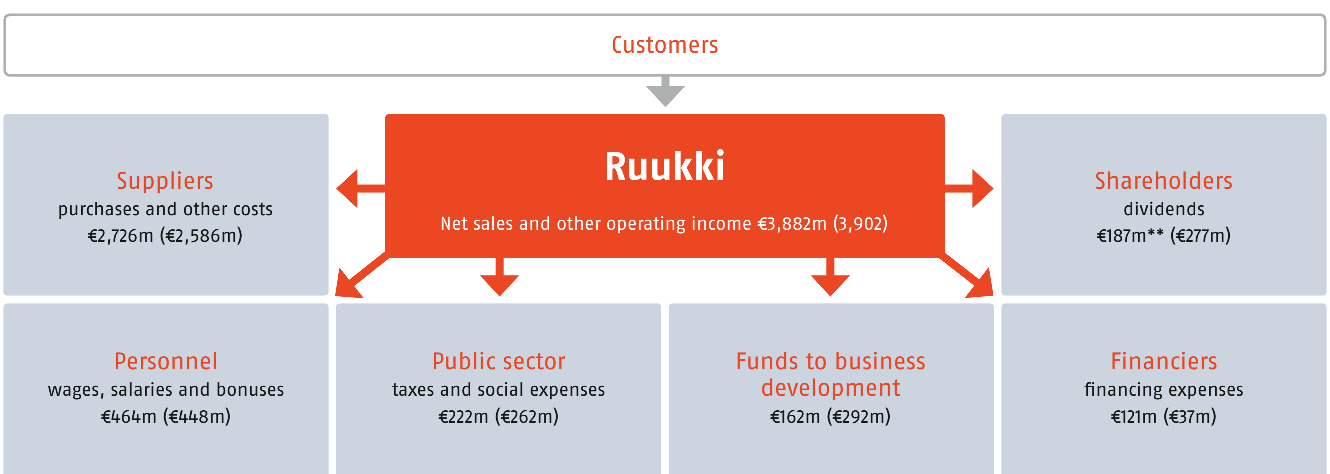
+ More about the company's risk management on pages 70–74 and about the dividend policy and shareholders on pages 135–139

+ More about research and development work on pages 36–37

Personnel costs

€m	2008	2007
Finland	404	375
Sweden	40	39
Norway	36	35
Russia	30	26
Poland	22	19
Hungary	13	8
Germany	8	17
Estonia	5	5
Ukraine	5	3
Other countries	22	20
Total	585	548

Distribution of value added*



** Calculated in accordance with the applicable parts of the Global Reporting Initiative (GRI) G3. ** Board of Directors' proposal.*

DEVELOPING

Expertise ranging from special steel products to parts processing

Rautaruukki's business is based on customer needs. The company works closely in long-term partnership with its customers to produce a wide range of end-products – such as waste handling containers or even excavator buckets – or their parts. Rautaruukki is at the cutting edge of making special steel products.

1 Containers and excavator buckets become lighter, more durable and have less environmental impact when made from special steel. Among other things, Rautaruukki has developed an unrivalled direct quenching method that can be used to give steel extremely high strength and hardness.

2 Rautaruukki offers unrivalled expertise in the pre-processing and upgrading of special steels. Products and their parts are flame cut, welded, bent, machined and even coated. This allows customers to optimise their own production or focus on capturing market share.

3 Our comprehensive network of service centres ensures accurate, timely deliveries. Parts can be prefabricated and stored in local steel service centres. Service centres close to the customer's assembly plants are already a reality in a number of countries and we continue to expand the network, especially in Russia.

4 The outcome for the customer is special steel containers and excavators that have a longer useful life and higher payloads. End-users are also satisfied with the quality, lasting products they receive.

More with metals.

Rautaruukki's people share expertise and a belief in common goals

- **Long-term visibility helps build good employer image**
- **Everyone is responsible for a safe working environment**
- **Belarus and Kazakhstan are new Ruukki countries**

During 2008, the human resources strategy focused on making Rautaruukki well known, efficient resource allocation, strengthening a common leadership culture and developing expertise and safety.

At year-end 2008, the company had 14,286 employees across 26 countries, down by 301 persons year-on-year. Belarus and Kazakhstan, where Rautaruukki opened sales offices, are the newest countries in the company's network.

A total of 1,936 new employees joined the company and, as in previous years, Central Eastern Europe and Russia formed the focus of human resources activity. Some 117 people joined Rautaruukki through acquisitions and 235 left the company through divestments.

Recruiting was active during the first part of the year, but tailed off towards the end owing to rapid downturn in the global economy. In the wake of efficiency and adjustment measures, in December the company started employer-employee negotiations relating to layoffs, redundancies and part-time working in different market areas. Where possible, staff cuts were carried out through pension arrangements, training and redeployment.

Working closely with students

During 2008, we worked on strengthening our employer image, especially in Russia, Poland, Romania and Sweden. Good employer image is built by long-term visibility and by working together, especially with students. The company revamped its recruiting image and online job application section during the report year.

Research and collaboration with educational institutions are ways in which the company interacts with the student community. The company comes into contact with students at recruiting fairs, lectures and on corporate visits. In 2008, Rautaruukki was present at 25 student fairs in 5 different countries, provided around 70 places for students writing their thesis and more than 1,000 summer jobs.

Recruitment through training provides new experts

Recruitment through training provides the company with skilled labour to meet its business needs.

International Young Professionals programmes are intended for young university graduates. The third programme, which began in June 2008, has 14 participants from six different countries. Besides induction, which takes place in addition to work, participants on the programme visit the company's different sites and strengthen their budding career by networking.

Welding courses were held in both Poland and Russia during 2008. Training helps to ensure the availability of welding experts.

Ruukki Industrial Institute in Finland provides supplementary training by offering programmes leading to further vocational qualifications. A total of 113 of the 237 students at the Institute completed their studies in 2008. Studies at the Institute consist of on-the-job learning and theory and train both workers and supervisors. A start was made in 2008 on holding shorter programmes and studies leading to part qualifications.

Development discussions look ahead

Rautaruukki takes good care of the future of its employees by providing opportunities to maintain their professional know-how and diversify their skills matrix. Competence development is based on job roles. Development discussions evaluate competences and draw up personal development plans. In these discussions, supervisors are encouraged to remember the different development options open to employees, including new challenges in their existing jobs and opportunities for job rotation.

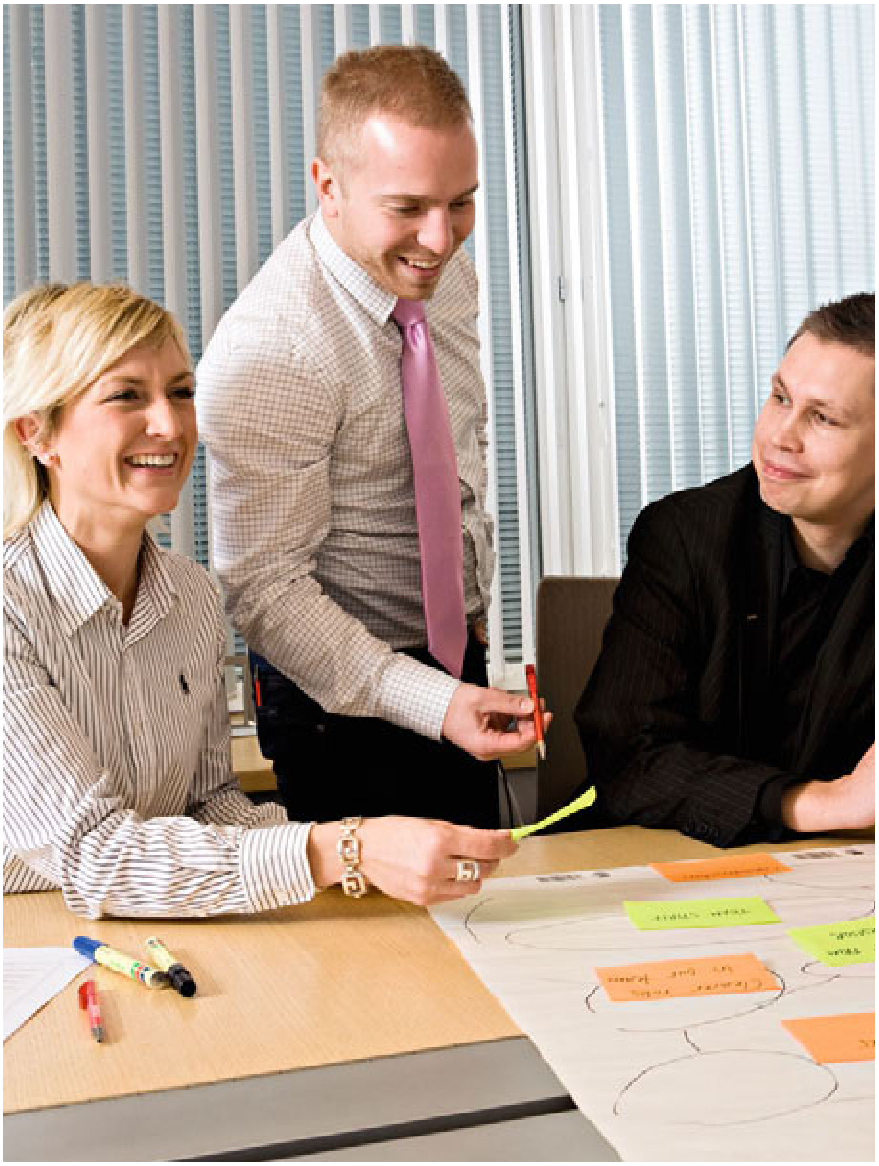
The training focus in 2008 was on sales, leadership and safety training. During the year, international sales training continued to focus on sales and special steel product training, as well as on project sales training. A total of 538 people took part in sales training in 15 countries. People attending project sales training shared best construction industry practices and learnt how to apply them in practice. This training was held in 10 countries and attended by 257 participants.

Good business practices and ethics workshops were mostly held locally in 2008. Core training content is the Code of Conduct, which every Rautaruukki employee must comply with. Language training, especially English, has increased as a result of the company's growing internationalisation.

Leadership training improves supervisory skills

Good management plays an important role in securing and retaining personnel. Leadership training helps to put shared management principles into practice. In 2008, the company overhauled its training profile and also made greater use of 360 degree management assessment.

A total of 652 supervisors took part in leadership training during the year. In addition, information sessions were arranged and, for example, 57 per cent of managers attended development discussion training. Work continued on succession planning to identify and ensure future key experts.



Achieving together

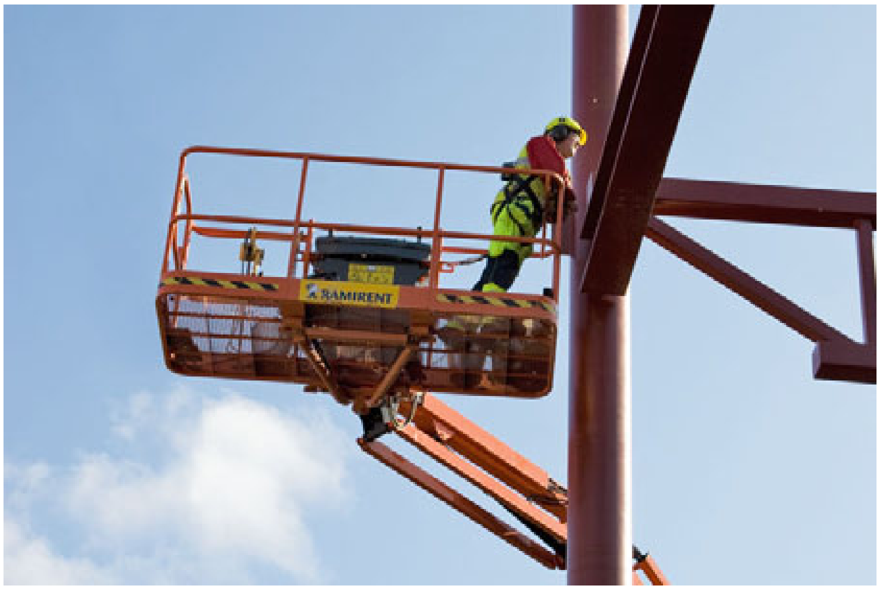
Open interaction strengthens the team spirit. Each team studied the results of the 2008 employee opinion survey. Changes are brought about through the commitment of the entire team to development actions.

Rautaruukki's people have confidence in the company's aims

Regular active dialogue takes place between management and the company's personnel. The biennial employee opinion survey ascertains the personnel's job satisfaction. A total of 10,744 people, or 72.3 per cent of the company's employees, responded to the corporate-wide survey conducted across 17 countries in spring 2008. The results of the survey showed that Rautaruukki's people were very pleased with the team spirit and internal cooperation and considered the company's aims worth achieving.

Implementation of the employee opinion survey paid particular attention to how the results were processed. Each team systematically studied the results and mapped out the most important points for development. The progress will be tracked of more than two thousand points for development spawned by the survey.

In April 2008, management and personnel representatives from 12 countries met in Helsinki to exchange views in Ruukki Forum, Rautaruukki's cooperation council. Topics for discussion included job satisfaction and safety. Ruukki Forum meets annually and is



Safety is the result of everyday actions

Safety management at Rautaruukki aims at working proactively to prevent accidents. On construction sites, Rautaruukki works with customers to systematically focus on safety.

based on the The Works Council Directive and an agreement on international cooperation between Rautaruukki's management and personnel. Matters relating to the personnel and company are also discussed at the annual Group Meeting and its working committee and in divisional and local cooperation groups.

Workplace well-being was one of the themes in 2008, especially in Finland. Sickness absenteeism principles were revised to make them more expedient and expand the range of fitness courses. The monitoring of absenteeism was stepped up corporate-wide.

Personnel rewarded for good performance

Rautaruukki rewards its personnel fairly and competitively in all Ruukki countries. Reward practices foster implementation of the strategy and motivate the personnel to achieve their aims. Target setting, performance appraisal and the performance bonus in the context of development discussions were increasingly developed largely to reward the achievement of personal targets.

Marked improvement in safety

We aim to ensure a safe, accident-free working environment for all workers. Safety is also a competitive asset and a sign of quality, efficient operations.

The company continued to make positive progress with safety and lost time accident frequency (number of accidents per million hours worked) improved to 11 (18). Total absences lasting more than one day as the result of an accident were down by a third to 279 (421).

Safety is an inherent part of management and part of everyday operations at Rautaruukki's sites. The basic approach to safety is that all accidents can be prevented. Good progress was made with pro-active measures during the year. Active reporting of near-miss situations, regular safety rounds, safety sessions and risk assessments helped to prevent near-miss situations. The use and sourcing of safety equipment was harmonised on the basis of a study carried out at sites in Finland.

A total of 6,587 days of safety training were held during the year and attended by 4,860 people. The target group for safety training was expanded to include sales and business support functions people.

All accidents and near-miss situations are investigated and lessons learnt. Safety information is managed through a corporate-wide reporting tool, which is available in 16 different languages. Safety levels are constantly monitored across the organisation and reported regularly to top management.

A start was made on adopting the 5S programme across the company to support safety management. The programme is improving workplace tidiness and safety and will continue to be implemented during 2009 and 2010.

+ More about personnel numbers by country on page 31–32

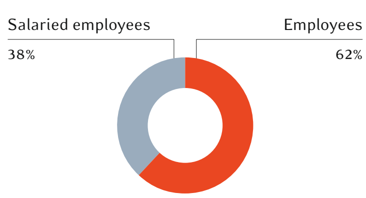
+ More about personnel remuneration on pages 40–41

Personnel: key figures

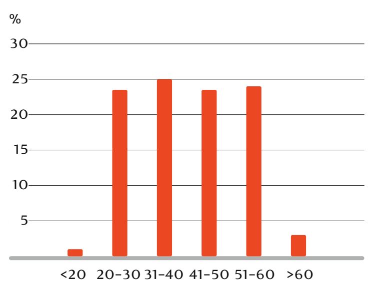
	2008	2007
Personnel at year-end	14 286	14 587
Personnel, average – permanent, % – temporary, %	14 953 93 7	14 326 91 9
Recruits	1 936	2 272
Average age of employees, years	41	41
Average duration of employment, years	11.4	11.3
Employee churn, %	10.0	6.7
Job satisfaction index *)	59.9	60.5 in 2006
Commitment index *)	70.4	–
% of female personnel – workers, % – salaried employees, % – supervisors, % – extended management board, %	18 7 37 14 20	17 7 35 14 21
Nets sales per employee, €1000	270	266
Lost workday injury frequency, number of injuries resulting in absence of more than one day per million hours worked	11	18
Total number of accidents	279	421
Number of international training days – safety training, % – management training, % – sales training, % – training relating to harmonisation of working practices and efficiency programme, % – language training, % – IT training, %	25 130 26 15 10 9 23 16	14 610 49 15 9 12 12 3

**) employee opinion survey*

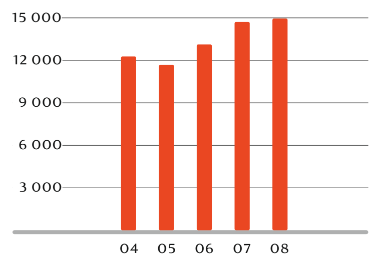
Personnel structure



Personnel by age

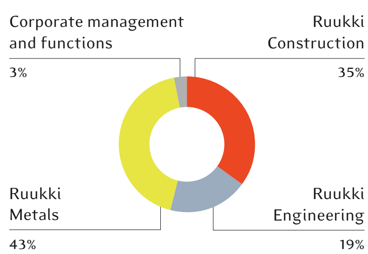


Personnel on average



Accident frequency

Personnel by division



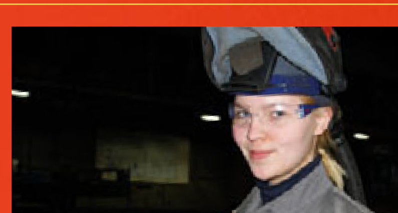
INSPIRING

Ruukki – a company of opportunities

As a diversified international company, Rautaruukki offers opportunities for experts in different fields. Varying assignments, good opportunities for self-development and a motivating environment form the setting for interesting career paths. Rautaruukki's people challenge old business models and develop new ones. We boldly seize opportunities and take responsibility for what we do.

1 The core expertise of Rautaruukki's people lies in understanding and meeting customer needs. Sales director Magnus Hyll thinks the most important part of his job is to help customers enhance their competitive edge.

2 Expertise is one of our critical success factors. Various training channels can lead to a new career. Maija Tervakangas studied to be a plate and welding expert at Ruukki Industrial Institute in Raahe, Finland.



3 The Young Professionals programme gives young graduates joining us an extensive introduction to how the company works and creates an extensive network of contacts. Tomáš Nízký, Michal Vrba and František Zmek are pleased with the diversity of the programme and good team spirit. They joined the programme beginning in 2008.

4 The focus on management expertise fosters supervisory work in line with our principles. Of our approximately 1,500 managers, 14 per cent are women. One of them is Cecilia Jinert Johansson, SVP, Operations, in Ruukki Construction.

More with metals.

Improved energy efficiency helps combat climate change

- **New environmental policy highlights energy efficiency**
- **Significant investments in production to improve environmental performance**
- **Recyclable, high-strength products are the cornerstone of energy-efficient solutions**

Environmental issues are important to us because of the environmental impacts of production and energy-efficient products. Rautaruukki aims to continually improve its environmental performance and energy efficiency, and to prevent environmental pollution. For our customers, we offer environmentally-effective solutions.

The company employs certified ISO 14001:2004 environmental management systems and EHSQ (Environment, Health, Safety and Quality) procedures in different operations to manage environmental matters and risks. Almost all production sites are covered by division-specific ISO 14001 environmental management systems. Environmental objectives and measurable targets at the corporate level ensure positive progress in the management of significant environmental issues.

Objectives for 2007–2009 are to develop environmental management and product- and customer-driven environmental aspects through training and shared guidelines, for example. Other objectives are to reduce and manage environmental impacts by improving energy efficiency and reducing waste.

In accordance with corporate environmental objectives, all production units determine the objectives and targets relating to their own operations and environmental aspects, as well as the programmes to achieve these targets. The EHSQ Steering Group heads the tracking and implementation of objectives and targets.

Prediction puts us one step ahead

Changes in legislation will make future environmental regulations increasingly stricter. In the post-Kyoto period, carbon dioxide emissions reduction targets in particular will be far more stringent than at present.

During 2008, Rautaruukki actively tracked international climate debate and progress made with the European Union's energy and climate package. Even though the final decisions are still open with regard to some parts, the company expects the amendments to the EU's Emissions Trading Directive to seek to safeguard the competitiveness of the European steel industry by taking into account the risk of sectoral carbon leakage and effectiveness criteria.

Other predictable major changes in the operating environment can be caused by the recasting of the EU's IPPC Directive (Integrated Pollution Prevention and Control) currently under way. Changes made would possibly come into effect after 2014.

The new Waste Framework Directive and new Air Quality Directive adopted by the EU in 2008 are not expected to result in any significant changes in the operating environment.

The EU's REACH Regulation, aimed at the safe use of chemical substances and preparations, affects Rautaruukki's operations as a producer, importer and upstream user of chemical substances. In 2008, Rautaruukki completed pre-registration of the substances and preparations it imports and those arising as a by-product in steel production.

Rautaruukki tracks and predicts future legislation through active membership of the Federation of Finnish Technology Industries, the Association of Finnish Steel and Metal Producers, the European Confederation of Iron and Steel Industries (Eurofer) and the World Steel Association (formerly IISI, the International Iron and Steel Institute). The company supervises its interests and also carries out research work with interest groups.

Aiming to manage challenges of climate change

Rautaruukki has been aiming at improved energy efficiency, lower costs and reduced emissions for a number of years even before the existence of today's international climate agreements. In practice, this is achieved by the use of energy-efficient technology and by using the process gases and residual materials generated in our own production processes to replace fuel and raw materials purchased.

Our production is among the most carbon dioxide efficient in the world in terms of blast furnace coal consumption. In 2008, Rautaruukki ranked among the top scorers in the Carbon Disclosure Project (CDP) Nordic assessment and was classed among the leading companies in carbon intensive industries within its sector.

In the free initial allocation of emissions allowances for the second period 2008–2012 of the EU Emissions Trading Scheme, the Raahe Works received 91 per cent and the steam boilers at the Hämeenlinna Works 86 per cent of their needs at maximum capacity. This makes a total of 23.5 million emissions allowances. The Mo i Rana rolling mill, which comes under the Norwegian emissions trading scheme, will, according to a preliminary decision, receive 49,000 annual emissions allowances.

In 2008, emissions rights trading generated income totalling EUR 4.9 million. Income was attributable to the sale of surplus EU emissions allowances as a result of adjustment to production and to a Certified Emission Reduction (CER) swap agreement. Taking into account the closure of the sinter plant at Raahe, recent adjustments to production and the impacts of emissions reductions brought about by carbon funds, the company does not expect to incur extra costs as a result of emissions trading during the Kyoto Protocol. However, emissions trading does affect the cost of the electricity the company sources from the Nordic electricity market.

As part of managing the global carbon dioxide emissions balance, Rautaruukki is a participant in the World Bank's Community Development Carbon Fund and GreenStream Network Oy's Fine Carbon Fund. These funds purchase certified emissions reduction units, based on the Kyoto Protocol, that can be used in the EU's Emissions Trading Scheme.

Energy efficiency is taken into account both in investments and planning decisions

During 2008, energy efficiency has been evolving as part of the company's main operations.

Rautaruukki complies with efficiency criteria when acquiring equipment that consumes energy and also takes energy efficiency into account in decisions concerning investments and production development. Assessing energy consumption in product and process planning is an integrated part of the design of each product, process or solution. As regards properties, energy reviews and energy efficiency are part of the company's long-term repair plans.

To improve energy efficiency in logistics, towards the end of the year Rautaruukki joined a project under the ClimBus programme run by Tekes, the Finnish Funding Agency for Technology and Innovation. The project, which continues during 2009, aims to use different methods to chart the current status of energy efficiency and the opportunities to improve it, as well as a set of indicators to evaluate improvement.

Production units in Finland made progress during 2008 with systematically managing energy efficiency as part of the units' ISO 14001 environmental management systems. The energy efficiency aspect is also part of annual assessments and decision-making.

Between 2008 and 2016, Rautaruukki has signed up for the new energy efficiency agreements and their aims hammered out by the

Each and every Rautaruukki employee is responsible for the environment

The company encourages its own people and subcontractors to act for the good of the environment. Rautaruukki's revised environmental policy further highlights the company's commitment to a continuous improvement in energy efficiency.

Finnish Ministry of Employment and the Economy, the Confederation of Finnish Industries EK and sector associations.

Energy reviews and analyses were updated at the company's production units in Finland during 2008 in order to assess the potential to save energy and further improve efficient energy use. A start will be made on enforcing energy efficiency requirements in units outside Finland during 2009. Cost-effective energy efficiency points for development will be charted in the context of energy reviews with the aim of achieving energy savings of 9 per cent, compared to 2005 levels, by 2016.

In addition, in 2008, Rautaruukki's Logistics unit set a target of 40 per cent of contractual partners signing up for energy efficiency agreements in the Finnish transport sector by 2010 and 80 per cent of partners by 2016.

New environmental permit for Raahe Works

Of the company's 57 production sites, 29 have operations that are subject to environmental permits.

The Raahe Works' new environmental permit received by decision of the Supreme Administrative Court gained legal force in autumn 2008. The new permit contains stricter limits than earlier as regards emissions to air and waterways. In addition, the permit contains orders to ascertain and track the amounts of harmful substances in emissions to air and waterways. The largest investments have been spread so that the changes required will be made by 2012.

In addition, the steel frame plant at Seinäjoki, Finland received an environmental permit, which also covers the operations of the new fireproof coating unit.

Regarding the closed Rautuvaara mine in Finland, the company has made a plan in respect of preventing the negative impacts on waterways. In April 2008, the company submitted a new plan to the Finnish-Swedish Frontier Rivers Commission, which is expected to give its decision during 2009. Rautaruukki ceased mining operations in 1988, since when there have been other actors in the area.

Exceedings of permit limits actively dealt with

In 2008, there were no significant oil, chemical or fuel spills. There were exceedings of environmental permit limits at six sites (9). The exceedings were occasional and caused no significant impacts to health or the environment and the company received no major environmental fines.

At the Hämeenlinna Works in Finland, exceedings in hydrochloric acid and dust emissions occurred at one of the regeneration plants and in undercutting the pH permit limit for discharge to the waterways. Exceedings in hydrochloric acid were dealt with by developing technology and production operating practices. A development project is under way to reduce dust emissions.

At the Raahe Works in Finland, suspended solids discharged into the sea exceeded the permit limit for a period of one month. Non-compliance was caused by an increase in the solids content of intake water in connection with dredging the deep harbour at the works. In addition, the particulate content of the electrostatic precipitator at the sinter plant exceeded the permit limit for a period of two months. This was due to high production volumes at the time concerned. Studies to establish corrective actions are still ongoing.

At the Kankaanpää plant in Finland, there were batch-specific exceedings of permit limits in respect of metals in the wastewater. The exceedings were occasional and did not result in the total annual volume being exceeded. Operating practices have been overhauled accordingly. In addition fluctuations in the amounts of metal in waste water will be studied in more detail.

Rautaruukki identified shortcomings in the required emissions measurements at the sites in Hatvan and Jászberény in Hungary after their acquisition in spring 2007. Even as recently as in March 2008, occasional exceedings of VOC (Volatile organic compound) emissions limits were noted at the Hatvan site. Studies to establish corrective actions are still ongoing.

A change of waste management partner took place at the Alajärvi plant in Finland since the previous one failed to meet the requirements of the Finnish Waste Act.

Two minor oil spills were reported at one site during the year. The cases were investigated, the risks of spill were studied and the unit's working practices and instructions were revised to prevent future occurrences.

EUR 12 million spent on environmental investments

Rautaruukki spent a total of EUR 12 million (7) on environmental investments in 2008.

Work continued on building the new landfill site at the Raahe Works during 2008. Built in compliance with regulations entering into force in 2007, the new landfill site is intended for dust and sludge at the works and was partly brought into use already in 2007. Other significant investments at the Raahe Works included replacement of the dust extraction system in blast furnace 1 and an improvement in the energy efficiency of the pusher type slab reheating furnace. To further enhance water protection, investments were made in the sludge pre-treatment process to improve water recycling. Likewise, improvements were also made to the treatment of paint fumes to meet the requirements of the EU's VOC Directive. The loop scavenger clarifier at the coking plant was modernised to protect the ground and waterways.

In Ukraine, an investment was made in a wastewater treatment plant to serve the production plant in Kiev. Also in Ukraine, the colour-coating line automation at the Antratsyt plant was upgraded to improve operational reliability, the utilisation of gases and use of materials.

Major projects to modernise the air compressors and the automation on zinc coating line 2 were carried out at the Hämeenlinna Works to improve among other things energy efficiency. In addition, investments were made in the oxygen meter in one of the regeneration plants and in managing airborne emissions. Significant actions to improve energy efficiency were also taken at other sites.

In March 2008, a decision was taken to close down sinter plant operations at the Raahe Works in Finland by the end of 2011. The company will switch over to using only iron pellets instead of sinter as a raw material. Closing the sinter plant will considerably reduce dust, sulphur dioxide and carbon dioxide emissions, as well as energy consumption, at the works. Carbon dioxide emissions will decrease by 10 per cent or 500,000 tonnes a year.

Recycling steel reduces emissions

Rautaruukki's most significant environmental impacts are the use of energy and raw materials, and carbon dioxide and particulate emissions. Environmental impacts arise mainly in steel production and at the start of further processing.

Consumption of raw materials consists mostly of iron ore concentrates and pellets, scrap steel and the coal used as a reducing agent at the Raahe Works in Finland. In 2008, it took 2.23 tonnes (2.26) of raw materials to produce a tonne of steel.

Depending on the grade of steel being made, Rautaruukki uses 20–30 per cent of scrap steel as a raw material in steelmaking. Waste material from Rautaruukki's own production processes and material sourced on the scrap steel market are used in production. Using scrap steel to replace the raw materials used in iron production thus results in a considerable decrease in carbon dioxide emissions in the steelmaking process.

In 2008, the use of scrap steel reduced carbon dioxide emissions by 480,000 tonnes, which equate to around 10 per cent of the company's total carbon emissions.

Efficient use of materials helps to save natural resources

Materials are recycled as efficiently as possible in steel production. In terms of volume, the most significant by-products are mineral products. Mineral products are used as a substitute for natural stone material in earthwork construction, lime in agriculture and clinker in the cement industry. In 2008, the use of mineral products in agriculture and the cement industry reduced global carbon dioxide emissions by a total of 200,000 tonnes. Around 280,000 tonnes of mineral products are also used each year in earthworks and road construction. This saves double a similar amount of stone material because foundations can be made thinner.

Less mineral products than earlier were sold for lime in agriculture during 2008. The total chromium content of steel slag exceeded the limit values of the Act on Fertiliser Products and the slag was banned from being sold. The company has developed a measuring system, whereby the slag can be examined for environmentally harmful hexavalent chromium instead of total chromium content. Rautaruukki's steel slag contains no hexavalent chromium.

Material cycle 2008

1000 tonnes

Raw materials for steel production

Iron ore	1 970
Pellets	1 069
Coal	1 235
Burnt lime and limestone	366

Recycled steel

External recycled steel	182
Internal recycled steel	375

Steel production

Steel production	2 585

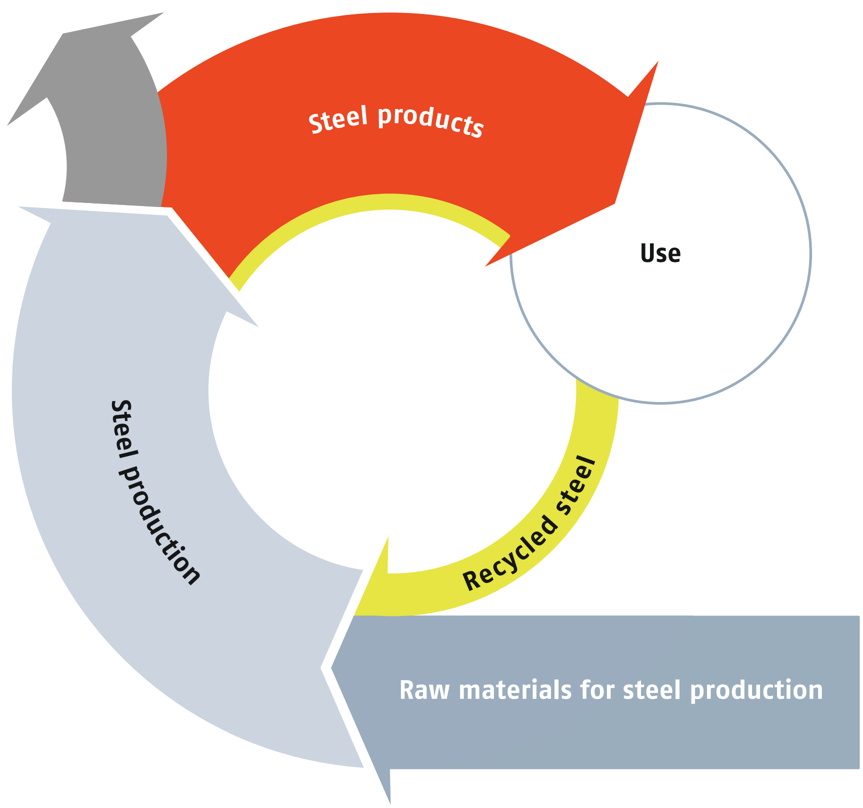
Steel products

Rolling and upgrading

Steel products	2 206

Mineral products and other recycled materials

Mineral products	870
Other recycled materials	49



Material balance

	2008	2007	2006
Inputs			
Raw materials, t			
– Iron ore	1 970 000	1 950 000	2 180 000
– Pellets	1 069 000	1 058 000	1 053 000
– Alloying, filler and slag forming materials	543 000	507 000	610 000
– Recycled steel	557 000	552 000	672 000
– Zinc	45 000	54 000	42 000
– Other metals	5 200	7 800	8 500
– Plastics and paints	10 600	11 000	13 000
– Other	25 000	26 000	
Energy consumption, 1000 TJ			
– Natural gas	1.7	1.6	1.6
– Liquefied petroleum gas	1.2	1.3	1.5
– Heavy fuel oil	0.3	0.3	0.2
– Light fuel oil	0.3	0.2	0.2
– Electricity	2.7	2.8	1.8
– Coal	36.0	36.2	36.3
– Coke	2.2	2.3	3.1
– Coke breeze	1.2	1.4	1.7
– Special heavy fuel oil	10.5	9.8	12.1
Water usage, m^3			
– Municipal water	786 000	791 000	729 000
– Process and cooling water	171 500 000	200 193 000	198 570 000
Outputs			
Steel, t	2 585 000	2 546 000	2 853 000
By-products and residuals			
– Mineral products, t (utilised and stored for utilising)	870 000	890 000	805 000
– District heat, 1000 TJ	0.5	0.6	0.6
– Electricity, 1000 TJ	0.9	1.0	0.9
– Tar, 1000 TJ	1.2	1.1	1.3
– Other materials recycled outside the Group, t	49 000	55 000	54 000
Emissions to air			
– Carbon dioxide (CO_2), Mt	4.6	4.7	5.0
– Nitrogen oxides (NO_x), t	2 600	2 300	2 600
– Sulphur dioxides (SO_2), t	5 000	4 100	4 500
– Volatile organic compounds (VOC), t	410	490	690
– Particulates, t	1 800	2 200	1 800
Wastewater, m^3			
– To municipal sewer system	266 000	272 000	182 000
– To water courses	168 980 000	198 945 000	195 596 000
Emissions to water, t			
– Suspended solids	861	781	1 100
– Chemical oxygen demand (COD)	181	204	178
– Oil	14	20	19
– Zinc (Zn)	1.0	1.2	1.5
– Nitrogen (N)	64	52	33
– Iron (Fe)	36	31	67
Waste, t			
– Municipal waste to landfill	2 600	3 800	2 700
– Municipal waste to recycling	7 200	6 100	3 700
– Industrial waste	76 200	72 500	65 300
– Hazardous waste	4 700	4 900	4 200

The tar, benzene and sulphur generated as by-products in the coking process at the Raahe Works are used as raw materials in the chemical industry. The zinc slag from galvanising at the Hämeenlinna Works in Finland is recycled as a raw material to make zinc oxide and the iron oxide created as a by-product in the pickling process is recycled in the sinter plant at the Raahe Works.

Around 70 per cent of the dust and sludge from steel production at the Raahe Works is returned to the production process. However, some of the dust has to be stored at the landfill on the works site because it is currently neither technically nor economically possible to recycle it. The amount stored equates to about 1 per cent of the raw material used by the works.

Efforts are made to use production waste primarily as a material and secondly as energy. Around 73 per cent of municipal waste is recycled. The rolling mills and coating lines produce most of the hazardous waste, which is mainly oily waste and sludge and sediment from wastewater treatment. This waste is used mostly as material and energy by a partner.

Recycling energy

The company's total energy consumption at production sites in 2008 was 52.4 PJ, which equates to about 4 per cent of Finland's total energy consumption. The Raahe Works consumes most of this energy. Electricity accounts for most of the energy consumption at the company's other sites. Besides electricity, natural gas is also a source of energy at the Hämeenlinna Works.

Most of the energy used at the Raahe Works comes from the coal used as a reducing agent in the steel production process. Rautaruukki's blast furnaces rank among the world's most efficient because they use almost the minimum coal raw material and energy possible using current technology. In the short-term, there are no technical and economic solutions available to considerably reduce the use of coal.

The blast furnace gas from the coal used as a reducing agent in steel production in Raahe and the high pressure steam from the dry cooling of coke are used for electricity generation. In 2008, the Raahe Works own power plant generated around 60 per cent of the electricity used in the works site. In addition, the coke oven gas produced in the coking plant is used as a fuel in different processes at the works. External fuel accounted for just 7 per cent of total energy consumption. Use of blast furnace and coke oven gas delivered energy savings of 18 PJ, which equates to the annual amount of energy used by around 250,000 single family homes.

The energy contained in the converter gas generated in the steel plant was partly recovered for use as district heat, of which 280 GWh are generated each year. Rautaruukki's Raahe Works produces almost all the district heat in the Raahe area.

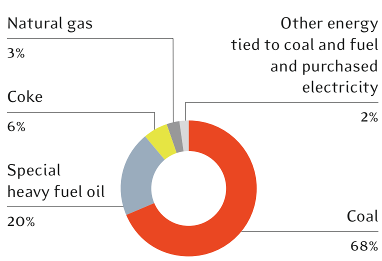
Ways to cut carbon dioxide emissions

The Raahe Works causes most of the company's emissions to air. Most of the company's 4.6 million tonnes of carbon dioxide emissions originate from the raw materials used in the ore reduction process in the blast furnaces.

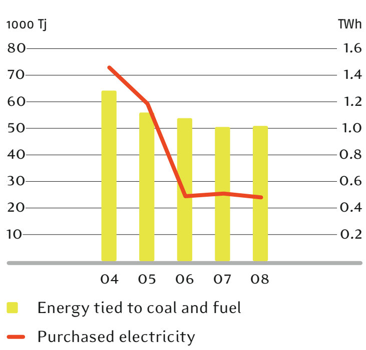
As a result of improved materials efficiency, Rautaruukki's steel production generates almost 300,000 tonnes less carbon dioxide emissions a year compared to the European average. In 2008, corporate-wide carbon dioxide emissions equated to around 6 per cent of Finland's greenhouse gas emissions.

The steel industry is actively developing ways to cut carbon dioxide emissions. Rautaruukki is a partner in the joint European ULCOS

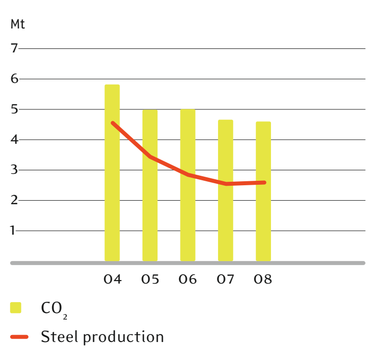
Sources of energy



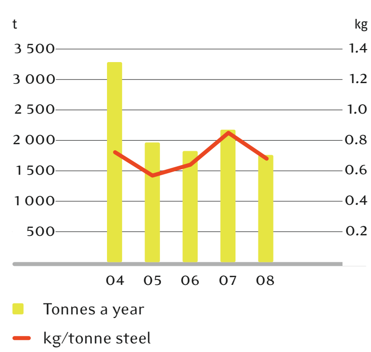
Energy consumption



Carbon dioxide emissions



Particulate emissions



(Ultra Low CO_2 Steelmaking) project, which has the long-term aim of halving carbon dioxide specific emissions. One option being studied is how blast furnace gas could be recycled back into the blast furnace process after carbon dioxide capture. The technology under development is not expected to be commercially viable until at least 2020.

The envisaged cut in emissions depends not only on advances made in iron and steel production technology, but also on developing carbon dioxide capture and storage technologies to a technically and economically viable level. The possibilities for this are being studied under a three-year Carbon Capture and Storage (CCS) project funded by Tekes, the Finnish Funding Agency for Technology and Innovation. Rautaruukki's Raahe Works has also joined the project.

Emissions to air and water regularly monitored

The company monitors emissions to air and waterways to ensure they are within permit limits. Air quality is continuously measured and samples from the surrounding waterways are taken on a monthly basis.

Particulate emissions result from the combustion processes and fine material used in iron and steel production. Sulphur dioxide emissions primarily originate from the sulphur contained in raw materials. Nitrogen oxides are mainly formed as a result of the combustion process in the coking and sintering plants and rolling mills at the Raahe Works. Particulate emissions equated to around 2 per cent, sulphur dioxide emissions to about 6 per cent and nitrogen oxide emissions to roughly 1 per cent of Finland's emissions.

Heavy metal emissions originate from the iron ore concentrates used as a raw material. VOC emissions occur from the use of coatings, protective and profiling oils in the further processing of steel.

Most of the water consumed at production sites is used in process cooling and in scrubbing flue gases at the steel works and rolling mills. Cooling accounts for 99 per cent of all the water used. Suspended solids, zinc and oil discharges account for most of the effluents discharged into the waterways. Oil discharges originate in the rolling process.

Effective planning cuts transportation emissions

Most of Rautaruukki's transportation is operated by the Ruukki Logistics unit, which manages environmental issues through a certified environmental management system. The unit's environmental objectives are to cut transportation emissions, improve transportation efficiency and reduce energy consumption in transportation. Rautaruukki also encourages its partners to track and reduce energy consumption in transportation.

The iron ore, limestone and pellets used in steelmaking are imported mainly from Sweden and the coal from North America and Australia. Products are destined for the company's main market areas. The environmental target for vessels operated by Rautaruukki is to increase the loading on return voyages by 5 per cent each year. In 2008, this meant an increase to 55.75 per cent. The target was achieved and the loading on return voyages was 69.07 per cent. The transportation damage target for 2008 was a maximum of 1.99 per cent of transported volume. This target, too, was achieved and transportation damage was 1.21 per cent.

Rautaruukki also aims to minimise shipping risks by chartering seaworthy vessels from reputable shipping companies. The company was not involved in any shipping incidents involving environmental risks in 2008.

Special steel products save energy

Use of special steel (Raex 400) reduces the weight of a hooklift container by 800 kg.

- A lighter container can transport up to 7.7 per cent higher payloads, thus contributing to lower fuel costs and carbon dioxide emissions.

During the course of ten years, a full trailer combination truck* can:

- save 60,000 litres of fuel
- produce 160 tonnes less carbon dioxide emissions.

Savings achieved during operation are dozens of times greater than the energy used and carbon dioxide emissions attributable to manufacture the steel.

** Full trailer combination truck with three hooklift containers driven 150,000 kilometres a year, useful life 10 years*

Durable steel solutions reduce carbon dioxide emissions at all stages in the life cycle

Rautaruukki is responding to the challenges posed by increasingly more stringent energy and environmental legislation and growing energy demand by growing the share of solutions businesses and special steel products of the company's business. At the same time, the company is reducing business dependency on carbon emissions.

For the customer, our total solutions – from design to installation – and industrial manufacture ensure efficient use of energy and materials in tandem with delivery speed, quality and safety. During 2008, Rautaruukki developed an operational model and tool for assessing environmental, health and safety impacts as an integrated part of each product, process and solution development project starting at Rautaruukki. After assessment, significant environmental and safety factors relating to a project become part of it.

Rautaruukki has done long-term work to determine the environmental impacts throughout the lifecycle of its products, with the first life cycle assessments being carried out in the mid-1990s. During 2008, assessments were carried out on the life cycle of wind turbine towers, industrial buildings and office construction, as well as heavy transportation equipment made of high-strength and lightweight steels. In addition to this, Rautaruukki has also continued to be actively involved in the World Steel Association's life cycle assessment LCA forum.

More from less with special steel products

A large share of energy consumption and emissions during the life cycle of a product arise during use.

High-strength, wear-resistant steel grades improve the materials efficiency of products and enable a longer useful life or structures with greater load-bearing capacity. At year-end 2008, Rautaruukki and an external partner developed a calculation tool for the sales of energy-efficient products. This tool can be used to illustrate the benefits of special steel products in heavy transportation.

In heavy transportation, for example, lighter equipment can transport more, thus delivering savings in fuel costs and carbon dioxide emissions. Special steel products can be used when redesigning the structure of a hooklift container to reduce air resistance, decrease the weight and increase the payload. Considerable energy savings are also achieved. Thanks to a lighter platform, energy consumption saved during the use of a full hooklift trailer combination truck can be more than 27 times the energy consumed to make the steel for the platform.

Energy efficient construction

Buildings account for a significant share of energy consumption, more than, for example, traffic or industry. Favouring solutions based on recyclable and re-usable materials such as steel can help to reduce energy consumption and carbon emissions during the life cycle of buildings. Steel structures are easy to dismantle and reuse.

Rautaruukki's steel structures, a customer-driven approach and customisation provide designs with alternative ways to make buildings energy-efficient.

There are many ways to reduce the energy consumption in a building. Wall and roof structures play an important role in this respect. Rautaruukki's wall and roof structures are made of light, steel-structured, prefabricated elements. Maximum thermal insulation properties can be chosen without structural thickness becoming too great. Prefabricated, carefully installed elements ensure good airtightness, which has a significant impact on heating energy consumption.

In construction, not only do fast construction technologies save energy consumption during the building process, but prefabricated parts considerably reduce on-site material loss and waste volumes. In addition, steel construction enables compact energy-efficient urban construction and adaptable use of space. Adaptability increases a building's usability and thus in turn its useful life.

Opportunities in renewable energy

Future construction solutions include integrating various panels or surfaces harnessing solar power into steel structures and the use of coatings reflecting thermal radiation. Metal and glass façades and roofs are ideally suited both technically and architectonically to a range of solar power solutions, which are rapidly growing more economical and technically advanced.

It is important for Rautaruukki to play a part in promoting the use of emission-free energy sources such as wind power, which does not cause carbon dioxide emissions during operation. Towards the end of 2008, Rautaruukki became a shareholder in wind power company Rajakiiri Oy, which plans to build two wind farms in Finland, one in Raahe and the other in Tornio.

Rautaruukki has good experience of the wind power business. We're also a partner in a pan-European project to develop a new method to join the parts of a wind turbine tower together and to use the properties of special high-strength steels to improve the fatigue performance of tower structures. A lightweight structured turbine tower can be built higher, above terrain obstacles, to improve wind conditions and thus energy efficiency.

Wind farms are increasingly being located offshore, where average wind speeds are high and the structures do not have a detrimental impact on the landscape.

+ More information about corporate environmental objectives and targets, the environmental impacts of production and carbon dioxide emissions research and development projects at www.ruukki.com

+ Information about the emissions trading period and environmental provisions is given on page 118 of the financial statements

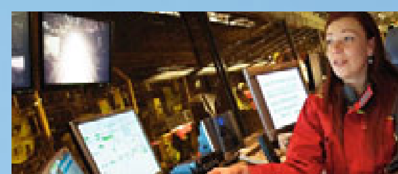
CARING

Leading the way in environmental matters in its field

As part of our corporate responsibility, we comply with environmentally sustainable production and working practices and develop energy-efficient products. We are responding to the challenges of climate change and sustainable use of natural resources by improving our energy and material efficiency. One of the results is fewer emissions.

1 Recyclable, high-strength, wear-resistant steel products are a cornerstone of eco-efficient solutions. The design stage of a product or process is of key importance since more than 80 per cent of a product's environmental impacts are determined at this stage.

2 We want to produce more from less. By international standards, our carbon dioxide and material efficiency are top ranking.



3 Our own logistics unit operates most of our transportation. The unit's environmental aims are to cut transportation emissions, improve transportation efficiency and reduce energy consumption in transportation.

4 The rate of post-usage recycling of steel in a product has the greatest effect on the environmental impacts of a steel product during its lifecycle. The properties of steel remain unchanged however many times it is recycled. Each tonne of recycled steel cuts global carbon dioxide emissions by 1.8 tonnes (worldsteel).

More with metals.

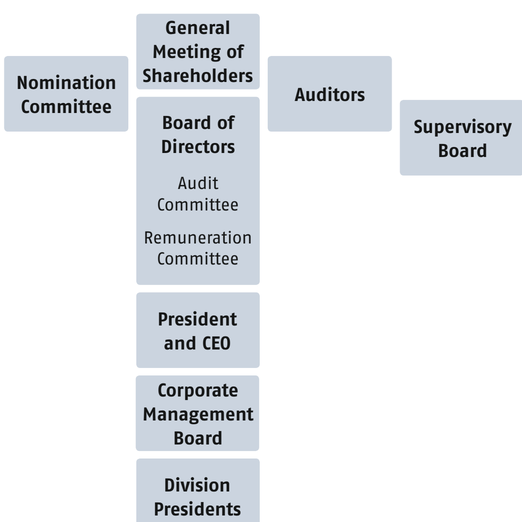
Corporate Governance – general principles

Rautaruukki Corporation is a Finnish limited company and the responsibilities and obligations of its governing bodies are provided by Finnish law, 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 comply with the Finnish Limited Liability Companies Act, other similar legislation, other regulations applying to listed companies, the company's Articles of Association and rules and regulations issued by Nasdaq OMX Helsinki Ltd. Except for recommendations 22, 28 and 30, under which the Nomination Committee must comprise members of the Board of Directors, Rautaruukki otherwise complies with the implementing provisions of the Finnish Corporate Governance Code 2008 published on 20 October 2008 by the Securities Market Association. The composition of the Nomination Committee is based on the resolution of the Annual General Meeting.

Governing bodies

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



General Meeting of Shareholders

Ultimate decision-making is vested in the General Meeting of Shareholders, at which shareholders exercise their right to speak and voting rights. The Annual General Meeting is held once a year at a time determined by the company's Board of Directors. The Meeting must be held by the end of June each year and transacts the business assigned to it by law and the company's Articles of Association, and considers any shareholder proposals put to Meeting.

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

Nomination Committee appointed by the General Meeting

The Nomination Committee appointed by the Annual General Meeting (AGM) on 2 April 2008 prepares nominations for appointments to the Board of Directors and for emoluments of Board members for presentation to the following AGM.

The Nomination Committee consists of representatives appointed by the three largest shareholders as at 3 November preceding the AGM, together with the chairman of the Board of Directors as an expert member. The chairman of the Board of Directors convenes the Committee, which must submit its proposals to the company's Board of Directors by 2 February preceding the AGM.

Rautaruukki's three largest shareholders as at 3 November 2008 were the State of Finland, Ilmarinen Mutual Pension Insurance Company and Mr Esa Rannila, together with his companies Rumtec Holding Oy and E&K Rannila Oy. These shareholders have chosen their representatives on Rautaruukki's Nomination Committee: Markku Tapio, Senior Financial Counsellor, Prime Minister's Office, Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company and Esa Rannila. The chairman of Rautaruukki's Board of Directors, Jukka Viinanen, serves as the Committee's expert member.

On 2 February 2009, the Nomination Committee decided to propose to the Annual General Meeting convening on 24 March 2009 that the present members of the Board of Directors Maarit Aarni-Sirviö, Christer Granskog, Reino Hanhinen, Pirkko Juntti, Kalle J. Korhonen and Liisa Leino be re-elected for a further term of office lasting one year from the 2009 Annual General Meeting to the close of the 2010 Annual General Meeting and that Hannu Ryöppönen BA (Bus Admin), (b. 1952) Deputy CEO, Stora Enso Corporation, be elected to the Board as a new member. The Nomination Committee proposed that Reino Hanhinen be elected as chairman of the Board of Directors and that Christer Granskog be elected deputy chairman. It is proposed that the fees of the Board of Directors remain unchanged. Rautaruukki's Annual General Meeting is to take place on 24 March 2009.

Board of Directors

The Board of Directors is responsible for the company's administration and for the proper organisation of the company's operations. The Board oversees the company's operations and management and decides on significant matters relating to the company's strategy, investments, organisation and finance.

The Annual General Meeting elects the chairman, deputy chairman and other members of the Board of Directors for a term of office lasting one year at a time. In addition to the chairman and deputy chairman, the Board comprises between two and six other members. The company's President & CEO attends Board meetings. During its term of office lasting from 2 April 2008 to 24 March 2009, the Board has seven members (see pages 66–67). In 2008, the Board met nine times and additionally held four meetings by conference call. The average attendance rate at Board meetings was 95 per cent.

The Board evaluates its own performance and working practices each year

The Board has adopted its own working order. The Board's main duties are to

- set long-term targets
- approve strategies
- approve financial targets
- approve the organisational structure
- confirm the principles of incentive plans
- appoint the President & CEO and members of the Corporate Management Board
- decide the remuneration of the President & CEO
- oversee the proper arrangements for accounting and financial management
- decide on overall capital expenditure and significant individual investments and to
- approve the operating principles for the most important areas of management and supervision.

Independence of members of the Board of Directors

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

Board of Directors' committees

The Board of Directors has two permanent committees: the Audit Committee and the Remuneration Committee. The Board of Directors appoints from among its members the chairpersons and members of the committees for a term of office lasting one year at a time. The Board of Directors oversees the work of the committees and has approved written working orders for them. These working orders contain the main remits and working principles of the committees. The committees report regularly on their work to the Board of Directors.

Audit Committee

In 2008, the Audit Committee comprised four members, all of which were independent of the company: Pirkko Juntti (chairwoman), Christer Granskog, Liisa Leino and Kalle J. Korhonen. The Audit Committee met seven times. The average attendance rate was 94.4 per cent.

Members of the Audit Committee must be independent of the company and the majority of the members must be independent of the largest shareholders. The chairperson must be independent of both the company and the largest shareholders. Members of the Audit Committee must have the competence required for the remit of the Committee and at least one member must have experience of financial accounting, bookkeeping or auditing.

The Audit Committee assists the Board of Directors in carrying out its supervisory duties. The remit of the Audit Committee is 1) to oversee financial reporting, the quality and consistency of the information to be published and the financial reporting process; 2) to evaluate the competence, independence and work of the auditor; 3) to evaluate the adequacy of internal control and risk management processes; 4) to evaluate the adequacy of internal auditing and 5) to evaluate compliance with the relevant legislation and regulations.

Additionally, the Audit Committee also monitors the Group's financial situation and financing development. The Committee includes preparations relating to the election of the auditor, as well as evaluating the audit plan and costs and the auditors' report. The Committee also considers the description of the main features of the internal control and risk management systems relating to the financial reporting process included in the report issued by the company's corporate governance system.

Remuneration Committee

In 2008, the Remuneration Committee comprised three members: Jukka Viinanen (chairman), Reino Hanhinen and Maarit Aarni-Sirviö. The Committee met three times and the average attendance rate was 100 per cent.

The Remuneration Committee is responsible for evaluating and developing the competitiveness of the company's reward and incentive plans, preparation of remuneration and appointment matters relating to the President & CEO, charting successors to the President & CEO and members of the Corporate Management Board and deciding on the salaries and other benefits of the members of the Corporate Management Board reporting to the President & CEO.

Fees paid to members of the Board of Directors

The chairman of the Board of Directors received a monthly fee of EUR 5,600, the deputy chairman EUR 3,500 and other members EUR 2,700. An attendance fee of EUR 600 was paid for Board and Committee meetings.

Fees paid to the Board of Directors

€	Total 2008	Total 2007
Chairman of the Board	73 400	61 100
Deputy chairman of the Board	50 800	55 800
Other members of the Board	214 100	206 100

Supervisory Board

The General Meeting elects the Supervisory Board for a term of office lasting one year at a time. The Supervisory Board has between five and twelve members. There were nine members in 2008. Four representatives appointed by employee groups attend Supervisory Board meetings, at which they have a right to be present and to speak. In 2008, the Supervisory Board met four times and the average attendance rate was 81 per cent.

The Supervisory Board is tasked with overseeing the company's administration for which the Board of Directors and President & CEO are responsible.

Members of the Supervisory Board 2 April 2008 - 24 March 2009

Chairwoman
Marjo Matikainen-Kallström
b. 1965, Member of Parliament, MSc (Tech)

Deputy Chairwoman
Inkeri Kerola
b. 1957, Member of Parliament, school teacher

Heikki Allonen
b. 1954, MSc (Tech), President & CEO

Turo Bergman
b. 1946, LicSocSc

Miapetra Kumpula-Natri
b. 1972, Member of Parliament, BSc (Eng), student of economics

Petteri Orpo
b. 1969, Member of Parliament, MSocSc, business service director

Jouko Skinnari
b. 1946, Member of Parliament, LLM

Markku Tynkkynen
b. 1952, MSc (Tech)

Tapani Tölli
b. 1951, Member of Parliament, MSocSc

Employee representatives:
Matti Kelloniemi
b. 1950, HRD specialist

Jouko Luttinen
b. 1956, chief shop steward

Markku Pelkkikangas
b. 1950, project manager

Eero Raivio
b. 1945, stoker

Fees paid to members of the Supervisory Board
The chairwoman of the Supervisory Board received a monthly fee of EUR 1,000, the deputy chairwoman EUR 600 and other members EUR 500. An attendance fee of EUR 200 was paid for meetings.

President & CEO

The Board of Directors appoints the company's President & CEO, who is responsible for managing the company's business in accordance with the Finnish Limited Liability Companies Act, the Articles of Association and the instructions issued by the Board of Directors. The President & CEO serves as chairman of the Corporate Management Board.

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

Corporate Management Board
Rautaruukki has a Corporate Management Board, which is mainly tasked with assisting the President & CEO in corporate operative management and business planning. The Board's other duties include monitoring and overseeing financial, divestment and business decisions, as well as investments and acquisitions and developing collaboration within the Group. The Corporate Management Board meets regularly.

Members of the Corporate Management Board are appointed by the Board of Directors at the proposal of the President & CEO, who serves as chairman of the Corporate Management Board. In 2008, the Corporate Management Board comprised seven members: the company's President & CEO, divisional presidents, the CFO and the

Chief Strategy Officer. From the beginning of February 2009, the Corporate Management Board has six members. The areas of responsibility of members of the Corporate Management Board correspond to their respective remits.

The Extended Management Board comprises seven members in addition to the members of the Corporate Management Board. Information about members of the Corporate Management Board and Extended Management Board is given on pages 68-69.

Organisational structure

In 2008, the Group's business was structured into four divisions: Ruukki Construction, Ruukki Engineering, Ruukki Metals and Ruukki Production.

From the start of February 2009, there are three divisions. Ruukki Construction and Ruukki Engineering, which focus on the solutions business, and Ruukki Metals, which forms the focus of the steel business. Ruukki Production, the division responsible for manufacturing steel products, merged with Ruukki Metals on 1 February 2009.

Each division has a management board, which is chaired by the president of the division concerned.

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

Remuneration policy and the principles and decision-making process regarding remuneration

The remuneration of the company's management is made up of a fixed salary, an annual bonus and long-term incentive plans such as pension benefits and share bonuses.

The Board of Directors decides on the remuneration of the President & CEO on the basis of a proposal by the Remuneration Committee. The Remuneration Committee is responsible for executive remuneration plans and for approving the salaries and other benefits, including annual bonus percentages of the members of the Corporate Management Board reporting to the President & CEO. The President & CEO decides the principles of remuneration of the rest of the personnel. The Board of Directors approves the terms and conditions of long-term incentive plans and the principles of profit sharing.

Appointments within the Group comply with the grandfather principle, whereby all appointments, as well as the salary and other terms related to such appointments, are approved by the superior of the person proposing the appointment.

Long-term incentive plans

Rautaruukki has one long-term incentive plan, the 2008-2010 share bonus plan for key persons within the Group. More information about the incentive plan on page 137.

Remuneration paid to the President & CEO and members of the Corporate Management Board

€	Salaries and fringe benefits 2008	Salaries and fringe benefits 2007	Performance bonuses 2008	Performance bonuses 2007	Share bonuses 2008	Share bonuses 2007	Total 2008	Total 2007
President & CEO	576 498	516 532	131 653	160 450	57 388	1 817 168	765 539	2 494 150
Other members of the Corporate Management Board	1 247 805	1 189 130	270 849	367 269	210 423	4 384 159	1 729 077	5 940 558

Corporate internal policies and control systems

Corporate policies applying to different areas of the business reinforce the commitment to achieving corporate financial and other targets and to minimising business risks within the company.

Rautaruukki's policies

- Corporate Governance
  - principles of corporate governance
  - working orders of governing bodies
  - insider guidelines
- Code of Conduct – principles of good corporate behaviour
- Environmental policy
- Principles of social responsibility
- Safety management principles
- Business organisation
- There are also corporate policies and general and detailed instructions applying to the following areas:
  - Strategic and operative planning
  - Financial planning and reporting
  - Financing
  - Internal audit
  - Risk management
  - Legal matters
  - Personnel
  - Information technology
  - Technology, R&D
  - Sourcing and logistics
  - Capital expenditure
  - Investor relations and communications

Some of these policies are public and can be found on the company's website. All policies are posted on the company's intranet, where they may be accessed by the personnel. All corporate companies and employees must comply with these policies.

Code of Conduct

Rautaruukki complies with the laws and regulations in force, and with the Code of Conduct adopted by the company's Board of Directors, in all its operations. Under the Code of Conduct, working practices mean compliance with generally accepted ethical standards and applicable legislation. The Code of Conduct also depicts the targets set by the company for its working practices. The company does everything it can to identify ethical, legal, environmental, employment and human rights problems relating to operations and to solve such matters in accordance with the Code of Conduct. Each and every Rautaruukki employee must, without exception, comply fully with the Code of Conduct. Rautaruukki also requires the commitment of its partners to these practices.

Each business area is responsible for ensuring compliance with the Code of Conduct and valid laws and regulations, and for ensuring that all employees are aware of and comply with the laws, regulations and principles applying to their own work. The Code of Conduct is discussed during induction training for new employees and through ongoing training and internal communications.

Control systems

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

Internal control

Each division submits a monthly report about its operations to corporate management. This report also includes key figures and a market analysis, written comments about exceptions in the income statement, balance sheet items and cash flow statements, as well as a business development forecast for the following 12 months.

The business report summary contains information about the relevant month, information from the start of the year to the report date, the forecast for the entire year, exceptions and corrective actions. Similar control meetings are also held in business units within the division.

The Group has standard agendas for the meetings of corporate and divisional management to ensure internal control in at least the areas below:

1. Result and cash flow
2. Return on capital employed
3. Risk management
4. Personnel
5. Safety
6. Business development
7. Capital expenditure

Internal audit

Internal audit examines and evaluates the appropriateness and effectiveness of the Group's internal control system, the relevance and efficiency of operations, the reliability of financial information and reporting, as well as compliance with rules, operating principles and instructions. In addition, internal audit seeks to promote the development of risk management in different operations.

The Group's internal audit reports to the President & CEO. Internal audit reports are also submitted to the chairman of the Board of Directors and to the Audit Committee. The Board of Directors is responsible for confirming the internal audit plan.

The Group's auditor evaluates the effectiveness of internal control as part of legality control.

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 Annual General Meeting elects the auditor for a term of office lasting one year at a time. In the statutory audit, the auditor audits the accounting records, financial statements and administration. The auditor of the parent company also audits the consolidated financial statements.

The KHT auditor responsible for auditing the parent company also performs, through its own worldwide organisation, its audit across the Group and is responsible for auditing the entire Group.

Since 2008, Rautaruukki's auditor has been KHT audit firm KPMG Oy Ab, with Mauri Palvi KHT as the principal auditor.

Auditor's fee

Fees paid to independent auditors for the audit and other services relating to the 2008 financial statements were as follows:

- Audit and closely related fees: EUR 1,808,000 (2007: 1,808,000)
- Other services EUR 311,000 (2007: 371,000).

Insiders

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

Rautaruukki complies with Nasdaq OMX Helsinki Ltd's Guidelines for Insiders, which recommend that insiders schedule trading in the company's securities to times when the market has as much information as possible about any factors affecting the value of the company's share. Rautaruukki's permanent insiders may not trade in securities issued by the company for a period of 14 days prior to disclosure of the company's financial statement release or interim report (silent period).

Rautaruukki's insider registers are maintained by the Group's Legal Affairs function in Euroclear Finland Ltd's SIRE system, where information about securities ownership can be obtained directly from the book-entry system. The interests of insiders on the public insider register are posted on the company's website and updated once daily.

+ Rautaruukki's policies can be read in full on the company's website at www.ruukki.com

Board of Directors 1 January 2009

Chairman
Jukka Viinanen
b. 1948

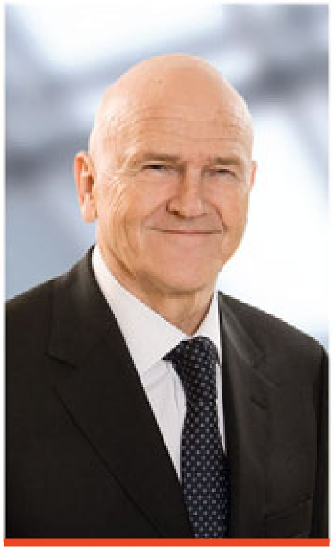
Chairman of the Board (2001–)
Remuneration Committee chairman (2003–)
Independent member

MSc (Tech)

Previous main positions
Orion Corporation, President & CEO (2000–2007)
Neste Corporation, President & CEO (1997–1999), Senior VP and Board member (1990–1997)

Elected positions
Kemira Oyj, Vice chairman of the Board
Metso Corporation, Board member

Shares
–



Deputy chairman
Reino Hanhinen
b. 1943

Board member (2006–) and deputy chairman (2007–)
Remuneration Committee member (2007–)
Independent member

MSc (Tech), DSc (Tech) hc

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)

Elected positions
Kone Corporation, Board member
YIT Corporation, Chairman of the Board

Shares
10,000

Maarit Aarni-Sirviö
b. 1953

Board member (2004–)
Remuneration Committee member (2008–)

MSc (Tech), MBA

Mint of Finland Ltd, President & CEO

Previous main positions
Borealis Group, various executive positions (1994–2008), most recently Vice President, BU Phenol
Neste Corporation, various executive positions (1977–1994)

Elected positions
Nordic Moneta Ltd, Chairman of the Board
Mint of Norway, Chairman of the Board
Ponsse Corporation, Board member
Wärtsilä Corporation, Board member

Shares
1,000

Christer Granskog
b. 1947

Board member (2001–)
Audit Committee member (2003–)
Independent member

MSc (Tech)

Oy Piceum Ab, Managing Director

Previous main positions
Kalmar Industries, President & CEO (1998–2007)
Partek Oy Ab, Deputy to the President & CEO (1997–1998)
Partek Cargotec AB, President & CEO (1997–1998)
Sisu Group, President & CEO (1994–1997)
Valmet Automation Oy, President & CEO (1990–1994)

Elected positions
A/O Baltkran, Board member
Cavotec MSL, Board member
Havator Holding Oy, Board member
Oy Piceum Ab, Chairman of the Board
Sarlin Group Oy Ab, Board member
VR-Group Ltd, Deputy Chairman of the Board

Shares
1,000

Remuneration Committee member
Audit Committee member

Pirkko Juntti

b. 1945

Board member (2003–)
Audit Committee chairwoman (2003–)
Independent member

LLM

Previous main positions
HSH Gudme Corporate Finance Oy, Senior Advisor (1998–2003)
JP Morgan, London, expert and executive, duties in international financing (1983–1998)

Elected positions
Financial Supervisory Authority (FIN-FSA), Board member (since 1 January 2009)
Finavia, Board member
AB Svensk Exportkredit, Stockholm, Board member

Shares
–

Kalle J. Korhonen

b. 1948

Board member (2005–)
Audit Committee member (2008–)

MSc (Tech)

Ministry of Employment and the Economy, Undersecretary of State

Previous main positions
Ministry of Trade and Industry, Director-General (1999–2007) various other positions (1973–1999)

Elected positions
Finnvera plc, Chairman of the Board
Finnish Foreign Trade Association Finpro, Board member (until 31 December 2008)
Finnish Tourist Board (MEK), Chairman of the directors (since 1 September 2008)

Shares
–

Liisa Leino

b. 1960

Board member (2007–)
Audit Committee member (2007–)
Independent member

MSc (Educ)

Leinovalu Oy, Chairman of the Board

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 Oy, various positions in marketing (1989–1996)

Elected positions
Central Chamber of Commerce of Finland Tax Committee, member
The Finnish Family Firms Association, Board member
Respecta Oy, Board member
Varma Mutual Pension Insurance Company, Supervisory Board member

Shares
1,000

Corporate Management Board 1 January 2009

Chairman
SAKARI TAMMINEN
b. 1953

President & CEO
MSc (Econ)
Joined the company in 2003
Member of the Corporate Management Board since 2003

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

Principal Board memberships
Confederation of Finnish Industries EK
Sanoma Corporation
Varma Mutual Pension Insurance Company
Lemminkäinen Corporation
Federation of Finnish Technology Industries
World Steel Association

Shares
67,286

MIKKO HIETANEN
b. 1953

Chief Financial Officer, Deputy to the President & CEO
MSc (Econ)
Joined the company in 2004
Member of the Corporate Management Board since 2004

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

Principal Board memberships
Lohjan Puhelin Oy

Shares
21,050

MARKO SOMERMA
b. 1966

Chief Strategy Officer
LicSc (Tech)
Joined the company in 2004
Member of the Corporate Management Board since 2005

Previous main positions
Instrumentarium Corporation, Chief Process & Information Technology Officer
Gustav Paulig Oy, Development Director

Shares
17,714

Saku Sipola
b. 1968

President of Ruukki Construction
MSc (Tech)
Joined the company in 2005
Member of the Corporate Management Board since 2005

Previous main positions
YIT-Construction Ltd, Senior VP, business premises division

Shares
4,748

Olavi Huhtala
b. 1962

President of Ruukki Metals
BSc (Eng)
Joined the company in 1987
Member of the Corporate Management Board since 2003

Previous main positions
President of Ruukki Fabrication
Rautaruukki Metform, marketing and executive duties

Shares
31,956

Heikki Rusila
b. 1949

President of Ruukki Production
MSc (Tech)
Joined the company in 1974
Member of the Corporate Management Board from 2001 until 31 January 2009

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

Shares
55,420

Tommi Matomäki
b. 1967

President of Ruukki Engineering
MSc (Tech)
Joined the company in 2008
Member of the Corporate Management Board since 2008

Previous main positions
Technip Offshore Finland Oy, Managing Director
Metso Works Oy

Shares
–

Extended Management Board

Eija Hakakari b. 1961
Senior VP, Human Resources from 1 February 2009, MSc (Educ), Joined the company in 2008
Shares: –

Olli Huuskonen b. 1961
Senior VP, General Counsel, LLM, Joined the company in 2007
Shares: –

Sakari Kallo b. 1959
Senior Vice President, Production, Ruukki Metals, LicSc (Tech), Joined the company in 1987, Member of the Extended Management Board since 1 March 2009, Shares: 4,869

Markku Koljonen b. 1951
Chief Technology Officer, BSc (Eng), Joined the company in 1989
Shares: 41,800

Taina Kyllönen b. 1967
Senior VP, Marketing, MSc (Econ), Joined the company in 2004
Shares: 10,371

Petteri Laaksomo b. 1968
Senior VP, Supply Chain Management, MSc (Tech), Joined the company in 2008,
Shares: –

Anne Pirilä b. 1963
Senior VP, Corporate Communications and Investor Relations, MSSc, Joined the company in 2007
Shares: –

Ismo Platan b. 1953
Chief Information Officer, BSc (IT), Joined the company in 2003
Shares: 12,685

Risk management

- **Risks are evaluated in relation to Rautaruukki's strategy**
- **Risk management aims at ensuring business continuity**
- **Risk identification and classification enables effective risk management**

Total risk management is part of the management system

Risk management at Rautaruukki seeks to underpin the achievement of strategies 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.

The company 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.

The company's risk management is guided by the operating principles and process of corporate risk management set out in the risk management policy approved by the company's Board of Directors.

Risk management is part of everyday operations

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

Risk management is an integrated part of the management system and the risk aspect is incorporated into all core business division and corporate support processes and decision-making. Corporate risk management processes, a summary of the risk reports of the various functions and support in risk management matters are dealt with centrally.

The risks in each sector are identified and evaluated in all Rautaruukki's operations and risk management processes are regularly determined accordingly. This takes place in risk evaluation meetings or in conjunction with business planning and management processes. The corporate risk management function assists with evaluations.

The evaluation results and key risks are regularly reported to corporate management and to the company's Board of Directors.

Risk classification helps identification

Rautaruukki divides risks into four principal groups: strategic, operative, financial and hazard risks. Classification in this way makes it easier to understand the nature of the risks and potential management processes, and also helps to take a wider view of different types of risk when identifying them. Risks are identified and evaluated on the basis of their likelihood, seriousness, possible future development and manageability.

In addition to this, Rautaruukki examines risks from the strategy perspective and classifies them into three groups: risks that jeopardise strategy implementation and aims, external risks that jeopardise business performance and which are outside the company's control, and internal and external risks that threaten corporate operations and which are within the company's control. Risks are evaluated according to strategy scenarios.

Risk management strategies are risk avoidance, elimination and mitigation. Other important strategies are restricting or mitigating the impact of risks. Furthermore, every effort is made to ensure the continuity of operations if a risk materialises.

Further improvement in risk management in 2008

Rautaruukki has a continuous risk evaluation programme. The risk management function underpins corporate-wide self-evaluation at each site and evaluations combine hazard risks, as well as an evaluation of strategic, operative and financial risks.

Under the 2008 programme, an annual risk evaluation was carried out at 27 sites in 10 different countries. Risks were assessed using the top-downwards and bottom-upwards approaches. Corporate management, divisional management and persons from sites, processes and support functions took part in the evaluations. More than 100 persons were interviewed and around 30 workshop meetings were held in connection with the process. Internal and external audit, insurance brokers and companies also took part.

Evaluation resulted in Rautaruukki defining 13 key risks facing its operations.

Compared to the results in 2007, there has been an increase in risks relating to the global credit crunch and corporate finance and a decrease in risks relating to operating processes and personal injury.

Rautaruukki is continuously improving risk management taking into account changes in the business environment and operating activities. During the course of 2008, the company developed and tested a data system based risk management system. In addition, an intragroup tool was developed to enable the consistent evaluation of hazard risks. Improvements in the efficiency of finance and credit risk management, as well as cash management, have also been made. One of the key focus areas was proactive risk management, which was underpinned, for example, by consistent contract models.

Work on further improving the corporate risk management system will continue during 2009. Principal actions are for example even more effective insurance and the development of data system based risk management system.

Principal risks facing Rautaruukki

Strategic risks

Global credit crunch or recession

The global credit crunch or recession is hampering the business of Rautaruukki's customers and thus affecting demand for the company's products.

The company has a strong balance sheet and relatively low net interest-bearing financial liabilities compared to the balance sheet total. Rautaruukki is factoring in the changing situation by further protecting its financial position and by adjusting production and costs to market demand. The company also sees changes in the global economy as opportunities to improve its market position through, for example, acquisitions.

Competitiveness of own steel production and major change in situation on home market

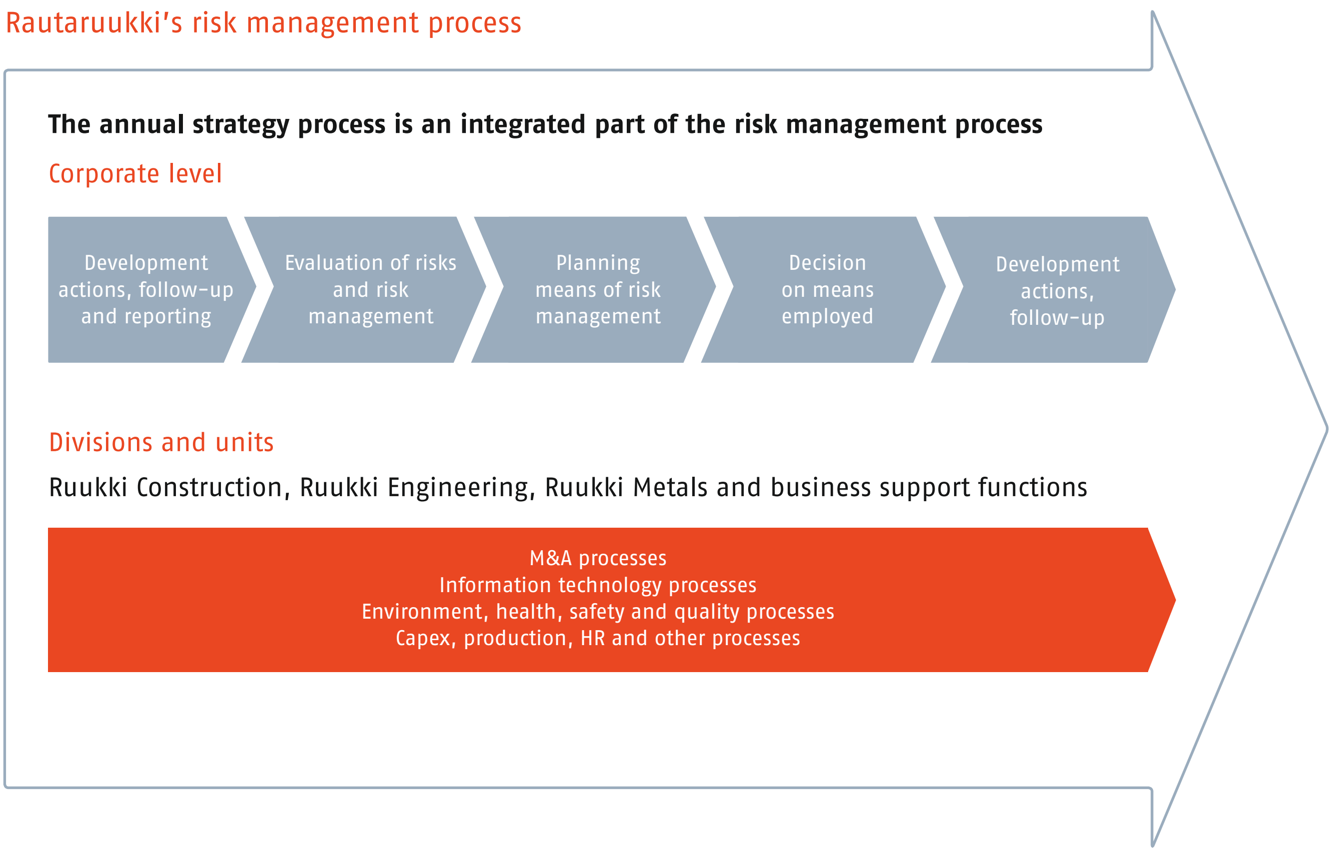
Rautaruukki aims to be the most desired supplier of metal-based solutions to customers in construction and in the lifting, handling and transportation equipment industry. Through its strategy, the company is prepared for change in the competitive situation. Customer focus, specialisation and sustainable competitiveness are key to maintaining and improving the company's market position.

The company is improving its competitive edge also by focusing on special steel products, which are less susceptible than standard products to the economic cycles of the steel market. Cost efficiency is being improved by identifying customer needs and developing products to meet those needs, as well as by offering the right products for the market.

Cyclical fluctuations in steel prices

Demand for steel and other metal products and prices for standard products fluctuate with business cycles. Rautaruukki has prepared for cyclical fluctuations in steel prices by increasing the share of special steel products in its own steel output and by aligning production levels to profitable demand in each market situation. The company has also prepared for this risk by improving supply chain management, delivery accuracy and by providing customised service. Rautaruukki is increasingly selling directly to end-customers and is thus better able to identify customer needs. In pricing, profitability is more important than sales volumes.

Rautaruukki's risk management process



New business operations

Good progress has been made with transforming the Group's business structure from that of a traditional steelmaker to a solutions provider for construction and the engineering industry. Establishing sufficiently intense cooperation between Rautaruukki and its customers and delivering value added to customers have been instrumental in this transformation. New business operations call for new types of expertise, especially in the engineering business, project management and materials sourcing.

The takeover of acquisitions and political and country risks in new geographical regions bring about new challenges in managing growth and profitability, securing and retaining employees, as well as management resources. The company has prepared for these risks by thorough human resources planning, training, international recruiting, strengthening local organisations, effective acquisition integration processes and by improving management and control systems.

Operational risks

Increasingly stricter environmental regulations

Combating climate change poses challenges for Rautaruukki's business. The additional costs brought about by increasingly stricter environmental regulations and carbon emissions trading impact on the company's investments and competitiveness, especially if the same rules of play do not apply to the company's competitors. The company has taken thorough steps to anticipate and actively track changes in environmental legislation. Rautaruukki is actively working in tandem with other European steelmakers to develop, for example, the emissions trading system.

All the company's principal production sites operate in accordance with the ISO 14001 environmental management system.

Freight charges and availability and price of raw materials

The price and freight charges of iron ore, coal and other main raw materials used in steelmaking are determined on the world market, which can make the price of raw materials very volatile. An important part of risk management involves identifying alternative supply channels to ensure business continuity and safeguard price levels.

Derivatives are used to manage the price of electricity and zinc. The impact of these can extend to six years ahead for electricity and three years for zinc.

Availability risks are controlled through long-term contracts to source the main materials and energy used in steelmaking. The Group generates almost half of the electrical energy it uses by utilising the gases released in the production process. The company is also participating in the development of carbon dioxide emission-free wind and nuclear power production in Finland.

Operational processes and major breakdowns in production

Modern, systematic proactive maintenance is an important part of risk management and can prevent the occurrence of production breakdowns. Risks are also mitigated by establishing joint procedures to choose partners and suppliers and to ensure the quality of semi-finished products.

From the business continuity aspect, it is important to ensure adequate operational readiness of core processes in all situations. The Group has comprehensive insurance programmes covering property damage, business interruption and transportation.

Labour market disruptions

Labour market disruptions are risks that jeopardise business performance. Delivery accuracy is becoming an increasingly critical competitive factor and disruptions to production exert a growing economic impact. This risk is mitigated by developing negotiation and decision-making mechanisms with employee representative organisations and by striving to improve an understanding of the impacts of the market, competitive situation, basic business and globalisation among personnel.

The entire personnel is tasked with continually improving delivery accuracy.

Liability risks

To avert flaws and liability relating to its products and solutions, Rautaruukki operates adequate quality systems and correctly targeted liability insurance. The company's integrated system for quality and environmental management complies with the requirements of ISO 9001 and ISO 14001.

Hazard risks

The company has comprehensive corporate-wide property damage, business interuption and transportation insurance.

Injuries

Rautaruukki is pushing for a zero-accident, safe working environment. This aim can be achieved by complying with corporate-wide job safety operating models. Safety has been integrated into the management system and everyday supervisory work through a corporate-wide safety programme. To avoid injuries, Rautaruukki is particularly focusing on training the personnel and an extensive oversight of operations. Safety in the working environment is continuously monitored at all sites. Any corrective actions are immediately determined on the basis of regular reporting.

Economic risks

Financial risks

Rautaruukki's financing and financial and credit risk management is dealt with centrally by the parent company's Financing function in accordance with the financing and credit policy approved by the Board of Directors. The Group's main raw materials are priced in US dollars. This exposes the Group to a considerable foreign exchange risk since US dollar-denominated sales account for approximately just one per cent of consolidated net sales. A considerable amount of consolidated net sales is in currencies other than the euro. In sales, the Group is exposed to the greatest foreign currency risks in Swedish, Norwegian and Danish crowns, pound sterling and the Russian rouble. Details of the Group's foreign currency, interest, commodity price, liquidity and credit risks are given in Note 3 to the financial statements.

The Board of Directors of the Pension Foundation monitors and oversees market risks in investment activities.

+ More information about financial risk management in Note 3 to the financial statements.

Responsibility for risk management	
Board of Directors	Is responsible for the Group's risk management policy and oversees its implementation. Approves the risk management policy.
President & CEO	Is responsible for the proper organisation of risk management.
Chief Financial Officer	Is responsible for risk management model and reporting.
Corporate Management Board	Is involved in risk identification, evaluation, accountability and control.
Heads of divisions and support functions	Are responsible for identifying and managing risks in their own area and for implementing and reporting risk management development.
Corporate Risk Manager	Is responsible for supporting the divisions and other functions in risk management, developing risk management and for maintaining risk information.
Internal audit	Evaluates corporate risk management.
Each employee	Is responsible for identifying and evaluating work-related or any other risks and bringing them to the supervisor's attention.

Rautaruukki's most significant risks and risk management in 2008

Risk	Policy or instructions	Risk management responsibility
1. Global financial crisis or recession	Business strategy	Board of Directors and Corporate Management Board
2. Cost competitiveness of own steel production	Business strategy	Board of Directors and Corporate Management Board
3. Major change in competition structure on home market	Business strategy	Board of Directors and Corporate Management Board
4. Stricter environmental regulations	Environmental policy Environmental management system (ISO 14001)	Business divisions and EHQS organisation (environment, health, safety and quality)
5. Cyclical fluctuations in price of steel	Business strategy	Board of Directors and Corporate Management Board
6. Financial risks	Finance policy Credit risk policy	Corporate Financial management and Finance organisation
7. New businesses	Business strategy	Board of Directors and Corporate Management Board, business divisions, M&A function
8. Major disruptions in production	Risk management policy Insurance risk management policy	Corporate Management Board, business divisions, Risk Management function
9. Availability and prices of raw materials and freight charges	Sourcing strategy	Corporate Management Board, business divisions and Sourcing organisation
10. Labour market disruptions	Human resources policy	Corporate Management Board, business divisions and Human Resources Management
11. Operating processes	Quality policy Quality management systems (ISO 9001) Information security policy	EHSQ organisation, IT organisation, projects to harmonise operating processes
12. Injuries	Safety instructions	Corporate Management Board, business divisions, safety team, Human Resources Management and Risk Management function
13. Liability risks	Contract policy Risk management policy Insurance risk management policy	Business divisions, Corporate Legal Affairs, Risk Management function

- Risks jeopardising strategy implementation and aims
- External risks outside the company's control that jeopardise business performance
- Internal and external risks within the company's control that threaten corporate operations

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The figures in the annual report have been rounded. This means that the sum of the individual figures may deviate from the total shown or percentages may not add up to 100.

Report of the Board of Directors 2008

Business environment

Market conditions in Rautaruukki's core market areas and main customer industries remained good throughout the first half of 2008. Strong demand continued also during the third quarter, even though, as the quarter went on, there were signs of weaker markets and demand in some customer segments such as residential construction (Construction), colour-coated products (Metals) and, to some extent, in the forest machinery sector (Engineering).

The fourth quarter of 2008 was abnormal in many ways. The fallout of the global credit crunch and economic downturn was in evidence towards the end of the year as it gathered strength in almost all the company's market areas and customer industries. General uncertainty and the increasing difficulties of customers in obtaining funding have resulted in a rapid decline in demand for Rautaruukki's products and services since November. This is particularly the case in the demand for steel products and, to some extent, also in construction.

Net sales and result for 2008

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

Consolidated net sales for 2008 were EUR 3,851 million (3,876). Comparable net sales for the report period were EUR 3,829 million (3,744), up by EUR 85 million or 2 per cent year on year. The comparable figures exclude Ruukki Betonstahl GmbH and Ruukki Welbond BV, which were part of the Group until November 2007, and Carl Froh GmbH, which was part of the Group until June 2008. Acquisitions had no material impact on consolidated net sales for 2008.

The solutions businesses - Ruukki Construction and Ruukki Engineering - grew their share of the company's net sales to 48 per cent (44) in 2008. Finland accounted for 32 per cent (31) of consolidated net sales, the other Nordic countries for 31 per cent (30) and Central Eastern Europe, Russia and Ukraine for 21 per cent (21). The rest of Europe accounted for 13 per cent (15) of net sales and other countries for 3 per cent (3).

Ruukki Construction's net sales for 2008 were EUR 1,067 million (1,042) and Ruukki Engineering's net sales rose to EUR 765 million (667). Ruukki Metals reported net sales of EUR 2,019 million (2,168) and comparable net sales of EUR 1,997 million (2,035).

Ruukki Construction increased net sales on the back of good demand for non-residential construction during the first months of the year, higher price levels and growth in the frame and project business across the entire market area.

Ruukki Engineering increased net sales due to growing demand in the systems and component business and the resulting rise in sales volumes, especially to equipment suppliers in the lifting, handling and transportation equipment industry and energy industry.

Ruukki Metals' net sales for the year were down owing to lower net sales, compared to the previous year, of stainless steel and aluminium sold as trading products, and weakened demand in all main product groups during the fourth quarter. Special products rose to account for 27 per cent (24) of the division's net sales in 2008.

The company reported operating profit of EUR 568 million (637), equating to 15 per cent (16) of net sales for the year. Comparable operating profit excluding non-recurring items was EUR 584 million (635).

The share of the solutions businesses rose to 45 per cent (42) of consolidated operating profit for 2008. Ruukki Construction's operating profit was EUR 128 million (163) and the operating profit excluding non-recurring items was EUR 132 million (163). Ruukki Engineering's operating profit was EUR 126 million (103) and excluding non-recurring items EUR 128 million (103). Ruukki Metals' operating profit was EUR 338 million (397) and comparable operating profit excluding non-recurring items was EUR 350 million (395).

Ruukki Construction's operating profit for the entire year was affected by the costs of building the organisation and sales network relating to an investment programme in Central Eastern Europe, as well as by higher steel material costs. The division's earnings during the fourth quarter were also adversely affected by low capacity utilisation rates due to low demand.

Ruukki Engineering's operating profit improved on the back of continued strong demand, the profitability improvement programme under way and increased sales prices. The division also restructured production and developed its product portfolio to improve profitability.

Ruukki Metals' operating profit was adversely affected throughout the report period by the increased costs of unused capacity, especially in December when one of the two blast furnaces at the Raahe Works in Finland was shut down until further notice. Operating profit from stainless steel and aluminium was also noticeably smaller than in 2007.

Foreign currency hedges helped to offset unfavourable impacts of exchange rates in respect of raw material costs (USD) and the company's major sales currencies (SEK, NOK, GBP).

Net finance expense and exchange rate differences relating to finance totalled EUR 23 million (20).

Group taxes were EUR 142 million (162), which include a decrease of EUR 23 million (decrease of 6) in deferred tax. The Group's effective tax rate was 26 per cent (26).

Profit for the period was EUR 406 million (459). Diluted earnings per share were EUR 2.93 (3.31).

Balance sheet and key indicators

The consolidated balance sheet total was EUR 148 million higher at EUR 2,983 million than at year-end 2007. Equity at year-end 2008 was EUR 1,948 million (1,960), equating to EUR 14.04 per share (14.13). The decrease in equity was attributable to translation differences arising from movements in the exchange rates of the equity of subsidiaries, movements in the fair value of zinc and electricity derivatives and changes in the accounting practice for employee benefits. The equity ratio at year-end 2008 was 65.9 per cent (70.1).

Return on equity during 2008 was 20.7 per cent (24.2) and return on capital employed was 25.6 per cent (29.8).

Cash flow and financing

Cash flow from operating activities was EUR 382 million (417) and cash flow before financing activities was EUR 169 million (271). The largest change was in cash flow from investing activities, which for the entire report period was EUR 213 million negative (-146).

Net interest-bearing financial liabilities at 31 December 2008 were EUR 155 million (28) and the gearing ratio 7.9 per cent (1.4).

At year-end 2008, the Group had liquid assets of EUR 254 million and undrawn revolving credit facilities of EUR 150 million. Repayments totalling EUR 6 million of non-current interest-bearing liabilities are due during 2009.

In April 2008, Rautaruukki paid its shareholders dividends totalling EUR 277 million.

Personnel

The Group employed an average of 14,953 persons during 2008 (14,326). At year-end 2008, the headcount was 14,286 (14, 587) as follows: 6,955 employees in Finland, 5,538 in Central Eastern Europe, Russia and Ukraine, 1,317 in the other Nordic countries, 94 elsewhere in Europe and 382 in other countries.

Staff salaries and other employee benefits were EUR 464 million (448), of which EUR 1 million (9) was expenses relating to share bonuses and EUR 3 million (12) expenses related to profit sharing. Almost all Rautaruukki's personnel belong to the profit sharing scheme.

Expenses of around EUR 1 million in respect of the 2008 earning period of the valid 2008–2010 share ownership plan were booked through profit and loss in 2008. Around 85 executives or other key personnel are covered by the share ownership plan.

Changes in Group structure

In 2008, property, plant and equipment increased by EUR 8 million and goodwill by EUR 6 million through acquisitions.

To strengthen its position among customers within the lifting, handling and transportation equipment industry, the company acquired, in February 2008, the German company Wolter Metall -verarbeitung GmbH, which makes telescopic booms for mobile and special cranes. To expand its special product expertise in laser and laser-hybrid welding, Rautaruukki acquired, in April, the business operations of Finnish company Hybri-Steel Oy. In June, Rautaruukki divested its German unit Carl Froh GmbH, which makes precision tubes and components for the automotive industry.

In November, the company divested a colour-coating line making colour-coated special products for the automotive industry, in Gävle, Sweden. The colour-coating line was not part of the Group's core business. The transaction had a positive impact of around EUR 1 million on profit and loss. In December, Rautaruukki acquired the entire share capital of Lithuanian steel frame company UAB Gensina. The acquisition furthers Rautaruukki's frame and envelope project management business in Lithuania and the other Baltic states, and also strengthens Rautaruukki's manufacturing network serving the Baltic states.

Capital expenditure

Net cash outflow from investing activities in 2008 was -EUR 213 million (-146). Capital expenditure on tangible and intangible assets totalled EUR 229 million (172), of which maintenance investments were EUR 76 million (54).

Investing activities generated a positive cash flow of EUR 25 million (70), of which EUR 21 million (23) was derived from divestments of plant, property and equipment and subsidiaries. EUR 9 million (44) was spent on acquisitions during 2008.

Ruukki Construction has an investment programme under way to increase delivery capacity in Central Eastern Europe and Russia. A decision was taken in January 2008 to invest around EUR 20 million on building a new sandwich panel plant in Finland. In April 2008, a decision was taken to invest around EUR 13 million to build a steel service centre in Russia. In addition, a total of around EUR 44 million was spent during the report period on gradually increasing new finishing capacity for special steel production.

Capital expenditure on tangible and intangible assets during 2009 is estimated to remain well below EUR 200 million.

Annual General Meeting 2008

Rautaruukki Corporation held its Annual General Meeting in Helsinki on 2 April 2008.

Under the company's Articles of Association, the Annual General Meeting elects the chairman, deputy chairman and members of the Board of Directors. The Annual General Meeting decides on any amendments to the Articles of Association usually by a two thirds majority decision. Under the Articles of Association the Board of Directors appoints the company's CEO.

The Annual General Meeting re-elected Mr Jukka Viinanen and Mr Reino Hanhinen as chairman and deputy chairman respectively of the Board of Directors. Maarit Aarni-Sirviö, Christer Granskog, Pirkko Juntti, Kalle J. Korhonen and Liisa Leino were all re-elected to the Board for a further term of office, which ends at the close of the following Annual General Meeting.

The Annual General Meeting elected Marjo Matikainen-Kallström as the new chairperson of the Supervisory Board and Inkeri Kerola as the new deputy chairperson. Heikki Allonen, Turo Bergman, Miapetra Kumpula-Natri, Petteri Orpo, Jouko Skinnari, Markku Tynkkynen and Tapani Tölli were all elected as members of the Supervisory Board. The term of office of the Supervisory Board ends at the close of the following Annual General Meeting.

The Annual General Meeting elected KHT audit firm KPMG Oy Ab as the company's new auditor, with Mauri Palvi KHT as the principal auditor.

The Annual General Meeting authorised the Board of Directors to resolve to acquire a maximum of 12,000,000 of the company's own shares (8.56% of the shares issued). This authority is valid for 18 months from the decision of the Annual General Meeting.

Based on a proposal by the Ownership Steering Department of the Prime Minister's Office, which represents the Finnish State as shareholder, the Annual General Meeting decided to establish a shareholders' Nomination Committee to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and directors' fees. Representatives of the three largest shareholders as at 3 November 2008 were appointed to the Nomination Committee. These representatives are Mr Markku Tapio, Senior Financial Counsellor, Prime Minister's Office, Mr Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual

Pension Insurance Company and Mr Esa Rannila. The Chairman of Rautaruukki's Board of Directors, Mr Jukka Viinanen, serves as the Committee's expert member.

The Annual General Meeting held on 2 April 2008 decided that a dividend of EUR 1.70 per share, and an additional dividend of EUR 0.30 per share on the funds released from the divestment of the long steel business, be paid for 2008. The dividend, totalling EUR 277 million, was paid on 16 April 2008.

Board of Directors' committees

The Board of Directors has two permanent committees: the Audit Committee and the Remuneration Committee. Pirkko Juntti (chair), Christer Granskog, Kalle J. Korhonen and Liisa Leino were members of the Audit Committee during 2008. Jukka Viinanen (chair), Maarit Aarni-Sirviö and Reino Hanhinen were members of the Remuneration Committee.

Changes in executive management

As of 1 February 2009, Rautaruukki's Corporate Management Board comprises Sakari Tamminen, President & CEO and chairman of the Management Board; Mikko Hietanen, CFO and deputy to the CEO; Saku Sipola, President, Ruukki Construction; Tommi Matomäki, President, Ruukki Engineering; Olavi Huhtala, President, Ruukki Metals and Marko Somerma, Chief Strategy Officer. Under the terms of his service contract, Heikki Rusila, who was earlier President of Ruukki Production, will retire in late 2009.

Shares and share capital

During 2008, Rautaruukki Oyj shares (RTRKS) were traded for a total of EUR 5,530 million (8,444) on Nasdaq OMX Helsinki. The highest price quoted in 2008 was EUR 34.77 in June and the lowest was EUR 9.51 in November. The volume weighted average price was EUR 22.03. The share closed at EUR 12.16 on the year and the company had a year-end market capitalisation of EUR 1,706 million (4,157).

The company's registered share capital at 31 December 2008 was EUR 238.4 million and there were 140,255,479 shares issued. The company has one series of shares, with each share conveying one vote. Under the company's 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 carried by shares at the meeting.

Based on warrants exercised under the 2003 bond loan with warrants, the company's share capital was increased by 57,351 shares or EUR 97,496.70 during the report year. A total of 26,050 of these shares were subscribed between 2 October and 26 November 2008 and the share capital was increased by EUR 44,285.00 accordingly. This increase in share capital was entered in the Trade Register on 17 December 2008.

Employee warrants based on the 2003 bond loan with warrants have been publicly traded on Nasdaq OMX Helsinki since 24 May 2006. One warrant entitles the holder to subscribe one share at an issue price of EUR 1.70. Warrants had been exercised to subscribe a total of 1,369,034 shares (98 per cent) by 31 December 2008. The remaining warrants entitle holders to subscribe a total of 30,966 shares. The subscription period expires on 23 May 2009.

The Board of Directors is authorised to acquire a maximum of 12,000,000 of the company's own shares. The authority is valid for a period of 18 months from the resolution of the Annual General Meeting on 2 April 2008. The Board of Directors did not exercise the authority to buy own shares during the report period.

Similarly, the Board of Directors is also authorised to transfer a maximum of 13,785,381 treasury shares held by the company. The authority is valid until the close of the 2009 Annual General Meeting. Under this authority, the company transferred, on 28 March 2008, 11,594 treasury shares to persons covered by the 2007 earning period, which was the last, under the Group's Share Ownership Plan 2004. A total of 1,594 shares were returned to the company.

At year-end 2008, the company held 1,466,937 treasury shares, which at 31 December 2008 had a market value of EUR 17.8 million and an accountable par value of EUR 6.3 million. Treasury shares account for a relative percentage of 1.05 per cent of the total number of shares and votes.

At the end of the report period, the Board of Directors had no valid authority to issue convertible bonds or bonds with warrants or to increase the company's share capital.

An analysis of shareholdings in the company by sector and size, the company's largest shareholders and the interests of governing bodies and the Corporate Management Board are disclosed in more detail in the Annual Report 2008.

Disclosure notifications

Pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act, Rautaruukki received, on 28 May 2008, a disclosure notification from Capital Research and Management Company (CRMC) that the aggregate holding of Rautaruukki's shares and votes by the mutual funds CRMC manages had increased to 5.42 per cent.

Pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act, Rautaruukki received, on 12 December 2008, a disclosure notification of an ownership arrangement whereby the shareholding of the Finnish State in Rautaruukki Corporation falls below the threshold referred to in Chapter 2, Section 9 of the Finnish Securities Markets Act and Solidium Oy's ownership exceeding that threshold. On 11 December 2008, the Finnish State transferred, as a capital contribution under the Limited Liability Companies Act, all the Rautaruukki Corporation shares it owned to Solidium Oy. Subsequent to the transfer, Solidium owns 55,656,699 shares, equating to 39.68 per cent of Rautaruukki's share capital and votes. The Finnish Financial Supervision Authority (FIN-FSA) had granted Solidium Oy an exemption from the obligation, which would otherwise arise, to launch a mandatory bid to other shareholders of Rautaruukki Corporation.

Since the balance sheet date, on 28 January 2009, Rautaruukki Corporation, pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act, has received a disclosure notification from Capital and Research Management Company (CRMC) that the aggregate holding in Rautaruukki shares for the mutual funds it manages had decreased to below five (5) per cent (1/20). The number of Rautaruukki Oyj shares notified by CRMC is 6,949,917 shares, which equate to 4.96 per cent of Rautaruukki's share capital and votes.

Research and development

The company spent EUR 27 million (28) on research and development in 2008. This equates to roughly one per cent of net sales (1). The thrust of R&D during the report period was on new solutions to meet the needs of the construction industry and on high-strength and wear-resistant steels for transportation, lifting and handling equipment structures.

Rautaruukki launched a solutions package to speed up the design and construction of single-storey buildings. The package includes a software application developed by the company to considerably shorten the initial stage of a construction project and ensure the choice of compatible structures. In September, Rautaruukki launched, initially in Finland, a new solution for performance-based fire design to improve fire safety.

In the engineering industry, Rautaruukki continued to work with a number of major customers on the development of new applications throughout 2008. During the report period, Rautaruukki started to apply virtual technology to cabin design, thus shortening lead time during the product design stage.

The year saw further development of the direct quenching method for high-strength steels and the launch of new grades of steels. A new direct quenching unit started up at the plate mill to manufacture wear-resistant steels for the needs of the lifting, handling and transportation equipment industry. Based on Rautaruukki's own innovation, the direct quenching method can be used to make increasingly higher-strength steels, resulting in lighter structures and improved performance.

Rautaruukki is also actively involved in national Strategic Centres for Science, Technology and Innovation (CSTI). The most important of these centres as far as the company is concerned are FIMECC, the Finnish Metals and Engineering Competence Cluster, which has already started up, and CLEEN (energy and environment) and RYM-SHOK (built environment) that are still being set up.

Environmental and energy issues

The corporate environmental policy, which was revised in December 2008, governs the environmental management of all Rautaruukki's operations. The new environmental policy further emphasises the company's commitment to the continuous improvement of energy efficiency. Rautaruukki's production sites operate in conformance with certified ISO 14001:2004 environmental management and ISO 9001:2000 quality management systems. Certified systems covered 98 per cent (95) of production and 80 per cent (75) of employees in 2008.

In the free initial allocation of emissions allowances for the second period 2008–2012 (Kyoto period) of the EU Emissions Trading Scheme, the Raahe and Hämeenlinna works in Finland received 23.5 million emissions allowances, each representing one tonne. The Mo i Rana rolling mill, which comes under the Norwegian emissions trading scheme, will, according to a preliminary decision, receive annual emissions allowances for 49,000 tonnes of emissions.

In 2008, emissions allowances trading generated income totalling EUR 4.9 million.

Taking into account the closure of the sinter plant at Raahe, recent adjustments to production and the impacts of emissions reductions brought about by carbon funds, the company does not expect to incur significant costs as a result of emissions trading during the Kyoto period. However, emissions trading does affect the cost of the electricity the company sources from the Nordic electricity market.

In March 2008, Rautaruukki decided to close down the sinter plant at the Raahe Works in Finland by the end of 2011. The company will switch over to using only iron pellets as a raw material in the iron-making process. Closure of the sinter plant will cut carbon dioxide emissions by 10 per cent or 500,000 tonnes a year. It will also lead to a significant reduction in dust and sulphur dioxide emissions, as well as lower energy consumption.

In early September 2008, the Raahe Works received a new environmental permit by decision of the Supreme Administrative Court. The new permit contains stricter limits than earlier as regards emissions to air and waterways. The new permit terms and conditions require investments estimated at over EUR 70 million. These investments will be completed by 2012.

In September 2008, Rautaruukki was included for the first time in the Dow Jones Sustainability World (DJSI World) index and for the second year running in the Dow Jones STOXX Sustainability (DJSI) index. The indexes include the top companies in their sector that are committed to sustainable development. In 2008, Rautaruukki was ranked among the world's best six steel companies in the DJSI World index.

In 2008, Rautaruukki spent a total of EUR 12 million (7) on environmental investments.

More information about environmental issues can be found in the Annual Report 2008 and in the environmental reports for the Raahe and Hämeenlinna works.

Ruukki United profitability improvement programme

Ruukki United, Rautaruukki's programme to harmonise ways of working and improve efficiency, aimed to cut annual costs and permanently free up capital, compared with the 2004 cost structure, by the end of 2008.

By year-end 2008, the Ruukki United programme achieved annual cost savings of around EUR 135 million (target : EUR 150 million). By year-end 2008, around EUR 75 million in capital had been freed up (target: EUR 150 million). The Ruukki United profitability improvement programme ended at the end of 2008.

New operational excellence programme – Boost

In October 2008, Rautaruukki initiated its corporate-wide Boost programme, which aims at further operational efficiency and at improving the company's competitive edge and profitability. Boost aims at a EUR-150-million improvement in the company's operating profit at an annual level, compared to 2008, by year-end 2011. Cost savings as a result of actions under the Boost programme are expected to be in the region of EUR 50 million in 2009.

During the fourth quarter of the year, the company started actions corporate-wide under the Boost programme. Ruukki Construction division is centralising the manufacture of construction products in the Baltic states on the Pärnu plant in Estonia. The small profiling units in Riga, Latvia and in Vilnius, Lithuania will be closed by the end of April 2009. Local sales offices in Latvia and Lithuania will continue to operate. In the Czech Republic, the smaller profiling unit at Ostrava will be closed and production lines gradually relocated to Rautaruukki's bigger plants in Hungary, Poland

and Romania by the end of the first quarter of 2009. A profitability programme initiated at the steel frame and sandwich panel plant at Oborniki in Poland will last until summer 2009.

In Ruukki Engineering division, production at the Hatvan site in Hungary will be transferred to the Jaszbereny components plant during the first quarter of 2009.

In Ruukki Metals division, a decision was made to close the steel service centre in Tampere, Finland by the end of June 2009. Parts processing will be centralised on the steel service centres in Raahe and Seinäjoki. Operational efficiency is to be improved and overlaps eliminated in the division's other business and production units and in administration.

In Ruukki Production division, production and cost efficiency are to be improved mainly by cutting the number of shifts. In November, the company announced it was to adjust tube production at Oulainen, Finland. A decision was made to discontinue the production of spiral-welded gas pipes at the site since it is not part of the company's core business. In addition, maintenance functions were outsourced at the Virsbo plant in Sweden and production volume at the plant was scaled down in line with demand.

The company has also efficiency projects under way in business support functions.

In the context of efficiency measures and actions to adjust operations, the company initiated employer-employee negotiations in December about possible redundancies, temporary layoffs and part-time working. Non-recurring costs of EUR 11 million arising from these actions were booked for the last quarter of 2008.

Capital Market Day

Rautaruukki's annual Capital Market Day for investors and analysts was held in Vaasa, Finland in October. At the event, the company announced it was to upgrade its EBIT margin target from 12 per cent to 15 per cent. The company's other financial targets and dividend policy remain unchanged. Also at the Capital Market Day, Rautaruukki described the focus areas of business growth for the next few years: Ruukki Construction's focus will be on the cpmmercial and industrial construction market in Central Eastern Europe and CIS countries, Ruukki Engineering will focus on OEM customers in the lifting, handling and transportation equipment industry and in the energy industry. Ruukki Metals will focus on special steels. The corporate-wide operational excellence programme Boost was also announced at the event.

Rise in prices of raw materials in steel production

Annual contracts in respect of the main raw materials (coal and iron ore) Rautaruukki uses in steel production are in US dollars. Prices of raw materials rose sharply on the global market in 2008. A strengthening of the US dollar towards the end of the year contributed to higher market prices of raw materials. However, thanks to foreign currency hedging, currency fluctuations had no material impact on the company's costs.

Compared to 2007, general rises in the cost of raw materials added around EUR 200 million to the company's own steel production costs in 2008 after taking into account foreign currency hedges. Around one third of the rise in costs was realised during the first half of the year and two thirds during the second half.

Higher raw material costs were almost entirely offset by increased sales prices and improved cost efficiency. The size and timing of price rises varied according to product and market area. Hedging against the US dollar had a positive impact of EUR 32 million (-21) on operating profit for 2008.

Other events taking place in 2008

Ruukki Group Oyj, in a legal action brought in spring 2006, demanded that the Market Court prohibit Rautaruukki, under penalty payment, from using just the name Ruukki as its marketing name. In its decision issued on 5 February 2008, the Market Court dismissed all claims by Ruukki Group Oyj and stated that Ruukki Group has no grounds to prohibit Rautaruukki from using the name Ruukki in corporate communications and marketing. Furthermore, the Market Court ordered Ruukki Group to compensate Rautaruukki's legal costs.

The Swedish company Boliden Commercial AB initiated arbitration proceedings against Rautaruukki in late 2007. Boliden demanded a price differential payment of around EUR 13 million from Rautaruukki. The dispute concerned the premium components in the price of the zinc bought by Rautaruukki. In October 2008, the Arbitral Tribunal dismissed all claims by Boliden Commercial AB against Rautaruukki and ordered Boliden to compensate Rautaruukki's legal costs in full.

In October 2008, Rautaruukki received a statement of objections from the European Commission, which suspected Rautaruukki's former subsidiary Fundia of price collusion between 1996 and 2001 in respect of the manufacture of prestressing steel. Rautaruukki divested the business operations in question in 2006. The prestressing steel business, which is under investigation, accounted for a total of around EUR 20 million of Fundia's net sales in 2001. The European Commission served such a statement of objections on dozens of European companies. According to the statement of objections, the comparatively minor prestressing steel business operations of Rautaruukki's former subsidiary are not at the centre of the investigation. On 16 December 2008, Rautaruukki submitted a report in respect of the statement of objections. At this stage of the investigation, it is difficult to weigh up any sanctions.

In December 2008, the company adjusted steel production in line with weakened demand by temporarily shutting down one of the two blast furnaces at the Raahe Works in Finland. A start was made also on adjusting production in other units. In connection with adjustment and efficiency improvement, the company initiated employer-employee negotiations regarding possible layoffs, dismissals and part-time working in different market areas.

Events after the balance sheet date

In January 2009, Rautaruukki announced it was to improve the efficiency of its steel business by merging its steelmaking division, Ruukki Production, with Ruukki Metals as of 1 February 2009. The other divisions and segment reporting will remain unchanged. The combination streamlines the corporate structure and improves efficiency and supply chain management in the steel business.

In January 2009, Rautaruukki announced it is to acquire the entire share capital of the Norwegian company Skalles Eiendomsselskap AS. Skalles Mek Verksted AS, a fully-owned subsidiary of

Skalles Eiendomsselskap AS, is one of Norway's leading steel frame suppliers for industrial and commercial premises. Skalles' total deliveries include the design, manufacture and installation of steel structures. The company has some 50 employees and net sales for 2008 are estimated to be around EUR 15 million. The transaction is subject to the approval of the regulatory authorities and is expected to be closed during February 2009.

In January 2009, the company completed employer-employee negotiations in Finland that were initiated during the fourth quarter of 2008. Relating to operations to improve operational efficiency, the negotiations resulted in a decision to reduce the workforce by some 460 persons, with around 250 of these reductions being implemented through various pension arrangements. At the start of the negotiations, it was estimated that a maximum of 520 reductions were needed in Finland and around 1,000 across the company. Outside Finland, negotiations with workers are progressing in accordance with the legislation of each country concerned.

It was also additionally decided in the negotiations to temporarily lay off people as a result of the need to adjust operations due to weakened market conditions. The negotiations resulted in the temporary layoff of approximately 400 persons at Raahe and around 170 at Hämeenlinna at any one time. Temporary layoffs will affect a total of some 3,200 people at different sites. The time and length of layoffs will vary according to site.

Risks and risk management

The company's risk management is guided by the operating principles and process of corporate risk management set out in the risk management policy approved by the company's Board of Directors. Risk management is an integrated part of Rautaruukki's management system, which also includes safety.

The global credit crunch and economic downturn have hampered the business of Rautaruukki's customers and thus affected demand for the company's products. Rautaruukki has factored in the changing situation by protecting its financial position and by adjusting production and costs to bring them into line with market demand.

The additional costs ensuing from increasingly stricter environmental regulations and carbon emissions trading impact on the company's investments and competitiveness, especially if not all actors in the industry are affected in the same way. The company has taken thorough steps to anticipate and actively track changes in environmental legislation and started on the actions required accordingly.

The price and freight charges of iron ore, coal and other main raw materials used in steelmaking are determined on the world market, which can make the price of raw materials very volatile. Derivatives are used to manage the price of electricity and zinc. The impact of these can extend to six years ahead for electricity and three years for zinc.

Availability risks are controlled through long-term contracts to source the main materials and energy used in steelmaking. The Group generates almost half of the electrical energy it uses by utilising the gases released in the production process.

The main raw materials used by the Group in steelmaking are priced in US dollars. This exposes the Group to a major foreign currency risk since USD-denominated sales account for only around one per cent of consolidated net sales. In sales, the Group is exposed to a foreign currency risk mainly in Swedish and Norwegian crowns, the Russian rouble and Polish zloty. Foreign currency derivatives are used to hedge against currency exchange risks.

The company's currency-denominated investments to fund growth outside Finland are exposed to fluctuations in exchange rates. The company seeks to limit these investments to a certain percentage of total investments so that exchange rate fluctuations in this respect do not materially jeopardise the company's balance sheet position. Some of these investments are also hedged against exchange rate fluctuations.

Most of the risk factors above apply to the company's steel business. Overall business risks are balanced in line with the corporate strategy by growing the solutions businesses.

The company's risk management is described in more detail in the Annual Report 2008.

Near-term outlook

The global credit crunch and its impact on the real economy have increased general uncertainty in all Rautaruukki's market areas and customer industries. Growing economic uncertainty and customers' difficulties to fund their business have weakened demand for almost all Rautaruukki's products and services.

Market prospects in construction segments are expected to weaken noticeably in all market areas compared to 2008. Demand for infrastructure construction is expected to remain at last year's level and recovery measures decided by the public sector are anticipated to sustain infrastructure construction in the Nordic countries.

Within the engineering industry, a decline on last year is expected in the lifting, handling and transportation equipment segment. Demand from equipment manufacturers in the energy industry is expected to continue at a good level.

Demand for steel products is expected to improve on the exceptionally low level witnessed at the end of 2008. Costs of raw materials used in steel production are likely to come down considerably from what they were in 2008. However, it is estimated that the impact of this will not be fully reflected until the second half of the current year.

Low demand will result in adjustments to production in several units in Finland and elsewhere.

Cost savings as a result of actions under the Boost programme are expected to be in the region of EUR 50 million in 2009. Other adjustment measures are also expected to considerably lower costs compared to 2008.

General uncertainty and high stock levels throughout the supply chain are likely to result in continued weak demand during the first months of 2009. The company expects comparable consolidated net sales and operating profit for the first quarter of 2009 to fall considerably short of those for the fourth quarter of 2008.

Given the prevailing market conditions, the company considers it to be extremely challenging to anticipate development for the entire year and will consequently review its guidance on a quarterly basis.

Consolidated financial statements

Consolidated income statement (IFRS)

€m	Note	2008	2007
Net sales	4	**3 851**	**3 876**
Other operating income	7	**31**	26
Change in inventories of finished goods and work in progress		**129**	8
Production for own use		**12**	15
Materials and services	8	**-2 261**	-2 182
Salaries and other employee benefits	9	**-585**	-548
Depreciation, amortisation and impairment losses	10	**-146**	-153
Other operating expenses	11	**-465**	-404
Operating profit		**568**	**637**
Financial income	12	**98**	17
Financial expense	12	**-121**	-37
Net financial expense	12	**-23**	-20
Share of results of associates	17	**3**	3
Profit before taxes		**548**	621
Income tax	13	**-142**	-162
Net profit		**406**	**459**
Attributable to			
Equity holders of the parent		**406**	458
Minority interests		**-1**	1
Earnings per share, calculated on the net profit attributable to equity shareholders of the parent:			
Basic, continuing operations, €	14	**2.93**	3.31
Diluted, continuing operations, €	14	**2.93**	3.31

Consolidated statement of recognised income and expense (IFRS)

€m	Note	2008	2007
Profit for the period		**406**	458
Cash flow hedges, net of tax	28	**-46**	-33
Translation differences		**-54**	1
Defined benefit plan actuarial gains (losses), net of tax	30	**-46**	-16
Net income and expense booked direct to equity		**-146**	-48
Total recognised income and expense for the period		**261**	**411**
Recognised income and expense attributable to minority interests during the period		**-1**	1
Recognised income and expense attributable to shareholders during the period		**262**	410
Total recognised income and expense for the period		**262**	**411**

Consolidated balance sheet (IFRS)

€m	Note	31 Dec 2008	31 Dec 2007
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1 124**	1 076
Goodwill	16	**105**	106
Other intangible assets	16	**81**	89
Investment in associates	17	**15**	15
Available-for-sale financial assets	19	**11**	10
Other receivables	20	**73**	132
Deferred tax assets	21	**33**	18
		1 442	1 446
Current assets			
Inventories	22	**750**	614
Trade receivables	23	**384**	470
Other receivables	23	**150**	98
Tax receivables based on taxable earnings of the period		**2**	11
Financial assets at fair value through profit or loss	25	**221**	178
Cash and cash equivalents	26	**34**	17
		1 540	1 389
Total assets		**2 983**	2 835
EQUITY AND LIABILITIES			
Equity attributable to equity shareholders of the parent			
Share capital	27	**238**	238
Share premium		**220**	220
Translation differences		**-36**	-6
Fair value and other reserves	28	**-37**	9
Retained earnings		**1 562**	1 498
		1 948	1 960
Minority interests		**2**	3
Total equity		**1 950**	1 963
Non-current liabilities			
Deferred tax liabilities	21	**98**	139
Pension obligations	30	**15**	24
Provisions	31	**6**	8
Interest-bearing liabilities	32	**276**	138
Other liabilities	33	**38**	18
		433	326
Current liabilities			
Trade payables	33	**186**	198
Other liabilities	33	**241**	242
Tax liabilities based on taxable earnings of the period		**23**	17
Provisions	31	**16**	4
Interest-bearing liabilities	32	**133**	86
		599	546
Total liabilities		**1 033**	873
Total equity and liabilities		**2 983**	2 835

Consolidated statement of changes in equity (IFRS)

Attributable to equity shareholders of the parent

€m	Share capital	Share premium	Treasury shares	Fair value and other reserves	Translation differences	Retained earnings	Total	Minority interests
EQUITY AT 1 JAN 2007	238	220	-7	44	-3	1 333	1 825	1
Net income and expense booked direct to equity				-32	-3	-13	-48	
Profit for the period						458	458	1
Total recognised income and expense for the period				-33	-3	445	409	1
Dividend distribution						-276	-276	
Disposal of treasury shares			1	-3		2		
Equity-settled share-based payments				0			0	
Acquisition of subsidiaries								1
EQUITY AT 31 DEC 2007	238	220	-6	9	-6	1 505	1 960	3
Net income and expense booked direct to equity				**-46**	**-31**	**-69**	**-146**	
Profit for the period						**406**	**406**	**-1**
Total recognised income and expense for the period				**-46**	**-31**	**337**	**261**	**-1**
Dividend distribution *						**-277**	**-277**	
Disposal of treasury shares			**0**	**0**		**0**	**0**	
Equity-settled share-based payments				**0**			**0**	
Other changes						**4**	**4**	
EQUITY AT 31 DEC 2008	**238**	**220**	**-6**	**-37**	**-36**	**1 562**	**1 948**	**2**

* In line with the meeting held on 5 February 2009, the Board of Directors proposes a dividend of €1.35 per share, amounting to €187 million. These financial statements do not include bookings related to the proposed dividend distribution.

Consolidated cash flow statement (IFRS)

€m	Note	2008	2007
Cash flow from operating activities			
Profit for the period		**406**	458
Adjustments:			
Non-cash transactions	34	**153**	151
Interest and other financing expense		**121**	37
Interest and other financing income		**-98**	-17
Taxes		**142**	162
Other adjustments		**-68**	-42
Changes in working capital:			
Change in trade and other receivables		**-24**	2
Change in inventories		**-143**	-18
Change in trade payables and other liabilities		**56**	-76
Interest paid		**-71**	-36
Interest received		**54**	18
Dividends received from associates		**3**	2
Taxes paid		**-150**	-204
Net cash flow from operating activities		**382**	417
Cash flow from investing activities			
Acquisition of subsidiaries net of cash at acquisition date	5	**-9**	-44
Divestment of subsidiaries net of cash at divestment date	6	**13**	5
Divestment of operations of associates	17	**1**	29
Investment in property, plant and equipment		**-215**	-160
Investment in intangible assets		**-14**	-13
Sales of property, plant and equipment		**8**	18
Investment in loan receivables and other financial assets		**4**	18
Net cash flow from investing activities		**-213**	-146
Net cash flow before financing activities		**169**	271
Cash flow from financing activities			
Change in loans		**179**	-161
Dividends paid		**-277**	-276
Net cash flow from financing activities		**-99**	-436
Change in cash and cash equivalents		**70**	-166
Cash and cash equivalents at beginning of period		**196**	361
Translation differences		**-11**	0
Cash and cash equivalents at end of period		**254**	196

Notes to the consolidated financial statements

1 Company information

The Group 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 and has operations in 26 countries. Rautaruukki Corporation, the parent company, is domiciled in Helsinki and its registered address is PO Box 138, Suolakivenkatu 1, FI-00810 Helsinki, Finland. Rautaruukki Oyj's share is listed on Nasdaq OMX Helsinki.

At its meeting on 5 February 2009, 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 2008, consistent with the Group's management organisation, business was structured into the following reporting divisions:

Ruukki Construction

Ruukki Construction supplies more efficient, time-saving steel construction solutions for commercial and industrial construction, as well as for infrastructure foundation and transport infrastructure projects.

Ruukki Engineering

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

Ruukki Metals

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

Ruukki Production

Ruukki Production manufactures hot-rolled, cold-rolled and coated plate and strip products and steel tubes for Rautaruukki's customer-facing divisions.

In 2008, the customer-facing divisions - Ruukki Construction, Ruukki Engineering and Ruukki Metals - formed the Group's primary segment for segment reporting. Ruukki Production is not reported as a separate segment because the segment did not have sales outside the Group. To improve the efficiency of the steel business, Ruukki Production was merged with Ruukki Metals as of 1 February 2009.

Detailed information about segment reporting is given in Note 4.

2 Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the IAS and IFRS standards and SIC and IFRIC interpretations in force at 31 December 2008. 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 approved 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 company legislation.

The consolidated financial statements have been prepared under the historical cost (deemed cost) convention, except for the items below, which are measured at fair value as required by the standards.

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

The amendments to and new interpretations of standards adopted in 2008 had no material impact on the consolidated financial statements. The amendments and interpretations are stated below:

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 39 Financial Instruments: Recognition and Measurement and
- IFRS 7 Financial Instruments: Disclosures - amendments to standard (effective as of 1 July 2008)

Changes in accounting practice

Until 2008, the company applied the "corridor method" to recognise actuarial gains and losses relating to its defined benefit pension plans. This meant actuarial gains and losses were expensed over the assumed average remaining working lives of people in the plan.

As of 1 January 2008, the company has applied an alternative recognition method of IAS 19 Employee Benefits, which allows all actuarial gains and losses to be booked direct to equity in the period in which they occur instead of in the income statement. The comparable figures are also restated accordingly. The change in accounting method decreased equity, net of tax, by EUR 24 million at 31 December 2007.

The company has changed the classification of the Finnish disability pension benefit from a defined contribution plan to a defined benefit plan with effect from 1 January 2008. The ensuing actuarial loss as a result of this change was recognised as a decrease in equity in accordance with the accounting practice referred to above. The change decreased equity, net of tax, by EUR 34 million. The change marks a shift to using the interpretation applied by the majority of Finnish companies preparing financial statements in accordance with IFRS.

The table on the next page shows the impact of the changes on consolidated equity and balance sheet items.

CONSOLIDATED BALANCE SHEET	31 Dec 2007	31 Dec 2007	1 Jan 2008
€m	published	restated*	restated**
ASSETS			
Non-current assets	1 473	1 447	1 400
Current assets			
Inventories	614	614	614
Trade and other receivables	579	579	579
Cash and cash equivalents	196	196	196
	2 861	2 835	2 789
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the parent	1 984	1 960	1 925
Minority interests	3	3	3
Non-current liabilities			
Interest-bearing liabilities	138	138	138
non-interest-bearing liabilities	191	189	177
Current liabilities			
Interest-bearing liabilities	86	86	86
Trade payables and other liabilities	460	460	460
	2 861	2 835	2 789

* Change concerning the recognition of actuarial gains and losses.

** Change concerning the interpretation of disability pension benefit.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions and to exercise judgement in the process of applying the Group's accounting policies. Although estimates are based on management's best view at the time, actual results could differ from those estimates and assumptions made. Major estimates relate to the fair value allocations of acquisitions, determination of the financial holding periods of tangible and intangible assets, recognising provisions, the determination of pension liabilities and testing the impairment of goodwill. The bases for estimates are described in more detail in these accounting policies and elsewhere in the relevant notes to the financial statements.

Principles of consolidation

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 the Group 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 balance sheet date, the Group had no instruments conferring potential voting rights.

Intra-Group share ownership has been eliminated by means of the purchase method. Acquired subsidiaries are accounted for in the consolidated financial statements from the time the Group gains control and divested subsidiaries up to the time control ceases. Intra-Group transactions, receivables, liabilities and profits are eliminated in preparing the financial statements.

Subsidiaries and the parent company observe the same financial period, which is the calendar year, and subsidiaries conform to the principles of consolidation described here.

Associates

Associates are companies over which the Group exercises significant influence, which arises when the Group holds 20–50 per cent of a company's voting rights or otherwise has a significant influence in the company's operations but does not have control.

Investments in associates are accounted for in the consolidated financial statements using the equity method. 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 associates are eliminated pro rata to the company's shareholding. Each investment includes the goodwill arising from an acquisition. The pro rata share of the results of associated companies for the financial period is shown as a separate item after Operating profit.

The financial period of associates is the same as that of Group companies. Insofar as the accounting policies of associated companies do not substantially correspond to those of the Group, the necessary adjustments to the figures reported by the associate have been made at Group level.

Joint ventures

The Group does not currently have investments in joint ventures.

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 Group's 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 exchange rates prevailing at the balance sheet date. Non-monetary items denominated in foreign currency and measured at fair value are translated into euros using the exchange rate 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 rate gains and losses on operations (sales and purchases) are included in the corresponding items above Operating profit. Foreign exchange rate gains and losses on financing are included in financial income and expense.

The income statements of foreign Group companies have been translated into euros at the average rate for the period and the balance sheets are prepared using the exchange rates at the balance sheet date. The exchange rate difference arising from using different exchange rates to translate the profit for the period in the income statement and in the balance sheet is recognised in equity. The translation differences arising from elimination of the cost of foreign subsidiaries are recognised in equity. When a subsidiary is sold, the cumulative translation differences are recognised in the income statement as part of the capital gain or loss.

The goodwill arising from the acquisition of foreign units as well as the fair value and adjustments made to the carrying amounts of the assets and liabilities of such units are treated as the assets and liabilities of the units concerned and translated into euros using the exchange rates prevailing at the balance sheet date.

If a Group subsidiary prepares its financial statements in the currency of a hyperinflationary country, the financial statements of that subsidiary are translated using the exchange rate prevailing at the balance sheet date.

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, held-to-maturity investments and available-for-sale financial assets. Classification is made on the basis of the purpose for which the financial assets were acquired when originally acquired.

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 asset is derecognised from the balance sheet 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 risks and rewards incidental to ownership of the item or control over it are transferred to the other party.

Loans and other receivables are non-derivative financial assets with fixed or definable payments. They are not quoted on established markets and the company does not hold them for trading purposes. Loans and receivables are measured at amortised cost. They are included on the balance sheet under trade receivables or payables as either current or non-current assets, depending on their nature. Current trade receivables are recognised at the original amount invoiced less doubtful debts. Estimated future payments are discounted to present value in the measurement of non-current receivables.

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 IAS 39 hedge accounting have been classified as being held for trading purposes. Items in this category have been measured at fair value. 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.

Held-to-maturity investments include financial assets (excluding derivative assets) whose related payments are fixed or definable. They mature at a specific date and the Group is determined and able to hold the assets until maturity. Such investments are measured at amortised cost and are included in non-current assets. The Group had no such assets at the balance sheet date 2008 and 2007.

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 balance sheet date, they are included in non-current assets. These assets are measured at fair value or, if the fair value cannot be reliably determined, at acquisition cost. Changes in the value of available-for-sale financial assets are recognised in the fair value reserve net of tax. Changes in fair value are transferred from equity to the income statement 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 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 time of acquisition. Cash and cash equivalents are measured at fair valure through profit and loss, except for cash and bank accounts, which are measured at amortised acquisition cost.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. If any such evidence exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset. Impairment is recognised through profit and loss. Uncertainty related to receivables is measured regularly and credit losses are expensed when detected.

Financial liabilities

Financial liabilities classified at fair value through profit and loss are recognised in financial liabilities and other financial liabilities. Financial liabilities classified at fair value through profit and loss include derivatives that do not qualify for hedge accounting. Other financial liabilities are initially recognised at fair value on the basis of the consideration received. After original measurement, other financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities are included in non-current and current liabilities.

The Group does not capitalise the acquisition costs of assets qualifying as borrowing costs as an addition, but expenses the borrowing costs as incurred. 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.

Derivative contracts and hedge accounting

Derivative contracts are recognised at initial fair value and thereafter continue to be measured at fair value. 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 either receivables, liabilities or firm commitments, hedges of the cash flow of a highly probable forecast transaction, as hedges of a net investment in a foreign unit or as derivative contracts which do not qualify for hedge accounting. The Group applies hedge accounting to commodity derivatives (zinc and electricity derivatives) and to certain interest rate swaps. In addition, the company has foreign exchange and interest rate derivative contracts to which hedge accounting is not applied.

The profit or loss of derivative contracts constituting a hedging relationship is stated consistently with the hedged item in the income statement. The unrealised result of derivatives hedging cash flow is recorded in in equity in the fair value and other reserves to the extent the hedge is effective. Gains and losses recorded in equity are transferred to the income statement during the period the hedged item is entered in the income statement. When a hedging instrument acquired to hedge a cash flow falls due, is sold or no longer qualifies for hedge accounting, the accrued gain or loss on the hedging instrument concerned remains in equity until the forecast transaction is realised. However, if the forecast transaction is no longer assumed to be realised, the gain or loss accrued in equity is recognised in the income statement.

In 2007 and 2008, the Group had no hedging in respect of net investments made in subsidiaries outside the eurozone.

Non-hedging derivatives 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 relating to operative business are reported in the income statement above Operating profit. Exchange rate differences arising from derivatives relating 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.

The Group separates embedded derivatives from the 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 a hybrid (combined) instrument contained by a hedge 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 property, plant and equipment consists of several parts with different estimated useful lives, each part is treated as a separate asset. The cost of replacing a part is then capitalised and the remainder is expensed. Subsequent costs are included in the carrying amount 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. Land is not depreciated. The Group applies the following estimated useful lives:

Buildings	10–40 years
Process machinery and equipment, vessels	20 years
Computers	3–5 years
Other machinery and equipment	5–10 years

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

The residual value of assets and their useful life are regularly reviewed at each balance sheet date and, where necessary, are adjusted to reflect changes that have occurred in the expectations for an asset's useful life. Depreciation of an item of property, plant and equipment ceases when an asset is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

Government grants

Government grants relating to purchases 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.

Intangible assets

Goodwill

Goodwill represents the excess cost of an acquisition occurring since 1 January 2004 over the fair value of the Group's share of identifiable assets at the date of acquisition. The goodwill arising from business combinations prior to this represents the amount recorded under FAS at 31 December 2003, which has been used as the deemed cost. The classification and accounting treatment of these business combinations has not been restated when preparing the Group's opening IFRS balance sheet. Goodwill is stated at historical cost (or deemed cost) less impairment losses.

Goodwill is tested annually or, where necessary, more frequently (see Note 16: 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 within the Group correspond to the reported segments.

Research and development expenditure
Research and development expenditure is recognised as an expense in the income statement, except for those development expenses which qualify for capitalisation under IAS 38 Intangible Assets. Accordingly, expenses arising from development are capitalised as intangible assets on the balance sheet from the time a product is technically feasible, can be commercially exploited and is expected to generate future economic benefits. Previously expensed development expenditure can no longer be capitalised at a later date. An asset is depreciated from the time it is ready for use. The estimated time for selling the asset is used as the depreciation period. An asset not yet ready for use is tested annually or, where necessary, more frequently for impairment.

Other intangible assets
Purchased patents, trademarks, licences and other intangible assets having a finite useful life are recorded on the balance sheet and the amortised expense is recognised in the income statement over their useful life. Intangible assets with an indefinite useful life are not amortised, but tested annually or, where necessary, more frequently for impairment. At the end of the report period and the preceeding report period, the Group had no intangible assets with an indefinite useful life.

The useful estimated 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 expenditure 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 disclosed in other income and expense in the income statement.

Leases
Leases of property, plant and equipment where the Group holds substantially all the risks and rewards incident to ownership are classified as finance leases. Finance leases are capitalised in the balance sheet at the commencement of the lease at the fair value of the leased property or the present value of the minimum 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 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 period of the lease. Incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Impairment of assets
At each balance sheet date, including interim reports, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount is an asset's net selling price or its value in use, whichever is the higher. Fair value 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 indefinite useful life as well as in-process tangible assets is done annually regardless of whether or not there are indications of impairment.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. Impairment losses are recorded in the income statement. An impairment loss is reversed if a change has occurred in 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 than it would have been had no impairment loss been recognised. Impairment losses in respect of goodwill may not be reversed under any circumstances.

Inventories
Inventories are stated at the lower of acquisition cost and net realisable value. For raw materials, cost is determined using the FIFO method, and for finished and semi-finished products using the weighted average cost method. The cost of finished and semi-finished products comprises raw materials, direct labour expenses as well as an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In ordinary operations, the 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. Pension plans are classified as either defined benefit or defined contribution plans. A defined contribution plan is a pension 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 contribution pension plans are recognised in the income statement as incurred.

The Group's most important defined benefit plan is the statutory earnings-based pension security arranged in Finland through the Pension Foundation. In addition, the Group has defined benefit pension plans in Norway and Germany as well as in Finland in respect of supplementary pension policies. In 2008, the Group switched over to applying an alternative method of recognition under IAS 19 Employee Benefits, which allows all actuarial gains and losses to be booked direct to equity as incurred instead of in the income statement. Likewise the Group switched to the IFRS interpretation of the Finnish disability benefit from a defined contribution plan to a defined benefit plan with effect from 1 January 2008. Information for the comparable period has been restated accordingly.

The Group's obligations under defined benefit pension plans have been calculated separately for each plan using the projected unit credit method. Pension expenditure is 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 and the fair value of the plan assets is stated as an asset or liability in the consolidated balance sheet. The limit of defined benefit asset that can be recognised in the consolidated balance sheet 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.

Share-based payments

The Group has applied IFRS 2 Share-based Payments retrospectively to all share-based plans in which shares or options were granted after 7 November 2002 and not vested prior to 1 January 2005. The income statement does not show expenses of option and share incentive plans prior to this.

The Group currently has an effective share-based incentive plan for management in which part of the bonuses are paid in shares and part in cash. More information about share-based plans, see Note 27 Share-based payments.

Option rights and shares granted are measured at fair value at the date of grant and recognised as an expense in the income statement in even instalments over the vesting period. The expense determined is based on the defined fair value of the stock options and shares and on management's estimate of the number of options or shares which are expected to vest at the end of the vesting period. The fair value of options is measured by an external valuer on the basis of the Black-Scholes model and the fair value of shares is determined according to the market price of the parent company's shares.

The effects of non market conditions (for example, profitability and a given earnings growth target) are not included in fair value, but are taken into account in the number of options or shares which are expected to vest at the end of the vesting period. The Group updates estimates of the final number of options and shares at each balance sheet date and the effects of changes in estimates are recorded in the income statement. When the options are exercised, the cash payments received on the basis of share subscriptions (adjusted for any transaction costs) are entered in the share capital at nominal value and in the share premium.

Provisions

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 warranty provision is booked, based on historical experience of the realisation of warranty expenses, 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 obligation exceeds the benefits of the contract. An environmental provision is booked on the basis of existing interpretations of environmental protection acts and regulations.

The Group is party to the EU Emissions Trading Scheme and has been allocated a specific number of emissions allowances for a specific period. Emissions allowances have been recognised using the net method. This means that the Group neither books allowances granted in the balance sheet nor is obliged to transfer emissions allowances equating to emissions. If actual emissions exceed the emissions permitted under the allowances granted, the Group books an obligation for the excess emissions arising. Provisions are marked to market at the balance sheet date. If actual emissions are below the allowances allocated, the unused allowances are disclosed as an external asset in the notes to the consolidated balance sheet.

Income taxes

Taxation in the income statement comprises current tax and the change in deferred tax. Current tax on taxable income is determined using the tax rate enacted in each country at the balance sheet date or coming into force later. Tax is adjusted for any tax for previous periods. Taxation in respect of tax relating to items charged or credited direct to equity is also booked direct to equity.

Deferred tax is calculated on the temporary differences between the carrying amounts and the amounts used for taxation purposes. The main temporary differences arise from the depreciation difference on plant, property and equipment, fair valuation of derivatives, defined benefit pension plans, finance leasing schemes, provisions, unused tax losses and the fair valuation of net assets in acquired companies. Deferred tax is not recorded for taxation purposes on non-deductible impairment losses on goodwill or on the undistributed earnings of subsidiaries to the extent that the difference will probably not be reversed in the foreseeable future.

Deferred tax has been determined using the tax rates enacted at the balance sheet date. 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 utilisation of a deferred tax asset are reviewed at each balance sheet date.

Deferred tax assets and tax liabilities are disclosed as separate items in the balance sheet under non-current assets or liabilities. Deferred tax assets and tax liabilities are offset 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.

The change in a deferred tax asset and tax liability is recognised in the income statement, except for taxes arising from a transaction or event that has been booked direct to equity or is the result of a business combination.

VAT and other similar indirect taxes are deducted from sales revenues. Any other taxes are included in Other operating costs.

Revenue recognition

Goods sold and services rendered

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 services rendered is recognised according to the stage of completion when the outcome of the transaction can be reliably estimated. Revenue from short-term services is recognised when the service is rendered. When services are rendered over a specific period of time, revenue is recognised on a straight-line basis over that period unless there is evidence that some other method better represents the stage of completion.

Revenue from long-term projects is recognised according to the stage 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 the transaction cannot be reliably estimated, revenue is recognised only to the extent of the expenses probably recoverable. Transaction costs are expensed in the financial period in which they were incurred. An expected loss on a project is expensed immediately.

Revenue is measured at the fair value of the consideration received or receivable. The revenue recognised does not include amounts, such as VAT, collected on behalf of a third party. VAT and other similar indirect taxes are deducted from sales revenues. The amount payable to the tax authority is stated as a current liability in the balance sheet under Other liabilities and the amount receivable from the tax authority is stated as a current receivable in the balance sheet 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 entity 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 to locate a buyer has been initiated and it is highly probable 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.

Treasury shares

The group states 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 direct to equity net of transaction costs.

Adoption of new standards and interpretations

The IASB and IFRIC have published the following new standards, amendments and interpretations, which the Group will apply as below as the standards enter into force.

Adoption as of 1 January 2009

- IAS 1 Presentation of Financial Statements (effective from accounting periods beginning on or after 1 January 2009). Issued by the IASB in September 2007, the revised standard aims to improve users' ability to analyse and compare the information presented in the financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. The revised standard has been approved for application in the EU.
- IFRS 8 Operating Segments (effective from accounting periods beginning on or after1 January 2009). Issued by the IASB in November 2006, the standard requires the company to apply the "management approach" to reporting the financial performance of its operating segments. This means the information disclosed must be based on the information management uses internally to evaluate segment performance. Rautaruukki does not expect adoption of the standard to impact on its current segment structure. IFRS 8 has been approved for application in the EU.
- IAS 23 Borrowing Costs (effective from accounting periods beginning on or after 1 January 2009). Issued by the IASB in March 2007, the amended standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. A qualifying asset can be intended for own use (self-constructed asset) or for sale. The option of immediately recognising such borrowing costs as an expense will be removed. The Group has recognised borrowing costs as an expense during the period incurred as permitted earlier. Rautaruukki does not expect the amendment to have any material impact on the consolidated financial statements. The amended standard has been approved for application in the EU.
- IFRS 2 Share-based payments amendments to the standard - Vesting Conditions and Cancellations (effective from accounting periods beginning on or after 1 January 2009). Issued by the IASB in January 2008, the amendments clarify the accounting treatment of vesting conditions and cancellations. Vesting conditions are limited to service and performance conditions, other features are not vesting conditions and only impact on the fair value at the grant date. Cancellations, whether by the company or other parties, receive similar accounting treatment. Rautaruukki is currently assessing the impact of the amendments on the consolidated financial statements. The amendments have been approved for application in the EU.

- IFRIC 12, Service Concession Agreements, IFRIC 13, Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate and IFRIC 16 Hedges of Net Investment in a Foreign Operation. Rautaruukki does not expect the interpretations to impact on the consolidated financial statements.

Adoption as of 1 January 2010

The following revised standards and amendments to standards have not yet been approved for application in the EU. Rautaruukki will adopt the revisions and amendments if, by the end of 2009, they have been appoved for application in the EU.

- IFRS 3 Business Combinations (effective from accounting periods beginning on or after 1 July 2009). Issued by the IASB in January 2008, the revised standard continues to apply the acquisition method to business combinations, with some significant changes such as the expensing of transaction costs. In addition, all payments to purchase a business must be recognised at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through profit and loss. Goodwill can be determined based on the parent's share of net assets as at present or it may include goodwill allocated to the minority interest. Rautaruukki is currently assessing the impact of the revised standard on the consolidated financial statements.
- IAS 27 Consolidated and Separate Financial Statements (effective from accounting periods beginning on or after 1 July 2009). Issued by the IASB in January 2008, the amended standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. This means transactions with non-controlling interests will no longer result in the recognition of goodwill or gains and losses. The standard also specifies the accounting treatment of transactions when control is lost. Any remaining interest in an entity is remeasured to fair value and the gain or loss is expensed. Similar accounting treatment will also apply to investments in associates (IAS 28) and interests in joint ventures (IAS 31). Rautaruukki is currently assessing the impact of the standard on the consolidated financial statements.

3 Financial risk and capital management

Principles

Financial risk management at Rautaruukki aims at minimising the unfavourable impacts of these risks on the Group's earnings, equity and liquidity. Financial risk management is the responsibility of Corporate Treasury and is based on the corporate financing policy approved by the Board of Directors. The policy sets out the main principles for the organisation of financing, funding, financial risk management, reporting and supervision. The most significant financial matters are dealt with by the corporate Finance Committee, which is chaired by the President & CEO. The Finance Committee decides on the credit lines valid at any given time within the framework of the corporate 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 when arranging funding and carrying out financial transactions.

As a rule, financial transactions required by Group companies are carried out internally by Corporate Treasury and based on corporate principles. The Production division is responsible, together with Corporate Treasury, for price risk management in respect of commodities (electricity and zinc). Some of the Group's operations come 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 is exposed to foreign exchange risks because the Groups reporting currency is the euro, but some income and expense is denominated in other currencies. The greatest foreign exchange risks involve the US dollar, the Swedish krona and the Norwegian krone. The US dollar risk arises because the raw materials needed in steelmaking are generally priced in US dollars. The Swedish krona and Norwegian krone risks are primarily because the parent company has sales to the countries concerned. The purpose of Rautaruukki's foreign exchange risk management is dealt with centrally by Corporate Treasury 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 balance sheet. Consistent with the Group's operating principles on cash flow exposure, an average of 4–8 months of net cash flows are hedged in full. As a rule, the foreign currency items on the balance sheet have been hedged, with some exceptions. These exceptions include the Ukrainian hryvnia and, since the second half of the year, partly the Russian rouble. The foreign currency items included in the balance sheet were, on average, fully hedged during 2008. The table on the following page discloses the Group's largest net annual foreign exchange cash flows as at 31 December 2008 and 31 December 2007.

Estimated annual net cash flow risk (transaction risk) against the euro, excluding derivatives

€m	31 Dec 2008	31 Dec 2007
USD	**-430**	-510
SEK	**190**	260
NOK	**70**	130
DKK	**80**	110
GBP	**40**	45
Baltic currencies	**65**	105
PLN	**20**	60
Other currencies	**85***	120*
Total	**120**	320

* RUB €30m, UAH €20m at 31 December 2008; RUB €45m and UAH €25m at 31 December 2007
(Positions determined at exchange rates at 31 December 2008 and 31 December 2007)

The translation position causing fluctuation in the Group's equity consists of investments in subsidiaries and associates outside the euro zone. Management evaluates the need to hedge against the translation risk on a case-by-case basis taking into account, for example, the market situation and cost of hedging. The exchange rate risk arising on investments in companies outside the eurozone was not hedged. The table below discloses the Group's translation position as regards the most significant foreign currencies.

Group translation position

€m	31 Dec 2008	31 Dec 2007
RUB	**122**	134
SEK	**36**	32
NOK	**101**	101
PLN	**46**	39

(Positions determined at exchange rates at 31 December 2008 and 31 December 2007)

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

€m	31 Dec 2008 Equity	31 Dec 2007 Equity
+/-10% movement in EUR/RUB exchange rate	**-11.1/+13.5**	-12.1/+14.8
+/-10% movement in EUR/SEK exchange rate	**-3.3/+4**	-2.9/3.6
+/-10% movement in EUR/NOK exchange rate	**-9.2/+11.3**	-9.2/+11.3
+/-10% movement in EUR/PLN exchange rate	**-4.1/+5.1**	-3.6/+4.4

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

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

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

€m	31 Dec 2008 Income statement	31 Dec 2007 Income statement
+/-10% movement in EUR/USD exchange rate	**-19.5/+26.3**	-20.5/+20.7
+/-10% movement in EUR/SEK exchange rate	**+9.9/-12.1**	+6.4/-7.9
+/-10% movement in EUR/NOK exchange rate	**+5.0/-6.2**	+5.0/-6.1

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

Interest risk

Rautaruukki is exposed to interest rate risks through the Group's interest-bearing liabilities and receivables. The Group's net interest-bearing liabilities at 31 December 2008 were EUR 155 million, which includes finance lease agreements of EUR 44 million. The Group's liquid assets were EUR 254 million and other interest-bearing receivables EUR 38 million. Interest rate risk management is dealt with centrally by Corporate Treasury. The purpose of interest rate management is to even out fluctuations in the Group's earnings as a result of movements in interest rates whilst minimising the Group's finance expense. The interest rate position is managed by currency. The euro is the Group's primary currency in the interest rate position and is the currency for almost all assets and liabilities covered by the position. Rautaruukki Corporation's interest rate position does not include foreign exchange derivatives. The Group manages interest rate risk by spreading borrowing and investments over fixed- and variable-interest instruments. In addition, derivative instruments are used to hedge interest linking. Interest rate risk is monitored and managed as an interest flow risk and price risk. A minimum of 30 per cent and maximum of 70 per cent of the Group's net debt position must be hedged for one year against movements in interest rates. At 31 December 2008, the duration of the Group's debt position was 0.6 years. The Group's sensitivity to interest rates consists of the interest flow risk for the following 12 months. Price risk has no material impact on profit and loss.

Sensitivity to interest rate risks arising from financing instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a +/- 1 per cent movement in market interest rates would affect the consolidated income statement and equity. The affect consists of the interest flow risk and appears in consolidated interest income and expense. The analysis includes all the Group's interest-bearing liabilities. The sensitivity analysis excludes the taxation impact.

€m	31 Dec 2008		31 Dec 2007	
	Income statement	Equity	Income statement	Equity
+/- 1% movement in market interest rate	**+/-0**	**+/-0**	+1.5/-1.5	0

Commodity price risks

The raw materials used by the Group involve price risks, for which the established derivatives markets hedge against the price of zinc. Hedging takes place through derivative contracts. The Production division is responsible for managing the zinc price risk, which in practice is managed by Corporate Treasury. Zinc hedges may span for a maximum of three years. The company brought around 29,500 tonnes of zinc in 2008. At year-end, 75 per cent of the estimated zinc purchases for 2009 and 37 per cent for 2010 had been hedged.

Rautaruukki Corporation's production processes require a considerable amount of energy. The largest electricity consuming units are in Finland, Norway and Sweden. In 2008, the Group used around 1.3 TWh of electricity in these countries. The Group generates almost half of the electricity it consumes and the remainder is sourced from the market. The surplus process gases in the production processes are used in electricity generation at the Raahe Steel Works. The purpose of Rautaruukki Corporation's electricity price risk management is to limit volatility, caused by electricity price fluctuations, in cash flows and earnings. Hedging is through standard derivative products and firm electricity supply contracts. The Production division is responsible for managing the group's electricity price risk centrally within the parent company. At year-end 2008, 85 per cent of future electricity purchases in Finland, Norway and Sweden had been hedged for 2009, 68 per cent for 2010, 50 per cent for 2011, 33 per cent for 2012 and 22 per cent for 2013.

Rautaruukki Corporation applies IAS 39-compliant hedge accounting to both its zinc and electricity derivatives. The zinc and electricity derivatives employed by the Group have been defined as cash flow hedging instruments. The relationship between the hedging instrument and hedge 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 equity. The ineffective part of movements in the fair value of the derivatives is booked direct to the income statement. The realised income of the effective part of hedges is recognised as an adjustment to purchases in the period during which the hedged cash flow affects earnings.

Sensitivity to commodity price risks arising from financing instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a +/- 10 per cent movement in prices of electricity and zinc would affect the consolidated income statement and equity by examining the derivative contracts. The sensitivity analysis excludes the taxation impact.

€m	31 Dec 2008		31 Dec 2007	
	Income statement	Equity	Income statement	Equity
+/-10% movement in price of electricity	**+/-0**	**+6.8/-6.8**	+/-0	+5.3/-5.3
+/-10% movement in price of zinc	**+/-0**	**+3.2/-3.2**	+/-0	+4.7/-4.7

Liquidity risk

Liquidity risk is defined as a situation in which the Group's assets and borrowing facilities are insufficient to support future operational requirements or a situation in which the costs of fundraising required are exceptionally high. Corporate Treasury is responsible for the Group's liquidity and fundraising process. To minimise the risk of refinancing, the Group aims for a balanced maturity profile in its loan portfolio and taps a diverse range of funding sources. At year-end 2008, the remaining maturity of the Group's non-current loan portfolio was 1.5 years.

Rautaruukki Corporation has defined the magnitude of sufficient liquidity, which includes cash and liquid assets, committed undrawn credit lines and undrawn loans from banks less short-term credit. The Group's liquidity reserve is deemed as being adequate when it covers the forecast 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 300 million, of which EUR 150 million remained undrawn at year-end 2008. The Group has overdraft facilities totalling around EUR 50 million, as well as a number of non-committed credit lines from banks and a EUR 250 million commercial paper programme, of which EUR 133 million remained undrawn at the end of the year. The table on the following page sets out the maturity profile of the Group's non-current loans.

Maturities of the Group's financial liabilities (excluding finance leases) as at 31 Dec 2008

€m	Currency	2009	2010	2011	2012	2013–	Total	% of loan stock
Bonds	EUR	0	75	0	0		75	14%
Loans from financial institutions	EUR	7	155	5	0		167	30%
	USD	2	0				2	0%
Pension loans	EUR	1	0				1	0%
Other	EUR	116	0	0	0	1	118	21%
Trade payables	EUR	186					186	34%
		312	230	5	0	1	548	100%
Contractual interest flows								
at interest rates valid	EUR	12	6	0				

Maturities of the Group's financial liabilities (excluding finance leases) as at 31 Dec 2007

€m	Currency	2008	2009	2010	2011	2012	Total	% of loan stock
Bonds	EUR	55	0	75	0		130	35%
Loans from financial institutions	EUR	14	5	5	5		29	8%
	PLN	6					6	2%
	USD	1					1	0%
Pension loans	EUR	1	1				2	1%
Other	EUR	0	0	0	0	1	2	1%
	SEK	1					1	0%
Trade payables	EUR	198					198	54%
		276	7	80	5	1	369	100%
Contractual interest flows								
at interest rates valid	EUR	9	5	4	0			

Credit and counterparty risks

Credit risks

Rautaruukki manages exposure to credit risk in respect of trade receivables in accordance with the principles approved by corporate management. Corporate Treasury is responsible for credit risk management, which includes the credit control process, instructions and reporting to corporate management. The principles of credit sales are determined by corporate management and credit policies are drawn up by geographical region or by subsidiary to support these principles. Corporate credit management makes the most significant decisions concerning credit limits and other credit risks. Credit risks are reported monthly to corporate management. The most significant risks from the corporate aspect and by division are analysed in detail in the same context.

Rautaruukki manages credit risk in relation to trade receivables by imposing on each customer a credit limit set by credit control. Bank guarantees, other collateral and credit risk insurance of the Group's trade receivables are considered as factors mitigating the risk to the company. Advance and cash payments, irrevocable letters of credit and export collections confirmed by a bank are also factors reducing the credit risk.

In terms of numbers, Rautaruukki's trade receivables are spread over a broad, geographically international customer base and there are no significant risk clusters. Group writeoffs in trade receivables in 2008 were EUR 6 million, which equates to 0.16 per cent of net sales (EUR 4 million, 0.11%).

Receivables due at the end of the year were exceptionally high compared to previous months. Slow payment is a consequence of reluctance to pay by the largest customers and invoices to the value of EUR 31 million due in December were not paid until January.

Rautaruukki is prepared for possible delays in payment through various credit control efficiency programmes so that the accounts receivable turnover rate remains at an acceptable level. Corporate credit control is preparing for increasing credit risks by reorganising functions to better meet the divisions' needs.

€m	31 Dec 2008	31 Dec 2007
Trade receivables	**384**	470
Overdue by		
1–30 days	**95**	74
31–60 days	**17**	12
61–90 days	**8**	8
More than 91 days	**24**	22
Total overdue	**144**	116

Counterparty risks

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

Capital management

Capital management at Rautaruukki aims at safeguarding business conditions. 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 corporate capital structure is constantly monitored through gearing. The company's strategic intent is to keep gearing to 60 per cent. At year-end 2008, consolidated interest-bearing net financial liabilities were EUR 155 million (28) and the gearing ratio was 8 per cent (1). Net liabilities included interest-bearing liabilities less interest-bearing liquid receivables and cash.

The Group seeks return on capital employed of over 20 per cent. The dividend policy is a payout ratio of 40-60 per cent of earnings for the financial year. The aim is for a steadily rising dividend whilst also taking into account the needs of business growth.

Gearing ratio

€m	2008	2007
Interest-bearing non-current liabilities	**276**	138
Interest-bearing current liabilities	**133**	86
Cash and cash equivalents and financial assets at fair value through profit and loss	**254**	196
Net financial liabilities	**155**	28
Total equity	**1 950**	1 962
Gearing ratio	**7.9%**	1.4%

4 Segment reporting

Rautaruukki Corporation has defined its business segment as the primary segment and its geographical segment as the secondary segment.

Primary segments

The business segment is composed of the following reporting divisions in accordance with Rautaruukki's organisational and management structure and internal financial reporting:

Ruukki Construction

Ruukki Construction supplies more efficient, time-saving steel construction solutions for commercial and industrial construction, as well as for infrastructure foundation and transport infrastructure projects.

Ruukki Engineering

Ruukki Engineering supplies metal-based solutions for the lifting, handling and transportation equipment industry, as well as for the paper & wood, energy and offshore & marine industries.

Ruukki Metals

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

Since the beginning of 2008, the accounting principle for segment information has been revised as follows: Ruukki Metals division is responsible for the costs of unused production capacity. The comparable infomation has been restated accordingly.

2008 €m	Ruukki Construction	Ruukki Engineering	Ruukki Metals	Corporate management and other operations	Group
Income					
External net sales	**1 067**	**765**	**2 019**	**0**	**3 851**
Profit					
Operating profit	**128**	**126**	**338**	**-25**	**568**
Financing items					**-23**
Share of results of associates					**3**
Taxes					**-142**
Profit for the period					**406**
Other information					
Segment assets	**820**	**426**	**1 316**	**406**	**2 968**
Investment in associates					**15**
Segment liabilities	**167**	**99**	**293**	**474**	**1 033**
Capital expenditure	**102**	**38**	**102**	**0**	**243**
Depreciation and impairment	**48**	**23**	**74**	**0**	**146**

2007 €m	Ruukki Construction	Ruukki Engineering	Ruukki Metals	Corporate management and other operations	Group
Income					
External net sales	1 042	667	2 168	0	3 876
Profit					
Operating profit	163	103	397	-25	637
Financing items					-20
Share of results of associates					3
Taxes					-162
Profit for the period					458
Other information					
Segment assets	813	421	1 251	334	2 820
Investment in associates					15
Segment liabilities	160	84	214	415	873
Capital expenditure	96	35	61	3	194
Depreciation and impairment	48	20	85	0	153

Definition of segment income, expense, assets and liabilities

Segment assets and liabilities comprise items related to operations such as tangible and intangible assets, inventories, trade and other operations-related receivables as well as payables and other liabilities attributable to operations. Costs, assets and liabilities of central administration, which are attributed to the company as a whole, are disclosed in the section Other operations. The Group does not allocate an investment in associates or the profits and losses attributable to them to the business segments because no reasonable basis for allocation to an associate can be found and the said allocation is not made in internal management reporting.

The reporting segments do not conform to the company's legal boundaries, but instead are determined according to their customer focus. The external sales of the segments are based on sales customer information. Production costs corresponding to a segment's sales are based on the standard costs of the products sold. Sales and administrative costs consist of the segment's own costs and costs allocated to the segment in accordance with net sales and delivery volumes.

Assets and liabilities are attributed to the segment by applying the amount of capital employed in operations and the related return set by the Group. Allocation of corporate investments between the segments is done pro rata to the tangible and intangible assets allocated to the segment.

There are no significant inter-segment sales which the company's management would monitor in internal reporting.

Secondary segment

Rautaruukki operates in the following five main geographical regions

	Income		Assets		Capital expenditure	
€m	**2008**	2007	**2008**	2007	**2008**	2007
Finland	**1 227**	1 218	**1 767**	1 637	**148**	103
Other Nordic countries	**1 178**	1 181	**260**	331	**6**	18
Central Eastern Europe *	**816**	819	**501**	492	**79**	73
Rest of Europe	**502**	574	**42**	93	**7**	0
Other countries	**129**	83	**13**	8	**2**	0
Eliminations and unallocated assets			**400**	274		
Group total	**3 851**	3 876	**2 983**	2 835	**243**	194

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

Segment income is determined by customer locations in accordance with geographical regions. The aggregate carrying amount of segment assets is determined according to location.

Transactions between secondary segments are made in accordance with general market prices and terms.

5 Business combinations

2008

In February 2008, Rautaruukki acquired the entire share capital of German company Wolter Metallverarbeitung GmbH (Wolter), a provider of lifting, handling and transportation equipment. Wolter's main products are telescopic booms for leading, globally operating European OEMs of mobile cranes. The company also makes booms for special heavy cranes used in windmill tower installation. Wolter has been consolidated as part of the Ruukki Engineering segment since 1 January 2008.

In April 2008, Rautaruukki Corporation acquired the business operations of Hybri-Steel Oy, which has operations in Uusikaupunki, Finland. The acquisition supports Rautaruukki's know-how in special steel product expertise. Hybri-Steel's core business is laser-welded steel plates and laser and laser-hybrid welding. Hybri-Steel has been consolidated as part of the Ruukki Metals segment since April 2008.

In December 2008, Rautaruukki acquired the entire share capital of Lithuanian steel frame company UAB Gensina. The acquisition furthers Ruukki's frame and envelope project management business in Lithuania and the other Baltic states, and also strengthens Rautaruukki's manufacturing network serving the Baltic states. Ginsena has been consolidated as part of the Ruukki Construction segment since 1 January 2009. The acquisition cost calculation in respect of UAB Gensinais preliminary and will be determined during 2009.

The table below shows the business combinations taking place during 2008.

€m	2008
Acquisition cost	15
Of which conditional purchase price	4
Fair value of assets acquired	9
Goodwill	6

Assets and liabilities of acquired companies

€m	Fair values	Carrying amounts of acquired companies
ASSETS		
Non-current assets		
Intangible assets	3	0
Plant, property and equipment	5	1
Current assets		
Inventories	0	0
Trade and other receivables	3	3
Cash and cash equivalents	2	2
Total assets	12	5
Liabilities		
Non-current non-interest-bearing liabilities	1	0
Current non-interest-bearing liabilities	2	2
Total liabilities	3	2
Value of the asset acquired	9	3

Cash flows from acquisitions

€m	2008
Acquisition cost paid in cash	11
Cash in acquired subsidiaries	2
	10

The companies acquired increased consolidated net sales by EUR 9 million and weakened the net profit for the accounting period by EUR 1 million. If the companies had been acquired on 1 January 2008, it is estimated that consolidated net sales would have been EUR 10 million higher and consolidated net profit EUR 1 million lower.

2007

In January 2007, Rautaruukki Corporation acquired the entire share capital of Omeo Mekaniska Verkstad AB for EUR 4 million. The transaction strengthened Rautaruukki's position in the lifting, handling and transportation equipment industry. Omeo Mekaniska Verkstad has been consolidated as part of the Ruukki Engineering segment since 1 February 2007.

In February 2007, the company strengthened its position in the Nordic countries as a supplier of structures for steel bridges through acquisition of the entire share capital of Scanbridge AS of Norway. The transaction was closed on 2 April 2007 and the shares were acquired debt free for EUR 6 million. The transaction complements Rautaruukki's expertise especially in the manufacture and installation of bridge structures. Scanbridge AS has been consolidated as part of the Ruukki Construction segment since 1 April 2007.

In May 2007, the company acquired an 80.7 per cent stake in Hungarian company Apritogepgyar Zrt. (AGJ) for EUR 4 million. The acquisition supports the company's growth strategy in the lifting, handling and transportation equipment customer segment. The transaction was closed on 29 May 2007 and Apritogepgyar Zrt. has been consolidated as part of the Ruukki Engineering segment since 1 June 2007.

The table below shows the business combinations taking place during 2007. The information also includes acquisition of the shares in Teräsportti Oy, which the Group completed in April 2007. The shares were acquired for EUR 4 million.

€m	2007
Cash payment	19
Fair value of assets acquired	17
Goodwill	3

The goodwill that arose on the acquisitions reflects the synergy benefits resulting from the business combination and the benefits brought about by new market territories.

Assets and liabilities of the companies acquired

€m	Fair values	Carrying amounts of acquired companies
ASSETS		
Non-current assets		
Intangible assets		2
Property, plant and equipment	18	14
Current liabilities		
Inventories	9	9
Trade and other receivables	12	12
Cash and cash equivalents	2	2
Total assets	43	37
LIABILITIES		
Non-current liabilities		
Interest-bearing	3	4
Other	2	2
Current liabilities		
Interest-bearing	3	3
Other	18	15
Total liabilities	26	24
Value of assets acquired	17	13

Cash flows from acquisitions

€m	2007
Acquisition cost paid in cash	19
Cash in acquired subsidiary	2
	17

The acquired companies increased consolidated net sales by EUR 67 million and net profit for the accounting period by EUR 2 million. If the companies had been acquired on 1 January 2007, it is estimated that consolidated net sales in 2007 would have been EUR 103 million higher and the consolidated net profit EUR 2 million higher.

6 Divestments

2008

June 2008 saw the divestment of German company Carl Froh GmbH, which makes precision tubes and automotive components, to Arques Industries AG. November 2008 saw the divestment of the colour-coating line in Gävle, Sweden. The transactions are part of Rautaruukki's structural transformation and consistent with the company's stategy to divest units not forming part of its core business.

The shares in Carl Froh GmbH were sold for around EUR 16 million and Rautaruukki recognised a loss of around EUR 7 million on the transaction. The company recognised a positive impact of around EUR 2 million on earnings during the fourth quarter of 2008 on the sale of the colour-coating line in Gävle.

2007

The businesses of the reinforcing steel units - Ruukki Betonstahl GmbH in Germany and Ruukki Welbond BV in the Netherlands were sold in October 2007. These transactions marked the end of Rautaruukki's withdrawal, started in 2006, from the reinforcing steel business. The units were sold for around EUR 27 million and the company recognised a loss of approximately EUR 2 million on the transactions.

During 2007, Rautaruukki received the remaining EUR 5 million from divestment of the Nordic reinforcing units sold in summer 2006.

7 Other operating income

€m	2008	2007
Gains on the sale of property, plant and equipment	8	5
Other	23	21
	31	26

8 Materials and services

€m	2008	2007
Raw materials and consumables		
Purchases during the period	1 948	1 850
Change in inventories	-55	-38
External services	367	369
	2 261	2 182

9 Salaries and other employee benefits

€m	2008	2007
Wages and salaries	460	428
Profit-related bonus	3	12
Share-based payments		
benefits granted paid as shares	0	1
benefits granted paid as cash	1	8
Pension insurance contributions and pensions		
defined contribution pension plans	48	43
defined benefit pension plans	1	-1
Other social security costs	72	58
Total	585	548

Management's employee benefits are discussed in Note 35 Related party disclosures, and share bonus plans in Note 29 Share-based payments.

Group's average headcount during the financial period

	2008	2007
Workers	8 883	8 421
Salaried employees	6 070	5 904
Total	14 953	14 326

10 Depreciation, amortisation and impairment losses

€m	2008	2007
Depreciation and amortisation by asset group		
Intangible assets	22	23
Property, plant and equipment		
Buildings	23	24
Machinery, equipment and other tangible assets	99	105
Total depreciation	145	152
Impairment losses	1	1
Total depreciation, amortisation and impairment losses	146	153

Depreciation includes EUR 2 million (2) on buildings obtained under a finance leases and depreciation of EUR 3 million (7) on machinery and equipment.

11 Other operating expenses

€m	2008	2007
Sales freights	**175**	159
Other personnel expenses	**61**	50
Information management	**34**	33
Rent	**46**	30
External services	**33**	29
Real estate expenses	**21**	19
Sales and marketing	**18**	14
Insurance	**7**	7
Other	**69**	64
Total	**465**	404

The Group's research and development expenditure during the financial year was EUR 27 million (28).

Auditor's fees

€m	2008	2007
Audit fees	**2**	2
Other audit	**0**	0
Tax services	**0**	0
Other services	**0**	3
Total	**2**	5

12 Finance income and expense

€m	2008	2007
Interest income from loans and other receivables	**4**	10
Income from cash and cash equivalents measured at fair value through profit and loss	**6**	4
Other finance income	**0**	0
Finance income	**11**	13
Interest expense from financial liabilities booked at amortised acquisition cost	**-15**	-21
Interest expense on finance items measured at fair value through profit and loss	**-7**	0
Other finance expense	**-1**	-1
Finance expense	**-23**	-22
Exchange rate gains from loans and other receivables	**37**	11
Exchange rate gains from foreign currency derivatives not qualifying for hedge accounting	**50**	14
Exchange rate gains	**87**	25
Exchange rate losses from loans and other receivables	**-68**	-16
Exchange rate losses from foreign currency derivatives not qualifying for hedge accounting	**-29**	-22
Exchange rate losses	**-98**	-37
Finance income and expense, total	**-23**	-20

Exchange rate gains and losses are stated net in the income statement. +EUR 6 million (-6) arising on electricity derivatives qualifying for hedge accounting has been recognised in the income statement as an adjustment to electricity purchases and -EUR 3 million (+24) on zinc derivatives qualifying for hedge accounting. In addition to the exchange rate differences disclosed in Finance income and expense, the consolidated operating profit included exchange rate differences of +EUR 24 million on sales, of which derivatives accounted for +EUR 30 million (+3, of which derivatives +6) and +EUR 21 million on purchases, of which derivatives accounted for +32 million (-21, of which derivatives -21).

13 Income taxes

€m	2008	2007
Current tax	**-166**	-168
Taxes for previous periods	**1**	0
Change in deferred tax assets and liabilities	**23**	6
Total	**-142**	-162

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

€m	2008	2007
Profit before taxes	**548**	621
Share of results of associates – shown net of taxes	**3**	3
Profit before taxes and associates' result	**544**	618
Taxes calculated using existing tax rate	**142**	161
Effect of differing tax rates of foreign companies	**2**	0
Tax-free income	**-4**	-5
Non-deductible expenses	**4**	3
Confirmed losses for which a deferred tax asset has not yet been recognised	**0**	3
Taxes from previous years	**-2**	0
Taxes in the income statement	**142**	162

Taxes booked direct to equity and a specification of other changes in deferred taxes are given in Note 21 Deferred tax assets and tax liabilities.

14 Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to equity shareholders of the parent by the weighted number of shares outstanding during the period.

	2008	2007
Profit for the period attributable to equity shareholders of the parent, €m	**406**	458
Weighted average number of shares outstanding during the period, 1,000	**138 746**	138 491
Basic earnings per share, €/share	**2.93**	3.31

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.

	2008	2007
Profit for the period attributable to equity shareholders of the parent, €m	**406**	458
Net profit for the period for the calculation of earnings per share adjusted for the dilution effect, €m	**406**	458
Weighted average number of shares during the period, 1,000	**138 746**	138 491
Conversion of convertible bonds into shares, 1,000	**27**	75
Weighted average number of shares for calculating earnings per share adjusted for the dilution effect, 1,000	**138 773**	138 566
Earnings per share adjusted for the dilution effect, €/share	**2.93**	3.31

15 Property, plant and equipment

€m	2008	2007
Land and water		
Acquisition cost at 1 Jan	**29**	26
Additions	**1**	3
Additions through acquisitions	**0**	1
Disposals	**0**	-2
Disposals through divestments	**-3**	
Exchange rate differences	**-2**	
Carrying amount at 31 Dec	**24**	29
Buildings		
Acquisition cost at 1 Jan	**642**	610
Additions	**21**	34
Additions through acquisitions	**1**	13
Disposals	**-4**	-15
Disposals through divestments	**-21**	
Exchange rate differences	**-3**	
Acquisition cost at 31 Dec	**636**	642
Accumulated depreciation at 1 Jan	**-307**	-293
Accumulated depreciation on disposals	**2**	10
Accumulated depreciation on divestments	**10**	0
Depreciation for the period	**-22**	-24
Exchange rate differences	**2**	0
Accumulated depreciation at 31 Dec	**-316**	-307
Carrying amount at 31 Dec	**320**	335
Machinery, equipment and other tangible assets		
Acquisition cost at 1 Jan	**2 219**	2 141
Additions	**72**	96
Additions through acquisitions	**4**	5
Disposals	**-18**	-21
Disposals through divestments	**-42**	
Exchange rate differences	**11**	-2
Acquisition cost at 31 Dec	**2 247**	2 219
Accumulated depreciation at 1 Jan	**-1 589**	-1 502
Accumulated depreciation on disposals	**14**	17
Accumulated depreciation on divestments	**35**	
Depreciation for the period	**-96**	-105
Exchange rate differences	**6**	1
Accumulated depreciation at 31 Dec	**-1 631**	1 589
Carrying amount at 31 Dec	**615**	630

€m	2008	2007
Advance payments and construction in progress		
Acquisition cost at 1 Jan	**83**	61
Changes	**82**	22
Carrying amount at 31 Dec	**165**	83
Total tangible assets	**1 124**	1 076

The Group has leased buildings as well as machinery and equipment under finance lease agreements of differing lengths. Property, plant and equipment includes assets leased under finance leases as follows:

€m	2008	2007
Buildings		
Acquisition cost at 1 Jan	**26**	32
Additions	**0**	0
Disposals/transfers between tangible asset items	**0**	-6
Acquisition cost at 31 Dec	**26**	26
Accumulated depreciation at 1 Jan	**-7**	-5
Depreciation for the period	**-2**	-2
Accumulated depreciation at 31 Dec	**-9**	-7
Carrying amount at 31 Dec	**17**	18
Machinery and equipment		
Acquisition cost at 1 Jan	**42**	38
Additions	**1**	2
Additions through acquisitions	**0**	2
Disposals	**0**	0
Exchange rate differences	**-6**	0
Acquisition cost at 31 Dec	**36**	42
Accumulated depreciation at 1 Jan	**-22**	-15
Depreciation for the period	**-3**	-7
Exchange rate differences	**4**	0
Accumulated depreciation at 31 Dec	**-21**	-22
Carrying amount at 31 Dec	**15**	21

16 Intangible assets

The Group's intangible assets consist mainly of goodwill and purchased software. The Group does not have significant internally generated intangible assets or intangible assets with indefinite useful lives.

€m	2008	2007
Goodwill		
Acquisition cost at 1 Jan	**106**	105
Additions through acquisitions	**6**	3
Exchange rate differences	**-7**	-2
Carrying amount at 31 Dec	**105**	106

€m	2008	2007
Customer relationships		
Acquisition cost at 1 Jan	**42**	41
Additions through acquisitions	**3**	2
Exchange rate differences	**-3**	
Acquisition cost at 31 Dec	**42**	42
Accumulated depreciation at 1 Jan	**-10**	-4
Depreciation	**-6**	-6
Accumulated depreciation at 31 Dec	**-15**	-10
Carrying amount at 31 Dec	**26**	32
Other intangible assets		
Acquisition cost at 1 Jan	**175**	159
Additions	**9**	18
Additions through acquisitions	**0**	
Disposals	**-1**	-3
Disposals through divestments	**-1**	
Exchange rate differences	**6**	
Acquisition cost at 31 Dec	**188**	175
Accumulated depreciation at 1 Jan	**-126**	-111
Accumulated depreciation on disposals	**0**	2
Accumulated depreciation on divestments	**1**	
Depreciation	**-16**	-17
Exchange rate differences	**0**	
Accumulated depreciation at 31 Dec	**-140**	-126
Carrying amount at 31 Dec	**48**	49
Advance payments		
Acquisition cost at 1 Jan	**8**	15
Changes	**-1**	-7
Carrying amount at 31 Dec	**7**	8
Total other intangible assets	**81**	89

Allocated goodwill

€m	2008	2007
Ruukki Construction	**66**	68
Ruukki Engineering	**27**	25
Ruukki Metals	**11**	12
Other	**0**	1
Total	**105**	106

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 based on value-in-use calculations. The calculations are based on management-approved forecasts covering three years. The forecast cash flows are discounted to the present value. The discount rate used was 10.51 per cent (10.19%) for all cash-generating units.

Cash flows subsequent to the forecasting period have been forecast applying a 1 per cent growth assumption. The growth assumption does not exceed the average long-term growth in the industry.

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

The 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 unit's 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.

17 Investments in associates

Combined assets, liabilities, net sales and profit of associates

€m	Net sales	Profit/loss	Assets	Liabilities
2008				
Associates, total	**189**	**11**	**80**	**30**
2007				
Oy Ovako Ab		3	2	0
Other associates, total	223	17	102	47

Information about the Group's associates

Associates: the Group has 20–50% of voting rights	Country	Domicile	Holding %
Bet-Ker Oy	Finland	Ylivieska	44.4
Heléns Rör AB	Sweden	Halmstad	25.0
PlussStål AS	Norway	Trondheim	50.0
Sheet Metal Innovations SMI Oy Ltd	Finland	Suolahti	24.0

Associates do not include listed companies. The accounting period of associates corresponds to that of the Group's parent company. The results of associates have been consolidated using preliminary figures if the financial statements of the associates have not been completed according to the schedule for the consolidated financial statements.

Oy Ovako Ab was put into voluntary liquidation in November 2006 and most of its assets were distributed to shareholders as an advance disbursement against directly enforceable guarantees given by the shareholders as surety. Liquidation was completed during 2008, when a final disbursement of EUR 1 million was received.

18 Financial assets and liabilities by category

2008

€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 balance sheet items	Fair value
Non-current financial assets							
Available-for-sale investments			11			11	11
Non-current interest-bearing receivables		25				25	25
Derivative contracts	0				0	0	0
Other financial assets		4				4	4
Current financial assets							
Trade receivables		384				384	384
Other receivables		92				92	92
Derivative contracts	58				0	58	58
Financial assets at fair value recognised through profit and loss	221					221	221
Cash at bank and in hand		34				34	34
Carrying amount by measurement category	279	539	11	0	0	828	828
Non-current financial liabilities							
Interest-bearing liabilities				276		276	276
Derivatives					22	22	22
Other non-current liabilities				16		16	16
Current financial liabilities							
Interest-bearing liabilities				133		133	133
Derivative contracts	12				29	41	41
Trade payables				186		186	186
Other current liabilities				200		200	200
Carrying amount by measurement category	12	0	0	773	51	837	837

2007 €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 balance sheet items	Fair value
Non-current financial assets							
Available-for-sale investments			10			10	10
Non-current interest-bearing receivables		32				32	32
Derivative contracts					4	4	4
Other financial assets		12				12	12
Current financial assets							
Trade receivables		470				470	470
Other receivables		74				74	74
Derivative contracts	7				13	20	20
Financial assets at fair value recognised through profit and loss	178					178	178
Cash at bank and in hand		17				17	17
Carrying amount by measurement category	185	606	10		17	818	818
Non-current financial liabilities							
Interest-bearing liabilities				138		138	138
Derivatives					5	5	5
Other non-current liabilities				13	5	13	13
Current financial liabilities							
Trade payables				198		198	198
Other current liabilities				226		226	226
Derivative contracts	14				1	15	15
Interest-bearing liabilities				86		86	86
Carrying amount by measurement category	14			660	6	680	680

19 Available-for-sale financial assets

€m	2008	2007
1 Jan	**10**	10
Additions	**1**	0
Disposals	**0**	0
31 Dec	**11**	10

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

20 Other non-current receivables

€m	2008	2007
Defined benefit pension plans	**44**	87
Interest-bearing loans receivable	**25**	32
Other non-current receivables	**4**	14
Total	**73**	132

More information about defined benefit pension plans is given in Note 30 Pension obligations. Non-current loans receivable include a loan receivable of EUR 22 million (32) on the sale of an associate. The effective interest rate on this loan is 8.4 per cent (7.5%). The fair values of non-current loan receivables are disclosed in Note 18 Financial assets and liabilities by category.

21 Deferred tax assets and liabilities

Changes in deferred taxes during 2008

€m	1 Jan 2008	Recorded in income statement	Recorded in equity	Acquired/divested subsidiaries	31 Dec 2008
Deferred tax assets					
Provisions	3	4			7
Tangible and intangible assets	0	0			0
Finance leases	7	-1			6
Employee benefits	3	0	2	-1	4
Measurement of derivatives at fair value	0	1	16		17
Confirmed losses	1	12			13
Other items	16	2		0	16
Total	30	17	18	-1	64
Netted out against deferred tax liabilities	-12				-31
Deferred tax assets on balance sheet	18				33
Deferred tax liabilities					
Tangible and intangible assets	126	-19			107
Employee benefits	23	10	-14		19
Inventories	1	0			1
Measurement of derivatives at fair value	2	-2			0
Other items	-1	4			2
Total	151	-8	-14		129
Netted out against deferred tax assets	-12				-31
Deferred tax liabilities on balance sheet	139				98

Changes in deferred taxes during 2007

€m	1 Jan 2007	Recorded in income statement	Recorded in equity	Acquired/divested subsidiaries	31 Dec 2007
Deferred tax assets					
Provisions	8	-5			3
Tangible and intangible assets	2	-2			0
Finance leases	7	0			7
Employee benefits	4	-1	1		3
Measurement of derivatives at fair value	1	-1			0
Confirmed losses	3	-3		1	1
Other items	10	5		1	16
Total	35	-7	1	2	30
Netted out against deferred tax liabilities	-21	9			-12
Deferred tax assets on balance sheet	13	2		1	18
Deferred tax liabilities					
Tangible and intangible assets	128	-3		1	126
Employee benefits	24	4	-5		23
Inventories	2	-1			1
Measurement of derivatives at fair value	16	-2	-12		2
Other items	10	-11			-1
Total	181	-13	-17	1	151
Netted out against deferred tax assets	-21	9			-12
Deferred tax liabilities on balance sheet	161	-4	-17	1	139

Deferred tax assets and tax liabilities are stated as net amounts in the balance sheet 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 taxes levied by the same tax authority.

At 31 December 2008, the Group had confirmed losses of EUR 68 million (70), for a tax asset that had not been recognised because the ability to make use of the losses concerned is uncertain. Of the confirmed losses, EUR 3 million (6) are losses that must be used within five years of the date they were incurred.

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

EUR 19 million (12) of the deferred tax assets and EUR 15 million (4) of the deferred tax liabilities are expected to be realised within 12 months.

Taxes included in other comprehensive income

	2008			2007		
€m	Before taxes	Tax impact	Net of taxes	Before taxes	Tax impact	Net of taxes
Cash flow hedging	**-62**	**16**	**-46**	-45	12	-33
Translation differences	**-54**		**-54**	1		1
Actuarial gains (losses) on defined benefit pension plans	**-62**	**16**	**-46**	-22	6	-16
Total	**-178**	**32**	**-146**	-67	18	-49

22 Inventories

€m	2008	2007
Raw materials and consumables	**252**	178
Finished and semi-finished products	**498**	436
Total	**750**	614

23 Trade and other receivables

€m	2008	2007
Trade receivables	**379**	464
Trade receivables from associates	**5**	6
Total trade receivables	**384**	470
Other receivables from associates	**0**	0
Prepayments and accrued income	**40**	38
Receivables based on derivative contracts: hedge accounting	**0**	12
Receivables based on derivative contracts: not qualifying for hedge accounting	**58**	2
Other receivables	**52**	46
Total other receivables	**150**	98

The fair values of receivables are disclosed in Note 18 Financial assets and liabilities by category.

24 Derivative contracts

The table below discloses the nominal values and fair values of the Group's financing and commodity derivatives. The fair values of derivatives are based on available market prices or a price quoted by a bank. General estimation models are used to determine the fair values of options. Nominal values do not represent the amounts exchanged by the parties and also include closed contracts.

Derivatives qualifying for hedge accounting

31 Dec 2008	Nominal amount				Fair value, €m					
	Valid				Positive			Negative		
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Zinc derivatives										
forward contracts *	**23 500**	**12 000**		**35 500**				**-25**	**-9**	
Electricity derivatives										
forward contracts **	**614**	**1 069**	**219**	**1 903**	**0**	**0**		**-4**	**-13**	**-1**

31 Dec 2007	Nominal amount				Fair value, €m					
	Valid				Positive			Negative		
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Zinc derivatives										
forward contracts *	18 000	12 000		30 000	5			-1	-5	
Electricity derivatives										
forward contracts **	523	613	0	1 136	8	4				

Derivatives not qualifying for hedge accounting

31 Dec 2008	Nominal amount, €m				Fair value, €m					
	Valid				Positive			Negative		
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Zinc derivatives										
forward contracts *	**500**			**500**				**0**		
Foreign currency derivatives										
forward contracts	**904**			**904**	**44**			**-9**		
options										
bought	**120**			**120**	**9**					
sold	**120**			**120**	**2**					

31 Dec 2007	Nominal amount, €m				Fair value, €m					
	Valid				Positive			Negative		
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	< 1 year	1–5 years	> 5 years
Interest rate derivatives										
Interest rate swaps	25			25						
Foreign currency derivatives										
forward contracts	601			601	7			-9		
options										
bought	135	5		140				-1		
sold	135	5		140				-4		

*nominal amount, tonnes

**nominal amount, GWh

The unrealised profit/loss of cash flow hedges is booked to equity in as much as the hedge is effective. Other fair value changes are booked through profit and loss. Forecast cash flows of a hedge are estimated to occur over the same period as the derivatives itemised above. The ineffectiveness of derivatives qualifying for hedge accounting was EUR 1 million in 2008 (under EUR 1 million). Ineffectiveness was attributable to contracts hedging against electricity purchases and has been recognised in the income statement to adjust electricity purchases.

The Group had no significant embedded derivatives at 31 December 2008 or at 31 December 2007.

25 Financial assets at fair value through profit and loss

€m	2008	2007
Other financial assets recognised at fair value through profit and loss	**221**	178
Total	**221**	178

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

26 Cash and cash equivalents

€m	2008	2007
Cash in bank and in hand	**34**	17
Total	**34**	17

Cash flows presented in the cash flow statement are formed as follows:

€m	2008	2007
Money market investments (financial assets recognised at fair value through profit and loss)	**221**	178
Cash in bank and in hand	**34**	17
Total	**254**	196

27 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 2008 was EUR 238,434,314.30 (238,336,817.60) and has been paid up in full.

Changes in the number of shares

Number of shares	Shares issued	Treasury shares	Shares outstanding
1 Jan 2007	139 957 418	1 785 381	138 172 037
Transfer of treasury shares		-309 194	
Shares subscribed through warrants	240 710		
Cancelled		750	
31 Dec 2007	**140 198 128**	**1 476 937**	**138 721 191**
Transfer of treasury shares		**-11 594**	
Shares subscribed through warrants	**57 351**		
Cancelled		**1 594**	
31 Dec 2008	**140 255 479**	**1 466 937**	**138 788 542**

The market value of the treasury shares at 31 December 2008 was EUR 17.8 million. On 28 March 2008, the company transferred a total of 11,594 treasury shares to persons covered by the share ownership plan.

Subscriptions of shares by warrants attached to the 2003 Bond with warrants and increases in the share capital

Date	No. of shares	Increase in share capital, €
14 Feb 2008	**11 650**	**19 805.00**
26 Jun 2008	**5 550**	**9 435.00**
2 Oct 2008	**14 101**	**23 971.70**
17 Dec 2008	**26 050**	**44 285.00**
Total	**57 351**	**97 496.70**

28 Fair value and other reserves

The fair value and other reserves contain the effective portion of the change in the fair value of instruments taken out to hedge future cash flows as well as entries related to share-based payments for instruments in respect of which the share capital has not yet been registered.

€m	Hedging reserve	Share-based payments	Total
Fair value and other reserves at 1 Jan 2007	41		44
Cash flow hedges			
Amount transferred to equity during period	-12		-12
- deferred tax	3		3
Amount transferred to income statement during period	-32		-32
- deferred tax	8		8
Expenses of share-based payments		-3	-3
Fair value and other reserves at 31 Dec 2007	**9**		**9**
Cash flow hedges			
Amount transferred to equity during period	**-57**		**-57**
- deferred tax	**14**		**14**
Amount transferred to income statement during period	**-4**		**-4**
- deferred tax	**1**		**1**
Expenses of share-based payments		**0**	**0**
Fair value and other reserves at 31 Dec 2008	**-37**	**0**	**-37**

29 Share-based payments

Terms and conditions of share ownership plans

The Group has had share ownership plans as a long-term incentive for key employees since the year 2000.

The Share Ownership Plan 2004 was divided into three year-long earning periods: the years 2005, 2006 and 2007. The plan applied to an average of around 60 members of the company's executives or other key persons. Payment of a bonus was contingent on achieving the financial targets set, which were measured by the criteria of earnings per share (EPS) and return on capital employed (ROCE). Sixty per cent of the total bonus under the Plan was paid in cash and 40 per cent in the form of shares. Shares earned on the basis of the Share Ownership Plan must be held for at least two years after each bonus payment. However, the President & CEO and members of the Corporate Management Board must retain any shares they have received through the Plan to at least the value of their fixed gross annual salary for as long as the President & CEO's tenure as chief executive continues or the member serves on the Corporate Management Board.

In December 2007, Rautaruukki Corporation's Board of Directors decided on a new share ownership plan for key personnel. The new plan seeks to align the objectives of shareholders and key personnel to increase shareholder value and to commit key personnel to the company. The plan comprises three one-year earning periods, which are the years 2008, 2009 and 2010. Any bonuses will be paid out partly in the form of company shares and partly in cash during the year following the respective earning period. Payment of a bonus is contingent on achieving the financial targets, set by the Board of Directors, which for the earning period 2008 are measured by the criteria of earnings per share (EPS) and return on capital employed (ROCE). How much of the maximum bonus is paid to a key person depends on the achievement of earning criteria targets. The maximum bonus payable is the gross salary for the calendar month preceding payment x 12.5 divided by the weighted average price of shares traded during the calendar month preceding payment.

Any shares received under the plan must be held for at least two years after each earning period. If the employment of a key person ends during this time, the person concerned must, without consideration, return the shares received as bonus. The President & CEO and other members of the Corporate Management Board must, in addition to the two-year commitment period, hold any shares received under the plan to at least the value of their gross annual salary for as long as their service contract continues. The plan covers about 85 persons.

Changes in numbers of shares to be awarded

Number of shares	2008	2007
At 1 Jan	**19 450**	480 152
Share bonuses granted	**162 000**	19 900
Shares awarded	**-11 594**	-309 194
Share bonuses cancelled	**-14 856**	-171 408
At 31 Dec	**155 000**	19 450

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

Share bonuses granted

The following shares were granted to key personnel

Year	Grant date	Maximum number of shares	Market value of share on grant date
2008	**15 Mar 2008**	**162 000**	**28.52**
2007	17 Jan 2007	19 900	29.20

Shares awarded

As a consequence of share-based payments, on 28 March 2008, the company transferred 11,954 treasury shares to persons covered by the share ownership plan. The market value of the shares at 28 March 2008 was EUR 30.51 per share.

As a consequence of share-based payments, on 20 March 2007 and 3 August 2007, the company transferred 84,000 and 225,194 treasury shares respectively to persons covered by the share ownership plan. The market value of the shares was EUR 35.50 per share at 20 March 2007 and EUR 41.21 per share at 3 August 2007.

Expenses of share ownership plans in 2008

Earning period	No. of persons	Earning periods ended, €m	Earning periods in progress, €m	Total, €m
2008	**86**		**1**	**1**
2007	69	0		0
		0	1	1

Bond loan with warrants

In May 2003, Rautaruukki issued a bond loan with warrants targeted at the personnel, the principal of which was EUR 3.5 million. The bond loan with warrants had a maturity of three years and carried a five per cent coupon. Each bond with a nominal value of EUR 500 conferred 200 warrants, of which 100 were marked with the letter A and 100 with the letter B. A total of 1,400,000 shares could have been subscribed for on the basis of option warrants.

The bond loan with warrants was repaid in full in May 2006. The 30,966 warrants outstanding at 31 December 2008 entitle holders to subscribe a total of 30,966 Rautaruukki shares.

30 Pension obligations

Finnish pension arrangements

The Group has a benefit defined pension plan in Finland for pensions arranged through the Rautaruukki Pension Foundation, as well as supplementary pension security arranged through an insurance company.

The defined benefit pension assets in the balance sheet are determined as follows

€m	2008	2007
Current value of unfunded obligations	**16**	17
Current value of funded obligations	**518**	528
Fair value of assets	**-585**	-640
Deficit/surplus	**-51**	-95
Unrecognised past service costs	**8**	9
Pension liability (+) / pension asset (-) in the balance sheet	**-43**	-87

The defined benefit pension expense in the income statement is determined as follows

€m	2008	2007
Service costs for the period	**11**	8
Interest expense	**30**	23
Expected return on plan assets	**-40**	-34
Past service costs	**-1**	-1
Pension expense in income statement	**-1**	-4

The actual return on plan assets was negative, -EUR 45 million in 2008 (+9).

Changes in the current value of the obligation arising from the defined benefit plan

€m	2008	2007
Opening defined benefit plan obligation	**544**	539
Service costs	**11**	8
Interest expense	**30**	23
Actuarial gains (+) and losses (-)	**-28**	-4
Transfers between pension plans	**4**	4
Benefits paid	**-26**	-25
Closing defined benefit plan obligation	**534**	544

Changes in the fair value of plan assets

€m	2008	2007
Opening fair value of plan assets	**640**	640
Expected return on assets	**40**	34
Actuarial gains (-) and losses (+)	**-85**	-25
Employer contributions to the plan	**13**	12
Benefits paid	**-26**	-25
Transfers between pension plans	**4**	4
Closing fair value of plan assets	**585**	640

The fair values of assets in the plan arranged through Rautaruukki's Pension Foundation are spread over asset groups as follows

%	2008	2007
Equity finance instruments	**8**	23
Debt finance instruments (non-current)	**37**	39
Debt finance instruments (current)	**38**	21
Real estate	**7**	7
Other	**10**	10

Plan assets include Rautaruukki Oyj shares, which have a fair value of EUR 19 million (47), real estate, which is occupied by Rautaruukki and which has a fair value of EUR 39 million (40).

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

Since the funds in the other plans are the responsibility of insurance companies, it is not possible to provide a profile by asset group.

Actuarial assumptions used

%	2008	2007
Discount rate	**5.3**	5.3
Expected rate of return on assets	**6.5**	6.5
Estimated wage and salary increases	**3.0**	3.0
Inflation	**2.0**	2.0

Pension arrangements outside Finland

In addition to the plans referred to above, the Group also has defined benefit pension plans abroad, primarily in Germany and Norway. A summary of these plans is given below.

The defined benefit pension assets in the balance sheet are determined as follows

€m	2008	2007
Current value of unfunded obligations	**5**	17
Current value of funded obligations	**28**	34
Fair value of assets	**-19**	-27
Pension liability (+) / pension asset (–) in the balance sheet	**14**	23

The defined benefit pension expense in the income statement is determined as follows

€m	2008	2007
Service costs for the period	**2**	2
Interest expense	**1**	2
Expected return on plan assets	**-1**	-1
Pension expense in income statement	**2**	3

The actual return on plan assets was negative, -EUR 2 million in 2008 (+1).

Changes in the current value of the obligation arising from the defined benefit plan

€m	2008	2007
Opening defined benefit plan obligation	**48**	45
Service costs	**2**	2
Interest expense	**1**	2
Actuarial gains (+) and losses (–)	**2**	0
Benefits paid	**-2**	-2
Translation difference	**-6**	0
Divestments	**-12**	
Opening defined benefit plan obligation	**34**	48

Changes in the fair value of plan assets

€m	2008	2007
Opening fair value of plan assets	**25**	24
Expected return on assets	**1**	1
Actuarial gains (–) and losses (+)	**-3**	-1
Employer contributions to the plan	**1**	2
Benefits paid	**-1**	-1
Translation difference	**-5**	0
Closing fair value of plan assets	**19**	25

The fair values of assets in the plan are spread over asset groups as shown below

%	2008	2007
Equity finance instruments	**25**	38
Debt finance instruments	**63**	56
Other	**12**	6

The expected return on plan assets is based on long-term yields estimated for the assets in question. The expected yield reflects long-term actual yields on the markets concerned. Yields from debt securities are based on terms of contract.

Actuarial assumptions used

%	2008	2007
Discount rate	**4.1**	4.2
Expected rate of return on assets	**4.7**	3.0
Estimated wage and salary increases	**3.8**	2.8

Obligations and assets included in Group pension plans (Finnish and foreign)

€m	2008	2007
Obligation arising from defined benefit plan	**-568**	-593
Plan assets	**604**	665
Surplus/deficit (–)	**36**	73
Experience adjustments to plan liabilities	**32**	5
Experience adjustments to plan assets	**-85**	-24
Pension assets in balance sheet	**44**	87
Pension liabilities in balance sheet	**-15**	-24
Total	**29**	63

Cumulative actuarial gains and losses booked direct to equity

€m	2008	2007
Actuarial gains and losses	**-94**	-32
Deferred taxation	**25**	9
Total items booked direct to equity	**-69**	-24

The Group expects to contribute EUR 9 million to its defined pension plans in 2009.

31 Provisions

€m	Share bonuses	Environment provisions	Warranty provisions	Restructuring provisions	Other	Total
1 Jan 2007	11	4	4		9	28
Additions	1		3		7	11
Provisions used	-11	-1	-4		-3	-19
Reversals of unused provisions		-1	0		-7	-8
31 Dec 2007	1	3	3		5	11
1 Jan 2008	**1**	**3**	**3**		**5**	**11**
Additions		**0**	**1**	**10**	**3**	**15**
Provisions used	**0**	**-1**	**-1**		**-2**	**-4**
Reversals of unused provisions					**-1**	**-1**
31 Dec 2008	**0**	**2**	**3**	**10**	**6**	**22**

€m	2008	2007
Non-current provisions	**6**	8
Current provisions	**16**	4
Total	**22**	11

Share-based payments

The Group has recognised a provision for the cash element of share-based payments. The amount of the provision has been determined by applying the share price on the balance sheet date. The performance of the company's share affects the exact amount of the realised provision. Details of the plans are given in Note 29 Share-based payments.

Environmental obligations

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

In 2005 and 2006, the Group booked a provision totalling EUR 3 million for landscaping a land area in Raahe, Finland. The remaining EUR 2 million of the provision is expected to be realised within the next two years.

Regarding the closed Rautuvaara mine, the company has made a plan in respect of preventing the negative impacts on waterways. In April 2008, the company submitted a new plan to the Finnish-Swedish Frontier Rivers Commission, which is expected to give its decision during 2009. Rautaruukki ceased mining operations in 1988, since when there have been other actors in the area. No provision in respect of the mine closure plan has been booked.

Emissions allowances are intangible rights valued at acquisition cost. This means emissions allowances obtained free of consideration are not recognised in the balance sheet. A provision to settle the surrender obligation of emissions allowances is booked if the allowances received are insufficient to cover actual emissions. The provision is booked to market. No recognition in respect of emissions allowances has been made in the consolidated balance sheet since actual emissions do not exceed the emissions allowances received free of consideration.

In the free initial allocation of emissions allowances for the second period 2008-2012 of the EU Emissions Trading Scheme, the Raahe Works and Hämeenlinna Works in Finland, which come under the scheme, received a total of 23.5 million emissions allowances, each representing one tonne. The Mo i Rana rolling mill, which comes under the Norwegian emissions trading scheme, will, according to a preliminary decision, receive 49,000 annual emissions allowances.

Actual carbon dioxide emissions under the scheme totalled 4.5 million tonnes in 2008 and net of these, the Group had 0.2 tonnes of emissions allowances obtained free of consideration as at 31 December 2008. The market value of these allowances was EUR 3.5 million. In 2008, emissions allowances trading generated income totalling EUR 4.9 million.

Emissions allowances

No. of allowances	2008	2007
Emissions allowances to be surrendered	**4 500 000**	4 600 000

Restructuring provisions

A restructuring provision is recognised when the Group has prepared a detailed restructuring plan and started to implement that plan or announced the matter. A provision of EUR 10 million has been booked in respect of lower demand and the adjustment programme initated on 1 December 2008. Employer-employee negotiations were initiated and it was estimated that around 1,000 job reductions were required corporate-wide.

Other provisions

The Group gives a warranty on certain products, for which a warranty provision is set up based on previous experience. In addition to this, the Group has other minor provisions.

32 Interest-bearing liabilities

€m	2008	2007
Non-current		
Loans from financial institutions	**160**	15
Bonds	**75**	75
Finance lease obligations	**38**	44
Pension loans	**0**	1
Other non-current interest-bearing liabilities	**3**	2
Total	**276**	138
Current		
Loans from financial institutions	**9**	21
Bonds	**0**	55
Finance lease obligations	**7**	7
Pension loans	**1**	1
Corporate papers	**116**	
Other	**0**	2
Total	**133**	86

The table below shows the most important information about bonds and notes

€m	Coupon rate	Currency	2008	2007
Nominal value				
2003–2008	5.0%	EUR	**0**	55
2003–2010	5.1%	EUR	**75**	75
			75	130

The weighted averages of effective interest rates for interest-bearing liabilities at year-end

%	2008	2007
Bonds and loans from financial institutions	**4.5**	5.0
Finance lease obligations	**7.8**	7.3

Finance lease obligations

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 balance sheet and spreads it over the lease period. An unspread capital gain of EUR 9 million (12) is included in the balance sheet at 31 December 2008.

Maturities of finance lease obligations

€m	2008	2007
Finance lease obligations – minimum lease payments		
Within one year	**11**	15
Between one and five years	**32**	37
After five years	**19**	24
	62	75
Future financial costs	**-17**	-25
	45	51

€m	2008	2007
Finance lease obligations – present value of minimum lease payments		
Within one year	**7**	7
Between one and five years	**23**	27
After five years	**14**	17
	45	51

33 Trade payables and other non-interest-bearing liabilities

€m	2008	2007
Other non-current liabilities		
Defined benefit pension plan	**15**	24
Liabilities based on derivative contracts: qualifying for hedge accounting	**22**	5
Other non-current non-interest-bearing liabilities	**16**	13
	53	42
Current liabilities		
Trade payables	**186**	197
Trade payables to associates	**0**	0
Total trade payables	**186**	198
Accruals and deferred income	**154**	150
Liabilities based on derivative contracts: qualifying for hedge accounting	**29**	1
Liabilities based on derivative contracts: not qualifying for hedge accounting	**12**	14
Advances received	**23**	40
Other liabilities	**23**	37
Total other current liabilities	**241**	242

The material items included in accruals and deferred income consist of personnel expenses and the accruing interest on liabilities.

34 Adjustments to cash flows from operating activities

€m	2008	2007
Non-cash transactions:		
Depreciation	**146**	152
Provisions	**10**	-19
Share of results of associates	**-3**	-5
Share-based payments	**0**	1
Other	**0**	-1
Total	**153**	130

35 Related party disclosures

The Group's related parties include the parent company, corporate subsidies, associated companies (list given in Note 17), the company's Board of Directors and corporate management and Rautaruukki's Pension Foundation. Rautaruukki's Pension Foundation is an AB pension fund as referred to in the Pension Fund Act which manages the voluntary supplementary pension provision arranged by Rautaruukki Corporation as the employer and the minimum pension provision under the Employees' Pension Act in so much as these are not arranged by pension insurance companies. Under the definition of related party, members of the Corporate Management Board and the President & CEO, including their spouse and relatives living in the same household, are part of corporate management.

The Group's parent and subsidiary relationships are

Company	Country	Domicile	Group share of share capital, %	Group share of votes, %
Parent: Rautaruukki Corporation	FI	Helsinki		
Subsidiaries of Rautaruukki Corporation:				
Kiinteistö Oy Materiamesta	FI	Helsinki	100	100
Kiinteistö Oy Ylläslehto	FI	Kolari	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 Asia Ltd	CN	Hong Kong	100	100
Ruukki Bulgaria EOOD	BG	Sofia	100	100
Ruukki Construction Polska Holding Sp.zo.o	PL	Obornik	99.9	99.9
Ruukki Croatia d.o.o.	HR	Zagreb	100	100
Ruukki CZ s.r.o	CZ	Velvary	100	100
Ruukki DOO Belgrade	RS	Belgrade	100	100
Ruukki France S.A.R.L.	FR	Paris	100	100
Ruukki Holding AB	SE	Stockholm	100	100
Ruukki Holding AS	NO	Oslo	100	100
Ruukki Holding B.V.	NL	Amsterdam	100	100
Ruukki Holding Danmark A/S	DK	Vallensbæk Strand	100	100
Ruukki Holding GmbH	DE	Düsseldorf	100	100
Ruukki Hungary Kft	HU	Budapest	100	100
Ruukki Insurance Ltd.	GB	Guernsey	100	100
Ruukki Latvija SIA	LV	Riga	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	Košice	100	100
Ruukki d.o.o.	SI	Ljubljana	100	100
Ruukki Spain S.L.	ES	Vitoria-Gasteiz	100	100
Ruukki UK Ltd	GB	Solihull	100	100
UAB Ruukki Lietuva	LT	Vilnius	100	100
ZAT Ruukki Ukraina	UA	Kiev	100	100
Subsidiary of Ruukki Holding AB:				
Ruukki Sverige AB	SE	Halmstad	100	100
Subsidiaries of Ruukki Holding AS:				
Ruukki Norge AS	NO	Oslo	100	100
Ruukki Profiler AS	NO	Mo i Rana	100	100
Subsidiary of Ruukki Norge AS:				
Ruukki Construction Norge AS	NO	Sandnessjøen	100	100

Company	Country	Domicile	Group share of share capital, %	Group share of votes, %
Subsidiaries of Rautaruukki Holding B.V.:				
Rautaruukki Finance B.V.	NL	Amsterdam	100	100
Ruukki Benelux B.V.	NL	Almelo	100	100
Ruukki Welbond B.V.	NL	Raamsdonksveer	100	100
Subsidiary of Ruukki Holding Danmark A/S:				
Ruukki Danmark A/S	DK	Brondby	100	100
Subsidaries of Ruukki Holding GmbH:				
Wolter Metallverarbeitung GmbH	DE	Dortmund	100	100
Ruukki Deutschland GmbH	DE	Duisburg	100	100
Subsidiaries of UAB Ruukki Lietuva				
UAB Gensina	LT	Gargazdai	100	100
Subsidiary of Ruukki Hungary Kft:				
Ruukki Tisza Zrt.	HU	Jászberény	97.6	97.6
Subsidiaries of 000 Ruukki Rus:				
OAO ZMK Ventall	RU	Balabanovo	100	100
ZAO Balabanovskaya Realbaza	RU	Balabanovo	100	100
Subsidiary of ZAT Ruukki Ukraina:				
Ruukki Investment Ukraine CJSC	UA	Kiev	100	100
Subsidiary of Ruukki Asia Ltd:				
Ruukki Metal Components (Shanghai) Co. Ltd	CN	Shanghai	100	100

The following transactions were carried out with related parties

€m	2008	2007
Associates	**30**	23
Rautaruukki's Pension Foundation	**0**	0
	30	23

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

Purchase of goods and services

€m	2008	2007
Associates	**6**	7
Rautaruukki's Pension Foundation	**0**	0
	6	7

Trade receivables

€m	2008	2007
Associates	**5**	7
Rautaruukki's Pension Foundation	**0**	0
	5	7

Trade payables

€m	2008	2007
Associates	**0**	0
Rautaruukki's Pension Foundation	**0**	0
	0	0

Rautaruukki Corporation paid a total of EUR 49 million (46) in incentive payments to Rautaruukki's Pension Foundation in 2008. In addition, the Rautaruukki Group paid rents totalling EUR 6 million (6) to the Foundation. There are no collateral or guarantees relating to the letting of real estate.

Management's employee benefits

€m	2008	2007
Salaries and other current employee benefits	**2**	3
Share-based payments	**0**	6
Total	**3**	9

The company's management participates in a share ownership plan used as an incentive. The terms and conditions of share-based payment are described in Note 29 Share-based payments.

The President & CEO is entitled to retire on a full 60 per cent pension at the age of 60. In addition, three members of the Corporate Management Board are entitled to retire at the age of 60. The level of the supplementary pension equates to that of the retirement pension that the person concerned would have recieved had he worked until the age of 63. The President & CEO is also entitled to severance pay equal to 24 months' salary if dismissed by the company.

Wages, salaries and share-based payments

€1 000	2008	2007
President & CEO	**766**	2 494
Other members of the Corporate Management Board	**1 729**	5 941
Board of Directors	**338**	323
Supervisory Board	**67**	67

The Group has no other significant transactions, receivables, liabilities or guarantees with related parties.

36 Contingent liabilities

The Group has the following contingent liabilities

€m	2008	2007
Mortgaged real estate	**24**	24
Pledged assets	**5**	5
Guarantees given		
On own behalf	**45**	41
On behalf of others	**2**	6
Rental liabilities	**132**	154
Other financial liabilities	**0**	0

Rental liabilities excludes finance lease obligations, which are stated in Note 32 Interest-bearing liabilities. Mortgages have been given as collateral for loans from financial institutions (Note 32). The group has leased buildings, vehicles and other items of property, plant and equipment under other agreement.

Maturities of rental liabilities

€m	2008	2007
Other leases – total amount of minimum lease payments		
Within one year	**39**	39
Between one and five years	**66**	83
After five years	**27**	32
Total	**132**	154

The agreements do not include significant sublease agreements or conditional leases.

Investment commitments

€m	After 31 Dec 2008	After 31 Dec 2007
Maintenance investments	**102**	123
Development investments and investments in special products	**113**	196
Total	**215**	320

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

37 Litigation

Ruukki Group Oyj, in a legal action brought in spring 2006, demanded that the Market Court prohibit Rautaruukki, under penalty payment, from using just the name Ruukki as its marketing name. In its decision issued on 5 February 2008, the Market Court dismissed all claims by Ruukki Group Oyj and stated that Ruukki Group has no grounds to prohibit Rautaruukki from using the name Ruukki in corporate communications and marketing. Furthermore, the Market Court ordered Ruukki Group to compensate Rautaruukki's legal costs.

The Swedish company Boliden Commercial AB initiated arbitration proceedings against Rautaruukki in late 2007. Boliden demanded a price differential payment of around EUR 13 million from Rautaruukki. The dispute concerned the premium components in the price of the zinc bought by Rautaruukki. In October 2008, the Arbitral Tribunal dismissed all claims by Boliden Commercial AB against Rautaruukki and ordered Boliden to compensate Rautaruukki's legal costs in full.

In October 2008, Rautaruukki received a statement of objections from the European Commission, which suspected Rautaruukki's former subsidiary Fundia of price collusion between 1996 and 2001 in respect of the manufacture of prestressing steel. Rautaruukki divested the business operations in question in 2006. The prestressing steel business, which is under investigation, accounted for a total of around EUR 20 million of Fundia's net sales in 2001. The European Commission served such a statement of objections on dozens of European companies. According to the statement of objections, the comparatively minor prestressing steel business operations of Rautaruukki's former subsidiary are not at the centre of the investigation. On 16 December 2008, Rautaruukki submitted a report in respect of the statement of objections. At this stage of the investigation, it is difficult to weigh up any sanctions.

38 Events after the balance sheet date

In January 2009, Rautaruukki announced it was to improve the efficiency of its steel business by merging its steelmaking division, Ruukki Production, with Ruukki Metals as of 1 February 2009. The other divisions and segment reporting will remain unchanged. Olava Huhta was appointed ppresdient of the division formed by the merger. Under the terms of his contract, Heikki Rusila, who was earlier president of Ruukki Production, will retire in late 2009.

As of 1 February 2009, Rautaruukki's Corporate Management Board comprises Sakari Tamminen, President & CEO and chairman of the Management Board; Mikko Hietanen, CFO and deputy to the CEO; Saku Sipola, President, Ruukki Construction; Tommi Matomäki, President, Ruukki Engineering; Olavi Huhtala, President, Ruukki Metals and Marko Somerma, Chief Strategy Officer.

In January 2009, Rautaruukki announced it is to acquire the entire share capital of the Norwegian company Skalles Eiendomsselskap AS. Skalles Mek Verksted AS, a fully-owned subsidiary of Skalles Eiendomsselskap AS, is one of Norway's leading steel frame suppliers for industrial and commercial premises. Skalles' total deliveries include the design, manufacture and installation of steel structures. The company has some 50 employees and net sales for 2008 are estimated to be around EUR 15 million. The transaction is subject to the approval of the regulatory authorities and is expected to be closed during February 2009.

In January 2009, the company completed employer-employee negotiations in Finland that were initiated during the fourth quarter. Relating to operations to improve operational efficiency, the negotiations resulted in a decision to reduce the workforce by some 460 persons, with around 250 of these reductions being implemented through various pension arrangements. At the start of the negotiations, it was estimated that a maximum of 520 reductions were needed in Finland and around 1,000 across the company. Outside Finland, negotiations with workers are progressing in accordance with the legislation of each country concerned.

It was also additionally decided in the negotiations to temporarily lay off people as a result of the need to adjust operations due to weakened market conditions. The negotiations resulted in the temporary layoff of approximately 400 persons at Raahe and around 170 at Hämeenlinna at any one time. Temporary layoffs will affect a total of some 3,200 people at different sites. The time and length of layoffs will vary according to site.

Financial indicators

		2008	2007	2006	2005	2004
Net sales	€m	**3 851**	3 876	3 682	3 654	3 564
Operating profit	€m	**568**	637	529	618	493
% of net sales	%	**14.7**	16.4	14.4	16.9	13.8
Profit before taxes	€m	**548**	621	635	612	443
% of net sales	%	**14.2**	16.0	17.3	16.7	12.4
Net profit / loss for the period	€m	**406**	458	501	455	330
% of net sales	%	**10.5**	11.8	13.6	12.5	9.2
Return on capital employed	%	**25.6**	29.8	31.4	32.8	26.0
Return on equity	%	**20.7**	24.2	30.0	34.4	33.8
Equity ratio	%	**65.9**	70.1	61.4	56.4	41.7
Gearing ratio	%	**7.9**	1.4	1.2	22.8	68.0
Net interest-bearing financial liabilities	€m	**155**	28	22	341	761
Gross capital expenditure	€m	**238**	191	325	134	149
% of net sales	%	**6.2**	5.1	8.8	3.7	4.2
Research and development	€m	**27**	28	22	22	17
% of net sales	%	**0.7**	0.7	0.6	0.6	0.5
Net interest expense	€m	**11**	8	20	28	46
% of net sales	%	**0.3**	0.2	0.6	0.8	1.3
Balance sheet total	€m	**2 983**	2 835	3 019	2 723	2 712
Personnel on average		**14 953**	14 326	13 121	11 684	12 273
PER SHARE DATA						
Earnings per share, EPS, basic	€	**2.93**	3.31	3.66	3.35	2.42
– diluted	€	**2.93**	3.31	3.65	3.31	2.40
Equity per share	€	**14.04**	14.13	13.21	10.98	8.29
Dividend per share *	€	**1.35**	1.70 + 0.30	1.50 + 0.50	1.40	0.80
Dividend per earnings *	%	**46.1**	60.4	55.1	41.9	33.1
Price per earnings, P/E		**4.2**	9.0	8.2	6.1	3.6
Share trading	1 000 shares	**251 096**	219 940	179 214	158 463	127 415
% of shares issued	%	**181**	157	128	116	94
Share trading	€m	**5 530**	8 444	4 628	2 041	912
Average price of share	€	**22.03**	38.34	25.70	12.90	7.16
Lowest price of share	€	**9.51**	27.38	19.00	8.02	5.67
Highest price of share	€	**34.77**	52.50	33.31	21.15	9.19
Average adjusted number of shares	1 000 shares	**138 746**	138 491	136 864	135 977	135 683
– diluted	1 000 shares	**138 773**	138 566	137 145	137 377	137 083
Adjusted number of shares at year-end	1 000 shares	**140 255**	140 198	139 957	138 886	138 886
– excluding treasury shares	1 000 shares	**138 789**	138 721	138 172	136 294	135 813
– diluted	1 000 shares	**138 824**	138 796	138 453	137 694	137 213
Closing price at balance sheet date	€	**12.16**	29.65	30.15	20.55	8.74
Market capitalisation at year-end	€m	**1 706**	4 157	4 220	2 854	1 214
Effective dividend yield *	%	**11.1**	6.7	6.6	6.8	9.2

* Calculated in accordance with the Board of Directors' proposal

Formulas for the calculation of indicators:

Return on capital employed, % = $\dfrac{\text{profit/loss before taxes + finance expense}}{\text{total equity + interest-bearing financial liabilities (average at beginning and end of period)}} \times 100$

Return on equity, % = $\dfrac{\text{profit/loss before taxes – income taxes}}{\text{total equity (average at beginning and end of period)}} \times 100$

Equity ratio, % = $\dfrac{\text{equity}}{\text{balance sheet total – advances received}} \times 100$

Gearing ratio, % = $\dfrac{\text{net interest-bearing financial liabilities}}{\text{equity}} \times 100$

Net interest-bearing financial liabilities = interest-bearing liabilities – interest-bearing financial assets and other cash and cash equivalents

Earnings per share (EPS) = $\dfrac{\text{profit or loss attributable to equity shareholders of the parent company}}{\text{weighted average number of shares outstanding during the period}}$

Earnings per share (EPS, diluted) = $\dfrac{\text{profit or loss attributable to equity shareholders of the parent company}}{\text{weighted average diluted number of shares outstanding during the period}}$

Equity per share = $\dfrac{\text{equity attributable to equity shareholders of the parent}}{\text{basic number of shares at balance sheet date}}$

Dividend per share = $\dfrac{\text{dividends paid}}{\text{basic number of shares at balance sheet date}}$

Dividend per earnings = $\dfrac{\text{dividend per share}}{\text{earnings per share}} \times 100$

Effective dividend yield, % = $\dfrac{\text{dividend per share}}{\text{closing price at balance sheet date}} \times 100$

Price per earnings (P/E) = $\dfrac{\text{closing price at balance sheet date}}{\text{earnings per share}}$

Trading volume, % = $\dfrac{\text{number of shares traded during period}}{\text{average basic number of shares}} \times 100$

Average share price = $\dfrac{\text{total EUR trading of shares during the period}}{\text{average basic number of shares traded during the period}}$

Market capitalisation = basic number of shares at the end of the financial period x closing price at balance sheet date

Personnel, average = average number of personnel at the end of each month during the period

Parent company's financial statements

Rautaruukki Corporation's full financial statements can be viewed on the company's website at www.ruukki.com. The figures below are reported in accordance with Finnish GAAP.

Parent company's income statement

€m	2008	2007
Net sales	**2 773**	2 680
Change in inventories of finished goods and work in progress	**100**	-6
Production for own use	**9**	11
Other operating income	**27**	18
Materials and services	**-1 578**	-1 418
Salaries and other employee benefits	**-414**	-389
Depreciation, amortisation and impairment losses	**-104**	-107
Other operating expenses	**-293**	-255
	-2 389	-2 170
Operating profit	**521**	534
Total financial income and expenses	**0**	259
Profit before extraordinary items	**521**	793
Extraordinary items		-3
Profit before appropriations and taxes	**521**	791
Appropriations	**7**	10
Profit before taxes	**528**	800
Income taxes	**-139**	-140
Profit for the period	**389**	660

Parent company's balance sheet

€m	31 Dec 2008	31 Dec 2007
ASSETS		
Non-current assets		
Tangible assets	**50**	50
Intangible assets	**857**	815
Financial assets		
Investment in Group companies	**390**	349
Receivables from Group companies		8
Investment in associates	**7**	7
Other shares and holdings	**7**	6
	403	369
Total non-current assets	**1 310**	1 234
Current assets		
Inventories	**526**	355
Long-term receivables	**178**	157
Short-term receivables	**510**	464
Securities held as current financial assets		60
Cash in bank and in hand	**147**	58
Total current assets	**1 361**	1 095
Total assets	**2 671**	2 329

€m	31 Dec 2008	31 Dec 2007
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve	**33**	33
Retained earnings	**772**	389
Profit for the period	**389**	660
Total equity	**1 652**	1 540
Appropriations	**357**	363
Provisions	**28**	21
liabilities		
Non-current interest-bearing	**235**	91
Current interest-bearing	**128**	69
Current non-interest-bearing	**272**	245
Total liabilities	**634**	404
Total equity and liabilities	**2 671**	2 329

Parent company's cash flow statement

€m	2008	2007
Cash flow from operating activities		
Profit before extraordinary items	**521**	793
Adjustments		
Depreciation according to plan	**104**	107
Unrealised foreign exchange gains and losses	**-44**	5
Other non-cash income and expense	**13**	-2
Financial income and expense	**1**	-2
Other adjustments	**-10**	-269
Cash flow before change in working capital	**585**	632
Change in working capital		
Change in current non-interest-bearing operating receivables	**-36**	62
Change in inventories	**-171**	1
Change in current-non-interest-bearing liabilities	**19**	-93
Change in working capital	**-188**	-29
Cash flow from operating activities before financing items and taxes	**397**	603
Interest and other financing items paid on operations	**-71**	-31
Dividends received from operating activities	**5**	256
Interest received from operating activities	**86**	34
Taxes paid	**-125**	-166
Cash flow from operating activities	**292**	696
Cash flow from investing activities		
Investments in tangible and intangible assets	**-148**	-96
Capital gains on disposal of tangible and intangible assets	**1**	1
Investments in other financial assets	**-46**	-48
Capital gains on disposal of other financial assets	**5**	2
Cash flow from investing activities	**-188**	-142
Cash flow before financing activities	**104**	555
Cash flow from financing activities		
Withdrawal of short-term loans	**121**	0
Repayment of short-term loans	**0**	-316
Withdrawal of long-term loans	**150**	0
Repayment of long-term loans	**-69**	-148
Dividends paid	**-277**	-277
Cash flow from financing activities	**-75**	-740
Change in cash and cash equivalents	**29**	-185
Cash and cash equivalents at beginning of period	**118**	303
Cash and cash equivalents at end of period	**147**	118
	29	-185

Notes to the parent company financial statements

Parent company's equity

€m	2008	2007
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve	**33**	33
Retained earnings at 1 Jan	**1 049**	664
Change in treasury shares	**0**	1
Dividends paid	**-277**	-277
Retained earnings at 31 Dec	**772**	389
Profit for the period	**389**	660
Equity at 31 Dec	**1 652**	1 540
Distributable equity		
Retained earnings	**772**	389
Profit for the period	**389**	660
Funds available for dividend payment	**1 161**	1 049

Parent company's contingent liabilities

€m	2008	2007
Mortgages given	**22**	22
Amount of debt for which mortgages given	**1**	2
Guarantees given		
On own behalf	**45**	41
On behalf of Group companies	**97**	119
On behalf of others	**2**	2
	144	162
Finance leasing and other rental liabilities		
Due next year	**44**	48
Due after next year	**124**	158
	167	206

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 24 March 2009 that a dividend of EUR 1.35 be paid for the financial year ended 31 December 2008 and that the remainder of the distributable capital be retained.

The parent company's distributable equity was EUR 1,160,994,435.52.

The total amount of dividend on the 138,788,542 shares outstanding at 5 February 2009 is EUR 187,364,531.70, which equates to 46.1 per cent of the consolidated net profit for the year. 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 27 March 2009 and the dividend payment date is 8 April 2009.

Helsinki, 5 February 2009

Jukka Viinanen
Chairman of the Board

Reino Hanhinen	Maarit Aarni-Sirviö	Christer Granskog
Pirkko Juntti	Kalle J. Korhonen	Liisa Leino

Sakari Tamminen
President & CEO

Auditors' 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 on December 31, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with 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 Managing Director 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.

Auditors' responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with professional ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company have complied with the Limited Liability Companies Act.

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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit has been performed in accordance with good auditing practice in Finland. 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.

Opinion on the discharge from liability and disposal of distributable funds

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Finnish Limited Liability Companies Act.

Helsinki, 5 February 2009

KPMG OY AB

Mauri Palvi
Authorized Public Accountant

Statement of the Supervisory Board

Having today considered the Company's financial statements and consolidated financial statements for 2008, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Corporation proposes to the 2009 Annual General Meeting of shareholders that the parent company's and consolidated income statements and the balance sheets be adopted.

Helsinki, 19 February 2009

SUPERVISORY BOARD

Marjo Matikainen-Kallström

Inkeri Kerola
Heikki Allonen
Turo Bergman

Miapetra Kumpula-Natri
Petteri Orpo
Jouko Skinnari

Markku Tynkkynen
Tapani Tölli

Figures by quarter

Net sales

€m	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008	Q1/2007	Q2/2007	Q3/2007	Q4/2007	2007
Ruukki Construction	**225**	**285**	**309**	**248**	**1 067**	213	258	278	292	1 042
Ruukki Engineering	**188**	**205**	**184**	**187**	**765**	167	163	157	180	667
Ruukki Metals	**525**	**580**	**503**	**412**	**2 019**	570	588	500	509	2 168
Corporate management and other units	**1**	**-1**	**0**	**0**	**0**	0	0	0	0	0
Consolidated net sales	**939**	**1 069**	**996**	**847**	**3 851**	950	1 009	935	982	3 876

Operating profit

€m	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008	Q1/2007	Q2/2007	Q3/2007	Q4/2007	2007
Ruukki Construction	**21**	**38**	**56**	**13**	**128**	34	40	51	38	163
Ruukki Engineering	**32**	**35**	**34**	**26**	**126**	32	27	25	18	103
Ruukki Metals	**97**	**100**	**112**	**29**	**338**	117	115	96	68	397
Corporate management and other units	**-7**	**-7**	**-5**	**-6**	**-25**	-6	-5	-10	-5	-25
Consolidated operating profit	**143**	**166**	**197**	**62**	**568**	178	178	162	120	637

Operating profit-%

%	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008	Q1/2007	Q2/2007	Q3/2007	Q4/2007	2007
Ruukki Construction	**9**	**13**	**18**	**5**	**12**	16	16	18	13	16
Ruukki Engineering	**17**	**17**	**19**	**14**	**17**	19	17	16	10	15
Ruukki Metals	**19**	**17**	**22**	**7**	**17**	21	20	19	13	18
Consolidated operating profit-%	**15**	**16**	**20**	**7**	**15**	19	18	17	12	16

Net sales, comparable

€m	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008	Q1/2007	Q2/2007	Q3/2007	Q4/2007	2007
Ruukki Construction	**225**	**285**	**309**	**248**	**1 067**	213	258	278	292	1 042
Ruukki Engineering	**188**	**205**	**184**	**187**	**765**	167	163	157	180	667
Ruukki Metals	**511**	**571**	**503**	**412**	**1 997**	531	552	464	488	2 035
Corporate management and other units	**1**	**-1**	**0**	**0**	**0**	0	0	0	0	0
Consolidated net sales	**925**	**1 060**	**996**	**847**	**3 829**	911	973	899	960	3 744

Operating profit, comparable

€m	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008	Q1/2007	Q2/2007	Q3/2007	Q4/2007	2007
Ruukki Construction	**21**	**38**	**56**	**17**	**132**	34	40	51	38	163
Ruukki Engineering	**32**	**35**	**34**	**27**	**128**	32	27	25	18	103
Ruukki Metals	**96**	**106**	**112**	**36**	**350**	116	115	96	68	395
Corporate management and other units	**-7**	**-7**	**-5**	**-6**	**-25**	-6	-5	-10	-5	-25
Consolidated operating profit	**141**	**172**	**197**	**74**	**584**	177	178	162	119	635

Operating profit-%, comparable

%	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008	Q1/2007	Q2/2007	Q3/2007	Q4/2007	2007
Ruukki Construction	**9**	**13**	**18**	**7**	**12**	16	16	18	13	16
Ruukki Engineering	**17**	**17**	**19**	**14**	**17**	19	17	16	10	15
Ruukki Metals	**19**	**19**	**22**	**9**	**18**	22	21	21	14	19
Consolidated operating profit-%	**15**	**16**	**20**	**9**	**15**	19	18	18	12	17

The comparable figures exclude the business operations of Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH and excluding non-recurring items.

Increase in Finnish ownership

- **Rautaruukki's share closed at EUR 12.16 on the year and the company had a market capitalisation of EUR 1,706 million**
- **The Board of Directors' dividend proposal of EUR 1.35 per share equates to 11.1 per cent of the dividend yield at the share's closing price on the year**

Shares and share capital

Rautaruukki Oyj's share (RTRKS) is listed on Nasdaq OMX Helsinki in the Large Cap segment and is classifed in the Materials sector. Rautaruukki has one series of share, with each share entitling the holder to one (1) vote at general meetings of shareholders.

Rautaruukki Oyj's fully paid share capital entered into the Finnish Trade Register as at 31 December 2008 was EUR 238,434,314.30 distributed over 140,255,479 shares. The share capital was increased by 57,351 shares or EUR 97,496.70 during 2008 as a result of subscriptions exercised under the 2003 bond loan with warrants.

Share performance and trading

The company's share closed 59 per cent down on the year at EUR 12.16 (2007: EUR 29.65). The weight capped OMX Helsinki Cap index was down 50.1 per cent on the year. The highest price quoted for Rautaruukki's share during 2008 was EUR 34.77 in June and the lowest was EUR 9.51 in November. The volume weighted average price during the year was EUR 22.03.

During the report period, 251,096,477 (2007: 219,940,007) of the company's shares were traded for a total of EUR 5,530 million (8,444) on Nasdaq OMX Helsinki. The average daily trading was 992,476 shares.

In September 2008, Rautaruukki was included for the first time in the Dow Jones Sustainability World (DJSI World) index and for the second year running in the Dow Jones STOXX Sustainability (DJSI) index. The indexes include the top companies in their sector that are committed to sustainable development. Rautaruukki was ranked among the world's best six steel companies in the DJSI World index and was the only Finnish company to be added to the index in 2008. There are five other Finnish companies in the DJSI World and STOXX indexes.

Board of Directors' authorities

Rautaruukki Corporation's Annual General Meeting of 2 April 2008 gave the Board of Directors the authority to resolve to acquire a maximum of 12,000,000 of the company's own shares (8.56% of the total number of shares) on the terms and conditions in the Board of Directors' proposal. The present authority is valid for eighteen months from the decision of the Annual General Meeting. The Board of Directors did not exercise this authority during 2008.

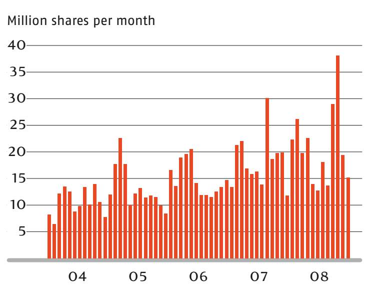
Rautaruukki Corporation's Annual General Meeting of 20 March 2007 gave the Board of Directors the authority to resolve to transfer a maximum of 13,785,381 treasury shares held by the company. The authority is valid until the close of the 2009 Annual General Meeting. Under this authority, the company transferred, on 28 March 2008, 11,594 treasury shares to persons covered by the 2007 earning period under the Group's Share Ownership Plan 2004. A total of 1,594 shares were returned to the company. After the transfers above, the company had 1,466,937 treasury shares.

Dividend policy

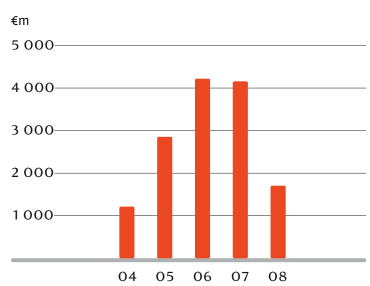
The company's dividend policy is a payout ratio of 40-60 per cent of earnings for the financial year. The aim is for a steadily rising dividend whilst also taking into account the needs of business growth. The Board of Directors is to propose to the Annual General Meeting convening on 24 March 2009 that a dividend of EUR 1.35 per share be paid for 2008.

Share performance

Share trading



Market capitalisation at year-end



Shareholders

At 31 December 2008, Rautaruukki had 36,261 shareholders, 15,731 more than a year earlier. The percentage of Rautaruukki's shares that were nominee registered or owned by non-Finnish investors declined to 29.9 per cent during the course of 2008 (36.4% at year-end 2007).

Under the new Act on State Shareholdings entering into force at the beginning of 2008, the Finnish Government may reduce or fully dispose of the State's shareholding in the company. In October 2008, the Government proposed to the Parliament of Finland that the State's shares in Rautaruukki and seven other non-strategic listed companies be transferred as a capital contribution to Solidium Oy, a company wholly owned by the State of Finland. The transfer took place in December 2008. Subsequent to the transfer, the State of Finland no longer owns any Rautaruukki Oyj shares. At 31 December 2008, Solidium Oy owned 55,656,699 shares or 39.68 per cent of Rautaruukki Oyj's share capital and votes.

Treasury shares

At year-end 2008, Rautaruukki owned 1,466,937 treasury shares (2007: 1,476,937), which at 31 December 2008 had a market capitalisation of EUR 17.8 million.

Board and management interests

At year-end 2008, members of the Supervisory Board and Board of Directors owned a total of 18,110 shares in the company, equating to 0.013 per cent of the shares and votes. At year-end 2008, members of the Corporate Management Board owned a total of 198,174 Rautaruukki shares, equating to 0.14 per cent of the shares and votes. Management ownership rose by 8,488 shares during 2008. See pages 66–69 of this report for a breakdown of management and Board of Directors' interests in the company. The interests of the company's public insiders and any movements in shareholdings during the report period may be viewed in real time on the company's website at www.ruukki.com/ investors.

Disclosure notifications

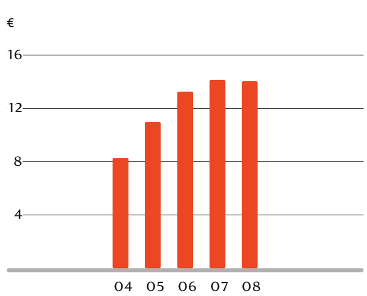
During 2008, Rautaruukki Corporation received the following notifications of changes in ownership requiring disclosure under Chapter 2, Section 9 of the Finnish Securities Markets Act:

28 May 2008 Capital Research and Management Company (CRMC) notified that on 23 May 2008, it had acquired Rautaruukki shares for the mutual funds it manages and that, as a result, the aggregate holding by these funds had risen to above five per cent of Rautaruukki's shares and votes. CRMC is a US-based investment adviser that manages The American Funds Group of mutual funds. CRMC does not own shares on its own account. Rather, the shares reported in this disclosure are owned by mutual funds under the discretionary management of CRMC.

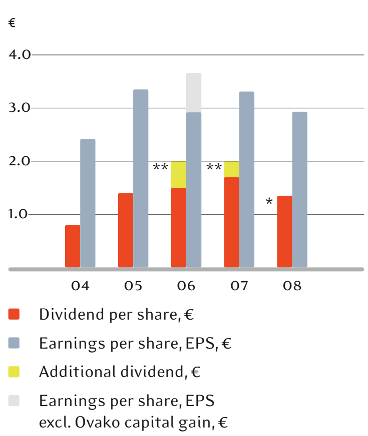
12 December 2008 The State of Finland and Solidium Oy notified on 11 December 2008 of an ownership arrangement whereby the State of Finland had transferred the Rautaruukki Oyj shares it owns to Solidium Oy, a company wholly owned by the State of Finland, as a capital contribution under the Limited Liability Companies Act. Solidium Oy's holding of Rautaruukki Oyj's shares at the time was 55,656,699 shares, which equates to 39.68 per cent of the total share capital and votes. The Finnish Financial Supervision Authority (FIN-FSA) issued an exemption to Solidium Oy from the obligation to launch a mandatory bid to other shareholders of Rautaruukki Corporation.

In addition, on 28 January 2009, Capital Research and Management Company notified that its aggregate holding in Rautaruukki shares for the mutual funds it manages had, as at 26 January 2009, decreased to below 5 per cent.

Equity per share



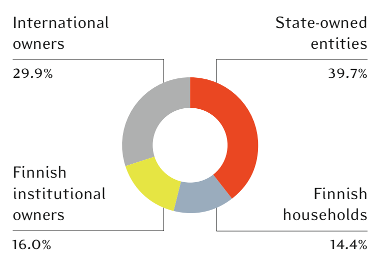
Earnings and dividend per share



* Board of Directors' proposal

** Additional dividend from funds freed up from the long steel business

Ownership structure as at 31 December 2008



2003 bond loan with warrants

Warrants under the EUR 3.5-million bond loan with warrants, issued on 26 May 2003 and targeted at the Group's personnel and Rautaruukki's Personnel Fund, entitle holders to subscribe a maximum aggregate of 1,400,000 shares between 24 May 2006 and 23 May 2009. A total of 1,369,034 shares (98 per cent) have been subscribed under the 2003 bond loan and the share capital has been increased by EUR 2,327,357.80 accordingly.

Share-based incentive plans

Share Ownership Plan 2004

The Share Ownership Plan 2004 was divided into three year-long earning periods, which were the years 2005, 2006 and 2007. In March 2008, the Board of Directors decided to transfer 11,594 treasury shares as a bonus for the 2007 earning period, the last earning period, to those covered by the plan. Under the terms of the Share Ownership Plan, 60 per cent of the total bonus was paid in cash and 40 per cent in shares. The 2007 earning period covered 67 members of the company's management or other key personnel. Payment of the bonus was contingent on achieving the financial targets set, which were measured by the criteria of earnings per share (EPS) and return on capital employed (ROCE). Any shares paid as bonus must be held for a minimum of two years after the end of the earning period and may be sold on 2 January 2010 at the earliest. However, the President & CEO and members of the Corporate Management Board must retain any shares they have obtained through the plan to at least the value of their fixed gross annual salary for as long as the President & CEO's tenure as chief executive continues or the member serves on the Corporate Management Board.

Share Ownership Plan 2008–2010

In December 2007, the Board of Directors decided on a share ownership plan for key personnel. The plan seeks to align the objectives of shareholders and key personnel to increase shareholder value and to commit key personnel to the company. The plan comprises three one-year earning periods, which are the years 2008, 2009 and 2010. Any bonuses will be paid out partly in the form of company shares and partly in cash during the calendar year following the respective earning period. Payment of a bonus is contingent on achieving the financial targets set, which for the earning period 2008 are measured by the criteria of earnings per share (EPS) and return on capital employed (ROCE). How much of the maximum bonus is paid to a key person depends on the achievement of earning criteria targets. The maximum bonus payable is the gross salary for the calendar month preceding payment x 12.5 divided by the weighted average price of shares traded during the calendar month preceding payment.

Any shares received under the plan must be held for at least two years after each earning period. If the employment of a key person ends during this time, the person concerned must, without consideration, return the shares received as bonus to the company. The President & CEO and other members of the Corporate Management Board must, in addition to the two-year commitment period, hold any shares received under the plan to at least the value of their gross annual salary for as long as their service contract continues. The 2008 earning period of the plan covers some 85 persons.

Option programmes

Rautaruukki has no option programmes in effect.

Share based incentive plans

For personnel		Subscription price	Max. amount	Subscription period	Shares registered	Effect on share capital	Restrictions
Bond loan with warrants 2003	Personnel Personnel Fund	€1.70 (€4.40 less dividends declared after 23 May 2003)	1 400 000	24 May–31 Dec 2006 15 Apr–31 Dec 2007 15 Apr–31 Dec 2008 15 Apr–31 Dec 2009	Total 1 369 034	+1.0%	Could not be subscribed by management
For management & key personnel	**Number of persons**	**Condition**	**Bonus**	**Earning periods**	**Shares registered**	**Effect on share capital**	**Restrictions**
Share ownership plan 2004	about 60	Achieving the financial target measured by the criteria of earnings per share (EPS) and return on capital employed (ROCE)	Combination of shares and cash	1 Jan–31 Dec 2005 1 Jan–31 Dec 2006 1 Jan–31 Dec 2007	291 000 84 000 11 594	no effect	The shares can be sold no earlier than two years after the end of each earning period
Share ownership plan 2008–2010	about 85	Achieving the financial target measured by the criteria of earnings per share (EPS) and return on capital employed (ROCE)	Combination of shares and cash	1 Jan–31 Dec 2008 1 Jan–31 Dec 2009 1 Jan–31 Dec 2010		no effect	The shares can be sold no earlier than two years after the end of each earning period
Stock options	–						

Rautaruukki Corporation's largest shareholders as at 31 December 2008

	Shareholders	Shares, %	Number of shares
1	Solidium Oy *	39.68	55 656 699
2	Varma Mutual Pension Insurance Company	1.55	2 177 322
3	Ilmarinen Mutual Pension Insurance Company	1.40	1 963 417
4	Rautaruukki Pension Foundation	1.13	1 585 455
5	Rautaruukki Corporation	1.05	1 466 937
6	Rannila Esa	1.04	1 457 800
7	Odin Norden	0.85	1 197 395
8	The State Pension Fund	0.66	920 000
9	Etera Mutual Pension Insurance Company	0.52	729 000
10	OP-Delta Fund	0.43	605 061
11	Odin Finland	0.33	469 550
12	Stiftelsen för Åbo Akademi	0.30	423 500
13	Nordea Fennia Fund	0.28	395 000
14	Op-Suomi Arvo	0.26	370 000
15	Alfred Berg Finland Fund	0.26	359 227
16	Rautaruukki Personnel Fund Hr	0.25	348 528
17	Ingman Finance Oy Ab	0.24	335 000
18	Nordea Life Assurance Finland Ltd	0.20	280 000
19	Lillbacka Jorma	0.19	269 700
20	Veritas Pension Insurance Company Ltd	0.18	250 000
	Nominee registered shares	28.13	39 446 603
	Other shares	17.70	24 819 119
	Number of shares total	100.00	140 255 479

** Owned entirely by the Finnish State.*

Shareholders by share ownership as at 31 December 2008

Number of shares	Shareholders		Shares	
	No.	%	No.	%
1–100	11 383	31.4	721 343	0.5
101–500	15 604	43.0	4 186 594	3.0
501–1 000	5 428	15.0	4 156 207	3.0
1 001–5 000	3 196	8.8	6 774 840	4.8
5 001–10 000	325	0.9	2 334 585	1.7
10 001–50 000	238	0.7	4 747 900	3.4
50 001–100 000	37	0.1	2 571 560	1.8
100 001–500 000	37	0.1	8 064 594	5.7
500 001+	13	0.0	106 697 856	76.1
Total	36 261	100.0	140 255 479	100.0

Shareholders by sector as at 31 December 2008

	Shareholders		Shares	
	No.	%	No.	%
Finnish State (incl. Solidium)	4	0.0	55 659 420	39.7
Other state institutions	35	0.1	8 746 953	6.2
Companies	1 876	5.2	6 228 562	4.4
Banks and insurance companies	104	0.3	4 389 210	3.1
Non-profit institutions	339	0.9	3 091 909	2.2
Households	33 726	93.0	20 255 518	14.4
Foreign owners	177	0.5	41 883 907	29.9
Total	36 261	100.0	140 255 479	100.0
of which nominee registered shares	18	0.0	39 446 603	28.1

Investor relations at Rautaruukki

The main principles guiding investor relations at Rautaruukki are to provide consistent information impartially and at the same time to all investors in all situations, honestly, transparently and voluntarily. Investor relations is principally tasked with regular communication with existing and potential shareholders and analysts. The aim is to help investors and analysts to understand the company's business and industry, and to provide the tools to determine the value of the company's share. The company's top management plays an active role in investor relations.

2008 an active year

Investor interest in Rautaruukki continued and during the report period, the investor relations team, together with the company's top management, met investors and analysts on altogether around 100 occasions, either in one-to-one meetings, seminars or trade fairs.

In addition during 2008, the company held its Capital Market Days in Vaasa, Finland. In conjunction with this, participants also had an opportunity to visit Ruukki Engineering's cabin assembly plant at Kurikka and Ruukki Construction's plant in Seinäjoki.

To Rautaruukki's knowledge, there were 15 banks and stockbrokers issuing sell-side research on the company at year-end 2008.

Financial reports, presentation materials and the investor calendar may be viewed online at www.ruukki.com/investors.

Silent period

Rautaruukki applies the principle of a 14-day silent period before earnings disclosures. 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 for the report period.

Latest information online for investors

The Investors section (www.ruukki.com/investors) on Rautaruukki's website includes share trading information, subject to a 15-minute delay, the latest stock exchange releases, the company's corporate governance principles and a share monitor, which shows the performance of the company's share over any period required.

Per share data 2004–2008

	2008	2007	2006	2005	2004
Earnings per share (EPS), €	2.93	3.31	3.66	3.35	2.42
diluted, €	2.93	3.31	3.65	3.31	2.40
Dividend per share, €	1.35*	1.70+0.30	1.50+0.50	1.40	0.80
Dividend per earnings, %	46.1*	60.4	55.1	41.9	33.1
Effective dividend yield, %	11.1*	6.7	6.6	6.8	9.2
Equity per share, €	14.04	14.13	13.21	10.98	8.29
Price per earnings (P/E)	4.2	9.0	8.2	6.1	3.6
Share price during the year					
Lowest price, €	9.51	27.38	19.00	8.02	5.67
Highest price, €	34.77	52.50	33.31	21.15	9.19
Average price weighted by trading volume, €	22.03	38.34	25.70	12.90	7.16
Closing price on year, €	12.16	29.65	30.15	20.55	8.74
Market capitalisation at balance sheet date, €m	1 706	4 157	4 220	2 854	1 214
Share trading during the year					
Share trading, €m	5 530	8 444	4 628	2 041	912
Share trading, 1 000	251 096	219 940	179 214	158 463	127 415
% of shares **	181	157	128	116	94
Number of shares at balance sheet date					
Number of shares outstanding, 1 000	138 789	138 721	138 172	136 294	135 813
Treasury shares, 1 000	1 467	1 477	1 785	2 593	3 073
Total number of shares, 1 000	140 255	140 198	139 957	138 886	138 886
Adjusted average number of shares outstanding, 1 000	138 746	138 491	136 864	135 977	135 683
diluted, 1 000	138 773	138 566	137 145	137 377	137 083

** The Board of Directors proposes a dividend of EUR 1.35 per share.*

*** Average number of shares outstanding during the period.*

Information for shareholders

Annual General Meeting

Rautaruukki Corporation's 2009 Annual General Meeting will be held at the Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki at 2pm on Tuesday 24 March 2009. The Annual General Meeting will be conducted in Finnish.

To be eligible to attend the Annual General Meeting, shareholders must be on the company's shareholder register maintained by the Euroclear Finland Ltd by 13 March 2009 and have notified the company of their intention to attend the meeting. A shareholder in whose name the shares are held is automatically on the company's shareholder register. Nominee-registered shareholders can be temporarily listed in the company's shareholder register, provided they do so by 13 March 2009.

Notification to attend the Annual General Meeting started on 6 February 2009 and ends at 4pm Finnish time on 18 March 2009. Notification may be given either:

- online at www.ruukki.com
- by email to yhtiokokous@ruukki.com
- by letter to Rautaruukki Oyj, Osakerekisteri, PO Box 138, FI-00811 Helsinki, Finland
- by fax to +358 20 592 9104 or by telephoning +358 10 804 430 between 9am and 4pm, Monday to Friday.

Any letters of proxy must be sent to the company's shareholder register before the close of the notification deadline. Shareholders are entitled to have considered by the General Meeting any matter that, pursuant to the Finnish Limited Liabilities Companies Act, falls within the competence of the General Meeting, by notifying the Board of Directors thereof in writing early enough for the item to be included in the notice of the meeting.

Payment of dividend

The Board of Directors is to propose to the Annual General Meeting that a dividend of EUR 1.35 per share be paid for 2008. The dividend will be paid on 8 April 2009 to shareholders who, at the record date for dividend payment, 27 March 2009, are listed in the shareholder register maintained by Euroclear Finland Ltd.

Changes of address

Shareholders should notify the bank with which they have their book-entry account or Euroclear Finland Ltd of any changes of address.

Financial reports in 2009

The publication dates for Rautaruukki Corporation's financial reports during 2009 are given below:

- Financial statements release 2008: Thursday 5 February 2009
- Annual Report 2008: week 12 in March 2009
- Interim report Q1/2009: Thursday 23 April 2009
- Interim report Q2/2009: Friday 17 July 2009
- Interim report Q3/2009: Thursday 22 October 2009

Rautaruukki's annual report, interim reports and releases are published in English and Finnish and may be subscribed to via email at www.ruukki.com. Printed copies of the annual report may also be ordered by telephoning +358 20 592 9260 or by emailing annualreport@ruukki.com. Names may be added online to the annual report mailing list at www.ruukki.com

Investment research

To our knowledge, at least the following banks and stockbrokers publish investment research reports on Rautaruukki: ABG Sundal Collier, CA Cheuvreux, Carnegie, Danske Bank, Deutsche Bank, eQ Bank, Evli Bank, E. Öhman J:or Fondkommission, FIM, Nordea Bank, Pohjola Bank, SEB Enskilda, Standard & Poor's, Swedbank and UBS.

Rautaruukki accepts no liability for the views or comments expressed by the banks, stockbrokers or analysts above, or for projections depicting the value of Rautaruukki Oyj's share, its performance or the financial performance of the company expressed in any analyses.

+ For more detailed contact information for banks and stockbrokers, visit www.ruukki.com/investors

Share information

Listing: Nasdaq OMX Helsinki	Trading ticker: RTRKS
Date of listing: 20 October 1989	ISIN code: FI0009003552
Trading currency: euro	Trading lot: 1 share
Sector: Materials	Reuters ticker: RTRKS.HE
Segment: Large Cap	Bloomberg ticker: RTRKS FH

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Rautaruukki Annual Report 2008

The persons featuring in the annual report are
Rautaruukki employees.

Spread photos by Ikka Ärrälä,
other photos from Rautaruukki's image bank.

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