Financial statements 2008
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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.

ruukki

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	Restruc-turing 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 OOO 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, %

$$= \frac{\text{profit/loss before taxes + finance expense}}{\text{total equity + interest-bearing financial liabilities (average at beginning and end of period)}} \times 100$$

Return on equity, %

$$= \frac{\text{profit/loss before taxes – income taxes}}{\text{total equity (average at beginning and end of period)}} \times 100$$

Equity ratio, %

$$= \frac{\text{equity}}{\text{balance sheet total – advances received}} \times 100$$

Gearing ratio, %

$$= \frac{\text{net interest-bearing financial liabilities}}{\text{equity}} \times 100$$

Net interest-bearing financial liabilities

= interest-bearing liabilities – interest-bearing financial assets and other cash and cash equivalents

Earnings per share (EPS)

$$= \frac{\text{profit or loss attributable to equity shareholders of the parent company}}{\text{weighted average number of shares outstanding during the period}}$$

Earnings per share (EPS, diluted)

$$= \frac{\text{profit or loss attributable to equity shareholders of the parent company}}{\text{weighted average diluted number of shares outstanding during the period}}$$

Equity per share

$$= \frac{\text{equity attributable to equity shareholders of the parent}}{\text{basic number of shares at balance sheet date}}$$

Dividend per share

$$= \frac{\text{dividends paid}}{\text{basic number of shares at balance sheet date}}$$

Dividend per earnings

$$= \frac{\text{dividend per share}}{\text{earnings per share}} \times 100$$

Effective dividend yield, %

$$= \frac{\text{dividend per share}}{\text{closing price at balance sheet date}} \times 100$$

Price per earnings (P/E)

$$= \frac{\text{closing price at balance sheet date}}{\text{earnings per share}}$$

Trading volume, %

$$= \frac{\text{number of shares traded during period}}{\text{average basic number of shares}} \times 100$$

Average share price

$$= \frac{\text{total EUR trading of shares during the period}}{\text{average basic number of shares traded during the period}}$$

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.