More with metals

Rautaruukki Corporation Annual Report 2009

Contents

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

The company's strategic intent is to be the solutions supplier of choice to construction and engineering industry customers.

Rautaruukki's Annual Report 2009 is published in English and Finnish. The report includes the Corporate responsibility report. Copies of the Annual Report may be ordered by emailing annualreport@ruukki.com and online at www.ruukki.com, where the report may also be downloaded in pdf format.

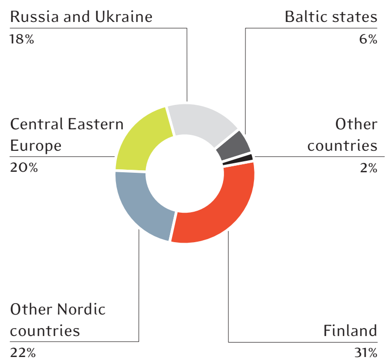
Business areas

Ruukki Construction, Ruukki Engineering and Ruukki Metals	Breakdown of net sales 2009	Share of consolidated net sales 2009	Key figures

Ruukki
Construction

Efficient, time-saving steel construction solutions for commercial & industrial construction, as well as for infrastructure foundation and transport infrastructure projects.

Products and services
- Building frames, wall and roofing products
- Integrated systems for single- and multi-storey construction
- Bridges, traffic noise barriers and highway guard rails for infrastructure construction, piles, retaining wall structures and foundations for harbour construction
- Roofing products



30%

	2009	2008	2007
Net sales, €m	589	1 067	1 042
Operating profit, €m [1]	-49	132	163
Operating profit, as % of net sales [1]	-8	12	16
Personnel at year-end	4 235	5 039	5 278

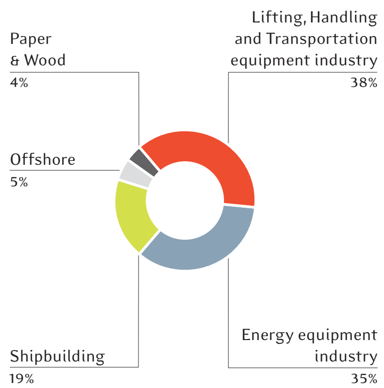
Main markets:
Nordic countries, Baltic states, Central Eastern Europe, Russia and Ukraine.

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

Ruukki
Engineering

Fully-assembled systems and components to the engineering industry.

Products and services
- Cabins, booms, masts and frames for mobile machines
- Telescopic booms, frames and parts for mobile cranes
- Equipment for the energy industry such as windmill components and oil sumps, common base frames and base frames
- Medium and heavy welded structures

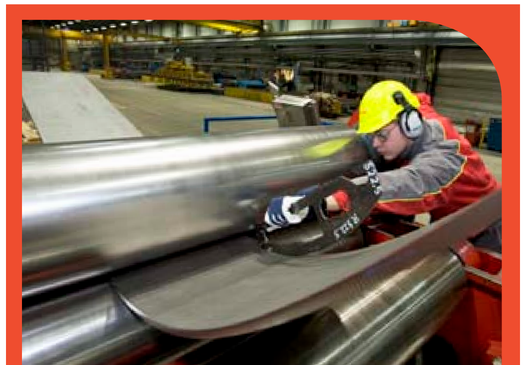


16%

	2009	2008	2007
Net sales, €m	312	765	667
Operating profit, €m [1]	-16	128	103
Operating profit, as % of net sales [1]	-5	17	15
Personnel at year-end	1 770	2 702	3 044

Main markets:
Serves globally-operating European companies.

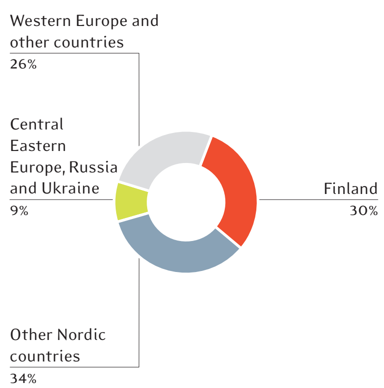
Customers:
Leading companies in the lifting, handling and transportation equipment industry, energy industry, marine & offshore industry and paper & wood industry.



Ruukki
Metals

Steel products and associated prefabrication, logistics and storage services. Responsible for the company's steel production and steel service centres.

Products and services
- Special steel products
- Hot- and cold-rolled steels
- Metal- and colour-coated steels, tubes and profiles
- Stainless steel and aluminium sold as trading products
- Product-related prefabrication, logistics and storage services



54%

	2009	2008	2007
Net sales, €m [2]	1 050	1 997	2 035
Operating profit, €m [1]	-228	350	395
Operating profit, as % of net sales [1]	-22	18	19
Personnel at year-end	5 226	6 080	5 876

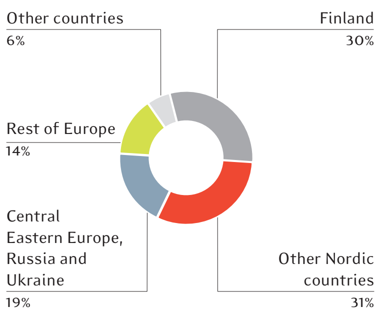
Main markets:
Nordic countries, Baltic states and Russia, and selected customers for special steel products in Western Europe.

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

[1] Comparable, excluding non-recurring items. [2] Comparable

Rautaruukki Corporation

Net sales by region 2009



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

Key figures

€m	2009	2008	2007
Net sales	1 950	3 851	3 876
Net sales, comparable	1 950	3 829	3 744
Operating profit	-323	568	637
Operating profit, comparable*	-306	584	635
Operating profit, as % of net sales	-16.6	14.7	16.4
Operating profit, as % of net sales, comparable*	-15.7	15.3	17.0
Personnel, average	12 664	14 953	14 326

** Excluding non-recurring items*

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

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

Operations are structured into three business areas:

- **Ruukki Construction**
- **Ruukki Engineering**
- **Ruukki Metals**

Ruukki

Rautaruukki uses the marketing name Ruukki.

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

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

Operations in 27 countries.

Strong position in the Nordic countries, focus of growth in Central Eastern Europe, Russia and Ukraine.

CEO's review

The economic downturn triggered by the financial markets severely shook the entire manufacturing industry as never before during the past year. The recession was also evident in all Ruukki's customer industries as a rapid weakening in demand from customers in the steel business, construction and engineering industry.

In the prevailing difficult market conditions, our net sales halved year on year to EUR 1,950 million and we incurred an operating loss of EUR 323 million. This very weak performance was due mainly to lower sales volumes and selling prices. Additionally, the low capacity utilisation rate, especially in steel production, on top of high raw material costs had a major negative impact on the result for the first half of the year. The company's balance sheet remained strong, as we focused on strengthening the cash flow. We also cut capex and released working capital.

Significant efficiency improvement and adjustment measures

We responded to sluggish demand by adjusting our operations across the company. We cut steel production and one of the two blast furnaces at our steel works was idle until the beginning of May. Operations were likewise scaled down to meet demand in most of our units serving construction and the engineering industry. This was done partly through temporary layoffs and partly by closing some units.

We also continued actions to further improve our operational efficiency and increase competitiveness. Work on this front has progressed well and Boost, our three-year operational excellence programme launched in autumn 2008, is ahead of schedule. During the past year, the largest single benefits were achieved from reorganising steel service operations in the Nordic countries, improving supply chain efficiency and from efficiency programmes in our construction business in Russia and Poland. Construction operations were centralised on increasingly larger units in Finland, Estonia, Poland and Romania. In our engineering business, we strengthened our foothold in Central Eastern Europe by transferring the production of components from Sweden mostly to Poland, close to customers.

Reorganisation and adjustment measures have also affected our people in many different units in the form of temporary layoffs and redundancies. These are tough decisions to make, but are necessary for us to ensure our competitive edge. Wherever possible, we helped to lessen the impact on personnel by, among other things, redeployment within the company and pension arrangements.

Impact of demand fluctuations to be countered by balancing business structure

Recent years have seen us strategically develop Ruukki from a steel producer to a supplier of construction and engineering solutions. However, we have still not yet come far enough in our structural transformation. In 2009, we could see the weaknesses in Ruukki's business structure and on this basis we have reviewed the focuses in the company's transition.

We will continue moving ahead with developing the solutions businesses, but adopt a more product-based approach and balancing, using business models that better withstand economic fluctuations. Besides a presence on the Eastern European markets, we also intend to increase our presence on the Western European markets. In addition, we plan to increase businesses that are less exposed to market cyclicality. Such products include infrastructure and renovation construction, as well as residential construction products, where we already have strong expertise. In the steel business, we still have much room for improvement in cost competitiveness and flexibility.

Even though the focus of operations has been targeted to meet future growth needs, Ruukki's strategic direction remains unchanged. In construction, we will continue focusing on commercial and industrial construction in the Nordic countries, Central Eastern Europe, Russia and Ukraine. In engineering, our main product areas are cabins, booms, equipment for the energy industry and medium and heavy welded structures. Our steel business will continue focusing on the Nordic market, with a particular focus on special steel products, the distribution of which we are also strengthening outside Europe.

Scalable products and business concepts in key role

During the past few years we have built a strong manufacturing and sales network to serve our construction and engineering customers in the emerging markets in Central Eastern Europe, Russia and China.

In future, our focus will be much stronger than earlier on products and business concepts that we can replicate from one country to another. Such products include cabins for mobile machines, as well as roofing products. Transferring our competence from one country or unit to another will enable us to serve our customers with standardised products and services in different market areas. We are also working on strengthening our competence in all operations. For example, we can already now offer construction customers strong design expertise, but in future we will also be able to make this expertise available to customers in the engineering industry, for example in cabin design.

A supply chain close to customers, making our strong product expertise part of customer deliveries and expanding the delivery network are our key focus areas in special steel products.

On top of a strong balance sheet, we have an excellent competence platform in all businesses. We have significantly improved our cost-competitiveness. This gives us the foundations on which to further improve our delivery capability and profitability. During the current year, we will particularly be focusing on strengthening sales and customer relationships. This will be reflected in the form of products and services of increasingly higher quality for our customers.

After an historically tough year, we are looking with confidence towards the future and I believe that we will come out of the recession stronger. Even though no fast recovery of market conditions can be seen, expectations are significantly much brighter for 2010 than a year earlier. At the beginning of 2010, market conditions in a number of our customer industries have levelled off and in some of our businesses there are already signs of improved demand.

I would like to warmly thank our customers and Ruukki's people for their commitment and contribution in taking the company forward. My thanks for the past year also go to our shareholders and partners for their continued confidence in us.

Sakari Tamminen
President & CEO

"On top of a strong balance sheet, we have an excellent competence platform in all businesses. We have significantly improved our cost-competitiveness. This gives us the foundations on which to further improve our delivery capability and profitability."

2009 in brief

- **The recession severely shook Ruukki's customer industries and weakened demand in the construction and engineering solutions businesses, and also in the steel business.**
- **Net sales nearly halved to EUR 1,950 million.**
- **Reported negative operating profit was -EUR 323 million.**
- **Weak performance was due mainly to lower sales volumes and selling prices.**
- **The low capacity utilisation rate, especially in steel production, on top of high raw material costs had a major negative impact on the result for the first half of the year.**
- **Good cash flow and strong balance sheet maintained.**
- **Board of Directors' dividend proposal EUR 0.45 per share.**

Key figures

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Comparable net sales, €m	1 950	3 829	3 744
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Operating profit, as % of net sales	-16.6	14.7	16.4
Comparable operating profit. excluding non-recurring items, as % of net sales	-15.7	15.3	17.0
Result before income tax, €m	-359	548	621
Cash flow before financig activities, €m	30	169	271
Return on capital employed, %	-14.2	25.6	29.8
Return on equity, %	-15.9	20.7	24.2
Equity ratio, %	59.9	65.9	70.1
Gearing ratio, %	22.3	7.9	1.4
Net interesting bearing liabilities, €m	336	155	28
Earnings per share, € (diluted)	-1.98	2.93	3.31
Dividend per share, €	0.45*	1.35	1.70+0.30
Equity per share, €	10.85	14.04	14.13
Personnel on average	12 664	14 953	14 326

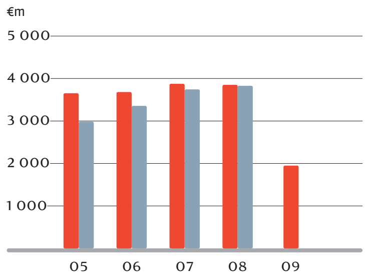
** Board of Directors' proposal*

Swedbankarenan

Ruukki takes part in Swedish national stadium project

The largest single contract of 2009 was the new Swedish national stadium (Swedbank Arena) being built in Stockholm. The contract is worth around EUR 20 million. When complete, the arena will be one of the largest multi-purpose arenas in Northern Europe. Ruukki is responsible for the manufacture and installation of the steel structures and roofing elements for the arena.

Net sales

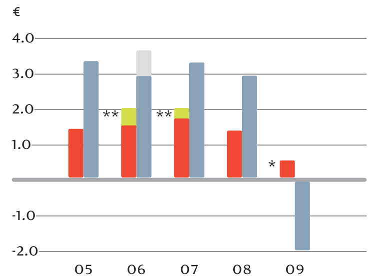


- Net sales, €m
- Comparable net sales, €m

Operating profit

- Operating profit, €m
- Comparable operating profit, excluding non-recurring items, €m

Earnings and dividend per share

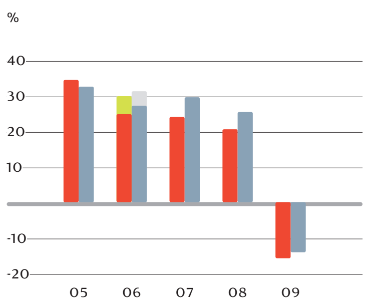


- Dividend per share, €
- Earnings per share, EPS, €
- Additional dividend per share, €
- Earnings per share, EPS incl. Ovako capital gain, €

* Board of Directors' proposal

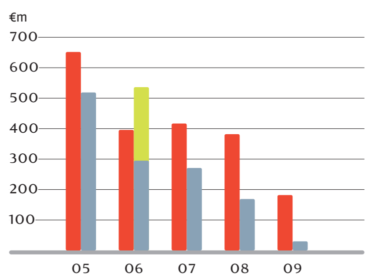
** Additional dividend from funds freed up from long-steel business

Return on equity and return on capital employed



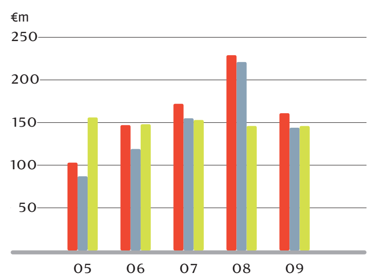
- Return on equity, %
- Return on capital employed, %
- Return on equity including Ovako capital gain, %
- Return on capital employed including Ovako capital gain, %

Cash flow



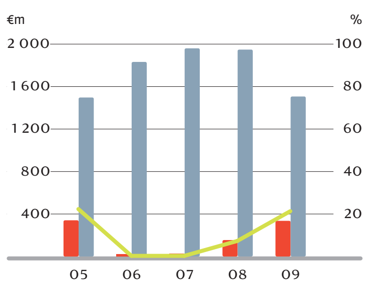
- Cash flow from operating activities
- Cash flow before financing activities
- Impact of Ovako gain

Capex and depreciation



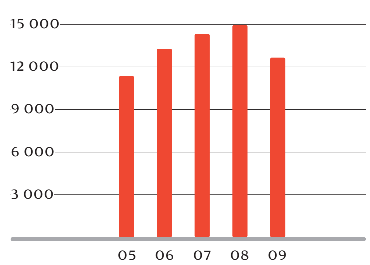
- Gross capex (on tangible and intangible assets)
- Net capex (on tangible and intangible assets)
- Depreciation

Equity and gearing ratio



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

Personnel on average



+ Selected financial data for the past five years are on page 134.

+ Ruukki has published a summary of stock exchange releases from 2009. Releases and release archives since 2003 can be found on the company's website at www.ruukki.com.

Historically difficult market conditions marked entire year

- **Global economic recession affected all customer industries**
- **Road and railway construction continued to be good throughout the year**
- **Recession passed its lowest point during the third quarter**

The year 2009 stood out also from an historical perspective. The economic downturn triggered by the financial markets during the second half of 2008 resulted in a fall in global gross production for the first time since 1946.

Price competitiveness of eurozone weakened

The far-reaching impact of the downturn on the real economy clearly gathered momentum during the first half of the year. As an export-driven country, the collapse in world trade hit Finland harder than most other countries. Industrial production shrank noticeably and market conditions were very difficult.

General uncertainty and caution in investment and financing decisions prevailed throughout the earlier part of the year. An appreciable weakening against the euro of many currencies in Eastern European and the Nordic countries eroded the competitiveness of the eurozone, but increased the interest of eurozone-actors in local manufacturing in Central Eastern Europe and Russia.

Caution in investment decisions continued throughout the year

The first signs of economic development levelling off began to be seen towards the end of the second quarter and the pace of decline in the global economy slowed during the course of the third quarter.

However, there was continued caution in investment decisions despite the strengthening of a number of confidence indicators. Even though customers' stocks decreased considerably, industrial orders remained well below the level a year earlier. The worst of the crisis was over in the latter part of the year and the global economy and world trade began to show signs of a recovery. Also Finnish exports to Sweden and Germany began to gradually recover at the start of 2010.

However, the recovery of economic development was partly due to public-sector stimulus packages and partly to stock cycles. The situation is also improving on the financial markets at the start of 2010.

Recession affected all customer industries

Growing uncertainty and the poor functioning of the financial markets as a result of the economic downturn was reflected in the difficulty of customers in arranging funding, which in turn especially weakened demand for construction solutions and products.

Growth in seasonal demand in construction during the summer months was far below that of earlier years. However, continued good activity in renovation construction boosted demand for residential roofing products, which was much brisker than expected. A severe, early winter swept across most of Europe and brought the construction season to a slightly earlier end than in previous years. Road and railway construction activity continued to be good throughout the year.

Deliveries to engineering industry customers decreased earlier in 2009, especially in the lifting, handling and transportation equipment industry. High stock levels throughout the supply chain weakened demand. Deliveries to equipment manufacturers in the energy industry and to wind and diesel power plants remained good in the early part of the year, but tailed off towards the end of the year when equipment manufacturers in the wind power industry rescheduled or cancelled some projects.

Customers' stocks decreased considerably during the second half of the year, but order intake showed hardly any improvement. Market conditions remained weak throughout the year in shipbuilding and there were very few new orders. The trend within the engineering industry to pursue further cost efficiency by transferring production to lower cost countries strengthened during the past year.

Low capacity utilisation rate in steel industry

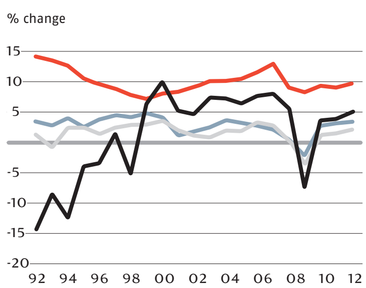
Delivery volumes in the steel industry fell sharply in all customer sectors. Demand for plates in particular was weak. High stock levels also partly contributed to lower delivery volumes. De-stocking took much longer than expected. Almost all actors in the steel industry adjusted production considerably and the global capacity utilisation rate in the steel industry averaged just 70 per cent and was even much lower in the EU-27 region. Global crude steel production grew during the final months of the year compared to the previous year, but production figures for 2009 as a whole still fell far short of those for 2008. Crude steel production in the EU-27 region was around 30 per cent less than during the previous year.

Prices of steel products fell noticeably during the year. International agreements on the prices of the main raw materials - coal and iron ore - were signed during the spring and early summer. These agreements to some extent steadied the fall in the prices of steel products as uncertainty about raw material costs faded. Selling prices in some product groups rose slightly during the fourth quarter, although the picture mellowed again towards the end of the year.

Difficult to forecast market development throughout the year

It remained difficult throughout the year to forecast demand and business predictability was thus lower than usual. Since the end of the year, market development in all customer segments and in almost all market areas has levelled off and positive signs of a growth in demand are visible in places.

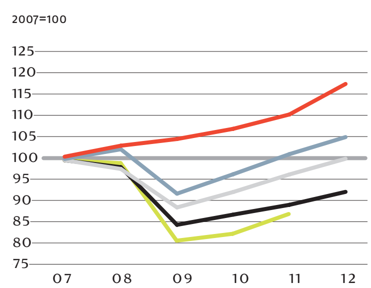
GDP growth
Forecast until 2012



- China
- USA
- Eurozone
- Russia

Sources: Consensus Economics, CRU.

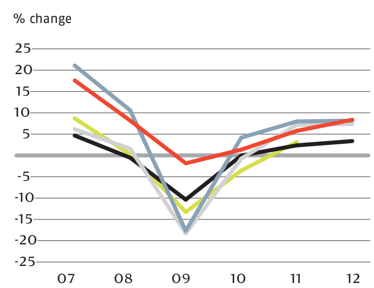
Industrial production volume
Forecast until 2012



- Poland
- Russia
- USA
- Eurozone
- Finland

Source: Consensus Economics.

Investment growth
Forecast until 2012

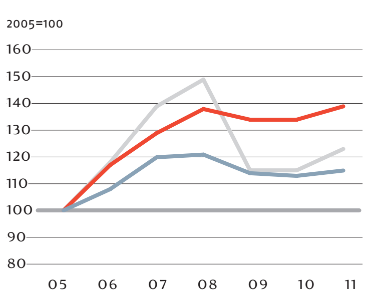


- Poland
- Russia
- USA
- Eurozone
- Finland

Sources: Consensus Economics. For Finland, mean calculated from recently published major forecasts.

Construction market
Forecast until 2011

Including both new and renovation construction

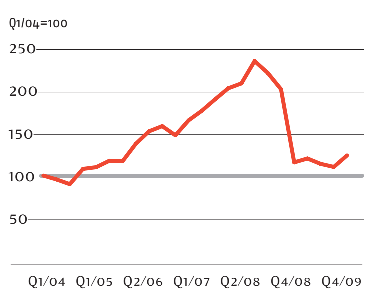


- Central Eastern Europe
- Nordic countries
- Russia

Sources: Global Insight 12/2009 (Nordic & CEE) and VTT 12/2009 (Russia).

Order intake of main engineering customers

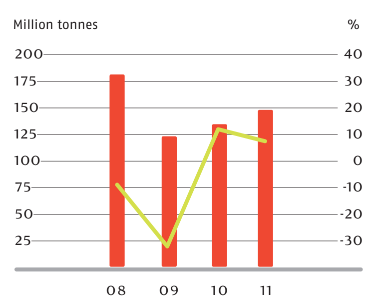
Order intake of main customers Q1/04–Q4/09



Sources: Company reports; Konecranes, Cargotec (Hiab, MacGregor, Kalmar), Metso Minerals, Wärtsilä, Atlas Copco (Construction & Mining Equipment).

Steel market
Forecast until 2011

Apparent steel use in EU–27 region 2008–2011



- Apparent steel use
- y-o-y growth (%)

Source: Eurofer, 02/2010.

Heading towards emerging markets

Customers can benefit from Ruukki's expertise, products and services to further improve the efficiency, performance and sustainability of their own business.

In addition to the Nordic market, we are forging towards the emerging markets, which naturally show enormous potential, especially for our construction and engineering businesses. Globalisation, long-term production growth and the development stages of the national economies in emerging markets form the foundations for future profitable growth.

We are further improving the efficiency of our strong manufacturing and sales network. We are harmonising production and processes to enable us to provide customers with quality service, standardised products and services in all our businesses across our market areas.

We are now focusing on developing particularly those products and business concepts that can be replicated from one country and unit to another, such as cabins for the engineering industry and roofing products and concept buildings, e.g. hall systems, for construction.

We are constantly seeking new ways of doing things. We are already thinking far ahead to develop innovations for construction and the engineering industry in tandem with our customers.

We set out to exceed customer expectations.

More with metals.

Strategic intent and targets

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

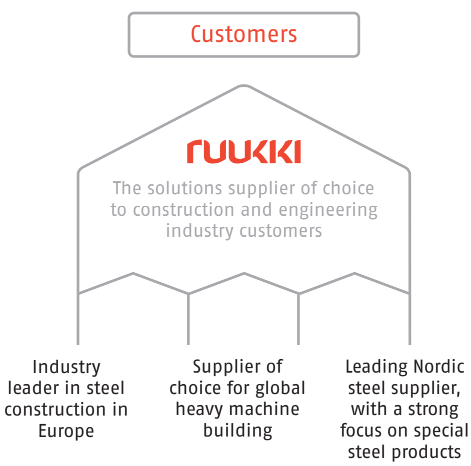
Our strategic intent is to be the solutions supplier of choice to construction and engineering industry customers.

Strategic intents by business areas are

- Industry leader in steel construction in Europe.
- Supplier of choice for global heavy machine building.
- Leading Nordic steel supplier, with a strong focus on special steel products.

Long-term financial targets

- Comparable top line growth target of 10 per cent a year.
- EBIT margin to exceed 15 per cent of net sales.
- Return of 20 per cent on capital employed.
- Optimal gearing ratio of around 60 per cent.
- The dividend policy is a payout ratio of 40-60 per cent of the result for the year. The aim is for a steadily increasing dividend whilst taking into account the needs of business growth.



Stuctural change progresses

Ruukki embarked on a process of structural transformation in 2004 aimed at the solutions businesses - Ruukki Construction and Ruukki Engineering - generating more than 50 per cent of the company's net sales. In 2009, the solutions businesses and special steel products accounted for 56 (62) per cent of consolidated net sales.

Ruukki has strongly increased the share of solutions and special steel products, withdrawn from long steel products and reduced the share of standard steel products. Ruukki's personnel structure has also been transformed. As a result of structural change and acquisitions, over half the personnel have joined the company since 2004.

In the long-term, the solutions businesses and special steel products supporting them will provide Ruukki with a strong competitive edge. The more specialised the company becomes, the better understanding of the customer's process it requires and the closer longer-term customer cooperation becomes.

Strategic focus areas unchanged

Ruukki is focusing strongly on Eastern Europe and Russia. The most important future growth areas are in the emerging markets. Maintaining a strong foothold in the Nordic markets is key to long-term profitability in all businesses.

Consistent, systematic implementation of the company's strategy creates a sound platform for the company's long-term growth and development. The strategic focus areas of business are:

- Construction
  - Commercial & industrial construction
  - Residential construction
  - Infrastructure construction
- Engineering industry
  - Cabins
  - Booms
  - Equipment for the energy industry
  - Medium and heavy welded structures
- Steel business: special steel products

We are committed to long-term customer relations and intend to build a world-class supply chain in all businesses. The strategy was reviewed in 2009 to make it more product-based than earlier. Understanding customer needs is essential, and at the same time we are emphasising scalable products and services, as well as developing the Ruukki brand.

Comprehensive, systematic competence development and enhancement across all businesses plays a key role in Ruukki's strategy. In construction and the engineering industry, the thrust is on further improving our design competence.

Scalability gives competitive edge and efficiency

Recent years have seen Ruukki invest heavily in its solutions businesses and we have built an extensive sales and manufacturing network, particularly in the emerging markets. Likewise, the largest investments have been made in special steel production. In future, we can draw on these investments to grow the business.

The next stage in implementing the strategy is to strengthen the core of Ruukki's businesses. The company aims to strengthen its market positions in existing business areas and to progress further with expertise, operational quality and cost efficiency.

Once a business has a solid core, we can use the same product and business concepts in different market areas to create profitable growth and improve our competitive edge and cost efficiency. Cabins for mobile machines, roofing products and concept buildings, for example hall systems, are examples of core businesses that can be replicated. In the form of business concepts like these, Ruukki can transfer expertise from one country or unit to another to ensure consistent quality and reliable customer service across the market area.

In production, we are designing model factories and building standardised processes to enable best practices and strong expertise to be exported across Ruukki. Developing the scalability of business concepts applies to the entire value chain from marketing to manufacture and product development.

Focus on developing business structure by scaling and balancing

The global economic crisis has severely shaken Ruukki's customer industries. The crisis hit the main market area in Eastern Europe much harder than expected and, at the same time, business was hampered by a strengthening of one of the main sales currencies, the euro.

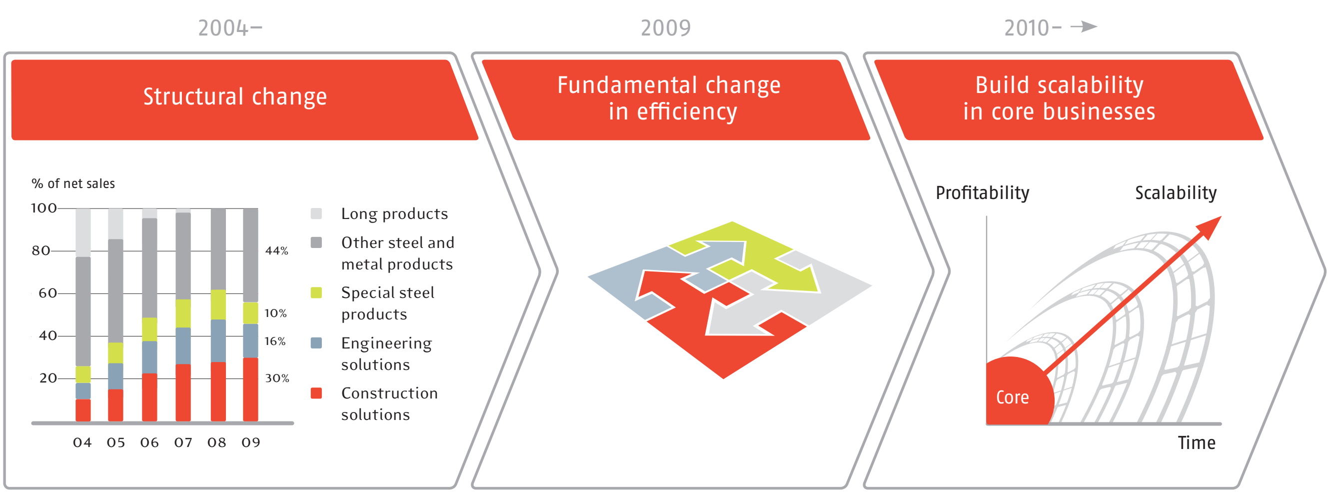
Even though good progress has been made with transforming Ruukki from a steel producer to a solutions supplier to construction and the engineering industry, we have not yet progressed far enough with change and special steel products still do not account for a large enough share of our steel business. In addition, the economic crisis particularly affected investments and development in Eastern Europe, which are the company's key growth drivers.

This is why we continue growth in solutions, special steel products and Eastern Europe, and we are balancing operations by growing the share of those businesses that are better able to withstand economic cyclicality. Balancing will also enable us to spread the business risks attributable to long-term growth drivers and converging end-customer segments.

The following factors in particular are examined in balancing the business structure:

- Driving demand: to balance investment demand, we will increase the share of net sales derived from consumer-driven demand, including businesses serving residential construction, the automotive and household appliance industries.
- Cyclicality: to reduce the impacts of cyclicality, segments such as infrastructure and renovation construction, which are less susceptible to economic fluctuations, will account for a growing share of business. In addition, the focus will be on customer segments - such as the mining industry and equipment for the energy industry within the engineering industry, for example - that develop differently in business cycles.
- Market area: increasing business in the markets of Western Europe will balance strong fluctuations in business on the emerging markets.

Ruukki's strategic phases



Delivering on the strategy 2009

In 2009, the global economic crisis and its impact on customer industries significantly weakened Ruukki's financial performance. Net sales decreased and the company fell far short of the profitability targets set.

We particularly focused on improving efficiency in 2009 and in difficult market conditions were able to significantly improve our efficiency and cost competitiveness corporate-wide.

Ruukki's long-term profitability has been good. During 2005-2008, before the economic crisis, Ruukki exceeded its EBIT margin target and its target for return on capital employed. The company will have paid out dividends totalling EUR 993 million for 2005-2009 (assuming the Board of Directors' dividend proposal of EUR 0.45 per share for 2009 is approved).

Ruukki's financial position is strong. The company's gearing ratio at year-end 2009 was 22.3 per cent (7.9), which is well below the limit set. In difficult market conditions, capital adequacy and low indebtednesss are important assets that enable the company's long-term development.

Efficiency programme progressed faster than planned

Ruukki's three-year, corporate-wide operational efficiency programme, Boost, has progressed faster than planned. In 2009, the programme improved operating profit by a total of EUR 72 million. The annualised impact on operating profit of actions already initiated is around EUR 90 million.

The programme aims at significantly improving the efficiency of Ruukki's operations and at permanently improving the company's competitive edge and profitability. Boost aims at an annualised improvement of EUR 150 million in the company's operating profit by the end of 2011. The programme was launched in October 2008.

The largest single benefits in 2009 were achieved from efficiency measures in the steel business, the centralisation of steel service centre operations in the Nordic countries, improved supply chain efficiency and from construction efficiency programmes in Russia and Poland. The main projects in 2009 under the operational efficiency programme were:

- Within the steel business - steel service centre operations, product offering and expertise were centralised to improve service. Parts processing was centred on the steel service centre organisation in Raahe and Seinäjoki. The steel service centre in Tampere and one of the two centres in Järvenpää, Finland were closed.
- Within construction - operational efficiency was improved by focusing production on increasingly larger units in Finland, the Baltics and Central Eastern Europe.
- Within construction - efficiency programmes were completed at Oborniki in Poland and at Obninsk in Russia.
- Within engineering - competence was strengthened in future growth areas, especially in Central Eastern Europe and China, by focusing operations. In this context, component manufacture was transferred from Sweden mostly to Poland, close to customers.

Strong financial position enables acquisitions

Market conditions did not favour acquisitions and 2009 was a quiet year on the acquisitions front, with only one acquisition completed: Ruukki acquired the entire share capital of Skalles Eiendomsselskap AS, one of Norway's leading steel frame suppliers for industrial and commercial premises. This acquisition has strengthened Ruukki's position in Nordic steel construction. The transaction was completed in February.

Financial targets and their achievement

	Target set	Target	Actual				
			2009	2008	2007	2006	2005
Growth in net sales, %, comparable	2006	>10%	-49.1	2.3	11.5	12.5	18.5
Operating profit, as % of net sales, comparable, excluding non-recurring items	2008 (was >12%)	>15%	-15.7	15.3	17.0	15.6	18.1
Return on capital employed, %	2006	>20%	-14.2	25.6	29.8	31.4	32.8
Gearing ratio, %	2006	~60%	22.3	7.9	1.4	1.2	22.8
Dividend and dividend policy							
Dividend per share, €			0.45*	1.35	1.70+0.30	1.50+0.50	1.40
Dividend per earnings, %	2006	40–60%	neg.*	46.1	60.4	55.1	41.9
Dividend, €m			62*	187	277	276	191

** Board of Directors' proposal.*

Ruukki's strong financial position provides a sound platform for acquisitions and such opportunities are being actively studied the whole time. At year-end 2009, the company's equity ratio was 59.9 per cent (65.9). The company's net interest-bearing liabilities at year-end 2009 was EUR 336 million (155).

Before the global economic crisis, Ruukki invested heavily in stuctural change and growth. Over EUR 270 million has been spent on the many mergers and acquisitions completed between 2004 and 2008 to support structural change. Acquisitions have accounted for around half the growth of the solutions businesses.

Modest, focused investments

Few investments were made during 2009 due to difficult market conditions. Capital expenditure on tangible and intangible assets during the period was EUR 161 million (229), of which maintenance investments accounted for EUR 76 million (76). Capital expenditure on tangible and intangible assets in 2010 is expected to be in the region of EUR 180 million.

Ruukki Construction's capital expenditure in 2009 totalled EUR 37 million (74), Ruukki Engineering's EUR 13 million (19) and Ruukki Metals' capital expenditure totalled EUR 107 million (129).

Since 2005, Ruukki has made new industrial investments of some EUR 430 million. Maintenance investments have averaged EUR 50-80 million a year since 2005.

Recent years have seen Ruukki develop operations and expertise and increase capacity serving construction and engineering industry customers in the emerging markets in Central Eastern Europe, Russia and China. In addition, the company has invested in special steel product expertise and manufacturing capacity. Thanks to investments, Ruukki now has a network of very modern plants both in the Nordic countries and in the emerging markets.

+ More about market conditions in 2009 in the Report of the Board of Directors on pages 82–88 and in the business environment presentation on pages 6–7.

+ Presentation of the businesses on pages 18–23.

+ Ruukki's energy-efficient products and solutions mean cost efficiency for customers. Read more about our product development on pages 30–33.

Acquisitions 2005–2009	At time of acquisition		
	Net sales[1], €m	Employees	Closed
Skalles Eiendomsselskap AS, Norway	16	50	Feb/2009
UAB Gensina, Lithuania	9	82	Dec/2008
Hybri-Steel Oy, Finland			Apr/2008
Wolter Metallverarbeitung GmbH, Germany	5	31	Feb/2008
Aprítógépgyár Zrt, Hungary	43	740	May/2007
Scanbridge AS, Norway	9	75	Apr/2007
AB Omeo Mekaniska Verkstad, Sweden	23	55	Jan/2007
AZST-Kolor CJSC, Ukraine		100	Jun/2006
OOO Ventall, Russia	70	1 250	Jun/2006
Steel-Mont a.s., Slovakia	27	130	Mar/2006
PPTH Steelmanagement, Finland	101	500	Jan/2006
Syneco Industri AB, Sweden	37	495	Oct/2005
Metalplast-Oborniki, Poland	65	685	Jun/2005

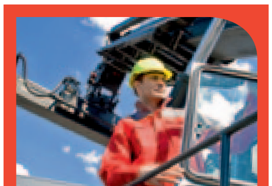
[1] Net sales for the full financial year before acquisition.

Divestments 2005–2009	At time of divestment		
	Net sales[1], €m	Employees	Closed
Colour-coating line Gävle, Sweden		35	Nov/2008
Carl Froh GmbH, Germany	58	200	Jun/2008
Ruukki Welbond BV, Netherlands	10	45	Nov/2007
Ruukki Betonstahl GmbH, Germany	66	68	Nov/2007
Oy Ovako Ab, Finland			Nov/2006
Fredericia Works, Denmark	15	21	Nov/2006
Duisburg service centre, Germany		75	Sep/2006
Metalplast Sytems Sp.zo.o., Poland	8	245	Aug/2006
Reinforcing steel business, Nordic countries	328	690	Aug/2006
Halikko works, Finland	13	100	Oct/2005
Froh HouseTech GmbH, Germany	12	50	Sep/2005
Long steel products (Ovako), Finland	600	1 900	May/2005

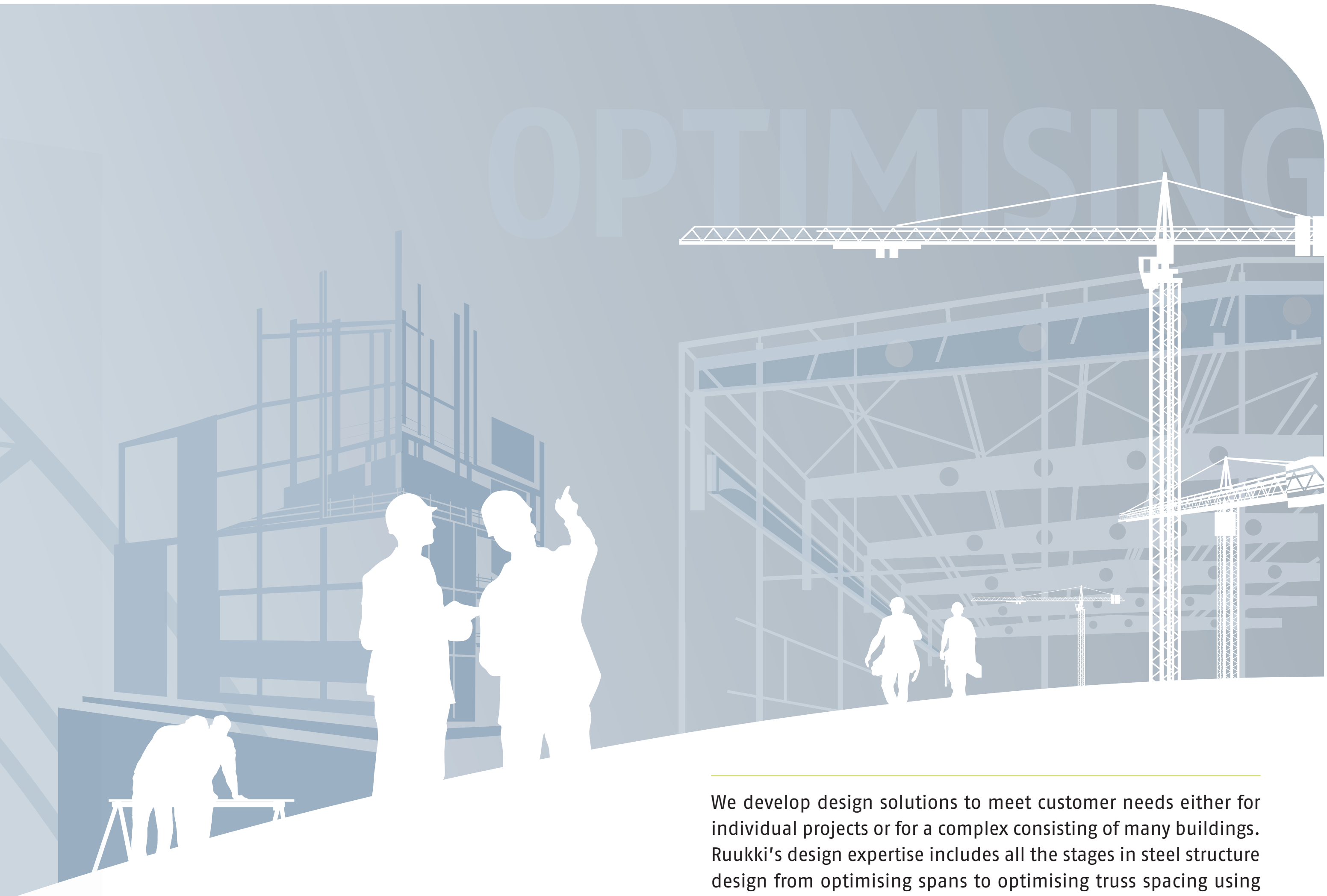
[1] Net sales for the full financial year before divestment.

In difficult market conditions capital adequacy and low indebtedness are important assets.

Key elements of the strategy

	Core business segments	Long-term growth drivers	Main strategy themes	Examples of balancing business structure and scalable businesses
 Ruukki **Construction** Strategic intent: Industry leader in steel construction in Europe	Commercial & industrial construction and residential construction in the Nordic countries, Baltic states, Central Eastern Europe, Russia and Ukraine and infrastructure construction, especially in the Nordic countries.	Growth of national economy. Construction development. Need for commercial & industrial construction in Eastern Europe: undeveloped infrastructure, need for new and renovation construction, growing middle class investing in residential construction.	Strengthening market position in Central Eastern and Eastern Europe. Leveraging capacity invested in.	Increased focus on residential and infrastructure construction and on Western European construction markets. Construction roofing products and concept buildings, such as hall systems.
 Ruukki **Engineering** Strategic intent: Supplier of choice for global heavy machine building	Cabins, booms, equipment for the energy industry and medium and heavy welded structures for European globally operating companies.	Globalisation and improved productivity: creation of new economic zones, growth in global energy consumption and increased demand for renewable energy.	Growing into a real player in the engineering industry. Focus on expertise and resources to develop chosen product areas.	More customers in the energy, offshore, mobile crane and mining industries. Fully-assembled cabins, booms and oil sumps for delivery to the engineering industry.
 Ruukki **Metals** Strategic intent: Leading Nordic steel supplier, with a strong focus on special steel products	Special steel products and strong market position in the steel business on the Nordic markets.	Productivity and energy efficiency: need for increasingly longer-lasting, durable and energy-efficient end-products.	Strengthening market position in Nordic countries and developing global sales and distribution of special steel products. Continuous improvement in cost efficiency.	Increasing share of automotive industry and white goods. Focus on Western European markets and on growing sales also outside Europe. Steel service centre customer service, deliveries and customer application support in all market areas.

Market position	Competitive edges	Main competitors	Main operational efficiency projects	Significant investments	Examples of product development and manufacturing technology
Current market state			**Delivering on the strategy 2009**		
Pacesetter in steel construction in Northern, Central Eastern and Eastern Europe. Leading foundations and transport infrastructure constructor in the Nordic countries. One of the leading residential steel roofing providers.	Innovative, fast, safe, efficient construction solutions to meet customer needs. Integration of prefabricated components and systems. Expert design, project management and installation services. Lasting customer relationships and strong foothold in home markets.	System suppliers such as Lindab, Trimo, Llentab. Component suppliers such as Kingspan, Metall Profil, Balex Metal, Blachy Pruszynski. Construction divisions of global steel companies. Small, local companies. Alternative building materials such as bricks and concrete.	Greater efficiency was achieved by focusing and reorganising construction production activities in Central Eastern Europe, the Baltics and Finland. Efficiency improvement programmes in Russia and Poland.	Investment projects completed in sandwich panel and profile production in Romania, Ukraine and Finland. Certain investment projects in Russia and Ukraine put back due to market conditions.	New RD drilled pile system to improve piling work efficiency in infrastructure construction. Launch of new steel roof, Decorrey.
Leading supplier of systems and components to global OEM customers in the lifting, handling and transportation equipment industry and to equipment manufacturers in the energy industry.	Total deliveries: fully-assembled systems and components. Effective manufacturing network in emerging markets. Ability to efficiently transfer / replicate / ramp-up production in global manufacturing network and to grow internationally with customers. Strong materials expertise. Lasting customer relationships.	Cabin manufacturers such as Fritzmeier, Bosal-Sekura Industries. Boom and boom component manufacturers such as Vlassenroot, Henschel Engineering, PPS Group a.s. Mid-size local component manufacturers.	Engineering competence was strengthened in future growth areas, especially in Central Eastern Europe and China. Reorganisation of operations in Hungary and transfer of production from Sweden to Poland, close to customers.	Mostly equipment investments in manufacture of components for the energy and lifting, handling and transportation equipment industries.	Lifting equipment component and telescopic boom product development, projects to study the use of honeycomb structures in the manufacture of demanding heavy components.
Strong foothold in core markets in the Nordic countries. Cutting-edge maker of special steel products. Extensive range of services in steel service centres in Finland, Sweden, Poland and Russia.	First-class special steel products. Customised products. Flexible, reliable deliveries to meet customer needs either from works, steel service centres or stocks. Extensive network of service centres. Lasting customer relationships and strong foothold in core markets.	Makers of special steel products such as SSAB, Dillinger Hütte, Salzgitter. Nordic service centres such as BE Group, Tibnor, Kontino, Norsk Stål. International steelmakers such as ArcelorMittal, ThyssenKrupp, Corus.	Centralisation and reorganisation of steel service centre network in the Nordic countries. Projects to improve delivery reliability and increase the share of special steel products.	Investments to increase special steel product expertise and capacity and investments in cut-to-length lines in steel service centres in Russia and Poland.	Optim 1500 QC, one of the world's strongest hot-rolled structural steels, made using a direct quenching method developed by Ruukki. Purex colour-coating for roofs, etc.



Project experts ensure construction solutions giving best value and performance

Our design expertise can be integrated into construction projects. When our experts work with customers to identify the best construction solutions, we can already at the quotation stage choose the ones that give the best value and structural performance for the customer.

We develop design solutions to meet customer needs either for individual projects or for a complex consisting of many buildings. Ruukki's design expertise includes all the stages in steel structure design from optimising spans to optimising truss spacing using a range of different structural solutions.

At the installation stage, we ensure structures are installed on time, correctly and safely. In many cases, the structures are highly prefabricated. This translates into less welding on site, which in turn cuts construction time and at best speeds up completion of the entire project.

Our expert project management ensures seamless integration between structure design, completion and installation. Ruukki's project management extends all the way from sales to successful project completion, thus making our customers' overall role much easier.

For example, the steel structure contract for the massive 15,000-square-metre production facilities to be built in Norway for Framo – which manufactures products for the oil and gas industry – includes frame design, manufacture and installation. The solution giving the best overall value and optimum structural performance was identified already at the quotation stage. The steel frame was optimised into a design solution complying with norms and meeting the requirements of demanding crane capacity. Additionally, the frame system for the entire building was modelled using 3D strength calculation software. Foundation costs were minimised so that it was not just good value to manufacture the steel structures, but also to transport and install them.

More with metals.

Ruukki Construction

Solutions for fast, safe steel construction

- **All-round expertise in commercial & industrial and residential construction**
- **Design expertise and local presence an asset in steel construction**
- **Major infrastructure construction contracts**

Ruukki's construction business, Ruukki Construction, supplies more efficient, time-saving steel construction solutions for commercial & industrial construction, as well as for infrastructure construction and transport infrastructure projects and residential roofing products.

Ruukki's aim is to be the industry leader in steel construction in Europe. The strategic focus areas are commercial & industrial construction, residential construction and infrastructure construction.

We seek a competitive edge by innovating solutions to speed up and rationalise construction. Designers, developers and construction firms are served locally by a portfolio of products and services based on international steel construction expertise. We are committed to long-term customer relationships.

2009: Construction's share of consolidated net sales rose to 30 per cent

Ruukki Construction's net sales for 2009 decreased to EUR 589 million (1,067). Negative operating profit excluding non-recurring items was -EUR 49 million (132). Construction accounted for 30 per cent (28) of consolidated net sales. Net sales fell mostly because of weak demand. Net sales of infrastructure construction declined noticeably less than those of other construction sectors due to the good level of activity in road and railway construction projects in the Nordic countries. Operating profit fell as a result of lower sales volumes and selling prices. Selling prices decreased in all market areas during the first half of the year as a result of lower steel material prices and tougher competition. The use of own steel material produced at high raw material prices, together with the use of high-cost external material in stock, impacted on profitability, particularly during the first half of the year.

Efficiency improved by centralising production

During 2009, construction operations were reorganised between plants within the context of the corporate-wide operational efficiency programme. Efficiency was further improved by centralising production, which led to the closure of sites in the Baltics, Czech Republic and Hungary. Production at the profiling units in Latvia and Lithuania was transferred to Estonia. Production at the Czech and Hungarian plants was relocated to larger units in Poland and Romania.

Efficiency programmes were completed at Oborniki in Poland and at Obninsk in Russia.

In Finland, the efficiency of construction operations was further improved in Vimpeli, Alajärvi and Peräseinäjoki and the construction business development and construction residential sales organisations were restructured. The plant at Kalajoki was adapted to serve only engineering industry customers.

New products for increasingly efficient construction

In 2009, Ruukki launched a new version of its RD drilled pile system. The advanced splice technology of the system makes piling work considerably more efficient. The system was launched in Finland, Sweden and Norway. Decorrey, a new steel roof, was launched on the Baltic states and Central Eastern Europe markets in 2009.

Ruukki is focusing on products and business concepts that can be replicated from one country to another. Examples of this in the construction business are residential roofing products, concept building products - such as hall systems - and a fast, cost-competitive solution for residential construction, which will be launched on the Russian market in 2010. (Read more about the energy efficiency of Ruukki's products and solutions on pages 30-33.)

Steel construction awards

Ruukki's expertise received international recognition in 2009. The Swedish Institute of Steel Construction chose Swedbank Stadium in Malmö, Sweden as the Swedish steel construction of the year. The Norwegian Steel Association and the Norwegian Structural Steel Association voted the Ypsilon pedestrian bridge in Drammen as the 2009 steel structure of the year in Norway. The bridge has previously received a Certificate of Nomination in the ECCS Awards for Steel Bridges.

Modest investments

Acquisition of the Norwegian company Skalles Eiendomsselskap AS was completed at the start of 2009. This acquisition has strengthened Ruukki's position in steel construction on the Nordic markets. Integration of Skalles and Lithuanian steel frame company UAB Gensina, acquired in December 2008, progressed to plan.

Investments were modest during 2009. Ruukki Construction invested a total of EUR 37 million during the year. The sandwich panel line at the Romanian plant and transfer of the Ukraine profiling lines were completed at the start of the year. Because of difficult market conditions, start-up of the new sandwich panel line in Ukraine was pushed back and investment in the construction of a panel plant at Obninsk in Russia was discontinued. The extensive investment programme to ramp up construction capacity in Russia and Eastern Europe was already largely completed in 2008.

A new sandwich panel plant was opened in Alajärvi, Finland towards the end of 2009. The high degree of automation at the plant improves competitiveness. At the end of the year, the plant made its first panels complying with the tougher thermal insulation regulations entering into force at the start of 2010.

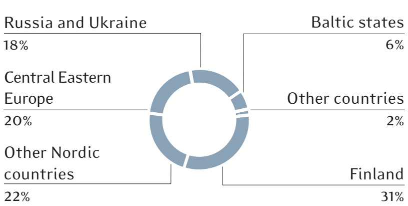
November saw the opening of the latest Ruukki Express service outlet in Kuopio, Finland. Ruukki Express is a sales and service concept for construction professionals and consumers. The concept has 38 outlets, most of which are in the Baltics.

Significant contracts despite challenging market conditions

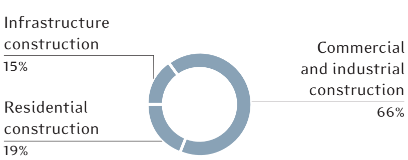
Despite challenging market conditions, Ruukki agreed a number of construction delivery contracts in 2009. These projects include efficient, time-saving solutions for commercial & industrial construction, as well as demanding deliveries for the construction of sports facilities.

The largest single contract, worth around EUR 20 million, in 2009 was for the new Swedish national arena (Swedbank Arena). In addition, Ruukki agreed deliveries for a number of bridges in the Nordic countries: the high degree of structural prefabrication in our steel bridge solutions means less welding on site, which in turn shortens construction time and thus speeds up completion of the entire project. Also in 2009, Ruukki agreed an extensive total delivery for the construction of a combined heat and power plant in Pärnu, Estonia and a steel structure contract for a boiler plant to be built by Metso Power for Kuopio Energy in Finland. A new sports centre in Salmisaari, Helsinki and Ikea's new home furnishings superstore in Tampere, Finland, both currently under construction, are just two projects benefiting from Ruukki's performance-based fire design solution. This solution ensures the fire safety of steel structures and enables the most economically effective fire protection method for different parts of a building.

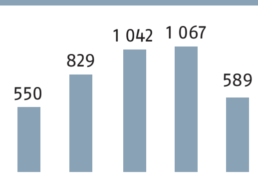
Net sales by region



Net sales by product group

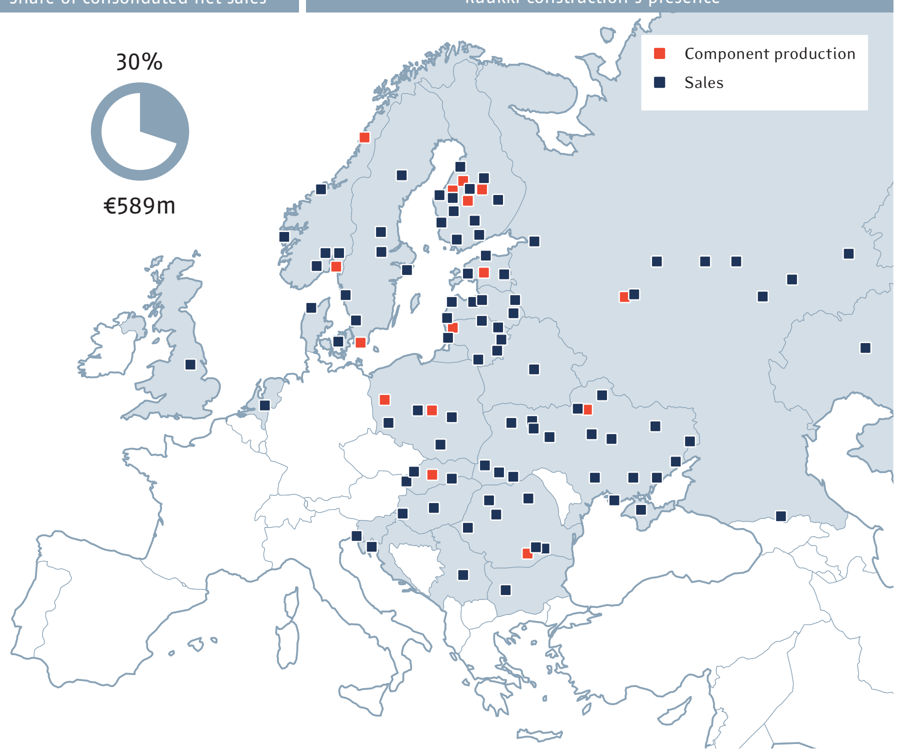


Net sales €m 2005–2009



Share of consolidated net sales

Ruukki Construction's presence *



* 1 February 2010

Ruukki Engineering

Fully-assembled systems for engineering industry customers

- **Harmonised, competent manufacturing network**
- **Fully-assembled cabins, booms, equipment for the energy industry, and medium and heavy welded structures**
- **Multi-site certification covering all units**

Ruukki's engineering business, Ruukki Engineering, supplies components and fully-assembled systems to the engineering industry. Customers are globally operating OEM companies of heavy machinery in the lifting, handling and transportation equipment industry, the energy, offshore & marine and paper industries.

Ruukki supplies customers in the lifting, handling and transportation equipment industry with systems such as fully-assembled cabins and booms for mobile machines, as well as medium and heavy welded structures such as frames. The company delivers nacelle components, flange profiles and windmill tower plates to equipment manufacturers in the energy industry. Ruukki also manufactures oil sumps and common base frames for diesel engines. For customers in the offshore industry, the company provides suction anchors to fasten production rigs to the sea bed. Deliveries to the shipbuilding industry mainly consist of plates and profiles and to the paper industry roll blanks.

Ruukki's aim is to be the supplier of choice for global heavy machine building. The strategic focus areas in the engineering industry are cabins, booms, equipment for the energy industry and medium and heavy welded structures. We are committed to long-term customer relationships and aim to build a world-class supply chain.

Our competitive edge lies in an ability to provide state-of-the-art components and fully-assembled systems for global deliveries. Ruukki has the resources to support the business of its customers internationally: an extensive manufacturing network in the Nordic countries, as well as in the emerging markets in Central Eastern Europe and China, where our globally operating customers are increasingly relocating their own production.

Ruukki is strengthening the use of its own production capacity, improving customer service and broadening its customer base by switching over to a product-based approach and by centralising operations on increasingly larger units.

2009: net sales decreased in all customer segments

Ruukki Engineering's net sales for 2009 decreased to EUR 312 million (765) and negative operating profit excluding non-recurring items was -EUR 16 million (128). The engineering business accounted for 16 per cent (20) of consolidated net sales. Low end-customer demand and de-stocking decreased order intake and net sales for the year were down in all customer segments, with the sharpest fall in shipbuilding and in the lifting, handling and transportation equipment industry. Selling prices also contracted during the year. A number of the division's annual contracts expired during the summer and prices under new contracts were lower than for the previous term of contract. Operating profit was weakened by lower delivery volumes, lower selling prices and, during the first half of the year, the use of stocks of steel material produced at high raw material prices. Owing to sluggish demand in the shipbuilding industry, profitability was particularly poor in the company's Mo i Rana plant in Norway.

Efficiency of manufacturing network further improved

As part of actions under the corporate-wide operational excellence programme in 2009, production at the Hatvan site in Hungary was transferred to the Jászberény component plant. Likewise, the manufacture of welded components at Hässleholm and Oskarström in Sweden was discontinued and transferred mostly to the Polish unit, close to customers.

In future, only engineering components will be made at the Kalajoki plant in Finland and there are plans to transfer the manufacture of engineering components at the Peräseinäjoki unit to other units.

A decision was made at the Mo i Rana plant in Norway to focus on the manufacture of flange profiles for windmill towers. At the end of the year, a decision was taken to study the options, including discontinuing operations in Mo i Rana until further notice, available to correct the unit's financial performance.

Investments in manufacturing technology

Ruukki is investing in new manufacturing technology to serve engineering industry customers. Ruukki Engineering invested a total of EUR 13 million in 2009. The aim is to further boost production efficiency and improve productivity, product quality and delivery reliability. New equipment is being used to manufacture components delivered to customers in the energy equipment and lifting, handling and transportation equipment industries.

In 2009, the division brought into use in Shanghai, China a new production hall for the manufacture of cabins and welded and machined components. At Kurikka in Finland, the year saw completion of the installation of a machining centre and two robot cells in the cabin assembly unit. New machining centres were also brought into use at Sepänkylä, Finland and Jászberény, Hungary.

A start was made on an SAP-based enterprise resource planning system project at the Kurikka, Shanghai and Wrocław units. The system aims to harmonise business processes and production control and will start operating in summer 2010.

Product design expertise for engineering industry

The division strengthens its internal design expertise in engineering products. The Kurikka unit in Finland is to become an R&D centre of excellence, where cabin product development will be centralised. The aim is to further improve the competitive edge and to strengthen Ruukki's competence as a cabin manufacturer and to increase cabin deliveries.

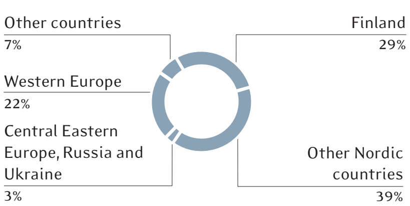
A number of lifting equipment component development projects were initiated with new customers in 2009. Ruukki's high-strength steels are used in boom products. The manufacturing technology for telescopic booms is being further developed. In 2009, research was carried out into the use of honeycomb structures in the manufacture of demanding heavy components. (Read more about the energy efficiency of Ruukki's products and solutions on pages 30-33.)

All units in manufacturing network provide same services of consistently high quality

In 2009, the independent assessment organisation DNV Certification Oy awarded Ruukki Engineering multi-site certification covering all units. This testifies that management, working practices and quality are consistent at all units in all countries. Under Ruukki's integrated management system, certification covers ISO 9001:2000 quality management certification, ISO 14001:2004 environmental management certification and ISO 3834-2 quality requirements for fusion welding of metallic materials.

We are focusing on developing windmill tower structures for different sites and different conditions. Inland, cost-effective wind power generation requires very high windmill towers.

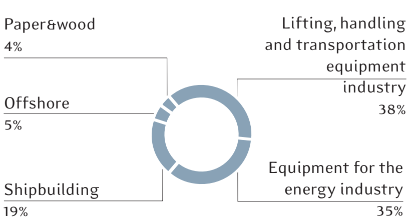
Net sales by customer location



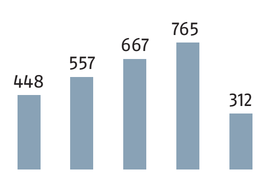
Share of consolidated net sales

Ruukki Engineering's presence *

Net sales by customer segment



Net sales €m 2005–2009



*1 February 2010

Ruukki Metals

First-class special steel products and all-round steel expertise

- **Strong position on core markets in Nordic countries**
- **Greater offering of special steel products**
- **Reliable, extensive network of steel service centres close to customers**

Ruukki's steel business, Ruukki Metals, has a broad product offering including hot- and cold-rolled products, colour- and metal-coated products, as well as tubes, bars, beams and profiles. In addition, stainless steel and aluminium are sold as trading products and processed in service centres for customers. Ruukki also provides prefabrication, parts processing, storage and logistics services together with technical support and consultation. The main customer segments are the heavy and light engineering industry and the construction industry.

The steel business aims at a strong presence on the home market in the Nordic countries and at growing the share of special steel products in the business. We are committed to long-term customer relationships and aim to build a world-class supply chain.

Our competitive edge on the home market is based on an extensive network of steel service centres and stocks, which ensures prompt customer deliveries. Our extensive customer service also includes a broad product and processing offering. A flexible operations model in customer deliveries - direct from the works, service centre or stock - ensures optimal customer solutions also as regards delivery time and accuracy. We help our customers to develop end-products delivering higher performance and work in tandem with customers to plan new applications for the use of steel.

2009: Sales development in colour-coated and galvanised strip products clearly better than in other products

Ruukki Metals' comparable net sales for 2009 were EUR 1,050 million (1,997). Comparable negative operating profit, excluding non-recurring items, was -EUR 228 million (350). The steel business accounted for 54 per cent (52) of consolidated net sales in 2009. Delivery volumes of steel products remained exceptionally low throughout the year. Sales of special steel products decreased more than those of other product groups during the year because of continued low activity in the main industrial sectors that use these products, such as the heavy engineering industry. Negative operating profit for the report period was mainly due to the continued sluggish demand for steel products and to poor price development in the early part of the year. The low steel production capacity utilisation rate during the first half of the year increased costs per unit of steel produced.

Reorganisation of steel service centre network

During 2009, steel service centre operations, product offering and expertise were centralised in a bid to improve service. Parts processing was centred on the steel service centre organisation in Raahe and Seinäjoki. The steel service centre in Tampere and one of the two centres in Järvenpää, Finland were closed.

Manufacture of the company's steel products (formerly Ruukki Production) merged with Ruukki Metals at the start of February 2009. Merging the large production works, tube works and service centres forming the steel business into a new seamless entity was done to improve efficiency and supply chain management. The removal of overlapping functions also means more efficient use of resources and capital, and improves cost efficiency.

Maintenance investments in steel production

A decision was taken in spring 2009 to modernise blast furnace 1 at the steel works in Finland. Environmental investments are planned in the same context. The company is also planning to modernise blast furnace 2 during 2011. Modernisations are necessary maintenance investments. At the same time, the company will switch over to using only iron ore pellets instead of sinter as a raw material in the iron-making process and the sinter plant will be closed down by the end of 2011.

The following investments were completed in 2009: cut-to-length lines at steel service centres in Poland and Russia to improve customer service, increased ladle metallurgy capacity to meet flexibility and quality criteria in steel production, a cold leveller at the cold rolling mill to increase the share of special steel products and investments in plate rolling, a plasma cutting machine and small plate bundling.

End-products capable of greater performance with special steel products

The portfolio of special steel products is systematically being expanded to be able to best meet customer needs. Spring 2009 saw Ruukki expand its offering of special steel products with the launch of Optim 1500 QC, one of the world's strongest hot-rolled structural steels, which is made using a unique direct quenching method developed by Ruukki.

In addition, the dimension ranges of other special steel products such as Raex wear-resistant steels, Ramor armour steels and Optim QC structural steels and quenched and tempered steels were expanded. Some products, including the world's strongest weathering ultra high-strength steel are at the pilot delivery stage.

Customers can use Ruukki's special steel products to design end-products offering higher performance and a prolonged useful life. The structural strength of special steel products translates into lighter structures. In practice this is evidenced in the form of lower fuel consumption and enables a higher payload. Moreover, special steel products are better able than standard steels to withstand wear and tear. This means a longer useful life and less need for maintenance. (Read more about the energy efficiency of Ruukki's products and solutions on pages 30-33.)

Special steel products now in Turkey and China

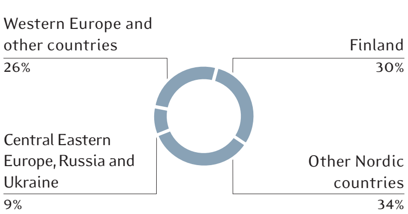
Ruukki expanded its operations into Turkey, where it opened a sales office. Expanding the sales network eastwards improves the quality of its customer service and shortens delivery times. In addition, sales were strengthened in China.

Positive progress was made with safety in 2009 and the accident frequency rate across Ruukki (number of accidents per million hours worked) improved to 8 (11).

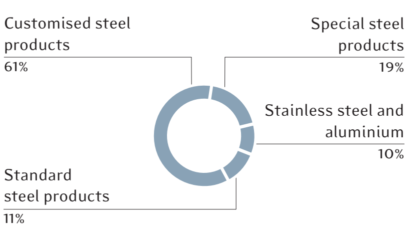
Steel production

Million tonnes	2009	2008
Steel production	1.892	2.585
Plates	0.36	0.54
Hot-rolled strip	0.38	0.43
Cold-rolled strip	0.11	0.13
Galvanised strip	0.29	0.39
Colour-coated strip	0.20	0.27
Tubes and cold-formed sections	0.22	0.42

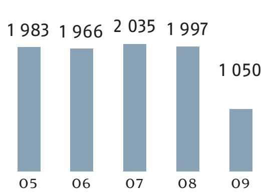
Net sales by region



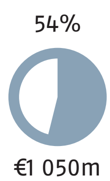
Net sales by product group



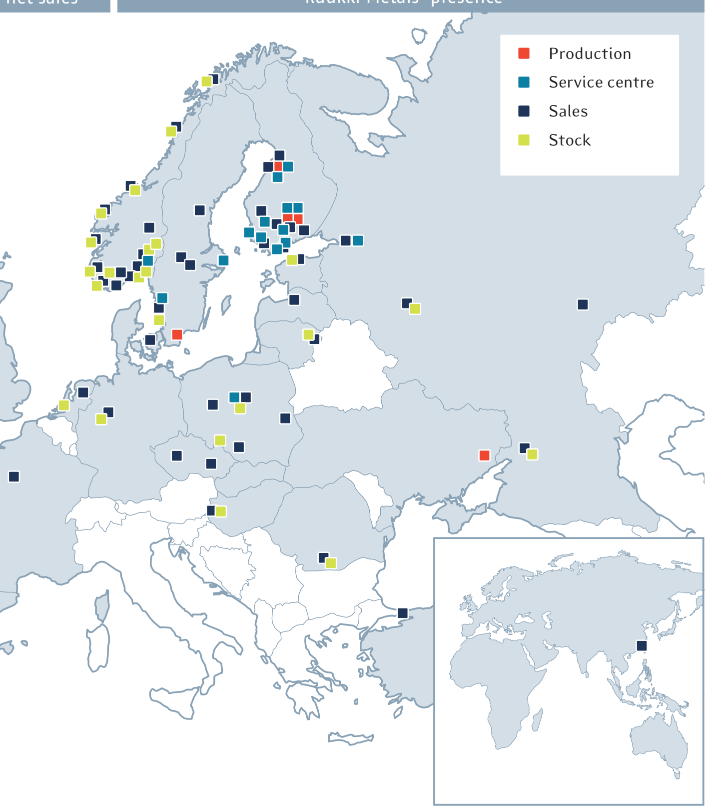
Net sales €m 2005–2009



Share of consolidated net sales



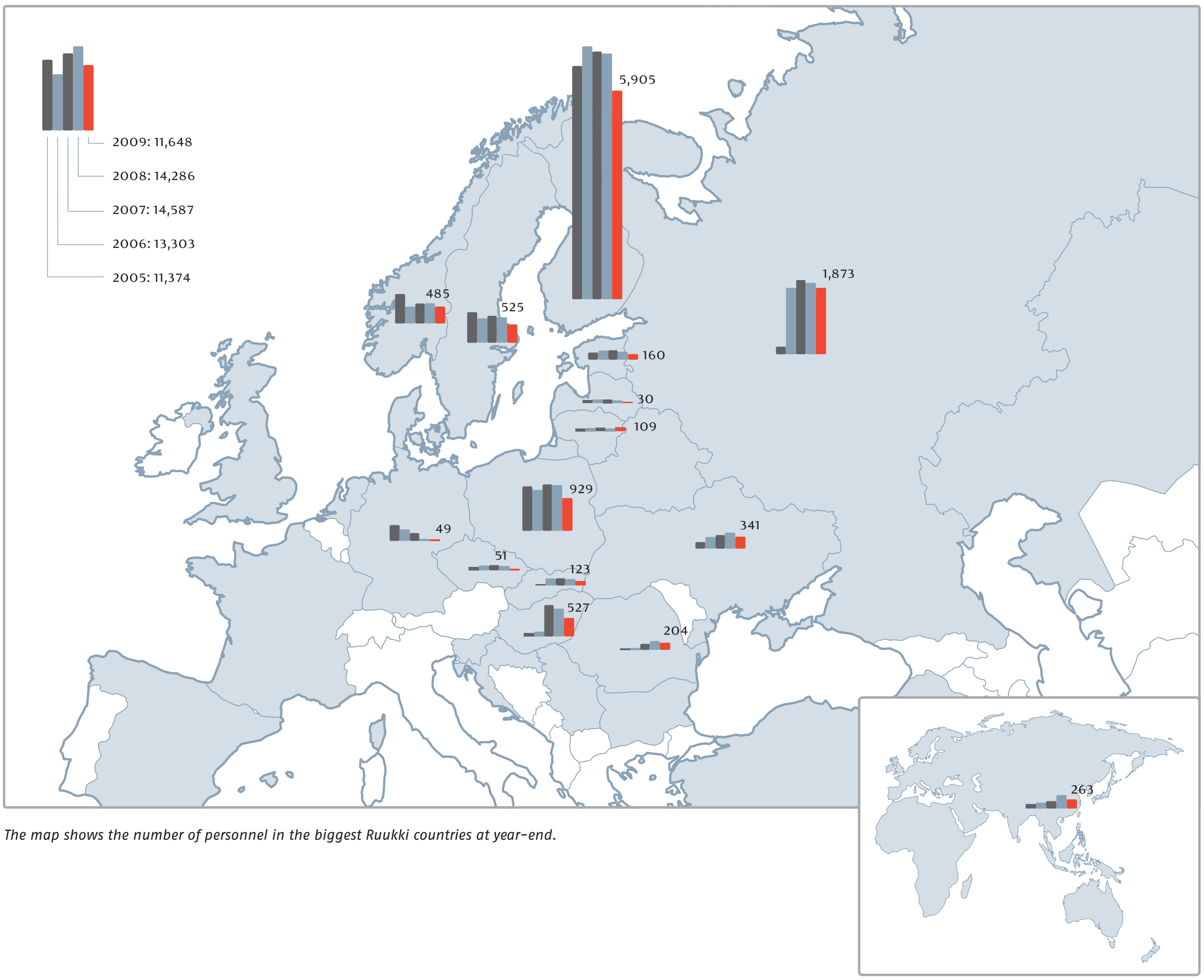
Ruukki Metals' presence *



* 1 February 2010

Ruukki people in 27 countries

- The company's personnel structure has changed as a result of restructuring: over half the personnel have joined the company since 2004.
- Around 52 per cent of the personnel serve customers in the solutions businesses - construction and engineering - and 45 per cent serve customers in the steel business.
- In 2009, the company opened a new sales office in Turkey and strengthened its presence in China.



The map shows the number of personnel in the biggest Ruukki countries at year-end.

Strong foothold in Nordic countries, focus of growth in Eastern Europe

- Maintaining a strong foothold in the Nordic markets is key to the company's long-term profitability in all businesses. Eastern Europe, and especially Russia, is the company's most important growth area.
- Ruukki Construction's main market areas are the Nordic countries, the Baltics, Central Eastern Europe, Russia and Ukraine.
- Ruukki Engineering serves globally operating European companies.
- Ruukki Metals' main market areas are the Nordic countries, the Baltics and Russia, as well as selected customers of special steel products in Europe.

	Belarus	Bulgaria	China	Croatia	Czech Republic	Denmark	Estonia	Finland	France	Germany	Hungary	Kazakhstan	Latvia	Lithuania	Netherlands	Norway	Poland	Romania	Russia	Serbia	Slovakia	Slovenia	Spain	Sweden	Turkey	Ukraine	United Kingdom
SALES OFFICE	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
RUUKKI CONSTRUCTION																											
Component and system production							●	●						●		●	●	●	●		●			●		●	
RUUKKI ENGINEERING																											
Processing			●					●		●	●					●	●										
RUUKKI METALS																											
Production								●																●		●	
Processing								●								●	●		●					●			
Stock							●	●		●	●			●	●	●	●	●	●					●		●	

Units at 1 February 2010.

Replacing business trips by virtual meetings cut travel costs by an estimated EUR 5.3 million in 2009. Translated into carbon dioxide emissions, the saving was around 1,000 tonnes, which equates to the annual carbon dioxide emissions produced by more than 500 single-family houses.

Ruukki's diverse expertise visible around the world

Infrastructure construction

E6 road project

- Highly prefabricated load-bearing steel structures for bridges for Peab Ab
- Shorter installation time speeds up completion of the entire project

Ruukki has a strong presence in transport infrastructure construction in the Nordic countries. In November, Ruukki agreed a contract to manufacture and install the load-bearing steel structures for three road bridges and one railway bridge on the section of road between Skee and Ejgst near Strömstad in Sweden. This is one of the last phases of one of the most important road projects in Sweden on the route leading from Trelleborg, at the southern tip of the country, to Norway. The bridges total almost 600 metres in length.

The high degree of prefabrication of the structures in the steel bridge solution reduces welding work at the site. This in turn cuts construction time and thus speeds up completion of the entire project. Cost savings in demanding bridge projects are also made by sourcing the entire manufacturing process - from raw materials and fabrication to installation - from one partner.

Ruukki has earlier been involved in a number of other E6 bridge projects. Work is currently under way, and scheduled for completion in 2010, on a 600-metre long road bridge spanning the Hudälven river and on the Partihallsförbindelsen link bridge, scheduled for completion in 2011, to interconnect the E45 motorway and E20 road to the centre of Gothenburg.

Commercial and industrial construction

New national stadium in Stockholm

- Manufacture and installation of steel structures and roofing elements for Peab Ab
- Reduced construction risks and improved safety at the building site

A new, multi-purpose stadium, Swedbank Arena, is to be built in Stockholm, Sweden. Ruukki is responsible for the manufacture and installation of the steel structures and roofing elements for the stadium. Ruukki's solution both reduces construction risks and improves safety at the building site. For example, the stadium has been designed so that it can be erected without the need for on-site welding.

When complete, Sweden's new national stadium will be one of the largest stadiums featuring a retractable roof in Northern Europe. The arena will be capable of holding 50,000 spectators for football matches and 65,000 for concerts and other events. Swedbank Arena is scheduled for completion in 2012.

Ruukki's special know-how in the design and frame construction of large, multi-purpose arenas was also put to good use in the construction, completed in 2008, of Malmö Arena in Sweden. The arena was built in a record time of just 20 months.

Recent years have seen Ruukki involved in the design, installation and delivery of structures for a number of arenas in Sweden, Russia and the Baltic states.

Ruukki's focus areas in infrastructure construction are transport infrastructure and harbour construction and building foundations. Partihallsförbindelsen link bridge interconnects the E45 motorway and E20 road.

Bengt Håkansson

Swedbank Stadium in Malmö was chosen as the 2009 Steel Construction of the Year in Sweden. Ruukki was responsible for the design, manufacture and installation of the steel structures for the stadium and for project management. The stadium was completed in early 2009.

Cabins and special steel products

Sisu Auto off-road trucks

- Fully-assembled cabins ready for installation in off-road trucks for Sisu Defence Oy
- Strict schedules and high quality criteria require speed and flexibility

The quality criteria are high for trucks and special vehicles for demanding operations and driving conditions. This is particularly true of the durability of cabin structures. Off-road trucks are required to deliver technical performance and to be both safe and reliable also in extreme conditions. Ruukki and Sisu Auto have been working together on truck development for decades. As a contract manufacturer in the business, Ruukki has the latest expertise and a comprehensive partnership network.

Ruukki has been involved from the design stage in the production of off-road trucks to be delivered to the Finnish Defence Forces. The project benefits from Ruukki's expertise in cabin manufacture. In addition, Ruukki's bullet-proof Ramor armour steel, which passed the Finnish Defence Forces' extremely tough test criteria for its new vehicles, is being used in the truck cabins. Ruukki is also capable of supplying and making spare parts for the trucks throughout their useful life of around 15 to 20 years.

A strict schedule and high quality criteria require cabin manufacture to be fast and flexible. Ruukki supplies cabins for off-road vehicles fully assembled and ready to install. This in turn ensures Sisu Auto's readiness for quick vehicle deliveries. The Finnish Defence Forces are to take delivery of 60 new trucks in early 2010.

Ruukki will further strengthen its expertise as a cabin manufacturer when the Kurikka unit in Finland becomes a centre of excellence focusing on the product development of Ruukki's cabins.

Medium and heavy welded structures

Oasis of the Seas cruise vessel

- Delivery of steel products for the cruise vessel to STX Finland and project management of deliveries
- Accurate deliveries helped ensure successful completion of the project to a tight schedule

Oasis of the Seas, the world's largest cruise vessel, was completed at the Turku shipyard in Finland in late October. Because work on design and production took place at the same time, the project was carried out to an extremely tight schedule. This also made great demands on the delivery accuracy of the construction materials needed.

Ruukki was 70 per cent responsible for delivery of the steel products for the ship. The hull of the vessel was built one block at a time, with the plates for each block being delivered to the customer at the same rate as the plans progressed. The hull consists of a total of 181 grand blocks, the largest of which weigh 600 tonnes. Because of the exceptional scope of the project, Ruukki's own project engineer and a representative of the customer oversaw deliveries and progress of the project on site.

Ruukki was able to book capacity on the production line in advance to the customer's forecasts. STX Finland did not need to order large quantities of plates for storage because it was able to order exactly the right grades and dimensions for just-in-time delivery as the plans progressed and needs became clear. Work is currently under way on building Oasis of the Seas' identical sister vessel, Allure of the Seas, which is scheduled for completion in late 2010. Ruukki also supplied most of the steel products for this vessel.

STX Europe

Oasis of the Seas is around 360 metres long and can accommodate 6,300 passengers and more than 2,000 crew members.

Fully-assembled cabins for mobile machines ready for the customer to install

Ruukki has a sound track record in the manufacture of cabins for mobile machines. Globally operating customers use Ruukki's fully-assembled cabins in their end-products in goods and container handling, mining, forest and construction machinery.

Our focus is on the continuing product development of cabins and on improving our manufacturing network. If a customer requires, we can even assume responsibility for cabin design and production from start to finish. We work together with original equipment manufacturers to identify the overall best-value solutions to deliver optimum performance and serve machine operators far into the future.

Our cabins are designed for a specific purpose depending on the features required. Cabins must not only be aesthetically pleasing, but also deliver top performance and have state-of-the-art ergonomics. Important features also include practical use of space, good visibility and optimal control positioning. Concept design of new generation cabins benefits from virtual technology and the trend is towards modular design.

The strong cabin production expertise of our Kurikka unit in Finland is a good platform for product development and for growing cabin deliveries. A sound track record in design, modern design tools and manufacturing technology, phased product lines and an emphasis on quality assurance guarantee optimum solutions for our customers. Ruukki delivers tested cabins, fully-assembled and ready-to-install, to the customer's production process, thus ensuring customers' ability to make fast, flexible deliveries of mobile machines.

More with metals.

Research and development activities create solutions to customers' challenges

- **Focus on steel construction solutions and engineering, as well as on special steel products**
- **Almost twice as many new products and solutions launched compared to previous year**
- **Energy efficiency is improved by making structures lighter and developing construction components and prefabrication technologies. In addition, solutions are designed to utilise renewable energies**

Research and development at Ruukki is driven by customer needs, which include shorter construction times, improving the fuel economy of transportation equipment, new cabin design, making buildings more energy efficient and increasing boom lifting height. At the same time, the aim is to make solutions and products that deliver good profitability and to improve the cost-effeciency and safety of manufacturing processes.

Ruukki strives to speed up the innovation process and to achieve world-class competence in the development of products and solutions. This in turn enables us to also improve our customers' products and their profitability. The company utilises the latest technology and works closely with an extensive network of outside experts.

Consistent with the company's strategy, the thrust of research and development activities is on steel construction solutions, engineering products for the lifting, handling and transportation equipment industry and to meet the needs of energy production, as well as on high-strength, wear-resistant and coated special steel products.

Despite the challenging business environment in 2009, the company allocated slightly more resources to R&D activities. These activities focused on projects delivering quick results or savings, as well as on strategically important long-term development programmes. Compared to the previous year, the company launched almost twice as many new products and solutions resulting from R&D. Cost-efficiency and new production technologies formed the main thrust in the development of production processes. Many technology projects were part of Ruukki's operational excellence programme.

Strategic centres provide greater customer perspective to R&D

More resources were allocated to competence development and long-term research in 2009 than in earlier years. The company was actively involved in establishing and launching the activities of national Strategic Centres for Science, Technology and Innovation (CSTI) in Finland.

Ruukki is a shareholder in three CSTI companies - the Finnish Metals and Engineering Competence Cluster (FIMECC Ltd), the Cluster for Energy and Environment (CLEEN Ltd) and the built environment cluster (RYM Ltd) - that are consistent with the company's strategic objectives. FIMECC's first research programmes began in autumn 2009 and Ruukki is currently participating in four five-year projects. The company's significant contribution to the preparation of several programmes has helped them to get off to a brisk start.

To improve networking and competence, Ruukki has also established internal teams of specialists for breakthrough materials, structural performance and design rules, as well as manufacturing technology. These teams of specialists are tasked with sharing state-of-the-art design, materials and manufacturing technology, tracking international development, spearheading specialist and research networks in their field, promoting new innovations and heading preparations for new research programmes.

Coatings to combat dirt and corrosion

Ruukki's work on the coatings development front has set new standards in the corrosion resistance properties of colour- and metal-coated steels and tubular products. This benefits both construction and the engineering industry. In 2009, as the result of an extensive study, Ruukki was the first company in Europe to successfully determine how hot-dip zinc coating can provide safe, reliable corrosion resistance for high-strength tubes used in steel construction.

The product quality of Pural special coatings used in roofing products was further improved by developing their long-term durability and by increasing coating formability. A new Purex coating was added to the coating range of roofing products. Research activities focused on new coatings reflecting energy and on the self-cleaning and self-repairing properties of colour coatings.

Tools for construction sales and design

Advanced IT solutions are used as support between construction sales and design and construction partners. Ruukki has developed tools for the design and sale of construction components to promote the effective and competitive use of products. These tools include the company's own software applications and other software tools for which customised toolkits are available for general use.

In 2009, the main thrust was on software for single-storey construction, i.e. hall systems, and construction components. The single-storey construction concept and associated software application to provide detailed offers is now more competitive and can better meet individual customer needs.

The company also started to use design environment software based on standard modelling. This enables data to be transferred between different construction partners. Ruukki also added other design software based on building information modelling (BIM) to its product portfolio.

New composite beam for multi-storey construction

In 2009, Ruukki's composite WQ beam was successfully used in a number of construction projects in intermediate and upper floor structures and has proved to be a cost-effective solution. The composite WQ beam works on the basis of technology patented by Ruukki to ensure integration of the hollow floor slab screed and the beam.

The technology can be used to achieve larger spans and higher payloads using less material. In addition, to direct cost savings, lighter beams also mean lower transport and installation costs.

Fire protection means safe buildings cost efficiently

Performance-based fire design developed by Ruukki ensures the fire safety of buildings and helps in the choice of the most cost-efficient fire protection method in each case. A fire protection method for steel structures based on water-sprinklers was further improved during the year and used in a number of large projects. The one-hour fire resistance achieved for steel structures without separate fire protection considerably improves the competitiveness of steel frames and overall building safety.

In addition, a method based on performance-based fire design simulation was successfully used in a number of construction projects. The method can be used to indicate that fire resistance requirements for steel structures are met in certain premises using minimum fire protection.

Water provides strength and wear-resistance for special steel products

Applications using high-strength, wear-resistant steels have less adverse impacts on the environment. These steels are particularly suitable for lifting, handling and transportation equipment structures, parts exposed to wear and tear or for ballistic protection.

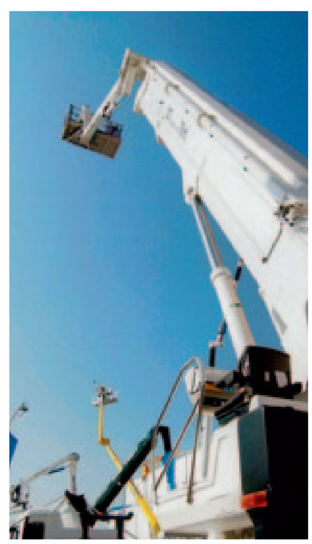
During 2009, the focus of product development in hot-rolled steels was on using water cooling for strip and plate products after rolling. A combination of direct quenching, the right chemical formula and rolling parameters make the internal structure of steel change relatively quickly at low temperatures. The end-result is ultra high-strength, tough steel that has less adverse impacts on the environment in the applications in which it is used.

The dimensional ranges of Raex wear-resistant steels, Ramor armour steels, Optim QC structural and quenched and tempered steels were expanded during the year. In addition, many promising new products progressed to the pilot delivery stage:

- Raex 300 was added to the range of wear-resistant steel products
- Cold-formable, thermomechanically-rolled Optim 700 MC was improved and has received good customer feedback. The steel's cuttability, formability and toughness is much better than that of similar products
- One of the world's strongest hot-strip steels with a tensile strength exceeding 1500 MPa

Two FIMECC programmes made a start on long-term research to develop future breakthrough products in ultra high-strength and wear-resistant steel.

Using direct quenching technology, the company also developed a new tubular product, Raex HS 400, for use in wear-resistant conditions. This product has performed excellently in test applications and achieved a degree of use that was obtained earlier only by using complex steel structures. The first product deliveries to customers were made towards the end of the year.



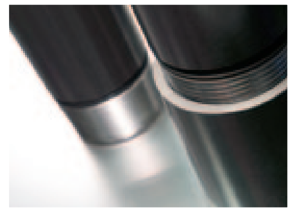
The manufacture of special steel products using the direct quenching method represents a completely new technology and the focus of process development has been on improving the manufacturing conditions for special steel products throughout the processing chain. Investments already made and R&D activities have improved the qualitative and production conditions, broadened the dimension range and enabled the launch of new wear-resistant steels and high-strength products.

After these new launches, Ruukki will have a much wider range of residential roofing products, with excellent solutions of good price-quality ratio for all market segments.

Roof to go with the house

The report year saw the launch of two new roofing models: Decorrey and Classic Premium. Decorrey can be recognised by its low-key, simple design and it strengthens Ruukki's offering and competitiveness in roof solutions in the Eastern European market at the lower end of the price range. Classic Premium is made of top quality embossed steel combined with a layer of sound insulation and represents the ultimate in roofs. More new roofing products, including the Finnera modular roof, will be launched in 2010.

Ingenious, effective drilled pile



One of the applications of high-strength steel is Ruukki's steel piles used in foundation construction. Thanks to increasingly stronger steel, less material is required or the foundations can withstand larger loads. The steel casing of a pile installed by drilling serves as a protective pipe during drilling and as a load-bearing structure in the finished project.

Work on developing higher-strength pile materials continued during 2009 and focused on improving the parts of small piles such as splices, pile caps and rock shoes. A new type of splice for drilled piles means improved pile performance and better installation. In early 2009, Ruukki brought into use a new drilled pipe production line that enables the cost-effective on-site installation of drilled pile elements up to 12 metres in length.

Pöyry Architects Oy

Around 80 per cent of a product's environmental impacts are determined at the design stage

Ruukki is to deliver panels for Primula's production and logistics centre, which is scheduled for completion in autumn 2010 and is one of the first building projects in Finland to receive LEED certification. The Leadership in Energy and Environmental Design (LEED) standard is used to assess the lifetime environmental impact of a building.

Ruukki's long experience enables it to provide information to assess the environmental impacts of steel solutions starting at the design stage. The right design can affect around 80 per cent of a product's environmental impacts.

Energy-efficient products and solutions mean cost-effectiveness for customers and help to prevent climate change

The push for excellent energy efficiency is playing an increasingly key role in the company's research and development activities. For the customer, this translates into lighter structures, lower energy costs or reduced emissions. A good example of work on this front is Ruukki's 230-mm thick sandwich panel with a mineral wool core, which already fully complies with the new 2010 building regulations, and our drive to improve the airtightness of structures.

A large share of energy consumption and emissions during the lifecycle of a product occur during use. The energy consumption and carbon dioxide emissions arising from making a product in transport equipment, for example, may well be just a small part the environmental loading during its useful life. The recyclability of steel is a considerable factor in the entire lifecycle environmental impacts of a product. Steel can be fully recycled indefinitely without changing its properties.

Special steel products improve material efficiency of end-products

Special steel products of high-strength and wear-resistant steel improve the material efficiency of end-products and enable a longer useful life or structures with greater load-bearing capacity.

An efficiency calculator was launched in 2009 to calculate the potential energy savings to be made by using special steel products in transportation equipment. The calculator provides customers with information about the carbon footprint of their products - such as a tipper bodies and cement mixers - throughout their useful cycle.

Utilising special steel products in heavy transportation equipment, for example, can reduce the weight of a tipper body by up to 800 kg. This in turn not only increases the payload by as much 7.7 per cent, but also cuts fuel costs and carbon dioxide emissions. During the course of ten years, the reduction in weight of a full trailer combination truck can save 60,000 litres of fuel and produce 160 tonnes less carbon dioxide emissions.

Fast installation technologies and efficient transportation save energy in construction

Ruukki's steel construction solutions take into account increasingly stricter requirements for the energy efficiency of buildings. Prefabrication technologies ensure manufacture and installation processes are material and energy efficient. Less fuel is required to transport steel structures compared to heavier materials. Examined from a total lifecycle perspective, steel is an energy-efficient construction material because it can be fully recycled and because steel structures are long-lasting and can be easily modified.

In 2009, Ruukki developed concept solutions for low- and zero-energy office building structures and building technology. These solutions will, in the near future, drive product development to the commercialisation stage and launching. The solutions combine fast, effective industrial construction with modular product parts, customised site-specific solutions, energy efficiency and competitive costs both at the construction stage and throughout the building's lifecycle.

Potential in renewable energies

Future construction will see increasing use of solar power collection systems integrated into structures. Metal and glass façades and roofs are ideal for various solar power and heat solutions, such as base for solar panels or energy coatings. Ruukki is also studying the potential of using piles to collect thermal heat and geo cooling.

The company is contributing to promoting the use of emission-free energy sources such as wind power, which is constantly growing increasingly more cost-effective to customers. Particular attention is being given to the development of windmill towers for all conditions, taking into account the requirements of the installation site. Ruukki is also involved in a pan-European project to develop the use of the properties of high-strength steels in wind turbines. Wind conditions and energy efficiency improve if a wind turbine can be built higher, above terrain obstacles.

We are involved in the joint European ULCOS (Ultra-Low CO_2 Steelmaking) project, which has the long-term aim of halving carbon dioxide specific emissions.

Responsible behaviour even more important during challenging times

- **Focus on improving safety and energy efficiency**
- **Certified ISO 140001:2004 environmental management and ISO 9001:2000 quality management systems cover 98 per cent of production and 87 per cent of personnel**

Ruukki is committed to corporate responsibility and to the principles of sustainable development. Under its strategy, the company's particular focus of responsibility is on the continuous improvement of safety and on improving the energy efficiency of products.

The principal objective of corporate responsibility is to ensure the company's long-term business conditions from the financial, social and environmental aspects. Financial responsibility forms the foundations on which everything is built. Competent people and a well-managed social and environmental responsibility agenda create a cornerstone for profitability.

In 2009, Ruukki was chosen for continued inclusion in two Dow Jones Sustainability indexes: DJSI World and DJSI STOXX. These indexes include the top companies committed to sustainable development. Ruukki ranks among the world's seven best steel companies in the DJSI World index.

Corporate responsibility is part of business

In practice, corporate responsibility at Ruukki is shared between the company's different sites and support functions. This ensures application of corporate responsibility as an integrated part of business activities.

The company's operations are driven by:

- corporate governance
- Code of Conduct
- corporate strategy

In addition, the management of different sectors of corporate responsibility is defined in the:

- safety management principles
- environmental policy
- principles of social responsibility
- quality policy

In 2009, the company set up a team to coordinate corporate responsibility and thus strengthen its development. The team consists of representatives from all sectors critical to corporate responsibility: environmental, legal, human resources, risk management and communications. The team aims to assess and develop the company's activities on the corporate responsibility front, to increase know-how within the company, to identify opportunities and to manage risks.

Assessments made in 2009 indicate that Ruukki performed well in corporate responsibility in the company's governance, environmental policy, climate change management and in human resources practices, for example. However, there is still room for further improvement particularly in supply chain management and corporate responsibility reporting. Development plans based on the assessments made and the company's business needs have been drawn up and implementation will continue during 2010.

A dedicated corporate responsibility intranet site was opened for Ruukki's personnel in September 2009.

Contributing to the community in many ways

Ruukki impacts on the surrounding community in many different ways. The company is a major local and regional force in many places where it operates, acting as an employer, a buyer of regional goods and services and a benefactor of local communities.

In sponsorship, Ruukki aims to support efforts that are aligned with the company's business or whose image otherwise is compatible with the company. Sponsorship efforts are geared towards long-term cooperation.

One important sponsorship effort during 2009 was an exhibition at the acclaimed State Tretyakov Gallery in Moscow by the Finnish sculptor Kari Huhtamo. Ruukki was the main sponsor of the exhibition, which in many ways was an historic event because Kari Huhtamo is the first Finnish artist to have been invited to hold an exhibition at the Tretyakov Gallery. The exhibition featured the sculptor's works from a period spanning almost 30 years. Huhtamo mostly uses steel as a material for his sculptures.

During the year, Ruukki sponsored numerous sports associations, including their junior activities. The company also provided financial support to numerous other organisations, especially those in and around the places it operates. Furthermore, Ruukki made donations to help needy children. In Russia and Ukraine, the company supported children's homes for orphans, sick or handicapped children. In Germany, funds were allocated to help children in areas of war or areas undergoing reconstruction. Instead of sending Christmas cards, Ruukki made a donation to UNICEF.

Responsible Ruukki

Sectors		Examples of achievements in 2009
Financial responsibility	• Achievement of financial targets and creation of value added to stakeholders • Responsible operations as an integrated part of the supply chain	• Economic value of EUR 2,242 million was distributed to stakeholders. Under the Board of Directors' proposal, shareholders will be paid a dividend totalling EUR 62 million for 2009. • Actions taken under the corporate-wide operational excellence programme improved corporate profitability by around EUR 72 million or about EUR 90 million annualised. • Overall customer satisfaction improved for the second year running.
Social responsibility	• Ensuring a safe, continuously improving work environment • Fair and just treatment of the personnel	• The company focused on identifying the strengths of the personnel, leadership development and safety. • Workforce reductions sought to achieve sustainable solutions. • New leadership training programmes were deployed. One third of managers took part in a training programme providing them with practical leadership tools during difficult times. • Accident frequency rate (number of accidents per million hours worked) improved to eight (11).
Environmental responsibility	• Minimisation of a product's environmental impacts during its life cycle • Promotion of energy efficiency	• Energy-efficient solutions for customers were developed using special steel products and the focus was on improving the airtightness of building structures, for example. • Progress was made in energy efficiency in production. The aim is an energy saving, compared to 2005, of nine per cent by 2016. • Recycling steel and use of mineral products reduced global carbon dioxide emissions by 610,000 tonnes. • Environmental investments totalled EUR 21 million.

Recognition in international ratings

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

Dow Jones Sustainability Indexes
Member 2009/10

The latest Carbon Disclosure Project (CDP) performance ratings show that Ruukki ranks among the top Finnish companies and among the best in its sector in the Nordic countries.

CARBON DISCLOSURE PROJECT

During the year, our research and development organisation continued work on building cooperation with chosen colleges and universities in Poland, Hungary, Ukraine, Russia, Romania and the Czech Republic.

To promote research and training in the metal industry, Ruukki teamed up with four other corporate members of the Metals Industry branch of the Federation of Finnish Technology Industries to establish a new fund in connection with the Technology Industries of Finland Centennial Foundation. The purpose of the fund is to promote metals-related teaching, scientific research and studies in universities and research institutes. In 2009, the fund awarded grants and recognition awards totalling almost EUR 300,000.

In accordance with its principles, the company made no donations to political or religious organisations.

Safe products of consistent quality

Product safety at Ruukki is based on compliance at all the company's units with the applicable legislation and generally accepted policies applying to quality control and safety. Ruukki conforms to at least the minimum product safety requirements provided by local legislation in each country in respect of those products sold to customers in the countries concerned. In addition, customers often require products to meet stricter criteria than those provided by law. Compliance with existing quality management systems ensures these criteria are met.

Ruukki is responsible for the quality assurance of the raw materials and components used in its own production and makes and tests finished products in accordance with quality requirements, specifications and standards. In respect of the products it designs, Ruukki, takes safety into account as required by the product development process (SPM) already at the design stage of the product concept. A detailed risk analysis describing project risks, their importance and likelihood is carried out in conjunction with the project plan.

Ruukki's quality and environment matters are managed in accordance with quality management standard ISO 9001:2000 and environmental management standard ISO 14001:2004. Certification indicates that both the management system and ways of working are similar at all sites covered by the system. Harmonised ways of working help to ensure consistent quality irrespective of where a product is made. In 2009, business-specific management systems covered 98 (98) per cent of production and 87 (80) per cent of the personnel.

Ruukki actively and openly communicates about the life cycle environmental impacts of its products and provides customers with information about the safe use of products.

The safety of the chemicals used in the manufacture of Ruukki's products is assessed for the whole lifetime of a product. Ruukki collects the information required on the substances and preparations it uses for REACH chemical safety assessment and ascertains the further use of its products. Where required, Ruukki contacts its customers and suppliers to collect and provide the information needed.

The company has prepared environmental product declarations for its most important product groups. These declarations have been examined by outside specialists and in accordance with Building Information Foundation (RTS) guidelines. The environmental product declarations are based on national methodology in conformance with ISO 14040 and ISO 14020 standards. The declarations contain information about the raw materials, energy used and emissions generated in making the products, as well as information about product recyclability.

Regular reporting part of corporate responsibility

Ruukki regularly reports corporate responsibility matters. The corporate responsibility report is published yearly as part of the company's annual report and is supplemented by the Corporate Responsibility section on company's website. Reporting is based on Global Reporting Initiative (GRI) G3 guidelines.

+ More about Corporate Governance on pages 58–65, the Code of Conduct on pages 62–63 and safety on pages 46–47.

+ Corporate responsibility information is supplemented by the Corporate Responsibility section on our website, which features a comparison with GRI G3 reporting guidelines and up-to-date information about quality and environmental management systems.

Stakeholder touchpoints

Ruukki's principal stakeholders:	Feedback from stakeholders indicates the following matters are especially important in corporate responsibility:
■ Customers ■ Personnel ■ Investors and owners ■ Suppliers and subcontractors ■ Educational establishments and other partners ■ Media ■ Society at large	• use of environmental management systems • compliance with legislation and good business practices • energy efficiency and lower carbon dioxide emissions • safe working practices and use of chemicals • workplace well-being • materials recycling • risk management • business opportunities from climate change • active involvement in developing local communities, training and society at large

Ruukki is an active member of the following organisations:	Research is carried out also with the following organisations:
■ Federation of Finnish Technology Industries ■ Association of Finnish Steel and Metal Producers ■ Confederation of Finnish Industries EK ■ Suomen ElFi Oy (ElFi) ■ European Confederation of Iron and Steel Industries (Eurofer) ■ World Steel Association (worldsteel)	• universities • in Finland, FIMECC, RYM and CLEEN national Strategic Centres for Science, Technology and Innovation (CSTI) • VTT Technical Research Centre of Finland • joint European ULCOS project (Ultra-Low CO_2 Steelmaking) • Tekes – the Finnish Funding Agency for Technology and Innovation's CCS (Carbon Capture and Storage) – study • Swerea MEFOS • Finnish Environment Institute (SYKE)

+ Further information about how Ruukki studies stakeholder expectations and how it responds to them is available on our website at www.ruukki.com.

The art of steel

Sculptor Kari Huhtamo is the first Finnish artist to have been invited to hold an exhibition at the acclaimed Tretyakov Gallery in Moscow. Ruukki was the main sponsor of the "Variatio arctica sculptura" exhibition, which was held in the autumn of 2009.

Strong financial position enables long-term development of operations

- **Efficient operations create economic value added to stakeholders**
- **Customers satisfied with product quality, delivery accuracy and smooth cooperation**

Ruukki is a financially reliable and responsible partner. The company's own operations enable it to create economic value to internal and external stakeholders alike. Business profitability forms a platform for value creation, but in the kind of market environment experienced during 2009, operational excellence is also a particular focus. Creating future value for stakeholders requires the continuous development of the company's working practices and good business risk management.

Ruukki seeks to achieve its targets through ethically and socially fair business and is committed to long-term cooperation with customers and subcontractors.

The global economic crisis severely shook Ruukki's customer industries in 2009. The crisis struck all market areas including Eastern Europe, which was hit harder than expected. A strengthening of the euro, the company's main sales currency, also hampered net sales performance. Net sales for 2009 fell by 49 per cent and the company posted a negative operating profit. This meant the company was way below financial targets set. Viewed from longer perspective, however, Ruukki has grown its business profitably. Between 2005 and 2009, the company exceeded its net sales growth target three years in a row and its operating profit margin and ROCE targets four years running.

To improve operational efficiency and permanently improve its competitive edge and profitability, the company initiated a corporate-wide operational excellence programme in autumn 2008. The programme has progressed faster than expected and actions taken under the programme in 2009 improved corporate profitability by around EUR 72 million. As a result of difficult market conditions, the company also had a number of adjustment measures under way. These measures generated cost savings of around EUR 25 million. Thanks to the above actions and measures, the company's cost structure is permanently lower and cost-competitiveness has greatly improved compared to earlier. This will enable profitable business growth to continue once the economy again returns to an upswing.

The company's financial position is strong. Gearing at year-end 2009 was 22 per cent (8). This is well below the level the company considers optimal as regards the cost of capital. In market conditions like the present ones, capital adequacy and low indebtedness are good buffers that enable the company to steer through the economic crisis and to continue long-span operational development.

Customers value quality and delivery accuracy

Ruukki's operations are customer driven. In 2009, the company had around 12,000 active customers, of which the ten largest accounted for around 15 per cent of net sales.

An annual customer satisfaction is one of the ways Ruukki measures customer expectations and feedback. In 2009, the survey was completed by almost 1,700 customers across 25 countries. The results indicate that customers are especially satisfied with Ruukki's product quality, delivery accuracy and smooth cooperation. Overall customer satisfaction improved for the second year running.

The results of the customer satisfaction survey are used to draw up detailed development plans, which impact directly on business practices and processes both locally and corporate-wide. In earlier years, Ruukki has implemented a number of projects that have improved delivery reliability and accuracy. The results of the 2009 survey indicated that further improvements still need to be made to delivery speed, product availability and to dealing with problem and change situations.

During 2008–2009, Ruukki introduced a new customer relationship management system corporate-wide to improve customer service and customer relationship management. Designed to meet the needs of sales, marketing, technical customer support and product development, the system helps in practical customer work, customer information management, quotation and contract management and in screening potential new customers.

Sourcing practices harmonised

In sourcing, Ruukki values delivery flexibility, reliability and accuracy, taking into account cost factors. Ruukki's Code of Conduct is taken into account in the general terms and conditions of sourcing contracts. Ethical values, environmental matters and energy efficiency are also weighed up when choosing suppliers. To take a case

Customer satisfaction

	2009	2008	2007	2006
Customer satisfaction index*	–0.56	–0.59	–0.71	–0.60

** The index is calculated on the basis of the results of the customer satisfaction survey (importance–how successful Ruukki is). An average score below –1.0 is critical, –1.0 – –0.5 needs improvement and over –0.5 is a strength.*

in point, the lifecycle energy efficiency of production lines is an increasingly important factor when choosing future suppliers.

One of the main aims of the Sourcing function in 2009 was to cut the number of suppliers. The number of suppliers fell from approximately 33,000 to approximately 20,000. This was achieved mostly by changing working practices in small-scale sourcing and by actively centralising sourcing. Internal sourcing cooperation at Ruukki intensified and international sourcing teams collaborated across national and divisional borders. Ruukki also introduced a new supplier management system, which features uniform instructions, working practices and terms and conditions to make purchases. Utilisation of the new system will be stepped up during 2010.

Raw materials account for Ruukki's most financially significant purchases. Most of the iron ore, limestone and iron pellets are imported from Sweden and coal from North America and Australia. In 2009, 50 per cent of sourcing was from Finland, with low-cost countries accounting for less than 10 per cent.

Member of the community

Ruukki's income tax in 2009 totalled –EUR 84 million (142). Income tax was negative because the company showed a loss. Deferred tax assets were booked for losses because the company expects to accrue future taxable income against which the loss for the exceptionally weak year of 2009 can be deducted. Besides income tax, Ruukki pays other public charges such as real estate tax.

The company received public support of EUR 2.5 million for its product development projects. Tekes - the Finnish Funding Agency for Technology and Innovation contributed EUR 2.3 million of this figure and the remaining EUR 0.2 million came from the EU.

Under the Board of Directors' proposal, shareholders will be paid dividends totalling EUR 62 million for 2009.

EUR 29 million spent on product development

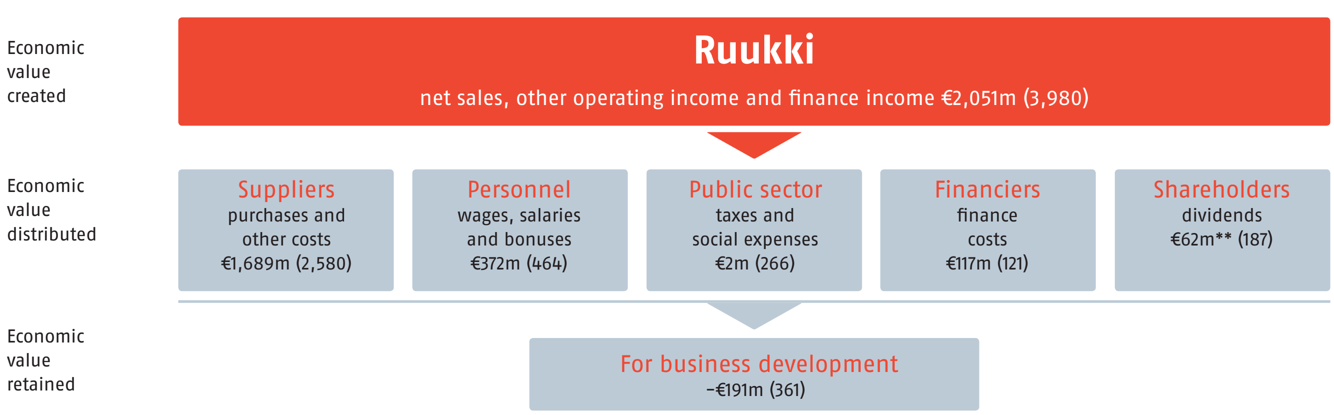
Ruukki invests money in further developing its activities. Such expenditure includes investments in new technology, production plants and product development. In 2009, the company spent EUR 29 million (27), equating to around two per cent (1) of net sales on research and development activities. Around half of this figure was spent on developing solutions and half on product development and on developing processes and production methods. Capital expenditure on tangible and intangible assets totalled EUR 161 million (229).

+ Key figures for 2009 on page 4.
+ Financial targets on page 10.
+ Product development on pages 30–33.

Personnel costs

€m	2009	2008
Finland	323	404
Norway	29	36
Sweden	28	40
Russia	22	30
Poland	14	22
Hungary	8	13
Germany	4	8
Estonia	4	5
Romania	4	4
Other countries	19	23
Total	456	585

Distribution of economic value*



* *Calculated in accordance with the applicable parts of the Global Reporting Initiative (GRI) G3. All figures are presented on an accrual basis.*
** *Board of Directors' proposal.*

Our steel service centre network provides reliable, efficient services

Ruukki has an unrivalled network of steel service centres, steel production and stock units in Northern Europe to ensure accurate, flexible and reliable deliveries. Our service centres are located near customers' own assembly units and markets. This makes it easy to keep in touch and to provide support locally.

Specialisation of our steel service centres ensures efficient customer deliveries. The units provide a diverse range of steel product prefabrication and processing services such as cutting, welding, bending and coating. Tubes, beams, plates and coils can now be precision cut to the size and shape specified by the customer.

Our prefabrication services give customers greater freedom in designing their end-products: for example, many traditional welding methods such as sawing and perforation can now be done by laser cutting. This saves the customer time, reduces the number of stages involved and improves cutting quality and precision. Customers using our prefabrication services have no need to invest in their own prefabrication equipment or worry about storing raw material.

Besides prefabrication and logistics services, we also provide technical customer support and application know-how. Our mission is to help customers to develop end-products delivering improved performance and to work with customers to design new applications for steel. Ruukki has service centres in Finland, Sweden, Norway, Poland and Russia, together with a number of product stockpiles across Europe.

More with metals.

Responding to tomorrow's challenges by strengthening expertise and working together

- **Ruukki's success is based on working together**
- **Focus on identifying personnel strengths and on leadership development**
- **Further positive safety progress in 2009**

In 2009, the company focused on identifying personnel strengths, leadership development and safety. As an employer, Ruukki aims to offer its employees opportunities for personal development, challenging work, good leadership and an active role in building the company's success. It is also important to create a good team spirit and achieve goals by working together.

Ruukki's Code of Conduct defines the company's ethical values and outlines a consistent way to act responsibly. The company respects the human rights enshrined in universally accepted international declarations. Code of Conduct principles not only ensure the right of Ruukki's people to a safe, healthy working environment and personal well-being, but also prohibit discrimination and harassment of any kind. Discrimination on the grounds of race, gender, social position, ethnic origin, belief or religion, political affiliation or any other factor unrelated to work is not tolerated when, for example, hiring or recruiting new workers. The company is strictly against the use of forced or child labour. Ruukki's Code of Conduct also states that corruption or bribery is unacceptable. The Code of Conduct is discussed during induction training for new employees and through training and internal communications.

At year-end 2009, Ruukki had 11,648 (14,286) employees. The company opened a new sales office in Turkey and now has operations across 27 (26) countries. Women accounted for 18 per cent (18) of Ruukki's personnel. The relatively small percentage of women employees is typical in the industry in which Ruukki operates. Women accounted for 15 per cent (14) of supervisors.

In the prevailing market conditions, job losses have regrettably been unavoidable. Actions to improve operational efficiency also impacted on the personnel. Personnel numbers have decreased by 18.5 per cent. Workforce reductions were made in all businesses and support functions.

Attention given to results

At Ruukki, a focus on personnel performance management and on identifying and developing expertise ensures we have the expertise required to achieve our aims.

Development discussions are the most important tool for goal-driven human resources management at Ruukki. In 2009, the practice was further strengthened by holding development discussions twice a year instead of once. Development discussions break up the company's strategic intents into smaller measurable targets for individuals to achieve.

Achievement of the agreed targets is assessed at least twice a year based on the results achieved. Some of the targets affect pay and different personnel groups have different performance bonus schemes. A competence evaluation and personal development plan is made for each employee in the development discussion context. Competence evaluation is based on spheres of competence in line with the company's strategy and made in relation to an individual's work and targets. Personal development plans specify the competence required and ways to develop it. Development discussions apply to the entire personnel and each worker has at least group development discussions. In 2009, 85 per cent (85) of salaried employees had development discussions.

Development discussion training for managers focused on target setting, performance appraisal and giving feedback. Feedback from everyday leadership against the targets set ensures matters agreed in development discussions are part of continuing action.

Fair, competitive rewards

The company employs competitive rewards to ensure it retains the experts it already has and to ensure it can attract new ones. Reward practices foster implementation of Ruukki's strategy and motivate the personnel to achieve their targets set.

In 2009, targets were set every six months in a bid to improve the efficiency of performance drivers. In addition, during the second half of the year, Sales adopted its own separate performance bonus scheme, which will continue to be used during 2010.

Rewards at Ruukki are based on broad incentives, which include not only pay, benefits and target-linked bonuses, but also take into account work content, opportunities for personal development, the working environment and supervisory performance. Each worker is rewarded according to his or her own work, competence and performance in the job concerned.

The company rewards employees fairly and competitively in all the countries it operates in. Almost all Ruukki's employees belong to a profit sharing scheme. Around 66 per cent of the personnel are covered by collective agreements.

Focus on the fundamentals

Clear aims and focusing on the fundamentals drive achievement of results even in challenging times. Good leadership guides Ruukki people towards shared goals.

Good leadership helps face up to challenging times

The past year has required supervisors at Ruukki to focus on the right things, to show the way, be present, to create a good team spirit and to inspire. To strengthen these abilities, one of the focus areas of human resources work was on developing leadership.

During the first half of 2009, a training programme was planned for managers to provide them with practical leadership tools during difficult times. Training took place in eight different countries and was attended by one in three managers, or around 500 in total. Training enabled managers to react to current challenges in their job, to share their experiences of leadership in a recession with other managers and also strengthened the development of a leadership culture among Ruukki's people.

New leadership training programmes were fully deployed during 2009. A leadership development path defines the management training options for different groups, from supervisors to senior management. For example, under the Future Business Leaders programme, young, promising future business leaders received training in the company's business and practical leadership work. The Leadership in Ruukki management training programme is designed for white collar foremen and supervisors and covered 77 managers and, indirectly, their teams. Feedback questionnaires and experiences collected from attendees indicate that leadership training has been successful.

Various resource reviews helped us to leverage the competence of employees in the right roles. Reviews were carried out in the fields of leadership, sales and production and involved around 3,000 (3,000) Ruukki people. The aim was to identify competence across organisational and geographical borders and to provide new opportunities for employees. Systematic reviews of leadership resources sought to ensure the availability of succession candidates and the development of their competences for critical, challenging roles requiring leadership skills. In 2009, the focus of reviewing leadership resources was targeted much wider across the organisation than earlier. Resource reviews in Sales examined the geographical competence and division of the project business. Resource reviews are linked to development discussions and competence development. Development strategies include offering new challenges or a new role, or various means of training, including mentoring.

Responsible resource allocation

Adjustment measures - such as shift arrangements and temporary layoffs - that have been taken in the wake of difficult market conditions have affected the entire personnel. In the Tisza unit in Hungary and Wrocław unit in Poland, for example, operations were adjusted by switching over to a four-day working week. In Finland, Ruukki had to resort to layoffs at various sites, with the maximum number of layoffs in June, when they affected 4,367 people. The duration of layoffs varied from three weeks until further notice and affected all employee groups in production, production support functions and in corporate administration.

Workforce reductions sought to achieve sustainable solutions. Supervisors implementing redundancies were trained to deal with the situation courteously. Working in tandem with local authorities, efforts were made to help redundant persons to find new jobs through retraining and job application training schemes. The company also made use of internal redeployment where possible. For example, in Oborniki, Poland, Ruukki stepped up work with the city authorities to assist the employment of workers made redundant. In Finland, around half of the workforce reductions were implemented through various pension arrangements. Thanks to an effective job offer mechanism, Ruukki was able to offer many redundant people a new job in the company.

A total of 1,036 new experts joined the company in 2009. Vacant jobs were first always made available to our own people to encourage internal job rotation. People still unemployed as a result of workforce reductions were also considered when filling vacancies. New people were recruited from outside only when it was not possible to use the above arrangements. Employee churn, excluding workforce reductions, was 5.3 per cent (10.0).

In recruiting, Ruukki aims at having the best possible people in each job. In employing workers, the focus is on local recruiting avenues such as employment offices. Regionally, the company works with local educational establishments and universities to, among other things, shape Ruukki's employer image. The company's production sites arrange numerous visits for schoolchildren and students each year. For example, the units in Hämeenlinna and Raahe, Finland received a total of around 700 visitors from various educational establishments during the year. Visits also foster local stakeholder relations with neighbouring residents. Ruukki was also present at 13 local recruiting fairs and company representatives visited educational establishments.

In 2009, we offered around 40 places for students writing their thesis. This further strengthened our partnership with universities and colleges in different areas. The research and development organisation continued work on building cooperation with chosen colleges and universities in Poland, Hungary, Ukraine, Russia, Romania and the Czech Republic.

Active dialogue

As in previous years, human resources collaboration between management and personnel representatives took a variety of forms. Ruukki is committed to the freedom of its employees to organise and company employees may join a trade union in compliance with the labour law of the country concerned.

In 2009, the personnel were especially preoccupied with market conditions, the structural changes taking place within the company and the associated workforce reductions. In a constructive spirit, the views of the personnel were heard in carrying out changes.

Ruukki Forum, the company's international cooperation council, met in April and a number of meetings were held with its preparatory committee. In Finland, workplace well-being was highlighted in personnel cooperation and was also discussed at the Personnel Day, the focus of which was the future and development, and in a workplace well-being theme seminar held in October. Other themes in cooperation events were the economic situation and future outlook, safety and workplace well-being during challenging times.

Working together to maintain work ability

Development of the working culture was strengthened by the launch of a new intranet, which serves as a driver for more efficient communication and improves the opportunities of the personnel to participate through, for example, online discussion. Info screens introduced by the company at various sites in Finland and Sweden have particularly made it easier for production workers to access information. Info screens will be introduced in other countries during 2010.

A corporate-wide employee opinion survey is held every other year to ascertain the job satisfaction of Ruukki's people. The next survey will be held in 2010. Numerous local and country-specific workplace well-being projects were carried out in 2009. The focus of these projects was determined in the context of the previous year's employee opinion survey. For example, new fitness courses and recreational facilities were introduced in five places in Finland.

The company provides its people in different countries with health services in accordance with national legislation and local practices in each country. The sickness absenteeism rate was 4.11 per cent corporate-wide. During the year, the company worked together with occupational health care to maintain and promote work ability. The development of work community activities is part of work ability management implemented by supervisors.

Company strategy drives competence development

Safety, leadership, sales, production, maintenance and operational efficiency formed the thrust of competence development. Each Ruukki employee attended an average of 1.91 days training during the year (1.76).

Competence development is driven by defined competence needs and points for development that have been identified internally against the background of Ruukki's strategic intent. In addition, the company aims to strengthen the entire personnel's ongoing professional development and the agile use of skills.

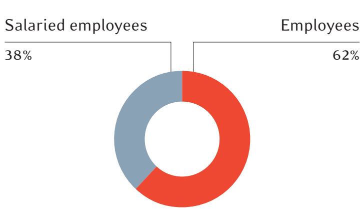
In 2009, production and manufacturing competence development was integrated into the corporate-wide personnel development organisation. The development of production competence focused on supervisor training and programmes aimed at multi-skills. All

Personnel: key figures

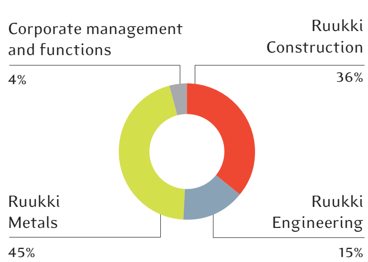
	2009	2008	2007
Personnel at year-end	11 648	14 286	14 587
Personnel, average	12 664	14 953	14 326
– permanent, %	94	93	91
– temporary, %	6	7	9
Average age of employees, years	42	41	41
Average duration of employment, years	12.4	11.4	11.3
Employee churn, excluding workforce reductions, %	5.3	10.0	6.7
Job satisfaction index *)	–	59.9	–
Commitment index *)	–	70.4	–
% of female personnel	18	18	17
– workers, %	7	7	7
– salaried employees, %	36	37	35
– supervisors, %	15	14	14
– Extended Management Board, %	21	20	21
Net sales per employee, €1000	154	258	271
Lost workday injury frequency per million hours worked	8	11	18
Total number of accidents	165	279	421
Sickness absenteeism, % **)	4.11	–	–
Training days, average per person	1.91	1.76	1.00

**) Studied every other year, following survey in 2010.*
***) Not available before 2009.*

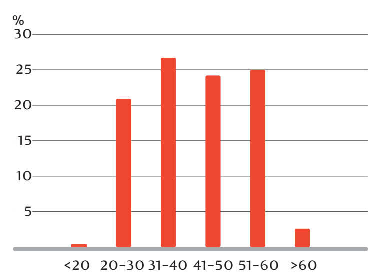
Personnel structure



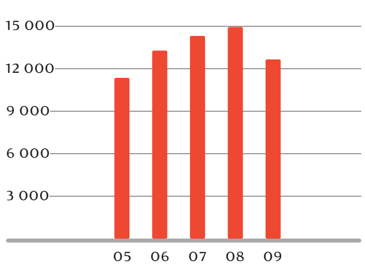
Personnel by division



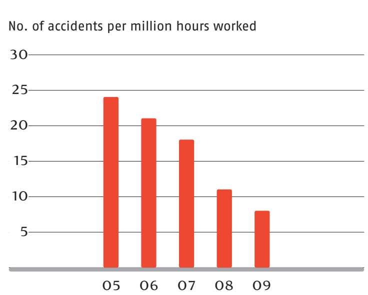
Personnel by age



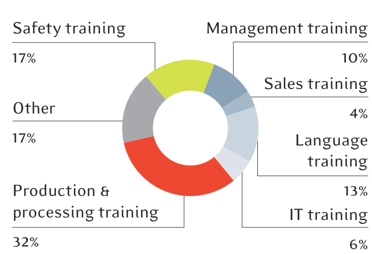
Personnel on average



Accident frequency



Personnel training days



supervisors in Ruukki's units in Russia, for example, attended safety management training. The multi-skills of employees were developed during a reorganisation of maintenance work at the Raahe unit in Finland. Vocational training helped in the process of change, where the roles of electrical maintenance and mechanical maintenance people were expanded to enable them to do each other's work.

Development of sales competence focused on strengthening the activities of international cross-selling key customer teams. The teams are tasked with developing key customer partnerships uniformly across the company. Sales and marketing management support team activities by hosting regular network meetings. The teams were formed of the best sales experts and specialists who work together to deliver synergy benefits both to customers and to Ruukki. The teams will continue to work during 2010.

Striving for a safe working environment

Ensuring the safety of our workers is an inherent part of everyday life and management across the company. We aim to ensure a safe, zero-accident working environment for everyone. A high standard of safety is also a sign of quality, efficient operations.

Ruukki's management and all employees are committed to complying with, maintaining and developing common safety principles and rules of play. The basic approach to safety is that all accidents can be prevented.

The company continued making positive progress with safety in 2009 and the lost time accident frequency (number of accidents per million hours worked) across the group improved to 8 (11). There was an improvement of 40 per cent to 165 (279) in the total number of workplace accidents resulting in absences lasting more than one day.

From reactive to proactive safety work

Systematic work to improve safety continued during the report year. Competent, experienced people, safe equipment, processes and working practices as well as high-profile management are key to successful safety work. Proactive safety work can help further raise the current level of safety.

Safely up they go

One of Ruukki's innovations to improve safety is a tool to safely lift load-bearing sheet bundles to the roof of a building.

The main tools in proactive safety work in everyday management at Ruukki are:

- near-miss situation reporting, investigation and actions to correct and prevent similar situations
- risk mapping and assessment
- induction and guidance for new employees
- safety training for the whole personnel
- updated safety instructions and compliance with them
- regular safety rounds
- active communication about safety through safety sessions, the in-house magazine and intranet

Further positive progress was made with proactive safety work at Ruukki during 2009. Regular safety sessions were held and more safety rounds were made than during the previous year. There were also more near-miss situations reported than in previous years.

A total of 4,127 days' safety training were held. The target group was the entire personnel and the training focus was engineered to meet local needs in each country. In Russia, for example, a tailored safety management programme was rolled out at the start of the year through which supervisors were trained to manage safety in their own organisation.

Tidiness and order leads to a safer, more productive working environment

In 2009, work continued on applying the S+5S method at production sites. The method is used to improve workplace order, tidiness and safety. The basic idea is to specify the tools, machinery, equipment, materials and supplies needed in each workplace and job and to allocate places for them. Removing unnecessary tools from the workplace ensures there is more space and makes it easier to access the tools that are needed. Tidiness and order also improve operational efficiency and productivity, quality and workplace well-being.

Cascading the S+5S method began by training process owners corporate-wide. Training was attended by representatives from all units. In addition, dozens of site- and department-specific training events were held in different countries and units. Actual deployment of the method continued in 2009 in pilot areas chosen by the production units before being extended to fully cover each production site. Some units have introduced S+5S in all their operations, but the largest production sites will continue to introduce the method until the end of 2010. The personnel at each unit play a key role in implementing the method and the company has been able to draw on their expertise from the outset to plan and carry out the programme.

Working together for safe construction

Ruukki seeks to play an active role also in improving safety at construction sites. There are typically many subcontractors at large construction sites, as well as many risk factors. In 2009, the company continued pushing for systematic construction site safety in tandem with its customers and subcontractors, whilst also contributing to improving safety across the industry.

Our performance-based fire design was used in a number of construction projects during the year. This solution ensures the fire safety of steel structures in fire situations and enables the most economically effective fire protection method for different parts of a building.

Safety management principles and working practices are employed at all Ruukki's installation sites. Workplace- and site-specific risk assessments are made to determine the greatest risks to safety and to choose working practices to avoid them. No serious accidents occurred at construction sites where Ruukki was involved during the year.

Ruukki has innovated a number of tools to improve construction safety. To improve the safety of persons installing roofs, the company has developed a safety anchor that can be fastened to load-bearing corrugated steel sheets. Persons installing a roof can then use a safety rope to secure themselves to the anchor. The anchor has been patented and has CE marking.

The company and VTT Technical Research Centre of Finland have produced a roof installation safety guide, which describes all the stages involved in the installation process from advance planning to the finished job. The guide, which was disseminated during 2009, helps to draw the attention of subcontractors and other players to safe working practices when installing roofs.

To improve safety, Ruukki has also designed a solution whereby holes for lifting lugs are made in WQ beams and elements used in steel construction. The lifting lugs are factory installed or screwed into place on site. Chains threaded through the lugs enable elements and beams to be safely lifted into place. Fixed lifting lugs or holes for lifting equipment are engineered for heavy or awkwardly-shaped items.

+ Personnel by country on page 24 and personnel costs on page 39.

+ Examples of Ruukki's expertise on pages 26–27.

Ruukki means competent people

At Ruukki, it is people that get the job done. Ruukki's people share first-class expertise and work towards joint goals. Operations across the company are driven by a customer approach. We aim to do things right the first time round, to keep our promise and to deliver results as scheduled.

Leadership is even more important in today's challenging economic climate. Ruukki's leadership culture is based on interaction, encourages responsibility and inspires. In 2009, we devoted a total of 2,417 leadership training days to further develop our leadership culture.

We are working long-term to ensure effective workplace communities. The workplace well-being of Ruukki's people is based on work content, goals and fluency of work. In 2009, we continued in teams to implement more than two thousand development actions.

Ruukki's team of experts – from architects to drilling platform specialists – work in 27 countries. A personal presence in core market areas translates into local customer service and enables fast reaction to market changes.

Systematic safety management has resulted in improved safety. Better safety is based on the idea that all accidents can be prevented. We have challenged all Ruukki's people to take an active approach to safety. In 2009, lost time accident frequency improved to eight (11).

More with metals.

Environmental impacts managed throughout product lifecycle

- **Energy efficiency at production sites was improved as part of environmental management systems**
- **Use of mineral products and recycled steel reduced carbon dioxide emissions by 610,000 tonnes**
- **Efficiency calculator shows customers how use of special steel products cuts carbon dioxide emissions and energy consumption**

Environmental matters are important to Ruukki from the aspect of production and energy-efficient products. Division-specific certified ISO 14001:2004 environmental management systems are used to manage environmental matters and risks. In 2009, these systems covered 98 (2008: 98) per cent of production and 87 (2008: 80) per cent of the personnel.

In keeping with its environmental policy, Ruukki provides solutions to customers' environmental challenges and continuously develops its own environmental performance.

Environmental responsibility is based on managing the environmental impacts of products throughout their life cycle. The company has been performing product lifecycle assessments since the mid-1990s. In 2009, the company launched its online efficiency calculator to enable customers to calculate the lifecycle energy savings potential from using Ruukki's special steel products in heavy vehicles. In addition, Ruukki was a partner in the FinLCA (Finnish Platform on Lifecycle Assessment) project and in the FIMECC (Finnish Metals and Engineering Competence Cluster) Light programme. Companies, universities and research bodies have joined forces in this programme to develop ways to lighten machinery and equipment structures, to improve operations and to reduce carbon dioxide emissions.

Aiming at energy savings of nine per cent

Ruukki has been striving to improve energy efficiency, lower costs and cut emissions for a number of years. Finland has had a system of voluntary agreements in place to promote energy efficiency since the 1990s. Ruukki has long been signatory to such agreements and is also committed to the 2008–2016 energy efficiency agreement. Agreements help to implement national and EU climate and energy targets.

Energy-efficiency actions at Ruukki seek to achieve energy savings of nine per cent, compared to 2005 levels, by 2016. The continuous development of energy efficiency is an inherent part of the company's environmental management systems. Instructions and monitoring help to ensure energy efficiency is extensively taken into account in the company's activities: in sourcing, investments, product and process design and production development. In addition, energy reviews and energy efficiency are part of long-term repair plans for properties.

To improve energy efficiency in logistics, Ruukki joined a project under the ClimBus programme run by Tekes, the Finnish Funding Agency for Technology and Innovation. The project aims to use different methods to chart the current status of and opportunities to improve energy efficiency. Ruukki's Logistics unit's energy-effi-

Corporate environmental objectives and targets 2010–2012

Objective: To provide solutions to customers' environmental challenges	
Target	**Action**
To improve Ruukki's business performance by increasing environmental awareness in product development and marketing	• Making the most of customer feedback and increasing cooperation and to provide environmental solutions and information to customers • Increasing internal environmental training • Utilising information about future changes in environmental legislation within business, processes and product development

Objective: To reduce the environmental impact	
Target	**Action**
To reduce the effect of climate change by improving energy efficiency	• Implementing cost-effective energy-efficiency actions in all significant operations and functions
To increase recycling and material efficiency	• Promoting the potential of by-products to replace natural resources • Increasing cost-efficiency by using recycling opportunities
To comply with environmental system requirements and environmental permit limits	• Follow-up and development based on findings

ciency target is for 40 per cent of contractual partners to sign up for energy efficiency agreements in the Finnish transport sector by 2010 and 80 per cent of partners by 2016.

Energy and material efficiency delivers results

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

In 2009, carbon dioxide emissions were 3.5 million tonnes, which was significantly less than the previous year (4.6m tonnes). Carbon dioxide emissions equated to around five per cent of Finland's greenhouse gas emissions. The coal used as a reducing agent in steel production at the Raahe Works is the main source of the company's carbon dioxide emissions and energy. The works use almost the minimum coal raw material and energy possible in steel production using current technology. The blast furnaces at the Raahe Works are highly carbon dioxide efficient by international benchmarks.

The company's works in Raahe and Hämeenlinna, Finland come under the EU's Emissions Trading Scheme and the Mo i Rana rolling mill in Norway comes under the Norwegian emissions trading scheme. These three sites account for more than 99 per cent of the company's carbon dioxide emissions. The emissions trading carbon dioxide balance is optimised at the corporate level and cost-effectiveness is improved by, for example, using the World Bank's Community Development Carbon Fund and GreenStream Network Oy's Fine Carbon Fund and Climate Opportunity Fund. More information about emissions trading can be found on pages 97 and 114 of the Notes to the financial statements.

The steel industry is actively developing ways to reduce carbon dioxide emissions. One of the projects Ruukki is involved in is the joint European ULCOS (Ultra-Low CO_2 Steelmaking) project, which has the long-term aim of halving carbon dioxide specific emissions.

In the Carbon Disclosure Project (CDP) Nordic assessment, Ruukki ranked among the top Finnish companies and among the best in its sector in the Nordic countries in 2009. CDP assesses large companies each year on the basis of the risks and opportunities they recognise from climate change. CDP also assesses a company's performance on the basis of greenhouse gas emissions and their reduction.

In addition, the World Steel Association (worldsteel) has awarded Ruukki a Climate Action certificate for 2009–2010 for fulfilling its commitment to take part in the worldsteel Climate Action recognition programme, which is part of the steel industry's commitment to reduce carbon dioxide emissions to reduce the effect of climate change.

Reduce emissions by recycling steel

Total energy consumption at production sites in 2009 was 42.2 PJ (52.4 PJ), which equates to about three per cent of Finland's total energy consumption. Most of this energy is consumed by the Raahe Works, which accounts for 91 per cent of the company's energy consumption. The energy used in the iron- and steelmaking processes at the work generates around 17,500 TJ of process gases and heat, which are recovered and used as a source of energy in production processes. The energy generated equates to 45 per cent of the energy purchased.

World Bank

Global environmental projects part of emissions trading

Ruukki is a participant in the World Bank's and GreenStream Network Oy's carbon funds. The funds purchase certified emissions reduction units for use in the EU's Emissions Trading Scheme. The units can be used until 2020. As a participant in the World Bank's funds, Ruukki invests in projects that help the everyday life of people in developing countries by, for example, improving the availability of energy.

Electricity accounts for most of the energy consumption at the company's other sites. Natural gas is also used as well as electricity at the Hämeenlinna Works.

On the energy consumption front, Ruukki uses energy-efficient technology and utilises the process gases and residual materials generated in its own processes to replace fuel and raw materials purchased. In the short-term, there are no technical and economic solutions available to considerably reduce the use of coal.

Using recycled steel to replace raw materials used in iron production considerably reduces carbon dioxide emissions. Depending on the grade of steel being made, 20-30 per cent of recycled steel is used in steelmaking. In 2009, the use of recycled steel reduced Ruukki's carbon dioxide emissions in steelmaking by 450,000 tonnes, which is around 13 per cent of the company's total carbon dioxide emissions.

Materials recycled

Ruukki recycles materials as efficiently as possible. In 2009, it took 2.16 tonnes (2.23) of raw materials to make a tonne of steel. The company's consumption of raw materials consists mainly of iron ore concentrates and pellets, coal used as a reducing agent and the use of recycled steel at the Raahe Works.

Production benefits from the use of waste materials generated in the company's own processes. Around 70 per cent of the dust and sludge from steelmaking at the Raahe Works is returned to the production process. Some of the dust has to be stored at a landfill site on the works site until there is a technically and economically viable solution to recycle it. The amount stored as dry substances equates to around 1.5 per cent of the raw material used by the works.

In terms of volume, the most significant by-products are mineral products, which are used as a substitute for natural stone material in earthwork construction, lime in agriculture and clinker in the cement industry. In 2009, the use of Ruukki's mineral products in the cement industry and agriculture reduced global carbon dioxide emissions by a total of 160,000 tonnes. Around 160,000 tonnes of Ruukki's mineral products were used in earthworks and road construction. Use in this way saves double a similar amount of stone material because the properties of mineral products allow foundations to be made thinner.

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

From the start of 2010, the processing of recyclable materials and sale of by-products has been focused on the same unit. The reason for this is to improve the recycling of materials and boost long-term profitability.

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

Collaboration minimises adverse impacts of logistics

The iron ore, limestone and pellets used in steelmaking are imported mainly from Sweden and the coal from North America and Australia. Products are destined for the company's main market areas.

Ruukki's Logistics unit operates most of the company's transportation and manages environmental matters through a certified environmental management system. The unit's environmental objectives are to lower energy consumption in transportation, minimise shipping risks and to reduce damage sustained during transportation.

Ruukki encourages its partners to monitor and reduce their energy consumption in transportation. The company also seeks to minimise shipping risks by chartering seaworthy vessels from reputable companies. The company was not involved in any shipping incidents involving environmental risks in 2009.

Air and water quality regularly monitored

Ruukki monitors emissions to air and waterways to ensure they are within permit limits. Air quality is continuously measured and monthly samples are taken from surrounding waterways.

Particulate emissions into the air result from the combustion processes and fine material used in iron and steel production. Sulphur dioxide emissions originate from the sulphur contained in raw materials. Nitrogen oxides are mainly formed in the combustion processes in the coking and sinter plants and rolling mills at the Raahe Works. Particulate emissions equated to around two per cent, sulphur dioxide emissions to around six per cent and nitrogen oxide emissions to around one per cent of Finland's emissions.

Heavy metal emissions originate mainly from the iron ore concentrates used as a raw material. Emissions of volatile organic compounds (VOC) occur from the use of coatings and protective and profiling oils in the further processing of steel.

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

Environmental regulations guide operations

Twenty-six of the company's 54 production sites have operations that require an environmental permit. Exceedings of permit limits are actively dealt with. One oil spill was reported at the Mo i Rana plant in Norway. The incident was investigated and the unit's working practices and instructions were reviewed. No significant oil, chemical or fuel spills occurred at other sites in 2009. Environmental permit limits were exceeded at three (6) sites. The exceedings were occasional and caused no significant impacts to health or the environment and the company received no major environmental fines.

At the Hämeenlinna Works in Finland, exceedings in hydrochloric acid and dust emissions occurred at the regeneration plants and in hydrochloric acid emissions in pickling. In addition, the pH permit limit for discharge to the waterways was briefly undercut. These non-compliances have been rectified by, among other things, taking additional readings and amending operating practices.

The power plant at the Raahe Works in Finland exceeded the permit limit for particulate content when oil had to be used to safeguard the supply of district heat to the town of Raahe. The permit limit for seawater sewer oil content was exceeded once because of occasional problems with analysis. In addition, scrubber capacity problems resulted in permit limits being exceeded for flue gas content of the electrostatic precipitator at the sinter plant. Consequently, the permit limit was amended by official decision in October 2009. Sinter plant operations will be discontinued by the end of 2011 and the works will switch over to using only iron pellets instead of sinter as a raw material in ironmaking. Closing the sinter plant will reduce carbon dioxide emissions at the works by 10 per cent or 500,000 tonnes a year, as well as considerably reduce dust and sulphur dioxide emissions and cut energy consumption.

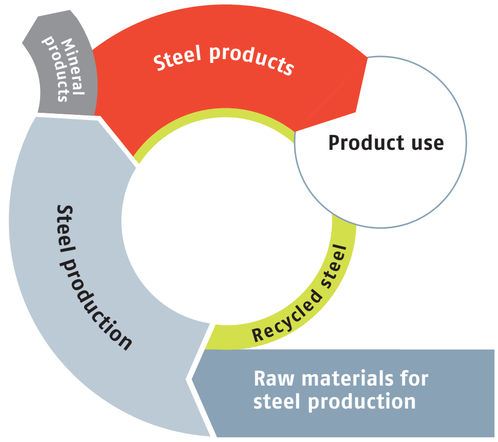
Investments lowered environmental impacts

Ruukki spent a total of EUR 21 million (12) on environmental investments in 2009.

The most significant environmental investments were at the Raahe Works in projects related to blast furnace dust extraction

Material cycle

1000 tonnes



Raw materials for steel production

- Iron ore 1 467
- Pellets 645
- Coal 1 069
- Burnt lime and limestone 290

Recycled steel

- External recycled steel 182
- Internal recycled steel 269

Steel production

- Steel production 1 892

Steel products

- Rolling and upgrading
- Steel products 1 560

Mineral products and other recycled materials

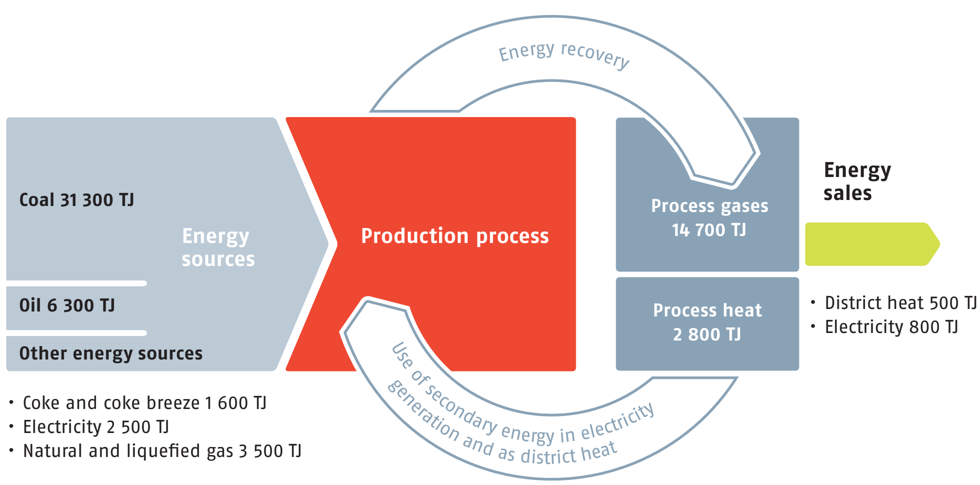
- Mineral products 540
- Other recycled materials 44

Energy recovery

The Raahe Works, which accounts for 91 per cent of Ruukki's energy consumption, utilises the process gases and heat generated in iron- and steelmaking as energy sources in, e.g. electricity production and district heat.

The power plant at works generates 53 per cent of the electricity used at the site. Use of blast furnace and coke oven gas delivered energy savings of 14.6 PJ, which equates to the annual amount of energy used by 200,000 single family homes. Just 8 per cent of the energy consumed at the works is derived from external fuel.

In addition, each year the works produces 190 GWh of district heat, which meets almost the entire needs of the Raahe area.



Material balance

	2009	2008	2007
Inputs			
Raw materials, t			
– Iron ore	1 470 000	1 970 000	1 950 000
– Pellets	645 000	1 069 000	1 058 000
– Alloying, filler and slag forming materials	279 000	543 000	507 000
– Recycled steel	451 000	557 000	552 000
– Zinc	41 000	45 000	54 000
– Other metals	12 400	5 200	7 800
– Plastics and paints	7 200	10 600	11 000
– Other	16 500	25 000	26 000
Energy consumption, 1000 TJ			
– Natural gas	2.2	1.7	1.6
– Liquefied petroleum gas	1.3	1.2	1.3
– Heavy fuel oil	0.8	0.3	0.3
– Light fuel oil	0.2	0.3	0.2
– Electricity	2.5	2.7	2.8
– Coal	31.3	36.0	36.2
– Coke	0.6	2.2	2.3
– Coke breeze	1.0	1.2	1.4
– Special heavy fuel oil	5.3	10.5	9.8
Water usage, m^3			
– Municipal water	798 000	786 000	791 000
– Process and cooling water	148 800 000	171 500 000	200 193 000
Outputs			
Steel, t	1 892 000	2 585 000	2 546 000
By-products and residuals			
– Mineral products, t (utilised and stored for utilising)	540 000	870 000	890 000
– Tar, 1000 TJ	0.9	1.2	1.1
– Other materials recycled outside the Group, t	44 000	49 000	55 000
Energy sold			
– District heat, 1000 TJ	0.5	0.5	0.6
– Electricity, 1000 TJ	0.8	0.9	1.0
Emissions to air			
– Carbon dioxide (CO_2), Mt	3.5	4.6	4.7
– Nitrogen oxides (NO_x), t	2 200	2 600	2 300
– Sulphur dioxides (SO_2), t	4 400	5 000	4 100
– Volatile organic compounds (VOC), t	190	410	490
– Particulates, t	1 300	1 800	2 200
Wastewater, m^3			
– To municipal sewer system	261 000	266 000	272 000
– To water courses	148 380 000	168 980 000	198 945 000
Emissions to water, t			
– Suspended solids	1 118	861	781
– Chemical oxygen demand (COD)	178	181	204
– Oil	18	14	20
– Zinc (Zn)	2.0	1.0	1.2
– Nitrogen (N)	44	64	52
– Iron (Fe)	70	36	31
Waste, t			
– Municipal waste to landfill	1 800	2 600	3 800
– Municipal waste to recycling	4 900	7 200	6 100
– Industrial waste	64 000	76 200	72 500
– Hazardous waste	4 200	4 700	4 900

systems, direct granulation, sludge drying and the works' landfill site. Investments help to improve air and water protection, the works' energy efficiency and waste management. Around 98 per cent of all environmental investments relate to lowering the environmental impacts of the Raahe Works.

Investments in a combustion technology management system at the Mo i Rana rolling mill in Norway delivered energy savings of 10 per cent and reduced carbon dioxide emissions by 4,200 tonnes a year. The efficiency of the heat recovery system on the zinc coating line at the Hämeenlinna Works in Finland was improved. Based on energy reviews and other assessments, key actions to improve energy efficiency were also taken at other sites. Energy efficiency was not only improved by investments, but also by improving working practices and building technology solutions and by adjusting management systems.

Environmental investments at Ruukki in 2009

- air protection €16.5 million
- waterways protection €1.9 million
- waste management €2.0 million
- energy efficiency and other projects €0.5 million
- total €21 million

Changes in operating environment tracked and predicted

Ruukki takes part in legislative development work together with interest groups and prepares for changes within the company. The company lobbies its interests and also carries out research work with interest groups. Throughout 2009, the company continued working actively in the World Steel Association's lifecycle assessment development forum.

December 2009 saw negotiations on a successor to the Kyoto Protocol. The negotiations culminated in the Copenhagen climate summit, which failed to achieve a global agreement on climate change. Negotiations will continue in 2010, after which Ruukki will be able to assess the impacts of any agreement on the company's operations. Emissions trading between companies in the EU will continue regardless of any global agreement on climate change.

The EU Emissions Trading Scheme will change significantly in the post-Kyoto period from 2013 onwards. Carbon dioxide emission reduction targets will be tightened and the scheme will include new operations, including those at the Hämeenlinna Works. Most emissions trading parties will have to pay for all their emissions allocations. Sectors, such as the steel industry, which are exposed to carbon leakage, will receive some of the allowances they need free of charge in accordance with an initial allocation mechanism based on efficiency. The details of this mechanism will become clear during 2010–2011.

Besides emissions trading, changes to the operating environment may also be brought about by environmental legislation, such as the Industrial Emissions Directive and revised acts and standards applying to construction products and waste.

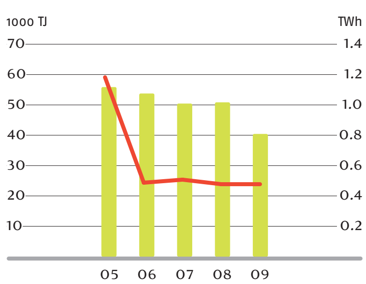
The EU's REACH Regulation, aimed at the safe use of chemical substances, also affects Ruukki's operations. Work continued in 2009 on active preparations aimed at registration, as required by the Regulation, during 2010.

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

+ Information about the energy efficiency of Ruukki's products and solutions is on pages 30–33.

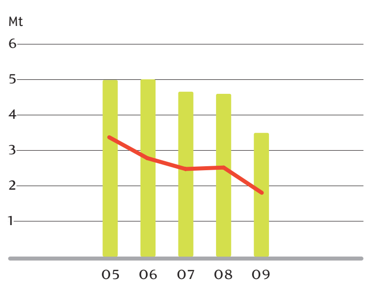
+ Information about the emissions trading period is given on pages 97 and 114 in the Notes to the financial statements and about environmental provisions on page 127.

Energy consumption



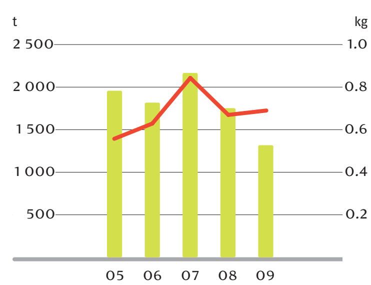
Energy tied to coal and fuel
Purchased electricity

Carbon dioxide emissions



CO_2
Steel production

Particulate emissions



Tonnes a year
kg/tonne steel

We respond to the challenges of climate change by improving the energy efficiency of our products and production processes

Our production ranks among the leaders in carbon dioxide and material efficiency. All our production facilities are committed to achieving energy savings of nine per cent, compared to 2005 levels, by 2016. In addition, we are also playing a part in promoting the use of emission-free energy sources, such as wind power.

Wind power causes no carbon dioxide emissions during operation. A particular focus on the product development front is the development of windmill tower structures for all conditions, taking into account the environmental conditions at the site. This ensures the most cost-effective power generation.

Most of the energy consumption and emissions during the lifecycle of a product typically arise during use. We have been working long-term to assess and reduce the lifecycle environmental impacts of our products. Planning can affect a product's environmental impacts by as much as 80 per cent.

Buildings account for a considerable share of energy consumption. Ruukki's steel structures are not only completely recyclable and require less material than many other ways of building, but also have good airtightness and optimal thermal insulation thicknesses. Renewable energy sources, such as solar power and geothermal heat can also be integrated into steel structures.

Our high-strength, wear-resistant steel products can be used in heavy vehicles. Use of our special steel products means higher payloads, longer useful life and lower fuel costs and carbon dioxide emissions. Check out our efficiency calculator to see how much energy you can save at www.ruukki.com/efficiencycalculator.

More with metals.

Corporate governance – Good governance supports business

- **Rautaruukki Corporation is a Finnish limited company and the responsibilities of its governing bodies are provided by the law of Finland, the company's Articles of Association and the principles of corporate governance determined by the company's Board of Directors**
- **Rautaruukki has published a Corporate Governance Statement in accordance with Recommendation 51 of the Finnish Corporate Governance Code 2008 and with Chapter 2, Section 6 of the Securities Markets Act**
- **The Corporate Governance Statement is available on the website www.ruukki.com**

Corporate governance and decision-making at Rautaruukki are in compliance with the Finnish Limited Liability Companies Act, other similar legislation, other regulations applying to listed companies, the company's Articles of Association and rules and regulations applying to listed companies issued by Nasdaq OMX Helsinki Ltd (Helsinki Exchange) and the Financial Supervisory Authority (FIN-FSA). Furthermore, Rautaruukki complies with the Finnish Corporate Governance Code 2008 published by the Securities Market Association, with the exception that the Nomination Committee does not comprise exclusively of members of the company's Board of Directors. The 2009 Annual General Meeting decided to appoint a Nomination Committee to prepare nominations for appointments to the Board of Directors.

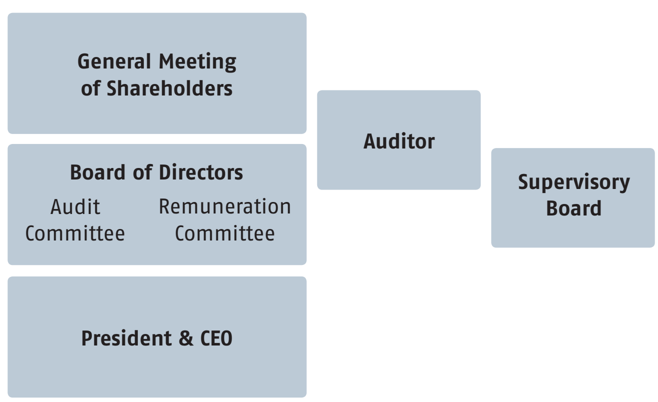
An unofficial English translation of the Finnish Corporate Governance Code may be viewed on the Securities Market Association website at www. cgfinland.fi.

Executive bodies

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

General Meeting of Shareholders

Ultimate decision-making is vested in the General Meeting of Shareholders, at which shareholders exercise their authority. The Annual General Meeting is held by the end of June each year and transacts the business assigned to it by law and the company's Articles of Association, and considers any shareholder proposals put to the Meeting.



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

Decisions made by the Annual General Meeting include:

- adoption of the financial statements
- distribution of profit
- discharge from liability for the Board of Directors, Supervisory Board and for the President & CEO
- election and remuneration of members to the Board of Directors and the Supervisory Board
- election and fees of the company's auditor

By law, a shareholder is entitled to have considered by the General Meeting a matter falling within the remit of the General Meeting provided that the matter is presented in writing in time for it to be included in the notice convening the Meeting. A request is considered as having been received in good time if the Board of Directors has been notified of such a request at least four weeks before notice of the Meeting is given.

To be eligible to attend General Meetings, shareholders must be on the company's shareholder register maintained by Euroclear Finland Ltd. Nominee-registered shareholders can be temporarily listed in the company's shareholder register for the purpose of attending a General Meeting.

Annual General Meeting 2009

The 2009 Annual General Meeting was held on 24 March 2009. The documents relating to the Meeting are available on the company's website at www.ruukki.com.

Nomination Committee appointed by the Annual General Meeting

A Nomination Committee was appointed by the Annual General Meeting on 24 March 2009 to prepare nominations for appointments to the Board of Directors and for the remuneration of Board members for presentation to the following Annual General Meeting.

The Nomination Committee consisted of representatives of the three largest shareholders, together with the Chairman of the Board of Directors as an expert member and another expert member who is appointed by the Board of Directors from among its members and who is also independent of the company's main shareholders.

Nomination Committee 2009

Rautaruukki's three largest registered shareholders as at 2 November 2009 were Solidium Oy, Ilmarinen Mutual Pension Insurance Company and Varma Mutual Pension Insurance Company. These shareholders have chosen their representatives on Rautaruukki's Nomination Committee: Kari Järvinen, Managing Director, Solidium Oy; Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company; Matti Vuoria, President and CEO, Varma Mutual Pension Insurance Company. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, and Hannu Ryöppönen, who was appointed by the Board of Directors, serve as the Nomination Committee's expert members.

The shareholders' Nomination Committee proposed to the Annual General Meeting convening on 23 March 2010, that the current members of the Board of Directors Maarit Aarni-Sirviö, Reino Hanhinen, Liisa Leino and Hannu Ryöppönen be re-elected, and that Pertti Korhonen MSc (Electronics Engineering), President & CEO, Outotec Oyj; Matti Lievonen, BSc (Eng) President & CEO, Neste Oil Corporation and Jaana Tuominen, MSc (Eng), CEO and Managing Director, Paulig Ltd be elected to the Board as new members. Furthermore, the Nomination Committee proposed that Reino Hanhinen be re-elected as Chairman of the Board of Directors and that Hannu Ryöppönen be elected as Deputy Chairman. Moreover, the Nomination Committee proposed that the annual fees of the Board of Directors remain unchanged, except that 40 per cent of the annual fee be paid in the form of Rautaruukki Oyj shares purchased from the market.

Board of Directors

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

The Annual General Meeting elects the Chairman, Deputy Chairman and between two and six other members of the Board of Directors for a term of office which expires at the close of the first Annual General Meeting following appointment. The majority of Board members must be independent of the company and additionally at least two must also be independent of the company's major shareholders. No person who has reached the age of 68 may be elected to the Board. The notice of the Annual General Meeting must include a proposal regarding the composition of the Board of Directors.

The company's President & CEO and Chief Financial Officer attend Board of Directors' meetings. At its meetings, the Board receives a regularly updated review of market conditions and of the group's operations and finances. The Board annually evaluates its own efficiency, working practices and performance in the form of self-assessment.

Main tasks of the Board of Directors

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

- ensure to arrange the group's administration and proper organisation of its operations
- ensure proper arrangements for and supervision of the company's accounting and financial management
- confirm long-term aims and the strategic plan
- determine economic objectives
- confirm the organisational structure
- decide the appointment and remuneration of the President & CEO and other senior management
- approve the financial statements and interim reports
- prepare business to be transacted at General Meetings and to ensure decisions are enforced
- decide significant investments and acquisitions

Board of Directors 2009

During its term of office lasting from 24 March 2009 to 23 March 2010, the Board of Directors has seven members. In 2009, the Board met nine times and additionally held one meeting by electronic communication. The average attendance rate at Board meetings was 97 per cent. Information about members of the Board is given on pages 68–69.

Independence of members of the Board of Directors

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

Board of Directors' committees

The Board of Directors has two permanent committees: the Audit Committee and the Remuneration Committee. At its meeting held after the Annual General Meeting, the Board appoints members and chairpersons to the Audit and Remuneration Committees. The committees report regularly on their work to the Board.

Audit Committee

The Board of Directors appoints the Audit Committee to assist it in carrying out its supervisory duties. The Audit Committee comprises a chairperson and between two and four members. Members of the Audit Committee must be independent of the company and the majority of members must be independent of the company's major shareholders. Members of the Audit Committee must have the competence required for the remit of the Committee and at least one member must have experience of financial accounting, bookkeeping or auditing.

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

The Audit Committee annually evaluates its own performance in the form of self-assessment.

Audit Committee 2009

In 2009, the Audit Committee comprised the following members of the Board of Directors: Hannu Ryöppönen (Chairman), Kalle J. Korhonen and Liisa Leino.

The Audit Committee met six times in 2009 and the attendance rate was 100 per cent.

Remuneration Committee

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

The Board of Directors defines the remit of the Remuneration Committee in the working order approved by the Board. The Remuneration Committee prepares and evaluates the reward scheme and appointments of the company's President & CEO and the persons reporting to the President & CEO, and the company's reward schemes. The chairman of the Remuneration Committee convenes Committee meetings when required and presents the Committee's proposals to the Board of Directors.

Remuneration Committee 2009

In 2009, the Remuneration Committee comprised the following members of the Board of Directors: Reino Hanhinen (Chairman of the Committee and of the Board of Directors,), Maarit Aarni-Sirviö and Christer Granskog (Deputy Chairman of the Board of Directors).

The Remuneration Committee met twice in 2009 and the attendance rate was 100 per cent.

Supervisory Board

The General Meeting of Shareholders elects the Supervisory Board, which has between 5 and 12 members, for a term of office lasting one year at a time. The Supervisory Board is tasked with overseeing the administration of the company by the Board of Directors and the President & CEO and it submits to the Annual General Meeting its statement on the annual financial statements, the consolidated financial statements and the auditors' report.

Under the company's Articles of Association, founder shareholders in the company, excluding limited liability companies with a majority State holding, are each entitled to appoint and have their own representative elected to the Supervisory Board as long as they own the shares subscribed for when the company was incorporated. Four representatives appointed by employee groups attend Supervisory Board meetings, at which they have a right to be present and to speak.

Supervisory Board 2009

The 2009 Annual General Meeting elected nine members to the Supervisory Board:

Chairwoman:
Marjo Matikainen-Kallström, b. 1965, Member of Parliament, MSc (Tech)
Deputy Chairwoman:
Inkeri Kerola, b. 1957, Member of Parliament, school teacher
Members:
Heikki Allonen, b. 1954, President & CEO, Patria Group, MSc (Eng) (appointed by Fiskars Corporation)
Turo Bergman, b. 1946, LicSocSc
Miapetra Kumpula-Natri, b. 1972, Member of Parliament, BSc (Eng), student of economics
Petteri Orpo, b. 1969, Member of Parliament, MSocSc
Jouko Skinnari, b. 1946, Member of Parliament, LLM
Hans Sohlström, b. 1964, Executive Vice President, UPM-Kymmene Corporation, MSc (Tech), MSc (Econ) (appointed by UPM-Kymmene Corporation)
Tapani Tölli, s. 1951, Member of Parliament, MSocSc

Employee representatives:
Matti Kelloniemi, b. 1950, HRD specialist
Jouko Luttinen, b. 1956, chief shop steward
Markku Pelkkikangas, b. 1950, project manager
Mika Vuoti, b. 1967, chief shop steward, since 1 May 2009 (Eero Raivio, b. 1945, chief shop steward, until 30 April 2009).

The Supervisory Board met four times in 2009 and the average attendance rate was 86.5 per cent.

President & CEO

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

Corporate Management Board

The company's Board of Directors appoints the members of the Corporate Management Board at the proposal of the President & CEO, who chairs the Board.

The Corporate Management Board is mainly tasked with assisting the President & CEO in corporate operative management and business planning. The Board considers and oversees corporate and divisional strategy, investments, finances, divestments, acquisitions, corporate collaboration, organisational structure and control processes. The Corporate Management Board meets regularly.

President & CEO, Deputy to the President & CEO and Corporate Management Board 2009

Rautaruukki Corporation's President & CEO is Sakari Tamminen (b. 1953) and the company's Chief Financial Officer Mikko Hietanen (b. 1953) serves as the Deputy to the President & CEO.

The Corporate Management Board has six members: the company's President & CEO, the CFO, divisional presidents and the Chief Strategy Officer.

The Extended Management Board has, in addition to members of the Corporate Management Board, eight members who are the heads of corporate business support functions. Information about members of the Corporate Management Board and Extended Management Board is given on pages 70–71.

Organisational structure of the business

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

In 2009, the business was structured into the following reporting divisions: Ruukki Construction, Ruukki Engineering and Ruukki Metals. Each division has a management board, which is chaired by president of the division concerned.

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

Corporate policies and control processes

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

Rautaruukki's policies

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

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

Code of Conduct

Business ethics and legality

The company complies with the laws and regulations in force and with the Code of Conduct, published in 2005, in all its operations. The purpose of the Code of Conduct adopted by Rautaruukki's Board of Directors is to highlight the company's ethical values and to create for the personnel a consistent way to act responsibly around the world. Each and every Rautaruukki employee must, without exception, comply fully with the Code of Conduct. Rautaruukki also requires the commitment of its partners to these principles. Responsible operations foster the company's success and competitiveness.

The Code of Conduct means compliance with generally accepted ethical standards and with applicable legislation. The company does everything it can to identify and solve ethical, legal, environmental, employment and human rights problems relating to its operations in accordance with its Code of Conduct.

Human rights and personnel

The company respects human rights enshrined in universally accepted international declarations. Code of Conduct principles applying to the personnel prohibit all kinds of discrimination and ensure the right to safe and healthy working environment and to personal well-being. These principles specify the types of behaviour that are not tolerated and, for example, prohibit all harassment of any kind. Rautaruukki is strictly against the use of forced or child labour. Corruption or bribery in any form is unacceptable.

Environment

The company considers the environment to be one of the cornerstones of its operations. The Code of Conduct urges Rautaruukki's employees to work with the company's suppliers and customers to actively identify ways to prevent and reduce the amount of emissions and waste caused by business activities.

Implementation

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

It is the responsibility of each and every Rautaruukki employee to report any procedures contrary to the Code of Conduct. Any matters notified are always dealt with and taken up with the person and/or organisation concerned in the manner provided by the Code. There were no cases of financial misconduct reported in 2009.

Control processes

The control of corporate-wide operations takes place through the management system referred to above. The Board of Directors and its Audit Committee regularly evaluate the appropriateness and effectiveness of the company's accounting, financial management, internal control and risk management. The Board of Directors is also responsible for ensuring the proper arrangements for and supervision of the company's accounting and financial management. The Board of Directors' Audit Committee is also tasked with strengthening the oversight of financial reporting.

Internal control

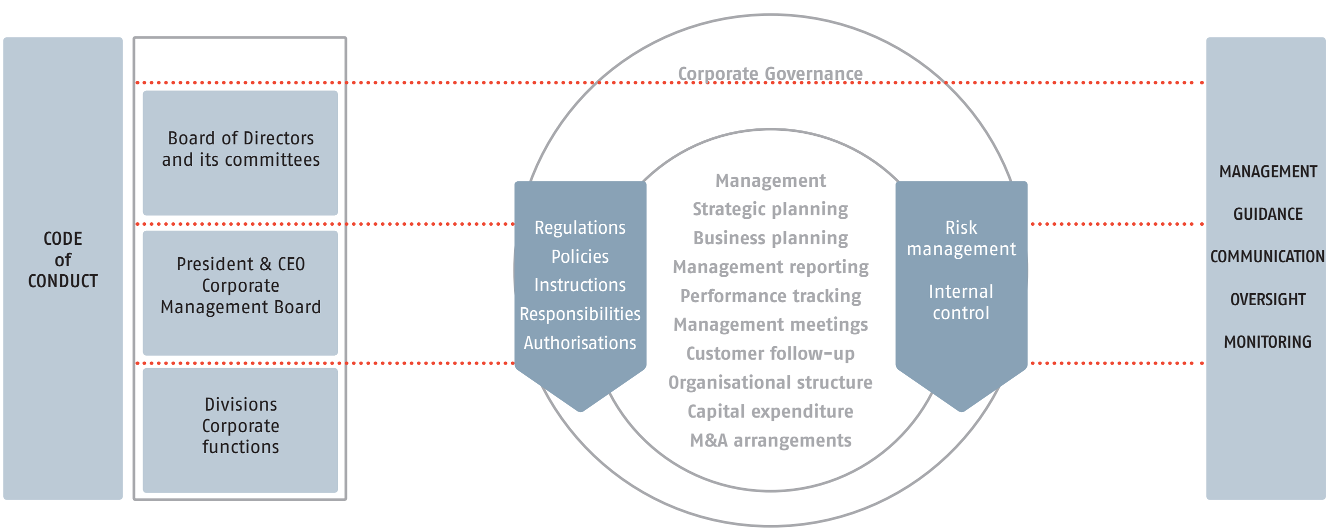
Internal control is an ongoing process aimed at underpinning the achievement of strategies and financial targets and at ensuring business continuity. The internal control process also seeks to ensure that business is conducted ethically in accordance with the principles of Rautaruukki's Code of Conduct and in compliance with applicable laws and regulations.

Financial reporting at Rautaruukki complies with standard principles. Most of the companies are customers of corporate finance service centres, where accounting is carried out using a unified account scheme according to standard procedures and processes. Group reporting is based on International Financial Reporting Standards (IFRS). These support corporate financial planning and reporting instructions (Controller's Manual). In external financial reporting, group companies comply with local laws and regulations. Corporate financial management is responsible for development of the financial reporting process and control systems.

The Corporate Finance and Control function is responsible for reporting at the corporate level and the Controller of each division is responsible for reporting at the respective divisional level. Financial reporting at the corporate and divisional level is carried out jointly by these functions (corporate financial management) and underpins the achievement of targets set. Corporate financial management reports regularly each month to corporate management and to the company's Board of Directors. Reporting includes corporate and divisional key figures and a performance analysis. Corporate financial management assists the divisions and management in the decision-making and analyses required to achieve financial targets.

Internal control process

Internal control is not a separate process, but an integrated part of all Rautaruukki's operations. The internal control process is operative at all levels corporate-wide.



Communication and information

The elements of Rautaruukki's internal control process are described in policies and manuals.

Accounting policies and manuals related to financial reporting can be found on the company's intranet site. These policies and manuals are accessible to persons involved in financial reporting. In addition, Corporate Finance and Control regularly provides training in reporting processes and practices.

External disclosure of financial information complies with stock exchange regulations.

Monitoring

The group employs the reporting systems needed to monitor business effectively. The Board of Directors has ultimate responsibility for the proper arrangement of accounting and the oversight of financial management. The President & CEO is responsible for ensuring that accounting complies with legal requirements and that financial management is reliably organised.

Each division reports its operations and key figures to corporate management in monthly meetings, at which there are standard agendas to ensure internal control is effected.

The corporate financial report is submitted monthly to the Board of Directors, which regularly considers the financial and market conditions in their meetings. The Board of Directors adopts the interim reports and financial statements for publication.

Internal audit

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

An internal audit examines and evaluates the appropriateness and effectiveness of the group's internal control process, the relevance and efficiency of operations, the reliability of financial information and reporting, as well as compliance with rules, operating principles and instructions. In addition, an internal audit aims at strengthening the development of risk management in different operations. The principles of internal audit have been defined in the policy adopted by the Board of Directors. Internal audit prepares an audit plan each year for approval by the Board of Directors.

Internal audit reports regularly to the Board of Directors' Audit Committee and to the Board of Directors. In addition, the chief audit executive attends all Audit Committee meetings.

Audit

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

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

As required by law and by the Articles of Association, the company's auditor issues a report to shareholders in conjunction with the annual accounts and regularly reports its findings to the Board of Directors' Audit Committee. The auditor attends Audit Committee meetings.

Auditor 2009

The 2009 Annual General Meeting elected KHT audit firm KPMG Oy Ab as Rautaruukki Corporation's auditor, with Pekka Pajamo KHT as the principal auditor.

Auditors' fee

Fees paid to independent auditors for the audit and other services related to the 2009 financial statements were as follows:

- Audit and closely related fees EUR 1,312,000 (1,808,000)
- Other services EUR 589,000 (311,000)

Insiders

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

Besides a public insider register, Rautaruukki also keeps company-specific and project-specific registers. Permanent company-specific insiders are persons who, by virtue of their position or job, regularly receive insider information and whom the company has defined as company-specific insiders. The company-specific register is not public.

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

Rautaruukki's insider registers are maintained by the group's legal affairs department in Euroclear Finland Ltd's NetSire system, where information about securities ownership can be obtained directly from the book-entry system. The interests of insiders on the public insider register are posted on the company's website and updated once a day.

- The Corporate Governance Statement is available on the company's website at www.ruukki.com.
- The Finnish Corporate Governance Code may be viewed on the Securities Market Association website at www.cgfinland.fi.

Management remuneration

- **The remuneration of Ruukki's management is based on a monthly salary, a short-term performance incentive bonus and a long-term share-based incentive plan**
- **The company seeks to offer a competitive remuneration package to retain and attract talented key resources**

Decision-making

The Board of Directors decides the principles of remuneration and the remuneration of the company's President & CEO. The Annual General Meeting decides the fees of the members of the Board of Directors and the Supervisory Board.

Remuneration of the President & CEO and other management

The remuneration of the company's President & CEO and other management is based on a fixed monthly salary, an annual performance bonus and long-term incentive plans such as pension benefits and share bonuses.

Short-term incentive plans

Ruukki's short-term incentive plan, the bonus plan, supports achievement of the group's strategic and financial targets.

The criteria for determining bonuses payable to the President & CEO and to other members of the Corporate Management Board are confirmed by the Board of Directors each year. Any bonuses payable depend on corporate and divisional financial performance, as well as on the achievement of Management Board and personal targets set. The maximum annual bonus payable is 40-50 per cent of annual salary. The Board of Directors assesses the performance of the President & CEO and the direct supervisor assesses the performance of other management.

Long-term incentive plans

Ruukki has had long-term share bonus plans as long-term performance incentive plans for management and key employees since 2000. In December 2007, the Board of Directors decided on a new incentive plan. The Share Ownership Plan 2008–2010 seeks to align the objectives of shareholders and key employees 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 are paid out partly in the form of company shares and partly in cash during the calendar year following the respective earning period. The plan covered 96 persons in the earning period 2009.

Payment of a share bonus is subject to the achievement of financial targets set by the Board of Directors each year, which for the earning periods 2008 and 2009 were 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 a bonus to the company. The President & CEO and other members of the Corporate Management Board must, in addition to the two-year commitment period, hold any shares received under the plan to at least the value of their annual gross salary for as long as their service contract continues.

Shares payable under the first earning period, 2008, of the Share Ownership Plan 2008-2010 were transferred to the key persons concerned in March 2009 and must be held until the end of 2010.

Persons covered by the share ownership plan do not participate in the employee profit sharing scheme.

Option programmes

Ruukki has no option programmes in effect.

Pension arrangements

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

The President & CEO and members of the Corporate Management Board are entitled to retire at the age of 60. The level of supplementary pension varies depending on which supplementary pension scheme a person belongs to. The President & CEO receives a supplementary pension of 60 per cent of salary. The level of supplementary pension payable to the deputy to the President & CEO equates to the statutory retirement pension he would have received had he worked until the age of 63. All men covered by Section A of Rautaruukki's Pension Fund who have chosen a reduced retirement age retire at the age of 60. One member of the Corporate Management Board belongs to this group. The amount of supplementary pension paid by the Pension Fund depends on the number of earning years and is generally between 30 and 50 per cent of retirement pay. In 2009, Ruukki started up a new defined contribution supplementary pen-

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

€	Salaries and benefits 2009	Salaries and benefits 2008	Performance bonuses 2009	Performance bonuses 2008	Share bonuses 2009	Share bonuses 2008	Total 2009	Total 2008
President & CEO	556 667	576 498	149 225	131 653	88 955	57 388	794 847	765 539
Other members of the Corporate Management Board*	1 009 557	1 247 805	228 025	270 849	240 708	210 423	1 478 290	1 729 077

**6 members in 2008 and 5 members in 2009*

sion plan for those members of the Corporate Management Board who do not belong to previous defined benefit pension plans. The defined contribution pension plan does not guarantee the level of future pensions, which depend on the pension insurance contributions made and the return on investments.

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

Fees paid to members of the Board of Directors 2009

The Annual General Meeting decides the fees paid to members of the Board of Directors for one term of office at a time. The Annual General Meeting confirmed the following fees for Board members:

- chairman EUR 5,600 per month
- deputy chairman EUR 3,500 per month
- members EUR 2,700 per month
- attendance fee EUR 600 per meeting for Board and Board Committee meetings
- travel cost are indemnified according to the company's travel rules

Fees paid to the Board of Directors

€	2009	2008
Chairman	74 000	73 400
Deputy chairman	48 000	50 800
Other members of the Board	201 600	214 100
Total	323 600	338 300

Fees paid to members of the Supervisory Board 2009

The Annual General Meeting decides the fees paid to members of the Supervisory Board for one term of office at a time. The Annual General Meeting confirmed the following fees for Supervisory Board members:

- chairwoman EUR 1,000 per month
- deputy chairwoman EUR 600 per month
- members EUR 500 per month
- attendance fee EUR 200 per meeting

Fees paid to members of the Supervisory Board

€	2009	2008
Chairwoman	12 600	12 800
Deputy chairwoman	8 000	7 800
Other members of the Supervisory Board	46 800	46 400
Total	67 400	67 000

Board of Directors 1 January 2010

Chairman
Reino Hanhinen
b. 1943

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

M.Sc. (Eng.), D.Sc. (Tech.) h.c.

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

Other elected positions
YIT Corporation, Board member
Kone Corporation, Board member

Shares
10,000

Deputy Chairman
Christer Granskog
b. 1947

Member (2001–) and Deputy Chairman (2009–) of Rautaruukki's Board
Member of Remuneration Committee (2009–)
Independent member of the Board

M.Sc. (Tech)

Oy Piceum Ab, CEO

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

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

Shares
1,000

Maarit Aarni-Sirviö
b. 1953

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

M.Sc. (Tech), MBA

Mint of Finland Ltd, President & CEO

Previous main positions
Borealis Group, various executive positions (1994–2008)
Neste Corporation, various positions (1977–1994)

Other elected positions
Oy Nordic Moneta Ab, Chairman of the Board
Det Norske Myntverket AS, Chairman of the Board
Ponsse Corporation, Board member
Wärtsilä Corporation, Board member

Shares
1,000

Pirkko Juntti
b. 1945

Member of Rautaruukki's Board (2003–)
Independent member of the Board

LL.M

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

Other elected positions
FIN-FSA, Board member
Finavia, Board member

Shares
–

Remuneration Committee member
Audit Committee member

Kalle J. Korhonen
b. 1948

Member of Rautaruukki's Board (2005–)
Member of Audit Committee (2008–)
Member of the Board independent of the company but not of a major shareholder

M.Sc. (Eng)

Ministry of Employment and the Economy, Under-Secretary of State

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

Other elected positions
Finnvera plc, Chairman of the Board
Finnish Tourist Board, Chairman of the Board

Shares
–

Liisa Leino
b. 1960

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

M.Sc. (Nutrition)

Leinovalu Oy, Chairwoman of the Board of Directors

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

Other elected positions
Alko Inc., Board member
M-real Corporation, Board member
Varma Mutual Pension Insurance Company, Supervisory Board member
Central Chamber of Commerce of Finland Tax Committee, member

Shares
1,000

Hannu Ryöppönen
b. 1952

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

BA (Business Adm.)

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

Other elected positions
Altor 2003 GP Limited, Altor Fund II GP Limited and Altor Fund III GP, Chairman of the Board
Amer Sports Corporation, Board member
Novo Nordisk AS, Board member
Neste Oil Corporation, Board member
Tiimari Plc, Chairman of the Board
Value Creation Investments Limited, Board member

Shares
–

Corporate Management Board 1 January 2010

Chairman
SAKARI TAMMINEN
b. 1953

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

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

Elected positions
Sanoma Corporation, Vice Chairman of the Board
Varma Mutual Pension Insurance Company, Chairman of the Board
Confederation of Finnish Industries EK, Chairman of the Board
Federation of Finnish Technology Industries, Board member
World Steel Association, Member of the Executive Committee

Shares
70,238

MIKKO HIETANEN
b. 1953

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

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

Elected positions
VTT Technical Research Centre of Finland, Board member
Lohjan Puhelin Oy, Board member

Shares
22,526

OLAVI HUHTALA
b. 1962

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

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

Shares
33,596

Saku Sipola
b. 1968

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

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

Shares
6,388

Marko Somerma
b. 1966

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

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

Shares
19,190

Tommi Matomäki
b. 1967

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

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

Shares
1,640

Extended Management Board

Eija Hakakari b. 1961
Senior VP, Human Resources,
MSc (Educ), Joined the company in 2008,
Shares: -

Olli Huuskonen b. 1961
Senior VP, General Counsel,
LLM, Joined the company in 2007,
Shares: 820

Sakari Kallo b. 1959
Senior VP, Production, Ruukki Metals, LicSc (Tech), Joined the company in 1987,
Shares: 4,489

Markku Koljonen b. 1951
Chief Technology Officer,
BSc (Eng), Joined the company in 1989,
Shares: 42,784

Taina Kyllönen b. 1967
Senior VP, Marketing,
MSc (Econ), Joined the company in 2004,
Shares: 11,191

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

Anne Pirilä b. 1963
Senior VP, Corporate Communications and Investor Relations, MSSc,
Joined the company in 2007,
Shares: 820

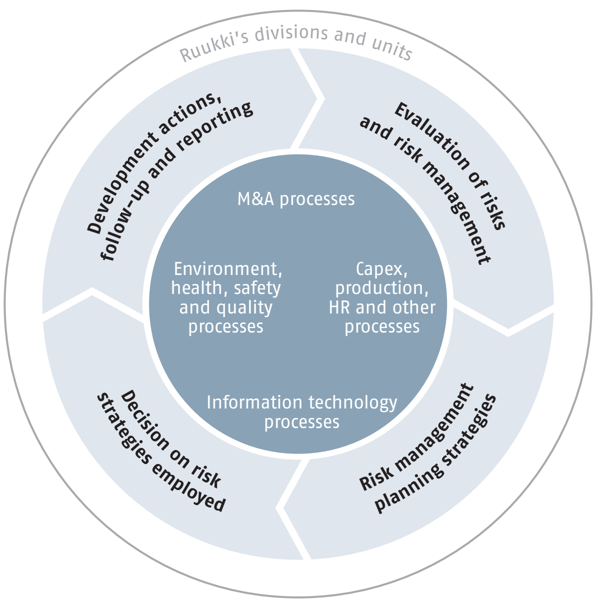
Ismo Platan b. 1953
Chief Information Officer,
BSc (IT), Joined the company in 2003,
Shares: 13,669

Risk management

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

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

Ruukki's risk management process



The annual strategy process is an integrated part of the risk management process.

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

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

Enterprise risk management is part of management system

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

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

Corporate risk management actions, a summary of the risk reports of the various functions and support in risk management matters are dealt with centrally.

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

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

Ruukki employs a continuous risk evaluation programme

Ruukki's risk evaluation programme combines evaluation of the hazard risks as well as evaluation of strategic, operative and financial risks.

Under the 2009 programme, annual risk evaluation was carried out at 22 sites in eight different countries. Risks were evaluated using the bottom-upwards and top-downwards approaches. Corporate management, divisional management and persons from sites, processes and support functions took part in the evaluations. Around 100 persons were interviewed and some 30 workshop meetings were held in connection with the process. Internal and external audit, insurance brokers and companies also took part. In addition, five external specialist organisations performed risk evaluations for the company.

Evaluation resulted in Ruukki defining 13 key risks facing its operations. Compared to the results for 2008, risks related to the global economic recession and corporate financing continue to be significant and stricter environmental regulations are estimated to be more significant than earlier.

Further improvement in risk management and insurance administration in 2009

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

During 2009, Ruukki improved the effectiveness of its insurance administration and corporate insurance programmes by screening the insurance field corporate wide and axing any overlapping insurance. Various options to fund risks were studied extensively to further improve insurance effectiveness. Particular attention was given among other things to contract management and insurance programmes in a bid to identify the best solutions from the business angle.

Long-term work continued on the creation of shared risk management practices corporate-wide. Thanks to site-specific risk management reporting systems, positive progress was made in the level of risk management of hazard and operative risks during the year. This progress was reflected in, for example, lower insurance premiums.

Project risk management was addressed, especially in Ruukki Construction, by acquiring continuous comprehensive project insurance. Insurance improves project risk management by providing similar insurance cover for all projects.

Ruukki Metals particularly addressed risk management and business continuity in the event of a situation of loss. Proactive planning in the event of loss and also the claims process were developed together with an insurance broker and insurance companies.

In addition, the group made a start on implementing a data system based risk management system designed to identify and evaluate risks and to determine the necessary actions required.

In 2010, Ruukki will proceed further with developing standard processes and site-specific reporting. Work will continue on further improving insurance effectiveness and use of the risk management system will be extended across the company.

Risk classification helps identification

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

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

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

Risk management strategies

Examples of Ruukki's risk management strategies.

Principal risks facing Ruukki

Strategic risks

Global recession

The global recession and ensuing rapid change in the business environment is adversely affecting the business of Ruukki and its customers and is thus impacting on demand for the company's products. It is difficult to predict how soon market conditions will be restored and the economy will return to the growth track. Ruukki is taking uncertain and rapidly changing market conditions into account by securing its financial position and by aligning production and costs to demand. At year-end 2009, the company had a strong balance-sheet and relatively low net interest-bearing financial liabilities compared to the balance sheet total.

Heavy dependency of business on new investments

Rapidly changed market conditions showed that the demand drivers for Ruukki's businesses are very similar, with an emphasis on new industrial investments. The solutions businesses - construction and engineering - and special steel products still do not account for a sufficiently large share of consolidated net sales to balance the impacts of global recession. An ability to balance the business structure geographically (emerging vs mature markets) and the factors driving demand (investment- vs consumer-driven demand) is one of the company's strategic intents. Achieving this intent is taken into account, for example, in expansion of the sales and distribution network and in possible acquisitions.

Major change in competition on home markets

Finland and the other Nordic countries account for most of the company's net sales. The company's business might be adversely affected by a major change in the competitive situation on the company's home markets or, for example, by customers relocating to lower cost countries owing to weak market conditions. Ruukki has prepared for trends of this kind by building its own production capacity in Eastern Europe and China, by developing an international distribution network for special steel products and by securing its market share in the home market.

Competitiveness and inflexibility of own steel production

International comparison shows the company's steel production to be competitive, but small in terms of volume. Crude steel production takes place using two blast furnaces integrated into one production unit. This means that steel production has limited flexibility compared to large competitors, who have a number of production units and can optimise production between several units. The company has prepared for this risk by improving cost efficiency and production flexibility.

Cyclical fluctuations in steel prices

Demand for steel and other metal products and especially prices for standard products fluctuate with economic cycles. Ruukki has prepared for cyclical fluctuations in steel prices by increasing the share of special steel products in its own steel output and by aligning production levels to demand. Profitability is more important to the company than sales volumes. The company has prepared for this risk also by improving supply-chain management, delivery accuracy and customised service. In addition, the company is mainly selling direct to end-customers and is thus well-placed to identify customer needs.

Operative risks

Increasingly stricter environmental regulations

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

All the company's main production sites operate in accordance with the ISO 14001:2004 environmental management system.

Freight charges and availability and price of raw materials

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

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

Availability risks are managed through long-term contracts to source the main materials and energy used in steel production. The group generates almost half of the electricity it uses by utilising the gases released in production processes.

Operational processes and major breakdowns in production

Modern, systematic proactive maintenance of processes and systems is a key part of risk management and can help to prevent the occurrence of breakdowns in production. Risks are also mitigated by setting up standard procedures to choose partners and suppliers and to ensure the quality of semi-finished products.

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

Labour market disruptions

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

The entire personnel is tasked with the continual improvement of delivery accuracy.

Liability risks

To avert flaws and liability relating to its products and solutions, Ruukki operates adequate quality management systems and has appropriate liability insurance for its business. The company's integrated system for quality and environmental management complies with the requirements of ISO 9001:2000 and 14001:2004.

Hazard risks

The group has comprehensive insurance programmes covering property damage, business interruption and transport.

Injuries

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

We are focusing on improving operational excellence. Accurate deliveries, harmonised processes and the sharing of best practices are a key element of our OPEX model and also significantly improve risk prediction and management.

Economic risks

Financial risks

Ruukki's financing, financial and credit risk management is dealt with centrally by the parent company's Financing function in accordance with the financing and credit policy approved by the Board of Directors. The main raw materials used in steel production are priced in US dollars. This exposes the group to a currency risk because the group has only minor sales denominated in US dollars. The Swedish crown accounts for the company's biggest surplus in currency-denominated sales. Derivatives are used to hedge against the currency risk. The company has undrawn ongoing committed credit lines and liquid assets to manage the liquidity risk. Ruukki's liquidity was good throughout the year. The group's currency, interest, commodity price, liquidity and credit risks are detailed in Note 3 in notes to the financial statements.

Most significant risks and risk management in 2009

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

Risks jeopardising strategy implementation and aims

External risks outside the company's control that jeopardise business performance

Internal and external risks within the company's control that threaten corporate operations

Responsibility for risk management

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

Greater number of shareholders

- **Rautaruukki's share closed at EUR 16.14 on the year and the company had a market capitalisation of EUR 2,264 million**
- **The Board of Directors' dividend proposal of EUR 0.45 per share equates to 2.8 per cent of the dividend yield at the share's closing price on the year**

Shares and share capital

Rautaruukki Oyj's share (RTRKS) is quoted on Nasdaq OMX Helsinki in the Large Cap segment and is classified in the Materials sector. Rautaruukki has one series of shares, with each share entitling the holder to one (1) vote at shareholder meetings.

Rautaruukki Oyj's fully paid share capital entered into the Finnish Trade Register as at 31 December 2009 was EUR 238,485,222.50 distributed over 140,285,425 shares. During the course of the year, the share capital was increased by 29,946 shares or EUR 50,908.20 as a result of subscriptions exercised under the 2003 bond loan with warrants.

Share performance and trading

The company's share closed 32.7 per cent up on the year at EUR 16.14 (EUR 12.16). The weight-capped OMX Helsinki Cap index was up 36.2 per cent on the year. The highest price quoted for Rautaruukki's share during 2009 was EUR 18.14 in September and the lowest was EUR 11.06 in January. The volume weighted average price during the year was EUR 14.53.

During the report period, 189,370,968 (251,096,477) of the company's shares were traded for a total of EUR 2,752 million (5,530) on Nasdaq OMX Helsinki. The daily average trading was 754,466 shares (992,476). In addition to Nasdaq OMX Helsinki, Rautaruukki's share is also traded on multilateral trading facilities (MTF). According to information received by the company, a total of 19,283,089 Rautaruukki shares were traded on multilateral trading facilities in 2009 for a total of EUR 284 million.

In September 2009, Rautaruukki was included for the second time running in the Dow Jones Sustainability World (DJSI World) index and for the third time running in the Dow Jones STOXX Sustainability (DJSI STOXX) index. These indexes include the top companies in their sector that are committed to sustainable development. Rautaruukki ranks among the world's best seven steel companies in DJSI World index. There are five other Finnish companies in the DJSI World index and six in the DJSI STOXX index.

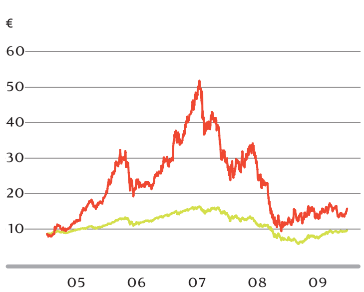
Board of Directors' authorities

Rautaruukki Corporation's Annual General Meeting on 24 March 2009 authorised the Board of Directors to resolve to acquire a maximum of 12,000,000 Rautaruukki shares. The authority is valid for eighteen months from the decision of the Annual General Meeting. The Board of Directors did not exercise this authority during 2009.

In addition, Annual General Meeting granted the Board of Directors the authority to decide on a share issue, which includes the right to issue new shares or to transfer treasury shares held by the company. The authority applies to a maximum of 15,000,000 shares in total. The Board of Directors has the right to disapply the pre-emption rights of existing shareholders in a private placement. The authority also includes the right to decide on a bonus issue. The authority is valid until the close of the 2011 Annual General Meeting. The Board of Directors did not exercise this authority during 2009.

The Board of Directors had an authority, valid until the close of the 2009 Annual General Meeting, to transfer a maximum of 13,785,381 treasury shares held by the company. Under this authority, on 20 March 2009, the company transferred a total of 48,052 treasury shares to the employees covered by the first earning period, 2008, under the group's Share Ownership Plan 2008-2010. A total of 2,690 shares were returned to the company.

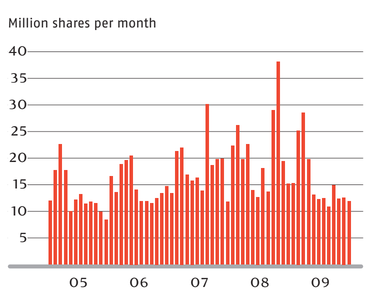
Share performance



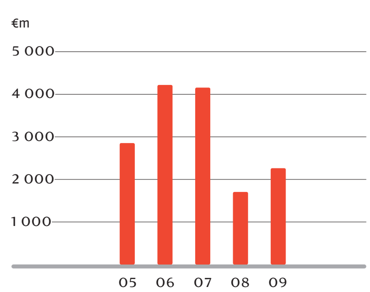
Rautaruukki, RTRKS

OMX Helsinki CAP (scaled to Rautaruukki's share price)

Share trading



Market capitalisation at year-end



Dividend policy

The company's dividend policy is a payout ratio of 40-60 per cent of the result for the financial year. The aim is for a steadily growing dividend whilst also taking into account the needs of business growth. The Board of Directors is to propose to the Annual General Meeting convening on 23 March 2010, that a dividend of EUR 0.45 per share be paid for 2009.

Shareholders

At 31 December 2009, Rautaruukki had 41,715 shareholders, 5,454 more than a year earlier. Nominee registered shares and shares owned by non-Finnish investors at year-end 2009 accounted for 26.0 per cent (29.9) of the shares issued.

At year-end 2009, Solidium Oy, a holding company wholly owned by the State of Finland, owned 39.7 per cent of Rautaruukki's shares.

Treasury shares

At year-end 2009, Rautaruukki owned 1,421,575 treasury shares (1,466,937), which at 31 December 2009 had a market capitalisation of EUR 22.9 million.

Board and management interests

At year-end 2009, members of the Supervisory Board and Board of Directors owned a total of 14,610 shares (18,110) in the company, equating to 0.010 per cent (0.013) of the shares and votes. At year-end 2009, members of the Corporate Management Board owned a total of 153,578 (198,174) of the company's shares, equating to 0.109 per cent (0.14) of the shares and votes. The share ownership of present members of the Corporate Management Board increased by 10,824 shares in 2009. Compared to the previous year, share ownership of the Corporate Management Board decreased by 55,420 shares since the Board now has one member less. Board of Directors and management interests are detailed on pages 68–71. The interests of the company's public insiders and any movements in their shareholdings during the report period may be viewed in real time on the company's website at www.ruukki.com/investors.

Disclosure notifications

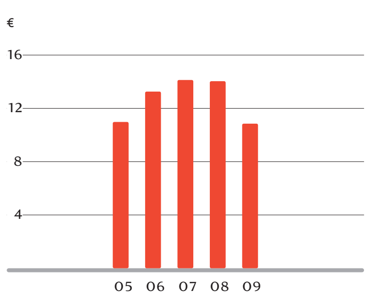
During 2009, Rautaruukki Corporation received one notification of change in ownership requiring disclosure under Chapter 2, Section 9 of the Finnish Securities Markets Act. On 28 January 2009, Capital Research and Management Company notified that the aggregate holding in Rautaruukki shares of the funds it manages had, as at 26 January 2009, decreased to below five per cent.

On 14 January 2010, after the balance sheet date, Rautaruukki received notification from Capital Research and Management Company under Chapter 2, Section 9 of the Finnish Securities Markets Act that the aggregate holding in Rautaruukki shares of the funds it manages had, as at 12 January 2010, increased to over five per cent. The number of Rautaruukki shares notified by Capital Research and Management Company is 7,297,852 shares, which equates to 5.20 per cent of Rautaruukki's shares and votes.

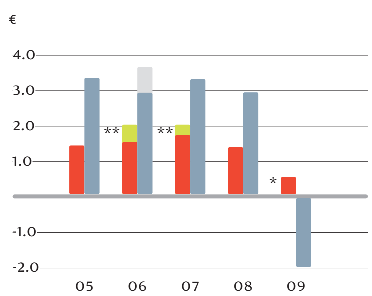
2003 bond loan with warrants

Warrants under the EUR 3.5 million bond loan with warrants, issued on 26 May 2003, and targeted at the group's personnel and Rautaruukki's Personnel Fund, entitled holders to subscribe a maximum aggregate of 1,400,000 shares between 24 May 2006 and 23 May 2009. Warrants were exercised to subscribe a total of 1,398,980 shares (99.9 per cent) and the share capital was increased by EUR 2,378,266.00 accordingly.

Equity per share



Earnings and dividend per share



Dividend per share, €

Earnings per share, EPS, €

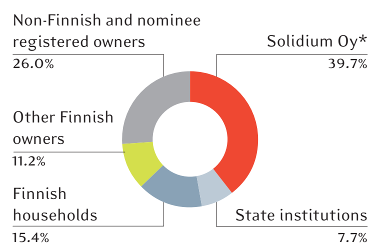
Additional dividend per share, €

Earnings per share, EPS, incl. Ovako capital gain, €

* Board of Directors' proposal

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

Ownership structure as at 31 December 2009



* Solidium Oy is fully owned by the Finnish State.

Rautaruukki Corporation's largest shareholders as at 31 December 2009

	Shareholder	Shares, %	Number of shares
1	Solidium Oy (a holding company fully owned by the Finnish State)	39.67	55 656 699
2	Varma Mutual Pension Insurance Company	2.51	3 514 322
3	Ilmarinen Mutual Pension Insurance Company	2.46	3 453 417
4	Rannila Esa	1.04	1 457 800
5	Rautaruukki Corporation	1.01	1 421 575
6	The State Pension Fund	0.99	1 386 275
7	OP-Delta Fund	0.92	1 292 307
8	Odin Norden	0.53	747 695
9	OP-Finland Value	0.46	650 000
10	Mutual Life Insurance Company Suomi	0.43	600 000
11	Nordea Nordenfonden	0.37	515 539
12	Nordea Fennia Fund	0.37	515 000
13	OP-Focus Fund (Non-UCITS)	0.35	486 007
14	Oy Ingman Finance Ab	0.34	470 000
15	Etera Mutual Pension Insurance Company	0.32	449 214
16	Veritas Pension Insurance Company Ltd	0.31	435 000
17	Stiftelsen för Åbo Akademi	0.30	423 500
18	Alfred Berg Finland Fund	0.30	421 149
19	Rautaruukki's Personnel Fund	0.25	348 528
20	Mutual Insurance Company Pension Fennia	0.24	338 200
	Nominee registered shares	24.26	34 030 893
	Other shareholders	22.58	31 672 305
	Total	100.00	140 285 425

Shareholders by share ownership as at 31 December 2009

Number of shares	Shareholders		Shares	
	No.	%	No.	%
1–100	13 185	31.6	840 944	0.6
101–500	18 096	43.4	4 878 341	3.5
501–1 000	6 211	14.9	4 744 483	3.4
1 001–5 000	3 576	8.6	7 445 874	5.3
5 001–10 000	347	0.8	2 533 203	1.8
10 001–50 000	218	0.5	4 397 126	3.1
50 001–100 000	33	0.1	2 353 431	1.7
100 001–500 000	34	0.1	8 267 513	5.9
500 001+	15	0.0	104 824 510	74.7
Total	41 715	100.0	140 285 425	100.0

Shareholders by sector as at 31 December 2009

	Shareholders		Shares	
	No.	%	No.	%
Solidium Oy	1	0.0	55 656 699	39.7
Other companies	2 024	4.9	5 783 285	4.1
State institutions	39	0.1	10 812 924	7.7
Banks and insurance companies	98	0.2	6 598 538	4.7
Non-profit institutions	369	0.9	3 329 957	2.4
Finnish households	38 998	93.5	21 572 584	15.4
Non-Finnish and nominee registered owners	186	0.4	36 531 438	26.0
Total	41 715	100.0	140 285 425	100.0
of which nominee registered	16	0.0	34 030 893	24.3

Per share data 2005–2009*

	2009	2008	2007	2006	2005
Earnings per share (EPS), €	−1.98	2.93	3.31	3.66	3.35
diluted, €	−1.98	2.93	3.31	3.65	3.31
Dividend per share, €	0.45 **	1.35	1.70+0.30	1.50+0.50	1.40
Dividend per earnings, %	neg.**	46.1	60.4	55.1	41.9
Effective dividend yield, %	2.8 **	11.1	6.7	6.6	6.8
Equity per share, €	10.85	14.04	14.13	13.21	10.98
Price per earnings (P/E)	neg.	4.2	9.0	8.2	6.1
Share price during the year					
Lowest price, €	11.06	9.51	27.38	19.00	8.02
Highest price, €	18.14	34.77	52.50	33.31	21.15
Average price weighted by trading volume, €	14.53	22.03	38.34	25.70	12.90
Closing price on year, €	16.14	12.16	29.65	30.15	20.55
Market capitalisation at balance sheet date, €m	2 264	1 706	4 157	4 220	2 854
Share trading during the year					
Share trading, €m	2 752	5 530	8 444	4 628	2 041
Share trading, 1 000	189 371	251 096	219 940	179 214	158 463
% of shares ***	136	181	157	128	116
Number of shares at balance sheet date					
Number of shares outstanding, 1 000	138 864	138 789	138 721	138 172	136 294
Treasury shares, 1 000	1 422	1 467	1 477	1 785	2 593
Total number of shares, 1 000	140 285	140 255	140 198	139 957	138 886
Adjusted average number of shares outstanding, 1 000	138 846	138 746	138 491	136 864	135 977
diluted, 1 000	138 846	138 773	138 566	137 145	137 377

** All information concerning share trading and the key figures derived therefrom is based on trading information on Nasdaq OMX Helsinki. In addition to Nasdaq OMX Helsinki, Rautaruukki's share is also traded on multilateral trading facilities (MTF).*
*** Board of Directors' proposal.*
**** Average number of shares outstanding.*

Financial statements 2009

Contents

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

Report of the Board of Directors 2009

Business environment

The year 2009 stood out also from an historical perspective. The economic downturn triggered by the financial markets during the latter part of 2008 resulted in a contraction in the global gross national product for the first time since 1946. The far-reaching impact of the downturn on the real economy clearly gathered momentum during the first half of the year. As an export-driven country, the collapse in world trade hit Finland harder than most other countries. Industrial production shrank noticeably and market conditions were extremely difficult. General uncertainty and caution in investment and financing decisions prevailed throughout the earlier part of the year. An appreciable weakening against the euro of many currencies in Eastern European and the Nordic countries eroded the competitiveness of the eurozone, but increased the interest of eurozone-actors in local manufacturing in Central Eastern Europe and Russia.

The first signs of economic development levelling off began to be seen towards the end of the second quarter and the pace of decline in the global economy slowed during the course of the third quarter. However, there was continued caution in investment decisions despite the strengthening of a number of confidence indicators. Even though stocks of finished goods decreased considerably, industrial orders remained well below the level a year earlier. The worst of the crisis was over in the latter part of the year and the global economy and world trade began to show signs of a recovery. Also Finnish exports to Sweden and Germany began to gradually recover. However, the recovery of economic development is partly due to public-sector stimulus packages and partly to stock cycles. The situation is also improving on the financial markets.

Growing uncertainty as a result of the economic downturn and the poor functioning of the financial markets were reflected in the difficulty of customers in arranging funding, which in turn weakened demand especially for construction solutions and products. Growth in seasonal demand in construction during the summer months was far below that of earlier years. However, continued good activity in renovation construction boosted demand for residential roofing products, which was brisker than expected. A severe, early winter swept across most of Europe and brought the construction season to a slightly earlier end than in previous years. Road and railway construction continued to be good throughout the year.

Deliveries to engineering industry customers decreased during the early part of the year, especially in the lifting, handling and transportation equipment industry. High stock levels throughout the supply chain weakened demand. Deliveries to equipment manufacturers in the energy industry, both to wind and diesel power plants remained good in the early part of the year, but tailed off towards the end of the year when equipment manufacturers in the wind power industry rescheduled or cancelled some projects. Customers' stocks decreased considerably during the second half of the year, but order intake showed hardly any improvement. Market conditions remained weak throughout the year in shipbuilding and there were very few new orders. The trend within the engineering industry to pursue further cost efficiency by transferring production to lower cost countries strengthened during the past year.

Delivery volumes in the steel industry fell sharply in all customer sectors. Demand for plates in particular was weak. High stock levels also partly contributed to lower delivery volumes. De-stocking took much longer than expected. Almost all actors in the steel industry adjusted production considerably and the global capacity utilisation rate in the steel industry averaged just 70 per cent and was even much lower in the EU-27 region. Global crude steel production grew during the final months of the year compared to the previous year, but production figures for 2009 as a whole still fell far short of those for 2008. Crude steel production in the EU-27 region was around 30 per cent less than during the previous year.

Prices of steel products fell noticeably during the year. International agreements on the prices of the main raw materials - coal and iron ore - were signed during the spring and early summer. These agreements to some extent steadied the fall in the prices of steel products as uncertainty about raw material costs faded. Selling prices in some product groups rose slightly during the fourth quarter, although the picture mellowed again towards the end of the year.

Net sales

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

Consolidated net sales for 2009 were EUR 1,950 million (EUR 3,851 million reported and EUR 3,829 million comparable).

The solutions businesses - Ruukki Construction and Ruukki Engineering - accounted for 46 per cent (48) of consolidated net sales in 2009. Finland accounted for 30 per cent (31) of consolidated net sales, the other Nordic countries 31 per cent (31) and Central Eastern Europe, Russia and Ukraine for 19 per cent (20). The rest of Europe accounted for 14 per cent (15) of consolidated net sales and other countries for 6 per cent (3).

Ruukki Construction's net sales for 2009 were EUR 589 million (1,067) and Ruukki Engineering's net sales were EUR 312 million (765). Ruukki Metals' net sales were EUR 1,050 million (EUR 2,019 million reported and EUR 1,997 million comparable).

Ruukki Construction's net sales fell mostly because of weak demand. Business activity in commercial and industrial construction in particular was low throughout the report period. There was continued caution in investment decisions and noticeably fewer new construction projects were started than in previous years. Net sales of infrastructure construction declined noticeably less than those of other construction sectors due to the good level of activity in road and railway construction projects in the Nordic countries. Lower net sales in this segment were largely attributable to continued low demand for piles used in building foundations. Market conditions for residential roofing products during 2009 were much weaker than in earlier years. However, a significant share of renovation construction meant that sales volumes in this segment contracted much less than in commercial and industrial construction.

Ruukki Engineering's delivery volumes fell sharply compared to 2008. Low end-customer demand and de-stocking decreased order intake and net sales for the year were down in all customer segments. The sharpest fall in net sales was in shipbuilding and in the lifting, handling and transportation equipment industry. Deliveries to equipment manufacturers in the energy industry, both in wind and diesel power plants, continued at a good level compared to other customer groups for the first three quarters, but there was a marked fall in deliveries, especially in the wind power industry, during the fourth quarter. Selling prices also contracted during the year. A large number of the division's annual contracts expired during the summer and prices under new contracts were noticeably lower than for the previous term of contract. This contributed to weaker net sales during the second half of the year.

Ruukki Metals' delivery volumes of steel products remained exceptionally low throughout the year. End-customer demand was weak and de-stocking by customers led to a decrease in delivery volumes during the first three quarters of the year. Sales volume development in colour-coated and galvanised strip products was clearly better than in plate products. Sales of special steel products decreased more than those of other product groups during the year because of continued low activity in the main industrial sectors that use these products, such as the heavy engineering industry. Special steel products accounted for 19 per cent (27) of Ruukki Metals' net sales during the year. Prices of steel products fell noticeably during the first half of the year. The fall in prices in a number of product groups bottomed out during the third quarter and in some market areas selling prices showed a light rise towards the end of the quarter.

Operating profit

Consolidated reported negative operating profit for the period was -EUR 323 million (568), which equates to -17 per cent of net sales (15). Negative operating profit excluding non-recurring items was -EUR 306 million (comparable operating profit excluding non-recurring items was EUR 584 million), which equates to -16 per cent of net sales (15 per cent comparable, excluding non-recurring items). The impact of efficiency and cost-savings measures was evident in the company's cost structure, gaining strength towards the end of the report period.

Ruukki Construction's negative operating profit was -EUR 49 million (128 reported and 132 excluding non-recurring items). Ruukki Engineering's reported negative operating profit was -EUR 33 million (126) and negative operating profit excluding non-recurring items was -EUR 16 million (128). Ruukki Metals' negative operating profit was -EUR 228 million (EUR 338 million reported and EUR 350 million comparable, excluding non-recurring items).

Ruukki Construction's operating profit fell as a result of lower sales volumes and selling prices. Selling prices decreased in all market areas during the first half of the year as a result of lower steel material prices and tougher competition. Even though the fall in selling prices levelled off during the course of the third quarter, delivery contracts signed at lower selling prices in both components and projects weakened operating profit, especially during the fourth quarter. The use of own steel material produced at high raw material prices, together with the use of high-cost external material in stock, weakened profitability, particularly during the first half of the year.

Ruukki Engineering's operating profit was weakened by lower delivery volumes, lower selling prices and, during the first half of the year, the use of steel material produced at high raw material prices. Owing to sluggish demand in the shipbuilding industry, profitability has been particularly poor in the company's Mo i Rana plant in Norway, which posted a negative operating profit of -EUR 30 million for 2009. Operations were reorganised at the Mo i Rana plant in July, but owing to continued difficult market conditions, a decision was taken in December to study the options for the future of the unit. Options include possible discontinuation of operations at the unit until further notice. Non-recurring items include a EUR 5 million charge from discontinuing operations at the Hässleholm and Oskarstöm units in Sweden and stock writedowns and credit loss provisions of EUR 12 million at the Mo i Rana plant in Norway. The non-recurring charges relating to the Swedish units were recognised during the second quarter and the items relating to Mo i Rana during the fourth quarter of the year.

Ruukki Metals' negative operating profit was mainly due to the continued sluggish demand for steel products and to poor price development in the early part of the year. The low steel production capacity utilisation rate during the first half of the year increased costs per unit of steel produced. The cost impact of low utilisation in steel production was around -EUR 215 million for the whole year. Due to the low steel production capacity utilisation rate, emissions allowances remained unused and were sold on the market for EUR 34 million (5), of which EUR 31 million was scheduled during the fourth quarter. During the second half of the year, costs per unit of steel produced fell as a result of a higher capacity utilisation rate and lower prices of coal and iron ore - the main raw materials used in steel production. The full impact of lower raw material costs has been reflected in the company's cost structure since towards the end of the third quarter. The operating profit on stainless steel and aluminium was slightly negative in 2009.

Group writedowns on stocks totalled EUR 32 million and credit losses and credit loss provisions were EUR 9 million during 2009.

Financial items

Net finance expense and exchange rate differences relating to finance totalled EUR 36 million (23), including an arrangement fee of around EUR 5 million, paid in June, for a revolving credit facility. Net interest costs totalled EUR 26 million (11).

Group taxes were -EUR 84 million (142), which includes an increase of EUR 84 million (23) in deferred tax assets.

The result for the period was -EUR 275 million (406).

Earnings per share were -EUR 1.98 (2.93).

Balance sheet, cash flow and financing

The balance sheet total at year-end 2009 was EUR 2,532 million (2,983). Equity was EUR 1,507 million (1,948) equating to EUR 10.85 per share (14.04). The decrease in equity during the period was mainly attributable to the consolidated negative result and to dividends of EUR 187 million paid to shareholders in April.

The equity ratio at 31 December 2009 was 59.9 per cent (65.9) and the gearing ratio 22.3 per cent (7.9). Net interest-bearing financial liabilities at year-end 2009 were EUR 336 million (155). Net interest-bearing liabilities increased by EUR 181 million during the year.

Return on equity in 2009 was -15.9 per cent (20.7) and return on capital employed was -14.2 per cent (25.6).

Fixed assets at year-end 2009 were EUR 1,336 million, up by EUR 26 million during the year. Acquisitions accounted for EUR 10 million of this increase. Goodwill rose by EUR 5 million to EUR 103 million.

Cash flow from operating activities during 2009 was EUR 182 million (382) and cash flow before financing activities was EUR 30 million (169). EUR 317 million was released from net working capital during the period. Despite a negative result, cash flow from operating activities during the fourth quarter was EUR 113 million, which was largely due to the release of net working capital.

At year-end 2009, the group had liquid assets of EUR 261 million and undrawn committed revolving credit facilities of EUR 350 million. Repayments totalling EUR 96 million of non-current interest-bearing debt is due in 2010.

In June, the company signed a revolving credit facility of EUR 350 million. The loan replaced a credit facility of EUR 300 million signed in April 2005. The new facility has a maturity of three years and can be used flexibly for general corporate purposes. In November, the company issued a EUR 150 million domestic bond targeted at institutional investors. The five-year bond carries an annual fixed-rate coupon of 5.25 per cent and is the first tranche of a EUR 300 million tap issue.

Also transferring management of the statutory pension liability under the Finnish Employees Pensions Act (TyEL) from the pension foundation to a pension insurance company gives Ruukki greater flexibility to arrange funding by enabling the re-borrowing of around EUR 360 million of funds.

Actions to improve operational efficiency and adjust operations

In October 2008, Ruukki initiated its corporate-wide Boost programme, which aims at further operational efficiency and at permanently improving the company's competitive edge and profitability. The programme aims at an improvement of EUR 150 million in the company's operating profit by the end of 2011. The programme has progressed faster than originally planned and had an impact of EUR 72 million on consolidated profitability in 2009. The annualised impact of actions initiated during 2009 is around EUR 90 million.

The largest single benefits were achieved from the centralisation of steel service centre operations in the Nordic countries, improved supply chain efficiency and from efficiency programmes in the construction business.

Ruukki Construction has improved operational efficiency by centralising production on increasingly larger units in Finland, Estonia, Poland and Romania. Correspondingly, sites have been closed in, among other places, Latvia, Lithuania and the Czech Republic. The manufacture of construction products at Biatorbagy in Hungary has also been discontinued until further notice.

Centralising operations has strengthened engineering competence in Central Eastern Europe and China. Component production was discontinued at the Hässleholm and Oskarström units in Sweden and, during the latter part of the year, was transferred mostly to Poland. In addition, a decision was made to study the options for the future of the Mo i Rana plant in Norway. Options include discontinuing operations at the plant until further notice.

Ruukki Metals' efficiency measures include centralising parts processing on the steel service centres in Raahe and Seinäjoki, closure of the Tampere steel service centre and merging the two steel service centres in Järvenpää, Finland.

In addition to the operational excellence programme, Boost, temporary adjustment measures are also under way across the company as a result of difficult market conditions. Employer-employee negotiations relating to actions to improve efficiency and to adjust operations resulted in a corporate-wide workforce reduction of around 2,400 employees during the year. Around 680 of these reductions were in Finland. At year-end, a total of some 700 employees (1,450 at the end of September), of which 240 in Finland, were subject to temporary layoff measures. In addition, around 400 people in Central Eastern Europe and the Baltic states are working a four-day week until further notice. Cost savings from temporary adjustment measures totalled around EUR 25 million in 2009.

Personnel

The group employed an average of 12,664 (14,953) persons during 2009. At year-end, the headcount was 11,648 (14,286), which was spread as follows: 5,905 in Finland, 1,023 in the other Nordic countries, 2,163 in Central Eastern Europe, 2,214 in Russia and other CIS countries, 79 in Western Europe and 264 in other countries.

Staff salaries and other employee benefits were EUR 371 million (464). Nearly all the group's personnel belong to the profit sharing scheme. Since the group posted a negative result for 2009, no costs in respect of profit sharing were booked in 2009 (2008: EUR 3 million).

No expenses (2008: EUR 1 million) in respect of earning period 2009 of the valid 2008–2010 share ownership plan were booked in 2009. Ninety-six executives and other key personnel belong to the share ownership plan.

Positive progress was made with safety in 2009 and lost time accident frequency improved to 8 (11) per million hours worked.

Changes in group structure

The manufacture of steel products (Ruukki Production) was merged with Ruukki Metals as of 1 February 2009. The merger has improved efficiency and supply chain management in the steel business. The group now comprises two business areas - Ruukki Construction and Ruukki Engineering - specialising in the solutions business and Ruukki Metals, which focuses on the steel business. The group's segment reporting remains unchanged.

February saw the completion of the acquisition of the entire share capital of Skalles Eiendomsselskap AS, one of Norway's leading steel frame suppliers. This acquisition has strengthened Ruukki's foothold as a local actor in the Nordic steel construction market. Skalles' total deliveries include the design, manufacture and installation of steel structures.

Capital expenditure

Net cash flow from investing activities in 2009 was -EUR 153 million (-213).

Capital expenditure on tangible and intangible assets during the period was EUR 161 million (229), of which maintenance investments accounted for EUR 76 million (76). A total of EUR 7 million (9) was spent on acquisitions. Other shares increased by EUR 3 million (1).

Cash inflows of EUR 17 million (25) from investing activities during the period were mainly generated by divestments of fixed assets.

Depreciation of fixed assets during the period was EUR 146 million (146).

A decision was made in April to modernise blast furnace 1 at the Raahe Steel Works in Finland. Modernisation is planned to begin in April 2010. The company is also planning to modernise blast furnace 2 during 2011. Blast furnace modernisation is a necessary maintenance investment. Both blast furnaces will be shut down in turn for around two months during the maintenance break. It is expected to take between four and six weeks after start-up for the blast furnaces to return to normal production levels.

In connection with blast furnace modernisation, the company will switch over to using iron ore pellets instead of sinter as the sole raw material in the iron-making process. The sinter plant currently in use will be closed down by the end of 2011.

The investments planned for 2009–2011 to modernise the blast furnaces and change the feedstock base total around EUR 220 million, in addition to which environmental investments of some EUR 60 million are planned. Some EUR 46 million of the investments were made by the end of 2009. Some EUR 125 million of investments are expected to be scheduled for 2010 and EUR 110 million for 2011.

Consolidated capital expenditure on tangible and intangible assets in 2010 is expected to be in the region of EUR 180 million.

Annual General Meeting 2009

Rautaruukki Corporation's Annual General Meeting was held in Helsinki on 24 March 2009.

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. The Board of Directors appoints the company's CEO.

The Annual General Meeting decided on the payment of a dividend for 2008 of EUR 1.35 per share to make a total dividend payout of EUR 187 million. The dividend was paid on 8 April 2009.

The Annual General Meeting confirmed that the Board of Directors is to have seven members. Reino Hanhinen, Maarit Aarni-Sirviö, Christer Granskog, Pirkko Juntti, Kalle J. Korhonen and Liisa Leino were all re-elected to the Board. Hannu Ryöppönen was elected as a new member to the Board. Reino Hanhinen was appointed as Chairman of the Board of Directors and Christer Granskog as Deputy Chairman.

The Annual General Meeting confirmed that the Supervisory Board is to have nine members. Marjo Matikainen-Kallström and Inkeri Kerola were re-elected as Chairperson and Deputy Chairperson of the Supervisory Board respectively. Heikki Allonen, Turo Bergman, Miapetra Kumpula-Natri, Petteri Orpo, Jouko Skinnari and Tapani Tölli were all re-elected to the Supervisory Board. Hans Sohlström was a new appointment to the Board.

The Annual General Meeting re-appointed KHT audit firm KPMG Oy Ab as the company's auditor. Pekka Pajamo KHT acts as Rautaruukki's principal auditor.

The Annual General Meeting resolved to amend Article 4 §3 of the company's Articles of Association by deleting the right of the Ministry of Trade and Industry (Ministry of Employment and the Economy since 1 January 2008) to appoint a member to the Supervisory Board, and to amend Article 11 §1 so that notice of the Annual General Meeting shall be sent no later than 21 days (earlier 17 days) before the Meeting and is also to be published on the company's website.

The Annual General Meeting granted the Board of Directors the authority to acquire a maximum of 12,000,000 of the company's own shares. The authority is valid for 18 months from the date of the resolution of the Annual General Meeting and supersedes the authority granted by the Annual General Meeting held on 2 April 2008 to acquire 12,000,000 shares.

The Annual General Meeting granted the Board of Directors the authority to decide on a share issue, which includes the right to issue new shares or to transfer treasury shares held by the company. The authority applies to a maximum of 15,000,000 shares in total. The Board of Directors has the right to disapply the pre-emption rights of existing shareholders in a private placement. The authority also includes the right to decide on a bonus issue. The authority is valid until the close of the 2011 Annual General Meeting.

The Annual General Meeting decided to establish a Nomination Committee to prepare proposals regarding the composition and remuneration of the Board of Directors to be elected at the following Annual General Meeting. Representatives of the three largest shareholders as at 2 November 2009 were appointed to the Nomination Committee. These representatives are Kari Järvinen, Managing Director, Solidium Oy; Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company; Matti Vuoria, President and CEO, Varma Mutual Pension Insurance Company. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, and Hannu Ryöppönen, who was appointed by the Board of Directors, serve as the Nomination Committee's expert members.

At its organisation meeting on 24 March 2009, the Board of Directors elected members to its committees from among its members. Hannu Ryöppönen was elected as chairman and Liisa Leino and Kalle J. Korhonen as members of the Audit Committee. Reino Hanhinen was elected as chairman and Maarit Aarni-Sirviö and Christer Granskog as members of the Remuneration Committee.

Changes in executive management

The merger of Ruukki Metals and Ruukki Production resulted in changes to the composition of the Corporate Management Board and Extended Management Board. 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.

As of 1 March 2009, the Extended Management Board comprises, in addition to members of the Corporate Management Board, Eija Hakakari, SVP Human Resources; Olli Huuskonen, SVP General Counsel; Sakari Kallo, SVP Production, Ruukki Metals; Markku Koljonen, Chief Technology Officer; Taina Kyllönen, SVP Marketing; Petteri Laaksomo, SVP Supply Chain Management; Anne Pirilä, SVP Corporate Communications and Investor Relations and Ismo Platan, Chief Information Officer.

Shares and share capital

During 2009, Rautaruukki Oyj shares (RTRKS) were traded for a total of EUR 2,752 million (5,530) on Nasdaq OMX Helsinki. The highest price quoted was EUR 18.14 in September and the lowest was EUR 11.06 in January. The volume weighted average price during the year was EUR 14.53. The share closed at EUR 16.14 on the year and the company had a year-end market capitalisation of EUR 2,264 million (1,706).

In addition to Nasdaq OMX Helsinki, Rautaruukki's share is also traded on multilateral trading facilities (MTF). According to information received by the company, Rautaruukki shares were traded on multilateral trading facilities in 2009 for a total of EUR 284 million.

The company's registered share capital at 31 December 2009 was EUR 238.5 million and there were 140,285,425 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.

During the course of the year, the share capital was increased by 29,946 shares or EUR 50,908.20 as a result of subscriptions exercised under the 2003 bond loan with warrants. The bond loan with warrants, which was issued on 26 May 2003 and targeted at the personnel and Rautaruukki's Personnel Fund, entitled holders to subscribe a maximum aggregate of 1,400,000 shares between 24 May 2006 and 23 May 2009. Warrants were exercised to subscribe a total of 1,398,980 shares (99.9 per cent) and the share capital was increased by EUR 2,378,266.00 accordingly.

At year-end 2009, the company held 1,421,575 treasury shares, which had a market value of EUR 22.9 million and an accountable par value of EUR 2.4 million. Treasury shares account for 1.01 per cent of the total number of shares and votes.

Until the close of the 2009 Annual General Meeting, the Board of Directors was authorised to transfer a maximum of 13,785,381 treasury shares held by the company. Under this authority, on 20 March 2009, the company transferred a total of 48,052 treasury shares, to under the terms and conditions of the share ownership plan 2008–2010, to the 77 employees covered by the plan's first earning period, 2008. A total of 2,690 shares were returned to the company.

The 2009 Annual General Meeting granted the Board of Directors the authority to decide on a share issue and to acquire own shares. These authorities are detailed under the section Annual General Meeting 2009. During 2009, the Board of Directors did not exercise its authority to issue shares or the authorities to acquire the company's own shares. The treasury shares held by the company and the maximum number of own shares that can be acquired under the valid authority equates to 9.6 per cent of the total number of shares issued.

At the end of the period, the Board of Directors had no valid authority to issue options or other special rights providing entitlement to shares.

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 2009 and on the company's website.

Disclosure notifications

During 2009, the company received one disclosure notification under Chapter 2, Section 9 of the Finnish Securities Markets Act concerning the portion of holdings. On 28 January 2009, Capital Research and Management Company notified that the aggregate holding of Rautaruukki's shares and votes by the funds it manages had, as at 26 January 2009, decreased to below 5 per cent.

After the report period, on 14 January 2010, the company received a disclosure notification, under Chapter 2, Section 9 of the Finnish Securities Markets Act, from Capital and Research Management Company (CRMC) that the aggregate holding in Rautaruukki shares for the funds it manages had, as at 12 January 2010, increased to above five (5) per cent. The number of Rautaruukki Oyj shares notified by CRMC is 7,297,852 shares, which equate to 5.20 per cent of Rautaruukki's share capital and votes.

Research and development

The company used EUR 29 million (27) on research and development in 2009. This equates to 2 per cent (1) of net sales. The thrust of R&D was on projects quickly delivering revenues or savings, as well as on strategically important long-term development programmes. Compared to the previous year, the company launched almost twice as many new products and solutions resulting from R&D.

The push for optimal energy efficiency is playing a key role in the company's research and development activities. The company is pursuing energy efficiency by among other things making lighter structures, developing construction components and prefabrication technologies and by designing solutions to benefit from renewable energy. In production process development, the thrust was on cost efficiency and new production technologies.

The company launched a number of new products on the construction market in 2009. These products included the Decorrey steel roof, which was launched on the Eastern European market, and the sound insulated Classic Premium steel roof. In infrastructure construction, the company launched an improved RD drilled pile system which, thanks especially to its advanced jointing technology, considerably improves piling work efficiency.

The engineering business focused on cabin product development, with the main thrust on process development aimed at migrating to project-driven production flow - combining the supply chain, manufacturing and technical design expertise.

Product development in the steel business focused on utilising direct quenching technology in strip and plate products. The technology was used to increase the dimensional ranges of a number of special steels and to develop completely new products.

In 2009, Ruukki was actively involved in establishing and launching the activities of national Strategic Centres for Science, Technology and Innovation (CSTI) in Finland. Ruukki is a shareholder in three CSTI companies - the Finnish Metals and Engineering Competence Cluster (FIMECC Ltd), the Cluster for Energy and Environment (CLEEN Ltd) and the built environment cluster (RYM Ltd) - that are consistent with the company's strategic objectives. FIMECC's first research programmes began in autumn 2009 and Ruukki is currently participating in four five-year projects.

Energy and the environment

In 2009, environmental management highlighted the company's commitment to a continuous improvement in energy efficiency. The principles of environmental management are described in the company's environmental policy, under which energy efficiency is important to the company from the aspect of the environmental impacts of products and production.

Development of environmental matters takes place at the corporate level with the help of shared environmental objectives and aims. Site-specific impact assessments are considered when setting environmental objectives at each site. Management reviews regularly track the achievement of objectives at sites and at the corporate level. 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 (98) of production and 87 per cent (80) of employees in 2009.

The company's sites in Raahe and Hämeenlinna, Finland come under the EU's Emissions Trading Scheme and the Mo i Rana plant in Norway comes under the Norwegian emissions trading scheme. At the start of 2009, the Norwegian authority announced a continuation of Norway's national allocation plan under which the Mo i Rana plant received 46 654 annual emissions allowances for the period 2008–2012. In 2009, emissions allowances trading generated income of EUR 34 million (5).

In April, the company continued to manage its carbon balance by investing EUR 10 million in GreenStream Network Plc's Climate Opportunity Fund, a vehicle purchasing carbon emissions reductions. The emissions reductions generated can be used in emissions trading in 2013–2020.

Environmental investments of around EUR 60 million are planned in conjunction with blast furnace modernisation. Closure of the sinter plant in the same context will cut carbon dioxide emissions by 10 per cent or 500,000 tonnes a year, dust emissions by 37 per cent and sulphur dioxide emissions by 64 per cent. Likewise, energy consumption at the Raahe Steel Works will decrease by 8 per cent or 1.16 million megawatt hours a year. This energy saving equates to the annual energy consumption of around 60,000 single-family homes.

Environmental investments in 2009 totalled EUR 21 million (12).

During the course of 2009, Ruukki received a number of recognitions for its work on the corporate responsibility front. In September, the company was chosen for inclusion in the Dow Jones Sustainability World (DJSI World) index for the second year running and in the Dow Jones STOXX Sustainability (DJSI STOXX) index for the third year running. Ruukki ranks among the world's seven best steel companies on the DJSI World list. In July, the World Steel Association awarded the company a Climate Action certificate for 2009–2010 for fulfilling its commitment to take part in the worldsteel Climate Action recognition programme against climate change, which is part of the steel industry's commitment to reduce carbon dioxide emissions.

More information about environmental matters can be found in the Annual Report 2009, in the environmental reports for the Raahe and Hämeenlinna works and on the company's website.

Litigation and other pending legal actions

The European Commission continued investigations during 2009 into suspected price collusion relating to the manufacture of prestressing steel between 1996 and 2001 by Ruukki's former subsidiary, Fundia. The Commission is investigating dozens of European companies and Fundia's comparatively minor prestressing steel business is not at the centre of the investigation. In February 2009, Rautaruukki took part in an oral hearing of the matter under investigation and in March, June and October, Ruukki replied to the European Commission's requests for information about the company's financial position. The Commission is continuing to investigate but at this stage of the proceedings it is difficult to weigh up possible sanctions.

In August, the Ministry for Economic Development and Trade of the Russian Federation issued its draft resolution concerning the anti-dumping of colour-coated products to the Government of the Russian Federation. According to the Ministry's draft resolution, no legal requirements exist to impose import duties. Since the Government of the Russian Federation did not react to the draft resolution within the deadline, the decision is final. If import duties had been introduced, they would have affected exports of colour-coated products to Russia.

In 2009, criminal proceedings were instigated in Sweden in respect of a case concerning safety at work in which, as the result of a fatal accident at the Kista Galleria construction site in Solna, Sweden in 2008, the prosecutor demanded that one of Ruukki's employees be sentenced and that Ruukki Sverige AB be ordered to pay a corporate fine. The judgment given by the court of first instance on 15 January 2010 dismissed the claims against the company's employee and Ruukki Sverige AB. Settlement of the loss and costs attributable to the accident is still going on between the parties and insurance companies are still completing claims processing.

Other events

Management of the statutory pension liability under the Finnish Employees Pensions Act (TyEL) of Rautaruukki's Pension Foundation was transferred to Varma Mutual Pension Insurance Company on 31 December 2009. The pension liabilities transferred by Rautaruukki's Pension Foundation at year-end 2009 totalled around EUR 485 million. Transferring management of the Pension Foundation to Varma gives Ruukki greater flexibility to arrange funding by enabling the re-borrowing of funds. A surplus of around EUR 52 million accrued by the Foundation will be refunded to the company in conjunction with the transfer. Around EUR 27 million of this was scheduled for December 2009 and the refund of the remaining sum of around EUR 25 million is scheduled for 2010. The transfer had no material impact through profit and loss.

Risks and risk management

Risk management at Ruukki seeks to underpin the company's strategy, achievement of targets and to ensure business continuity. Risk management is guided by the operating principles and process of corporate risk management defined in the risk management policy approved by the company's Board of Directors. Risk management is an integrated part of the management system.

The global recession and ensuing rapid change in the business environment is adversely affecting the business of Ruukki and its customers and is thus impacting on demand for the company's products. It is difficult to predict how soon market conditions will be restored and how fast the economy will return to the growth track. Ruukki is taking uncertain and rapidly changing market conditions into account by securing its financial position and by aligning production and costs to demand.

Rapidly changed market conditions showed the demand drivers for Ruukki's businesses to be very similar, with an emphasis on new industrial investments. The solutions businesses - construction and engineering - and special steel products still do not account for a sufficiently large share of consolidated net sales to balance the impacts of global recession. Balancing the group's business structure geographically (emerging vs mature markets) and in relation to the factors driving demand (investment- vs consumer-driven demand) is one of the company's strategic intents. Achieving this intent is taken into account, for example, in expansion of the sales and distribution network and in possible acquisitions.

Finland and the other Nordic countries account for most of the company's net sales. The company's business might be adversely affected by a major change in the competitive situation on the company's home markets or, for example, by customers relocating to lower cost countries owing to weak market conditions. Ruukki has prepared for trends of this kind by building its own production capacity in Eastern Europe and China, by developing an international distribution network for special steel products and by securing its market share in the home market.

International comparison shows the company's steel production to be competitive, but small in terms of volume. Crude steel production takes place using two blast furnaces integrated into one production unit. This means that steel production has limited flexibility compared to large competitors, who have a number of production units and who can optimise production between several units. The company has prepared for this risk by improving cost efficiency and production flexibility.

The availability, price and freight charges of iron ore, coal and other main raw materials used in steel production are determined on the world market. This can make the price of raw materials very volatile. Derivatives are used to manage the price risk of electricity and zinc. Availability risks are managed through long-term contracts to source the main materials and energy used in steel production. The group generates almost half of the electricity it uses by utilising the gases released in production processes. The main raw materials used in steel production are priced in US dollars. This exposes the group to a currency risk because the group has only very minor sales denominated in US dollars. Derivatives are used to hedge against the currency risk.

The additional costs brought about by increasingly stricter environmental regulations and carbon emissions trading impact on the company's investments and competitiveness, especially if the same requirements do not apply equally to all players in the field. The company has taken thorough steps to anticipate and actively track changes in environmental legislation.

Information about the company's risk management is detailed in the Annual Report 2009.

Near-term outlook

Market conditions in almost all customer segments and market areas have stabilised and demand is picking up in some segments. There has been a clear improvement in the availability of funding. However, in certain market areas, such as Russia and some parts of Central Eastern Europe, high interest rates continue to impede the start-up of investments. Likewise, the low industrial capacity utilisation rate might impact on the demand for investment-driven products.

The worst of the construction market downturn is over. Construction activity in the Nordic countries and a number of countries in Central Eastern Europe is expected to level off and in Poland, for example, to show slight growth. Infrastructure construction activity is expected to continue to be good in the Nordic countries and especially in Poland, the Czech Republic and Russia to grow compared to the previous year. Difficult market conditions persist in commercial and industrial construction. If the price of oil remains at its present level or rises, this is expected to some extent to boost construction in Russia. A further decline in construction activity in the Baltic states and Hungary is expected during 2010.

No significant change is expected in market conditions in the engineering industry during the first half of the year. The long-term market outlook in equipment for the energy industry is good and demand is expected to recover noticeably from its present level during the course of 2010. Demand in the lifting, handling and transportation equipment industry has stabilised at a low level. Order intake volumes have started to grow in mining and forest machines. Demand in the shipbuilding industry is expected to decline compared to the previous year.

Except for selling prices, the basis for the steel business is much better for 2010 than it was for last year. It is believed there will be an increase in delivery volumes compared to the exceptionally low level experienced in 2009. Worldsteel forecasts growth of more than 12 per cent in apparent steel use in the EU-27 region in 2010. Good demand in the automotive industry is estimated to continue and demand is expected to begin to improve in the heavy engineering industry. Delivery volumes of special steel products are estimated to increase compared to the previous year as demand picks up in these industries. An expansion of the distribution network into China and Turkey also supports sales of special steel products.

Modernisation of blast furnace 1 beginning in April 2010 will reduce the steel production capacity utilisation rate. The company has prepared for a two-month disruption to production by building up its slab stocks to safeguard customer deliveries. The low capacity utilisation rate during blast furnace maintenance is expected to have a cost impact of around -EUR 25 million during the second quarter. Prices for the main raw materials used in steel production have not yet been agreed for the current year.

Thanks to actions initiated during 2009 to permanently improve efficiency, the company's cost structure is significantly lighter than in previous years. The annualised impact on profitability of actions initiated is around EUR 90 million. The operational excellence programme continues until the end of 2011 and aims at an improvement of EUR 150 million in operating profit.

Based on the above factors, the company estimates a 15–20 per cent year-on-year growth in net sales in 2010. Profitability is expected to improve significantly compared to the previous year and the full-year result before income tax is estimated to be positive.

Consolidated financial statements

Consolidated income statement

€m	Note	2009	2008
Net sales	4	**1 950**	3 851
Cost of sales	7	**2 027**	2 980
Gross profit		**-77**	872
Other operating income	6	**20**	31
Selling and marketing expenses	7	**113**	148
Administrative expenses	7	**151**	177
Other operating expenses	6	**2**	10
Operating profit		**-323**	568
Finance income		**81**	98
Finance costs		**117**	-121
Net finance costs	10	**-36**	-23
Share of profit of equity-accounted investees	15	**0**	3
Result before income tax		**-359**	548
Income tax expense	11	**84**	-142
Result for the period		**-275**	406
Attributable to			
Owners of the company		**-275**	406
Non-controlling interest		**0**	-1
Earnings per share:			
Basic, €	12	**-1.98**	2.93
Diluted, €	12	**-1.98**	2.93

Consolidated statement of comprehensive income

€m	Note	2009	2008
Result for the period		**-275**	406
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges, net of tax	26	**38**	-46
Translation differences		**-5**	-54
Defined benefit plan actuarial gains and losses, net of tax	28	**-12**	-46
Total other comprehensive income, net of tax		**22**	-146
Total comprehensive income		**-253**	261
Attributable to			
Owners of the company		**-253**	262
Non-controlling interest		**0**	-1

Consolidated statement of financial position

€m	Note	31 Dec 2009	31 Dec 2008
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1 159**	1 124
Goodwill	14	**103**	105
Other intangible assets	14	**73**	81
Equity-accounted investees	15	**12**	15
Available-for-sale financial assets	17	**12**	11
Other non-current receivables	18	**44**	73
Deferred tax assets	19	**39**	33
Total non-current assets		**1 444**	1 442
Current assets			
Inventories	20	**492**	750
Trade receivables	21	**246**	384
Other receivables	21	**86**	150
Current tax assets		**3**	2
Financial assets	23	**219**	221
Cash and cash equivalents	24	**42**	34
Total current assets		**1 088**	1 540
Total assets		**2 532**	2 983
EQUITY AND LIABILITIES			
Equity			
Share capital	25	**238**	238
Share premium	26	**220**	220
Translation differences		**-41**	-36
Retained earnings and other reserves	26	**1 091**	1 527
		1 507	1 948
Non-controlling interest		**2**	2
Total equity		**1 509**	1 950
Non-current liabilities			
Loans and borrowings	30	**387**	276
Other non-interest bearing liabilities	31	**58**	53
Provisions	29	**3**	6
Deferred tax liabilities	19	**37**	98
Total non-current liabilities		**485**	433
Current liabilities			
Loans and borrowings	30	**209**	133
Trade payables	31	**146**	186
Other non-interest bearing liabilities	31	**171**	241
Provisions	29	**8**	16
Income tax liabilities		**5**	23
Total current liabilities		**538**	599
Total liabilities		**1 023**	1 033
Total equity and liabilities		**2 532**	2 983

Consolidated statement of changes in equity

€m	Equity attributable to owners of the company							
	Share capital	**Share premium**	**Fair value and other reserves**	**Translation differences**	**Treasury shares**	**Retained earnings**	**Non-controlling interest**	**Total equity**
EQUITY AT 1 JAN 2008	238	220	9	-6	-6	1 505	3	1 963
Share issue	0							0
Dividend distribution						-277		-277
Share-based payments			0		0	0		0
Total comprehensive income			-46	-31		341	-1	261
EQUITY AT 31 DEC 2008	**238**	**220**	**-37**	**-36**	**-6**	**1 569**	**2**	**1 950**
Share issue	**0**							**0**
Dividend distribution						**-188**		**-188**
Share-based payments					**0**	**0**		**1**
Total comprehensive income			**38**	**-5**		**-287**	**0**	**-253**
EQUITY AT 31 DEC 2009	**238**	**220**	**2**	**-41**	**-6**	**1 095**	**2**	**1 509**

In line with the meeting on 3 February 2010, the Board of Directors proposes a dividend of EUR 0.45 per share, amounting to EUR 62 million. These financial statements do not include bookings related to the proposed dividend distribution.

Consolidated statement of cash flows

€m	Note	2009	2008
Cash flows from operating activities			
Result for the period		**-275**	406
Adjustments:			
Adjustments to cash flows	32	**224**	85
Net finance costs		**36**	23
Income tax expense		**-84**	142
Changes in working capital			
Change in trade and other receivables		**169**	-24
Change in inventories		**235**	-143
Change in trade and other payables		**-88**	56
Interest paid		**-75**	-71
Interest received		**58**	54
Dividends received from equity-accounted investees		**2**	3
Income tax paid		**-21**	-150
Net cash from operating activities		**182**	382
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	5	**-8**	-9
Divestment of subsidiaries, net of cash at divestment date	5		13
Divestment of equity-accounted investees			1
Investments in property, plant and equipment		**-151**	-215
Investments in intangible assets		**-10**	-14
Proceeds from sale of property, plant and equipment		**17**	8
Investments in loan receivables and other financial assets		**-1**	4
Net cash used in investing activities		**-153**	-213
Net cash flow before financing activities		**30**	169
Cash flows from financing activities			
Changes in loans and borrowings		**163**	179
Dividends paid		**-188**	-277
Net cash used in financing activities		**-24**	-99
Change in cash and cash equivalents		**7**	70
Cash and cash equivalents at the beginning of period		**254**	196
Effect of exchange rate fluctuations on cash held		**1**	-11
Cash and cash equivalents at end of period		**261**	254

Notes to the consolidated financial statements

1 Accounting policies

Company information

Rautaruukki supplies metal-based components, systems and integrated systems to the construction and engineering industries. The company has a wide selection of products and services and has operations in 27 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 3 February 2010, 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 2009, consistent with Rautaruukki's management organisation, business was structured into the following reporting divisions:

Ruukki Construction

Ruukki Construction supplies 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 fully-assembled systems and components to the engineering industry.

Ruukki Metals

Ruukki Metals supplies steel products and associated prefabrication, logistics and storage services. The division is responsible for the company's steel production and steel service centres. Manufacture of the company's steel products (formerly Ruukki Production) merged with Ruukki Metals at the start of February 2009. Merging the large production works, tube works and service centres forming the steel business into a new seamless entity was done to improve efficiency and supply chain management.

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations in force at 31 December 2009. 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 historic 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

Amendments to and new interpretations of standards adopted in 2009 had no material impact on the consolidated financial statements. The amendments and interpretations are stated below:

- IAS 1 Presentation of Financial Statements. The aim of the revised standard is to improve users' ability to analyse and compare the information provided in financial statements by requiring all changes in equity arising from transactions with owners of equity to be separated from other changes in equity.
- IFRS 8 Operating Segments. The new standard requires the company to apply the "management approach" in segment reporting. This means that the information disclosed must be based on the information the management uses internally to evaluate segment performance.
- IAS 23 Borrowing Costs. The amended standard requires the company to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.
- IFRS 2 Share-based Payments - amendments to the standard – Vesting conditions and cancellations. 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 fair value at the grant date. Cancellations, whether by the company or by other parties, receive similar accounting treatment.
- IFRS 7 Financial Instruments, Disclosures - amendments to the standard – Improving Disclosures about Financial Instruments to enhance notes applying to financial instruments. A three-level hierarchy is used to determine the fair value of financial instruments according to how fair value has been measured.
- IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate and IFRIC 16 Hedges of a Net Investment in a Foreign Operation. These interpretations had no impact on the consolidated financial statements.

Changes in the method of presentation and accounting practice

In 2009, the group switched from the "nature of expense" method to the "function of expense" method in the presentation of the income statement. This new method of presentation provides better information for investors and facilitates comparison. Corporate management reporting is also based on an income statement by "function of expense". The income statement and certain notes to the financial statement for the reference period have been grouped to reflect the new method of presentation.

Since 1 January 2008, the group 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 being booked in the income statement. The comparable figures have been restated accordingly. The change in accounting practice decreased equity, net of tax, by EUR 24 million as at 31 December 2007. Actuarial gains and losses are now booked in other comprehensive income.

The group also reclassified 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 resulting from this change was recognised as a decrease in equity. 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 compliance with IFRS.

Use of estimates

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

2 Consolidation and accounting policies

Subsidiaries

The consolidated financial statements include Rautaruukki Corporation and its subsidiaries. Subsidiaries are companies in which the group has a controlling interest, which arises when it holds more than half of the voting rights or otherwise has the power to govern the financial and operating policies of a company. The existence of potential voting rights is taken into account when assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date. At the end of the report period, 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 are accounted for up to the time control ceases. Intra-group transactions, receivables, liabilities and profits are eliminated in preparing the financial statements. Equity attributable to non-controlling interests is disclosed as a separate item in the statement of financial position under equity. Cumulative losses applicable to non-controlling interests are recognised in the consolidated financial statements up to a maximum of the amount invested.

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

Equity-accounted investees

Equity-accounted investees are companies in 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 significant influence in a company's operating policies, but does not have control.

Investments in equity-accounted investees are accounted for in the consolidated financial statements using the equity method. If the group's share of losses exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the group has given a commitment to fulfil the obligations. Unrealised profits between the group and equity-accounted investees are eliminated based on to the company's shareholding. Each investment includes the goodwill arising from acquisition. Share of the results of equity-accounted investees for the financial period is shown as a separate item after Operating profit.

The financial period of equity-accounted investees is the same as that of group companies. Insofar as the accounting policies of equity-accounted investees do not substantially correspond to those of the group, the necessary adjustments to the figures reported by the equity-accounted investees 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 companies are measured in the currency of the primary economic environment in which the company operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

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

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

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

Financial instruments

Financial assets

The group's financial assets have been classified into the following groups: loan and other receivables, financial assets at fair value through profit and loss, held-to-maturity investments and available-or-sale financial assets. Classification is made on the basis of the purpose for which the financial assets were 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 item is derecognised from the statement of financial position when and only when the contractual rights to cash flows from the financial asset expire, or the group transfers the item included in financial assets to another party such that the rewards and risks incidental to ownership of the item or control over it are transferred to the other party.

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 in the statement of financial position under trade receivables or payables either as current or non-current assets, depending on their nature. Current trade receivables are recognised at the original amount invoiced less doubtful receivables. In the measurement of non-current receivables, estimated future payments are discounted to present value.

An item included in financial assets is classified as a financial asset at fair value through profit and loss if it has been acquired to be held for trading purposes, or if it is classified at fair value through profit and loss when originally acquired. Investments managed on the basis of fair value are classified as being in the latter group. Derivatives that do not qualify for hedge accounting have been classified as being held for trading purposes. Items in this category have been measured at fair value. 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 31 December 2009 or 31 December 2008.

Available-for-sale financial assets are assets (excluding derivative assets) which have been expressly classified in this group or which have not been classified in any other group. Unless the intention is to sell them within 12 months of the end of the report period, they are included in non-current assets. These assets are measured at fair value or, if the fair value cannot reliably be determined, at acquisition cost. Changes in the value of available-for-sale financial assets are recognised net of tax in other comprehensive income and are included in the fair value reserve in equity. Cumulative changes in fair value included in equity are transferred to the income statement 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 acquisition date. Cash and cash equivalents are measured at fair value, except for cash and bank accounts, which are measured at amortised acquisition cost.

The group assesses at the end of each report period 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 that asset's carrying amount and the present value of estimated cash flows discounted at the original effective interest rate of the financial asset. Impairment is recognised in income statement. 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 measured at amortised acquisition cost). Financial liabilities measured 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. In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities are included in non-current and current liabilities.

Since 1 January 2009, the group has capitalised the acquisition costs of assets qualifying as borrowing costs using the corporate capitalisation rate. Other borrowing costs not qualifying for capitalisation are expensed during the period 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 initially recognised at fair value and continue to be measured at fair value thereafter. Gains and losses arising from measurement at fair value are treated in the accounts in the manner determined by the purpose of the derivative contracts.

When the group enters into derivative contracts, it treats them as hedges of the fair value of receivables, liabilities or firm commitments, hedges of the cash flow of a highly probable forecast transaction, hedges of a net investment in a foreign unit or as derivative contracts which do not qualify for hedge accounting. The group applies hedge accounting to commodity derivatives (zinc and electricity derivatives) and to certain interest rate swaps. In addition, the group 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 change in the fair value of derivatives hedging cash flow is recorded in other comprehensive income and is stated in equity in the fair value reserve to the extent the hedge is effective. Cumulated gains and losses in equity are transferred to the income statement during the period the hedged item is recognised in the income statement. When a hedging instrument acquired to hedge a cash flow matures, is sold or no long qualifies for hedge accounting, the cumulative gain or loss remains in equity until the forecast transaction is realised. However, if the forecast transaction is assumed to no longer be realised, the gain or loss accrued in equity is recognised in the income statement.

In the financial periods 2009 and 2008, the group had no hedging in respect of net investments made in subsidiaries outside the eurozone.

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

The fair values of derivatives are determined by using market prices and generally available valuation models. The data and assumptions used in valuation models are based on verifiable market prices.

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 the hybrid instrument contained by the embedded derivative is not measured at fair value through profit and loss.

Property, plant and equipment

Property, plant and equipment is measured at historical cost less depreciation and impairment losses. If an item of property, plant and equipment consists of several parts with different estimated economic lives, each element is treated as a separate asset. The cost of replacing an element is then capitalised and the remainder is expensed. Subsequent costs are included in the carrying value of an item of property, plant and equipment only when it is probable that future economic benefits from the asset will flow to the group and the cost of the asset can be determined reliably. Other repair and maintenance expenses are charged to the income statement as incurred.

Assets are depreciated on a straight-line basis over their useful lives. No depreciation is made for land. The depreciation times of tangible assets have been clarified in 2009 and the following depreciation times are used for new assets:

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

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

The residual value and useful life of assets are regularly reviewed and, where necessary, adjusted to reflect changes that have occurred in the expectation of an asset's useful life. Depreciation of an item of property, plant and equipment ceases when it is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The group had no assets classified as being held for sale during the year 2009 or during the previous period.

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

Government grants

Government grants related to the purchase of property, plant and equipment are deducted from the carrying amounts of the assets concerned. Grants are recognised as income in the form of smaller depreciation charges over the lifetime of the asset. Other government grants are recognised in Other operating income. The group received no significant government grants that would be deducted from the acquisition costs of plant, property and equipment in 2009 and 2008.

Borrowing costs

Rautaruukki has applied the amended IAS 23 Borrowing Costs standard since 1 January 2009. Under this standard, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are included directly in the cost of the asset concerned. The amendment eliminates the option to expense borrowing costs as incurred. Rautaruukki has applied the amended standard to the acquisition of plant, property and equipment since 1 January 2009. In 2009, the corporate capitalisation rate used to capitalise borrowing costs averaged 3.9 per cent.

Intangible assets

Goodwill

Goodwill represents that part of the acquisition cost that exceeds the group's share of the fair value, at the date of purchase, of the net asset value of an acquired company. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is tested annually or, if necessary, more frequently, (see Note 14: 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 operating segments reported.

Research and development costs

Research and development costs are expensed in the income statement as incurred. If research costs are expected to generate future income, they are capitalised as intangible assets and depreciated over the period of their income streams. No development costs were activated in the consolidated statement of financial position on 31 December 2009 or 31 December 2008.

Emissions allowances

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 and carbon credits purchased and units in funds generating carbon credits are recognised in the acquisition cost of intangible assets and the cost of emissions allowances received free of charge at nominal value, i.e. zero. An impairment loss is recognised in the income statement if the carrying value of emissions allowances or carbon credits exceeds their fair value.

A provision to cover the obligation to return emissions allowances is recognised unless emissions allowances received free of charge cover actual emissions. Any impact on the result will reflect the difference between actual emissions and emissions allowances received. The group has no provisions related to emissions allowances in the statement of financial position on 31 December 2009 or 31 December 2008 because actual emissions did not exceed the amount of allowances received.

The difference between actual emissions and emissions allowances received, changes in the likely value of the provision and capital gains on the sale of emissions allowances and carbon credits are included in Operating profit.

Other intangible assets

Purchased patents, trademarks, licenses and other intangible assets having finite useful life are recognised in the statement of financial position and the amortised expense is recognised in the income statement over their useful life. Intangible assets having infinite useful life are not amortised, but tested annually, or where necessary, more frequently for impairment. At the end of the financial period and the preceding period, the group had no intangible assets having infinite useful life.

Intangible assets are depreciated during the course of their estimated useful life. The estimated useful lives of intangible assets within the group are:

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

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

A gain or loss arising on the sale of intangible assets is disclosed in Other operating income and expense in the income statement.

Leases

Leases of property, plant and equipment where the group holds substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised in the statement of financial position at the fair value of the leased property at the commencement of the lease or at 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 financial liabilities.

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

Impairment of assets

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

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

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

Inventories

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

Employee benefits

Pension obligations

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

The group's most important defined benefit plan has been the statutory earnings-based pension security arranged in Finland through Rautaruukki's Pension Foundation. At the end of 2009, the company transferred its statutory pensions liability under the Finnish Employees Pensions Act (TyEL) to Varma Mutual Pension Insurance Company.

The group still has defined benefit plans in Norway and Germany, as well as supplementary pension policies in Finland. 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. Actuarial gains and losses are booked in other comprehensive income. Likewise, the group switched to the IFRS interpretation of the Finnish disability pension benefit from a defined contribution plan to a defined benefit plan with effect from 1 January 2008. Information for the reference period has been restated accordingly.

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

Share-based payments

Rautaruukki has share bonus schemes for management in which part of the bonuses are paid in shares and the remainder in cash. More information about share-based plans is given in Note 27 Share-based payments.

The group has no option programmes in effect.

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

Income taxes

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

Deferred tax assets and liabilities are recognised on all temporary differences between the carrying amount of assets and liabilities and their tax base. The largest temporary differences arise from depreciation of property, plant and equipment, the fair valuation of derivatives, defined benefit pension plans, finance leases, provisions, unused tax losses and the fair value of net assets in acquired companies. Deferred tax is not recognised for taxation purposes on non-deductible impairment losses on goodwill or on the undistributed earnings of subsidiaries to the extent the difference will probably not be reversed in the future. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The amount and probability of the utilisation of a tax asset are reviewed at the end of each report period. Deferred taxes are measured based on the tax rates enacted or which have been adopted in practice by the end of the report period.

Deferred tax assets and liabilities are stated as separate items in consolidated statement of financial position sheet under non-current assets or liabilities. Deferred tax assets and liabilities are offset against each other only when the entity has a legally enforceable right to set off the recognised amounts, and the deferred tax asset and tax liability relate to income taxes levied by the same tax authority.

A change in a deferred tax asset or liability is recognised in the income statement, except for taxes arising from a transaction or event that are recognised in the statement of comprehensive income or which are the result of a business combination.

Revenue recognition

Goods sold and long-term projects

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

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

Revenue recognised is measured at the fair value of the consideration received or receivable. Revenue recognised is exclusive of amounts, such as VAT, collected on behalf of a third party. VAT and other similar indirect taxes are deducted from sales revenues. Amounts payable to the tax authority are stated as a current liability in statement of financial postion under Other non-interest bearing liabilities and amounts receivable from the tax authority are stated as a current receivable in the statement of financial position under Other receivables.

Interest, royalties and dividends

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

Assets held for sale and discontinued operations

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

The scope of IFRS 5 includes assets held for sale and asset items related to discontinued operations, which are classified as held for sale and measured at their carrying amount or fair value less costs to sell, whichever is the lower. Depreciation and amortisation on these asset items is discontinued at the time of classification. The group had no such assets at 31 December 2009 or 31 December 2008.

Treasury shares

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

Adoption of new standards and interpretations

The IASB and IFRIC have published the following new standards, interpretations and amendments, which the group will apply as the standards enter into force below.

- Revised IFRS 3 Business Combinations (effective from accounting periods beginning on or after 1 July 2009). The revised standard continues to apply the purchase method to business combinations, but 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 measured at fair value through profit and loss. Goodwill can be determined based on the parent company's share of net assets or it may include goodwill allocated to the shares of non-controlling interests.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective from accounting periods beginning on or after 1 July 2009). The amended standard requires the effects of all transactions with non-controlling interests to be recognised in equity if there is no change in control. This means, transactions with non-controlling interests no longer result in goodwill or in the recognition of gains and losses in the income statement. The standard also specifies the accounting treatment of transactions when control is lost. In such cases, any remaining interest in the entity is remeasured to fair value and any ensuing gain or loss is recognised in the income statement. Similar accounting treatment will also be applied to investments in equity-accounted investees (IAS 28) and interest in joint ventures (IAS 31).
- IFRS 9 Financial Instruments (effective from accounting periods beginning on or after 1 January 2013). IFRS 9 is part of the IASB's project intended to replace IAS 39 Financial Instruments: Classification and Measurement. The new standard covers the measurement of financial assets from the classification aspect. Other guidance within the scope of IAS 39 on the impairment of financial assets and hedge accounting remain in force. The group has not yet assessed the impact of the new standard. IFRS 9 has not yet been approved for application in the EU.

Rautaruukki does not expect adoption of the following standards, interpretations and amendments thereto to have any material impact on future consolidated financial statements:

- Amendments to IAS 39 Financial Instruments: Classification and Measurement (effective from accounting periods beginning on or after 1 July 2009). The amendments relate to hedge accounting and apply to the hedging of a one-sided risk and inflation risk.
- IFRIC 17 Distributions of Non-Cash Assets to Owners (effective from accounting periods beginning on or after 1 July 2009). The interpretation provides guidance on the accounting treatment of a non-cash dividend to owners.
- IFRIC 18 Transfers of Assets from Customers (effective from accounting periods beginning on or after 1 July 2009). The interpretation provides guidance on how an entity treats an item of property, plant and equipment or cash received from a customer either to connect to a network (e.g. a power grid) or to provide the customer with ongoing access to a supply of goods or services or both.
- Improvements to IFRS standards, April 2009 (mainly effective from accounting periods beginning on or after 1 January 2010). The amendments apply to a total of 15 standards and their effects vary according to each standard. These amendments have not yet been approved for application in the EU.
- Amendments to IFRS 2 Share-Based Payment - Group Cash-Settled Share-Based Payment Transactions (effective from accounting periods beginning on or after 1 January 2010). The amendments provide additional guidance on the accounting treatment of share-based payment transactions between group entities. The amended standard has not yet been approved for application in the EU.
- Amendment to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (effective from accounting periods beginning on or after 1 February 2010). The amendment applies to the accounting treatment (classification) of shares, options or subscription rights issued in a currency other than the issuer's functional currency. The amendment to IAS 32 has not yet been approved for application in the EU.
- Revised IAS 24 Related Party Disclosures (effective from accounting periods beginning on or after 1 January 2011). The amendments simplify the disclosure requirements for government-related entities and clarify the definition of a related party. The revised standard has not yet been approved for application in the EU.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (effective from accounting periods beginning on or after 1 January 2011). Under the amendments, prepayments made into a defined benefit plan may, under certain circumstances, be recognised in the balance sheet as an asset instead of a charge, provided that the plan contains a minimum funding requirement. Amendments to this interpretation have not yet been approved for application in the EU.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective from accounting periods beginning on or after 1 July 2010). The interpretation provides guidance on how an entity should treat equity instruments issued to a creditor to extinguish the financial liability in whole or in part. IFRIC 19 is to be applied retroactively. The interpretation has not yet been approved for application in the EU.

3 Financial risk and capital management

Principles

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

The corporate level is the point of departure for arranging funding and carrying out financial risks. As a rule, financial transactions required by group companies are carried out internally by Corporate Treasury and are based on corporate principles. Ruukki Metals is resposible for zinc price risk management in cooperation with Corporate Treasury. The corporate Energy and Environment function is responsible centrally for managing electricity price risks. 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 group's Energy and Environment function.

Market risks

Foreign exchange risk

Rautaruukki has international operations and its business is therefore exposed to risks caused by exchange rate fluctuations.The greatest foreign exchange risks involve the US dollar (USD) and the Swedish krona (SEK). The raw materials needed to make steel are generally priced in USD. The company's sales in USD offset only a small percentage of the dollar deficit arising from the purchase of these materials. The SEK risk occurs primarily because the parent company has exports to Sweden denominated in SEK that the cash flows from the Swedish subsidiary do not eliminate. Foreign exchange risk management within the group is centred on Corporate Treasury. The group's foreign exchange risks are managed as a transaction position and translation position.

The transaction position comprises the cash flows from business transactions agreed and forecast in currencies outside the eurozone and from items denominated in foreign currencies in the statement of financial position. Consistent with the group's operating principles, an average of 3-6 months of net cash flows are hedged in full. With some exceptions, foreign currency items included in the statement of financial position are, as a rule, hedged. These exceptions particularly include the Ukrainian hryvnia and, since the start of the year, partly the Russian rouble.

The table below shows income and expense from the group's external operations in different foreign currencies during 2009.

€m	EUR	USD	SEK	NOK	RUB	UAH	CEE currencies	Other	Total
% of sales	57%	4%	11%	10%	6%	1%	8%	3%	100%
+	1 103	76	213	187	115	26	166	64	1 950
-	-1 497	-268	-97	-165	-92	-12	-125	-17	-2 273
% of costs	66%	12%	4%	7%	4%	1%	6%	1%	100%

The figures denominated in foreign currencies have been translated into euros at the average exchange rates for 2009. CEE currencies in the table above refer to the following currencies: Polish zloty, Romanian leu, Croatian kuna, Czech koruna, Hungarian forint, Estonian kroon, Latvian lats and Lithuanian litas.

The translation position, which causes fluctuation in equity, consists of net investments in subsidiaries and equity-accounted investees outside the eurozone. Management assesses the need to hedge against the translation risk on a case-by-case basis, taking into account, for example, market conditions and the cost of hedging. The exchange rate risk arising on net investments in companies outside the eurozone was not hedged in 2009. The table below shows the group's translation position as regards the most significant foreign currencies.

Group translation position

€m	31 Dec 2009	31 Dec 2008
RUB	**133**	122
NOK	**50**	101
SEK	**27**	36
PLN	**18**	46

Positions determined at exchange rates at 31 Dec 2009 and 31 Dec 2008.

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

€m	31 Dec 2009 Equity	31 Dec 2008 Equity
+/−10% movement in EUR/RUB exchange rate	**−12.1/+14.8**	−11.1/+13.5
+/−10% movement in EUR/NOK exchange rate	**−4.6/+5.6**	−9.2/+11.3
+/−10% movement in EUR/SEK exchange rate	**−2.5/+3.0**	−3.3/+4.0
+/−10% movement in EUR/PLN exchange rate	**−1.7/+2.0**	−4.1/+5.1

+ 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 of the following items: derivatives hedging cash flow, derivatives hedging the statement of financial position, trade payables, internal and external loans and receivables, and cash. The sensitivity analysis excludes the taxation impact.

€m	2009 Result	2008 Result
+/−10% movement in EUR/USD exchange rate	**−8.4/+10.8**	−19.5/+26.3
+/−10% movement in EUR/SEK exchange rate	**+2.3/−4.0**	+9.9/−12.1
+/−10% movement in EUR/NOK exchange rate	**+0.9/−1.1**	+5.0/−6.2

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

Items in the statement of financial position denominated in USD, SEK and NOK were hedged at year-end 2009. The sensitivity analysis above excludes cash flows from business transactions forecast. At year-end 2009, cash flows from business transactions in USD were hedged for around six months, in SEK for around five months and in NOK for around three months.

Interest risk

The group is exposed to interest rate risks through interest-bearing liabilities and receivables. Net interest-bearing financial liabilities at 31 December 2009 were EUR 336 million (155), which includes finance lease agreements of EUR 54 million (44). The group's liquid assets were EUR 261 million (254) and other interest-bearing receivables were EUR 36 million (38). The group's interest rate management is dealt with centrally by Corporate Treasury. Corporate risk management aims to level out fluctuations in the group's result as a result of movements in interest rates, whilst seeking to minimise the group's financing costs. The interest rate position is managed by currency. The euro is the group's most important currency in the interest risk position and accounts for around 95 per cent (almost 100) of the assets and liabilities covered by the position. The interest risk position excludes foreign exchange derivatives. To manage the interest risk, borrowing and investments have been spread over fixed- and variable interest instruments. In addition, derivative instruments are used to hedge interest linking. The group applies IAS 39-compliant hedge accounting to interest derivatives. The interest derivatives employed by the group are defined as hedging instruments of fair value. The interest rate risk is monitored and managed as interest flow risk and price risk. A minimum of 30 per cent and a maximum of 70 per cent of the net debt position must be hedged for at least one year against movements in interest rates. Duration of the group's debt position at 31 December 2009 was 2.1 years (0.6). 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 hike of one percentage point in market interest rates would affect the consolidated result and equity. The impact on result consists of the interest flow risk and price risk. The analysis includes all the group's interest-bearing items. The sensitivity analysis excludes the taxation impact.

€m	31 Dec 2009		31 Dec 2008	
	Result	Equity	Result	Equity
+ 1% point movement market interest rate	**+0.4**	**+/-0**	+/-0	+/-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 through derivative contracts. Ruukki Metals 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 bought around 23,300 tonnes of zinc (29,500) in 2009. At year-end, 61 per cent of the estimated zinc purchases for 2010 and 19 per cent for 2011 had been hedged.

Rautaruukki Corporation is one of the largest users of electricity in Finland. The group's largest electricity consuming production units are in Finland, Sweden and Norway. Steel production in Raahe, Finland consumes most of the electricity used. In 2009, the group used around 1.1 TWh (1.3) of electricity in Finland, Sweden and Norway. The group generates in Finland almost half of the electricity it uses and buys the remainder. Production process gases are used in own electricity generation at the Raahe Steel Works. Most of the electricity bought to meet the group's need in the Nordic countries is sourced centrally. Electricity price risk management aims to limit volatility, caused by fluctuations in the price of electricity, in cash flows and results. Electricity is hedged primarily through standard derivative products quoted on the market and through firm electricity supply contracts. The electricity price risk is also managed centrally within the group. At year-end 2009, 84 per cent of future electricity purchases in Finland, Sweden and Norway had been hedged for 2010, 64 per cent for 2011, 50 per cent for 2012, 40 per cent for 2013 and 31 per cent for 2014.

The group 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 hedging instruments of cash flow. 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 the consolidated statement of comprehensive income. 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 cost of sales for the period during which the hedged cash flow affects the result.

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 result and equity by examining the derivative contracts. The sensitivity analysis excludes the taxation impact.

€m	31 Dec 2009		31 Dec 2008	
	Result	Equity	Result	Equity
+/-10% movement in price of electricity	**+/-0**	**+7.5/-7.5**	+/-0	+6.8/-6.8
+/-10% movement in price of zinc	**+/-0**	**+4.3/-4.3**	+/-0	+3.2/-3.2

Liquidity risk

Liquidity risk is defined as a situation in which the group's financial assets and borrowing facilities are insufficient to support future operational needs or a situation in which the costs of fundraising required are exceptionally high. Corporate Treasury is responsible for the liquidity and the 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 2009, the remaining maturity of the group's non-current loan portfolio was 3.9 years (1.5).

The group 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 liquidity reserve is deemed as being adequate when it covers the forecast net cash flow, including all non-current loans maturing, for the following 12 months. To ensure liquidity, the group had committed revolving credit facilities totalling EUR 350 million, which was completely undrawn at year-end 2009 (31 December 2008: EUR 300 million, of which EUR 150 million was undrawn). The group has overdraft facilities totalling around EUR 67 million (50). In addition, the group has non-committed credit lines totalling around EUR 95 million from banks and a EUR 250 million (250) commercial paper programme, of which EUR 151 million (133) remained undrawn at the end of the year. The table below shows the maturity profile of non-current loans.

Maturities of the group's financial liabilities at 31 December 2009

€m	Currency	2010	2011	2012	2013	2014	2015–	Total	% of loan stock
Bonds	EUR	75				150		225	30%
Loans from financial institutions	EUR	21	18	20	20	19	43	141	19%
	SEK			29				29	4%
	CNY	2						2	0%
	USD	1						1	0%
Pension loans	EUR	4	7	7	7	7	15	46	6%
	SEK						1	1	0%
Commercial papers	EUR	98						98	13%
Other	EUR			1	1			1	0%
Finance leases	EUR	9	9	6	5	5	20	54	7%
Trade payables	EUR	145						145	20%
		355	33	62	32	181	78	742	100%
Contractual interest rate flows									
at interest rates valid at 31 December 2009	EUR	24	17	16	14	13	10		

Maturities of the group's financial liabilities as at 31 December 2008 (excluding finance leases)

€m	Currency	2009	2010	2011	2012	2013–	Total	% of loan stock
Bonds	EUR		75				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 rate flows								
at interest rates valid at 31 December 2008	EUR	12	6	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 credit control processes, instructions and reporting to corporate management. The principles of credit sales are determined by corporate management and credit policies are prepared geographically, regionally or on a subsidiary-specific basis to support these policies. Corporate management makes the most significant decisions concerning credit limits and other credit risks in accordance with the authorities decided by the company's Board of Directors. Credit risks are reported monthly to the corporate management. In the same context, the most significant risks from the group and business area aspect are analysed in detail.

Rautaruukki manages credit risk in relation to trade receivables by imposing an appropriate credit limit on each customer. Sales exceeding the credit limits are not allowed under credit sales principles. 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 credit risk. The group's maximum credit risk equates to the carrying value of financial assets at the end of the period.

Rautaruukki had no significant risk clusters in trade receivables because sales are spread over a broad customer base and no single customer or customer cluster is material to the group. Credit losses of EUR 2.9 million were booked during the period. This equates to 0.15 per cent of net sales. Losses were spread over a number of subsidiaries within the group and no individual losses were significant.

Trade receivables due at year-end were down by 10 percentage compared to the previous year. The decrease in total trade receivables was due to lower sales and improved control of customer-specific receivables across the group. The trend in overdue trade receivables did not differ relatively from that of the previous year. In other words, as far as 2009 is concerned, no major changes are in sight.

Trade receivables net of doubtful receivables

€m	31 Dec 2009	31 Dec 2008
Trade receivables	**246**	384
Overdue by		
1–30 days	**34**	87
31–60 days	**6**	11
61–90 days	**4**	7
more than 91 days	**10**	17
Total overdue	**53**	122

Doubtful receivables rose to EUR 23 million during the period. Impairment losses arose because of an unexpected change in a customer's economic environment.

€m	2009
Doubtful receivables at 1 Jan 2009	**15**
Change in doubtful receivables	**5**
Final credit losses	**3**
Doubtful receivables at 31 Dec 2009	**23**
Analysis of doubtful receivables	
Not yet maturing	**1**
1–30 days	**0**
31–60 days	**0**
61–90 days	**0**
more than 91 days	**22**
Total	**23**

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

Counterparty risk

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

Capital management

The group's capital management 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 capital structure is constantly monitored through gearing. The strategic intent is to keep gearing in the region of about 60 per cent. Net interest-bearing financial liabilities at year-end 2009 were EUR 336 million (155) and the gearing ratio was 22 per cent (8). Net interest-bearing financial liabilities included financial liabilities less cash and current financial assets. The group has defined the weighted average cost of capital (WACC) applied to capital allocation decision-making and in assessing the efficiency of the use of capital.

The strategic target for return on capital employed is 20 per cent. The group's dividend policy is a payout ratio of 40-60 per cent of the result for the period. The aim is for a steadily rising dividend whilst taking into account the needs of business growth.

Gearing ratio

€m	2009	2008
Non-current financial liabilities	**387**	276
Current financial liabilities	**209**	133
Cash and current financial assets	**261**	254
Net interest-bearing financial liabilities	**336**	155
Total equity	**1 509**	1 950
Gearing ratio	**22.3%**	7.9%

4 Segment reporting

The group has adopted IFRS 8 since the start of 2009. Adoption of this standard has not changed the group's reporting segments because segment information reported earlier has been based on the information management uses internally.

Operating segments

The business segment consists of the following reporting divisions consistent with Rautaruukki's organisational and management structure and internal finance reporting:

Ruukki Construction

Ruukki Construction supplies 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 fully-assembled systems and components to the engineering industry.

Ruukki Metals

Ruukki Metals supplies steel products and associated prefabrication, logistics and storage services. The division is responsible for the company's steel production and steel service centres. Manufacture of the company's steel products (formerly Ruukki Production) merged with Ruukki Metals at the start of February 2009. Merging the large production works, tube works and service centres forming the steel business into a new seamless entity was done to improve efficiency and supply chain management.

The reporting segments are determined according to customer focus. The external sales of the segments are based 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 based on net sales or use of resources.

Segment assets include items that are directly or reasonably attributable to a segment. Assets comprise intangible and tangible assets, inventories and trade receivables. Unallocated items are financial items, taxes and equity-accounted investees. Investments consist of additions to tangible and intangible assets used over more than one accounting period.

Assets are attributed to a segment by applying the amount of capital employed in operations. Allocation of group investments is done in accordance to the assets allocated to the segment.

There are no inter-segment sales which the company's management would monitor in internal reporting.

2009 €m	Ruukki Construction	Ruukki Engineering	Ruukki Metals	Corporate management	Unallocated assets	Group
Income statement						
Net Sales	589	312	1 050	0		1 950
Operating profit	-49	-33	-228	-13		-323
Net finance costs						-36
Share of profit of equity-accounted investees						0
Income tax expense						84
Result for the period						-275
Other information						
Segment assets	718	253	1 085	31	433	2 520
Investment in equity-accounted investees						12
Assets total						2 532
Capital expenditure	67	29	95	1		191
Depreciation and impairment *	59	23	63	0		146

* The figures include impairments of EUR 1 million allocated to the Ruukki Construction segment.

2008 €m	Ruukki Construction	Ruukki Engineering	Ruukki Metals	Corporate management	Unallocated assets	Group
INCOME STATEMENT						
Net Sales	1 067	765	2 019	0		3 851
Operating profit	128	126	338	-25		568
Net finance costs						-23
Share of profit of equity-accounted investees						3
Income tax expense						-142
Result for the period						406
OTHER INFORMATION						
Segment assets	761	411	1 247	36	512	2 968
Investment in equity-accounted investees						15
Assets total						2 983
Capital expenditure	102	38	102	0		243
Depreciation and impairment *	48	23	74	0		146

* The figures include impairments of EUR 1 million allocated to the Ruukki Construction segment.

Geographical information

Rautaruukki operates in the following five main geographical regions

	Net Sales		Assets	
€m	**2009**	2008	**2009**	2008
Finland	**587**	1 203	**1 470**	1 767
Other Nordic countries	**612**	1 201	**193**	260
Central Eastern Europe*	**373**	753	**422**	501
Rest of the Europe	**265**	559	**45**	42
Other countries	**113**	135	**13**	13
Eliminations and unallocated assets			**388**	400
Group total	**1 950**	3 851	**2 532**	2 983

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

Income from geographical regions is determined by customer location and the aggregate carrying amount of assets is determined according to location.

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

5 Business combinations

2009

Acquisitions

In February 2009, Rautaruukki acquired the entire share capital of Skalles Eiendomsselskap AS, one of Norway's leading steel frame suppliers. This acquisition has strengthened Rautaruukki's foothold as a local actor in the Nordic steel construction market. Skalles' total deliveries include the design, manufacture and installation of steel structures. The company employs around 50 people and had net sales in 2008 of around EUR 16 million. Skalles is based in Fredrikstad.

Pluss Stål AS was earlier an equity-accounted investee company owned 50 per cent by Rautaruukki, which acquired the remaining 50 per cent of the shares from the company's other owner in June 2009. The EUR 4 million in goodwill arising from these acquisitions is based on future yield expectations and synergy benefits.

The companies acquired increased consolidated net sales by EUR 6 million and had no impact on the consolidated result. If the companies had been acquired on 1 January 2009, it is estimated that consolidated net sales would have been EUR 7 million higher, but have had no material impact on the consolidated result.

The tables below show the business combinations occurring during 2009.

€m	2009
Acquisition costs	13
Of which conditional purchase price	0
Fair value of assets acquired	9
Goodwill	4

Assets and liabilities of acquired companies

€m	Fair values	Carrying amounts of acquired companies
ASSETS		
Non-current assets		
Intangible assets	4	0
Plant, property and equipment	5	3
Current assets		
Inventories	1	1
Trade and other receivables	1	1
Cash and cash equivalents	4	4
Total assets	15	9
LIABILITIES		
Non-current non-interest-bearing liabilities	2	0
Current non-interest-bearing liabilities	3	3
Total liabilities	6	4
Value of the asset acquired	9	5

Cash flows from acquisitions

€m	2009
Acquisition cost paid in cash	11
Cash in acquired subsidiaries	4
	7

Divestments

There were no divestments in 2009.

2008

Acquisitions

In February 2008, Rautaruukki acquired the entire share capital of German company Wolter Metallverarbeitung GmbH:n (Wolter). Wolter's main products are telescopic booms for leading, globally operating European OEMs of mobile cranes and booms for special heavy cranes used in windmill tower installation. The company has been consolidated as part of the Ruukki Engineering segment since 1 January 2008.

In April 2008, Rautaruukki 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 Oy's core business is laser-welded steel plates and laser and laser-hybrid welding. The company has been consolidated as part of the Ruukki Metals segment since April 2008.

On 30 December 2008, Rautaruukki acquired the entire share capital of Lithuanian steel frame company UAB Gensina. The acquisition furthers Rautaruukki's frame and envelope structure project business in Lithuania and the other Baltic states and strengthens Rautaruukki's manufacturing network serving the Baltic states. Gensina has been consolidated as part of the Ruukki Construction segment since 1 January 2009. The acquisition cost of UAB Gensina is preliminary and will be determined during 2009.

The tables below the business combinations taking place in 2008.

€m	2008
Acquisition costs	15
Of which conditional purchase price	4
Fair value of assets acquired	11
Goodwill	4

Assets and liabilities of acquired companies

€m	Fair values	Carrying amounts of acquired companies
ASSETS		
Non-current assets		
Intangible assets	6	0
Plant, property and equipment	6	1
Current assets		
Inventories	0	0
Trade and other receivables	2	3
Cash and cash equivalents	2	2
Total assets	16	5
LIABILITIES		
Non-current non-interest-bearing liabilities	2	0
Current non-interest-bearing liabilities	3	2
Total liabilities	4	2
Value of the asset acquired	11	3

The acquired companies increased consolidated goodwill by EUR 9 million and weakened the result for the period by EUR 1 million. If the companies had been acquired on 1 January 2008, it is estimated that net sales would have been EUR 10 million higher and consolidated net profit around EUR 1 million lower.

Cash flows from acquisitions

€m	2008
Acquisition cost paid in cash	13
Cash in acquired subsidiaries	2
	11

Divestments

June 2008 saw the divestment of German company Carl Froh GmbH, which makes precision tubes and automotive components. November 2008 saw the divestment of the colour-coating line in Gävle, Sweden. The transactions were part of Rautaruukki's structural transformation and consistent with the company's strategy to divest units not forming part of its core business.

The shares in Carl Froh GmbH were sold for around EUR 16 million and a loss of around EUR 7 million was recognised on the transaction. A positive impact of around EUR 2 million on the result was recognised during the fourth quarter of 2008 on the sale of the colour-coating line in Gävle.

6 Other operating income and expense

Other operating income

€m	2009	2008
Gains on the sale of property, plant and equipment	**6**	8
Subsidies received	**5**	5
Other	**9**	18
	20	31

Other operating expenses

€m	2009	2008
Loss on the sale of property, plant and equipment	**2**	10

7 Specification of function costs

€m	2009	2008
Raw materials, consumables and supplies	**1 105**	1 755
Employee benefits	**456**	585
External services	**260**	348
Freights	**167**	268
Depreciation, amortisation and impairment	**146**	146
Energy and fuels	**118**	134
Rents	**40**	46
Other	**66**	91
Production for own use	**-18**	-12
Change in inventories	**-49**	-55
Total	**2 292**	3 305

Includes cost of sales, selling, marketing and administration costs.

Auditors fees

€k	2009	2008
Auditing	**1 312**	1 808
Other auditing	**98**	32
Tax services	**100**	149
Other services	**391**	129
Total	**1 901**	2 119

8 Employee benefits

€m	2009	2008
Wages and salaries	**371**	460
Profit-related bonus	**0**	3
Share-based payments		
benefits granted paid as shares	**0**	0
benefits granted paid as cash	**0**	1
Pension insurance contributions and pensions		
defined contribution pension plans	**41**	48
defined benefit pension plans	**1**	1
Other social security costs	**42**	72
Total	**456**	585

Employee benefits by function

€m	2009	2008
Cost of sales	**328**	438
Sales and marketing	**62**	70
Administration	**65**	77
Total	**456**	585

Management's employee benefits are specified in Note 33 Related party disclosures, and share bonus plans in Note 27 Share-based payments.

Average number of personnel by function

€m	2009	2008
Cost of sales	**10 022**	12 050
Sales and marketing	**1 392**	1 526
Administration	**1 250**	1 377
Total	**12 664**	14 953

9 Depreciation, amortisation and impairment

€m	2009	2008
Depreciation and amortisation by asset group		
Intangible assets	**22**	22
Property, plant and equipment		
Buildings and structures	**25**	23
Machinery, equipment and other tangible assets	**98**	99
Total depreciation	**145**	145
Amortisation and impairment	**1**	1
Total depreciation, amortisation and impairment	**146**	146

Depreciation, amortisation and impairment by function

€m	2009	2008
Cost of sales	**134**	132
Sales and marketing	**2**	4
Administration	**10**	10
Total	**146**	146

Depreciation includes EUR 2 million (2) on buildings and structures obtained under a finance lease and depreciation of EUR 4 million (3) on machinery and equipment. Impairments are included in costs of sales and previously recognised impairments have not been reversed.

10 Finance income and costs

€m	2009	2008
Dividend income	**1**	0
Interest income from loans and other receivables	**3**	4
Income from cash and cash equivalents measured at fair value through profit and loss	**3**	6
Other finance income	**0**	0
Finance income	**6**	11
Interest expense from financial liabilities measured at amortised cost	**-20**	-15
Interest expense on finance items measured at fair value through profit and loss	**-12**	-7
Capitalised interest expense	**1**	
Other finance costs	**-8**	-1
Finance costs	**-39**	-23
Exchange rate gains from loans and other receivables	**46**	37
Exchange rate gains from foreign currency derivatives not qualifying for hedge accounting	**29**	50
Exchange rate gains	**75**	87
Exchange rate losses from loans and other receivables	**-47**	-68
Exchange rate losses from foreign currency derivatives not qualifying for hedge accounting	**-30**	-29
Exchange rate losses from loans measured at amortised cost	**-2**	
Exchange rate losses	**-78**	-98
Total finance income and costs	**-36**	-23

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 statements as an adjustment to electricity purchases. The realised result of the zinc derivatives qualifying for hedge accounting was -EUR 19 million (-3). In addition to the exchange rate differences disclosed in Finance income and costs, consolidated operating profit included exchange rate differences of -EUR 15 million on sales, of which derivatives accounted for -EUR 14 million (24, of which derivatives 30) and EUR 2 million on purchases, of which derivatives accounted for EUR 0 million (21, of which derivatives 32). Arrangement and commitment fees of EUR 7 million for credit facilities are included in Other finance costs.

11 Income taxes

€m	2009	2008
Current tax	**-2**	-166
Taxes for previous periods	**1**	1
Change in deferred tax assets and tax liabilities	**84**	23
Total	**84**	-142

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

€m	2009	2008
Result before income tax	**-359**	548
Share of profit of equity-accounted investees, net of tax	**0**	3
Result before income tax and share of profit of equity-accounted investees	**-359**	544
Taxes calculated using existing tax rate	**93**	-142
Effect of differing tax rates in foreign subsidiaries	**-6**	-2
Effect of changes in tax rates	**-1**	0
Tax-free income	**9**	4
Non-deductible expenses	**-4**	-4
Losses for which a deferred tax asset has not yet been recognised	**-9**	0
Taxes from previous years	**1**	2
Income tax expense	**84**	-142

Taxes booked direct to other comprehensive income and a specification of other changes in deferred taxes are given in Note 19 Deferred tax assets and liabilities.

12 Earnings per share

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

	2009	2008
Result for the period attributable to owners of the company, €m	**-275**	406
Weighted average number of shares outstanding during the period, 1,000	**138 846**	138 746
Basic earnings per share, €	**-1.98**	2.93

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.

	2009	2008
Result for the period attributable to owners of the company, €m	**-275**	406
Net result for the period for the calculation of earnings per share adjusted for the dilution effect, €m	**-275**	406
Weighted average number of shares during the period, 1,000	**138 846**	138 746
Conversion of convertible bonds into shares, 1,000		27
Weighted average number of shares for calculating earnings per share adjusted for the dilution effect, 1,000	**138 846**	138 773
Earnings per share adjusted for the dilution effect, €	**-1.98**	2.93

13 Property, plant and equipment

€m	2009	2008
Land and water		
Acquisition cost at 1 Jan	**24**	29
Additions	**1**	1
Additions through acquisitions		0
Disposals	**-3**	0
Disposals through divestments		-3
Exchange rate differences	**-1**	-2
Carrying amount at 31 Dec	**21**	24
Buildings and structures		
Acquisition cost at 1 Jan	**636**	642
Additions	**74**	21
Additions through acquisitions	**3**	1
Disposals	**-12**	-4
Disposals through divestments		-21
Exchange rate differences	**2**	-3
Acquisition cost at 31 Dec	**703**	636
Accumulated depreciation at 1 Jan	**-316**	-307
Accumulated depreciation on disposals	**7**	2
Accumulated depreciation on divestments		10
Depreciation for the period	**-25**	-22
Exchange rate differences	**-2**	2
Accumulated depreciation at 31 Dec	**-337**	-316
Carrying amount at 31 Dec	**366**	320
Machinery, equipment and other tangible assets		
Acquisition cost at 1 Jan	**2 247**	2 219
Additions	**129**	72
Additions through acquisitions	**2**	4
Disposals	**-45**	-18
Disposals through divestments		-42
Exchange rate differences	**3**	11
Acquisition cost at 31 Dec	**2 336**	2 247
Accumulated depreciation at 1 Jan	**-1 631**	-1 589
Accumulated depreciation on disposals	**50**	14
Accumulated depreciation on divestments		35
Depreciation and impairment for the period	**-99**	-96
Exchange rate differences	**-4**	6
Accumulated depreciation at 31 Dec	**-1 684**	-1 631
Carrying amount at 31 Dec	**652**	615

€m	2009	2008
Advance payments and construction in progress		
Acquisition cost at 1 Jan	**165**	83
Changes	**-45**	82
Carrying amount at 31 Dec	**120**	165
Total tangible assets	**1 159**	1 124

The group has applied the revised IAS 23 Borrowing Costs since 1 January 2009. Interest of EUR 1 million was capitalised in the acquisition cost of tangible assets in 2009. The capitalisation rate used averaged 3.9 per cent.

Finance leases

Tangible assets include property acquired under finance leases as follows:

€m	2009	2008
Buildings and structures		
Acquisition cost	**34**	26
Accumulated depreciation	**-11**	-9
Acquisition cost at 31 Dec	**22**	17
Machinery and equipment		
Acquisition cost	**44**	36
Accumulated depreciation	**-25**	-21
Acquisition cost at 31 Dec	**20**	15

The group has leased buildings as well as machinery and equipment under finance lease agreements of differing lengths. Increases to the acquisition cost of property, plant and equipment include assets of EUR 16 million (1) leased under finance leases.

14 Intangible assets

€m	2009	2008
Goodwill		
Acquisition cost at 1 Jan	**105**	106
Additions through acquisitions	**5**	6
Transfers between intangible asset items	**-3**	
Exchange rate differences	**-3**	-7
Carrying amount at 31 Dec	**103**	105

€m	2009	2008
Customer relationships		
Acquisition cost at 1 Jan	**42**	42
Additions through acquisitions	**5**	3
Transfers between intangible asset items	**3**	
Exchange rate differences	**-3**	-3
Acquisition cost at 31 Dec	**47**	42
Accumulated depreciation at 1 Jan	**-15**	-10
Depreciation for the period	**-6**	-6
Accumulated depreciation at 31 Dec	**-21**	-15
Carrying amount at 31 Dec	**26**	26
Other intangible assets		
Acquisition cost at 1 Jan	**188**	175
Additions	**10**	9
Additions through acquisitions		0
Disposals	**-9**	-1
Disposals through divestments		-1
Exchange rate differences	**0**	6
Acquisition cost at 31 Dec	**188**	188
Accumulated depreciation at 1 Jan	**-140**	-126
Accumulated depreciation on disposals	**7**	0
Accumulated depreciation on divestments		1
Depreciation for the period	**-15**	-16
Exchange rate differences	**0**	0
Accumulated depreciation at 31 Dec	**-147**	-140
Carrying amount at 31 Dec	**41**	48
Advance payments		
Acquisition cost at 1 Jan	**7**	8
Changes	**-1**	-1
Carrying amount at 31 Dec	**6**	7
Total other intangible assets	**73**	81

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

Emissions allowances

In the free initial allocation of emissions allowances for the second period of 2008–2012 the Raahe Works and Hämeenlinna Works, which come under the EU Emissions Trading Schema, and the Mo i Rana plant in Norway, which comes under the Norwegian emissions trading scheme, received a total of 23.7 million emissions allowances. Emissions allowances purchased and units in funds generating carbon credits are recognised in the acquisition cost of intangible assets and the cost of emissions allowances received free of charge at nominal value, i.e. zero. An impairment loss is recognised in the income statement if the carrying value of emissions allowances or carbon credits exceeds their fair value. Gains on the sale of emissions allowances and reductions are recognised in operating profit.

The value of emissions allowances, emissions reductions and units in funds generating carbon credits totalled EUR 3 million in the statement of financial position at the end of the period. In 2009, emissions allowances trading generated income of EUR 34 million (5). Actual carbon dioxide emissions under the emissions allowance scheme in 2009 were around 3.4 million tonnes (4.5) and around 3.4 million emissions allowances equating to these will be returned by 30 April 2010.

Allocated goodwill by segments and impairment testing

€m	2009	2008
Ruukki Construction	**64**	66
Ruukki Engineering	**27**	27
Ruukki Metals	**12**	11
Total	**103**	105

For the purposes of impairment testing, goodwill is allocated to cash-generating units. Cash-generating units correspond to specific segments, which is the level at which management monitors operations and the related goodwill. The recoverable amount is determined on the basis of value-in-use calculations, which are based on management-approved forecasts covering three years. The forecast cash flows are discounted to the present value. The discount rate used was 11.51 per cent (10.51) for all cash-generating units.

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

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

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

15 Equity-accounted investees

Combined net sales, result, assets and liabilities of equity-accounted investees

€m	Net sales	Result	Assets	Liabilities
2009				
Equity-accounted investees, total	**122**	**-1**	**68**	**24**
2008				
Equity-accounted investees, total	189	11	80	30

Information about equity-accounted investees

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

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

16 Financial assets and liabilities by category

2009

€m	Financial assets/liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives qualifying for hedge accounting	Carrying amount of the statement of financial position items	Fair value
Non-current assets							
Available-for-sale investments			12			12	12
Loan receivables		33				33	33
Derivative contracts					5	5	5
Other receivables		6				6	6
Current assets							
Trade receivables		246				246	246
Other receivables		35				35	35
Derivative contracts	7				7	14	14
Financial assets	142	78				219	219
Cash and cash equivalents		42				42	42
Carrying amount by measurement category	149	439	12	0	13	613	613
Non-current liabilities							
Loans and borrowings				387		387	387
Derivatives					8	8	8
Other non-current liabilities				1		1	1
Current liabilities							
Loans and borrowings				209		209	209
Derivative contracts	10				4	14	14
Trade payables				146		146	146
Carrying amount by measurement category	10	0	0	743	12	766	766

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 the statement of financial position items	Fair value
Non-current assets							
Available-for-sale investments			11			11	11
Loan receivables		25				25	25
Derivative contracts	0				0	0	0
Other receivables		4				4	4
Current assets							
Trade receivables		384				384	384
Other receivables		22				22	22
Derivative contracts	58				0	58	58
Financial assets	179	42				221	221
Cash and cash equivalents		34				34	34
Carrying amount by measurement category	237	511	11	0	0	759	759
Non-current liabilities							
Loans and borrowings				276		276	276
Derivatives					22	22	22
Other non-current liabilities				1		1	1
Current liabilities							
Loans and borrowings				133		133	133
Derivative contracts	12				29	41	41
Trade payables				186		186	200
Carrying amount by measurement category	12	0	0	596	51	659	659

17 Available-for-sale financial assets

€m	2009	2008
1 Jan	**11**	10
Additions	**2**	1
Disposals	**-1**	0
31 Dec	**12**	11

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

18 Other non-current receivables

€m	2009	2008
Defined benefit pension plans	**0**	44
Interest-bearing loan receivables	**33**	25
Other non-current receivables	**11**	4
Total	**44**	73

More information about defined benefit pension plans is given in Note 28 Pension obligations. Non-current loans receivable include a loan receivable of EUR 33 million (2008 total loan receivable EUR 32 million) on the sale of equity-accounted investees. The effective interest rate on this loan is 8.4 per cent (8.4). The fair values of non-current loan receivables are disclosed in Note 16 Financial assets and liabilities by category.

19 Deferred tax assets and liabilities

Changes in deferred taxes during 2009

€m	1 Jan	Recognised in income tax expense	Recognised in other comprehensive income	Acquired/ divested subsidiaries	Exchange rate differences and other changes	31 Dec
Deferred tax assets						
Provisions	7	-4				3
Tangible and intangible assets	0	0				
Finance leases	6	-2				4
Employee benefits	4	8	0			12
Measurement of derivatives at fair value	17	-17				0
Confirmed losses	13	74				87
Other items	18	-7			-4	7
Total	64	53	0		-4	113
Netted out against deferred tax liabilities	-31					-74
Deferred tax assets	33	53	0		-4	39
Deferred tax liabilities						
Tangible and intangible assets	107	-3		3		106
Employee benefits	19	-15	-4			0
Inventories	1	-1				0
Measurement of derivatives at fair value	0	-13	13			0
Other items	2	2				4
Total	129	-31	9	3		110
Netted out against deferred tax assets	-31					-74
Deferred tax liabilities	98	-31	9	3		37

Changes in deferred taxes during 2008

€m	1 Jan	Recognised in income tax expense	Recognised in other comprehensive income	Acquired/ divested subsidiaries	31 Dec
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	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	139				98

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

At 31 December 2009, the group had confirmed losses of EUR 45 million (68), for a tax asset that had not been recognised because the ability to make use of the losses concerned is doubtful. Of the confirmed losses, EUR 23 million (3) are losses that must be used within five years of the date they were incurred.

The increase in the deferred tax asset booked for losses consists mostly of an asset booked by the parent company for losses in 2009. Management expects the parent company to accrue future taxable income against which the loss in 2009 from an exceptionally weak year can be deducted.

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

Taxes included in other comprehensive income

	2009			2008		
€m	Before taxes	Taxes	Net of taxes	Before taxes	Taxes	Net of taxes
Change in fair value of cash flow hedge	**51**	**-13**	**38**	-62	16	-46
Translation differences	**-5**	**0**	**-5**	-54		-54
Defined benefit plan actuarial gains and losses	**-15**	**4**	**-12**	-62	16	-46
Total	**31**	**-9**	**22**	-178	32	-146

20 Inventories

€m	2009	2008
Raw materials and consumables	**187**	252
Finished and semi-finished products	**304**	498
Total	**492**	750

During 2009, a charge of EUR 32 million was booked to write down the carrying value of inventories to net realisable value.

21 Trade and other receivables

€m	2009	2008
Trade receivables	**243**	379
Trade receivables from equity-accounted investees	**3**	5
Total trade receivables	**246**	384
Other receivables from equity-accounted investees	**0**	0
Prepayments and accrued income	**49**	40
Receivables based on derivative contracts: hedge accounting	**7**	0
Receivables based on derivative contracts: other	**7**	58
Other receivables	**23**	52
Total other receivables	**86**	150

The fair values of receivables are disclosed in Note 16 Financial assets and liabilities by category.

22 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 and a price quoted by a bank. General valuation 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.

Cash flow hedges qualifying for hedge accounting

31 Dec 2009	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**	**6 000**		**24 000**	**7**	**5**				
Electricity derivatives										
forward contracts **	**467**	**1 185**	**175**	**1 827**	**0**	**1**		**-4**	**-7**	**-1**

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

*nominal value, tonnes

**nominal amount GWh

Fair value hedges qualifying for hedge accounting

31 Dec 2009	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
Interest rate derivatives		**75**		**75**		**0**				

Derivatives not qualifying for hedge accounting

31 Dec 2009	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 *										
Foreign currency derivatives										
forward contracts	**368**			**368**	**2**			**-5**		
Options										
bought	**150**			**150**	**0**			**-1**		
sold	**150**			**150**	**1**			**0**		

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 *	500			500				0		
Foreign currency derivatives										
forward contracts	904			904	44			-9		
Options										
bought	120			120	9					
sold	120			120	2					

*nominal value, tonnes

**nominal amount GWh

The unrealised result of cash flow hedges is booked to other comprehensive income to the extent the hedge is effective. Other fair value changes are booked through profit and loss. Forecast 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 less than EUR 1 million profit in 2009 (-1). 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 2009 or at 31 December 2008.

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

Fair value at 31 December 2009	Level 1	Level 2	Level 3
Assets measured at fair value			
Foreign currency derivatives		4	
Interest rate derivatives		0	
Commodity derivatives			
Electricity		1	
Zinc		11	
Investments recognised at fair value through profit and loss		142	
Liabilities measured at fair value			
Foreign currency derivatives		-7	
Interest rate derivatives			
Commodity derivatives			
Electricity		-12	
Zinc			

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

The fair values in level 1 are based fully on the prices of similar asset or debt items on established markets. The fair values in level 2 are determined using generally accepted valuation models whose input data is largely based on verifiable market prices. The fair value of financial instruments in level 3 is not based on verifiable market prices, but to a significant extent on management's estimates and their use in generally accepted valuation models. The hierarchy in which a certain item measured at fair value has been classified is determined at the lower level based on input data. The discount interest used to determine the fair value of derivatives ranges from 0.2–2.3 per cent.

23 Current financial assets

€m	2009	2008
Financial assets recognised at fair value through profit and loss	142	179
Financial assets classified as loans and receivables	78	42
Total	219	221

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

24 Cash and cash equivalents

€m	2009	2008
Cash and cash equivalents	42	34
Total	42	34

Cash flows presented in the cash flow statement are formed as follows:

€m	2009	2008
Financial assets recognised at fair value through profit and loss	142	179
Financial assets classified as loans and receivables	78	42
Cash and cash equivalents	42	34
Total	261	254

25 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 2009 was EUR 238,485,222.50 (238,434,314.30) and has been paid up in full.

Changes in the number of shares

No.	Shares issued	Treasury shares	Shares out-standing
1 Jan 2008	140 198 128	1 476 937	138 721 191
Transfer of treasury shares		-11 594	
Shares subscribed through warrants	57 351		
Returned shares		1 594	
31 Dec 2008	**140 255 479**	**1 466 937**	**138 788 542**
Transfer of treasury shares		**-48 052**	
Shares subscribed through warrants	**29 946**		
Returned shares		**2 690**	
31 Dec 2009	**140 285 425**	**1 421 575**	**138 863 850**

The market value of the treasury shares at 31 December 2009 was EUR 22.9 million. On 20 March 2009, the company transferred a total of 48,052 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, €
16 Feb 2009	**9 466**	**16 092.20**
18 Jun 2009	**20 480**	**34 816.00**
Total	**29 946**	**50 908.20**

26 Reserves in equity

€m	2009	2008
Share premium	**220**	220
Reserve for share-based payments	**1**	0
Fair value of cash flow hedges	**1**	-37

Rautaruukki Corporation's share premium reserve of EUR 220 million has accrued from share issues and share premiums from subscriptions taking place through bond loans with warrants. The share premium reserve was earlier a reserve in accordance with the Finnish Companies Act. Under the existing Finnish Limited Liability Companies Act, since 1 September 2006, share premium is part of restricted equity and can no longer be added to. The share premium reserve can reduce the share capital in accordance with the rules applying to reduction and can be used to increase the share capital as a reserve increase.

Other reserves contain the effective portion of the change in 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.

27 Share-based payments

Terms and conditions of share ownership plans

Rautaruukki has had share ownership plans as long-term, performance-based incentive schemes for management and key persons since the year 2000.

In December 2007, the Board of Directors decided to launch a new incentive scheme. The Share Ownership Plan 2008-2010 seeks to the objectives of shareholders and key persons to increase shareholder value and to commit key people to the company. The plan comprises three one-year earning periods, which are the calendar years 2008, 2009 and 2010. Any bonuses are paid out partly in the form of the company's shares and partly in cash during the year following the earning period.

Payment of a bonus is subject to the achievement of financial targets set by the Board of Directors, which for the earning periods

2008 and 2009 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, that person must, without consideration, return the shares received as a bonus. The President & CEO and other members of the Corporate Management Board must, in addition to the two-year restriction 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.

Shares earned under the first earning period, 2008, of the Share Ownership Plan 2008–2010 were transferred to the key persons concerned in March 2009 and must be held until the end of 2010.

Persons covered by the share ownership plan do not participate in the corporate profit sharing scheme. Ninety-six persons are covered by the earning period 2009 of the share ownership plan.

Changes in number of shares to be awarded

Number of shares	2009	2008
At 1 Jan	**155 000**	19 450
Share bonuses granted	**164 000**	162 000
Shares awarded	**- 48 052**	- 11 594
Share bonuses cancelled	**- 113 638**	-14 856
At 31 Dec	**157 310**	155 000

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

Share bonuses granted

The following shares were granted to key persons

Year	Grant date	Maximum number of shares awarded	Market value of share on grant date, €
2009	**13 Mar 2009**	**164 000**	**14.18**
2008	15 Mar 2008	162 000	28.52

Shares awarded

On 20 March 2009, the company transferred 48,052 treasury shares to persons covered by the share ownership plan. The market value of the shares at 20 March was 2009 EUR 14.53 per share.

On 28 March 2008, the company transferred 11,594 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.

Expenses of share ownership plan in 2009

Earning period	No. of persons	Earning periods ended, €m	Earning periods in progress, €m	Total, €m
2009	**96**		**0**	**0**
2008	86	1		1

Bond loan with warrants

In May 2003, Rautaruukki issued a bond loan with warrants targeted at the personnel. The principal of the loan was EUR 3.5 million, which 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 on the basis of the warrants.

The bond loan with warrants was repaid in full in May 2006. The subscription period to subscribe shares through warrants under the bond loan expired on 23 May 2009.

28 Pension obligations

The group has a voluntary defined benefit plan in Finland arranged through Rautaruukki's Pension Foundation. The statutory pension scheme under the Finnish Employees Pensions Act (TyEL) and part of supplementary voluntary pension security are arranged through insurance companies. In addition, the group has defined benefit plans in Germany and Norway. Management of the statutory pension obligation under the Finnish Employees Pensions Act (TyEL) of Rautaruukki's Pension Foundation was transferred to Varma Mutual Pension Insurance Company on 31 December 2009. As a consequence, this plan is classified as a defined contribution plan as of 1 January 2010. As a result of winding up the foundation on 31 December 2009, the group's defined benefit obligation decreased by EUR 452 million.

The group's defined benefit plans are summarised below.

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

€m	2009	2008
Current value of unfunded obligations	**24**	21
Current value of funded obligations	**146**	546
Fair value of assets	**-141**	-604
Funded status	**29**	-37
Unrecognised past service cost	**6**	8
Net liability (+) / asset (-) recognised in statement of financial position	**35**	-29
Defined benefit asset recognised in statement of financial position	**0**	-44
Defined benefit obligation recognised in statement of financial position	**35**	15
Net	**35**	-29

Expense recognised in profit or loss

€m	2009	2008
Current service cost	**11**	12
Interest cost	**29**	31
Expected return on plan assets	**-38**	-41
Past service cost	**0**	-1
Effect of curtailments and settlements	**-2**	
Expense recognised in profit or loss	**1**	1

The actual return on plan assets was EUR 60 million in 2009 (-47).

Changes in the current value of plan obligations

€m	2009	2008
Defined benefit obligations at 1 Jan	**568**	593
Current service cost	**11**	12
Interest cost	**29**	31
Actuarial gains (-) and losses (+)	**38**	-26
Transfers between plans		4
Past service cost	**2**	
Curtailments and settlements	**-454**	
Benefits paid	**-29**	-27
Acquired / disposed subsidiaries	**0**	-12
Translation difference	**4**	-6
Defined benefit obligations at 31 Dec	**170**	568

Changes in fair value of plan assets

€m	2009	2008
Fair value of plan assets at 1 Jan	**604**	665
Expected return on plan assets	**38**	41
Actuarial gains (+) and losses (-)	**22**	-89
Employer contributions	**-20**	14
Benefits paid	**-28**	-26
Transfers between plans		4
Curtailments and settlements	**-453**	
Refund after wind up of TyEL foundation	**-25**	
Translation difference	**3**	-5
Fair value of plan assets at 31 Dec	**141**	604

Profile of plan assets in Rautaruukki's Pension Foundation by asset group

€m	2009	2008
Equity finance instruments	**8**	8
Non-current debt finance instruments	**76**	37
Current debt finance instruments	**8**	38
Real estate	**3**	7
Other	**5**	10

Rautaruukki's Pension Foundation assets include Rautaruukki Oyj shares, which have a fair value of EUR 4 million (19), and real estate occupied by Rautaruukki worth EUR 2 million (39).

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 assets group.

Actuarial assumptions used

%	2009	2008
Discount rate	**4.0–5.0**	3.8–5.3
Expected rate of return on plan assets	**4.0–6.5**	4.5–6.5
Estimated wage and salary increase	**3.0–4.3**	3.0–4.0
Inflation	**1.0–2.0**	1.0–2.0

History of defined benefit obligations and assets

€m	2009	2008	2007	2006	2005
Defined benefit obligation	**-170**	-568	-593	-539	-458
Fair value of plan assets	**141**	604	665	640	584
Surplus (-) / Deficit (+)	**-29**	36	73	101	126
Experience adjustments					
Actuarial gain (-) / loss (+) on obligation	**3**	32	5	19	4
Actuarial gain (+) / loss (-) on plan assets	**22**	-85	-24	30	39

Actuarial gains and losses recognised in other comprehensive income

	During the period		Cumulative	
€m	2009	2008	2009	2008
Actuarial gains (+) / losses (-)	**-15**	-62	**-110**	-94
Deferred taxes	**4**	16	**29**	25
Total	**-12**	-46	**-81**	-69

The group expects contributions to its defined benefit plans in 2010 to total EUR 3 million.

29 Provisions

€m	Share bonuses	Environment provisions	Warranty provisions	Restructuring provisions	Other	Total
1 Jan 2009	0	2	3	10	6	22
Additions		0	1	6	0	8
Provisions used	0	-1	-1	-12	-3	-18
Reversals of unused provisions			0		-1	-1
31 Dec 2009		1	2	4	2	11

€m	2009	2008
Non-current provisions	3	6
Current provisions	8	16
Total	11	22

Environmental obligations

An environmental provision is booked on the basis of existing interpretations of environmental protection acts and regulations. A provision is booked, when it is probable 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 1 million of the provision is expected to be realised within the following year.

Regarding the closed Rautuvaara mine, the company has made a plan of action to prevent the negative impacts on waterways. In April 2008, for the sake of clarity, the company submitted an application concerning the matter to the Finnish-Swedish Frontier Rivers Commission, which is expected to decide on further action during 2010. Rautaruukki ceased mining operations in 1988, since when there have been other actors in the area. No provision in respect of the mine closure has been booked.

Restructuring provisions

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

Warranty and 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.

30 Loans and borrowings

€m	2009	2008
Non-current		
Loans from financial institutions	**149**	160
Bonds	**149**	75
Finance lease obligations	**44**	38
Pension loans	**43**	0
Other non-current interest-bearing liabilities	**0**	3
Total	**387**	276
Current		
Loans from financial institutions	**23**	9
Bonds	**75**	0
Finance lease obligations	**9**	7
Pension loans	**4**	1
Commercial papers	**98**	116
Other current interest-bearing liabilities	**0**	0
Total	**209**	133

Information about bonds

€m	Coupon rate	Currency	2009	2008
Nominal value				
2003–2010	5.10%	EUR	**75**	75
2009–2014	5.25%	EUR	**150**	0
			225	75

The weighted averages of effective interest rates (including interest rate derivatives) for loans and borrowings at year end

%	2009	2008
Bonds and loans from financial institutions	**3.9**	4.5
Finance lease liabilities	**6.9**	7.8

Finance lease liabilities

The group has leased power plants, hall structures, as well as office premises and other items of property, plant and equipment under finance lease agreements of varying length. In the event of a sale and leaseback, the group has recognised the capital gain in the statement of financial position and spreads it over the lease period. An unspread capital gain of EUR 7 million (9) is included in the statement of financial position at 31 December 2009.

Maturities of finance lease liabilities

€m	2009	2008
Finance lease liabilities – minimum lease payments		
Within one year	**11**	11
Between one and five years	**34**	32
After five years	**25**	19
	70	62
Future financial costs	**-17**	-17
	54	45

€m	2009	2008
Finance lease liabilities – present value of minimum lease payments		
Within one year	**9**	7
Between one and five years	**25**	23
After five years	**20**	14
	54	45

31 Trade and other payables

€m	2009	2008
Non-current		
Defined benefit pension plan	**35**	15
Liabilities based on derivative contracts: qualifying for hedge accounting	**8**	22
Other non-current non-interest-bearing liabilities	**15**	16
Total other non-interest-bearing liabilities	**58**	53
Current		
Trade payables	**145**	186
Trade payables to equity-accounted investees	**1**	0
Total trade payables	**146**	186
Accruals and deferred income	**122**	154
Liabilities based on derivative contracts: qualifying for hedge accounting	**4**	29
Liabilities based on derivative contracts: not qualifying for hedge accounting	**10**	12
Advances received	**14**	23
Other liabilities	**21**	23
Total other non-interest-bearing liabilities	**171**	241

The material items included in accruals and deferred income consist of personnel expenses and accruing interest on liabilities.

32 Adjustments to cash flows

€m	2009	2008
Non-cash transactions:		
Depreciation, amortisation and impairment	**146**	146
Provisions	**-11**	10
Share of profit of equity-accounted investees	**0**	-3
Employee benefits	**24**	-32
Exchange rate differences	**36**	-46
Other	**29**	10
Total	**224**	85

33 Related party disclosures

The group's related parties include the parent company, corporate subsidiaries, equity-accounted investees (Note 15) and Rautaruukki's Pension Foundation. Rautaruukki's Pension Foundation is an A pension fund, as referred to in the Finnish Pension Foundation Act, which manages the voluntary supplementary pension provision arranged by Rautaruukki Corporation as the employer. Management of the statutory pension liability under the Finnish Employees Pensions Act (TyEL) of Rautaruukki's Pension Foundation was transferred to Varma Mutual Pension Insurance Company on 31 December 2009. In addition, the definition of related party includes the Supervisory Board, Board of Directors, President & CEO, deputy to the President & CEO and other members of the Corporate Management Board and their spouse and relatives living in the same household.

The group's parent and subsidiary relationships are

Name	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 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 Norge 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 Istanbul Metal Sanayi ve Ticaret Limited Sirketi	TR	Istanbul	99	99
Ruukki Latvija SIA	LV	Riga	100	100
Ruukki Metal Components (Shanghai) Co Ltd	CN	Shanghai	100	100
Ruukki Polska Sp.zo.o.	PL	Zyrardów	100	100
Ruukki Products AS	EE	Pärnu	100	100
Ruukki Romania s.r.l.	RO	Bucharest	100	100
Ruukki Slovakia s.r.o.	SK	Kosice	100	100
Ruukki 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 Norge AS:				
Ruukki Construction Norge AS	NO	Sandnessjøen	100	100
Ruukki Profiler AS	NO	Mo i Rana	100	100
Pluss Stål AS	NO	Trondheim	100	100
Skalles Eiendomsselskap AS	NO	Fredrikstad	100	100

Name	**Country**	**Domicile**	**Group share of share capital, %**	**Group share of votes, %**
Subsidiary of Skalles Eiendomsselskap AS:				
Skalles Mek Verksted AS	NO	Fredrikstad	100	100
Subsidiaries of Ruukki Holding B.V:				
Ruukki Finance B.V.	NL	Raamsdonksveer	100	100
Ruukki Benelux B.V.	NL	Almelo	100	100
Subsidiary of Ruukki Holding Danmark A/S:				
Ruukki Danmark A/S	DK	Brøndby	100	100
Subsidiaries of Ruukki Holding GmbH:				
Ruukki Dortmund GmbH	DE	Dortmund	100	100
Ruukki Deutschland GmbH	DE	Duisburg	100	100
Subsidiary of Ruukki Hungary Kft:				
Ruukki Tisza Zrt.	HU	Jászberény	99.6	99.6
Subsidiaries of 000 Ruukki Rus:				
000 ZMK Ventall	RU	Balabanovo	100	100
ZAO Balabanovskaya Realbaza	RU	Balabanovo	100	100
Subsidiary of ZAT Ruukki Ukraine:				
Ruukki Investment Ukraine CJSC	UA	Kiev	100	100

The following transactions were carried out with related parties

€m	**Sales**	**Purchases**	**Trade receivables**	**Trade payables**
2009				
Equity-accounted investees total	**24**	**6**	**3**	**1**
Rautaruukki's Pension Foundation		**6**		
2008				
Equity-accounted investees total	30	6	5	0
Rautaruukki's Pension Foundation		6		

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

Rautaruukki Corporation paid a total EUR 13 million (49) in incentive payments to Rautaruukki's Pension Foundation in 2009. In addition, Rautaruukki paid rents totalling EUR 6 million (6) to Rautaruukki's Pension Foundation. There are no collateral or guarantees relating to the letting of real estate. In December 2009, Rautaruukki Corporation acquired a property for EUR 3 million from Rautaruukki's Pension Foundation. Rautaruukki Corporation has given mortgages of EUR 5 million (9) to Rautaruukki's Pension Foundation as collateral for pension liabilities.

Management's employee benefits

€m	2009	2008
Salaries and other current employee benefits	**2**	2
Share-based payments	**0**	0
Total	**3**	3

The company's management participates in a share ownership plan used as an incentive. The terms and conditions of share-based payment are detailed in Note 27 Share-based payments.

The President & CEO and members of the Corporate Management Board are entitled to retire at the age of 60. The level of supplementary pension varies depending on which supplementary pension scheme a person belongs to. The President & CEO receives a supplementary pension of 60 per cent of salary. The level of supplementary pension payable to the deputy to the President & CEO equates to the statutory retirement pension he would have received had he worked until the age of 63. All men covered by Section A of Rautaruukki's Pension Foundation who have chosen a reduced retirement age retire at the age of 60. One member of the Corporate Management Board belongs to this group. The amount of supplementary pension paid by Rautaruukki's Pension Foundation depends on the number of earning years and is generally between 30 and 50 per cent of retirement pay. In 2009, Rautaruukki started up a new defined contribution supplementary pension plan for those members of the Corporate Management Board who do not belong to previous defined benefit pension plans. The defined contribution pension plan does not guarantee the level of future pensions, which depend on the pension insurance contributions made and the return on investments. In addition, the President & CEO has an agreed severance pay package under which he is entitled to total severance pay equal to 24 months' salary if his contract is terminated by the company.

Wages, salaries and share-based payments

€k	2009	2008
President & CEO	**795**	766
Deputy to the President & CEO	**299**	297
Other members of the Corporate Management Board	**1 179**	1 432
Board of Directors	**324**	338
Supervisory Board	**67**	67

The group has no other significant transactions, receivables, liabilities or guarantees with related parties.

34 Contingent liabilities

Contingent liabilities

€m	2009	2008
Mortgaged real estate	**64**	24
Pledged assets		5
Guarantees given		
On own behalf	**43**	45
On behalf of others		2
Rental liabilities	**114**	132
Other financial liabilities	**0**	0

Rental liabilities excludes finance lease liabilities, which are stated in Note 30 Loans and borrowings.

Mortgages have been given as collateral for pension loans and loans from financial institutions and for Rautaruukki's Pension Foundation's pension liability. Mortgages have been given as collateral for loans from financial institutions. The group has leased buildings, vehicles and other items of property, plant and equipment also under other operating lease agreements.

Minimum rents payable under other leases

€m	2009	2008
Within one year	**36**	39
Between one and five years	**47**	66
After five years	**30**	27
Total	**114**	132

The agreements do not include significant sublease agreements or conditional leases.

Investment commitments

€m	After 31 Dec 2009	After 31 Dec 2008
Maintenance investments	**100**	102
Development investments and investments in special steel products	**77**	113
Total	**177**	215

35 Litigation and events after the period

The European Commission continued investigations during 2009 into suspected price collusion relating to the manufacture of prestressing steel between 1996 and 2001 by Rautaruukki's former subsidiary, Fundia. The Commission is investigating dozens of European companies and Fundia's comparatively minor prestressing steel business is not at the centre of the investigation. In February 2009, Rautaruukki took part in an oral hearing of the matter under investigation and in March, June and October, Rautaruukki replied to the European Commission's requests for information about the company's financial position. The Commission is continuing to investigate but at this stage of the proceedings it is difficult to weigh up possible sanctions.

In August, the Ministry for Economic Development and Trade of the Russian Federation issued its draft resolution concerning the anti-dumping of colour-coated products to the Government of the Russian Federation. According to the Ministry's draft resolution, no legal requirements exist to impose import duties. Since the Government of the Russian Federation did not react to the draft resolution within the deadline, the decision is final. If import duties had been introduced, they would have affected exports of colour-coated products to Russia.

In 2009, criminal proceedings were investigated in Sweden in respect of a case concerning safety at work in which, as the result of a fatal accident at the Kista Galleria construction site in Solna, Sweden in 2008, the prosecutor demanded that one of Ruukki's employees be sentenced and that Ruukki Sverige AB be ordered to pay a corporate fine. The judgment given by the court of first instance on 15 January 2010 dismissed the claims against the company's employee and Ruukki Sverige AB. Settlement of the loss and costs attributable to the accident is still going on between the parties and insurance companies are still completing claims processing.

Financial indicators

		2009	2008	2007	2006	2005
Net sales	€m	**1 950**	3 851	3 876	3 682	3 654
Operating profit	€m	**-323**	568	637	529	618
% of net sales	%	**-16.6**	14.7	16.4	14.4	16.9
Result before taxes	€m	**-359**	548	621	635	612
% of net sales	%	**-18.4**	14.2	16.0	17.3	16.7
Result for the period	€m	**-275**	406	458	501	455
% of net sales	%	**-14.1**	10.5	11.8	13.6	12.5
Return on capital employed	%	**-14.2**	25.6	29.8	31.4	32.8
Return on equity	%	**-15.9**	20.7	24.2	30.0	34.4
Equity ratio	%	**59.9**	65.9	70.1	61.4	56.4
Gearing ratio	%	**22.3**	7.9	1.4	1.2	22.8
Net interest-bearing liabilities	€m	**336**	155	28	22	341
Gross capital expenditure *	€m	**161**	229	172	147	103
% of net sales	%	**8.2**	6.2	5.1	8.8	3.7
Research and development	€m	**29**	27	28	22	22
% of net sales	%	**1.5**	0.7	0.7	0.6	0.6
Net interest costs	€m	**26**	11	8	20	28
% of net sales	%	**1.3**	0.3	0.2	0.6	0.8
Total assets	€m	**2 532**	2 983	2 835	3 019	2 723
Personnel on average		**12 664**	14 953	14 326	13 121	11 684
PER SHARE DATA						
Earnings per share, EPS, basic	€	**-1.98**	2.93	3.31	3.66	3.35
- diluted	€	**-1.98**	2.93	3.31	3.65	3.31
Equity per share	€	**10.85**	14.04	14.13	13.21	10.98
Dividend per share **	€	**0.45**	1.35	1.70 + 0.30	1.50 + 0.50	1.40
Dividend per earnings **	%	**neg.**	46.1	60.4	55.1	41.9
Price per earnings, P/E		**neg.**	4.2	9.0	8.2	6.1
Share trading	1 000 shares	**189 371**	251 096	219 940	179 214	158 463
% of shares issued	%	**136**	181	157	128	116
Share trading	€m	**2 752**	5 530	8 444	4 628	2 041
Average price of share	€	**14.53**	22.03	38.34	25.70	12.90
Lowest price of share	€	**11.06**	9.51	27.38	19.00	8.02
Highest price of share	€	**18.14**	34.77	52.50	33.31	21.15
Average adjusted number of shares	1 000 shares	**138 846**	138 746	138 491	136 864	135 977
- diluted	1 000 shares	**138 846**	138 773	138 566	137 145	137 377
Adjusted number of shares at year-end	1 000 shares	**140 285**	140 255	140 198	139 957	138 886
- excluding treasury shares	1 000 shares	**138 864**	138 789	138 721	138 172	136 294
- diluted	1 000 shares	**138 864**	138 824	138 796	138 453	137 694
Closing price on year	€	**16.14**	12.16	29.65	30.15	20.55
Market capitalisation at year-end	€m	**2 264**	1 706	4 157	4 220	2 854
Effective dividend yield **	%	**2.8**	11.1	6.7	6.6	6.8

* Gross investments in tangible and intangible assets.

** Calculated in accordance with the Board of Directors' proposal for 2009.

Formulas for the calculation of indicators:

Return on capital employed, %	=	$\frac{\text{result before income tax + finance costs – exchange rate gains}}{\text{total equity + loans and borrowings (average at beginning and end of period)}}$	x 100
Return on equity, %	=	$\frac{\text{result before income tax – income tax expense}}{\text{total equity (average at beginning and end of period)}}$	x 100
Equity ratio, %	=	$\frac{\text{total equity}}{\text{total assets – advances received}}$	x 100
Gearing ratio, %	=	$\frac{\text{net interest-bearing financial liabilities}}{\text{total equity}}$	x 100
Net interest-bearing financial liabilities	=	loans and borrowings – financial assets and cash and cash equivalents	
Earnings per share (EPS)	=	$\frac{\text{result for the period attributable to owners of the company}}{\text{weighted average number of shares outstanding during the period}}$	
Earnings per share (EPS, diluted)	=	$\frac{\text{result for the period attributable to owners of the company}}{\text{weighted average diluted number of shares outstanding during the period}}$	
Equity per share	=	$\frac{\text{total equity attributable to owners of the company}}{\text{basic number of shares at the end of period}}$	
Dividend per share	=	$\frac{\text{dividends paid}}{\text{basic number of shares at the end of period}}$	
Dividend per share, %	=	$\frac{\text{dividend per share}}{\text{earnings per share}}$	x 100
Effective dividend yield, %	=	$\frac{\text{dividend per share}}{\text{closing price at the end of period}}$	x 100
Price per earnings (P/E)	=	$\frac{\text{closing price at the end of period}}{\text{earnings per share}}$	
Trading volume, %	=	$\frac{\text{number of shares traded during period}}{\text{average basic number of shares}}$	x 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 the end of period	
Personnel, average	=	total number of personnel at the end of each month divided by the number of months	

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	2009	2008
Net sales	**1 419**	2 773
Change in inventories of finished goods and work in progress	**12**	100
Production for own use	**16**	9
Other operating income	**45**	27
Materials and services	**-1 062**	-1 578
Salaries and other employee benefits	**-301**	-414
Depreciation, amortisation and impairment losses	**-104**	-104
Other operating expenses	**-228**	-293
	-1 695	-2 389
Operating profit	**-204**	521
Net financial income and expense	**-36**	0
Result before extraordinary items	**-239**	521
Extraordinary items	**-30**	
Result before appropriations and income tax	**-269**	521
Appropriations	**-6**	7
Result before income tax	**-275**	528
Income taxes	**0**	-139
Result for the period	**-275**	389

Parent company's balance sheet

€m	31 Dec 2009	31 Dec 2008
ASSETS		
Non-current assets		
Intangible assets	**43**	50
Tangible assets	**884**	857
Financial assets		
Investments in group companies	**416**	390
Investments in associated companies	**7**	7
Other shares	**7**	7
Total non-current assets	**1 357**	1 310
Current assets		
Inventories	**345**	526
Long-term receivables	**120**	178
Short-term receivables	**334**	511
Cash in bank and in hand	**230**	147
Total current assets	**1 029**	1 361
Total assets	**2 386**	2 671

€m	31 Dec 2009	31 Dec 2008
EQUITY AND LIABILITIES		
Shareholders equity		
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve	**33**	33
Retained earnings	**974**	772
Result for the period	**-275**	389
Total equity	**1 189**	1 652
Appropriations	**363**	357
Provisions	**21**	28
Liabilities		
Non-current interest-bearing	**341**	235
Current interest-bearing	**255**	128
Current non-interest-bearing	**218**	272
Total liabilities	**813**	634
Total equity and liabilities	**2 386**	2 671

Parent company's cash flow statement

€m	2009	2008
Cash flows from operating activities		
Result before extraordinary items	**-239**	521
Adjustments for cash flow from operating activities*	**98**	64
Cash flow before change in working capital	**-141**	585
Change in working capital		
Change in current operating receivables	**174**	-36
Change in inventories	**181**	-171
Change in current non-interest-bearing liabilities	**-35**	19
Change in working capital	**321**	-188
Interest and other financing costs paid	**-83**	-71
Dividends received	**26**	5
Interest received	**88**	86
Taxes paid	**-10**	-125
Net cash from operating activities	**201**	292
Cash flows from investing activities		
Investment in tangible and intangible assets	**-128**	-148
Capital gains on disposal of tangible and intangible assets	**5**	1
Investments in other financial assets	**-26**	-46
Capital gains on disposal of other financial assets	**16**	5
Net cash used in investing activities	**-133**	-188
Net cash flow before financing activities	**68**	104
Cash flows from financing activities		
Share issue against payment	**0**	0
Withdrawal of short-term loans	**312**	121
Repayment of short-term loans	**-274**	
Withdrawal of long-term loans	**507**	150
Repayment of long-term loans	**-313**	-69
Dividends paid	**-187**	-277
Financial aid given to subsidiaries	**-30**	
Net cash used in financing activities	**15**	-75
Change in cash and cash equivalents	**83**	29
Cash and cash equivalents at beginning of period	**147**	118
Cash and cash equivalents at end of period	**230**	147
	83	29
***Adjustments for cash flow from operating activities**		
Depreciation according to plan	**104**	104
Unrealised foreign exchange gains and losses	**-34**	-44
Write-down of shares	**72**	4
Dividends received	**-49**	-5
Provisions	**-7**	7
Financial income and expense	**13**	1
Other adjustments	**0**	-3
	98	64

Notes to the parent company financial statements

Parent company's equity

€m	2009	2008
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve	**33**	33
Retained earnings at 1 Jan	**1 161**	1 049
Change in treasury shares	**0**	0
Dividends paid	**-187**	-277
Retained earnings at 31 Dec	**974**	772
Result for the period	**-275**	389
Equity at 31 Dec	**1 189**	1 652
Distributable equity		
Retained earnings	**974**	772
Result for the period	**-275**	389
Distributable equity total	**698**	1 161

Parent company's contingent liabilities

€m	2009	2008
Mortgaged real estates	**64**	22
Amount of debt for which mortagages given	**64**	1
Guarantees given		
On own behalf	**40**	45
On behalf of group companies	**47**	97
On behalf of others	**2**	2
	88	144
Finance leasing and other rental liabilities		
Due next year	**42**	44
Due after next year	**116**	124
	158	167

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 23 March 2010 that a dividend of EUR 0.45 be paid for the financial year ended 31 December 2009 and that the remainder of the distributable capital be retained.

The parent company's distributable equity was EUR 698,293,950.72.

The total amount of dividend on the 138,863,850 shares outstanding at 3 February 2010 is EUR 62,488,732.50. 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 26 March 2010 and the dividend payment date is 8 April 2010.

Helsinki, 3 February 2010

Reino Hanhinen
Chairman of the board

Maarit Aarni-Sirviö	Christer Granskog	Pirkko Juntti
Kalle J. Korhonen	Liisa Leino	Hannu Ryöppönen

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, 2009. The financial statements comprise the consolidated statement of financial position, consolidated income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of 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 President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

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 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 of the parent company and the President and CEO 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 or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors 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 was 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 President and CEO 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 Limited Liability Companies Act.

Helsinki, February 3, 2010

KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Statement of the Supervisory Board

Having today considered the company's financial statements and consolidated financial statements for 2009, as well as the Auditors' Report, the Supervisory Board of Rautaruukki Corporation proposes to the 2010 Annual General Meeting of Shareholders that the parent company's and consolidated income statements and the statement of financial position be adopted.

Helsinki, 10 February 2010

SUPERVISORY BOARD

Marjo Matikainen-Kallström

Inkeri Kerola	Heikki Allonen	Turo Bergman
Miapetra Kumpula-Natri	Petteri Orpo	Jouko Skinnari

Hans Sohlström	Tapani Tölli

Figures by quarter

Net sales

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008
Ruukki Construction	**132**	**145**	**164**	**147**	**589**	225	285	309	248	1 067
Ruukki Engineering	**125**	**75**	**63**	**49**	**312**	188	205	184	187	765
Ruukki Metals	**249**	**218**	**257**	**325**	**1 050**	525	580	503	412	2 019
Corporate management	**0**	**0**	**0**	**0**	**0**	1	-1	0	0	0
Consolidated net sales	**506**	**438**	**485**	**521**	**1 950**	939	1 069	996	847	3 851

Operating profit

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008
Ruukki Construction	**-13**	**-9**	**-4**	**-22**	**-49**	21	38	56	13	128
Ruukki Engineering	**5**	**-7**	**-7**	**-23**	**-33**	32	35	34	26	126
Ruukki Metals	**-102**	**-97**	**-39**	**10**	**-228**	97	100	112	29	338
Corporate management	**-3**	**-4**	**-3**	**-3**	**-13**	-7	-7	-5	-6	-25
Consolidated net sales	**-113**	**-117**	**-54**	**-39**	**-323**	143	166	197	62	568

Operating profit-%

%	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008
Ruukki Construction	**-10**	**-6**	**-3**	**-15**	**-8**	9	13	18	5	12
Ruukki Engineering	**4**	**-10**	**-12**	**-48**	**-11**	17	17	19	14	17
Ruukki Metals	**-41**	**-44**	**-15**	**3**	**-22**	19	17	22	7	17
Consolidated operating profit-%	**-22**	**-27**	**-11**	**-8**	**-17**	15	16	20	7	15

Net sales, comparable, excluding non-recurring items

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008
Ruukki Construction	**132**	**145**	**164**	**147**	**589**	225	285	309	248	1 067
Ruukki Engineering	**125**	**75**	**63**	**49**	**312**	188	205	184	187	765
Ruukki Metals	**249**	**218**	**257**	**325**	**1 050**	511	571	503	412	1 997
Corporate management	**0**	**0**	**0**	**0**	**0**	1	-1	0	0	0
Consolidated net sales	**506**	**438**	**485**	**521**	**1 950**	925	1 060	996	847	3 829

Operating profit, comparable, excluding non-recurring items

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008
Ruukki Construction	**-13**	**-9**	**-4**	**-22**	**-49**	21	38	56	17	132
Ruukki Engineering	**5**	**-2**	**-7**	**-11**	**-16**	32	35	34	27	128
Ruukki Metals	**-102**	**-97**	**-39**	**10**	**-228**	96	106	112	36	350
Corporate management	**-3**	**-4**	**-3**	**-3**	**-13**	-7	-7	-5	-6	-25
Consolidated operating profit	**-113**	**-112**	**-54**	**-27**	**-306**	141	172	197	74	584

Operating profit-%, comparable, excluding non-recurring items

%	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2008	Q2/2008	Q3/2008	Q4/2008	2008
Ruukki Construction	**-10**	**-6**	**-3**	**-15**	**-8**	9	13	18	7	12
Ruukki Engineering	**4**	**-3**	**-12**	**-23**	**-5**	17	17	19	14	17
Ruukki Metals	**-41**	**-44**	**-15**	**3**	**-22**	19	19	22	9	18
Consolidated operating profit-%	**-22**	**-26**	**-11**	**-5**	**-16**	15	16	20	9	15

The comparable figures exclude Carl Froh GmbH, which was divested and non-recurring items.

Information for shareholders

Annual General Meeting

Rautaruukki Corporation's 2010 Annual General Meeting will be held at the Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki starting at 2pm on Tuesday 23 March 2010. The Meeting will be conducted in Finnish.

To be eligible to attend the Annual General Meeting, shareholders must be on the company's shareholder register maintained by Euroclear Finland Ltd by 11 March 2010 and have notified the company of their intention to attend the meeting. A shareholder in whose name the shares are held is automatically on the shareholder register. Nominee-registered shareholders can be temporarily listed in the shareholder register provide they do so by 10am EET on 18 March 2010.

Notification to attend the Annual General Meeting started on 3 February 2010 and ends at 4pm EET on 18 March 2010. Notification may be given:

- online at www.ruukki.com
- by email to: yhtiokokous@ruukki.com
- by letter to: Rautaruukki Oyj, Yhtiökokous, PO Box 138, FI-00811 Helsinki, Finland
- by faxing +358 20 592 9104 or by telephoning +358 10 804 430, 8am–4pm EET, Monday to Friday.

Any letters of proxy must be sent to the company's shareholder register before the close of the notification deadline. Shareholders are entitled to have considered by the Annual General Meeting, any matter which, pursuant to the Finnish Limited Liability Companies Act, falls within the competence of the Meeting by notifying the Board of Directors thereof in writing early enough for the item to be included in the notice of the meeting.

Payment of dividend

The Board of Directors is to propose to the Annual General Meeting that a dividend of EUR 0.45 per share be paid for 2009. The dividend will be paid on 8 April 2010 to shareholders who, at the record date for dividend payment, 26 March 2010, are listed in the shareholder register maintained by Euroclear Finland Ltd.

Changes of address

Shareholders should notify the bank with which they have their book-entry account or Euroclear Finland Ltd of any changes of name or address.

Investor relations

The main principle guiding our investor relations activities is to provide consistent information impartially and at the same time to all investors in all situations. Honesty, transparency and service aptitude are the cornerstones of our activities. Investor relations is principally tasked with regular communication with existing and potential shareholders and analysts. The aim is to help investors and analysts to understand the company's business and industry, and to provide the tools to determine the value of the company's share. The company's top management plays an active role in investor relations.

Investors continued showing an active interest in Rautaruukki and during the report period, the investor relations team, together with the company's top management, met investors and analysts on over 200 occasions, either in one-to-one meetings, seminars or other events. The company held its annual Capital Markets Day in Helsinki, in December.

Our website includes share trading information, subject to a 15-minute delay, financial reports, presentation material and archives of releases, as well as the company's corporate governance principles and an investor calendar.

Investment research

To the company's knowledge, at least the following banks and stockbrokers publish investment research reports on Rautaruukki: ABG Sundal Collier, Bank of America - Merrill Lynch, CA Cheuvreux, Carnegie Investment Bank, Danske Markets Equities, Deutsche Bank, Evli Bank, Exane BNP Paribas, FIM, Handelsbanken Capital Markets, Icecapital Securities, Nordea Markets, Pohjola Bank, SEB Enskilda, Sofia Bank plc, Standard & Poor's, Swedbank Markets, UBS and Ålandsbanken Equities. Rautaruukki accepts no liability for the views or comments expressed by the banks, stockbrokers or analysts above, or for projections depicting the value of Rautaruukki Oyj's share, its performance or the financial performance of the company expressed in any analyses.

Contact information of analysts can be found at www.ruukki.com/investors.

Financial reports in 2010

- Financial statements release 2009: Wednesday 3 February 2010
- Annual report 2009: online, week 9
- Interim reports:
- Q1/2010: Thursday 22 April 2010
- Q2/2010: Friday 16 July 2010
- Q3/2010: Friday 22 October 2010

Silent period

Since the start of 2010, Ruukki has applied the principle of a 21-day silent period (previously 14 days) before the disclosure of results. During this period, the company does not meet capital market representatives, comment on the quarter concerned or report on matters relating to the company's performance for the report period.

The annual report, interim reports and releases are published in English and Finnish and may be subscribed to via email at www.ruukki.com. Printed copies of the annual report may also be ordered by telephoning +358 20 592 9260 or by emailing annualreport@ruukki.com.

Share information

Listing: Nasdaq OMX Helsinki
Date of listing: 20 October 1989
Trading currency: euro
Sector: Materials
Segment: Large Cap
Trading ticker: RTRKS
ISIN code: FI0009003552
Trading lot: 1 share
Reuters ticker: RTRKS.HE
Bloomberg ticker: RTRKS FH

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Annual Report 2009

The persons featuring in the annual report are Ruukki employees.

Spread photos by Ikka Ärrälä, other photos from Ruukki's image bank and partners.

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