# Rautaruukki Corporation

## Financial Statements 2008
## RTRKS

5 February 2009

**Rautaruukki Corporation Financial Statement bulletin 5 February 2009 at 12.00**

## RAUTARUUKKI CORPORATION'S FINANCIAL STATEMENT BULLETIN 2008

### Summary results for 2008 (comparable figures for 2007)

- Comparable consolidated net sales up 2 per cent to EUR 3,829 million (3,744)
- Comparable consolidated operating profit, excluding non-recurring items, EUR 584 million (635) Non-recurring restructuring costs of -EUR 11 million booked for the fourth quarter
- Return on capital employed still at good level: 25.6 per cent (29.8)
- Earnings per share (diluted) EUR 2.93 (3.31)
- Board of Directors' dividend proposal: EUR 1.35 per share (1.70 and additional dividend of 0.30)
- The company expects comparable consolidated net sales and operating profit for the first quarter of 2009 to fall considerably short of those for the fourth quarter of 2008

| KEY FIGURES | 2008 | 2007 | Q4/ 2008 | Q4/ 2007 |
|---|---|---|---|---|
| Net sales, EUR m | 3 851 | 3 876 | 847 | 982 |
| Net sales, EUR m, comparable | 3 829 | 3 744 | 847 | 960 |
| Operating profit, EUR m | 568 | 637 | 62 | 120 |
| Operating profit, EUR m, comparable, excluding non-recurring items | 584 | 635 | 74 | 119 |
| Operating profit as % of net sales | 14.7 | 16.4 | 7.3 | 12.2 |
| Operating profit as % of net sales, comparable, excluding non-recurring items | 15.3 | 17.0 | 8.7 | 12.4 |
| Profit before taxes, EUR m | 548 | 621 | 45 | 109 |
| Profit before taxes, EUR m, comparable, excluding non-recurring items | 564 | 619 | 56 | 109 |
| Earnings per share, diluted, EUR | 2.93 | 3.31 | 0.27 | 0.57 |
| Return on capital employed, % | 25.6 | 29.8 | | |
| Gearing ratio, % | 7.9 | 1.4 | | |
| Personnel, average | 14 953 | 14 326 | 14 555 | 14 627 |

The comparable figures exclude the business operations of Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH, which have been divested.

Fourth quarter of 2008 in brief:

- International credit crunch and economic downturn rapidly weakened demand towards year-end
- Demand for non-residential construction weakened in all market areas. Demand for infrastructure construction remained at level of previous year and, except in the Baltics, demand for residential roofing products remained reasonably strong.
- Good demand in the engineering industry from equipment manufacturers in the energy industry. Demand for materials handling machinery and shipbuilding profiles began to slow towards the year-end.
- Demand for steel products weakened in almost all product groups.
- The company has started to adjust operations in line with demand and the new operational excellence programme Boost was launched to ensure the company's long-term competitive edge and profitability.

President & CEO Sakari Tamminen:

-In 2008, we achieved our corporate profitability targets, despite a weak fourth quarter. Demand during the first three quarters of the year was strong and sales volumes were high in all our customer industries. However, there was a dramatic change in the market environment during the fourth quarter, especially in December. The international credit crunch and economic downturn have also affected Rautaruukki's customer industries. This was reflected in a rapid weakening in demand towards the end of the year, especially on the steel product markets. We have reacted to this by adjusting our operations in several units in line with decreased demand. We also launched our operational excellence programme, Boost, which extends to 2011. Boost aims to further improve efficiency and the company's competitive edge, as well as to ensure good profitability in the long term.

Despite difficult market conditions, we continue to take the company forward in the direction we have chosen. We still see long-term growth potential in non-residential construction, in the lifting, handling and transportation equipment industry, within equipment manufacturers in the energy industry, especially in wind energy, and in special steels. I believe that Rautaruukki has every chance of prospering even in challenging market conditions. A strong balance sheet, competitive products and operations and an ability to react quickly to changes in the customer field play a key role in this respect.

It is currently difficult to predict how long the downturn will last. We expect general economic uncertainty, the poor predictability of customers' own demand and uncertainty of funding, as well as a reduction in stock levels along the supply chain to keep demand weak during the first months of 2009. We expect comparable consolidated net sales and operating profit for the first quarter of 2009 to fall considerably short of those for the fourth quarter of 2008.

Press conference

A press conference for analysts and the media will be held on 5 February 2009 at 1.30pm at Ruukki, Suolakivenkatu 1, 00810 Helsinki.

The English webcast and conference call for investors and analysts will begin at 4pm Finnish time and can be viewed live on the company's website at www.ruukki.com/investors. A replay of the webcast can be viewed on the same site from about 8pm Finnish time.

To attend the conference call, please call the number below 5-10 minutes before the conference begins:
+44 (0)20 7162 0025
Password: Rautaruukki

A recording of the conference call can be heard until 12 February 2009 at the number below:
+44 (0) 20 7031 4064
Access code: 824011

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Rautaruukki Corporation
Anne Pirilä
SVP, Corporate Communications and Investor Relations

Rautaruukki supplies metal-based components, systems and integrated systems to the construction and engineering industries. The company has a wide selection of metal products and services. Rautaruukki has operations in 26 countries and employs 14,300 people. Net sales in 2008 totalled EUR 3.9 billion. The company's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS). The Corporation uses the marketing name Ruukki.

www.ruukki.com

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## Business environment

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

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

## Net sales for 2008

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

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

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

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

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

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

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

## Net sales for the fourth quarter of 2008

Consolidated net sales for the fourth quarter of 2008 were EUR 847 million (Q4/2007: EUR 982 million reported and EUR 960 million comparable).

Ruukki Construction's net sales fell during the fourth quarter due to rapidly declining demand across all market areas as a result of the global credit crunch. The division's net sales for the fourth quarter were EUR 248 million (292).

Ruukki Engineering's net sales rose during the fourth quarter year on year. Higher net sales were particularly attributable to deliveries of wind turbine tower plates for existing customers in the wind energy sector. The division's net sales for the fourth quarter were EUR 187 million (180).

Ruukki Metals' net sales for the fourth quarter decreased to EUR 412 million due to low demand (EUR 488 million comparable and EUR 509 million reported Q4/2007). Demand weakened towards the end of the fourth quarter in all customer segments, especially among subcontractors to the Swedish automotive industry.

## Operating profit for 2008

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

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

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

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

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

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

## Operating profit for the fourth quarter of 2008

Consolidated operating profit for the fourth quarter of 2008 was EUR 62 million (120), equating to 7 per cent of net sales. Comparable operating profit excluding non-recurring items was EUR 74 million (119).

Non-recurring restructuring costs of around EUR 11 million were booked in the fourth quarter of 2008.

Ruukki Construction's operating profit for the fourth quarter dropped to EUR 13 million (Q4/2007: EUR 38 million) and excluding non-recurring items was EUR 17 million (38). Ruukki Engineering's operating profit rose by 48 per cent year on year to EUR 26 million (18), EUR 27 million (18) excluding non-recurring items. Ruukki Metals' reported operating profit was EUR 29 million (68) and the comparable operating profit excluding non-recurring items was EUR 36 million (68).

## Financial items and profit for 2008

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

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

Profit for the period was EUR 406 million (459).

Diluted earnings per share were EUR 2.93 (3.31).

## Balance sheet and key indicators

The consolidated balance sheet total was EUR 148 million higher at EUR 2,983 million than at year-end 2007 and EUR 4 million lower than at 30 September 2008 (2,987). Equity at year-end 2008 was EUR 1,948 million (1,960), equating to EUR 14.04 per share (14.13). The decrease in equity was attributable to translation differences arising from movements in the exchange rates of the equity of subsidiaries, movements in the fair value of zinc and electricity derivatives and changes in the accounting practice for employee benefits. The equity ratio at year-end 2008 was 65.9 per cent (70.1).

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

## Cash flow and financing

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

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

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

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

## Personnel

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

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

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

## Changes in Group structure

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

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

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

## Capital expenditure

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

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

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

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

## Annual General Meeting 2008

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

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

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

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

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

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

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

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

## Board of Directors’ committees

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

## Changes in executive management

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

## Shares and share capital

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

The company's registered share capital at 31 December 2008 was EUR 238.4 million and there were 140,255,479 shares issued. The company has one series of shares, with each share conveying one vote. Under the company's Articles of Association, a voting restriction applies whereby the votes of an individual shareholder are restricted to 80 per cent of the total number of votes carried by shares at the meeting.

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

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

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

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

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

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

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

## Disclosure notifications

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

Pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act, Rautaruukki received, on 12 December 2008, a disclosure notification of an ownership arrangement whereby the shareholding of the

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

Since the balance sheet date, on 28 January 2009, Rautaruukki Corporation, pursuant to Chapter 2, Section 9 of the Finnish Securities Markets Act, has received a disclosure notification from Capital and Research Management Company (CRMC) that the aggregate holding in Rautaruukki shares for the mutual funds it manages had, as at 26 January 2009, decreased to below five (5) per cent (1/20). The number of Rautaruukki Oyj shares notified by CRMC (86-0206507) is 6,949,917 shares, which equate to 4.96 per cent of Rautaruukki's share capital and votes.

## Research and development

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

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

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

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

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

## Environmental and energy issues

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

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

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

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

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

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

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

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

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

## Ruukki United profitability improvement programme

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

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

## New operational excellence programme - Boost

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

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

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

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

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

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

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

Capital Market Day

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

Rise in prices of raw materials in steel production

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

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

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

Other events taking place in 2008

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

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

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

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

Events taking place after the balance sheet date

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

In January 2009, Rautaruukki announced it is to acquire the entire share capital of the Norwegian company Skalles Eiendomsselskap AS. Skalles Mek Verksted AS, a fully-owned subsidiary of Skalles Eiendomsselskap AS, is one of Norway's leading steel frame suppliers for industrial and commercial premises. Skalles' total deliveries include the design, manufacture and installation of steel structures. The company has some 50 employees and net sales for 2008 are estimated to be around EUR 15 million. The transaction is subject to the approval of the regulatory authorities and is expected to be closed during February 2009.

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

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

Risks and risk management

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

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

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

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

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

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

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

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

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

## Near-term outlook

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

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

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

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

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

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

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

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

## Board of Directors’ proposal for the disposal of distributable funds

The parent company’s distributable equity at 31 December 2008 was EUR 1,161 million.

The Board of Directors has decided to propose to the Annual General Meeting to be held on 24 March 2009 that a dividend of EUR 1.35 per share be paid for 2008 (2007: EUR 1.70 + an additional dividend of EUR 0.30 on the funds freed up from divestment of the long steel business). Under the proposal, the total amount of dividend payable is EUR 187 million. It is proposed to pay the dividend on 8 April 2009.

The figures for the report period contained in this financial statement bulletin have been audited.

Helsinki, 5 February 2009

Rautaruukki Corporation

Board of Directors

**DIVISIONS**

Since the beginning of 2008, the accounting principle for segment information has been revised as follows: Ruukki Metals division is responsible for the costs or income arising when steel production diverges from normal capacity utilisation. The comparable segment information for 2007 has been restated to comply with the new accounting principle.

Ruukki Construction

| EUR million | Q1/ 07 | Q2/ 07 | Q3/ 07 | Q4/ 07 | 2007 | Q1/ 08 | Q2/ 08 | Q3/ 08 | Q4/ 08 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 213 | 258 | 278 | 292 | 1 042 | 225 | 285 | 309 | 248 | 1 067 |
| Operating profit* | 34 | 40 | 51 | 38 | 163 | 21 | 38 | 56 | 17 | 132 |
| as % of net sales* | 16 | 16 | 18 | 13 | 16 | 9 | 13 | 18 | 7 | 12 |

* Excluding non-recurring items.

Net sales

Ruukki Construction’s net sales for 2008 were EUR 1,067 million (1,042), up by 2 per cent year on year. The division accounted for 28 per cent (27) of consolidated net sales. Net sales during the fourth quarter of 2008 declined to EUR 248 million (EUR 292 million Q4/2007).

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

Net sales during the fourth quarter of 2008, were not only affected by the normal seasonal fluctuation in construction, but also by rapidly weakened demand in all market areas as a result of the global credit crunch. In Central Eastern Europe and Russia, decisions to start projects were pushed back until 2009 and some projects were discontinued until further notice due to the credit crunch hampering the ability of customers to obtain funding.

Infrastructure construction in Finland and the other Nordic countries remained at the same level as in 2007 also towards the end of the year, despite a further slow in demand for pile structures for building construction in Finland and Sweden during the fourth quarter of 2008. Infrastructure construction accounted for 11 per cent of the division’s net sales in 2008.

Demand for residential roofing products remained reasonably strong, except in the Baltics. In the Nordic countries, the focus has shifted from new to renovation construction. Residential construction accounted for 14 per cent of the division’s net sales in 2008.

Operating profit

Ruukki Construction’s operating profit for 2008, excluding non-recurring items, was EUR 132 million (163). The division’s operating profit for the fourth quarter excluding non-recurring items declined to EUR 17 million (38). The costs of starting up the investment programme in Central Eastern Europe and building the associated organisation and sales network, as well as higher steel material costs, affected the division's earnings performance for the year.

In addition, earnings for the fourth quarter were adversely affected by low capacity utilisation rates due to weakened demand and by tougher competition.

Major new orders during 2008

Ruukki Construction secured several major contracts during 2008, the most important of which included delivery of steel structures for the new Terminal 5 at London Heathrow Airport, steel superstructures for a bridge spanning the Hudälven river in Sweden, the steel frame, foundation piles and retaining wall structures for the new Oslo Opera House in Norway, steel frame and cladding structures for an oriented strand board plant in Russia, steel superstructures for the Partihallsförbindelsen bridge project in Sweden and the delivery of steel frames, walls and roofs of a shopping and entertainment centre in Russia.

In addition, Rautaruukki played an extensive role in the construction of Vuosaari Harbour in Helsinki, supplying a considerable amount of the foundation structures for the quays and frame and envelope structures for buildings. Deliveries in respect of the project were completed during the course of 2008.

The most important contract during the fourth quarter of 2008 was signed in October. The contract is for the delivery and installation of steel bridge superstructures at Narvik Harbour in Norway. November saw a contract signed to design and deliver steel structures for a logistics complex to be built in Minsk, Belarus.

Materialisation of the approximately EUR 100-million contract, signed by Rautaruukki in February 2008, to deliver steel structures for the new Zenit football stadium in St Petersburg, Russia has turned out to be uncertain. For reasons beyond Rautaruukki's control, the project start has been postponed several times. The main contractor of the project has changed and the new contractor is re-tendering the frame delivery. Rautaruukki had not started making the steel structures for the Zenit project and has thus not incurred costs as a result of the project. Rautaruukki is negotiating about the delivery, but there is no certainty that the project will continue as far as Rautaruukki is concerned.

## New technology solutions

In spring 2008, Ruukki Construction launched in Eastern Europe a solution for single-storey construction. The concept is based on a software application developed by Rautaruukki to considerably shorten the initial stage of a construction project and ensure the choice of compatible structures. The solution includes building design, foundations, frame and envelope structures.

In September, Ruukki Construction rolled out a new solution for performance-based fire design to improve the fire safety of steel buildings. The solution can be used to choose the financially most efficient method of fire protection in each case and thus improve the competitiveness of steel frames.

## Capital expenditure

Ruukki Construction’s capital expenditure in 2008 totalled EUR 74 million. The division invested in considerably expanding the production capacity of frame structures and sandwich panels for the Central Eastern European and Russian construction markets. The division’s investment programme of around EUR 120 million to expand production capacity in Central Eastern Europe, Russia and Finland was largely completed in 2008. The thrust of investments was in growing the production capacity of steel frames and sandwich panels. The second and third quarters of 2008 saw the start-up of new frame structure production lines in Poland and Romania and capacity expansion investments in Russia.

The sandwich panel line at the Romanian plant, a profile production and sandwich panel line at the Ukraine plant and a new sandwich panel plant in Finland will be completed during 2009.

During the report period, Rautaruukki opened new sales offices in Kazakhstan and Belarus.

In December 2008, Ruukki Construction strengthened its position in the Baltic construction market through the acquisition of Lithuanian steel frame company UAB Gensina, which has 82 employees and reported net sales of around EUR 9 million for 2007.

Since the balance sheet date, in January 2009, Ruukki Construction announced it is to acquire the entire share capital of the Norwegian company Skalles Eiendomsselskap AS. The company has some 50 employees and net sales for 2008 are estimated to be around EUR 15 million. The transaction is subject to the approval of the regulatory authorities and is expected to be closed during February 2009.

## Improved operational efficiency

During the course of 2008, Ruukki Construction carried out a number of actions to improve operational efficiency. A new production model at the Pärnu element factory in Estonia resulted in the loss of 26 jobs. In October, the division announced it was to improve production efficiency in Central Eastern Europe. The profiling unit in Ostrava, Czech Republic will be closed and production lines will be relocated to Hungary, Poland and Romania by the end of the first quarter of 2009. In addition, a profitability programme was initiated at the Oborniki plant in Poland. In October, an announcement was made to temporarily adjust the production of heavy frame structures at the plants in Ylivieska and Kalajoki, Finland.

In December, an announcement was made that production efficiency is to be improved by centralising the manufacture of construction products in the Baltic states on the Pärnu plant in Estonia. The small profiling units in Riga, Latvia and in Vilnius, Lithuania will be closed by the end of April 2009. Local sales offices in Latvia and Lithuania will continue to operate. These actions are part of the Boost operational excellence programme.

Since the balance sheet date, at the end of January 2009, the company decided to adjust production and to initiate employer-employee negotiations at its sites in Alajärvi, Vimpeli and Peräseinäjoki in Finland. It is estimated a maximum of 40 jobs will be reduced. These negotiations also cover temporary layoffs as well as workforce reductions.

Ruukki Engineering

| EUR million | Q1/ 07 | Q2/ 07 | Q3/ 07 | Q4/ 07 | 2007 | Q1/ 08 | Q2/ 08 | Q3/ 08 | Q4/ 08 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 167 | 163 | 157 | 180 | 667 | 188 | 205 | 184 | 187 | 765 |
| Operating profit* | 32 | 27 | 25 | 18 | 103 | 32 | 35 | 34 | 27 | 128 |
| as % of net sales* | 19 | 17 | 16 | 10 | 15 | 17 | 17 | 19 | 14 | 17 |

* Excluding non-recurring items.

Net sales

Ruukki Engineering's net sales for 2008 were EUR 765 million (667), up by 15 per cent year on year. The division's share of consolidated net sales rose to 20 per cent (17). Net sales during the fourth quarter rose to EUR 187 million (EUR 180 million Q4/2007).

Ruukki Engineering's net sales during the first three quarters of the year rose as a result of growing demand in the systems and component business and the resulting rise in sales volumes, especially in the lifting, handling and transportation equipment industry and within energy equipment manufacturers. Demand in the shipbuilding industry also remained good. An acquisition in Germany also increased net sales compared to last year. Demand in the forest machinery sector levelled off and the demand for booms for small earthmoving machinery declined somewhat during the third quarter.

Higher net sales during the fourth quarter of 2008 were particularly attributable to deliveries of wind turbine tower plates for existing customers in the wind energy sector. Demand for materials handling machinery weakened somewhat towards the end of the year. Demand remained at a good level in the wood industry and offshore sector. Growing uncertainty in the shipbuilding sector was reflected in fewer orders for shipbuilding profiles. Demand for shipbuilding plates was similar to that at the start of the year.

The lifting, handling and transportation equipment industry accounted for 43 per cent (42) of the division's net sales for 2008 and the energy sector for 21 per cent (19).

Operating profit

Ruukki Engineering's operating profit for 2008, excluding non-recurring items, rose to EUR 128 million (103). Operating profit for the fourth quarter, excluding non-recurring items, rose to EUR 27 million (18). During the first part of the year, the division's improved profitability was attributable to continued strong demand in systems and component deliveries to OEMs in the lifting, handling and transportation equipment industry and within energy equipment manufacturers, the profitability improvement programme currently under way and higher sales prices. During the report period, the division also restructured production and developed its product portfolio to improve profitability.

Improved profitability during the fourth quarter was attributable to higher sales prices for plate products and bigger sales volumes. Supply chain management was also improved.

Integration of the units the division acquired in Germany and Hungary was successfully completed by the end of 2008.

Capital expenditure

Ruukki Engineering's capital expenditure in 2008 totalled EUR 19 million. The division invested in new manufacturing technology to serve European engineering customers and to broaden the customer base. Investments aim at improving production efficiency, productivity, product quality and delivery reliability.

The fourth quarter of 2008 saw the start-up of a new robot welding line for booms in Wroclaw, Poland. In addition, a decision was made to invest in two robot welding cells at the Kurikka unit in Finland. Welding operations are also being automated in Peräseinäjoki, Finland.

Projects to improve machining operations are progressing to plan at the Sepänkylä and Kurikka plants in Finland and at the Jaszbereny unit in Hungary. New equipment is being used in the manufacture of components for energy equipment manufacturers and for the lifting, handling and transportation equipment industry.

Improved operational efficiency

In February, Ruukki Engineering launched a profitability improvement programme aimed at improving the division's operating profit by around EUR 20 million by year-end 2008. Actions carried out improved the division's operating profit by around EUR 15 million by the end of 2008.

In the context of this programme, Ruukki Engineering introduced a new organisation and management model to support profitable growth. In addition, a decision was made to focus on long-term customer relationships with growth potential. With the exception of certain customers on an annual contract basis, the division increased sales prices to offset the higher costs of raw materials. Ruukki Tisza Zrt., the division's Hungarian unit, introduced a new enterprise resource planning system to improve efficiency. In conjunction with reorganisation and more efficient operations, agreement was reached in July to cut 190 white-collar jobs in Hungary. In Finland, negotiations resulted in the loss of 17 jobs in divisional administration.

Under the corporate-wide operational excellence programme, Boost, the division initiated a project to transfer production from the Hatvan site in Hungary to the component plant in Jaszbereny during the first quarter of 2009.

Ruukki Metals

| EUR million | Q1/07 | Q2/07 | Q3/07 | Q4/07 | 2007 | Q1/08 | Q2/08 | Q3/08 | Q4/08 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 531 | 552 | 464 | 488 | 2 035 | 511 | 571 | 503 | 412 | 1 997 |
| Operating profit* | 116 | 115 | 96 | 68 | 395 | 96 | 106 | 112 | 36 | 350 |
| as % of net sales* | 22 | 21 | 21 | 14 | 19 | 19 | 19 | 22 | 9 | 18 |

All figures are comparable and exclude Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH.
* Excluding non-recurring items.

Net sales

Ruukki Metals reported net sales for 2008 of EUR 2,019 million (2 168) and comparable net sales of EUR 1,997 million (2 035). The division accounted for 52 per cent (56) of consolidated net sales in 2008.

Demand for steel products was good in all the division's market areas and customer sectors during the first half of 2008. Higher net sales were attributable to growth in the sale of special products and increased sales prices. Demand continued to be mostly good during the third quarter, but slowed for colour-coated products.

During the fourth quarter of 2008, there was a marked decline in demand for steel products across all Ruukki Metals' market areas and in almost all customer industries. Fourth quarter net sales were EUR 412 million, which is clearly lower than a year earlier (EUR 509 million reported and EUR 488 million comparable Q4/2007). Lower net sales were largely owing to the general economic uncertainty created by the global credit crunch, which in turn weakened end-customer demand.

Demand weakened during the fourth quarter in all main product groups - except for a few customer segments such as the electrical and electronics industry, where good demand continued. The strongest fall in demand was seen among subcontractors to the Swedish automotive industry. Growing stock levels along the entire supply chain also translated into lower demand during the fourth quarter.

Stainless steel and aluminium accounted for EUR 224 million (306) of the division's net sales during 2008 and for EUR 41 million (69) during the fourth quarter.

## Operating profit

Ruukki Metals reported operating profit for 2008 was EUR 338 million (397). Comparable operating profit excluding non-recurring items was EUR 350 million (395). Higher sales prices and growth in the share of special products contributed to operating profit for the whole year.

During the fourth quarter of the year, operating profit was weakened because of lower demand, tougher price competition in Europe and higher costs owing to unused capacity, especially in December, due to the shut down of one of the two blast furnaces at the Raahe Works in Finland.

Operating profit on stainless steel and aluminium was lower in 2008 than in 2007: EUR 26 million lower for the entire year and EUR 1 million lower during the fourth quarter than a year earlier.

Ruukki Metals made good progress during 2008 with its strategy to increase the share of special products: special products accounted for 27 per cent (24) of the division’s net sales for the whole year and 22 per cent (25) for the fourth quarter. During the second half of 2008, Ruukki Metals secured a number of new strategic special product customers outside its main market area.

## Capital expenditure

Ruukki Metals’ capital expenditure in 2008 totalled EUR 16 million. The division’s biggest investments were on growing the production capacity of special steel products.

August saw the start-up of a new steel service centre in Oborniki, Poland, where the machinery base was enlarged during late 2008. The machinery at the Parnas steel service centre in St Petersburg was modernised during 2008 and a new cut-to-length line came on stream there during the fourth quarter.

A decision was made in August to invest EUR 12 million in steel service centres. In addition, steel service centre operations were centralised and the division of work reorganised between the units: Naantali (special products) and Järvenpää (stainless and aluminium) in Finland and Halmstad (upgrading of Rautaruukki’s own steel products) in Sweden. The service centres are specialising to further improve delivery accuracy, cost-efficiency and profitability.

In April, a decision was made to establish a new steel service centre next to the steel structure production plant in Obninsk, to the southwest of Moscow. The approximately EUR 13-million investment will broaden the special products portfolio and service capacity. The steel service centre should begin operations in late 2009.

## M&A arrangements

Acquisition of the business operations of Hybri-Steel Oy during the second quarter of 2008 broadened the company’s special products expertise to encompass laser-welded steel plates and laser and laser-hybrid welding.

In June, Rautaruukki divested its German unit Carl Froh GmbH, which makes precision tubes and components for the automotive industry. The divestment is part of Rautaruukki’s strategy, whereby Ruukki Metals’ focus in the Central and Southern European markets is on special products.

## Improved operational efficiency

In December, the company announced plans to focus parts processing in Finland on the steel service centres in Raahe and Seinäjoki and to close the Tampere steel service centre by the end of June 2009. Employer-employee negotiations relating to closure of the Tampere unit ended in January 2009. Closure of the unit will result in the loss of 63 jobs. These actions are part of the Boost operational excellence programme which started in October 2008.

Since the balance sheet date, Rautaruukki announced that its steel product manufacturing division, Ruukki Production, is to merge with Ruukki Metals division. The merger, which took effect on 1 February 2009, streamlines the corporate structure and improves efficiency and supply chain management in the steel business.

Major delivery and partnership agreements and other events

In July, Rautaruukki started parts processing for waste treatment containers for the growing Russian market. The company has agreed on long-term cooperation in fabrication with Europress Group Ltd. The waste treatment containers are made at Rautaruukki's plant in Obninsk, near Moscow and the first containers were delivered in November 2008.

In September, Rautaruukki and the Finnish company Steelpa Oy started working together to make parts for excavator buckets for the engineering industry. The companies signed a long-term manufacturing partner agreement. The first parts for the buckets were delivered during September.

In October, Rautaruukki strengthened its business in special products and parts processing with the start of a long-term partnership with VR, Finland's rail transport provider, to deliver special steels for freight wagons. Deliveries under the contract started in October and will continue until 2012. Deliveries will be worth a total of around EUR 7 million by the end of 2009.

The Ministry for Economic Development and Trade of the Russian Federation continues its investigation concerning the anti-dumping of colour-coated products. If introduced, import duties would apply to exports of colour-coated products to Russia from the date any decision enters into force. Rautaruukki manufactures and exports around EUR 30 million of these products from Finland to Russia each year.

Ruukki Production

| 1000 tonnes | Q1/ 07 | Q2/ 07 | Q3/ 07 | Q4/ 07 | 2007 | Q1/ 08 | Q2/ 08 | Q3/ 08 | Q4/ 08 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Steel production | 703 | 672 | 610 | 561 | 2 546 | 672 | 680 | 703 | 531 | 2 585 |

Production

Rautaruukki's steel production during 2008 was 2,585 thousand tonnes (2,546).

Steel production during the fourth quarter of 2008 was down compared to the reference period a year earlier because production was adjusted in line with lower demand. The steel production capacity utilisation rate decreased especially in December, when one of the two blast furnaces at the Raahe Works in Finland was shut down until further notice. The lowest capacity utilisation rate during the fourth quarter was in strip products. The capacity utilisation rate in heavy plate production was high throughout the year.

December saw the start of employer-employee negotiations at Ruukki Production in a bid to improve operational efficiency and to adjust steel production and production costs to market conditions. In January 2009, the negotiations resulted in a decision to reduce the workforce at the Raahe Steel Works by some 140 persons. Efforts will be made to carry out all of these reductions through various pension arrangements. At the Hämeenlinna Works, the workforce will be reduced by some 80, with around 50 of these reductions being implemented through pension arrangements.

In addition, around 400 people at Raahe and around 170 people in Hämeenlinna will be temporarily laid off at any one time. Temporary layoffs will affect a total of some 3,200 people at different sites. The time and length of layoffs will vary according to site.

Rise in prices of steel raw materials in 2008

Prices of raw materials rose sharply on the global market during the report period. A strengthening of the US dollar towards the end of the year also contributed to higher market prices of raw materials. However, thanks to foreign currency hedging, currency fluctuations had no material impact on the company's costs. Compared to 2007, general rises in the cost of raw materials added around EUR 200 million to the company's own steel production costs in 2008 after taking into account foreign currency hedges. Around one third of the rise in costs was realised during the first half of the year and two thirds during the second half. Higher costs were mostly attributable to rises in the price of coal and iron ore.

Capital expenditure

A total of some EUR 44 million was spent in 2008 on increasing special steel production capacity. The main thrust of investments was on increasing the production capacity of high-strength and wear-resistant steels and components for use in the lifting, handling and transportation equipment industry. During the first part of the year, the production capacity of special steel products at the Raahe Works was increased by a new plasma cutting and packaging unit, as well as by the commissioning of the first stage of a new ladle treatment unit. Work started on the second stage of the ladle treatment unit in January 2009 and the unit will be commissioned during the second quarter of the year.

November saw the start-up of the colour-coating line at Antratsyt in Ukraine after the automation was upgraded. The line's products are mainly used in construction.

December saw the test run of a new cold leveller at the plate mill at the Raahe Works. The leveller will start up fully during the first quarter of 2009 and will broaden Rautaruukki's portfolio of wear-resistant and high-strength special steel products. These products are used, for example, in boom structures, excavator buckets and in other demanding structures within the lifting, handling and transportation equipment industry. A new plasma cutting and packaging unit was commissioned on the plate cutting line at the works towards the end of the year. The new unit will improve the cutting efficiency of quenched plates.

## Improved operational efficiency

In November, Rautaruukki announced it was to adjust tube production at Oulainen, Finland. A decision was made to discontinue the production of spiral-welded gas pipes at the site since this is not part of the company's core business. Employer-employee negotiations initiated at the site on 4 November 2008 ended at the end of January 2009. The result was a reduction of 53 jobs at Oulainen, with 18 of these reductions being carried out through pension arrangements. Spiral-welded line pipes used in mains water pipelines and the large piles and structural pipelines used in construction will continue to be made at Oulainen.

In addition, maintenance functions were outsourced at the Virsbo plant in Sweden and production volume at the plant was aligned to slackened demand. Around 20 maintenance staff transferred to the employ of the company responsible for maintenance as a result. The Virsbo plant makes small line pipes and structural tubes.

## Other events taking place in 2008

In February, a strike by workers belonging to a trade union branch at the Raahe Works in Finland stopped hot-rolling at the works for about 48 hours and steel production ran at half capacity. Likewise in May, strikes by workers at the Raahe Works affected production. The Labour Court judged the strikes unlawful on both occasions. The strikes had a negative impact of around EUR 8 million on operating profit in 2008.

In March a decision was made to close the sinter plant at the Raahe Works in Finland by the end of 2011. The company will switch over to using only iron pellets as a raw material in the iron-making process and has a long-term supply contract with LKAB of Sweden. Closure of the sinter plant will also significantly cut emissions and energy consumption at the Raahe Works.

In November, the company sold a colour-coating line in Gävle, Sweden to the Swedish company Trelleborg Rubore AB. The line makes colour-coated special products for the automotive industry and was not part of Rautaruukki's core business. The 35 workers on the line transferred to the employ of the new owner.

There was a marked improvement in the division's accident frequency rate compared to a year earlier. The accident frequency rate in 2008 was 13 accidents per million hours worked (19).

From 1 February 2009, Ruukki Production is part of the Ruukki Metals division.

**TABLES**

This financial statement release has been prepared in accordance with IAS 34 and, with the exception of a change in the recognition of pension and disability pension liabilities, is in conformity with the accounting policies published in the 2007 financial statements.

Rautaruukki changed the accounting practice for pension obligations with respect to the recognition of actuarial gains and losses. The change decreased equity at 31 December 2007 by EUR 24 million and balance sheet assets by EUR 26 million. The IFRS interpretation of the Finnish disability benefit was changed from a defined contribution plan to a defined benefit plan with effect from 1 January 2008. The change decreased equity by EUR 34 million. Further information about the change in accounting practice is given at the end of this release. The figures and calculations for reference periods presented in this release have been restated accordingly.

Individual figures and totals appearing in the tables have been rounded to the nearest full million of euros.

| SUMMARY CONSOLIDATED INCOME STATEMENT | | | | |
|---|---|---|---|---|
| EUR million | Q4/08 | Q4/07 | 2008 | 2007 |
| Net sales | 847 | 982 | 3 851 | 3 876 |
| Other operating income | 13 | 10 | 31 | 26 |
| Operating expense | -761 | -832 | -3 169 | -3 111 |
| Depreciation, amortisation and impairment losses | -37 | -39 | -146 | -153 |
| Operating profit | 62 | 120 | 568 | 637 |
| Finance income and expense | -18 | -11 | -23 | -20 |
| Share of results of associates | 0 | 0 | 3 | 3 |
| Profit before taxes | 45 | 109 | 548 | 621 |
| Taxes | -7 | -30 | -142 | -162 |
| Profit for the period | 37 | 79 | 406 | 459 |
| Attributable to: | | | | |
| Equity shareholders of the parent | 38 | 79 | 406 | 458 |
| Minority interests | -1 | 0 | -1 | 1 |
| | | | | |
| Diluted earnings per share, EUR | 0.27 | 0.57 | 2.93 | 3.31 |
| Basic earnings per share, EUR | 0.27 | 0.57 | 2.93 | 3.31 |
| Operating profit as % of net sales | 7.3 | 12.2 | 14.7 | 16.4 |

| SUMMARY CONSOLIDATED BALANCE SHEET | | |
|---|---|---|
| EUR million | 31 Dec 2008 | 31 Dec 2007 |
| ASSETS | | |
| Non-current assets | 1 442 | 1 447 |
| Current assets | | |
| Inventories | 750 | 614 |
| Trade and other receivables | 536 | 579 |
| Cash and cash equivalents | 254 | 196 |
| | 2 983 | 2 835 |
| | | |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Attributable to shareholders of the parent | 1 948 | 1 960 |
| Minority interests | 2 | 3 |
| Non-current liabilities | | |
| Interest-bearing liabilities | 276 | 138 |
| Other non-current liabilities | 158 | 189 |
| Current liabilities | | |
| Interest-bearing liabilities | 133 | 86 |
| Trade payables and other liabilities | 466 | 461 |
| | 2 983 | 2 835 |

| SUMMARY CASH FLOW STATEMENT | | |
|---|---|---|
| EUR million | 2008 | 2007 |
| Profit for the period | 406 | 459 |
| Adjustments | 250 | 290 |
| Cash flow before change in working capital | 656 | 749 |
| Change in working capital | -110 | -112 |
| Financing items and taxes | -164 | -219 |
| Cash flow from operating activities | 382 | 417 |
| Cash inflow from investing activities | 25 | 70 |
| Cash outflow from investing activities | -238 | -217 |
| Total cash flow from investing activities | -213 | -146 |
| Cash flow before financing activities | 169 | 271 |
| Dividend paid | -277 | -276 |
| Change in debt | 193 | -155 |
| Other net cash flow from financing activities | -13 | -6 |
| Change in cash and cash equivalents | 70 | -166 |

| KEY FIGURES | 2008 | 2007 |
|---|---|---|
| Net sales, EUR m | 3 851 | 3 876 |
| Operating profit, EUR m | 568 | 637 |
| as % of net sales | 14.7 | 16.4 |
| Profit before taxes, EUR m | 548 | 621 |
| as % of net sales | 14.2 | 16.0 |
| Profit for the period, EUR m | 406 | 459 |
| as % of net sales | 10.5 | 11.8 |
| Return on capital employed, % | 25.6 | 29.8 |
| Return on equity, % | 20.7 | 24.2 |
| Equity ratio, % | 65.9 | 70.1 |
| Gearing ratio, % | 7.9 | 1.4 |
| Net interest-bearing financial liabilities, EUR m | 155 | 28 |
| Equity per share, EUR | 14.04 | 14.13 |
| Personnel on average | 14 953 | 14 326 |
| Number of shares | 140 255 479 | 140 198 128 |
| - excluding treasury shares | 138 788 542 | 138 721 191 |
| - diluted, average | 138 773 118 | 138 566 355 |

| CHANGE IN EQUITY 2008 | | | | | | | |
|---|---|---|---|---|---|---|---|
| EUR million | Attributable to shareholders of the parent | | | | | | |
| | Share ca- pital | Share prem. act. | Fair value and other reser ves | Trans la tion diff. | Re- tained earn- ings | Total | Minor ity int. |
| EQUITY AT 31 DEC 2007 | 238 | 220 | 9 | -6 | 1 498 | 1 960 | 3 |
| Cash flow hedges, net of tax | | | -46 | | | -46 | |
| Actuarial gains and losses, net of tax | | | | | -46 | -46 | |
| Change in translation difference | | | | -31 | -23 | -54 | |
| Net income and expense booked direct to equity | 0 | 0 | -46 | -31 | -69 | -146 | 0 |
| Profit for the period | | | | | 406 | 406 | -1 |
| Total income and expense recognised for the period | 0 | 0 | -46 | -31 | 337 | 261 | -1 |
| Share-based | | | 0 | | 0 | 0 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| payments, net of tax | | | | | | | |
| Disposal of treasury shares | | | 0 | | 0 | 0 | |
| Dividend distribution | | | | | -277 | -277 | 0 |
| Other change | | | | | 4 | 4 | |
| EQUITY AT 31 DEC 2008 | 238 | 220 | -37 | -36 | 1 562 | 1 948 | 2 |

| CHANGE IN EQUITY 2007 | | | | | | | |
|---|---|---|---|---|---|---|---|
| EUR million | Attributable to shareholders of the parent | | | | | | |
| | Share ca-pital | Share prem. act. | Fair value and other reser ves | Trans la tion diff. | Re-tained earn-ings | Total | Minor ity int. |
| EQUITY AT 1 JAN | 238 | 220 | 44 | -3 | 1 326 | 1 825 | 1 |
| Cash flow hedges, net of tax | | | -33 | | | -33 | |
| Actuarial gains and losses, net of tax | | | | | -16 | -16 | |
| Change in translation difference | | | 0 | -3 | 3 | 1 | |
| Net income and expense booked direct to equity | 0 | 0 | -32 | -3 | -13 | -48 | 0 |
| Profit for the period | | | | | 458 | 458 | 1 |
| Total income and expense recognised for the period | 0 | 0 | -32 | -3 | 445 | 410 | 1 |
| Share-based payments, net of tax | | | 0 | | 0 | 0 | |
| Disposal of treasury shares | | | -3 | | 3 | 0 | |
| Dividend distribution | | | | | -276 | -276 | |
| Acquisition of subsidiaries | | | | | | | 1 |
| EQUITY AT 31 DEC | 238 | 220 | 9 | -6 | 1 498 | 1 960 | 3 |

| CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE | | |
|---|---|---|
| EUR million | 2008 | 2007 |
| Profit for the period | 406 | 459 |
| Cash flow hedges, net of tax | -46 | -33 |
| Translation differences | -54 | 1 |
| Defined benefit plan actuarial gains (losses), net of tax | -46 | -16 |
| Net income and expense booked direct to equity | -146 | -48 |
| Total recognised income and expense for the period | 261 | 411 |
| | | |
| Recognised income and expense attributable to minority interests during the period | -1 | 1 |
| Recognised income and expense attributable to shareholders during the period | 262 | 410 |
| Total recognised income and expense for the period | 261 | 411 |

| NET SALES BY DIVISION | | | | |
|---|---|---|---|---|
| EUR million | 2008 | 2007 | 2008 comparable | 2007 comparable |
| Ruukki Construction | 1 067 | 1 042 | 1 067 | 1 042 |
| Ruukki Engineering | 765 | 667 | 765 | 667 |
| Ruukki Metals | 2 019 | 2 168 | 1 997 | 2 035 |
| Corporate management and other units | 0 | 0 | 0 | 0 |
| Consolidated net sales | 3 851 | 3 876 | 3 829 | 3 744 |
| Comparable = excluding Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH. | | | | |

| OPERATING PROFIT BY DIVISION | | | | |
|---|---|---|---|---|
| EUR million | 2008 | 2007 | 2008 comparable* | 2007 comparable* |
| Ruukki Construction | 128 | 163 | 132 | 163 |
| Ruukki Engineering | 126 | 103 | 128 | 103 |
| Ruukki Metals | 338 | 397 | 350 | 395 |
| Corporate management and other units | -25 | -25 | -25 | -25 |
| Consolidated operating profit | 568 | 637 | 584 | 635 |
| Comparable = excluding Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH.<br>* Excluding non-recurring items. | | | | |

| QUARTERLY NET SALES | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Q1/07 | Q2/07 | Q3/07 | Q4/07 | Q1/08 | Q2/08 | Q3/08 | Q4/08 |
| Ruukki Construction | 213 | 258 | 278 | 292 | 225 | 285 | 309 | 248 |
| Ruukki Engineering | 167 | 163 | 157 | 180 | 188 | 205 | 184 | 187 |
| Ruukki Metals | 570 | 588 | 500 | 509 | 525 | 580 | 503 | 412 |
| Corporate management and other units | 0 | 0 | 0 | 0 | 1 | -1 | 0 | 0 |
| Consolidated net sales | 950 | 1 009 | 935 | 982 | 939 | 1 069 | 996 | 847 |

| QUARTERLY OPERATING PROFIT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Q1/07 | Q2/07 | Q3/07 | Q4/07 | Q1/08 | Q2/08 | Q3/08 | Q4/08 |
| Ruukki Construction | 34 | 40 | 51 | 38 | 21 | 38 | 56 | 13 |
| Ruukki Engineering | 32 | 27 | 25 | 18 | 32 | 35 | 34 | 26 |
| Ruukki Metals | 117 | 115 | 96 | 68 | 97 | 100 | 112 | 29 |
| Corporate management and other units | -6 | -5 | -10 | -5 | -7 | -7 | -5 | -6 |
| Consolidated operating profit | 178 | 178 | 162 | 120 | 143 | 166 | 197 | 62 |

| QUARTERLY NET SALES (COMPARABLE) EXCLUDING RUUKKI BETONSTAHL, RUUKKI WELBOND and CARL FROH | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Q1/07 | Q2/07 | Q3/07 | Q4/07 | Q1/08 | Q2/08 | Q3/08 | Q4/08 |
| Ruukki Construction | 213 | 258 | 278 | 292 | 225 | 285 | 309 | 248 |
| Ruukki Engineering | 167 | 163 | 157 | 180 | 188 | 205 | 184 | 187 |
| Ruukki Metals | 531 | 552 | 464 | 488 | 511 | 571 | 503 | 412 |
| Corporate management and other units | 0 | 0 | 0 | 0 | 1 | -1 | 0 | 0 |
| Consolidated net sales | 911 | 973 | 899 | 960 | 925 | 1 060 | 996 | 847 |

| QUARTERLY OPERATING PROFIT (COMPARABLE) EXCLUDING RUUKKI BETONSTAHL, RUUKKI WELBOND and CARL FROH AND EXCLUDING NON-RECURRING ITEMS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Q1/ 07 | Q2/ 07 | Q3/ 07 | Q4/ 07 | Q1/ 08 | Q2/ 08 | Q3/ 08 | Q4/ 08 |
| Ruukki Construction | 34 | 40 | 51 | 38 | 21 | 38 | 56 | 17 |
| Ruukki Engineering | 32 | 27 | 25 | 18 | 32 | 35 | 34 | 27 |
| Ruukki Metals | 116 | 115 | 96 | 68 | 96 | 106 | 112 | 36 |
| Corporate management and other units | -6 | -5 | -10 | -5 | -7 | -7 | -5 | -6 |
| Consolidated operating profit | 177 | 178 | 162 | 119 | 141 | 172 | 197 | 74 |

| NET SALES BY REGION | | |
|---|---|---|
| As % of net sales | 2008 | 2007 |
| Finland | 32 | 31 |
| Other Nordic countries | 31 | 30 |
| Central Eastern Europe, Russia and Ukraine | 21 | 21 |
| Rest of Europe | 13 | 15 |
| Other countries | 3 | 3 |

| CONTINGENT LIABILITIES | | |
|---|---|---|
| EUR million | Dec 08 | Dec 07 |
| Mortgaged real estates | 24 | 24 |
| Pledges given | 5 | 5 |
| Other guarantees given | 45 | 41 |
| Collateral given on behalf of others | 2 | 6 |
| Rental liabilities | 132 | 154 |

| VALUES OF DERIVATIVE CONTRACTS AT 31 DECEMBER 2008 | | |
|---|---|---|
| | | |
| CASH FLOW HEDGES QUALIFYING FOR HEDGE ACCOUNTING | | |
| | Nominal amount | Fair value, EUR million |
| Zinc derivatives | | |
| Forward contracts, tonnes | 35 500 | -34 |
| Electricity derivatives | | |
| Forward contracts, Gwh | 1 903 | -18 |
| | | |
| CASH FLOW HEDGES NOT QUALIFYING FOR HEDGE ACCOUNTING | | |
| | Nominal amount | Fair value, EUR million |
| Zinc derivatives | | |
| Forward contracts, tonnes | 500 | 0 |
| Foreign currency derivatives, EUR m | | |
| Forward contracts | 904 | 35 |
| Options | | |
| Bought | 120 | 9 |
| Sold | 120 | 2 |
| | | |

| VALUES OF DERIVATIVE CONTRACTS AT 31 DECEMBER 2007 | | |
|---|---|---|
| | | |
| CASH FLOW HEDGES QUALIFYING FOR HEDGE ACCOUNTING | | |
| | Nominal amount | Fair value, EUR million |
| Zinc derivatives | | |
| Forward contracts, tonnes | 30 000 | -1 |
| Electricity derivatives | | |
| Forward contracts, Gwh | 1 136 | 12 |
| | | |
| CASH FLOW HEDGES NOT QUALIFYING FOR HEDGE ACCOUNTING | | |
| | Nominal amount | Fair value, EUR million |
| Interest rate derivatives | | |
| Interest rate swaps | 25 | 0 |
| Foreign currency derivatives, EUR m | | |
| Forward contracts | 601 | -3 |
| Options | | |
| Bought | 140 | -1 |
| Sold | 140 | -4 |

The unrealised result of cash flow hedges is recognised in equity to the extent the hedge is effective. Other changes in fair value are recorded through profit and loss.

| CHANGES IN PROPERTY, PLANT AND EQUIPMENT | | |
|---|---|---|
| EUR million | 2008 | 2007 |
| Carrying value at start of period | 1 076 | 1 043 |
| Additions | 215 | 157 |
| Additions through acquisitions | 8 | 18 |
| Disposals | -8 | -11 |
| Disposals through divestments | -22 | 0 |
| Depreciation and value adjustments | -119 | -129 |
| Exchange rate differences | -26 | -1 |
| Carrying value at end of period | 1 124 | 1 076 |

| TRANSACTIONS WITH RELATED PARTIES | | |
|---|---|---|
| EUR million | 2008 | 2007 |
| Transactions with associates | | |
| Sales to associates | 30 | 23 |
| Purchases from associates | 6 | 7 |
| Trade and other receivables at end of period | 5 | 6 |
| Transactions with Pension Foundation | 6 | 6 |

| INVESTMENT COMMITMENTS | | |
|---|---|---|
| EUR million | After 31 Dec 2008 | After 31 Dec 2007 |
| Maintenance investments | 102 | 123 |
| Development investments and investments in special products | 113 | 196 |
| Total | 215 | 320 |
| Investment commitments include the estimated costs of projects that have received permission to go ahead. | | |

| INFORMATION ABOUT ACQUISITIONS | | |
|---|---|---|
| EUR million | Fair values booked on combination | Carrying values before combination |
| Assets and liabilities of acquired companies | | |
| Non-current assets | 8 | 1 |
| Current assets | | |
| Inventories | 0 | 0 |
| Trade and other receivables | 3 | 3 |
| Cash and cash equivalents | 2 | 2 |
| Total assets | 12 | 5 |
| Non-current liabilities | | |
| Interest-bearing | 0 | 0 |
| Other | 1 | 0 |
| Current liabilities | | |
| Interest-bearing | 0 | 0 |
| Other | 2 | 2 |
| Total liabilities | 3 | 2 |
| | | |
| Net assets | 9 | 3 |
| | | |
| Acquisition cost | 15 | |
| - including conditional purchase price | 4 | |
| Goodwill | 6 | |
| | | |
| Acquisition cost paid in cash | 11 | |
| Cash and cash equivalents of acquired subsidiary | 2 | |
| Impact on cash flow | 10 | |
| Includes information about the acquisition of Wolter Metallverarbeitung GmbH, UAB Gensina and the business of Hybri-Steel Oy. | | |

CHANGES IN ACCOUNTING PRINCIPLES

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

From 1 January 2008, the company has applied an alternative interpretation of IAS 19 Employee Benefits, which allows all actuarial gains and losses to be booked direct to equity in the period in which they occur instead of in the income statement. The comparable figures have been restated accordingly. The change in accounting principle decreased equity, net of tax, by EUR 24 million at 31 December 2007 (EUR 7 million at year-end 2006).

The company has changed the IFRS interpretation of the Finnish disability benefit from a defined contribution plan to a defined benefit plan with effect from 1 January 2008. This change increased IFRS pension costs by an estimated EUR 6 million in 2008. The ensuing actuarial loss as a result of this change was recognised as a decrease in equity in accordance with the accounting practice referred to above. The change decreased equity, net of tax, by EUR 34 million. The change marks a shift to using the interpretation applied by the majority of Finnish companies on the market preparing financial statements in accordance with IFRS.

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

* Change concerning the recognition of actuarial gains and losses.
** Change concerning the interpretation of disability.

Formulas for the calculation of key indicators:

| | | | |
|---|---|---|---|
| Return on capital employed, % | = | profit/loss before taxes + finance expense<br>-------------------------------------------<br>total equity + interest-bearing financial liabilities (average at beginning and end of period) | x100 |
| Return on equity, % | = | profit before taxes - taxes<br>-------------------------------------------<br>total equity (average at beginning and end of period) | x100 |
| Equity ratio, % | = | total equity<br>--------------------------------------------<br>balance sheet total - advances received | x100 |
| Gearing ratio, % | = | net interest-bearing financial liabilities<br>--------------------------------------------<br>total equity | x100 |
| Net interest-bearing financial liabilities | = | interest-bearing financial liabilities - interest-bearing financial assets and other cash and cash equivalents | |
| Earnings per share (EPS) | = | profit or loss attributable to equity holders of the parent company<br>--------------------------------------------<br>average number of shares outstanding during the period | |
| Earnings per share (EPS), diluted | = | profit or loss attributable to equity holders of the parent<br>--------------------------------------------<br>average diluted number of shares outstanding during the period | |
| Equity per share | = | equity attributable to equity holders of the parent company<br>---------------------------------------------<br>basic number of shares at the balance sheet date | |
| Average share price | = | total EUR trading of shares during the period<br>---------------------------------------------<br>average basic number of shares traded during the period | |
| Market capitalisation | = | basic number of shares at the end of the financial period x trading price at the end of the financial period | |
| Personnel, average | = | average number of personnel at the end of each month during the period | |