Rautaruukki Corporation

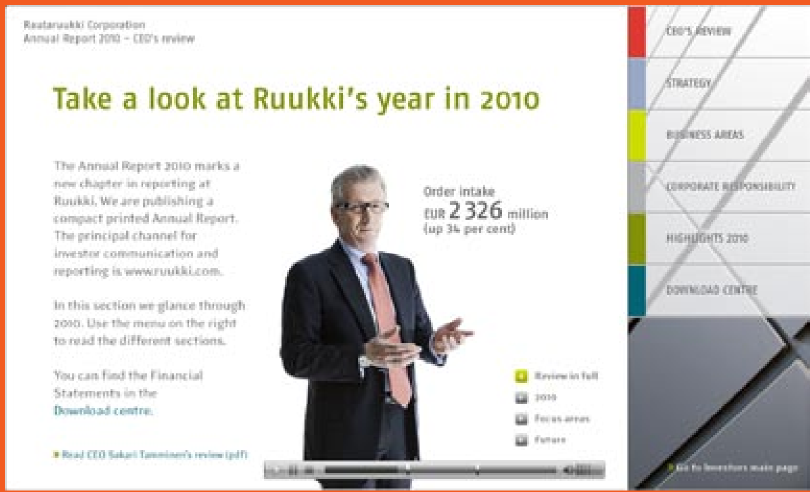
Annual Report 2010

www.ruukki.com

Rautaruukki's Annual Report 2010 marks a new chapter in reporting at Ruukki. The principal channel for investor communication and reporting is www.ruukki.com. Alongside this compact printed version of our annual report, we are also publishing an online version in the form of a compact review of 2010, with links to take you to more information on our website.

You can download the main sections of the annual report in the form of pdf and excel documents from the Annual Report download centre.

The Corporate Responsibility Report for 2010 is also published on the company's website at www.ruukki.com.



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Ruukki in brief

Ruukki 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.

Our presence

Operations in nearly 30 countries.
Strong position in the Nordic countries and Eastern Europe.

Ruukki's focus areas

Specialisation and strong growth in the emerging markets.

Rautaruukki uses the marketing name Ruukki.
The company is listed on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS).

Our business areas

Construction

We provide efficient, time-saving steel structure solutions for commercial, office and industrial construction, single-family homes, port and transport infrastructure construction and for wind turbines. We are focusing strongly on construction concepts based on end-user needs to speed up the entire construction process from design to operation.

Engineering business

We provide fully-assembled systems and components for the engineering industry. Our core product areas are cabins and various special-steel and other components. Customers include leading globally-operating companies in the lifting, handling and transportation equipment industry, equipment manufacturers in the energy industry, the offshore industry and customers in the wood & paper industry.

Steel business

We are an internationally operating manufacturer of special steel products, which include high-strength, wear-resistant and special-coated products. Ruukki is also a leading steel producer in the Nordic countries and Baltic states, with a wide range of products extending from standard to special steel products. Our steel service centres in the Nordic countries, Russia and Poland ensure fast, accurate deliveries as well as the prefabrication of products to meet customer-specific needs.

Year 2010

Profitability improved significantly, but was still unsatisfactory. Growth of 20–25 per cent in net sales and clear improvement in profitability anticipated for 2011.

For Ruukki, 2010 marked a turn for the better. We received a third more orders than during the previous year. Orders grew in all our business areas.

Profitability improved significantly year on year, but our reported result was still negative. The comparable result before taxes, however, already turned positive due to increased delivery volumes of steel products, improved capacity utilisation in steel production, growth in the sales of special steel products and higher selling prices. Profitability of the solutions businesses – construction and engineering – was still weak. Profitability of the construction business was weakened by low capacity utilisation in commercial and industrial construction and the weak profitability of certain projects. Also the engineering business suffered from low capacity utilisation, on top of which its profitability was adversely affected by the low price level of components, especially in early 2010, and by small delivery volumes to equipment manufacturers in the energy industry.

- Order intake was EUR 2,326 million (34% growth).
- Comparable net sales were EUR 2,403 million (1,901).
- Comparable operating profit was EUR 38 million (-272).
- Comparable result before income taxes was EUR 8 million (-303).

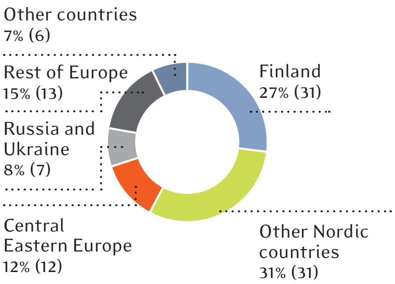
The Board of Directors proposes payment of a dividend of EUR 0.60 per share (0.45), which makes a total dividend payout of EUR 83 million (62).

Key figures	2010	2009	2008	2007	2006
COMPARABLE FIGURES					
Comparable net sales, €m [1]	**2 403**	1 901	3 681	3 614	3 238
Comparable operating profit, €m [1]	**38**	-272	566	626	505
Comparable operating profit as % of net sales	**1.6**	-14.3	15.4	17.3	15.6
Comparable result before income tax, €m	**8**	-303	546	610	611
REPORTED FIGURES					
Net sales, €m	**2 415**	1 950	3 851	3 876	3 682
Operating profit, €m	**-12**	-323	568	637	529
Operating profit as % of net sales	**-0.5**	-16.6	14.7	16.4	14.4
Result before income tax, €m	**-74**	-359	548	621	635
Cash flow before financing activities, €m	**-226**	30	169	271	536
Return on capital employed, %	**-0.3**	-14.2	25.6	29.8	31.4
Return on equity, %	**-5.4**	-15.9	20.7	24.2	30.0
Equity ratio, %	**55.3**	59.9	65.9	70.1	61.4
Gearing ratio, %	**44.7**	22.3	7.9	1.4	1.2
Net interest-bearing liabilities, €m	**621**	336	155	28	22
Earnings per share, diluted, €	**-0.57**	-1.98	2.93	3.31	3.65
Dividend per share, €	**0.60** [2]	0.45	1.35	1.70+0.30	1.50+0.50
Equity per share, €	**9.99**	10.85	14.04	14.13	13.21
Personnel on average	**11 693**	12 664	14 953	14 326	13 121

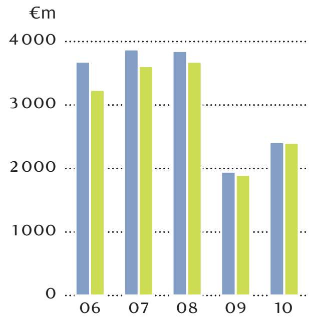
[1] Comparable figures exclude the business operations of Oy Ovako Ab, the Nordic reinforcing steel business, Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH, which have been divested, the Mo i Rana unit, held for sale, unrealised gains and losses on USD derivatives (2009–2010) and non-recurring items.

[2] Board of Directors' proposal

Comparable net sales by region 2010

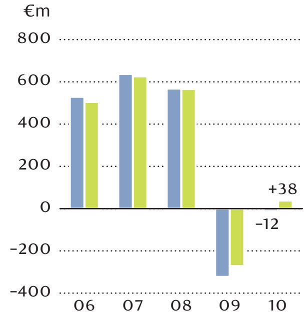


Net sales



Net sales
Comparable net sales [1]

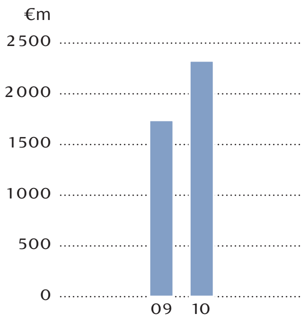
Operating profit



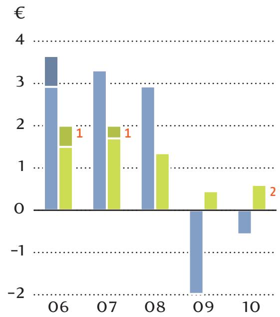
Operating profit
Comparable operating profit [1]

[1] Comparable figures exclude the business operations of Oy Ovako Ab, the Nordic reinforcing steel business, Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH, which have been divested, the Mo i Rana unit, held for sale, unrealised gains and losses on USD derivatives (2009–2010) and non-recurring items.

Order intake

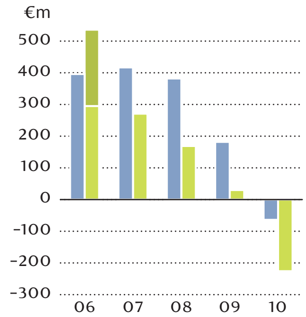


Earnings and dividend per share



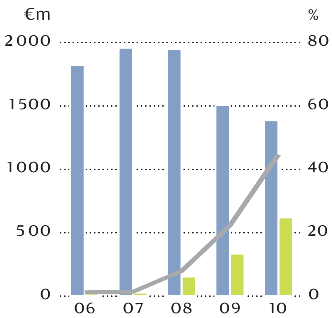
EPS, diluted
EPS from Ovako capital gain
Dividend per share
Additional dividend
[1] Additional dividend from funds freed up from long steel business
[2] Board of Directors' proposal

Cash flow



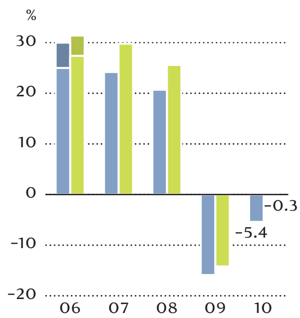
Net cash from operating actitivities
Net cash before financing activities
Proceeds from sale of Ovako

Equity and gearing ratio



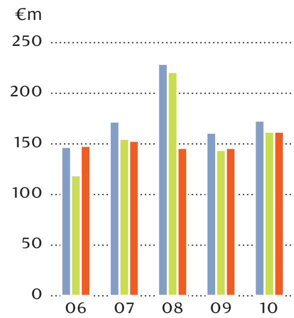
Equity attributable to owners of the company
Net interest-bearing liabilities
Gearing ratio, %

Return on equity and on capital employed



Return on equity
Return on capital employed
Return on equity from Ovako capital gain
Return on capital employed from Ovako capital gain

Capex and depreciation



Gross capex, tangible and intangible assets
Net capex, tangible and intangible assets
Depreciation

Strategy

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

We are moving on with our structural change and pursuing growth in specialisation and emerging markets.

Focus areas

- Growth in the construction and engineering businesses
- Focus in steel business on special steel products
- Growth focus on emerging markets
- Strengthened market position in core businesses
- Scalable products and business concepts
- Innovation and operational efficiency

Strategic targets

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

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

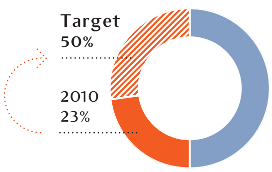
Ruukki invested heavily in structural change and growth before the global economic crisis. At the time, the company built a strong, modern manufacturing and sales network to serve construction and engineering customers in Central Eastern Europe, Russia and China. Likewise, most of the technology and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

Strengths

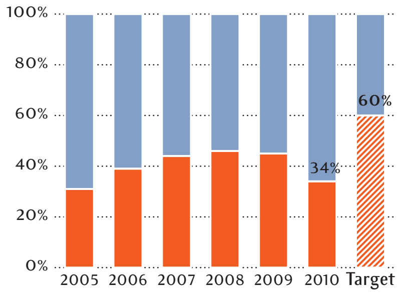
- Strong base for future growth
- Clearly improved cost competitiveness
- Strong foothold in countries with the highest growth expectations
  - Central Eastern Europe and Russia in the construction business
  - Central Eastern Europe and China in the engineering business
- Expansion of steel product distribution network
- Existing modern production technology and capacity
- Strong financial position enables acquisitions

Strategic targets

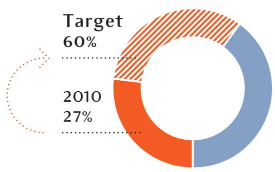
Emerging markets to account for 50% of consolidated net sales



Construction and engineering businesses to account for 60% of consolidated net sales



Special steel products to account for 60% of steel business



Aim is to achieve #1, #2 or otherwise strong market position in chosen segments

CEO's review

For Ruukki, 2010 marked a turn for the better. We received a third more orders than during the previous year. Orders grew in all our business areas.

In 2010 the economy grew, especially in the emerging markets. Growth in Europe remained slower than in the rest of the world, although the market environment improved towards the end of the year. For Ruukki, 2010 marked a turn for the better. We received a third more orders than during the previous year. Orders grew in all our business areas, with the strongest growth in the steel business and, towards the end of the year, in the engineering business. Geographically, fastest growth was in Sweden and in our new markets for special steel products in Brazil, China and Turkey.

In the construction business, demand remained quiet in commercial and industrial construction. Delivery volumes rose in residential roofing products and in infrastructure construction, where we strengthened our position in road and railway construction in the Nordic countries. Sales of the new roofing products we successfully launched on the residential construction market were brisk, especially in Central Eastern Europe and Ukraine.

In the engineering business, market conditions improved in most of our customer segments compared to the previous year and order volumes grew mostly from manufacturers of materials handling, construction and mining industry equipment. Strongest order growth was during the fourth quarter. Order volumes for the wind power industry and other energy equipment manufacturers decreased sharply. Market conditions remained weak in the shipbuilding industry.

Our steel business recovered from the deep downswing of the previous year and demand grew in a number of main customer segments, such as the heavy engineering industry and automotive industry. Sales of special steel products developed especially well and doubled compared to the previous year. During the past year, we expanded our distribution network for special steel products particularly in the emerging markets, such as Brazil and China.

Order intake was a third higher than in the previous year. Our comparable net sales grew 26 per cent to EUR 2,403 million. Our profitability showed a clear improvement and the comparable operating profit turned to EUR 38 million positive from EUR 272 million negative year on year. Increased operating profit was due to increased delivery volumes of steel products, improved capacity utilisation in steel production, growth in the sales of special steel products and higher selling prices.

Profitability of the solutions businesses – construction and engineering – was still weak. Profitability of the construction business was weakened by low capacity utilisation in commercial and industrial construction and the weak profitability of certain projects. Also the engineering business suffered from low capacity utilisation, on top of which its profitability was adversely affected by the low price level of components, especially in early 2010, and by small delivery volumes to equipment manufacturers in the energy industry.

Towards specialisation and emerging markets

Ruukki was severely shaken by the economic crisis, but our businesses have emerged from it on a healthier base. We have improved our efficiency by, among other things, centring the construction business and engineering manufacturing on larger units than earlier. Our cost competitiveness is certainly now much better than in previous years.

We have a good platform for future growth and have set ourselves ambitious targets for the next few years. We are taking Ruukki forward by specialisation and by focusing on products and segments where we can either have leadership or be one of the leading actors.

We also want to have a noticeably stronger presence on the emerging markets and to capture our share of the growth opportunities they provide. The emerging markets accounted for about a quarter of our net sales in 2010 and we intend to increase this to 50 per cent during the next few years. Our product portfolio is ideally suited to the needs of the emerging markets and we currently already have manufacturing or sales in a number of emerging economy countries, especially in Central Eastern European countries, Russia and China. Our product portfolio on the emerging markets includes cabins, construction components and solutions, roofing products and now, also special steel products.

Structural changes continue

We will strongly develop construction and engineering industry solutions also in the future with the aim of increasing their share of our net sales to 60 per cent. The main focus in the construction business is on scalable products and concepts and on energy-efficient construction solutions. We are pursuing growth more strongly not just in commercial and industrial construction, but also in residential roofing products and in infrastructure construction. A strong market foothold and brand, especially in the Nordic countries, will support us in achieving our aims. In addition, we have an extensive presence also in the Central Eastern European and Russian steel construction markets.

In the engineering business, we will focus on operator cabins and demanding, special-steel-based components, where we can also capitalise on our strong material and design expertise. Use of high-strength and wear-resistant steels – in booms or the buckets of excavation machines can deliver big benefits to our customers, especially when we begin to work with them already at the design stage. Our engineering business is based on an excellent production network in Finland, Central Eastern Europe and China. Already more than half of our manufacturing capacity serving customers in the engineering industry is currently in emerging market countries.

Global markets with special steel products

Our main focus areas in the steel business are special steel products and strengthening our market position in the Nordic countries. The special steel products markets are global and the number of competitors is fairly limited in the segments we have chosen. We have excellent materials know-how and existing special steel products manufacturing capacity. We aim to increase the share of special steel products from 27 per cent to 60 per cent of our steel business.

To achieve this aim, we are setting our sights on selling special steel products increasingly more to the emerging markets, such as China, Brazil and Turkey, where demand is growing faster than in other markets. On top of this, special steel products, in particular wear-resistant steels have growth potential in mining-intensive countries such as Australia and South Africa. In the Nordic markets, we will further improve our delivery accuracy, as well as the quality of our products and services throughout the supply chain.

We are taking a major step forward in developing Ruukki towards specialisation and a global presence. We are moving forward together with our customers and our competent people. I would like to warmly thank all our customers and Ruukki's people for their commitment and contribution in taking the company forward. My thanks for the past year also go to our shareholders and partners for their continued confidence in us.

Sakari Tamminen
President & CEO

Rautaruukki Corporation's Corporate Governance Statement 2010

Good governance supports business

This Corporate Governance Statement has been prepared in compliance with the Finnish Corporate Governance Code 2010 and with Chapter 2, Section 6 of the Securities Markets Act. This Corporate Governance Statement also covers other core areas of governance. The Corporate Governance Statement is issued separately from the report by the Board of Directors.

1 Regulatory environment

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

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

An unofficial English translation of the Finnish Corporate Governance Code 2010 is in the public domain and may be viewed on the Securities Market Association website at www.cgfinland.fi.

Rautaruukki's Board of Directors' Audit Committee and Board of Directors have considered this Corporate Governance Statement. The company's auditor, KHT audit firm KPMG Oy Ab, has checked that this statement has been issued and that the description of the main features of the internal control and risk management systems relating to financial reporting process included in it is consistent with the financial statements.

Rautaruukki prepares consolidated financial statements and interim reports in compliance with International Financial Reporting Standards (IFRS), as adopted by the EU, the Finnish Securities Markets Act, as well as the Finnish Supervisory Authority's standards and the stock exchange rules of NASDAQ OMX Helsinki Ltd. The Board of Directors' report and parent company's financial statements are prepared in compliance with the Finnish Accounting Act and the opinions and guidelines of Finnish Accounting Board.

Rautaruukki's governing bodies

2 Administration, governing and supervisory bodies

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

3 Organisational structure of the business

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

In 2010, the business was structured into the following reporting divisions or business areas: Ruukki Construction, Ruukki Engineering and Ruukki Metals.

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

4 General Meeting of Shareholders

Ultimate decision-making at Rautaruukki is vested in the General Meeting of Shareholders, which each shareholder in the company is entitled to attend. Each share conveys one vote. The Annual General Meeting is held by the end of June each year. Under the company's Articles of Association, the company can hold its Annual General Meeting either in Helsinki, the company's registered office, or Espoo.

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

- adoption of the financial statements
- distribution of profit
- discharge from liability for members of the Board of Directors and for the President & CEO
- election and of the chairman, deputy chairman and members of the Board of Directors and the decision on their fees
- election of the company's auditor and the decision on fees
- proposals made by the Board of Directors and shareholders to the Annual General Meeting (incl. amendments to the Articles of Association, purchase of the company's shares, share issues)

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

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

To be eligible to attend a General Meeting, shareholders must be on the company's shareholder register maintained by Euroclear Finland Ltd on the record date of the meeting, which is eight (8) business days before the meeting, and have registered their intention to attend the meeting by the deadline given in notice of the meeting. Nominee-registered shareholders can be temporarily listed in the company's shareholder register for the purpose of attending a General Meeting of Shareholders. The notice of the meeting contains more detailed instructions for nominee-registered shareholders wishing to attend and vote at a General Meeting. Neither the Finnish Limited Liability Companies Act nor the company's Articles of Association contain quorum requirements for General Meetings.

A shareholder may attend and vote at a General Meeting of Shareholders in person or by proxy. Resolutions usually require a simple majority. Some cases – such as amendments to the company's Articles of Association, a share issue disapplying the pre-emption rights of existing shareholders and some decisions applying to mergers – require a two thirds majority of the votes cast and represented at the meeting.

Annual General Meeting 2010

The 2010 Annual General Meeting was held in Helsinki on 23 March 2010. The meeting was attended by 916 shareholders, representing 60.5 per cent of the company's votes, either in person or by proxy.

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

5 Nomination Committee appointed by the Annual General Meeting

The Nomination Committee appointed by the Annual General Meeting prepares proposals for the following Annual General Meeting with regard to nominations for appointments to the Board of Directors and the remuneration of its members. Ruukki adopted this practice in 2004 on the proposal of the largest shareholder Solidium Oy (earlier the Finnish State). The Committee consists of representatives of the three largest shareholders, together with the Chairman of the Board of Directors as an expert member and, additionally in 2009, with another expert member appointed by the Board of Directors from among its members. The Chairman of the Board of Directors convenes meetings of the Committee, which elects a chairman from among its members.

5.1 Nomination Committee 2009 ahead of the 2010 Annual General Meeting

Rautaruukki's three largest shareholders as at 2 November 2009 appointed the following members to the Nomination Committee: Kari Järvinen (chairman), Managing Director, Solidium Oy; Timo Ritakallio, Deputy Chief Executive Officer, Ilmarinen Mutual Pension Insurance Company and Matti Vuoria, President and CEO, Varma Mutual Pension Insurance Company. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, and Hannu Ryöppönen, member appointed by the Board of Directors, served as the Nomination Committee's expert members.

The Nomination Committee proposed to the Annual General Meeting convening on 23 March 2010 that the number of members of the Board of Directors remains unchanged at seven. The Nomination Committee also proposed the re-election of Maarit Aarni-Sirviö, Reino Hanhinen, Liisa Leino and Hannu Ryöppönen to the Board for a further term of office from the 2010 Annual General Meeting to the close of the 2011 Annual General Meeting. In addition, the Nomination Committee proposed that Pertti Korhonen, MSc (Electronics Engineering), President and CEO, Outotec Oyj; Matti Lievonen, BSc (Eng), President and CEO, Neste Oil Corporation and Jaana Tuominen, MSc (Eng), CEO, Paulig Group be elected to the Board as new members. Furthermore, the Nomination Committee proposed that Reino Hanhinen be re-elected as Chairman of the Board and that Hannu Ryöppönen be elected as Deputy Chairman.

The Committee also proposed that the annual fees to the Board of Directors remain unchanged from 2009 and that Board members be paid an attendance fee of €600 for each meeting, including Board of Directors' committee meetings. The Nomination Committee proposed that 40 per cent of the annual fees of the Board of Directors be paid in the form of Rautaruukki Oyj shares purchased from the market. The shares would be purchased within two weeks of disclosure of the interim report for the first quarter of 2010.

The proposals above were included in the notice of the Annual General Meeting 2010.

5.2 Nomination Committee 2010 ahead of the 2011 Annual General Meeting

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

The Nomination Committee proposed to the Annual General Meeting convening on 23 March 2011 that the number of members of the Board of Directors remains unchanged at seven. The Nomination Committee has proposed that the current members of the Board of Directors Maarit Aarni-Sirviö, Reino Hanhinen, Pertti Korhonen, Liisa Leino, Matti Lievonen, Hannu Ryöppönen and Jaana Tuominen be re-elected for a further term of office.

Furthermore, the Nomination Committee has proposed that Reino Hanhinen be re-elected as chairman of the Board of Directors and that Hannu Ryöppönen be re-elected as deputy chairman. Moreover, the Nomination Committee proposed that the annual fees of the Board of Directors would be for Chairman EUR 72,000, for Deputy Chairman EUR 44,000 and for Members EUR 34,000 and an attendance fee of EUR 600 per meeting for Board of Directors' meetings and Board of Directors' committee meetings. The Nomination Committee proposed that 40 per cent of the annual fee would be paid in the form of Rautaruukki Oyj shares purchased from the market. The shares would be purchased within two weeks of the publication of the company's interim report for the first quarter of 2011.

6 Board of Directors

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

The Chairman of the Board of Directors or, if he is prevented, the Deputy Chairman convenes Board meetings.

6.1 Main tasks of the Board of Directors

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

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

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

- ensure the group's administration and the proper arrangement of its operations
- ensure the proper arrangements for the supervision of the company's accounting and financial management
- confirm long-term aims and the strategic plan

- determine economic objectives
- confirm the organisational structure
- decide the appointment and remuneration of top management
- approve the financial statements and interim reports
- prepare business to be transacted at General Meetings and to ensure decisions are enforced
- decide significant investments and acquisitions

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

6.2 Board of Directors 2010

Board of Directors until 23 March 2010

Chairman Reino Hanhinen MSc (Eng), DSc (Tech) h.c., b. 1943
Deputy Chairman Christer Granskog MSc (Tech), b. 1947
Maarit Aarni-Sirviö MSc (Tech), MBA, b. 1953
Pirkko Juntti LLM, b. 1945
Kalle J. Korhonen MSc (Eng), b. 1948
Liisa Leino MSc (Nutrition), b. 1960
Hannu Ryöppönen BA (Business Admin), b. 1952

See Rautaruukki Corporation's Annual Report 2009 for more details about members of the Board of Directors until 23 March 2010.

Board of Directors since 23 March 2010

The Annual General Meeting of 23 March 2010 elected a chairman, deputy chairman and five members to the Board of Directors:
Chairman Reino Hanhinen
Deputy Chairman Hannu Ryöppönen
Maarit Aarni-Sirviö
Pertti Korhonen
Liisa Leino
Matti Lievonen
Jaana Tuominen

More detailed information on the members of the Board of Directors since 23 March 2010 is attached to this Statement.

The Board of Directors met 11 times during 2010.

Attendance of Board members at meetings

2010	Board	Audit Committee	Remuneration Committee
Reino Hanhinen	10/11		7/7
Hannu Ryöppönen	11/11	6/6	
Maarit Aarni-Sirviö	11/11		7/7
Pertti Korhonen [2]	8/9		5/5
Liisa Leino	11/11	6/6	
Matti Lievonen [1]	9/9	5/5	
Jaana Tuominen [1]	9/9	5/5	
Christer Granskog [3]	2/2		2/2
Pirkko Juntti [3]	2/2	1/1	
Kalle J. Korhonen [3]	2/2	1/1	

[1] Board and Audit Committee member since 23 March 2010: the Committee met five times since 23 March 2010.
[2] Board and Remuneration Committee member since 23 March 2010: the Committee met five times since 23 March 2010.
[3] Board member until 23 March 2010. The Board met twice between 1 January and 23 March 2010.

7 Board of Directors' committees

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

7.1 Audit Committee

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

The Board of Directors defines the remit of the Audit Committee in the charter approved by the Board. The remit of the Audit Committee is to promote oversight of reporting the company's activities and financial reporting. The Audit Committee evaluates risk management, internal control processes, financial reporting and matters concerning auditing and internal auditing.

The Audit Committee prepares matters related to the election of an external auditor, the audit plan and costs and assesses audit reports, which the Committee reports to the Board of Directors.

The Chairman of the Audit Committee convenes meetings and the Committee regularly reports to the company's Board of Directors on its work. The Committee annually evaluates the effectiveness of its operations, working practices and its performance by self-assessment.

Audit Committee 2010

Members of the Audit Committee between the 2009 Annual General Meeting and the Annual General Meeting held on 23 March 2010 were: Hannu Ryöppönen (Chairman), Kalle J. Korhonen and Liisa Leino. See Rautaruukki Corporation's Annual Report 2009 for more details about the Audit Committee until 23 March 2010.

At its organisation meeting on 23 March 2010, the Board of Directors elected by the Annual General Meeting held on 23 March 2010 appointed Hannu Ryöppönen (Chairman), Liisa Leino, Matti Lievonen and Jaana Tuominen as members of the Audit Committee.

Rautaruukki's chief financial officer, chief audit executive and the company's principal auditor also regularly attend Audit Committee meetings.

The Audit Committee met six times in 2010.

7.2 Remuneration Committee

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

The Board of Directors defines the remit of the Remuneration Committee in the charter approved by the Board. The Committee prepares and evaluates the remuneration and appointment of the company's President & CEO and other members of the Corporate Executive Board and the remuneration schemes of personnel. The Chairman of the Remuneration Committee convenes meetings when required and also presents the Committee's proposals to the Board of Directors.

Remuneration Committee 2010

Members of the Remuneration Committee between the 2009 Annual General Meeting and the Annual General Meeting held on 23 March 2010 were: Reino Hanhinen (Chairman), Christer Granskog and Maarit Aarni-Sirviö. See Rautaruukki Corporation's Annual Report 2009 for more details about members of the Remuneration Committee until 23 March 2010.

At its organisation meeting on 23 March 2010, the Board of Directors elected by the Annual General Meeting held on 23 March 2010 appointed Reino Hanhinen (Chairman), Maarit Aarni-Sirviö and Pertti Korhonen as members of the Remuneration Committee. All members are independent of both the company and major shareholders. The company's President & CEO and Senior Vice President, Human Resources also attend Remuneration Committee meetings except when matters concerning themselves are being considered.

The Remuneration Committee met seven times in 2010.

8 Supervisory Board

In accordance with the resolution made by the Annual General Meeting of 23 March 2010, the company's Supervisory Board was abolished on 12 May 2010, when the amendment to the company's Articles of Association was entered in the Trade Register.

Members of Rautaruukki Corporation's Supervisory Board between the Annual General Meeting 2009 and the Annual General Meeting held on 23 March 2010 were Marjo Matikainen-Kallström, Chairwoman, Member of Parliament, MSc (Tech), b. 1965; Inkeri Kerola, Deputy Chairwoman, Member of Parliament, school teacher, b. 1957; Heikki Allonen, President & CEO, MSc (Eng), b. 1954; Turo Bergman, LicSocSc, b. 1946; Miapetra Kumpula-Natri, Member of Parliament, BSc (Eng), student of economics, b. 1972; Petteri Orpo, Member of Parliament, MSocSc, b. 1969; Jouko Skinnari, Member of Parliament, LLM, b. 1946; Hans Sohlström, Executive Vice President, MSc (Tech), b. 1964 and Tapani Tölli, Member of Parliament, MSocSc, b. 1951.

Employee representatives on the Supervisory Board for the period above were Matti Kelloniemi, HRD-specialist, b. 1950; Jouko Luttinen, chief shop steward, b. 1956; Markku Pelkkikangas, project manager b. 1950 and Mika Vuoti, chief shop steward b. 1967.

The Supervisory Board met once during 2010 and the average attendance rate was 84 per cent.

Members of the Supervisory Board between 23 March and 12 May 2010 were Marjo Matikainen-Kallström (Chairwoman), Inkeri Kerola (Deputy Chairwoman) and ordinary members Turo Bergman, Jouko Skinnari and Tapani Tölli.

The Supervisory Board held no meetings during this period.

9 President & CEO

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

The company's President & CEO is Sakari Tamminen, who is also chairman of the Corporate Executive Board and the Extended Executive Board.

Mikko Hietanen, Executive Vice President, Business Development (CFO until 1 November 2010), is deputy to the President & CEO.

10 Corporate Executive Board

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

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

Corporate Executive Board 2010

Until 31 October 2010, the Corporate Executive Board had six members: the company's President & CEO, divisional presidents, the chief financial officer and the chief strategy officer.

As of 1 November 2010, changes were made to the responsibilities of the members of Rautaruukki's Corporate Executive Board to better respond to implementation of the company's growth strategy. In the same context, the number of members was increased to seven:

Sakari Tamminen, President & CEO and chairman of the Corporate Executive Board
Mikko Hietanen, Executive Vice President, Business Development (deputy to the President & CEO)
Tommi Matomäki, Executive Vice President, Ruukki Construction
Marko Somerma, Executive Vice President, Ruukki Engineering
Olavi Huhtala, Executive Vice President, Ruukki Metals
Saku Sipola, Executive Vice President, Marketing, Technology and Supply Chain Management
Markku Honkasalo, CFO, as of 1 November 2010.

The Corporate Executive Board met 25 times during the year.

The Extended Executive Board has, in addition to members of the Corporate Executive Board, eight members, who are the heads of corporate business support functions.

More detailed information on the members of the Corporate Executive Board is attached to this Statement.

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

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

11 Risk management and internal control systems

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

The control of corporate-wide operations takes place through the management system described above.

The Board of Directors and its Audit Committee regularly evaluate the appropriateness and effectiveness of the company's accounting, financial management, internal control and risk management. The Board of Directors is also responsible for ensuring the proper organisation and supervision of the company's accounting and financial management. The Board of Directors' Audit Committee is also tasked with strengthening the oversight of financial reporting.

12 Internal control systems

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

12.1 Risk management

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

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

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

Risk management at Rautaruukki is based on identifying, assessing and reporting risks consistently across the company.

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

The risks in each area are identified and evaluated in all Rautaruukki's operations and risk management strategies are regularly determined accordingly. The corporate risk management function assists with evaluation and compiles a summary risk report. The evaluation results and key risks are regularly reported to corporate management and to the company's Board of Directors.

A more comprehensive description of Rautaruukki's key risks and the risk management process is shown on the company's website www.ruukki.com.

12.2 Control functions

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

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

Financial reporting at Rautaruukki complies with standard principles. Most of the companies are customers of corporate finance service centres, where accounting is carried out using a unified account scheme. Close cooperation between finance service centres and customer units, as well as a clear division of responsibilities, ensures quality, efficient financial reporting.

Group reporting is based on International Financial Reporting Standards (IFRS). These support corporate financial planning and reporting instructions (Controller's Manual). In external financial reporting, group companies comply with local laws and regulations. Corporate financial management is responsible for development of the financial reporting process and control processes.

In 2010, the corporate financial reporting process was further improved so that both corporate and divisional financial performance, forecasts and the annual plan are implemented in one consistent process.

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

Corporate policies applying to different areas of the business reinforce the commitment to achieving corporate financial and other targets and to minimising business risks within the company. The elements of Rautaruukki's internal control process are described in policies and manuals.

Accounting policies and manuals related to financial reporting can be found on the company's intranet site and are accessible to persons involved in financial reporting. In addition, Corporate Finance and Control regularly provides training in reporting processes and practices. The chief financial officer and the chief audit executive regularly report the findings relating to their internal control work at Audit Committee meetings. The Audit Committee's work and proposals for decisions and measures are reported to the Board of Directors after each Audit Committee meeting.

External disclosure of financial information complies with stock exchange regulations.

12.3 Monitoring

The group employs the reporting systems needed to monitor business effectively. The Board of Directors has ultimate responsibility for the proper arrangement of accounting and the oversight of financial management. The President & CEO is responsible for ensuring that accounting complies with legal requirements and that financial management is reliably organised. Monitoring includes the follow-up of monthly financial reports, a monthly review of the rolling forecasts and plans, as well as reports from internal audits and reports by independent auditors.

The Board of Directors regularly considers the financial and market conditions in their meetings and a monthly progress report is distributed to Board members. The Board adopts the interim reports and financial statements for publication.

13 Compliance with laws and the Code of Conduct

In all its operations, Rautaruukki complies with the laws and regulations in force, good practices and with the Code of Conduct, published in 2005. The purpose of the Code of Conduct adopted by Rautaruukki's Board of Directors is to highlight the company's ethical values and to create for the personnel a consistent way to act responsibly around the world. Each Rautaruukki employee is required to be familiar with the legislation and policies applying to his or her own area of responsibility and, without exception, to comply with them.

Each of the company's business areas (divisions) is responsible for ensuring compliance with the Code of Conduct and laws and regulations in force. Business area management is responsible for the internal control of operations to ensure that all employees in the business area are familiar with the laws, regulations and principles applying to their own work and that they comply with them. In conjunction with internal audits, the company seeks to ensure that control has been properly organised and works effectively. Internal audits are carried out by all corporate functions in addition to the internal audit unit.

13.1 Policies

Corporate policies applying to different areas of the business reinforce the commitment to achieving corporate financial and other targets and to minimising business risks within the company. Some of these policies are in the public domain and can be found on the company's website. All policies are posted on the company's intranet, where they may be accessed by the personnel. In addition, training is given and the most important policies are included in the induction programme for personnel.

Rautaruukki's Code of Conduct and more detailed guidelines relating to it can be found on the company's intranet site. Additionally, the Code of Conduct is available in the local language of each country in which the company has a presence. The Code of Conduct is also discussed during induction training for new employees, continuous training and in internal communication. The employment contracts of new employees include a condition about compliance with the Code of Conduct. In addition, employees taking part in training held in different countries sign to confirm that they have studied the Code of Conduct and that they undertake to comply with it.

13.2 Reporting misconduct

One of the aims of internal control is to prevent misconduct. Rautaruukki has instructions about how to report any misconduct. Employees are encouraged to report suspected misconduct either to their own supervisor, to other management or directly to the internal audit unit or legal department.

Each and every Rautaruukki employee is responsible for reporting any misconduct or procedures contrary to the Code of Conduct. Suspected misconduct is investigated immediately and confidentially. Proven misconduct is reported to the Board of Directors' Audit Committee.

There were no cases of financial misconduct reported in 2010.

14 Internal audit

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

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

Internal audit reports regularly to the management, auditor, Board of Directors' Audit Committee and to the Board of Directors. In addition, the chief audit executive attends all Audit Committee meetings. Internal audit and the external coordinator regularly coordinate their audit work.

15 Audit

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

The KHT auditor responsible for auditing the parent company coordinates the audit of the consolidated financial statements with the local auditors of group companies.

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

Auditor 2010

The 2010 Annual General Meeting elected KHT audit firm KPMG Oy Ab as Rautaruukki Corporation's auditor, with Pekka Pajamo KHT as the principal auditor.

Fees paid to auditors (euros)

	2010	2009
Audit	1 198 000	1 221 000
Other services	466 000	265 000
Altogether	1 664 000	1 486 000

16 Insiders

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

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

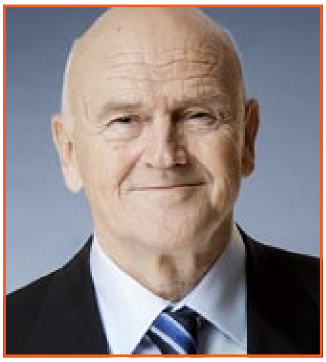
Rautaruukki complies with NASDAQ OMX Helsinki Ltd's Guidelines for Insiders, which recommend that insiders schedule trading in the company's securities to times when the market has as much information as possible about any factors affecting the value of the company's share. Rautaruukki's permanent insiders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

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

Insiders 2010

At 31 December 2010, there were 23 persons on Rautaruukki's public insider register and 127 persons on the company-specific register.

Board of Directors 31 December 2010



Chairman

REINO HANHINEN b. 1943

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

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

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

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

Rautaruukki shares:
1 January 2010: 10,000
31 December 2010: 11,618

Deputy Chairman

HANNU RYÖPPÖNEN b. 1952

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

BA (Business Admin)

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

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

Rautaruukki shares:
1 January 2010: -
31 December 2010: 1,011

MAARIT AARNI-SIRVIÖ b. 1953

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

MSc (Tech), MBA

Previous main positions:
Mint of Finland Ltd, President & CEO (2008–2010); Borealis Group, various executive positions (1994–2008); Neste Corporation, various positions (1977–1994)

Other elected positions:
Ponsse Corporation, Board member (2007–2010); Wärtsilä Corporation, Board member (2007-); Borealis Polymers Oy, Board member (2007–2010): Epec Oy, Board member (2007–2010); Oy Nordic Moneta Ab, Board chairwoman (2008–2010); Det Norske Myntverket AS, Board chairwoman (2008–2010) Finnish Business and Policy Forum EVA, member (2010-)

Rautaruukki shares:
1 January 2010: 1,000
31 December 2010: 1,780

PERTTI KORHONEN b. 1961

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

MSc (Electronics Engineering)

Outotec Oyj, President and CEO

Previous main positions:
Outotec Oyj, Chief Operating Officer (1 October – 31 December 2009); Elektrobit Corporation Plc, CEO (2006–2009); Nokia Corporation, Chief Technology Officer, Executive Vice President, Nokia Technology Platforms (2004–2006), member of Nokia Group Executive Board (2002–2006); Nokia Mobile Software, Executive Vice President (2001–2003); Nokia Mobile Phones, various management positions (1990–2001); Micronas Oy, Vice President, Product Development (1990)

Other elected positions: Elisa Corporation, Board member (2008-); Veho Group Ltd, Board member (2007-); International Chamber of Commerce, Finnish Council, member (2010-); Association of Finnish Steel and Metal Producers, Board member (2010-); Finnish Defence Forces, Advisory Board member (2007-)

Rautaruukki shares:
1 January 2010: -
31 December 2010: 780

LIISA LEINO b. 1960

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

MSc (Nutrition)

Leinovalu Oy, Chairwoman of the Board (2006–)

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

Other elected positions:
M-real Corporation, Board member (2009–); Alko Inc., Board member (2009–); Varma Mutual Pension Insurance Company, Supervisory Board member (2007–2010); Finnish Business and Policy Forum EVA, member (2010–); Central Chamber of Commerce of Finland Tax Committee, member (2007–)

Rautaruukki shares:
1 January 2010: 1,000
31 December 2010: 1,780

MATTI LIEVONEN b. 1958

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

BSc (Eng), eMBA

Neste Oil Corporation, President and CEO (2008–)

Previous main positions:
UPM-Kymmene, President of Fine and Speciality Papers Division (2004–2008), Executive Vice President, Business & Technology Optimization (2002–2003), member of UPM Executive Team, Chapelle Darblay UPM-Kymmene France, Mill Director (1997–2001); Telephone Directory mill (Kaipola, Finland), Mill Director, (1994–1996); Stracel UPM-Kymmene France, Pulp and Paper Mill, Technical Director (1991–1993); Stracel France Paper Machine PM1 project, Project Manager electr. (1989–1990)

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

Rautaruukki shares:
1 January 2010: –
31 December 2010: 780

JAANA TUOMINEN b. 1960

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

MSc (Chemical Engineering)

Paulig Group, CEO (2008–)

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

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

Rautaruukki shares:
1 January 2010: –
31 December 2010: 780

 Member of the Remuneration Committee

 Member of the Audit Committee

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

Corporate Executive Board 31 December 2010

Chairman

SAKARI TAMMINEN b. 1953
MSc (Econ)

President & CEO

Joined the company in 2003
Member of the Corporate Executive Board since 2003

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

Other elected positions: Varma Mutual Pension Insurance Company, Board member (2008–) and chairman (2009–); Sanoma Corporation, Board member (2003–) and Vice Chairman (2009–); Finnish Fair Cooperative, Supervisory Board member (2004–); Confederation of Finnish Industries EK, Board chairman (2009–2010); Eurofer, Board member (2004–); Finnish Business and Policy Forum EVA, member (2009–); Association of Finnish Metal and Steel Producers, Board member (2009–); Finnish Foundation for Share Promotion, Board member (2003–); Finnish Technology Award Foundation, Board member (2009–); Technology Industries of Finland Centennial Foundation, Board member (2007–); Federation of Finnish Technology Industries, Board member (2004–); TT Foundation, Board member (2008–); World Steel Association, Executive Committee member (2004–)

Rautaruukki shares:
1 January 2010: 70,238
31 December 2010: 73,238

MIKKO HIETANEN b. 1953
MSc (Econ)

Executive Vice President, Business Development, Deputy to the President & CEO

Joined the company in 2004
Member of the Corporate Executive Board since 2004

Previous main positions:
Rautaruukki Corporation, CFO (2004–2010); Stonesoft Corporation, CFO (2001–2004); Metsä-Tissue Corporation, CFO (1999–2001); Elcoteq Network SA, CFO (1993–1999); Lohja Corporation, CFO (1991–1993)

Other elected positions:
Lohjan Puhelin Oy, Board member (1993–); VTT Technical Research Centre of Finland, Board member (2010–)

Rautaruukki shares:
1 January 2010: 22,526
31 December 2010: 22,526

MARKKU HONKASALO b. 1964
LLM

CFO

Joined the company in 2009
Member of the Corporate Executive Board since 2010

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

Rautaruukki shares:
1 January 2010: –
31 December 2010: –

TOMMI MATOMÄKI b. 1967
MSc (Tech)

Executive Vice President, Ruukki Construction

Joined the company in 2008
Member of the Corporate Executive Board since 2008

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

Other elected positions:
Leinovalu Oy, Board member (2010–)

Rautaruukki shares:
1 January 2010: 1,640
31 December 2010: 1,640

MARKO SOMERMA b. 1966
LicSc (Tech)

Executive Vice President, Ruukki Engineering

Joined the company in 2004
Member of the Corporate Executive Board since 2005

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

Rautaruukki shares:
1 January 2010: 19,190
31 December 2010: 19,190

OLAVI HUHTALA b. 1962
BSc (Eng)

Executive Vice President, Ruukki Metals

Joined the company in 1987
Member of the Corporate Executive Board since 2003

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

Rautaruukki shares:
1 January 2010: 33,596
31 December 2010: 33,596

SAKU SIPOLA b. 1968
MSc (Tech)

Executive Vice President, Marketing, Technology and Supply Chain Management

Joined the company in 2005
Member of the Corporate Executive Board since 2005

Previous main positions:
Ruukki Construction, President (2005–2010); YIT-Rakennus Oy, Senior VP, Business Premises Division (2002–2005)

Rautaruukki shares:
1 January 2010: 6,388
31 December 2010: 6,388

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

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

Risk management

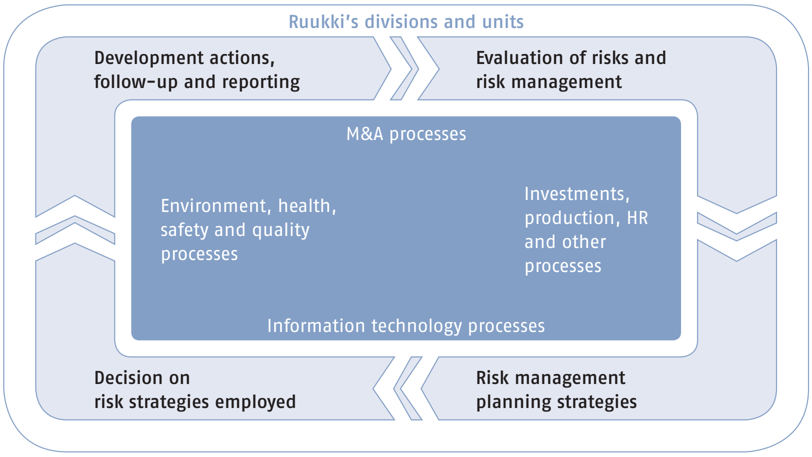
- Long-term risk management is used to identify and evaluate risks and to determine the actions required to ensure business continuity
- Ruukki incorporates the risk aspect in everyday activities and decision-making
- Improving corporate security and administration of business-specific insurance were high on Ruukki's risk management agenda in 2010

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

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

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

Risk management process



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

Enterprise risk management is part of the management system

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

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

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

Ruukki employs a continuous risk evaluation programme

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

In 2010, risk evaluation was performed at a total of 21 sites in eight countries. Risks were evaluated using the bottom-up and top-down approaches. Corporate management, business area management and persons from sites, processes and support functions took part in the evaluations. More than 100 persons were interviewed and some 30 risk evaluations were made in connection with the process. Internal and external audit, insurance brokers and companies also took part. In addition, four external specialist organisations performed risk evaluations for the company.

Evaluation resulted in Ruukki defining 13 key risks facing its operations. Challenges facing growth of the solutions and special steel businesses, which rank among the company's strategic aims in the next few years, and a possible slowdown in growth in Ruukki's main market areas are high on the risk management agenda.

Progress with improving corporate security and administration of business insurance in 2010

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

Ruukki continued improving the effectiveness of its insurance administration, a process which began in 2009, and studied extensively different options to fund risk management. The aim is to identify the best insurance solutions from the business aspect. Particular attention was given among other things to the modernisation investments carried out at the Raahe Steel Works in Finland during the year and to the associated insurance cover and risk management. In addition, the functioning of insurance coverage and its suitability for the needs of Ruukki's different business activities was also high on the agenda.

Corporate risk management practices were further established during 2010. Thanks to a site-specific risk management reporting system, further positive progress was made in the level of risk management of hazard and operative risks. Work continued on implementing a data-system-based risk management system, which is used in identifying and evaluating risks and in determining the actions required.

In the steel business, the focus was particularly on ensuring business continuity in the event of losses. Further improvement was made with proactive planning and readiness for loss situations.

Development of corporate security is a new focus area that began during the year. The grounding of air traffic because of a volcanic eruption in Iceland in spring 2010 highlighted a need to develop business travel safety. Among other things, production and site safety are broadly related to corporate security and were strengthened by improving the readiness and activity of the crisis management team by, for example, training.

In 2011, Ruukki will proceed further with developing standard processes and site-specific reporting, especially with regard to corporate security. Work will continue on further improving insurance effectiveness.

Risk classification helps identification and evaluation

Ruukki divides risks into four principle groups: strategic, operative, financial and hazard risks. Classification in this way makes it easier to understand the nature and potential ways of managing risks.

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

Risks are evaluated on the basis of their likelihood, seriousness, possible development and manageability and according to various strategy scenarios. Risk evaluation is performed regularly in Ruukki's units, within business areas and at the corporate level.

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

Principal risks facing Ruukki

Risks jeopardising implementation of the strategy and strategic aims

Challenges facing growth of the solutions and special steel businesses

Implementation of Ruukki's strategy requires the company to strengthen its market position and expertise in the solutions businesses – construction and engineering – and in special steel products. Integration of possible acquisitions and political country risks in new geographical areas can also be considered as risks. Ruukki has prepared for the challenges of growth by intensifying cooperation with customers and by spreading its operations both geographically and by customer segment. On

Risk assessment framework

acquisitions, risk evaluation and management is important at the beginning of and throughout the integration process.

Major change in competition in main market areas

Finland and the other Nordic countries account for most of the company's net sales. A major change in the competitive situation in these markets or, for example, by customers relocating to lower-cost countries might affect the company's business. Ruukki has prepared for trends of this kind by, among other things, building its own production capacity in Central Eastern Europe and China, by developing an international distribution network for special steel products and by securing its market share in the Nordic market. Ruukki is strongly focusing on products and segments where it can achieve a strong market position.

Reputation risks

A good corporate image and a positive image among stakeholders are important to Ruukki. Reputation risks faced by the company might result from various crisis situations or from unmanageable or negative media publicity. Corporate responsibility may also involve reputation risks. The company seeks to control reputation risks by careful preparation and training in crisis management, crisis communication, by improving work safety and by performing comprehensive audits in respect of environmental and social responsibility.

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

Slow economic growth in core market areas

Western Europe and many other developed markets are experiencing slow economic growth. The company has prepared for this by switching the growth focus to emerging countries. The share of specialisation within the steel business will be increased, which will open up growth potential also in the emerging markets. The businesses will be balanced by increasing the share of those businesses – such as residential roofing products and infrastructure construction – that are less vulnerable to economic fluctuations.

Availability and prices of raw materials

Raw materials account for a significant share of the value of steel products. The price and freight charges of iron ore, coking coal and other main materials used in steel production are determined on the global markets. This can make prices of raw materials very volatile. An important part of risk management involves identifying alternative supply channels to ensure business continuity and to safeguard price levels. Availability risks are managed through long-term contracts to source the main raw materials and energy used in steel production. The group generates almost half of the electricity it uses by utilising the gases released in production processes. The market is showing a shift towards shorter pricing practices from annual towards quarterly pricing, particularly for iron ore and coking coal. This has been taken into account in the business so that changes in sourcing prices are similarly reflected in selling prices. Most of the company's sales contracts are based on quarterly or shorter pricing.

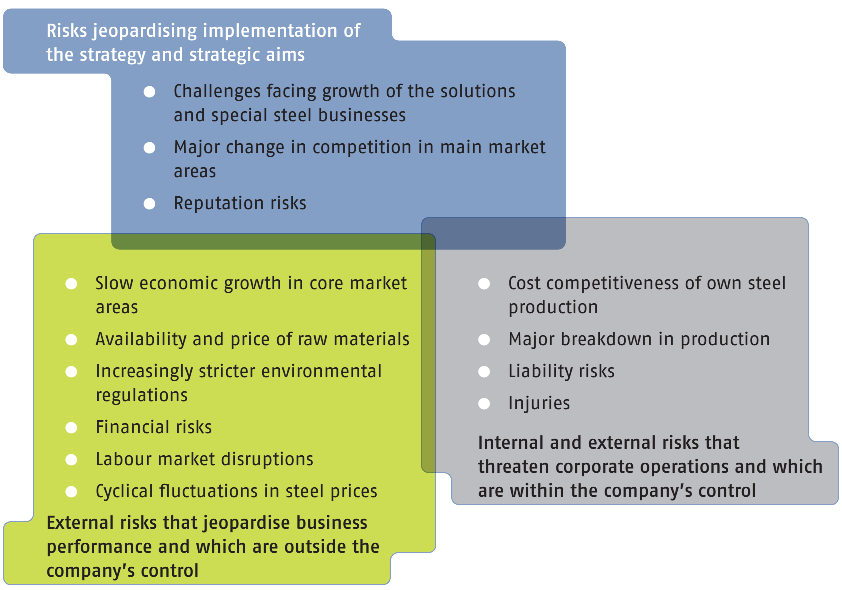
Increasingly stricter environmental regulations

Additional costs arising from increasingly stricter environmental regulations and carbon emissions trading impact on the company's competitiveness and investments, especially if the same rules of play do not apply equally to all actors in the field. The coking coal needed for the iron ore reduction process is the main source of carbon dioxide emissions in steel production. Ruukki's works rank among the most carbon dioxide efficient and use almost the minimum coking coal possible in steel production using current process technology. The company has taken thorough steps to anticipate and actively track changes in environmental legislation. All the company's main production sites operate in compliance with the ISO 14001:2004 environmental management system.

Financial risks

Ruukki's financing, financial and credit risk management is centralised at the parent company's Financing function in accordance with the financing and credit policy approved by the Board of Directors. As an international actor, Ruukki's business is exposed to risks caused by currency fluctuations. The most significant currency risk is the US dollar, which is the principal denominational currency of the main raw materials used in steel production. The Swedish crown accounts for the biggest surplus in the company's currency-denominated sales. Derivatives are used to hedge currency risks. The company has undrawn committed credit limits and liquid assets

Principal risks



to manage the liquidity risk. Ruukki's liquidity was good throughout 2010. It is to be assumed that counterparty risk will also feature higher on the agenda as the emerging markets account for a growing share of the company's business. The group's currency, interest rate, commodity price, liquidity and credit risks are detailed in Note 3 in the notes to the financial statements.

Labour market disruptions

Delivery accuracy is becoming an increasingly critical competitive factor and delivery disruptions exert a growing economic impact. Labour market disruptions, especially illegal strikes, are one of the risks that jeopardise business performance. This risk is managed by developing negotiation and decision-making mechanisms with employee representative organisations and by striving to improve an understanding among personnel of the impacts of the market, competitive situation, basic business and globalisation. The entire personnel has been set the goal of continuously improving delivery accuracy.

Cyclical fluctuations in steel prices

Demand for steel and other metal products and especially prices for standard steel products fluctuate with economic cycles. Ruukki has prepared for cyclical fluctuations in steel prices by increasing the share of special steel products in its own steel output and by re-aligning production levels to market demand. The company has prepared for this risk also by improving supply chain management, delivery accuracy and customised service. The company sells its products mainly directly to end-users and is thus well-placed to identify customer needs.

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

Cost competitiveness of own steel production

Trade liberalisation and the gradual opening of the European market to, for example, Russian and Ukrainian actors pose a risk. International comparison shows Ruukki's steel production to be competitive, but small in terms of volume. Crude steel production takes place using two blast furnaces integrated into one production unit. This means steel production has limited flexibility compared to large competitors, who have a number of production units and who are thus able to optimise production between several units. The company has prepared for this risk by improving cost efficiency and production flexibility.

Major breakdown in production

Modern, systematic proactive maintenance of processes and systems is a key part of risk management and can help to prevent the occurrence of breakdowns in production. Risks are also mitigated by setting up standard procedures to choose suppliers and other partners, and to ensure the quality of unfinished products in own production. From the business continuity aspect, it is important to ensure adequate operational readiness of core processes in all situations. The group has comprehensive property damage, business interruption and transport insurance programmes.

Liability risks

The company operates adequate quality management systems to avoid quality defects and product liability risks in its products and solutions, and has appropriate liability insurance for its business. The company's integrated environmental management system meets the requirements of ISO 9001:2000 and 14001:2004.

Injuries

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

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

Responsibility for risk management

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

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Report of the Board of Directors 2010

Business environment

Recovery of the global economy from the economic crisis began in late 2009 and continued during 2010 and was supported especially by growing demand on the emerging markets. However, economic growth showed regional differences and was slower in Europe than in the rest of the world. The Finnish economy is largely dependent on export demand for capital goods and so growth was slower in Finland than in many other European countries.

Normalisation of the financial markets continued in 2010 even though the rapid indebtedness of certain states in Europe increased market uncertainty. In particular, the culmination of sovereign debt problems in Greece, during the second quarter, and in Ireland, during the fourth quarter, fuelled uncertainty. However, the impact of these debt problems remained contained during the report period because bailout packages from euro-zone countries and the International Monetary Fund, together with austerity programmes announced by the indebted countries, calmed the markets.

Strong growth in Asia and in other emerging economies during the first half of 2010 supported a recovery of industrial production also in Europe. However, investment demand remained sluggish and there was much unused capacity. Industrial production continued growing during the second half of the year, although production levels were still far short of those preceding the financial crisis.

Exceptionally severe weather conditions affected construction activity in Ruukki's main market areas in early 2010. The impact was clearly visible in both commercial and industrial construction and in residential construction. Residential construction activity was better during the second and third quarters. Commercial and industrial construction activity remained quiet due to weak investment demand. Signs of investment picking up began to be seen in Russia during the second quarter and at Ruukki this was reflected in increased tendering activity. Demand in Russia picked up further during the third and fourth quarters. Road and railway construction in the Nordic countries continued at a good level throughout the year.

In the engineering industry, order intake from Ruukki's main customers grew during the early part of the year, even though orders were still at a fairly low level compared to previous years. Demand continued to pick up throughout the year, especially in the manufacture of mining and forest machines and materials handling equipment. There was also positive development in demand for heavy cargo handling equipment. In the wind power industry, difficulties in funding new wind farm projects significantly reduced demand. Market conditions were weak in the shipbuilding industry in Europe.

In the steel industry, demand continued to recover in Europe during 2010. However, steel use in Europe still lagged far behind the levels seen in 2007 and 2008, and steel producers have scaled down production to meet demand. In Finland, a large share of total steel use is geared towards capital goods. This, compared to many other countries, slowed growth in domestic demand. Crude steel production in the EU-27 region rose by almost 25 per cent from an exceptionally low level a year earlier. Stock levels of steel wholesalers in Europe remained normal in relation to sales throughout the year.

Price hikes, at the start of the year, in the main raw materials used in steel production – iron ore and coking coal – resulted in the market prices of steel products beginning to rise towards the end of the first quarter. Selling prices peaked during the third quarter and showed a slight fall during the fourth quarter, before expectations of higher prices again gathered momentum at the very end of the year.

Order intake and order book

Order intake in 2010 was EUR 2,326 million, an increase of 34 per cent year on year. Compared to the previous year, order intake grew in all business areas, especially in the steel business, which showed growth of 52 per cent. Order intake improved in all market areas, with strongest relative growth in Sweden and in Ruukki's new markets for special steel products in Brazil, China and Turkey. Orders developed well also in Western Europe during the fourth quarter.

The order book at the end of 2010 was 30 per cent up year on year and 10 per cent up quarter on quarter.

Net sales

Net sales by business area

€m	2010	2009
Comparable net sales		
Ruukki Construction	628	589
Ruukki Engineering	193	263
Ruukki Metals	1 581	1 050
Others	1	0
Comparable net sales, total	2 403	1 901
Items affecting comparability included in reported net sales	12	49
Reported net sales	2 415	1 950

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

Consolidated comparable net sales for 2010 were EUR 2,403 million (1,901), up 26 per cent year on year. Higher comparable net sales were attributable especially to larger delivery volumes of steel products. Net sales in the construction business area were also up year on year, particularly on the back of the growth in delivery volumes in residential and infrastructure construction. Net sales in the engineering business area dipped year on year. This was largely due to smaller delivery volumes to manufacturers of equipment for the wind power industry and other equipment for the energy industry.

Consolidated comparable net sales for 2010 rose year on year in all market areas, with the Nordic countries, especially Sweden, showing the strongest growth. Strongest relative sales growth was in Western Europe and the emerging markets, where larger delivery volumes of special steel products in particular increased net sales. In Finland, net sales growth was smaller for the year than in other market areas and Finland accounted for 27 per cent (31) of consolidated comparable net sales in 2010. The emerging markets accounted for 23 per cent of comparable net sales.

The solutions businesses – Ruukki Construction and Ruukki Engineering – accounted for 34 per cent (45) of consolidated comparable net sales during the report period. Special steel products accounted for 27 per cent (19) of Ruukki Metals' net sales.

Reported net sales for 2010 were EUR 2,415 million (1,950). The Mo i Rana unit in Norway has been transferred from Ruukki Engineering to Businesses available-for-sale and is reported under Others also for the reference periods.

Net sales by region

€m	2010	2009
Comparable net sales		
Finland	651	586
Other Nordic countries	756	592
Central Eastern Europe	290	231
Russia and Ukraine	188	141
Rest of Europe	360	241
Other countries	157	110
Comparable net sales, total	2 403	1 901
Items affecting comparability included in reported net sales	12	49
Reported net sales	2 415	1 950

Operating profit

Operating profit by business area

€m	2010	2009
Comparable operating profit		
Ruukki Construction	-45	-44
Ruukki Engineering	-28	4
Ruukki Metals	126	-219
Others	-15	-13
Comparable operating profit, total	38	-272
Items affecting comparability included in reported operating profit	-49	-51
Reported operating profit	-12	-323

Consolidated comparable operating profit for 2010 was EUR 38 million (-272), equating to 1.6 per cent of net sales (-14.3). Higher comparable operating profit year on year was especially attributable to larger delivery volumes of steel products than earlier, better capacity utilisation rate in steel production, an increased share of special steel products of delivery volumes and higher selling prices. Profitability was weakest during the first quarter of the year, when delivery volumes in the construction business were exceptionally low because of adverse weather conditions.

Consolidated reported negative operating profit for 2010 was -EUR 12 million (-323). Items affecting the comparability of operating profit have been separated from the reported figures to ensure a better understanding and comparability of the company's operating activities and their result. The largest items affecting comparability during the report period were the cost of the low capacity utilisation rate as a result of blast furnace 1 modernisation at the Raahe Steel Works in Finland and unrealised gains and losses on USD derivatives. The company uses derivatives to hedge purchases of raw materials denominated in US dollars.

All items affecting comparability included in reported operating profit are detailed in Note 4 Segment reporting.

Financial items and result

Consolidated net finance costs during 2010 totalled EUR 66 million (36). Net interest costs were EUR 29 million (26).

During the third quarter of 2010, the company booked a write-down of around EUR 33 million on its vendor note from Oy Ovako Ab. Rautaruukki divested its share in Ovako in 2006. In August 2010, private equity investor Triton signed an agreement under which it acquired the entire share capital of the Bar, Bright Bar and Tube and Ring companies, which were part of Ovako. On the basis of the announcement, Ruukki announced it was to waive the vendor note in return for security entitling it to ownership of around 2.2 per cent in Ovako. The write-down is included in net finance costs.

Group taxes for 2010 were -EUR 4 million (EUR 84 million positive).

The result for 2010 was -EUR 79 million (-275).

Earnings per share were -EUR 0.57 (-1.98).

Balance sheet, cash flow and financing

Total assets at 31 December 2010 were EUR 2,539 million (2,532). Equity at year-end 2010 was EUR 1,387 million (1,507), equating to EUR 9.99 per share (10.85). Equity decreased by EUR 120 million since the end of 2009 because of the loss for the year and the dividend payout in April.

The equity ratio at 31 December 2010 was 55.3 per cent (59.9) and the gearing ratio was 44.7 per cent (22.3). Net interest-bearing liabilities at the end of December were EUR 621 million (336).

Return on equity for 2010 was -5.4 per cent (-15.9) and return on capital employed was -0.3 per cent (-14.2).

Net cash flow from operating activities for the report period was -EUR 64 million (182) and net cash flow before financing activities was -EUR 226 million (30). EUR 147 million was tied up in working capital (EUR 317 million released) during the year.

During the second quarter, the company signed new long-term loan agreements. A loan of EUR 50 million was agreed with the Nordic Investment Bank (NIB) and a loan of EUR 140 million with the European Investment Bank (EIB), of which the company took EUR 70 million at the beginning of December. These loans are being used to finance the investments to modernise the blast furnaces at the Raahe Steel Works in Finland and the environmental investments being made in the same context.

In January 2011, after the report period, the company signed bilateral credit limit contracts totalling EUR 425 million. These agreements replace the EUR 350 million overdraft facility signed in 2009. A total of EUR 24 million non-current interest-bearing liabilities mature during 2011.

At 31 December 2010, the group had liquid assets of EUR 53 million and untapped committed credit limits of EUR 420 million.

Actions to improve operational efficiency

In October 2008, Ruukki initiated its corporate-wide Boost programme to enhance operational efficiency and permanently improve the company's competitive edge and profitability. The programme originally aimed at an annualised improvement of EUR 150 million in the company's operating profit by the end of 2011. Boost has progressed much faster than originally planned and the annualised impact of actions initiated was estimated to be EUR 178 million at the end of the report period. Even though the target has been exceeded, projects under Boost are continuing as planned.

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

The company will no longer report separately on the progress of Boost in 2011.

Capital expenditure

Net cash used in investing activities during the report period was -EUR 162 million (-153).

Investments in tangible and intangible assets totalled EUR 173 million (161), of which maintenance investments accounted for EUR 123 million (76) and development investments EUR 50 million (86). Net cash inflow from investing activities was EUR 10 million (17).

Depreciation was EUR 162 million (146).

Capital expenditure on tangible and intangible assets in 2011 is expected to be in the region of EUR 180 million.

Personnel

Personnel by region

	31 Dec 2010	31 Dec 2009
Finland	6 150	5 905
Other Nordic countries	659	1 023
Central Eastern Europe	2 020	2 163
Russia and Ukraine	2 062	2 214
Rest of Europe	69	79
Other countries	326	264
Total	11 286	11 648

The group employed an average of 11,693 persons (12,664) during 2010 and at year-end, the headcount was 11,286 (11,648). At 31 December 2010, 54 per cent (51) of Ruukki's personnel worked in Finland.

During 2010, safety measured in terms of accidents per million hours worked improved to 7 compared to the previous year (8).

Salaries and other employee benefits paid to the personnel totalled EUR 379 million (371). Nearly all the group's personnel belong to the profit sharing scheme. Because the group posted a loss for 2010, no expenses were booked in respect of profit sharing (2009: no expenses).

No expenses (2009: no expenses) were booked in respect of the earning period 2010 of the valid 2008–2010 share ownership plan. At year-end 2010, the scheme covered 97 executives or other key personnel.

In December 2010, the company's Board of Directors decided to launch a new share-based incentive plan. The plan includes three one-year earning periods, which are the calendar years 2011, 2012 and 2013. Furthermore, the plan includes one three-year earning period, 1 January 2011–31 December 2013. The company's Board of Directors will decide on the earning criteria and the targets to be established for them at the beginning of each earning period. Any bonus for the earning period 2011 will be based on Rautaruukki's consolidated net sales growth and return on capital employed (ROCE) and, for the earning period 2011–2013, on corporate strategic targets. The plan covers about 100 persons. The company has operated share-based incentive plans for key employees since 2000.

Business areas

Ruukki Construction

€m	2010	2009
Net sales	628	589
Comparable operating profit	-45	-44
Unrealised gains and losses on USD derivatives	2	-4
Reported operating profit	-43	-49
Comparable operating profit as % of net sales	-7.2	-7.5
Personnel at end of period	3 791	4 235

Order intake and order book

The value of order intake was 16 per cent higher in 2010 compared to 2009. Orders during the first quarter of the year were smaller year on year because the severe winter impacted particularly on the demand for residential roofing products. Order intake rose year on year in all other quarters. Orders in commercial and industrial construction remained at a very low level overall compared to previous years, although rose clearly in Russia during the report period. Likewise, demand in Poland and the Czech Republic began to show signs of picking up. Order volumes in infrastructure construction remained at a good level throughout the report period.

The order book in the construction business at the end of 2010 was 16 per cent higher year on year.

Net sales

Ruukki Construction's net sales for 2010 were up 7 per cent year on year at EUR 628 million (589). The construction business accounted for 26 per cent (31) of consolidated comparable net sales. Compared to the previous year, net sales rose because of larger delivery volumes in infrastructure construction in the Nordic countries and increased delivery volumes of residential roofing products, especially in Central Eastern Europe and Ukraine. The renewed range of roofing products grew sales year on year. New products, such as the Decorrey steel roof, have sold well in Central Eastern Europe. In infrastructure construction, especially sales of small piles used in building construction rose year on year. Ruukki's share of bridge projects in the Nordic countries increased.

In commercial and industrial construction, delivery volumes remained comparatively low during the first half of the year. In Russia, deliveries began to grow during the second quarter. Net sales in commercial and industrial construction in Russia were up by more than 20 per cent in 2010 compared to the previous year. Sales of concept buildings, including those for agricultural purposes, developed particularly well, but during the second half of the year also the construction of light industrial and logistics buildings picked up. Net sales in commercial and industrial construction rose 7 per cent in the Nordic countries in 2010 and were more or less at the same level as the previous year in Central Eastern Europe.

Residential roofing products accounted for 20 per cent (19) of Ruukki Construction's net sales for 2010 and infrastructure construction products for 19 per cent (15).

Operating profit

Comparable negative operating profit for 2010 was -EUR 45 million (-44). The operating loss for the report period was mainly due to small delivery volumes and a low capacity utilisation rate. Profitability was especially weak during the first quarter, when delivery volumes were exceptionally small in all product groups as a result of adverse weather conditions.

Reported negative operating profit for 2010 was -EUR 43 million (-49).

New products and other operational development

In late 2009, Ruukki launched Ruukki Finnera, a completely new steel roof solution. Ruukki Finnera is a logistically efficient, modular roofing solution that is sold on a ready-to-install basis straight from distributor stocks. Sales of Finnera have got off to an excellent start. Consequently, Ruukki decided to build another production line at Vimpeli, Finland to make Finnera products for the following season. Work on installing the line started during the fourth quarter. The line will come on stream during the first quarter of 2011.

During the report period, work continued on centralising manufacturing operations in the construction business on increasingly larger units. Steel structure production at the Holic unit in Slovakia was transferred to Ruukki's other units in Central Eastern Europe during the first quarter. The Holic unit focuses on cabin production for the engineering business. During the third quarter, work started on transferring the production of profiled construction components from Anderslöv in Sweden to Vimpeli in Finland and Zyrardow in Poland. This move was completed during the fourth quarter.

In January 2011, the company decided to divest its Sandnessjoen production unit in Norway to improve the capacity utilisation rate in its production network. The unit mostly makes steel bridge structures. Ruukki will continue steel bridge structure contracting in Norway and the manufacture of structures at its other units.

Ruukki Engineering

€m	2010	2009
Net sales	193	263
Comparable operating profit	-28	4
Expenses related to closure of Hässleholm, Oskarström and Dortmund units	-5	-5
Unrealised gains and losses on USD derivatives	1	-3
Reported operating profit	-32	-4
Comparable operating profit as % of net sales	-14.5	1.5
Personnel at end of period	1 763	1 604

Order intake and order book

Order intake in the report period was 17 per cent higher than in 2009. Orders grew quarter on quarter throughout the year, but were still rather low during the first half of the year. Orders from customers in the mining and forest machinery sector were the first to improve, followed gradually by the transportation equipment industry and equipment manufacturers in construction and materials handling. Order volumes rose year on year, especially for cabins, booms and frames. Orders from customers in the shipbuilding industry were very few compared to previous years. The value of orders from equipment manufacturers in the wind power industry fell to below half the figure for the previous year. Orders during the fourth quarter roughly tripled year on year on the back of a large order from the offshore sector, which was booked in order intake during October-December.

The order book in the engineering business at year-end 2010 was about 140 per cent higher than a year earlier.

Net sales

Ruukki Engineering's net sales for 2010 were EUR 193 million (263) and accounted for 8 per cent (14) of consolidated comparable net sales. Net sales for the report period were down 26 per cent compared to the previous year. This was mainly due to lower delivery volumes for the manufacture of equipment for the wind power industry and other equipment for the energy industry. Also, delivery volumes to shipbuilding and the offshore industry decreased. However, there was clear growth in deliveries of cabins, booms and frames during the year. Deliveries to equipment manufacturers of forest machines began to grow towards the end of 2009 and remained at a good level throughout the report period. Delivery volumes for the manufacture of equipment for the mining industry and construction showed steady growth from one quarter to the next and net sales generated by these industrial sectors in 2010 were over 60 per cent higher year on year. Deliveries to manufacturers of materials handling equipment grew particularly during the fourth quarter.

In 2010, manufacturers of lifting, handling and transportation equipment accounted for 59 per cent (44) of net sales of the engineering business and equipment manufacturers for the energy industry accounted for 18 per cent (33).

The Mo i Rana unit in Norway has been transferred from the Ruukki Engineering to Businesses available-for-sale and is reported under Others also for reference periods.

Operating profit

Comparable negative operating profit for 2010 was -EUR 28 million (4). The comparable operating loss was mainly due to low capacity utilisation rate and small delivery volumes. Profitability was also burdened by the start-up of cabin production at the Holic unit in Slovakia. Lower selling prices during the first half of the year also weakened operating profit compared to last year. A few long-term contracts in the shipbuilding industry were loss-making during the second quarter because of higher steel material costs. However, most of these contracts expired at the end of June.

Reported negative operating profit for 2010 was -EUR 32 million (-4), which included costs of EUR 5 million arising from closure of the Dortmund unit in Germany.

Operational development

In February, Ruukki announced its decision to discontinue operations at the Mo i Rana unit in Norway, where shipbuilding profiles and flange profiles for wind turbine towers were made. Operations ended as planned in May 2010. Because of subdued demand in the shipbuilding industry, profitability of the Mo i Rana unit was weak and also deliveries for the manufacture of equipment for the wind power industry had declined noticeably during the year.

In April, the company announced it is to strengthen its global cabin manufacturing network in Central Eastern Europe and China. Cabin production started up at the Holic unit in Slovakia during the second quarter and manufacture began during the third quarter. The first cabins were delivered to customers in October 2010. Cabins manufactured in Holic are mainly destined for the Central and Eastern European markets. The Kurikka unit in Finland became a centre of excellence, where cabin product development and tool design are focused. The Kurikka unit also continues to make cabins, especially for the Nordic markets.

In April, Ruukki strengthened its position in the wind power industry through acquisition of the lattice wind turbine tower design, erection and maintenance operations of the German company SeeBa Technik GmbH. In November, the wind turbine tower business was transferred to Ruukki Construction, where the infrastructure business has synergies with the wind turbine tower business in areas of project management and foundation solutions.

In June, Ruukki announced it is to improve the efficiency of its manufacturing network by further concentrating boom manufacturing. Boom manufacturing at the Dortmund unit in Germany was transferred to other Ruukki units which already make booms for mobile machines. The Dortmund unit was closed as planned in October 2010.

Ruukki Metals

€m	2010	2009
Net sales	1 581	1 050
Comparable operating profit	126	–219
Expense caused by low utilisation rate related to blast furnace modernisation	–18	
Unrealised gains and losses on USD derivatives	–13	–9
Cost of production test runs for change in feedstock base	–2	
Reported operating profit	93	–228
Comparable operating profit as % of net sales	8.0	–20.9
Personnel at end of period	5 291	5 226

Order intake and order book

Order intake in 2010 was up 52 per cent year on year. Strongest relative growth in order intake was in the emerging markets – such as China, Turkey and Brazil – and Russia and Central Eastern Europe, especially Poland. Orders from Finland, the other Nordic countries – especially Sweden – and Western Europe showed the strongest growth in terms of euros. Order volumes of special steel products grew, especially in the emerging markets. Towards the end of the year, orders of special steel products improved also from developed markets. Order volumes of colour-coated and galvanised products were especially high during the second and third quarters because of good seasonal demand in construction.

The order book in the steel business at the end of the report period was 28 per cent higher than a year earlier.

Net sales

Ruukki Metals' net sales for 2010 were EUR 1,581 million (1,050) and accounted for 66 per cent (55) of consolidated comparable net sales. Net sales were 51 per cent up on the exceptionally low level experienced in 2009.

Compared to the previous year, higher net sales were largely attributable to higher delivery volumes. Also selling prices rose. Strongest relative growth was in Russia, Central Eastern Europe and the emerging markets – such as Brazil, China and Turkey. Sales grew also in Finland, but at a much slower rate than in the other Nordic countries. Deliveries grew, especially in the heavy engineering and construction industries. Delivery volumes to the construction industry rose mostly during the second and third quarters. During the first and fourth quarters, delivery volumes to construction industry customers remained relatively low because of adverse weather conditions. Deliveries to subcontractors in the automotive industry remained at a good level throughout the year.

Demand in 2010 was good in a number of sectors – such as the manufacture of equipment for the mining industry and the heavy vehicle industry – that use special steel products. During the course of the year, demand began to improve also in the manufacture of machines and equipment for the construction industry. The report period saw an expansion and strengthening of the distribution network for special steel products in a number of emerging markets, such as Brazil and China. This resulted in clear sales growth in these countries compared to the previous year. Likewise, special steel products also accounted for a noticeably higher share of deliveries in Western Europe.

Selling prices of steel products were lower year on year during the first and second quarters, but began to pick up towards the end of the first quarter and continued rising during the second and third quarters. Selling prices peaked during the third quarter and there was a small downward pressure on prices in some market areas during the fourth quarter. Price development levelled off towards the end of the year. Higher selling prices were driven by demand growth and increased costs of the raw materials used in steel production. Average selling prices rose also because special steel products accounted for a greater share of deliveries.

Special steel products accounted for 27 per cent (19) of Ruukki Metals' net sales in 2010. Net sales of stainless steel and aluminium, sold as trading products, were up 24 per cent year on year at EUR 129 million (104).

Operating profit

Comparable operating profit for 2010 was EUR 126 million (-219). Improved operating profit year on year was attributable to larger delivery volumes, increased sales of special steel products and a higher capacity utilisation rate in steel production. Steel product costs were still at a relatively low level during the first half of the year, but rose clearly during the second half of the year with the rise in costs of raw materials used in steel production. Actions to improve efficiency began in 2009 and were reflected in full in the cost structure during the report period.

Ruukki Metals' reported operating profit for the report period was EUR 93 million (-228).

Operating profit for 2010 from stainless steel and aluminium, sold as trading products, rose year on year to EUR 9 million (-3).

Steel production

1,000 tonnes	2010	2009
Steel production	2 229	1 892

Steel production in 2010 was 2,229 thousand tonnes (1,892).

Modernisation of blast furnace 1 at the Raahe Steel Works in Finland was carried out during the course of the second quarter. Preparations were made for the shutdown by building up the slab stockpile during the first quarter of the year. Because the blast furnace was idled for modernisation, the capacity utilisation rate in steel slab production during the second quarter was around 60 per cent. The blast furnace was restarted in late May and reached its target utilisation rate in June, since when the utilisation rate in steel production has been around 90 per cent.

Blast furnace 2 will be idled for about two months for similar modernisation towards the end of June 2011. Before the blast furnace is shut down, slab stockpiles will be built up to safeguard customer deliveries during modernisation work.

Investments to modernise the blast furnaces and change the feedstock total around EUR 215 million and the environmental investments being made in the same context total around EUR 50 million. EUR 96 million of the total investments were made in 2010. Around EUR 115 million is estimated to be realised in 2011 and around EUR 8 million in 2012. EUR 46 million of the investments were made in 2009.

Operational development

Expansion of the distribution network for special steel products was one of the main focus areas in the steel business during 2010. During the first part of the year, the company strengthened its distribution network by signing agreements on distribution cooperation in Brazil. Likewise, the sales network in China and Turkey was further expanded through new distribution cooperation agreements. Work continued on developing the distribution network during the third quarter by, among other things, opening a distribution warehouse for special steel products in Shanghai, China. The warehouse was opened in premises previously occupied by Ruukki.

Ruukki launched a number of new steel products during 2010. The start of the year saw the launch of Optim 960 QCW, a structural steel which is suited to applications where steel is subject to mechanical stress and exposed to weather conditions. Such applications include containers, cranes and booms. In April, Ruukki launched Optim 700 MC Plus, a high-strength steel with very good cold-forming properties. These properties can be utilised in, for example, the manufacture of cranes, bodies for trucks and other mobile machines, goods handling equipment, earth-moving, mining and waste handling equipment. In September, Ruukki launched a double grade structural tube on the steel construction market, the first company in Europe to do so. The double grade tube significantly reduces material costs, improves the price competitiveness of steel structures compared to other materials and decreases the adverse environmental impacts arising from the manufacture and use of materials. During the last quarter, Ruukki announced it had worked together with the French company Alstom Transport to develop a new solution for the assembly of side panels for train coaches.

Environmental matters at the company

Environmental matters are important to Ruukki from the aspect of production and energy-efficient products.

Environmental matters are improved using corporate and site environmental objectives and targets. Targets are regularly tracked at both corporate and site levels. Ruukki's production sites operate in compliance with certified ISO 14001 environmental management and ISO 9001 quality management systems. In 2010, these systems covered 99 per cent (98) of production.

In 2010, the company's carbon dioxide emissions were 4.1 million tonnes. In the free initial allocation of emissions allowances for the second period 2008–2012 of the EU Emissions Trading Scheme, the Raahe and Hämeenlinna Works in Finland received a total of 23.5 million emissions allowances. In 2010, emissions rights trading generated income totalling EUR 9 million. As part of managing its carbon dioxide emissions balance, Ruukki is a participant in the World Bank's Community Development Carbon Fund and GreenStream Network Oy's Fine Carbon and Climate Opportunity Funds.

In 2010, environmental investments at Ruukki totalled EUR 29 million, of which 97 per cent was directed towards reducing environmental impacts at the Raahe Works in Finland. The most significant environmental investments were made in conjunction with the modernisation of blast furnace 1 at the Raahe Works. These investments reduced particulate emissions and emissions of hydrogen sulphide and sulphur dioxide arising from the granulation process of blast furnace slag. Blast furnace 2 will be modernised during 2011. Closure of the sinter plant and the change in the feedstock base in the same context will further reduce emissions and energy consumption at the works.

Ruukki received a number of recognitions for its work on the environmental front during 2010. Ruukki is included in three Dow Jones Sustainability indexes: DJSI World, DJSI Europe and DJSI Nordic. The indexes include the top companies that are committed to sustainable development. Ruukki is included in the DJSI World Index for the third year running and in the European index for the fourth time. The new Dow Jones Sustainability Nordic index (DJSI Nordic) was announced in November 2010. The index tracks the top companies in the Nordic region with regard to sustainability and includes 29 companies.

In September, oekom research AG ranked Ruukki as one of the world's best companies in its sector and as the best steel company as regards sustainability. In addition, Ruukki was chosen for inclusion in the ASPI Eurozone index, (Advanced Sustainable Performance Indices), which represents the top 120 European companies in sustainable development and corporate social responsibility.

Ruukki actively tracks environmental regulations and seeks to anticipate changes in environmental legislation. During 2010, the company completed the pre-registration and actual registration required in compliance with the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals).

In 2010, Ruukki and other leading European steel companies and steel construction organisations started working closer together by signing the Steel Network Sustainable Construction Charter. The charter seeks to create the conditions for sustainable, energy-efficient steel construction. Responsible construction was further developed by networking with the Green Building Council Finland, which brings together sustainable development expertise. At the end of 2010, Ruukki also joined the Cleantech Finland venture, which represents clean technology companies.

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

Research and development

A total of EUR 27 million (29) was spent on research and development in 2010. This equates to one per cent (2) of the company's comparable net sales. The thrust of R&D was on specifying the special steel product strategy and in using special steel products in construction and engineering solutions. Boost, the operational excellence programme, was supported by projects that quickly delivered income or savings, without overlooking strategically important long-term development projects.

In 2010, Ruukki made further progress with improving energy efficiency supported by product development. Among other things, this means the development of lighter structures, construction components and prefabrication technologies, as well as designing solutions to utilise renewable energy sources.

Several new products were launched on the construction market during 2010, including the Ruukki Spaces online service rolled out in Poland in November. The service offers Ruukki's customers a web-based interface to support the design of system halls. A Ruukki Express sales and service outlet serving roofing professionals and consumers was opened in Lodz, Poland. This was the first Ruukki Express outlet to be opened in Central Eastern Europe. Energy efficiency, including the airtightness of sandwich panels and applications for energy piles and photovoltaic cells integrated into façade claddings were high on the product development agenda.

In the engineering business, the Kurikka unit in Finland became the centre of excellence in cabin products. The product management system was developed so as to serve the company's other cabin manufacturing units in Holic, Slovakia and Shanghai, China. Design and ergonomics was at the top of the agenda in cabin design in 2010. The component manufacturing strategy was revisited and products made from high-strength steels were chosen as the focus of development.

Development of steel products focused on the use of direct quenching technology in the manufacture of high-strength wear-resistant steels and structural steels. The continuous improvement in quality of steel products was also a priority area. New product launches included Optim 700 MC plus, a special steel grade with excellent cold formability properties in its strength category. Product development resulted in Purex coating, a quality, cost-effective solution which was added to Ruukki's coating range of roofing products. The coating is used, for example, in modular Finnera steel roof solutions.

The main focus in the development of production processes was on cost-efficiency and new production technologies, especially the direct quenching method. Preparations were made in ironmaking for the change of feedstock base. During the fourth quarter of 2011, the company will switch over to using solely iron ore pellets instead of sinter in the ironmaking process.

Ruukki is a partner in three national Strategic Centres for Science, Technology and Innovation (CSTI companies): FIMECC Ltd, the Finnish Metals and Engineering Competence Cluster, CLEEN Ltd, the Cluster for Energy and Environment, and RYM Ltd, the Built Environment Innovation Cluster. Ruukki is currently actively participating in seven five-year research programmes, which among other things are developing energy- and eco-efficient steel manufacturing processes and light structural solutions, as well as pursuing new business opportunities.

Corporate governance 2010

Rautaruukki Corporation's Annual General Meeting was held in Helsinki on 23 March 2010.

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

The Annual General Meeting decided on the payment of a dividend of EUR 0.45 per share for 2009. A dividend payout of a total of EUR 62 million was paid on 8 April 2010.

The Annual General Meeting confirmed that the Board of Directors is to have seven members. Reino Hanhinen, Maarit Aarni-Sirviö, Liisa Leino and Hannu Ryöppönen were re-elected to the Board. Pertti Korhonen, Matti Lievonen and Jaana Tuominen were elected to the Board as new members. Reino Hanhinen was re-elected as chairman of the Board and Hannu Ryöppönen was elected as deputy chairman. All members of the Board are independent both of the company and of the company's major shareholders.

The Annual General Meeting resolved to abolish the Supervisory Board. The term of office of the Supervisory Board ended on 12 May 2010, when the resolution was entered in the Trade Register. The Annual General Meeting confirmed that the Supervisory Board is to have five members who were chosen until abolition. Marjo Matikainen-Kallström was re-elected chairwoman of the Supervisory Board and Inkeri Kerola as deputy chairwoman. Turo Bergman, Jouko Skinnari and Tapani Tölli were re-elected to the Supervisory Board. Abolition of the Supervisory Board required an amendment to the company's Articles of Association accordingly. This amendment was also resolved by the Annual General Meeting.

In addition, The Annual General Meeting resolved to amend Article 11 of the company's Articles of Association so that notice of the Annual General Meeting must be given no later than three weeks before the Meeting and at least nine days before the Annual General Meeting record date as referred to in the Finnish Limited Liability Companies Act.

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

The Annual General Meeting granted the Board of Directors the authority to acquire the company's own shares. This authority is detailed in the section Shares and share capital.

The Annual General Meeting resolved to establish a Nomination Committee to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and directors' fees. Under the resolution, representatives of the three largest shareholders at 1 November 2010 were elected to the Nomination Committee. The representatives are: Kari Järvinen, Managing Director, Solidium Oy; Timo Ritakallio, Deputy CEO, Ilmarinen Mutual Pension Insurance Company; and Risto Murto, Executive Vice-President, Investments, Varma Mutual Pension Insurance Company. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, serves as the Nomination Committee's expert member.

In addition, the Annual General Meeting decided to grant the Board of Directors the authority to donate a sum of no more than EUR 900,000 from the company's distributable equity to support the activities of colleges and universities. In September, the company announced that, acting under the authority of the Board of Directors, the beneficiaries of the donation are the new Aalto University, Tampere University of Technology and Lappeenranta University of Technology. Aalto University received EUR 750,000 of the donation.

At its organisation meeting on 23 March 2010, the Board of Directors elected members to its committees from among its members. Hannu Ryöppönen was elected as chairman and Liisa Leino, Matti Lievonen and Jaana Tuominen as members of the Audit Committee. In addition, the Board of Directors elected Reino Hanhinen as chairman and Maarit Aarni-Sirviö and Pertti Korhonen as members of the Remuneration Committee.

Rautaruukki will publish its corporate government statement separately from the Report of the Board of Directors in 2010. After publication, the statement will be available on the company's website at www.ruukki.com.

Shares and share capital

During 2010, a total of 182.1 million (189.4) Rautaruukki Oyj shares (RTRKS) were traded on NASDAQ OMX Helsinki for a total of EUR 2,712 million (2 752). The highest price quoted was EUR 17.78 in December and the lowest was EUR 11.62 in July. The volume weighted average price was EUR 14.48. The share closed on the year at EUR 17.51 (16.14) and the company had a market capitalisation of EUR 2,456 million (2,264).

Rautaruukki's share is also traded on multilateral trading facilities (MTF). According to information received by the company, a total of 42.6 million shares were traded on MTFs for a total of EUR 629 million in 2010.

The company's registered share capital at 31 December 2010 was EUR 238.5 million and there were 140,285,425 shares outstanding. There were no changes in share capital in 2010. The company has one series of shares, with each share conveying one vote. Under the Articles of Association, a voting restriction applies whereby the votes of an individual shareholder are restricted to 80 per cent of the total number of votes conveyed by shares at a General Meeting.

At year-end 2010, the company held a total of 1,423,051 treasury shares, which had a market capitalisation of EUR 24.9 million and an accountable par value of EUR 2.4 million. Treasury shares account for 1.01 per cent of the total number of shares and votes.

The 2009 Annual General Meeting granted the Board of Directors the authority to decide on a share issue, which includes the right to issue new shares or to transfer treasury shares held by the company. This authority applies to a maximum of 15,000,000 shares in total. The Board of Directors has the right to disapply the pre-emption right of existing shareholders. The authority also includes the right to decide on a bonus issue. The authority is valid until the close of the 2011 Annual General Meeting. The Board of Directors had not exercised this authority by the end of 2010.

The 2010 Annual General Meeting granted the Board of Directors the authority to acquire a maximum of 12,000,000 of the company's own shares. The authority is valid until the 2011 Annual General Meeting. The Board of Directors had not exercised this authority by the end of the report period.

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

An overview of ownership in the company by sector and size of holding, the largest shareholders and the interests of the governing bodies and the Corporate Executive Board can be found on the company's website at www.ruukki.com.

Flagging notifications

On 14 January 2010, the company received a flagging notification from Capital and Research Management Company (CRMC) under Chapter 2, Section 9 of the Finnish Securities Markets Act that the aggregate holding in Rautaruukki shares for the funds it manages had, as at 12 January 2010, increased to above five per cent. The number of Rautaruukki shares notified by CRMC was 7,297,852 shares, which equated to 5.20 per cent of Rautaruukki's share capital and votes. The company received no other flagging notifications during the year.

Litigation and other pending legal actions

Judgment was reached on 15 January 2010 in proceedings instigated in Sweden in a case concerning safety at work as a result of a serious accident in 2008 at the Kista Galleria construction site. All the prosecutor's claims against the company's employee and Ruukki Sverige AB were dismissed. During the second quarter, the insurance company reached a claims settlement decision and agreement regarding costs was reached by the parties concerned. This had no significant impact on profit and loss.

On 30 June 2010, the European Commission completed its investigations into suspected price collusion relating to the manufacture of prestressing steel between 1996 and 2001 by Ruukki's former subsidiary, Fundia. In accordance with the Commission decision, a total of 17 European steel producers received fines for price collusion between competitors during the years 1984–2002. The Commission ordered fines totalling EUR 518 million on the companies involved. The prestressing steel business practised during 1997–2001 by Rautaruukki's former subsidiary, Fundia, was included in the investigation. Rautaruukki sold its interest in Fundia to Ovako in 2005–2006. Rautaruukki, Fundia's parent company at the time, was, jointly and severally with the Ovako companies concerned, ordered to pay a fine of EUR 4.7 million. At the end of September, the Commission re-calculated the fine to be EUR 4.3 million in respect of Rautaruukki.

Implementation of the strategy in 2010 and changes in the company's strategic outlines

The strategic focus in 2010 was on improving operational efficiency and defining core businesses. Further progress was made with the operational excellence programme, Boost, initiated in 2008. Within the framework of the programme manufacturing operations continued to be centred on increasingly larger units in the Nordic countries and Central Eastern Europe. The programme has progressed well ahead of schedule and has exceeded its original target.

In October, Ruukki announced the strategic outlines it had defined for the next few years on the basis of strategy work. Geographically, the focus of growth is strongly on the emerging markets. Work continues on development of the solutions businesses – construction and engineering. The focus in the steel business is on special steel products, where synergies can be capitalised on with the company's engineering business.

Based on the strategy, Ruukki set new targets for its businesses:

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

For example, the steel business focused strongly on opening sales and distribution channels in new largely emerging markets. Sales of special steel products grew well and accounted for 27 per cent (19) of net sales in the steel business. The emerging markets accounted for 23 per cent of consolidated net sales in 2010.

The company kept its financial targets unchanged:

- Growth in comparable net sales > 10% p.a.
- Comparable operating profit > 15% of net sales
- Return on capital employed > 20%
- Gearing ratio ~ 60%
- Dividend payout 40–60% of profit for the period

Changes in corporate management

In connection with the strategy outlined, changes were made to the responsibilities of the Corporate Executive Board, which as of 1 November 2010 comprises the following members:

- Sakari Tamminen, President & CEO and chairman of the Corporate Executive Board
- Mikko Hietanen, Executive Vice President, Business Development (deputy to the President & CEO)
- Tommi Matomäki, Executive Vice President, Ruukki Construction
- Marko Somerma, Executive Vice President, Ruukki Engineering
- Olavi Huhtala, Executive Vice President, Ruukki Metals
- Saku Sipola, Executive Vice President, Marketing, Technology and Supply Chain Management
- Markku Honkasalo, CFO

Most significant risks and risk management

Risk management at Ruukki is an integrated part of the management system and seeks to support the company's strategy and achievement of targets and to ensure business continuity. The company is continuously improving its risk management by taking into account changes in its business environment and operating activities.

Common corporate risk management practices were further established during 2010 and further positive progress was made in the level of risk management of hazard and operative risks. Particular attention was given among other things to the modernisation investments carried out at the Raahe Steel Works in Finland during the year and to the associated insurance cover and risk management. In addition, the functioning of insurance coverage and its suitability for the needs of Ruukki's different business activities was also high on the agenda. Development of corporate security is a new focus area that was begun during the year.

Western Europe and many other developed markets are experiencing slow economic growth. The company has prepared for this by switching the growth focus to emerging countries. The share of specialisation within the steel business will be increased, which will open up growth potential also in the emerging markets. The businesses will be balanced by increasing the share of those businesses – such as residential roofing products and infrastructure construction – that are less vulnerable to economic fluctuations.

Finland and the other Nordic countries account for most of the company's net sales. A major change in the competitive situation in these markets or, for example, customers relocating to lower-cost countries might affect the company's business. Ruukki has prepared for trends of this kind by, among other things, building its own production capacity in Central Eastern Europe and China, by developing an international distribution network for special steel products and by strengthening its market share in the Nordic market.

Trade liberalisation and the gradual opening of the European market to, for example, Russian and Ukrainian actors pose a risk. International comparison shows Ruukki's steel production to be competitive, but small in terms of volume. Crude steel production takes place using two blast furnaces integrated into one production unit. This means steel production has limited flexibility compared to large competitors, who have a number of production units and who are thus able to optimise production between several units. The company has prepared for this risk by improving cost efficiency and production flexibility.

Raw materials account for a significant share of the value of steel products. The price and freight charges of iron ore, coking coal and other main raw materials used in steel production are determined on the global markets. This can make prices of these raw materials very volatile. An important part of risk management involves identifying alternative supply channels to ensure business continuity and to safeguard cost levels. Availability risks are managed through long-term contracts to source the main raw materials and energy used in steel production. The group generates almost half of the electricity it uses by utilising the process gases released in its own production.

Demand for steel and other metal products and especially prices for standard steel products fluctuate with economic cycles. Ruukki has prepared for cyclical fluctuations in steel prices by increasing the share of special steel products in its own steel output and by re-aligning production levels to market demand. The company sells its products mainly directly to end-users and is thus well-placed to identify customer needs.

Additional costs arising from increasingly stricter environmental regulations and carbon emissions trading impact on the company's competitiveness and investments, especially if the same rules of play do not apply equally to all actors in the field. Ruukki's works rank among the most carbon dioxide efficient and use almost the minimum coking coal possible in steel production using current process technology. The company has taken thorough steps to anticipate and actively track changes in environmental legislation. All the company's main production sites operate in compliance with the ISO 14001:2004 environmental management system.

The company's risks and risk management are detailed in the Annual Report 2010.

Near-term outlook

The economic outlook in Ruukki's main market areas has remained favourable and the rate of growth in Central and Eastern Europe is expected to gradually improve. Compared to the previous year, industrial investments are estimated to pick up in all Ruukki's main market areas in 2011. However, the sovereign debt problems of certain European countries cause uncertainty in the near-term outlook as it is difficult to estimate the total impact of these on economic development.

It is estimated commercial and industrial construction will return to growth in the Nordic countries during 2011. Growth in Sweden is estimated to be brisker than in the other Nordic countries. Investments in commercial and industrial construction in Russia have already picked up clearly. Modest growth in residential construction is forecast to continue in all main market areas. Infrastructure construction activity in the Nordic countries is expected to continue to be relatively good.

In the engineering business, market conditions are estimated to improve. Demand is increasing from manufacturers of heavy cargo and other materials handling equipment. Demand for construction machines and equipment and forest and mining industry machines is estimated to grow. Supported by the positive notes in these industrial sectors, order volumes, especially for cabins, booms and frames, are estimated to grow. In the manufacture of equipment for the energy industry, demand in the wind power sector is forecast to improve from the level in 2010. It is estimated shipbuilding activity in Europe will continue at a low level in 2011.

In the steel business, it is estimated that growing demand from the heavy engineering industry and the heavy automotive industry will support sales of special steel products in particular. This is also supported by an expansion of the company's distribution network into emerging markets and mining-intensive countries. It is estimated selling prices of steel products will rise during 2011 due to improving demand and higher raw material prices. Increased sales of special steel products strengthen positive development of average selling prices.

As a result of the operational excellence programme, Boost, the company's cost structure is better than in previous years. Growing demand is estimated to also improve the company's capacity utilisation rate in 2011, especially in the solutions businesses.

Based on the estimates given above, consolidated net sales in 2011 are estimated to grow 20–25 per cent year on year. Profitability is estimated to clearly improve compared to 2010.

Consolidated financial statements

Consolidated income statement

€m	Note	2010	2009
Net sales	4	**2 415**	1 950
Cost of sales	8	**-2 185**	-2 027
Gross profit		**229**	-77
Other operating income	7	**15**	20
Selling and marketing expenses	8	**-103**	-113
Administrative expenses	8	**-152**	-151
Other operating expenses	7	**-1**	-2
Operating profit		**-12**	-323
Finance income		**65**	81
Finance costs		**-131**	-117
Net finance costs	11	**-66**	-36
Share of profit of equity-accounted investees	16	**3**	0
Result before income tax		**-74**	-359
Income taxes	12	**-4**	84
Result for the period		**-79**	-275
Attributable to			
Owners of the company		**-79**	-275
Non-controlling interest		**0**	0
Earnings per share:			
Basic, €	13	**-0.57**	-1.98
Diluted, €	13	**-0.57**	-1.98

Consolidated statement of comprehensive income

€m	Note	2010	2009
Result for the period		**-79**	-275
Other comprehensive income			
Cash flow hedges, net of tax	20	**10**	38
Translation differences		**18**	-5
Defined benefit plan actuarial gains and losses, net of tax	29	**-7**	-12
Total other comprehensive income, net of tax		**22**	22
Total comprehensive income		**-57**	-253
Attributable to			
Owners of the company		**-57**	-253
Non-controlling interest		**0**	0

Consolidated statement of financial position

€m	Note	31 Dec 2010	31 Dec 2009
ASSETS			
Non-current assets			
Property, plant and equipment	14	**1 180**	1 159
Goodwill	15	**104**	103
Other intangible assets	15	**68**	73
Equity-accounted investees	16	**14**	12
Available-for-sale financial assets	18	**13**	12
Other non-current receivables	19	**9**	44
Deferred tax assets	20	**26**	39
Total non-current assets		**1 414**	1 444
Current assets			
Inventories	21	**640**	492
Trade receivables	22	**325**	246
Other receivables	22	**89**	86
Income tax receivables		**3**	3
Financial assets	24	**14**	219
Cash and cash equivalents	25	**40**	42
Total current assets		**1 110**	1 088
Assets held for sale	6	**15**	
Total assets		**2 539**	2 532
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital	26	**238**	238
Share premium	27	**220**	220
Translation differences		**-23**	-41
Retained earnings and other reserves	27	**951**	1 091
		1 387	1 507
Non-controlling interest		**2**	2
Total equity		**1 389**	1 509
Non-current liabilities			
Loans and borrowings	31	**477**	387
Other non-interest-bearing liabilities	32	**49**	58
Provisions	30	**2**	3
Deferred tax liabilities	20	**39**	37
Total non-current liabilities		**566**	485
Current liabilities			
Loans and borrowings	31	**198**	209
Trade payables	32	**171**	146
Other non-interest-bearing liabilities	32	**200**	171
Provisions	30	**4**	8
Income tax liabilities		**4**	5
Total current liabilities		**577**	538
Liabilities held for sale	6	**7**	
Total liabilities		**1 150**	1 023
Total equity and liabilities		**2 539**	2 532

Consolidated statement of changes in equity

€m	Equity attributable to owners of the company							
	Share capital	Share premium	Fair value and other reserves	Transla-tion differen-ces	Treasury shares	Retained earnings	Non-controlling interest	Total equity
EQUITY AT 1 JAN 2009	238	220	-37	-36	-6	1 569	2	1 950
Transactions with owners of the company								
Share issue	0							0
Dividend distribution						-188		-188
Share-based payments					0	0		1
Total comprehensive income			38	-5		-287	0	-253
EQUITY AT 31 DEC 2009	238	220	2	-41	-6	1 095	2	1 509
Transactions with owners of the company								
Dividend distribution						**-62**		**-62**
Share-based payments			**-1**		**0**			**-1**
Total comprehensive income			**10**	**18**		**-85**	**0**	**-57**
EQUITY AT 31 DEC 2010	**238**	**220**	**11**	**-23**	**-6**	**946**	**2**	**1 389**

In line with the meeting on 2 February 2011, the Board of Directors proposes a dividend of EUR 0.60 per share, amounting to EUR 83 million. These financial statements do not include bookings related to the proposed dividend distribution.

Consolidated statement of cash flows

€m	Note	2010	2009
Cash flows from operating activities			
Result for the period		**-79**	-275
Adjustments:			
Adjustments to cash flows	33	**120**	224
Net finance costs		**66**	36
Income tax expense		**4**	-84
Changes in working capital:			
Change in trade and other receivables		**-77**	169
Change in inventories		**-136**	235
Change in trade and other payables		**66**	-88
Interest paid		**-70**	-75
Interest received		**43**	58
Dividends received from equity- accounted investees		**1**	2
Income tax paid		**-3**	-21
Net cash from operating activities		**-64**	182
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	5		-8
Divestment of subsidiaries, net of cash at divestment date	5	**3**	
Investments in property, plant and equipment		**-157**	-151
Investments in intangible assets		**-15**	-10
Proceeds from sale of property, plant and equipment		**7**	17
Investments in loan receivables and other financial assets		**0**	-1
Net cash used in investing activities		**-162**	-153
Net cash flow before financing activities		**-226**	30
Cash flows from financing activities			
Dividends paid		**-62**	-188
Proceeds from loans and borrowings		**126**	434
Repayments of loans and borrowings		**-103**	-330
Change in current liabilities		**63**	76
Other net cash flow from financing activities		**-9**	-18
Net cash from financing activities		**15**	-24
Change in cash and cash equivalents		**-211**	7
Cash and cash equivalents at the beginning of period		**261**	254
Effect of exchange rate fluctuations on cash held		**4**	1
Cash and cash equivalents at end of period		**53**	261

Notes to the consolidated financial statements

1. Accounting policies

Company information
Rautaruukki supplies metal-based components, systems and integrated systems to the construction and engineering industries. The company has a wide selection of metal products and services and has operations in 27 countries. Rautaruukki Corporation, the parent company, is domiciled in Helsinki and its registered address is PO Box 138, Suolakivenkatu 1, FI-00810 Helsinki, Finland. Rautaruukki Oyj's share is listed on NASDAQ OMX Helsinki Ltd (Rautaruukki Oyj; RTRKS). The Corporation uses the marketing name Ruukki.
At its meeting on 2 February 2011, Rautaruukki Corporation's Board of Directors approved these financial statements for disclosure. Under the Finnish Limited Liability Companies Act, shareholders may adopt or reject the financial statements at the Annual General Meeting held after disclosure. The Meeting may also resolve to amend the financial statements.
In 2010, consistent with Rautaruukki's management organisation, business was structured into the following reporting divisions:

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

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

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

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

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations in force at 31 December 2010. In the Finnish Accounting Act and the regulations based thereon, IFRS refers to the standards and the interpretations issued with regard to them, which have been approved for application within the EU in accordance with the procedure prescribed in EU Regulation (EC) 1606/2002. The notes to the consolidated financial statements also take in the requirements of Finnish accounting and company legislation.
The consolidated financial statements have been prepared under the historic cost convention, except for the items below, which are measured at fair value as required by the standards.
The financial statements are presented in millions of euros. For the purposes of presentation, individual figures and totals are rounded to the nearest whole million of euros. This means that the sum of the individual figures may differ from the total shown.

New accounting policies
Amendments to and new interpretations of standards coming into force in 2010 had no material impact on the consolidated financial statements. The amendments and interpretations are stated below:

- Revised IFRS 3 Business Combinations. The revised standard continues to apply the purchase method to business combinations, but with some significant changes. All acquisition costs are expensed. In addition, all payments to purchase a business must be recognised at fair value at the acquisition date, with contingent payments subsequently measured at fair value through profit and loss. For each acquisition, the share of non-controlling interests can be measured either as their proportionate interest in the net identifiable assets of the acquisition or at fair value. The changes to the standard affect the amount of goodwill recognised on acquisitions and the gain or loss from business divestments. Under the transition rules applying to the standard, business combinations whose acquisition date is before 1 January 2010, the compulsory adoption date of the standard, are not adjusted.

- Amended IAS 27 Consolidated and Separate Financial Statements. The amended standard requires the effects of all transactions with non-controlling interests to be recognised in equity if control is retained. This means, transactions with non-controlling interests no longer result in goodwill or in the recognition of gains and losses through profit and loss. The standard also specifies the accounting treatment transactions when control is lost. In such cases, any remaining interest in the entity is remeasured to fair value and any ensuing gain or loss is recognised through profit and loss. Similar accounting treatment will also be applied to investments in equity-accounted investees (IAS 28) and interest in joint ventures (IAS 31). As a result of the changes to the standard, the losses from a subsidiary can be allocated to non-controlling interest owners even when they exceed the amount of their investment.

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

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 17 Distribution of Non-cash Assets to Owners IFRIC 18 Transfers of Assets from Customers.
- Amendments to IFRS 2 Share-Based Payment – Group Cash-Settled Share-Based Payment Transactions

Changes in the method of presentation and accounting practice

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

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

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

Figures for the reference period are similarly stated in Note 4 Segment reporting.

Use of estimates

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

2. Consolidation and accounting policies

Subsidiaries

The consolidated financial statements include Rautaruukki Corporation and its subsidiaries. Subsidiaries are companies in which the group has a controlling interest, which arises when it holds more than half of the voting rights or otherwise has the power to govern the financial and operating policies of a company. The existence of potential voting rights is taken into account when assessing the conditions under which control arises whenever

instruments conferring potential voting rights can be exercised at the review date. At the end of the report period, the group has no instruments conferring potential voting rights.
Intra-group share ownership has been eliminated by means of the purchase method. The consideration transferred and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Acquisition costs, except for costs arising from the issue of debt or equity securities, are expensed. Consideration transferred does not include businesses treated separately from the acquisition. The impact of these is recognised through profit and loss in connection with the acquisition. Any contingent consideration is measured at fair value at the acquisition date and is classified as either a loss or equity. Contingent consideration classified as debt is measured at fair value at each report period-end and the gain or loss arising is recognised through profit and loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured. Acquired subsidiaries are accounted for in the consolidated financial statements from the time the group gains control and divested subsidiaries are accounted for up to the time control ceases. Intra-group transactions, receivables, liabilities and intra-group profits are eliminated in preparing the financial statements. Any non-controlling interest in the acquisition is measured either at fair value or at the non-controlling interest's proportionate share of the identifiable net assets of the acquisition. The measuring principle is defined separately for each acquisition. The consolidated comprehensive income is attributed to the owners of the parent company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance. The proportion of equity belonging to non-controlling interests is shown as a separate item under equity in the statement of financial position. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Ownership of an acquisition that takes place in stages is measured at fair value and the profit or loss arising is accounted for through profit and loss. When the group loses control in a subsidiary, the remaining investment is measured at fair value at the date control ceased and the difference arising is accounted for through profit and loss.

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

The parent company and subsidiaries have the same accounting period, which is the calendar year, and subsidiaries comply with the consolidation principles described here.

Equity-accounted investees

Equity-accounted investees are companies in which the group exercises significant influence, which arises when the group holds 20-50 per cent of a company's voting rights or otherwise has significant influence in a company's operating policies, but does not have control.
Investments in equity-accounted investees are accounted for in the consolidated financial statements using the equity method. If the group's share of losses exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the group has given a commitment to fulfil the obligations. Unrealised profits between the group and equity-accounted investees are eliminated pro rata to the company's shareholding. The investment includes the goodwill arising from acquisition. The pro rata share of the results of associated companies for the financial period is shown as a separate item after operating profit.
The financial period of equity-accounted investees is the same as that of group companies. Insofar as the accounting policies of equity-accounted investees do not substantially correspond to those of the group, the necessary adjustments to the figures reported by the equity-accounted investee have been made at group level.

Joint ventures

The group has no investments in joint ventures.

Foreign currency transactions

Figures relating to the profit and financial position of group units are measured in the currency of the primary economic environment in which the unit operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.
Foreign currency transactions are booked in euros at the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currency are translated into euros using the prevailing period-end exchange rates. Non-monetary items denominated in foreign currency and measured at fair value are translated into euros using the exchange rates prevailing at the measurement date. Otherwise non-monetary items are measured at the exchange rates prevailing at the date of the transaction. Gains and losses arising from foreign currency transactions and the translation of monetary items are reported in the income statement. Foreign exchange gains and losses on operations (sales and purchases) are included in the corresponding items above operating profit. Foreign exchange gains and losses on financing are included in finance income and costs.

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

Financial instruments

Financial assets

The group's financial assets have been classified into the following groups: loans and other receivables, financial assets at fair value through profit and loss, held-to-maturity investments and available-for-sale financial assets. Classification is made on the basis of the purpose for which the financial assets were originally acquired. Transaction costs are included in the original carrying amount of financial assets when an item is not measured at fair value through profit and loss. The group recognises purchases and sales of financial assets on the basis of the trade date.

A financial item is derecognised from the statement of financial position when and only when the contractual rights to cash flows from the financial asset expire or the group transfers the item included in financial assets to another party such that the rewards and risks incidental to ownership of the item or control over it are transferred to the other party.

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

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

Held-to-maturity investments include financial assets (excluding derivative assets) whose related payments are fixed or definable. They mature at a specific date and the group is determined and able to hold the assets until maturity. Such investments are measured at amortised cost and are included in non-current assets. The group had no such assets at 31 December 2010 or 31 December 2009.

Available-for-sale financial assets are assets (excluding derivative assets) which have been expressly classified in this group or which have not been classified in any other group. Unless the intention is to sell them within 12 months of the end of the report period, they are included in non-current assets. These assets are measured at fair value or, if the fair value cannot reliably be determined, at acquisition cost. Changes in the value of available-for-sale financial assets are recognised net of tax in other comprehensive income and are included in the fair value reserve in equity. Cumulative changes in fair value included in equity are transferred to the income statement and loss when the investment is sold or when its fair value has been impaired to the extent that an impairment loss must be recognised for it.

Cash and cash equivalents consist of cash on hand, demand deposits and other current, liquid investments. Items classified as cash and cash equivalents have a maximum of three months' duration from the acquisition date. Cash and cash equivalents are measured at fair value, except for cash and bank accounts, which are measured at amortised acquisition cost.

The group assesses at the end of each report period whether there is any objective evidence that a financial asset is impaired. If any such evidence exists, the amount of the loss is measured as the difference between that asset's carrying amount and the present value of estimated cash flows discounted at the original effective interest rate of the financial asset. Impairment is recognised in the income statement. Uncertainty related to receivables is measured regularly and credit losses are expensed when detected.

Financial liabilities

Financial liabilities classified at fair value through profit and loss are recognised in financial liabilities and other financial liabilities (financial liabilities measured at amortised acquisition cost). Financial liabilities measured at fair value through profit and loss include derivatives that do not qualify for hedge accounting. Other financial liabilities are initially recognised at fair value. In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities are included in non-current and current liabilities.

Since 1 January 2009, the group has capitalised the acquisition costs of assets qualifying as borrowing costs using the group capitalisation rate. Other borrowing costs not qualifying for capitalisation are expensed during the period incurred. Transaction costs directly attributable to obtaining loans are included in the original amortised cost of the loan and allocated to interest expense using the effective interest method.

Derivative contracts and hedge accounting

Derivative contracts are initially recognised at fair value and continue to be measured at fair value thereafter. Gains and losses arising from measurement at fair value are treated in the accounts in the manner determined by the purpose of the derivative contracts.

When the group enters into derivative contracts, it treats them as hedges of the fair value of receivables, liabilities or firm commitments, hedges of the cash flow of a highly probable forecast transaction, hedges of a net investment in a foreign unit or as derivative contracts which do not qualify for hedge accounting. The group applies hedge accounting to commodity derivatives (zinc and electricity derivatives) and to certain interest rate swaps. In addition, the group has foreign exchange and interest rate derivative contracts to which hedge accounting is not applied.

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

In the financial periods 2010 and 2009, the group had no hedging in respect of net investments made in subsidiaries outside the eurozone.

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

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

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

Property, plant and equipment

Property, plant and equipment is measured at historical cost less depreciation and impairment losses. If an item of property, plant and equipment consists of several parts with different estimated economic lives, each part is treated as a separate asset. The cost of replacing an element is then capitalised and the remainder is expensed.

Subsequent costs are included in the carrying value of an item of property, plant and equipment only when it is probable that future economic benefits from the asset will flow to the group and the cost of the asset can be determined reliably. Other repair and maintenance expenses are charged to the income statement as incurred.

Assets are depreciated on a straight-line basis over their useful lives. No depreciation is made for land. The depreciation times of tangible assets have been clarified in 2009 and the following depreciation times are used for new assets:

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

Property, plant and equipment acquired on a finance lease is depreciated over the estimated useful life or lease term, whichever is the shorter.
The residual value and useful life of assets are regularly reviewed at each statement of financial position date and, where necessary, adjusted to reflect changes that have occurred in the expectation of an asset's useful life.
Depreciation of an item of property, plant and equipment ceases when it is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (see Note 6 Assets held for sale).
Gains and losses arising from the disposals and transfer of property, plant and equipment are included either in other operating income or other operating expenses.

Government grants

Government grants related to purchase of property, plant and equipment are deducted from the carrying amounts of the assets concerned. Grants are recognised as income in the form of smaller depreciation charges over the lifetime of the asset. Other government grants are recognised in other operating income. The group received no significant government grants that would be deducted from the acquisition costs of property, plant and equipment in 2010 and 2009.

Borrowing costs

Rautaruukki has applied the amended IAS 23 Borrowing Costs standard since 1 January 2009. Under this standard, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are included directly in the cost of the asset concerned. The amendment eliminated the earlier option to expense borrowing costs as incurred.

Intangible assets

Goodwill

For business combinations taking place on or after 1 January 2010, the excess of the consideration transferred, the amount of non-controlling interests in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of identifiable net assets is booked as goodwill.
Acquisitions taking place between 1 January 2004 and 31 December 2009 have been accounted for in accordance with earlier IFRS standards. Goodwill arising from business combinations taking place before 2004 correspond to the carrying values of the previous financial statement framework that has been used as deemed cost in accordance with IFRS standards.
Goodwill and other intangible assets with indefinite useful lives, are not amortised, but tested annually for impairment. For this purpose, goodwill has been allocated to cash-generating units or is included in the acquisition cost in the case of an equity-accounted investee.
Goodwill is measured at cost less accumulated impairment losses.
Goodwill is tested annually or, where necessary, more frequently, (see Note 15 Intangible assets). For this purpose, goodwill has been allocated to cash-generating units that correspond to management's way of monitoring the business and related goodwill. Cash-generating units within the group correspond to the reported operating segments.

Research and development costs

Research and development costs are expensed in the income statement as incurred. If research costs are expected to generate future income, they are capitalised as intangible assets and depreciated over the period of the income streams. No development costs were capitalised in the statement of financial position at 31 December 2010 and 2009.

Emissions allowances

The group is party to the EU Emissions Trading Scheme and has been allocated a specific number of emissions allowances for a specific period. Emissions allowances and carbon credits purchased and units in funds generating carbon credits are recognised in the acquisition cost of intangible assets and the cost of emissions allowances received free of charge at nominal value, i.e. zero. An impairment loss is recognised in the income statement if the carrying value of emissions allowances or carbon credits exceeds their fair value.
A provision to cover the obligation to return emissions allowances is recognised unless emissions allowances received free of charge cover actual emissions. Any impact on the result will reflect the difference between actual emissions and emissions allowances received. The group has no provisions related to emissions allowances in the statement of financial position at 31 December 2010 and 2009 as actual emissions did not exceed the amount of allowances received.

The difference between actual emissions and emissions allowances received, changes in the likely value of the provision and capital gains on the sale of emissions allowances and carbon credits are included in operating profit.

Other intangible assets

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

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

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

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

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

Leases

Leases of property, plant and equipment where the group holds substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised in the statement of financial position at the fair value of the leased property at the commencement of the lease or at the present value of the minimum lease payments, whichever is the lower. An asset obtained on a finance lease is depreciated over the useful life of the asset or the lease term, whichever is the shorter. Lease obligations are included in interest-bearing financial liabilities.

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

Impairment of assets

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

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

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

Inventories

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

Employee benefits

Pension obligations

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

The group has defined benefit plans in Finland, Norway and Germany.

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

Actuarial gains and losses are recognised in other comprehensive income.

Share-based payments

Rautaruukki has share bonus schemes for management in which part of the bonuses are paid in shares and the remainder in cash. More information about share-based plans is given in Note 28 Share-based payments.

The group has no option programmes in effect.

Provisions

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

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

Income taxes

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

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

the entity has a legally enforceable right to set off the recognised amounts, and the deferred tax asset and tax liability relate to income taxes levied by the same tax authority.
A change in a deferred tax asset or liability is recognised in the income statement, except for taxes arising from a transaction or event that are recognised in other comprehensive income or which are the result of a business combination.

Revenue recognition

Goods sold and long-term projects

Revenue from the sale of goods is recognised when the significant risks, rewards and actual control incidental to ownership have been transferred to the buyer, the revenue and costs incurred in respect of the transaction can be reliably measured and it is probable that the economic benefits of the transaction will flow to the company.
Revenue from long-term projects, which include product installation, is recognised based on degree of completion, which is measured using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. When the outcome of a transaction cannot reliably be estimated, revenue is recognised only to the extent of the expenses probably recoverable. Transaction costs are expensed in the financial period incurred. An expected loss on a project is expensed immediately.
Revenue is measured at the fair value of the consideration received or receivable. VAT and other similar indirect taxes are deducted from sales revenues. Amounts payable to tax authorities are stated as current liabilities in the statement of financial position under other liabilities and amounts receivable from tax authorities are stated as current receivables in the statement of financial position under other receivables.

Interest, royalties and dividends

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

Assets held for sale and discontinued operations

The group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and under customary terms, management must be committed to a plan to sell the asset, an active programme has been initiated to locate a buyer and it is highly probable that the sale will be completed within a year.
The scope of IFRS 5 includes assets held for sale and asset items related to discontinued operations, which are classified as held for sale and measured at their carrying amount or fair value less costs to sell, whichever is the lower. Depreciation and amortisation on these asset items is discontinued at the time of classification (see Note 6 Assets held for sale).

Treasury shares

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

Adoption of new standards and interpretations

The IASB and IFRIC have published the following new standards, interpretations and amendments, which the group will apply as the standards enter into force below and the European Commission has approved them for application

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective from accounting periods beginning on or after 1 February 2010). The amendment applies to the accounting treatment (classification) for the issue of shares, options and warrants outside the issuer's functional currency. The amendments have no material impact on future consolidated financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective from accounting periods beginning on or after 1 July 2010). The interpretation clarifies the accounting treatment in cases where a company renegotiates the terms of financial liabilities and issues equity instruments to its debtors in full or partial settlement of the liabilities. The interpretation has no impact on future consolidated financial statements.

- Amendments to the interpretation of IFRIC 14 Prepayments of a Minimum Funding Requirement (effective from accounting periods beginning on or after 1 January 2011). The amendment removes an unintended consequence of the interpretation of IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. After the change, companies may recognise as assets in the statement of financial position some prepayments of a minimum funding requirement. Management is assessing the impact of the amendments on future consolidated financial statements.
- Revised IAS 24 Related Party Disclosures (effective from accounting periods beginning on or after 1 January 2011). The definition of a related party is being simplified and the disclosure requirements in respect of government-related entities will change.
- IFRS 9 Financial Instruments (effective from accounting periods beginning on or after 1 January 2013). IFRS 9 is the first stage in a broader project intended to replace IAS 39 with a new standard. Different ways of measurement have been retained, but simplified. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. Other guidance within the scope of IAS 39 on the impairment of financial assets and hedge accounting remain in force. Figures for previous periods do not need to be restated if the standard is adopted before the accounting period beginning 1 January 2012. The standard has not yet been approved for application in the EU.

3. Financial risk and capital management

Principles

Corporate financial risk management aims at minimising the unfavourable impacts of financial risks on the group's result, equity and cash flow and at ensuring the group's liquidity. Financial risk management is centralised on Corporate Treasury and is based on the financing policy approved by the Board of Directors. This policy defines the main principles for the organisation of financing, funding, financial risk management, reporting and oversight. In autumn 2010, the Board of Directors approved the group's new financing policy. The most significant financial matters are dealt with by the Corporate Finance Committee, which is chaired by the company's President & CEO. The Finance Committee decides on the credit lines valid at any given time within the framework of the financing policy. Financial transactions are carried out solely to fund the group's ordinary business and to manage the associated financial risks.

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

Market risks

Foreign exchange risk

Rautaruukki has international operations and its business is therefore exposed to risks caused by exchange rate fluctuations. The greatest foreign exchange risks involve the US dollar (USD) and the Swedish krona (SEK). The raw materials needed to make steel are generally priced in USD. The company's sales in USD offset only a very small percentage of the dollar deficit arising from the purchase of these materials. The SEK risk occurs primarily because the parent company has exports to Sweden denominated in SEK that the cash flows from the Swedish subsidiary do not eliminate. The aim of foreign exchange risk management is to limit the volatility on the group´s cash flow, result and statement of financial position. Foreign exchange risk management within the group is centralised. The group's foreign exchange risks are managed as a transaction position and translation position. The transaction position comprises the cash flows from business transactions agreed and forecast in currencies outside the eurozone and from items denominated in foreign currencies in the statement of financial position. Consistent with the group's operating principles, confirmed net cash flows are as a rule hedged in full. With some exceptions, foreign currency items included in the statement of financial position are hedged. In 2010 the Ukrainian hryvnia was not hedged.

The table below shows income and expense from the group's external operations in different foreign currencies in 2010 and 2009.

The figures denominated in foreign currencies have been translated into euros at the average exchange rates for the year. CEE currencies in the table refer to the following currencies: Polish zloty, Romanian leu, Croatian kuna, Czech koruna, Hungarian forint, Estonian kroon, Latvian lats and Lithuanian litas.

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

2009 €m	EUR	USD	SEK	NOK	RUB/UAH	CEE curren-cies	Other	Total
% of sales	57 %	4 %	11 %	10 %	7 %	8 %	3 %	100 %
+	1 104	76	213	187	140	166	64	1 950
-	-1 496	-268	-97	-165	-104	-125	-17	-2 273
% of costs	66 %	12 %	4 %	7 %	5 %	6 %	1 %	100 %

The translation position, which causes fluctuation in equity, consists of net investments in subsidiaries and equity-accounted investees outside the eurozone. Management assesses the need to hedge against the translation risk on a case-by-case basis, taking into account, for example, market conditions and the cost of hedging. The exchange rate risk arising on net investments in companies outside the eurozone was not hedged in 2010. The table below shows the group's translation position as regards the most significant foreign currencies.

Group translation position

€m	31 Dec 2010	31 Dec 2009
RUB	**126**	133
NOK	**47**	50
SEK	**46**	27
PLN	**17**	18

Positions determined at exchange rates at 31 Dec 2010 and 31 Dec 2009.

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

€m	31 Dec 2010 Equity	31 Dec 2009 Equity
+/-10% movement in EUR/RUB exchange rate	**-11.4/+13.9**	-12.1/+14.8
+/-10% movement in EUR/NOK exchange rate	**-4.3/+5.2**	-4.6/+5.6
+/-10% movement in EUR/SEK exchange rate	**-4.2/+5.1**	-2.5/+3.0
+/-10% movement in EUR/PLN exchange rate	**-1.6/+1.9**	-1.7/+2.0

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

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

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

Sensitivity to foreign exchange risks

€m	2010 Result	2009 Result
+/-10 % movement in EUR/USD exchange rate	**-17.3/+20.3**	-8.4/+10.8
+/-10 % movement in EUR/SEK exchange rate	**+3.9/-6.5**	+2.3/-4.0
+/-10 % movement in EUR/NOK exchange rate	**+1.4/-1.7**	+0.9/-1.1

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

Statement of financial position items denominated in USD, SEK and NOK were hedged at year-end 2010. The sensitivity analysis above excludes cash flows from forecast business transactions. At year-end 2010, cash flows from business transactions in USD were hedged for around five months, in SEK for around four months and in NOK for around four months.

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

Interest risk

The group is exposed to interest rate risks through interest-bearing liabilities and receivables. Net interest-bearing financial liabilities at 31 December 2010 were EUR 621 million (336), which includes finance lease loans for EUR 45 million (54). The group's liquid assets were EUR 53 million (261. The group's interest rate risk management is dealt with centrally by Corporate Treasury. The aim is to level out fluctuations in the group's result, whilst seeking to optimise the group's financing costs within the given risk limits. The interest rate position is managed by currency. The euro is the group's most important currency in the interest risk position and accounts for around 92 per cent (around 95) of the assets and liabilities covered by the position. The interest rate risk position excludes foreign exchange derivatives. To manage the interest rate risk, borrowing and investments have been spread over fixed- and variable interest instruments. In addition, derivative instruments are used to modify the duration of the interest rate risk position. The group applies hedge accounting in accordance with IAS 39 to its interest rate derivatives. The interest rate derivatives employed by the group are defined as fair value hedging instruments. The interest rate risk is monitored and managed as interest rate flow risk and as price risk. Interest rate flow risk is examined by calculating the impact of a one percentage point rise in interest rates on net financial costs during the following 12 months. Price risk has no material impact on income statement. Duration of the group's debt position at 31 December 2010 was 2.5 years (2.1).

Sensitivity to interest rate risks arising from financial instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a hike of one percentage point in market interest rates would affect the consolidated result and equity. The impact on result consists of the interest flow risk and price risk. The analysis includes all the group's interest-bearing items. The sensitivity analysis excludes the taxation impact.

Sensitivity to interest rate risks

	31 Dec 2010		31 Dec 2009	
€m	**Result**	**Equity**	**Result**	**Equity**
+ 1% point movement in market interest rate	**-2.5**	**+/-0**	+0.4	+/-0

Commodity price risks

The raw materials used by the group involve price risks for which the established derivatives markets cover zinc. Zinc price risk management is carried out through derivative contracts. Ruukki Metals is responsible for managing the zinc price risk, which in practice is carried out by Corporate Treasury. Zinc hedges may span for a maximum of three years. At year-end 2010, 42 per cent of the estimated zinc purchases for 2011 and 19 per cent for 2012 were hedged.

Rautaruukki Corporation is one of the largest users of electricity in Finland. The group's largest electricity consuming production units are in Finland. Steel production in Raahe and Hämeenlinna, Finland consumes most of the electricity used. In 2010, the group used around 1.3 TWh (1.1) of electricity. The group generates in Finland almost half of the electricity it uses and buys the remainder. Production process gases are used in own electricity generation at the Raahe Steel Works. Most of the electricity bought to meet the group's need in the Nordic countries is sourced centrally. Electricity price risk management aims to limit volatility, caused by fluctuations in the price of electricity, in cash flows and results. Electricity is hedged primarily through standard derivative products listed on the market and through fixed electricity supply contracts. The electricity price risk is also managed centrally within the group. At year-end 2010, future electricity needs in Finland was hedged as follows: 71 per cent for 2011, 53 per cent for 2012, 46 per cent for 2013, 36 per cent for 2014 and 14 per cent for 2015. Of the estimated electricity need for 2016-2019 around 9 per cent is hedged.

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

Sensitivity to commodity price risks arising from financial instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a +/- 10 per cent movement in prices of electricity and zinc would affect the consolidated result and equity by examining the derivative contracts. The sensitivity analysis excludes the taxation impact.

Sensitivity to commodity price risks

	31 Dec 2010		31 Dec 2009	
€m	**Result**	**Equity**	**Result**	**Equity**
+/-10 % movement in price of electricity	**+/- 0**	**+8.5/-8.5**	+/- 0	+7.5/-7.5
+/-10 % movement in price of zinc	**+/- 0**	**+3.6/-3.6**	+/- 0	+4.3/-4.3

Liquidity risk

Liquidity risk is defined as a situation in which the group's financial assets and borrowing facilities are insufficient to support future operational needs or a situation in which the costs of fundraising required are exceptionally high. Corporate Treasury is responsible for the group's liquidity and the fundraising process. To minimise the risk of refinancing, the group aims for a balanced maturity profile in its loan portfolio and utilises a variety of funding sources.

The group's new Treasury Policy specifies that the amount of external debt maturing within 12 months may not exceed the amount of unused committed credit limits with financial institutions. In addition, the weighted maturity of loans due after 12 months shall be at least three years. At year-end 2010 the maturity of non-current loans after 12 months was 4.1 years (4.2).

The group has defined the sufficient liquidity reserve, which includes cash and liquid assets, committed undrawn credit lines and undrawn loans from banks less short-term credit. The liquidity reserve is deemed as being adequate when it covers the forecast net cash flow, including all non-current loans maturing, for the following 12 months. To ensure liquidity, the group had committed revolving credit facilities totalling EUR 350 million (350), which was completely undrawn at year-end. The group has overdraft facilities totalling around EUR 72 million (67). In addition, the group has non-committed credit lines totalling around EUR 75 million (95) from banks and a EUR 250 million (250) commercial paper programme, of which EUR 94 million (151) remained undrawn at the end of the year. The table below shows the maturity profile of non-current loans.

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

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

Contractual interest flows at interest rates valid at 31 December 2010

€m	EUR	**22**	**20**	**17**	**16**	**6**	**13**

Maturities of the group's financial liabilities at 31 December 2009

€m	Currency	2010	2011	2012	2013	2014	2015-	Total	% of loan stock
Bonds	EUR	75			150			225	30 %
Loans from financial institutions	EUR	21	18	20	20	19	43	141	19 %
	SEK			29				29	4 %
	CNY	2						2	0 %
	USD	1						1	0 %
Pension loans	EUR	4	7	7	7	7	15	46	6 %
	SEK						1	1	0 %
Commercial papers	EUR	98						98	13 %
Other	EUR			1	1			1	0 %
Finance leases	EUR	9	9	6	5	5	20	54	7 %
Trade payables	EUR	145						145	20 %
		355	33	62	32	181	78	742	100 %

Contractual interest flows at interest rates valid at 31 December 2009

€m	EUR	24	17	16	14	13	10

Credit and counterparty risks

Credit risks

Corporate Finance is responsible for credit risk management, which includes credit control processes, instructions and reporting to corporate management. The principles of credit sales are determined by corporate management and credit policies are prepared geographically, regionally or on a subsidiary-specific basis to support these policies. Corporate management makes the most significant decisions concerning credit limits and other credit risks in accordance with the authorities decided by the company's Board of Directors. Credit risks are reported monthly to the corporate management. In the same context, the most significant risks from the group and business area aspect are analysed in detail.

Rautaruukki manages credit risk in relation to trade receivables by imposing an appropriate credit limit on each customer. Sales exceeding the credit limit are not allowed under credit sales principles. Bank guarantees, other collateral and credit risk insurance of the group's trade receivables are considered as factors mitigating the risk to the company. Advance and cash payments, irrevocable letters of credit and export collections confirmed by a bank are also factors reducing credit risk. The group's maximum credit risk equates to the carrying value of financial assets at the end of the period. The group's financial assets are specified in note 17 Financial assets and liabilities by category.

Rautaruukki had no significant risk clusters in trade receivables because sales are spread over a broad customer base and no single customer or customer cluster is material to the group. Credit losses of EUR 3.4 million (2.9) were booked during the period. This equates to 0.14 per cent (0.15) of net sales. Losses were spread over a number of subsidiaries within the group and no individual losses were significant.

Trade receivables due at year-end were down by 6 percentage points (10) year on year. The most significant improvement in the structure of receivables due was in trade receivables overdue by more than 91 days. The majority of overdue receivables at year-end were overdue by less than 7 days. This is mainly explained by the time taken to process money transactions between financial institutions before payment is recognised in the group's bank account. The trend in overdue trade receivables has improved as a result of intensified credit control activity corporate-wide. At year-end overdue receivables had decreased to 16 per cent (22) of trade receivables.

Trade receivables

€m	2010	2009
Trade receivables	**325**	246
Overdue by		
1-30 days	**40**	34
31-60 days	**8**	6
61-90 days	**3**	4
more than 91 days	**3**	10
Total overdue	**53**	53

During 2010 the amount of doubtful receivables decreased to EUR 15 million. In the table above doubtful receivables are deducted from trade receivables.

Doubtful receivables

€m	2010	2009
Doubtful receivables at 1 Jan 2010	**23**	15
Change in doubtful receivables	**-11**	5
Final credit losses	**3**	3
Doubtful receivables at 31 Dec 2010	**15**	23
Analysis of doubtful receivables		
Not yet maturing	**1**	1
1-30 days	**0**	0
31-60 days	**0**	0
61-90 days	**0**	0
more than 91 days	**14**	22
Total	**15**	23

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

Counterparty risk

To minimise the counterparty risk in financing, the company enters into contracts only with leading creditworthy financial institutions and other counterparties. In investing activities, counterparty risk is managed by defining separate risk limits for each counterparty. The company has a valid ISDA framework agreement or similar agreement principle counterparties in respect of derivative contracts negotiated outside a stock exchange. No losses from financial counterparty risks were incurred during 2010.

Capital management

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

Development of the capital structure is constantly monitored through gearing. The strategic intent is to keep gearing in the region of about 60 per cent. Net interest-bearing financial liabilities at year-end 2010 were EUR 621 million (336) and the gearing ratio was 44.7 per cent (22.3). Net interest-bearing financial liabilities included financial liabilities less cash and current financial assets. The group has defined the weighted average cost of capital (WACC) applied to capital allocation decision-making and in assessing the efficiency of the use of capital. The strategic target for return on capital employed is 20 per cent. The group's dividend policy is a payout ratio of 40-60 per cent of the result for the period. The aim is for a steadily rising dividend whilst taking into account the needs of business growth.

Gearing ratio at 31 Dec

€m	2010	2009
Non-current financial liabilities	**477**	387
Current financial liabilities	**198**	209
Cash and current financial assets	**53**	261
Net interest-bearing financial liabilities	**621**	336
Total equity	**1 389**	1 509
Gearing ratio	**44.7%**	22.3%

4. Segment reporting

Operating Segments

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

Ruukki Construction

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

Ruukki Engineering

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

Ruukki Metals

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

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

Income statement

€m	2010	2009
Net Sales		
Ruukki Construction	**628**	589
Ruukki Engineering	**193**	263
Ruukki Metals	**1 581**	1 050
Others	**13**	49
Group	**2 415**	1 950
Operating profit		
Ruukki Construction	**-43**	-49
Ruukki Engineering	**-32**	-4
Ruukki Metals	**93**	-228
Others	**-30**	-42
Group	**-12**	-323
Net finance costs	**-66**	-36
Share of profit of equity-accounted investees	**3**	0
Income tax expense	**-4**	84
Result for the period	**-79**	-275

Depreciation and impairment	Depreciation		Impairment	
€m	2010	2009	2010	2009
Ruukki Construction	**30**	59	**1**	0
Ruukki Engineering	**9**	22	**4**	0
Ruukki Metals	**108**	63	**1**	0
Others	**1**	2	**8**	0
Group	**148**	145	**14**	1

Operative capital employed of business segments

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

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

Figures for the reference period are similarly stated.

Operative capital employed and additions to non-current assets	Operative capital employed		Additions to non-current assets	
€m	2010	2009	2010	2009
Ruukki Construction	**429**	431	**12**	67
Ruukki Engineering	**144**	132	**13**	27
Ruukki Metals	**1 547**	1 320	**143**	95
Others	**30**	51	**5**	3
Group total	**2 150**	1 934	**173**	191

Geographical information	Net sales		Non-current assets	
€m	2010	2009	2010	2009
Finland	**652**	587	**1 015**	984
Other Nordic countries	**745**	612	**54**	67
Central Eastern Europe*	**291**	231	**127**	130
Russia and Ukraine	**188**	141	**160**	156
Rest of the Europe	**372**	265	**2**	6
Other countries	**166**	113	**8**	6
Group total	**2 415**	1 950	**1 367**	1 348

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

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

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

Comparable net sales and operating profit

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

Comparable net sales and operating profit	Net sales		Operating profit	
€m	2010	2009	2010	2009
Ruukki Construction	**628**	589	**-45**	-44
Ruukki Engineering	**193**	263	**-28**	4
Ruukki Metals	**1 581**	1 050	**126**	-219
Others	**1**	0	**-15**	-13
Total	**2 403**	1 901	**38**	-272

Items affecting comparability

Items affecting comparability of net sales and operating profit comprise:

Items related to changes in business structure, for example

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

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

Items related to continued business operatons, for example

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

Items affecting comparability by segments

€m	2010	2009
Items affecting comparability of the group's net sales		
Others		
Net sales of Mo i Rana unit	**12**	49
Items affecting comparability of the group´s operating profit		
Ruukki Construction		
Unrealised gains and losses on USD derivatives	**2**	-4
Ruukki Engineering		
Expenses related to closure of Hässleholm, Oskarström and Dortmund units	**-5**	-5
Unrealised gains and losses on USD derivatives	**1**	-3
Ruukki Metals		
Expense caused by low utilisation rate related to blast furnace modernisation	**-18**	
Unrealised gains and losses on USD derivatives	**-13**	-9
Cost of production test runs for change in feedstock base	**-2**	
Others		
Operating profit of Mo i Rana unit	**-11**	-30
Fine regarding price collusion in divested (in 2006) prestressing steel business	**-4**	
Items affecting comparability, total	**-49**	-51

5. Business combinations

2010

Acquisitions

There were no business acquisitions in 2010.

Divestments

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

2009

Acquisitions

In February 2009, Rautaruukki acquired the entire share capital of Skalles Eiendomsselskap AS, one of Norway's leading steel frame suppliers. This acquisition has strengthened Ruukki's foothold as a local actor in the Nordic steel construction market. Skalles' total deliveries include the design, manufacture and installation of steel structures. The company employs around 50 people and had net sales in 2008 of around EUR 16 million. Skalles is based in Fredrikstad. Pluss Stål AS was earlier an equity-accounted investee owned 50 per cent by Rautaruukki, which acquired the remaining 50 per cent of the shares from the company's other owner in June 2009. The EUR 4 million in goodwill arising from these acquisitions is based on future yield expectations and synergy benefits.

The companies acquired increased consolidated net sales by EUR 6 million and had no impact on the consolidated result. If the companies had been acquired on 1 January 2009, it is estimated that consolidated net sales would have been EUR 7 million higher, but have had no material impact on the consolidated result.

The tables below show the figures of business combinations during 2009.

€m	2009
Acquisition costs	13
Of which conditional purchase price	0
Fair value of acquired assets	9
Goodwill	4

Assets and liabilities of acquired companies €m	Fair values	Carrying amounts
Assets		
Non-current assets		
Intangible assets	4	0
Property, plant and equipment	5	3
Current assets		
Inventories	1	1
Trade and other receivables	1	1
Cash and cash equivalents	4	4
Total assets	15	9
Liabilities		
Non-current non-interest-bearing liabilities	2	0
Current non-interest-bearing liabilities	3	3
Total liabilities	6	4
Value of acquired net assets	9	5

Cash flows from acquisitions

€m	2009
Acquisition cost paid in cash	11
Cash in acquired subsidiaries	4
	7

Divestments

There were no business divestments in 2009.

6. Assets held for sale

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

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

Rautaruukki has initiated the sale of the business in Mo i Rana and negotiations have been held with several potential buyer candidates.

During the third quarter, the Mo i Rana unit was transferred from the Ruukki Engineering segment to Others, which also includes corporate management and non-allocated items. The unit's result is presented under Others and information for reference periods has been restated accordingly.

Assets and liabilities of Mo i Rana unit at 31 December

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

7. Other operating income and expenses

Other operating income

€m	2010	2009
Gains on the sale of property, plant and equipment	**3**	6
Subsidies received	**5**	5
Other	**8**	9
Total	**15**	20

Other operating expenses

€m	2010	2009
Loss on the sale of property, plant and equipment	**1**	2

8. Specification of costs by function

€m	2010	2009
Raw materials, consumables and supplies	**1 283**	1 105
Employee benefits	**472**	456
External services	**272**	260
Freights	**235**	167
Depreciation, amortisation and impairment	**162**	146
Energy and fuels	**146**	118
Rents	**37**	40
Other	**57**	66
Production for own use	**-16**	-18
Change in inventories	**-206**	-49
Total	**2 441**	2 292

Includes cost of sales, selling, marketing and administration costs.

Auditors' fees

€k	2010	2009
Statutory auditing	**1 310**	1 312
Other auditing	**54**	98
Tax services	**209**	100
Other services	**465**	391
Total	**2 038**	1 901

9. Employee benefits

€m	2010	2009
Wages and salaries	**379**	371
Profit sharing bonus	**0**	0
Share-based payments		
benefits granted paid as shares	**0**	0
benefits granted paid as cash		0
Pension insurance contributions and pensions		
defined contribution pension plans	**52**	41
defined benefit pension plans	**2**	1
Other indirect employee costs	**39**	42
Total	**472**	456

Employee benefits by function

€m	2010	2009
Cost of sales	**340**	328
Sales and marketing	**62**	62
Administration	**70**	65
Total	**472**	456

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

Average number of personnel by function	2010	2009
Cost of sales	**9 179**	10 022
Sales and marketing	**1 226**	1 392
Administration	**1 288**	1 250
Total	**11 693**	12 664

10. Depreciation, amortisation and impairment

Depreciation and amortisation by asset group

€m	2010	2009
Intangible assets	**20**	22
Tangible assets		
Buildings and structures	**28**	25
Machinery, equipment and other tangible assets	**100**	98
Total depreciation and amortisation	**148**	145
Impairment	**14**	1
Total depreciation, amortisation and impairmentss	**162**	146

Depreciation, amortisation and impairment by function

€m	2010	2009
Cost of sales	**151**	134
Sales and marketing	**2**	2
Administration	**9**	10
Total	**162**	146

Depreciation includes EUR 3 million (2) depreciation on leased buildings and structures and depreciation of EUR 4 million (4) on leased machinery and equipment. Impairments are included in costs of sales and previously recognised impairments have not been reversed.

11. Finance income and costs

€m	2010	2009
Dividend income	**0**	1
Interest income from loans and other receivables	**2**	3
Income from cash and cash equivalents measured at fair value through profit and loss	**1**	3
Other finance income	**0**	0
Total finance income	**2**	6
Interest expense from financial liabilities measured at amortised cost	**-26**	-20
Interest expense on finance items measured at fair value through profit and loss	**-8**	-12
Capitalised interest expense	**2**	1
Impairment losses on loan receivables	**-33**	
Other finance costs	**-5**	-8
Total finance costs	**-70**	-39
Exchange rate gains from loans and other receivables	**37**	46
Exchange rate gains from foreign currency derivatives not qualifying for hedge accounting	**26**	29
Total exchange rate gains	**63**	75
Exchange rate losses from loans and other receivables	**-32**	-47
Exchange rate losses from foreign currency derivatives not qualifying for hedge accounting	**-25**	-30
Exchange rate losses from loans measured at amortised cost	**-4**	-2
Total exchange rate losses	**-61**	-78
Total finance income and costs	**-66**	-36

The divestment of Rautaruukki´s equity-accounted investee Oy Ovako Ab was completed in 2006. Rautaruukki had a 47 per cent holding in the company. As part of the transaction, Rautaruukki received a vendor note from Ovako. In August 2010, private equity investor Triton signed an agreement under which it acquired the entire share capital of the Bar, Bright Bar and Tube and Ring companies, which were part of Ovako.
On the basis of the arrangement, Rautaruukki waived the vendor note in return for a security entitling it to ownership of around 2.2 per cent in Ovako. Consequently, Rautaruukki wrote down the loan receivable of EUR 33 million.

EUR 3 million (-6) arising on electricity derivatives qualifying for hedge accounting has been recognised in the income statements as an adjustment to electricity purchases. Realised result of the zinc derivatives qualifying for hedge accounting was EUR 2 million (-19). In addition to the exchange rate differences disclosed in Finance income and costs, the consolidated operating profit included exchange rate differences of -EUR 7 million on sales, of which derivatives accounted for -EUR 7 million (-15, of which derivatives -14) and EUR 3 million on purchases, of which derivatives accounted for EUR 6 million (2, of which derivatives 0).

12. Income taxes

€m	2010	2009
Current tax	**-1**	-2
Taxes for previous years	**-2**	1
Change in deferred tax assets and liabilities	**-2**	84
Total	**-4**	84

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

€m	2010	2009
Result before income tax	**-74**	-359
Taxes calculated using parent company's tax rate	**19**	93
Effect of differing tax rates in foreign subsidiaries	**-4**	-6
Effect of changes in tax rates	**-1**	-1
Tax-free income and non-decuctible expenses	**-13**	4
Utilisation of unrecognised tax losses carried forward	**1**	4
Unrecognised taxes on losses carried forward	**-7**	-9
Other temporary differences	**-1**	-1
Taxes for previous years	**2**	-1
Income taxes	**-4**	84

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

13. Earnings per share

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

	2010	2009
Result for the period attributable to owners of the company, €m	**-79**	-275
Weighted average number of shares outstanding during the period, 1,000	**138 864**	138 846
Basic earnings per share, €	**-0.57**	-1.98

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

	2010	2009
Result for the period attributable to owners of the company, €m	**-79**	-275
Net result for the period for the calculation of earnings per share adjusted for the dilution effect, €m	**-79**	-275
Weighted average number of shares during the period, 1,000	**138 864**	138 846
Weighted average number of shares for calculating earnings per share adjusted for the dilution effect, 1,000	**138 864**	138 846
Earnings per share, diluted, €	**-0.57**	-1.98

14. Property, plant and equipment

€m	2010	2009
Land and water		
Acquisition cost at 1 Jan	**21**	24
Additions	**0**	1
Disposals	**0**	-3
Disposals through divestments	**0**	
Exchange rate differences	**0**	-1
Carrying amount at 31 Dec	**21**	21
Buildings and structures		
Acquisition cost at 1 Jan	**703**	636
Additions	**20**	74
Additions through acquisitions		3
Disposals	**-15**	-12
Disposals through divestments	**-3**	
Exchange rate differences	**4**	2
Acquisition cost at 31 Dec	**709**	703
Accumulated depreciation at 1 Jan	**-337**	-316
Accumulated depreciation on disposals	**15**	7
Accumulated depreciation on divestments	**0**	
Depreciation and impairment for the period	**-29**	-25
Exchange rate differences	**-2**	-2
Accumulated depreciation at 31 Dec	**-353**	-337
Carrying amount at 31 Dec	**356**	366
Machinery, equipment and other tangible assets		
Acquisition cost at 1 Jan	**2 336**	2 247
Additions	**157**	129
Additions through acquisitions		2
Disposals	**-31**	-45
Exchange rate differences	**6**	3
Acquisition cost at 31 Dec	**2 468**	2 336
Accumulated depreciation at 1 Jan	**-1 684**	-1 631
Accumulated depreciation on disposals	**27**	50
Accumulated depreciation on divestments	**0**	
Depreciation and impairment for the period	**-109**	-99
Exchange rate differences	**-3**	-4
Accumulated depreciation at 31 Dec	**-1 768**	-1 684
Carrying amount at 31 Dec	**700**	652
Advance payments and construction in progress		
Acquisition cost at 1 Jan	**120**	165
Changes	**-17**	-45
Carrying amount at 31 Dec	**103**	120
Total tangible assets	**1 180**	1 159

The group has applied the revised IAS 23 Borrowing Costs since 1 January 2009. Interest of EUR 2 million (1) was capitalised in the acquisition cost of tangible assets in 2010. The capitalisation rate used averaged 3.8 per cent (3.9).

Finance leases

Tangible assets include property acquired under finance leases as follows:

€m	2010	2009
Buildings and structures		
Acquisition cost	**38**	40
Accumulated depreciation	**-18**	-17
Carrying amount at 31 Dec	**19**	22
Machinery and equipment		
Acquisition cost	**44**	44
Accumulated depreciation	**-28**	-25
Carrying amount at 31 Dec	**16**	20

The group has leased buildings as well as machinery and equipment under finance lease agreements with different terms. Additions to property, plant and equipment in 2010 do not include assets under finance leases (EUR 16 million).

15. Intangible assets

€m	2010	2009
Goodwill		
Acquisition cost at 1 Jan	**103**	105
Additions through acquisitions		5
Impairment	**-2**	
Transfers between intangible asset items		-3
Exchange rate differences	**4**	-3
Carrying amount at 31 Dec	**104**	103

€m	2010	2009
Customer relationships		
Acquisition cost at 1 Jan	**47**	42
Additions through acquisitions		5
Transfers between intangible asset items		3
Exchange rate differences	**1**	-3
Acquisition cost at 31 Dec	**48**	47
Accumulated depreciation at 1 Jan	**-21**	-15
Depreciation and impairment for the period	**-7**	-6
Accumulated depreciation at 31 Dec	**-28**	-21
Carrying amount at 31 Dec	**20**	26

Other intangible assets		
Acquisition cost at 1 Jan	**188**	188
Additions	**9**	10
Disposals	**-15**	-9
Exchange rate differences	**1**	0
Acquisition cost at 31 Dec	**183**	188
Accumulated depreciation at 1 Jan	**-147**	-140
Accumulated depreciation on disposals	**14**	7
Depreciation and impairment for the period	**-14**	-15
Exchange rate differences	**0**	0
Accumulated depreciation at 31 Dec	**-148**	-147
Carrying amount at 31 Dec	**35**	41
Advance payments		
Acquisition cost at 1 Jan	**6**	7
Changes	**7**	-1
Carrying amount at 31 Dec	**13**	6
Total other intangible assets	**68**	73

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

Emissions allowances

In the free initial allocation of emissions allowances for the second period of 2008-2012 of the EU Emsissions Trading Scheme, the Raahe Works and Hämeenlinna Works in Finland, which come under the scheme, and the Mo i Rana plant on Norway, which comes under the Norwegian emissions trading scheme, received a total of 23.7 million emissions allowances. Emissions allowances purchased and units in funds generating carbon credits are recognised in the acquisition cost of intangible assets and the cost of emissions allowances received free of charge at nominal value, i.e. zero. An impairment loss is recognised in the income statement if the carrying value of emissions allowances or carbon credits exceeds their fair value. Gains on the sale of emissions allowances and reductions are recognised in operating profit.

The value of emissions allowances, emissions reductions and units in funds generating carbon credits totalled EUR 3 million (3) in the statement of financial position at the end of the period. In 2009, emissions allowances trading generated income of EUR 9 million (34). Actual carbon dioxide emissions under the emissions allowance scheme in 2010 were around 4.1 million tonnes (3.4) and around 4.1 million emissions allowances equating to these will be returned by 30 April 2011.

Allocated goodwill by segments and impairment testing

€m	2010	2009
Ruukki Construction	**67**	64
Ruukki Engineering	**25**	27
Ruukki Metals	**12**	12
Total	**104**	103

For the purposes of impairment testing, goodwill is allocated to cash-generating units. Cash-generating units correspond to specific segments, which is the level at which management monitors operations and the related goodwill. The recoverable amount is determined on the basis of value-in-use calculations, which are based on management-approved forecasts covering three years. The forecast cash flows are discounted to the present value. The discount rate used was 9.90 per cent (11.51) for all cash-generating units.

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

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

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

16. Equity-accounted investees

Combined figures of equity-accounted investees

€m	Net sales	Result	Assets	Liabilities
2010				
Equity-accounted investees, total	**177**	**8**	**98**	**45**
2009				
Equity-accounted investees, total	122	-1	68	24

Equity-accounted investees

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

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

17. Financial assets and liabilities by category

31 December 2010 €m	Financial assets/ liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives qualifying for hedge accounting	Carrying amount of the statement of financial position items	Fair value
Non-current assets							
Available-for-sale investments			13			13	13
Loan receivables		1				1	1
Derivative contracts					4	4	4
Other receivables		4				4	4
Current assets							
Trade receivables		325				325	325
Other receivables		8				8	8
Derivative contracts	3				14	17	17
Financial assets	13	0				14	14
Cash and cash equivalents		40				40	40
Carrying amount by measurement category	16	377	13		18	424	424
Non-current liabilities							
Loans and borrowings				477		477	482
Derivatives					3	3	3
Other non-current liabilities				14		14	14
Current liabilities							
Loans and borrowings				198		198	198
Derivative contracts	17				0	17	17
Trade payables				171		171	171
Carrying amount by measurement category	17			860	3	880	886

31 December 2009 €m	Financial assets/ liabilities recogni-sed at fair value through profit and loss	Loans and other receivab-les	Available-for-sale financial assets	Financial liabilities recogni-sed at amortised cost	Derivati-ves qualifying for hedge accoun-ting	Carrying amount of the state-ment of financial position items	Fair value
Non-current assets							
Available-for-sale investments			12			12	12
Loan receivables		33				33	33
Derivative contracts					5	5	5
Other receivables		6				6	6
Current assets							
Trade receivables		246				246	246
Other receivables		35				35	35
Derivative contracts	7				7	14	14
Financial assets	142	78				219	219
Cash and cash equivalents		42				42	42
Carrying amount by measurement category	149	439	12		13	613	613
Non-current liabilities							
Loans and borrowings				387		387	387
Derivatives					8	8	8
Other non-current liabilities				1		1	1
Current liabilities							
Loans and borrowings				209		209	209
Derivative contracts	10				4	14	14
Trade payables				146		146	146
Carrying amount by measurement category	10			743	12	766	766

18. Available-for-sale financial assets

€m	2010	2009
1 Jan	**12**	11
Additions	**0**	2
Disposals	**0**	-1
31 Dec	**13**	12

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

19. Other non-current receivables

€m	2010	2009
Receivables from defined benefit pension plans		0
Interest-bearing loan receivables	**1**	33
Other non-current receivables	**8**	11
Total	**9**	44

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

20. Deferred tax assets and liabilities

Changes in deferred taxes during 2010

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

Changes in deferred taxes during 2009

€m	1 Jan	Recognised in income statement	Recognised in other comprehensive income	Acquired/ divested subsidiaries	Exchange rate differences and other changes	31 Dec
Deferred tax assets						
Provisions	7	-4				3
Tangible and intangible assets	0	0				0
Finance leases	6	-2			0	4
Employee benefits	4	8	0			12
Measurement of derivatives at fair value	17	-17				
Taxable losses	13	74				87
Other items	18	-7			-4	7
Total	64	53	0		-4	113
Netted out against deferred tax liabilities	-31					-74
Deferred tax assets	33					39

Changes in deferred taxes during 2009

€m	1 Jan	Recognised in income statement	Recognised in other comprehensive income	Acquired/ divested subsidiaries	Exchange rate differences and other changes	31 Dec
Deferred tax liabilities						
Tangible and intangible assets	107	-3		3		106
Employee benefits	19	-15	-4			
Inventories	1	-1				0
Measurement of derivatives at fair value	0	-13	13			0
Other items	2	2				4
Total	129	-31	9	3		110
Netted out against deferred tax assets	-31					-74
Deferred tax liabilities	98					37

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

At 31 December 2010, the group had taxable losses EUR 106 million (45), for which no tax asset has been recognised because the ability to make use of the losses concerned is doubtful. Of the taxable losses, EUR 58 million (23) expire within five years.

The increase in the deferred tax asset booked for losses consist mostly of an asset booked by the parent company for losses in 2010. Management expects the parent company to accrue future taxable income against which the loss can be utilised.

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

Taxes included in other comprehensive income

	2010			2009		
€m	Before taxes	Taxes	Net of taxes	Before taxes	Taxes	Net of taxes
Cash flow hedges	**14**	**-4**	**10**	51	-13	38
Translation differences	**18**		**18**	-5		-5
Actuarial gains and losses	**-9**	**2**	**-7**	-15	4	-12
Total	**23**	**-1**	**22**	31	-9	22

21. Inventories

€m	2010	2009
Raw materials and consumables	**239**	187
Finished and semi-finished products	**401**	304
Total	**640**	492

During 2010, a charge of EUR 4 million (32) was recognised to write down the carrying value of inventories to net realisable value. Of previous year write-downs EUR 9 million (0) was reversed as a result of improvement in net realisable values.

22. Trade and other receivables

€m	2010	2009
Trade receivables	**319**	243
Trade receivables from equity-accounted investees	**5**	3
Total trade receivables	**325**	246
Prepayments and accrued income	**28**	20
Derivative contracts qualifying for hedge accounting	**14**	7
Derivative contracts not qualifying for hedge accounting	**3**	7
Other receivables	**44**	51
Total other receivables	**89**	86

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

23. Derivative contracts

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

Cash flow hedges qualifying for hedge accounting

	Nominal amount				Fair value, €m					
	Valid				Positive			Negative		
	<1 year	1-5 years	>5 years	Total	<1 year	1-5 years	>5 years	<1 year	1-5 years	>5 years
31 Dec 2010										
Zinc derivatives										
Forward contracts, tonnes	**13 500**	**6 000**		**19 500**	**6**	**2**				
Electricity derivatives										
Forward contracts, GWh	**466**	**957**	**236**	**1 659**	**8**	**2**	**0**	**0**	**-3**	**-1**
31 Dec 2009										
Zinc derivatives										
Forward contracts, tonnes	18 000	6 000		24 000	7	5				
Electricity derivatives										
Forward contracts, GWh	467	1 185	175	1 827	0	1		-4	-7	-1

Fair value hedges qualifying for hedge accounting

	Nominal amount, €m				Fair value, €m					
	Valid				Positive			Negative		
	<1 year	1-5 years	>5 years	Total	<1 year	1-5 years	>5 years	<1 year	1-5 years	>5 years
31 Dec 2010										
Interest rate derivatives	**75**			**75**	**0**					
31 Dec 2009										
Interest rate derivatives		75		75		0				

Derivatives not qualifying for hedge accounting

	Nominal amount, €m				Fair value, €m					
	Valid				Positive			Negative		
	<1 year	1-5 years	>5 years	Total	<1 year	1-5 years	>5 years	<1 year	1-5 years	>5 years
31 Dec 2010										
Foreign currency derivatives										
Forward contracts	**544**			**544**	**2**			**-13**		
Options										
Bought	**138**			**138**	**1**			**-3**		
Sold	**137**			**137**						
31 Dec 2009										
Foreign currency derivatives										
Forward contracts	368			368	2			-5		
Options										
Bought	150			150	0			-1		
Sold	150			150	1			0		

The unrealised result of cash flow hedges is booked to other comprehensive income to the extent the hedge is effective. Other fair value changes are booked through profit and loss. Forecast hedged cash flows are estimated to occur over the same period as the derivatives itemised above. The ineffectiveness of derivatives qualifying for hedge accounting was less than EUR 1 million in 2010 (1). Ineffectiveness was attributable to contracts hedging electricity purchases and has been recognised in the income statement as an adjustment to energy expenses. The fair value hedges have been highly effective. The profit and loss impact of the hedged item and hedging instrument was insignificant in 2010.

The group had no significant embedded derivatives at 31 December 2010 or at 31 December 2009.

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

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

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

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

24. Current financial assets

€m	2010	2009
Financial assets recognised at fair value through profit and loss	**13**	142
Financial assets classified as loans and receivables	**0**	78
Total	**14**	219

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

25. Cash and cash equivalents

€m	2010	2009
Cash and cash equivalents	**40**	42
Total	**40**	42

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

€m	2010	2009
Financial assets recognised at fair value through profit and loss	**13**	142
Financial assets classified as loans and receivables	**0**	78
Cash and cash equivalents	**40**	42
Total	**53**	261

26. Shares and share capital

Rautaruukki Corporation has one series of shares and each share conveys one vote. The countervalue is EUR 1.70 per share.

The registered share capital at 31 December 2010 was EUR 238,485,222.50 (238,485,222.50) and has been paid up in full.

Changes in the number of shares

No.	Shares issued	Treasury shares	Shares outstanding
1 Jan 2009	140 255 479	1 466 937	138 788 542
Transfer of treasury shares		-48 052	
Shares subscribed through warrants	29 946		
Returned shares		2 690	
31 Dec 2009	140 285 425	1 421 575	138 863 850
Returned shares		**1 476**	
31 Dec 2010	**140 285 425**	**1 423 051**	**138 862 374**

The market value of the treasury shares at 31 December 2010 was EUR 24.9 million.

27. Reserves in equity

€m	2010	2009
Share premium	**220**	220
Reserve for share-based payments		1
Fair value of cash flow hedges	**11**	1

Rautaruukki Corporation's share premium reserve of EUR 220 million has accrued from share issues and share premiums from subscriptions taking place through bond loans with warrants. The share premium reserve was earlier a reserve in accordance with the Finnish Companies Act. Under the existing Finnish Limited Liability Companies Act, since 1 September 2006, share premium is part of restricted equity and can no longer be added to. The share premium reserve can be reduced in accordance with the rules applying to reduction of share capital and can be used to increase the share capital as a reserve increase.

Other reserves contain the effective portion of the change in fair value of instruments taken out to hedge future cash flows, as well as entries related to share-based payments for instruments in respect of which the share capital has not yet been registered.

Reserve for share-based payments and fair value of cash flow hedges are included in retained earnings and other reserves in equity.

28. Share-based payments

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

Share-based incentive plan 2011–2013

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

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

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

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

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

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

Share ownership plan 2008−2010

In December 2007, the Board of Directors decided to launch a share ownership plan for key personnel. The plan comprises three one-year earning periods, which are the years 2008, 2009 and 2010. Any bonuses are paid out partly in the form of company shares and partly in cash during the calendar year following the respective earning period. The 2010 earning period of the plan covered 100 persons.

Payment of a bonus is contingent on achieving the annual financial targets set by the Board of Directors, which for the earning periods 2008, 2009 and 2010 were measured by the criteria of earnings per share (EPS) and return on capital employed (ROCE). How much of the maximum possible bonus is awarded to a key person depends on the achievement of earning criteria targets. The maximum bonus payable is the gross salary for the calendar month preceding payment x 12.5 divided by the weighted average price of shares traded during the calendar month preceding payment.

Any shares awarded under the plan must be held for at least two years after each earning period. If the employment of a key person ends during this time, the person concerned must return, gratuitously, the bonus shares received to the company. The President & CEO and other members of the Corporate Management Board must, in addition to the two-year lock-up period, hold any shares awarded under the plan to at least the value of their gross annual salary for as long as their service contract continues.

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

Changes in number of shares to be awarded

Number of shares	2010	2009
At 1 Jan	**157 310**	155 000
Share bonuses granted	**265 000**	164 000
Shares awarded		-48 052
Share bonuses cancelled	**-165 810**	-113 638
At 31 Dec	**256 500**	157 310

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

Share bonuses granted to key persons

Year	Grant date*	Maximum number of shares awarded	Market value of share on grant date, €
2010	**27 Mar 2010**	**265 000**	**16.31**
2009	13 Mar 2009	164 000	14.18

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

Shares awarded

The criteria for the second earning period, 2009, were not met and no share bonuses were awarded in 2010.

Shares earned for the first earning period, 2008, were transferred to the key persons concerned in March 2009. The number of shares transferred totalled 48,052, and the market value of the shares on 20 March 2009 was EUR 14.53 per share.

Expenses of share ownership plans in 2010

Earnings period	No. of persons	Earnings periods in progress, €m
2010	**100**	
2009	96	0

Bond loan with warrants 2003

Warrants under the EUR 3.5 million bond loan with warrants, issued on 26 May 2003, and targeted at the group´s personnel and Rautaruukki´s Personnel Fund, entitled holders to subscribe a maximum aggregate of 1,400,000 shares between 24 May 2006 and 23 May 2009. Warrants were exercised to subscribe a total of 1,398,980 shares (99.9 per cent) and the share capital was increased by EUR 2,378,266 accordingly.

29. Pension obligations

The group has voluntary defined benefit plans in Finland arranged through Rautaruukki's Pension Foundation and insurance companies. The statutory pension scheme under the Finnish Employees Pensions Act (TyEL) is arranged through insurance companies. In addition, the group has defined benefit plans in Germany and Norway. Management of the statutory pension obligation under the Finnish Employees Pensions Act (TyEL) of Rautaruukki's Pension Foundation was transferred to Varma Mutual Pension Insurance Company on 31 December 2009. As a consequence, this plan was classified as a defined contribution plan as of 1 January 2010. As a result of winding up the foundation on 31 December 2009, the group's defined benefit obligation decreased by EUR 452 million.

The group's defined benefit plans are summarised below.

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

€m	2010	2009
Current value of unfunded obligations	**23**	24
Current value of funded obligations	**144**	146
Fair value of assets	**-140**	-141
Funded status	**27**	29
Unrecognised past service cost	**5**	6
Transfer to liabilities held for sale	**-2**	
Net liability (+) / asset (-)	**31**	35
Defined benefit asset in statement of financial position		0
Defined benefit obligation in statement of financial position	**31**	35
Net	**31**	35

Expense from defined benefit plans recognised in income statement

€m	2010	2009
Current service cost	**4**	11
Interest cost	**8**	29
Expected return on plan assets	**-8**	-38
Past service cost	**-1**	0
Effect of curtailments and settlements	**-1**	-2
Total	**2**	1

In 2010 the actual return on plan assets was EUR 9 million (60).

Changes in the current value of plan obligations

€m	2010	2009
Defined benefit obligations at 1 Jan	**170**	568
Current service cost	**4**	11
Interest cost	**8**	29
Actuarial gains (-) and losses (+)	**8**	38
Past service cost	**0**	2
Curtailments and settlements	**-10**	-454
Benefits paid	**-11**	-29
Acquired/disposed subsidiaries		0
Exchange rate differences	**-1**	4
Defined benefit obligations at 31 Dec	**168**	170

Changes in fair value of plan assets

€m	2010	2009
Fair value of plan assets at 1 Jan	**141**	604
Expected return on plan assets	**8**	38
Actuarial gains (+) and losses (-)	**1**	22
Employer contributions	**3**	-20
Benefits paid	**-9**	-28
Curtailments and settlements	**-5**	-453
Refund after wind up of TyEL foundation		-25
Exchange rate differences	**2**	3
Fair value of plan assets at 31 Dec	**140**	141

Rautaruukki´s Pension Foundation plan assets by asset group

€m	2010	2009
Equity finance instruments	**21**	8
Non-current debt finance instruments	**70**	76
Current debt finance instruments	**2**	8
Real estate	**2**	3
Other	**5**	5

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

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

Actuarial assumptions used

%	2010	2009
Discount rate	**4.0-4.5**	4.0-5.0
Expected rate of return on plan assets	**4.0-6.5**	4.0-6.5
Estimated wage and salary increase	**2.3-3.0**	3.0-4.3
Inflation	**1.0-2.0**	1.0-2.0

History of defined benefit obligations and assets

€m	2010	2009	2008	2007	2006
Defined benefit obligation	**-168**	-170	-568	-593	-539
Fair value of plan assets	**140**	141	604	665	640
Surplus (+) / Deficit (-)	**-27**	-29	36	73	101
Experience adjustments					
Actuarial gain (-) / loss (+) on obligation	**-1**	3	32	5	19
Actuarial gain (+) / loss (-) on plan assets	**0**	22	-85	-24	30

Actuarial gains and losses recognised in other comprehensive income

	During the period		Accumulated	
€m	2010	2009	2010	2009
Actuarial gains (+) / losses (-)	**-9**	-15	**-119**	-110
Deferred taxes	**2**	4	**31**	29
Total	**-7**	-12	**-88**	-81

The group expects the contributions to its defined benefit plans in 2011 total some EUR 5 million.

30. Provisions

€m	Environment provisions	Warranty provisions	Restructuring provisions	Other	Total
1 Jan 2010	1	2	4	2	11
Additions		1	3	2	6
Provisions used	-1	-1	-7	-2	-10
Reversals of unused provisions		-1		0	-1
31 Dec 2010	0	2	1	3	6
Non-current provisions	0	1		0	2
Current provisions		1	1	3	4
	0	2	1	3	6

Environmental obligations

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

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

Restructuring provisions

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

Warranty and other provisions

The group gives a warranty on certain products, for which a warranty provision is set up based on previous experience. In addition to this, the group has other minor provisions.

31. Loans and borrowings

€m	2010	2009
Non-current		
Loans from financial institutions	**256**	149
Bonds	**150**	149
Finance lease liabilities	**35**	44
Pension loans	**36**	43
Other non-current interest-bearing liabilities		0
Total	**477**	387
Current		
Loans from financial institutions	**24**	23
Bonds		75
Finance lease liabilities	**10**	9
Pension loans	**7**	4
Commercial papers	**156**	98
Other current interest-bearing liabilities	**0**	0
Total	**198**	209

Information about bonds

€m	Coupon rate	Currency	2010	2009
Nominal value				
2003 - 2010	5.10%	EUR		75
2009 - 2014	5.25%	EUR	**150**	150
			150	225

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

%	2010	2009
Bonds and loans from financial institutions	**3.4**	3.9
Finance lease liabilities	**6.8**	6.9

Finance lease liabilities

The group has leased power plants, hall structures, as well as office premises and other items of property, plant and equipment under finance lease agreements of varying length. In the event of a sale and leaseback, the group has recognised the capital gain in the statement of financial position and recognises the revenue over the lease period. Unrecognised capital gain of EUR 4 million (7) is included in the statement of financial position at 31 December 2010.

Maturities of finance lease liabilities

€m	2010	2009
Finance lease liabilities - minimum lease payments		
Within one year	**12**	11
Between one and five years	**25**	34
After five years	**21**	25
	58	70
Future financial costs	**-14**	-17
	45	54
Finance lease liabilities - present value of minimum lease payments		
Within one year	**10**	9
Between one and five years	**19**	25
After five years	**16**	20
	45	54

32. Trade and other payables

€m	2010	2009
Non-current		
Defined benefit pension plans	**31**	35
Derivative contracts qualifying for hedge accounting	**3**	8
Other non-interest-bearing liabilities	**14**	15
Total other non-interest-bearing liabilities	**49**	58
Current		
Trade payables	**171**	145
Trade payables to equity-accounted investees	**0**	1
Total trade payables	**171**	146
Accrued expenses and deferred income	**135**	122
Derivative contracts qualifying for hedge accounting	**0**	4
Derivative contracts not qualifying for hedge accounting	**17**	10
Advances received	**27**	14
Other liabilities	**22**	21
Total other non-interest-bearing liabilities	**200**	171

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

33. Adjustments to cash flows

€m	2010	2009
Non-cash transactions		
Depreciation, amortisation and impairment	**162**	146
Provisions	**-5**	-11
Share of profit of equity-accounted investees	**-3**	0
Employee benefits	**-3**	24
Exchange rate differences	**-12**	36
Other	**-20**	29
Total	**120**	224

34. Related party disclosures

The group's related parties include the parent company, corporate subsidiaries, equity-accounted investees (Note 16 Equity-accounted investees), the company's Board of Directors and corporate management and Rautaruukki's Pension Foundation. Rautaruukki's Pension Foundation is an A pension fund, as referred to in the Finnish Pension Foundation Act, which manages the voluntary supplementary pension provision arranged by Rautaruukki Corporation as the employer. Members of the Supervisory Board, Board of Directors, Corporate Management Board and the president & CEO, including their spouses and relatives living in the same household, are related parties.

The group's parent and subsidiary relationships at 31 Dec 2010

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

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

Transactions with related parties

€m	Sales	Purchases	Trade receivables	Trade payables
2010				
Equity-accounted investees total	**31**	**7**	**5**	**0**
Rautaruukki´s Pension Foundation		**1**		
2009				
Equity-accounted investees total	24	6	3	1
Rautaruukki´s Pension Foundation		6		

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

Rautaruukki Corporation has not paid any employee contributions to Rautaruukki Pension Foundation in 2010 (13). Rautaruukki paid rents totalling EUR 0 million (6) to Rautaruukki Pension Foundation. There are no collaterals or guarantees relating to the leasing of real estate. Rautaruukki Corporation has given mortgages of EUR 5 million (5) to Rautaruukki Pension Foundation as collateral for pension liabilities.

Management's employee benefits

€m	2010	2009
Salaries and other current employee benefits	**2**	2
Share-based payments	**0**	0
Total	**2**	3

The company's management participates in a share ownership plan used as an incentive. The terms and conditions of share-based payment are detailed in Note 28 Share-based payments.

The President & CEO and members of the Corporate Executive Board are entitled to retire at the age of 60. The level of supplementary pension varies depending on which supplementary pension scheme a person belongs to. The President & CEO receives a supplementary pension of 60 per cent of salary. The level of supplementary pension payable to the deputy to the President & CEO equates to the statutory retirement pension he would have received had he worked until the age of 63. All men covered by Section A of Rautaruukki's Pension Foundation who have chosen a reduced retirement age retire at the age of 60. One member of the Corporate Executive Board belongs to this group. The amount of supplementary pension paid by the Pension Foundation depends on the number of earning years and is generally between 30 and 50 per cent of retirement pay. In 2009, Rautaruukki started up a new defined contribution supplementary pension plan for those members of the Corporate Executive Board not covered by previous defined benefit pension plan. The defined contribution pension plan does not guarantee the level of future pensions, which depends on the paid employer contributions and the return on investments.

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

Wages, salaries and other benefits

€k	2010	2009
President & CEO	**713**	795
Deputy to the President & CEO	**269**	299
Other members of the Corporate Executive Board	**1 024**	1 179
Board of Directors	**411**	324
Supervisory Board	**17**	67

The group has no other significant transactions, receivables, liabilities or guarantees with related parties.

35. Contingent liabilities

Contingent liabilities

€m	2010	2009
Mortgaged real estate	**64**	64
Guarantees given		
On own behalf	**26**	43
On behalf of others	**2**	
Rental obligations	**71**	114

Rental liabilities excludes finance lease liabilities specified in Note 31 Loans and borrowings.

Mortgages have been given as collateral for pension loans and loans from financial institutions and for Rautaruukki's pension liability. The group has leased buildings, vehicles and other items of property, plant and equipment also under operating lease agreements.

Minimum rents payable under operating leases

€m	2010	2009
Within one year	**14**	36
Between one and five years	**30**	47
After five years	**28**	30
Total	**71**	114

The agreements do not include significant sublease agreements or conditional leases.

Investment commitments

€m	After 31 Dec 2010	After 31 Dec 2009
Maintenance investments	**137**	100
Development investments and investments in special steel products	**52**	77
Total	**189**	177

Investment commitments comprise approved capital expenditure for the next two years.

36. Litigation and other pending legal actions

Judgment was reached on 15 January 2010 in proceedings instigated in Sweden in a case concerning safety at work as a result of a serious accident in 2008 at the Kista Galleria construction site. All the prosecutor's claims against the company's employee and Ruukki Sverige AB were dismissed. During the second quarter, the insurance company reached a claims settlement decision and agreement regarding costs was reached by the parties concerned. This had no significant impact on profit and loss.

On 30 June 2010, the European Commission completed its investigations into suspected price collusion relating to the manufacture of prestressing steel between 1996 and 2001 by Ruukki's former subsidiary, Fundia. In accordance with the Commission decision, a total of 17 European steel producers received fines for price collusion between competitors during the years 1984-2002. The Commission ordered fines totalling EUR 518 million on the companies involved. The prestressing steel business practised during 1997-2001 by Rautaruukki's former subsidiary, Fundia, was included in the investigation. Rautaruukki sold its interest in Fundia to Ovako in 2005-2006. Rautaruukki, Fundia's parent company at the time, was, jointly and severally with the Ovako companies concerned, ordered to pay a fine of EUR 4.7 million. At the end of September, the Commission re-calculated the fine to be EUR 4.3 million in respect of Rautaruukki.

In addition to the above mentioned, the group has other pending actions that are not expected to have significant influence.

Financial indicators

		2010	2009	2008	2007	2006
Net sales	€m	**2 415**	1 950	3 851	3 876	3 682
Operating profit	€m	**-12**	-323	568	637	529
% of net sales	%	**-0.5**	-16.6	14.7	16.4	14.4
Result before taxes	€m	**-74**	-359	548	621	635
% of net sales	%	**-3.1**	-18.4	14.2	16.0	17.3
Result for the period	€m	**-79**	-275	406	458	501
% of net sales	%	**-3.3**	-14.1	10.5	11.8	13.6
Return on capital employed	%	**-0.3**	-14.2	25.6	29.8	31.4
Return on equity	%	**-5.4**	-15.9	20.7	24.2	30.0
Equity ratio	%	**55.3**	59.9	65.9	70.1	61.4
Gearing ratio	%	**44.7**	22.3	7.9	1.4	1.2
Net interest-bearing liabilities	€m	**621**	336	155	28	22
Net cash from operating activities	€m	**-64**	182	382	417	396
Gross capital expenditure *	€m	**173**	161	229	172	147
% of net sales	%	**7.2**	8.2	6.2	5.1	8.8
Research and development	€m	**27**	29	27	28	22
% of net sales	%	**1.1**	1.5	0.7	0.7	0.6
Net interest costs	€m	**29**	26	11	8	20
% of net sales	%	**1.2**	1.3	0.3	0.2	0.6
Total assets	€m	**2 539**	2 532	2 983	2 835	3 019
Personnel on average		**11 693**	12 664	14 953	14 326	13 121
PER SHARE DATA						
Earnings per share, EPS, basic	€	**-0.57**	-1.98	2.93	3.31	3.66
- diluted	€	**-0.57**	-1.98	2.93	3.31	3.65
Equity per share	€	**9.99**	10.85	14.04	14.13	13.21
Dividend per share **	€	**0.60**	0.45	1.35	1.70 + 0.30	1.50 + 0.50
Dividend per earnings **	%	**neg.**	neg.	46.1	60.4	55.1
Price per earnings, P/E	€	**neg.**	neg.	4.2	9.0	8.2
Share trading	1 000 shares	**182 131**	189 371	251 096	219 940	179 214
% of shares issued	%	**129**	136	181	157	128
Share trading	€m	**2 712**	2 752	5 530	8 444	4 628
Volume weighted average share price	€	**14.48**	14.53	22.03	38.34	25.70
Lowest price of share	€	**11.62**	11.06	9.51	27.38	19.00
Highest price of share	€	**17.78**	18.14	34.77	52.50	33.31
Average adjusted number of shares	1 000 shares	**138 864**	138 846	138 746	138 491	136 864
- diluted	1 000 shares	**138 864**	138 846	138 773	138 566	137 145
Adjusted number of shares at year-end	1 000 shares	**140 285**	140 285	140 255	140 198	139 957
- excluding treasury shares	1 000 shares	**138 862**	138 864	138 789	138 721	138 172
- diluted	1 000 shares	**138 862**	138 864	138 824	138 796	138 453
Closing price at period end	€	**17.51**	16.14	12.16	29.65	30.15
Market capitalisation at year-end	€m	**2 456**	2 264	1 706	4 157	4 220
Effective dividend yield **	%	**3.4**	2.8	11.1	6.7	6.6

* Gross investments in tangible and intangible assets.
** Calculated in accordance with the Board of Directors' proposal for 2010.

Formulas for the calculation of indicators

Return on capital employed, %	=	$\frac{\text{result before income tax + finance costs - exchange rate gains}}{\text{total equity + loans and borrowings (average at beginning and end of period)}}$	x 100
Return on equity, %	=	$\frac{\text{result before income tax - income tax expense}}{\text{total equity (average at beginning and end of period)}}$	x 100
Equity ratio, %	=	$\frac{\text{total equity}}{\text{total assets - advances received}}$	x 100
Gearing ratio, %	=	$\frac{\text{net interest-bearing financial liabilities}}{\text{total equity}}$	x 100
Net interest-bearing financial liabilities	=	loans and borrowings - current financial assets and cash and cash equivalents	
Earnings per share (EPS)	=	$\frac{\text{result for the period attributable to owners of the company}}{\text{weighted average number of shares outstanding during the period}}$	
Earnings per share (EPS), diluted	=	$\frac{\text{result for the period attributable to owners of the company}}{\text{weighted average diluted number of shares outstanding during the period}}$	
Equity per share	=	$\frac{\text{equity attributable to owners of the company}}{\text{basic number of shares outstanding at the end of period}}$	
Dividend per share	=	$\frac{\text{dividends paid}}{\text{basic number of shares at the end of period}}$	
Dividend per earnings, %	=	$\frac{\text{dividend per share}}{\text{earnings per share}}$	x 100
Effective dividend yield, %	=	$\frac{\text{dividend per share}}{\text{closing price at the end of period}}$	x 100
Price per earnings (P/E)	=	$\frac{\text{closing price at the end of period}}{\text{earnings per share}}$	
Trading volume, %	=	$\frac{\text{number of shares traded during the period}}{\text{average basic number of shares}}$	x 100
Volume weighted average share price	=	$\frac{\text{total EUR trading of shares}}{\text{number of shares traded}}$	
Market capitalisation	=	basic number of shares at the end of the financial period x closing price at the end of period	
Personnel on average	=	total number of personnel at the end of each month divided by the number of months	

Parent company's financial statements

Parent company's income statement (FAS)

€m	2010	2009
Net sales	**1 882**	1 419
Change in inventories of finished goods and work in progress	**264**	12
Production for own use	**14**	16
Other operating income	**16**	45
Materials and services	**-1 456**	-1 062
Salaries and other employee benefits	**-348**	-301
Depreciation, amortisation and impairment	**-106**	-104
Other operating expenses	**-266**	-228
Operating profit	**-1**	-204
Net finance income and costs	**-58**	-36
Result before extraordinary items	**-58**	-239
Extraordinary items		-30
Result before appropriations and taxes	**-58**	-269
Appropriations	**-12**	-6
Result before taxes	**-70**	-275
Income taxes	**0**	0
Result for the period	**-71**	-275

Parent company´s balance sheet (FAS)

€m	31 Dec 2010	31 Dec 2009
ASSETS		
Non-current assets		
Intangible assets	**41**	43
Tangible assets	**925**	884
Financial assets		
Investments in group companies	**443**	416
Investments in equity-accounted investees	**7**	7
Other shares	**8**	7
Total non-current assets	**1 423**	1 357
Current assets		
Inventories	**477**	345
Non-current receivables	**88**	120
Current receivables	**402**	334
Cash and cash equivalents	**18**	230
Total current assets	**985**	1 029
TOTAL ASSETS	**2 409**	2 386
EQUITY AND LIABILITIES		
Equity		
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve	**33**	33
Retained earnings	**636**	974
Result for the period	**-71**	-275
Total equity	**1 056**	1 189
Appropriations	**375**	363
Provisions	**18**	21
Liabilities		
Non-current interest-bearing	**440**	341
Current interest-bearing	**254**	255
Current non-interest-bearing	**265**	218
Total liabilities	**959**	813
TOTAL EQUITY AND LIABILITIES	**2 409**	2 386

Parent company´s cash flow statement (FAS)

€m	2010	2009
Cash flows from operating activities		
Result before extraordinary items	**-58**	-239
Adjustments for cash flows *	**170**	98
Cash flow before change in working capital	**112**	-141
Changes in working capital		
Change in current operating receivables	**-83**	174
Change in inventories	**-133**	181
Change in current non-interest-bearing liabilities	**37**	-35
Change in working capital	**-179**	321
Interest and other finance costs paid	**-69**	-83
Dividends received	**3**	26
Interest received	**55**	88
Taxes paid	**0**	-10
Net cash from operating activities	**-79**	201
Cash flows from investing activities		
Investments in tangible and intangible assets	**-150**	-128
Proceeds from sale of tangible and intangible assets	**5**	5
Investments in other financial assets	**-21**	-26
Proceeds from sale of other financial assets	**0**	16
Net cash used in investing activities	**-166**	-133
Net cash before financing activities	**-244**	68
Cash flows from financing activities		
Share issue against payment		0
Withdrawal of current loans	**323**	312
Repayment of current loans	**-253**	-274
Withdrawal of non-current loans	**120**	507
Repayment of non-current loans	**-96**	-313
Dividends paid	**-62**	-187
Financial aid given to subsidiaries		-30
Net cash from financing activities	**32**	15
Change in cash and cash equivalents	**-212**	83
Cash and cash equivalents at 1 Jan	**230**	147
Cash and cash equivalents at 31 Dec	**18**	230
	-212	83
* Adjustments for cash flow from operating activities		
Depreciation according to plan	**106**	104
Unrealised foreign exchange gains and losses	**11**	-34
Impairment of shares	**41**	72
Dividends received	**-3**	-49
Provisions	**-3**	-7
Financial income and expenses	**18**	13
Other adjustments	**0**	0
	170	98

Notes to the parent company financial statements

Parent company's equity

€m	2010	2009
Share capital	**238**	238
Share premium	**220**	220
Revaluation reserve	**33**	33
Retained earnings at 1 Jan	**698**	1 161
Change in treasury shares	**0**	0
Dividends paid	**-62**	-187
Retained earnings at 31 Dec	**636**	974
Result for the period	**-71**	-275
Equity at 31 Dec	**1 056**	1 189
Distributable equity		
Retained earnings	**636**	974
Result for the period	**-71**	-275
Distributable equity total	**565**	698

Parent company's contingent liabilities

€m	2010	2009
Mortgaged real estates	**64**	64
Amount of debt for which mortagages given	**55**	64
Guarantees given		
On own behalf	**23**	40
On behalf of group companies	**54**	47
On behalf of others	**2**	2
	79	88
Finance and operating lease liabilities		
Due within one year	**19**	42
Due later	**92**	116
	111	158

Board of Directors' proposal for the disposal of distributable funds

The Board of Directors is to propose to the Annual General Meeting to be held on 23 March 2011 that a dividend of EUR 0.60 be paid for the financial year ended 31 December 2010 and that the remainder of the distributable capital be retained.

The parent company´s distributable equity was EUR 565,221,616.96.

The total amount of dividend on the 138,862,374 shares outstanding at 2 February 2011 is EUR 83,317,424.40. No dividend will be paid on shares in the company´s possession (treasury shares) at the record date for dividend payment.

The proposed record date for the dividend payout is 28 March 2011 and the dividend payment date is 6 April 2011.

Helsinki, 2 February 2011

Reino Hanhinen
Chairman of the Board

Maarit Aarni-Sirviö

Pertti Korhonen

Liisa Leino

Matti Lievonen

Hannu Ryöppönen

Jaana Tuominen

Sakari Tamminen
President & CEO

Auditors' report

To the Annual General Meeting of Rautaruukki Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rautaruukki Corporation for the year ended December 31, 2010. The financial statements comprise the consolidated statement of financial position, consolidated income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, 2 February 2011
KPMG OY AB

Pekka Pajamo
Authorized Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Figures by quarter

Reported net sales

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Construction	132	145	164	147	589	109	163	184	172	628
Engineering	100	67	53	42	263	42	50	45	56	193
Metals	249	218	257	325	1 050	348	434	386	413	1 581
Others	25	8	10	6	49	5	8	0	0	13
Total	506	438	485	521	1 950	505	655	614	641	2 415

Reported operating profit

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Construction	-13	-9	-4	-22	-49	-21	-10	1	-13	-43
Engineering	9	-1	-3	-8	-4	-5	-10	-7	-9	-32
Metals	-102	-97	-39	10	-228	-4	64	11	22	93
Others	-6	-10	-7	-19	-42	-6	-10	-11	-3	-30
Total	-113	-117	-54	-39	-323	-36	34	-6	-3	-12

Comparable net sales

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Construction	132	145	164	147	589	109	163	184	172	628
Engineering	100	67	53	42	263	42	50	45	56	193
Metals	249	218	257	325	1 050	348	434	386	413	1 581
Others	0	0	0	0	0	0	1	0	0	1
Total	481	430	475	515	1 901	500	647	615	641	2 403

Comparable operating profit

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Construction	-11	-6	-4	-24	-44	-23	-10	1	-13	-45
Engineering	10	6	-3	-8	4	-6	-8	-7	-6	-28
Metals	-97	-88	-38	3	-219	-10	66	51	19	126
Others	-3	-4	-3	-3	-13	-4	-4	-4	-4	-15
Total	-100	-92	-49	-32	-272	-43	45	41	-5	38

Items affecting comparability of net sales

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Mo i Rana net sales										
Others	25	8	10	6	49	5	7	0	0	12

Items affecting comparability of operating profit

€m	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Unrealised gains and losses on USD derivatives										
Construction	-2	-4	0	2	-4	2				2
Engineering	-1	-2	0	0	-3	1				1
Metals	-6	-8	-1	6	-9	6	15	-40	6	-13
Closure of Hässleholm, Oskarström and Dortmund units										
Engineering		-5			-5		-1		-3	-5
Expense caused by low utilisation rate related to blast furnace modernisation										
Metals							-18			-18
Cost of production test runs for change in feedstock base										
Metals									-2	-2
Mo i Rana operating profit										
Others	-3	-6	-4	-16	-30	-2	-2	-7	0	-11
Fine regarding price collusion in divested (in 2006) prestressing steel business										
Others							-5	0		-4
Total	-12	-25	-6	-7	-51	7	-11	-47	1	-49

Information for shareholders

Investor relations

The main principles guiding investor relations at Rautaruukki include providing consistent, adequate information impartially at the same time to all investor audiences in all situations. The company also aims at honesty, transparency and good service. Rautaruukki's principal channel for investor relations is the www.ruukki.com website, which seeks to give update information about the company's news and to provide the tools to determine the value of Rautaruukki Oyj's share. The website also features a comprehensive archive of the company's releases and other investor material. The company publishes its annual report, interim report and other stock exchange releases in Finnish and English.

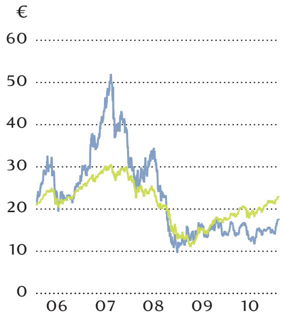
Annual General Meeting

The Annual General Meeting of Rautaruukki Corporation will be held at the Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki starting at 1pm on Wednesday 23 March 2011. The Meeting will be conducted in Finnish. Details of how to register for the Meeting can be found in the Notice of the Annual General Meeting at www.ruukki.com > Investors > Corporate Governance > General Meeting of Shareholders.

Share-related key figures 2006–2010 [1]	2010	2009	2008	2007	2006
Earnings per share (EPS), basic, €	**-0.57**	-1.98	2.93	3.31	3.66
Diluted, €	**-0.57**	-1.98	2.93	3.31	3.65
Dividend per share, €	**0.60** [2]	0.45	1.35	1.70+0.30	1.50+0.50
Dividend per earnings, %	**neg.** [2]	neg.	46.1	60.4	55.1
Effective dividend yield, %	**3.4** [2]	2.8	11.1	6.7	6.6
Equity per share, €	**9.99**	10.85	14.04	14.13	13.21
Price per earnings (P/E)	**neg.**	neg.	4.2	9.0	8.2
Share price during the year					
Lowest price, €	**11.62**	11.06	9.51	27.38	19.00
Highest price, €	**17.78**	18.14	34.77	52.50	33.31
Average price weighted by trading volume, €	**14.48**	14.53	22.03	38.34	25.70
Closing price on year, €	**17.51**	16.14	12.16	29.65	30.15
Market capitalisation at balance sheet date, €m	**2 456**	2 264	1 706	4 157	4 220
Share trading during the year					
Share trading, €m	**2 712**	2 752	5 530	8 444	4 628
Share trading, 1 000	**182 131**	189 371	251 096	219 940	179 214
% of shares [3]	**129**	136	181	157	128
Number of shares at balance sheet date					
Number of shares outstanding, 1 000	**138 862**	138 864	138 789	138 721	138 172
Treasury shares, 1 000	**1 423**	1 422	1 467	1 477	1 785
Total number of shares, 1000	**140 285**	140 285	140 255	140 198	139 957
Adjusted average number of shares outstanding, 1 000	**138 864**	138 846	138 746	138 491	136 864
Diluted, 1000	**138 864**	138 846	138 773	138 566	137 145

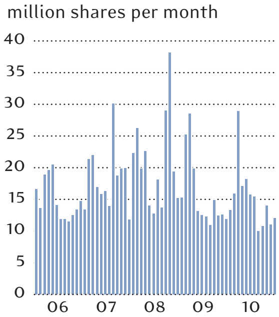
[1] All information concerning share trading and the key figures derived therefrom is based on trading information on NASDAQ OMX Helsinki. In addition to Nasdaq OMX Helsinki, Rautaruukki's share is also traded on multilateral trading facilities (MTF).
[2] Board of Directors' dividend proposal, €0.60 per share.
[3] Of average number of shares outstanding.

Share price

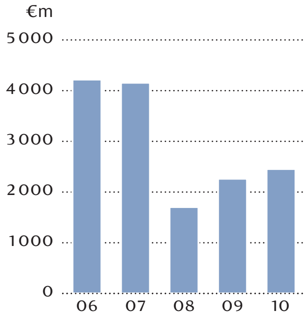


Rautaruukki, RTRKS
OMX Helsinki CAP (scaled to Rautaruukki's share price)

Share trading



Market capitalisation at year-end



Financial reports in 2011

- Financial statements release 2010: Thursday 3 February 2011
- Annual report 2010: published in week 9
- Interim report Q1/2011: Thursday 21 April 2011
- Interim report Q2/2011: Wednesday 20 July 2011
- Interim report Q3/2011: Wednesday 19 October 2011

Silent period

Rautaruukki complies with the principle of a 21-day silent period before the disclosure of results. During this period, the company does not meet capital market representatives, comment on the quarter concerned or report on matters relating to the company's performance.

Share information

Listing: NASDAQ OMX Helsinki
Date of listing: 20 October 1989
Trading currency: euro
Sector: Materials
Segment: Large Cap
Trading ticker: RTRKS
ISIN code: FI0009003552
Trading lot: 1
Reuters ticker: RTRKS.HE
Bloomberg ticker: RTRKS FH

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