Rautaruukki Oyj

Interim Report
January – June 2008
RTRKS

RAUTARUUKKI CORPORATION'S INTERIM REPORT FOR JANUARY-JUNE 2008

CONTINUED GOOD MARKET SITUATION, OUTLOOK UNCHANGED

Summary of 2008 first half-year results (reference period January-June 2007)

- Net sales EUR 2,008 million (1,960), comparable EUR 1,985 million (1,884)
- Operating profit EUR 309 million (356), comparable EUR 314 million (354)
- Return on capital employed 28.6 per cent (31.8*)
- Earnings per share (diluted) EUR 1.65 (1.89)
- Comparable consolidated net sales growth during the current year is expected to meet the target and exceed 10 per cent. Operating profit in 2008 is expected to be higher than in 2007.

KEY FIGURES	H1/ 2008	H1/ 2007	Q2/ 2008	Q2/ 2007	2007
Net sales, EUR m	2 008	1 960	1 069	1 009	3 876
Net sales, EUR m, comparable	1 985	1 884	1 060	973	3 744
Operating profit, EUR m	309	356	166	178	637
Operating profit, EUR m comparable	314	354	172	178	635
Operating profit as % of net sales	15.4	18.2	15.5	17.7	16.4
Operating profit as % of net sales, comparable	15.8	18.8	16.2	18.3	17.0
Profit before taxes, EUR m	308	353	167	176	621
Profit before taxes, EUR m, comparable	313	351	173	176	619
Earnings per share, diluted, EUR	1.65	1.89	0.89	0.93	3.31
Return on capital employed, % *	28.6	31.8*			29.8
Gearing ratio, %	5.8	13.0			1.4
Personnel, average	14 986	13 810	15 327	14 353	14 326

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

* Based on previous 12 months and reference periods restated in accordance with the new accounting principle. The figure excludes a capital gain of EUR 100 million on the divestment of Ovako.

2008 first half-year in brief:

- Comparable consolidated net sales for the first half year of 2008 rose to EUR 1,985 million (1,884). Comparable operating profit for the report period was EUR 314 million (354), which is 15.8 per cent (18.8) of net sales. Operating profit improved to EUR 172 million for the second quarter of 2008 compared to EUR 143 million for the first quarter of 2008.

- Demand for non-residential construction was good across the entire market area, especially in the Nordic countries and Russia. Demand for infrastructure construction was brisk and sales volumes were up. A slowdown in residential construction reduced sales of roofing components in the Baltics.

- The good market situation in the lifting, handling and transportation equipment industry and energy industry increased Ruukki Engineering's net sales. Strong demand, price increases and reorganisation of operations improved the division's profitability.

- Demand for steel products was good. The share of special products rose to 27 per cent (22) of Ruukki Metals' net sales.

President & CEO Sakari Tamminen comments on the 2008 first half-year results:

- Except in residential construction in the Baltics and Nordic countries, the good market situation in our core market area and main customer industries continued during the report period.

There was continued good demand in both non-residential and infrastructure construction. Nevertheless, Ruukki Construction's operating profit was down year on year. Earnings were affected by expenses relating to the division's extensive investment programme, as well as by higher steel material costs, which were still not fully reflected in sales prices during the second quarter.

The order books of engineering customers in the lifting, handling and transportation equipment industry remained strong and the market situation was favourable in the energy industry, especially in the wind power sector. Ruukki Engineering's profitability improvement programme progressed to plan and in this context operations were reorganised in the Finnish and Hungarian units during the report period. The programme aims at improving the division's operating profit by around EUR 20 million during the current year.

Demand for Ruukki Metals' special products was very brisk and we continued investments to increase delivery capability for special products. The division's operating profit was down compared to the strong reference period a year earlier, but improved during the second quarter of 2008 compared to the first quarter. The rise in the cost of raw materials is expected to add around EUR 220 million to our own steel production costs in 2008 compared to 2007. We estimate that higher sales prices and improved cost efficiency will offset increased production costs.

Comparable consolidated net sales growth during the current year is expected to meet the target and exceed 10 per cent. Operating profit in 2008 is expected to be higher than in 2007.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Press conference

Rautaruukki will hold a press conference for analysts and the media on 30 July 2008 at 10.30 at Ruukki, Suolakivenkatu 1, 00810 Helsinki.

Webcast and conference call

The English webcast and conference call for investors and analysts can be viewed live on the company's website at www.ruukki.com/investors, today 30 July 2008 at 14.00 Finnish time. A replay of the webcast can be viewed on the same site from about 18.00 Finnish time.

To attend the conference call, please call +44 (0)20 7162 0025, password: Rautaruukki, about 5-10 minutes before the conference starts.

A recording of the conference call can be heard until 4 August on
+44 (0)20 7031 4064, access code: 802656

Rautaruukki Corporation
Anne Pirilä
SVP, Corporate Communications and Investor Relations

Rautaruukki supplies metal-based components, systems and integrated systems to the construction and engineering industries. The company has a wide selection of metal products and services. Rautaruukki has operations in 25 countries and employs 14,990 people. Net sales in 2007 totalled EUR 3.9 billion. The company's share is quoted on the OMX Nordic Exchange Helsinki (Rautaruukki Oyj: RTRKS). The Corporation uses the marketing name Ruukki.
www.ruukki.com

RAUTARUUKKI CORPORATION INTERIM REPORT JANUARY-JUNE 2008

The good market situation in Rautaruukki's core market areas and main customer industries continued throughout the first six months of the year.

Demand for non-residential construction was good across the market area, with brisk markets especially in the Nordic countries and Russia. Good demand for infrastructure construction continued.

The order books of engineering customers continued to show strength and this has been reflected in growing demand, with strong demand especially in the lifting, handling and transportation equipment industry and energy industry.

There was continued good overall demand for steel products, with strong growth in demand especially for special steel and plate products.

Net sales during January-June

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

The company reported net sales of EUR 2,008 million for the first six months of 2008, up by EUR 48 million compared to last year (1,960). Comparable net sales for the first six months of the year were EUR 1,985 million, up by EUR 101 million year on year (1,884). The comparable figures exclude Ruukki Betonstahl GmbH and Ruukki Welbond BV, which were part of the Group until November 2007, and Carl Froh GmbH, which was part of the Group until June 2008.

Ruukki Construction's net sales were EUR 509 million (471), Ruukki Engineering's EUR 394 million (330) and Ruukki Metals' net sales EUR 1,105 million (1,159).

The solutions businesses - Ruukki Construction and Ruukki Engineering - increased their share of the company's net sales to 45 per cent (41) during the report period. Finland accounted for 32 per cent (31) of consolidated net sales, the other Nordic countries for 31 per cent (32) and Central Eastern Europe, Russia and Ukraine for 19 per cent (19). The rest of Europe accounted for 14 per cent (16) of net sales and other countries for 3 per cent (2).

Ruukki Construction's net sales rose year on year due to increased product deliveries in the project business and infrastructure construction.

Ruukki Engineering increased net sales as a result of growth in the lifting, handling and transportation equipment business and acquisitions made in Hungary and Germany. In addition, the continuing favourable market situation in the energy industry, especially in the wind power sector, increased sales volumes.

Ruukki Metals reported slightly lower net sales in comparison with the same period a year earlier. Comparable net sales during January-June remained almost unchanged at EUR 1,082 million (1,083). Very good demand for special products continued. The division's comparable net sales were up by EUR 60 million or 12 per cent compared to the first quarter of 2008.

Operating profit for January-June

The company reported operating profit of EUR 309 million (356), reflecting 15 per cent (18) in net sales. The share of the solutions businesses rose to 41 per cent (37) of consolidated operating profit. Ruukki Construction's operating profit was EUR 59 million (74), Ruukki Engineering's EUR 66 million (59) and Ruukki Metals' operating profit was EUR 197 million (233).

Profitability of Ruukki Construction's business in Northern Europe was good throughout the report period. Ruukki Construction's earnings during January-June were affected by the costs of building the organisation and sales network associated with implementation of the division's extensive investment programme. Earnings were also affected by higher steel material costs, which were still not fully reflected in sales prices during the second quarter.

Ruukki Engineering improved profitability during the report period on the back of strong demand and higher prices. In addition, the reorganisation of operations and development of the product range have also improved profitability of the cabin business and business within the energy industry.

Ruukki Metals' comparable operating profit for January-June 2008 was EUR 202 million (231). Demand for steel products was good and higher sales prices have covered the increased costs of raw materials. Strikes at the Raahe Works in Finland had a negative impact of EUR 8 million on the division's operating profit compared to the strong earnings for the comparable period a year earlier. Also margins on stainless steel trading were EUR 19 million lower year on year.

Ruukki Metals' reported operating profit was also affected by a EUR 7 million capital loss booked on the divestment of Carl Froh GmbH.

A change in the IFRS accounting practice in respect of disability pension increased pension costs by EUR 3 million during the report period.

Net finance expense and exchange rate differences totalled EUR 3 million (6).

Group taxes were EUR 78 million (91), which include a decrease of EUR 8 million (decrease of 11) in deferred tax. The Group's effective tax rate was 26 per cent (26).

Profit for the report period was EUR 229 million (262).

Diluted earnings per share were EUR 1.65 (1.89).

Return on capital employed over the past 12 months was 28.6 per cent (31.8) and return on equity was 23.3 per cent (29.0). Figures for the reference period exclude the impact of the capital gain on the divestment of Ovako.

Balance sheet

The consolidated balance sheet was EUR 29 million lower than at 30 June 2007 and EUR 68 million higher at EUR 2,903 million than at year-end 2007. Consolidated equity at the end of the report period was EUR 1,874 million (1,785).

Cash flow and financing

Cash flow from operating activities was good and rose to EUR 289 million (158). Cash flow after investing activities was EUR 192 million (63). The largest change was in working capital, which rose by EUR 14 million during the first six months of 2008, compared with a rise of EUR 153 million during the comparable period last year.

Net interest-bearing debt decreased to EUR 109 million (233) at the end of June. At year-end 2007, net interest-bearing debt was EUR 28 million.

The equity ratio was 66.1 per cent (62.4) and net gearing 5.8 per cent (13.0). At 30 June, the Group had liquid assets of EUR 103 million and undrawn revolving credit facilities totalling EUR 300 million. Shareholders' equity at June 30 was EUR 1,874 million (1,785) or EUR 13.51 per share (12.92). In April, Rautaruukki paid its shareholders dividends amounting to EUR 277 million.

Personnel

During the first six months of 2008, the Group employed an average of 14,986 (13,810) people. The headcount increased especially in Central Eastern Europe. At 30 June, the headcount was 15,655 (15,297).

Changes in Group structure

EUR 6 million was spent on M&A arrangements during the report period. Through M&A, property, plant and equipment increased by EUR 8 million and goodwill by EUR 2 million.

In February, Ruukki Engineering acquired the German company Wolter Metallverarbeitung GmbH, which makes booms for telescopic and special cranes. This acquisition strengthens Rautaruukki's position among customers within the lifting, handling and transportation equipment industry.

In April, Ruukki Metals acquired the business operations of Finnish company Hybri-Steel Oy. This acquisition adds laser and laser hybrid welding to Rautaruukki's special product expertise.

In June, Ruukki Metals sold its German unit Carl Froh GmbH, which makes precision tubes and components for the automotive industry. The divestment is part of the division’s strategy of focusing on special products in the Central and Southern European markets. The transaction has a positive impact of around EUR 10 million on cash flow.

Annual General Meeting 2008

Rautaruukki Corporation held its Annual General Meeting in Helsinki on 2 April 2008. The Meeting approved the payment of a dividend for 2007 of EUR 1.70 plus an additional dividend of EUR 0.30 per share to make a total dividend of EUR 2.00 per share. The total dividend payout of EUR 277 million was paid on 16 April 2008.

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

The Annual General Meeting appointed Marjo Matikainen-Kallström MP as the new chairperson of the Supervisory Board and Inkeri Kerola MP as the new deputy chairperson. Heikki Allonen MSc (Tech), Turo Bergman, Political Secretary, Miapetra Kumpula-Natri MP, Petteri Orpo MP, Jouko Skinnari MP, Markku Tynkkynen, Executive Vice President, Resources, and Tapani Tölli MP were all appointed as members of the Supervisory Board. The term of office of the Supervisory Board ends at the close of the following Annual General Meeting.

The Annual General Meeting elected Authorised Public Accountants firm KPMG Oy Ab as the company's new auditor, with Mauri Palvi APA as the principal auditor.

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

The Annual General Meeting decided to establish a shareholders' Nomination Committee to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and directors' fees.

Capital expenditure

Capital expenditure during January-June amounted to EUR 103 million (73). During the report period, divestments of property, plant and equipment amounted to EUR 11 million (4). EUR 6 million was spent on M&A arrangements during the report period. Capital expenditure in 2008 is expected to exceed EUR 250 million.

A decision was taken in January to strengthen delivery capability in the Nordic and Baltic non-residential construction markets by building a new sandwich panel plant in Finland. The total investment is worth around EUR 20 million. The new plant, when completed in autumn 2009, will double annual panel output in Finland to over 2 million square metres.

A decision was taken in April to increase steel service centre capacity in Russia. Work is under way on the construction of a steel service centre next to the production plant in Obninsk, to the southwest of Moscow. The approximately EUR 13 million investment will broaden the product range and service capability to increasingly encompass also the engineering industry. The new service centre will begin operations in late 2009. A new cut-to-length line will start up at the steel service centre in St Petersburg this autumn.

New finishing capacity for special steel production will come on stream in stages during the current year. Rautaruukki is spending some EUR 44 million during 2008 to increase capacity. During the report period, the production capacity of high-strength and wear-resistant steels and components was increased by a new plasma cutting and packaging unit especially for high-strength plate products, as well as by the commissioning of the first stage of a new ladle treatment unit.

Shares and share capital

During the first six months of 2008, Rautaruukki Oyj shares were traded for a total of EUR 3,382 million (3,956) on the OMX Nordic Exchange Helsinki. The highest price quoted was EUR 34.77 in June and the lowest was EUR 22.37 in January. The volume weighted average share price was EUR 28.77. At 30 June 2008, the share closed at EUR 29.06 and the company had a market capitalisation value of EUR 4,075 million (6,668).

The company's registered share capital at 30 June 2008 was EUR 238.4 million and there were 140,215,328 shares issued.

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

The Board of Directors is also authorised to transfer a maximum of 13,785,381 treasury shares retained by the company. The authorisation is valid until the close of the 2009 Annual General Meeting.

At 30 June 2008, the company had 1,466,937 treasury shares, which at that date had a market value of EUR 42.6 million and an accountable par value of EUR 6.3 million. Treasury shares account for a relative percentage of 1.05 per cent of the total number of shares and votes.

Employee warrants based on the 2003 bond with warrants have been publicly traded on the OMX Nordic Exchange Helsinki since 24 May 2006. One warrant entitles the holder to subscribe one share at an issue price of EUR 1.70. Warrants had been exercised to subscribe a total of 1,328,883 shares by 30 June 2008. The remaining warrants entitle holders to subscribe a total of 71,117 shares. The subscription period expires on 23 May 2009.

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

Disclosure notifications

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

Environmental and energy issues

There were no major changes in environmental and energy issues during the report period.

In the free allocation for the second period 2008-2012 of the EU Emissions Trading Scheme, the Raahe Works received emissions allowances corresponding to 91 per cent and the steam boilers at the Hämeenlinna Works allowances corresponding to 86 per cent of their maximum needs. This makes a total of 23.5 million emissions allowances.

In March, Rautaruukki made a decision to close down sinter plant operations at the Raahe Works by the end of 2011. The company is switching over to using iron pellets instead of sinter as the only raw material in the iron-making process. Closure of the sinter plant will reduce the present level of carbon dioxide emissions by 10 per cent or 500,000 tonnes a year. It will also significantly reduce dust and sulphur dioxide emissions at the works and cut energy consumption.

Improvement in cost efficiency

Ruukki United, Rautaruukki's programme to harmonise ways of working and improve efficiency, aims to achieve annual cost savings, compared with 2004 levels, of around EUR 150 million by the end of the current year. EUR 119 million of this target had been achieved by the end of the report period.

The Ruukki United programme also seeks to permanently free up some EUR 150 million of capital by year-end 2008. EUR 127 million of this figure had been achieved by the end of the report period.

Events taking place after 30 June 2008

In July, Rautaruukki signed a contract to supply the steel superstructures for the bridge at Partihallarna in Gothenburg, Sweden. The bridge is part of the Swedish Road Administration's Partihallsförbindelsen road link project. The contract is worth around EUR 9 million. Delivery and installation work are scheduled for 2009-2010.

July saw the end of employer-employee negotiations initiated by Ruukki Engineering in May 2008. The negotiations concerned the division's Hungarian unit, Ruukki Tisza Zrt., and senior salaried employees in the division's Finnish units in Helsinki, Tampere and Hämeenlinna. In Hungary, agreement was reached to cut the number of white-collar jobs by 190 during the course of this year and 2009. In Finland, negotiations resulted in 17 jobs being shed in division administration during the course of this autumn. The outcome of negotiations includes retirement agreements and the termination of seven employment contracts.

Rise in prices of steel raw materials in 2008

Prices of raw materials (iron ore, coal, filler materials, alloying elements and recycled steel) have risen sharply on the global market. It is estimated the higher cost of raw materials will add around EUR 220 million to company's own steel production costs in 2008 compared to 2007. Around one third of the rise in costs was realised during the first half of the year and two thirds will be realised during the second half.

It is estimated higher raw material costs can be offset in full by increasing sales prices and by improving cost efficiency. The size and timing of price increases will vary according to product and market area.

Risks and risk management

There were no significant changes in Rautaruukki's strategic, operative, hazard and financial risks or in risk management during the report period.

Exchange rate fluctuations can have significant impact on the company's performance. The company's largest purchasing currency is the US dollar. The annual deficit in US dollars is about EUR 680 million, of which some six months' deficit is hedged using currency derivatives. In sales, the Group is exposed to a foreign currency risk mainly in Swedish, Norwegian and Danish crowns, the Russian rouble, Polish zloty and Baltic currencies.

As its spreads, the US credit crisis and other factors of uncertainty in the global economy might affect demand for the company's products. However, the company believes the impact of these factors will be less in its core market areas - the Nordic countries, Central Eastern Europe and especially in Russia and Ukraine.

Near-term outlook

Good demand is expected to continue in Rautaruukki's key customer industries.

The non-residential construction markets in Central Eastern Europe and Russia are still showing strong growth and demand in Northern Europe is expected to remain good for the rest of the year. Likewise, good demand is expected to continue in infrastructure construction. Residential construction activity in the Baltics and in the Nordic countries is expected to slow down.

Continued good demand for the company's products is expected from engineering industry customers. Order books of customers in the lifting, handling and transportation equipment industry are strong and demand is expected to grow. Demand in the energy industry is expected to remain good, especially within the wind power sector. Continued strong demand is also expected in the shipbuilding industry.

Good demand for steel products is expected to continue in all product groups. Demand is still showing strong growth especially for plate and special steel products.

Comparable consolidated net sales growth during the current year is expected to meet the target and exceed 10 per cent. Operating profit in 2008 is expected to be higher than in 2007.

This report is unaudited.

Helsinki, 30 July 2008

Rautaruukki Corporation

Board of Directors

DIVISIONS

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

Ruukki Construction

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08
Net sales	213	258	278	292	1 042	225	285
Operating profit	34	40	51	38	163	21	38
as % of net sales	16	16	18	13	16	9	13

Ruukki Construction's net sales during January-June were EUR 509 million (471), up by 8 per cent on the comparable period a year earlier. The division accounted for 25 per cent (24) of consolidated net sales.

Higher net sales were a result of increased deliveries in the project business and infrastructure construction. There was continued good demand for non-residential construction across the market area, with particularly strong demand in the Nordic countries and Russia. A colder winter than during the previous year in Central Eastern Europe meant less construction. This explains the decrease in sales volumes in this market area during the first quarter of 2008 compared to the same period a year earlier.

Infrastructure construction demand and sales volumes rose in both road and railway construction and foundation building compared to the first half of 2007. Demand for infrastructure construction was especially good in Sweden.

Demand for roofing components in the Nordic countries remained almost unchanged year on year, but declined in the Baltics as the result of an overall slowdown in the residential construction market. Residential construction accounts for about 10 per cent of the division's net sales.

Ruukki Construction's operating profit for the first half of 2008 was EUR 59 million (74). The costs of building the organisation and sales network associated with the implementation of an extensive investment programme affected the division's earnings during the report period. The investments will be completed during the course of 2008-2009 and support the division's target of achieving annual net sales of EUR 1.5 billion by the end of 2010 (excluding acquisitions).

Earnings were also affected by higher steel material costs, which were still not fully reflected in sales prices during the report period.

Major new orders and solutions

Rautaruukki further strengthened its position as a leading steel constructor especially in Russia and the Nordic countries.

Deliveries, agreed in February, of steel structures worth around EUR 100 million for the new Zenit football stadium to be built in St Petersburg will start during the fourth quarter of 2008 and end during the course of 2009.

In June, the company signed a contract worth EUR 12 million with Oris LLC to deliver steel frame and cladding structures for an oriented strand board production plant in Russia. During the first half of the year, Rautaruukki also signed contracts for total deliveries of industrial and logistics buildings in Russia with customers such as Samsung and Rosneft, and in Finland, for total delivery of a maintenance and office building at Helsinki-Vantaa Airport. In Sweden, a contract was signed to supply steel structures for the bridge crossing the Hudälven river and foundations for the Henriksdalhamn landfill site in Stockholm.

Ruukki Construction continued to launch new technologies on the market. During the first six months of 2008, the division's effective solution to speed up the construction of single-storey buildings was presented in five countries: Hungary, Slovakia, Poland, Czech Republic and Ukraine. Contracts totalling around EUR 11 million for deliveries based on the single-storey construction concept deliveries were signed in the Central Eastern European area during the report period. The concept is based on software developed by the company to considerably shorten the initial stage in a project and ensure the choice of compatible building components. The solution includes building design, foundations, frame and envelope structures.

Capital expenditure

Ruukki Construction has an investment programme of around EUR 120 million under way to expand production capacity in Central Eastern Europe, Russia and Finland. Investments will especially strengthen frame and sandwich panel delivery capacity.

New frame structure production lines included in the investment programme started up in Poland and Romania during the report period. The sandwich panel line in Romania and profile production and sandwich panel line at the Ukraine plant will start up later this year. Expansion investments in Russia will also be up and running this year. In addition, a new sandwich panel line will be built in Russia in autumn 2009.

The construction of a new sandwich panel plant in Finland will strengthen delivery capacity for industrial and commercial customers in the Nordic, Baltic and Northwest Russian non-residential construction markets. The plant is scheduled for completion in late 2009 at a total cost of around EUR 20 million.

Ruukki Engineering

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08
Net sales	167	163	157	180	667	188	205
Operating profit	32	27	25	18	103	32	35
as % of net sales	19	17	16	10	15	17	17

Ruukki Engineering's net sales during January-June 2008 were up by 19 per cent year on year to EUR 394 million (330). The division accounted for 20 (17) per cent of consolidated net sales.

Higher net sales were attributable to organic growth within the lifting, handling and transportation equipment business, and to acquisitions made in Hungary and Germany. In addition, the continued favourable market situation in the energy industry, especially in the wind power sector, and shipbuilding increased sales volumes and thus net sales. In certain product groups, demand exceeds existing production capacity.

The division's operating profit for January-June 2008 was EUR 66 million (59). Profitability improved as a result of strong demand and increases in sales prices implemented during the first quarter. In addition, the division has reorganised production and developed its product portfolio to improve profitability.

Demand has remained good and sales prices have been increased to offset higher costs of raw materials. Twenty-five per cent of the division's customers are on an annual contract basis. It is uncertain whether or not the higher costs of raw materials can be passed on to sales prices in respect of these contracts during the course of 2008.

In February, Ruukki Engineering acquired German company Wolter Metallverarbeitung GmbH, which makes booms for telescopic and special cranes. This acquisition strengthens Rautaruukki's position among customers within the lifting, handling and transportation equipment industry.

Integration of the units acquired by the division in Germany and Hungary is progressing to plan and will be completed by the end of the year.

In February, Ruukki Engineering launched a profitability improvement programme aimed at improving the division's operating profit by around EUR 20 million during the current year. Progress has been made to plan: Operations and production have been streamlined to improve profitability. Investments in machinery and equipment at production facilities in Hungary, Poland and Finland have provided additional capacity in response to a broader customer base and to meet growing demand. The division has also developed its product portfolio and redefined its customer strategy.

Also reorganisation has made operations within the division more effective. In this context, the report period saw the start of employer-employee negotiations at the division's Ruukki Tisza unit in Hungary and with senior salaried employees in Helsinki, Tampere and Hämeenlinna in Finland. In Hungary, agreement was reached to cut the number of white-collar jobs by 190. In Finland, negotiations resulted in the loss of 17 jobs in division administration. The outcome of the negotiations includes retirement agreements and the termination of seven contracts.

Ruukki Metals

EUR million	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08
Net sales	531	552	464	488	2 035	511	571
Operating profit	116	115	96	68	395	96	106
as % of net sales	22	21	21	14	19	19	19

All figures are comparable and exclude Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH.

Ruukki Metals reported net sales of EUR 1,105 million (1,159) for January-June 2008. Net sales were slightly down year on year. The division accounted for 55 per cent (59) of consolidated net sales. Comparable net sales for January-June were almost unchanged at EUR 1,082 million (1,083) compared to a year earlier. The comparable figures exclude Ruukki Betonstahl GmbH and Ruukki Welbond BV, which were part of Rautaruukki until November 2007, and Carl Froh GmbH, which was part of Rautaruukki until June 2008. The comparable figures exclude a capital loss of EUR 7 million recognised during the second quarter on the sale of Carl Froh GmbH.

Demand for special products remained very good. The division's comparable net sales for the second quarter of the year were up 12 per cent or EUR 60 million compared to the first quarter.

Good demand for steel products has continued across all the division's market areas and in all customer sectors. Demand for special products was particularly brisk. Very good demand for plates and hot sheets meant longer delivery times than normal.

Ruukki Metals is making good progress with its strategy to increase its share of special products. During the first half of the year, the share of special products rose to account for 27 per cent (22) of the division's net sales.

The division's operating profit for January-June 2008 was EUR 197 million (233). The comparable operating profit for the same period was EUR 202 million (231). Demand for steel products was good and increases in raw material costs were able to be passed on to the prices of end products. Strikes at the Raahe Works in Finland had a negative impact of EUR 8 million on operating profit compared to the strong reference period a year earlier. In addition, sales margins on stainless steel trading were around EUR 19 million lower than during the first half of 2007. However, trading margins improved during the second quarter of the current year compared to the first quarter.

Price increases were implemented within Ruukki Metals during the second quarter and will continue to be implemented during the second half of the year. Price increases are expected to cover the higher costs of raw materials.

New finishing capacity for special steel products will come on stream during this year. This will support the division's aim to increase the share of special products to 40 per cent of net sales by the end of 2010. During the report period, the division expanded its special product expertise into laser-welded sandwich panels and laser-hybrid and laser welding through acquisition of the business operations of Finnish company, Hybri-Steel Oy. The new technology is used especially by customers in the construction and shipbuilding industries, and in the lifting, handling and transportation equipment industry.

A decision was taken during the report period to establish a new steel service centre next to the steel structure production plant in Obninsk, to the southwest of Moscow. The investment is worth around EUR 13 million and will broaden the product range and service capacity. This new centre is scheduled to start up in late 2009. Machinery at the steel service centre in St Petersburg was modernised during the report period and a new cut-to-length line will start up there in the autumn.

Employer-employee negotiations were initiated at the division's service centres at Järvenpää and Naantali in Finland and at Halmstad in Sweden to streamline steel service centre operations. Efforts will be made to find work in the company's other units for the approximately 15-20 people affected. The negotiations will be concluded in August.

Flame cutting operations, which began during the report period, have got off to a good start at the steel construction plant in Oborniki, Poland. Flame cutting will improve the delivery capability of special products and parts, especially for customers in the heavy engineering industry. The division is improving operations by centralising activities in Poland: cut-to-length and slitting services will be relocated from Zyrardow to Oborniki during the fourth quarter.

During the report period, a contract was signed to start parts processing for waste treatment containers for the Russian market. The containers will be made in cooperation with Europress Group Oy, the leading manufacturer of waste handling equipment in the Nordic countries. Rautaruukki and Europress have agreed to work together long-term in manufacturing.

The Ministry for Economic Development and Trade of the Russian Federation has started an anti-dumping investigation of colour-coated products. If introduced, import duties would apply from 2009 to exports of colour-coated products to Russia. Rautaruukki manufactures and exports around EUR 30 million of these products to Russia each year.

Ruukki Production

1000 tonnes	Q1/07	Q2/07	Q3/07	Q4/07	2007	Q1/08	Q2/08
Steel production	703	672	610	561	2 546	672	680

Rautaruukki's steel production during January-June decreased to 1,352,000 tonnes, compared to 1,375,000 tonnes during the first six months of 2007. Production was affected by strikes at the Raahe Works in Finland in February and May. These strikes were judged unlawful by the Labour Court. Also during the first half of the year, deliveries were affected by more technical disruptions in production than usual.

Prices of raw materials - especially iron ore, coal, filler materials, alloying elements and recycled steel - have risen sharply on the global market. It is estimated higher raw material costs will add around EUR 220 million to company's own steel production costs in 2008 compared to 2007. Around one third of the rise in costs was realised during the first half of the year and two thirds will be realised during the second half.

A total of around EUR 44 million will be spent during the year to increase special steel production capacity. During the report period, the production capacity of high-strength and wear-resistant steels and components for use in the lifting, handling and transportation equipment industry was increased by a new plasma cutting and packaging unit, as well as by the commissioning of the first stage of a new ladle treatment unit. The second half of the year will see the start up of a cold leveller at the plate mill and the second stage of the new ladle treatment unit, as well as an increase in plasma cutting capacity.

There was a clear improvement in the division's accident frequency rate compared to a year earlier. The accident frequency rate was 11 (20) per million hours worked for the first six months of 2008.

TABLES

This interim report has been prepared in accordance with IAS 34 and is in conformity with the accounting policies published in the annual financial statements.

Individual figures and totals appearing in the tables have been rounded to the nearest full million of euros. This means that they will not always tally when added together or subtracted. The figures given in the tables are unaudited.

Rautaruukki changed the accounting principle for pension and disability pension liabilities from 1 January 2008. The change in accounting principle decreased equity by EUR 58 million, including the tax effect, and decreased balance sheet assets by EUR 73 million as at 1 January 2008. Further information about the change in accounting principle is given at the end of this release.

SUMMARY CONSOLIDATED INCOME STATEMENT					
EUR million	Q2/08	Q2/07	H1/08	H1/07	2007
Net sales	1 069	1 009	2 008	1 960	3 876
Other operating income	8	5	13	9	26
Operating expenses	-875	-779	-1 639	-1 538	-3 111
Depreciation, amortisation and impairment losses	-36	-38	-73	-75	-153
Operating profit	166	178	309	356	637
Finance income and expense	1	-4	-3	-6	-20
Share of results of associated companies	1	2	2	3	3
Profit before taxes	167	176	308	353	621
Taxes	-45	-46	-78	-91	-162
Profit for the period	123	130	229	262	459
Attributable to:					
Equity shareholders of the parent	123	130	229	261	458
Minority interests	0	0	0	1	1
Diluted earnings per share, EUR	0.89	0.93	1.65	1.89	3.31
Basic earnings per share, EUR	0.89	0.94	1.65	1.89	3.31
Operating profit as % of net sales	15.5	17.7	15.4	18.2	16.4

SUMMARY CONSOLIDATED BALANCE SHEET			
EUR million	30 Jun 2008	30 Jun 2007	31 Dec 2007
ASSETS			
Non-current assets	1 427	1 457	1 447
Current assets			
Inventories	669	693	614
Trade and other receivables	705	666	579
Cash and cash equivalents	103	116	196
	2 903	2 932	2 835
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the parent	1 874	1 785	1 960
Minority interests	3	3	3
Non-current liabilities			
Interest-bearing	134	207	138
Other	175	213	189
Current liabilities			
Interest-bearing	77	141	86
Trade payables and other liabilities	640	582	461
	2 903	2 932	2 835

SUMMARY CASH FLOW STATEMENT			
EUR million	H1/08*	H1/07*	2007*
Profit for the period	229	262	458
Adjustments	149	165	290
Cash flow before change in working capital	378	427	749
Change in working capital	-14	-153	-112
Financing items and taxes	-75	-116	-219
Cash flow from operating activities	289	158	417
Cash flow from investing activities	-97	-95	-146
Cash flow before financing activities	192	63	271
Dividends paid	-277	-276	-276
Change in debt	-8	-31	-155
Other net cash flow from financing activities	1	-2	-6
Change in cash and cash equivalents	-93	-245	-166
* Changes in the classification of items and in working capital have been made in cash flow. Figures for the reference periods have been restated accordingly.			

KEY FIGURES	H1/08	H1/07	2007
Net sales, EUR m	2 008	1 960	3 876
Operating profit, EUR m	309	356	637
as % of net sales	15.4	18.2	16.4
Profit before taxes, EUR m	308	353	621
as % of net sales	15.3	18.0	16.0
Profit for the period, EUR m	229	262	459
as % of net sales	11.4	13.3	11.8
Return on capital employed*, %	28.6	36.5	29.8
Return on equity*, %	23.3	35.1	24.2
Equity ratio*, %	66.1	62.4	70.1
Gearing ratio, %	5.8	13.0	1.4
Net interest-bearing liabilities, EUR m	109	233	28
Equity per share, EUR *	13.51	12.92	14.13
Personnel on average	14 968	13 810	14 326
Number of shares	140 215 328	140 172 984	140 198 128
- excluding treasury shares	138 748 391	138 471 603	138 721 191
- diluted, average	138 795 862	138 410 652	138 566 355
Return on capital employed and return on equity are based on the previous 12 months. * The reference periods have been restated in accordance with the new accounting principle.			

CHANGES IN EQUITY H1/2008							
EUR million	Attributable to equity shareholders of the parent						
	Share cap-ital	Share prem. act.	Fair value and other re-serves	Trans-lation diff.	Ret-ained earn-ings	Total	Mino-rity int.
EQUITY AT 1 JAN	238	220	9	-6	1 498	1 960	3
Cash flow hedges, net of tax			-3			-3	
Actuarial gains and losses, net of tax					-34	-34	
Change in translation difference				1		1	
Net income and expense recognised directly in equity	0	0	-3	1	-34	-37	0
Profit for the period					229	229	0
Total income and expense recognised for the period	0	0	-3	1	195	193	0
Share-based payments, net of tax			0			0	

Disposal of treasury shares			0		0	0	
Dividend distribution					-277	-277	0
EQUITY AT 30 JUN	238	220	6	-5	1 415	1 874	3

CHANGE IN EQUITY H1/2007							
EUR million	Attributable to equity shareholders of the parent						
	Share cap-ital	Share prem. act.	Fair value and other re-serves	Trans-lation diff.	Ret-ained earn-ings	Total	Mino-rity int.
EQUITY AT 1 JAN	238	220	44	-3	1 326	1 825	1
Cash flow hedges, net of tax			-18			-18	
Actuarial gains and losses, net of tax					-8	-8	
Change in translation difference					0	0	
Net income and expense recognised directly in equity	0	0	-18	0	-8	-26	0
Profit for the period					261	261	2
Total income and expense recognised for the period	0	0	-18	0	253	235	2
Share-based payments, net of tax			0			0	
Disposal of treasury shares			-2		3	1	
Dividend distribution					-276	-276	
EQUITY AT 30 JUN	238	220	25	-3	1 305	1 785	3

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE *			
EUR million	H1/08	H1/07	2007
Profit for the period	229	261	459
Cash flow hedges, net of tax	-3	-18	-33
Translation difference on net investments in subsidiaries	1	0	1
Defined benefit plan actuarial gains (losses), net of tax	-34	-8	-16
Net income and expense recognised directly in equity	-36	-26	-48
Total income and expense recognised for the period	193	235	411
Recognised income and expense attributable to minority interests during the period	0	2	1
Recognised income and expense attributable to shareholders during the period	193	233	410
Total income and expense recognised for the period	193	235	411
* The statement includes the profit for the period and gains and losses recognised directly in equity in accordance with IFRS standards.			

NET SALES BY DIVISION						
EUR million	H1/08	H1/07	2007	H1/08 comparable	H1/07 comparable	2007 comparable
Ruukki Construction	509	471	1 042	509	471	1 042
Ruukki Engineering	394	330	667	394	330	667
Ruukki Metals	1 105	1 159	2 168	1 082	1 083	2 035
Group management and other units	0	0	0	0	0	0
Consolidated net sales	2 008	1 960	3 876	1 985	1 884	3 744
Comparable = excluding Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH.						

OPERATING PROFIT BY DIVISION						
EUR million	H1/08	H1/07	2007	H1/08 comparable	H1/07 comparable	2007 comparable
Ruukki Construction	59	74	163	59	74	163
Ruukki Engineering	66	59	103	66	59	103
Ruukki Metals	197	233	397	202	231	395
Group management and other units	-14	-10	-25	-14	-10	-25
Consolidated operating profit	309	356	637	314	354	635
Comparable = excluding Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH.						

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

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

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

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

NET SALES BY REGION			
As % of net sales	H1/08	H1/07	2007
Finland	32	31	31
Other Nordic countries	31	32	30
Central Eastern Europe, Russia and Ukraine	19	19	21
Rest of Europe	14	16	15
Other countries	3	2	3

CONTINGENT LIABILITIES			
EUR million	Jun 08	Jun 07	Dec 07
Mortgaged real estates	24	25	24
Pledges given	6	16	5
Other guarantees given	46	48	41
Collateral			
Given on behalf of associates	0	0	0
Given on behalf of others	6	12	6
Leasing and rental liabilities	143	99	154
Other financial liabilities	0	1	0

VALUES OF DERIVATIVE CONTRACTS AT 30 JUNE 2008		
CASH FLOW HEDGES QUALIFYING FOR HEDGE ACCOUNTING		
	Nominal amount	Fair value EUR million
Zinc derivatives		
Forward contracts, tonnes	42 000	-16.2
Electricity derivatives		
Forward contracts, Gwh	1 054	23.7
DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING		
	Nominal value EUR million	Fair value EUR million
Foreign currency derivatives		
Forward contracts	584	-7.0
Options		
Bought	265	-2.5
Sold	265	-7.8
		-10.3

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

CHANGES IN PLANT, PROPERTY AND EQUIPMENT			
EUR million	H1/08	H1/07	2007
Carrying value at start of period	1 076	1 043	1 043
Additions	98	66	157
Additions through acquisitions	4	14	18
Disposals	-2	-2	-11
Disposals through acquisitions	-22	0	0
Depreciation and value adjustments	-61	-64	-129
Exchange rate differences	4	1	-1
Carrying value at end of period	1 098	1 059	1 076

TRANSACTIONS WITH RELATED PARTIES			
EUR million	H1/08	H1/07	2007
Transactions with associated companies			
Sales to associated companies	11	14	23
Purchases from associated companies	4	2	7
Trade and other receivables at 30 June	7	7	6
Trade and other creditors at 30 June	0	1	0
Transactions with Pension Foundation	3	3	6

INVESTMENT COMMITMENTS*	
EUR million	After 30 June 2008
Maintenance investments	141
Development investments and investments in special products	183
Total	325
*Investment commitments include the estimated costs of projects that have received permission to go ahead.	

INFORMATION ABOUT ACQUISITIONS*		
EUR million	Fair value	Acquired company's carrying amount
Assets and liabilities of acquired companies (carrying amount)		
Non-current assets	7	0
Current assets		
Inventories	0	0
Trade and other receivables	1	1
Cash and cash equivalents	0	0
Total assets	8	1
Non-current liabilities		
Interest-bearing	0	0
Other	1	0
Current liabilities		
Interest-bearing	0	0
Other	1	1
Total liabilities	2	1
Net assets	6	0
Acquisition cost	8	
- including conditional purchase price	2	
Goodwill	2	
Acquisition cost paid in cash	6	
Cash and cash equivalents of the acquired subsidiary	0	
Impact on cash flow	6	
* Includes information about the acquisition of Wolter Metallverarbeitung GmbH and business of Hybri-Steel Oy.		

CHANGES IN ACCOUNTING PRINCIPLES

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

From 1 January 2008, the company applies a revised interpretation of IAS 19 Employee Benefits, which allows all actuarial gains and losses to be recognised directly in equity in the period in which they occur instead of in the income statement. The comparable figures are also presented accordingly. The change in accounting principle decreased equity, net of tax, by EUR 24 million at 31 December 2007 (EUR 7 million at year-end 2006).

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

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

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