

Interim report Q1/2008

23 April 2008

The logo for Rautaruukki, featuring the word "RUUKKI" in a bold, red, stylized font. The letters are thick and blocky, with a slight shadow effect.

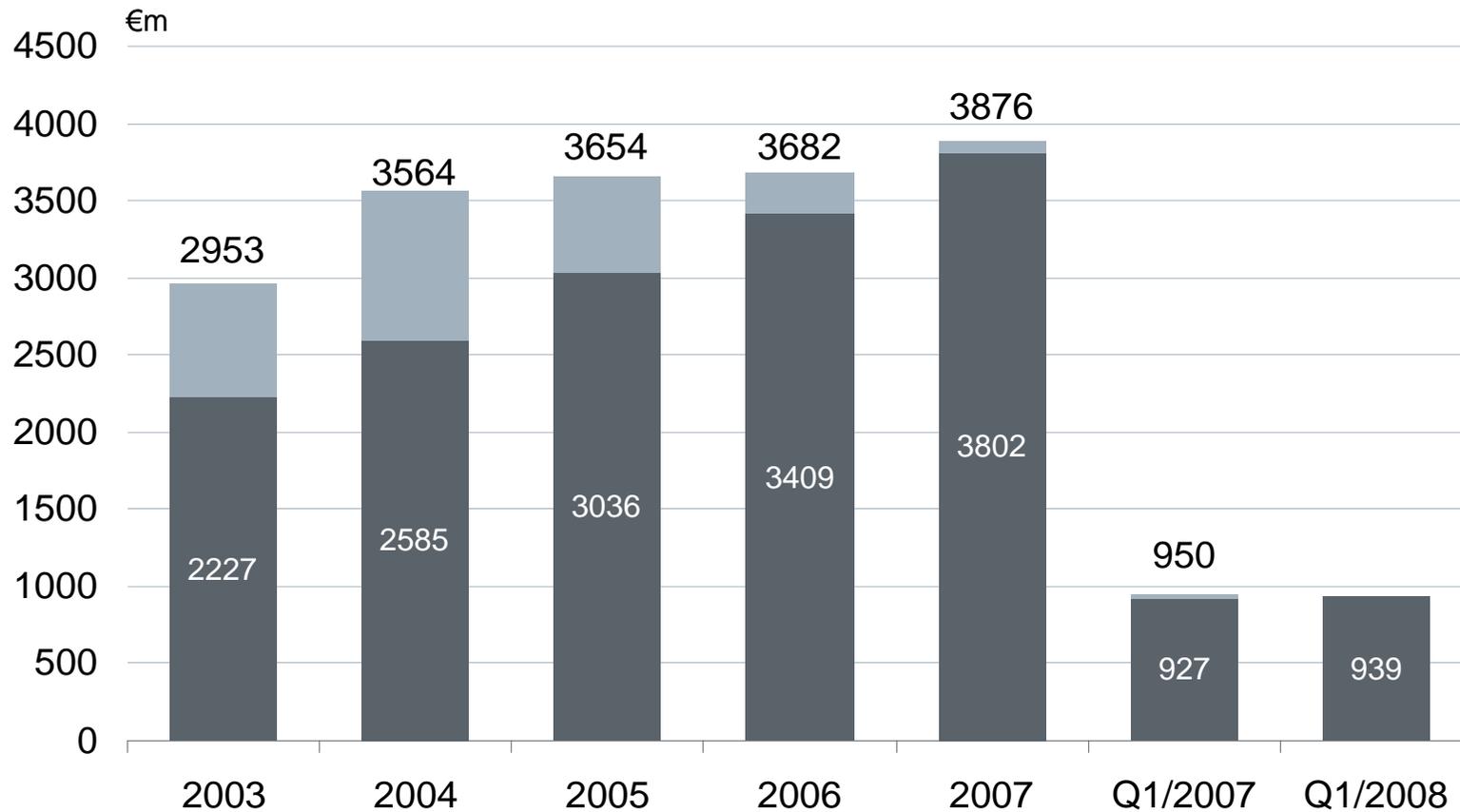


Business environment and financial development

Business environment

- Continued good market situation in core market areas and main customer industries
- Good demand for non-residential construction, colder winter than a year earlier weakened demand in Central Eastern Europe
- Continued good demand for infrastructure construction
- Strong order books of engineering customers reflected in higher demand, especially in the energy industry
- Good demand for standard and special steel products in main customer industries

Consolidated net sales

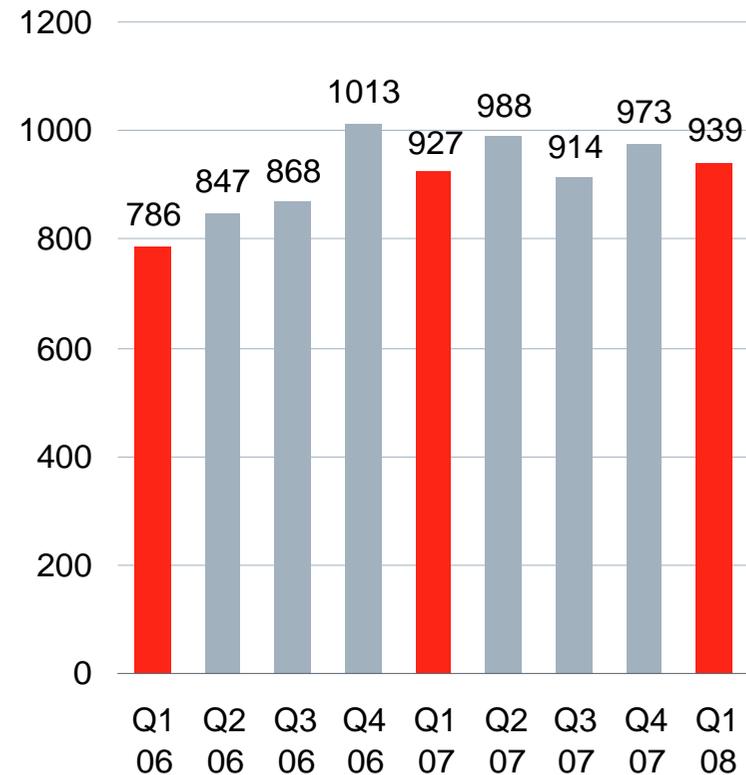


● Comparable net sales based on company's internal accounting (excluding Ovako and reinforcing steel business)

Net sales during January-March

- Consolidated net sales at Q1 2007 level, solutions businesses up 9%
- Good demand for non-residential and infrastructure construction. Residential construction in the Nordics and especially the Baltics quieter year on year
- Strong market situation for Ruukki Engineering
- Good demand within Ruukki Metals, especially for special products

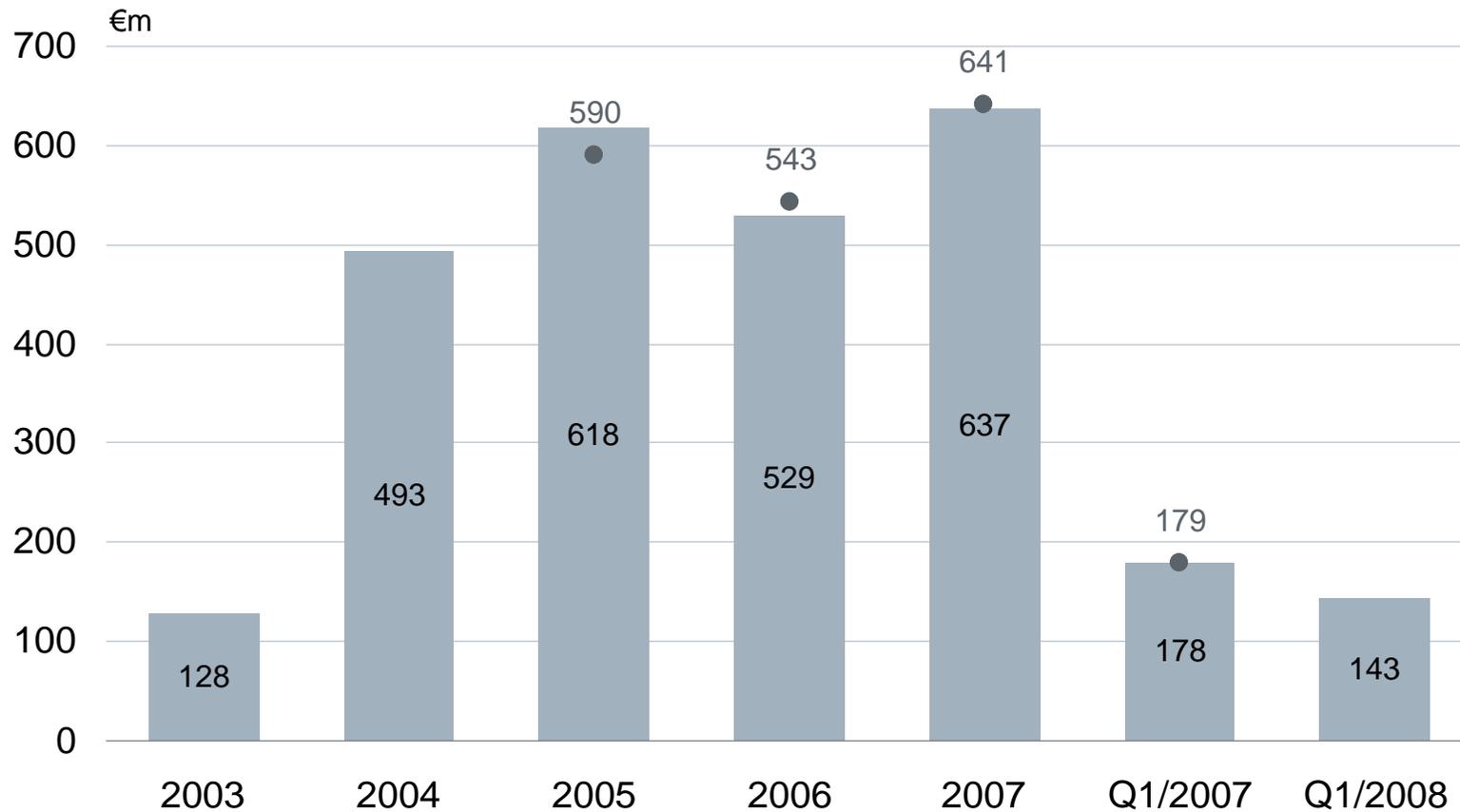
Net sales, €m



Figures for 2007 exclude long steel products business (pro forma)



Consolidated operating profit

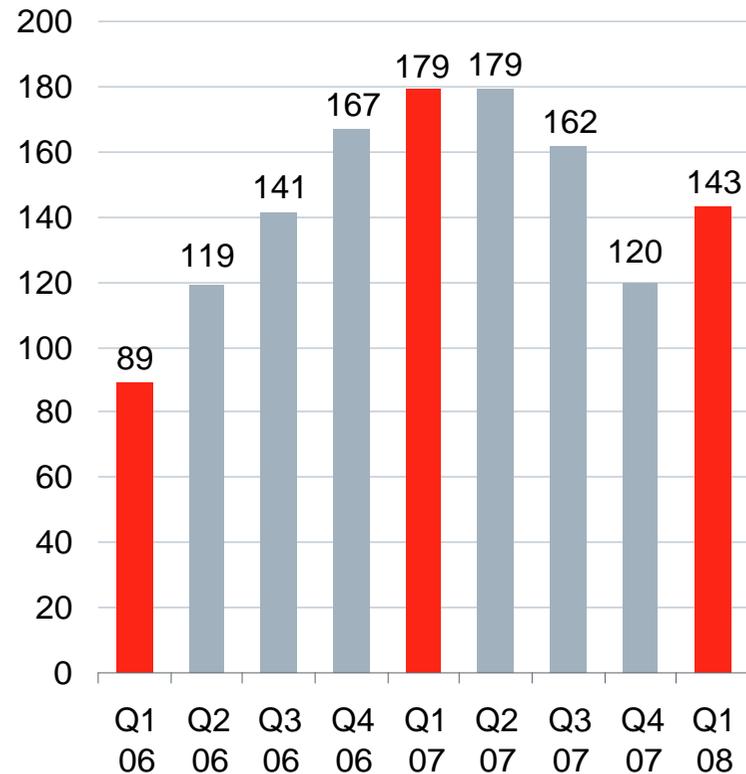


● Comparable net sales based on company's internal accounting (excluding Ovako and reinforcing steel business)

Operating profit for January-March

- Decreased year-on-year operating profit, but improvement on previous quarter
- Ruukki Construction's operating profit decreased year on year, extensive investment programme added to costs
- Ruukki Engineering's operating profit on par with previous year's
- Ruukki Metals' operating profit below last year's level, but clear improvement compared to Q4 2007

Operating profit, €m

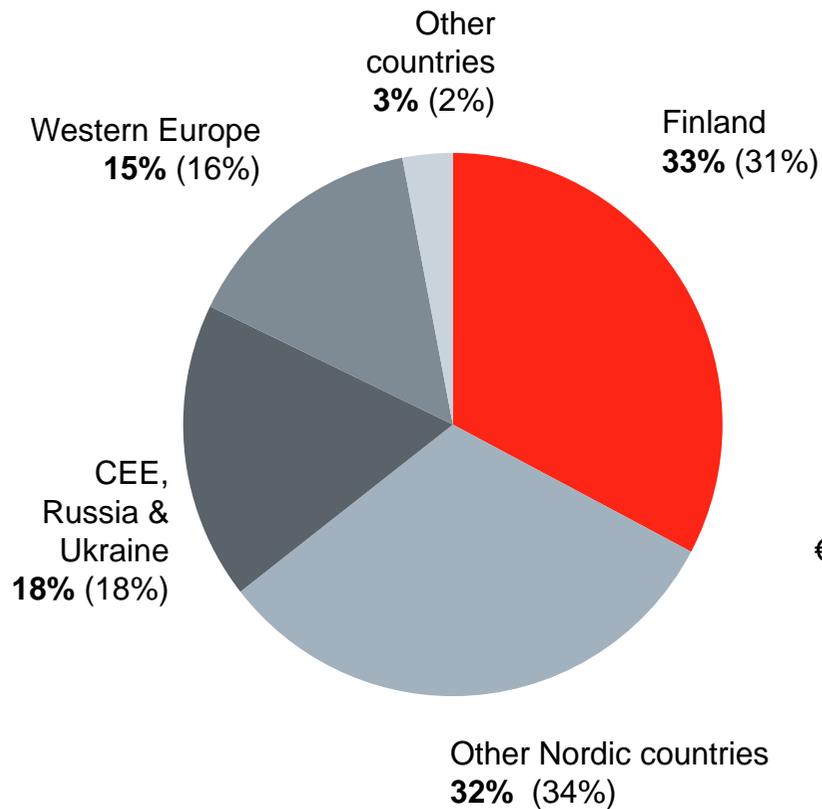


Figures for 2007 exclude long steel products business (pro forma)

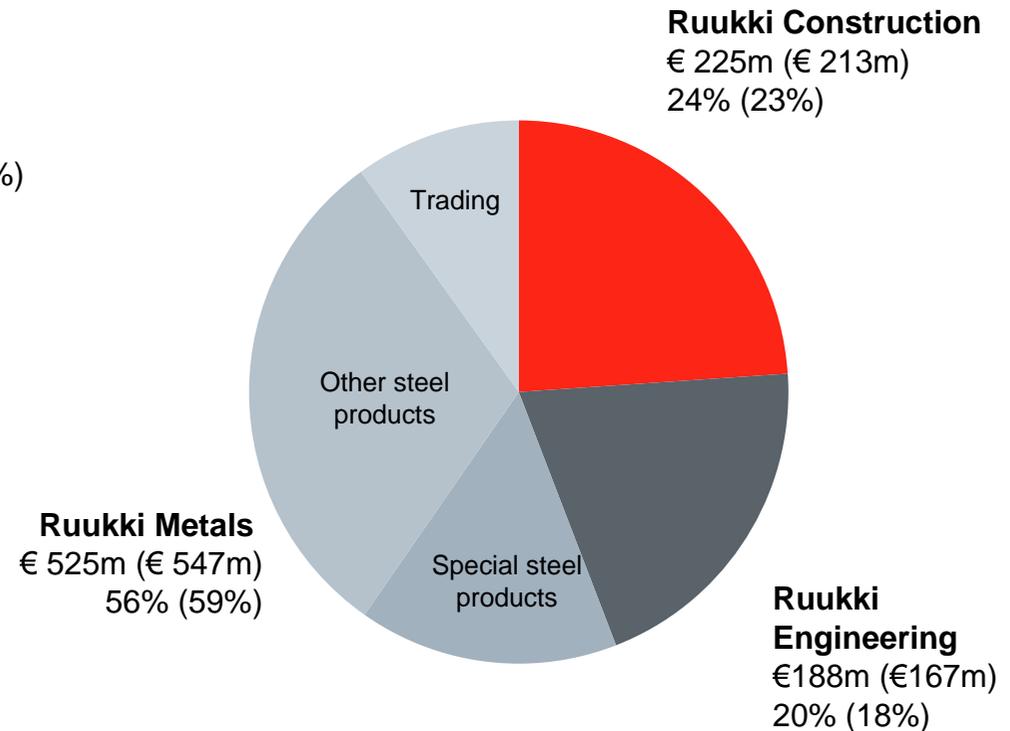


Q1/2008: Breakdown of net sales

Net sales by region
Q1 2008 (Q1 2007)

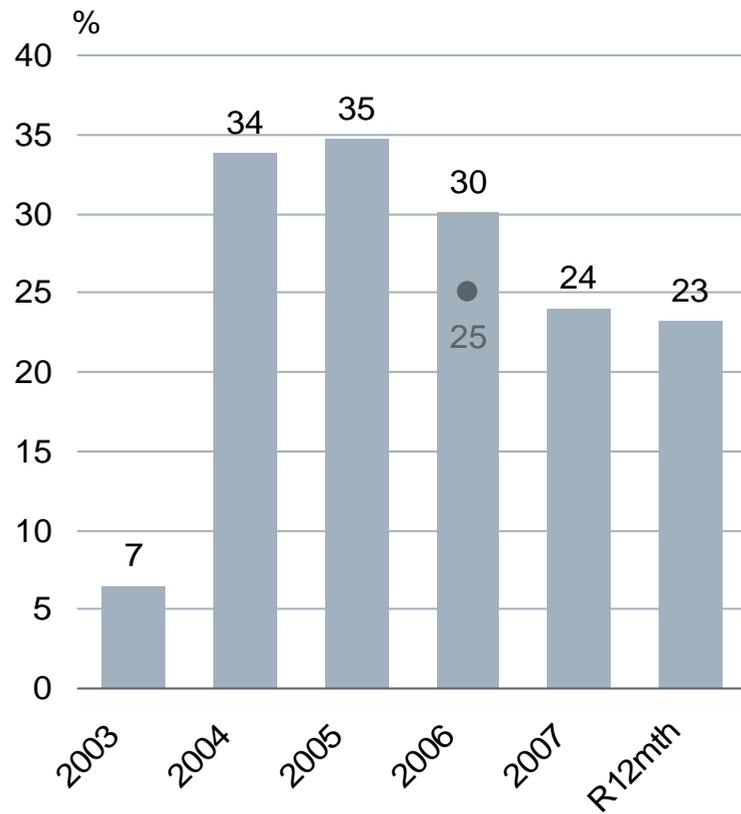


Net sales by division
Q1 2008 (Q1 2007)

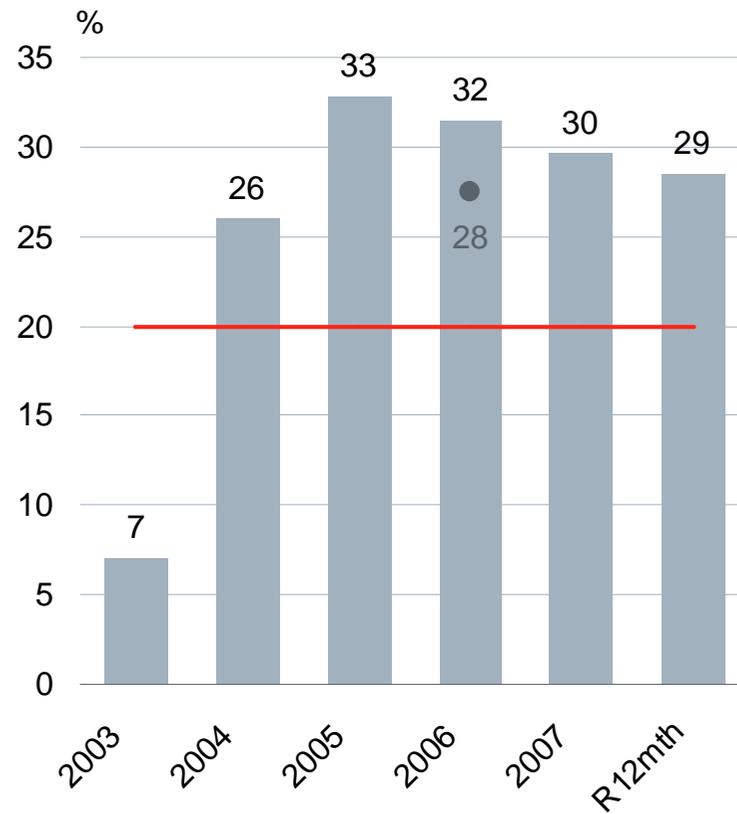


ROE and ROCE at a good level

Return on equity

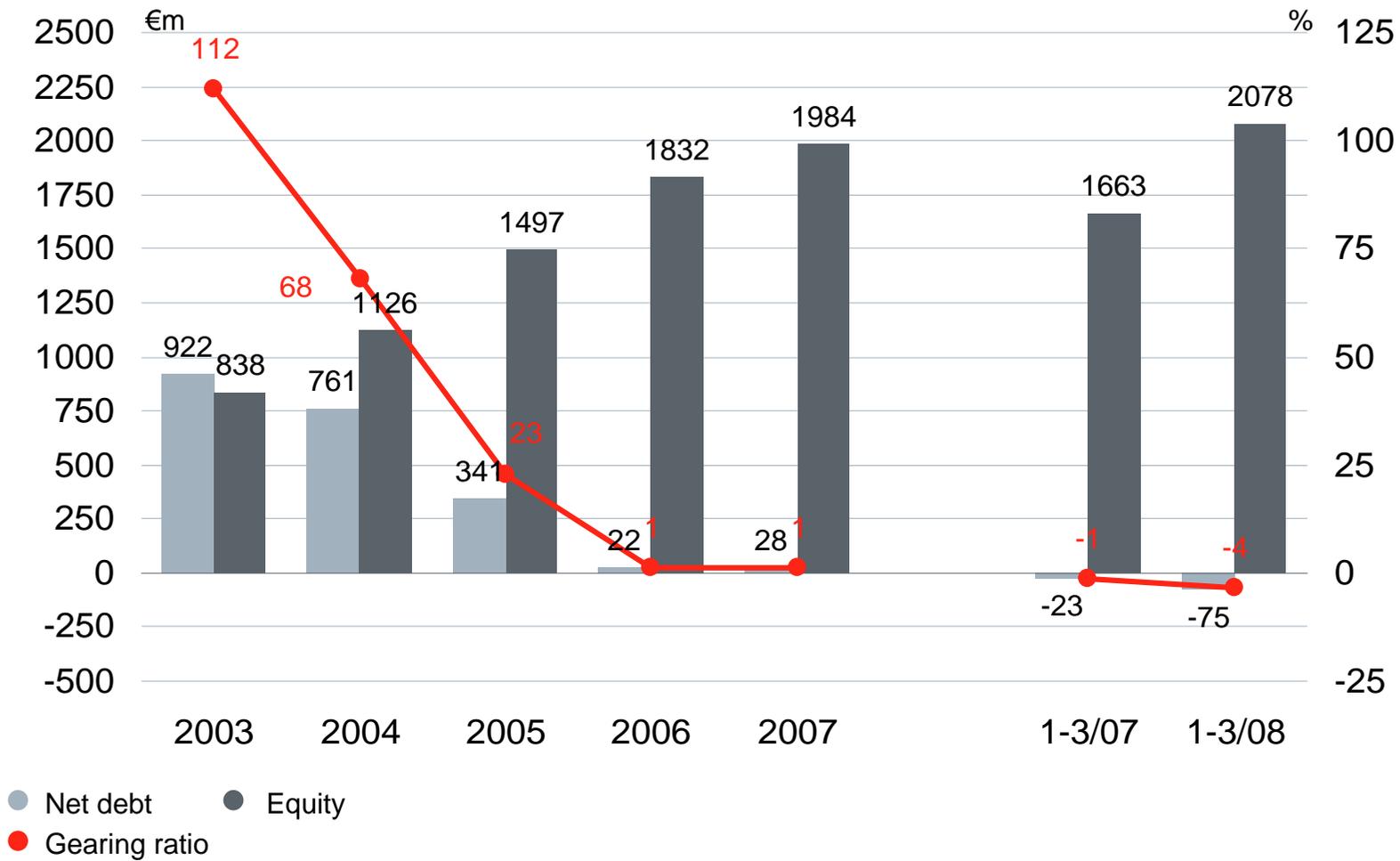


Return on capital employed

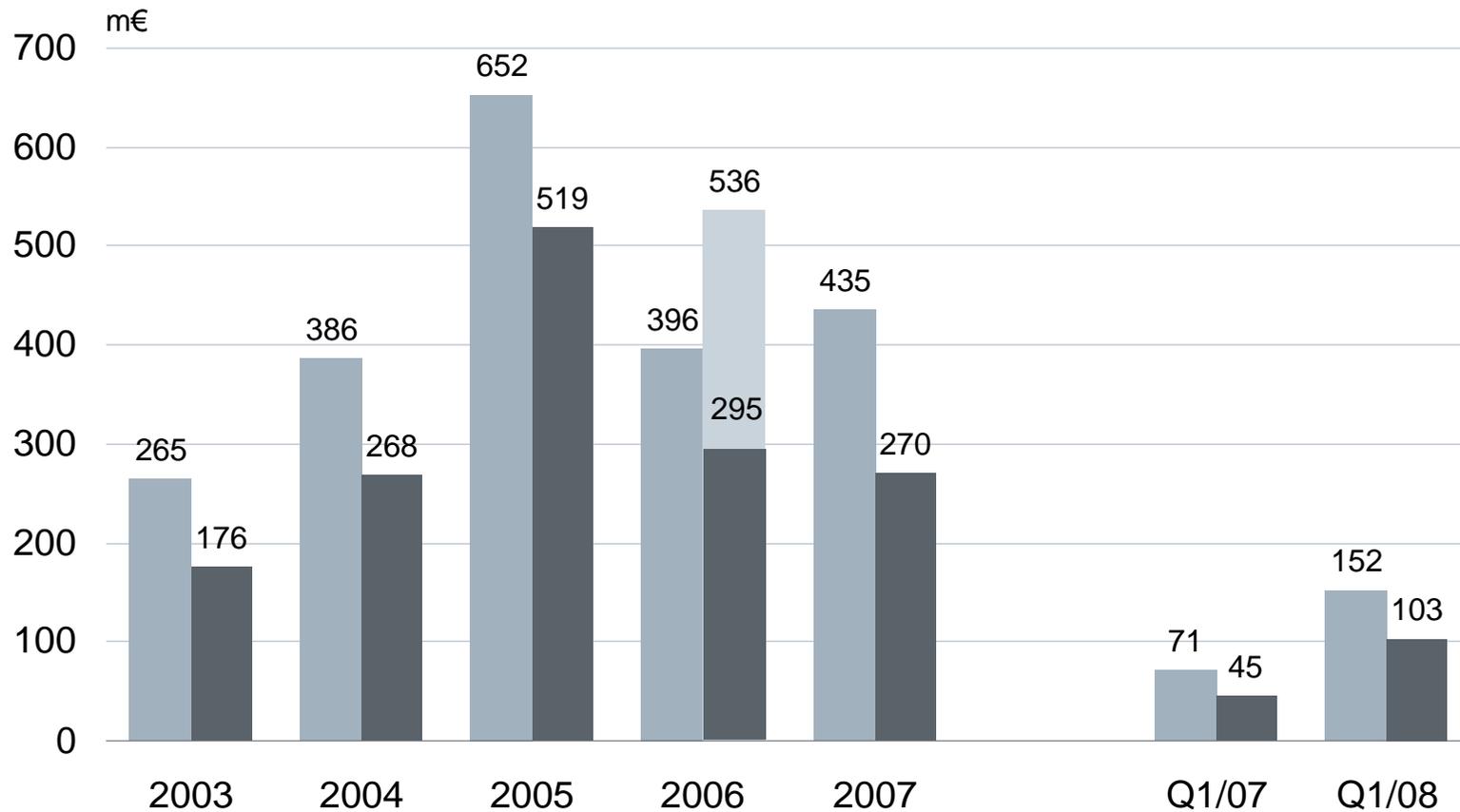


● Excluding Ovako capital gain — Return on capital employed target >20 %

Strong balance sheet, net debt -€75m



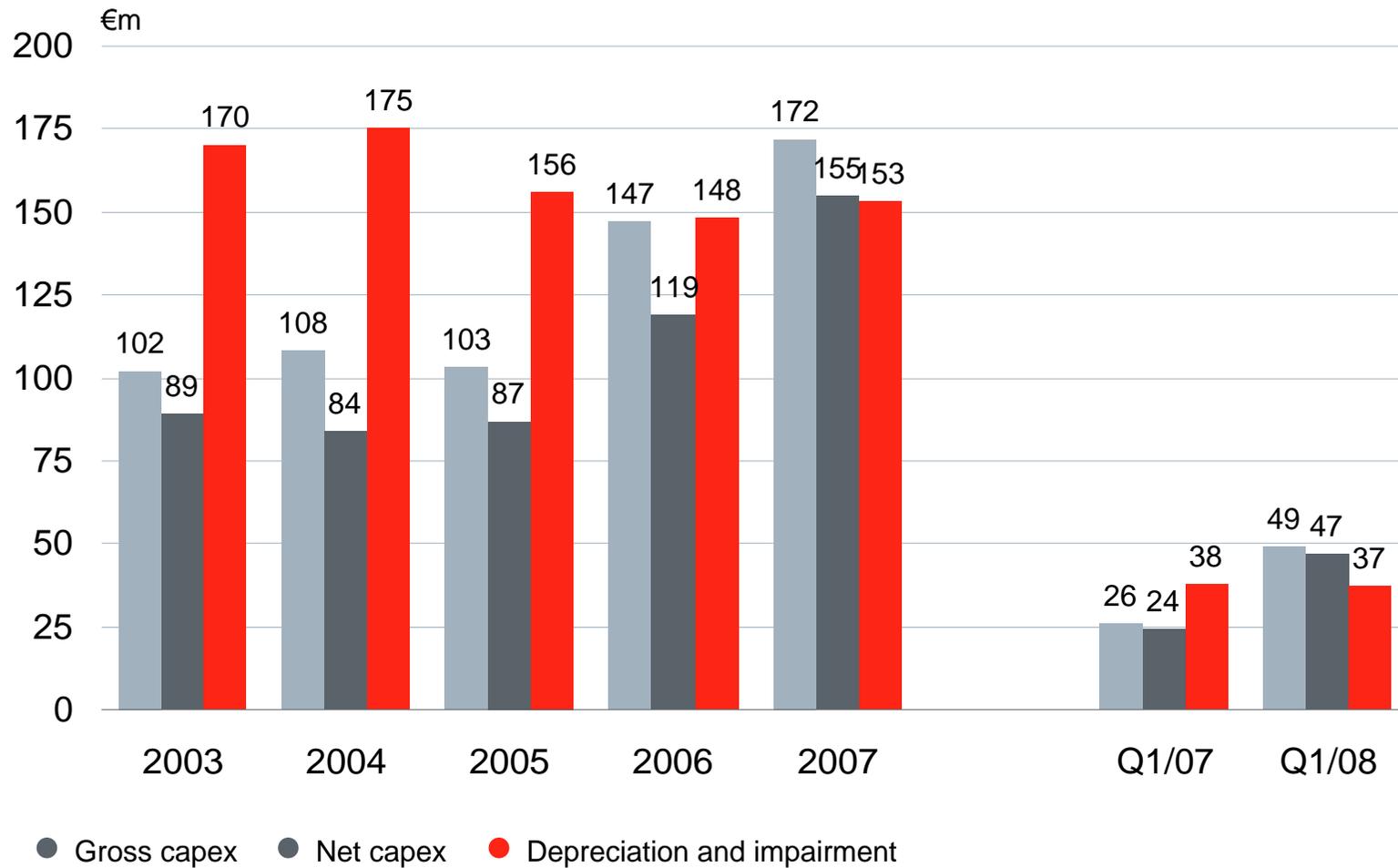
Cash flow improved year on year



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

Capex higher than last year

- capex for 2008 expected to exceed €250m

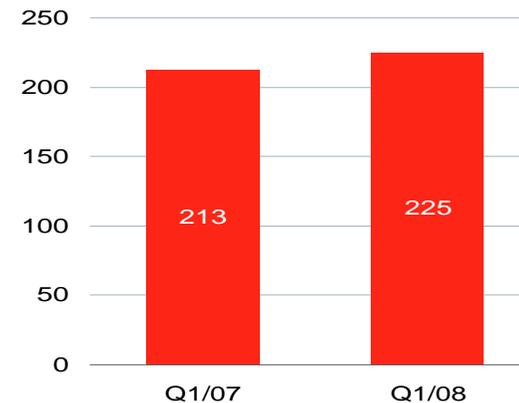


Ruukki Construction

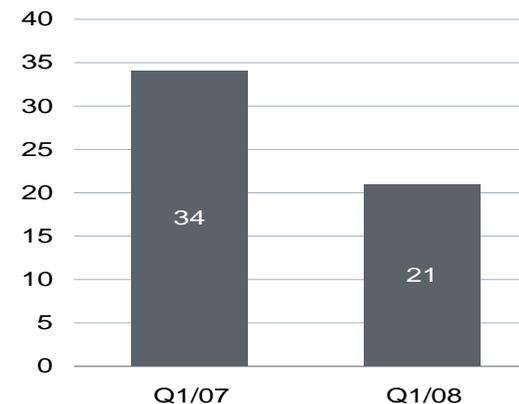
Ruukki Construction: Q1/08 in brief

- Continued good demand for non-residential construction in Northern Europe, Russia, Ukraine and Poland
- Continued good demand for infrastructure construction, especially in Sweden
- Residential construction was quieter in Northern Europe and the Baltics
- Q1 is typically the quietest quarter, net sales were up 6%
- Operating profit was affected by
 - a harsher winter than a year earlier in Central Eastern Europe
 - the costs of expansion investments and building the organisation in Central Eastern Europe, Finland and Russia
- Launch of new technology solutions on the construction market

Net sales, €m



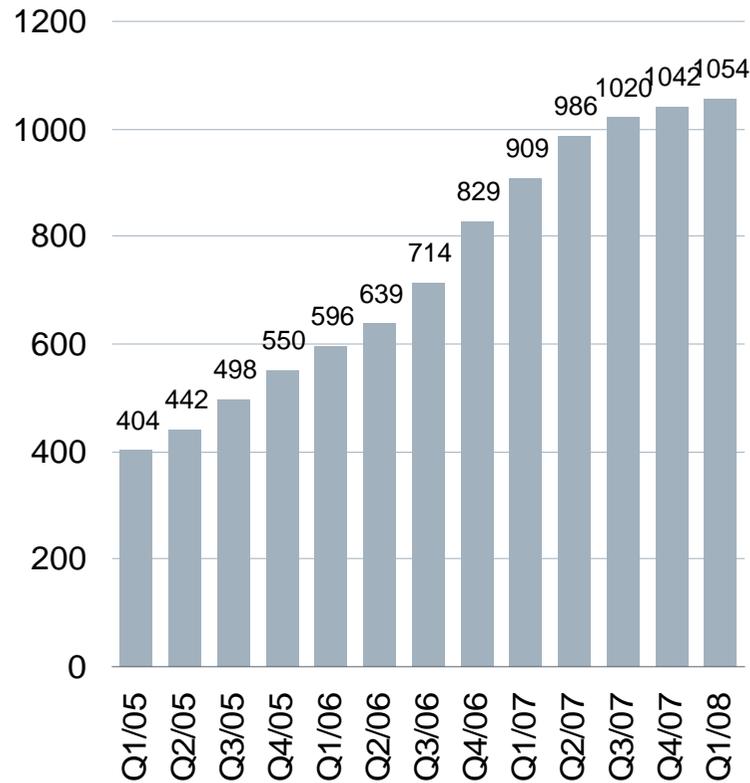
Operating profit, €m



Ruukki Construction – net sales development

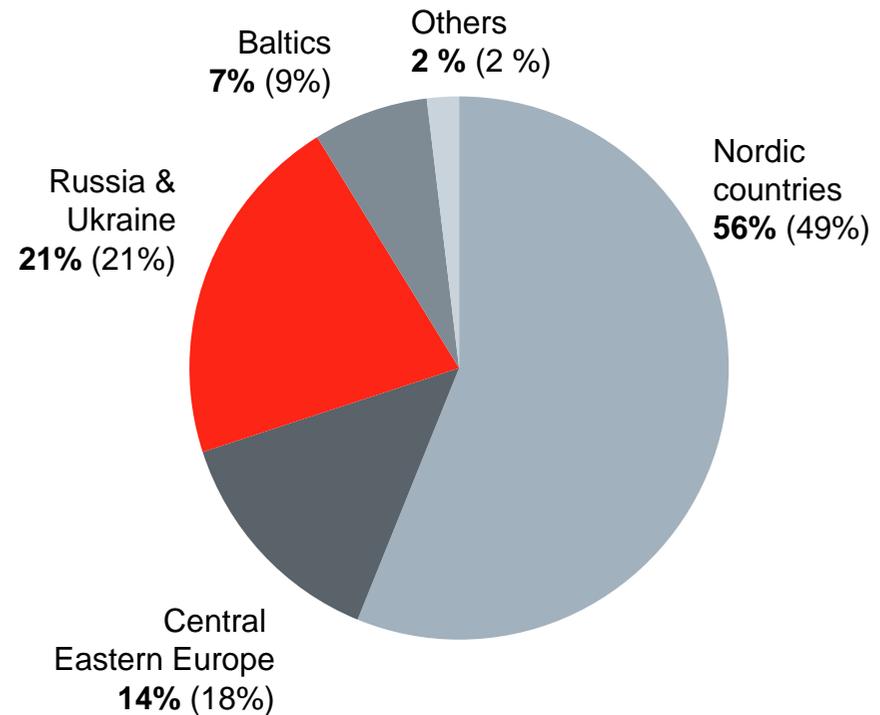
Net sales (€m)

Rolling 12 mth



Net sales by region

Q1 2008 (Q1 2007)



Ruukki Construction: important new orders during Q1

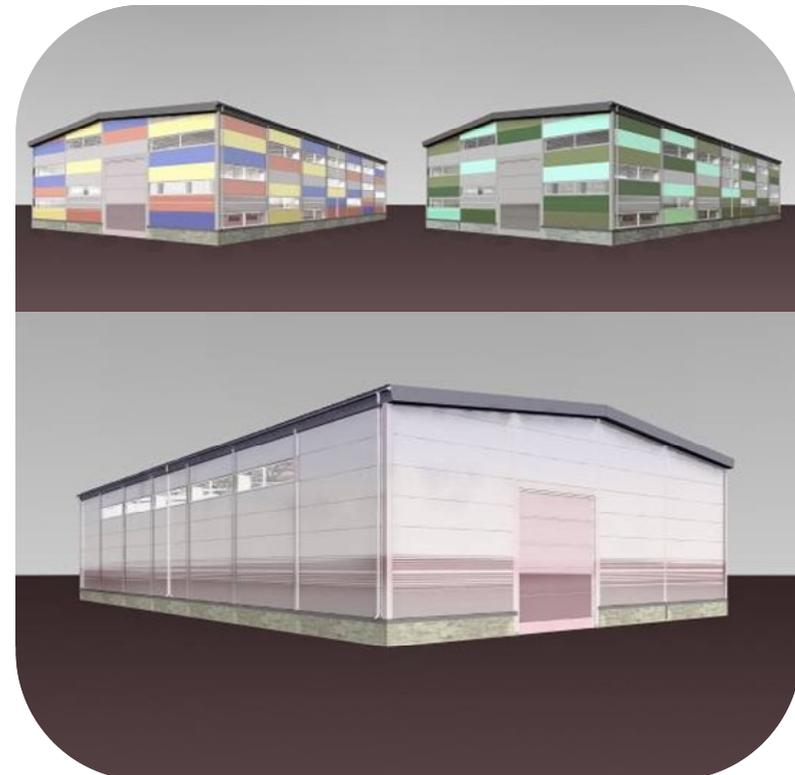
- Zenit stadium, St Petersburg
- Maintenance and office building, Helsinki-Vantaa Airport
- Bridge across Hudälven river in Sweden
- Renovation and expansion of Igarka Airport for Rosneft in Russia
- Samsung's factory in Russia



Rautaruukki is to deliver steel structures to a value of €100m for the new Zenit football stadium in St Petersburg

New solution for single-storey commercial and industrial construction

- Launched in Hungary in March – launches elsewhere in Central Eastern Europe during the spring
- For retail, logistics and industrial construction projects
- Manufacture and installation of foundation, frame and envelope structures in addition to planning and quote
- Shortens construction time, reduces financial and operative risks



Strong growth in construction target markets in 2008

Estimated annual change (%), 2008

New residential

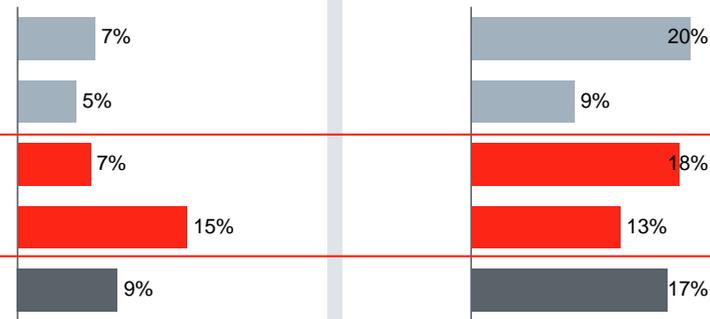
Residential renovation

New non-residential

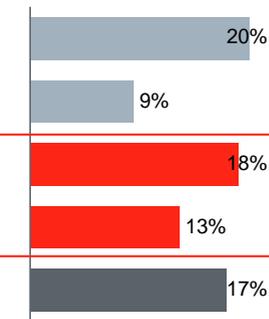
Civil engineering

Total construction output

Central Eastern Europe*



Russia



Estimated annual change(%), 2008

New residential

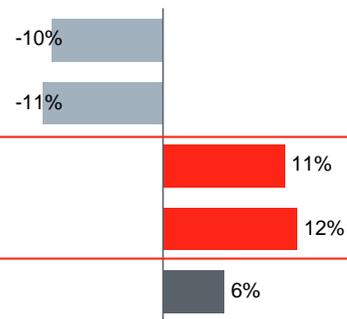
Residential renovation

New non-residential

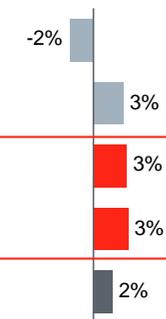
Civil engineering

Total construction output

Baltics



Nordic countries



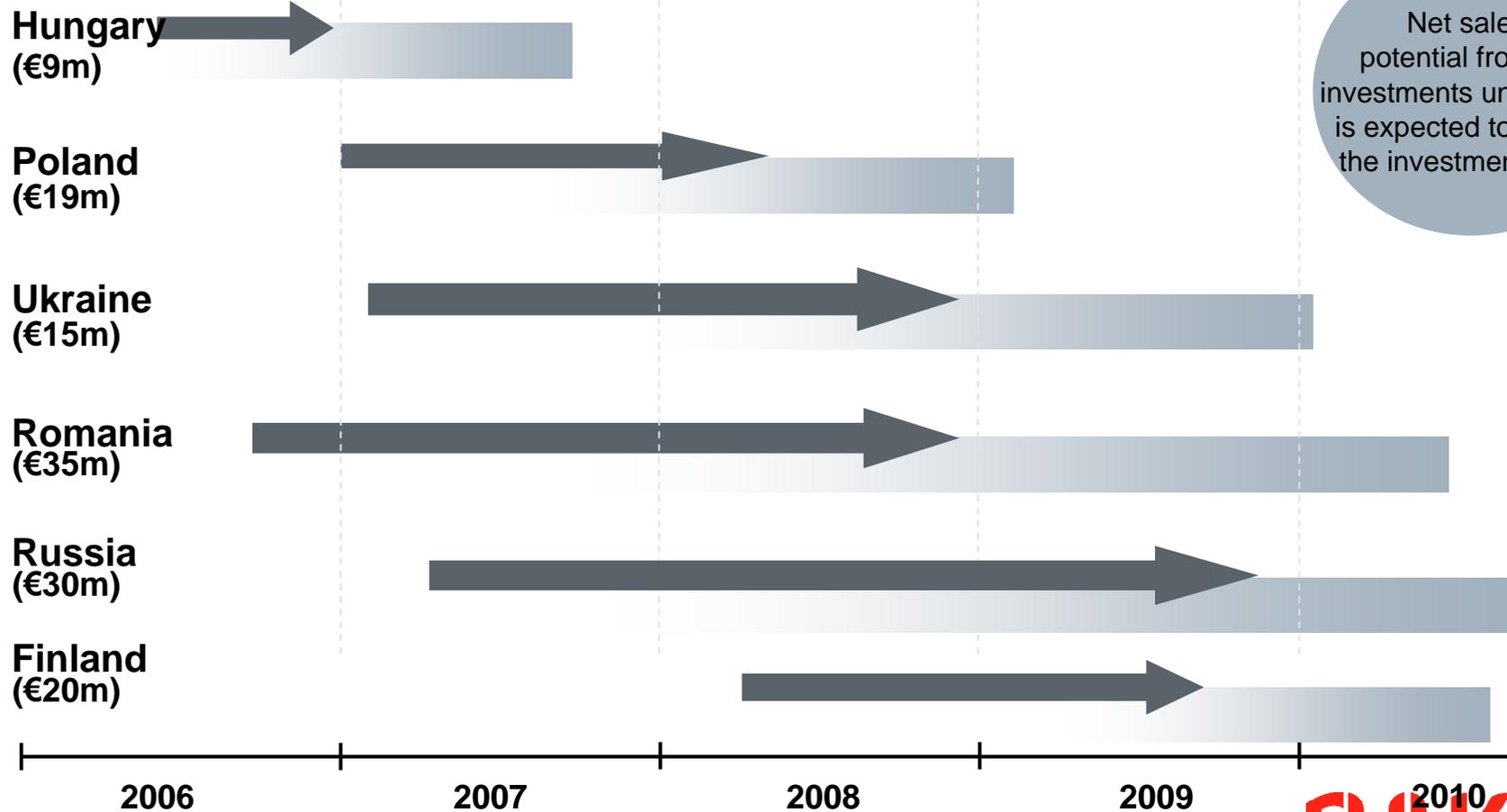
*) Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Ukraine

Sources: Euroconstruct (December 2007), Bildecon, VTT

Extensive construction investment programme



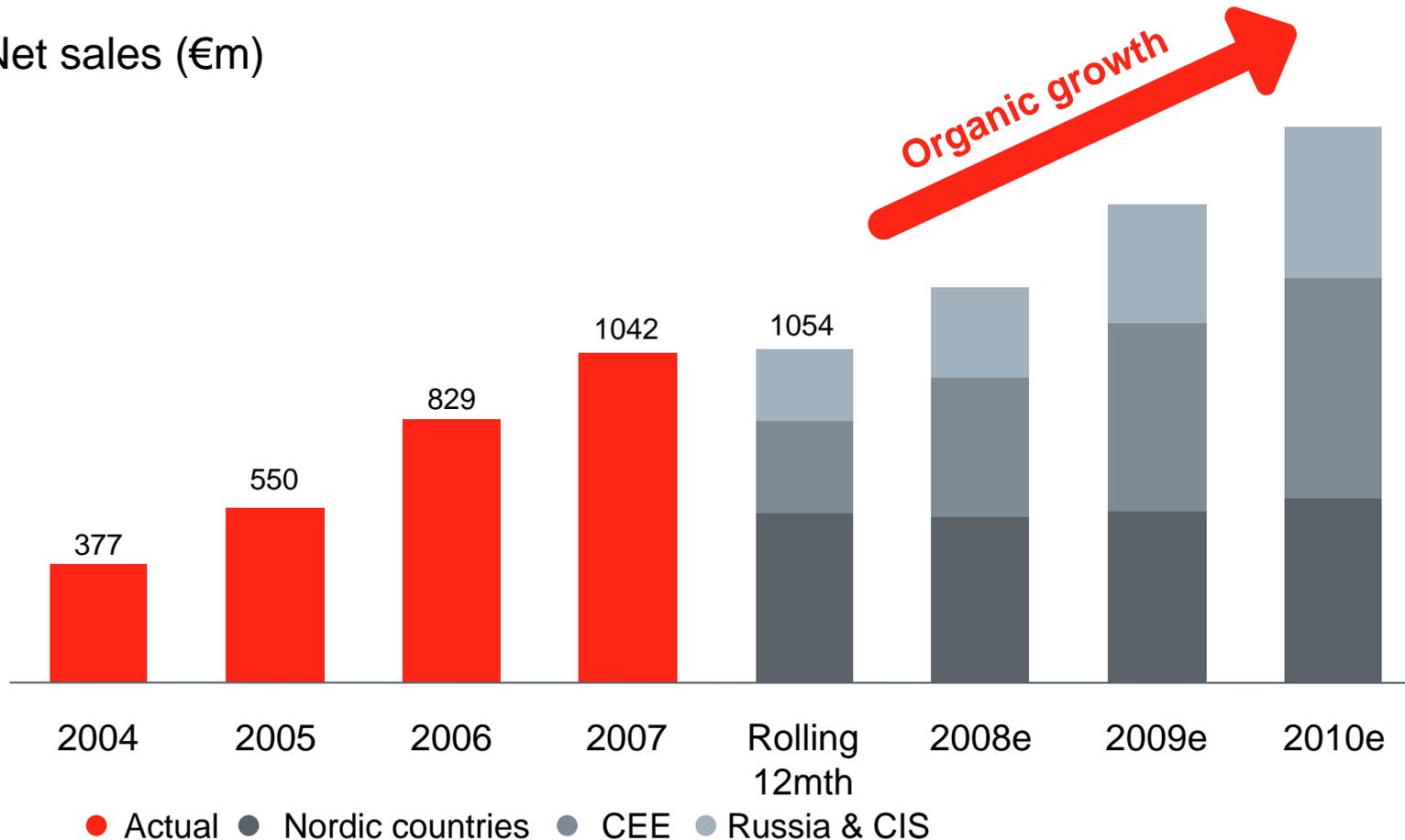
Country (investment value)



Net sales potential from the investments under way is expected to be 4 x the investment value

Ruukki Construction's target is net sales of over €1.5bn by end of 2010 (excluding acquisitions)

Net sales (€m)



Rautaruukki Corporation

Ruukki Engineering

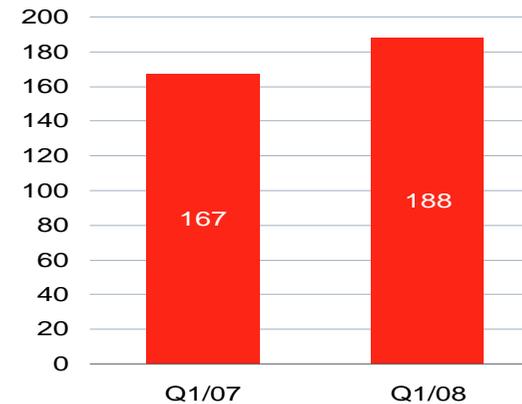
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RUUKKI

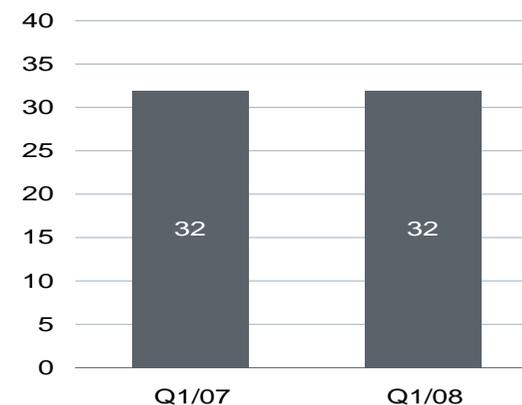
Ruukki Engineering: Q1/2008 in brief

- Favourable market situation, strong customer order books
- Net sales up by 13% due to favourable market situation and acquisition
- Operating profit similar to comparable figure a year earlier and improved on previous quarter
- Increased annual contract prices
- Good volume and profitability in energy industry, Norwegian unit's raw materials problems solved
- German acquisition (Wolter Metallverarbeitung) complements growth strategy in LHT industry
- Impacts of profitability improvement programme expected to be seen in second half of year

Net sales, €m



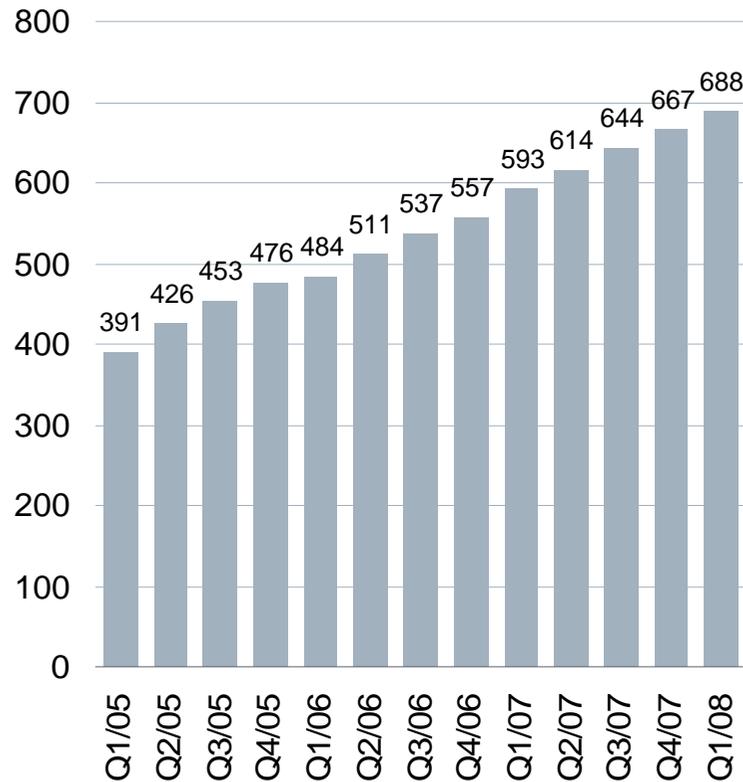
Operating profit, €m



Lifting, handling and transportation equipment (LHT) industry accounted for higher share of net sales

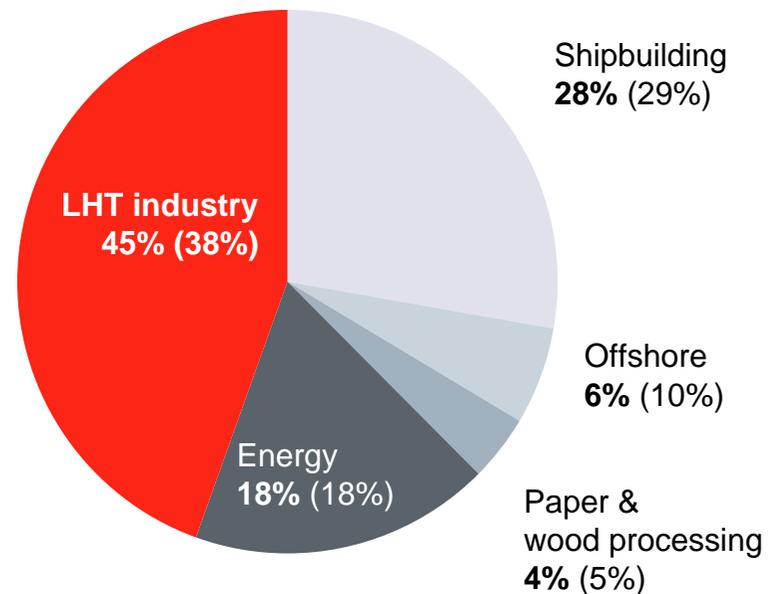
Net sales (€m)

Rolling 12 mth



Net sales by customer segment

Q1/2008 (Q1/2007)



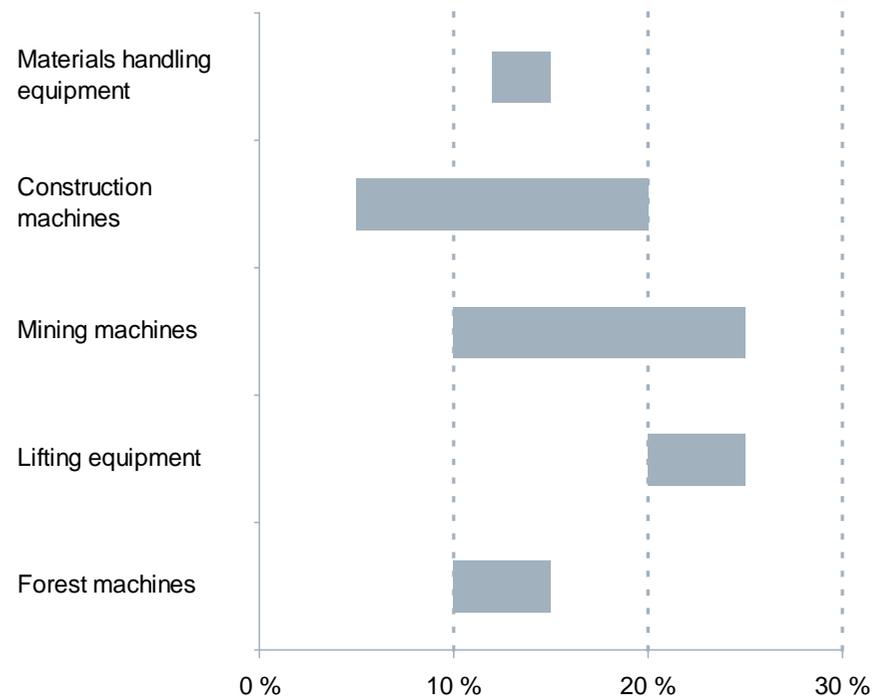
Ruukki Engineering's profitability improvement programme

- Lighter cost structure
- Intensified production
 - Removal of production bottlenecks
 - Shorter lead times
 - Improved delivery accuracy
- Increased capacity to meet expanded customer base and demand
- Discontinuation of less profitable products
- Introduction of new organisation and management model
- Unit-specific plans made to improve efficiency
- Target: €20m improvement in 2008 operating profit, impacts of actions taken seen in second half of the year

Strong growth in Ruukki Engineering's customer industries

- Ruukki's target market in the European lifting, handling and transportation equipment industry is approx. €10bn
- Strong growth prospects in the energy sector (diesel and wind energy industry)
 - Ruukki's global wind energy industry is worth around €2bn
 - Annual market growth of around 15% expected until 2010

Growth outlook of Ruukki Engineering's customers for 2008



Source: Releases from Ruukki Engineering's customers

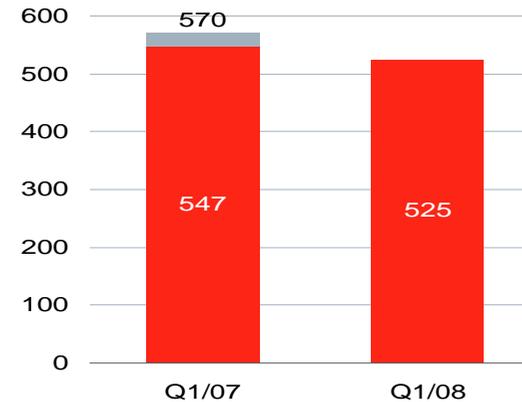
Ruukki Metals



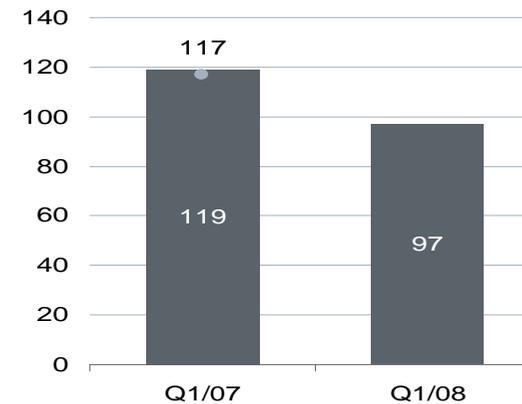
Ruukki Metals: Q1/2008 in brief

- Steel products demand remained good
- Net sales down 4% on comparable period, share of net sales of special products rose to 28%
- Very good demand for plates, hot-rolled strip products and hollow sections
- Clear improvement in demand for galvanised products compared to previous quarter
- Trading margins on stainless steel products €11m lower than during comparable period, cost of unutilised capacity €4m higher than during comparable period
- Stronger special product capabilities:
 - new finishing capacity for special steels
 - laser and laser hybrid welding

Net sales, €m

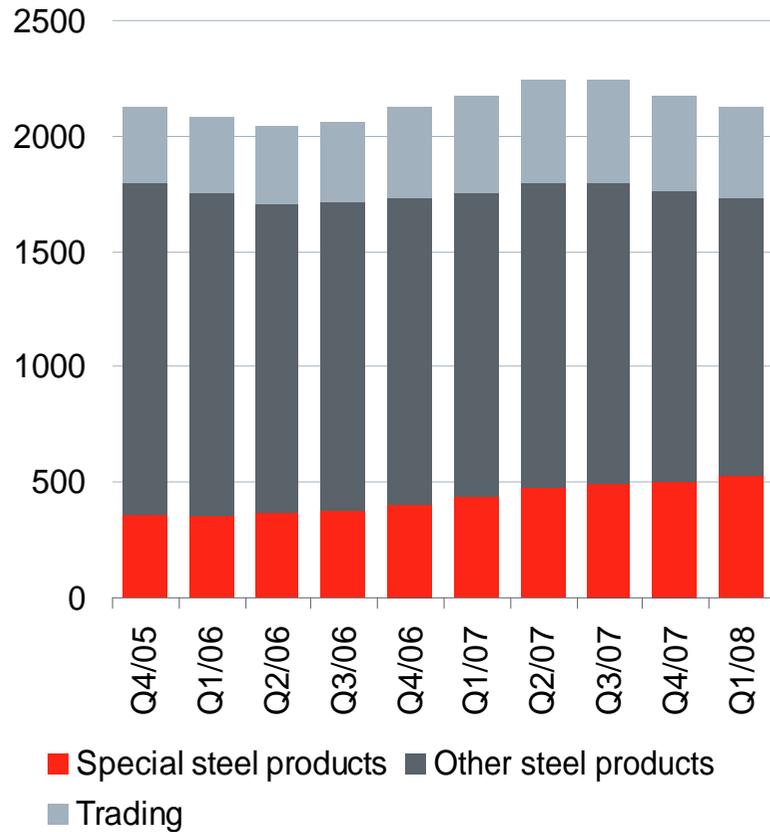


Operating profit, €m

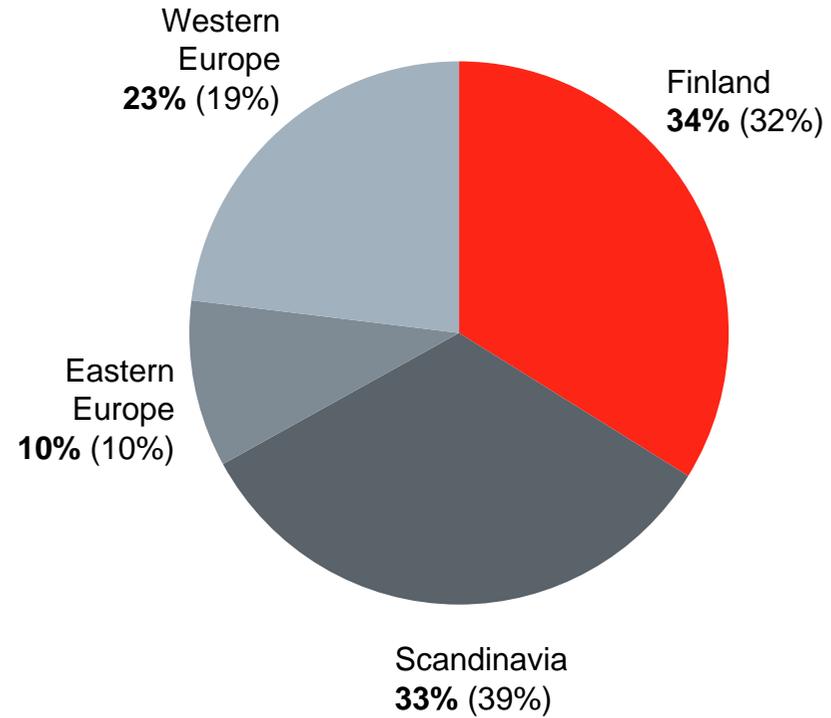


Ruukki Metals – net sales performance

Net sales (€m)
Rolling 12 mth



Net sales by region
Q1/2008 (Q1/2007)



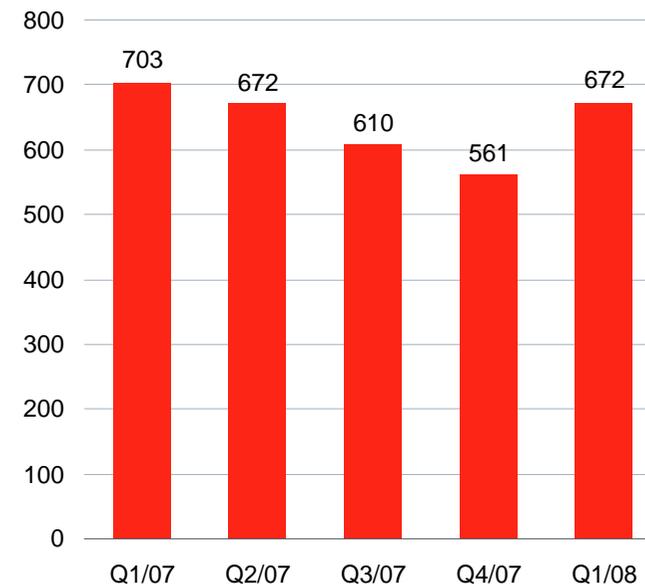
New steel service centre in Russia

- A new steel service centre is to be built next to Rautaruukki's existing plant in the city of Obninsk to the southwest of Moscow
- The centre will further strengthen the company's position in Russia and expand the product range and service capability from construction to increasingly cater also for engineering industry customers
- The investment is valued at €13m
- The new steel service centre will comprise laser and plasma cutting, as well as edging services and will especially serve the lifting, handling and transportation equipment industry
- The new centre will start operating in late 2009
- Ruukki also has a service centre in Parnas, St Petersburg

Ruukki Production: Q1/2008 in brief

- Steel production 672 000 tonnes (703 000), normal capacity utilisation
- No technical malfunctions in production
- Strike at Raahe Works caused negative impact of around €3m on company's operating profit
- Decision to close the sinter plant at the Raahe Works by end of 2011:
 - switch to using iron pellets as raw material in iron-making
 - considerable reduction in emissions and energy consumption
 - closure of sinter plant will add €1.9m per year to depreciation during 2008 - 2011
- Good progress made with safety

Steel production, 1 000 tonnes



Sharp rise in prices of raw materials in steel production

- Prices of iron ore, coal, filler materials and alloying elements rose higher than expected
- The company's own steel production costs in 2008 are expected to rise by over €200m compared to 2007
- Around one third of the rise in costs will be realised during the first half of the year, the remainder during the second

To offset growing production costs, price increases are to be implemented and cost-efficiency improved

- Ruukki Metals' price increases are scheduled for the second and third quarters
 - Increased prices are expected to compensate for the higher costs of raw materials
- Ruukki Construction's prices are negotiated on a project- and country-specific basis
- Ruukki Engineering's annual contract prices increased
 - 25% of customers are on an annual contract basis. It is uncertain whether or not higher raw materials costs can be passed on to sales prices in respect of these contracts during the course of 2008.

Near-term outlook

Near-term outlook

- Good demand is expected to continue in key customer industries.
- In construction the first quarter of the year is typically the quietest. Good demand for non-residential and infrastructure construction is expected to continue in all market areas.
- Order books in the engineering industry are strong in all customer sectors. Further growth in demand is expected in the lifting, handling and transportation equipment industry. Demand in the energy industry is expected to continue very good. The shipbuilding industry has firm order books.
- Good demand for steel products is expected to continue in all product groups, especially strong growth in the demand for plate and special steel products.
- Comparable net sales growth in 2008 is expected to meet the target and exceed 10 per cent. Operating profit in 2008 is expected to be higher than in 2007.

Addendum: Pro forma figures

Key figures

| €m | Q1/08 | Q1/07 | Change | |
|---------------------------------------|--------|--------|--------|--------|
| | | | €m | % |
| Net sales * | 939 | 927 | +12 | +1 % |
| Operating profit (EBIT) * | 143 | 179 | -36 | -20 % |
| as % of net sales * | 15.2 | 19.3 | | |
| Profit before taxes | 140 | 177 | -37 | -21 % |
| Earnings per share, € | 0.77 | 0.95 | -0.18 | -19 % |
| Return on capital employed, % ** | 28.5 | 32.6 | | |
| Return on equity, % ** | 23.2 | 29.7 | | |
| Gearing ratio, % | -4 | -1 | | |
| Gross capex | 48 | 26 | +22 | +85 % |
| Cash flow before financing activities | 103 | 45 | +58 | +130 % |
| Personnel (average) | 14 622 | 13 258 | | +10 % |

* Q1/07 Pro forma

** Rolling 12 mth figure; Q1/07 excluding Ovako capital gain

Quarterly net sales and operating profit (pro forma) *

| €m | Q1/07 | Q2/07 | Q3/07 | Q4/07 | 2007 | Chg** | Q1/08 |
|--------------------------------|-------|-------|-------|-------|------|-------|-------|
| Net sales | | | | | | | |
| Ruukki Construction | 213 | 258 | 278 | 292 | 1042 | | 225 |
| Ruukki Engineering | 167 | 163 | 157 | 180 | 667 | | 188 |
| Ruukki Metals | 547 | 567 | 478 | 501 | 2093 | | 525 |
| Group admin and other units | 0 | 0 | 0 | 0 | 0 | | 1 |
| Consolidated net sales | 927 | 988 | 914 | 973 | 3802 | | 939 |
| Operating profit (EBIT) | | | | | | | |
| Ruukki Construction | 34 | 40 | 51 | 38 | 163 | +13 | 21 |
| Ruukki Engineering | 32 | 27 | 25 | 18 | 103 | +7 | 32 |
| Ruukki Metals | 119 | 116 | 96 | 69 | 400 | -20 | 97 |
| Group admin and other units | -6 | -5 | -10 | -5 | -25 | 0 | -7 |
| Consolidated operating profit | 179 | 179 | 162 | 120 | 641 | 0 | 143 |

* Pro forma = excluding Ruukki Betonstahl GmbH and Ruukki Welbond BV;

** Operating profit for 2007 has been adjusted in line with new accounting principle, where Ruukki Metals is responsible for the costs arising from unutilised production capacity



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more with metals