

# Interim Report Q3 2007

24 October 2007

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# Financial performance

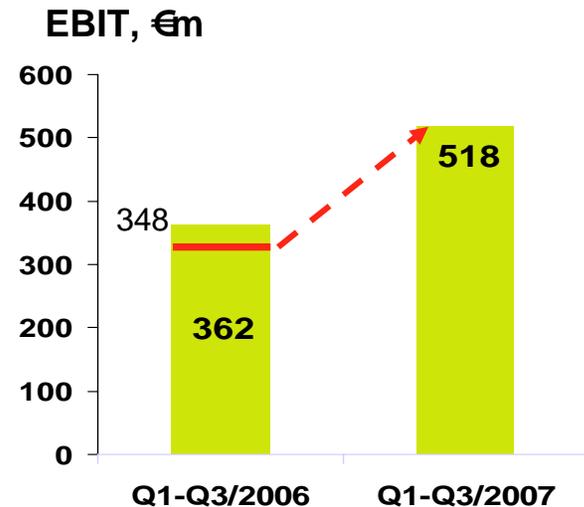
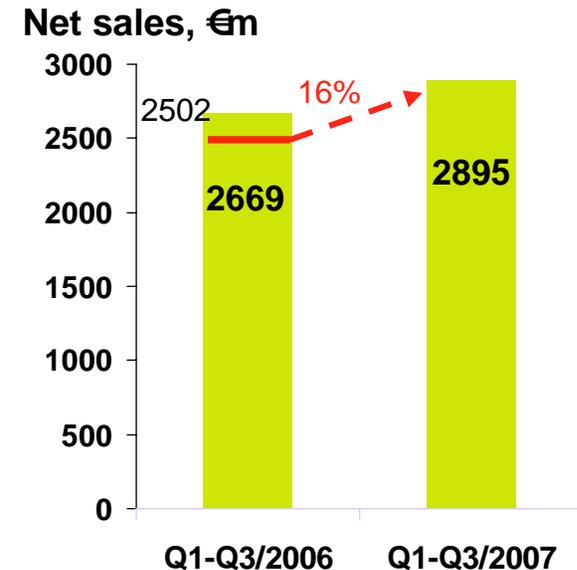
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# Business environment

- Continued good market situation in the core market area and main customer industries
- Continued brisk construction activity in the Nordic countries, Baltics, Central Eastern Europe and Russia
- Order books of engineering customers remained strong
  - especially within the lifting, handling and transportation industry and the energy industry
- Continued good demand for special products and plates, but product specific differences in demand for other products

# Strong profitable growth

- Comparable operating profit for January-September up by almost 50%
- Strong organic growth in construction solutions in Russia
- Acquisitions bring major new customers in the lifting, handling and transportation equipment industry
- Special steels share of net sales increased and delivery capability improved
- Strong growth also visible in employee numbers (an increase of 12%)
- Early repayment of callable subordinated notes



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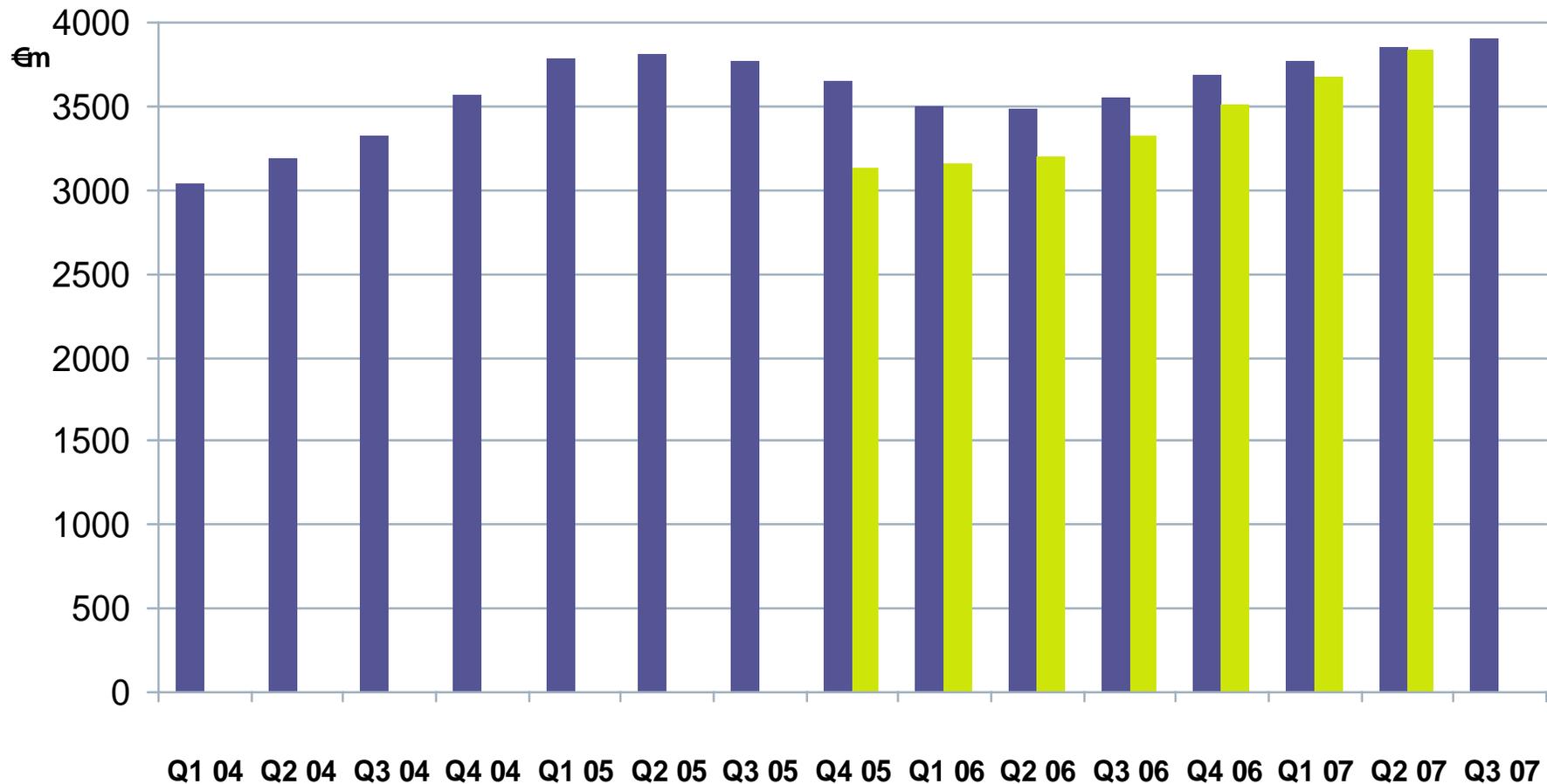
# Financial summary

€m	Q3		Change	
	2007	2006	€m	%
<b>Net sales</b>	935	885	50	6%
<b>- comparable</b>	<b>935</b>	<b>868</b>	<b>67</b>	<b>8%</b>
<b>EBIT</b>	162	140	22	16%
<b>- % of net sales</b>	17.3	15.9		
<b>- comparable</b>	<b>162</b>	<b>141</b>	<b>21</b>	<b>15%</b>
<b>- % of net sales</b>	<b>17.3</b>	<b>16.2</b>		
<b>Pre tax profit</b>	159	141	18	13%
<b>EPS, €</b>	0.85	0.76	0.09	12%

# Financial summary

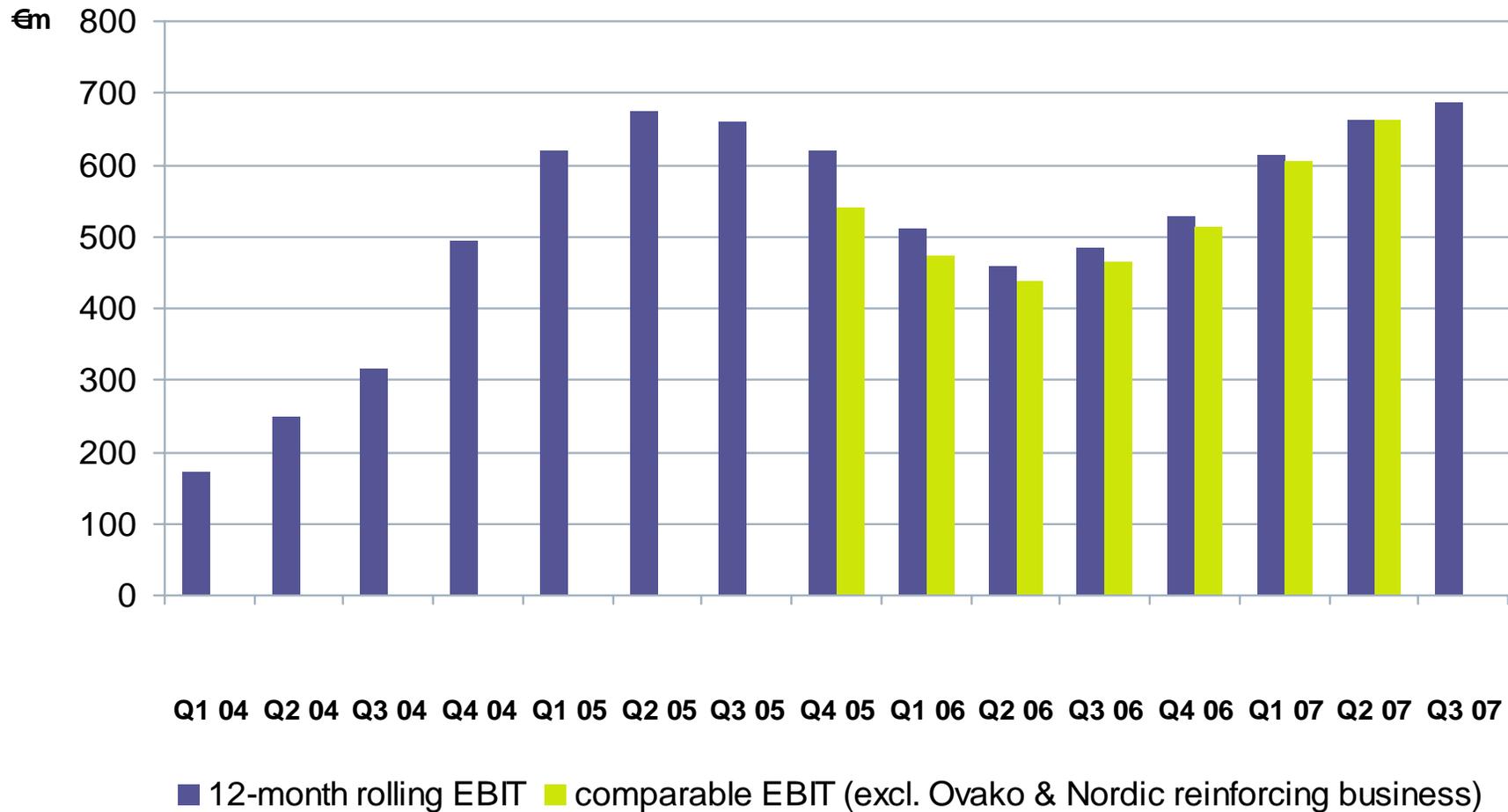
	Q1-Q3		Change		Year
€m	2007	2006	€m	%	2006
<b>Net sales</b>	2895	2669	226	8%	3682
- comparable	<b>2895</b>	<b>2502</b>	<b>392</b>	<b>16%</b>	<b>3515</b>
<b>EBIT</b>	518	362	156	43%	529
- % of net sales	17.9	13.6			14.4
- comparable	<b>518</b>	<b>348</b>	<b>169</b>	<b>49%</b>	<b>515</b>
- % of net sales	<b>17.9</b>	<b>13.9</b>			<b>14.7</b>
<b>Pre tax profit</b>	512	378	134	35%	635
<b>EPS, €</b>	2.74	2.09	0.65	31%	3.65
<b>ROCE rolling 12 months, %</b>	37.8	26.2			31.5
- <i>excl. Ovako capital gain</i>	<b>33.0</b>	<b>26.2</b>			<b>27.4</b>
<b>ROE rolling 12 months, %</b>	33.6	25.3			30.1
- <i>excl. Ovako capital gain</i>	<b>27.9</b>	<b>25.3</b>			<b>24.9</b>
<b>Gearing, %</b>	10.0	25.3			1.2

# 12-month rolling net sales 2004-Q3/2007



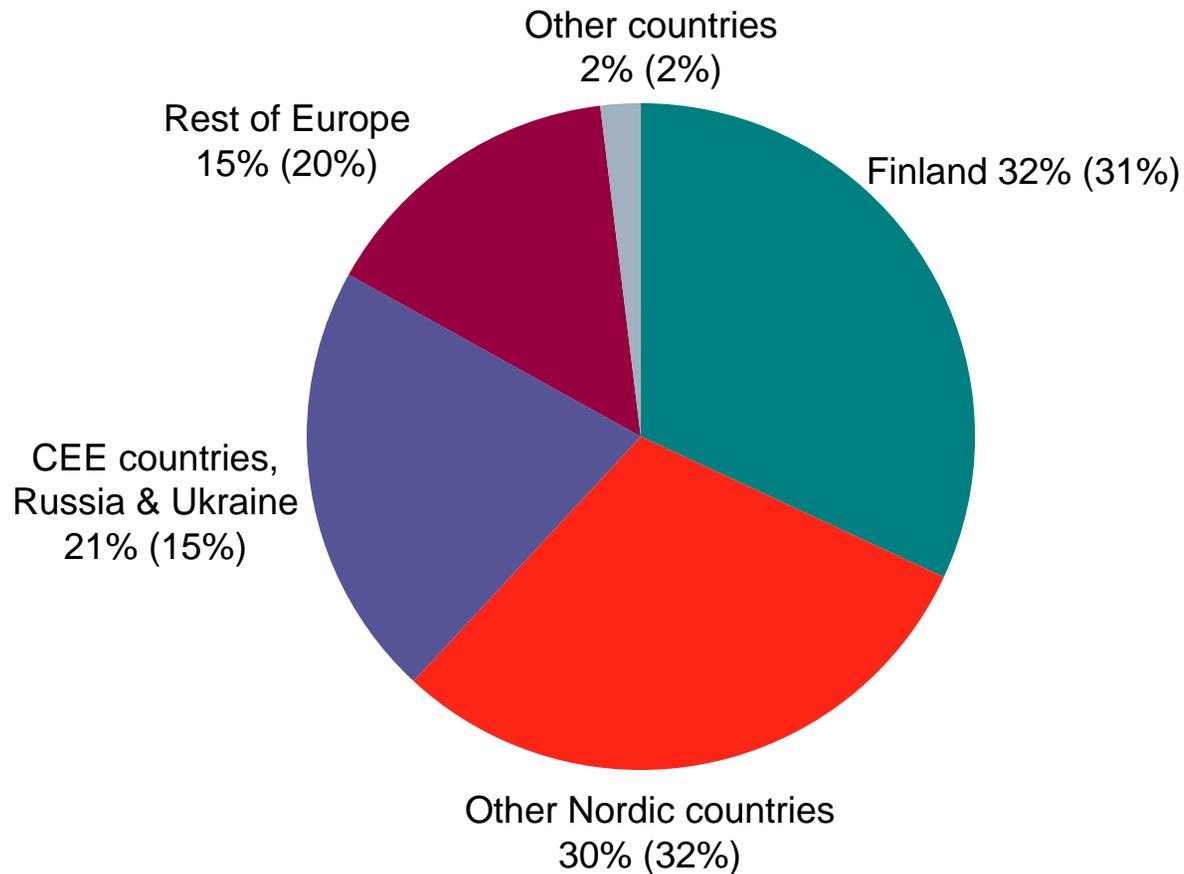
■ 12-month rolling net sales  
■ comparable net sales (excl. Ovako & Nordic reinforcing business)

# 12-month rolling EBIT 2004-Q3/2007



# Strong growth in Eastern-Europe and Russia

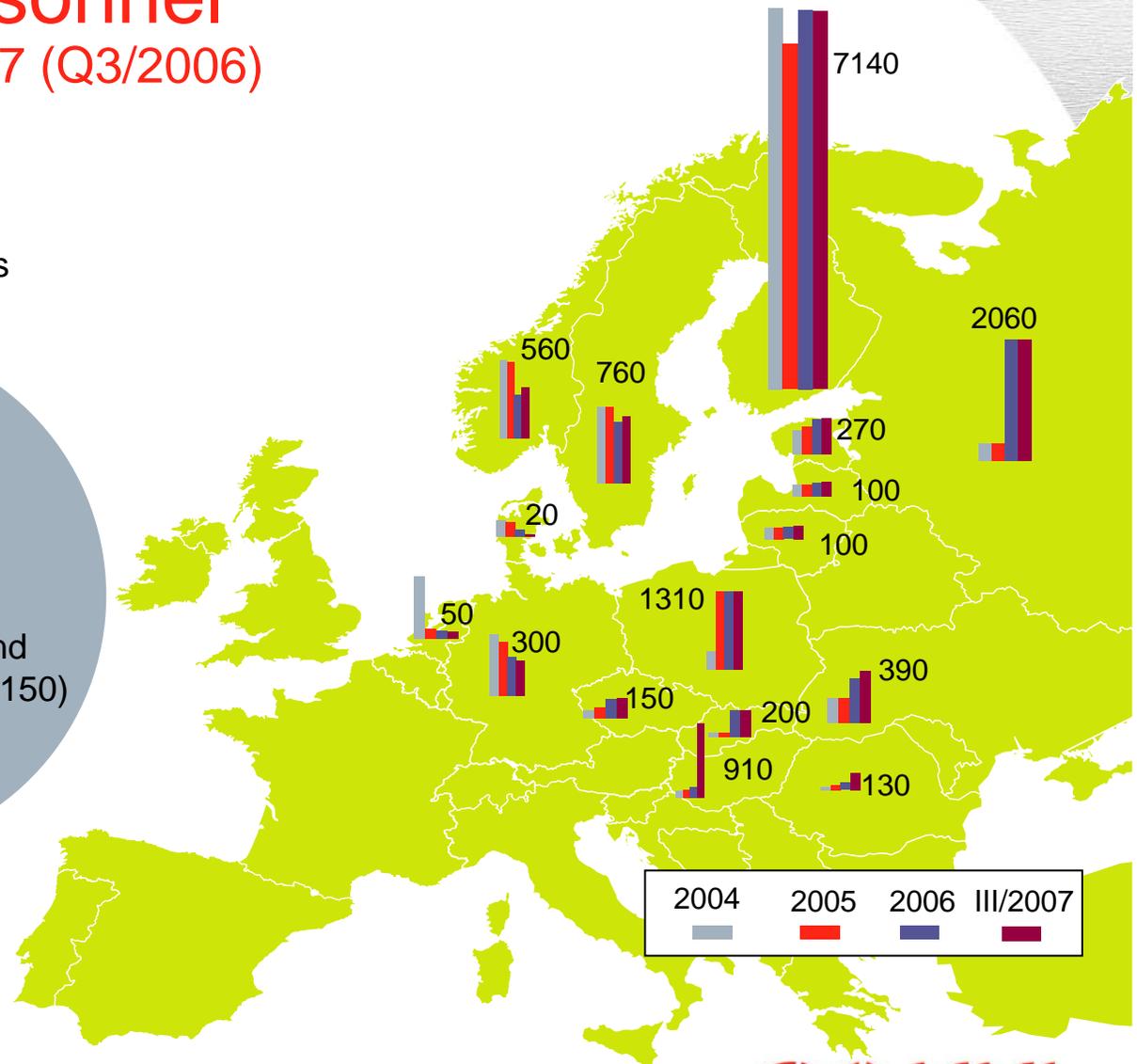
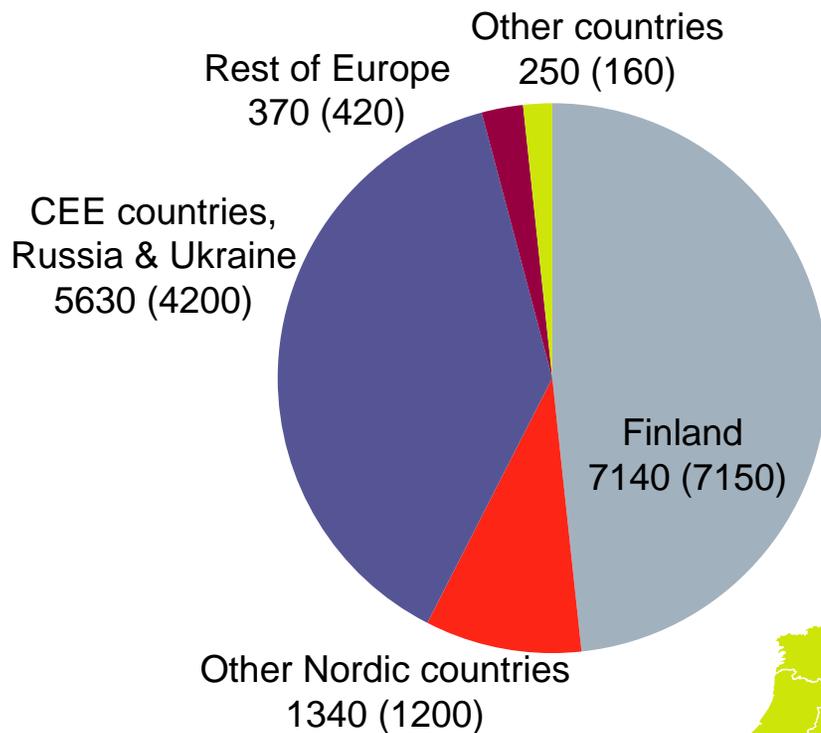
Net sales by region Q1-Q3/2007 (Q1-Q3/2006)



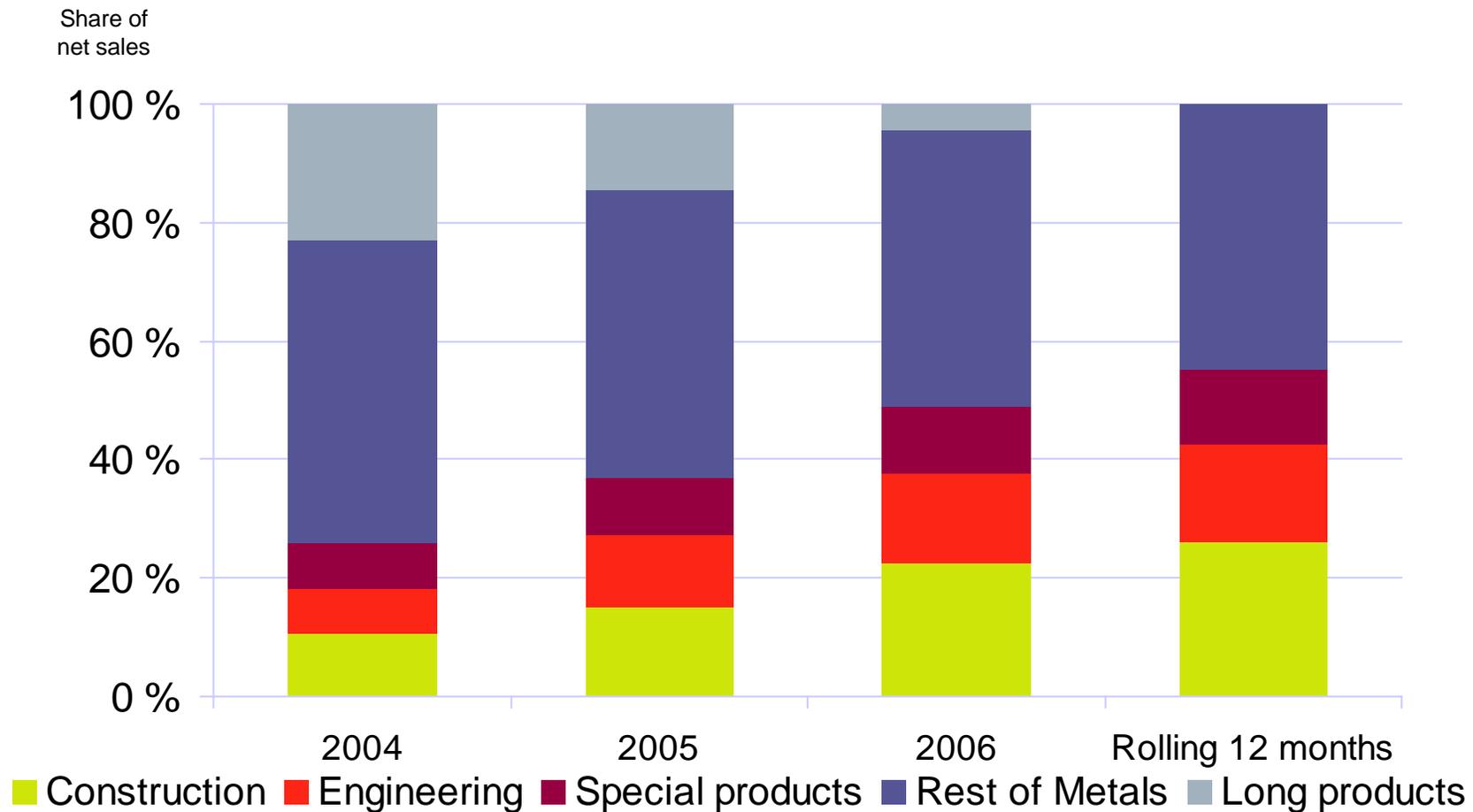
- Strong market position in Finland and other Nordic countries
- Strongest growth in Central Eastern Europe and Russia
- The share of Rest of Europe in net sales has decreased mainly as a result of the divestment of underperforming businesses

# Growth in Eastern Europe and Russia also visible in personnel

Personnel by region Q3/2007 (Q3/2006)



# Progress in structural change



# New structure, more effective business

## **1. Ruukki United - efficiency programme**

- Aims to achieve permanent cost savings of €150 million by year-end 2008
  - €75 million achieved to date (Q2 2007: €62 million)
- Aims to permanently free up €150 million of capital by year-end 2008
  - €42 million freed up from current operations (Q2 2007: €81 million)

## **2. Divestment of long steel products**

- Sale of Nordic reinforcing steel business for €125 million
- Divestment of Ovako for €310 million

## **3. Improved sales structure**

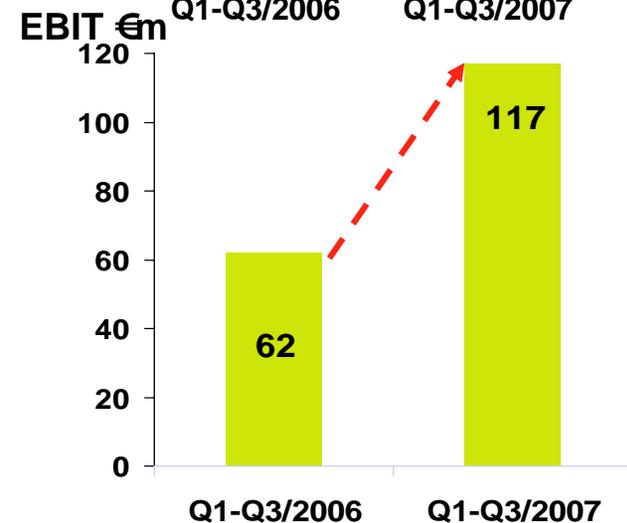
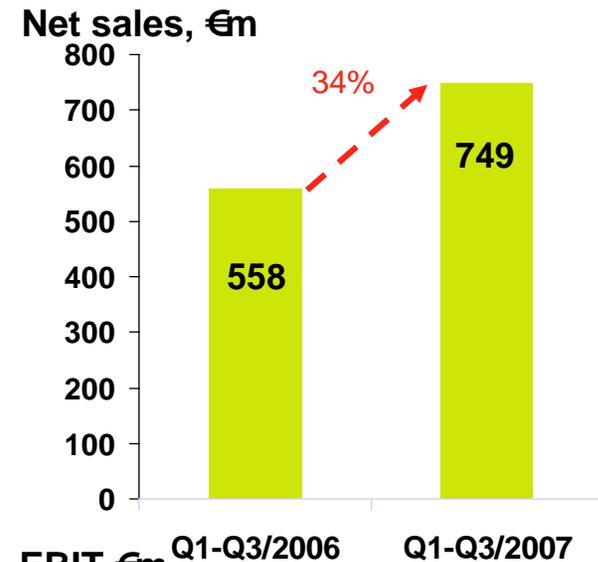
## **4. Divestments of under-performing businesses**

# Business areas

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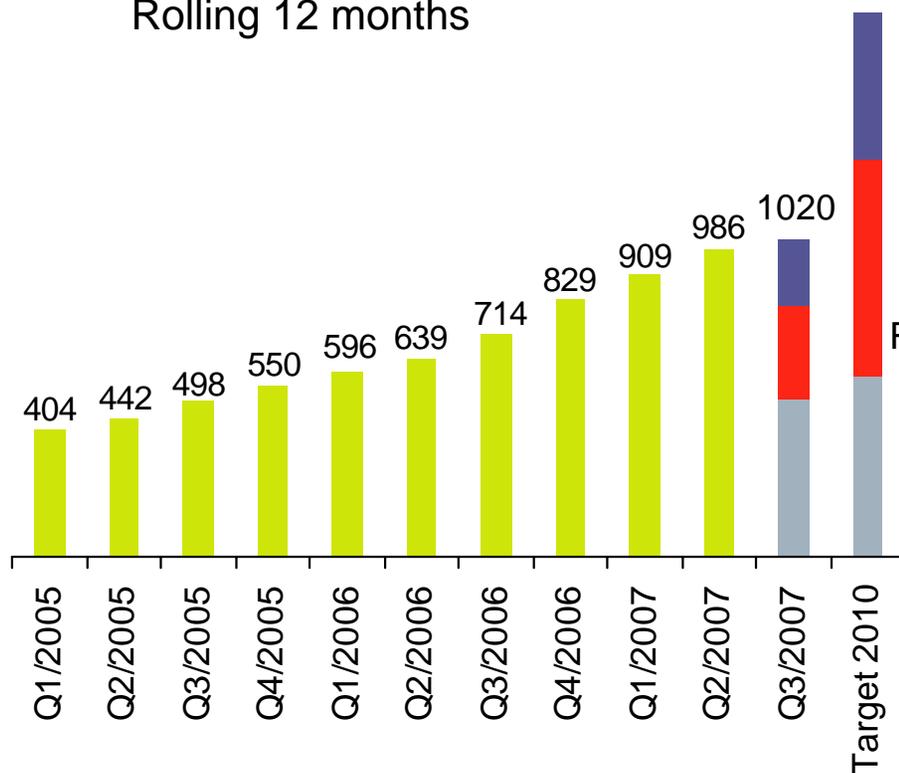
# Ruukki Construction continues it's strong profitable growth

- Net sales grew especially in Russia and the Nordic countries, operating profit almost doubled
- Strong demand within building construction in the Nordic countries, Russia and Central Eastern Europe
- Continued good demand and deliveries also within infrastructure construction
- Progress as planned with investments to increase production capacity in Central Eastern Europe, Finland and Russia
  - Production at the new plant in Romania started in October
- Sales office network expanded into Bulgaria and Croatia



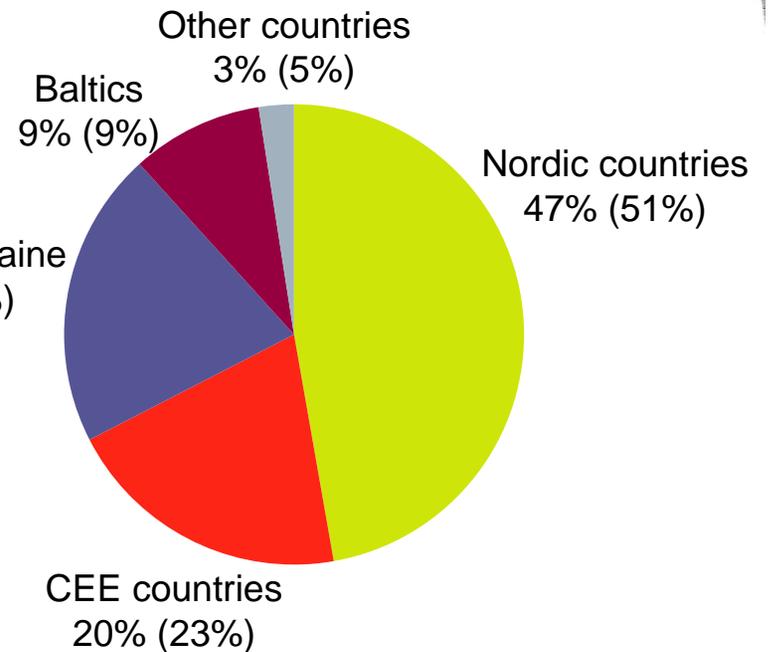
# Ruukki Construction: Aiming for net sales of over €1.5bn by end of 2010 (excl. acquisitions)

**Net sales (€m)**  
Rolling 12 months



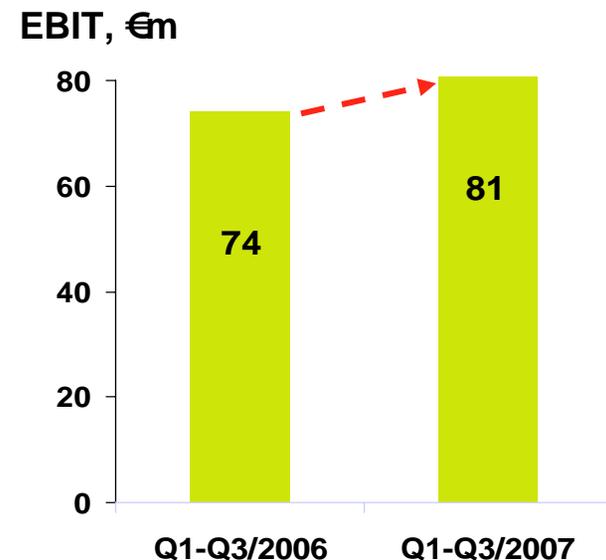
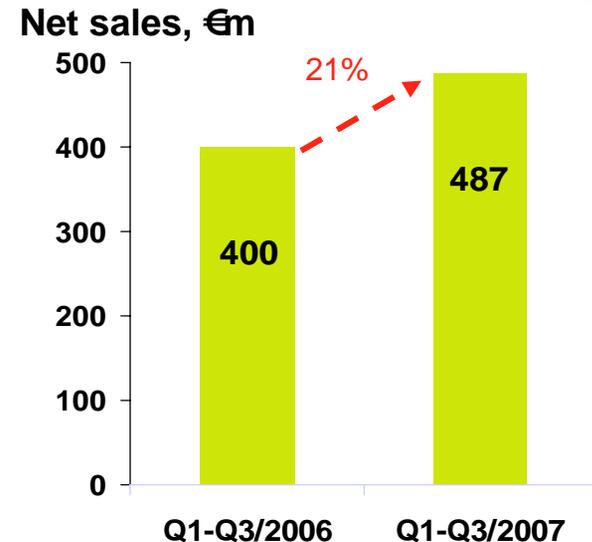
■ Northern Europe ■ Central Eastern Europe ■ Russia & CIS

**Net sales by region**  
Rolling 12 months



# Ruukki Engineering continues on growth track

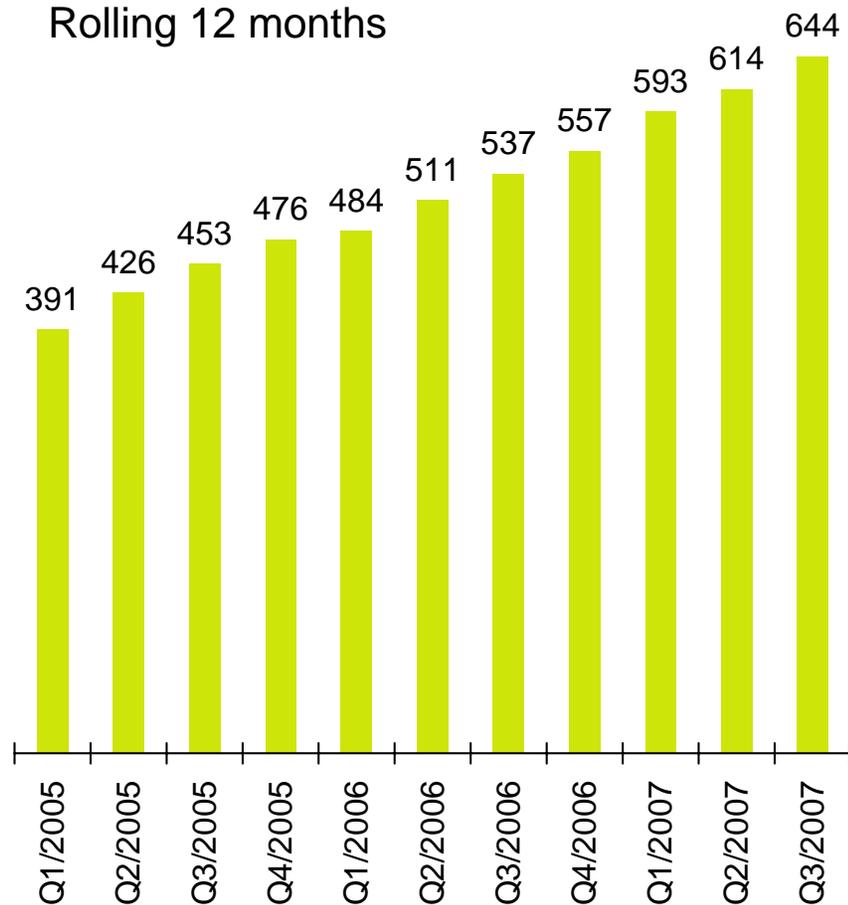
- Strong market situation continued and order books of engineering customers are still very strong
  - Especially in the lifting, handling and transportation equipment industry
- Net sales up by 21%
- Lower operating profit in third quarter than in previous quarter
  - Lower delivery volumes in Norway within wind turbine projects
  - Integration of acquisitions
- Actions to improve profitability in acquired units underway
- Agreement signed with Wärtsilä on deliveries of common base frames and oil sumps



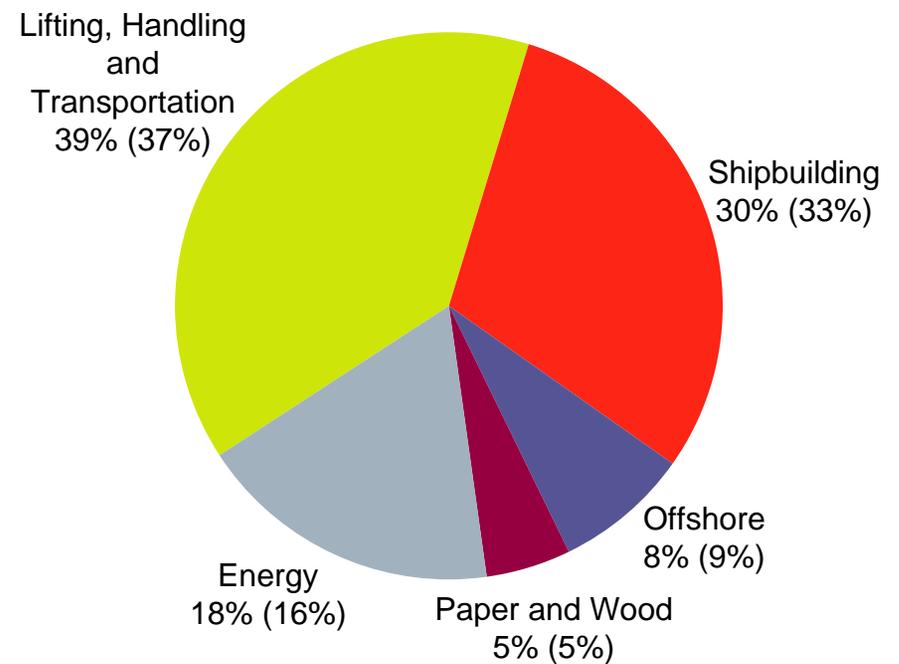
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# Ruukki Engineering: Steady net sales growth

**Net sales and EBIT (€m)**  
Rolling 12 months



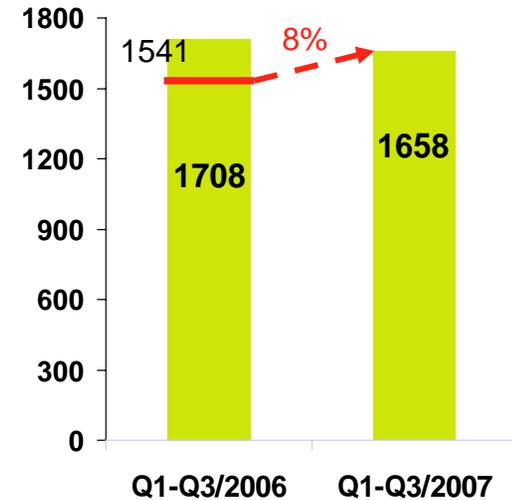
**Net sales by customer segments**  
Rolling 12 months



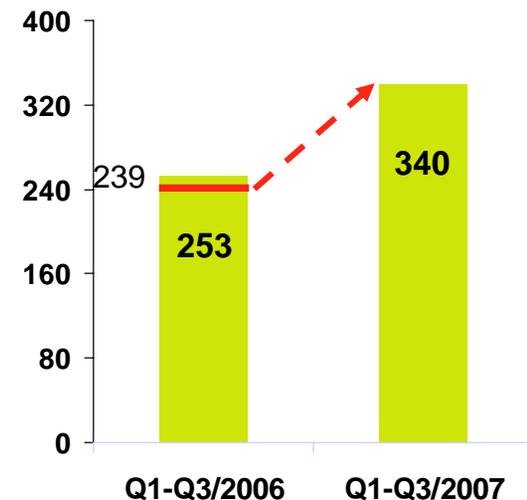
# Ruukki Metals' profitability improved clearly

- Comparable operating profit up by 42% and accounted for 20.5% of net sales (15.5%)
- Demand continued strong in core market areas
- Increased sales prices and change in sales structure improved profitability
  - Average sales prices of flat products increased 2% compared to the previous quarter
  - Special products accounted for 24% of net sales (19%) during third quarter
- Higher than normal wholesale stocks in Europe
  - Particularly affects sales of galvanised products
- Longer than normal maintenance shutdown resulted in reduced delivery volumes of plate products compared to last year
- Progress made with enhancing business model in Finland
  - Small batch deliveries focused on Hyvinkää Service Centre in August

Net sales, €m



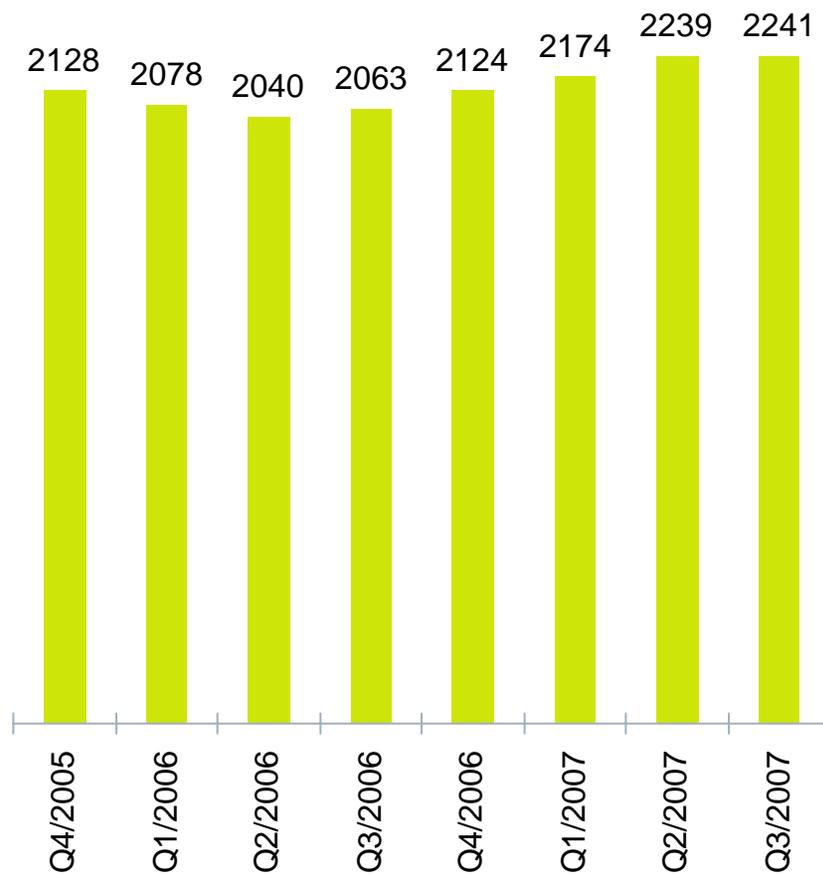
EBIT, €m



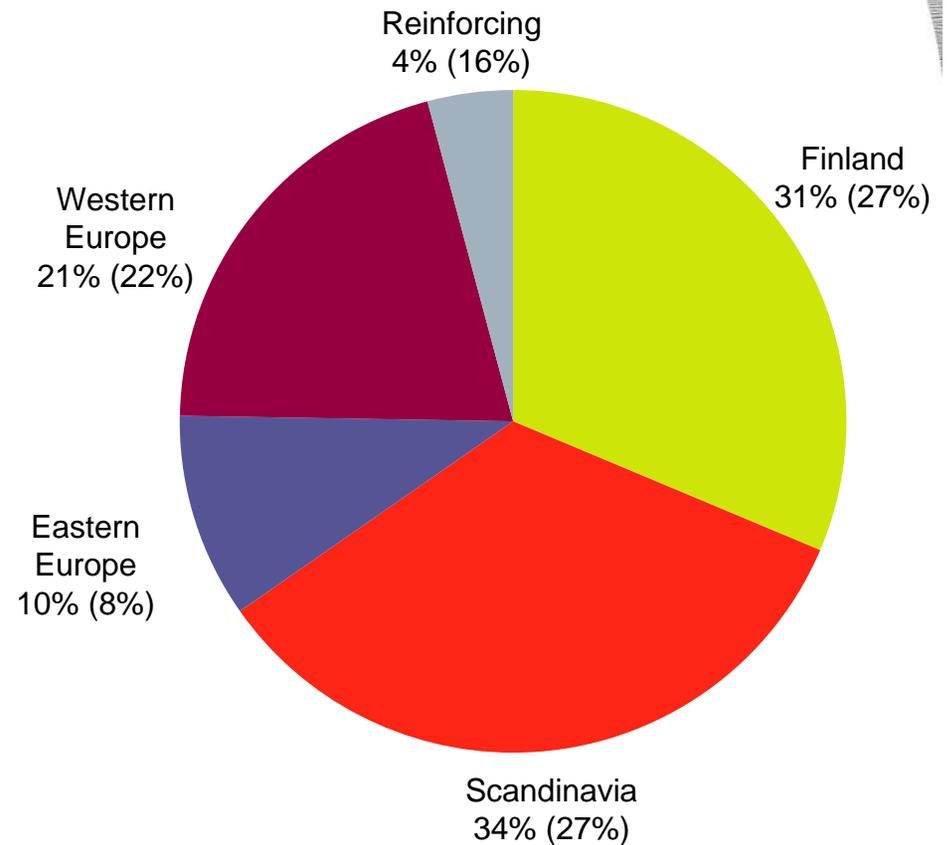
— comparable net sales  
(excl. Nordic reinforcing business)

# Ruukki Metals: Home market accounts for more than two thirds of net sales

**Comparable net sales and EBIT (€m)**  
Rolling 12 months



**Net sales by region**  
Rolling 12 months



# Steel production

- Steel production during January-September was 1 985 000 tonnes (2 107 000).
- Deployment in September of a direct quenching unit at Raahe enables increased capacity of high-strength and abrasion-resistant steels
- Production volumes of galvanised products limited during third quarter for profitability reasons
- Plate and hot-rolled cut-to-length capacity in full use
- Company expects to incur additional costs of €3-5 million a year to purchase emissions allowances during 2008-2012 emissions trading period
  - Exact emissions allowances will not be known until Finland's Emissions Trading Act has been amended

# Events after the report period

# Effect of strike by members of Union of Salaried Employees

- Around 450 members of the Union of Salaried Employees (TU) started a strike at the Raahe units on 22 October
- The company is striving to ensure the continuity of customer deliveries
  - Deliveries to be managed from service centres
  - Utilising of stocks
  - Increased steel sourcing from outside Finland
- The strike stopped hot-rolling production and the cutting lines at the Raahe Steel Works
  - Raahe delivers around seven thousand tonnes of rolled and partly processed products a day
  - Around a third of these are direct product deliveries
- Financial effects depend on how long the strike lasts
- Minor impact on international units
  - Around 70% of net sales are derived from outside Finland

# Near-term outlook

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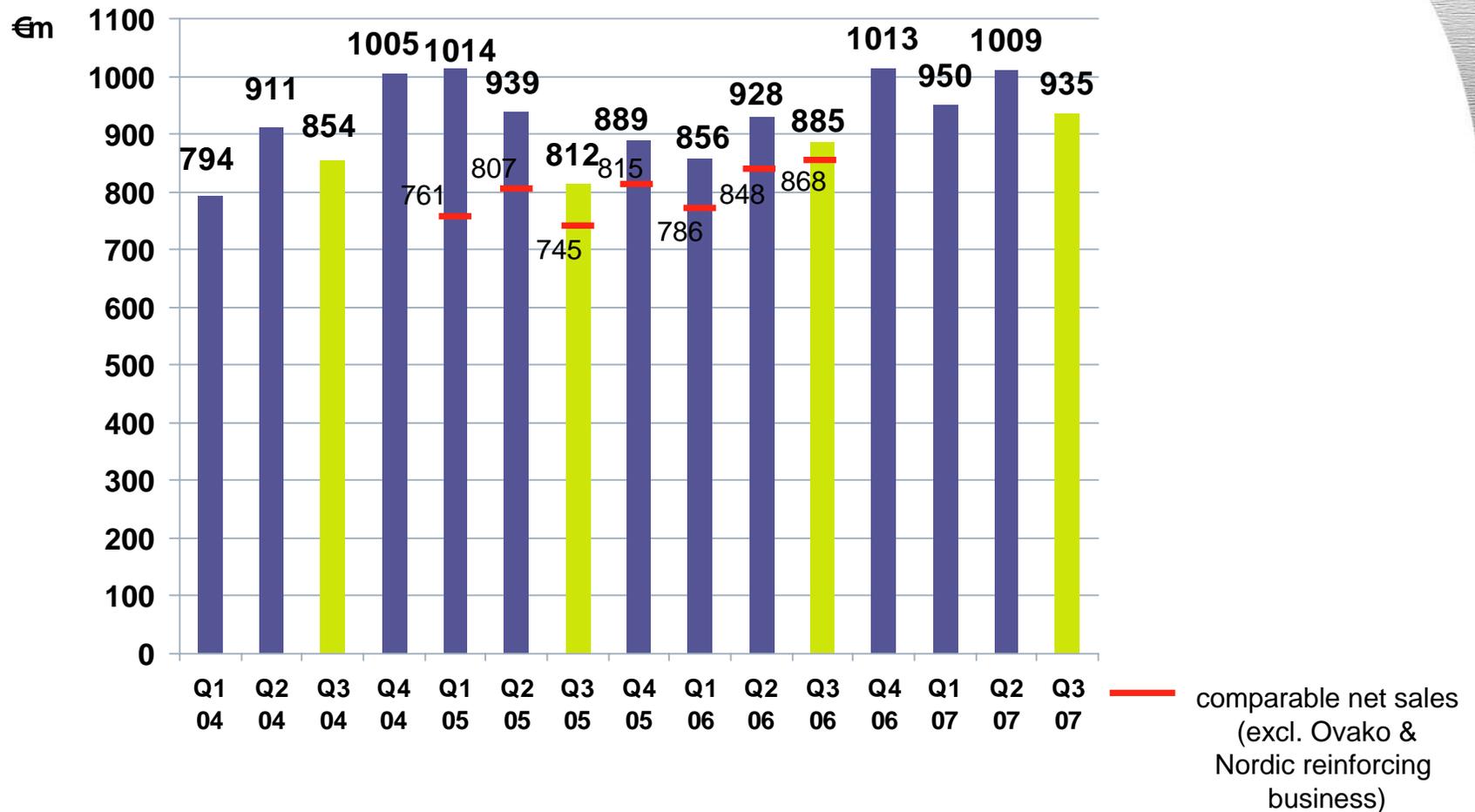
# Near-term outlook

- Market environment:
  - Construction activity is expected to remain brisk across entire market area
  - Demand from engineering industry customers is expected to remain strong
  - Demand for special steel and plate products is expected to remain strong, but there are product-specific differences in demand for other products
- Factors of uncertainty:
  - The most significant factors of uncertainty relate to general development of the global economy
  - If continued, the Union of Salaried Employees' strike will affect the company's financial performance
- Near-term outlook:
  - Comparable net sales in 2007 are expected to develop in line with growth targets set
  - Operating profit for 2007 will markedly exceed the comparative figure for last year
  - Good market situation in the company's customer industries is expected to continue. This will form a good platform for Rautaruukki in 2008.

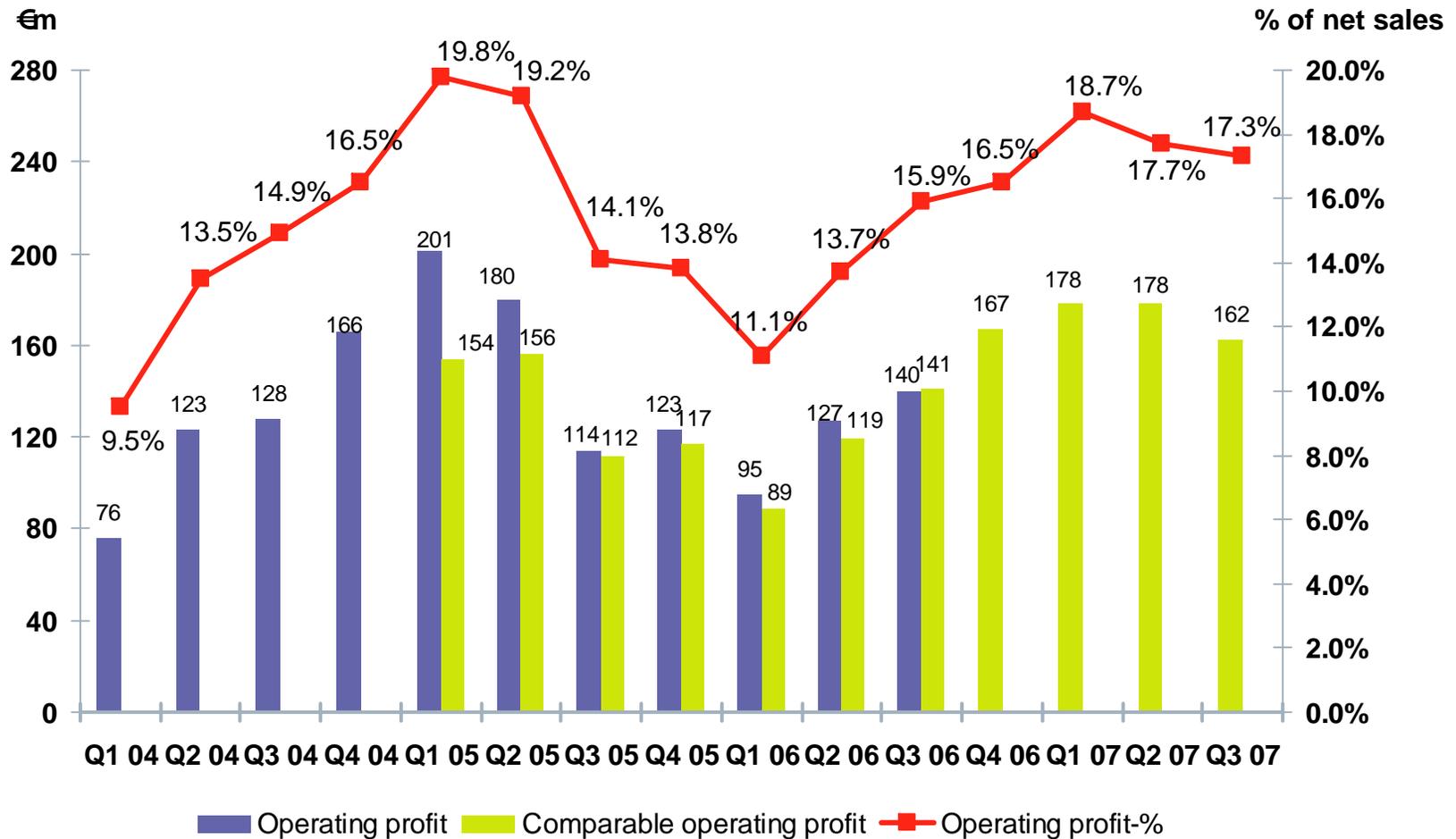
# Appendices

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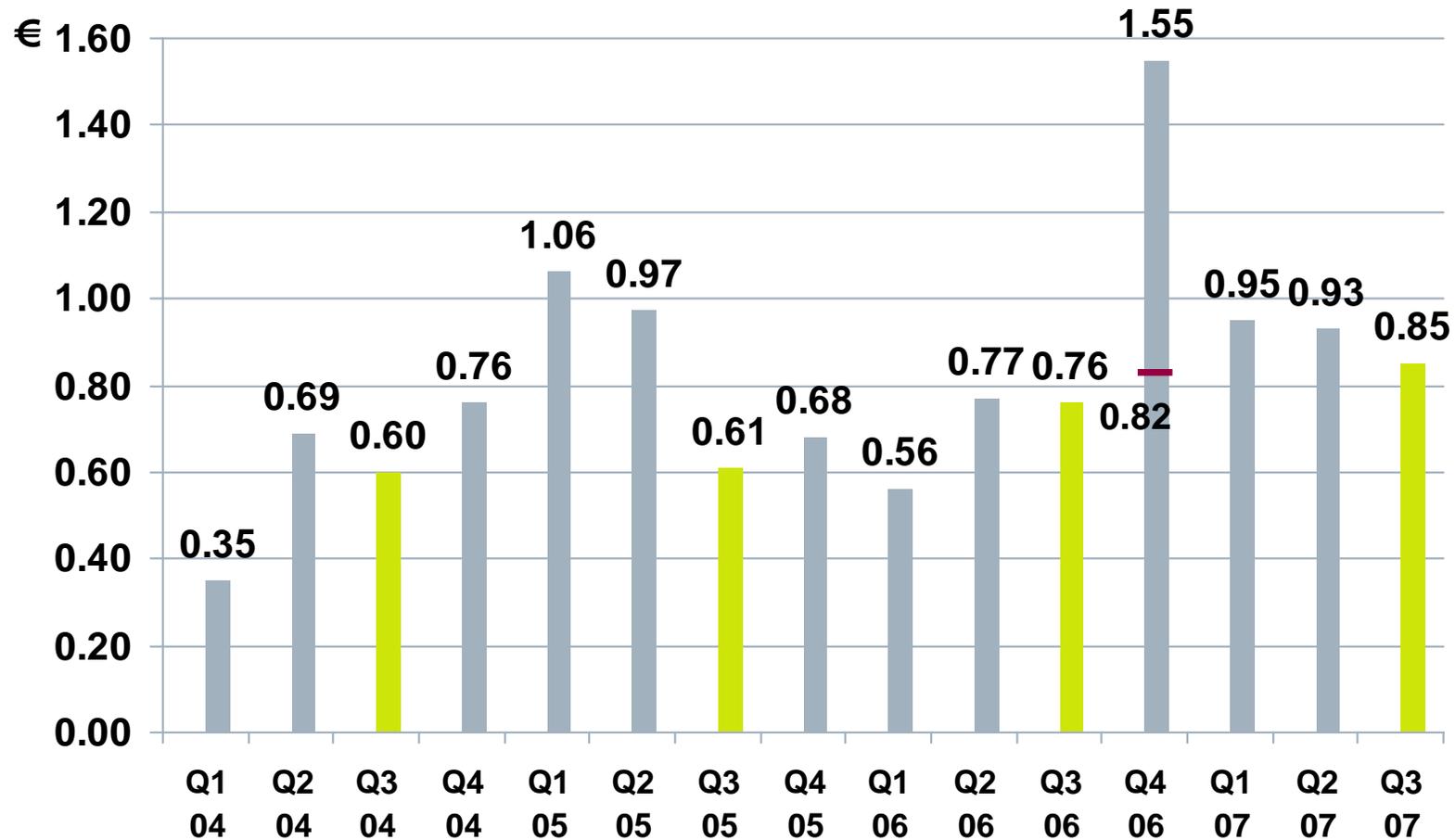
# Comparable net sales in Q3 grew by 8%



# Aiming for steady, strong growth in profitability



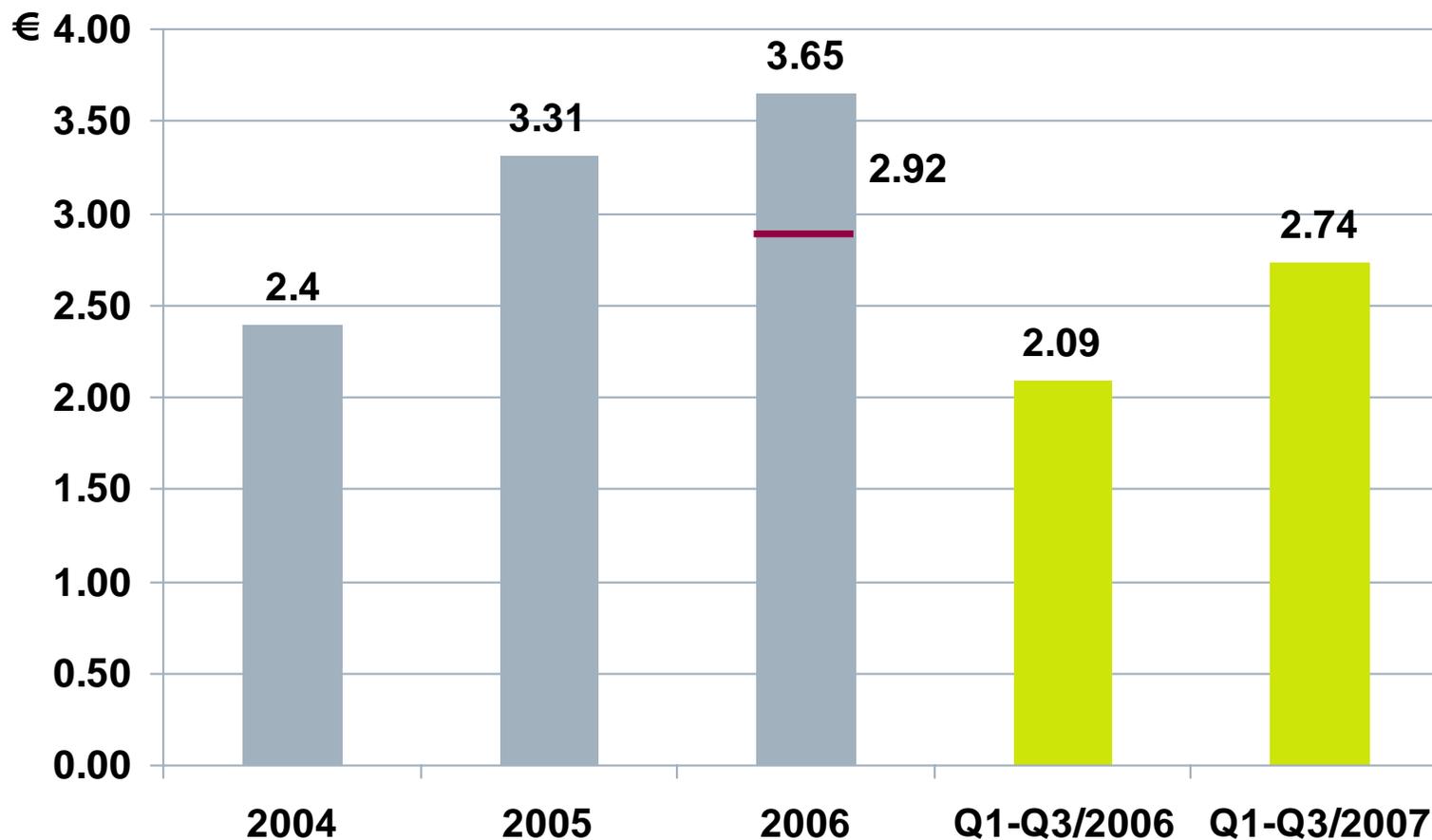
# Quarterly earnings per share



— excl. capital gain on the divestment of Ovako



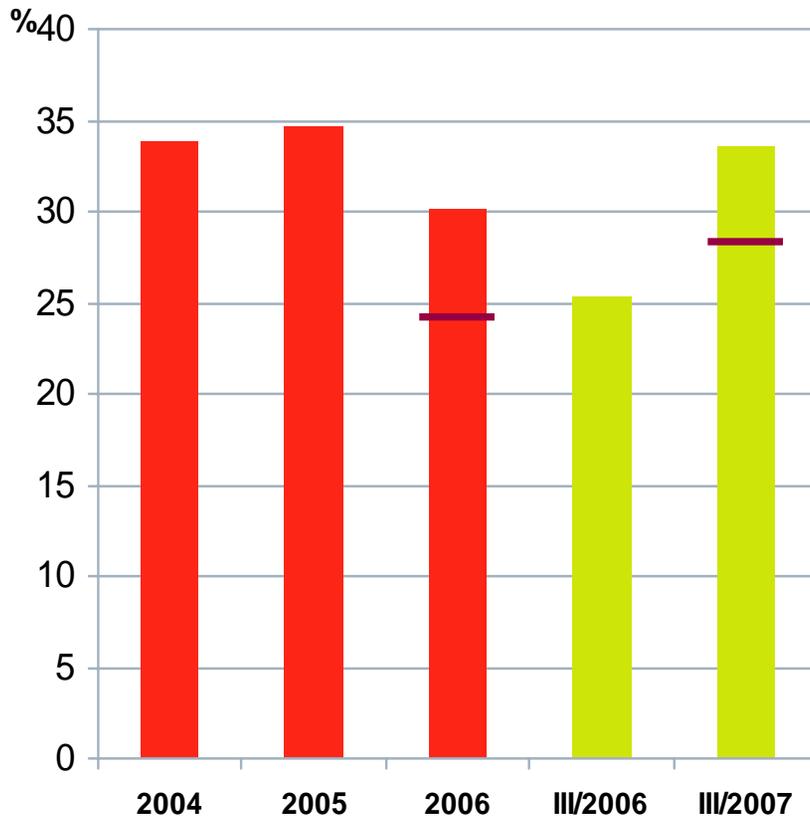
# Earnings per share



— excl. capital gain on the divestment of Ovako



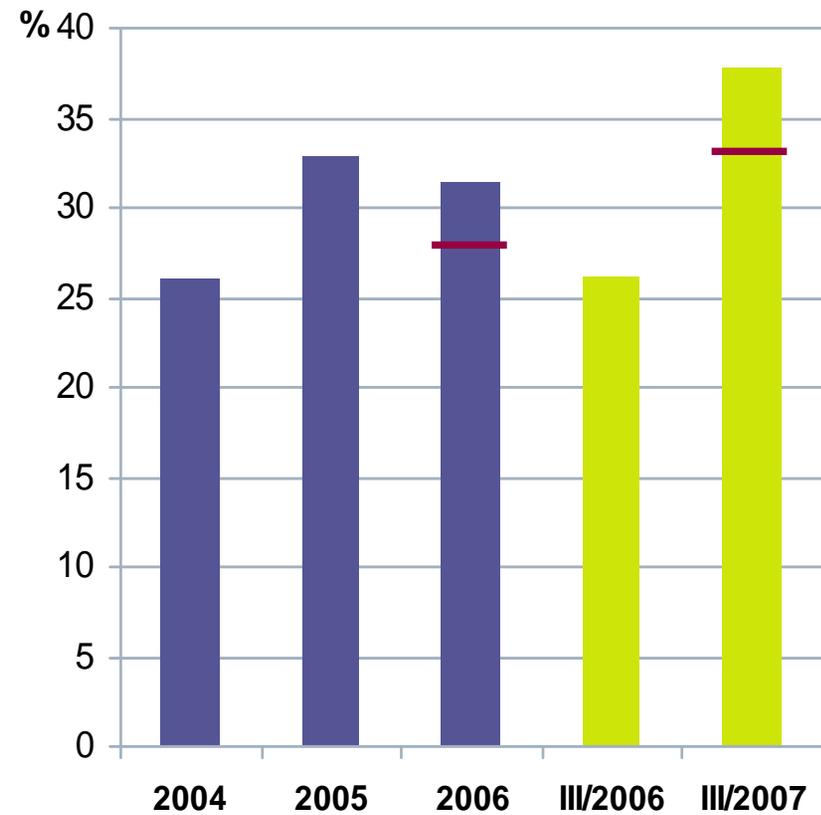
## Return on equity\*



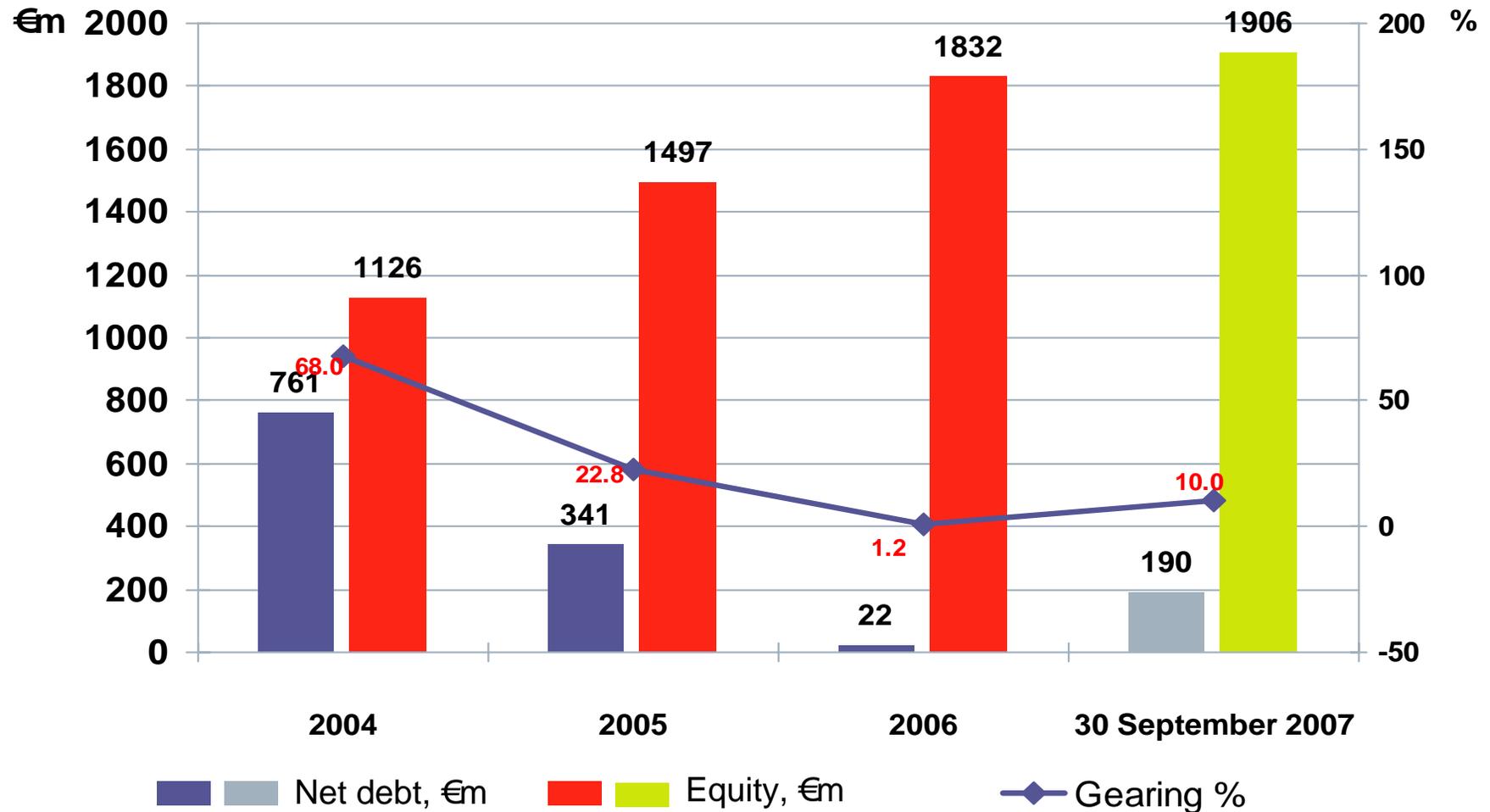
\* rolling 12 months

— excl. capital gain on the divestment of Ovako

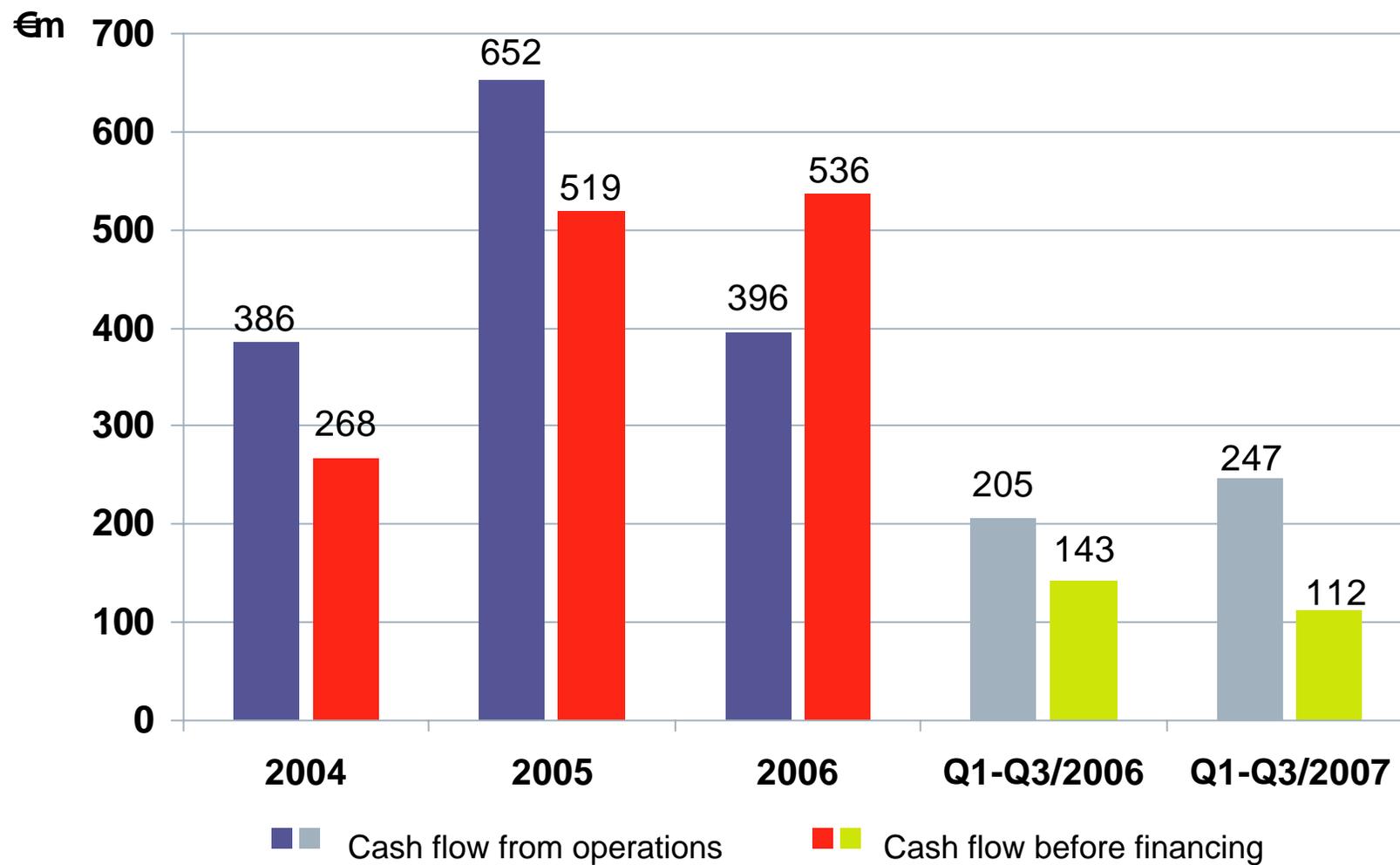
## Return on capital employed\*



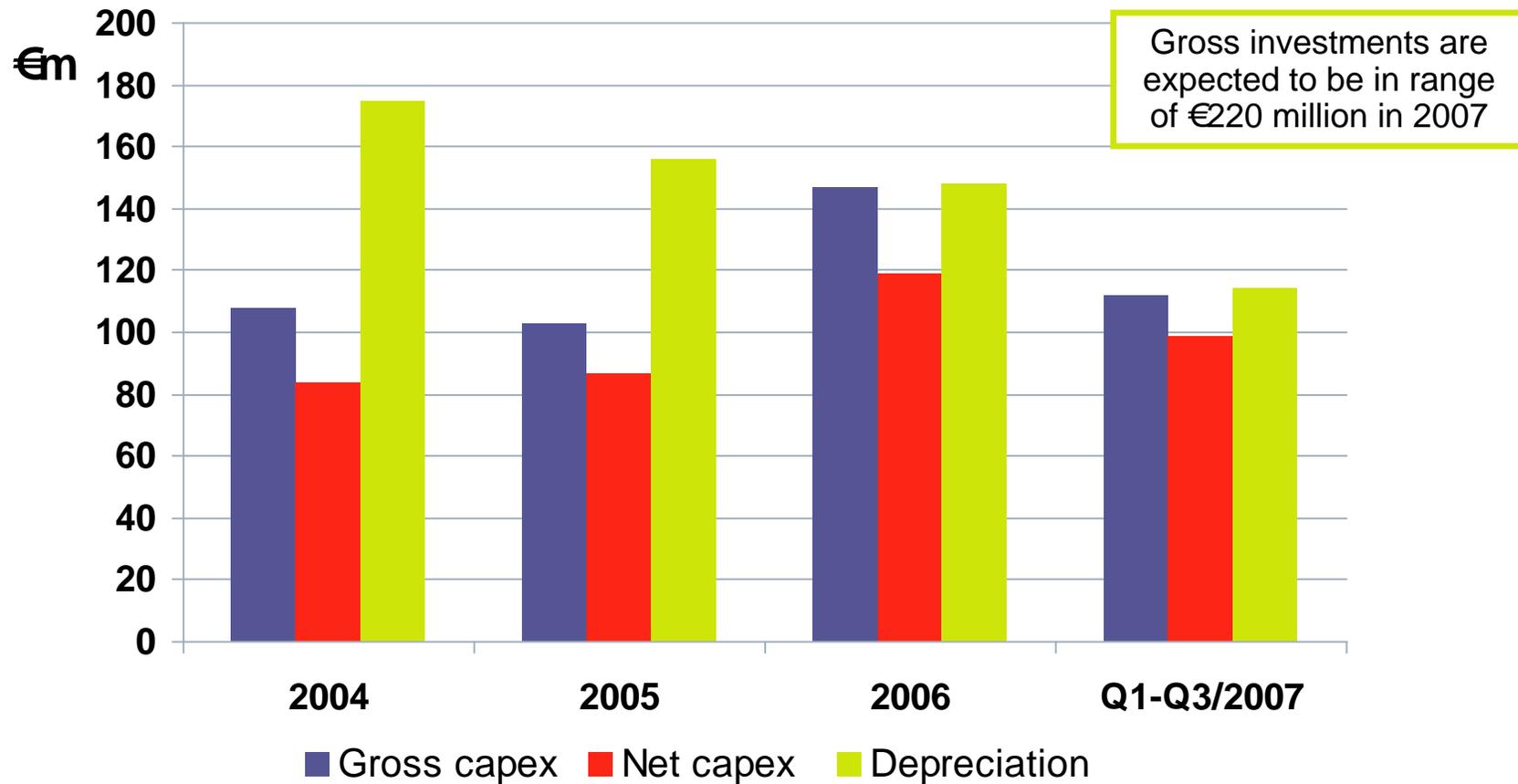
# Strong balance sheet enables growth financing



# Cash flow



# Capex vs. depreciation





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more with metals