

# Interim report January–September 2009

22 October 2009

**RUUKKI**

# Report period in brief

## Q1-Q3/2009

- No significant change in market conditions
- Consolidated net sales were down 52% year on year
- Third quarter loss halved compared to Q2 and Q1, on operating profit level
  - Operating profit for the whole report period clearly negative
- Positive cash flow from operating activities and strong financial position
- Cost savings under the operational efficiency programme Boost amounted to around €46 million
  - Estimate for savings in 2009 revised upwards from €50 million to over €60 million



**Business  
environment and  
financial  
performance**

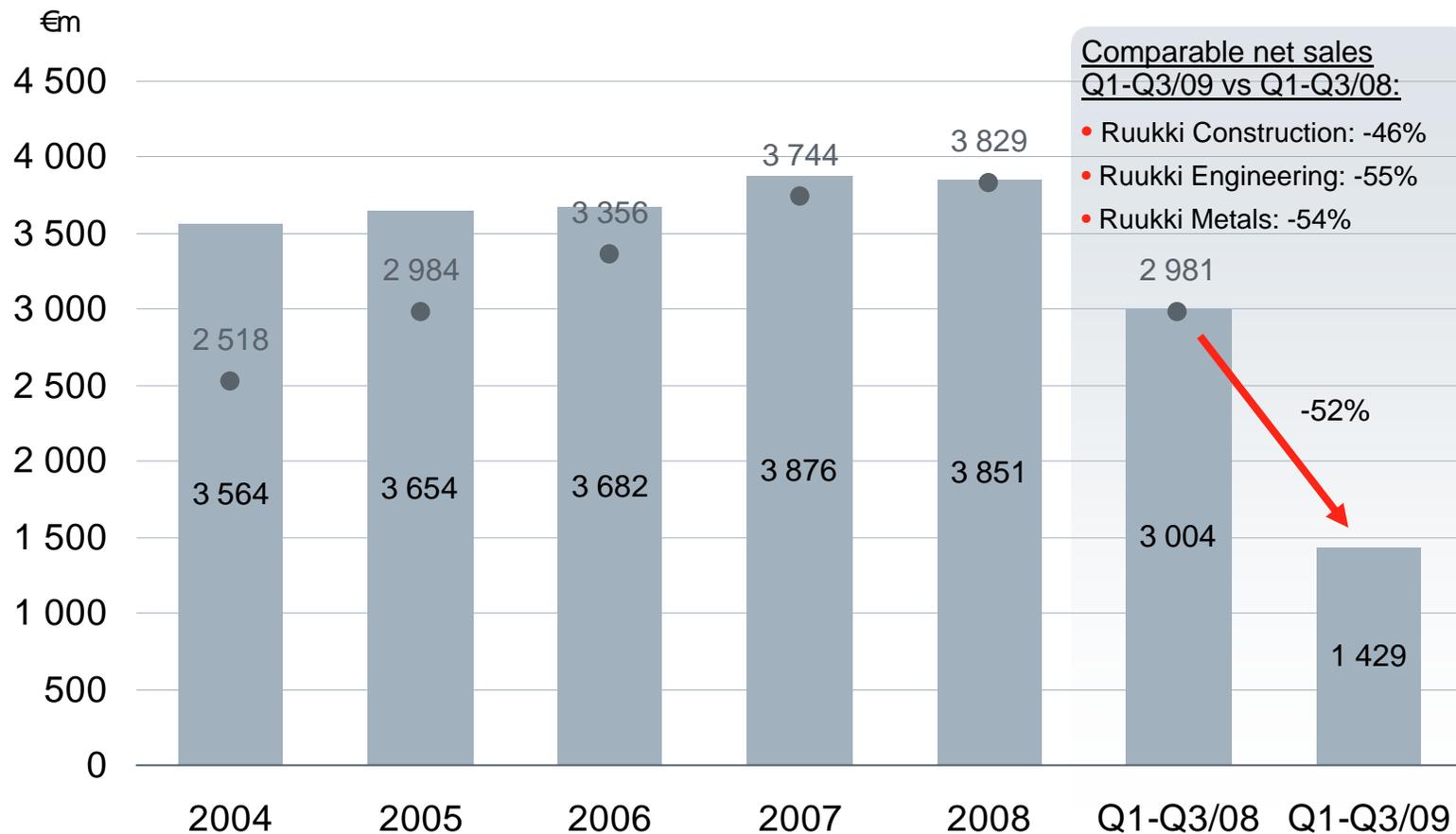
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# No significant change in market conditions

- Pace of decline in the global economy slowed during the third quarter
- Continued caution in investment decisions
- Customers' stocks have decreased considerably
- Hardly any improvement in order intake volume
- With the exception of China and some other Asian countries, the global capacity utilisation rate in the steel industry remained low



# Net sales down year on year



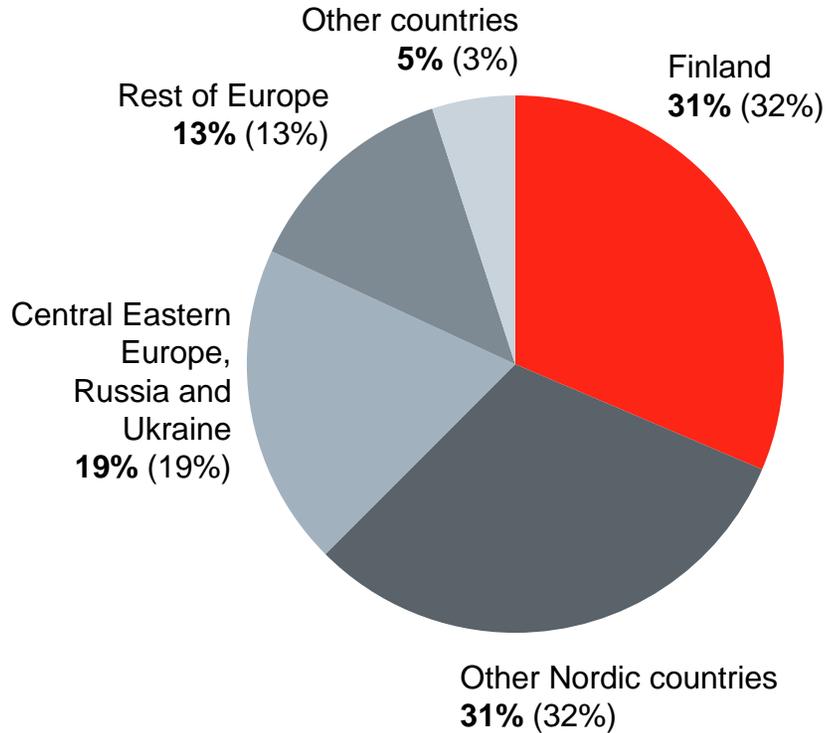
● Comparable net sales based on the company's internal accounting  
 ➔ Change in comparable net sales, %

# Breakdown of net sales Q1-Q3/2009

## Net sales by region

Q1-Q3/2009 (Q1-Q3/2008)

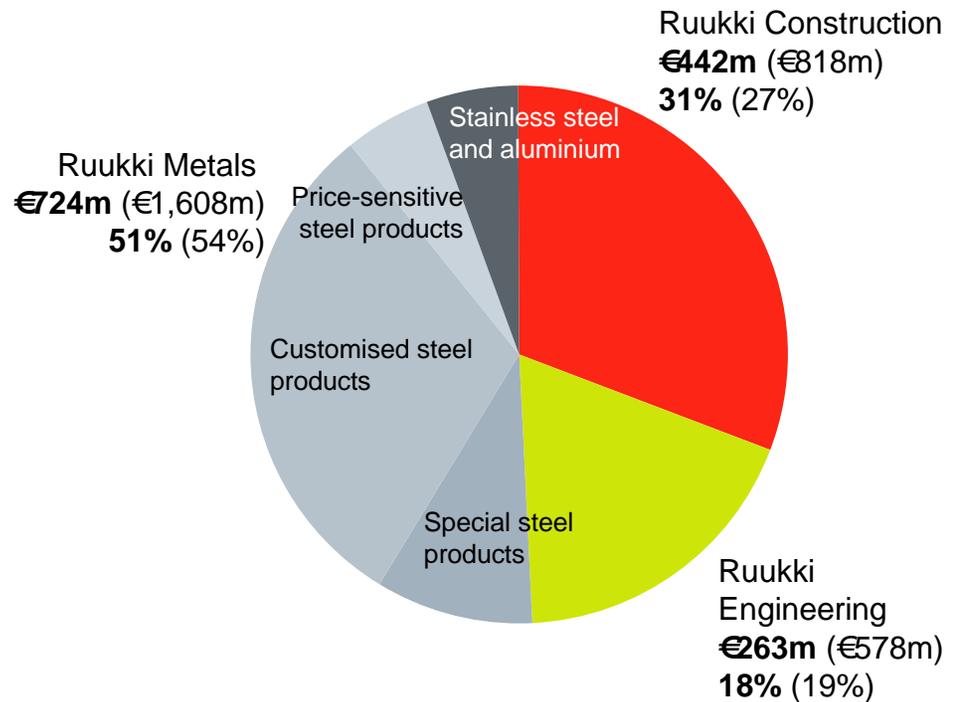
100% = €1,429m (3,004)



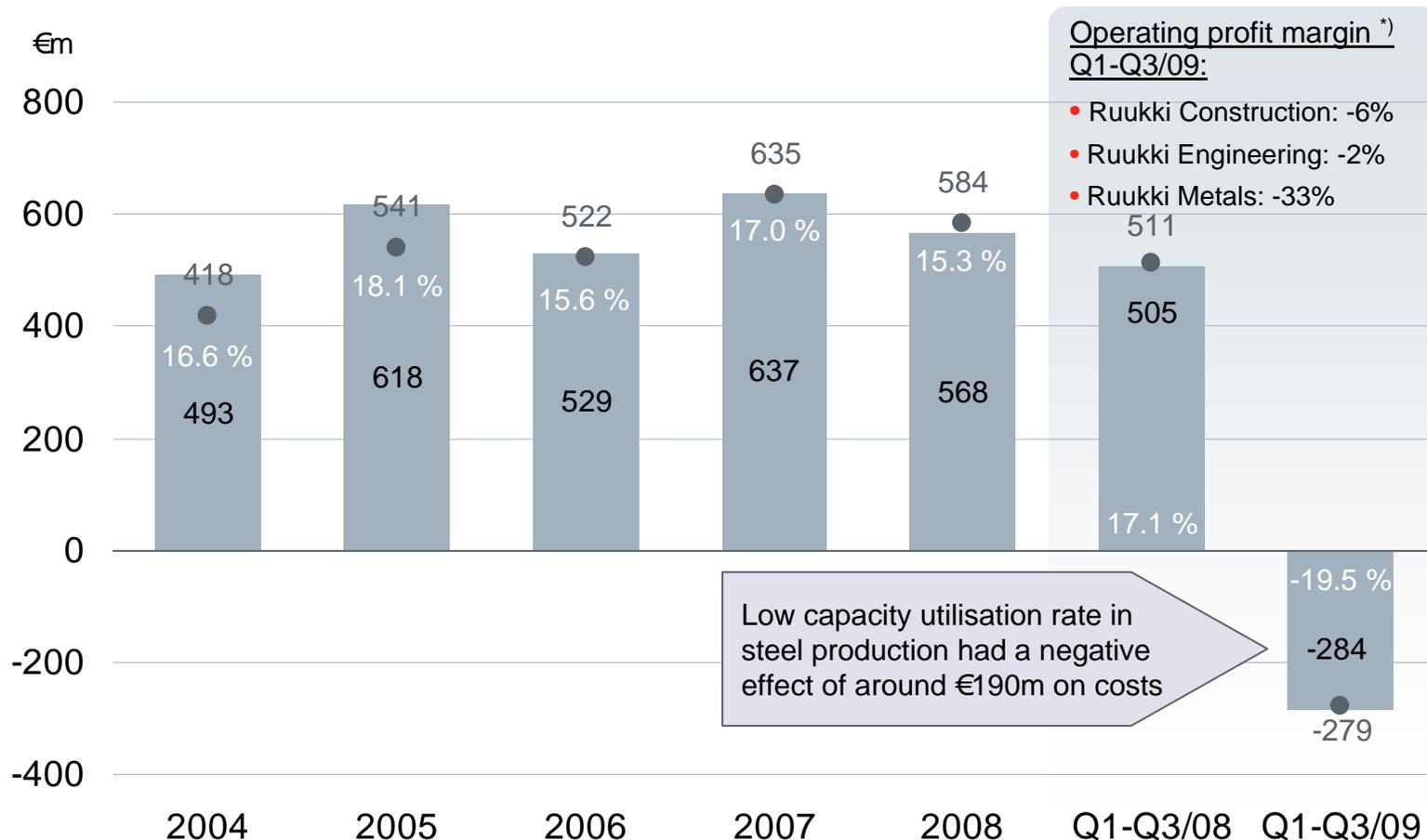
## Net sales by division

Q1-Q3/2009 (Q1-Q3/2008)

100% = €1,429m (3,004)



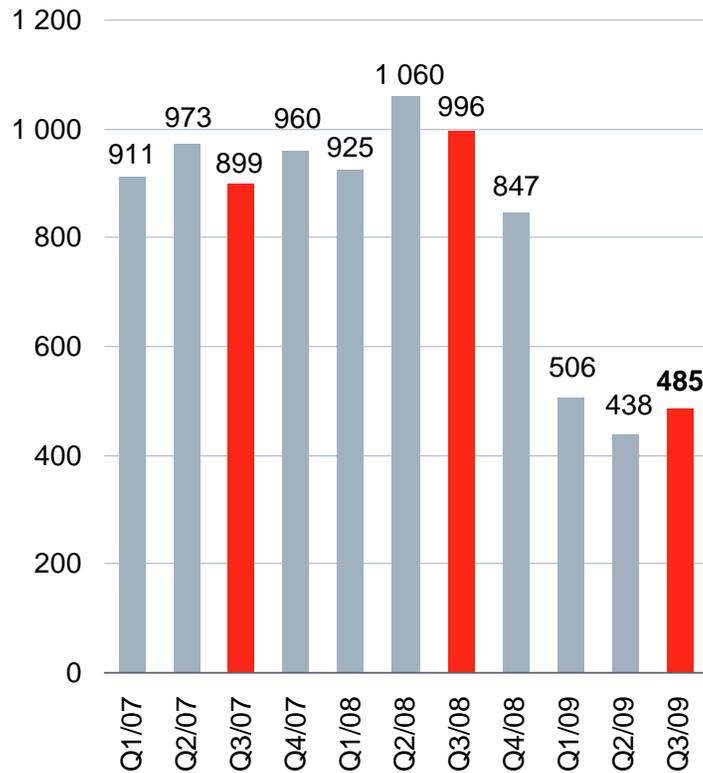
# Operating profit clearly negative



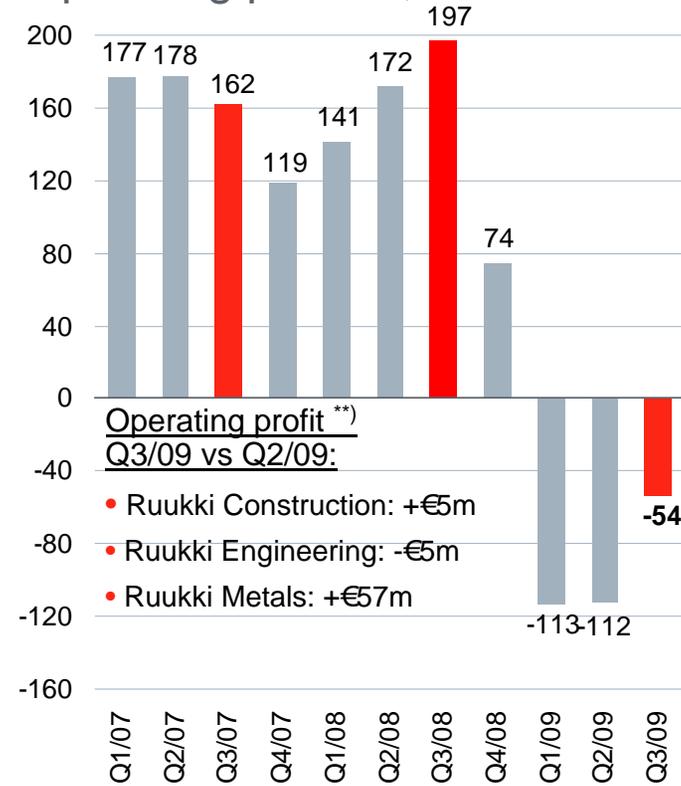
- Comparable operating profit, excluding non-recurring items, based on the company's internal accounting
- Comparable operating profit margin excluding non-recurring items, %

# Loss in Q3 halved compared to Q1 and Q2

Net sales <sup>\*)</sup>, €m



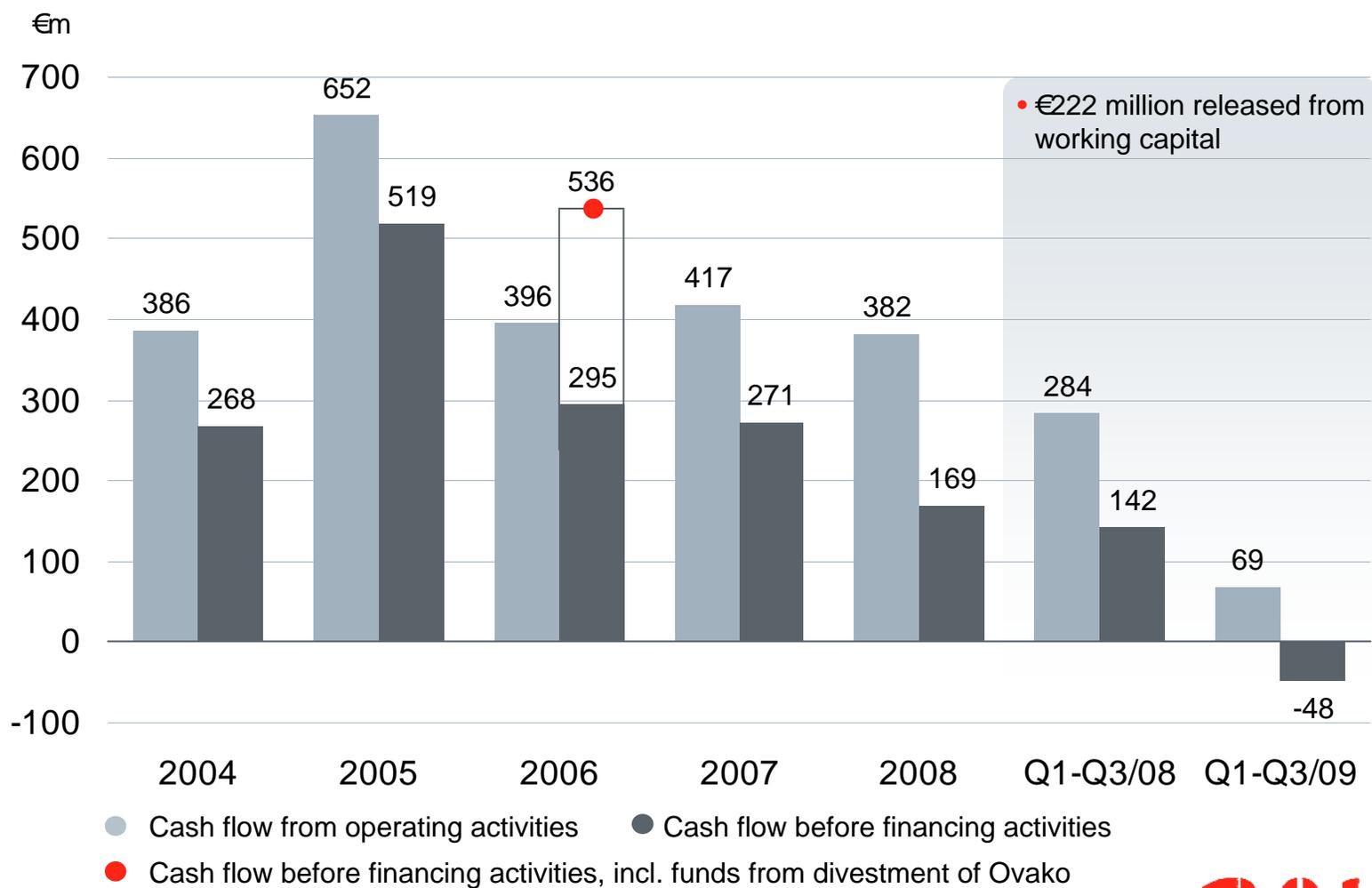
Operating profit <sup>\*\*)</sup>, €m



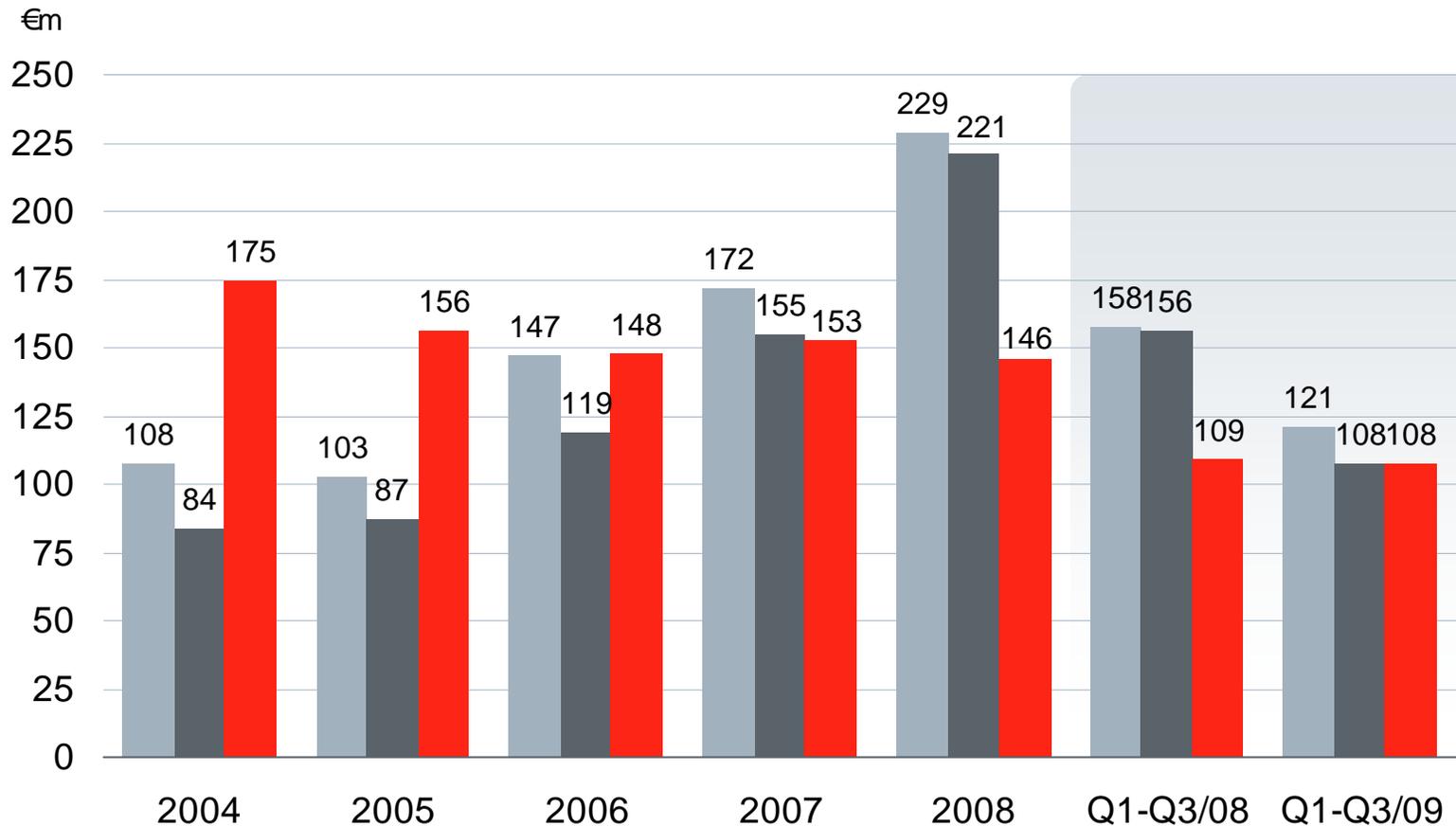
<sup>\*)</sup> Comparable

<sup>\*\*)</sup> Comparable, excluding non-recurring items

# Positive operating cash flow



# Capex for 2009 estimated to remain below €170 million

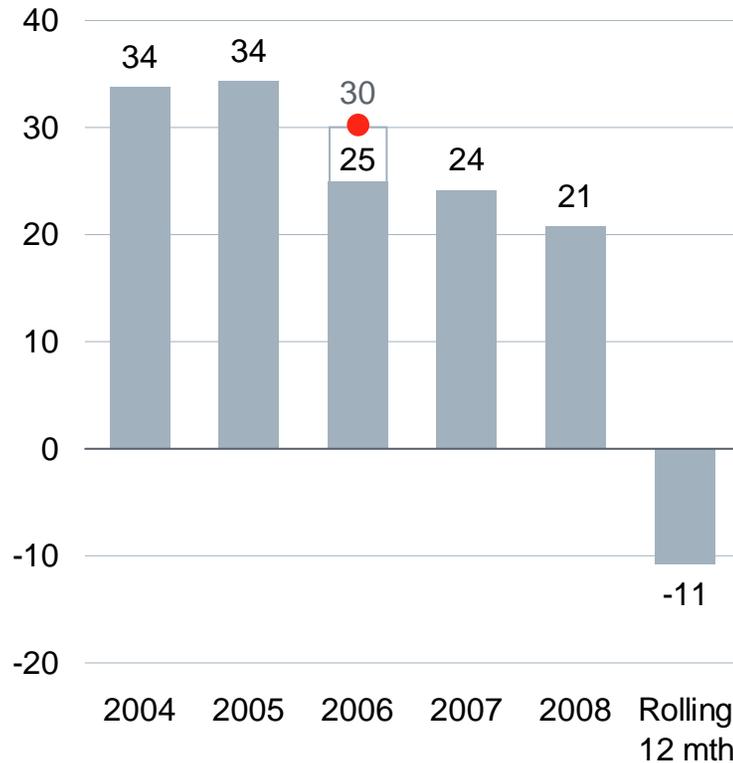


● Gross capex \*) ● Net capex \*) ● Depreciation

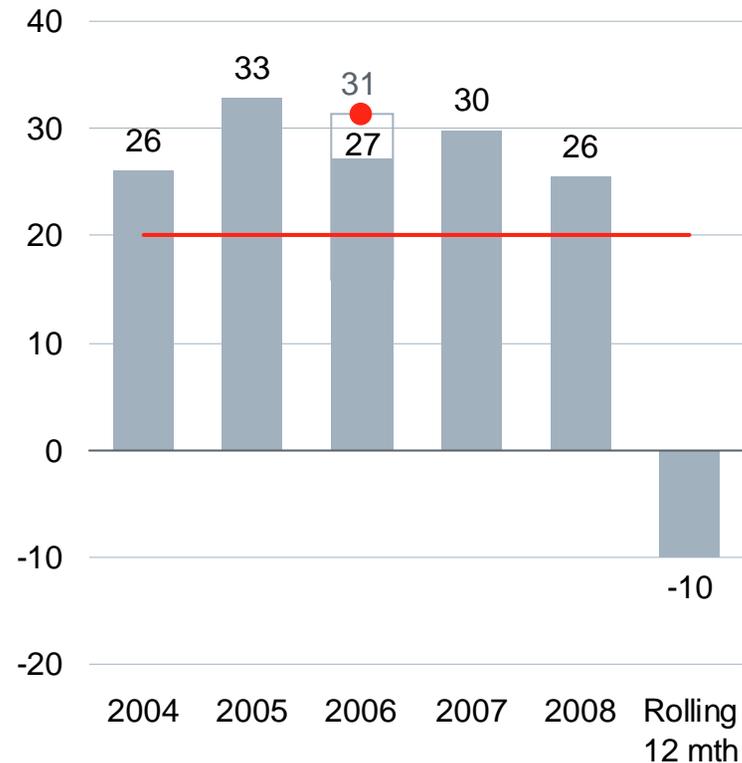
\*) In tangible and intangible assets

# Return on equity and capital employed

Return on equity, %

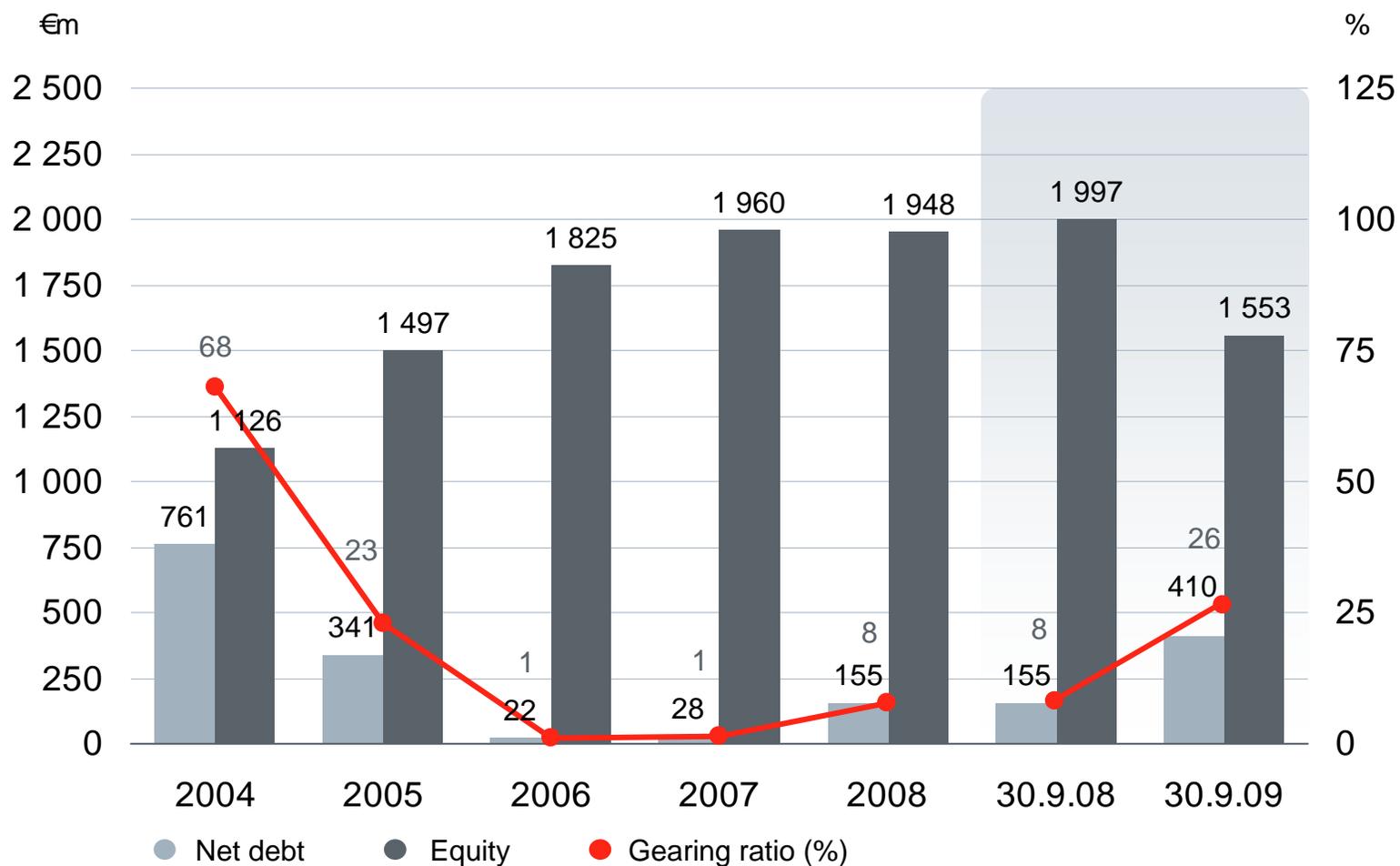


Return on capital employed, %



● Including capital gain on Ovako      — ROCE target >20%

# Strong financial position

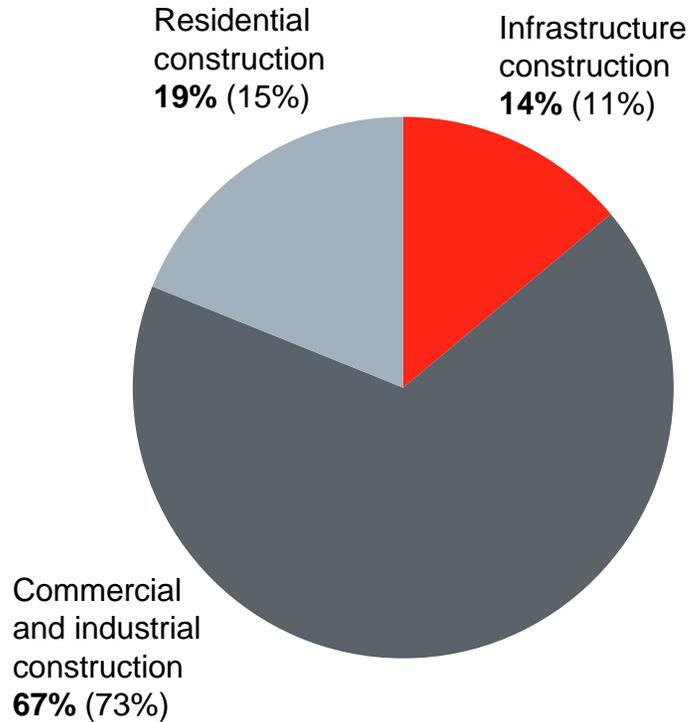


# Divisions

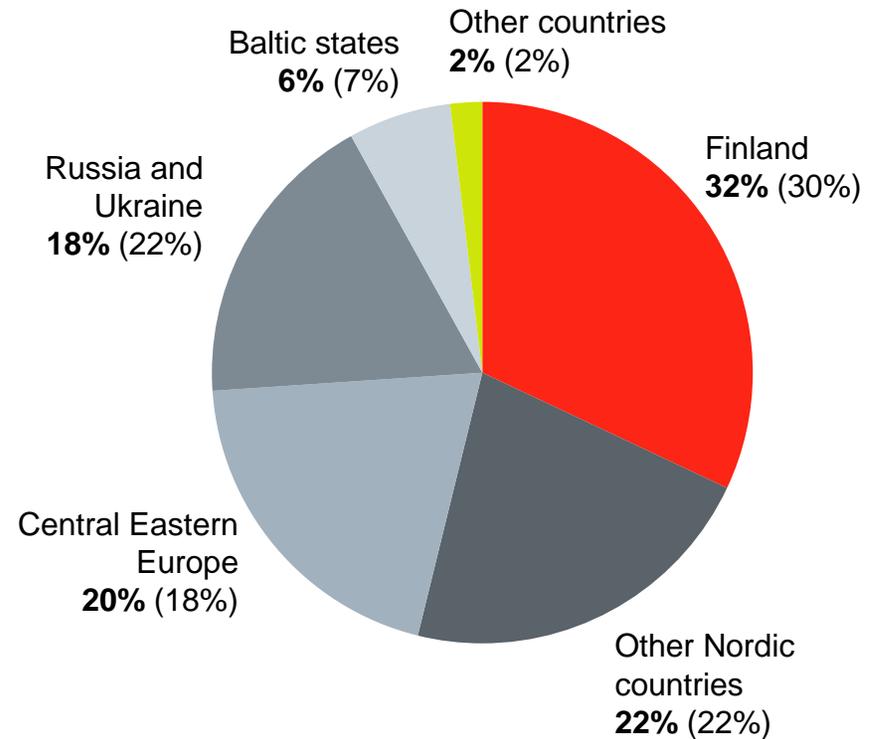


# Construction: breakdown of net sales

Breakdown of net sales by product group Q1-Q3/2009 (Q1-Q3/2008)

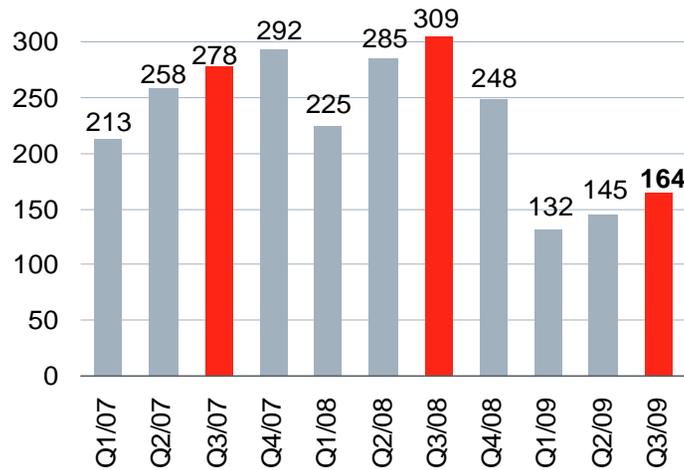


Breakdown of net sales by region Q1-Q3/2009 (Q1-Q3/2008)

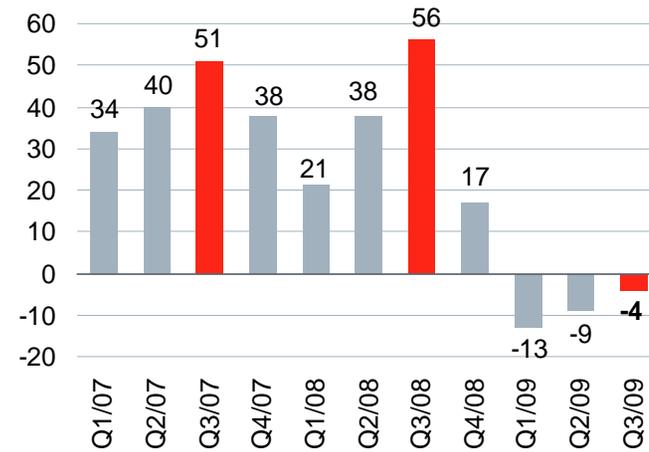


# Construction: Q1-Q3/2009

Net sales, €m



Operating profit <sup>\*)</sup>, €m

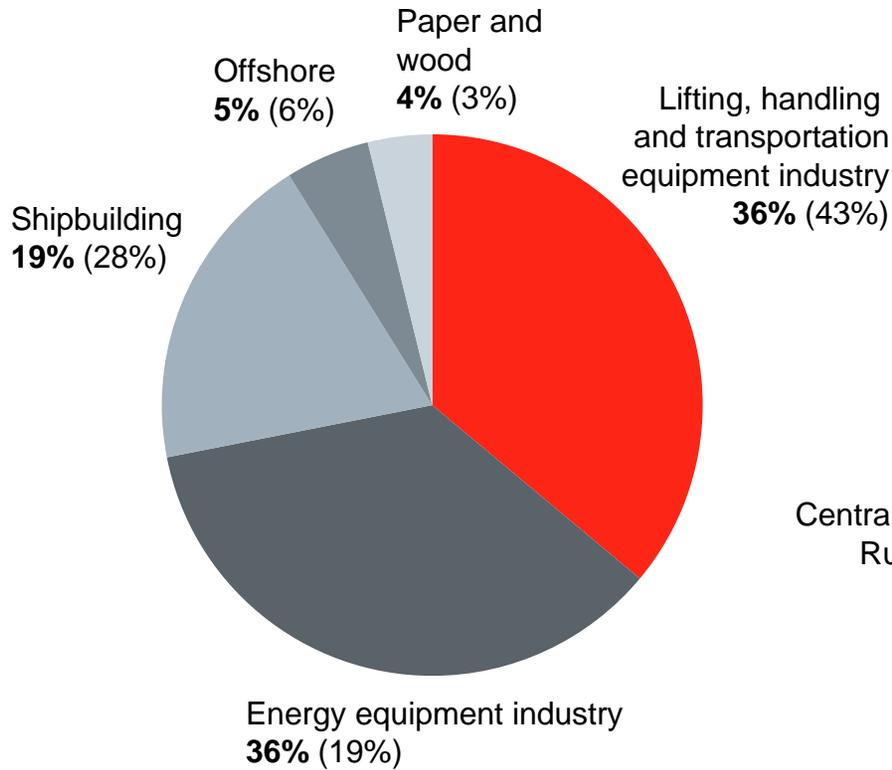


## Key points of the report period

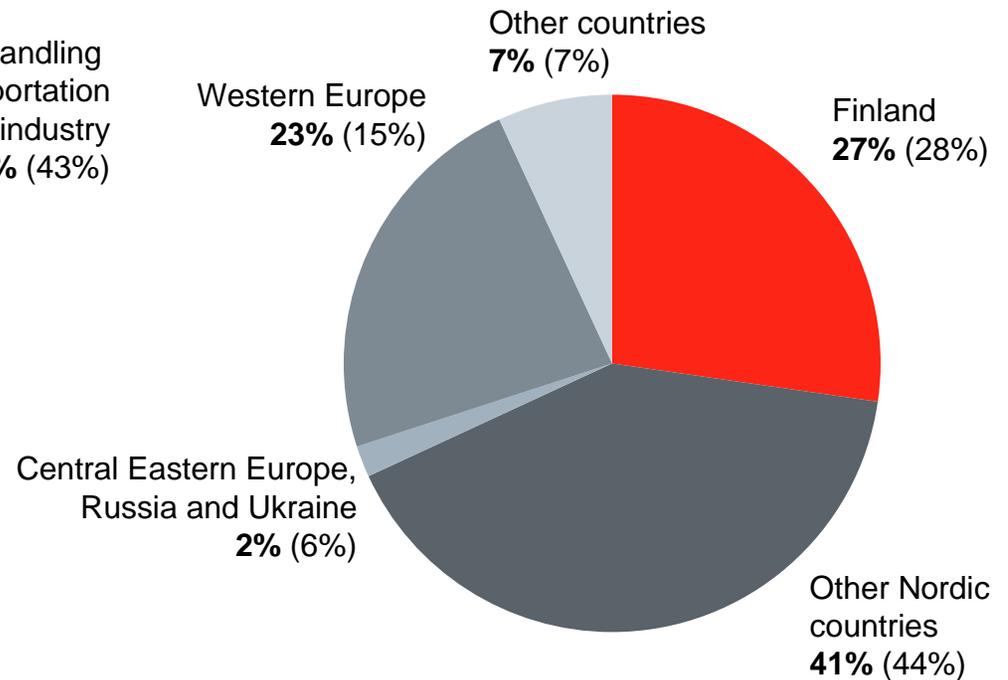
- Continued weak demand particularly in commercial and industrial construction
- Net sales in infrastructure construction declined less than in commercial and industrial construction
- Seasonal demand for residential roofing products was reasonably good
- Selling prices fell, the fall in prices levelled off during the course of Q3

# Engineering: breakdown of net sales

Breakdown of net sales by customer segment Q1-Q3/2009 (Q1-Q3/2008)

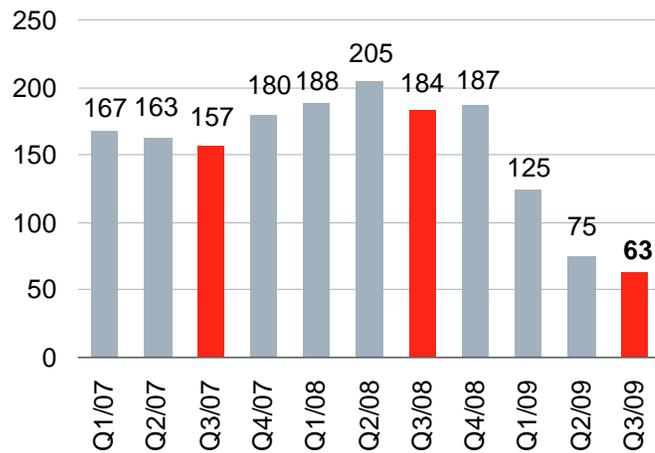


Breakdown of net sales by customer location Q1-Q3/2009 (Q1-Q3/2008)

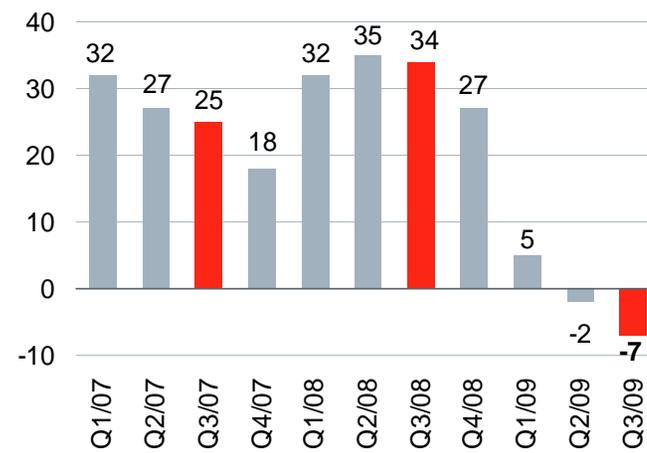


# Engineering: Q1-Q3/2009

Net sales, €m



Operating profit <sup>\*)</sup>, €m

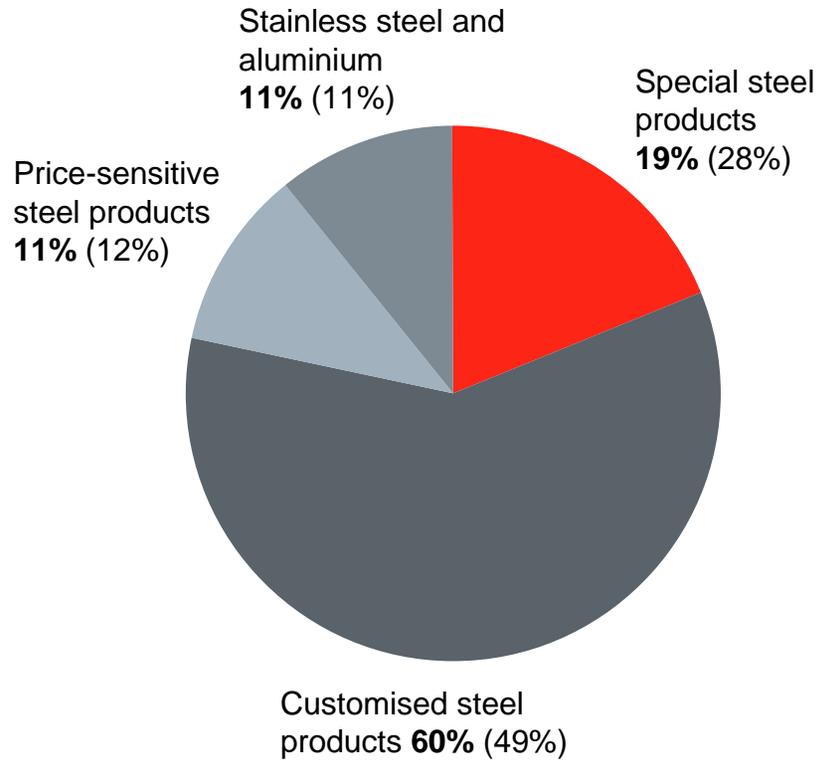


## Key points of the report period

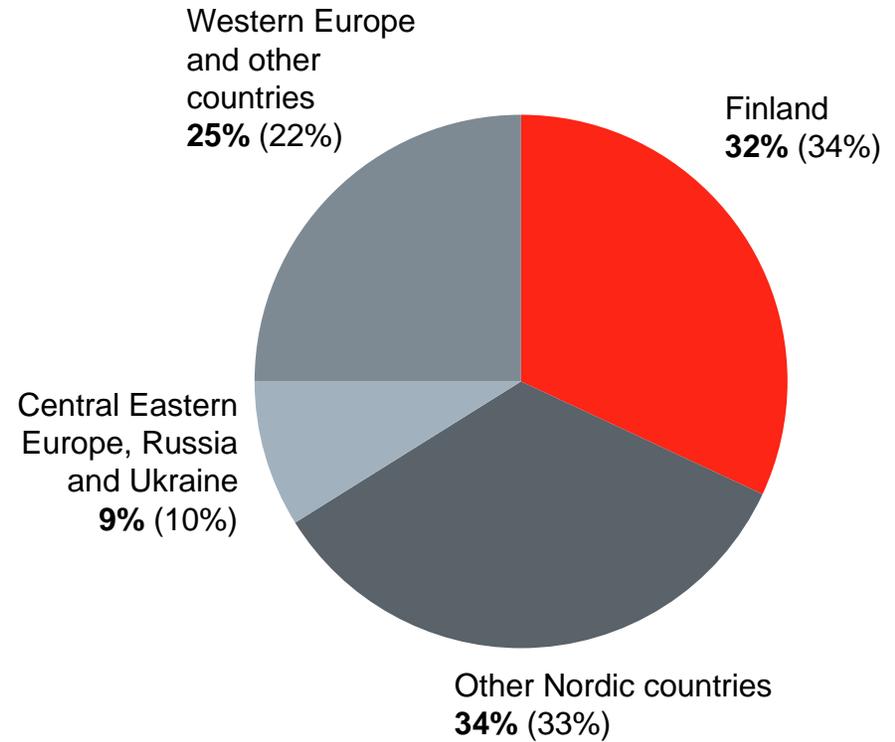
- Delivery volumes fell sharply - most within the lifting, handling and transportation segment
- Deliveries to equipment manufacturers in the energy industry remained at a good level compared to other customer industries
- Selling prices were down, especially for plate products
- Profitability was particularly poor in the company's unit in Mo i Rana, Norway
  - Unit's operating profit was -€13 million in Q1-Q3
  - Restructuring of operations was initiated in August

# Metals: breakdown of net sales

Breakdown of net sales by product group Q1-Q3/2009 (Q1-Q3/2008)

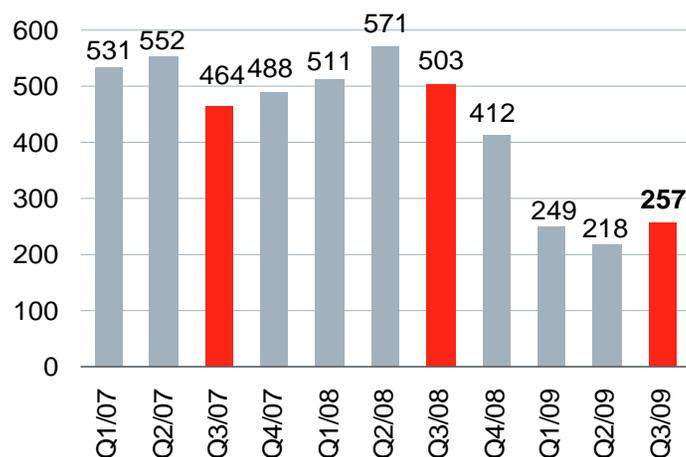


Breakdown of net sales by region Q1-Q3/2009 (Q1-Q3/2008)

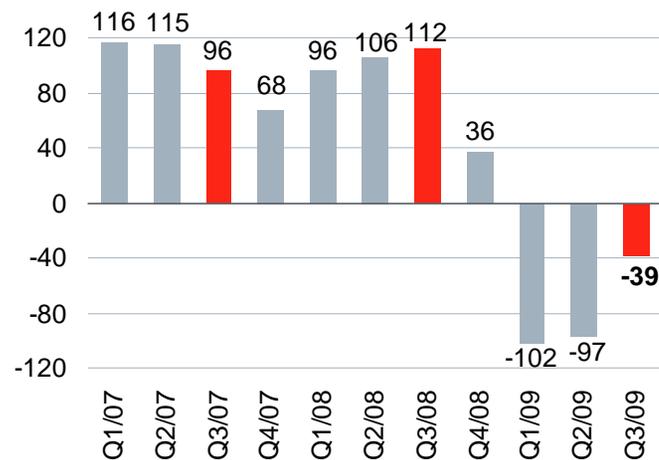


# Metals: Q1-Q3/2009

Net sales <sup>\*)</sup>, €m



Operating profit <sup>\*\*)</sup>, €m



## Key points of the report period

- Delivery volumes remained exceptionally low
  - Lower stocks to some extent led to an increase in order intake during Q3
- Prices fell noticeably during H1, the fall in prices levelled off in a number of product groups during Q3
- Low capacity utilisation rate in steel production had an effect of around -€190 million on costs for Q1-Q3
  - During Q3 the cost impact was around -€30 million

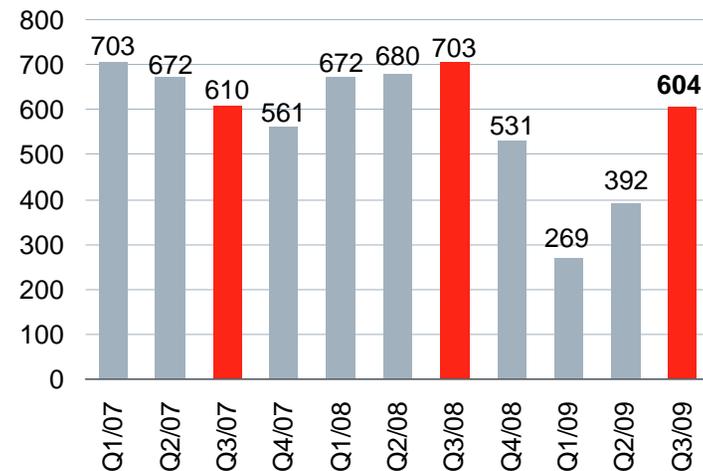
<sup>\*)</sup> Comparable

<sup>\*\*)</sup> Comparable, excluding non-recurring items

# Steel production: Q1-Q3/2009

- Steel production during Q1-Q3 was 1,265 thousand tonnes (2,054)
- Capacity utilisation rate has been around 80-85 per cent since mid-June
  - Build-up of reserve stocks in preparation for disruption to production in 2010 due to maintenance work

Steel production  
1,000 tonnes





# Actions to improve efficiency

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# Operational excellence programme “Boost” progresses faster than expected

Cost savings under the Boost programme **amounted to around €46 million during January-September**

Actions under Boost are expected to deliver cost savings **exceeding €60 million during 2009**

Actions already initiated equate to cost savings of **around €80 million at an annual level**

**Aim: permanent improvement of €150 million in operating profit by year-end 2011, compared to 2008 level**

# Corporate-wide adjustment measures

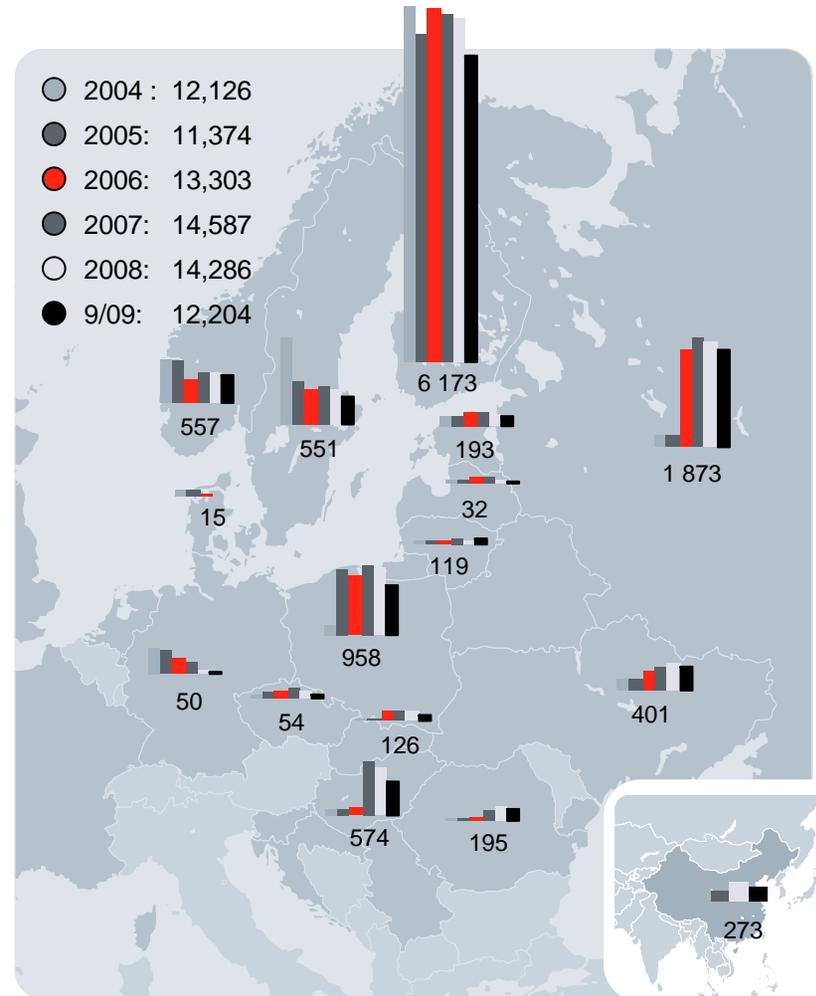
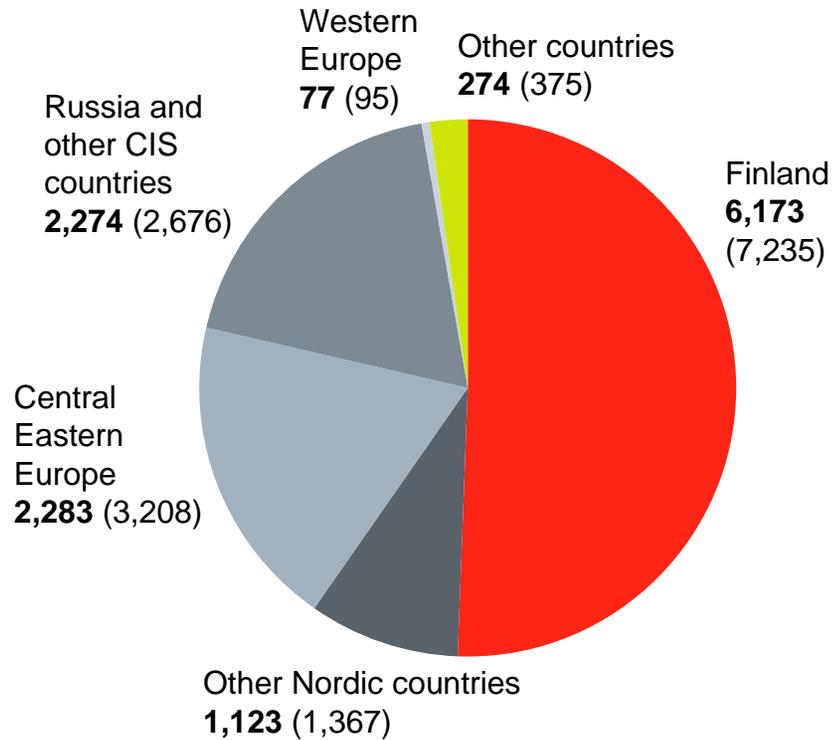
- Corporate-wide workforce reductions of around 1,900 persons
  - Around 500 in Finland
- Around 1,450 people are subject to temporary lay-off measures
  - Of which around 1,150 in Finland
- In addition, around 480 people in Central Eastern Europe are working a four-day week until further notice

It is estimated that adjustment measures initiated will deliver cost savings of **around €30 million in 2009**



# Headcount by region <sup>\*)</sup>

Personnel at 30 Sep 2009: 12,204  
(30 Sep 2008: 14,956)



\*) Headcount at end of reporting period

# Near-term outlook



# Near-term outlook (1/2)

## DIVISIONS

### Ruukki Construction

- Residential construction in Finland and the other Nordic countries is estimated to be comparatively brisk compared to other construction sectors, even though seasonal demand slows towards the year-end
- No growth in activity in commercial and industrial construction is anticipated during the current year
- If the price of oil remains at its present level or even rises, this might to some extent boost commercial and industrial construction in Russia
- Thanks to public sector stimulus packages, infrastructure construction in the Nordic countries is expected to pick up somewhat from late 2009 onwards

### Ruukki Engineering

- No noticeable improvement in deliveries, from the poor level experienced so far this year, is predicted for the rest of 2009 to equipment manufacturers in the lifting, handling and transportation sector
- Demand from equipment manufacturers in the energy industry is expected to continue good compared to other customer groups
  - Difficulties in securing funding might delay decisions relating to new wind farm projects
- There have been very few new orders in the shipbuilding industry throughout the year

### Ruukki Metals

- Because stock levels in relation to sales are now almost normal, deliveries from steelmakers are expected to gradually pick up to correspond to steel use
- Sales volume development for plate products is expected to remain much weaker than that for strip products
- Sales price development has levelled off and prices in some product groups are showing a slight rise during the fourth quarter

## Near-term outlook (2/2)

### COSTS

- The fall in prices of the raw materials used in steel production will be reflected in full in the company's cost structure during the fourth quarter
- The steel production capacity utilisation rate will remain unchanged on that for the third quarter
  - This will increase operational efficiency and, compared to the first half of the year, considerably reduce the costs per unit of steel produced
- The company estimates its operational excellence programme Boost and adjustment measures already initiated to deliver cost savings of more than €90 million for the year as a whole

### Assessment of expected performance

### Q4/2009

- The company estimates there will be a marked improvement in the result before taxes for the fourth quarter of the year, compared to the third quarter, but that the result might remain slightly negative

# Summary

- There was no significant change in market conditions
- Comparable consolidated net sales and operating profit were clearly down year on year
- Third quarter loss halved compared to Q2 and Q1, on operating profit level
- Positive cash flow from operating activities and strong financial position
- Cost efficiency is expected to improve based on:
  - efficiency actions and adjustment measures under way
  - the fall in prices of the raw materials used in steel production being reflected in full in the company's cost structure during Q4
  - good capacity utilisation rate in steel production
- The company estimates there will be a marked improvement in the result before taxes for the fourth quarter of the year, compared to the third quarter, but that the result might remain slightly negative



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more with metals

# Appendix

# Key figures: Q1-Q3/2009

€m	Q1-Q3/09	Q1-Q3/08	Q3/09	Q3/08
Net sales *)	1,429	2,981	485	996
Operating profit (EBIT) **)	-279	511	-54	197
as % of net sales **)	-19.5	17.1	-11.2	19.8
Result before taxes **)	-308	508	-64	195
Result for the period	-229	368	-45	139
Earnings per share, diluted, €	-1.65	2.65	-0.32	1.00
Return on capital employed, % ***)	-10.0	29.6		
Gearing ratio, %	26.4	7.8		
Gross capex ****)	121	158		
Cash flow before financing activities	-48	142		
Personnel (average)	12,914	15,086	12,413	15,285

\*) Comparable, \*\*) Comparable, excluding non-recurring items, \*\*\*) Rolling 12 months, \*\*\*\*) In tangible and intangible assets

# Quarterly comparable net sales and operating profit

€m	Q1/08	Q2/08	Q3/08	Q4/08	Q1/09	Q2/09	Q3/09
<b>Net sales *)</b>							
Ruukki Construction	225	285	309	248	132	145	164
Ruukki Engineering	188	205	184	187	125	75	63
Ruukki Metals	511	571	503	412	249	218	257
Corporate management and other units	1	-1	0	0	0	0	0
<b>Consolidated net sales</b>	<b>925</b>	<b>1,060</b>	<b>996</b>	<b>847</b>	<b>506</b>	<b>438</b>	<b>485</b>
<b>Operating profit (EBIT) **)</b>							
Ruukki Construction	21	38	56	17	-13	-9	-4
Ruukki Engineering	32	35	34	27	5	-2	-7
Ruukki Metals	96	106	112	36	-102	-97	-39
Corporate management and other units	-7	-7	-5	-6	-3	-4	-3
<b>Consolidated operating profit</b>	<b>141</b>	<b>172</b>	<b>197</b>	<b>74</b>	<b>-113</b>	<b>-112</b>	<b>-54</b>

\*) Comparable, \*\*) Comparable, excluding non-recurring items

## Exceptional items: Q1-Q3/2009

€m	Q1/09	Q2/09	Q3/09	Q1-Q3/09
Writedown of stocks	-12	-8		-20
Strikes		-3		-3
Provision for non-recurring items		-5		-5
Actuarial gains related to pension liability accounting			+5	+5
<b>Total</b>	<b>-12</b>	<b>-16</b>	<b>+5</b>	<b>-23</b>
Arrangement fee for revolving credit facility *)		-5		-5

\*) Financial item