

Financial review 2009

3 February 2010

RUUKKI

Year 2009 in brief

- Very difficult market conditions throughout the year
- Consolidated net sales nearly halved year on year
 - Net sales rose and result improved clearly in Q3 and Q4
- Positive cash flow
 - €317 million released from working capital
- Strong financial position
- Boost programme had impact of €72 million on profitability
 - Annualised impact of around €90 million
- Board of Directors' dividend proposal: €0.45 per share



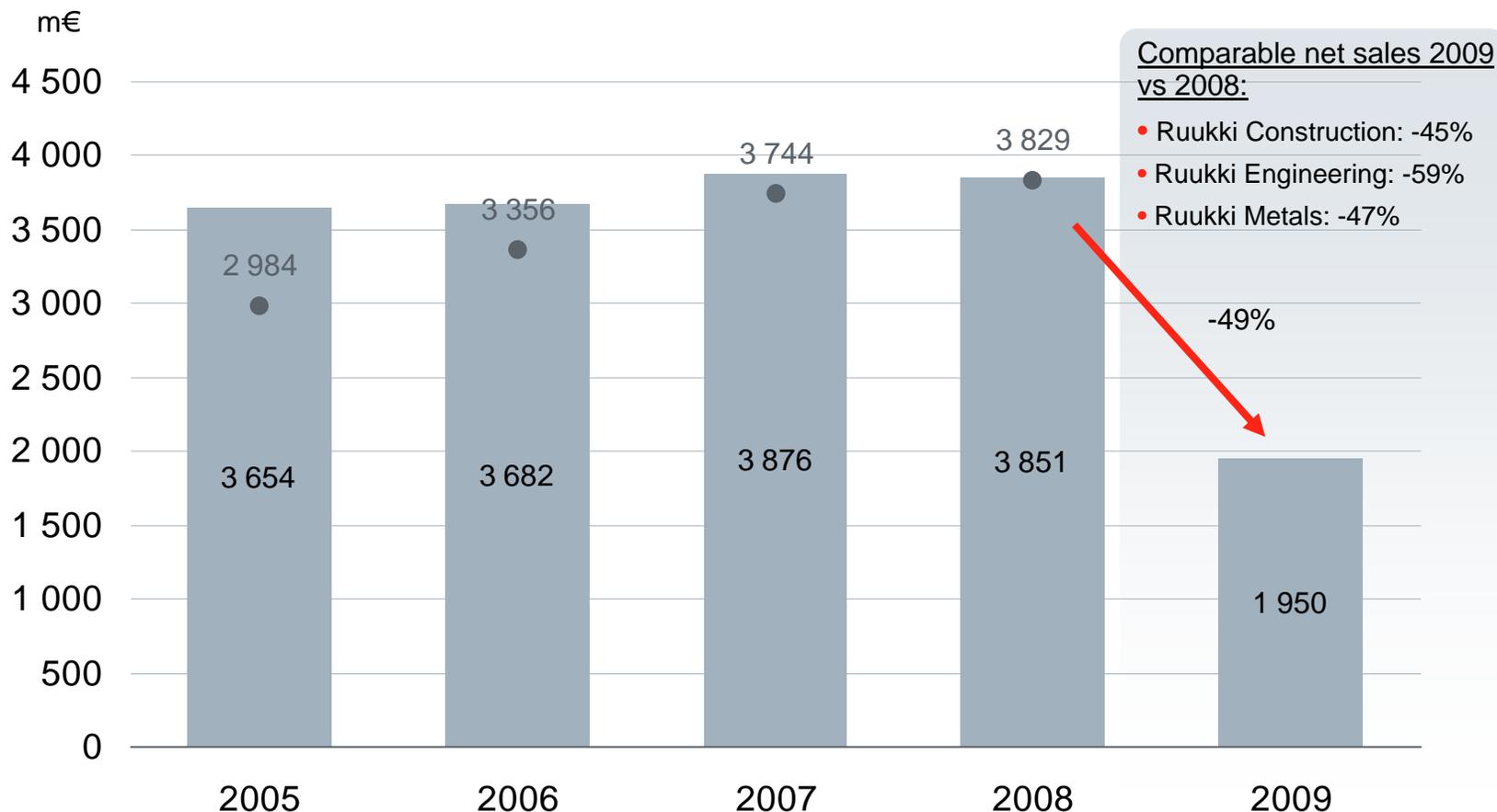
**Business
environment and
financial
performance**

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Weak market conditions

- Industrial production and investments shrank noticeably
- General uncertainty and caution in investment and financing decisions
 - affected demand especially for construction and engineering solutions
- Clear decrease in order intake of main customers in engineering industry
- Almost all actors in steel industry adjusted production considerably
 - global capacity utilisation rate in steel industry averaged around 70%
 - even lower in EU-27 region

Net sales nearly halved year on year



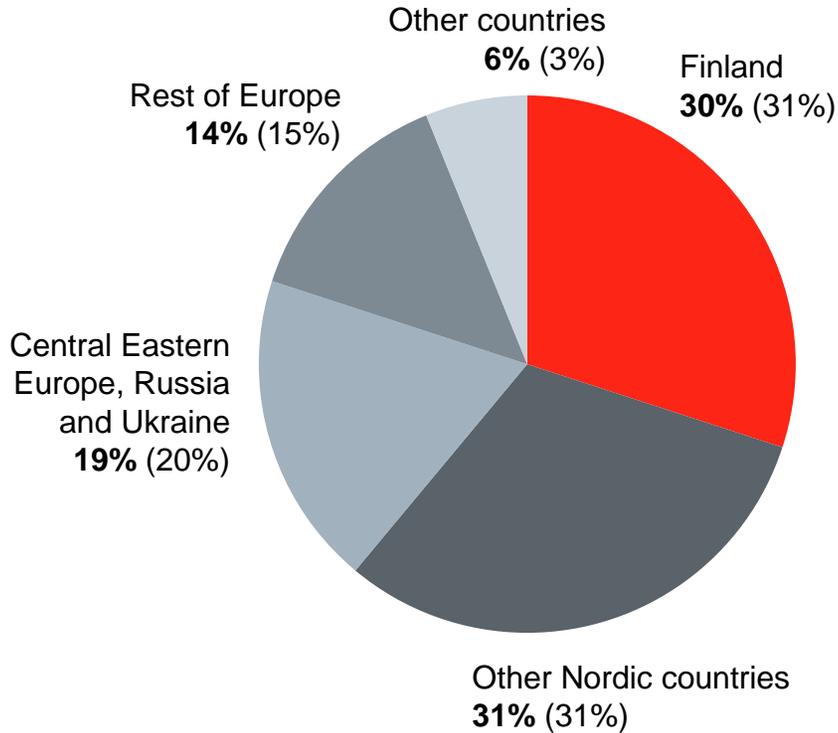
● Comparable net sales based on the company's internal accounting

➔ Change in comparable net sales, %

Breakdown of net sales 2009

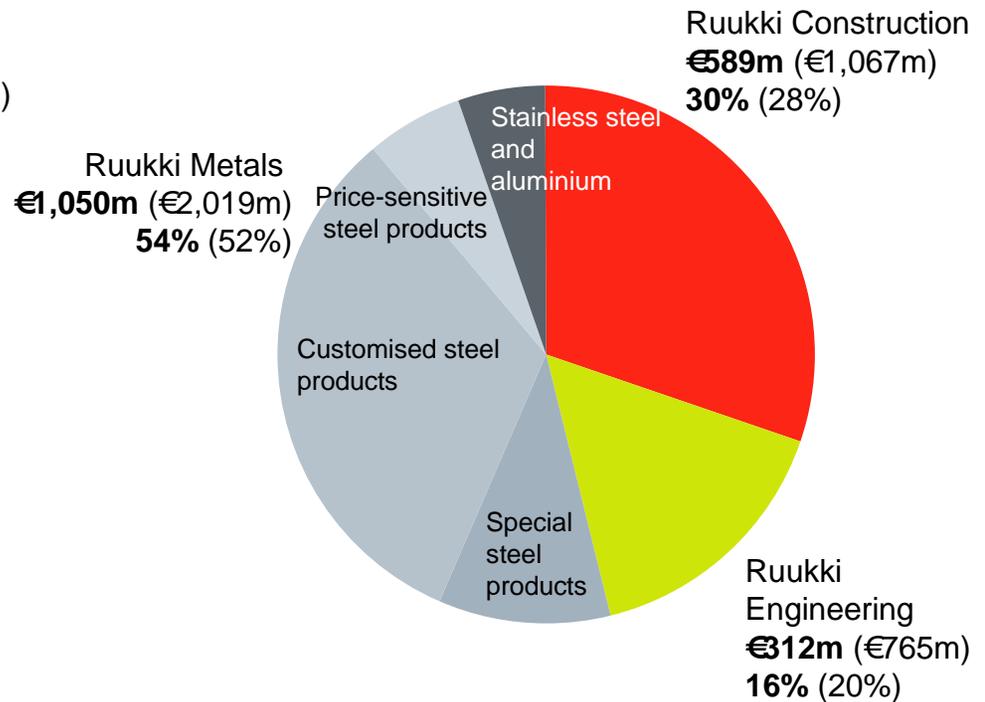
Net sales by region
2009 (2008)

100% = €1,950m (€3,851m)

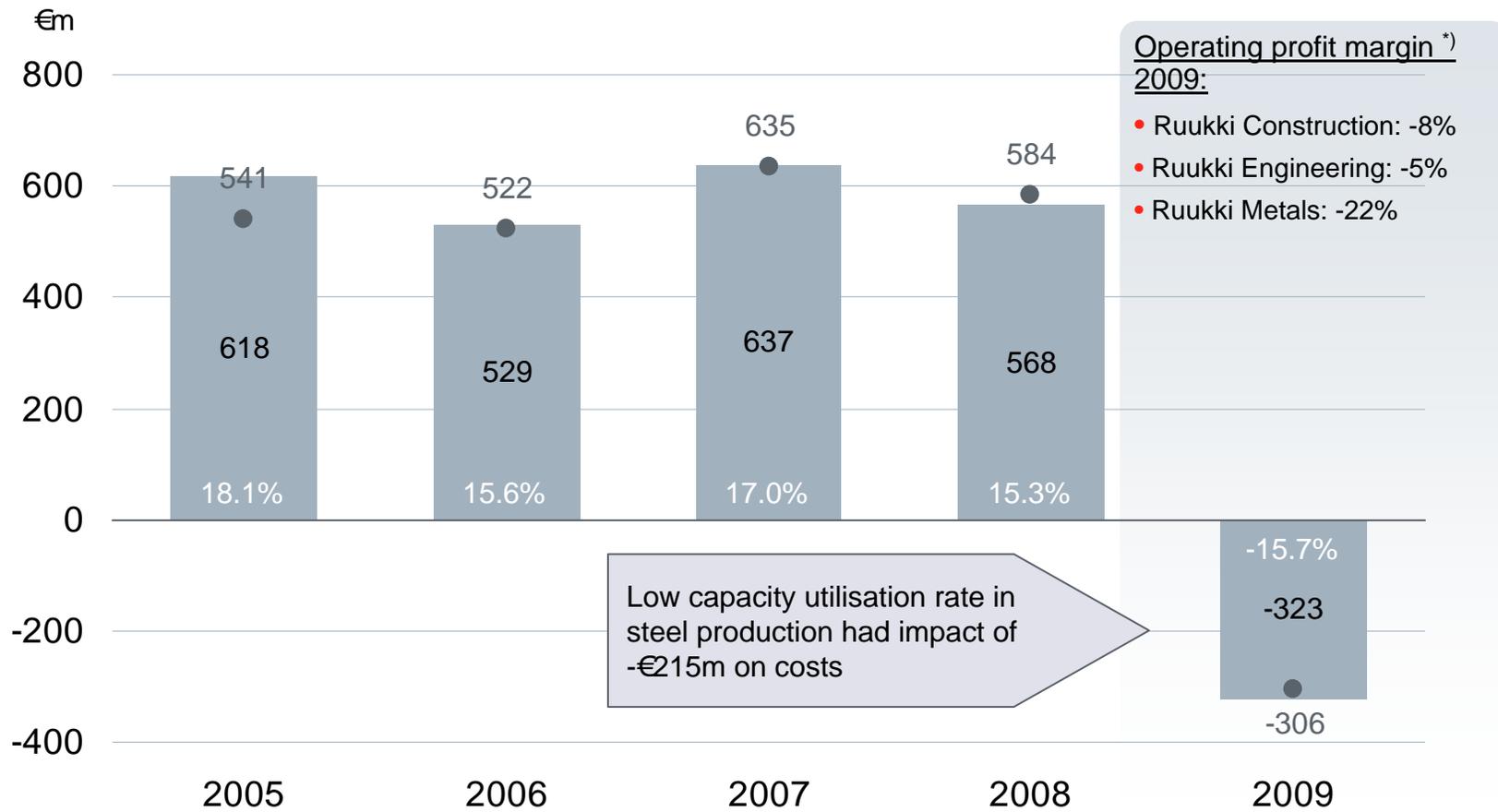


Net sales by division
2009 (2008)

100% = €1,950m (€3,851m)



Two thirds of negative operating profit due to low capacity utilisation rate in steel production

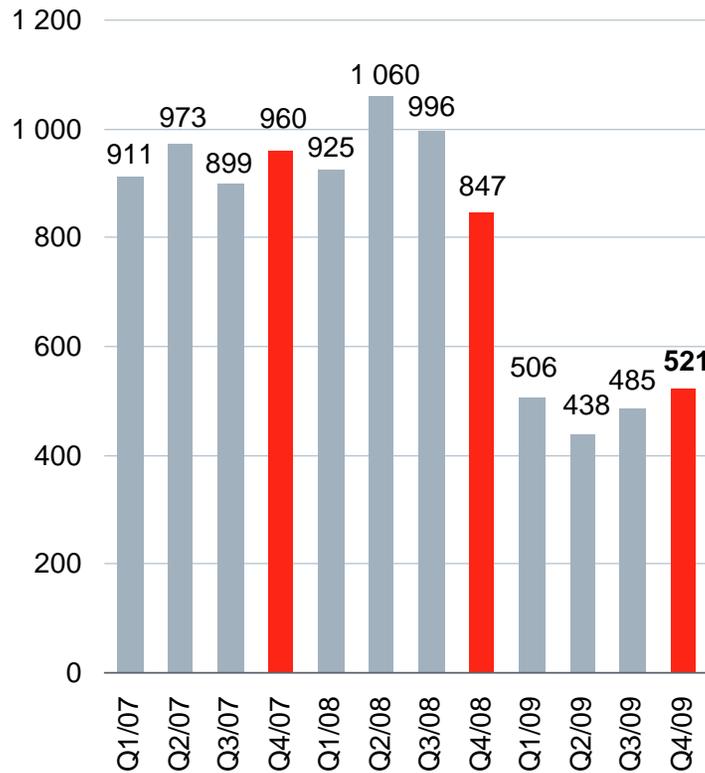


- Comparable operating profit, excluding non-recurring items, based on the company's internal accounting
- Comparable operating profit margin excluding non-recurring items, %

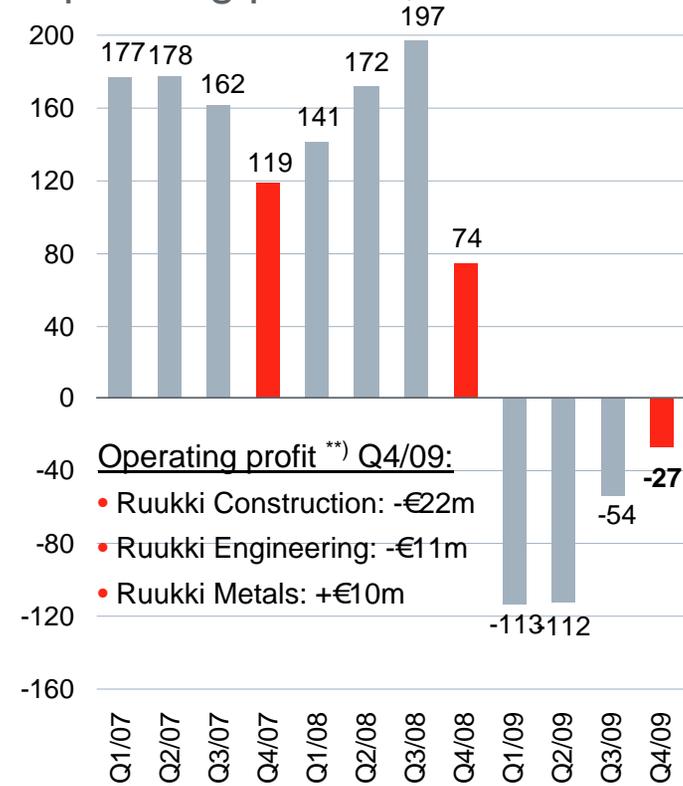


Net sales rose and result improved clearly in Q3 and Q4

Net sales ^{*)}, €m



Operating profit ^{**)}, €m

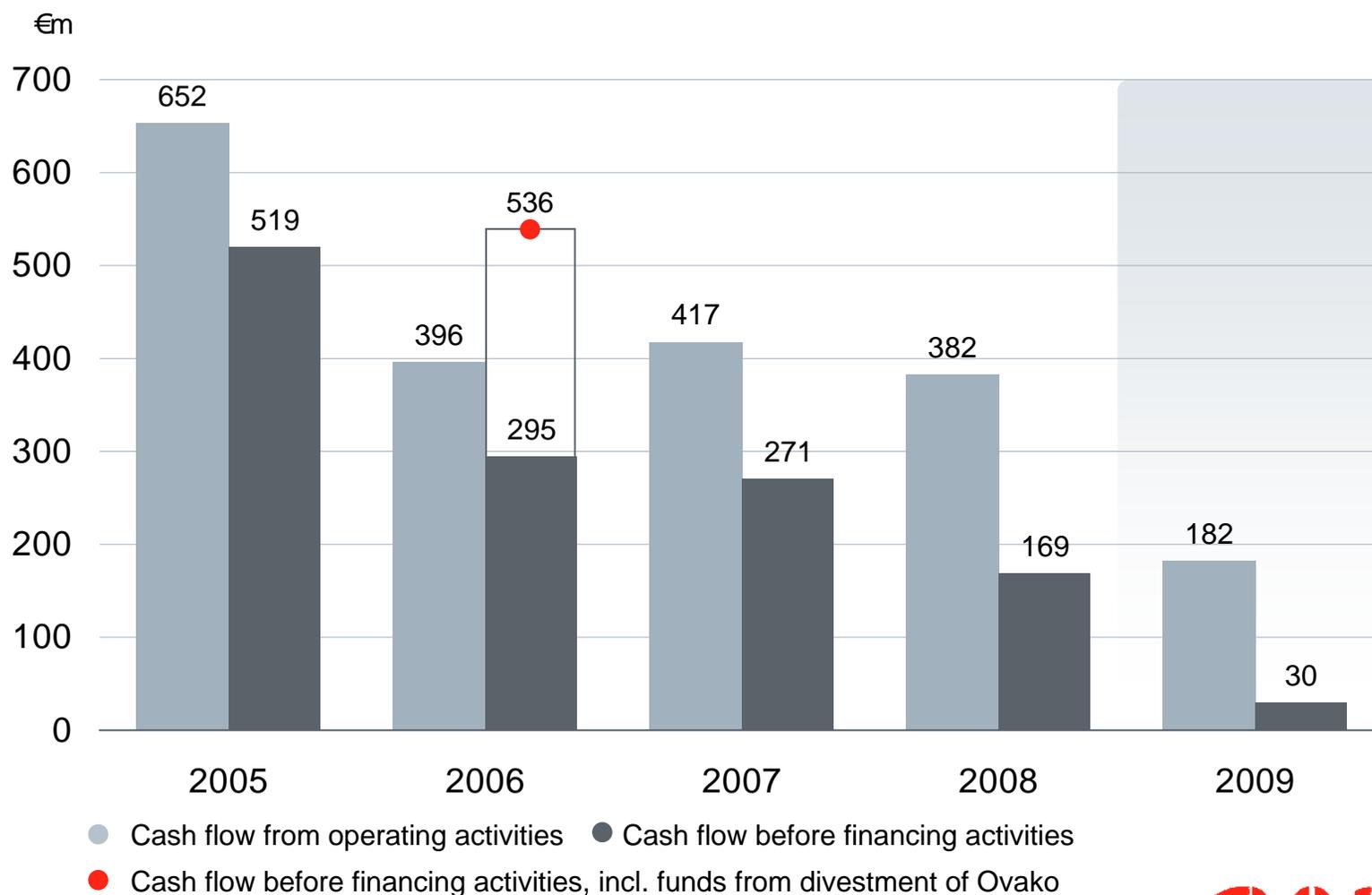


^{*)} Comparable

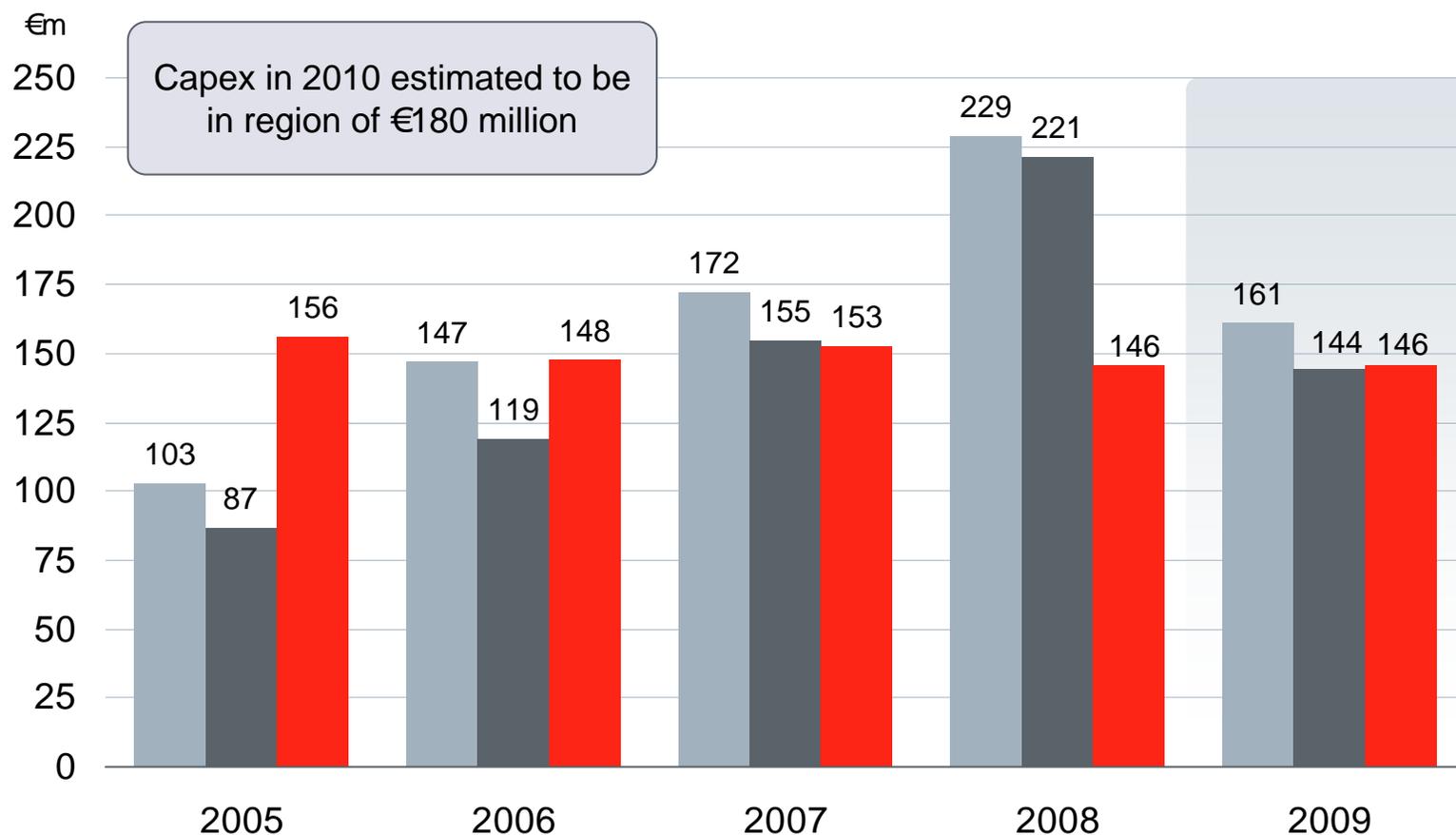
^{**)} Comparable, excluding non-recurring items



Positive cash flow, €317 million released from working capital



Capex around a third lower than in 2008

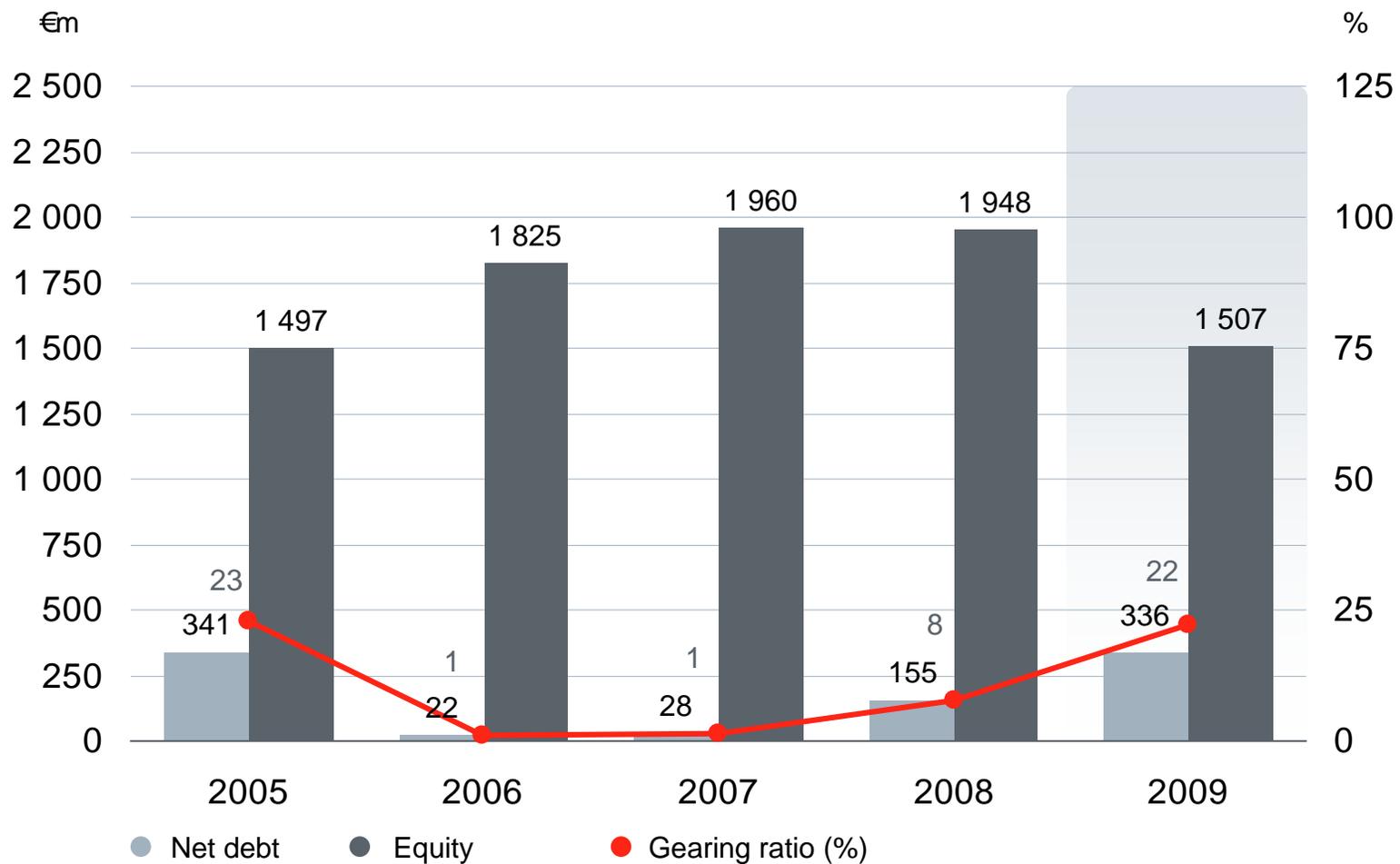


● Gross capex *) ● Net capex *) ● Depreciation

*) In tangible and intangible assets



Strong financial position

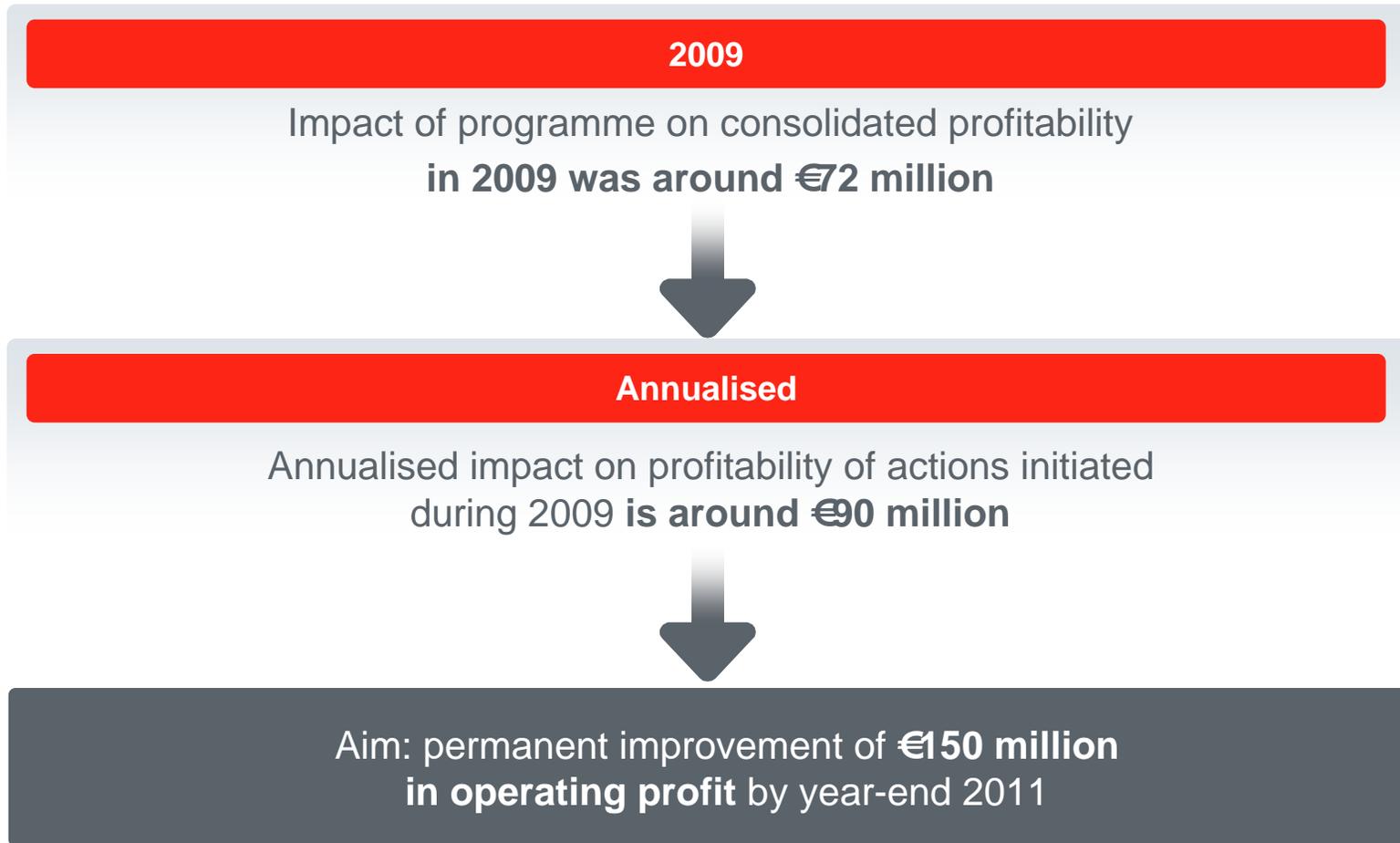




**Actions to
improve
operational
efficiency**

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Operational excellence programme Boost progresses faster than planned



Corporate-wide adjustment measures

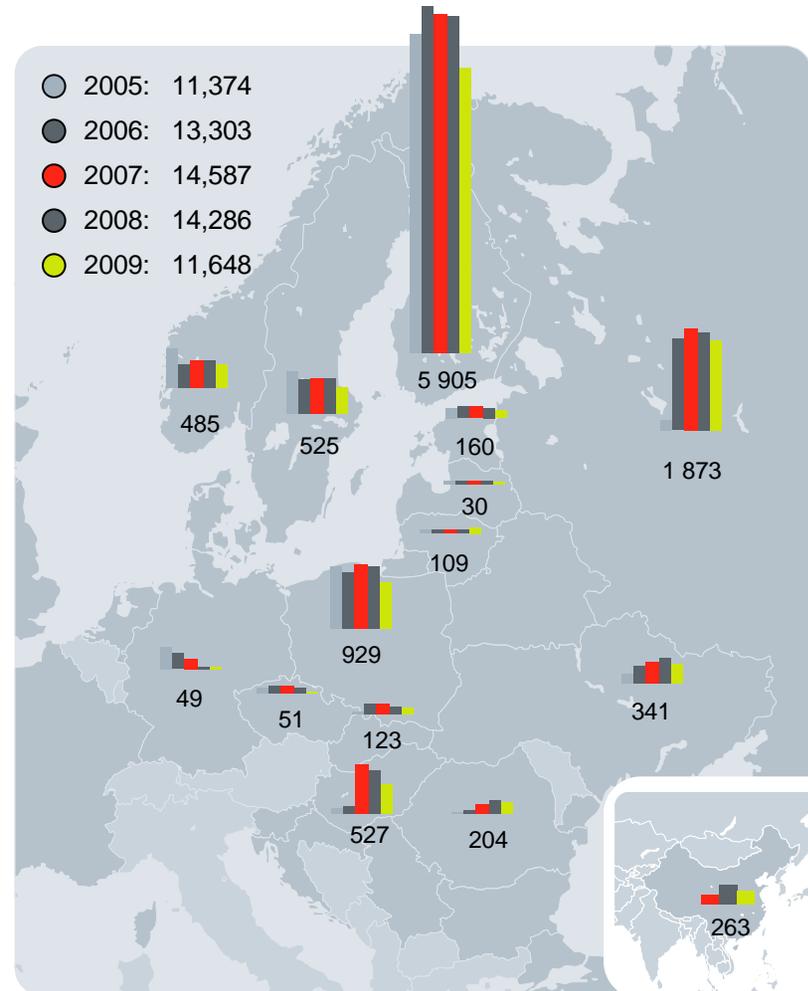
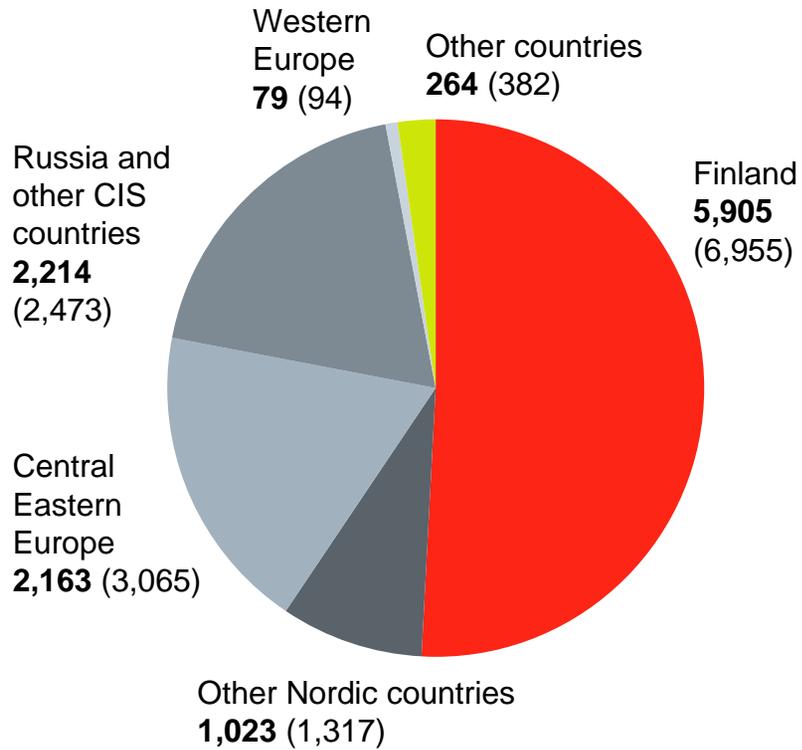
- Corporate-wide workforce reductions of around 2,400 persons
 - around 680 in Finland
- Around 700 persons subject to temporary layoff measures at year-end
 - around 240 in Finland
- In addition, around 400 persons in Central Eastern Europe and the Baltics are working a four-day week until further notice

Cost savings from temporary adjustment measures in 2009 were **around €25 million**



Headcount by region *)

Personnel 2009: 11,648
(2008: 14,286)



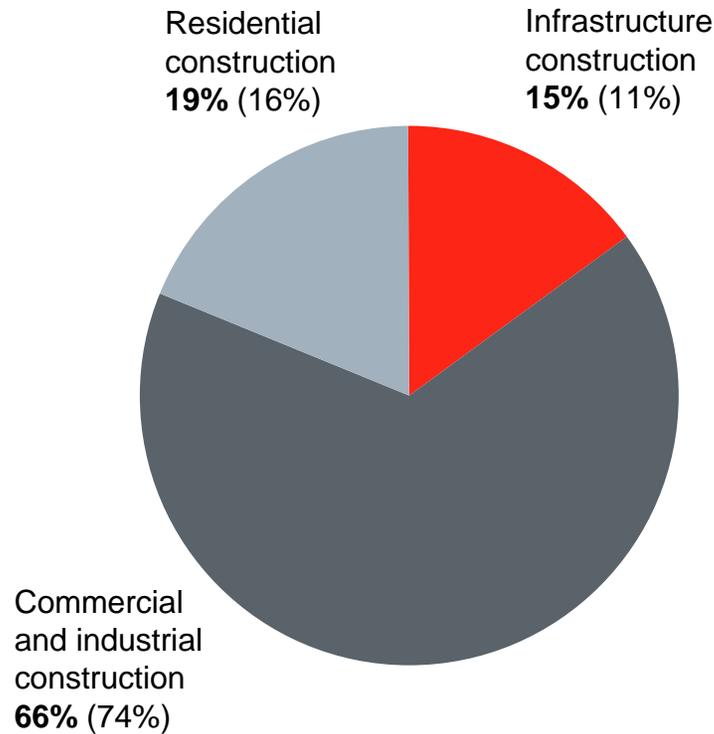
*) Headcount at end of period

Business areas

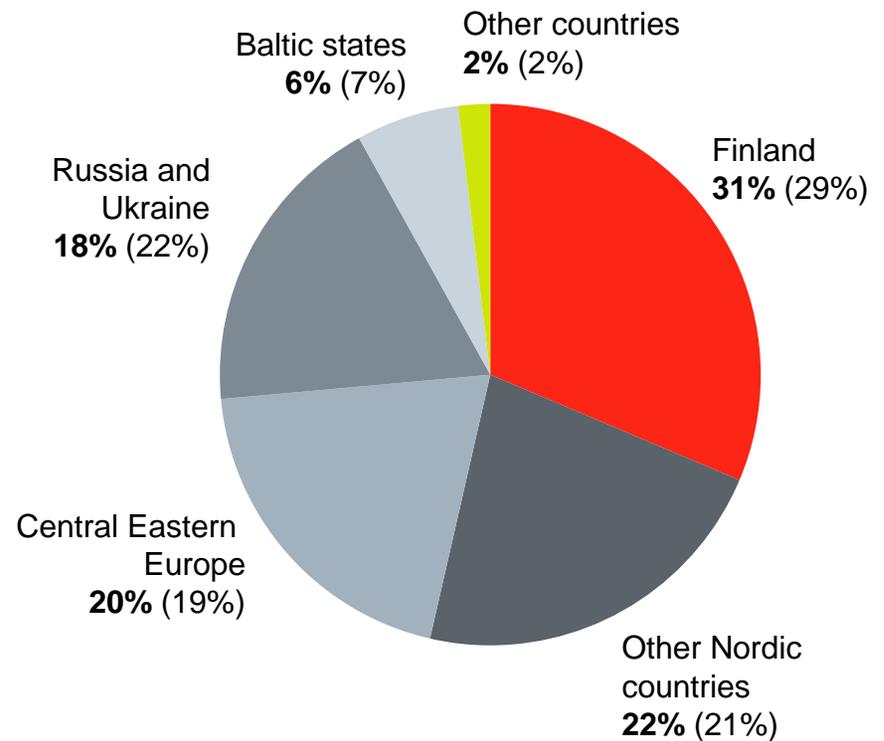


Construction business: breakdown of net sales

Breakdown of net sales by
product group 2009 (2008)

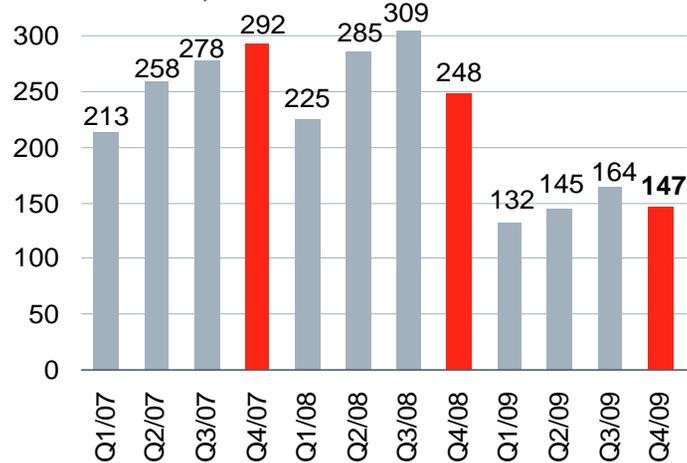


Breakdown of net sales by
region 2009 (2008)

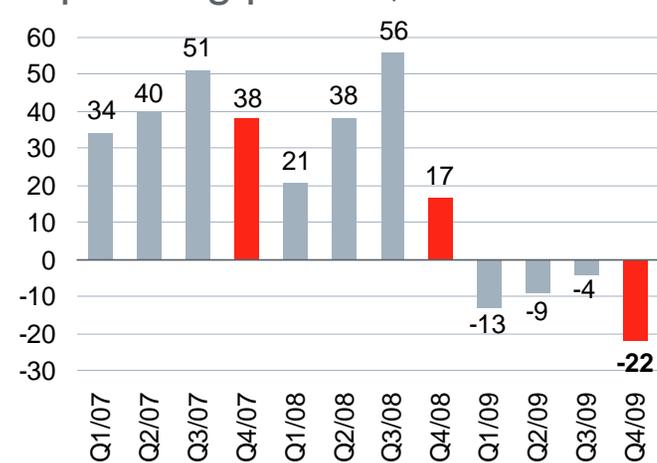


Construction business 2009

Net sales, €m



Operating profit ^{*)}, €m

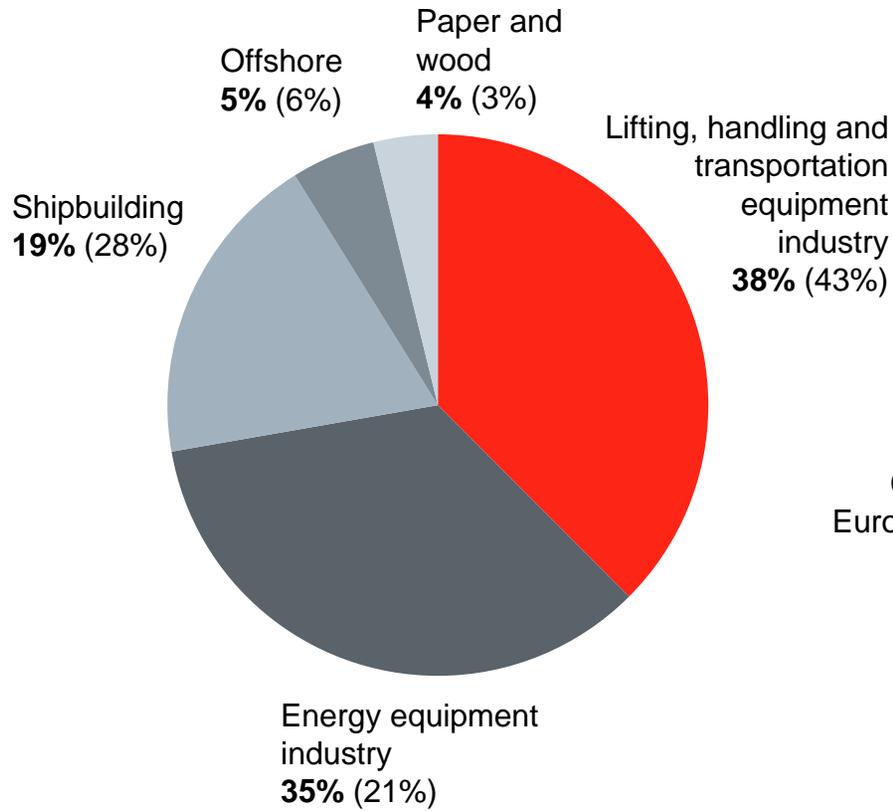


Key points of the report period

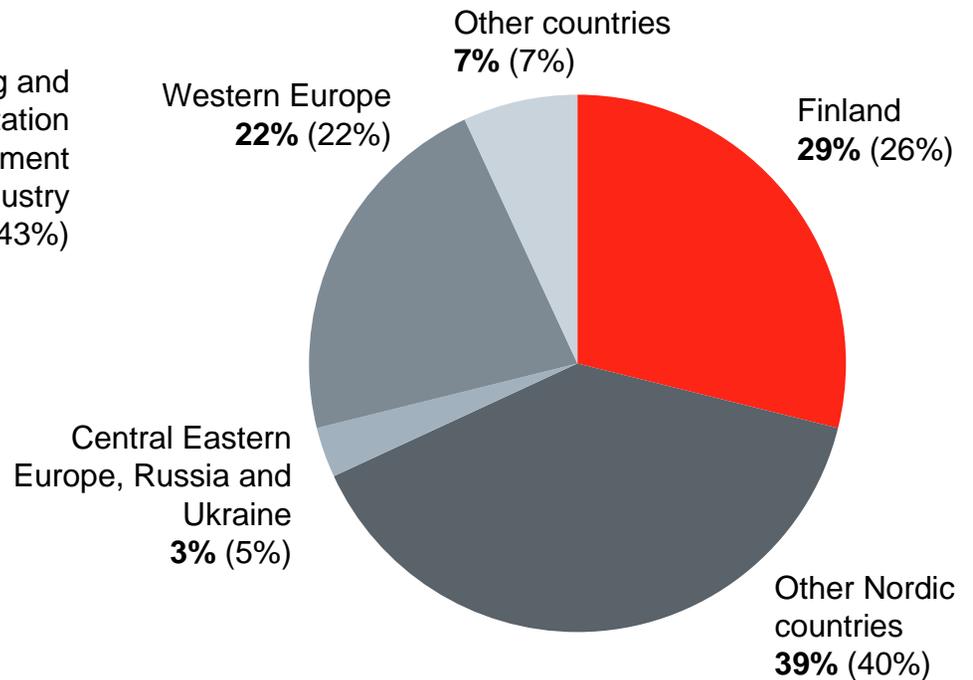
- Weak demand especially in commercial and residential construction
- Net sales declined less in infrastructure construction and residential roofing products
 - good level of activity in road and railway projects in Nordic countries
 - renovation construction accounts for significant share of residential construction segment
- Selling prices decreased in all market areas
 - delivery contracts made at lower prices weakened operating profit especially in Q4

Engineering business: breakdown of net sales

Breakdown of net sales by customer segment 2009 (2008)

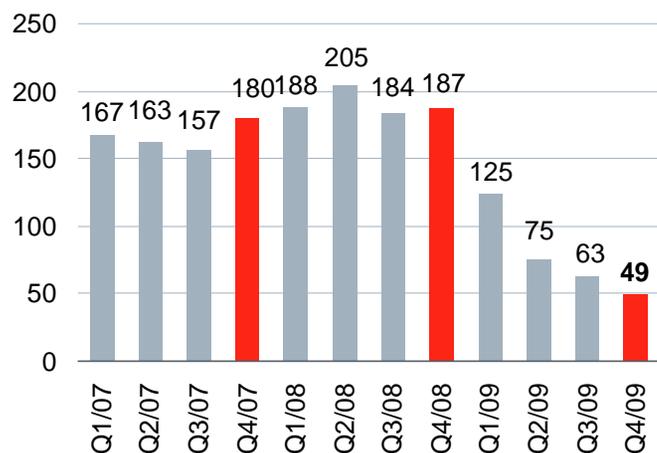


Breakdown of net sales by customer location 2009 (2008)

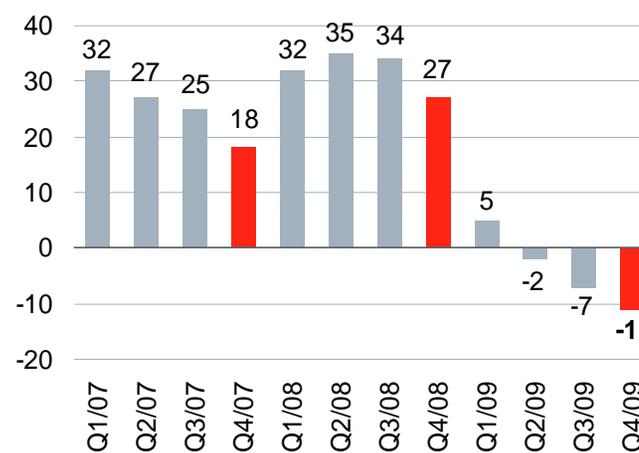


Engineering business 2009

Net sales, €m



Operating profit ^{*)}, €m

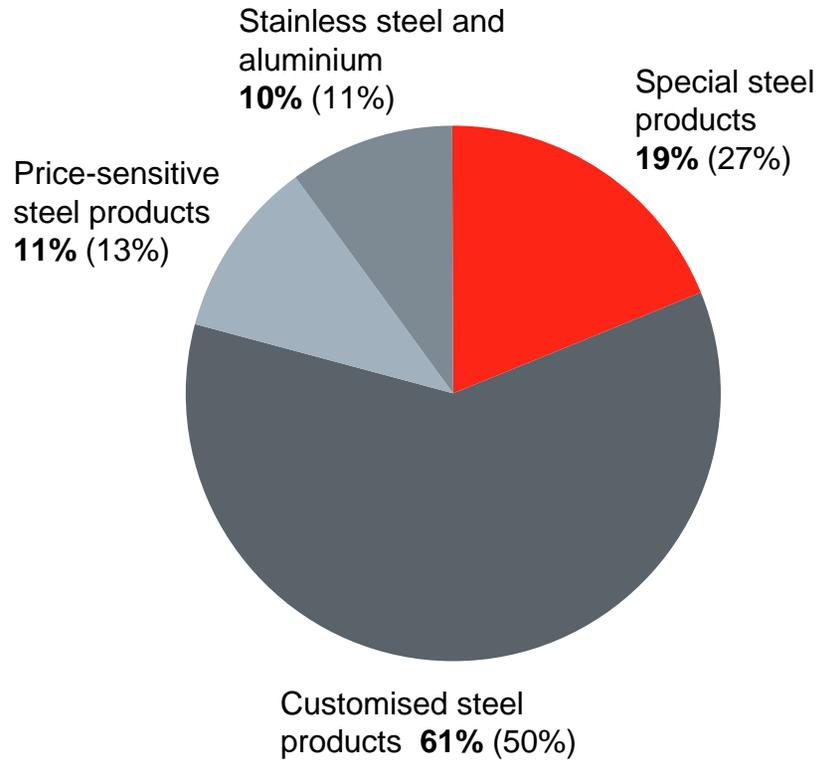


Key points of the report period

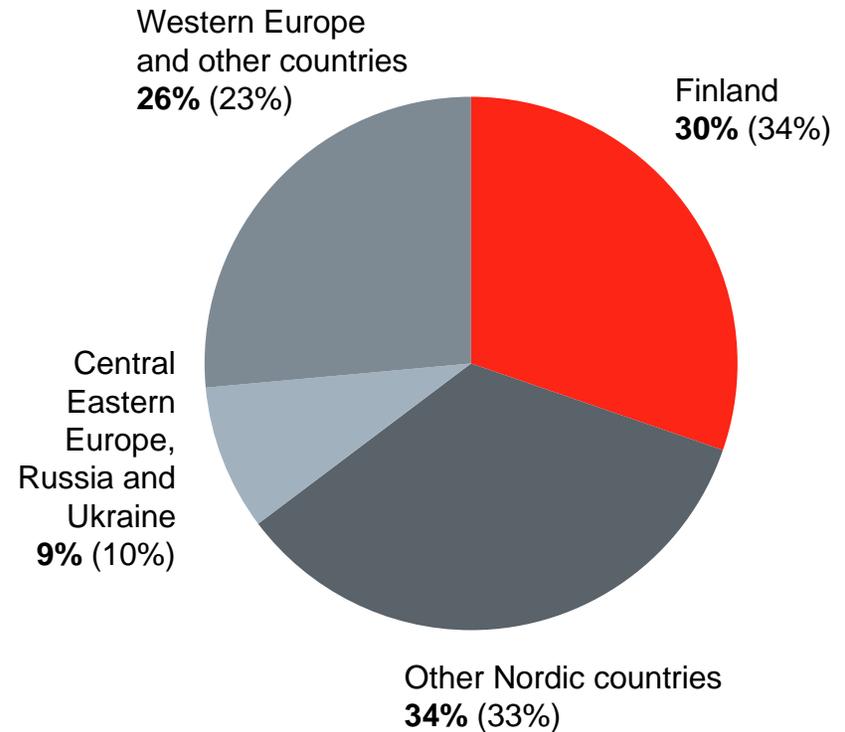
- Delivery volumes fell sharply – net sales fell most in shipbuilding and in lifting, handling and transportation equipment industry
- Deliveries to equipment manufacturers in energy industry continued at good level for first three quarters, but declined in Q4, especially to wind power industry
- Selling prices declined
- Profitability has been extremely weak at Mo i Rana plant in Norway
 - unit posted a negative operating profit of -€30 million for 2009
 - decision taken in December to study options for future of unit

Steel business: breakdown of net sales

Breakdown of net sales by product group 2009 (2008)

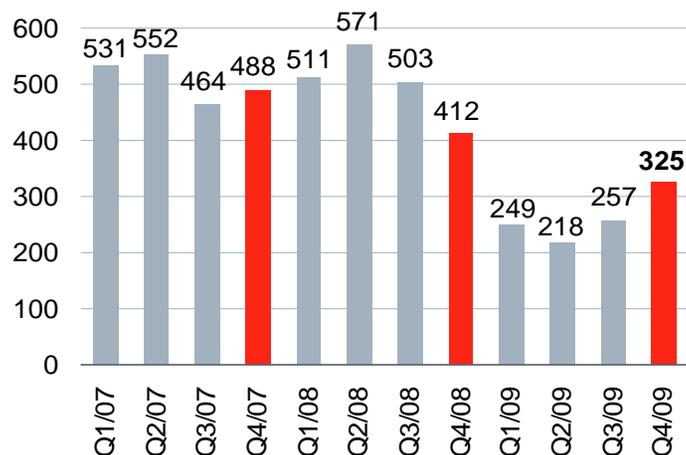


Breakdown of net sales by region 2009 (2008)

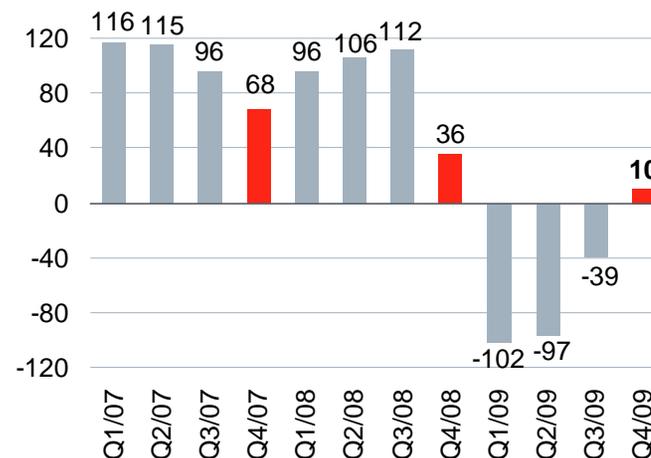


Steel business 2009

Net sales ^{*)}, €m



Operating profit ^{**)}, €m



Key points of the report period

- Delivery volumes remained exceptionally low
- Prices fell noticeably during first two quarters, but showed a slight rise towards end of Q3
- Low capacity utilisation rate in steel production had an impact of -€215m on costs (Q4/09: -€25m)
 - partly compensated by selling unused emissions allowances for €34 million (Q4/09: €31m)

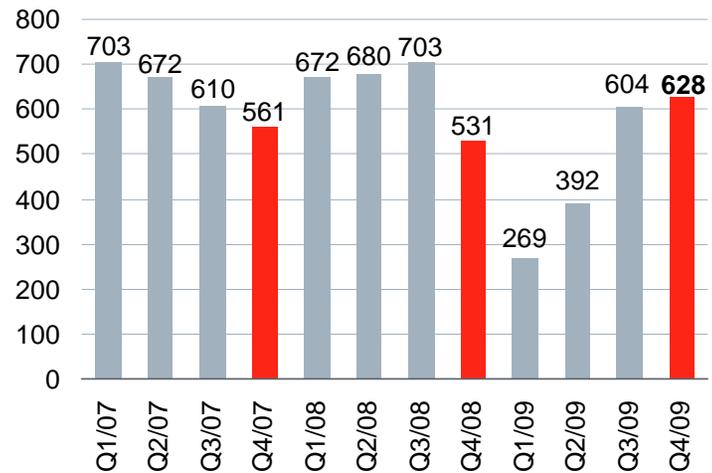
^{*)} Comparable

Steel production 2009

- Steel production in 2009 was 1,892 thousand tonnes (2,585)
- Capacity utilisation rate during H1 when one blast furnace was idle was <50%
- Utilisation rate has averaged around 85% since mid-June
 - Build-up of reserve stocks in preparation especially for disruption to production in 2010 due to maintenance work

Steel production

1,000 tonnes



Global steel production

- Global steel production in 2009 contracted 8.0% year on year to 1,220 million tonnes
 - EU: -29.7% (139m tonnes)
 - North America: -33.9% (82m tonnes)
 - Asia: +3.5% (795m tonnes), of which China: +13.5% (568m tonnes)

Source: World Steel Association

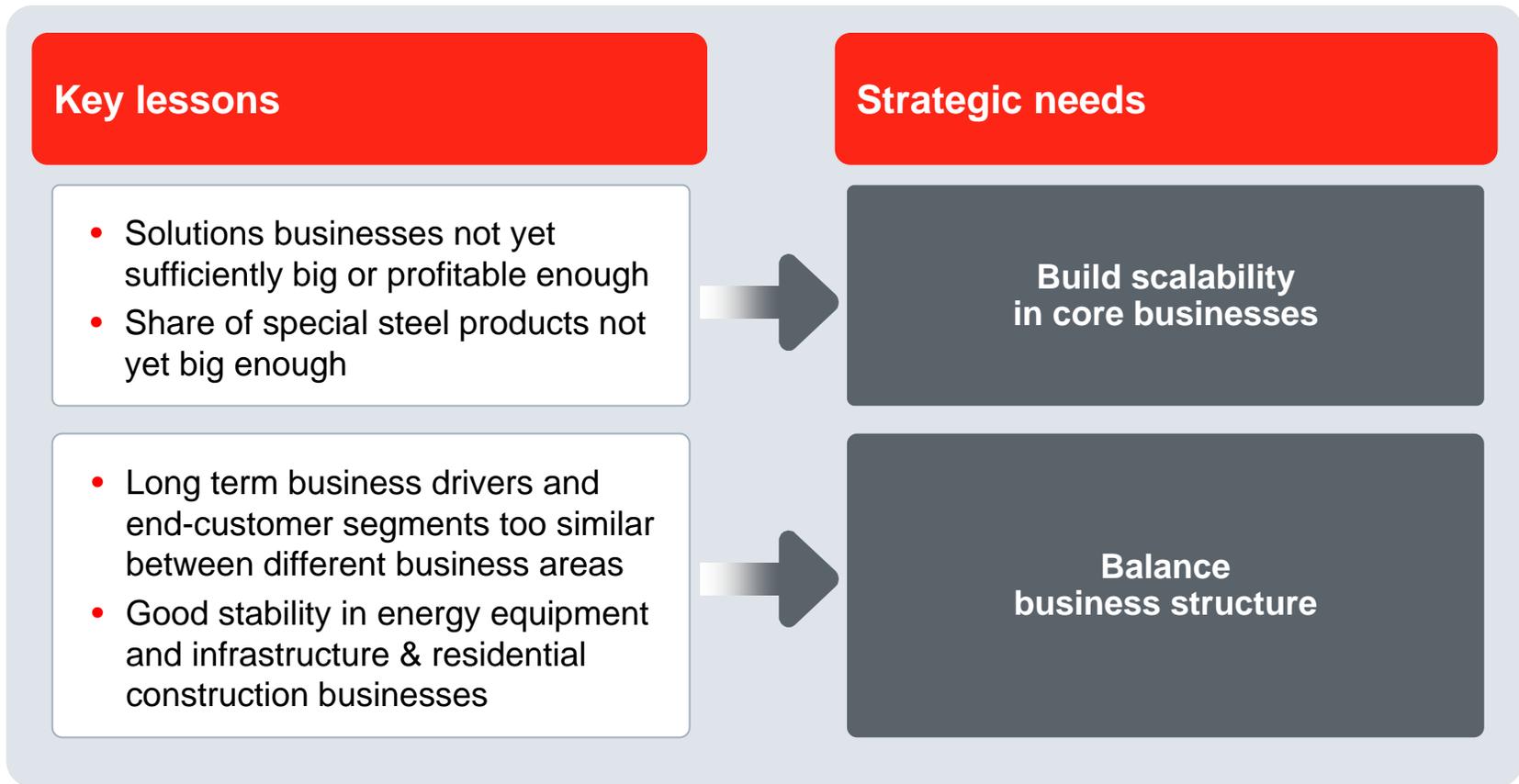


Looking ahead

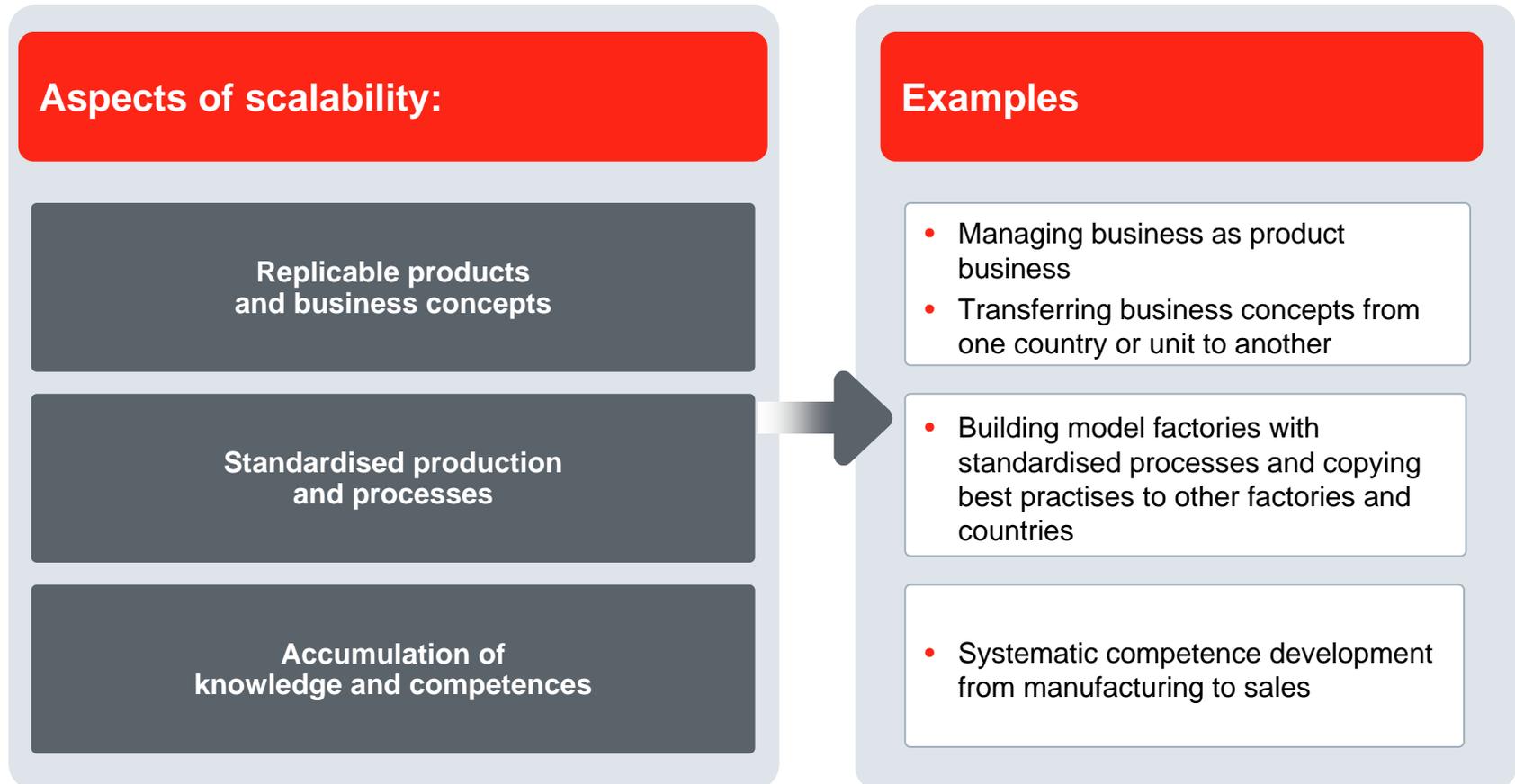


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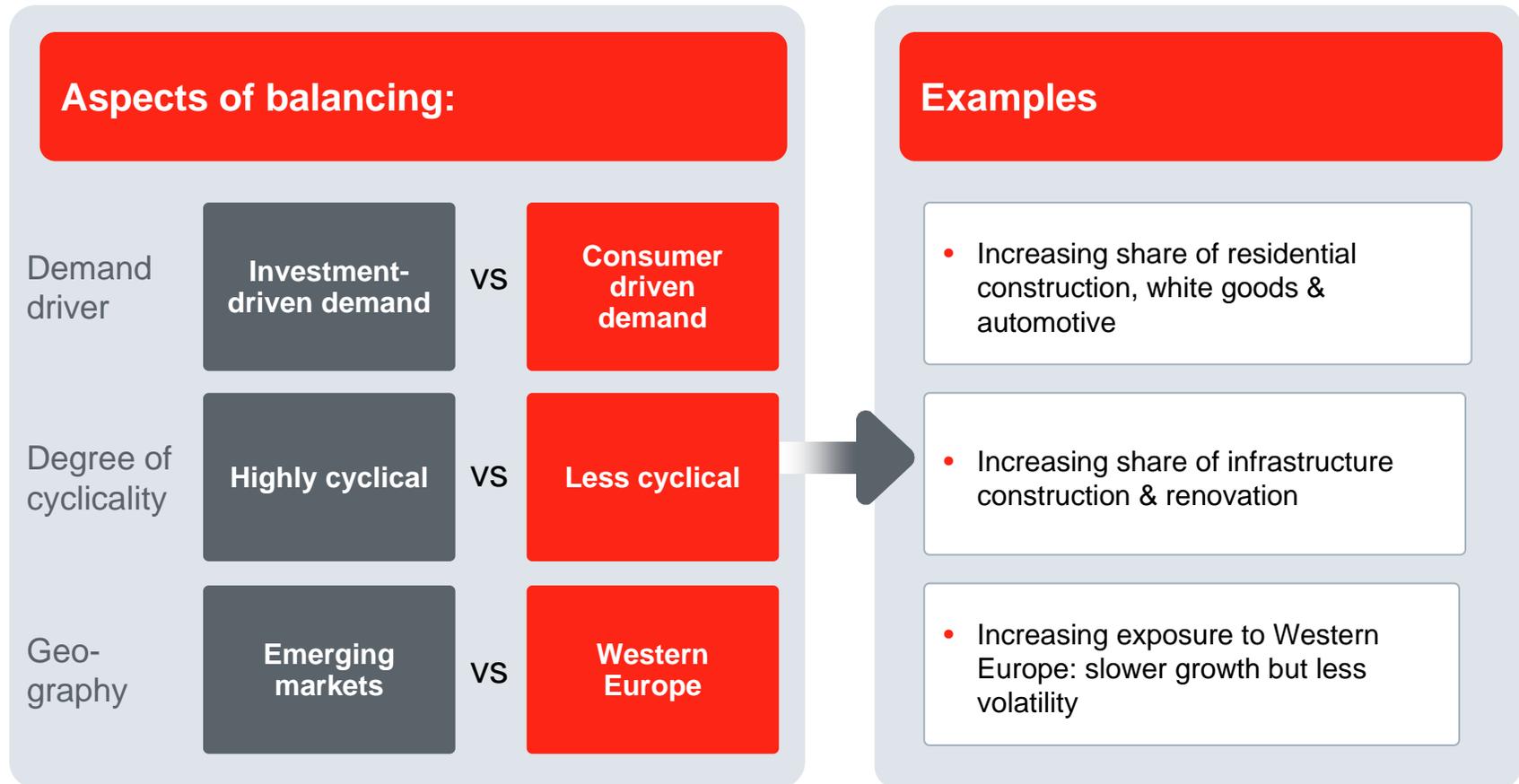
Effects of financial crisis reflected on strategic approach



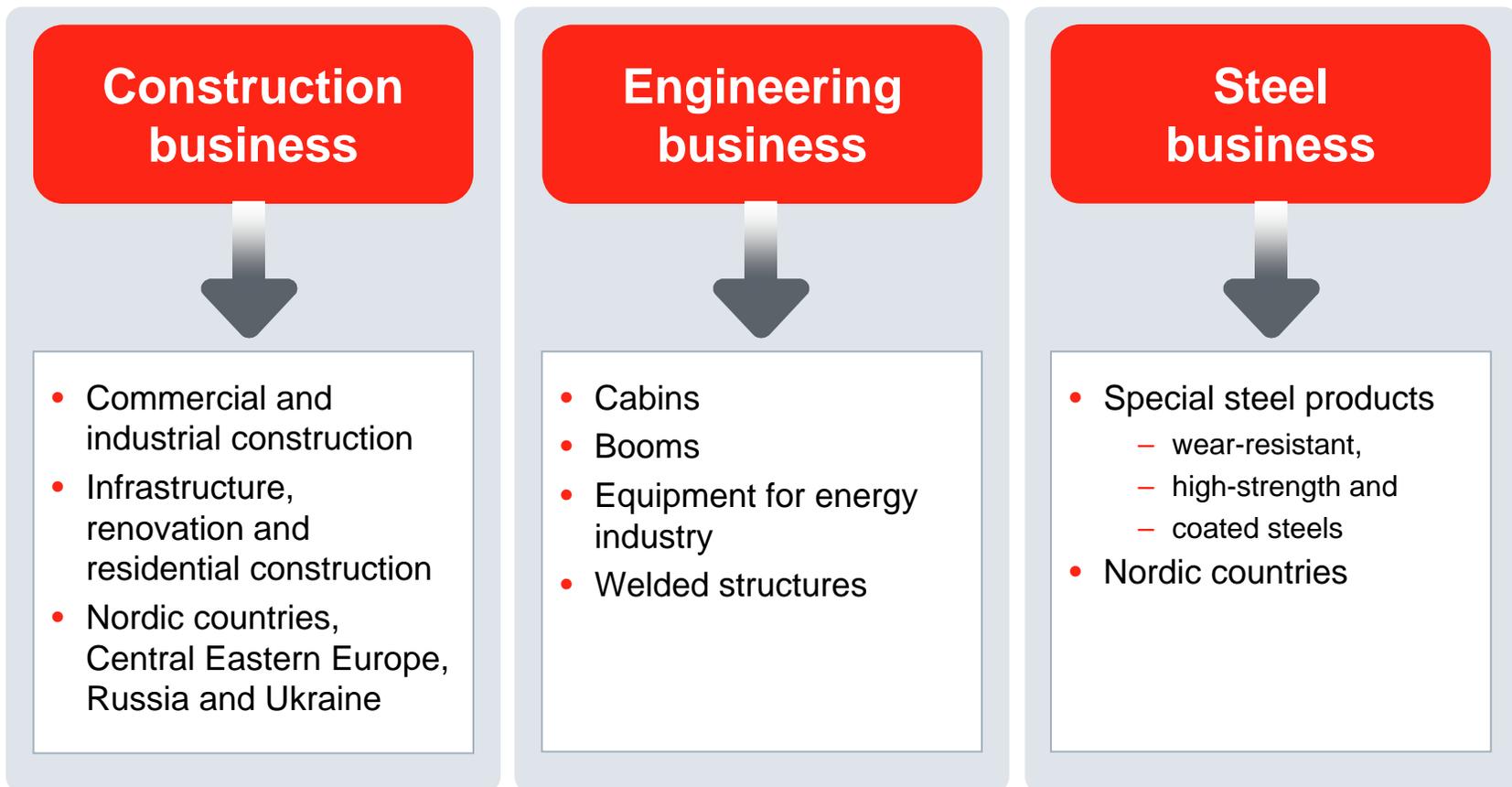
Focus on replicable products and business concepts



Effects of demand volatility counterweighted by balancing business structure



More emphasis on product based operating model



Outlook gloomy a year ago

Industrial production and gross fixed investment growth forecasts
 - Forecast for 2009 in December 2008

	Industrial production %-change from 2008	Change from previous month's forecast *)	Fixed investment %-change from 2008	Change from previous month's forecast *)		Industrial production %-change from 2008	Change from previous month's forecast *)	Fixed investment %-change from 2008	Change from previous month's forecast *)
Finland	-0.1	↓	-2.5	↓	Poland	2.1	↓	4.2	↓
Germany	-3.8	↓	-5.5	↓	Czech R.	1.8	↓	0.8	↓
Sweden	-1.9	↓	-2.4	↓	Slovakia	2.8	↓	3.5	↓
Norway	-2.3	↓	-3.9	↓	Romania	0.4	↓	3.0	↓
USA	-4.3	↓	-7.7	↓	Russia	1.1	↓	1.1	↓

Source: Consensus Economics, December 2008

*) Change from previous forecast, direction

Basis for 2010 is different

Industrial production and gross fixed investment growth forecasts
 - Forecast for 2010 in December 2009

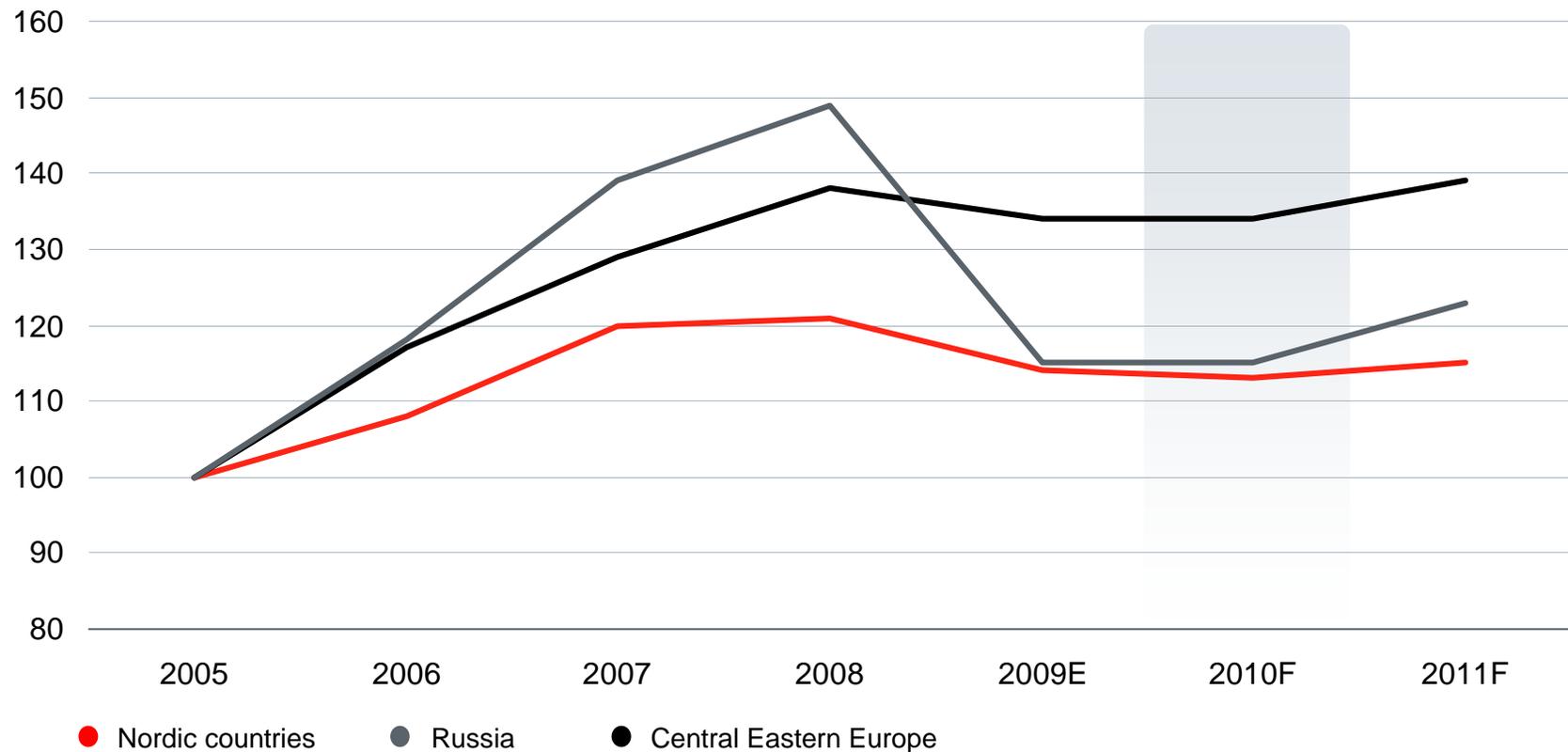
	Industrial production %-change from 2009	Change from previous month's forecast *)	Fixed investment %-change from 2009	Change from previous month's forecast *)		Industrial production %-change from 2009	Change from previous month's forecast *)	Fixed investment %-change from 2009	Change from previous month's forecast *)
Finland	2.1		-4.3		Poland	4.3		1.2	
Germany	5.0		2.4		Czech R.	3.8		-0.1	
Sweden	4.8		-1.7		Slovakia	4.7		2.8	
Norway	2.9		-0.7		Romania	2.6		2.0	
USA	4.1		-0.4		Russia	5.2		5.0	

Source: Consensus Economics, December 2009

*) Change from previous forecast, direction

Worst of construction market downturn is over

Construction markets *)
2005=100

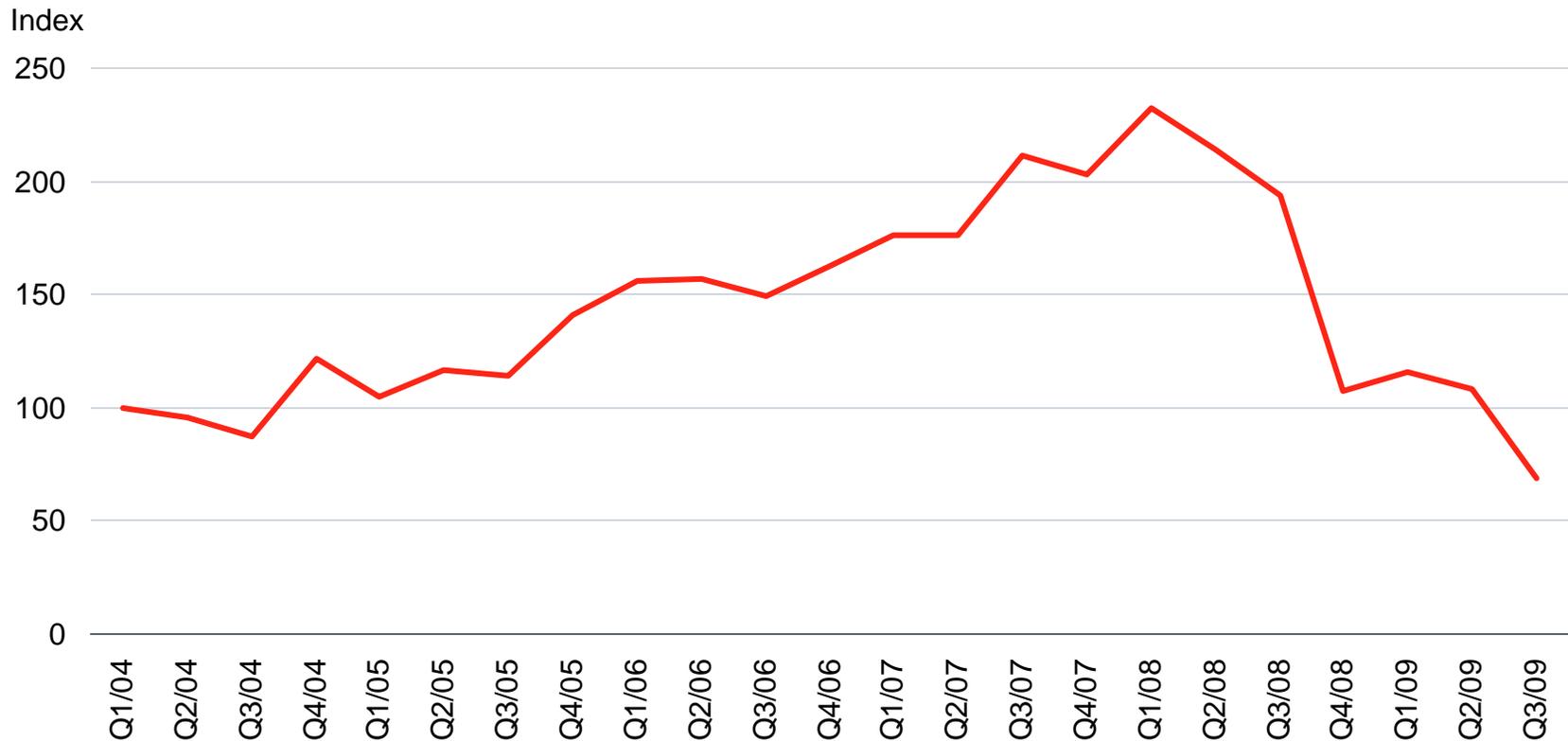


Sources: Global Insight 12/2009 (Nordic countries & Central Eastern Europe) and VTT 12/2009 (Russia)
*) In value terms. Includes both renovation and new construction



Order intake of main engineering customers has declined

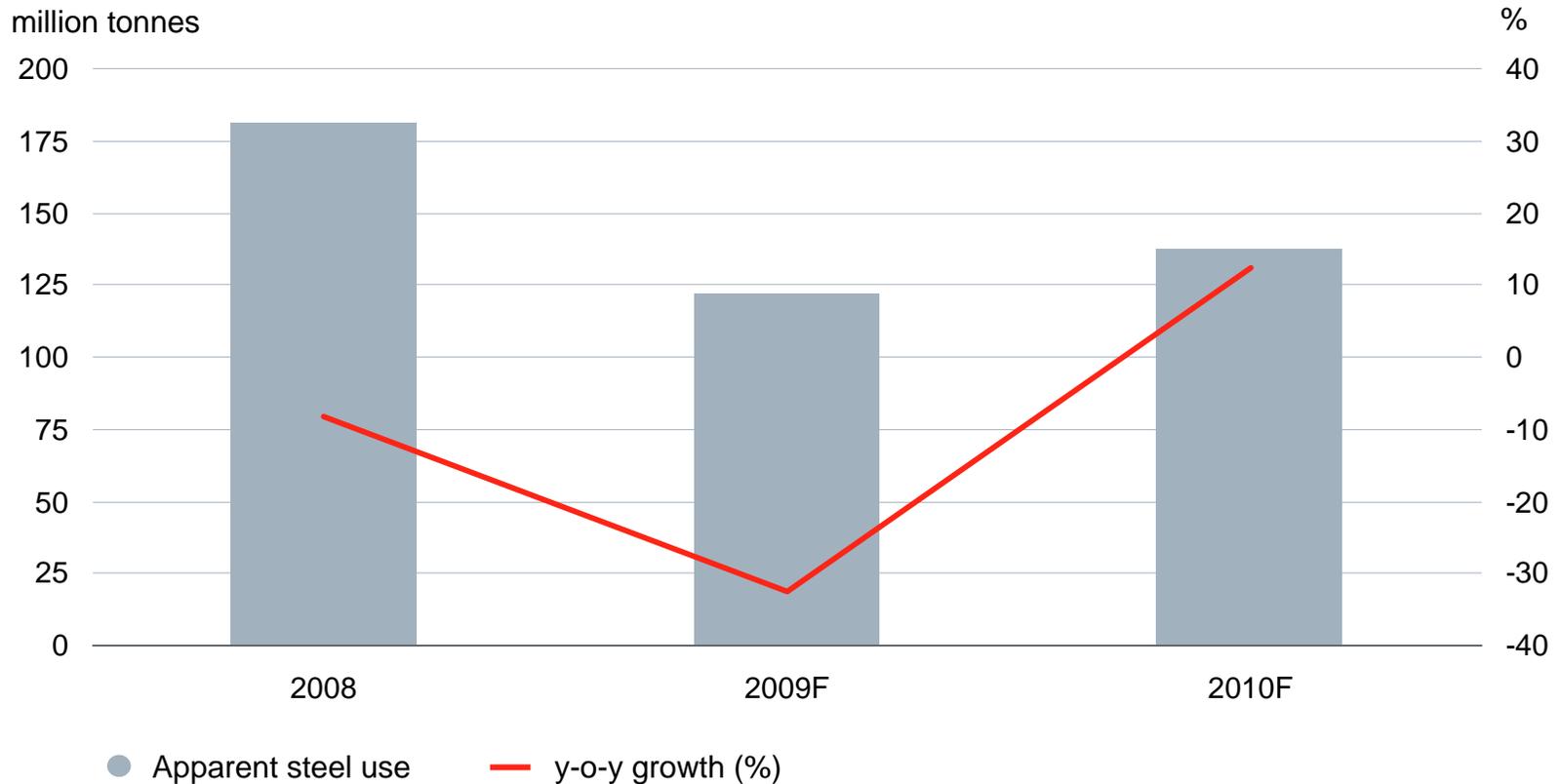
Order intake of main customers
Q1/04-Q3/09



Sources: Company reports - Konecranes, Cargotec (Hiab, MacGregor, Kalmar), Metso Minerals, Wärtsilä, Andritz Pulp & Paper, Atlas Copco (Construction & Mining Equipment)

Steel use in EU-27 region forecast to grow 12%

Apparent steel use in EU-27 region
2008-2010F



Source: Worldsteel, 10/2009

Near-term outlook



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Near-term outlook (1/2)

BUSINESS AREAS

Ruukki Construction

- Construction activity in the Nordic countries and a number of countries in Central Eastern Europe is expected to level off and e.g. in Poland to show slight growth
- Infrastructure construction activity is expected to continue good in the Nordic countries
 - and to grow in Poland, Czech Republic and Russia
- Difficult market conditions persist in commercial and industrial construction
 - If the price of oil remains at its present level or rises, this is expected to boost construction in Russia to some extent
- Further decline in construction activity is expected in Baltic states and Hungary

Ruukki Engineering

- No significant change in market conditions is expected in engineering industry during H1/2010
- Long-term market outlook in equipment for the energy industry is good and demand is expected to recover noticeably from its present level in 2010
- Demand in the lifting, handling and transportation equipment industry has stabilised at a low level
- Order intake volumes have started to grow in mining and forest machines
- Demand in shipbuilding industry is expected to decline compared to the previous year

Ruukki Metals

- Basis for steel business is much better for 2010 than it was for last year
- It is believed there will be an increase in delivery volumes compared to the exceptionally low level experienced in 2009
- Good demand in the automotive industry is estimated to continue and demand is expected to begin to improve in the heavy engineering industry
- Delivery volumes of special steel products are estimated to increase compared to the previous year as demand picks up in these industries
 - Expansion of the distribution network into China and Turkey also supports sales of special steel products



Near-term outlook (2/2)

COSTS

- Thanks to actions initiated during 2009 to permanently improve efficiency, the company's cost structure is significantly lighter than in previous years
 - Annualised impact on profitability of actions initiated is around €90 million
 - Operational excellence programme continues until the end of 2011 and aims at an improvement of €150 million in operating profit
- Prices for the main raw materials used in steel production have not yet been agreed for the current year
- Modernisation of blast furnace 1 beginning in April 2010 will reduce the steel production capacity utilisation rate, which is expected to have a cost impact of around -€25 million during Q2

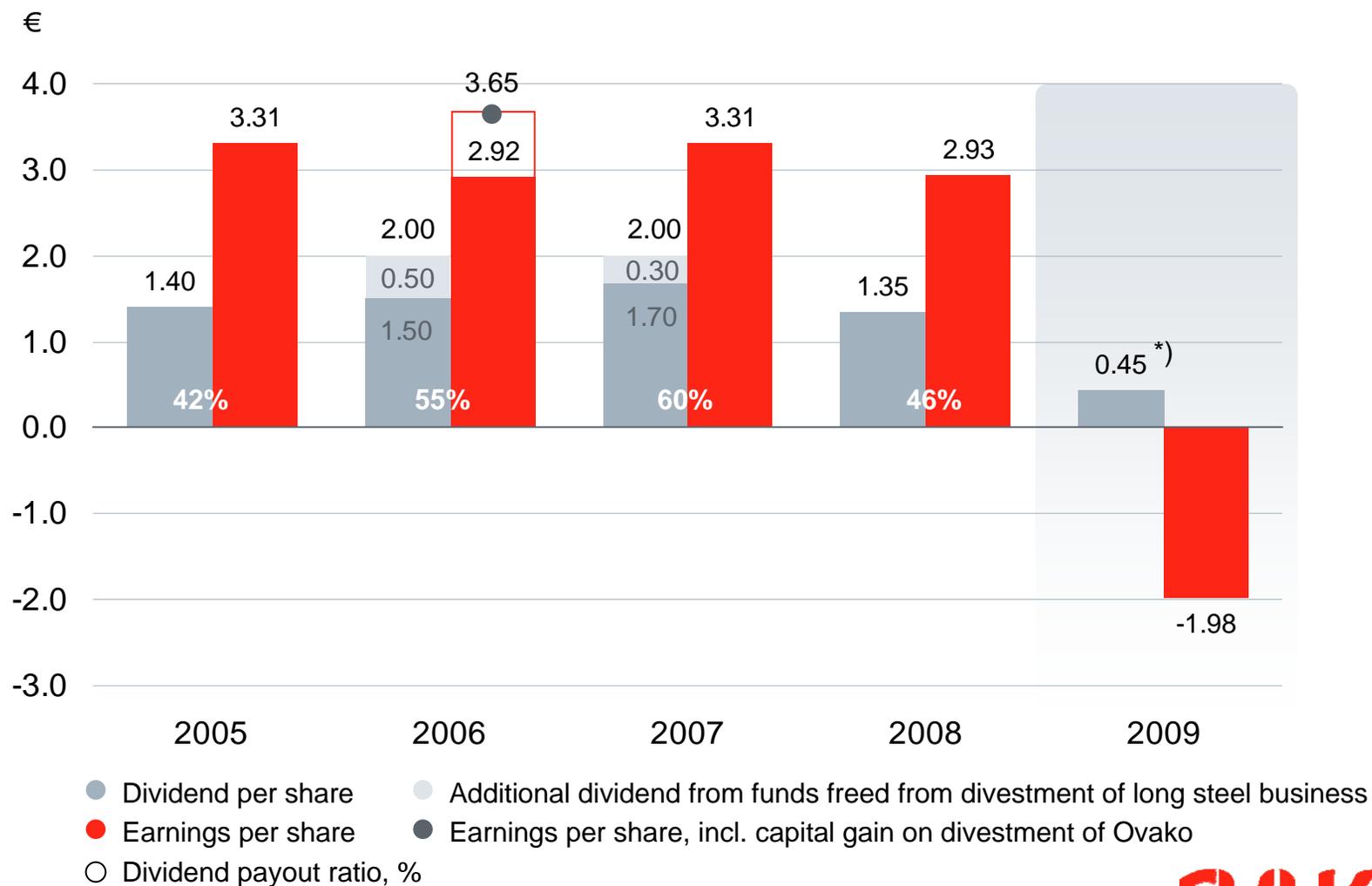
Assessment of expected performance

- **The company estimates a 15-20% year-on-year growth in net sales in 2010**
- **Profitability is expected to improve significantly compared to the previous year and the full-year result before income tax is estimated to be positive**

Dividend proposal

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Dividend proposal €0.45 per share ^{*)}



Summary

- A historically bad year is behind us, but
 - cost structure has clearly improved
 - balance sheet is healthy
 - cash flow was positive
 - demand is picking up in some segments
- Business is refined for future growth:
 - replicating products and business concepts
 - balancing business structure
 - strengthening sales and customer relationships
- Improved cost efficiency and a healthy balance sheet provide a good basis for developing business further



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more with metals

Appendix

Key figures 2009

€m	2009	2008	Q4/09	Q4/08
Net sales *)	1,950	3,829	521	847
Operating profit (EBIT) **)	-306	584	-27	74
as % of net sales **)	-15.7	15.3	-5.2	8.7
Result before income tax **)	-342	564	-34	56
Result for the period	-275	406	-46	37
Earnings per share, diluted, €	-1.98	2.93	-0.33	0.27
Return on capital employed, % ***)	-14.2	25.6		
Gearing ratio, %	22.3	7.9		
Gross capex ****)	161	229		
Cash flow before financing activities	30	169		
Personnel (average)	12,664	14,953	11,913	14,555

*) 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	Q4/09
Net sales *)								
Ruukki Construction	225	285	309	248	132	145	164	147
Ruukki Engineering	188	205	184	187	125	75	63	49
Ruukki Metals	511	571	503	412	249	218	257	325
Corporate management and other units	1	-1	0	0	0	0	0	0
Consolidated net sales	925	1,060	996	847	506	438	485	521
Operating profit (EBIT) **)								
Ruukki Construction	21	38	56	17	-13	-9	-4	-22
Ruukki Engineering	32	35	34	27	5	-2	-7	-11
Ruukki Metals	96	106	112	36	-102	-97	-39	10
Corporate management and other units	-7	-7	-5	-6	-3	-4	-3	-3
Consolidated operating profit	141	172	197	74	-113	-112	-54	-27

*) Comparable net sales

***) Comparable, excluding non-recurring items

Exceptional items 2009

€m	Q1/09	Q2/09	Q3/09	Q4/09	2009
Writedown of stocks	-12	-8		-12	-32
Credit losses and credit loss provisions	-1	-2	-2	-4	-9
Strikes		-3			-3
Provision for non-recurring items		-5			-5
Actuarial gains related to employee benefit accounting (IFRS)			+5	+2	+7
Total	-13	-18	+3	-14	-42
Arrangement fee for revolving credit facility *)		-5			-5