

Interim report Q1 2009

23 April 2009

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 behind them. The background of the slide is white with a large, curved grey area on the right side.

Report period in brief

- Market conditions remained extremely difficult throughout the report period
- Comparable consolidated net sales were down 45% year on year
- Operating profit was clearly negative
 - demand was weak
 - low steel production capacity utilisation rate had an impact of around €90 million on costs
 - unwinding stocks produced using high-cost raw materials weakened profitability
- Cash flow was good
 - €114 million was freed from working capital
- Financial position was strong and gearing low
- The company continued extensive efficiency improvement actions and adjustment measures
 - no material impact on the first quarter result

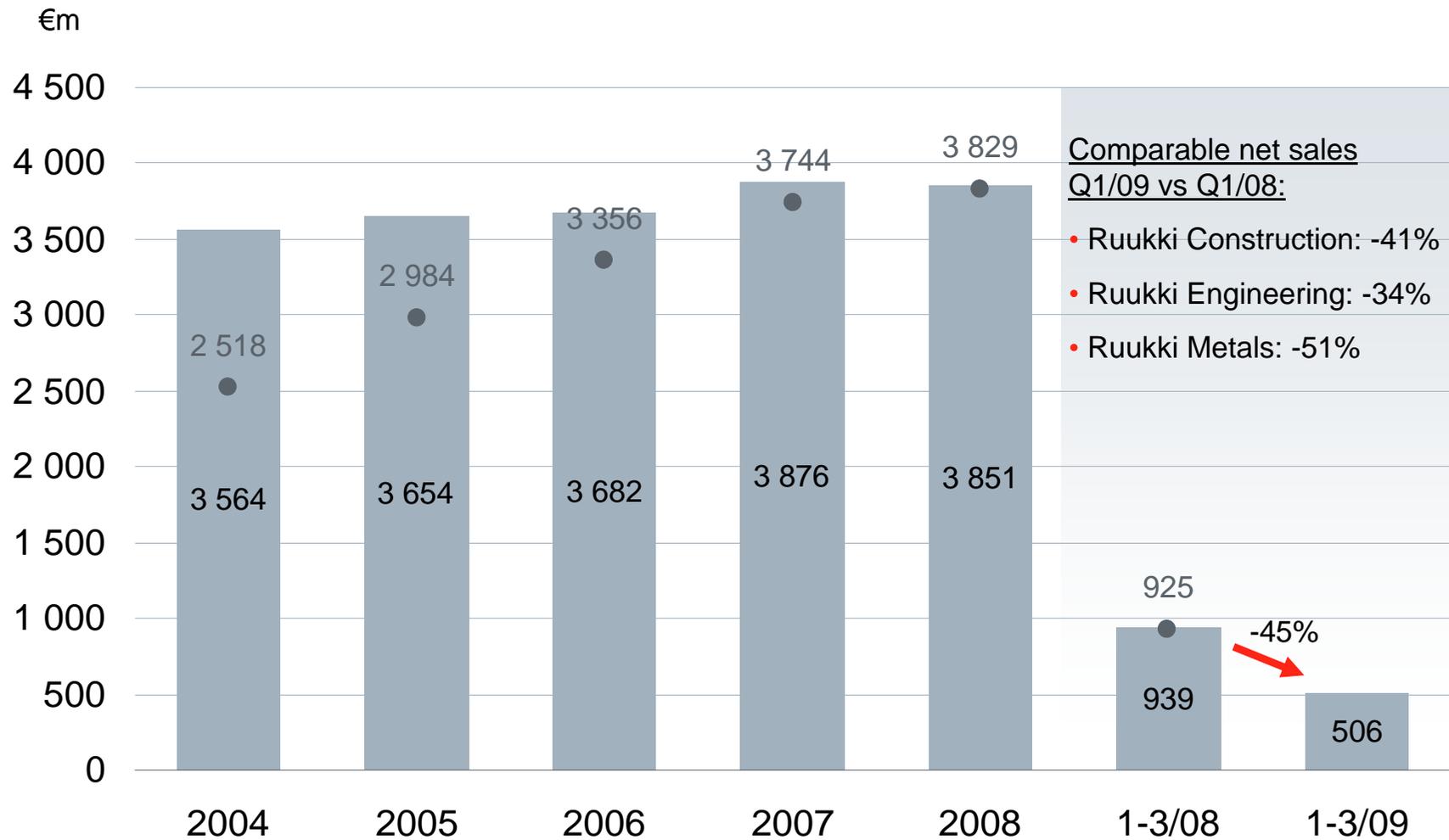
An aerial photograph of a modern cable-stayed bridge spanning a wide river. The bridge has a single tall, white pylon and several stay cables. People are walking across the bridge. The background shows a cityscape with buildings and mountains under a sunset sky. The image is framed by a dark, curved border on the right side.

Business environment and financial performance

Extremely difficult business environment

- The economic downturn and its far-reaching impacts on the real economy strengthened noticeably during the report period
 - Industrial production shrank markedly in Finland as well as globally
- Almost all actors in the steel industry around the world have considerably adjusted production
 - Except for China, the capacity utilisation rate was around 50-60%
- Growing uncertainty impacted on customers' investment decisions
- The unwinding of high stock levels weakened demand
- A number of currencies have weakened clearly against the euro, which:
 - hampers exports from the eurozone
 - improves the cost competitiveness of those actors with existing manufacturing capacity in the countries concerned

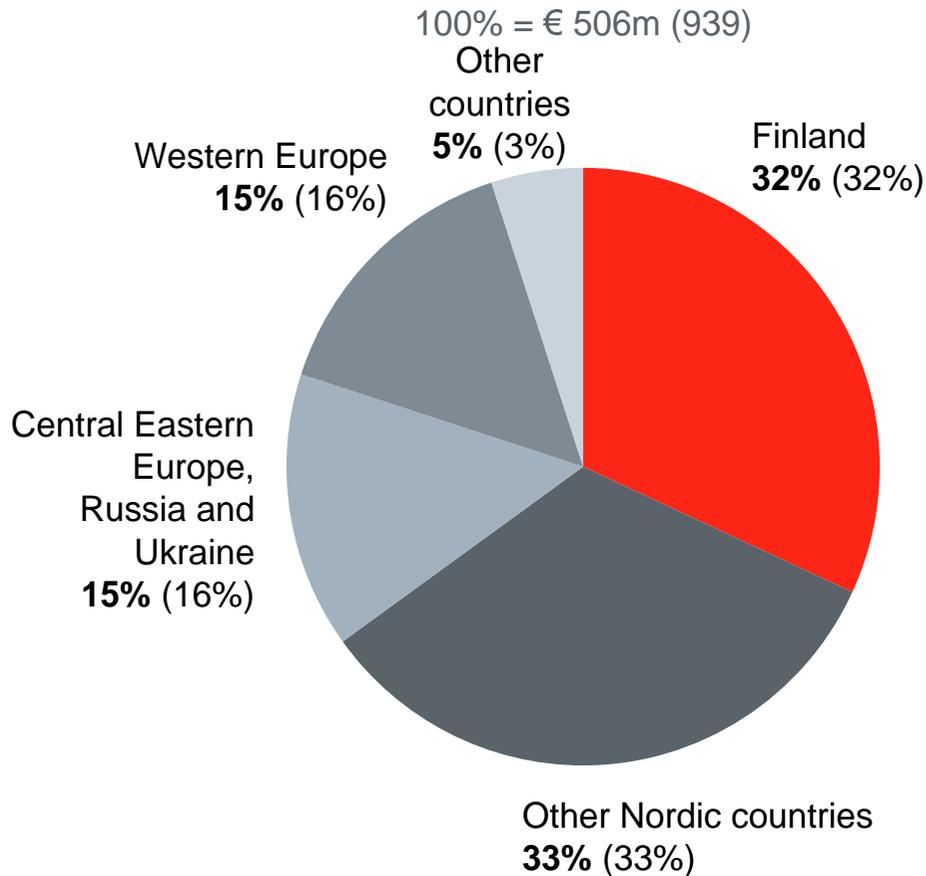
Consolidated net sales in Q1/2009 down 45% year on year



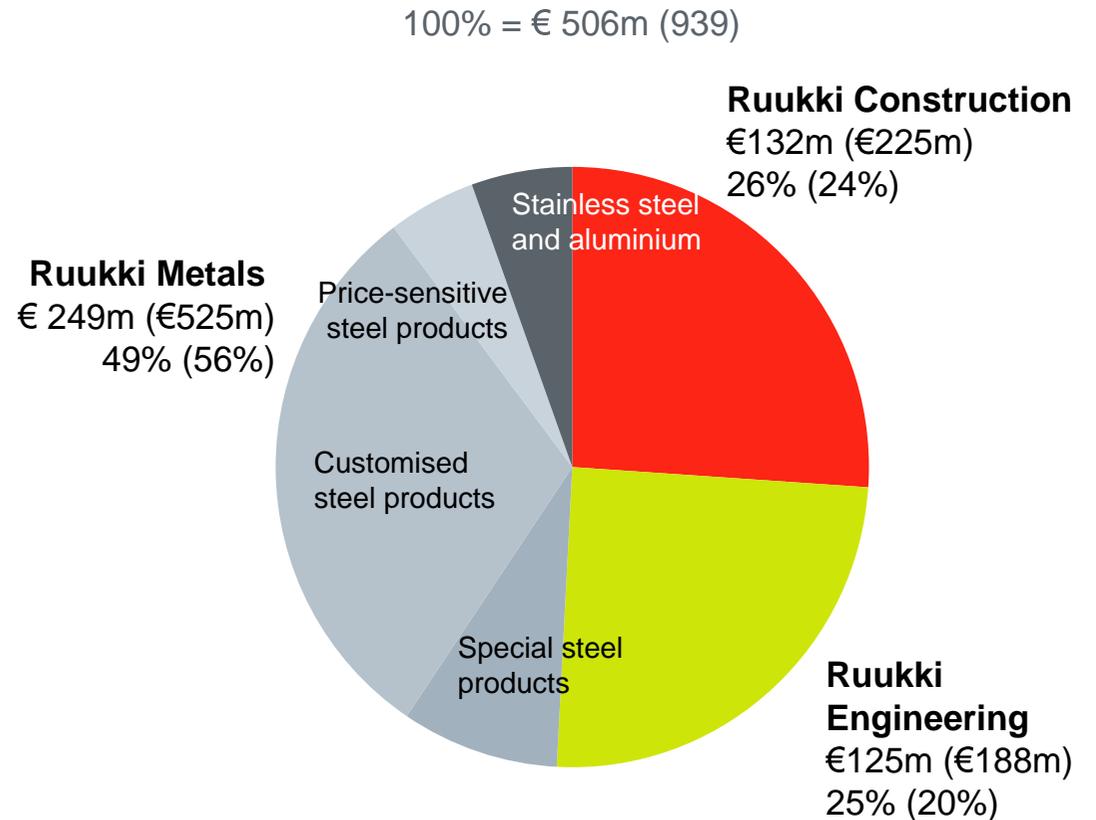
- Comparable net sales based on the company's internal accounting
- ➔ Comparable net sales, change %

Breakdown of net sales Q1/2009

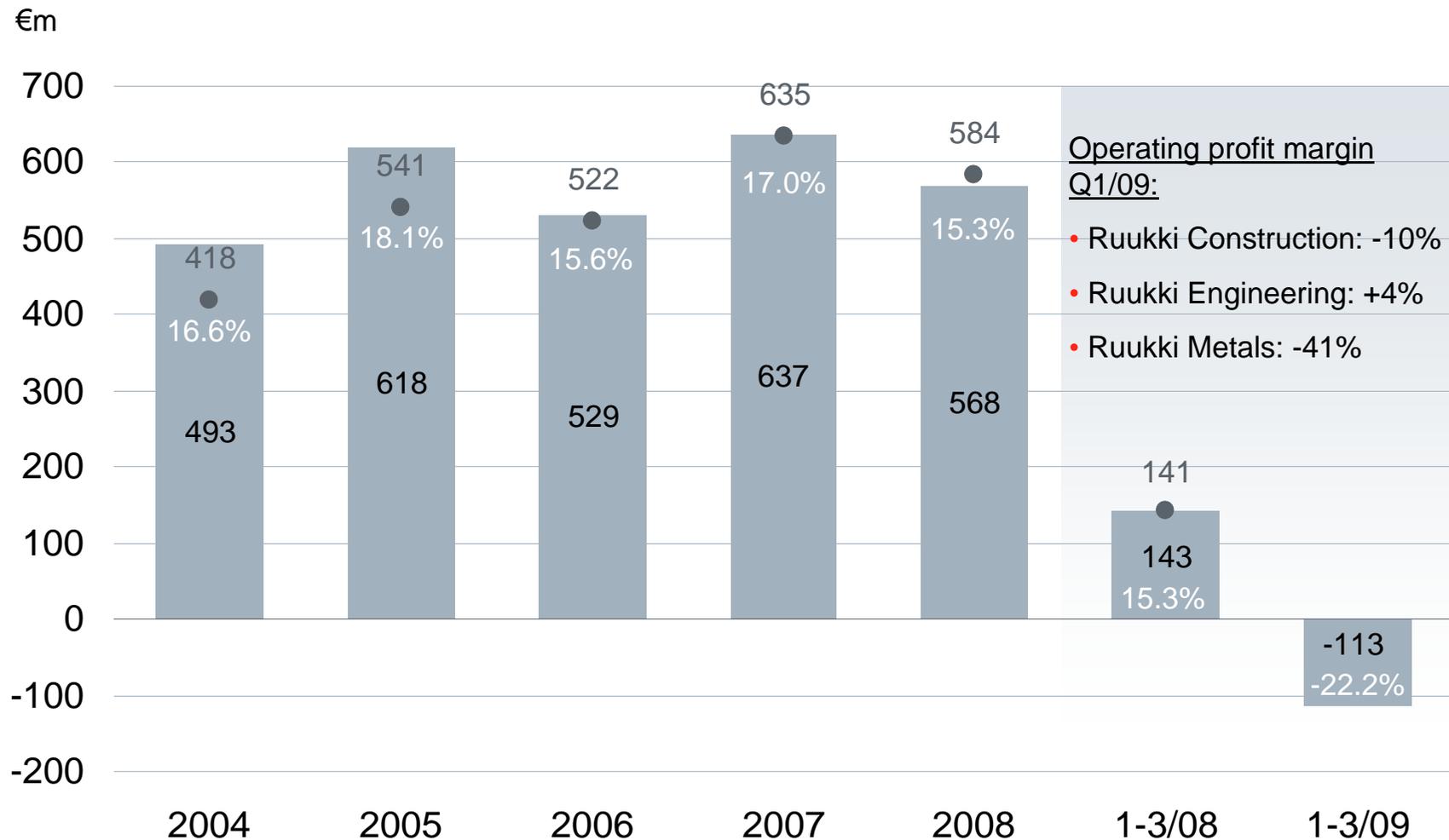
Net sales by region
Q1/2009 (Q1/2008)



Net sales by division
Q1/2009 (Q1/2008)

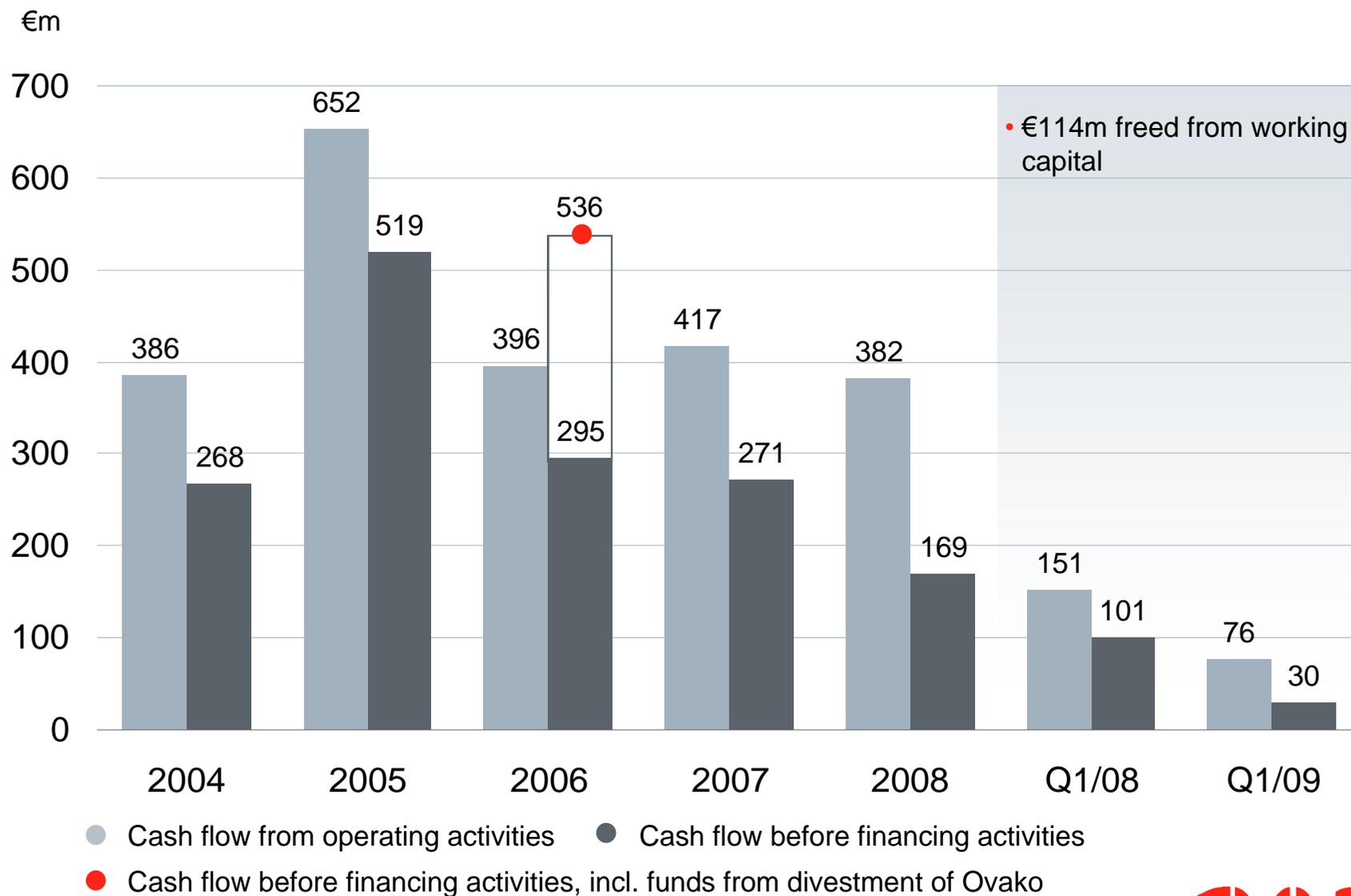


Operating profit clearly negative for the report period

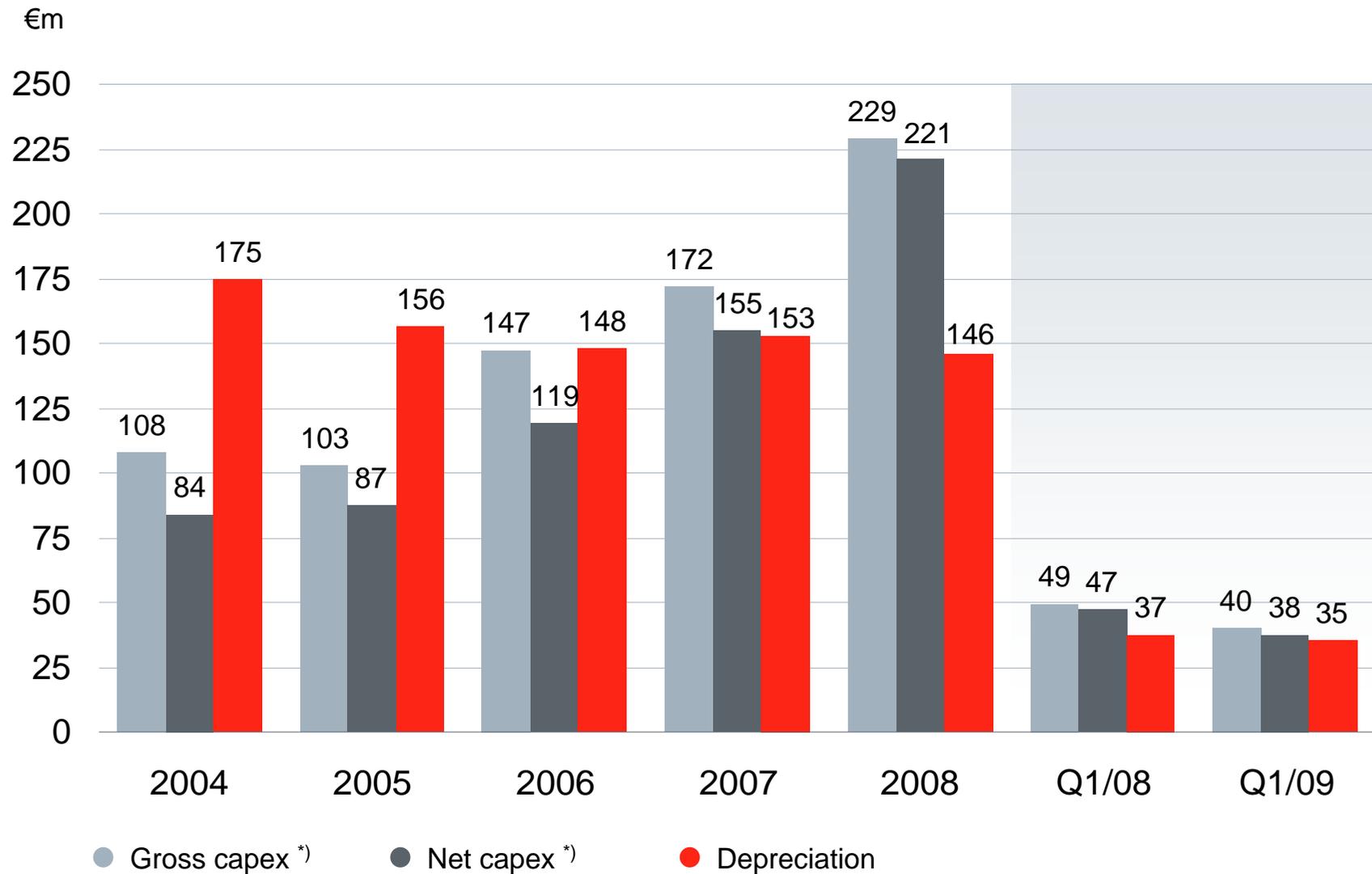


- Comparable operating profit, excluding non-recurring items, based on the company's internal accounting
- Comparable operating profit margin excluding non-recurring items, %

Cash flow from operating activities positive



Capex around 20% less than in previous year



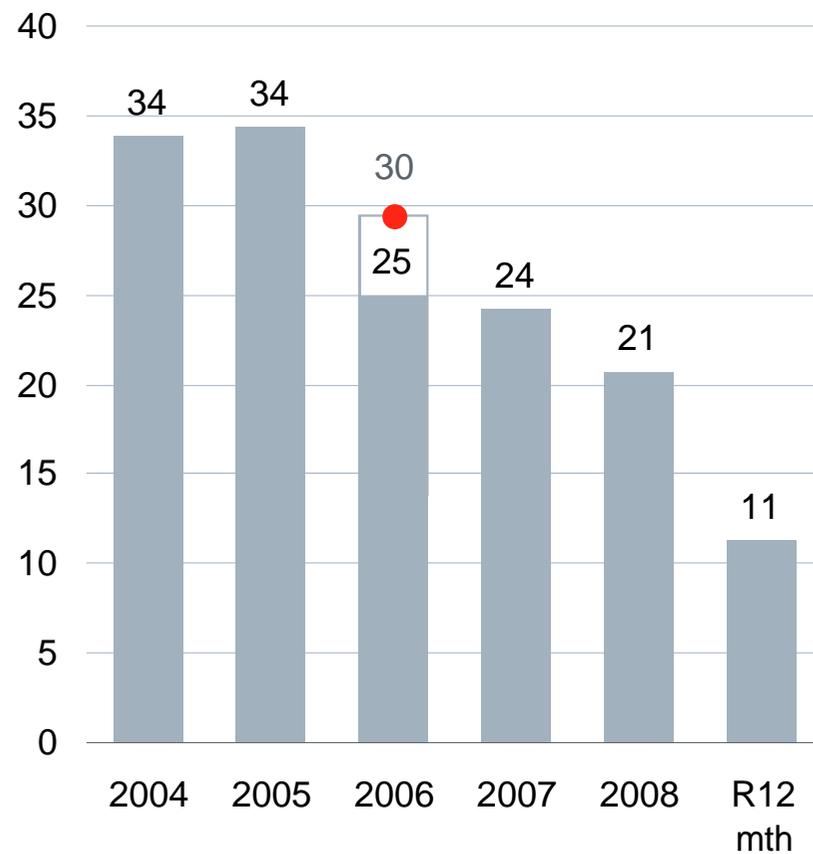
Modernisation of blast furnaces in 2010 and 2011

- Modernisation of blast furnace 1 at the Raahe Works, Finland planned to be brought forward by three months, with work beginning in April 2010
- Modernisation of blast furnace 2 planned for 2011
 - bringing modernisation of blast furnace 1 forward would also allow modernisation of blast furnace 2 to take place already in 2010
- Both blast furnaces will be idle for around two months in turn
- The feedstock in the iron-making process will be changed and the sinter plant currently in use will be closed by year-end 2011
- A total of around €220 million will be spent on blast furnace modernisation and feedstock change. In addition, environmental investments of some €60 million will be made

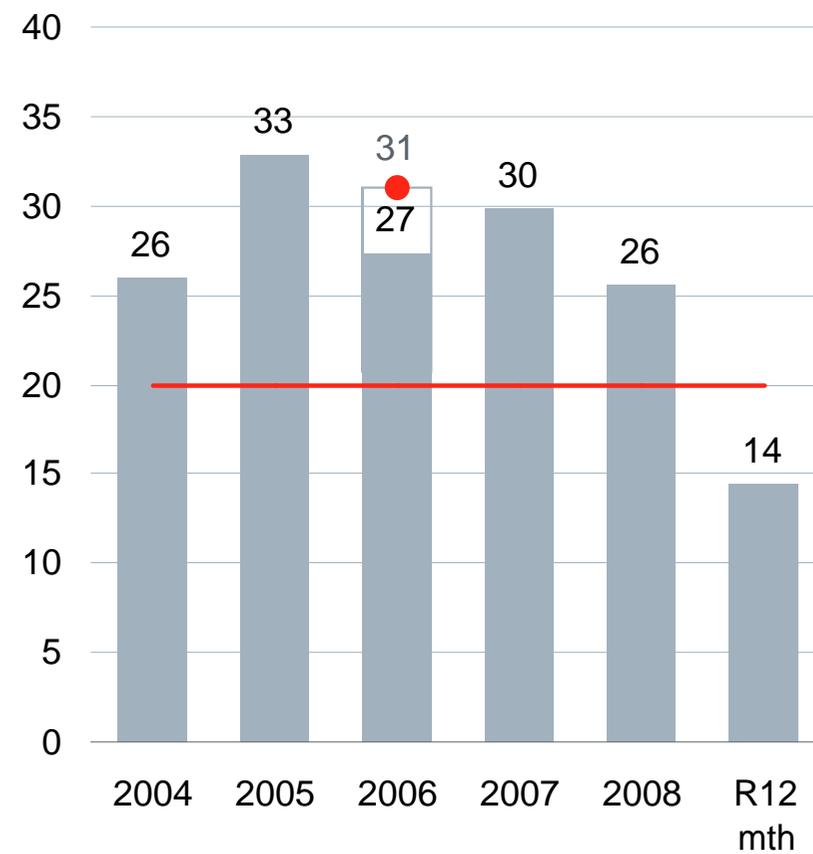
Capex in tangible and intangible assets, including the above investments, in 2009 is expected to remain **in the region of €170 million**

ROCE below target level

Return on equity, %

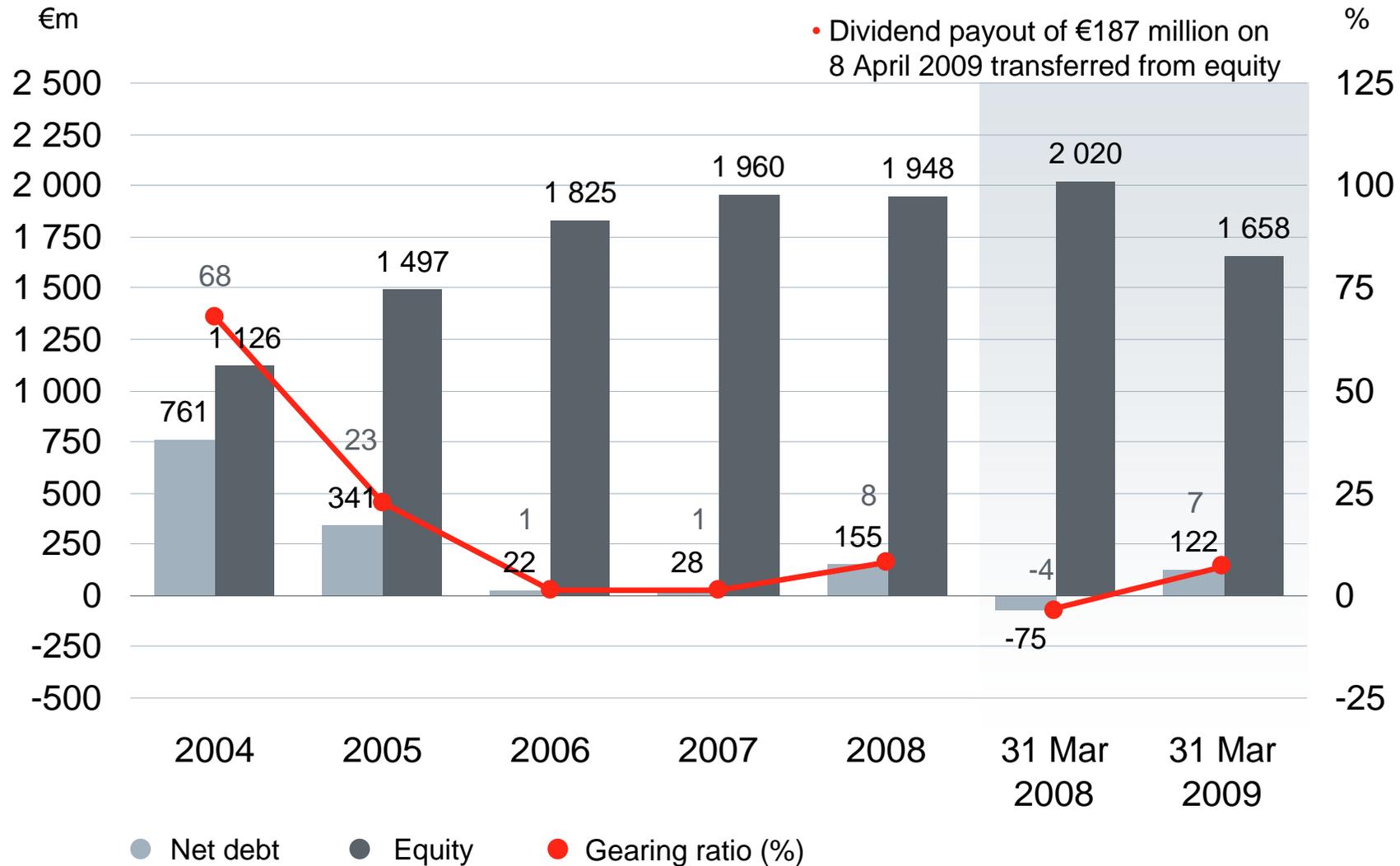


Return on capital employed, %



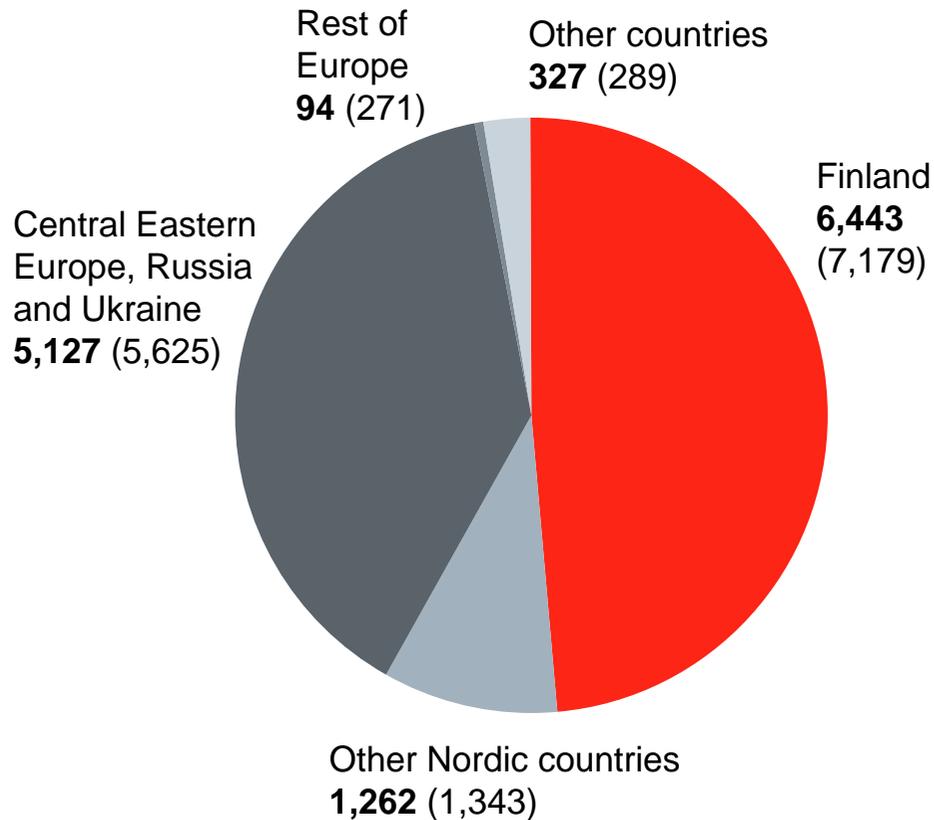
● Including capital gain on Ovako — ROCE target >20%

Strong financial position – gearing ratio 7%

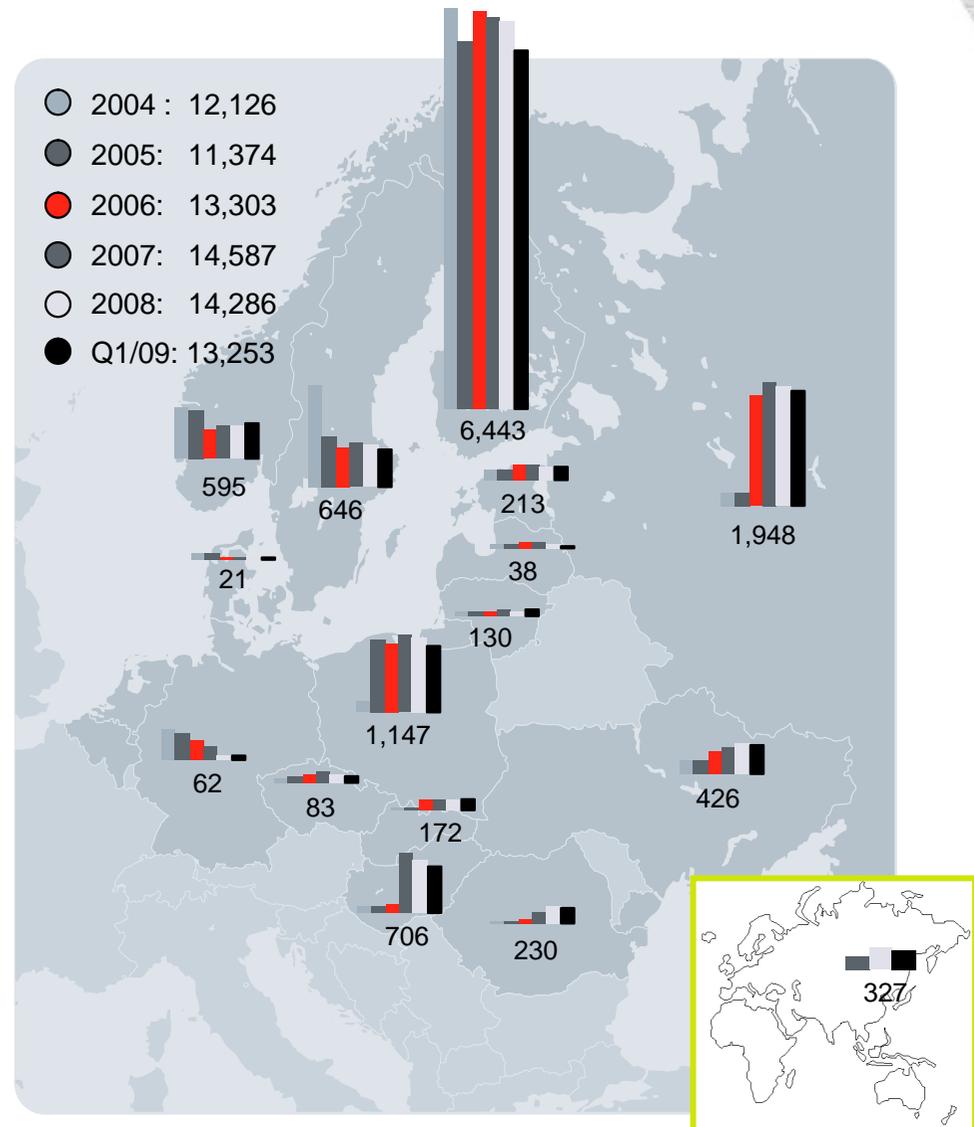


Headcount by region ^{*)}

Personnel Q1/2009: 13,253
(Q1/2008: 14,706)



*) Headcount at end of report period



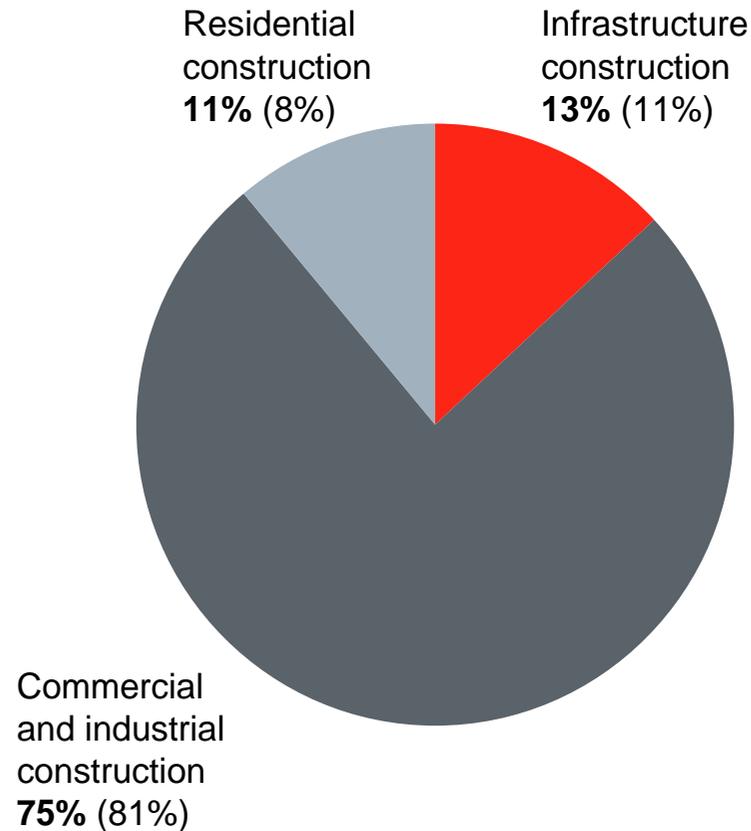
Divisions



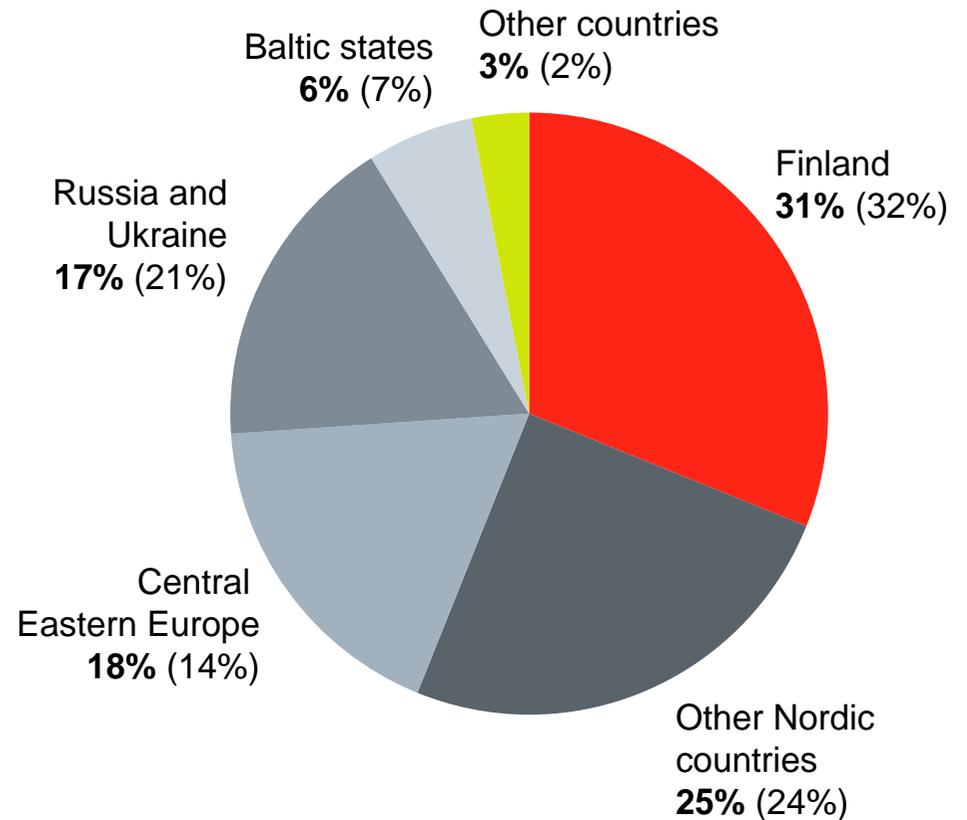
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Ruukki Construction: breakdown of net sales

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

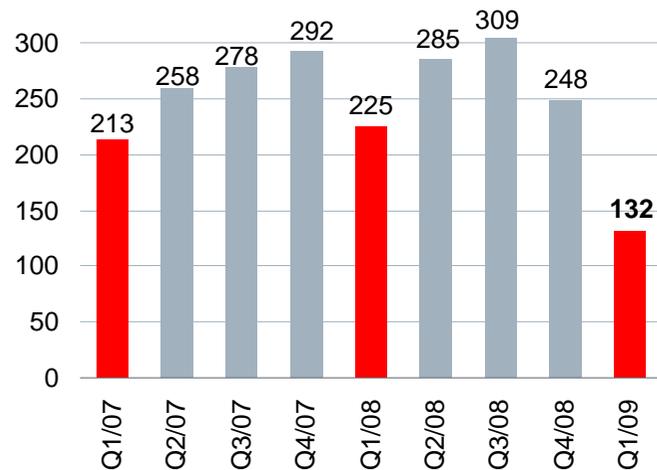


Breakdown of net sales by region Q1/2009 (Q1/2008)



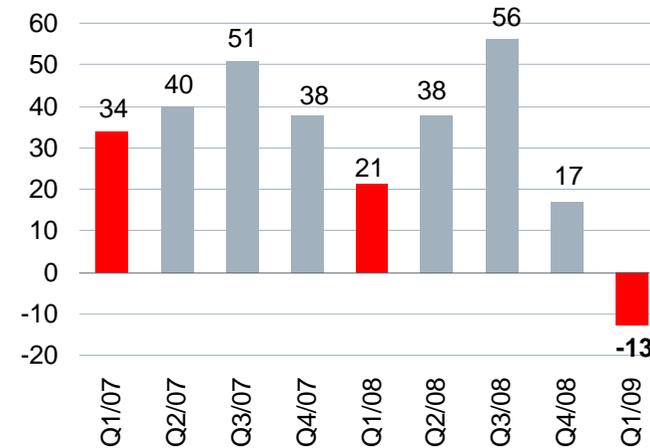
Ruukki Construction: Q1/2009

Net sales, €m



- Net sales decreased due to:
 - weak demand
 - growing uncertainty, which impacted on customers' investment decisions
 - customers' difficulties in arranging funding
 - weakening of sales currencies against the euro
- Infrastructure net sales decreased less than those for commercial and industrial construction

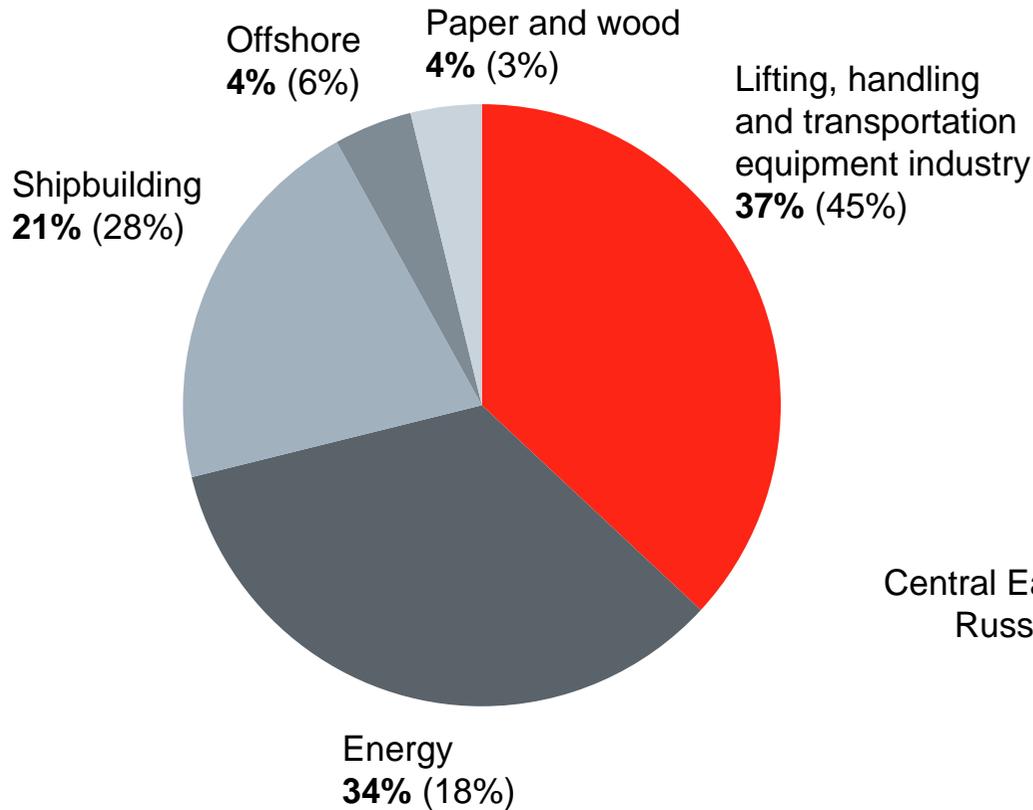
Operating profit ^{*)}, €m



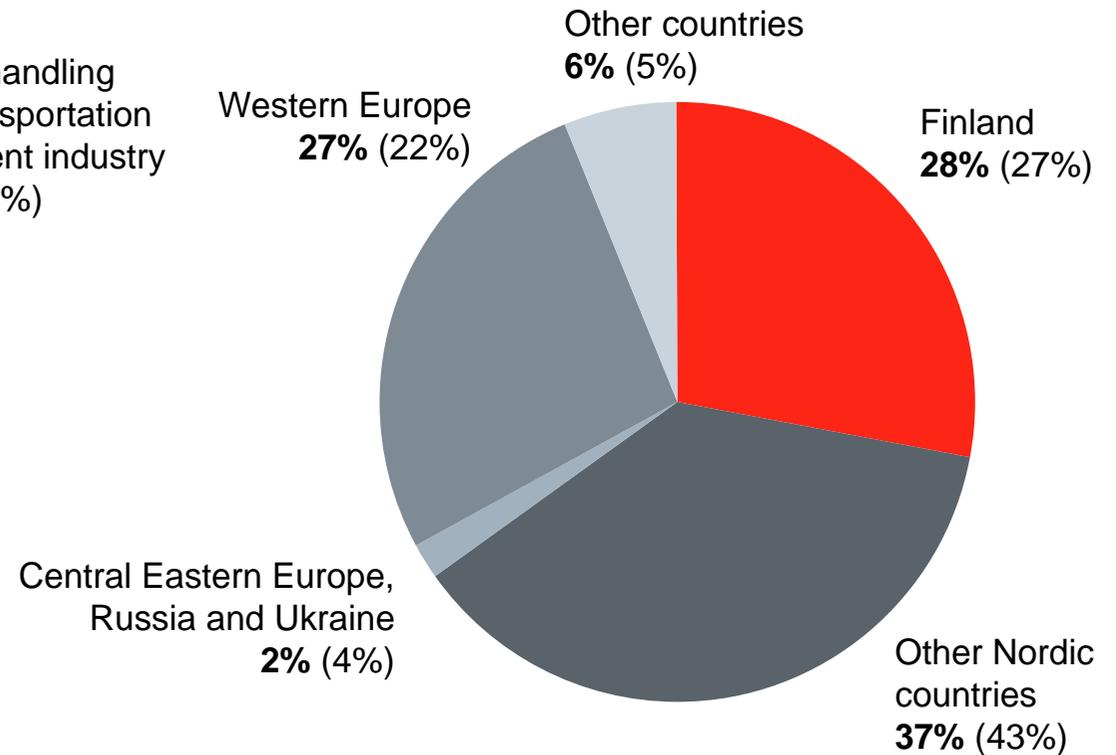
- Operating profit decreased due to:
 - weak demand
 - use of steel and other material produced using high-cost raw materials
 - weakening of sales currencies in areas where costs are either partly or fully in euros

Ruukki Engineering: breakdown of net sales

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

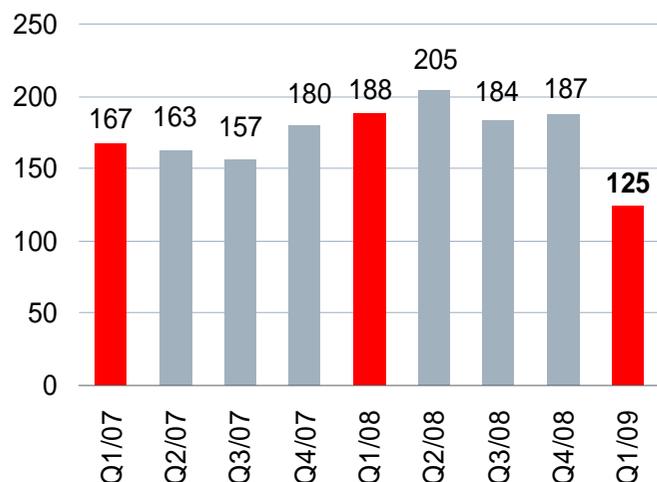


Breakdown of net sales by customer location Q1/2009 (Q1/2008)



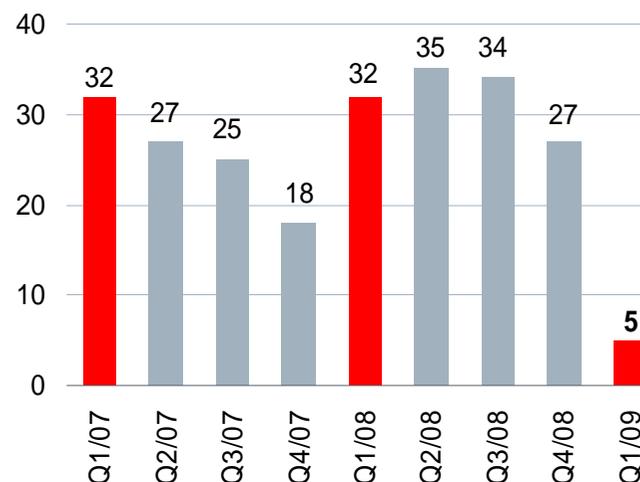
Ruukki Engineering: Q1/2009

Net sales, €m



- Net sales decreased due to:
 - weakened demand from end-customers
 - unwinding of stocks
- The net sales decreased especially within equipment manufacturers in the lifting, handling and transportation industry
- Demand from equipment manufacturers in the energy industry remained good

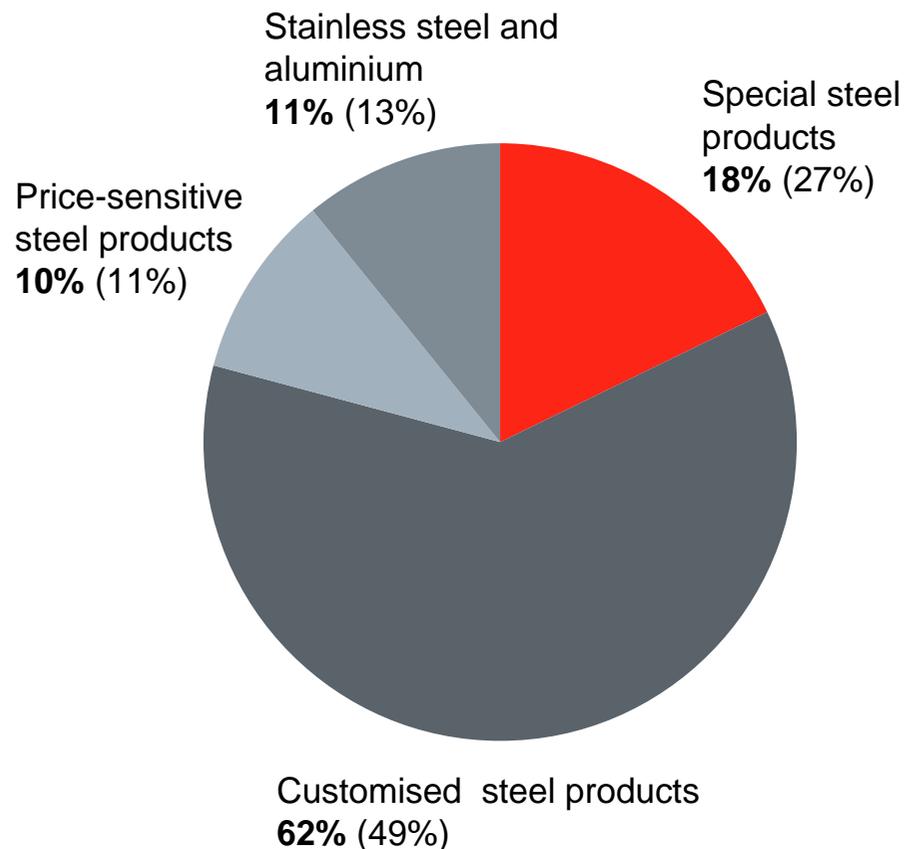
Operating profit ^{*)}, €m



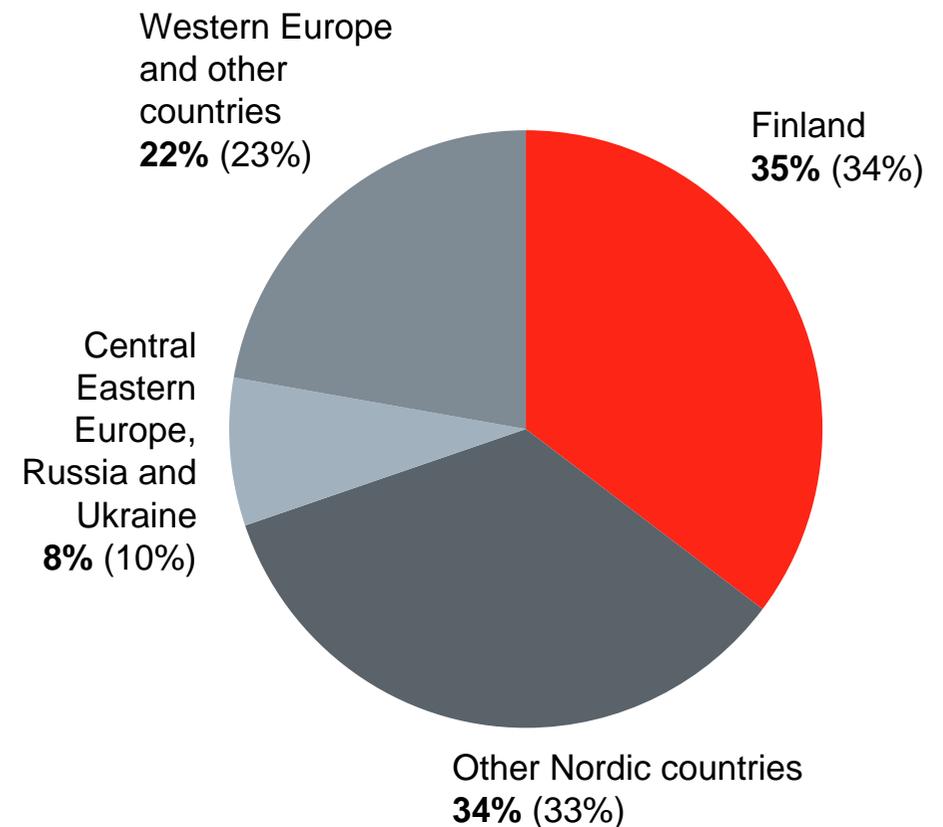
- Operating profit decreased due to:
 - lower sales volumes
 - weakened sales prices, especially in plate products and parts
 - raw material costs at high level

Ruukki Metals: breakdown of net sales

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

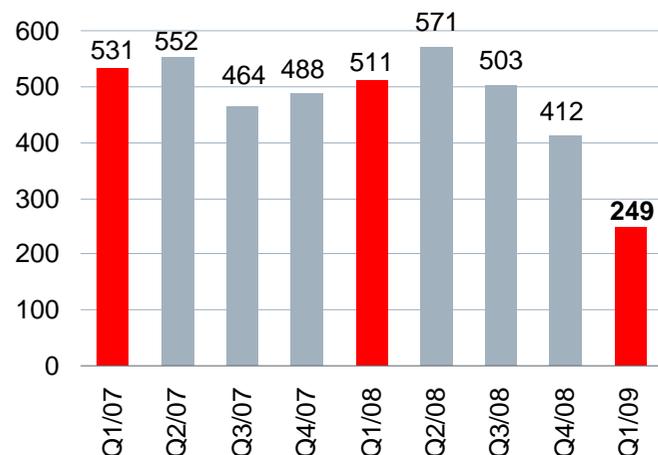


Breakdown of net sales by region Q1/2009 (Q1/2008)



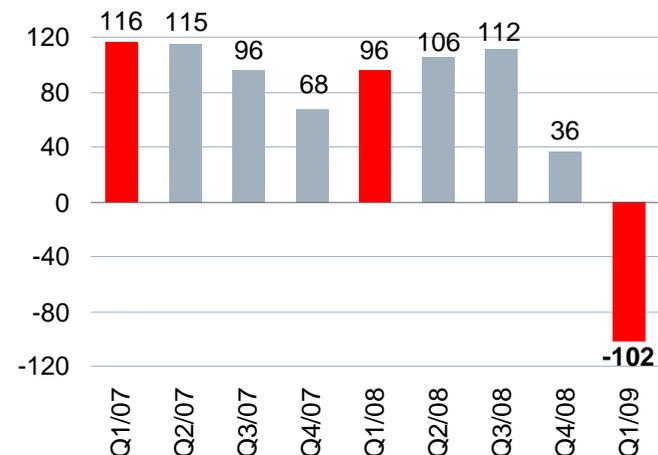
Ruukki Metals: Q1/2009

Net sales ^{*)}, €m



- Net sales decreased due to:
 - continued extremely weak demand
 - unwinding customers' high stock levels
 - price development much weaker than expected
- Sales of special steel products weakened, especially to industries serving the earthmoving sector and subcontractors to the automotive industry

Operating profit ^{**)}, €m



- Operating profit decreased due to:
 - continued extremely weak demand and poor price development
 - low capacity utilisation rate
 - Impact on costs of around -€90 million
 - unwinding of stocks produced using high-cost materials

^{*)} Comparable net sales

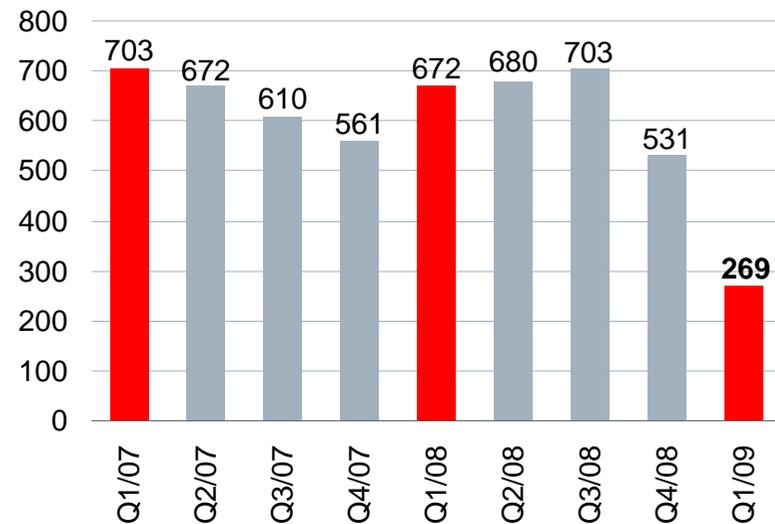
^{**)} Comparable, excluding non-recurring items

Steel production: Q1/2009

- Due to weak demand and high stock levels, the company adjusted steel production to market conditions
 - One of the two blast furnaces temporarily shut down in December 2008 at the Raahе Works in Finland remained idle throughout the report period
- Steel production during Q1 was 269 thousand tonnes (672), down almost 60% year on year

Steel production

1,000 tonnes



World steel production

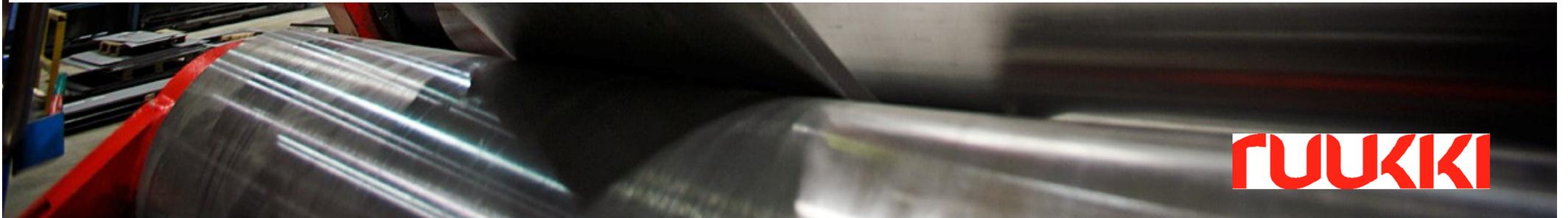
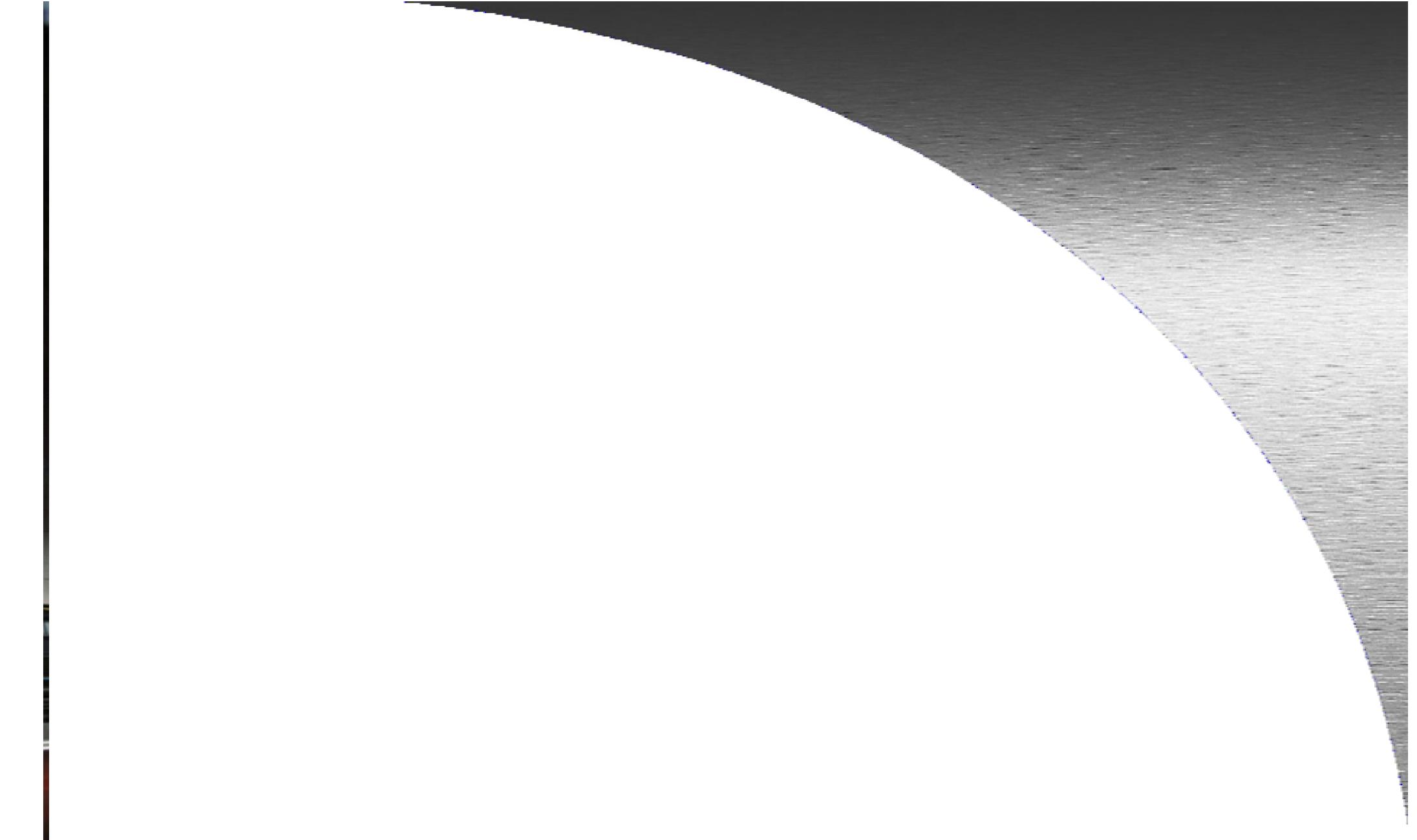
- World steel production during Q1/2009 was down 22.8% year on year at 264 million tonnes
 - Asia: -8.9%
 - EU: -43.8%
 - North America: -52.1%
 - China: +1.4%

Source: World Steel Association

Idle blast furnace to be restarted

- Decision made to restart blast furnace 1, which has been idle
- Restarting in preparation for disruption to production due to downtime caused by future investments
 - Reserve stocks to be built up to safeguard deliveries
- Restarting is justified also from the slab stock management point of view and to ensure customer deliveries in the near future
- Work on restarting will begin immediately
- Blast furnace will reach its target production speed in about four weeks





RUUKKI

Operational excellence programme “Boost” progresses to plan

Boost programme
**ensures
sustainable
development** at
Rautaruukki

Cost savings under
the Boost
programme
amounted to **around
€10 million** during
**the first quarter
of 2009**

Actions under Boost
are expected to
deliver cost savings
of **around €50
million** during 2009

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

Difficult market conditions have required significant adjustment measures

- Corporate-wide workforce reductions of around 1,500 persons
 - Around half of the reductions relate to actions to improve efficiency
 - Workforce reductions in Finland affect around 500 persons, some 300 of which are covered by pension arrangements
- Around 4,800 people are affected by temporary lay-offs
 - Lay-offs in Finland affect around 4,300 people, some 900 of which are being laid off at any one time
 - The time and duration of lay-offs varies according to site



It is estimated that cost savings delivered by the Boost programme and other adjustment measures under way will **exceed EUR 80 million** during the current year

Near-term outlook



Near-term outlook (1/3)

GENERAL

- It still remains challenging to anticipate market development and there are few noticeable signs of an upturn in sight
- Consequently, the company expects weak market conditions to continue also during the second quarter

COSTS

- The company expects cost savings achieved through operational efficiency actions and adjustment measures to impact partly already during the second quarter, but not to impact in full until during the second half of the year
 - Cost savings from the Boost programme and other adjustment measures already under way are expected to exceed EUR 80 million during the current year
- The costs of raw materials used in steel production are expected to fall significantly
- Restarting the blast furnace that has been idle will increase the steel production capacity utilisation rate and clearly improve cost efficiency

Near-term outlook (2/3)

DIVISIONS

Ruukki Construction

- Conditions for a significant recovery in demand are not likely to materialise until:
 - customer confidence in the market picks up
 - investment willingness and
 - financial market conditions improve
- Demand varies by country:
 - high level of bids and tendering activity in some countries (Finland, other Nordic countries and Poland)
 - national economy definitely weaker in some other countries (Baltic states, Hungary, Ukraine)
- Infrastructure construction expected to pick up somewhat and recovery measures taken by the public sector to foster demand

Ruukki Engineering

- Demand expected to remain weak from equipment manufacturers in the lifting, handling and transportation industry
- Demand from equipment manufacturers in the energy industry is expected to continue at a good level
 - even though uncertainty on the financial markets might also impact on new wind farm projects
- Split market conditions in plate products and components in the shipbuilding industry:
 - work is still underway on customers' existing order books
 - few new orders

Ruukki Metals

- No major improvement in overall picture for demand over the next few months
 - even though the unwinding of stocks is expected to level off during the second quarter
- Price level of steel products is expected to stabilise
 - once stocks have been unwound and negotiations on the prices of raw materials have ended

Near-term outlook (3/3)

Assessment of expected performance

Q2/2009

- The company expects net sales for Q2 to be similar to those for Q1
- The result before taxes for Q2 is expected to remain clearly negative, although to show some improvement on the result for Q1

H2/2009

- Based on efficiency actions and adjustment measures already under way, estimated lower costs of raw materials used in steel production and improved cost efficiency in steel production, the company considers that it has the potential to achieve a positive result before taxes during the second half of the year

Summary

- Market conditions remained extremely difficult throughout the report period
- Comparable consolidated net sales and operating profit were clearly down year on year
- Cash flow was good
- Financial position was strong and gearing low
- Result before taxes for Q2 is expected to remain clearly negative
- The company considers that it has the potential to achieve a positive result before taxes during the second half of the year based on:
 - efficiency actions and adjustment measures under way
 - estimated lower costs of raw materials used in steel production
 - improved cost efficiency in steel production after the restart of blast furnace



NUUKIKI

more with metals

Appendix

Key figures: Q1/2009

€m	Q1/09	Q1/08	2008
Net sales *)	506	925	3,829
Operating profit (EBIT) **)	-113	141	584
as % of net sales **)	-22.2	15.3	15.3
Result before taxes **)	-122	139	564
Result for the period	-90	106	406
Earnings per share, diluted, €	-0.65	0.77	2.93
Return on capital employed, % ***)	14.5	28.9	25.6
Gearing ratio, %	7.4	-3.7	7.9
Gross capex ****)	40	49	229
Cash flow before financing activities	30	101	169
Personnel (average)	13,460	14,644	14,953

*) Comparable net sales, **) 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
Net sales ^{*)}					
Ruukki Construction	225	285	309	248	132
Ruukki Engineering	188	205	184	187	125
Ruukki Metals	511	571	503	412	249
Corporate management and other units	1	-1	0	0	0
Corporate net sales	925	1,060	996	847	506
Operating profit (EBIT) ^{**)}					
Ruukki Construction	21	38	56	17	-13
Ruukki Engineering	32	35	34	27	5
Ruukki Metals	96	106	112	36	-102
Corporate management and other units	-7	-7	-5	-6	-3
Consolidated operating profit	141	172	197	74	-113

*) Comparable net sales

***) Comparable, excluding non-recurring items