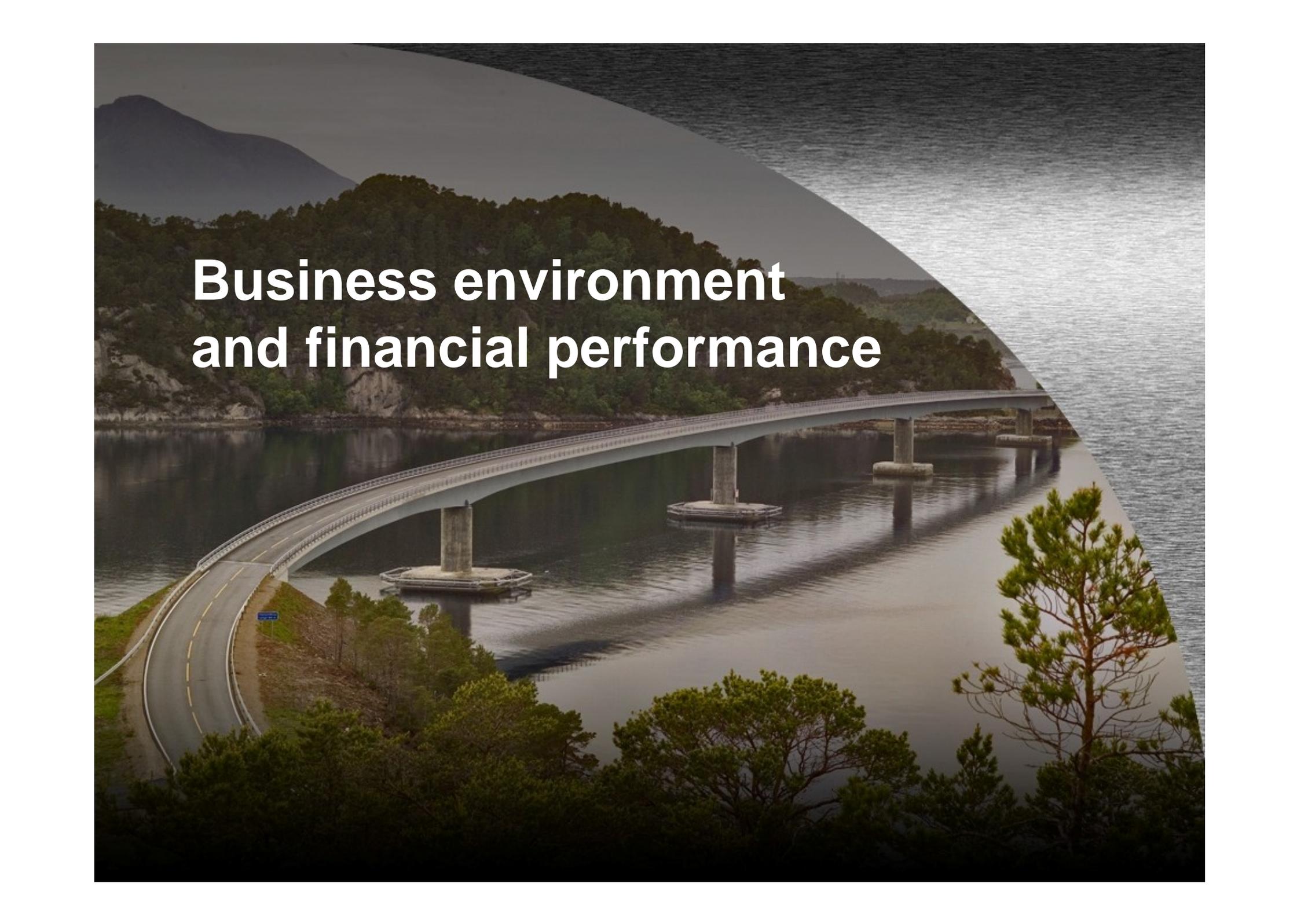


# Interim report Q1-Q3/2008

22 October 2008

**RUUKKI**

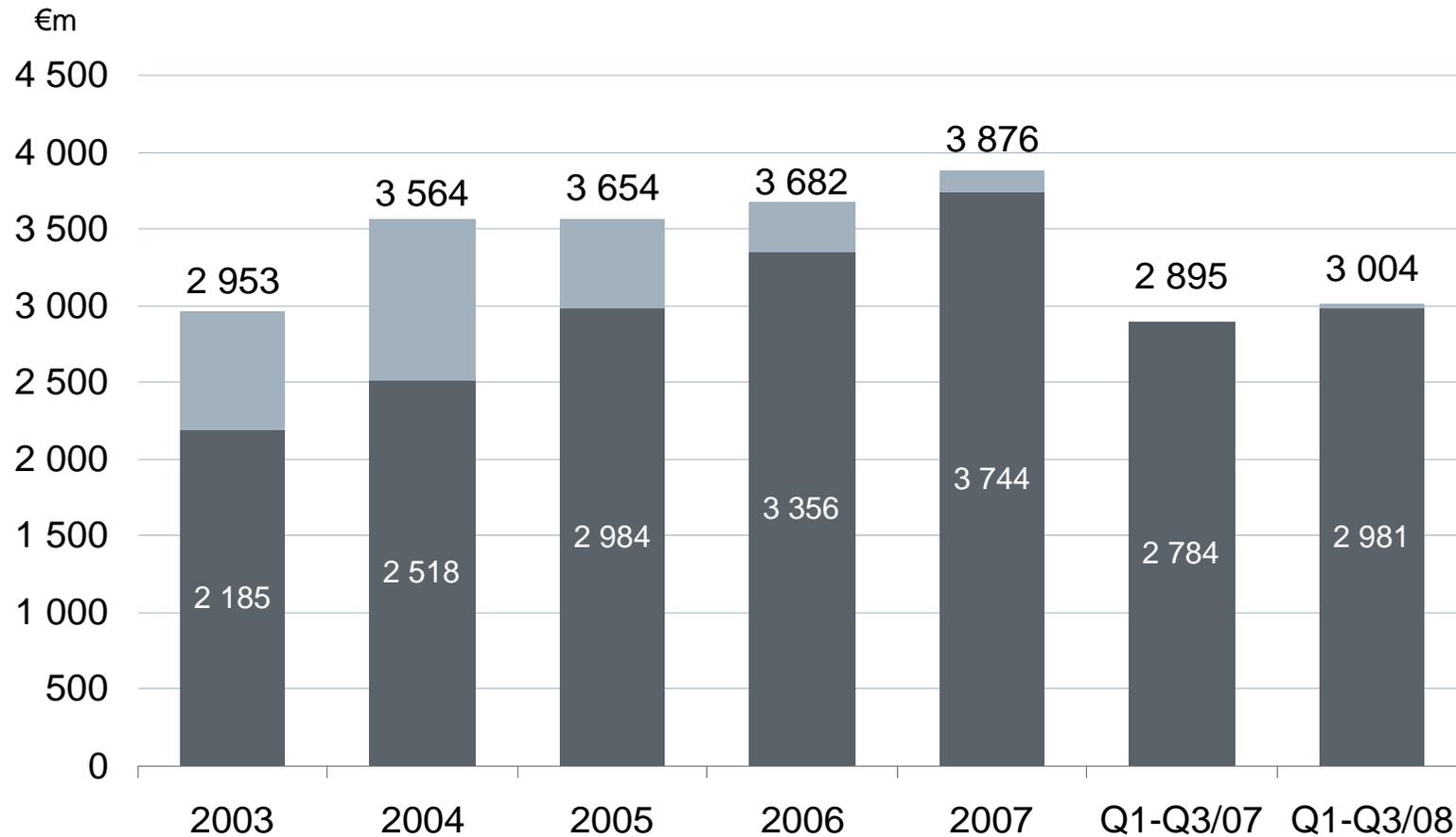


# Business environment and financial performance

# Business environment

- Good market situation in core market areas and main customer industries throughout report period
- Good demand for non-residential construction during Q3. Continued good demand for infrastructure construction. Residential construction market slowed, especially in the Baltics
- Strong order books of engineering customers reflected in good demand also during Q3. Demand continued to grow especially in the lifting, handling and transportation equipment industry and in the energy industry
- Good overall demand for steel products, with further growth in demand especially for special steel and plate products during July-September

# Consolidated net sales

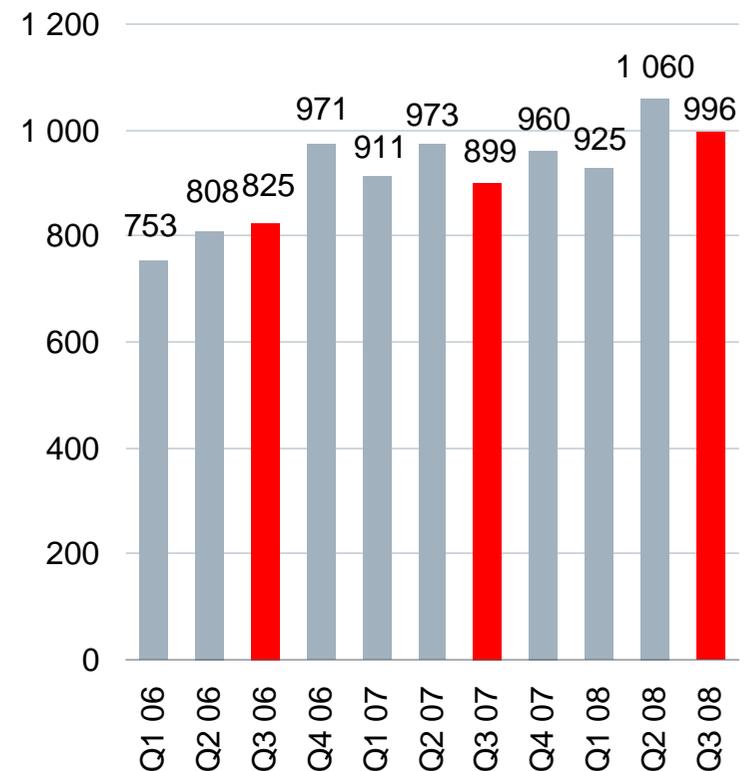


● Comparable net sales based on company's internal accounting (excluding Ovako, Nordic reinforcing steel business and Carl Froh)

# Solutions businesses accounted for 50% of net sales in Q3

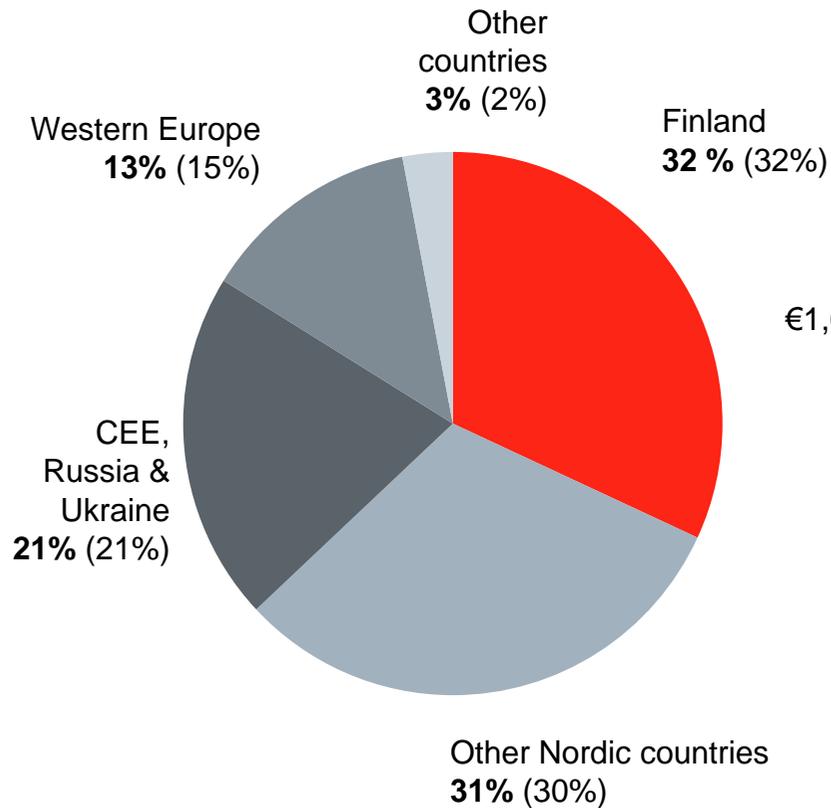
- Consolidated comparable net sales up 11% year on year
- Solutions businesses accounted for 50% (48%) of net sales
- Ruukki Construction increased net sales mostly as a result of the project business and improved prices
- Ruukki Engineering increased net sales especially as a result of good demand for windmill components
- Ruukki Metals' comparable net sales reflect improved prices

Comparable net sales, €m

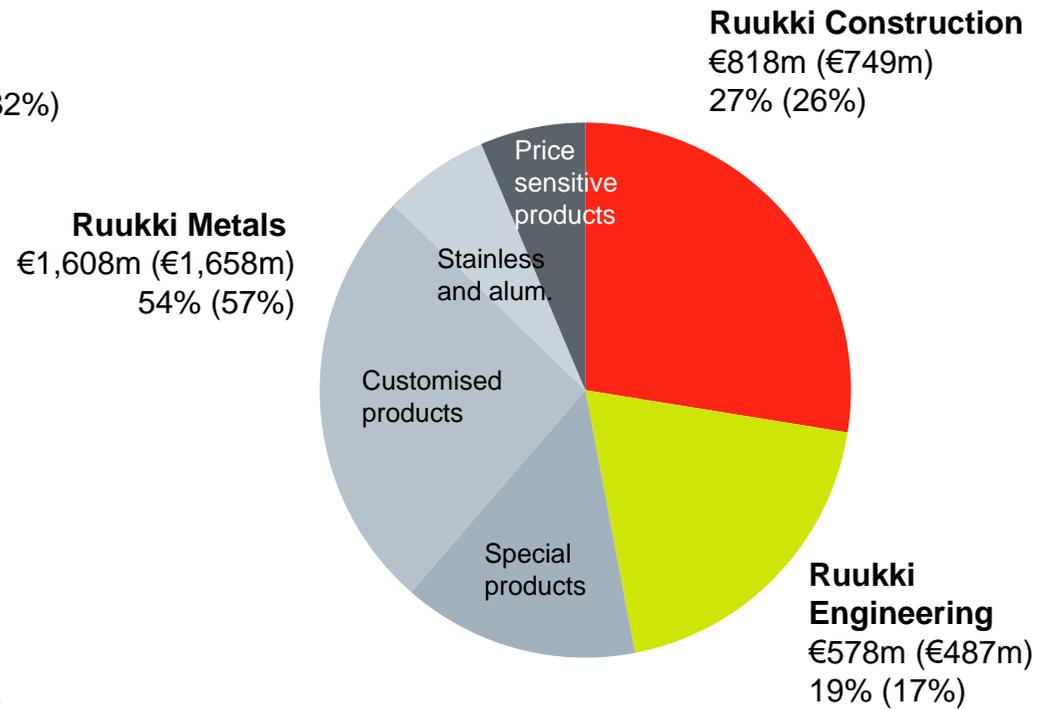


# Q1-Q3/2008: Breakdown of net sales

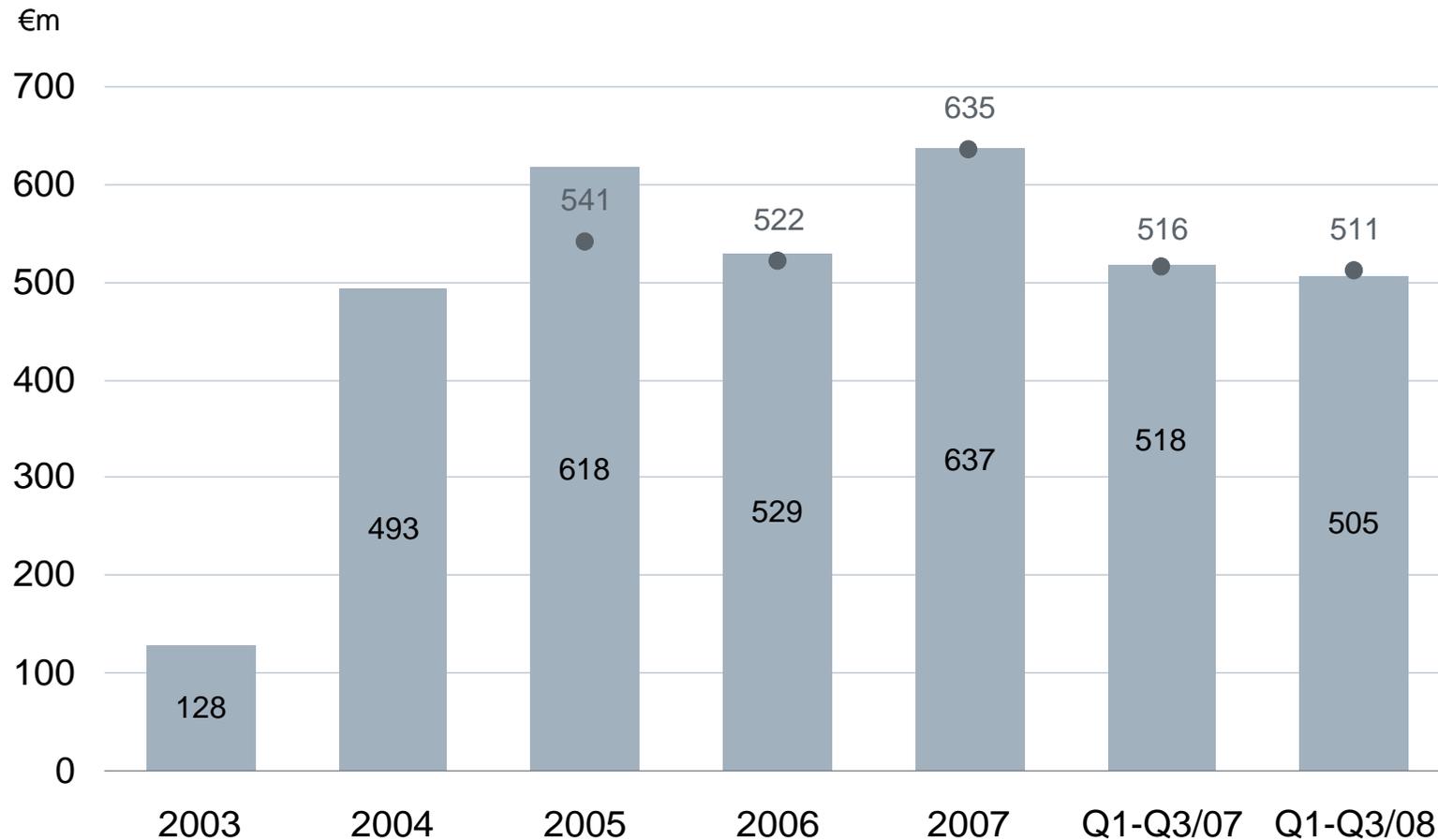
Net sales by region  
Q1-Q3/2008 (Q1-Q3/2007)



Net sales by division  
Q1-Q3/2008 (Q1-Q3/2007)



# Consolidated operating profit

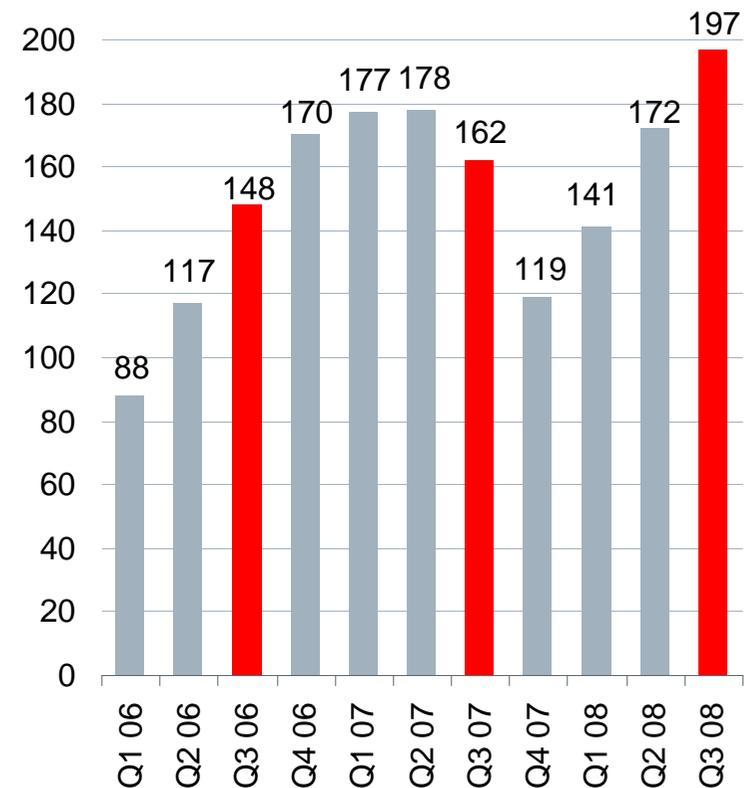


● Comparable net sales based on company's internal accounting (excluding Ovako, Nordic reinforcing steel business and Carl Froh)

# Operating margin stood at 20% in Q3

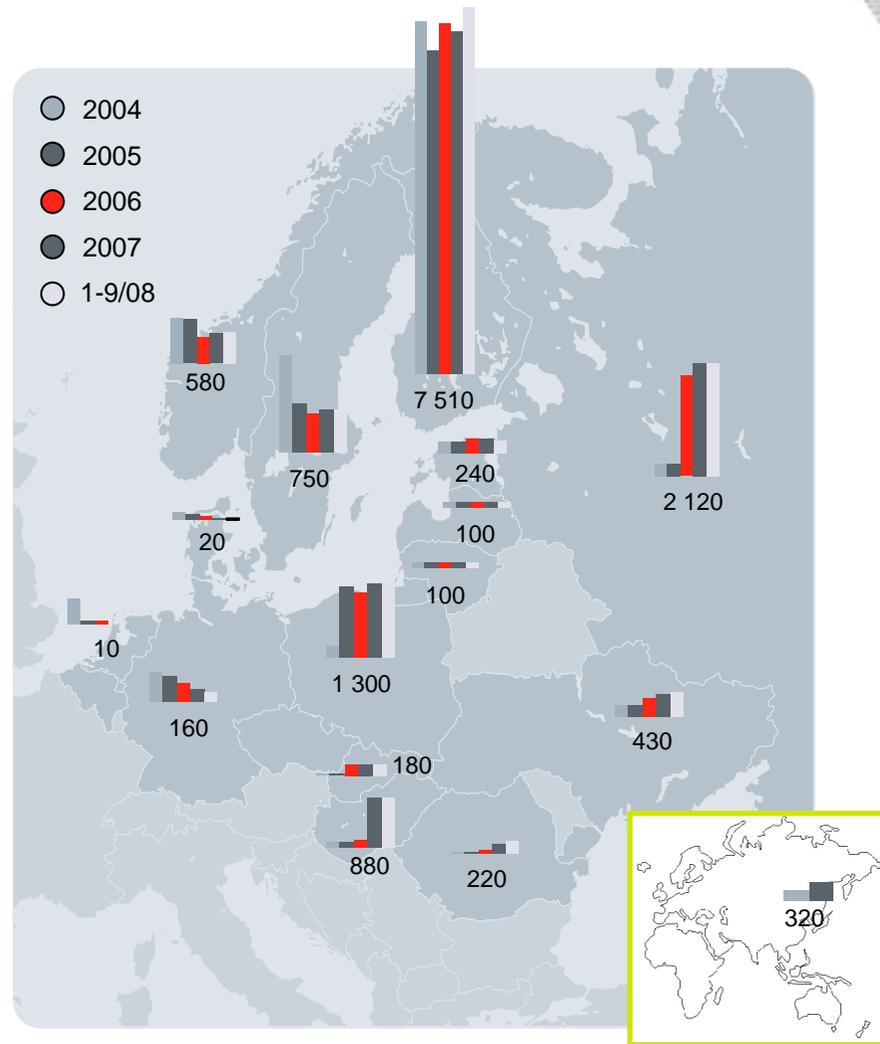
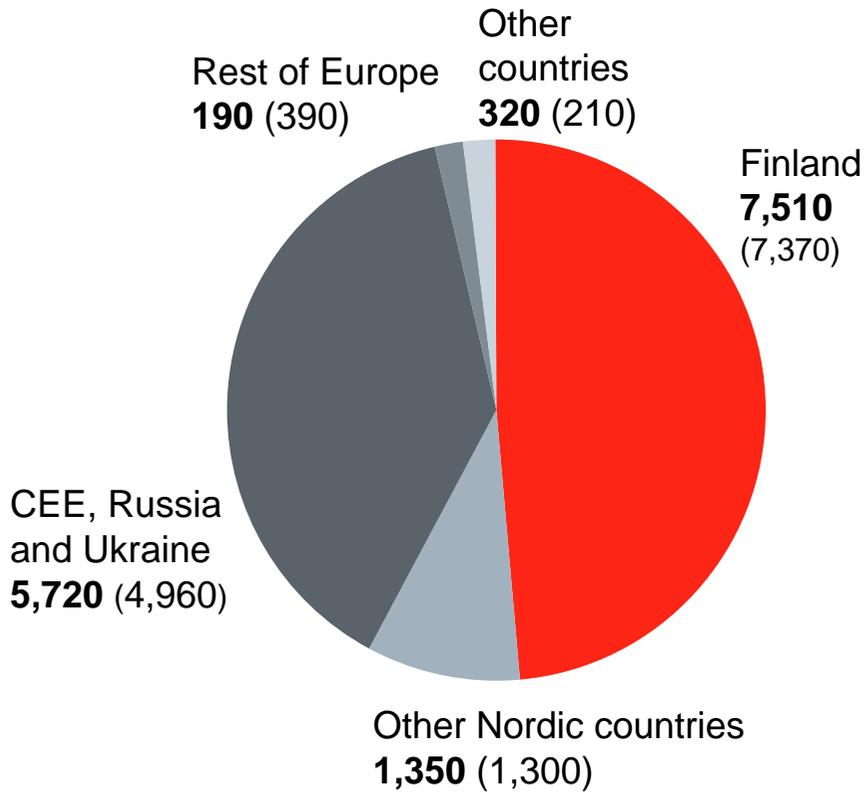
- Solutions business was 45% (47%) of operating profit
- Growth in project and components businesses increased Ruukki Construction's operating profit
- Continued strong demand and profitability improvement programme increased Ruukki Engineering's operating profit
- Higher share of special products increased Ruukki Metals' operating profit, but operating profit from stainless steel was lower compared to the reference period
- Comparable operating profit up 22% year on year
  - Foreign currency hedging had positive impact of €29 million (-11) on operating profit

Comparable operating profit, €m



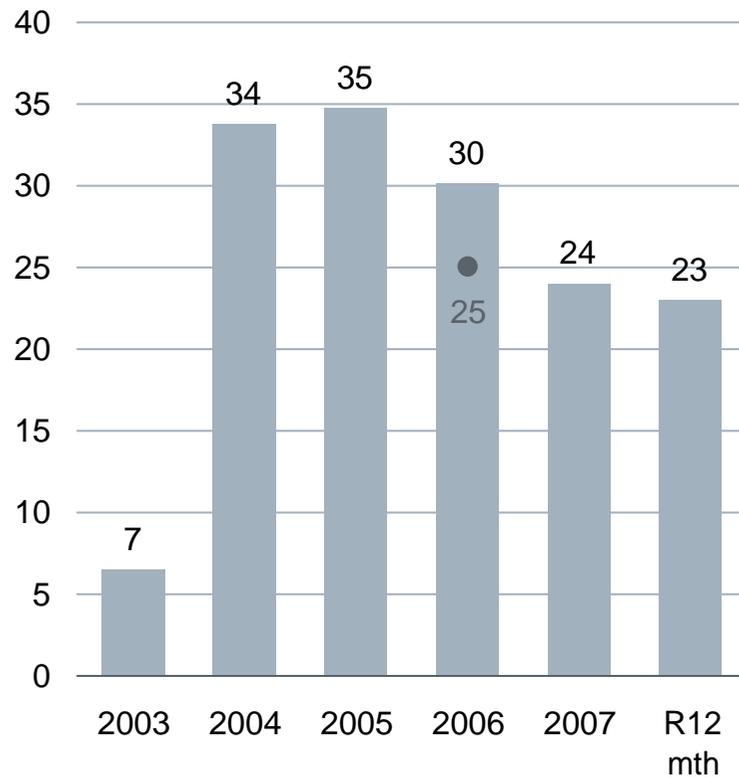
# Headcount and division by region

Personnel Q1-Q3/2008: 15,090  
 (Q1-Q3/2007: 14,230)

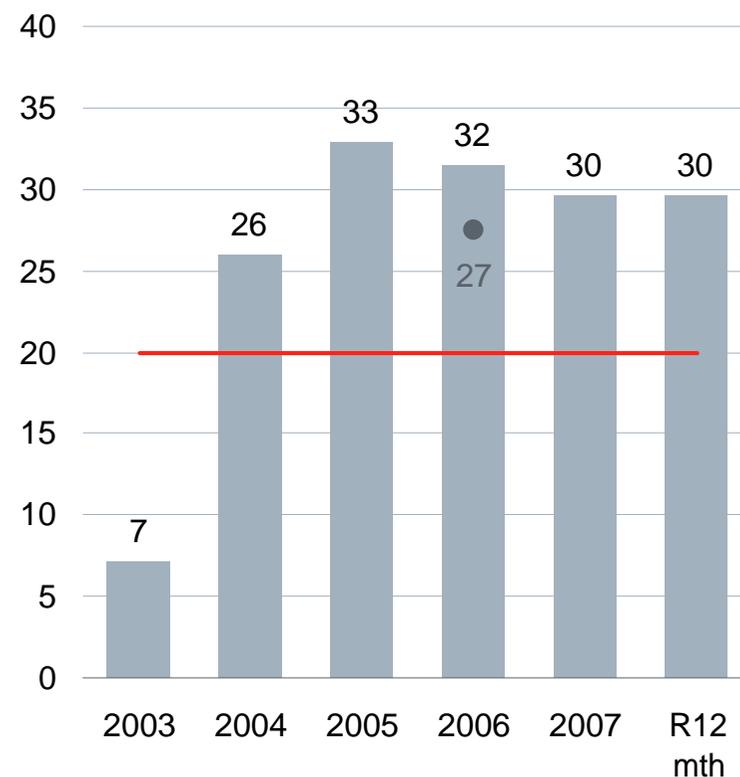


# ROE and ROCE continued at good level

Return on equity, %

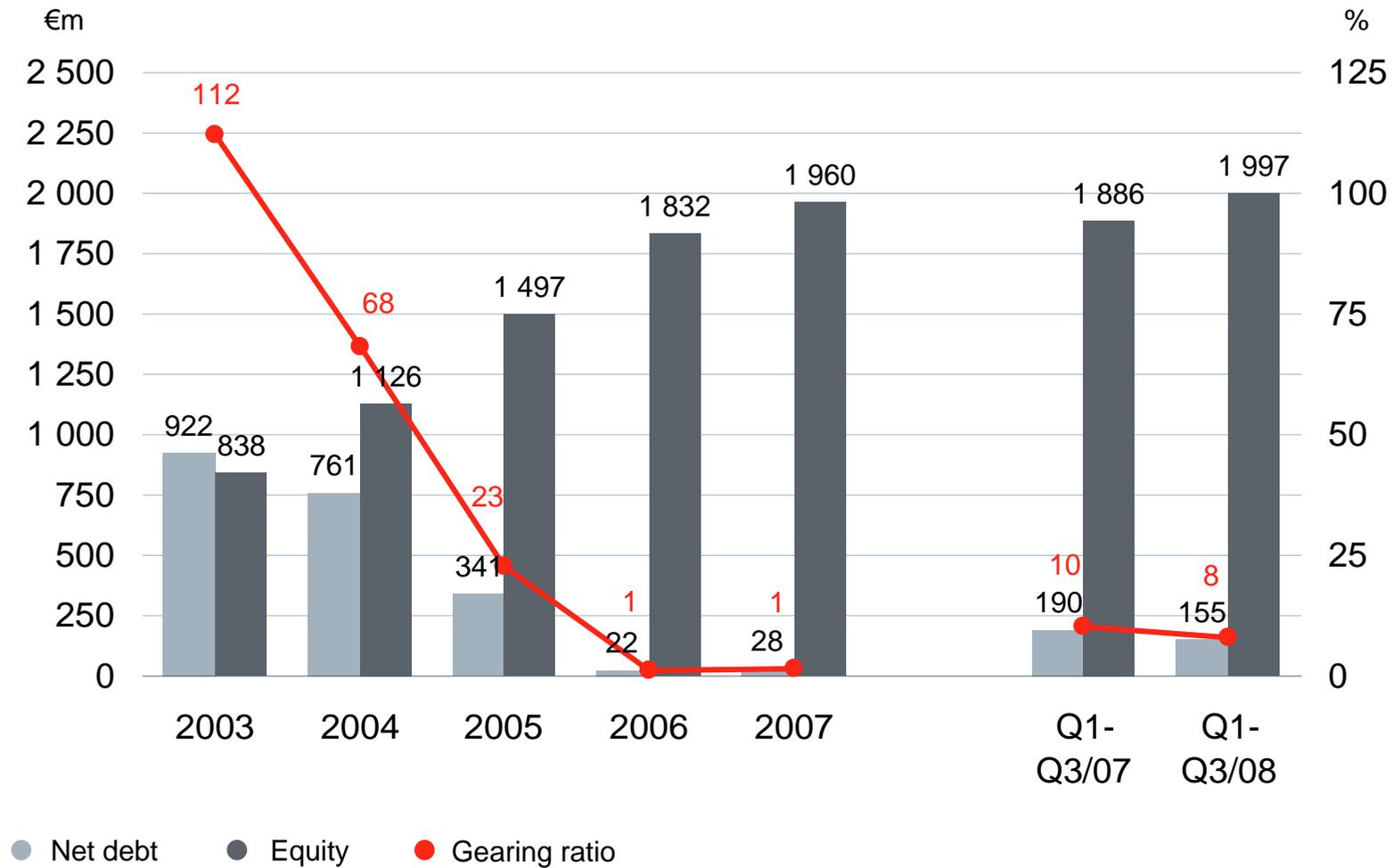


Return on capital employed, %

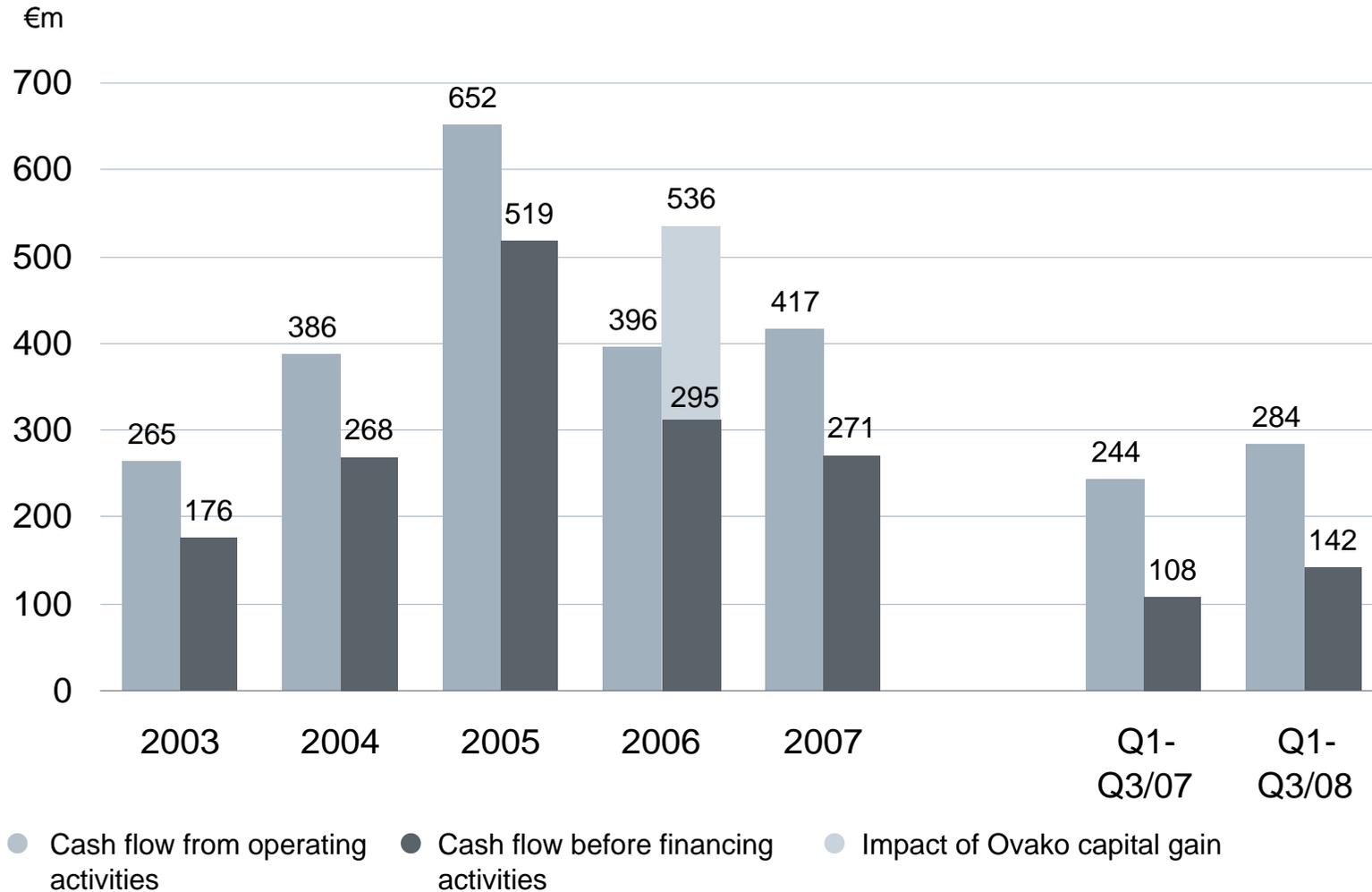


● Excluding Ovako capital gain — Return on capital employed target >20%

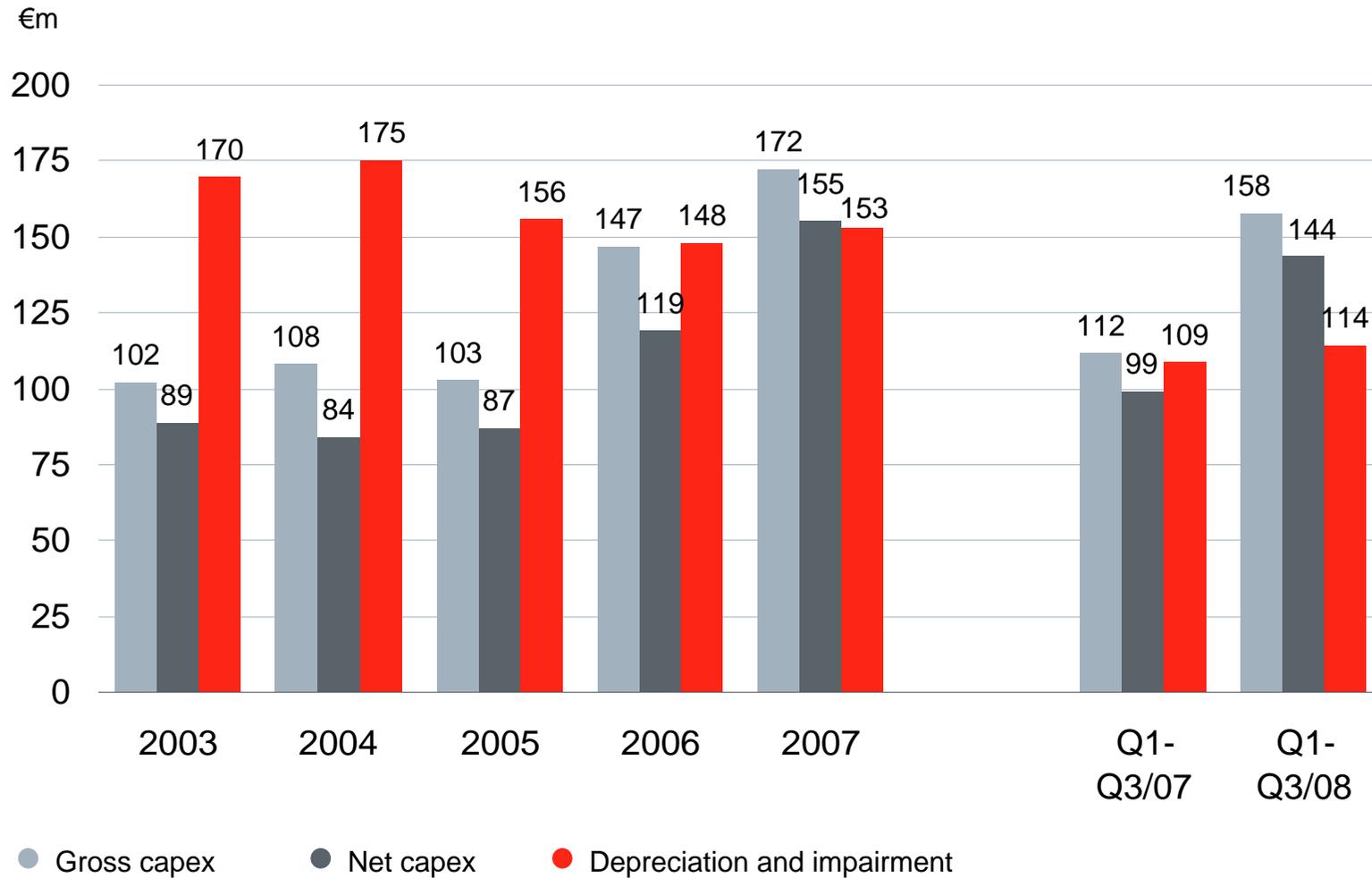
# Strong balance sheet



# Cash flow improved year on year



# Capital expenditure



Rautaruukki Corporation

# Ruukki Construction

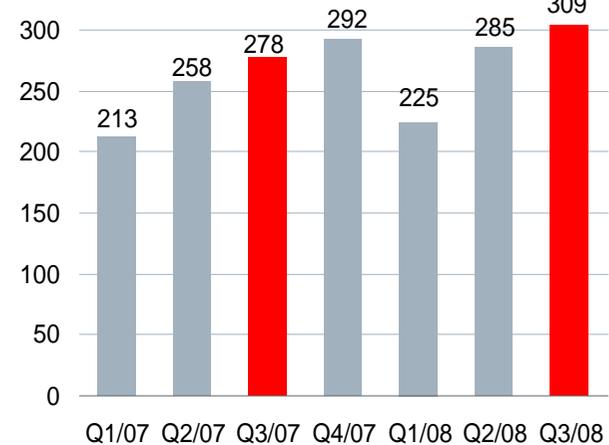
The Ruukki logo is located in the bottom right corner of the image. It consists of the word "RUUKKI" in a bold, red, sans-serif font. The letters are white with a red outline, and the entire logo is set against a white rectangular background.

**RUUKKI**

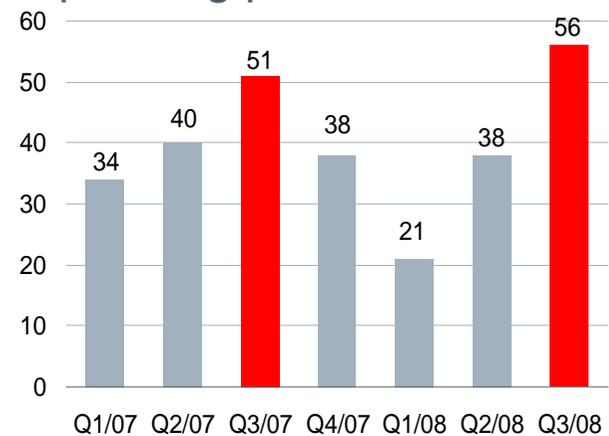
# Ruukki Construction: July-September

- Higher net sales especially as a result of growth of frame and project business in Russia, Romania and Poland
- Continued good demand for infrastructure construction
- Continued good demand for roofing components in Nordic countries, Central Eastern Europe and Russia
  - Shift in focus of demand from new to renovation construction in Nordic countries
  - Demand in Baltics weaker than during the reference period
- Operating profit affected by:
  - Growth in project business (+)
  - Investment programme under way (-)
  - Building of organisation and sales network in Central Eastern Europe (-)

Net sales, €m

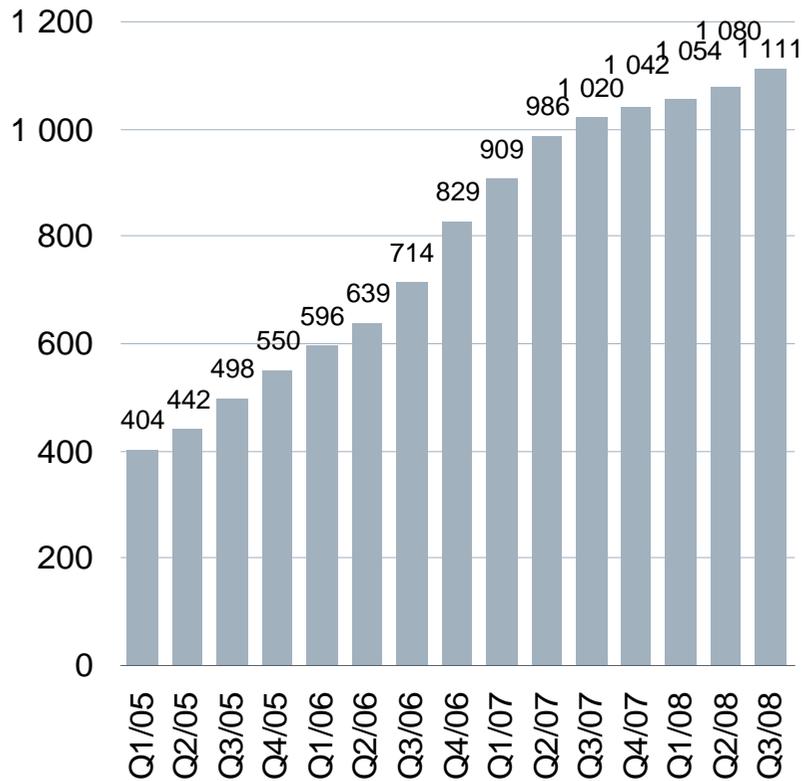


Operating profit, €m

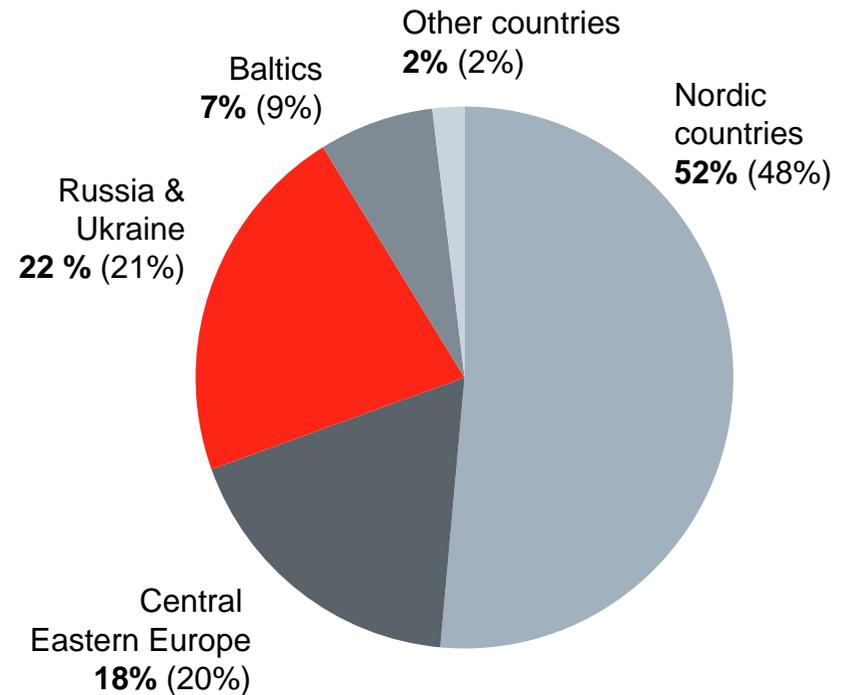


# Ruukki Construction - net sales performance

Net sales (€m)  
Rolling 12 months



Net sales by region Q1-Q3/2008  
(Q1-Q3/2007)



# Good demand for solutions for single-storey construction

- Since launch of the single-storey hall concept in March 2008, Ruukki has sold 15 halls with the tool:

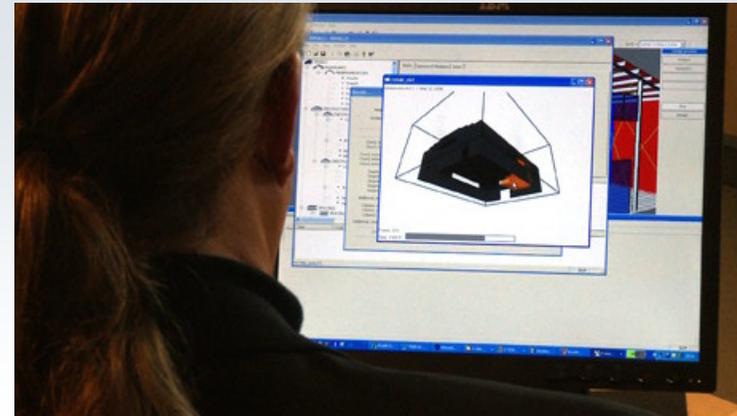
Location	Number of projects sold
Hungary	5
Czech	2
Slovakia	2
Poland	6

- In September, the concept was also rolled out in Romania



# New solution for performance-based fire design launched in September

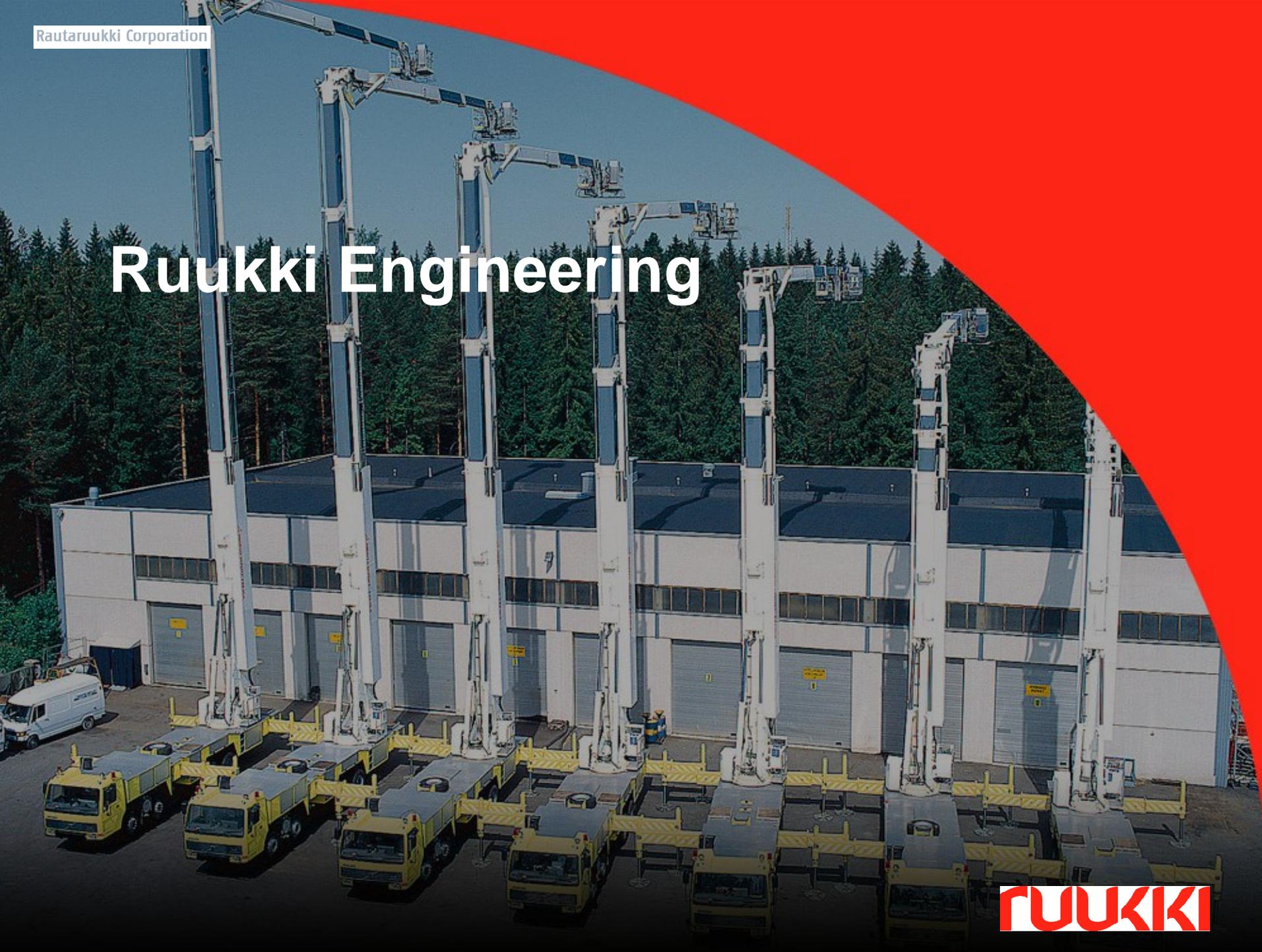
- Combines structural analysis and the product model with fire simulation software used in building design
- Ensures safety for building users in all conditions
  - In addition, designers save time and investors and construction companies benefit financially
- Choosing optimal fire protection methods has a significant impact on the competitiveness of the structural solution
- Based on Ruukki's own and commercial 3D design software



Safer buildings faster and more cost-efficiently

Rautaruukki Corporation

# Ruukki Engineering

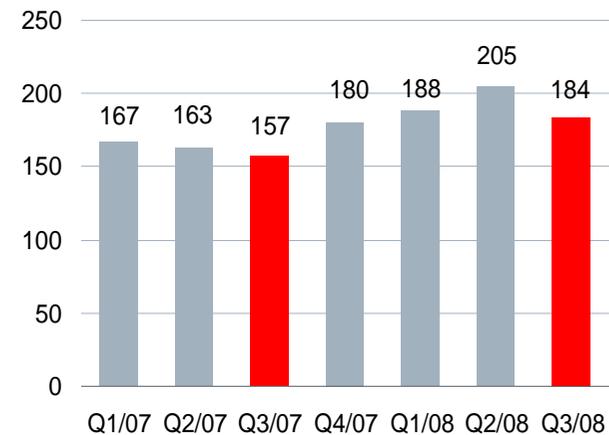


**RUUKKI**

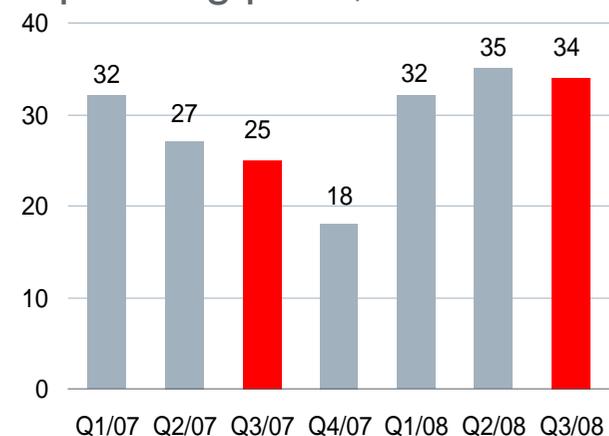
# Ruukki Engineering: July-September

- Higher net sales attributable to:
  - continued good demand in wind power and shipbuilding industries
  - growth of components business
  - increased deliveries to the lifting, handling and transportation equipment industry
- Growth in demand in forest sector has stabilised and demand for booms for small earthmoving machinery has somewhat declined
- Continued strong demand, higher sales prices and profitability improvement programme under way improved profitability
- Ruukki Engineering has been able to compensate the higher costs of raw materials, except for annual contract customers, which account for around 25% of the division's net sales
- Integration of units acquired by the division in Germany and Hungary will be complete by the end of the year

Net sales, €m

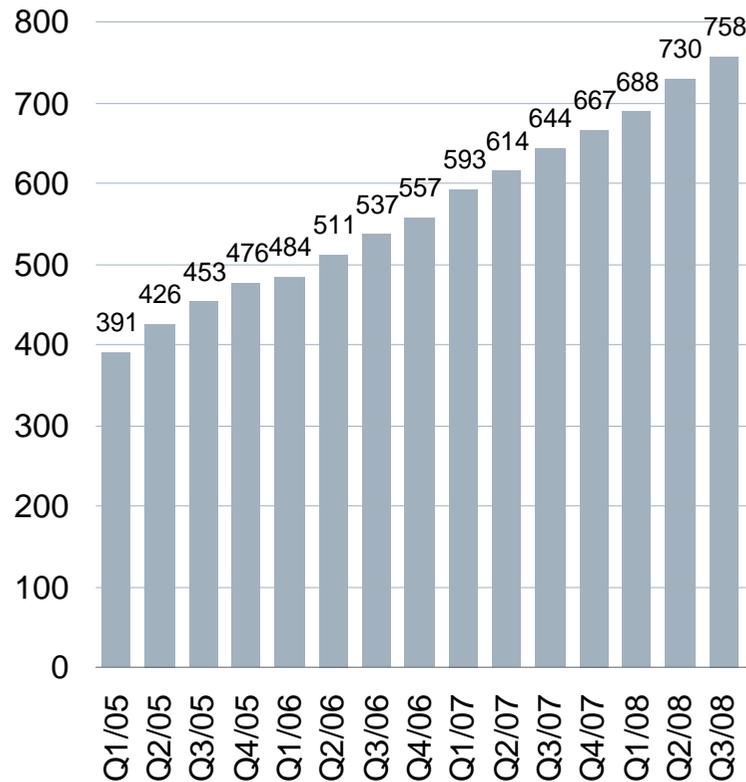


Operating profit, €m

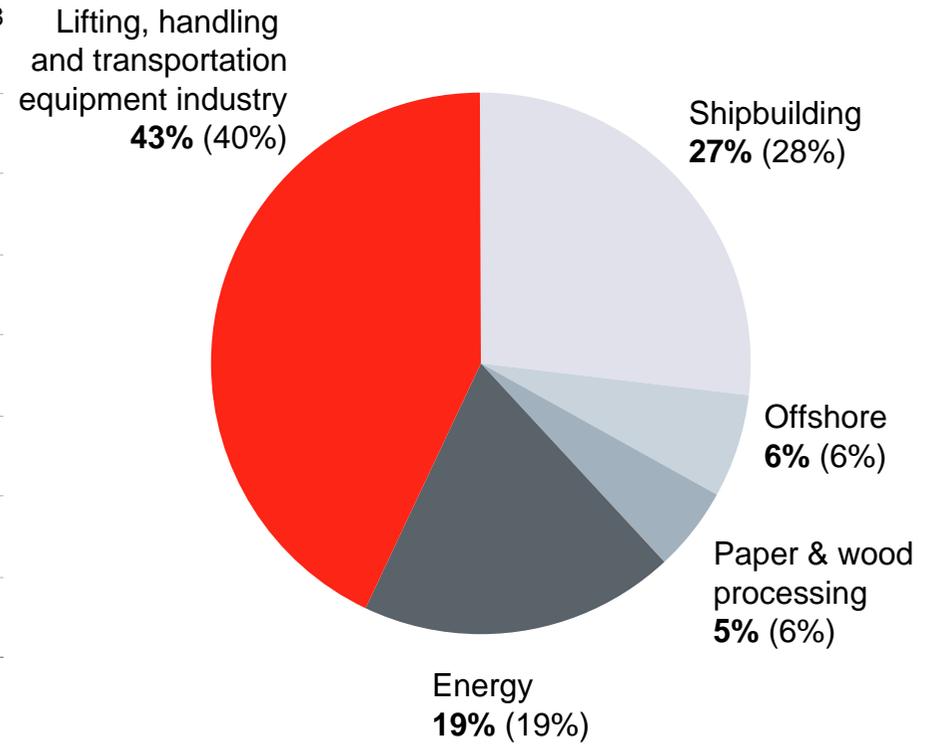


# Ruukki Engineering - net sales performance

Net sales (€m)  
Rolling 12 months

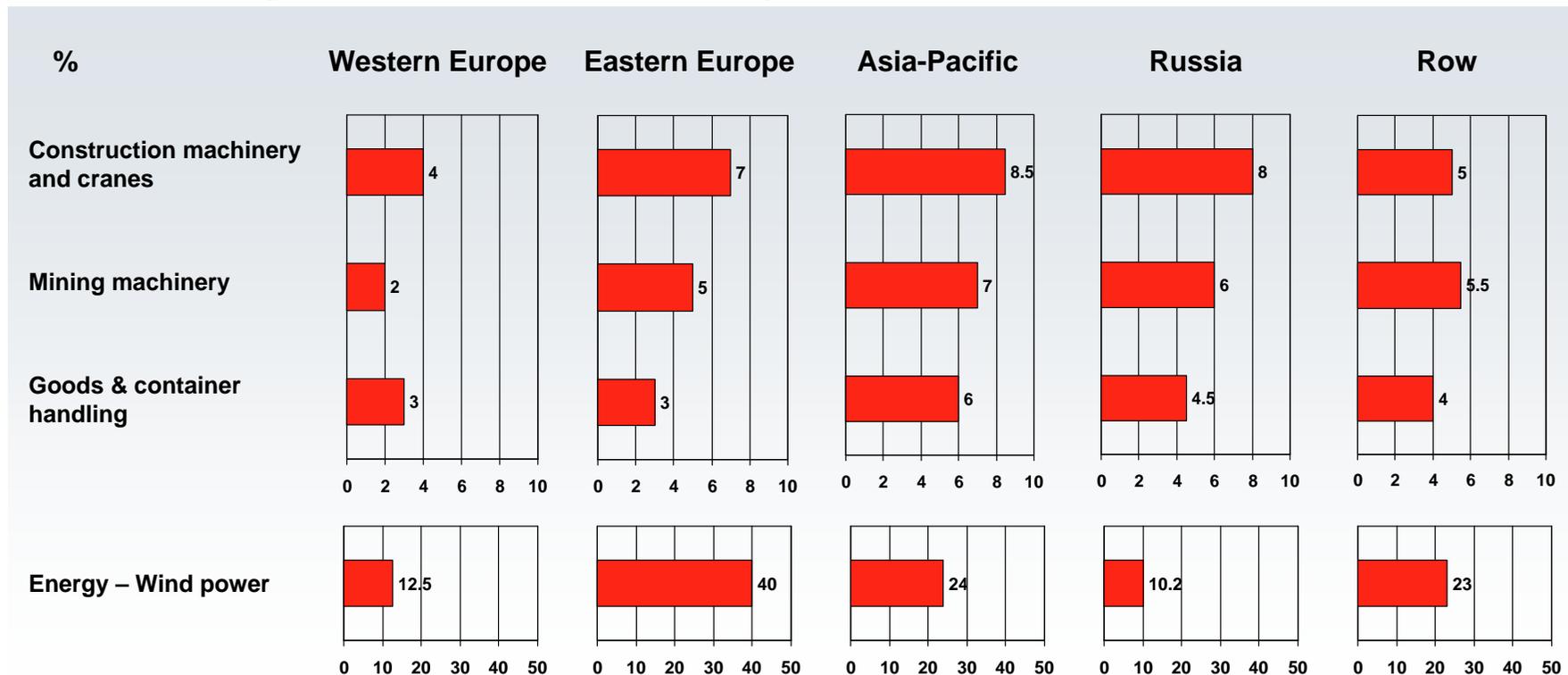


Net sales by customer segment  
Q1-Q3/2008 (Q1-Q3/2007)



# Wind power shows strongest growth potential

Market growth in key customer segments, CAGR 2008-2011



Source: Freedonia (2006-2008), BTM (2008) and company analysis

Rautaruukki Corporation

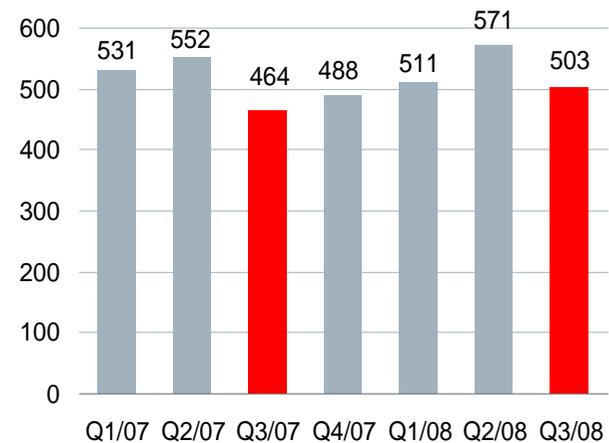
# Ruukki Metals

**RUUKKI**

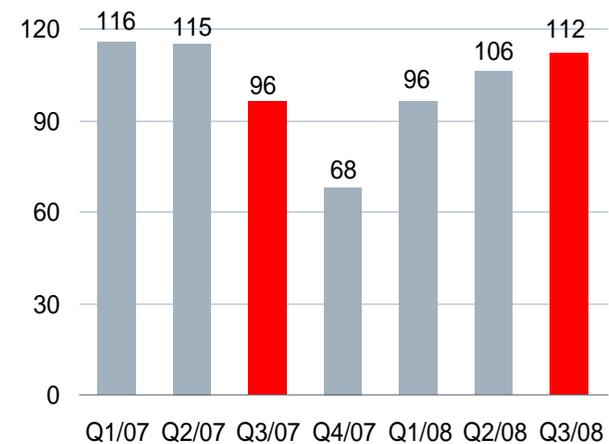
# Ruukki Metals: July-September

- Continued good demand for steel products in all market areas and customer industries
- Higher net sales and operating profit were attributable to growth in sales of special products and increases in sales prices
- Further growth in share of special products of division's net sales to 29 per cent (25) during Q3
- Net sales of stainless steel and aluminium were €51 million (68) in Q3
- Operating profit on stainless steel was lower for Q3 than for reference period
- Price increases are expected to fully cover higher costs of raw materials

Comparable net sales<sup>\*)</sup>, €m



Comparable operating profit<sup>\*)</sup>, €m

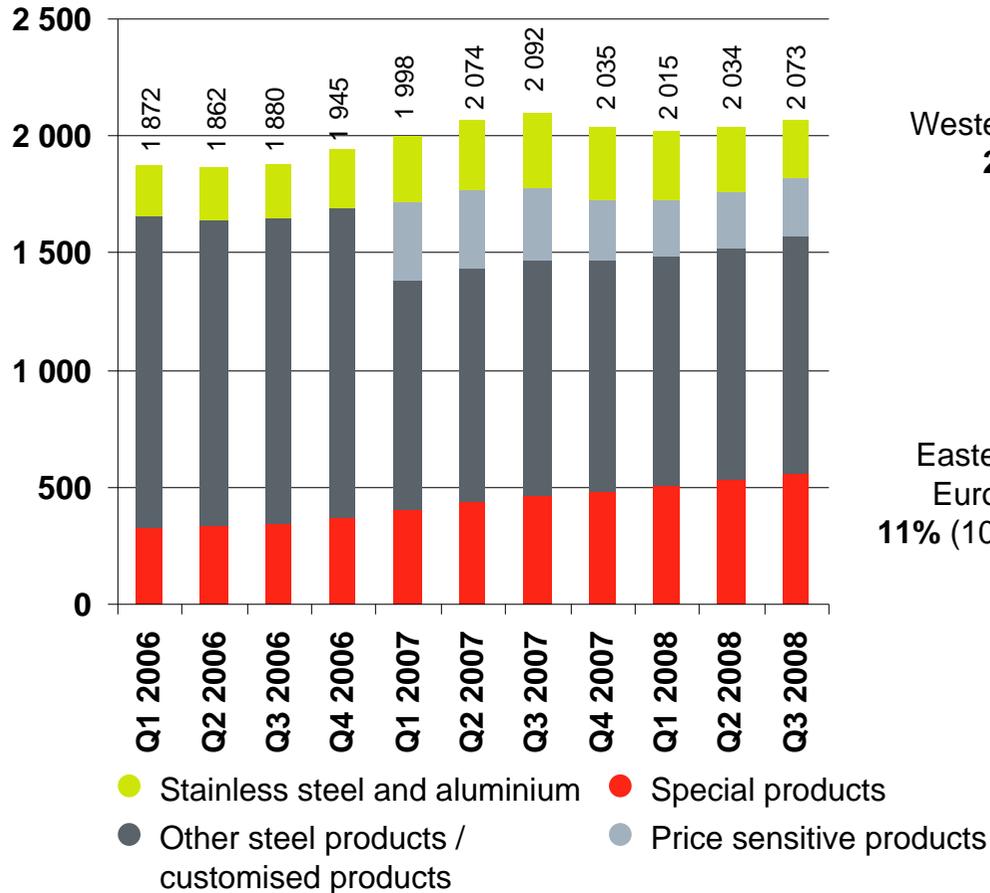


<sup>\*)</sup> comparable figure excludes Ruukki Welbond, Betonstahl and Carl Froh

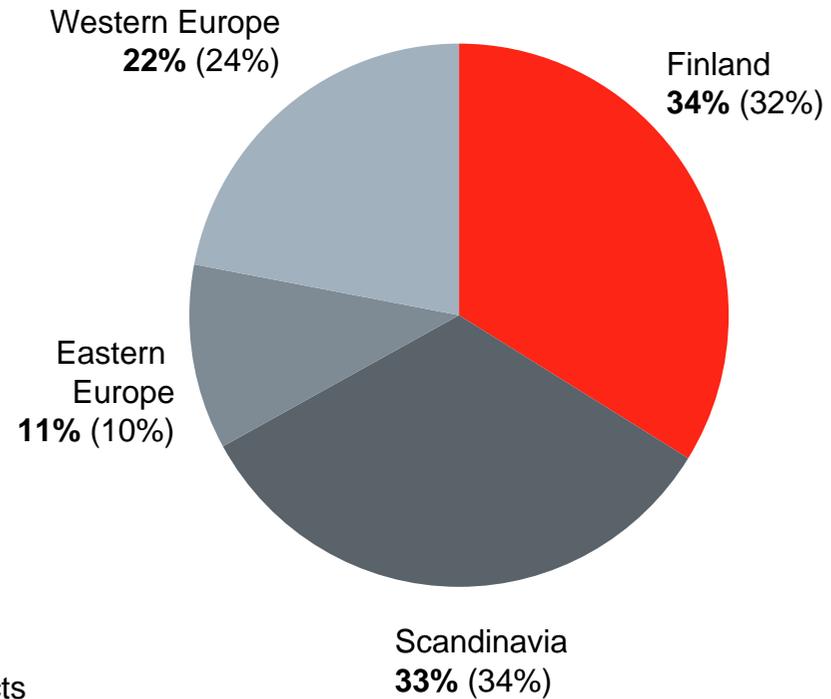


# Ruukki Metals – net sales performance

Net sales (€m)  
Rolling 12 months



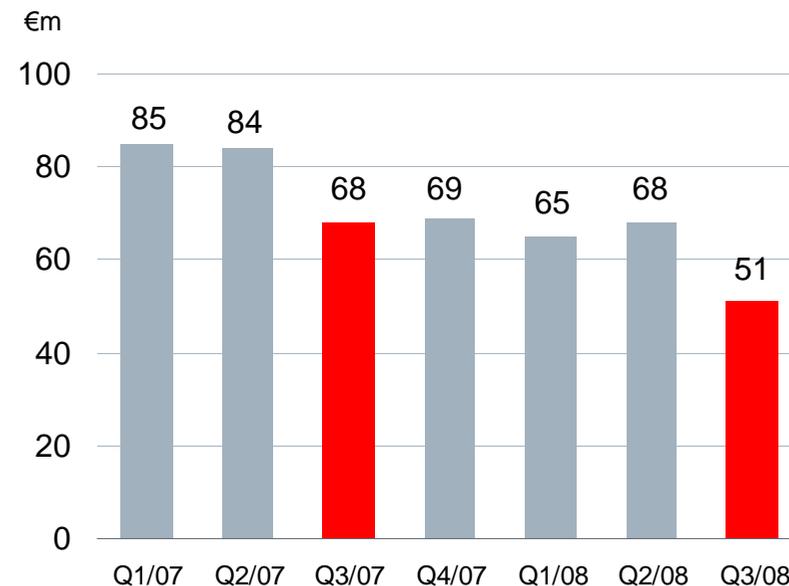
Net sales by region  
Q1-Q3/2008 (Q1-Q3/2007)



# Stainless steel and aluminium as part of Ruukki Metals' business

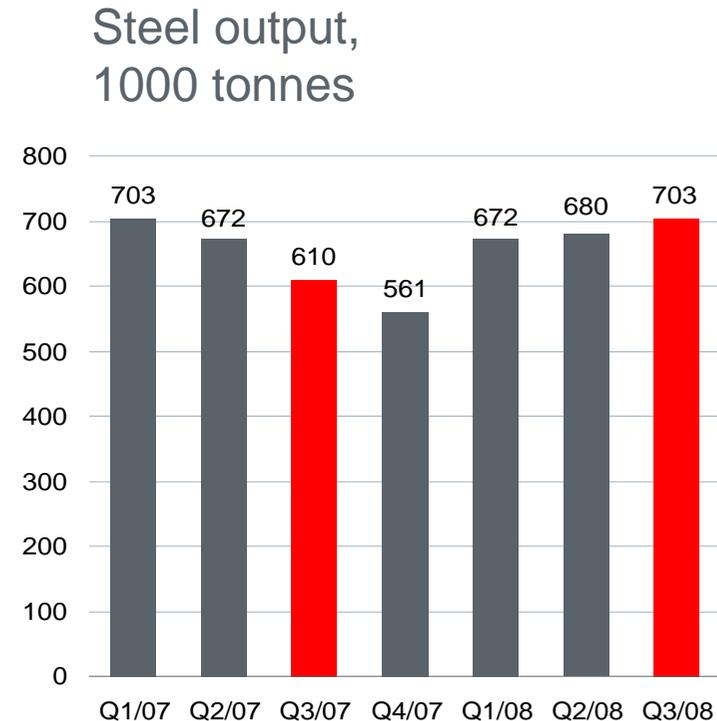
- Steel service centres also provide an extensive range of products not made by Ruukki
  - E.g. stainless steel and aluminium products
- Supplied to customers in standard and prefabricated formats and as components
  - Part of Ruukki Metals' comprehensive products and services portfolio
- Stainless steel and aluminium accounted for €51 million (68) of division's net sales during Q3

Quarterly net sales of stainless steel and aluminium (Q1/2007-Q3/2008)



# Ruukki Production: July-September

- Year-on-year steel output in Q3 grew to 703 thousand tonnes (610)
- Steel production capacity utilisation rate was normal
  - Annual maintenance was mostly carried out in July
- Sharp rise in cost of raw materials on global market during current year
  - Rising costs are expected to add around €220 million to the company's own steel production costs compared to 2007
  - Around one third of the rise in costs was realised during the first half of the year
- Accident frequency rate improved and was 13 incidents (19) per million hours worked



# Outlook for rest of the year



# Outlook for rest of the year (1/2)

- Demand is expected to continue mostly good in Rautaruukki's key customer industries
- The credit crunch, which has spread from the United States, might hamper the ability of Rautaruukki's customers to fund their business and thus affect demand for the company's products
  - However, the company believes any impact of the credit crunch will be less in its core market areas - the Nordic countries, Central Eastern Europe, Russia and Ukraine – than in western Europe
- Demand for non-residential construction has remained good, despite increased uncertainty in the market. The construction markets in Central Eastern Europe and Russia are expected to show further growth
- Good demand is expected to continue in infrastructure construction
- Residential construction activity in the Baltics and in the Nordic countries is expected to slow down

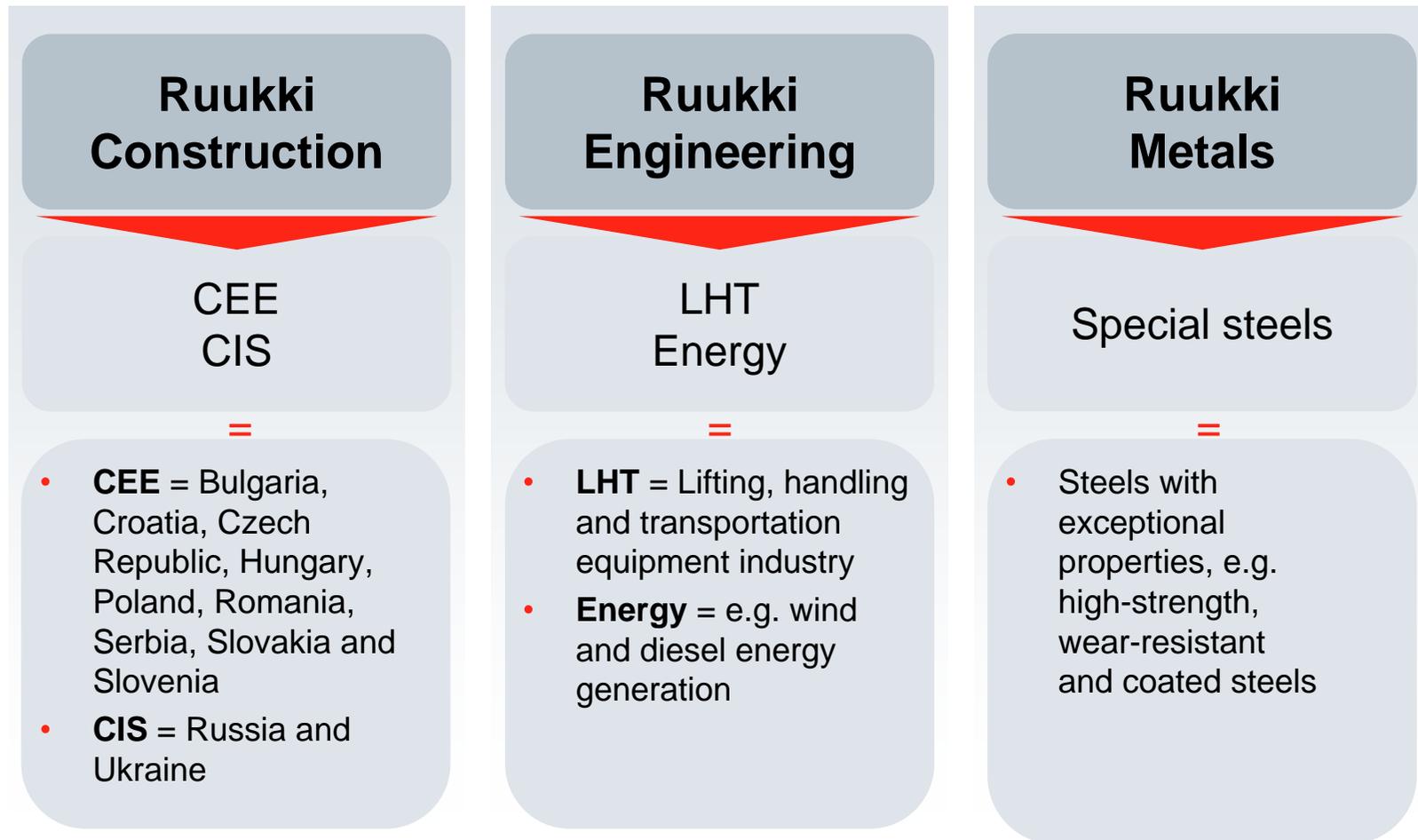
## Outlook for rest of the year (2/2)

- Continued good demand for the company's products is expected from engineering industry customers
  - Order books of customers in the lifting, handling and transportation equipment industry are strong and demand is expected to remain at a good level
  - Continued strong demand is expected in the energy industry - especially within the wind power sector - and in the shipbuilding industry.
- Demand for steel products is expected to continue mostly good
  - Demand for plate and special steel products for the engineering industry is still showing growth
  - Increasing uncertainty in demand within the automotive industry is expected to be reflected in sales of galvanised products
  - Net sales of stainless steel are expected to be below the 2007 level
- **Comparable consolidated net sales growth during the current year is expected to remain somewhat below the 10 per cent net sales growth target announced earlier. Operating profit in 2008 is expected to be higher than in 2007.**

An aerial photograph of a modern cable-stayed bridge spanning a wide river. The bridge features a prominent white pylon and multiple stay cables. The scene is captured at sunset, with a warm orange and yellow glow on the horizon. The river reflects the sky, and the surrounding cityscape and mountains are visible in the background. The image is framed by a dark, curved border on the right side.

**Selected growth  
segments and boosting  
operational efficiency**

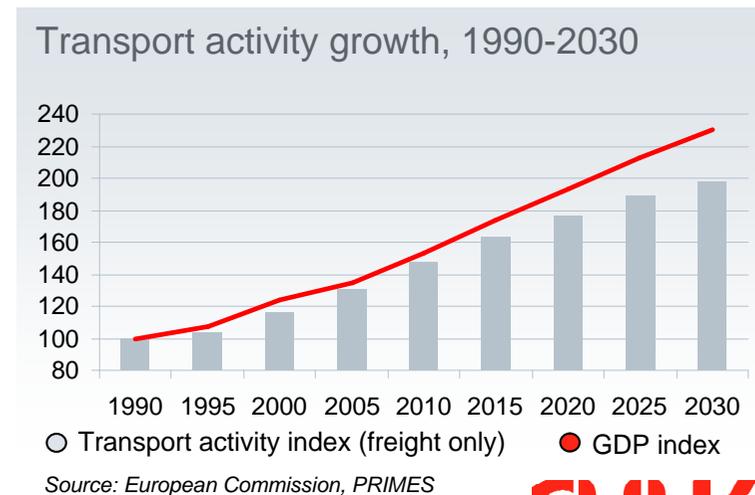
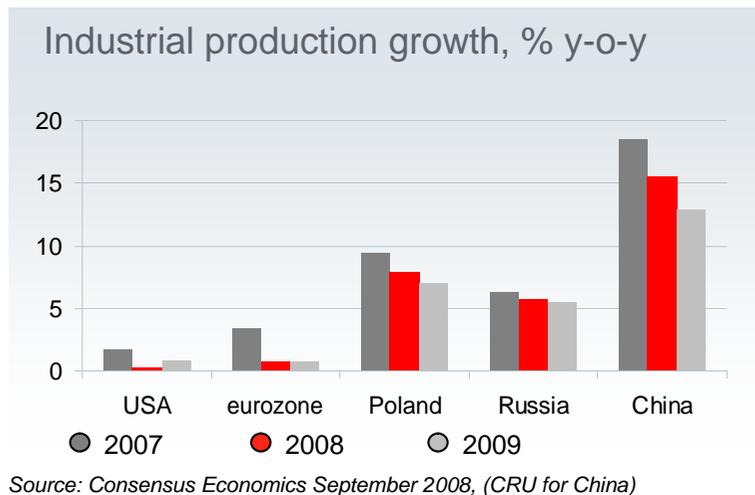
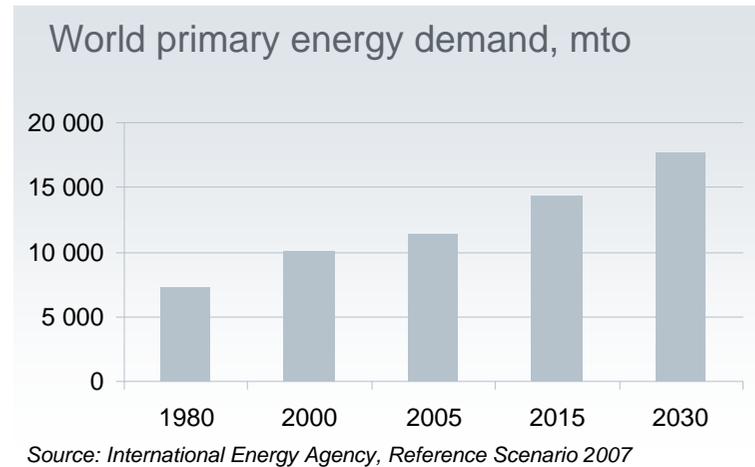
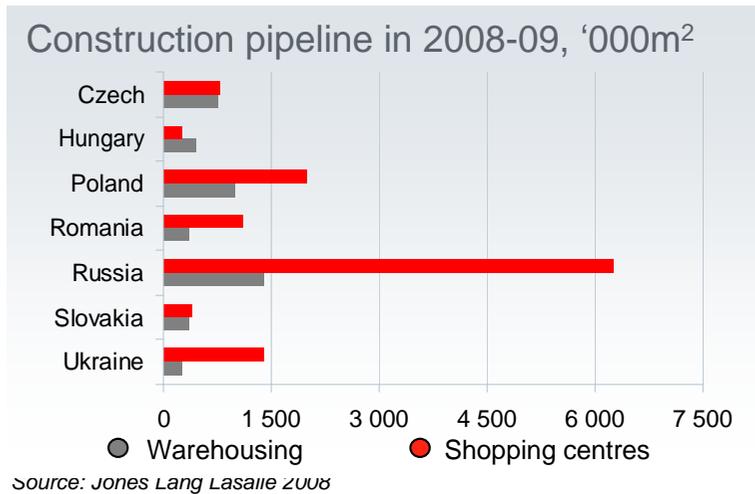
# Focusing on selected growth segments



# Fundamental long-term growth drivers

Segment	Long-term drivers	Evident in
Construction <b>CEE &amp; CIS</b>	<ul style="list-style-type: none"><li>• Growth in wealth of economies</li><li>• Construction neglect</li></ul>	<ul style="list-style-type: none"><li>• Lack of infrastructure</li><li>• Need for new construction and renovation of existing buildings</li><li>• Steadily growing middle-class investing in residential housing</li></ul>
Engineering <b>LHT</b>	<ul style="list-style-type: none"><li>• Globalisation</li><li>• Productivity development</li></ul>	<ul style="list-style-type: none"><li>• Growth in industrial production and production capacity</li><li>• Build-up of new economies</li><li>• Increasing worldwide transportation</li><li>• Modernisation of equipment to increase efficiency</li></ul>
Engineering <b>Energy</b>	<ul style="list-style-type: none"><li>• Need for energy</li><li>• Renewable energies</li></ul>	<ul style="list-style-type: none"><li>• Growth and increase in number of wind farms</li><li>• Growth in demand for technological solutions in new forms of energy</li></ul>
Metals <b>Special steels</b>	<ul style="list-style-type: none"><li>• Productivity</li><li>• Energy efficiency</li></ul>	<ul style="list-style-type: none"><li>• Need for robust, long-lasting and energy-efficient products</li></ul>

# Growth evident in ...



# Introducing new operational excellence programme “Boost”

- Enablers of further operational efficiency and improved profitability:
  - ramping up of investments
  - optimising new manufacturing network
  - new technologies
  - recent investments in ERP and production automation
  - standardisation of internal processes

Programme is launched to ensure continuous improvement across Ruukki

Key in creating sustainable competitive advantage and improved profitability

Targeted EBIT improvement of **€150 million** by the end of 2011, compared to 2008 level

# Ruukki's raised EBIT margin target

- Due to:
  - Sustainable fundamentals
  - Efficient business structure
  - Chosen healthy growth segments
  - Successfully executed Ruukki United efficiency programme
  - New operational excellence programme “Boost”
  
- Other financial targets unchanged:
  - Top-line growth >10% p.a.
  - Return on capital employed >20%
  - Gearing ratio ~60%



Ruukki raises its EBIT margin target from 12% to >15%

# Appendix

# Key figures

€m	Q1-Q3/08	Q1-Q3/07	Q3/2008	Q3/2007
Net sales *	2,981	2,784	996	899
Operating profit (EBIT) *	511	516	197	162
as % of net sales	17.1	18.5	19.7	18.0
Profit before taxes *	508	510	195	162
Earnings per share, €	2.65	2.74	1.00	0.85
Return on capital employed, %	29.6	33.2 **		
Gearing ratio, %	7.8	10.1		
Gross capex	158	112		
Cash flow before financing activities	142	108		
Personnel (average)	15,086	14,225	15,285	15,056

\*) Comparable figures exclude business operations of Ruukki Betonstahl GmbH, Ruukki Welbond BV and Carl Froh GmbH, which have been divested

\*\*\*)The figure excludes a capital gain of €100 million on the divestment of Ovako

# Extraordinary items

€m	Q1	Q2	Q3	Total
Strikes	-3	-5	0	-8
Loss on divestment of Carl Froh	0	-7	0	-7
Change in IFRS interpretation of disability benefit	0	-3	-2	-5
<b>Extraordinary items, total</b>	<b>-3</b>	<b>-15</b>	<b>-2</b>	<b>-20</b>



**NUUKIKI**

more with metals