

# Interim Report H1/2008

30 July 2008

**RUUKKI**

# Business environment and financial performance

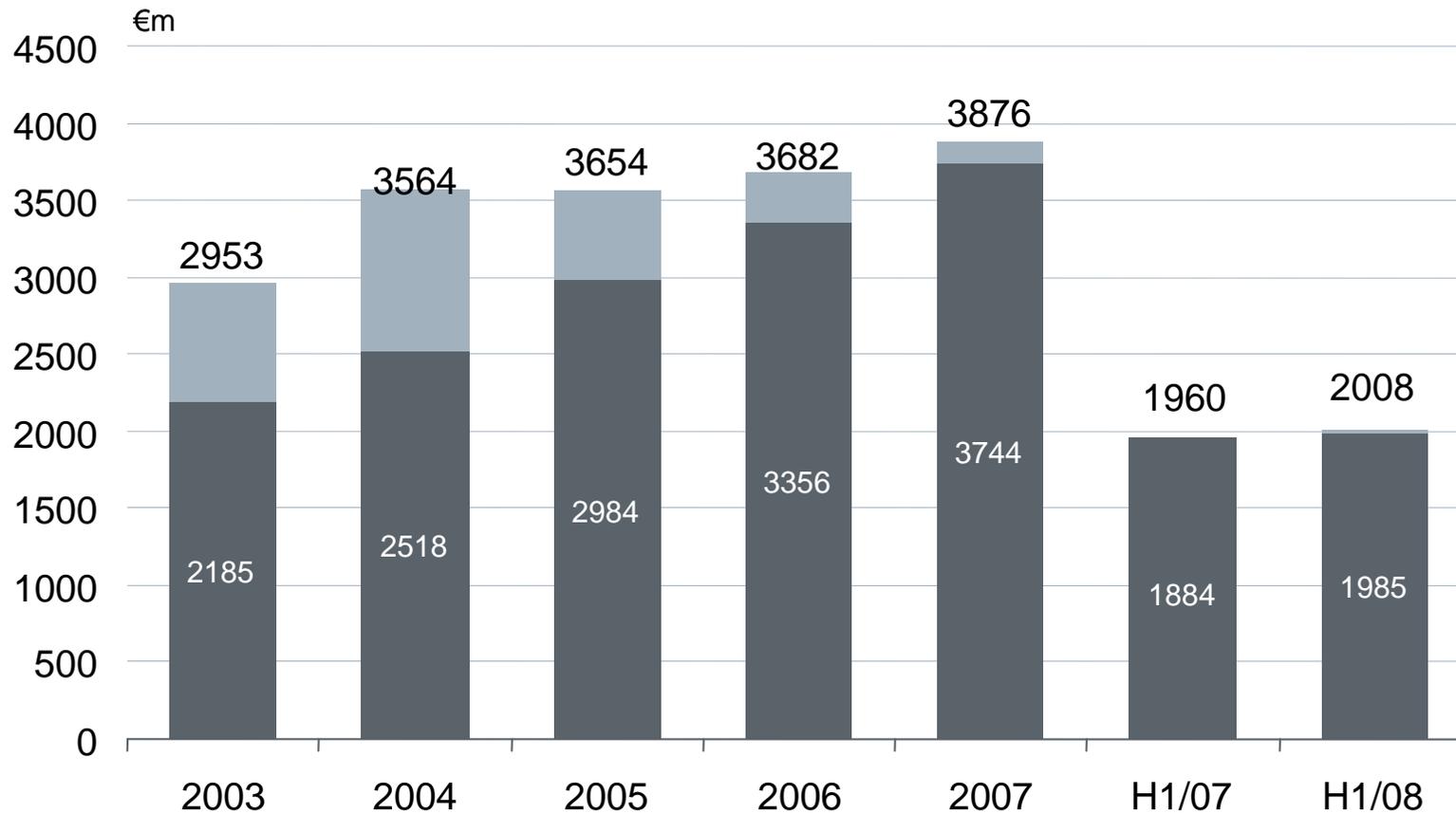


**RUUKKI**

## Business environment

- Continued good market situation on core market areas and main customer industries
- Good demand for non-residential construction, with brisk markets especially in Nordic countries and Russia. Continued good demand for infrastructure construction
- Strong order books of engineering customers reflected in high demand in the lifting, handling and transportation equipment industry and in the energy industry
- Continued good demand for steel products, strong growth in demand for special steel and plate products

# Consolidated net sales

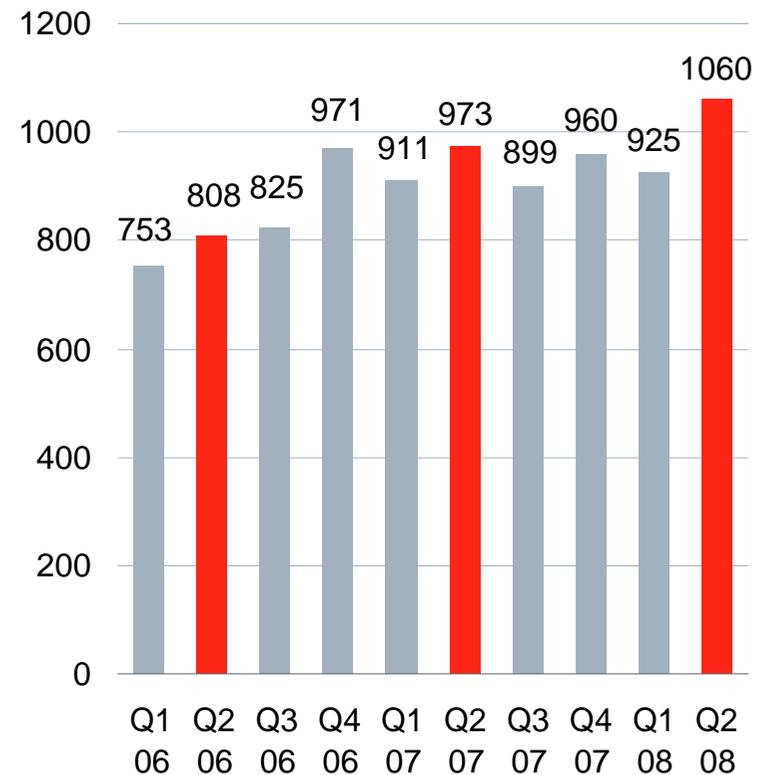


● Comparable net sales based on company's internal accounting (excluding Ovako, Nordic reinforcing steel business and Carl Froh)

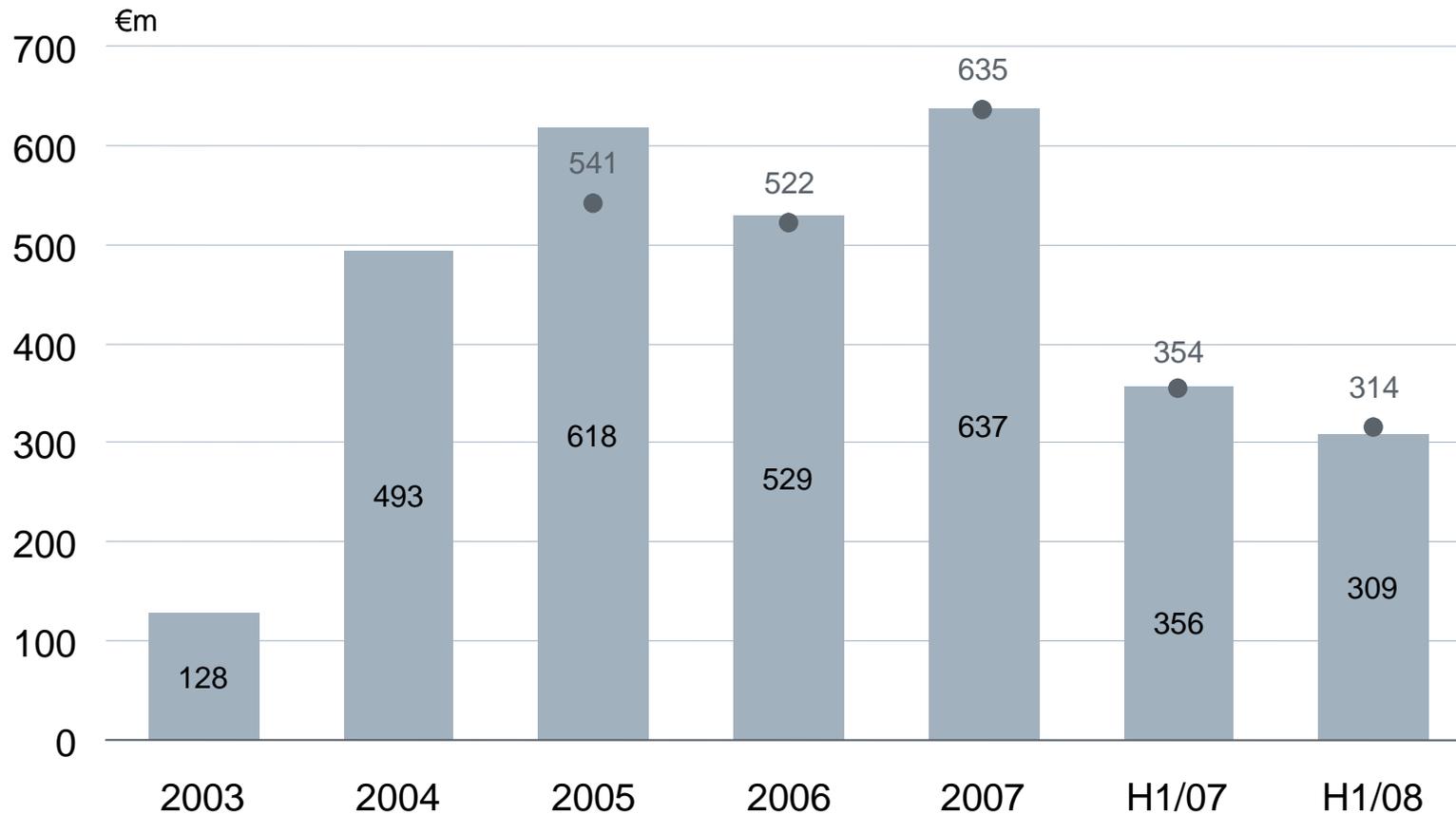
# Comparable net sales grew by 9% during April-June

- Consolidated comparable net sales up 9% year on year
- Ruukki Construction's net sales grew. Increased project business and infrastructure construction deliveries
- Ruukki Engineering increased net sales as a result of growth in LHT business, acquisitions and good demand within the wind power sector
- Ruukki Metals' comparable net sales similar to figure for previous year, good demand for special and plate products

Comparable net sales, €m



# Consolidated operating profit

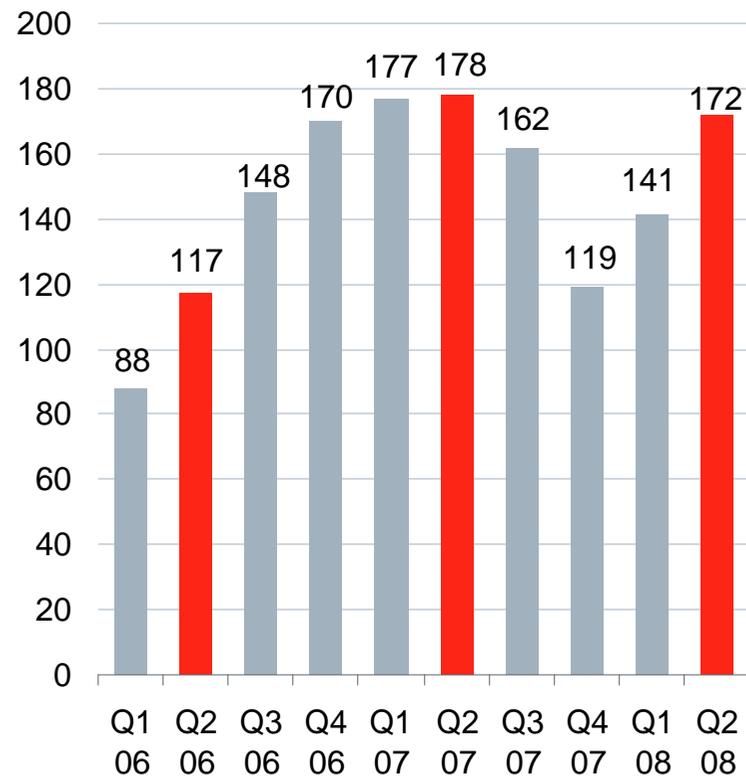


● Comparable net sales based on company's internal accounting (excluding Ovako, Nordic reinforcing steel business and Carl Froh)

# Operating profit for April-June

- Good profitability of Ruukki Construction's business in Northern Europe. Operating profit affected by higher steel material costs and costs of implementing extensive investment programme in Central Eastern Europe
- Strong demand, price increases and reorganisation of operations improved Ruukki Engineering's profitability
- Ruukki Metals' sales prices increased and covered higher raw material costs. Strikes and lower margins on stainless steel trading affected operating profit year on year

Comparable operating profit, €m

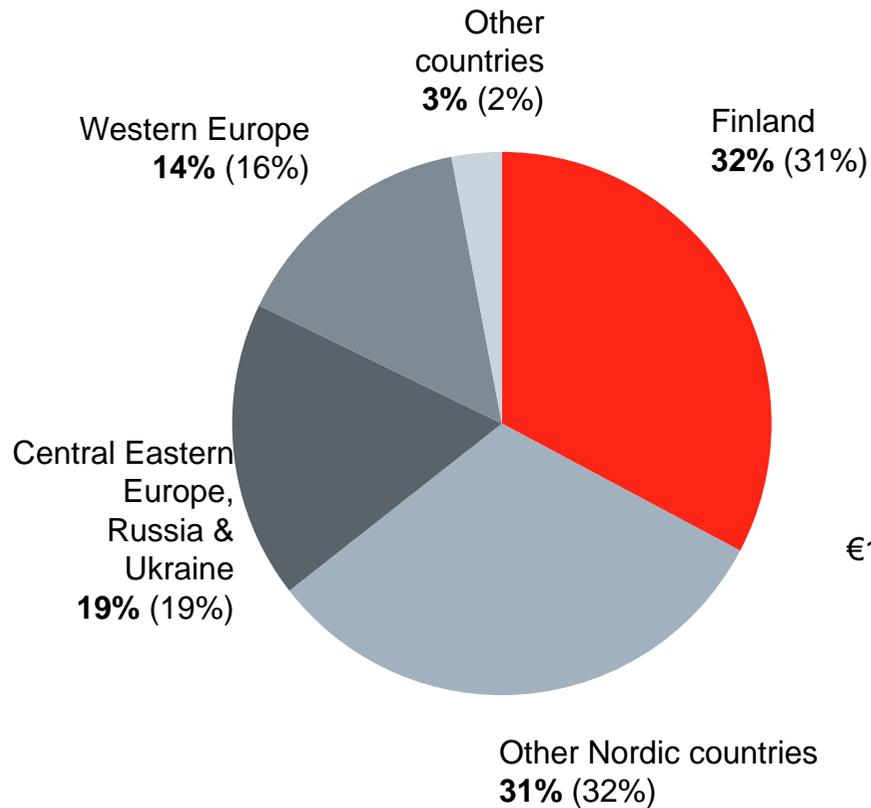


# Exceptional items

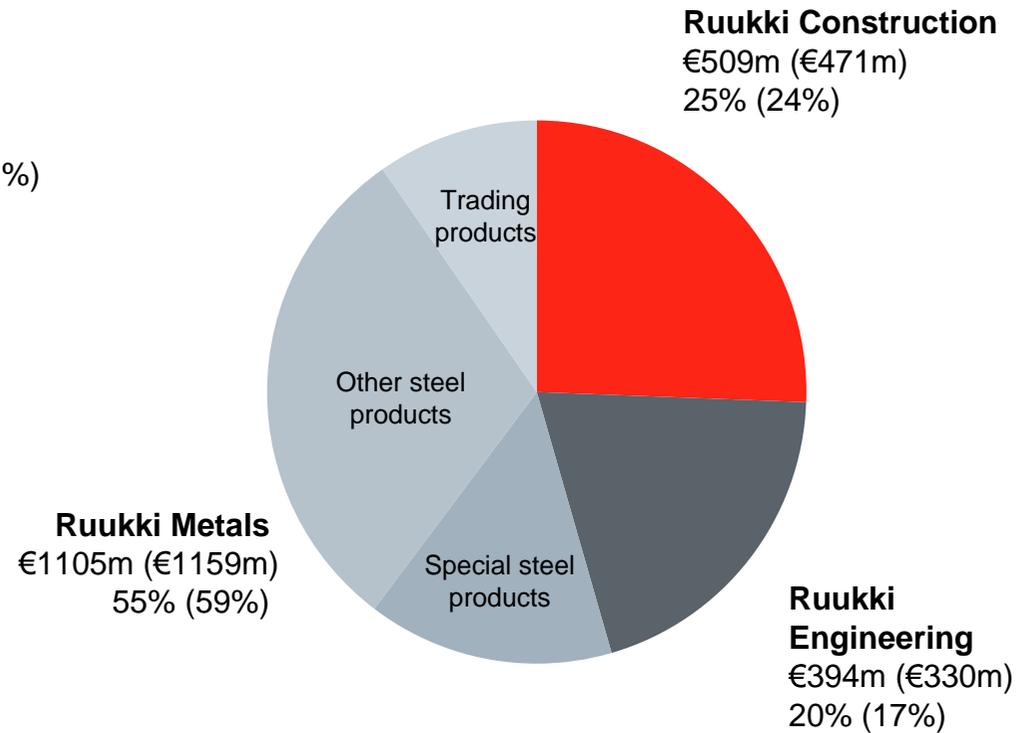
m€	Q1	Q2	Total
Strikes	3	5	8
Write-off on			
Carl Froh		7	7
Change in IFRS accounting practise for disability pension		3	3
Exceptional items, total	3	15	18

# Jan-Jun 2008: Breakdown of net sales

Net sales by region  
H1/2008 (H1/2007)

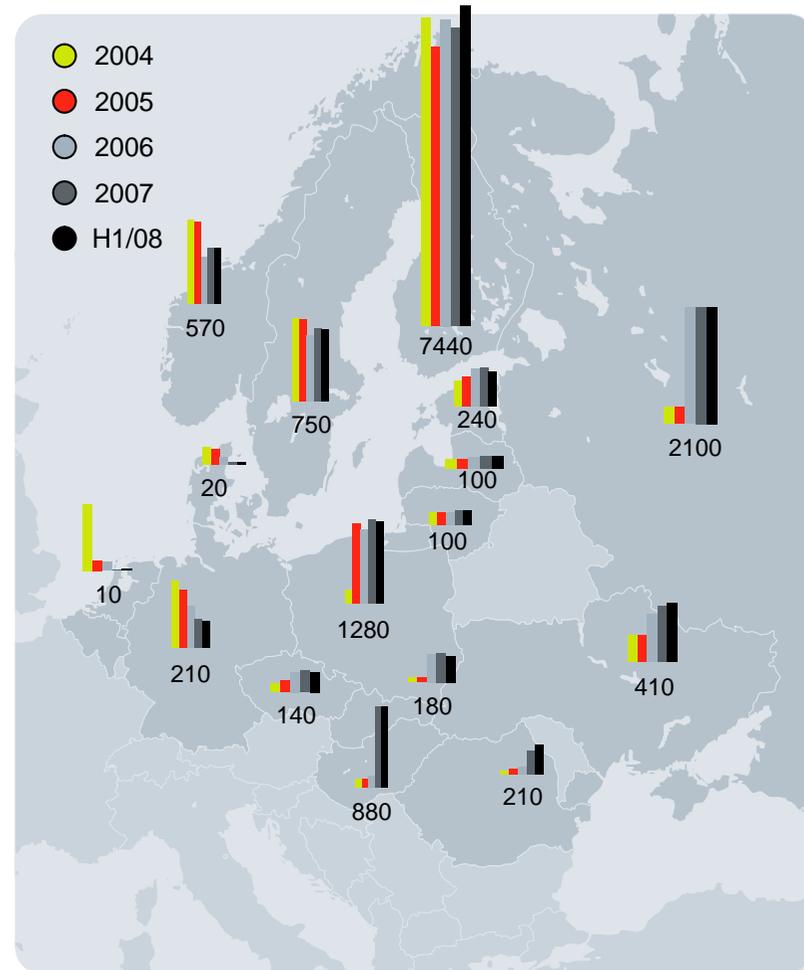
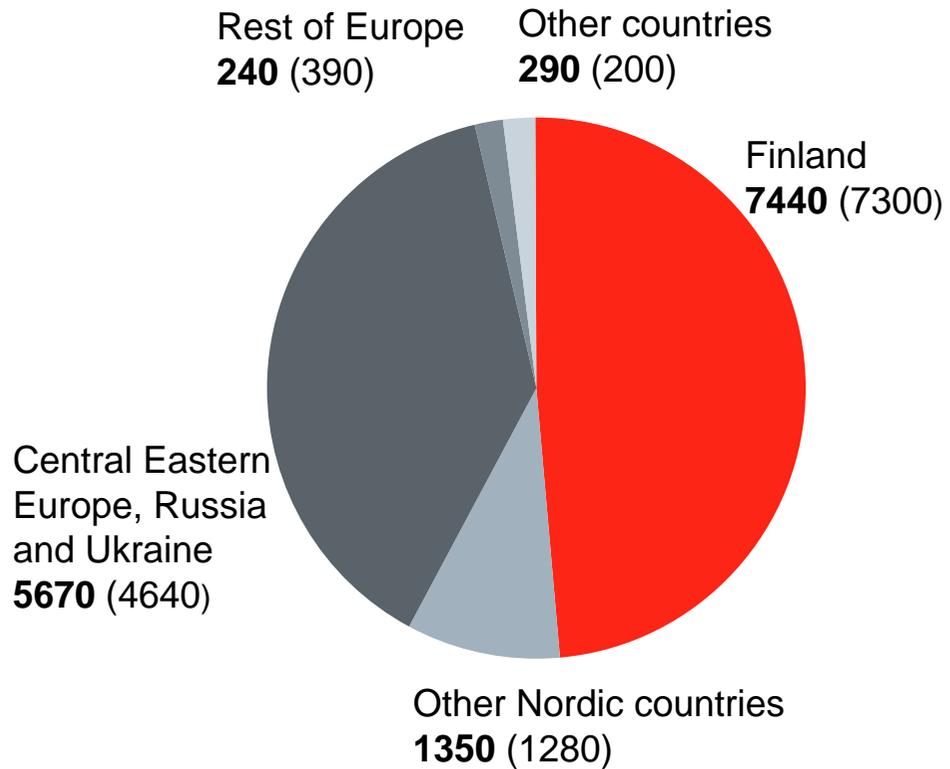


Net sales by division  
H1/2008 (H1/2007)



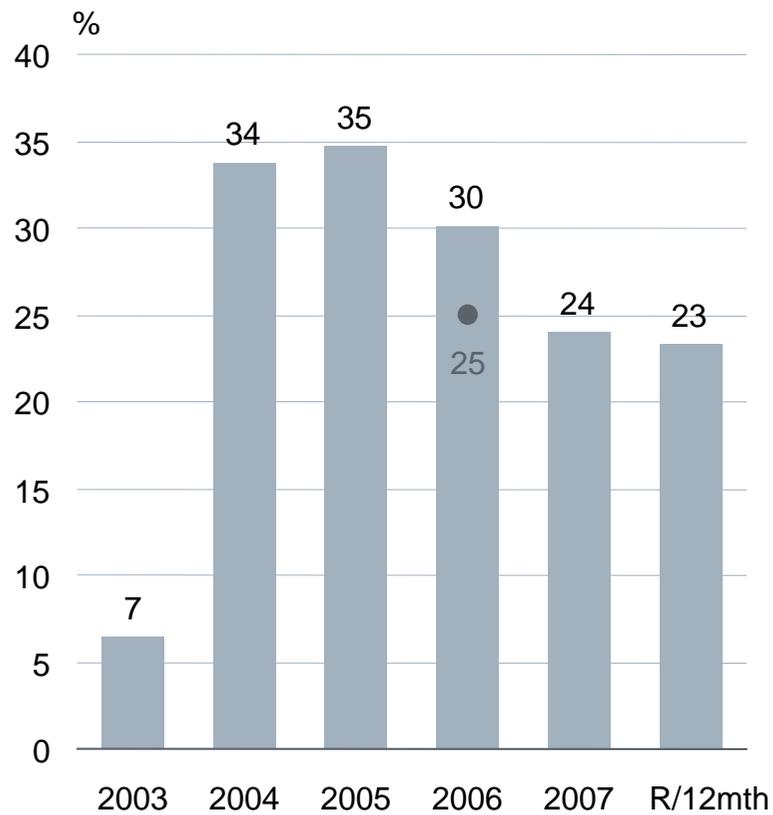
# Headcount grew in Eastern Europe

**Personnel H1/2008: 14 990**  
(H1/2007: 13 810)

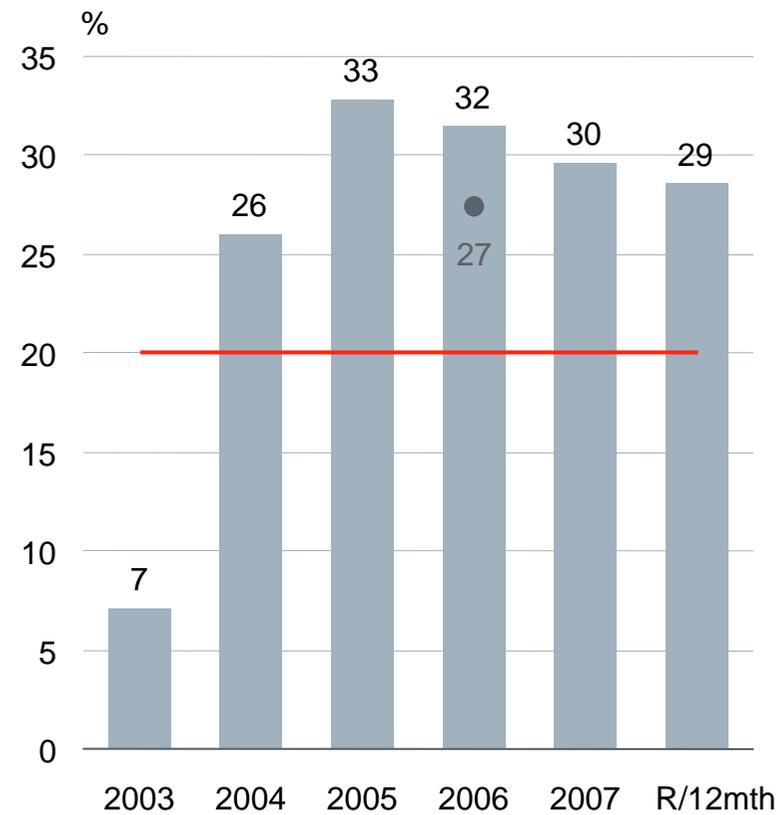


# ROE and ROCE at a good level

Return on equity

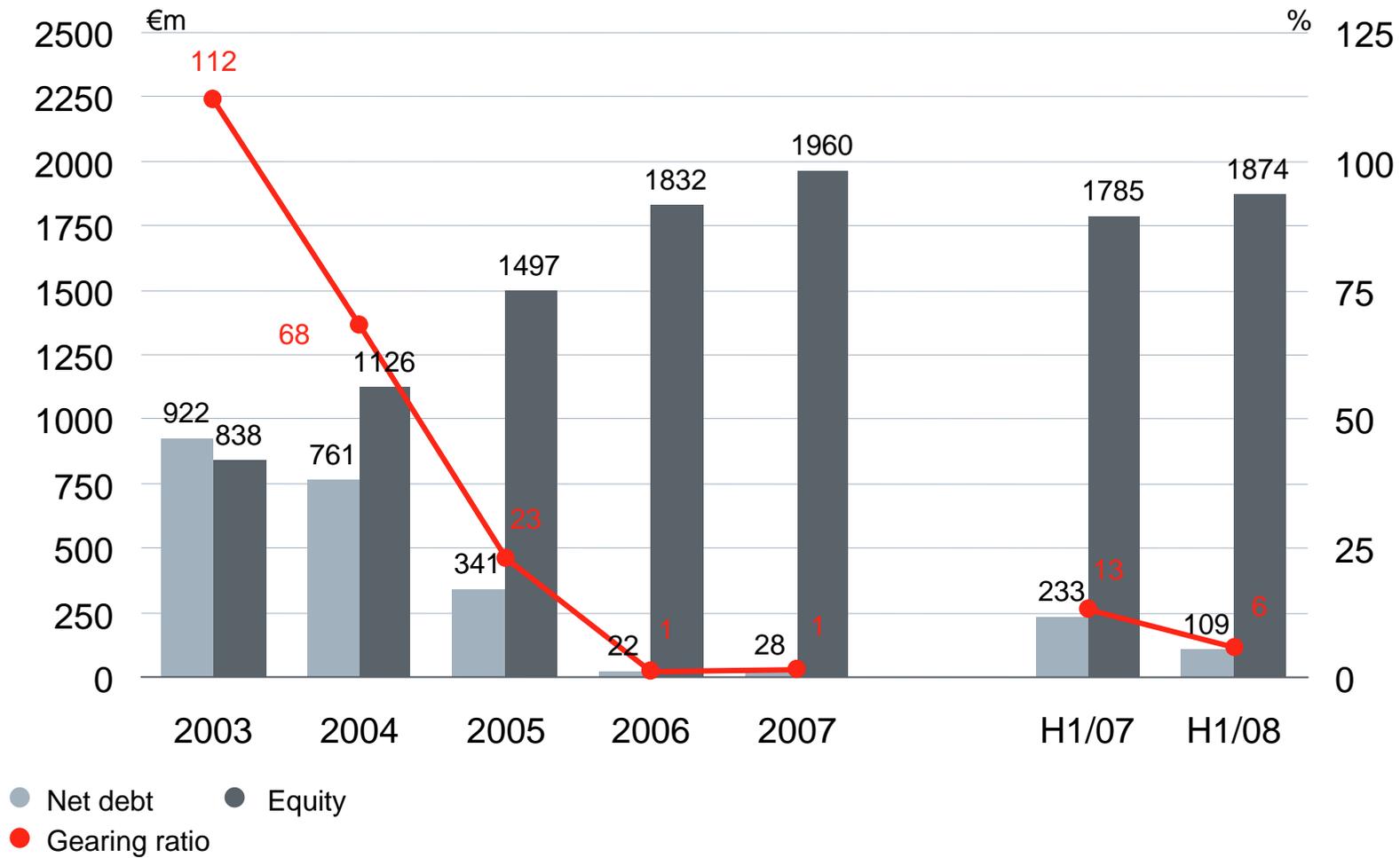


Return on capital employed

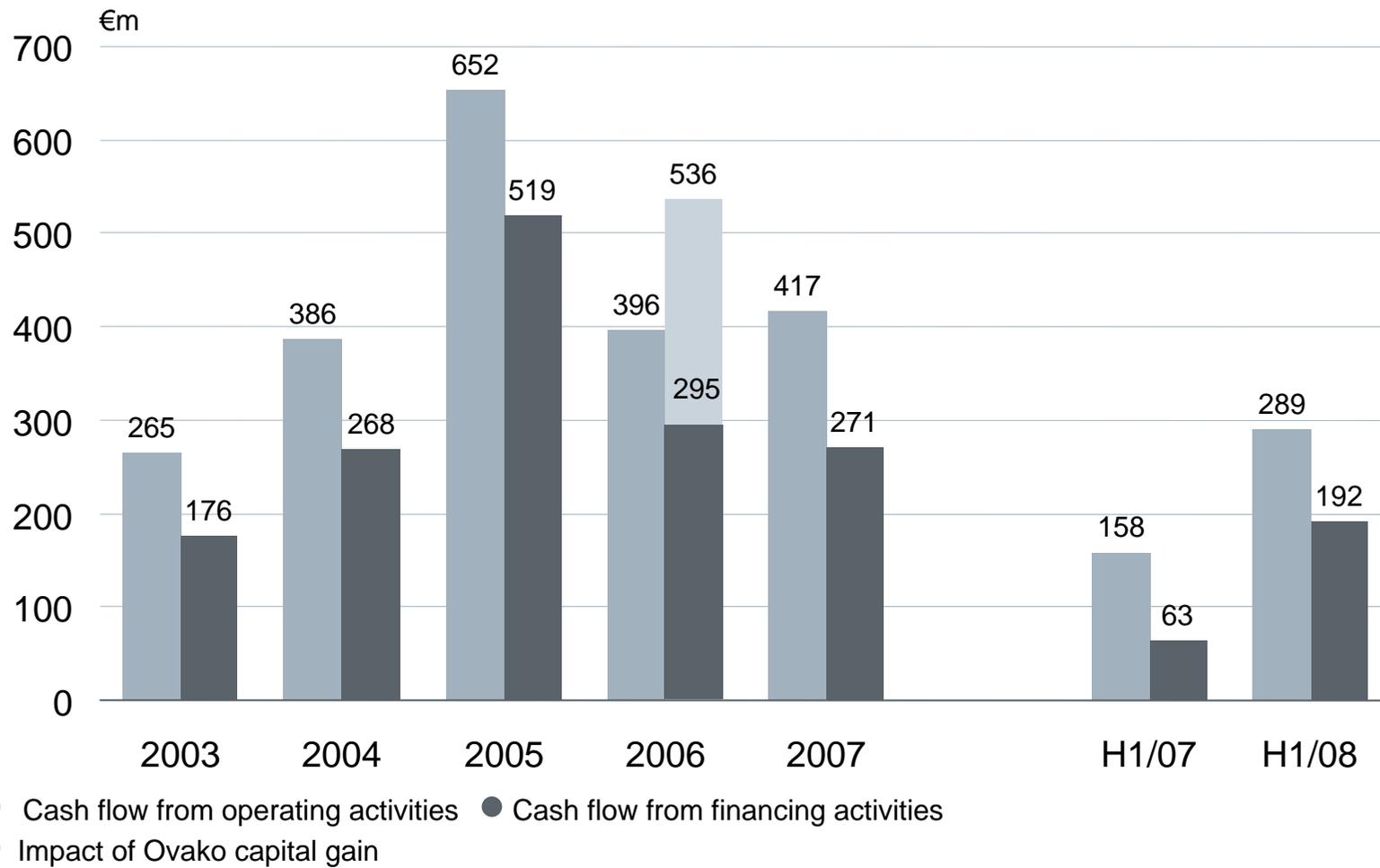


● Excluding Ovako capital gain — Return on capital employed target >20%

# Strong balance sheet

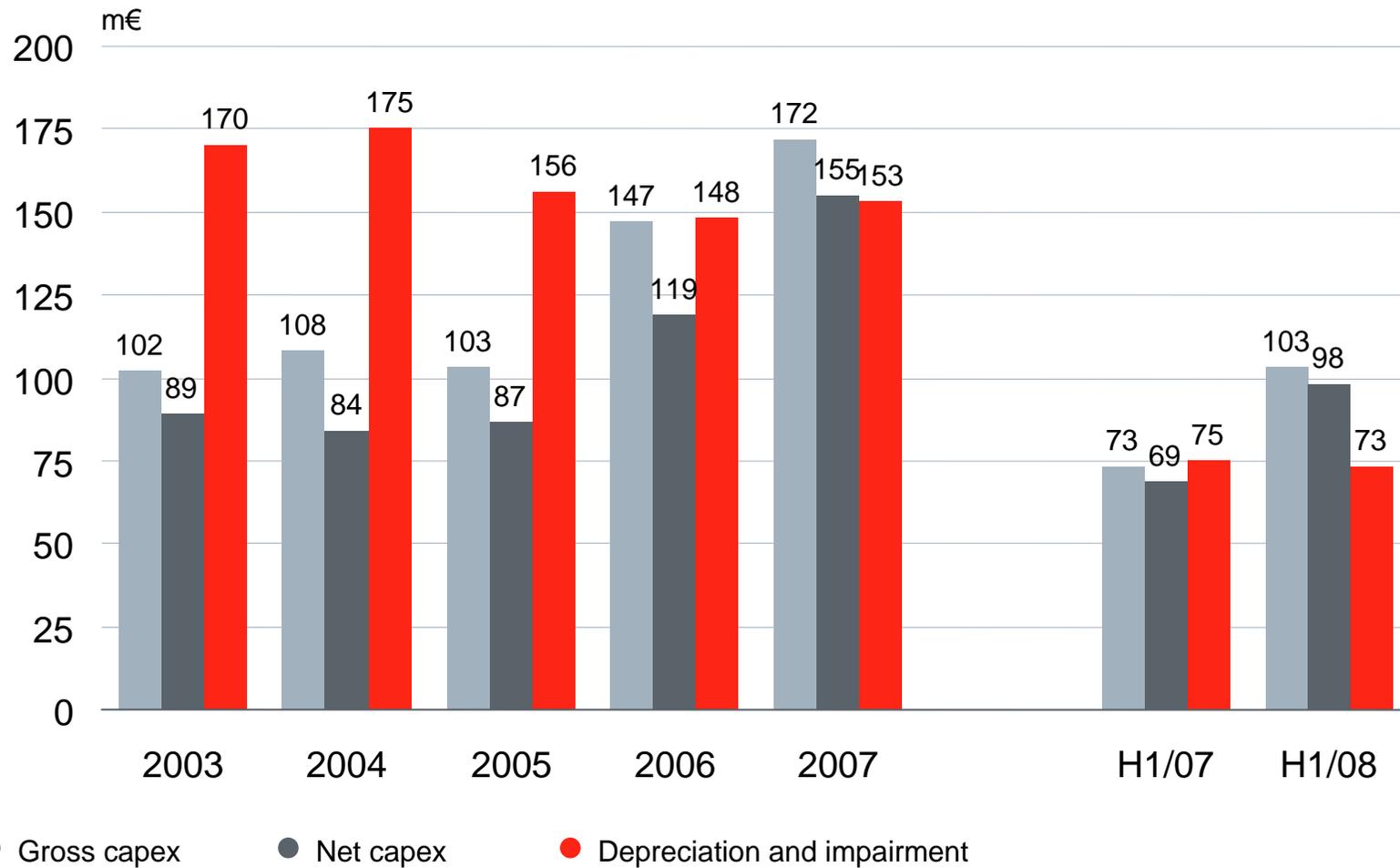


# Clear improvement in cash flow



# Capex higher than last year

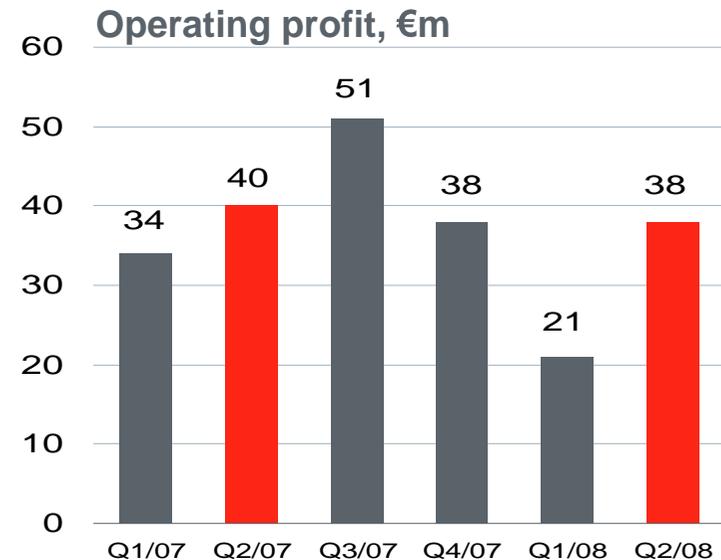
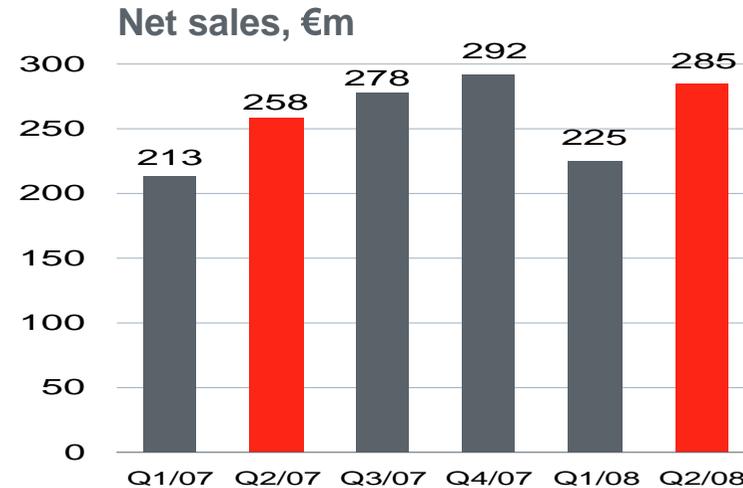
- capex for 2008 expected to exceed €250m



# Ruukki Construction

# Ruukki Construction: April-June

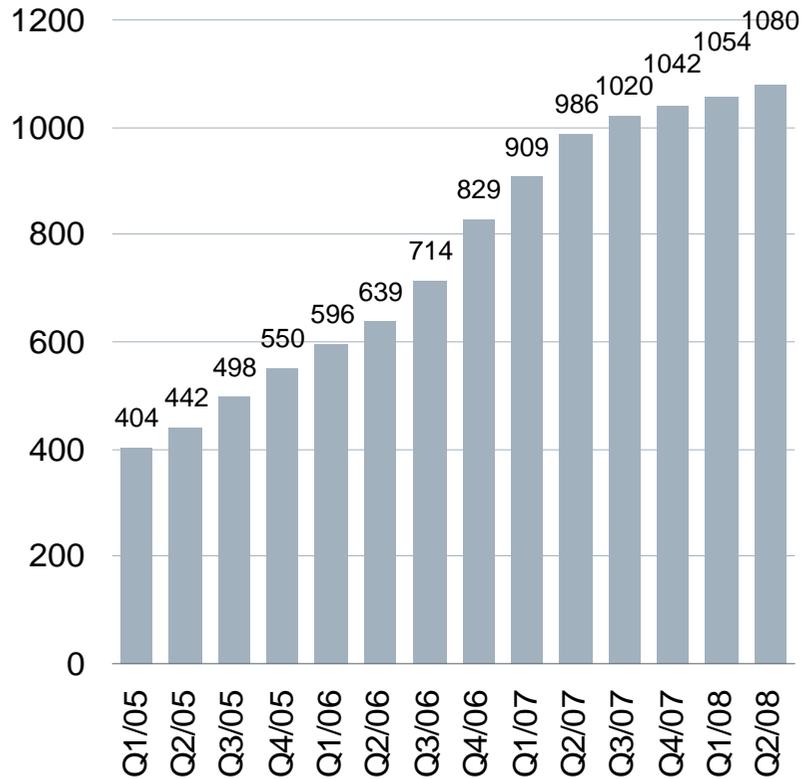
- Continued good demand for non-residential construction across entire market area, especially strong demand in the Nordic countries and Russia
- Continued good demand for infrastructure construction
- Increased deliveries in the project business and infrastructure construction increased net sales
- Demand for roofing components unchanged year on year in the Nordic countries, but residential construction slowed in the Baltics
- Operating profit affected by
  - cost of implementing extensive investment programme in Central Eastern Europe, Finland and Russia
  - higher steel material costs, which were still not fully reflected in sales prices
- New single-storey construction solutions launched in five countries



# Ruukki Construction net sales performance

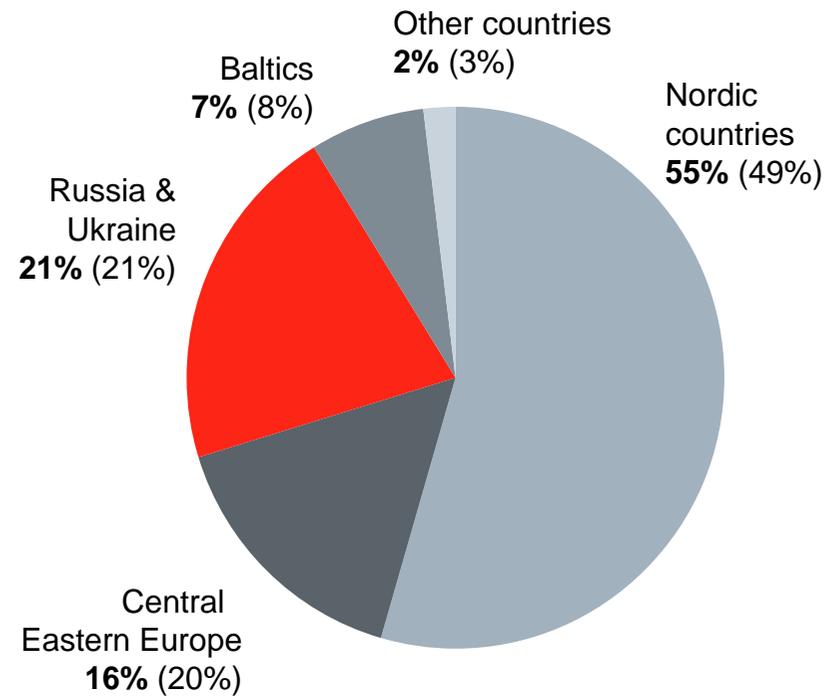
## Net sales (€m)

Rolling 12 months

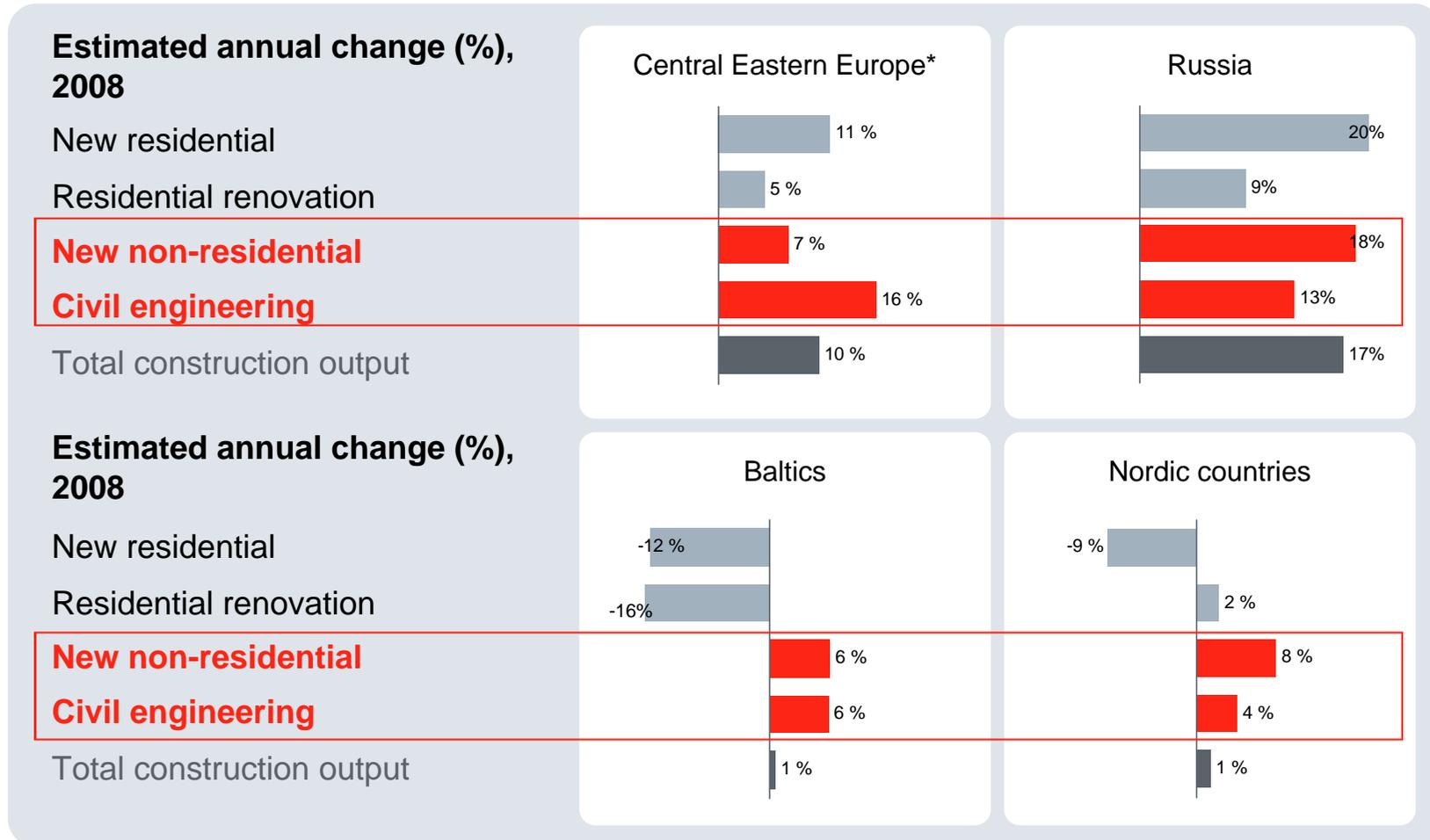


## Net sales by region

H1/2008 (H1/2007)

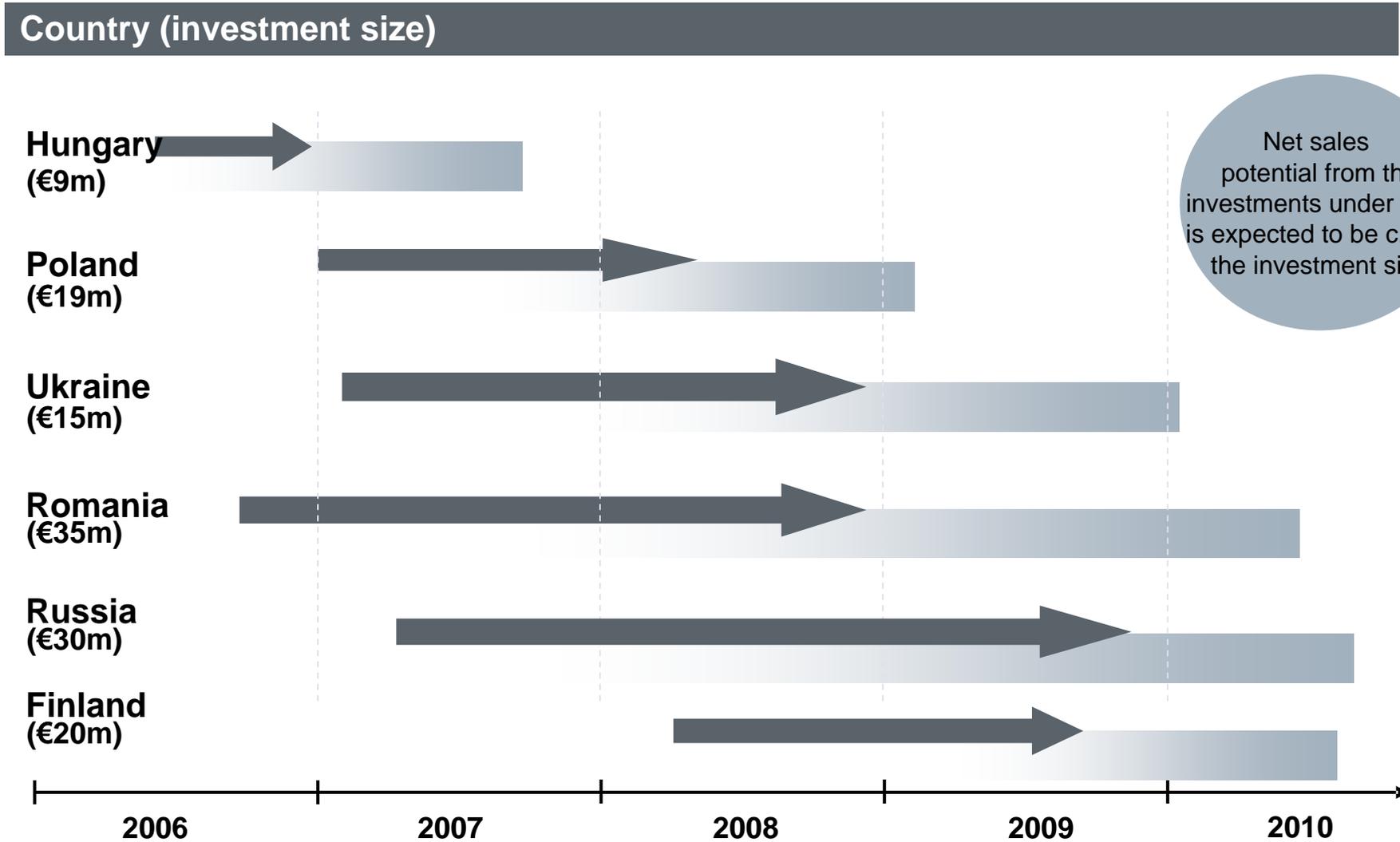


# Strong growth in construction target markets in 2008



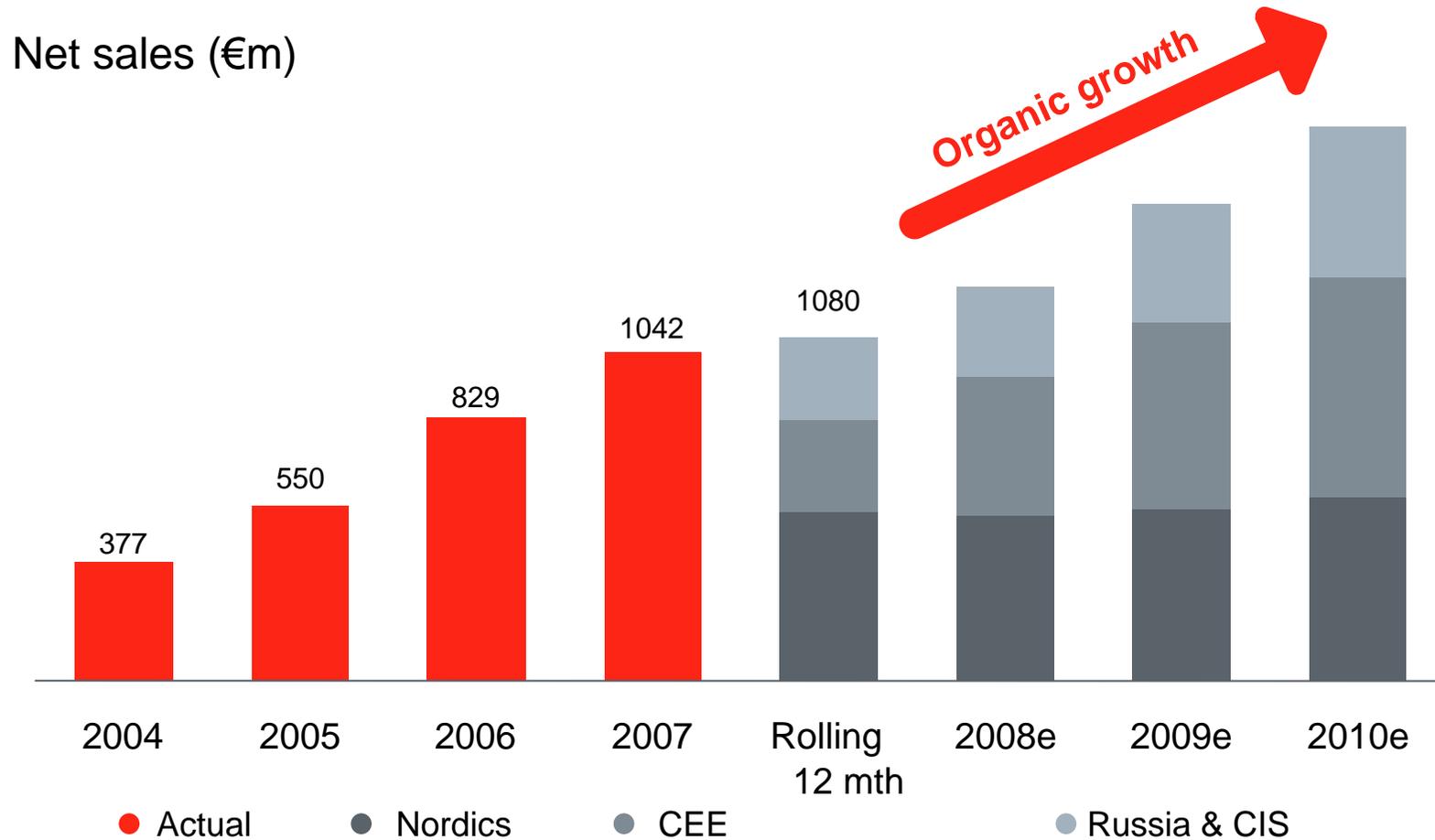
\*) Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Ukraine  
 Sources: Euroconstruct (June 2008), Buildecon (June 2008), VTT (January-June 2008)

# Extensive construction investment programme



Net sales potential from the investments under way is expected to be c. 4 x the investment size

# Ruukki Construction's target is net sales of over €1.5bn by year-end 2010 (excluding acquisitions)

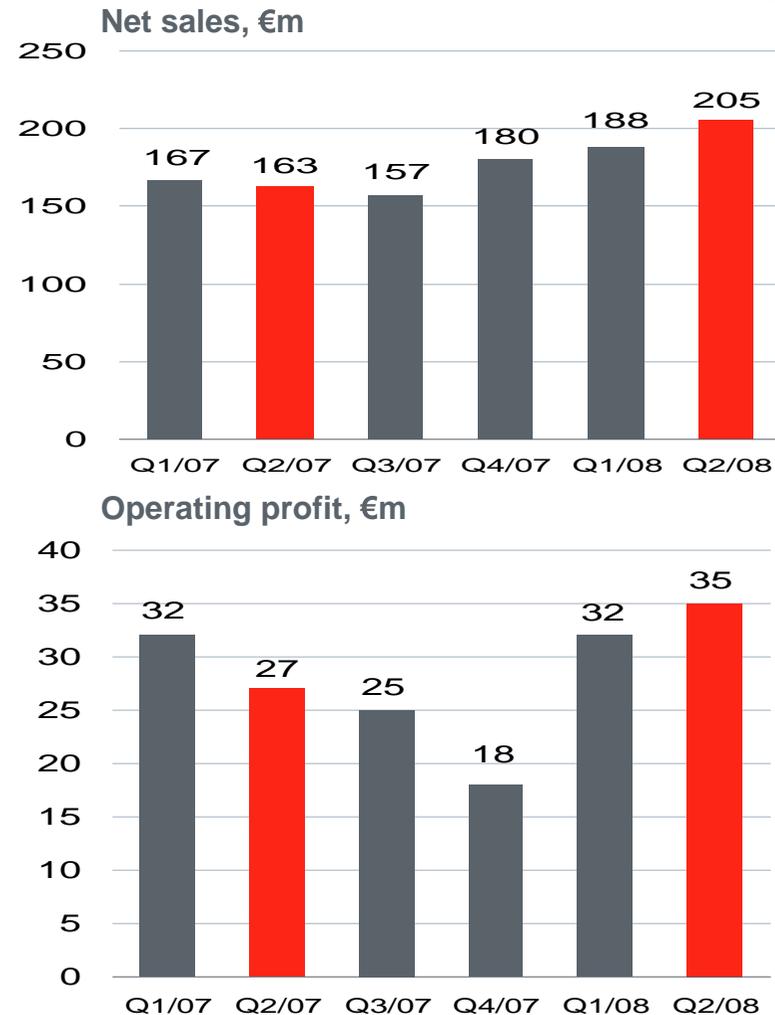


# Ruukki Engineering



# Ruukki Engineering: April-June

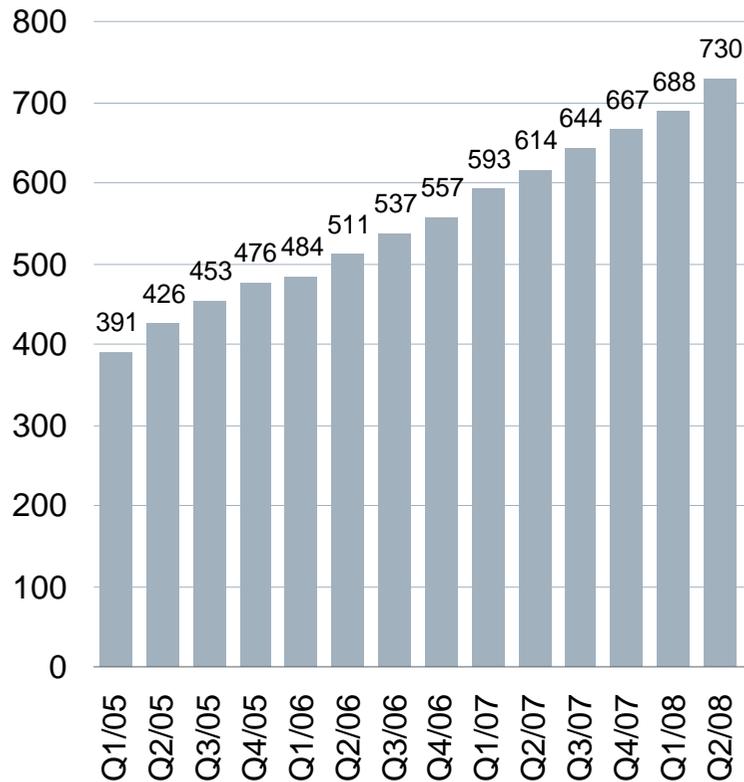
- Good market situation and strong customer order books
- Net sales up by 26% as a result of growth within the lifting, handling and transportation business, acquisitions and favourable market situation
- Demand for certain products exceeds existing production capacity
  - Investments in production facilities in Hungary, Poland and Finland to increase capacity
- Strong demand and increased sales prices improved operating profit year on year
- German acquisition (Wolter Metallverarbeitung) complements growth strategy in LHT industry
- Profitability improvement programme progressing as planned. The division has streamlined its operations and organisation.



# Lifting, handling and transportation equipment (LHT) industry accounted for higher share of net sales

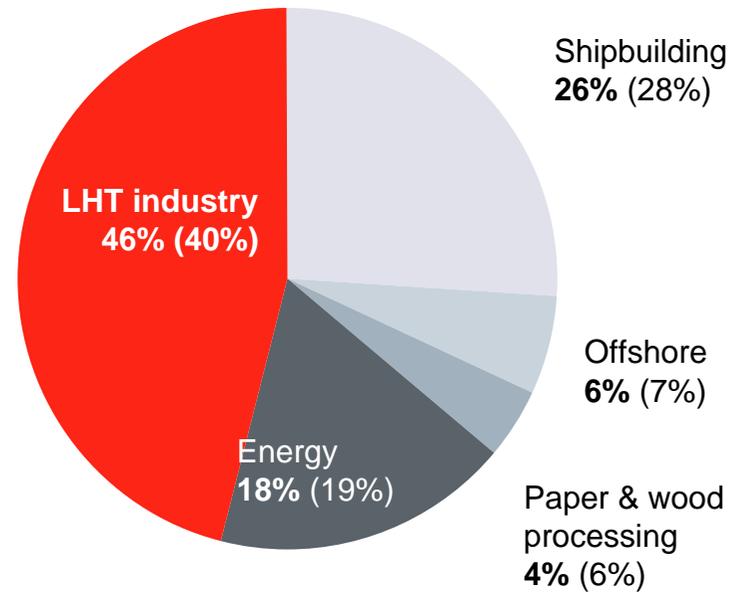
## Net sales (€m)

Rolling 12 months



## Net sales by customer segment

H1/2008 (H1/2007)



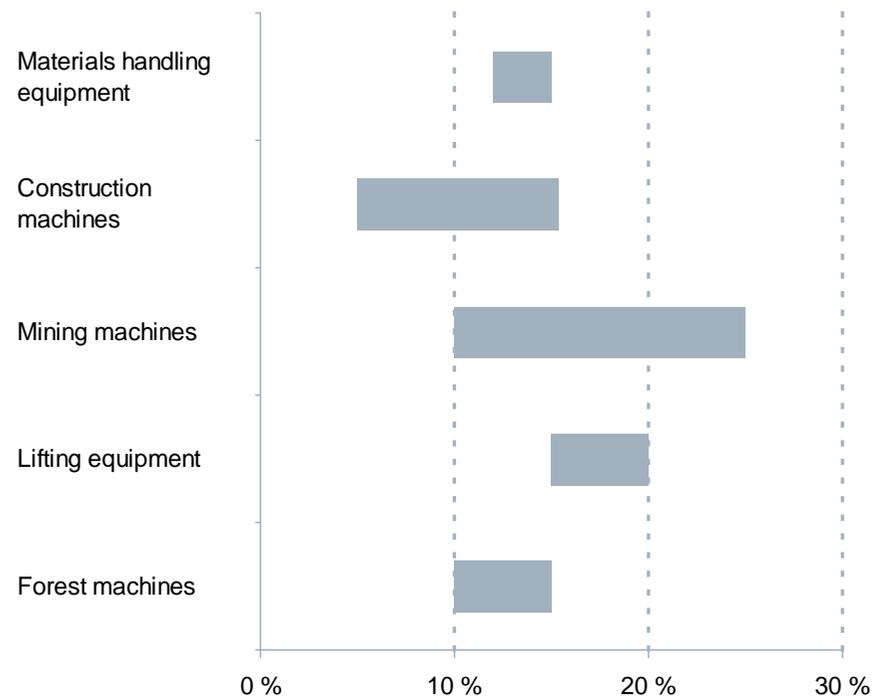
## Ruukki Engineering's profitability improvement programme

- Programme progressing as planned:
  - Increased efficiency in operations and production
  - Investments in production facilities in Hungary, Poland and Finland have increased capacity in response to a broader customer base and growing demand
  - Product portfolio developed and customer strategy redefined
  - Reorganisation of operations. Employer-employee negotiations in division's units in Hungary and Finland will result in the reduction of 207 white-collar jobs
- The programme aims at an improvement of €20m in 2008 operating profit

# Strong growth in Ruukki Engineering's customer industries

- Ruukki's target market in the European lifting, handling and transportation equipment industry is approx. €10bn
- Strong growth prospects in the energy industry (diesel and wind power sectors)
  - Ruukki's global wind turbine industry is worth around €2bn
  - Annual market growth of around 15% expected until 2010

Growth outlook of Ruukki Engineering's customers for 2008



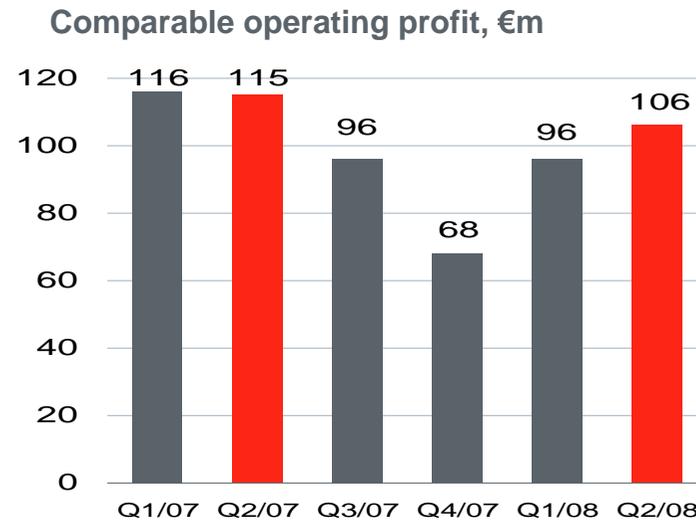
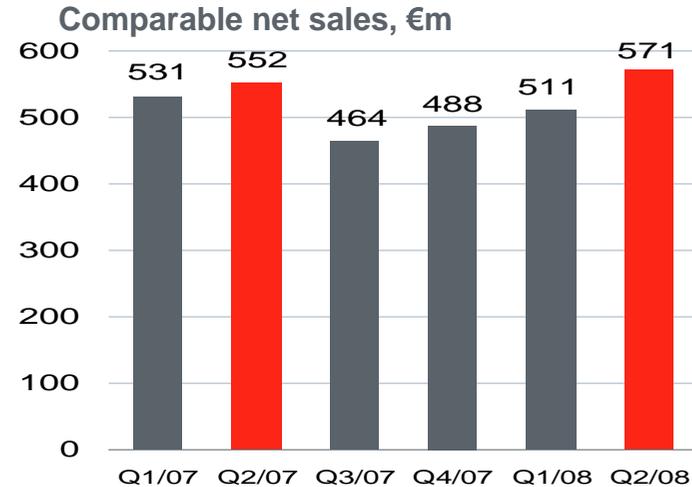
Source: Releases from Ruukki Engineering's customers

# Ruukki Metals



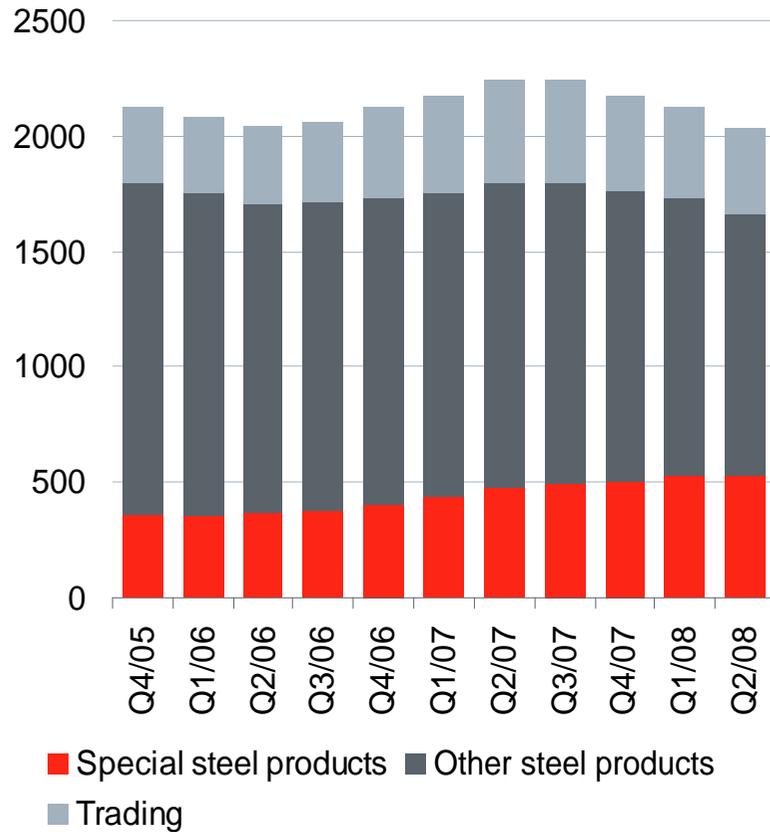
# Ruukki Metals: April-June

- Continued good demand for steel products, strong growth in demand for special steel and plate products
- Comparable net sales were similar to level of previous year, but Q2/2008 net sales were up by 12% compared to Q1/2008
- Share of special steels rose to 27 per cent of net sales during H1/2008
- Price increases in Q2/2008 covered higher raw material costs
- Comparable operating profit compared to strong reference period a year earlier was affected by
  - Unlawful strikes at the Raahe Works in Finland (€5m)
  - Lower margins on stainless steel trading year on year (€8m). Margins improved during Q2/2008 compared to Q1/2008

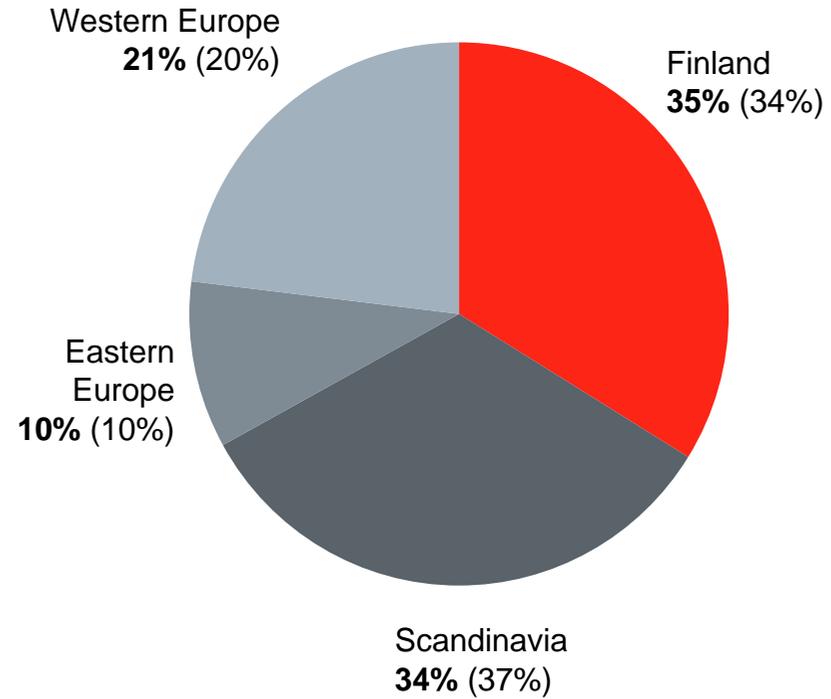


# Ruukki Metals – net sales performance

Net sales (€m)  
Rolling 12 months



Net sales by region  
H1/2008 (H1/2007)



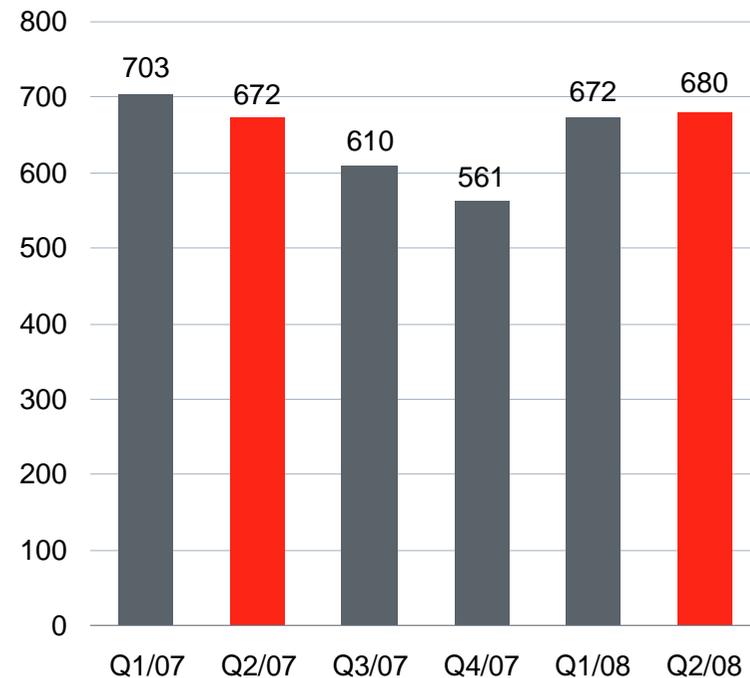
# Special products accounting for growing share of net sales

- Target markets for Ruukki's special steel products worth €9-10 billion
  - market for wear-resistant steels growing at 6-7% p.a.
- Special products currently account for 27% of division's net sales
  - Target: 40% of division's net sales by year-end 2010
- Investments in special steel products, more than €100 million by year-end 2008:
  - Direct quenching unit at Raahe, Finland in August 2007
  - €44 million investments in 2008 to increase special steel product capacity
- Acquisition of Hybri-Steel's business adds laser-welded sandwich panels and laser and laser-hybrid welding to Ruukki's special steel product expertise
- Product portfolio and service capacity in special steel products to be expanded by
  - start-up of flame cutting at Ruukki's production plant in Poland
  - a new steel service centre in Russia during 2009

# Ruukki Production: April-June

- Steel output 680 000 tonnes (672 000)
- Unlawful strikes at the Raahe Works and technical disruptions in production reduced output volumes
- Sharp rises in the cost of iron ore, coal, filler materials, alloying elements and recycled steel
  - The company's own steel production costs are expected to rise by around €220 million in 2008 compared to 2007
- Clear improvement in the division's accident frequency rate

Steel production, 1000 tonnes



# Near-term outlook

## Near-term outlook

- Good demand is expected to continue in key customer industries
- Non-residential construction markets in Central Eastern Europe and Russia are still showing strong growth and demand in Northern Europe is expected to remain good. Likewise good demand for infrastructure construction is expected to continue. Residential construction activity in the Baltics and Nordic countries is expected to slow down
- Continued good demand for the company's products is expected from engineering industry customers. Order books of customers in the lifting, handling and transportation industry are strong and demand is expected to grow. Demand in the energy industry is expected to remain good. Continued strong demand is also expected in the shipbuilding industry
- Good demand for steel products is expected to continue in all product groups. Demand is still showing strong growth especially for plate and special steel products
- Comparable consolidated net sales growth during the current year is expected to meet the target and exceed 10 per cent. Operating profit in 2008 is expected to be higher than in 2007

# Appendix

# Key figures

m€	H1/08	H1/07	Q2/2008	Q2/2007
Net sales *	1 985	1 884	1 060	973
Operating profit (EBIT) *	314	354	172	178
as % of net sales	16	19	16	18
Profit before taxes *	313	351	173	176
Earnings per share, €	1.65	1.89	0.89	0.93
Return on capital employed, %	28.6	31.8**		
Gearing ratio, %	5.8	13.0		
Gross capex	103	73		
Cash flow before financing activities	192	63		
Personnel (average)	14 986	13 810		

\*) 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



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