Financial Review 2006

February 7, 2007

ruukki
• Ruukki is ready for profitable growth
• Building Eastern-Europe
• 2006 by customer division
• Business Environment 2006
• Financials 2006
• Near-term Outlook
• Summary
Ruukki is ready for profitable growth
Ruukki’s vision:  
The most desired solution supplier

2003  
Reliable steel producer

2008-2010  
The most desired solution supplier
Acquisitions and divestments

**Acquisitions**
- Jan 2006: Construction/Engineering: PPTH
- Mar 2006: Construction: Steel-Mont
- Apr 2006: Construction: AZST-Kolor
- Jun 2006: Construction: Ventall

**Divestments**
- Aug 2006: Long products: Reinforcing
- Sep 2006: Steelproducts: Duisburg service center
- Oct 2006: Steelproducts: Metalplast Systems
- Nov 2006: Steelproducts: Fredericia works
- Dec 2006: Engineering: Omeo
Structure has changed

Share of net sales

- Construction
- Engineering
- Metals
- Long Products

2004 2005 2006 Q4 2006
Drivers for growth and better sustainable profitability

- Divesting or closing of unprofitable and non-core operations
  - Fundia (Ovako, Nordic reinforcing)
  - Unprofitable sales in Central Europe
- Main businesses focus on high growth markets
  - Increasing growth in Central Eastern Europe, Russia and Ukraine
  - Good market development also in the Nordic area
- Healthy margins before volumes
- Increasing sales of value-added parts, components and systems
- Unified corporate structure brings cost efficiency
New financial targets and dividend policy

<table>
<thead>
<tr>
<th></th>
<th>earlier</th>
<th>next three years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top-line growth</td>
<td></td>
<td>&gt; 10 % p.a.</td>
</tr>
<tr>
<td>Operating profit % (EBIT)</td>
<td>&gt; 7 %</td>
<td>&gt; 12 %</td>
</tr>
<tr>
<td>Return on capital employed % ROCE</td>
<td>&gt; 15 %</td>
<td>&gt; 20 %</td>
</tr>
<tr>
<td>Gearing</td>
<td>&lt; 80 %</td>
<td>&lt; 60 %</td>
</tr>
</tbody>
</table>

Rautaruukki’s dividend policy is to pay a yearly dividend of 40 % to 60 % of net profit. The company aims at a steadily increasing dividend that takes into account the requirements for business growth.
Building Eastern-Europe
Ruukki’s target market is ~10 EUR billions

Market size and growth 2006
- Market for products and solutions EUR 10 billions
- Average market growth is 7 %
- The growth is strongest in CEE, Russia and Ukraine
- Market growth equals to size of Ruukki Construction

Sources: Euroconstruct, BuildEcon, VTT
**Strong growth in targeted segments**

Annual change (% by volume) 2006

<table>
<thead>
<tr>
<th></th>
<th>Western Europe</th>
<th>CEE*</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td>New residential</td>
<td>3,5</td>
<td>4,6</td>
<td>13,0</td>
</tr>
<tr>
<td>Residential renovation &amp; modernisation</td>
<td>1,8</td>
<td>4,6</td>
<td>9,0</td>
</tr>
<tr>
<td>New commercial</td>
<td>2,0</td>
<td>5,4</td>
<td>15,0</td>
</tr>
<tr>
<td>Civil engineering</td>
<td>2,8</td>
<td>11,3</td>
<td>14,0</td>
</tr>
<tr>
<td>Total construction output</td>
<td>2,4</td>
<td>7,0</td>
<td>14,0</td>
</tr>
</tbody>
</table>

* Poland, Czech republic, Slovakia, Hungary

Sources: Euroconstruct, BuildEcon
Strong growth in Ruukki Construction

**Net sales (M€)**

- **2004**: 377
- **2005**: 550
- **2006**: 829

**Net sales by country (%)**

- **Nordic countries**: 50% (53%)
- **Russia & Ukraine**: 15% (9%)
- **Baltic countries**: 9% (14%)
- **Other CEE-countries**: 22% (19%)
- **Other**: 4% (5%)
2006 by customer divisions
Ruukki Construction – speed and quality in metal construction

• Acquisitions add to delivery capacity in Central Eastern Europe
  – Broader construction design and project know-how - PPTH
  – Added strategically important steel structure production and installation capacity - Steel-Mont
  – New colour coating line safeguards sourcing of high-quality raw materials in Russia and Ukraine - AZST-Kolor
  – New factory in Hungary for construction components

• Strengthening our position in the dynamically growing Russian markets - Ventall
  – Customer contacts and significant market share
  – Local manufacturing of steel structures and sandwich panels

• Investments worth EUR 50 million in Romania and Ukraine
  – Strengthening our delivery capacity in components and integrated systems
Ruukki Engineering – growth in LHT and energy industries

• Lifting, handling and transportation equipment industry
  – New cabin assembly plant in Kurikka, Finland
  – Cabin frame production launched in Poland
  – Strengthening position as a supplier of frames and booms –
    acquisition of Omeo Mekaniska Verkstad in Sweden

• Energy industry
  – Components to power plants
  – Parts and components for wind farms

• Offshore industry
  – Customers’ strong order books
Ruukki Metals – strong supplier in core markets

• Strengthening good market position and customer focused logistics in core markets
  – Strengthening the delivery capacity of St Petersburg service centre with app. EUR 20 million investment
  – Developing our service centers in the Nordic countries

• Special products provide growth and platform for future profitability
  – Investments in high-strength steel grades
  – Both for home market and other parts of Europe

• Divestment of non-core businesses
  – Sale of Nordic reinforcing steel business
  – Sale of Duisburg service centre, upgrading sheet products
Business environment 2006
Continued good demand

- Construction demand strong in core markets
  - Growth in integrated systems for commercial and industrial construction in Eastern Europe
  - Good demand in commercial and industrial construction in Nordic countries
  - Strong demand in infrastructure construction
- Customers in lifting, handling and transportation equipment industry saw sizeable increase in order books
- Strong order books in shipbuilding and offshore industry
- Growth in demand for wind farm components
- Demand for standard and special steel grades in our core market areas remained good and the market was in balance
Financials 2006
Financial highlights 2006

- Comparable net sales increased 12 percent into EUR 3,515 million (3,128)
- Comparable operating margin was 15% (17%)
- Earnings per share (diluted) was EUR 3.65 (3.31)
- The share of solution business in Group’s
  - net sales was 38% (28%)
  - operating profit was 39% (29%)
- Gearing was 1.2 percent (22.8)
Financial highlights for Q4 2006

- **Ruukki Construction**
  - Development measures clearly improved PPTH’s profitability
  - Deliveries increased in all market areas
- **Ruukki Engineering**
  - Strong demand continued
  - Strengthening our delivery capability of booms (Omeo)
- **Ruukki Metals**
  - Further rise in product selling prices
- **Ruukki Production**
  - Record high steel production, 744 000 t, at Raahe Works (2,853,000 for whole of 2006)
  - Output of plates and colour coated products ran at full capacity
Net sales, Group total

Years 2002 – 2003 according to FAS and from 2004 according to IFRS.

Comparable net sales (without Ovako & Nordinc Reinforcing business)
Group net sales by division 2006 (2005)

- **Ruukki Metals**
  - 2006: 2291 m€ (2005: 2625 m€)
  - 62% (2005: 72%)

- **Ruukki Construction**
  - 2006: 829 m€ (2005: 550 m€)
  - 23% (2005: 15%)

- **Ruukki Engineering**
  - 2006: 557 m€ (2005: 476 m€)
  - 15% (2005: 13%)
Group net sales by region
2006 (2005)

- Finland: 31% (29%)
- Other Nordic: 31% (30%)
- CEE-countries, Russia & Ukraine: 17% (12%)
- Other Europe: 19% (26%)
- Other countries: 2% (3%)
Personnel by country 2006

- Personnel in the end of 2006 was 13,303 (11,374)
Quarterly net sales, Group total

comparable net sales
(without Ovako & Nordinc Reinforcing business)
Quarterly EBIT and profit before taxes, Group total
EBIT by division 2006 (2005)

2006*

- Ruukki Construction: 101 m€
- Ruukki Engineering: 106 m€
- Ruukki Metals: 364 m€

2005*

- Ruukki Construction: 86 m€
- Ruukki Engineering: 96 m€
- Ruukki Metals: 486 m€

*without corporate headquarter costs
New structure, more effective business

<table>
<thead>
<tr>
<th>1. Ruukki United-efficiency programme</th>
<th>2. Divestment of long steel products</th>
</tr>
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<tbody>
<tr>
<td>• Aims to achieve permanent cost savings of EUR 150 million by year-end 2008</td>
<td>• Sale of Nordic reinforcing steel business for EUR 125 million</td>
</tr>
<tr>
<td>– EUR 43 million achieved to date</td>
<td>• Divestment of Ovako for EUR 310 million</td>
</tr>
<tr>
<td>• Aims to permanently free up some EUR 150 million of capital by year-end 2008</td>
<td>3. Improved sales structure</td>
</tr>
<tr>
<td>– EUR 59 million achieved to date</td>
<td>4. Disposals of poorly performing businesses</td>
</tr>
</tbody>
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12-Month rolling EBIT 2000-2006

12-month rolling EBIT  
comparable EBIT (without Ovako & Nordic reinforcing business)
Earnings per share

Years 2002 – 2003 according to FAS and from 2004 according to IFRS.

without capital gain on the divestment of Ovako
Dividend proposal: EUR 1.5 per share and additional EUR 0.5 per share

*Board of Directors’ proposal
Quarterly earnings per share

€

without capital gain on the divestment of Ovako
Return on equity

Year 2003 according to FAS and from 2004 according to IFRS.
Strong, debt-free balance sheet

Years 2002 – 2003 according to FAS and from 2004 according to IFRS.
Strong cash flow

Years 2002 - 2003 according to FAS and from 2004 according to IFRS.
Capex vs. depreciation

Years 2002 - 2003 according to FAS and from 2004 according to IFRS.
Acquisitions

Years 2002 – 2003 according to FAS and from 2004 according to IFRS.
Near-term outlook

- Construction activity expected to remain good across our market area, especially in Eastern Europe
- Customers in the engineering industry have strong order books
- Good market for steel products is expected to continue in Rautaruukki’s core market areas
- Comparable net sales in 2007 are expected to develop in line with growth targets set
- Operating profit for 2007 is anticipated to markedly exceed the comparable figure for last year
Summary
Ruukki is ready for the profitable growth

Streamlined corporate structure

Strong balance sheet

Structure less sensitive to economic fluctuations

Growth areas

Focus on profitable growth

Organic growth and selected acquisitions

Ruuikki United internal development programs

Promising growth prospects:
1. Construction solutions in Eastern Europe
2. Selected engineering customers
3. Special steel products

Financial growth targets

Top-line growth >10% p.a.
EBIT > 12%
ROCE > 20%
Gearing < 60%
Dividend 40-60% of EPS
Appendix
# Financial summary

<table>
<thead>
<tr>
<th>M€</th>
<th>Q4</th>
<th></th>
<th>Year</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
<td>2006</td>
<td>2005</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- pro forma</td>
<td>1013</td>
<td>815</td>
<td>3515</td>
<td>3128</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- % of net sales</td>
<td>16.5</td>
<td>13.8</td>
<td>14.4</td>
<td>16.9</td>
</tr>
<tr>
<td>- pro forma</td>
<td>167</td>
<td>117</td>
<td>515</td>
<td>539</td>
</tr>
<tr>
<td>- % of net sales</td>
<td>16.5</td>
<td>14.3</td>
<td>14.7</td>
<td>17.2</td>
</tr>
<tr>
<td><strong>Pre tax profit</strong></td>
<td>258</td>
<td>121</td>
<td>635</td>
<td>612</td>
</tr>
<tr>
<td><strong>EPS, €</strong></td>
<td>1.55</td>
<td>0.68</td>
<td>3.65</td>
<td>3.31</td>
</tr>
<tr>
<td><strong>ROCE rolling 12-months, %</strong></td>
<td>31.5</td>
<td>32.8</td>
<td>31.5</td>
<td>32.8</td>
</tr>
<tr>
<td><strong>Gearing, %</strong></td>
<td>1.2</td>
<td>22.8</td>
<td>1.2</td>
<td>22.8</td>
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