Financial Review 2007

6 February 2008

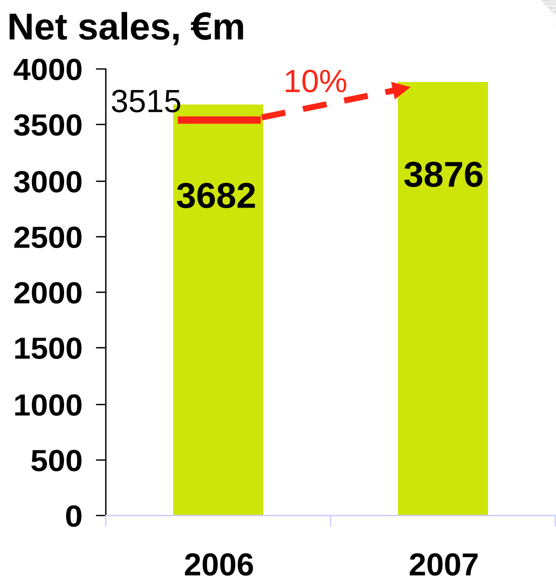
2007 in brief

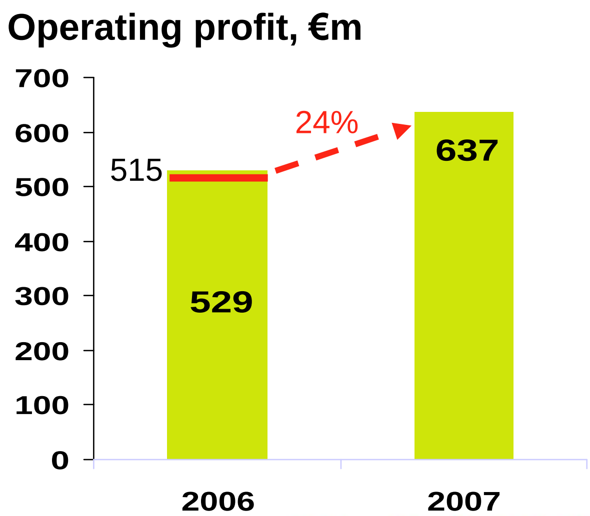
Business environment

- Good market situation in the Group's core market areas and main customer industries continued throughout 2007.
- Brisk activity in non-residential construction continued in the Nordic countries, Central Eastern Europe and Russia.
- Order books of engineering customers, especially in the lifting, handling and transportation equipment industry, remained strong.
- Demand for special steel and plate products has remained strong, although there was an oversupply in certain product groups, including galvanised products, particularly towards the end of the year.

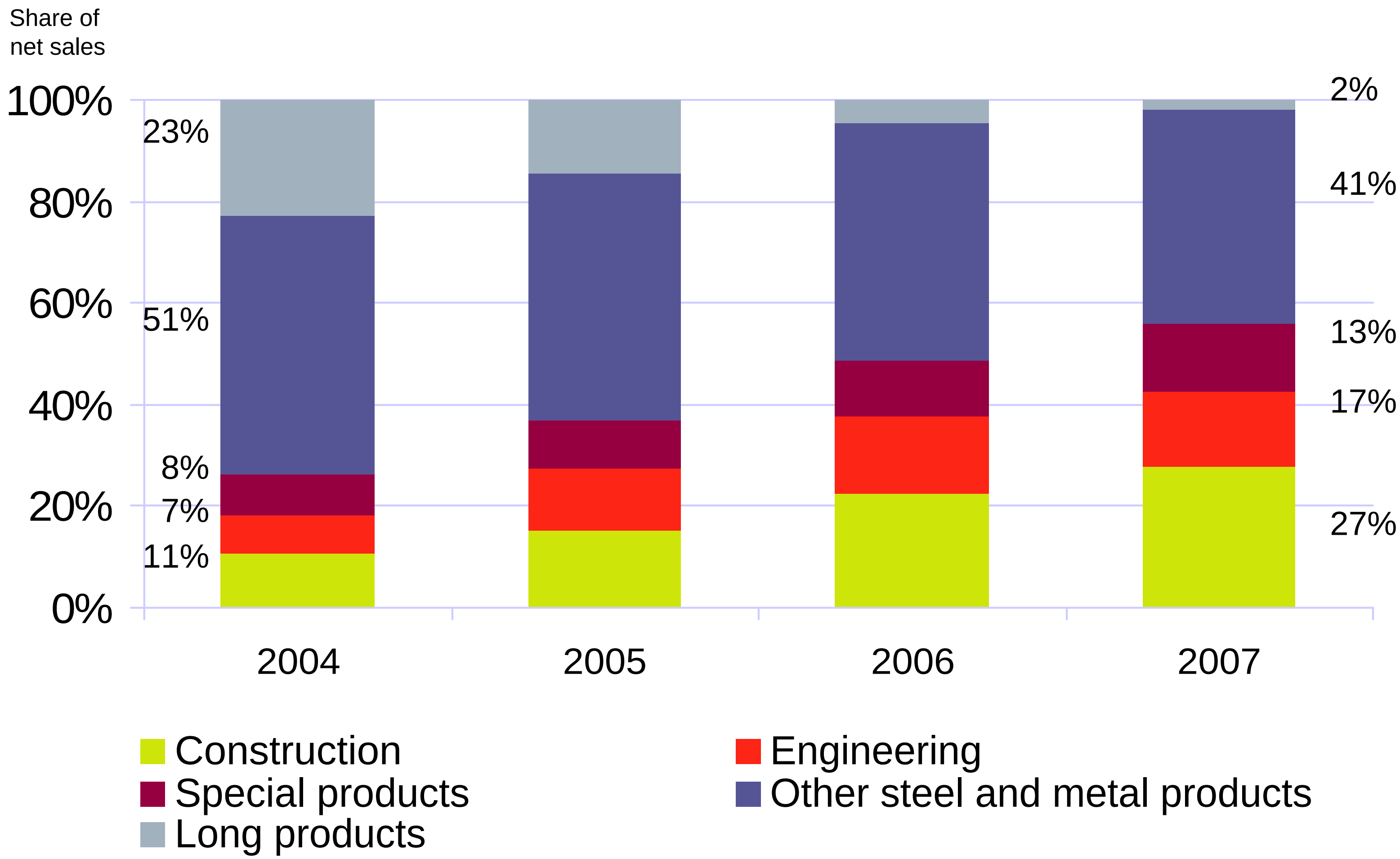
Strong profitable growth

- Very good operating result
  - Comparable net sales up by 10% to €3 876 million
  - Comparable operating profit up by 24% to €637 million
- Extensive investment programme launched in Russia and Central Eastern Europe to support strong organic growth in construction solutions
- Acquisition in Hungary provided major new customers in lifting, handling and transportation equipment business
- Start up of direct quenching unit at Raahe Works in Finland clearly improved delivery capability especially to customers in the lifting, handling and transportation equipment industry
- Special steels accounted for increased share of net sales, improved delivery capability





Solutions businesses and special products accounted for increased share of net sales



Progress made with Ruukki United efficiency programme

- Aim to achieve cost savings, compared to 2004 cost structure, of €150 million by the end of 2008
  - €96 million saved under current structure
- Aim to permanently free up €150 million of capital, compared to 2004 capital structure, by the end of 2008
  - €76 million released from current businesses

Financial performance 2007

Financial summary 2007

			Change	
€m	2007	2006	€m	%
Comparable net sales *	3876	3515	+361	+10%
Comparable operating profit (EBIT)*	637	515	+122	+24%
- % of net sales	16.4	14.7		
Pre-tax profit (excl. capital gain from Ovako divestment)	621	535	+86	+16%
EPS (excl. capital gain from Ovako divestment), €	3.31	2.92	+0.39	+13%
DPS **, €	1.70+0.30	1.50+0.50		
ROCE (excl. capital gain from Ovako divestment), %	29.6	27.4		
ROE (excl. capital gain from Ovako divestment), %	24.0	24.9		
Gearing, %	1.4	1.2		

** Comparable figures exclude Nordic Reinforcing units, which were part of the Group until 31 July 2006.*

*** 2007 Board of Directors' proposal*

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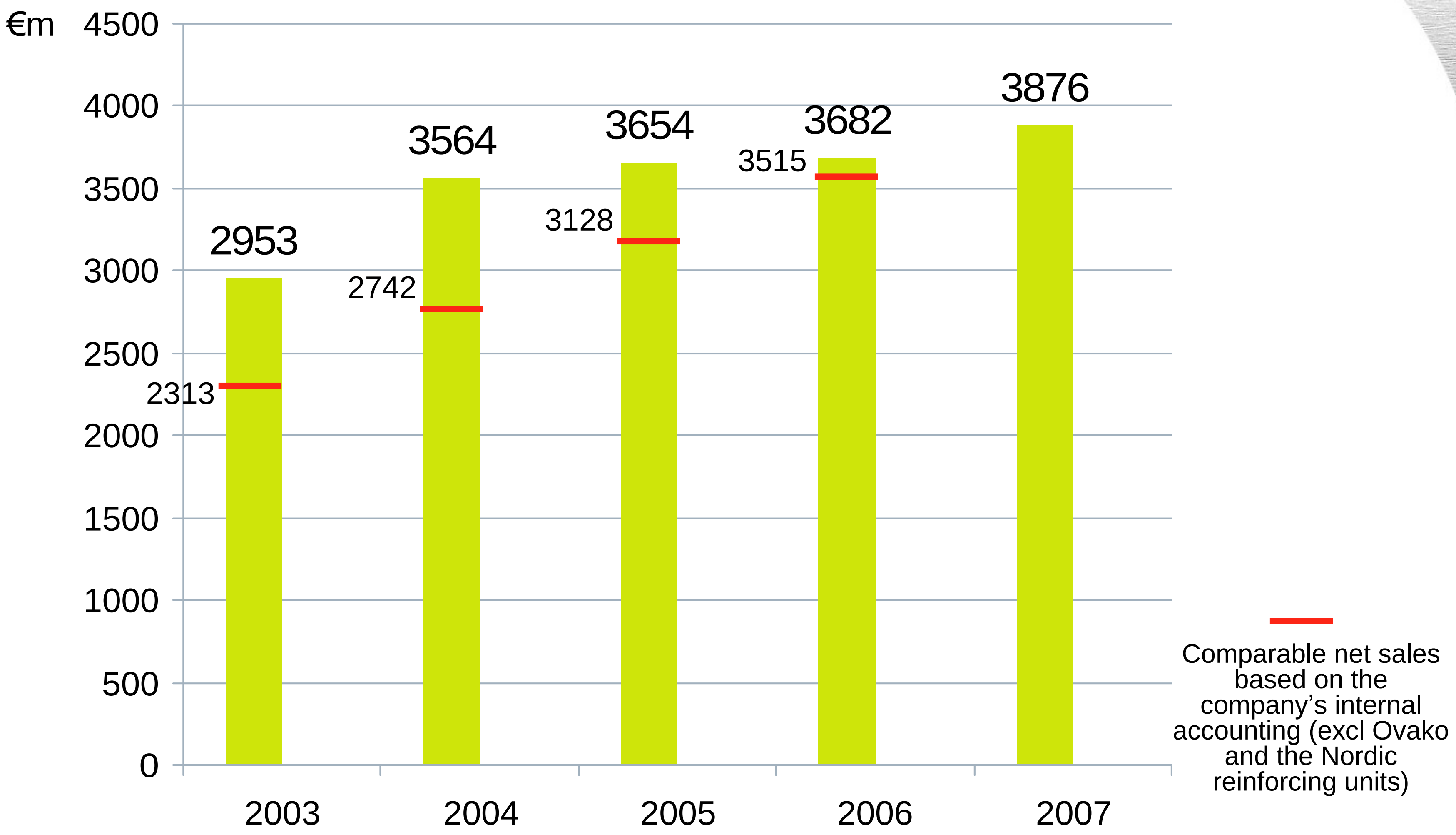
Financial summary Q4 2007

	Q4		Change	
€m	2007	2006	€m	%
Net sales	982	1013	-31	-3%
Operating profit (EBIT)	120	167	-47	-28%
- % of net sales	12.2	16.5		
Profit before taxes (excl. capital gain from Ovako divestment)	109	158	-49	-31%
EPS (excl. capital gain from Ovako divestment), €	0.57	0.82	-0.25	-30%

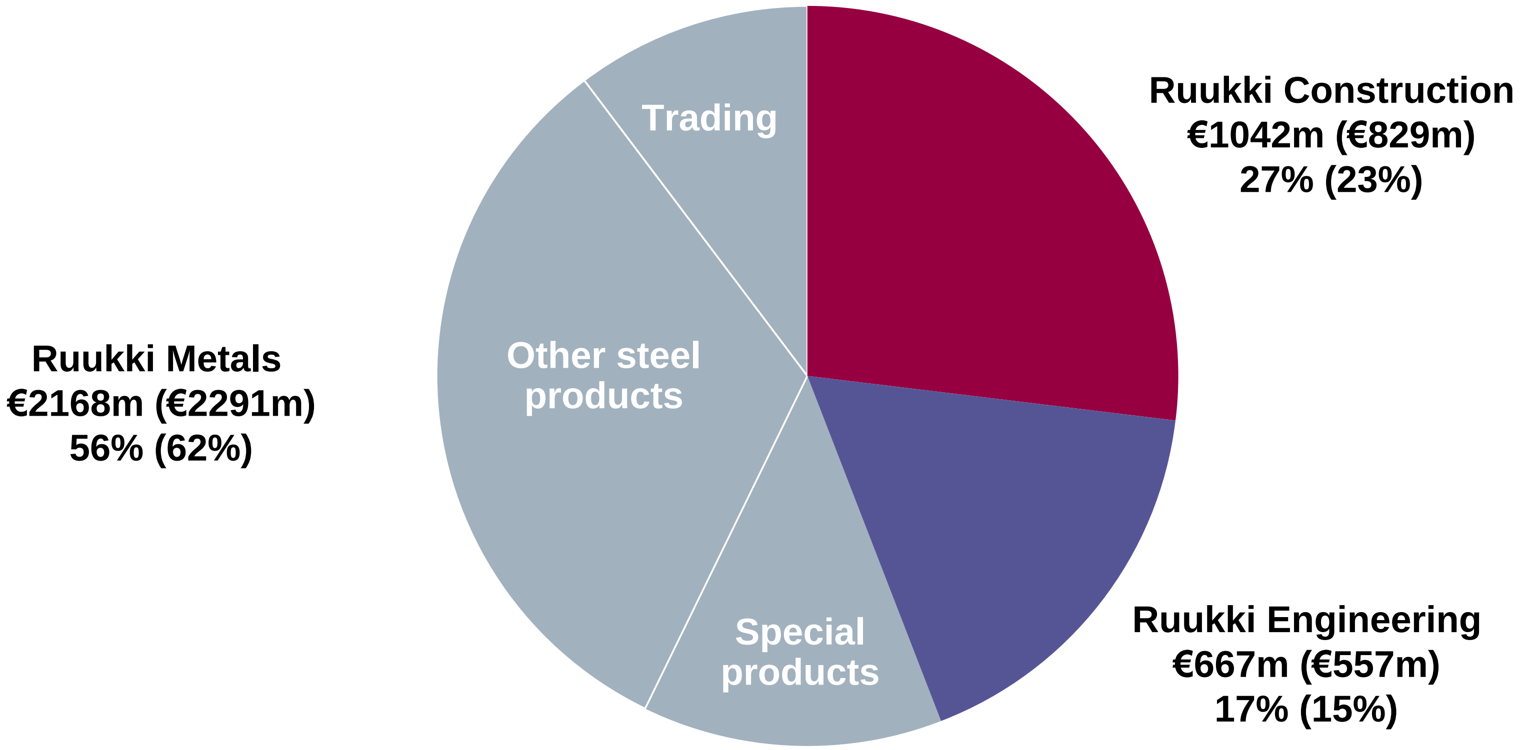
- Operating profit was reduced by costs due to unutilised capacity (€25m) and strikes (€6m). In addition, operating profit was affected by a loss on the divestment of the Central European reinforcing units (€2m) and lower margins on stainless steel trading (€10m).
- Net finance expense included €10 million to hedge a liability denominated in Swedish kronor

Consolidated net sales



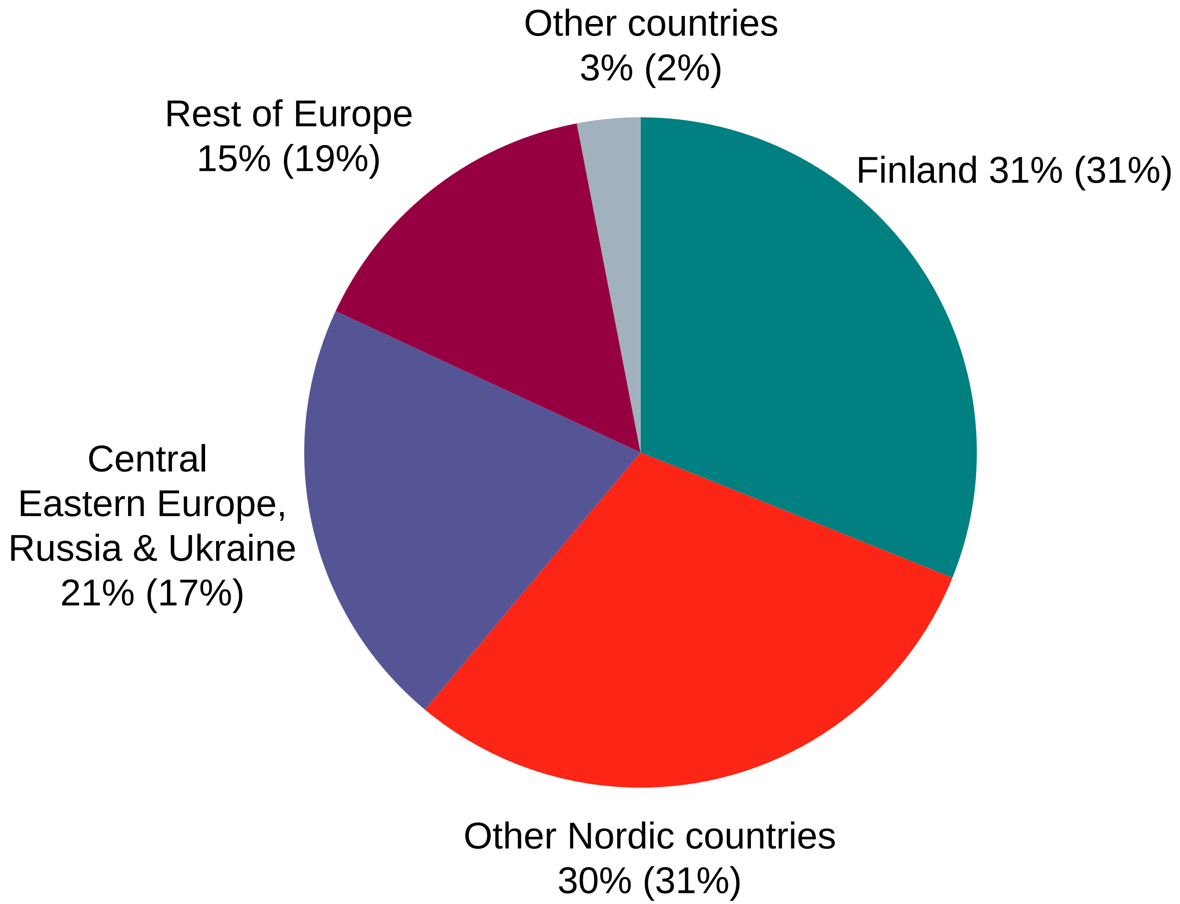
Solutions businesses strengthened share of net sales

Net sales by division 2007 (2006)



Share of net sales from Central Eastern Europe and Russia increased

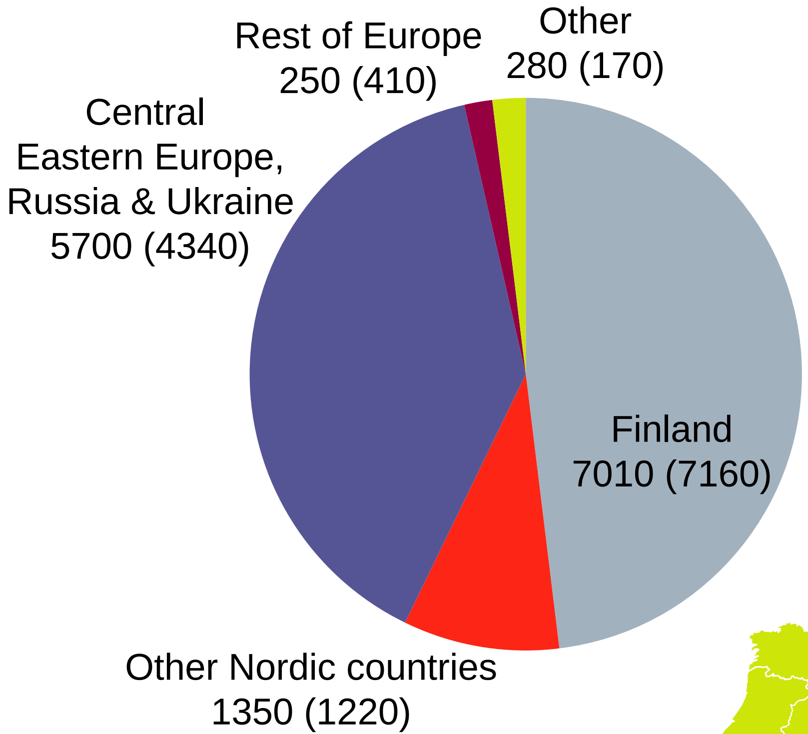
Net sales by region 2007 (2006)

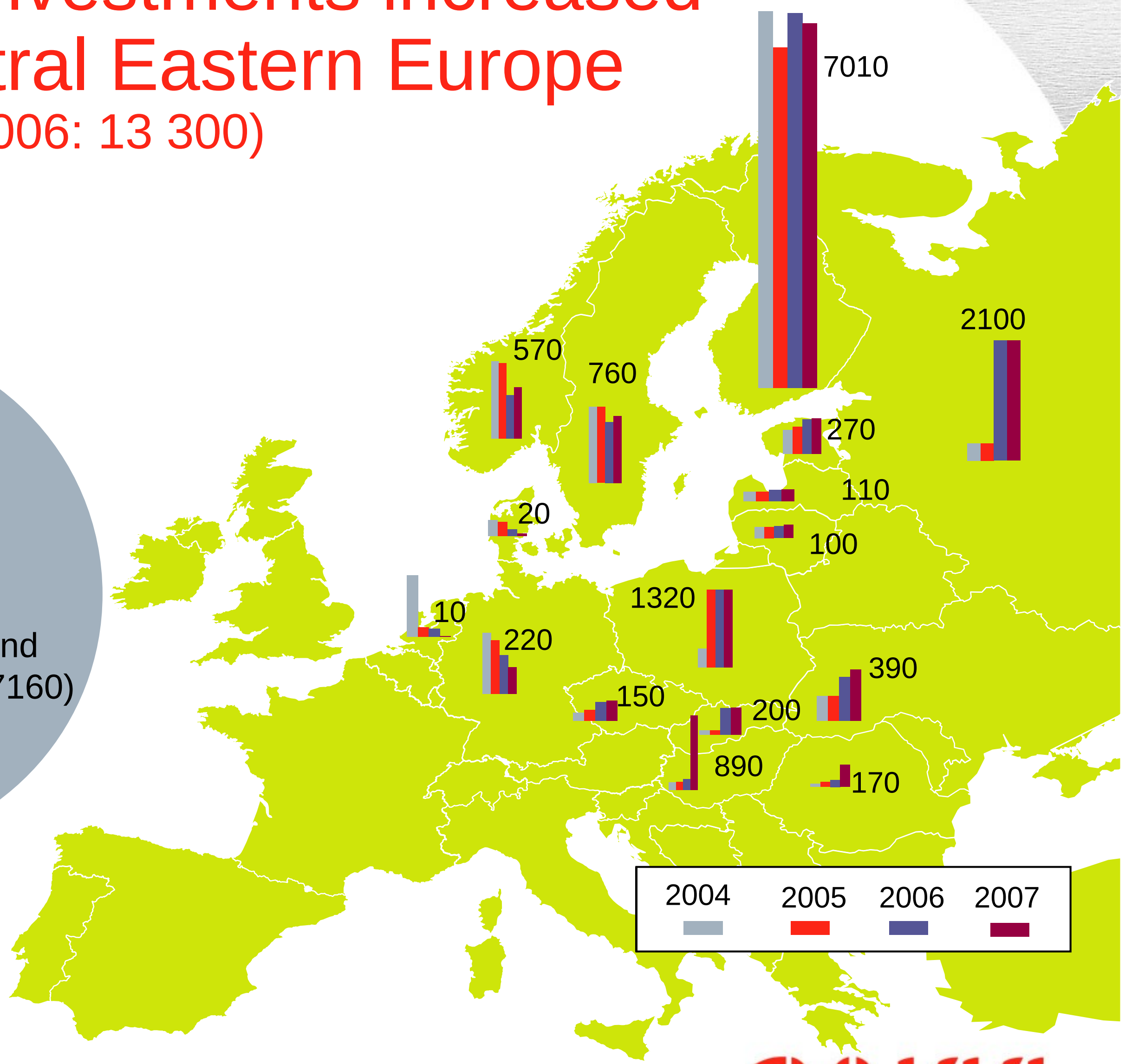


- Strong market position in Finland and other Nordic countries
- Strongest growth in Central Eastern Europe and Russia
- Divestment of under-performing businesses has decreased relative share of sales in rest of Europe

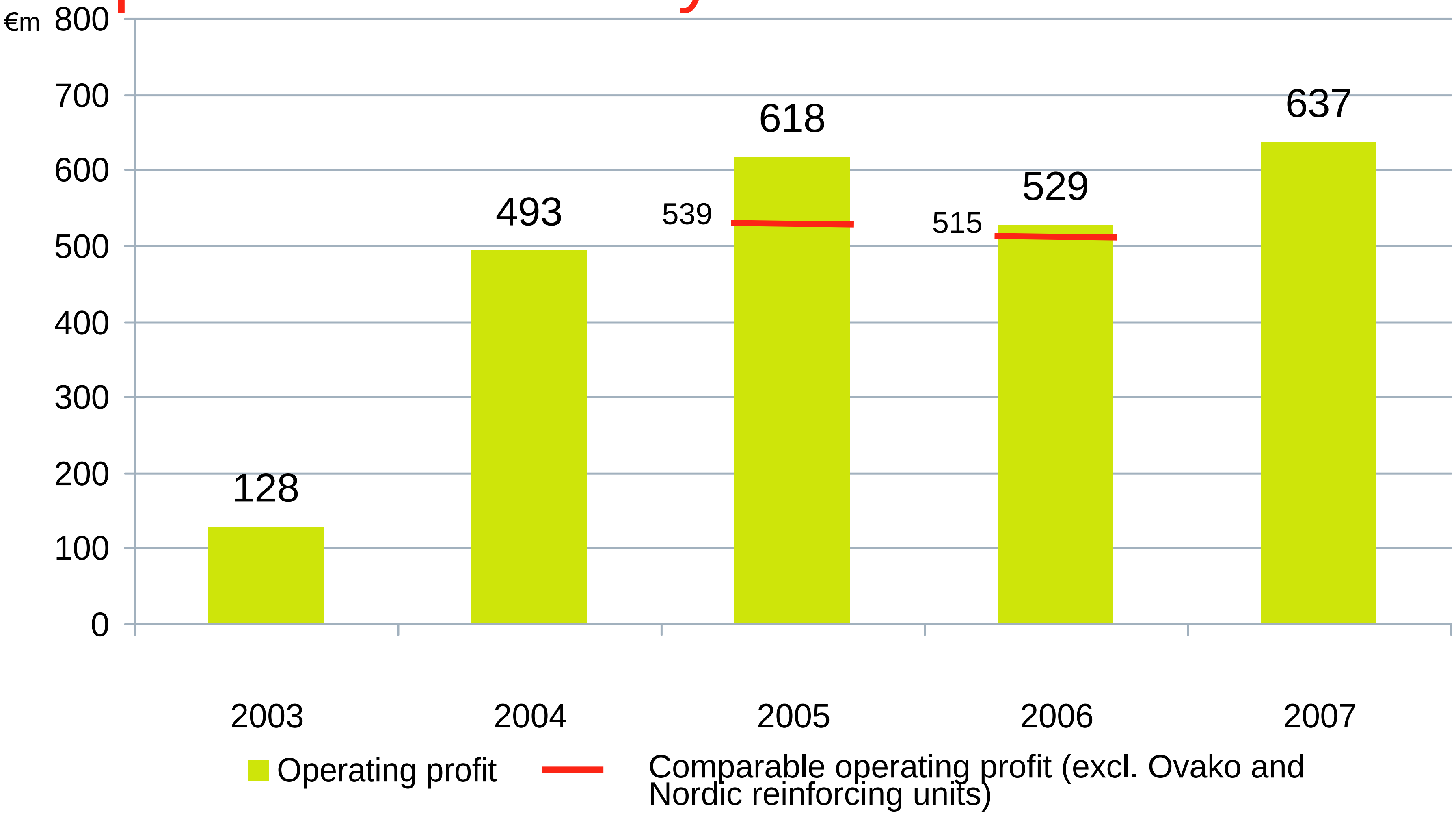
Acquisitions and investments increased headcount in Central Eastern Europe

Personnel 2007: 14 590 (2006: 13 300)

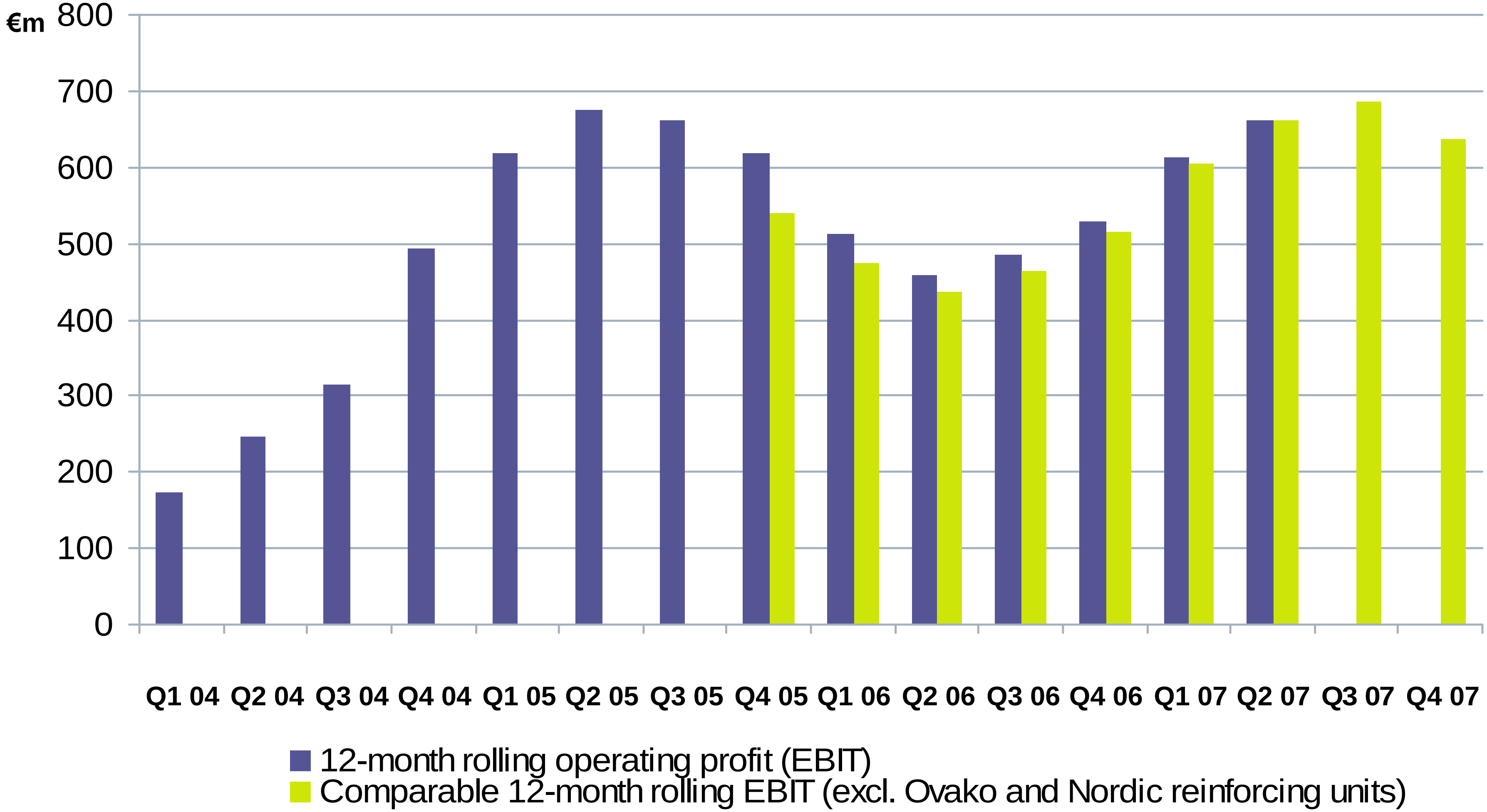




Comparable consolidated operating profit increased by 24%



12-month rolling operating profit 2004-2007



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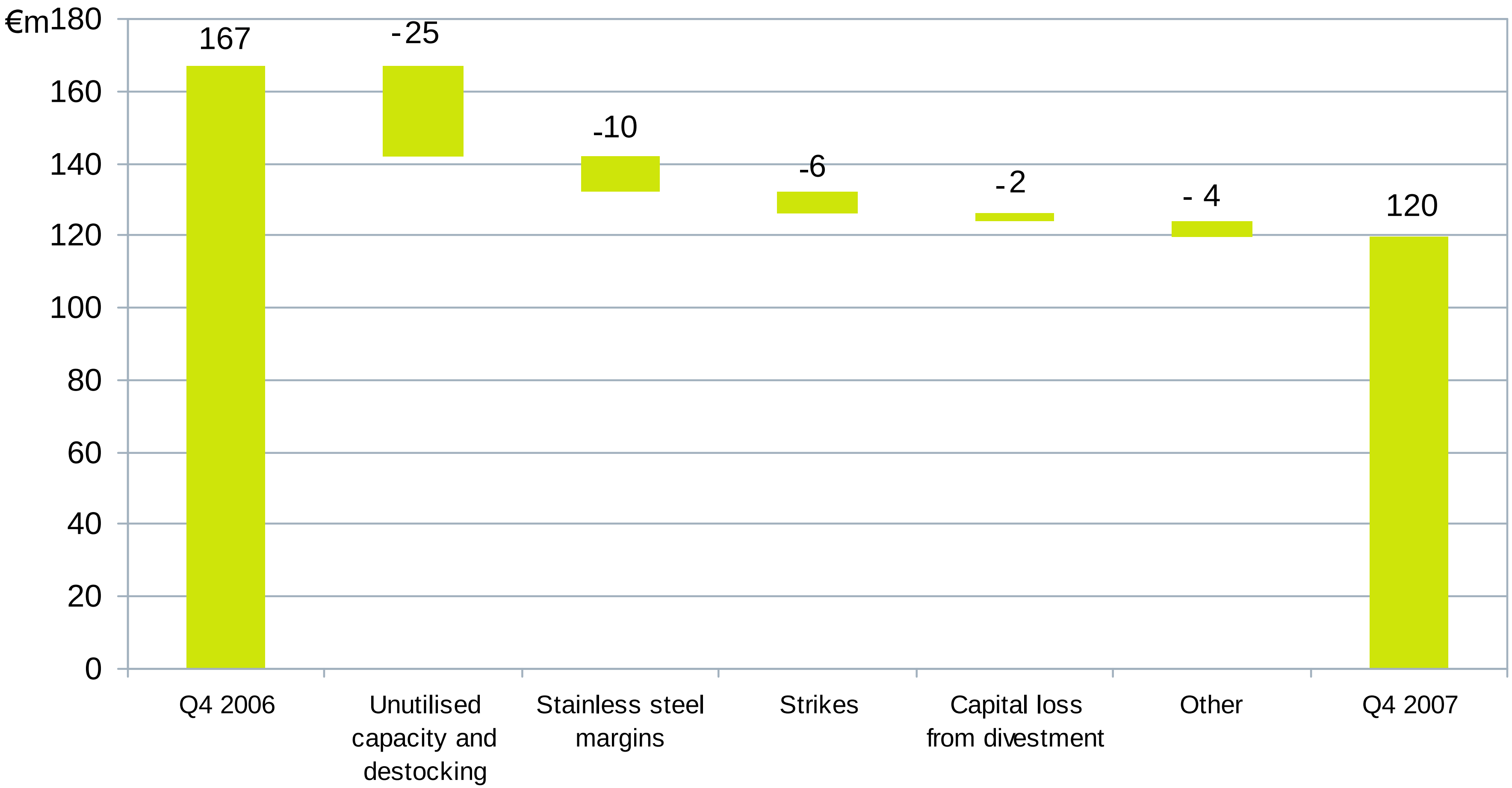
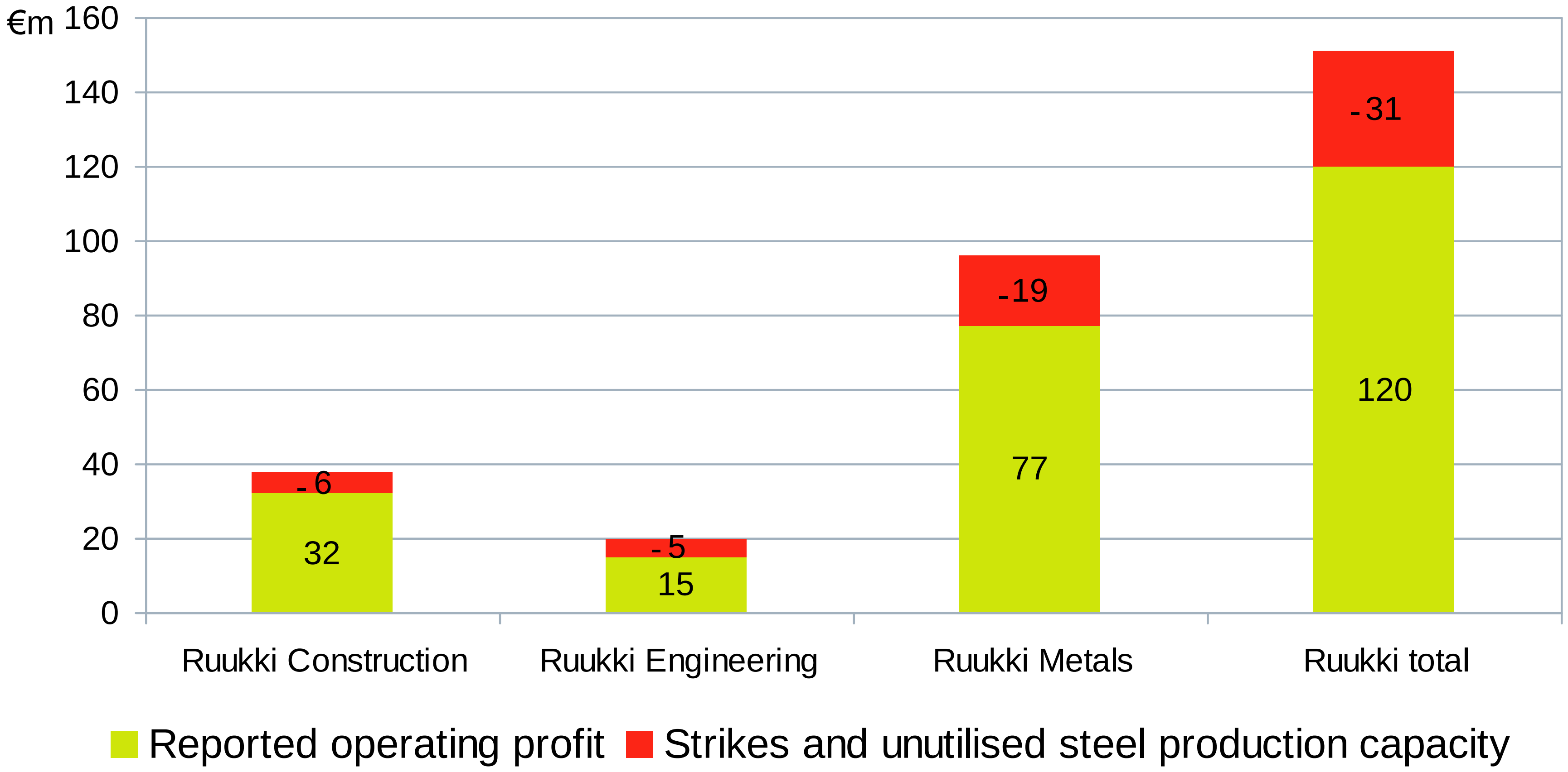
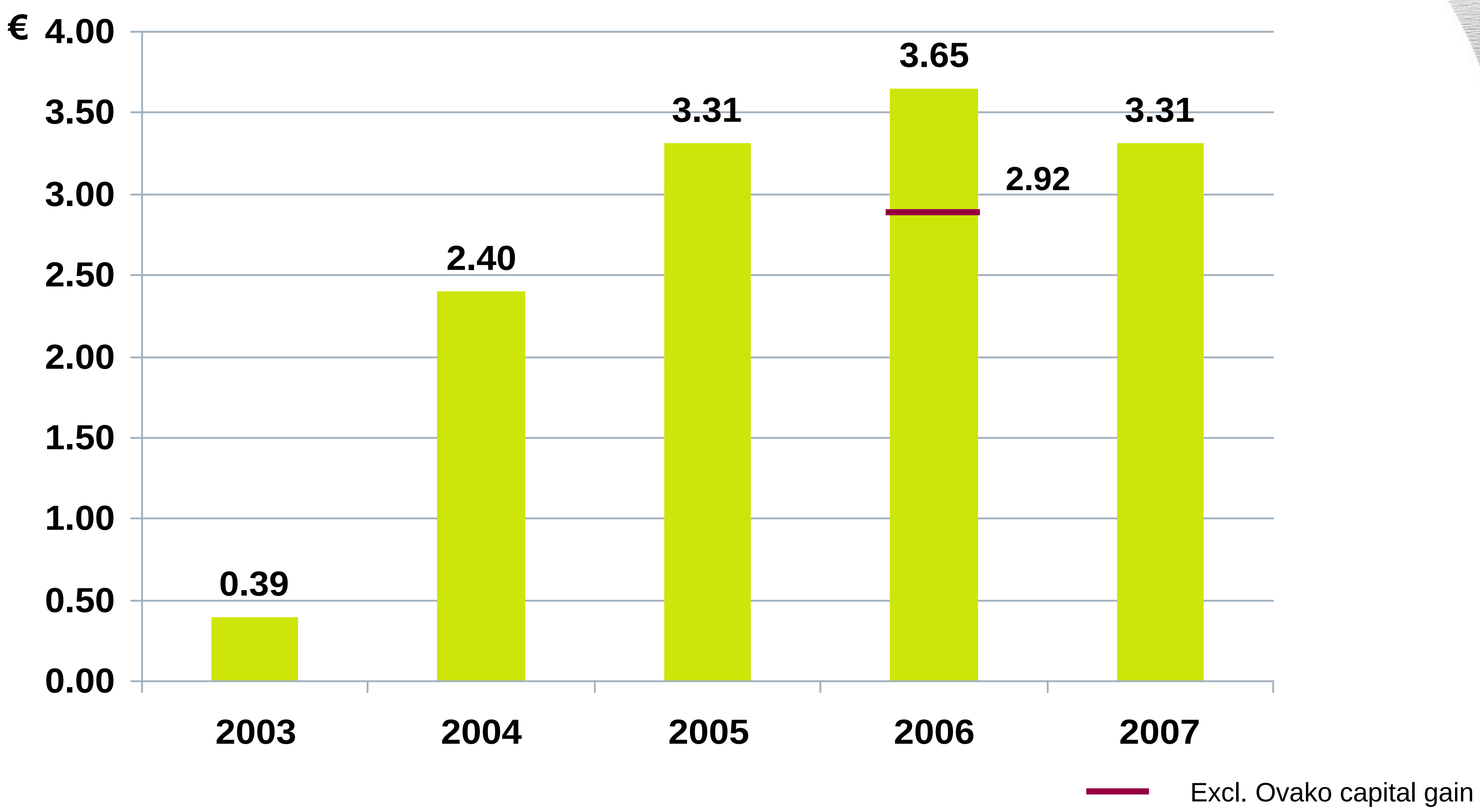
Q4 operating profit compared with previous year



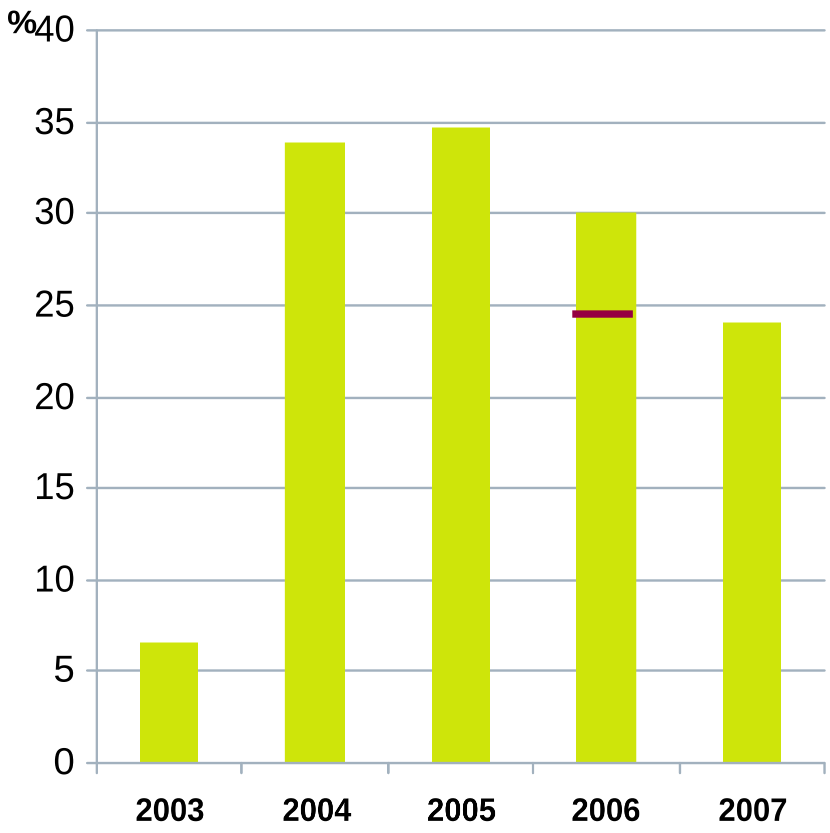
Impact of strikes and unutilised capacity on Q4 operating profit by division



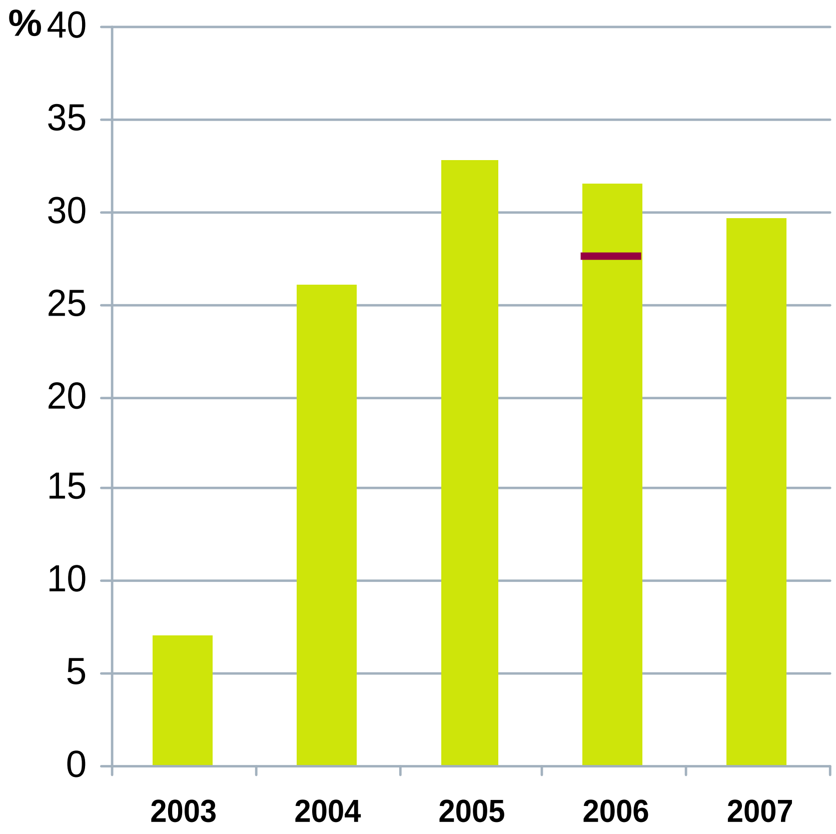
Earnings per share



Return on equity

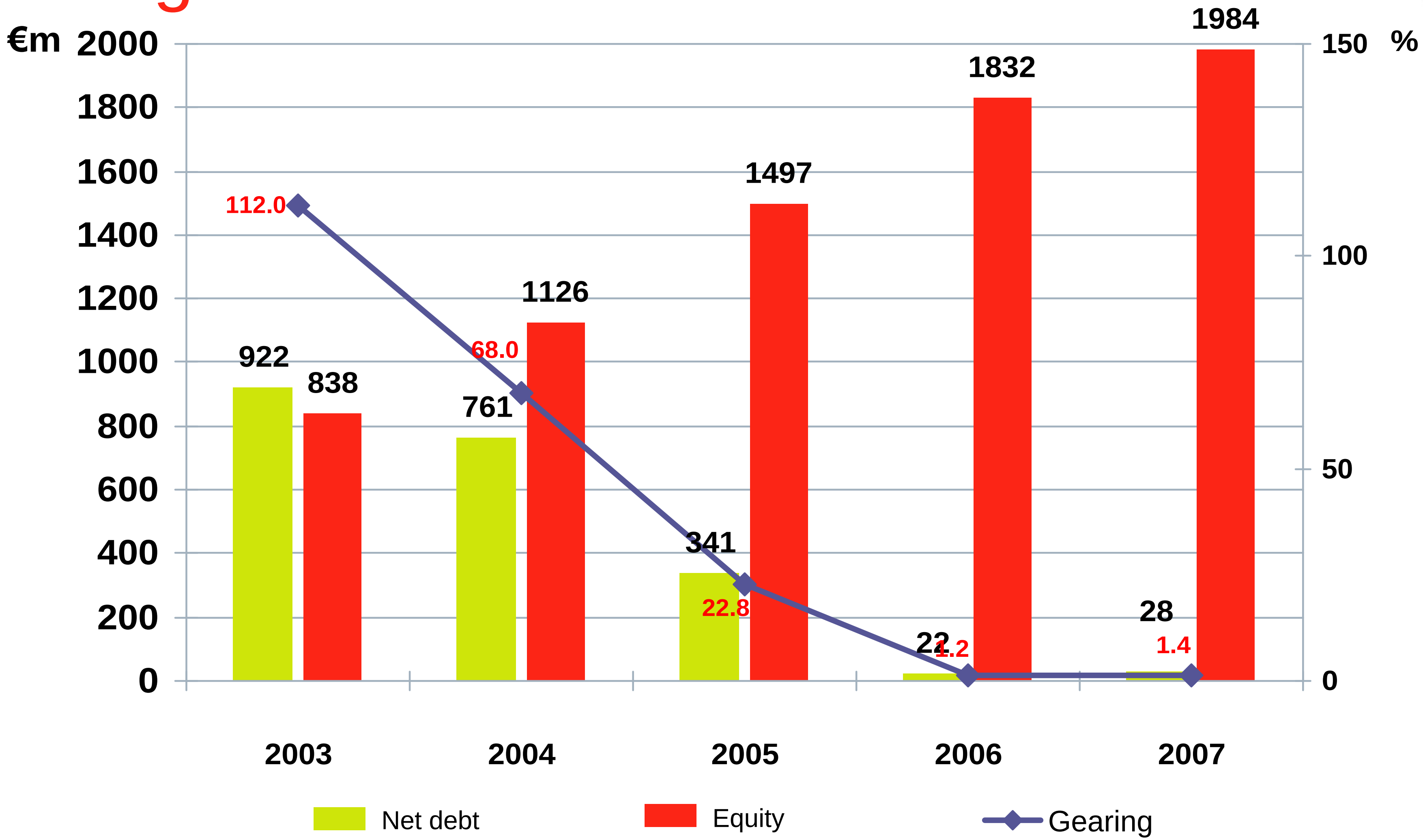


Return on capital employed



Excl. Ovako capital gain

Strong balance sheet enables funding for growth



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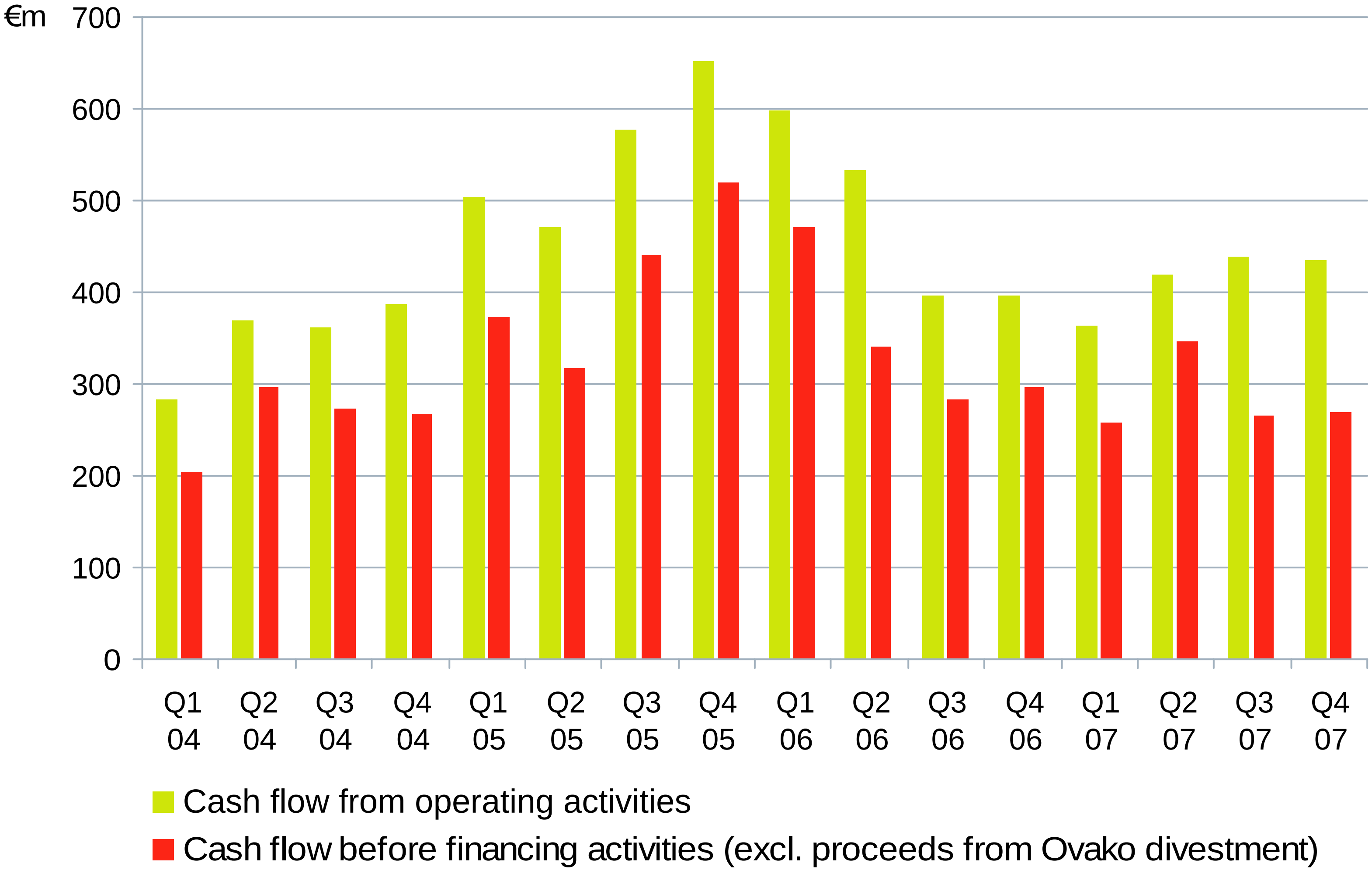
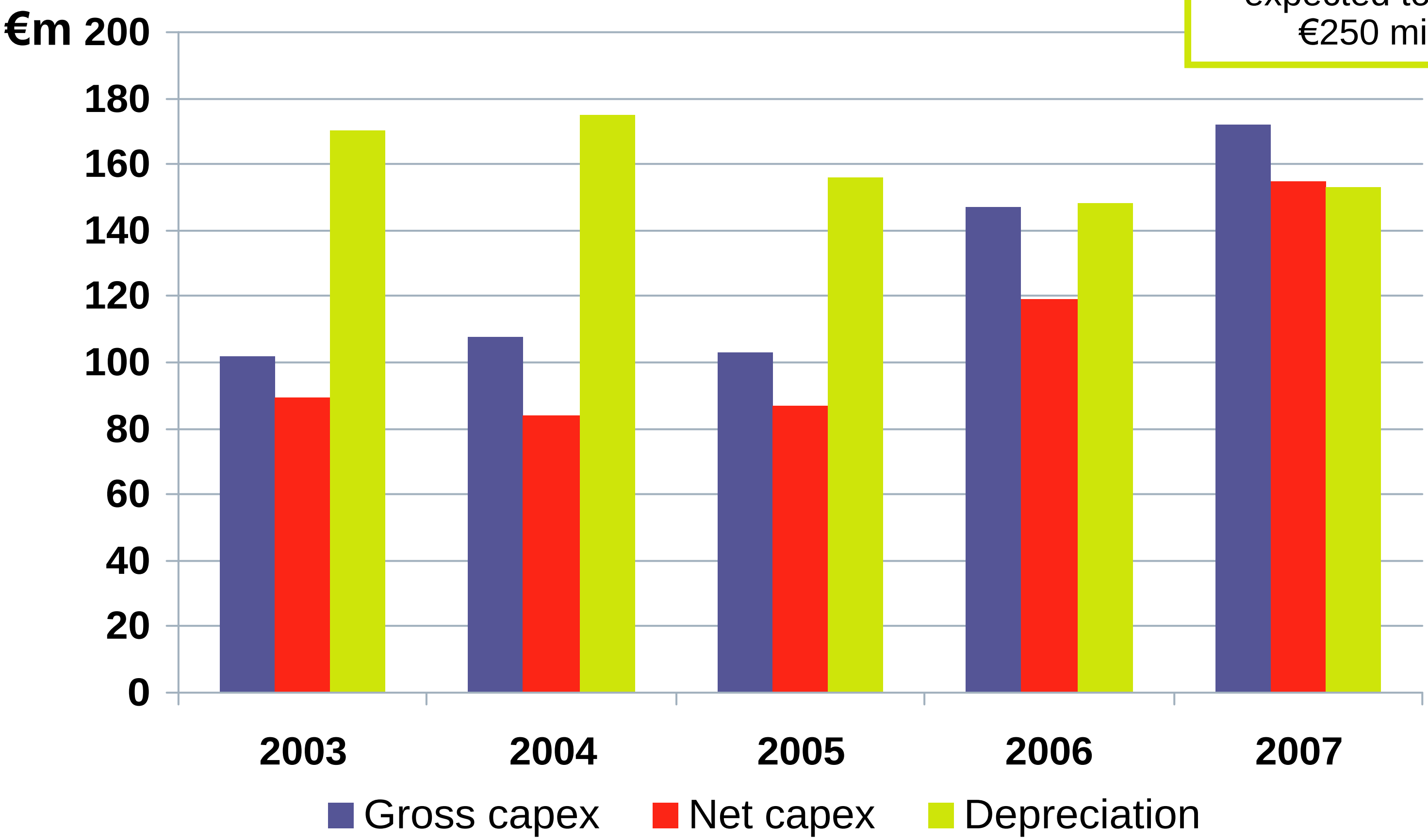
12-month rolling cash flow 2004-2007



Capital expenditure increased

Capex in 2008 is expected to exceed €250 million.



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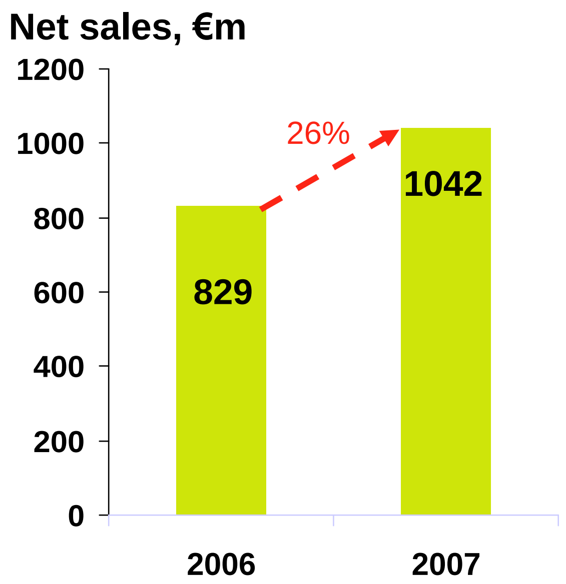
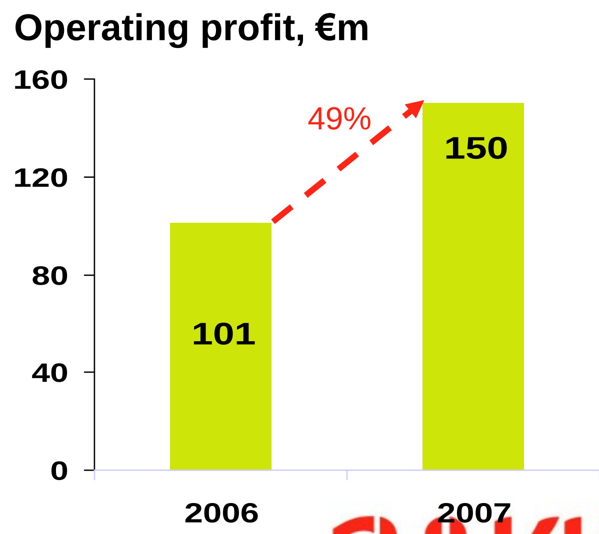
Business areas

Ruukki Construction – strong profitable growth continues

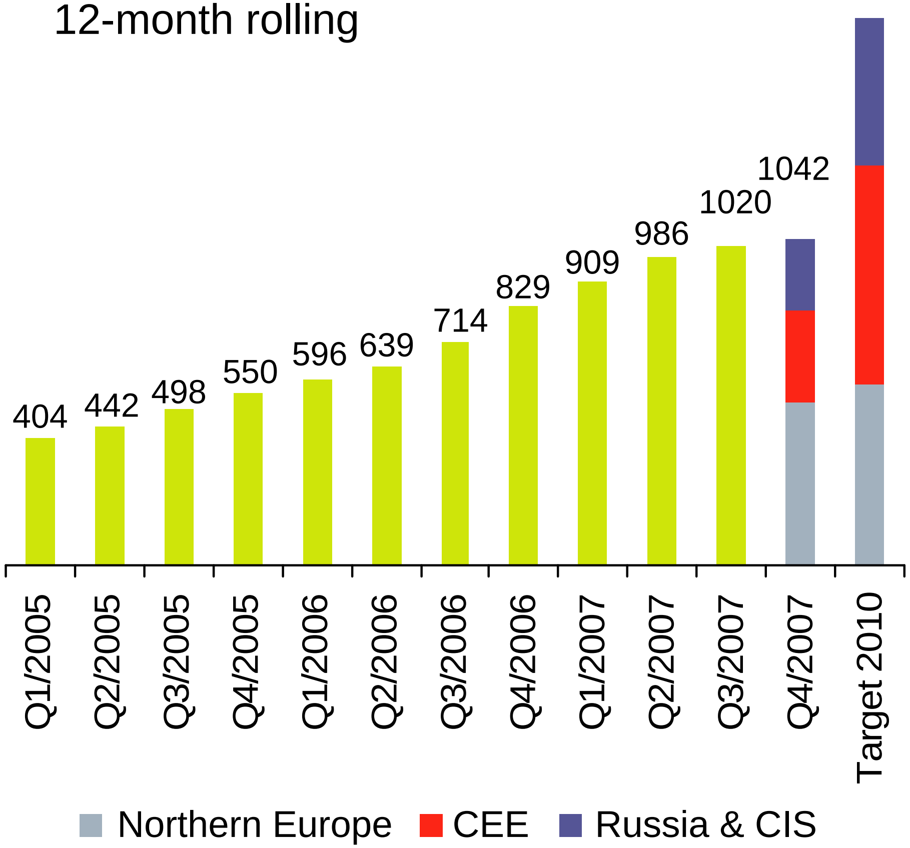
- Net sales grew especially in Russia and the Nordic countries
- Extremely strong demand within building construction in the Nordic countries, Russia and Central Eastern Europe
- Continued good demand and deliveries also within infrastructure construction
- Progress as planned with investments to increase production capacity in Central Eastern Europe, Finland and Russia
- New solutions to shorten construction time launched in Nordic countries
- Construction markets in Russia and Central Eastern Europe expected to grow much faster than in other areas.



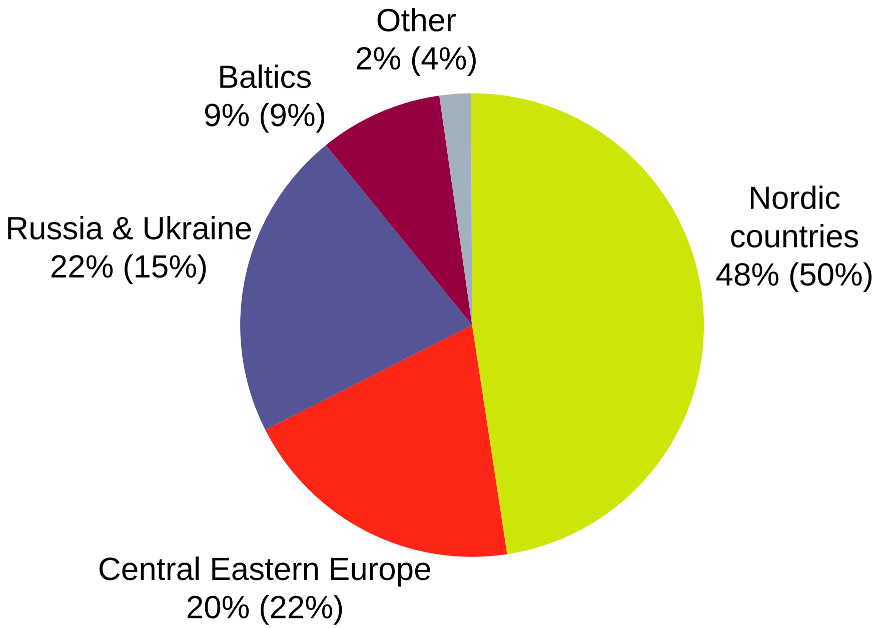


Ruukki Construction:
Target: net sales of over €1.5bn by the end of 2010 (excl. acquisitions)

Net sales (€m)
12-month rolling

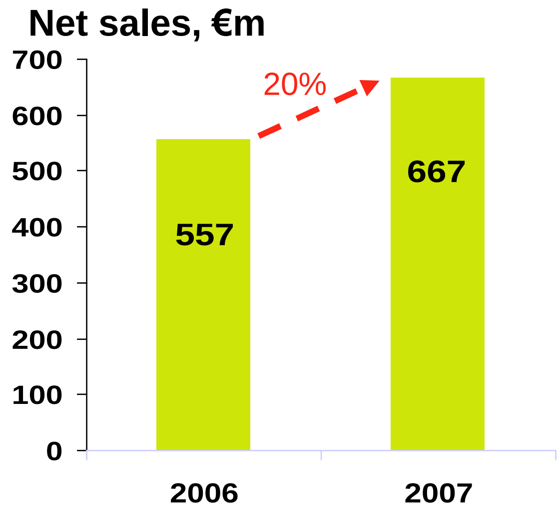


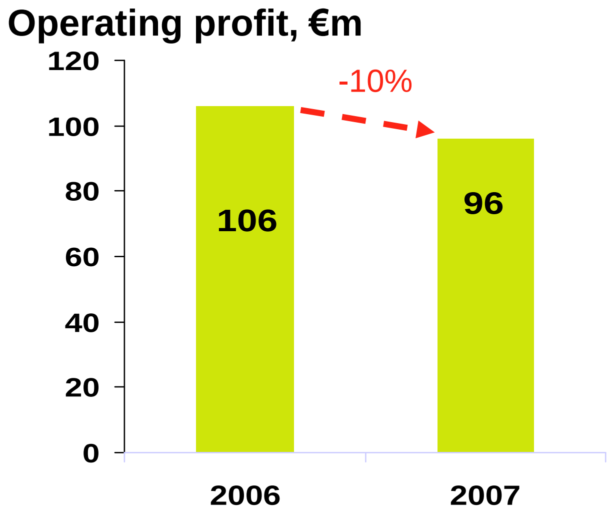
Net sales by region
2007 (2006)



Ruukki Engineering:
Strong market situation, profitability improvement programme initiated

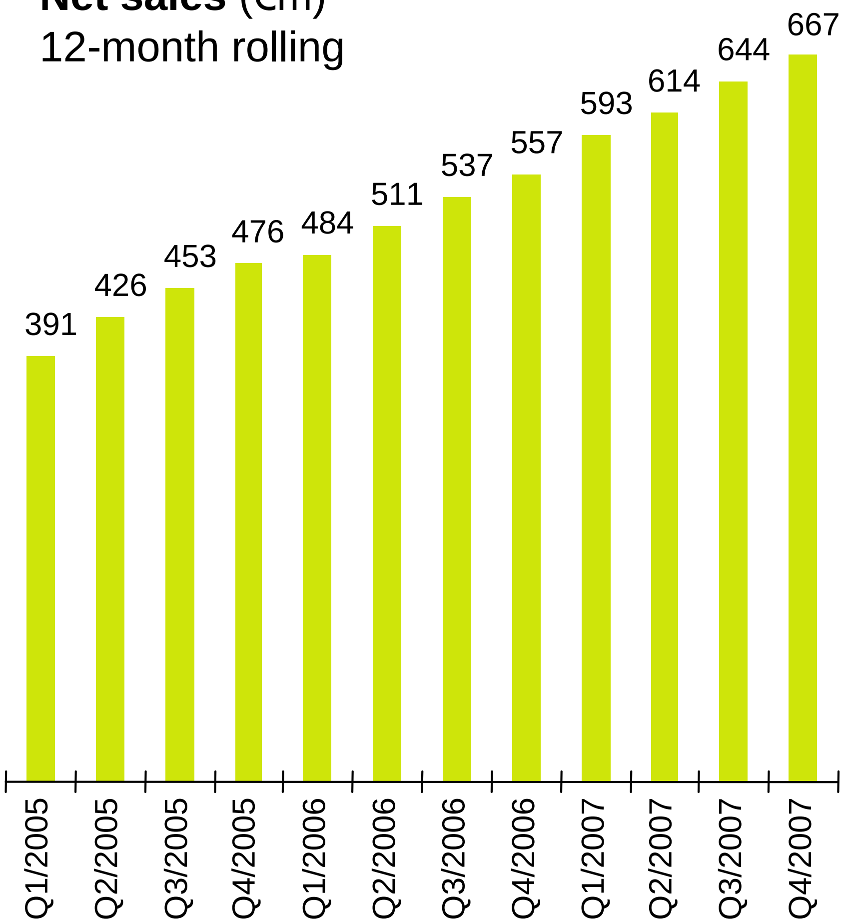
- Strong market situation continued and order books of engineering customers are at a good level
  - Especially in the lifting, handling and transportation equipment industry
- Hungarian acquisition brought major new lifting, handling and transportation equipment industry customers and an expanded product range
- Production capacity limits growth within wind energy and lifting, handling & transportation equipment industries
- Operating profit decreased due to weak profitability during Q4
  - Cost of integrating acquisitions and reorganisation as well as raw materials difficulties in wind turbine projects
  - Costs of €5 million due to unutilised steel production capacity and strikes
- Profitability improvement programme aims at improving operating profit by €20 million in 2008



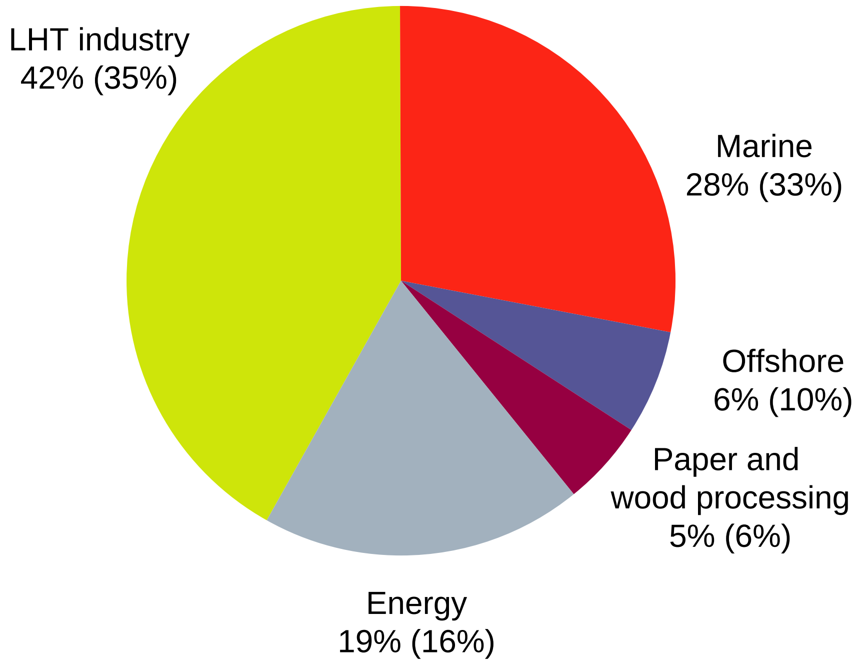


Ruukki Engineering:
Share of net sales strengthened in lifting, handling and transportation equipment industry and energy sector

Net sales (€m)
12-month rolling



Net sales by customer segment
2007 (2006)

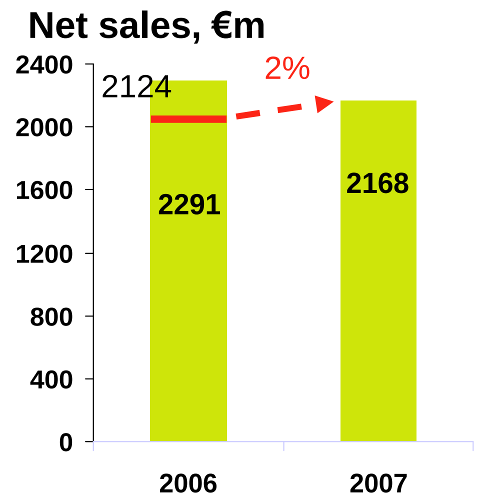


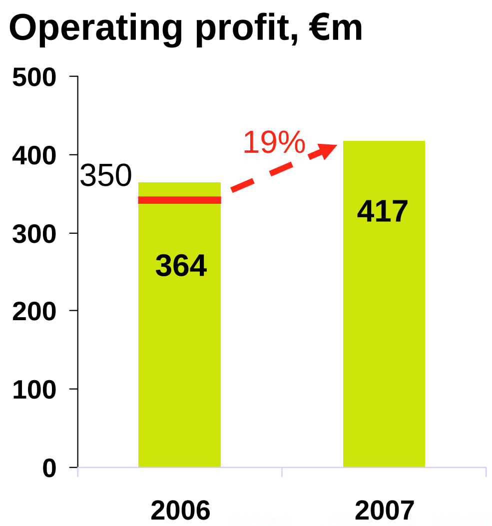
Ruukki Engineering's profitability improvement programme: target €20m increase in 2008 operating profit

- Lighter cost structure
- Intensified production
  - Removal of production bottlenecks
  - Shorter lead-times
  - Improved delivery accuracy
- Increased capacity to meet expanded customer base and demand
- Discontinuation of less profitable products
- Introduction of new organisation and management model

Ruukki Metals' profitability clearly improved

- Demand from end-customers continued strong in core market areas
- Steel wholesalers reduced high stocks in Europe during Q4
- Higher selling prices and change in sales structure improved profitability
  - Average selling prices of own steel products during Q4 were at the same level as in the previous quarter
  - Special steel products accounted for 25% of net sales during Q4
- Stocks at Ruukki's service centres were clearly reduced and sales were restricted to meet profitable demand
- The cost of unutilised steel capacity, a loss on the divestment of the Central European reinforcing units, strikes and lower margins on stainless steel trading reduced Q4 operating profit
- Demand outlook is good, demand also for galvanised products is improving

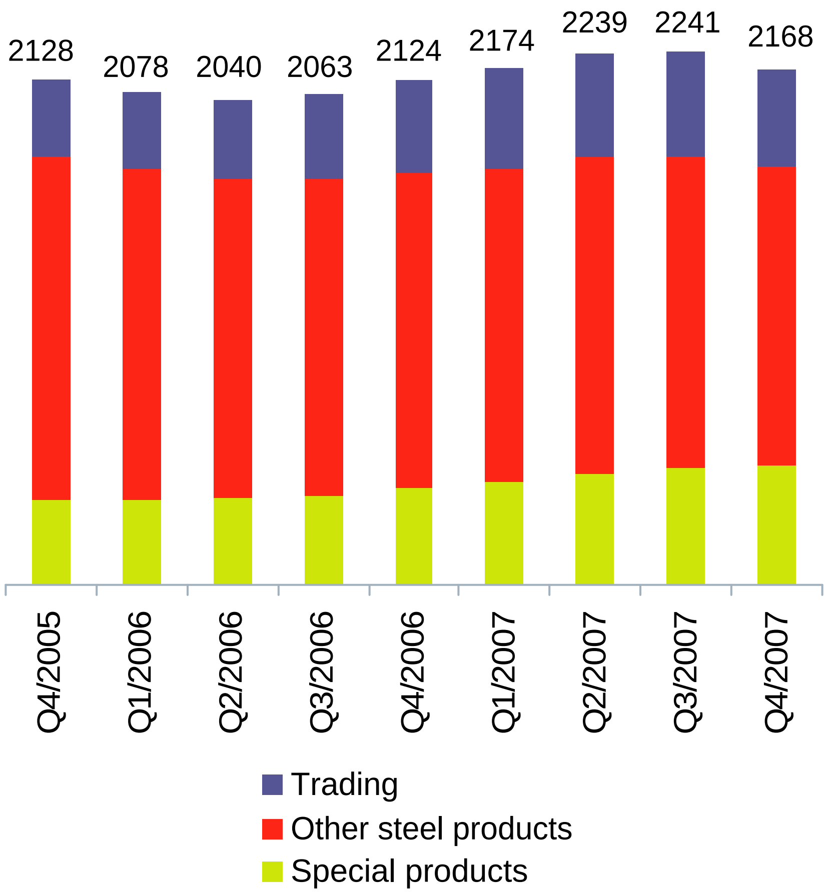




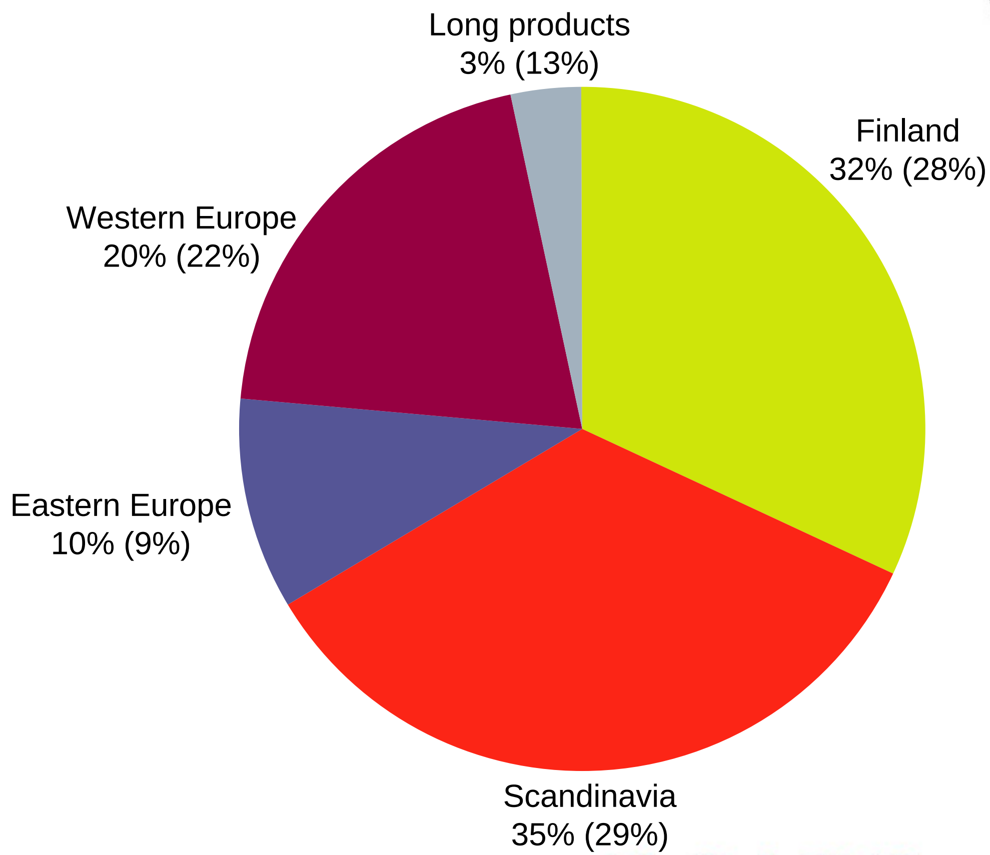
Comparable (excluding Nordic Reinforcing units)

Ruukki Metals:
Share of net sales grew in core market area

Comparable net sales (€m)
12-month rolling



Net sales by region
2007 (2006)

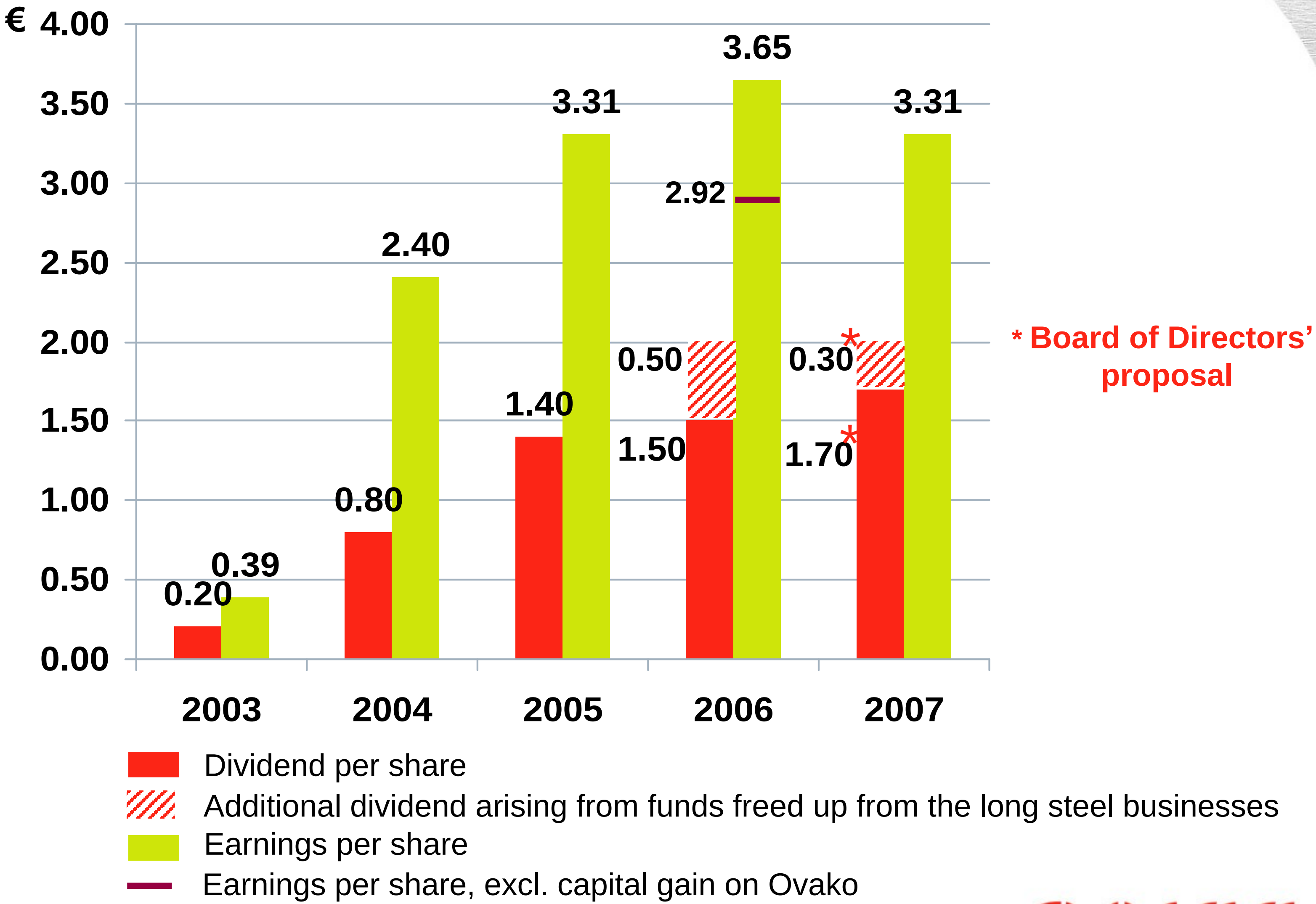


Steel production

- Steel production in 2007 totalled 2 546 000 tonnes (2 853 000). Production in Q4 was 25 per cent less than during the corresponding period a year earlier.
- Low production utilisation rate was due to destocking and a realignment of steel production to meet profitable growth.
  - Steel plate and hot-rolled sheet capacity utilisation rate was normal
- Deployment in September of a direct quenching unit at the Raahe Works enables increased capacity of high-strength and abrasion-resistant steels and finishing capacity will come on stream in stages during 2008.
- Strikes by the Union of Salaried Employees and workers stopped hot-rolling production and the cutting lines at the Raahe Works for about a week in all.
- The purchase of emissions allowances for the 2008-2012 trading period are expected to result in additional costs of €3-5m a year
- The capacity utilisation rate was back to normal in all products at the end of December.

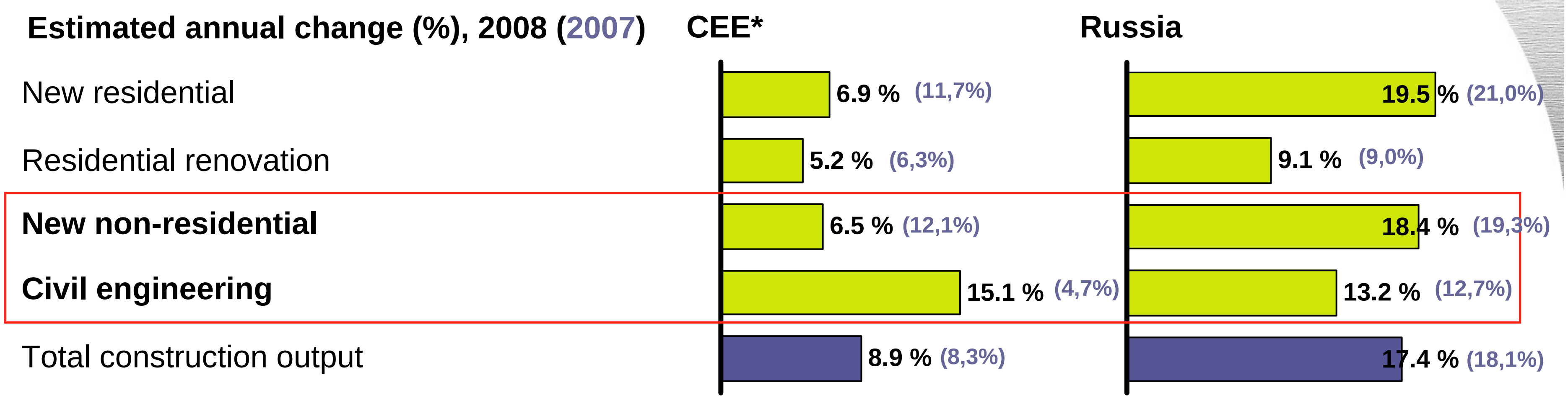
Dividend proposal

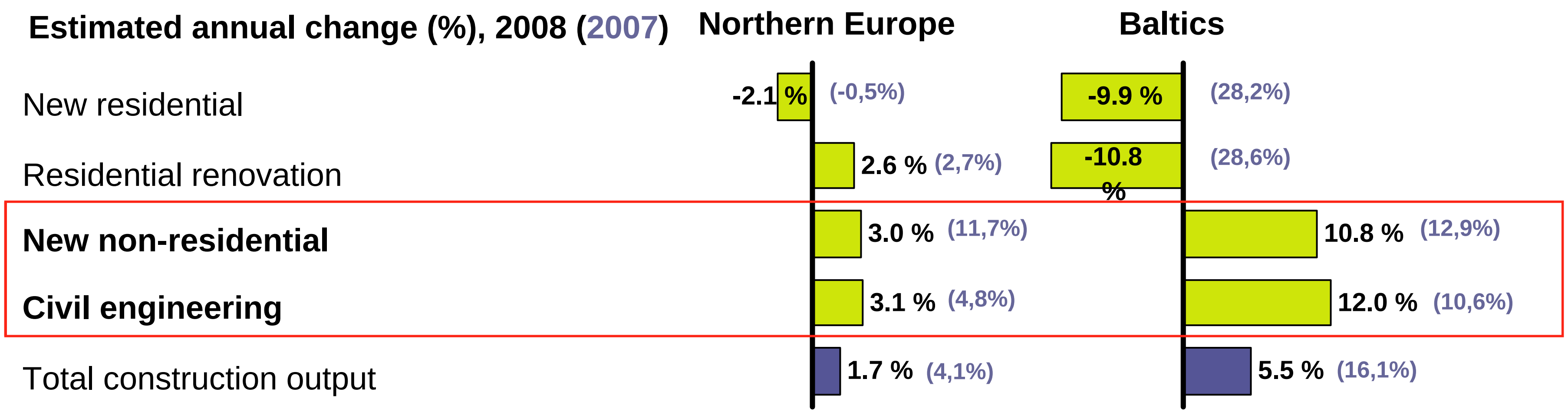
Dividend proposal: €1.70 and €0.30 additional dividend



Near-term outlook

Strong growth outlook for 2008 in all Ruukki's target markets

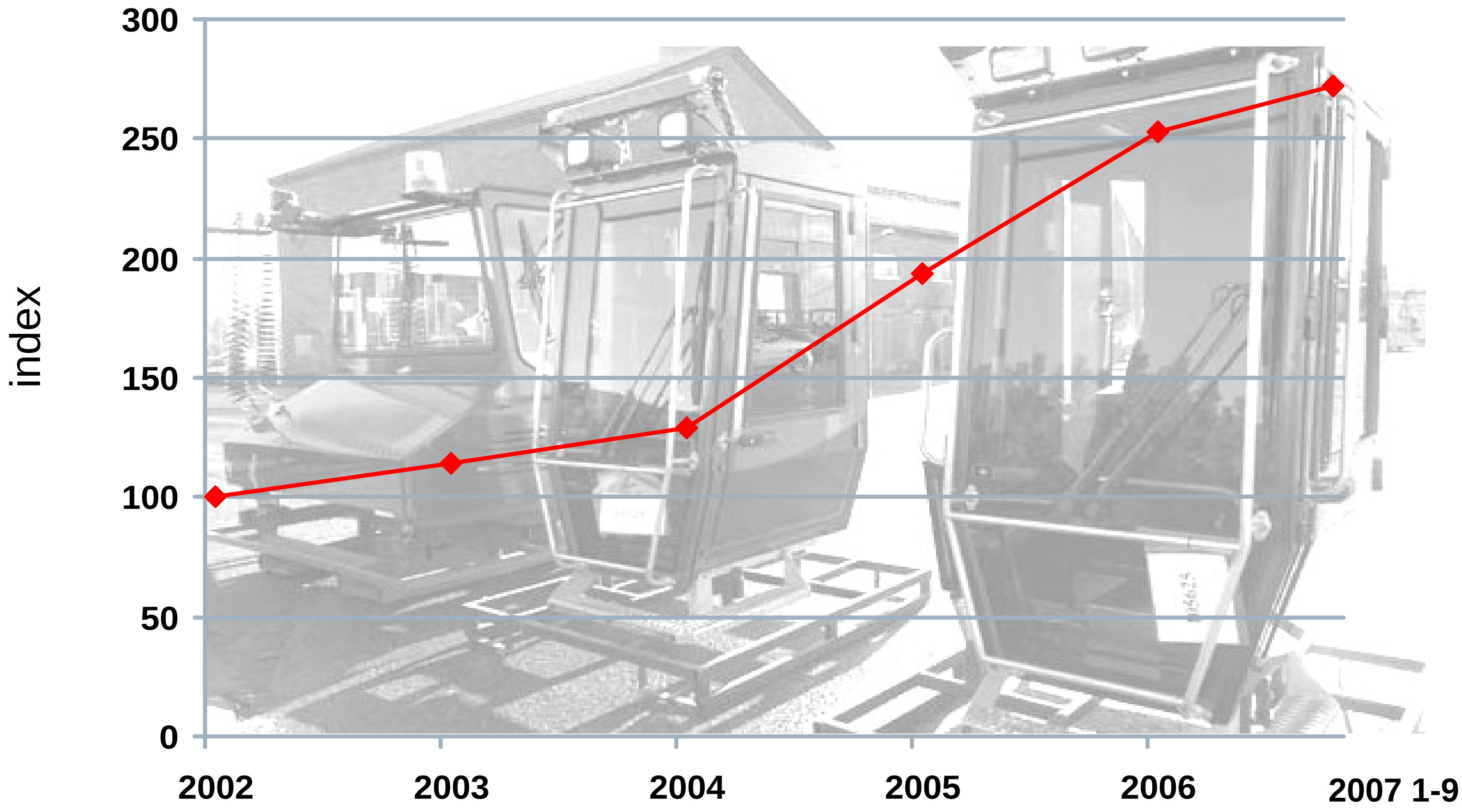




** Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Ukraine*

Source: Euroconstruct, Buildecon, VTT

Strong increase in customer order books in engineering industries



Source: Compiled from order book data of some Engineering players within Ruukki's market

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Continued good demand for steel products

- Stocks of European wholesalers normalised at the end of the year
- Customer orders were back on the growth track in Europe during Q4
- Good demand outlook for steel products
  - Especially for special steel and plate products
  - Demand for galvanised products is also improving
- Pressure to increase selling prices due to expected increases in raw material costs
  - Prices of raw materials not yet agreed for 2008
  - Iron ore and coal, including freight charges, accounted for about 10% of the Group’s costs in 2007

Near-term outlook

- Market environment:
  - Non-residential construction activity is expected to remain brisk across the entire market area. The markets in Eastern Europe are expected to grow much faster than in other areas.
  - The infrastructure construction market is expected to continue good in all market areas.
  - Demand from engineering customers is expected to remain good in the lifting, handling and transportation equipment industry, as well as in the energy, shipbuilding and offshore sectors.
  - Demand for steel products, particularly special products and plate products, is expected to continue good. Stocks of standard steel product were high during Q4 2007 but normalised at the turn of 2008.
- Near-term outlook:
  - The company’s strong growth especially in Russia and in Central Eastern Europe, together with brisk demand in customer industries, creates a good platform for Rautaruukki’s growth in 2008.
  - Comparable net sales growth is expected to meet the target and exceed 10 per cent. Operating profit in 2008 is expected to be higher than in 2007.

more with metals