Financial review 2008

5 February 2009
2008 in brief

• Comparable consolidated net sales up 2% year on year
• EBIT margin target (>15 %) achieved
• Return on capital employed exceeded target level (>20%)
• 2008 was an abnormal year:
  – Good market conditions and demand in all market areas and customer industries during the first months of the year
  – Extremely rapid weakening of market environment in November-December
  – Change in evidence globally
• The company reacted to change in business environment by adjusting production and operations accordingly:
  – Extensive actions to adjust operations were carried out both in Finland and in other countries
  – One of the company’s two blast furnaces was shut-down in December to adjust steel production
• Launched in October, the operational excellence programme Boost aims to further improve the competitive edge and ensure profitability long term
Strategy progressed to plan: solutions businesses accounted for 48% of net sales
Business environment and financial performance
Dramatic change in business environment towards year-end

- Market conditions were good in Rautaruukki’s core market areas and main customer industries during the first half of 2008.
- Strong demand continued also during Q3:
  - There were signs of weakening market and demand in some customer segments.
- The fallout of the global credit crunch and economic downturn was in evidence towards the year-end in almost all the company’s market areas and customer industries.
- General uncertainty and the increasing difficulties of customers in obtaining funding resulted in a rapid decline in demand for Rautaruukki’s products and services since November:
  - This was evident especially in steel products and to some extent in construction.
Comparable consolidated net sales up 2% year on year

Comparable net sales based on the company's internal accounting

Comparable net sales growth, %
Growth slipped during fourth quarter

- Ruukki Construction’s net sales fell during Q4 due to rapidly weakened demand across all market areas
- Ruukki Engineering net sales were up year on year during Q4
  - Especially because of deliveries of wind turbine tower plates to existing customers in the wind energy industry
- Ruukki Metals’ demand weakened towards the end of the quarter in all customer segments, especially among subcontractors to the Swedish automotive industry
Breakdown of net sales 2008

Net sales by region 2008 (2007)

100% = €3,851m (3,876)

- Western Europe 13% (15%)
- Central Eastern Europe, Russia & Ukraine 21% (21%)
- Other Nordic countries 31% (30%)
- Finland 32% (31%)
- Other countries 3% (3%)

Net sales by division 2008 (2007)

100% = €3,851m (3,876)

- Ruukki Metals €2,019m (2,168) 52% (56%)
- Ruukki Construction €1,067m (1,042) 28% (27%)
- Ruukki Engineering €765 m (667) 20% (17%)

Ruukki Metals
- Price-sensitive steel products
- Stainless steel and aluminium
- Customised steel products

Ruukki Construction
- Price-sensitive steel products
- Special steel products

Ruukki Engineering
- Price-sensitive steel products
- Special steel products
- Stainless steel and aluminium
- Customised steel products

Price-sensitive steel products

Stainless steel and aluminium

Customised steel products

Special steel products
15% EBIT margin target achieved despite difficult end to year

Comparable EBIT based on company’s internal accounting excluding non-recurring items
Comparable EBIT margin excluding non-recurring items, %
Profitability suffered from rapid weakening in demand at year-end

- Ruukki Construction’s operating profit for Q4 was adversely affected by low capacity utilisation rates
- Ruukki Engineering’s operating profit improved as a result of continued strong demand and profitability improvement programme
  - In addition, production was restructured and product portfolio expanded
- Ruukki Metals’ operating profit was adversely affected by high level of fixed costs in steel production, especially in December due to the shut-down of the other blast furnace
  - Operating profit on stainless steel and aluminium was also noticeably below that of 2007
- Foreign currency hedges helped to offset unfavourable impacts of exchange rates
Headcount by region

Personnel 2008: 14,286*)
(2007: 14,587*)

Central Eastern Europe, Russia and Ukraine 5,538 (5,697)

Other countries 382 (281)

Rest of Europe 94 (252)

Finland 6,955 (7,009)

Other Nordic countries 1,317 (1,348)

*) Headcount at year-end
Cash flow from operating activities still at good level

![Graph showing cash flow from operating activities for years 2004 to 2008.](image)

- **Cash flow from operating activities**
- **Cash flow before financing**
- **Cash flow before financing activities, incl. proceeds from divestment of Ovako**
Capex up year on year

CAPEX in 2009 is estimated to remain well below €200m.
Strong balance sheet is an asset in prevailing market conditions

<table>
<thead>
<tr>
<th>Year</th>
<th>Net debt (LHS)</th>
<th>Equity (LHS)</th>
<th>Gearing (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>761</td>
<td>23</td>
<td>68</td>
</tr>
<tr>
<td>2005</td>
<td>341</td>
<td>22</td>
<td>1,126</td>
</tr>
<tr>
<td>2006</td>
<td>22</td>
<td>1</td>
<td>1,497</td>
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<tr>
<td>2007</td>
<td>28</td>
<td>1</td>
<td>1,832</td>
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<tr>
<td>2008</td>
<td>155</td>
<td>8</td>
<td>1,960</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,948</td>
</tr>
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</table>

€m

%
ROE and ROCE exceeded targets

Return on equity, %

Return on capital employed, %

- Incl. capital gain on divestment of Ovako
- ROCE target >20 %
Rautaruukki Corporation

Ruukki Construction: net sales performance and breakdown

Net sales, €m
Rolling 12 mth

Breakdown of net sales by region 2008 (2007)

- Baltic states: 7% (9%)
- Russia & Ukraine: 22% (22%)
- Central Eastern Europe: 19% (20%)
- Nordic countries: 51% (48%)
- Other: 2% (2%)

Infrastructure construction
Non-residential construction
Residential construction

Q1/06 | Q2/06 | Q3/06 | Q4/06 | Q1/07 | Q2/07 | Q3/07 | Q4/07 | Q1/08 | Q2/08 | Q3/08 | Q4/08
596   | 639   | 713   | 829   | 909   | 986   | 1,020 | 1,042 | 1,054 | 1,080 | 1,111 | 1,067

Rautaruukki Corporation
Ruukki Construction: 2008

- Net sales for Q1-Q3 grew as a result of:
  - Continued good demand for non-residential construction
  - Higher price levels
  - Growth in frame and project business across entire market area
- Q4 was affected by normal seasonal fluctuation together with rapidly weakened demand in all market areas
- Operating profit for entire year affected by:
  - Growth in project business (+)
  - Investment programme under way (-)
  - Building organisation and sales network in Central Eastern Europe (-)
  - Rise in cost of steel materials (-)
- Low capacity utilisation rate due to decreased demand adversely affected performance during Q4

Net sales, €m

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1/07</th>
<th>Q2/07</th>
<th>Q3/07</th>
<th>Q4/07</th>
<th>Q1/08</th>
<th>Q2/08</th>
<th>Q3/08</th>
<th>Q4/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>213</td>
<td>258</td>
<td>278</td>
<td>292</td>
<td>225</td>
<td>285</td>
<td>309</td>
<td>248</td>
</tr>
</tbody>
</table>

Operating profit*, €m

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Q1/07</th>
<th>Q2/07</th>
<th>Q3/07</th>
<th>Q4/07</th>
<th>Q1/08</th>
<th>Q2/08</th>
<th>Q3/08</th>
<th>Q4/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>34</td>
<td>40</td>
<td>51</td>
<td>38</td>
<td>21</td>
<td>38</td>
<td>56</td>
<td>17</td>
</tr>
</tbody>
</table>

*) Excluding non-recurring items
Ruukki Engineering: net sales performance and breakdown

Net sales, €m
Rolling 12 mth

Breakdown of net sales by customer segment 2008 (2007)

Lifting, handling and transportation equipment industry 43% (42%)
Shipbuilding 28% (28%)
Offshore 6% (6%)
Paper and wood 3% (5%)
Energy 21% (19%)
Ruukki Engineering: 2008

- Net sales for Q1-Q3 grew as a result of:
  - Continued good demand in the wind energy and shipbuilding industries
  - Increased deliveries to the lifting, handling and transportation equipment industry
  - Growth in components business
- Net sales grew during Q4 especially due to turbine tower plate deliveries to the wind energy industry
- Profitability during the first months of the year improved due to:
  - Continued strong demand
  - Profitability improvement programme
  - Higher sales prices
- Higher prices of plate products and higher sales volumes improved profitability in Q4
Ruukki Metals: net sales performance and breakdown

Net sales*) €m
Rolling 12 mth

Breakdown of net sales by region 2008 (2007)

- Finland 34% (32%)
- Other Nordic countries 33% (34%)
- Western Europe 22% (23%)
- Eastern Europe 10% (10%)

*) Comparable net sales

Stainless steel and aluminium
Other steel products / customised products
Special products
Price-sensitive products

Q1/06 Q2/06 Q3/06 Q4/06 Q1/07 Q2/07 Q3/07 Q4/07 Q1/08 Q2/08 Q3/08 Q4/08
1,939 1,898 1,913 2,010 2,078 2,088 2,035 2,034 2,073 1,997
Ruukki Metals: 2008

- During Q1-Q2, demand for steel products was good in all market areas and customer industries.
- During Q3, demand was mostly good, but slowed with regard to colour-coated products.
- During Q4, demand for steel products decreased significantly in all market areas and in almost all customer industries.
- Operating profit for whole year was adversely affected by high level of fixed costs in steel production, especially in December due to the other blast furnace being shut down at the Raahe Works in Finland.
  - Also operating profit from stainless steel and aluminium was noticeably smaller than for 2007.
- Share of special steel products rose to account for 27% (24) of division’s net sales.

*) Comparable net sales
**) Comparable, excluding non-recurring items
Ruukki Production: 2008

- Steel production in 2008 was 2,585 thousand tonnes (2,546)
- Steel production decreased during Q4 as production was adjusted to meet lower demand
- Higher costs of raw materials added around €200 million of costs in own steel production after taking into account the positive impact of foreign currency hedges (USD)
  - Higher raw material costs were almost entirely offset by increased sales prices and improved cost efficiency
Ruukki Production became part of Ruukki Metals division as of 1 February 2009 (*)

MAIN BENEFITS

- Streamlines corporate structure
- Improves steel business flexibility and efficiency
  - Greater delivery accuracy
  - Improved customer service
- Removal of overlapping operations
  - More efficient use of capital and resources
  - Improved cost efficiency

*) Segment reporting remains unchanged
Dividend proposal
# Financial targets and dividend policy

<table>
<thead>
<tr>
<th>Annual net sales growth</th>
<th>&gt; 10%</th>
<th>2008</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit, % (EBIT)</td>
<td>&gt; 15%</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Return on capital employed % (ROCE)</td>
<td>&gt; 20%</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>~ 60%</td>
<td></td>
<td>--</td>
</tr>
</tbody>
</table>

## Dividend policy:

- The aim is:
  - To distribute 40% - 60% of profit for the year as dividends
  - Steadily growing dividend, taking into account the needs of business growth
Dividend proposal €1.35* per share

- **Dividend/share**
- **Additional dividend from funds freed from divestment of long steel business**
- **Earnings per share**
- **Earnings per share, incl. capital gain on divestment of Ovako**

*Board of Directors' proposal / Dividend payout ratio*
Near-term outlook
Near-term outlook (1/2)

- Global credit crunch and its impact on the real economy have increased general uncertainty
- Growing economic uncertainty and customers’ difficulties to fund their business have weakened demand for almost all Rautaruukki’s products and services
- Low demand will result in adjustments to production in several units in Finland and elsewhere

General

- Market prospects in construction segments are expected to weaken noticeably in all market areas
- Demand for infrastructure construction is expected to remain at last year’s level

Ruukki Construction

- Within the engineering industry, demand is expected to decline in the lifting, handling and transportation equipment industry compared to last year
- Demand from OEMs in the energy industry is expected to remain at a good level

Ruukki Engineering

- Demand for steel products is expected to improve on the exceptionally low level witnessed at the end of 2008

Ruukki Metals

- Market prospects in construction segments are expected to weaken noticeably in all market areas
- Demand for infrastructure construction is expected to remain at last year’s level
Costs of raw materials used in steel production are likely to come down considerably from what they were in 2008. However, it is estimated that the impact of this will not be fully reflected until the second half of the current year.

Cost savings as a result of actions under the Boost programme are expected to be in the region of EUR 50 million in 2009:
- Other adjustment measures are also expected to considerably lower costs compared to 2008.

General uncertainty and high stock levels throughout the supply chain are likely to result in continued weak demand during the first months of 2009.

The company expects comparable consolidated net sales and operating profit for the first quarter of 2009 to fall considerably short of those for the fourth quarter of 2008:
- Given the prevailing market conditions, it is extremely challenging to anticipate development for the entire year and Rautaruukki will consequently review its guidance on a quarterly basis.
Appendix
## Key figures 2008

<table>
<thead>
<tr>
<th>€m</th>
<th>2008</th>
<th>2007</th>
<th>Q4/08</th>
<th>Q4/07</th>
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</thead>
<tbody>
<tr>
<td>Net sales*)</td>
<td>3,829</td>
<td>3,744</td>
<td>847</td>
<td>960</td>
</tr>
<tr>
<td>Operating profit (EBIT)**</td>
<td>584</td>
<td>635</td>
<td>74</td>
<td>119</td>
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<tr>
<td>as % of net sales**</td>
<td>15.3</td>
<td>17.0</td>
<td>8.7</td>
<td>12.4</td>
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<tr>
<td>Profit before taxes**</td>
<td>564</td>
<td>619</td>
<td>56</td>
<td>109</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>406</td>
<td>459</td>
<td>37</td>
<td>79</td>
</tr>
<tr>
<td>Earnings per share, diluted, €</td>
<td>2.93</td>
<td>3.31</td>
<td>0.27</td>
<td>0.57</td>
</tr>
<tr>
<td>Return on capital employed, %</td>
<td>25.6</td>
<td>29.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gearing ratio, %</td>
<td>7.9</td>
<td>1.4</td>
<td></td>
<td></td>
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<tr>
<td>Gross CAPEX</td>
<td>238</td>
<td>172</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow before financing activities</td>
<td>169</td>
<td>271</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel (average)</td>
<td>14,953</td>
<td>14,326</td>
<td>14,555</td>
<td>14,627</td>
</tr>
</tbody>
</table>

*) Comparable net sales

**) Comparable, excluding non-recurring items
# One-off items (2008)

<table>
<thead>
<tr>
<th>€m</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strikes</td>
<td>-3</td>
<td>-5</td>
<td></td>
<td></td>
<td>-8</td>
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<tr>
<td>Loss on divestment of Carl Froh</td>
<td></td>
<td></td>
<td>-7</td>
<td>-1</td>
<td>-8</td>
</tr>
<tr>
<td>Change in disability pension IFRS accounting principle</td>
<td>-2</td>
<td>-2</td>
<td>-2</td>
<td></td>
<td>-6</td>
</tr>
<tr>
<td>Gain on sale of Gävle</td>
<td></td>
<td></td>
<td></td>
<td>+1</td>
<td>+1</td>
</tr>
<tr>
<td>Provision for non-recurring items</td>
<td></td>
<td></td>
<td></td>
<td>-11</td>
<td>-11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-3</td>
<td>-14</td>
<td>-3</td>
<td>-12</td>
<td>-32</td>
</tr>
</tbody>
</table>
Share of trading products of Ruukki Metals’ net sales

- Net sales of stainless steel and aluminium amounted to €224 million (306) during the report period
  - This equates to 11% of the division’s net sales (15)
- Operating profit on stainless steel and aluminium was EUR 26 million lower in 2008 than in 2007

Quarterly net sales of stainless steel and aluminium (Q1/2007-Q4/2008)
## Quarterly comparable net sales and operating profit

<table>
<thead>
<tr>
<th></th>
<th>Q1/07</th>
<th>Q2/07</th>
<th>Q3/07</th>
<th>Q4/07</th>
<th>Q1/08</th>
<th>Q2/08</th>
<th>Q3/08</th>
<th>Q4/08</th>
</tr>
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<tbody>
<tr>
<td><strong>Net sales(^{\dagger})</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Ruukki Construction</td>
<td>213</td>
<td>258</td>
<td>278</td>
<td>292</td>
<td>225</td>
<td>285</td>
<td>309</td>
<td>248</td>
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<tr>
<td>Ruukki Engineering</td>
<td>167</td>
<td>163</td>
<td>157</td>
<td>180</td>
<td>188</td>
<td>205</td>
<td>184</td>
<td>187</td>
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<tr>
<td>Ruukki Metals</td>
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<td>552</td>
<td>464</td>
<td>488</td>
<td>511</td>
<td>571</td>
<td>503</td>
<td>412</td>
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<td>0</td>
<td>1</td>
<td>-1</td>
<td>0</td>
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<tr>
<td><strong>Consolidated net sales</strong></td>
<td>911</td>
<td>973</td>
<td>899</td>
<td>960</td>
<td>925</td>
<td>1,060</td>
<td>996</td>
<td>847</td>
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<tr>
<td><strong>Operating profit (EBIT)</strong>(^{\dagger\dagger})</td>
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<td></td>
<td></td>
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<tr>
<td>Ruukki Construction</td>
<td>34</td>
<td>40</td>
<td>51</td>
<td>38</td>
<td>21</td>
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<td>Corporate management and other units</td>
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<td><strong>Consolidated operating profit</strong></td>
<td>177</td>
<td>178</td>
<td>162</td>
<td>119</td>
<td>141</td>
<td>172</td>
<td>197</td>
<td>74</td>
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</tbody>
</table>

\(^{\dagger}\) Comparable net sales
\(^{\dagger\dagger}\) Comparable, excluding non-recurring items

Rautaruukki Corporation

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