

Interim report Q1/2011



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RUUKKI

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Q1/2011 in brief

- Growing demand
 - Q1 order intake up 33% y-o-y
- Consolidated net sales up 35% at €675 million
- Consolidated operating profit was €25 million (-36)
 - Operating profit improved in all business areas
- Share of special steels increased to 32% (20) of Ruukki Metals' net sales

Business environment and financial performance

Business environment

General market development

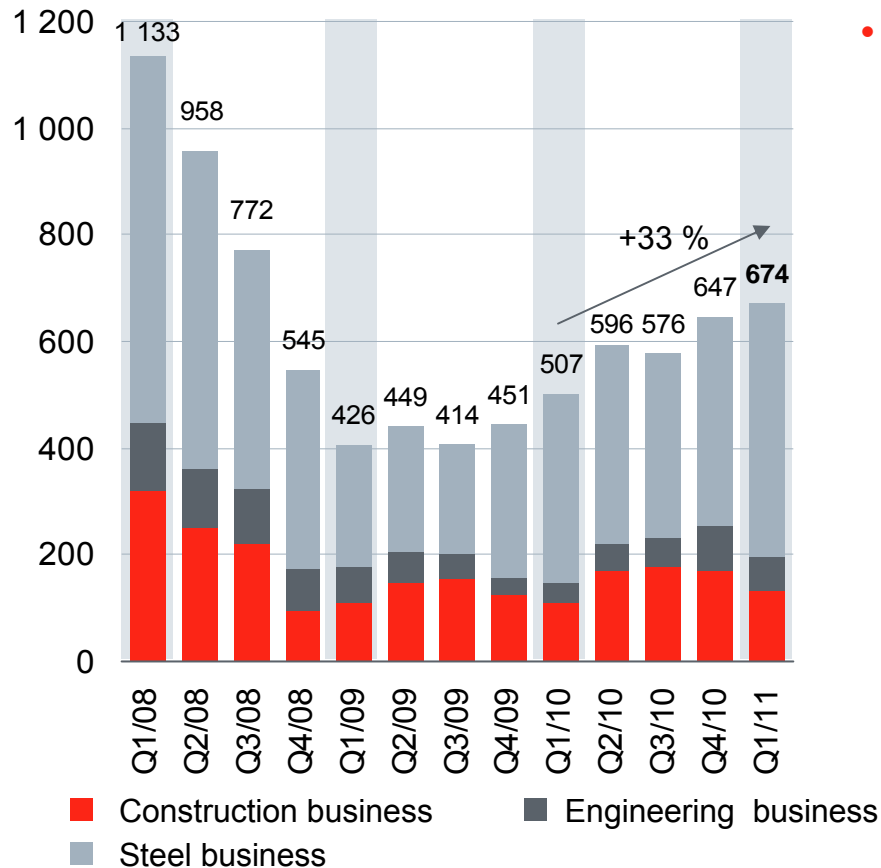
- Emerging markets driving economic growth
- Positive growth also in Europe
 - Production and utilisation rates in many European countries already approaching levels seen before the financial crisis

Development in Ruukki's markets

- Seasonally quiet period in construction
 - Investments in commercial and industrial construction have picked up in Russia
- Market conditions in the engineering industry strengthened during January-March
- Demand in the steel industry grew in most customer sectors

Order intake up 33% y-o-y

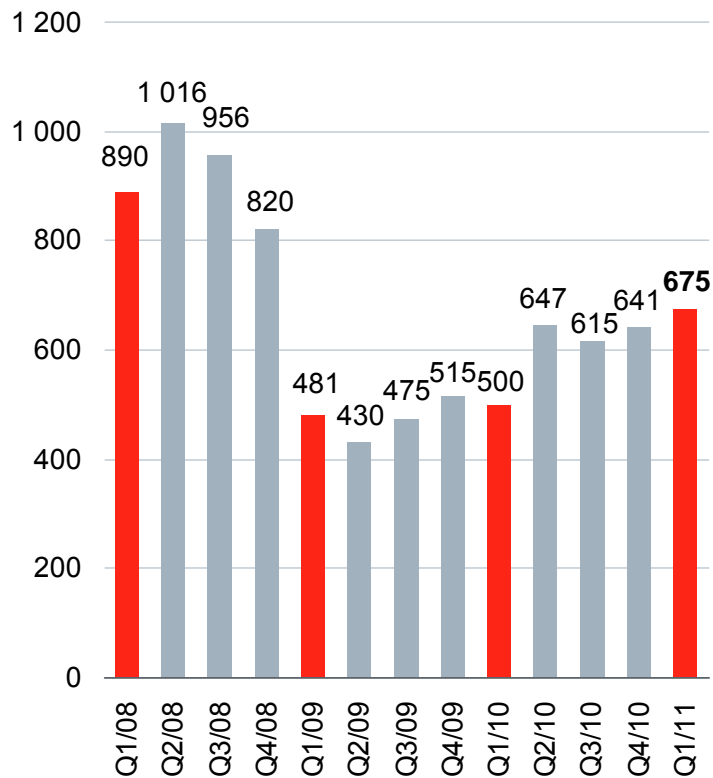
Quarterly order intake, €m



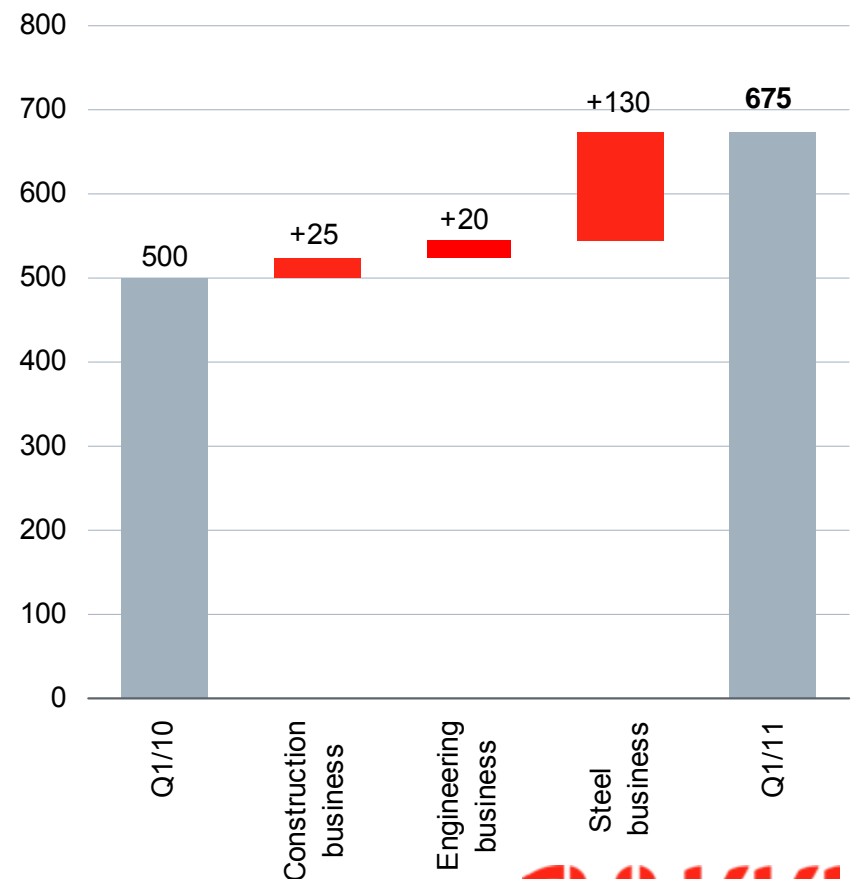
- Q1/11 vs. Q1/10:
 - Growth in all business areas
 - Relatively strongest growth in the Engineering business
 - Geographically strongest growth in
 - Central Eastern Europe
 - Nordic countries, especially Sweden

Net sales up 35%

Quarterly net sales, €m *)



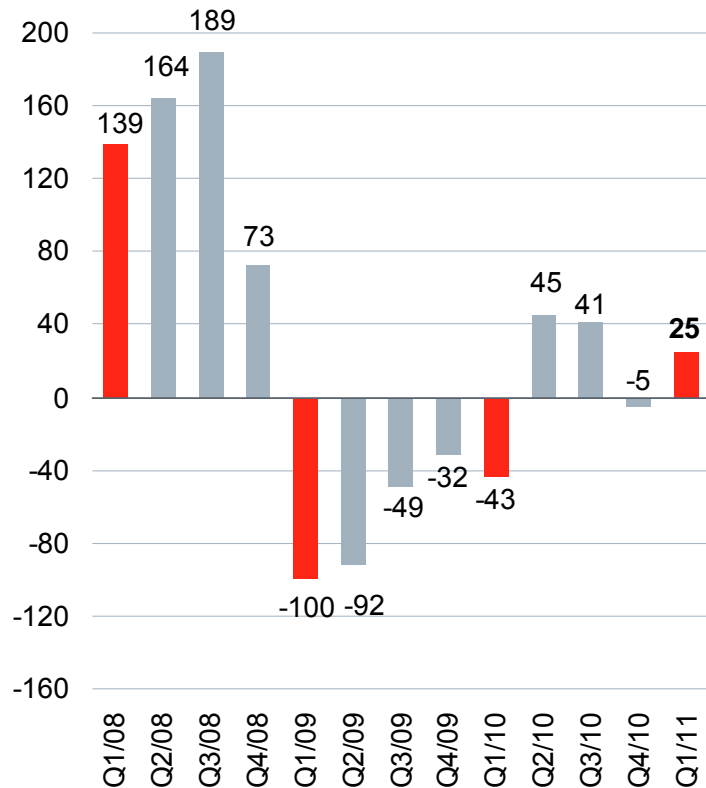
Change in net sales by business area Q1/10 vs. Q1/11, €m *)



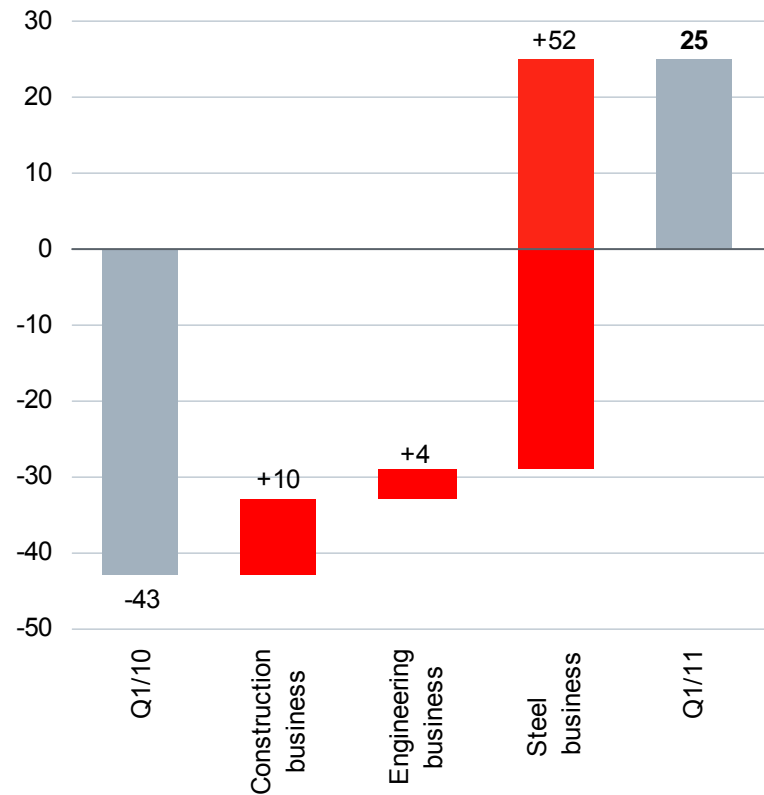
Profitability improved in all business areas

Operating profit in solutions businesses still negative

Quarterly operating profit, €m ^{*)} ^{**)}



Change in operating profit by business area Q1/10 vs. Q1/11, €m ^{*)}

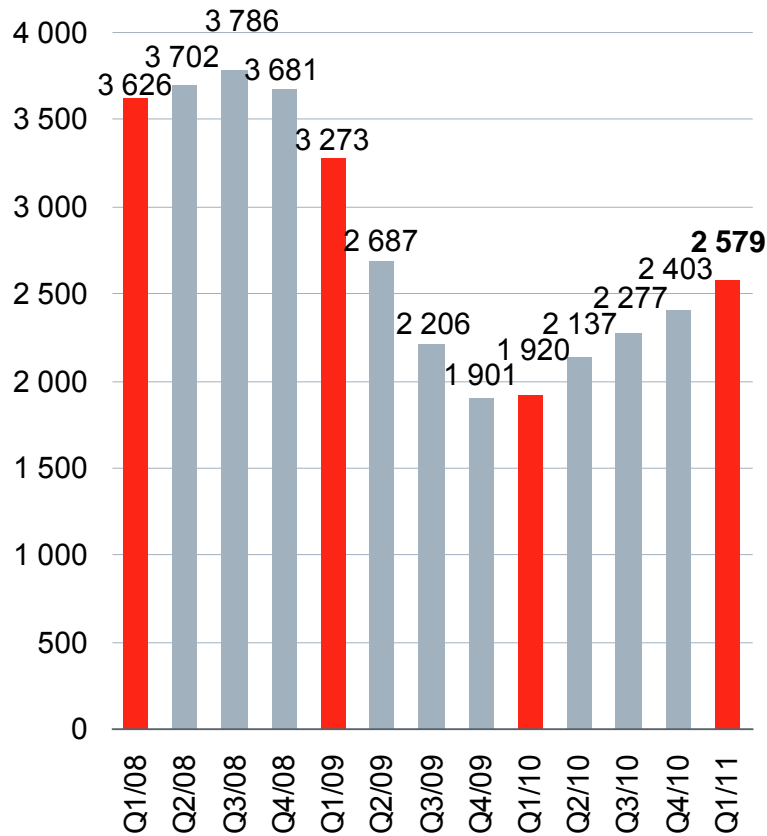


^{*)} Comparable

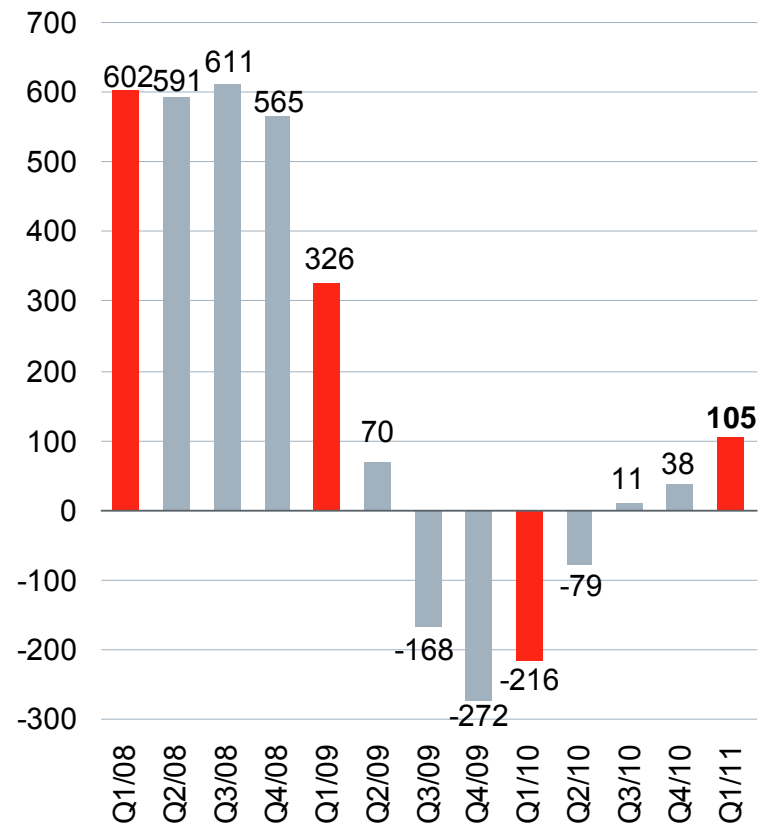
^{**)} Figures for 2008 not restated for unrealised gains and losses relating to USD derivatives

Moving to right direction

Quarterly net sales,
rolling 12 months, €m *)



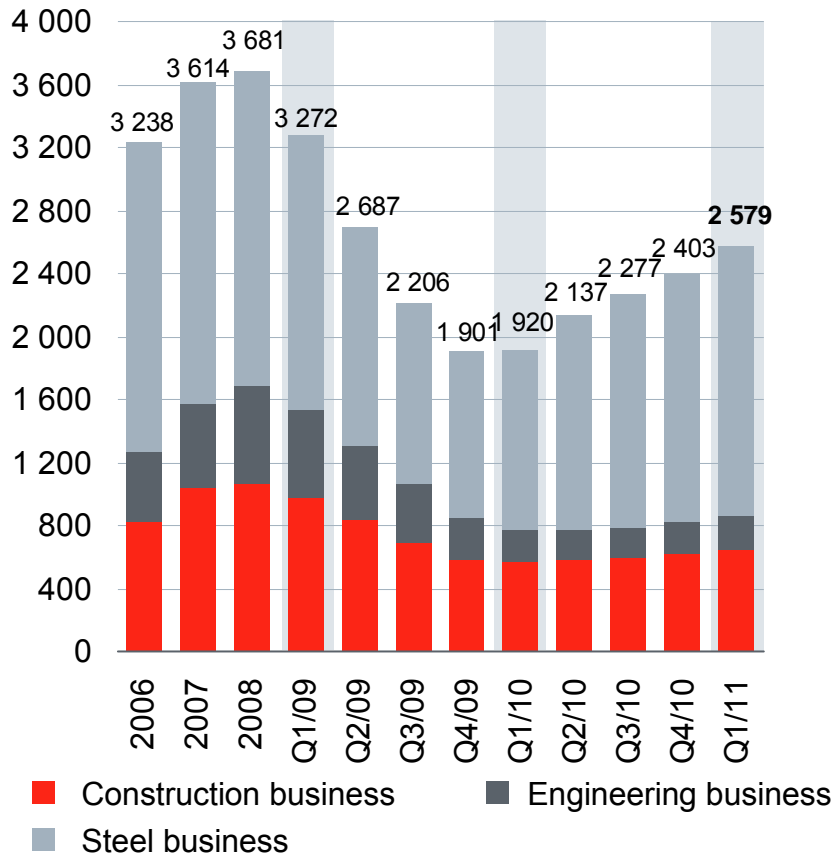
Quarterly operating profit,
rolling 12 months, €m *)



Growth in all market areas

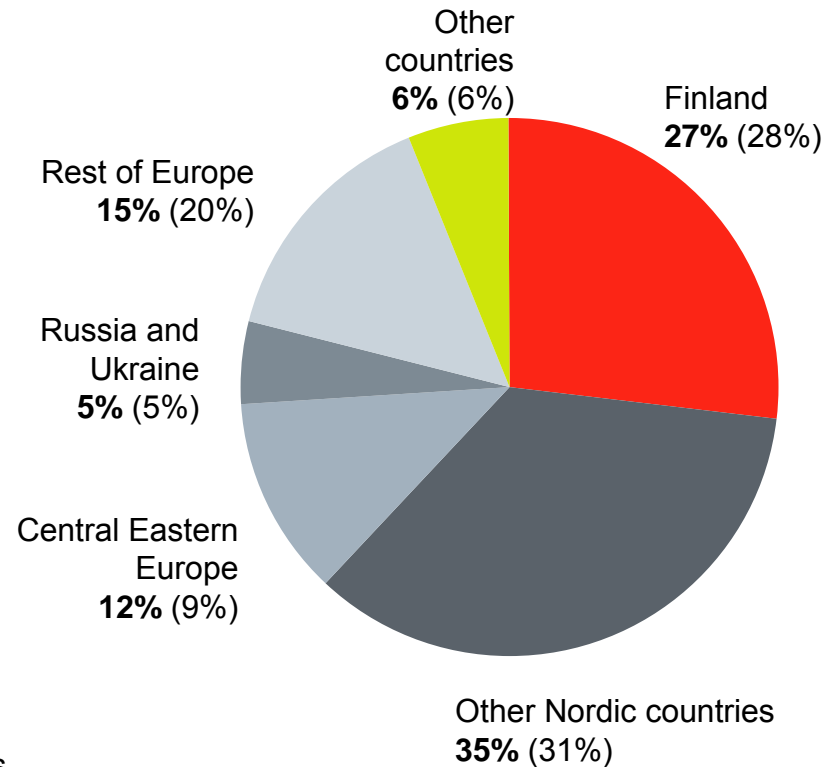
Emerging markets 23% of net sales

Net sales by business area, rolling 12 months, €m *)



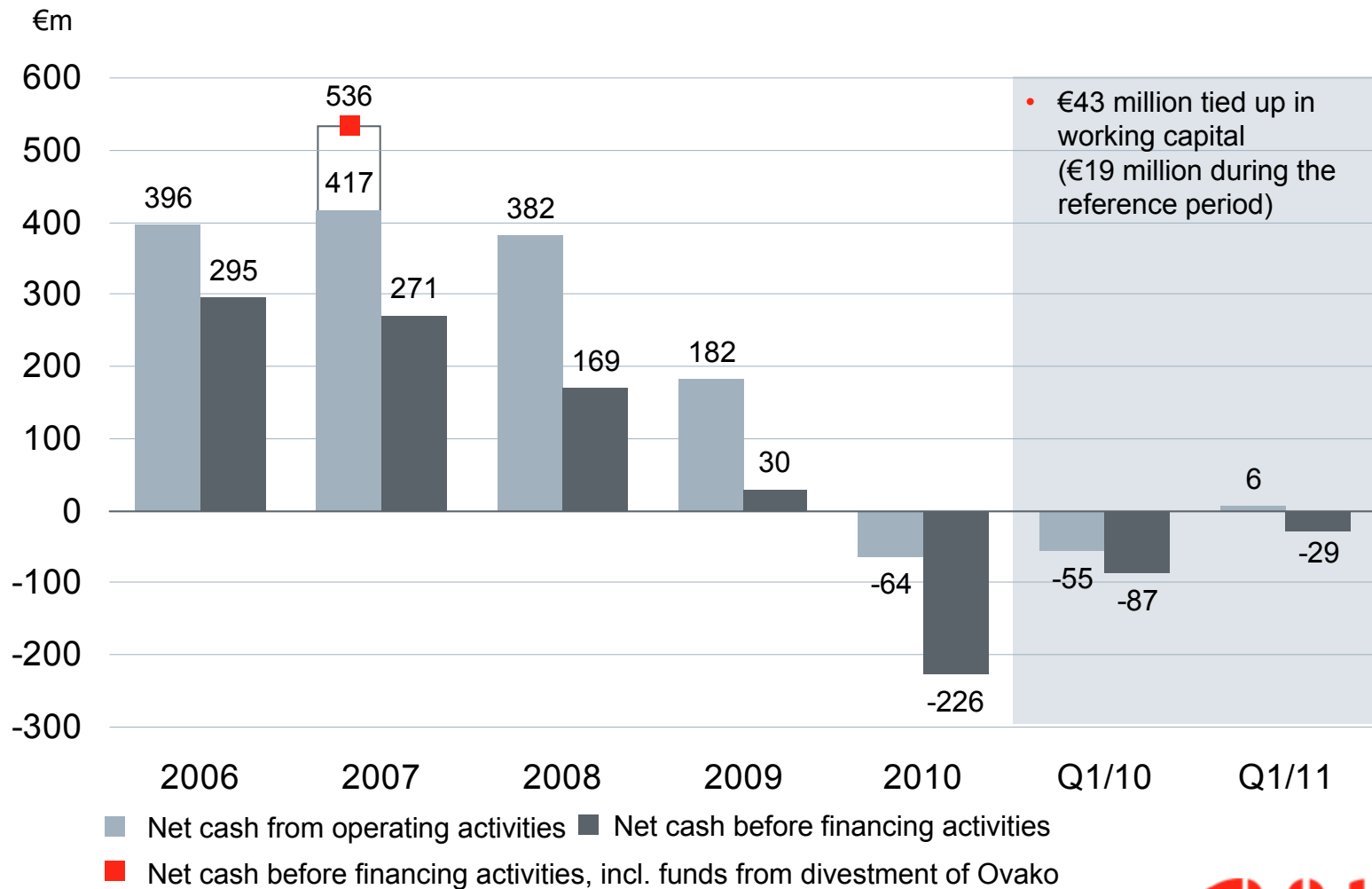
Net sales by market area
Q1/11 (Q1/10) *)

100% = €675m (€500m)



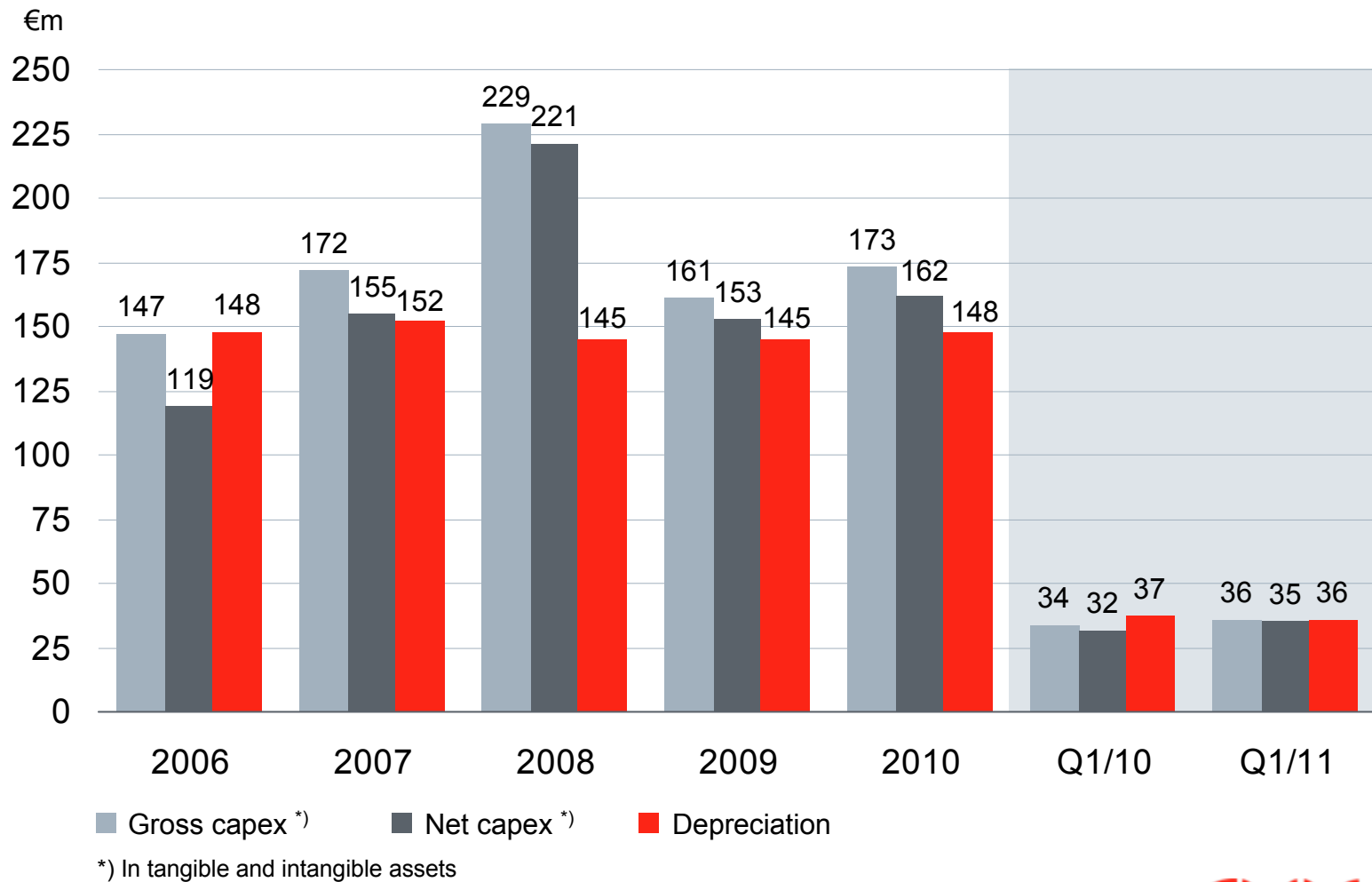
Improving cash flow

Net sales growth tied up working capital



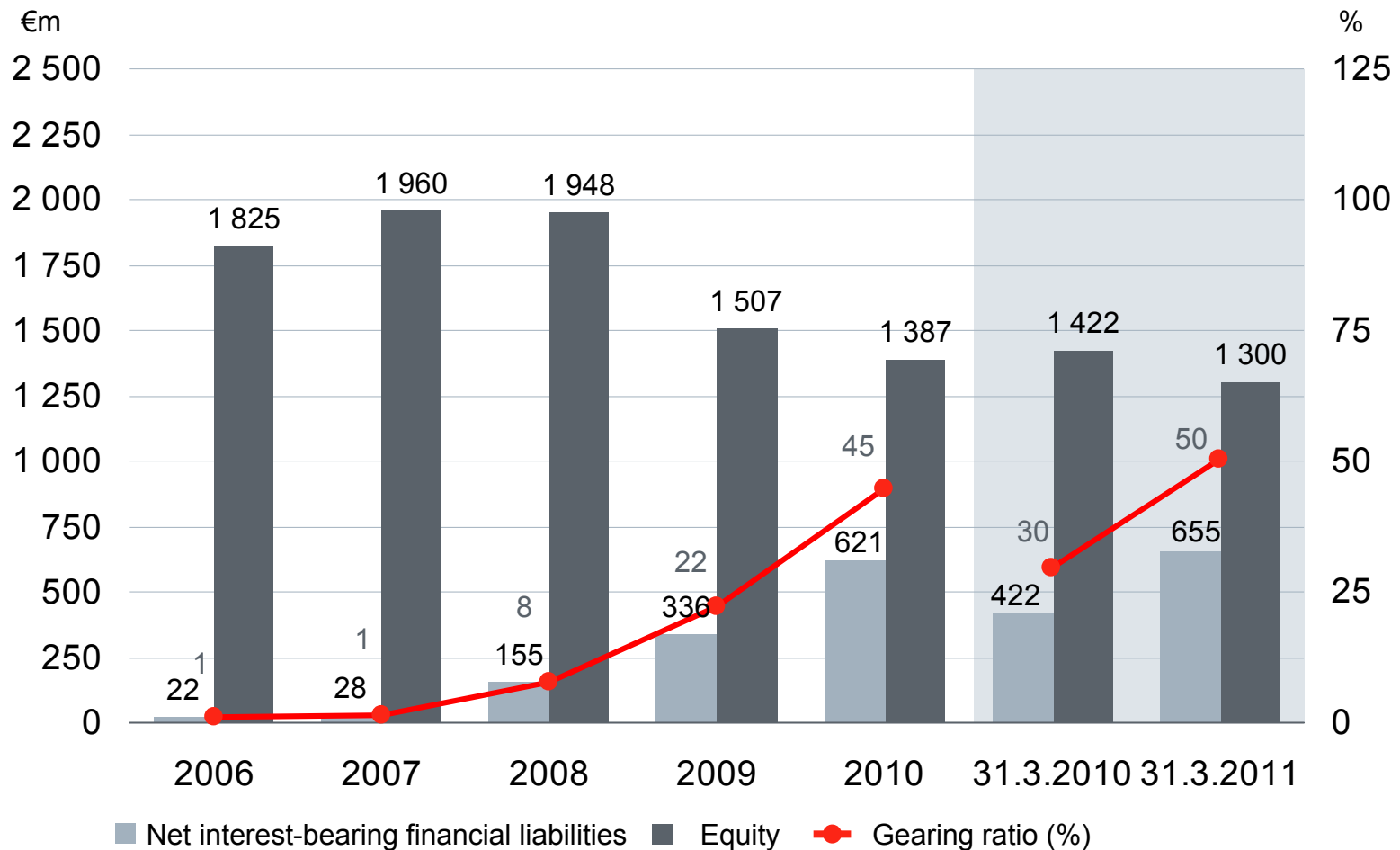
Capex at previous year's level

Capex in 2011 estimated to be around €180 million



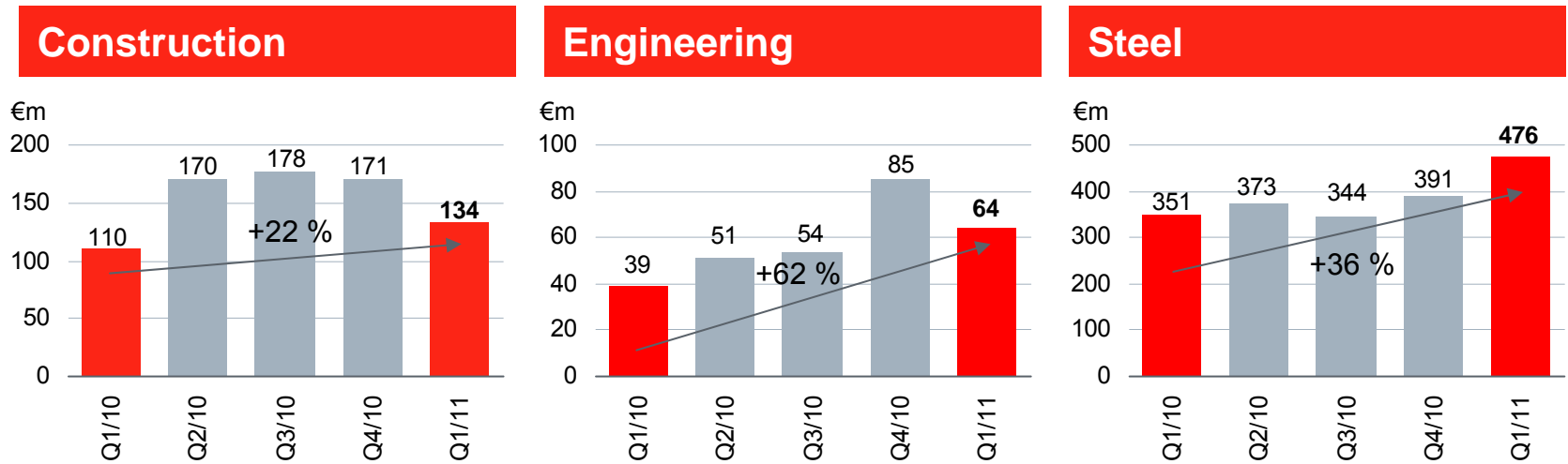
Good financial position

Equity down from year-end due dividend payout



Business areas

Order intake by business area



Compared to previous year

- + Residential roofing products
- + season starting up, especially in Poland and rest of CEE
- + Concept buildings in Russia

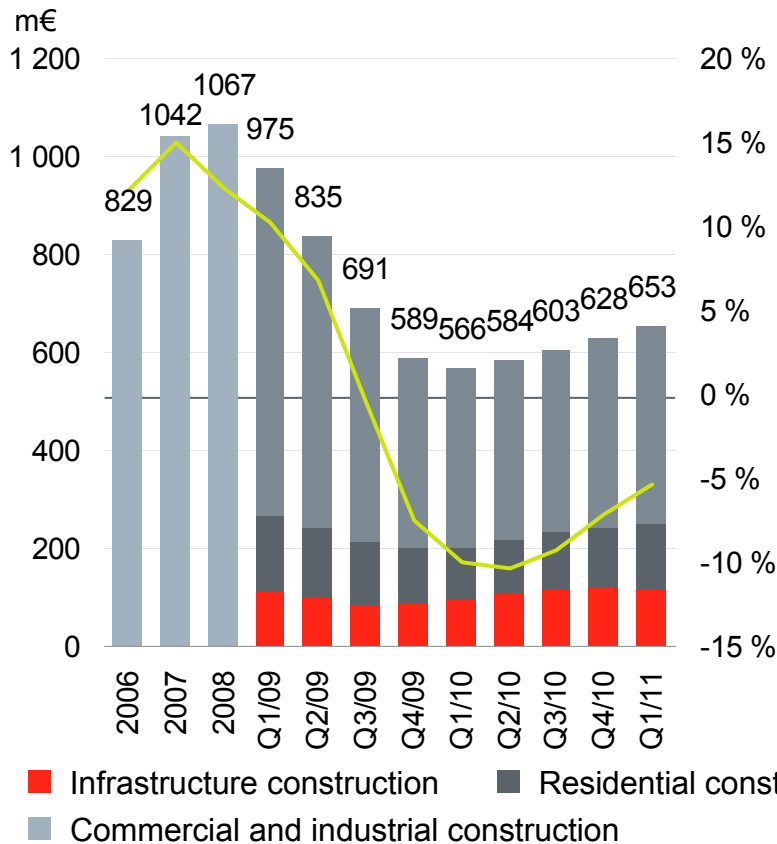
- + Cabins, booms and frames
- + manufacture of materials handling equipment especially
- + Equipment manufacture for the wind power industry

- + Growth in all market areas
- + construction season triggered orders in Russia and CEE
- + Finland + other Nordic countries
- + New markets for special steel products, especially China

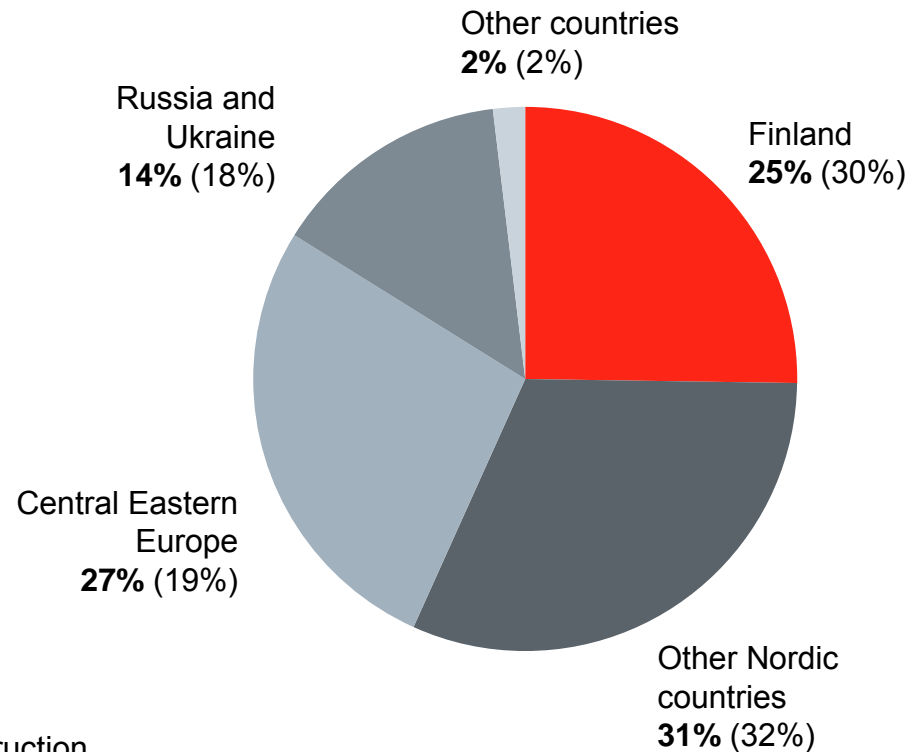
Construction business:

Strongest relative growth in Central Eastern Europe

Net sales by product group and operating profit %, rolling 12 mths, €m *)

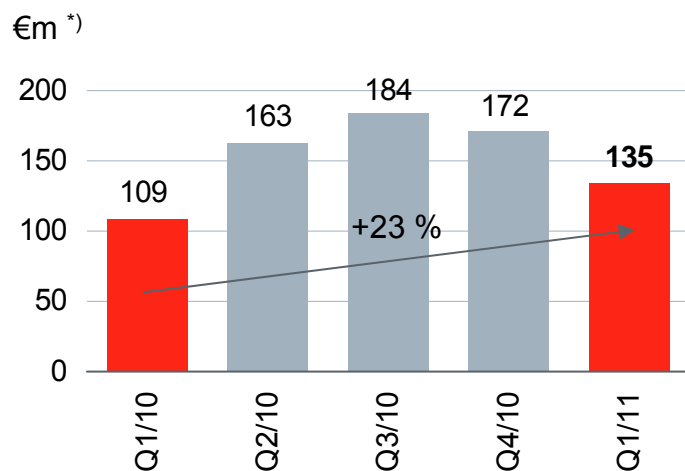


Net sales by market area Q1/11 (Q1/10) *)

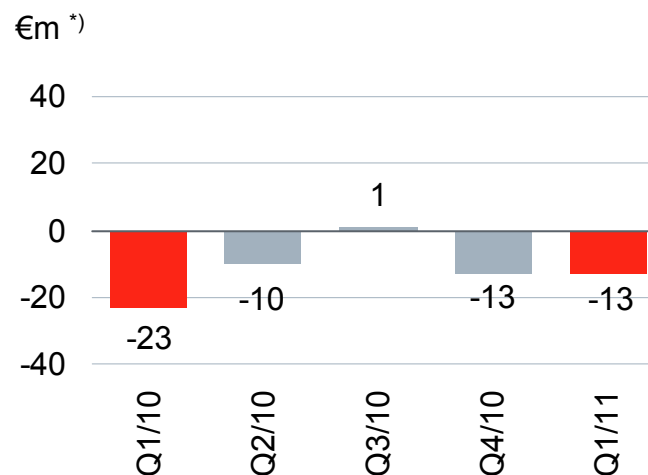


Construction business

Net sales



Operating profit



Compared to previous year

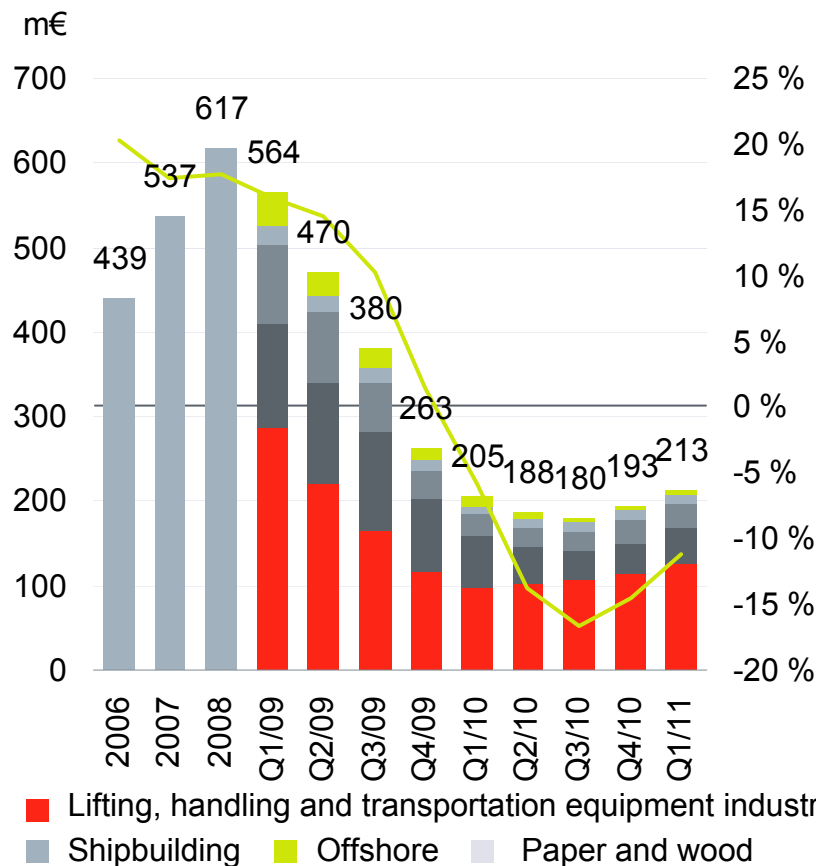
- + Residential roofing products +86%
- + Commercial and industrial construction +41%
- Infrastructure construction -8%
- + deliveries grew in Sweden

- + Increased delivery volumes, especially roofing products
- + Improved operational efficiency
- + Higher selling prices
- Low capacity utilisation rate

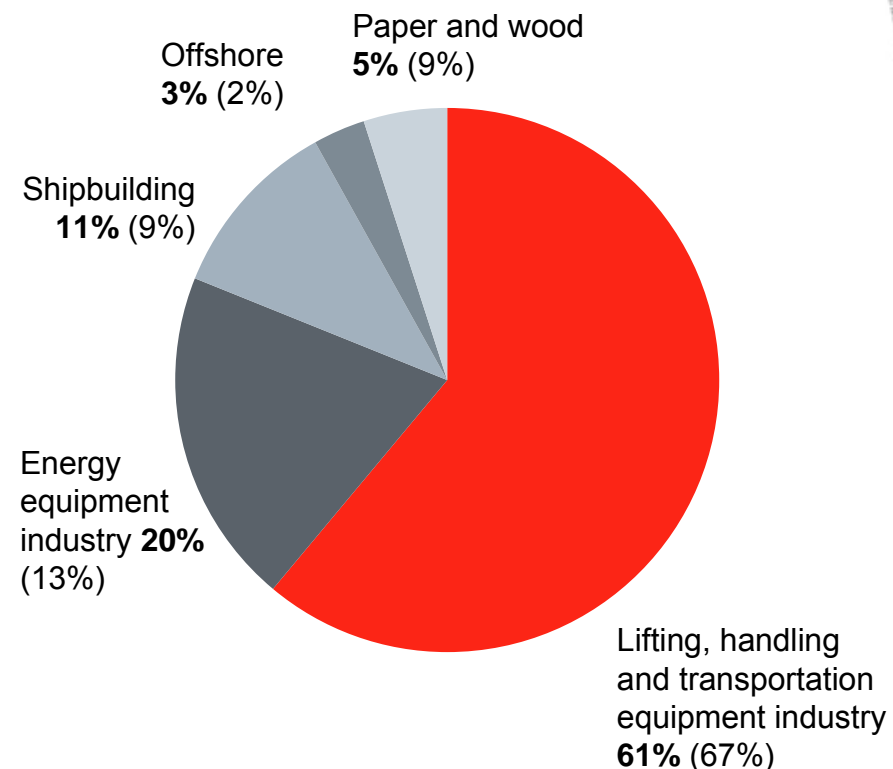
Engineering business:

Cabin, boom and frame deliveries grew, clear growth also in deliveries to energy equipment manufacturers

Net sales by customer segment and operating profit %, rolling 12 mths, €m *)

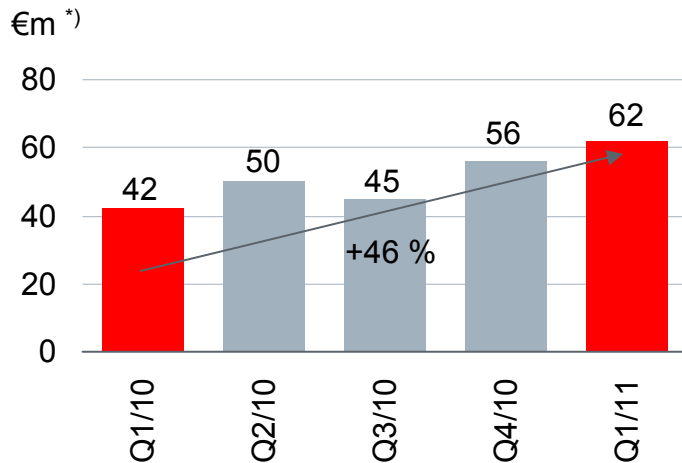


Net sales by customer segment Q1/11 (Q1/10) *)

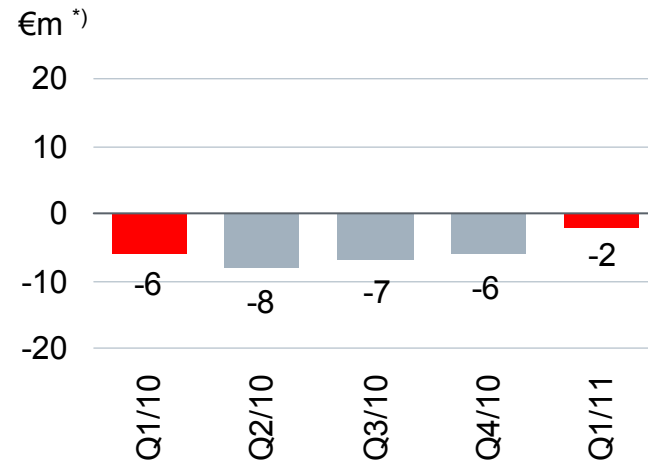


Engineering business

Net sales



Operating profit



Compared to previous year

- + Cabins, booms and frames
 - + especially manufacture of materials handling equipment
 - + equipment manufacture for mining industry and forest machines
- + Equipment manufacture for the energy industry, especially wind power

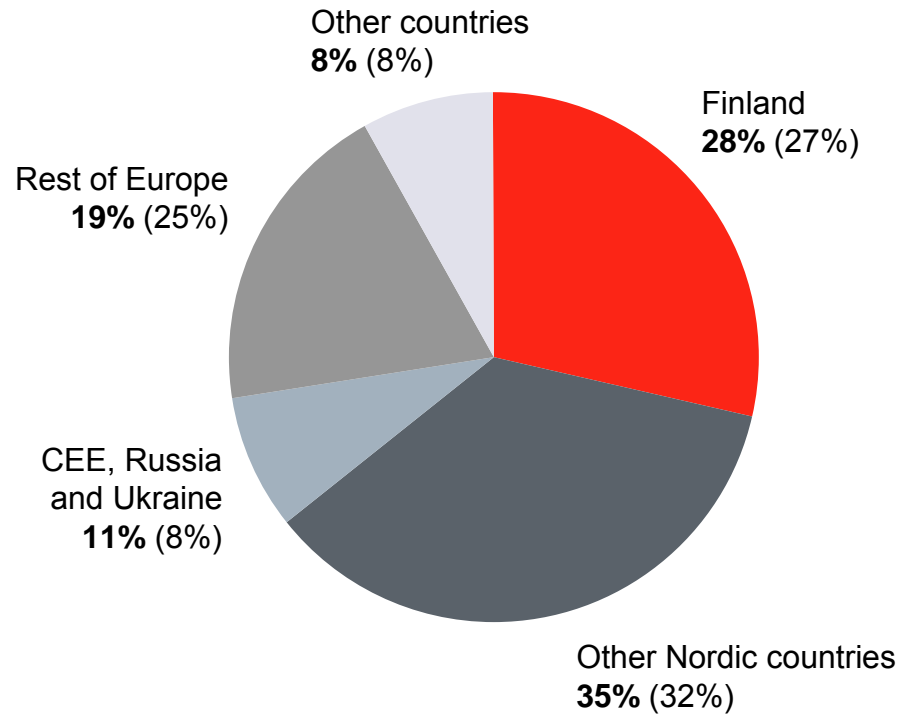
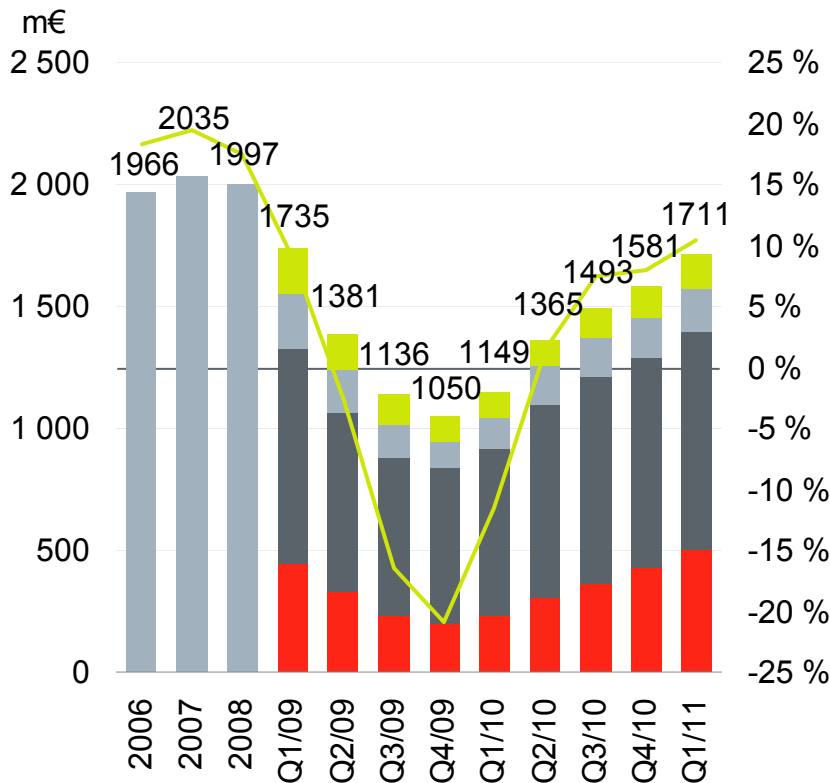
- + Higher delivery volumes
- + Improved capacity utilisation rate

Steel business:

Special steel products increased to 32% of sales

Net sales by product group and operating profit %, rolling 12 mths, €m *)

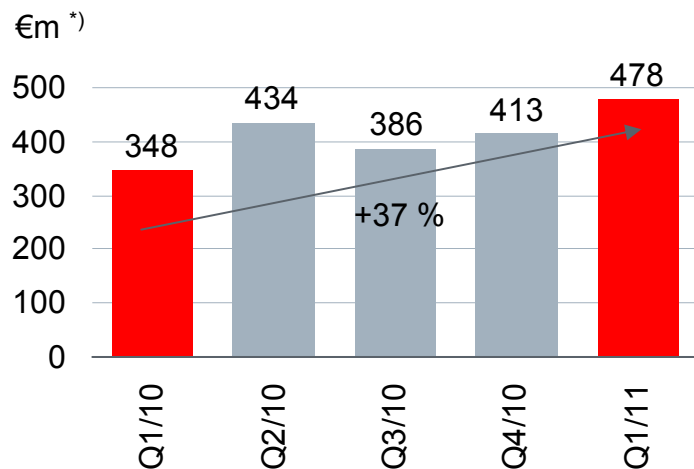
Net sales by market area Q1/11 (Q1/10 *)



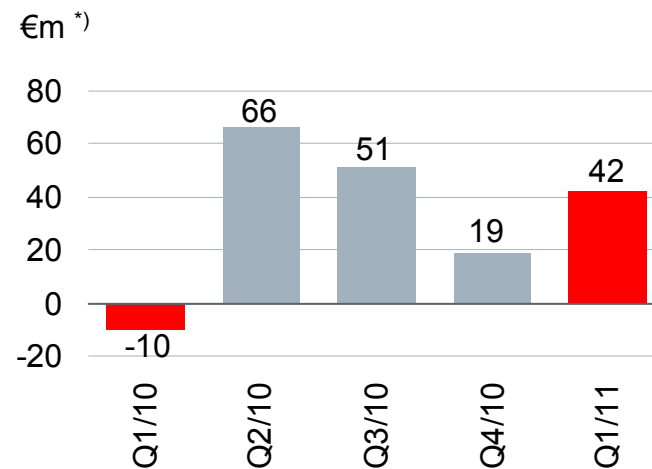
■ Special steel products
 ■ Customised steel products
■ Price-sensitive steel products
 ■ Stainless steel and aluminium

Steel business

Net sales



Operating profit



Compared to previous year

- + Finland, Sweden and Norway
- + Relatively highest growth in Russia and CEE
- + New markets for special steel products, especially China and, in Europe, Germany

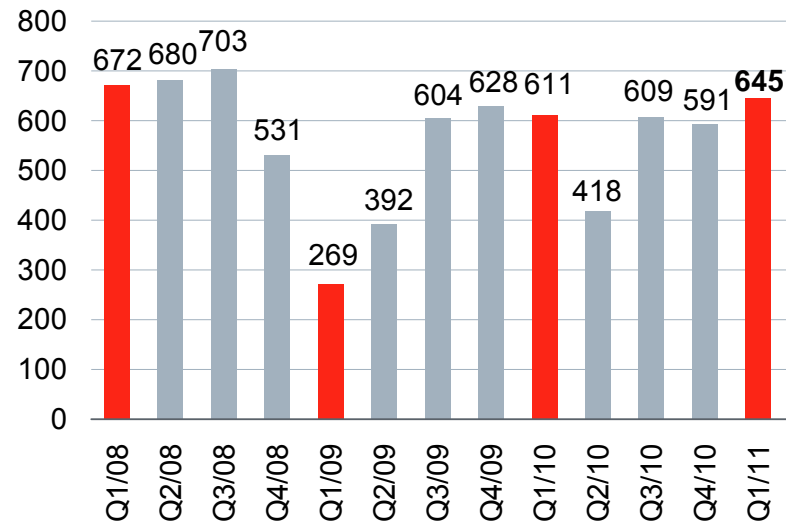
- + Increased sales of special steel products
- + Higher average selling prices
- + Higher capacity utilisation rate

Good capacity utilisation rate in steel production

- Steel production in Q1/2011 was 645k tonnes (611)
- Blast furnace 2 at the Raahе Works will be shut down for modernisation towards the end of June
 - Modernisation work will take approximately two months

Steel production

1,000 tonnes

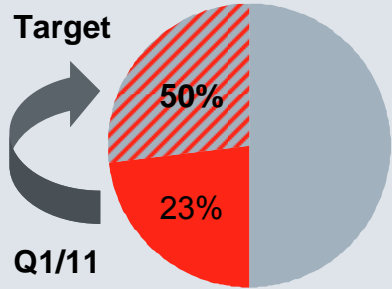


Strategic focus

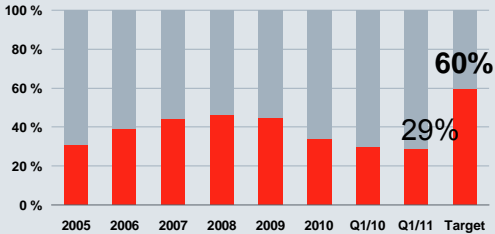
Strategic targets

Targets for the current strategy period

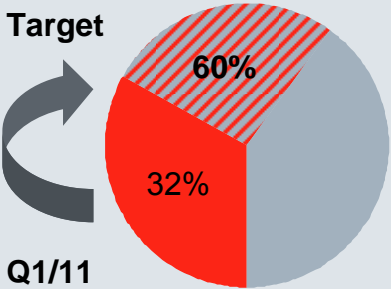
- Emerging markets to account for 50% of consolidated net sales



- Construction and engineering businesses to account for 60% of consolidated net sales



- Special steel products to account for 60% of the steel business



Construction business:

Actions to improve profitability

Actions taken and new products

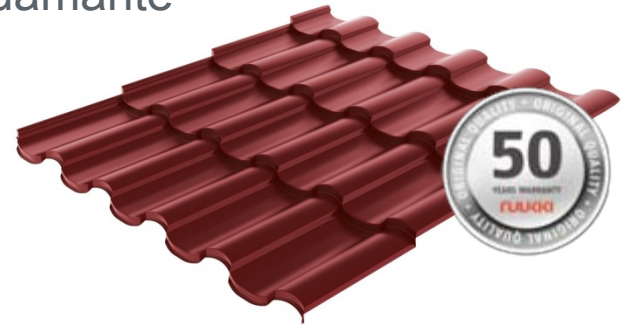
ACTIONS TAKEN

- Business structure changed from area to product organisation and project business merged into one organisation
 - + Streamlined organisation
 - + Easier to transfer products and best practices between markets

NEW PRODUCTS

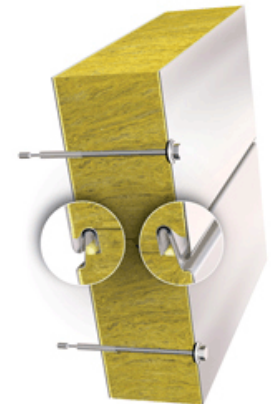
- New Adamante steel roof launched in Poland
- Launch of new airtight energy panels
 - Save a building's heating costs and reduce carbon dioxide emissions
- Ruukki Express chain expanded
 - New outlets in Oulu and Tampere, Finland

Adamante



Energy panels

- Panel system is ideal e.g. for;
 - industrial buildings
 - logistics centres
 - warehouses
 - commercial buildings



Engineering business:

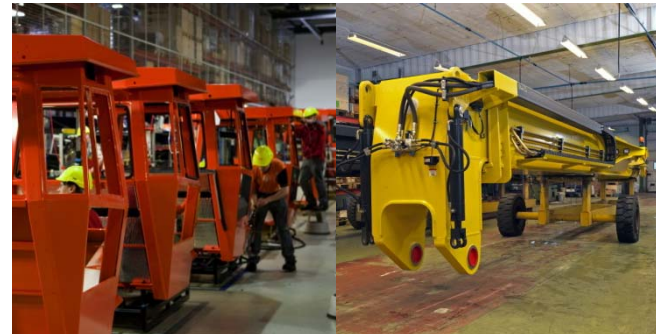
Actions to improve profitability

Actions taken

- Engineering business implemented a new product-based business model
 - e.g. sales processes developed to be aligned with new business model
- Technology organisation reorganised and recruiting started
- Focus on:
 - Well managed increase in capacity utilisation
 - Further improvement of quality and delivery reliability

New business model

- Fewer products than earlier
- Development of own technology
- Utilisation of own corporate steel expertise, especially in special steels



Near-term outlook

Growth forecast in all main market areas

Industrial production and fixed investment growth forecasts
- Forecast for 2011 in April 2011

	Industrial production %-change from 2010	Change from January 2011 forecast *)	Fixed Investment %-change from 2010	Fixed Investment %-change from 2010		Industrial production %-change from 2010	Change from January 2011 forecast *)	Fixed Investment %-change from 2010	Change from January 2011 forecast *)
Finland	3.5	-1.0	6.7	+0.4	Poland	8.0	+0.2	7.7	0.0
Germany	6.1	+0.9	9.1	+1.4	Czech R.	7.1	+1.3	2.8	+0.1
Sweden	7.2	+0.4	8.4	+1.3	Slovakia	7.9	+0.3	4.9	+0.8
Norway	3.7	-1.1	6.6	+ 1.4	Romania	5.3	+0.4	4.3	-0.4
Russia	5.2	-0.4	8.6	+0.4	USA	4.9	+0.7	8.6	-1.0

Source: Consensus Economics, 4/2011 and recent key forecasts for Finland's investments

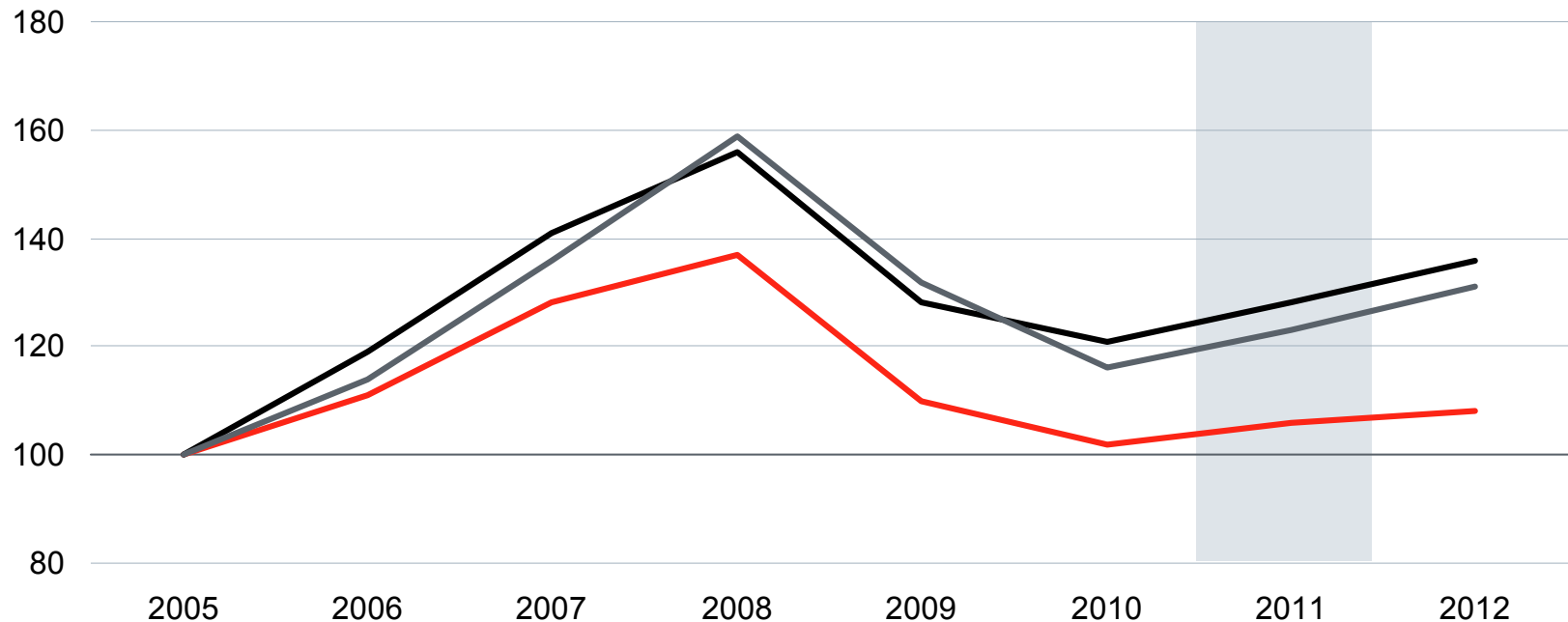
*) Change since January 2011 forecast, direction and change in percentage units

Construction business:

Non-residential construction forecast to grow in 2011

Commercial, office and industrial construction, new construction *)

Index



■ Nordic countries ■ Russia ■ Central Eastern Europe
(Poland, Czech R, Slovakia, Hungary, Romania, Bulgaria and Ukraine)

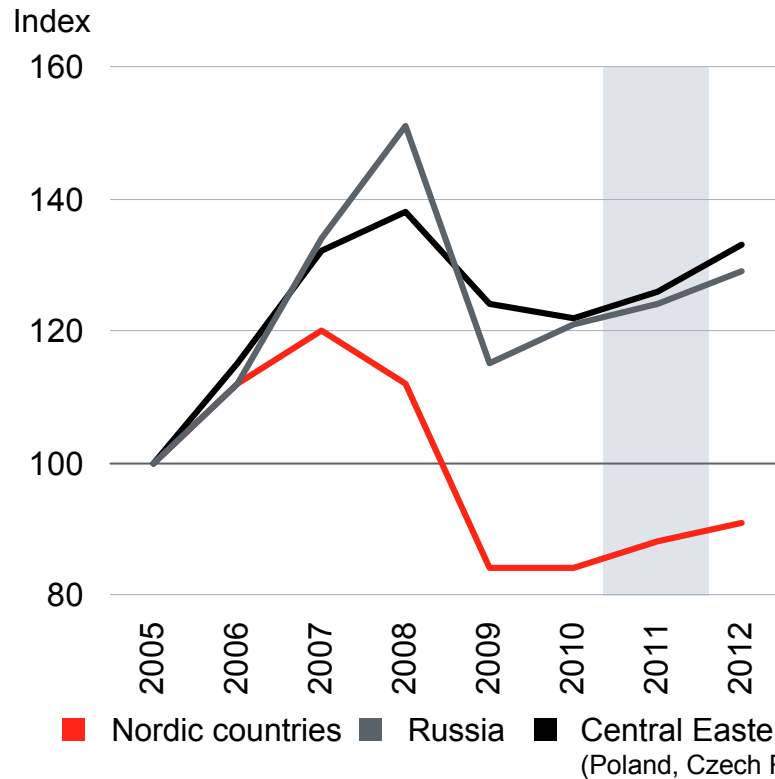
Source: Global Insight, April 2011, in constant prices

*) Figures for Romania, Ukraine, Bulgaria and Russia also include renovation construction, but in these countries new construction accounts for 90-95% of the entire non-residential construction market

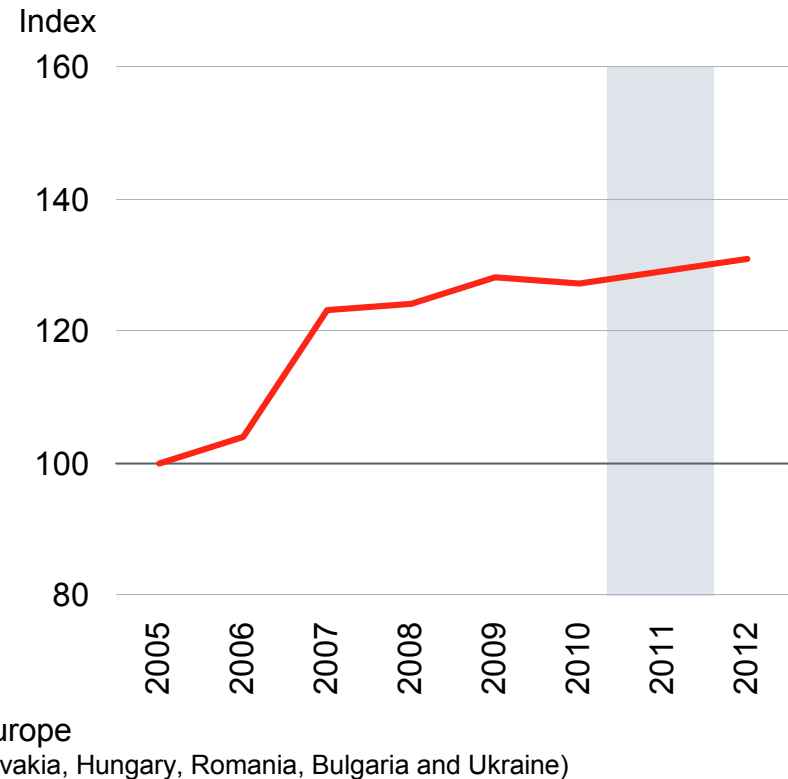
Construction business:

Residential construction growing, infrastructure construction continues at good level

Residential construction, new and renovation construction



Transport infrastructure construction

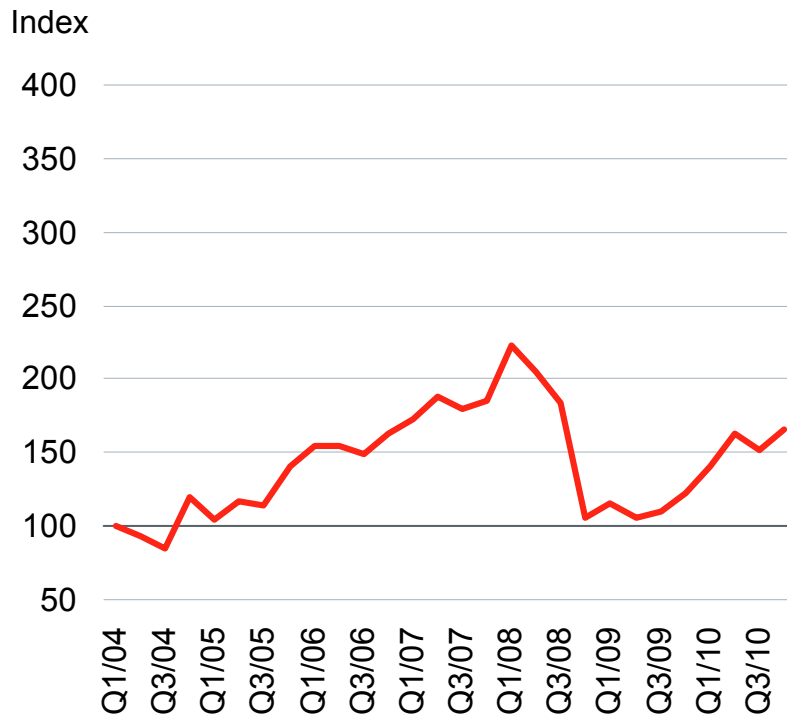


Source: Global Insight April 2011, in constant prices

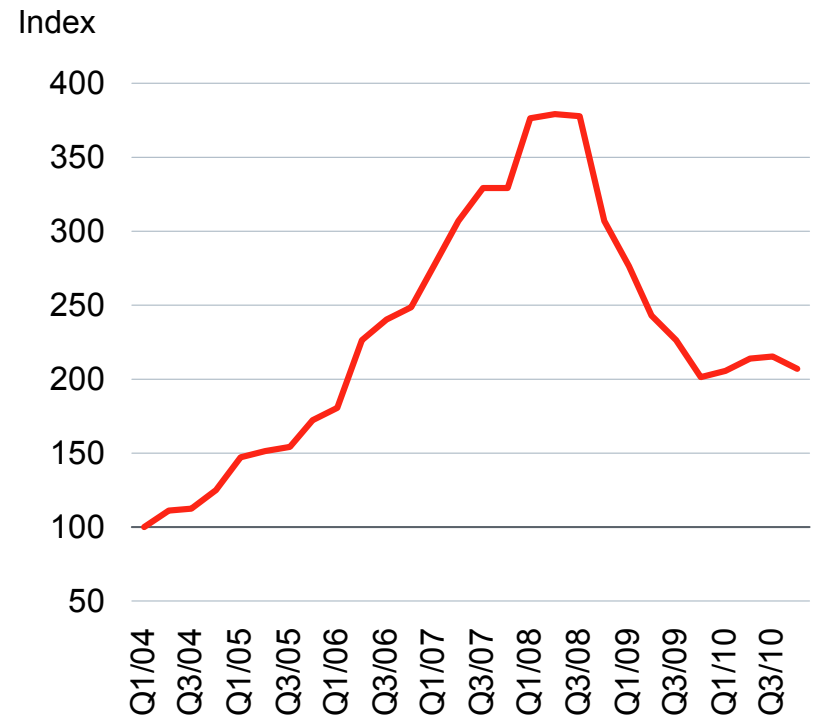
Engineering business:

Clear growth in customers' order intake compared to previous year

Order intake of main customers, Q1/04-Q4/10



Order book of main customers, Q1/04-Q4/10

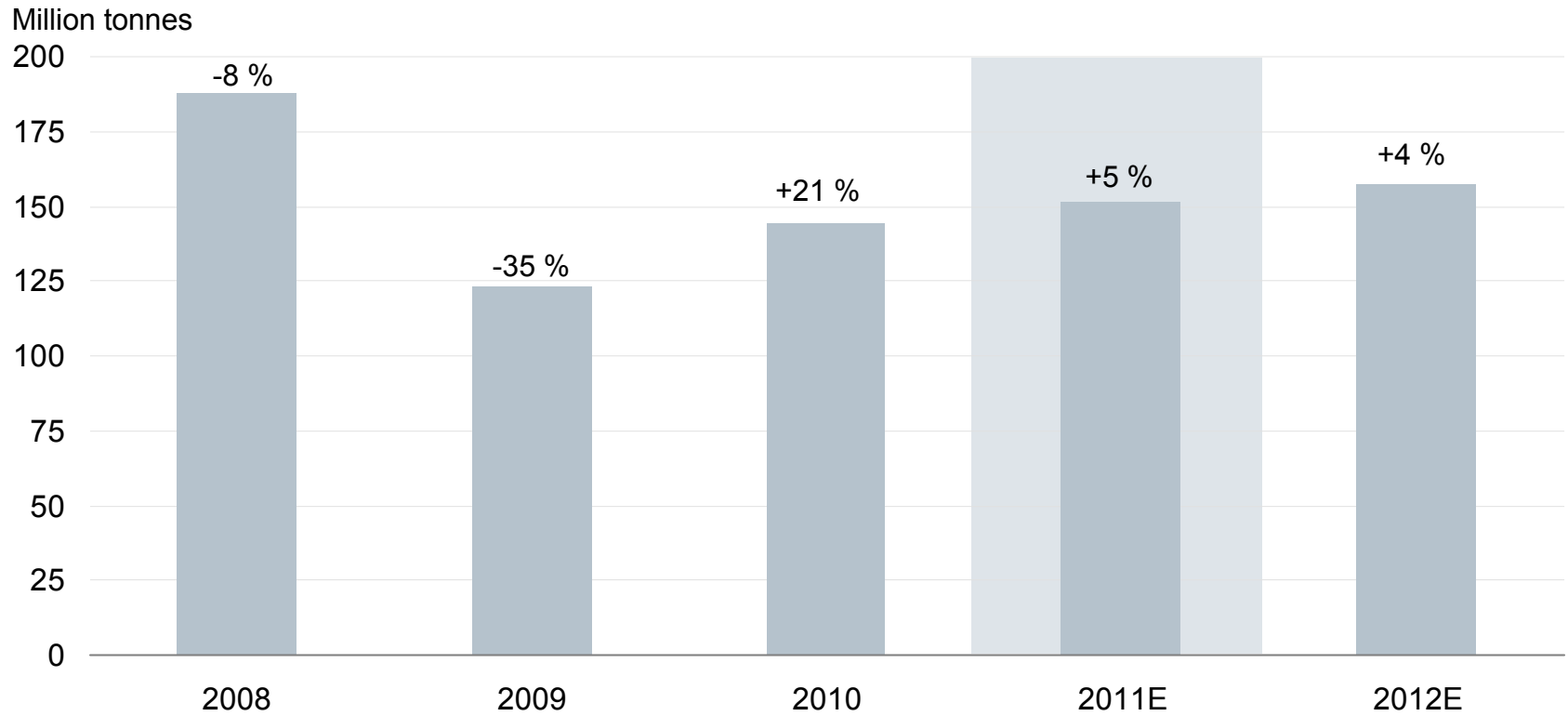


Sources: Company reports - Andritz Pulp & Paper, Atlas Copco Construction & Mining Equipment, Cargotec (Industrial & Terminal), Konecranes, Metso Mining & Construction Technology, Wärtsilä

Steel business:

Apparent steel use in Europe forecast to grow by 5% in 2011

Apparent steel use in EU-27 region
2008-2012E



Source: worldsteel, April 2011

Near-term outlook

Factors affecting net sales development

Construction

- Commercial and industrial construction is estimated to return to growth track during 2011
 - Growth in Sweden estimated to be brisker than in other Nordic countries
 - In Russia, investments in commercial and industrial construction already clearly growing
- In residential construction, moderate growth forecast to continue in all main market areas
- In infrastructure construction, activity in the Nordic countries expected to continue relatively good

Engineering

- Order volumes especially for cabins, booms and frames estimated to show further improvement due to:
 - Increasing demand from manufacturers of heavy cargo and other materials handling equipment
 - Also demand for construction, forest and mining industry machines and equipment is estimated to grow
- In equipment manufacturing for the energy industry, demand in the wind power sector is forecast to improve during the course of 2011
- Shipbuilding activity in Europe is estimated to continue at a low level

Steel

- Sales of special steel products supported by:
 - Growing demand from heavy engineering and heavy automotive industries
 - Expansion of the company's distribution network into emerging markets and mining-intensive countries
- Selling prices of steel products are estimated to rise during 2011 due to good demand and higher raw materials prices
 - Increased sales of special steel products support positive development of average selling prices

Near-term outlook

Factors affecting profitability

- The company's cost structure is already lighter than in previous years because of efficiency actions already completed and those ongoing
- Based on estimated development in demand, the capacity utilisation rate in 2011 is projected to be better than in 2010, especially in the solutions businesses
- Priority during Q2/11 is to generate positive operating profit from the solutions businesses

Assessment of future performance

- Consolidated net sales in 2011 are estimated to grow approximately 25 per cent year on year
- Profitability is estimated to clearly improve compared to 2010

Summary

- Q1 order intake up 33% y-o-y
 - Growth in all business areas
 - Profitability improved and cost structure clearly lighter than in previous years
 - Demand expected to continue improving in most customer segments
 - Investments and industrial production showing good growth in important nearby markets
 - Target for Q2 is to generate positive operating profit from the solutions businesses
 - Continued actions to strengthen cash flow
-
- Consolidated net sales in 2011 are estimated to grow approximately 25 per cent y-o-y
 - Profitability is estimated to clearly improve compared to 2010

Q&A



Appendix

Key figures

€m	Q1/11	Q1/10	2010
Net sales *)	675	500	2,403
Operating profit *)	25	-43	38
as % of net sales *)	3.7	-8.6	1.6
Result before income tax *)	14	-51	8
Result for the period	8	-33	-79
Earnings per share, diluted, €	0.06	-0.24	-0.57
Return on capital employed (rolling 12 mths), %	2.7	-11.5	-0.3
Gearing ratio, %	50.3	29.6	44.7
Gross capex **)	36	34	173
Net cash before financing activities	-29	-87	-226
Personnel (average)	11,436	11,525	11,693

*) Comparable **) In tangible and intangible assets

Quarterly comparable net sales and operating profit

€m	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11
Comparable net sales					
Ruukki Construction	109	163	184	172	135
Ruukki Engineering	42	50	45	56	62
Ruukki Metals	348	434	386	413	478
Others	0	1	0	0	0
Comparable net sales, total	500	647	615	641	675
Comparable operating profit					
Ruukki Construction	-23	-10	1	-13	-13
Ruukki Engineering	-6	-8	-7	-6	-2
Ruukki Metals	-10	66	51	19	42
Others	-4	-4	-4	-4	-3
Comparable operating profit, total	-43	45	41	-5	25