

# Financial review 2010



Sakari Tamminen  
President & CEO, Rautaruukki Corporation  
3 February 2011

**RUUKKI**

**RUUKKI**

# 2010 in brief

- Demand back on growth track
- Order intake up 34% year on year
  - Q4/10 order intake up 43 %
- Consolidated net sales grew 26%
- Profitability improved significantly compared to previous year, but was still unsatisfactory
- Board of Directors' dividend proposal €0.60 per share

# Business environment and financial performance

# Demand back on growth track

## General market development

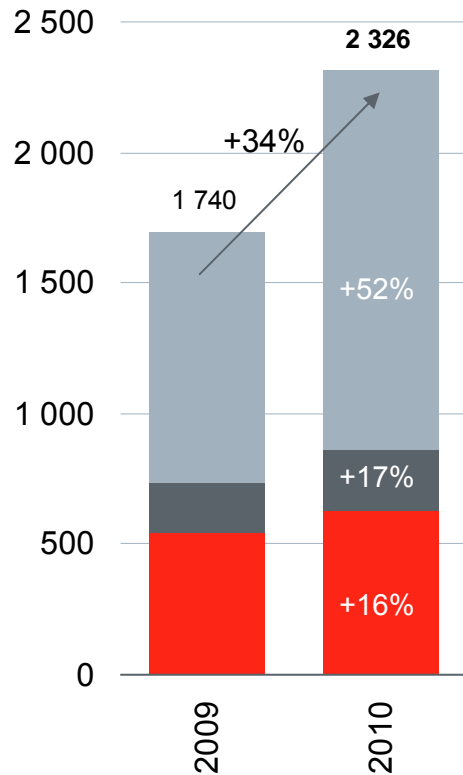
- Growth in emerging markets supported recovery of industrial production also in Europe
- Growth in Europe slower than in rest of the world
  - Finland lagged behind other European countries

## Development in Ruukki's markets

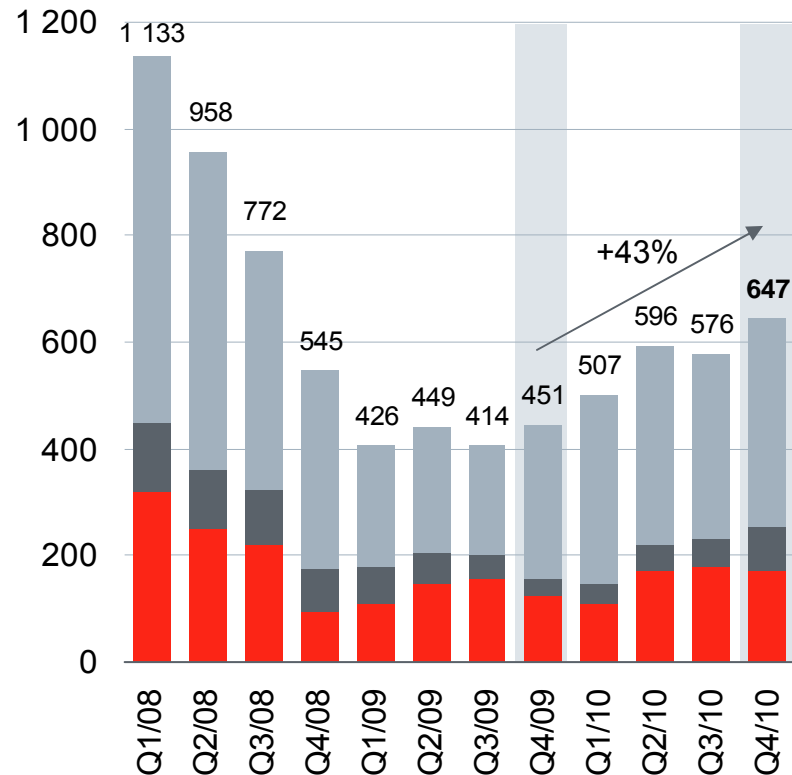
- Good demand in residential and infrastructure construction
- Commercial and industrial construction still quiet
  - investments starting up in Russia
- Market conditions in engineering industry improved in most customer sectors, except equipment manufacture for the wind power industry
- In the steel industry, demand grew in main customer sectors

# Order intake in 2010 up by 34%

Order intake, €m



Quarterly order intake, €m

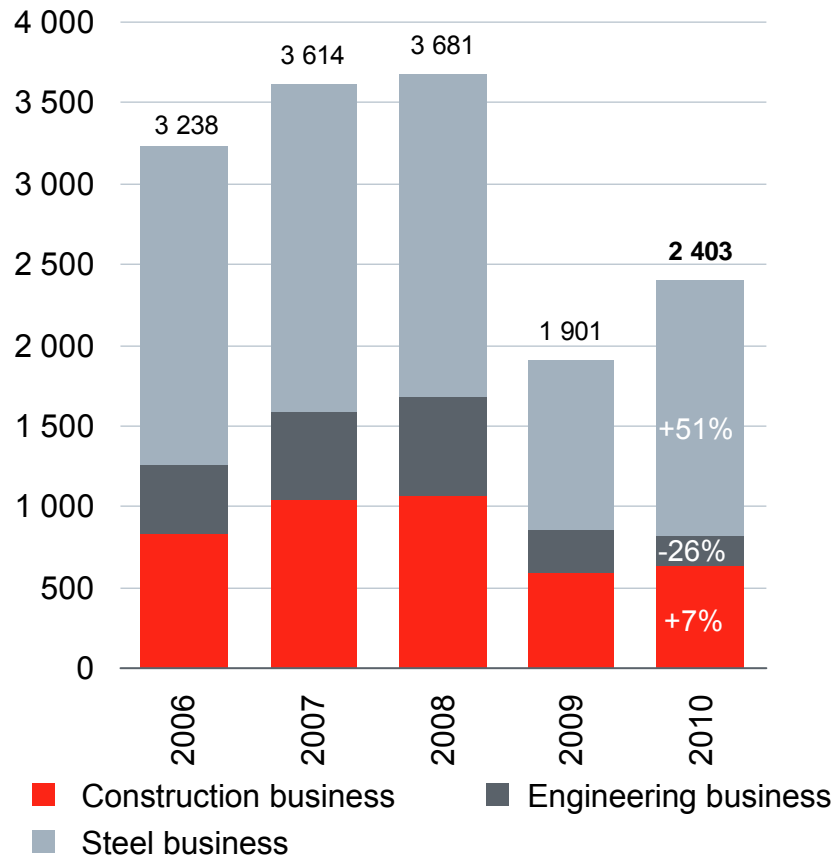


■ Construction business   
 ■ Engineering business   
 ■ Steel business

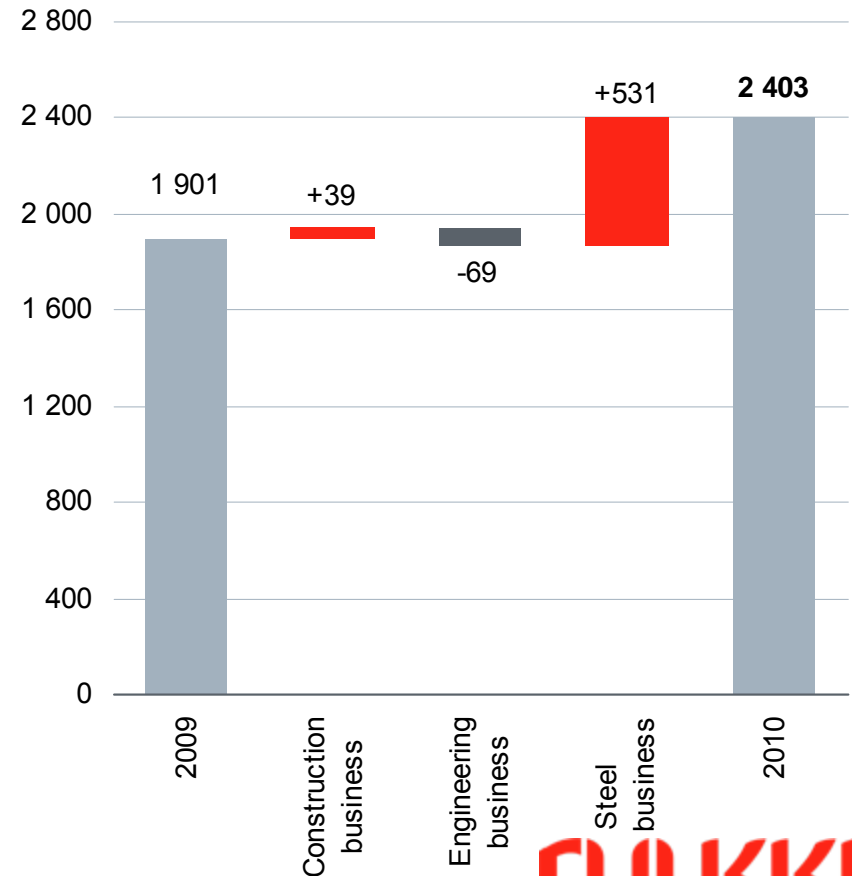
# Net sales grew 26%

- growth mainly from steel business

Net sales, €m \*)



Change in net sales by business area 2009 vs 2010, €m \*)

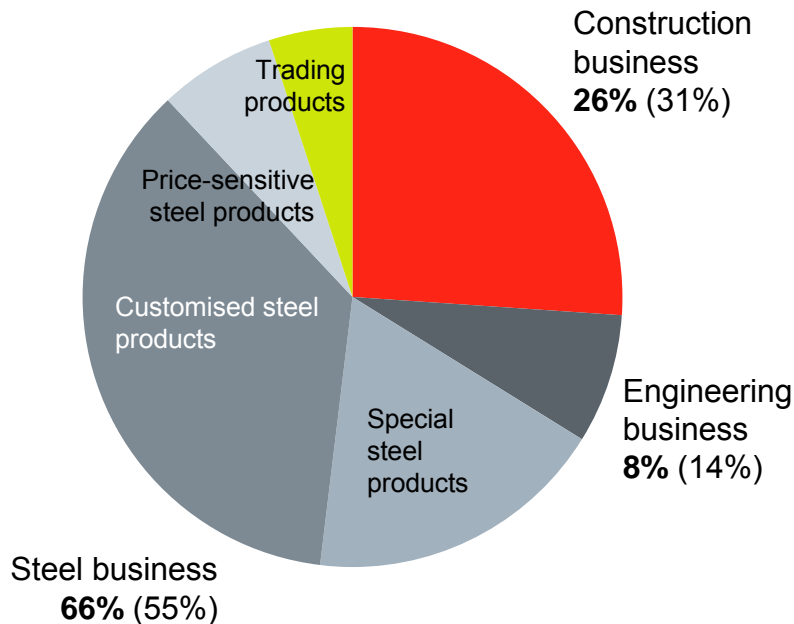


# Growth in all market areas

- emerging markets account for 23% of net sales

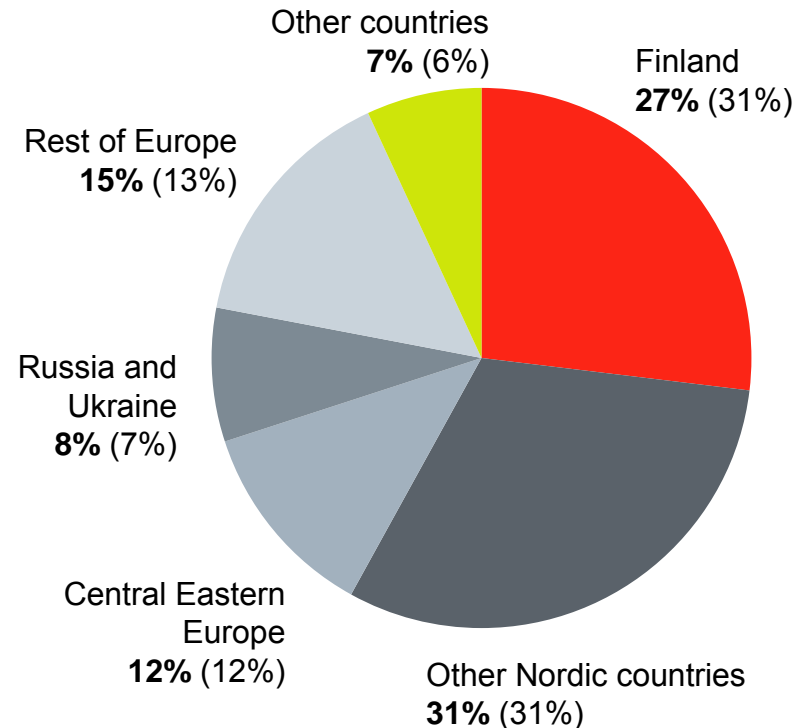
Net sales by business area  
2010 (2009 \*)

100% = € 2,403m (€ 1,901m)



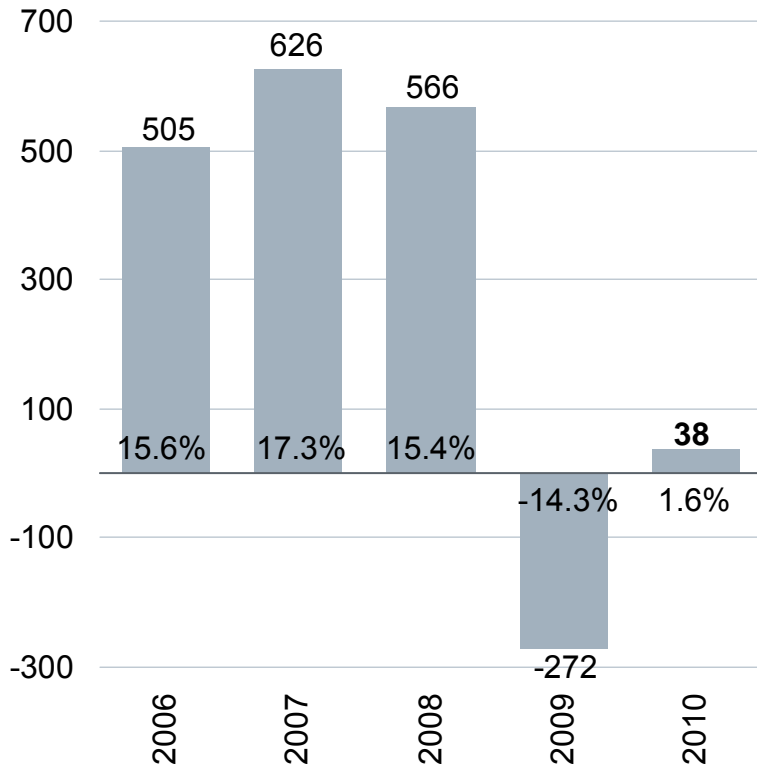
Net sales by region  
2010 (2009 \*)

100% = € 2,403m (€1,901m)

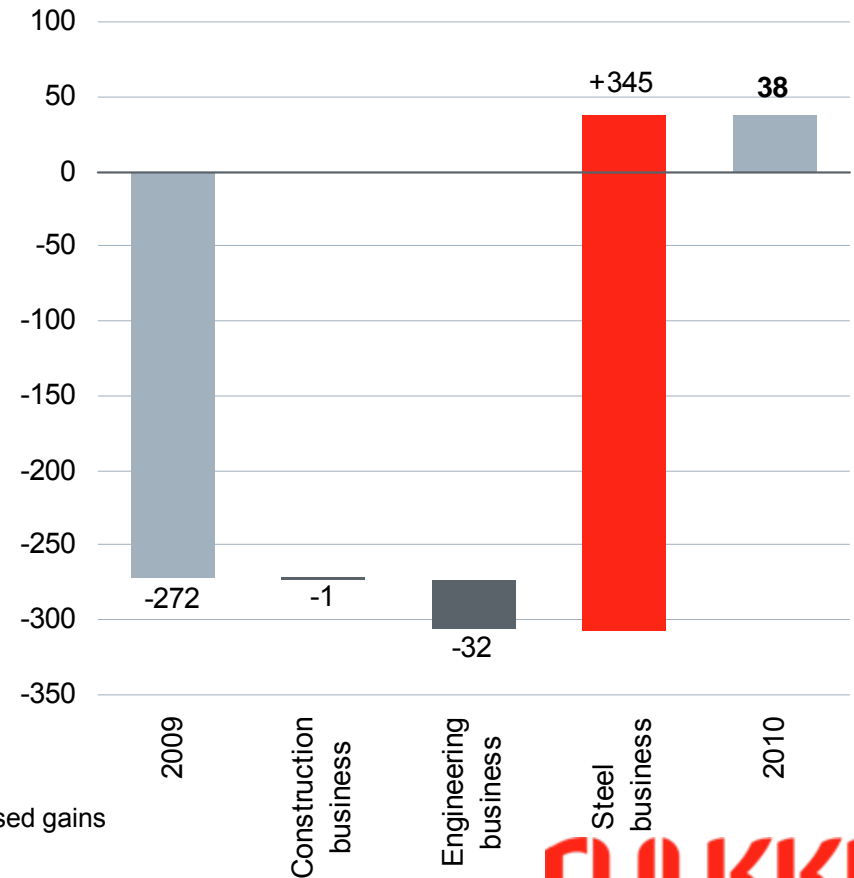


# Profitability improved significantly

Operating profit, €m \*)\*\*)



Change in operating profit by business area 2009 vs 2010, €m \*)



\*) Comparable

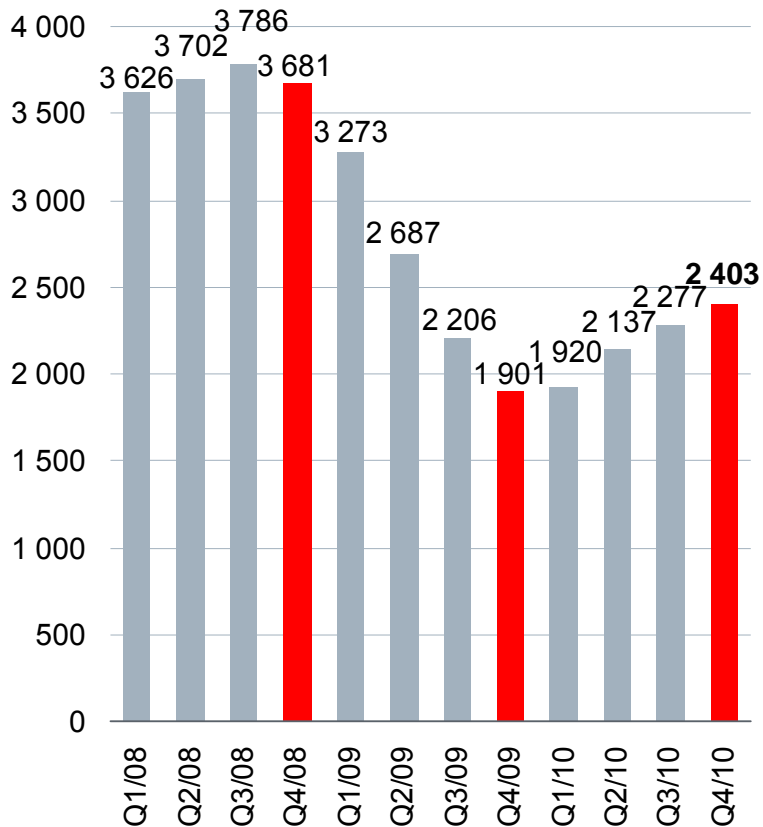
\*\*) Figures for 2006-08 not restated for unrealised gains and losses relating to USD derivatives



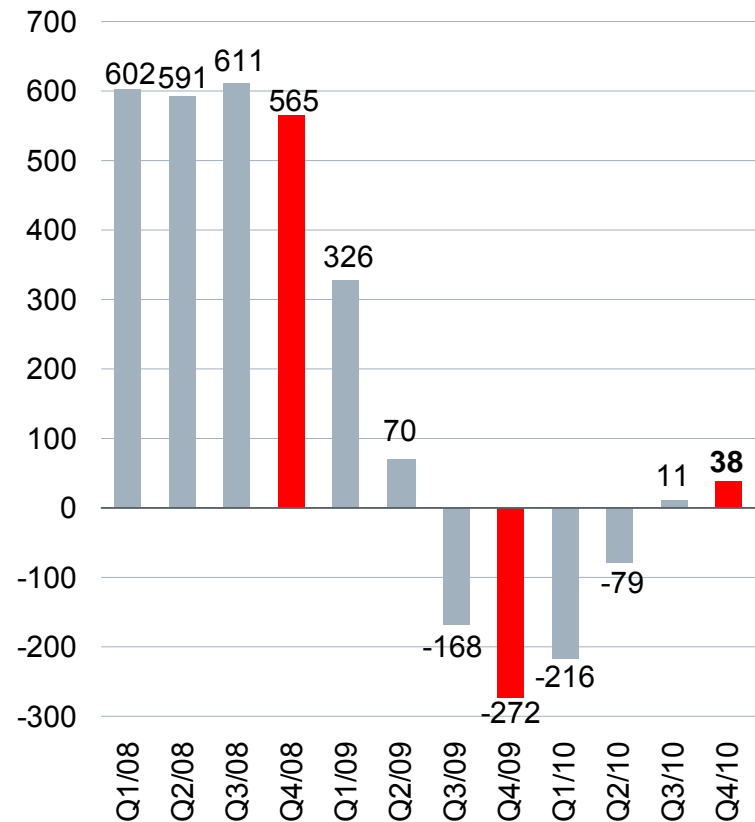
# Going in the right direction

- profitability still at unsatisfactory level

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



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



# Company's cost competitiveness significantly better than in previous years

## Boost programme's target by end of 2011

Annualised improvement of €150 million in operating profit



## Situation at year-end 2010

Annualised impact of actions already initiated **€178 million**

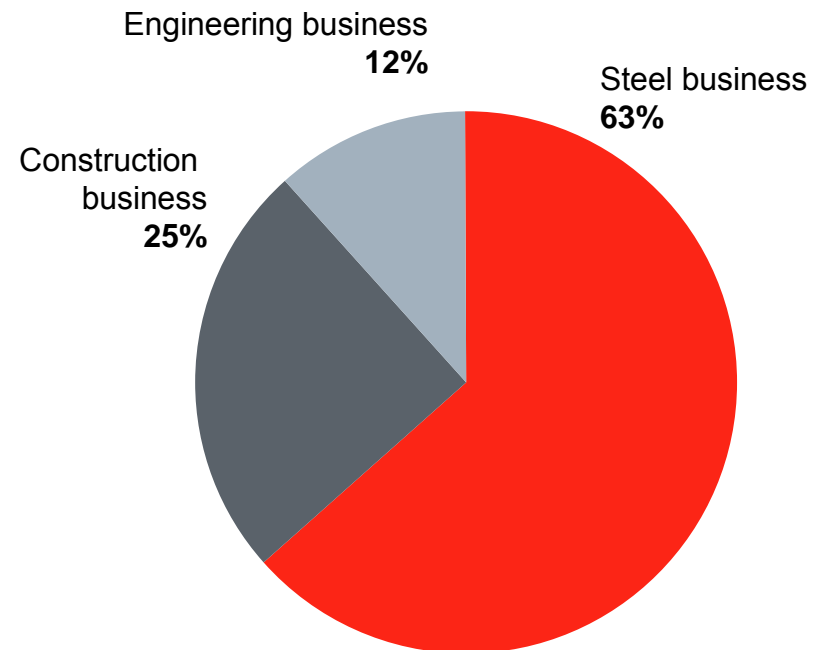


## Boost projects to continue as planned

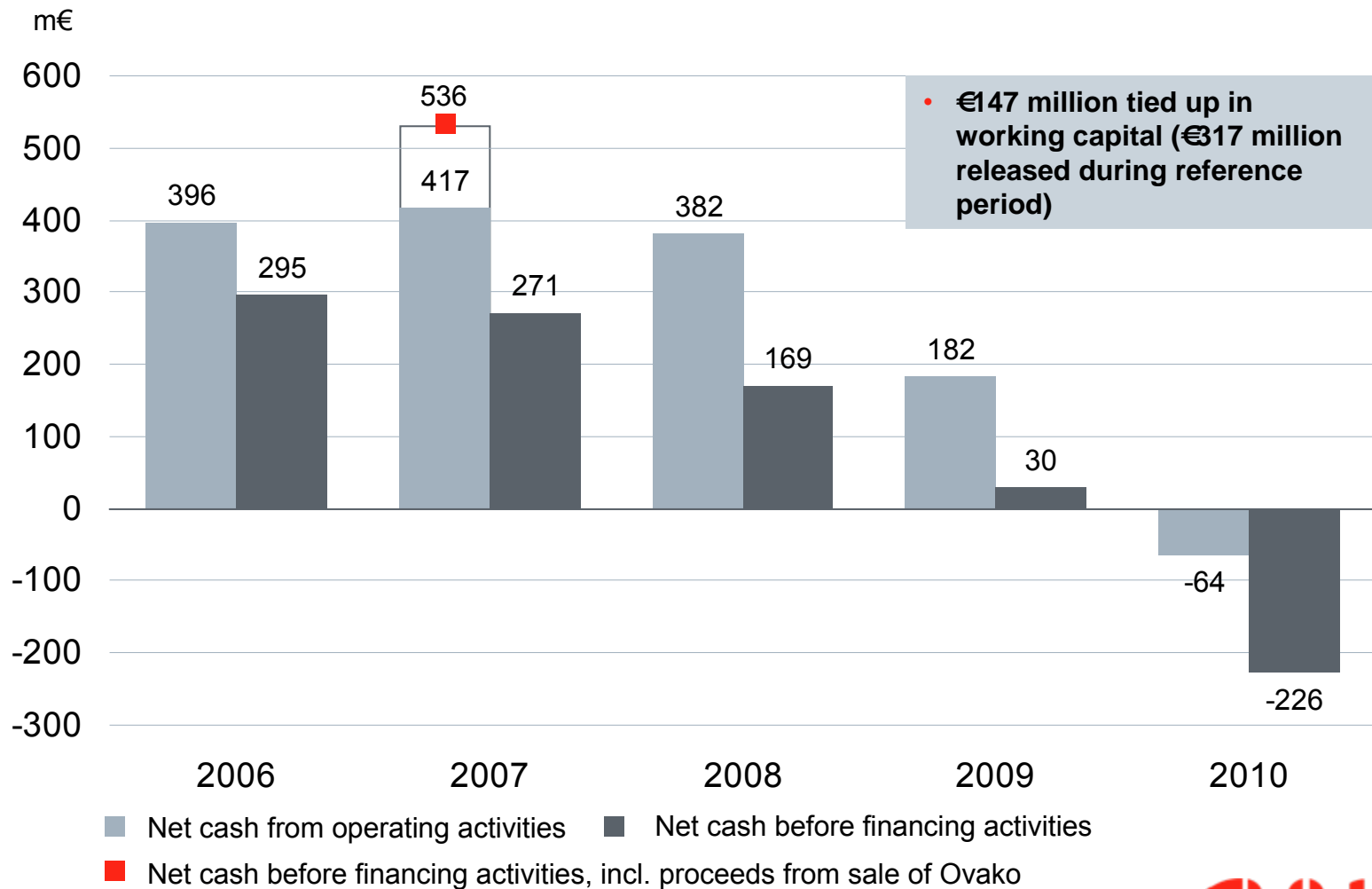
The company will no longer report separately on the progress of Boost in 2011

## Breakdown of impacts of Boost programme

100% = €178m

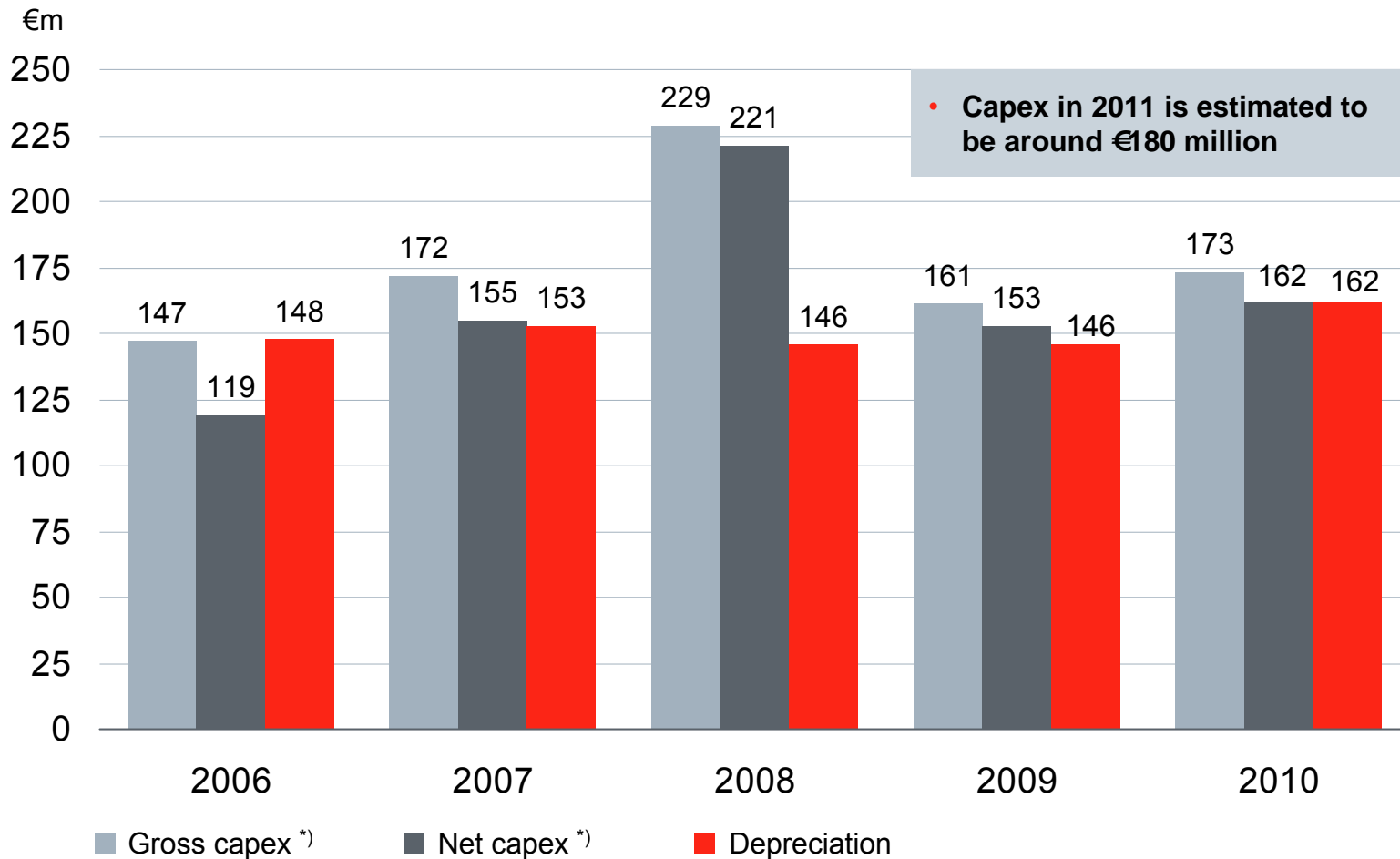


# Net sales growth tied up working capital



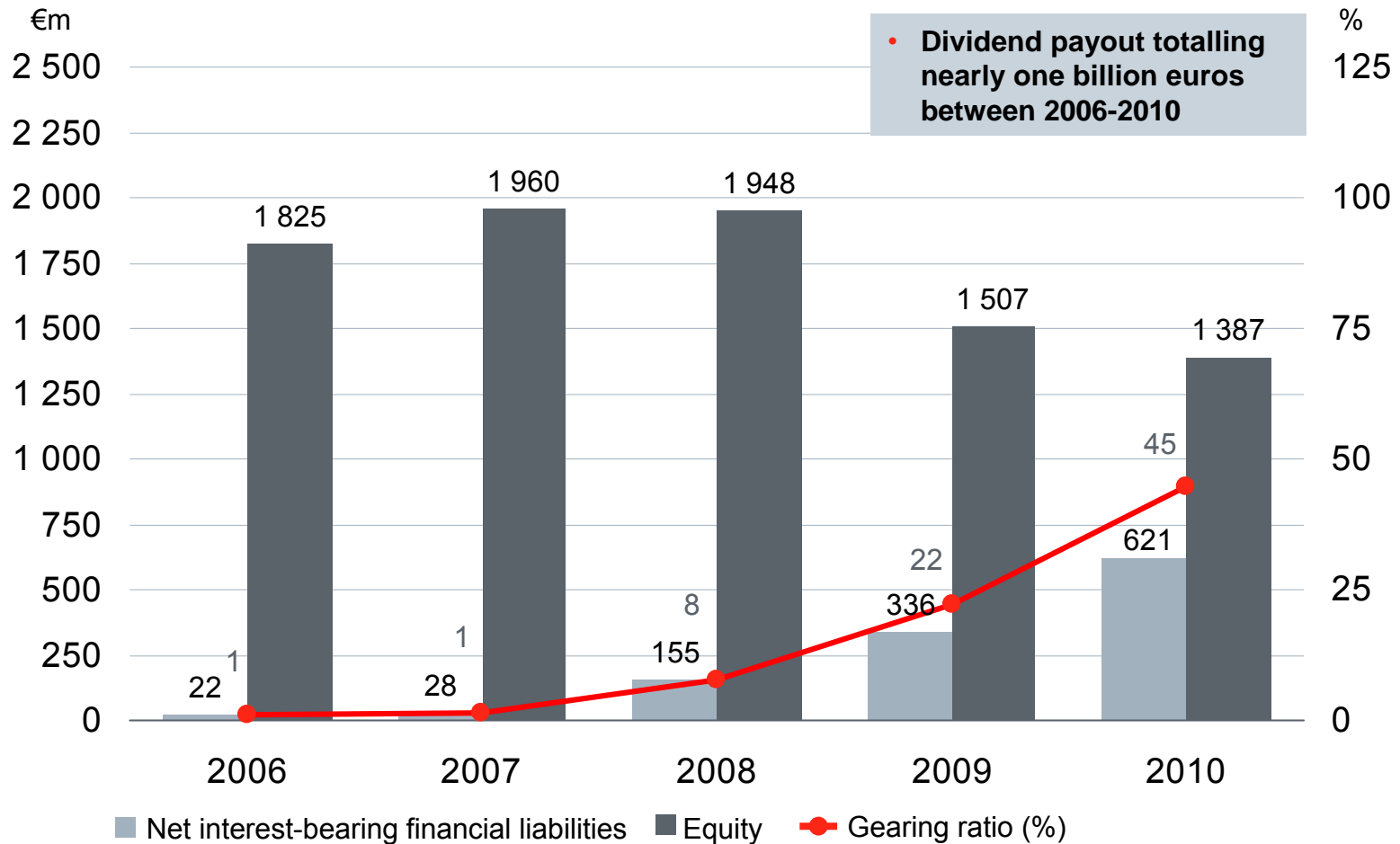
# Capex at previous year's level

- maintenance investments account for over 70%



\*) In tangible and intangible assets

# Good financial position



# Business areas

# Order intake by business area

	Construction	Engineering	Steel
Q4/10	<ul style="list-style-type: none"> <li>+35% vs Q4/09</li> <li>-4% vs Q3/10</li> </ul>	<ul style="list-style-type: none"> <li>+201% vs Q4/09</li> <li>+61% vs Q3/10</li> </ul>	<ul style="list-style-type: none"> <li>+35% vs Q4/09</li> <li>+13% vs Q3/10</li> </ul>
2010	<ul style="list-style-type: none"> <li>+16% vs 2009</li> </ul>	<ul style="list-style-type: none"> <li>+17% vs 2009</li> </ul>	<ul style="list-style-type: none"> <li>+52% vs 2009</li> </ul>

## 2010 vs 2009

- + Residential roofing products
- + Infrastructure construction
- + Commercial and industrial construction in Russia, Poland and Czech Republic
  - orders in commercial and industrial construction still low overall

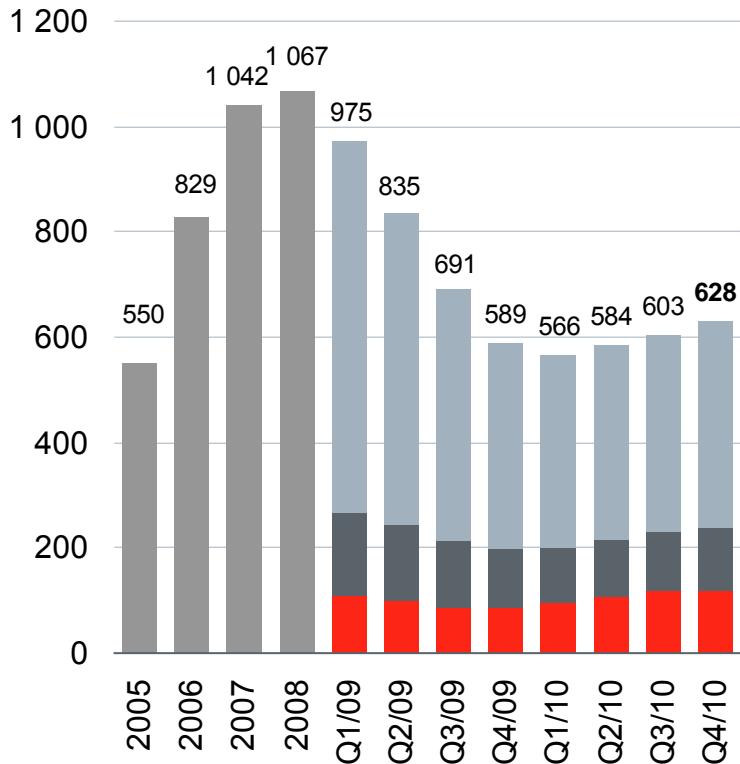
- + Cabins, booms and frames
- Manufacture of equipment for wind power and other energy industry
- Shipbuilding

- + Growth in all product groups
- + Sweden
- + Russia
- + New markets for special steel products

# Construction business:

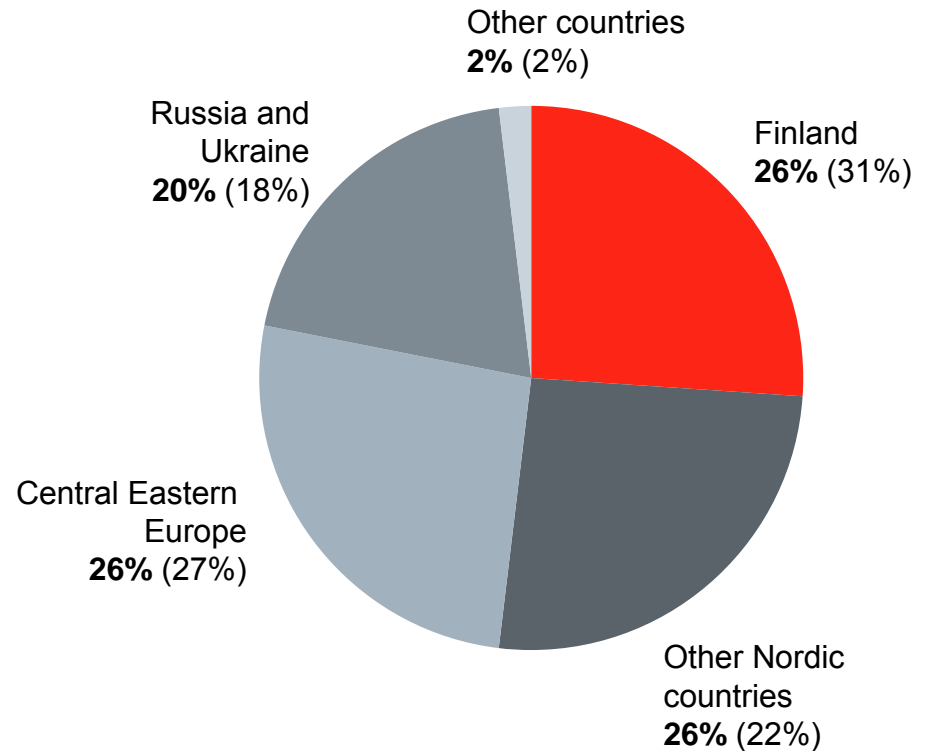
- residential roofing products and infrastructure construction accounted for 39% of net sales

Net sales by product group, rolling 12 months, €m



■ Infrastructure construction   
 ■ Residential construction  
■ Commercial and industrial construction

Net sales by region 2010 (2009)

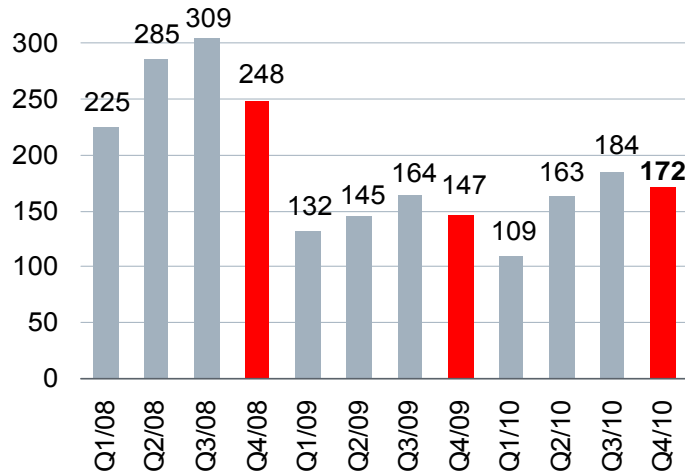




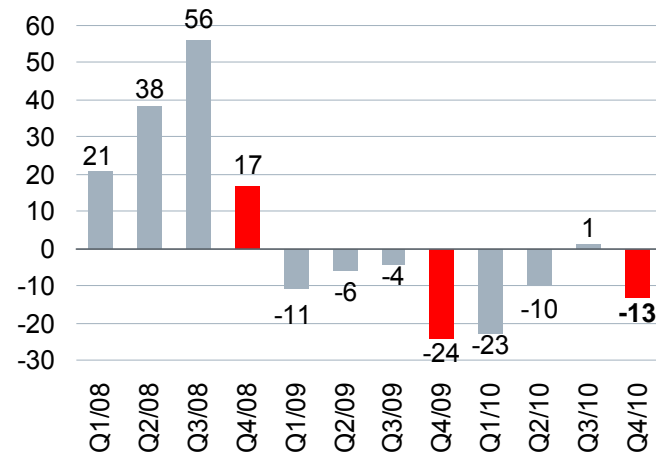
# Construction business:

- net sales in 2010 up by 7%

Net sales, €m



Operating profit, €m \*)



## Summary

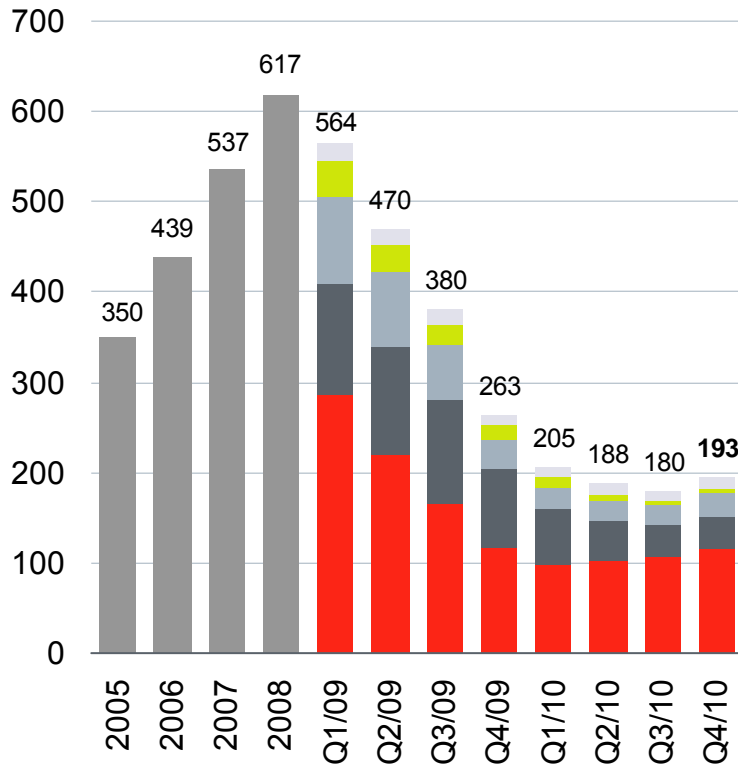
- Sales of residential roofing products grew 9%, demand especially good in CEE and Ukraine
- Infrastructure construction net sales up by 37%
- Commercial and industrial construction net sales grew by over 20% in Russia, but overall market conditions remained weak
- Profitability weak due low delivery volumes and capacity utilisation rate as well as poor profitability of certain projects

\*) Comparable. Figures for 2008 not restated for unrealised gains and losses relating to USD derivatives

# Engineering business:

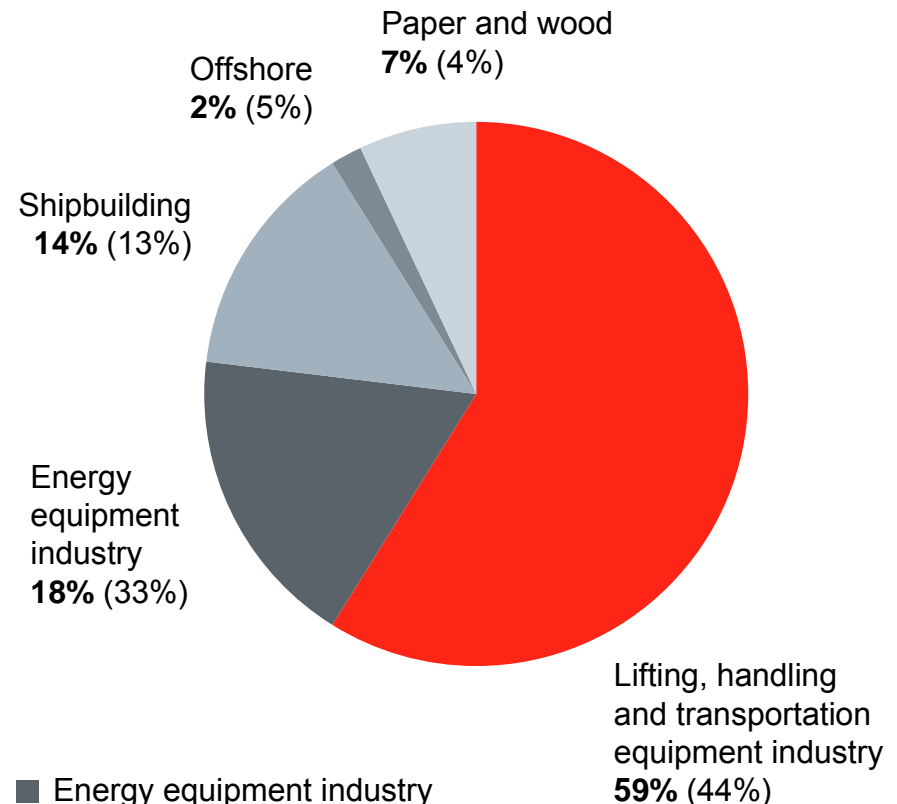
- cabin and boom deliveries grew, clear decrease in delivery volumes for equipment manufacturers in energy industry

Net sales by customer segment, rolling 12 months, €m



■ Lifting, handling and transportation equipment industry
 ■ Energy equipment industry
 ■ Shipbuilding
 ■ Offshore
 ■ Paper and wood

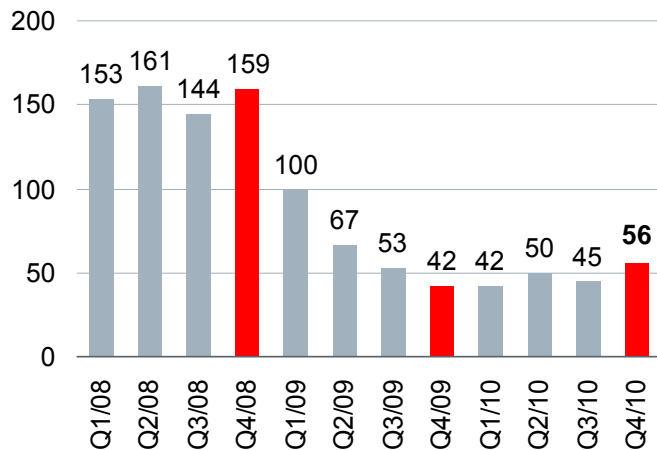
Net sales by customer segment 2010 (2009)



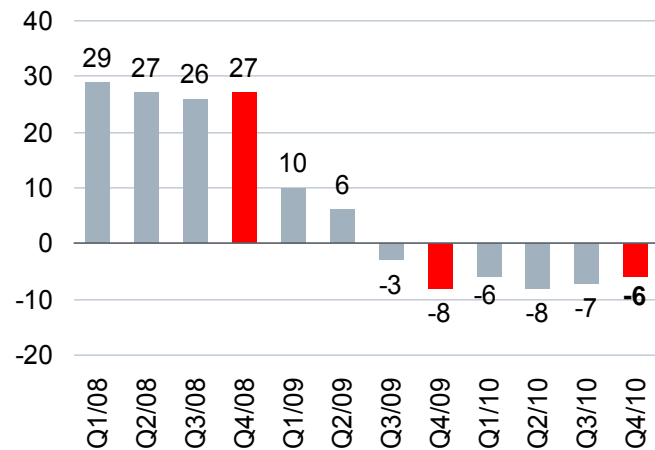
# Engineering industry:

- net sales declined y-o-y, but grew during Q4

Net sales, €m



Operating profit, €m \*)



## Summary

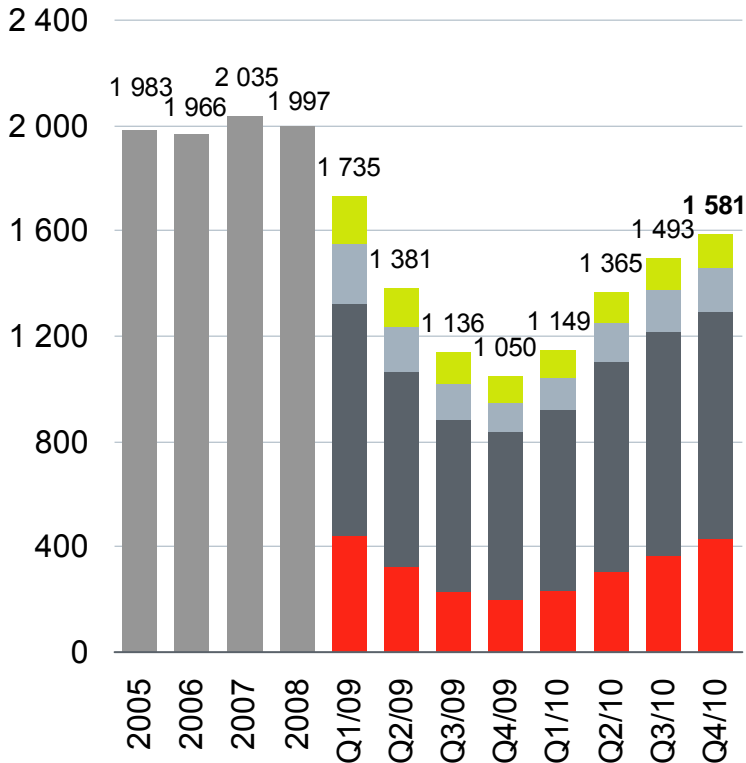
- Decline in net sales mainly due smaller delivery volumes for the equipment manufacturers in the wind power industry and other energy industries
- Clear growth y-o-y in deliveries of cabins and booms
  - sales for the machine and equipment manufacturers in mining and construction industries grew by 60% y-o-y
- Profitability weakened due lower delivery volumes and low capacity utilisation rate, as well as start-up of cabin production in Holic, Slovakia

\*) Comparable. Figures for 2008 not restated for unrealised gains and losses relating to USD derivatives

# Steel business:

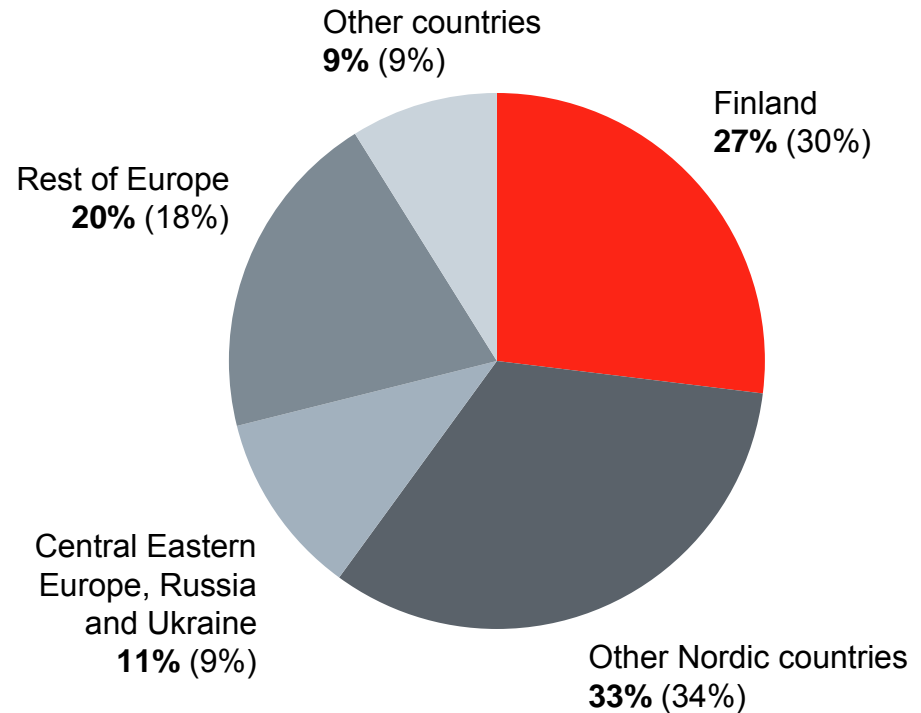
- special steel products accounted for 30% of Q4 net sales

Net sales by product group, rolling 12 months, €m \*)



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

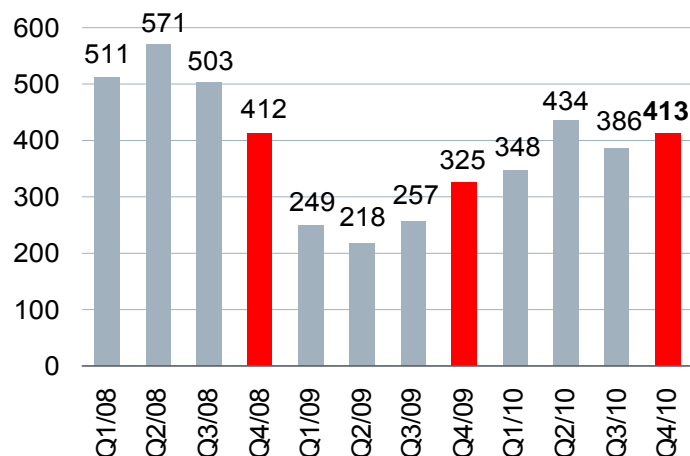
Net sales by region 2010 (2009)



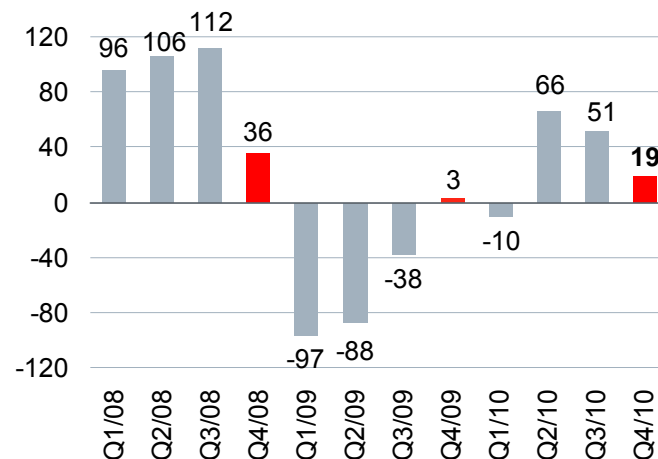
# Steel business:

- net sales in 2010 grew 51% and profitability improved significantly

Net sales, €m \*)



Operating profit, €m \*) \*\*)



## Summary

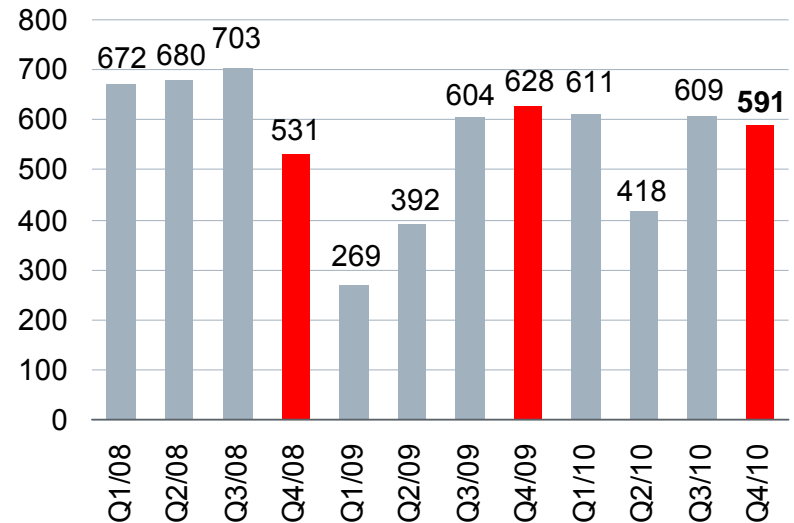
- Net sales growth mostly attributable to increased delivery volumes, also selling prices rose
  - sales of special steel products doubled y-o-y
- Operating profit improved significantly from previous year
  - larger delivery volumes, growth in sales of special steel products, better capacity utilisation rate, actions to improve efficiency
- Operating profit for Q4 was down from Q3
  - higher energy costs, maintenance work and somewhat lower selling prices

# Steel production up 18% y-o-y

- Steel production in 2010 was 2,229 thousand tonnes (1,892)
- Capacity utilisation rate since blast furnace modernisation has been around 90%

## Steel production

1,000 tonnes



## World steel production

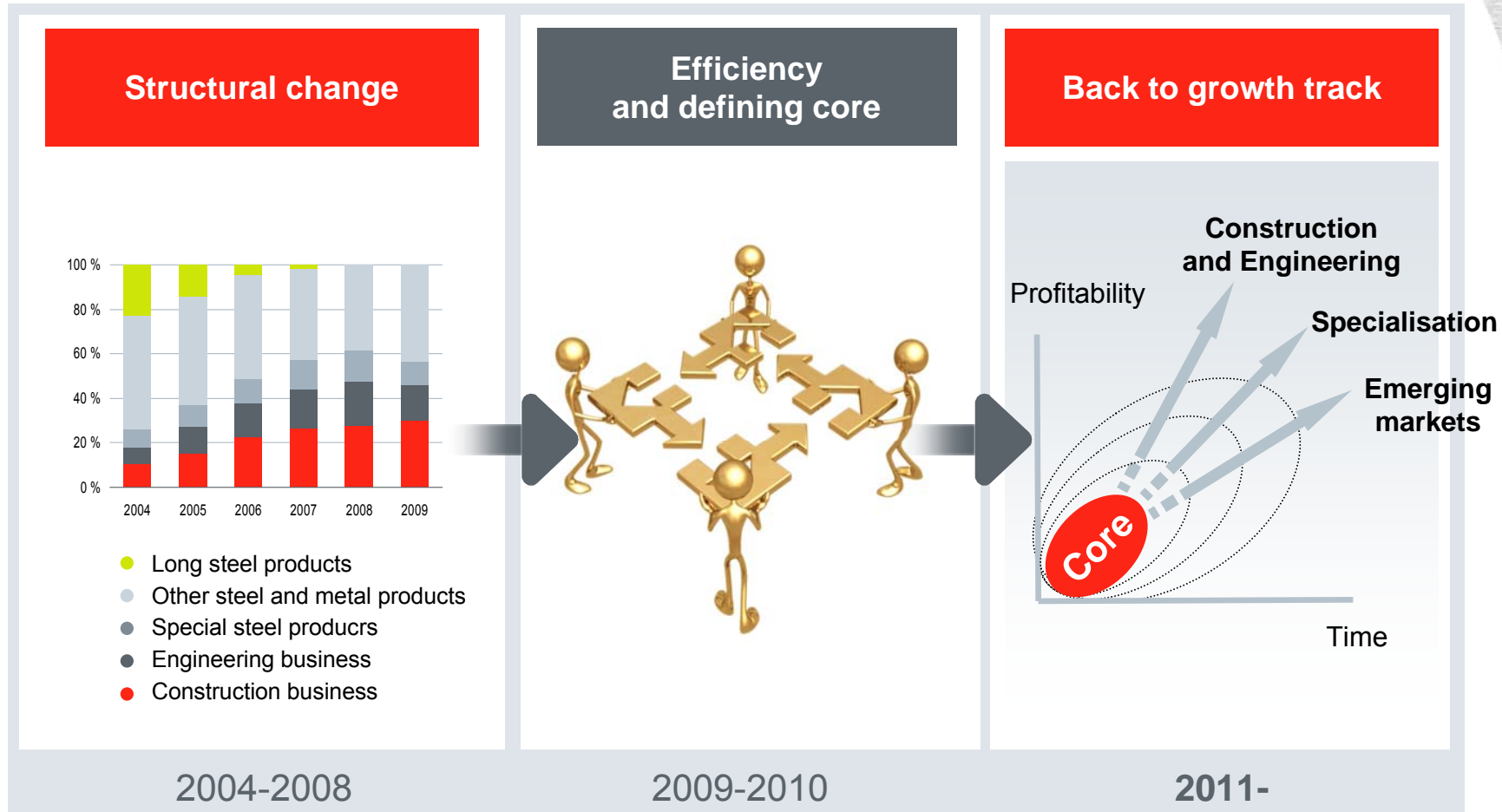
- World steel production in 2010 was up 15% year on year at 1,414 million tonnes
  - EU-27: +24.5% (172.9 million tonnes)
  - North America: +35.7% (111.8 million tonnes)
  - Asia: +11.8% (881.2 million tonnes), of which China: +9.3% (626.7 million tonnes)

Source: worldsteel

Strategic focus

# Strategic focus:

- moving on with structural change, growth from specialisation and emerging markets

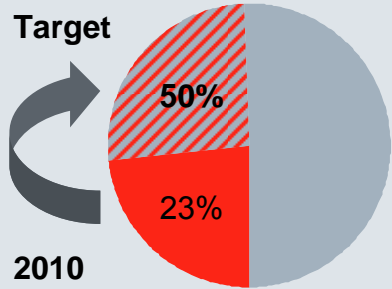




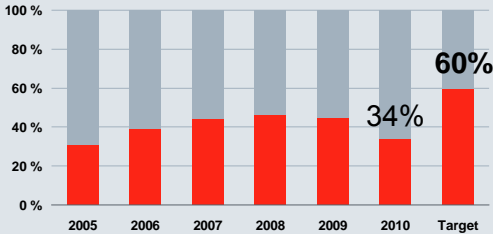
# Strategic targets

## Strategic targets for the next strategy period

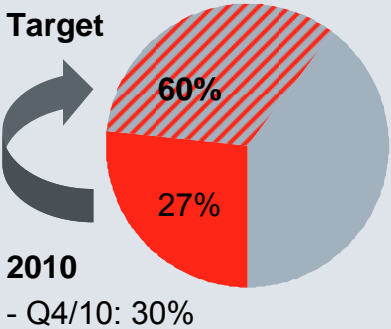
- Emerging markets to account for 50% of consolidated net sales



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



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



Aim is to achieve #1, #2 or otherwise strong market position in chosen segments

# Construction business

- vast opportunities for profitable growth

## Growth direction

- Commercial and industrial construction: focus on scalable building concepts
  - especially in Russia & CEE
- Residential roofing products:
  - strengthen market position, especially in CEE countries
- Infrastructure construction
  - strengthen market position in Nordic countries

**Modern production facilities and well-focused product range**

## Growth through selected concepts

### *Industrial & commercial halls*



### *Bridge structures*



# Engineering business

- own design and special-steel-based components

## Growth direction

- Focus on:
  - products that incorporate own design
  - demanding special-steel-based components
- Broaden customer base
  - OEMs outsourcing manufacturing
  - local customers in emerging markets

Well-located manufacturing network  
in Finland, CEE and China

Examples of demanding special-steel-based components



Examples of products incorporating own design



# Steel business

- growth from special steel products

## Growth direction

- Developing international sales and distribution network further
  - emerging markets
  - selected mining-intensive markets e.g.
    - Australia
    - South Africa
- Strengthening market position in Nordic countries
  - continued improvement of all processes

**Strong technological competence and competitive products**

Examples of special steel products and their applications

*Wear-resistant*



*High-strength*



*Metal-coated*























*Colour-coated*



# Near-term outlook

# Industrial production and investments estimated to grow in all important market areas

Industrial production and fixed investment growth forecasts  
- forecast for 2011 in January 2011

	Industrial Production %-change from 2010	Change from September '10 forecast )	Fixed Investment %-change from 2010	Change from September '10 forecast )		Industrial Production %-change from 2010	Change from September '10 forecast )	Fixed Investment %-change from 2010	Change from September '10 forecast )
Finland	4.5	 +1.4	6.3	 +1.4	Poland	7.8	 +1.2	7.7	 +1.0
Germany	5.2	 +0.8	7.7	 +1.7	Czech R.	5.8	 +1.0	2.7	 -0.4
Sweden	6.8	 +1.4	7.1	 +1.7	Slovakia	7.6	 +0.3	4.1	 -0.1
Norway	4.8	 + 0.1	5.2	 0.0	Romania	4.9	 +0.8	4.7	 +0.7
USA	4.2	 0.0	9.6	 +1.3	Russia	5.6	 +0.2	8.2	 +1.0

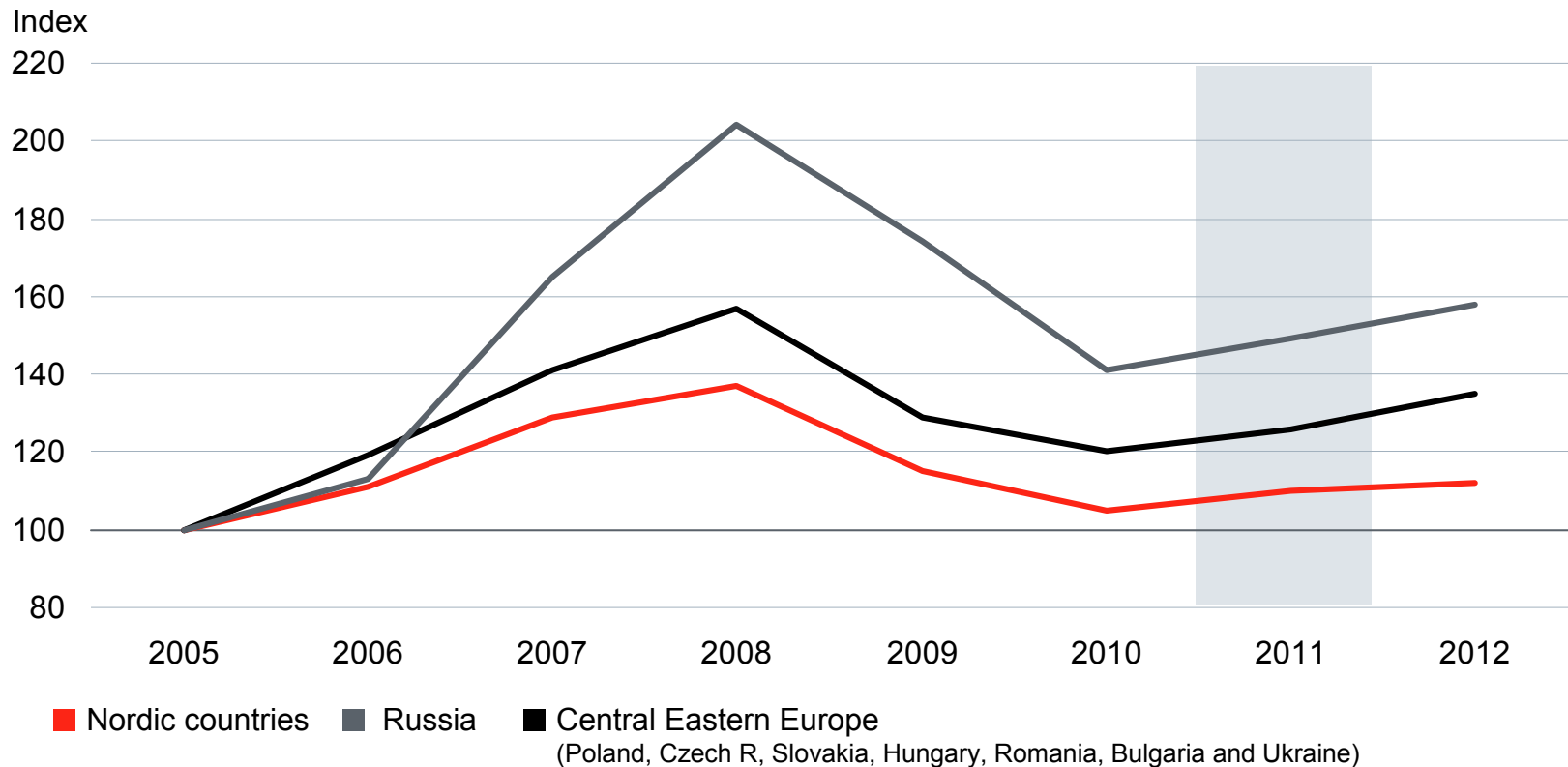
Source: Consensus Economics, January 2011 and recent key forecasts for Finland's investments

\*) Change since September 2010 forecast, direction and change in percentage units

# Construction business:

- Non-residential construction forecast to return to growth track in 2011

Non-residential construction, new build \*)



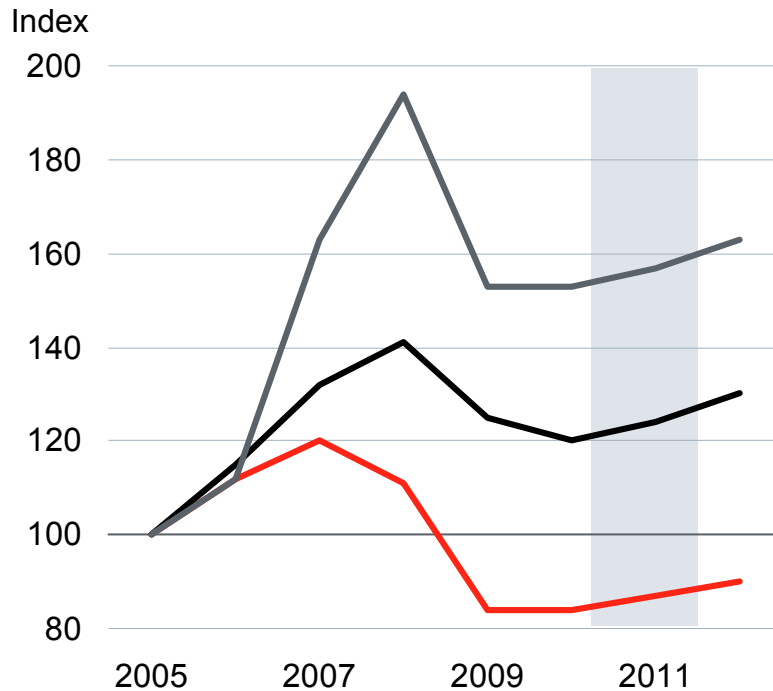
Source: Global Insight January 2011, in value terms

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

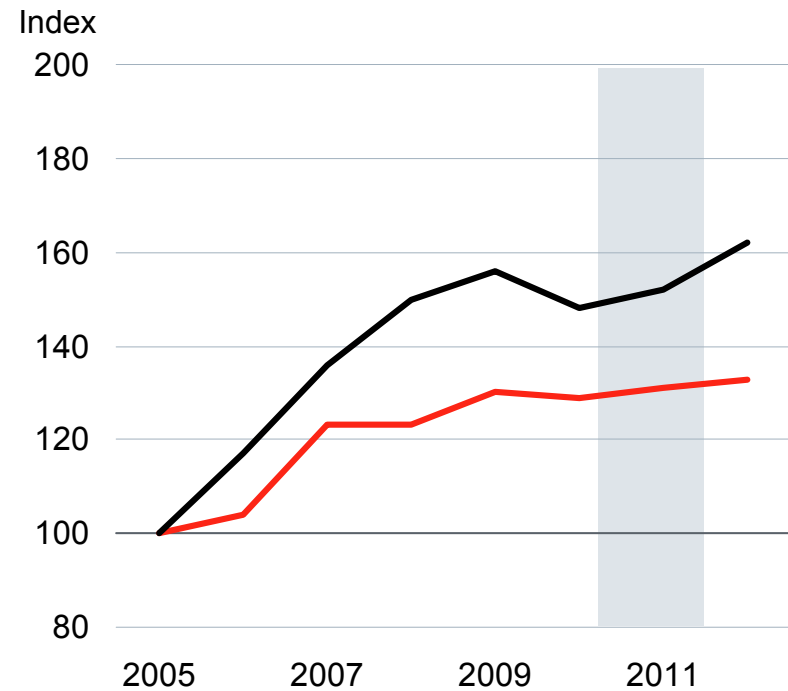
# Construction business:

- Infrastructure construction activity forecast to continue at good level, residential construction will grow

## Residential construction, new and renovation construction



## Transport infrastructure construction



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

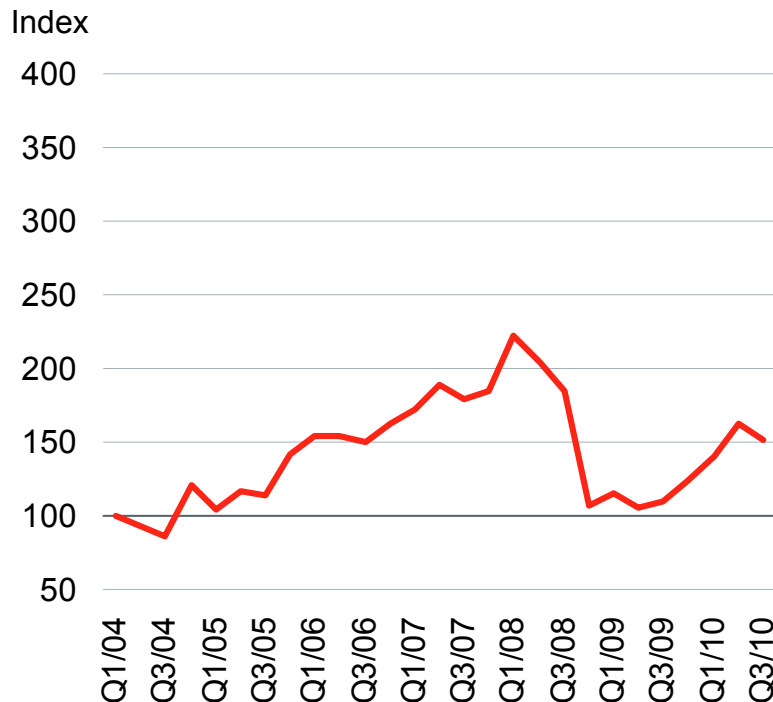
Source: Global Insight January 2010, in value terms



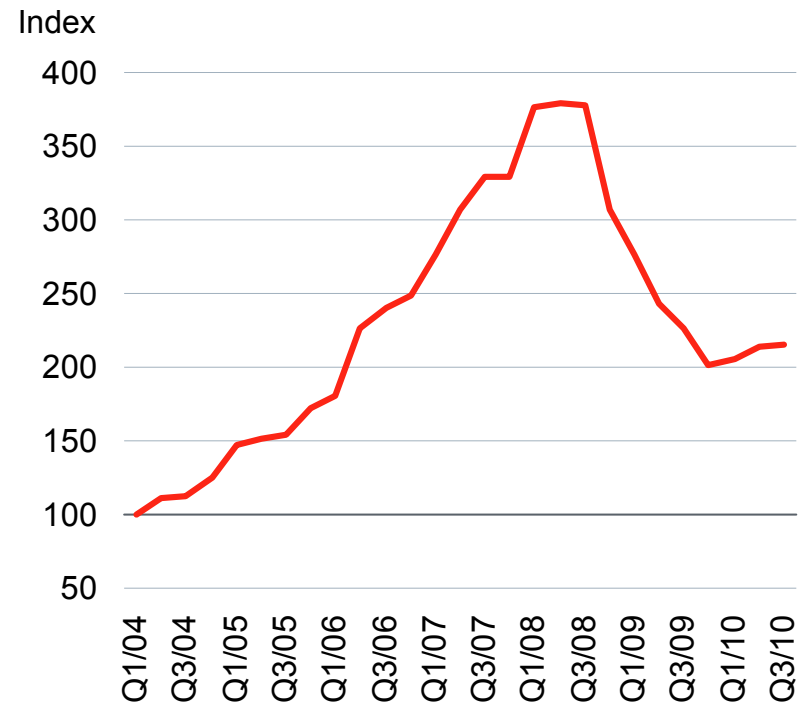
# Engineering business:

- Clear increase in order intake compared to previous year

## Order intake of main customers Q1/04-Q3/10



## Order book of main customers, Q1/04-Q3/10



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

# Steel business:

- Steel production in Europe estimated to grow 3% in 2011

## Crude steel production in EU-27 region

2007-2011F

Million tonnes



Source: worldsteel, MEPS outlook for 2011, January 2011

# Near-term outlook

## - Factors affecting development of net sales

### Construction

- It is estimated commercial and industrial construction will return to growth in the Nordic countries during 2011
  - Growth in Sweden is estimated to be brisker than in the other Nordic countries
  - Investments in Russia have already picked up clearly
- Modest growth in residential construction is forecast to continue in all main market areas
- Infrastructure construction activity in the Nordic countries is expected to continue to be relatively good

### Engineering

- In the engineering business, market conditions are estimated to improve
- Order volumes, especially for cabins, booms and frames, are estimated to grow on the positive note of:
  - heavy cargo and other materials handling equipment
  - construction machines and equipment and forest and mining industry machines
- In the manufacture of equipment for the wind power sector, demand is forecast to improve from the level in 2010
- It is estimated shipbuilding activity in Europe will continue at a low level in 2011

### Steel

- In the steel business, it is estimated that growing demand from the heavy engineering industry and the heavy automotive industry will support sales of special steel products in particular
  - This is also supported by an expansion of the company's distribution network into emerging markets and mining-intensive countries
- It is expected selling prices of steel products will rise during 2011 due to improving demand and higher raw material prices

# Near-term outlook

## Factors affecting profitability

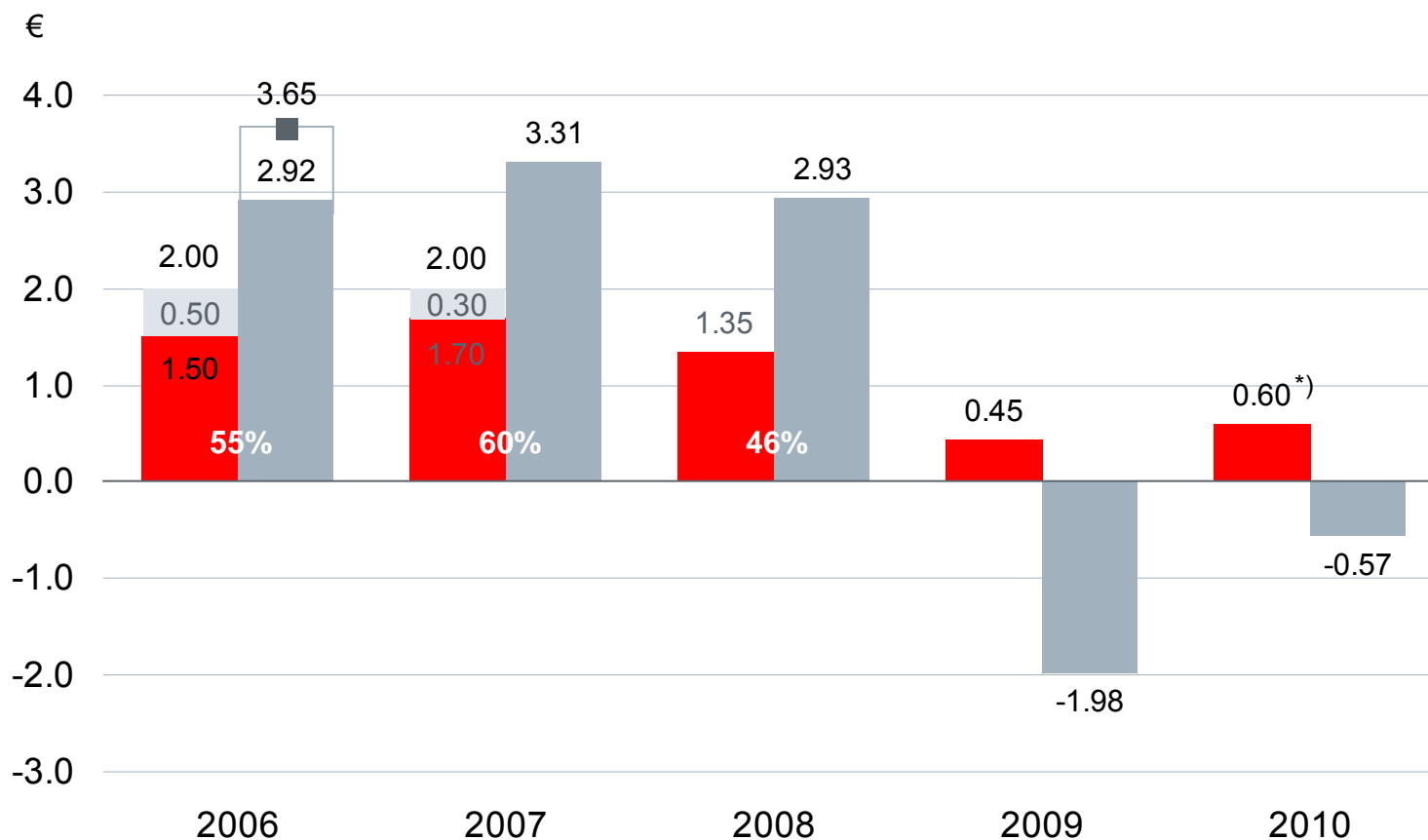
- As a result of the operational excellence programme, Boost, the company's cost structure is better than in previous years
- Growing demand is estimated to also improve the company's capacity utilisation rate in 2011, especially in the solutions businesses
- Increased sales of special steel products strengthen positive development of average selling prices

## Assessment of expected performance

- Consolidated net sales in 2011 are estimated to grow 20-25 per cent year on year
- Profitability is estimated to clearly improve compared to 2010

# Dividend proposal

# Dividend proposal €0.60 per share<sup>\*)</sup>



- Dividend per share
- Earnings per share
- Additional dividend
- Earnings per share, incl. capital gain on sale of Ovako
- Dividend payout ratio, %

# Summary

- Industrial production and investments estimated to grow in all main market areas
- Order intake in Q4/10 increased 43% year on year
  - Growth in all business areas
- Profitability improved significantly, but was still unsatisfactory
  - Cost structure clearly better than in previous years
- Main objectives for 2011 are to strengthen cash flow and to return solutions businesses to profitability
- Strategic focus:
  - Growth from emerging markets → 50% of consolidated net sales
  - Growth from construction and engineering businesses → 60% of consolidated net sales
  - Growth from special steel products → 60% share of net sales of steel business

Consolidated net sales in 2011 are estimated to grow 20-25 per cent year on year. Profitability is estimated to clearly improve compared to 2010.

# Q&A





# Appendix

# Key figures

€m	Q4/10	Q3/09	2010	2009
Net sales *)	641	515	2,403	1,901
Operating profit *)	-5	-32	38	-272
as % of net sales *)	-0.7	-6.2	1.6	-14.3
Result before income tax *)	-12	-39	8	-303
Result for the period	-30	-46	-79	-275
Earnings per share, diluted, €	-0.21	-0.33	-0.57	-1.98
Return on capital employed, %			-0.3	-14.2
Gearing ratio, %			44.7	22.3
Gross capex **)			173	161
Net cash before financing activities			-226	30
Personnel (average)	11,384	11,913	11,693	12,664

\*) Comparable \*\*\*) In tangible and intangible assets

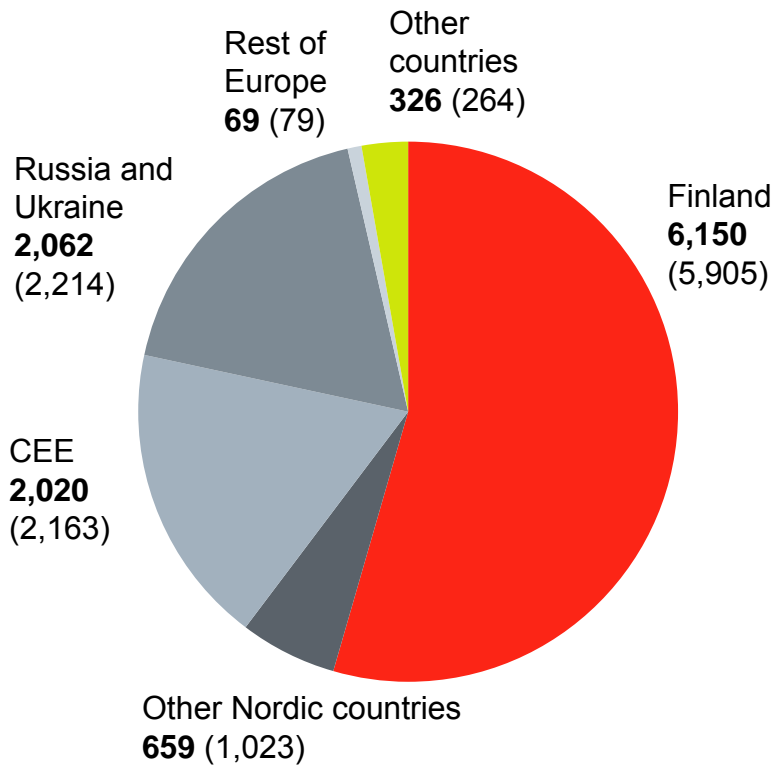
# Quarterly comparable net sales and operating profit

€m	Q1/09	Q2/09	Q3/09	Q4/09	Q1/10	Q2/10	Q3/10	Q4/10
<b>Comparable net sales</b>								
Ruukki Construction	132	145	164	147	109	163	184	172
Ruukki Engineering	100	67	53	42	42	50	45	56
Ruukki Metals	249	218	257	325	348	434	386	413
Other	0	0	0	0	0	1	0	0
Comparable net sales, total	481	430	475	515	500	647	615	641

<b>Comparable operating profit</b>								
Ruukki Construction	-11	-6	-4	-24	-23	-10	1	-13
Ruukki Engineering	10	6	-3	-8	-6	-8	-7	-6
Ruukki Metals	-97	-88	-38	3	-10	66	51	19
Other	-3	-4	-3	-3	-4	-4	-4	-4
Comparable operating profit, total	-100	-92	-49	-32	-43	45	41	-5

# Personnel by region <sup>\*)</sup>

Personnel 2010: 11,286  
(2009: 11,648)



\*) Personnel at end of year

