

Interim report 1-9/2011

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RUUKKI



Overview of 7-9/2011

- European debt crisis increased uncertainty on financial markets and weakened general economic confidence
 - Mill deliveries decreased in steel business, but service centre sales remained at good level
 - Continued good demand in solutions businesses – construction and engineering
- Net sales up 10% at €674 million
 - Higher delivery volumes y-o-y in solutions businesses
- Operating profit decreased to €1 million
 - Solutions businesses profitable
 - Steel business made a loss due to higher costs of raw materials and low capacity utilisation rate

Business environment and financial performance

Business environment

General market development

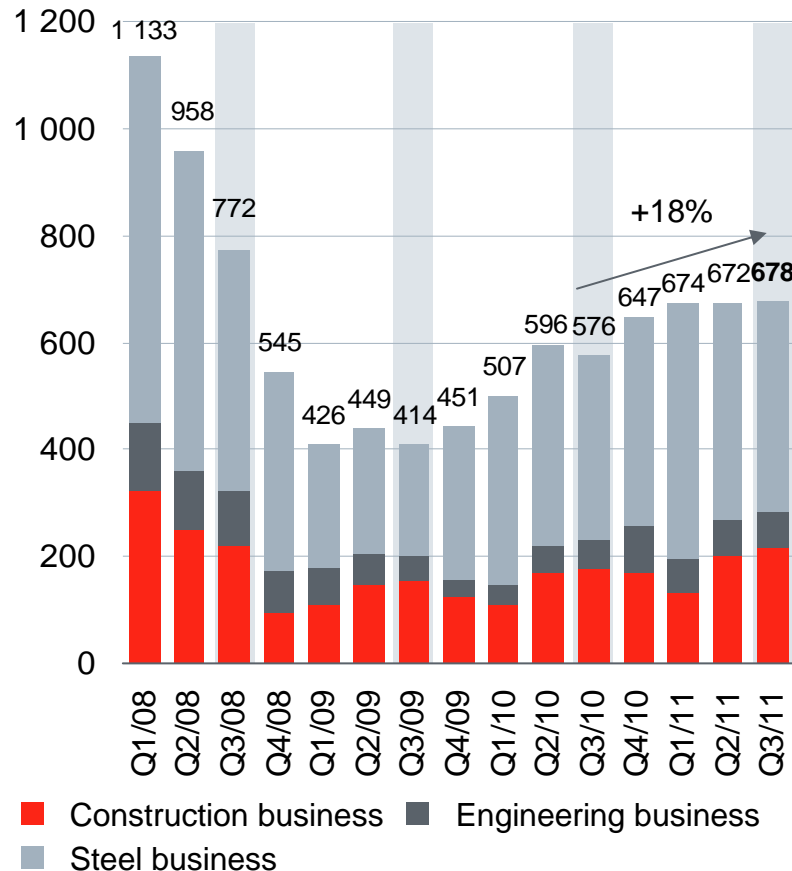
- Economic growth continued in all main market areas, but clearly slower than earlier
- Uncertainty on financial markets due to European debt crisis
- Weakening general economic confidence

Development in Ruukki's market areas

- Construction activity grew y-o-y
 - Clear pick-up in demand for residential roofing products
 - Good development in commercial and industrial construction
 - Demand in Russia was briskest in agricultural construction and in commercial and logistics sectors
- Market remained good in the engineering industry
 - Growth in the emerging markets supported demand for mining industry machines and equipment
- Uncertainty affected demand for steel
 - Lower delivery volumes
 - Downward pressure on product prices
 - Capacity was cut in Europe

Order intake up 18% y-o-y

Quarterly order intake, €m



Year on year

- Growth in all business areas
 - Relatively strongest growth in the engineering business
- Geographically strongest growth in
 - Finland and CEE, especially Poland
 - Good order development also in Russia

Quarter on quarter

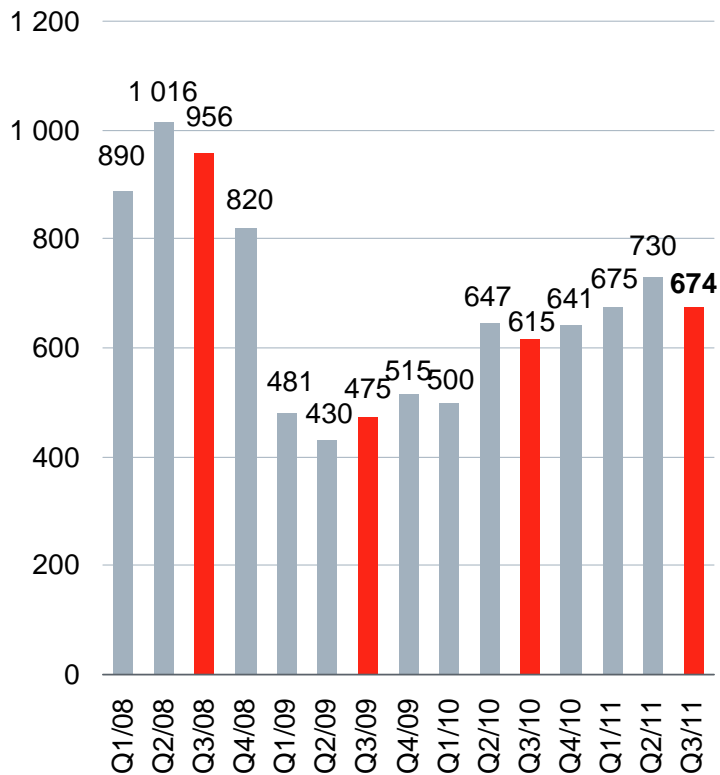
- Order intake at about the same level
 - Growth in the construction business, steady development in the engineering business
 - Order intake down in the steel business

Appr. 40% of orders received by solutions businesses

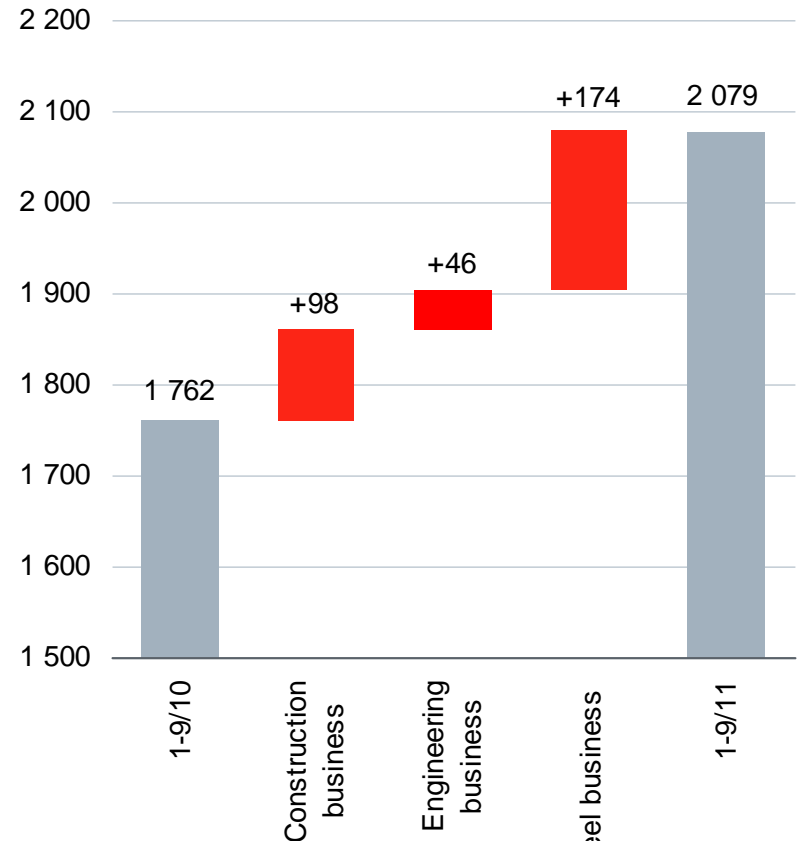
- Order intake of solutions businesses already approaching level of late 2008

Net sales up 10% y-o-y

Quarterly net sales, €m *)

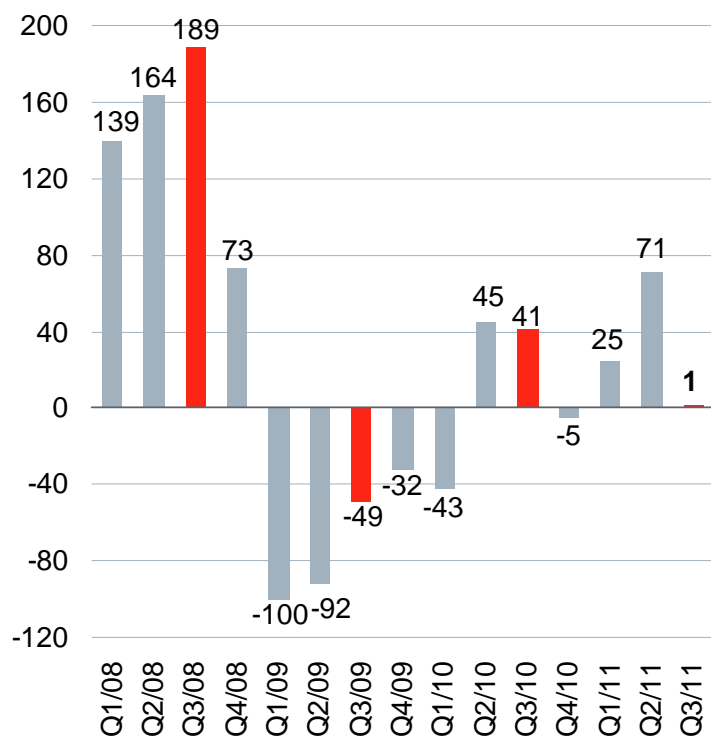


Change in net sales by business area 1-9/10 vs. 1-9/11, €m *)

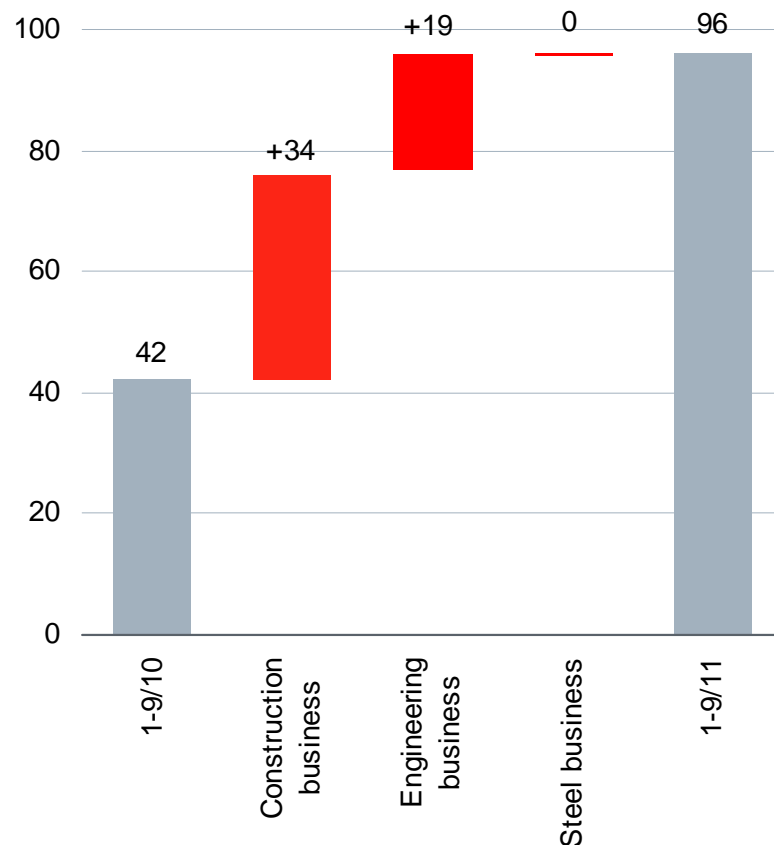


Weak profitability in third quarter

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



Change in operating profit by business area 1-9/10 vs. 1-9/11, (€m ^{*)})



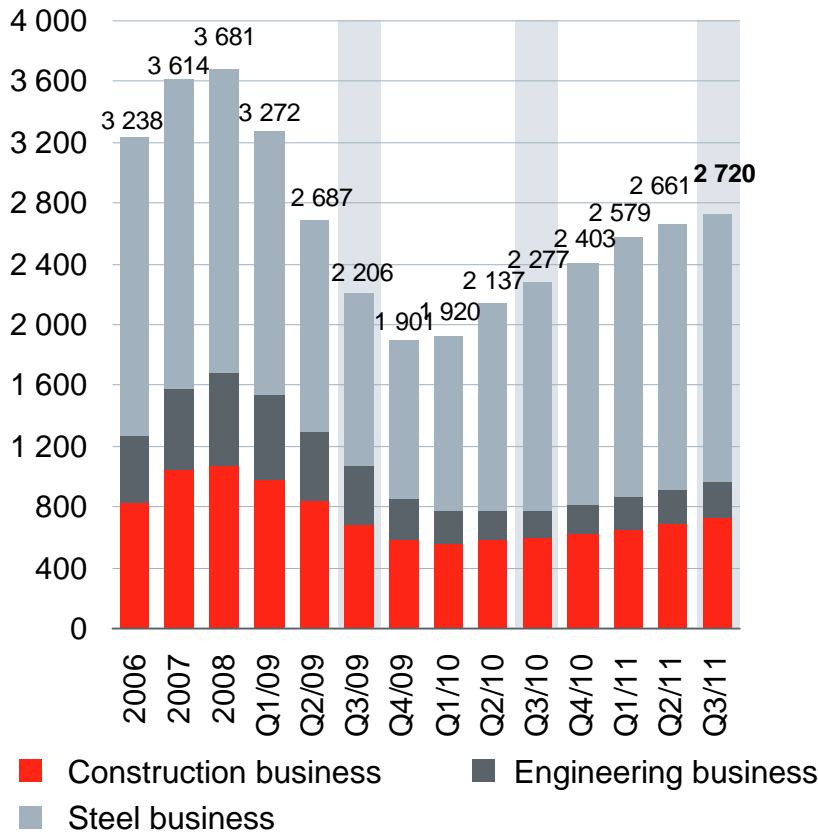
^{*)} Comparable

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

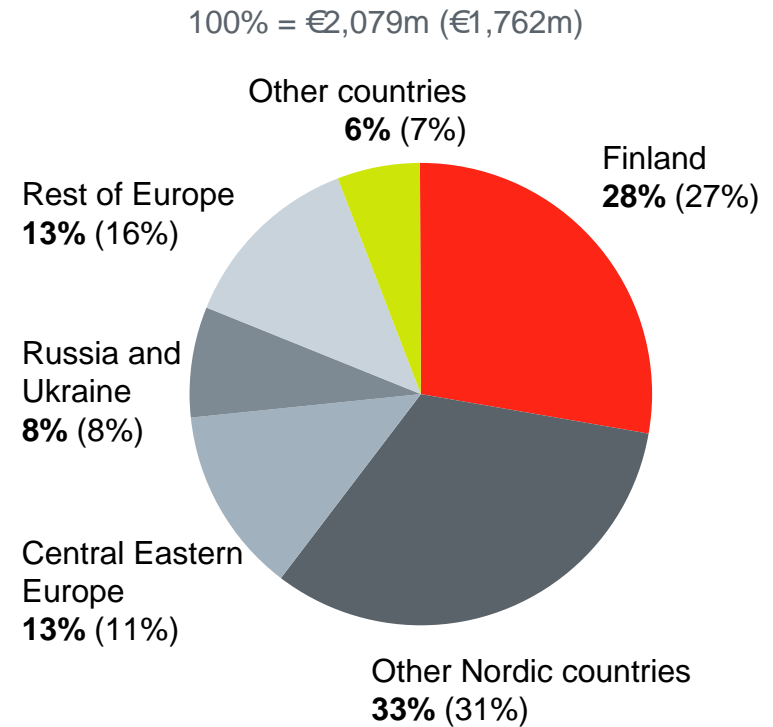
Strongest growth in Finland and CEE in Q3

Emerging markets 27% of net sales in January-September

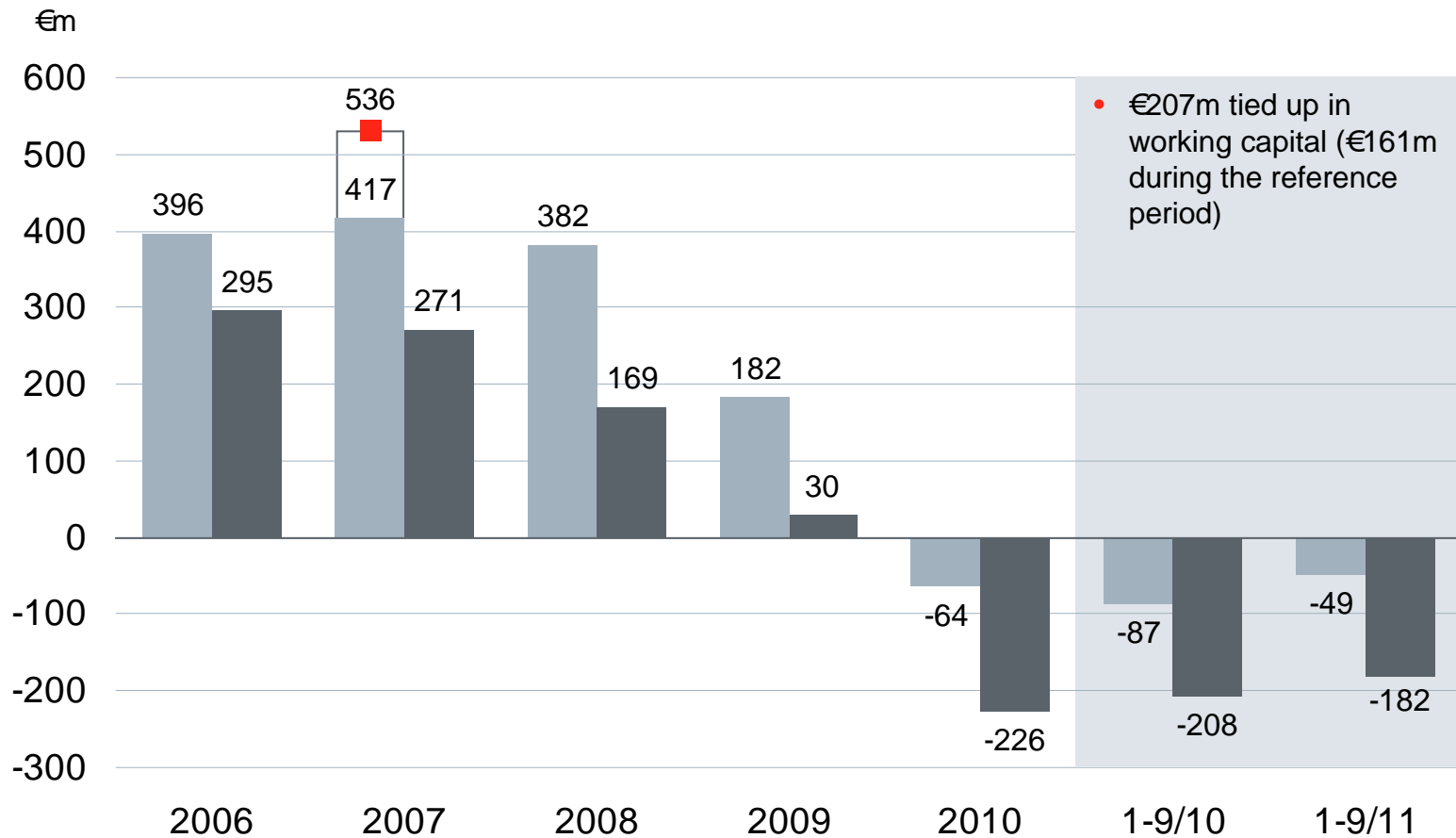
Net sales by business area, rolling 12m, €m *)



Net sales by market area 1-9/11 (1-9/10 *)

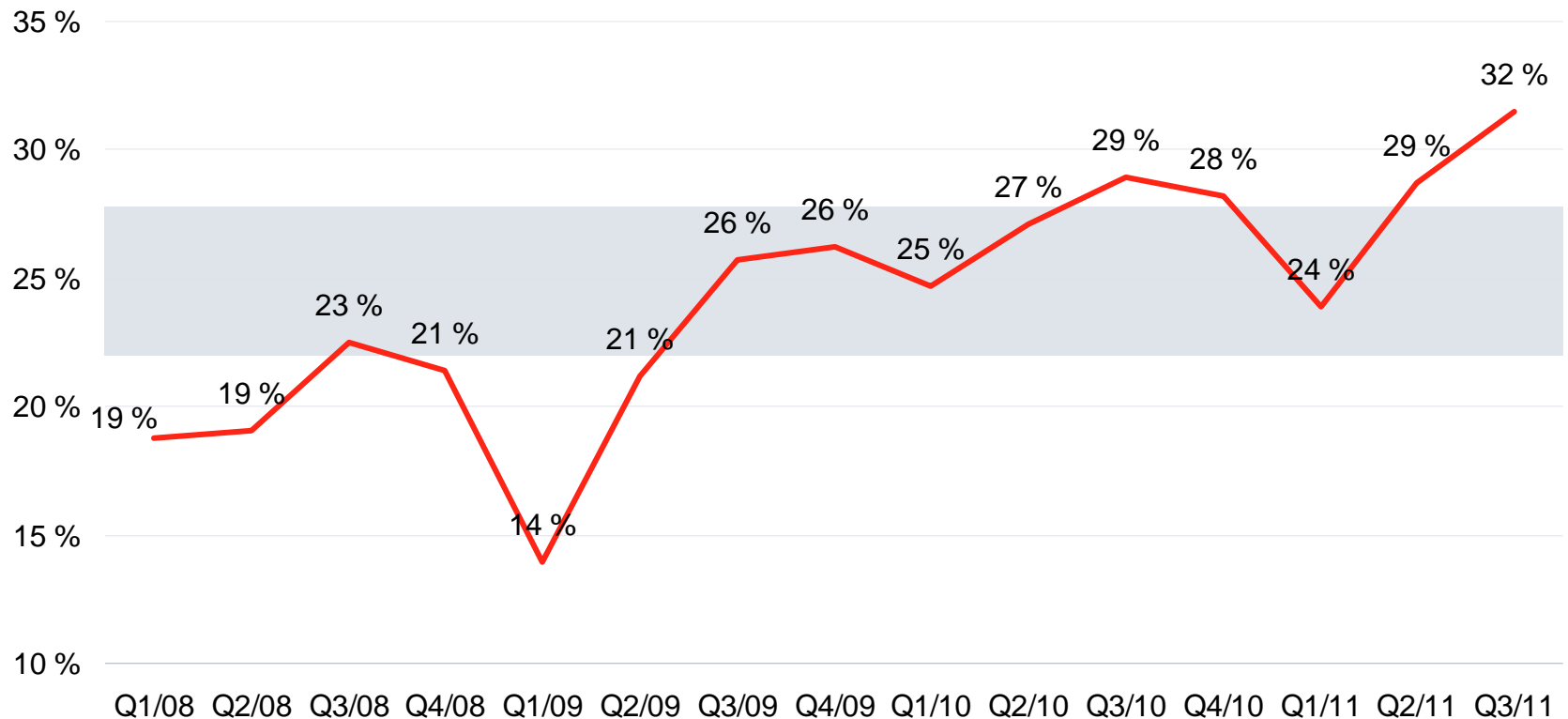


High level of working capital in steel business



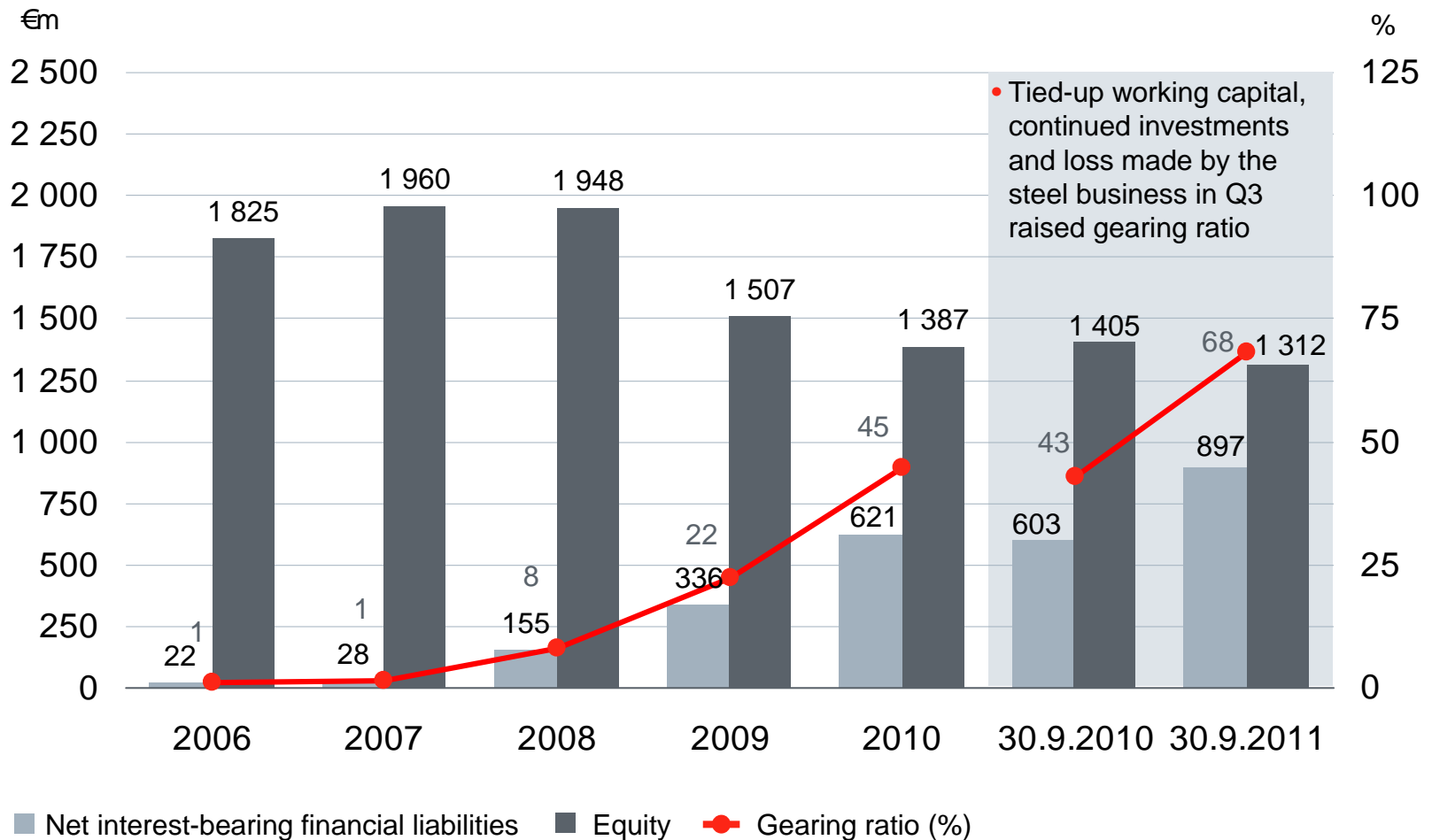
■ Net cash from operating activities
 ■ Net cash before financing activities
■ Net cash before financing activities, incl. funds from divestment of Ovako

Net working capital to net sales at high level

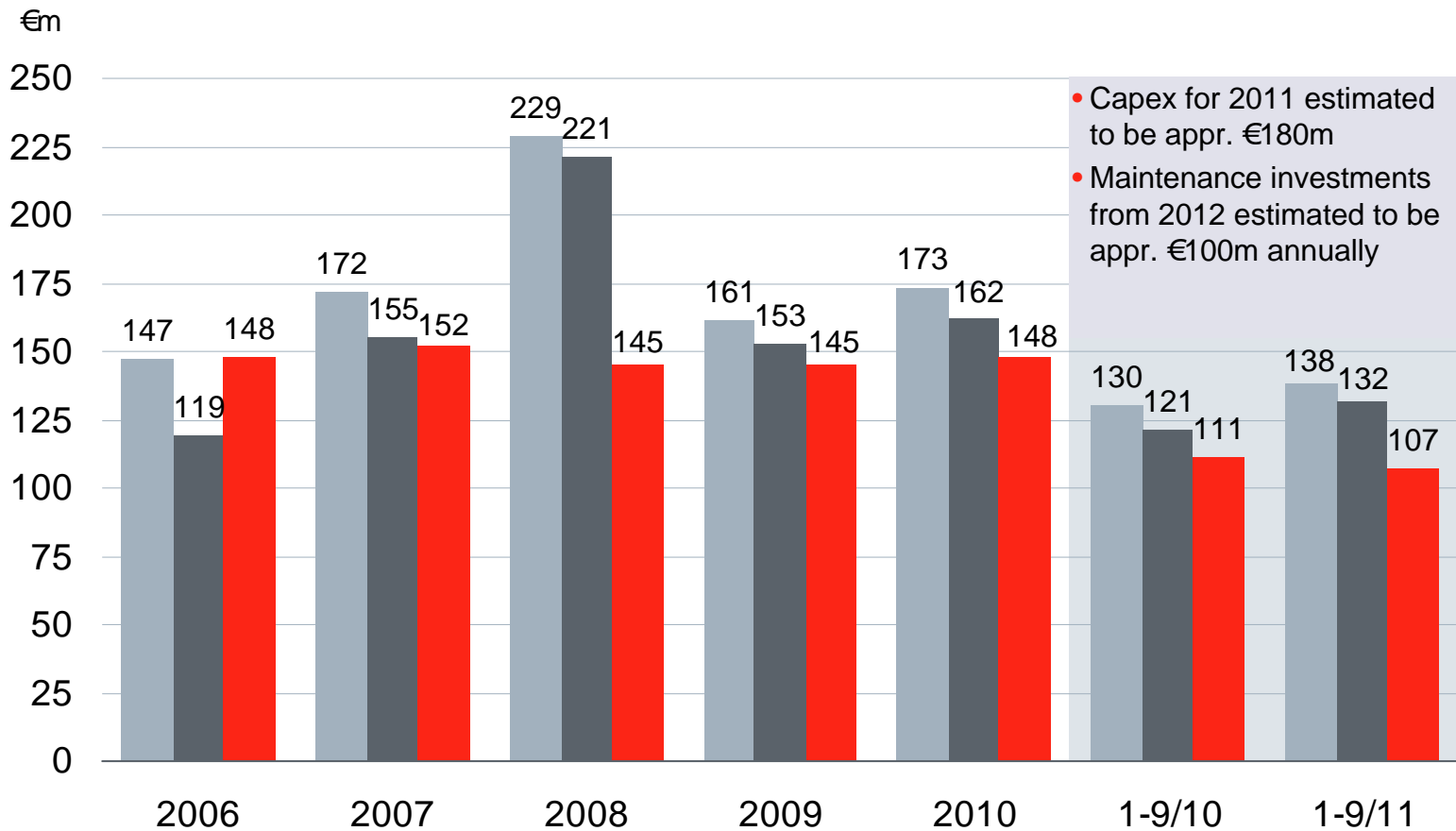


■ Net working capital, % of rolling 12m net sales

Actions to lower gearing continue



Large investments completed during 2011



■ Gross capex *)
 ■ Net capex *)
 ■ Depreciation

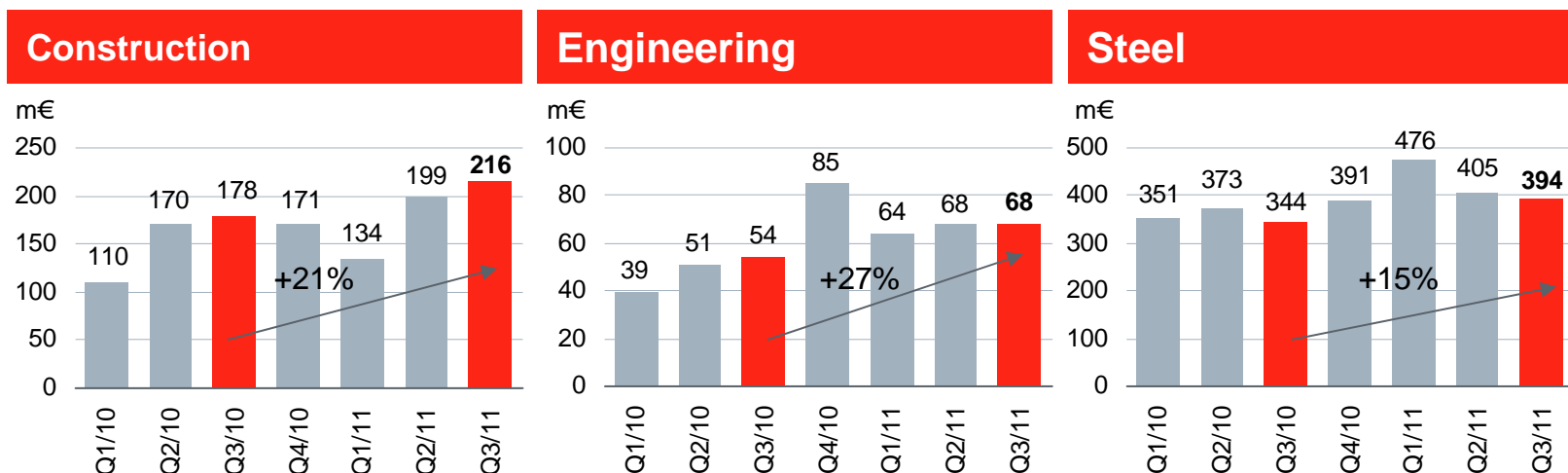
*) In tangible and intangible assets

Target: gearing ratio of 60%

- Priority is to improve operating efficiency and cash flow to bring the gearing ratio closer to the company's long-term target level of 60%
- Historically high working capital
 - Continued destocking of slab stockpile which was at higher than average level at the end of second quarter
 - Improved turnover rate of raw material stocks
 - Optimisation of turnover rate of other working capital items
- Largest modernisation investments completed in 2011
- From 2012 maintenance investments appr. €100m annually

Business areas

Order intake by business area



Compared to previous year

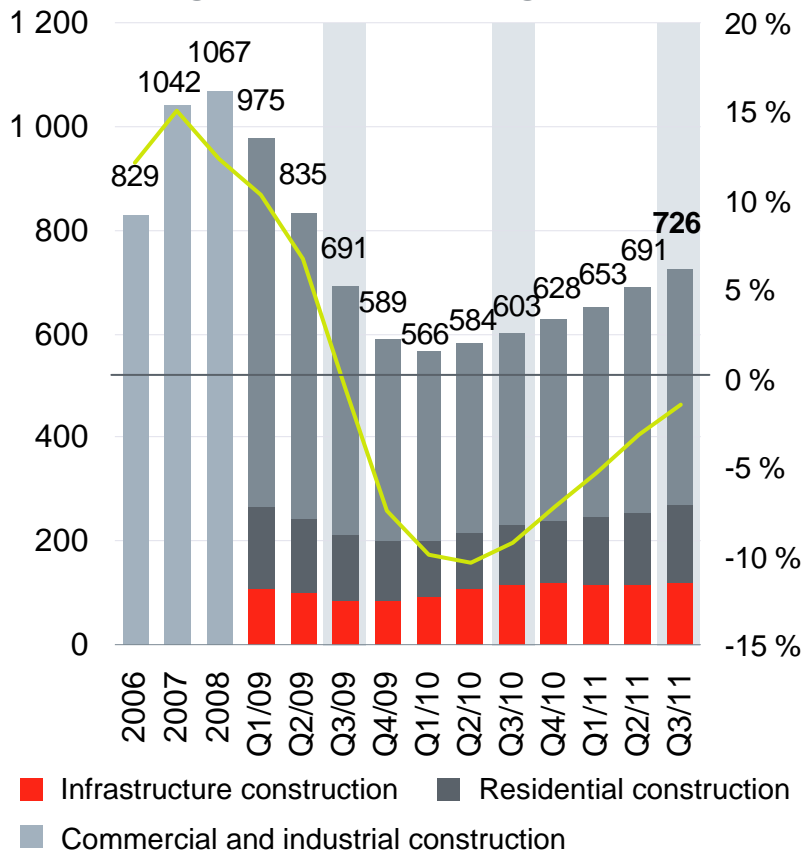
- + Residential roofing products: Finland, Poland and Ukraine
- + Concept buildings in Russia
- + Piles used in foundations in infrastructure construction

- + Good development in all customer sectors
- + Construction and mining industry equipment manufacturers
- + Materials handling equipment manufacturers

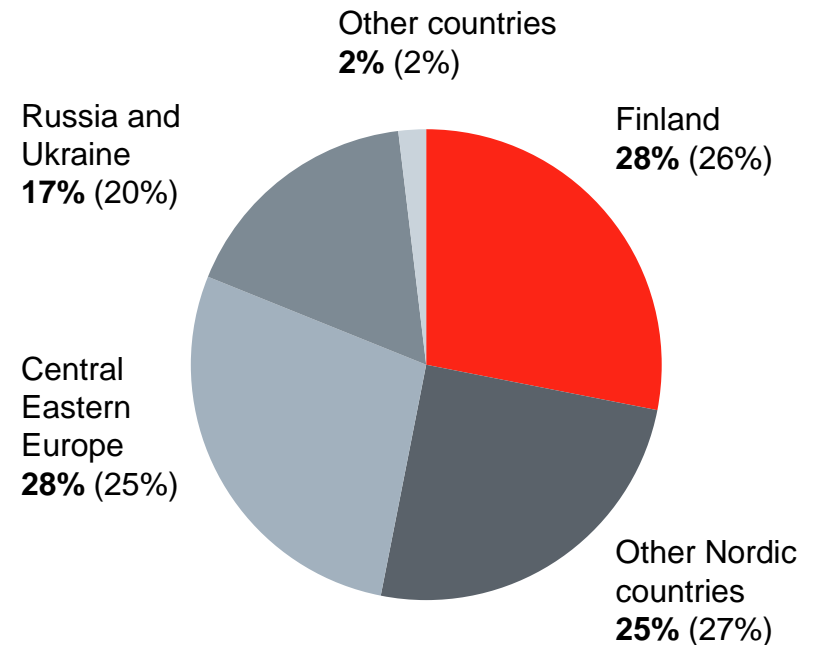
- + Engineering and heavy vehicle industries
- + New markets for special steel products: South Africa and Turkey
- Orders down q-o-q due to lower mill deliveries
 - Average prices down

Construction business: Relatively strongest growth in CEE

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



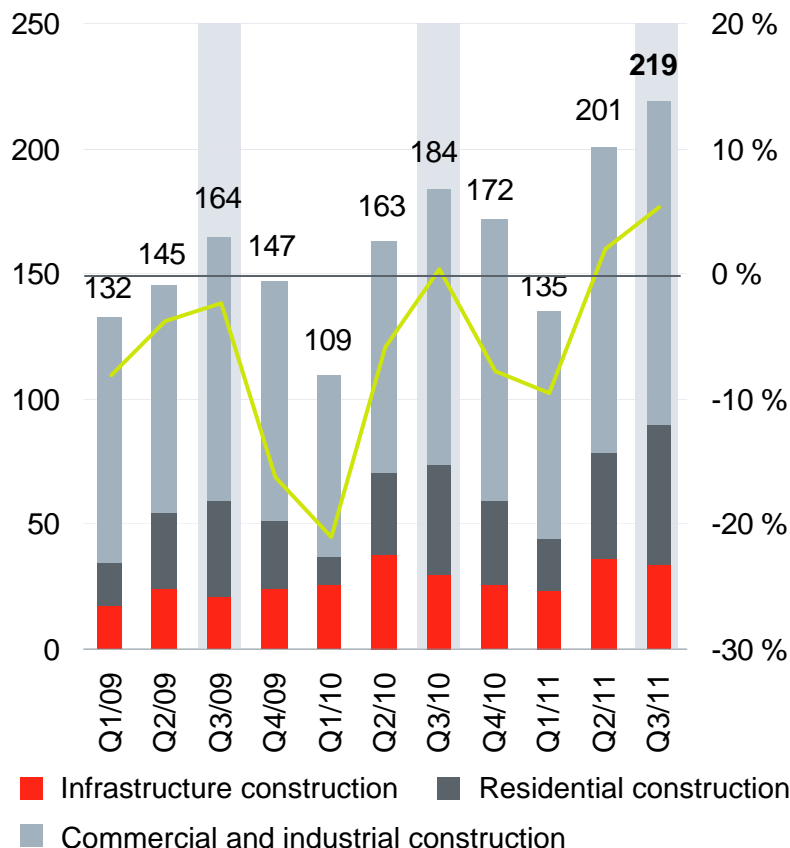
Net sales by market area 1-9/11 (1-9/10 *)



Construction business:

Positive operating profit in third quarter

Net sales by product group (€m) and operating profit % *)



Year on year

Net sales

- + Residential roofing products +26 %
- + Commercial and industrial construction +18%
- + Infrastructure construction +14 %

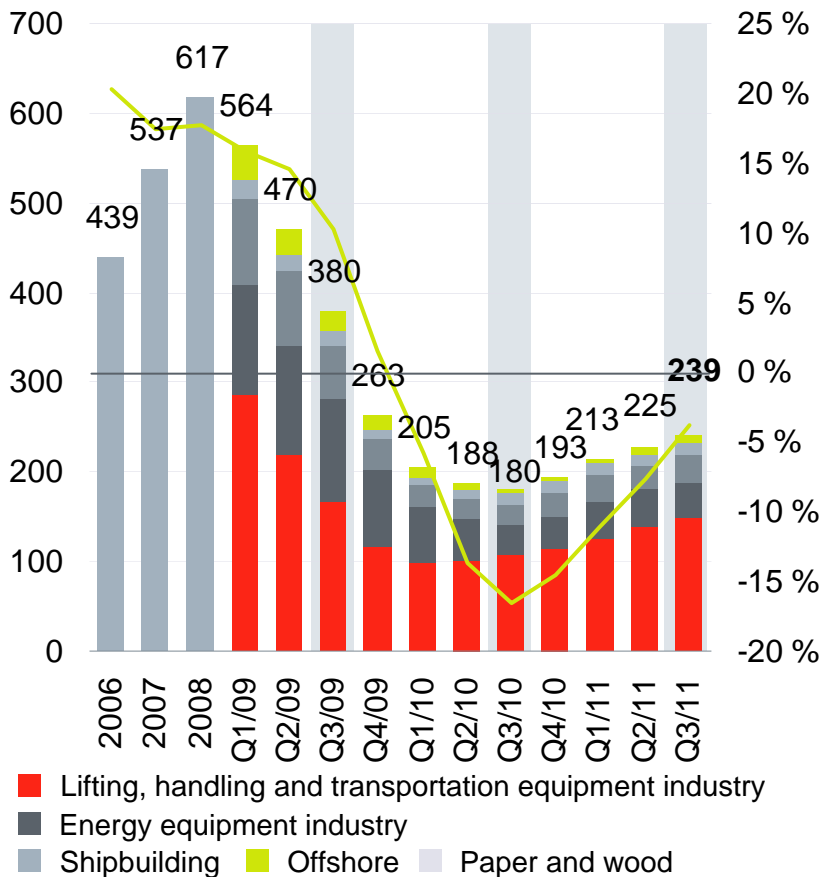
Operating profit

- + Increased delivery volumes
 - + Improved capacity utilisation rate
- + Improved operational efficiency
- + Slightly higher selling prices

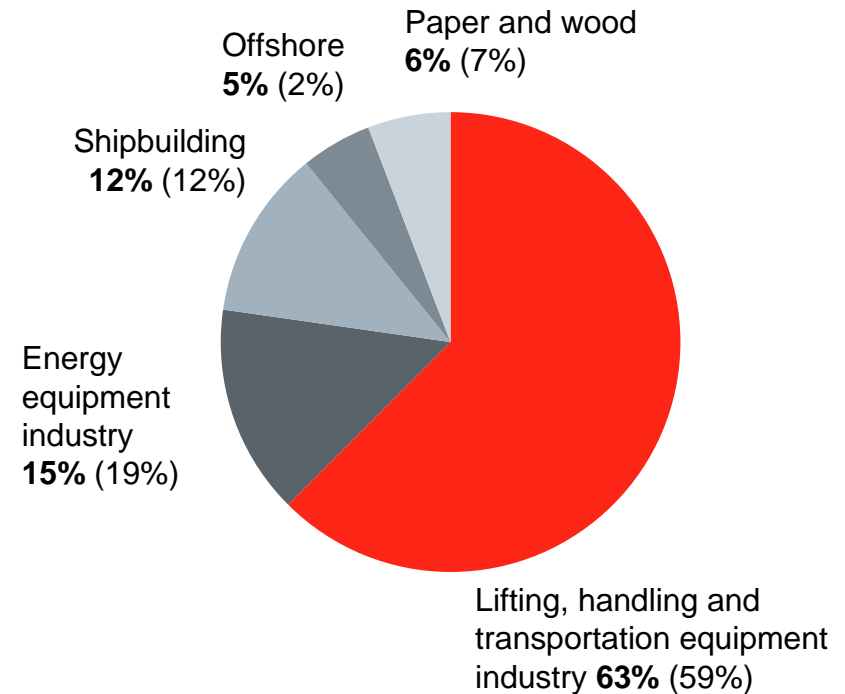
Engineering business:

Strongest growth in lifting, handling and transportation equipment industry

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



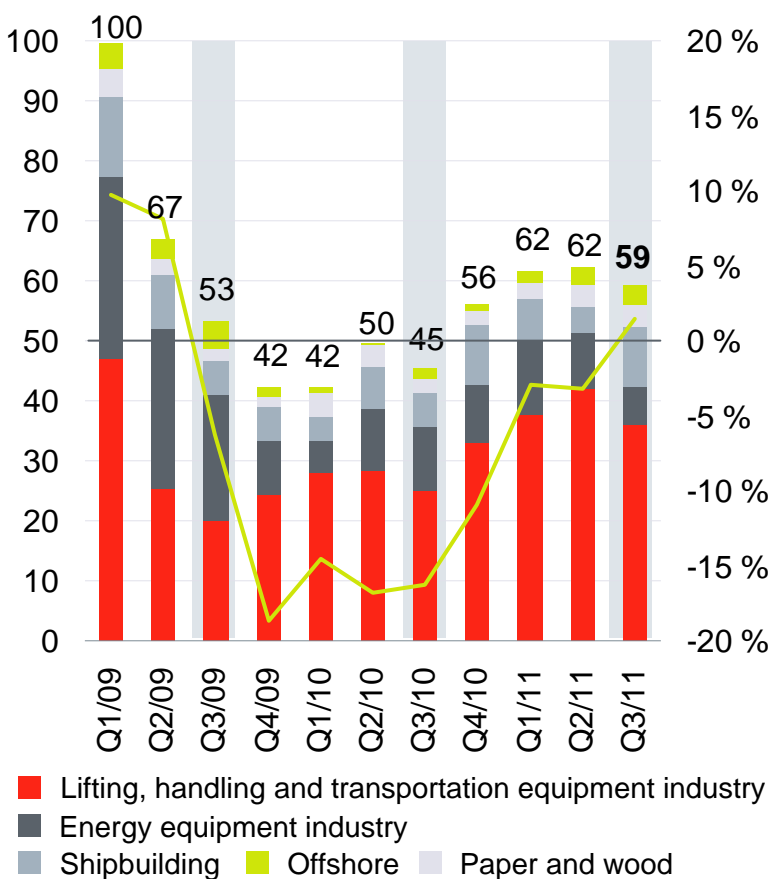
Net sales by customer segment 1-9/11 (1-9/10 *)



Engineering business:

Business returned to profitability in third quarter

Net sales by customer segment (€m) and operating profit % *) Year on year



Net sales

- + Cabins, frames and booms
 - + Lifting, handling and transportation equipment industry
 - + Construction and mining industry equipment manufacturers and forest machine manufacturers

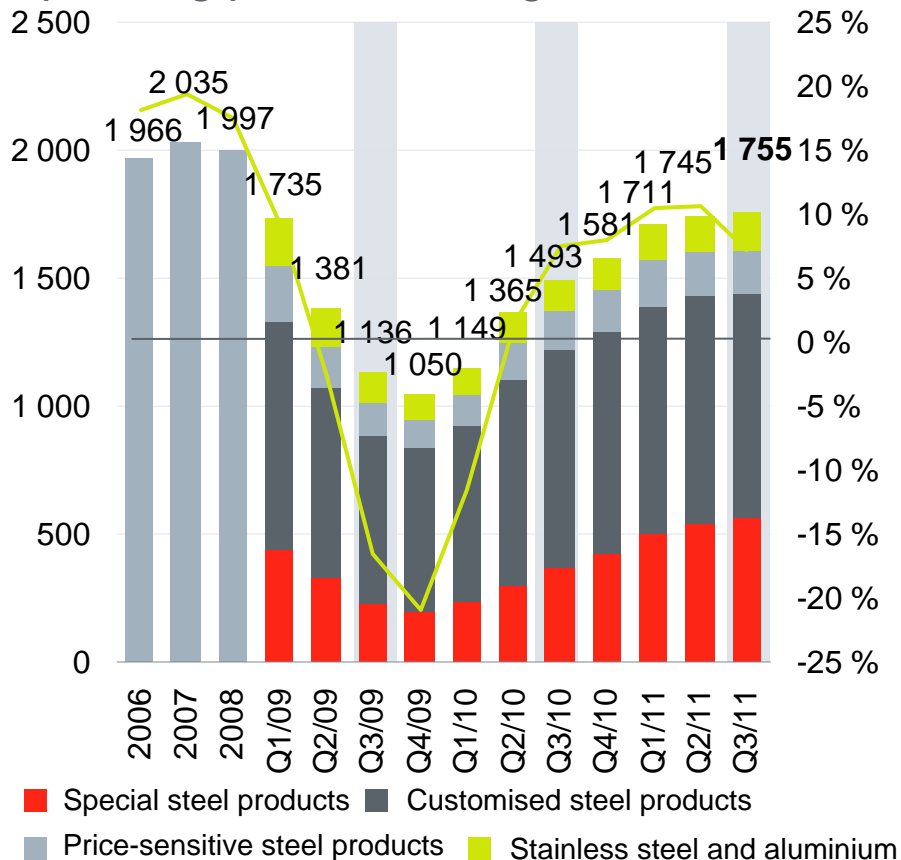
Operating profit

- + Larger delivery volumes
- + Better capacity utilisation rate
- + Higher selling prices

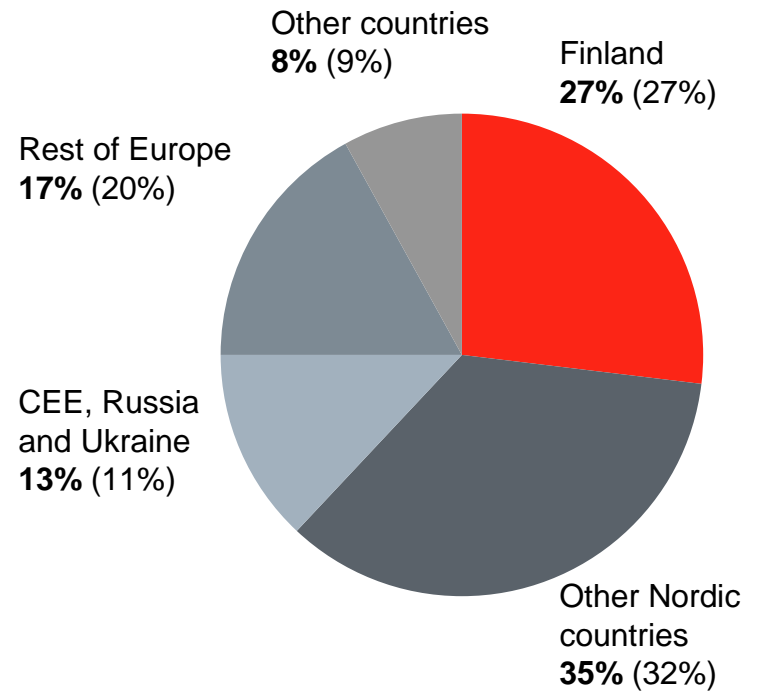
Steel business:

Special steel products 32% of net sales in July-September

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



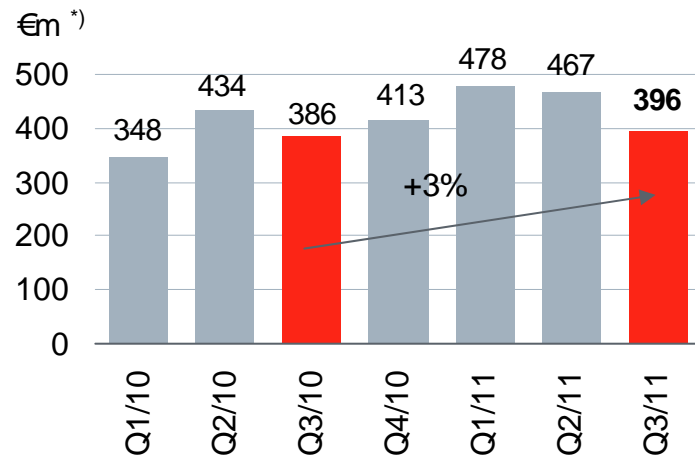
Net sales by market area 1-9/11 (1-9/10) *)



Steel business:

Higher raw material costs and low capacity utilisation rate weakened profitability

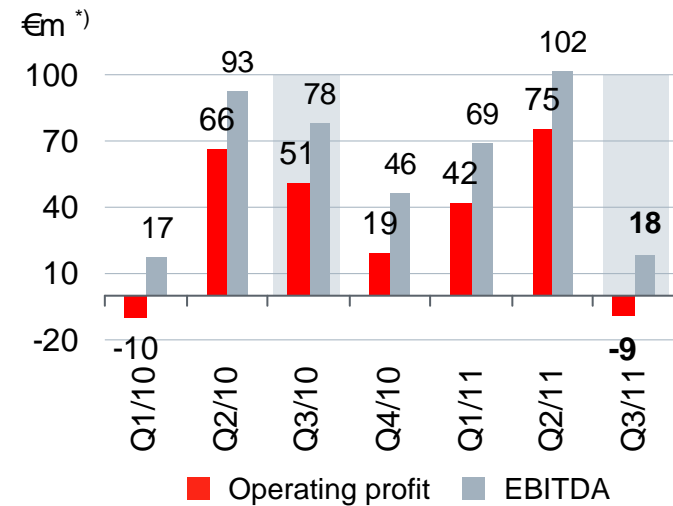
Net sales



Compared to previous year

- + Growth in many market areas
 - + Nordic countries and CEE
- + Good development in Russia
- + Growth in new markets for special steel products, such as South Africa

Operating profit and EBITDA



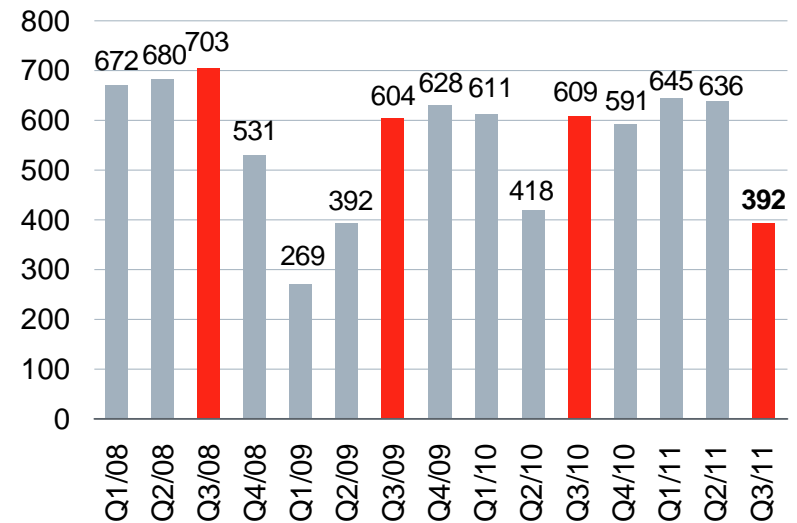
- Low capacity utilisation rate
- Higher raw material costs reflected in full in cost structure
 - Higher raw material costs and a low capacity utilisation rate had a negative impact of €34 million on comparable operating profit q-o-q
- + However, EBITDA was positive

Low capacity utilisation rate in steel production

- Steel production in July-September 2011 was 392k tonnes (609)
- Low utilisation rate was due to
 - Modernisation of blast furnace 2
 - Normal seasonality
 - Decrease in order intake
- Blast furnace 2 at the Raahe Steel Works was idled for modernisation from the end of June until the start of September
 - Ramp up to normal production progressed to plan by the end of September

Steel production

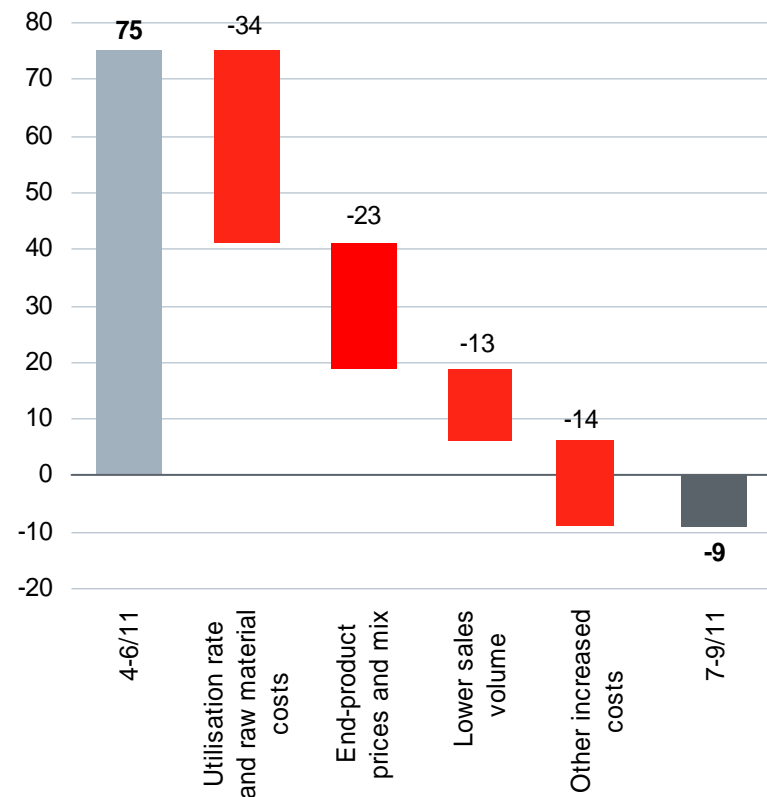
1 000 tonnes



Operating profit bridge of steel business 4-6/11 vs. 7-9/11

- Comparable operating profit in the steel business decreased from €75m million for Q2 to -€9m in Q3
 - Higher raw material costs and a low capacity utilisation rate had a negative impact of €34 million on operating profit
 - Negative impact of lower average selling prices was €23m
 - Lower sales volumes reduced operating profit by €13m

Operating profit bridge 4-6/11 vs. 7-9/11



Company's strategy
outlines, targets and
changes in company
management

Key common themes in strategy

Cost competitiveness and profitable growth

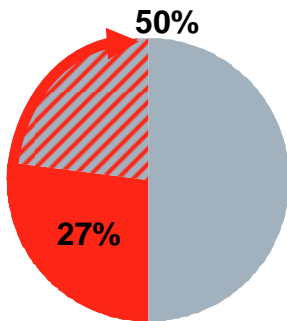
- Improve competitive position
- Scalability and balancing business structure
- Innovation
- Cost competitiveness

Strategic targets

Focus on specialisation and strong growth in emerging markets

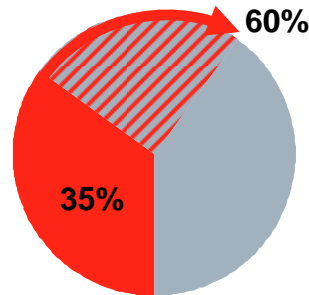
Targets for the current strategic period

Emerging markets to account for 50% of consolidated net sales



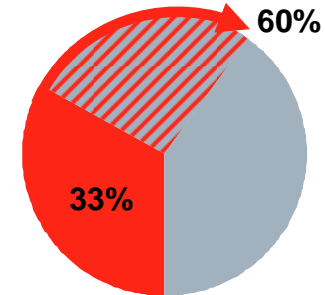
(1-9/10: 23%)

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



(1-9/10: 34%)

Special steel products to account for 60% of net sales in the steel business

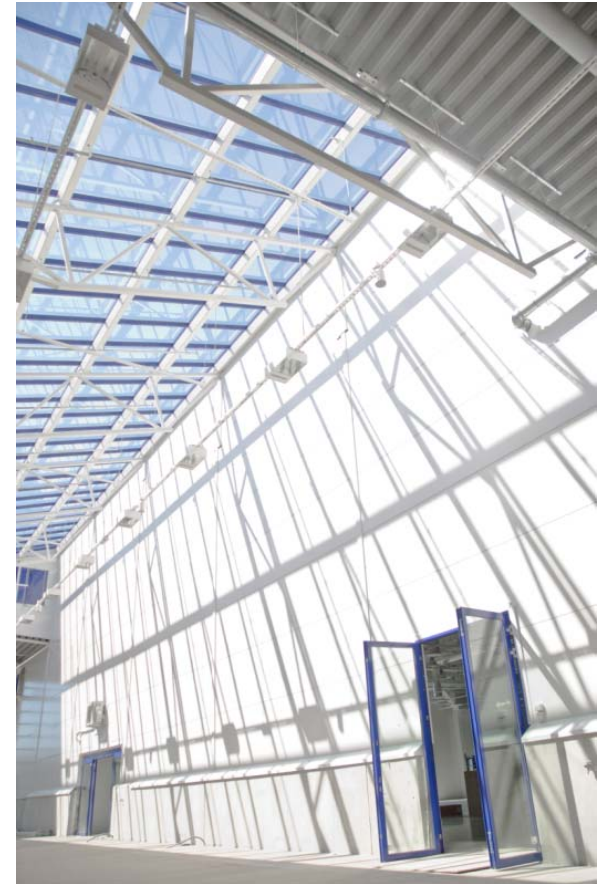


(1-9/10: 26%)

Strategic focus areas

Construction business

- Strong profitable growth from residential roofing products and scalable concept buildings
- Aim is to strengthen market position in construction components and building projects in Nordic countries and CEE region
- Important to maintain good profitability and market position in infrastructure construction
- Growth especially from Russia



Strategic focus areas

Engineering business

- Focus on fewer products and expand customer base in chosen products
- In components business, focus is on special steel components
- Growth of the cabin business
- Creation of a globally efficient business model
- Focus on own technological development and solid customer cooperation



Strategic focus areas

Steel business

- Strong growth in special steel products
 - Target to increase special steels to account for 60% of net sales in the steel business
 - Strengthened distribution network in new market areas
- Strengthened market position in Nordic countries and Baltic states
 - Development of distribution and services
 - Growth especially from Sweden
- Continuous improvement in cost-efficiency



Changes in corporate management

Enlargement of Corporate Executive Board

Corporate Executive Board from 1 October 2011

- **Sakari Tamminen** President & CEO and Chairman of Corporate Executive Board
- **Markku Honkasalo** CFO
- **Tommi Matomäki** EVP, Ruukki Construction
- **Marko Somerma** EVP, Ruukki Engineering and CSO
- **Olavi Huhtala** EVP, Ruukki Metals
- **Eija Hakakari** SVP, Human Resources
- **Toni Hemminki** SVP, Technology, Energy and Environment
- **Taina Kyllönen** SVP, Marketing and Communications
- **Ismo Platan** SVP, Supply Chain Management, IT and OPEX

Near-term outlook

Growth in all main markets

But more moderate than forecast

Industrial production and fixed investment forecasts for 2011
 - Forecasts updated in September 2011

	Industrial production %-change since 2010	Change from August 2011 forecast *)	Fixed investment %-change since 2010	Change from August 2011 forecast *)		Industrial production %-change since 2010	Change from August 2011 forecast *)	Fixed investment %-change since 2010	Change from August 2011 forecast *)
Finland	4.2	➡ -0.1	5.4	➡ -0.5	Poland	5.9	⬇ -1.1	6.8	➡ -0.4
Germany	7.9	➡ +0.1	10.1	➡ -0.3	Czech R.	7.1	➡ -0.2	2.6	➡ 0.0
Norway	1.0	➡ -0.1	6.3	⬇ -1.5	Slovakia	7.9	➡ -0.3	4.2	➡ 0.0
Sweden	9.9	➡ -0.4	8.1	➡ +0.1	Romania	6.6	➡ -0.4	3.0	⬇ -1.4
Russia	5.3	➡ 0.0	6.8	⬇ -0.8	USA	3.8	➡ -0.1	8.0	➡ +0.3

Source: Consensus Economics, 9/2011 and recent key forecasts for Finland's investments

*) Change since forecast for previous month, direction and change in percentage units

Moderate growth expected to continue in 2012

Industrial production and fixed investment forecasts for 2012

- Forecasts updated in September/October 2011

	Industrial production % -change since 2011	Change from August 2011 forecast *)	Fixed investment % -change since 2011	Change from August 2011 forecast *)		Industrial production % -change since 2011	Change from August 2011 forecast *)	Fixed investment % -change since 2011	Change from August 2011 forecast *)
Finland	2.8	➡ -0.2	2.6	⬇ -1.1	Poland	4.8	⬇ -2.3	5.1	⬇ -1.6
Germany	2.4	➡ -0.5	3.3	⬇ -0.6	Czech R.	4.7	⬇ -1.0	3.0	⬇ -0.7
Norway	2.7	➡ -0.2	5.9	➡ -0.3	Slovakia	6.9	➡ -0.5	4.5	⬇ -0.7
Sweden	2.0	⬇ -1.9	4.0	⬇ -1.1	Romania	5.7	⬇ -0.8	4.9	⬇ -2.2
Russia	4.5	➡ -0.3	7.8	⬇ -0.7	USA	2.4	➡ -0.4	6.1	➡ -0.3

Source: Consensus Economics, 9/2011 (Eastern countries), 10/2011 (Western countries) and recent key forecasts for Finland's investments

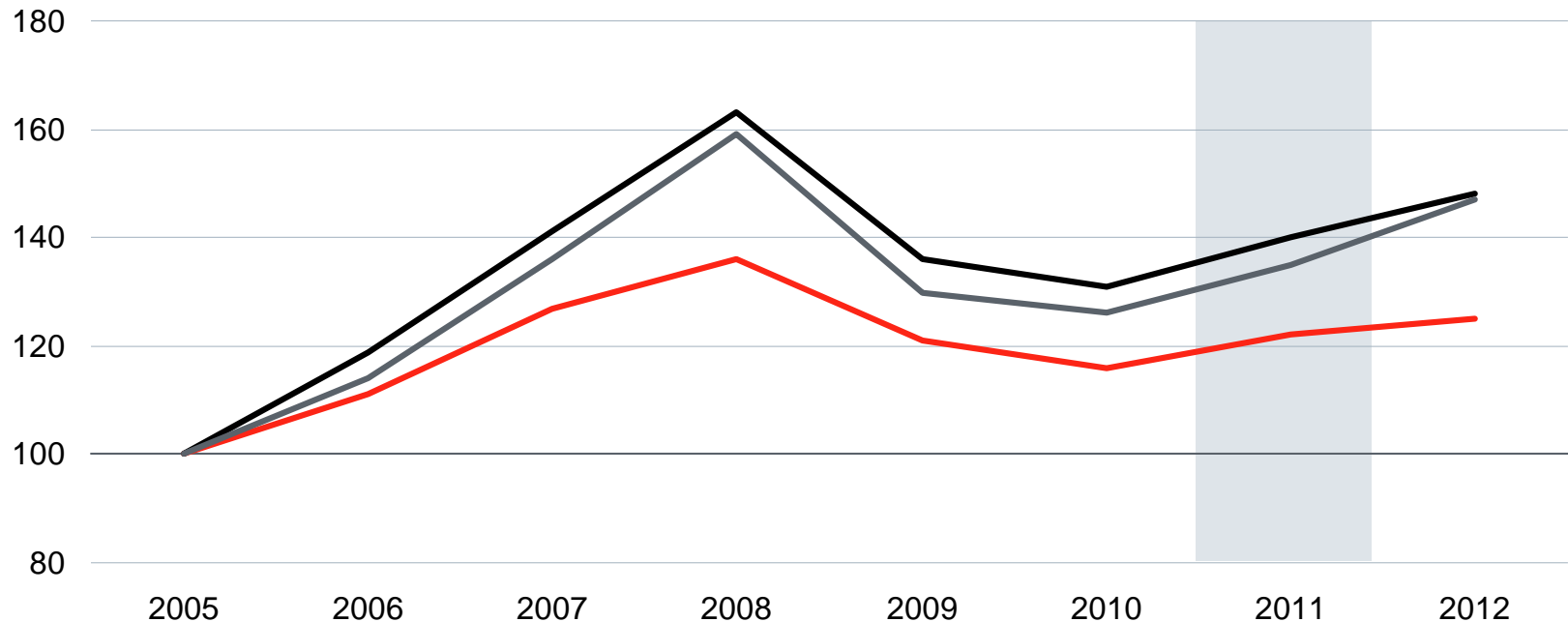
*) Change since forecast for previous month, direction and change in percentage units

Construction business:

Commercial and industrial 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)

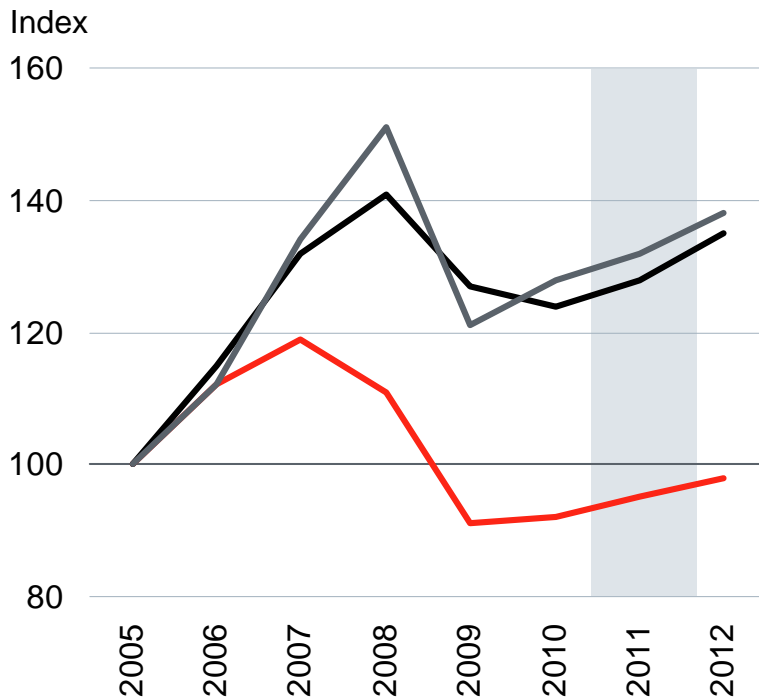
Source: Global Insight October 2011, at constant prices

*) Figures for Romania, Ukraine, Bulgaria and Russia also include renovation construction, but in these countries new construction accounts for 85-95% of the commercial, office and industrial construction market

Construction business:

Residential construction growing, transport infrastructure continues at good level

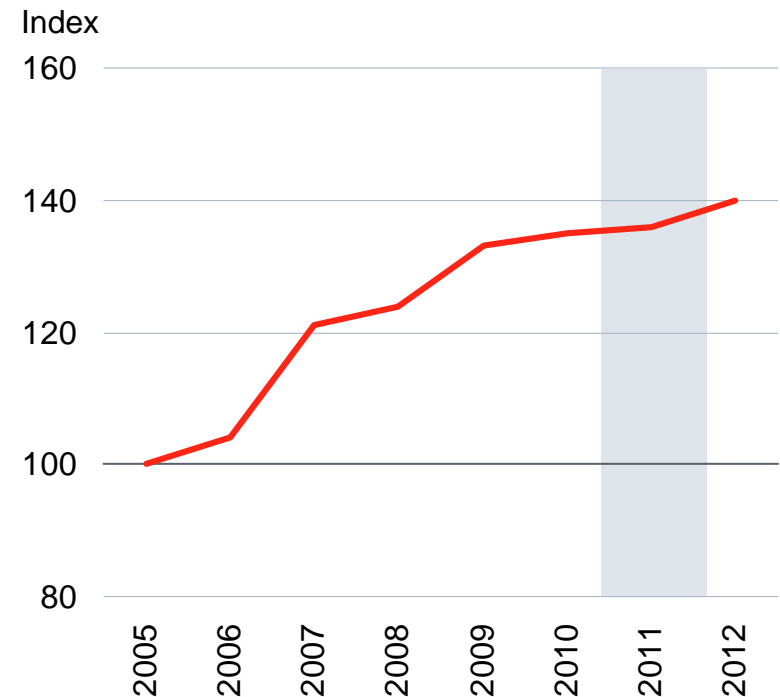
Residential construction, new and renovation construction



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

Source: Global Insight October 2011, at constant prices

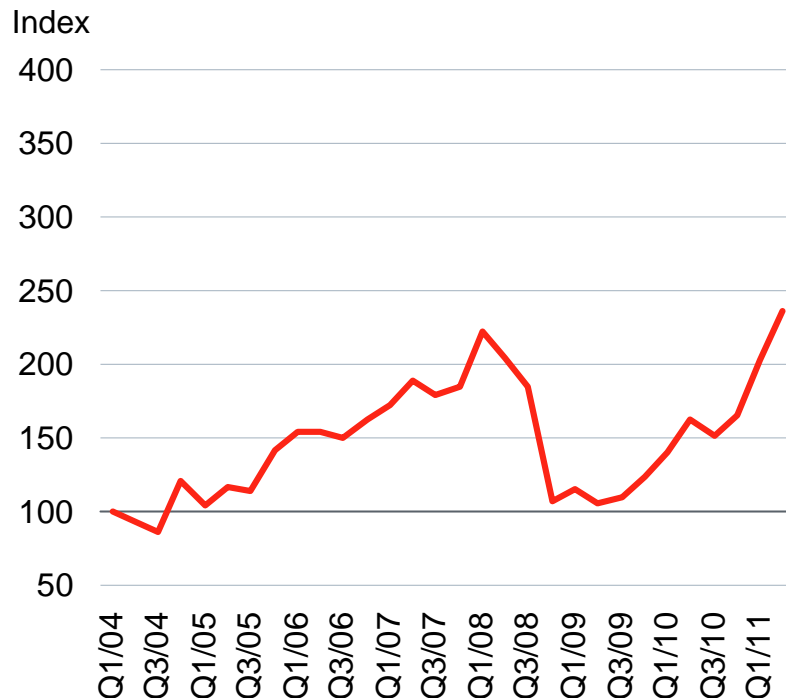
Transport infrastructure construction



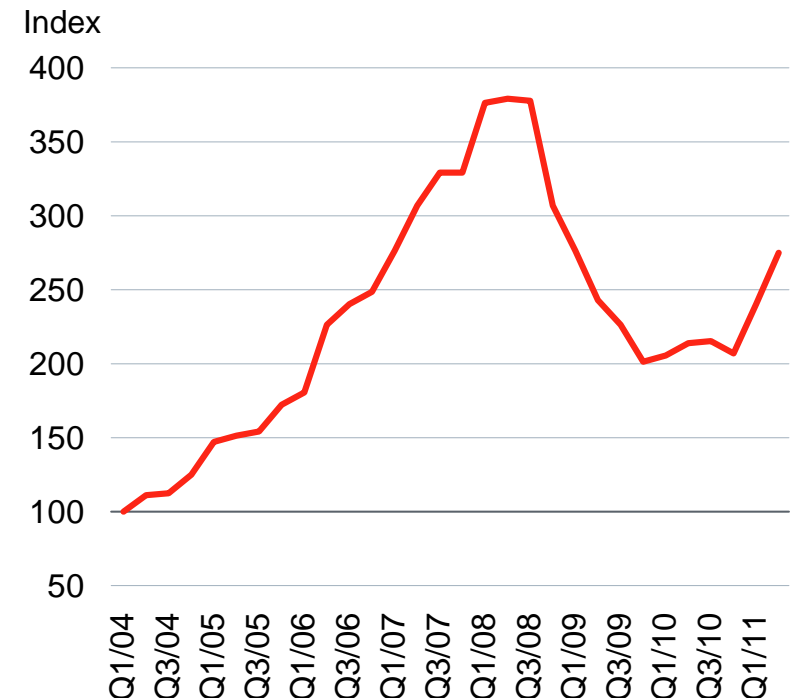
Engineering business:

Clear growth in customers' order intake and order book compared to previous year

Order intake of main customers, Q1/04-Q2/11



Order book of main customers, Q1/04-Q2/11

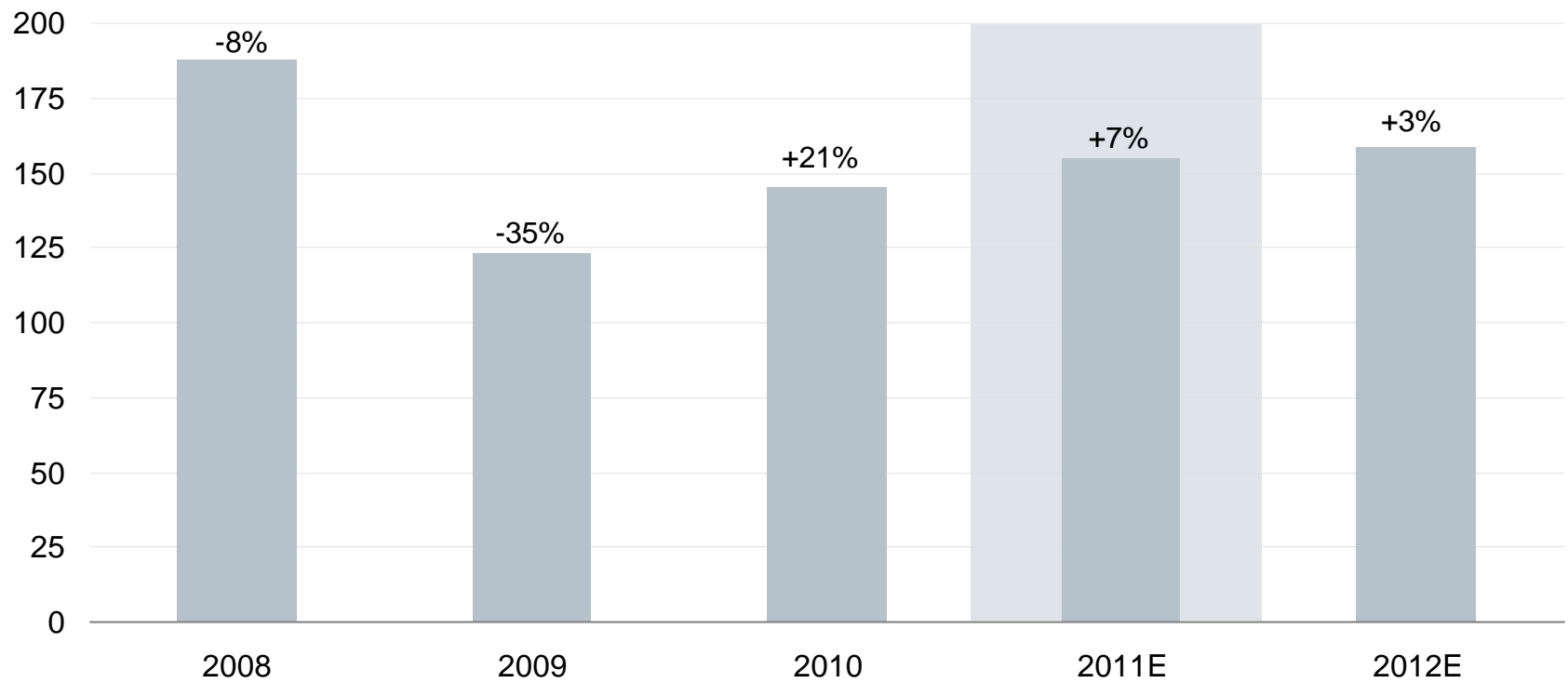


Sources: Company reports - Andritz Pulp & Paper, Atlas Copco Construction & Mining Equipment, Cargotec (Industrial & Terminal), Konecranes, Metso Mining & Construction Technology, Wärtsilä

Apparent steel use in Europe forecast to grow 7% in 2011

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

Million tonnes



Source: worldsteel, October 2011

Uncertainty in market development

- Economic growth forecast to slow down in main market areas
 - However, Ruukki's most important market areas in the developed economies are anticipated to develop more favourably than other countries
 - Growth is likely to remain strong in most emerging economies
- Problems experienced by the financial markets in Europe are creating considerable uncertainty in market development
 - Difficult to estimate the direct and indirect implications
- Uncertainty is resulting in slow decision-making among customers

Prepared for different scenarios

- Company's cost structure is clearly lighter than in previous years
 - Boost and other operational excellence programmes
 - Annualised impact of actions €178m by year-end 2010
- Boost programme delivered permanent savings of €124m in 2009-2011
 - Headcount decreased by 2,800
 - Production capacity restructuring and closing of 9 units
- Focus on improving cash flow
 - Bringing down the net working capital especially in the steel business
 - Capacity adjustment measures have already begun in the steel business
 - Maintenance investments of around €100m a year from 2012

Near-term outlook

Factors affecting net sales development

Construction

- Commercial and industrial construction is estimated to remain relatively good in most market areas for the rest of the year
 - Especially in Russia brisk demand for concept buildings is forecast to continue
- Residential construction is forecast to remain at a good level in all main market areas
- Infrastructure construction activity is expected to remain steady in the Nordic countries
- Construction activity will slow down because of seasonality towards the end of the year, especially in residential construction

Engineering

- In the engineering business, market conditions are expected to remain reasonably good for the rest of the year
- Order volumes for cabins, booms and frames anticipated to continue growing because:
 - Demand from manufacturers of mining industry machines, heavy cargo handling and other materials handling equipment is estimated to be at a good level
- Equipment manufacture for the energy industry is forecast to show a slight improvement in demand during the rest of the year

Steel

- In the steel business, demand from mill delivery customers is expected to remain low for the rest of the year as a result of the general uncertainty and weakened economic outlook caused by the European debt crisis
- Service centre sales are expected to continue at a good level
- Capacity utilisation rate in the steel business is estimated to be around 80 per cent during the fourth quarter

Near-term outlook

Factors affecting profitability and guidance

Factors affecting profitability

- The company's cost structure is clearly lighter than in previous years because of actions already completed and those ongoing
- Capacity adjustment measures in steel business as regards the rest of the year have already begun
- The level of net working capital in the steel business at the end of the third quarter was higher than predicted. Management of net working capital will be improved to boost cash flow
- Based on the estimated development in demand, the capacity utilisation rate in the solutions businesses is projected to be better in 2011 than in 2010

Assessment of future performance

- Consolidated net sales in 2011 are estimated to grow approximately 15-20 per cent year on year
- Profitability is estimated to improve compared to 2010

Summary

- In the steel business, outlook for the rest of the year has weakened due to a drop in mill delivery volumes
 - Capacity utilisation rate in the steel business is estimated to be around 80% during the fourth quarter
 - Target to improve cash flow and operational efficiency
 - Continued actions to lower gearing
 - Good development in demand during the third quarter in the solutions businesses
 - Market conditions in the solutions businesses are predicted to remain relatively good during the rest of the year
-
- Consolidated net sales in 2011 are estimated to grow approximately 15-20 per cent year on year
 - Profitability is estimated to improve compared to 2010

Q&A



Appendices

Key figures

€m	1-9/11	1-9/10	2010
Net sales *)	2 079	1 762	2 403
Operating profit *)	96	42	38
as % of net sales *)	4.6	2.4	1.6
Result before income tax *)	72	20	8
Result for the period	31	-49	-79
Earnings per share, diluted, €	0.22	-0.35	-0.57
Return on capital employed (rolling 12 months), %	3.3	-2.1	-0.3
Return on capital employed (annualised), %	4.5	-0.3	-0.3
Gearing ratio, %	68.2	42.9	44.7
Gross capex **)	138	130	173
Net cash before financing activities	-182	-208	-226
Personnel (average)	11 930	11 796	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	Q2/11	Q3/11
Comparable net sales							
Ruukki Construction	109	163	184	172	135	201	219
Ruukki Engineering	42	50	45	56	62	62	59
Ruukki Metals	348	434	386	413	478	467	396
Other	0	1	0	0	0	0	0
Comparable net sales, total	500	647	615	641	675	730	674
Comparable operating profit							
Ruukki Construction	-23	-10	1	-13	-13	4	11
Ruukki Engineering	-6	-8	-7	-6	-2	-2	1
Ruukki Metals	-10	66	51	19	42	75	-9
Other	-4	-4	-4	-4	-3	-6	-3
Comparable operating profit, total	-43	45	41	-5	25	71	1

Recognition for Ruukki's commitment to corporate responsibility

In 2011, Ruukki achieved industrial leader position in two Dow Jones Sustainability - indexes: DJSI World and DJSI Europe.



The indexes include the top companies that are committed to sustainable development.

Oekom Research has assessed Ruukki as one of the most responsible companies in its industry.



Ruukki is included in the NASDAQ OMX sustainability index and in the Ethibel EXCELLENCE Investment Register.

