Interim report Q1-Q3/2010

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22 October 2010

Summary

- Economic growth continued in third quarter
  - growth rate levelled off after strong second quarter
- Ruukki's order intake in Q3 about 40% higher y-o-y
- Company's Q3 net sales increased by almost 30% y-o-y
  - growth in nearly all market areas
- Profitability improved significantly
  - Boost programme's annualised impact €174 million on operating profit
- Strategic focus:
  - Growth focus on emerging markets
  - Growth in construction and engineering businesses
  - Focus in steel business on special steel products
  - Strong market position in core businesses

Business environment and company's financial performance

Business environment

General market development

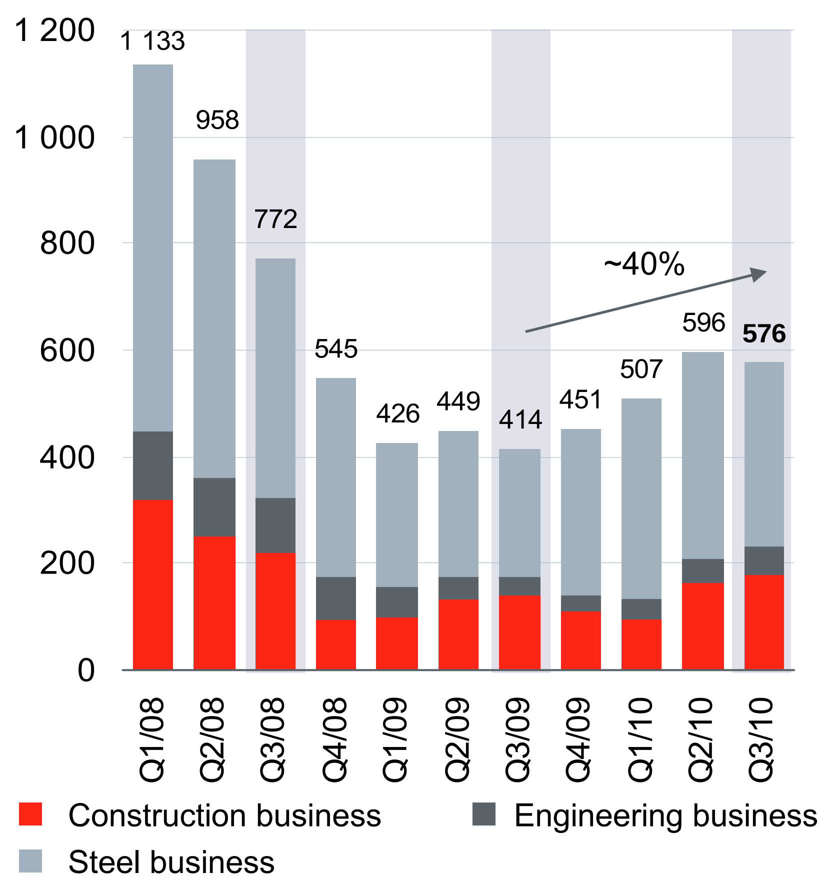
- Growth in industrial production continued during the third quarter
  - however, production levels still far below those seen before the financial crisis
- Investment demand still modest

Development in Ruukki's markets

- Commercial and industrial construction picked up in some market areas, especially Russia
- In the engineering industry, market conditions continued to improve
- In the steel industry, demand in Europe clearly improved y-o-y
  - in line with normal seasonal fluctuation, demand fell somewhat q-o-q

Order intake grew by 40% y-o-y

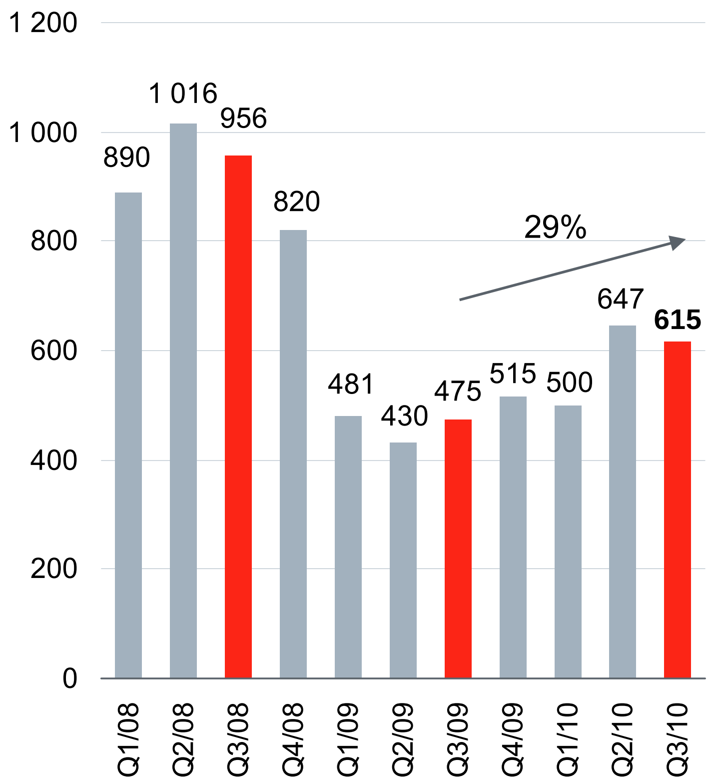
Quarterly order intake, €m



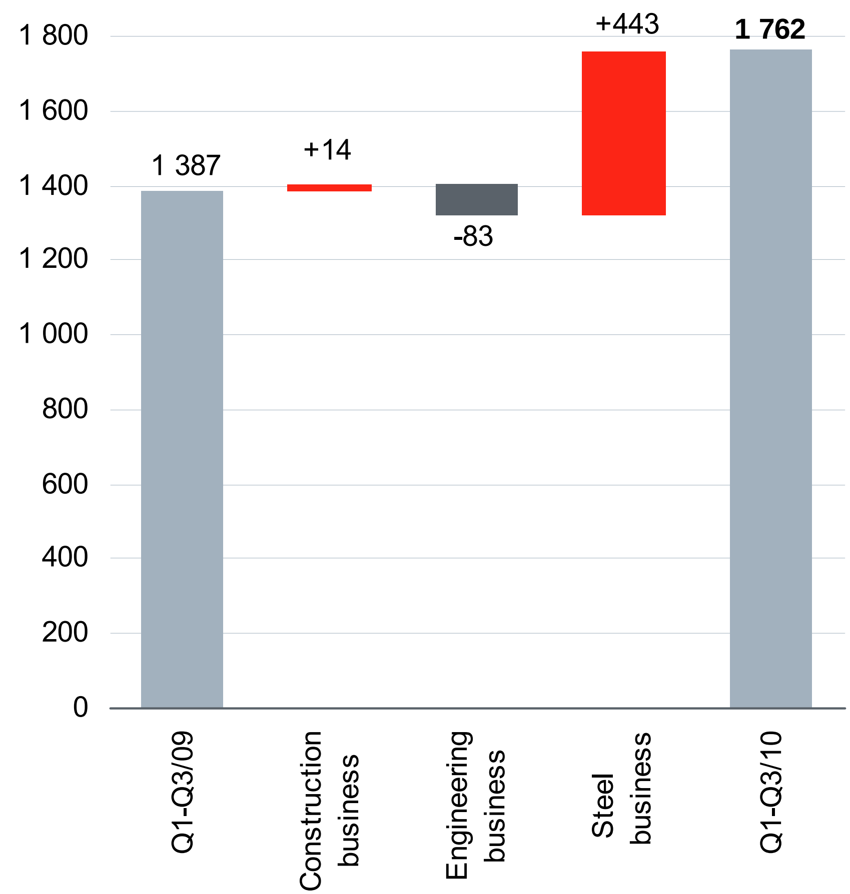
- Q3/10 vs Q3/09:
  - growth in all business areas
    - highest relative growth in the engineering business
  - growth in all market areas, especially in:
    - Russia
    - Sweden
    - new markets for special steel products
- Q3/10 vs Q2/10:
  - growth in orders in construction and engineering business
  - order flow dipped in the steel business

Clear growth in net sales y-o-y

Quarterly net sales, €m *)



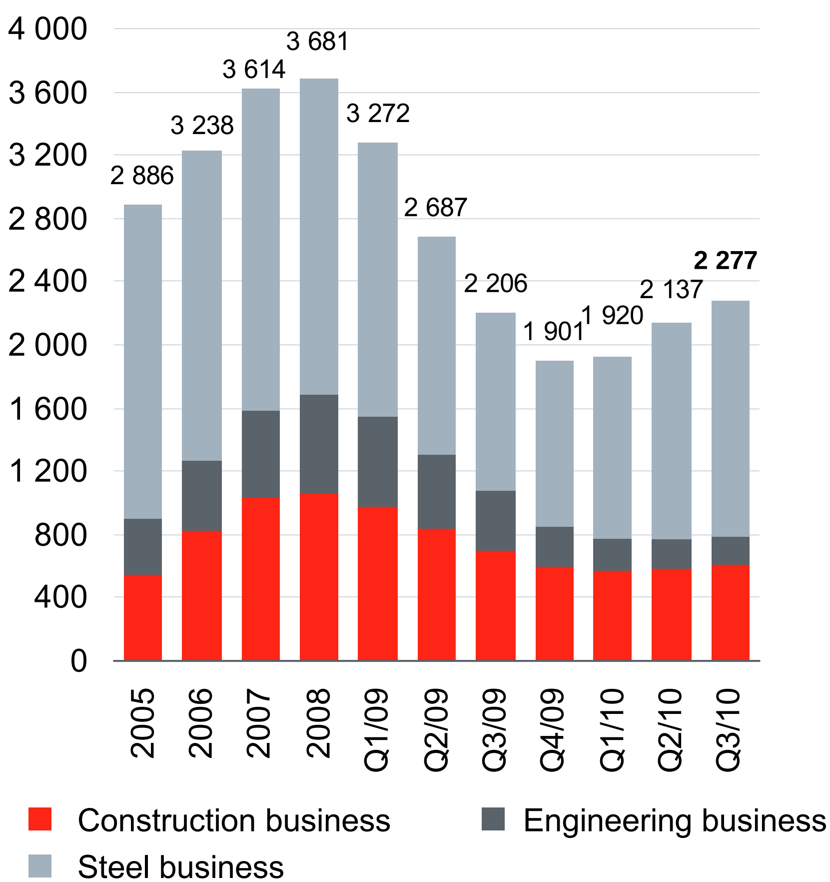
Change in net sales by business area Q1-Q3/09 vs Q1-Q3/10, €m *)



*) Comparable

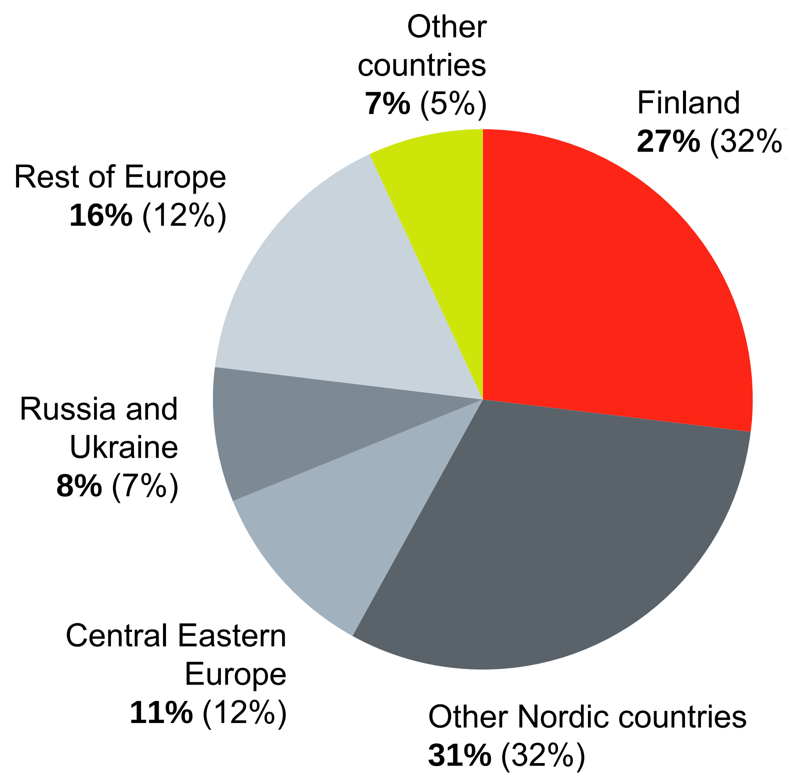
Growth in nearly all market areas

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



Net sales by region Q1-Q3/2010 (Q1-Q3/2009) *)

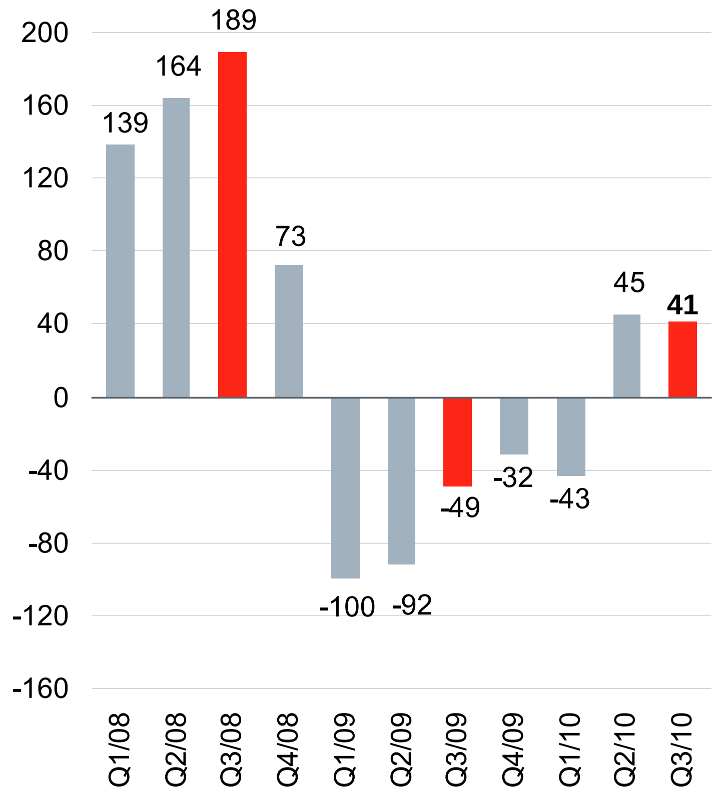
100% = €1,762m (€1,387m)



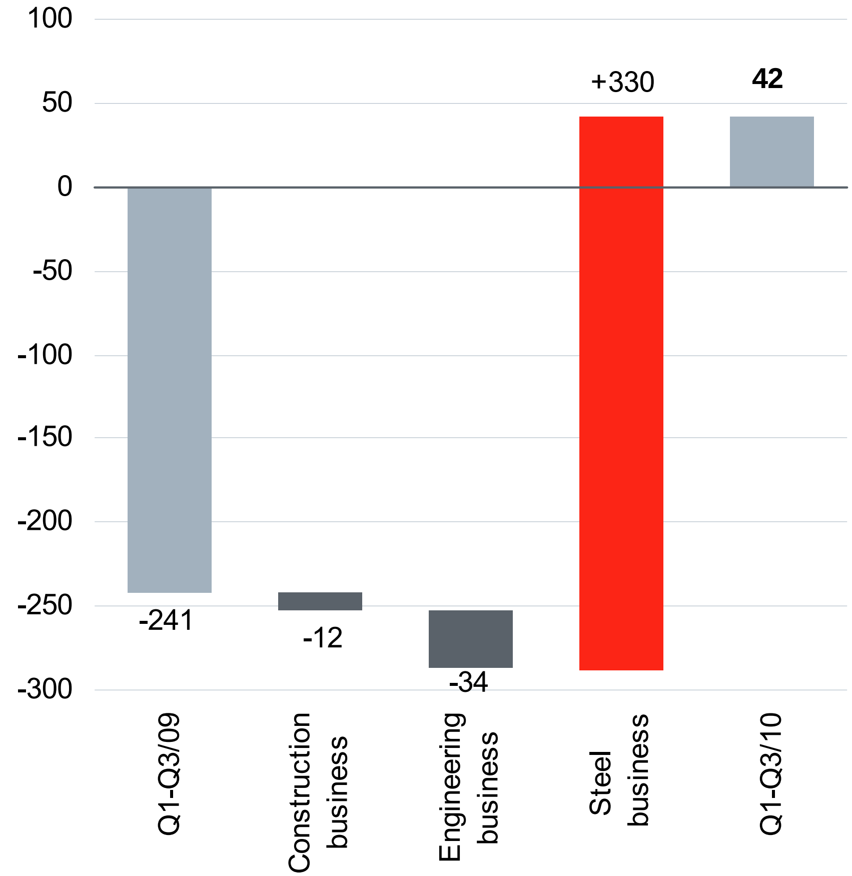
*) Comparable

YTD operating profit €283m higher than previous year

Quarterly operating profit, €m *) **)



Change in operating profit by business area Q1-Q3/09 vs Q1-Q3/10, €m *)



*) Comparable

**) Figures for 2008 not restated in respect of unrealised gains and losses relating to USD derivatives

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

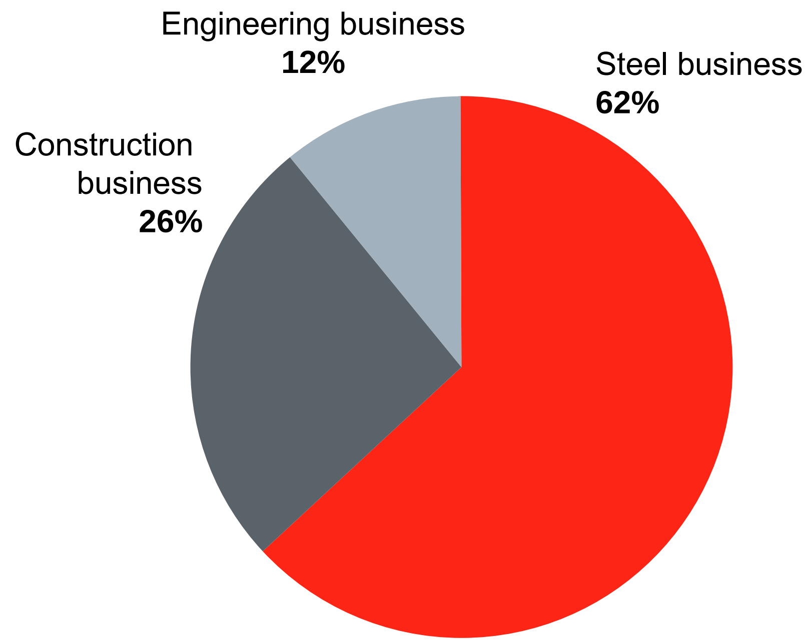
Situation at end of September 2010

Annualised impact of actions already initiated **€174 million**

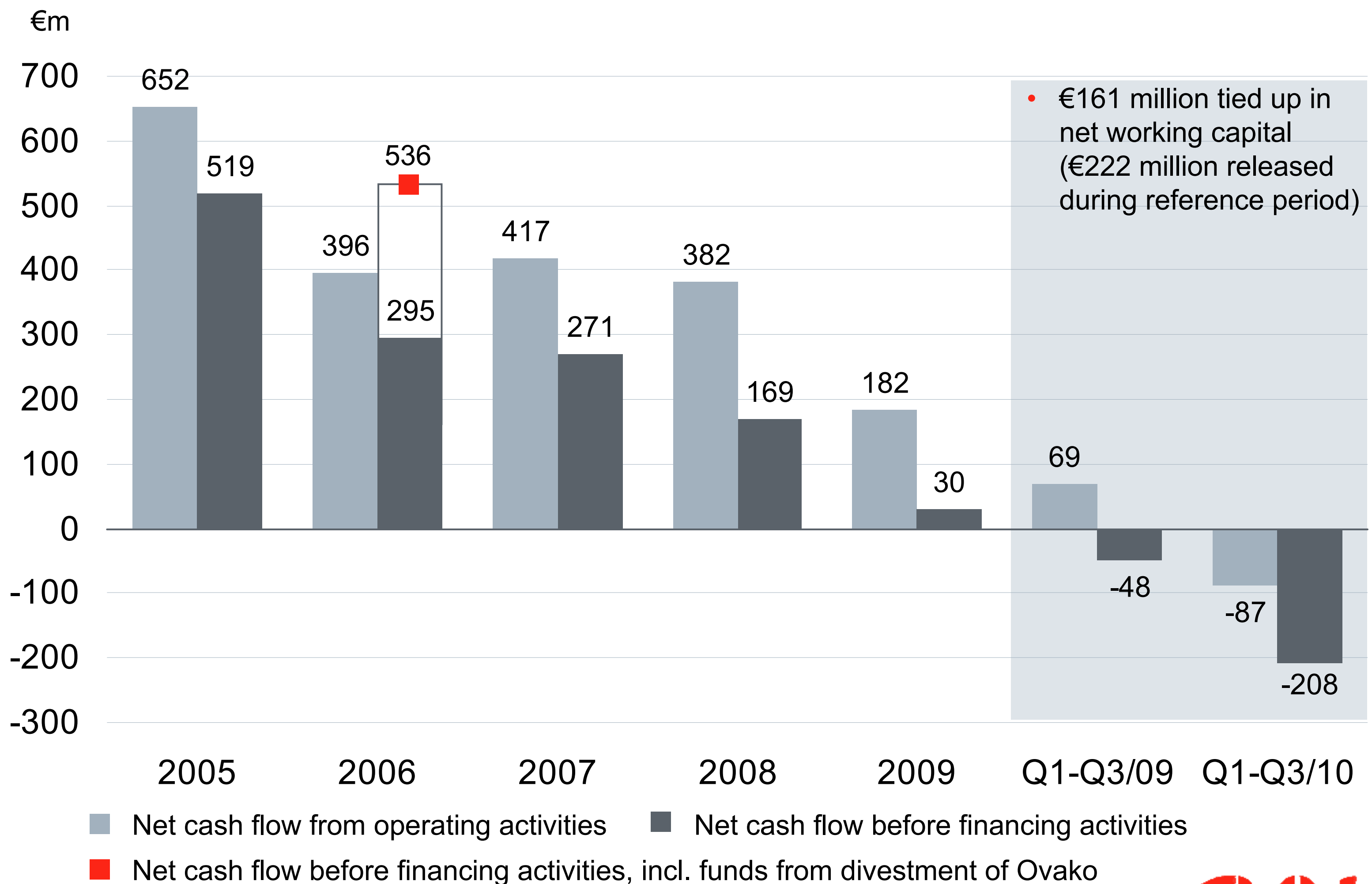
Boost projects to continue as planned
- Shift from production, sourcing and logistics projects to especially the sales, marketing and technology fronts

Breakdown of impacts of Boost programme

100% = €174m

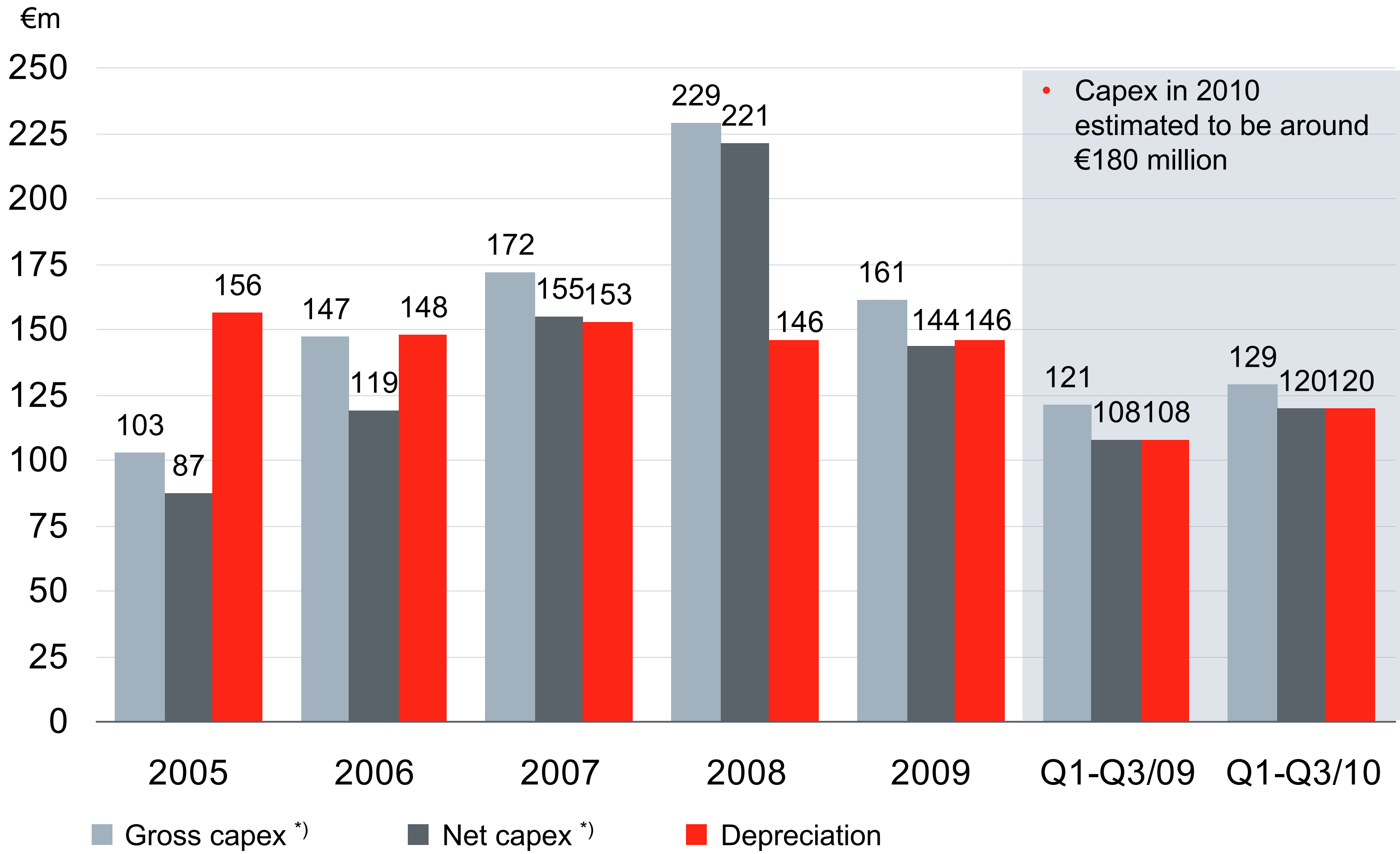


Sales growth ties up working capital



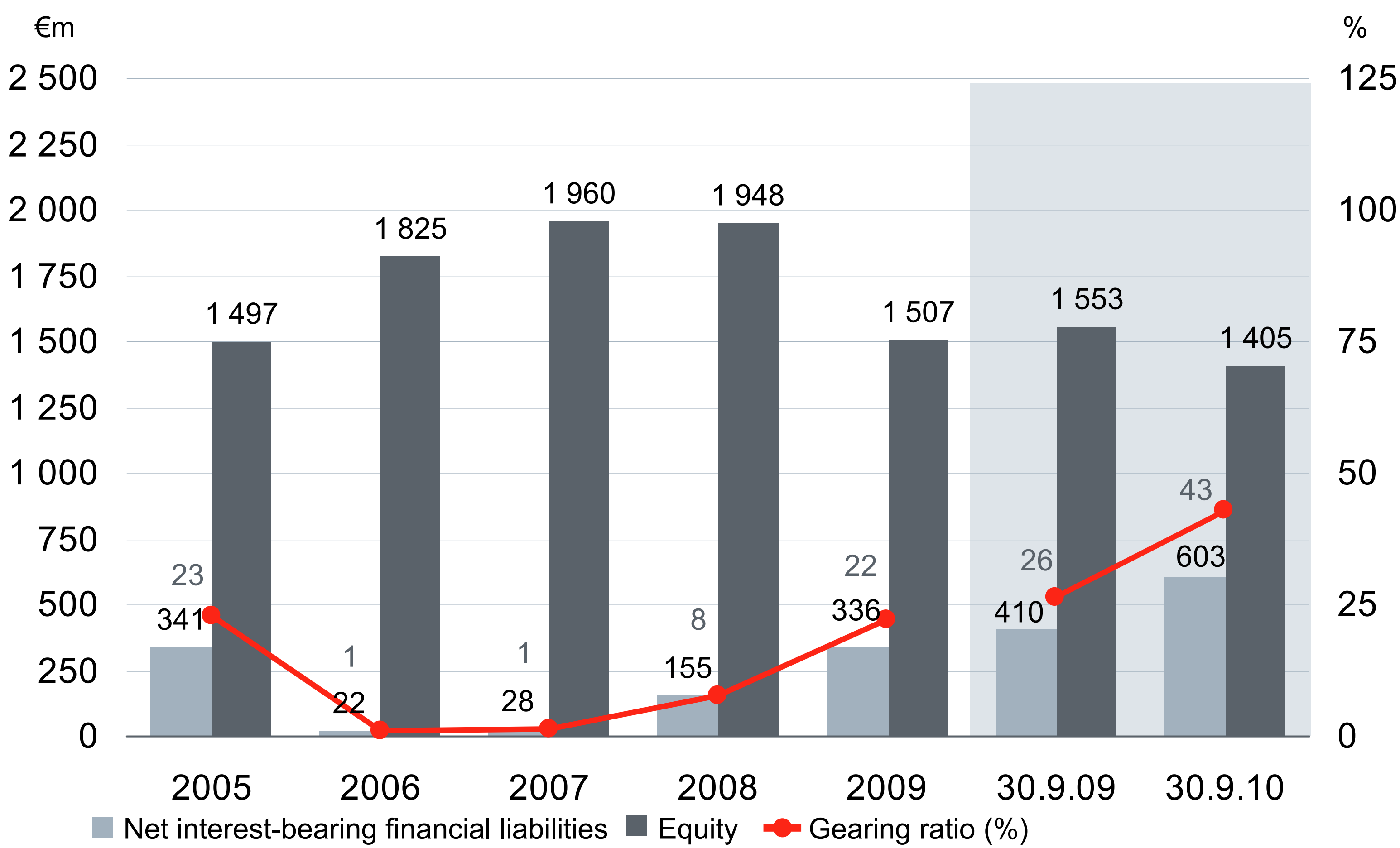
- €161 million tied up in net working capital (€222 million released during reference period)

Capex slightly higher y-o-y



*) In tangible and intangible assets

Good financial position



Business areas

Order intake by business area in Q3

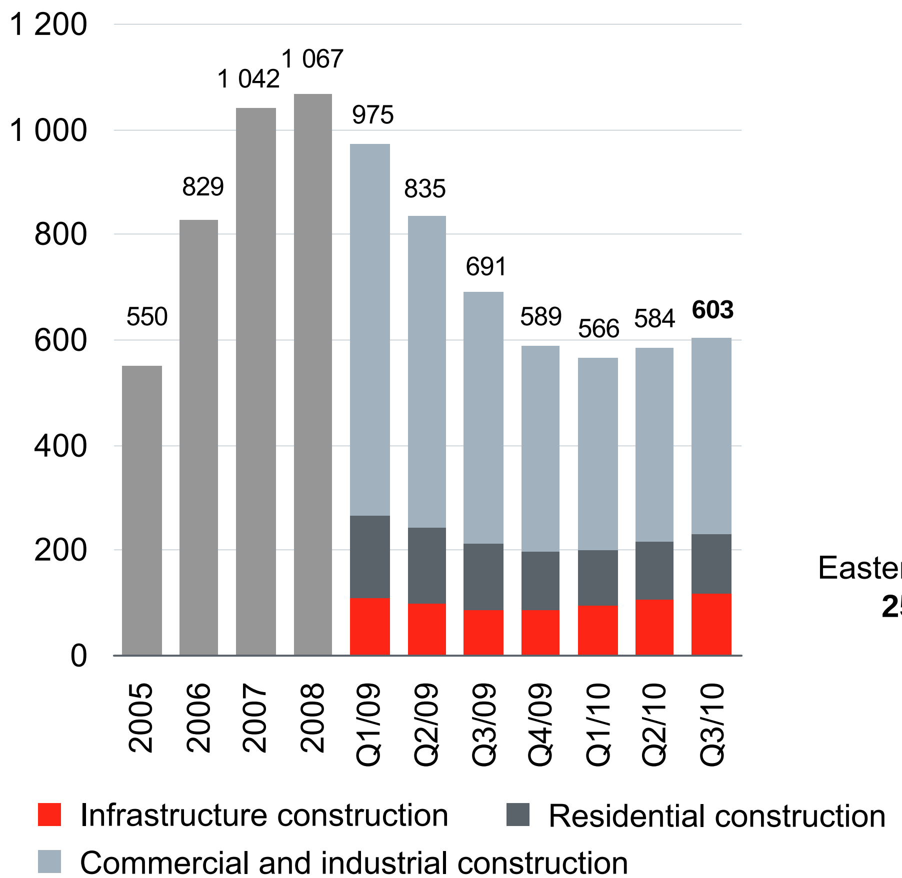
Construction	Engineering	Steel
• +30% year on year • +10% quarter on quarter	• +50% year on year • +20% quarter on quarter	• +40% year on year • -10% quarter on quarter – normal seasonal fluctuation – orders increased towards end of quarter

Compared to previous year

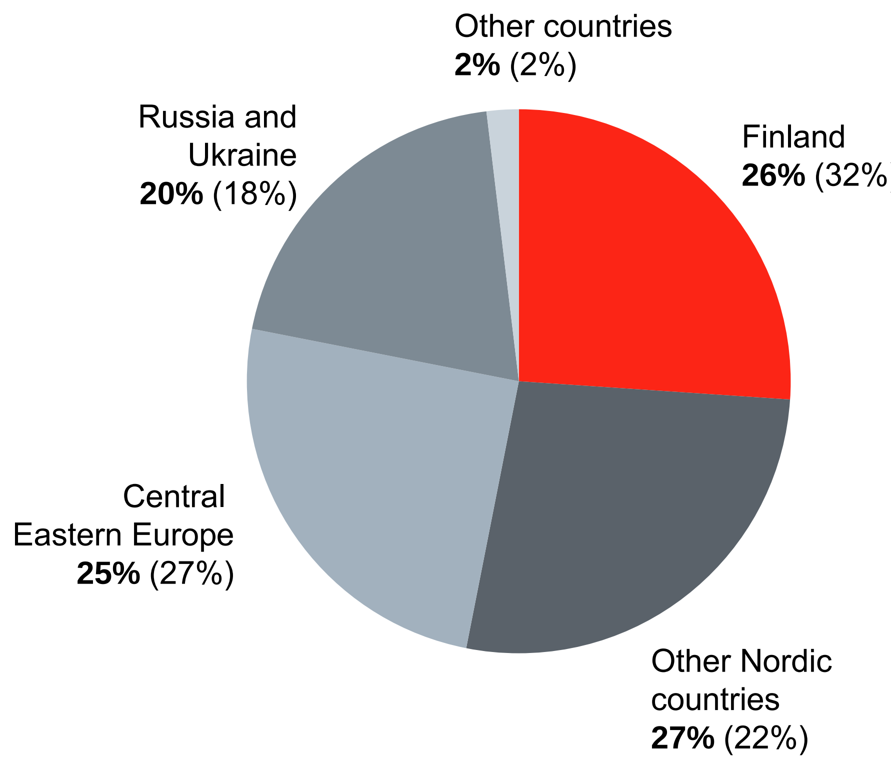
Construction	Engineering	Steel
+ Residential roofing products + Infrastructure construction + Commercial and industrial construction in Russia, Poland and Czech R. - orders still low overall	+ Cabins, booms and frames − Manufacture of equipment for wind power industry	+ Growth in all product groups + Sweden + Russia + New markets for special steel products

Construction business:
- residential roofing products and infrastructure construction accounted for 40% of net sales in Q3

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

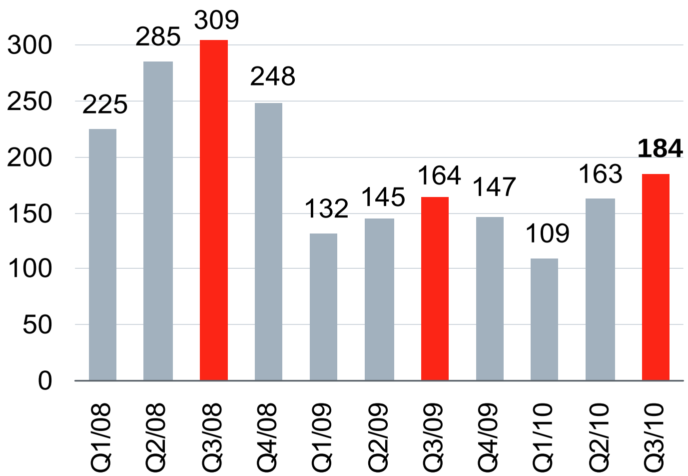


Net sales by region Q1-Q3/2010 (Q1-Q3/2009)

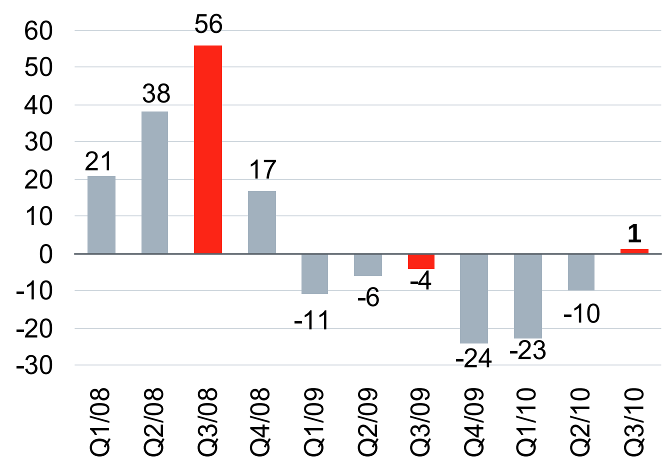


Construction business:
- net sales up 12% y-o-y, profitability improved

Net sales, €m



Operating profit, €m *)



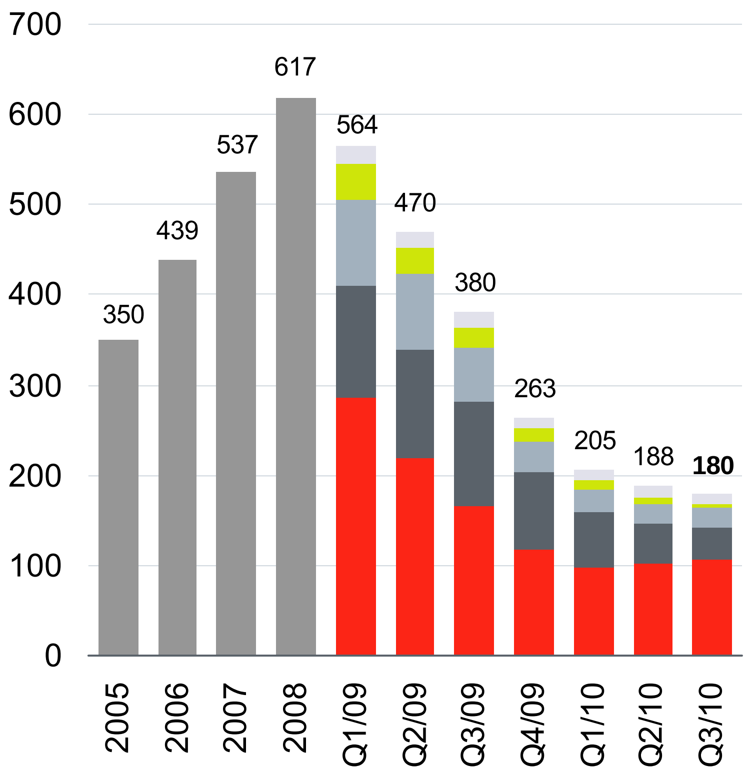
Summary

- Good sales of residential roofing products continued, especially in Central Eastern Europe
- Good demand in infrastructure construction: net sales up over 40% y-o-y
- Clear pick-up in demand in commercial and industrial construction in Russia, overall market conditions still weak
- Selling prices rose somewhat and profitability improved clearly q-o-q

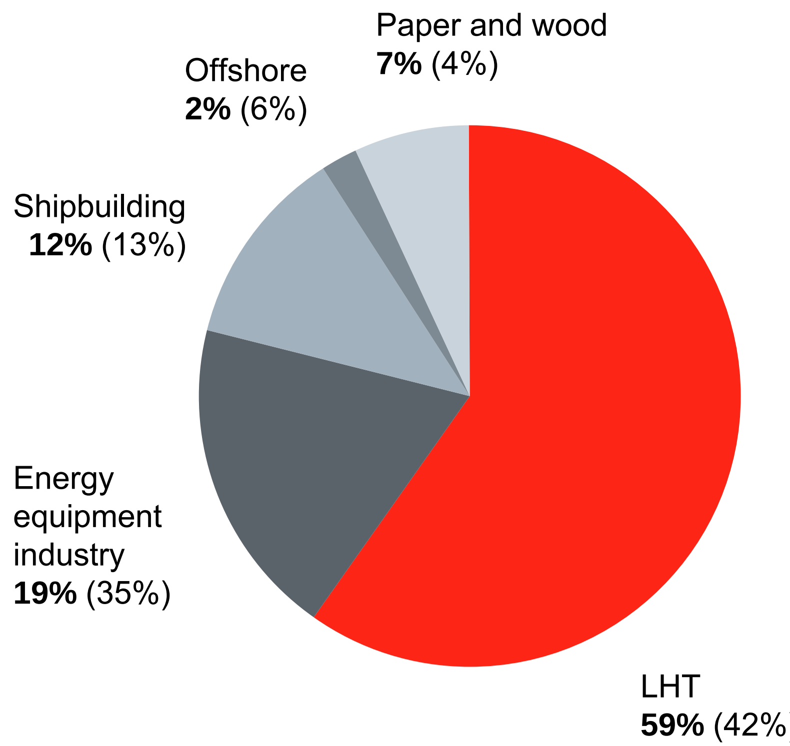
*) Comparable. Figures for 2008 not restated in respect of unrealised gains and losses relating to USD derivatives

Engineering business:
- growth in cabin and boom deliveries – clearly weakened demand from equipment manufacturers for energy industry

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



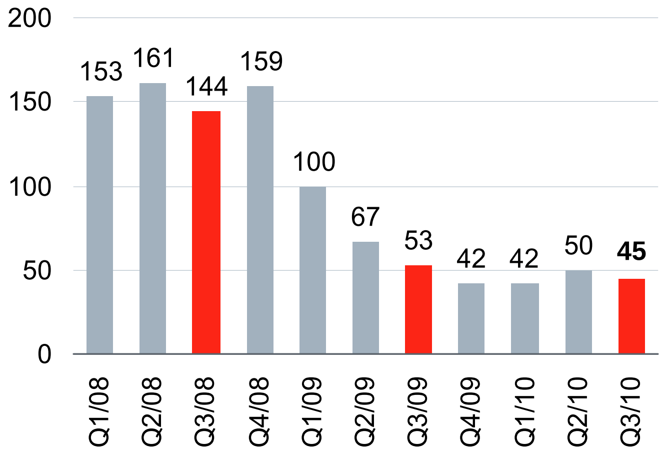
Net sales by customer segment Q1-Q3/2010 (Q1-Q3/2009)



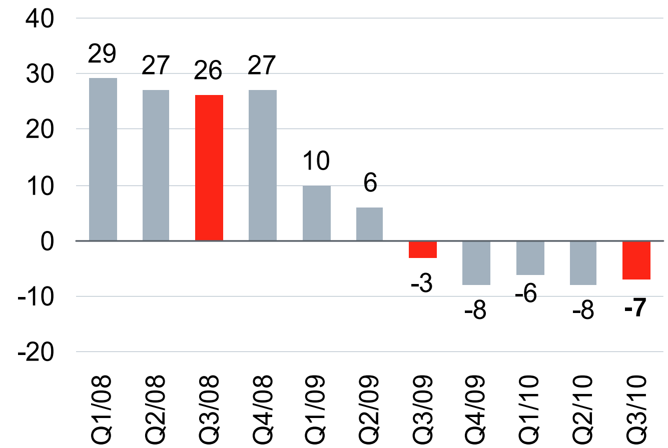
Lifting, handling and transportation equipment industry
Energy equipment industry
Shipbuilding
Offshore
Paper and wood

Engineering business:
- Q3 net sales down, capacity utilisation rate still low

Net sales, €m



Operating profit, €m *)



Summary

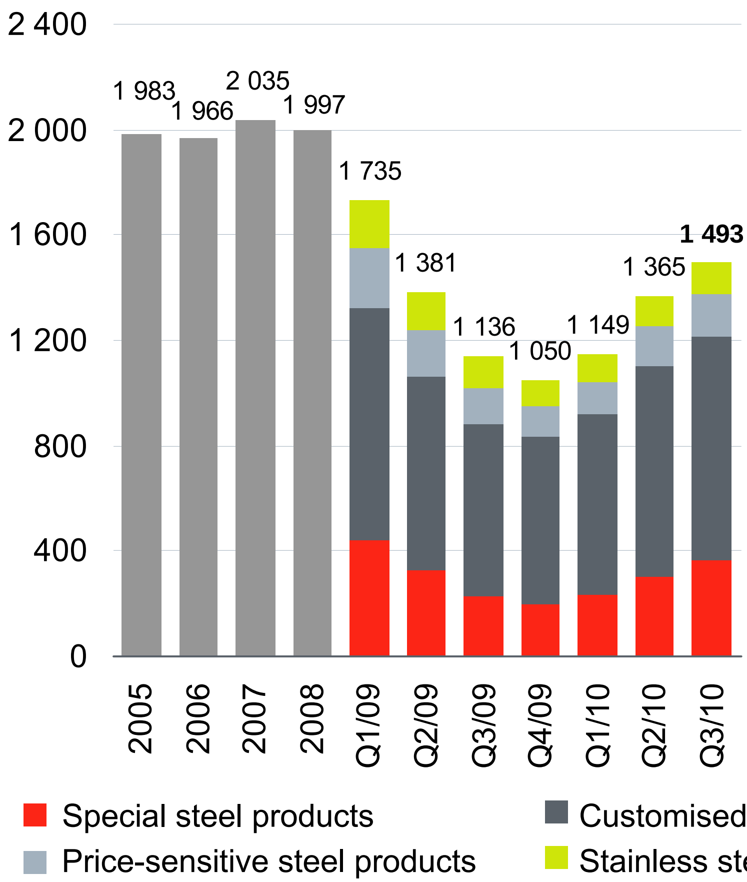
- Year-on-year decline in net sales mostly due to lower delivery volumes for the equipment manufacturers for the wind power industry and other energy industries
- Delivery volumes of cabins and booms increased y-o-y
- Cabin manufacture commenced at the Holic unit in Slovakia during Q3

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

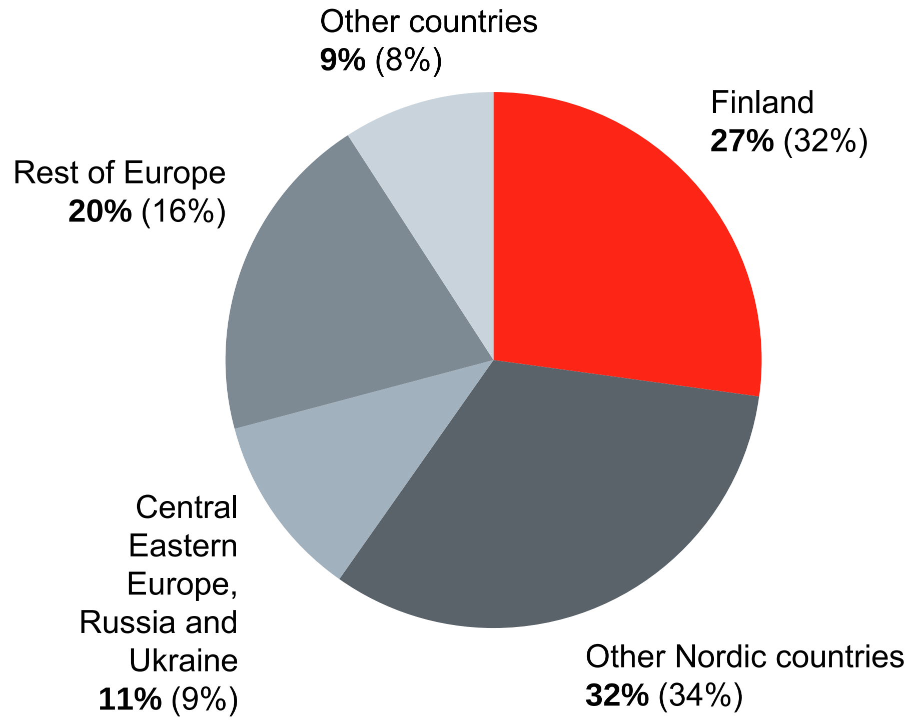
Steel business:

- special steel products accounted for 28% of Q3 net sales

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

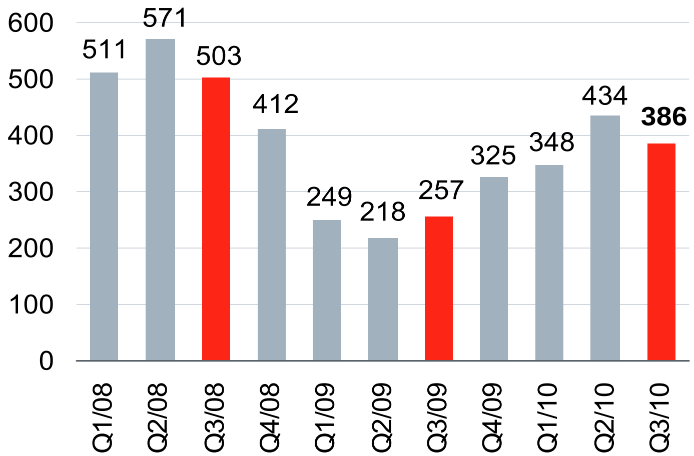


Net sales by region Q1-Q3/2010 (Q1-Q3/2009)

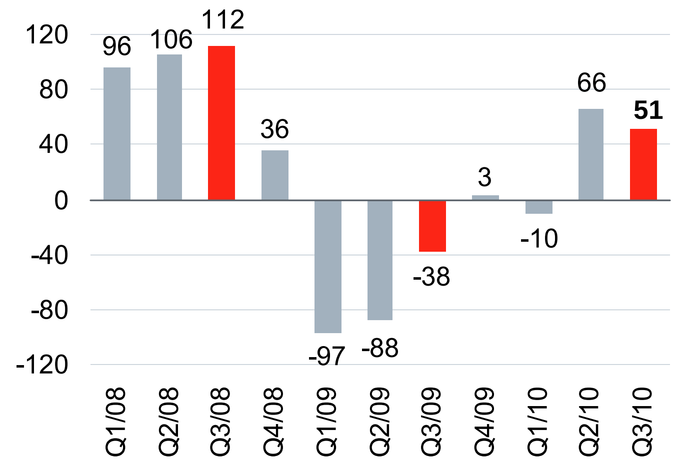


Steel business:
- net sales up 50% and profitability improved significantly y-o-y

Net sales, €m *)



Operating profit, €m *) **)



Summary

- Demand continued to be better in Sweden than in other Nordic countries
- Sales of special steel products developed better than those of other product groups
- Selling prices increased, price development levelled off towards end of Q3
- Delivery volumes down q-o-q in line with normal seasonal fluctuation
- Operating profit weakened slightly q-o-q
  – full impact of new raw material prices reflected in product costs

*) Comparable, **) Figures for 2008 not restated in respect of unrealised gains and losses relating to USD derivatives

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

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Strategy focus points: specialisation and strong growth on emerging markets

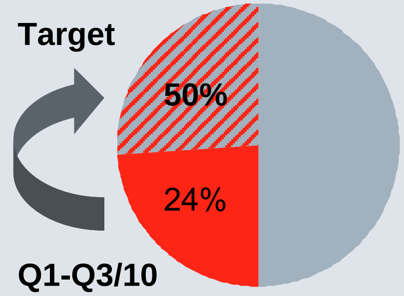
Strategy outlines

- Growth focus on emerging markets
- Growth in construction and engineering businesses
- Focus in steel business on special steel products
- Strong market position in core businesses

New business targets (1/2)

Business targets

- Emerging markets to account for 50% of consolidated net sales (currently 24%)



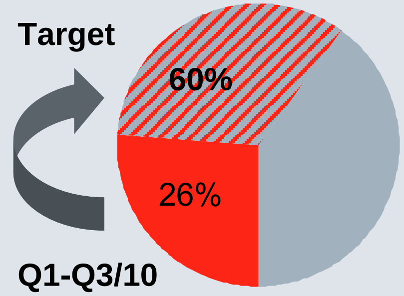
- Construction and engineering businesses to account for 60% of consolidated net sales (currently 34%)

NB: Shares of consolidated comparable net sales

New business targets (2/2)

Business targets

- Special steel products to account for 60% of steel business (currently 26%)



- Strengthened market position in all core businesses

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

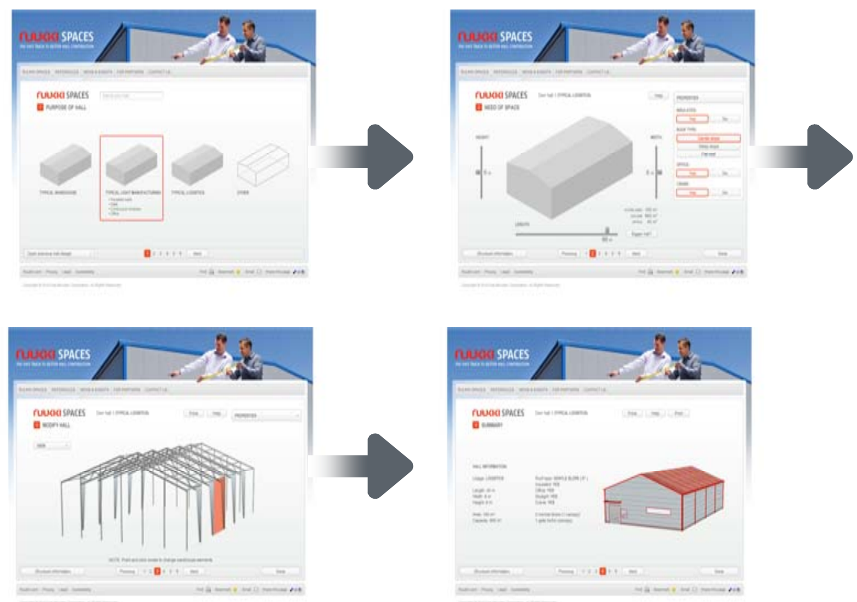
Strategy focus areas

- construction business

Strategic outlines

- In commercial and industrial construction to focus on pre-designed solutions, modifiable to customer needs
  - own design
  - standardised, cost-efficient production
- To strengthen market positions in residential roofing products and infrastructure construction
  - new products
  - new market areas

Example of a pre-designed, customised solution: Ruukki Spaces concept



Strategy focus areas
- engineering business

Strategic outlines

- To focus on demanding special-steel-based components
  - synergies with the steel business
  - products incorporate own customer-driven design
- To further improve supply chain efficiency
- To strengthen sales and marketing to broaden customer base

Examples of products incorporating own customer-driven design



Examples of demanding special-steel-based components



Strategy focus areas
- steel business

Strategic outlines

- Special steel products:
  - strong technological competence
  - existing modern manufacturing capacity
  - sales targeted more strongly at international markets
- To further strengthen market position in Nordic countries
  - customer service
  - delivery accuracy
  - product and service quality throughout the supply chain
- Cost-efficiency and high capacity utilisation rate continue to be essential

Examples of special steel products and their applications

Wear-resistant

High-strength

Coated

Colour-coated

Financial targets unchanged

Financial targets
• Growth in comparable net sales >10% p.a.
• Comparable operating profit >15% of net sales
• Return on capital employed >20%
• Gearing ratio ~60%
• Dividend payout 40-60% of profit for the period

Changes in corporate management

Corporate Executive Board from 1 November 2010

• **Sakari Tamminen**	President & CEO and Chairman of the Corporate Executive Board
• **Tommi Matomäki**	Executive Vice President, Ruukki Construction
• **Marko Somerma**	Executive Vice President, Ruukki Engineering
• **Olavi Huhtala**	Executive Vice President, Ruukki Metals
• **Mikko Hietanen**	Executive Vice President, Business Development (deputy to the President & CEO)
• **Saku Sipola**	Executive Vice President, Marketing, Technology and Supply Chain Management
• **Markku Honkasalo**	CFO

Outlook

Outlook for 2010 in Ruukki’s main market areas

- mostly positive changes since June forecast

Industrial production and fixed investment growth forecasts

- forecast for 2010 in September 2010

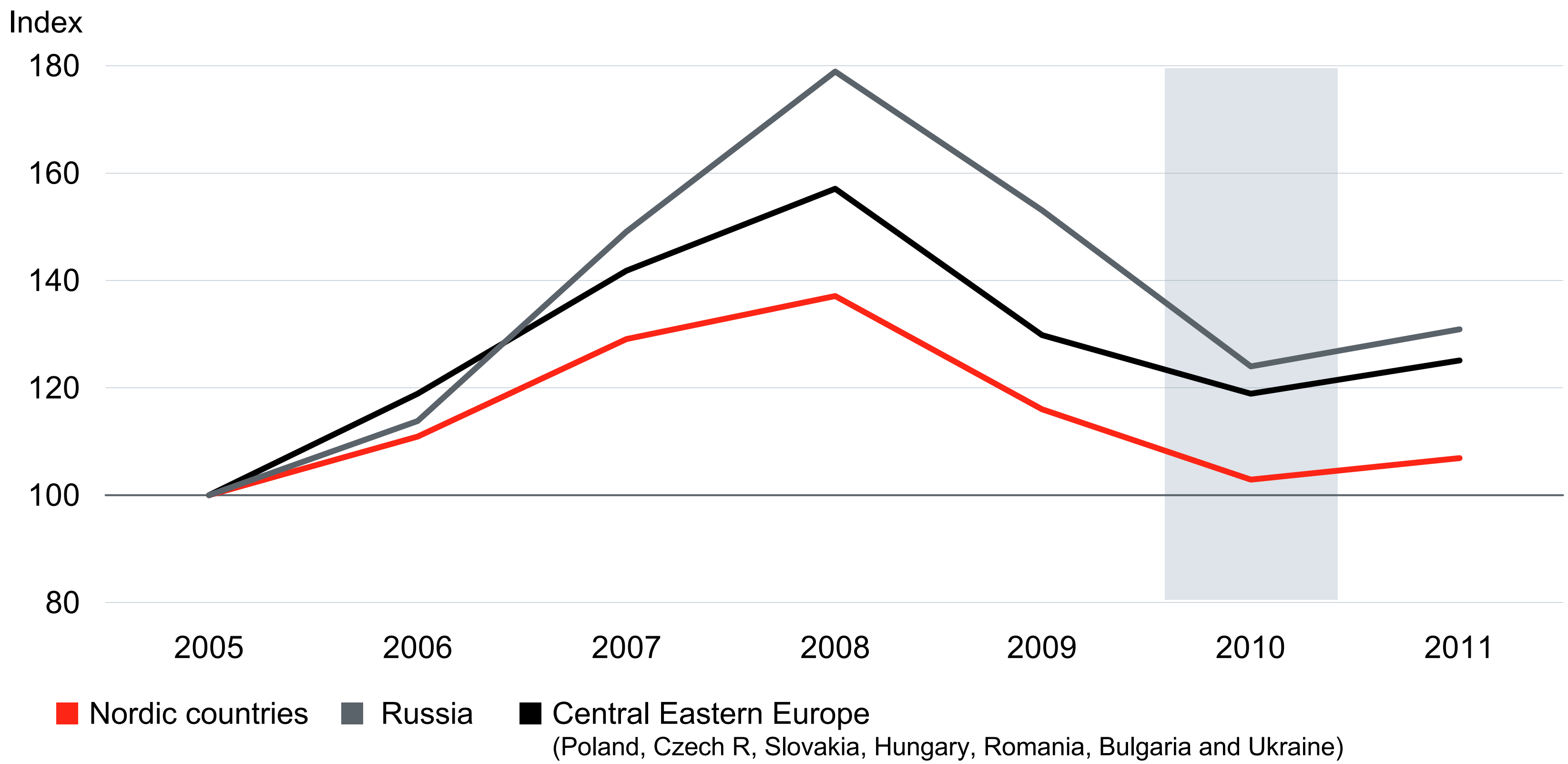
	Industrial production % change from 2009	Change since Q2/2010 forecast *)	Fixed investment % change since 2009	Change since Q2/2010 forecast *)		Industrial production % change from 2009	Change since Q2/2010 forecast *)	Fixed investment % change since 2009	Change since Q2/2010 forecast *)
Finland	5.2	+2.4	-0.3	+1.1	Poland	9.4	+2.0	-1.2	-2.6
Germany	8.9	+2.4	7.5	+4.5	Czech R.	7.3	+1.5	-1.5	-1.0
Sweden	9.2	+4.9	4.4	+4.6	Slovakia	14.8	+4.2	2.0	-0.9
Norway	3.4	+1.0	-5.0	-1.5	Romania	4.1	+0.5	-6.1	-5.5
USA	5.5	+0.2	5.4	+2.5	Russia	7.2	+0.3	3.9	-1.7

Source: Consensus Economics, September 2010 and recent key forecasts for Finland’s investments

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

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

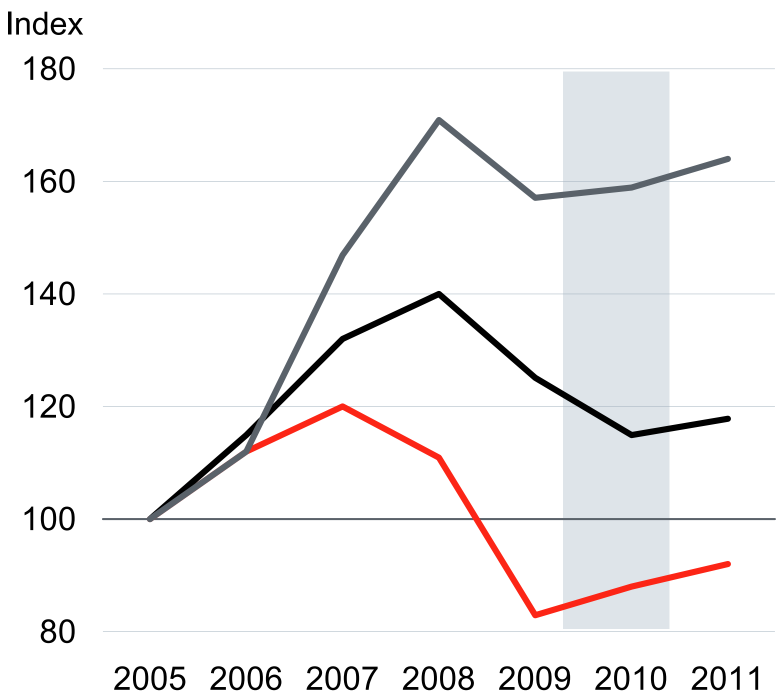
Non-residential construction, new build *)



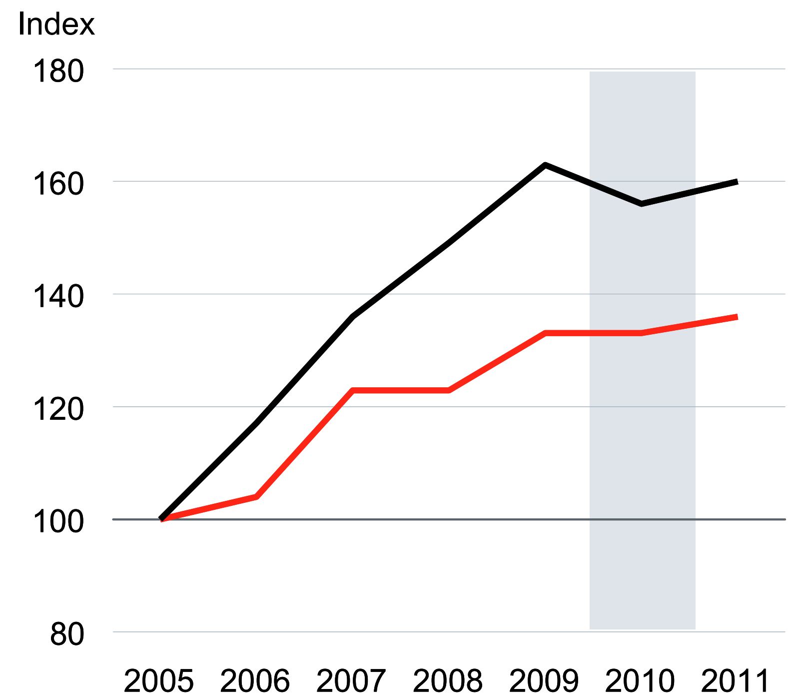
Source: Global Insight September 2010, in value terms
*) Figures for Romania, Ukraine, Bulgaria and Russia also include renovation construction, but in these countries new construction accounts for 90-95% of entire non-residential construction market

Transport infrastructure construction forecast to continue at good level

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 September 2010, in value terms

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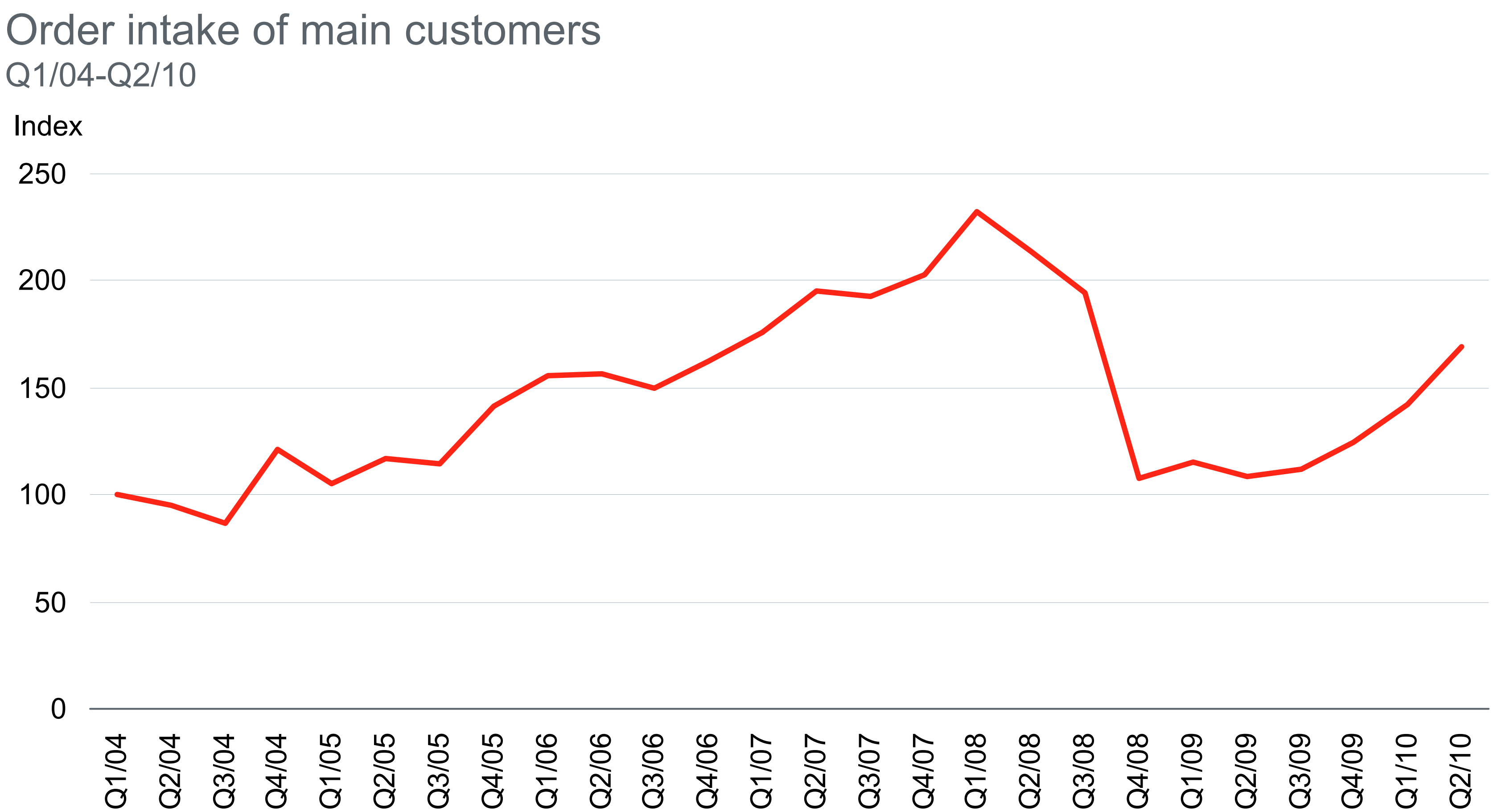
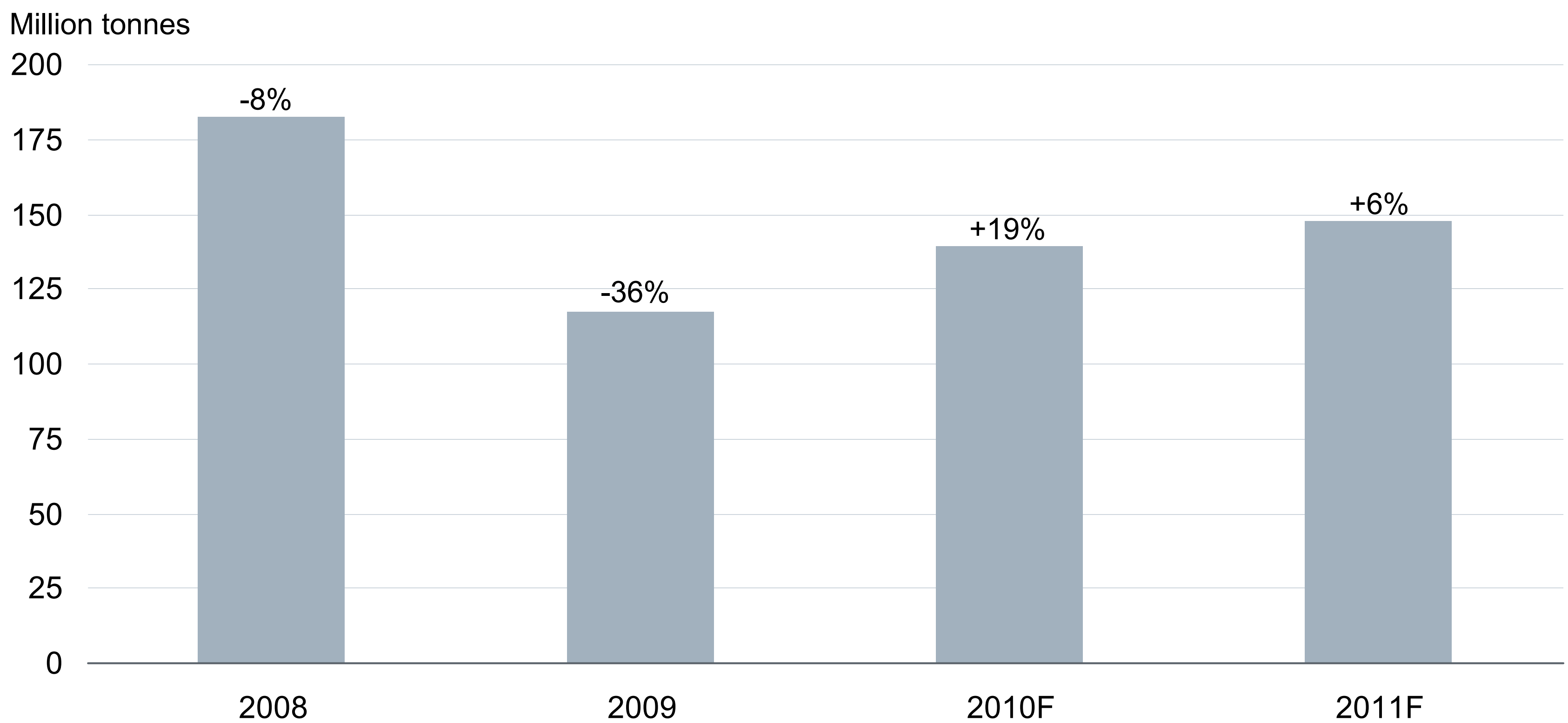
Clear increase in order flows of main engineering customers compared to previous year



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

Apparent demand for steel in EU region forecast to grow by around 19% in 2010

Apparent steel demand in EU-27 region
2008-2011F



Source: worldsteel, October 2010

Near-term outlook
- market outlook

Construction

- Good infrastructure construction activity in Nordic countries is expected to continue
- Commercial and industrial construction, especially in Finland and the Baltics, still negligible
- Private investments in commercial and industrial construction in Russia have clearly picked up
  - Market conditions are expected to improve also in Poland and Czech Republic

Engineering

- Market conditions are improving
- Order volumes, especially for cabins, booms and frames for mining and forest machines, are growing
- Demand also for heavy cargo handling equipment and for construction machinery and equipment is improving
- In the manufacture of equipment for the energy industry, demand in the wind power sector is not yet expected to significantly grow during end of the year
- Shipbuilding activity in Europe is at a low level

Steel

- Worldsteel forecasts growth of around 19% in apparent demand for steel in the EU-27 region in 2010
- Demand expected to continue to improve in the heavy vehicle industry and to remain stable in the heavy engineering industry and car manufacturing
- Supported by good activity in these industries, delivery volumes of special steel products are expected to continue at a good level
- Expansion of the company’s distribution network in China, Turkey and into Brazil, for example, also supports sales of special steel products

Near-term outlook

- net sales guidance unchanged, profit guidance revised

Assessment of expected performance

- Net sales in 2010 are estimated to grow 25-30% year on year
- Profitability is expected to improve significantly compared to the previous year
- The full-year comparable result before income tax is estimated to be positive
- Due to non-recurring items and unrealised gains and losses arising from USD derivatives, which are used to hedge purchases of raw materials, the full-year reported result before tax is estimated to be negative

Summary

- Positive economic development in main market areas forecast to continue
- Good order flow in Q3, up 40% y-o-y
- Market conditions improving in most business areas
- Cost competitiveness significantly better than in previous years
- Strategic focus:
  - Growth focus on emerging markets
  - Growth in construction and engineering businesses
  - Focus in steel business on special steel products
  - Strong market position in core businesses

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50 years
1960-2010

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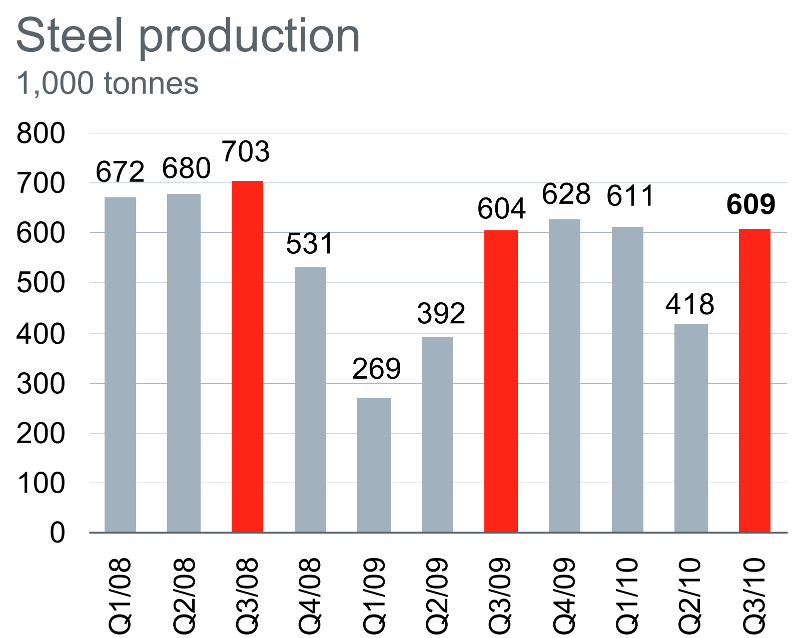
Appendix

Steel production

- Steel production:
  - Q3: 609 thousand tonnes (604)
  - Q1-Q3: 1,638 thousand tonnes (1,265)
- Capacity utilisation rate around 90%, slightly lower in plate products



Global steel production

- Global steel production in first nine months of 2010 increased 19.4% y-o-y to 1,046 million tonnes
  - EU: +32.8% (130m tonnes)
  - North America: +46.3% (84m tonnes)
  - Asia: +15.5% (663m tonnes), of which China: +12.7% (475m tonnes)

Source: worldsteel

Key figures: Q1-Q3/2010

€m	Q3/10	Q3/09	Q1-Q3/10	Q1-Q3/09
Net sales *)	615	475	1,762	1,387
Operating profit *)	41	-49	42	-241
as % of net sales *)	6.6	-10.3	2.4	-17.4
Result before income tax *)	31	-59	20	-266
Result for the period	-36	-45	-49	-229
Earnings per share, diluted, €	-0.26	-0.32	-0.35	-1.65
Return on capital employed, % **)			-2.1	-10.0
Gearing ratio, %			42.9	26.4
Gross capex ***)			129	121
Net cash flow before financing activities	-83	-42	-208	-48
Personnel (average)	11,923	12,413	11,796	12,914

*) Comparable, **) Rolling 12 months, ***) 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
Comparable net sales							
Ruukki Construction	132	145	164	147	109	163	184
Ruukki Engineering	100	67	53	42	42	50	45
Ruukki Metals	249	218	257	325	348	434	386
Other	0	0	0	0	0	1	0
Comparable net sales, total	481	430	475	515	500	647	615
Comparable operating profit							
Ruukki Construction	-11	-6	-4	-24	-23	-10	1
Ruukki Engineering	10	6	-3	-8	-6	-8	-7
Ruukki Metals	-97	-88	-38	3	-10	66	51
Other	-3	-4	-3	-3	-4	-4	-4
Comparable operating profit, total	-100	-92	-49	-32	-43	45	41