Rautaruukki Corporation

Interim report January – June 2009

17 July 2009

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Summary first-half results for 2009

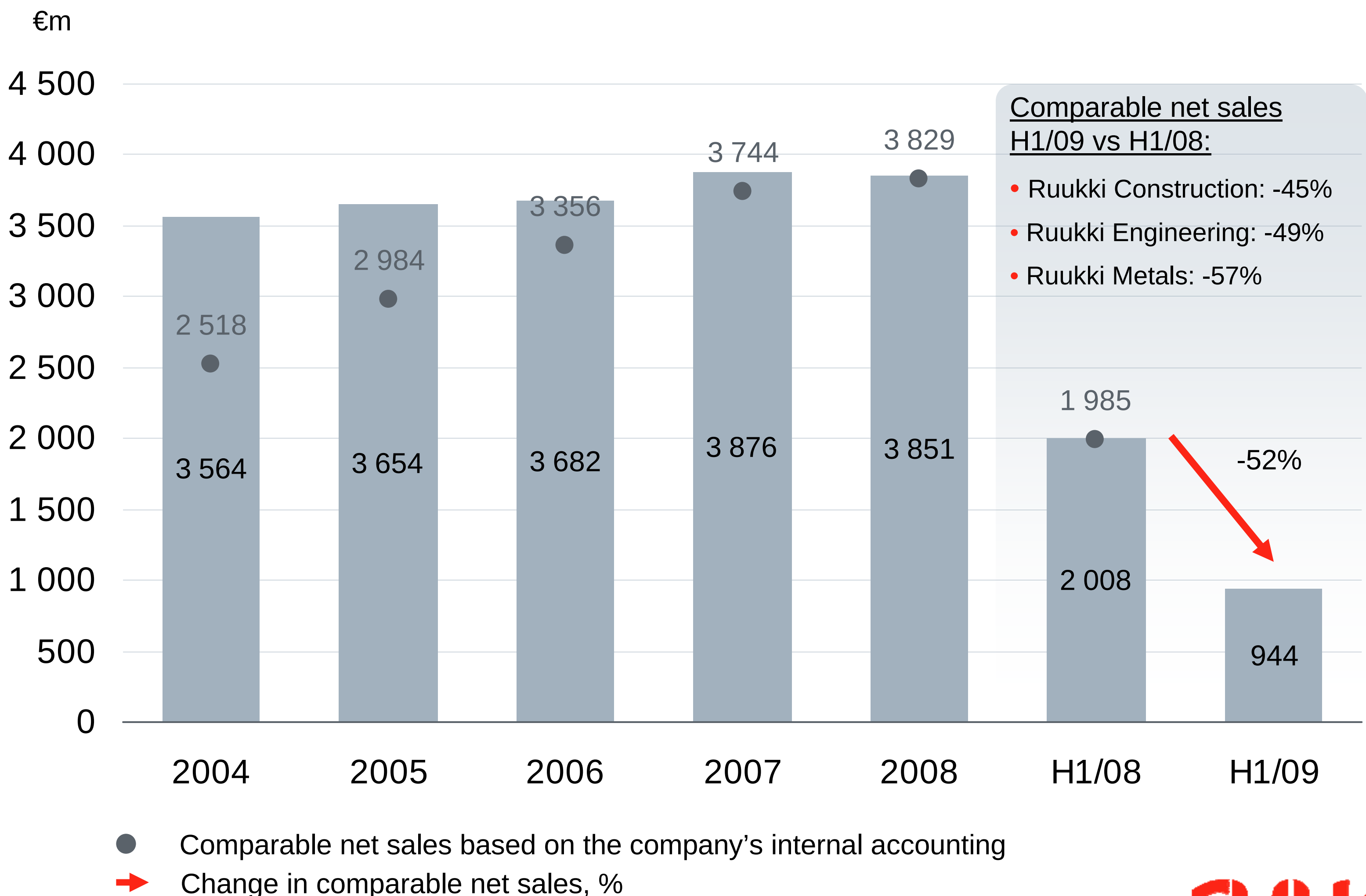
- Exceptionally weak market conditions continued throughout the report period
- Comparable consolidated net sales were down 52% year on year
- Operating profit was clearly negative
  - demand was weak and delivery volumes low
  - prices were down in a number of product groups
  - low steel production capacity utilisation rate had an impact of around -€160 million on costs
  - unwinding of stocks produced at high raw material prices weakened profitability still during the second quarter
- Clearly positive cash flow from operating activities
  - €215 million released from working capital
- Strong financial position

Business environment and financial performance

Market conditions still very difficult

- Exceptionally weak global economic development continued
  - The first signs of economic development levelling off were, however, seen towards the end of the report period
- Customers are cautious in investment decisions
- De-stocking has taken longer than expected
- Delivery volumes from steel companies remained much lower than end-customer demand
- Global capacity utilisation rate in the steel industry remained record low

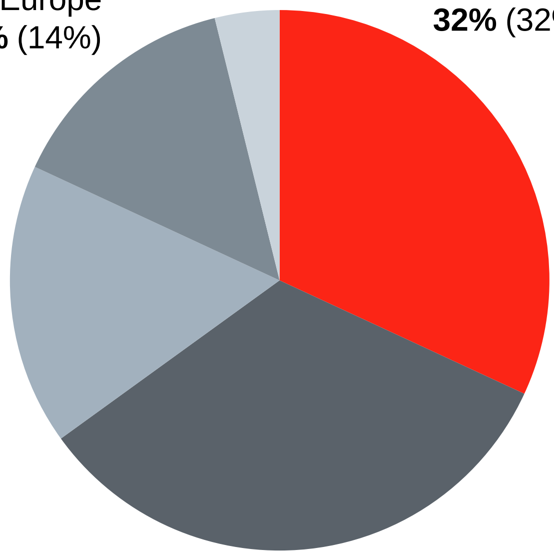
First-half consolidated net sales down 52% year on year



Breakdown of net sales H1/2009

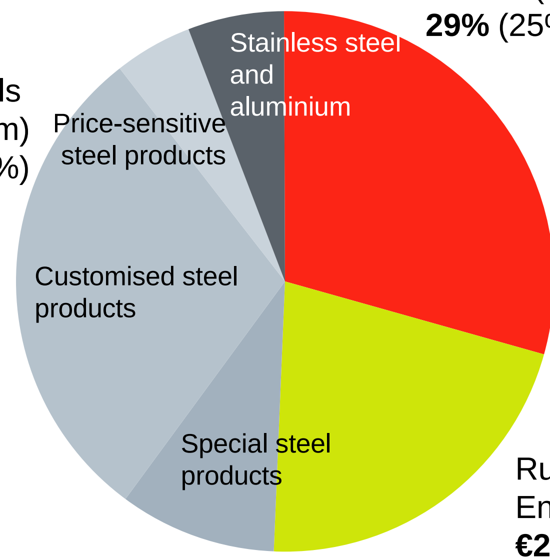
Net sales by region H1/2009 (H1/2008)

100% = €944m (2,008)



Net sales by division H1/2009 (H1/2008)

100% = €944m (2,008)



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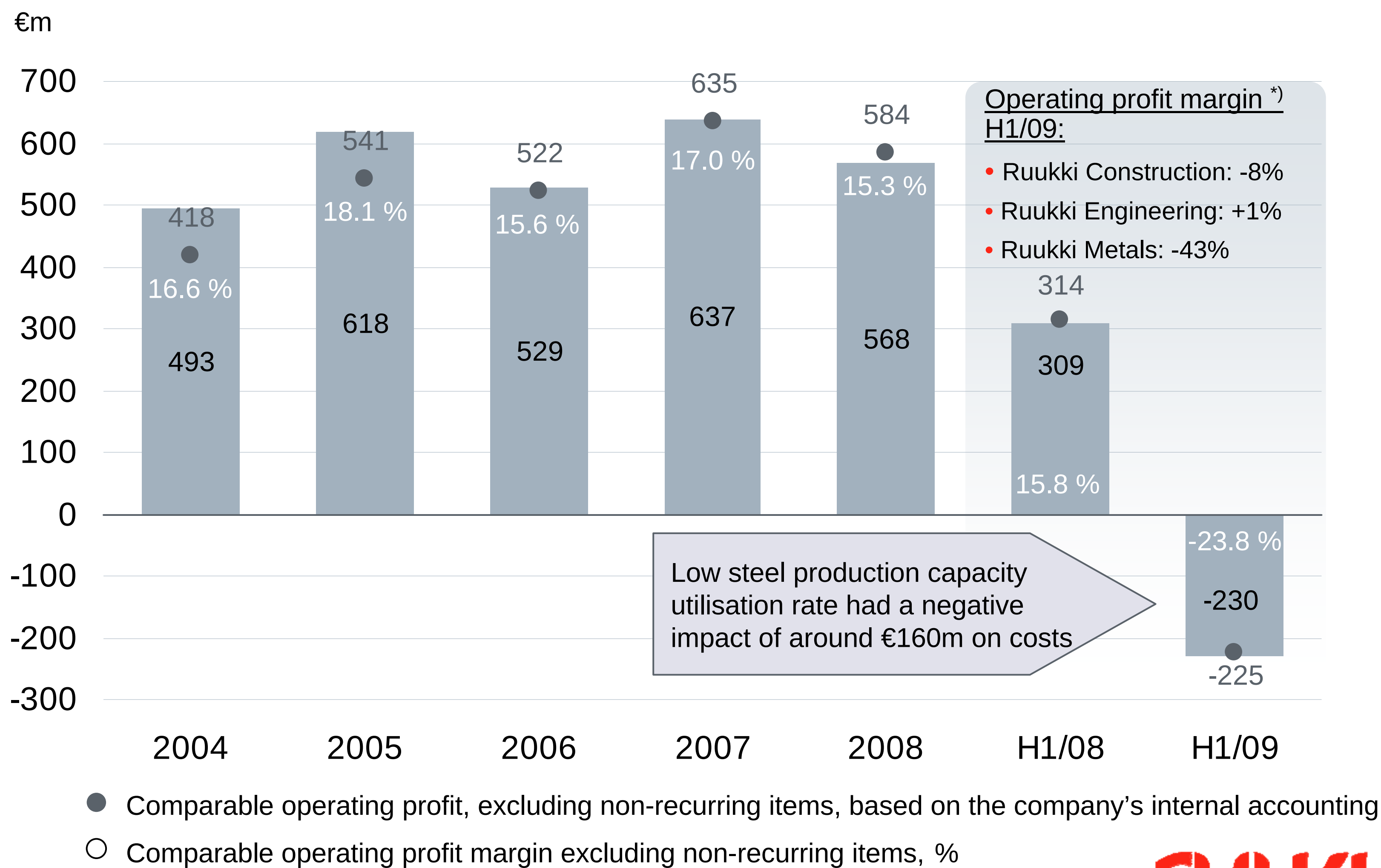
Operating profit clearly negative



 *) Excluding non-recurring items

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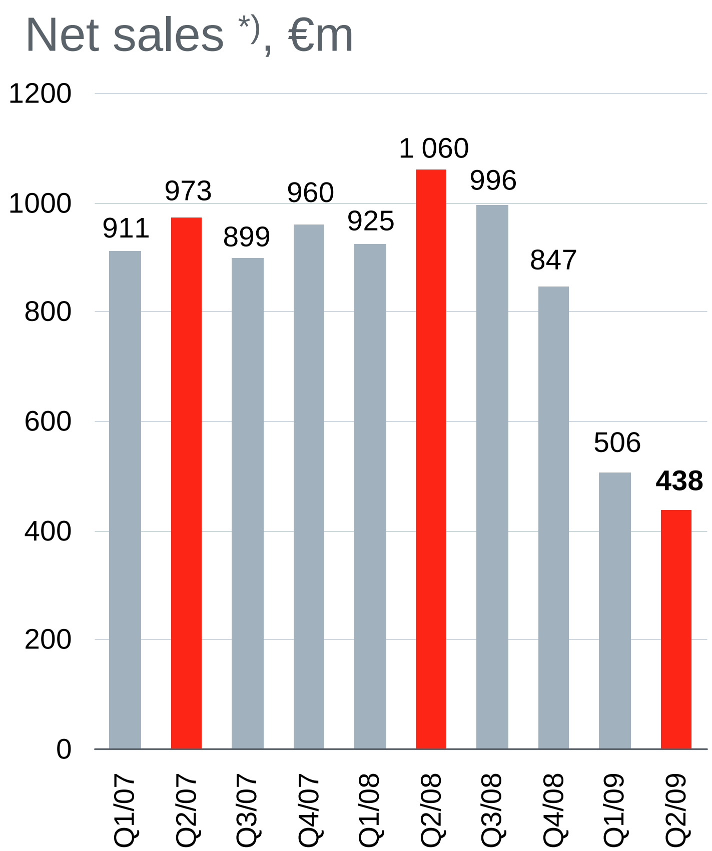
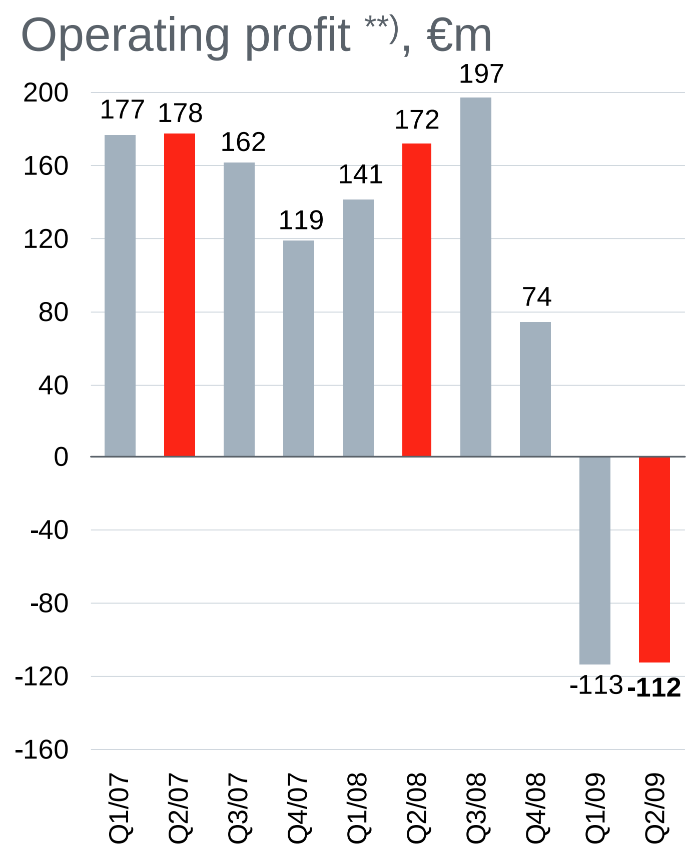
Quarterly net sales and operating profit





*) Comparable net sales

**) Comparable, excluding non-recurring items

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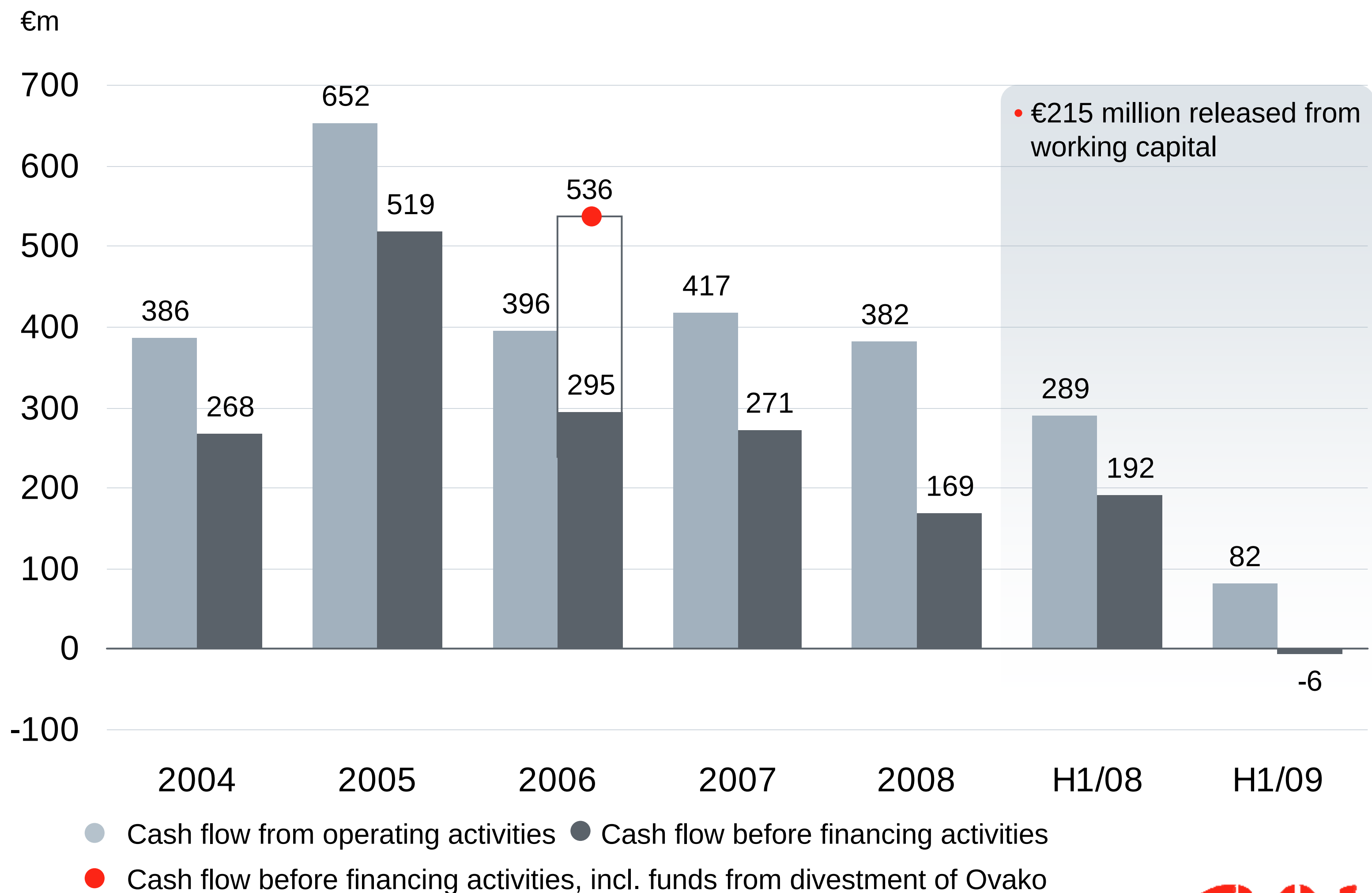
Clearly positive operating cash flow



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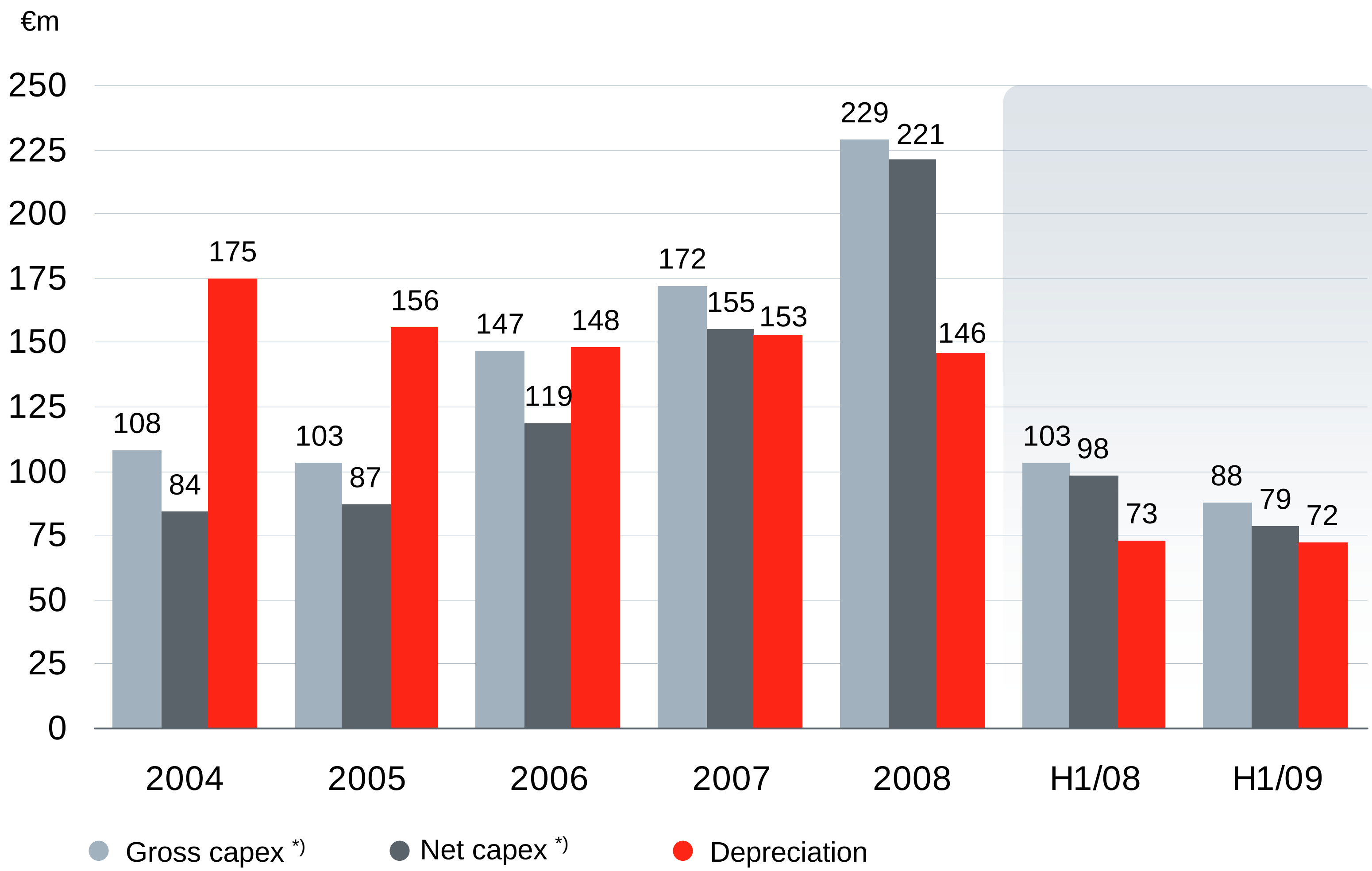
Capital expenditure for 2009 expected to remain below €170 million



 *) In tangible and intangible assets

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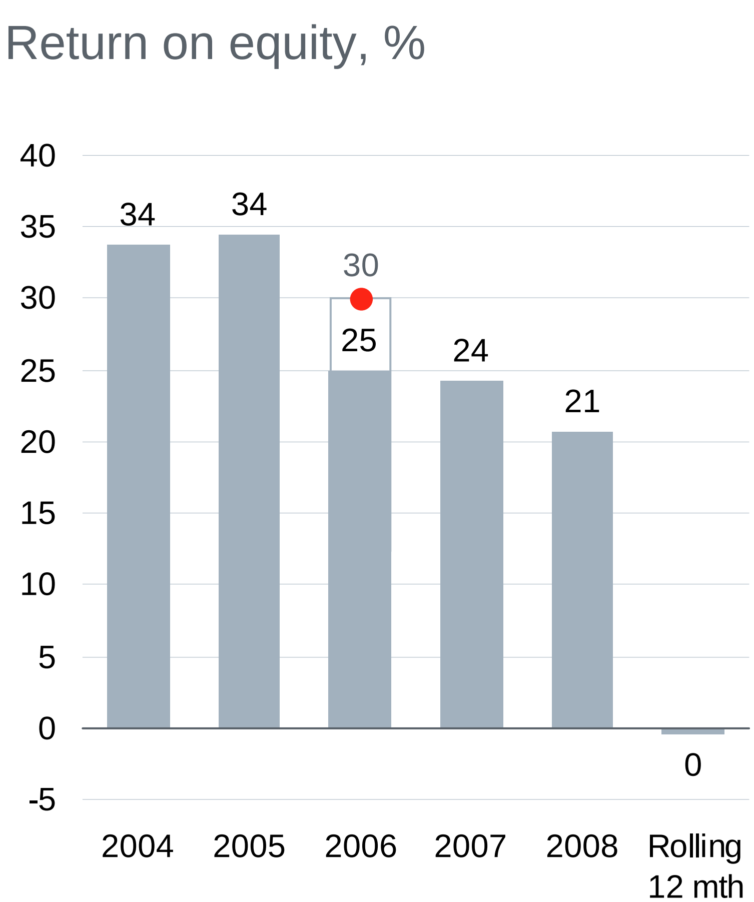
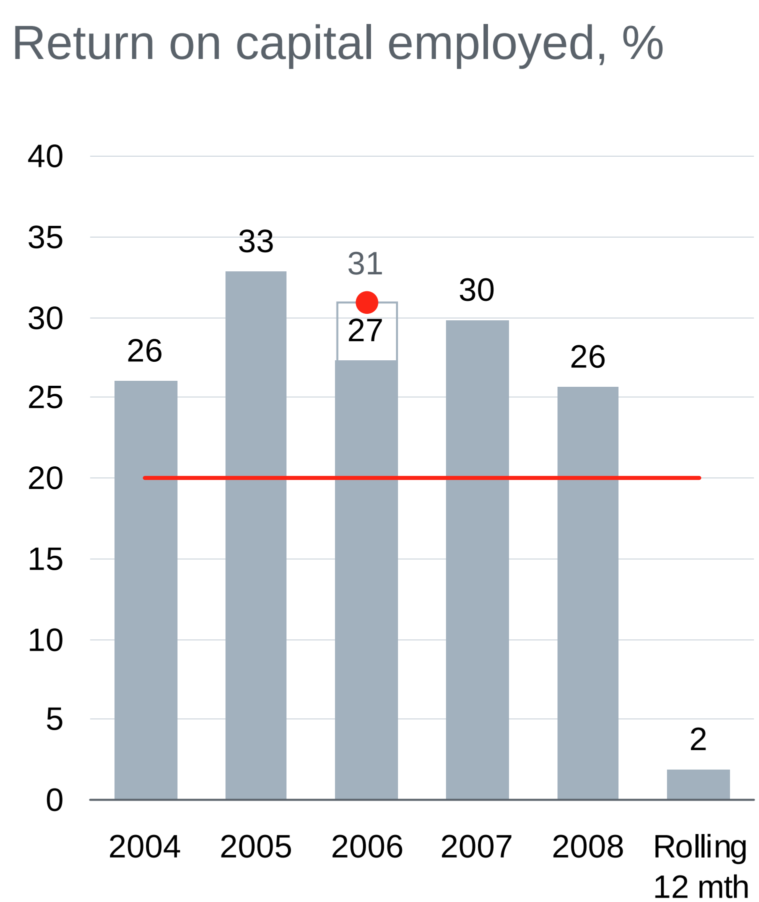
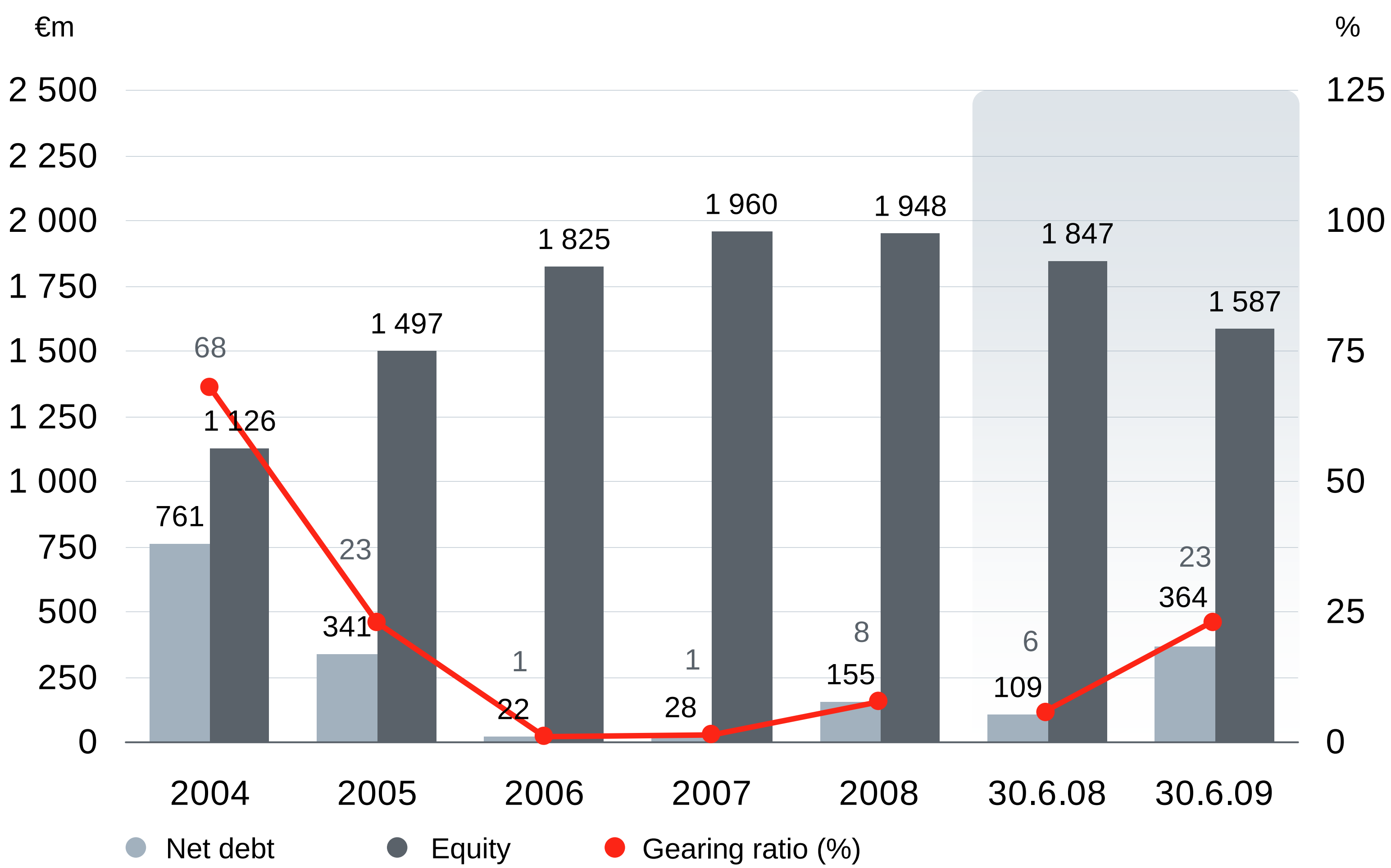
Return on equity and capital employed





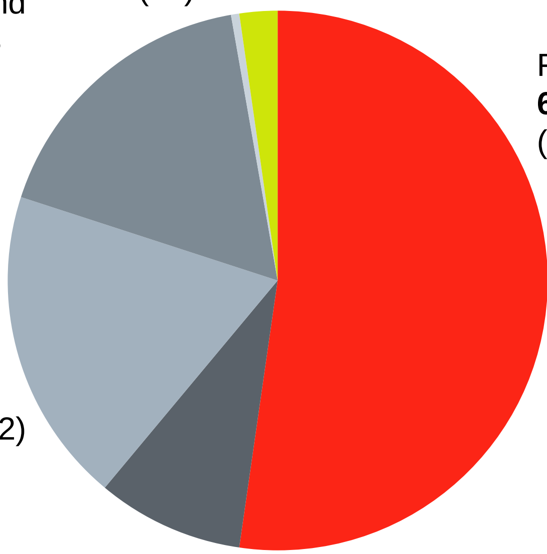
● Including capital gain on Ovako — ROCE target >20%

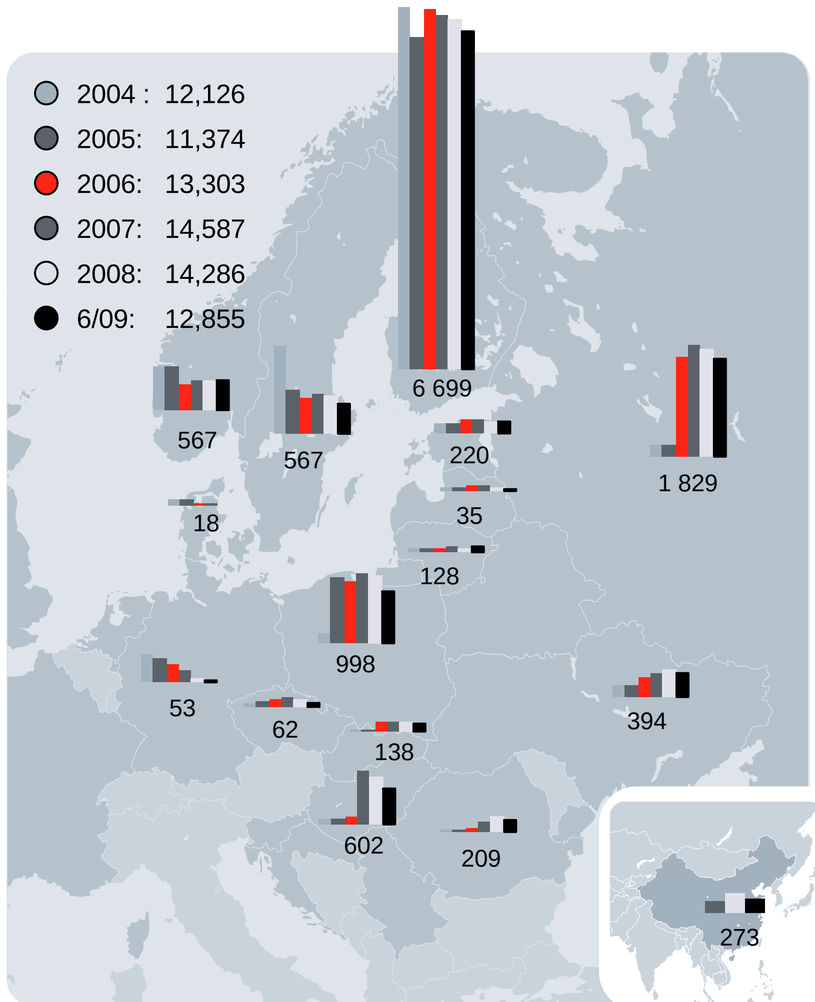
Strong financial position



Headcount by region *)

Personnel at 30 June 2009: 12,855
(30 June 2008: 15,655)



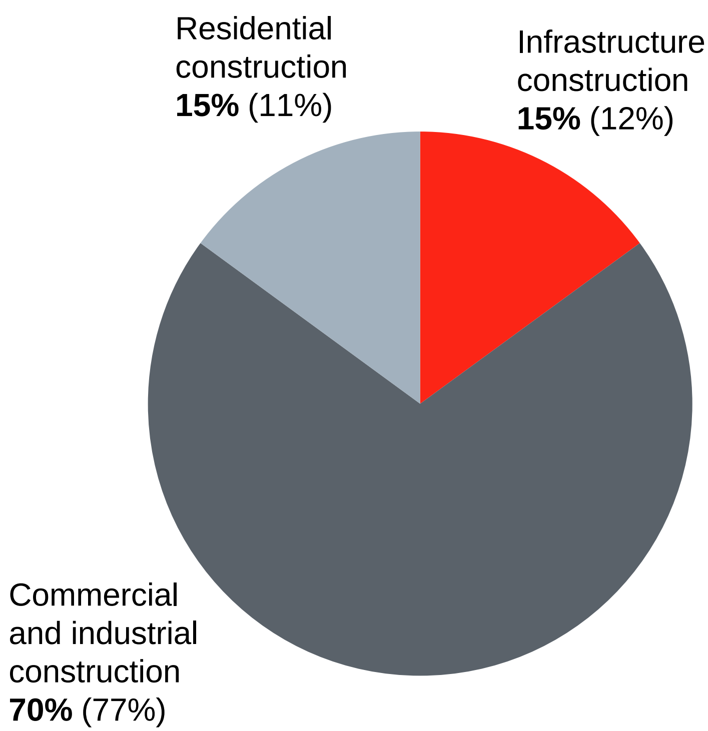


*) Headcount at end of reporting period

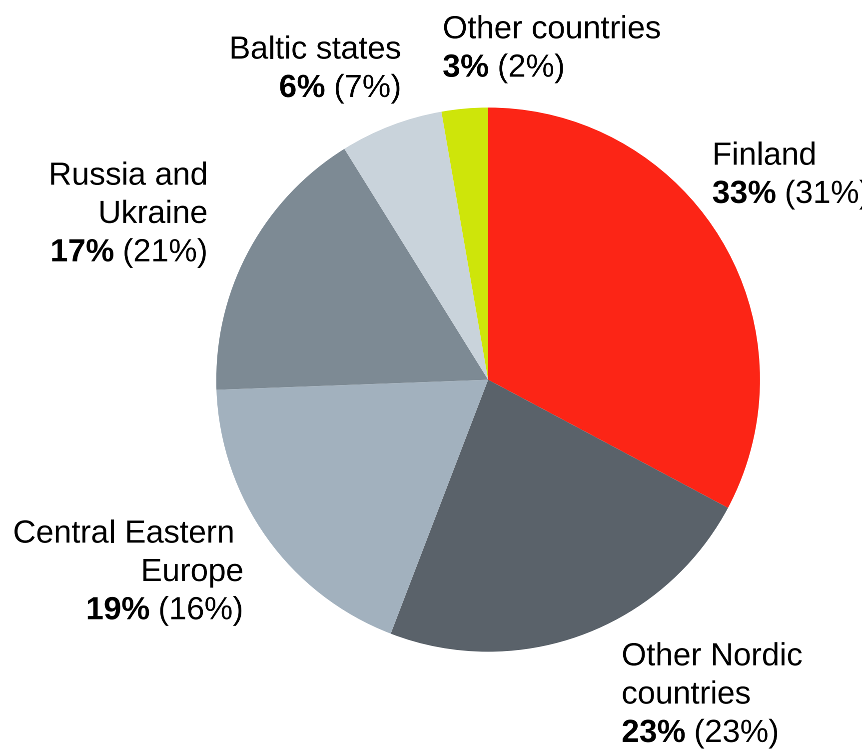
Divisions

Construction: breakdown of net sales

Breakdown of net sales by product group H1/2009 (H1/2008)

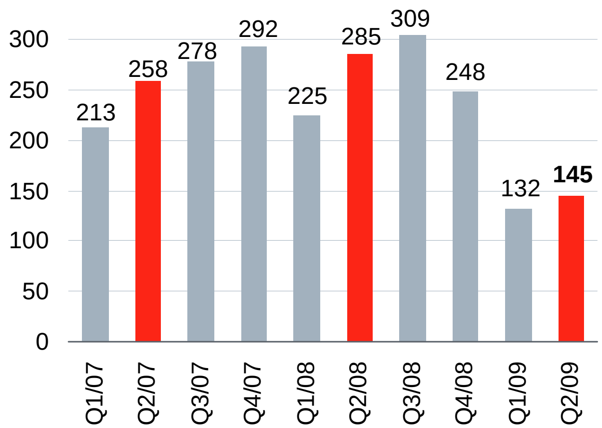


Breakdown of net sales by region H1/2009 (H1/2008)

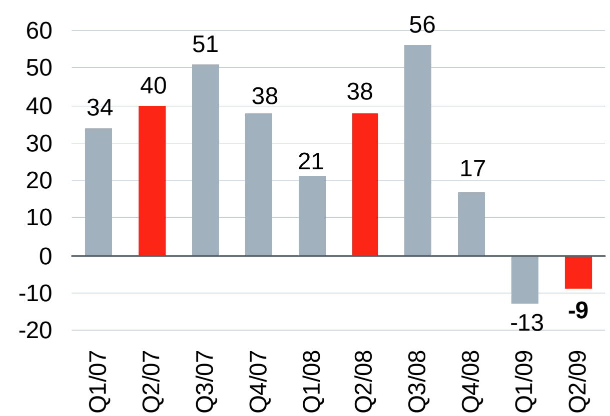


Construction: H1/2009

Net sales, €m



Operating profit *), €m



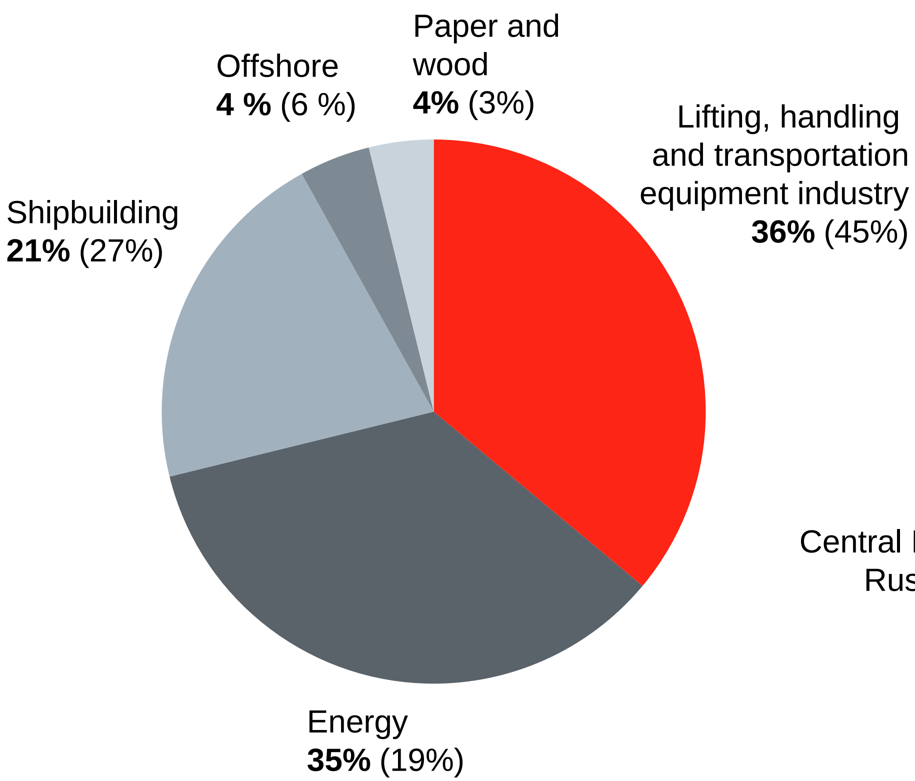
- Net sales decreased due to:
  - growing caution in investment decisions and customers' difficulties in arranging funding
    - reflected especially in continued weak demand in commercial and industrial construction
  - weakening of a number of sales currencies against the euro
- Infrastructure construction net sales decreased less than those for commercial and industrial construction

- Operating profit decreased due to:
  - lower sales volumes
  - lower selling prices, especially in Central Eastern Europe
    - fall in prices levelled off towards the end of Q2
  - high costs still unable to be fully aligned to lower sales
  - use of own steel produced at high raw material prices and use of high-cost external material in stock

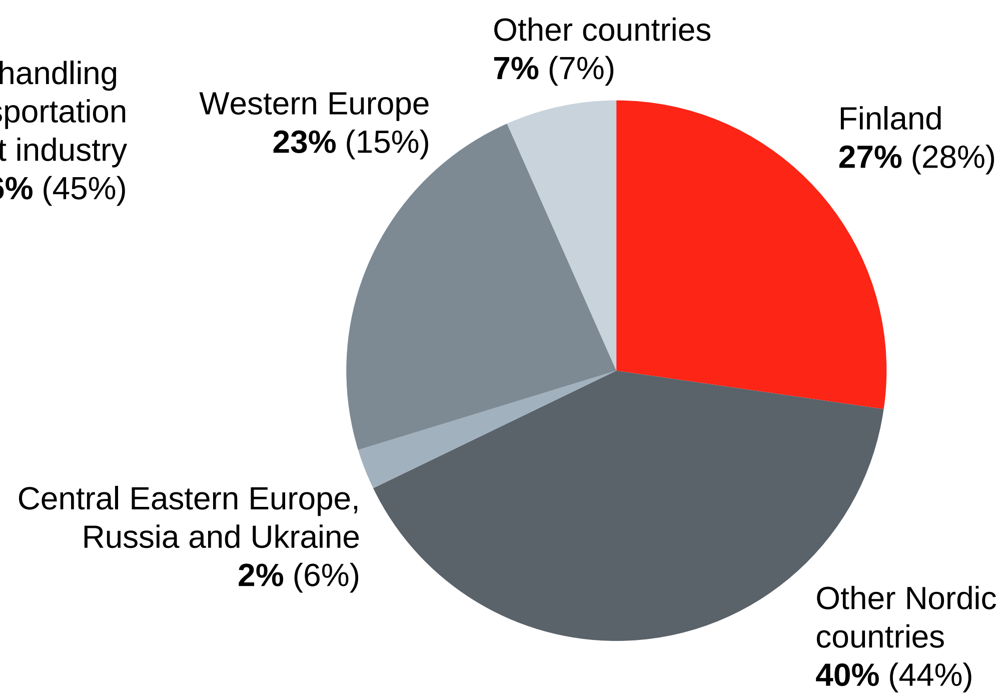
*) Excluding non-recurring items

Engineering: breakdown of net sales

Breakdown of net sales by customer segment H1/2009 (H1/2008)

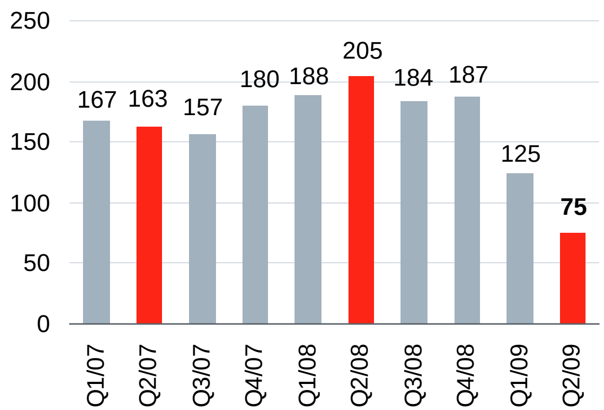


Breakdown of net sales by customer location H1/2009 (H1/2008)

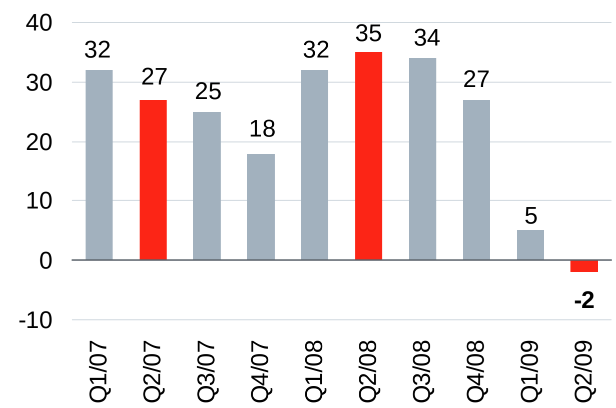


Engineering: H1/2009

Net sales, €m



Operating profit *), €m



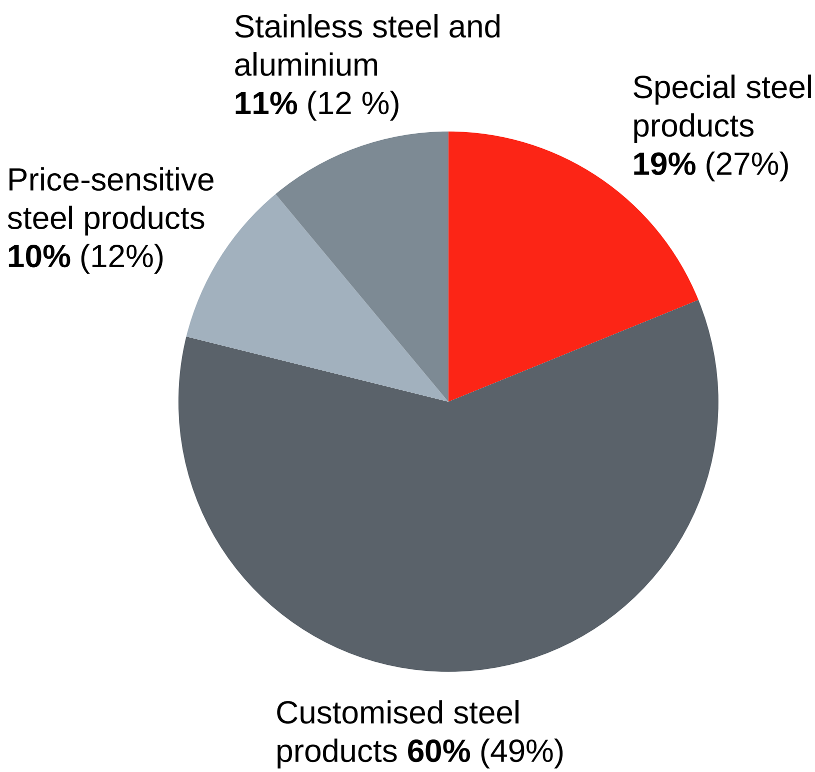
- Net sales decreased due to:
  - weak order books due to de-stocking, which resulted in fewer orders and lower delivery volumes
    - especially to equipment manufacturers in the lifting, handling and transportation industry
  - few deliveries to shipbuilding and offshore customers
- Deliveries to equipment manufacturers in the energy industry, both in wind and diesel power plants, continued at good level

- Operating profit decreased due to:
  - lower sales volumes
  - lower selling prices, especially for plate products and parts
    - in these products also the use of steel produced at high raw material prices

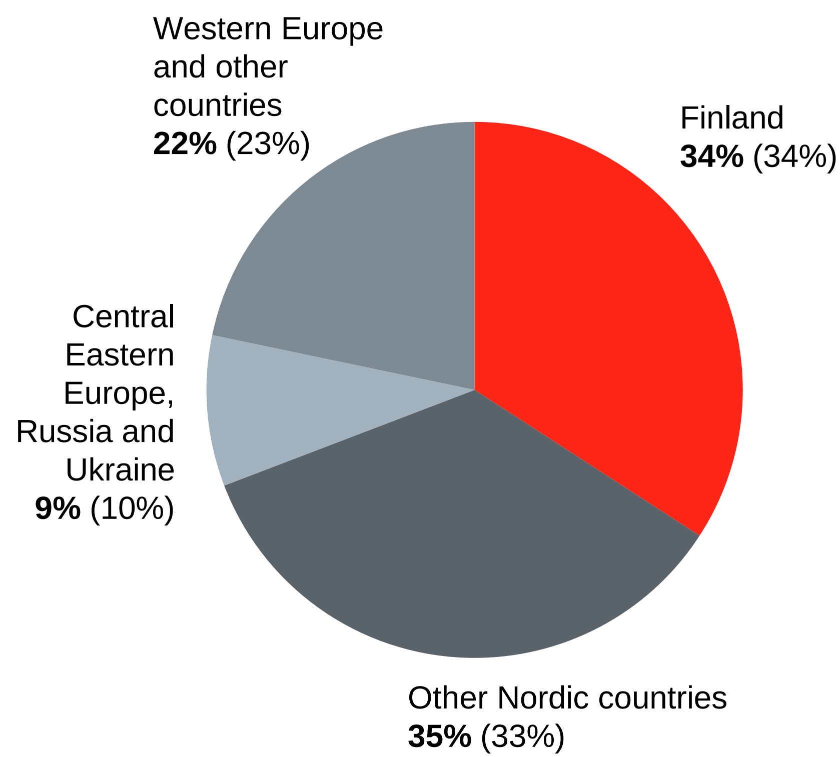
 *) Excluding non-recurring items

Metals: breakdown of net sales

Breakdown of net sales by product group H1/2009 (H1/2008)

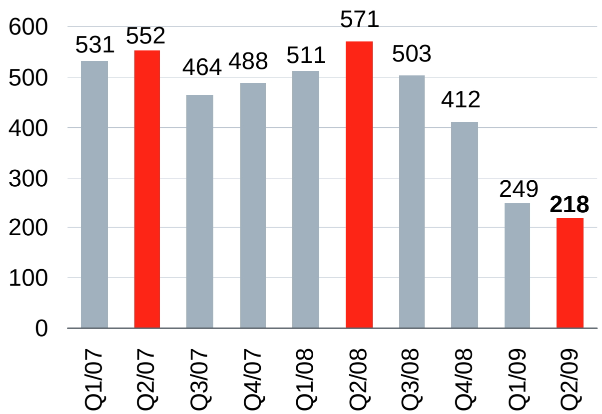


Breakdown of net sales by region H1/2009 (H1/2008)

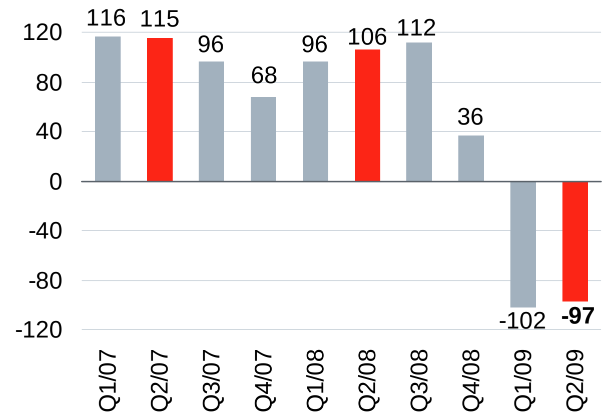


Metals: H1/2009

Net sales *), €m



Operating profit **), €m



- Net sales decreased due to:
  - continued weak demand for steel products
    - de-stocking affected delivery volumes
  - low level of activity in the lifting, handling and transportation equipment industry reduced sales of special steel products in particular
  - fall in sales of stainless steel and aluminium sold as trading products

- Operating profit decreased due to:
  - low steel production capacity utilisation rate
    - cost impact of around -€160m (Q1: -€90m and Q2: -€70m)
  - continued sluggish demand
  - poor price development
  - unwinding of stocks produced at high raw material prices
  - strikes and stock writedowns of around €11m during Q2

*) Comparable net sales

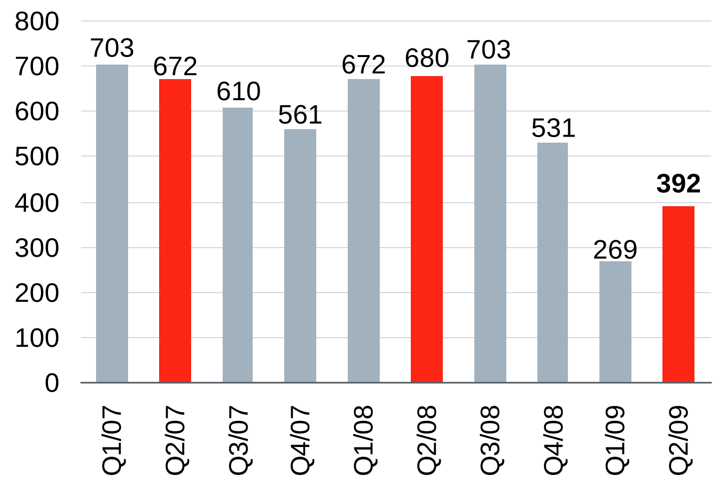
**) Comparable, excluding non-recurring items

Steel production: H1/2009

- The company's steel production during H1/2009 was 661 thousand tonnes (1,352)
- Capacity utilisation rate remained low almost throughout the report period
- Blast furnace which had been idle since December 2008, at the Raahe Works in Finland, was restarted in early May
  - Reached its target capacity utilisation rate of about 80 per cent in mid-June
  - Restarted to build up reserve stocks to safeguard uninterrupted customer deliveries during production downtime whilst modernisation is carried out in 2010

Steel production

1 000 tonnes



Actions to improve efficiency

Operational excellence programme "Boost" progresses to plan

Boost programme **ensures sustainable development** at Rautaruukki

Cost savings under the Boost programme **amounted to around €22 million during the first half of 2009**

Actions under Boost are expected to deliver cost savings of **around €50 million** during 2009

Aim: **permanent improvement of €150 million in operating profit** by year-end 2011, compared to 2008 level

Difficult market conditions have required significant adjustment measures

- Corporate-wide workforce reductions of around 1 800 persons
  - Around 500 in Finland, almost 300 of which are covered by pension arrangements
- Around 4 800 people are affected by temporary lay-offs
  - Of which around 4 400 in Finland
  - The time and duration of lay-offs varies according to site
  - In addition, around 800 persons in Central Eastern Europe have temporarily gone over to working a four-day week

It is estimated that Boost and other adjustment measures will deliver cost savings of **around 80 million** for the whole year

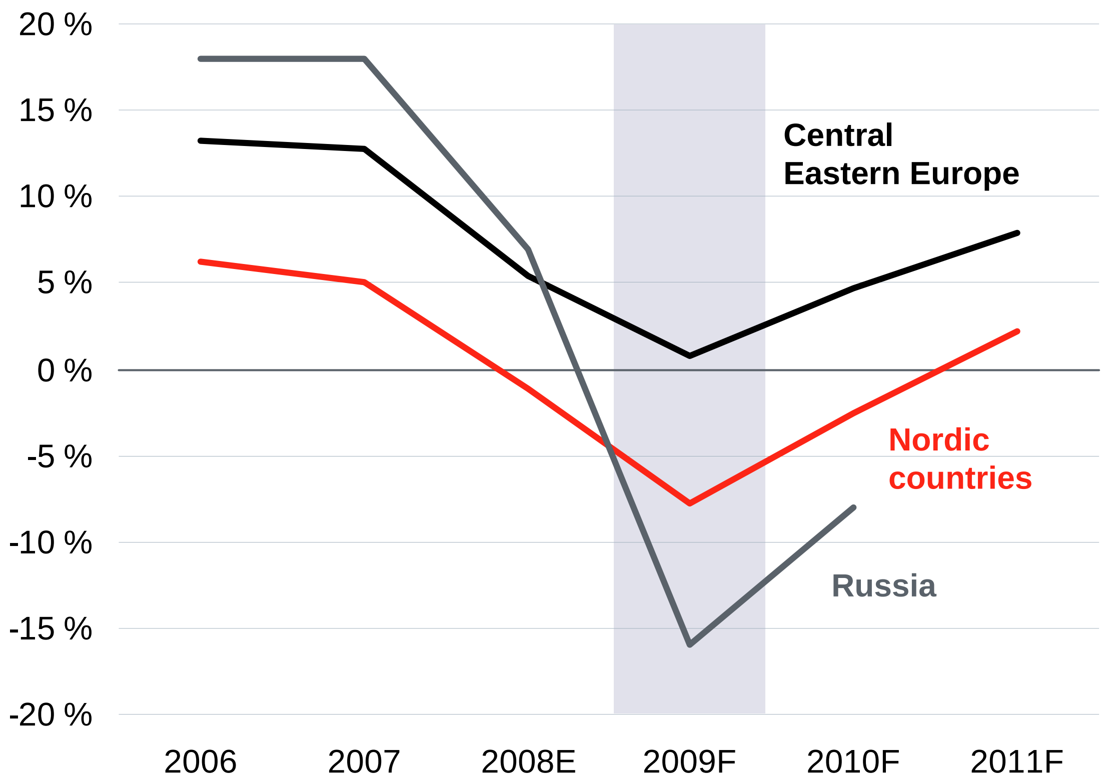
Business environment development

Business environment development

Construction

Construction market *)

Year-on-year growth 2006-2011E, %

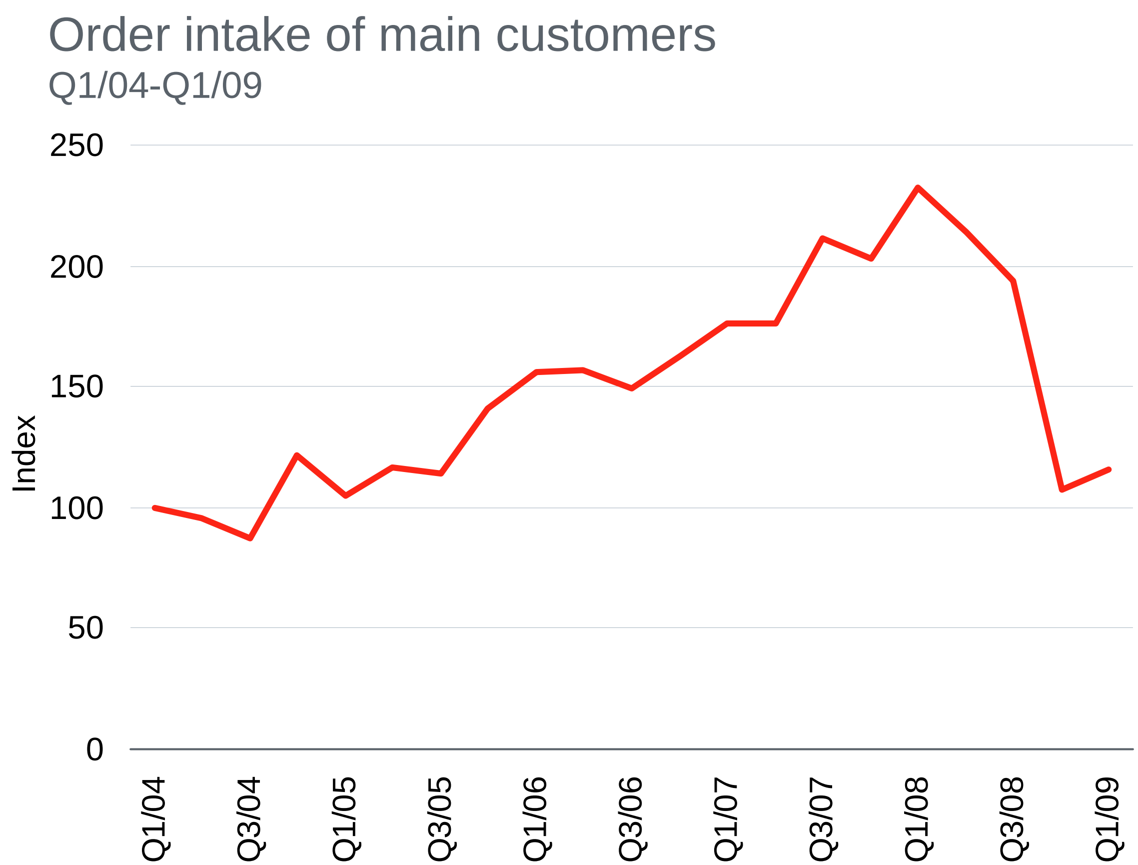


Sources: Euroconstruct: Finland, Sweden, Norway, Denmark, Poland, Hungary, Czech Republic & Slovakia (6/2009); Buildecon: Slovenia (5/2009), Romania & Croatia (4/2009), Bulgaria (3/2009), Ukraine & Serbia (1/2009); VTT: Russia (6/2009)

- Signs of residential construction picking up in Finland and the other Nordic countries towards year-end
- National economies of Poland and Russia are expected to recover faster than those of, e.g., the Baltic states, Hungary or Ukraine when global economy returns to growth track
- Still a strong need for new and renovation construction in all Eastern European countries
  - Other construction needs created by major infrastructure projects partly support demand for commercial and industrial construction in these countries

*) Including both new and renovation construction

Business environment development
Engineering business



Sources: Company reports (Konecranes, Cargotec (Hiab, MacGregor, Kalmar), Metso Minerals, Wärtsilä, Andritz Pulp & Paper, Atlas Copco Construction & Mining Equipment)

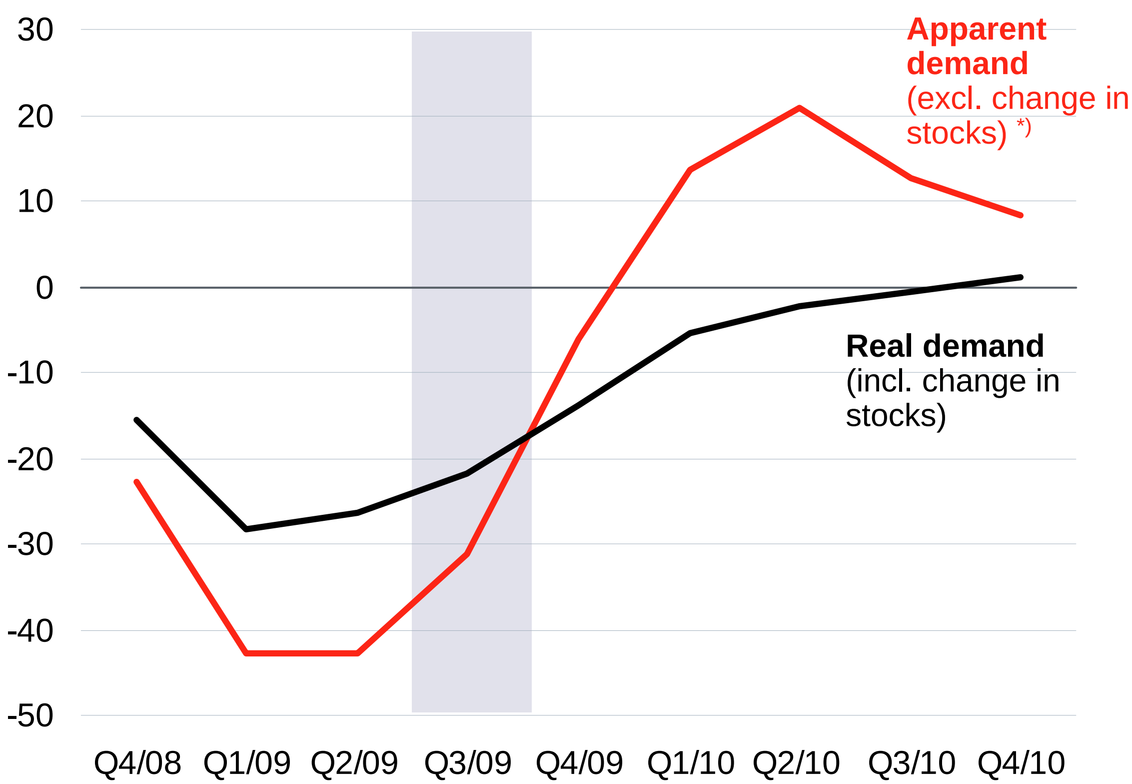
- Many engineering companies are reviewing their manufacturing strategies:
  - some will increase insourcing, others outsourcing
- This trend is expected to increase demand for local assembly and manufacturing in the Ruukki's units in Poland and Hungary and, in future, possibly also in Russia
  - A weakening of the currencies in these areas is partly contributing to this change
- However, this trend poses challenges for the near-term growth of Ruukki's engineering business, especially in Finland and the other Nordic countries

Business environment development

Steel business

Steel consumption in the EU-27

Year-on-year growth Q4/08-Q4/10E, %



- Once de-stocking is completed, ex-works deliveries of steel products are expected to pick up to meet end-customer demand
- Coal and iron ore price agreements signed are expected to support the price development of steel products during the second half of the year as the uncertainty concerning raw material costs fades
- Lower stock levels are also expected to contribute to price development

Source: EUROFER, 6/2009

*) deliveries from steel producers and importers

Near-term outlook

Near-term outlook (1/2)

DIVISIONS

Ruukki Construction

- Lower than normal growth in seasonal demand is expected for the current year
- No growth in the level of activity in commercial and industrial construction is anticipated during the current year
  - Demand is not expected to recover until the situation in the financial markets improves and customer confidence, as well as a willingness and ability to invest, is restored
- Infrastructure construction is expected to pick up somewhat
  - public sector stimulus packages will foster demand in the Nordic countries starting from towards the end of 2009

Ruukki Engineering

- A fall in stock levels in the supply chain is expected to support demand in the company's engineering division towards the end of the year
- Over the next few months no real improvement is expected in the poor level of demand witnessed during the second quarter in the manufacture of equipment in the lifting, handling and transportation industry
- Good demand from equipment manufacturers in the energy industry is expected to continue
- Market conditions in plate products and components in the shipbuilding industry are weak and there are few new orders

Ruukki Metals

- No major improvement in the overall picture of demand is expected during the summer
- Once de-stocking is completed, direct ex-works deliveries are expected to increase to correspond to the level of end-customer demand

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Near-term outlook (2/2)

COSTS

- Restarting the idle blast furnace at the Raahe Works will increase the steel production capacity utilisation rate and clearly improve cost efficiency.
  - This will be evidenced in the company's cost structure during the second half of the current year
- The fall in price of main raw materials used in steel production will be reflected in full in the company's cost structure during the second half of the year
- The company expects cost savings through operational efficiency improvement actions and adjustment measures to impact in full during the second half of the year
  - Cost savings from the Boost programme and other adjustment measures already under way are expected to be in the region of €80 million for the whole year

Assessment of expected performance

H2/2009

- Based on efficiency improvement actions and adjustment measures under way, lower costs of raw materials used in steel production and improved cost efficiency in steel production, the company estimates there will be a marked improvement in the result before taxes for the second half of the year compared to the first half, but might remain slightly negative

Summary

- Exceptionally weak market conditions continued throughout the report period
- Comparable consolidated net sales and operating profit were clearly down year on year
- Clearly positive cash flow from operating activities and strong financial position
- Cost efficiency is expected to improve based on:
  - efficiency actions and adjustment measures under way
  - expected lower costs of raw materials used in steel production
  - improved cost efficiency in steel production after restarting the blast furnace
- The company estimates there will be a marked improvement in the result before taxes for the second half of the year compared to the first half, but might remain slightly negative

more with metals

Appendix

Exceptional items: H1/2009

€m	Q1/09	Q2/09	H1/09
Writedown of stocks	-12	-8	-20
Strikes		-3	-3
Provision for non-recurring items		-5	-5
Total	**-12**	**-16**	**-28**
Arrangement fee for revolving credit facility *)		-5	-5

*) Financial item

Key figures: H1/2009

€m	H1/09	H1/08	Q2/09	Q2/08
Net sales *)	944	1,985	438	1,060
Operating profit (EBIT) **)	-225	314	-112	172
as % of net sales **)	-23.8	15.8	-25.6	16.2
Result before taxes **)	-244	313	-123	174
Result for the period	-184	229	-94	123
Earnings per share, diluted, €	-1.33	1.65	-0.68	0.89
Return on capital employed, % ***)	1.9	28.6		
Gearing ratio, %	22.9	5.8		
Gross capex ****)	88	103		
Cash flow before financing activities	-6	192		
Personnel (average)	13,165	14,986	12,870	15,327

*) Comparable net sales, **) Comparable, excluding non-recurring items, ***) Rolling 12 months,
****) In tangible and intangible assets

Quarterly comparable net sales and operating profit

€m	Q1/08	Q2/08	Q3/08	Q4/08	Q1/09	Q2/09
Net sales *)						
Ruukki Construction	225	285	309	248	132	145
Ruukki Engineering	188	205	184	187	125	75
Ruukki Metals	511	571	503	412	249	218
Corporate management and other units	1	-1	0	0	0	0
Consolidated net sales	925	1,060	996	847	506	438
Operating profit (EBIT) **)						
Ruukki Construction	21	38	56	17	-13	-9
Ruukki Engineering	32	35	34	27	5	-2
Ruukki Metals	96	106	112	36	-102	-97
Corporate management and other units	-7	-7	-5	-6	-3	-4
Consolidated operating profit	141	172	197	74	-113	-112

*) Comparable net sales, **) Comparable, excluding non-recurring items