

# Interim Review Q1-Q2 2005

July 27, 2005

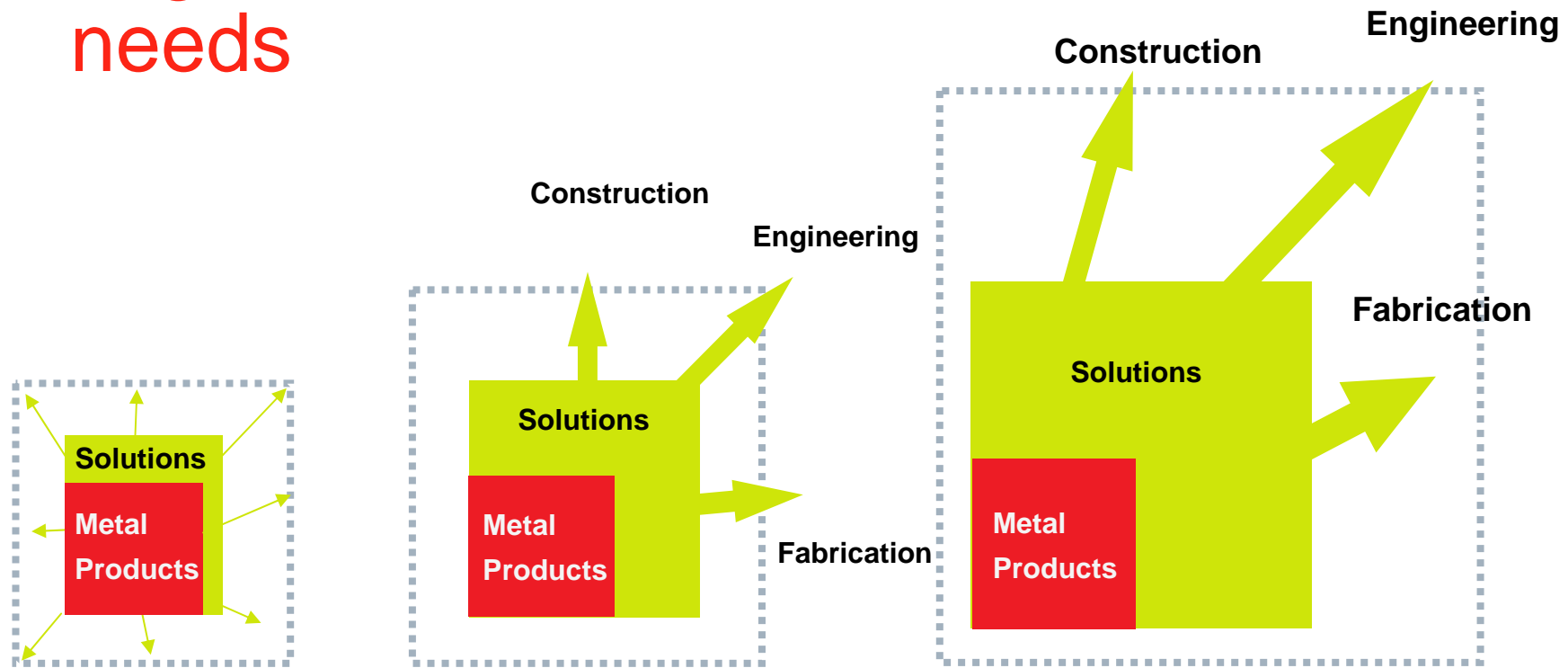
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- **Strategy Moving Ahead**
- **Business Environment**
- **Financials Q1-Q2 2005**
- **Near-term Outlook**
- **Summary**
- **Appendices**

# Strategy Moving Ahead

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# Our vision: solutions for specific segments based on customer needs



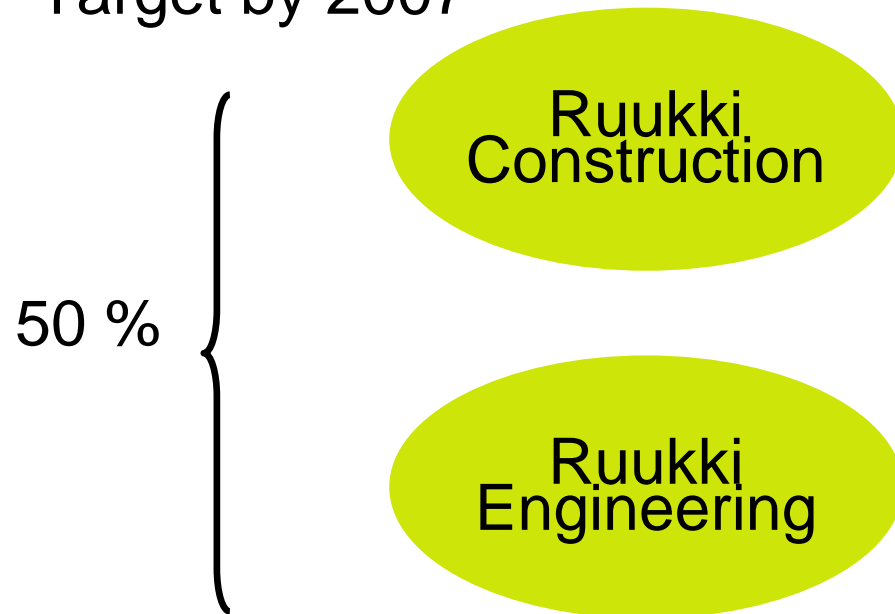
2003  
Reliable steel producer



2008-2010  
The most desired solution supplier

# Strategy implementation

Target by 2007



Actions taken by now

- Metalplast in June 2005
- Velsa in autumn 2004
- PreSteel in autumn 2004
- Long steel business restructuring/Ovako in May 2005

# Key driving forces for Metalplast acquisition

- To strengthen Ruukki Construction's position
  - in commercial construction
  - within the strategic CEE area and Northern Europe
- To benefit synergies in sandwich panel business
- To improve Ruukki's component and system supply
- To exploit new business possibilities in the strategic market areas

# Rationale behind Ovako

- Supports the shareholders' strategy to focus on their respective core businesses
- Significant potential for profit and value enhancement through synergies
- Frees up management resources and releases capital through planned refinancing of Ovako debt
- Significant holding in a leading European long steel company

# Strategy will be further supported by acquiring

- Financially sound, growing businesses
  - for components and systems
  - to strengthen market position especially in CEE
  - for low cost assembly capacity in CEE area
- Expertise in
  - construction project management, metal construction and structural design
  - engineering with focus on Lifting, Handling and Transportation



# Business Environment

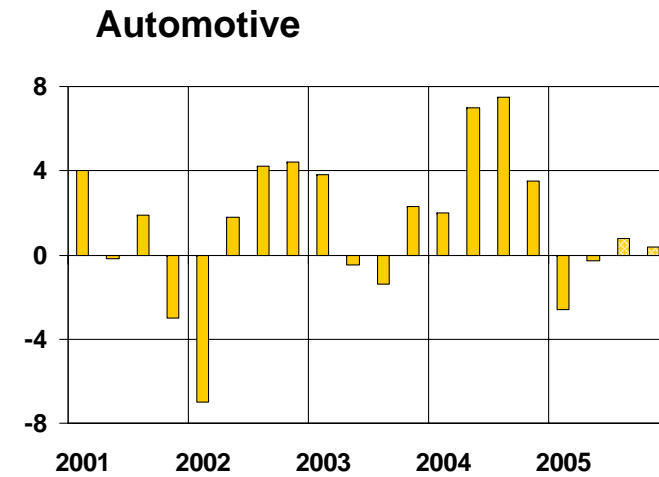
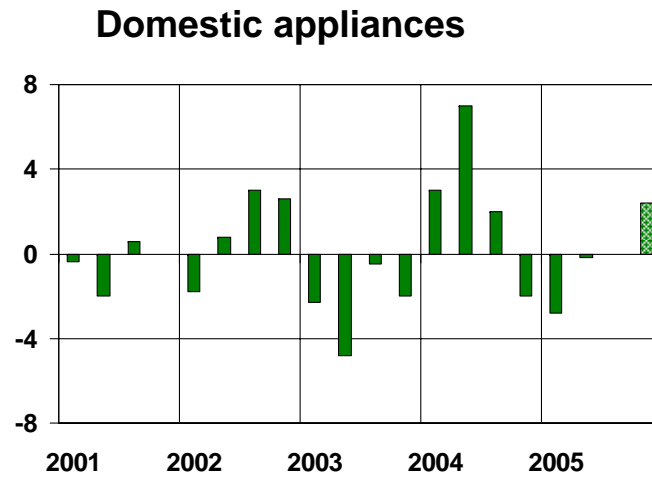
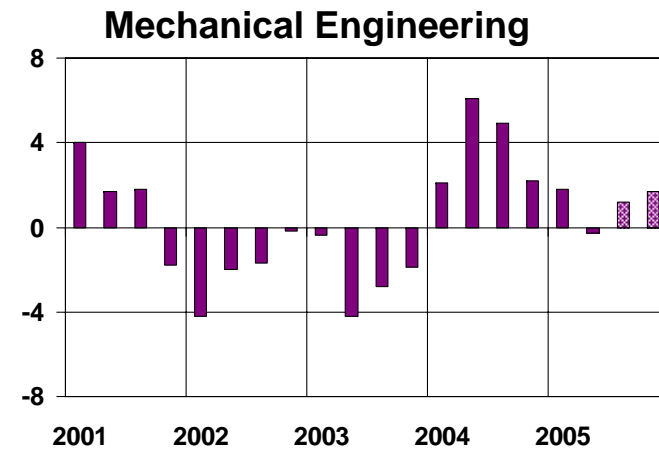
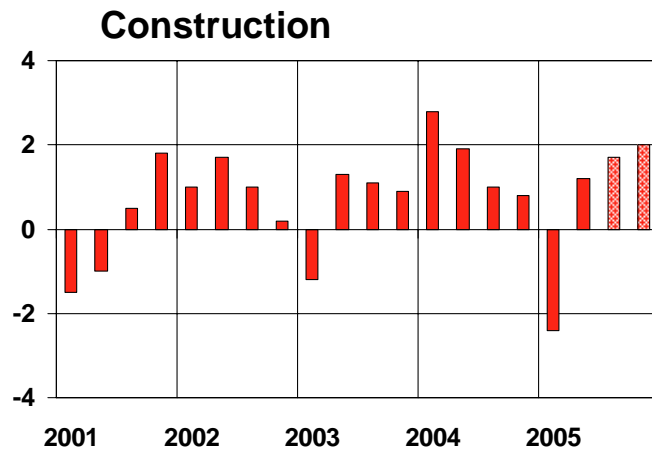
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# Healthy market conditions continued in major customer businesses

- Good construction activity in the core markets
  - Seasonal pick-up during Q2
- Strong order backlog in the engineering industry
- Good demand for steel products
- Destocking among wholesalers started during latter part of Q2
  - decrease in apparent consumption
- Price levels have been strong in the core market areas

# Industrial activity in EU

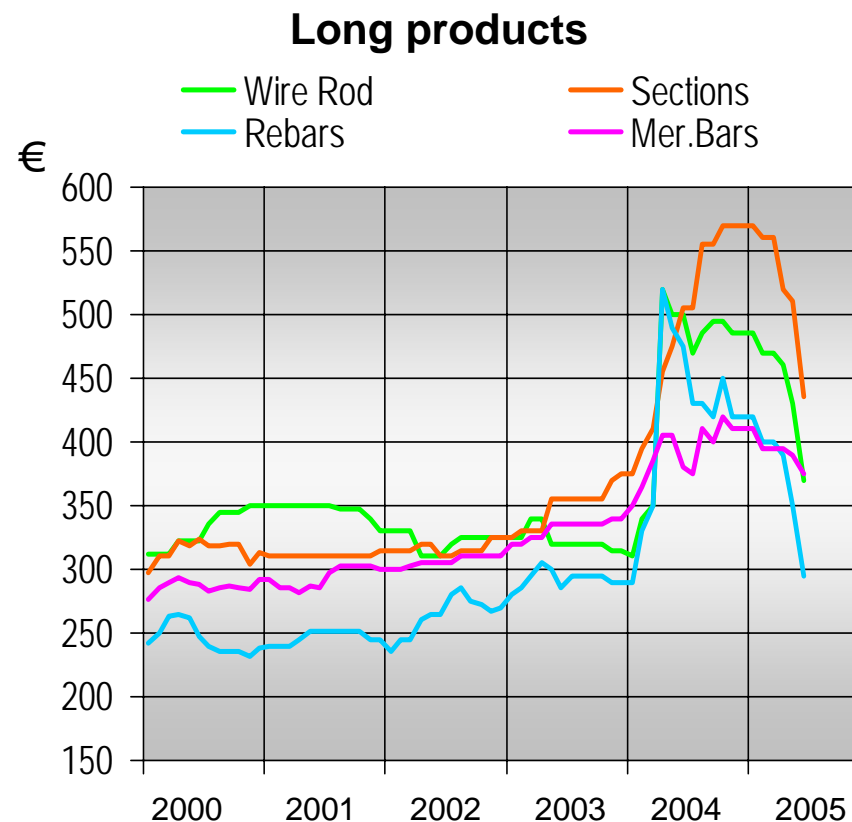
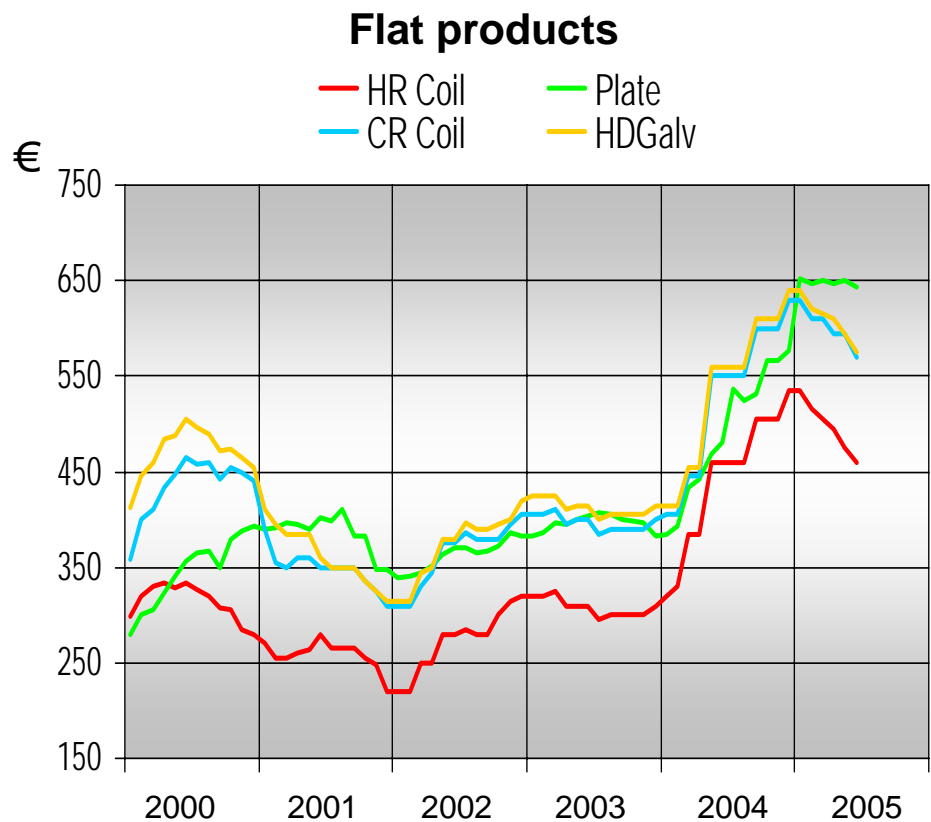
y-y change, %



Source: Eurofer's estimates July 2005

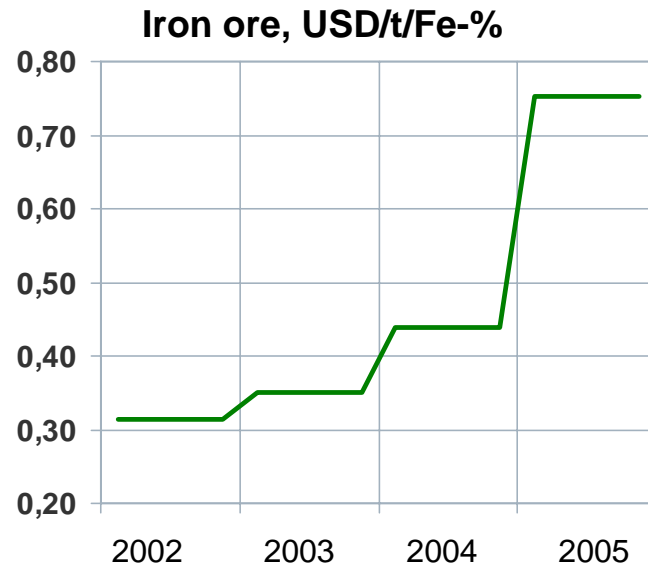
# Steel products prices

European steel prices (Germany)

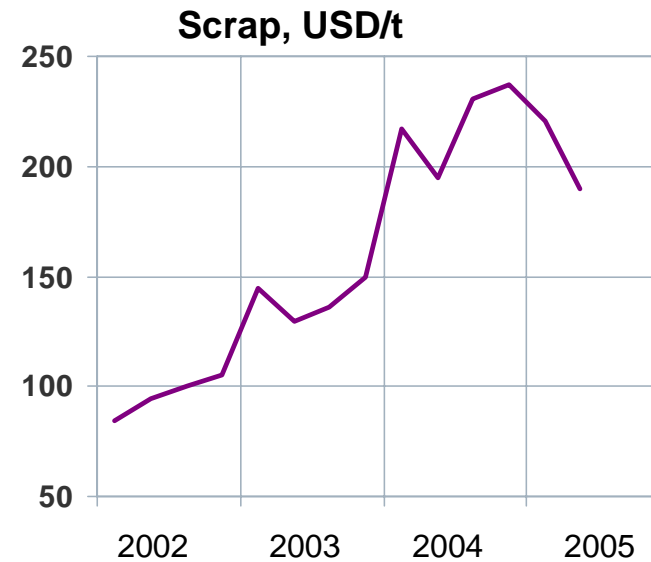


Source: CRU, Basis transaction prices, June 2005

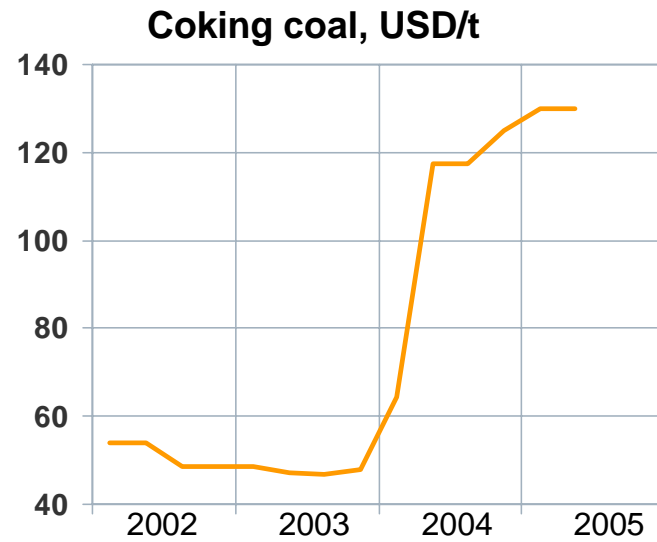
# Raw material prices



Source: LKAB, Kiiruna KBF



Source: Metal Bulletin, HMS 1&2 fob Rotterdam



Source: Coal Week International, Australia Queensland

# Financials Q1-Q2 2005

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# Continued favorable business performance

- Focus on profitability, key customer segments and core market areas
- Improved cost efficiency
- Prices for steel products at a clearly higher level than one year ago
- Production running smoothly
- Fixed costs under control

## Second quarter highlights vs. Q1/05

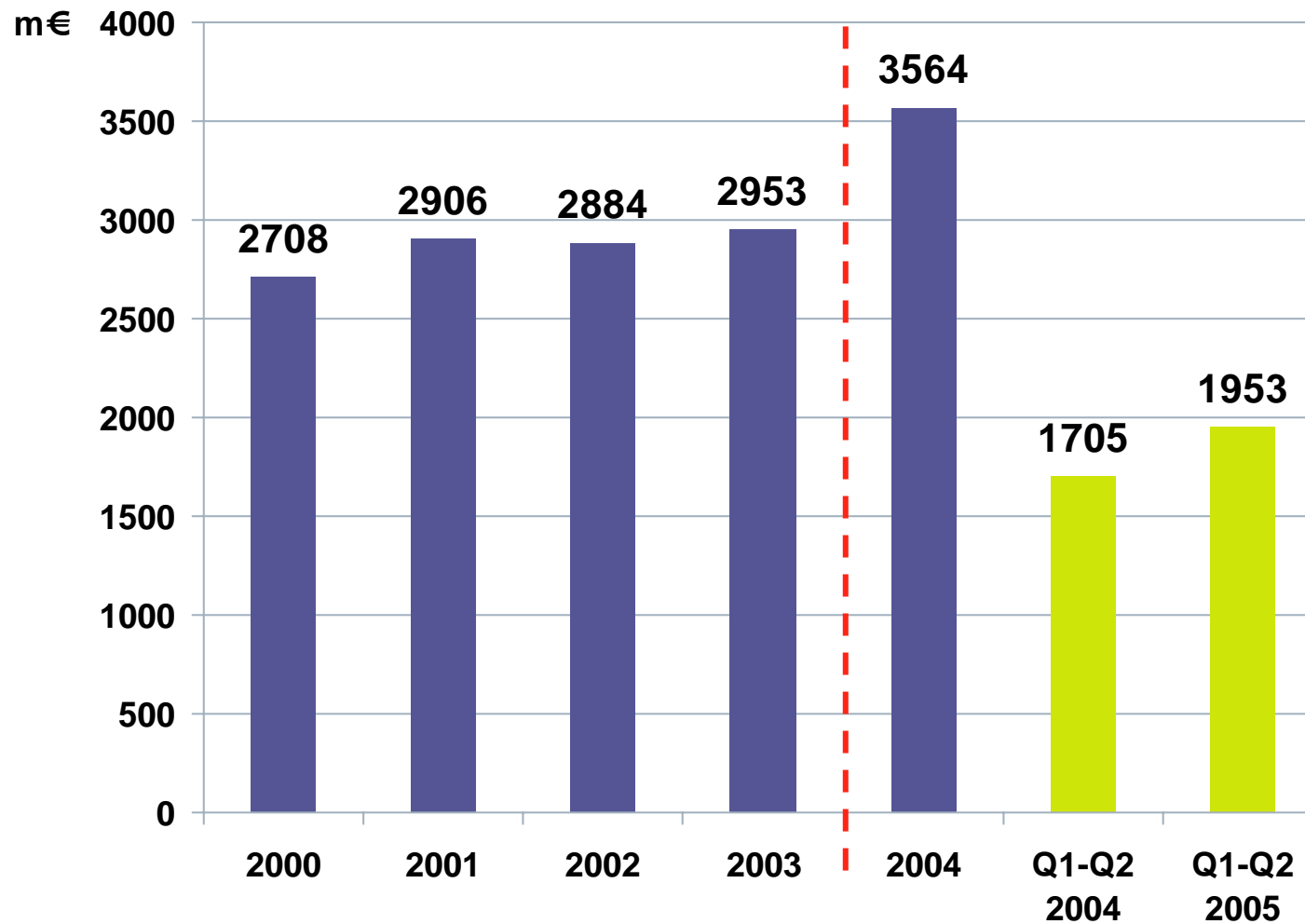
- Strong underlying demand in major customer businesses continued
- Reported net sales decreased due to Ovako arrangement
- Excl. Ovako, net sales increased compared with Q1
- Sales prices mainly at Q1 levels
- Improved sales structure and cost efficiency
- Gain from US dollar in EBIT was 12 m€ vs. 4-6/04
- Gearing 50.5 %



# Emissions trading

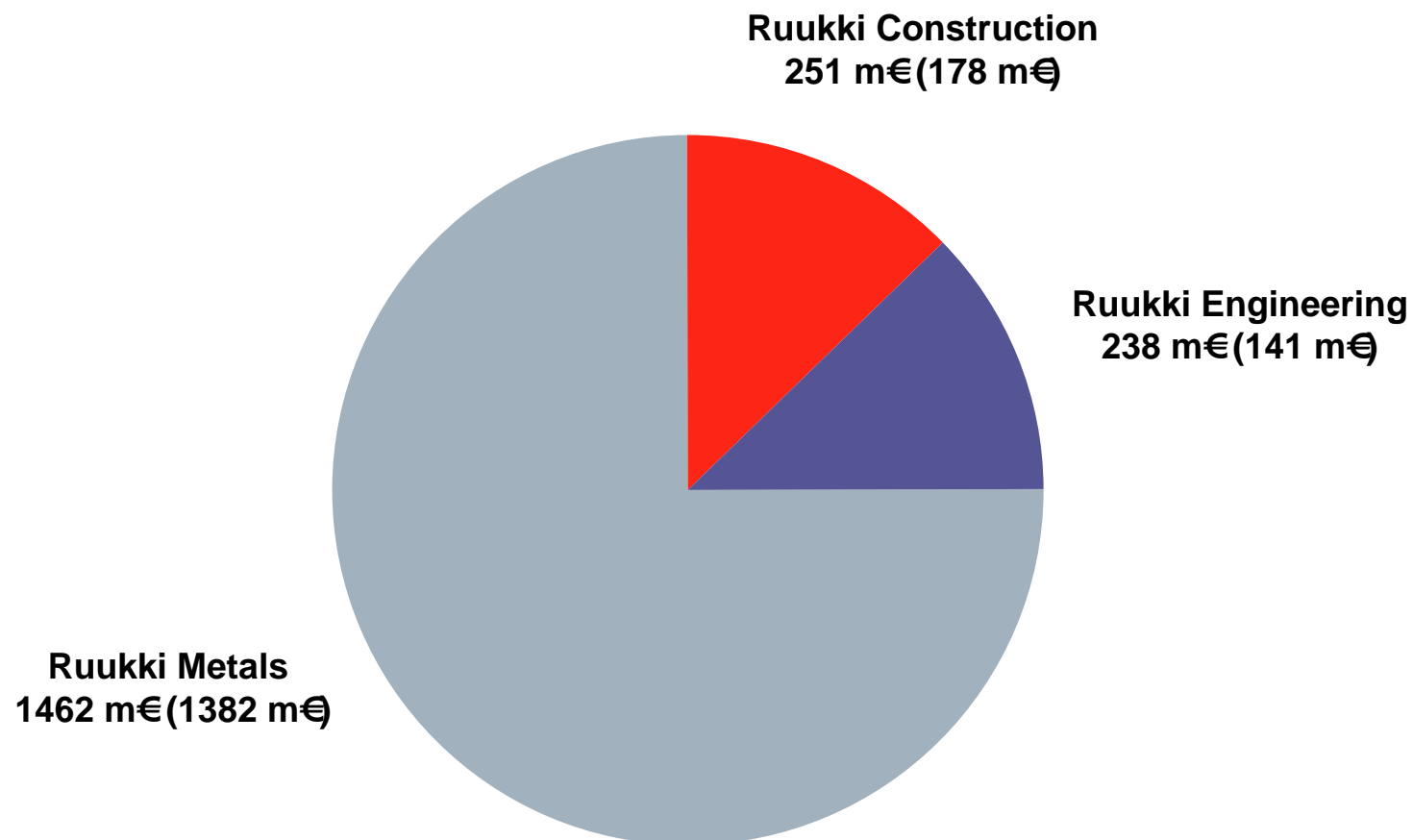
- IASB withdrew the IFRIC Interpretation 3 in accounting for CO2 emission allowances, taking immediate effect in June
- Rautaruukki has changed the accounting treatment for emission allowances accordingly
- The related EUR -8 million entry which was made in Q1 has been returned to January – March, 2005 operating profit
- The EUR 86 million increase in total assets that resulted from the accounting treatment of the free emissions allowances has been withdrawn

# Net sales, Group total

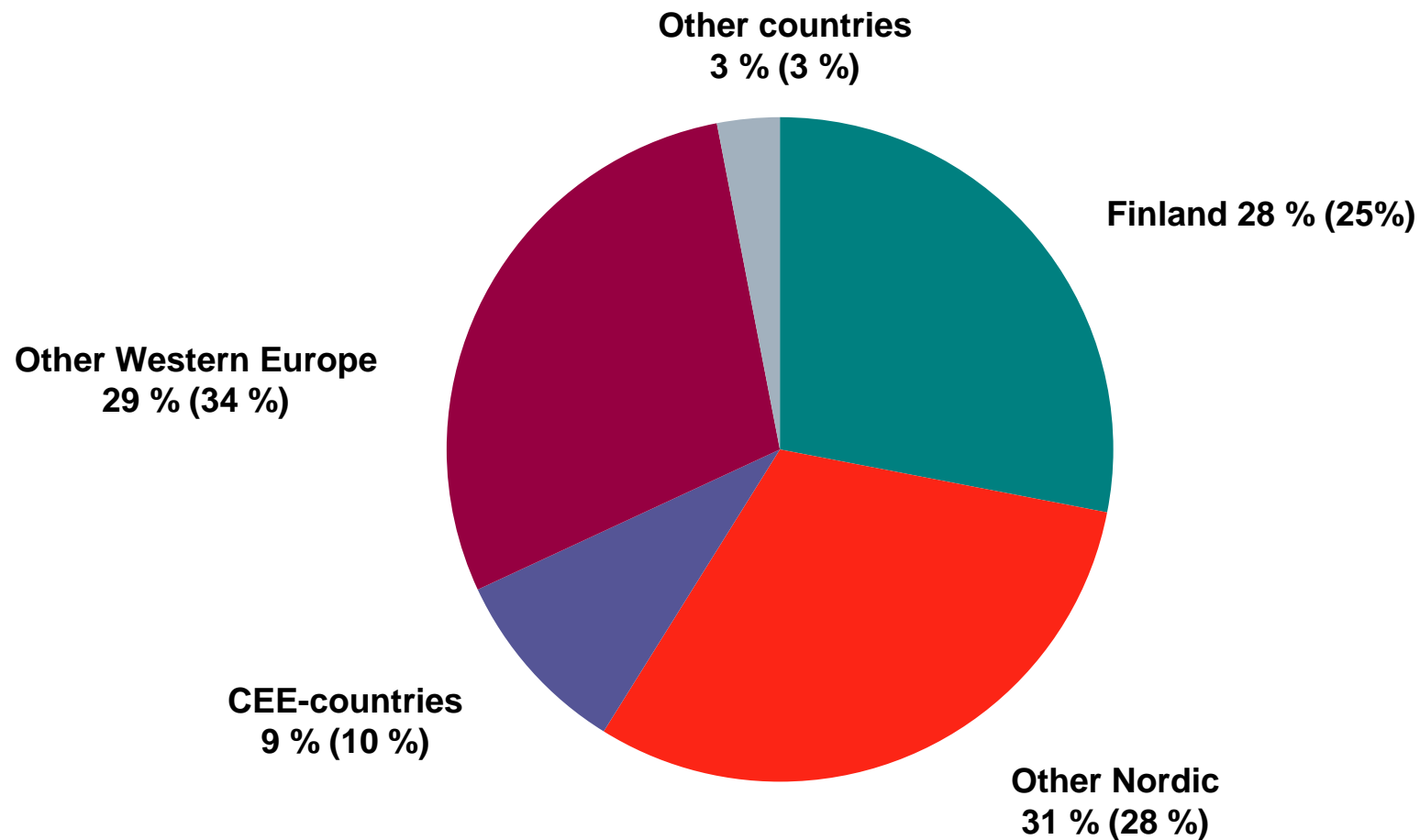


Year 2000 – 2003 according to FAS and from 2004 according to IFRS.

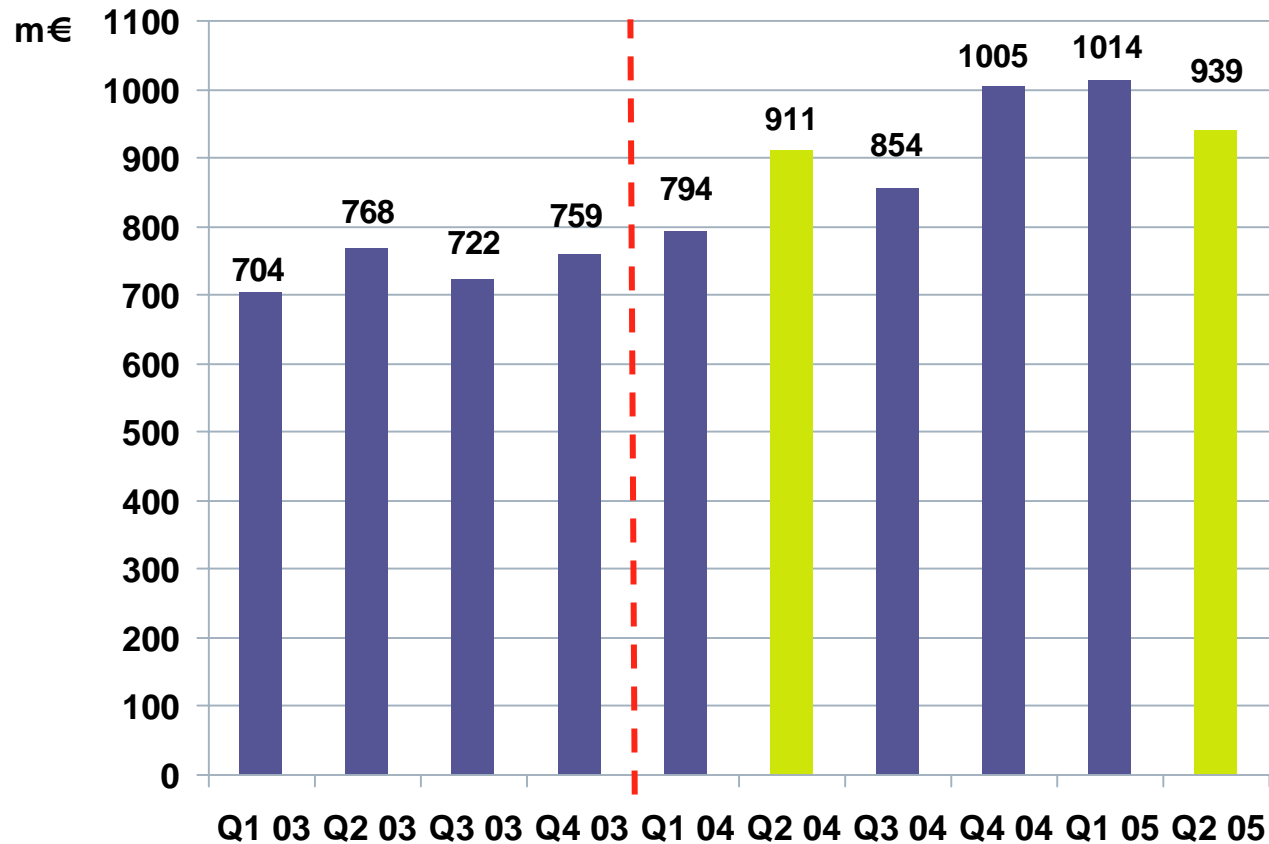
# Group net sales by division Q1-Q2 2005 (Q1-Q2 2004)



# Group net sales by area Q1-Q2 2005 (Q1-Q2 2004)

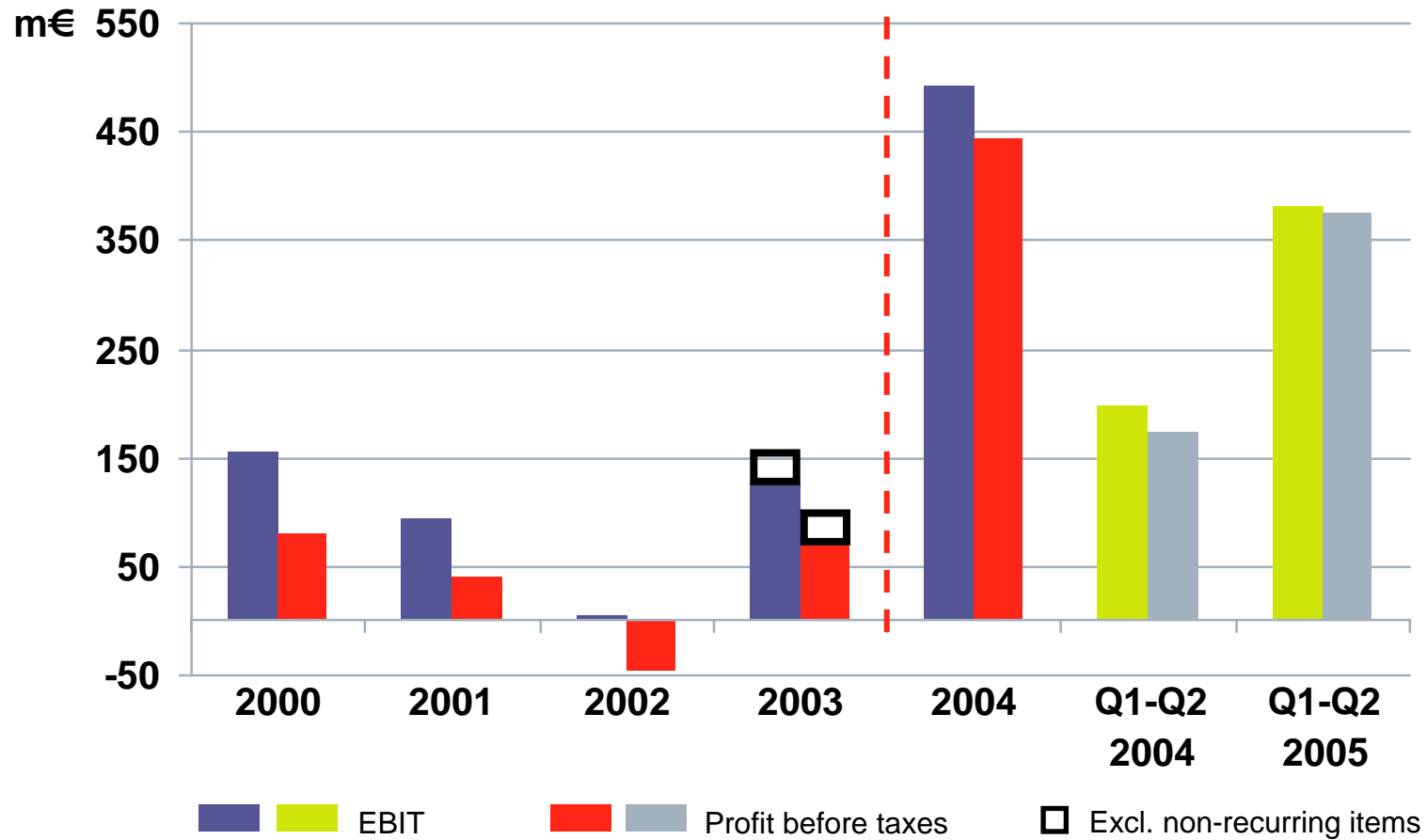


# Quarterly net sales, Group total



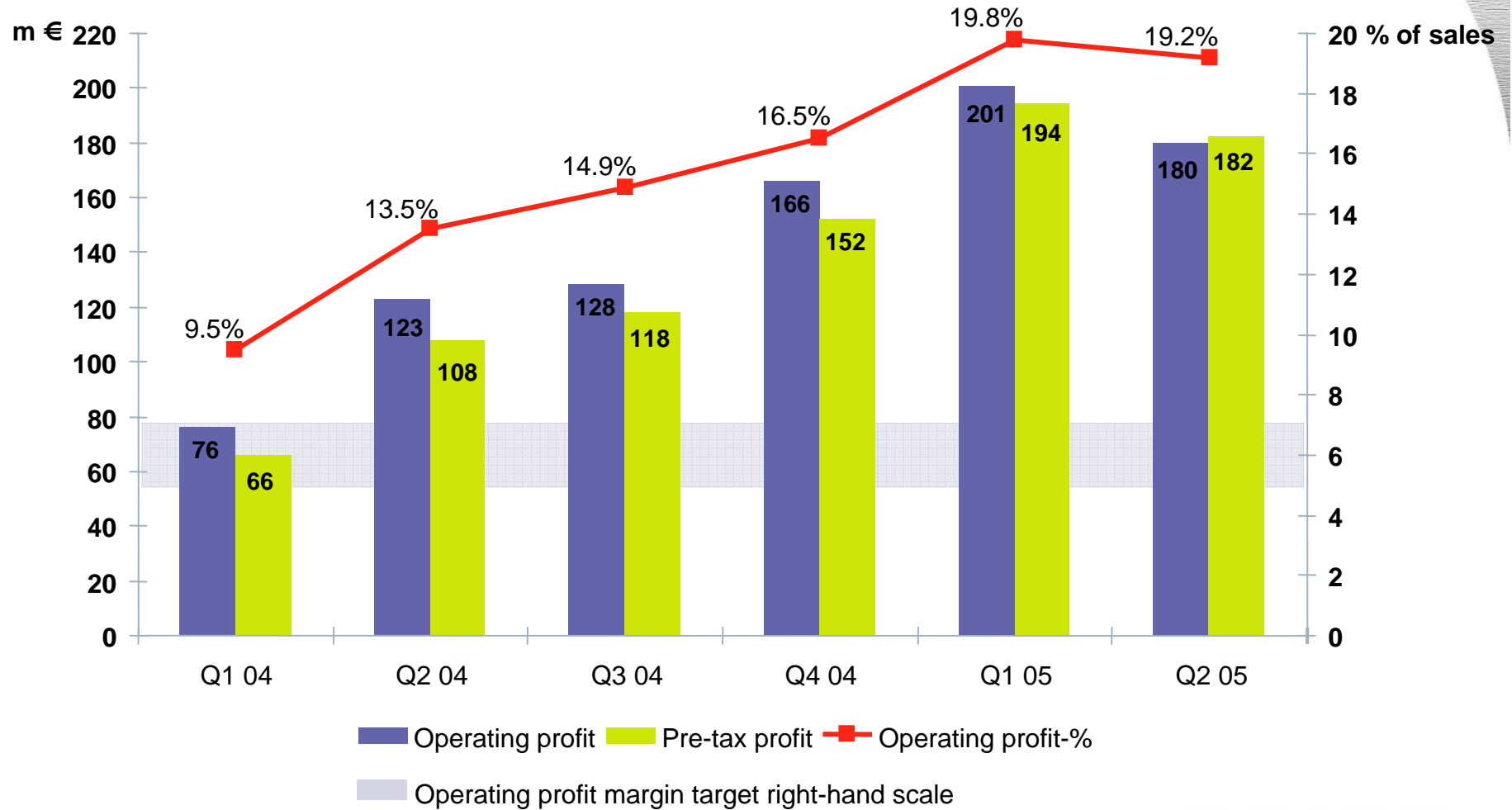
Years 2000 – 2003 according to FAS and from 2004 according to IFRS.

# EBIT and profit before taxes 2000 – Q2/2005

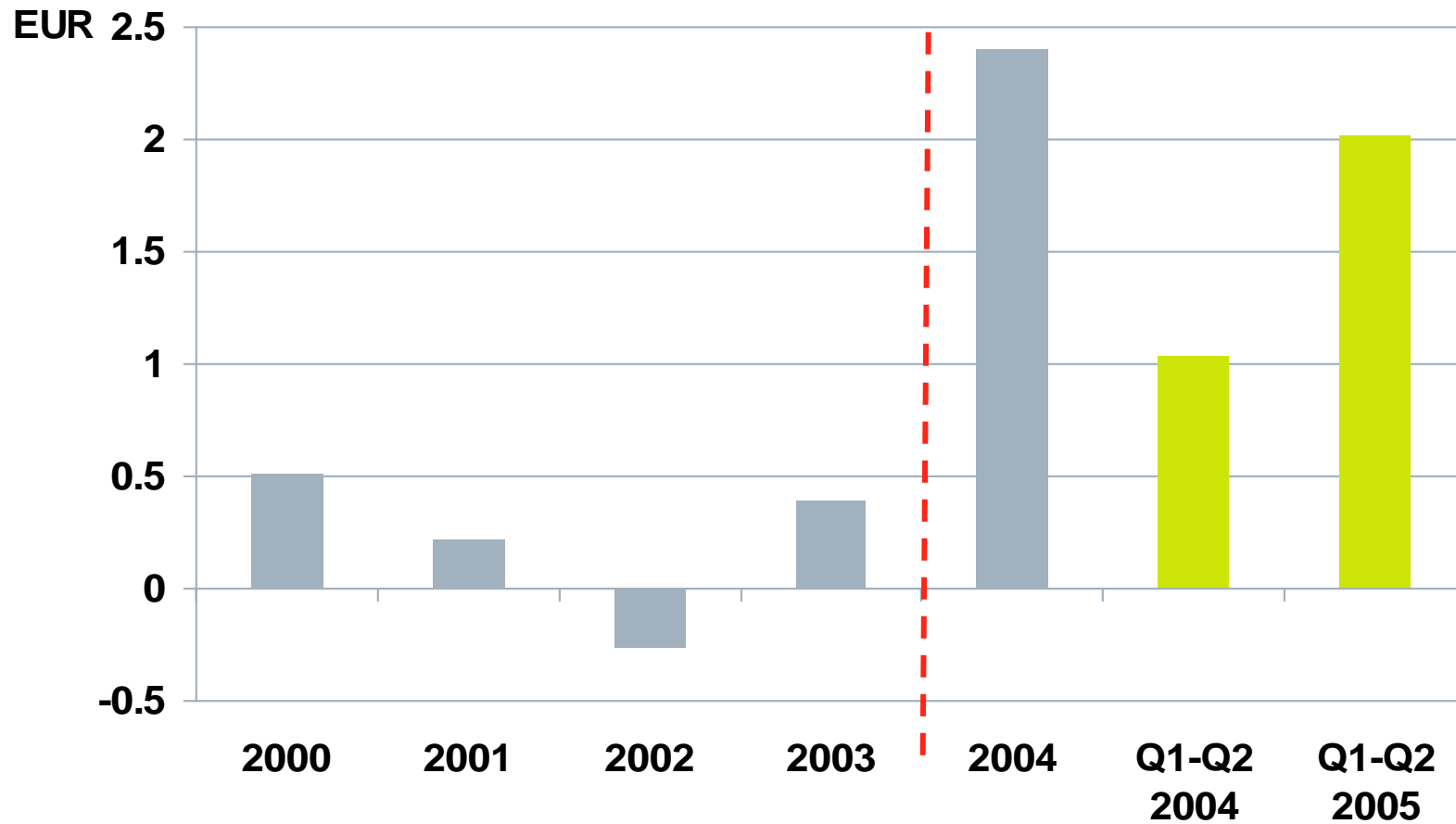


Years 2000 – 2003 according to FAS and from 2004 according to IFRS.

# Quarterly EBIT and profit before taxes, group total



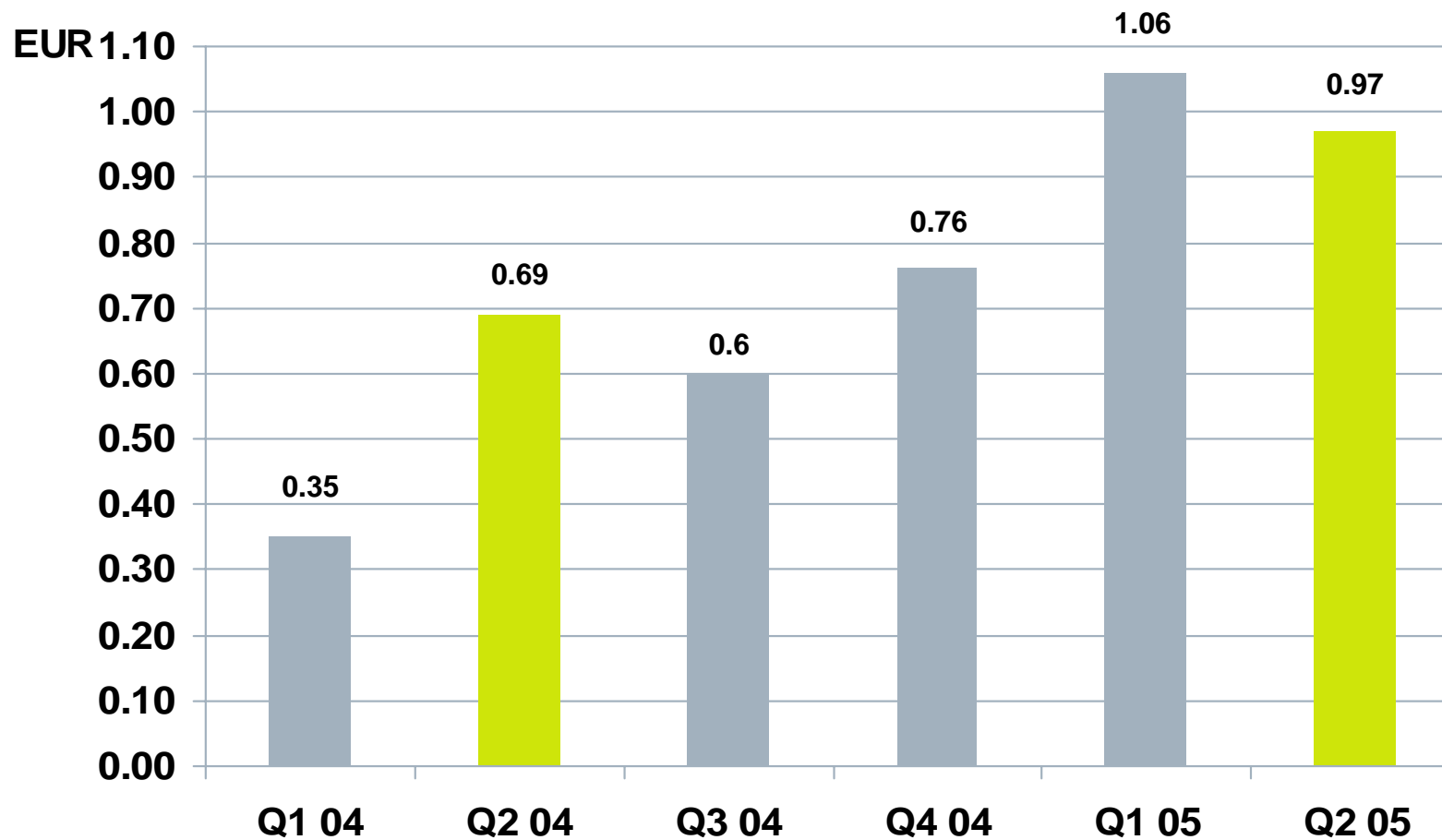
# Earnings per share



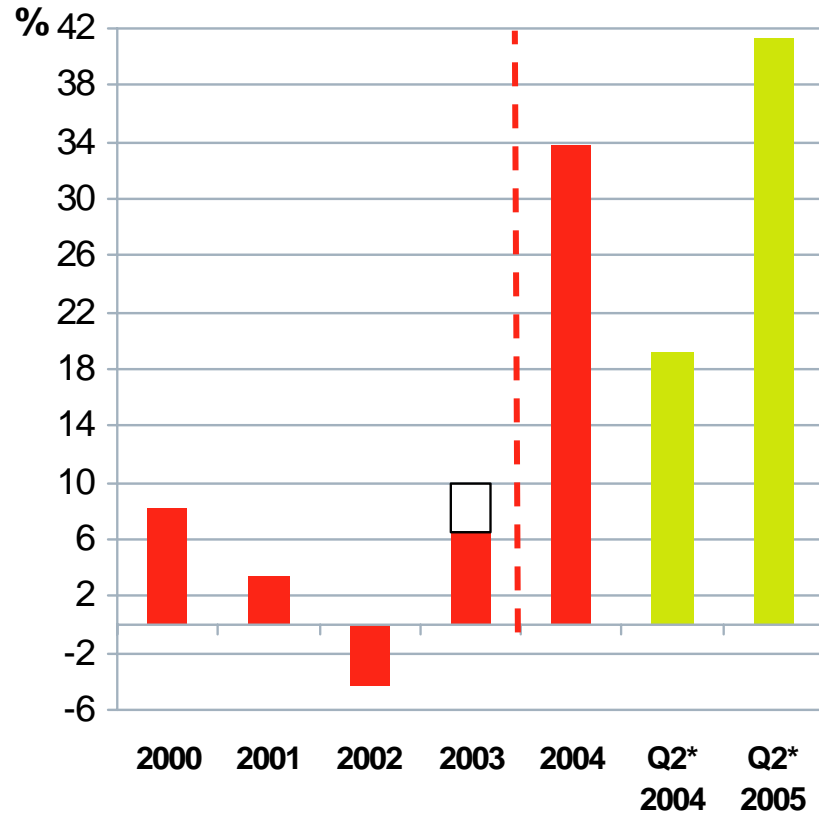
Years 2000 – 2003 according to FAS and from 2004 according to IFRS.



# Quarterly earnings per share



# Return on equity

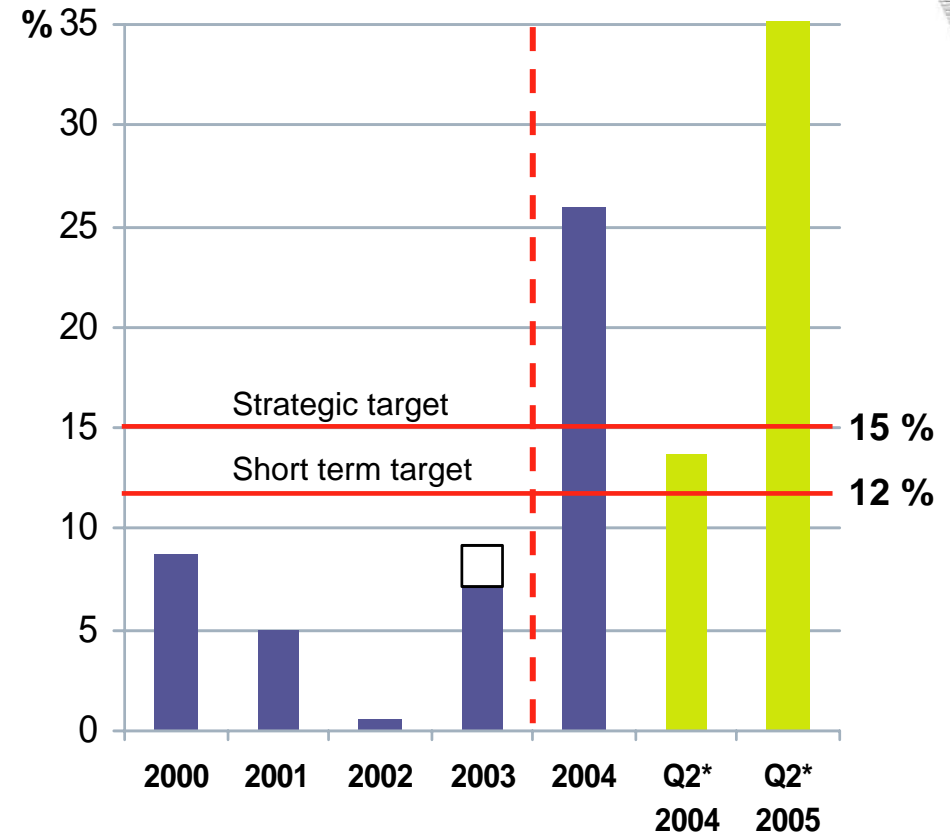


\* Rolling 12 months

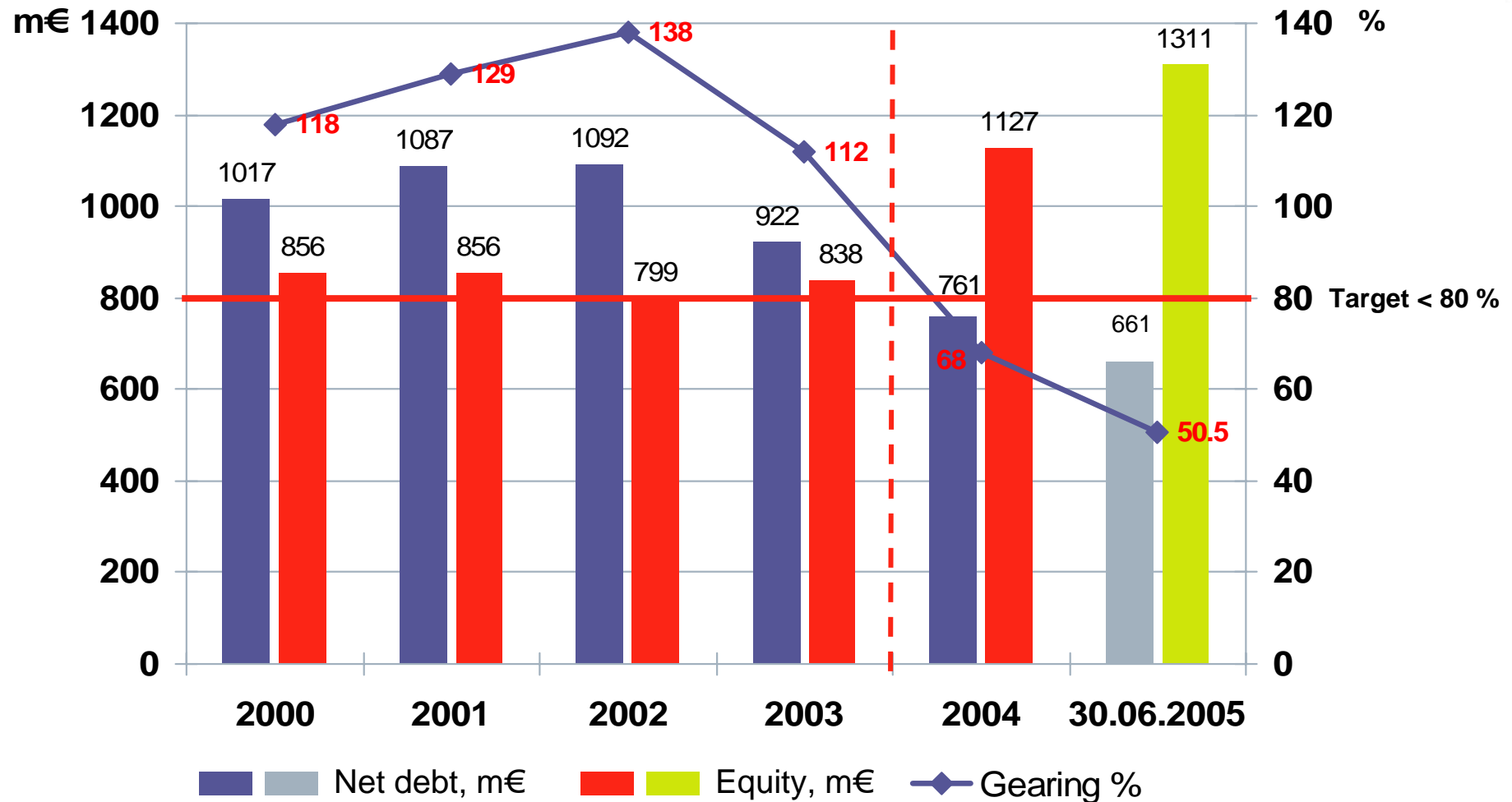
□ Excl. non-recurring

Year 2000 – 2003 according to FAS and from 2004 according to IFRS.

# ROCE

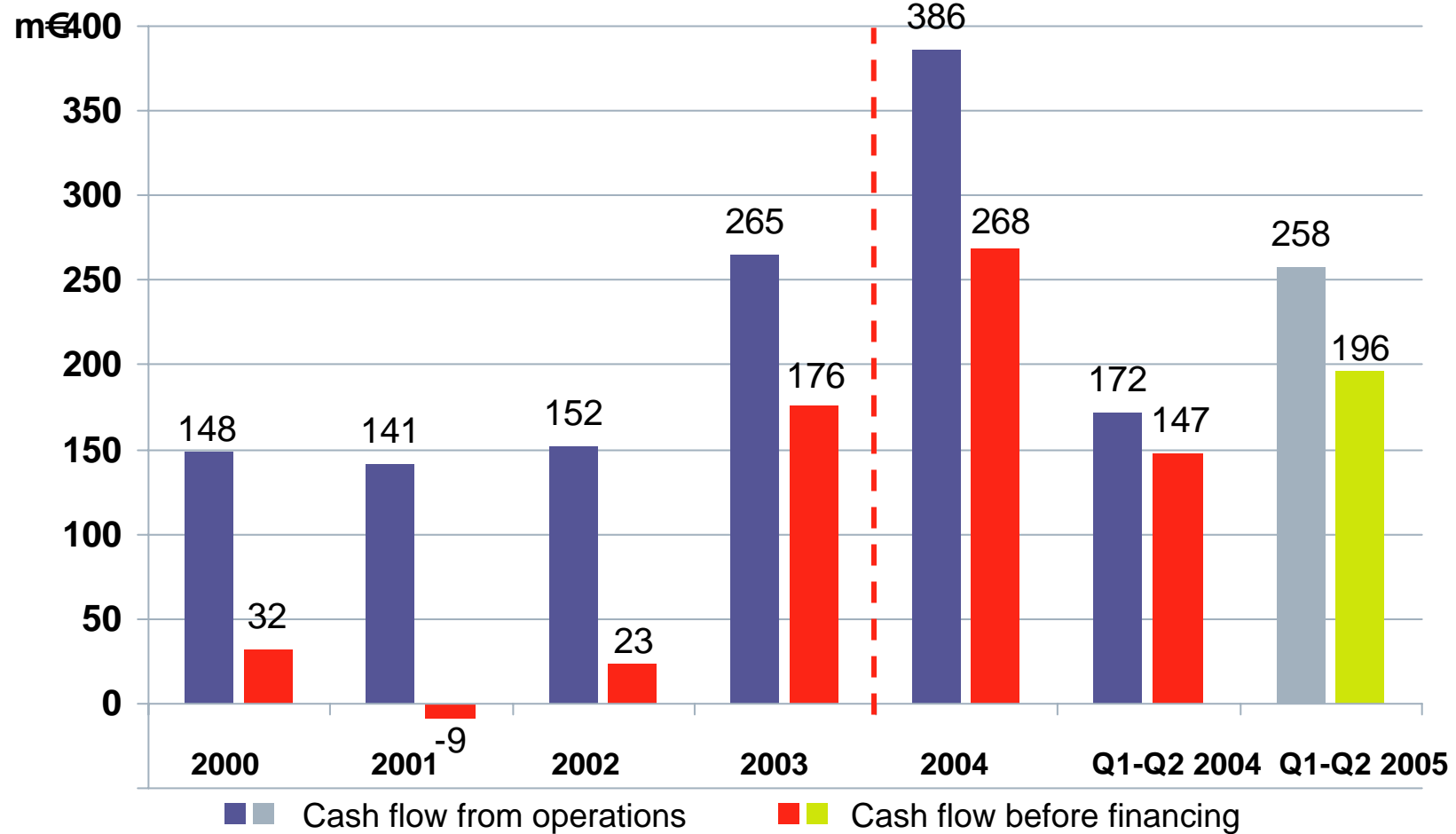


# Net debt, equity, gearing



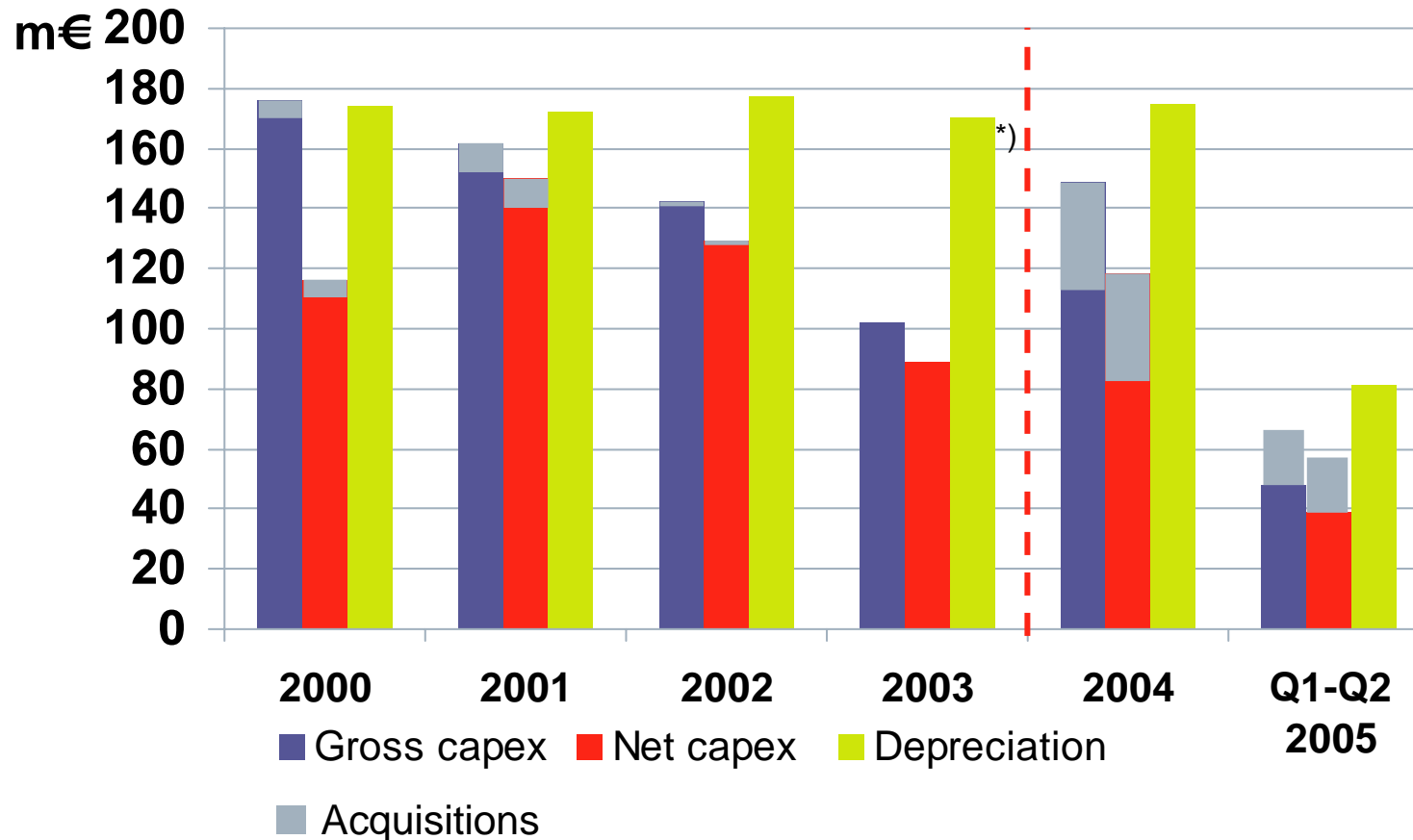
Years 2000 – 2003 according to FAS and from 2004 according to IFRS.

# Cash flow



Year 2000 – 2003 according to FAS and from 2004 according to IFRS.

# Capex vs. depreciation



<sup>\*)</sup> Excl. value reductions 33 m€

Year 2000 – 2003 according to FAS and from 2004 according to IFRS.

# Near-term Outlook

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# General market environment

- Demand expected to continue strong in major customer businesses and core market areas
- Apparent demand for steel products in EU stays modest due to inventory cutbacks at wholesaler level
- Inventory levels are expected to normalize during the autumn
- Steel industry adjusting production to demand

# Ruukki outlook for 2005

- Good construction activity in core markets
- Engineering customers report solid order backlogs
- The sales structure is being improved and the Group has prepared to continue to adjust production in line with profitable demand
- Due to destocking among wholesalers, steel product prices are expected to decrease somewhat in Q3
- Comparable net sales expected to be higher than in 2004
- Comparable EBIT expected to clearly exceed last year's level
- The biggest uncertainty lies in inventory situation in Europe and in the demand on Asian markets and its effects on market prices of basic steel products



# Summary

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# Summary

- Strategy moving ahead
  - first steps taken
- Favorable business performance continued in H1/05
- Strong underlying demand continues in major customer businesses
- Inventory cutbacks at wholesaler level will be reflected in apparent demand for steel products
  - production adjusted to demand
- Steel product prices are expected to decrease somewhat in Q3
- Full year comparable EBIT expected to clearly exceed last year's level

**Q & A**

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more with metals

# Appendices

# **Metalplast acquisition**

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# Main points on Metalplast acquisition

- Metalplast-Oborniki Holding Sp. z o.o acquisition was announced in January
- Competition authorities approved the acquisition in May
- On 23 June, Rautaruukki's shareholding was increased to 99.8 %
  - Remaining 0.2% are owned by private shareholders
- Metalplast is included in the consolidated financial statements of Rautaruukki as of 1 June 2005

# Metalplast – Main facts

- Net sales 2004: EUR 70 million
- Personnel: 726
- The no.1 supplier of sandwich panels in Poland
- Main export markets are Russia and the Baltic States
- Sandwich panel business accounts for 86% of sales
  - The remaining 14 % is derived from hot-dip galvanizing services, windows, doors and containers with steel constructions

# Metalplast - Products

## Sandwich panels

- insulation material bonded between two steel sheets
- Applications: walls, roofs, cold storage and noise barriers
- Customers: construction companies, retail chains (e.g. TESCO), warehouse and logistics centres

### ***Polyurethane panels***

- 62% of sales
- 60% market share in Poland



### ***Mineral wool panels***

- 17% of sales
- Poland, Russia and the Baltic States main markets
- Increasing penetration due to changes in safety regulations



### ***Polystyrene panels***

- 21% of sales
- Decreasing penetration





# Ovako arrangement

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# Main points on Ovako arrangement

- Ovako deal between Rautaruukki, SKF and Wärtsilä was signed on 22 April 2005
- EU approved the arrangement in the beginning of May
- Oy Ovako Ab commenced operations on 10 May
- From Rautaruukki Corporation, Fundia Special Bar, Fundia Wire and Fundia Bar & Wire Processing with their subsidiaries were transferred to Ovako
- Rautaruukki has a 47% stake in Ovako
- Ovako is included as an associated company in the consolidated financial statements of Rautaruukki as of 1 May 2005

# Investment in Ovako

- The capital invested by Rautaruukki in Oy Ovako Ab at 1 May 2005 is about EUR 278 million
  - Equity: EUR 160 million
  - Debenture loan: EUR 38 million
  - Other loan receivables: EUR 80 million
- Other loan receivables at the end of June amounted to EUR 50 million
- These are expected to be returned to Rautaruukki after Ovako has replaced them with external bank financing

# Implications to Ruukki

- EPS neutral in 2005, enhancing from 2006 onwards
- The net sales and operating profit of the units transferred to Ovako have been deconsolidated from the Group accounts as of 1 May 2005
- The share of Ovako's net profit corresponding to Rautaruukki's shareholding has been entered in Rautaruukki's profit and loss account as a share of results in associated companies
- Capital release of EUR 80 million (comp. with 1 May)
  - Gearing will improve by approximately 7 percentage points

# Comparable figures after Ovako arrangement

## H1 figures on a comparable basis

M€	Q1-Q2/2005	Q1-Q2/2004
Reported net sales	1953	1705
• Ovako correction*	-	95
<b>Comparable net sales*</b>	<b>1953</b>	<b>1610</b>
Reported net sales growth, %	15	
<b>Comparable net sales growth, %</b>	<b>21</b>	
<hr style="border-top: 1px dashed black;"/>		
Reported oper. profit	381	199
• Ovako correction*	-	12
<b>Comparable oper. profit*</b>	<b>381</b>	<b>187</b>
<b>Comparable oper. profit-%</b>	<b>20</b>	<b>12</b>

\* Pro forma

## Q2 figures on a comparable basis

M€	Q2/2005	Q2/2004
Reported net sales	939	911
• Ovako correction*	-	95
<b>Comparable net sales*</b>	<b>939</b>	<b>816</b>
Reported net sales growth, %	3	
<b>Comparable net sales growth, %</b>	<b>15</b>	
<hr style="border-top: 1px dashed black;"/>		
Reported oper. profit	180	123
• Ovako correction*		12
<b>Comparable oper. profit*</b>	<b>180</b>	<b>111</b>
<b>Comparable oper. profit-%</b>	<b>20</b>	<b>14</b>

\* Pro forma

The Ruukki logo is rendered in a bold, red, sans-serif typeface. The letters are thick and blocky, with a distinctive design where the 'U's and 'K's have rounded, almost circular shapes. The 'I' is a simple vertical bar. The overall style is modern and industrial.

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July 27, 2005

[www.ruukki.com](http://www.ruukki.com)