

Financial review 2008

5 February 2009

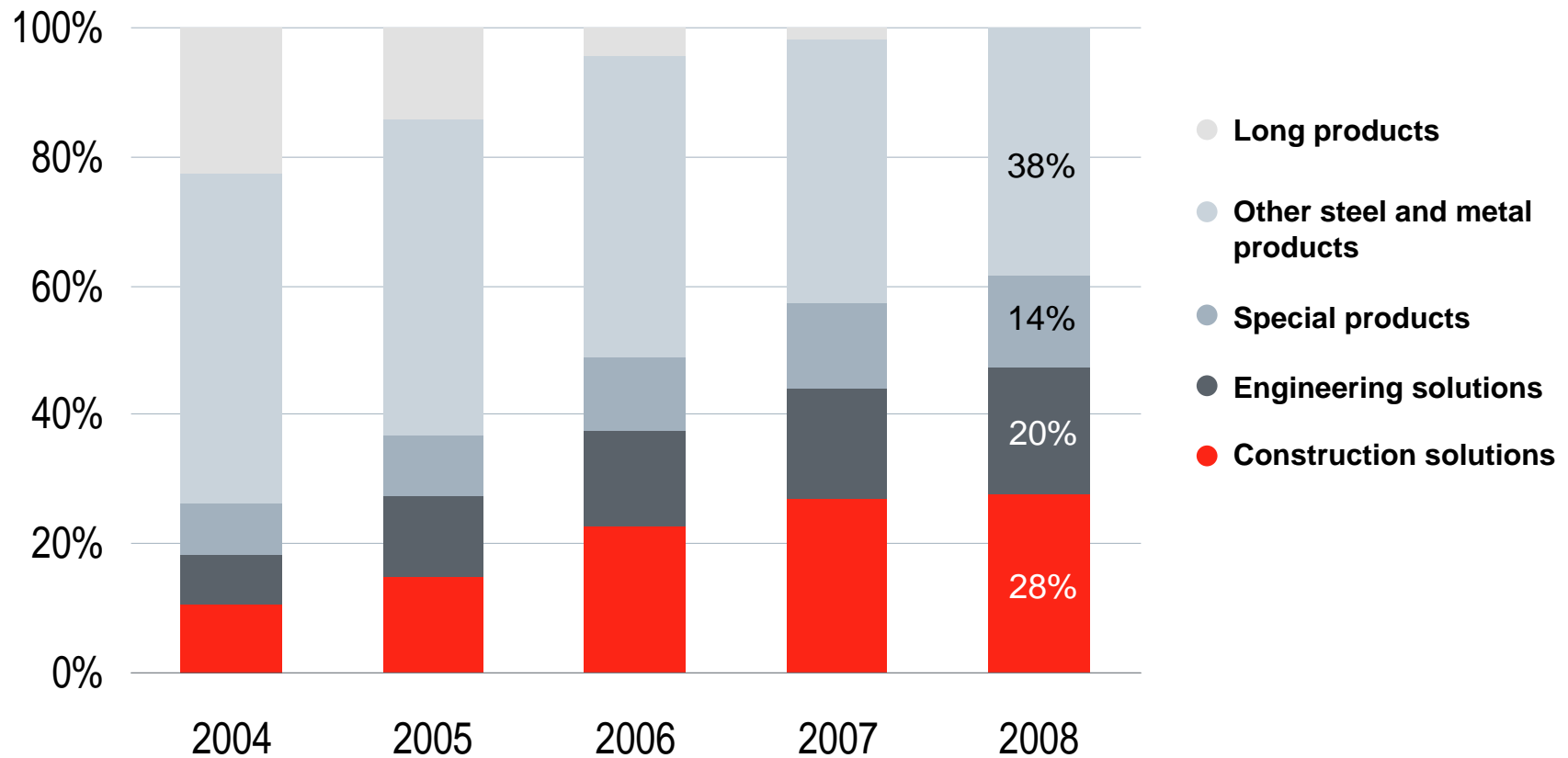
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2008 in brief

- Comparable consolidated net sales up 2% year on year
- EBIT margin target (>15 %) achieved
- Return on capital employed exceeded target level (>20%)
- 2008 was an abnormal year:
 - Good market conditions and demand in all market areas and customer industries during the first months of the year
 - Extremely rapid weakening of market environment in November-December
 - Change in evidence globally
- The company reacted to change in business environment by adjusting production and operations accordingly:
 - Extensive actions to adjust operations were carried out both in Finland and in other countries
 - One of the company's two blast furnaces was shut-down in December to adjust steel production
- Launched in October, the operational excellence programme Boost aims to further improve the competitive edge and ensure profitability long term

Strategy progressed to plan: solutions businesses accounted for 48% of net sales

Share of net sales





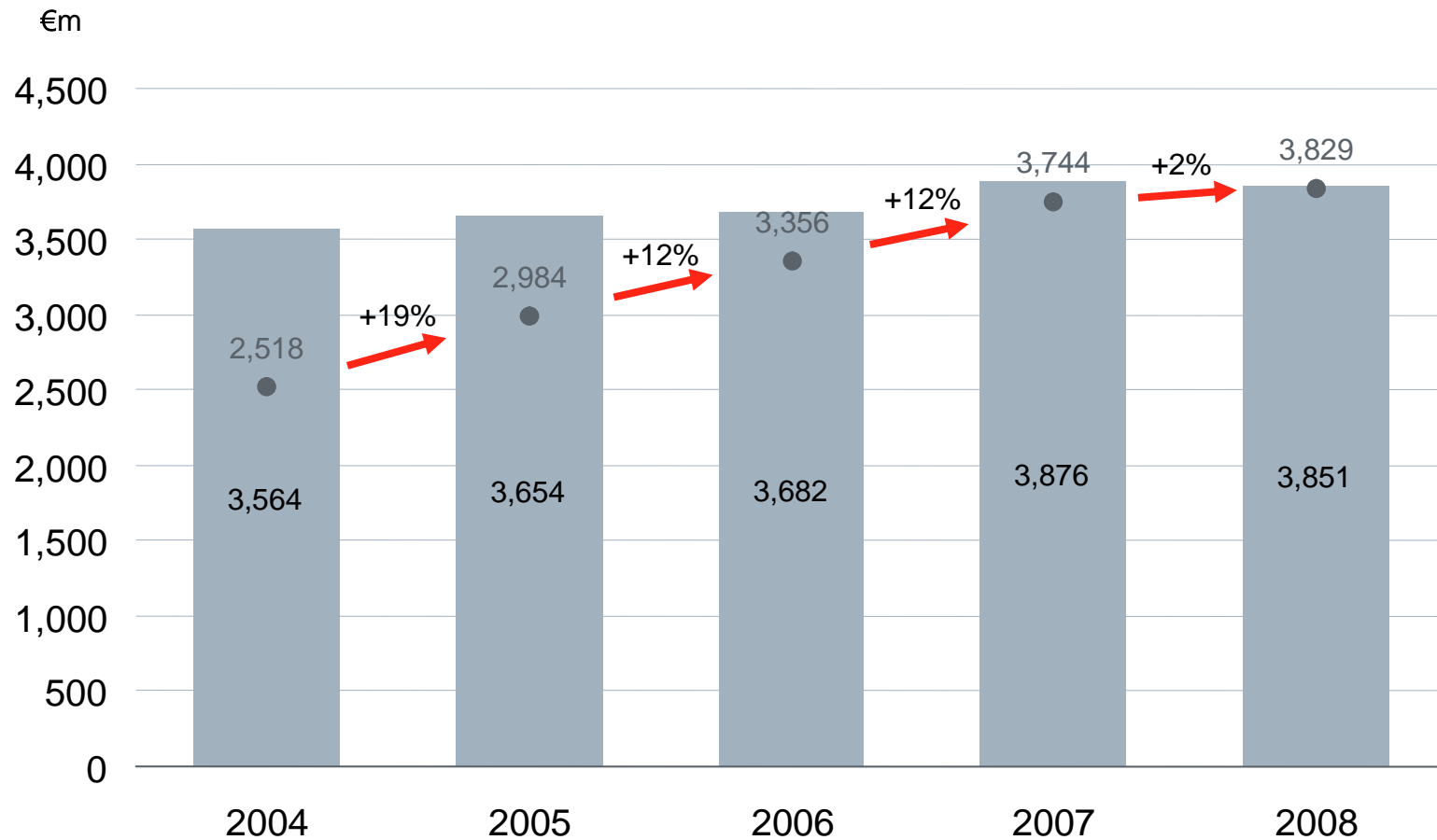
Business environment and financial performance

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Dramatic change in business environment towards year-end

- Market conditions were good in Rautaruukki's core market areas and main customer industries during the first half of 2008
- Strong demand continued also during Q3
 - There were signs of weakening market and demand in some customer segments
- The fallout of the global credit crunch and economic downturn was in evidence towards the year-end in almost all the company's market areas and customer industries
- General uncertainty and the increasing difficulties of customers in obtaining funding resulted in a rapid decline in demand for Rautaruukki's products and services since November
 - This was evident especially in steel products and to some extent in construction

Comparable consolidated net sales up 2% year on year

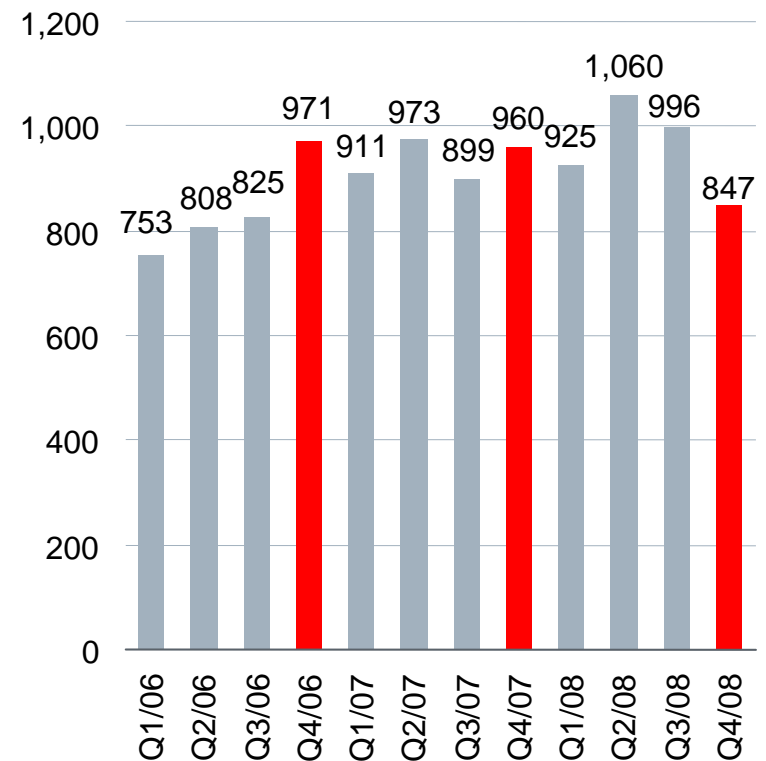


- Comparable net sales based on the company's internal accounting
- ➔ Comparable net sales growth, %

Growth slipped during fourth quarter

- Ruukki Construction's net sales fell during Q4 due to rapidly weakened demand across all market areas
- Ruukki Engineering net sales were up year on year during Q4
 - Especially because of deliveries of wind turbine tower plates to existing customers in the wind energy industry
- Ruukki Metals' demand weakened towards the end of the quarter in all customer segments, especially among subcontractors to the Swedish automotive industry

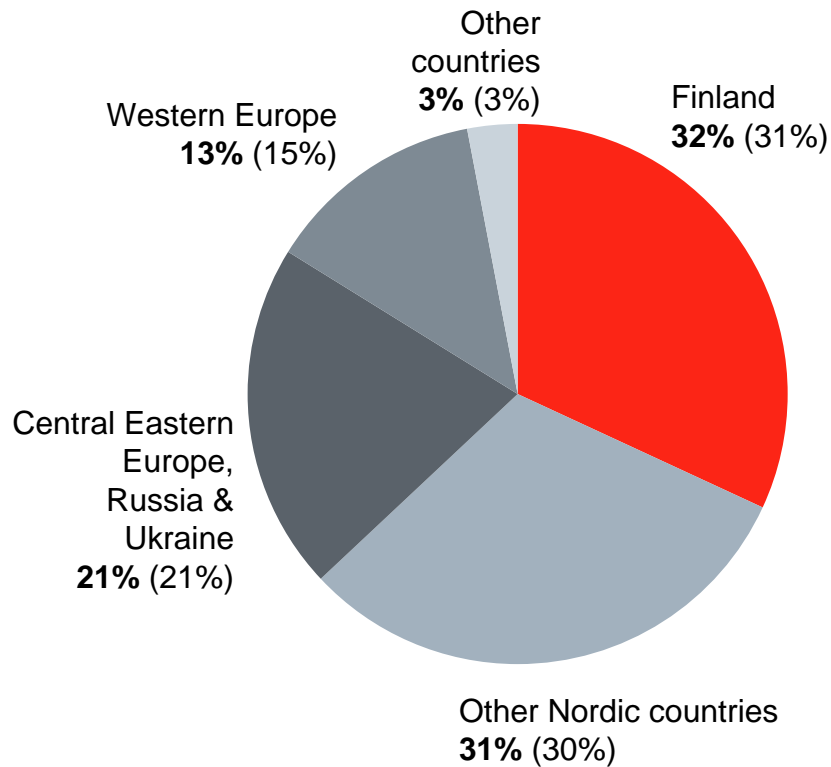
Comparable net sales, €m



Breakdown of net sales 2008

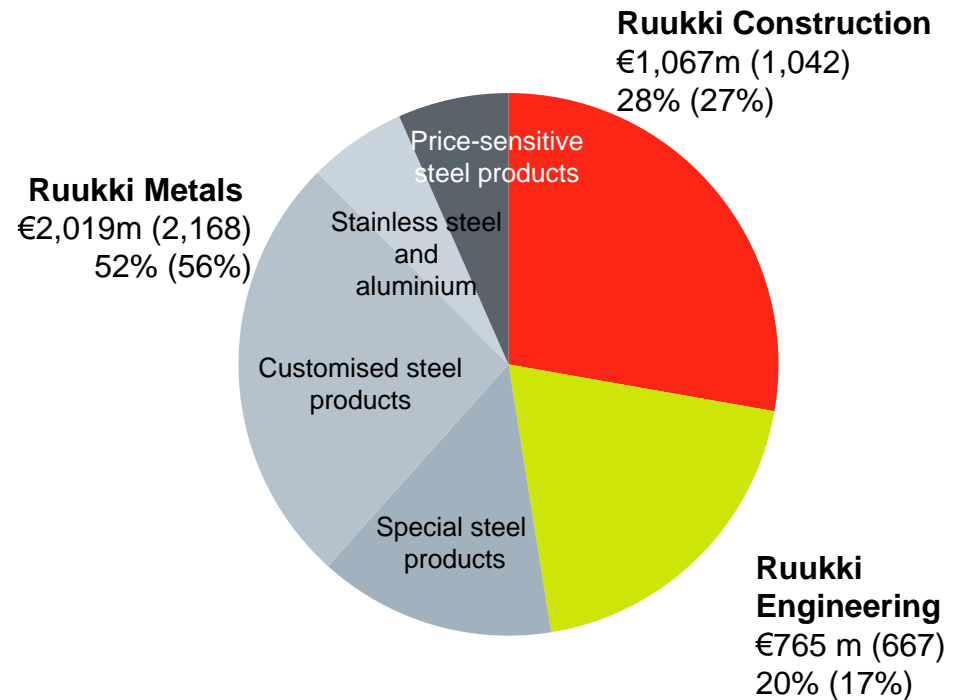
Net sales by region 2008 (2007)

100% = €3,851m (3,876)

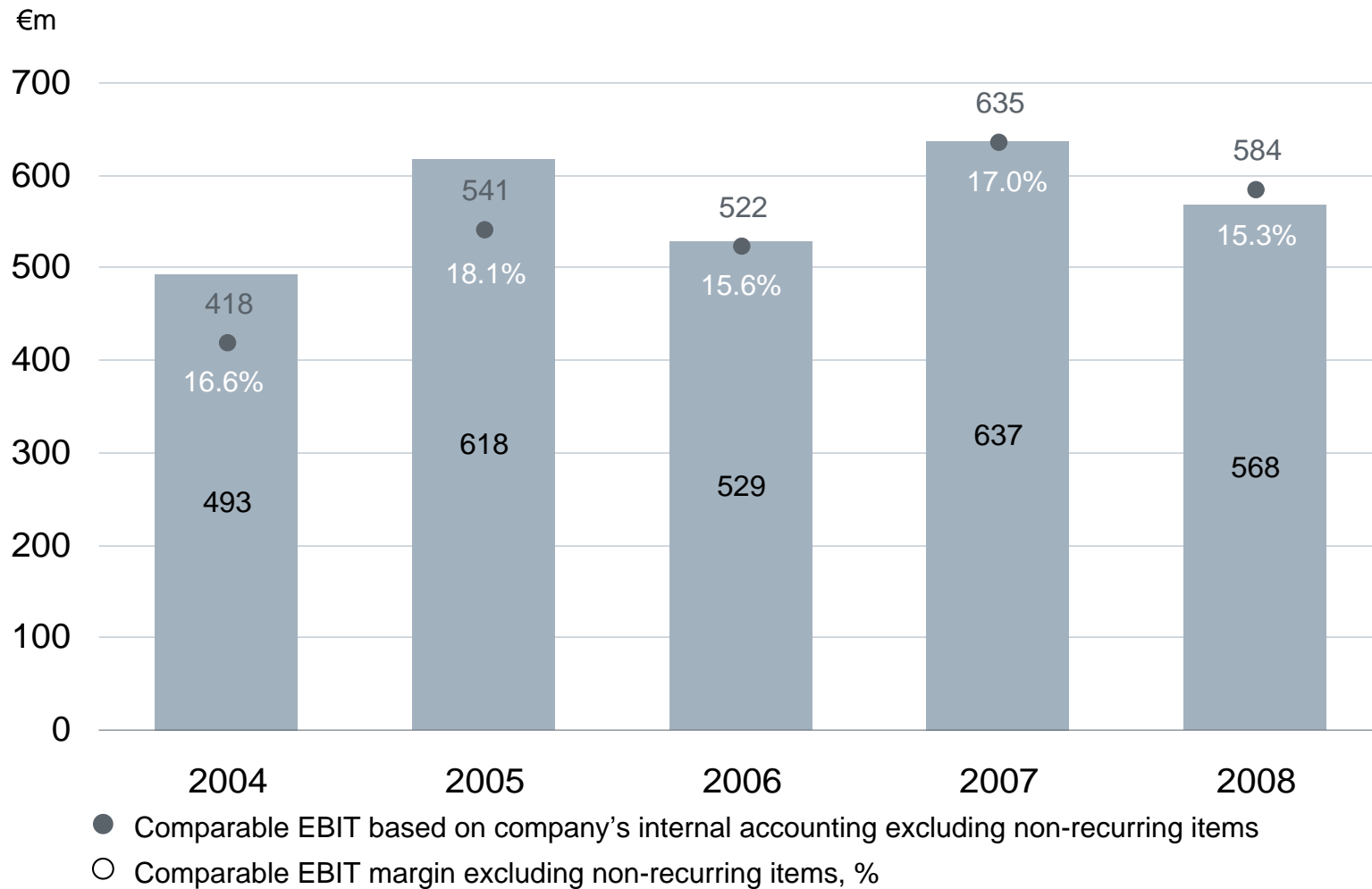


Net sales by division 2008 (2007)

100% = €3,851m (3,876)



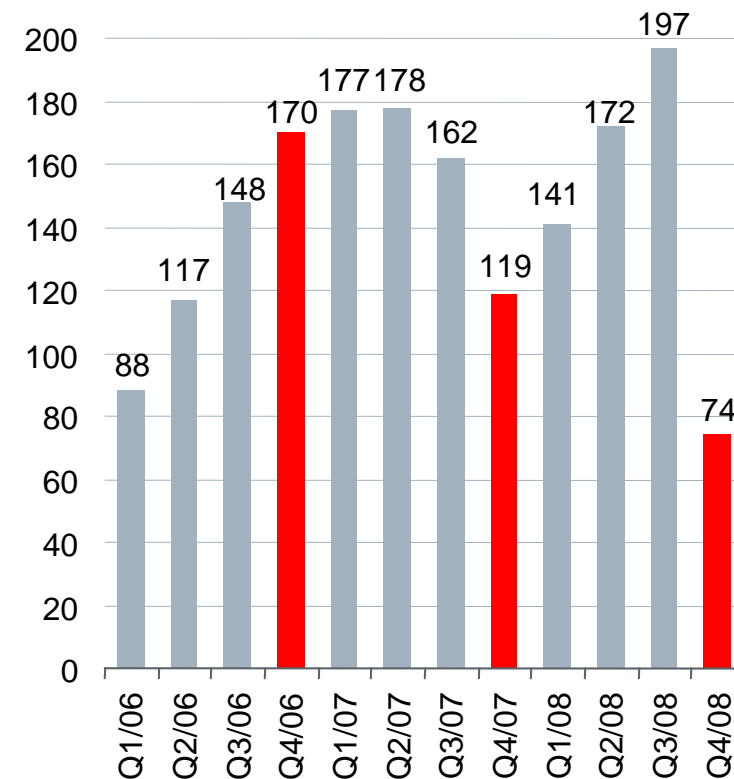
15% EBIT margin target achieved despite difficult end to year



Profitability suffered from rapid weakening in demand at year-end

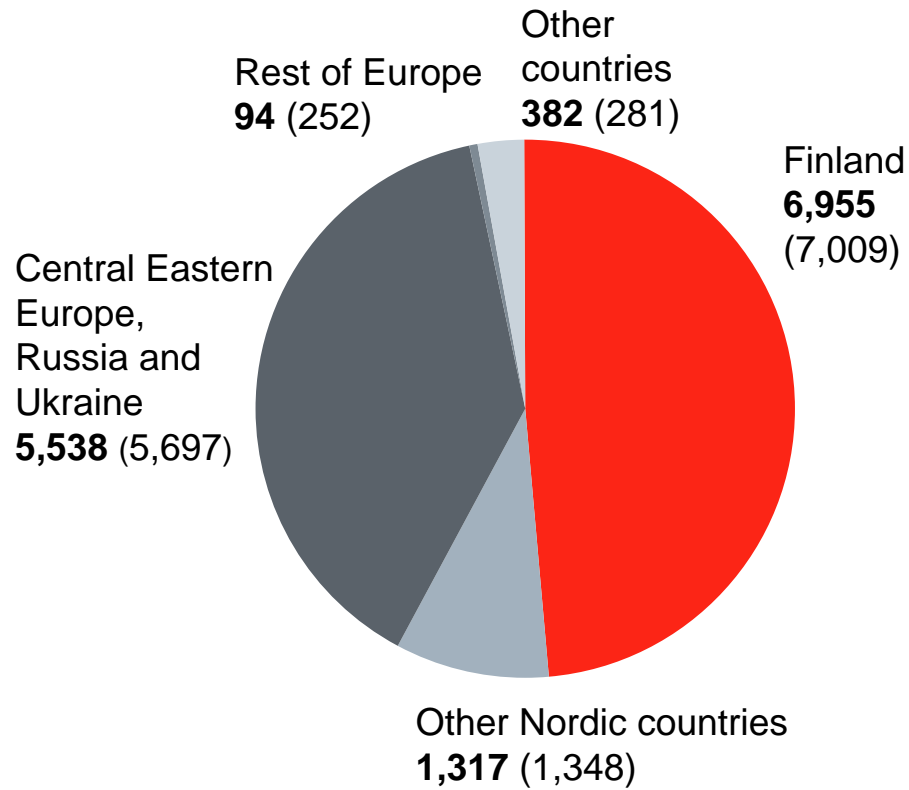
- Ruukki Construction’s operating profit for Q4 was adversely affected by low capacity utilisation rates
- Ruukki Engineering’s operating profit improved as a result of continued strong demand and profitability improvement programme
 - In addition, production was restructured and product portfolio expanded
- Ruukki Metals’ operating profit was adversely affected by high level of fixed costs in steel production, especially in December due to the shut-down of the other blast furnace
 - Operating profit on stainless steel and aluminium was also noticeably below that of 2007
- Foreign currency hedges helped to offset unfavourable impacts of exchange rates

Comparable operating profit excluding non-recurring items, €m

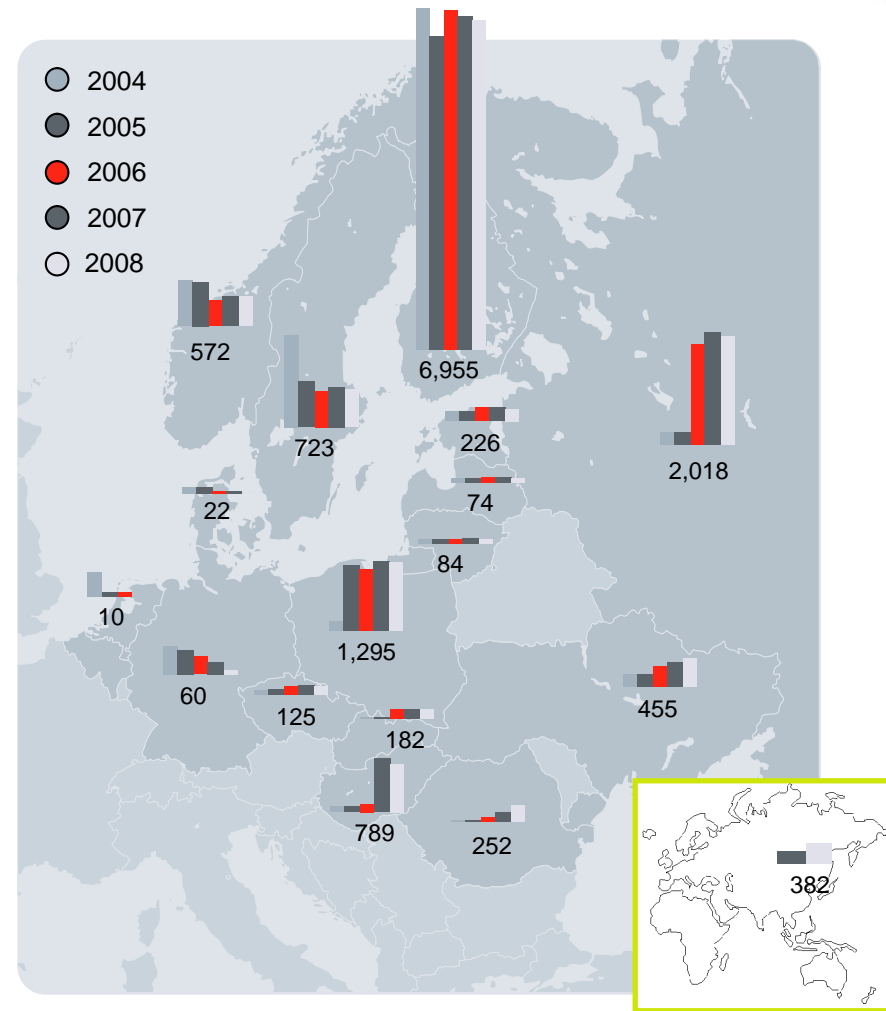


Headcount by region

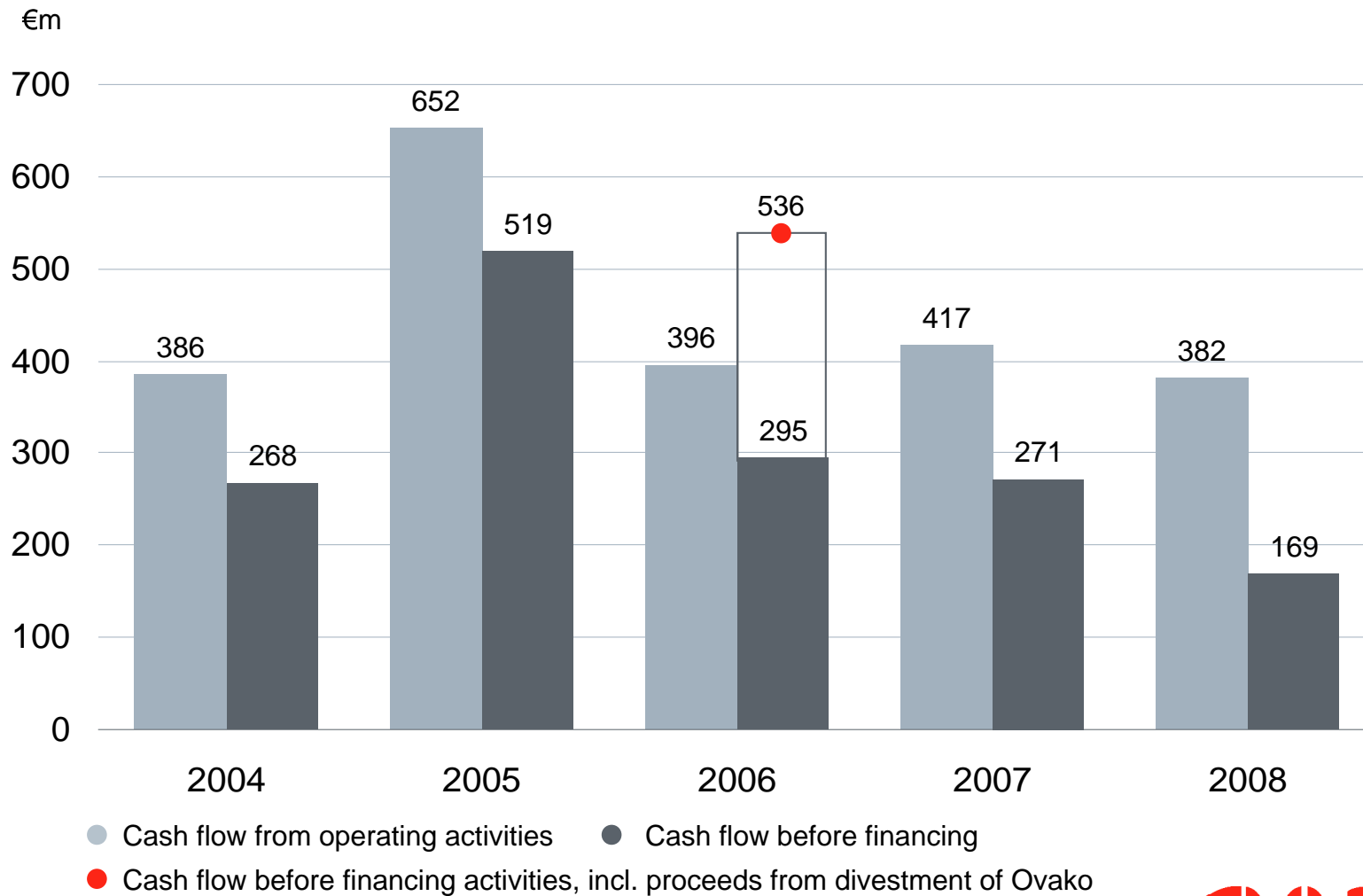
Personnel 2008: 14,286*
(2007: 14,587)*



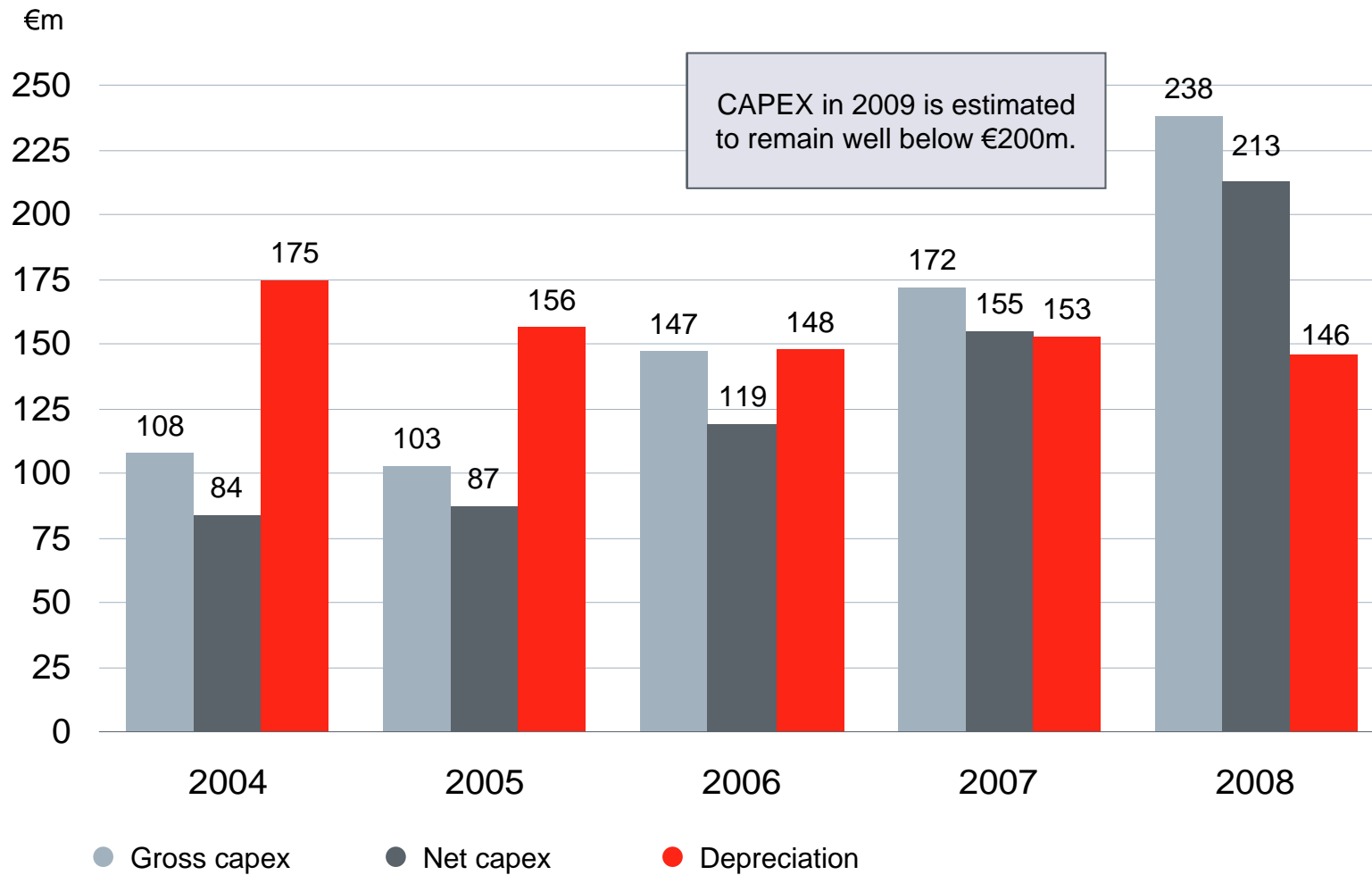
*) Headcount at year-end



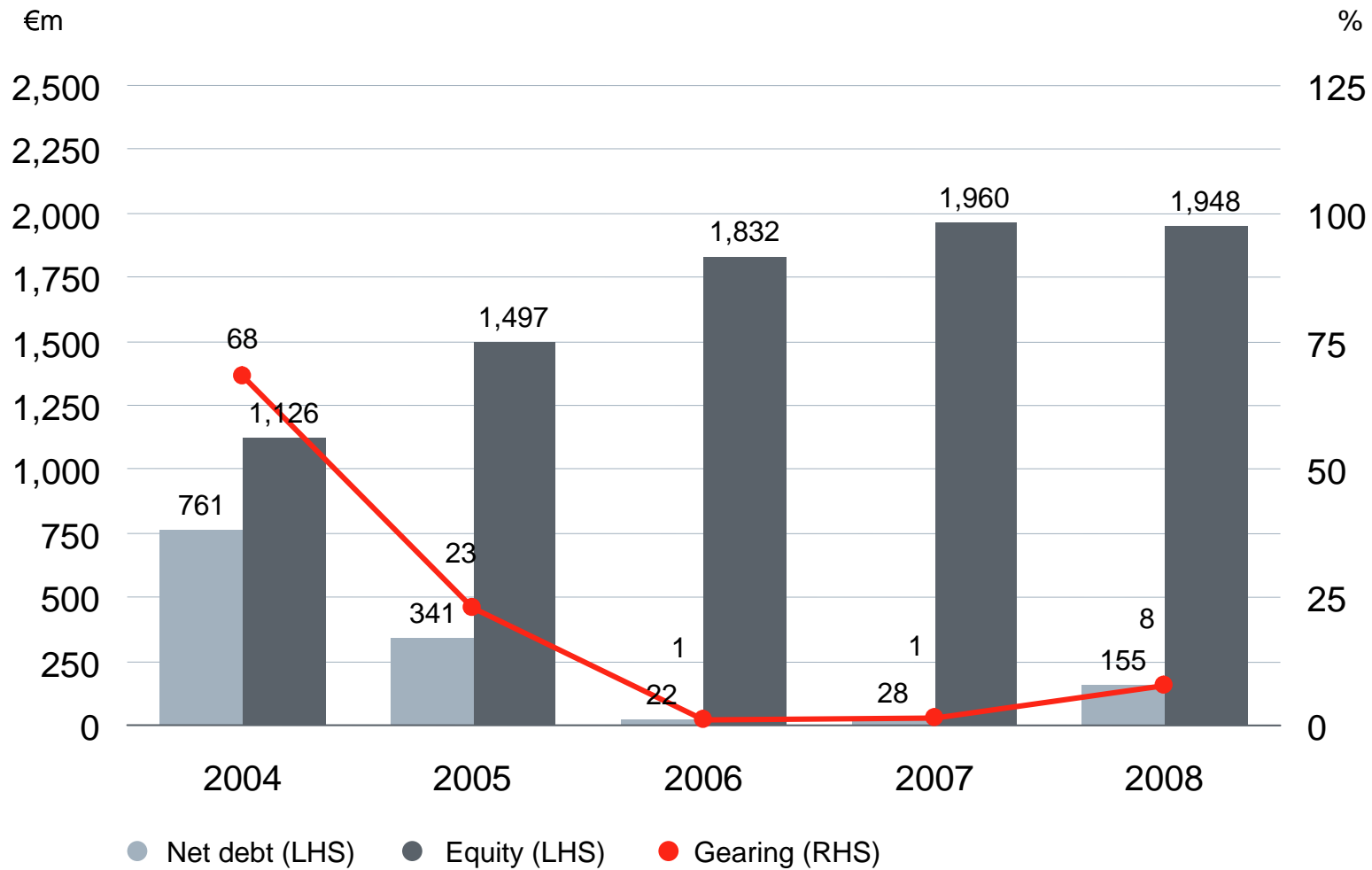
Cash flow from operating activities still at good level



Capex up year on year

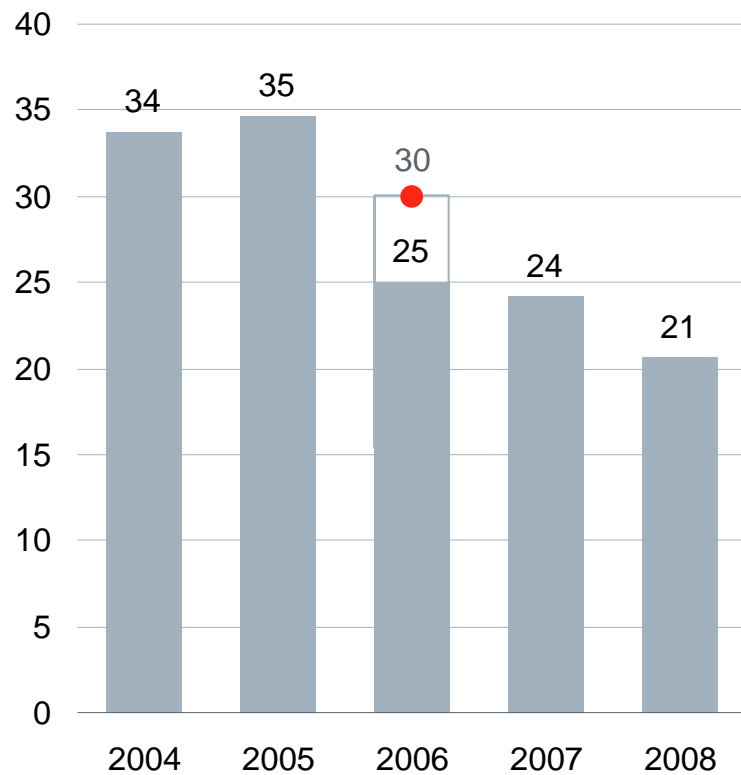


Strong balance sheet is an asset in prevailing market conditions



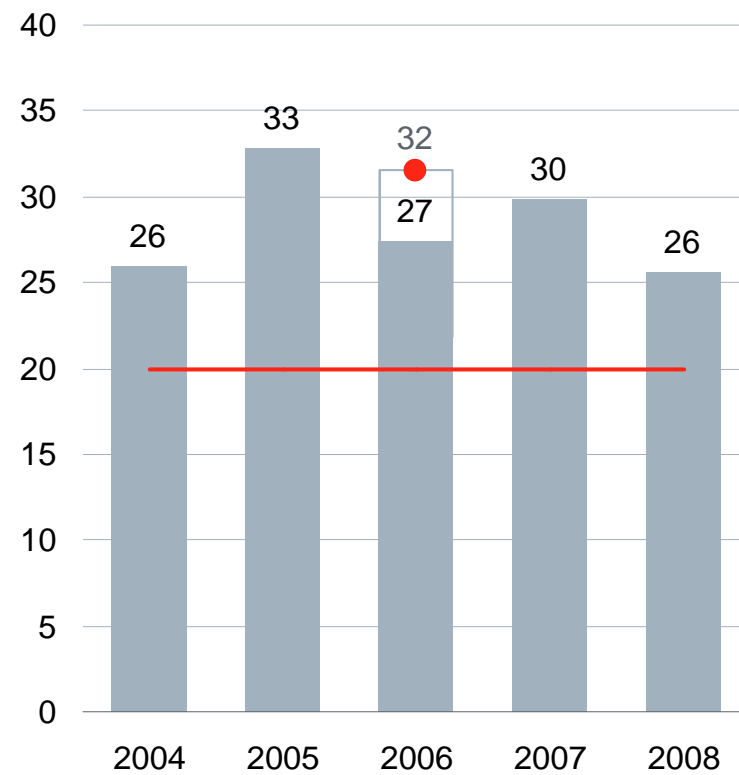
ROE and ROCE exceeded targets

Return on equity, %



● Incl. capital gain on divestment of Ovako

Return on capital employed, %



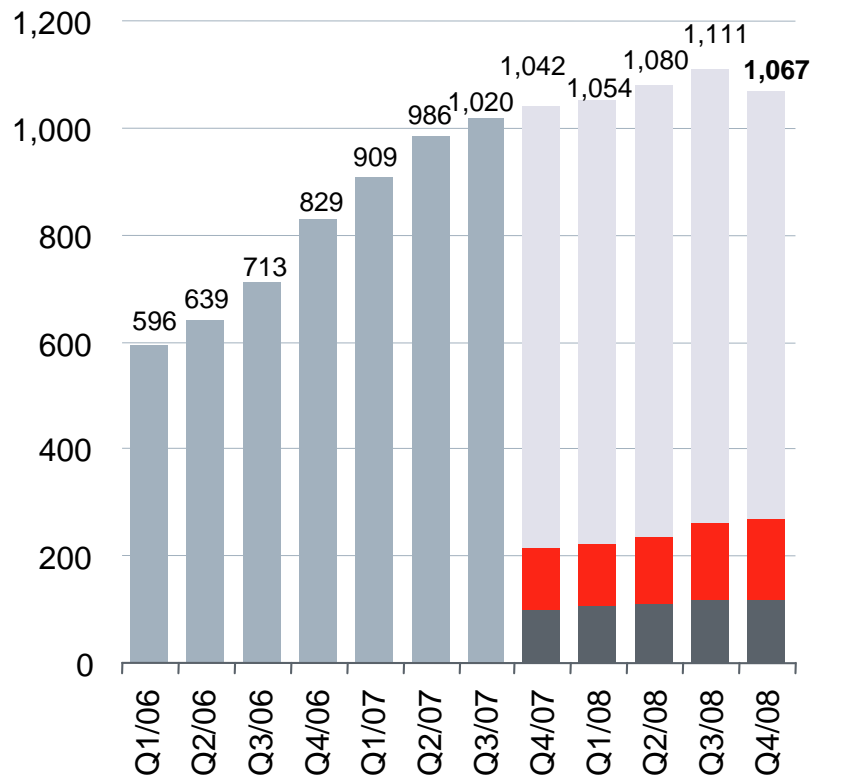
— ROCE target >20 %

Divisions

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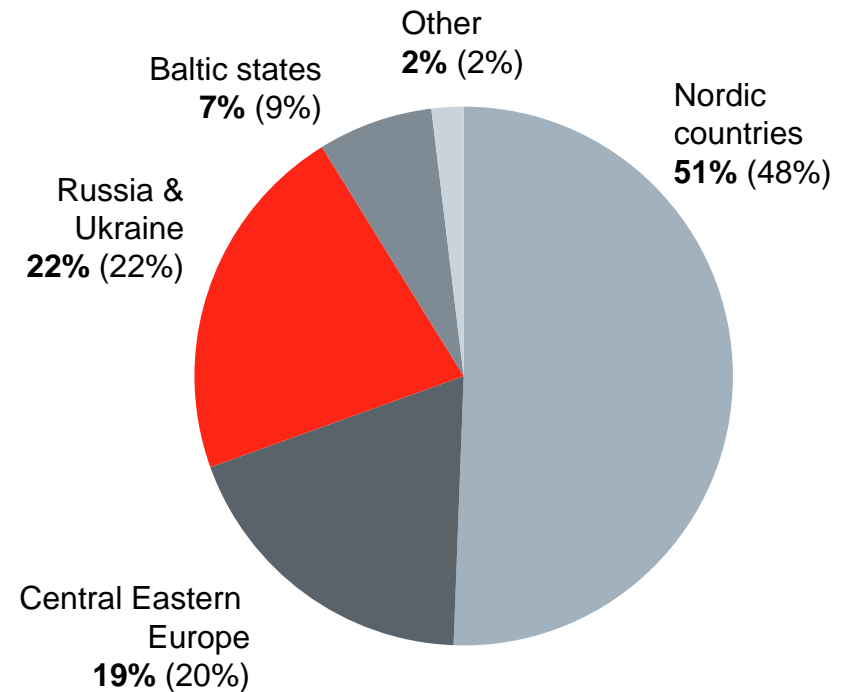
Ruukki Construction: net sales performance and breakdown

Net sales, €m
Rolling 12 mth



■ Non-residential construction
 ■ Residential construction
■ Infrastructure construction

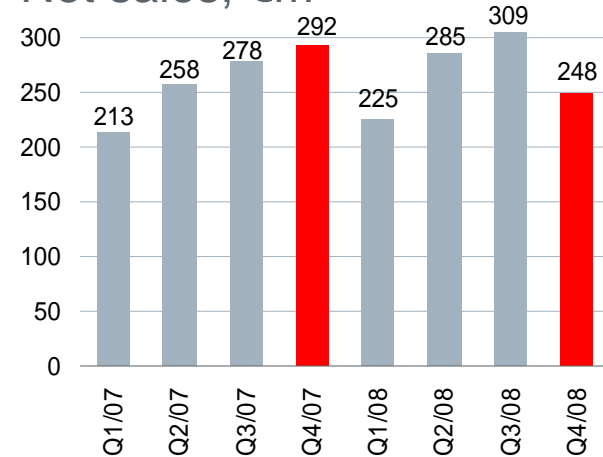
Breakdown of net sales by region 2008 (2007)



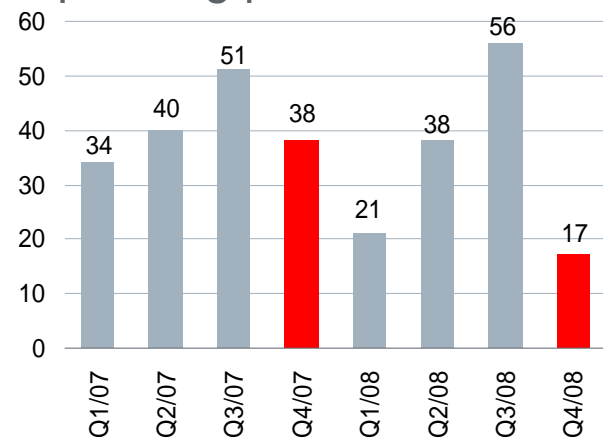
Ruukki Construction: 2008

- Net sales for Q1-Q3 grew as a result of:
 - Continued good demand for non-residential construction
 - Higher price levels
 - Growth in frame and project business across entire market area
- Q4 was affected by normal seasonal fluctuation together with rapidly weakened demand in all market areas
- Operating profit for entire year affected by:
 - Growth in project business (+)
 - Investment programme under way (-)
 - Building organisation and sales network in Central Eastern Europe (-)
 - Rise in cost of steel materials (-)
- Low capacity utilisation rate due to decreased demand adversely affected performance during Q4

Net sales, €m



Operating profit^{*)}, €m

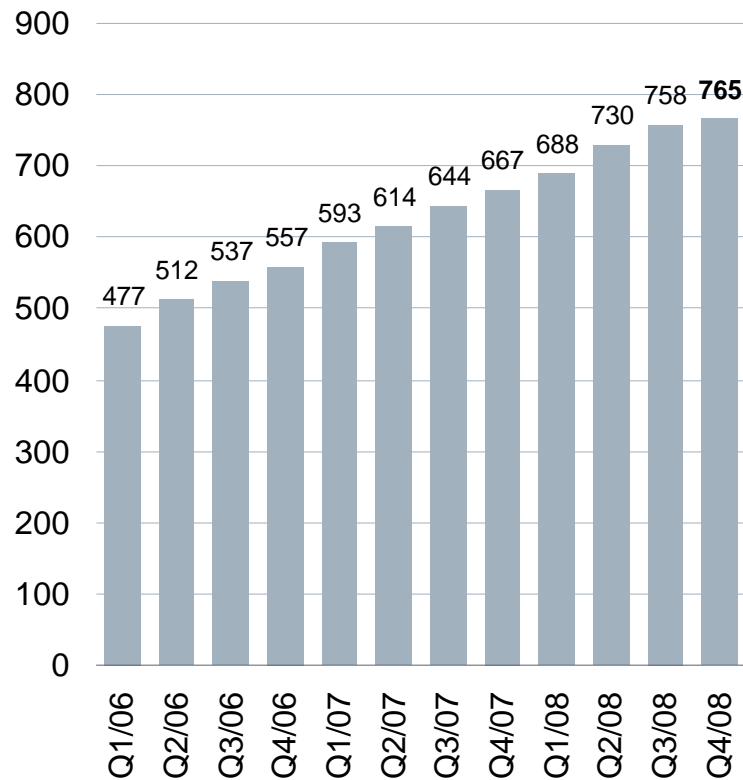


^{*)} Excluding non-recurring items

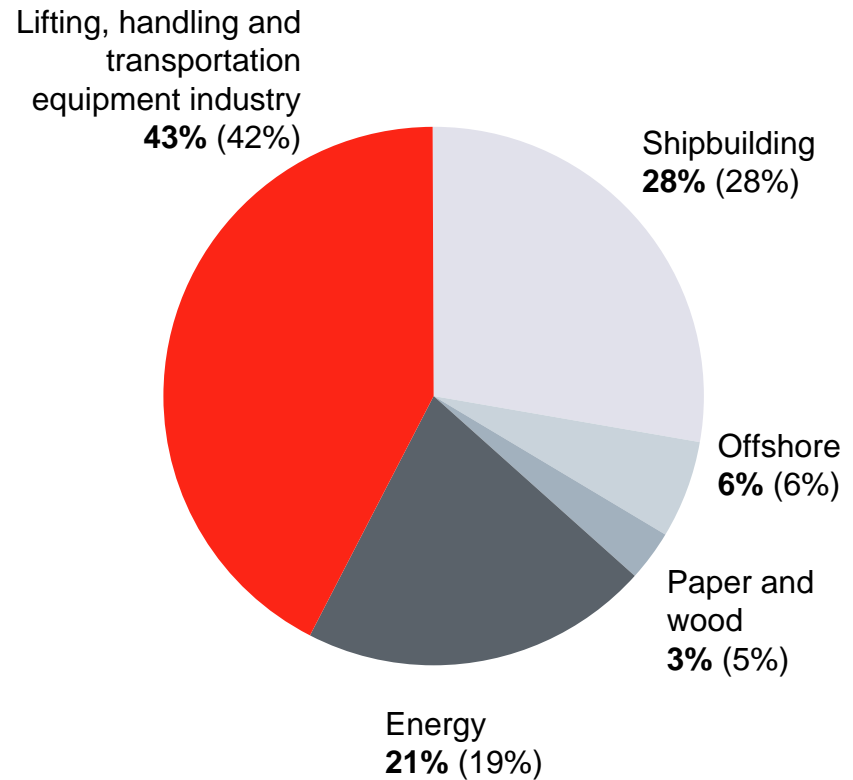


Ruukki Engineering: net sales performance and breakdown

Net sales, €m
Rolling 12 mth



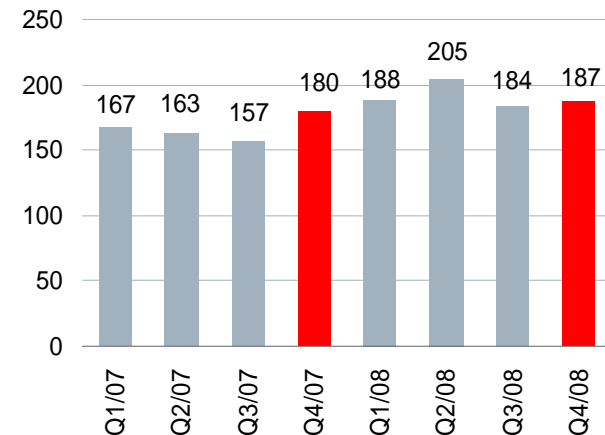
Breakdown of net sales by customer segment 2008 (2007)



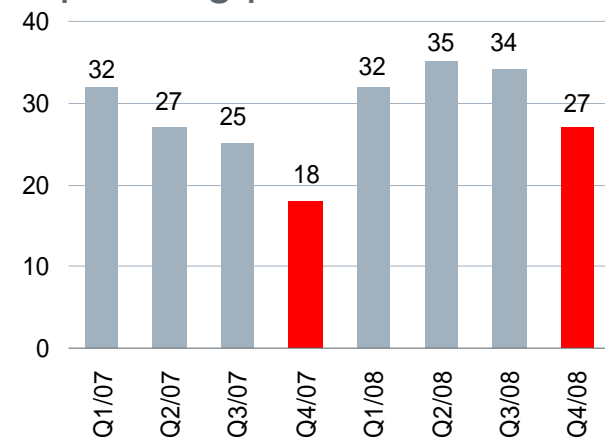
Ruukki Engineering: 2008

- Net sales for Q1-Q3 grew as a result of:
 - Continued good demand in the wind energy and shipbuilding industries
 - Increased deliveries to the lifting, handling and transportation equipment industry
 - Growth in components business
- Net sales grew during Q4 especially due to turbine tower plate deliveries to the wind energy industry
- Profitability during the first months of the year improved due to:
 - Continued strong demand
 - Profitability improvement programme
 - Higher sales prices
- Higher prices of plate products and higher sales volumes improved profitability in Q4

Net sales, €m



Operating profit^{*)}, €m

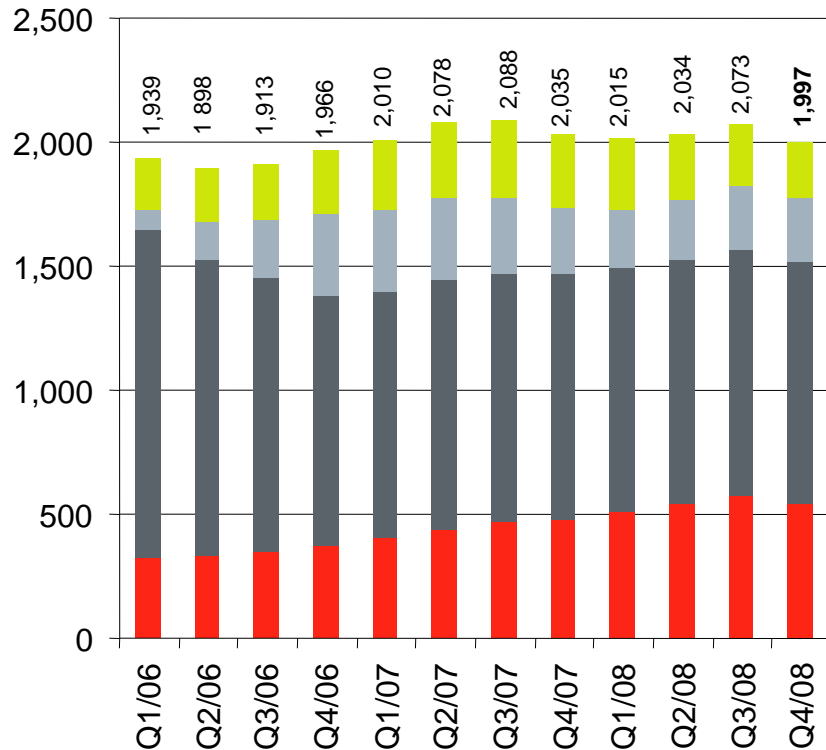


^{*)} Excluding non-recurring items



Ruukki Metals: net sales performance and breakdown

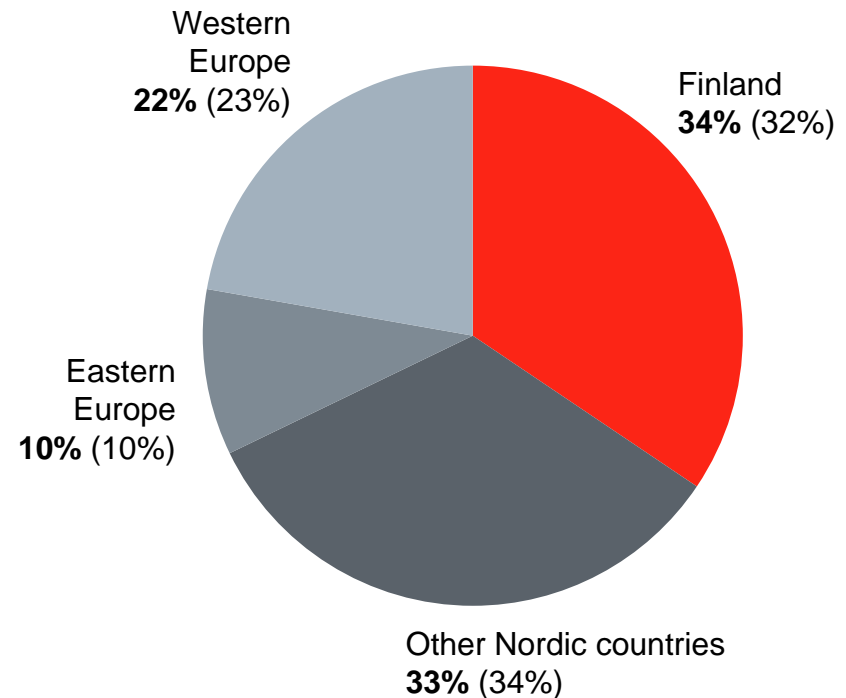
Net sales^{*)}, €m
Rolling 12 mth



- Stainless steel and aluminium
- Other steel products / customised products
- Special products
- Price-sensitive products

^{*)} Comparable net sales

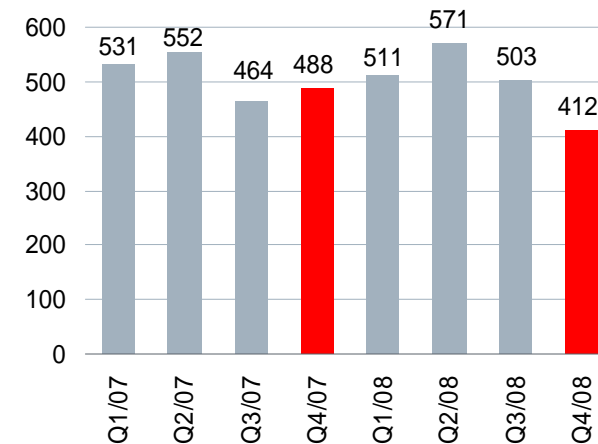
Breakdown of net sales by region 2008 (2007)



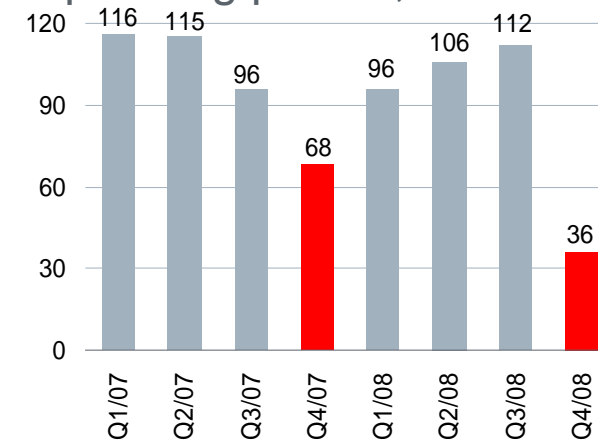
Ruukki Metals: 2008

- During Q1-Q2, demand for steel products was good in all market areas and customer industries
- During Q3, demand was mostly good, but slowed with regard to colour-coated products
- During Q4, demand for steel products decreased significantly in all market areas and in almost all customer industries
- Operating profit for whole year was adversely affected by high level of fixed costs in steel production, especially in December due to the other blast furnace being shut down at the Raahe Works in Finland
 - Also operating profit from stainless steel and aluminium was noticeably smaller than for 2007
- Share of special steel products rose to account for 27% (24) of division's net sales

Net sales^{*)}, €m



Operating profit^{**)}, €m



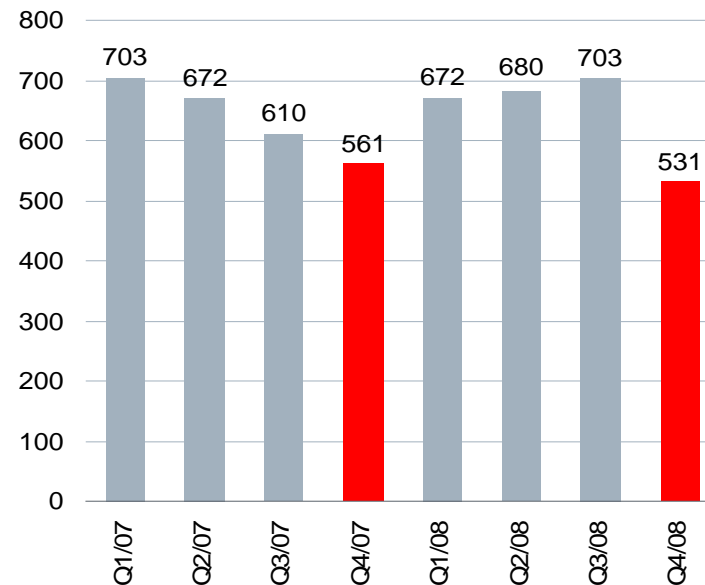
^{*)} Comparable net sales

^{**)} Comparable, excluding non-recurring items

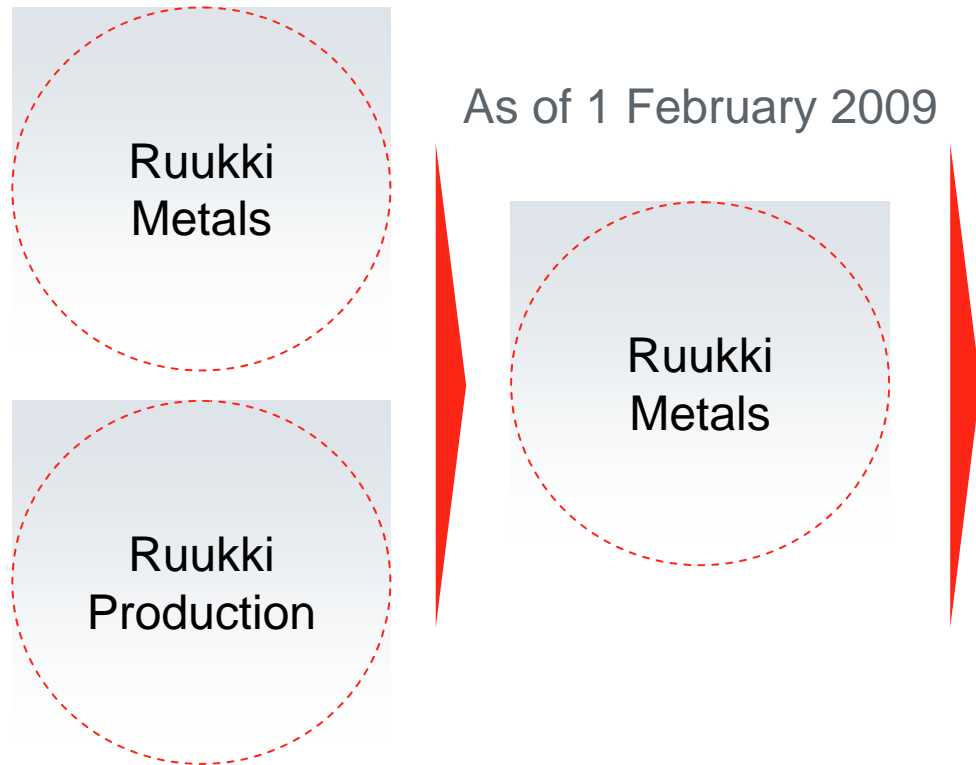
Ruukki Production: 2008

- Steel production in 2008 was 2,585 thousand tonnes (2,546)
- Steel production decreased during Q4 as production was adjusted to meet lower demand
- Higher costs of raw materials added around €200 million of costs in own steel production after taking into account the positive impact of foreign currency hedges (USD)
 - Higher raw material costs were almost entirely offset by increased sales prices and improved cost efficiency

Steel production
1,000 tonnes



Ruukki Production became part of Ruukki Metals division as of 1 February 2009 *)



MAIN BENEFITS

- Streamlines corporate structure
- Improves steel business flexibility and efficiency
 - Greater delivery accuracy
 - Improved customer service
- Removal of overlapping operations
 - More efficient use of capital and resources
 - Improved cost efficiency

*) Segment reporting remains unchanged



Dividend proposal

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Financial targets and dividend policy

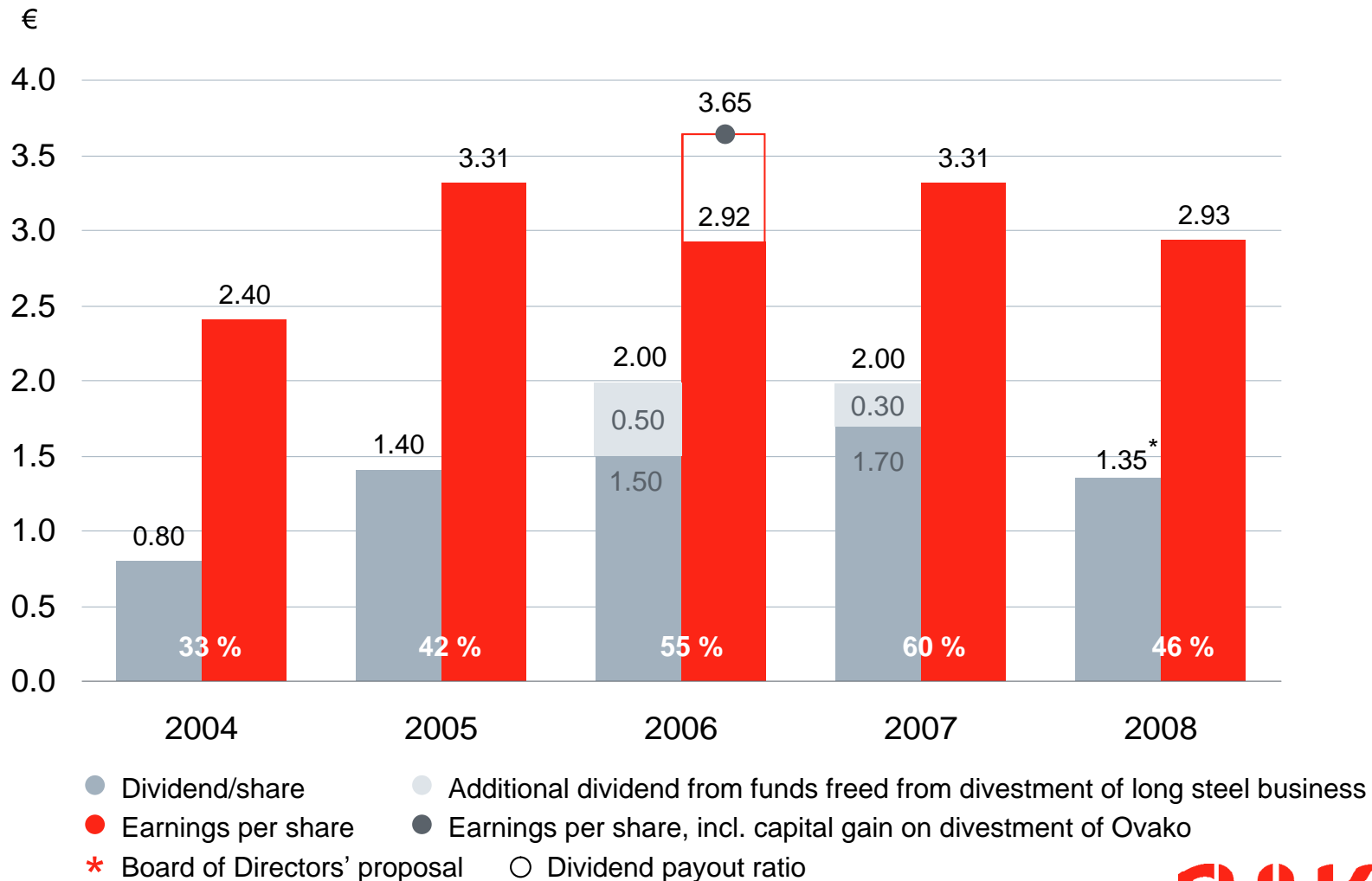
		<u>2008</u>
Annual net sales growth	> 10%	X
Operating profit, % (EBIT)	> 15%	✓
Return on capital employed % (ROCE)	> 20%	✓
Gearing ratio	~ 60%	--

Dividend policy:

The aim is:

- To distribute 40% - 60% of profit for the year as dividends
- Steadily growing dividend, taking into account the needs of business growth

Dividend proposal €1.35* per share



Near-term outlook



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Near-term outlook (1/2)

GENERAL

- Global credit crunch and its impact on the real economy have increased general uncertainty
- Growing economic uncertainty and customers' difficulties to fund their business have weakened demand for almost all Rautaruukki's products and services
- Low demand will result in adjustments to production in several units in Finland and elsewhere

DIVISIONS

Ruukki Construction

- Market prospects in construction segments are expected to weaken noticeably in all market areas
- Demand for infrastructure construction is expected to remain at last year's level

Ruukki Engineering

- Within the engineering industry, demand is expected to decline in the lifting, handling and transportation equipment industry compared to last year
- Demand from OEMs in the energy industry is expected to remain at a good level

Ruukki Metals

- Demand for steel products is expected to improve on the exceptionally low level witnessed at the end of 2008

Near-term outlook (2/2)

COSTS

- Costs of raw materials used in steel production are likely to come down considerably from what they were in 2008. However, it is estimated that the impact of this will not be fully reflected until the second half of the current year
- Cost savings as a result of actions under the Boost programme are expected to be in the region of EUR 50 million in 2009
 - Other adjustment measures are also expected to considerably lower costs compared to 2008

- General uncertainty and high stock levels throughout the supply chain are likely to result in continued weak demand during the first months of 2009
- The company expects comparable consolidated net sales and operating profit for the first quarter of 2009 to fall considerably short of those for the fourth quarter of 2008
 - Given the prevailing market conditions, it is extremely challenging to anticipate development for the entire year and Rautaruukki will consequently review its guidance on a quarterly basis

Appendix

Key figures 2008

€m	2008	2007	Q4/08	Q4/07
Net sales ^{*)}	3,829	3,744	847	960
Operating profit (EBIT) ^{**)}	584	635	74	119
as % of net sales ^{**)}	15.3	17.0	8.7	12.4
Profit before taxes ^{**)}	564	619	56	109
Profit for the period	406	459	37	79
Earnings per share, diluted, €	2.93	3.31	0.27	0.57
Return on capital employed, %	25,6	29,8		
Gearing ratio, %	7.9	1.4		
Gross CAPEX	238	172		
Cash flow before financing activities	169	271		
Personnel (average)	14,953	14,326	14,555	14,627

^{*)} Comparable net sales

^{**)} Comparable, excluding non-recurring items

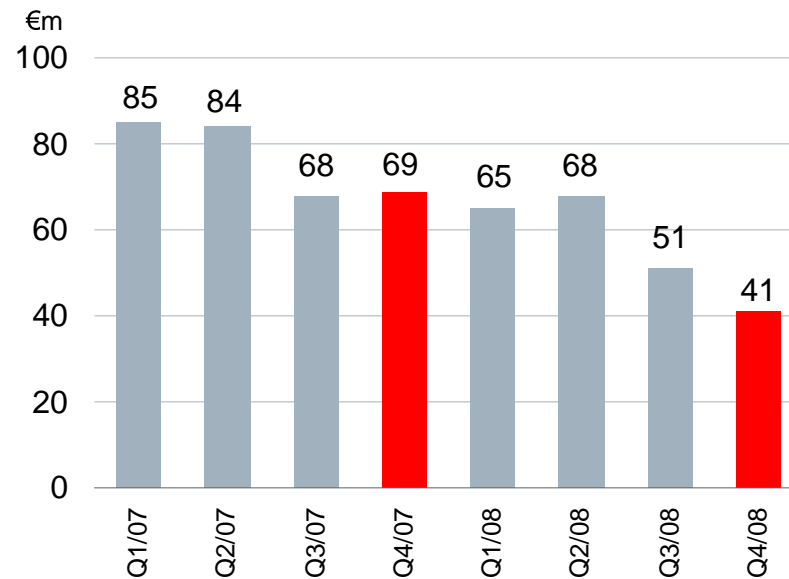
One-off items (2008)

€m	Q1	Q2	Q3	Q4	Total
Strikes	-3	-5			-8
Loss on divestment of Carl Froh		-7	-1		-8
Change in disability pension IFRS accounting principle		-2	-2	-2	-6
Gain on sale of Gävle				+1	+1
Provision for non-recurring items				-11	-11
Total	-3	-14	-3	-12	-32

Share of trading products of Ruukki Metals' net sales

- Net sales of stainless steel and aluminium amounted to €224 million (306) during the report period
 - This equates to 11% of the division's net sales (15)
- Operating profit on stainless steel and aluminium was EUR 26 million lower in 2008 than in 2007

Quarterly net sales of stainless steel and aluminium (Q1/2007-Q4/2008)



Quarterly comparable net sales and operating profit

€m	Q1/07	Q2/07	Q3/07	Q4/07	Q1/08	Q2/08	Q3/08	Q4/08
Net sales^{*)}								
Ruukki Construction	213	258	278	292	225	285	309	248
Ruukki Engineering	167	163	157	180	188	205	184	187
Ruukki Metals	531	552	464	488	511	571	503	412
Corporate management and other units	0	0	0	0	1	-1	0	0
Consolidated net sales	911	973	899	960	925	1,060	996	847
Operating profit (EBIT)^{**)}								
Ruukki Construction	34	40	51	38	21	38	56	17
Ruukki Engineering	32	27	25	18	32	35	34	27
Ruukki Metals	116	115	96	68	96	106	112	36
Corporate management and other units	-6	-5	-10	-5	-7	-7	-5	-6
Consolidated operating profit	177	178	162	119	141	172	197	74

^{*)} Comparable net sales

^{**)} Comparable, excluding non-recurring items



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more with metals