

Interim report Q1/2014

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Rautaruukki Corporation

24 April 2014

Agenda

- Q1 in brief, key figures
- Financial performance
- Business area performance
- Near-term outlook and guidance

Q1/2014 in brief

- Net sales at same level as year earlier
 - 3 % net sales growth in local currencies
- Ruukki Metals' delivery volumes grew clearly, but average selling prices were down
- Special steels' order intake and net sales grew clearly
- Construction businesses improved their profitability y-o-y despite difficult market conditions
- Comparable operating profit was €5 million (4)
- Devaluation of the Ukraine hryvnia resulted in an unrealised exchange rate loss of €8 million
- Net cash from operating activities in Q1 was -€21 million (22)

Key figures

		Q1/2014	Q1/2013	2013
Order intake	€m	560	590	2 376
Comparable net sales	€m	581	589	2 404
Comparable operating profit	€m	5	4	39
as % of net sales	%	0.8	0.8	1.6
Comparable result before income taxes*	€m	-11	-4	-1
Earnings per share	€	-0.14	-0.03	-0.10
Net cash from operating activities	€m	-21	22	184
Gearing ratio	%	74.1	72.4	68.5

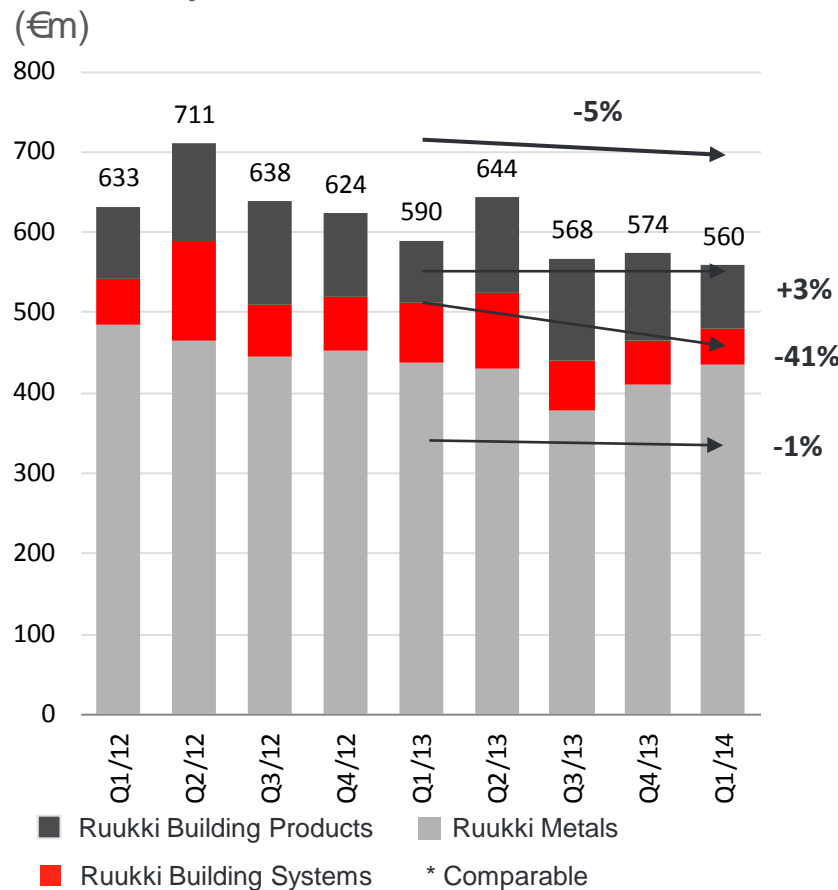
* A significant devaluation in the value of the Ukraine hryvnia against the US dollar during the first quarter of the year resulted in the recognition in the report period of an unrealised exchange rate loss of €8 million on the value of the subsidiary company's loans.

Financial performance

Clear growth in steel order volumes, but average selling prices down

Order intake down 5%

Quarterly order intake*



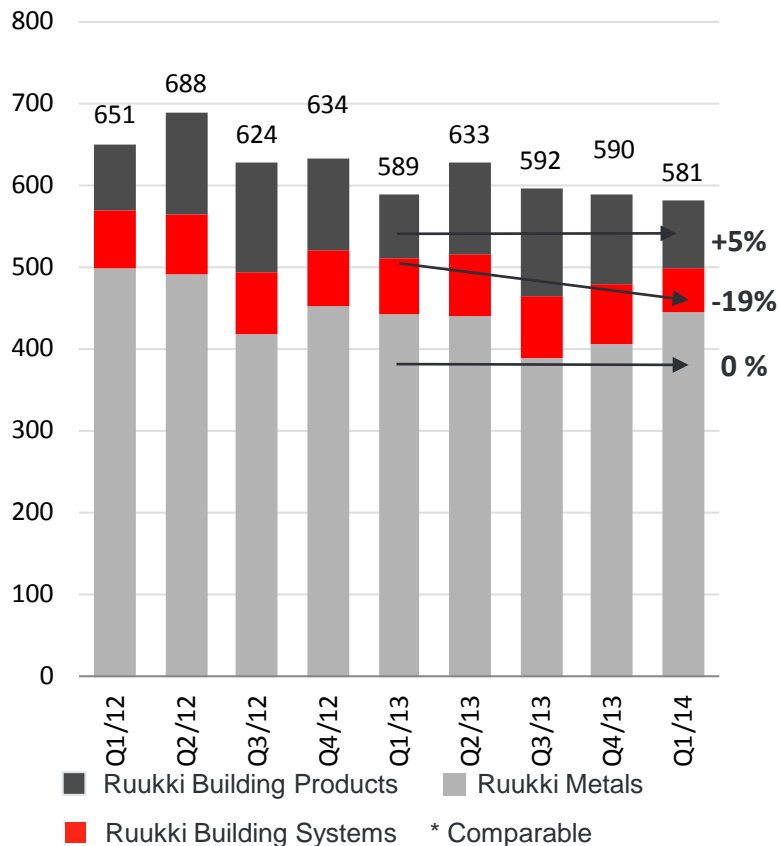
Q1/2014 vs. Q1/2013

- Clear growth in steel order volumes, but average selling prices were down
- Ruukki Building Products' orders were up 3%
- Ruukki Building Systems' orders were down 41% due to weakened demand and customers pushing back investment decisions
- Also normal seasonal fluctuation impacted on orders in the construction business

Net sales roughly at last year's level

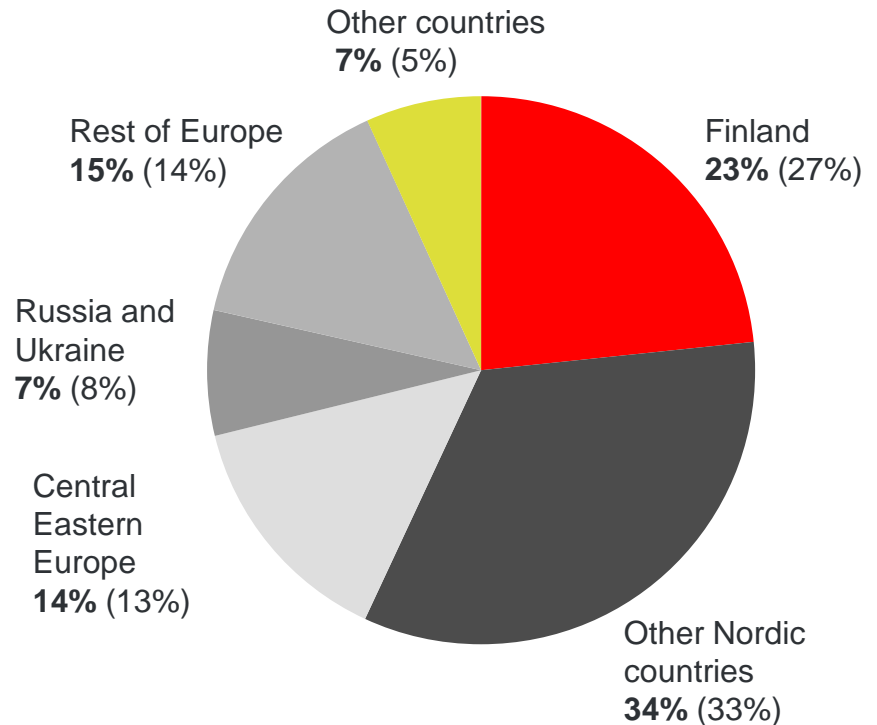
Clear fall in Finland's share of net sales, growth in Central Eastern Europe and in markets outside Europe

Quarterly net sales*
(€m)



Net sales by market area*
Q1/2014 (Q1/2013)

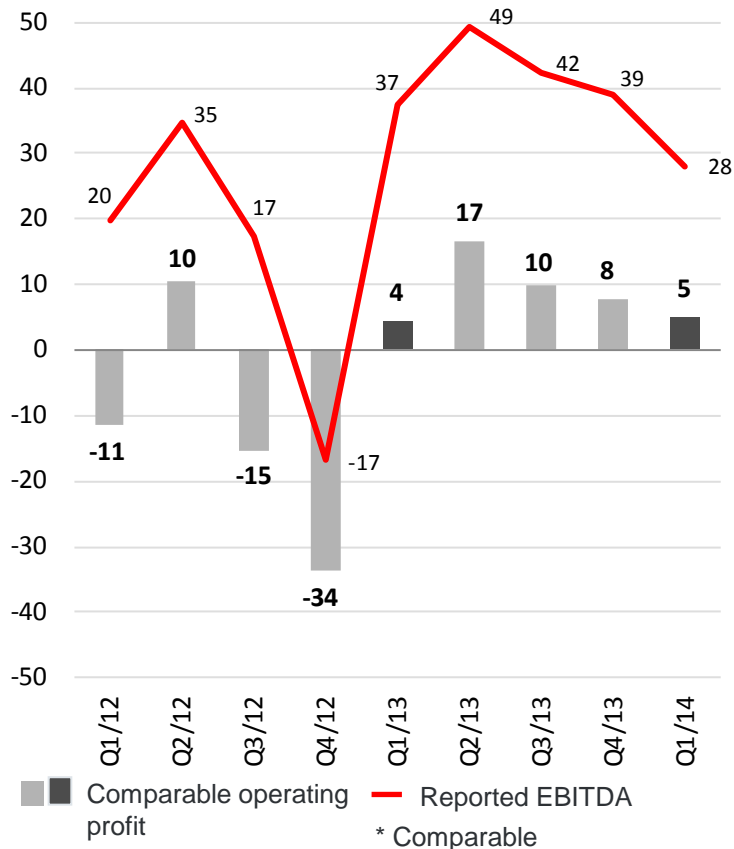
100% = €581m (€589m)



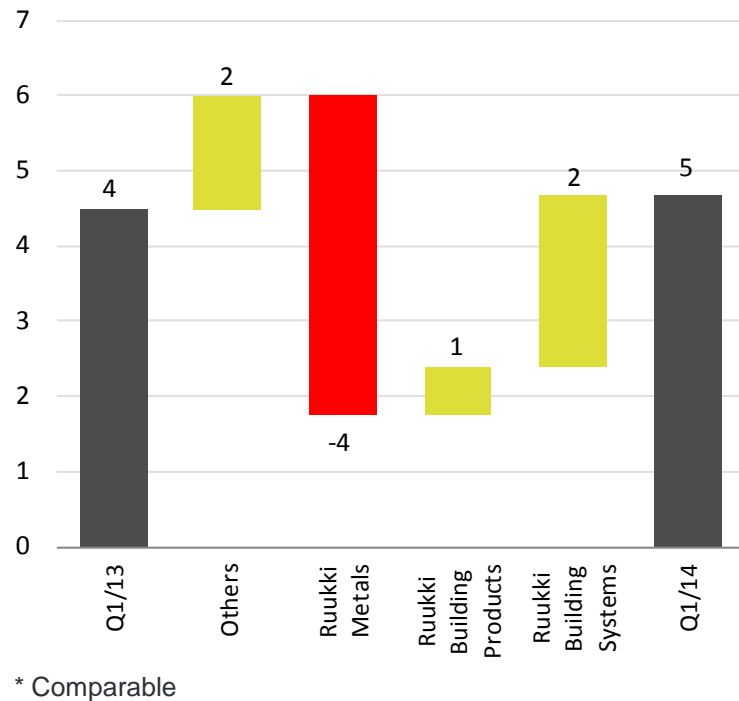
Profitability at previous year's level

Comparable operating profit €5 million

Operating profit* and EBITDA (€m)



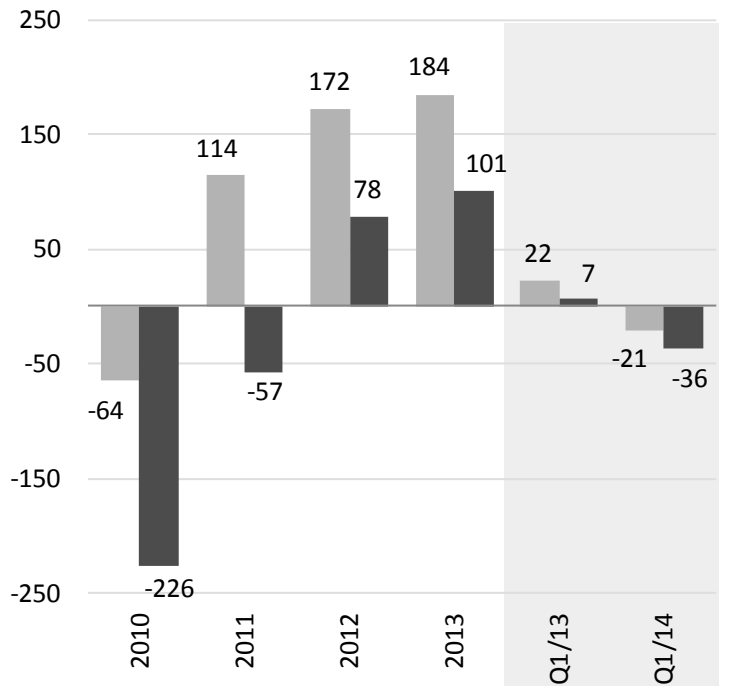
Change in operating profit * by business area (€m) Q1/13 vs. Q1/14



Increase in working capital, cash flow -€21 million

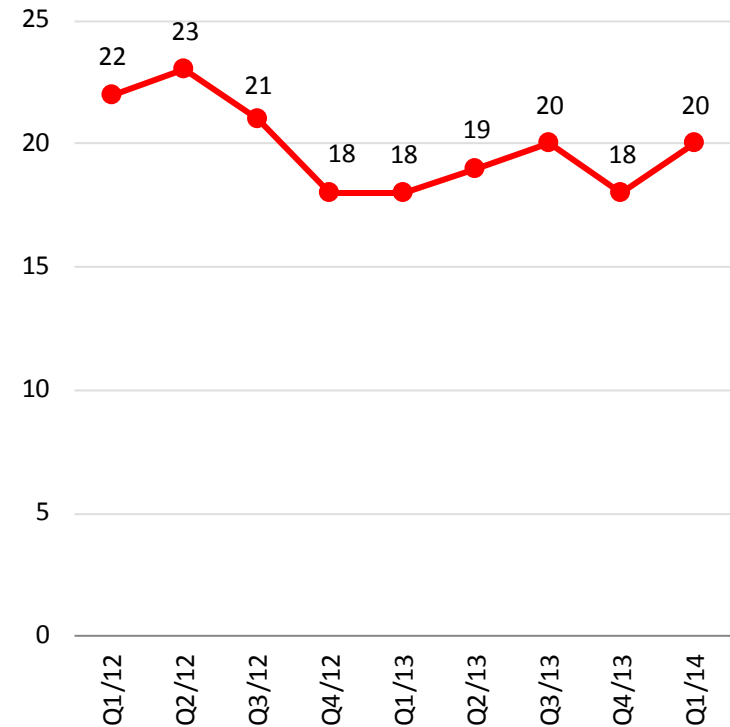
€44 million (15) tied up in working capital

Net cash from operating activities and before financing activities (€m)



■ Net cash from operating activities ■ Net cash before financing activities

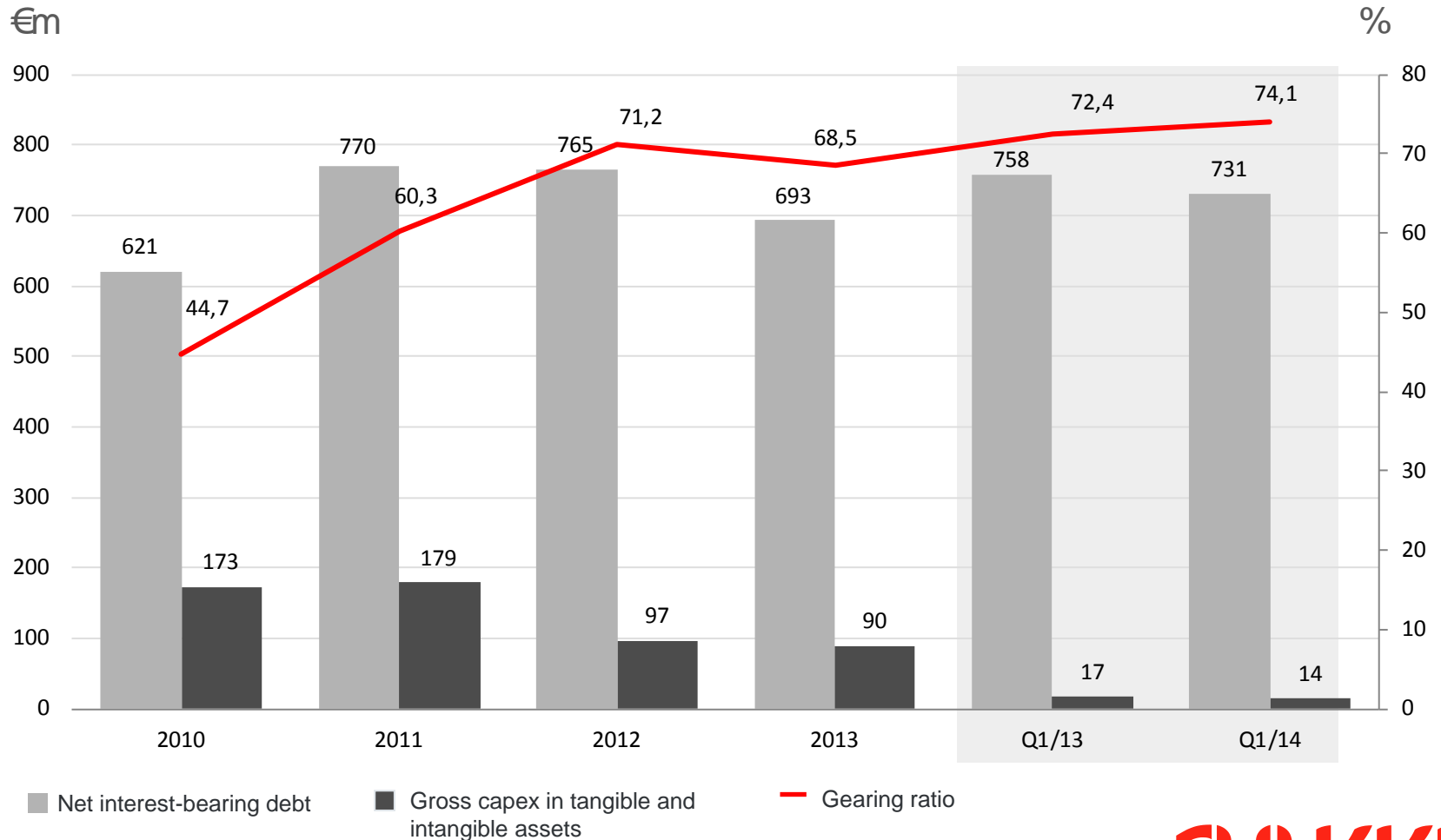
Net working capital as % of reported 12-month rolling net sales



● Net working capital as % of reported 12-month rolling net sales

Slight increase in net debt since year end

Gearing ratio 74.1%

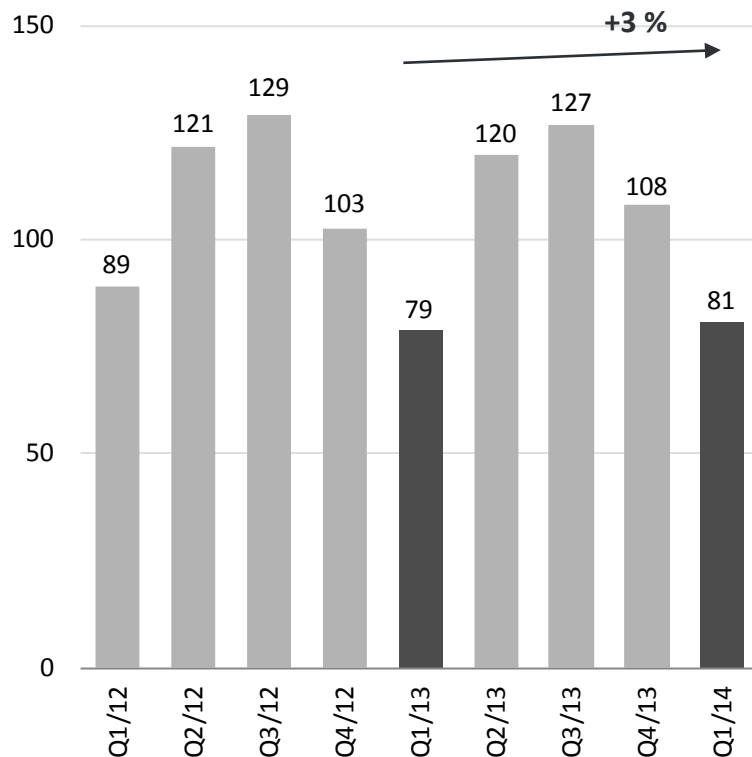


Business area development

Building Products' order intake rose

Orders up 15 % in residential roofing products

Order intake, (€m)

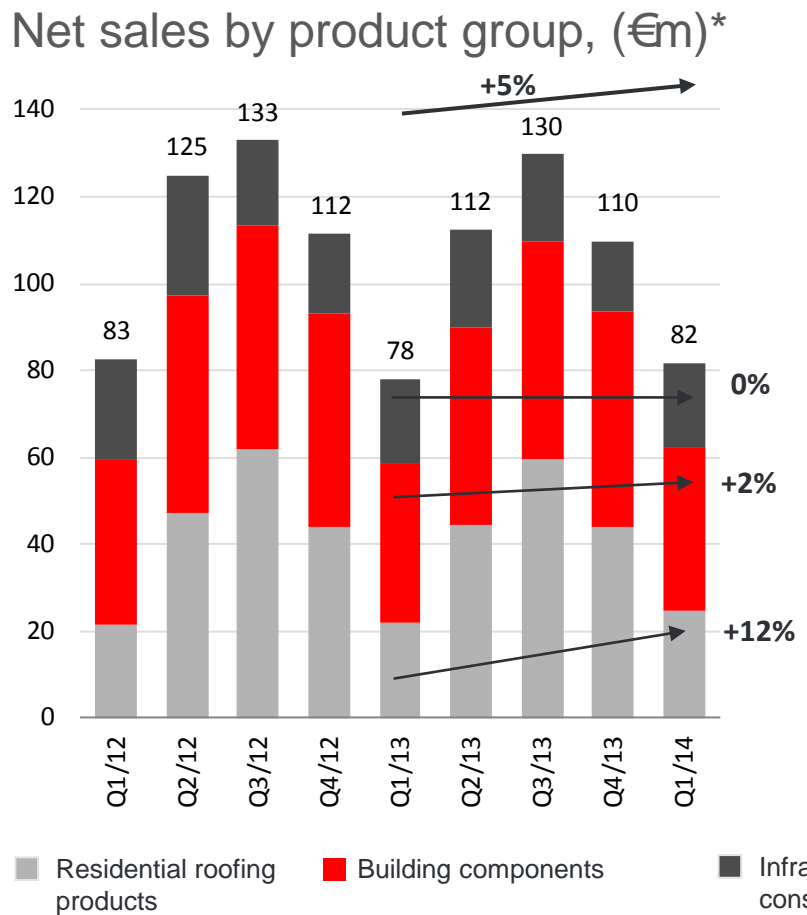


Q1/2014 vs. Q1/2013

- Residential roofing products: +15%
 - Growth in most market areas, highest growth in Finland, Poland and Baltic states
- Components: -4%
 - Growth in Norway and the Baltic states, decrease in Finland
- Infrastructure construction orders at same level as a year earlier
 - Growth in Norway, decrease in Finland and Sweden

Growth especially in residential roofing products

Building Products' net sales up 5%



Q1/2014 vs. Q1/2013

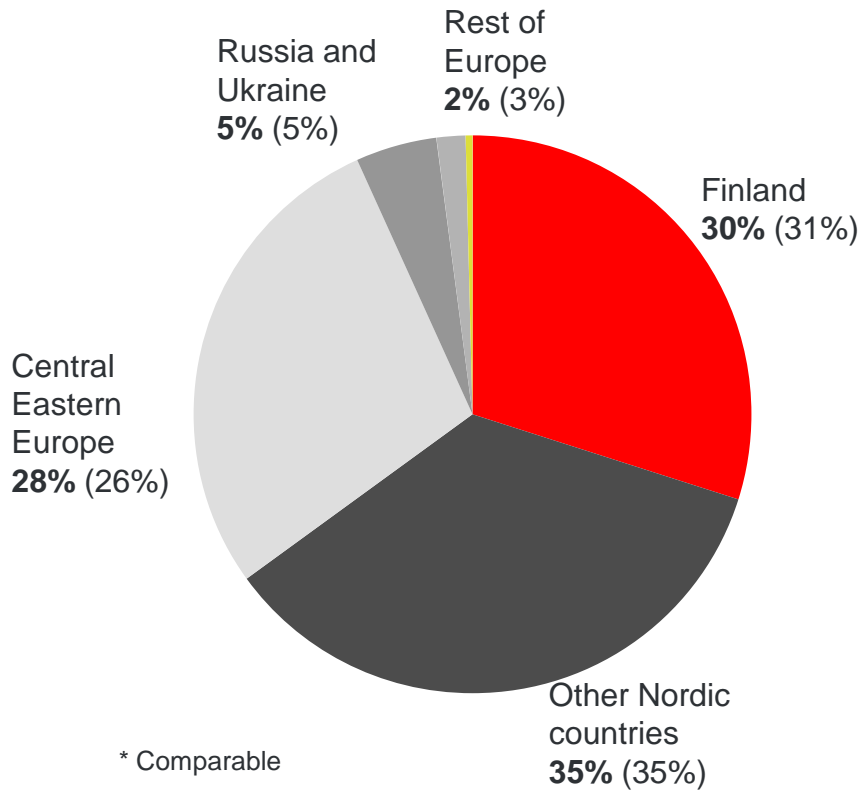
- Residential roofing products: +12%
- Components: +2%
- Infrastructure construction net sales close to same level as a year earlier

* Reported



Growth in residential construction, especially in the Nordic countries

Net sales by market area
Q1/2014 (Q1/2013)*

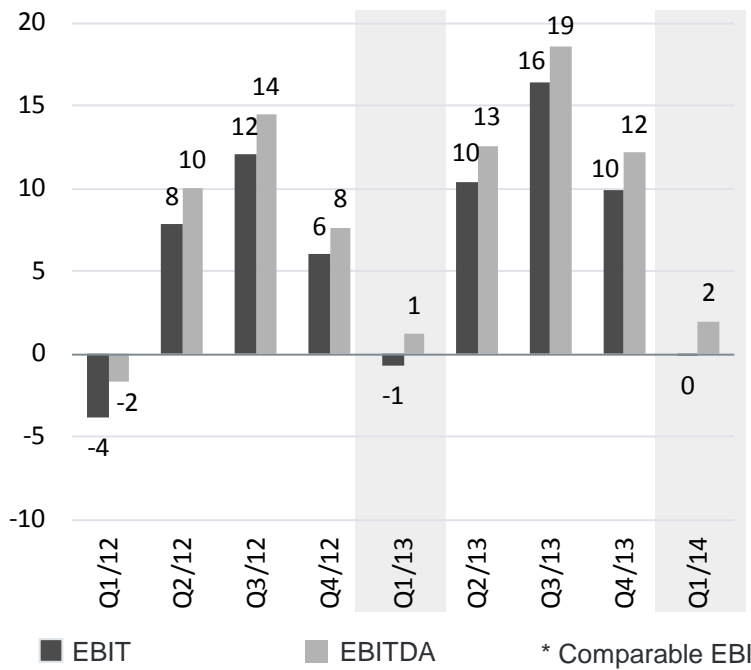


* Comparable

- ### Q1/2014 vs. Q1/2013
- Residential roofing products:
 - Growth especially in Finland and the other Nordic countries
 - Components:
 - Growth in Central Eastern European markets
 - Net sales down slightly in Finland and the other Nordic countries, down clearly in Ukraine
 - Infrastructure construction:
 - Growth in Norway

Building Products' comparable operating profit improved slightly year on year

EBITDA and EBIT (€m) *



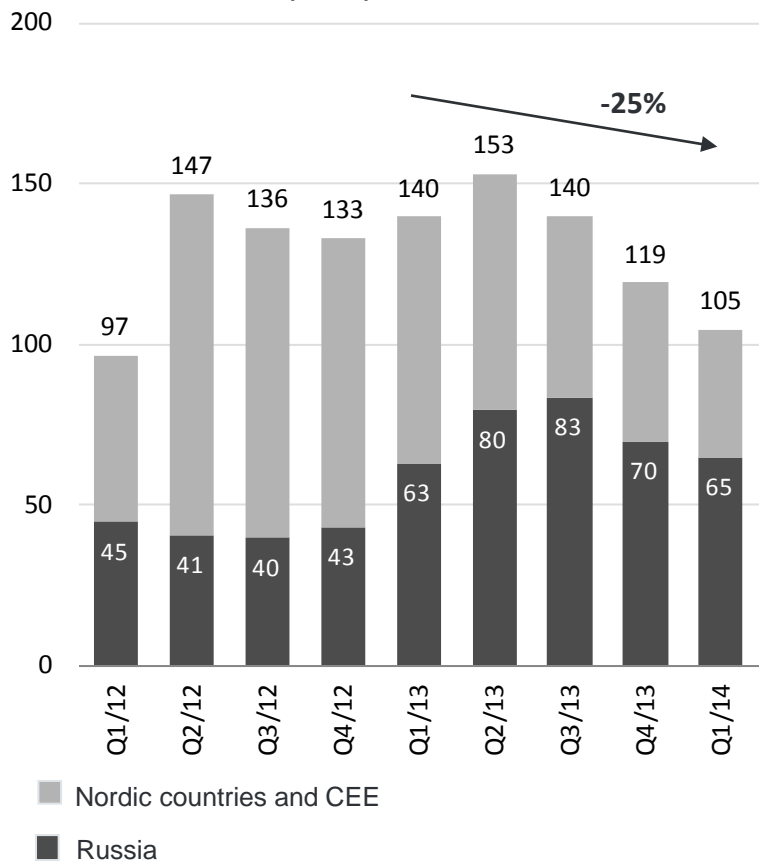
Comparable EBIT €0m (-1)

- Operating profit improved year on year due to efficiency programme completed and improved gross margin
- Favourable geographical spread also had positive impact on sales
- Operating profit down quarter on quarter due to normal seasonality

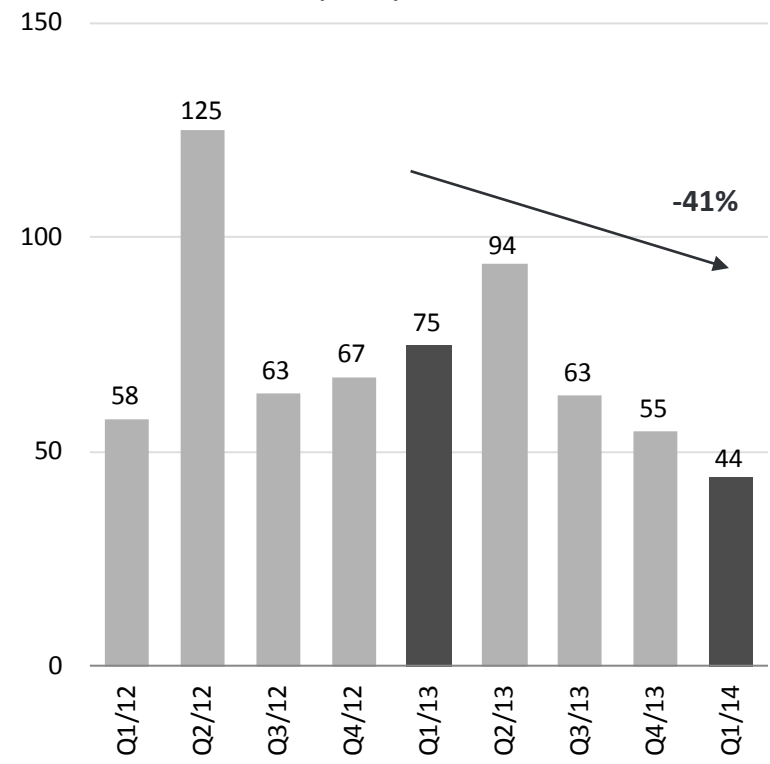
Building Systems' order book and order intake were down

Low market activity, customers delayed investment decisions

Order book, (€m)



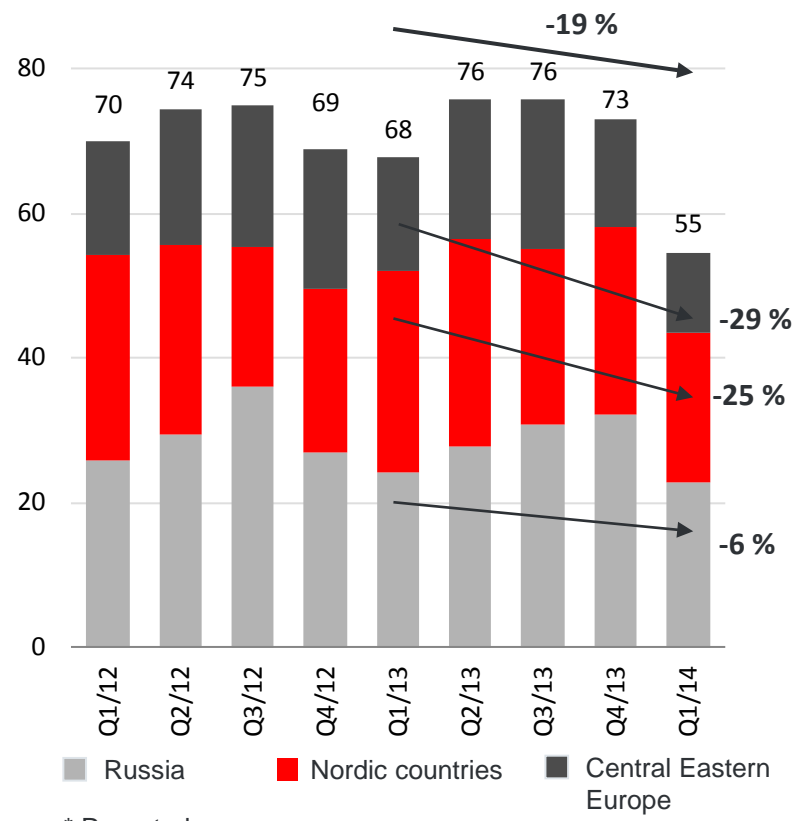
Order intake, (€m)



Building Systems' net sales clearly lower year on year

Rouble-denominated net sales in Russia up 13%

Net sales by market area, (€m) *



* Reported

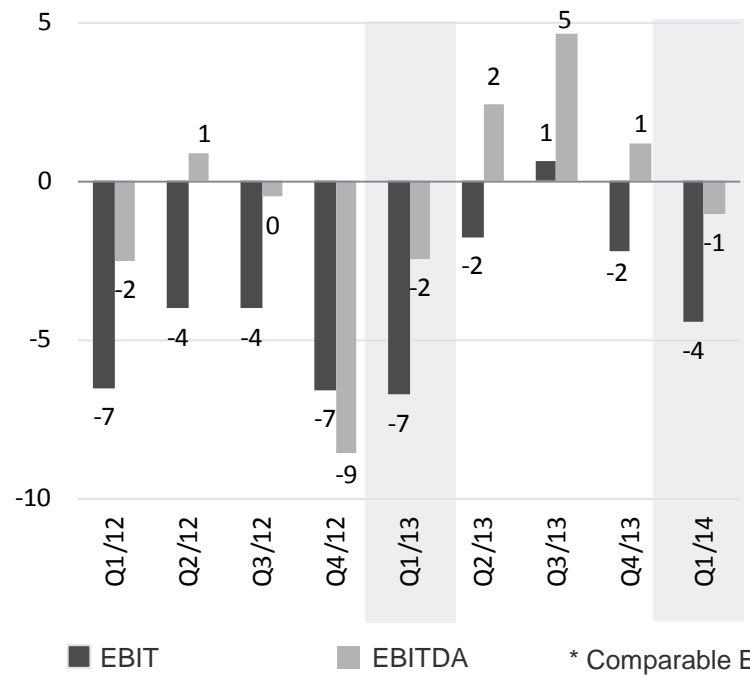
Q1/2014 vs. Q1/2013

- Net sales down clearly in Finland due to weak demand
- Net sales down 6% in Russia mostly due to weakening of rouble exchange rate
- Rouble-denominated net sales in Russia were up 13%

Building Systems' profitability improved slightly

Operating result still negative

EBITDA and EBIT (€m)*



Comparable EBIT -€4m (-7)

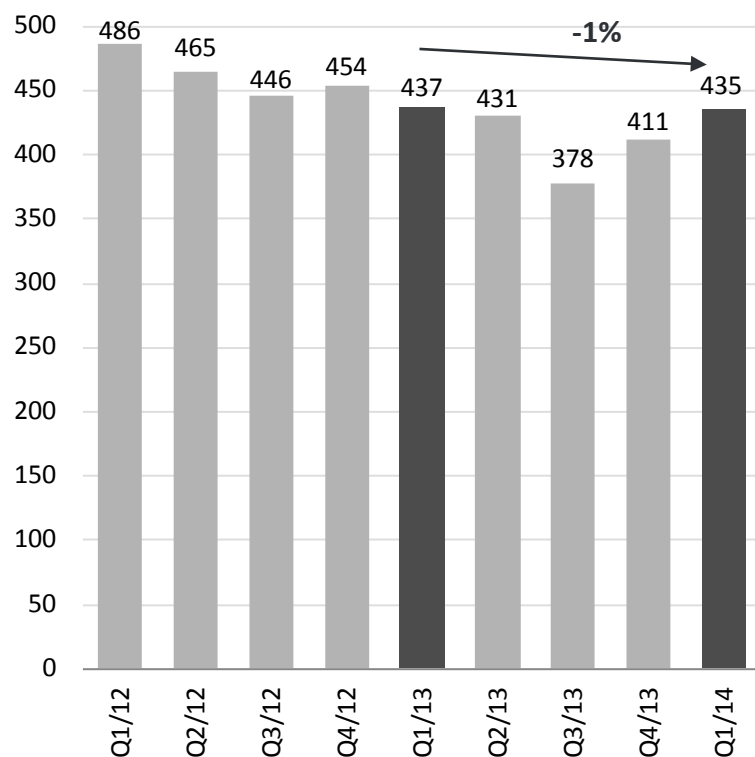
- Operating result improved year on year based on on-going turnaround program
- Lower than expected project volume had a negative effect on profitability

* Comparable EBIT, reported EBITDA

Special steels' order intake up both year on year and quarter on quarter

Ruukki Metals' order intake at previous year's level

Order intake, (€m)



Q1/2014 vs. Q1/2013

- Order volumes for special steels up clearly year on year
 - Growth in almost all main market areas
- Orders for strip and flat steel products down slightly
- Orders for tube and profile products up slightly

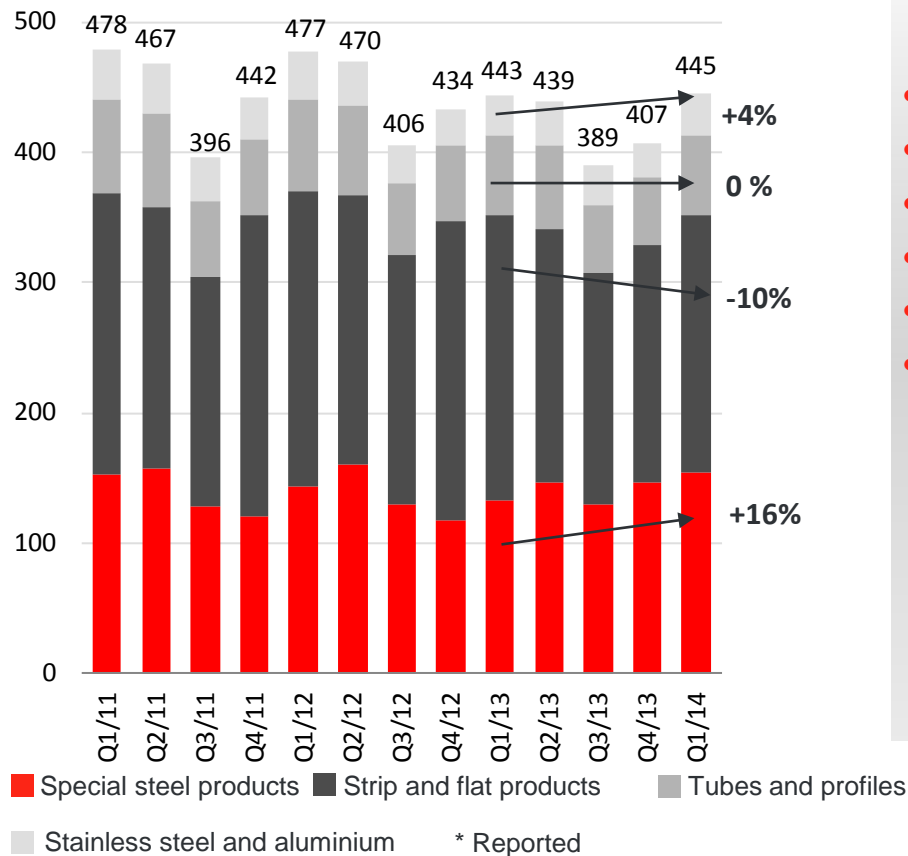
Q1/2014 vs. Q4/2013

- Order intake up 6%
- Clear growth in order intake for special steel products

Net sales of special steel products up 16%

Ruukki Metals' net sales at previous year's level, delivery volumes up

Net sales by product group*, (€m)



Q1/2014 vs. Q1/2013

- Average selling prices were down
- Delivery volumes were up
- Special steel products' net sales: +16%
- Strip and flat products' net sales : -10%
- Tube and profile products' net sales : 0%
- Unfavourable changes in currencies

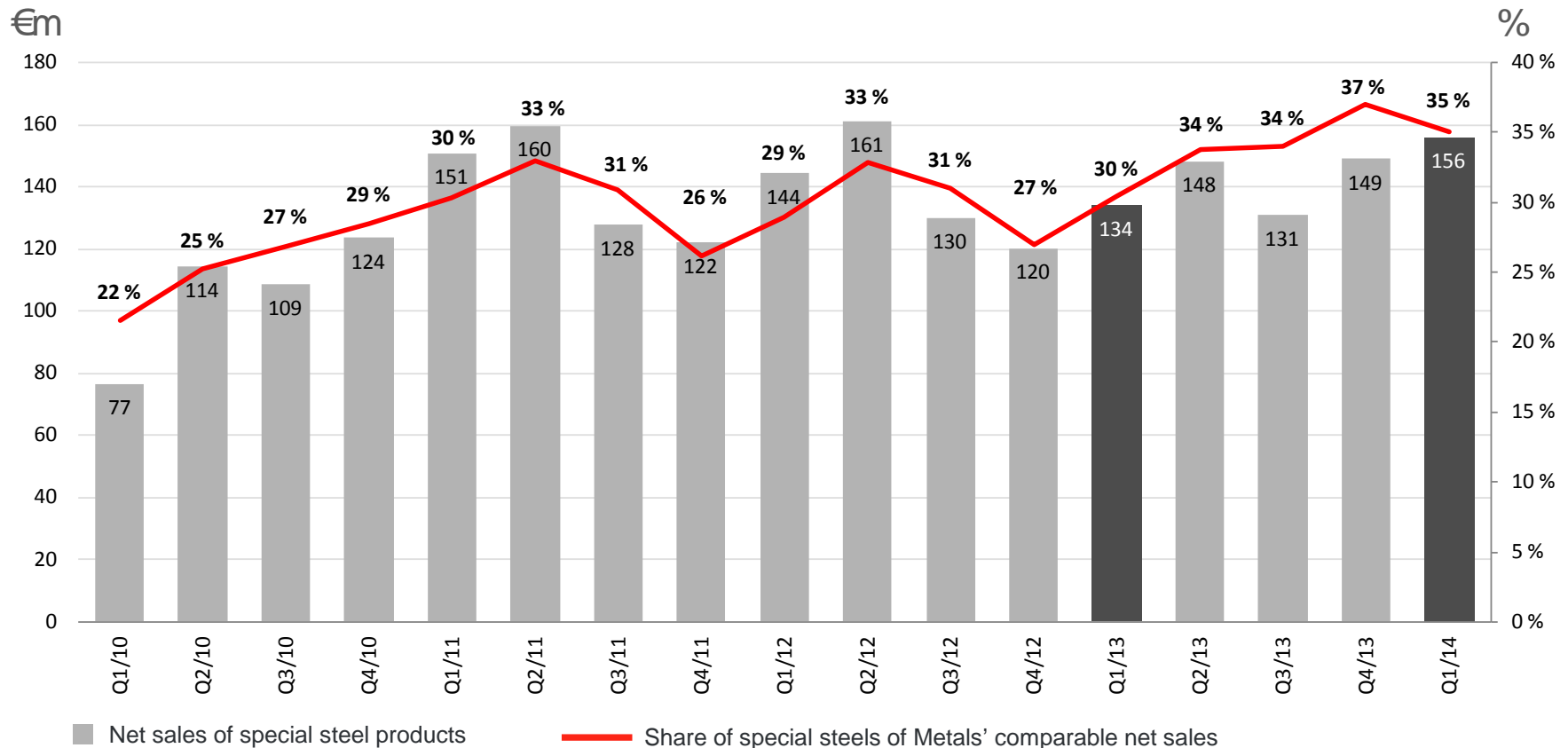
Q1/2014 vs. Q4/2013

- Net sales up in all product groups by a total of 9%
- Delivery volumes were up, also a slight rise in average selling prices

Share of special steels 35%

Target is annual net sales of €850 million in 2015

Net sales of special steels and % of Metals' net sales*

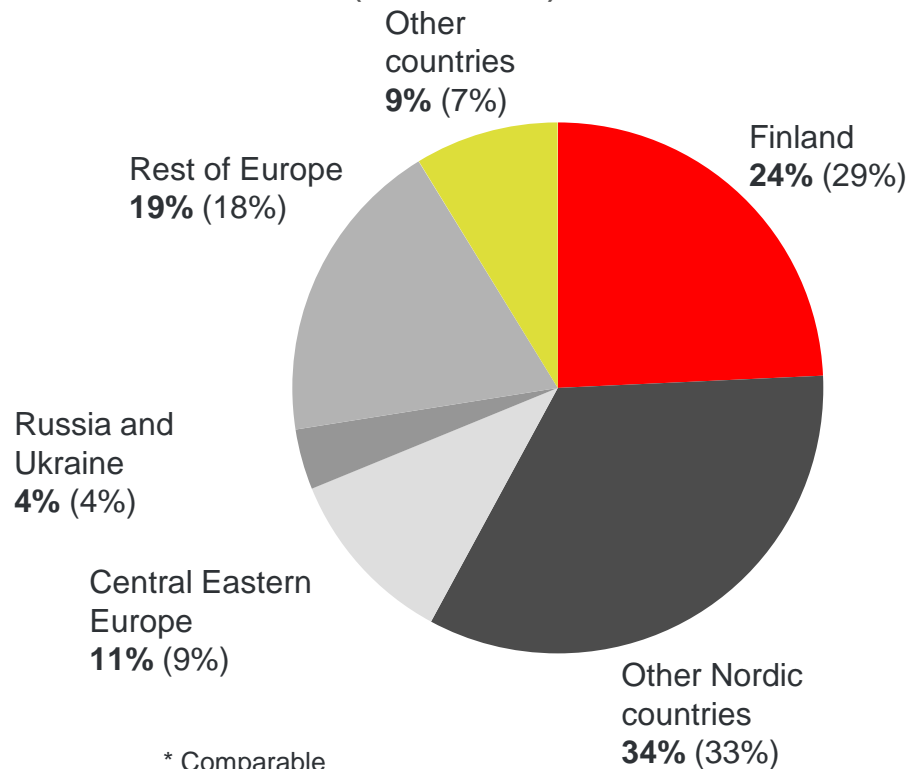


* Share of special steel products has been calculated based on comparable net sales, i.e. the reference figures have been restated to reflect the current corporate structure

Metals' net sales down clearly in Finland

Growth in markets outside Europe and in Central Eastern Europe

Net sales by market area
Q1/2014 (Q1/2013)



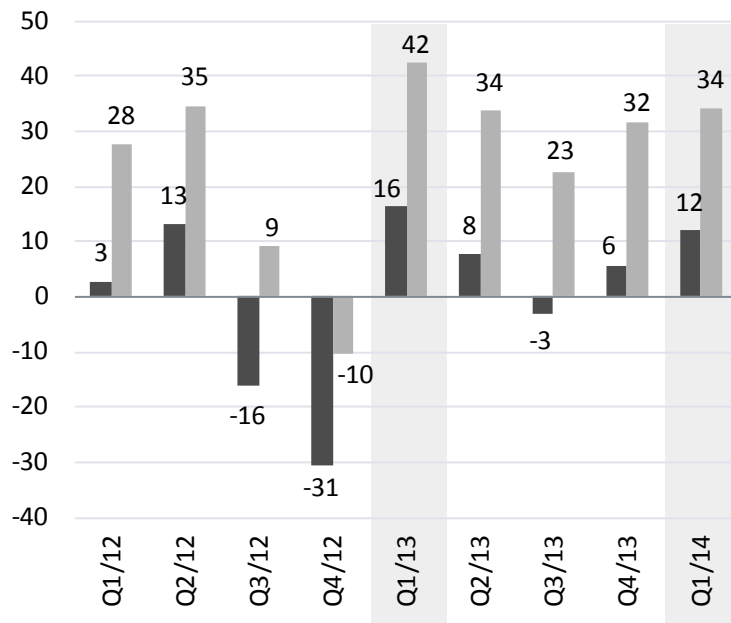
Q1/2014 vs. Q1/2013

- Net sales down clearly in Finland inline with overall market development
- Slight growth in other Nordic countries and in Western Europe

Metals' operating profit down slightly year on year

Profitability negatively affected by lower selling prices

EBITDA and EBIT* (€m)



■ EBIT

■ EBITDA

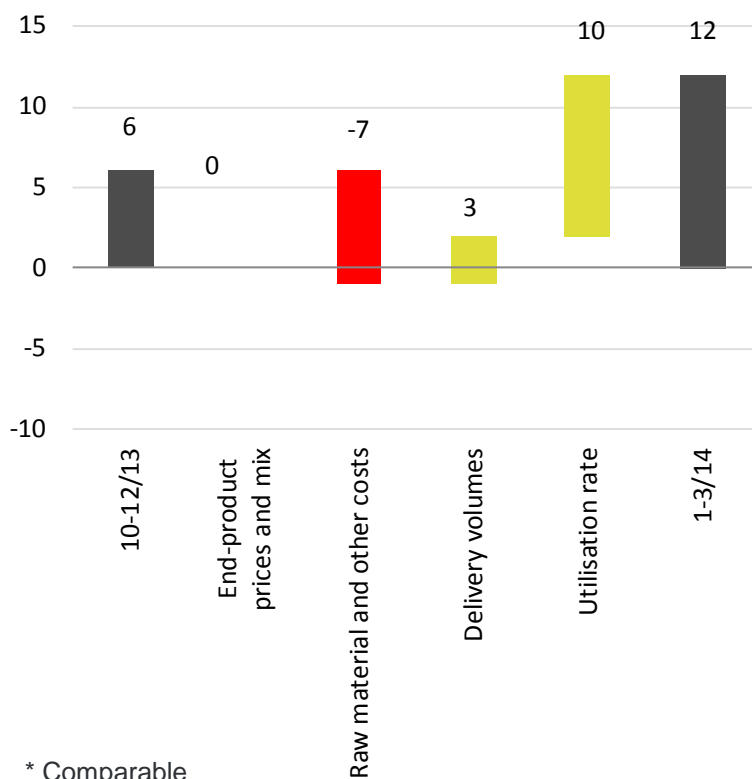
* Comparable EBIT, reported EBITDA

Comparable EBIT €12 million (16)

- Operating profit weakened by lower average selling prices for steel products
- EBITDA was €34 million
- Developing markets' currencies had a negative impact on profitability

Metals' operating profit up €7 million quarter on quarter

Operating profit (€m) Q4/13 vs. Q1/14 *

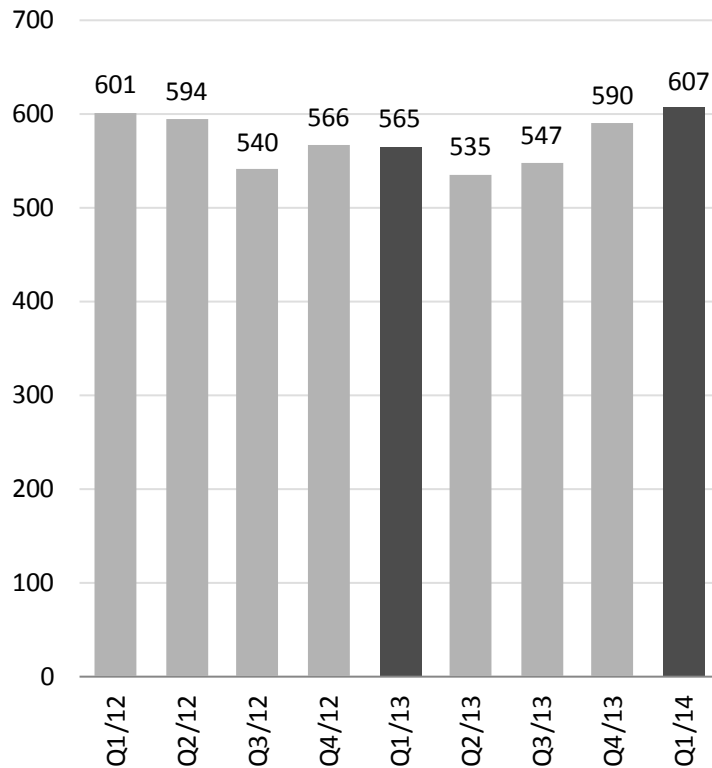


- No impact from product mix and prices
- Impact of cost of raw materials and other costs was -€7 million
- Impact of improved capacity utilisation rate was €10 million
- Delivery volumes were up 43 000 tonnes, i.e. 9%, quarter on quarter, impact was €3 million

Capacity utilisation rate around 86%

Quarterly steel production

1000 tonnes



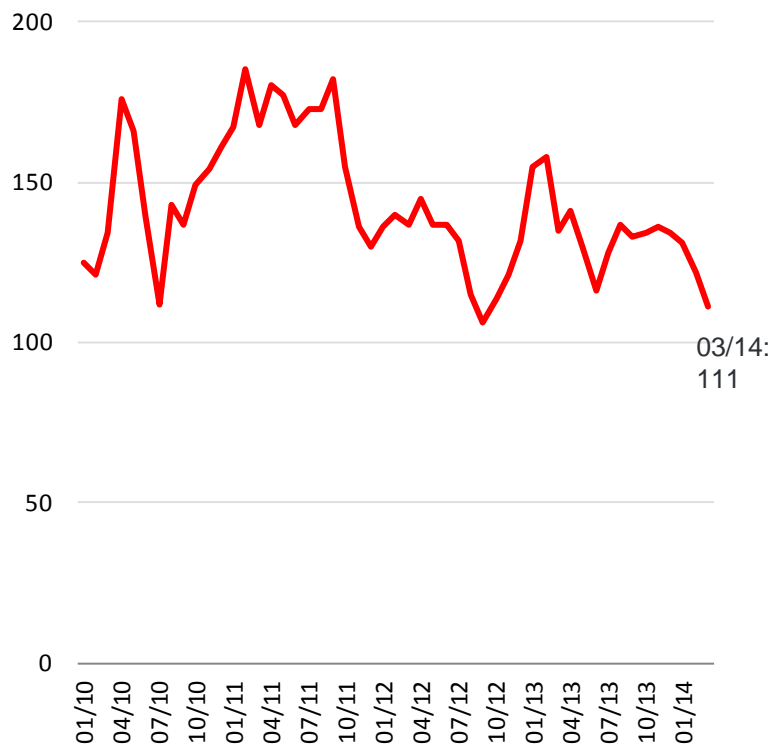
- Steel production was 607 000 tonnes, up 17 000 tonnes quarter on quarter
- Capacity utilisation rate in steel production was around 86%

Raw material prices fell during early part of year

No significant increase in raw material prices expected during 2014

Average spot price of iron ore*

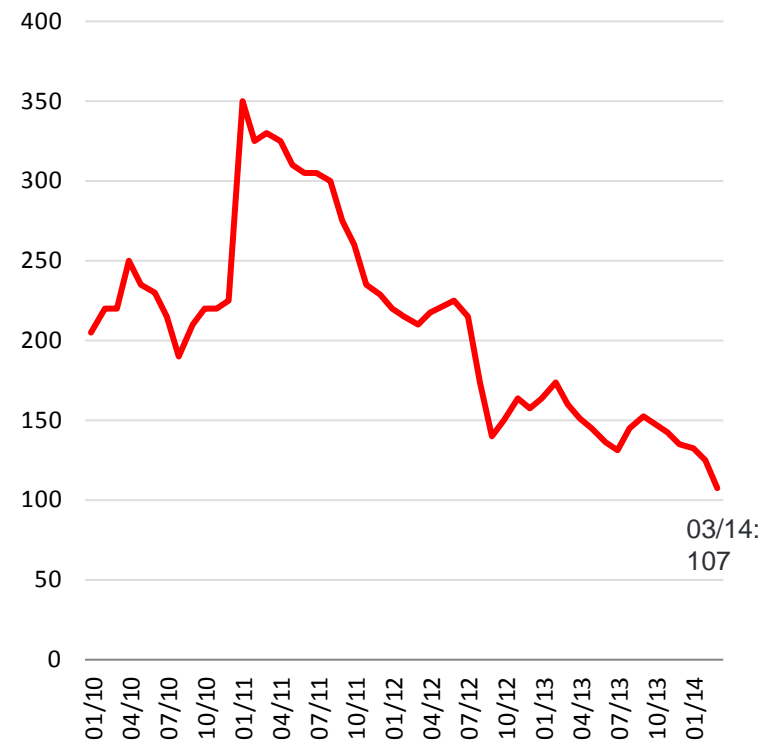
USD/t



Source: CRU * C&F China (63.5% Fe) ** FOB Australia

Average spot price of coking coal**

USD/t



Source: CRU * C&F China (63.5% Fe) ** FOB Australia

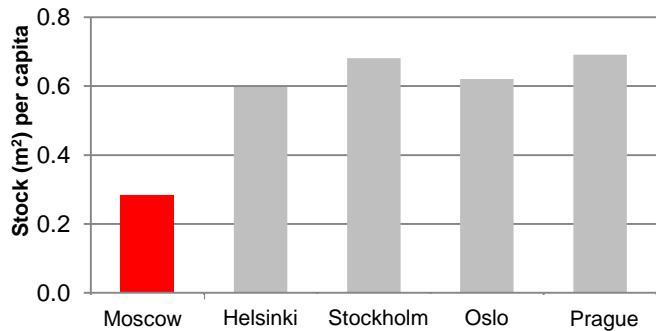
Near-term outlook and guidance

Fairly good growth outlook for office and commercial construction in Sweden and Norway

Demand remains weak in Finland,
increased uncertainty for growth in Russia

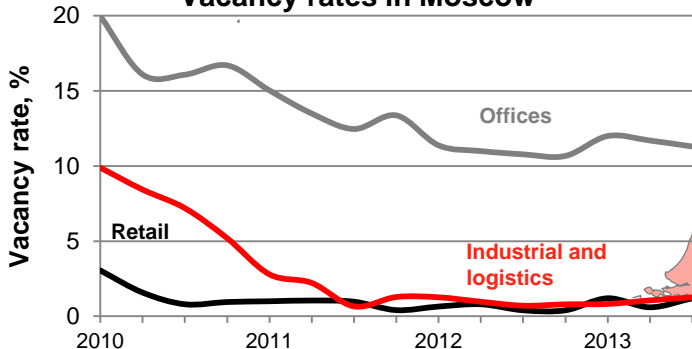
Growth in Building Systems **2014** / CAGR 2014-2016

Retail stock per capita

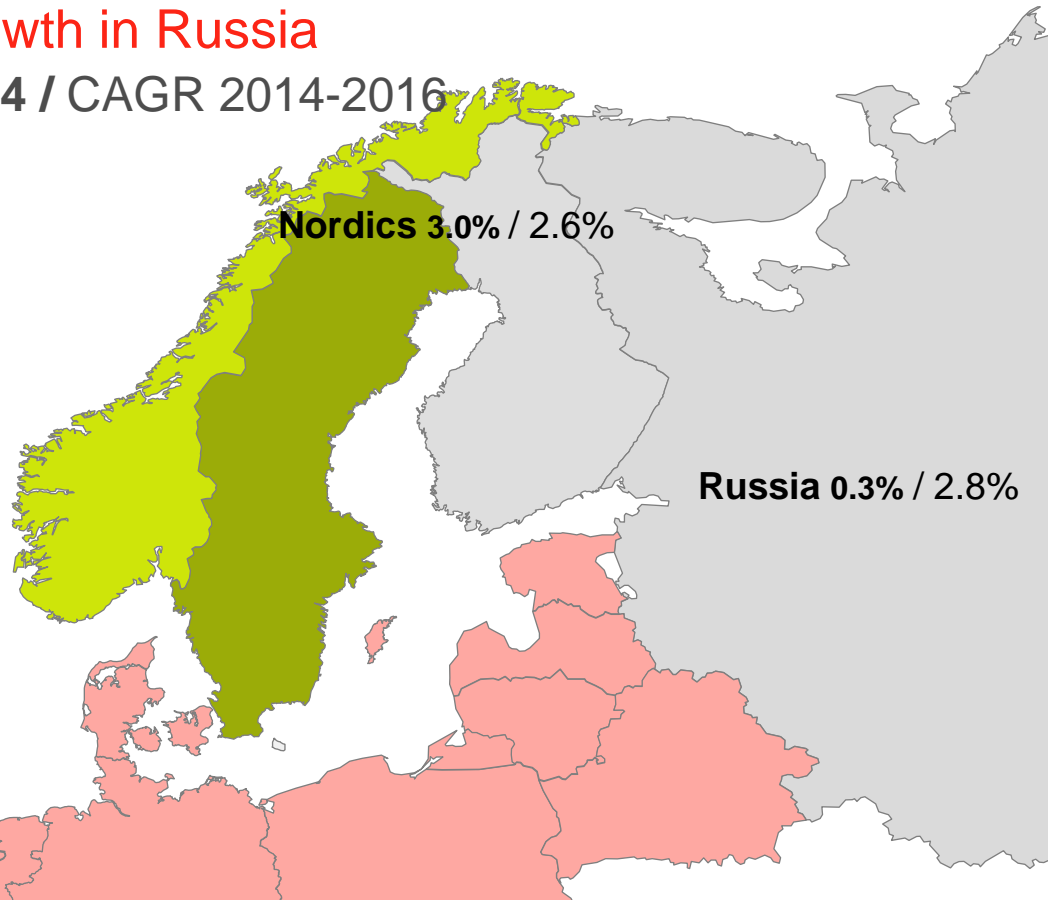


Source: Jones Lang la Salle

Vacancy rates in Moscow



Sources: CBRE (Office, industrial and logistics) Cushman and Wakefield (Retail)

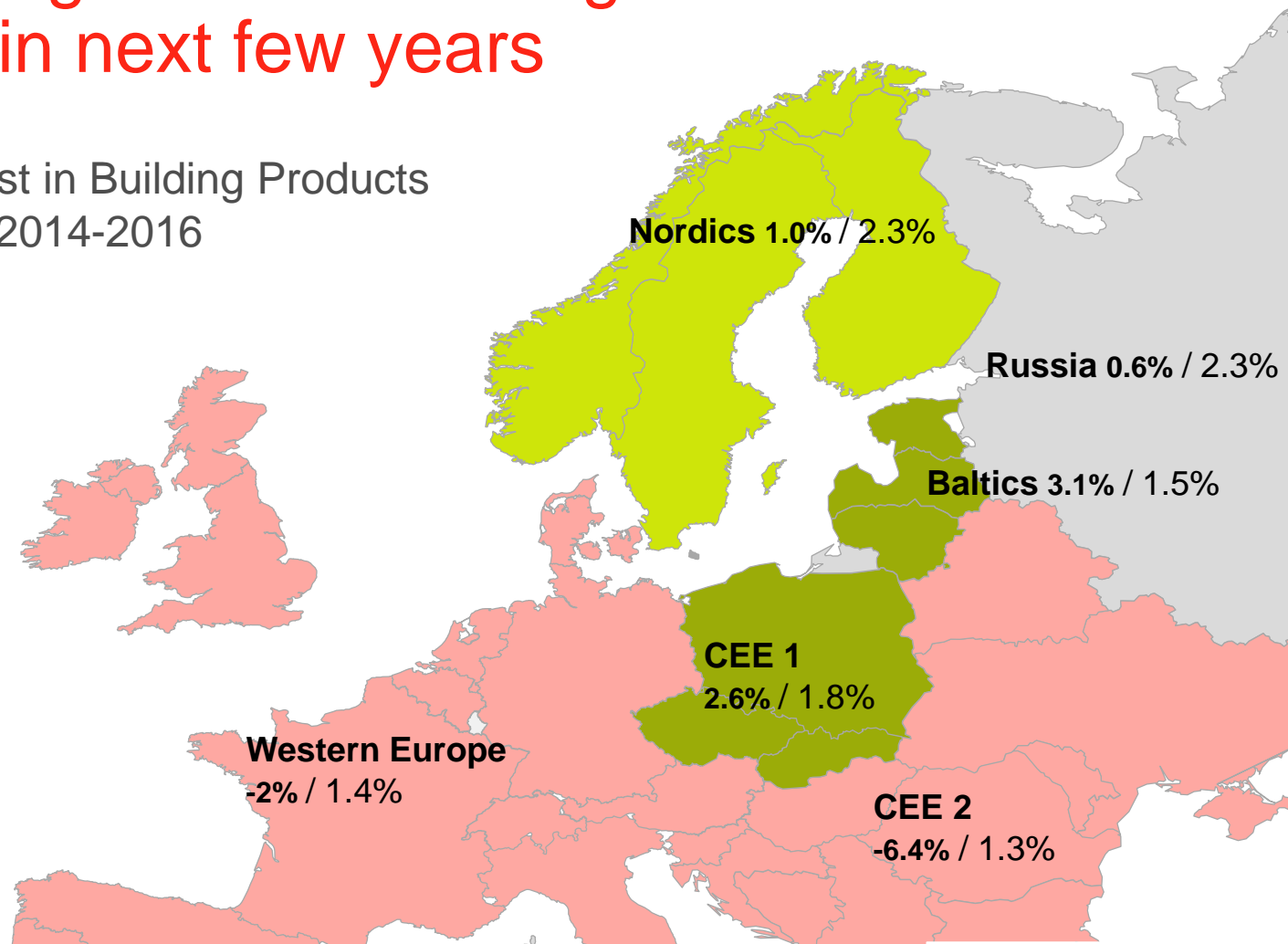


■ Growth ≥ 2.0% ■ 2% > Growth ≥ 1% ■ 1% > Growth > -1%

*) The figure for Russia also includes renovation construction
Source: Global Insight 03/2014 and Ruukki

Moderate growth in Building Products' main markets in next few years

Growth forecast in Building Products
2014 / CAGR 2014-2016

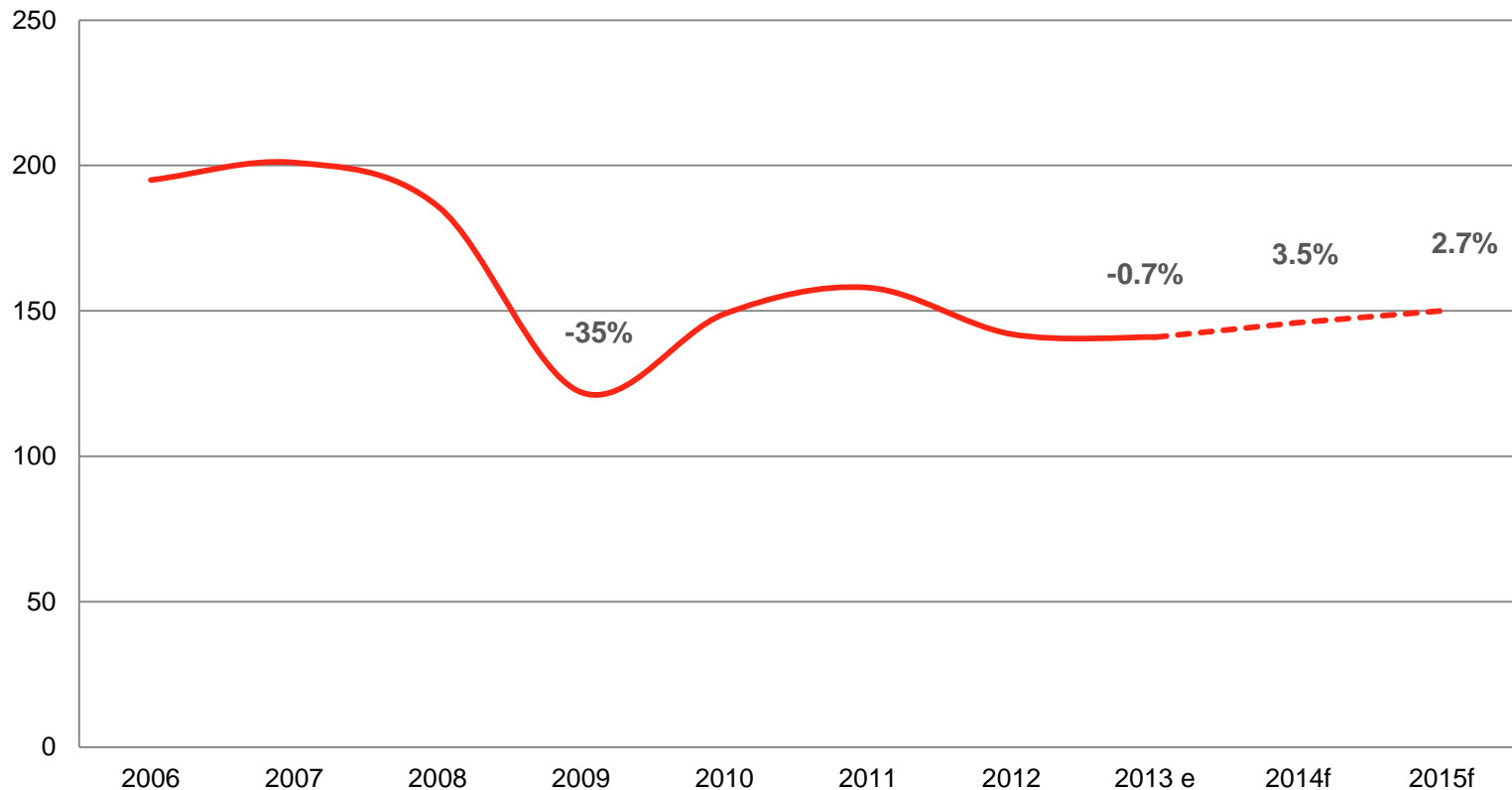


■ Growth ≥ 2.0% ■ 2% > Growth ≥ 1% ■ 1% > Growth > -1% ■ Growth < -1%

*) The growth forecast has been adjusted to take into consideration Building Products' geographical scope and segment shares.
Source: Global Insight 03/2014 and Ruukki

Apparent steel demand in Europe estimated to grow by about 3% in 2014

Apparent steel use in EU (million tonnes)



Source: Eurofer Market Outlook 4/2014, ASU =Apparent Steel Use

Near-term outlook

Ruukki Building Products



- Residential construction activity is forecast to be at the same level as the previous year in Finland and to show slight growth in the other Nordic countries
- In Poland and the Baltics, demand for building products is forecast to grow compared to the previous year
- Renovation construction will grow faster than new construction
- A moderate recovery in construction growth is expected in Ruukki's main markets in 2014

Ruukki Building Systems



- In Finland, demand for industrial and commercial construction is expected to remain weak
- In the other Nordic countries, demand for commercial and industrial construction activity is forecast to be at a good level
- In Russia, the growth outlook is slightly weaker than earlier

Ruukki Metals



- Demand growth for special steels is outperforming demand for standard steels, especially in markets outside Europe
- Good prospects for sales growth in special steels
- Service centre sales and mill deliveries are forecast to remain steady during the second quarter

Guidance for 2014

Net sales:

Comparable net sales in 2014 are estimated to grow compared to 2013.

Operating profit:

Comparable operating profit in 2014 is estimated to improve compared to 2013.

The image shows the logos for SSAB and RUUKKI. The SSAB logo is in a dark blue, bold, sans-serif font. The RUUKKI logo is in a bright orange-red, bold, sans-serif font. A red curved shape is visible in the top-left corner of the slide.

SSAB **RUUKKI**

Creating a more competitive steel company with global reach

SSAB's public share exchange offer to Rautaruukki's shareholders has begun

- ▶ On 22 January 2014, SSAB and Rautaruukki announced a plan to combine the companies through a public share exchange offer to Rautaruukki's shareholders
- ▶ On 26 March 2014, Rautaruukki's Board of Directors published a statement recommending shareholders to accept the share exchange offer
- ▶ The offer period began on 14 April 2014 and will end on 12 May 2014 unless offer period is extended
- ▶ According to a flagging notice received by Rautaruukki from SSAB AB, a total of 40.38 per cent of the total outstanding shares and votes in Rautaruukki had accepted the share offer by 22 April 2014



A more competitive Nordic and US-based steel company



RUUKKI

LIVING. WORKING. MOVING.

RUUKKI

Notes

Key figures

		Q1/2014	Q1/2013	2013
Net sales *)	€m	581	589	2 404
Operating profit *)	€m	5	4	39
as % of net sales *)		0.8	0.8	1.6
Result before income taxes*)	€m	-11	-4	-1
Result for the period	€m	-19	-4	-14
Earnings per share, diluted	€	-0.14	-0.03	-0.10
Return on capital employed, (rolling 12 months)	%	1.4	-4.1	1.8
Gearing ratio	%	74.1	72.4	68.5
Gross capex **)	€m	14	17	90
Net cash from operating activities	€m	-21	22	184
Net cash before financing activities	€m	-36	7	101
Personnel (average)		8 572	8 876	8 955

*) Comparable

**) In tangible and intangible assets

Quarterly comparable net sales, operating profit and deliveries

Comparable net sales*)									
(€m)	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Ruukki Building Products	82	110	130	112	78	112	133	125	83
Ruukki Building Systems	55	73	76	76	68	69	75	74	70
Ruukki Metals	445	407	389	439	443	452	419	490	498
Other	0	0	-3	5	1	2	-3	-2	0
Comparable net sales, total	581	590	592	633	589	634	624	688	651

Comparable operating profit *)									
(€m)	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Ruukki Building Products	0	10	16	10	-1	6	12	8	-4
Ruukki Building Systems	-4	-2	1	-2	-7	-7	-4	-4	-7
Ruukki Metals	12	6	-3	8	16	-31	-16	13	3
Other	-3	-6	-4	0	-4	-2	-7	-7	-4
Comparable operating profit, total	5	8	10	17	4	-34	-15	10	-11

*) The comparable figures exclude the divested Mo i Rana unit, the Kalajoki unit, the divested Ruukki Engineering business and non-recurring items.

Deliveries, Ruukki Metals									
(1000 tonnes)	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Deliveries	509	466	415	451	481	466	389	448	507