Financial review 2012

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Rautaruukki Corporation
15 February 2013

Agenda

- 2012 in brief, key figures
- Financial performance
- Business area performance
- Business environment
- Key actions in 2012,
  near-term outlook and guidance

2012 in brief

- Net sales and operating profit in the construction business were practically at the same level y-o-y
- The steel business posted a loss due mainly to a rise in raw material costs and lower selling prices
- Good progress made with efficiency projects and around €20 million achieved of total savings target of €100 million
- Clear improvement in cash flow and €173 million cash conversion from working capital
- Gearing was 71% at year-end
- Fortaco arrangement completed at end of year, Ruukki to focus more strongly on construction and special steels
- Board of Directors’ dividend proposal €0.20 per share

Key figures Q4/2012

		Q4/2012	Q4/2011
Order intake	€m	651	651
Net sales *)	€m	676	718
Operating profit *)	€m	-39	-40
as % of net sales *)		-5.8%	-5.6%
Net cash from operating activities	€m	79	163

*) Comparable

- Capacity utilisation rate in steel production averaged around 80% due to weak market conditions

Key figures 2012:

		2012	2011
Order intake	€m	2 767	2 675
Net sales *)	€m	2 789	2 797
Operating profit *)	€m	-65	56
as % of net sales *)	%	-2%	2%
Result before income tax	€m	-137	-12
Earnings per share, diluted,	€	-0.83	-0.07
Gearing	%	71.4	60.4
Net cash from operating activities	€m	172	114

*) Comparable

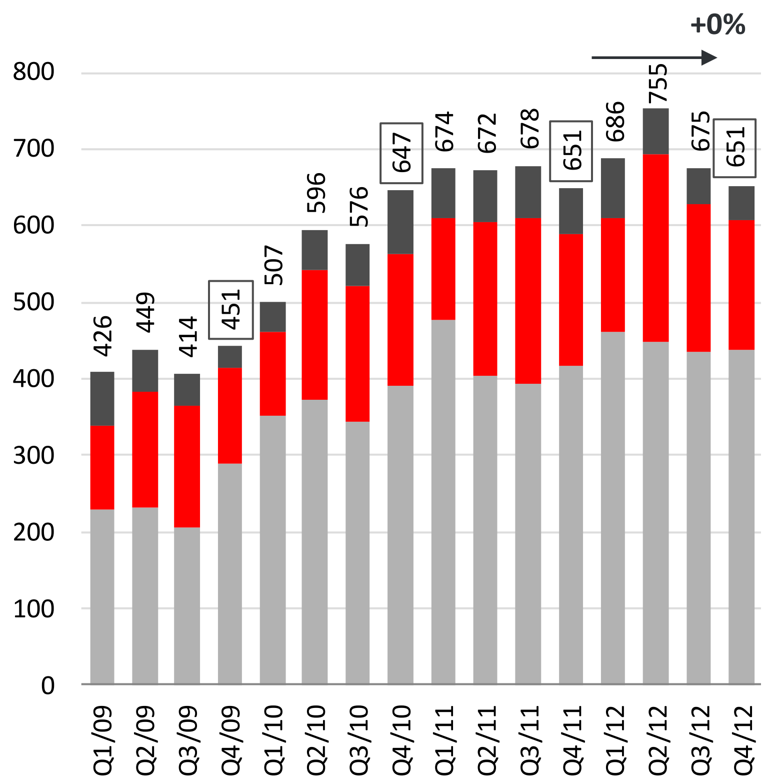
- Cash conversion from working capital was €173 million in 2012
- Board of Directors' dividend proposal €0.20 per share (0.50)

Financial performance

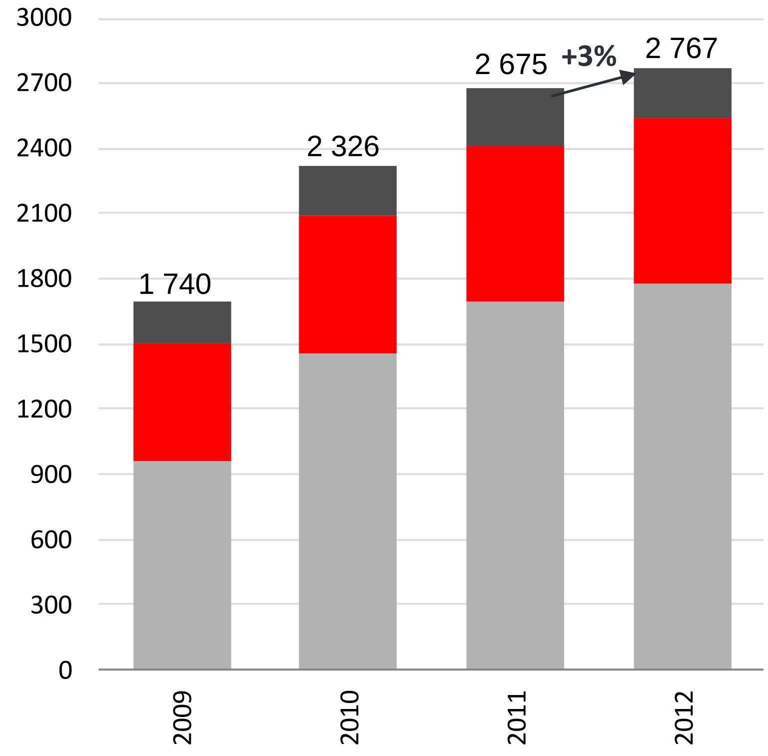
Order intake up 3% in 2012

Growth in construction and steel businesses

Quarterly order intake (€m)



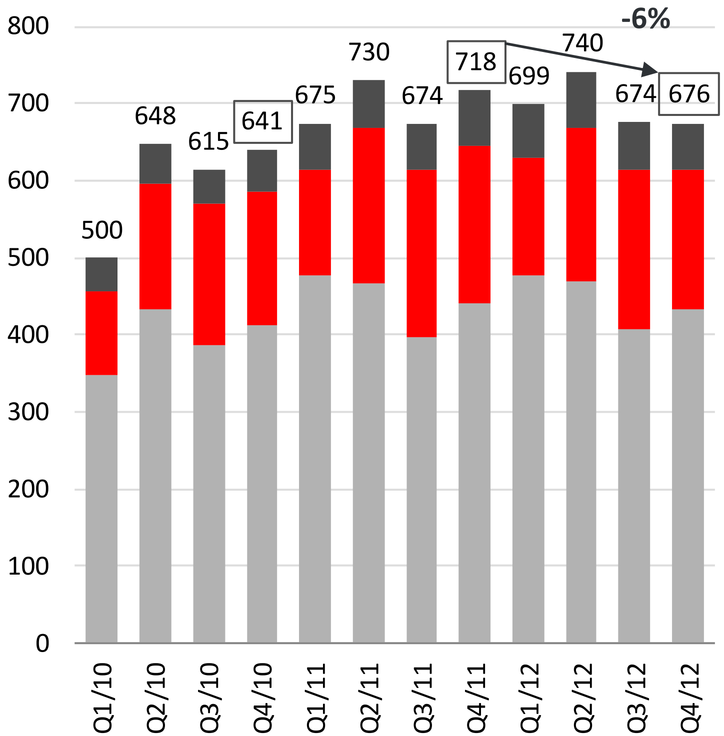
Order intake 2009-2012 (€m)



Steel business Construction business Engineering business

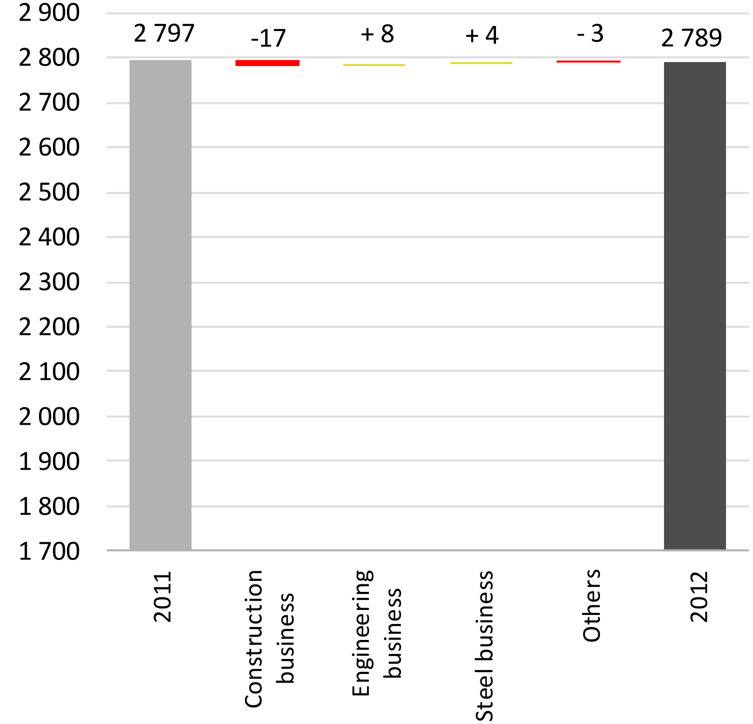
Net sales for whole year approximately at same level as previous year

Quarterly net sales (€m) *)



*) Comparable

Change in net sales by business area (€m) 2011 vs. 2012 *)



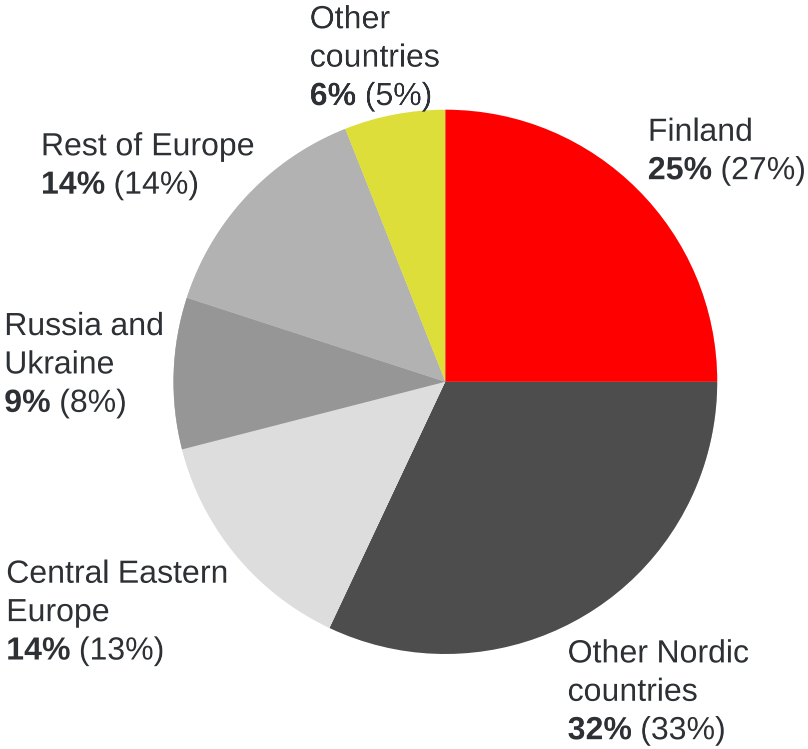
Strongest net sales growth in Russia and in markets outside Europe

Net sales down in Finland and the other Nordic countries

Net sales by market area

2012 (2011) *)

100% = €2789m (€2797m)



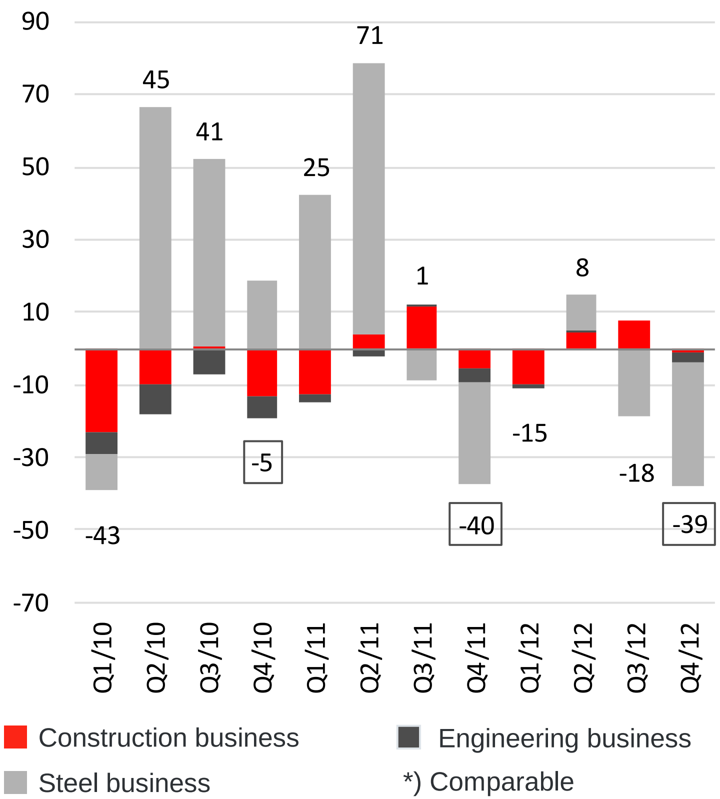
*) Comparable

- Growth in Russia +18%, markets outside Europe +14%, Central Eastern Europe +4%
- Net sales down in Finland -8% and other Nordic countries -2%
- Emerging markets accounted for increased share 29% (27) of comparable consolidated net sales

Operating profit was -€65m

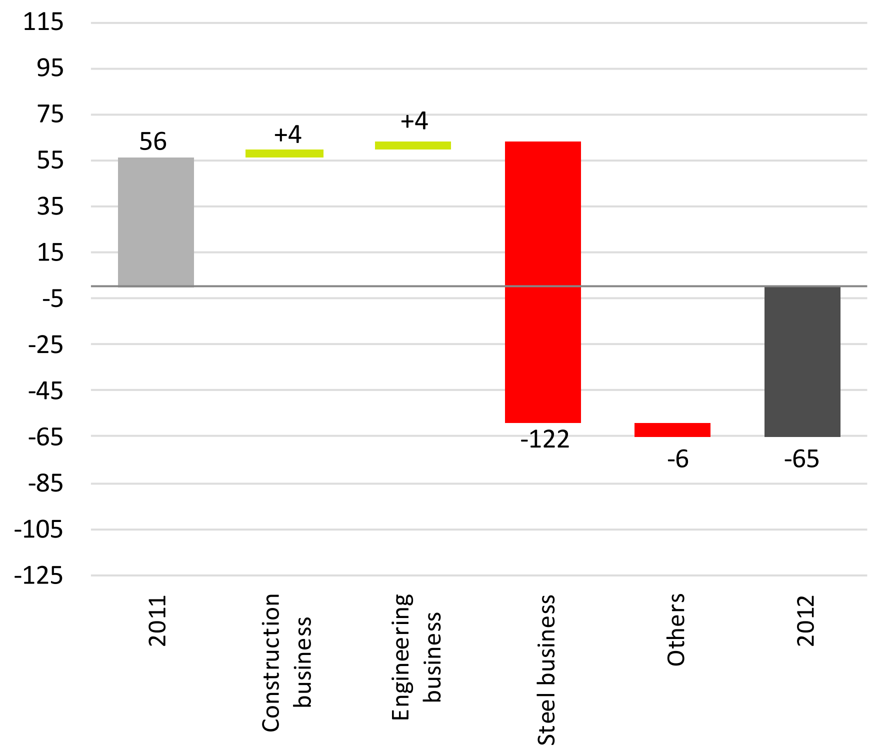
Engineering and construction businesses improved y-o-y, steel business posted a loss

Quarterly operating profit (€m) *)



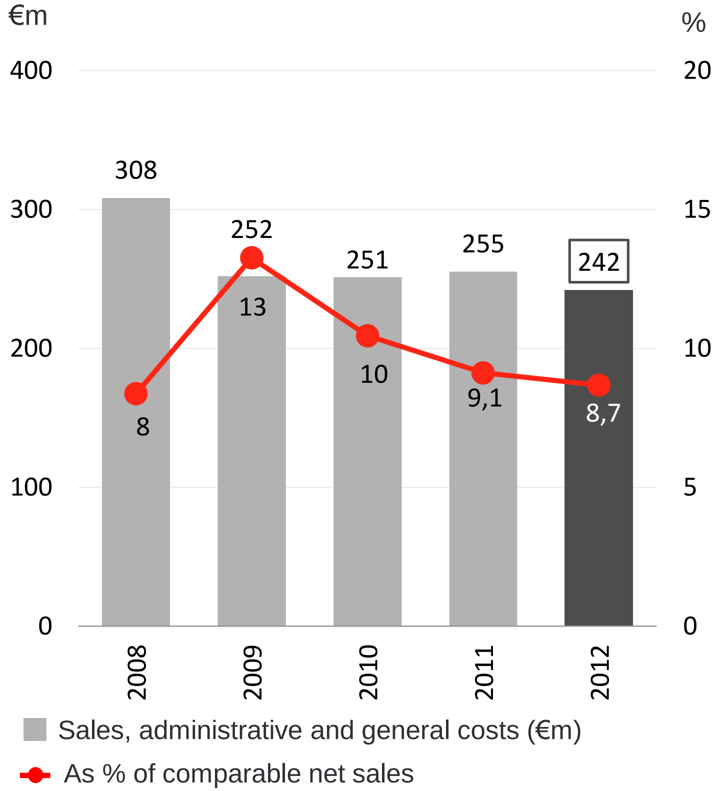
*) Comparable

Change in operating profit by business (€m) 2011 vs. 2012 *)

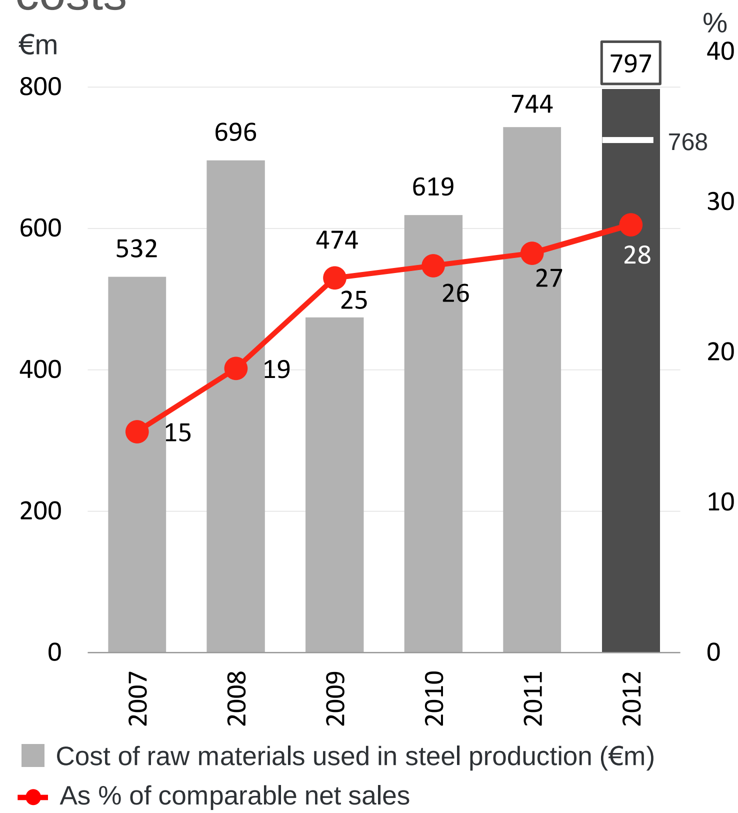


Fixed costs continued to account for decreasing share of net sales
Share of raw materials costs rose

Development of consolidated SGA costs



Development of steel raw materials costs

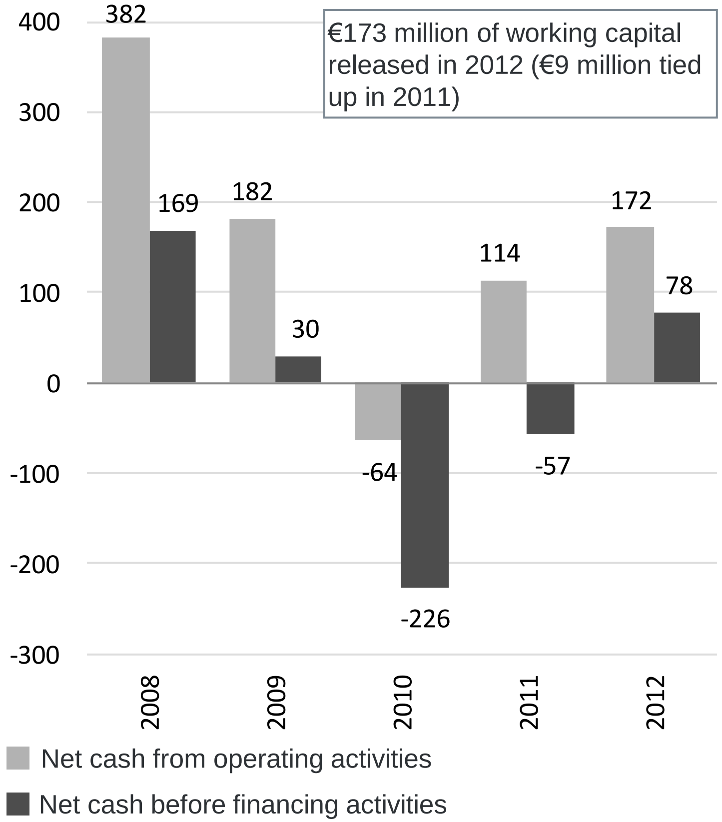


Cost of raw materials calculated by average cost of raw materials in 2011

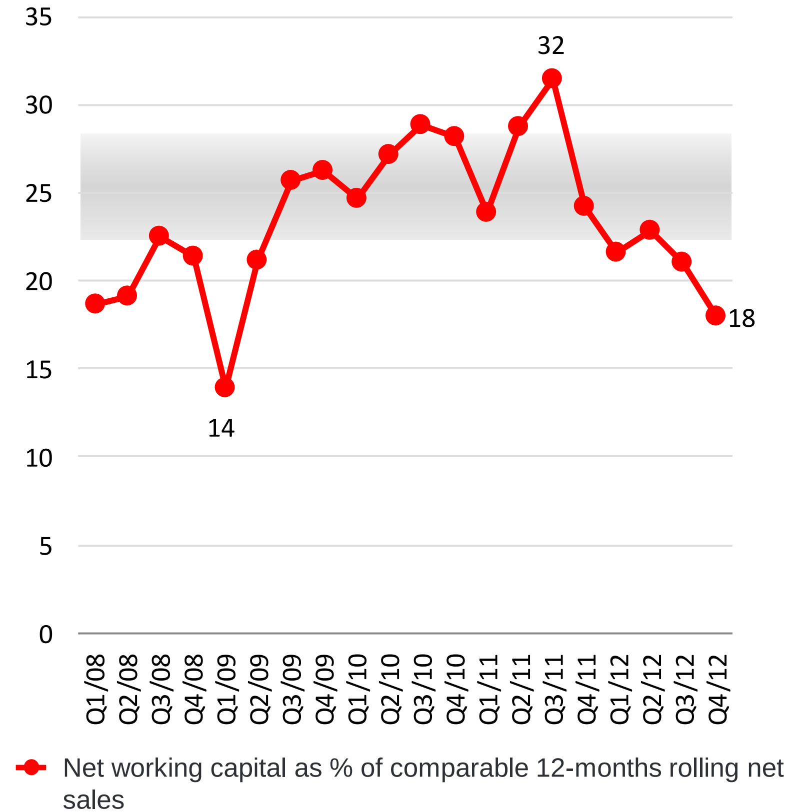
Cumulative cash flow €172 million

Successful working capital management

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

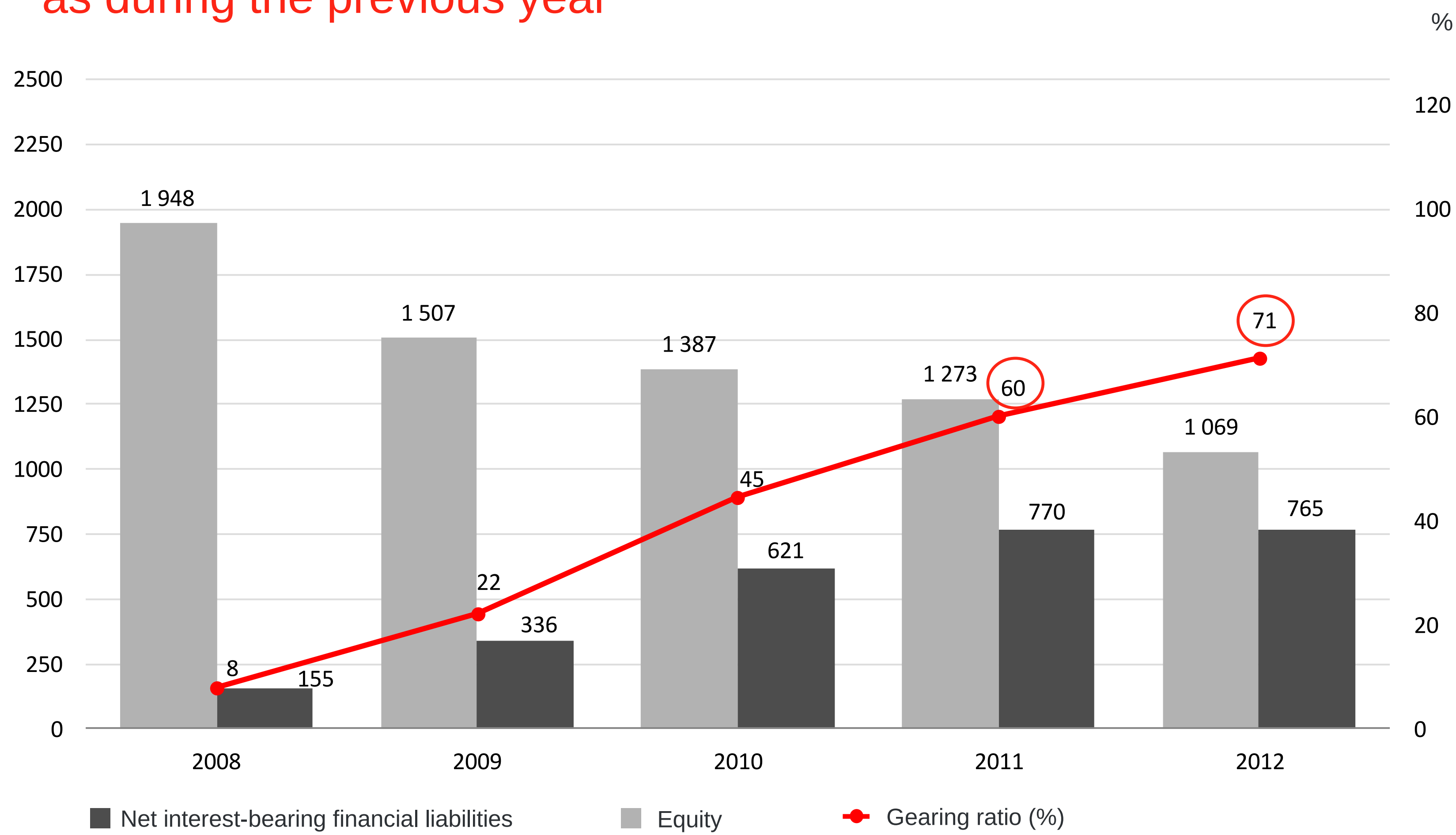


Net working capital as % of comparable 12-month rolling net sales



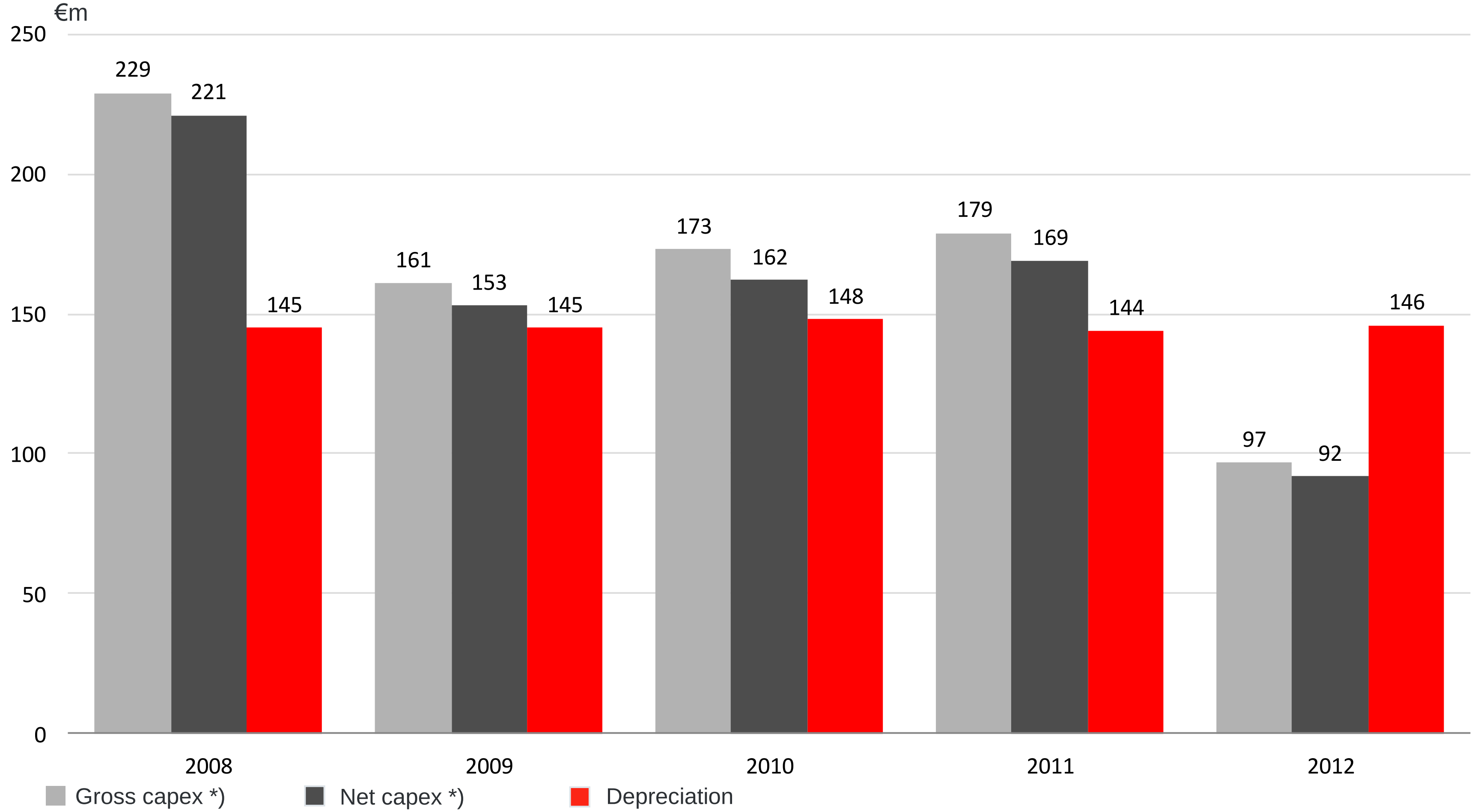
Gearing ratio 71%

Net interest-bearing financial liabilities at practically same level as during the previous year



Capex clearly below depreciation

Capex in 2013 estimated to be around €90 million



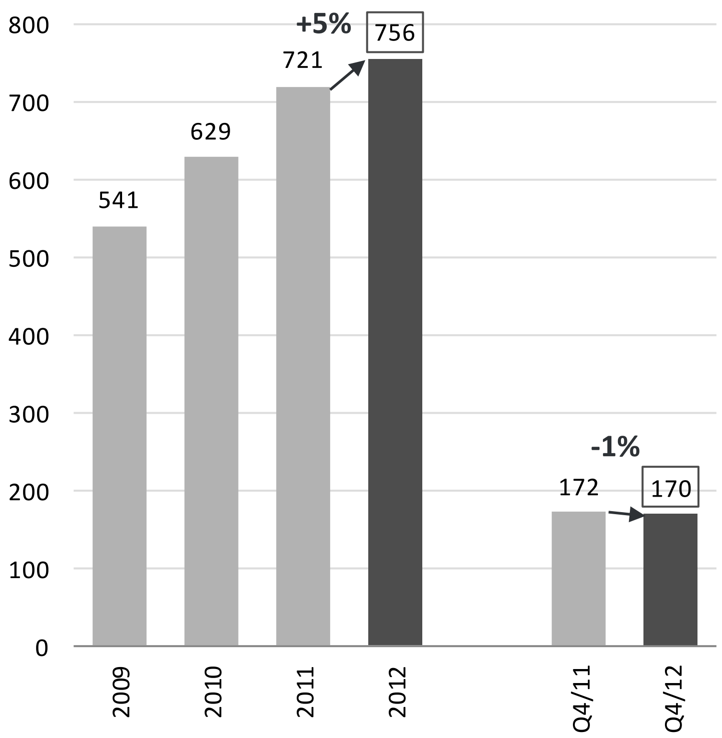
*) In tangible and intangible assets

Business area performance

Construction: order intake up for whole year

Growth in residential construction and Russia

Order intake, (€m)



Q4/2012 vs. Q4/2011

+ Residential roofing products +3%, growth especially in Sweden and Russia
- Commercial and industrial construction -4%, growth in Russia, Sweden and Norway
- Infrastructure construction -18%

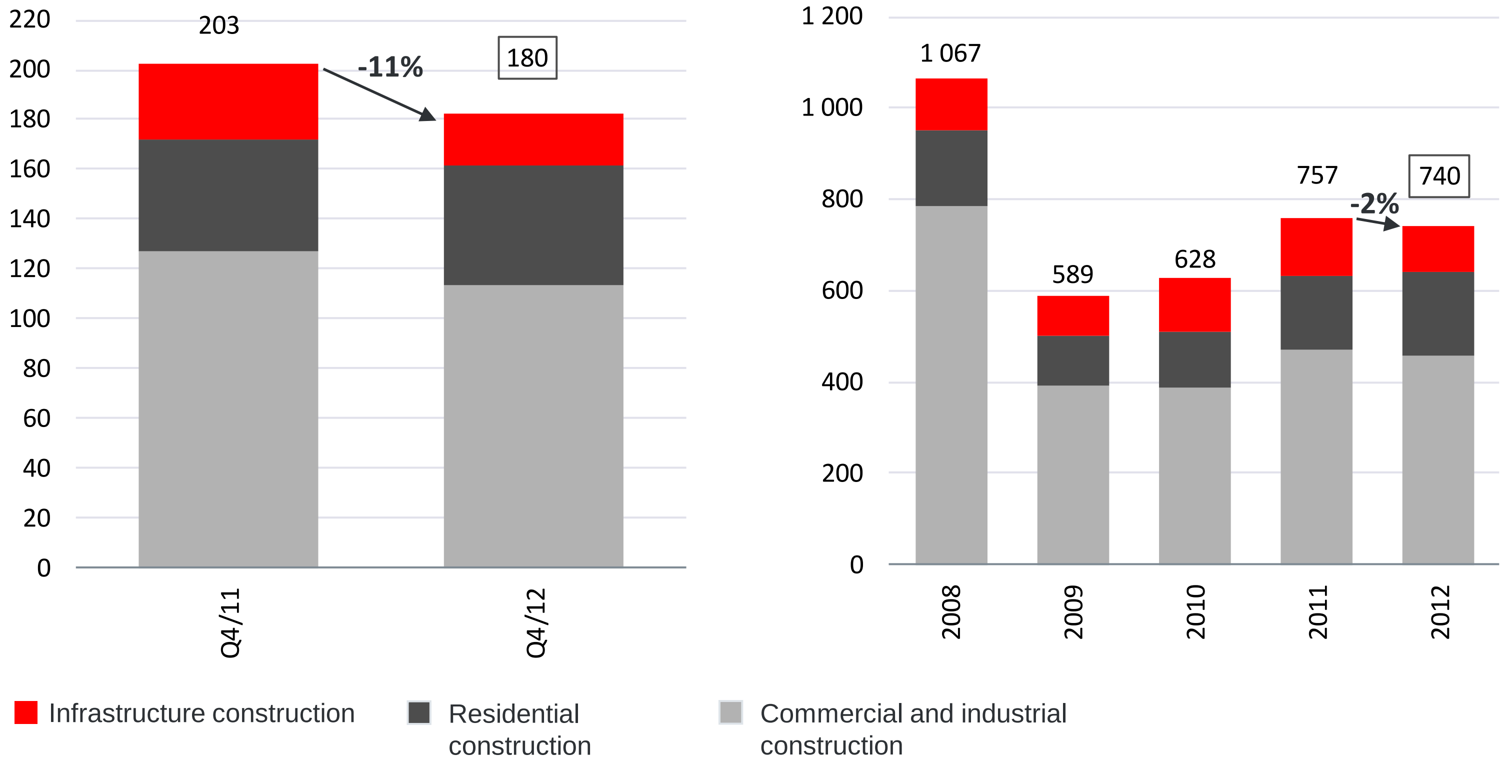
2012 vs. 2011

+ Residential roofing products +10%, growth in Finland, Sweden and Russia
+ Commercial and industrial construction +7% growth in Russia, Sweden and Estonia
- Infrastructure construction -18%

Construction: net sales

Growth in residential roofing products and Russia, net sales down in commercial & industrial and infrastructure construction

Net sales by product group, (€m) *)

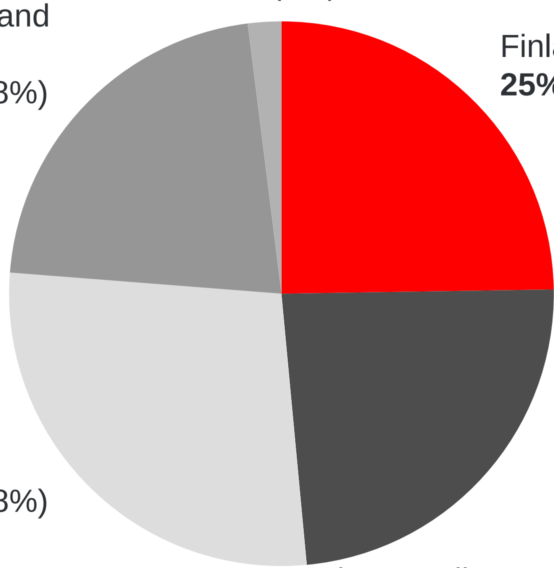


*) Comparable

Construction: net sales by market area

Net sales down in most markets, however strong growth in Russia

Net sales by market area
2012 (2011) *)



*) Comparable

Q4/2012 vs. Q4/2011

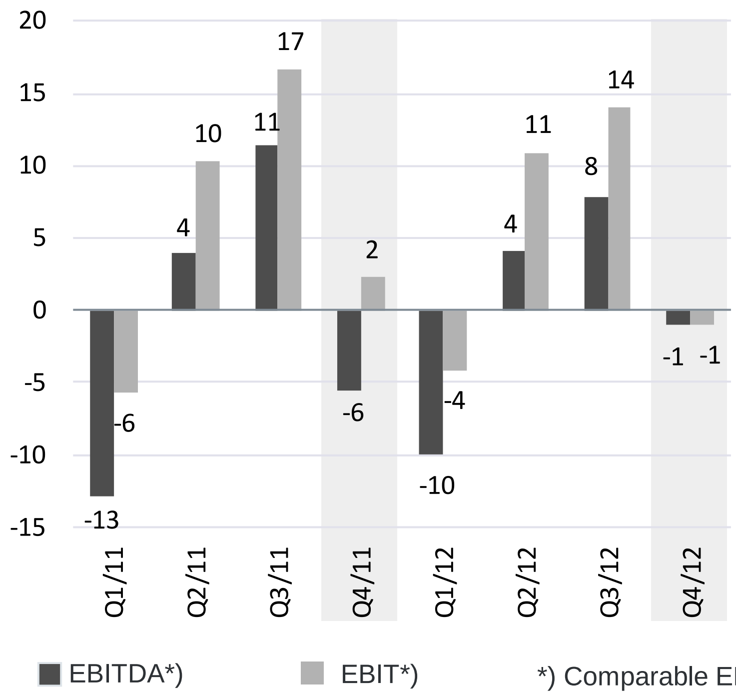
- \+ Growth in residential roofing products in Sweden, Finland and Russia
- \+ In commercial and industrial construction, growth in project deliveries in Sweden
- \- Overall net sales down in almost all market areas

2012 vs. 2011

- \+ Russia and Ukraine +20%
- \+ Growth in residential roofing products in almost all markets
- \- Finland -11%
- \- Other Nordic countries -9%

Comparable operating profit in construction improved y-o-y

EBITDA and EBIT (€m) *)



*) Comparable EBIT, reported EBITDA

Comparable operating profit €1m (-3) for 2012

- \+ Relative growth in share of residential roofing business
- \+ Higher capacity utilisation rate in Russian businesses
- \+ Improved profitability of project business
- \- Profitability of project and component business still not at a satisfactory level
- \- Relative fall in share of net sales of infrastructure construction

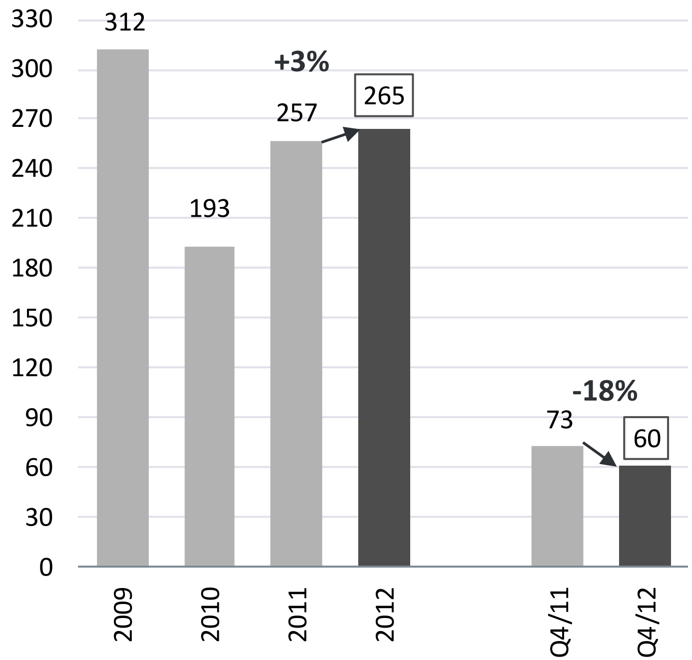
Reported EBITDA in Q4/12 includes non-recurring items of €7 million not having an impact on cash flow

- Efficiency project: €8m of the €20m earnings improvement target was achieved during 2012 and the remainder is expected to be seen in full by the end of Q3/2013 onwards.

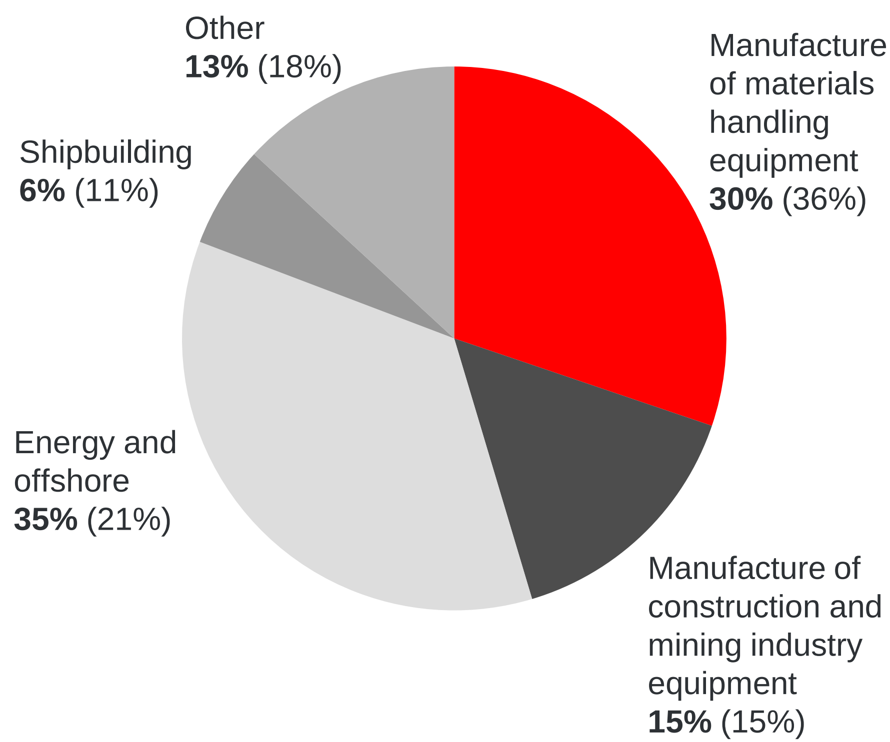
Engineering business: net sales up 3%

Single project increased deliveries to equipment manufacturers in the offshore industry

Net sales, (€m) *)



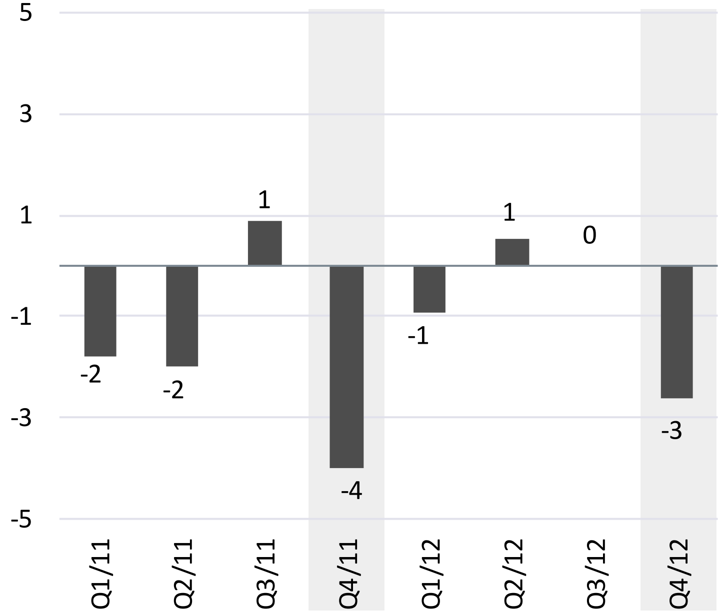
Net sales by customer segment 2012 (2011) *)



*) Comparable

Engineering business: comparable operating profit improved year on year

Comparable EBIT (€m)



Comparable operating profit -€3m (-7) for 2012

- + Higher selling prices and delivery volumes
- + Improved cost efficiency

Fortaco arrangement completed at year-end

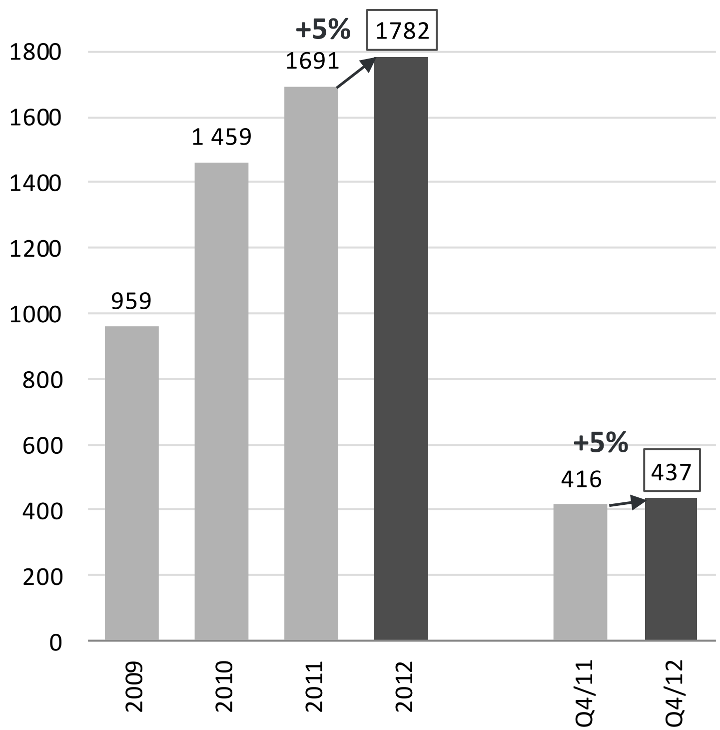
Ruukki's business structure more focused than earlier

- The units transferred to Fortaco accounted for €137 million of Ruukki Engineering's net sales in 2012
- Ruukki received a 19.0% holding in Fortaco, together with equity and debt capital financing instruments from Fortaco for the units transferred
- Ruukki Engineering's units not forming part of the new company are reported as part of Ruukki Metals division from the start of 2013
- The units excluded from the arrangement are estimated to have net sales of €75 million in 2013

Steel business: order intake up 5%

Strongest growth in Russia and North America

Order intake (€m)



Q4/2012 vs. Q4/2011

- \+ Strongest growth in Russia and North America
- \- Orders for special steel products down slightly year on year, strong growth, however, in Russia and North America

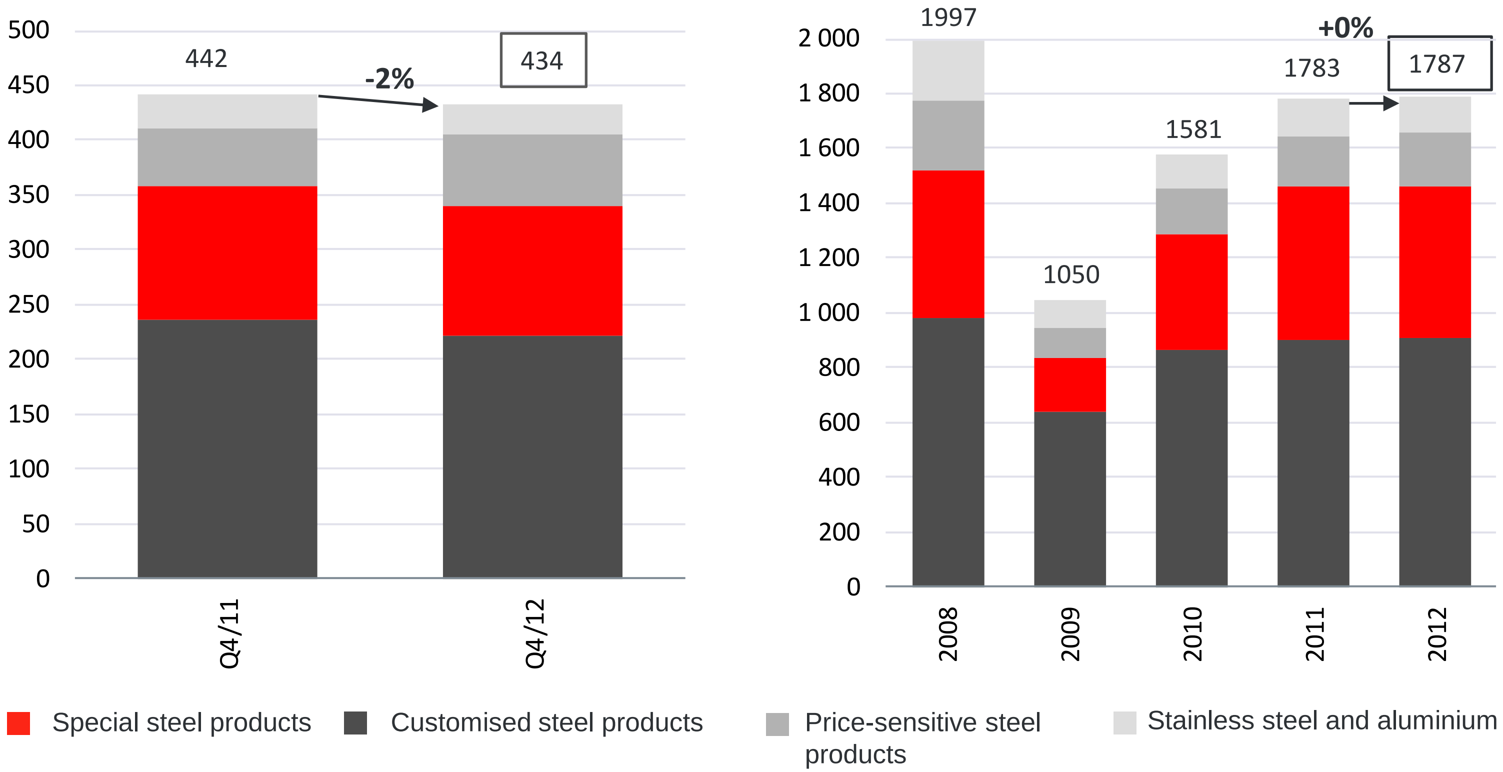
2012 vs. 2011

- \+ Strongest growth in Russia and North America
- \- Down in Finland, Sweden and Poland
- \- Orders for special steel products down slightly year on year, however, strong growth in Russia

Steel business: net sales for whole year approximately at same level as a year earlier

Net sales for the fourth quarter were down 2% year on year

Net sales by product group, (€m) *)

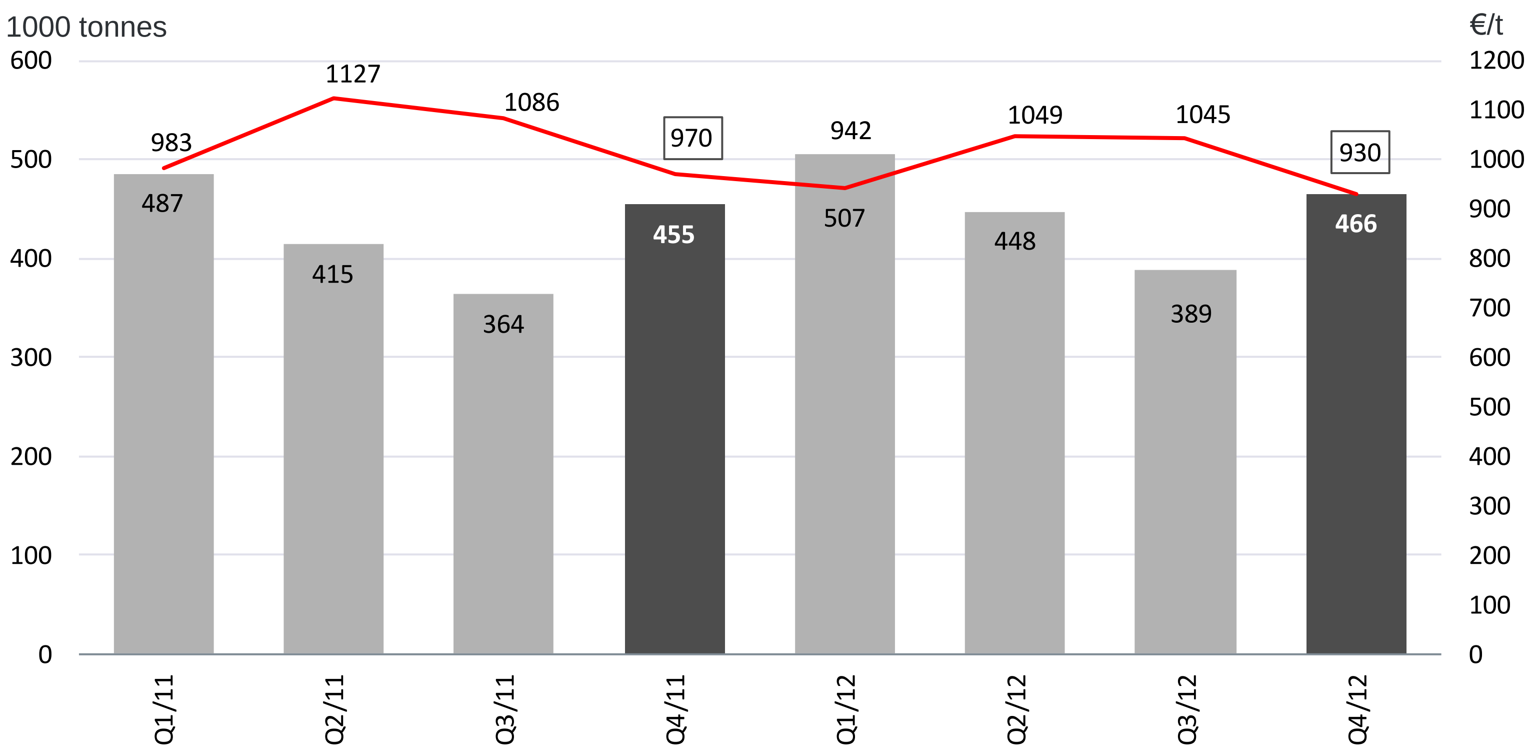


*) Comparable

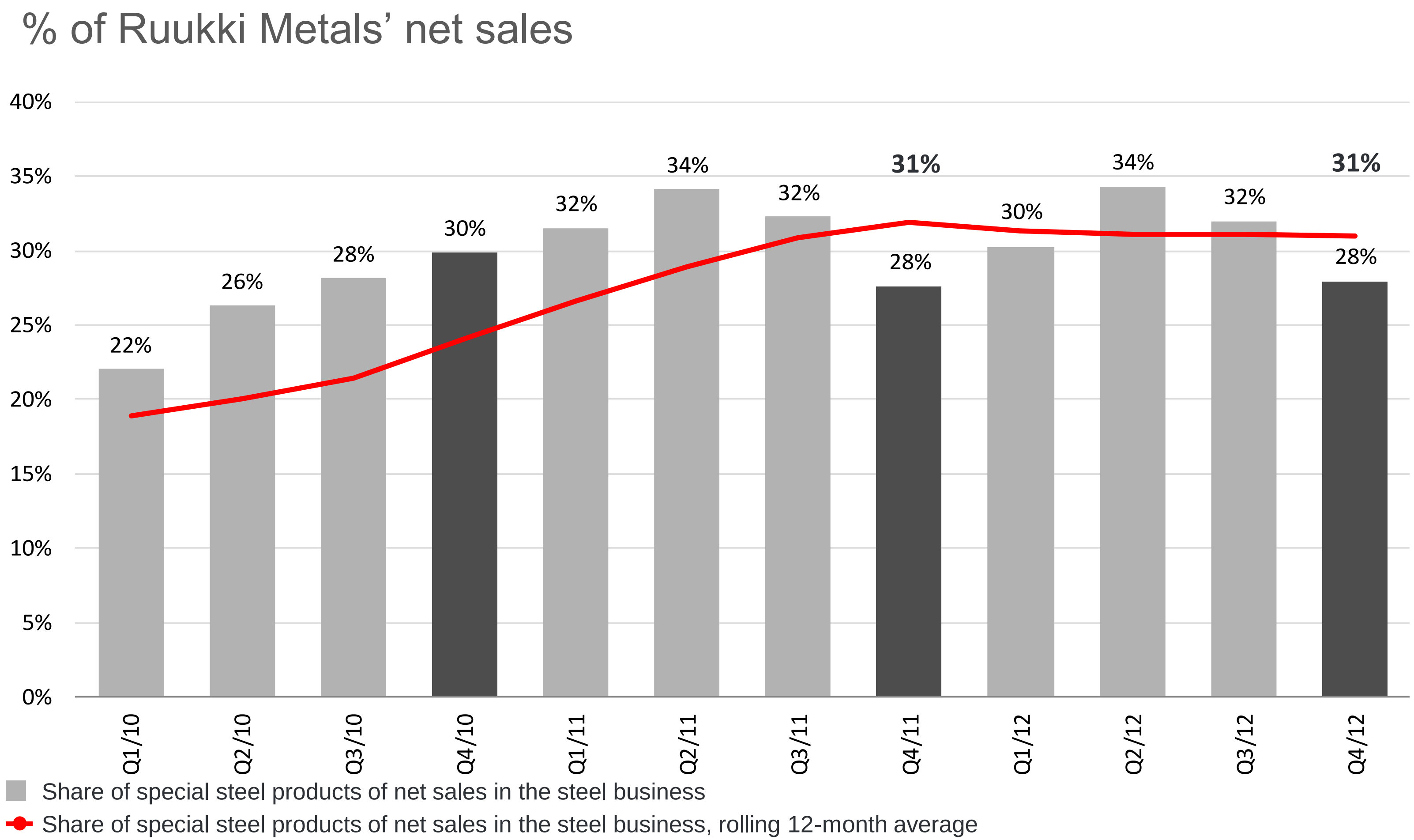
Average prices fell, deliveries rose

During Q4, 70,000 tonnes of low-margin products were delivered outside the main market area

Tonnes delivered and average selling price (€/t)



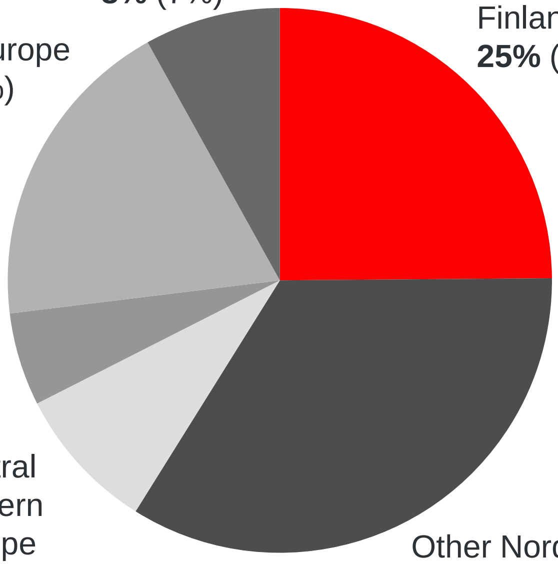
Special steel products accounted for 31% of steel business, unchanged year on year



Net sales by market area

Growth in deliveries to Russia, Central Eastern Europe and to certain markets outside Europe

Net sales by market area 2012 (2011) *)



*) Comparable

Net sales development

Q4/2012 vs. Q4/2011

+ Russia +16%
+ Central Eastern Europe +19%
- Finland -12%
- Other Nordic countries -7%

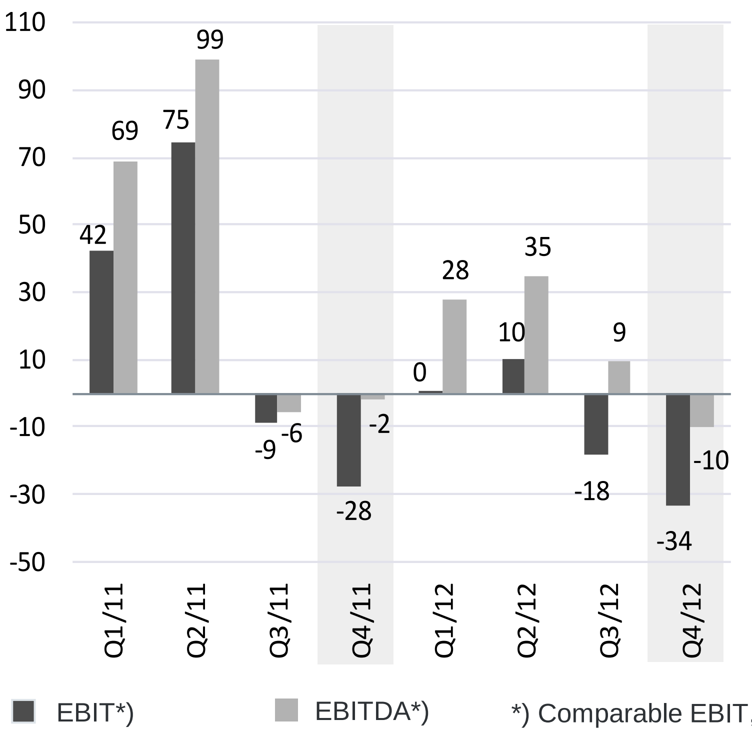
2012 vs. 2011

+ Russia +16%
+ Other countries +13%
+ Central Eastern Europe +9%
- Finland - 7%

Steel business posted a loss

Comparable operating profit for the fourth quarter was also down year on year

EBITDA and EBIT (€m) *)



*) Comparable EBIT, reported EBITDA

Comparable operating profit -€42m (80) for 2012

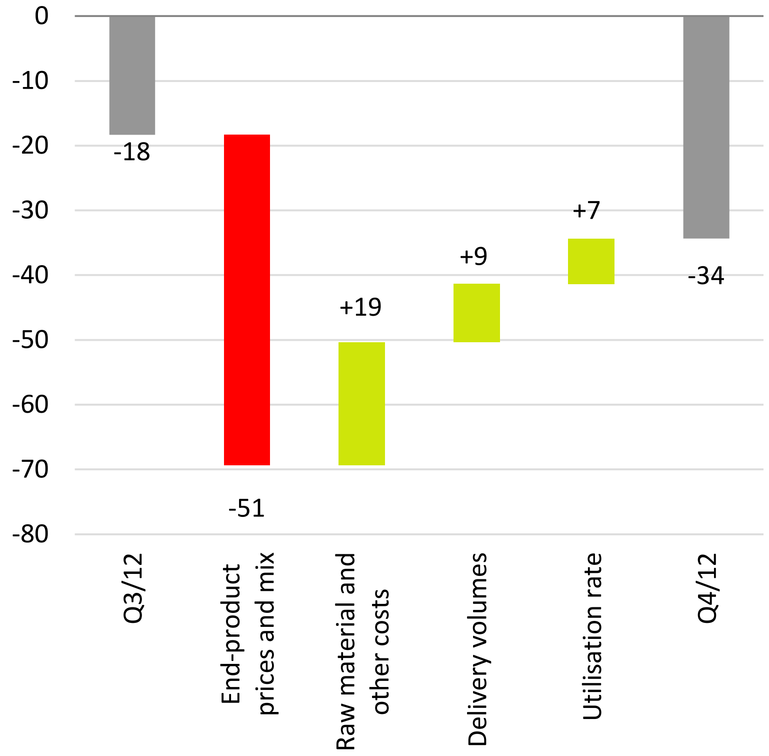
- Operating profit was down both year on year and quarter on quarter
- Lower operating profit year on year was mainly due to higher costs of raw materials used in steel production and lower average selling prices

+ Reported EBITDA for 2012 was positive

Reported EBITDA in Q4/12 includes non-recurring items of €8 million not having an impact on cash flow

Steel business: operating profit down €16 million quarter on quarter

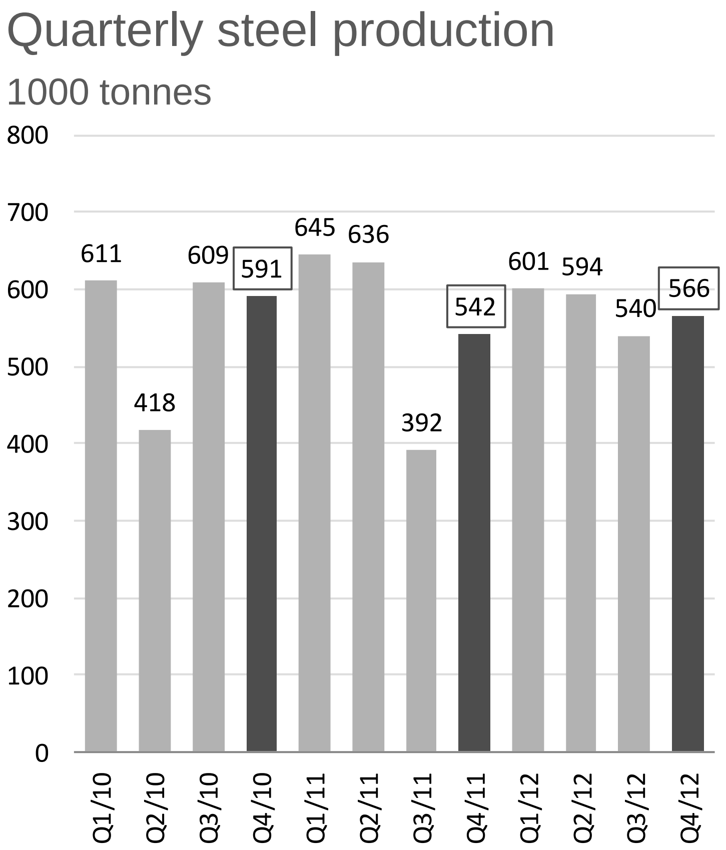
Operating profit (€m) Q4/12 vs. Q3/12 *)



- Average end-product prices were down 11%, lower prices and changes in the product mix had a total impact of -€51 million
- Delivery volumes were up by 77 thousand tonnes or 20% quarter on quarter

*) Comparable

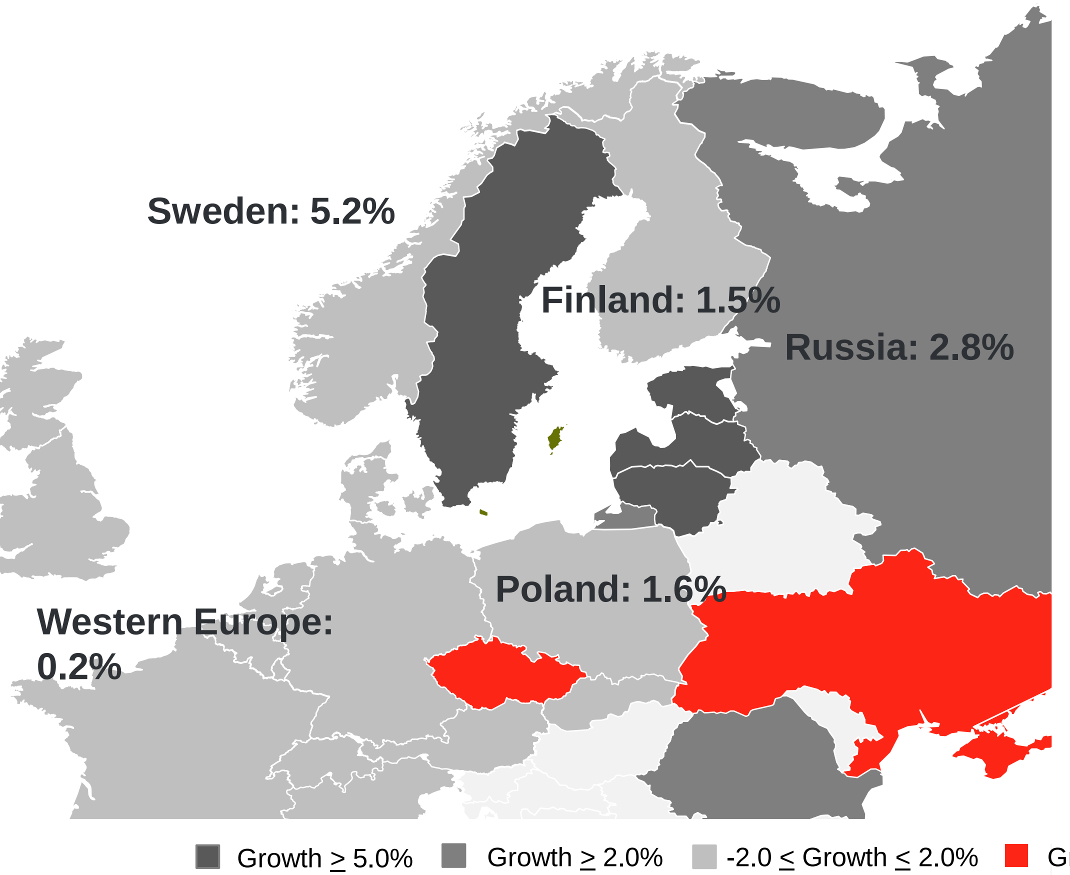
Capacity utilisation rate in steel production around 80% during fourth quarter



- Steel production during Q4/2012 was up 4% year on year at 566 thousand tonnes
- The utilisation rate in steel production averaged around 80% during Q4
- The utilisation rate for the whole year averaged around 81%

Business environment

Estimated growth in commercial and industrial construction in 2013

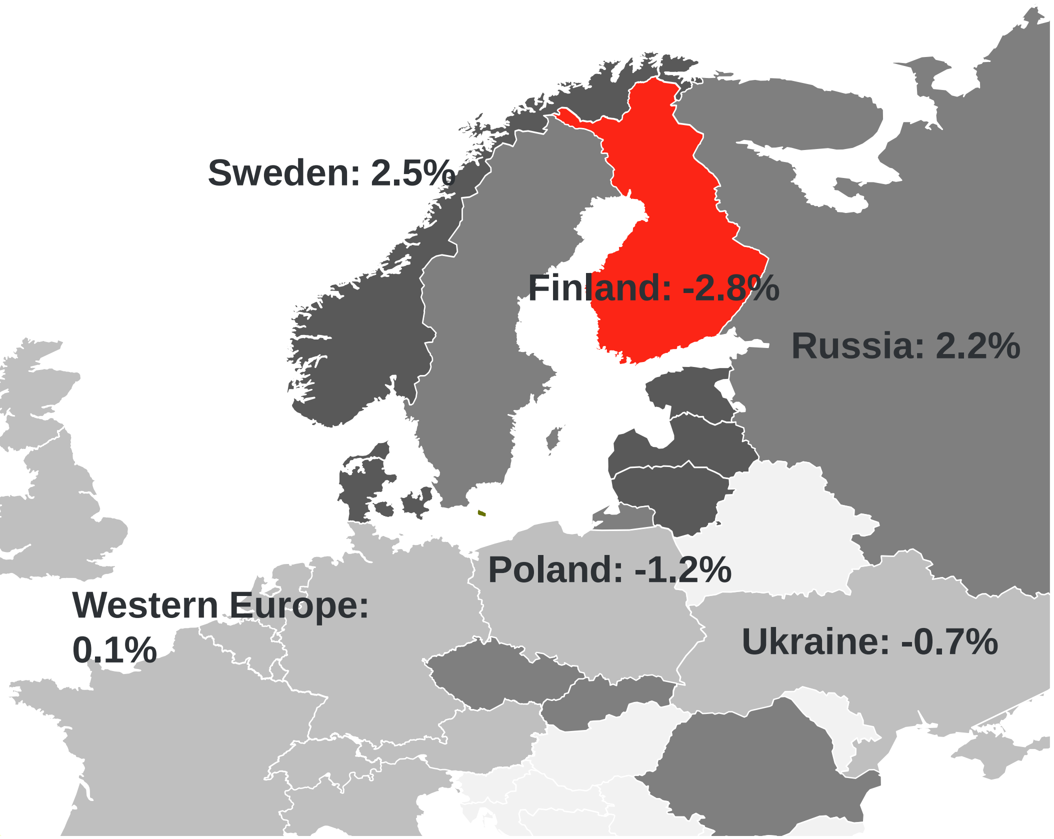


In a challenging market environment, Ruukki is supported by:

- Strong market shares
- Strong brand and product portfolio
- Energy-efficient solutions
- Good location in Russia – proximity of Moscow

*) The figures for Romania, Ukraine, Bulgaria and Russia also include renovation construction
Source: Global Insight 12/2012

Estimated growth in residential construction 2013



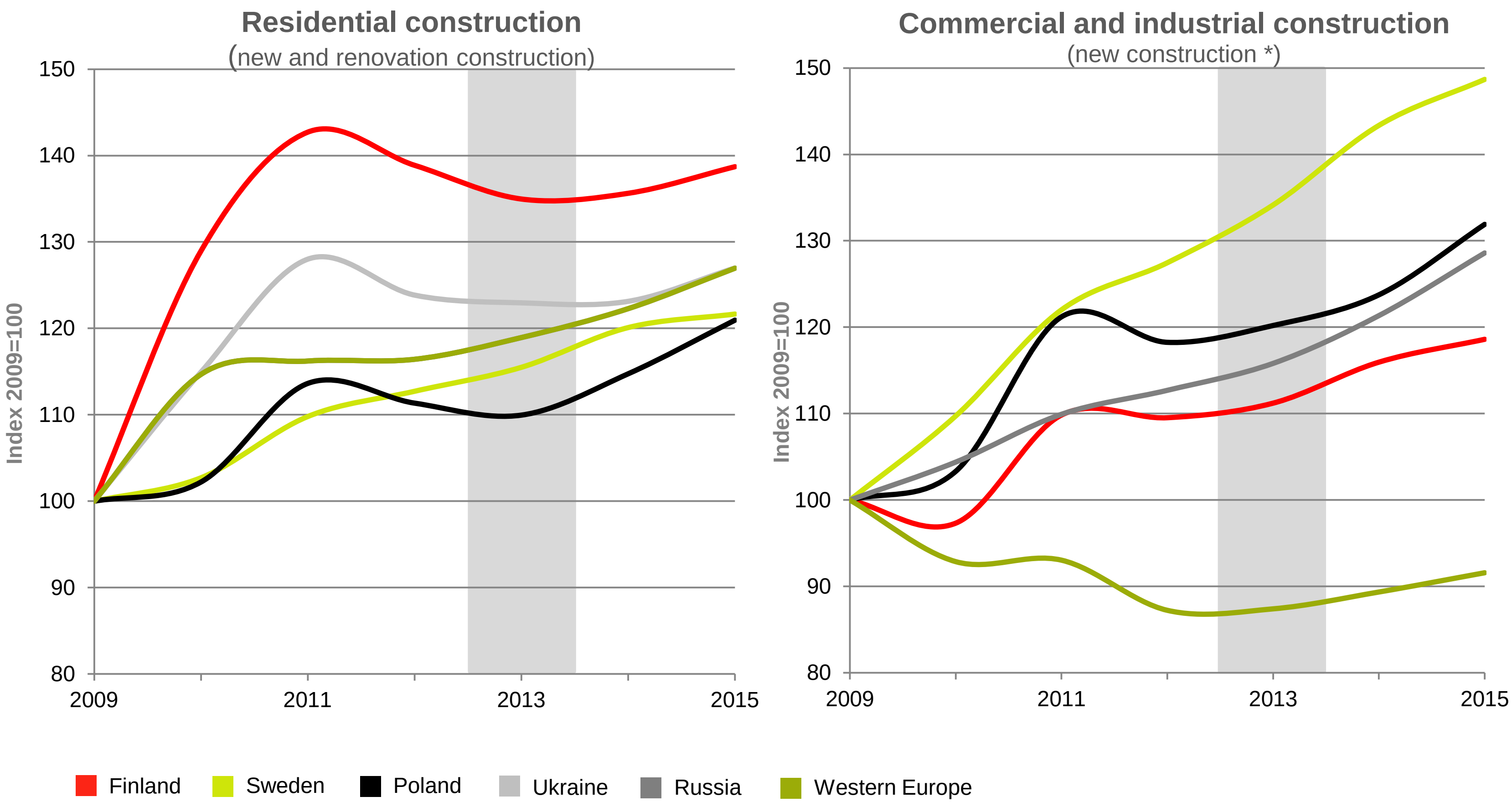
In a challenging market environment, Ruukki is supported by:

- Strong market shares
- Strong brand and product portfolio
- Expansion of Ruukki Express network
- Less volatile seasonality in renovation construction than in new construction

Growth ≥ 5.0% Growth ≥ 2.0% -2.0 ≤ Growth ≤ 2.0% Growth ≤ -2.0%

*) Includes new and renovation construction
Source: Global Insight 12/2012

Stronger growth expected in 2014

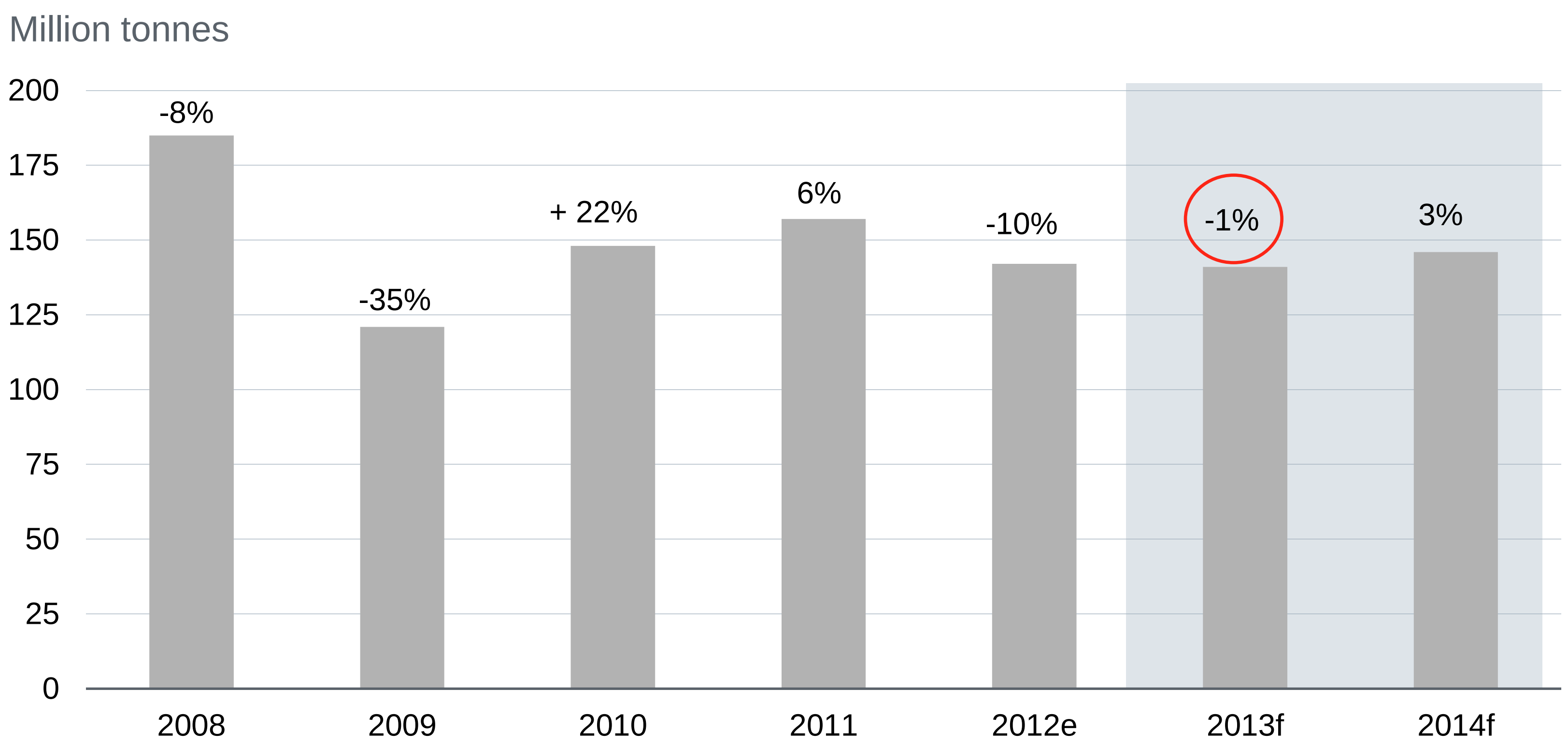


*) The figures for Russia also include renovation construction
Source: Global Insight 12/2012

Apparent steel use down in Europe last year

Demand forecast to remain around the same level in 2013

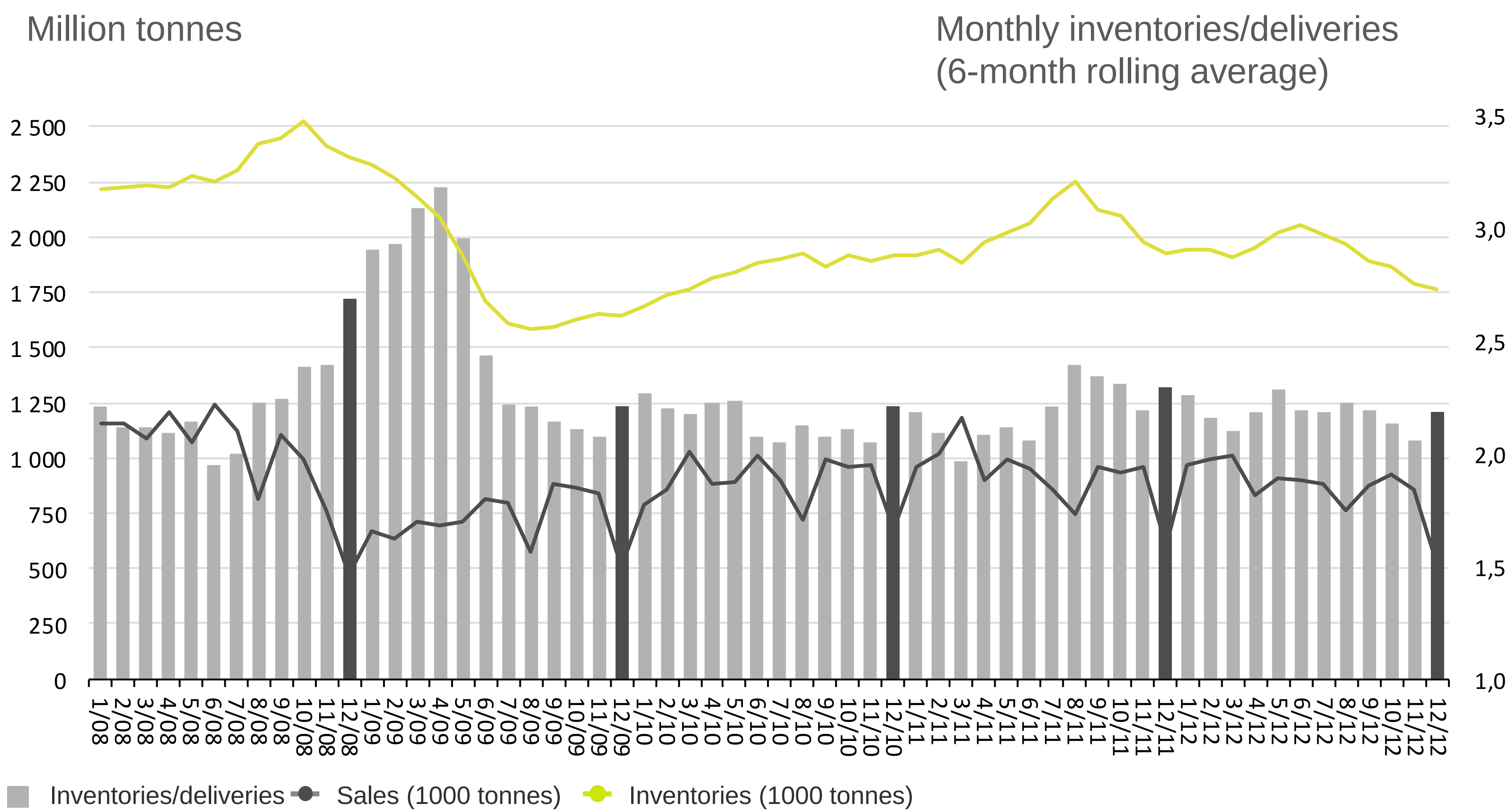
Apparent steel use (ASU) in EU-27 2008-2014f



Source: Eurofer Market Outlook, 2/2013

Steel wholesalers' inventories in Europe slightly below normal level

Monthly inventories/deliveries (6-month rolling average, situation 12/2012)

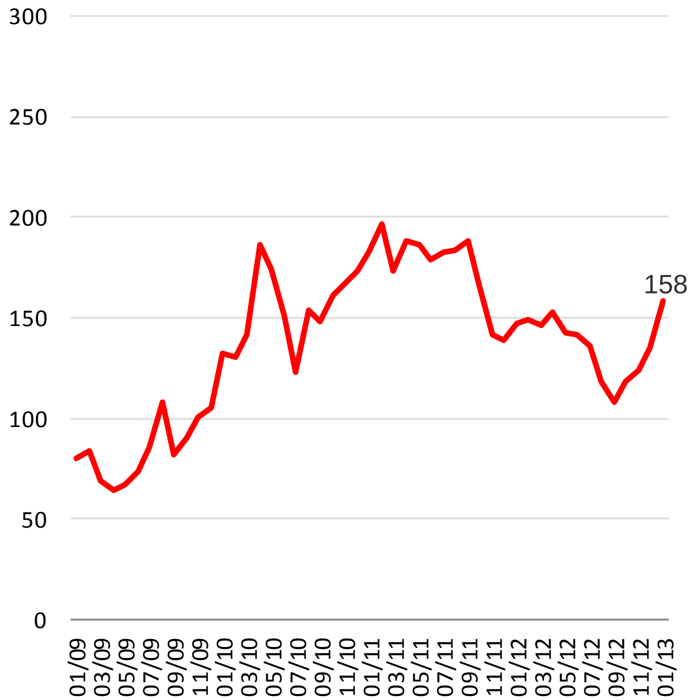


Source: EASSC (NB Viewpoint of one source that does not reflect inventory levels of all steel wholesalers in Europe)

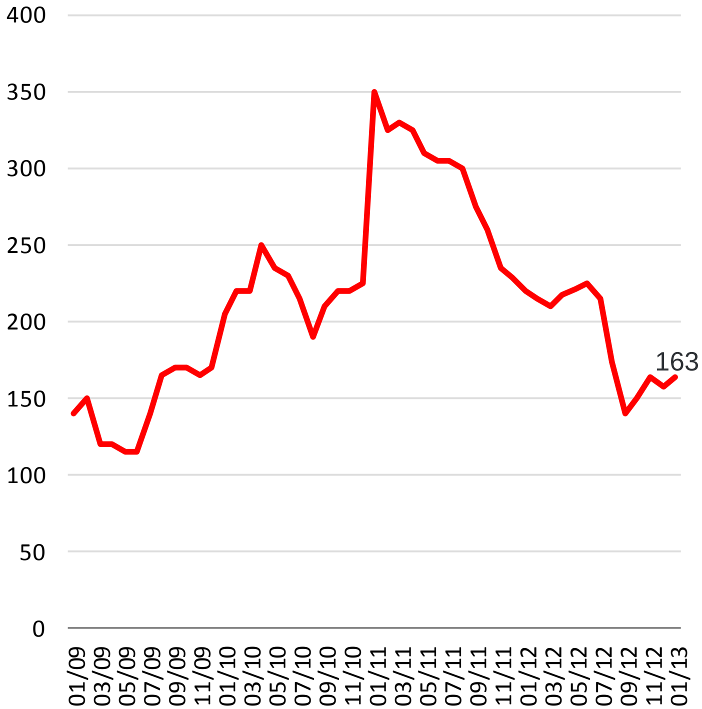
Main raw materials in steel production

Average market price of both iron ore and coking coal rose clearly during the fourth quarter of 2012

Monthly average spot price of iron ore *) USD/t



Monthly average spot price of coking coal **) USD/t



- Prices of iron ore purchases during the first quarter will remain at the level of the fourth quarter of 2012, the winter inventory risk related to coking coal will be smaller compared to previous years in 2013

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

Key actions in 2012,
near term outlook and guidance

Construction: key actions in 2012

Profitability improvement

- Restructuring the loss-making project business
  - Focus on chosen segments (incl. energy-efficient concept buildings)
  - Centralisation of capacity (Fredrikstad, Norway)
  - Withdrawal from the windpower business
- Profitability improvement programme in loss-making units in the component business (Romania, Ukraine)
- Reorganisation of production and supply chain in Russia, as well as sales efficiency programme
- Savings programme of €20m had impact of €8m on result in 2012, headcount down by 273 persons

Growth

- Expanding distribution in the roofing business, especially in the Nordic countries and Poland (Ruukki Express)
- Strong profitable growth of roofing business in Russia
- Launch of new construction products that save energy and utilise renewables

Metals: key actions in 2012

Profitability improvement

- Successful implementation of the €70m efficiency programme
  - Improved production cost efficiency with the help of many process improvements
  - Reorganisation of administration and sales organisation, more effective production organisation
  - Savings programmes had impact of €10m on result in 2012, headcount down by 182 persons
- Efficiency actions to improve the use of materials in production
  - Recovery of coal tar as a reducing agent to replace more expensive special heavy fuel oil
  - Running-in of more cost-efficient coal mix: Russia, Poland

Growth

- Growth in special steels
  - Establishment of new sales areas and offices (Americas and SEA, India, Australia, Canada and Chile)
  - New Certified Partners (5 in Europe, 2 in South America)

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Focus areas in 2013

- Completion of efficiency projects
  - Full run rate of the targeted around €100 million savings will be achieved by the third quarter onwards
    - Metals €70 million
    - Construction: €20 million
    - Corporate: €10 million
- Strong focus on cash flow to bring gearing down
- Growth from residential roofing construction and Russia
- Growth by developing the special steels business

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Near-term outlook

Uncertain economic outlook, no significant pick-up expected

Construction business outlook

- Construction activity at 2012 level or slightly down
- Commercial and industrial construction to grow slightly in Russia
- Moderate growth in residential construction

Steel business outlook

- Service centre sales at a good level
- Demand from mill customers remains uncertain
- Restocking by steel wholesalers in Q1/13
- Average prices to show a moderate rise in Q1/13

Guidance

- Comparable net sales in 2013 are estimated to be at the same level as in 2012.
- Comparable operating profit is estimated to improve compared to 2012 and to be positive.

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Appendices

Key figures

		2012	2011
Net sales *)	€m	2 789	2 797
Operating profit *)	€m	-65	56
as % of net sales *)		-2.3	2.0
Result before taxes *)	€m	-103	22
Result for the period	€m	-116	-10
Earnings per share, diluted, €		-0.83	-0.07
Return on capital employed (rolling 12 months)	%	-4.8	1.3
Gearing ratio	%	71.4	60.4
Gross capex **)	€m	97	179
Net cash from operating activities	€m	172	114
Net cash before financing activities	€m	78	-57
Personnel (average)		11 214	11 821

*) Comparable

**) In tangible and intangible assets

Quarterly comparable net sales, operating profit and deliveries

€m	Q1/ 11	Q2/ 11	Q3/ 11	Q4/ 11	Q1/ 12	Q2/ 12	Q3/ 12	Q3/ 12
Comparable net sales								
Ruukki Construction	135	201	219	203	153	199	208	180
Ruukki Engineering	62	62	59	73	69	72	63	60
Ruukki Metals	478	467	396	442	477	470	406	434
Other	0	0	0	0	0	-2	-3	2
Total	**675**	**730**	**674**	**718**	**699**	**740**	**674**	**676**
Comparable operating profit								
Ruukki Construction	-13	4	11	-6	-10	4	8	-1
Ruukki Engineering	-2	-2	1	-4	-1	0	0	-3
Ruukki Metals	42	75	-9	-28	0	10	-18	-34
Other	-3	-6	-3	-3	-4	-7	-7	-2
Total	**25**	**71**	**1**	**-40**	**-15**	**7**	**-18**	**-39**
Deliveries, Ruukki Metals	**487**	**415**	**364**	**455**	**507**	**448**	**389**	**466**