



Interim report Q1/2013

Sakari Tamminen, President & CEO

Rautaruukki Corporation

25 April 2013

Agenda

- Q1 in brief, key figures
- Financial performance
- Business area performance
- Business environment
- Key actions in 2013,
near-term outlook and guidance

Q1/2013 in brief

- Comparable operating profit rose to €5 million (-15).
- Clear improvement in profitability of steel business, which posted an operating profit of €17 million
- Comparable operating profit also improved y-o-y in construction business
- Net sales in construction business down 7% y-o-y
- Net sales in steel business down 5% y-o-y
- Good progress made with efficiency projects and around €18 million of total savings target of €100 million was achieved during Q1
- Gearing was 72% at the end of the report period

Key figures Q1/2013

		Q1/2013	Q1/2012	Q4/2012	2012
Structurally comparable order intake **	€m	590	634	624	2 613
Net sales *	€m	590	699	676	2 789
Operating profit *	M€	5	-15	-39	-65
as % of net sales *	%	0.8	-2.2	-5.8	-2.3
Result before income taxes	€m	-3	-25	-48	-103
Earnings per share	€	-0.03	-0.15	-0.41	-0.85
Net cash from operating activities	€m	22	54	79	172
Gearing ratio	%	72.4	67.9	71.4	71.4

* Comparable ** The reference figures for order intake have been restated to reflect the present corporate structure

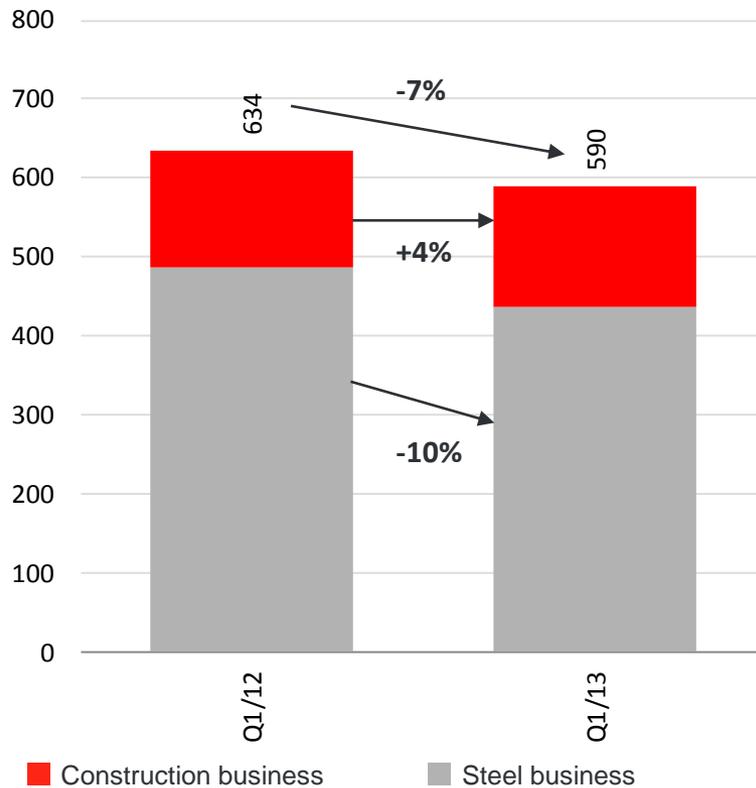
- Capacity utilisation rate in steel production averaged 80%
- €15 million was tied up in working capital (freed up €51 million)

Financial performance

Order intake

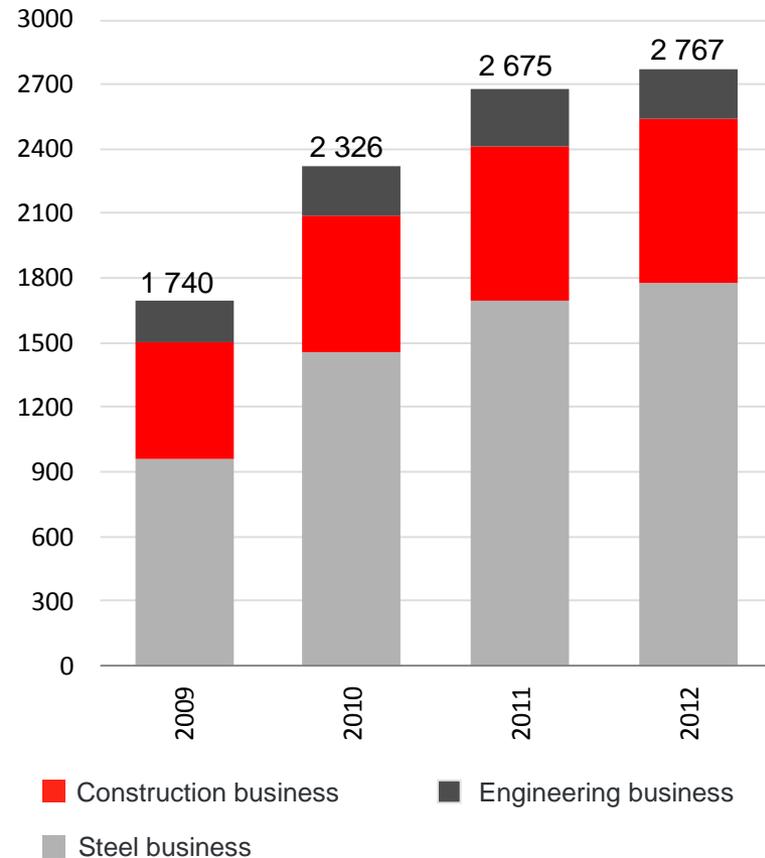
Orders up 4% in construction and down 10% in steel business

Structurally comparable order intake* (€m)



* The reference figures for Q1/12 have been restated to reflect the present corporate structure

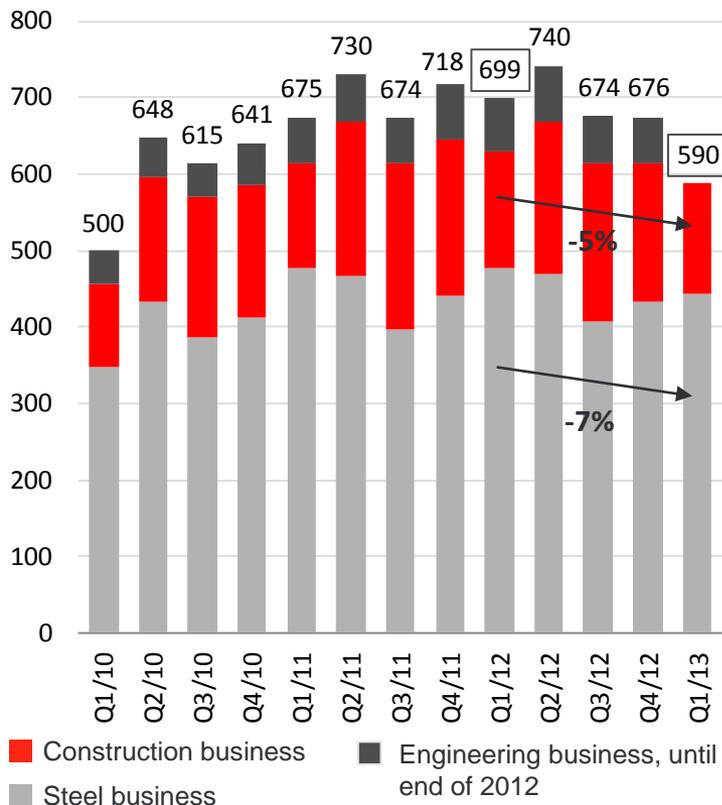
Order intake 2009-2012 (€m)



Net sales

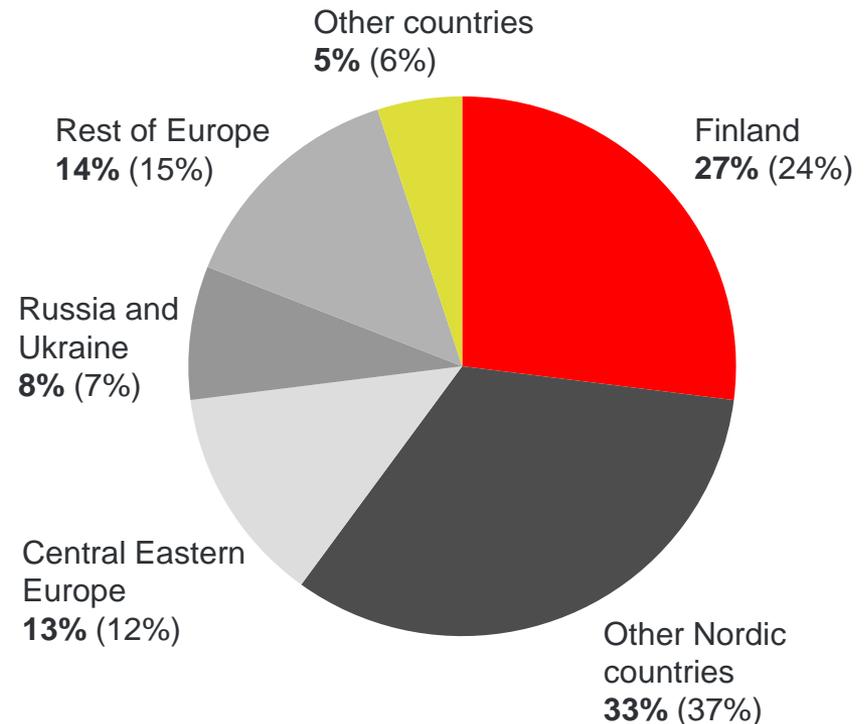
Net sales down 7% in steel business and 5% in construction business

Quarterly net sales (€m)



Net sales by market area
Q1/2013 (Q1/2012)

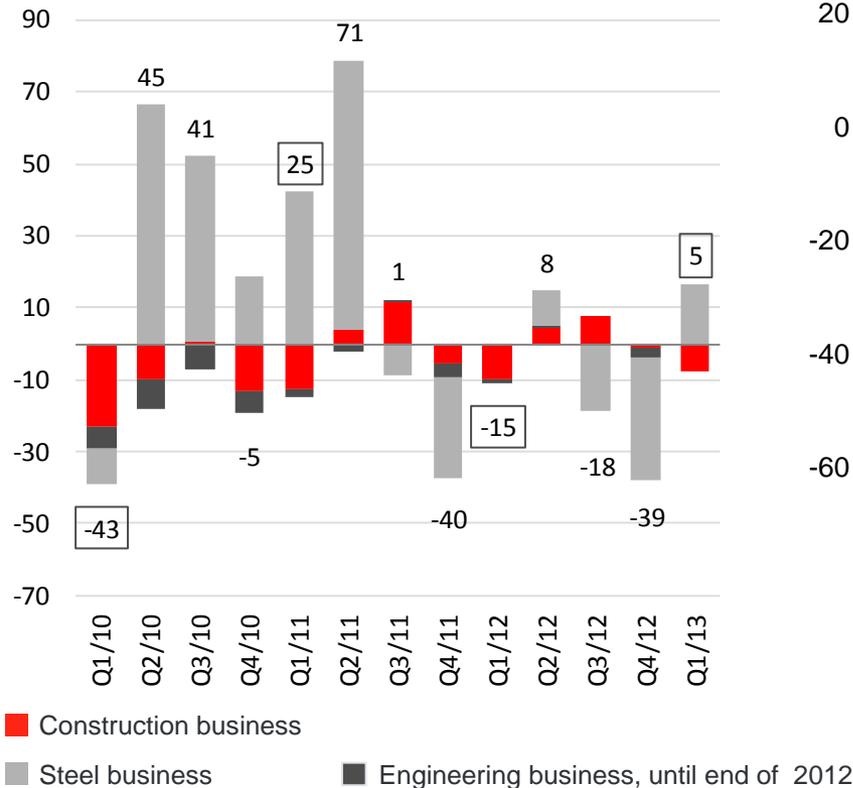
100% = €590m (€699m)



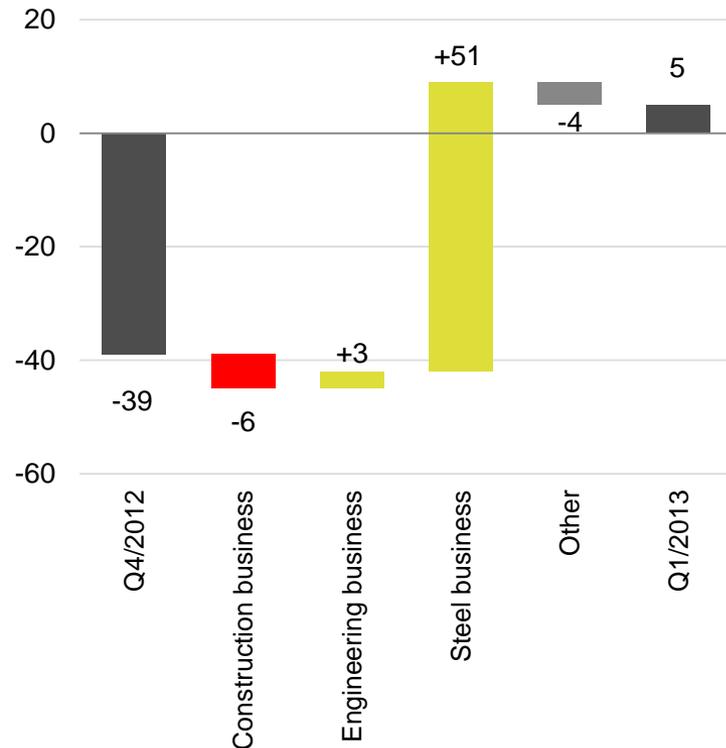
Operating profit €5 million

Steel business made €17 million operating profit, also construction business improved operating profit

Quarterly operating profit (€m)



Operating profit by business area (€m)
Q4/12 vs. Q1/13



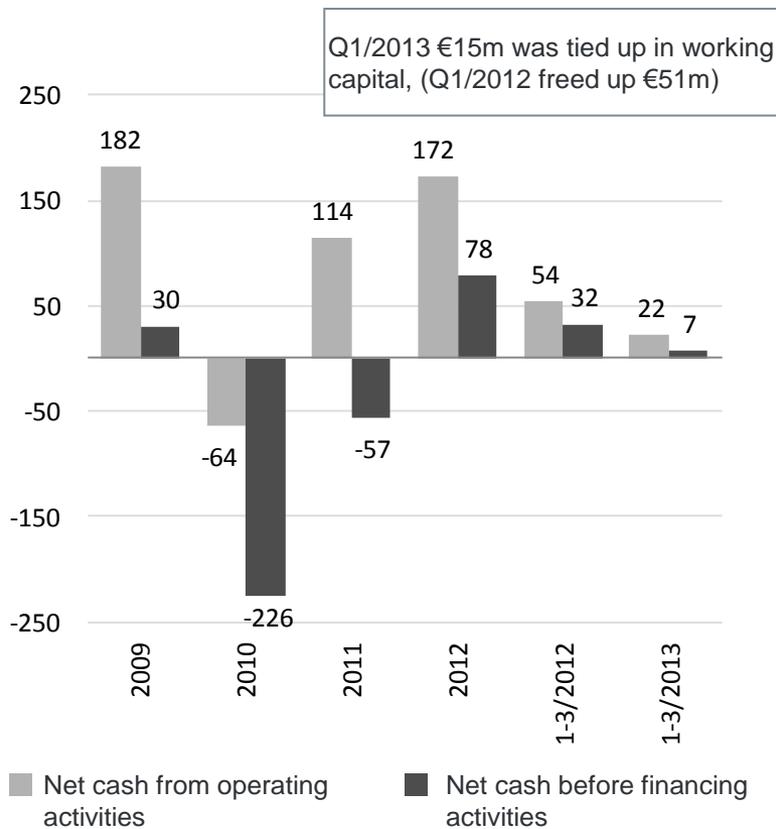
Good progress with efficiency projects

- Cost benefits achieved:
 - €20 million in 2012
 - €18 million in Q1/2013
- Annualised cost impact of around €70 million of projects underway at end of March
- Good progress made with projects and current estimates indicate the savings target of €100 million will be achieved
- Improved earnings performance is expected to be visible in full from Q3 of the current year onwards

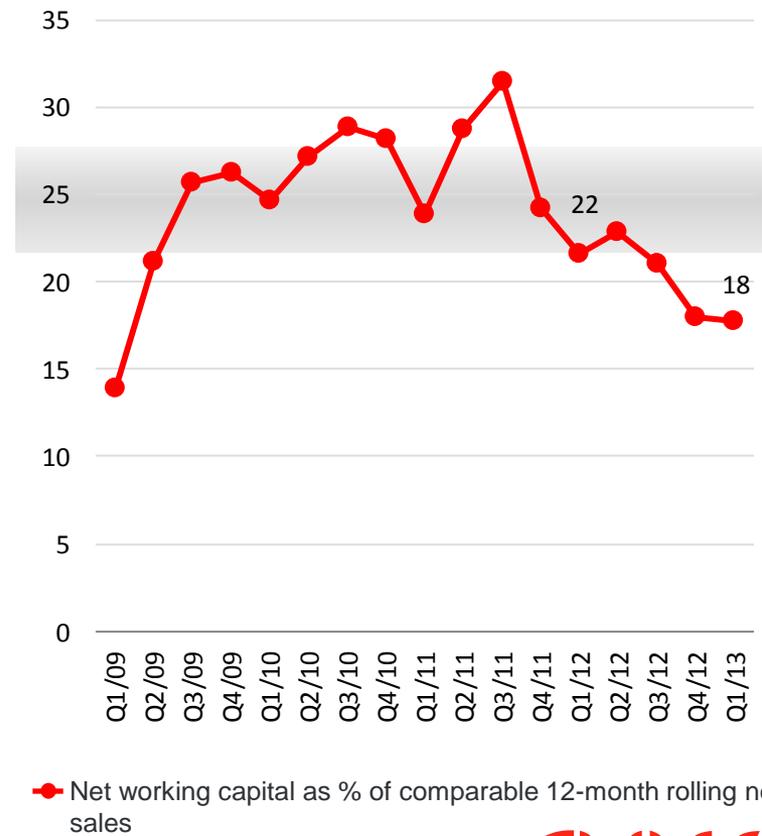
Free cash flow €22 million

€15 million tied up in working capital

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

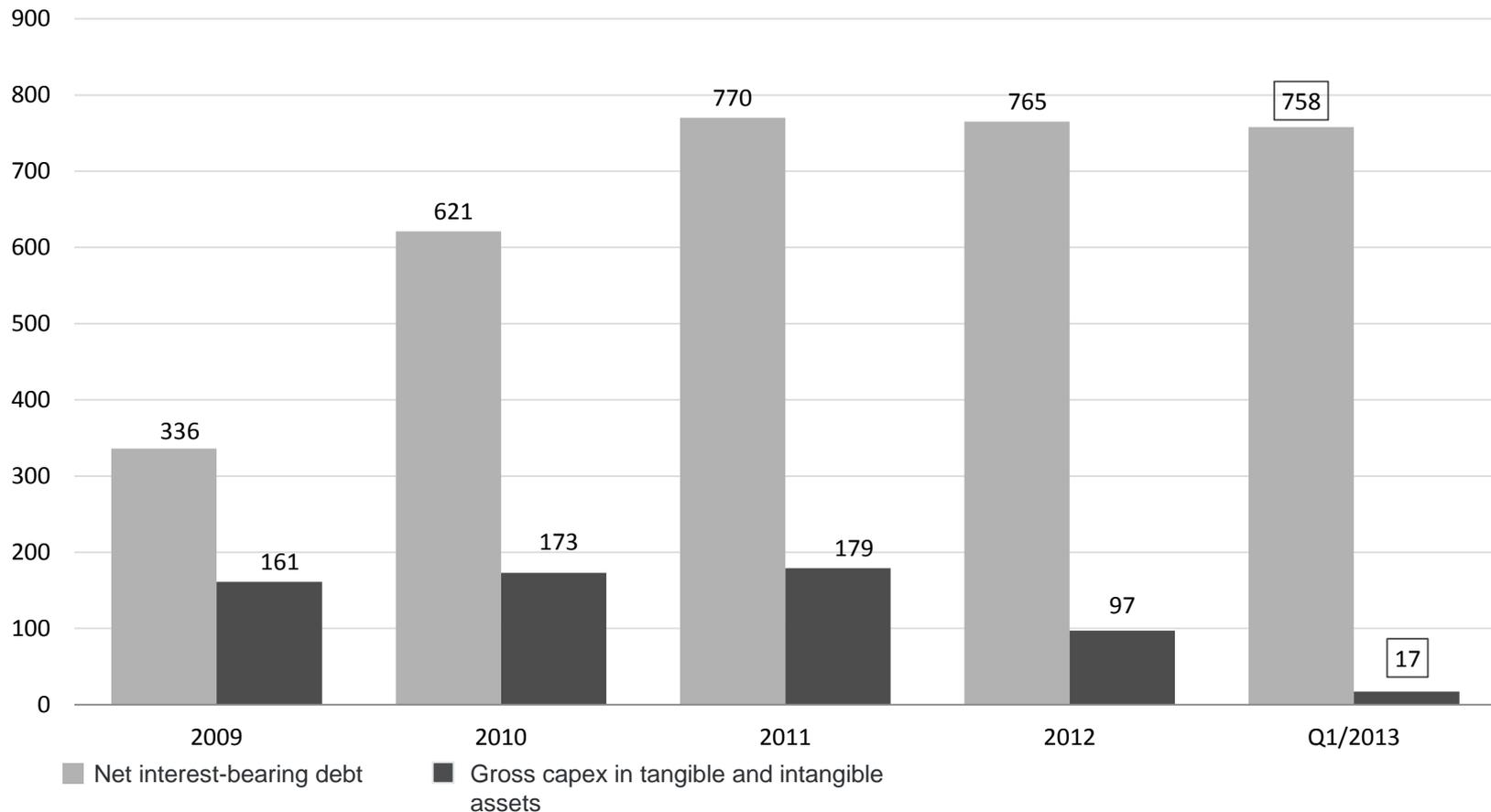


Net working capital as % of comparable 12-month rolling net sales



Major investments completed, net debt turning around

Capex is expected to be around €90 million in 2013

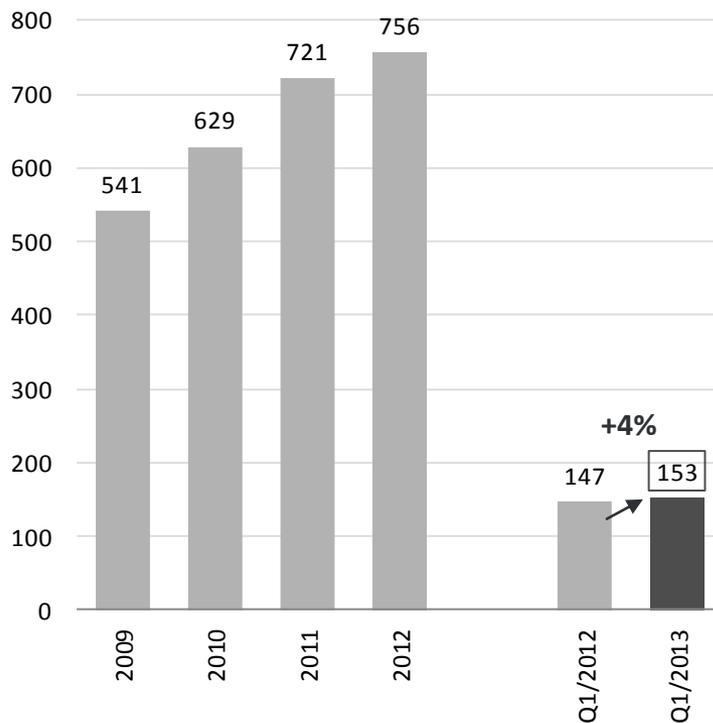


Business area performance

Construction: order intake up 4%

Growth in commercial and industrial construction in Russia and Sweden

Order intake, (€m)



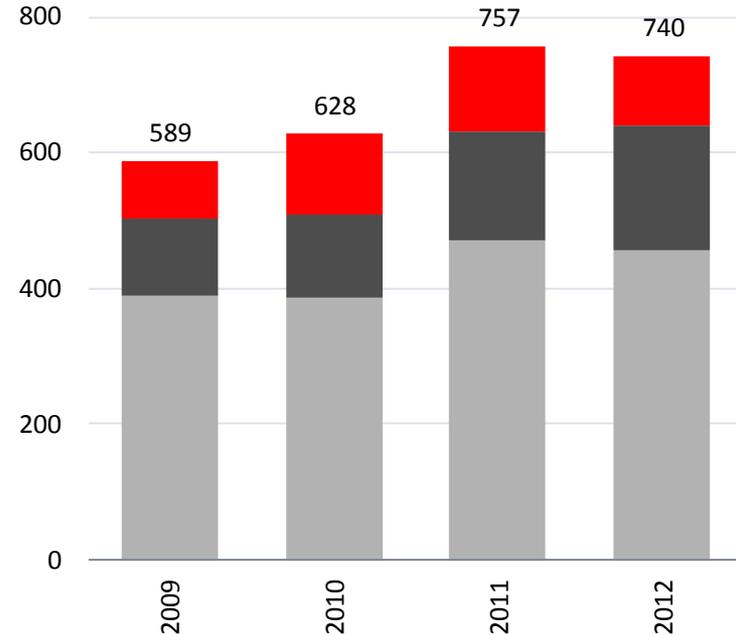
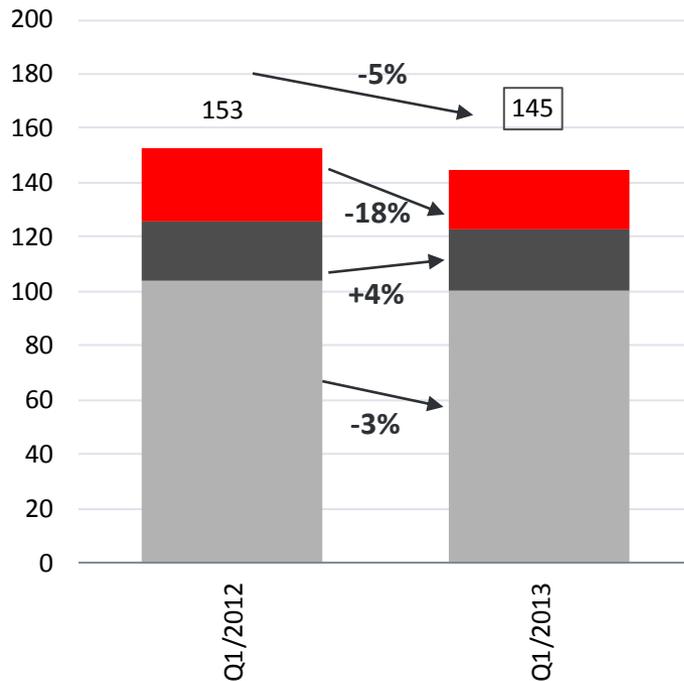
Q1/2013 vs. Q1/2012

- + Commercial and industrial construction + 11%, growth especially in Russia and Sweden
- + Residential roofing products at same level as previous year, growth in Finland and Sweden
- Infrastructure construction down 4%, up in Sweden, down in Finland and Norway

Construction: net sales down 5%

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

Net sales by product group, (€m) *



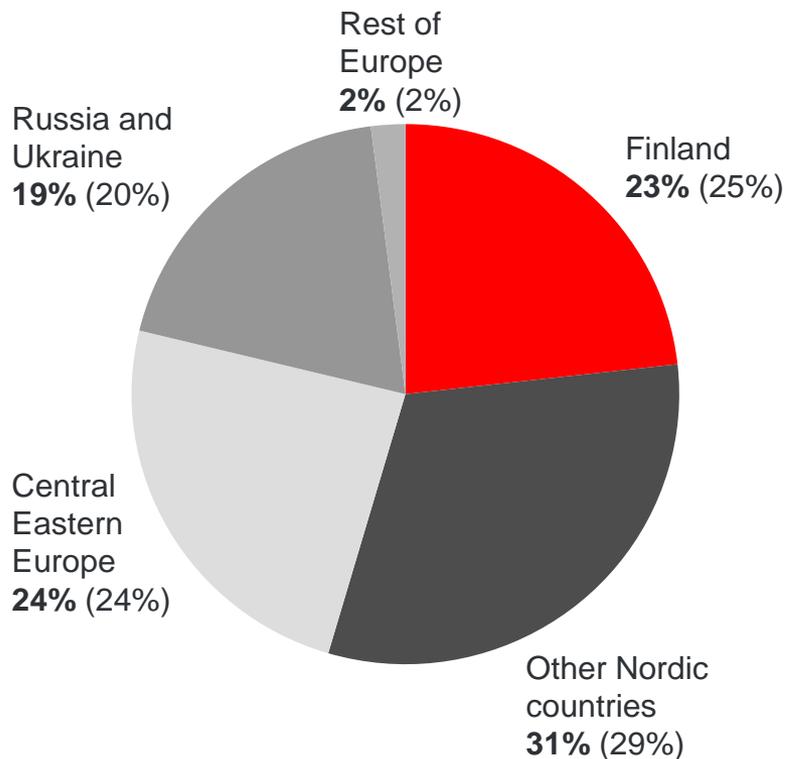
■ Infrastructure construction
 ■ Residential construction
 ■ Commercial and industrial construction

* Comparable

Construction: net sales by market area

Net sales down in most market areas, growth in Sweden in commercial and industrial construction

Net sales by market area
Q1/2013 (Q1/2012) *



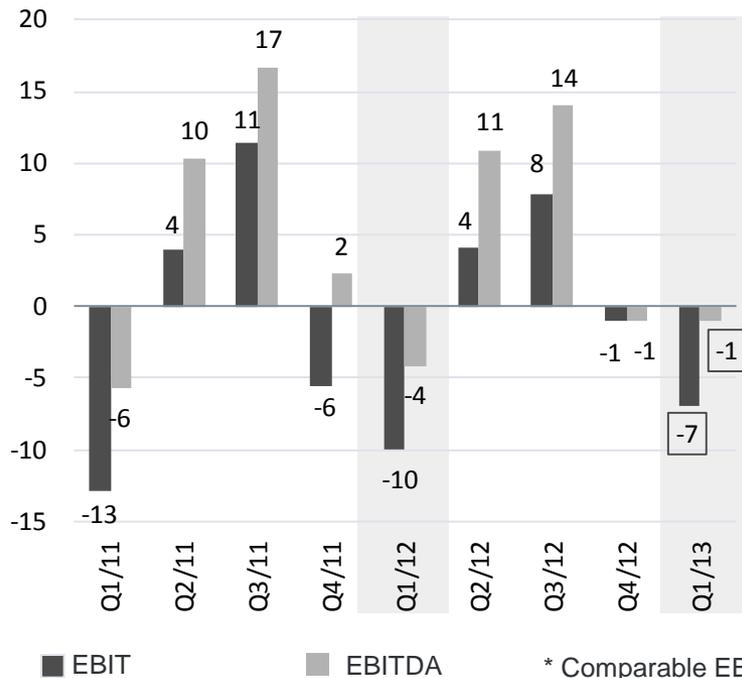
Q1/2013 vs. Q1/2012

- + Growth in residential roofing products in Sweden, Finland and Central Eastern Europe
- + Within commercial and industrial construction, growth in project deliveries in Sweden
- Overall net sales were down in almost all market areas

* Comparable

Construction: comparable operating profit improved year on year

EBITDA and EBIT (€m) *



Comparable EBIT -€7 million (-10)

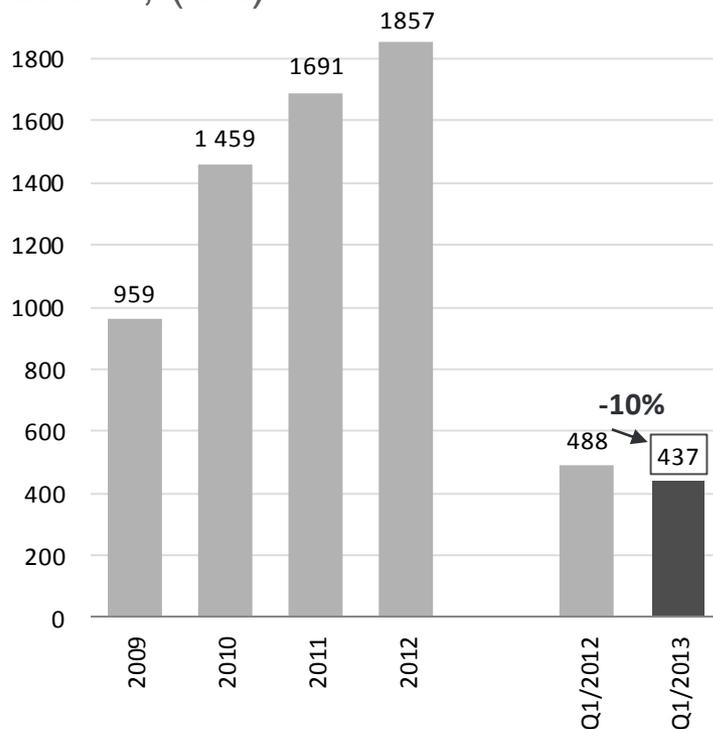
- + Improved relative profitability of residential roofing products
- + Improved relative profitability of infrastructure construction
- + Efficiency projects improved profitability
- Profitability of project and component business was still not at a satisfactory level

- Efficiency project: €8m of the €20m earnings improvement target was achieved during 2012 and around €5m during the first quarter of 2013.

Steel business: order intake

Orders for special steel products were up 15% quarter on quarter

Structurally comparable order intake, (€m)*



* The reference figure for Q1/12 and 2012 have been restated to reflect the current corporate structure

Q1/2013 vs. Q1/2012

- Order intake for special steel products slightly up
- Order intake for other product groups clearly down
- Order intake down in most market areas, especially the Nordic countries

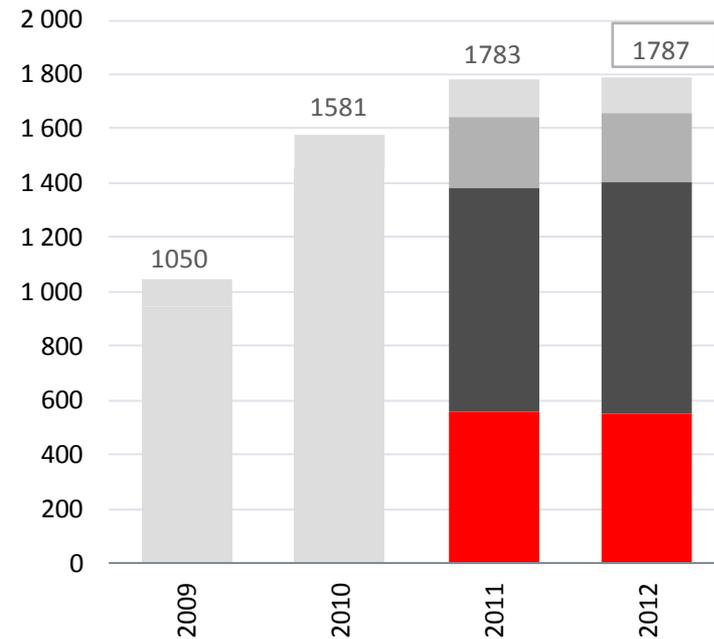
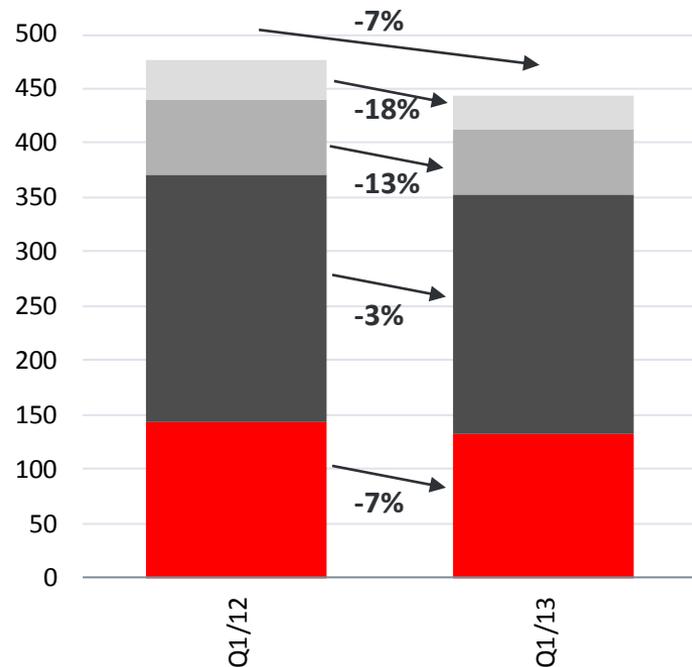
Q1/2013 vs. Q4/2012

- Order intake unchanged q-o-q
- 15 % growth in order intake for special steel products
- Growth in Finland, Central Eastern Europe and new market areas

Steel business: net sales

Net sales of special steel products down 7% y-o-y, up 13% q-o-q

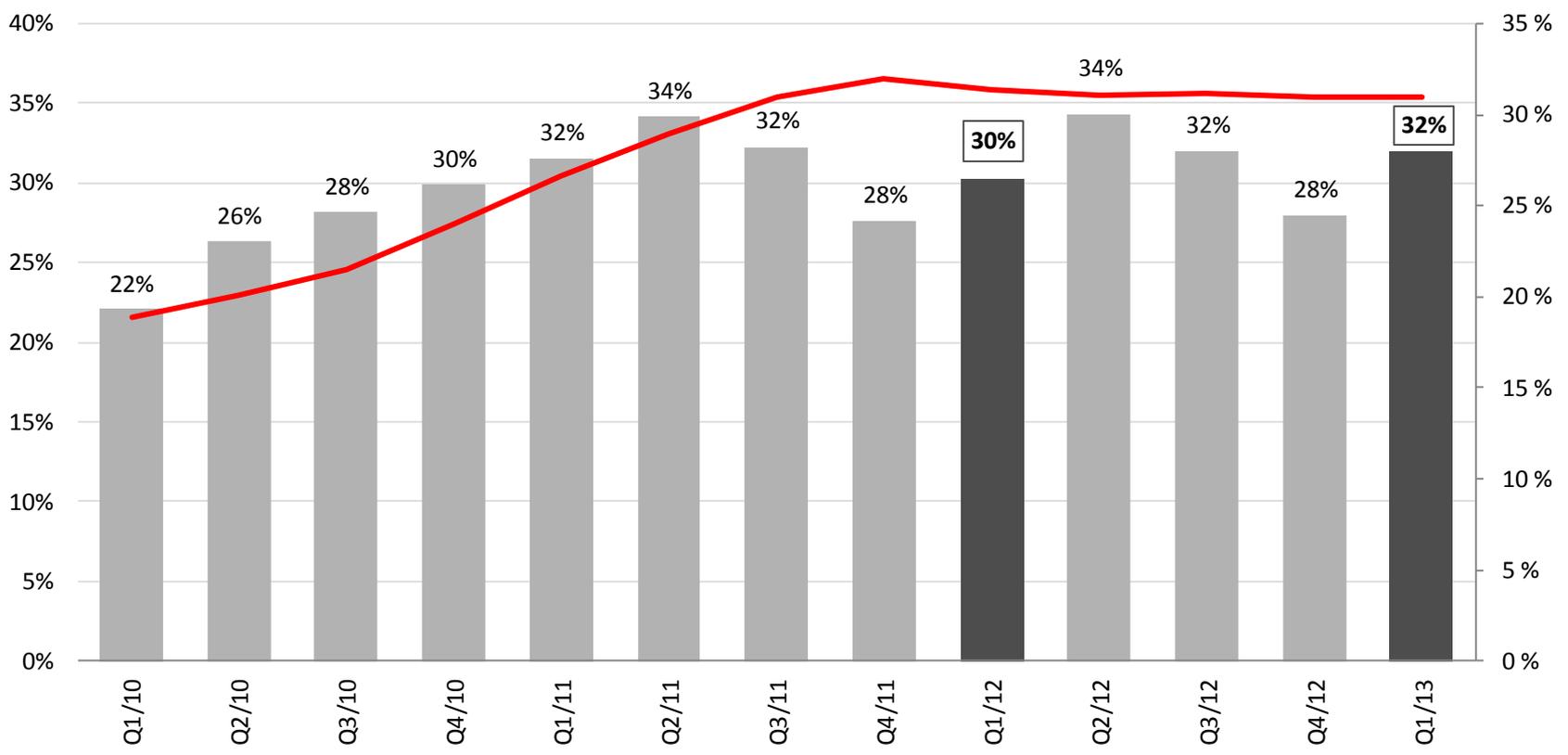
Net sales by product group, (€m)



■ Special steel products
 ■ Strip and flat products
 ■ Tubes and profiles
 ■ Stainless steel and aluminium

Share of special steels rose to account for 32% of net sales in the steel business

% of net sales in the steel business *



■ Share of special steel products of net sales in the steel business

— Share of special steels of net sales in the steel business, rolling 12 months

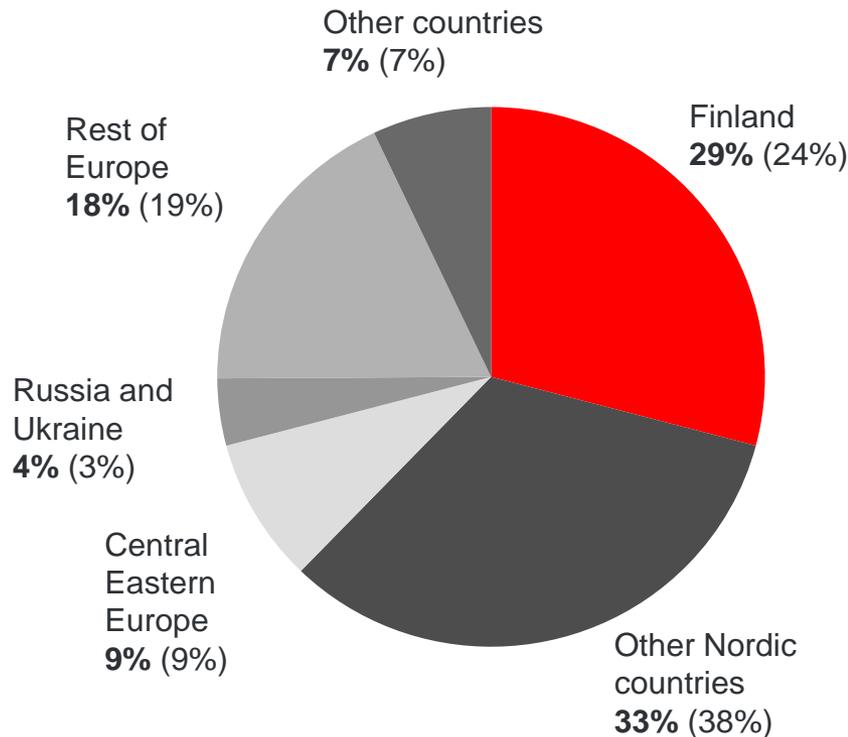
* The share of special steel products for Q1/13 excludes the net sales of the Engineering units transferred to Ruukki Metals



Metals: Net sales by market area

Net sales grew in Finland and Russia

Net sales by market area
Q1/2013 (Q1/2012)



Net sales development

Q1/2013 vs. Q1/2012

- + Finland +9%
- Other Nordic countries -19%

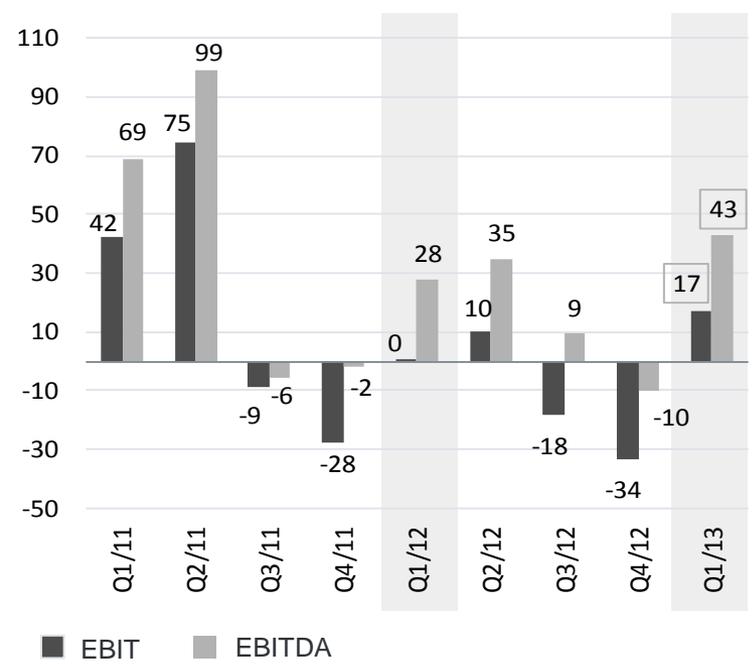
Q1/2013 vs. Q4/2012

- + Finland +30%
- + Other Nordic countries +8%
- + Central Eastern Europe +14%
- Rest of Europe -22%

Steel business improved profitability

Operating profit clearly up both y-o-y and q-o-q

EBITDA and EBIT (€m)



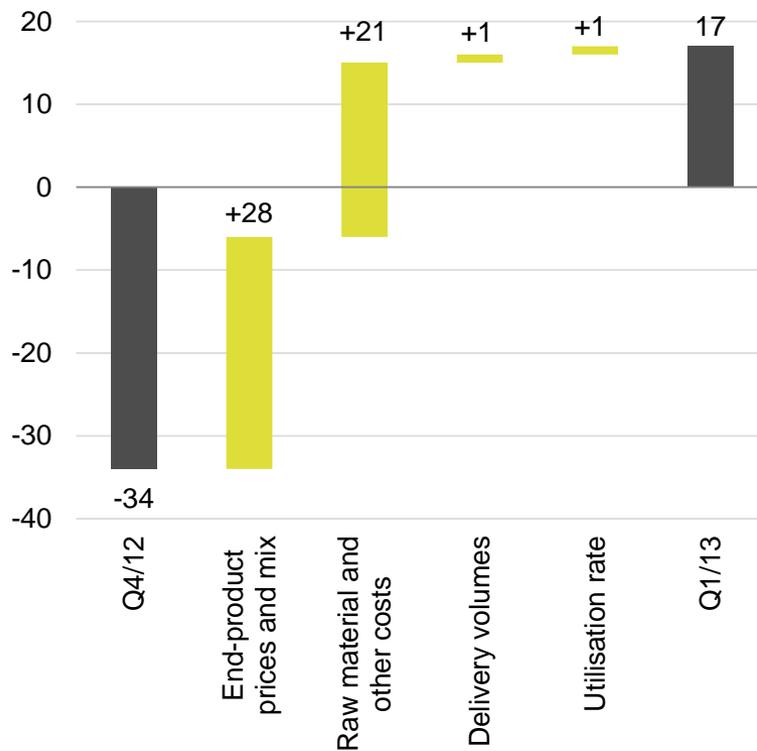
Operating profit €17m (0)

- + Improved operating profit y-o-y was mainly due to cost savings achieved, low prices of raw materials and optimum use of raw materials
- + EBITDA was €43m

• Efficiency project:., the programme generated earnings improvement of around €10 million during 2012 and a further €11 million during Q1/2013 .

Steel business: operating profit up €51m quarter on quarter

Operating profit (€m) Q1/13 vs. Q4/12*



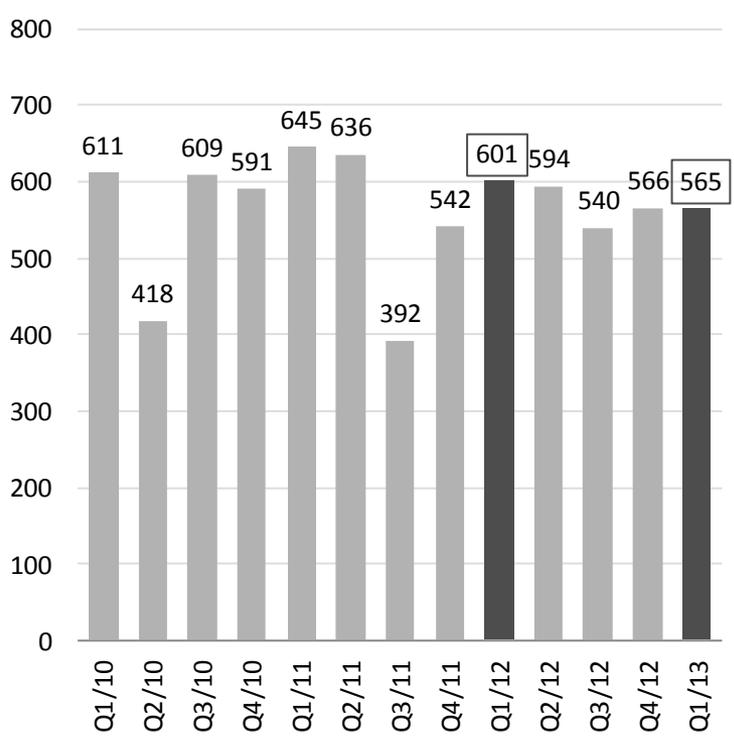
- Impact of change in product mix and prices totalled +€28m
- Impact of raw material costs and efficiency programmes +€21m
- Delivery volumes up 15 thousand tonnes, i.e. 3% quarter on quarter
- Utilisation rate around 80% or unchanged q-o-q

* Comparable

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

Quarterly steel production

1000 tonnes



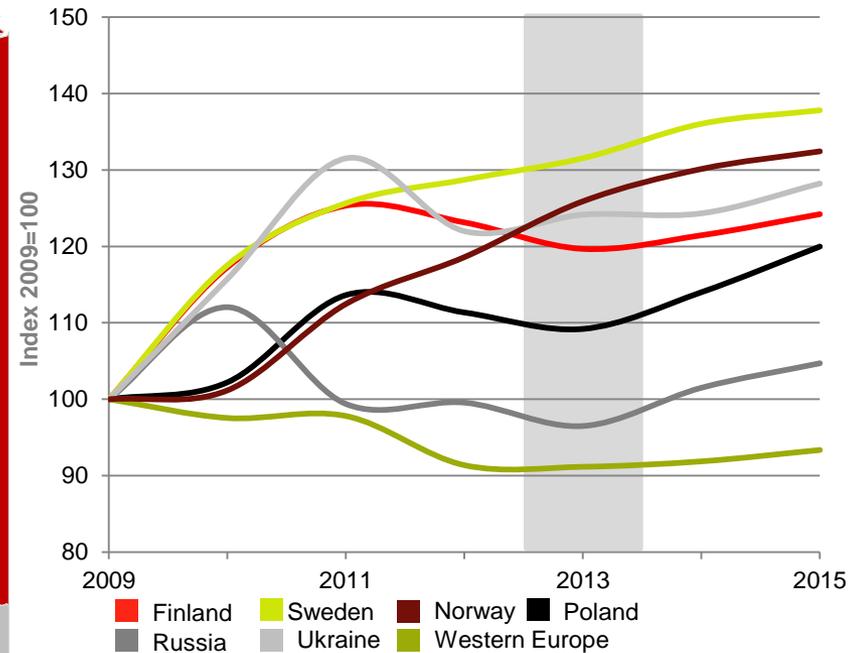
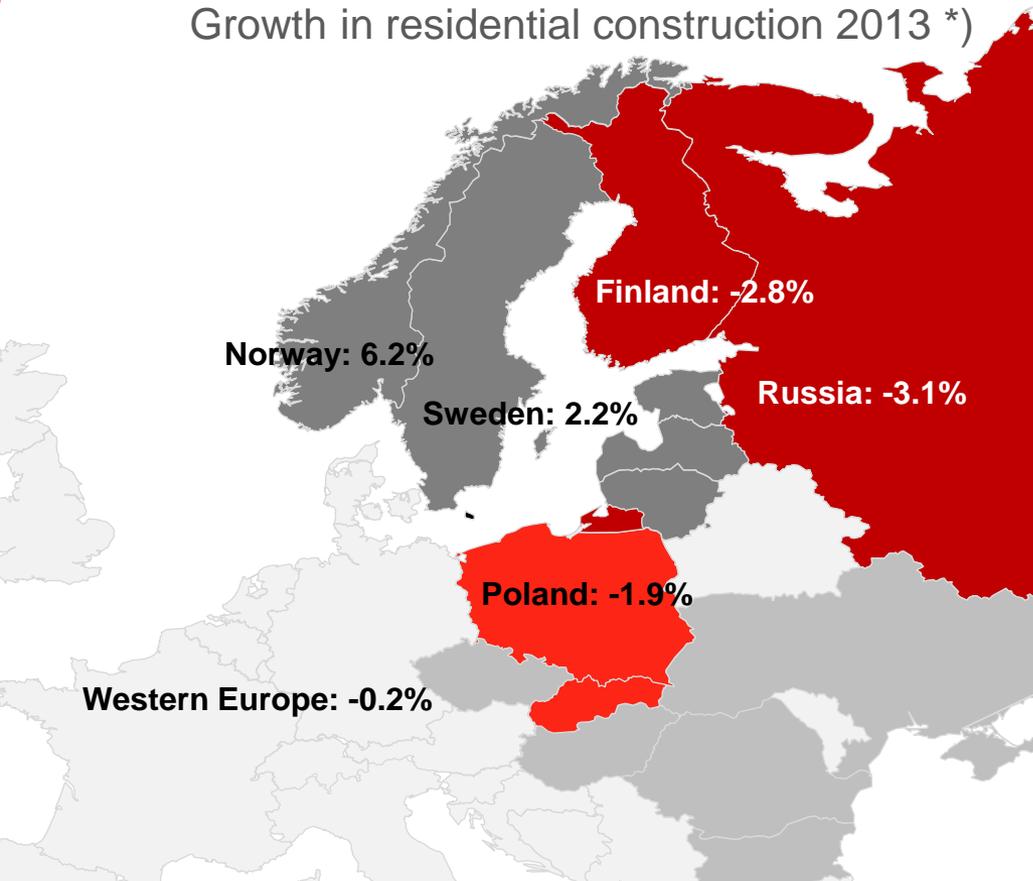
- Steel production during Q1 down 6% year on year at 565 thousand tonnes
- Capacity utilisation rate in steel production during Q1 was around 80%

Business environment

Residential construction at low level in 2013

Market environment more favourable already in 2014

Growth in residential construction 2013 *)



In a challenging market environment, Ruukki is supported by:

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

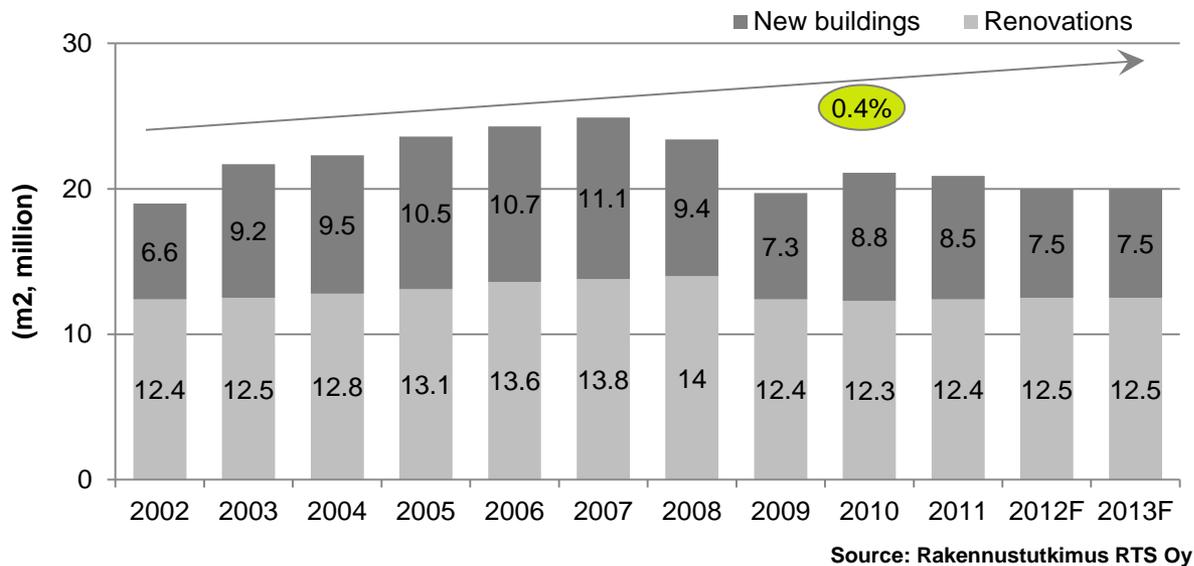
■ Growth ≥ 2.0% ■ 2% < Growth ≤ 0% ■ 0% < Growth ≤ -2.0% ■ Growth < -2.0%

*) Includes new and renovation construction

Source: Global Insight 03/2013

Roof renovation markets show steady growth despite economic fluctuations

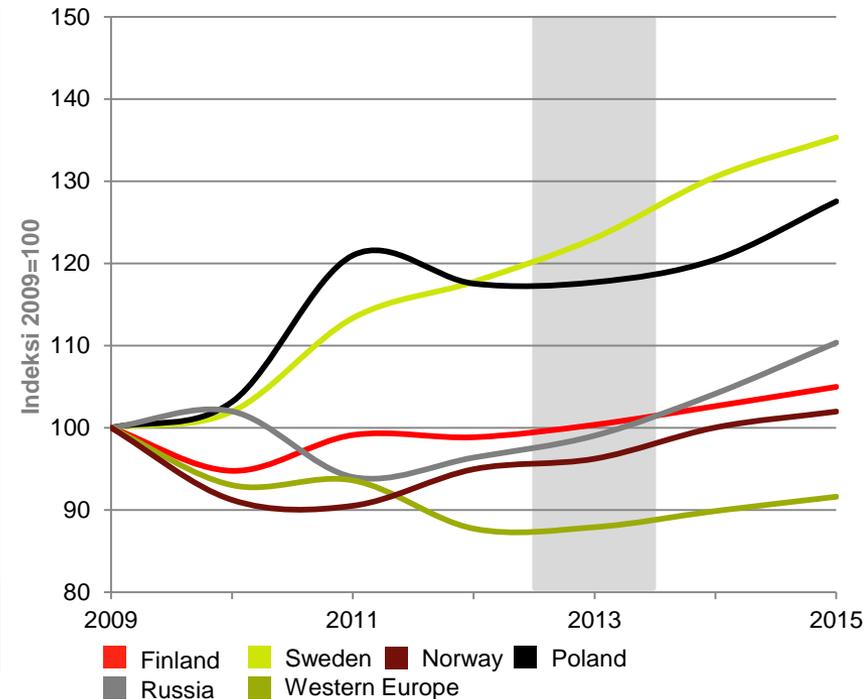
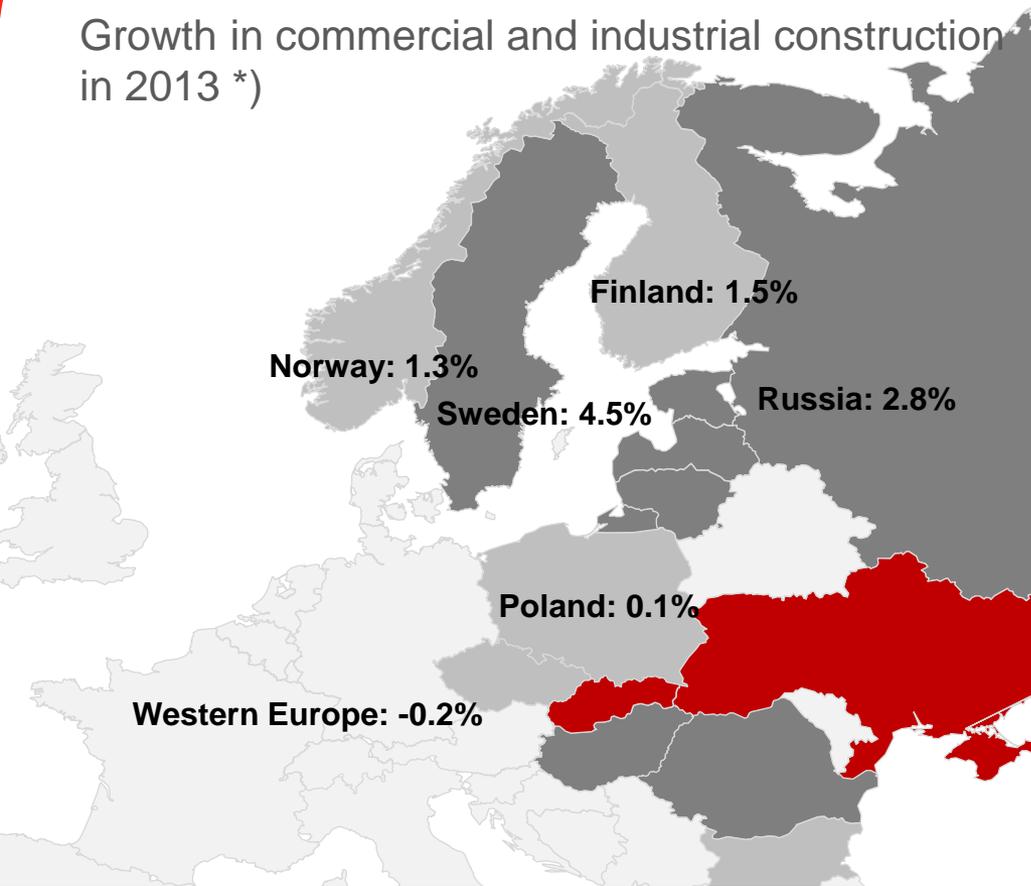
Example – roof installation in Finland



Growth in industrial and commercial construction especially in Sweden and Russia

Growth is forecast also for other main market areas in 2014

Growth in commercial and industrial construction in 2013 *)



In a challenging market environment, Ruukki is supported by:

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

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■ Growth ≥ 2.0% ■ 2% < Growth ≤ 0% ■ 0% < Growth ≤ -2.0% ■ Growth < -2.0%

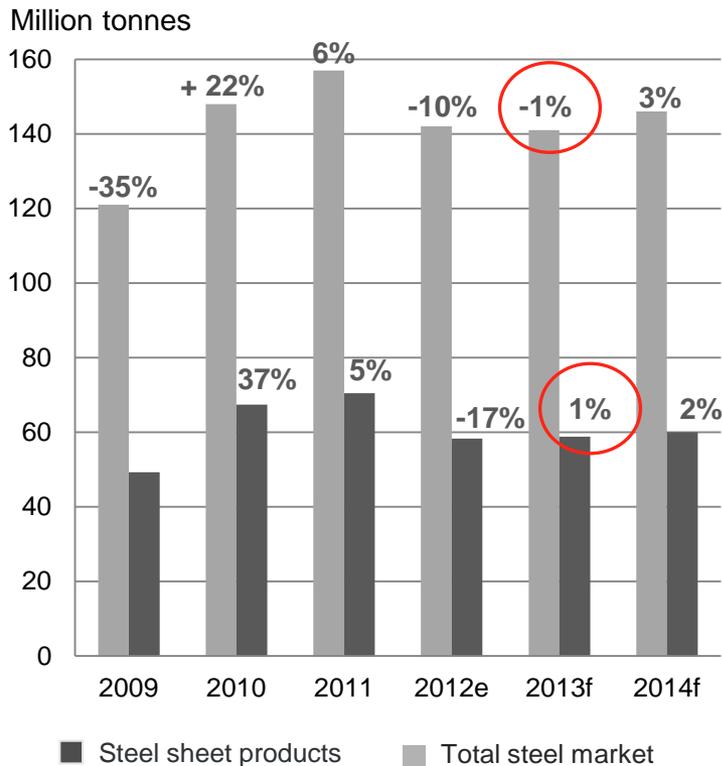
*) The figures for Romania, Ukraine, Bulgaria and Russia also include renovation construction

Source: Global Insight 03/2013

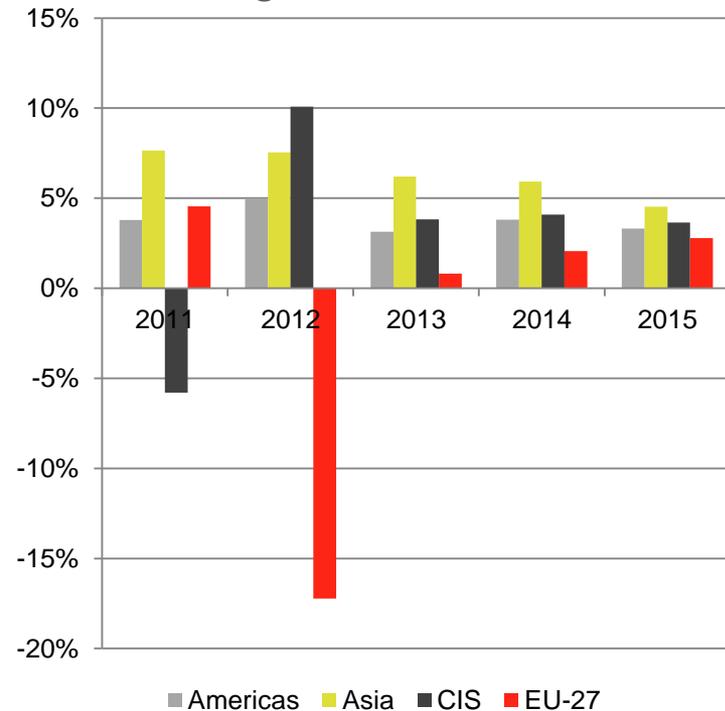
Apparent steel use in Europe at same level as previous year

Growth stronger in Ruukki's main markets for special steels

Apparent steel use in EU-27



Growth rate of steel sheet markets in different regions

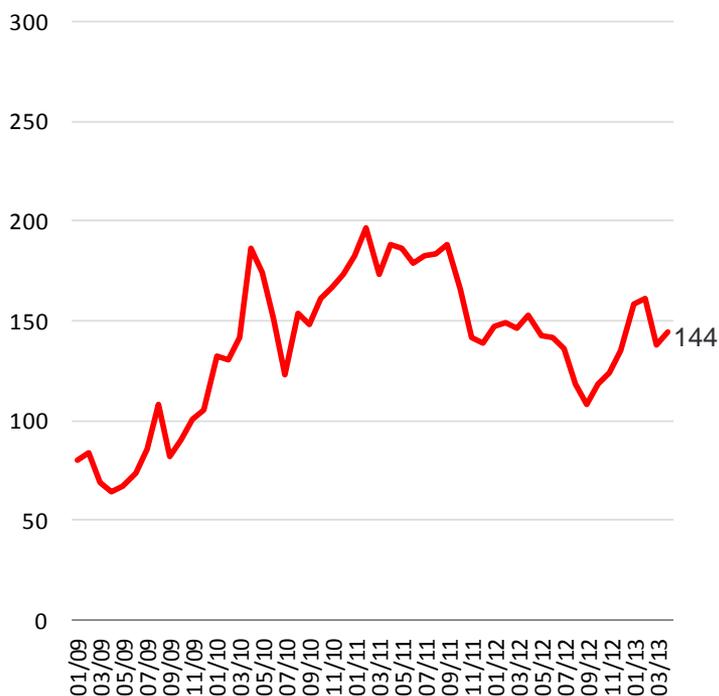


Sources: Total steel market: Eurofer Market Outlook, 2/2013, steel products market: CRU Steel Sheet Products Market Outlook 4/2013.

Main raw materials in steel production

Average market price of both iron ore and coking coal rose during the first quarter of 2013

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



Average monthly spot price of coking coal **) USD/t



- Ruukki has yet to agree a price for most of its pellet purchases for which the existing agreement expired at the end of the first quarter.

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



Key actions in 2013, near-term outlook and guidance

Ruukki to significantly grow its special steels business and to reorganise its construction business

Ruukki Metals

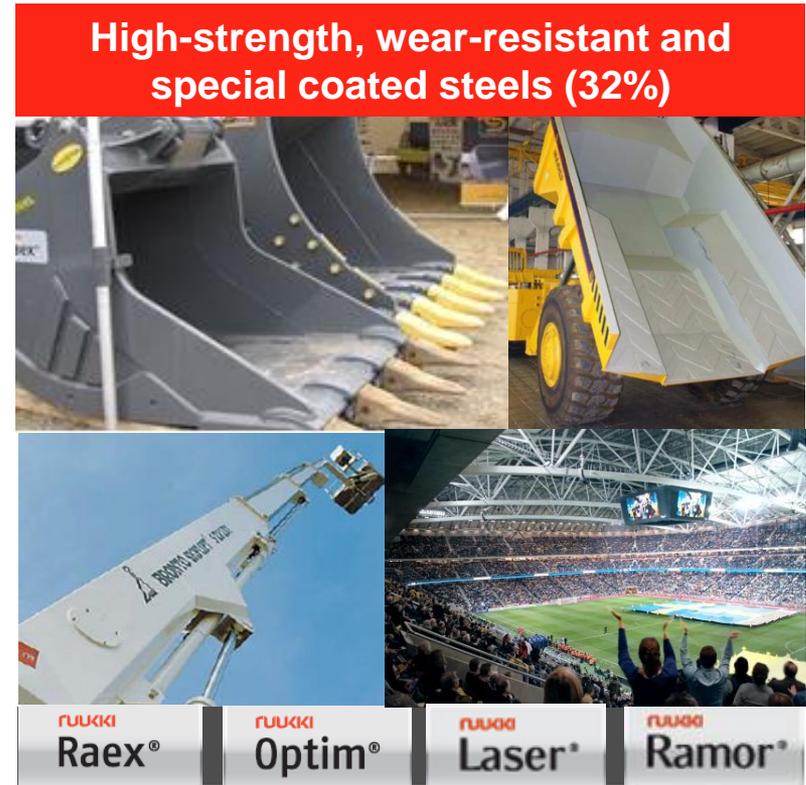
- Specialisation strategy in the steel business has proven to be effective and successful
- Focus more strongly on special steels
 - Better profitability and smaller price fluctuation
 - Good market position and strong product brands

Ruukki Construction

- Construction is to be split into two new business areas:
 - Ruukki Building Products
 - Ruukki Building Systems
- To improve profitability and growth
- To provide better manageability, transformation pace and transparency

Standard steels business being more strongly turned into a special steels business

- Sales growth in special steels to be accelerated up globally
 - Expansion and diversification of distribution
 - Significant strengthening of the sales organisation
 - Establishing a presence in new markets
 - Strong focus on identifying new customers and applications
- In standard products focus is to optimise the product portfolio and to downsize the underperforming part as share of special steels grows



Construction is to be divided into two new business areas

Building products: Sales €478m, EBIT €18m*

- Roofing, sandwich panel, foundation and infrastructure products, including services
- In roofing products the aim is to increase market share especially in Russia, Poland and Nordics by:
 - strengthening own distribution and partnership network
 - expanding installation
 - launching new products and services
- In panels and piles:
 - Strengthen sales of sandwich panels, especially energy panels, and piles in the Nordic countries
 - Actively pursue new markets
 - Focus on rapid development and commercialisation of new, energy-efficient products

Building systems: Sales €262m, EBIT -€17m *

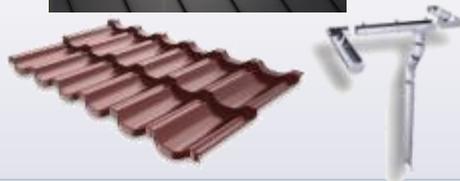
- Project business, operations in Russia and the new energy-efficient and functional buildings development unit
- The project business will be turned around during 2013
- Withdrawal from bridge projects
- Production capacity will be optimised
- Potential for profitable growth in Russia; sales and the product portfolio will be developed further
- The new developing unit aims to create a foundation for future growth by integrating the best of Ruukki's products and know-how

Ruukki Building Products

Building products: Net sales €478m, operating profit €18m*

Roofing products

such as steel roofs, rainwater and safety systems



Installation,
Finland

Panel products

such as sandwich panels, load-bearing sheets, façade claddings



Foundation and infrastructure products

Foundations, piles, noise barriers, guard rails



* comparable in 2012

25 April 2013

Ruukki Building Systems

Building systems: Net sales €262m, operating profit -€17m *

Buildings, Russia

Concept building, deliveries of materials without installation



Agriculture

Buildings, Nordics & CEE

Design, manufacture and installation of frames and envelopes



Single-storey construction

New development unit

Commercial construction



Sports centre construction

* comparable in 2012

25 April 2013

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Near-term outlook

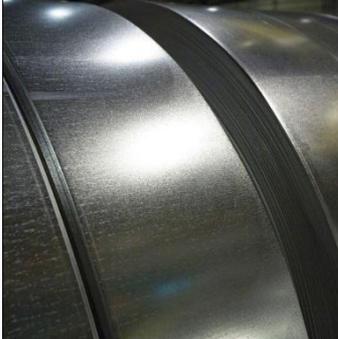
Continued uncertain economic outlook, no significant pick-up expected

Construction business



- Construction activity at 2012 level or slightly lower
- Commercial and industrial construction growing in Russia and Sweden
- Residential roofing products forecast to outperform market growth

Steel business



- Service centre sales at good level
- Demand from mill customers remains uncertain
- Good potential to increase share of special steel products

Guidance for 2013 unchanged

- 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

		Q1/2013	Q1/2012	2012
Net sales *)	€m	590	699	2 789
Operating profit *)	€m	5	-15	-65
as % of net sales *)		0.8	-2.2	-2.3
Result before income taxes*)	€m	-3	-25	-103
Result for the period	€m	-4	-20	-116
Earnings per share, diluted, €		-0,03	-0,15	-0,85
Return on capital employed (rolling 12 months) %		-4.1	-0.7	-4.9
Gearing ratio	%	72.4	67.9	71.2
Gross capex **)	€m	23	17	97
Net cash from operating activities	€m	22	54	172
Net cash before financing activities	€m	7	32	78
Personnel (average)		8 876	11 350	11 214

*) 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	Q4/ 12	Q1/ 13
Comparable net sales									
Ruukki Construction	135	201	219	203	153	199	208	180	145
Ruukki Engineering	62	62	59	73	69	72	63	60	
Ruukki Metals	478	467	396	442	477	470	406	434	444
Other	0	0	0	0	0	-2	-3	2	1
Total	675	730	674	718	699	740	674	676	590
Comparable operating profit									
Ruukki Construction	-13	4	11	-6	-10	4	8	-1	-7
Ruukki Engineering	-2	-2	1	-4	-1	0	0	-3	
Ruukki Metals	42	75	-9	-28	0	10	-18	-34	17
Other	-3	-6	-3	-3	-4	-7	-7	-2	-4
Total	25	71	1	-40	-15	7	-18	-39	5
Deliveries 1000 t, Ruukki Metals	487	415	364	455	507	448	389	466	481

Three business areas as of Q2/2013

Ruukki Building Products, Ruukki Building Systems and Ruukki Metals

CONSTRUCTION BUSINESS ACCORDING TO THE NEW REPORTING	
	2012
Comparable net sales	
Building products	478
Building systems	262
Comparable net sales, total	740
Items affecting comparability included in reported net sales	
Reported net sales	740
Comparable operating profit	
Building products	18
Comparable operating profit as % of net sales	3.7%
Building systems	-17
Comparable operating profit as % of net sales	-6.3%
Comparable operating profit, total	1
Comparable operating profit as % of net sales	0.1%
Items affecting comparability included in reported operating profit	
Building products	-4.1
Building systems	-6.5
Reported operating profit	-10