



Financial review 2013

Sakari Tamminen, President & CEO

Rautaruukki Corporation

14 February 2014

Agenda

- 2013 highlights, key figures
- Financial performance
- Business areas performance
- Strategic focus areas and key actions in 2014
- Business environment, near-term outlook and guidance

2013 highlights

- Profitability improved in all business areas.
- Most positive development in Ruukki Building Products, profitability rose to a good level.
- Net cash from operating activities rose to €184 million (172).
- Efficiency projects progressed in line with targets, earnings improvement totalling around €70 million in 2013.
- Comparable operating profit was €39 million (-50).
- Net sales and order intake value were down due to lower market prices of steel products.
- Ruukki Metals' delivery volumes were slightly higher than in the previous year and order volumes were down slightly.
- Board of Directors proposes that no dividend be paid for year ended 31 December 2013 (0.20).

Key figures

		Q4/2013	Q4/2012	2013	2012
Order intake *	€m	574	624	2 376	2 605
Net sales *	€m	590	634	2 404	2 597
Operating profit *	€m	8	-34	39	-50
as % of net sales *	%	1.3	-5.3	1.6	-1.9
Result before income taxes *	€m	-3	-42	-1	-88
Earnings per share	€	-0.07	-0.41	-0.10	-0.85
Net cash from operating activities	€m	80	79	184	172
Gearing ratio	%			68.5	71.2

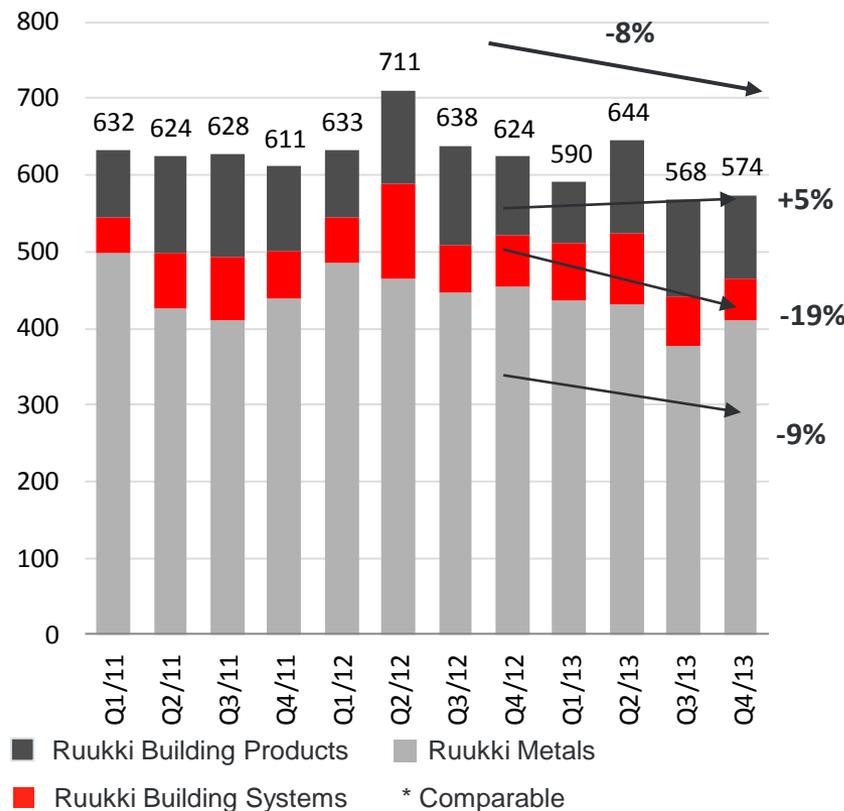
* Comparable

Financial performance

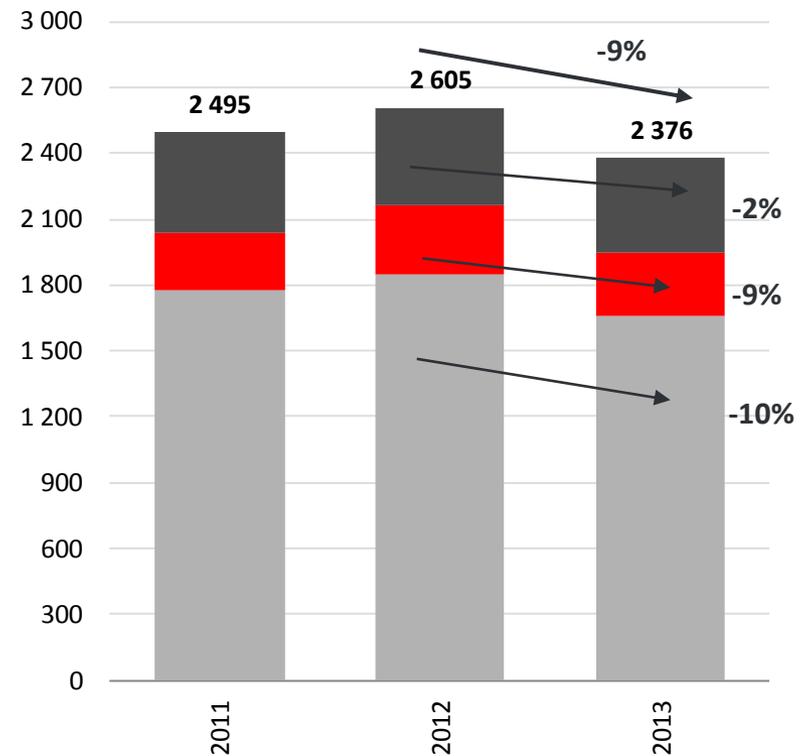
Order intake volumes roughly at last years' level, selling prices down

Order intake down 9% year on year

Quarterly order intake* (€m)

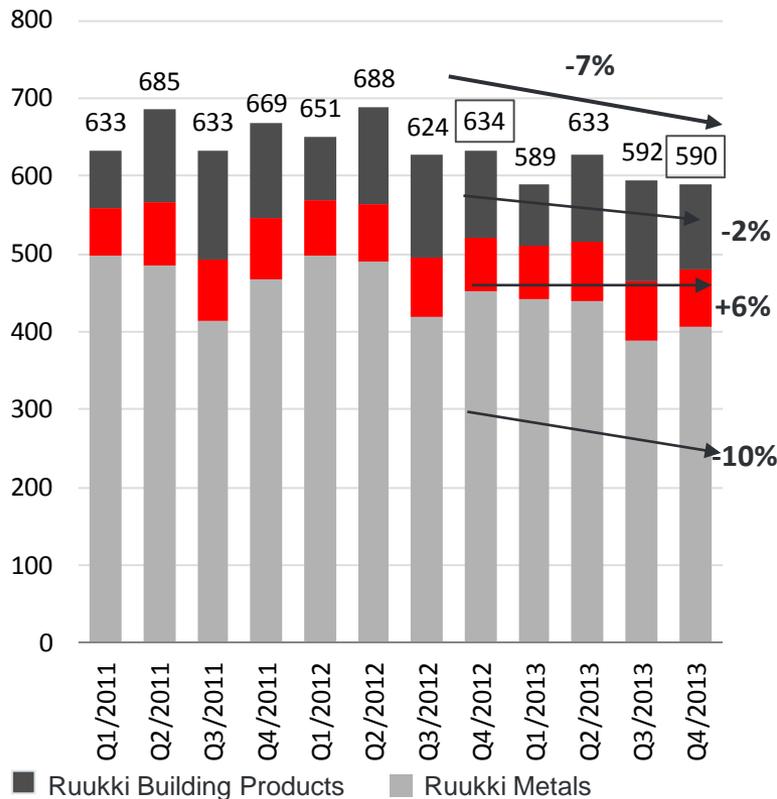


Annual order intake* (€m)

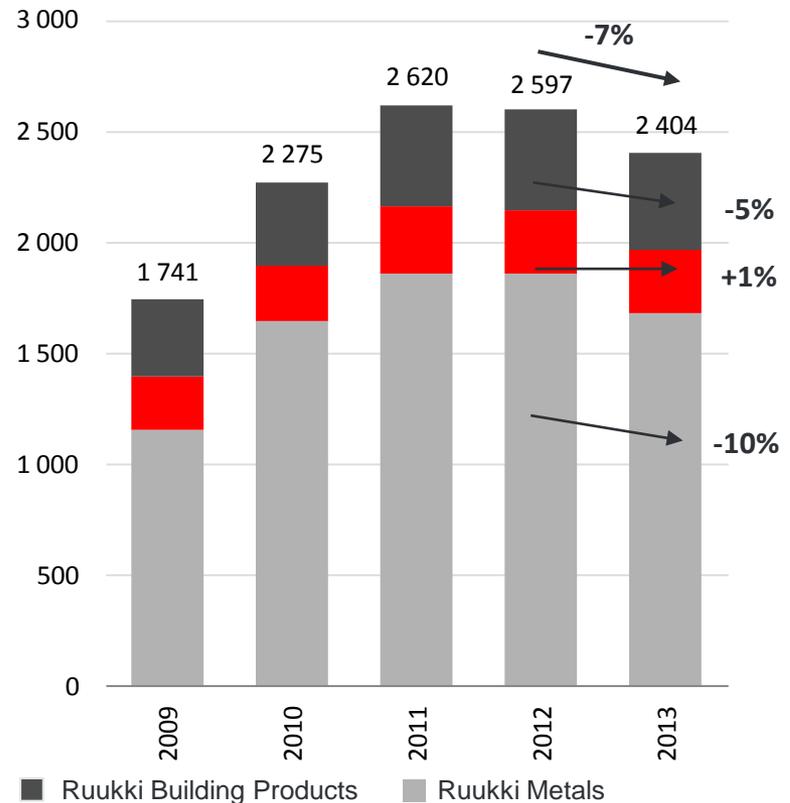


Net sales down 7% - due mostly to lower selling prices of steel products

Quarterly net sales* (€m)



Net sales 2009-2013* (€m)



Ruukki Building Products Ruukki Metals Ruukki Building Systems * Comparable

Ruukki Building Products Ruukki Metals Ruukki Building Systems

* Comparable

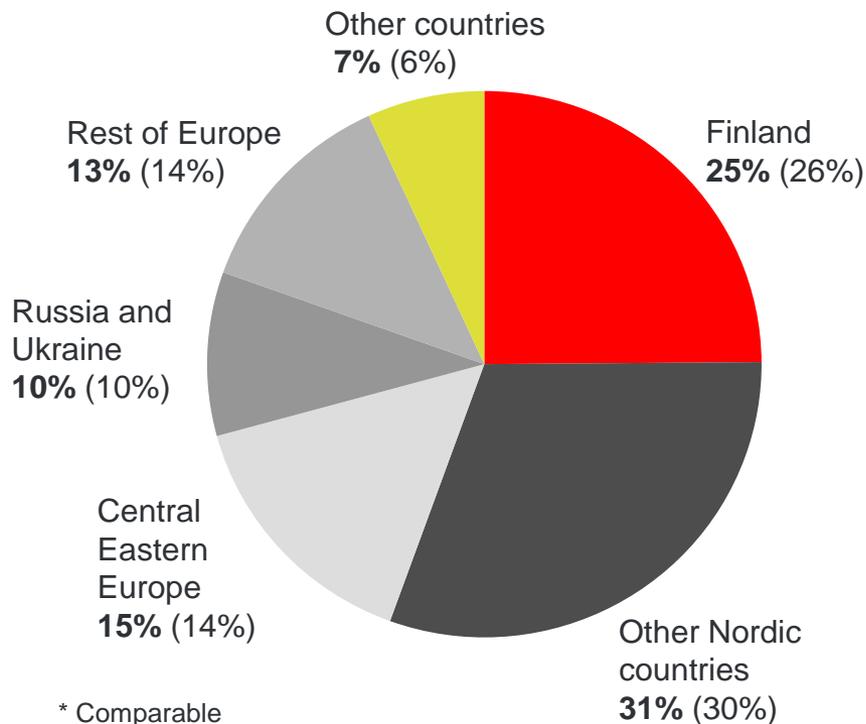


Net sales down in most market areas

Growth in markets outside Europe

Net sales by market area* 2013 (2012)

100% = €2,404m (€2,597m)

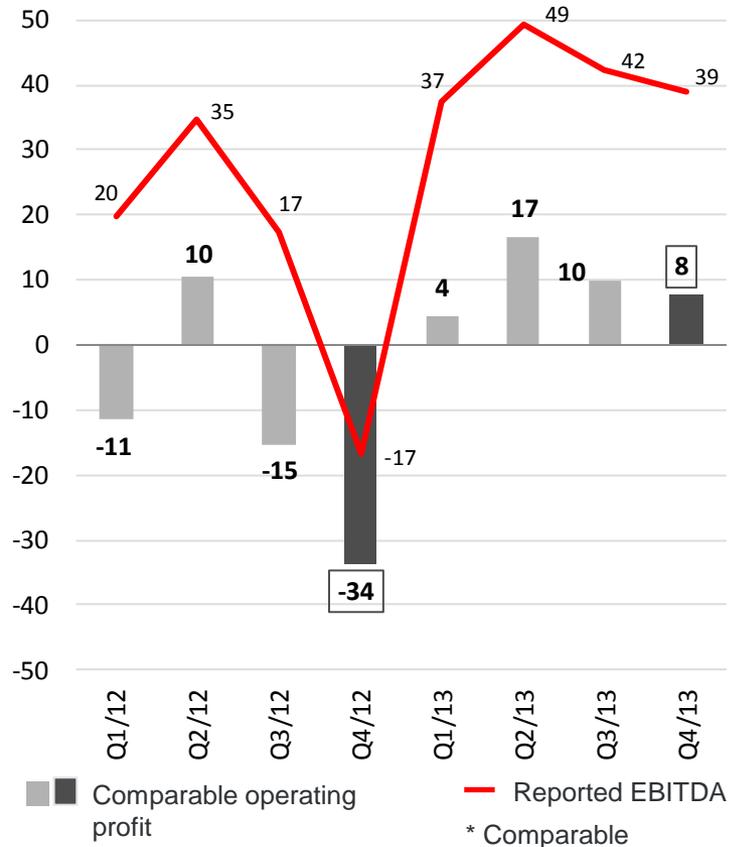


- Comparable net sales down year on year in most market areas, decreased most in Finland
- Growth in markets outside Europe
- Net sales almost at same level year on year in Central Eastern Europe

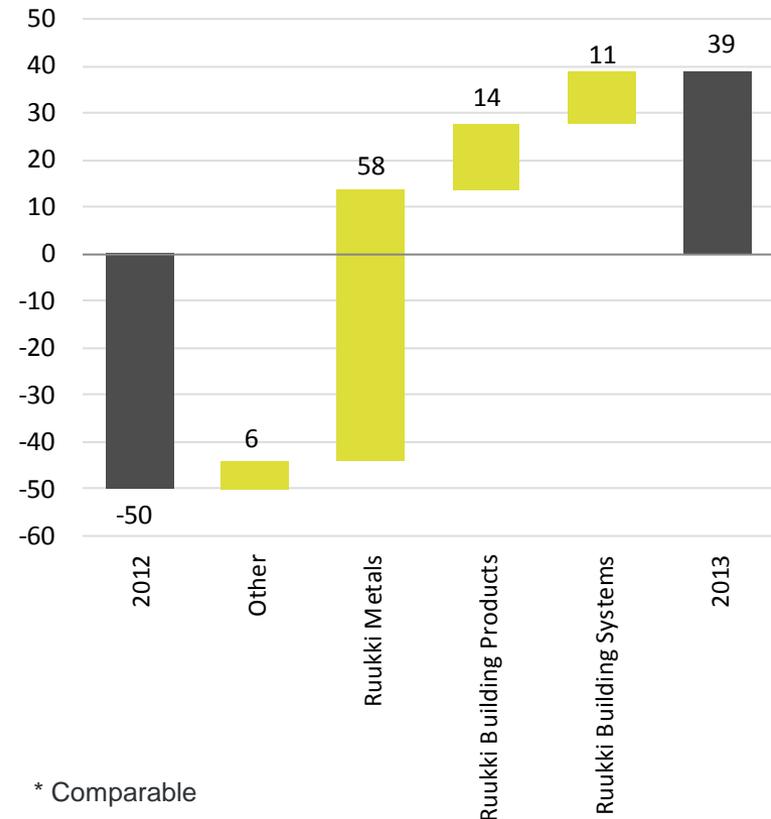
Profitability improved in all business areas

Operating profit €39 million (-50) in 2013

Operating profit* and group EBITDA (€m)



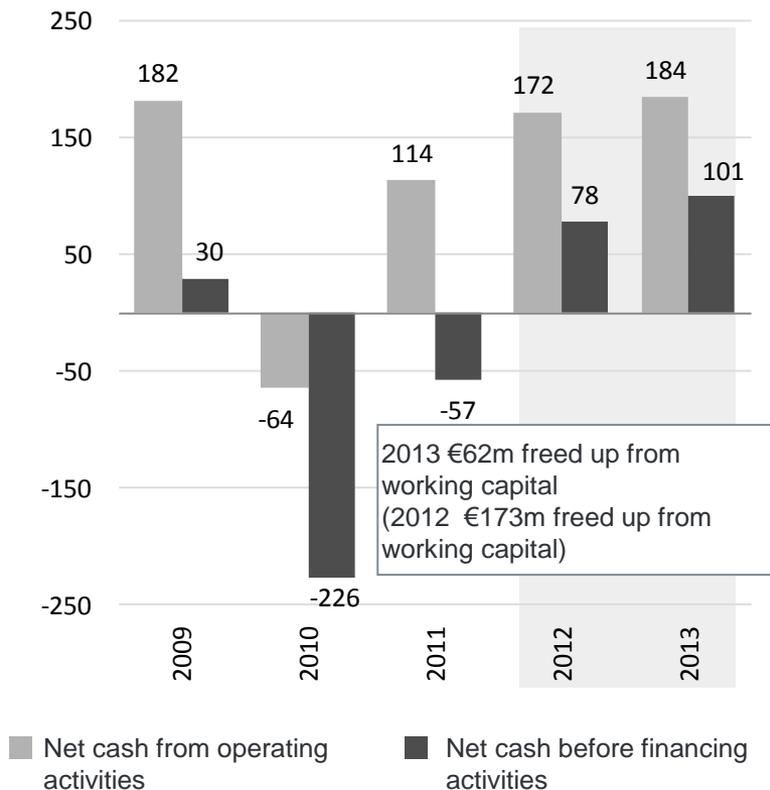
Change in operating profit* by business area (€m) 2013 vs. 2012



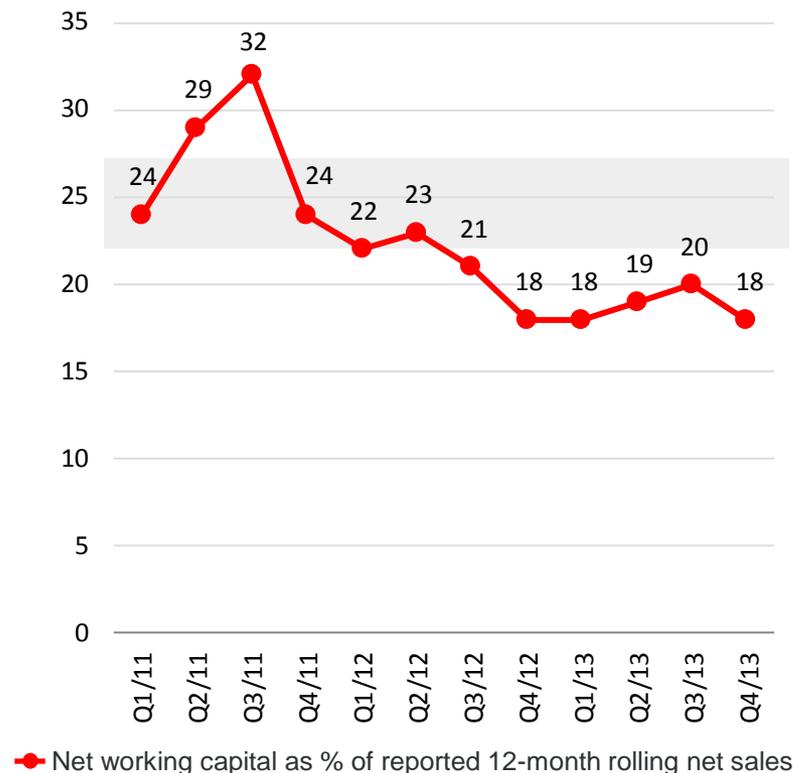
Cash flow improved to €184 million

€62 million freed up from working capital (173)

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

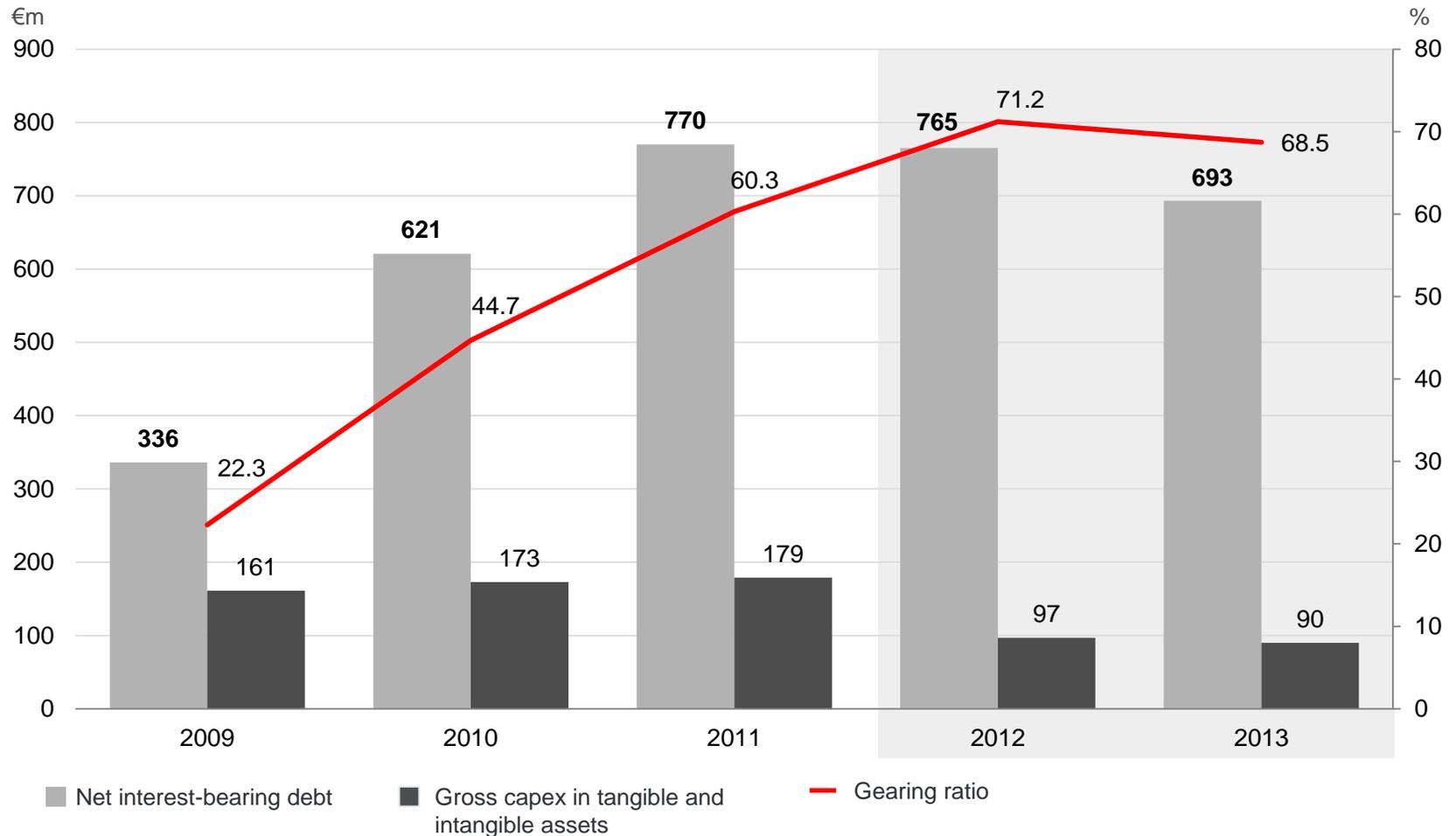


Net working capital as % of reported 12-month rolling net sales



Net debt decreasing

Gearing ratio 68.5% at year-end 2013

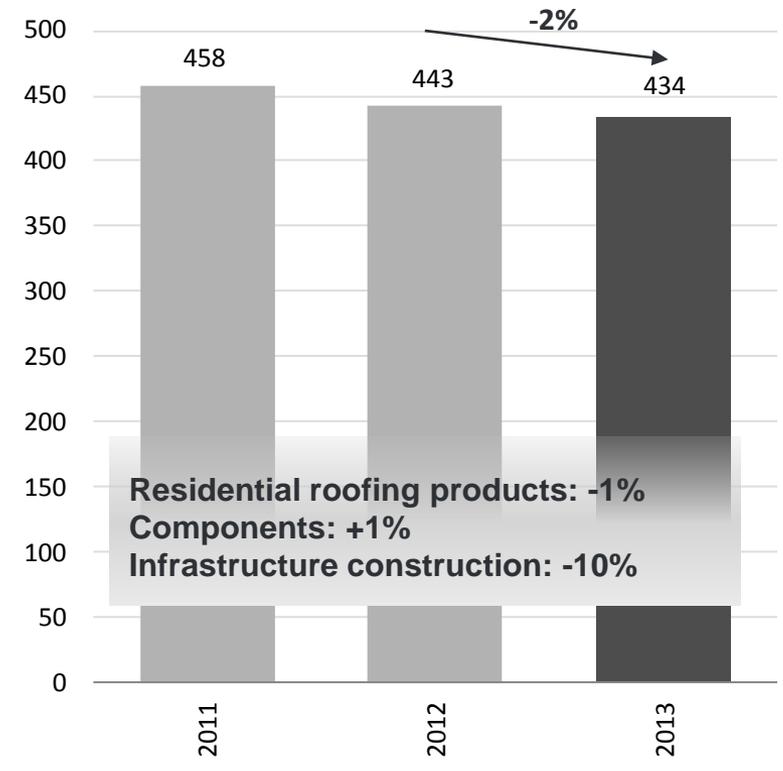
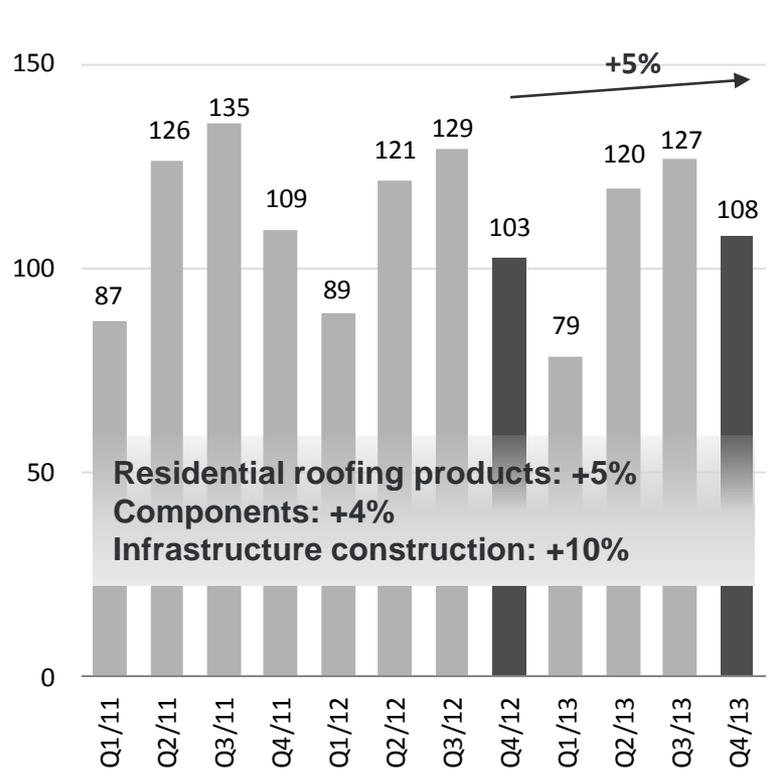


Business area performance

Building Products' order intake

Orders for residential roofing products and building components close to level a year earlier

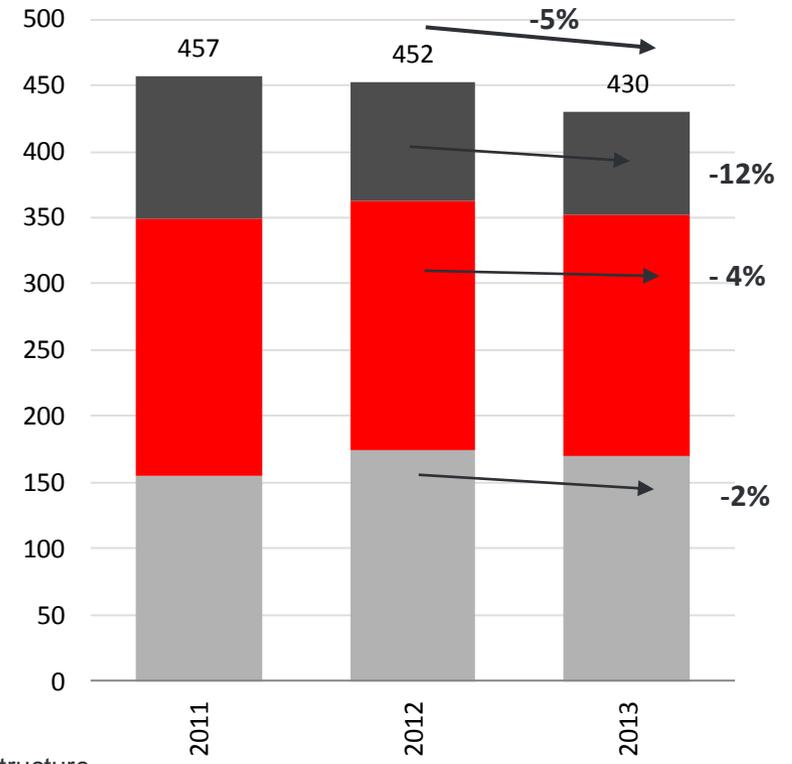
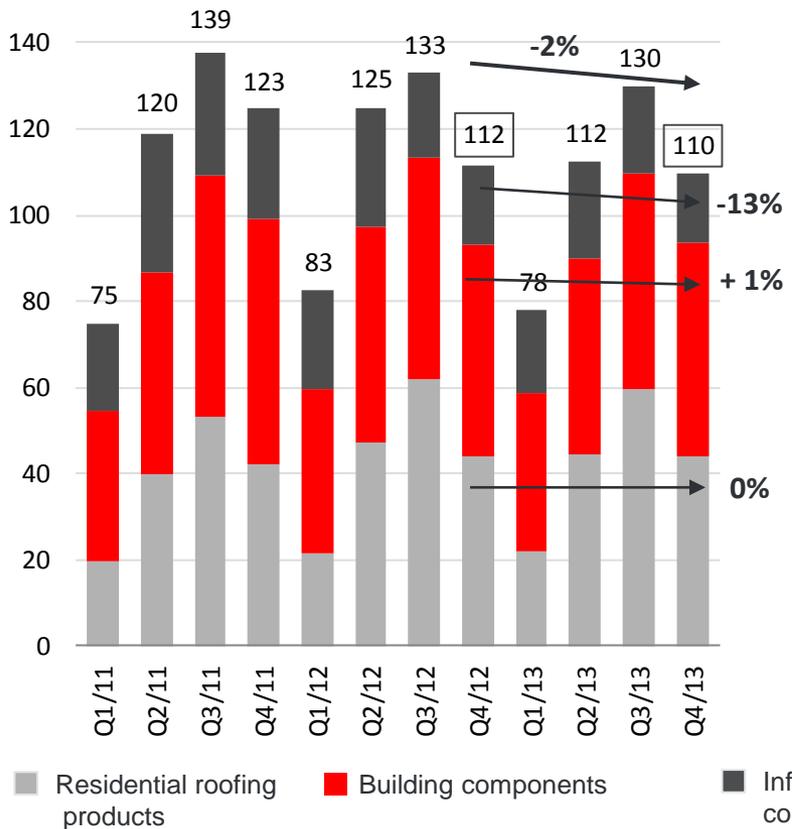
Order intake, (€m)



Building Products' net sales

Full-year net sales down 5%, growth in residential construction in Sweden and in components in Norway

Net sales by product group, (€m)*



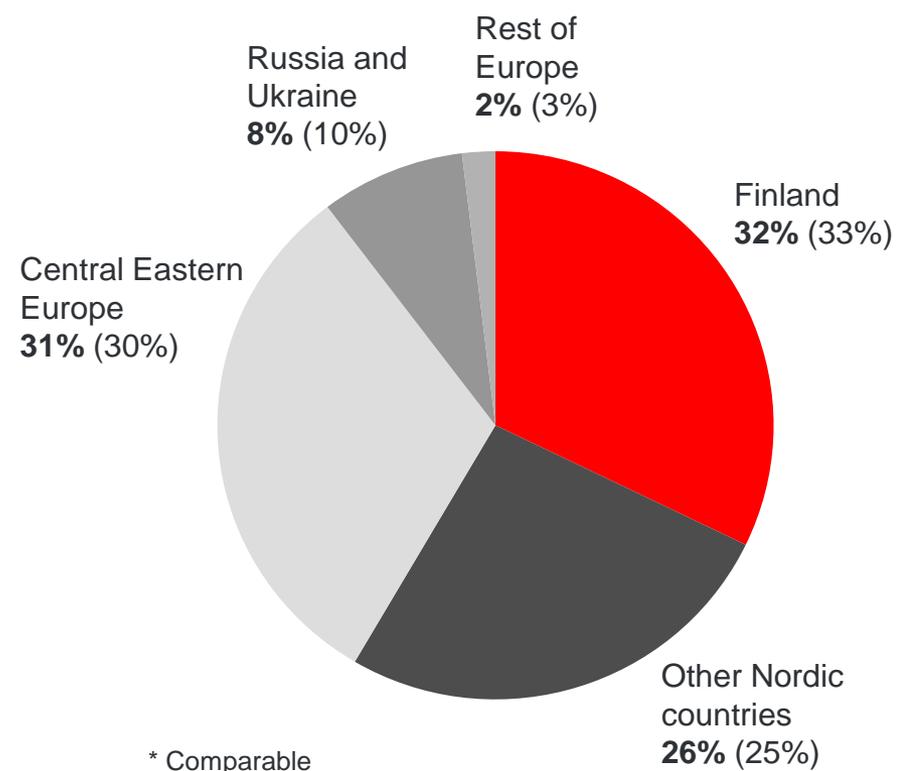
* Reported



Building Products' net sales by market area

Net sales down in most market areas, demand weakened especially in Finland, Poland and Ukraine

Net sales by market area
2013 (2012)*



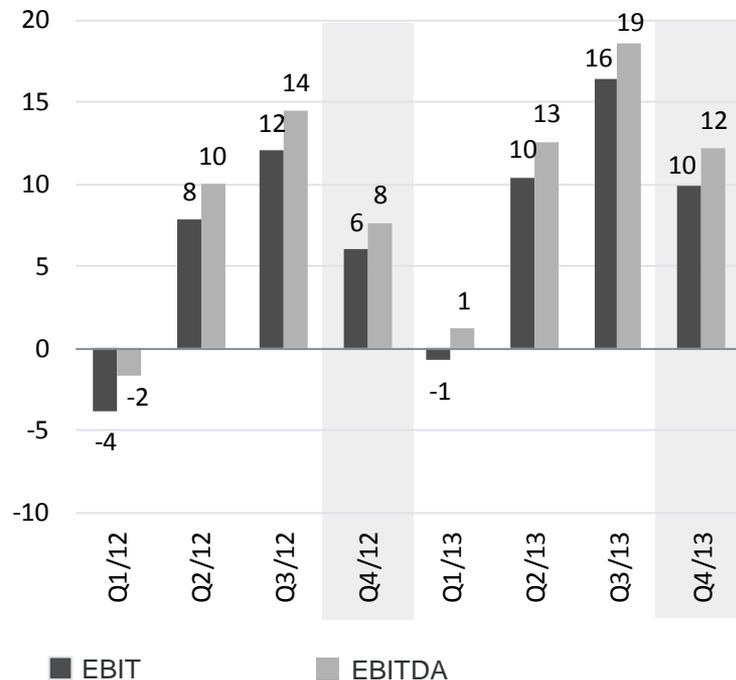
* Comparable

2013 vs. 2012

- Net sales of residential roofing products up in Sweden, at same level year on year in Finland, down in Poland and Ukraine
- Net sales of building components up in Norway and Czech Republic, down in Sweden and Finland
- Net sales in infrastructure construction down in all main market areas

Building Products' profitability clearly improved

EBITDA and EBIT (€m) *



* Comparable EBIT, reported EBITDA

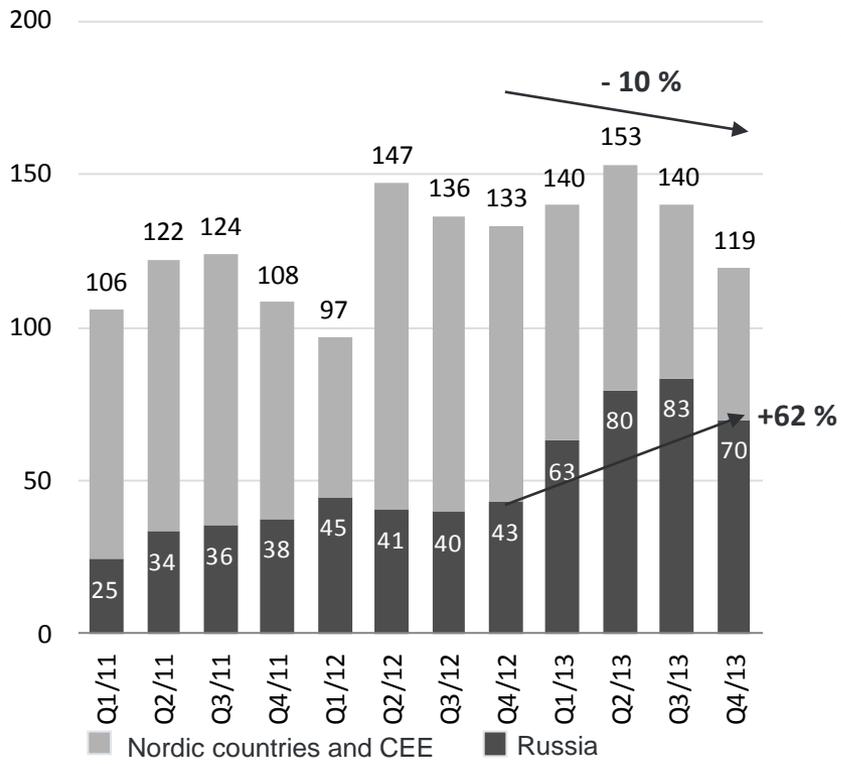
Comparable EBIT €36 million (22) in 2013

- Impact of efficiency programmes on earnings improvement €8 million
- Better gross margin
- More favourable geographical spread than earlier of sales of residential roofing products
- More effective steering of sales of building components
- Better functioning of business processes

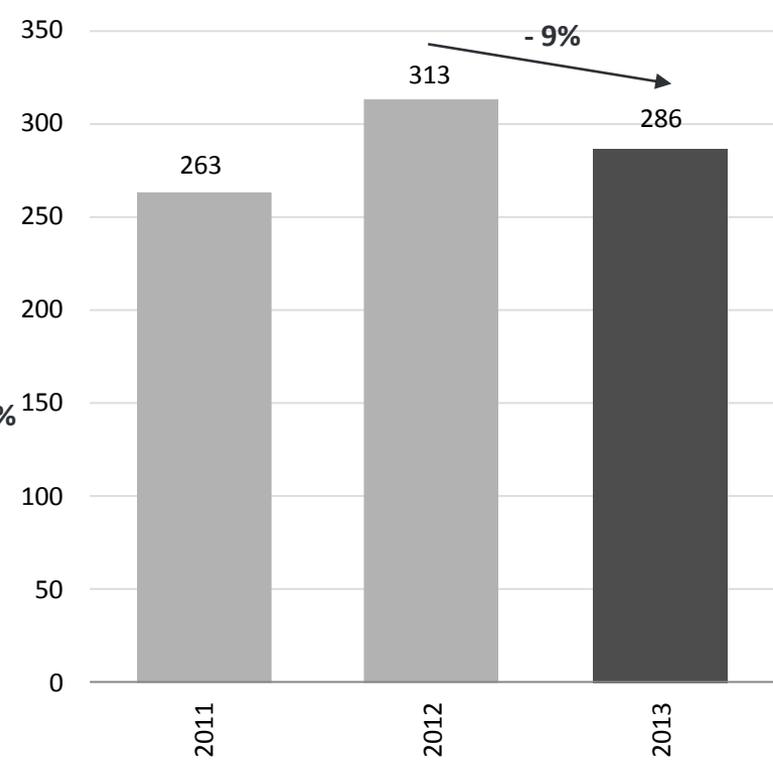
Building Systems' order book and order intake down

Growth in Russia, weak demand especially in Finland

Order book, (€m)



Order intake, (€m)



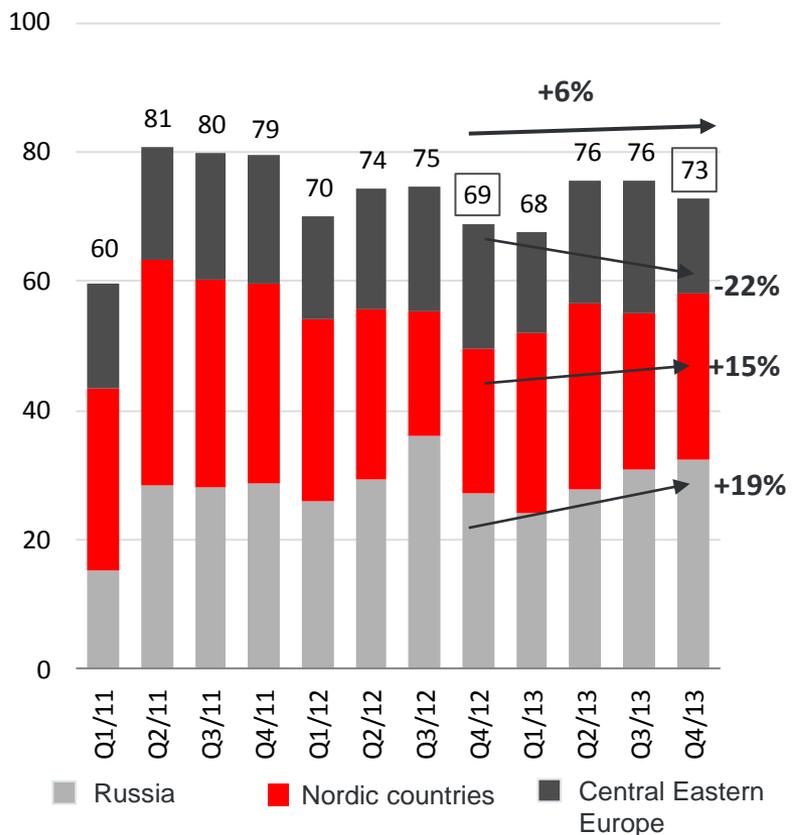
- Full year order intake up 25% year on year in Russia



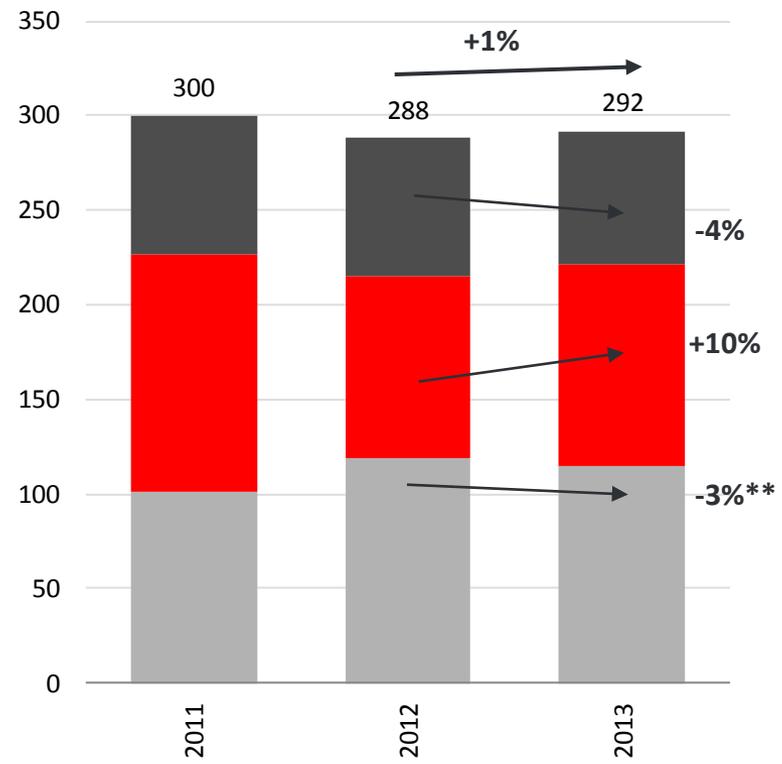
Building Systems' net sales roughly at last year's level

Clear decrease in net sales in Finland, rouble-denominated net sales up in Russia

Net sales by market area, (€m) *



* Reported

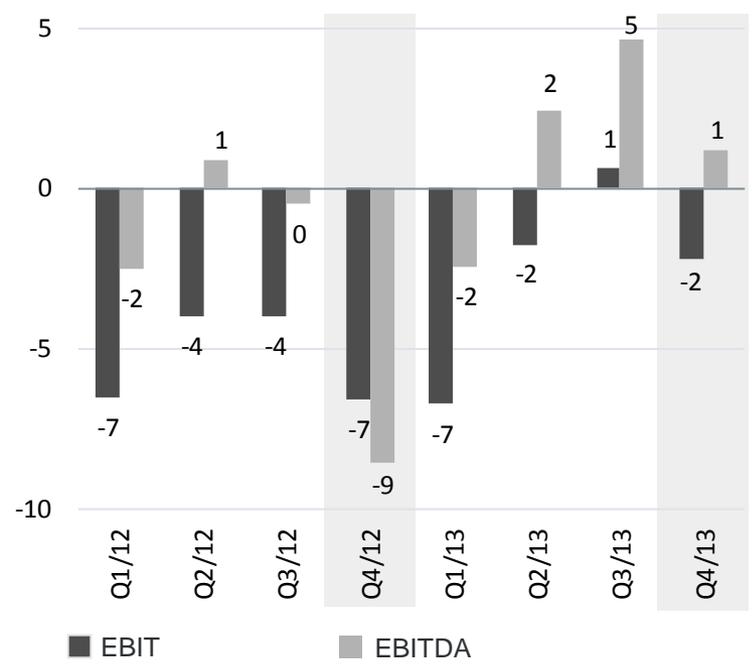


**Rouble-denominated net sales in Russia up 9% year on year



Building Systems' profitability improved, but still not at satisfactory level

EBITDA and EBIT (€m)*



* Comparable EBIT, reported EBITDA

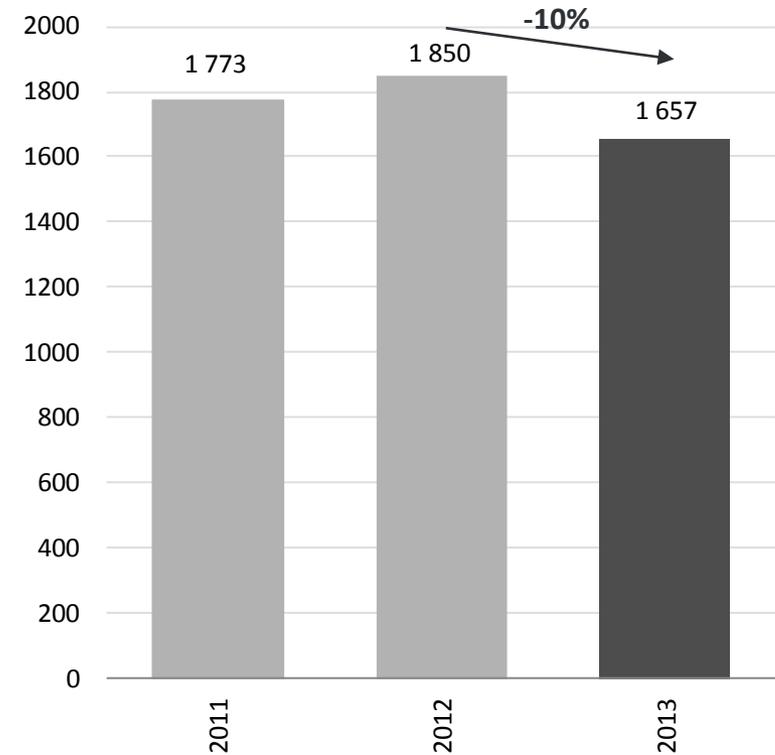
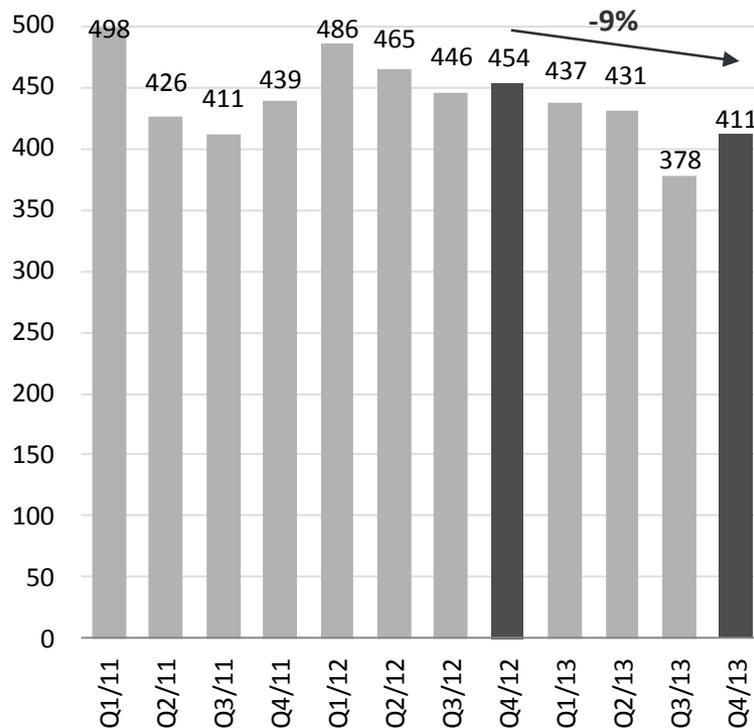
Comparable EBIT -€10 million (-21) in 2013

- Impact of efficiency improvement programmes €8 million
- Profitability was weakened due to some loss-making steel structure contracts, which had a negative impact totalling around EUR 8 million
- Shifting focus of production to lower cost countries
- Better project gross margins on projects and higher capacity utilisation rates
- Healthy order book and capacity utilisation rate in Russia

Clear growth in order volumes for special steel products

Order intake down for other product groups

Order intake, (€m)*

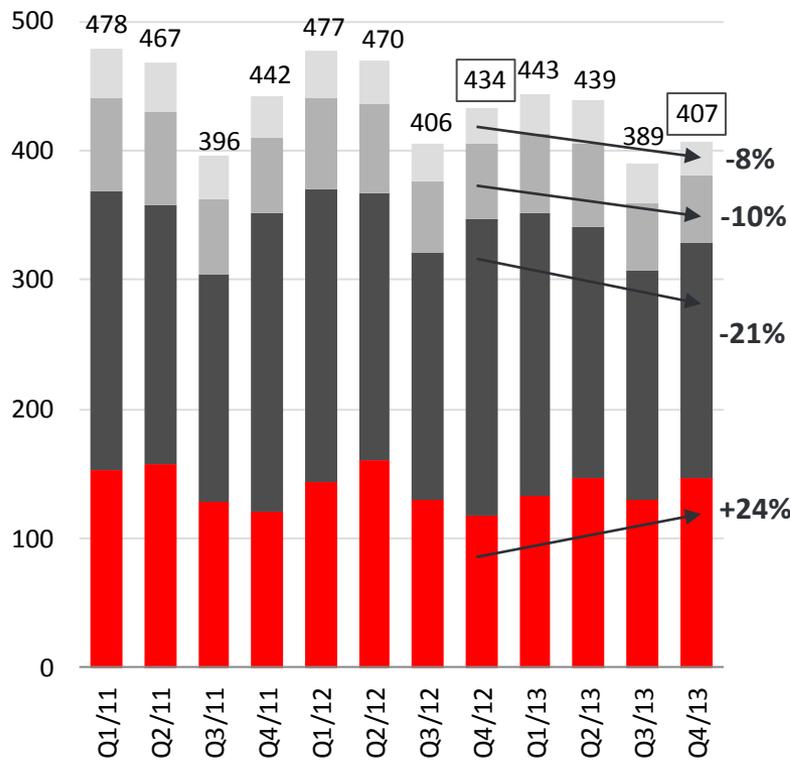


* The reference figures have been restated to reflect the current corporate structure

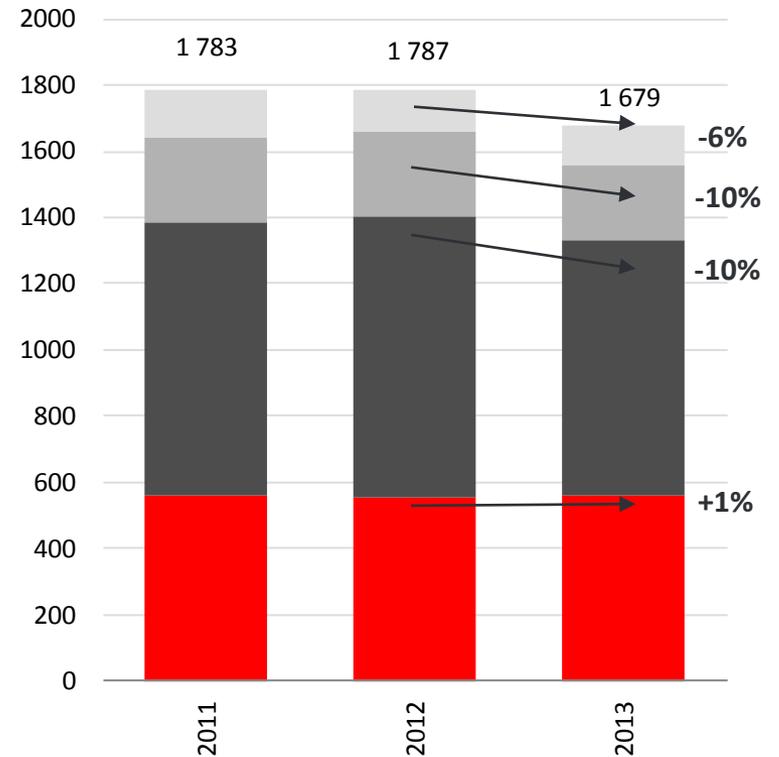
Metals' comparable net sales down 10%

Clear rise in delivery volumes of special steel products, fourth quarter net sales of special steels up 24% year on year

Net sales by product group*, (€m)



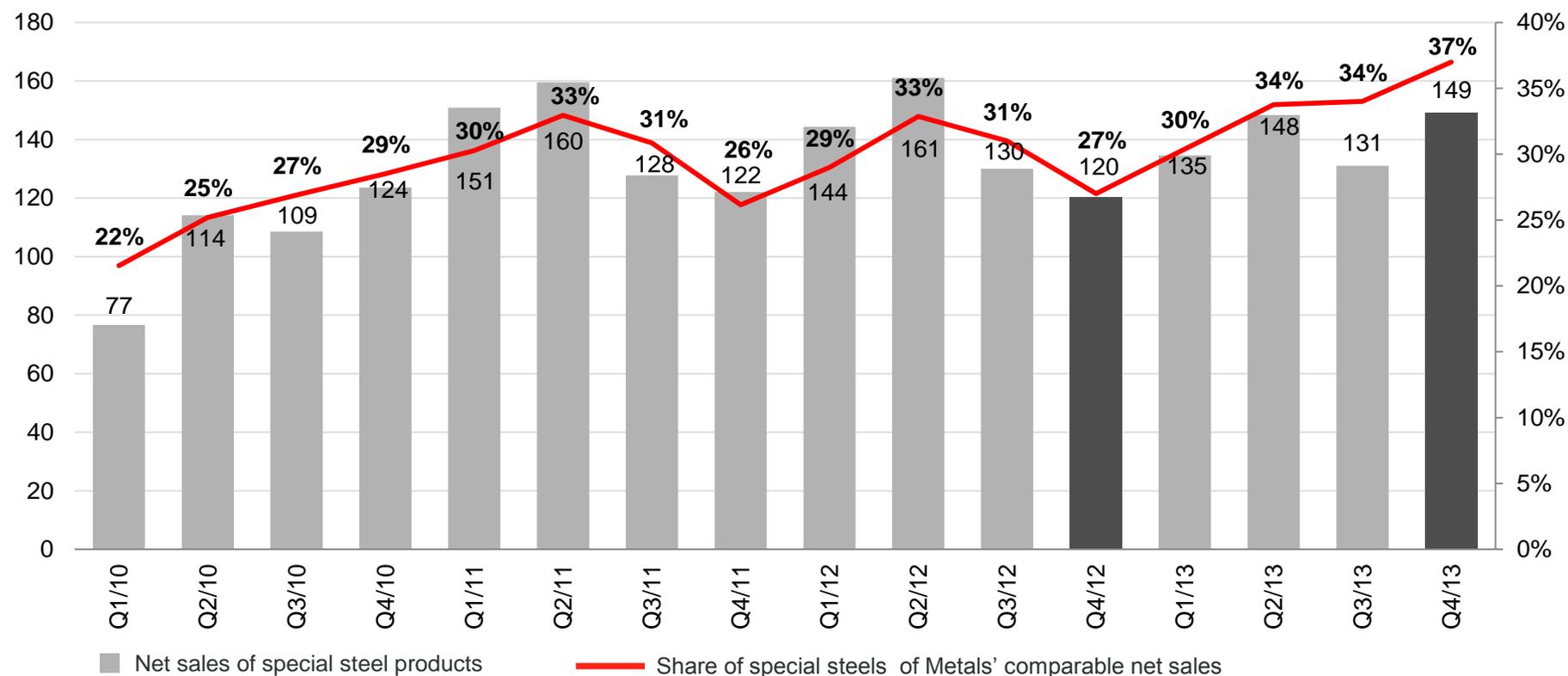
■ Special steel products
 ■ Strip and flat products
 ■ Tubes and profiles
■ Stainless steel and aluminium * Reported



Share of special steel products 37%

Target is net sales of €850 million in 2015

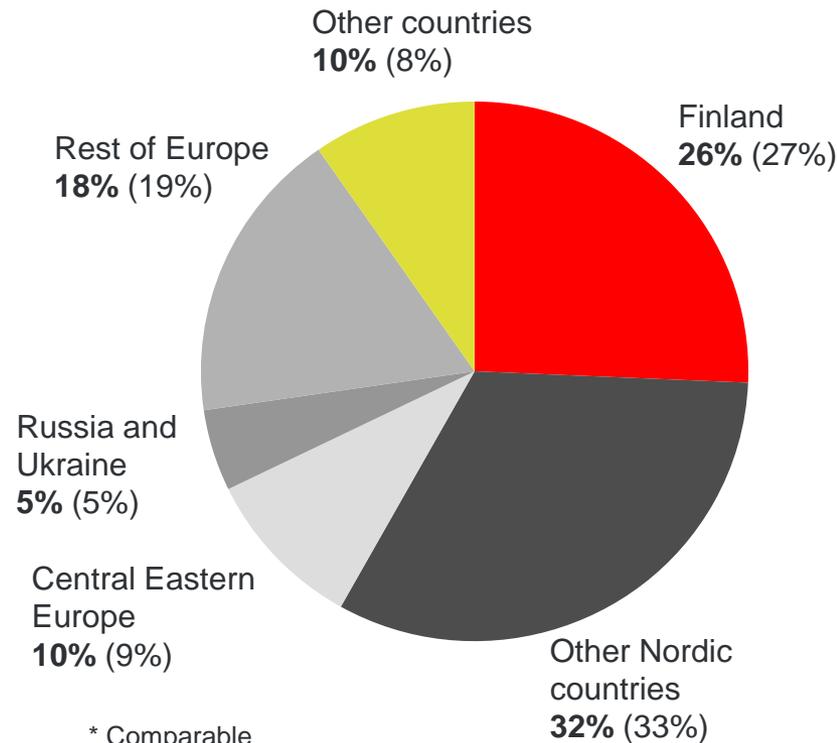
Net sales of special steels and % of Metals' net sales*



* 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

Net sales grew in market areas outside Europe

Net sales by market area*
2013 (2012)



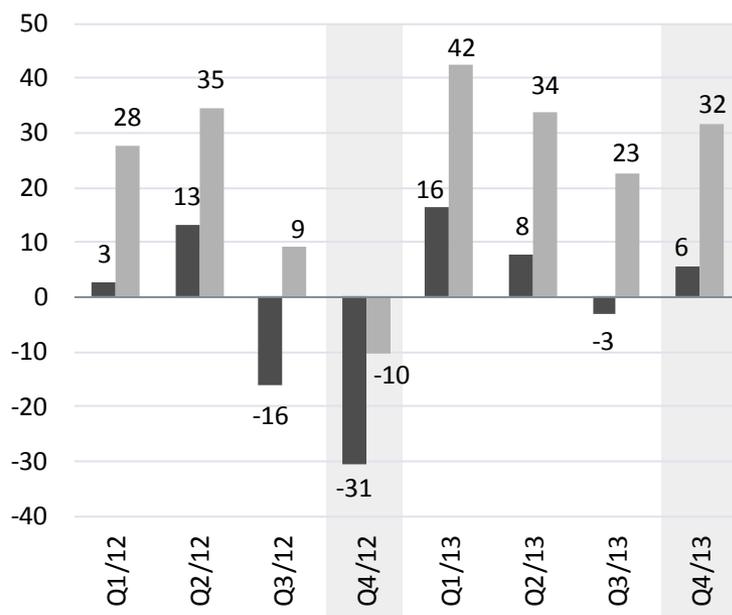
2013 vs. 2012

- Net sales up in market areas outside Europe, especially in the United States and South America
- Net sales down clearly in Finland, the other Nordic countries, Western Europe and China
- Net sales up slightly also in Central Eastern Europe

Metals' operating profit improved clearly

Impact of efficiency projects was €48 million

EBITDA and EBIT* (€m)



■ EBIT

■ EBITDA

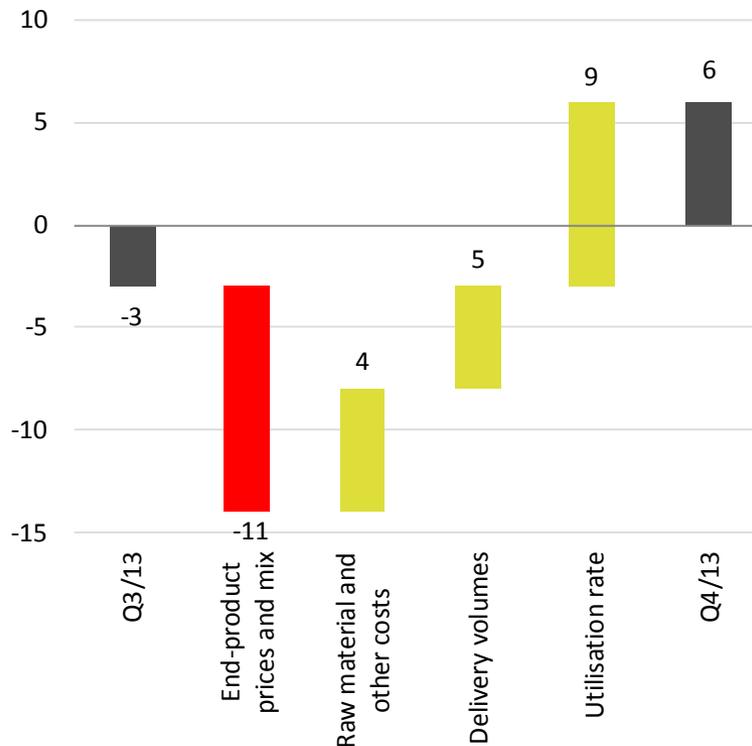
* Comparable EBIT, reported EBITDA

Comparable EBIT €27 million (-31) in 2013

- Impact of efficiency projects on earnings improvement €48 million
- Lower raw material costs
- EBIT weakened by lower average selling prices of steel products

Metals' operating profit improved €9 million quarter on quarter

Operating profit* (€m) Q4/13 vs. Q3/13



* Comparable

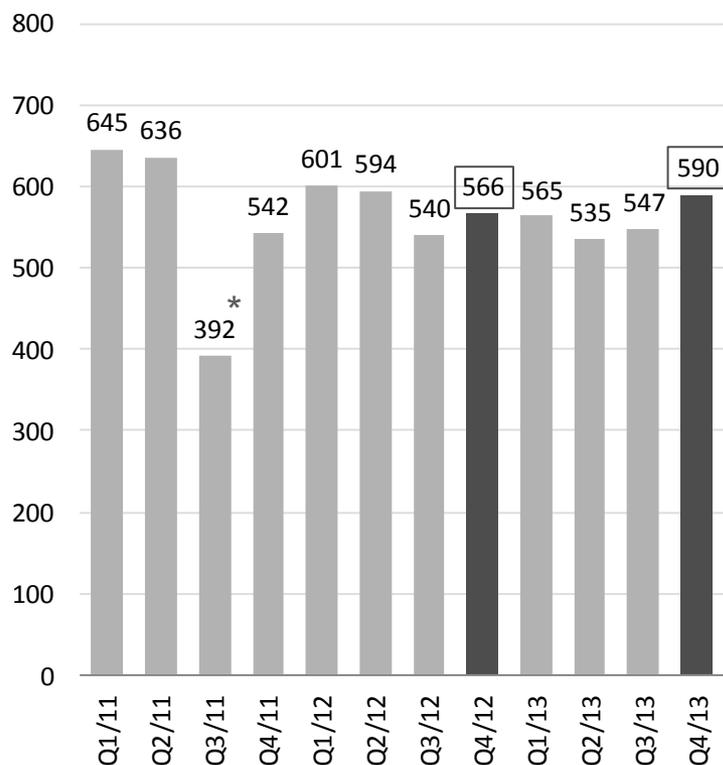
- Operating profit was weakened by lower average selling prices
- Impact of change in product mix and prices totalled -€11 million
- Impact of costs of raw materials and of other costs €6 million
- Delivery volumes were up 50,000 tonnes, or 12% quarter on quarter

Capacity utilisation rate in steel production around 84% during fourth quarter

In 2013 capacity utilisation rate around 80%

Quarterly steel production

1000 tonnes



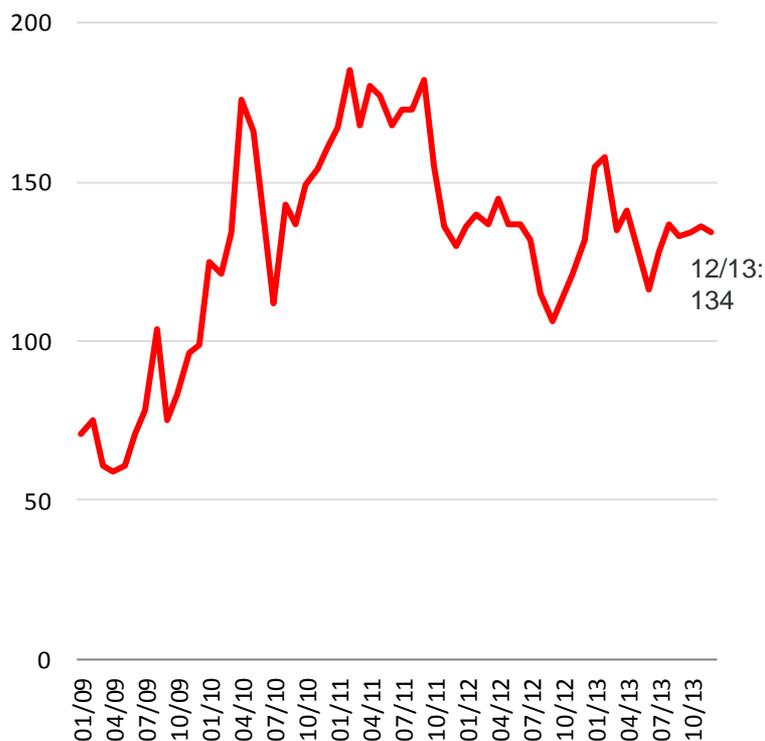
* Modernisation of blast furnace 2

- Steel production was up 43,000 tonnes quarter on quarter and was 590,000 tonnes during the fourth quarter
- Capacity utilisation rate in steel production was around 84%

Steel raw material prices fell towards end of year

Average spot price of iron ore*

USD/t



Average spot price of coking coal**

USD/t



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

Strategic focus areas and key actions in 2014

Strategic focus areas within Ruukki Building Products

- Profitable growth in **roofing products** focusing on expansion of **distribution** and **installation** services
- Increasing the share of **energy efficient products** in the building components product portfolio
- Development of foundation and infrastructure products and identifying new business opportunities
- Focus on marketing, technology and business model replicability

Building Systems' aim is to further improve profitability

- Several actions were taken in 2013 to improve profitability
- Continued actions to improve profitability in 2014:
 - Further development of sales with selective offering activity
 - Optimal use of capacity and production cost efficiency
 - Improve project management and commercial skills to minimise negative deviations in projects
 - Cut SGA costs (9% of net sales at year-end 2013)

Ruukki Metals' €30 million efficiency programme

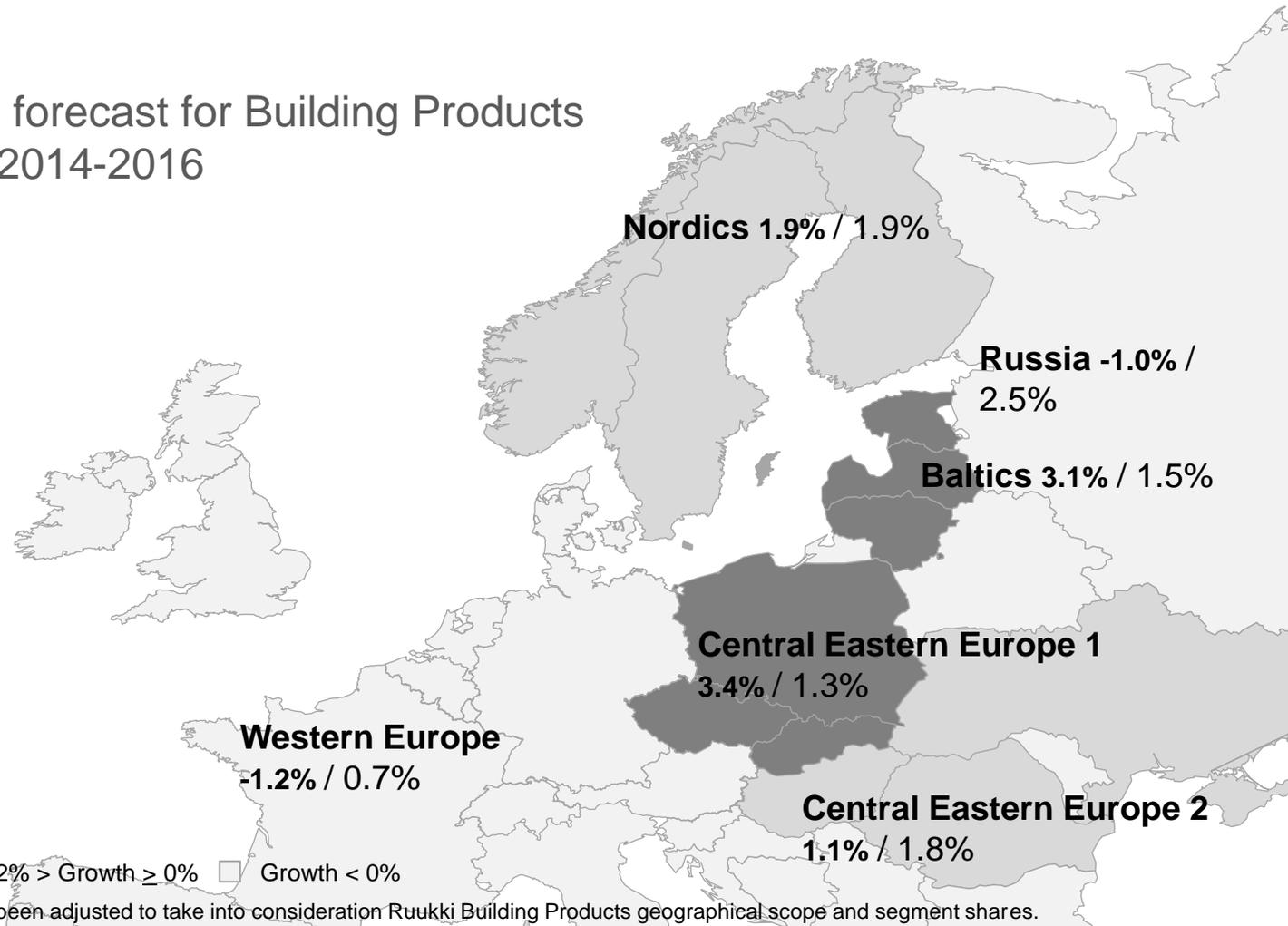
Results expected to be seen in full in 2015

- More efficient use of raw materials and recycling of materials
- Better operating and maintenance efficiency
- Better output and process reliability and cutting costs arising from disruptions
- Lowering transfer and transportation costs of raw material and products
- Development and improvement of sales business models

Business environment, near-term outlook and guidance

Moderate growth in Building Products' market areas

Market growth forecast for Building Products
2014 / CAGR 2014-2016



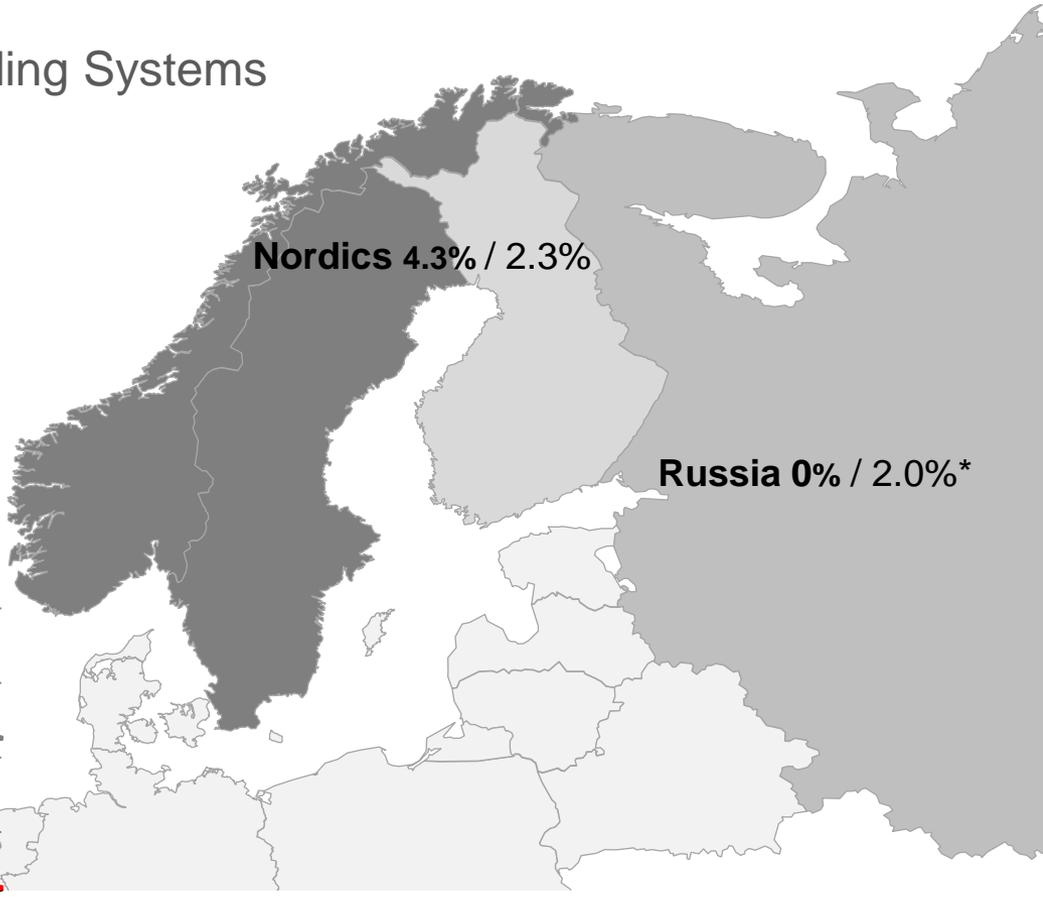
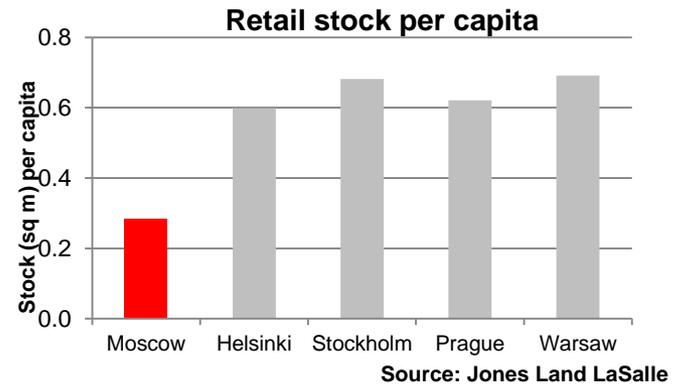
■ Growth ≥ 2.0% ■ 2% > Growth ≥ 0% □ Growth < 0%

*) The growth forecast has been adjusted to take into consideration Ruukki Building Products geographical scope and segment shares.
Source: Global Insight 12/2013 and Ruukki

Good growth expectations in Sweden and Norway

Demand remains weak in Finland, in Russia growth more uncertain than earlier

Market growth forecast for Building Systems
2014 / CAGR 2014-2016



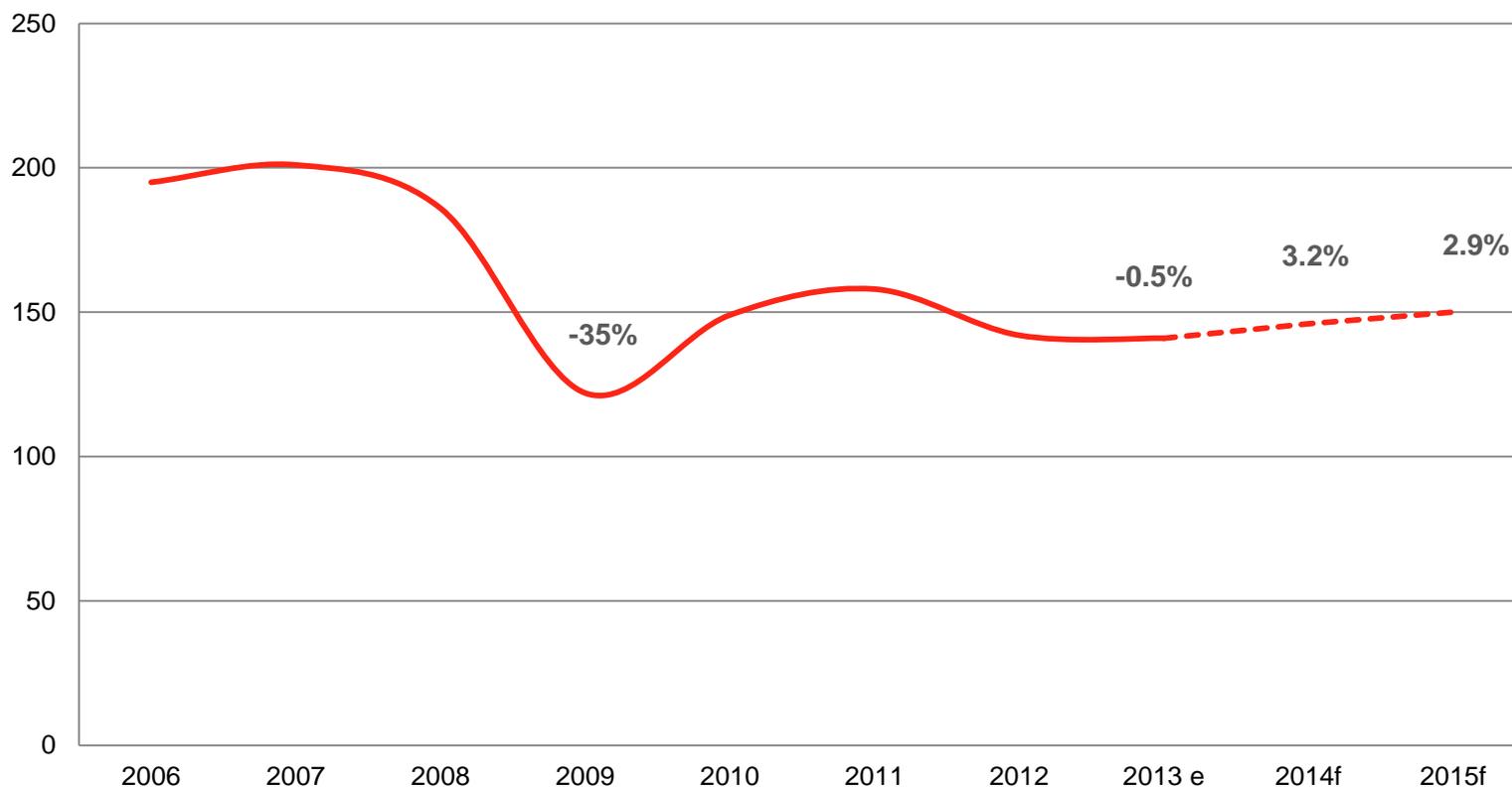
■ Growth ≥ 2.0% ■ 2% > Growth ≥ 1% ■ Growth < 0%

* The figure for Russia also includes renovation construction
Source: Global Insight 12/2013 and Ruukki

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

Apparent steel demand in Europe forecast to grow around 3% in 2014

Apparent steel use in EU (million tonnes)

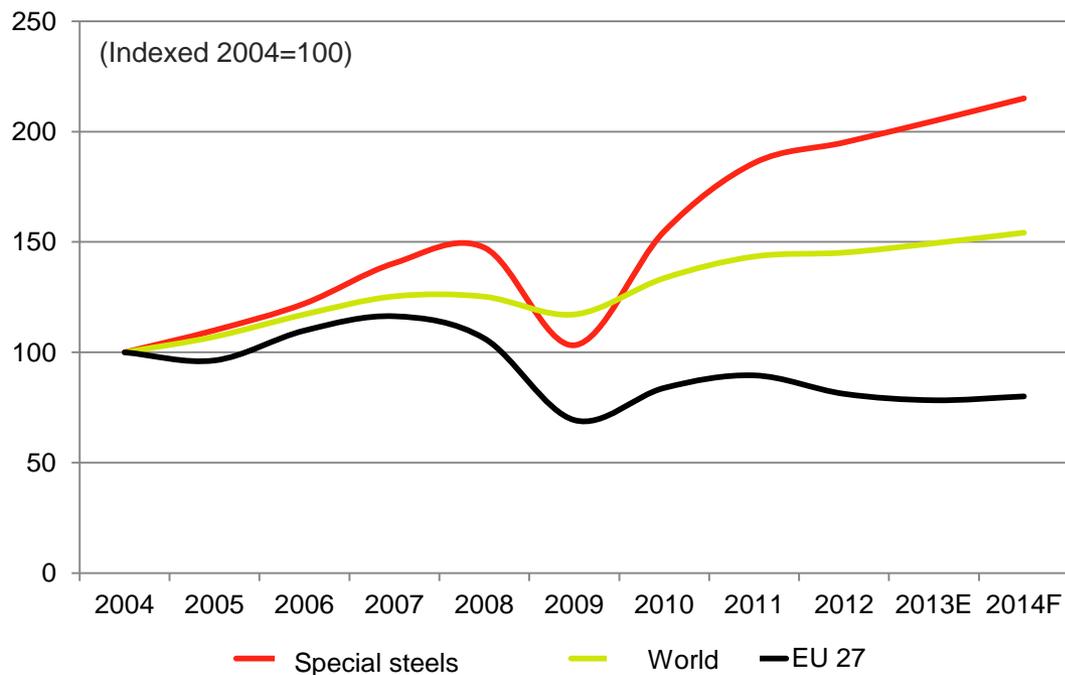


Source: Eurofer Market Outlook 1/2014, ASU =Apparent Steel Use

Market for special steels grows faster

Hot-rolled special steels are Ruukki's largest special steels product group, others are high-strength galvanised and special colour-coated products

Growth of hot-rolled special steels vs. total steel market



Global market for hot-rolled special steels
~3m tonnes in 2013

Ruukki global # 2
position in hot-rolled
special steels

Global addressable
market for Ruukki's
special steels ~15m
tonnes in 2013

Source: WSA SRO 10/2013 and Ruukki's forecast of the hot-rolled special steels market
Hot-rolled special steels include the following trademarks: Raex, Optim and Ramor.

Near-term outlook

Slight pick up in demand expected; improved cost base together with ongoing efficiency programmes bases for profitability in 2014

Ruukki Building Products



- Further decline in residential construction activity forecast in Finland
- Residential construction activity forecast to show slight growth in the other Nordic countries

- In construction, moderate growth is forecast in most of Ruukki's main market areas in 2014, albeit from a very low level

Ruukki Building Systems



- Commercial and industrial construction forecast to be at good level in Sweden and Norway
- Continued weak demand forecast for commercial and industrial construction in Finland
- Demand in Ruukki's important segments in Russia forecast to remain at same level as previous year

Ruukki Metals



- Demand growth for special steels outperforming demand for standard steels
- Good opportunities for growth in sales of special steels
- Service centre sales are forecast to pick up slightly in early part of year
- Continued uncertainty in demand from mill customers

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.



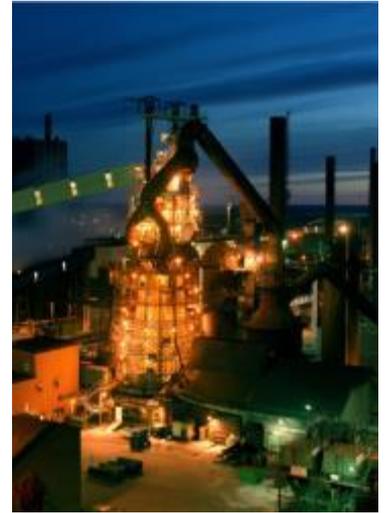
2014-01-22

Creating a more competitive steel company with global reach

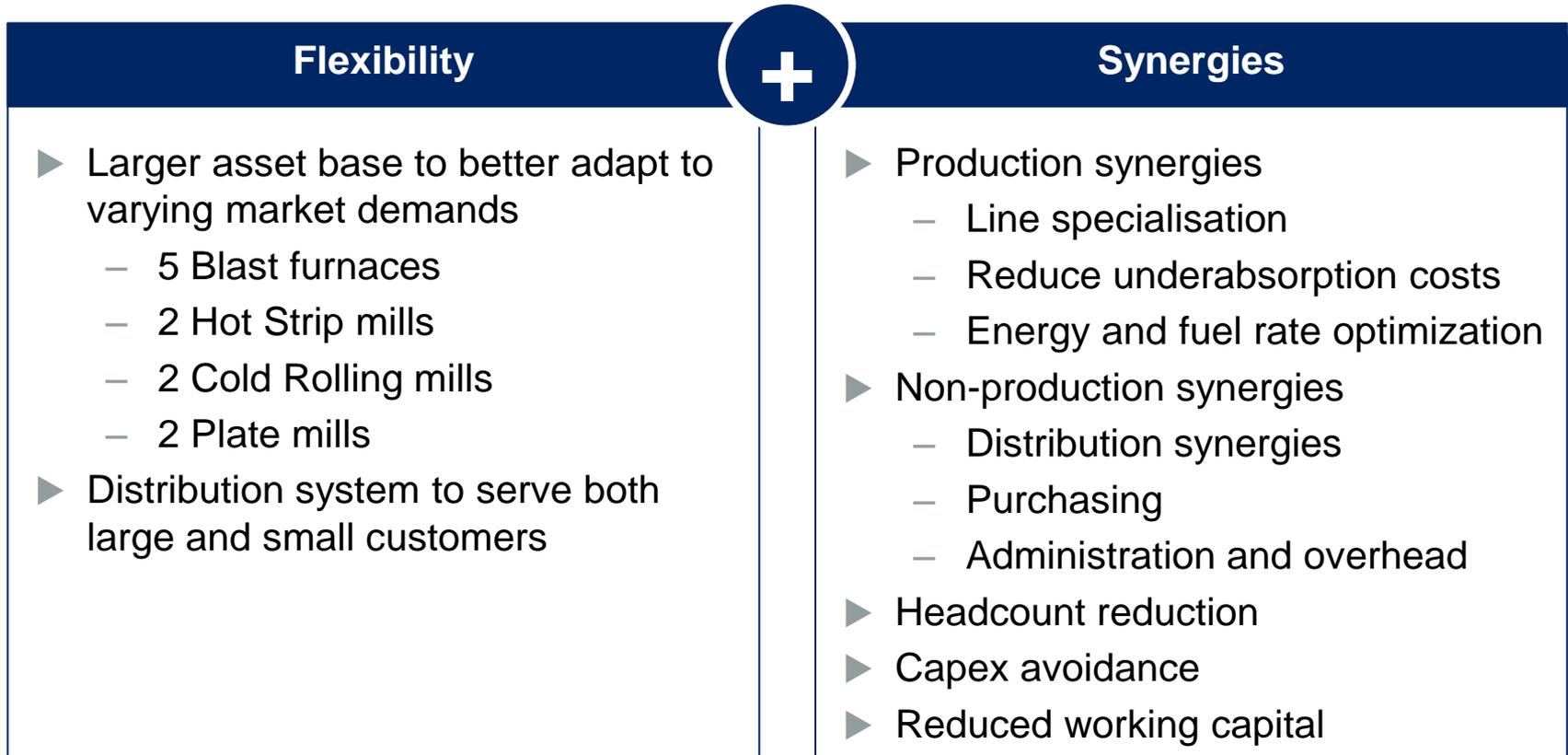
A combination with a strong industrial logic

- ▶ **Flexible and cost effective** production system to better adapt to changes in market demand
- ▶ Value creation through **tangible synergies**
- ▶ **Accelerated growth in high strength steels**, heavy plate, standard strip, and tubular products – continue the shared strategic direction of both companies
- ▶ Enhanced ability to invest in product development and R&D – **innovation leader**

A more competitive Nordic and US-based steel company

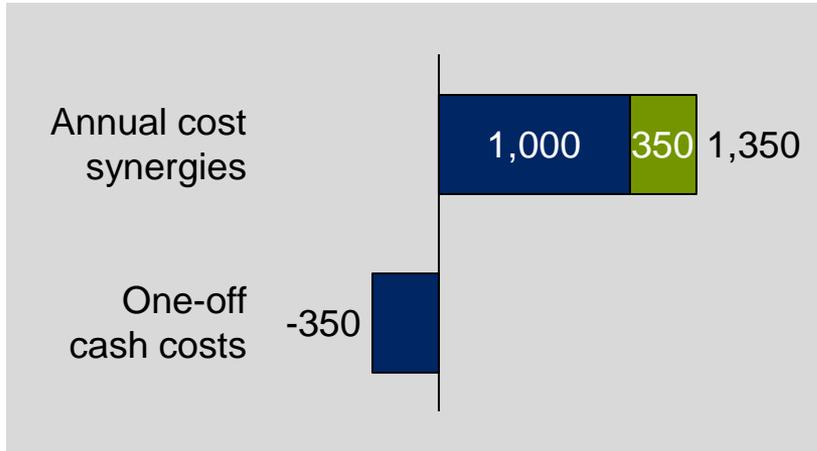


Flexibility and synergies will create a more competitive Nordic production system



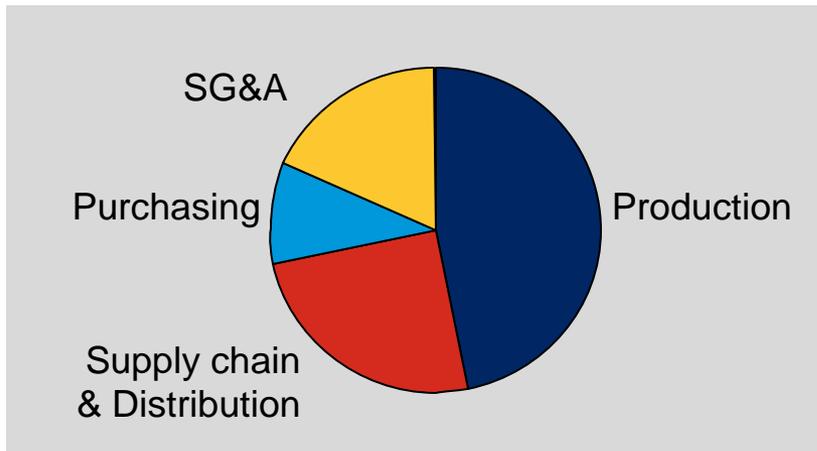
Expected annual synergies up to SEK 1.4 billion (EUR 150m) from a more efficient steel production system in the Nordic region

Summary of expected synergies, SEK million



- ▶ Annual cost synergies of up to SEK 1.4 billion (EUR 150m) are expected (SEK 2 per share post-tax in the combined company). This corresponds to ~3% of the total cost base in the combined European system
 - Estimated reduction in headcount, mainly in Sweden and in Finland, is approximately 5% of the total headcount in the combined company
 - One-off costs for achieving the synergies are expected to amount to SEK 350m (EUR 40m)

Source of expected synergies, %



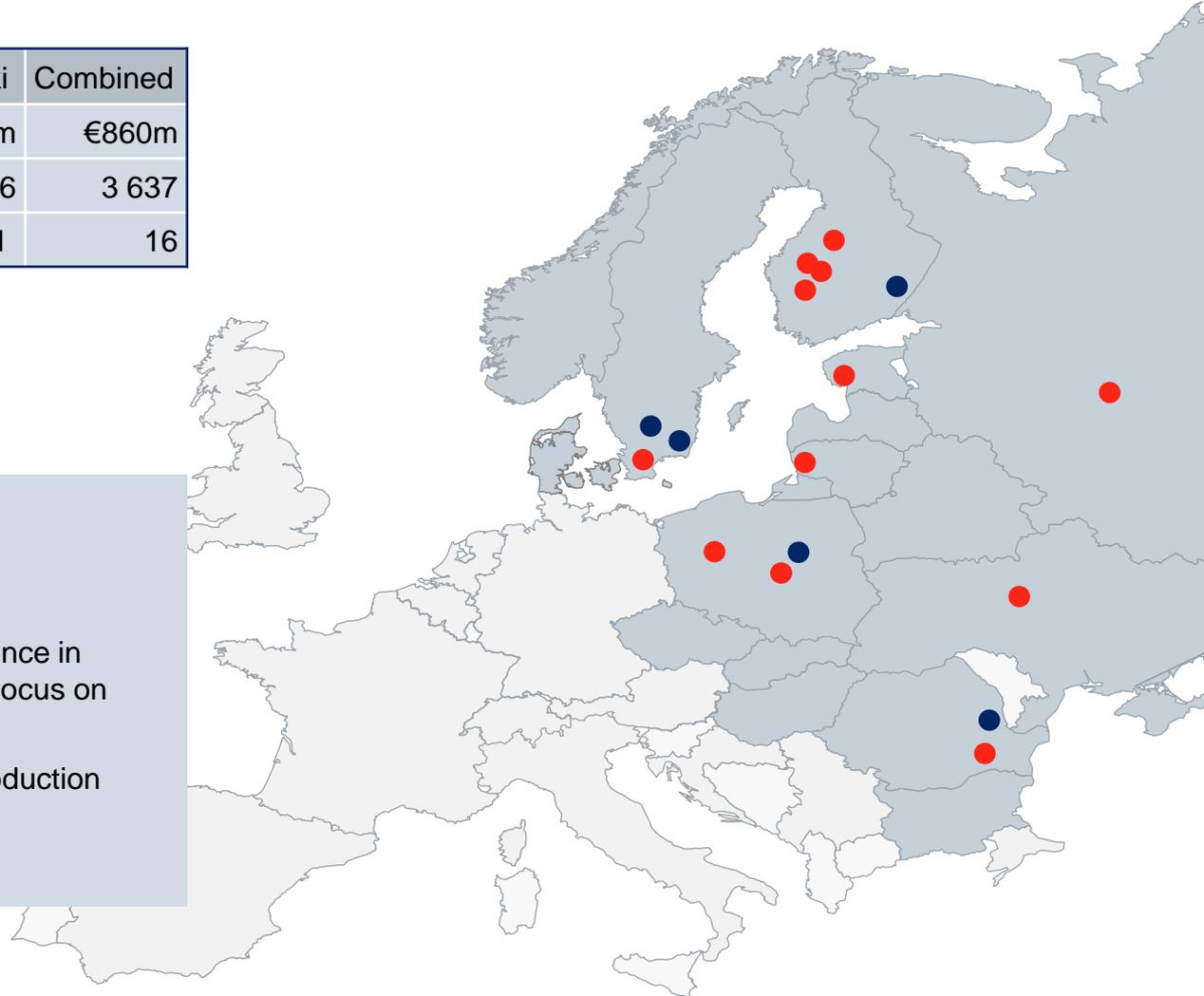
- ▶ Out of the total annual synergies, SEK 0.35 billion (EUR 40m) will be achieved in periods of low market demand
- ▶ In addition to cost synergies, there is a potential to avoid overlapping investments and to reduce net working capital
- ▶ Full synergy capture is expected within three years

Further synergy potential through construction business

	Plannja	Ruukki	Combined
Net sales	€120m	€740m	€860m
Employees	371	3 266	3 637
Manufacturing sites	5	11	16

- Plannja manufacturing
- Ruukki manufacturing

- ▶ High quality, strong brands & competences
- ▶ Complementary market presence in Nordic countries, with strong focus on residential segment
- ▶ Synergies from optimising production network and product portfolio



Strong portfolio in construction products & services

RUUKKI

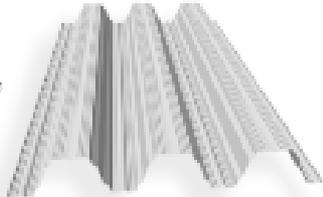
Roofing

Profiles

Panels

Foundations
and infra

Building projects



Plannja 

Creating a more competitive steel company with global reach

- ▶ Value creation to all shareholders through tangible cost synergies and improved earnings potential
- ▶ Increased flexibility, cost-effectiveness and improved capital efficiency
- ▶ Strengthened customer offering – innovation leader, broader product range and increased geographic presence
- ▶ Active move to create a more competitive steel company
- ▶ Secure long term competitiveness in an industry vital to Finland and Sweden
 - Secure an important export industry
 - Safeguard job opportunities in the long run

Together we can move faster towards the vision to create a stronger, lighter and more sustainable world





RUUKKI

LIVING. WORKING. MOVING.

RUUKKI

Notes

Key figures

		Q4/2013	Q4/2012	2013	2012
Net sales *)	€m	590	634	2 404	2 597
Operating profit *)	€m	8	-34	39	-50
as % of net sales *)		1.3	-5.3	1.6	-1.9
Result before income taxes *)	€m	-3	-42	-1	-88
Result for the period	€m	-10	-57	-14	-117
Earnings per share, diluted	€	-0.07	-0.41	-0.10	-0.85
Return on capital employed	%			1.8	-4.9
Gearing ratio	%			68.5	71.2
Gross capex **)	€m			90	97
Net cash from operating activities	€m	80	79	184	172
Net cash before financing activities	€m	60	56	101	78
Personnel (average)		8 638	10 468	8 955	11 214

*) Comparable

**) In tangible and intangible assets

Quarterly comparable net sales, operating profit and deliveries

Comparable net sales*)												
(€m)	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
Ruukki Building Products	110	130	112	78	112	133	125	83	123	139	120	75
Ruukki Building Systems	73	76	76	68	69	75	74	70	79	80	81	60
Ruukki Metals	407	389	439	443	452	419	490	498	466	414	484	498
Other	0	-3	5	1	2	-3	-2	0	0	0	0	0
Comparable net sales, total	590	592	633	589	634	624	688	651	669	633	685	633

Comparable operating profit*)												
(€m)	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
Ruukki Building Products	10	16	10	-1	6	12	8	-4	2	16	10	-3
Ruukki Building Systems	-2	1	-2	-7	-7	-4	-4	-7	-8	-4	-6	-10
Ruukki Metals	6	-3	8	16	-31	-16	13	3	-23	-5	77	46
Other	-6	-4	0	-4	-2	-7	-7	-4	-3	-3	-6	-3
Comparable operating profit, total	8	10	17	4	-34	-15	10	-11	-31	4	75	30

*) 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)	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
Deliveries	466	415	451	481	466	389	448	507	455	364	415	487