



Interim report H1/2012

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Rautaruukki Corporation

19 July 2012

Overview of Q2/2012

All business areas reported improved earnings

- Uncertainty caused by the European sovereign debt crisis continued and confidence in economic growth remained weak
- Of Ruukki's main market areas, Poland and Russia showed good development, steady development in the Nordic countries
- Customer's order behaviour reflects caution and shorter delivery times
- Growth in construction order intake and sales of roofing products were positive notes
- Lower deliveries quarter on quarter in the steel business was a negative note
- The total target of efficiency projects was raised from €70 million to €100 million

Key figures

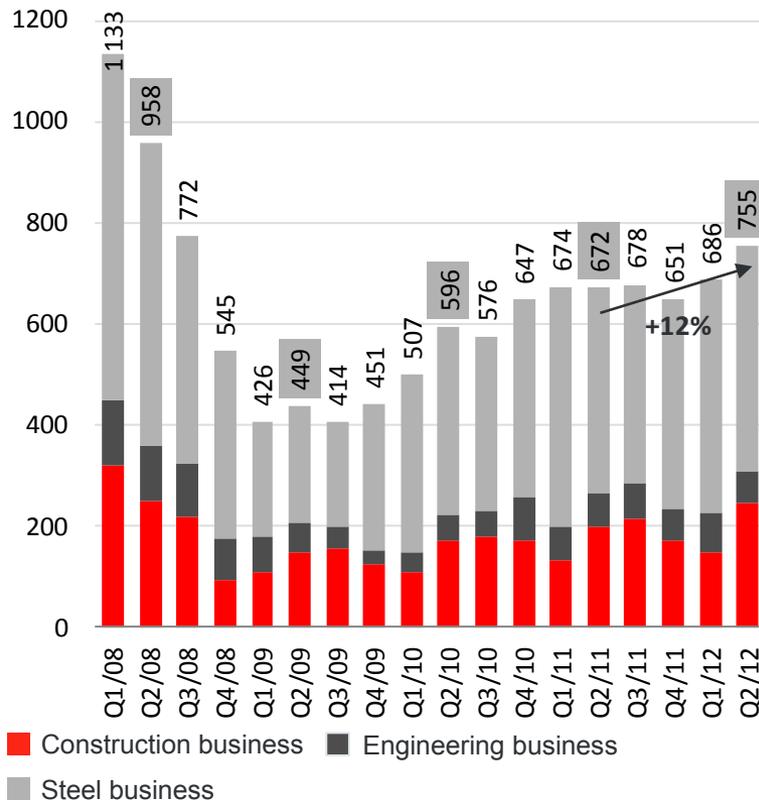
- Key figures for Q2:
 - Order intake up 12% y-o-y at €755 million
 - Construction order intake up 24% y-o-y
 - Comparable net sales up 1% y-o-y at €740 million
 - Comparable operating profit €8 million
- Cumulative cash flow before capex €49 million
 - €20m released from working capital during H1
- Gearing ratio 72% at the end of June

Financial performance

Order intake up 12%

Up 10% quarter-on-quarter

Quarterly order intake (€m)

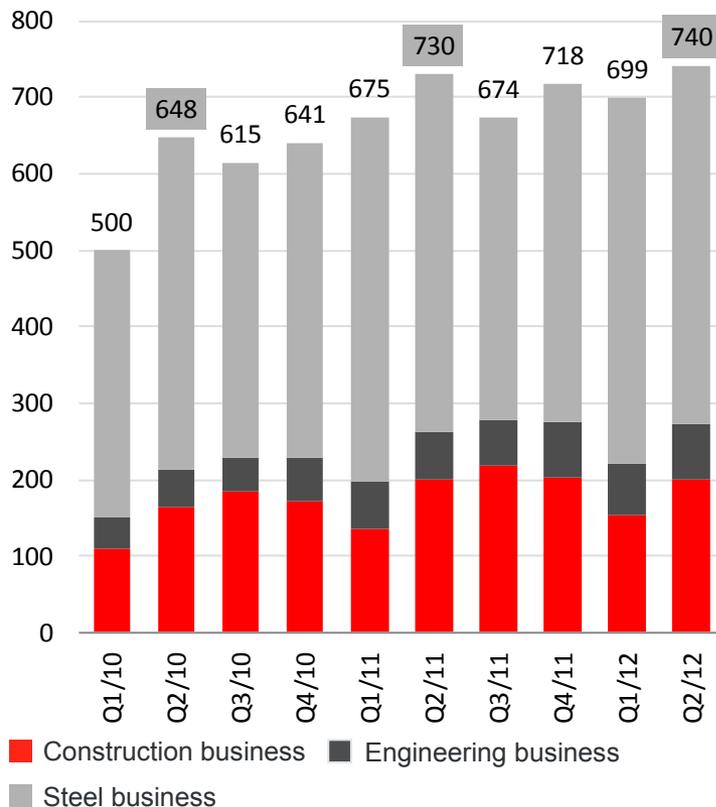


Year on year

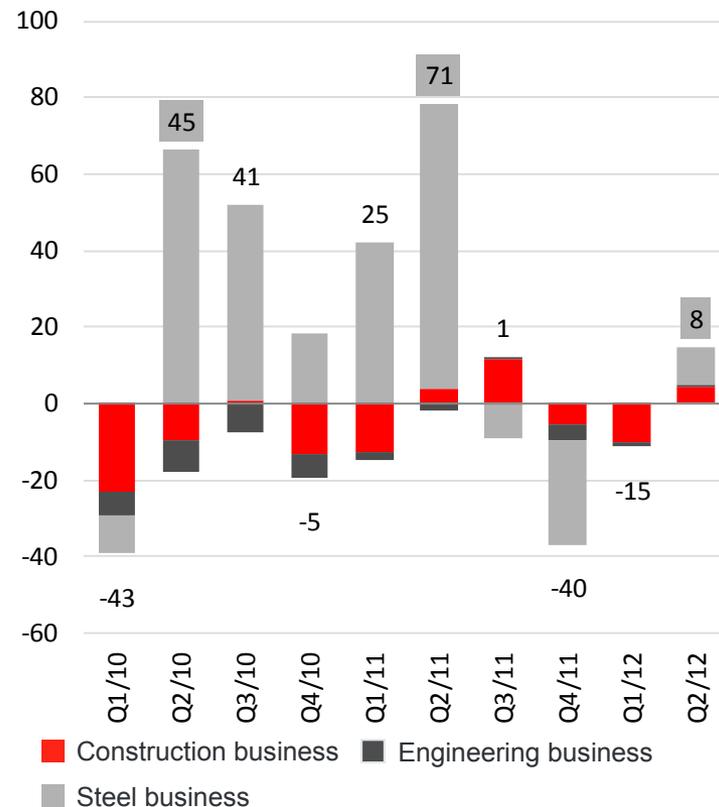
- Good order flow
 - Construction business up 24%
 - Steel business up 10%
- Order intake in engineering business down 10%

Net sales up 2%, profitability in steel business below previous year

Quarterly net sales (€m) *)



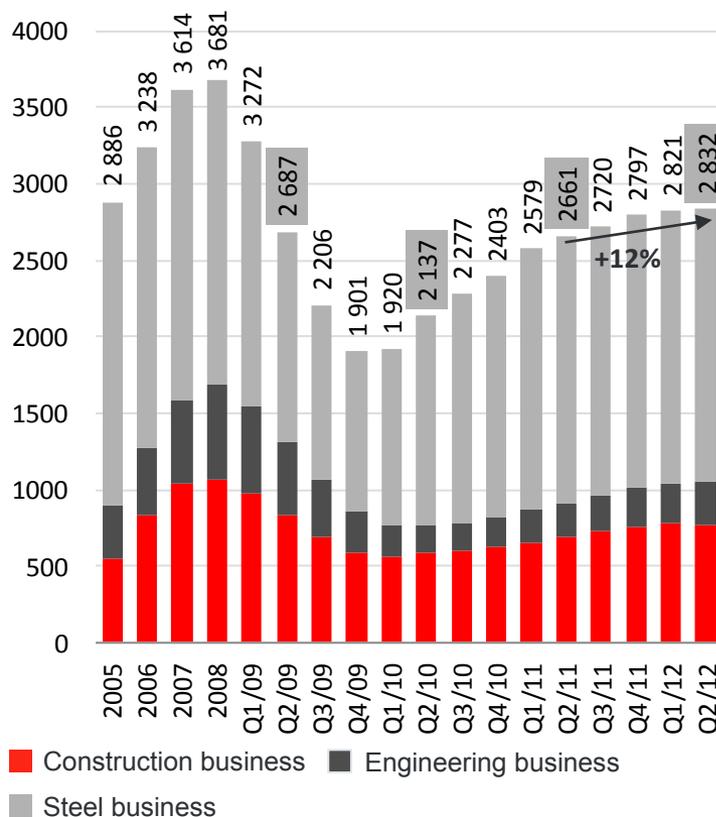
Quarterly operating profit (€m) *)



*) Comparable

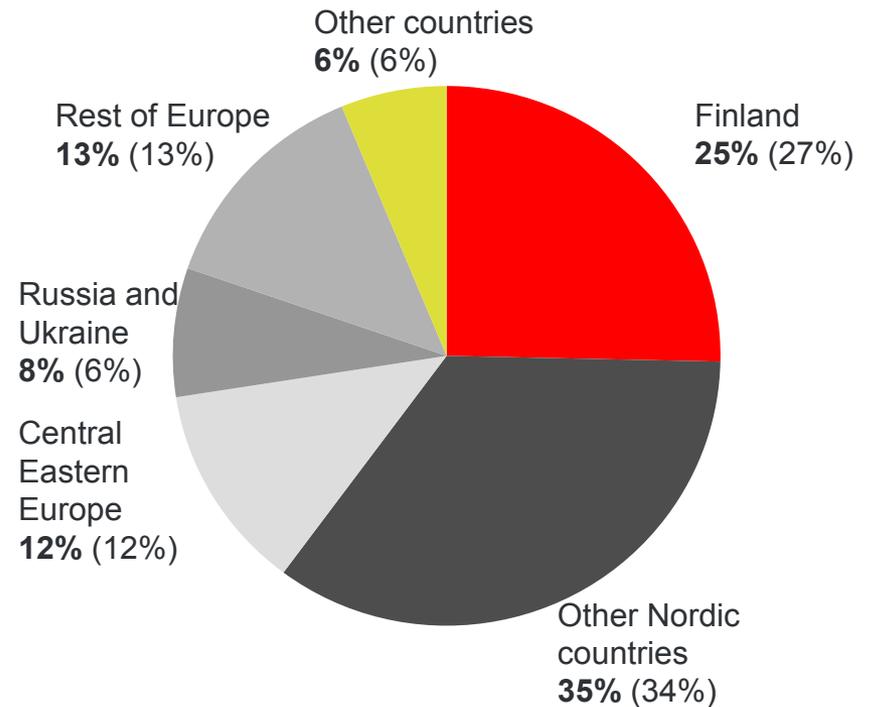
Growth in Nordic countries, Russia and Ukraine

Net sales by business area, rolling 12 months, €m *)



Net sales by market area 1-6/12 (1-6/11) *)

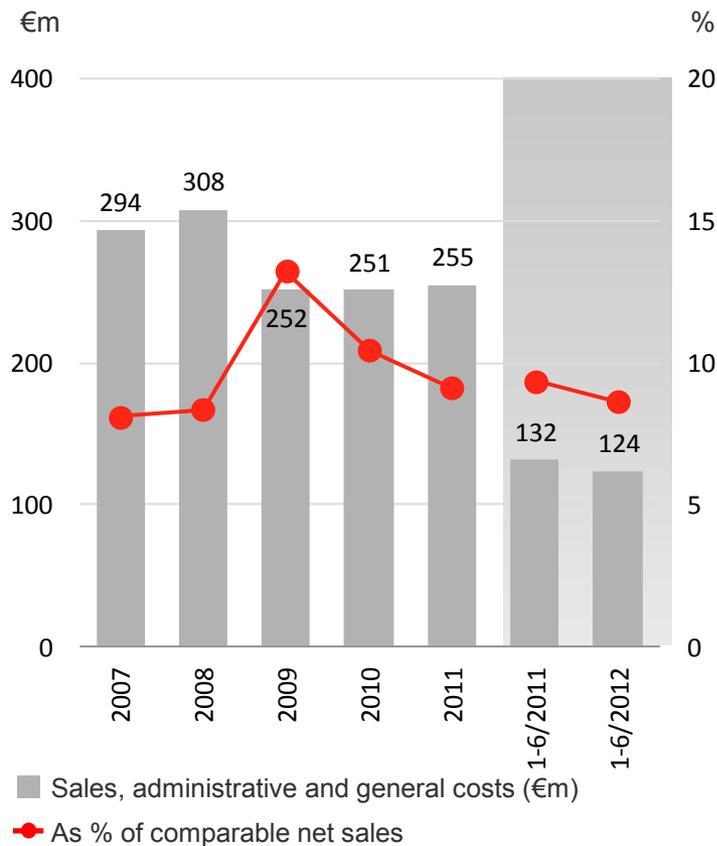
100% = €1440m (€1405m)



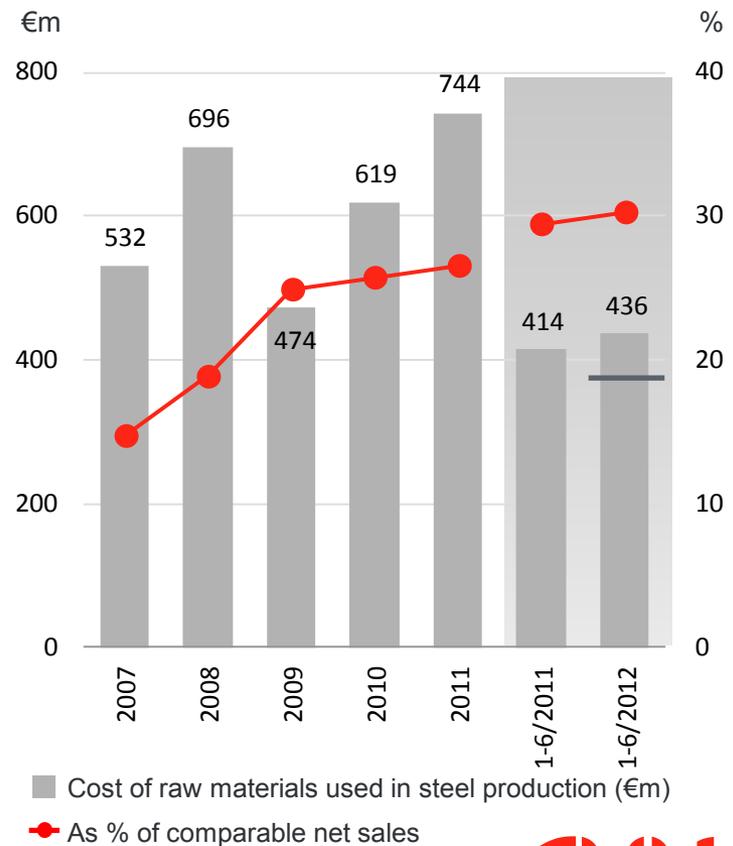
*) Comparable

Raw material costs still rising, SGA costs well under control

Development of consolidated SGA costs



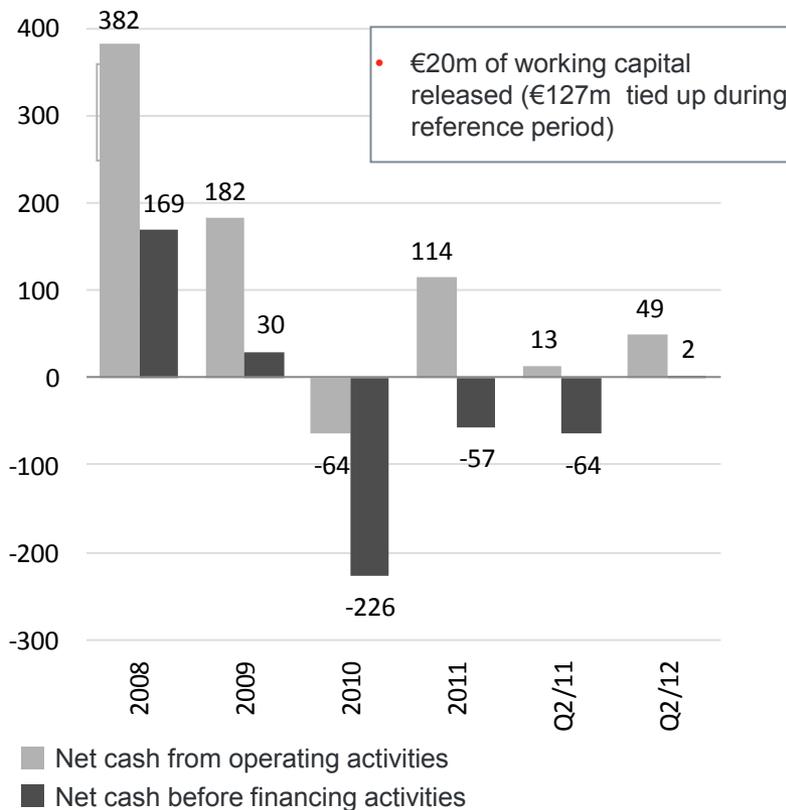
Development of steel raw materials costs



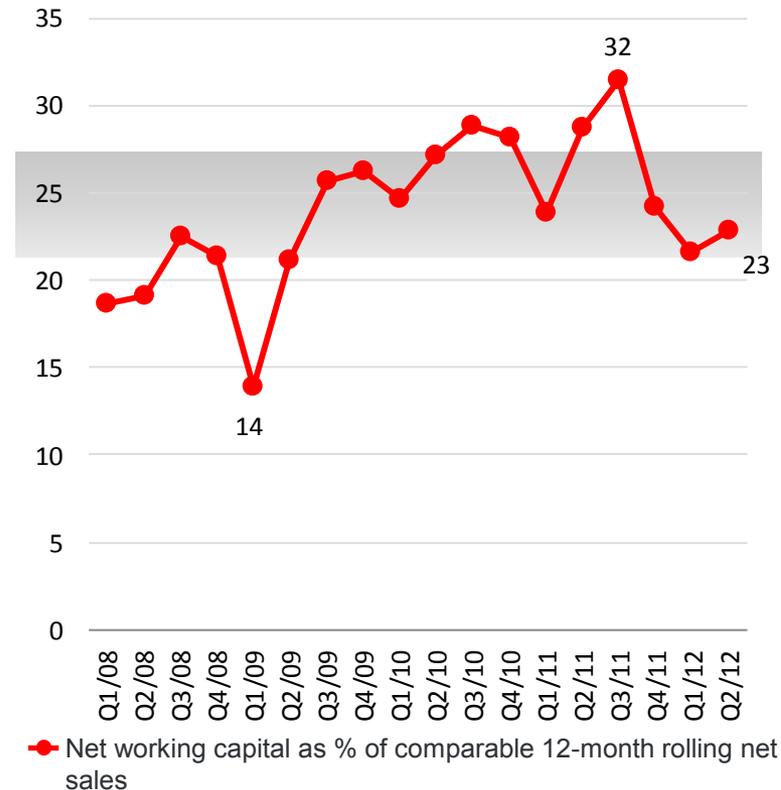
Cumulative cash flow €49 million

Successful working capital management

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

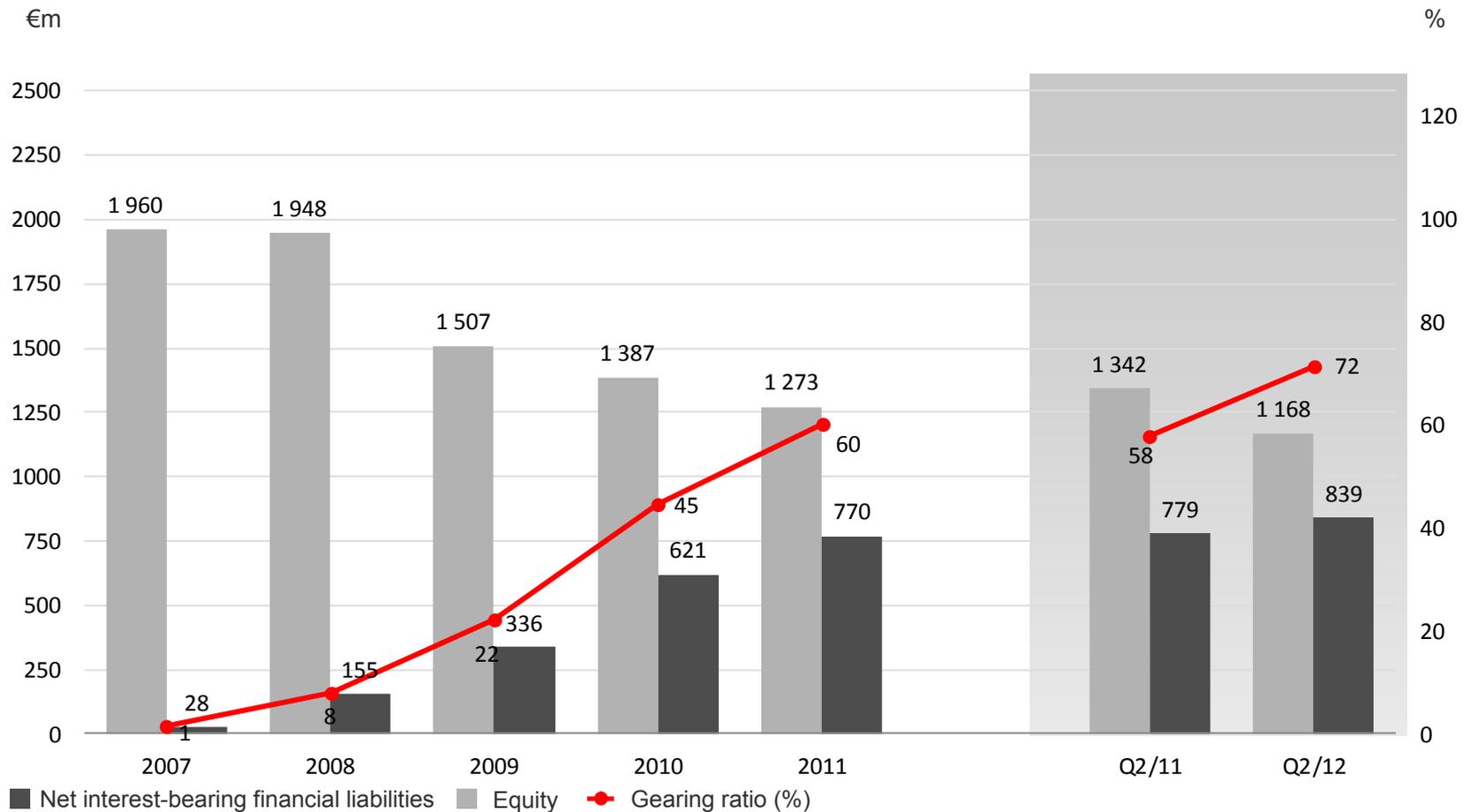


Net working capital as % of comparable 12-month rolling net sales



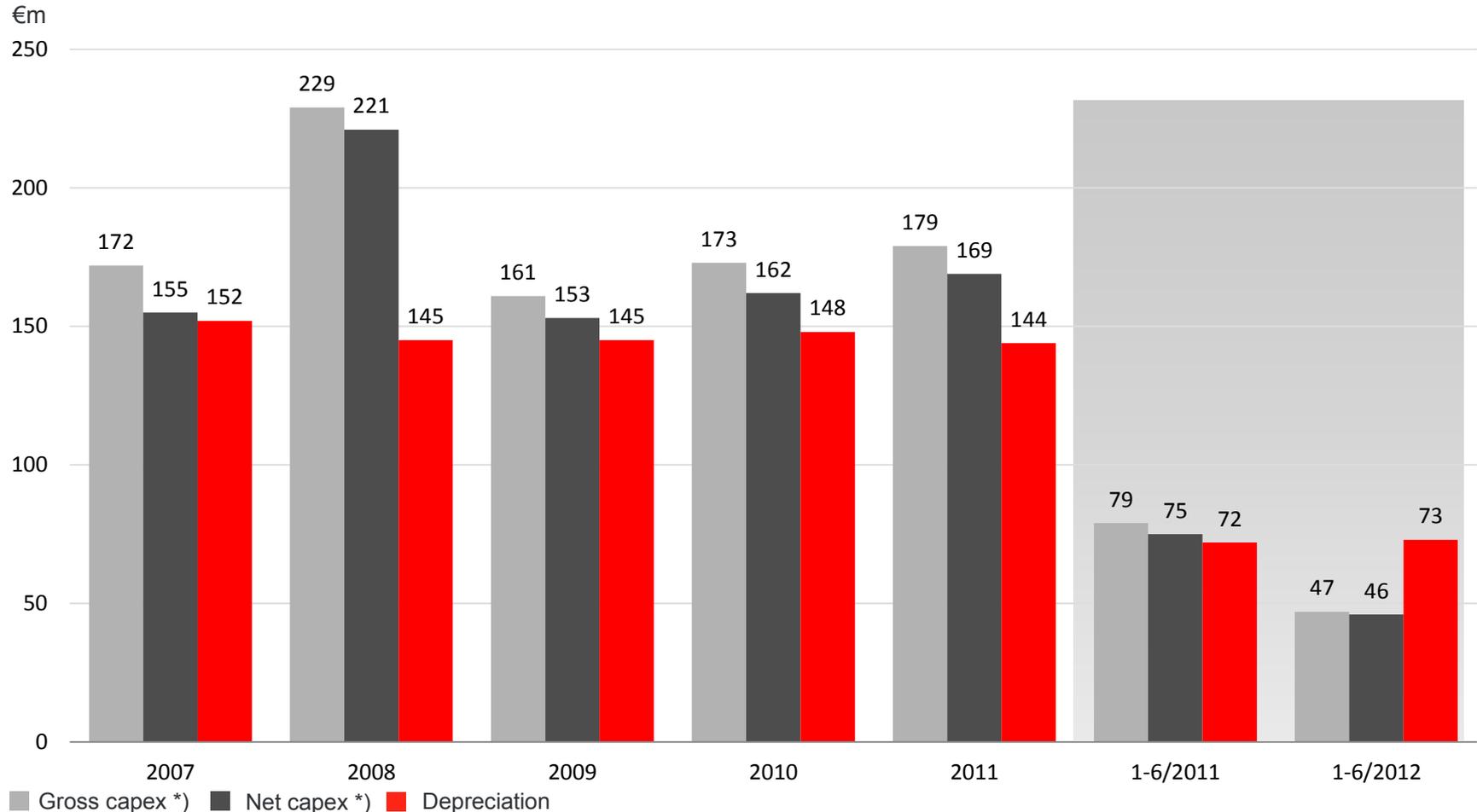
Gearing ratio 72%

Focus on improved earnings and cash flow



Capex below depreciation at €100m a year from 2012 onwards

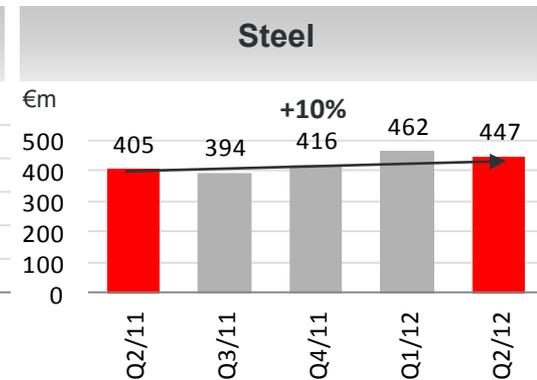
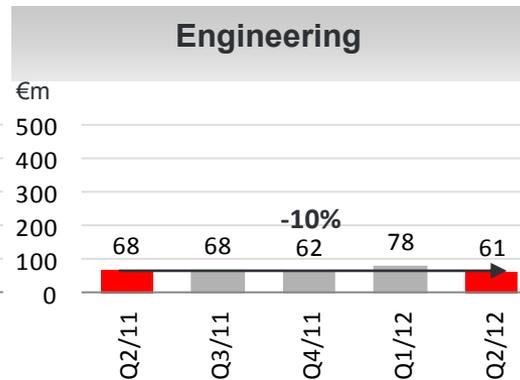
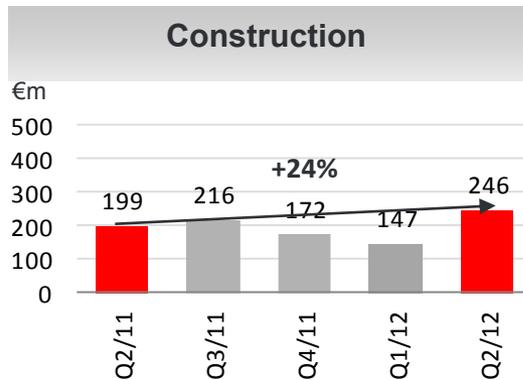
Blast furnace modernisations now completed



*) In tangible and intangible assets

Business areas

Order intake up 12% year-on-year



- + **Residential construction** in almost all market areas, especially in Finland and Poland
- + **Commercial and industrial construction** in almost all market areas
 - Clear improvement y-o-y in cost competitiveness and margins of project business
- **Infrastructure construction** slight decrease in orders for piles used in foundations

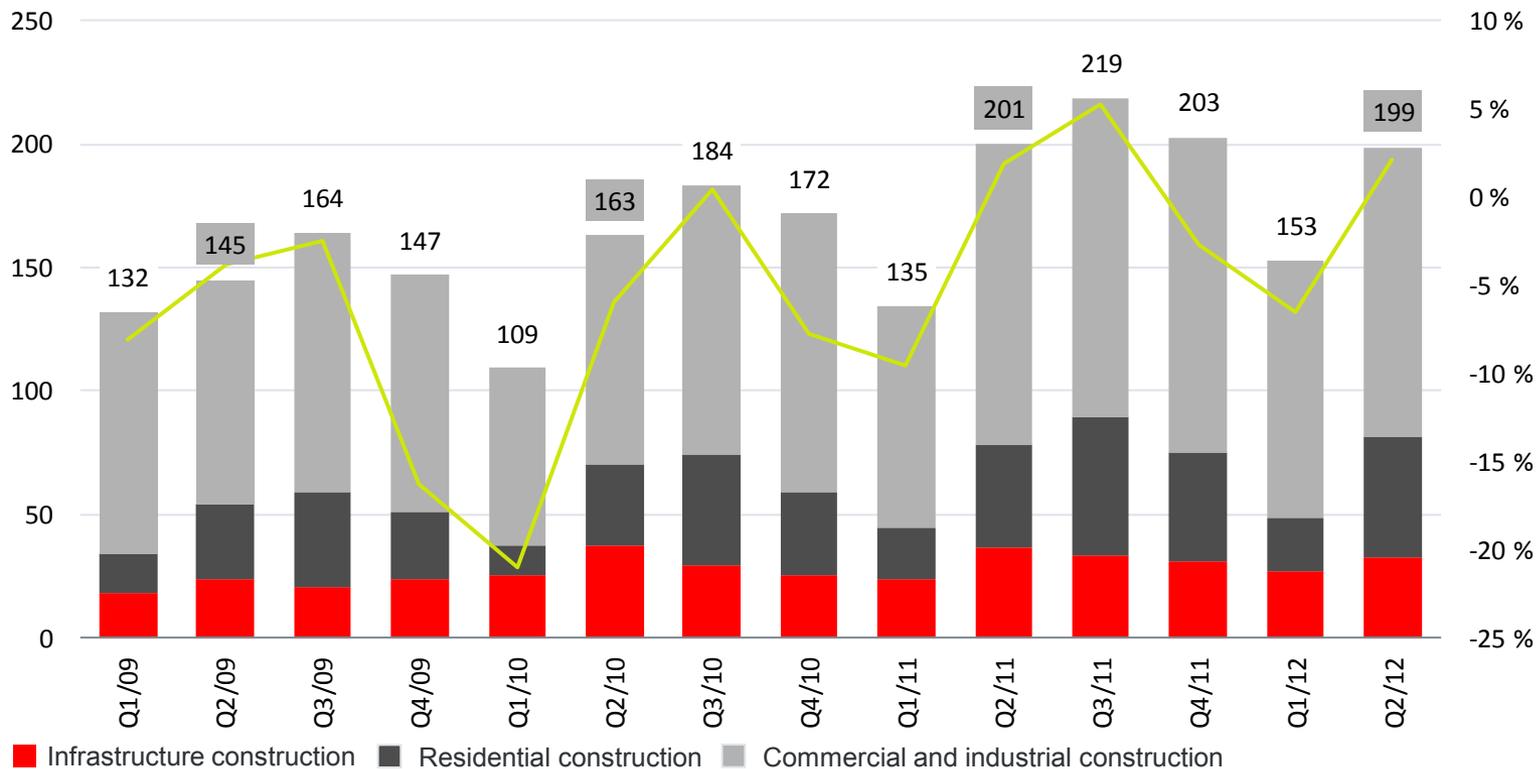
- + **Best development in orders from mining industry equipment manufacturers**
- + **New customers** for Hungarian and Polish units
- **Orders from materials handling equipment manufacturers** down year on year

- + **Service centre orders** remained at a good level
- + **Prices for orders received** rose slightly in April-May compared to March, but dipped slightly during June
- Differences in order activity between steel grades, e.g. **demand for galvanised steel weakened** during the quarter

Construction business:

Growth in residential roofing products, where focus was on own distribution

Net sales by product group (€m) and operating profit % *)

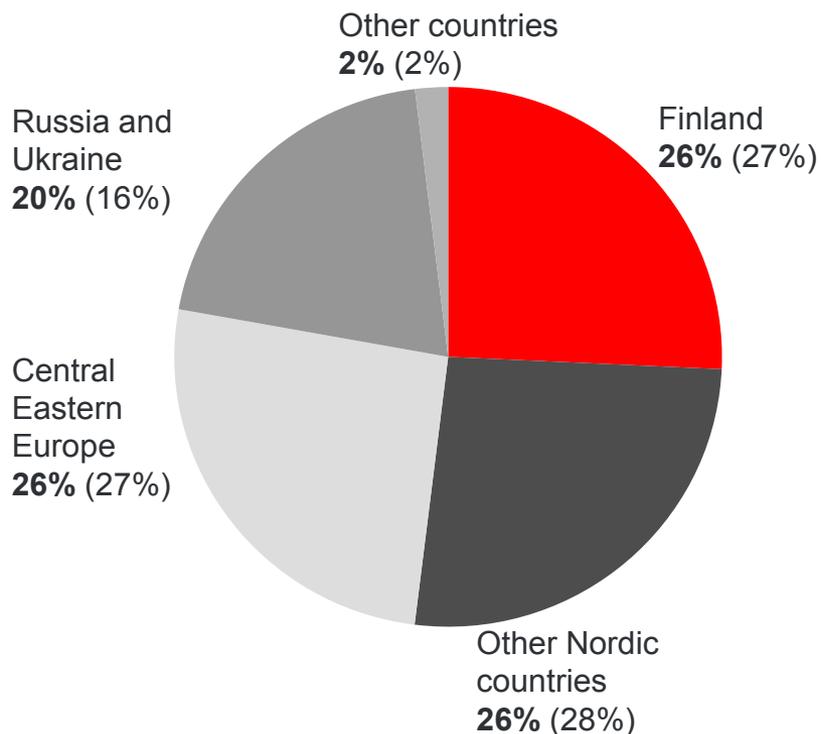


Operating profit, %

*) Comparable

Construction business: Strongest growth in Russia and Ukraine

Net sales by market area
1-6/12 (1-6/11) *)



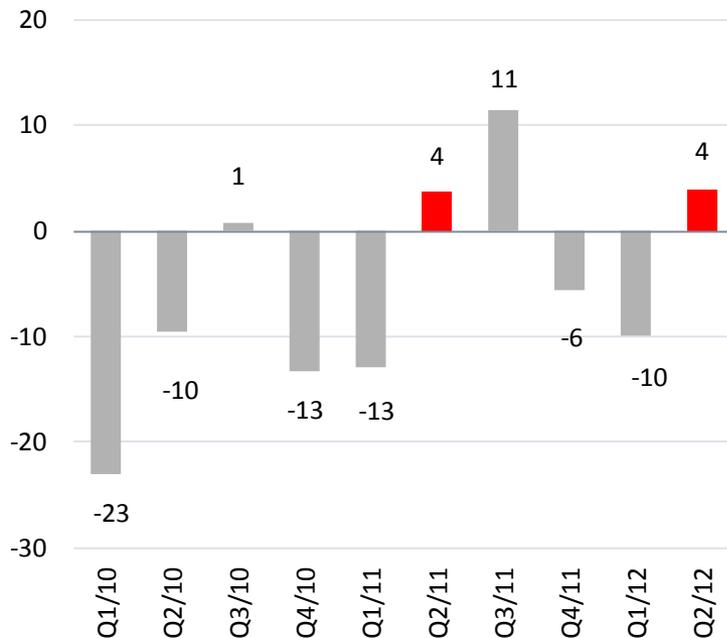
Net sales development(1-6/2012) *)

Change compared to previous year

- + Russia and Ukraine +31%
- + Central Eastern Europe +2%
- Finland -2%
- Other countries -2%

Construction business: Operating profit at last year's level

Operating profit (€m) *)



Operating profit development *)

Compared to previous year

- Operating profit at last year's level

Compared to previous quarter

+ Operating profit improved quarter on quarter mainly due to improved capacity utilisation

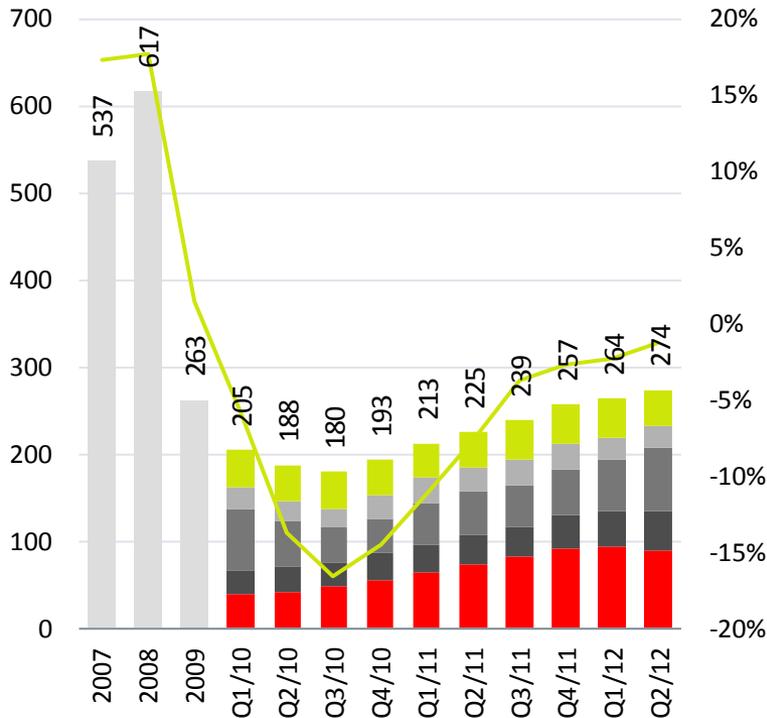
- Cost competitiveness in the project business has improved and margin levels on new orders were clearly higher y-o-y
- Efficiency project: actions worth €20m have been identified and are expected to result in earnings improvement of €9m by the end of 2012

*) Comparable

Engineering business:

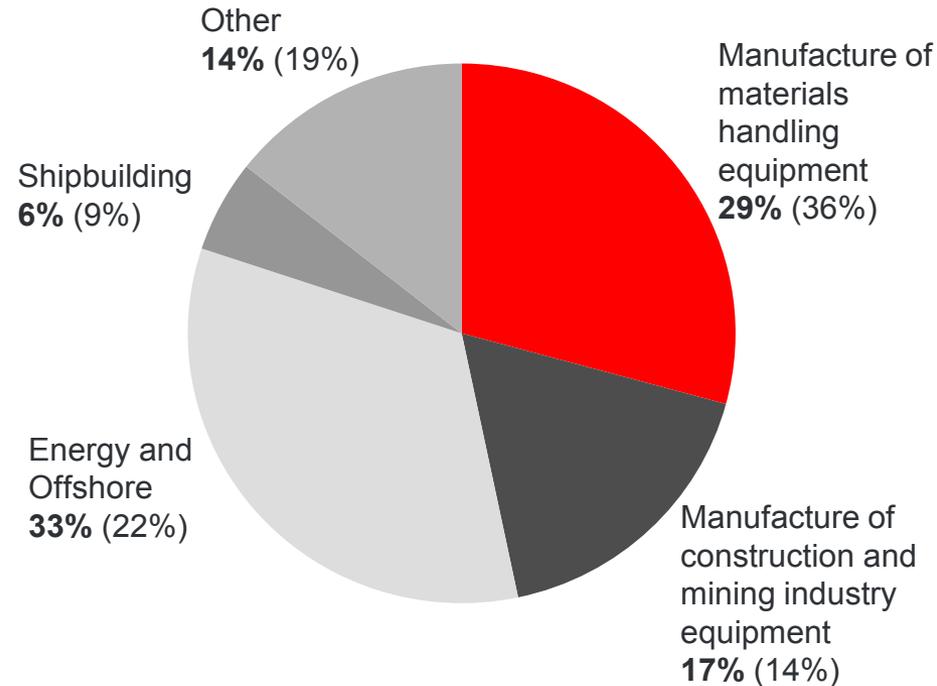
Manufacturers in the construction, mining and offshore industries emphasised in deliveries

Net sales by customer segment (€m) and operating profit %, rolling 12 months *)



- Manufacture of materials handling equipment
- Manufacture of construction and mining industry equipment
- Energy and Offshore
- Shipbuilding
- Other
- Operating profit %

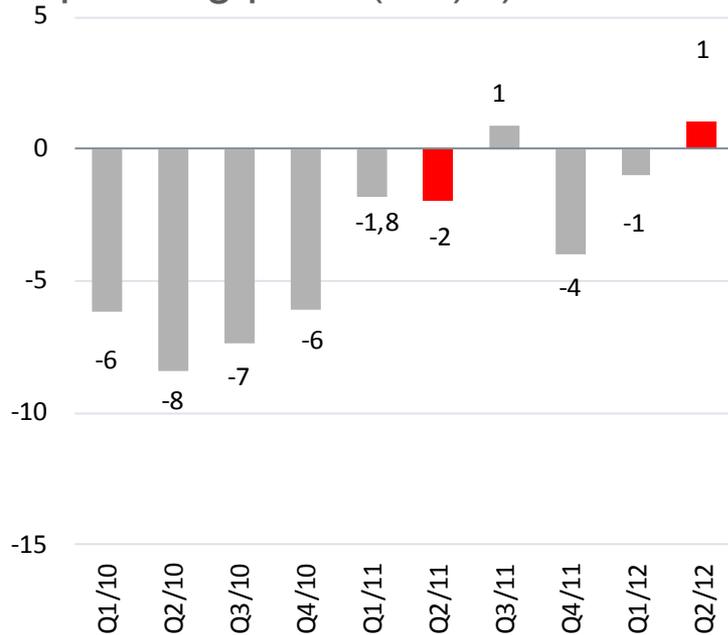
Net sales by customer segment 1-6/12 (1-6/11) *)



Engineering business:

Operating profit improved y-o-y

Operating profit (€m) *)



Operating profit development

Compared to previous year

- + Operating profit improved y-o-y and was back in the black
- Improvement in operating profit was modest compared to volume growth
 - offshore project delivery

Compared to previous quarter

- + Small improvement as a result of higher delivery volumes and improved cabin production utilisation rate

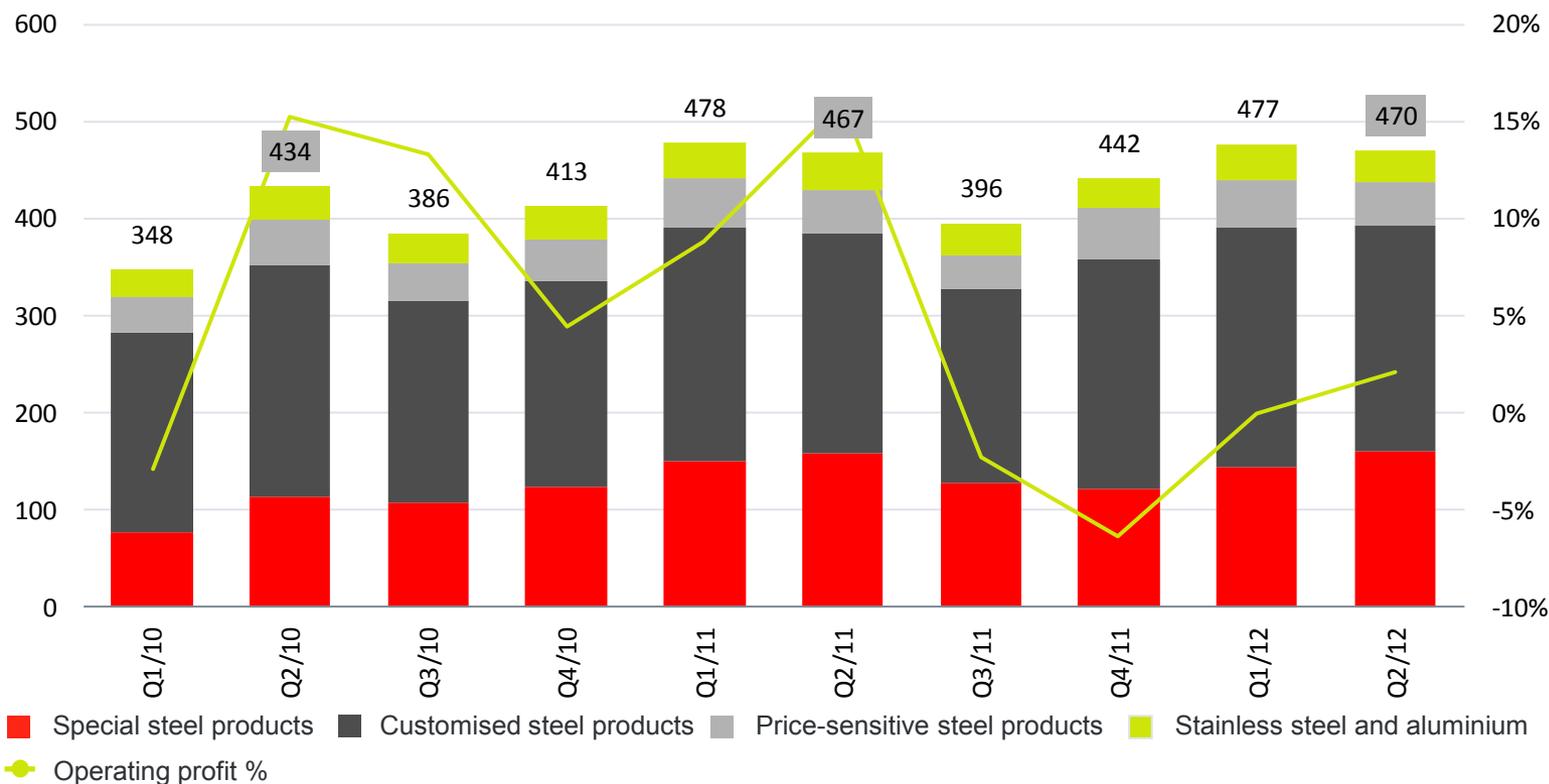
- Cabin and component manufacture in Shanghai to be gradually closed down by end-2012. Non-recurring costs of €6m in respect of this were booked in Q2.

*) Comparable

Steel business:

Special steel products 34% of net sales, average capacity utilisation rate around 84%

Net sales by product group (€m) and operating profit % *)



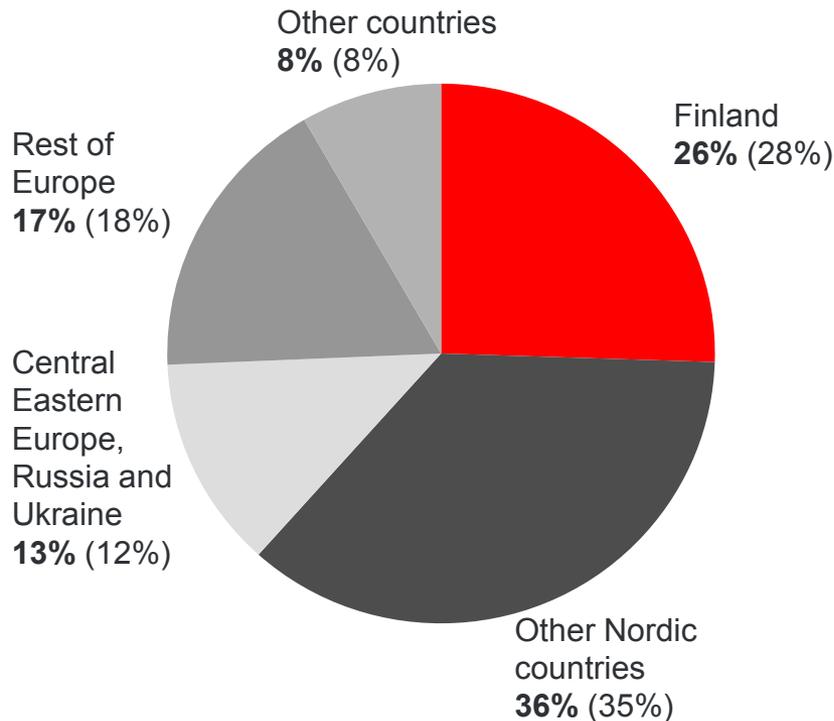
*) Comparable

Steel business:

Growth in deliveries to Central Eastern Europe, Russia and Ukraine

Net sales by market area

1-6/12 (1-6/11) *)



Net sales development

Change compared to previous year (1-6/12)

- + Central Eastern Europe, Russia and Ukraine +8%
- + Other Nordic countries +7%
- Finland - 7%

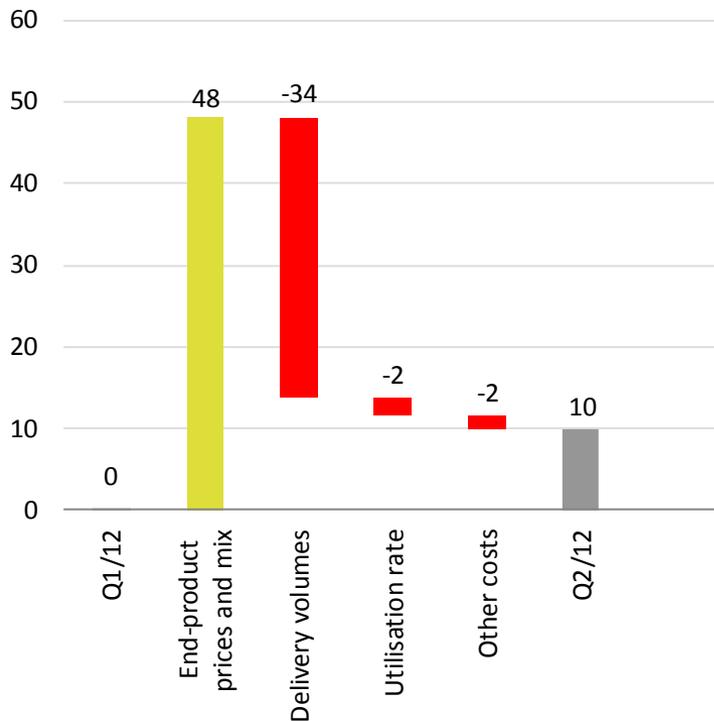
Change compared to previous quarter

- + Finland +8%
- + Central Eastern Europe, Russia and Ukraine +10%
- + Other countries +27%
- Other Nordic countries -9%
- Rest of Europe -17%

*) Comparable
19 July 2012

Operating profit bridge of steel business q-o-q

Operating profit (€m) Q1/12 vs. Q2/12 *)



- Comparable operating profit in the steel business rose €10 million q-o-q
 - Impact of end-product prices and mix +€48 million
 - Impact of decreased delivery volumes -€34 million
 - Impact of lower utilisation rate -€2 million
 - Impact of other costs -€2 million

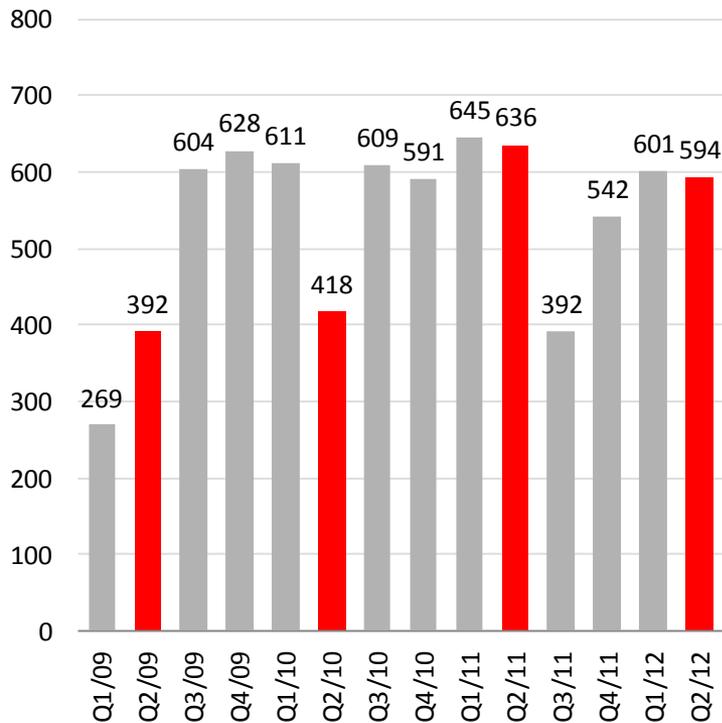
- Delivery volumes decreased quarter on quarter because of two fires at the Raahe Works, April bank holidays and exceptional first-quarter sales of slabs.

*) Comparable
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Capacity utilisation rate in steel production around 84% during second quarter

Quarterly steel production

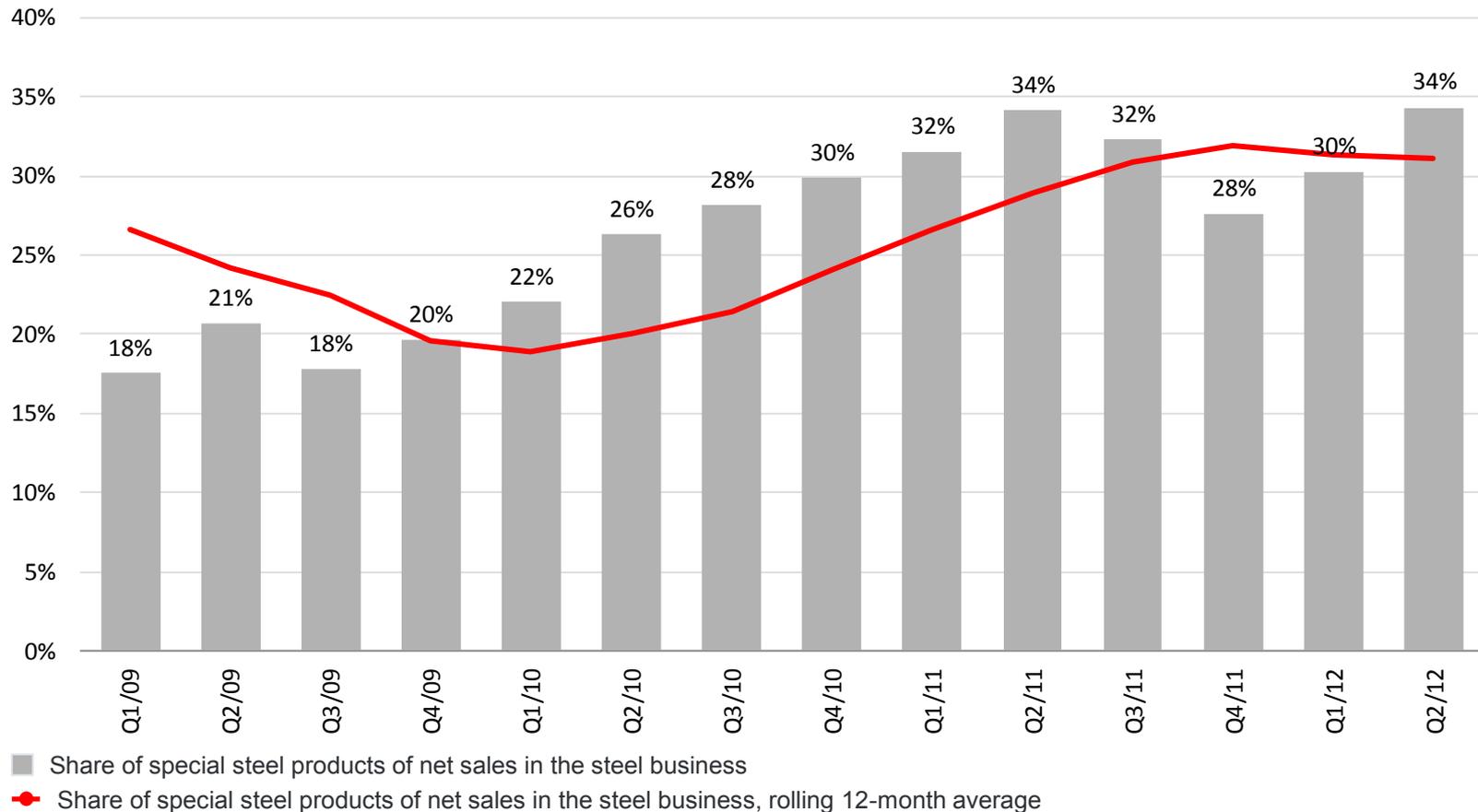
1000 tonnes



- Steel production in April-June was 594 thousand tonnes, 7% less y-o-y
- Capacity utilisation rate in steel production in April-June was around 84%
- Fires at the Raahe Works had an adverse impact on steel production

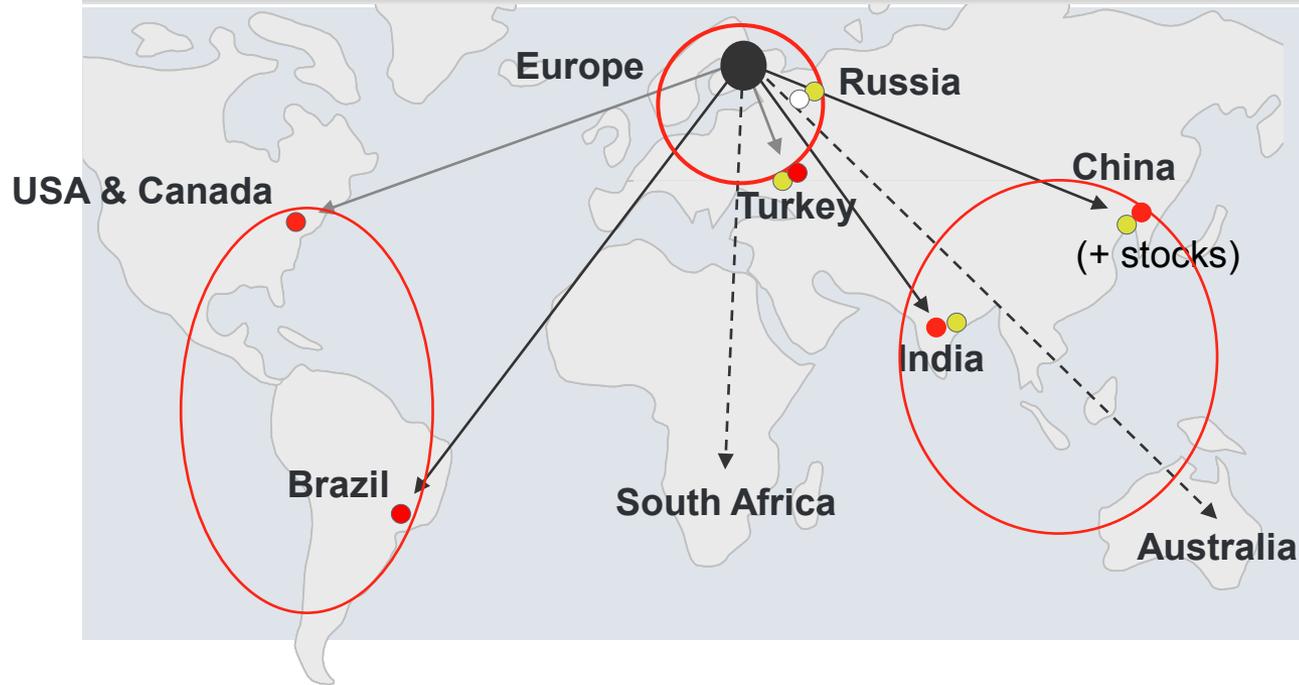
Share of special steel products in the steel business

as % of Ruukki Metals' net sales



New sales regions established, Asia Pacific and the Americas

International special steel distribution network



● Sales ● Distribution centre ○ Service centre

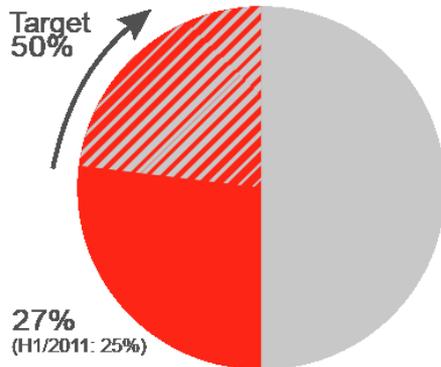


Business environment and near-term outlook

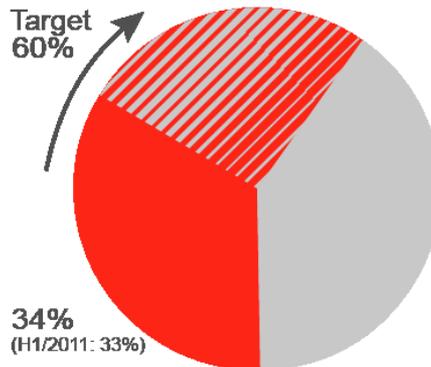
Targets for the current strategic period

Achievement of #1 or #2 or otherwise strong market position in chosen segments

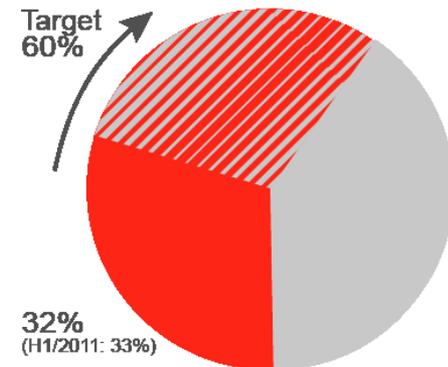
Share of emerging markets of consolidated net sales in H1/2012



Share of the solutions businesses of consolidated net sales in H1/2012



Share of special steel products of steel business in H1/2012



Key actions in 2012

- Expansion of sales channels for special steels in the Americas, India and Australia
- Steel service centre in China
- Growing market shares and expansion of own distribution channels for roofing products
- Focus on growth especially in Russia and Poland
- Launches of energy-efficient products

Moderate growth forecast for 2012

Industrial production and fixed investment forecasts for 2012 (6/2012)

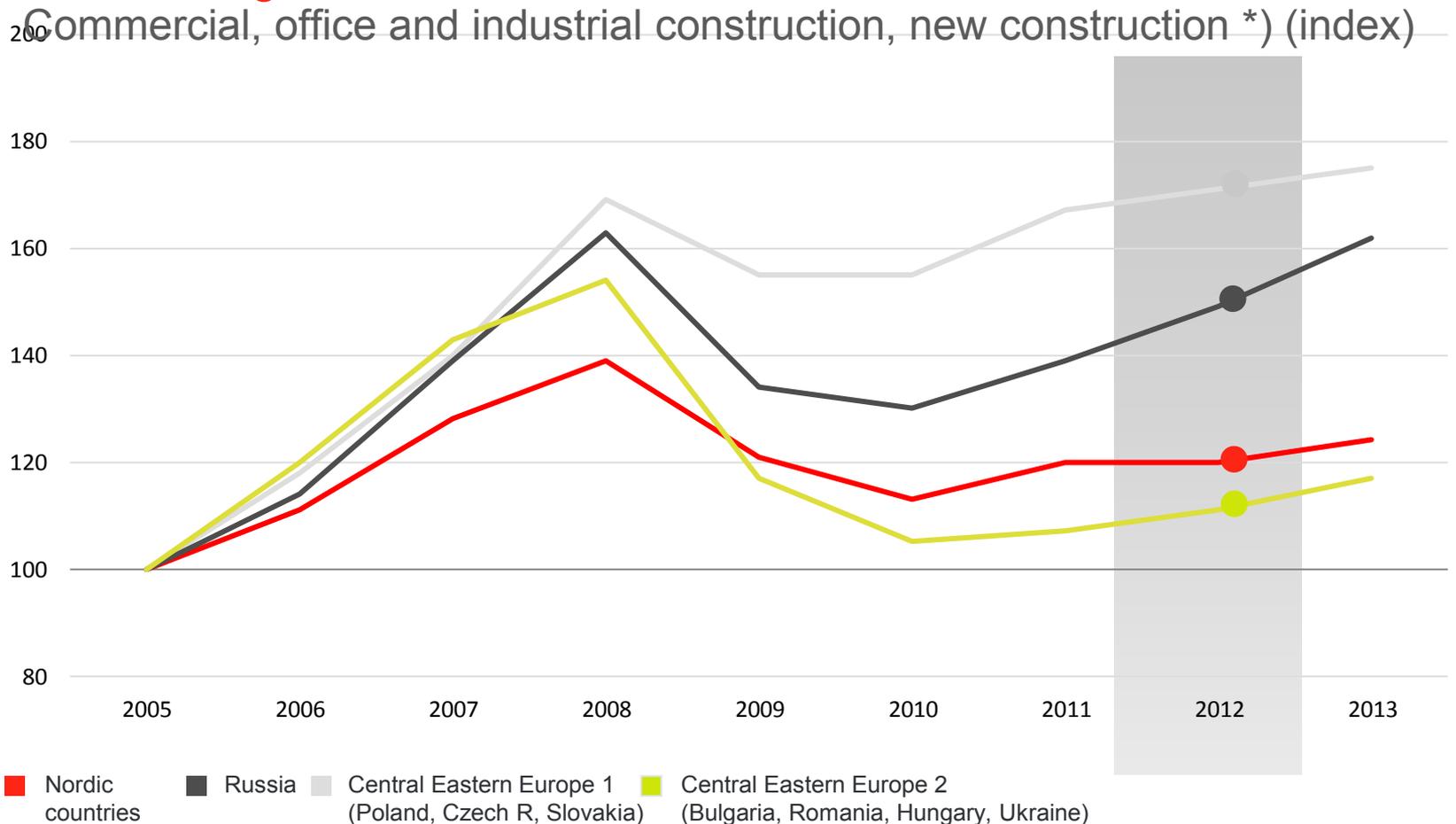
	Industrial production % change since 2011	Change from May 2012 forecast *)	Fixed investment % change since 2011	Change from May 2012 forecast *)		Industrial production % change since 2011	Change from May 2012 forecast *)	Fixed investment % change since 2011	Change from May 2012 forecast *)
Finland	-1.5	-1.2	-1.4	-0.2	Slovakia	6.2	+1.8	1.0	-0.6
Germany	0.6	-0.4	1.4	-1.1	Romania	2.9	-0.1	3.9	-0.1
Norway	1.6	+0.4	5.7	-0.5	China	11.1	-0.4	9.0	0.2
Sweden	-2.1	-1.1	2.5	+1.5	India	4.1	-0.9	5.5	-1.0
Russia	4.1	-0.1	6.5	0.0	Brazil	-1.0	-1.0	0.9	-2.8
Poland	4.4	0.0	5.5	+0.4	USA	4.3	0.0	6.3	+0.4
Czech R	1.4	-0.1	-1.0	-0.7					

Source: Consensus Economics 6/2012, Citibank 6/2012 (China, India and Brazil) and recent key forecasts for Finland's investments.

*) Change since forecast for previous month, direction and change in percentage units. The previous month is May

Construction business:

In commercial and industrial construction Russia is forecast to show best growth in 2012



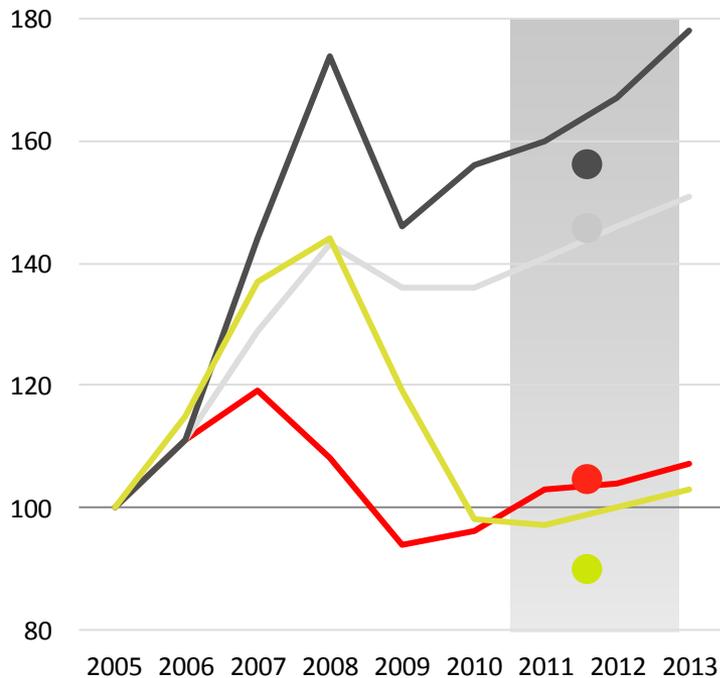
Source: Global Insight 6/2012, at constant prices

*) Figures for Romania, Ukraine, Bulgaria and Russia include renovation construction, but in these countries new construction accounts for 85-95% of the entire commercial, office and industrial construction market

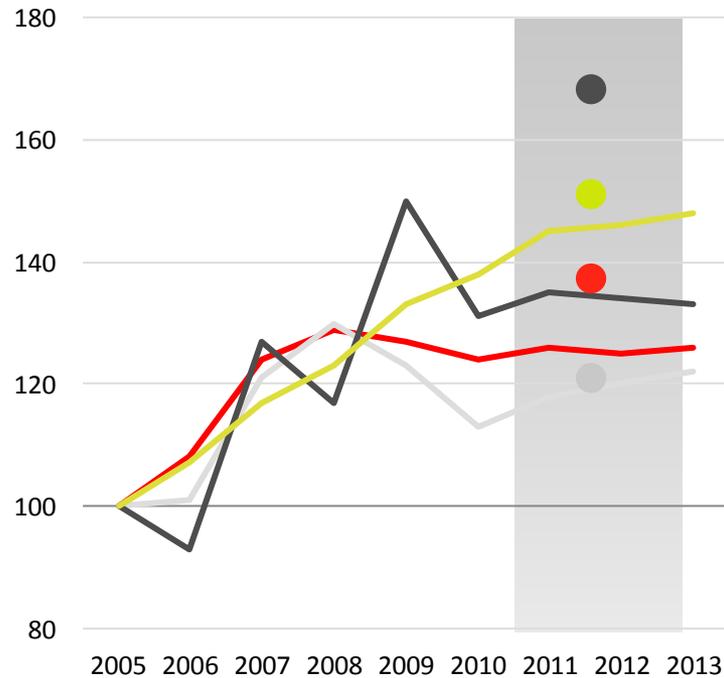
Construction business:

Residential construction is forecast to show most favourable development in Russia, Poland, Czech R and Slovakia

Residential construction, new and renovation construction (index)



Transport infrastructure construction (index)



- Nordic countries
- Russia
- Central Eastern Europe 1 (Poland, Czech R, Slovakia)
- Central Eastern Europe 2 (Bulgaria, Romania, Hungary, Ukraine)

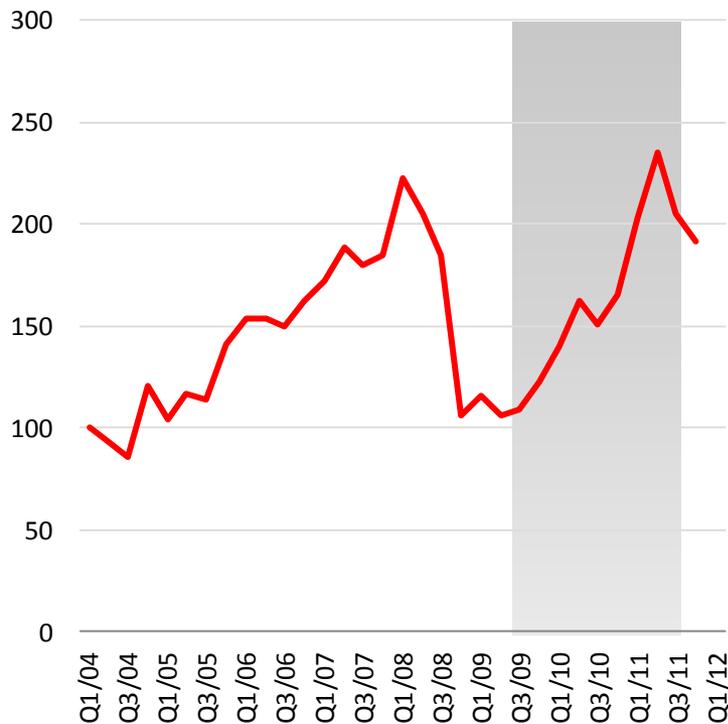
- Finland
- Sweden
- Norway
- Denmark

Source: Global Insight 6/2012, at constant prices

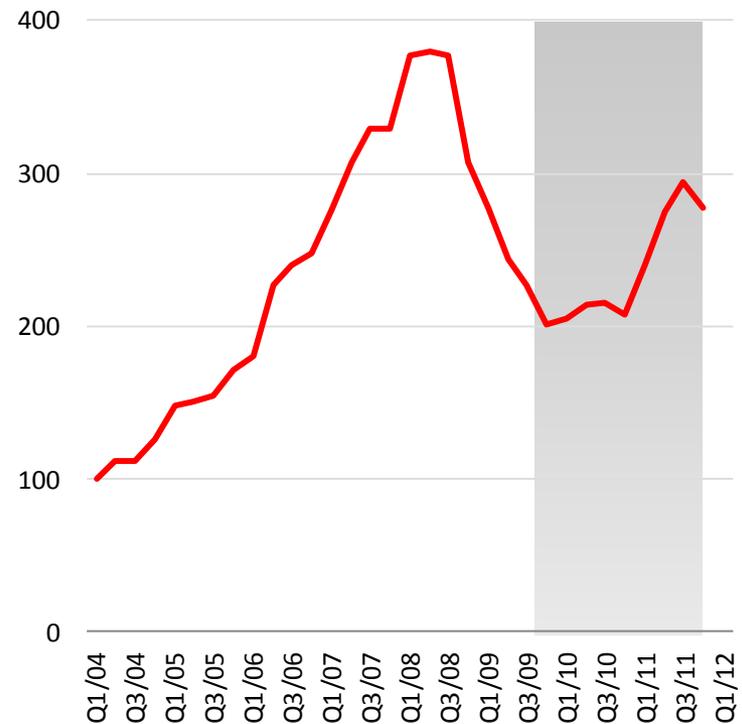
Engineering business:

Growth in customers' order intake and order books slowed compared to previous year

Order intake of main customers, Q1/04-Q1/12(index)

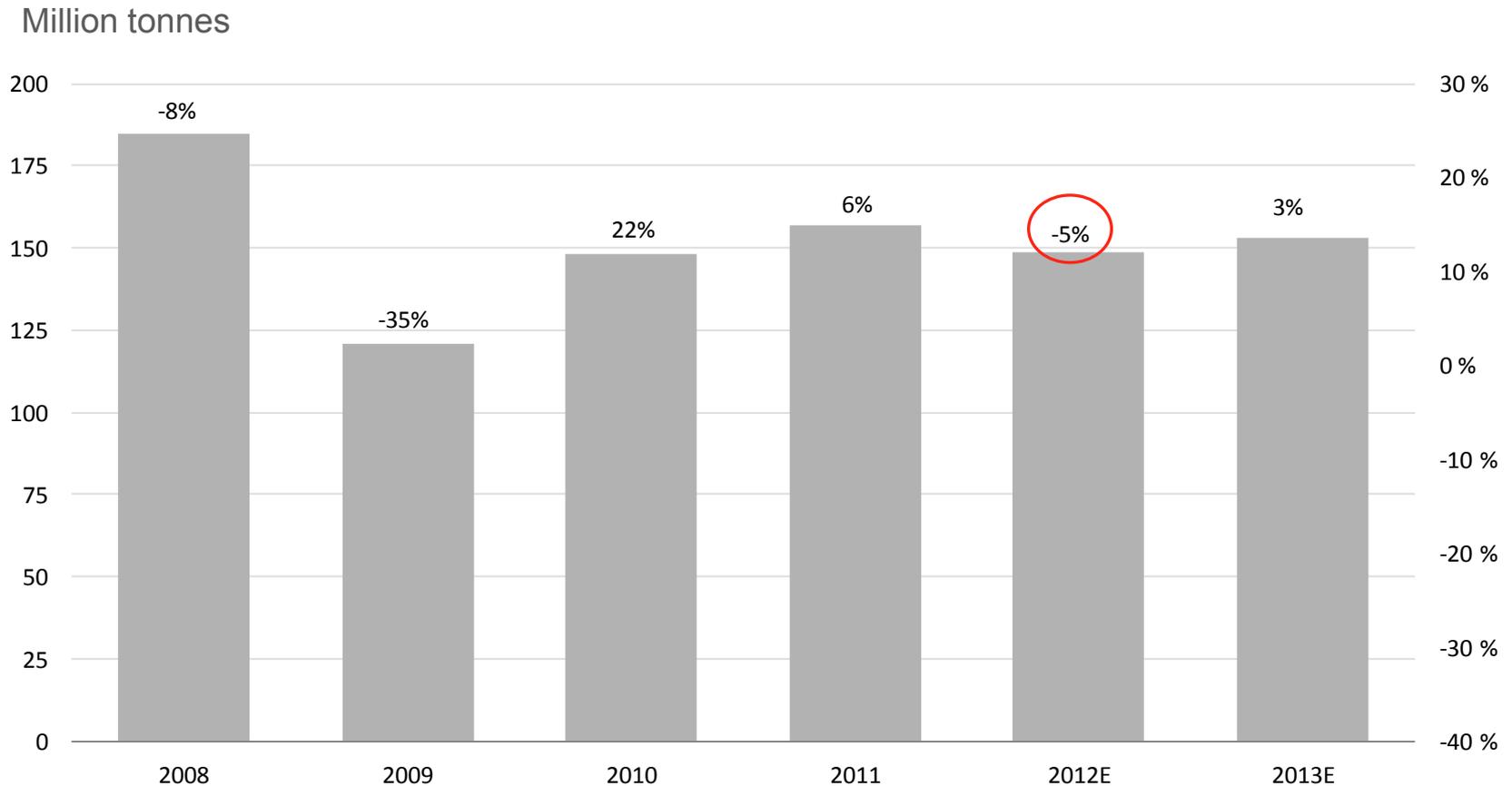


Order books of main customers, Q1/04-Q1/12(index)



Sources: Company reports - Konecranes, Cargotec Industrial & Terminal, Metso Mining & Construction Technology, Wärtsilä, Andritz Pulp & Paper, Terex Group

Apparent steel demand in Europe around 150 million tonnes a year



Source: Eurofer 7/2012

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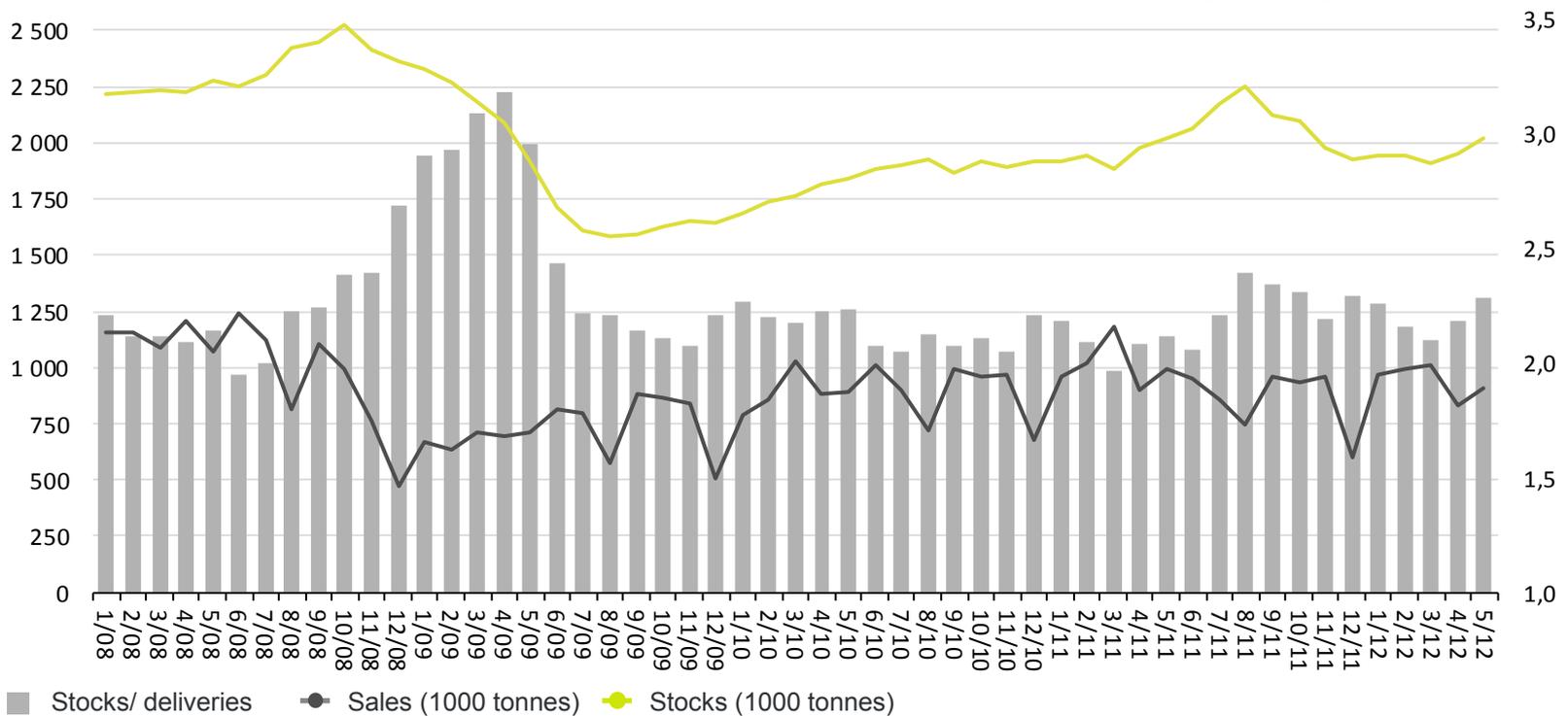
www.ruukki.com | Sakari Tamminen

Stock levels of steel wholesalers in Europe at normal level compared to sales

Monthly stocks/deliveries (6-month rolling average)

Million tonnes

Monthly stocks/deliveries (6-month rolling average)



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

Raw materials:

Average market price of iron ore at same level as previous quarter, decrease in market price of coking coal

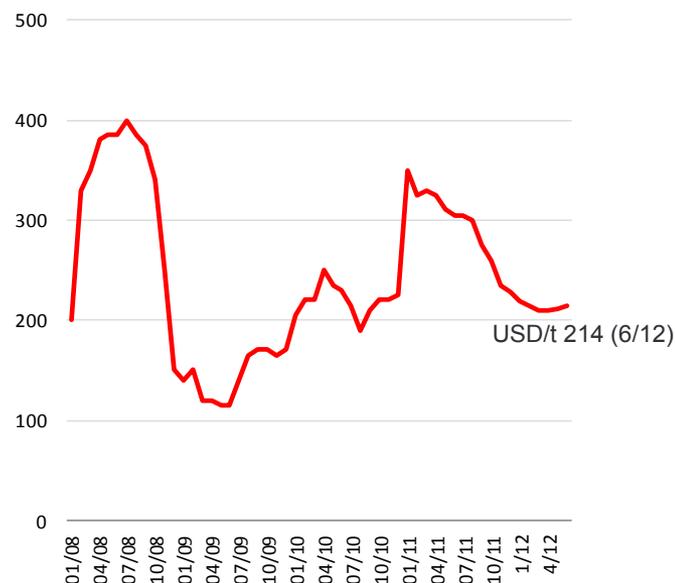
Spot price of iron ore *)

USD/t



Spot price of coking coal **)

USD/t



- New raw materials supply contracts enable Ruukki to reduce its dependency on distant coking coal and the associated price risk related to higher winter inventory, and to balance purchases of raw materials. The cost benefit of these new contracts is estimated to be around €20m and will be reflected in full during the second half of the year.

Focus areas for the rest of the year

- Implementation of efficiency projects in the construction and steel businesses
- Improving business responsiveness in uncertain business environment
- In construction growth especially from residential construction and Russian markets
- Strengthening of special steel products' distribution network
- Generating strong cash flow by improving competitiveness and earnings performance, releasing working capital and lower capex

Near-term outlook

Construction	<p>Moderate market growth forecast for 2012</p> <ul style="list-style-type: none">• Focus on own distribution <u>in roofing products</u> has resulted in faster than market growth during H1. Good conditions in this respect are also forecast for H2.• Weakened economic outlook means uncertainty in the market development of <u>commercial and industrial construction</u>. In Russia, demand is forecast to be at a good level.• <u>Infrastructure construction</u> activity in the Nordic countries is expected to remain steady, except in Sweden.
Engineering	<p>Market outlook to remain good</p> <ul style="list-style-type: none">• Demand from mining industry <u>machine and equipment manufacturers</u> is estimated to be at a good level, as is demand from <u>heavy cargo handling and other materials equipment manufacturers</u>.• <u>In the energy industry</u>, demand in the base load power generation market is forecast to remain good.
Steel	<p>Increased uncertainty in order behaviour of steel customers</p> <ul style="list-style-type: none">• <u>Service centre sales</u> are expected to continue at a good level in 2012, but the European debt crisis is continuing to cause increasing uncertainty in demand from mill customers.• Steel industry <u>stocks at normal level</u> in Europe.• Cost benefit of Ruukki's new <u>raw materials</u> supply contracts estimated at around €20m.• <u>Average selling prices</u> for steel products are expected to remain at current level or to rise moderately.

Summary

- Main focus for 2012: to improve cost competitiveness and cash flow
- Targeted permanent improvement in earnings from efficiency programmes raised from €70 million to €100 million:
 - around €20 million estimated to be achieved in 2012
 - achieved in full from third quarter of 2013 onwards
- Cost benefit of Ruukki's new raw materials supply contracts estimated to be around €20 million and will be reflected in full during the second half of the year
- Capex in 2012 is estimated to be clearly lower than in the previous year, at around €100 million

Guidance for 2012 revised:

Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to be at the same level as in 2011.



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Appendices

Key figures

€m	1-6/12	1-6/11	2011
Net sales *)	1 440	1 405	2 797
Operating profit *)	-8	96	56
as % of net sales *)	-0.5	6.8	2.0
Result before income tax*)	-26	76	22
Result for the period	-30	52	-10
Earnings per share, diluted, €	-0.22	0.38	-0.07
Return on capital employed (rolling 12 months), %	-4.1	4.1	1.3
Gearing ratio, %	71.6	57.9	60.4
Gross capex **)	47	77	179
Net cash from operating activities	49	13	114
Net cash before financing activities	2	-64	-57
Personnel (average)	11 521	11 839	11 821

*) Comparable

**) In tangible and intangible assets

Comparable quarterly net sales and operating profit

€m	1-3/11	4-6/11	7-9/11	10-12/11	1-3/12	4-6/12
Comparable net sales						
Ruukki Construction	135	201	219	203	153	199
Ruukki Engineering	62	62	59	73	69	72
Ruukki Metals	478	467	396	442	477	470
Other	0	0	0	0	0	-2
Total	675	730	674	718	699	740
Comparable operating profit						
Ruukki Construction	-13	4	11	-6	-10	4
Ruukki Engineering	-2	-2	1	-4	-1	0
Ruukki Metals	42	75	-9	-28	0	10
Other	-3	-6	-3	-3	-4	-7
Total	25	71	1	-40	-15	7
Deliveries, Ruukki Metals	487	415	364	455	507	448