



Interim report H1/2013

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Rautaruukki Corporation

8 August 2013

Agenda

- Q2 in brief, key figures
- Financial performance
- Business area performance
- Business environment
- Key actions in 2013,
near-term outlook and guidance

Q2/2013 in brief

- Net sales and value of order intake down y-o-y due to fall in market prices of steel. Volumes, however, unchanged y-o-y and gross margin increased
- Order intake up 9% and net sales up 7% q-o-q
- Comparable operating profit rose to €17 million (10)
- Improved profitability in both construction business areas, operating profit €5 million down y-o-y in steel business
- Efficiency projects progressed in line with targets, earnings improvement of appr. €15 million in second quarter
- Net cash from operating activities in H1/2013 was €77 million (49)
- Gearing was 74% at end of reporting period

Key figures Q2/2013

		Q2/2013	Q2/2012	H1/2013	H1/2012	2012
Order intake *	€m	644	711	1 235	1 343	2 605
Net sales *	€m	633	688	1 222	1 339	2 597
Operating profit *	€m	17	10	21	-1	-50
as % of net sales *	%	2.6	1.5	1.7	-0.1	-1.9
Result before income taxes	€m	6	2	2	-19	-88
Earnings per share	€	-0.01	-0.08	-0.03	-0.22	-0.85
Net cash from operating activities	€m	54	-5	77	49	172
Gearing ratio	%			74.2	71.5	71.2

* Comparable

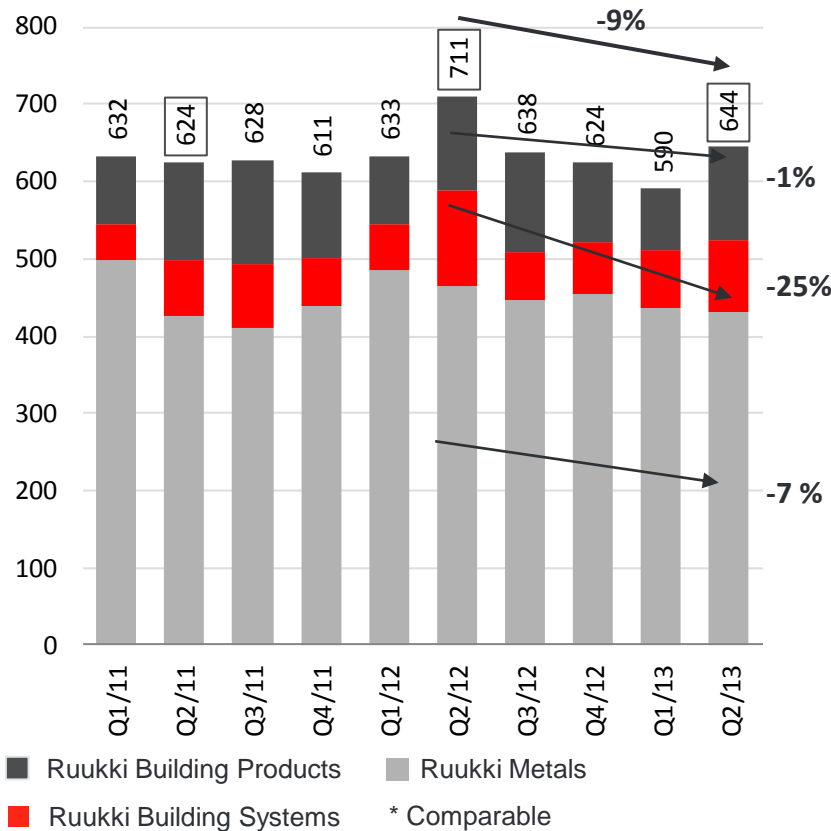
- Capacity utilisation rate in steel production down slightly q-o-q due to disruptions to production and averaged 77%.

Business performance

Order intake volumes at same level year on year

Order intake value down due to fall in market prices. Order intake up 9% quarter on quarter

Quarterly order intake* (€m)



Q2/2013 vs. Q2/2012

- Ruukki Building Products -1%
- Ruukki Building Systems -25%
- Ruukki Metals -7%

Q2/2013 vs. Q1/2013

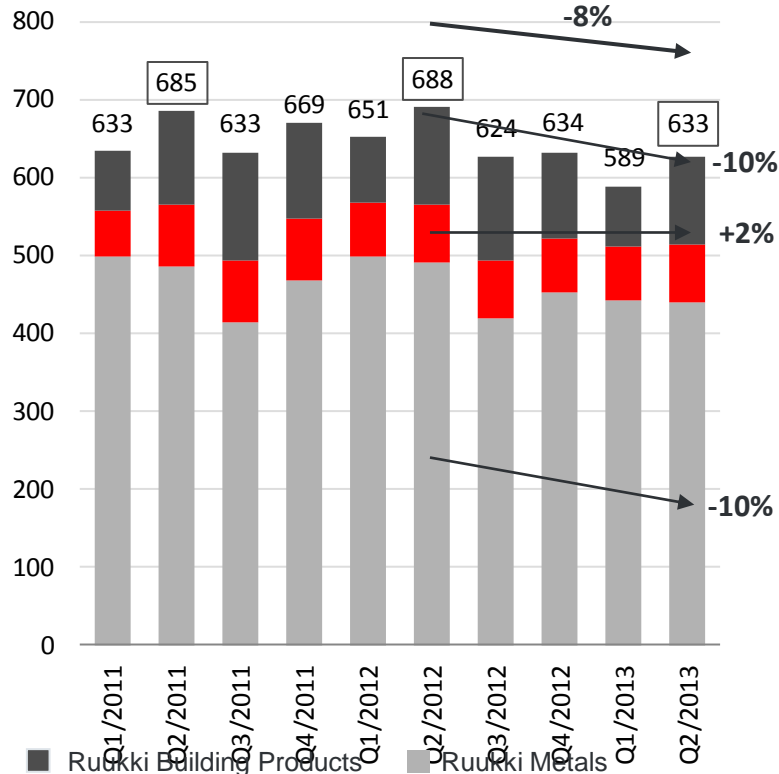
- + Clear order intake growth in both construction business areas mostly due to seasonality
- Ruukki Metals -1%

Net sales down with lower market prices

Growth in markets outside Europe year on year

Net sales grew 7% quarter on quarter

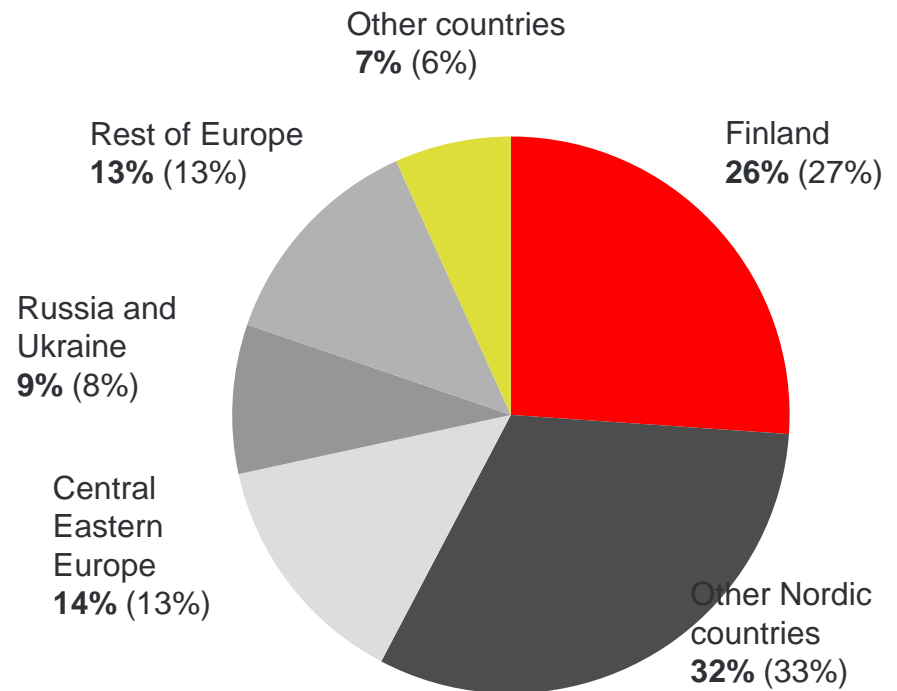
Quarterly net sales* (€m)



Net sales by market area*

H1/2013 (H1/2012),

100% = €1 222m (€1 339m)

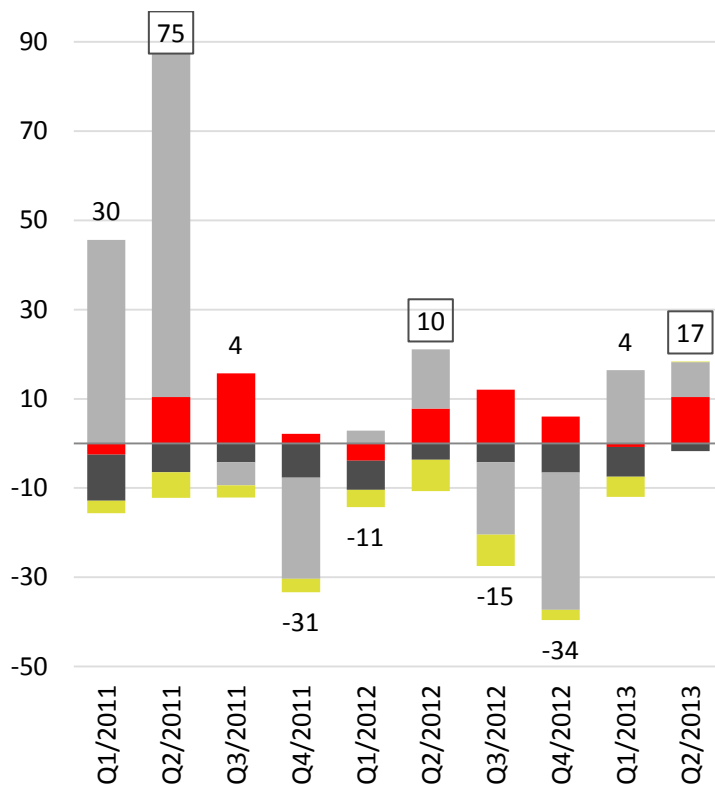


■ Ruukki Building Products ■ Ruukki Building Systems ■ Ruukki Metals * Comparable

Operating profit rose to €17 million

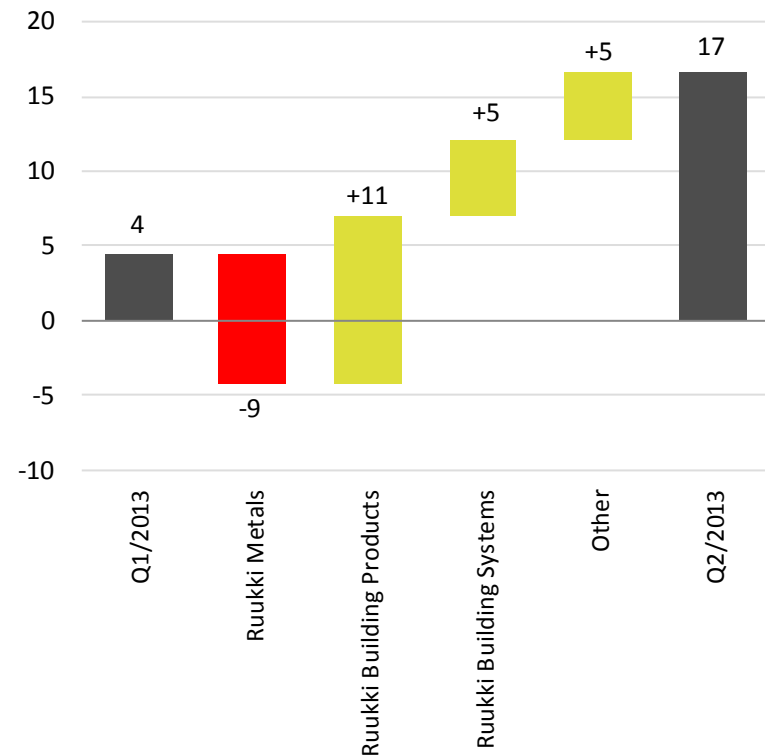
Improved profitability in both construction business areas, operating profit down €5 million in steel business year on year

Quarterly operating profit* (€m)



■ Ruukki Building Products ■ Ruukki Metals * Comparable
■ Ruukki Building Systems ■ Other

Operating profit by business area (€m)
Q1/13 vs. Q2/13



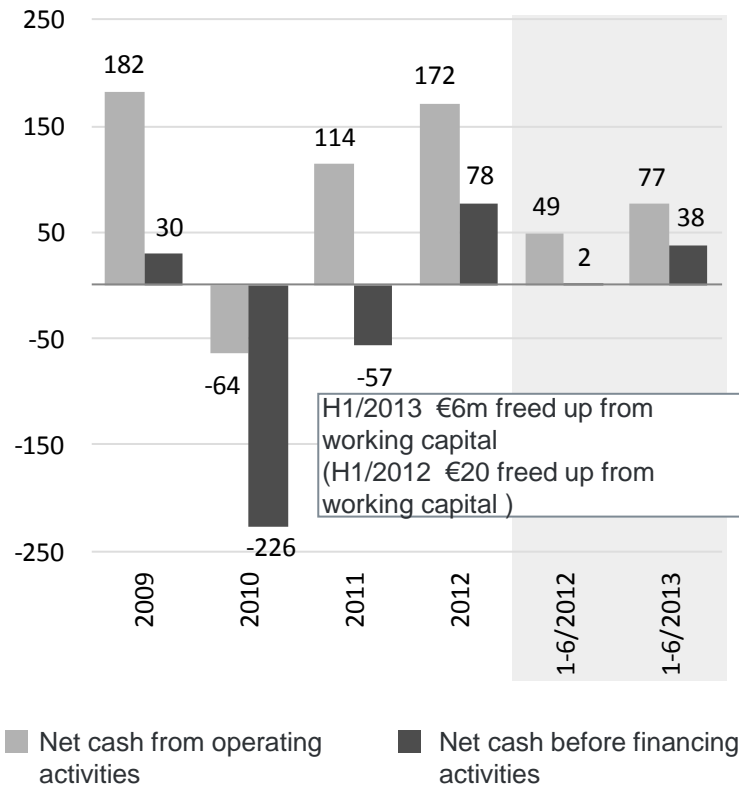
Efficiency projects progressed in line with targets

- Earnings improvement achieved through efficiency projects:
 - €20m in 2012
 - €18m in Q1/2013
 - €15m in Q2/2013
- Efficiency projects on target: annualised earnings improvement of projects completed and ongoing appr. €100 million at the end of June

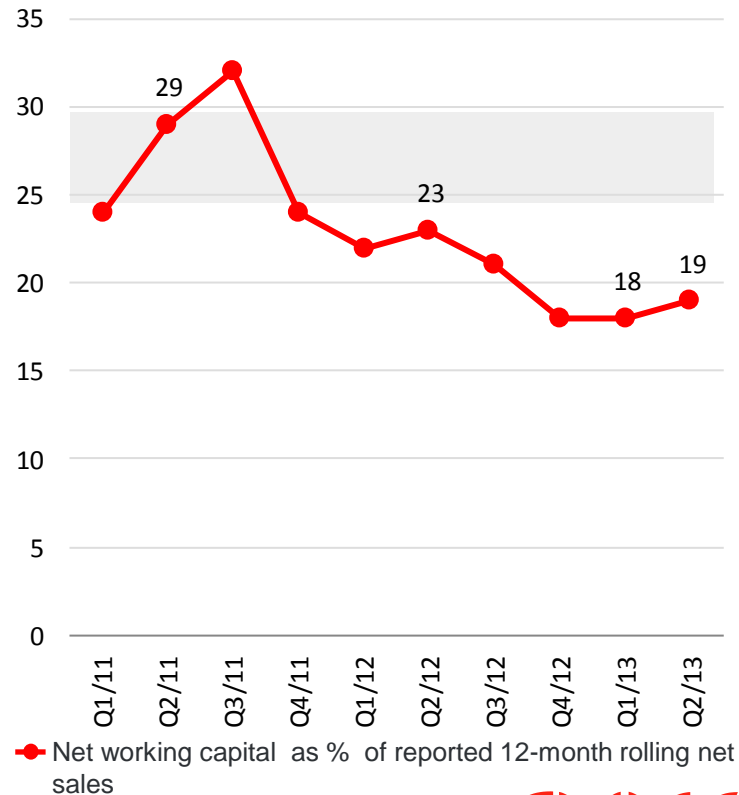
Free cash flow €77 million during H1/2013

€6 million freed up from working capital

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

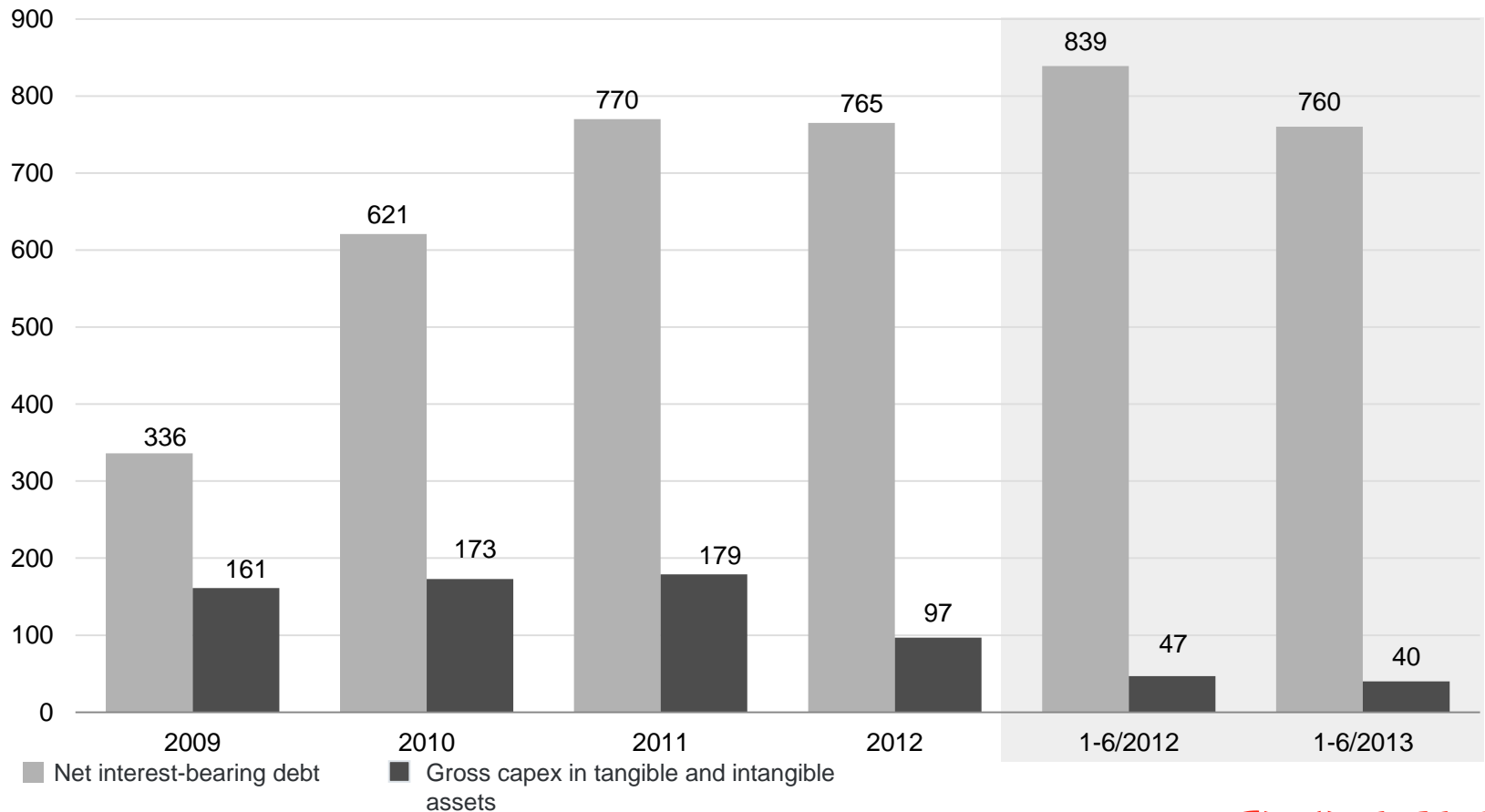


Net working capital as % of reported 12-month rolling net sales (%)



Net debt decreasing

Capex is estimated to be around €90 million in 2013

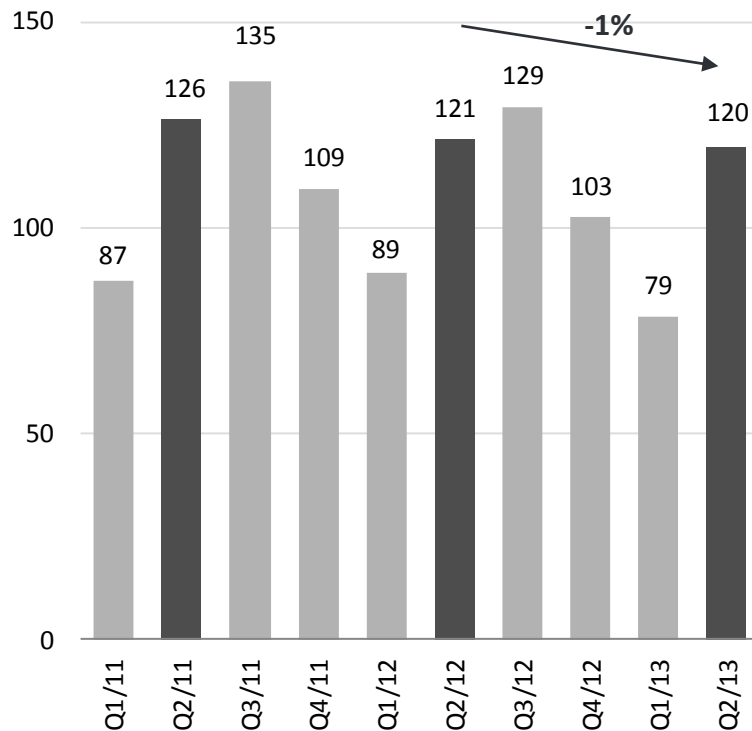


Business area performance

Building Products' order intake at last year's level

Growth in components, infrastructure construction order intake down

Order intake, (€m)



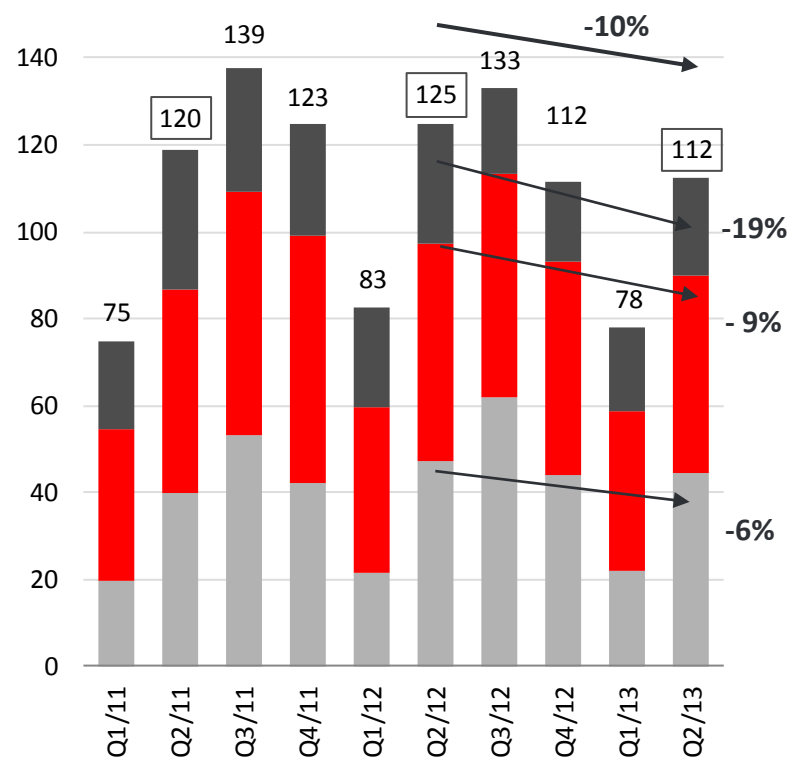
Q2/2013 vs. Q2/2012

- + Residential roofing products: up 1%, strong growth in Sweden
- + Components: up 5%, growth especially in Sweden and Norway
- Infrastructure construction: down 15%, slight growth in Sweden and Norway, clear decrease in Finland

Building Products' net sales

Net sales down 10% mostly due to weak demand in Poland and Ukraine

Net sales by product group, (€m)*



■ Residential roofing products
 ■ Building components
 ■ Infrastructure construction

* Reported

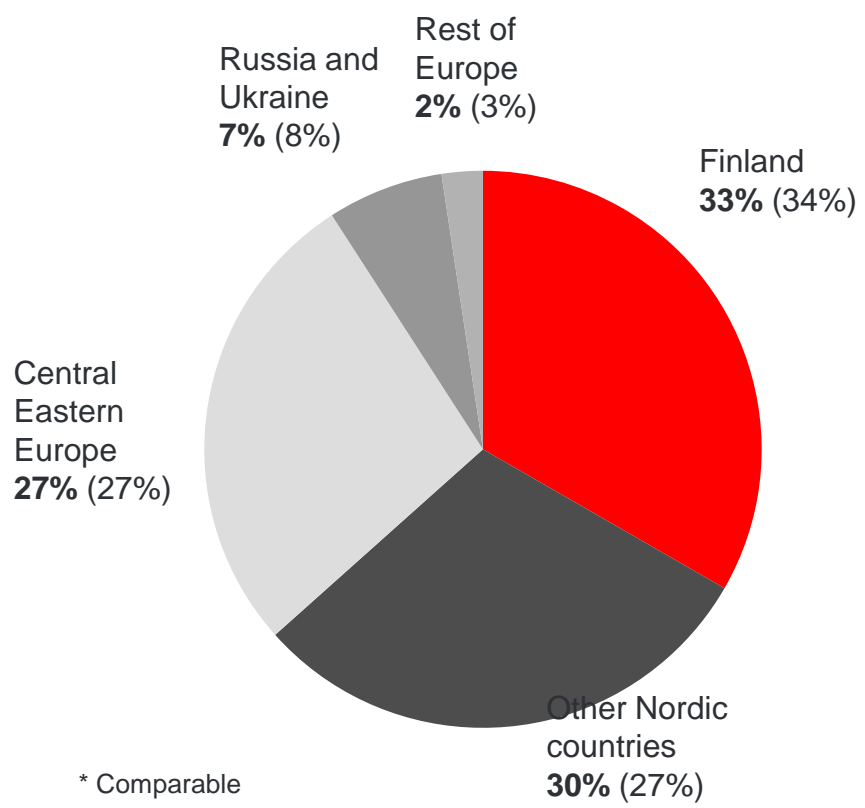
Q2/2013 vs. Q2/2012

- + Residential roofing products: strong growth in Sweden, growth also in Russia, an important growth market for roofing products
- + Components: growth in Norway
- Net sales down y-o-y in all product groups
- Infrastructure construction: down 19%

Building Products' net sales by market area

Net sales down in most market areas, strong growth, however, in residential roofing in Sweden and in components in Norway

Net sales by market area
H1/2013 (H1/2012)*



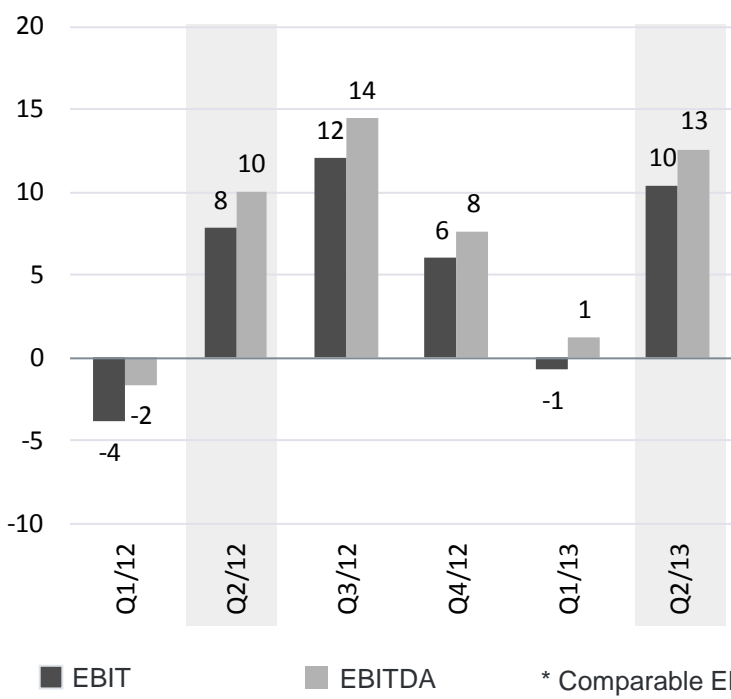
H1/2013 vs. H1/2012

- + Growth in residential roofing products in Sweden and Russia
- + Strong growth in building components in Norway
- Net sales in residential roofing products down clearly in Poland and Ukraine
- Net sales of components down in most market areas including Finland and Sweden
- Net sales in infrastructure construction down in all market areas

* Comparable

Building Products' comparable operating profit improved year on year

EBITDA and EBIT(€m) *



Comparable EBIT €10 million (8)

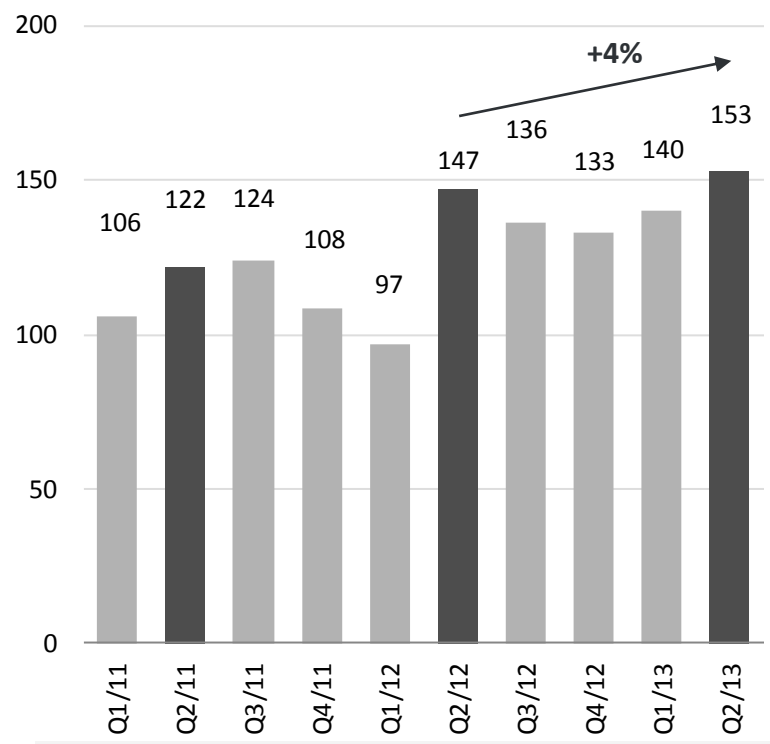
- + Operating profit up y-o-y due to impact of efficiency programme and better gross margin
- + Relative profitability improved in all product groups
- + Total impact on earnings improvement achieved through efficiency projects in Ruukki Building Products and Ruukki Building Systems during H1/2013 was around €8m, of which around €4 million in Building Products

Efficiency project on target: Total annualised impact on earnings improvement of actions completed and ongoing in Ruukki Building Products and Ruukki Building Systems at the end of June was €24 million, of which around €12 million in Building Products

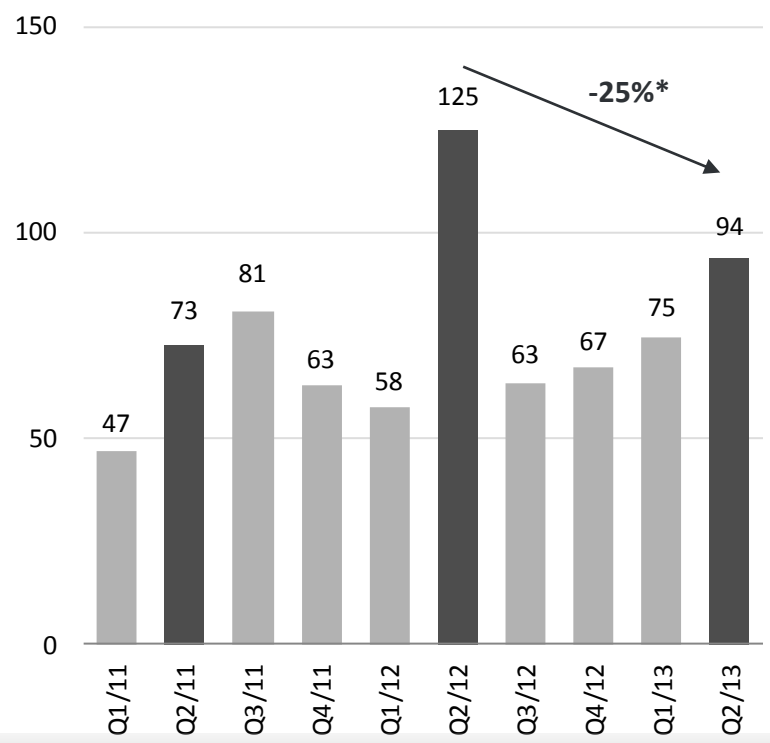
Slight growth in Building Systems' order book

Order intake was down year on year due to a large single order during the reference period, however orders were clearly up in Russia

Order book, (€m)



Order intake, (€m)



- + Strong growth in Russia, especially in the agricultural sector, orders up 83% year on year
- Orders down appr. 60% year on year in the Nordic countries and Central Eastern Europe

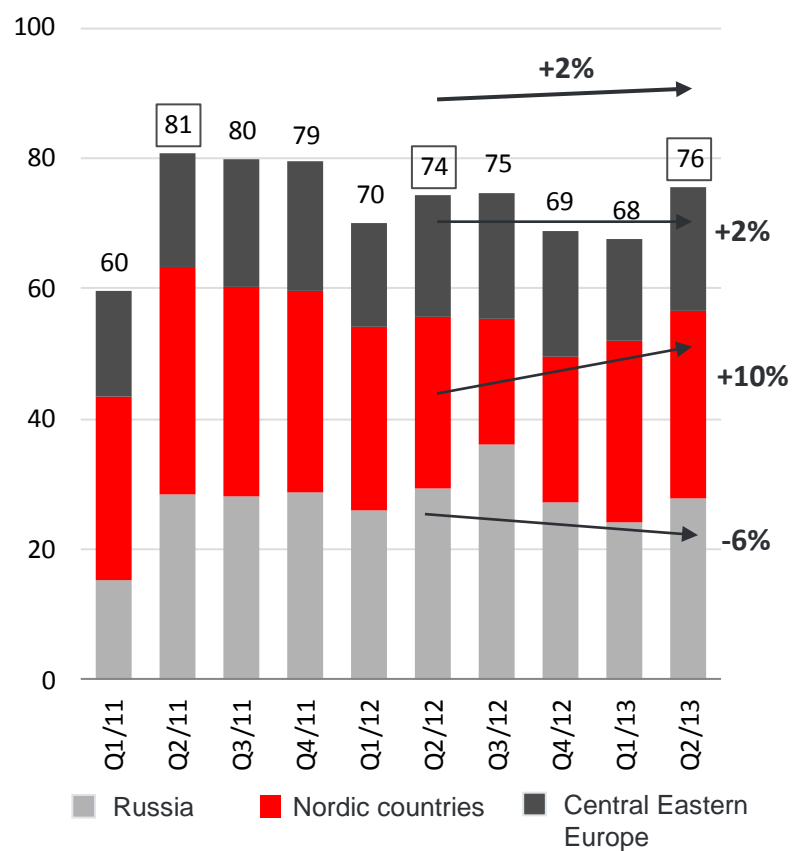
* Q2/12 orders include an order worth around €30 million for a shopping centre project



Building Systems' net sales up 2%

Net sales down in most markets, growth in Sweden and Norway, and in concept buildings in agriculture in Russia

Net sales by market area, (€m) *



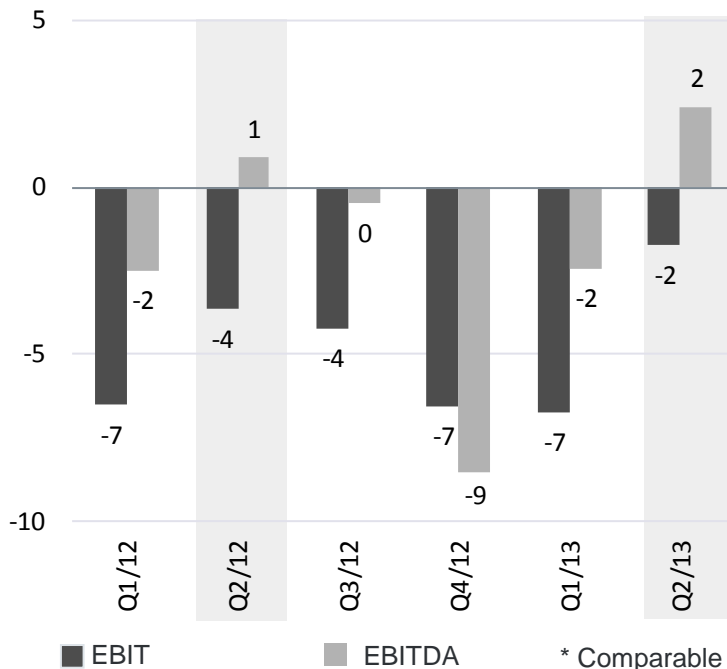
Q2/2013 vs. Q2/2012

- + Strong growth in concept building projects in agriculture in Russia
- + Growth in project deliveries to Sweden and Norway
- Net sales clearly down in Finland
- Overall net sales in Russia down 6% year on year

* Reported

Building Systems' profitability improved slightly driven by efficiency project

EBITDA and EBIT (€m)*



Comparable EBIT -€2 million (-4)

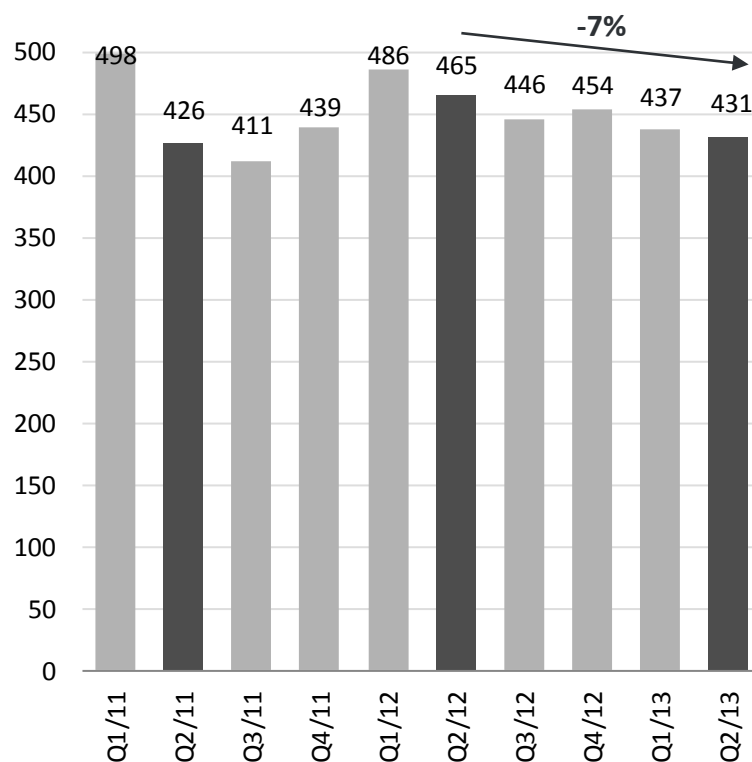
- + Operating loss down and relative profitability up compared to a year earlier
- + Total impact on earnings improvement achieved through efficiency projects in Ruukki Building Products and Ruukki Building Systems during H1/2013 was around €8m, of which around €4 in Building Systems
- Profitability of the project business is still not at a satisfactory level, the aim is for positive results by the end of the year

Efficiency project on target: Total annualised impact on earnings improvement of actions completed and ongoing in Ruukki Building Products and Ruukki Building Systems at the end of June was €24 million, of which around €12 million in Building Systems.

Order intake for special steel products at last year's level

Steel business' order intake down 7% year on year

Order intake, (€m)*



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

Q2/2013 vs. Q2/2012

- + Slight growth in order volumes
- + Order intake for special steel products at last year's level
- + Order intake for special steel products up in many markets, especially Russia and South America
- Order intake down 7%, mostly in Finland, fall in average prices

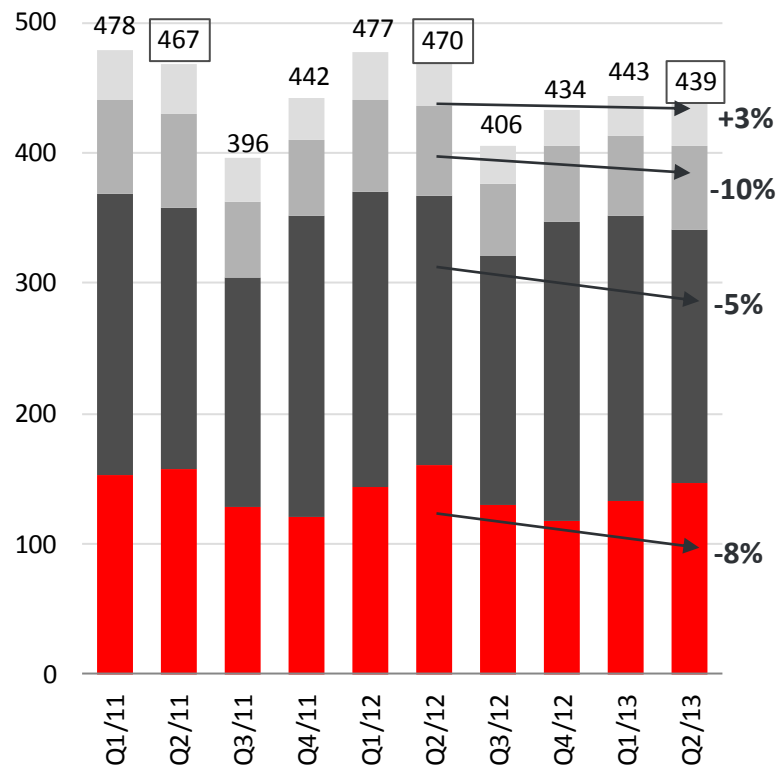
Q2/2013 vs. Q1/2013

- + Orders up for strip and flat products
- + Order intake at the same level as previous quarter, slight growth in volumes
- Order intake for special steel products down slightly

Net sales of special steel products up 10% quarter on quarter

Steel business' comparable net sales down 10% year on year

Net sales by product group*, (€m)



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

■ Stainless steel and aluminium * Reported

Q2/2013 vs. Q2/2012

- + Slight growth in delivery volumes
- + Clear growth in net sales of special steel products, especially in Russia and US
- Average selling prices down
- Net sales down in all product groups except Stainless steels and aluminium products (+3 %)

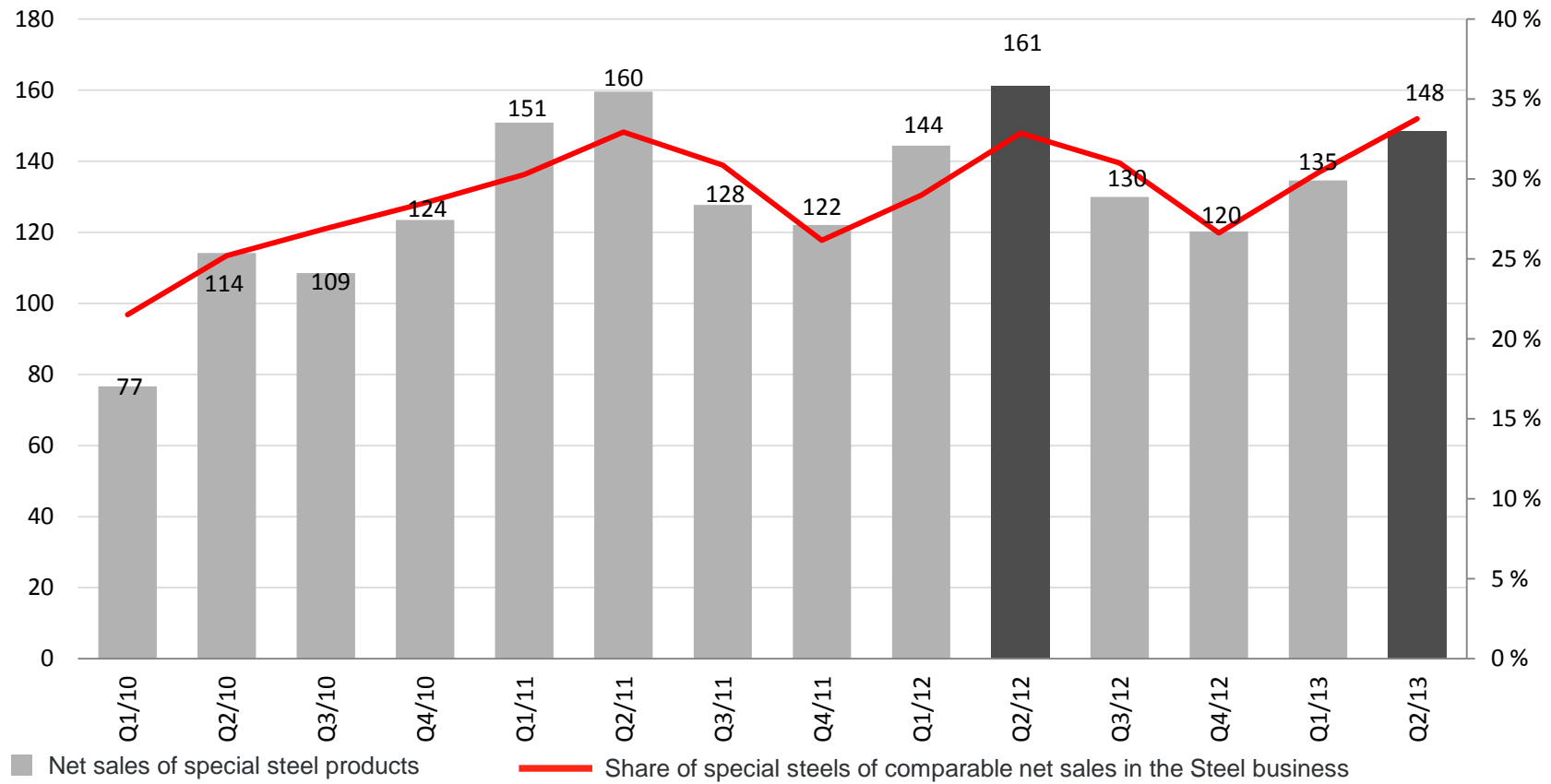
Q2/2013 vs. Q1/2013

- + Special steels +10%
- + Tubes and profiles +3%
- + Stainless steels and aluminium products +14%
- Strip and flat steel products -11%

Share of special steels rose to account for 34% of net sales in the Steel business

Target is annual net sales of €850 million in 2015

Net sales of special steel and % of net sales in the Steel business *



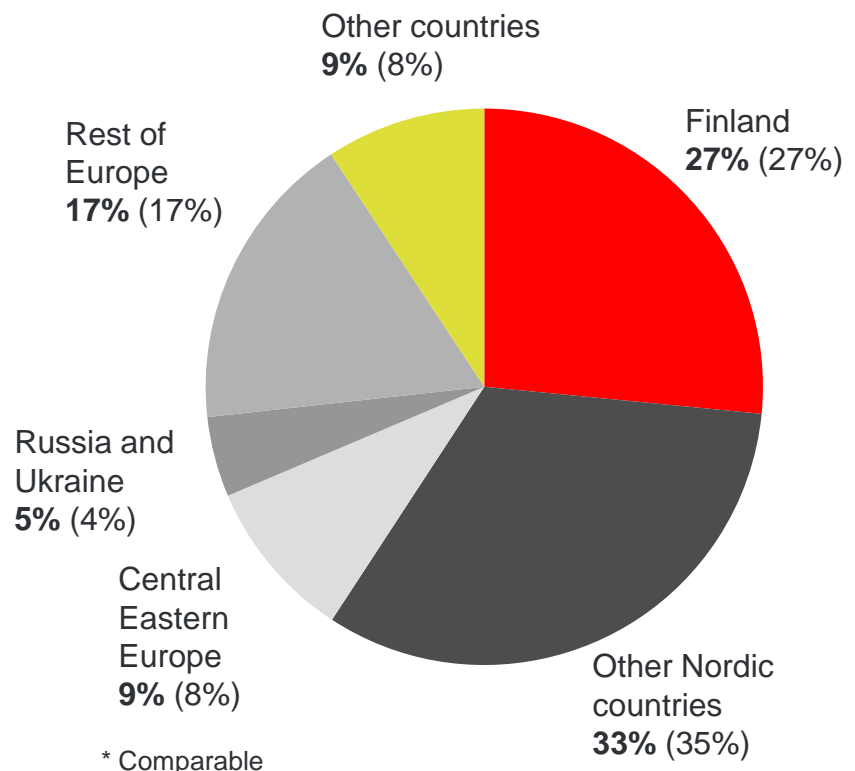
* Share of special steel products has been calculated based on comparable net sales, i.e. the reference figures have been restated to reflect the current corporate structure



Steel business' net sales by market area

Growth in Russia and in markets outside Europe

Net sales by market area
H1/2013 (H1/2012)



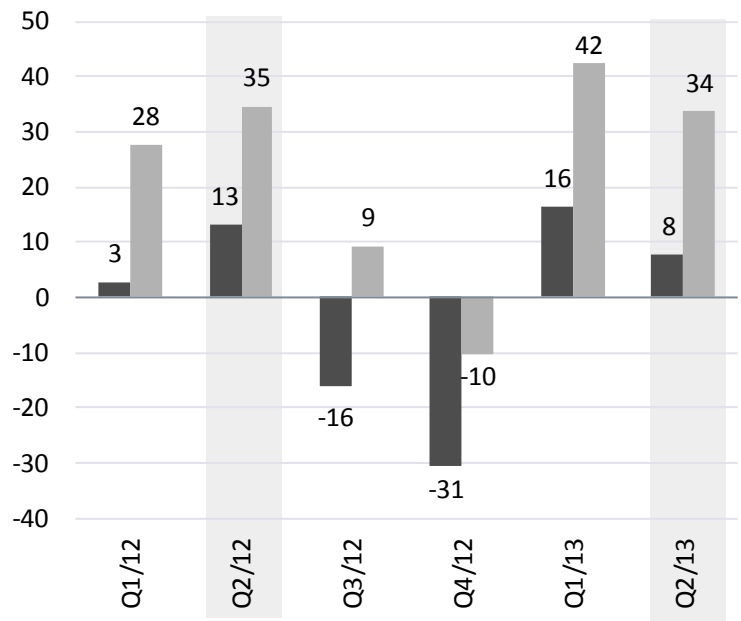
H1/2013 vs. H1/2012

- + Net sales up clearly in certain markets outside Europe such as the US and South America
- + Net sales up slightly in Russia
- Net sales down clearly in Finland, the other Nordic countries and Western Europe
- Net sales down in China

Operating profit down in Steel business

Efficiency project progress in line with targets

EBITDA and EBIT* (€m)



Comparable EBIT €8 million (13)

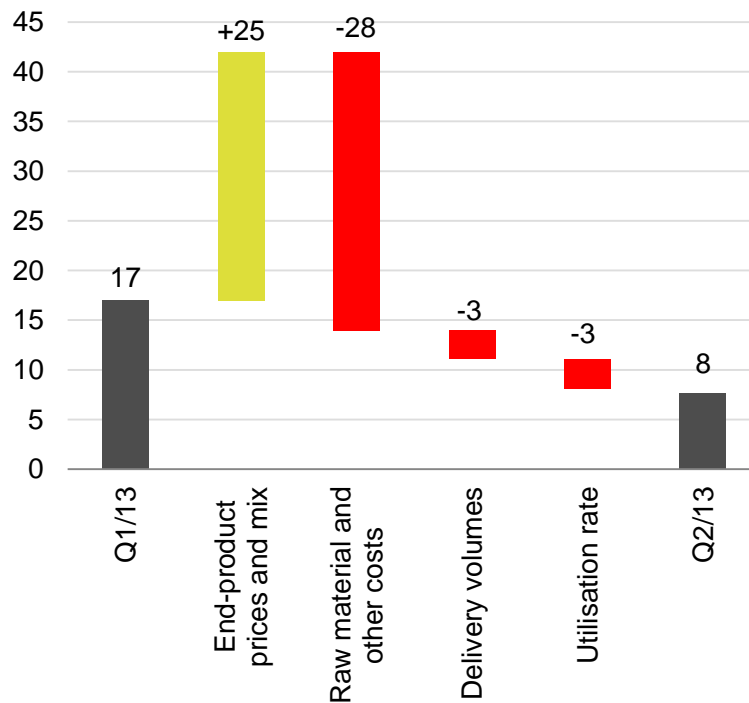
- Operating profit down year on year due to lower average selling prices of steel products and disruptions to production
- + Cost savings generated by efficiency projects (earnings improvement €21 million in H1/2013) and lower costs of raw materials improved operating profit
- + EBITDA was €34 million

■ EBIT ■ EBITDA * Comparable EBIT, reported EBITDA

Efficiency projects on target: annualised impact on earnings improvement of actions completed and ongoing at the end of June was €70 million

Operating profit in Steel business down €9 million quarter on quarter

Operating profit (€m) Q2/13 vs. Q1/13 *



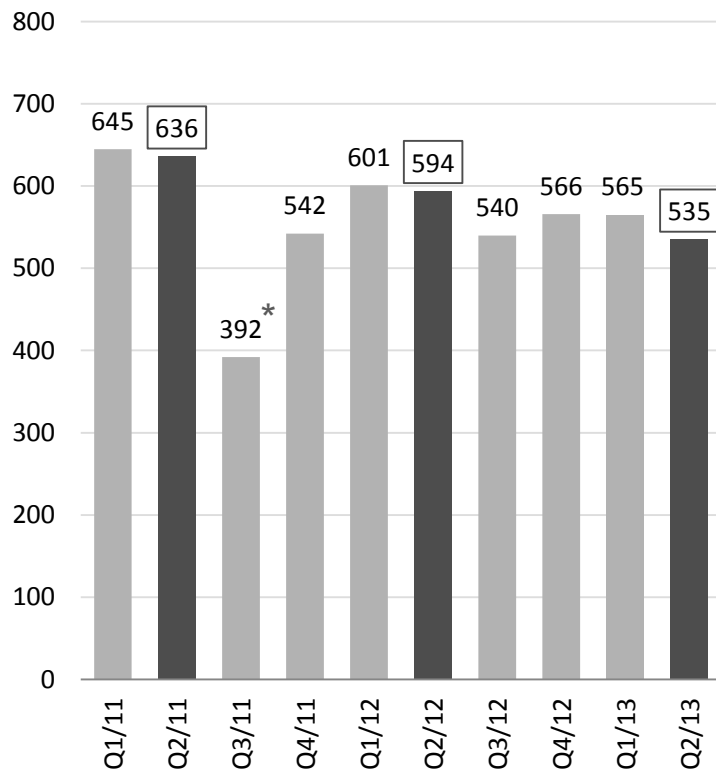
* Comparable

- Impact of change in product mix and prices totalled +€25m
- Impact of costs of raw materials and other costs -€28m
- Delivery volumes down 31 thousand tonnes or 6% quarter on quarter

Capacity utilisation rate in steel production around 77% during second quarter

Quarterly steel production

1000 tonnes



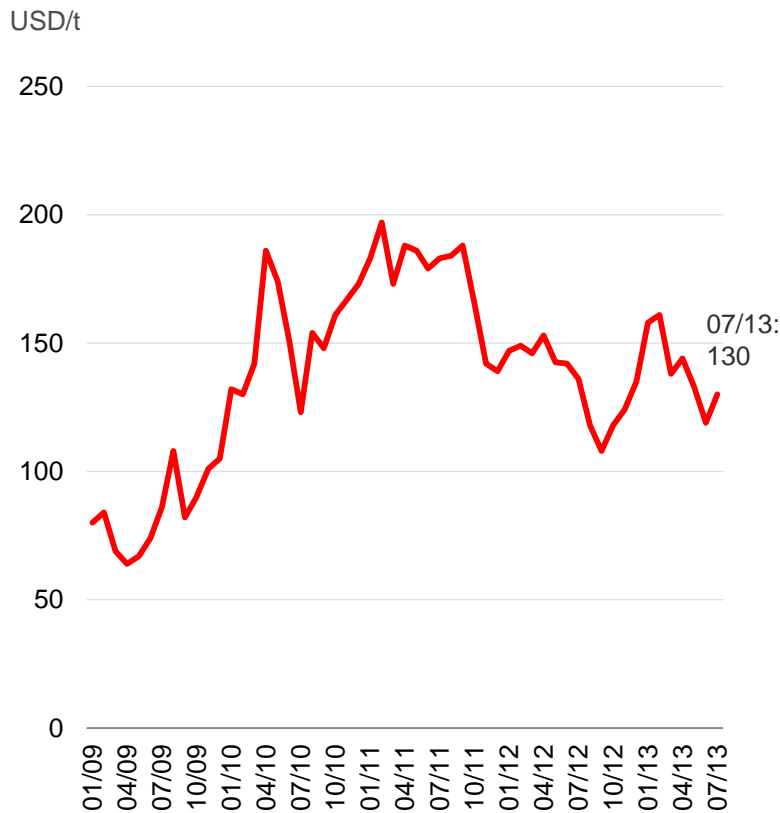
* Modernisation of blast furnace 2

- Steel production during Q2 was down 10% year on year at 535 thousand tonnes due to disruptions to production
- Capacity utilisation rate in steel production was around 77%

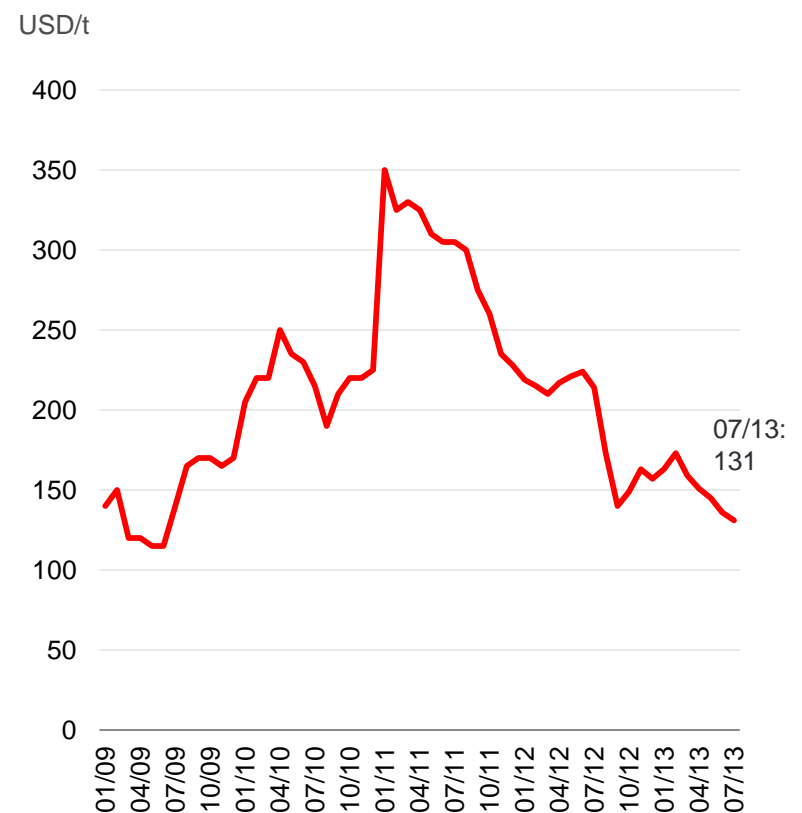
Main steel raw material prices fell

New contract to purchase iron ore pellets more flexible to market price fluctuations

Average spot price of iron ore*



Average spot price of coking coal**



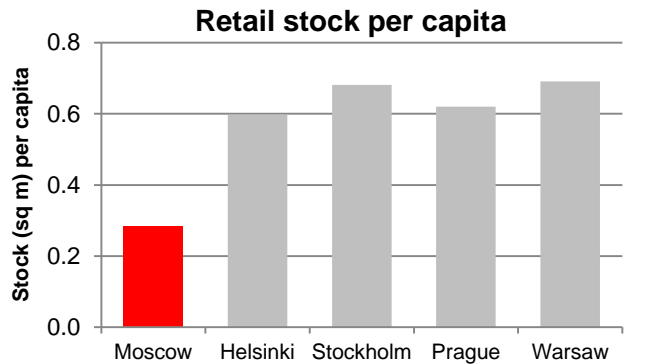
Source: CRU * C&F China (63.5% Fe) ** FOB Australia

Business environment

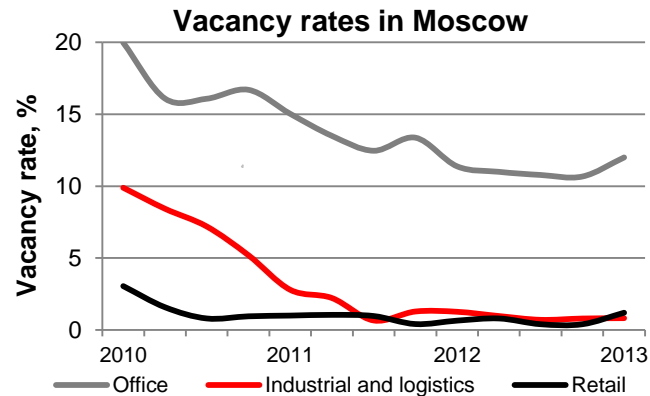
Slight growth in Building Systems' markets

Stronger growth forecasted in all markets for 2014

Growth forecast in Building Systems' markets 2013 / CAGR 2013-2016



Source: Jones Lang la Salle

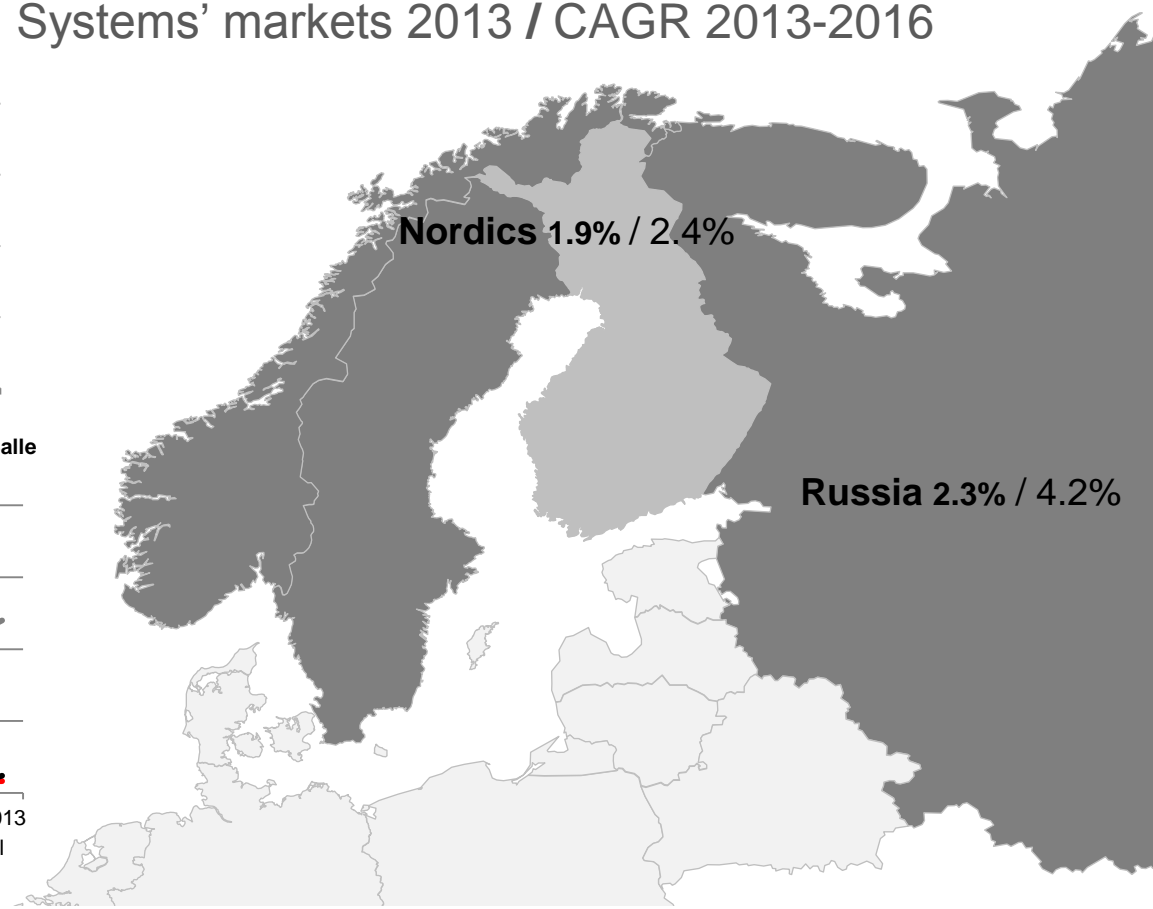


Sources: CBRE (Office, Industrial and logistics), Cushman and Wakefield (Retail)

■ Growth ≥ 2.0% ■ 0% ≤ Growth < 2%

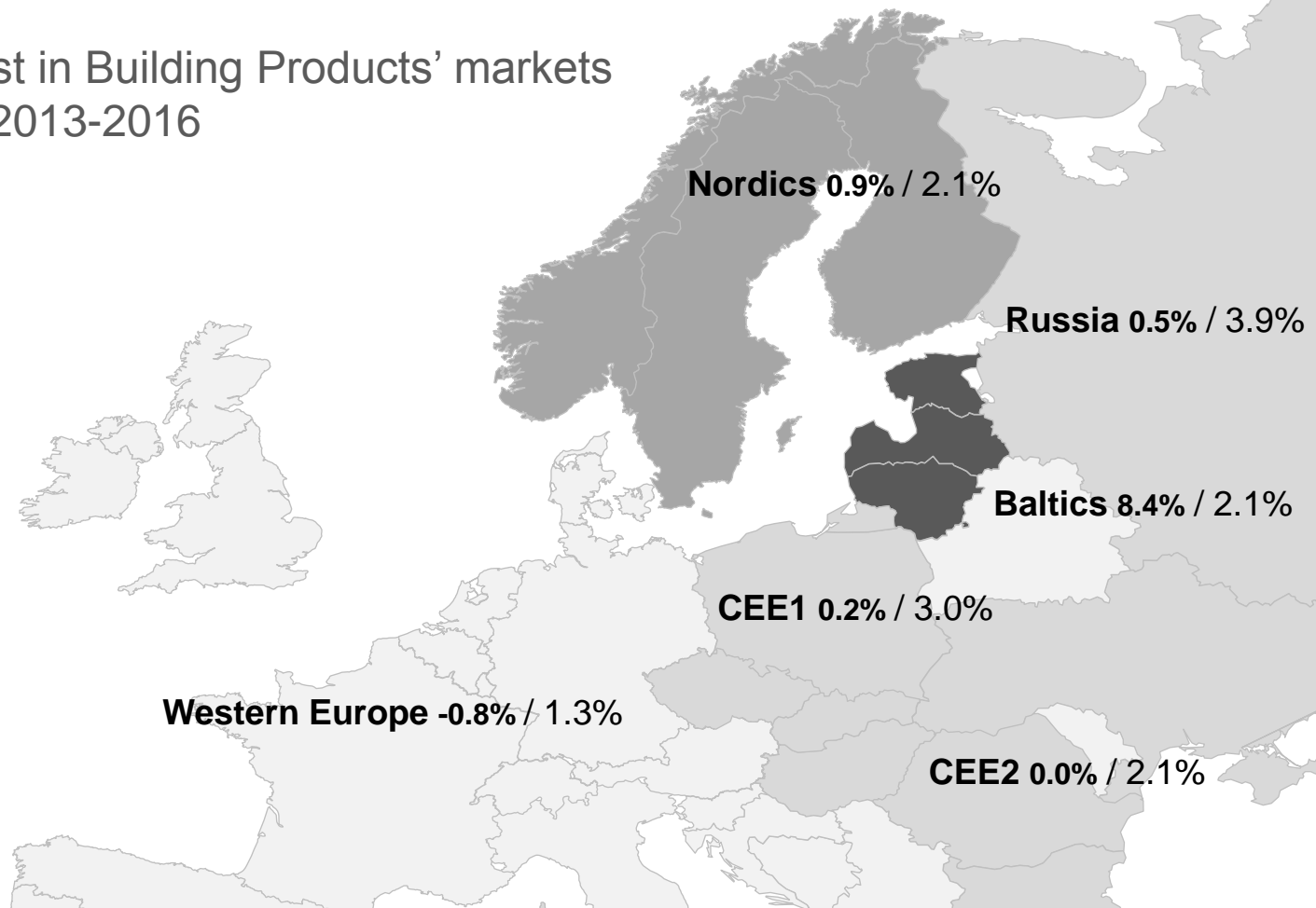
Note: The figures for Russia also include renovation construction

Source: Global Insight 06/2013



Most favourable market development for Building Products in Baltic and Nordic countries

Growth forecast in Building Products' markets
2013 / CAGR 2013-2016

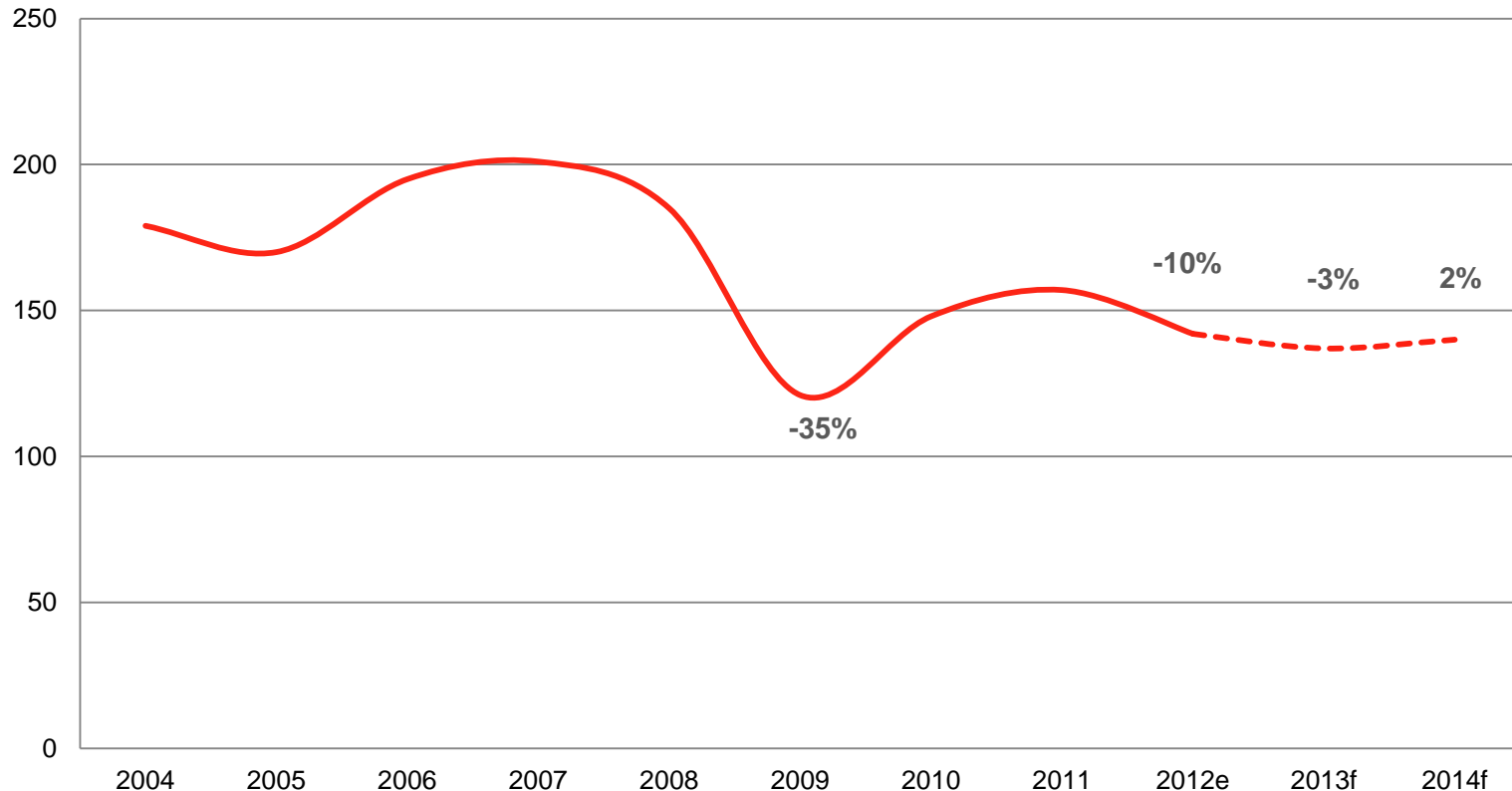


■ Growth \geq 2.0% ■ 1% \leq Growth < 2% ■ 0% \leq Growth \leq 1%

*) The growth forecast has been adjusted to take into consideration Building Products' geographical scope and segment shares.
Source: Global Insight 06/2013 and Ruukki

Apparent steel demand in Europe at slightly lower level in 2013 than a year earlier

Apparent steel use in EU-27 (million tonnes)

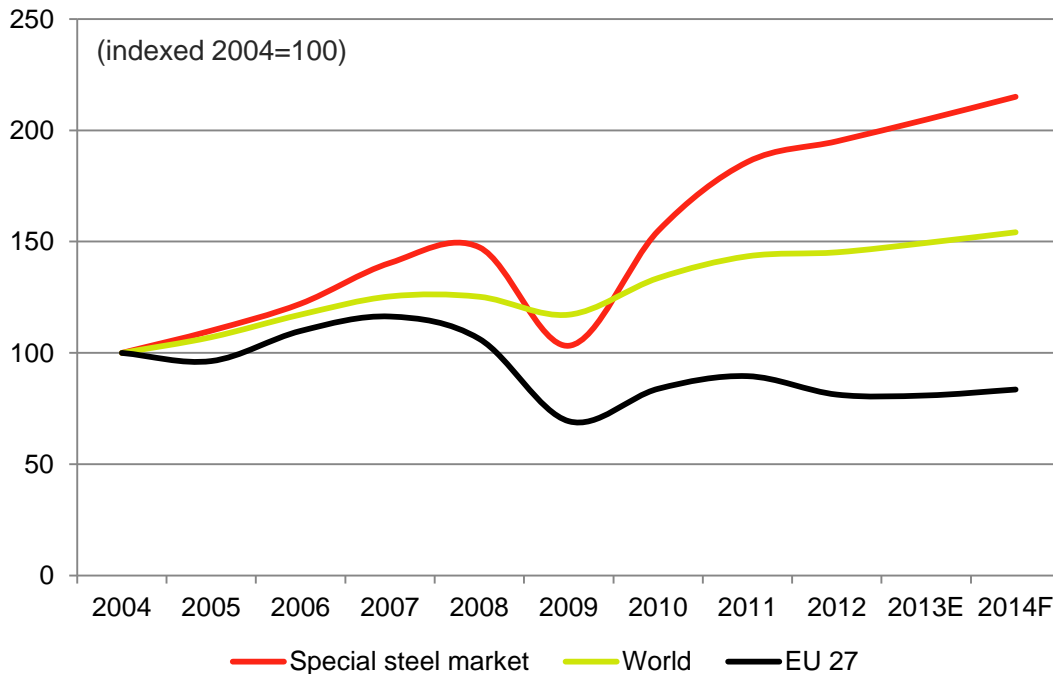


Source: Eurofer Market Outlook 7/2013

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 growth (ASU)



Global market for hot-rolled special steels
~3m tonnes in 2012

Ruukki global # 2
position in hot-rolled
special steels

Global addressable
market for Ruukki's
special steels ~15m
tonnes in 2012

Source: WSA SRO 4/2013 and Ruukki's forecast of hot-rolled special steels market
Hot-rolled special steels include the following trademarks: Raex, Optim and Ramor.



Key actions in 2013, near-term outlook and guidance

Strategic focus areas

Ruukki Building Products



Growth through roofing and energy-efficient products

- Fast, profitable growth in roofing products
- Increased share of energy-efficient and functional products
- Identification of new business opportunities in foundation and infrastructure products

Ruukki Building Systems



Back to profitability (by end of 2013)

- Cost efficiency
- Optimised production capacity
- Improved project management
- Strong growth in Russia
- Creation of functional building systems

Ruukki Metals



Accelerated growth in sales of special steel products

- Growth in special steel products through new customers, applications and new market areas
- Optimisation of the standard products portfolio

Cost savings through operational excellence

Near-term outlook

Continued uncertain economic outlook, no significant pick-up in markets expected

Ruukki Building Products



- Residential construction at low level, especially in Finland, Poland and Russia
- Continued weak infrastructure construction activity in Finland, but end of year outlook brighter in other Nordic countries

- Construction markets expected to recover in 2014

Ruukki Building Systems



- Growth in commercial and industrial construction in Russia, Sweden and Norway
- Continued weak demand for commercial and industrial construction in Finland also for rest of year

Ruukki Metals



- Service centre sales continue at same level as during H1
- Continued uncertainty in demand from mill customers
- Demand growth for special steels outperforming demand for standard steels, especially in market areas outside Europe
- Good conditions for growth in sales of special steels

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

		Q2/2013	Q2/2012	H1/2013	H1/2012	2012
Net sales *)	€m	633	688	1,222	1,339	2,597
Operating profit *)	€m	17	10	21	-1	-50
as % of net sales *)		2.6	1.5	1.7	-0.1	-1.9
Result before income taxes *)	€m	6	2	2	-19	-88
Result for the period	€m	-1	-11	-5	-31	-117
Earnings per share, diluted	€	-0.01	-0.08	-0.03	-0.22	-0.85
Return on capital employed, (rolling 12 months)	%			-3.0	-4.1	-4.9
Gearing ratio	%			74.2	71.5	71.2
Gross capex **)	€m	24	26	40	47	97
Net cash from operating activities	€m	54	-5	77	49	172
Net cash before financing activities	€m	31	-30	38	2	78
Personnel (average)		9,271	11,692	9,074	11,521	11,214

*) Comparable

**) In tangible and intangible assets

Quarterly comparable net sales, operating profit and deliveries

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

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

*) The comparable figures exclude: the divested Mo i Rana unit, Ruukki Engineering's business except for the units transferred Ruukki Metals, unrealised gains and losses on foreign currency hedges (USD), and non-recurring items

Deliveries, Ruukki Metals										
(1000 tonnes)	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012	Q4/2011	Q3/2011	Q2/2011	Q1/2011
Deliveries	451	481	466	389	448	507	455	364	415	487