Interim report Q1-Q3/2013
Sakari Tamminen, President & CEO
Rautaruukki Corporation
23 October 2013
Agenda

• Q3 in brief, key figures
• Financial performance
• Business area performance
• Focus areas and key actions in 2013
• Business environment, near-term outlook and guidance
Q3/2013 in brief

• Improved profitability in all business areas y-o-y
• Efficiency projects progressed in line with targets, earnings improvement of appr. €52 million in Q1-Q3/2013
• Comparable operating profit was €10 million (-15)
• Net sales and value of order intake down y-o-y due to decline in market prices of steel. Volumes, however, unchanged y-o-y and gross margin increased
• Growth seen in markets outside Europe, net sales down clearly in Finland and Ukraine
• Net cash from operating activities in Q1-Q3/2013 was €105 million (93)
## Key figures

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<tbody>
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<td>€m</td>
<td>568</td>
<td>638</td>
<td>1 803</td>
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<tr>
<td>Net sales *</td>
<td>€m</td>
<td>592</td>
<td>624</td>
<td>1 814</td>
<td>1 963</td>
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<tr>
<td>Operating profit *</td>
<td>€m</td>
<td>10</td>
<td>-15</td>
<td>31</td>
<td>-16</td>
</tr>
<tr>
<td>as % of net sales *</td>
<td>%</td>
<td>1.7</td>
<td>-2.5</td>
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<tr>
<td>Result before income taxes*</td>
<td>€m</td>
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<td>Earnings per share</td>
<td>€</td>
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<td>Net cash from operating activities</td>
<td>€m</td>
<td>28</td>
<td>44</td>
<td>105</td>
<td>93</td>
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<tr>
<td>Gearing ratio</td>
<td>%</td>
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* Comparable
Business performance
Order intake volumes at same level year on year
Order intake value down 11% year on year

Quarterly order intake* (€m)

Q3/2013 vs. Q3/2012
- Ruukki Building Products and Ruukki Building Systems’ order intake almost at same level as a year earlier
- Average prices of Ruukki Metals’ order intake were lower, but order volumes were at the same level
- Normal seasonality impacted on Ruukki Metals’ orders
Net sales down 5% - due mostly to lower selling prices of steel products
Year-on-year growth in markets outside Europe

Quarterly net sales* (€m)

Net sales by market area*  
Q1-Q3/2013 (Q1-Q3/2012)  
100% = €1,814m (€1,963m)

Other countries 7% (6%)
Rest of Europe 12% (13%)
Russia and Ukraine 10% (10%)
Central Eastern Europe 15% (14%)
Finland 26% (27%)
Other Nordic countries 31% (31%)

* Comparable
Profitability improved year on year in all business areas
Operating profit €10 million

Operating profit* by business area and group EBITDA (€m)

Operating profit by business area (€m)
Q2/13 vs. Q3/13

* Comparable

Ruukki Building Products
Ruukki Metals
Ruukki Building Systems
Other
Reported EBITDA
Cash flow €105 million during Q1-Q3/2013
€3 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 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

- Net interest-bearing debt
- Gross capex in tangible and intangible assets
Business area performance
Building Products’ order intake close to level a year earlier
Weak demand in Finland, Poland and Ukraine

Order intake, (€m)

Q3/2013 vs. Q3/2012

- Residential roofing products: -5%
  - Growth in Sweden, decrease in Poland, Finland and Ukraine
- Components: +2%
  - Growth in Norway, Poland and Czech Republic, decrease in Finland and Ukraine
- Infrastructure construction orders at same level as a year earlier
  - Growth in Norway, decrease in Finland and Sweden

Weak demand in Finland, Poland and Ukraine
Building Products’ net sales

Net sales down 2% due to weakened demand in most market areas, especially in Poland and Ukraine

Net sales by product group, (€m)*

Q3/2013 vs. Q3/2012

- Residential roofing products: -3%
  - Net sales down slightly in most markets, growth in Estonia and Latvia
- Components: -3%
  - Growth in Norway and Czech Republic
- Infrastructure construction net sales up slightly
Building Products’ net sales by market area
Net sales down in most markets, strong growth, however, in residential roofing in Sweden and in components in Norway

Net sales by market area
Q1-Q3/2013 (Q1-Q3/2012)*

- Russia and Ukraine 8% (9%)
- Rest of Europe 2% (3%)
- Finland 33% (34%)
- Central Eastern Europe 30% (29%)
- Other Nordic countries 27% (25%)

Q1-Q3/2013 vs. Q1-Q3/2012

- Growth in residential roofing products in Sweden, decrease in Finland, Poland and Ukraine
- Growth in building components in Norway and Czech Republic, decrease in Finland and Sweden
- Infrastructure construction net sales down in all main market areas

* Comparable
Building Products’ comparable operating profit improved year on year

EBITDA and EBIT (€m) *

Comparative EBIT €16 million (12)

- Operating profit up year on year due to impact of efficiency programme and better gross margin
- Relative profitability improved in all product groups

Efficiency programme on target: total earnings improvement in Ruukki Building Products and Ruukki Building Systems in January-September was €12 million, of which around €6 million in Building Products
Building Systems’ order book at a good level
Order intake at same level as a year earlier

Order book, (€m)

Order intake, (€m)

- Growth in Russia, orders up 16% year on year
Growth in Sweden and Norway
Building Systems’ net sales at same level as a year earlier

Net sales by market area, (€m) *

Q3/2013 vs. Q3/2012
• Net sales growth driven mainly by shopping centre and energy plant projects in Sweden and Norway
• Net sales in Finland down clearly year on year due to weak demand
• Net sales in Russia down 15%, which was largely due to a weaker rouble
Building Systems’ profitability improved

EBITDA and EBIT (€m)*

Comparable EBIT €1 million (-4)

- Profitability improved as a result of shifting the focus of production to lower-cost countries, better gross margins and higher capacity utilisation rates
- EBITDA €5 million (0)

Efficiency programme on target: total earnings improvement in Ruukki Building Products and Ruukki Building Systems in January-September was €12 million, of which around €6 million in Building Systems.
Order intake in steel business down 15% due to lower selling prices

Order intake for special steel products up year on year

Q3/2013 vs. Q3/2012
- Order volumes for special steels up clearly year on year
  - Growth especially in Western and Southern European markets
- Order volumes for strip and flat steel products down clearly, also selling prices down
- Orders for tube and profile products down slightly

Q3/2013 vs. Q2/2013
- Orders down quarter on quarter in all product groups, order volumes down slightly
- Negative impact of summer holiday season

* The reference figures have been restated to reflect the current corporate structure
Net sales down 7%, delivery volumes up slightly in steel business

Delivery volumes of special steel products up, net sales at same level as previous year

Net sales by product group*, (€m)

Q3/2013 vs. Q3/2012
- Lower average selling prices
- Slightly higher delivery volumes

Q3/2013 vs. Q2/2013
- Net sales down in all product groups due to normal seasonality

* Reported
Special steels accounted for 34% of net sales in steel business
Target is annual net sales of €850 million in 2015

Net sales of special steels 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 markets outside Europe

Net sales by market area
Q1-Q3/2013 (Q1-Q3/2012)

- Net sales up in market areas outside Europe
- Net sales down clearly in Finland, the other Nordic countries, Western Europe and China
- Net sales down slightly in Central Eastern Europe

Q1-Q3/2013 vs. Q1-Q3/2012

* Comparable

Metals
Steel business’ operating profit improved year on year
Efficiency project progressed in line with targets

EBITDA and EBIT* (€m)

Comparative EBIT -€3 million (-16)

- Operating profit up year on year due to cost savings from efficiency projects and to lower raw material costs
- Earnings improvement from efficiency projects €36 million (Jan-Sep/2013)
- Lower average selling prices of steel products weakened profitability
- EBITDA was €23 million (9)

* Comparable EBIT, reported EBITDA
Steel business’ operating profit down €11 million quarter on quarter

Operating profit (€m) Q2/13 vs. Q3/13 *

- Impact of change in product mix and prices totalled -€9 million
- Impact of costs of raw materials and other costs was €10 million
- Delivery volumes were down 35,000 tonnes or 8% quarter on quarter
- Impact of normal maintenance shutdowns at rolling mills was -€8 million

* Comparable
Capacity utilisation rate in steel production around 78% during third quarter

Normal maintenance shutdowns reduced utilisation rate at rolling mills

Quarterly steel production

1000 tonnes

Steel production up 12,000 tonnes quarter on quarter and was 547,000 tonnes in Q3

Capacity utilisation rate in steel production was around 78%

* Modernisation of blast furnace 2
Steel raw material prices rose during Q3
New contract to purchase iron ore pellets more flexible to market price fluctuations

Average spot price of iron ore*

USD/t

09/13: 133

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

Average spot price of coking coal**

USD/t

09/13: 152

** FOB Australia

Source: CRU
Focus areas and key actions in 2013
Strategic focus areas

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<tr>
<th>Ruukki Building Products</th>
<th>Ruukki Building Systems</th>
<th>Ruukki Metals</th>
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<tbody>
<tr>
<td><strong>Growth in roofing and energy-efficient products</strong></td>
<td><strong>Back to profitability (run rate at the end of 2013)</strong></td>
<td><strong>Accelerated growth in sales of special steels</strong></td>
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</table>

**Cost savings through operational excellence**
Actions on-going in Ruukki Building Products’ focus areas

• Rapid growth & role change in roofing
  • Build replicable business model
  • Expand distribution and installation
  • Continue strengthening Ruukki Express and service network, 12 new outlets opened in 2013, total number now is 42 outlets

• Run systematic path to energy efficient & functional components
  • Differentiate business focusing on energy efficient & functional products
  • Continuous efficiency development in components business

• Deepen steel piling expertise
  • Develop strong Nordic market position by further differentiating product & service portfolio
  • Find new business opportunities and applications
Actions on-going in Ruukki Building Systems’ focus areas

- Focus is to improve relative profitability, not to grow
- Secure adequate project pipeline
- Improve project management and minimise negative deviations in projects
- Cut the capacity to the right level
- Cut the bloated SGA costs from 13% → 8% (of Net sales)
- Develop energy-efficient, functional building solutions
  - The aim is to shorten construction time, save materials (=cost) and promote sustainability
New efficiency programme of €30 million in Ruukki Metals

- No significant upturn in steel demand is expected during the next few years in Ruukki Metals’ main market area in Europe
- Therefore, Ruukki Metals will start to prepare new efficiency programme targeting €30 million permanent annual earnings improvement
- Analysis will be carried out and the targets set by the end of the year
- The targeted earnings improvement is expected to be achieved in full during the course of 2015
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 (ABU)

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 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.
Growing focus on special steels
Advanced production technology and broad product portfolio as a base for increasing sales

Sales & distribution

Focus in Europe
New sales offices e.g. in France & Benelux

Expanding in Russia
4 new sales offices & new stock in Russia

Products

2004 '05 '06 '07 '08 '09 '10 '11 '12 '13
Raex 400-500 strips
Optim 900-1100 strips
Ramor 500 strips
Litec 800-1000DP
Pural Matt coating
PVDF Matt coating

Raex plates 11-16 mm
Raex plates 8-30 mm
Optim 700 plates 8-30 mm
Laser welded products
Purex coating
Litec 1000 DP

Optim 700MCPlus Raex & Optim 700 Plus Tubes
Raex plates up to 80 mm
Ramor 550
Optim 700 plates up to 60 mm

Raex plates 8-30 mm
Optim 700 plates 30-40 mm
Raex plates up to 40 mm
Optim 700 plates up to 40 mm

Optim 700MCPlus Raex & Optim 700 Plus Tubes
Raex plates up to 80 mm
Ramor 550
Optim 700 plates up to 60 mm

New sales offices in China, Australia & India
Own stock in China
New distributor cooperation in Americas, Asia Pacific, Europe & Middle East

Total of 10 Certified partners in Brazil, Chile, Europe & Peru
40 new positions in international sales

Global business
New sales offices in Canada, Chile, Russia & USA

33 23 October 2013 www.ruukki.com | Sakari Tamminen
Evolution of a tipper body with Ruukki’s support in product re-design

- Traditional box type tipper for coal transportation
- Target for weight reduction

- Focus on material changes only
- Reduced thickness of the side and floor sheets by using Raex 400
- Reduced number of support structures and reduced thickness by changing to Optim 700

⇒ Weight reduction 20 to 25 %

- Changing Design for new materials
- Floor plate was stiffened with bending’s, stiffener sizes were optimized and thicknesses reduced
- Further reduction of sheet thicknesses in side and front walls was now possible due to the new tipper shape

⇒ Weight reduction over 30 %
⇒ Weight reduction over 35 %
⇒ Welding work -60 %.

Initial design
1st and 2nd concept
3rd concept
4th concept
Business environment, near-term outlook and guidance
Office and commercial construction forecast to grow most in Norway and Sweden
Demand remains weak in Finland, forecasts downgraded in Russia

Growth in Building Systems 2013 / CAGR 2013-2016

Russia -0.5% / 1.9%
Nordics 1.5% / 2.7%

Demand remains weak in Finland, forecasts downgraded in Russia
Moderate growth in Building Products’ main markets in next few years

Growth forecast in Building Products 2013 / CAGR 2013-2016

- Russia 0.6% / 3.0%
- Baltics 8.4% / 1.1%
- CEE 1 -9.8% / 1.8%
- CEE 2 -1.8% / 1.6%
- Nordics 0.4% / 1.9%
- Western Europe -1.8% / 1.3%
- CEE 2 -1.8% / 1.6%

*) The growth forecast has been adjusted to take into consideration Building Products’ geographical scope and segment shares.
Source: Global Insight 09/2013 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: WSA Short Range Outlook 10/2013
## Near-term outlook

### Ruukki Building Products
- Residential construction at low level, especially in Finland and Poland
- Continued weak infrastructure construction activity in Finland, but outlook brighter in other Nordic countries

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

### Ruukki Metals
- Service centre sales are forecast to pick up slightly during the fourth quarter
- Continued uncertainty in demand from mill customers
- Demand growth for special steels outperforming demand for standard steels, especially in market areas outside Europe
- Good opportunities for growth in sales of special steels

- Modest recovery in construction markets is expected to get under way in 2014
Guidance for 2013

Net sales guidance for 2013 has been changed:

**Revised guidance:**
Comparable net sales in 2013 are estimated to be approximately €2.5 billion.

**Earlier guidance:**
Comparable net sales in 2013 are estimated to be at the same level as in 2012*.

Operating profit guidance remains unchanged:

Comparable operating profit is estimated to improve compared to 2012 and to be positive.

* €2.6 billion
## Key figures

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<tr>
<td>*<em>Net sales <em>)</em></em></td>
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<td>-0.8</td>
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<tr>
<td>*<em>Result before income taxes <em>)</em></em></td>
<td>€m</td>
<td>0</td>
<td>-26</td>
<td>2</td>
<td>-46</td>
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<td><strong>Result for the period</strong></td>
<td>€m</td>
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<td><strong>Earnings per share, diluted</strong></td>
<td>€</td>
<td>0.01</td>
<td>-0.21</td>
<td>-0.03</td>
<td>-0.44</td>
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<td><strong>Return on capital employed, (rolling 12 months)</strong></td>
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<td>-4.0</td>
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<td><strong>Gearing ratio</strong></td>
<td>%</td>
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<td>73.8</td>
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<td>**Gross capex <strong>)</strong></td>
<td>€m</td>
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<td>67</td>
<td>72</td>
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<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>€m</td>
<td>28</td>
<td>44</td>
<td>105</td>
<td>93</td>
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<tr>
<td><strong>Net cash before financing activities</strong></td>
<td>€m</td>
<td>2</td>
<td>20</td>
<td>40</td>
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<td><strong>Personnel (average)</strong></td>
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<td>9 033</td>
<td>11 345</td>
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*) Comparable

**) In tangible and intangible assets
Quarterly comparable net sales, operating profit and deliveries

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*) The comparable figures exclude the divested Mo i Rana unit, the Kalajoki unit, the divested Ruukki Engineering business and non-recurring items.

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