



Interim report Q1-Q3/2012

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Rautaruukki Corporation

23 October 2012

Overview of Q3/2012

- Global economic outlook darkened further during the third quarter as in addition to the eurozone crisis, economic growth in China slowed more than expected
- Order intake increased in all Ruukki's other main market areas except the Nordic countries
- Downgrading of global economic growth forecasts was reflected at Ruukki especially in the fall in investment-decision-driven demand
- We expect to achieve savings of around €100 million through the efficiency projects begun earlier in the year
- After the report period, it was decided to combine units in our engineering business with Komatsu to form a new engineering contract manufacturer Fortaco

Key figures for Q3

Clear improvement in cash flow year on year

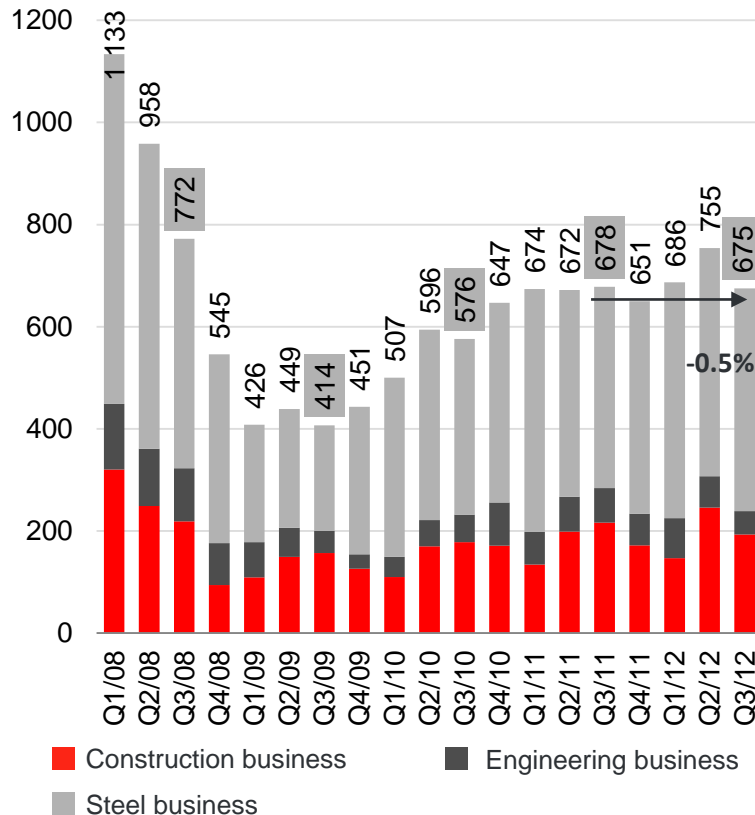
- Key figures for Q3:
 - Order intake down 1% y-o-y at €675 million
 - Comparable net sales unchanged y-o-y at €674 million
 - Comparable operating profit -€18 million
- Cumulative cash flow before capex €93 million
 - €61 million released from working capital during Q1-Q3
- Gearing ratio 71.4% at the end of September
- Utilisation rate in steel production averaged 76% due to weakened market conditions and normal July maintenance shutdowns

Financial performance

Order intake at same level y-o-y

Down 11% q-o-q

Quarterly order intake (€m)

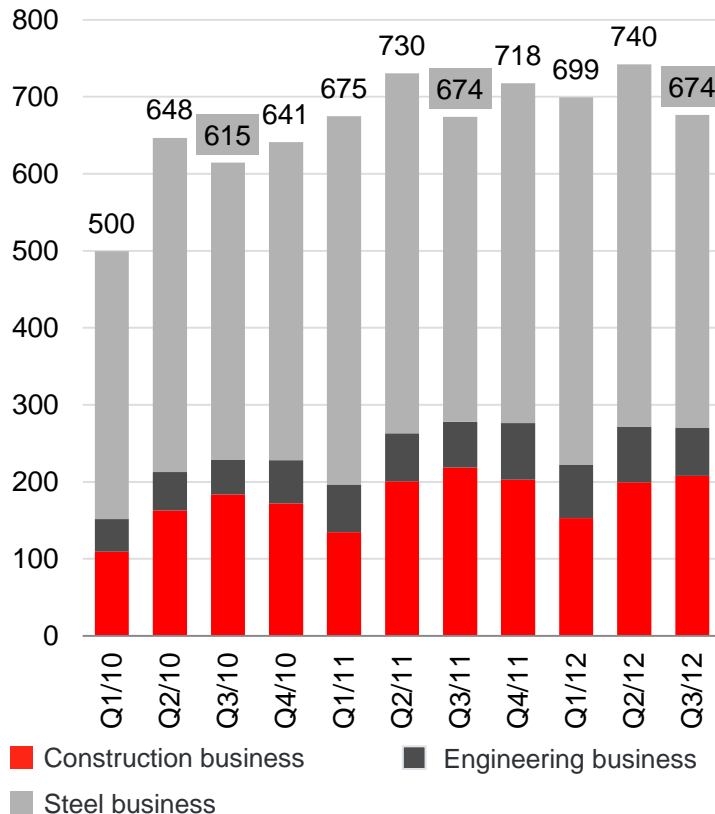


- Compared to the previous year, order intake was up
 - 11% in the steel business
- Compared to the previous year, order intake was down
 - 11% in the construction business
 - 33% in the engineering business

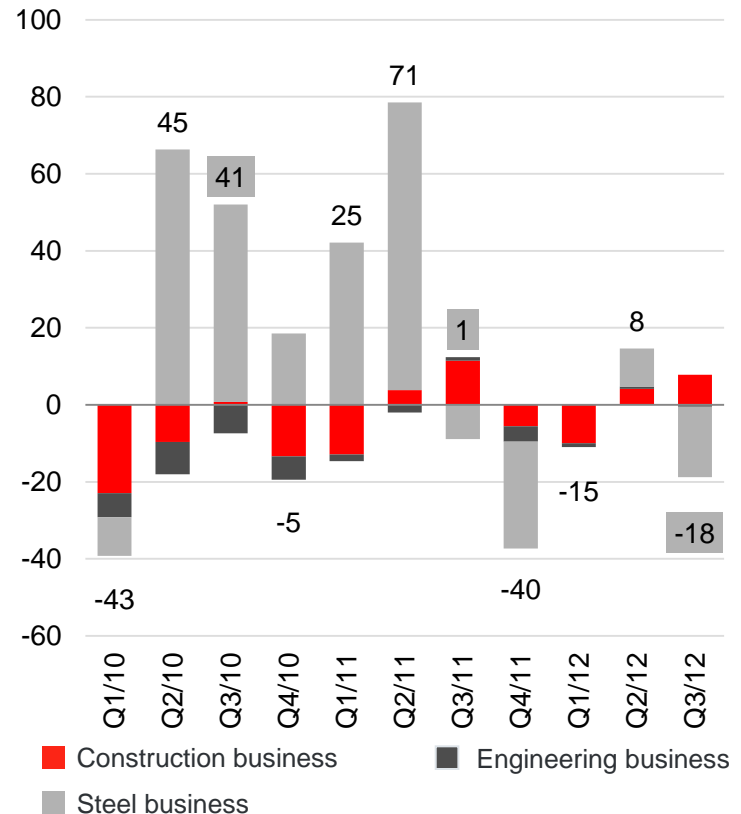
Net sales at same level y-o-y

Steel business at loss

Quarterly net sales (€m) *)



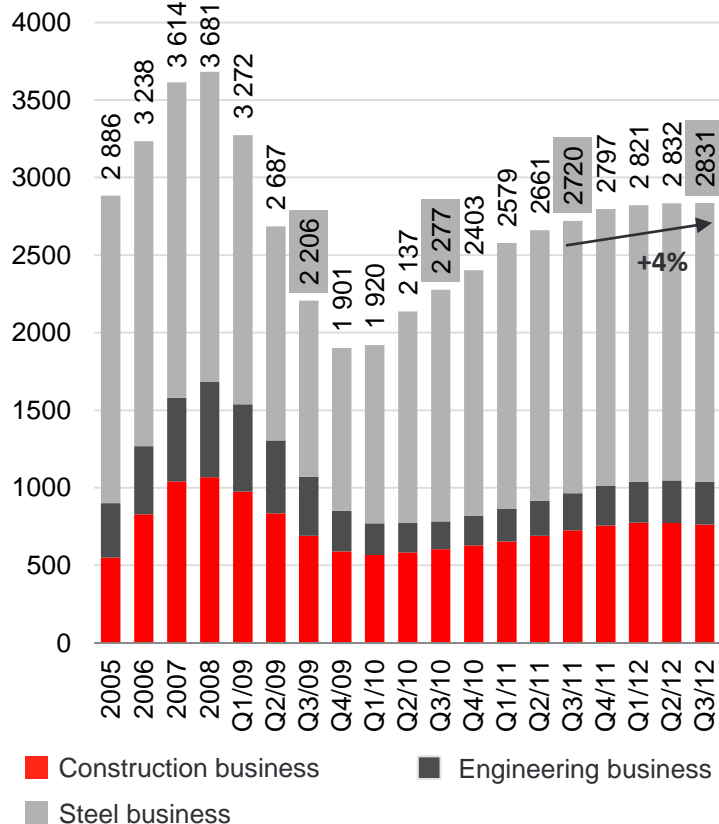
Quarterly operating profit (€m) *)



*) Comparable

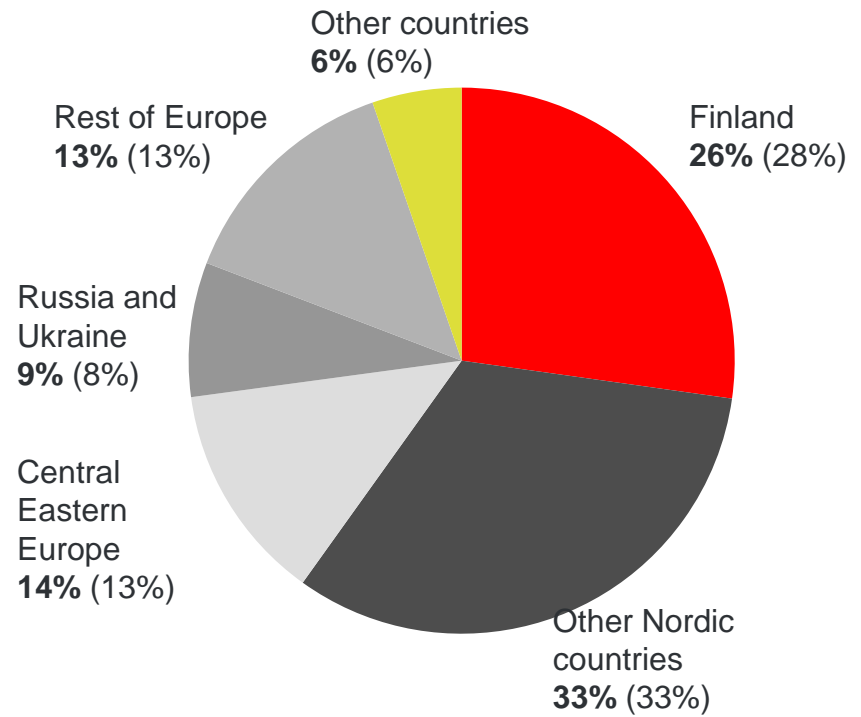
Growth in Russia, Ukraine and Central Eastern Europe

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



Net sales by market area 1-9/12 (1-9/11) *

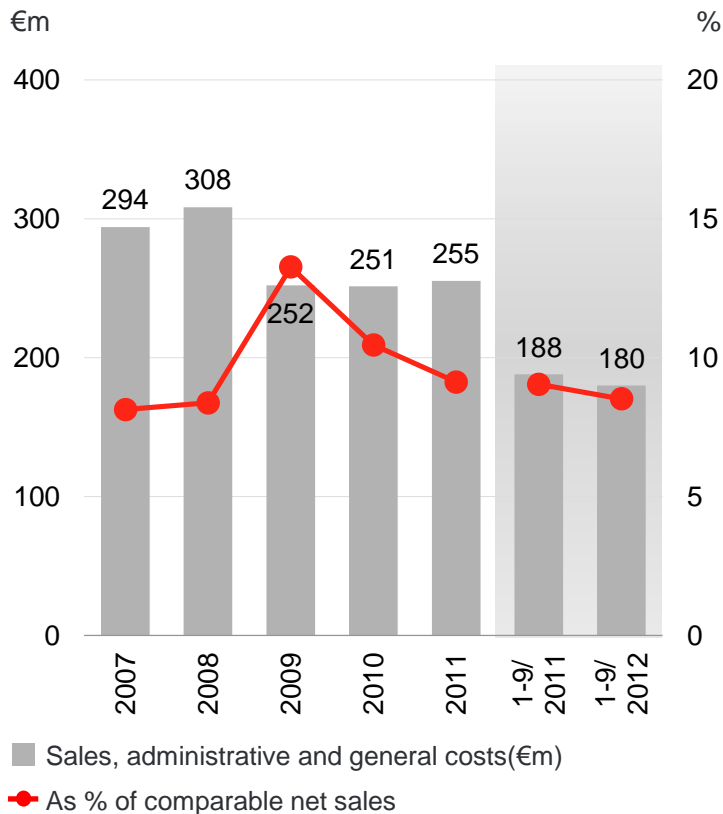
100% = €2113m (€2079m)



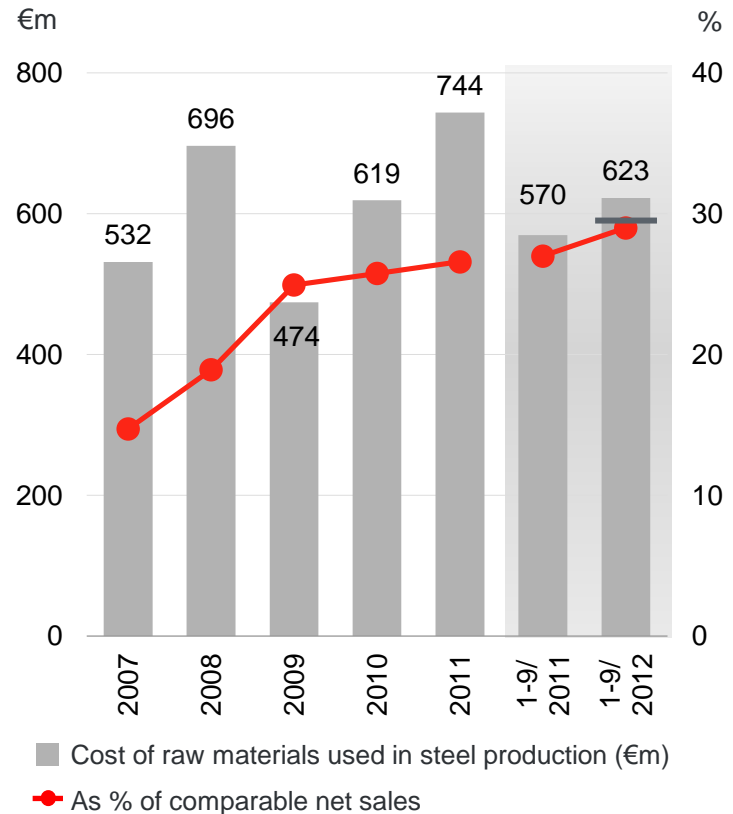
*) Comparable

The trend seen in raw materials and fixed costs since early part of year continued

Development of consolidated SGA costs



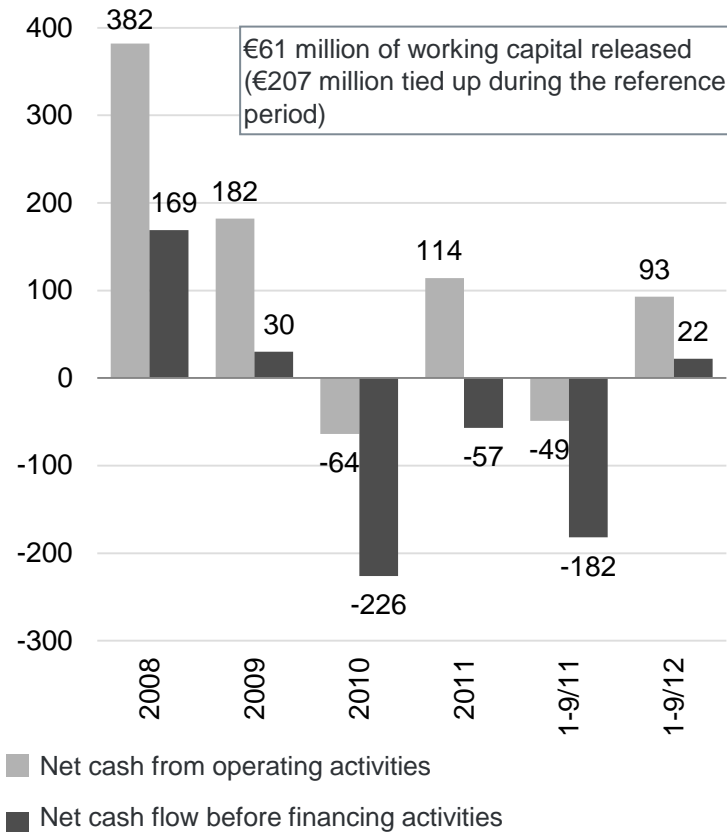
Development of steel raw materials costs



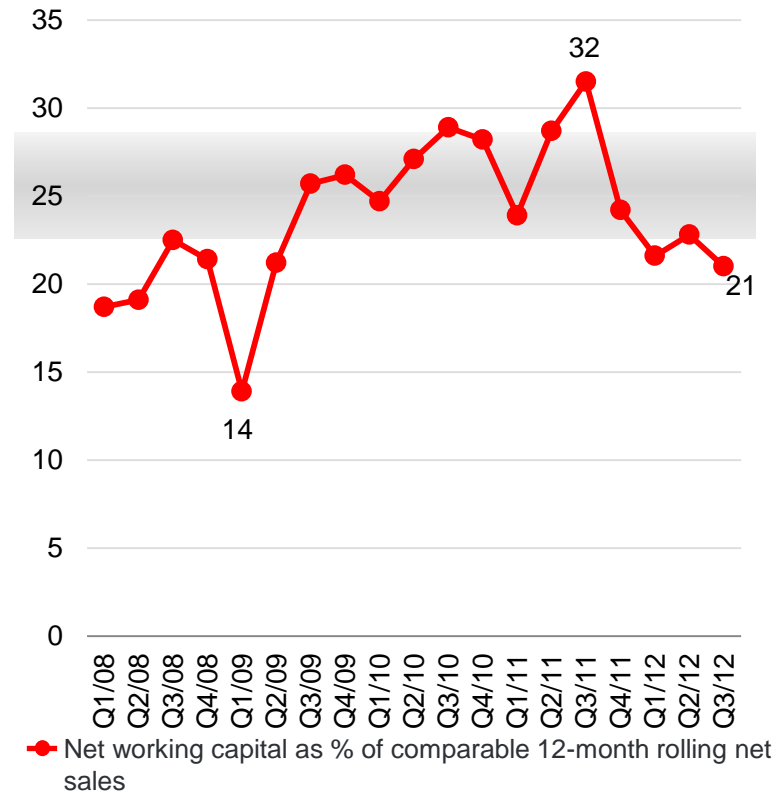
Cumulative cash flow €93 million

Successful working capital management

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

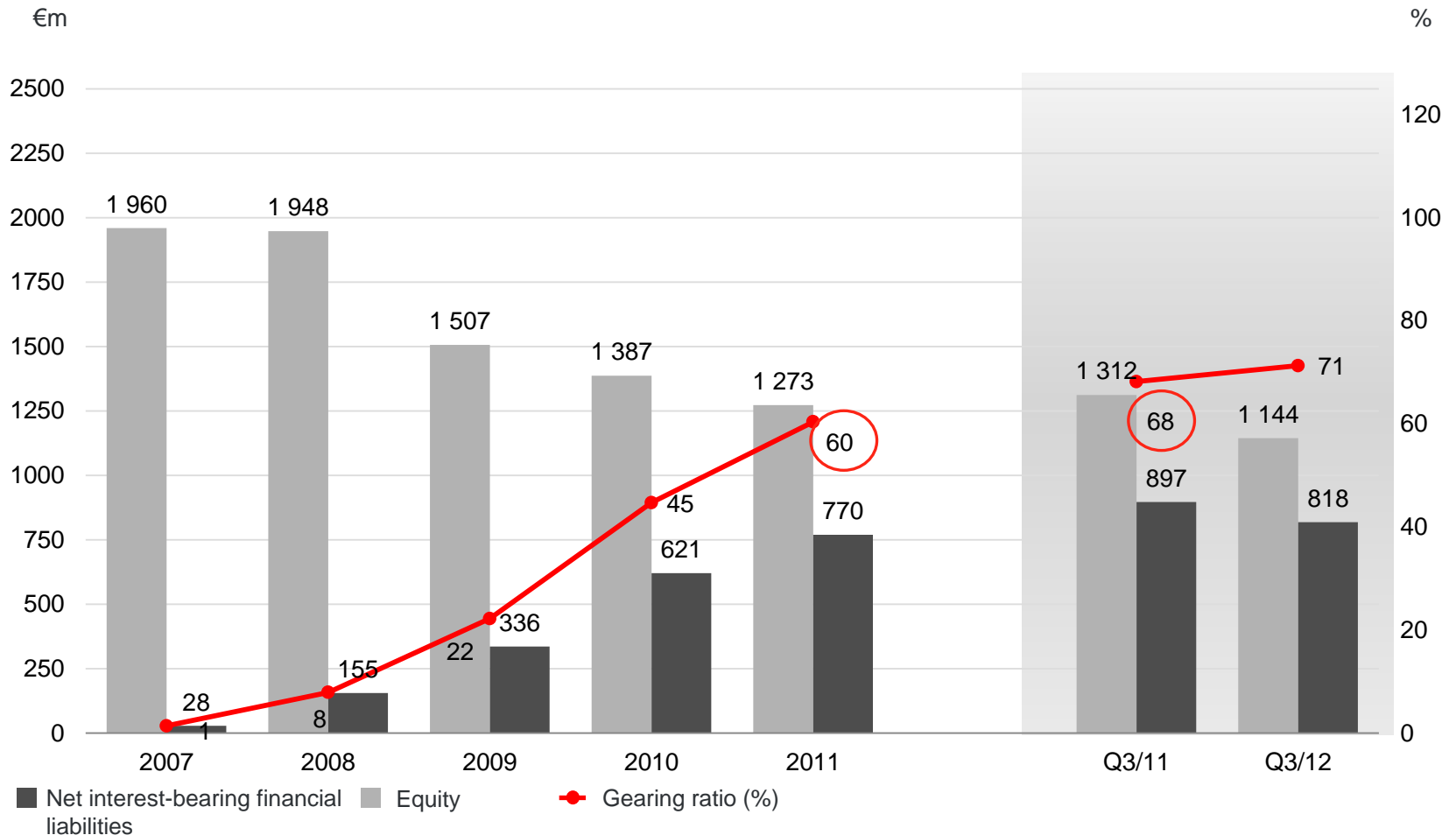


Net working capital as % of comparable 12-month rolling net sales

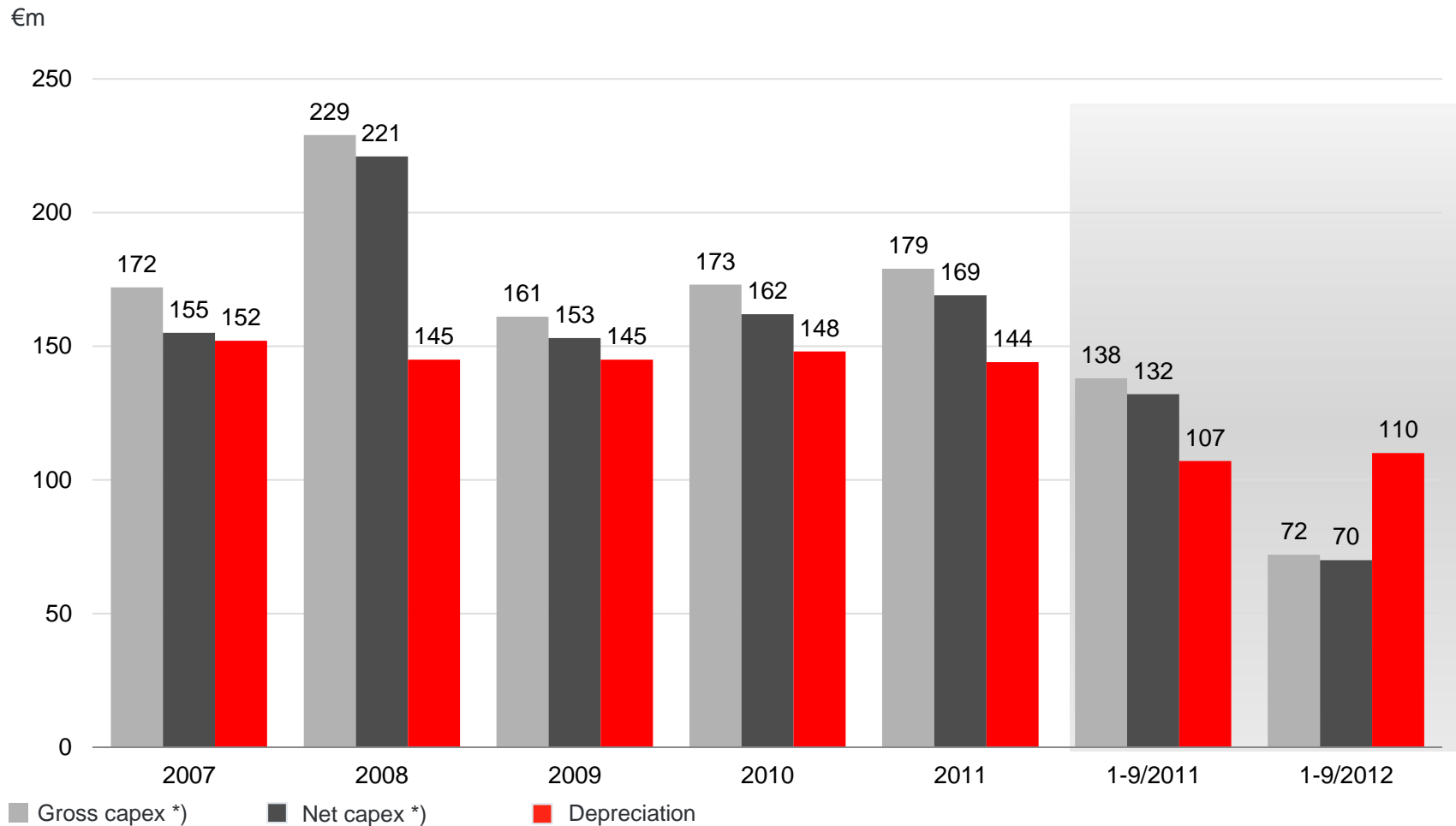


Gearing ratio 71%

Working capital is usually released towards end of year



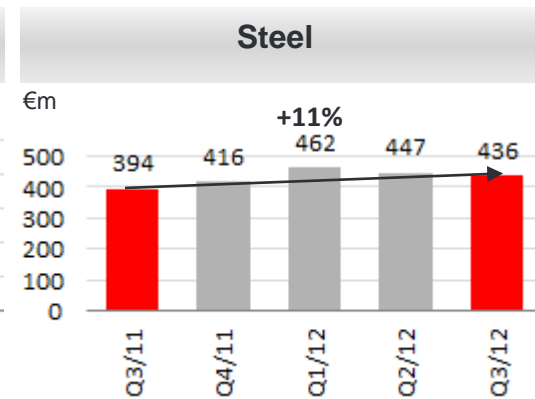
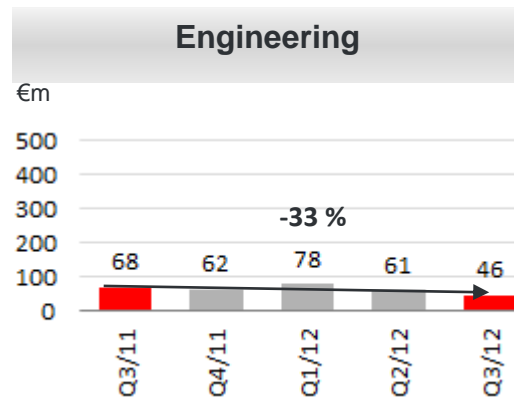
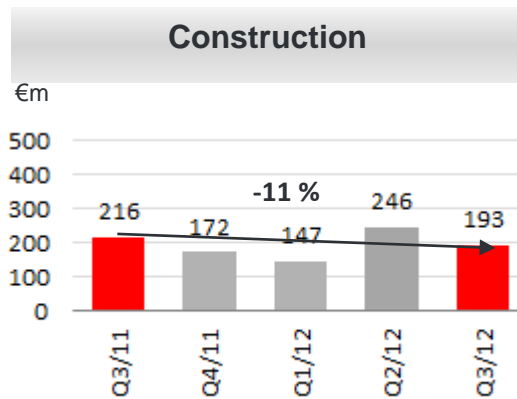
Capex below depreciation at around €100m a year from 2012 onwards



*) In tangible and intangible assets

Business areas

Order intake down 11% y-o-y



- + **Residential construction** grew in almost all market areas, especially in Finland, Sweden, Poland and Russia
- + **In Russia**, commercial and industrial construction grew q-o-q
- **In commercial and industrial construction projects**, order intake decreased
- **In infrastructure construction**, order intake was down clearly y-o-y

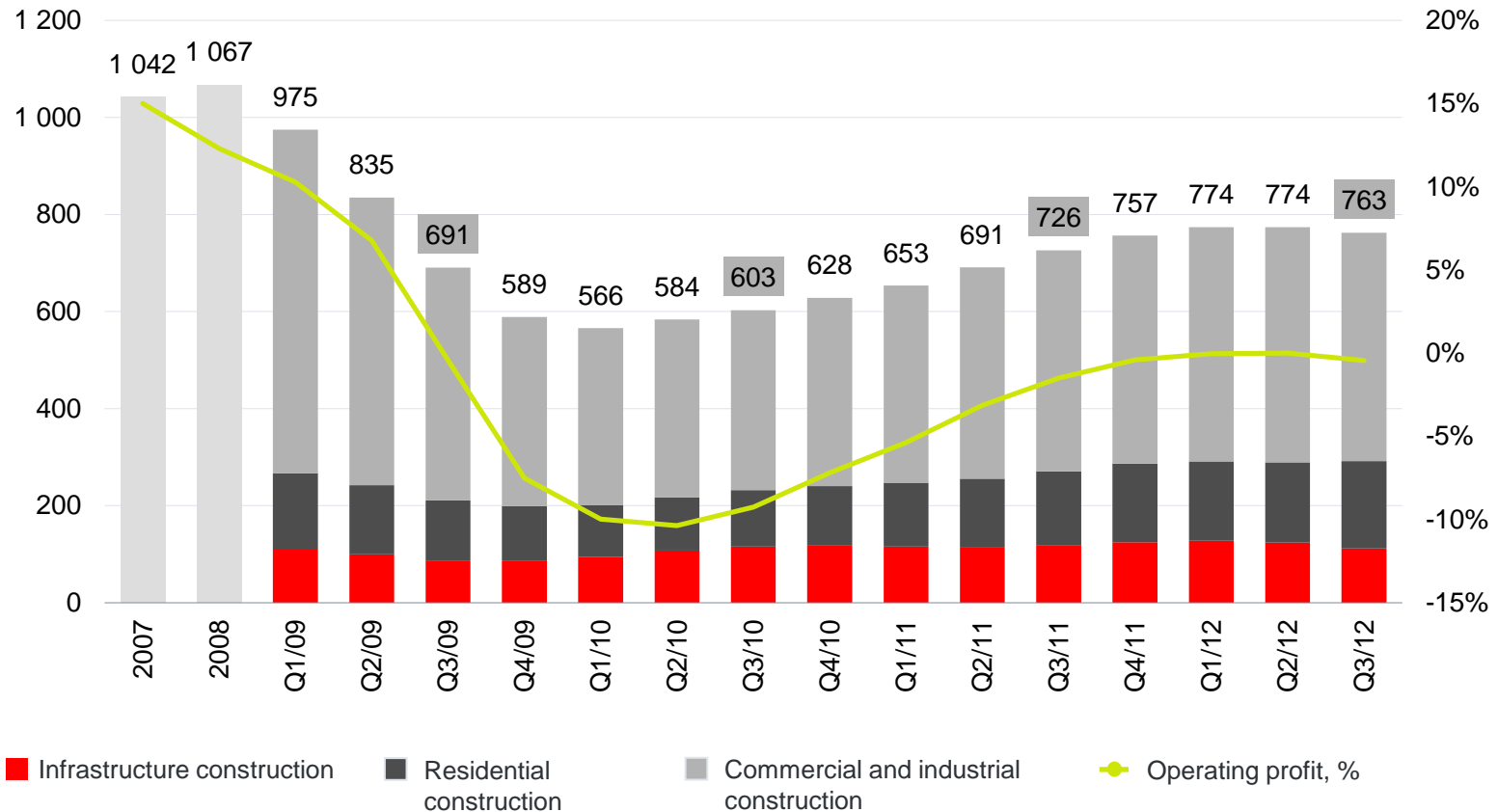
- **Order intake decreased in all customer sectors**, especially from manufacturers in the paper industry

- + **Strongest growth y-o-y in North America, Russia and Central Eastern Europe**
- + **Order volumes for special steel products** grew in many important market areas such as Russia and Poland
- **Customers destocked**, which was reflected in a 2% decrease in order intake compared to the previous quarter
- **Order intake prices fell** compared to the previous quarter

Construction business

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

Net sales by product group (€m) and operating profit %, rolling 12 mths*)

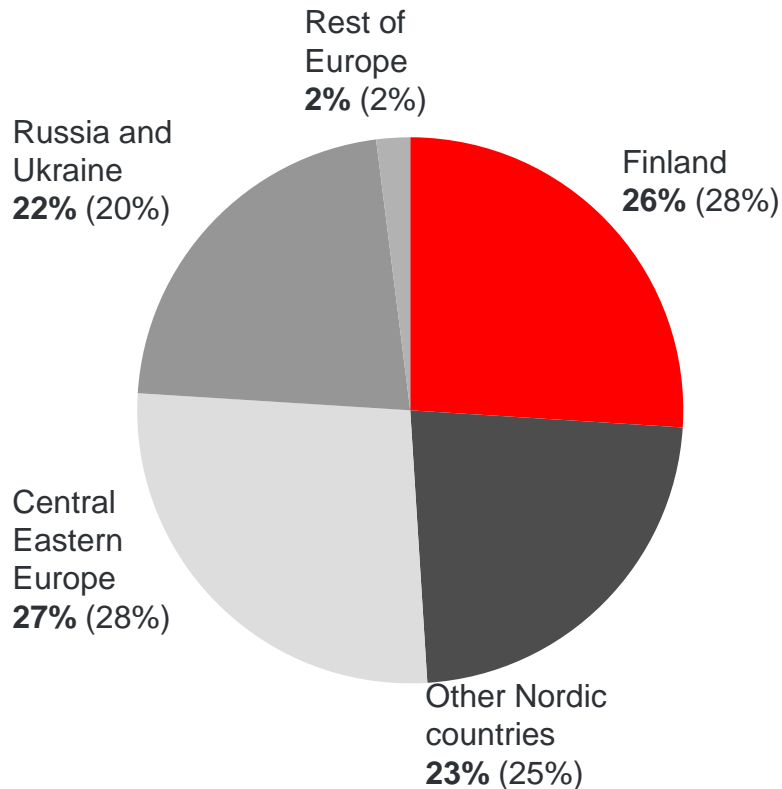


*) Comparable

Construction business

Strongest growth in Russia and Ukraine

Net sales by market area
1-9/12 (1-9/11) *)



Net sales development

1-9/2012 vs. 1-9/2011

- + Russia and Ukraine +28%
- Finland -8%
- Other Nordic countries -6%

7-9/2012 vs. 4-6/2012

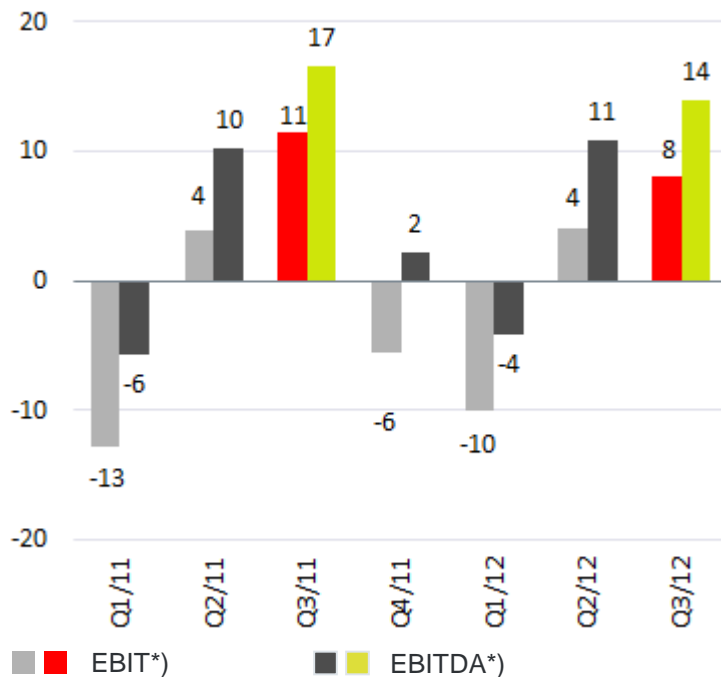
- + Russia and Ukraine +26%
- + Central Eastern Europe +13%
- Other Nordic countries -18%

*) Comparable

Construction business

Operating profit down y-o-y

Quarterly EBIT and EBITDA (€m) *)



Operating profit development Q3/2012 vs. Q2/2012 *)

- Operating profit down due to:
 - decrease in relative share of infrastructure construction net sales
 - weakened profitability of components in commercial and industrial construction
- + Project profitability improved, but capacity utilisation rate remained low

- Efficiency project: actions worth €20 million have been identified and are expected to result in earnings improvement of €9 million by the end of 2012

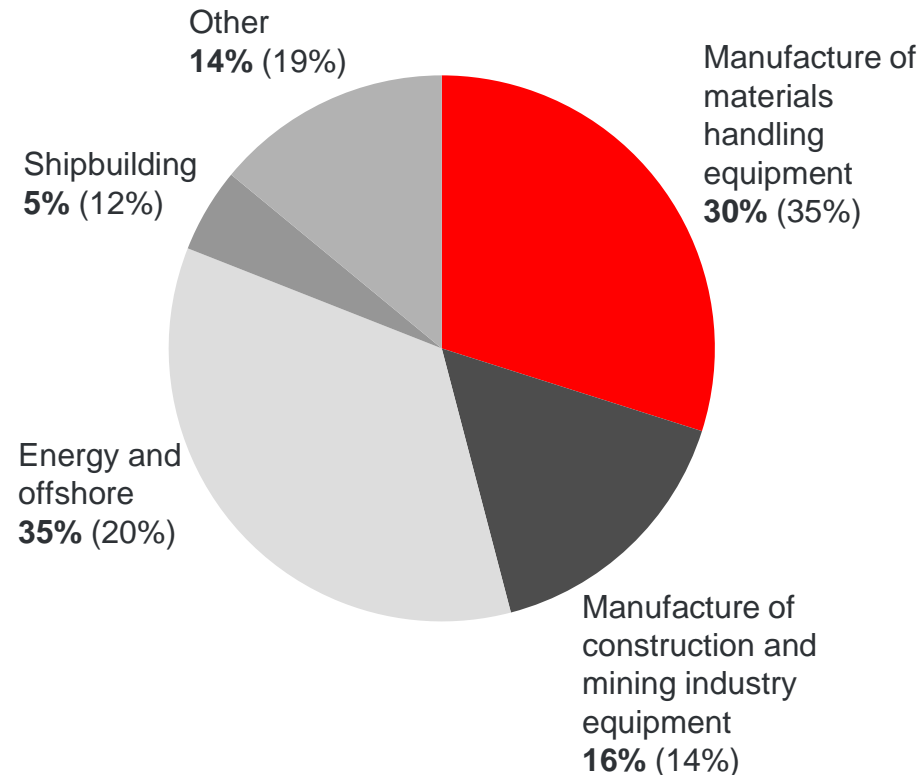
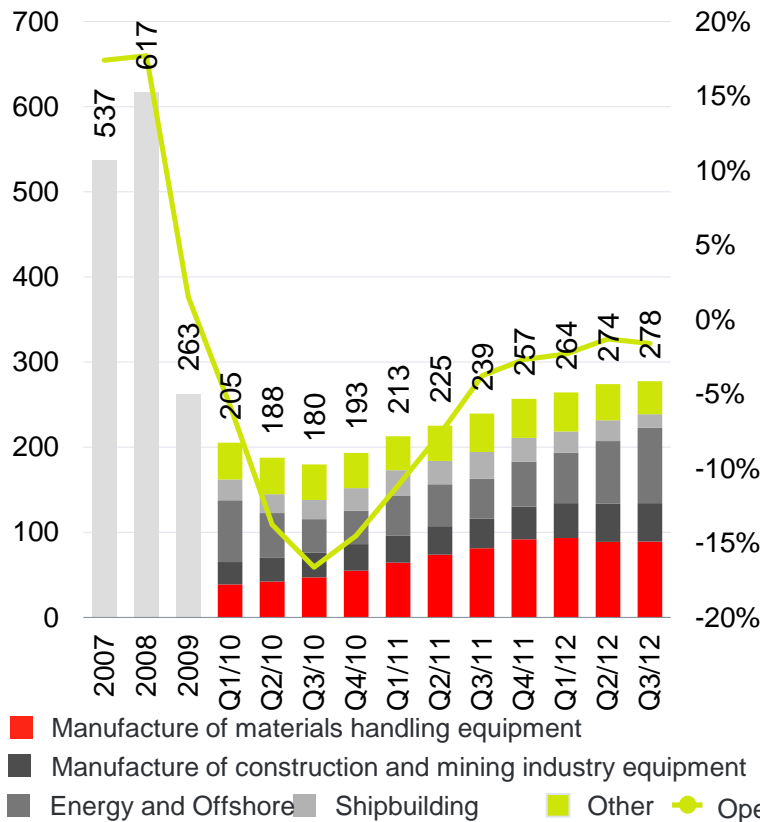
*) Comparable EBIT and reported EBITDA

Engineering business

Deliveries focused on equipment manufacturers in the materials handling and offshore industries

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

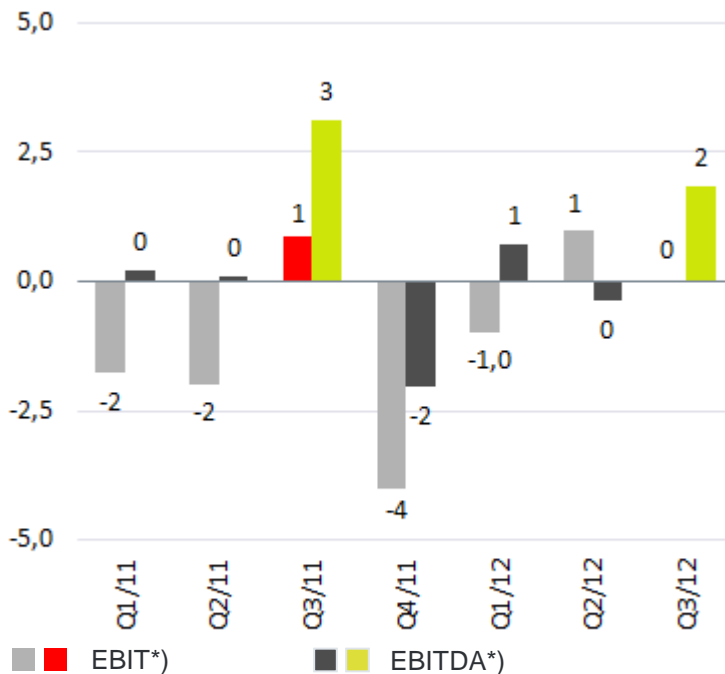
Net sales by customer segment 1-9/12 (1-9/11) *)



Engineering business

Operating profit down slightly y-o-y

Quarterly EBIT and EBITDA (€m) *)



Operating profit development

- Operating profit down both y-o-y and q-o-q
- Reported operating profit of -€8 million (-3) for Q1-Q3 included costs of €6 million related to closing down production at the Shanghai unit. These costs were booked in Q2.

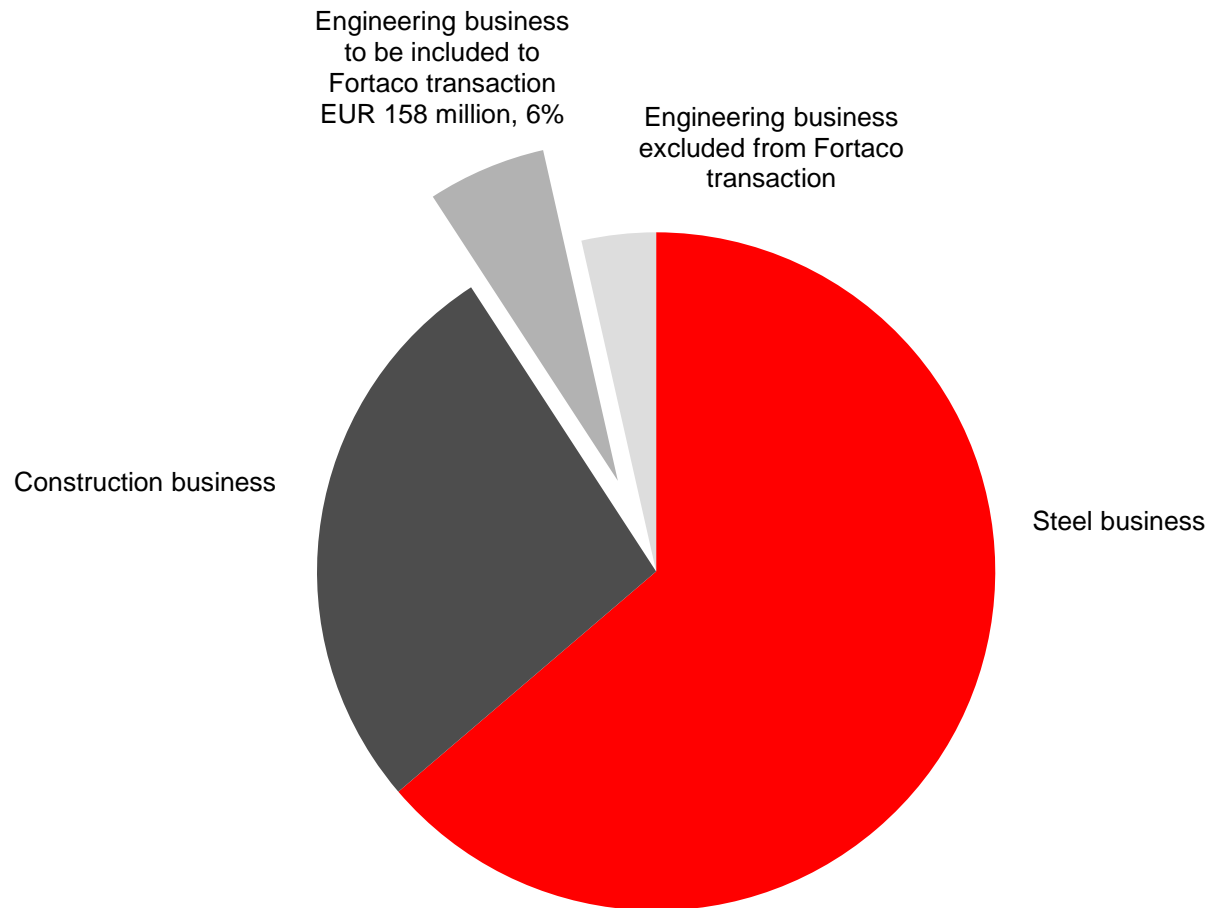
*) Comparable EBIT and reported EBITDA

Units of Ruukki Engineering and Komasa united to form a new company

A natural step for our Engineering business

- Ruukki and CapMan have agreed to combine units of Komasa and Ruukki Engineering division to form a new company Fortaco
- Transaction whereby Ruukki assigns business worth €114 million
- In return, Ruukki receives a 19% stake in the company, around €25 million in cash and equity-linked securities worth around €81 million in Fortaco
- Net sales from the units excluded from the transaction totalled around €100 million in 2011 and were profitable
- Approval of the competition authorities is required and this is expected to be received by the first half of December this year

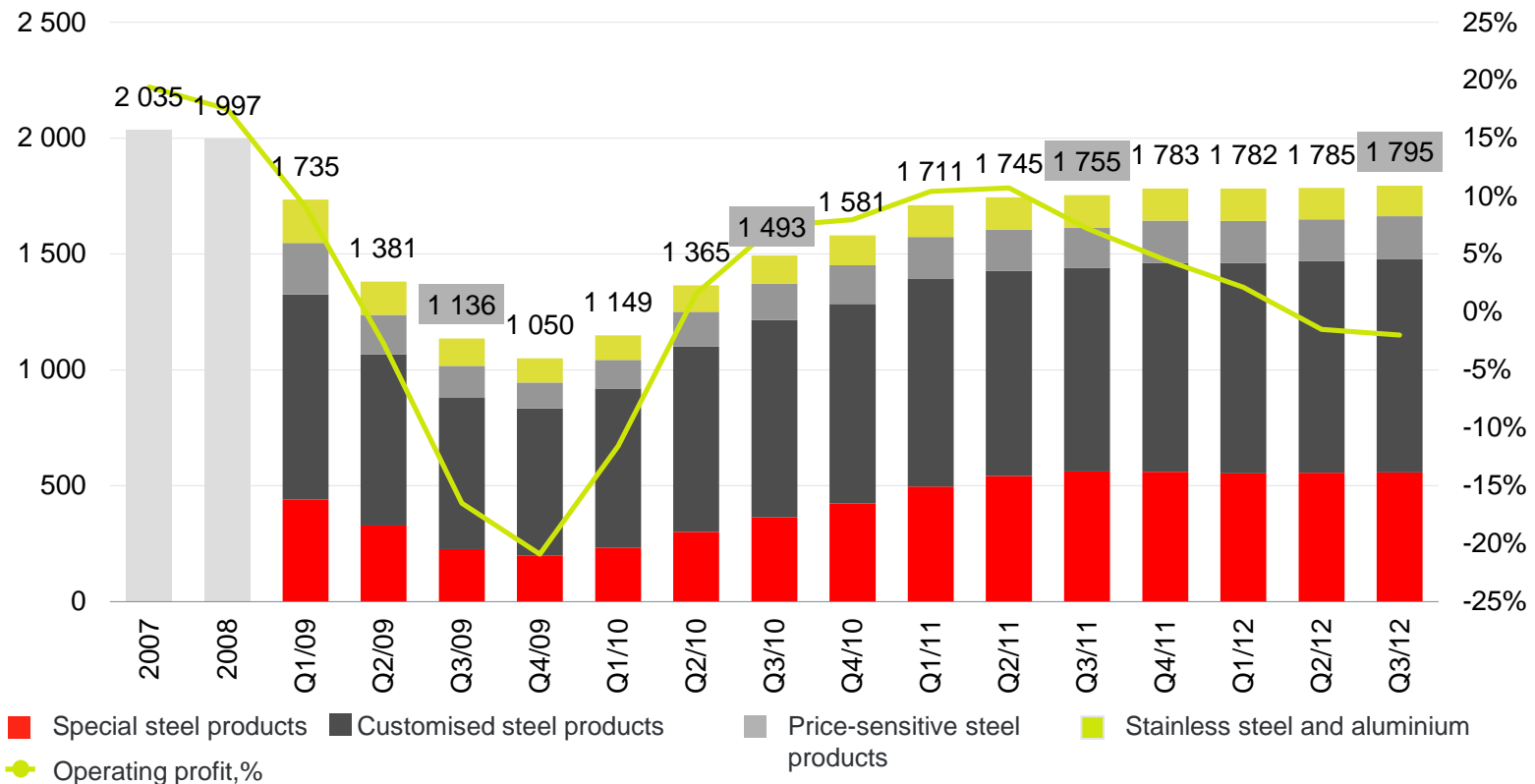
Sales of operations to be included in transaction EUR 158 million, 6% of Ruukki's 2011 net sales



Steel business

Special steel products 32% of net sales

Net sales by product group (€m) and operating profit %, rolling 12 mths*)



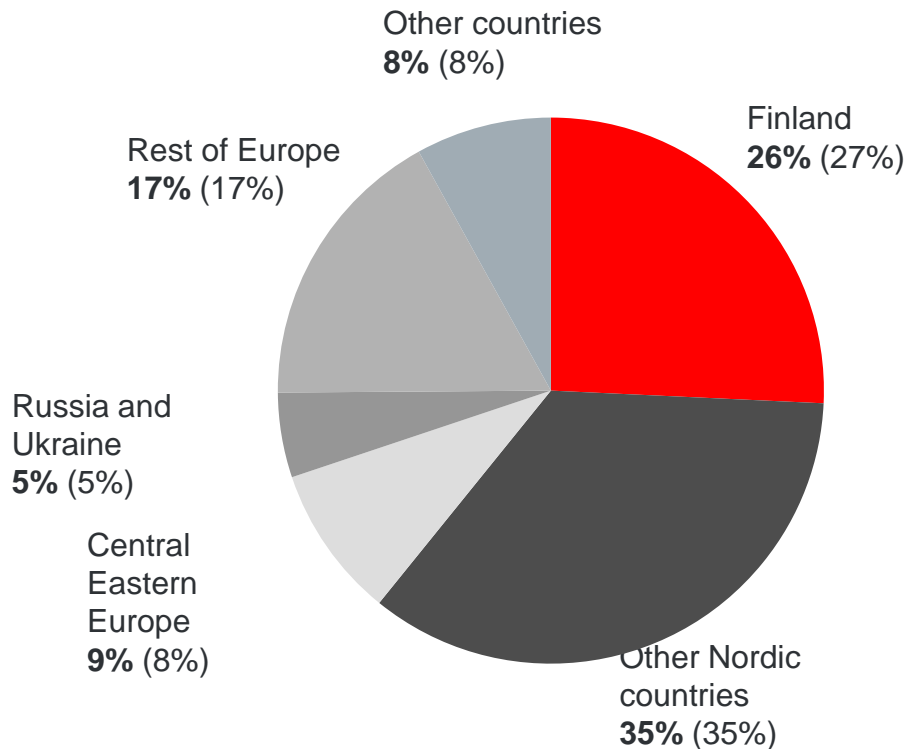
*) Comparable

Steel business

Growth in deliveries to Russia, Ukraine and Central Eastern Europe

Net sales by market area

1-9/12 (1-9/11) *)



Net sales development

1-9/2012 vs. 1-9/2011

- + Central Eastern Europe +6%
- + Russia and Ukraine +16 %
- Finland - 5%

7-9/2012 vs. 4-6/2012

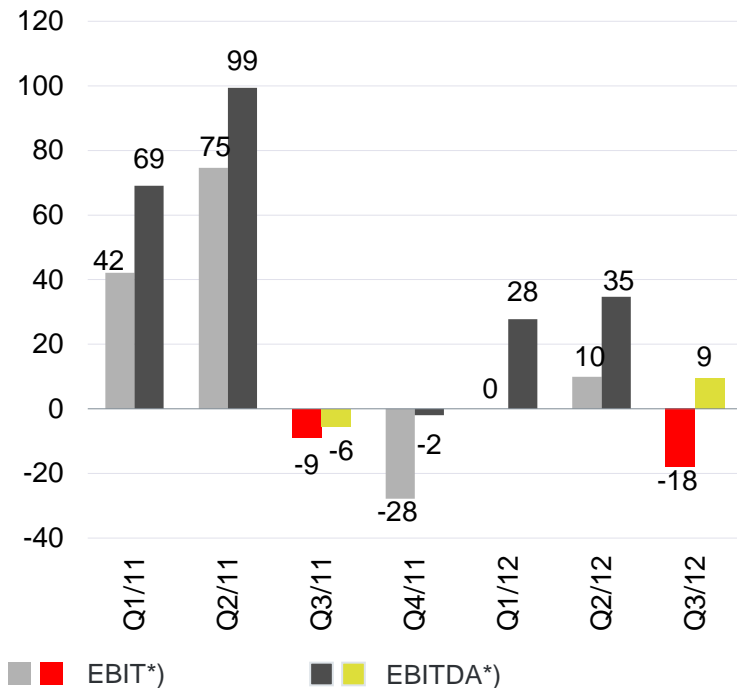
- + Russia and Ukraine +30%
- Finland -16%
- Other Nordic countries -20%

*) Comparable

Steel business

EBIT slightly down y-o-y

Quarterly EBIT and EBITDA (€m) *)



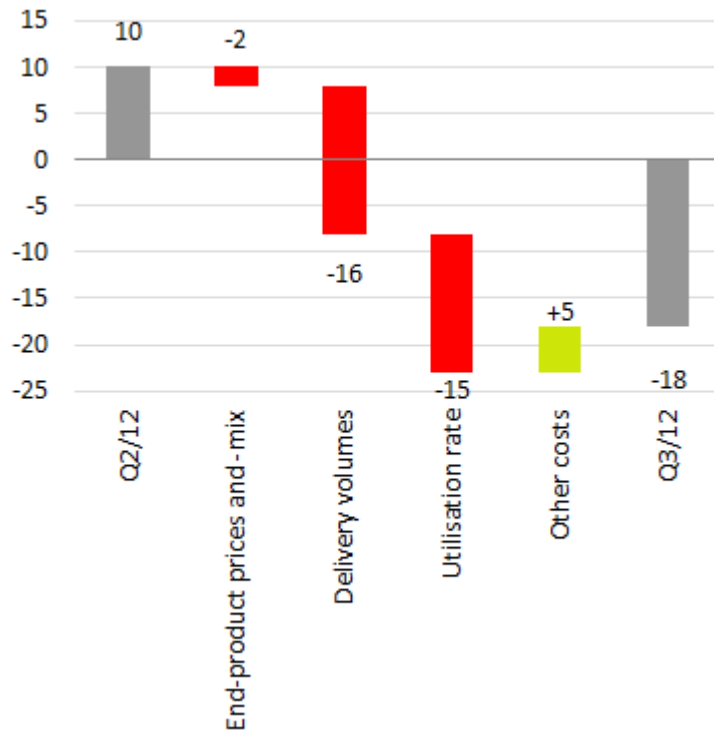
Operating profit development

- Operating profit was down y-o-y and q-o-q
- Operating profit weakened year on year mainly because of a weaker price level for steel products and higher raw materials costs.
- + EBITDA was positive

*) Comparable EBIT and reported EBITDA

Operating profit bridge of steel business q-o-q

Operating profit (€m) Q2/12 vs. Q3/12 *)



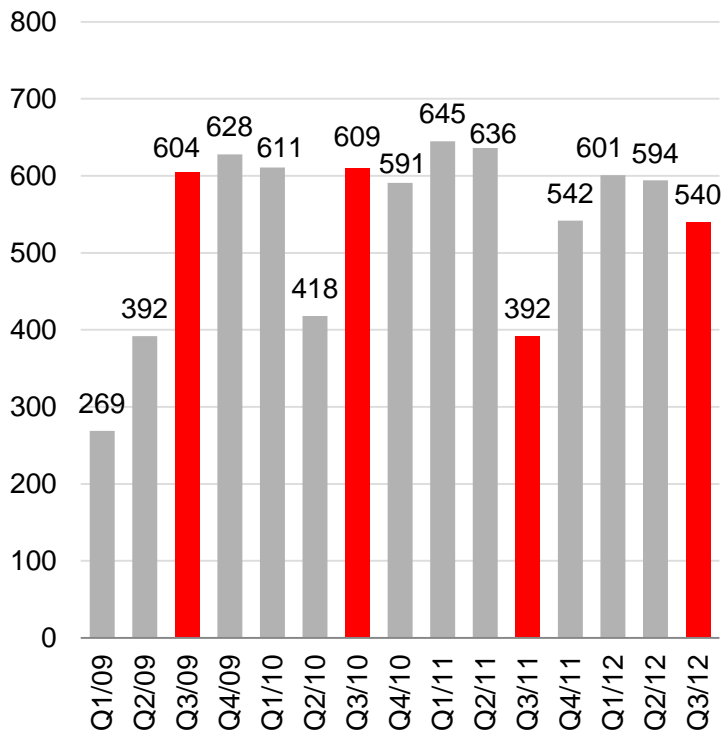
- Comparable operating profit was down €28 million q-o-q
- Average end product prices were down 0.5%
- Delivery volumes were down 59,000 tonnes

*) Comparable

Capacity utilisation rate in steel production around 76% during third quarter

Quarterly steel production

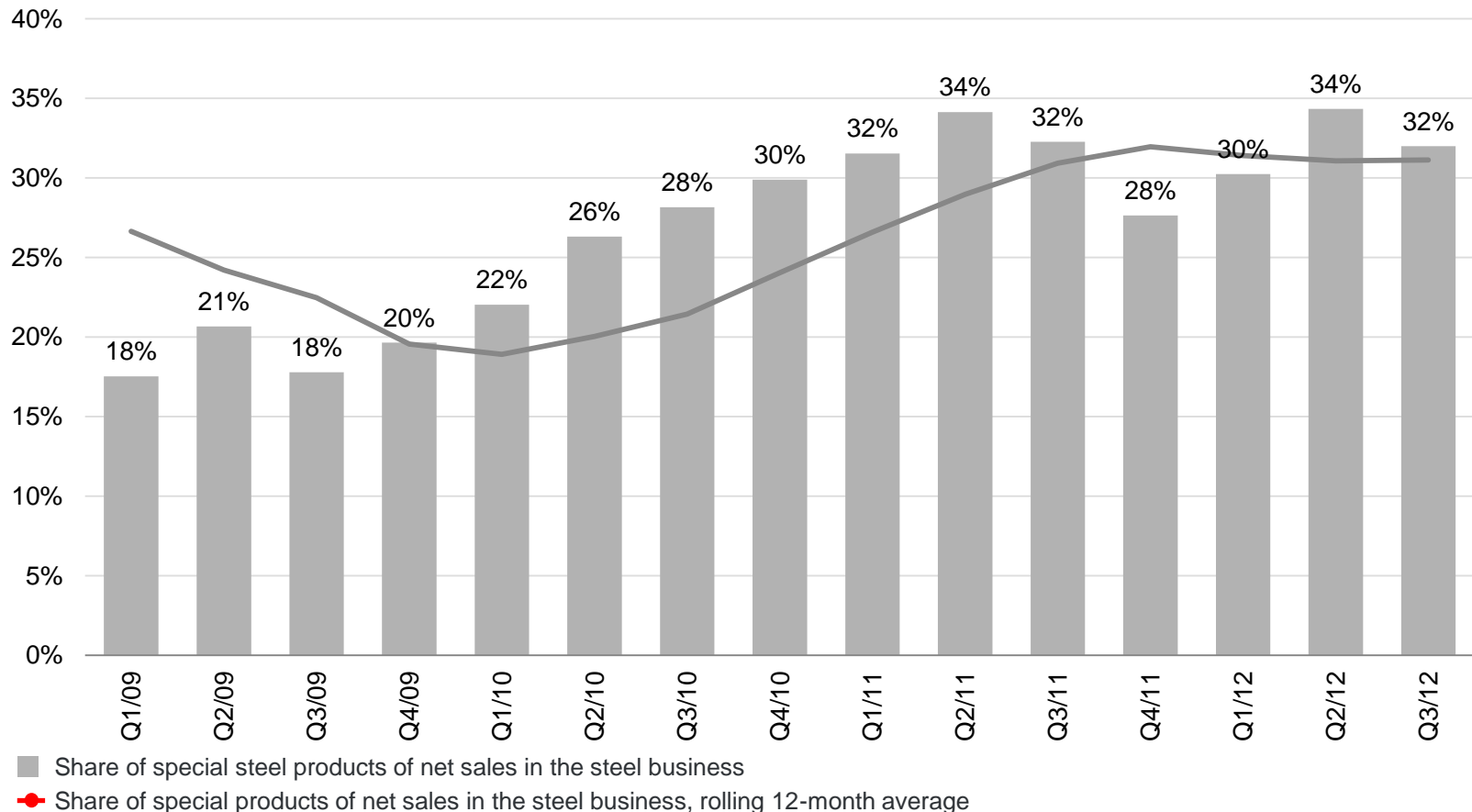
1000 tonnes



- Steel production in July-September 2012 was up 38% y-o-y at 540 thousand tonnes
- Modernisation of Blast Furnace 2 at Raahе impacted on production volumes a year earlier
- Capacity utilisation rate in steel production in July-September was around 76% due to weakened market conditions and normal July maintenance shutdowns

Share of special steel products in the steel business

as % of Ruukki Metals' net sales





Business environment and near-term outlook

Impacts of debt crisis and slowdown in growth in China already visible also in Europe's strong economies

Industrial production and fixed investment forecasts for 2012 (9/2012)

	Industrial production % change since 2011	Change since Aug. 2012 forecast *)	Fixed investment % change since 2011	Change since Aug. 2012 forecast *)		Industrial production % change since 2011	Change since Aug. 2012 forecast *)	Fixed investment % change since 2011	Change since Aug. 2012 forecast *)
Finland	-1.7	➡ +0.3	-1.5	➡ -0.1	Slovakia	9.1	⬆ +1.7	-0.2	⬇ -0.6
Germany	0.1	➡ -0.1	-1.1	⬇ -0.9	Romania	2.5	➡ 0.0	5.0	⬆ +1.1
Norway	2.4	⬆ +0.9	6.4	⬆ +0.7	China	10.0	⬇ -0.5	8.7	➡ 0.0
Sweden	-1.7	➡ +0.3	3.9	➡ +0.1	India	3.9	➡ -0.2	5.5	⬆ +0.5
Russia	3.6	➡ 0.0	6.7	➡ +0.1	Brazil	-2.5	⬇ -0.7	-0.7	➡ -0.4
Poland	3.3	➡ +0.1	3.1	⬇ -1.8	USA	4.1	➡ 0.0	8.5	➡ 0.0
Czech R	0.9	➡ -0.1	-0.6	⬆ +0.9					

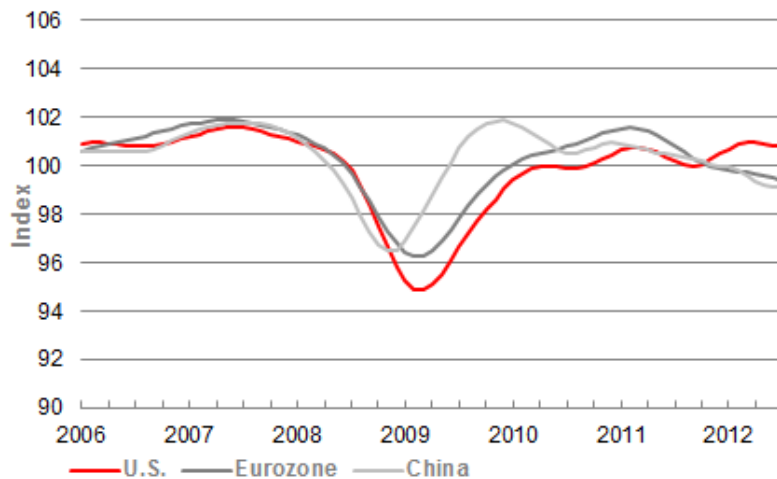
Source: Consensus Economics 9/2012, Citibank 9/2012 (China, India and Brazil) and recent key forecast's for Finland's investments.

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

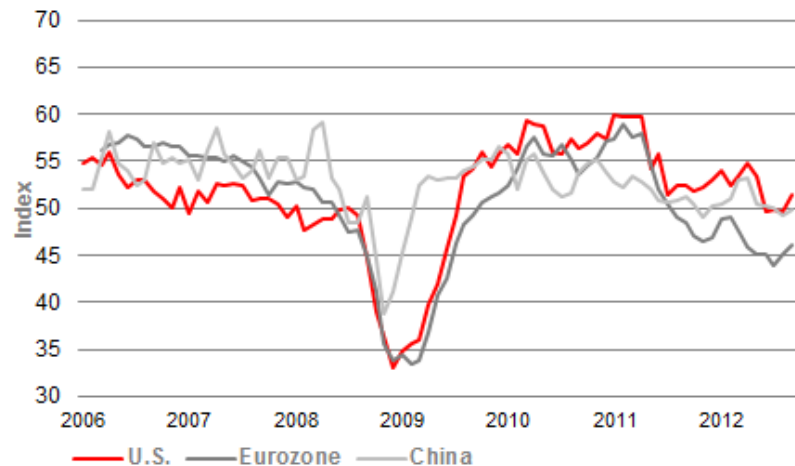
Economic indicators

Forecasts for Europe and China downgraded, industrial production nevertheless picking up?

OECD economic indicators



Purchasing manager's indexes

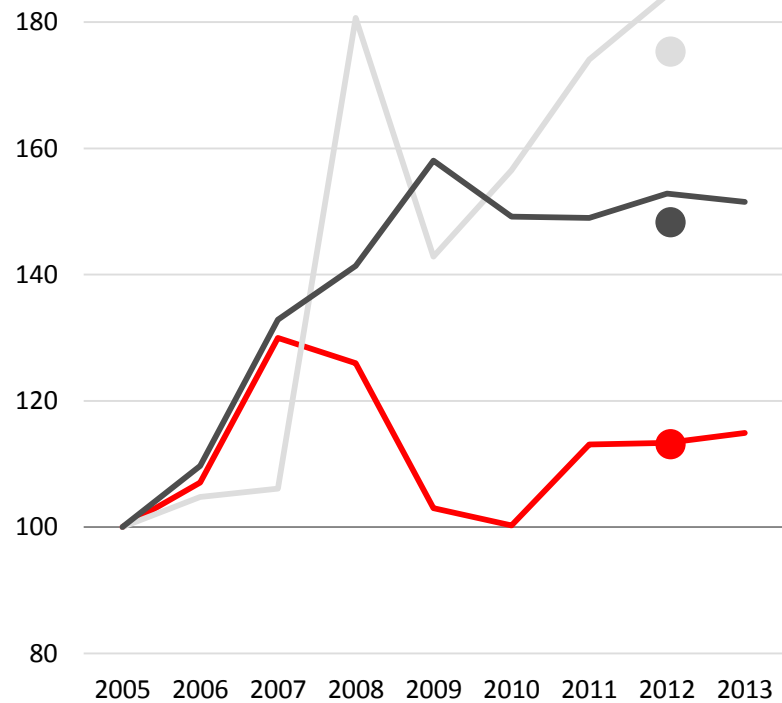
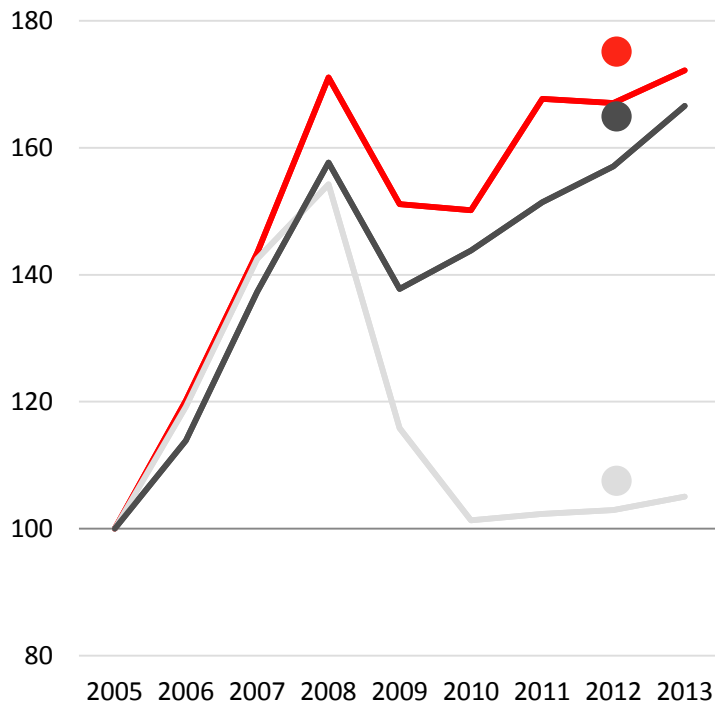


Source: Bloomberg and OECD

Commercial and industrial construction

Growth forecast to slow in 2012 especially in Central Eastern Europe, but to remain good in Russia, Sweden and Norway

Commercial, office and industrial construction, new construction (index)



■ Central Eastern Europe 1 (Poland, Czech R, Slovakia)

■ Russia

■ Central Eastern Europe 2 (Bulgaria, Romania, Hungary, Ukraine)

■ Finland

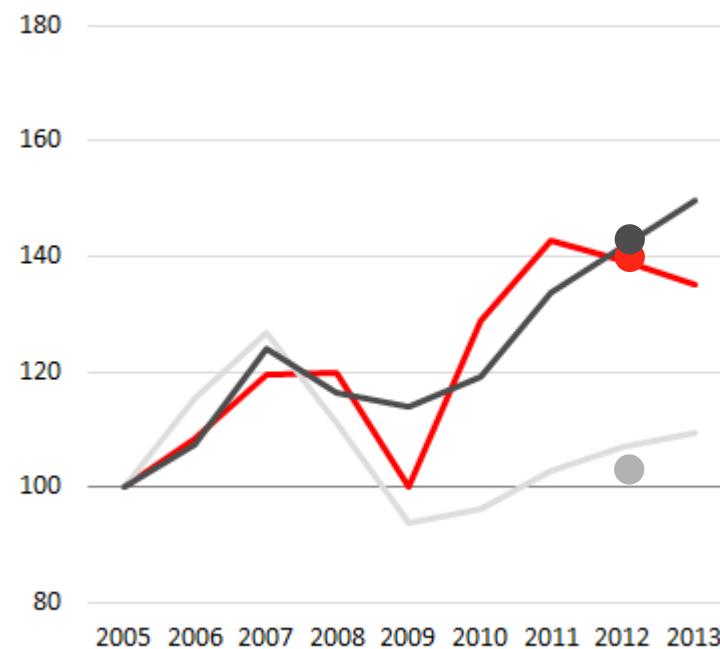
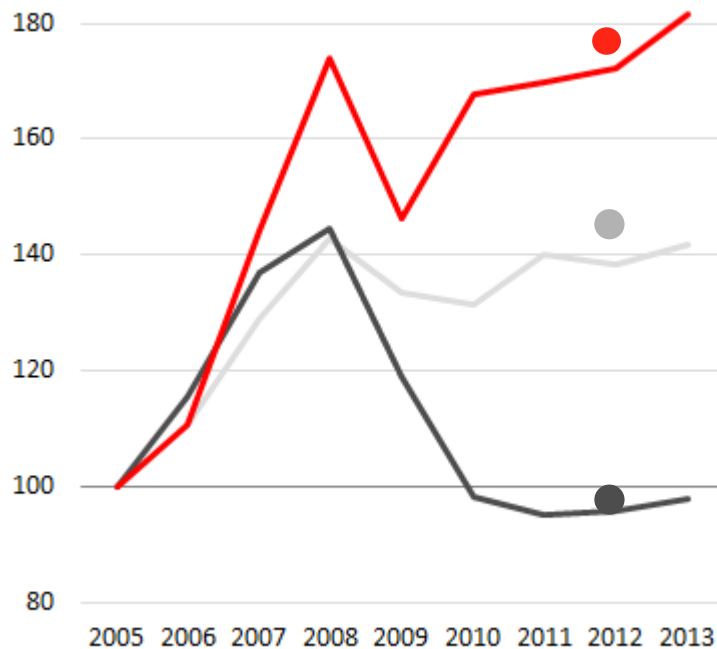
■ Norway

■ Sweden

Residential construction

Growth forecast to slow in 2012, but to develop favourably especially in Norway and Sweden

Residential construction, new and renovation construction (index)



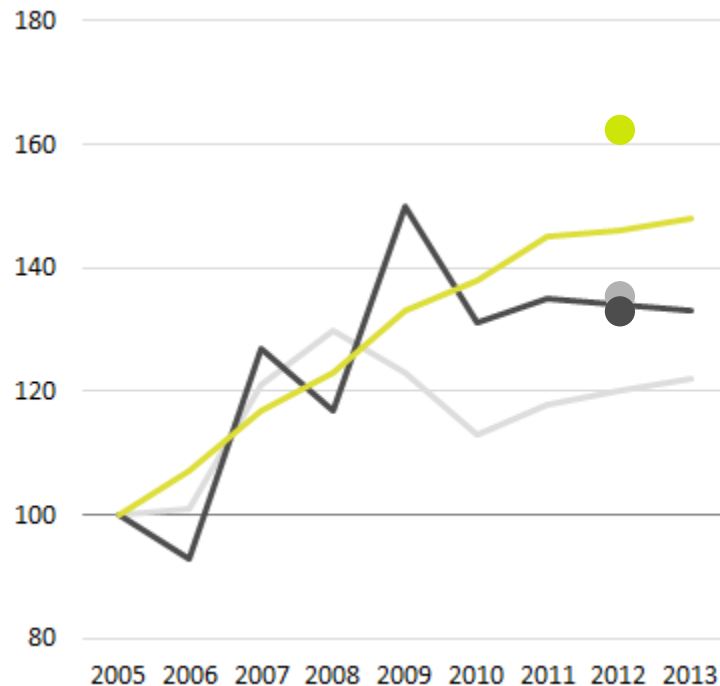
■ Russia
■ Central Eastern Europe 1 (Poland, Czech R, Slovakia)
■ Central Eastern Europe 2 (Bulgaria, Romania, Hungary, Ukraine)

■ Sweden ■ Norway ■ Finland

Construction business:

Favourable infrastructure construction growth in Nordic countries

Transport infrastructure construction (index)

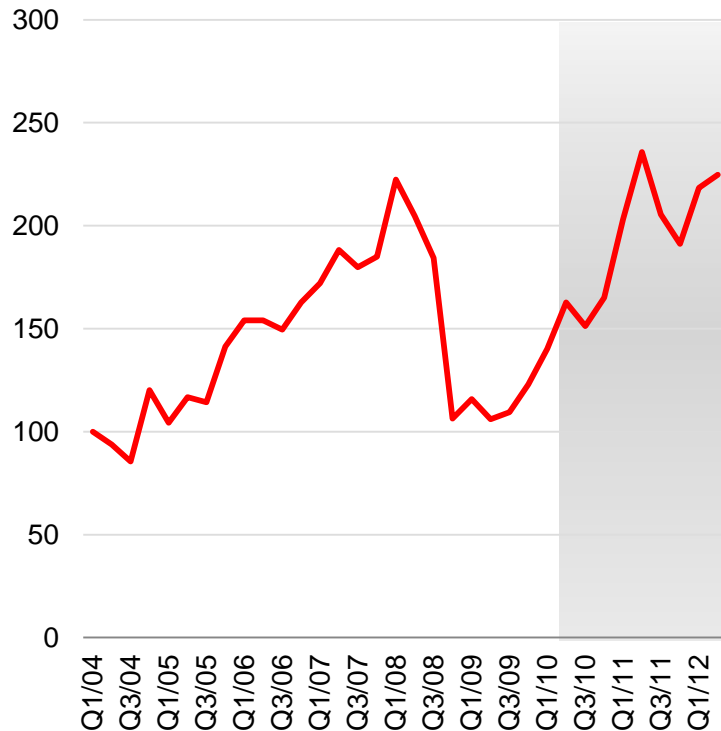


■ Sweden ■ Norway ■ Finland

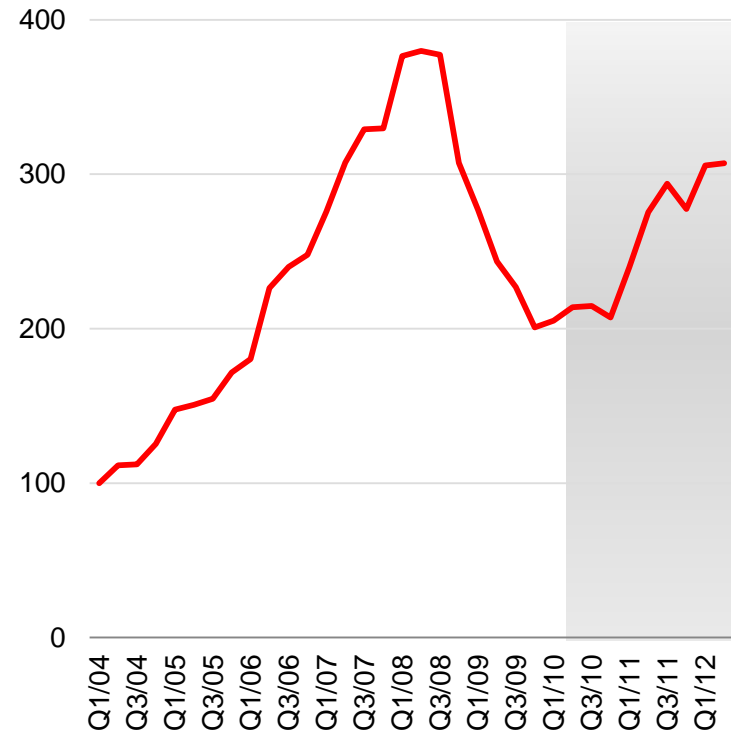
Engineering business:

Customers' order intake and order books still at good level after second quarter

Order intake of main customers, Q1/04-Q2/12 (index)



Order books of main customers, Q1/04-Q2/12 (index)

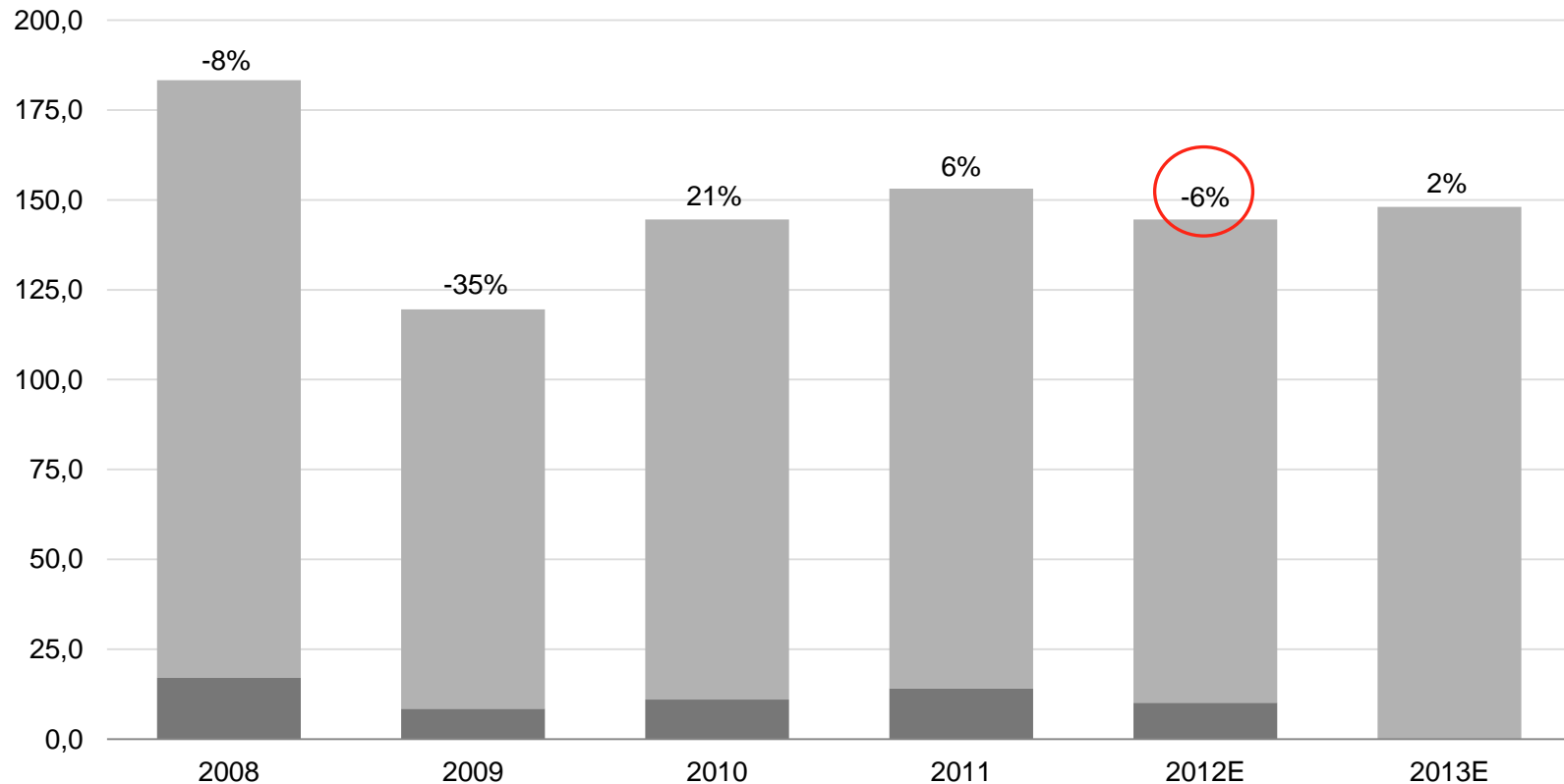


Sources: Company reports - Konecranes, Cargotec Industrial & Terminal, Metso Mining & Construction Technology, Wärtsilä, Andritz Pulp & Paper, Terex Group

Apparent steel use in Europe down this year

Demand forecast to return to growth in 2013

Apparent steel use in EU-27



Source: WSA 10/2012
23 October 2012

■ Flat steel imports to EU-27, 2012E estimate based on 1-6 2012 imports

www.ruukki.com | Sakari Tamminen

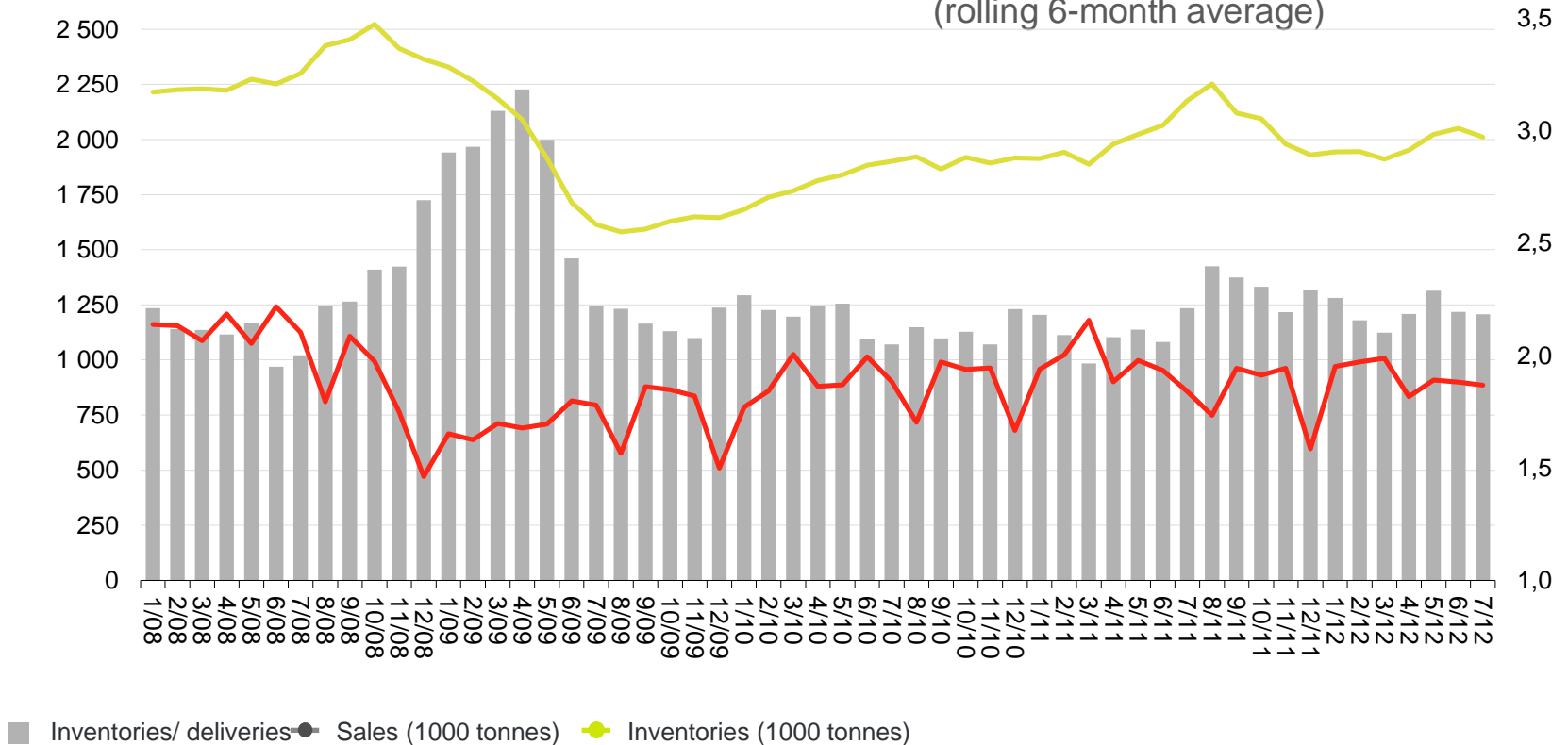


Inventory levels of steel wholesalers in Europe at normal level compared to sales

Monthly inventories/deliveries (rolling 6-month average, situation 7/2012)

Million tonnes

Monthly inventories/deliveries
(rolling 6-month average)

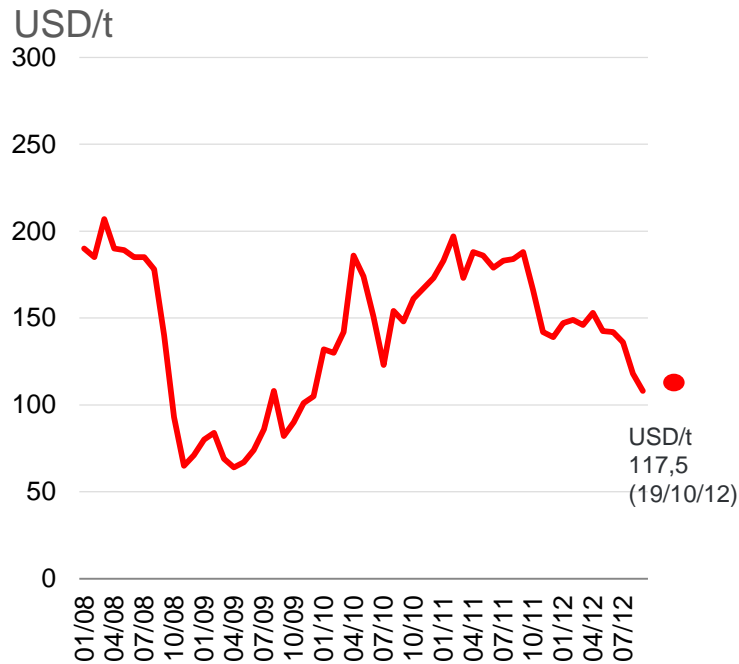


Source: EASSC (NB. Viewpoint of one source that does not reflect inventory levels of all steel wholesalers in Europe)

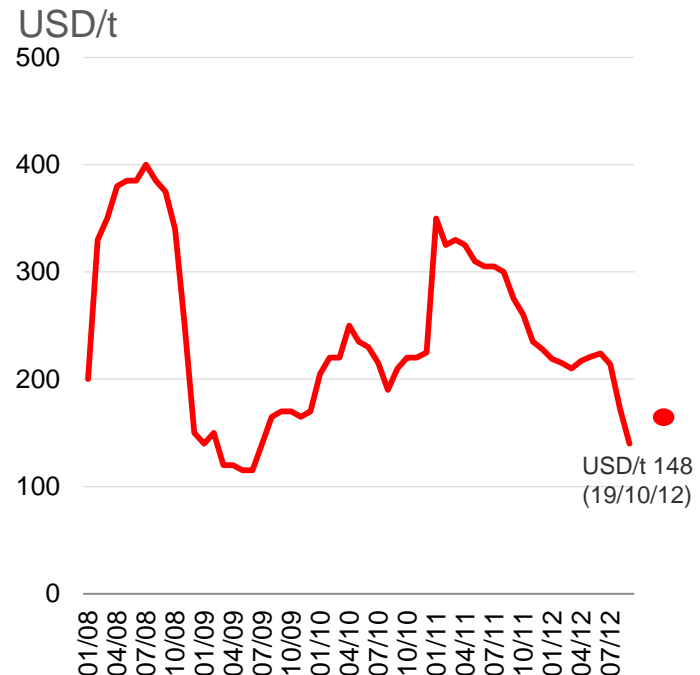
Raw materials

Average market price of both iron ore and coking coal decreased q-o-q

Spot price of iron ore *)



Spot price of coking coal **)



- Around €10 million of the €20 million cost benefits from new price contracts for raw materials was achieved during the third quarter.
- New iron ore prices negotiated during the third quarter are expected to deliver cost benefits of a further €14 million during the fourth quarter.

Focus areas for the rest of the year

- Execution of efficiency projects in the construction and steel businesses and in corporate administration
- Construction growth, especially in residential construction and in Russia
- 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>Growth for the rest of 2012 is forecast to be more modest than earlier in the year</p> <ul style="list-style-type: none">• In residential construction the market seasonally grows quieter, but it is anticipated that Ruukki's focus on developing the distribution of roofing products will be result in these products outperforming market growth also during the fourth quarter.• In the commercial and industrial construction market, increasing uncertainty is forecast to continue in the Nordic countries, but demand is estimated to remain at a good level in Russia.• Infrastructure construction orders are not expected to pick up during the end of the year.
Engineering	<p>Outlook in most engineering industry customer segments has weakened</p> <ul style="list-style-type: none">• Strong growth is forecast to continue in the offshore sector.• Demand from mining industry machine and equipment manufacturers is estimated to remain at the same level as in the third quarter or to slightly decrease, as is demand from heavy cargo and other materials handling equipment manufacturers.• In the energy industry, demand in the baseload power generation market is expected to remain good.
Steel	<p>Uncertain market conditions continue and demand development difficult to forecast</p> <ul style="list-style-type: none">• Service centre sales are expected to continue at a good level in 2012, but the European debt crisis is continuing to cause uncertainty in demand from mill customers.• Steel industry stocks at normal level in Europe.• It is estimated there is still further downward pressure on prices of steel products due to considerably lower raw materials prices and weakened demand.• New iron ore prices negotiated are expected to deliver further cost benefits of €14 million during the fourth quarter.

Summary

- Market conditions are not expected to pick up during the rest of the year
- Main focus is still to improve cost competitiveness and cash flow
- Targeted savings of around €100 million through efficiency actions are expected to be achieved
- New iron ore prices negotiated are expected to deliver a further €14 million in cost benefits during the fourth quarter
- Capex is estimated to be clearly lower than in the previous year, at around €100 million
- After the report period, the decision was taken to combine some of Ruukki Engineering's units with Komatsu to form a new contract manufacturer, known as Fortaco, in the engineering industry

Revised guidance for the rest of year 2012

- Net sales in 2012 are estimated to remain at the same level as the previous year.
- Comparable operating profit for the second half of the year is estimated to be weaker than for the first half.
- Cash flow for the whole year is expected to be clearly better than the previous year.



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Appendices

Key figures

€m	1-9/12	1-9/11	2011
Net sales *)	2 119	2 079	2 797
Operating profit *)	-41	96	56
as % of net sales *)	-1.9	4.6	2.0
Result before income tax *)	-70	72	22
Result for the period	-59	31	-10
Earnings per share, diluted, €	-0,43	0.22	-0.07
Return on capital employed (rolling 12 months), %	-3.9	3.3	1.3
Gearing ratio, %	71.4	68.2	60.4
Gross capex **)	72	138	179
Net cash from operating activities	93	-49	114
Net cash before financing activities	22	-182	-57
Personnel (average)	11 462	11 930	11 821

*) Comparable

**) In tangible and intangible assets

Quarterly comparable net sales, operating profit and deliveries

€m	1-3/11	4-6/11	7-9/11	10-12/11	1-3/12	4-6/12	7-9/12
Comparable net sales							
Ruukki Construction	135	201	219	203	153	199	193
Ruukki Engineering	62	62	59	73	69	72	46
Ruukki Metals	478	467	396	442	477	470	436
Other	0	0	0	0	0	-2	
Total	675	730	674	718	699	740	675
Comparable operating profit							
Ruukki Construction	-13	4	11	-6	-10	4	8
Ruukki Engineering	-2	-2	1	-4	-1	0	0
Ruukki Metals	42	75	-9	-28	0	10	-18
Other	-3	-6	-3	-3	-4	-7	-7
Total	25	71	1	-40	-15	7	-18
Deliveries, Ruukki Metals	487	415	364	455	507	448	389