2011

Rautaruukki Corporation

Financial Statement Bulletin 1 Jan–31 Dec 2011 RTRKS

1 February 2012

www.ruukki.com

Rautaruukki Corporation Financial statement bulletin 2011: Net sales grew 16 per cent and cash flow improved. Dividend proposal of EUR 0.50 per share.

October-December 2011 (Q4/2010)
- Cash flow from operating activities was EUR 163 million (23)
- Order intake was up 1 per cent at EUR 651 million (647)
- Comparable net sales were up 12 per cent at EUR 718 million (641)
- Comparable operating profit was -EUR 40 million (-5), equating to -5.6 per cent of net sales
- Comparable result before taxes was -EUR 50 million (-12), equating to -7.0 per cent of net sales

January-December 2011 (2010)
- Cash flow from operating activities was EUR 114 million (-64)
- Order intake was up 15 per cent at EUR 2,675 million (2,326)
- Comparable net sales were up 16 per cent at EUR 2,797 million (2,403)
- Comparable operating profit was EUR 56 million (38), equating to 2 per cent of net sales
- Comparable result before taxes was EUR 22 million (8), equating to 0.8 per cent of net sales

Dividend proposal
The Board of Directors proposes payment of a dividend of EUR 0.50 per share (0.60), to make a total dividend payout of EUR 69 million (83).

Estimate of the financial outlook for 2012
Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

KEY FIGURES

	Q4/11	Q4/10	2011	2010
Comparable figures				
Comparable net sales, EUR m	718	641	2 797	2 403
Comparable operating profit, EUR m	-40	-5	56	38
Comparable operating profit as % of net sales	-5.6	-0.7	2.0	1.6
Comparable result before income tax, EUR m	-50	-12	22	8
Reported figures				
Reported net sales, EUR m	718	641	2 798	2 415
Reported operating profit, EUR m	-47	-3	22	-12
Reported result before income tax, EUR m	-56	-11	-12	-74
Net cash from operating activities, EUR m	163	23	114	-64
Net cash before financing activities, EUR m	126	-19	-57	-226
Earnings per share, EUR	-0.30	-0.21	-0.07	-0.57
Dividend per share, EUR			0.50*	0.60
Return on capital employed, %			1.3	-0.3
Gearing ratio, %			60.4	44.7
Equity ratio, %			48.5	55.3
Personnel on average	11 493	11 384	11 821	11 693

* Board of Directors' proposal

President & CEO Sakari Tamminen:
The past year was strongly divided into two. After a good start to the year, weakened demand followed during the summer due to the difficulties facing some economies in Europe. These changes in the business environment were reflected in Ruukki's business so that after a very good second quarter, the second half of the year was difficult, especially in our steel business. The capacity utilisation rate of the entire steel industry in Europe was at a level of around 75 per cent during the second half of the year and also the operating rate of our own steel business was low at about 80 per cent. On top of this, the profitability of orders for steel products was lower than normal, especially in late summer and early autumn. Costs of raw materials for steel were higher than a year earlier, but, however, began to decrease towards the end of the year. The business environment in the construction and engineering businesses remained better than it did in steel products throughout the year, even though a return to a faster growth track was slowed down in part by market uncertainty. It seemed the uncertainty in the business environment had levelled off at the end of the year, and, for example, destocking which took place in the steel industry was reflected in the decline in prices for steel products levelling off.

Ruukki's profitability improved year on year despite a weakening of the business environment and a weak end to the year. The unprofitability of the steel business burdened the latter part of the year. Weak profitability of the steel business was due to the low utilisation rate and lower price level of orders in the wake of difficult market conditions, as well as to persistently high raw material costs. During the year, we particularly focused on improving the profitability base of our solutions businesses - construction and engineering. Indeed, there was a clear improvement totalling EUR 63 million in operating profit of the solutions businesses and the starting point for 2012 is clearly better than a year ago. However, the solutions businesses were still slightly unprofitable and profitability must clearly be further improved. In the latter part of the year, our priority was to strengthen cash flow and reduce gearing. Cash flow in the last quarter was good, especially with the successful freeing up of working capital. Gearing decreased to 60 per cent, which is in line with our long-term target level. The focus on cash flow and related destocking was partly reflected in weaker profitability in the steel business.

During the past year, we made some progress towards achieving our strategic targets: the share of net sales of the emerging markets rose as sales grew in Eastern Europe, likewise the relative shares of the solutions businesses and special steels also rose. Later in the year, growth in the share of special steels slowed down compared to the beginning of the year due, among other things, to a decline in demand from China, which turned out to be temporary.

Our order intake was up by around 15 per cent year on year. However, orders during the fourth quarter were about at the same level as a year earlier. In the construction business, new orders in residential construction showed the clearest growth in all market areas, with particularly strong growth in Finland and Poland. Orders in commercial and industrial construction increased in Russia in concept buildings and orders in Finland also showed good growth. Infrastructure construction continued at a good level. In the engineering business, order flows were good, especially in mining industry equipment manufacturing and materials handling equipment. The same demand had a positive impact also on orders in the steel business. Sales of special steel products developed well in our new market areas, especially in South Africa and Turkey.

Order flow in service centres within the steel business remained good also during the latter part of the year. Mill orders decreased during the third quarter and remained at the same level until the end of the fourth quarter. Signs of a slight improvement were seen at the very end of the year.

Even though there is still clear market uncertainty, some degree of levelling off can, however, be noticed. Our starting point for 2012 is relatively good. The conditions to improve the profitability of the solutions businesses, especially in the construction business, are clearly better than a year ago. Also, with the exception of the unit in China and one individual project, the conditions for profitability of the engineering business are good. In the steel business, market inventories are in balance. Prices of steel products have levelled off and partly slightly risen. We have kept our fixed costs the same for three years, despite strong growth in our net sales. However, we still have much to do as regards cost competitiveness and increasing the flexibility of operations. We aim to strengthen cash flow also by improving working capital efficiency. Capital expenditure in 2012 will be in the region of around EUR 100 million, which is clearly below the figure for last year and consolidated annual depreciation.

Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

Rautaruukki Corporation's full financial statement bulletin for 2011 is attached to this bulletin.

For further information, please contact:
Sakari Tamminen, President & CEO, tel. +358 20 592 9075
Markku Honkasalo, CFO, tel. +358 20 592 8840

Rautaruukki will host two news conferences on Wednesday 1 February at Event Arena Bank, Unioninkatu 22, Helsinki (Cabinet 8).
A press conference for the media in Finnish will be held at 10am EET.
A presentation for analysts in English will be held at 11am EET.

The presentation for analysts can be followed as a live webcast on the company's website at www.ruukki.com/investors. The event may also be attended through a conference call. To attend the conference call, please call the number below 5-10 minutes before the event starts:
+44 20 7162 0077 (calls outside Finland)
09 2313 9201 (calls inside Finland)
Access code: 910472

A replay of the webcast can be viewed on the company website from approximately 4pm EET. A replay of the conference call will be available until 8 February 2012 at:
+44 20 7031 4064 (calls outside Finland)
09 2314 4681 (calls inside Finland)
Access code: 910472

The Annual Report and financial statements for 2011 will be published in full during week 8.

Rautaruukki Corporation
Taina Kyllönen
SVP, Marketing and Communications

Rautaruukki supplies metal-based components, systems and integrated systems to the construction and engineering industries. The company has a wide selection of metal products and services. Rautaruukki has operations in some 30 countries and employs around 11,800 people. Net sales in 2011 totalled around EUR 2.8 billion. The company's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS). The Corporation uses the marketing name Ruukki.

DISTRIBUTION:
NASDAQ OMX Helsinki
Main media
www.ruukki.com

RAUTARUUKKI CORPORATION FINANCIAL STATEMENT BULLETIN FOR 2011

Business environment in 2011

Global economic growth continued during 2011, albeit more moderately than in 2010. The emerging markets in particular served as drivers of economic growth. Economic growth in Europe was buoyed up by strong growth in Germany, the largest economy in Europe. Also in the Nordic countries economic growth was favourable, with strongest growth in Sweden, where private consumption fuelled demand. The Finnish economy depends on export demand for capital goods and weakened international demand resulted in slower economic growth in Finland than that forecast in the early part of the year. In Ruukki's main market areas strongest growth was seen in Russia, as well as in Poland and other countries in Central Eastern Europe. During the second half of the year in particular, the European debt crisis increased uncertainty in the financial markets and weakened overall economic confidence.

Construction in Europe grew year on year. After the seasonally quiet first quarter, demand for residential roofing products picked up clearly especially in Finland, and also in Poland and other countries in Central Eastern Europe. Activity in commercial and industrial construction was low during the early part of the year, but picked up during the course of the second quarter. Commercial and industrial construction grew on the back of investments starting up, especially in Russia, and at Ruukki this was reflected in growing order volumes, particularly in agricultural construction and in industrial, commercial and logistics sectors. Construction activity slowed due to seasonality towards the end of the year, but thanks to favourable weather conditions the slow-down occurred slightly later than usual.

In the engineering industry, the markets strengthened during the early part of the year in Ruukki's important customer segments and remained good also during the second half of the year. The order intake and order books of Ruukki's main customers were clearly up compared to the previous year. Supported by growth in the emerging markets such as Brazil and Chile, demand for mining industry machines and equipment was good throughout the year. Strong growth was also seen in demand for materials handling equipment. In the offshore market, demand for drilling platforms and other industrial products developed well. Likewise, activity in the energy industry was at a good level. Order volumes in shipbuilding remained low throughout 2011.

Steel demand in the EU-27 region was up around 7 per cent compared to the previous year. Stronger growth in demand in the early part of the year came to a halt in the second half of the year mostly because of the uncertainty prevailing in the financial markets in Europe and weakened economic outlook, which resulted in cautious decision-making. Despite increased demand, apparent steel use in Europe lagged well behind the levels seen in 2007 and 2008. Price rises in the raw materials used in steel production and growing end-customer demand led to higher market prices for steel products in the early part of the year. Market prices declined during the second and third quarters and continued declining also during the fourth quarter.

Stock levels of steel wholesalers in Europe grew somewhat during January-August, but started to decline at the end of September. Also stock levels compared to sales in Europe were at a higher level than normal after the summer, but returned to their normal level towards the end of the year. The market price of iron ore and coking coal, two of the main raw materials used in steel production, rose during the early part of the year. The market price of coking coal rose strongly because of flood damage to mines and their infrastructure in Australia and Brazil. Towards the end of the year, the market prices of the main raw materials decreased from the very high level earlier in the year.

Order intake and order book

ORDER INTAKE BY BUSINESS AREA				
EUR million	Q4/11	Q4/10	2011	2010
Order intake				
Ruukki Construction	172	171	721	629
Ruukki Engineering	62	85	263	230
Ruukki Metals	416	391	1 691	1 458
Others		0		8
Order intake, total	651	647	2 675	2 326

Unless otherwise stated, the figures in brackets refer to the same period a year earlier.

Order intake in Q4 2011

Group order intake in the fourth quarter was EUR 651 million (647), unchanged year on year. Compared to a year earlier, order flow grew moderately in the steel business and was at the same level in the construction business. Order flow in the engineering business was down year on year, when order intake included a single large project. Geographically, group order intake showed strongest development in the Nordic countries and Western Europe.

Order flow was down 4 per cent quarter on quarter. This was mainly due to the seasonal slow-down in construction activity in the latter part of the year. Order intake also in the engineering business decreased, but order flow in the steel business was up quarter on quarter.

Order intake in 2011

Group order intake in 2011 was EUR 2,675 million (2,326), up 15 per cent year on year. Order intake grew steadily across all businesses, with strongest improvement in demand in Finland and the other Nordic countries, as well as in Central Eastern Europe, including Poland. Demand in Russia was also at a good level.

At year-end 2011, the group order book was slightly higher than a year earlier.

Net sales

NET SALES BY BUSINESS AREA				
EUR million	Q4/11	Q4/10	2011	2010
Comparable net sales				
Ruukki Construction	203	172	757	628
Ruukki Engineering	73	56	257	193
Ruukki Metals	442	413	1 783	1 581
Others	0	0	0	1
Comparable net sales, total	718	641	2 797	2 403
Items affecting comparability included in reported net sales	0	0	1	12
Reported net sales	718	641	2 798	2 415

Net sales for Q4 2011

Consolidated net sales for the fourth quarter were EUR 718 million (641), up 12 per cent year on year. Net sales growth year on year was attributable to larger delivery volumes in all businesses. Net sales were 6 per cent up quarter on quarter on the back of higher delivery volumes in the steel and engineering businesses.

Compared to the same period a year earlier, strongest sales growth was seen in Western Europe and the Nordic countries. Net sales also showed good progress in Russia and Ukraine. In Finland. net sales growth came from the solutions businesses - construction and engineering - in particular. Net sales in Central Eastern Europe were at more or less the same level year on year. Compared to the previous quarter, net sales were up in Western Europe and the Nordic countries. Larger delivery volumes in the steel business, especially in Germany accounted for net sales growth in Western Europe and deliveries grew across all business areas in the Nordic countries.

Net sales for 2011

Consolidated comparable net sales for 2011 were up 16 per cent at EUR 2,797 million (2,403). Net sales rose across all businesses, with the engineering business accounting for relatively highest growth. In the construction business net sales growth was especially attributable to larger delivery volumes than earlier in commercial and industrial construction, and in residential construction. Net sales were up in the engineering business due to increased order volumes, especially in deliveries to the lifting, handling and transportation equipment industry.

Consolidated comparable net sales for the report period grew in almost all market areas. Growth was strongest in Finland and the other Nordic countries. Relatively best net sales growth was seen in Central Eastern Europe, where higher delivery volumes, especially in the construction business, increased sales. In Finland, net sales were up 17 per cent and Finland accounted for 27 per cent (27) of consolidated comparable net sales for 2011. The share of emerging markets of consolidated comparable net sales increased to 27 per cent (23).

The share of the solutions businesses - Ruukki Construction and Ruukki Engineering - of consolidated comparable net sales for 2011 increased to 36 per cent (34). The share of special steel products of Ruukki Metals’ net sales for 2011 increased to 31 per cent (27).

Reported net sales for 2011 were EUR 2,798 million (2,415). Reported net sales includes the net sales of the Mo i Rana unit in Norway which was transferred in 2010 from Ruukki Engineering to Businesses available-for-sale and is reported under Other group.

NET SALES BY REGION

EUR million	Q4/11	Q4/10	2011	2010
Comparable net sales				
Finland	185	173	761	651
Other Nordic countries	226	206	914	756
Central Eastern Europe	88	89	363	290
Russia and Ukraine	64	51	223	188
Rest of Europe	123	86	388	360
Other countries	32	36	148	157
Comparable net sales, total	718	641	2 797	2 403
Items affecting comparability included in reported net sales	0	0	1	12
Reported net sales	718	641	2 798	2 415

Operating profit

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q4/11	Q4/10	2011	2010
Comparable operating profit				
Ruukki Construction	-6	-13	-3	-45
Ruukki Engineering	-4	-6	-7	-28
Ruukki Metals	-28	19	80	126
Others	-3	-4	-14	-15
Comparable operating profit, total	-40	-5	56	38
Items affecting comparability included in reported operating profit	-6	1	-34	-49
Reported operating profit	-47	-3	22	-12

Operating profit for Q4 2011

Consolidated comparable operating profit for the fourth quarter weakened both year on year and quarter on quarter and was negative at -EUR 40 million (-5). The decrease in operating profit compared to the previous year was due to the loss made in the steel business. Operating profit decreased year on year mainly because of the low utilisation rate in steel production and higher raw material costs. Operating profit in the solutions businesses improved year on year. Compared to the previous quarter, operating profit was down across all businesses.

In line with the corporate targets set for the fourth quarter of the year, Ruukki Metals focused on freeing up working capital and thus improving cash flow. This is why, during the fourth quarter, Ruukki Metals delivered low-margin products to outside its main market areas. In addition, average selling prices in deliveries of steel products in the main market areas were lower than in the previous quarter. Low margin sales to outside the main market areas and lower average selling prices of deliveries in main market areas were the main reason for the decrease in operating profit in the steel business compared to the previous quarter.

Operating profit in the construction business was lower quarter on quarter because of the seasonal slow-down in construction activity. A cost relating to a single project, as well as the loss made by the Shanghai unit, impacted on the decrease in operating profit in the engineering business compared to the previous quarter.

Reported operating profit for the fourth quarter was negative at -EUR 47 million (-3).

Operating profit for 2011

Consolidated comparable operating profit for 2011 was EUR 56 million (38), which equates to 2.0 per cent (1.6) of net sales. Higher comparable operating profit year on year was attributable to larger delivery volumes than earlier and better capacity utilisation rate in the solutions businesses. There was a clear improvement in the profitability year on year of the solutions businesses, which was one of the company’s main objectives in 2011. Group profitability was better during the first half of the year than during the second, when the loss made by the steel business in particular impacted negatively on consolidated operating profit.

Profitability in the steel business was good during the first half of the year. The loss made during the second half of the year was mainly due to the low utilisation rate in steel production and higher raw material costs. During the fourth quarter, the loss was mainly attributable to sales of low-margin steel products to outside the main market areas and to a decrease in average selling prices of deliveries in the main market areas. The company’s aim during the fourth quarter was to free up working capital and thus improve cash flow, which is why Ruukki Metals delivered low-margin steel products to outside its main market areas during the fourth quarter.

Consolidated reported operating profit for 2011 was EUR 22 million (-12). Items affecting the comparability of operating profit have been unbundled from the reported figures to ensure a better understanding and comparability of the company's operating activities and result. The largest item affecting comparability during the report period was a cost of EUR 25 million caused by the low capacity utilisation rate relating to the modernisation of blast furnace 2 at the Raahe Steel Works in Finland.

All the items affecting comparability included in reported operating profit are detailed by quarter in the table at the end of the Summary financial statement and notes section.

Financial items and result

Consolidated net finance costs in 2011 totalled EUR 37 million (66). Net interest costs were EUR 32 million (29).

Group taxes for 2011 were EUR 1 million positive (-4).

The result for 2011 was -EUR 10 million (-79).

Earnings per share were -EUR 0.07 (-0.57).

Balance sheet, cash flow and financing

Total assets at year-end 2011 were EUR 2,657 million (2,539). Equity at 31 December 2011 was EUR 1,273 million (1,387) equating to EUR 9.17 per share (9.99). Equity decreased by EUR 114 million since the end of 2010. This was mainly because of the dividend payout of EUR 83 million in April.

The equity ratio at year-end 2011 was 48.5 per cent (55.3) and the gearing ratio was 60.4 per cent (44.7), which is in line with the company's long-term target level. Net interest-bearing liabilities at 31 December 2011 were EUR 770 million (621).

Return on equity for 2011 was -0.8 per cent (-5.4) and return on capital employed was 1.3 per cent (-0.3).

Net cash from operating activities for the report period was EUR 114 million (-64) and net cash before financing activities was -EUR 57 million (-226). EUR 9 million was tied up in working capital during the year (EUR 147 million tied up).

At the end of December 2011, the group had liquid funds of EUR 78 million (53) and undrawn committed credit facilities of EUR 475 million. Repayments of long-term interest-bearing liabilities in 2012 total EUR 27 million.

Capital expenditure

Net cash used in investing activities during the report period was -EUR 171 million (-162).

Investments in tangible and intangible assets during 2011 totalled EUR 179 million (173), of which maintenance investments accounted for EUR 131 million (123) and development investments for EUR 48 million (50). Net cash inflow from other investing activities was EUR 8 million (10).

Depreciation and impairments for the report period were EUR 149 million (162).

Investments in tangible and intangible assets in 2012 are expected to be in the region of EUR 100 million.

Personnel

PERSONNEL BY REGION	31 Dec 2011	31 Dec 2010
Finland	6 369	6 150
Other Nordic countries	622	659
Central Eastern Europe	2 130	2 020
Russia and Ukraine	1 845	2 062
Rest of Europe	70	69
Other countries	346	326
Total	11 382	11 286

The group employed an average of 11,821 persons (11,693) during 2011 and at year-end, the headcount was 11,382 (11,286). At 31 December 2011, 56 per cent (54) of Ruukki's personnel worked in Finland. Employee numbers rose in Finland mainly because of fixed contract workers hired for production at Ruukki Metals and persons recruited for the company's training programmes.

Salaries and other employee benefits paid to the personnel during the report period totalled EUR 395 million (379). Nearly all the group's personnel belong to the profit sharing scheme. No expenses were booked in respect of profit sharing in 2011 (2010: no expenses). Expenses of EUR 0.3 million (2010: no expenses) were booked in respect of the earning period 2011 of the valid share ownership plan. At year-end 2011, the share ownership plan covered 99 executives or other key personnel. The company has operated share-based incentive plans for key persons since the year 2000.

During 2011, safety measured in terms of accidents per million working hours was 8 (7).

BUSINESS AREAS

RUUKKI CONSTRUCTION

- Net sales for 2011 grew 20 per cent, net sales growth 33 per cent in residential construction
- Operating profit showed clear improvement year on year, but remained negative because of loss made by the project business
- Profitability at good level in residential and infrastructure construction
- Order intake in 2011 was up 15 per cent

EUR million	Q4/11	Q4/10	2011	2010
Order intake	172	171	721	629
Net sales	203	172	757	628
Comparable operating profit	-6	-13	-3	-45
Unrealised gains and losses on USD derivatives				2
Expenses related to restructuring	-1		-3	
Reported operating profit	-7	-13	-6	-43
Comparable operating profit as % of net sales	-2.7	-7.8	-0.4	-7.2
Personnel at end of period			3 538	3 791

Order intake and order book

Order intake in Q4 2011

The value of order intake during the fourth quarter was EUR 172 million (171), which was at the same level as a year earlier. Compared to the previous year, order volumes of residential roofing products were at a good level in many market areas, such as Finland and Poland. Order intake in commercial and industrial construction grew in components, in for example Sweden and the Baltic states, but order flow in building projects slowed somewhat year on year. In infrastructure construction, orders for piles used in foundations were at a good level. Order intake in all business segments was down quarter on quarter because of the seasonal slow-down in activity. Despite seasonality, the order flow of building components in Sweden rose compared to the previous quarter.

Order intake in 2011

Ruukki Construction's order intake in 2011 was up 15 per cent year on year at EUR 721 million (629). Order flow in residential roofing products grew in almost all market areas, especially in Finland, as well as in Central Eastern Europe, particularly in Poland and Ukraine. Order volumes in commercial and industrial construction showed good development in, among other places, Finland and the other Nordic countries. In Russia, orders for concept buildings were up year on year, especially in agricultural construction. Order intake for piles used in foundations in infrastructure construction showed steady growth compared to the previous year.

The order book at year-end 2011 was 8 per cent lower year on year.

Net sales

Net sales for Q4 2011

Ruukki Construction's net sales for the fourth quarter were up 18 per cent year on year at EUR 203 million (172). Compared to the previous quarter, net sales were down 7 per cent due to the seasonal slow-down in construction activity.

Net sales in residential construction were up 31 per cent during the fourth quarter compared to a year earlier. Deliveries were up in all market areas, with particularly good net sales development in Finland and Central Eastern Europe, especially in Poland and Ukraine. Deliveries of roofing products were down quarter on quarter in all market areas.

Net sales in commercial and industrial construction during the fourth quarter were 13 per cent higher year on year. Project deliveries in Finland and Sweden showed strong growth. Project sales also grew clearly in Russia. Sales of building components also showed good development in the Baltic states, especially in Estonia, and in Central Eastern Europe, especially in Slovakia and Ukraine. Component deliveries were also at a good level in Finland and Sweden. Compared to the previous quarter, net sales in commercial and industrial construction were slightly down, but deliveries in Sweden showed clear growth and net sales were slightly up also in Russia.

In infrastructure construction, net sales for the fourth quarter were up 22 per cent year on year. Net sales were up clearly in Sweden and Norway. This was due especially to increased delivery volumes of piles used in foundations. Net sales in Finland were at a good level. Compared to the previous quarter, net sales were down 7 per cent.

Net sales for 2011

Ruukki Construction's net sales for 2011 were up 20 per cent year on year at EUR 757 million (628). The construction business accounted for 27 per cent (26) of consolidated comparable net sales.

Net sales in residential construction in 2011 were up 33 per cent. Net sales rose in all market areas, especially in Finland and Central Eastern Europe, including Poland and the Czech Republic.

Net sales in commercial and industrial construction were 21 per cent higher year on year. Deliveries showed good development in all market areas. Development in net sales growth was best in the Nordic countries, especially in Finland and Sweden, as well as in Russia. Project sales in particular, but also sales of components were up in Finland and Sweden. In Russia, deliveries of building projects and concept buildings were at a good level. Net sales showed good development also in Central Eastern Europe, especially in Poland and the Czech Republic, as well as in the Baltic states.

In infrastructure construction, net sales were up 5 per cent. Best development in net sales was in Sweden, especially because of increased deliveries of piles used in foundations and increased road and rail construction deliveries. Also in Poland, delivery volumes were up year on year. In Finland, sales were at a slightly lower level year on year due to the impact of fewer bridge projects.

Residential roofing products accounted for 21 per cent (20) of Ruukki Construction's net sales for 2011 and infrastructure construction products for 16 per cent (19).

Operating profit

Operating profit for Q4 2011

Ruukki Construction's comparable operating profit for the fourth quarter improved year on year and was negative at -EUR 6 million (-13). Operating profit improved year on year due to better operational efficiency and larger delivery volumes across all business segments. Increased delivery volumes resulted also in a higher capacity utilisation rate than a year earlier. Operating profit weakened quarter on quarter because of seasonality.

Reported operating profit for the fourth quarter was negative at -EUR 7 million (-13), which includes costs of EUR 1 million relating to restructuring in Russia and Central Eastern Europe.

Operating profit for 2011

Comparable operating profit for 2011 improved clearly year on year to -EUR 3 million (-45). Compared to the previous year, improved operating profit was due to better operational efficiency, larger delivery volumes across all business segments and an improved capacity utilisation rate. Operating profit was negative mostly because of the loss made by the project business, which had an impact of -EUR 14 million on operating profit. One third of this was due to loss-making projects, one third to non-recurring costs related to structural changes and the remainder was due to unused capacity. Operating profit was also negatively affected by exceptionally low delivery volumes during the first quarter and a low capacity utilisation rate during the first and second quarters.

Reported operating profit for 2011 was negative at -EUR 6 million (-43), which includes costs totalling EUR 3 million relating to the restructuring of business operations in Russia, Central Eastern Europe and the Nordic countries.

Actions to improve profitability and other operational development

During the early part of 2011, Ruukki Construction changed its business structure from an area to a more focused product organisation. The new structure supports sales management, product pricing, optimal use of production capacity at units and is also improving operational efficiency. Also the project business in different countries was merged into one entity. This was done not only to save costs, but also to ensure the transfer of project expertise from one market to another.

In 2011, the efficiency of Ruukki Construction’s sales activities was improved and they were reorganised in Russia and Central Eastern Europe, where, among other things, local project sales in the region were centralised. These actions will improve the cost structure and competitiveness in the regions concerned.

During the second quarter, Ruukki opened a new sandwich panel production line near Kiev, in Ukraine. The investment supports Ruukki’s strategic target of increasing the share of the emerging markets of its net sales. The new production line will help Ruukki to pursue market share growth in sandwich panels in Ukraine and Russia. The investment was worth EUR 5 million.

During the year a total of 14 new Ruukki Express outlets were opened in 7 different countries. At year-end 2011, the company had 46 Ruukki Express outlets in 9 different countries. New outlets were opened in countries such as Finland, Sweden, Lithuania, Poland and Estonia. Ruukki Express is a store and service concept with a range of products that includes roofs, rainwater systems, roof safety products and other locally tailored products and services.

Employer-employee negotiations initiated by Ruukki Construction during the fourth quarter of 2011 to adjust production and costs at the Ylivieska works in Finland due to weakened market conditions were completed in January 2012, after the report period. The negotiations concerned lay-offs and affected the entire production personnel of around 100 people. As a result of the negotiations, the entire personnel at Ylivieska can, if necessary, be laid off in various ways until further notice.

Major orders and product development

A number of major delivery contracts were agreed during the first quarter of 2011. In February, Ruukki signed a contract with Outokumpu to manufacture and install the steel structures for the ferrochrome smelter at the Tornio Works in Finland. In addition, in March Ruukki agreed on the delivery and installation of steel structures for two bridges at Rorebro on the E4 highway between Stockholm and Arlanda in Sweden. These are scheduled for completion during 2013. In March, the Adamante steel roof was launched in Poland. The roof features a tiled pattern and is a premium roofing product designed for residential construction. Sales of Adamante roofs developed well during the year. In March, Ruukki also launched its new airtight panels, which save on a building’s heating costs and also reduce its carbon dioxide emissions, thus enabling a clear improvement in the energy rating of buildings. Sales of energy panels in Finland developed well during 2011.

During the second quarter of 2011, Ruukki announced deliveries of energy piles, the steel frame and prefabricated wall elements for the new Technopolis Innova 2 office building in Jyväskylä, Finland. The building is scheduled for completion in spring 2012. In addition, Ruukki agreed contracts worth around EUR 6 million to design, manufacture and install the steel frame and façade structures for the Tervaskangas shopping centre in Kouvola, Finland. The centre is scheduled for completion in 2012. In April-June, Ruukki was the first company to launch a photovoltaic system fully integrated into a façade.

During the third quarter of 2011, Ruukki signed a contract worth over EUR 13 million with Peab AB of Sweden to manufacture and install the steel structures for the process plant building and stockpile buildings at the Kaunisvaara iron ore mine in Pajala, Sweden. In addition, Ruukki announced deliveries of energy panels for the new IKEA store under construction in Kuopio, the Ikano shopping centre being built in Vantaa and for Itella's new logistics centre at Pennala in Orimattila, as well as steel frame deliveries for media company Alma Media's new head office in Helsinki and for the House of Travel and Transportation office premises to be built at Helsinki-Vantaa Airport. In July-September, contracts totalling over EUR 14 million were made for steel structure deliveries to Stora Enso's new paper mill to be built in Ostroleka, Poland and for Akmenes Cementas' new cement factory in Lithuania. August saw the launch of Ruukki's smart roof. In smart roof technology, sensors fitted to the roof notice any changes in roof loading. This improves roof safety and results in savings because it eliminates needless clearing of snow from roofs.

During the fourth quarter of 2011, Ruukki signed a contract with Kesko to design, manufacture and install the frame and envelope structures for the new K-citymarket in Kauhajoki, Finland. Towards the end of the year, Kilden Performing Arts Centre won the steel structure of the year award. Ruukki was responsible for the detailed design, manufacture and installation of the steel structures for the performing arts centre, which was built in Kristiansand, Norway. The Finnish Constructional Steelwork Association (TRY) makes an award for the best steel structural design every year.

After the report period, Ruukki announced a total delivery for a new mail terminal to be built in Hallsberg, Central Sweden. The new building will total around 30,000 square metres. The order was placed with Ruukki by NCC Construction Sverige AB, the main contractor in the project. Total delivery comprises the steel frame, façades and load-bearing roof structures. The building is scheduled for completion in 2012.

RUUKKI ENGINEERING

- Net sales for 2011 were up 33 per cent, growth in all customer segments
- Operating profit improved year on year, but was still negative because of a single project and the loss made by the Shanghai unit
- Order intake was up 14 per cent year on year

EUR million	Q4/11	Q4/10	2011	2010
Order intake	62	85	263	230
Net sales	73	56	257	193
Comparable operating profit	-4	-6	-7	-28
Expenses related to restructuring	0	-3	0	-5
Cost of strike	0		0	
Unrealised gains and losses on USD derivatives				1
Reported operating profit	-4	-9	-7	-32
Comparable operating profit as % of net sales	-5.4	-10.9	-2.7	-14.5
Personnel at end of period			1 914	1 763

Order intake and order book

Order intake in Q4 2011

The value of order intake in the engineering business in the fourth quarter was down 27 per cent year on year at EUR 62 million (85). A large single order from the offshore sector was booked in order intake in the fourth quarter of the previous year. Order intake developed steadily in almost all customer segments during the fourth quarter. The most encouraging development in order flow was seen from mining industry and materials handling equipment manufacturers. Demand was at a good level in the energy industry. Order intake was down 9 per cent quarter on quarter. This was mainly due to lower demand from construction and mining industry equipment manufacturers.

Order intake in 2011

Ruukki Engineering's order intake in 2011 was up 14 per cent year on year at EUR 263 million (230). Order intake grew in almost all customer sectors. Best development in order flow was in the lifting, handling and transportation equipment sector. Order intake from materials handling equipment manufacturers and construction and mining industry equipment manufacturers in particular showed good development. Demand was at a good level in the energy industry. Order flow in shipbuilding was at about the same level as a year earlier.

The order book at year-end 2011 was about 4 per cent higher year on year. A large single order from the offshore sector was booked in order intake in the fourth quarter of the previous year.

Net sales

Net sales for Q4 2011

Ruukki Engineering's net sales for the fourth quarter were up 31 per cent year on year at EUR 73 million (56). Net sales rose 23 per cent quarter on quarter.

Higher net sales compared to the previous year were especially attributable to larger delivery volumes of cabins, frames and booms to the lifting, handling and transportation equipment industry. Deliveries to materials handling and mining industry equipment manufacturers in particular showed good development. Delivery volumes to materials handling and mining industry equipment manufacturers and to equipment manufacturers in the energy industry rose also compared to the previous quarter.

Net sales for 2011

Ruukki Engineering's net sales for 2011 were up 33 per cent at EUR 257 million (193) and accounted for 9 per cent (8) of consolidated comparable net sales.

Compared to the previous year, the increase in net sales was attributable to larger delivery volumes to almost all customer segments. Best development was seen in deliveries to the lifting, handling and transportation industry, especially to materials handling equipment manufacturers. Likewise, delivery volumes to construction and mining industry equipment manufacturers also showed clear growth year on year. Also sales to equipment manufacturers in the energy industry were higher than in 2010.

Equipment manufacturers in the lifting, handling and transportation industry accounted for 64 per cent (59) of net sales in the engineering business in 2011, with construction and mining industry equipment manufacturers accounting for around a fifth of this figure. Equipment manufacturers in the energy industry accounted for 14 per cent (18) of net sales.

Operating profit

Operating profit for Q4 2011

Ruukki Engineering's operating profit for the fourth quarter was negative at -EUR 4 million (-EUR 6 million comparable, -EUR 9 million reported). Operating profit improved slightly year on year, but weakened quarter on quarter. A cost of EUR 5 million booked due to the overrun of the original cost estimate of Kvaerner's offshore wind farm project in the North Sea had a negative impact on operating profit. In addition, operating profit was weakened by a loss made by the Shanghai unit, which had an impact of -EUR 2 million on operating profit. In other respects, Ruukki Engineering's business progressed to plan. Delivery volumes in October-December were larger and the capacity utilisation rate was better. In addition, good development at the units in Poland and Hungary and better average selling prices had a positive impact on operating profit development.

Operating profit for 2011

Operating profit for 2011 was negative at -EUR -7 million (-EUR 28 million comparable, -EUR 32 million reported). Compared to the previous year, improved operating profit was mostly attributable to larger delivery volumes and a better capacity utilisation rate, as well as good development at the Poland and Hungary units and better average selling prices. Operating profit was weakened by the costs of ramping up production at the Holic unit in Slovakia. Operations at the Shanghai unit made a loss for the report period, which had an impact of -EUR 7 million on operating profit. Operating profit was also burdened by a cost of EUR 5 million booked due to the overrun of the original cost estimate of Kvaerner's offshore wind farm project in the North Sea. In other respects, Ruukki Engineering's business progressed to plan during 2011.

Actions to improve profitability and other operational development

Ruukki's engineering business is focusing on fewer products than earlier in order to improve profitability of the product portfolio, expand the customer base on the basis of chosen products and to achieve economies of scale in production. The thrust in product portfolio management is increasingly more on the development of own technology and design, as well as on utilisation of the company's materials expertise, especially with regard to special steels.

In line with the strategy, the engineering business targeted sales in 2011 towards new cabin and special steel component customers. The second half of the year saw engineering win new component business customers from the construction and mining industry segments, and new cabin customers from the lifting, handling and transportation equipment industry. Some of these new customers were at the production stage and others still at the ramping up stage of production in late 2011.

To improve cost competitiveness, the engineering business is focusing on quality assurance, delivery accuracy and cost-efficiency. During 2011, Ruukki Engineering cut its overheads and the full impact of this will be visible in 2012. In addition, sourcing in cabin production shifted clearly towards a more global operational model and a more effective internal division of roles is being pursued between production units.

During the first quarter of 2011, Ruukki announced a EUR 3 million investment in a new surface treatment line mainly to serve cabin customers at the Holic unit in Slovakia. Work has progressed to plan and the line is scheduled to start up in spring 2012.

Employer-employee negotiations concerning possible layoffs and redundancies, initiated by Ruukki Engineering in December 2011 to adjust operations and production at the Kurikka unit due to weakened market conditions, were completed in January 2012, after the report period. The negotiations affected all Ruukki Engineering's personnel, a total of 434 persons, in Kurikka. The negotiations resulted in a need for 35 redundancies, of which 30 are workers and 5 salaried or senior salaried employees. Most of the redundancies will take place through pension arrangements. In addition to redundancies, layoffs will be implemented subject to a separate plan.

RUUKKI METALS

- The past year was divided into two, the first half was strong, but the uncertainty caused by the debt crisis in Europe was reflected in decreased mill deliveries during the second half
- Profitability of steel products was good during the first half of the year, but mainly a low capacity utilisation rate burdened the result during the second half
- Working capital tied up during the summer season was freed up by the end of the year
- Signs of a pick-up in demand towards the end of the fourth quarter

EUR million	Q4/11	Q4/10	2011	2010
Order intake	416	391	1 691	1 458
Net sales	442	413	1 783	1 581
Comparable operating profit	-28	19	80	126
Expense caused by modernisation of blast furnaces			-25	-18
Cost of strike	-5		-5	
Income from sale of shares	2		2	
Unrealised gains and losses on USD derivatives		6		-13
Cost of production test runs		-2		-2
Reported operating profit	-31	22	52	93
Comparable operating profit as % of net sales	-6.3	4.5	4.5	8.0
Personnel at end of period			5 450	5 291

Order intake and order book

Order intake in Q4 2011

Order intake in the fourth quarter was up 7 per cent year on year at EUR 416 million (391) and up 6 per cent quarter on quarter. Like in the third quarter, decision-making by mill delivery customers was slow during the fourth quarter because of the uncertainty and weakened economic outlook in the wake of the European debt crisis. Cautious decision-making was not reflected in service centre orders, which remained at the same level as in the previous quarter. Towards the end of the fourth quarter, a small recovery in demand was also visible among mill delivery customers. Compared to a year earlier, order flow grew in Russia and Western Europe. Orders for special steel products in new market areas in India and South Africa were at a good level, but there was a clear decrease in demand from special steel customers in China due to regulatory actions by the state.

Order intake in 2011

Ruukki Metals’ order intake in 2011 was up 16 per cent year on year at EUR 1,691 million (1,458). Order intake grew in almost all market areas. Development in order flow was best in Finland, the other Nordic countries and the Baltic states. Order intake was also at a good level in Russia and Central Eastern Europe, where demand increased especially in the manufacture of materials handling equipment, the heavy vehicle industry and the construction industry. Good development was seen in order volumes for special steel products in new market areas such as South Africa, Turkey and Brazil. During the second half of the year, several indicators of economic development weakened in Europe in the wake of the European debt crisis. This was reflected in slower decision-making, especially by mill delivery customers. Service centre orders remained at a good level also in the latter part of the year despite the European debt crisis.

The order book at year-end 2011 was 9 per cent up year on year.

Net sales

Net sales for Q4 2011

Ruukki Metals' net sales for the fourth quarter were up 7 per cent year on year at EUR 442 million (413). Net sales growth was mainly attributable to larger delivery volumes of steel products. Special steel products accounted for 28 per cent (30) of net sales quarter on quarter in the steel business. The share of special steel products declined due to sales of low-margin steel products outside the main market areas. Net sales were also up quarter on quarter.

Compared to a year earlier, growth was highest in sales to the construction industry. Also deliveries to the lifting, handling and transportation equipment industry, especially to materials handling equipment manufacturers, and to subcontractors in the automotive industry were at a good level. Sales to energy industry and white goods manufacturers declined. Compared to the previous quarter, deliveries to the construction industry and to materials handling and mining industry equipment manufacturers remained more or less at the same level. Sales to the energy industry and white goods manufacturers were down also quarter on quarter.

Sales of steel products were down in several market areas during the fourth quarter, but in Russia and Western Europe, especially Germany, sales were up year on year. Net sales were down year on year in Finland and Sweden, but up in Norway. Net sales decreased in Central Eastern Europe, mainly in Poland and Belarus, but rose in Hungary and the Baltic states. Compared to the previous year, sales of special steel products showed good development in new market areas in India and South Africa, but deliveries decreased in several other countries such as China, Turkey and Brazil. Compared to the previous quarter, net sales were down in Russia and Central Eastern Europe, but deliveries grew in, for example, Finland, the other Nordic countries and Western Europe.

Net sales for 2011

Ruukki Metals' net sales for 2011 were up 13 per cent year on year at EUR 1,783 million (1,581) and accounted for 64 per cent (66) of consolidated net sales. Net sales growth was stronger during the first half of the year than during the second. After the summer, the European debt crisis caused uncertainty in the general economic outlook and this was reflected particularly in a decrease in mill deliveries in the steel business in the latter part of the year. Despite the uncertainty caused by the European debt crisis, service centre sales remained at a good level during the latter part of the year and towards the end of the fourth quarter, a small recovery in demand was also visible among mill delivery customers. Compared to a year earlier, net sales growth was mainly attributable to higher average selling prices and an increased share of special steel products of deliveries.

In 2011, deliveries of steel products increased to the lifting, handling and transportation equipment industry, especially to materials handling equipment manufacturers, subcontractors in the heavy vehicle industry and to mining industry equipment manufacturers. Delivery volumes to the automotive industry were at a good level. Also sales to the construction industry were up. Deliveries to white goods manufacturers and equipment manufacturers in the energy industry declined year on year.

Compared to the previous year, sales of steel products grew in almost all market areas. Deliveries showed good development in Finland and the other Nordic countries, especially Sweden and Norway. Relatively strongest growth in net sales was seen in Russia and Central Eastern Europe, especially in Poland and the Czech Republic. Sales in the Baltic states were also up. Sales of special steel products showed good development in new market areas, especially in South Africa and Turkey. Sales of special steel products in China remained roughly at the same level as a year earlier as regulatory actions by the state slowed down growth in the latter part of the year. Sales in the United States were down significantly.

In 2011, special steel products accounted for 31 per cent (27) of Ruukki Metals' net sales. Net sales of stainless steel and aluminium, sold as trading products, were up 8 per cent year on year at EUR 139 million (129).

Operating profit

Operating profit for Q4 2011

Ruukki Metals' comparable operating profit for the fourth quarter was negative at -EUR 28 million (19). The decrease in operating profit year on year was mainly due to the low capacity utilisation rate in steel production, which was around 80 per cent during the fourth quarter. In addition, raw material costs were higher than a year earlier.

In line with the corporate targets set for the fourth quarter of the year, Ruukki Metals focused on freeing up net working capital and thus on improving cash flow. Demand in the main market areas was insufficient to absorb total steel supply at an 80 per cent production utilisation rate and at the level of stock reduction pursued in October-December. This is why Ruukki Metals delivered low-margin steel products to outside the main market areas. During the fourth quarter, these sales accounted for about 10 per cent of net sales and sales in main market areas for about 90 per cent. Stock levels normalised towards the end of 2011 and the low-margin sales to outside main market areas as described above are not expected to continue during 2012.

Comparable operating profit was also down quarter on quarter because of the low-margin sales destined for outside the main market areas as described above and because of lower average selling prices in the main market areas. These factors had an aggregate impact of -EUR 22 million on comparable operating profit compared to the previous quarter. On the other hand, higher delivery volumes quarter on quarter improved operating profit.

Reported operating profit for the fourth quarter of 2011 was negative at -EUR 31 million (22). Reported operating profit includes both a cost item of EUR 5 million, which arose as the result of a strike over pay disputes with the Federation of Finnish Technology Industries in October-November, and a capital gain of EUR 2 million on the sale of shares in a fixed asset property.

Operating profit for 2011

Comparable operating profit for 2011 was EUR 80 million (126). The profitability of the steel business was good during the first half of the year. The decrease in operating profit year on year was mainly due to the low capacity utilisation rate in steel production and higher raw material costs during the second half of the year. In addition, operating profit during the fourth quarter was weakened by sales of low-margin steel products outside the main market areas and by lower average selling prices of deliveries in the main market areas. During October-December, Ruukki Metals delivered low-margin steel products to outside the main market areas because it focused on freeing up working capital and thus on improving cash flow in line with corporate targets set for the fourth quarter of the year.

At the end of the third quarter, the working capital in the steel business was higher than normal because of the modernisation of blast furnace 2. Demand in the main market areas was insufficient to absorb total steel supply at the targeted production utilisation rate and at the level of stock reduction pursued in October-December. This is why Ruukki Metals delivered low-margin steel products to outside the main market areas during the fourth quarter of the year. Stock levels normalised towards the end of 2011 and low-margin sales to outside main market areas as described above are not expected to continue during 2012.

Reported operating profit for the period was EUR 52 million (93), which includes a cost item of EUR 25 million arising from the low utilisation rate in steel production as a result of the modernisation of blast furnace 2 at the Raahe Steel Works, a cost item of EUR 5 million arising from a strike over pay disputes with the Federation of Finnish Technology Industries in October-November and a capital gain of EUR 2 million on the sale of shares in a fixed asset property.

Steel production

1 000 tonnes	Q4/11	Q4/10	2011	2010
Steel production	542	591	2 215	2 229

Steel production was 542 thousand tonnes (591) in the fourth quarter and 2,215 thousand tonnes (2,229) for the whole year.

Blast furnace 2 at the Raahe Steel Works in Finland was modernised during the third quarter. Because the blast furnace was idled, the capacity utilisation rate in steel production during the third quarter was around 60 per cent of the normal level of production. The blast furnace was idled for about two months from the end of June and was restarted in early September. Blast furnace 2 was in normal production by the end of September, since when the utilisation rate in steel production has been around 80 per cent due to weakened order activity.

Around EUR 115 million of the investment in modernising the blast furnaces was allocated for 2011 and it is estimated that around EUR 8 million will be allocated for 2012. Total investment in the modernisation of blast furnace 1, completed in 2010, and blast furnace 2, completed in 2011, is around EUR 265 million, of which environmental investments accounted for around EUR 50 million.

Modernisation of the blast furnaces at the Raahe Steel Works was completed in 2011. The investment requirement in future years will be significantly lower than in 2010 and 2011.

The sinter plant at the Raahe Works was closed in December. Starting from the beginning of 2012 only iron ore pellets are used as the raw material for iron-making instead of a combination of iron ore concentrate and pellets.

Raw materials in steel production

A new price contract for iron ore was made during the third quarter, when prices were agreed in an annual contract with the Swedish company LKAB.

Market prices for iron ore and coking coal, the main raw materials used in steel production, decreased during the fourth quarter of the year and are forecast to remain at their present level during the early part of 2012. The prices agreed by Ruukki Metals follow general market development.

Ruukki has three coking coal suppliers, one in the United States, one in Canada and the third in Australia. Coking coal is normally bought between April and November, when it is possible to ship it to Finland by sea.

Operational development and major delivery contracts

Expansion of the distribution network for special steels was one of the main focus areas in the steel business in 2011. The distribution network was expanded by opening sales offices in Beijing, China and Mumbai, India. By opening new sales offices, Ruukki aims to provide increasingly better service locally to its special steel products customers. Also in 2011, Ruukki strengthened its own sales organisation in Australia and concluded new partnership agreements in, among other countries, Turkey, France and Brazil.

The first quarter of the year saw the start of pilot deliveries of Optim 550 MCW, a new high-strength structural steel. A new property of this hot-rolled special steel is its weather resistance without being coated. Potential applications for Optim 550 MCW include lattice-structured pylons for power cables and the structures of tank wagons designed to transport minerals.

During the second quarter, Ruukki signed a contract with Caterpillar to deliver wear-resistant special steel Raex to Caterpillar’s main production facilities in Europe in 2011. Raex is used in the main body structure of ADT trucks, which is one of the most demanding applications for wear-resistant special steels due to the continual impact and wear experienced.

In January, after the report period, Ruukki announced it had acquired a second bevel laser cutting line for its service centre in Seinäjoki, Finland. Deployment of the new line is in response to increased demand for prefabrication services and will improve the potential to offer customers cost-effective solutions. The new bevel laser cutting line can process both special and standard steels.

Actions to improve profitability

Due to weakened market conditions, in October Ruukki Metals began adjusting production and costs at its tube mills in Finland. Employer-employee negotiations began concerning possible layoffs at the Hämeenlinna, Lappohja, Pulkkila and Oulainen tube mills and at the Toijala Works, which makes cold roll-formed steel sections. The negotiations applied to all personnel groups and a total of around 400 people. The negotiations resulted in layoffs in Hämeenlinna, Lappohja and Toijala in late 2011. No layoffs at Pulkkila and Oulainen began in 2011.

Environmental matters at the company

Energy efficiency is a key theme at Ruukki. In practice, this means energy-efficient products and the active development of new solutions. In keeping with Ruukki's environmental policy, the target is to also reduce environmental impacts arising from production.

Environmental matters are improved using corporate and site environmental objectives and targets. The achievement of targets is regularly tracked. Ruukki's production sites operate in compliance with certified ISO 14001 environmental management and ISO 9001 quality management systems. In 2011, these systems covered 99 per cent (99) of production.

During 2011, Ruukki focused on developing energy-efficiency and on the potential of renewable energy in steel construction. In spring, Ruukki launched airtight panels, which deliver considerable savings in the heating costs of a building and also reduce the carbon dioxide emissions arising from heating a building. Ruukki is the only manufacturer in the world to guarantee the exact level of airtightness of exterior wall panels. In addition, Ruukki was the first company to launch a photovoltaic system fully integrated into a façade to convert solar radiation directly into electricity. During the past year, Ruukki worked together with Uponor to develop a system whereby the steel piles used in foundations utilise ground-source heat.

In 2011, environmental investments at Ruukki totalled EUR 29 million, of which 97 per cent was directed towards reducing environmental impacts at the Raahe Works in Finland. Summer saw the completion of blast furnace modernisations at the Raahe Works and a total of around EUR 50 million in environmental investments were made in conjunction with modernisations in 2010 and 2011. At the end of the year, the Raahe Works switched over to using only iron ore pellets in iron-making instead of a combination of iron ore concentrate and pellets. Environmental investments made in conjunction with blast furnace modernisations, together with the closure of the sinter plant and change in feedstock, will reduce emissions into the air and energy consumption. Particulate emissions are forecast to decrease by 75 per cent or 1,400 tonnes and carbon dioxide emissions by 10 per cent or 400,000 tonnes. Thanks to these actions, sulphur dioxide emissions will halve and the malodour caused by hydrogen sulphide will decrease in the works environment.

In 2011, the company's carbon dioxide emissions were 4.1 million tonnes, of which 98 per cent come under the emissions trading scheme. In the free initial allocation of emissions allowances for the second period 2008-2012 of the EU Emissions Trading Scheme, the Raahe and Hämeenlinna Works in Finland received a total of 23.5 million emissions allowances. In 2011, emissions rights trading generated income totalling EUR 4 million. In 2011, Ruukki's Raahe and Hämeenlinna works applied for emissions allowances for the emissions trading period 2013–2020. The allocation of allowances is based on European benchmarks of steel industry efficiency. At the time of writing, it is estimated final information about the allocation of free emissions allowances will be known during 2012. As part of managing the carbon dioxide emissions balance sheet, Ruukki is a participant in the World Bank's Community Development Carbon Fund and GreenStream Network Oy's Fine Carbon and Climate Opportunity Funds. These funds purchase certified carbon emission reductions, based on the Kyoto Protocol, that can be used for compliance in the EU's Emissions Trading Scheme.

Ruukki has received many recognitions for its work on the corporate responsibility front. In February, Ruukki was selected for inclusion in the Ethibel EXCELLENCE Investment Register. Forum ETHIBEL reviews companies worldwide on their economic, social and environmental performance. Forum draws on the research of the rating agency Vigeo that covers hundreds of listed companies every year. In March, Ruukki was selected for inclusion in the new OMX GES Finland Sustainability index, which comprises the 40 leading NASDAQ OMX Helsinki listed companies in terms of sustainability. Assessment for inclusion in the index is done by GES Investment Services, Northern Europe's leading research and service provider for Responsible Investment. Assessment is based on environmental, social and governance aspects.

In September, Ruukki was assessed for the first time as leader in two Dow Jones Sustainability indexes: DJSI World and DJSI Europe. The indexes include the top companies that are committed to sustainable development. Ruukki is included in the DJSI World Index for the fourth year running and in the European index for the fifth year. In October, Ruukki was awarded worldsteel's prize for sustainability reporting. The prize was based on the fact that Ruukki has produced extensive information and case examples for stakeholders about its corporate responsibility.

During 2011, Ruukki improved the environmental performance both of its production processes and products by active participation in various national and international joint projects relating to the environment. Research work carried out by Swerea MEFOS in collaboration with Ruukki, SSAB and LKAB during the year spawned a new innovative technique to separate vanadium from the slag arising in steel production. The invention was developed as part of the ViLD (vanadium in LD slag) project in Luleå, northern Sweden, which received the Swedish Recycling Industries' Association's Inspiration Award for 2011.

Ruukki actively tracks environmental regulations and seeks to anticipate changes in environmental legislation. In March 2011, Ruukki published updated environmental product and safety information declarations that contain information about the environmental impacts, lifecycle properties and safety aspects of products for users, designers and builders.

In 2011, Ruukki updated the safety data sheets in line with the requirements of revised chemical legislation in Europe. Since late 2011, Ruukki has also brought into use a new chemical safety data sheet management system to support information exchange and manage information about the use of chemicals.

More information about environmental matters can be found in environmental product declarations, the environmental reviews of the Raahe and Hämeenlinna Works and on the company's website at www.ruukki.com.

Research and development

A total of EUR 29 million (27) was spent on research and development in 2011. This equates to one per cent (1) of the company's comparable net sales.

R&D at Ruukki focused mainly on broadening the special steel portfolio, strengthening customer product development support and working on a number of projects aimed at benefiting from the user experience in developing products and solutions. In addition, work continued on the successful development of energy-efficient products by creating lighter structures and more energy-efficient building components.

Ruukki Construction continued work on the energy-efficiency front. Ruukki energy panels were successfully launched in Finland, where sales developed well over the year. The year also saw the launch of Liberta Solar, a glazed façade featuring fully integrated photovoltaic system. A pilot project was completed for energy piles which utilise ground source straight from the foundations of a building. The roof safety of industrial halls was improved through the innovation of an intelligent roofing system, which reports the actual roof loading. Within residential roofing, a new roof profile, Adamante, was launched. A number of new products such as Ruukki Easy Bridge, rock shoes for drill piles and new median road barrier were developed within infrastructure solutions. In addition, the new lattice wind tower design received certification. In Finland, the competitiveness of single-storey construction was strengthened through a new fire protection certificate, which affords up to 90 minutes protection for steel structures when using sprinklers. Also CE labelling has been applied for the sprinkler system.

Ruukki Engineering continued work on developing the Products & Technology function, where the focus was on cabins and components. Two new cabin products entered production in 2011. Work started on a number of cabin technology development projects aimed at building on competence in virtual design, noise and vibration control and in utilising operator experience. A new components development team was set up to support component business customers and to develop competence in the design and application of special steel components.

The focus of development in steel products was on high-strength, wear-resistant and structural steels, as well as chromium-free colour-coated products. A number of new products were rolled out for the mining industry, construction and automotive industry markets. New high-strength products provide quality solutions for heavy industry applications worldwide and direct quenching technology enables a broader spectrum of steel grades and dimensional ranges of metal-coated products. Ruukki's double grade high-strength structural tube was launched on the European market. It combines the strength of fine-grain steel and the usability of conventional structural steel in the same steel grade. The first phase started in the transition to chromium-free colour-coated products designed for outdoor use.

The production process moved ahead by switching over to using only iron pellets in iron-making instead of a combination of iron ore concentrate and pellets when the sinter plant at the Raahe Works was closed down in December 2011. During the year, Ruukki joined the large ULCOS II EU project consortium. The project aims at building a full-scale demonstration plant capable of radically decreasing CO_2 emissions in steel-making. In addition, Ruukki is participating in the CLEEN CCS project, which is studying carbon capture and storage in Finnish conditions. In the process development of hot-rolling products, opening production bottlenecks and improving surface quality were high on the agenda.

Two new research programmes got under way in the Finnish Metals and Engineering Competence Cluster (FIMECC Ltd): Research of business development based on customer and user experience (UXUS) and the programme for the industrial service business (FutIS). In addition to these, Ruukki is involved in four FIMECC programmes that focus on product and production energy efficiency, environmental impacts and innovations.

Corporate governance 2011

Rautaruukki Corporation's Annual General Meeting was held in Helsinki on 23 March 2011 and 872 shareholders were represented at the meeting.

In accordance with the resolution of the Annual General Meeting, a dividend of EUR 0.60 per share was paid for 2010. The dividend payout totalled EUR 83 million and was paid out on 6 April 2011.

The Annual General Meeting confirmed that the number of members of the Board of Directors is seven. Reino Hanhinen; Maarit Aarni-Sirviö MSc (Tech), MBA; President & CEO Pertti Korhonen; Chairman of the Board Liisa Leino; President & CEO Matti Lievonen; Hannu Ryöppönen, BA (Bus Admin) and CEO Jaana Tuominen were re-elected to the Board. Reino Hanhinen was re-elected as chairman of the Board and Hannu Ryöppönen was elected as deputy chairman. All members of the Board are independent both of the company and of the company's major shareholders.

KHT audit firm KPMG Oy Ab was re-appointed as the company's auditor, with KHT Pekka Pajamo as the principal auditor.

The Annual General Meeting granted the Board of Directors the authority to purchase the company's own shares and to decide on a share issue. These authorities are discussed under Shares and share capital.

The Annual General Meeting resolved to establish a Nomination Board to prepare proposals for the following Annual General Meeting regarding the composition of the Board of Directors and directors' fees. The Nomination Board comprised Kari Järvinen, Solidium Oy; Timo Ritakallio, Ilmarinen Mutual Pension Insurance Company; and Risto Murto, Varma Mutual Pension Insurance Company, as representatives of Rautaruukki's three largest shareholders. Reino Hanhinen, Chairman of Rautaruukki's Board of Directors, served as the Nomination Board's expert member.

In its organisation meeting of 23 March 2011, the Board of Directors appointed its members to the Board of Directors' committees. The Board appointed Hannu Ryöppönen as chairman and Liisa Leino and Jaana Tuominen as members of the Audit Committee. Reino Hanhinen was appointed chairman and Maarit Aarni-Sirviö, Pertti Korhonen and Matti Lievonen were appointed members of the Remuneration Committee.

Rautaruukki will publish its Corporate Governance Statement separately from the Report of the Board of Directors in 2011. After publication, the statement will be available on the company's website at www.ruukki.com.

Shares and share capital

During 2011, a total of 200 million (182) Rautaruukki Oyj shares (RTRKS) were traded on NASDAQ OMX Helsinki for a total of EUR 2,280 million (2,712). The highest price quoted was EUR 18.77 in January and the lowest was EUR 5.91 in November. The volume-weighted average price was EUR 11.23. The share closed at EUR 7.12 (17.51) on the year and the company had a market capitalisation of EUR 998 million (2,456).

Rautaruukki's share is also traded on multilateral trading facilities (MTF). According to information received by the company, a total of 57 million shares (43) were traded on MTFs for a total of EUR 649 million (629) during 2011.

The company's registered share capital at 31 December 2011 was EUR 238.5 million and there were 140,285,425 shares outstanding. There were no changes in share capital in 2011. The company has one series of shares, with each share conveying one vote. Under the Articles of Association, a voting restriction applies whereby the votes of an individual shareholder are restricted to 80 per cent of the total number of votes represented by shares at a General Meeting.

At year-end 2011, the company held a total of 1,423,051 treasury shares, which had a market value of EUR 10.1 million and an accounting par value of EUR 2.4 million. Treasury shares accounted for 1.01 per cent of the total shares and votes.

The 2011 Annual General Meeting granted the Board of Directors the authority to purchase a maximum of 12,000,000 of the company's own shares. The authority is valid until the 2012 Annual General Meeting. This authority superseded the earlier authority to purchase 12,000,000 shares granted by the 2010 Annual General Meeting and which was valid until the 2011 Annual General Meeting.

The Annual General Meeting granted the Board of Directors the authority to decide on a share issue, which includes the right to issue new shares and/or to transfer treasury shares held by the company. The authority applies to a maximum of 28,000,000 shares. The Board of Directors has the right to disapply the pre-emption rights of existing shareholders in a directed issue. The authority also includes the right to decide on a bonus issue. The authority is valid for a period of two years following the date of decision of the Annual General Meeting. This authority superseded the earlier authority, which applied to a maximum total of 15,000,000 shares, granted by the 2009 Annual General Meeting and which was in force until the close of the 2011 Annual General Meeting.

By 31 December 2011, the Board of Directors had not exercised its authority to issue shares or to purchase the company's own shares. At the end of the report period, the Board of Directors had no valid authority to issue options or other special rights providing entitlement to shares.

Information about the company's shareholder structure by sector and size of holding, the largest shareholders and Board of Director and Corporate Executive Board interests can be found on the company's website at www.ruukki.com

Flagging notifications

The company received no flagging notifications during the report period.

Litigation and other pending legal actions

A number of lawsuits, claims and disputes based on various grounds are pending against Rautaruukki around the world. Management believes that the outcome of these lawsuits, claims and disputes will not have a material adverse effect on Rautaruukki's financial position. Rautaruukki has itself also presented legal claims or is a plaintiff in disputes based on various grounds.

Implementation of the strategy in 2011

The strategic focus in 2011 was on specialisation, growth in the emerging markets and continuous improvement in cost competitiveness in all businesses.

In the construction business, the focus was especially on increasing sales of residential roofing products and on growing net sales in Russia. Net sales of residential roofing products rose to account for 21 per cent (20) of Ruukki Construction's net sales for 2011. The early part of the year saw Ruukki Construction change its business structure from an area to a more focused product organisation. The new structure supports sales management, product pricing, optimal use of production capacity at units and is also improving operational efficiency. Also the project business in different countries was merged into one entity. This was done not only to save costs, but also to ensure the transfer of project expertise from one market to another. The cost structure and competitiveness was improved also by centralising sales activities in Russia and in the Central Eastern European region.

In the engineering business, the focus was on rationalising the product portfolio and expanding the customer base to achieve economies of scale in production. The thrust in product portfolio management was increasingly more on the development of own technology and design, as well as on utilisation of the company's materials expertise, especially with regard to special steels. The second half of the year saw engineering win new component business customers from the construction and mining industry segments, and new cabin customers from the lifting, handling and transportation equipment industry. Some of these new customers were at the production stage and others still at the ramping up stage of production in late 2011. Ruukki Engineering's overheads were cut and the full impact of this will be visible in 2012. In addition, sourcing in cabin production shifted clearly towards a more global operational model and a more effective internal division of roles is being pursued between production units.

In the steel business, the focus was on special steel products and expanding the distribution network into new, mainly emerging markets and on maintaining a strong market position in the Nordic countries and other nearby areas. During the report period, the distribution network was expanded by opening a sales office in Beijing, China and one in Mumbai, India. In addition, Ruukki strengthened its own sales organisation in Australia and concluded new partnership agreements in, among other countries, Turkey, France and Brazil.

The main objectives in 2011 also included operational efficiency, freeing up working capital and thus improving cash flow. Even though growth forecasts in a number of markets were revised downwards towards the end of the year, market forecasts in Ruukki's main market areas in the Nordic countries, Central Eastern Europe and Russia continued to be more positive than elsewhere in Europe.

The strategic targets defined in 2010 were kept unchanged:
- Growth in the share of the solutions businesses - construction and engineering - to 60 per cent of consolidated net sales
- Increase in the share of special steel products to 60 per cent of the company's steel business
- Growth in the share of emerging markets to 50 per cent of consolidated net sales
- Strengthened market position in all core businesses

In 2011, the share of the solutions businesses rose to account for 36 per cent (34) of consolidated net sales. The share of special steel products rose to account for 31 per cent (27) of net sales in the steel business. The share of the emerging markets rose to account for 27 per cent (23) of consolidated comparable net sales.

The company kept its financial targets unchanged:
- growth in comparable net sales > 10 per cent a year
- comparable operating profit > 15 per cent of net sales
- return on capital employed > 20 per cent
- gearing ratio of around 60 per cent
- dividend payout ratio of 40–60 per cent of the result for the period

Changes in corporate structure and management

During the report period, Rautaruukki Corporation divided its Finnish operations into four different companies in addition to the parent company. Ruukki's construction business, engineering business, steel business and stainless steel and aluminium trading business have each acted as separate companies since 1 May 2011. Rautaruukki Corporation is the parent company of the new companies.

The arrangement was an administrative one under which the corporation clarified its corporate structure to correspond to its existing businesses. The arrangements do not apply to the group's units outside Finland. Demerger of the Finnish operations has no impact on Rautaruukki Corporation's financial reporting.

Rautaruukki enlarged its Corporate Executive Board, which since 1 October 2011 has consisted of:

- Sakari Tamminen, President & CEO and Chairman of the Executive Board
- Markku Honkasalo, CFO
- Tommi Matomäki, EVP, Ruukki Construction
- Marko Somerma, EVP, Ruukki Engineering and CSO
- Olavi Huhtala, EVP, Ruukki Metals
- Eija Hakakari, SVP, Human Resources
- Toni Hemminki, SVP, Technology, Energy and Environment
- Taina Kyllönen, SVP, Marketing and Communications
- Ismo Platan, SVP, Supply Chain Management, IT and OPEX

Mikko Hietanen, EVP, Business Development, has been responsible for risk management and business development projects since 1 October 2011.

Most significant risks and risk management

Risk management at Ruukki is an integrated part of the management system and is guided by the risk management policy approved by the Board of Directors. Risk management seeks to underpin the achievement of the company’s strategy and targets and to ensure business continuity. In 2011, Ruukki’s risk and crisis management received top points in Dow Jones Sustainability assessment, where Ruukki was overall industry leader.

Risk management is continuously being improved by taking into account changes in the business environment and operating activities. Corporate risk management practices were further strengthened in 2011 and thanks to a site-specific risk management reporting system, positive improvement was made in the level of management of hazard and operative risks. The data-system-based risk management system used to identify and assess risks and to determine actions required was completed in 2011. Started in 2010, work continued in 2011 on the development of corporate security with special focus on travel safety and the readiness of crisis action in situations of emergency.

The slow-down in economic growth and increased volatility in the Western European and other developed markets constitute a risk to Ruukki’s business. The company has prepared for this by gradually shifting its focus of growth to emerging countries. The share of specialisation in the steel business is being increased, which will open up growth potential also in the emerging markets. The business structure is being balanced by increasing the share of business segments - such as residential roofing products and infrastructure construction - that are less vulnerable to economic fluctuations. In case of business cyclicality, adequate financial reserves have been acquired and the loan maturity structure has been spread out long-term with different banks.

Most of the company’s steel products are sold in Finland and the other Nordic countries. Any major change in the competitive position in these markets or, for example, the relocation of customers to lower-cost countries might affect the company’s business. The company has prepared for such scenarios by, among other things, developing its international distribution network for special steel products and by securing its market share in the Nordic countries by improving distribution, delivery reliability and customer service. Ruukki is focusing on products and segments where it can achieve a strong market position.

The gradual opening of the European market to, for example, Russian and Ukrainian actors, constitutes a risk in Ruukki's main market area. International comparison shows Ruukki's steel production to be competitive, but small in terms of volume. Crude steel production takes place using two blast furnaces integrated into one production unit. This means steel production has limited flexibility compared to large competitors, who have a number of production units and who can thus optimise production between several units. Ruukki has prepared for this risk by improving cost efficiency and production flexibility and by strengthening its position in its home market and by expanding its portfolio into special steels, where there is less international competition.

There is a high risk of breakdown in the company's own steel production, especially upstream in the process. Modern, proactive maintenance and replacement of processes and systems is a key part of risk management at the steel mill. Risks are also mitigated by setting up standard procedures to choose suppliers and other partners, and to ensure the quality of unfinished products in own production. The group has comprehensive property damage, business interruption and transport insurance programmes.

Raw materials account for a significant part of the value of steel products. The prices of iron ore, coking coal and other main raw materials used in steel production, including freight charges, are determined on the global markets. This can make the costs fluctuate greatly even at short notice. Most of the company's sales contracts are based on quarterly or shorter pricing. This enables flexible pricing when the costs of raw materials change. A key aspect of risk management is also to pursue alternative supply channels to safeguard business continuity and cost levels. Supplies of critical raw materials are ensured through long-term supply contracts and particular attention is given to ensuring the availability of icebreaking and transportation services.

Additional costs arising from increasingly stricter environmental regulations and carbon emissions trading impact on the company's competitiveness, especially if the same rules of play do not apply equally to all players on the field. Coal consumption in steel production at Ruukki is almost at the minimum possible using current process technology and the company is among the world's best in terms of carbon dioxide efficiency. To reduce emissions, Ruukki has switched over to using iron pellets instead of iron ore in steelmaking. Thorough steps have been taken to forecast and actively track changes in environmental legislation. All the company's main production sites operate in compliance with the ISO 14001:2004 environmental management system.

The company's risks and risk management are detailed in the Annual Report 2011.

Near-term outlook

Growth in Ruukki's most important market areas is forecast to be more favourable than in many other countries, even though economic growth in Ruukki's main market areas in developed economies is expected to be slower than in the previous year. In most emerging economies, such as Russia, growth is likely to remain strong. The European debt crisis is causing considerable uncertainty in market development and it is difficult to estimate what the direct and indirect implications of this will be.

Moderate growth is forecast in the construction market in 2012. Activity in residential construction is forecast to be at a good level in all main market areas. The weakened economic outlook causes uncertainty in the market development of commercial and industrial construction, which is dependent on investment demand, but demand in Russia is expected to be at a good level. Infrastructure construction activity in the Nordic countries is anticipated to remain steady. Construction activity during the first months of the year is quiet because of seasonality.

In the engineering business, market conditions are expected to remain relatively good in 2012. Demand from mining industry machinery and equipment manufacturers is estimated to be at a good level, as is demand from heavy cargo handling and other materials handling equipment manufacturers. Also demand in the energy industry in the baseload power generation market is forecast to remain good. The weakened economic outlook is expected to affect demand from forest machine manufacturers.

In the steel business, service centre sales are expected to continue at a good level. Demand from mill delivery customers is estimated to gradually pick up. Stock levels in the steel business normalised towards the end of 2011. Average selling prices of steel products are expected to rise moderately in early

2012. However, the European debt crisis and its direct and indirect implications cause uncertainty in the market development of the steel business.

The company's priorities for 2012 include improving cost competitiveness and cash flow. Capital expenditure is estimated to be clearly lower than during the previous year, at about EUR 100 million. Because of actions already completed and those ongoing, the company's cost structure is clearly lighter than in previous years.

Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

Board of Directors' proposal for the disposal of distributable funds

The parent company's distributable equity at 31 December 2011 was EUR 538 million.

The Board of Directors has resolved to propose to the Annual General Meeting to be held on 14 March 2012 that a dividend of EUR 0.50 per share (0.60) be paid for 2011. The total dividend payout under the proposal is EUR 69 million. The proposed dividend payment date is 28 March 2012.

SUMMARY FINANCIAL STATEMENTS AND NOTES

This financial statement bulletin has been prepared in accordance with IAS 34 and is in conformity with the accounting policies published in the 2011 financial statements.

Amendments to and interpretations of IFRS standards entering into force on 1 January 2011 had no impact on the financial statement bulletin.

Use of estimates
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reporting of contingent assets and liabilities and the reported amounts of income and expense. Even though these estimates are based on management's best judgment at the time, actual results may ultimately differ from these estimates.

Purchases of raw materials denominated in USD qualify for hedge accounting under IAS 39 from 1 January 2011
Unrealised movements in the fair value of USD-denominated future cash flow hedges which did not qualify for hedge accounting under IAS 39 were added to items affecting the comparability of operating profit in 2010. The figures for reference periods since the beginning of 2009 were restated accordingly. Since the beginning of 2011, cash flow hedges of raw materials denominated in USD have qualified for hedge accounting under IAS 39. This means the unrealised movements in the fair values of these cash flow hedges are recognised under items in other comprehensive income instead of under operating profit as earlier.

Individual figures and totals appearing in the tables have been rounded to the nearest whole million of euros. The figures for the report period in this financial statement bullet have been audited.

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR million	Q4/11	Q4/10	2011	2010
Net sales	718	641	2 798	2 415
Cost of sales	-704	-581	-2 533	-2 185
Gross profit	14	60	265	229
Other operating income	8	5	19	15
Selling and marketing expenses	-32	-27	-118	-103
Administrative expenses	-36	-41	-144	-152
Other operating expenses	0	0	0	-1
Operating profit	-47	-3	22	-12
Finance income	13	13	55	65
Finance costs	-24	-21	-91	-131
Net finance costs	-10	-9	-37	-66
Share of profit of equity-accounted investees	1	1	3	3
Result before income tax	-56	-11	-12	-74
Income tax expense	15	-19	1	-4
Result for the period	-41	-30	-10	-79
Attributable to:				
Owners of the company	-41	-30	-10	-79
Non-controlling interest	0	0	0	0
Earnings per share, diluted, EUR	-0.30	-0.21	-0.07	-0.57
Earnings per share, basic, EUR	-0.30	-0.21	-0.07	-0.57
Operating profit as % of net sales	-6.5	-0.5	0.8	-0.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR million	Q4/11	Q4/10	2011	2010
Result for the period	-41	-30	-10	-79
Other comprehensive income:				
Effective portion of changes in fair value of cash flow hedges	-1	16	-11	14
Translation differences	9	5	-6	18
Defined benefit plan actuarial gains and losses	-7	-7	-7	-9
Tax on other comprehensive income	2	-2	5	-1
Other comprehensive income for the period, net of tax	3	11	-19	22
Total comprehensive income for the period	-39	-19	-29	-57
Attributable to:				
Owners of the company	-39	-19	-29	-57
Non-controlling interest	0	0	0	0

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR million	31 Dec 2011	31 Dec 2010
ASSETS		
Non-current assets	1 413	1 388
Deferred tax assets	27	26
Current assets		
Inventories	720	640
Trade and other receivables	405	417
Cash and cash equivalents	78	53
Assets held for sale	14	15
Total assets	2 657	2 539
EQUITY AND LIABILITIES		
Equity		
Equity attributable to owners of the company	1 273	1 387
Non-controlling interest	2	2
Non-current liabilities		
Loans and borrowings	551	477
Non-interest bearing liabilities	57	50
Deferred tax liabilities	25	39
Current liabilities		
Loans and borrowings	297	198
Trade payables and other non-interest bearing liabilities	447	379
Liabilities held for sale	5	7
Total equity and liabilities	2 657	2 539

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR million	2011	2010
Result for the period	-10	-79
Adjustments	177	191
Cash flow before change in working capital	167	113
Change in working capital	-9	-147
Financing items and taxes	-44	-30
Net cash from operating activities	114	-64
Cash inflow from investing activities	9	10
Cash outflow from investing activities	-180	-173
Net cash used in investing activities	-171	-162
Net cash before financing activities	-57	-226
Dividends paid	-83	-62
Proceeds from loans and borrowings	130	126
Repayments of loans and borrowings	-57	-103
Change in current liabilities	99	63
Other net cash flow from financing activities	-8	-9
Translation differences	1	4
Change in cash and cash equivalents	24	-207

KEY FIGURES (IFRS)

	2011	2010
Net sales, EUR m	2 798	2 415
Operating profit, EUR m	22	-12
as % of net sales	0.8	-0.5
Result before income tax, EUR m	-12	-74
as % of net sales	-0.4	-3.1
Result for the period, EUR m	-10	-79
as % of net sales	-0.4	-3.3
Net cash from operating activities, EUR m	114	-64
Net cash before financing activities, EUR m	-57	-226
Return on capital employed, %	1.3	-0.3
Return on equity, %	-0.8	-5.4
Equity ratio, %	48.5	55.3
Gearing ratio, %	60.4	44.7
Net interest-bearing liabilities, EUR m	770	621
Equity per share, EUR	9.17	9.99
Personnel on average	11 821	11 693
Number of shares	140 285 425	140 285 425
- excluding treasury shares	138 862 374	138 862 374
- diluted, average	138 862 374	138 863 722

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (IFRS)

	Equity attributable to owners of the company							
EUR million	Share capital	Share premium	Fair value and other re-serves	Trans-lation diff-erences	Trea-sury shares	Re-tained earn-ings	Non-cont-rolling inter-est	Total equity
EQUITY 1 Jan 2010	238	220	2	-41	-6	1 095	2	1 509
Result for the period						-79	0	-79
Other comprehensive income			10	18		-7		22
Total comprehensive income for the period			10	18		-85	0	-57
Dividend distribution						-62		-62
Share-based payments			-1		0			-1
EQUITY 31 Dec 2010	238	220	11	-23	-6	946	2	1 389
EQUITY 1 Jan 2011	238	220	11	-23	-6	946	2	1 389
Result for the period						-10	0	-10
Other comprehensive income			-8	-6		-5		-19
Total comprehensive income for the period			-8	-6		-16	0	-29
Dividend distribution						-83		-83
Share-based payments			0		0			0
EQUITY 31 Dec 2011	238	220	3	-29	-6	846	2	1 275

NET SALES BY REGION (IFRS)

As % of net sales	2011	2010
Finland	27	27
Other Nordic countries	33	31
Central Eastern Europe	13	12
Russia and Ukraine	8	8
Rest of Europe	14	15
Other countries	5	7

CONTINGENT LIABILITIES (IFRS)

EUR million	31 Dec 2011	31 Dec 2010
Mortgaged real estate	59	64
Other guarantees given	32	26
Collateral given on behalf of others		2
Rental liabilities	85	71
Other commitments	6	

DERIVATIVE CONTRACTS (IFRS)

EUR million	31 Dec 2011 Nominal amount	31 Dec 2011 Fair value	31 Dec 2010 Nominal amount	31 Dec 2010 Fair value
CASH FLOW HEDGES QUALIFYING FOR HEDGE ACCOUNTING				
Zinc derivatives				
Forward contracts, tonnes	12 000	-2	19 500	7
Electricity derivatives				
Forward contracts, GWh	1 598	-11	1 659	7
Foreign currency derivatives				
Forward contracts	230	14		
Options				
Bought	27	1		
Sold	25	0		
FAIR VALUE HEDGES QUALIFYING FOR HEDGE ACCOUNTING				
Interest rate derivatives			75	0
DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING				
Foreign currency derivatives				
Forward contracts	283	2	544	-11
Options				
Bought	120	1	138	1
Sold	240	-1	137	-3

The unrealised movements in the fair value of cash flow hedges are recognised in other comprehensive income items to the extent the hedge is effective. Other movements in fair value are recorded through profit and loss.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT (IFRS)

EUR million	2011	2010
Carrying amount at the beginning of period	1 180	1 159
Additions	173	157
Additions through acquisitions		
Disposals	-2	-4
Disposals through divestments		-3
Depreciation and impairment	-128	-138
Translation differences	-9	9
Carrying amount at the end of period	1 214	1 180

TRANSACTIONS WITH RELATED PARTIES (IFRS)

EUR million	2011	2010
Sales to equity-accounted investees	25	31
Purchases from equity-accounted investees	6	7
Transactions with Rautaruukki Pension Foundation	0	1

	31 Dec 2011	31 Dec 2010
Trade and other receivables from related parties	3	5
Trade and other payables to related parties	0	0

INVESTMENT COMMITMENTS (IFRS)

EUR million	After 31 Dec 2011	After 31 Dec 2010
Maintenance investments	51	137
Development investments and investments in special steel products	60	52
Total	111	189

SEGMENT INFORMATION

EUR million	2011	2010
Order intake		
Ruukki Construction	721	629
Ruukki Engineering	263	230
Ruukki Metals	1 691	1 458
Others		8
Order intake, total	2 675	2 326
Comparable net sales		
Ruukki Construction	757	628
Ruukki Engineering	257	193
Ruukki Metals	1 783	1 581
Others	0	1
Comparable net sales, total	2 797	2 403
Items affecting comparability included in reported net sales	1	12
Reported net sales	2 798	2 415
Comparable operating profit		
Ruukki Construction	-3	-45
Ruukki Engineering	-7	-28
Ruukki Metals	80	126
Others	-14	-15
Comparable operating profit, total	56	38
Items affecting comparability included in reported operating profit	-34	-49
Reported operating profit	22	-12
Net finance costs	-37	-66
Share of profit of equity-accounted investees	3	3
Result before income tax	-12	-74
Income tax expense	1	-4
Result for the period	-10	-79

EUR million	31 Dec 2011	31 Dec 2010
Operative capital employed		
Ruukki Construction	425	429
Ruukki Engineering	163	144
Ruukki Metals	1 568	1 547
Others	20	30
Operative capital employed, total	2 175	2 150

QUARTERLY SEGMENT INFORMATION

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Order intake								
Ruukki Construction	110	170	178	171	134	199	216	172
Ruukki Engineering	39	51	54	85	64	68	68	62
Ruukki Metals	351	373	344	391	476	405	394	416
Others	7	1	0	0				
Order intake, total	507	596	576	647	674	672	678	651
Comparable net sales								
Ruukki Construction	109	163	184	172	135	201	219	203
Ruukki Engineering	42	50	45	56	62	62	59	73
Ruukki Metals	348	434	386	413	478	467	396	442
Others	0	1	0	0	0	0	0	0
Comparable net sales, total	500	647	615	641	675	730	674	718
Items affecting comparability included in reported net sales	5	7	0	0		0	0	0
Reported net sales	505	655	614	641	675	730	675	718
Comparable operating profit								
Ruukki Construction	-23	-10	1	-13	-13	4	11	-6
Ruukki Engineering	-6	-8	-7	-6	-2	-2	1	-4
Ruukki Metals	-10	66	51	19	42	75	-9	-28
Others	-4	-4	-4	-4	-3	-6	-3	-3
Comparable operating profit, total	-43	45	41	-5	25	71	1	-40
Items affecting comparability included in reported operating profit	7	-11	-47	1	0	-2	-25	-6
Reported operating profit	-36	34	-6	-3	25	68	-24	-47
Net finance costs	-8	-6	-42	-9	-11	-10	-5	-10
Share of profit of equity-accounted investees	0	1	1	1	1	1	1	1
Result before income tax	-44	28	-48	-11	14	59	-29	-56
Income tax expense	11	-9	12	-19	-6	-15	8	15
Result for the period	-33	20	-36	-30	8	44	-21	-41

ITEMS AFFECTING COMPARABILITY OF REPORTED NET SALES

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Others								
Net sales of Mo i Rana unit	5	7	0	0		0	0	0

ITEMS AFFECTING COMPARABILITY OF REPORTED OPERATING PROFIT

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Ruukki Construction								
Unrealised gains and losses on USD derivatives	2							
Expenses related to restructuring						-1	-2	-1
Ruukki Engineering								
Expenses related restructuring		-1		-3			0	0
Cost of strike								0
Unrealised gains and losses on USD derivatives	1							
Ruukki Metals								
Expense caused by modernisation of blast furnaces		-18				-2	-23	
Cost of strike								-5
Income from sale of shares								2
Unrealised gains and losses on USD derivatives	6	15	-40	6				
Cost of production test runs				-2				
Others								
Operating profit of Mo i Rana unit	-2	-2	-7	0	0	0	0	-2
Fine regarding price collusion in divested (in 2006) prestressing steel business		-5	0					
Items affecting comparability of reported operating profit, total	7	-11	-47	1	0	-2	-25	-6

OTHER ITEMS AFFECTING COMPARABILITY OF REPORTED RESULT

EUR million	Q1/10	Q2/10	Q3/10	Q4/10	Q1/11	Q2/11	Q3/11	Q4/11
Write-down of vendor note from Ovako (financial item)			-33					
Other items affecting comparability of reported result, total			-33					

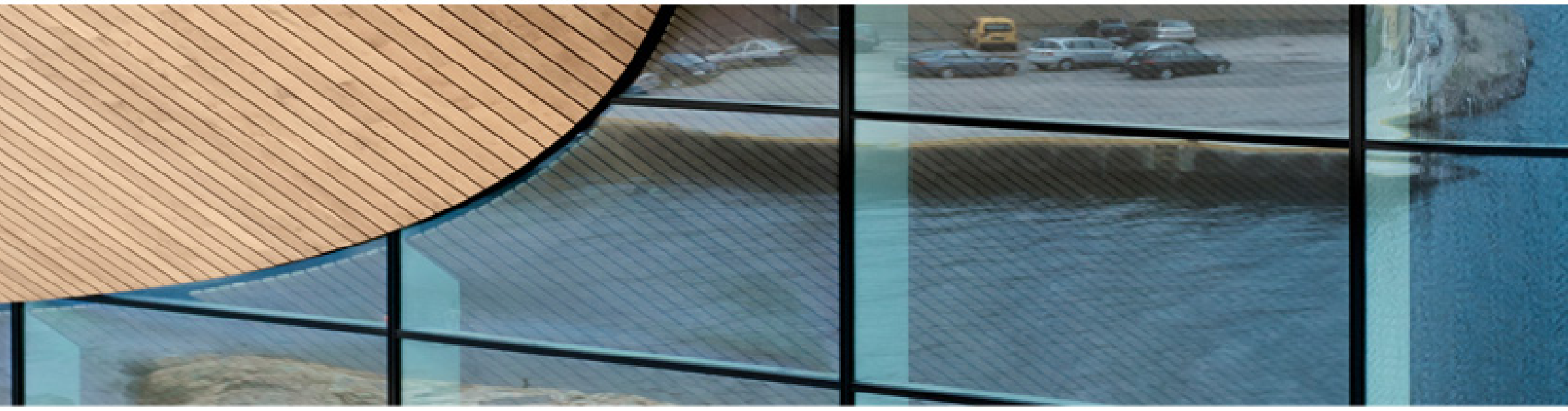
Formulas for the calculation of key figures:

Return on capital employed, %	=	result before income tax + finance costs - exchange rate gains --------------------------------------- total equity + loans and borrowings (average at beginning and end of period)	x100
Return on equity, %	=	result before income tax - income tax expense --------------------------------------- total equity (average at beginning and end of period)	x100
Equity ratio, %	=	total equity --------------------------------------- total assets - advances received	x100
Gearing ratio, %	=	net interest-bearing financial liabilities --------------------------------------- total equity	x100
Net interest-bearing financial liabilities	=	loans and borrowings - current financial assets and cash and cash equivalents	
Earnings per share (EPS)	=	result for the period attributable to owners of the company --------------------------------------- weighted average number of shares outstanding during the period	
Earnings per share (EPS), diluted	=	result for the period attributable to owners of the company --------------------------------------- weighted average diluted number of shares outstanding during the period	
Equity per share	=	equity attributable to owners of the company --------------------------------------- basic number of shares outstanding at the end of period	
Volume weighted average price	=	total EUR trading of shares --------------------------------------- total number of shares traded	
Market capitalisation	=	basic number of shares at the end of period x closing price at the end of period	
Personnel on average	=	total number of personnel at the end of each month divided by the number of months	

Helsinki, 1 February 2012

Rautaruukki Corporation

Board of Directors



The interim report for the period January–March 2012 will be published on 24 April 2012.

Rautaruukki Corporation, Suolakivenkatu 1, P.O.Box 138, FI-00811 Helsinki, Finland
www.ruukki.com