

Financial review 2011



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Rautaruukki Corporation
1 February 2012

RUUKKI

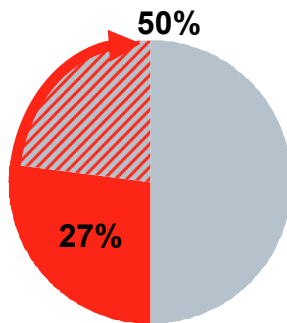
2011 in brief

- Profitability improved despite the difficult second half of the year
- Profitability of the solutions businesses improved clearly, which was one of the main objectives in 2011
- Profitability in the steel business was good during the first half of the year but loss made during the second half impacted negatively on profitability of the group
- Cash flow clearly improved when working capital was released according to the target set for the end of the year
- Gearing ratio 60 per cent at year-end
- Board of Directors' dividend proposal €0.50 per share

Achieving strategic targets progressed

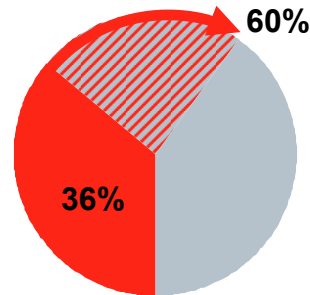
Strategic targets for the current strategic period

Emerging markets
to account for 50% of
consolidated net sales



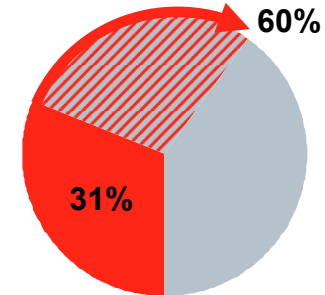
(2010: 23%)

**Construction and
engineering businesses**
to account for 60% of
consolidated net sales



(2010: 34%)

Special steel products
to account for 60% of the
steel business



(2010: 27%)

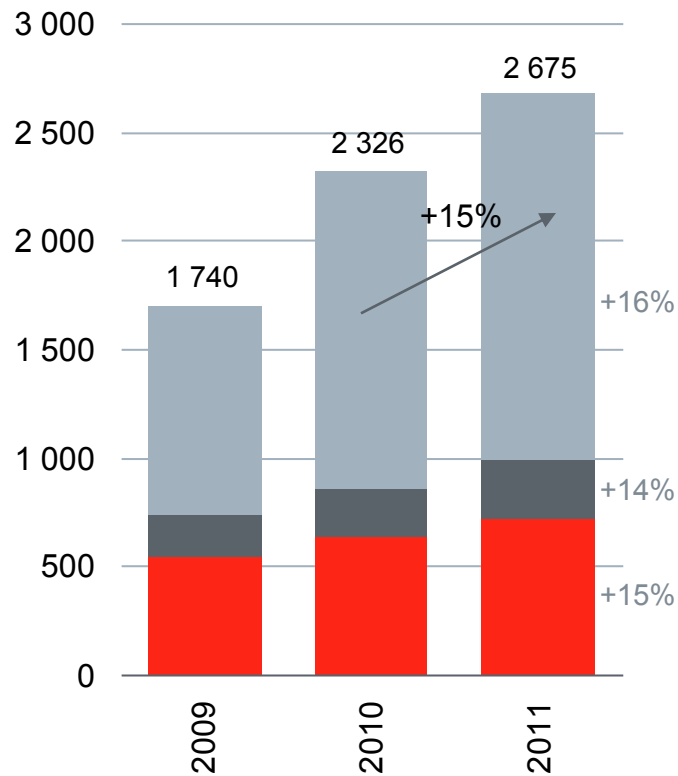
Aim is to achieve #1, #2 or otherwise strong market position in chosen segments

Financial performance

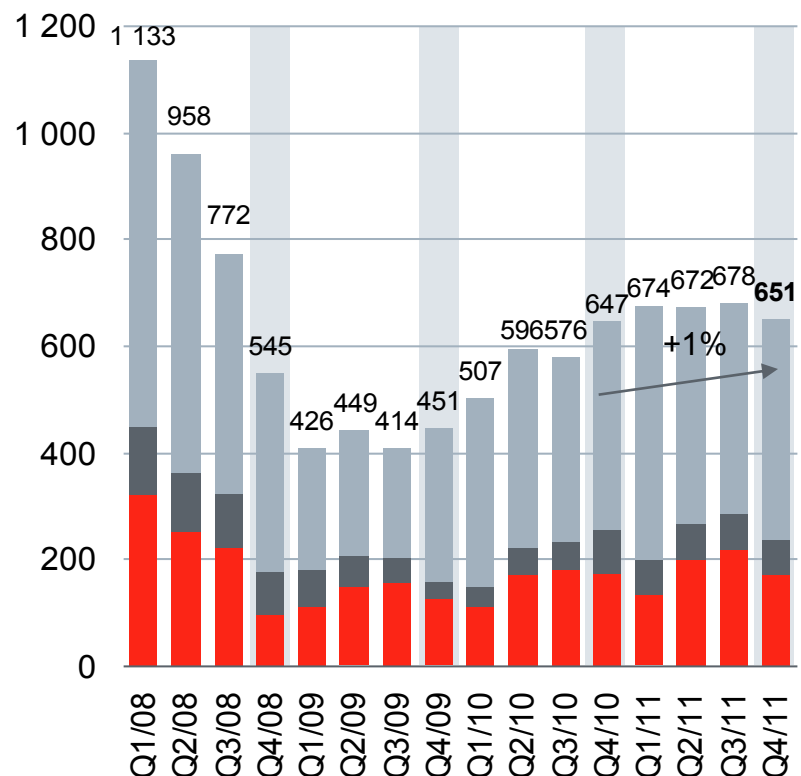
Order intake up 15% y-o-y

Growth in all businesses, growth has evened out at quarterly level

Order intake 2009-2011 (€m)



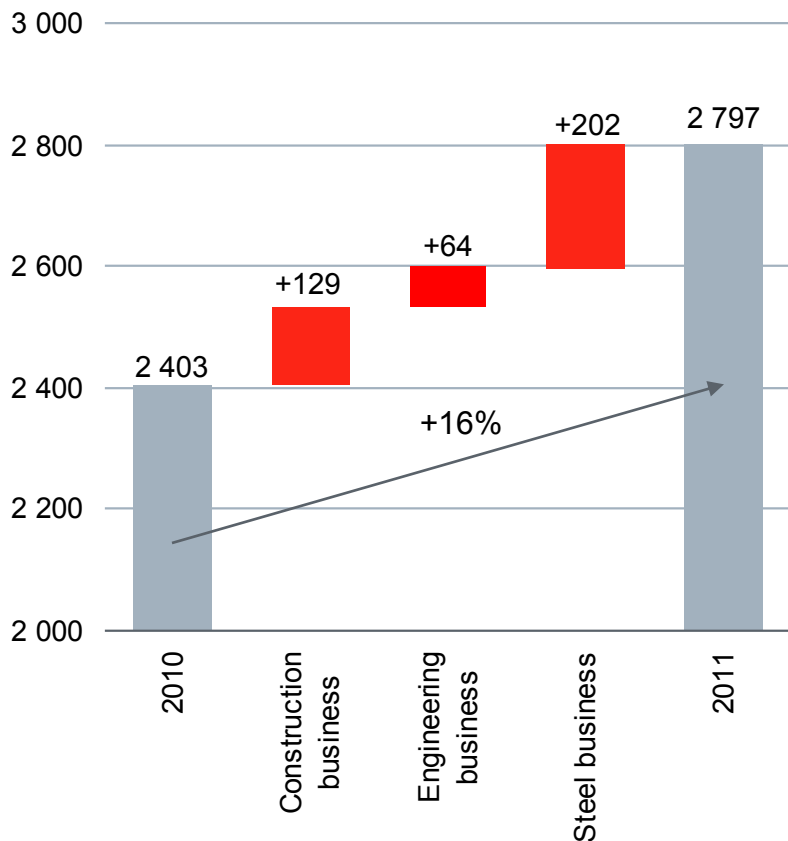
Quarterly order intake (€m)



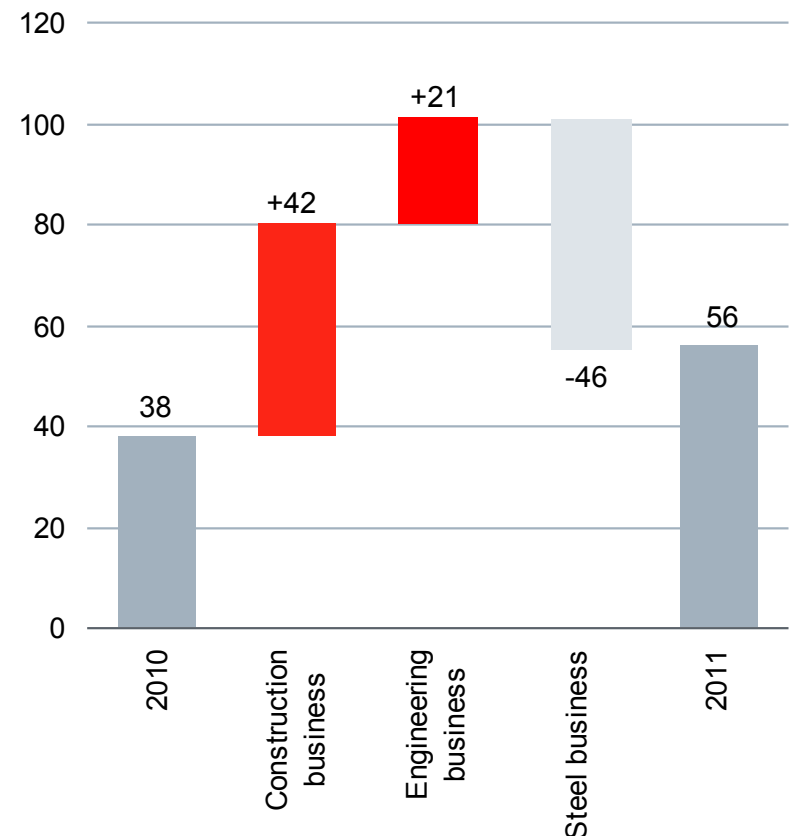
■ Construction business ■ Engineering business ■ Steel business

Net sales up 16% and profitability improved in 2011

Change in net sales by business area (€m) 2010 v. 2011 *)

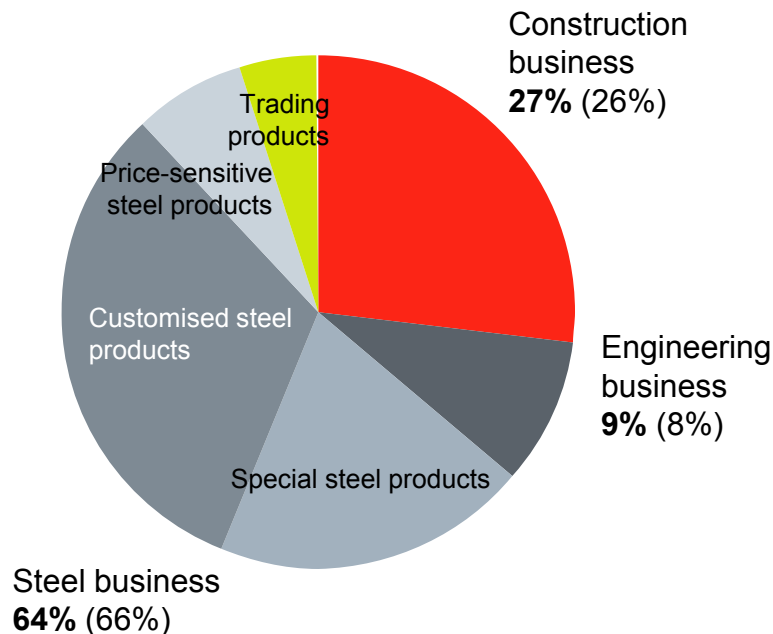


Change in operating profit by business area (€m) 2010 v. 2011 *)

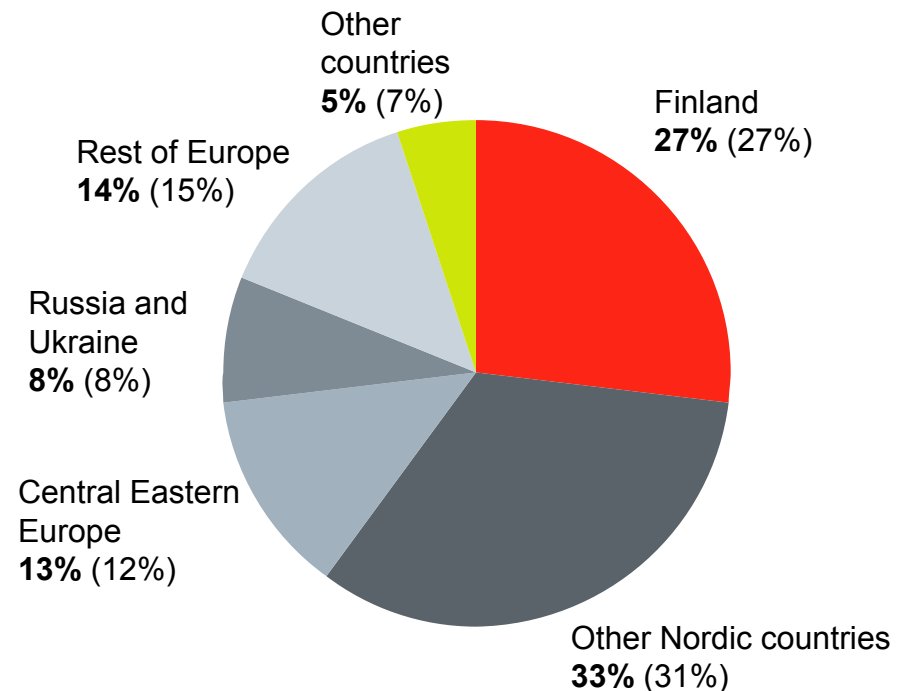


Strongest growth in the Nordic countries and Central Eastern Europe

Net sales by business area
2011 (2010) *)



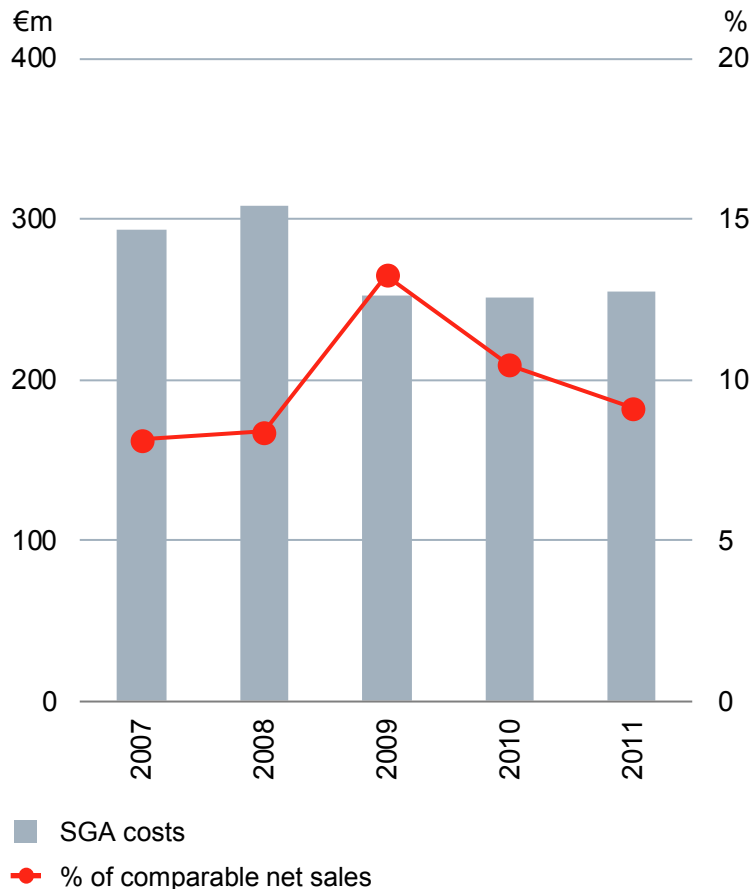
Net sales by market area
2011 (2010) *)



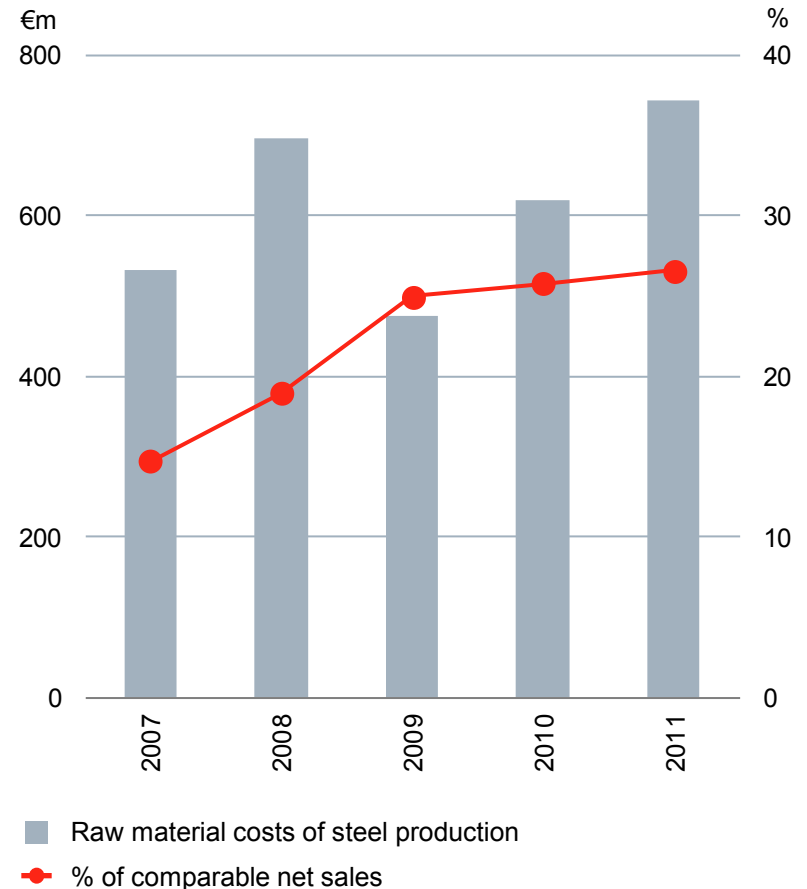
100% = 2,797 m€ (2,403 m€)

Fixed costs stable despite net sales growth

Development of SGA costs

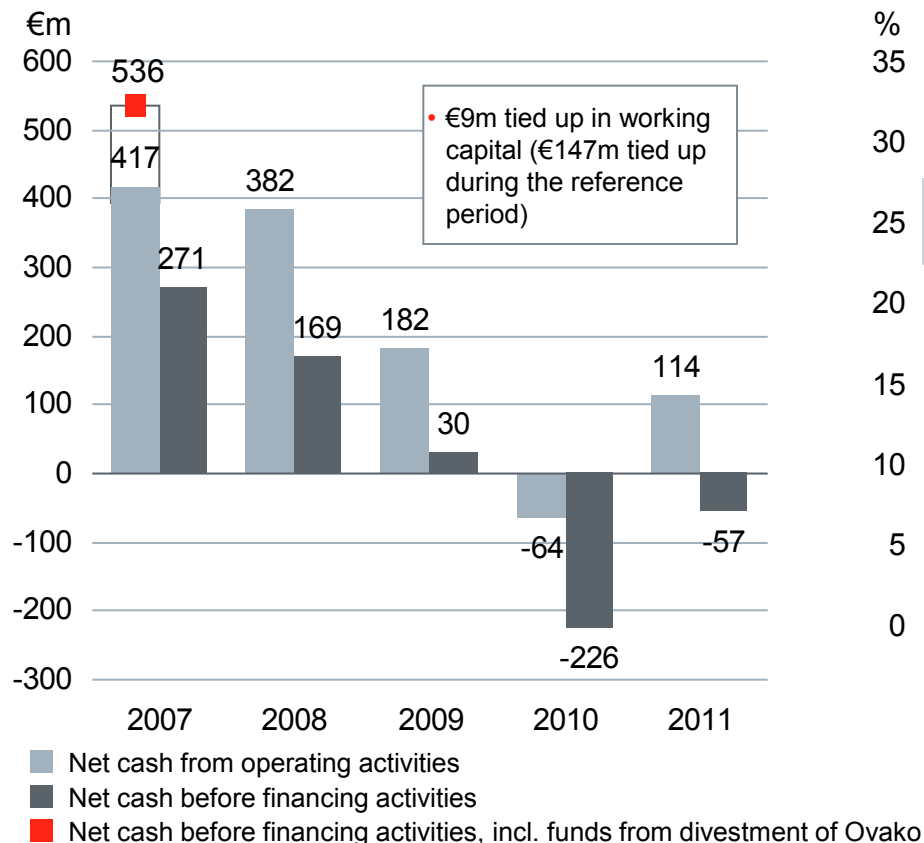


Development of raw material costs

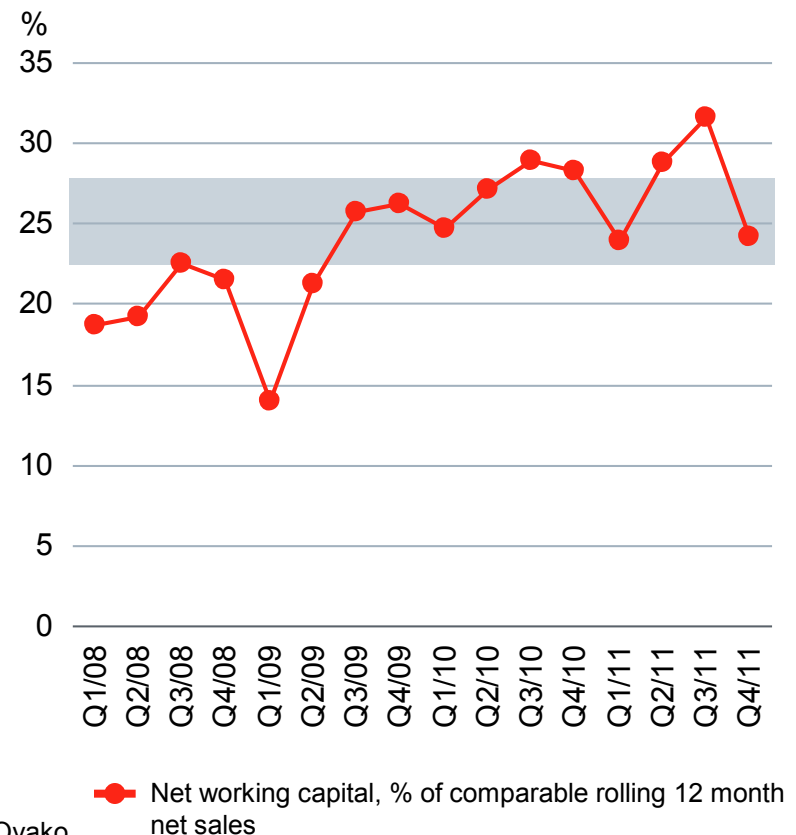


Good cash conversion from net working capital

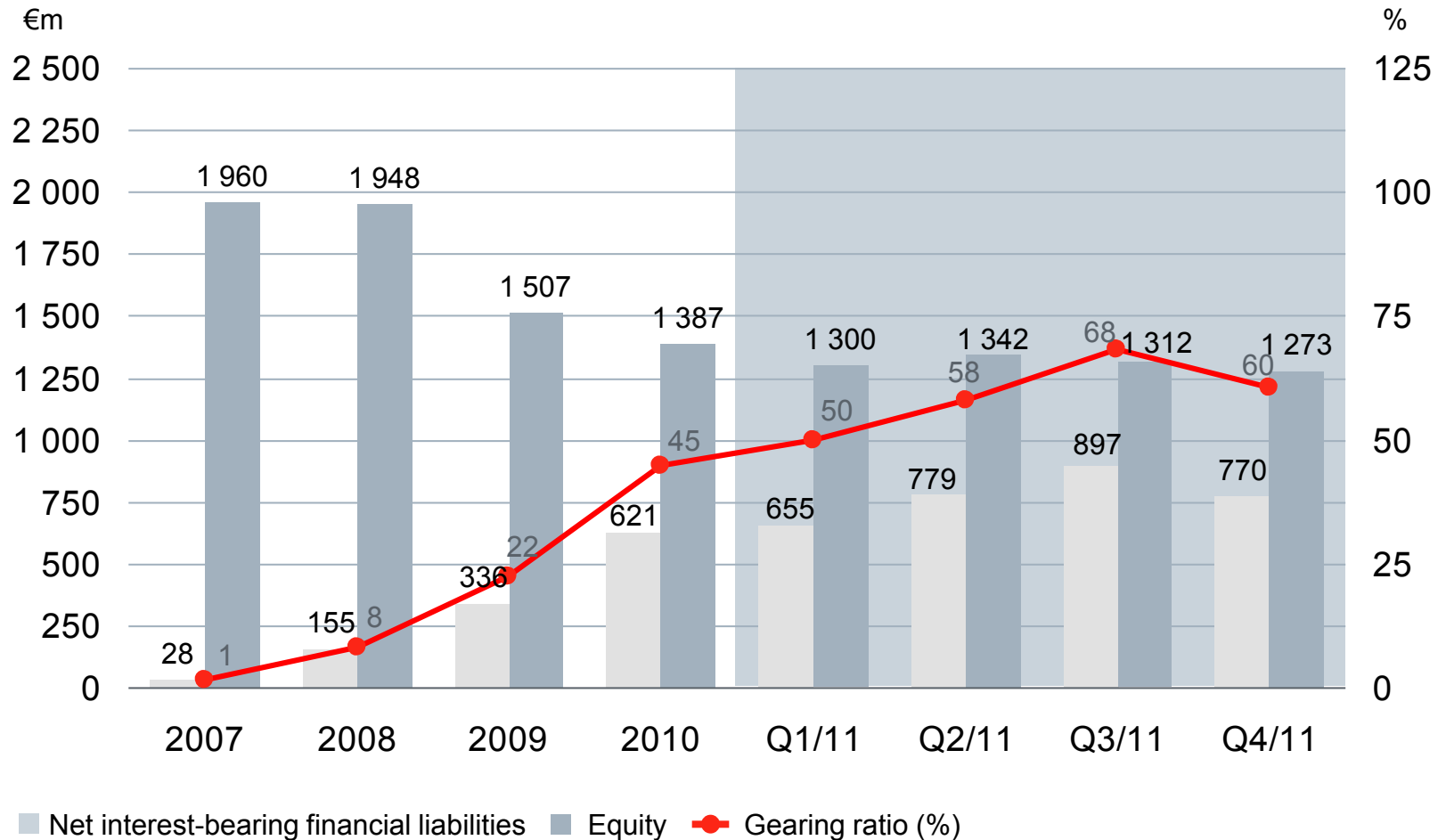
Net cash from operating activities and net cash before financing activities



Net working capital of comparable rolling 12 mth net sales

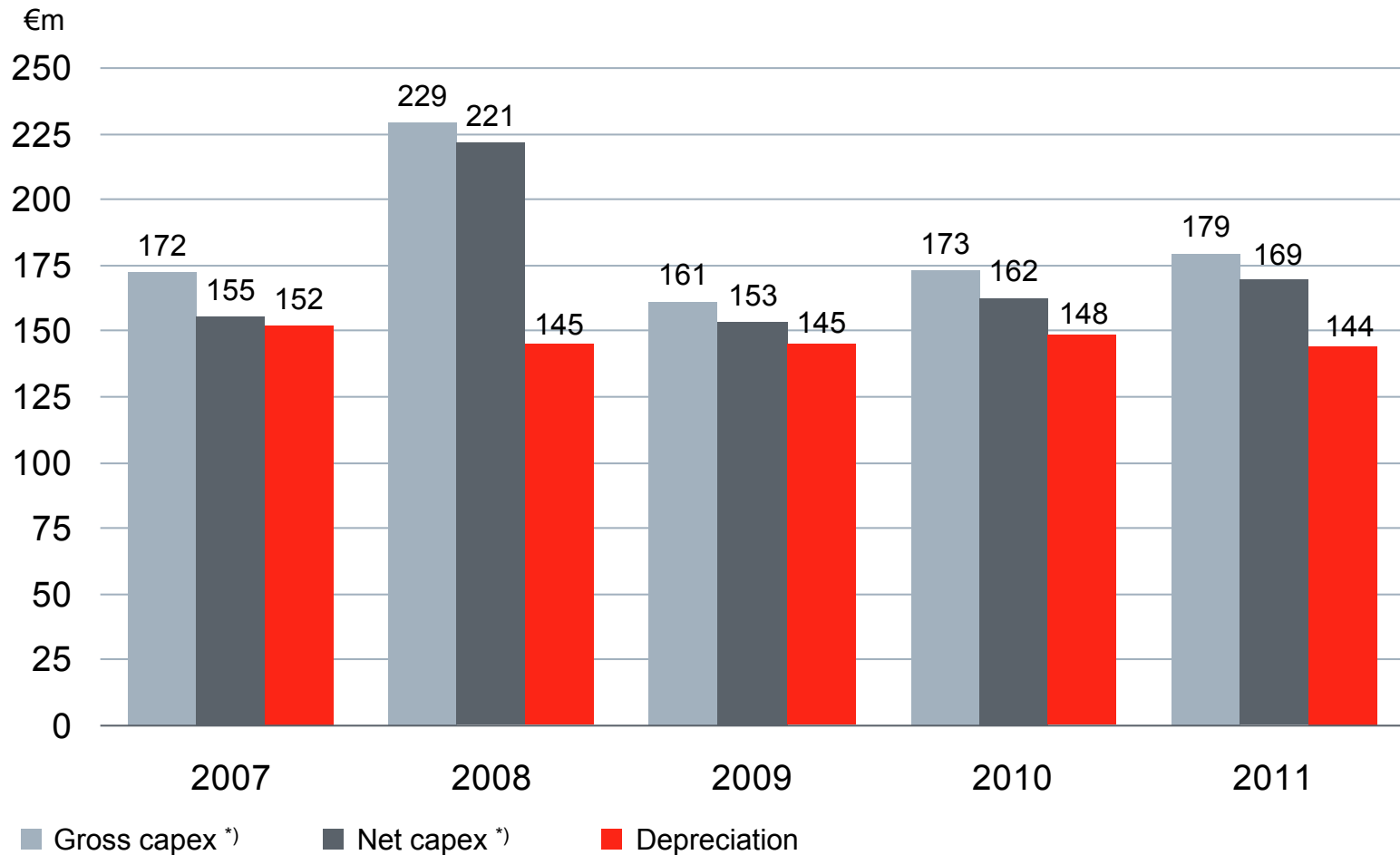


Gearing ratio at the long-term target level of 60%



Major investments completed

Capex around €100 million annually from 2012 onwards

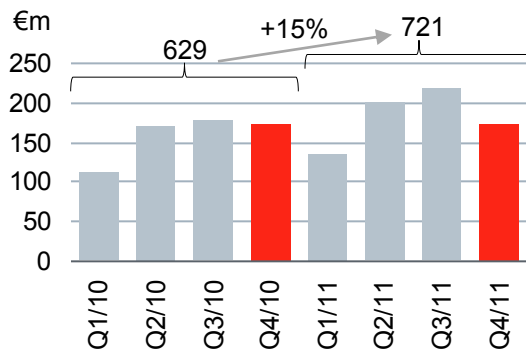


*) In tangible and intangible assets

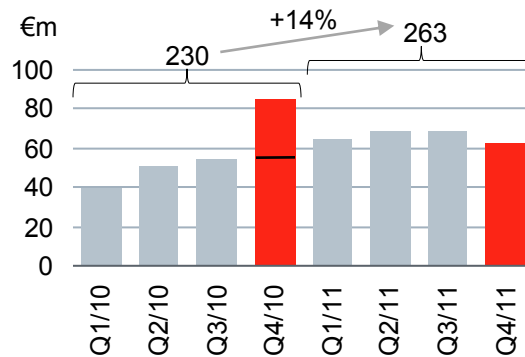
Business areas

Good order intake growth in all businesses y-o-y

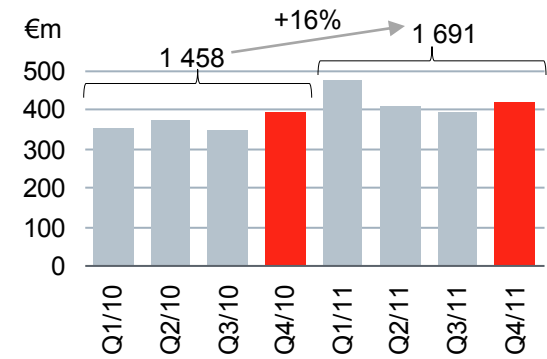
Construction



Engineering



Steel



2011 v. 2010

- + Residential roofing products in nearly all market areas, especially in Finland, Poland and Ukraine
- + Concept buildings in Russia
- + Piles used in foundations in infrastructure construction

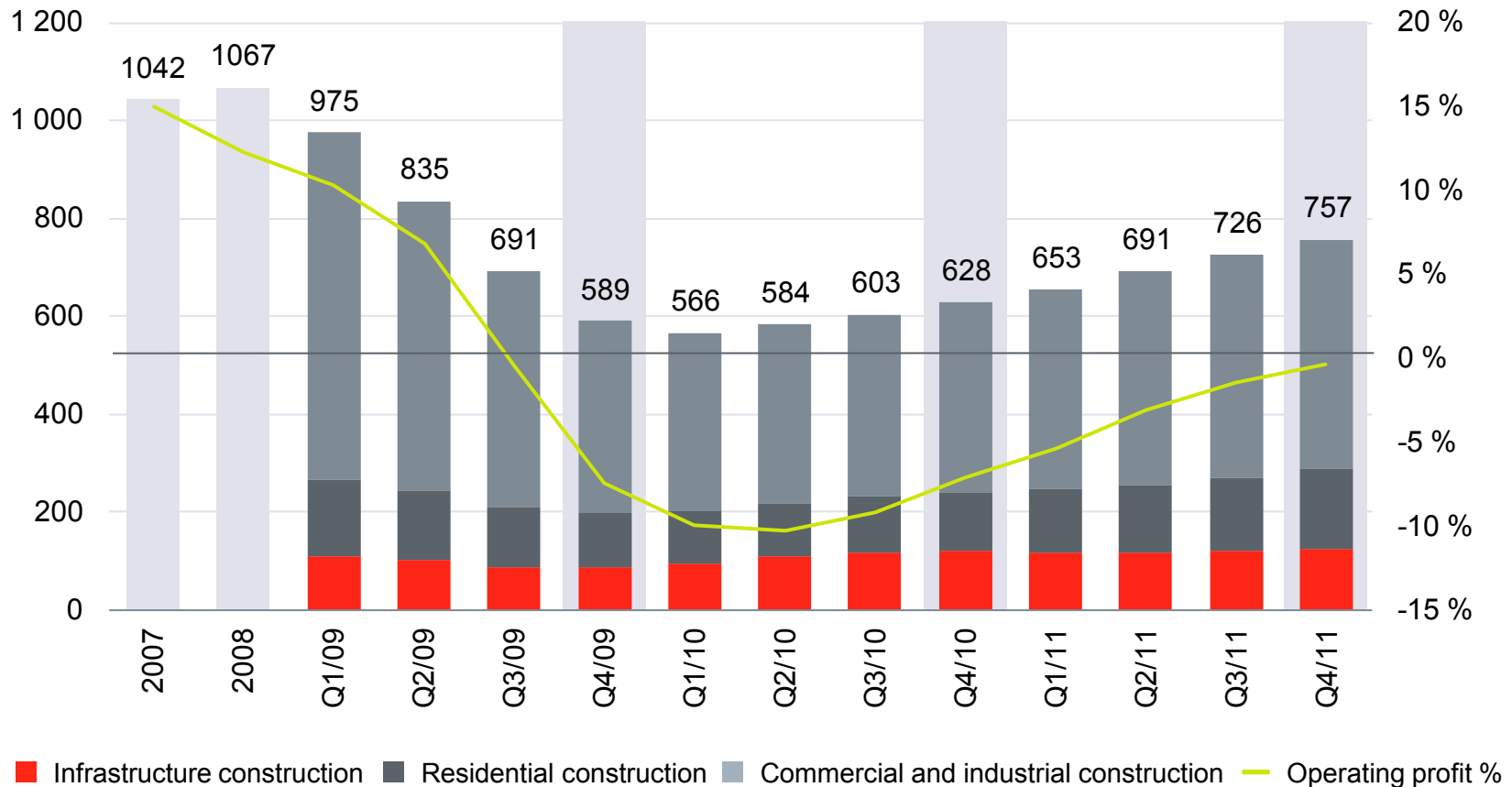
- + Growth in nearly all customer segments
- + Best development in order intake from materials handling equipment manufacturers and construction and mining industry equipment manufacturers

- + Growth in nearly all market areas, best development in Finland, the other Nordic countries and the Baltic states
- + Special steel products in new market areas: South Africa, Turkey and Brazil
- In second half of the year the effects of the European debt crisis were reflected in slower decision-making of mill delivery customers
 - + Service center orders remained at good level

Construction business:

Relatively strongest growth in residential construction in 2011

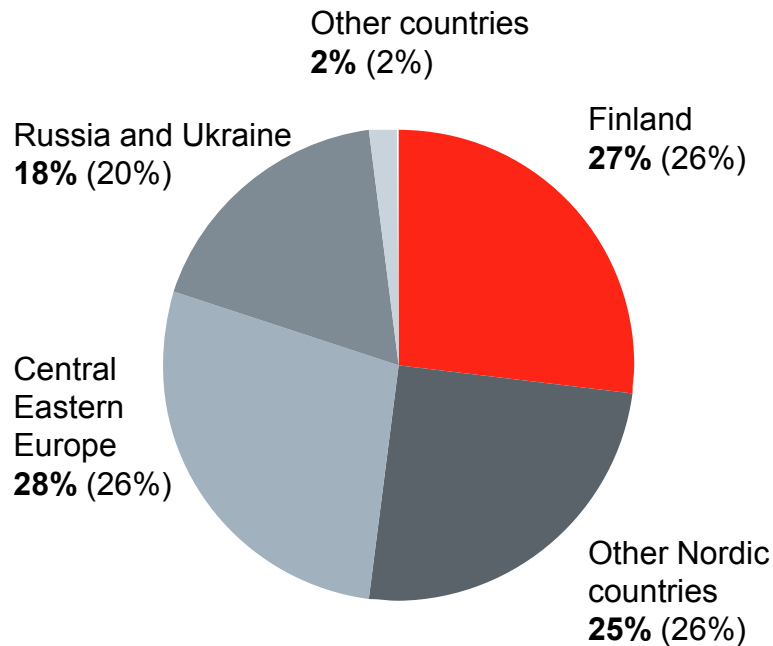
Net sales by product group (€m) and operating profit %, rolling 12 mth ^{*)}



Construction business: Strongest growth in Central Eastern Europe

Net sales by market area 2011 (2010) *)

Development of net sales



2011 v. 2010

- + Finland +27%
- + Other Nordic countries +16%
- + Central Eastern Europe +29%
- + Russia and Ukraine +10%
- Other countries -7%

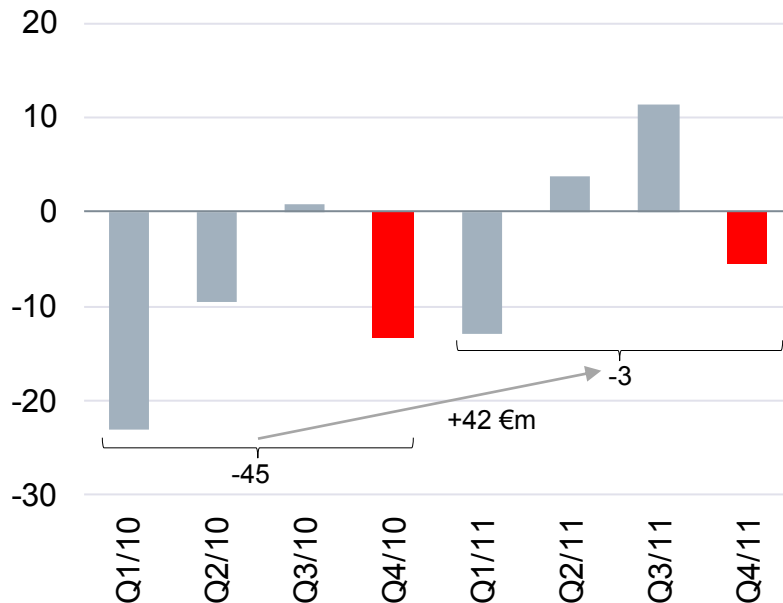
10-12/2011 v. 10-12/2010

- + Finland +18%
- + Other Nordic countries +23%
- + Central Eastern Europe +10%
- + Russia and Ukraine +22%
- + Other countries +22%

Construction business:

Operating profit improved €42m y-o-y but was still negative at -€3m

Operating profit (€m) *)



Development of operating profit

2011 v. 2010

- + Better operational efficiency
- + Larger delivery volumes and better capacity utilisation rate
- + Good profitability in residential and infrastructure construction
- Loss of -€14m made by the project business, out of which loss-making projects, one-off costs related to structural changes and unused capacity accounted for one third each
- Low capacity utilisation rate during the first half and exceptionally low delivery volumes during the first quarter

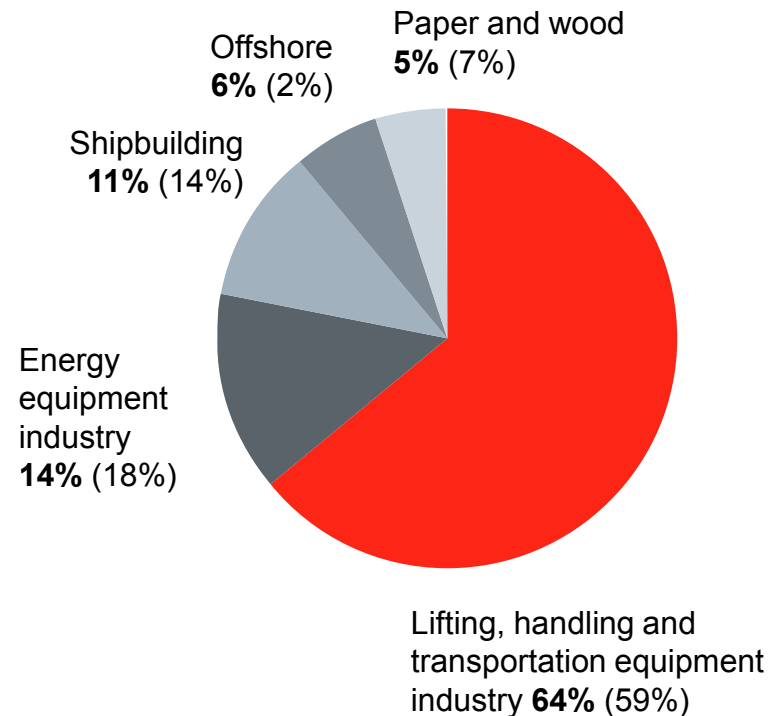
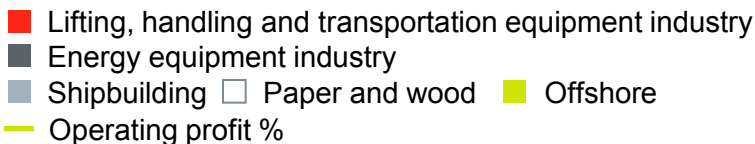
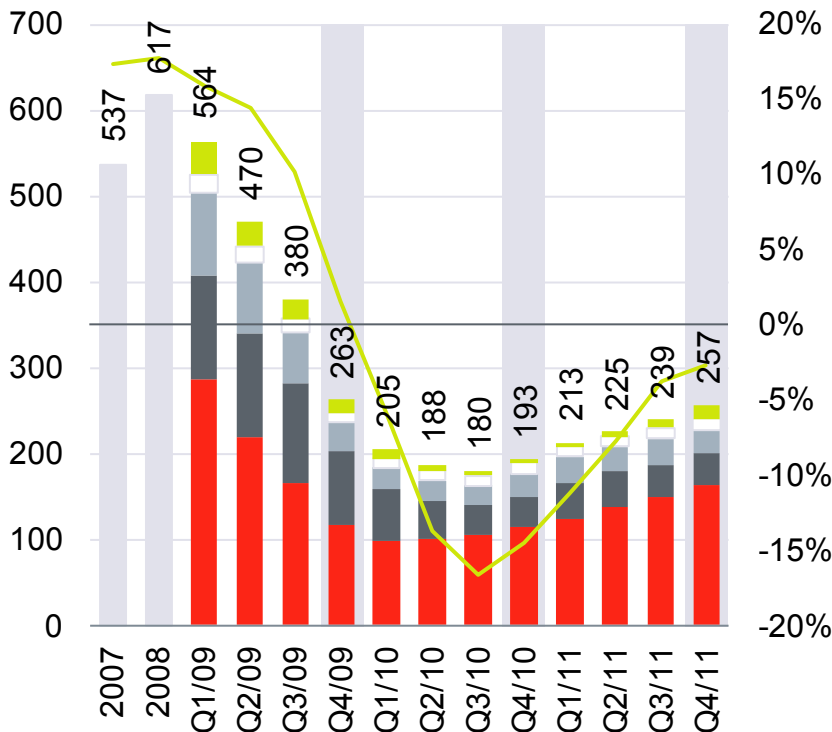
10-12/2011 v. 10-12/2010

- + Operating profit improved clearly y-o-y but was negative at -€6m
- + Better operational efficiency
- + Larger delivery volumes and better capacity utilisation rate
- + Good profitability in residential and infrastructure construction

Engineering business:

Strongest growth in deliveries to materials handling and mining industry equipment manufacturers

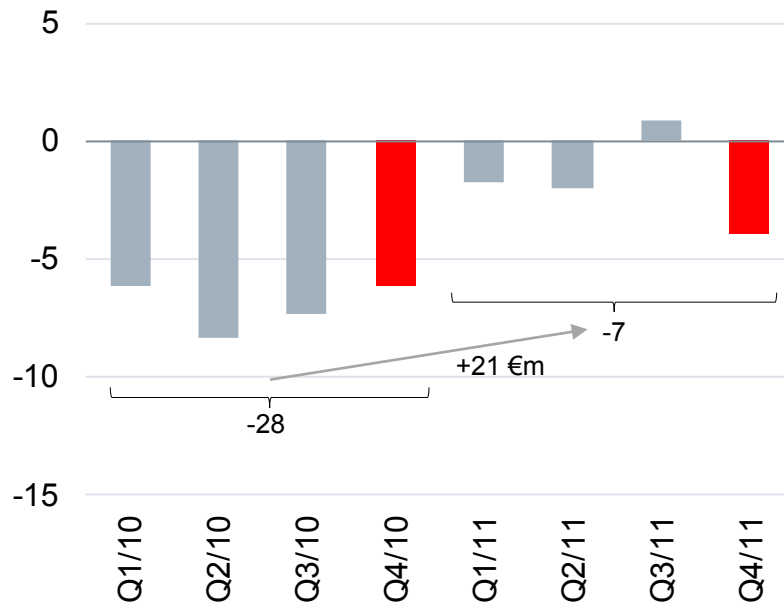
Net sales by customer segment (€m) and operating profit %, rolling 12 mth *) 2011 (2010 *)



Engineering business:

Operating profit improved €21m y-o-y but was still negative at -€7m

Operating profit (€m) *)



Development of operating profit

2011 v. 2010

- + Larger delivery volumes and better capacity utilisation rate
- + Good development at Poland and Hungary units and better average selling prices
- Single unprofitable project for which a cost of €5m was booked in fourth quarter
- Loss of -€7m made by the Shanghai unit

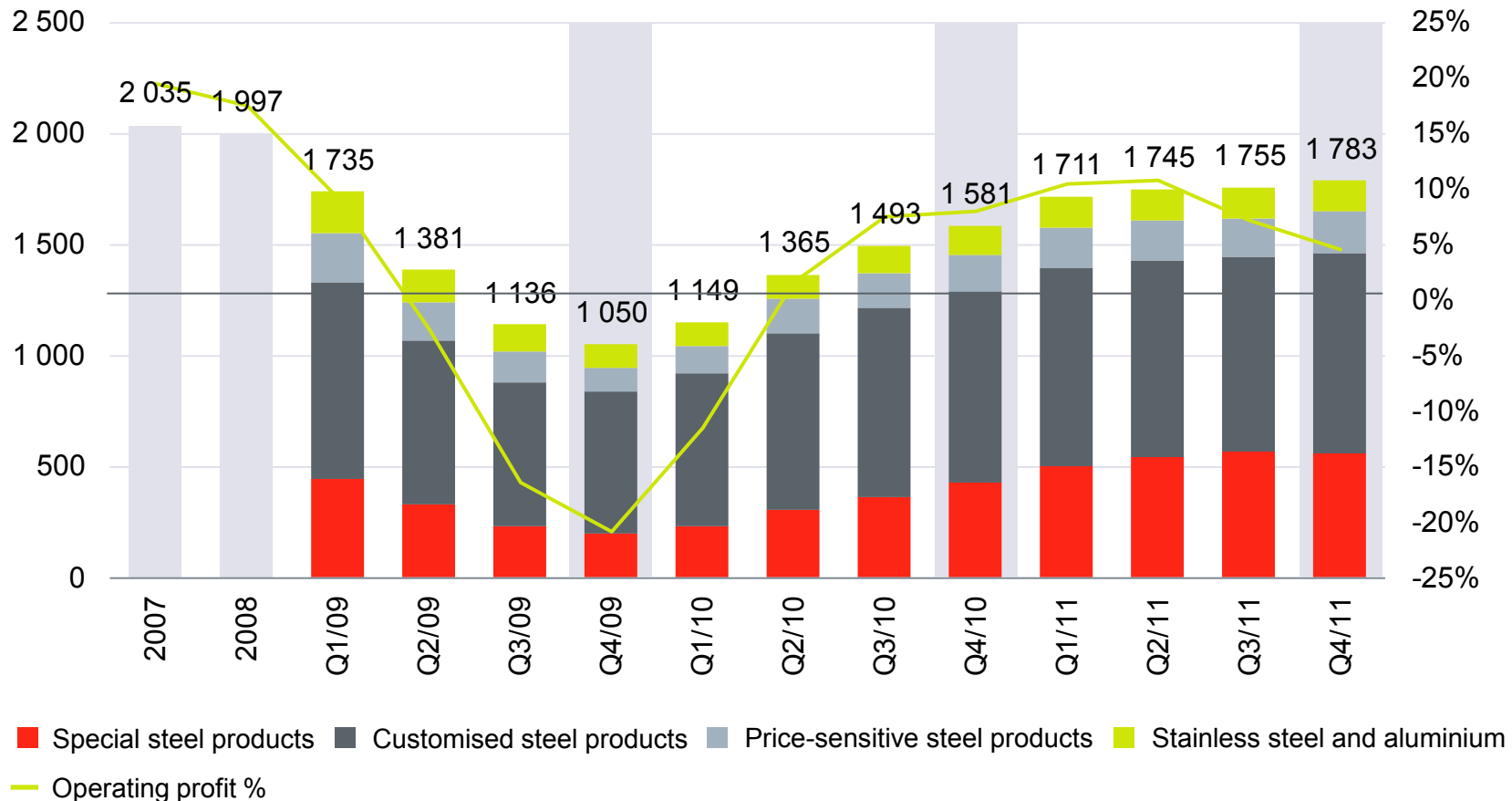
10-12/2011 v. 10-12/2010

- + Operating profit improved clearly y-o-y but was negative at -€4m
- + Larger delivery volumes and better capacity utilisation rate
- + Good development at Poland and Hungary units and better average selling prices
- Single unprofitable project for which a cost of €5m was booked
- Loss of -€2m made by the Shanghai unit

Steel business:

Share of special steel products increased to 31% in 2011, capacity utilisation rate in fourth quarter at approx. 80%

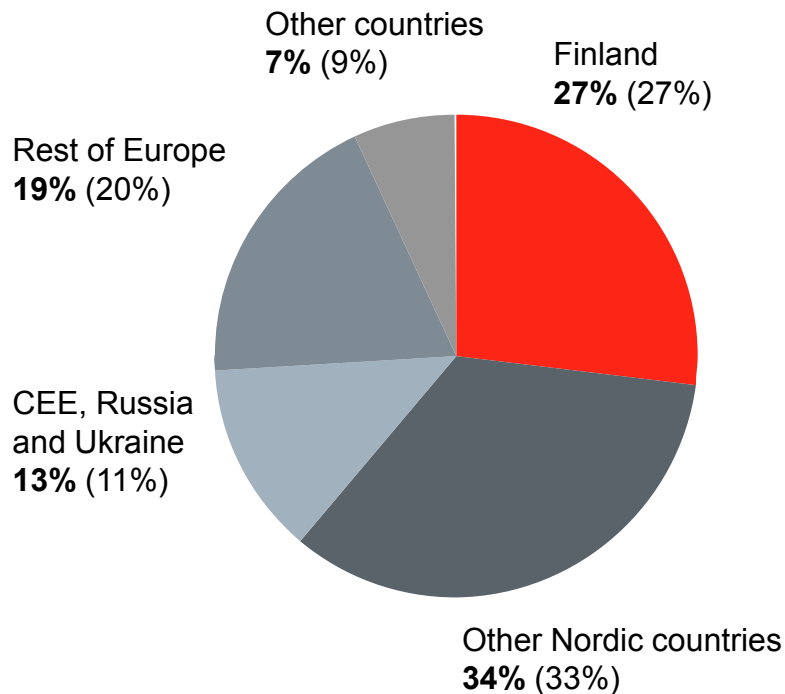
Net sales by product group (€m) and operating profit %, rolling 12 mth *)



Steel business:

Strongest growth in CEE, Russia and Ukraine

Net sales by market area 2011 (2010) *) Development of net sales



2011 v. 2010

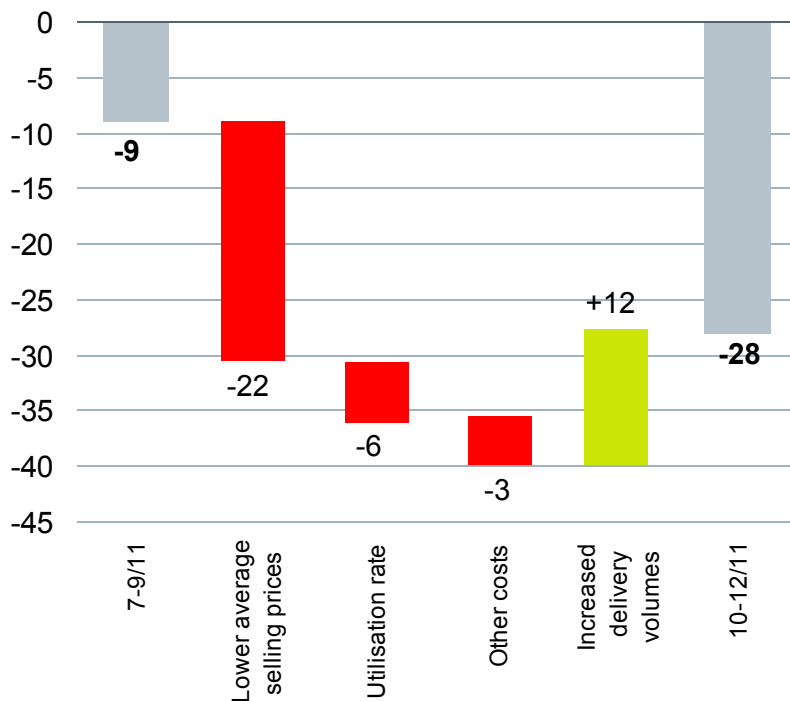
- + Finland +11%
- + Other Nordic countries +18%
- + CEE, Russia and Ukraine +28%
- + Other Europe +9%
- Other countries -8%

10-12/2011 v. 10-12/2010

- Finland -4%
- + Other Nordic countries +1%
- + CEE, Russia and Ukraine +6%
- + Other Europe +48%
- Other countries -22%

Operating profit bridge of steel business 7-9/11 v. 10-12/2011

Operating profit (€m) 7-9/11 v. 10-12/11 *) **)



- Comparable operating profit in the steel business decreased from -€9m for third quarter to -€28m
 - Impact of lower average selling prices -€22m
 - Impact of lower capacity utilisation rate -€6m
 - Impact of other costs -€3m
 - Impact of increased delivery volumes +€12m

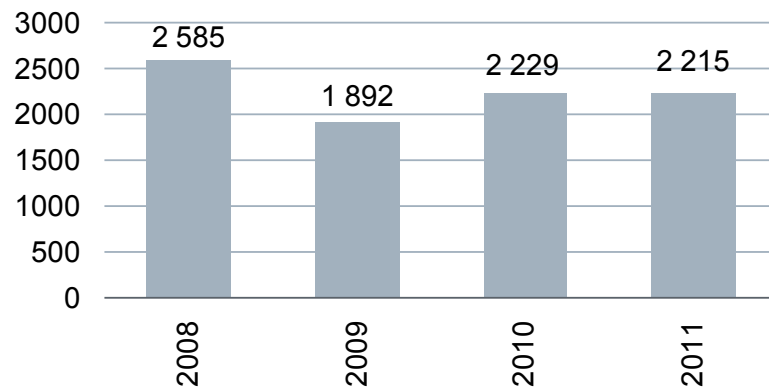
*) Comparable

**) Comparable utilisation rate at approx. 80% in both quarters

Capacity utilisation rate in steel production approx. 80% in fourth quarter

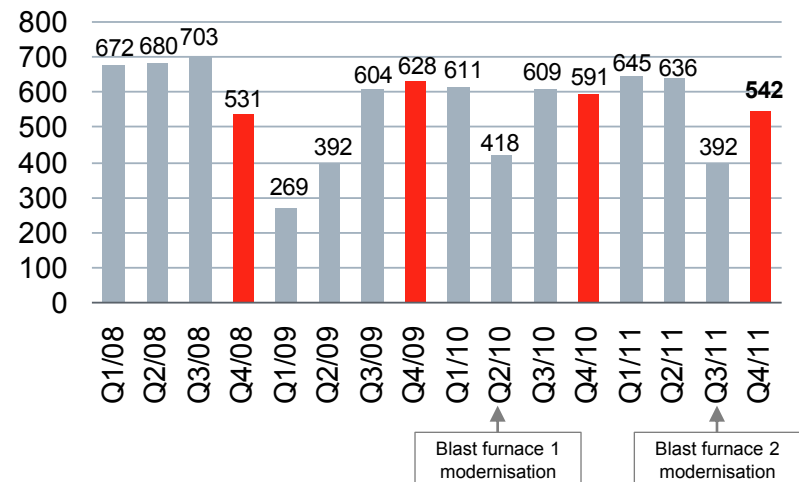
Steel production 2008-2011

1 000 tonnes



Quarterly steel production

1 000 tonnes



- Steel production in 2011 was 2,215 thousand tonnes (2,229) and in October-December 542 thousand tonnes (591)
- Capacity utilisation rate in steel production in fourth quarter was approx. 80%
- Low capacity utilisation rate was due to weakened demand

Ruukki Metals' profitability improvement project: targeting permanent €50m annual savings

- Target is to achieve permanent €50m annual earnings improvement and profitable business also at 80% utilisation rate, which is low for steel industry
 - Cost efficiency and business flexibility to be improved especially to respond to the change in standard products market environment
 - Analysis made and targets set by the end of the first quarter 2012
 - Full earnings improvement during 2013, more detailed schedule after the analysis has been completed
-
- Markets for special steel products are estimated to continue to grow clearly better than markets for standard steel products

Business environment

Moderate growth forecast in 2012

Growth in Ruukki's most important market areas is forecast to be more favourable than in many other countries

Industrial production and fixed investment forecasts for 2012

- Forecasts updated in January 2012

	Industrial production %-change since 2011	Change from Nov/Dec 2011 forecast *)	Fixed investment %-change since 2011	Change from Nov/Dec 2011 forecast *)		Industrial production %-change since 2011	Change from Nov/Dec 2011 forecast *)	Fixed investment %-change since 2011	Change from Nov/Dec 2011 forecast *)
Finland	0.4	-0.9	0.0	-0.5	Slovakia	3.5	-0.1	1.3	-0.7
Germany	0.8	-0.1	1.5	-0.3	Romania	4.2	-0.7	3.5	-0.5
Norway	0.6	-0.9	5.3	+0.7	China	11.6	+0.3	8.8	-0.6
Sweden	0.4	-0.4	2.2	-0.9	India	5.3	0.0	4.0	0.0
Russia	3.8	-0.1	6.3	-0.2	Brazil	1.8	-0.7	4.3	-0.3
Poland	3.9	+0.5	3.8	0.1	USA	3.1	+0.3	7.4	0.0
Czech R.	1.2	-0.2	0.3	-0.3					

Source: Consensus Economics 1/2012, Citibank 1/2012 (China, India and Brazil) and recent key forecasts for Finland's investment.

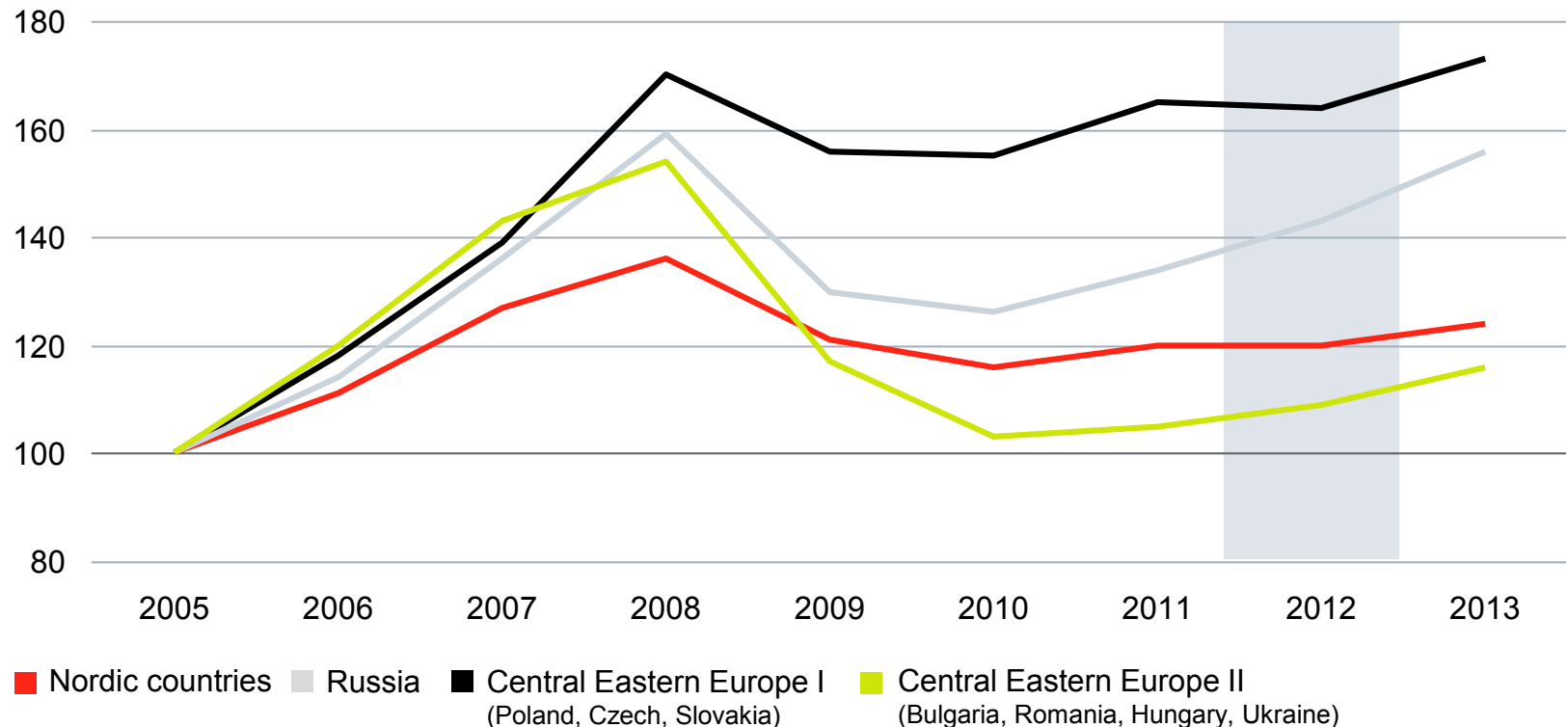
*) Change from previous month's forecast, direction and change in %-points. Previous month is November for China, India and Brazil, for other countries previous month is December.

Construction business:

In commercial and industrial construction in Ruukki's main markets strongest growth is forecast in Russia in 2012

Commercial, office and industrial construction, new construction *)

Index



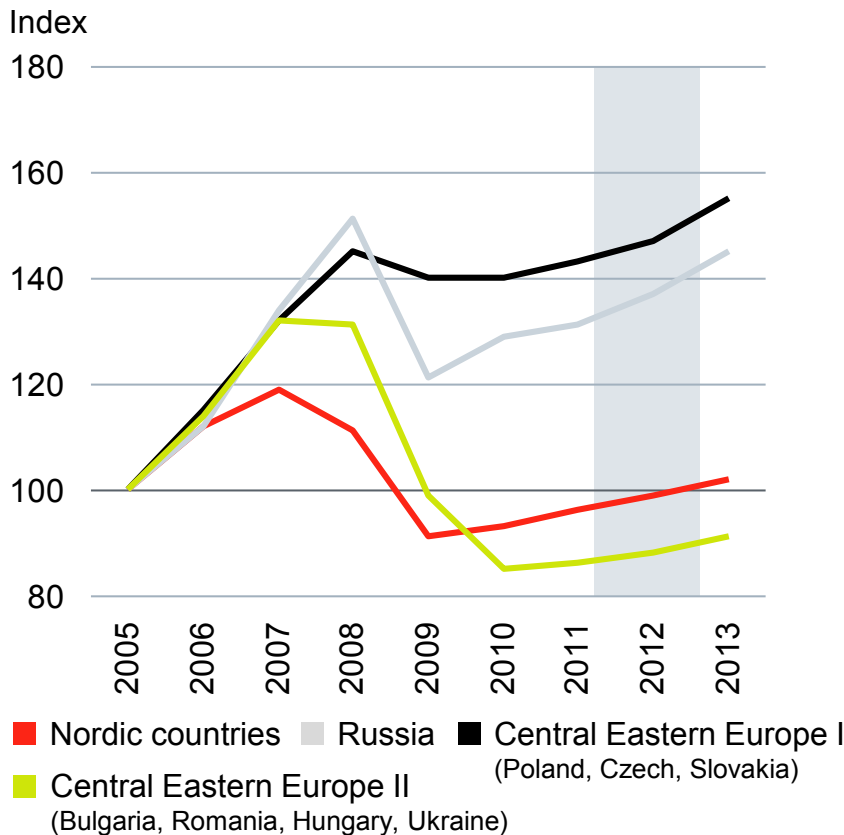
Source: Global Insight 12/2011, at constant prices

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

Construction business:

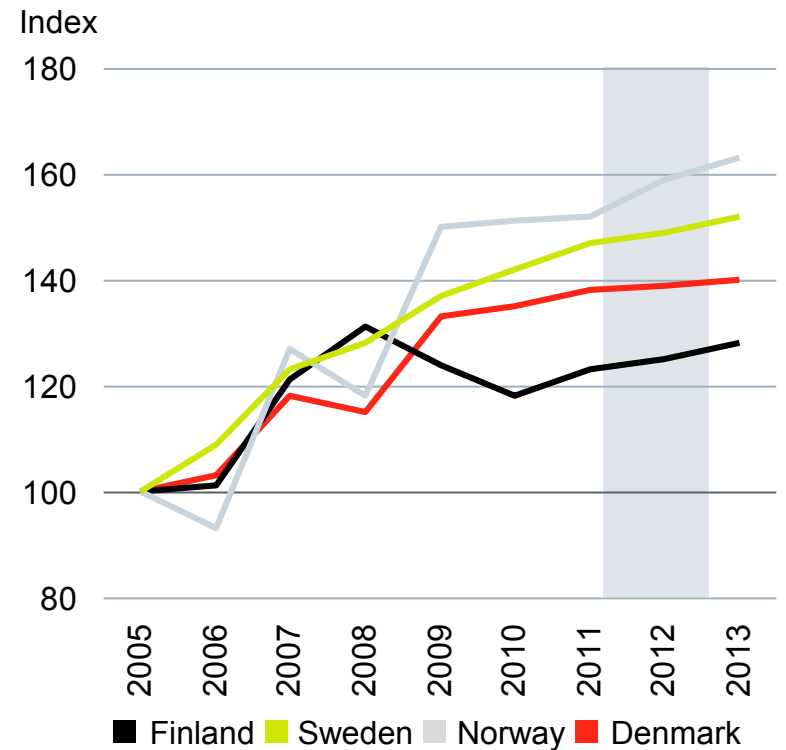
In Ruukki's important markets, Poland, Czech and Slovakia, residential construction is forecast to develop favourably

Residential construction, new and renovation construction



Source: Global Insight 12/2011, at constant prices

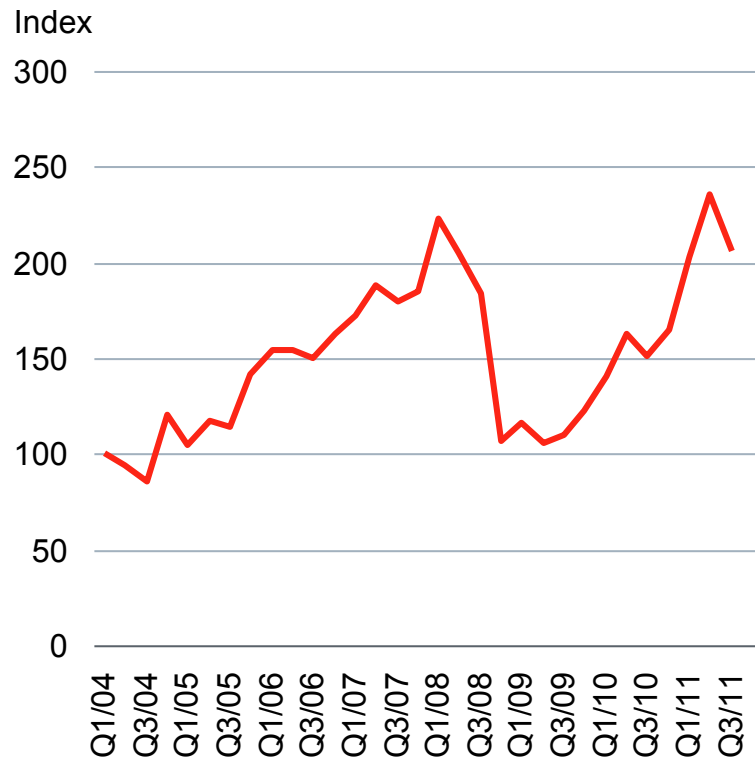
Transport infrastructure construction



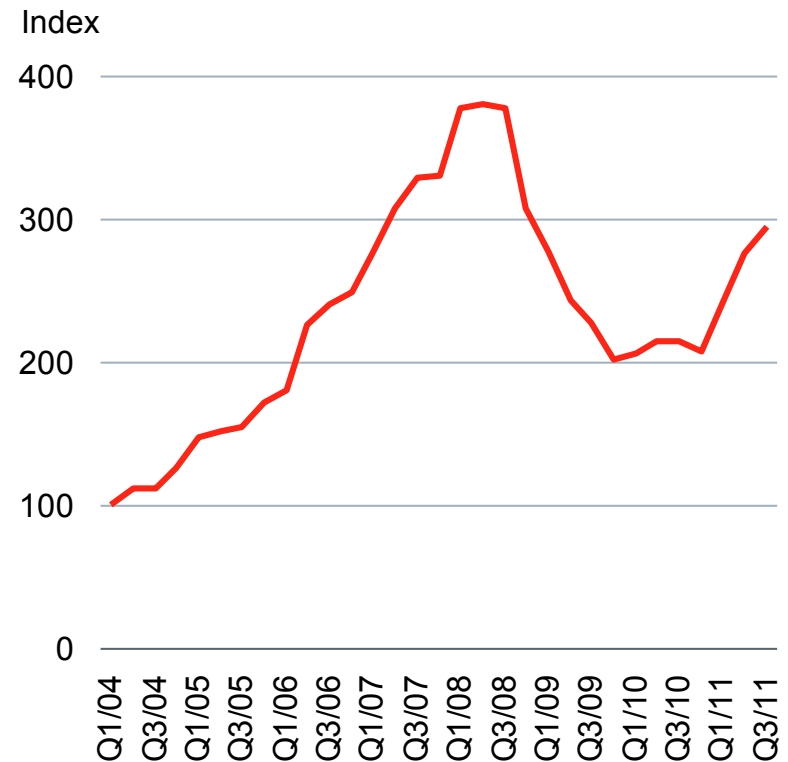
Engineering business:

Clear growth in customers' order intake and order book compared to previous year

Order intake of main customers, Q1/04-Q3/11



Order book of main customers, Q1/04-Q3/11

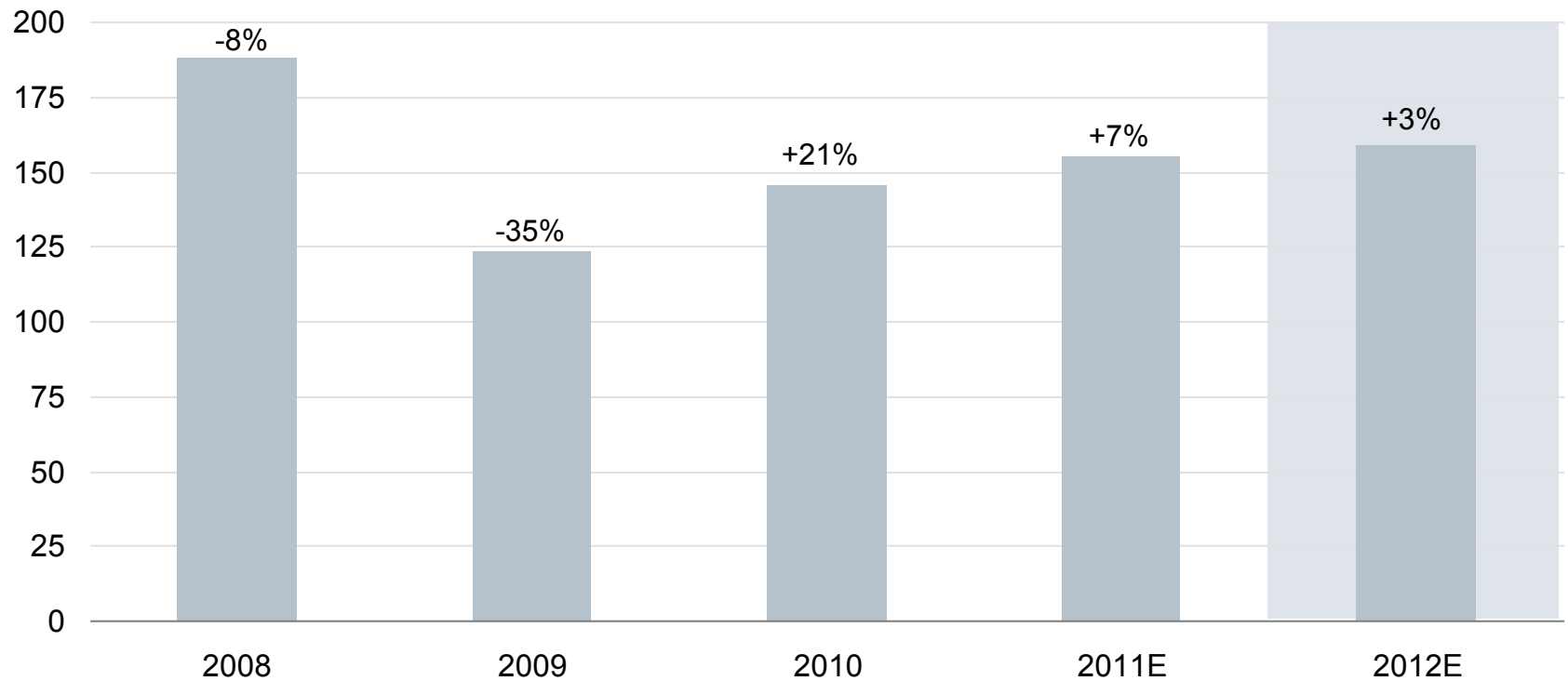


Sources: Company reports - Konecranes, Cargotec Industrial & Terminal, Metso Mining & Construction Technology, Wärtsilä, Andritz Pulp & Paper, Terex Group

Apparent steel use in Europe forecast to grow 3% in 2012

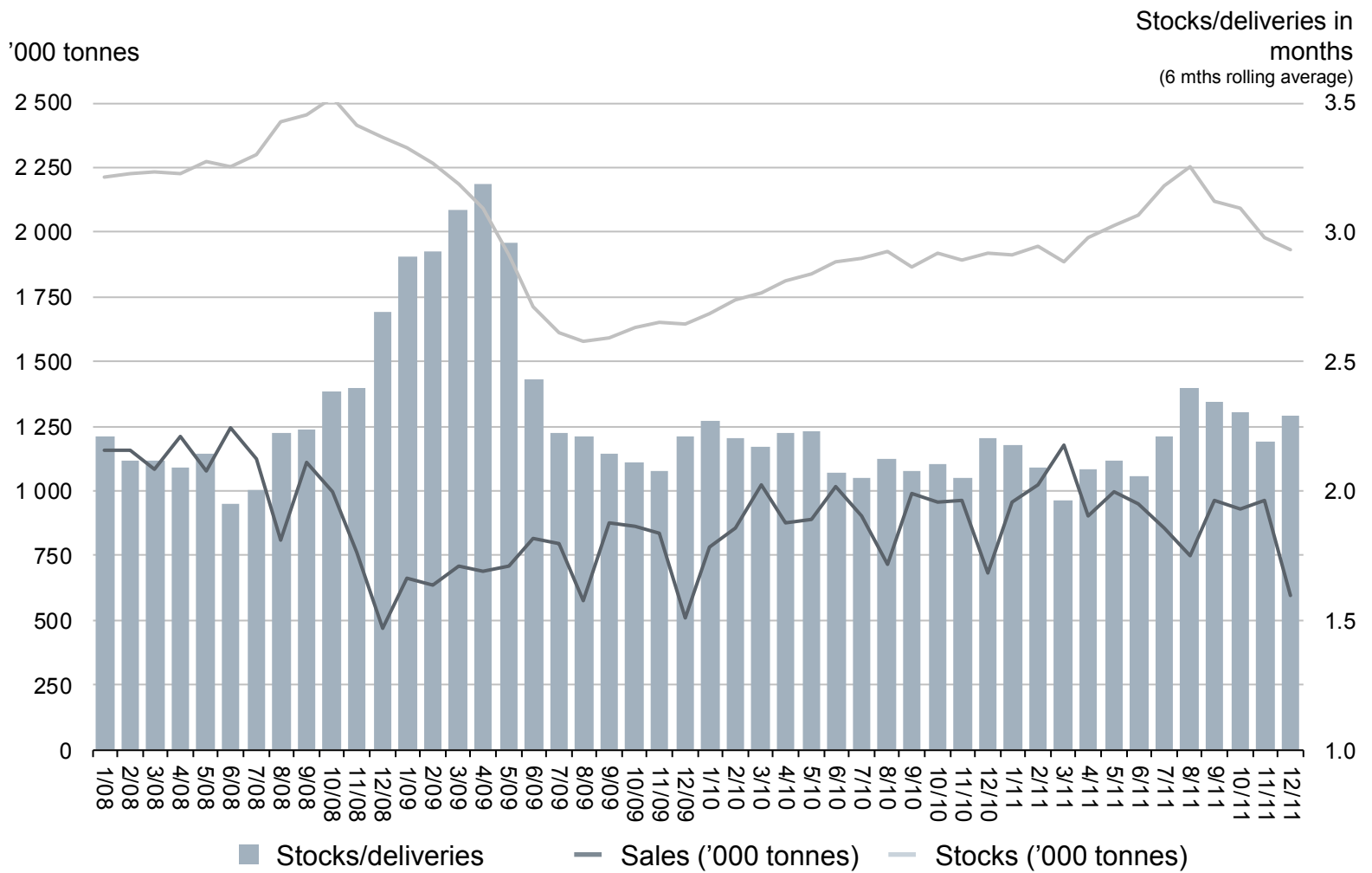
Apparent steel use in EU-27 region
2008-2012E

Million tonnes



Source: worldsteel, October 2011

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



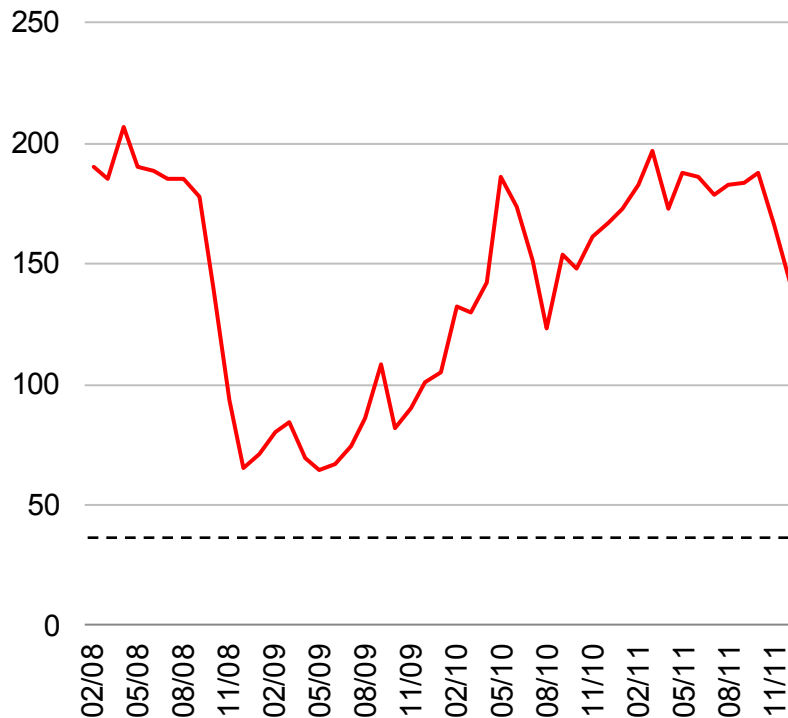
Source: EASSC (Note: view of one source that does not represent stock levels of all steel wholesalers in Europe.)



Raw material prices decreased towards year-end

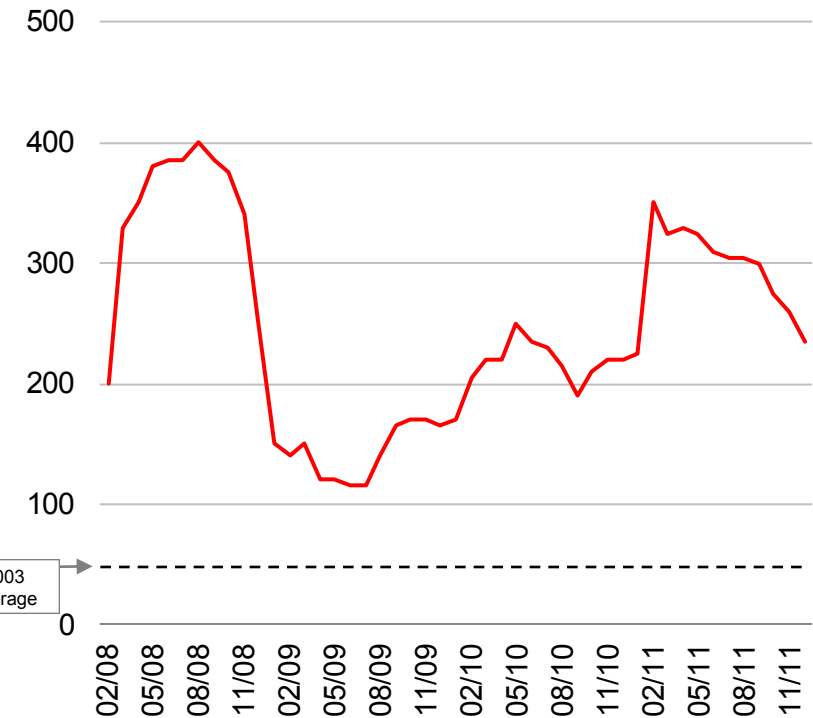
Iron ore spot price *)

USD/t



Coking coal spot price **)

USD/t



Source: CRU

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

Near-term outlook and dividend proposal

Near-term outlook

Factors affecting net sales development

Construction

Moderate market growth is forecast 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
 - 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

Engineering

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
- Demand in the energy industry in the baseload power generation market is forecast to remain good
- Weakened economic outlook is expected to affect demand from forest machine manufacturers

Steel

Service center sales are expected to continue at a good level and 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

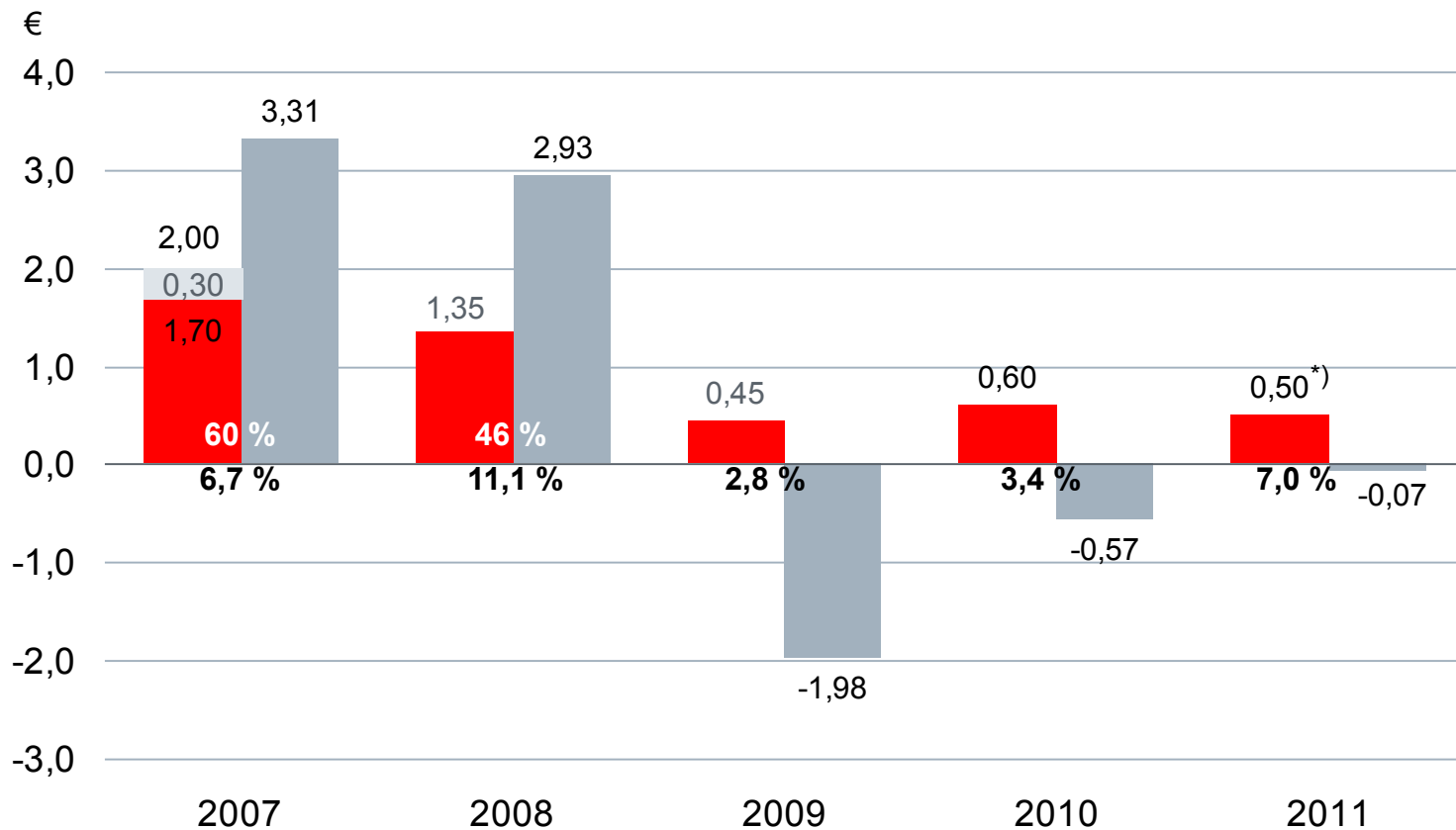
Near-term outlook

- 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 €100 million
- Cost structure is clearly lighter than in previous years based on actions already completed and those ongoing

Assessment of future performance

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

Dividend proposal €0.50 per share ^{*)}



- Dividend/share
- Earnings/share
- Dividend/earnings, %
- Additional dividend
- Dividend yield, % (as per year-end share price)

Key focus areas in 2012

- Growth from the emerging markets
 - In construction business, growth especially in residential roofing products and Russia
 - Improving profitability of the solutions businesses
 - Starting point is clearly better than a year earlier
 - Improving profitability of the steel business
 - Signs of demand picking up from mill delivery customers
 - Stock levels normalised towards the end of 2011 and average selling prices of steel products are expected to rise moderately in early 2012
 - A project to improve cost competitiveness and business flexibility, targeting permanent €50m annual earnings improvement
 - Improving cash flow by better cost competitiveness, improvement in profitability, releasing working capital and lower capex
- Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

Q&A



Appendices

Key figures

€m	10-12/11	10-12/10	2011	2010
Net sales *)	718	641	2 797	2 403
Operating profit *)	-40	-5	56	38
as % of net sales *)	-5.6	-0.7	2.0	1.6
Profit before income tax *)	-50	-12	22	8
Result for the period	-41	-30	-10	-79
Earnings per share, diluted, €	-0.30	-0.21	-0.07	-0.57
Return on capital employed, %			1.3	-0.3
Gearing ratio, %			60.4	44.7
Gross capital expenditure **)			179	173
Net cash from operating activities	163	23	114	-64
Net cash before financing activities	126	-19	-57	-226
Personnel (average)	11 493	11 384	11 821	11 693

*) Comparable **) In tangible and intangible assets

Quarterly comparable net sales and operating profit

€m	1-3/ 10	4-6/ 10	7-9/ 10	10-12/ 10	1-3/ 11	4-6/ 11	7-9/ 11	10-12/ 11
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
Other	0	1	0	0	0	0	0	0
Total	500	647	615	641	675	730	674	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
Other	-4	-4	-4	-4	-3	-6	-3	-3
Total	-43	45	41	-5	25	71	1	-40