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Rautaruukki Corporation

FINANCIAL STATEMENT BULLETIN 1 Jan–31 Dec 2012 RTRKS

15 February 2013

ruukki

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Rautaruukki Corporation Financial statement bulletin 15 February 2013 at 9am EET

Rautaruukki Corporation Financial statement bulletin for 2012: Steel business made a loss in a difficult market environment, clear improvement in consolidated cash flow

October-December 2012 (Q4/2011)
- Net cash from operating activities was EUR 79 million (163)
- Order intake was EUR 651 million (651)
- Comparable net sales were down 6% at EUR 676 million (718)
- Comparable operating profit was -EUR 39 million (-40), equating to -6% of net sales
- Comparable result before taxes was -EUR 48 million (-50), equating to -7% of net sales

January-December 2012 (2011)
- Net cash from operating activities was EUR 172 million (114)
- Order intake was up 3% at EUR 2,767 million (2,675)
- Comparable net sales were EUR 2,789 million (2,797)
- Comparable operating profit was -EUR 65 million (56), equating to -2% of net sales
- Comparable result before taxes was -EUR 103 million (22), equating to -4% of net sales

Dividend proposal
The Board of Directors proposes payment of a dividend of EUR 0.20 per share (0.50), to make a total dividend payout of EUR 28 million (69).

Estimate of the financial outlook for 2013
Comparable net sales in 2013 are estimated to be at the same level as in 2012. Comparable operating profit is estimated to improve compared to 2012 and to be positive.

KEY FIGURES

	Q4/12	Q4/11	2012	2011
Comparable figures				
Comparable net sales, EUR m	676	718	2,789	2,797
Comparable operating profit, EUR m	-39	-40	-65	56
Comparable operating profit as % of net sales	-5.8	-5.6	-2.3	2.0
Comparable result before income tax, EUR m	-48	-50	-103	22
Reported figures				
Reported net sales, EUR m	677	718	2,796	2,798
Reported operating profit, EUR m	-58	-47	-99	22
Reported result before income tax, EUR m	-67	-56	-137	-12
Net cash from operating activities, EUR m	79	163	172	114
Net cash before financing activities, EUR m	56	126	78	-57
Earnings per share, EUR	-0.41	-0.30	-0.83	-0.07
Dividend per share, EUR			0.20*	0.50
Return on capital employed, %			-4.8	1.3
Gearing ratio, %			71.4	60.4
Equity ratio, %			45.5	48.5
Personnel on average	10,468	11,493	11,214	11,821

*Board of Directors' proposal

President & CEO Sakari Tamminen:

Ruukki's business environment over the past year was overshadowed by the European downturn, low utilised capacity following weakened competitiveness in the manufacturing industry in Europe and, during the autumn, a slowdown in economic growth in China. All these factors resulted in a marked decrease year on year in demand for steel in Europe. The economic outlook has picked up a little as confidence is gradually being restored in the financial markets in Europe and economic growth in China is showing signs of picking up. Nevertheless, the European economy is not expected to return to the growth track until the second half of the current year. As regards Ruukki's main markets, the German and Scandinavian economies are expected to show moderate growth during 2013, economic activity in Finland is expected to remain at the same level as in 2012 and growth in Russia is expected to continue to outpace global growth. Activity in the construction markets developed reasonably well during the early part of last year, but weakened towards the end of the year, especially in commercial construction, and the rest of the year was weak. Residential construction activity was better.

Characteristic for 2012 was that in a weak business environment, the prices of steel products in Europe fell practically in pace with the fall in the prices of raw materials. In our steel business, raw material costs are reflected after a delay of about one quarter, which is why the operating result showed a loss. As was the case for the previous quarter, Ruukki posted a loss for the fourth quarter mostly because of lower average prices in the steel business. Comparable operating profit for the entire year was negative at -EUR 65 million. Order intake during the fourth quarter was at the same level as a year earlier, but order intake for the year as a whole was up slightly year on year in both the construction and the steel businesses. Consolidated net sales for 2012 were almost at the same level as for the previous year. Net cash from operating activities was good at EUR 172 million, a clear improvement compared to the previous year.

In the prevailing uncertain market environment, the past year clearly showed the necessity of the efficiency projects we initiated earlier in the year in our steel and construction businesses. These projects have progressed in line with expectations and last year delivered around EUR 20 million of our total savings target of EUR 100 million. We currently anticipate achieving the full target and the ensuing improvement in earnings performance is expected to be reflected in full by the third quarter of the current year onwards.

On top of the efficiency projects, we have also focused on those businesses where we believe we are able to build a competitive edge and also future profitable growth in the long term. The Fortaco arrangement means our business structure is more focused than earlier. Towards the end of last year, we agreed with funds managed by CapMan to combine units of Komas and units of Ruukki Engineering to form a new company, Fortaco. In future, our own strategy will focus on construction and developing the special steels business, where we will be pursuing profitability and selected growth. We must improve our competitive position in all our chosen business areas as we aim for market leadership or second position in chosen products. This also requires better management of the value chain, improved distribution and service, direct contact with end customers and a focus on fewer products.

Residential roofing products, the Nordic and Polish markets and Russia, which offers growth potential in many product groups, have a key role in our construction strategy. There is also growing demand in many of our market areas for new energy-efficient construction products and solutions, which either save energy or utilise renewable energy. This is especially so in the Nordic countries, where we aim to strengthen our good market position and to specialise through services and innovations. Last year we launched numerous energy-saving and recyclable construction products, such as Ruukki energy panels for commercial and industrial construction. In addition, we also rolled out products and solutions - such as solar panels and ground-source heat solutions for foundations - that utilise renewable energy.

Construction activity is expected to either remain at the same level as in 2012 or to show a slight decline in all our main market areas, with the positive exception of Russia, where commercial and industrial construction, an important sector for us, is expected to grow compared to the previous year. Our focus on our own distribution channel for residential roofing products was reflected in these products outperforming market growth in 2012 and there is good potential for this to continue also during the current year.

In the steel business, the emerging markets are the growth drivers. The “new normal” in Europe is reflected as about twenty million tonnes of steel overcapacity and steel prices following great fluctuations in the global price development of raw materials. In the steel business, our focus areas are on increasing the share of special steel products and developing our distribution and partnership network in the emerging markets, including Russia, Asia and South America. It is still important for us to continue to improve cost efficiency in all our operations.

The sharp fall in the prices of main raw materials in the steel business resulted in steel end-customers and steel wholesalers destocking. This was reflected in a clear decline in demand for steel, especially during the second half of 2012. A sharp rise in the market price of iron ore during January 2013 was visible in order activity picking up and a rise in the prices of steel products. In our steel business, we expect service centre sales to remain at a good level during 2013. However, general economic development gives rise to much uncertainty as regards demand from mill customers.

The global economic outlook continues to be uncertain and we cannot expect any significant help from a pick-up in the market. However, my expectations for 2013 are cautiously positive and I believe our actions to improve efficiency and the business choices we have made will pave the way for a clear improvement in profitability. Comparable nets sales in 2013 are estimated to be at the same level as in 2012. Comparable operating profit is estimated to improve compared to 2012 and to be positive.

Rautaruukki Corporation’s full financial statement bulletin for 2012 is attached to this bulletin.

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News conference for analysts and the media
A joint news conference in English both for analysts and the media will be hosted on Friday 15 February at 10.30 am at Ruukki's head office, Suolakivenkatu 1, 00810 Helsinki.

A live webcast of the event and the presentation by the company's President & CEO Sakari Tamminen may be followed online on the company website at www.ruukki.com/Investors starting at 10.30 am EET. This event can also be attended through a conference call by dialling the number below 5-10 minutes before the scheduled time:
+44 207 1620 177 (calls outside Finland), +358 9 2313 9202 (calls inside Finland)
Access code: 927935

A replay of the webcast can be viewed on the company's website from approximately 4pm EET. A replay of the conference call will be available until 23 February 2013 at:
+44 20 7031 4064 (calls outside Finland), +358 9 2314 4681 (calls inside Finland)
Access code: 927935

Rautaruukki Corporation
Taina Kyllönen
SVP, Marketing and Communications

Ruukki specialises in steel and steel construction. We provide customers with energy-efficient steel solutions for better living, working and moving. We have around 9,000 employees and an extensive distribution and dealer network across some 30 countries including the Nordic countries, Russia and elsewhere in Europe and the emerging markets, such as India, China and South America. Net sales in 2012 totalled EUR 2.8 billion. The company's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS).

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RAUTARUUKKI CORPORATION'S FINANCIAL STATEMENT BULLETIN FOR 2012

Business environment in 2012

Global economic growth slowed in 2012 largely because of the prolonged European debt crisis and a slowdown in economic growth in China. Economic activity weakened across the eurozone, especially towards the end of the year, and growth forecasts for Ruukki's important economies, such as the Nordic countries, were revised downwards during the course of the year. Many central banks introduced broad measures to stimulate economic recovery and these began to take effect during the second half of 2012. This was visible especially in a pick-up in the activity of economies outside Europe. Even though the weak economic climate in Europe was also reflected in the emerging markets, these markets shored up global economic growth. The driver of economic growth in Europe continued to be Germany, where the economic situation remained more stable than elsewhere in Europe. The economies grew in countries in Ruukki's main market areas outside the eurozone, such as Russia. Progress was made in managing the eurozone crisis during the second half of the year and yields on European countries' debt auctions fell as a sign of confidence gradually being restored in the financial markets.

Construction activity in Europe declined year on year as a result of the negative impact of the European debt crisis on investment demand. Also in Finland, construction volumes were lower than a year earlier, but moderate construction growth was seen in the other Nordic countries. Construction in Russia continued to grow briskly especially during the first half of the year, but the pace of growth slowed during the third quarter because of fewer international investments. Nevertheless, this slowdown in the pace of growth had no significant impact on growth at the annual level. Residential construction was up in Ruukki's markets in Sweden, Norway and Russia. Market activity in commercial and industrial construction was up in Ruukki's markets in Russia, Sweden, Norway and the Czech Republic. Driven by good order intake earlier in the year, Ruukki Construction's orders rose 5 per cent year on year.

In the engineering business, the markets in Ruukki's major customer segments remained at a good level during the first half of the year, with increased demand especially for mining industry machines and for equipment in the offshore industry. Likewise, demand for materials handling equipment was at a good level. However, during the second half of the year, orders in many of Ruukki's customer segments began to tail off and demand in Ruukki Engineering showed a clear downturn compared to the same period a year earlier.

Despite positive development in the early part of the year, apparent demand for steel products in the EU-27 region was down clearly compared to 2011. The prolonged European debt crisis, and especially growing concerns during the second quarter about slowing economic growth in China, gave rise to a sharp fall in the prices of iron ore and coking coal, the main raw materials used in steel production. The fall in prices did not level off until the end of the third quarter. Increased economic growth uncertainty coupled with the sharp fall in raw material prices resulted in steel end-customers and steel wholesalers destocking. This was reflected in a clear decline in demand for steel, especially during the second half of the year.

Market prices of steel products in Europe followed the price development of the main raw materials with a slight delay throughout the year. Inventory levels of steel wholesalers in Europe remained more or less at the same level as in 2011 during the first six months, but began to fall in July. Compared to sales, inventory levels fell during the fourth quarter of 2012 to a lower level than a year earlier.

During the fourth quarter, Ruukki Metals had to sell low-margin products outside its main market areas due to weakened demand. This was reflected in lower average selling prices compared both to the first nine months of the year and to the previous year. Order intake value in the steel business was down 4 per cent during the second half of the year compared to the first half. Nevertheless, order intake value in the steel business for the whole year was up 5 per cent. Because of contracts signed with raw materials suppliers and normal inventory turnaround, there is typically a delay of around one quarter before lower raw materials prices are reflected in Ruukki's production costs. This explains why the fall in market prices of the main raw materials did not begin to be reflected as lower costs in Ruukki's steel business until the fourth quarter.

Order intake and order book

ORDER INTAKE BY BUSINESS AREA				
EUR million	Q4/12	Q4/11	2012	2011
Order intake				
Ruukki Construction	170	172	756	721
Ruukki Engineering	44	62	229	263
Ruukki Metals	437	416	1,782	1,691
Others				
Order intake, total	651	651	2,767	2,675

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

Order intake in Q4/2012

Order intake during the fourth quarter was EUR 651 million (651), which was at the same level as a year earlier. Order intake was up 5 per cent year on year in the steel business and was almost at the same level in the construction business. In the engineering business, order intake was materially down year on year. Geographically, order intake showed strongest development in Russia and Sweden.

Compared to the previous quarter, order intake was down 4 per cent. This was mainly due to the seasonal slowdown in construction activity towards the end of the year. Order intake in the steel and engineering businesses during the fourth quarter was almost at the same level as in the third quarter.

Order intake in 2012

Order intake in 2012 was EUR 2,767 million (2,675), up 3 per cent year on year. Order intake was up in the steel and construction businesses, but down in the engineering business. As regards market area, order intake grew most in Russia, Sweden and North America.

Ruukki Construction’s order book was 17 per cent higher and Ruukki Metals’ order book was 6 per cent lower at year-end 2012 compared to a year earlier.

Net sales

NET SALES BY BUSINESS AREA				
EUR million	Q4/12	Q4/11	2012	2011
Comparable net sales				
Ruukki Construction	180	203	740	757
Ruukki Engineering	60	73	265	257
Ruukki Metals	434	442	1,787	1,783
Others	2	0	-3	0
Comparable net sales, total	676	718	2,789	2,797
Items affecting comparability included in reported net sales	1	0	7	1
Reported net sales	677	718	2,796	2,798

Net sales for Q4/2012

Comparable net sales for the fourth quarter were down 6 per cent on the year at EUR 676 million (718). Year on year net sales were down in all businesses. Net sales for the fourth quarter were almost at the same level as for the third quarter.

Compared to the same period a year earlier, fourth quarter net sales were up slightly in Russia and Central Eastern Europe. Net sales were up clearly in countries outside Europe, but declined considerably in Finland and the other Nordic countries. Also in Western Europe, net sales were down somewhat compared to the same period a year earlier.

Net sales for 2012

Comparable net sales for 2012 were EUR 2,789 million (2,797), which is almost at the same level as a year earlier. Net sales were down slightly in the construction business because of lower delivery volumes in commercial and industrial construction and in infrastructure construction compared to a year earlier. Net sales of residential roofing products were up 11 per cent year on year. Net sales in the steel business were at the same level as the previous year. In the engineering business, net sales rose slightly mostly as a result of a single project.

Relatively strongest comparable net sales growth for the report period was seen in Russia, where higher delivery volumes, especially in the construction business, grew net sales. Relatively strong growth in net sales was also seen in certain markets outside Europe. Net sales were up 4 per cent year on year in Central Eastern Europe. Net sales were down 8 per cent in Finland, which accounted for 25 per cent (27) of comparable consolidated net sales in 2012. The share of the emerging markets of comparable consolidated net sales rose to 29 per cent (27).

Ruukki Construction and Ruukki Engineering accounted for 36 per cent (36) of comparable consolidated net sales in 2012. Special steel products accounted for 31 per cent (31) of Ruukki Metals' net sales.

Reported net sales for 2012 were EUR 2,796 million (2,798).

NET SALES BY REGION

EUR million	Q4/12	Q4/11	2012	2011
Comparable net sales				
Finland	157	185	700	761
Other Nordic countries	204	226	897	914
Central Eastern Europe	93	88	379	363
Russia and Ukraine	67	64	262	223
Rest of Europe	115	123	383	388
Other countries	40	32	169	148
Comparable net sales, total	676	718	2,789	2,797
Items affecting comparability included in reported net sales	1	0	7	1
Reported net sales	677	718	2,796	2,798

Operating profit

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q4/12	Q4/11	2012	2011
Comparable operating profit				
Ruukki Construction	-1	-6	1	-3
Ruukki Engineering	-3	-4	-3	-7
Ruukki Metals	-34	-28	-42	80
Others	-2	-3	-20	-14
Comparable operating profit, total	-39	-40	-65	56
Items affecting comparability included in reported operating profit	-19	-6	-34	-34
Reported operating profit	-58	-47	-99	22

Operating profit for Q4/2012

Comparable operating profit for the fourth quarter was negative at -EUR 39 million (-40), which is almost at the same level as a year earlier. Operating profit for the fourth quarter in the steel business decreased year on year mostly because of lower average delivery prices. The construction and engineering businesses both improved operating profit compared to the previous year. Operating profit was down quarter on quarter in all businesses.

As was the case a year earlier, during the fourth quarter Ruukki Metals focused on freeing up working capital and on improving cash flow in an environment of weak demand. This is why during the fourth quarter, Ruukki Metals delivered around 70,000 tonnes of low-margin steel products outside the main market areas. In addition to this, the average selling prices of steel products in deliveries in the main market areas were lower than during the previous quarter. Lower average prices and changes in the product mix had a negative impact of -EUR 51 million on comparable operating profit in Ruukki's steel business compared to the previous quarter. On the other hand, higher delivery volumes, a higher capacity utilisation rate, lower raw material costs and cost savings achieved improved operating profit in Ruukki's steel business quarter on quarter.

Operating profit in the construction business was down quarter on quarter due to the seasonal slowdown in construction activity. Operating profit in the engineering business was down quarter on quarter because of lower delivery volumes.

Reported operating profit for the fourth quarter of 2012 was negative at -EUR 58 million (-47). Items affecting the comparability of operating profit totalled -EUR 19 million (-6), of which items having an impact on cash flow amounted to -EUR 1 million.

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.

Operating profit for 2012

Comparable operating profit for 2012 was negative at -EUR 65 million (56), equating to -2 per cent of net sales (2). Compared to a year earlier, operating profit decreased because of the loss made in the steel business. The construction and engineering businesses both improved their profit year on year. Consolidated profitability was better during the first than during the second half of the year, when profitability was burdened by the loss made by the steel business.

The loss made by the steel business was mainly attributable to a clear weakened demand for steel products compared to the previous year. Global market prices of the raw materials used in steel production started to decline during the second quarter and continued to decline until almost the end of the third quarter causing downward pressure on the prices of steel products. In the prevailing very uncertain market environment and with falling prices of raw materials, customers have destocked and pushed back their orders. This was clearly reflected as weaker ordering activity, especially for standard products. There is typically a delay of around one quarter before changes in raw materials prices are reflected in Ruukki's production costs. This is because of contracts signed with raw materials suppliers and the normal turnaround of inventories. The fall in market prices of steel products and the delay referred to above had a negative impact on the profitability of Ruukki's steel business. In particular, sales of low margin products outside the company's main market areas together with lower average selling prices of deliveries contributed to the loss posted for the fourth quarter. The company's aim during the fourth quarter was to free up working capital and thus improve cash flow. This was why, during the fourth quarter, Ruukki Metals delivered around 70,000 tonnes of low-margin steel products outside the main market areas.

Reported operating profit for 2012 was negative at -EUR 99 million (22). Items affecting the comparability of operating profit totalled -EUR 34 million (-34), of which items having an impact on cash flow amounted to -EUR 10 million.

Financial items and result

Consolidated net finance costs in 2012 totalled -EUR 40 million (-37). Net interest costs were EUR 35 million (32).

Group taxes for 2012 were EUR 21 million positive (EUR 1 million positive).

The result for 2012 was -EUR 116 million (-10).

Earnings per share were -EUR 0.83 (-0.07).

Balance sheet, cash flow and financing

Total assets at year-end 2012 were EUR 2,381 million (2,657). Equity at 31 December 2012 was EUR 1,072 million (1,275), equating to EUR 7.70 per share (9.17). Equity has decreased by EUR 203 million since the end of 2011. This was because of the loss made for the year and the EUR 69 million dividend payment made in March.

The equity ratio at year-end 2012 was 45.5 per cent (48.5) and the gearing ratio was 71.4 per cent (60.4). Net interest-bearing liabilities at year-end 2012 were EUR 765 million (770).

Return on equity for 2012 was -9.9 per cent (-0.8) and return on capital employed was -4.8 per cent (1.3).

Net cash from operating activities for the report period was EUR 172 million (114) and net cash before financing activities was EUR 78 million (-57). EUR 173 million was freed up from working capital during the year (EUR 9 million tied up).

At the end of December 2012, the group had liquid funds of EUR 21 million (78) and undrawn committed credit facilities of EUR 510 million (475). Repayments of long-term interest-bearing liabilities in 2013 total EUR 45 million.

Capital expenditure

Net cash used in investing activities during the report period was -EUR 94 million (-171).

Investments in tangible and intangible assets during 2012 totalled EUR 97 million (179), of which maintenance investments accounted for EUR 65 million (131) and development investments for EUR 32 million (48). Cash inflow from other investing activities was EUR 3 million (8).

Depreciation and impairments during the report period amounted to EUR 156 million (149).

Investments in tangible and intangible assets during 2013 are expected to be in the region of EUR 90 million.

Personnel

PERSONNEL BY REGION

	31 Dec 2012	31 Dec 2011
Finland	5,547	6,369
Other Nordic countries	580	622
Central Eastern Europe	1,106	2,130
Russia and Ukraine	1,686	1,845
Rest of Europe	63	70
Other countries	52	346
Total	9,034	11,382

The group employed an average of 11,214 persons (11,821) during 2012 and at the end of the report period the headcount was 9,034 (11,382). At 31 December 2012, 61 per cent (56) of Ruukki's personnel worked in Finland. The Fortaco arrangement resulted in a decrease of 1,334 persons in Ruukki's personnel numbers. In conjunction with the efficiency improvement programme, employer-employee negotiations took place at many sites and in many organisations.These negotiations resulted in a decrease of 182 persons in Ruukki Metals' personnel and 273 persons in Ruukki Construction's personnel. In addition, personnel were temporarily laid off where required.

Salaries and other employee benefits paid to the personnel during the report period totalled EUR 399 million (395). Nearly all the group's personnel belong to the profit sharing scheme. No expenses were booked in respect of profit sharing in 2012 (2011: no expenses). Expenses of EUR 0.6 million (0.3) were booked in respect of valid share-based incentive plans. At year-end 2012, the share-based incentive plan covered 101 (99) executives or other key personnel. The company has operated share-based incentive plans for key persons since the year 2000.

Safety measured in terms of accidents per million working hours for 2012 was 7 (8).

BUSINESS AREAS

RUUKKI CONSTRUCTION

- Construction activity slowed down significantly in Ruukki's main market areas during the second half of 2012, but driven by orders in the early part of the year, order intake was up 5 per cent year on year
- Net sales were down 2 per cent year on year due to lower delivery volumes in commercial and industrial construction and in infrastructure construction
- Strategic focus areas – Russia and residential roofing products - showed clear net sales growth year on year
- Comparable operating profit improved slightly year on year, but remained at an unsatisfactory level due mostly to the costs of unused capacity and the fall in the relative share of net sales in infrastructure construction

Ruukki Construction

EUR million	Q4/12	Q4/11	2012	2011
Order intake	170	172	756	721
Net sales	180	203	740	757
Comparable operating profit	-1	-6	1	-3
Items affecting comparability included in reported operating profit	-9	-1	-11	-3
Reported operating profit	-10	-7	-10	-6
Comparable operating profit as % of net sales	-0.3	-2.7	0.1	-0.4
Personnel at end of period			3,266	3,538

Order intake and order book

Order intake in Q4/2012

The value of order intake during the fourth quarter was down 1 per cent year on year at EUR 170 million (172).

Order intake in residential roofing products during the fourth quarter was up 3 per cent year on year. Order intake showed clear growth in Sweden, Russia and in some countries in Eastern Europe. In Finland, order intake remained at the same level as a year earlier. As regards Ruukki's important markets, order intake was down somewhat in Poland and Ukraine.

Order intake in commercial and industrial construction was down 4 per cent year on year. However, orders showed clear growth in Russia, Sweden and Norway. As regards Ruukki's important markets, orders were down clearly in Finland and Poland.

Order intake in infrastructure construction was down 18 per cent year on year. Orders were at a lower level than a year earlier in all important markets.

Because of the seasonal slowdown in activity, there was a clear decline in order intake for residential roofing products compared to the previous quarter. Orders were up slightly in commercial and industrial construction. In Norway and Sweden, orders showed clear growth compared to the previous quarter, especially in the project business.

Order intake in infrastructure construction was down 8 per cent quarter on quarter.

Order intake in 2012

Ruukki Construction's order intake in 2012 was up 5 per cent year on year at EUR 756 million (721). Order intake in residential roofing products were up 10 per cent year on year. Orders showed strong growth in Finland, Sweden and Russia. Good development was also seen in orders in the Baltic states and in some countries in Eastern Europe. As regards Ruukki's important market areas, order intake was down slightly in Ukraine. In Poland, orders remained at the same level as a year earlier.

Order intake in commercial and industrial construction was up 7 per cent, with particularly strong order growth in Russia, Sweden and Estonia. In Russia, orders were up in projects, components and concept buildings. Significant project orders came from Sweden. Orders were also up clearly in Norway and Ukraine. Orders were down most in Finland and Poland.

Order intake in infrastructure construction was down 18 per cent year on year. Orders were at a clearly much lower level across almost all market areas.

The order book at year-end 2012 was 17 per cent higher than a year earlier.

Net sales

Net sales for Q4/2012

Ruukki Construction's net sales for the fourth quarter were down 11 per cent year on year at EUR 180 million (203). Net sales were down 13 per cent quarter on quarter due to the seasonal slowdown in construction activity.

Net sales of residential roofing products during the fourth quarter were up 4 per cent year on year. Strongest growth in net sales was in Sweden. Net sales were also up somewhat in Finland, Russia and several countries in Central Eastern Europe. As regards the main market areas, net sales were down slightly in Poland, Ukraine and Norway. Compared to the previous quarter, deliveries of roofing products fell in all market areas due to the seasonal slowdown in construction.

Net sales in commercial and industrial construction during the fourth quarter were down 11 per cent year on year. Net sales were down in almost all market areas, with the biggest fall in Finland and the other Nordic countries. However, project deliveries to Sweden remained almost at the same level as a year earlier. Net sales in Russia fell slightly due to smaller deliveries of projects and concept buildings. However, component deliveries were up year on year. Project deliveries grew in Estonia and Belarus. In Poland, component deliveries showed good development, but project deliveries were down.

Compared to the previous quarter, net sales in commercial and industrial construction were down 6 per cent as a whole. In Sweden, however, project and component deliveries showed clear growth quarter on quarter.

Net sales in infrastructure construction during the fourth quarter were down 26 per cent year on year. Net sales were down clearly in all main market areas. However, net sales in infrastructure construction were up 5 per cent quarter on quarter.

Net sales for 2012

Ruukki Construction's net sales for 2012 were down 2 per cent year on year at EUR 740 million (757). The construction business accounted for 27 per cent (27) of comparable consolidated net sales.

Net sales of residential roofing products were up 11 per cent in 2012. Net sales were up in all market areas, except in some countries in Western Europe. Finland, Sweden and Russia showed particularly strong growth.

Net sales in commercial and industrial construction were down 3 per cent year on year. However, net sales showed clear growth in Russia, where there was strong demand especially for component and project deliveries. Deliveries of concept buildings to Russia also showed good development. In Ukraine, net sales of components were up. Component and project deliveries decreased most in Finland and Norway. Project deliveries grew in Sweden.

In infrastructure construction, net sales were down 18 per cent year on year. Net sales were down clearly in the main markets in Finland and Sweden, but remained at the same level as the previous year in Norway.

Commercial and industrial construction accounted for 62 per cent (62) of Ruukki Construction's net sales for 2012. Residential roofing products accounted for 24 per cent (21) and infrastructure construction products for 14 per cent (16) of net sales over the same period.

Operating profit

Operating profit for Q4/2012

Ruukki Construction's comparable operating profit for the fourth quarter improved year on year, but was still negative at -EUR 1 million (-6). Operating profit improved mostly because of better profitability in the residential roofing business. The project and components business also improved its profitability, but it remained at an unsatisfactory level due to the costs of unused capacity. The fall in the relative share of infrastructure construction of net sales compared to the previous year had a negative impact on operating profit development. Compared to the previous quarter, operating profit weakened because of normal seasonality.

Reported operating profit for the fourth quarter was negative at EUR -10 million (-7). Items affecting the comparability of reported operating profit totalled -EUR 9 million, of which items having an impact on cash flow amounted to -EUR 2 million.

Operating profit for 2012

Comparable operating profit for 2012 improved year on year and was EUR 1 million (-3). Improved profitability of the project business year on year, the improved capacity utilisation rate of businesses in Russia and the relative growth in the share of the residential roofing products business compared to a year earlier had a positive impact on comparable operating profit. Despite improved operating profit, profitability of the project and components businesses remained at an unsatisfactory level due to the costs of unused capacity. The fall in the relative share of infrastructure construction of net sales compared to the previous year had a negative impact on operating profit development.

Reported operating profit for 2012 was negative at -EUR 10 million (-6). Items affecting the comparability of reported operating profit totalled -EUR 11 million, of which items having an impact on cash flow amounted to -EUR 2 million.

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.

Actions to improve profitability

During the second quarter of 2012, Ruukki Construction initiated a project across the division to improve profitability and aiming at a permanent improvement of EUR 20 million in earnings performance. Within the limits of this programme, the production-distribution process and material flows were optimised, the efficiency of sales, marketing and support functions was improved and the business model in the project business was developed. Some of the actions initiated in 2011 to improve the efficiency of sales activities in Russia and Central Eastern Europe continued also during 2012. In conjunction with the efficiency improvement programme, employer-employee negotiations took place at many sites and in many organisations. These negotiations resulted in a decrease of 273 persons in Ruukki Construction's personnel. In addition, workers were temporarily laid off where necessary. By the end of the report period, actions to improve earnings performance by EUR 20 million had been identified. EUR 8 million of the earnings improvement target was achieved during 2012 and the remainder is expected to be seen in full from the third quarter of 2013 onwards.

Major delivery contracts

In January, a contract worth around EUR 5 million was signed with NCC Construction Sverige AB for the total delivery of a new mail terminal in Hallsberg, Central Sweden. In March, a contract worth around EUR 3 million was signed with Strängbetong to deliver the steel frame for the new NOD centre to be built near Stockholm. Deliveries began in August 2012 and installation work is scheduled to be completed in March 2013.

In April, a contract worth around EUR 4 million was signed with Kesko to design, manufacture and install the steel frame and envelope structures for the new K-rauta Skanssi store in Turku, Finland. Work on the new K-rauta Skanssi store started in the spring and the store is scheduled to open in spring 2013. A total delivery contract worth around EUR 2 million was signed with Metso Corporation for the delivery of the steel frame and envelope structures for a combined heat and power (CHP) plant to be built in Jelgava, Latvia. The plant is scheduled for completion in 2013. An additional contract worth around EUR 4.5 million was signed with Outokumpu to manufacture and install steel structures for the granulation basins at the new ferrochrome smelter at the Tornio Ferrochrome Works in Finland. The new contract takes the total value of Ruukki's deliveries in the ferrochrome production project to almost EUR 25 million. Installation work was completed in the autumn. In May, a contract worth around EUR 11 million was signed with Alstom Power to deliver the steel frame for a new power plant to be built in Narva, Estonia. A potential option on a second unit will be decided later. Deliveries are scheduled for completion during the first quarter of 2013. In June, a contract worth more than EUR 30 million was signed to design, manufacture and install the steel structures for the largest shopping centre in Scandinavia. Deliveries started in the autumn and installation work is scheduled for completion in September 2014. In June, a contract worth EUR 10 million was signed with Outotec to deliver the steel structures for an ilmenite smelter to be built in Saudi Arabia.

In July, contracts were signed to deliver the envelope structures for the boiler house of a power plant in Klado, Czech Republic and to deliver the steel frame structures for the soda boiler house at a pulp mill in Paskov, also in the Czech Republic. The contracts are worth a total of around EUR 3 million. In November, contracts were signed with Nimag Projekt Ab and Peab for the design, manufacture and installation of steel frames and load-bearing roof structures for the Bauhaus store near Stockholm and for Ikano's shopping centre to be built in Uddevalla, Sweden. The contracts are worth a total of around EUR 6 million.

RUUKKI ENGINEERING

- Net sales for 2012 were up 3 per cent, highest growth was in the offshore industry and mainly relates to a single project
- Comparable operating profit improved year on year, but was still negative
- The Fortaco arrangement, whereby units of Komas Group Ltd and Ruukki Engineering were combined to form a new company, Fortaco Group Oy, was completed on 27 December 2012

Ruukki Engineering

EUR million	Q4/12	Q4/11	2012	2011
Order intake	44	62	229	263
Net sales	60	73	265	257
Comparable operating profit	-3	-4	-3	-7
Items affecting comparability included in reported operating profit	-2	0	-9	-1
Reported operating profit	-5	-4	-12	-7
Comparable operating profit as % of net sales	-4.3	-5.4	-1.3	-2.7
Personnel at end of period			160	1,914

Order intake

Order intake in Q4/2012

The value of order intake in the engineering business in the fourth quarter was down 29 per cent year on year at EUR 44 million (62). Order intake was down 3 per cent quarter on quarter.

Order intake in 2012

Ruukki Engineering’s order intake in 2012 was down 13 per cent year on year at EUR 229 million (263).

Net sales

Net sales for Q4/2012

Ruukki Engineering’s net sales for the fourth quarter were down 18 per cent year on year at EUR 60 million (73). Net sales were down 4 per cent quarter on quarter.

Compared to the previous year, deliveries decreased to manufacturers of equipment in the materials handling, construction, mining, forest machines and pulp and paper industries. Delivery volumes to the offshore industry and shipbuilding rose clearly year on year. Deliveries to the shipbuilding industry were also up quarter on quarter.

Net sales for 2012

Ruukki Engineering’s net sales for 2012 were up 3 per cent at EUR 265 million (257). Net sales accounted for 9 per cent (9) of comparable consolidated net sales.

Compared to the previous year, the increase in net sales was mainly attributable to larger delivery volumes to the offshore industry, although also deliveries to manufacturers of construction and mining industry equipment were up slightly. Net sales in the offshore industry rose considerably thanks to a single project. Net sales to the lifting, handling and transportation equipment industry, equipment manufacturers of forest machines, equipment manufacturers in the paper and pulp industry and to the shipbuilding industry for the whole of 2102 decreased compared to the previous year. Also sales to equipment manufacturers in the energy industry fell slightly compared to 2011.

Net sales were spread across customer segments so that manufacturers of materials handling equipment accounted for 30 per cent (36) of Ruukki Engineering's net sales in 2012, manufacturers of construction and mining industry equipment for 15 per cent (15). Manufacturers of energy and offshore industry equipment accounted for 35 per cent (21) and shipbuilding for 6 per cent (11) of Ruukki Engineering's net sales in 2012.

Operating profit

Operating profit for Q4/2012

Ruukki Engineering's comparable operating profit for the fourth quarter was negative at -EUR 3 million (-4). Reported operating profit was negative at -EUR 5 million (-4). Comparable operating profit improved slightly year on year due to improved cost efficiency and better profitability of components. Items affecting the comparability of reported operating profit totalled -EUR 2 million, of which items having an impact on cash flow amounted to -EUR 1 million.

Operating profit for 2012

Ruukki Engineering's comparable operating profit was negative at -EUR 3 million (-7). Higher selling prices and delivery volumes, as well as improved cost efficiency contributed to the increase in comparable operating compared to a year earlier. Reported operating profit for 2012 was negative at -EUR 12 million (-7). Items affecting the comparability of reported operating profit totalled -EUR 9 million, of which items having an impact on cash flow amounted to -EUR 3 million.

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.

Fortaco arrangement

On 16 October 2012, Ruukki and CapMan agreed to combine units of Komas Group Ltd and Ruukki Engineering to form a new company known as Fortaco Group Oy. The arrangement was completed on 27 December 2012. The company was formed from the compatible and complementary units of Ruukki and Komas. The units that have been transferred to Fortaco accounted for EUR 137 million of Ruukki Engineering's net sales for 2012 and the units outside the arrangement accounted for EUR 127 million. Ruukki Engineering's units not forming part of the new company are reported as part of Ruukki Metals division from the start of 2013.

RUUKKI METALS

- Due to weak market conditions, the fall in raw material prices to mid-September was reflected in the prices of Ruukki's end products faster than in the cost of raw materials
- During the fourth quarter, 70,000 tonnes of low-margin steel products were delivered outside the main market areas to free up working capital and improve cash flow in an environment of weak demand
- Special steel products accounted for 31 per cent of Ruukki Metals' net sales for 2012, which was at the same level as a year earlier
- The second half of the fourth quarter showed signs of recovery in prices and demand for steel products

Ruukki Metals

EUR million	Q4/12	Q4/11	2012	2011
Order intake	437	416	1,782	1,691
Net sales	434	442	1,787	1,783
Comparable operating profit	-34	-28	-42	80
Items affecting comparability included in reported operating profit	-8	-3	-11	-28
Reported operating profit	-41	-31	-53	52
Comparable operating profit as % of net sales	-7.7	-6.3	-2.3	4.5
Personnel at end of period			5,203	5,450

Order intake and order book

Order intake in Q4/2012

The value of order intake in the fourth quarter was up 5 per cent year on year at EUR 437 million (416) and at the same level as the previous quarter.

Compared to the same period a year earlier, order intake showed a clear rise in Russia, Sweden, Spain and Italy. Order intake was down somewhat in, among other countries, Germany, Norway, France and China. As regards the main markets, orders were up slightly in Finland and Poland.

Order intake for special steels declined slightly during the fourth quarter compared to a year earlier. However, strong order growth was seen in Russia. Also in Finland and North America, there was clear growth in order intake. In Sweden, most Southern and Western European markets and in China, orders for special steel products were down.

Order intake in 2012

Ruukki Metals' order intake in 2012 was up 5 per cent year on year at EUR 1,782 million (1,691). Strongest order growth was in Russia and North America. Compared to the previous year, orders were up also in Norway, Denmark, the Baltic states, China and South America. Similarly, orders in the Central Eastern European markets were also up. As regards the main markets, order intake was down in Finland, Sweden and Poland.

Orders for special steel products were down slightly year on year. This was largely attributable to weak demand in the main markets in Southern and Western Europe. However, order volumes rose strongly in Russia and also showed clear growth in North America, Poland and in some South American markets. Orders for special steels were down slightly in Finland and Sweden, but rose in Denmark and Norway.

Ruukki Metals' order book at year-end 2012 was 6 per cent down year on year.

Net sales

Net sales for Q4/2012

Ruukki Metals' net sales for the fourth quarter were down 2 per cent year on year at EUR 434 million (442). Delivery volumes rose somewhat, but average selling prices were down year on year and quarter on quarter due to weak demand and market over-capacity. Net sales were up 7 per cent quarter on quarter due to clearly higher delivery volumes.

Net sales of steel products during the fourth quarter decreased year on year in Finland, Sweden, Norway and in most Southern and Western European countries. Net sales showed strong growth in North America and Russia. There was clear net sales growth also in Central Eastern Europe, Germany and Spain. Net sales fell in some emerging markets such as India and South Africa, but grew somewhat in South America and China.

Compared to the same period a year earlier, net sales of special steel products showed clear growth in North America, Russia and Turkey. As regards new market areas, deliveries were also up in Brazil and China. Deliveries were down in most important Southern and Western European markets and in Sweden. Deliveries in Finland and the other Nordic countries were up slightly year on year. Special steels accounted for 28 per cent (28) of net sales for the fourth quarter. Special steel products failed to account for a higher percentage of net sales than a year earlier mainly because of the impact of difficult economic conditions on delivery volumes in Southern and Western Europe.

Compared to the previous quarter, net sales were down in Finland, Russia and Central Eastern Europe. Deliveries to Sweden, Western Europe and North America increased.

Net sales for 2012

Ruukki Metals' net sales for 2012 were EUR 1,787 million (1,783), almost the same as for 2011, and accounted for 64 per cent (64) of comparable consolidated net sales. Delivery volumes rose slightly on the year, but average selling prices for steel products were down.

Net sales were down year on year in all main markets in Finland, Sweden, Germany and Italy. Strongest net sales growth was in Russia, North America and China. Deliveries also showed good development in Denmark, the Netherlands, the Baltic states and Turkey.

As regards customer segments, deliveries of steel products rose somewhat year on year to the construction, engineering, lifting, handling and transportation, mining, construction machine, shipbuilding and offshore industries. Deliveries of steel products decreased to the automobile and building product industries, and to white goods manufacturers.

Net sales of special steel products were down 1 per cent year on year. Deliveries of special steel products rose slightly, but average prices were down somewhat. Sales of special steel products showed strong growth in Russia and clear growth also in the United States and China. Weak market conditions in Europe resulted in a considerable decrease in deliveries to main markets in Southern and Western Europe. In Finland, sales of special steel products remained more or less at the same level as a year earlier and rose slightly in the other Nordic countries. Net sales were up slightly on the year in Central Eastern Europe.

Special steels accounted for 31 per cent (31) of Ruukki Metals' net sales for 2012. Special steel products failed to account for a higher percentage of net sales than a year earlier mainly because of the impact of weak demand on delivery volumes in Southern and Western Europe. Net sales of stainless steel and aluminium, which are sold as trading products, were down 7 per cent year on year at EUR 129 million (139).

Operating profit

Operating profit for Q4/2012

Ruukki Metals' comparable operating profit for the fourth quarter was negative at -EUR 34 million (-28). The decrease in operating profit year on year was mainly due to lower selling prices of steel products and higher costs of raw materials used in steel production compared to the same period a year earlier.

As was the case a year earlier, during the fourth quarter Ruukki Metals focused on freeing up working capital and improving cash flow in an environment of weak demand. To this end, during October-December, Ruukki Metals delivered 70,000 tonnes of low-margin steel products outside the main market areas. In addition, average selling prices of steel products in main market deliveries were lower than during the previous quarter. Compared to the previous quarter, lower average prices and changes in the product mix had a negative impact of EUR 51 million on the comparable operating profit of Ruukki's steel business. On a positive note, higher delivery volumes, a higher capacity utilisation rate, lower raw material costs and cost savings achieved improved the operating profit of Ruukki's steel business quarter on quarter.

Reported operating profit for the fourth quarter was negative at -EUR 41 million (-31). Items affecting the comparability of reported operating profit totalled -EUR 8 million, of which items having an impact on cash flow amounted to EUR 0 million.

Operating profit for 2012

Comparable operating profit for 2012 was negative at -EUR 42 million (80).

The sharp decrease in comparable operating profit was due mainly to clearly weakened demand for steel products compared to the previous year. Global market prices of the raw materials used in steel production started to decline during the second quarter and continued to decline until almost the end of the third quarter causing downward pressure on the prices of steel products. In the prevailing very uncertain market environment and with falling prices of raw materials, customers have destocked and pushed back their orders. This was clearly reflected as weaker ordering activity, especially for standard products. There is typically a delay of around one quarter before changes in raw materials prices are reflected in Ruukki's production costs. This is because of contracts signed with raw materials suppliers and the normal turnaround of inventories. The fall in market prices of steel products and the delay referred to above had a negative impact on the profitability of Ruukki's steel business. In particular, sales of low margin products outside the company's main market areas together with lower average selling prices of deliveries in main markets contributed to the loss posted for the fourth quarter. The company's aim during the fourth quarter was to free up working capital and thus improve cash flow. This was why, during the fourth quarter, Ruukki Metals delivered around 70,000 tonnes of low-margin steel products outside the main market areas.

Reported operating profit for the year was negative at -EUR 53 million (52). Items affecting the comparability of reported operating profit totalled -EUR 11 million (-28), of which items having an impact on cash flow amounted to -EUR 3 million.

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.

Steel production

Steel production

1 000 tonnes	Q4/12	Q4/11	2012	2011
Steel production	566	542	2,299	2,215

Steel production during the fourth quarter was 566 thousand tonnes (542) and the utilisation rate was around 80 per cent. Steel production for the whole of 2012 was 2,299 thousand tonnes (2,215).

Modernisation of the blast furnaces at the Raahe Steel Works in Finland was completed in 2011. The investment requirement in the coming years will be significantly lower than in 2010 and 2011. About EUR 11 million (115) of the blast furnace modernisation investments were allocated to 2012. Total investment in the modernisation of blast furnaces 1 and 2, completed in 2010 and 2011 respectively, was around EUR 265 million, which included environmental investments of some EUR 50 million.

The sinter plant at the Raahe Works was closed in December 2011. Since the start of 2012, only iron ore pellets have been used in iron-making instead of the mix of iron ore concentrate and pellets used earlier.

Raw materials and energy in steel production

Market prices of iron ore and coking coal – the main raw materials in steel production – rose earlier in the year before falling sharply during the summer because of market uncertainty. The fall in prices of raw materials levelled off during the third quarter before starting to rise at the end of the third quarter. The strong rise seen in the prices of the raw materials used in steel production towards the end of the year was mainly due to low raw material inventories in China and the growth in demand caused by the onset of winter.

Ruukki Metals' contract prices follow general market development. There is typically a delay of around one quarter before changes in raw materials prices are reflected in Ruukki's production costs. This is because of contracts signed with raw materials suppliers and the normal turnaround of inventories.

During the second quarter, a three-year contract for supplies of coking coal and iron pellets was signed with the Russian company Severstal Resources, which is part of the Severstal Group. The contract enables Ruukki to reduce its dependency on distant coking coal, the associated price risk related to winter inventory and to balance purchases of raw materials. The contract signed covers around 20 per cent of Ruukki's coking coal and iron pellet requirement at full delivery volume. Pellet deliveries began in May and coking coal deliveries began in July. Ruukki has four main coking coal suppliers in: the United States, Canada, Australia and Russia.

The market price of iron ore is forecast to fall slightly after the sharp rise that continued also in January 2013, whereas the market price of coking coal is expected to remain at the same level as at the end of 2012 or even to show a slight rise during the first half of 2013. Based on the prices negotiated, prices for Ruukki's purchases of iron ore during the first quarter of 2013 will remain at the level of the fourth quarter of 2012.

Actions to improve profitability

During the first quarter of 2012, an efficiency improvement programme was initiated with the aim of achieving a permanent annual improvement of EUR 70 million in earnings performance. A number of development projects to improve competitiveness and achieve savings were initiated and completed during the year, especially at various production sites. Some of the cost savings will come from efficiency actions already completed in operations and workforce reductions in production, sales, marketing and business support functions. During the year, employer-employee negotiations took place in conjunction with the efficiency improvement programme at many sites and in many organisations. These negotiations resulted in a decrease of 182 persons in Ruukki Metals' personnel. In addition, personnel were temporarily laid off where required. It is planned to complete all efficiency actions by the end of 2013. During 2012, the programme delivered around EUR 10 million in earnings improvement. It is estimated that earnings improvement as a result of efficiency projects will be visible in full from the third quarter of 2013 onwards.

Environmental matters at the company

Ruukki has received many recognitions for its work on the corporate responsibility front. Over the past year, Ruukki has particularly focused on energy efficiency, competence development and safety. In April, Ruukki was selected for inclusion for the first time in the FTSE4Good Index Series. Ruukki was assessed to be among the top five companies in its sector. The index is widely recognised as a socially responsible investment index. Companies selected for inclusion in the index must meet strict social, ethical and environmental criteria. The index is published by the London-based FTSE Group.

In September, it was announced that Ruukki continues to rank among the world's top steel companies in the Dow Jones Sustainability World Index, where it was included for the fifth year running. Out of a total of forty assessed, Ruukki was one of four steel companies included in the index, which includes the top companies that are committed to sustainable development.

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 2012, these systems covered 99 per cent (99) of production.

During 2012, Ruukki continued to focus on developing energy-efficiency and on the potential of renewable energy in steel construction. In 2012, environmental investments at Ruukki totalled EUR 15 million (29), of which 94 per cent (97) was allocated towards reducing environmental impacts at the Raahe Works in Finland.

Environmental investments made in previous years and the change in blast furnace feed stock made in conjunction with closure of the sinter plant at the Raahe Works have reduced emissions into the air and energy consumption. Sintering was responsible for a considerable share of environmental emissions at the works. The new solution has removed these emissions. Measurements indicate specific carbon dioxide emissions have fallen by 10 per cent at the works and energy consumption by over 1,240 gigawatt hours compared to the previous year. Dust emissions have decreased by as much as 84 per cent, fugitive dust from transport and storage by 16 per cent and sulphur dioxide emissions by almost 80 per cent. In addition, conversion to closed circulation water in the blast furnace slag granulation units and condensation of the steam created have eliminated malodorous hydrogen sulphide emissions.

The processes at Ruukki's steel works in Raahe give rise to dust, sludge, scale, fine scrap and slag. These were earlier returned to production through the sintering process. Since the sinter plant was closed at the end of 2011, these materials have been processed through a briquetting plant, which began operating in March 2012. In the briquetting process, dispersoids are compressed into briquettes using binding agents and returned to the blast furnace process as a raw material in iron-making.

In 2012, the company's carbon dioxide emissions were 3.8 million tonnes (4.1), 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 2012, emissions rights trading generated income totalling EUR 5 million (4). 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 the early part of 2013. 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.

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 26 million (29) was spent on research and development in 2012. 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 and developing energy-efficient structures and components. A number of recognitions - such as the Finnish Association of Civil Engineers' Award, the Finnish Geotechnical Society's 2012 GeoTeko Award for development of the RD pile wall and a Quality Innovation of the Year 2012 Award – are testimony to successful R&D at Ruukki.

Construction business

Ruukki Construction continued work on the energy- and materials-efficiency front. A second generation of Ruukki energy panels was launched in Finland as a system. Sales of energy panels developed well during 2012. The Ruukki Life panel launched in spring 2012 is the most ecological sandwich panel on the market and around 80 per cent of its raw materials have been recycled. The load-bearing capacity of the new T130M load-bearing sheet announced at the end of 2012 is around 10 per cent better than the previous version. This also means more efficient use of materials in customer solutions.

Within residential roofing products, 2012 saw the launch of the new Finnera Plus profile. This is a cut-to-size sister product of the modular Finnera profile rolled out in 2011. Development of a solar heat collector integrated into Ruukki's Classic roof was completed under the energy theme.

On the project business side, a new shopping centre concept was launched to ensure efficient investment throughout the entire lifecycle of the building. In addition, building information modelling (BIM) and fire design on construction projects were the main focus areas as regards frames.

In infrastructure solutions, a number of new products were developed during the year included the Ruukki RD pile wall with interlocks, a noise barrier deflecting sound, a more cost-effective mechanical splice for the RR 220 pile and a shoulder edge barrier. As regards these latest products, the Finnish Geotechnical Society (SGY) voted the RD-pile wall the best GeoTeko of the year. In addition, euro code instructions, including calculation tools, were created for piles. The most important achievement as far as Ruukki's competitiveness is concerned was CE marking for steel pipe piles obtained through EEA approval.

Steel business

The focus of development in steel products was on high-strength and wear-resistant steels and on hexavalent chromium-free (Cr VI) colour-coated products. New high-strength steels provide solutions for applications in the heavy mechanical engineering industry and enable energy-efficient manufacture and operation in all mobile machines and equipment. Within wear-resistant steels, the focus was especially on applications in the extractive industries, for which thicker steels with improved mechanical properties have been developed. High-strength and wear-resistant steels are made using direct quenching technology developed by Ruukki. This technology received the 2012 Finnish Engineering Award. Manufacture of hexavalent chromium-free (Cr VI) colour-coated products intended for outdoor use began on a large scale. These products provide the best combination of durability and environmental awareness on the market and received an award in Laatukeskus Excellence Finland's Quality Innovation of the Year competition in 2012 for a responsible development project. In addition, the main focus areas were utilising high-strength steels in construction, development work on new coatings and utilising direct quenching technology in tube production and expanding the dimensional range of special steels, such as Raex and Optim tubes, to enable deliveries for new applications in the construction and mining industries.

The focus areas in the process development of cold-rolled and coated products were special products, cost efficiency and environmental awareness. The dimensional ranges of special products have been expanded, especially by new hot-pressed boron steels and by developing the use of hot-rolled raw materials in hot dip galvanising. Environmental awareness was increased by progressively moving towards the use of chromium-free passivation chemicals.

At the plate mill, burner technology in the normalising furnace was replaced and this has provided the potential to expand the product portfolio. In the same context, process control has been developed to improve output and cost efficiency.

The focus areas in process development in steel and rolling production related to special products and cost efficiency. Cost efficiency has been improved by developing the converter process and temperature control. The company has responded to tougher quality criteria in respect of special steels by developing continuous casting technology and molten processing to improve the internal structure of the continuous casting slab and end product.

In iron-making, the year was a significant one marked by changes as a result of closing the sinter plant. The focus area was development work related to using only iron pellets, recycling raw materials and controlling the coking process. Cost savings were achieved especially by improving recycling and new choices of feedstock. One example of improvement on the recycling front is LD blast furnace sand, which was developed by Ruukki. Manufacturing and selling this sand enables utilisation of the steel and blast furnace sand created as by-products in the steel making process. This new product can be used to replace the blast furnace sand earlier used in earthworks and road construction.

Ruukki participated in a total of six out of eight Finnish Metals and Engineering Competence Cluster (FIMECC Ltd) research programmes and is FIMECC’s second largest corporate research partner. The report year saw preparations for the MANU manufacturing technology programme, the launch of the new SIMP (System Integrated Metal Processing) programme and preparation for two materials technology research programmes Breakthrough Steels and Applications, and Hybrid Materials.

<u>Engineering business</u>

Ruukki Engineering’s focus areas in product development were in cabin production development and special steel components. Besides new product development in cabins, the year saw the start-up of the cabin plant in Slovakia. Business models supporting operator-centric product development were rolled out in new product development. Product development actions geared towards special steel components focused especially on welding automation and the design of manufacturing-friendly structures. At the end of the year, Ruukki Engineering’s cabin product development was transferred to a new company, Fortaco.

Corporate governance 2012

Rautaruukki Corporation’s Annual General Meeting was held in Helsinki on 14 March 2012 and 520 shareholders were represented at the meeting.

In accordance with the resolution of the Annual General Meeting, a dividend of EUR 0.50 per share was paid for 2011. The dividend payout totalled EUR 69 million and was paid out on 28 March 2012.

The Annual General Meeting confirmed that the number of members of the Board of Directors is seven. President & CEO Pertti Korhonen, Chairman of the Board of Directors Liisa Leino, President & CEO Matti Lievonen, Hannu Ryöppönen, BA (Bus Admin) and CEO Jaana Tuominen were re-elected to the Board. President and CEO Kim Gran and CFO Saila Miettinen-Lähde were elected as new members of the Board of Directors. Kim Gran was appointed as chairman of the Board of Directors and Hannu Ryöppönen as deputy chairman. All members of the Board of Directors are independent both of the company and of the company’s major shareholders.

The firm of public auditors KPMG Oy Ab was re-appointed as the company's auditor, who appointed APA Petri Kettunen as the principal auditor.

The Annual General Meeting granted the Board of Directors the authority to purchase the company's own shares. This authority is described in the section Shares and share capital.

The Annual General Meeting decided 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 the three largest shareholders. Kim Gran, chairman of Rautaruukki's Board of Directors, served as the expert member on the Nomination Board.

In its organisation meeting held on 14 March 2012, the Board of Directors elected committee members from among themselves. Hannu Ryöppönen was appointed as chairman and Saila Miettinen-Lähde and Jaana Tuominen as members of the Audit Committee.
Kim Gran was appointed as chairman and Pertti Korhonen, Liisa Leino and Matti Lievonen as members of the Remuneration and HR Committee.

Rautaruukki will publish its Corporate Governance Statement for 2012 separately from the Report of the Board of Directors. After publication, the statement will be available on the company's website at www.ruukki.com.

Shares and share capital

During 2012, a total of 151 million (200) Rautaruukki shares (RTRKS) were traded on NASDAQ OMX Helsinki for a total of EUR 991 million (2,280). The highest price quoted was EUR 9.49 in February and the lowest was EUR 4.60 in July. The volume-weighted average price was EUR 6.54 (11.23). The share closed at EUR 5.96 (7.12) on the year and the company had a market capitalisation of EUR 836 million (998).

Rautaruukki's share in addition to NASDAQ OMX Helsinki is also traded on multilateral trading facilities (MTF). According to information received by the company, a total of 45 million (57) Rautaruukki shares were traded on MTFs for a total of EUR 286 million (649) during 2012.

The company's registered share capital at 31 December 2012 was EUR 238.5 million and there were 140,285,425 shares outstanding. There were no changes in share capital in 2012. 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 2012 the company held a total of 1,392,470 treasury shares, which had a market value of EUR 8 million and an accounting par value of EUR 2 million. Treasury shares accounted for 1 per cent of the total shares and votes.

The 2012 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 2013 Annual General Meeting. This authority supersedes the earlier authority granted by the 2011 Annual General Meeting to purchase 12,000,000 shares and which was valid until the 2012 Annual General Meeting.

The 2011 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.

By 31 December 2012, 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

On 22 August 2012, the company received a flagging notification from Capital and Research Management Company (CRMC) under Chapter 2, Section 9 of the Finnish Securities Markets Act that the aggregate holding in Rautaruukki shares for the funds it manages had, as at 17 August 2012, fallen to below 5 per cent. The number of Rautaruukki shares notified by CRMC was 6,954,847 shares, which equated to 4.96 per cent of Rautaruukki's share capital and votes. The company received no other flagging notifications during the year.

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 an adverse material effect on Rautaruukki's financial position. Rautaruukki has itself also presented legal claims or is a plaintiff in disputes based on various grounds.

Strategic achievement and operational development in 2012

Our vision is to be an innovative and acknowledged provider of energy-efficient steel solutions to build a better living environment together with our customers. Ruukki's strategic focus is on construction and developing the special steels business.

The strategic focus in 2012 was growth in residential construction and business in Russia, development of energy-efficient solutions and the special steels business and improved cost competitiveness in all businesses.

The main corporate objectives in 2012 were also to free up working capital and thus improve cash flow. We were successful on both fronts and EUR 173 million was freed up (EUR 9 million tied up) from working capital and net cash from operating activities was EUR 172 million (114).

<u>Construction business</u>

In the construction business, growth is being pursued especially in residential roofing products, in Russia, especially in concept construction, and in energy-efficient construction. The company is strengthening its market position in components and projects within commercial and industrial construction in the Nordic countries and Central Eastern Europe. In infrastructure construction, the aim is for good profitability and to retain market position.

In 2012 the strategy was implemented in the construction business by focusing on developing and expanding the residential roofing products distribution network. The Ruukki Express chain was expanded through acquisition of the Swedish company Plåtleverantören i Stockholm AB, one of the leading distributors of steel roofing products in the Stockholm region, and by opening new outlets in, among other countries, Poland. At the end of the report period, the company had 38 Ruukki Express outlets across eight different countries. Ruukki Express is a store and service concept that includes roofs, rainwater systems, roof safety products and other localised products and services.

The selection of roofing products was expanded and the year saw the launch of new roofing products, including Finnera Plus and Smart Roof. In Russia, the focus was on building a distribution network to increase sales of roofing products.

March saw the launch of a new type of roofing service website, www.ruukkiroofs.com, intended for consumers. The site aims to help new house builders and renovators to choose a roof and to offer them the tools to carefully plan their roof project.

A number of actions were effected to greatly develop and improve the efficiency of the construction business in Russia. Within the partner and distribution network the focus was on training to represent the business of both parties, sales management was reorganised and a production efficiency programme improved the cost competitiveness of operations.

Within commercial and industrial construction, the focus was on further developing the energy-efficient construction concept. Many new products and solutions were launched. These included the Ruukki life panel, which uses recycled raw materials. An entire energy panel system, designed especially for the wall structures of commercial and industrial buildings, was developed from Ruukki energy panels. A new, energy-efficient shopping centre construction concept designed to adapt flexibly to changing needs. Within project construction, the business model was further improved and the focus was on projects for broader total deliveries.

During the second quarter of 2012, Ruukki Construction initiated a project across the division to improve profitability, aiming at a permanent improvement of EUR 20 million in earnings performance. Within the limits of this programme, the production-distribution process and material flows were optimised, the efficiency of sales, marketing and support functions was improved and the business model in the project business was developed. Some of the actions initiated in 2011 to improve the efficiency of sales activities in Russia and Central Eastern Europe continued also during 2012. In conjunction with the efficiency improvement programme, employer-employee negotiations took place at many sites and in many organisations. These negotiations resulted in a decrease of 273 persons in Ruukki Construction's personnel. In addition, workers were temporarily laid off where necessary. By the end of the report period, actions to improve earnings performance by EUR 20 million had been identified. EUR 8 million of the earnings improvement target was achieved during 2012 and the remainder is expected to be seen in full from the third quarter of 2013 onwards.

Residential roofing products accounted for 24 per cent (21) of Ruukki Constructions' net sales in 2012. Net sales of residential roofing products were up 11 per cent year on year. Ruukki Construction's net sales in Russia were up 20 per cent.

Steel business

In the steel business, the main focus points are specialisation and strengthening market position in the Nordic countries. The aim over the next few years is to increase the share of special steel products to account for 60 per cent of the company's steel business. In 2012, strategic actions focused on achieving these objectives and on improving cost efficiency.

During the first quarter of 2012, an efficiency improvement programme was initiated with the aim of achieving a permanent annual improvement of EUR 70 million in earnings performance. A number of development projects to improve competitiveness and achieve savings were initiated and completed during the year, especially at various production sites. Some of the cost savings will come from efficiency actions already completed in operations and workforce reductions in production, sales, marketing and business support functions. During the year, employer-employee negotiations took place in conjunction with the efficiency improvement programme at many sites and in many organisations. These negotiations resulted in a decrease of 182 persons in Ruukki Metals' personnel. In addition, personnel were temporarily laid off where required. It is planned to complete all efficiency actions by the end of 2013. During 2012, the programme delivered around EUR 10 million in earnings improvement. It is estimated that earnings improvement as a result of efficiency projects will be visible in full from the third quarter of 2013 onwards.

Expansion and development of the sales and distribution network for special steel products is also one of the main focus areas in the steel business. In this context, the Certified Partner Programme – intended for special steels distributors – was expanded and developed. Our own sales organisation was strengthened by establishing a special steels sales unit for a new business area, the Americas, and by opening a new Asia and Pacific business unit in the Asian market. In addition, a new retailer contract was signed in Sweden. A service centre providing prefabrication was opened in Shanghai, China to support sales of special steels. This will add momentum to achieving the special steel strategy by strengthening sales of wear-resistant Ruukki Raex and high-strength Ruukki Optim structural steels in China.

The portfolio of special steels was enhanced by the addition, among others, of 40-80 mm thick Raex wear-resistant steel plate, which is particularly suitable for the mining industry. In the Nordic countries, steel service operations were strengthened by, among other things, increasing laser cutting capacity in Seinäjoki, Finland.

During the third quarter of the report period, Ruukki Metals divided its sales organisation into four product lines with profit accountability: Special steels, Flat steels, Tubes and profiles, and Stainless and aluminium. The product lines are supported by two regional organisations - Nordic Sales and International Sales - in practical sales work. The new organisational structure will improve operational control on the production lines and teamwork between different areas.

Special steel products accounted for 31 per cent (31) of net sales in the steel business in 2012.

Engineering business

In October, Ruukki and CapMan agreed to combine units of Komas Group Ltd and Ruukki Engineering to form a new company known as Fortaco. The arrangement was completed on 27 December 2012. With the arrangement, Ruukki will focus further on strengthening the construction and special steels businesses, so that the strategic direction is more focused than earlier.

In the engineering business, the focus was on improving operational efficiency and quality. A decision was taken to discontinue the manufacture of cabins and components at the Shanghai unit and production was gradually wound down by the end of the year. This had no significant impact on Ruukki Engineering's net sales, but improved profitability. The Shanghai unit posted a loss of EUR 7 million for 2011. Fixed costs were further cut. The customer base was expanded into Central Europe, among other places, 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. A significant offshore project was successfully completed.

Changes in corporate structure

On 16 October 2012, Rautaruukki Corporation (Ruukki) and funds managed by CapMan (CapMan) agreed to combine units of Komas Group Oy (Komas) and units of Ruukki Engineering division to form a new company, Fortaco. The arrangement was completed on 27 December 2012. The company was formed from the compatible and complementary units of Ruukki and Komas. Ruukki Engineering units in Jaszbereny (Hungary), Wroclaw (Poland) and Holic (Slovakia) as well as Kurikka, Sepänkylä and the Kalajoki component business (Finland) were transferred to the new company. Under the arrangement Ruukki consigned the shareholding in Ruukki Tisza Zrt and Ruukki Slovakia s.r.o. and the net assets of Wroclaw, Kurikka, Sepänkylä and Kalajoki component business. In return, Ruukki received a 19.0 per cent holding in Fortaco Group Oy, together with equity and debt capital financing instruments from Fortaco.

Most significant risks and risk management

Risk management at Ruukki is based on consistent risk identification, assessment and reporting across the company. Risk management is organised as an integrated part of the management system and the risk aspect is incorporated into the everyday decision-making of all core business areas and business support processes. Risk management seeks to underpin the achievement of Ruukki's strategy and targets and to ensure business continuity.

Economic growth has slowed and volatility has increased in the Western European and many other developed markets. Over-indebtedness of states creates significant problems for the financial markets and real economy, for the level of investments in particular. Ruukki has prepared for this by, among other things, shifting its focus of growth to emerging countries – such as Russia. The share of specialisation in the steel business is being increased, which will open up growth potential also in the emerging markets. Efforts are being made to balance Ruukki's business structure by focusing on business segments - such as residential roofing products, concept buildings and special steels - that are less vulnerable to economic fluctuations. To improve the competitive position, the focus is replicable products and business models such as roofing products, concept buildings and special steels. Product and service distribution is being developed. Adequate financial reserves have been acquired in case of business cyclicality. Costs are being adjusted in line with business volumes.

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 strongly on products and segments where it can achieve a strong market position.

The opening of the European market to, for example, Russian and Ukrainian actors may increase disruption in Ruukki's main market area. International comparison shows Ruukki's steel production to be competitive, but small in terms of production volume. Crude steel production takes place in 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 enabling them to optimise production between units. Ruukki has prepared for this risk by improving cost efficiency and production flexibility. The company is improving its market position in main market areas by improving customer service and delivery accuracy. The portfolio of steel products is being expanded into special steels, where Ruukki's competitiveness is better than for standard products.

There is a high risk of breakdown in the company's own steel production, especially upstream in the process. This is why much attention has been given to risk management at the steel mill. Modern, systematic proactive maintenance of processes and systems is a key part of risk management and can help to prevent the occurrence of disruptions in production. 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. From the business continuity aspect, it is important to ensure adequate operational readiness of core processes in all situations. The group has extensive property damage, business interruption and logistics 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 cause the cost of raw materials to fluctuate greatly even at short notice. Ruukki's operations also depend on, for example, the availability and cost of icebreaking and logistics services. 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. To ensure business continuity and cost levels, the company has pursued alternative supply channels for raw materials. Ruukki ensures the availability of critical raw materials through long-term supply contracts. Particular attention has been given to ensuring the availability of icebreaking, logistics and other competitive infrastructure services.

The company's competitiveness is affected by additional costs arising from increasingly stricter environmental legislation and carbon emissions trading, especially when the same rules of play do not apply equally all players on the field. A particular impact will be felt as a result of the Sulphur Directive entering into force across the European Union in 2015. Coking coal consumption in steel product at Ruukki is almost at the minimum possible using current processing technology and the company is one of the most carbon efficient in the world. To reduce emissions, Ruukki has switched over to using iron pellets instead of iron ore in steelmaking. The company has taken thorough steps 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 standard. Ruukki is capitalising on new business opportunities spawned by increasing regulation by developing energy-efficient solutions, such as building-integrated solar and energy panels. Energy-efficient, sustainable construction is a key element in the development of Ruukki's construction business. Higher payloads are one of the ways customers can benefit from improved energy efficiency as a result of using Ruukki's special steels.

Ruukki is continuously improving its risk management by taking into account the changes in its business environment and operating activities. The focus in 2012 was on assessing the level of corporate risk management. The overall level of risk management was assessed as being good, which has enabled strong risk ownership and management in the business and good teamwork with the risk management function. The focus points identified as needing development relate to fire safety and corporate security and to the continuous development of crisis management and business continuity management. To assess and develop the level of this, the company also participated in programmes and training arranged by the National Emergency Supply Agency. During 2012, work continued on developing corporate security, with a special focus on travel safety and the readiness of crisis action in situations of emergency. In 2013, Ruukki will proceed further with developing strategic and proactive risk management with the business to minimise damages.

The company’s risks and risk management are detailed in the Annual Report 2012.

Near-term outlook

The global economic outlook improved towards the end of 2012, with economic growth in China showing signs of picking up and confidence being gradually restored in the European financial markets. However, many economic forecasts expect global economic growth to be only around 3 per cent in 2013. This rate is below the historical growth trend. The economy in Europe is generally not expected to return to the growth track until the second half of 2013 underpinned by export-driven demand. As regards Ruukki's important markets, the German, Swedish and Norwegian economies are expected to show moderate growth in 2013. Economic activity in Finland is forecast to remain at the same level as in 2012, whereas economic growth in Russia is estimated to generally outpace global economic growth in 2013.

In construction, the growth outlook in most main market areas weakened in late 2012. Construction activity is expected either to remain at the same level as in 2012 or to decline slightly in all Ruukki's main market areas, except Russia, during 2013. In Russia, commercial and industrial construction, which is important for Ruukki, is expected to grow year on year. Elsewhere, there is uncertainty surrounding the market development of commercial and industrial construction, especially in the Nordic countries. Ruukki's focus on its own distribution channel for roofing products has been reflected in these products outperforming market growth in 2012. It is thought there is good potential for this to continue also during 2013. Infrastructure construction activity is expected to remain at the same level in 2013 as it was during the previous year.

In Ruukki's steel business, service centre sales are expected to continue at a good level. However, the downturn in Europe gives rise to much uncertainty as regards demand from mill customers, especially during the first half of 2013. Inventories of steel products in Europe were at a lower level than normal compared to sales at the end of 2012. It is thought that steel wholesalers will need to restock to some degree during the first quarter of 2013. Average prices for steel products are forecast to rise moderately during the first quarter of 2013 in the wake of the rise in the market prices of raw materials seen during the fourth quarter of 2012. Because of the overcapacity prevailing in the European steel industry, the price development of steel products for the whole year depends on the price development of raw materials.

As regards the main raw materials in steel production, the market price of iron ore is forecast to show a slight fall after the sharp rise still seen during January 2013, whereas the market price of coking coal is expected to remain at the same level as at the end of 2012 or even to show a slight rise during the first half of 2013. Based on the prices negotiated, prices for Ruukki's purchases of iron ore during the first quarter of 2013 will remain at the level of the fourth quarter of 2012. There is otherwise typically a delay of around one quarter before changes in raw materials prices are reflected in Ruukki's production costs. This is because of contracts signed with raw materials suppliers and the normal turnaround of inventories. A contract signed for supplies of coking coal and iron pellets with the Russian company Severstal Resources, which is part of the Severstal Group, will significantly reduce the risk associated with winter inventory in 2013 of Ruukki's coking coal purchases compared to earlier years.

The efficiency projects initiated at Ruukki in 2012 delivered EUR 20 million in cost benefits. The projects have progressed in line with expectations and we currently expect the target of around EUR 100 million pursued through efficiency actions to be achieved. It is estimated that the improvement in earnings performance will be visible in full from the third quarter of 2013 onwards.

Comparable net sales in 2013 are estimated to be at the same level as in 2012. Comparable operating profit is estimated to improve compared to 2012 and to be positive.

Board of Directors' proposal for the disposal of distributable funds

The parent company's distributable equity at 31 December 2012 was EUR 444 million (538).

The Board of Directors has resolved to propose to the Annual General Meeting to be held on 21 March 2013 that a dividend of EUR 0.20 per share (0.50) be paid for 2012. The total dividend payout under the proposal is EUR 28 million (69). The proposed dividend payment date is 4 April 2013.

SUMMARY FINANCIAL STATEMENTS AND NOTES

This financial statement bulletin has been prepared in accordance with IAS 34 and, with the exception of the review of performance testing of the hedge accounting of electricity referred to below, 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 2012 had no impact on the interim report.

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.

The principles to test the effectiveness of the hedge accounting of electricity were revised during the first quarter of the year. This had a positive impact of EUR 2.8 million on the consolidated result and that of Ruukki Metals compared to the previous accounting practice. The corresponding similar cumulative impact for earlier periods was EUR 1.7 million and this has been booked directly in equity.

The Mo i Rana unit was transferred in 2010 from Ruukki Engineering to Assets and Liabilities held for sale. Disposal of the property in Mo i Rana was completed during the second quarter and resulted in costs of around EUR 3 million.

In April, a decision was taken whereby Ruukki Engineering would gradually discontinue the manufacture of cabins and components in Shanghai by the end of 2012. Discontinuation of cabin and component manufacturing at the Shanghai unit does not significantly affect Ruukki Engineering's net sales, but improves profitability. The Shanghai unit posted a loss of EUR 7 million for 2011. A total of EUR 9 million for impairments and other costs relating to the arrangement were booked during the 2012.

On 16 October 2012, Rautaruukki Corporation (Ruukki) and funds managed by CapMan (CapMan) agreed to combine units of Komas Group Oy (Komas) and units of Ruukki Engineering division to form a new company, Fortaco. The arrangement was completed on 27 December 2012. The company was formed from the compatible and complementary units of Ruukki and Komas. Ruukki Engineering units in Jaszbereny (Hungary), Wroclaw (Poland) and Holic (Slovakia) as well as Kurikka, Sepänkylä and the Kalajoki component business (Finland) were transferred to the new company. Under the arrangement Ruukki consigned the shareholding in Ruukki Tisza Zrt and Ruukki Slovakia s.r.o. and the net assets of Wroclaw, Kurikka, Sepänkylä and Kalajoki component business. In return, Ruukki received a 19.0 per cent holding in Fortaco Group Oy, together with equity and debt capital financing instruments from Fortaco.

Individual figures and totals appearing in the tables have been rounded to the nearest whole million of euros. The figures in this interim report period are audited.

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR million	Q4/12	Q4/11	2012	2011
Net sales	677	718	2,796	2,798
Cost of sales	-670	-704	-2,655	-2,533
Gross profit	7	14	141	265
Other operating income	3	8	13	19
Selling and marketing expenses	-31	-32	-115	-118
Administrative expenses	-37	-36	-137	-144
Other operating expenses	0	0	0	0
Operating profit	-58	-47	-99	22
Finance income	4	13	45	55
Finance costs	-13	-24	-85	-91
Net finance costs	-9	-10	-40	-37
Share of profit of equity-accounted investees	0	1	2	3
Result before income tax	-67	-56	-137	-12
Income tax expense	11	15	21	1
Result for the period	-56	-41	-116	-10
Attributable to:				
Owners of the company	-56	-41	-116	-10
Non-controlling interest	0	0	0	0
Earnings per share, diluted, EUR	-0.41	-0.30	-0.83	-0.07
Earnings per share, basic, EUR	-0.41	-0.30	-0.83	-0.07
Operating profit as % of net sales	-8.6	-6.5	-3.5	0.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR million	Q4/12	Q4/11	2012	2011
Result for the period	-56	-41	-116	-10
Other comprehensive income:				
Effective portion of changes in fair value of cash flow hedges	-2	-1	-11	-11
Cash flow hedges reclassified to profit and loss during the period	0	0	-8	0
Translation differences	-2	9	9	-6
Translation differences reclassified to profit and loss during the period	-5		-5	
Defined benefit plan actuarial gains and losses	-13	-7	-13	-7
Tax on other comprehensive income	3	2	7	5
Other comprehensive income for the period, net of tax	-18	3	-20	-19
Total comprehensive income for the period	-74	-39	-135	-29
Attributable to:				
Owners of the company	-74	-39	-135	-29
Non-controlling interest	0	0	0	0

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR million	31 Dec 2012	31 Dec 2011
ASSETS		
Non-current assets	1,371	1,413
Deferred tax assets	46	27
Current assets		
Inventories	590	720
Trade and other receivables	353	405
Cash and cash equivalents	21	78
Assets held for sale		14
Total assets	2,381	2,657
EQUITY AND LIABILITIES		
Equity		
Equity attributable to owners of the company	1,069	1,273
Non-controlling interest	3	2
Non-current liabilities		
Loans and borrowings	533	551
Other non-current liabilities	73	57
Deferred tax liabilities	1	25
Current liabilities		
Loans and borrowings	253	297
Trade payables and other current liabilities	449	447
Liabilities held for sale		5
Total equity and liabilities	2,381	2,657

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR million	2012	2011
Result for the period	-116	-10
Adjustments	168	177
Cash flow before change in working capital	52	167
Change in working capital	173	-9
Financing items and taxes	-54	-44
Net cash from operating activities	172	114
Cash inflow from investing activities	10	9
Sale of subsidiaries less cash	-5	
Cash outflow from investing activities	-99	-180
Net cash used in investing activities	-94	-171
Net cash before financing activities	78	-57
Dividends paid	-69	-83
Proceeds from non-current loans and borrowings	30	130
Repayments of non-current loans and borrowings	-27	-57
Change in current loans and borrowings	-63	99
Other net cash flow from financing activities	-7	-8
Effect of exchange rate fluctuations	1	1
Change in cash and cash equivalents	-57	24

KEY FIGURES (IFRS)

	2012	2011
Net sales, EUR m	2,796	2,798
Operating profit, EUR m	-99	22
as % of net sales	-3.5	0.8
Result before income tax, EUR m	-137	-12
as % of net sales	-4.9	-0.4
Result for the period, EUR m	-116	-10
as % of net sales	-4.1	-0.4
Net cash from operating activities, EUR m	172	114
Net cash before financing activities, EUR m	78	-57
Return on capital employed, %	-4.8	1.3
Return on equity, %	-9.9	-0.8
Equity ratio, %	45.5	48.5
Gearing ratio, %	71.4	60.4
Net interest-bearing liabilities, EUR m	765	770
Equity per share, EUR	7.70	9.17
Personnel on average	11,214	11,821
Number of shares	140,285,425	140,285,425
- excluding treasury shares	138,892,955	138,862,374
- diluted, average	138,930,365	138,906,980

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 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
EQUITY 1 Jan 2012	238	220	3	-29	-6	846	2	1,275
Result for the period						-116	0	-116
Other comprehensive income			-14	4		-10		-20
Total comprehensive income for the period			-14	4		-126	0	-135
Dividend distribution						-69		-69
Share-based payments			0		0			0
Other change						2		2
EQUITY 31 Dec 2012	238	220	-11	-25	-6	652	3	1,072

NET SALES BY REGION (IFRS)

As % of net sales	2012	2011
Finland	25	27
Other Nordic countries	32	33
Central Eastern Europe	14	13
Russia and Ukraine	9	8
Rest of Europe	14	14
Other countries	6	5

CONTINGENT LIABILITIES (IFRS)

EUR million	31 Dec 2012	31 Dec 2011
Mortgaged real estate	59	59
Other guarantees given	27	32
Rental liabilities	73	85
Other commitments	4	6

DERIVATIVE CONTRACTS (IFRS)

EUR million	31 Dec 2012 Nominal amount	31 Dec 2012 Fair value	31 Dec 2011 Nominal amount	31 Dec 2011 Fair value
CASH FLOW HEDGES QUALIFYING FOR HEDGE ACCOUNTING				
Zinc derivatives				
Forward contracts, tonnes	10,500	1	12,000	-2
Heavy fuel oil derivatives				
Forward contracts, tonnes	35,000	0		
Electricity derivatives				
Forward contracts, GWh	1,858	-13	1,598	-11
Foreign currency derivatives				
Forward contracts	141	-4	230	14
Options				
Bought	96	0	27	1
Sold	90	-3	25	0
Interest rate derivatives	30	0		
DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING				
Foreign currency derivatives				
Forward contracts	427	-2	283	2
Options				
Bought	90	0	120	1
Sold	99	0	240	-1

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	2012	2011
Carrying amount at the beginning of period	1,214	1,180
Additions	92	173
Additions through acquisitions	0	
Disposals	-8	-2
Disposals through divestments	-50	
Depreciation	-125	-124
Impairment	-8	-4
Translation differences	7	-9
Carrying amount at the end of period	1,122	1,214

TRANSACTIONS WITH RELATED PARTIES (IFRS)

EUR million	2012	2011
Sales to equity-accounted investees	21	25
Purchases from equity-accounted investees	7	6
Loan receivables from equity-accounted investees	72	
Transactions with Rautaruukki Pension Foundation	0	0

	31 Dec 2012	31 Dec 2011
Trade and other receivables from related parties	4	3
Trade and other payables to related parties	0	0

INVESTMENT COMMITMENTS (IFRS)

EUR million	After 31 Dec 2012	After 31 Dec 2011
Maintenance investments	61	51
Development investments and investments in special steel products	13	60
Total	74	111

INFORMATION ON BUSINESS COMBINATIONS AND DISPOSALS

Business acquisitions

Ruukki acquired the share capital of Plåtleverantören i Stockhom AB in June 2012. The acquisition expands the Ruukki Express chain for professional builders in Sweden and seeks to improve the availability of roofing products and to develop cooperation with customers. Plåtleverantören has been selling steel and other roofing supplies for almost 20 years and is one of the leading distributors of steel roofing products in the Stockholm region. The company's net sales in 2011 were around EUR 7 million. This interim report includes the balance sheets of the two companies at the date of acquisition. The companies are consolidated as subsidiaries from 1 July 2012. The figures below include information about the acquisition of the Swedish companies Plåtleverantören i Stockhom AB and its subsidiary Plåtleverantören i Södertälje AB.

EUR million	Fair values	Carrying values of acquired companies
Assets and liabilities of acquired companies		
Non-current assets	1	0
Current assets		
Inventories	1	1
Trade and other receivables	2	2
Cash and cash equivalents	0	0
Total assets	4	3
Non-current liabilities		
Interest-bearing	1	1
Other	0	0
Current liabilities		
Other liabilities	2	1
Total liabilities	2	2
Net assets	2	1
Acquisition cost	2	
Goodwill	0	
Acquisition cost paid in cash	-2	
Cash and cash equivalents of acquired company	0	
Impact on cash flow	-2	

Fortaco arrangement

On 16 October 2012, Rautaruukki Corporation (Ruukki) and funds managed by CapMan (CapMan) agreed to combine units of Komas Group Oy (Komas) and units of Ruukki Engineering division to form a new company, Fortaco. The arrangement was completed on 27 December 2012. The company was formed from the compatible and complementary units of Ruukki and Komas. Ruukki Engineering units in Jaszbereny (Hungary), Wroclaw (Poland) and Holic (Slovakia) as well as Kurikka, Sepänkylä and the Kalajoki component business (Finland) were transferred to the new company. Under the arrangement Ruukki consigned the shareholding in Ruukki Tisza Zrt and Ruukki Slovakia s.r.o. and the net assets of Wroclaw, Kurikka, Sepänkylä and Kalajoki component business. In return, Ruukki received a 19.0 per cent holding in Fortaco Group Oy, together with equity and debt capital financing instruments from Fortaco.

Impact of disposal of shares and businesses on the group's financial position

EUR million	
Assets	
Tangible assets	50
Godwill	25
Other intangible assets	3
Inventories	20
Deferred tax receivables	2
Trade- and other receivables	1
Cash and cash equivalents	5
Total assets	105
Liabilities	
Trade- and other payables	13
Provisions	0
Total liabilities	13
Net assets	93
Cash consideration	0
Cash and cash equivalents of disposed businesses	-5
Impact on cash flow	-5
Consideration	
19% of Fortaco Group Oy shares and equity-linked instruments	20
Loan receivables	73
Gain on disposal	2

SEGMENT INFORMATION

EUR million	2012	2011
Order intake		
Ruukki Construction	756	721
Ruukki Engineering	229	263
Ruukki Metals	1,782	1,691
Others		
Order intake, total	2,767	2,675
Comparable net sales		
Ruukki Construction	740	757
Ruukki Engineering	265	257
Ruukki Metals	1,787	1,783
Others	-3	0
Comparable net sales, total	2,789	2,797
Items affecting comparability included in reported net sales	7	1
Reported net sales	2,796	2,798
Comparable operating profit		
Ruukki Construction	1	-3
Ruukki Engineering	-3	-7
Ruukki Metals	-42	80
Others	-20	-14
Comparable operating profit, total	-65	56
Items affecting comparability included in reported operating profit	-34	-34
Reported operating profit	-99	22
Net finance costs	-40	-37
Share of profit of equity-accounted investees	2	3
Result before income tax	-137	-12
Income tax expense	21	1
Result for the period	-116	-10

EUR million	31 Dec 2012	31 Dec 2011
Operative capital employed		
Ruukki Construction	386	425
Ruukki Engineering	36	163
Ruukki Metals	1,409	1,568
Others	22	20
Operative capital employed, total	1,853	2,175

QUARTERLY SEGMENT INFORMATION

EUR million	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Order intake								
Ruukki Construction	134	199	216	172	147	246	193	170
Ruukki Engineering	64	68	68	62	78	61	46	44
Ruukki Metals	476	405	394	416	462	447	436	437
Others								
Order intake, total	674	672	678	651	686	755	675	651
Comparable net sales								
Ruukki Construction	135	201	219	203	153	199	208	180
Ruukki Engineering	62	62	59	73	69	72	63	60
Ruukki Metals	478	467	396	442	477	470	406	434
Others	0	0	0	0	0	-2	-3	2
Comparable net sales, total	675	730	674	718	699	740	674	676
Items affecting comparability included in reported net sales		0	0	0	2	2	1	1
Reported net sales	675	730	675	718	702	742	675	677
Comparable operating profit								
Ruukki Construction	-13	4	11	-6	-10	4	8	-1
Ruukki Engineering	-2	-2	1	-4	-1	1	0	-3
Ruukki Metals	42	75	-9	-28	0	10	-18	-34
Others	-3	-6	-3	-3	-4	-7	-7	-2
Comparable operating profit, total	25	71	1	-40	-15	8	-18	-39
Items affecting comparability included in reported operating profit	0	-2	-25	-6	-1	-13	-2	-19
Reported operating profit	25	68	-24	-47	-16	-5	-20	-58
Net finance costs	-11	-10	-5	-10	-11	-9	-11	-9
Share of profit of equity-accounted investees	1	1	1	1	1	1	0	0
Result before income tax	14	59	-29	-56	-26	-13	-31	-67
Income tax expense	-6	-15	8	15	6	3	2	11
Result for the period	8	44	-21	-41	-20	-10	-29	-56

ITEMS AFFECTING COMPARABILITY OF REPORTED NET SALES

EUR million	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Others								
Net sales of Mo i Rana unit		0	0	0	2	2	1	1

ITEMS AFFECTING COMPARABILITY OF REPORTED OPERATING PROFIT

EUR million	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Ruukki Construction								
Expenses related to restructuring		-1	-2	-1			-2	-9
Effect of change in discount rate on long service benefit costs								0
Ruukki Engineering								
Expenses related restructuring			0	0	0	-6		-2
Impact of Fortaco transaction								0
Effect of change in discount rate on long service benefit costs								0
Cost of strike				0				
Ruukki Metals								
Expense caused by modernisation of blast furnaces		-2	-23					
Cost of fire at Raahe steel works						-3		
Cost of strike				-5				
Expenses related restructuring								-6
Effect of change in discount rate on long service benefit costs								-2
Income from sale of shares				2				
Others								
Operating profit of Mo i Rana unit	0	0	0	-2	0	-3	0	0
Impact of Fortaco transaction								2
Expenses related restructuring								-2
Effect of change in discount rate on long service benefit costs								0
Items affecting comparability of reported operating profit, total	0	-2	-25	-6	-1	-13	-2	-19

DELIVERIES, RUUKKI METALS

1 000 tonnes	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12	Q3/12	Q4/12
Deliveries	487	415	364	455	507	448	389	466

Formulas for the calculation of key figures:

Return on capital employed (rolling 12 months), %	=	result before income tax + finance costs - exchange rate differences (rolling 12 months) -------------------------------------- total equity + loans and borrowings (average at beginning and end of period)	x100
Return on equity (rolling 12 months), %	=	result before income tax - income tax expense (rolling 12 months) -------------------------------------- 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, 15 February 2013
Rautaruukki Corporation
Board of Directors

Energy-efficient steel solutions for better living, working and moving.

The interim report for the period January–March 2013 will be published on 25 April 2013.

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