Rautaruukki Corporation

INTERIM REPORT 1 Jan–30 Jun 2012 RTRKS

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ruukki

Energy-efficient steel solutions for better LIVING. WORKING. MOVING.

Rautaruukki Corporation Stock exchange release 19 July 2012 at 9am EEST

Rautaruukki Corporation Interim report H1/2012:
Second quarter better than first, full year comparable operating profit estimated to remain at 2011 level. Profitability improvement still main focus.

April-June 2012 (Q2/2011)
- Order intake was up 12 per cent at EUR 755 million (672).
- Comparable net sales were up 1 per cent at EUR 740 million (730).
- Comparable operating profit was EUR 8 million (71), equating to 1.0 per cent of net sales.
- Comparable result before income taxes was EUR 0 million (62).
- Net cash from operating activities was -EUR 5 million (7).

January-June 2012 (H1/2011)
- Order intake was up 7 per cent at EUR 1,441 million (1,346).
- Comparable net sales were up 2.5 per cent at EUR 1,440 million (1,405).
- Comparable operating profit was -EUR 8 million (96).
- Comparable result before income taxes was EUR -26 million (76).
- Net cash from operating activities was EUR 49 million (13).

Guidance for 2012 changed
Revised guidance: Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to be at the same level as in 2011. **Earlier guidance:** Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

KEY FIGURES

	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Comparable figures					
Comparable net sales, EUR m	740	730	1,440	1,405	2,797
Comparable operating profit, EUR m	8	71	-8	96	56
Comparable operating profit as % of net sales	1.0	9.7	-0.5	6.8	2.0
Comparable result before income tax, EUR m	0	62	-26	76	22
Reported figures					
Reported net sales, EUR m	742	730	1,444	1,405	2,798
Reported operating profit, EUR m	-5	68	-21	93	22
Reported result before income tax, EUR m	-13	59	-39	74	-12
Net cash from operating activities, EUR m	-5	7	49	13	114
Net cash before financing activities, EUR m	-30	-34	2	-64	-57
Earnings per share, EUR	-0.07	0.32	-0.22	0.38	-0.07
Return on capital employed (rolling 12 months), %			-4.1	4.1	1.3
Return on capital employed (annualised), %			-0.8	8.9	1.3
Gearing ratio, %			71.6	57.9	60.4
Equity ratio, %			45.9	48.7	48.5
Personnel on average	11,692	12,243	11,521	11,839	11,821

President & CEO Sakari Tamminen:

The emerging markets continued to be the driver of economic growth during the second quarter, whereas in Europe the uncertainty caused by the sovereign debt crisis continued and confidence in economic growth remained weak. There is a risk of prolonged economic crisis in the eurozone and growing signs of uncertainty in the global economy. In addition, growth forecasts for Ruukki's important developed economies, such as the Nordic countries, have been downgraded during the first half of the year. Increased uncertainty since the early part of the year can be seen in the order behaviour and forecasts of steel customers. This has weakened the outlook for the rest of the year. Consequently, we now estimate our comparable operating profit to be at the same level as in 2011, whereas we had earlier estimated it to improve compared to 2011.

As far as performance is concerned, the second quarter was better for Ruukki than the first. All our business areas reported improved earnings and consolidated operating profit was back in the black at EUR 8 million. Cumulative cash flow was EUR 49 million before capital expenditure and EUR 2 million after capital expenditure.

Order intake was up 12 per cent quarter on quarter. This was due especially to strong growth of 24 per cent in order intake in our construction business. Our net sales grew 2 per cent, but the profitability of the steel business is clearly trailing behind what it was a year earlier.

I believe in improved profitability as a result of the efficiency projects initiated in our steel and construction businesses have progressed somewhat better than earlier expected. The impact of these projects aimed at a permanent improvement in earnings performance is around EUR 20 million for this year. Market conditions require us to raise the total target of our efficiency projects to EUR 100 million from the current figure of EUR 70 million by expanding points for improvement already identified in our steel business. On top of this, improved profitability in construction is supported by the solid outlook for the rest of the year in roofing products, a pick-up in order intake for commercial and industrial construction in Russia, as well as a clearly improved margin, compared to the previous year, on new orders in the project business.

Global steel prices decreased during the second quarter due to weakened demand caused by economic uncertainty. On a positive note, we signed new supply contracts for raw materials at lower prices than earlier. An example of this is our contract with LKAB for iron ore pellets. We also signed a long-term contract for supplies of coking coal and iron ore pellets with the Russian company Severstal Resources. This enables us to reduce our dependency on distant coking coal and the associated price risk related to higher winter inventory and to balance our purchases of raw materials. The cost benefits of these new contracts are estimated to be in the region of EUR 20 million and will be reflected in full during the second half of the year. Overall, prices of raw materials are still clearly higher than before the 2009 financial crisis.

Construction activity in residential construction, which depends on consumer demand, has developed well in many of our market areas, including Finland and Poland, and net sales of our roofing products are up 16 per cent year on year. In steel roofs, there is growth potential especially in Russia, where the annual total market is almost EUR 500 million and where we are focusing on opening our own distribution channels. Also in Sweden, we have improved our own distribution channels by, among other things, expanding our Ruukki Express chain in Stockholm and Södertälje through an acquisition. Demand for components in commercial and industrial construction continued to be at a good level. Demand for energy-efficient panels in particular has shown good progress. The profitability of our project business has improved and we have received significant orders.

Demand in the engineering industry has remained at a fairly good level and we have obtained new customers in Hungary and Poland, for example. Comparable net sales improved and earnings were positive, but profitability is still not at a satisfactory level. Actions aiming at improving profitability, such as withdrawal from engineering operations in Shanghai, optimising the product range and unit-specific actions to improve efficiency are already under way.

In the steel business, the slow-down in market demand was reflected by a 3 per cent fall in order intake compared to the previous quarter. Prices of orders received declined somewhat towards the end of the quarter. Net sales in the steel business were at the same level year on year, but down quarter on quarter due to decreased delivery volumes. The steel business posted a comparable operating profit of EUR 10 million for the second quarter. This was an improvement compared to the previous quarter, but clearly weaker year on year. The fall in operating profit was mainly attributable to a lower capacity utilisation rate, a weaker price level for steel products and higher raw material prices. The capacity utilisation rate in our steel business averaged 84 per cent.

Annual steel demand in the EU-27 region seems to have levelled off at around 150 million tonnes, whereas it was still around 200 million tonnes in 2007. Market overcapacity enables fast stock turnover for customers and makes it difficult to forecast demand. We are focusing increasingly more strongly on special steels, where demand continues to be at a good level, shows better predictability and the markets are global. We are strengthening and expanding the global distribution of our special steels. During the report period, we opened a new steel service centre in Shanghai and strengthened our special steels distribution network on other emerging markets.

We still estimate net sales in 2012 to grow about 5 per cent. Comparable operating profit for the whole year is now estimated to be at the same level as in 2011, whereas we earlier estimated it to improve compared to 2011.

Rautaruukki Corporation's full interim report for January-June 2012 is attached to this release.

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

News conference for analysts and the media

A joint news conference in English both for analysts and the media will be hosted on Thursday 19 July at 10.30am EEST at Ruukki, 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 10.30am EEST. This event can also be attended through a **conference call** by dialling the number below 5-10 minutes before the scheduled time:
+44 20 7162 0025 (calls outside Finland)
+358 9 2313 9201 (calls inside Finland)
Access code: 914147

A replay of the webcast can be viewed on the company website at approximately 4pm EEST. A replay of the conference call will be available until 26 July 2012 at:
+44 20 7031 4064 (calls outside Finland)
+358 9 2314 4681 (calls inside Finland)
Access code: 914147

Rautaruukki Corporation
Taina Kyllönen
SVP, Marketing and Communications

Ruukki provides its customers with energy-efficient steel solutions for better living, working and moving. Ruukki operates in some 30 countries and employs around 11,800 people. Net sales in 2011 totalled EUR 2.8 billion. The company's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS).

DISTRIBUTION:
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RAUTARUUKKI CORPORATION INTERIM REPORT FOR JANUARY-JUNE 2012

Business environment

Growing signs of uncertainty in global economic development were visible during the second quarter of the year. In the wake of slowing economic growth, central banks initiated recovery measures both in emerging and developed economies. Despite weaker than expected economic growth in China, the emerging markets continued to be the drivers of global growth. In Europe, economic development continued to show regional differences and was slower than a year earlier. This was because of the contraction in demand caused by the European sovereign debt crisis. The driver of economic growth in Europe was the region's largest economy, Germany, which nevertheless showed moderate growth.

Of Ruukki's main market areas, the Polish economy grew and, despite lower oil prices, also the Russian economy developed favourably during the second quarter. Development was steady in the Nordic countries, although market development was slightly slower in Sweden. The uncertainty caused by the European sovereign debt crisis continued and confidence in continuing economic growth remained weak. The uncertainty relating to economic growth had implications for the order behaviour of Ruukki's customers, which was reflected in shorter delivery times and changing order forecasts received from customers during the quarter. In addition, growth forecasts for Ruukki's important developed economies have been downgraded during the first part of the year.

Construction demand picked up after a seasonally quiet first quarter and grew slightly year on year. Growth was mostly driven by residential roofing products and the Russian market. However, the uncertainty caused by economic conditions in general was reflected in commercial and industrial construction and in infrastructure construction, where activity was weaker compared to a year earlier. Demand for components in commercial and industrial construction, however, remained at a good level.

Of Ruukki's customer segments in the engineering industry, further growth was seen in demand for mining industry machines and equipment and demand was at a good level also in the offshore market. However, orders were down year on year from the most significant engineering customer sector - materials handling equipment manufacturers. Total order intake in the engineering industry was down both year on year and quarter on quarter.

Steel demand in the EU-27 region was down somewhat quarter on quarter because steel wholesalers stopped restocking during April-June. Due to slower demand, market prices for steel products fell during the second quarter in Europe. Stock levels of steel wholesalers in Europe remained mostly at the same level quarter on quarter and continued to be at a normal level compared to sales. The average global market price of iron ore – one of the main raw materials in steel production – decreased somewhat compared to the first quarter. During the second quarter, the global market price of coking coal remained practically unchanged quarter on quarter. In our steel business, the slow-down in market demand was reflected by a 3 per cent fall in order intake compared to the previous quarter. Prices of orders received during April-May increased slightly on the March level, but declined slightly during June. The capacity utilisation rate in our steel business averaged around 84 per cent compared to around 85 per cent during the previous quarter.

Order intake and order book

ORDER INTAKE BY BUSINESS AREA

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Order intake					
Ruukki Construction	246	199	393	333	721
Ruukki Engineering	61	68	139	132	263
Ruukki Metals	447	405	909	881	1,691
Others					
Order intake, total	755	672	1,441	1,346	2,675

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

Order intake during the second quarter was up 12 per cent year on year at EUR 755 million (672). Relative highest growth in orders received was in the construction business. Strongest growth in demand was seen in Russia, the Baltic states and Sweden.

Order intake during the first half of the year was up 7 per cent year on year at EUR 1,441 million (1,346).

At the end of the report period, the order book was 5 per cent lower year on year and 2 per cent higher than at the end of March.

Net sales

NET SALES BY BUSINESS AREA

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Comparable net sales					
Ruukki Construction	199	201	352	335	757
Ruukki Engineering	72	62	141	124	257
Ruukki Metals	470	467	948	946	1,783
Others	-2	0	-2	0	0
Comparable net sales, total	740	730	1,440	1,405	2,797
Items affecting comparability included in reported net sales	2	0	4	0	1
Reported net sales	742	730	1,444	1,405	2,798

Comparable net sales for the second quarter were up one per cent year on year at EUR 740 million (730). Reported net sales for April-June were EUR 742 million (730). The emerging markets accounted for 29 per cent (27) of comparable net sales. The solutions businesses – Ruukki Construction and Ruukki Engineering – accounted for 37 per cent (36). Special steel products accounted for 34 per cent (34) of Ruukki Metals' net sales in April-June.

During the second quarter, net sales grew in Russia, Ukraine, Central Eastern Europe and in new market areas. Net sales were down in Finland and remained at the same level as a year earlier in the other Nordic countries.

Comparable net sales for the first half of the year were EUR 1,440 million (1,405) and reported net sales for the first half of the year were EUR 1,444 million (1,405). The emerging markets accounted for 27 per cent (25) of comparable net sales. The solutions businesses – Ruukki Construction and Ruukki Engineering – accounted for 34 per cent (33). Special steel products accounted for 32 per cent (33) of Ruukki Metals' net sales for January-June.

NET SALES BY REGION

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Comparable net sales					
Finland	194	204	365	386	761
Other Nordic countries	245	246	501	483	914
Central Eastern Europe	96	92	178	171	363
Russia and Ukraine	66	57	111	91	223
Rest of Europe	90	90	194	190	388
Other countries	50	42	90	84	148
Comparable net sales, total	740	730	1,440	1,405	2,797
Items affecting comparability included in reported net sales	2	0	4	0	1
Reported net sales	742	730	1,444	1,405	2,798

Operating profit

OPERATING PROFIT BY BUSINESS AREA

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Comparable operating profit					
Ruukki Construction	4	4	-6	-9	-3
Ruukki Engineering	1	-2	0	-4	-7
Ruukki Metals	10	75	10	117	80
Others	-7	-6	-11	-8	-14
Comparable operating profit, total	8	71	-8	96	56
Items affecting comparability included in reported operating profit	-13	-2	-13	-2	-34
Reported operating profit	-5	68	-21	93	22

Comparable operating profit for the second quarter was EUR 8 million (71), equating to 1.0 per cent of net sales. Operating profit decreased mostly because of a lower capacity utilisation rate, a weaker price level for steel products and higher costs of raw materials. Compared to the previous quarter, comparable operating profit improved in all business areas.

Reported operating profit was negative at -EUR 5 million (68). This figure includes non-recurring items of EUR 13 million that impact on operating profit. The largest of these items are the costs of closing down Ruukki Engineering's unit in Shanghai, the costs caused by fires at the Raahe Steel Works in Finland and costs relating to the disposal of the property in Mo i Rana, Norway.

Comparable operating profit for the first half of the year was negative at -EUR 8 million (96), equating to -0.5 per cent of net sales. Operating profit decreased mostly because of a lower capacity utilisation rate, a weaker price level for steel products and higher costs of raw materials. Reported operating profit was negative at -EUR 21 million (93). Non-recurring cost items impacting on comparability relate mainly to the closure of Ruukki Engineering's unit in Shanghai, the fires at Raahe in Finland and disposal of the property in Mo i Rana, Norway.

Financial items and result

Consolidated net finance costs for January-June totalled EUR 20 million (21). Net interest costs were EUR 17 million (15).

Group taxes for January-June were EUR 9 million positive (-21).

The result for January-June was -EUR 30 million (52).

Earnings per share were -EUR 0.22 (0.38).

Balance sheet, cash flow and financing

Total assets at 30 June 2012 were EUR 2,586 million (2,794). Equity at 30 June 2012 was EUR 1,168 million (1,342), equating to EUR 8.41 per share (9.66). Equity has decreased by EUR 104 million since the end of 2011. This was mainly because of the EUR 69 million dividend payment made in March.

The equity ratio at 30 June 2012 was 45.9 per cent (48.7) and the gearing ratio was 71.6 per cent (57.9). Net interest-bearing liabilities at the end of June were EUR 839 million (779).

Return on equity for the past 12 months was -7.4 per cent (-0.9) and return on capital employed was -4.1 per cent (4.1). The annualised return on capital employed for January-June was -0.8 per cent (8.9).

Net cash from operating activities for January-June was EUR 49 million (13) and net cash flow before financing activities was EUR 2 million (-64).

Normal seasonality in Ruukki's business leads to tying up net working capital at the end of June. However, successful working capital management at Ruukki resulted in the freeing up of EUR 20 million (EUR 127 million tied up) from working capital during the first half of the year.

At the end of June, the group had liquid funds of EUR 16 million (74) and undrawn committed credit facilities of EUR 475 million (475).

Capital expenditure

Net cash used in investing activities during January-June was -EUR 47 million (-77). Maintenance investments accounted for EUR 31 million (58) and development investments for EUR 16 million (21). Depreciation and impairments during January-June amounted to EUR 76 million (72).

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

Personnel

PERSONNEL BY REGION

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Finland	7,055	7,249	6,369
Other Nordic countries	645	637	622
Central Eastern Europe	2,047	2,153	2,130
Russia and Ukraine	1,841	2,112	1,845
Rest of Europe	68	68	70
Other countries	250	320	346
Total	11,906	12,539	11,382

The group employed an average of 11,521 persons (11,839) during January-June and at 30 June the headcount was 11,906 (12,539). At the end of the report period, 59 per cent (58) of Ruukki's personnel worked in Finland. The headcount in Finland increased since the end of 2011 mostly because of temporary summer employees, which numbered 854 (977) at the end of June.

Safety measured in terms of accidents per million working hours for January-June was 6 (8).

BUSINESS AREAS

RUUKKI CONSTRUCTION

- Order intake up 24 per cent year on year
- Significant year-on-year improvement in margin levels on new orders in project business
- Operational efficiency programme progressed slightly better than expected

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Order intake	246	199	393	333	721
Net sales	199	201	352	335	757
Comparable operating profit	4	4	-6	-9	-3
Expenses related to restructuring		-1		-1	-3
Reported operating profit	4	3	-6	-9	-6
Comparable operating profit as % of net sales	2.1	2.0	-1.8	-2.7	-0.4
Personnel at end of period			3,573	3,980	3,538

Order intake and order book

The value of order intake during the second quarter was up 24 per cent year on year at EUR 246 million (199). Ruukki has developed its own distribution channels for roofing products and order volumes of roofing products were up year on year in almost all market areas. Order flow of roofing products showed particularly good development in Finland, Poland, Ukraine and the Baltic states. Compared to the previous year, overall order flow in commercial and industrial construction grew during the second quarter, although order intake in Finland, for example, was down year on year. Ruukki Construction has improved its cost competitiveness in the project business because the relative share of production of the units in Eastern Europe has grown and productivity has increased. In addition, the project business has now been focused on fewer countries than earlier and projects yielding higher margins. Consequently, margins on new orders in the project business are clearly better than a year earlier. In Russia, the growth seen in order volumes for concept buildings during the first quarter levelled off during the second quarter, but order volumes for the largest commercial and industrial building projects were up year on year. In infrastructure construction, orders for piles used in foundations were down slightly compared to the previous year.

Ruukki Construction’s order intake in January-June was up 18 per cent year on year at EUR 393 million (333).

The order book at the end of June was 7 per cent higher year on year and 34 per cent higher than at the end of March.

Net sales

Ruukki Construction’s net sales for the second quarter were down one per cent year on year at EUR 199 million (201). This was mainly due to focusing on fewer countries than earlier and higher-margin projects in the commercial and industrial construction project business.

Sales of residential roofing products during April-June were up 16 per cent compared to the previous year. Delivery volumes grew in almost all market areas, with particularly good net sales development in Finland, Ukraine and Poland. Sales of roofing products also in Romania and the Baltic states were clearly higher year on year.

Net sales in commercial and industrial construction were down 3 per cent year on year during the second quarter. Net sales were at the same level as in the previous year in Russia, where delivery volumes of concept buildings showed slight growth, but project and component deliveries decreased. Project and component deliveries were weaker year on year also in Finland and Norway. However, sales were clearly up in Sweden, Poland, Ukraine and the Baltic states.

In infrastructure construction, net sales in the second quarter were down year on year in almost all market areas except for Norway, where net sales of pile products remained good.

Ruukki Construction's net sales for January-June were up 5 per cent year on year at EUR 352 million (335). The construction business accounted for 24 per cent (24) of comparable consolidated net sales. Net sales were up in both residential roofing products and in commercial and industrial construction. In infrastructure construction, net sales for the first half of the year were at the level they were a year earlier.

Residential roofing products accounted for 20 per cent (19) of Ruukki Construction's net sales and infrastructure construction products for 17 per cent (18) during the first half of the year.

Operating profit

Ruukki Construction's operating profit was back in the black in April-June after the loss made during the first quarter. Comparable operating profit was EUR 4 million (4).

Reported operating profit for the second quarter was EUR 4 million (3).

Operating profit for January-June was negative at -EUR 6 million (-9). This was due to seasonally low delivery volumes and low capacity utilisation rate during the first quarter.

Actions to improve profitability

Ruukki Construction initiated a project across the division to improve profitability, aiming at a permanent improvement of EUR 20 million in earnings performance. This will be achieved by, for example, optimising the production-distribution process and material flows, as well as by improving the efficiency of sales and marketing and support operations. Some of the actions, such as withdrawal from unprofitable markets in Central Eastern Europe and redefining the business model in the project business, are already under way. By the end of the report period, actions to improve earnings performance by EUR 20 million had been identified. These actions are expected to result in earnings improvement of EUR 9 million by the end of 2012.

In June, Ruukki Construction initiated employer-employee negotiations affecting the entire personnel at the Peräseinäjoki plant in Finland to adjust operations and costs as a result of temporary distribution of deliveries in the project business. Any lay-offs will last for a maximum of 90 days and it is intended to implement these during the late summer and autumn.

Other operational development

The Ruukki Express chain for professional builders was expanded through acquisition of the Swedish company Plåtleverantören i Stockholm AB, which is one of the leading distributors of steel roofing products in the Stockholm region. The company had net sales of around EUR 7 million in 2011.

Major orders and product development

In April, a contract 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. The project also features the recently-launched Ruukki life panel, which considerably reduces the use of non-renewable raw materials. The contract is worth around EUR 4 million. Construction work on the new K-rauta Skanssi store started this spring and the new store will open in spring 2013.

In April, a contract worth around EUR 2 million was signed for the delivery of the steel frame and envelope structures for a combined heat and power (CHP) plant to be built in Jelgava, Latvia. Ruukki is responsible for the manufacture and installation of the frame structures and for the design, manufacture and installation of the envelope structures. Ruukki's customer is Metso Corporation, which is delivering the CHP plant to Fortum Jelgava SIA. The plant is scheduled for completion in 2013.

In April, an additional contract 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 contract is worth around EUR 4.5 million and, with the deliveries already agreed, will take the total value of Ruukki's deliveries in the ferrochrome production project to almost EUR 25 million. Installation work is scheduled to be 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 in Narva, Estonia. In the first stage of the project, Alstom is to supply one 300 MW Circulating Fluidised Bed (CFB) and Ruukki is to supply the steel frame structures for the boiler, with a potential opportunity for a second unit. Deliveries are scheduled for completion during the first quarter of 2013.

In June, a contract was signed to design, manufacture and install the steel structures for the largest shopping centre in Scandinavia. The contract is worth over EUR 30 million. When completed in Solna, near Stockholm, in 2015, the Mall of Scandinavia will be the largest shopping centre in Scandinavia and will consist of a total of around 300,000 square metres. Mall of Scandinavia is being built for Unibail-Rodamco. The main contractor is the Swedish company Peab Sverige AB, to which Ruukki and the Swedish company Strängbetong will make the frame deliveries together. Deliveries will begin in September this year 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. Ruukki's delivery comprises the steel frame structures and wall and roof cladding for the smelter and casthouse.

Ruukki energy panels have been packaged into a complete energy panel system consisting of a total energy-efficient solution especially for the external wall structures of commercial and industrial buildings. The energy panel system includes an energy coating to reduce the need for cooling, energy windows and structural joints to improve the airtightness of a building and Ruukki Liberta Solar façade, which harnesses solar energy. Energy simulation helps optimise total energy use in buildings and energy monitoring tracks energy consumption.

Smart roof to protect the roofs of buildings from too heavy snow loads was launched. Ruukki's solution improves the safety of buildings, especially at northerly latitudes, where the impact of snow loads on roofs can quickly change. Ruukki smart roof lends itself to the roofs of industrial, commercial and logistics buildings, as well as to the roofs of public premises such as airport terminals and sports centres. It is currently available in Finland, Norway and Sweden.

RUUKKI ENGINEERING

- Net sales up 16 per cent year on year
- Order intake down year on year and quarter on quarter, however, plants in Hungary and Poland won new customers
- Comparable operating profit was positive, but profitability is still not yet at a satisfactory level

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Order intake	61	68	139	132	263
Net sales	72	62	141	124	257
Comparable operating profit	1	-2	0	-4	-7
Expenses related to restructuring	-6		-7		0
Cost of strike					0
Reported operating profit	-6	-2	-7	-4	-7
Comparable operating profit as % of net sales	0.8	-3.2	-0.3	-3.0	-2.7
Personnel at end of period			1,794	1,916	1,914

Order intake and order book

The value of order intake in the engineering business in the second quarter was down 10 per cent year on year at EUR 61 million (68). Orders from mining industry equipment manufacturers developed well, but orders from materials handling equipment manufacturers decreased. The order flow in the energy industry remained at a reasonable level.

Ruukki Engineering's order intake during January-June was up 5 per cent year on year at EUR 139 million (132).

The order book at the end of June was 20 per cent lower than a year earlier and 15 per cent lower than at the end of March. The smaller order book is mainly due to the approaching completion of deliveries for a single large project won in the offshore sector in the fourth quarter of 2010.

Net sales

Ruukki Engineering's net sales for the second quarter were up 16 per cent year on year at EUR 72 million (62).

Compared to the second quarter a year earlier, the increase in net sales was attributable to higher delivery volumes to manufacturers of construction and mining industry equipment. Also deliveries to the offshore industry rose considerably thanks to a single project. Sales to materials handling equipment manufacturers weakened year on year and sales to the shipbuilding industry were more or less at the same level as a year earlier.

Ruukki Engineering's net sales for January-June were EUR 141 million (124) and accounted for 10 per cent (9) of comparable consolidated net sales. Compared to a year earlier, the increase in net sales was mainly attributable to higher delivery volumes to equipment manufacturers in the construction, mining and offshore industries.

Operating profit

Ruukki Engineering's comparable operating profit for the second quarter was EUR 1 million (-2). Operating profit improved year on year largely as the result of higher delivery volumes and improved capacity utilisation rate in cabin production. Reported operating profit was negative at -EUR 6 million (-2), which includes EUR 6 million booked in costs related to closing down production at the Shanghai unit.

Reported operating profit for January-June was negative at -EUR 7 million (-4). Operating profit was weakened mostly by a low capacity utilisation rate and the cost of closing down production at the Shanghai unit. On the other hand, higher delivery volumes, an improved capacity utilisation rate and higher selling prices contributed positively to the development of comparable operating profit.

Actions to improve profitability and other operational development

A decision was taken in April that Ruukki Engineering would discontinue the manufacture of cabins and components in Shanghai. Cabin and component manufacture at the Shanghai unit will be gradually wound down by the end of the year. This will not significantly affect Ruukki Engineering's net sales, but will improve profitability. The Shanghai unit posted a loss of EUR 7 million for 2011. In relation to closing down production, costs of EUR 6 million were booked during the second quarter.

In 2011, Ruukki embarked on a EUR 3 million investment in a new surface treatment line mainly to serve cabin customers at the Holic unit in Slovakia. Work has progressed to plan, the construction stage has been completed and start-up of the line began during the second quarter of 2012.

Actions to improve profitability, such as the discontinuation of operations in Shanghai, optimising the product range and unit-specific actions are already under way.

RUUKKI METALS

- Share of special steel products of net sales was up quarter on quarter
- New price and supply contracts for raw materials at lower prices
- Operational efficiency programme has progressed better than expected

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Order intake	447	405	909	881	1,691
Net sales	470	467	948	946	1,783
Comparable operating profit	10	75	10	117	80
Expense caused by modernisation of blast furnaces		-2		-2	-25
Cost of fire at Raahe steel works	-3		-3		
Cost of strike					-5
Income from sale of shares					2
Reported operating profit	7	73	7	115	52
Comparable operating profit as % of net sales	2.1	16.0	1.1	12.4	4.5
Deliveries (1 000 tonnes)	448	415	955	901	1,721
Personnel at end of period			6,047	6,157	5,450

Order intake and order book

Order intake in the second quarter was up 10 per cent year on year at EUR 447 million (405). Orders grew in almost all market areas, with highest growth in Finland and the other Nordic countries. Relatively best development in order flow was in new market areas, such as the Americas and China. Orders for special steel products also in Western Europe, notably in Germany, continued to be at a good level. There was continued good demand from manufacturers of mining and construction industry machinery and equipment. However, there were differences in order activity between steel grades and, for example, demand for galvanised steel weakened during the quarter.

Ruukki Metals' order intake in January-June was up 3 per cent year on year at EUR 909 million (881).

The order book at the end of June 2012 was 11 per cent lower year on year and 15 per cent lower quarter on quarter.

Net sales

Ruukki Metals' net sales for the second quarter were EUR 470 million (467). Average selling prices of steel products were lower year on year, but delivery volumes grew by around 8 per cent. Special steel products accounted for 34 per cent of sales, which is about the same as during the second quarter a year earlier. Selling prices improved compared to the first quarter of the current year, but production and delivery volumes failed to reach the level of the first quarter. Especially for standard grades, customers order behaviour changed and order times became shorter. Net sales were down around one per cent quarter on quarter.

Sales of steel products in the Nordic countries declined mostly because of decreased demand from the automotive industry in Sweden. However, sales were up in Finland, Denmark and Norway. Highest relative growth was seen in Russia, Ukraine and new market areas, such as the Americas, where demand for special steel products was at a good level. The second quarter saw Ruukki make its first deliveries of special steel products to Thailand, among others. Sales of special steel products were up around 12 per cent quarter on quarter during April-June.

Ruukki Metals’ net sales for January-June were EUR 948 million (946) and accounted for 66 per cent (67) of comparable consolidated net sales. Delivery volumes were higher during the first half of the year, but average selling prices were lower than a year earlier. Net sales fell especially in Finland and Sweden, but developed well in the other Nordic countries and in new market areas.

Special steel products accounted for 32 per cent (33) of net sales during the first half of the year. Net sales of stainless steel and aluminium, which are sold as trading products, were down around 5 per cent year on year at EUR 71 million (74) during January-June.

Operating profit

Ruukki Metals’ comparable operating profit for the second quarter was EUR 10 million (75). Operating profit weakened year on year mainly because of a lower capacity utilisation rate, weaker prices for steel products and higher costs of raw materials. The fires at the Raahe Steel Works during the report period had an adverse impact of EUR 3 million on reported operating profit. Compared to the previous quarter, operating profit improved as a result of higher average prices and the share of special steels of net sales, but was weakened by the fall in delivery volumes. There were also differences in the development of delivery prices between steel grades and, for example, galvanised steel prices fell during the quarter.

Comparable operating profit for January-June was EUR 10 million (117). Weakened operating profit compared to a year earlier was mostly attributable to a lower capacity utilisation rate, higher costs of the raw materials used in steel production and weaker average selling prices.

Steel production

1 000 tonnes	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Steel production	594	636	1,194	1,281	2,215

Steel production during the second quarter was 594 thousand tonnes (636) and the utilisation rate averaged 84 per cent. During the first half of 2012, steel production was 1,194 thousand tonnes (1,281). Steel production was adversely affected by two fires that broke out at the steel plant at the Raahe Steel Works during the second quarter.

Modernisation of the blast furnaces at the Raahe Steel Works in Finland was completed in 2011. 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. It is estimated that about EUR 8 million of the blast furnace modernisation investments will be allocated to 2012. The investment requirement in the coming years will be significantly lower than in 2010 and 2011.

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

Raw materials used in steel production

The global market price of iron ore, one of the main raw materials used in steel production, fell at the start of the quarter but started to rise again towards the end of the quarter. The global market price of coking coal remained at practically the same level during the second quarter as during the first. The market price of iron ore is forecast to remain at its present level or even to show a slight fall. The market price of coking coal in the third quarter is expected to remain at the same level as in the second. The prices agreed by Ruukki Metals follow general market development.

In May, a three-year contract for supplies of coking coal and iron pellets was signed with Severstal Resources, a division of the Russian company OAO Severstal. 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 begin in July. After the contract, Ruukki has four main coking coal suppliers in: the United States, Canada, Australia and Russia.

The cost benefit of these new contracts are estimated to be in the region of EUR 20 million and will be reflected in full during the second half of the year. Overall prices of raw materials are still clearly higher than before the 2009 financial crisis.

Operational development

Our steel business strengthened its position in the growing Asian markets and Ruukki Metals opened a new business unit in the Asia and Pacific region. Ruukki has deliveries to China, India, Australia and Southeast Asia and setting up and managing a separate business unit in the region will give us a strong presence and enable us to focus on these growing markets.

In addition, Ruukki Metals opened a sales office in Mumbai, India. India is an important long-term market for Ruukki with regard to its special steel strategy and Ruukki has worked together with its agent in India, Steelforce, for already over five years. For Steelforce, the opening of Ruukki's office means closer cooperation through the coordination of technical support and marketing and sales campaigns, for example.

Ruukki Metals' project to improve profitability

On 1 February, Ruukki Metals initiated a project aimed at improving competitiveness. The aim was to achieve a permanent annual improvement of EUR 50 million in earnings performance. To date, points for efficiency improvement of EUR 50 million have been identified in sales and marketing, financial and HR administration, other support functions, production, the use of raw materials, prefabrication, distribution and materials use, and in maintenance and other services purchased. EUR 9 million of the cost benefits of the efficiency project are expected to be achieved during the current year. It is estimated that most of the improvement in earnings performance will be visible during the first quarter of 2013 and that the improvement will be visible in full from the third quarter of next year onwards. Employer-employee negotiations initiated in May by Ruukki Metals Oy were completed in June. These negotiations concerned the centralisation and efficiency of operations in steel service centres and sales organisation in Finland and in some corporate business support functions. The negotiations resulted in a workforce reduction of 48 people.

Major orders and product development

During the second quarter, contracts were signed to deliver high-strength shell plates and steel components for the wagon chassis for iron ore wagons to be used at the iron ore mine in Pajala, northern Sweden. For Ruukki, the contracts are an important new entry into the Swedish mining sector.

In May, Ruukki's expertise in direct quenching technology was recognised by the Finnish Engineering Award. The award is made each year by the labour organisation Academic Engineers and Architects in Finland – TEK and Tekniska Föreningnen i Finland – TfiF to an individual or group of persons that has significantly promoted technical know-how in Finland. Using direct quenching technology, steel is hot rolled and cooled quickly with cold water at the same process stage. The technology enables cost- and energy-efficient production of lasting, high-strength special steels.

Environmental matters at the company

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, which assesses the responsibility of companies' operating policies and management systems in association with EIRIS, the Ethical Investment Research Service. The FTSE4Good Index has been published since 2001 and is reviewed semi-annually.

In June, Ruukki's energy efficiency calculator was expanded to take in 13 different languages. The calculator can be used to find out how use of special steel can affect the amount and cost of extra loads, carbon dioxide and fuel savings compared to a conventional steel solution.

In June, the environmental reviews 2011 for the Raahe and Hämeenlinna Works were published. The reviews reported Ruukki's actions to promote energy and materials efficiency and to reduce environmental impacts. In addition, the reviews contain information about the state of the environment in the vicinity of both works. The energy efficiency calculator, environmental reviews (full review in Finnish, summary in English) together with other information about environmental matters and Ruukki's corporate responsibility report can be viewed on the company's website at www.ruukki.com.

Shares and share capital

During the first half of the year, a total of 82 million (69) Rautaruukki shares (RTRKS) were traded on NASDAQ OMX Helsinki for a total of EUR 624 million (1,178). The highest price quoted was EUR 9.49 in February and the lowest was EUR 4.86 in June. The volume-weighted average price was EUR 7.57. The share closed at EUR 4.96 (15.58) at 30 June and the company had a market capitalisation of EUR 696 million (2,186).

Rautaruukki's share is also traded on multilateral trading facilities (MTF). According to information received by the company, a total of 19 million (19) Rautaruukki shares were traded on MTFs for a total of EUR 146 million (330) during the first half of the year.

The company's registered share capital at 30 June 2012 was EUR 238.5 million and there were 140,285,425 shares outstanding.

In December 2010, Rautaruukki's Board of Directors decided on a share-based incentive plan as part of a commitment and incentive programme for key personnel. The plan includes three earning periods, which are the calendar years 2011, 2012 and 2013. Furthermore, the plan includes one three-year earning period, 2011-2013. Payment of a bonus is contingent on achieving the financial targets set. On 23 April 2012, Rautaruukki's Board of Directors decided to transfer to the bonus recipients 30,811 treasury shares held by the company as the share element for the 2011 earning period of the share-based incentive plan for management and key personnel. After transfer, the company had a total of 1,392,240 treasury shares which, at 30 June 2012, had a market value of EUR 6.9 million and an accounting par value of EUR 2.4 million. Treasury shares accounted for 1.00 per cent of the total shares and votes.

The 2012 Annual General Meeting granted the Board of Directors the authority to purchase the company's own shares subject to a maximum of 12,000,000. The authority is valid until the following 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 30 June 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.

Litigation and other pending legal actions

In its judgment handed down in June, Helsinki District Court dismissed a claim demanding that three RUUKKI trademarks registered to Rautaruukki Corporation be cancelled. Helsinki District Court, Helsinki Court of Appeal and the Market Court have earlier dismissed Ruukki Group Plc's claims in 2006, 2007 and 2008 in the dispute concerning use of the name Ruukki. The claim dismissed was brought by four companies belonging to Ruukki Group Plc. These companies were ordered to compensate Rautaruukki's legal expenses by more than EUR 300,000.

Near-term business risks

The company's risks and risk management are detailed in the Annual Report 2011. The company does not consider there to have been any material changes during the report period in the risks and factors of uncertainty presented in the Annual Report.

Near-term outlook

Economic growth forecasts for Ruukki's important economies, such as the Nordic countries, have been downgraded during the first part of the year. This means there is still a risk that order intake will not continue at its present positive level in the second half of the year. However, in many of Ruukki's important emerging economies, such as Russia, growth is expected to remain good. Brisk economic growth is also forecast in Poland. Economic growth in the eurozone remains uncertain and during the rest of the year, too, largely depends on exports and growth in the rest of the global economy. Exports to outside the eurozone are supported by a weaker euro, but are adversely affected by diluted demand. The recent culmination of the sovereign debt problems of countries in Southern Europe is causing considerable uncertainty as far as market development is concerned and it is difficult to estimate what the direct and indirect implications of this will be.

Moderate growth is expected in the construction market in 2012. Activity in residential construction is forecast to be at a good level in all main market areas. Ruukki's focus on its own distribution in roofing products has resulted in faster than market growth during the first half of the year and good conditions in this respect are also forecast for the second half of the year. The weakened economic outlook means uncertainty in the market development of commercial and industrial construction, which is dependent on investment demand, but demand in Russia is forecast to remain at a good level. Ruukki's commercial and industrial construction project activities have shown strong order flow during the first half of the year and the margin level for new orders has clearly improved year on year. This is expected to be visible in deliveries during the second half of the year. In the Nordic countries, with the exception of Sweden, infrastructure construction activity is expected to remain steady.

In the engineering business, market conditions are forecast to remain good. Demand from mining industry machine and equipment manufacturers is estimated to be at a good level, as is demand from heavy cargo handling and other materials handling equipment manufacturers. Demand in the energy industry in the baseload power generation market is forecast to remain good.

In the steel business, service centre sales are expected to continue at a good level, but the European sovereign debt crisis and its direct and indirect implications are continuing to cause uncertainty in demand from mill customers. Stocks of steel products in Europe are at a normal level compared to sales. The fall in global market prices of raw materials has levelled off. To compensate for the rise in raw material costs caused by a weaker euro, many European steel producers have announced price increases for the third quarter. Based on the above market outlook, average selling prices of steel products are expected to remain at their current level or to rise moderately. The cost benefits of Ruukki's new raw material supply contracts are estimated to be in the region of EUR 20 million and will be reflected in full during the second half of the year. Overall, prices of raw materials are still clearly higher than before the 2009 financial crisis.

The company's main focuses for 2012 include improving cost competitiveness and cash flow. Capital expenditure is estimated to be clearly lower than during the previous year, at about EUR 100 million.

Through the efficiency projects initiated, the goal is to further clearly improve the company's cost structure. This is a continuation of actions already completed earlier, including the 2008-2010 Boost programme. The total target of the efficiency improvement projects initiated earlier in the year is to be raised from EUR 70 million to EUR 100 million. To achieve this total target, projects will continue by revisiting and expanding points for improvement already identified in the steel business. Consequently it is expected that the improvement in earnings performance sought will be achieved. Around EUR 20 million of the cost benefit from efficiency projects is expected to be achieved during the current year, with the steel and construction businesses each accounting for EUR 9 million of this figure and corporate functions for EUR 2 million. It is estimated that most of the improvement in earnings performance will be visible during the first quarter of 2013 and that the improvement will be visible in full from the third quarter of 2013 onwards.

Guidance for 2012 has been changed. Revised guidance: Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to be at the same level as in 2011. Earlier guidance: Net sales in 2012 are estimated to grow about 5 per cent. Comparable operating profit is estimated to improve compared to 2011.

INTERIM REPORT AND NOTES

This interim report 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.

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 report period and resulted in costs of around EUR 3 million.

In April, a decision was taken whereby Ruukki Engineering would discontinue the manufacture of cabins and components in Shanghai. Discontinuation of cabin and component manufacturing at the Shanghai unit will not significantly affect Ruukki Engineering’s net sales, but will improve profitability. The Shanghai unit posted a loss of EUR 7 million for 2011. The costs of the arrangement are around EUR 6 million and were booked during the report period.

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.

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 unaudited.

CONSOLIDATED INCOME STATEMENT (IFRS)

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Net sales	742	730	1,444	1,405	2,798
Cost of sales	-683	-596	-1,343	-1,184	-2,533
Gross profit	59	134	101	221	265
Other operating income	3	4	6	8	19
Selling and marketing expenses	-30	-31	-58	-60	-118
Administrative expenses	-36	-38	-69	-75	-144
Other operating expenses	0	0	0	0	0
Operating profit	-5	68	-21	93	22
Finance income	12	9	25	18	55
Finance costs	-21	-19	-44	-39	-91
Net finance costs	-9	-10	-20	-21	-37
Share of profit of equity-accounted investees	1	1	2	1	3
Result before income tax	-13	59	-39	74	-12
Income tax expense	3	-15	9	-21	1
Result for the period	-10	44	-30	52	-10
Attributable to:					
Owners of the company	-10	44	-30	52	-10
Non-controlling interest	0	0	0	0	0
Earnings per share, diluted, EUR	-0.07	0.32	-0.22	0.38	-0.07
Earnings per share, basic, EUR	-0.07	0.32	-0.22	0.38	-0.07
Operating profit as % of net sales	-0.7	9.4	-1.4	6.6	0.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IFRS)

EUR million	Q2/12	Q2/11	Q1-Q2/12	Q1-Q2/11	2011
Result for the period	-10	44	-30	52	-10
Other comprehensive income:					
Effective portion of changes in fair value of cash flow hedges	3	-1	-8	-17	-11
Cash flow hedges reclassified to profit and loss during the period	-2		-7	0	0
Translation differences	-7	-2	5	-3	-6
Defined benefit plan actuarial gains and losses					-7
Tax on other comprehensive income	0	0	4	4	5
Other comprehensive income for the period, net of tax	-6	-2	-6	-15	-19
Total comprehensive income for the period	-16	42	-37	38	-29
Attributable to:					
Owners of the company	-16	42	-37	38	-29
Non-controlling interest	0	0	0	0	0

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

EUR million	30 Jun 2012	30 Jun 2011	31 Dec 2011
ASSETS			
Non-current assets	1,392	1,402	1,413
Deferred tax assets	43	26	27
Current assets			
Inventories	694	781	720
Trade and other receivables	441	499	405
Cash and cash equivalents	16	74	78
Assets held for sale		12	14
Total assets	2,586	2,794	2,657
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the company	1,168	1,342	1,273
Non-controlling interest	2	2	2
Non-current liabilities			
Loans and borrowings	560	567	551
Non-interest bearing liabilities	57	47	57
Deferred tax liabilities	13	31	25
Current liabilities			
Loans and borrowings	295	285	297
Trade payables and other non-interest bearing liabilities	491	515	447
Liabilities held for sale		5	5
Total equity and liabilities	2,586	2,794	2,657

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

EUR million	Q1-Q2/12	Q1-Q2/11	2011
Result for the period	-30	52	-10
Adjustments	84	106	177
Cash flow before change in working capital	54	158	167
Change in working capital	20	-127	-9
Financing items and taxes	-25	-18	-44
Net cash from operating activities	49	13	114
Cash inflow from investing activities	1	3	9
Cash outflow from investing activities	-49	-80	-180
Net cash used in investing activities	-47	-77	-171
Net cash before financing activities	2	-64	-57
Dividends paid	-69	-83	-83
Proceeds from loans and borrowings	30	129	130
Repayments of loans and borrowings	-13	-42	-57
Change in current liabilities	-8	86	99
Other net cash flow from financing activities	-3	-5	-8
Translation differences	1	-1	1
Change in cash and cash equivalents	-62	20	24

KEY FIGURES (IFRS)

	Q1-Q2/12	Q1-Q2/11	2011
Net sales, EUR m	1,444	1,405	2,798
Operating profit, EUR m	-21	93	22
as % of net sales	-1.4	6.6	0.8
Result before income tax, EUR m	-39	74	-12
as % of net sales	-2.7	5.2	-0.4
Result for the period, EUR m	-30	52	-10
as % of net sales	-2.1	3.7	-0.4
Net cash from operating activities, EUR m	49	13	114
Net cash before financing activities, EUR m	2	-64	-57
Return on capital employed (rolling 12 months), %	-4.1	4.1	1.3
Return on equity, %	-7.4	-0.9	-0.8
Equity ratio, %	45.9	48.7	48.5
Gearing ratio, %	71.6	57.9	60.4
Net interest-bearing liabilities, EUR m	839	779	770
Equity per share, EUR	8.41	9.66	9.17
Personnel on average	11,521	11,839	11,821
Number of shares	140,285,425	140,285,425	140,285,425
- excluding treasury shares	138,893,185	138,862,374	138,862,374
- diluted, average	138,873,779	138,862,374	138,862,374

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						52	0	52
Other comprehensive income			-12	-3				-15
Total comprehensive income for the period			-12	-3		52	0	38
Dividend distribution						-83		-83
Share-based payments			0		0			0
EQUITY 30 Jun 2011	238	220	-1	-26	-6	916	2	1,344
EQUITY 1 Jan 2012	238	220	3	-29	-6	846	2	1,275
Result for the period						-30	0	-30
Other comprehensive income			-11	5				-6
Total comprehensive income for the period			-11	5		-30	0	-37
Dividend distribution						-69		-69
Share-based payments			0		0			0
Other changes			0			2		2
EQUITY 30 Jun 2012	238	220	-8	-24	-6	748	2	1,171

NET SALES BY REGION (IFRS)

As % of net sales	Q1-Q2/12	Q1-Q2/11	2011
Finland	25	27	27
Other Nordic countries	35	34	33
Central Eastern Europe	12	12	13
Russia and Ukraine	8	6	8
Rest of Europe	13	13	14
Other countries	6	6	5

CONTINGENT LIABILITIES (IFRS)

EUR million	30 Jun 2012	30 Jun 2011	31 Dec 2011
Mortgaged real estate	59	59	59
Other guarantees given	14	38	32
Collateral given on behalf of others		2	
Rental liabilities	68	64	85
Other commitments	5		6

DERIVATIVE CONTRACTS (IFRS)

EUR million	30 Jun 2012 Nominal amount	30 Jun 2012 Fair value	30 Jun 2011 Nominal amount	30 Jun 2011 Fair value
CASH FLOW HEDGES QUALIFYING FOR HEDGE ACCOUNTING				
Zinc derivatives				
Forward contracts, tonnes	13,500	-2	13,500	2
Heavy fuel oil derivatives				
Forward contracts, tonnes	47,000	-3		
Electricity derivatives				
Forward contracts, GWh	1,715	-14	1,571	-2
Foreign currency derivatives				
Forward contracts	241	8	153	-5
Options				
Bought	69	1	150	1
Sold	69	-1	150	-2
Interest rate derivatives	30	0		
FAIR VALUE HEDGES QUALIFYING FOR HEDGE ACCOUNTING				
Interest rate derivatives			75	1
DERIVATIVES NOT QUALIFYING FOR HEDGE ACCOUNTING				
Foreign currency derivatives				
Forward contracts	477	-1	438	0
Options				
Bought	96	0	55	1
Sold	177	-1	110	-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	Q1-Q2/12	Q1-Q2/11	2011
Carrying amount at the beginning of period	1,214	1,180	1,180
Additions	42	82	173
Additions through acquisitions	0		
Disposals	0	-1	-2
Depreciation and impairment	-65	-62	-128
Translation differences	4	-2	-9
Carrying amount at the end of period	1,195	1,197	1,214

TRANSACTIONS WITH RELATED PARTIES (IFRS)

EUR million	Q1-Q2/12	Q1-Q2/11	2011
Sales to equity-accounted investees	12	15	25
Purchases from equity-accounted investees	3	3	6
Transactions with Rautaruukki Pension Foundation	0	0	0

	30 Jun 2012	30 Jun 2011	31 Dec 2011
Trade and other receivables from related parties	6	7	3
Trade and other payables to related parties	0	0	0

INVESTMENT COMMITMENTS (IFRS)

EUR million	After 30 Jun 2012	After 30 Jun 2011	After 31 Dec 2011
Maintenance investments	74	105	51
Development investments and investments in special steel products	15	37	60
Total	89	142	111

INFORMATION ON BUSINESS COMBINATIONS

EUR million	Fair values	Carrying values of acquired companies
Assets and liabilities of acquired companies	1	0
Non-current assets		
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		
Interest-bearing		
Other	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	

The above figures include information about the acquisition of the Swedish companies Plåtleverantören i Stockhom AB and its subsidiary Plåtleverantören i Södertälje AB. Rautaruukki 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 was around EUR 7 million. This interim report includes the balance sheets of the two companies at the date of acquisition. The companies will be consolidated as subsidiaries from 1 July 2012.

SEGMENT INFORMATION

EUR million	Q1-Q2/12	Q1-Q2/11	2011
Order intake			
Ruukki Construction	393	333	721
Ruukki Engineering	139	132	263
Ruukki Metals	909	881	1,691
Others			
Order intake, total	1,441	1,346	2,675
Comparable net sales			
Ruukki Construction	352	335	757
Ruukki Engineering	141	124	257
Ruukki Metals	948	946	1,783
Others	-2	0	0
Comparable net sales, total	1,440	1,405	2,797
Items affecting comparability included in reported net sales	4	0	1
Reported net sales	1,444	1,405	2,798
Comparable operating profit			
Ruukki Construction	-6	-9	-3
Ruukki Engineering	0	-4	-7
Ruukki Metals	10	117	80
Others	-11	-8	-14
Comparable operating profit, total	-8	96	56
Items affecting comparability included in reported operating profit	-13	-2	-34
Reported operating profit	-21	93	22
Net finance costs	-20	-21	-37
Share of profit of equity-accounted investees	2	1	3
Result before income tax	-39	74	-12
Income tax expense	9	-21	1
Result for the period	-30	52	-10

EUR million	30 Jun 2012	30 Jun 2011	31 Dec 2011
Operative capital employed			
Ruukki Construction	445	460	425
Ruukki Engineering	153	156	163
Ruukki Metals	1,511	1,658	1,568
Others	29	22	20
Operative capital employed, total	2,138	2,296	2,175

QUARTERLY SEGMENT INFORMATION

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

ITEMS AFFECTING COMPARABILITY OF REPORTED NET SALES

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

ITEMS AFFECTING COMPARABILITY OF REPORTED OPERATING PROFIT

EUR million	Q1/11	Q2/11	Q3/11	Q4/11	Q1/12	Q2/12
Ruukki Construction						
Expenses related to restructuring		-1	-2	-1		
Ruukki Engineering						
Expenses related restructuring			0	0	0	-6
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		
Income from sale of shares				2		
Others						
Operating profit of Mo i Rana unit	0	0	0	-2	0	-3
Items affecting comparability of reported operating profit, total	0	-2	-25	-6	-1	-13

DELIVERIES, RUUKKI METALS

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

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 capital employed (annualised), %	=	result before income tax + finance costs - exchange rate differences (annualised) -------------------------------------- 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, 19 July 2012
Rautaruukki Corporation
Board of Directors

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

The interim report for the period January–September 2012 will be published on 23 October 2012.

Rautaruukki Corporation, Suolakivenkatu 1, 00810 Helsinki, Finland, +358 20 5911, www.ruukki.com