



Interim report H1/2014

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Rautaruukki Corporation

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Agenda

- Q2 in brief, key figures
- Financial performance
- Business area performance
- Near-term outlook and guidance

Q2/2014 in brief

- Net sales down 3% year on year
- Clear growth in Ruukki Metals' delivery volumes, but average selling prices were down
- Clear growth year on year in order intake and net sales of special steels
- Comparable operating profit was €14 million (17)
 - Operating profit was weakened by clearly lower average selling prices
 - Ruukki Building Products' operating profit was slightly below the figure a year earlier
 - Ruukki Building Systems' operating profit was at the same level as a year earlier despite a clear decrease in net sales
- Net cash from operating activities in Q2 was €45 million (54)

Key figures

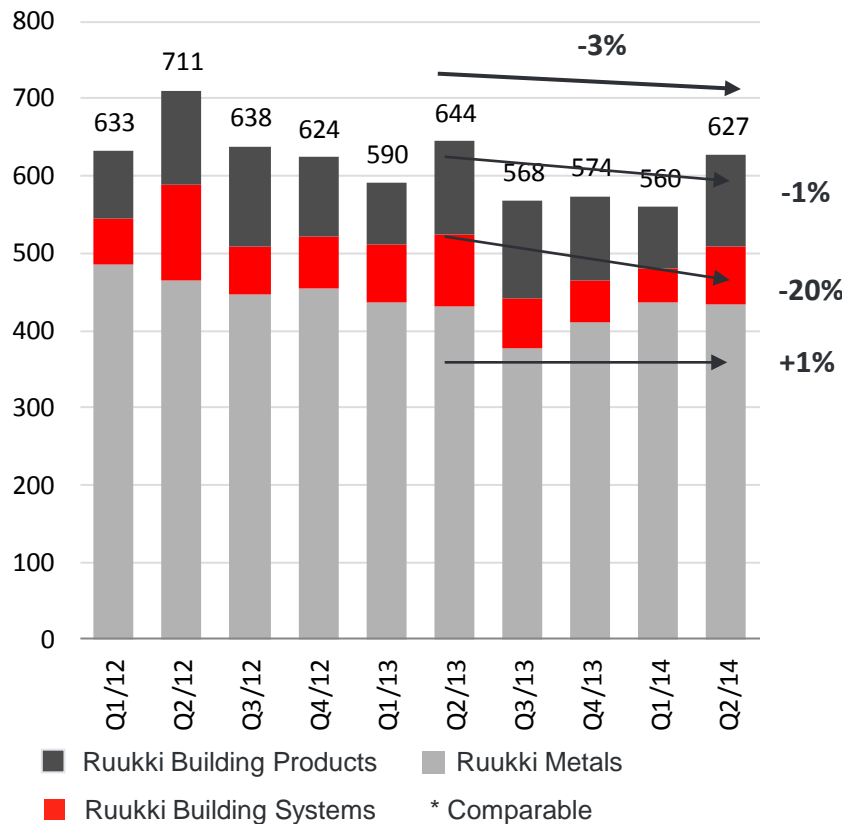
		Q2/2014	Q2/2013	H1/2014	H1/2013	2013
Order intake	€m	627	644	1,187	1,235	2,376
Comparable net sales	€m	617	633	1,198	1,222	2,404
Comparable operating profit	€m	14	17	19	21	39
as % of net sales	%	2.3	2.6	1.6	1.7	1.6
Comparable result before taxes	€m	6	6	-5	2	-1
Earnings per share	€	-0.02	-0.01	-0.15	-0.03	-0.10
Net cash from operating activities	€m	45	54	24	77	184
Gearing ratio	%			72.3	74.2	68.5

Financial performance

Clear growth in steel order volumes, but average selling prices down

Order intake down 3%

Quarterly order intake*
(€m)



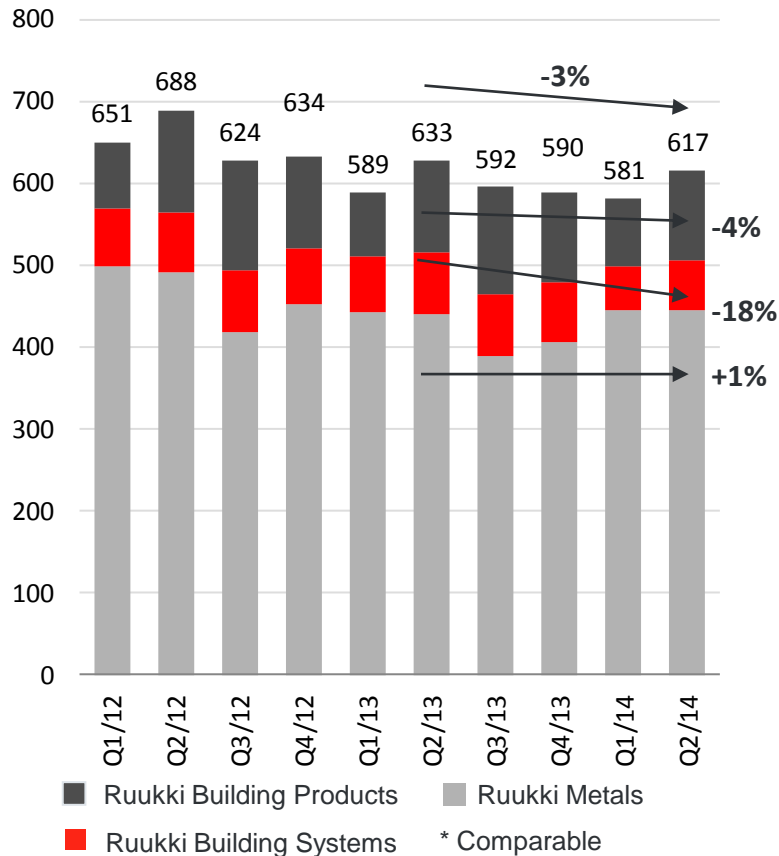
Q2/2014 vs. Q2/2013

- Clear growth in steel order volumes, but average selling prices were down
- Ruukki Building Products' orders were at practically the same level as a year earlier
- Ruukki Building Systems' orders were down 20%, due to a single order worth ~ €30m during the reference period

Net sales down 3% year on year

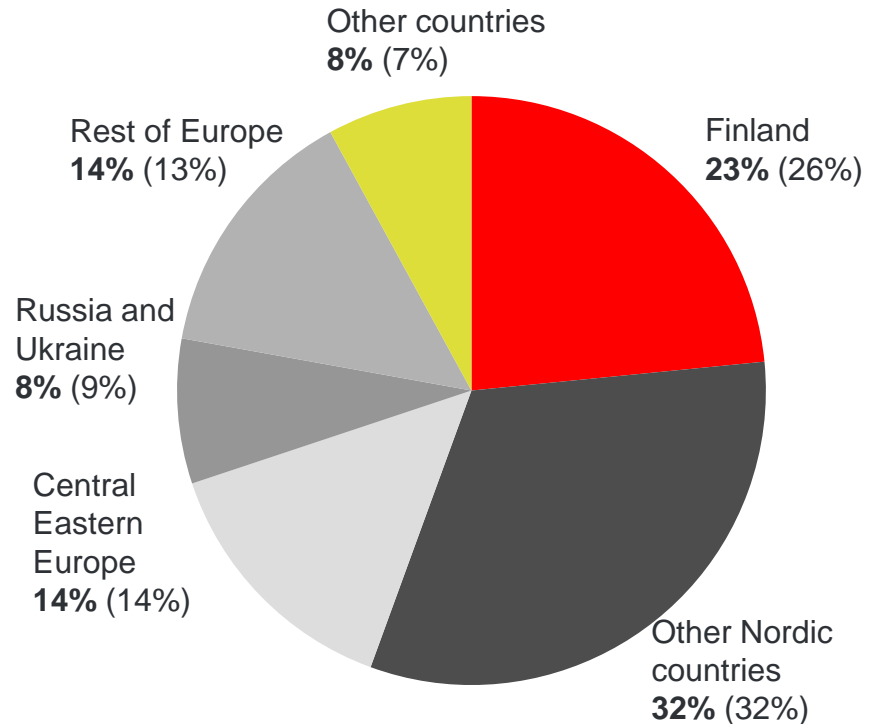
Clear decline in share of net sales in Finland, growth in markets outside Europe

Quarterly net sales*
(€m)



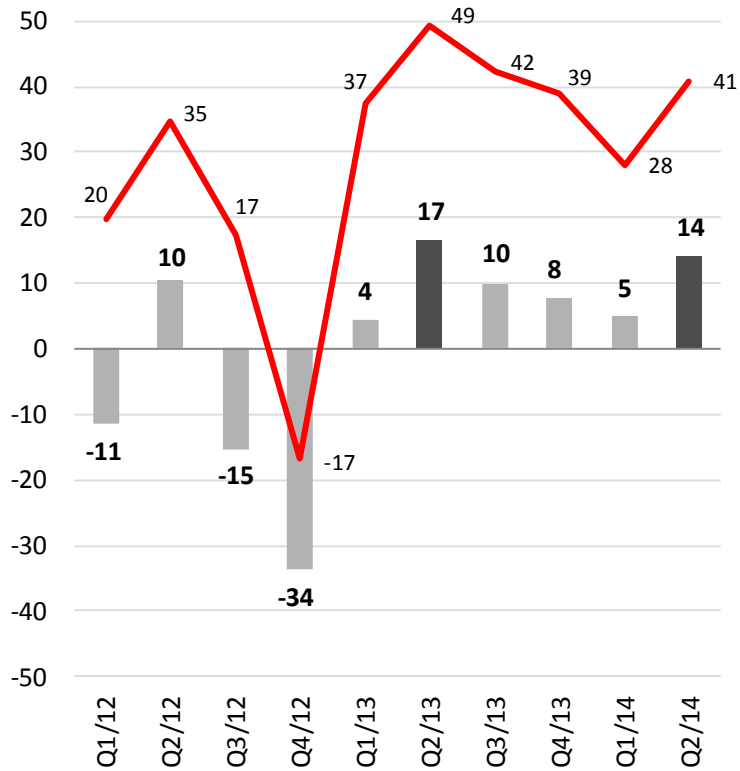
Net sales by market area*
H1/2014 (H1/2013)

100% = €1,198m (€1,222m)



Comparable operating profit was €14 million

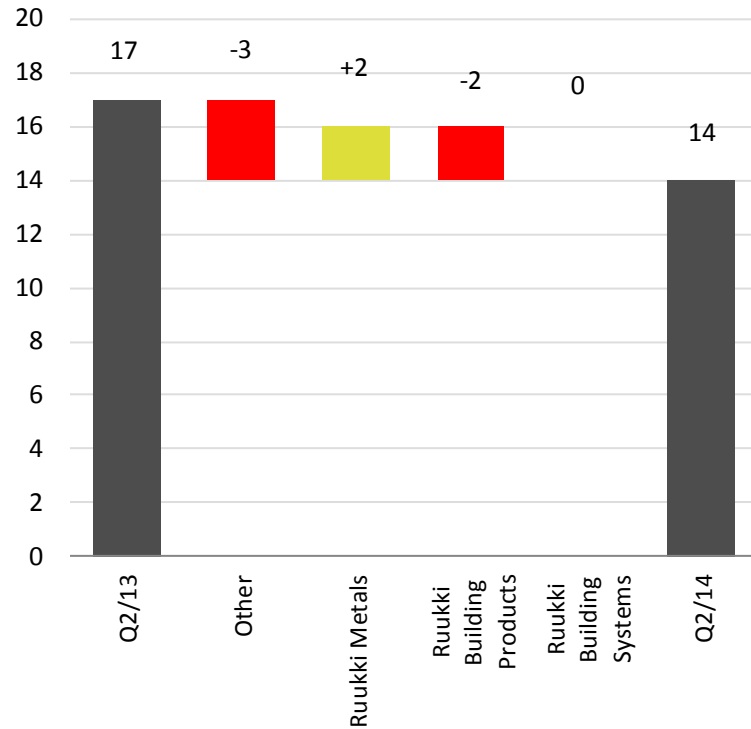
Operating profit* and EBITDA (€m)



■ Comparable operating profit — Reported EBITDA

* Comparable

Change in operating profit* (€m) by business area Q2/13 vs. Q2/14

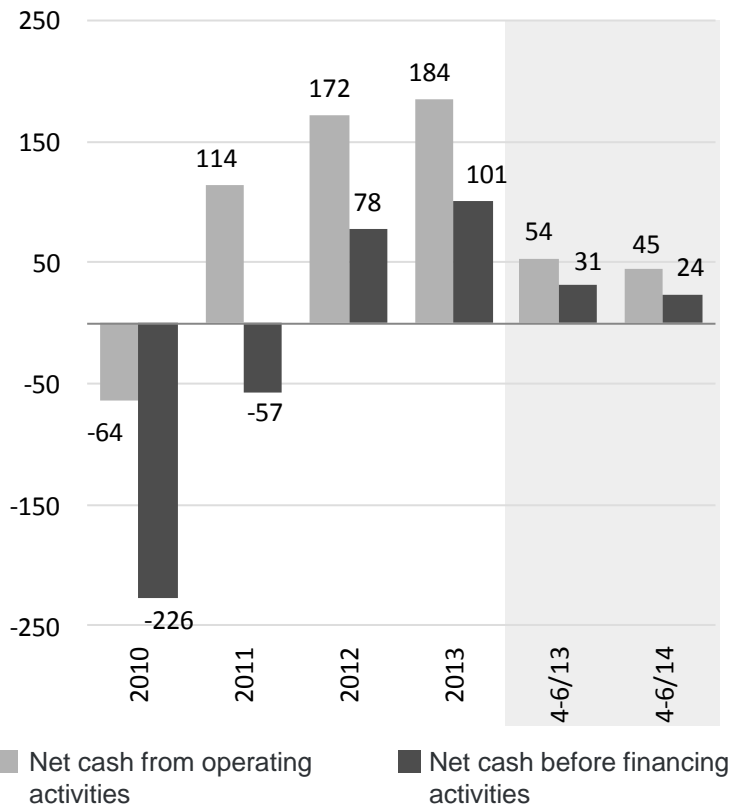


* Comparable

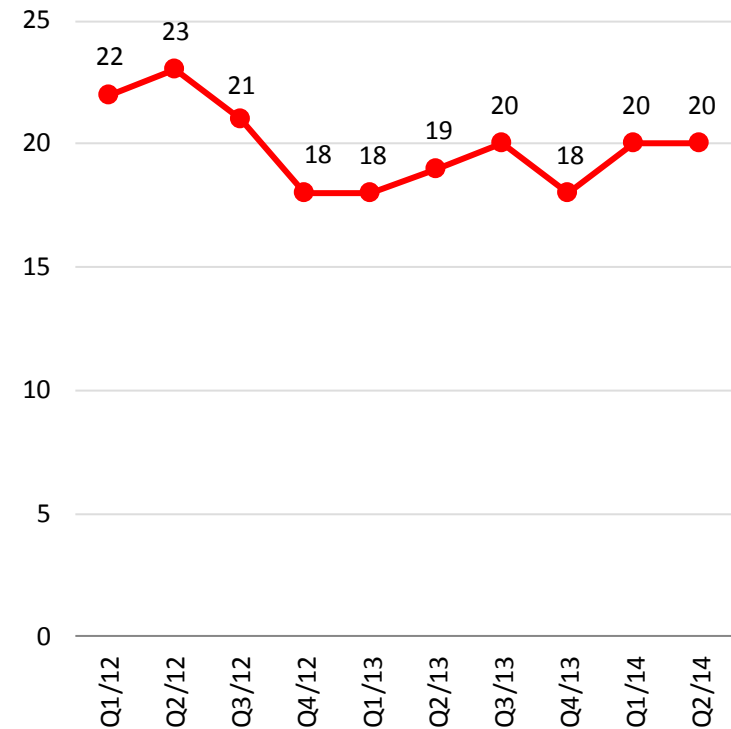
Cash flow €45 million

€16 million freed up (€21 million freed up) from working capital

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



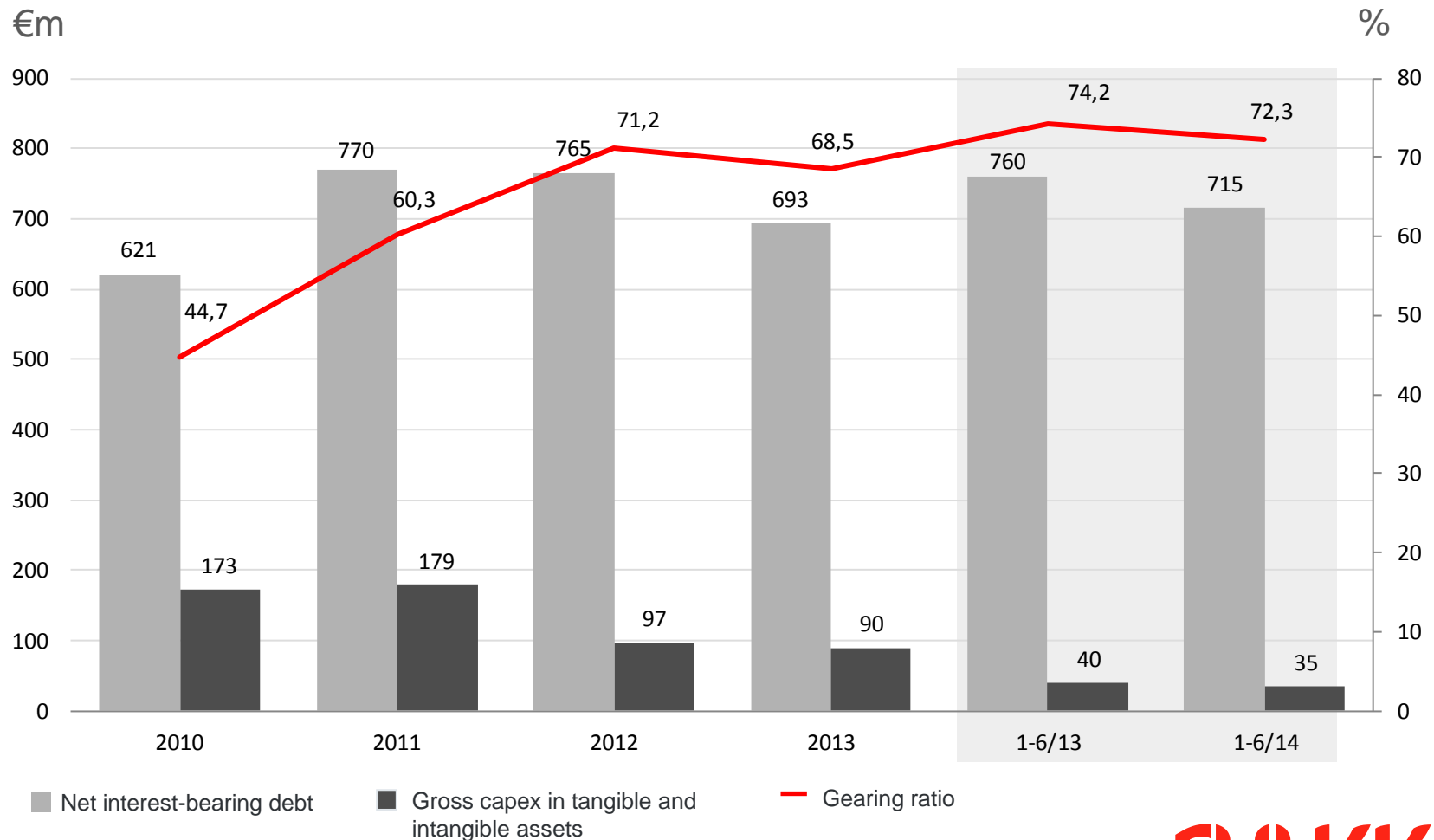
Net working capital as % of 12-month reported rolling net sales



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

Net debt €715 million

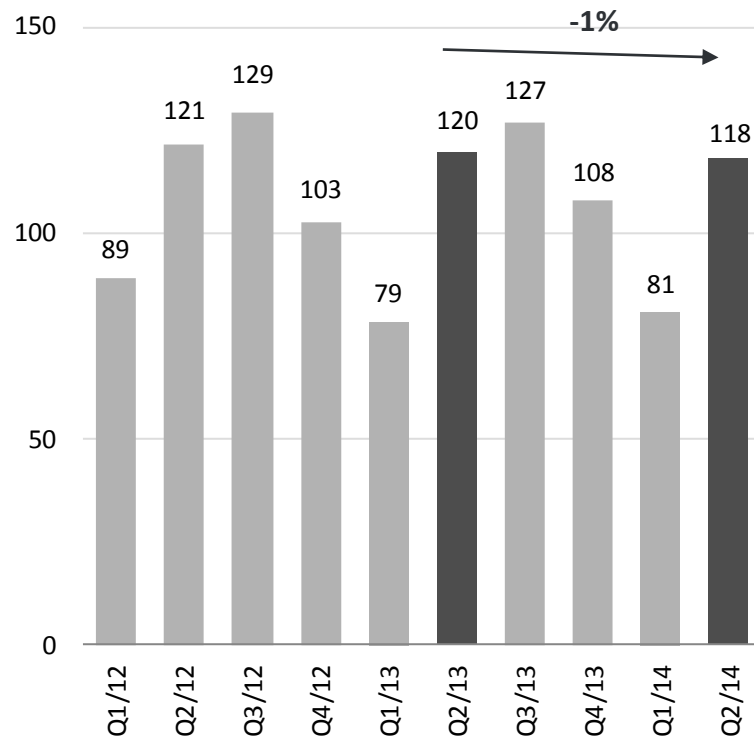
Gearing ratio 72.3%



Business area performance

Building Products' order intake almost at same level as a year earlier

Order intake, (€m)



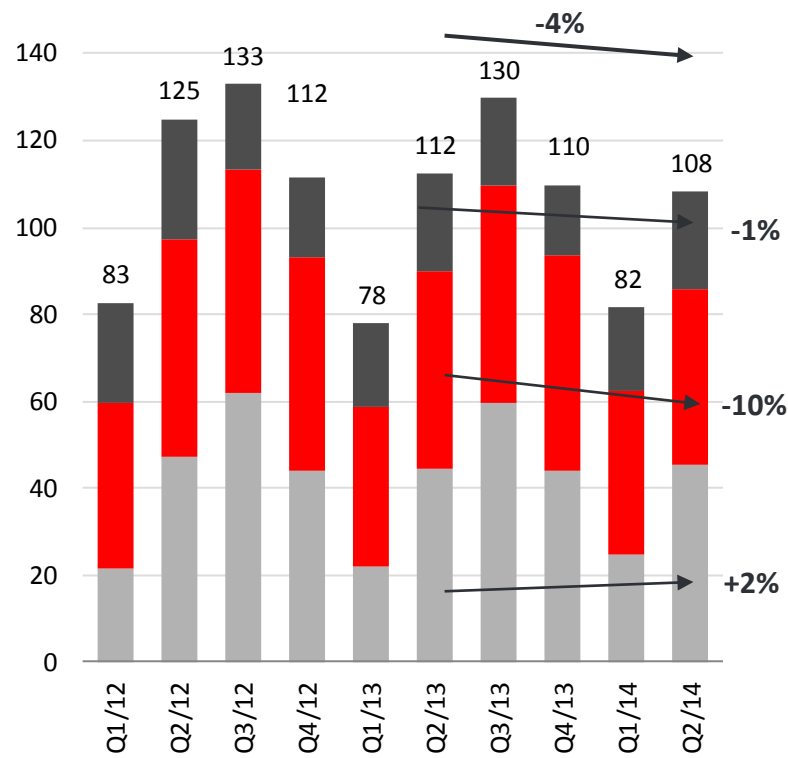
Q2/2014 vs. Q2/2013

- Residential roofing products: -2%
 - In main markets, orders were down in Sweden and Ukraine
- Components: -2%
 - Up in Sweden and Poland, down in Finland and Norway
- Infrastructure construction orders at same level as a year earlier
 - Up in Sweden, down in Finland and Norway

Growth in residential roofing products

Building Products' net sales down 4%

Net sales by product group, (€m)*



Q2/2014 vs. Q2/2013

- Residential roofing products: +2%
- Building components: -10%
- Infrastructure construction: -1%

Residential roofing products
 Building components
 Infrastructure construction

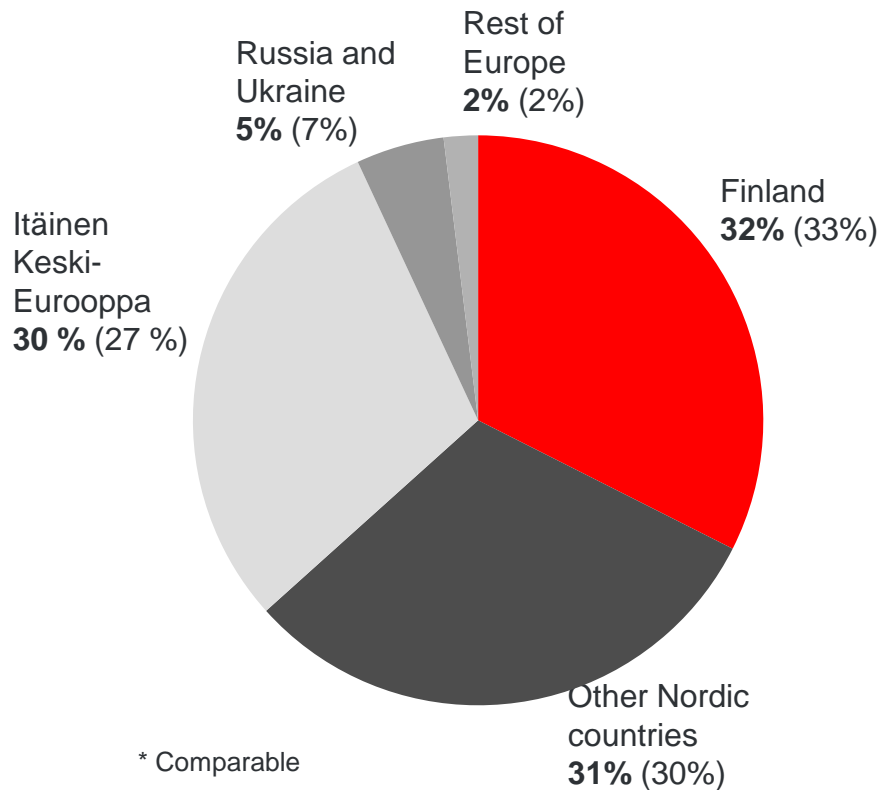
* Reported



Growth in residential construction, especially in Finland and Poland

Decrease in construction activity in Ukraine, weaker demand for components in the Nordic countries

Net sales by market area
Q2/2014 (Q2/2013)*

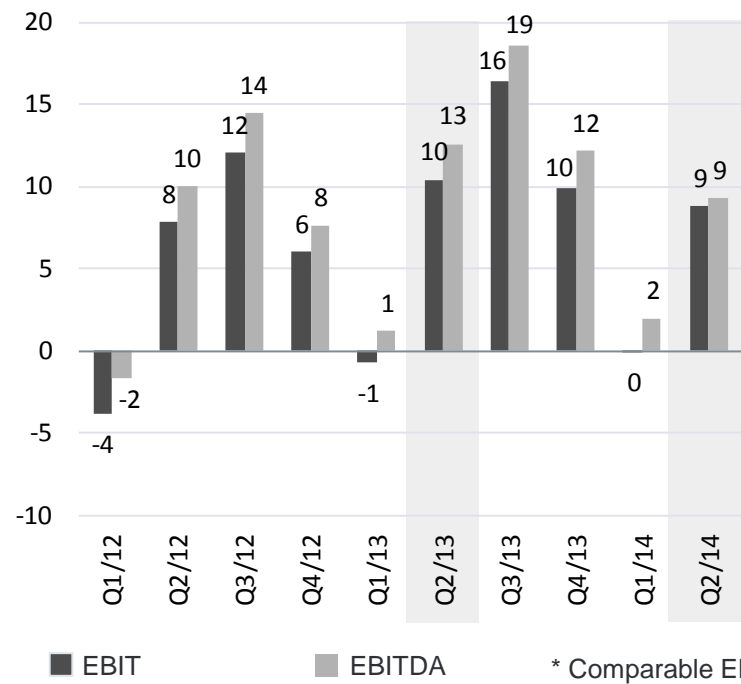


H1/2014 vs. H1/2013

- Residential roofing products: +5%
 - Growth especially in Finland, the Baltics and Poland
- Components: -5%
 - Growth in Central Eastern European markets
 - Clear decrease in net sales in Finland, Sweden and Ukraine
- Infrastructure construction net sales at same level as a year earlier
 - Growth in Sweden and Norway
 - Decrease in Finland

Building Products' comparable operating profit improved slightly year on year

EBITDA and EBIT(€m) *



Comparable EBIT €9 million(10)

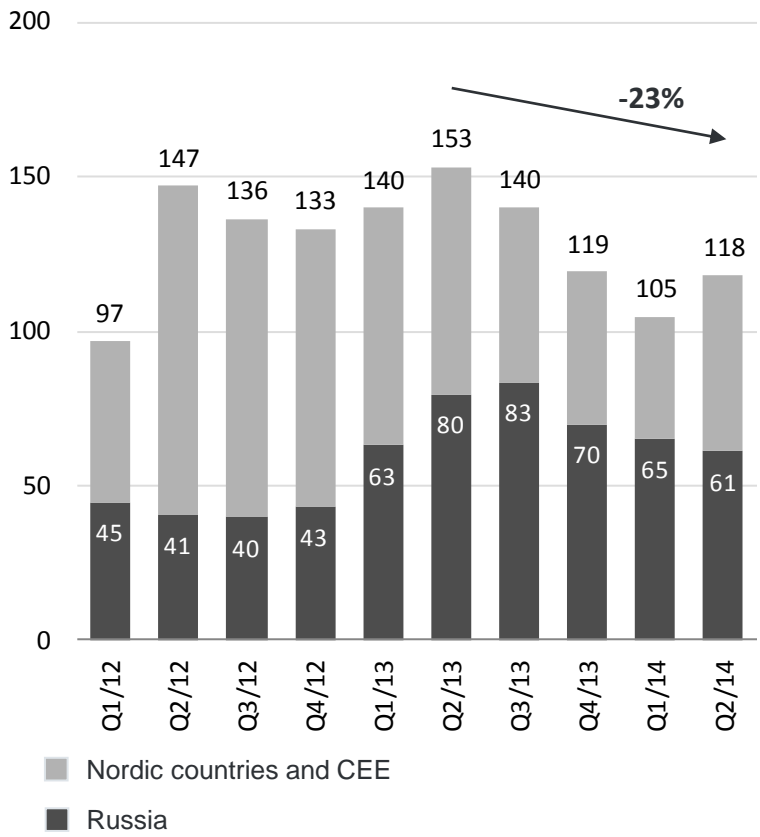
- Compared to a year earlier, operating profit was weakened by:
 - Start-up costs of expanding distribution network for roofing products
 - Weak demand for components in Finland
 - Clear fall in net sales in Ukraine

* Comparable EBIT, reported (EBITDA)

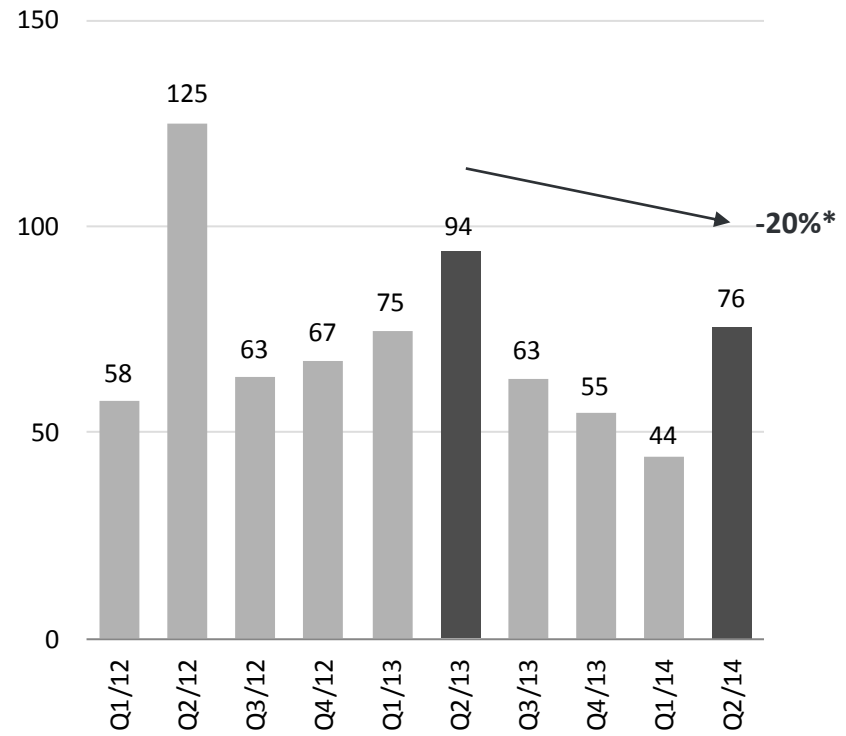
Building Systems' order book and order intake were down

This was due mainly to a single order worth around €30m in Russia during the reference period

Order book, (€m)



Order intake, (€m)

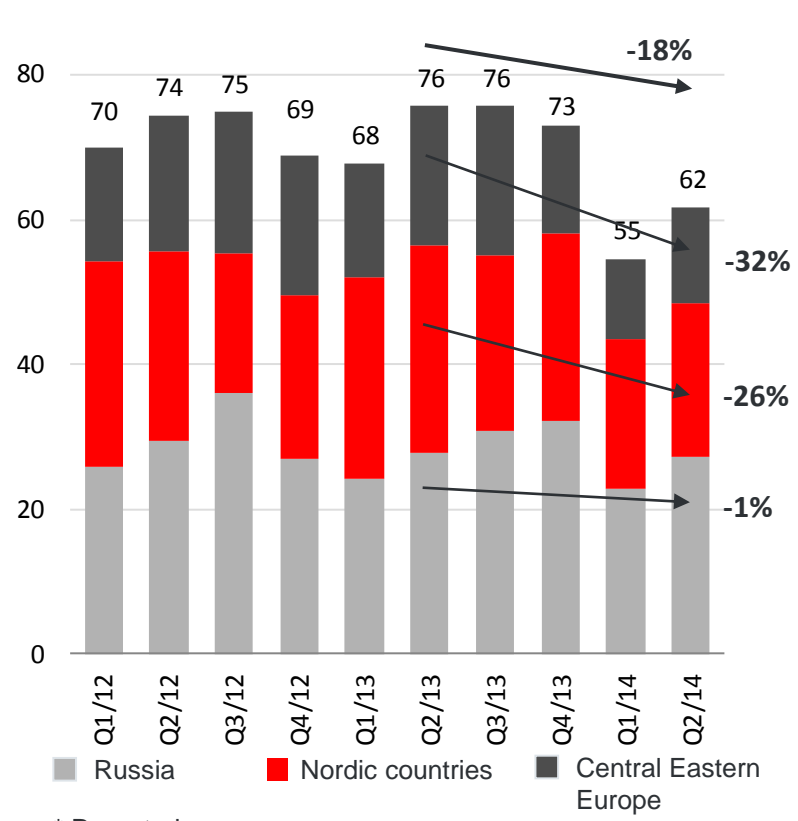


*Fall in order intake was due mainly to a single order worth around €30 million in Russia during the reference period

Building Systems' net sales clearly lower year on year

Rouble-denominated net sales in Russia up 3%

Net sales by market area, (€m) *

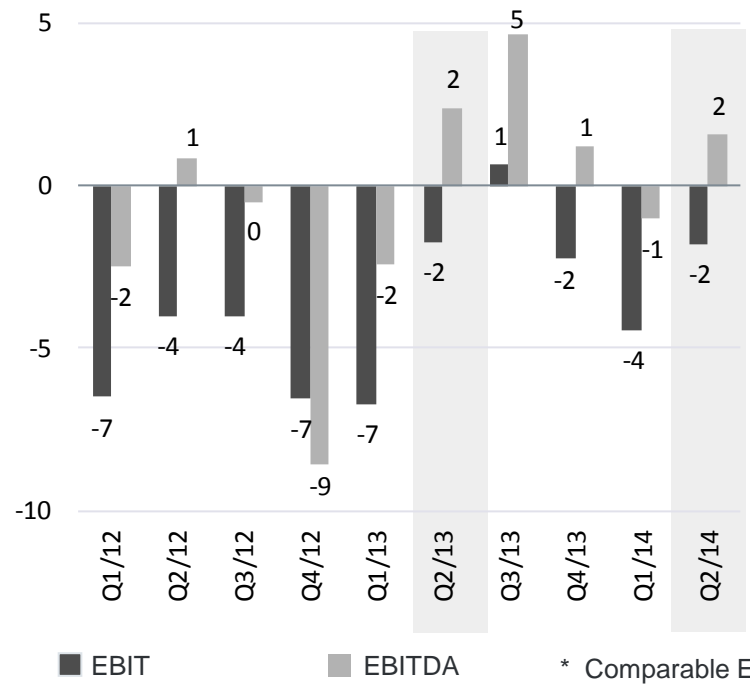


Q2/2014 vs. Q2/2013

- Net sales down clearly due to customers delaying investment decisions and weak order intake in the early part of the year
- Net sales down 1% in Russia, due mainly to weakening of rouble exchange rate
- Rouble-denominated sales in Russia were up 3%

Despite clearly lower net sales, operating result improved year on year thanks to the efficiency programme

EBITDA and EBIT (€m)*



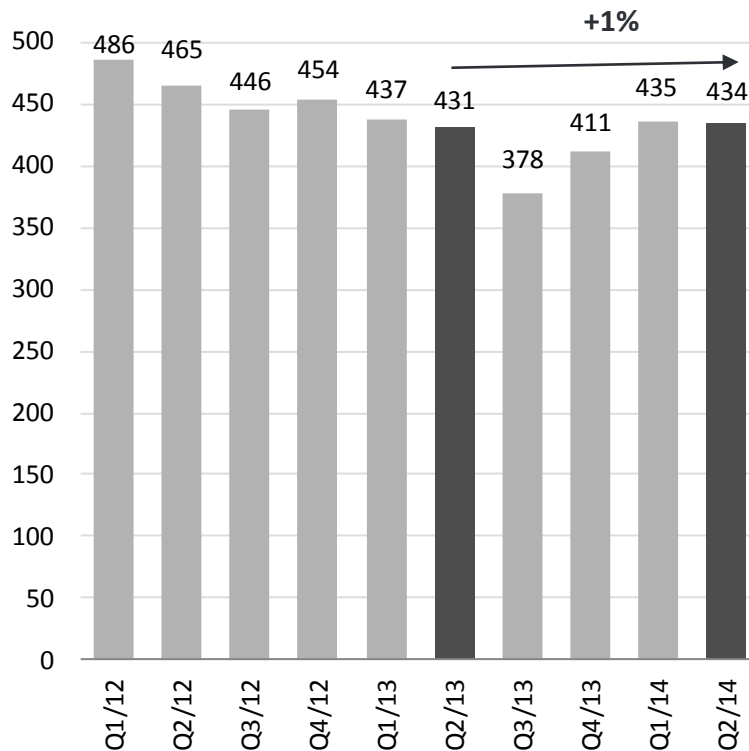
Comparable operating result -€2m (-2)

- Efficiency improvement actions reflected in profitability
- Lower than expected project volume had a negative impact on profitability
- Reported EBITDA during the report period was €2m (2)

Special steels' order intake of up year on year

Ruukki Metals' order intake at practically same level as a year earlier

Order intake, (€m)



Q2/2014 vs. Q2/2013

- Order volumes of special steel products up clearly year on year
 - Growth in almost all main marketing areas
- Orders for strip and flat products show clear growth
- Orders for tube and profile products show slight growth

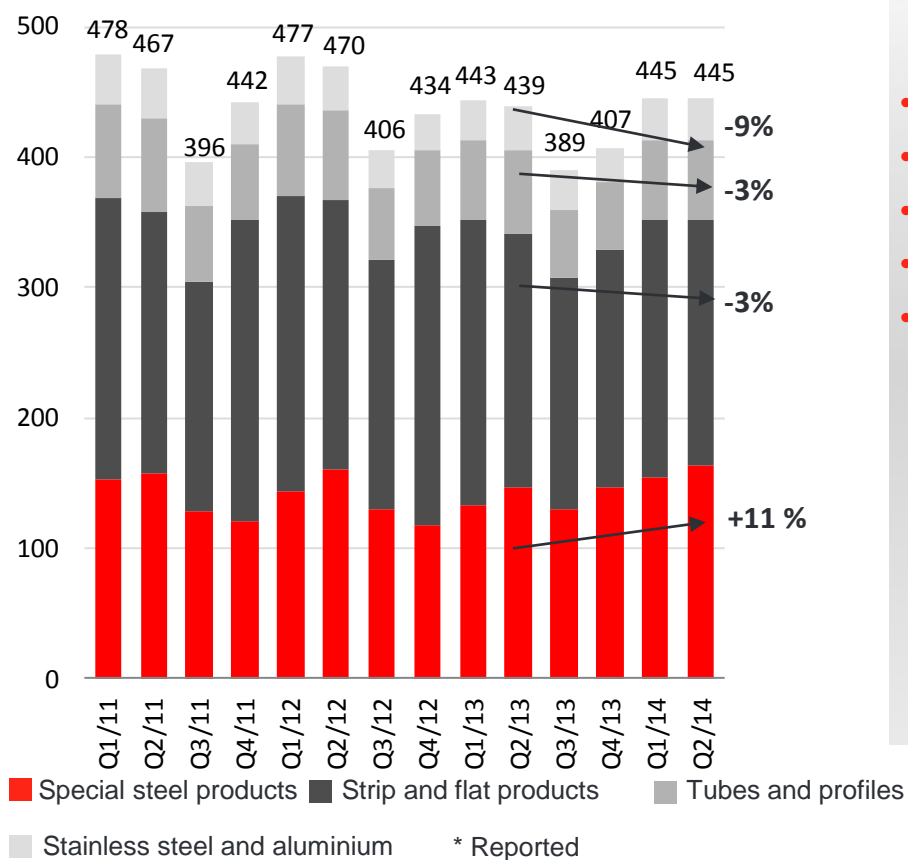
Q2/2014 vs. Q1/2014

- Order intake was at the same level as for the previous quarter
- Order intake for special steel products was slightly down

Net sales of special steel products up 11%

Ruukki Metals' net sales at previous year's level, clear increase in delivery volumes

Net sales by product group*, (€m)



Q2/2014 vs. Q2/2013

- Average selling prices were down
- Clear increase in delivery volumes
- Net sales of special steel products: +11%
- Net sales of strip and flat products: -3%
- Net sales of tube and profile products: -3%

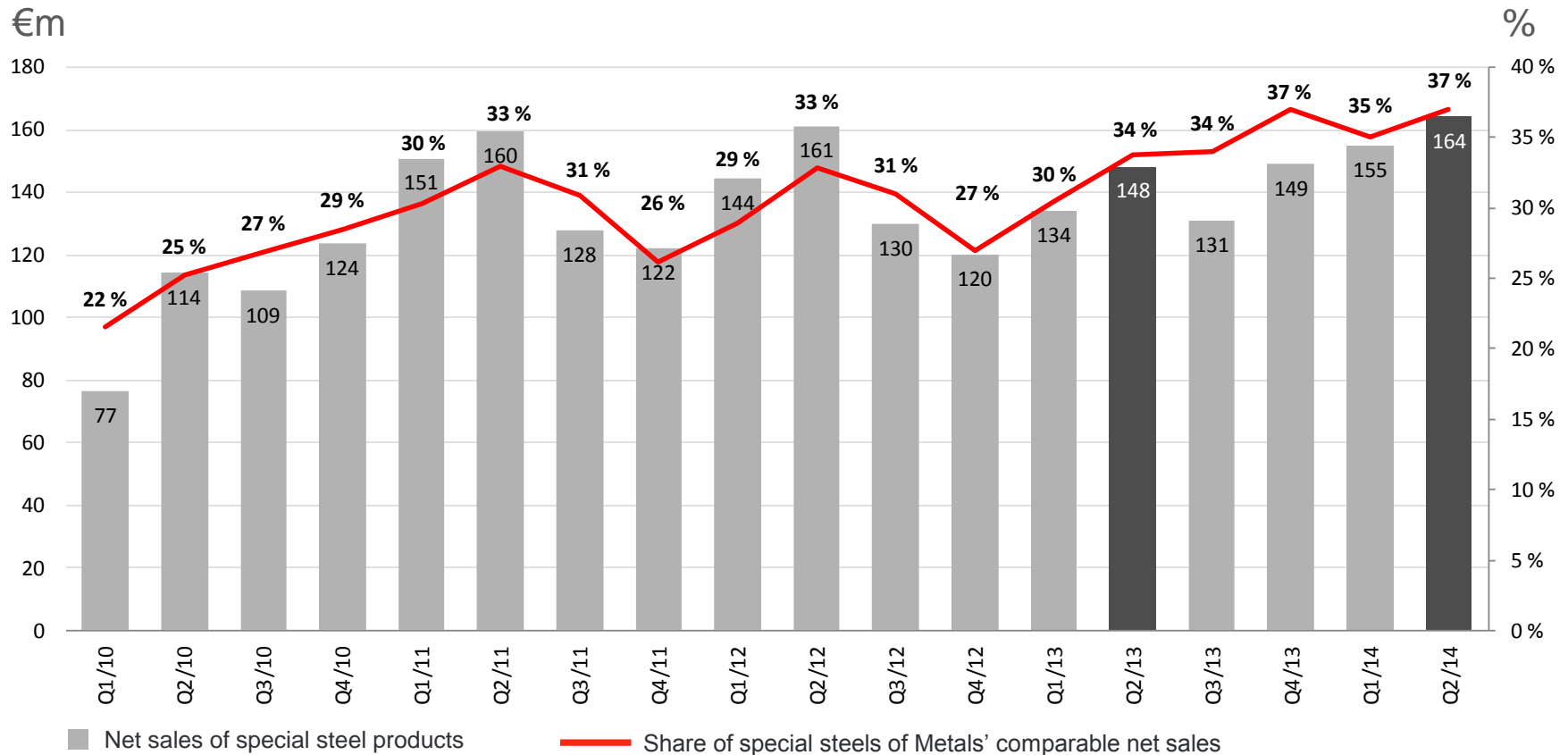
Q2/2014 vs. Q1/2014

- Net sales were at the same level as in Q1
- Delivery volumes were slightly down, but average selling prices were slightly higher

Share of special steels 37%

Delivery volumes rose in most market areas

Net sales of special steel products and as % of Metals' net sales*

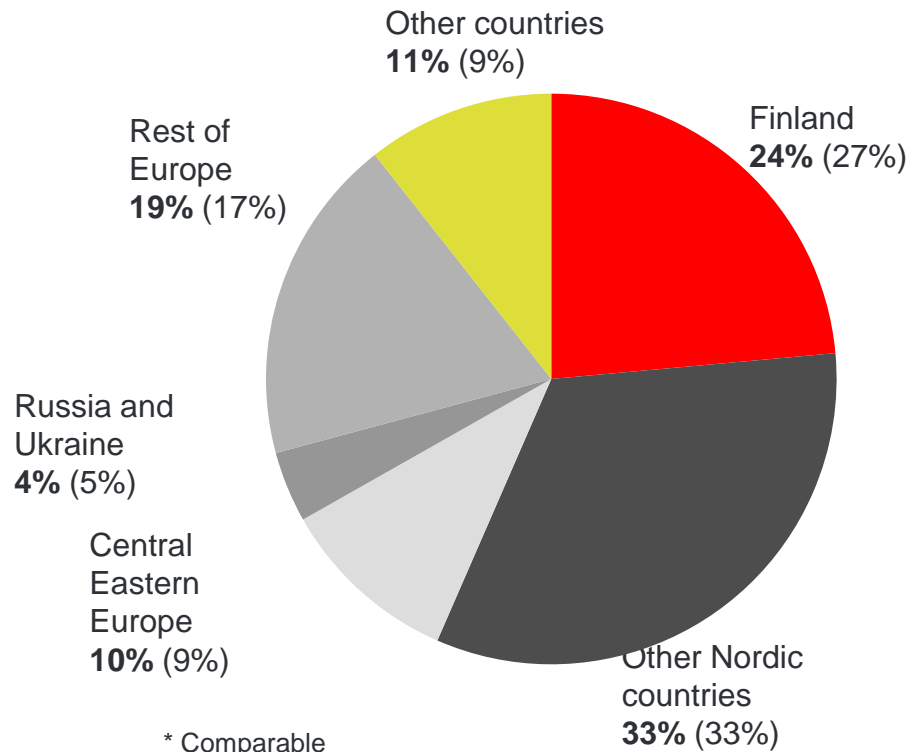


* Share of special steels has been calculated based on comparable net sales, i.e. the reference figures have been restated to reflect the current corporate structure

Metals' net sales down clearly in Finland

Growth in markets outside Europe and in Western Europe

Net sales by market area
H1/2014 (H1/2013)



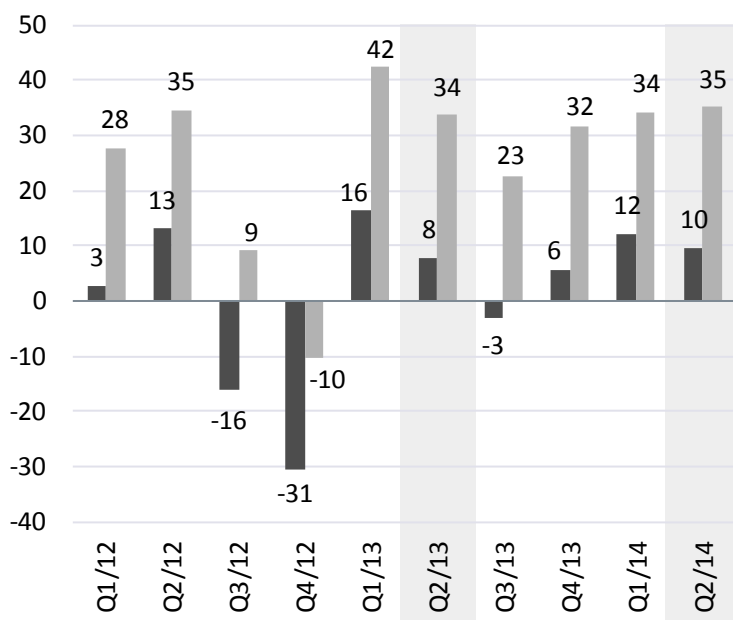
H1/2014 vs. H1/2013

- Net sales down clearly in Finland in line with overall market trend
- Total net sales in other Nordic countries almost at same level as a year earlier

Metals' relative profitability showed slight improvement year on year

Profitability negatively affected by weaker selling prices

EBITDA and EBIT* (€m)



■ EBIT

■ EBITDA

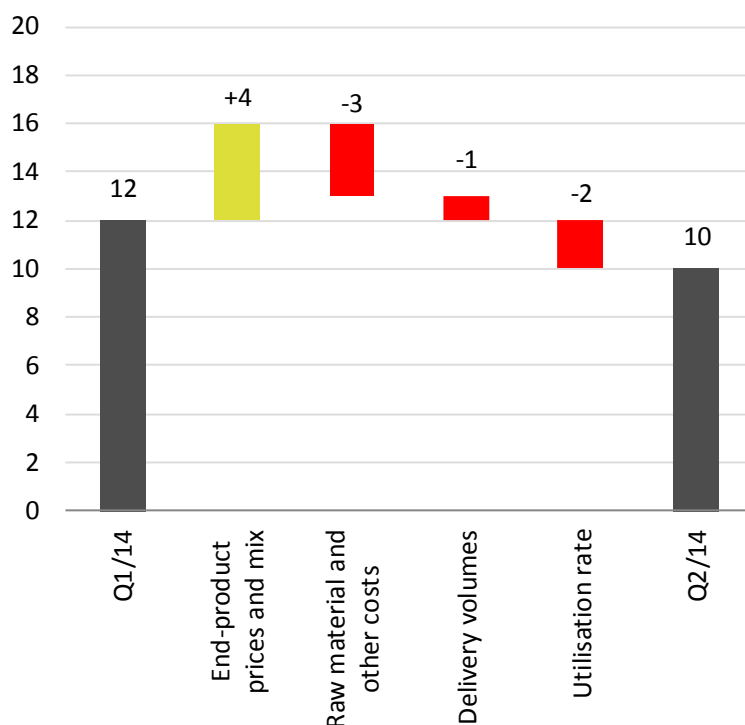
* Comparable EBIT, reported EBITDA

Comparable EBIT €10 million (8)

- Operating profit weakened by lower average selling prices for steel products
- Higher delivery volumes improved profitability
- EBITDA was €35 million
- Movements in exchange rates of emerging markets' currencies impacted negatively on profitability

Metals' operating profit down €3 million quarter on quarter

Operating profit (€m) Q1/14 vs. Q2/14*



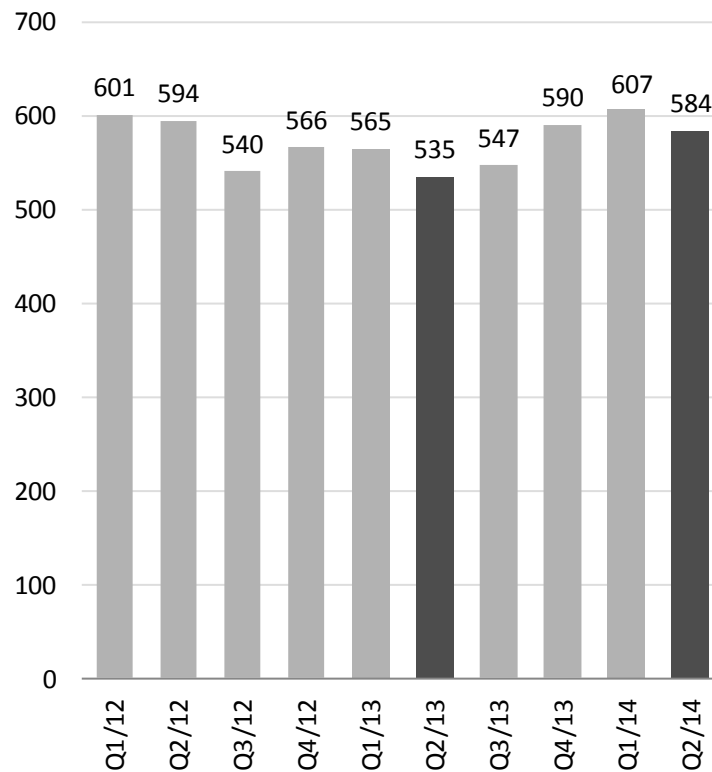
* Comparable

- Improved product mix and slightly higher average selling prices
- Impact of raw material and other costs was -€3 million
- Impact of lower utilisation capacity rate was -€2 million
- Delivery volumes were down 12,000 tonnes, i.e. 2%, quarter on quarter, impact was -€1 million

Capacity utilisation rate around 83%

Quarterly steel production

1000 tonnes



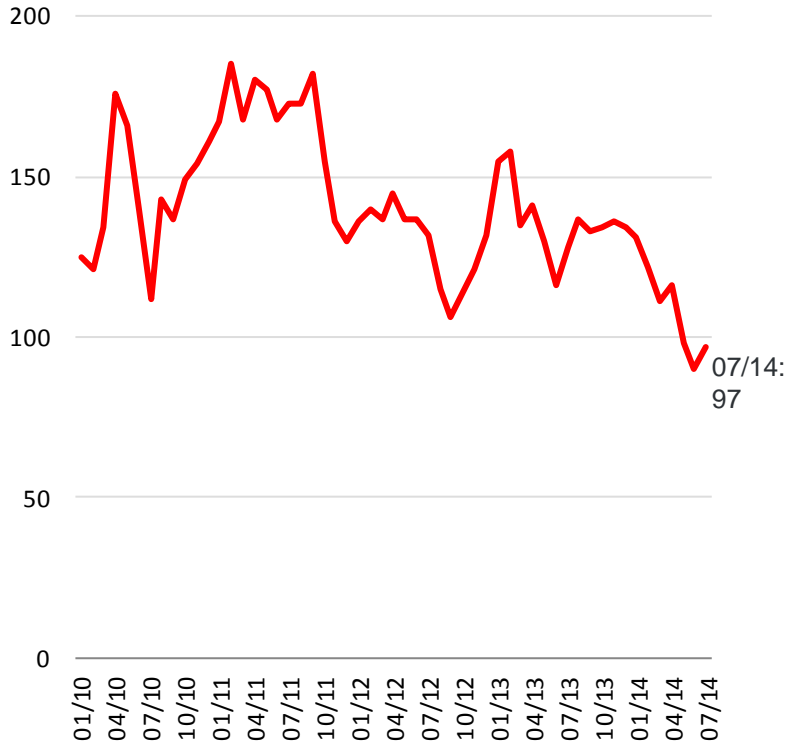
- Steel production was 540,000 tonnes, down 23,000 tonnes quarter on quarter
- Capacity utilisation rate in steel production was around 83%

Iron ore prices continued to fall, steadier development in coking coal prices during second quarter

Hardly any increase in raw material prices expected in 2014

Average spot price of iron ore*

USD/t



Average spot price of coking coal**

USD/t



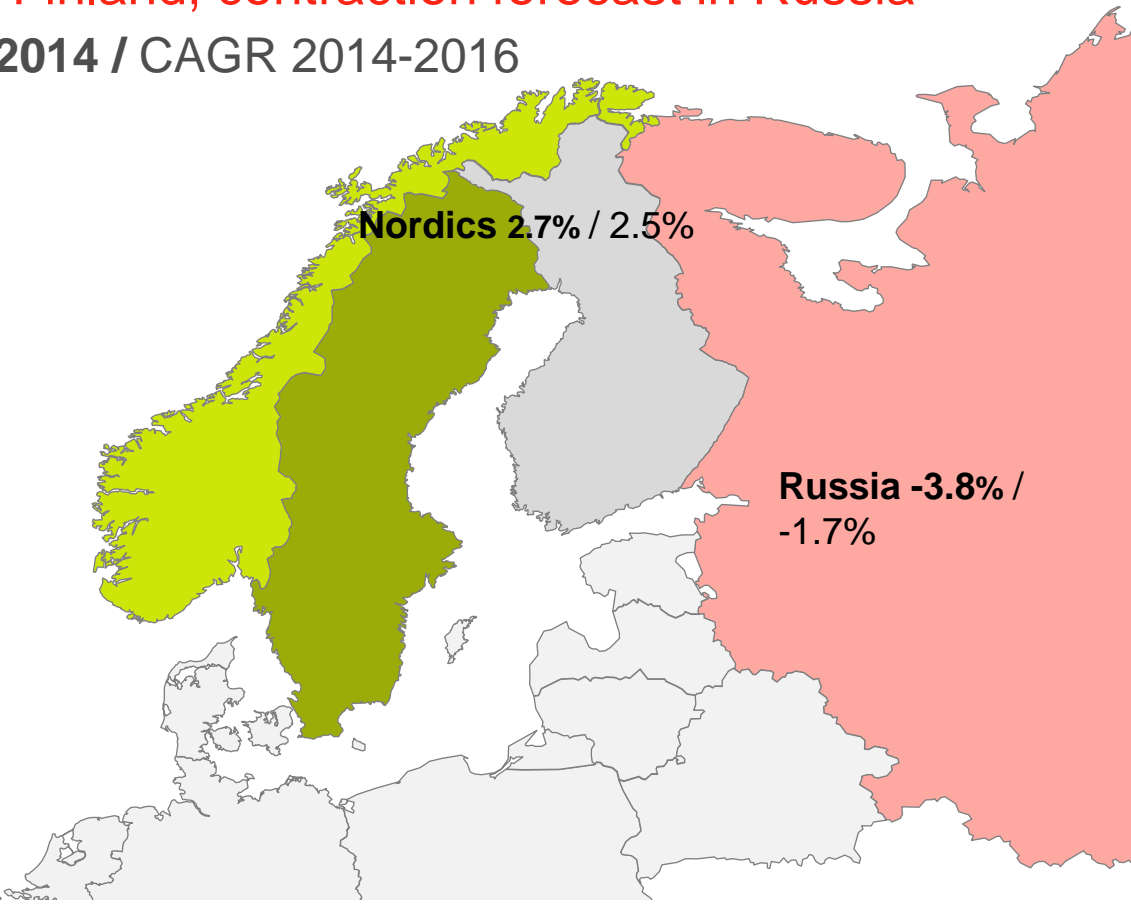
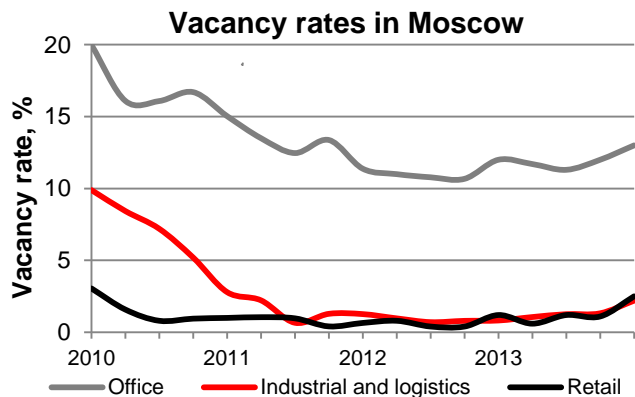
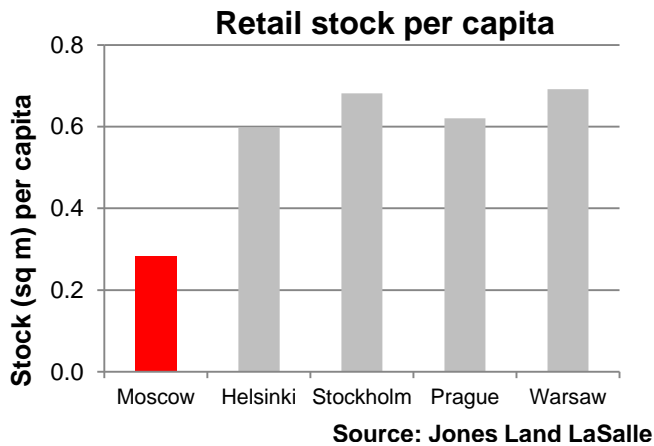
Source: CRU * C&F China (63.5% Fe) ** FOB Australia

Near-term outlook and guidance

Fairly good growth outlook for office and commercial construction in Sweden and Norway

Demand remains weak in Finland, contraction forecast in Russia

Growth in Building Systems **2014** / CAGR 2014-2016



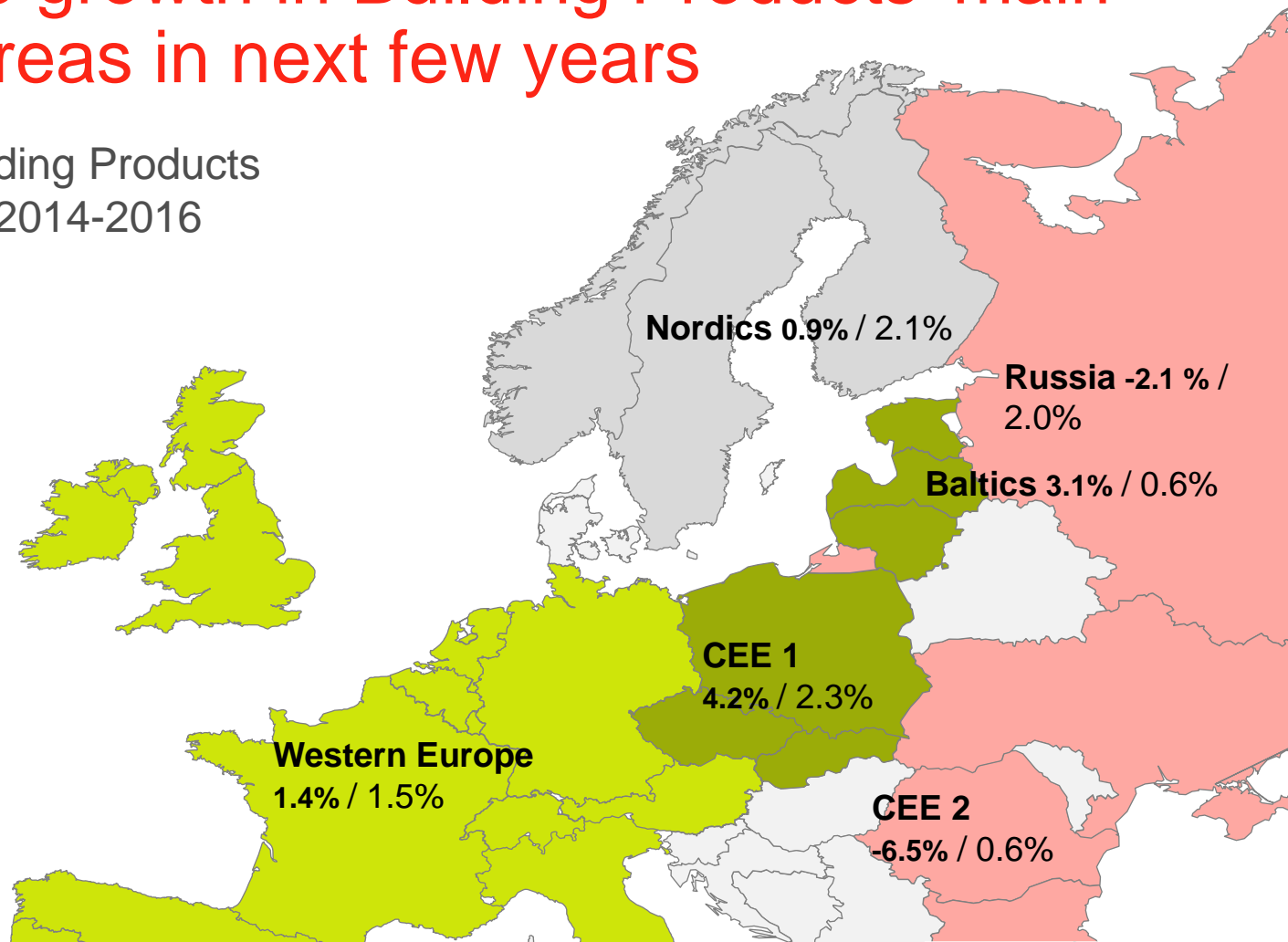
■ Growth \geq 2.0%
 ■ 2% > Growth \geq 1%
 ■ 1% > Growth > -1%
 ■ Growth < -1%

Sources: CBRE (Office, Industrial and logistics), Cushman and Wakefield (Retail)

*) The figure for Russia also includes renovation construction
Source: Global Insight 06/2014 and Ruukki

Moderate growth in Building Products' main market areas in next few years

Growth in Building Products
2014 / CAGR 2014-2016

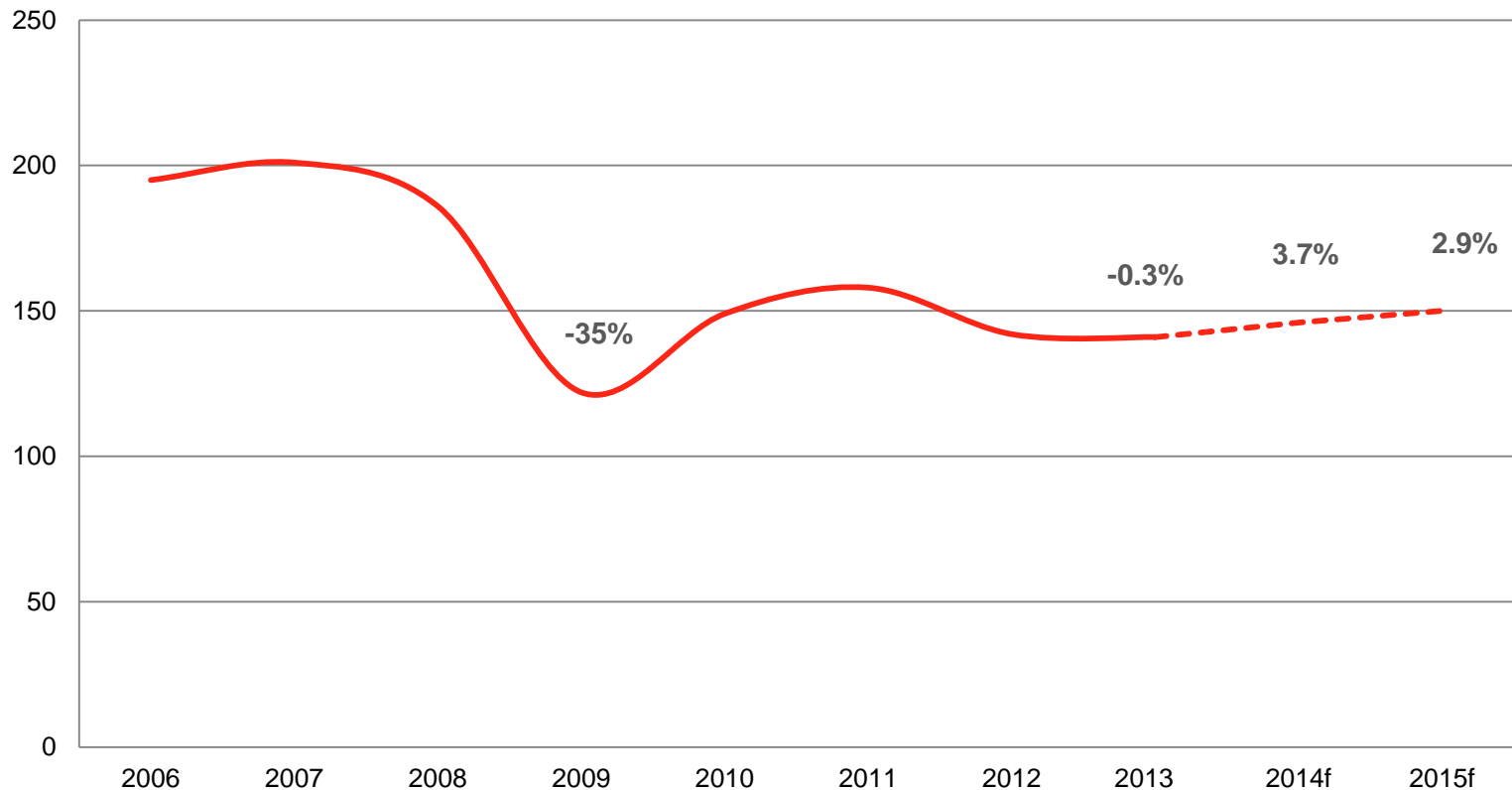


■ Growth \geq 2.0% ■ 2% > Growth \geq 1% ■ 1% > Growth > -1% ■ Growth < -1%

*) Market growth has been adjusted to take into account Building Products' geographical scope and market shares.
Source: Global Insight 06/2014 and Ruukki

Apparent steel demand in Europe estimated to grow by around 4% in 2014

Apparent steel use in EU (million tonnes, ASU)



Source: Eurofer Market Outlook 7/2014, ASU =Apparent Steel Use

Near-term outlook

Ruukki Building Products



- Residential construction activity is forecast to be at the same level as the previous year in Finland and to show slight growth in the other Nordic countries
- In Poland and the Baltics, demand for building products is forecast to grow compared to the previous year
- Renovation construction will grow faster than new construction

- A moderate recovery in construction growth is expected in Ruukki's main markets in 2014

Ruukki Building Systems



- In Finland, demand for commercial and industrial construction is expected to remain weak
- In the other Nordic countries, commercial and industrial construction activity is forecast to be at a good level
- In Russia, the growth outlook is slightly weaker than earlier

Ruukki Metals



- Demand growth for special steels will outpace demand for standard steels, especially in markets outside Europe
- Good prospects for sales growth in special steels
- Service centre sales and mill deliveries are forecast to remain steady during the third quarter

Guidance for 2014

Net sales:

Comparable net sales in 2014 are estimated to grow compared to 2013.

Operating profit:

Comparable operating profit in 2014 is estimated to improve compared to 2013.



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Notes

Key figures

		Q2/2014	Q2/2013	H1/2014	H1/2013	2013
Net sales *)	€m	617	633	1,198	1,222	2,404
Operating profit *)	€m	14	17	19	21	39
as % of net sales *)		2.3	2.6	1.6	1.7	1.6
Result before income taxes*)	€m	6	6	-5	2	-1
Result for the period	€m	-2	-1	-21	-5	-14
Earnings per share, diluted	€	-0.02	-0.01	-0.15	-0.03	-0.10
Return on capital employed, (rolling 12 months)	%			0.9	-3.0	1.8
Gearing ratio	%			72.3	74.2	68.5
Gross capex **)	€m			35	40	90
Net cash from operating activities	€m	45	54	24	77	184
Net cash before financing activities	€m	24	31	-12	38	101
Personnel (average)		9,069	9,271	8,821	9,074	8,955

*) Comparable

**) In tangible and intangible assets

Quarterly comparable net sales, operating profit and deliveries

Comparable net sales*)										
(€m)	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Ruukki Building Products	108	82	110	130	112	78	112	133	125	83
Ruukki Building Systems	62	55	73	76	76	68	69	75	74	70
Ruukki Metals	445	445	407	389	439	443	452	419	490	498
Other	2	0	0	-3	5	1	2	-3	-2	0
Comparable net sales, total	617	581	590	592	633	589	634	624	688	651

Comparable operating profit*)										
(€m)	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Ruukki Building Products	9	0	10	16	10	-1	6	12	8	-4
Ruukki Building Systems	-2	-4	-2	1	-2	-7	-7	-4	-4	-7
Ruukki Metals	10	12	6	-3	8	16	-31	-16	13	3
Other	-3	-3	-6	-4	0	-4	-2	-7	-7	-4
Comparable operating profit, total	14	5	8	10	17	4	-34	-15	10	-11

*) The comparable figures exclude the divested Mo i Rana unit, the Kalajoki unit, the divested Ruukki Engineering business and non-recurring items.

Deliveries, Ruukki Metals										
(1000 tonnes)	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Deliveries	497	509	466	415	451	481	466	389	448	507