



**RUUKKI** | GROUP



Q3 2012  
Interim Results

Thomas Hoyer, CEO

## Overview

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- Successfully resolved dispute with Vendors of Mogale Alloys in October
- Annual maintenance shutdowns impacted production
- Global macroeconomic environment continued to stagnate which continued to exert downward pressure for chrome-related products
  - Lowest European Benchmark Price for Ferrochrome for past 3 years
  - We do not expect any improvements during Q4 2012 as customers maintain tight control over their stock levels
- We remain disciplined and won't compromise our sales prices or margins
- We continue to be firm believers in the long-term demand growth
  - Ideally placed to take advantage of the move from investment-led demand to consumption-led demand in emerging economies
  - Growing urbanised populations will want chrome-related products as they improve their living standards

## Group Financial Performance

- Revenue decreased as sales adjusted to meet weak demand
- Key focus on preservation of price & margins
- Cash flow from operations was EUR -3.2 (Q3/2011: -5.4) million
- Liquid funds at 30 September were EUR 40.4 (30 Sept 2011: 74.2) (30 June 2012: 45.0) million

| (EUR millions)                                 | Q3 2012 | Q3 2011 | Q1-Q3 2012 | Q1-Q3 2011 | FY2011 |
|--|---------|---------|------------|------------|--------|
| Revenue  | 28.1    | 42.4    | 106.1      | 121.8      | 159.1  |
| EBITDA   | -1.8    | -2.7    | 4.9        | 2.5        | 1.4    |
| EBITDA margin                                  | -6.5%   | -6.3%   | 4.6%       | 2.0%       | 0.9%   |
| EBIT   | -8.9    | -9.6    | -15.7      | -18.5      | -26.5  |
| EBIT margin                                    | -31.8%  | -22.5%  | -14.8%     | -15.2%     | -16.6% |
| Profit for the period, continuing operations   | -6.2    | -6.5    | -10.5      | -13.5      | -18.4  |
| Profit for the period, discontinued operations | 0.0     | -0.2    | 0.0        | 46.9       | 41.1   |
| Profit for the period                          | -6.2    | -6.7    | -10.5      | 33.4       | 22.7   |

## Sales & Global Market Review

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- Global macroeconomic situation continued to stagnate
- European Benchmark Price for Ferrochrome reached lowest level in 3 years
- Labour disputes across South Africa mining industry disrupted chrome supplies, however did not impact price levels
- Several large producers are chasing price over quantity as they focus on reducing their stocks before year end
- Customers closely monitoring their stock levels ahead of year end as credit remains tight

| Processing (tonnes) | Q3 2012 | Q3 2011 | Q1-Q3 2012 | Q1-Q3 2011 | FY2011  |
|---------------------|---------|---------|------------|------------|---------|
| Speciality Alloys   | 5,251   | 5,955   | 22,775     | 18,677     | 24,292  |
| FerroAlloys         | 5,800   | 19,488  | 33,656     | 66,627     | 82,663  |
| Total               | 11,051  | 25,443  | 56,432     | 85,304     | 106,955 |

## Speciality Alloys Performance

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- TMS operated at normal levels
- EWW production lower due to prolonged planned maintenance shutdown to address some vital preventative work

| Production (tonnes) | Q3 2012 | Q3 2011 | Q1-Q3 2012 | Q1-Q3 2011 | FY2011  |
|---------------------|---------|---------|------------|------------|---------|
| Mining*             | 19,066  | 21,958  | 56,049     | 62,588     | 82,154  |
| Processing          | 5,166   | 5,247   | 19,390     | 19,337     | 25,908  |
| Total               | 24,231  | 27,205  | 75,439     | 81,925     | 108,062 |

\* Mining includes both chromite concentrate and lumpy ore production.

## Speciality Alloys Performance

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- Revenue decreased to EUR 17.9 (21.9) million
- EBITDA decreased to EUR 1.8 (2.0) million
- Decrease in revenue was due to lower sales volumes, which in spite of slightly higher sales prices was not enough to compensate for reduced sales volumes

| (EUR millions) | Q3 2012 | Q3 2011 | Q1-Q3 2012 | Q1-Q3 2011 | FY2011 |
|----------------|---------|---------|------------|------------|--------|
| Revenue        | 17.9    | 21.9    | 61.4       | 63.2       | 83.6   |
| EBITDA         | 1.8     | 2.0     | 9.5        | 10.5       | 13.8   |
| EBITDA margin  | 10.1%   | 9.0%    | 15.4%      | 16.7%      | 16.5%  |
| EBIT           | -2.8    | -2.4    | -3.7       | -2.8       | -3.8   |
| EBIT margin    | -15.4%  | -11.2%  | -6.0%      | -4.4%      | -4.6%  |

## FerroAlloys Performance

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- South African operations unaffected by labour unrest in South Africa
- Production at Stellite mine was down substantially compared to Q3 2011 in response to lower chrome ore prices & oversupply in global chrome ore market
- Mogale operated at normal levels outside planned annual maintenance shutdown
- Work has started at Mecklenburg

| Production (tonnes) | Q3 2012 | Q3 2011 | Q1-Q3 2012 | Q1-Q3 2011 | FY2011  |
|---------------------|---------|---------|------------|------------|---------|
| Mining*             | 22,783  | 46,006  | 116,161    | 113,663    | 159,455 |
| Processing          | 15,404  | 13,189  | 36,166     | 71,471     | 86,445  |
| Total               | 38,187  | 59,195  | 152,327    | 185,134    | 245,900 |

\*Mining includes both chromite concentrate and lumpy ore production.

## FerroAlloys Performance

- Revenue decreased to EUR 10.2 (20.5) million, negatively impacted by substantial decline in demand for Charge Chrome & Silico Manganese
- Inventory levels were increased rather than compromise margins & lower sales prices
- EBITDA decreased to EUR -2.2 (-2.1) million

| (EUR millions) | Q3 2012 | Q3 2011 | Q1-Q3 2012 | Q1-Q3 2011 | FY2011 |
|----------------|---------|---------|------------|------------|--------|
| Revenue        | 10.2    | 20.5    | 44.7       | 58.6       | 75.4   |
| EBITDA         | -2.2    | -2.1    | 0.4        | -2.0       | -3.9   |
| EBITDA margin  | -21.9%  | -10.3%  | 1.0%       | -3.4%      | -5.2%  |
| EBIT           | -4.7    | -4.6    | -6.9       | -9.6       | -14.0  |
| EBIT margin    | -46.5%  | -22.3%  | -15.5%     | -16.4%     | -18.6% |



## Successful Resolution of Mogale Dispute

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- Successful settlement of dispute with Vendors of Mogale Alloys
- Key terms include:
  - Payment to Vendors an aggregate cash amount of ZAR 175 million (approx. EUR 15 million) & share issue, in aggregate, up to 16,000,000 new shares
  - Awaiting receipt of South African Reserve Bank approval for share issue to Vendors which is expected to take up to 90 days
  - Vendors will transfer their entire remaining shareholding in Mogale to Ruukki, increasing ownership from 84.9% to 90.0%
- Overall positive impact on Ruukki's balance sheet:
  - Debt will decrease by approximately EUR 51 million
  - Cash will decrease by approximately EUR 15 million
  - Goodwill will decrease by approximately EUR 25 million
  - Other receivables will decrease by approximately EUR 4 million
  - Equity will increase by approximately EUR 6 million

## Outlook

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- Global economic outlook continues to be challenging, causing uncertainty in our target markets
- Financial performance for the full year 2012 expected to be better than in 2011
- Decision has been taken to remain disciplined in the pricing of products
- Revenue for the full year 2012 expected to be lower than in 2011 with increase in the finished goods inventory levels