

Remuneration Report

This report sets out the remuneration policy and practices for Ruukki's Board and Executive Management Team ("EMT"), and provides details of their remuneration and share interests for the year ended 31 December 2011.

Remuneration Policy

Ruukki operates in a very competitive sector where there is a shortage of highly qualified, experienced executives. The Group's remuneration policy is designed to attract, retain and incentivise high-calibre executives to implement its business strategy and enhance shareholder value.

The policy seeks to align the interests of the business and shareholders by rewarding executives appropriately for achieving individual and group targets and thereby ensuring long-term value creation for the benefit of all the shareholders.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board regarding executive remuneration, and submits proposals to the Annual General Meeting of shareholders regarding the Board's remuneration.

The committee is responsible for the overall direction of the remuneration policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Group's remuneration packages are both appropriate and competitive, the committee evaluates information on market-based remuneration levels for comparable companies.

The committee is chaired by Philip Baum. The other members of the committee are Dr Jelena Manojlovic, Markku Kankaala, and Barry Rourke.

CEO Service Agreement

The Board appoints the Chief Executive Officer (CEO), who manages, develops, guides and supervises the Group's activities and leads the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the Remuneration Committee.

The CEO's remuneration package is a combination of a base salary, an annual bonus plan and long-term share-based incentives. The annual base salary is currently EUR 444,000.

The short-term incentive plan entitles the CEO to receive between 0% and 200% of his annual base salary. The short-term incentive is paid 75% in cash and 25% in the Company's shares with a two-year lock-up. In the 2011 annual incentive plan the targets were based on EBITDA, production volumes and health and safety related key parameters. For the year 2011 the CEO's short-term incentive amounted to EUR 222,000, out of which 25% is paid in the Company's shares.

The long-term incentive programme is based on stock options. The option allocations of the Stock Option Plan I/2011 have not yet been determined.

The Group makes no pension arrangements for the CEO beyond the statutory pension coverage, and the retirement age is 63. The notice period in the event of termination of the CEO's Service Agreement is six months. The CEO is not entitled to any other severance pay in addition to the salary for the notice period.

Other EMT Members' Service Contracts

As Ruukki operates within a highly competitive environment, its performance depends on the individual contributions of the executive directors and other senior employees. The remuneration packages are designed to attract, motivate and retain executives to manage the Group's operations effectively and to reward them for enhancing shareholder value.

The EMT remuneration package is a combination of a base salary, an annual bonus plan and long-term share-based incentives:

- The base salary component is based on the executive's position, skills and experience;
- The annual bonus plan entitles executives to receive between 0% and 140% of their annual base salary, which is paid 75% in cash and 25% in shares. The bonus targets are based on the Group's overall financial and operational results as well as on each executive's individual performance, with the final amount decided by the Board. For 2011, the annual bonus KPIs were based on EBITDA, production volumes and key health and safety related parameters;
- The long-term incentive programme is based on stock options; and
- Fringe benefits include liability insurance, traveller's insurance and mobile phones.

There are no early retirement options in the EMT's employment contracts, and the notice period and/or non-compete period is normally six months, unless agreed otherwise.

Executive Management Team Remuneration

EUR '000	2011	2010
Short-term employee benefits	3 397	1 280
Post-employment benefits	413	133
Termination benefits	763	192
Share-based payments	0	368
Total	4 573	1 974

The table includes the Executive Management Team remuneration excluding the CEO. The CEO and Board members compensation has been presented separately.

Share-based Compensation

Share Options

The Company has three incentive-related option schemes, known as I/2005, I/2008 and I/2011.

Option rights relating to the I/2005 scheme are granted to the EMT and other key employees and to non-executive directors, as recommended by the Board. The scheme entitles option holders to subscribe for a maximum of 2,700,000 shares in the Company. The share subscription period is from 1 July 2007 to 30 June 2015 for various options series denoted with different letters, and the subscription price range is EUR 0.32 - 0.78 (with dividend and capital redemption adjustment). To date, options on A, B, C, D, E and F series of the I/2005 scheme have been issued totalling 1,175,000 option rights.

Option rights relating to the I/2008 scheme were granted to the Company's previous CEO, Alwyn Smit, in October 2008. The scheme entitles the option holder to subscribe for a maximum of 2,900,000 shares in the Company for a subscription price of EUR 2.18 per share (with dividend and capital redemption adjustment). The share subscription period for 1,450,000 share options commenced on 1 October 2009 and on 1 October 2010 for the remaining 1,450,000 options. The subscription period matures on 31 December 2015, and the maximum number of 2,900,000 options have been issued.

Option rights relating to the I/2011 scheme are granted to the key personnel of the Company, as recommended by the Board. The scheme entitles the option holders to subscribe for a maximum of 6,900,000 shares in the Company. The vesting period is 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price is calculated by a formula based on the Volume Weighted Average Price of the Company's share and varies between the option series. The Board is yet to grant any option rights in relation to the I/2011 scheme.

Directed Free Issue of Shares

On 30 December 2011, the Group awarded 400,000 treasury shares to Dr Alistair Ruiters, Executive Chairman of Ruukki South Africa. The shares were issued under the authorisation given by the Annual General Meeting in May 2011, and form a part of the Group's incentive programme for senior management. Under the terms of the directed free share issue scheme, the shares are offered free of charge and in derogation of the pre-emptive subscription right of shareholders. The shares are issued in accordance with a lock-up agreement that includes transfer restrictions until 31 December 2012, and become freely tradable thereafter.

The Group has directed a free issue of shares to the members of the Board of Directors, as approved by the Annual General Meeting on 21 April 2010.

The maximum amount of shares to be given within the scheme is initially 950,000 shares and additionally a maximum of 700,000 shares, if the members of the Board continue in their duty after the second and third Annual General Meeting following the approval of the initial issue. According to the decision by the 2010 Annual General Meeting and by the Board of Directors, the Company will use treasury shares to settle the transactions.

The grant date for both the initial and the additional shares was determined as 21 April 2010, the date of the 2010 Annual General Meeting. The initial amount of shares (maximum of 950,000 shares) will have a graded the three-year vesting schedule, with one third of the shares vesting annually at each Annual General Meeting subsequent to the 2010 Annual General Meeting. The additional shares (maximum of 700,000 shares) will vest immediately if the Directors continue in their duty after the second and third Annual General Meeting following the approval of the initial issue (being the 2010 Annual General Meeting). The shares are subject to a three-year lock-up period.



Non-Executive Directors' Service Contracts

The remuneration of members of the Board of Directors is agreed at the Company's General Meetings. Directors' remuneration consists of monthly fixed fees, fees for attending the Board's committee meetings, and long-term share-based incentives. The monthly fees are EUR 7,500 for the Chairman and EUR 6,500 for Non-Executive Directors.

The Board and CEO Remuneration

EUR '000		2011			2010		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
Philip Baum	Board member 21.4.2010 onwards	0	83	97	0	57	0
Paul Everard	Board member 21.4.2010 onwards	0	82	97	0	56	0
Thomas Hoyer	CEO since 4.5.2011, Board member 11.5.2011 onwards	674**	0	0	342*	18	0
Markku Kankaala	Board member 30.6.2003 onwards	0	73	64	0	62	0
Danko Koncar	Board member 11.8.2010 onwards	405	0	0	75	0	0
	Acting Managing Director between 14.10.2010 – 3.5.2011	0	0	0	0	0	0
Jelena Manojlovic	Board member 11.7.2008 onwards, Chairman 17.6.2009 onwards	0	93	97	0	93	0
Chris Pointon	Board member 21.4.2010 onwards	0	84	97	0	58	0
Barry Rourke	Board member 21.4.2010 onwards	0	83	97	0	59	0
Total		1 079	498	547	417	403	0

*Salary for the period when Thomas Hoyer was a member of the Board and a member of the Executive Management Team (until 21 April 2010)

** Thomas Hoyer's salary from 5 May to 31 December 2011. For 2011 Thomas Hoyer's salary and fees were EUR 1,678,957 in aggregate.

Directors' Shareholdings and Options at 31 December 2011

		Shares*	Options
Jelena Manojlovic	Chairman	150 000	0
Philip Baum	Non-executive Director	150 000	0
Paul Everard	Non-executive Director	150 000	0
Thomas Hoyer	Executive Director, Chief Executive Officer	52 083	0
Markku Kankaala	Non-executive Director	7 066 116	0
Danko Koncar	Executive Director, Enterprise Director	70 766 500	70 194 518
Chris Pointon	Non-executive Director	190 000	0
Barry Rourke	Non-executive Director	150 000	0

* The shares issued to the Board members as part of their remuneration are subject to a three-year lock-up period. The shares subject to the lock-up are as follows:

- Philip Baum 150,000 shares
- Paul Everard 150,000 shares
- Markku Kankaala 100,000 shares
- Dr Jelena Manojlovic 150,000 shares
- Dr Chris Pointon 150,000 shares
- Barry Rourke 150,000 shares