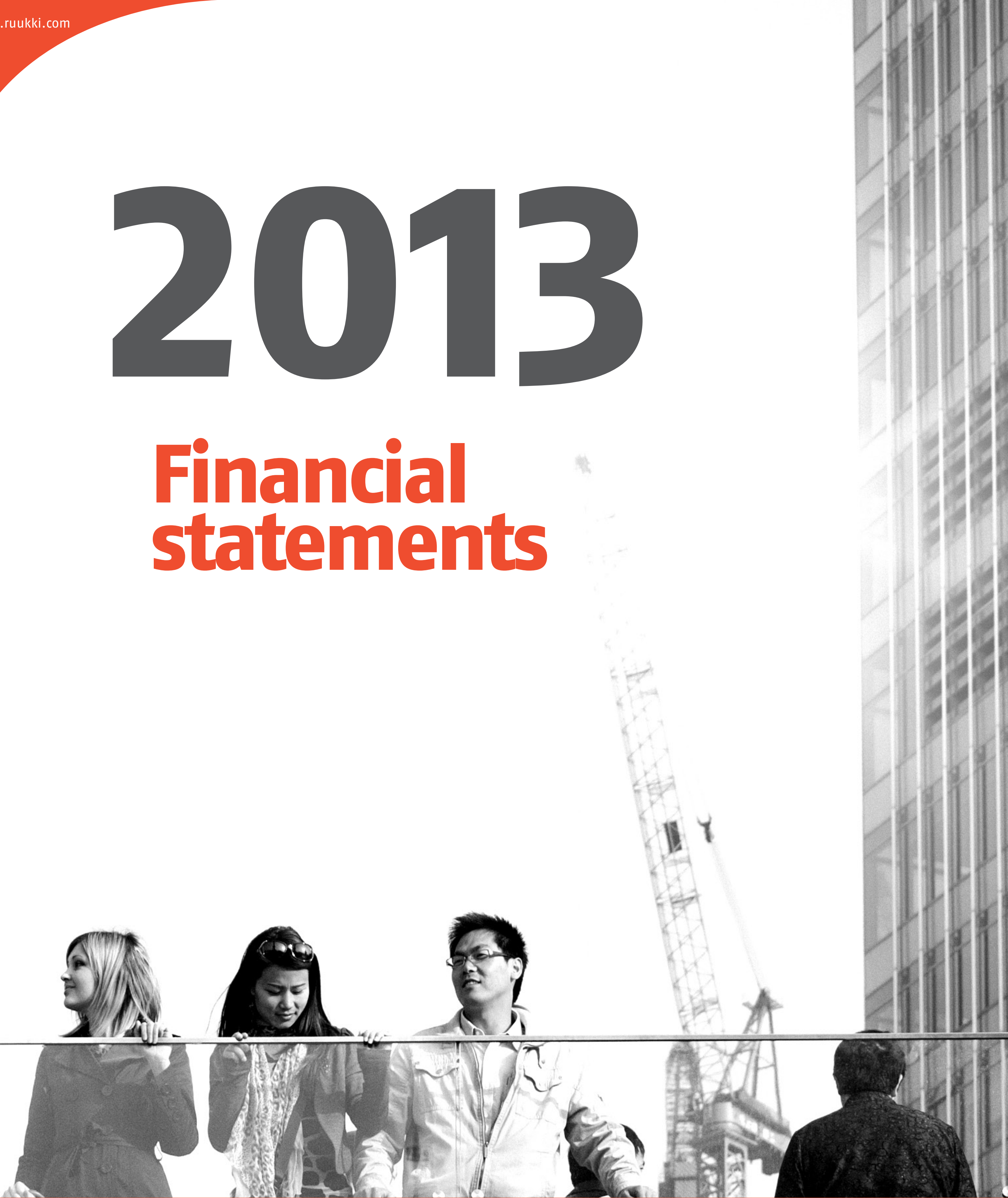
www.ruukki.com

2013

Financial statements



RAUTARUUKKI CORPORATION

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

Contents

REPORT OF THE BOARD OF DIRECTORS 2013

Business environment

Global economic growth slowed in 2013. Recession and a lack of market confidence in Europe also impacted on demand from Ruukki's customers. During the second half of the year, however, some signs began to be seen of a turn for the better in the European economy. The eurozone Purchasing Managers' Index (PMI) strengthened steadily and GDP growth returned to positive across the eurozone mostly in the slipstream of German economy. In the United States, confidence in the economic outlook improved throughout the year, the purchasing manager's index strengthened and the Fed's decision, as expected, to taper bond buying further served to boost confidence in economic growth. As regards Ruukki's most important markets, the pace of economic growth in Sweden and Norway considerably outperformed average growth in the eurozone, whereas the situation in Finland remained difficult. The Finnish economy shrank for the second year running and this was reflected at Ruukki by clearly weakened demand in both the construction business and the steel business. In Poland, the economy continued to recover driven by domestic consumption and export growth. Russian economic growth slowed and investment activity was weaker than in previous years. Also growth in the emerging economies was more modest than in earlier years because of the pace of growth peaking in China.

Construction activity in Europe remained throughout the report period at a lower level than in previous years. The business environment in Finland was weak and fewer building permits were granted than a year earlier. Also in Sweden, construction activity declined compared to the previous year, but in Norway development was clearly more favourable, especially as regards residential construction. Towards the end of the year, there were signs of a weakening in industrial construction in Norway. In Poland, construction activity took a turn for the better and in the second half of the year there were signs of positive development, particularly in commercial and industrial construction. In general, weakened construction activity was somewhat reflected in Ruukki's building business areas in the form of lower order intake in many market areas, especially in the project business in the Nordic countries. Despite growth peaking, construction activity in Russia remained at a good level, particularly in agricultural and industrial construction.

Apparent steel demand across the EU was down by about 2% year on year in 2013, with weakened demand strongest in the first half of the year. The improved outlook for the global and also European economy, together with recovery measures by China resulted in a levelling off of the long downturn in the demand for steel during the second half of the year, with demand for steel showing slight growth during the fourth quarter. After restocking of seasonal inventories in the early part of the year, inventory levels of steel wholesalers in Europe declined to a lower year-end level than in earlier years.

The rise in prices of seasonal steel products during the first quarter of the year was more modest than a year earlier. Since then steel prices declined until the end of the third quarter. The anticipated price rises during the fourth quarter also failed to materialise. Market prices of iron ore and coking coal, the main raw materials in steel production, fell during the early part of the year, but rose during the summer as the Chinese steel industry replenished its inventories. However, the price development of raw materials levelled off towards the end of the year.

Customer caution and the wait-and-see sentiment of the market were reflected in Ruukki Metals' business throughout the year. Ruukki Metals' order intake value was down 10% year on year. This was mostly attributable to lower prices of raw materials and clearly lower average selling prices in the wake of weakened market conditions. Order volumes for steel products were down slightly. Average capacity utilisation rate in steel production during 2013 was around 80%.

Demand for special steels outstripped demand for standard steels in many market areas, even though the general weakening of the steel market was also reflected in special steels, especially in average selling prices, which were down year on year. Weakened demand in the mining industry slowed market growth in hot-dip galvanised flat products. The growing interest of sectors using steel in improving energy efficiency and the strengthened export outlook of equipment manufacturers increased optimism in the special steel markets in Europe. Among other things, this was reflected in a modest pick-up in demand in the lifting, handling and transportation industry and in the construction machinery industry towards the end of the year. Demand for special steels in market areas outside Europe varied and towards the end of the year also the weakening of certain foreign currencies impacted negatively on order flow. In China, there was clearly lower demand for special steels in the lifting, handling and transportation equipment industry compared to the previous year.

Order intake and order book

Order intake has been restated for reasons of structural comparability. Part of Ruukki Engineering's business was divested at the end of 2012. The units excluded from the arrangement have been part of Ruukki Metals since the start of 2013. Order intake of the Ruukki Engineering units transferred to Fortaco and of other Ruukki Engineering units has been eliminated from comparable order intake.

ORDER INTAKE BY BUSINESS AREA		
EUR million	**2013**	**2012**
Order intake		
Ruukki Building Products	434	443
Ruukki Building Systems	286	313
Ruukki Metals	1,657	1,850
Order intake, total	2,376	2,605

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

Order intake in 2013 was down 9% year on year at EUR 2,376 million (2,605).

Compared to a year earlier, order intake was down 2% in Ruukki Building Products, 9% in Ruukki Building Systems and 10% in Ruukki Metals. The decrease in Ruukki Metals' order intake value was mostly attributable to clearly lower average selling prices in weakened market conditions and which the decrease in market prices of the main raw materials also kept low. Order volumes were down slightly.

Net sales

Net sales have been restated for reasons of structural comparability. Part of Ruukki Engineering's business was divested at the end of 2012. The units excluded from the arrangement have been part of Ruukki Metals since the start of 2013. Net sales of the Ruukki Engineering units transferred to Fortaco and of other Ruukki Engineering units have been eliminated from comparable consolidated net sales.

NET SALES BY BUSINESS AREA		
EUR million	**2013**	**2012**
Comparable net sales		
Ruukki Building Products	430	452
Ruukki Building Systems	292	288
Ruukki Metals	1,679	1,859
Others	3	-3
Comparable net sales, total	2,404	2,597
Items affecting comparability included in reported net sales	1	199
Reported net sales	2,405	2,796

Comparable net sales for 2013 were down 7% year on year at EUR 2,404 million (2,597). Reported net sales were EUR 2,405 million (2,796). Reported net sales for the previous year include the net sales of Ruukki Engineering, which was divested at the end of December 2012.

Ruukki Building Products' net sales were down 5%, Ruukki Building Systems' net sales were up 1% and Ruukki Metals' comparable net sales were down 10%. Ruukki Metals' net sales were down due to lower average selling prices of steel products compared to a year earlier. Delivery volumes were slightly higher than in the previous year. Special steel products accounted for 33% (30) of Ruukki Metals' comparable net sales.

Comparable net sales for 2013 were down year on year in all market areas except for markets outside Europe and in Central Eastern Europe. Net sales grew somewhat in markets outside Europe and were at the same level as a year earlier in Central Eastern Europe. Net sales decreased most in Finland.

NET SALES BY REGION

EUR million	2013	2012
Comparable net sales		
Finland	598	676
Other Nordic countries	737	790
Central Eastern Europe	366	366
Russia and Ukraine	233	262
Rest of Europe	305	356
Other countries	165	146
Comparable net sales, total	2,404	2,597
Items affecting comparability included in reported net sales	1	199
Reported net sales	2,405	2,796

Operating profit

Operating profit has been restated for reasons of structural comparability. Part of Ruukki Engineering's business was divested at the end of 2012. The units excluded from the arrangement have been part of Ruukki Metals since the start of 2013. Operating profit of the Ruukki Engineering units transferred to Fortaco and of other Ruukki Engineering units has been eliminated from comparable operating profit.

OPERATING PROFIT BY BUSINESS AREA

EUR million	2013	2012
Comparable operating profit		
Ruukki Building Products	36	22
Ruukki Building Systems	-10	-21
Ruukki Metals	27	-31
Others	-14	-20
Comparable operating profit, total	39	-50
Items affecting comparability included in reported operating profit	-5	-51
Reported operating profit	34	-101

Comparable operating profit for 2013 was EUR 39 million (-50). Reported operating profit was EUR 34 million (-101), which includes items of -EUR 5 million affecting comparability. Reported operating profit for 2012 includes items of -EUR 51 million affecting comparability. Items affecting comparability included in reported operating profit are detailed in notes to the consolidated financial statements (Note 2 Segment reporting).

Ruukki Building Products' comparable operating profit was up EUR 14 million year on year. The clear improvement in profitability was mostly due to the efficiency programme that was completed and to better gross margins. A more favourable geographical spread of sales of residential roofing products, more effective steering of sales of building components and better functioning of business processes overall also contributed to operating profit growth.

Also Ruukki Building Systems' relative profitability improved and the comparable operating result improved by EUR 11 million year on year. The operating result improved mostly because of the efficiency programme completed. Profitability was also improved by shifting the focus of production to lower-cost countries, better project margins and more efficient use of capacity. A healthy order book in Russia has enabled considerably better profitability in 2013 through more efficient use of capacity. Profitability was weakened due to some loss-making steel structure contracts, which had a negative impact totalling around EUR 8 million on the result for the whole year.

Ruukki Metals' comparable operating profit was up EUR 58 million year on year. Operating profit rose year on year mainly because of cost savings generated by the efficiency projects and because of lower raw material costs. A number of development projects to optimise production and to use raw materials more efficiently were completed during the year. Manufacturing costs have been successfully cut as a result of these projects. Operating profit was weakened by lower average selling prices of steel products. Operating profit for 2013 was negatively affected by disruptions to production during the second quarter, which resulted in a lower capacity utilisation rate than usual in steel production.

Efficiency programmes initiated at Ruukki in 2012 resulted in earnings improvement totalling around EUR 70 million (20) in 2013.

Financial items and result

Consolidated net finance costs in 2013 totalled EUR 36 million (40). Net interest costs were EUR 27 million (35).

Group taxes for 2013 were -EUR 8 million (22). Taxes for the period include a reversal of EUR 6 million of deferred tax assets from previous years and a charge of EUR 2 million as a result of lower corporation tax rates effective from 1 January 2014 onwards. These items have no effect on cash flow.

The result for 2013 was -EUR 14 million (-117) and earnings per share were -EUR 0.10 (-0.85).

Balance sheet, cash flow and financing

Total assets at year-end 2013 were EUR 2,278 million (2,380). Equity at 31 December 2013 was EUR 1,010 million (1,072), equating to EUR 7.27 per share (7.72). Equity has decreased EUR 62 million since the end of 2012. This was because of the loss made for the year, the dividend payment of EUR 28 million paid in April and a change in translation differences.

The equity ratio at the end of the report period was 45.0% (45.6) and the gearing ratio was 68.5% (71.2). Net interest-bearing liabilities at year-end 2013 were EUR 693 million (765).

Return on equity for 2013 was -1.3% (-10.0) and return on capital employed was 1.8 % (-4.9).

Net cash from operating activities for 2013 was EUR 184 million (172) and net cash before financing activities was EUR 101 million (78). EUR 62 million was freed up from working capital during the year (EUR 173 million freed up).

At the end of December 2013, the group had liquid assets of EUR 47 million (21) and undrawn committed credit facilities of EUR 475 million (510), EUR 425 million of which were long term.

Capital expenditure

Net cash used in investing activities in 2013 was -EUR 84 million (-94).

Investments in tangible and intangible assets totalled EUR 90 million (97), of which maintenance investments accounted for EUR 70 million (65) and development investments EUR 20 million (32). Cash inflow from other investing activities was EUR 7 million (3).

Depreciation and impairments in 2013 amounted to EUR 134 million (156).

Investments in tangible and intangible assets during 2014 are estimated to total around EUR 100 million.

Personnel

PERSONNEL BY REGION	31 Dec 2013	31 Dec 2012
Finland	5,218	5,547
Other Nordic countries	536	580
Central Eastern Europe	1,099	1,106
Russia and Ukraine	1,649	1,686
Rest of Europe	52	63
Other countries	46	52
Total	8,600	9,034

The group employed an average of 8,955 persons (11,214) in 2013 and at year-end, the headcount was 8,600 (9,034). The Fortaco deal completed at the end of 2012 resulted in a decrease of 1,334 in Ruukki's personnel numbers. At the end of the report period, 61% (61) of Ruukki's personnel worked in Finland.

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

The corporate responsibility report 2013 details matters and key figures relating to the personnel and social responsibility. The report will be published during week 9 at the latest.

RUUKKI BUILDING PRODUCTS

Ruukki Construction has been split into two business areas – Ruukki Building Products and Ruukki Building Systems – since the start of the second quarter 2013. All residential roofing products, commercial, office and industrial construction components, and foundation, harbour and infrastructure construction components are reported under Ruukki Building Products.

- Order intake was down 2% year on year due to lower orders in infrastructure construction.
- Net sales were down 5% year on year due to weakened demand in many markets.
- Operating profit improved clearly year on year due to better gross margin and the benefits generated by cost savings programmes in processing units.
- The total impact on earnings improvement achieved through efficiency projects in Ruukki Building Products in 2013 was around EUR 8 million (4).

RUUKKI BUILDING PRODUCTS		
EUR million	**2013**	**2012**
Order intake	434	443
Net sales	430	452
Comparable operating profit	36	22
Comparable operating profit as % of net sales	8.4	4.9
Items affecting comparability included in reported operating profit	-1	-3
Reported operating profit	36	19
Reported operating profit as % of net sales	8.3	4.1
Personnel at end of period	1,175	1,179

Order intake

Order intake value in 2013 was down 2% year on year at EUR 434 million (443).

Order intake for residential roofing products was down 1% year on year. Order intake showed clear growth in Sweden, where the Ruukki Express distribution chain was added to through the acquisition of Plåtleverantören i Stockholm AB in the second quarter of 2012. In Finland, order intake rose slightly despite weakened demand. Orders were up also in Lithuania and Latvia and in some countries in Central Eastern Europe. As regards the main roofing markets, order intake showed a clear decrease in Poland and Ukraine, where market conditions continued to be weaker than normal.

Order intake for building components was up 1% year on year. As regards the main markets, order intake was up in Sweden, Norway, the Czech Republic, Latvia and Lithuania. Order intake was down slightly in Finland and Estonia. Orders for building components in Ukraine were clearly lower than a year earlier. In Poland, orders were at the same level as a year earlier.

Order intake for infrastructure construction was down 10% year on year. Orders for piling products rose slightly in Norway, but decreased somewhat in Sweden. In Finland, orders showed a clear decline due to weakened market demand both in building and infrastructure construction.

Net sales

Ruukki Building Products' net sales for 2013 were down 5% year on year at EUR 430 million (452). In the Nordic countries, net sales rose in Norway and Denmark, but were down in Finland and Sweden. Net sales were also up in the Baltic states and Czech Republic. As regards other main markets, net sales were down in Ukraine, Poland and Slovakia.

RUUKKI BUILDING PRODUCTS NET SALES BY PRODUCT GROUP		
EUR million	**2013**	**2012**
Reported net sales		
Residential roofing products	170	174
Building components	182	189
Infrastructure construction	78	89
Others	0	
Reported net sales, total	**430**	**452**

Residential roofing products

Net sales of residential roofing products for 2013 were down 2% year on year at EUR 170 million (174). In Finland, net sales were almost at the same level as a year earlier. Sales showed clear growth in Sweden, where the Ruukki Express distribution chain was added to through the acquisition of Plåtleverantören i Stockholm AB in the second quarter of 2012. Net sales were up also up in Latvia. As regards the main markets, net sales showed a clear decline year on year in Poland and Ukraine.

Building components

Net sales of building components for 2013 were down 4% year on year at EUR 182 million (189). Net sales showed clear growth in Norway, Denmark and the Czech Republic. Net sales were up also in Latvia and Lithuania, but down slightly in Estonia. Net sales of building components in Finland, Sweden, Ukraine and Slovakia showed a clear decline year on year. In Poland, net sales were slightly up due to a pick-up in demand towards the end of the year.

Infrastructure construction

Net sales in infrastructure construction for 2013 were down 12% year on year at EUR 78 million (89). Net sales showed a clear decrease in Finland and Sweden. In Norway, net sales were down slightly year on year.

Operating profit

Ruukki Building Products' comparable operating profit for 2013 was EUR 36 million (22).

Operating profit showed a clear improvement year on year mostly on the back of the efficiency programme carried out and a better gross margin. Also a more favourable geographical spread of sales of residential roofing products, more effective steering of sales of building components and better functioning of business processes overall contributed to operating profit growth.

Actions to improve profitability

During the second quarter of 2012, former Ruukki Construction division initiated a programme across the division to improve profitability and aimed at a permanent improvement of EUR 20 million in earnings performance. The programme has continued within Ruukki Building Products. Within the limits of this programme, the production-distribution process and material flows have been optimised and the efficiency of sales, marketing and support functions has been improved.

Around EUR 8 million of the total earnings improvement target in the construction business was achieved during 2012. The total impact on earnings improvement achieved through efficiency projects in Ruukki Building Products in 2013 was around EUR 8 million (4).

RUUKKI BUILDING SYSTEMS

Ruukki Construction has been split into two business areas - Ruukki Building Products and Ruukki Building Systems - since the start of the second quarter 2013. Ruukki Building Systems includes the design, manufacture and installation of foundation, frame and envelope structures. All project business in the Nordic countries and Central Eastern Europe, together with the entire business unit in Russia and Romania are reported under Ruukki Building Systems.

- Order book at year-end was 10% lower than a year earlier.
- Net sales were up slightly year on year.
- Despite significant improvement in the operating result, the result for the whole year was still negative. Profitability was weakened due to some loss-making steel structure contracts, which had a negative impact totalling around EUR 8 million on the result for the whole year.
- The total impact on earnings improvement achieved through efficiency projects in Ruukki Building Systems in 2013 was around EUR 8 million (4).

RUUKKI BUILDING SYSTEMS		
EUR million	**2013**	**2012**
Order book	119	133
Order intake	286	313
Net sales	292	288
Comparable operating profit	-10	-21
Comparable operating profit as % of net sales	-3.4	-7.3
Items affecting comparability included in reported operating profit	-2	-7
Reported operating profit	-12	-28
Reported operating profit as % of net sales	-4.0	-9.8
Personnel at end of period	1,918	2,087

Order intake and order book

Ruukki Building Systems' order intake value in 2013 was down 9% year on year at EUR 286 million (313).

Order intake in Russia was up 25% year on year. Orders were up particularly in agricultural concept construction.

Order intake in the Nordic countries was down 36% year on year. Order intake showed a clear decrease in Finland and Sweden, whereas orders rose in Norway.

Order intake in Central Eastern Europe was down 29% compared to a year earlier.

At year-end 2013, Ruukki Building Systems' order book was 10% down year on year and 15% lower than at the end of September 2013.

Net sales

Ruukki Building Systems' net sales for 2013 were up 1% year on year at EUR 292 million (288).

Since the second quarter of 2013, Ruukki Building Systems' net sales have been reported by market area. The market areas are Russia, the Nordic countries and Central Eastern Europe.

RUUKKI BUILDING SYSTEMS NET SALES BY AREA		
EUR million	**2013**	**2012**
Reported net sales		
Russia	115	118
Nordic countries	106	96
Central Eastern Europe	71	73
Reported net sales, total	**292**	**288**

Russia

Ruukki Building Systems' net sales in Russia for 2013 were down 3% year on year at EUR 115 million (118). The decrease in euro-denominated net sales was due a weakening of the rouble exchange rate. In terms of roubles, net sales in Russia were up 9% year on year.

Nordic countries
Ruukki Building Systems' net sales in the Nordic countries for 2013 were up 10% year on year at EUR 106 million (96).

Net sales growth came mainly from shopping centre and energy plant projects in Sweden and Norway. Net sales in Finland showed a clear decrease year on year due to weak demand.

Central Eastern Europe
Ruukki Building Systems' net sales in the Central eastern Europe for 2013 were down 4% year on year at EUR 71 million (73).

Operating profit

Ruukki Building Systems' comparable operating profit for 2013 was -EUR 10 million (-21).

Operating result improved year on year mainly as a result of the efficiency programme carried out. Profitability was also improved by shifting the focus of production to lower-cost countries and by better project margins and capacity utilisation rates. A healthy order book in Russia has enabled considerably better profitability in 2013 through more efficient use of capacity. Profitability was weakened due to some loss-making steel structure contracts, which had a negative impact totalling around EUR 8 million on the operating result for the whole year.

Actions to improve profitability

Ruukki Building Systems' main aim in 2013 was to improve efficiency and turn the business around to profitability by the end of the year. Many actions were taken during the year to improve profitability and these have paved the way for better profitability. Improving the use of the production network, scaling capacity in response to demand and cutting overheads were key to profitability improvement. These efficiency actions have paved the way for profitable business. The Kalajoki unit in Finland was closed and at the Peräseinäjoki unit, the decision was made to continue production on a scaled-down basis and focus on manufacturing large steel trusses for the construction industry. In addition, Ruukki withdrew from bridge projects, which had underperformed.

Ruukki Building Systems' poor result was partly attributable to individual loss-making project deliveries. During the year, the focus was particularly on improving project management and developing sales steering so as to prevent negative project deviations. Business profitability was earlier also weakened by excessive general and administration expenses, which during the year have already been successfully cut to a level of 9% (13) of net sales. This was done by aligning sales and sales support to market conditions. The improvement in earnings performance achieved through efficiency projects in 2013 was around EUR 8 million (4). Despite significant improvement in operating result, the result for the whole year was still negative due to some loss-making steel structure contracts.

Major delivery contracts

Steel structure contract for Ruukki for Mälarenergi's combined heat and power plant
Ruukki delivered the steel frame and envelope structures for Mälarenergi's new combined heat and power (CHP) plant to be built at Västerås in Sweden. Ruukki's customer is Metso Corporation, which is responsible for supplying the world's largest recoverable fuel fired boiler for the project. The total value of Ruukki's deliveries for the project is around EUR 12 million. Ruukki's deliveries from early 2013 to the fourth quarter.

Large order for Ruukki's complete building solutions in Russia
During the year, Ruukki received orders worth a total of around EUR 50 million to deliver buildings for Poultry Akashevskaya's new poultry production facilities. Poultry Akashevskaya Agroholding is one of the largest poultry companies in Russia. Ruukki's deliveries included the frames, structures, wall

panels and steel roofs for the buildings. A total of almost 200 separate buildings were delivered to 11 different sites mostly during 2013.

Ruukki delivered steel frame structure for Russian company Cryogenmash’s new development and production facility in Russia

Ruukki designed, manufactured and delivered the steel frame structure for Russian company OAO Cryogenmash’s new 14,500 m^2:development and production facility in the city of Balashikha to the east of Moscow. The order was worth over EUR 5 million and deliveries for the new facility continued until the end of 2013.

Ruukki to deliver energy-saving wall structures for shopping centre in Bratislava

Ruukki's energy-efficient wall structures are to be used in the Bory Mall retail and entertainment centre to be built in the Slovakian capital of Bratislava. Ruukki is to deliver and install a total of 8,700 square metres of façade panels for the centre. Some of the panels are energy panels and some Liberta panels. Deliveries began in December 2013 and the centre is expected to open in autumn 2014.

RUUKKI METALS

- Comparable operating profit rose clearly year on year due to cost savings achieved through efficiency projects and because of lower raw material costs.
- Clear growth in delivery volumes of special steel products, but average selling prices down year on year.
- Ruukki Metals’ comparable net sales down 10% year on year.
- Ruukki Metals’ order intake down 10% year on year. Order intake value down due to lower average selling prices with order volumes more or less unchanged year on year.
- Ruukki Metals’ earnings improvement through efficiency programmes totalled around EUR 48 (10) in 2013.

RUUKKI METALS		
EUR million	**2013**	**2012**
Order intake	1,657	1,850
Comparable net sales	1,679	1,859
Items affecting comparability included in reported net sales		-72
Reported net sales	1,679	1,787
Comparable operating profit	27	-31
Comparable operating profit as % of net sales	1.6	-1.7
Items affecting comparability included in reported operating profit		-22
Reported operating profit	27	-53
Reported operating profit as % of net sales	1.6	-2.9
Deliveries (1 000 tonnes)	1,814	1,809
Personnel at end of period	5,201	5,203

Order intake and order book

Ruukki Metals' order intake value in 2013 was down 10% year on year at EUR 1,657 million (1,850). The decrease in Ruukki Metals' order intake value was mostly attributable to clearly lower average selling prices in weakened market conditions and which the decrease in market prices of the main raw materials also kept low. Order volumes were down slightly.

Compared to the previous year, Ruukki Metals' total order intake showed a clear decrease in Finland and the other Nordic countries. Also in Russia, Ukraine and most Western European markets, orders were lower than a year earlier. Overall order intake rose in market areas outside Europe and in Central Eastern Europe.

As regards product groups, order intake for special steel products showed clear growth year on year. Order intake rose in most Western and Southern European markets, where there was good development in demand from, among others, manufacturers of lifting, handling and transportation equipment and manufacturers of construction machinery. Orders were down year on year in the Nordic countries, with the exception of Denmark, where orders for special steel products rose. Orders showed clear growth also in Turkey, Russia and in most Central Eastern European markets. Demand varied in market areas outside Europe. Orders were up in South America, whereas in China were down clearly because of weakened demand in, among others, the lifting, handling and transportation equipment industry.

Order intake for strip and flat products, tube and profile products and stainless steels and aluminium products showed a clear decline year on year in almost all main market areas. This was due to falling demand for steel and weakened price levels. Orders rose in some markets outside Europe and in Central Eastern Europe. Also order intake for tube and profile products, stainless steels and aluminium products were down compared to the previous year.

Net sales

Ruukki Metals' comparable net sales for 2013 were down 10% year on year at EUR 1,679 million (1,859). Comparable net sales for 2012 include the net sales of the Ruukki Engineering units that were not divested. Reported net sales were EUR 1,679 million (1,787). The decrease in net sales was due to lower average selling prices of steel products compared to a year earlier. Delivery volumes were slightly higher than in the previous year.

Compared to a year earlier, Ruukki Metals' comparable net sales showed a clear decrease in Finland, the other Nordic countries, Russia, Ukraine and in Western Europe. Net sales rose in Central Eastern Europe. In market areas outside Europe, net sales showed good development in, for example, the United States and in some markets in South America. Net sales in China showed a clear decrease compared to a year earlier. Overall net sales were up slightly year on year in market areas outside Europe.

RUUKKI METALS NET SALES BY PRODUCT GROUP

EUR million	2013	2012
Reported net sales		
Special steel products	558	551
Strip and flat steel products	772	854
Tubes and profiles	228	253
Stainless steel and aluminium products	122	129
Reported net sales, total	**1,679**	**1,787**

Special steel products

The following strip and plate products are reported in the special steel products product group: wear-resistant, high-strength and specially coated steels. Ruukki's trademarks include Raex, Optim, Laser, Ramor and Litec.

Net sales in the special steel products group for 2013 were up 1% year on year at EUR 558 million (551). Delivery volumes of special steel products showed a clear rise, but average selling prices were lower than a year earlier. Lower average selling prices was largely due to market conditions. Also a change in the product mix contributed to lower average selling prices of special steel products.

Net sales of special steel products were up year on year in most market areas. Net sales rose in many markets in Europe including Italy, Poland and Turkey, where good development was seen in demand from, among others, manufacturers of lifting, handling and transportation equipment and construction machinery. In Germany, net sales of special steel products for the whole year were down slightly compared to a year earlier. In the Nordic countries, net sales of special steel products were down in Finland and Sweden, but rose in Denmark and Norway. Sales were also up in Russia. As regards markets outside Europe, net sales showed positive development in certain markets in South America, as well as in the Middle East, Australia and Canada. Net sales in China showed a clear decline compared to a year earlier because of weakened demand in, among others, the lifting, handling and transportation equipment industry.

As regards customer segments, net sales of special steels to the lifting, handling and transportation equipment industry and tor the construction industry were up year on year. However, net sales to the automotive industry and manufacturers of mining machines were down year on year.

Special steel products accounted for 33% (30) of Ruukki Metals' comparable net sales for 2013.

Strip and flat products

The following are reported in the strip and flat products product group: hot- and cold-rolled steels and coated standard steel products. Sales of the Engineering units remaining with Ruukki and of by-products and mineral products are also reported in this group.

Net sales in the strip and flat products group for 2013 were down 10% year on year at EUR 772 million (854). Both delivery volumes and average selling prices fell.

Net sales in the strip and flat products group were up year on year in Finland, but showed a clear decrease in the other Nordic countries and Russia. Net sales were down also in most Western European markets, especially in Germany. In Central Eastern Europe and in markets outside Europe, net sales showed a slight rise compared to a year earlier.

As regards customer segments, sales to the shipbuilding and offshore industries rose year on year. This was attributable to deliveries made to Finnish shipyards. Net sales showed a clear decrease to most other customer segments, such as the construction industry and steel wholesalers.

Tubes and profiles

The following are reported in the tubes and profiles product group: structural hollow sections, precision tubes, profiles and line pipes.

Net sales in the tubes and profiles product group for 2013 were down 10% year on year at EUR 228 million (253). The fall in net sales was attributable both to smaller delivery volumes and to lower average selling prices.

As regards the main markets, net sales of tube and profile products were down in Finland, Norway and Denmark, whereas in Sweden, net sales rose.

As regards customer segments, sales of tube and profile products to shipbuilding and infrastructure construction rose year on year. However, net sales were down to most other customer segments including the construction industry and steel wholesalers.

Stainless steels and aluminium products

The following are reported in the stainless steels and aluminium products group: stainless steel and aluminium sold as trading products, coils, sheets, bars, profiles and tubes made of aluminium and delivered to customers in standard dimensions, prefabricated or as components.

Net sales in the stainless steels and aluminium products group for 2013 were down 6% year on year at EUR 122 million (129). The fall in net sales was attributable to lower average selling prices compared to a year earlier. Delivery volumes were up slightly.

Net sales were up year on year in Sweden, but down in Finland and Norway. Net sales to the shipbuilding and offshore industries and to energy storage were up, but net sales were down to, among others, the construction industry.

Operating profit

Ruukki Metals' comparable operating profit for 2013 was EUR 27 million (-31). Reported operating profit was EUR 27 million (-53). Reported operating profit for 2012 includes items of -EUR 22 million affecting profitability. Items affecting comparability included in reported operating profit are detailed in notes to the consolidated financial statements (Note 2 Segment reporting).

Operating profit rose year on year largely because of cost savings generated by the efficiency projects and because of lower raw material costs. A number of development projects were completed during the year to optimise production and to use raw materials more efficiently. Manufacturing costs were successfully cut as a result of these projects. Operating profit was weakened by lower average selling prices of steel products. Operating profit for 2013 was negatively affected by disruptions to production during the second quarter, which resulted in a lower capacity utilisation rate than usual in steel production.

Ruukki Metals' profitability improvement

During the first quarter of 2012, an efficiency improvement programme was initiated with the aim of achieving a permanent annual improvement of EUR 70 million in earnings performance. Numerous development projects to improve competitiveness and achieve savings have been completed, especially at various production sites. Some of the cost savings have been generated by efficiency actions already completed in operations and workforce reductions in production, sales, marketing and business support functions. As regards Ruukki Metals, the efficiency programme delivered a total of around EUR 10 million in earnings improvement during 2012 and around EUR 48 million in 2013.

No significant turn for the better in steel demand is expected in the main market area in Europe within the next few years. This is why Ruukki Metals is starting to prepare a new efficiency programme to further improve competitiveness. The programme aims at a permanent annual improvement of around EUR 30 million in earnings performance. Ruukki Metals has defined the alternative actions to improve efficiency. These include even more efficient use of raw materials and recycling of materials, better operating and maintenance efficiency, better operating reliability of output and processes, lowering costs attributable to disruptions and cutting transfer and transportation costs. In addition, the potential to develop and improve the efficiency of business models on the sales side will be explored. A start has already been made with some of the actions to improve efficiency. The EUR 30 million earnings improvement is expected to be achieved in full during the course of 2015.

Steel production

STEEL PRODUCTION		
1 000 tonnes	**2013**	**2012**
Steel production	2,237	2,299

Steel production in 2013 was 2,237 thousand tonnes (2,299) and the utilisation rate was around 80%.

The utilisation rate was negatively affected by disruptions to production during the second quarter. Projects were completed during the year to boost the recycling rate of materials in steel production and to increase operating efficiency.

Raw materials and energy in steel production

Global market prices of iron ore and coking coal - the main raw materials in steel production – fell during the early part of the year, but rose again during the summer as the Chinese steel industry began to replenish its raw material inventories. However, price development stabilised later in the year.

Market prices of iron ore and coking coal are not expected to rise during the early part of 2014, especially since as regards iron ore the market is gearing up for additional production capacity.

At the end of the second quarter 2013, Ruukki Metals signed a new contract to purchase iron ore pellets with the Swedish company LKAB. This new contract allows more flexibility with regard to fluctuations in market prices and was backdated to the beginning of the second quarter 2013. There is typically a delay of around one quarter before movements in the prices of raw materials are reflected in Ruukki's production costs. This is because of contracts signed with raw materials suppliers and the normal turnaround of inventories.

Major delivery agreements

NEVS and Ruukki in partnership on the new Saab

National Electric Vehicle Sweden AB, Nevs, which has resumed the manufacture of Saab cars in Trollhättan, Sweden, has initiated a partnership with Ruukki. Among other things, Ruukki will supply formable steel, high-strength steel and ultra-high-strength Litec special steel, for the body-in-white manufacture of the Saab 9-3 model. With ultra-high-strength steel, material thickness can be reduced to make lighter, more fuel-efficient cars that retain the same safety factor. Ruukki focuses particularly on developing materials and applications to foster the manufacture of lightweight, energy-efficient vehicles.

Ruukki to deliver metal-coated, high-strength steel for thermosolar plant in Morocco

Ruukki is to deliver nine thousand tonnes of metal-coated, high-strength steel to the Spanish company CIE EGAÑA to manufacture the support arms for the parabolic reflectors in a new thermosolar plant to be built in Morocco. The new thermosolar plant will have an output of 125 megawatts making it one of the largest in the world. Ruukki's deliveries begin at the start of 2014 and consist of metal coated, high-strength steel which will both strengthen and lighten the structures whilst preventing corrosion.

STRATEGY ACHIEVEMENT AND OPERATIONAL DEVELOPMENT IN 2013

Ruukki's strategic intent is to accelerate its transformation into a company focusing on energy-efficient steel construction and special steels. The key aim is to increase annual sales of special steel products to EUR 850 million in 2015 (2013: EUR 558 million). Ruukki Building Products is pursuing profitable growth especially by specialising in energy-efficient solutions in its product portfolio and by developing distribution of roofing products. The main goal for Ruukki Building Systems is to turnaround the business back to profitability by the end of the current year.

To promote achievement of its strategic intent, Ruukki restructured in the spring and since the second quarter of the year, the company has three reporting business areas: Ruukki Building Products, Ruukki Building Systems and Ruukki Metals. The new business structure has simplified leadership and business steering. This has contributed to the improved profitability of Ruukki Building Products and Ruukki Building Systems compared to a year earlier.

The main focus area continued to be an improvement in the corporate cost structure. The annualised impact on earnings improvement of around EUR 100 million pursued by the efficiency programme initiated in 2012 achieved halfway through 2013 the target set. Since no significant turn for the better in steel demand is expected in the main market area in Europe within the next few years, Ruukki Metals is initiating a new efficiency programme aiming at a permanent annual improvement of around EUR 30 million in earnings performance. This means the earlier corporate-wide permanent earnings improvement target of EUR 100 million has risen to EUR 130 million. Efficiency programmes delivered earnings improvement of around EUR 70 million (20) during 2013.

The main aims across the company in 2013 were also to free up working capital, thereby improving cash flow. These aims were successfully achieved and EUR 62 million in working capital was freed up (2012: EUR 173 million freed up) and net cash from operating activities for the whole year was EUR 184 million (172).

Ruukki Building Products

Ruukki has a good market position in building products. Profitability and growth is being pursued mostly through energy-efficient building components and residential roofing products. Further development of components and solutions to optimise a building's lifecycle energy efficiency is a key aspect. Other important themes include further development of marketing and technology and the repeatability of business models.

In roofing products, the aim is to grow market shares, especially in Russia, Poland and the Nordic countries, by strengthening our own distribution and partnership network, expanding installation services and by launching increasingly more efficient products and services. During 2013, the Ruukki Express distribution and service network grew by 14 new outlets to bring the total number of outlets at year-end to 37. Ruukki Classic Solar thermal roof, a new roofing product to harness solar energy, was launched in spring 2013.

In components and especially in energy panels, the aim is to grow sales in the Nordic countries and to pursue new markets for these products. The focus in components is on developing energy-efficient, components and solutions that utilise renewable energy sources and improve a building's entire lifecycle efficiency. Sales of energy panels progressed well in 2013 and gained a foothold in our main market areas. Combined sales of energy panels and the Ruukki Life panel, which is made from recycled materials, accounted for a quarter of all sales of Ruukki panels in Finland. Good progress was made also with product launches also in other countries and, for example, amendments to energy performance of buildings legislation in Poland, significantly foster sales of Ruukki's energy panels.

In infrastructure construction, the aim is to maintain the market position in the Nordic countries by developing product-related services and by identifying new business opportunities and applications. In summer 2013, Ruukki was the first European supplier to receive CE marking rights for structural steel-based steel piles. Last year saw the launch of a new strength category of micropiles, S460, and the development of a new pile type, RRs 125/6.3 with greater load-bearing capacity, and a new type of splice for micropiles.

During the second quarter of 2012, former Ruukki Construction division initiated a programme across the division to improve profitability and aimed at a permanent improvement of EUR 20 million in earnings performance. The programme has continued within Ruukki Building Products. Within the limits of this programme, the production-distribution process and material flows were optimised and the efficiency of sales, marketing and support functions has been improved. The actions resulted in earnings performance improvement totalling EUR 8 million (4) in 2013.

Ruukki Building Systems

Ruukki Building Systems consists of the building project business, operations in Russia and the new energy-efficient and functional buildings development unit. In the project business, the strategic focus is to improve relative profitability. The aim in 2013 was to improve efficiency and turn the business around to profitability by the end of the year. In Ruukki Building Systems, profitable growth is being pursued in Russia, especially in commercial construction and in agriculture.

Ruukki Building Systems' aim in 2013 was to improve efficiency and turn the business around to profitability by the end of the year. Many actions were taken in 2013 to pave the way for better profitability. Improving the use of the production network, scaling capacity in response to demand and cutting overheads were key to profitability improvement. The Kalajoki unit in Finland was closed and at the Peräseinäjoki unit, the decision was made to continue production on a scaled-down basis and focus on manufacturing large steel trusses for the construction industry. In addition, Ruukki withdrew from bridge projects, which had underperformed.

Ruukki Building Systems' poor result was partly attributable to individual loss-making project deliveries. During the year, the focus was particularly on improving project management and developing sales steering so as to prevent negative project deviations. Business profitability was earlier also weakened by excessive general and administration expenses, which during the year have already been successfully cut to a level of 9% (13% in 2012) of net sales. This was done by aligning sales and sales support to market conditions. The improvement in earnings performance achieved through efficiency projects in 2013 was EUR 8 million (4). Despite significant improvement in the operating result, the result for the whole year was still negative. Profitability was weakened due to some loss-making steel structure contracts, which had a negative impact totalling around EUR 8 million on the operating result for the whole year.

Business in Russia showed good development and the production capacity utilisation rate in Russia was at a high level, which helped to improve Ruukki Building Systems' profitability during the past year. Work continued on developing sales management and the sales organisation in Russia and this was also reflected in dales figures.

The report year saw the opening of the new energy-efficient and functional buildings development unit. The aim is to develop a total building solution to shorten construction time, save material costs and promote sustainability through energy efficiency.

Ruukki Metals

Ruukki Metals' main aim is to grow annual sales of special steel products to EUR 850 million in 2015 (2013: EUR 558 million). In standard steel products, the main goal is to further improve operational cost efficiency and to reorganise the product portfolio by cutting back on underperforming products. It is important to further develop customer-specific services, delivery accuracy and the entire supply chain to maintain and improve cost competitiveness.

Good progress was made with accelerating sales growth of special steels by acquiring new customers, developing new products and applications and by expanding into new market areas. Compared to a year earlier, the results were seen in clearly growing delivery volumes in many market areas despite the challenging demand environment for steel products.

The past year saw a significant expansion of the global distribution and sales network for special steels. The goal is to create a sales and partner network covering all main market areas. In 2013, new sales offices were opened in Toronto (Canada), Santiago (Chile) and in Pittsburgh (USA), which translates into more flexible and even faster service close to the customer. Likewise, new partnership agreements were signed. During 2013, new sales and technical customer support experts for sales of special steels in, among others, the United States, Canada, Chile, Turkey and China. Work continues on recruiting a total more than 40 sales and technical customer support experts. It is estimated the results of efforts on this front will be reflected in sales figures mostly from the second quarter of 2014 onwards.

Several new products were developed and launched during the year. The properties of these products improve end-product energy and material efficiency, and useful life, thereby promoting sustainability. Product launches during the course of the year included tubes made of Raex 400 special steel, Optim 700 Plus MH structural tubes, Ruukki Pural farm coating, which excellent corrosion and chemical resistance, new Ramor 550 steel, intended for ballistic protection, Optim 700 QL steel in thicknesses up to 60 mm and the new Z600 metal coating for applications requiring excellent corrosion protection. In addition, the range of wear-resistant Ruukki Raex special steels was expanded to include thicknesses up to 80 mm to meet the thicker wear-resistant steel needed, for example, in the mining industry.

The efficiency improvement programme initiated in 2012 with the aim of achieving a permanent annual improvement of EUR 70 million in earnings performance progressed to target. Numerous development projects to improve competitiveness and achieve savings have been completed, especially at various production sites. Some of the cost savings have been generated by efficiency actions already completed in operations and workforce reductions in production, sales, marketing and business support functions. Earnings improvement in 2013 was around EUR 48 million (10). Ruukki Metals is initiating a new efficiency programme aiming at a permanent annual improvement of around a further EUR 30 million in earnings performance. The earnings performance sought is expected to be achieved in full during 2015.

RESEARCH AND DEVELOPMENT

A total of EUR 21 million (EUR 26 million in 2012 and EUR 29 million in 2011) was spent on research and development in 2013. This equates to 1% of the company’s comparable net sales (1% in 2012 and 1% in 2011).

As in earlier years, R&D at Ruukki focused mainly on broadening the special steel portfolio and the focus in components is on developing energy-efficient components and solutions to improve a building’s entire lifecycle efficiency.

Ruukki Building Products

Work continued on developing products and solutions to improve material and energy efficiency. The report year saw Ruukki launch a third generation system of the energy panels launched in 2011. The new energy panel system features further improved airtightness and structural details. Ruukki also launched Ruukki Solar panel. Part of Ruukki's energy panel system, the panel is installed on walls and converts sunlight into electricity. Ruukki also launched a waste recycling system for panel waste. The system reduces waste management costs at construction sites and ensures a higher recycling rate of raw material.

Ruukki’s energy panel system developed in 2012 was the first of its kind in Finland to be certified by VTT Technical Research Centre of Finland. Certification makes it faster and easier to design the energy efficiency of buildings and is testimony to the consistently high quality of energy panel system products and installation Considerable savings in energy consumption have been achieved by using the energy panel system compared to traditional sandwich panels. Ruukki is the only manufacturer to guarantee the airtightness of its energy panel system.

Within roofing products, spring saw the launch of Ruukki Classic solar thermal roof, which has been designed for installation on an ordinary single-family home to harness solar thermal energy to heat domestic hot water and to heat the building itself. The heat collector is integrated into Ruukki’s Classic roof and the solar collector package offered to customers was added to during the year so that it also includes the features needed to connect to mechanical and electrical systems.

Within infrastructure construction, a new strength category of micropiles, S460, was launched. A new pile type, RRs 125/6.3, with greater load-bearing capacity, and a new type of splice for micropiles were developed. On the product approval front, work continued on developing CE marking procedures and preparing for changing requirements. Pile dimensioning software was completed to make design work easier.

Ruukki is actively involved in steel construction research and development. During 2014-2017, Ruukki will invest around EUR 2.5 million in steel construction research. December 2013 saw the signing of a framework agreement for a Steel Construction Excellence Center. Besides Ruukki, the other parties to the agreement are HAMK University of Applied Sciences, Tavastia Vocational College, the City of Hämeenlinna, Häme Development Centre Ltd and Tampere University of Technology. The parties will jointly contribute an estimated more than EUR 6 million to steel construction research and teaching during 2014-2017. Ruukki's aim in the project is to promote research and development and to thus strengthen competence and training in new technologies at the vocational college and university level. At the same time, the aim is to strengthen the international research network in the field.

Ruukki Building Systems

The focus of product development within Ruukki Building Systems is to develop innovative construction solutions aimed at shortening construction time, saving materials and improving energy efficiency. One important research area was also the possibility of using high-strength special steels in construction.

Research into energy efficiency focused on the total energy efficiency of buildings and on optimising costs. Use of Ruukki’s products and solutions to manage a building’s total lifecycle energy efficiency results in considerable cost savings to customers, especially in system hall type buildings. Development within the construction business has increasingly also focused on defining the added value to customers in a way that can be easily understood and verified. Part of development work also included overhauling sales business models and tools.

Ruukki Metals

During the year, Ruukki expanded the dimensional ranges of high-strength structural steels, wear-resistant steels and protection steels it manufactures and improved their product properties based on the direct quenching method developed by Ruukki. New high-strength steels can be used to improve the competitiveness of the heavy engineering industry, especially with regard to mobile machines and equipment. Using the improved properties of wear-resistant steels Ruukki developed new applications in collaboration with the extractive industry. Likewise, the dimensional ranges and protection classes of protection steels were expanded and new steels of even better quality were developed.

The product range of hot-rolled steels was expanded with the addition of 40-80 mm thick Raex wear-resistant special steels to meet the needs of the extractive industry, ultra-high-strength Optim 960 QL suitable for mobile vehicles and customised Optim 700 QL 1 quenched and tempered special steel for applications in cold conditions. In addition, Ruukki launched Ramor 550 protection steel, which enables lighter structures than earlier in applications requiring protection against explosions or ballistic threats.

Special products, cost efficiency and environmental awareness were the focus areas within the process and product development of cold-rolled and coated products in 2013. The dimensional ranges of special steel products were expanded especially with new press-hardened boron steels and by developing the use of hot-rolled raw materials in hot-dip galvanising. New product launches included the Z600 coating, with excellent corrosion protection, and a very high-strength multiphase steel.

Product development within colour-coated steel sheets focused mainly on removing substances containing chromium and cobalt from colour-coated products and development work resulted in the compliance of most products with the requirements of REACH. In addition, two new coatings were launched: optimised Pural farm for agricultural construction and customised Hiarc reflect for energy-efficient commercial construction. The functionality of Hiarc reflect is based on special pigmentation that reflects the thermal rays of the sun. An important focus area within the process development of colour-coated products was the equipment investments made on the colour-coating lines to switch over to chromium-free products. These investments were completed in Hämeenlinna towards the end of the year. Preparations were made for future legislation by switching over to the use of completely chromium-free passivation chemicals in hot-dip galvanising.

The focus of product development within tube products was on high-strength structural tubes in steel construction, a wear-resistant Raex 400 tube and special-coated precision tubes. Friends Arena is Stockholm, Sweden is a good example of the application of high-strength steels in steel construction and development work seeks to further improve the potential for Optim structural tubes to be used in frame structures in construction. This would result in significant savings in material and manufacturing costs, whilst cutting emissions and reducing the use of non-renewable natural resources.

Development work on the Raex 400 tube focused on new applications, primarily in the mining industry, and on expanding the dimensional range. Raex 400 tube is the world's strongest cold-formed tube and provides unique properties and opportunities to improve the cost efficiency and operational reliability of mines. As regards coated precision tubes, the year saw the launch of Form Z600, a precision tube with a very thick zinc coating, which was also approved by the Finnish Transport Agency for use as road sign poles in Finland.

Within hot rolling, process development focused on improving the yield of high-strength steels. The project to improve the yield of high-strength sheet products optimised the manufacturing parameters of RAMOR, RAEX and OPTIM products. During the project, a line laser was brought into use at the strip mill to detect flatness immediately after water cooling. The line laser enables better control than earlier of the lower/upper surface ratio in cooling. A shortening of the scrapping length of hot strip significantly reduced material waste. Under the Finnish Metals and Engineering Competence Cluster's (FIMECC) Energy and life-cycle efficient metal processes (ELEMET) programme, work continued on microstructure modelling in plate rolling and on flow modelling of reheating furnaces. The microstructure model helped in the development of a rolling practice for quenched and tempered steels to give them considerably better impact toughness properties.

Within steel production, the focus area in process development was on special products and cost efficiency. The time to rinse the bottom of the converter was improved using various bottom nozzle solutions and by improving temperature control. A new consistent way of working was established to prepare charges to improve the timing of charges and casting series. Cost efficiency was improved by reducing planned manual and machine conditioning of slabs. An annealing furnace was brought into use in the slab yard to provide extra slab dehydrogenation capacity. The new hydrogen removal furnace has enabled has enabled the use of very long annealing times with the most complex special products. Three development projects were completed to improve the quality of special products: segregation control, nitrogen control and calcium processing control. These projects resulted in improved steel inclusion cleanliness and internal quality so that a start could be made on pilot deliveries of thick Raex products (>40 mm).

The main goal within development in iron-making was to improve cost efficiency, especially by developing material efficiency. Production at the briquetting plant reached the target level and the volume of briquettes used clearly exceeded the level planned. Briquette quality also significantly improved compared to a year earlier. Alternative grades of iron ore pellets were tested during the year and better pellet grades with new properties were developed with pellet suppliers. A practice was developed to utilise pellet undersize so that the finer undersize is made into briquettes and the blast furnace is charged with the coarser undersize. Several different development projects studied the use of slag and other materials that are sorted. At the coking plant, the focus of development work was on ways to improve the efficiency of the biological water treatment plant and on improving temperature control of the coke batteries. Cost efficiency was improved by starting to use new grades of coking coal.

Ruukki Metals is participating in a total of two out of eight Finnish Metals and Engineering Competence Cluster's (FIMECC) research programmes. The report year saw the launch of the MANU (Future Digital Manufacturing Technologies and Systems) programme. In addition, preparations were made for the SIMP (System Integrated Metal Processing) programme and for two materials technology research programmes Breakthrough Steels and Applications, and Hybrid Materials.

ENVIRONMENTAL MATTERS

Ruukki's focus areas on the environmental responsibility front are to strengthen product-related energy efficiency and lifecycle know-how, to develop energy efficient production, to increase recycling and material efficiency and to maintain responsible operations. We are responding to the growing interest of our customers on this front by innovating and producing energy-efficient steel solutions that cut energy costs throughout the life cycle of an end-user product or solution. In keeping with Ruukki's environmental policy, we are also committed to reducing environmental impacts arising from production.

Environmental objectives and targets support Ruukki's vision of being an innovative and acknowledged provider of energy-efficient steel solutions to build a better living environment together with our customers. In 2013, Ruukki revisited the company's environmental objectives and targets for 2013-2015 and the focus areas were defined as being: to provide customers with solutions where the energy and environmental aspect creates added value, to further improve Ruukki's energy and material efficiency and to strengthen open and continuous interaction. Achievement of these objectives is regularly tracked. Production sites operate in compliance with certified ISO 14001 environmental management and ISO 9001 quality management systems. In 2013, 100% (99) of our production sites had certified systems.

Ruukki takes thorough steps to actively track and anticipate future changes in environmental legislation. The Raahe Works in Finland submitted an application to the Regional State Administrative Authority for Northern Finland in May 2013 to review the environmental permit. A decision about the application is expected towards the end of 2014.

During 2013, Ruukki continued to address further development of energy-efficient products and production, as well as the potential of integrating renewable energy generation into steel construction. Our work on this front resulted in the launch of among other things Ruukki solar panel, an add-on product converting sunlight into electricity, and Ruukki Classic thermal solar roof, an integrated solution designed for installation on single-family homes to harness thermal energy. In addition, the range of Ruukki Raex special steel was expanded to also include the thicker wear-resistant steels needed in the mining industry. Choosing the optimum thickness of Raex wear-resistant steel in the manufacture of buckets and tipper bodies, for instance, can help to reduce the overall weight of the equipment itself and thus increase the payload, which in turn cuts fuel consumption.

Ruukki made environmental investments in production in 2013 totalling EUR 23 million (15), of which 90% (94) was allocated towards reducing environmental impacts at the Raahe Works. The largest single investment at the Raahe Works in 2013 was in an improvement to recover fugitive dust emissions at the steel plant and the associated new particulate filter device. The investment means that the filter now captures more than 90% of fugitive dust and dust can be increasingly recycled as a raw material.

Environmental investments made in previous years and the change in blast furnace feed stock made in conjunction with closure of the sinter plant at the Raahe Works have significantly reduced emissions into the air and lowered energy consumption. These changes have resulted in a decrease of 10% in specific carbon dioxide emissions and a fall of more than one terawatt hour in energy consumption at the works compared to 2011. Dust emissions have decreased by as much as 85%, fugitive dust from transport and storage by 18% and sulphur dioxide emissions by almost 70%. In addition, conversion of the blast furnace slag granulation units to using a closed water system and condensation of the steam released has eliminated malodorous emissions caused by hydrogen sulphide. The processes at Ruukki's steel works in Raahe give rise to dust, sludge, scale, fine scrap and slag. These were earlier returned to production through the sintering process. Since the sinter plant was closed, these materials have been processed at the briquetting plant.

Ruukki's carbon dioxide emissions in 2013 totalled 3.8 million tonnes in (2012: 3.8), of which 99% came under the EU's Emissions Trading Scheme. The final number of free emissions allowances awarded in the initial allocation for the third emissions trading period 2013-2020 has yet to be confirmed. In 2013, trading in emissions allowances generated net income totalling EUR 0.3 million (4).

As part of managing the carbon dioxide emissions balance, Ruukki is a participant in the World Bank's Community Development Carbon Fund and GreenStream Network Oy's Climate Opportunity Fund. Ruukki also participated in GreenStream Network Oy's Fine Carbon Fund, which closed in 2013. These funds purchase certified emissions reduction units, based on the Kyoto Protocol that can be used in the EU's Emissions Trading Scheme. The balance sheet value of emissions reduction funds and funds yielding emissions reductions totalled EUR 3 million (3) at year-end 2013.

More information about environmental matters can be found in environmental product declarations, the company's annual corporate responsibility report and on the website at www.ruukki.com. The corporate responsibility report widely describes Ruukki's work to promote sustainability and environmental matters as one of the key areas in this. The corporate responsibility report has not been verified by an external party. More information about Ruukki's energy-efficient products can be viewed on the company's website at: http://www.ruukki.com/Products-and-solutions.

CORPORATE GOVERNANCE 2013

Rautaruukki Corporation's Annual General Meeting was held in Helsinki on 21 March 2013. A total of 483 shareholders were represented at the meeting.

The Annual General Meeting approved the payment of a dividend for 2012 of EUR 0.20 per share. The dividend payout totalled EUR 28 million and was paid on 4 April 2013. In addition, the Annual General Meeting adopted the financial statements and consolidated financial statements and discharged the members of the Board of Directors and the President & CEO from liability.

It was confirmed that the number of members of the Board of Directors is seven (7). President & CEO Kim Gran, CEO Liisa Leino, President & CEO Matti Lievonen, CFO and deputy CEO Saila Miettinen-Lähde and CEO Jaana Tuominen were re-elected to the Board. Executive Advisor Timo U. Korhonen and CEO Matti Kähkönen were elected as new members of the Board of Directors. Kim Gran was re-elected as chairman of the Board of Directors and Matti Lievonen was elected as deputy chairman. KHT audit firm KPMG Oy Ab was re-appointed as the company's auditor, who appointed Petri Kettunen APA as the principal auditor.

Board of Directors' organisation

In its organisation meeting held on 21 March 2013, the Board of Directors elected committee members from among themselves. Matti Lievonen was appointed as chairman and Timo U. Korhonen, Liisa Leino and Saila Miettinen-Lähde as members of the Audit Committee. Kim Gran was appointed as chairman and Matti Kähkönen and Jaana Tuominen as members of the Remuneration and HR Committee. All members of the Board of Directors are independent of both the company and of the company's largest shareholders.

SHARES AND SHARE CAPITAL

SHARES ON THE NASDAQ OMX HELSINKI STOCK EXCHANGE				
31 December 2013	**Number of shares**	**Number of votes**	**Number of shares traded 2013**	**Value of shares traded 2013, EUR million**
RTRKS	140,285,425	140,285,425	106,451,792	765
1 Jan - 31 Dec 2013	**High**	**Low**	**VWAP***	**Close**
Share price	6.81	4.35	5.42	6.74
* Trade volume-weighted average price				
			31 Dec 2013	**31 Dec 2012**
Market capitalisation, EUR million			946	836
Foreign ownership, %			12.8	14.7

During 2013, a total of 106 million (151) Rautaruukki shares (RTRKS) were traded on NASDAQ OMX Helsinki for a total of EUR 765 million (991). The highest price quoted was EUR 6.81 in October and the lowest was EUR 4.35 in June. The volume-weighted average price was EUR 5.42. The share closed at EUR 6.74 (5.96) at the end of the report period and the company had a market capitalisation of EUR 946 million (836)

Rautaruukki's share is also traded, in addition to NASDAQ OMX Helsinki, on multilateral trading facilities (MTF). According to information received by the company, a total of 36 million (45) Rautaruukki shares were traded on MTFs for a total of EUR 141 million (286) during 2013.

The company’s registered share capital at year-end 2013 was EUR 238.5 million (238.5) and there were 140,285,425 shares outstanding. There were no changes in share capital in 2013. The company has one series of shares, with each share conveying one vote. Under the Articles of Association, a voting restriction applies whereby the votes of an individual shareholder are restricted to 80 per cent of the total number of votes represented by shares at a General Meeting.

At the year-end 2013, the company held a total of 1,396,152 treasury shares (1,392,470), which had a market value of EUR 9.4 million (8.3) and an accounting par value of EUR 2.4 million (2.4). Treasury shares accounted for 1% (1) of the total shares and votes.

Authority to acquire and transfer the company’s own shares

The 2013 Annual General Meeting granted the Board of Directors the authority to acquire a maximum of 12,000,000 of the company's own shares. The authority is valid until the following Annual General Meeting. This authority supersedes the earlier authority granted by the 2012 Annual General Meeting to purchase 12,000,000 shares and which was valid until the 2013 Annual General Meeting.

The 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 14,000,000 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 one year following the date of decision of the Annual General Meeting.

As at 31 December 2013, the Board of Directors had not exercised its authority to issue shares or to purchase the company’s own 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 viewed on the company’s website at www.ruukki.com/Investors.

LITIGATION AND OTHER PENDING LEGAL ACTIONS

On 30 April 2013, Rautaruukki and Ruukki Group Plc settled their name dispute in consequence of which Ruukki Group changed its name after the report period. Ruukki Group assigned all its rights to the Ruukki trademark and Ruukki name to Rautaruukki.

A number of lawsuits, claims and disputes based on various grounds are pending against Rautaruukki around the world. Management believes that the outcome of these lawsuits, claims and disputes will not have a material adverse effect on Rautaruukki’s financial position. Rautaruukki has itself also presented legal claims or is a plaintiff in disputes based on various grounds.

STRUCTURE AND MANAGEMENT CHANGES

New corporate business structure

Ruukki aims to accelerate its step change into a company specialising in steel construction and special steels. To this end, Ruukki reorganised its structure in the spring. Ruukki Construction was split into two new business areas: Ruukki Building Products and Ruukki Building Systems. Restructuring seeks to improve profitability and growth, as well as to improve manageability, the transformation pace and transparency.

From the second quarter onwards, the company has three reporting business areas:

Ruukki Building Products
Ruukki Building Systems
Ruukki Metals

Corporate Executive Board appointments in conjunction with restructuring

Olavi Huhtala remains EVP, Ruukki Metals. Marko Somerma, formerly Chief Strategy Officer, was appointed EVP, Ruukki Building Products with effect from 1 May 2013. Tommi Matomäki, formerly EVP, Ruukki Construction, was appointed EVP, Ruukki Building Systems. Toni Hemminki was appointed Chief Strategy Officer and remains SVP, Technology, Energy and Environment. The above persons all continue being members of the Corporate Executive Board.

Changes in the Corporate Executive Board

Sami Ärilä, LLM, was appointed Senior Vice President, Human Resources and a member of the Corporate Executive Board of Rautaruukki Corporation as of 1 March 2013. He reports to the President & CEO Sakari Tamminen. Sami Ärilä has been working for Ruukki for approximately five years, most recently as Vice President, Human Resources Management.

Markku Honkasalo, CFO and a member of the Corporate Executive Board, left the company to take up a position outside Ruukki. Mikko Hietanen, EVP, Business Development, is acting Chief Financial Officer.

Composition of Rautaruukki's Nomination Board

Kari Järvinen, Managing Director (Solidium Oy), served as chairman of the Nomination Board with Pekka Pajamo, CFO (Varma Mutual Pension Insurance Company) and Jorma Eräkare, Head of Finnish Equities CEFA (Nordea Investment Fund Company Finland Ltd) as members. Kim Gran, Chairman of Rautaruukki's Board of Directors, served as the Nomination Board's expert member.

Nomination Board's proposal to the Annual General Meeting regarding the composition and fees of Rautaruukki's Board of Directors

On 29 January 2014, after the report period, it was announced that the Nomination Board appointed by Rautaruukki's shareholders is to propose to the Annual General Meeting convening on 18 March 2014 that the number of members of the Board of Directors remains unchanged at seven. The Nomination Board proposes the re-election of Kim Gran, Timo U. Korhonen, Matti Kähkönen, Liisa Leino, Matti Lievonen, Saila Miettinen-Lähde and Jaana Tuominen. The Nomination Board proposes that Kim Gran be elected as chairman of the Board and Matti Lievonen as deputy chairman. All the candidates have consented to stand for election. It is proposed that the fees of the Board of Directors remain unchanged.

KEY RISKS AND RISK MANAGEMENT

Risk management

Risk management seeks to underpin Ruukki's strategy and achievement of targets and to ensure business continuity. Risk management is guided by the corporate risk management processes and actions defined in the risk management policy approved by Ruukki's Board of Directors. Risk management is organised as an integrated part of the management system and the risk aspect is incorporated into the everyday operations and decision-making of all core business areas and business support processes.

Key risks facing Ruukki

Steel market and competitive position

Declining demand, over capacity and price competition in the steel market can make Ruukki's position difficult in the main market area. International comparison shows Ruukki's steel production to be competitive, but small in terms of production volume. Crude steel production takes place in two blast furnaces integrated into one production unit. This means steel production has limited flexibility compared to large competitors, who have a number of production units enabling them to optimise production between units. Ruukki has prepared for this risk by improving cost efficiency and by aligning costs to business volumes. The company is securing its position on the home market and developing customer-specific service and further improving delivery accuracy, flexibility and quality.

Quick growth of the special steels business

Ruukki's strategic intent is profitable business growth in special steel products and construction solutions. Quick, profitable growth of the special steels business encompasses the goal of becoming lead supplier to as many customers as possible. Ruukki has prepared for these risks by growing value added sales so that they account for a greater share of total sales and by training and guiding salespersons. Sales must have a deep insight into customers' businesses. In sales, the emphasis is on the importance of focusing on suitable and profitable customer segments. Distribution channels for special steel products must be developed to ensure prompt global deliveries also at short notice. Efforts will be made to increase sales in the emerging markets.

Major change in competitive position in the steel business in the home market

Ruukki sells most of its steel products in Finland and the other Nordic countries. Any major change in the competitive position in main markets or, for example, the relocation of customers to lower-cost countries, might affect the company's business.
Ruukki has prepared for such scenarios by, among other things, developing its international distribution network for special steel products and by securing its market share by improving distribution, delivery reliability and customer service in the Nordic countries. Ruukki is strongly focusing on products and segments where it can achieve a strong market position.

Reputation risks

A good corporate image based on facts and a positive image among stakeholders are important to Ruukki. Reputation risks faced by the company might result from various crisis situations or from unmanageable or negative media publicity. Corporate responsibility might also involve reputation risks. In consultation with the personnel, Ruukki has defined the values that form the basis for the company's ways of working. Risks to reputation are prevented also by performing comprehensive environmental and social responsibility audits, and by improving safety at work. The company has prepared for any crisis situations by providing crisis communication guidelines and by regular training in crisis management and communication.

Availability and prices of steel feedstock and critical services

The prices, including freight charges, of iron ore, coking coal and other main raw materials used in steel production are determined on the global markets. This can cause the cost of raw materials to fluctuate greatly even at short notice. The supply of main raw materials is in the hands of a few large suppliers. A considerable share of value in the processing chain has shifted to producers of raw materials. China-driven consumption increases prices and causes volatility in the prices of raw materials. Many large steel companies have acquired or are in the process of acquiring their own raw material reserves. Ruukki's operations also depend on, for example, the availability and cost of icebreaking and logistics services.
Raw material risks have been carefully identified to manage risks. The price risk hedging policy has also been reviewed. Ruukki has sufficiently long supply contracts with several suppliers. The availability of competitively priced raw materials has been ensured especially with regard to coking coal and iron ore. Particular attention has been given to ensuring the availability of icebreaking, logistics and other competitive infrastructure services.

Costs arising from regulation

The company's competitiveness is affected by additional costs arising from increasingly stricter environmental legislation and carbon emissions trading, especially when the same rules of play do not apply equally to all players on the field. The Sulphur Directive entering into force across the European Union in 2015 will have a particular impact since it will affect freight costs. Coking coal consumption in steel production at Ruukki is almost at the minimum possible using current processing technology and the company is one of the most carbon efficient in the world. To reduce emissions, Ruukki has switched over to using iron pellets instead of iron ore in steelmaking. The company has taken thorough steps to forecast and actively track changes in environmental legislation. All the company's main production sites operate in compliance with the ISO 14001:2004 environmental management standard. Ruukki is capitalising on new business opportunities spawned by increasing regulation by developing energy-efficient solutions, such as building-integrated solar and energy panels. Energy-efficient, sustainable construction is a key element in the development of Ruukki's construction business. Higher payloads are one of the ways customers can benefit from improved energy efficiency as a result of using Ruukki's special steels.

Financial risks

Ruukki's business is exposed among other things to risks caused by currency fluctuations. Business volatility requires adequate financial reserves to be maintained. Weakened profitability increases the gearing ratio and together with business volatility could jeopardise the company's financial position and push up finance costs. Currency, credit and interest rate risks affect cash flow and capital structure. There is a refinancing risk associated with large loans and committed credit facilities in different market conditions. Currency exchange rates in emerging markets might fluctuate greatly and cause value changes in the company's investments. Exchange rate movements also give rise to the risk of a write down in balance sheet values.

Ruukki's financing, financial and credit risk management is centralised at the parent company's Financing function in accordance with the financing and credit policy approved by the Board of Directors. Derivatives are used to hedge currency risks. The company has continuous access to undrawn committed credit limits and liquid assets to manage the liquidity risk. Ruukki's financial reserves are at an adequate level and the long-term maturity structure has been spread across different banks and financiers. It can be assumed that counterparty risk will also increase as the emerging markets account for a growing share of the company's business Ruukki's customer credit risks are extensively monitored and the amount of credit losses compared to net sales has been very minor over recent years. The group's currency, interest rate, commodity price, liquidity and credit risks are detailed in the notes to the financial statements.

Labour market disruptions

Delivery accuracy is an increasingly critical competitive factor and delivery disruptions thus exert a growing economic impact. Labour market disruptions, especially illegal strikes, are a main cause of delivery disruption. These disruptions can be prevented proactively by improving supervisory work and leadership. Decision-making mechanisms are being clarified and the role and competence of work management are being strengthened. The entire personnel have been set the goal of continuously improving delivery accuracy.

Business risks in Russia

Ruukki's business risks in Russia relate to questions regarding the macro economy, such as the fact that the Russian economy is largely based on revenues from energy exports. Dependency on the energy prices can add to rapid changes in the business environment in Russia. These risks are managed through exercising caution in growing the business and by actively monitoring Ruukki's position in Russia. Alertness in choosing partners, a good relationship with the authorities and categorical compliance with Ruukki's Code of Conduct are also critical success factors.

Major breakdown in production

There is a high risk of breakdown in the company's own steel production, especially upstream in the process. This is why much attention has been given to risk management at the steel mill. Ruukki's other production facilities clearly constitute smaller, individual risks. Modern, systematic proactive maintenance and the replacement of processes and systems are a key part of risk management and can help to prevent the occurrence of disruptions in production. Risks are also mitigated by setting up standard procedures to choose suppliers and other partners, and to ensure the quality of unfinished products in own production. From the business continuity aspect, it is important to ensure adequate operational readiness of core processes in all situations, also with regard to data networks, the enterprise resource planning system and communication systems. The group has extensive property damage, business interruption and logistics insurance programmes.

Contract and product liability risks

As the degree of upgrading in Ruukki's products and services rises, the liability of product and service functionality and the content of the contracts signed with customers become more important. This must be taken into account particularly when operating in new markets and when selling larger concepts. The company reviews its own operational processes to eliminate quality and product liability risks. For larger deals, the company carries out systematic project reviews both at the start of and during deliveries. Contract risks are mapped in all business activities and contractual expertise is ensured for all significant deals. The company operates adequate quality management systems to avoid quality and product liability risks in its products and solutions and has appropriate liability insurance for its business. The company's integrated quality and environmental management system complies with ISO 9001:2000 and 14001:2004. The company has a cost-effective, comprehensive, corporate-wide liability insurance programme.

Project business risks

Ruukki's project business risks are intertwined with the cyclicality of the construction industry. Customers are major actors with sound project management expertise. Ruukki's project business typically has a number of separate major projects under way at the same time and a delay in one such project can impact on the performance of the entire business area. These risks are managed by developing project management competence, increasing contract risk management skills and by further improving project management methods.

Profitable growth of the building products business

The cyclicality of the construction industry is also viewed as a risk that threatens Ruukki Building Products' profitable growth. Weak development of the Finnish economy can have a significant impact on Ruukki Building Products' performance. This risk is managed by strengthening efforts in marketing, technological development and value added sales. Outside Finland, Ruukki Building Products is also pursuing growth in the other Nordic countries, Central Eastern Europe and Russia. The aim is for pursue modular solutions for all business models and to increase the share of renovation construction in the roofing business and in other building component businesses.

Injuries

Ruukki is pushing for a safe, accident-free working environment. This aim can be achieved by complying with common safety operating models. Safety has been integrated into the management system and everyday supervisory work. To avoid injuries, Ruukki is particularly focusing on personnel training and an extensive oversight of operations. Safety in the working environment is continuously monitored at all sites using a common reporting system and operating process. Best safety practices are pursued by comparing activities within the company and with other companies.

The company's business risks and risk management are detailed in the Annual Report 2013.

EVENTS AFTER THE REPORT PERIOD

SSAB and Rautaruukki to combine through SSAB making a recommended share exchange offer to Rautaruukki's shareholders

On 22 January 2014, the Boards of Directors of SSAB AB and Rautaruukki Oyj announced a plan to combine the two companies through SSAB making a recommended public share exchange offer to Rautaruukki's shareholders with a premium of 20% based on the last three-month volume-weighted average share prices of both SSAB and Rautaruukki. AB Industrivärden intends to continue to act as the lead active shareholder in supporting the company's future development. The combined company will be a Nordic and U.S.-based steel company with a global reach and cost-efficient and flexible production. The proposed combination is expected to create substantial value for the shareholders in the combined company through the realisation of annual cost synergies of up to SEK 1.4 billion (EUR 150 million). The combined company will continue to serve customers with a broad offering within high strength steels, standard strip and plate products as well as tubular products. SSAB's construction related operations (Plannja) will be combined with Ruukki's Building Products and Ruukki's Building Systems operations to form a separate construction business division. This is expected to generate additional synergies.

Other events

In January, after the report period, it was announced that the employer-employee negotiations initiated by Ruukki Metals Oy at the Kiiluntie steel service centre in December 2013 had been completed. The negotiations resulted in a maximum of 26 persons being temporarily laid off simultaneously in accordance with a separate plan and the order book. Initially a maximum of ten persons will be laid off at a time. Lay-offs will last for a maximum of 90 days and will take place in early 2014, starting in February. The unit's entire personnel of 54 persons are affected by the lay-off negotiations, which were held for reasons related to aligning production and costs to current market conditions.

In January, after the report period, it was also announced that the negotiations concerning possible workforce reductions and temporary lay-offs in Raahe initiated in November by Presteel Oy had been completed. The need for lay-offs will be assessed depending on the order book and any lay-offs will be effected in accordance with a separate plan. Lay-offs will continue at most until the end of 2014 and affect a maximum of the entire personnel of 51 persons. No redundancies will occur as a result of these negotiations, which were held because of a need to align Presteel's production and costs with weakened market conditions and the order book.

On 29 January 2014, after the report period, it was announced that the Nomination Board appointed by Rautaruukki's shareholders is to propose to the Annual General Meeting convening on 18 March 2014 that the number of members of the Board of Directors remains unchanged at seven. The Nomination Board proposes the re-election of Kim Gran, Timo U. Korhonen, Matti Kähkönen, Liisa Leino, Matti Lievonen, Saila Miettinen-Lähde and Jaana Tuominen. The Nomination Board proposes that Kim Gran be elected as chairman of the Board and Matti Lievonen as deputy chairman. All the candidates have consented to stand for election. It is proposed that the fees of the Board of Directors remain unchanged.

NEAR-TERM OUTLOOK

Global economic growth is forecast to continue modest during 2014. The eurozone and Finland's economy are forecast to pull out of recession and to show modest growth of around 1% on the back of strengthening exports. Economic activity is forecast to show a slight improvement in almost all Ruukki's important markets, especially in Germany and Sweden. Growth in domestic demand in Germany is expected to add momentum to economic recovery also in Central Eastern Europe and signs of this were already seen, especially in Poland, towards the end of 2013. Economic growth in Norway, which is stronger than in the eurozone, is forecast to slow to around 1% in 2014. Modest development in industrial production and investments indicate that slowing economic growth in Russia is not expected to pick up. This gives rise to uncertainty also in Ruukki's growth forecasts in Russia.

In construction, modest growth recovery is forecast in most of Ruukki's main market areas in 2014, albeit at a very low level. However, in Finland, a further decline in residential construction activity is forecast and this will weaken demand within Ruukki Building Products. In the other Nordic countries, residential construction activity is forecast to show slight growth compared to the previous year. Likewise, infrastructure construction activity is anticipated to remain at a low level in Finland, but forecast to be at a good level in the other Nordic countries. In Poland, the downturn in construction levelled off towards the end of 2013 and positive development is expected to continue in 2014. In Russia, demand in Ruukki's important segments is forecast to remain at about the same level as in 2013. Large construction volume in Russia provides good growth prospects for Ruukki's building products and solutions.

Demand for steel is forecast to grow by around 3% across the EU in 2014. This pick-up in demand is expected to impact on inventory levels of steel wholesalers in Europe which, at the end of the report period, were still at a lower level than a year earlier. Inventory restocking and a pick-up in demand are expected to raise steel prices slightly during the first quarter of 2014. Nevertheless, growth in steel demand is still hampered by overcapacity in the steel markets, slowing economic growth in emerging countries and debt problems of EU countries.

Because of prevailing overcapacity, the price development of standard steels in particular depends both on demand and greatly on the price development of raw materials. The market prices of iron ore and coking coal are not expected to rise during the early part of 2014, especially since as regards iron ore the market is gearing up for additional production capacity.

Demand for special steels is expected to clearly outperform demand for standard products, especially in market areas outside Europe. Long-continued weakened demand from the mining industry equipment manufacturers is expected to improve during the second half of 2014. The most important growth areas for special steels are the Americas, several countries in Asia and, in Europe, Turkey.

At Ruukki, good progress was made with accelerating sales growth of special steels by acquiring new customers, developing new products and applications and by expanding into new market areas. The past year saw a significant expansion of the global distribution and sales network for special steels. It is estimated the results of efforts on this front will be reflected in sales figures mostly from the second quarter of 2014 onwards. Looking ahead, there is expected to be good scope to grow sales of special steel products. The target is to achieve annual sales of special steel products of EUR 850 million in 2015 (2013: EUR 558 million).

During the report year, the efficiency programmes initiated at Ruukki in 2012 delivered an improvement totalling around EUR 70 million (20). Since no significant turn for the better in steel demand is expected in the main market area in Europe within the next few years, Ruukki Metals is initiating a new efficiency programme aiming at a permanent annual improvement of around EUR 30 million in earnings performance, which is expected to be achieved in full during the course of 2015. This means the earlier corporate-wide permanent earnings improvement target of EUR 100 million has risen to EUR 130 million. The efficiency programme within Ruukki Building Systems will continue and the aim is to further improve profitability.

Comparable net sales in 2014 are estimated to grow compared to 2013. Comparable operating profit in 2014 is estimated to improve compared to 2013.

Consolidated financial statements

Consolidated income statement

€m	Note	2013	2012
Net sales	3	**2 405**	2 796
Cost of sales	4	**-2 174**	-2 656
Gross profit		**231**	140
Other operating income	5	**13**	13
Selling and marketing expenses	4, 6, 7	**-104**	-115
Administrative expenses	4, 6, 7	**-106**	-138
Other operating expenses	5	**0**	0
Operating profit		**34**	-101
Finance income		**40**	45
Finance costs		**-76**	-85
Net finance costs	8	**-36**	-40
Share of profit of equity-accounted investees	13	**-3**	2
Result before income tax		**-6**	-139
Income taxes	9	**-8**	22
Result for the period		**-14**	-117
Attributable to			
Owners of the company		**-14**	-118
Non-controlling interest		**0**	0
Earnings per share:			
Basic, €	10	**-0.10**	-0.85
Diluted, €	10	**-0.10**	-0.85

Consolidated statement of comprehensive income

€m	Note	2013	2012
Result for the period		**-14**	-117
Other comprehensive income			
Items, that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability	24	**9**	-11
Tax on items that will not be reclassified to profit or loss	16	**-3**	2
Total items, that will not be reclassified to profit or loss		**5**	-9
Items, that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges	16	**-15**	-11
Cash flow hedges reclassified to profit and loss during the period	16	**9**	-8
Translation differences		**-20**	9
Translation differences reclassified to profit and loss during the period			-5
Tax on items that may be reclassified subsequently to profit or loss	16	**1**	5
Total items, that may be reclassified subsequently to profit or loss		**-26**	-10
Total comprehensive income		**-34**	-136
Attributable to			
Owners of the company		**-34**	-137
Non-controlling interest		**0**	0

Consolidated statement of financial position

€m	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1 079**	1 122
Goodwill	12	**65**	72
Other intangible assets	12	**38**	50
Equity-accounted investees	13	**31**	35
Available-for-sale financial assets	14	**13**	14
Other non-current receivables	15	**76**	79
Deferred tax assets	16	**42**	46
		1 344	1 416
Current assets			
Inventories	17	**557**	590
Trade receivables	18	**243**	270
Other receivables	18	**83**	77
Income tax receivables		**4**	6
Financial assets	19	**1**	0
Cash and cash equivalents	20	**46**	20
		934	964
Total assets		**2 278**	2 380
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital	22	**238**	238
Share premium	23	**220**	220
Translation differences	23	**-45**	-25
Other reserves	23	**-22**	-17
Retained earnings		**619**	655
		1 010	1 072
Non-controlling interest		**3**	3
Total equity		**1 013**	1 074
Non-current liabilities			
Loans and borrowings	26	**358**	533
Other non-current liabilities	24, 27	**66**	69
Provisions	25	**2**	2
Deferred tax liabilities	16	**7**	1
		432	604
Current liabilities			
Loans and borrowings	26	**387**	253
Trade payables	27	**279**	246
Other current liabilities	27	**158**	189
Provisions	25	**5**	9
Income tax liabilities		**3**	4
		833	702
Total liabilities		**1 266**	1 305
Total equity and liabilities		**2 278**	2 380

Consolidated statement of changes in equity

€m	Share capital	Share premium	Fair value and other reserves	Translation differences	Treasury shares	Retained earnings	Non-controlling interest	Total equity
	Equity attributable to owners of the company							
EQUITY AT 1 JAN 2012	238	220	3	-29	-6	849	2	1 278
Total comprehensive income								
Result for the period						-118	0	-117
Other comprehensive income, net of tax								
Cash flow hedges			-14					-14
Defined benefit plan actuari						-9		-9
Translation differences				4				4
Total comprehensive incom			-14	4		-127	0	-136
Transactions with owners of the company								
Dividend distribution						-69		-69
Share based payments			0		0			0
Other change						2		2
Transactions with owners of			0		0	-68		-67
EQUITY AT 31 DEC 2012	238	220	-11	-25	-6	655	3	1 074
Total comprehensive income								
Result for the period						**-14**	**0**	**-14**
Other comprehensive income, net of tax								
Cash flow hedges			**-6**			**0**		**-5**
Defined benefit plan actuari						**5**		**5**
Translation differences				**-20**				**-20**
Total comprehensive incom			**-6**	**-20**		**-8**	**0**	**-34**
Transactions with owners of the company								
Dividend distribution						**-28**		**-28**
Share based payments			**0**		**0**			**0**
Other change			**0**					**0**
Transactions with owners of			**0**		**0**	**-28**		**-28**
EQUITY AT 31 DEC 2013	**238**	**220**	**-16**	**-45**	**-6**	**619**	**3**	**1 013**

More information on equity items can be found from notes 22, 23 and 30.

Consolidated statement of cash flows

€m	Note	2013	2012
Cash flows from operating activities			
Result for the period		**-14**	-117
Adjustments			
Adjustments to cash flows	21	**120**	150
Net finance costs		**36**	40
Income tax expense		**8**	-22
Changes in working capital			
Change in trade and other receivables		**30**	52
Change in inventories		**33**	113
Change in trade and other payables		**-1**	8
Interest paid		**-29**	-36
Interest received		**1**	1
Dividends received		**2**	3
Other financing income and expenses		**-1**	-6
Income tax paid		**-1**	-12
Net cash from operating activities		**184**	172
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash at acquisition date	35		-2
Divestment of subsidiaries, net of cash at divestment date	36		-5
Investments in property, plant and equipment		**-84**	-88
Investments in intangible assets		**-5**	-7
Proceeds from sale of property, plant and equipment		**6**	10
Investments in loan receivables and other financial assets		**0**	-1
Net cash used in investing activities		**-84**	-94
Net cash flow before financing activities		**101**	78
Cash flows from financing activities			
Dividends paid		**-28**	-69
Proceeds from non-current loans and borrowings		**35**	30
Repayments of non-current loans and borrowings		**-45**	-27
Change in current loans and borrowings		**-28**	-63
Other net cash flow from financing activities		**-6**	-7
Net cash from financing activities		**-72**	-136
Change in cash and cash equivalents		**29**	-58
Cash and cash equivalents at the beginning of period		**21**	78
Effect of exchange rate fluctuations		**-3**	1
Cash and cash equivalents at end of period		**47**	21

Notes to the consolidated financial statement

1. Accounting policies

General information
Rautaruukki provides its customers with energy-efficient steel solutions for better living, working and moving. The company operates in around 30 countries and employs around 9,000 people. Net sales in 2013 totalled EUR 2.4 billion. Rautaruukki's share is quoted on NASDAQ OMX Helsinki (Rautaruukki Oyj: RTRKS). The company uses the marketing name Ruukki. At its meeting on 13 February 2014, Rautaruukki Corporation's Board of Directors approved these financial statements for disclosure. Under the Limited Liability Companies Act - Finland, shareholders may adopt or reject the financial statements at the Annual General Meeting held after disclosure. The Meeting may also resolve to amend the financial statements.

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations in force at 31 December 2013. In the Finnish Accounting Act and the regulations based thereon, IFRS refers to the standards and the interpretations issued with regard to them that have been endorsed for application within the EU in accordance with the procedure prescribed in EU Regulation (EC) 1606/2002. The notes to the consolidated financial statements also take in the requirements of Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared under the historic cost convention, except for the items referred to below, which are measured at fair value as required by the standards. The parent company and subsidiaries have the same accounting period, which is the calendar year, and subsidiaries comply with the consolidation principles discussed here.

The financial statements are presented in millions of euros. For presentation purposes, individual figures and totals are rounded to the nearest whole millions of euros. This means that the sum of the individual figures may differ from the total shown.

New and amended standards applied in the financial year ended 31 December 2013
Rautaruukki Corporation has complied with the amendments to the following standards entering into force in 2013:

Amendments to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 July 2012): The amendment requires items of other comprehensive income to be grouped into items that can be reclassified subsequently to profit and loss when certain conditions are met and those that will not be reclassified to profit and loss. Also deferred taxes associated with these items are similarly presented.

- Items that can be reclassified subsequently to profit and loss are translation differences and gains and losses realised on available-for-sale financial assets or cash flow hedges
- Items that will not be reclassified subsequently to profit and loss are items arising from the remeasurement of defined benefit plans (IAS 19)

These financial statements have also restated reference periods in accordance with the amended form of presentation

Amendment to IAS 19: *Employee benefits* (effective for financial years beginning on or after 1 January 2013): Most significant amendments:

- The so-called corridor method has been eliminated so that all actuarial gains and losses are recognised as they occur in items of other comprehensive income and the full net liability or asset arising from employee benefits is entered in the statement of financial position.

- Finance costs are determined on a net funding basis and the expected yield from funds is calculated by using the same discount rate as used to calculate the current value of the obligation.

Elimination of the corridor method does not result in any changes for Rautaruukki because Rautaruukki ceased using the corridor method as long ago as in 2008. Using the same discount rate, calculation of the yield of funds and present value of the obligation increased salaries and other employee benefits by EUR 2.4 million in 2012. The comparable figures and indicators have been restated accordingly.

Impacts of the amended standard on the consolidated statement of financial position and income statement in the reference period were as follows:

STATEMENT OF FINANCIAL POSITION

€m	1 Jan 2012	31 Dec 2012
Deferred tax assets	-1.0	-0.8
Retained earnings	3.1	3.1
Total comprehensive income		-0.8
Defined benefit obligation	-4.1	-3.1

INCOME STATEMENT

€m	2012
Employee benefits	-2.4
Change in deferred taxes	0.6
Result for the period	-1.8
Actuarial gains and losses	1.3
Tax on actuarial gains and losses	-0.3
Total comprehensive income for the period	-0.8

IFRS 13 *Fair Value Measurement*: IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 has expanded some notes to the consolidated financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures*: The amendments clarify disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The disclosures required by these amendments have been presented retrospectively. The amendments have no material impact on the consolidated financial statements.

Changes in corporate structure and segment reporting

Since 1 January 2013, the operations of the Ruukki Engineering units excluded from the Fortaco arrangement completed in December 2012 have been reported as part of Ruukki Metals' business. The Ruukki Engineering units transferred to Fortaco and the other Ruukki Engineering units have been eliminated from the comparable consolidated figures. Comparable figures for the reference periods have been restated accordingly.

At the start of the second quarter of 2013, Ruukki Construction division was split into two business areas with reporting responsibility: Ruukki Building Products and Ruukki Building Systems. Ruukki Building Products supplies roofing, sandwich panel, foundation and infrastructure products, including services. Ruukki Building Systems comprises the building project business, including the units in Russia and Romania, and the new energy-efficient and functional buildings development unit. Comparable figures for the reference periods have been restated accordingly.

Use of estimates
The preparation of an interim report 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 those estimates and assumptions made.

The most important items in the consolidated financial statements which require management's judgments and which may include uncertainty are stated below.

Business combinations are estimated at the fair values of the assets and liabilities of the business acquired. The estimates of both internal and external specialists are used when measuring the fair values of tangible and intangible assets. These estimates include uncertainty that could impact on the consolidated result and on assets and liabilities. Note 35 Business combinations and Note 36 Business disposals.

The economic lifetimes of tangible and intangible assets are measured in accordance with the standard instruction corporate-wide. The economic lifetimes of assets can include risks depending on their ability to generate income and lifetimes are regularly tested (annually). Note 11 Property, plant and equipment and Note 12 Intangible assets.

Revenue from the sale of goods is recognised when the significant risks, rewards and actual control incidental to ownership have been transferred to the buyer, the revenue and costs incurred in respect of the transaction can be reliably measured and it is probable that the economic benefits of the transaction will flow to the company.

Long-term projects are recognised on the basis of degree of completion, which is measured using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. When the outcome of a transaction cannot reliably be estimated, revenue is recognised only to the extent of the expenses probably recoverable. Transaction costs are expensed in the financial period incurred. An expected loss on a project is expensed immediately.

Estimates are regularly reviewed. Sales revenues and costs are adjusted during a project when estimates concerning the outcome of the entire project are specified. Changes in schedules, delivery scope, costs and any other factors affect estimates concerning the outcome of the entire project.

Recognition of provisions is associated with uncertainty and management's estimates and discretion.

Environmental obligations
An environmental provision is booked on the basis of existing interpretations of environmental protection acts and regulations. A provision is booked when it is probable that an obligation has arisen and the amount of the obligation can be reliably estimated.

Restructuring provisions
A restructuring provision is booked when the group has prepared a restructuring plan and when the persons affected by the arrangement have valid grounds to expect that restructuring will be carried out. Valid grounds can be considered either as a start on carrying out the plan or that the main points of the plan have been communicated.

Warranty provisions
The group gives a warranty on certain products, for which a warranty provision is set up based on previous experience.

Other provisions
Provisions for onerous contracts and litigation are reported under Other provisions. A number of lawsuits, claims and disputes based on various grounds are pending against Rautaruukki around the world. Rautaruukki has itself also presented legal claims or is a plaintiff in disputes based on various grounds. A provision for these legal claims and disputes is booked when an unfavourable outcome is probable and the amount of the loss can be reliably estimated. The final outcome can differ from these estimates. See Note 25 Provisions for more details about provisions

Recoverable amounts of goodwill are determined for all cash-generating units at least annually in the form of value in use. Value in use is determined using estimates of future market development, such as growth and profitability, as well as other significant factors. The most important factors underlying such estimates are the market prices of steel products and raw materials, business cycles in the construction and engineering industries, exchange rate developments and the discount rate used. The assumptions applied by management are based on previous experience as well as on the forecasts by various trade associations of global development in the sector. Changes in these assumptions can significantly affect the expected future cash flows. Note 12 Intangible assets.

Defined benefit plan obligations are determined on the basis of actuarial estimates of factors including future salary increases, forecast retirement age and life expectancy, employee churn, discount rates and income expected from reserve funds. Changes in these assumptions can significantly affect pension obligations and pension costs. Note 24 Pension obligations.

Investments in funds producing certified emissions reductions (CER) are valued at acquisition cost until their final result is reliably known. Fund terms and conditions are such that that unless there are enough suitable investment targets for the funds, the number of CERs and thus the amount of money invested in them might change. Investments already paid into funds can also be reclaimed. Funds involve a significant volume risk since the amount of CERs available in future will significantly impact on investment value. Note 12 Intangible assets.

Recognition of deferred taxes involves uncertainty as regards their usability. Estimates in this respect have been described in Note 16 Deferred tax assets and liabilities. Most of the deferred tax asset booked for losses consists of assets booked by the group's Finnish companies. On the basis of calculations made, management expects the companies to accrue future taxable income against which the losses can be offset.

Consolidation and accounting policies

Operating segments
Rautaruukki's operations have been divided into three operating segments on the basis of the organisational and management structure and internal financial reporting. These operating segments are: Ruukki Building Products, Ruukki Building Systems and Ruukki Metals. The group's chief operating decision-maker, the President & CEO, regularly assesses the activities and performance of the operating segments and decides on the allocation of resources based on the authorities given by the Board of Directors. The performance and operative capital employed of the operating segments have been stated using the same measurements and subtotals reported to the chief operating decision-maker. In addition to operating profit, performance is also assessed after adjustment by items affecting comparability. These items are detailed in the notes to the financial statements. The accounting policies applied to segment reporting are consistent with those used to establish the consolidated financial statements. Sales and administrative costs consist of a segment's own costs and costs allocated to the segment based on net sales or use of resources. There are no intersegment sales which the company's management would monitor in internal reporting. Cash

generating units have not been combined in the presentation of segment information. The reporting operating segments are:

Ruukki Building Products
Ruukki Building Products supplies roofing, wall panel, foundation and infrastructure products, including services.

Ruukki Building Systems
Ruukki Building Systems comprises the building project business, including the units in Russia and Romania, and the new energy-efficient and functional buildings development unit.

Ruukki Metals
Ruukki Metals manufactures and supplies steel and special steel products, including high-strength, wear-resistant and special-coated products for demanding applications. Steel service centres supply steel products and related prefabrication, logistics and storage services, and also sell stainless steel and aluminium products as trading products.

Other items include corporate administration costs and other non-allocated items.

Comparable result
In addition to consolidated figures, consolidated and segment comparable net sales and operating profit have been stated to ensure a better understanding and comparability of Ruukki's operating activities and result. Items affecting comparability have been eliminated from the comparable figures. These items are:
Items related to changes in the business structure, for example

- Changes in group structure (acquisitions and disposals)
- Items related to discontinued and held for sale operations, for example
    - Write-down of inventories and impairment of assets
    - Restructuring costs
    - Fair value adjustments booked in business combinations
- Items related to continued business activities, for example
    - Costs attributable to strikes and efficiency and restructuring measures

Operative capital employed of business segments
Operative capital employed is the indicator that is reported to management and which management monitors. Operative capital employed is defined as follows:
+ Tangible and intangible assets
+ Available-for-sale financial assets
+ Inventories
+ Trade receivables
- Trade payables
- Advances received

Subsidiaries
The consolidated financial statements comprise Rautaruukki Corporation and its subsidiaries. Subsidiaries are companies in which the group has a controlling interest, which arises when the group holds more than half of the voting rights or otherwise has the power to govern the financial and operating policies of a company. The existence of potential voting rights is taken into account when assessing the conditions under which control arises whenever instruments conferring potential voting rights can be exercised at the review date. At the end of the report period, 31 December 2013 or 31 December 2012, the group has no instruments conferring potential voting rights.

Intra-group share ownership has been eliminated using the purchase method. The consideration transferred and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of acquisition. Acquisition costs, except for costs arising from the issue of debt or equity securities, are expensed. Consideration transferred does not include businesses treated separately from the acquisition. The impact of these is recognised through profit and loss in connection with the acquisition. Any contingent consideration is measured at fair value at the acquisition date and is classified as either a loss or equity. Contingent consideration classified as debt is measured at fair value at each report period-end and the gain or loss arising is recognised through profit and loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured.

Acquired subsidiaries are accounted for in the consolidated financial statements from the time the group gains control and divested subsidiaries are accounted for up to the time control ceases. Intragroup transactions, receivables, liabilities and intra-group profits are eliminated in preparing the financial statements. Any non-controlling interest in the acquisition is measured either at fair value or at the non-controlling interest's proportionate share of the identifiable net assets of the acquisition. The measuring principle is defined separately for each acquisition. The consolidated comprehensive income is attributed to the owners of the parent company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance. The proportion of equity belonging to non-controlling interests is shown as a separate item under equity in the statement of financial position. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Ownership of an acquisition that takes place in stages is measured at fair value and the profit or loss arising is accounted for through profit and loss. When the group loses control in a subsidiary, the remaining investment is measured at fair value at the date control ceased and the difference arising is accounted for through profit and loss.

Acquisitions taking place before 1 January 2010 are treated in accordance with the standards in force at the time.

Equity-accounted investees
Equity-accounted investees are companies in which the group exercises significant influence, which generally arises when the group holds 20-50 per cent of a company's voting rights or otherwise has significant influence in a company's operating policies, but does not have control.

Investments in equity-accounted investees are accounted for in the consolidated financial statements using the equity method. The equity method is a method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of the net assets of the investee. The investor books its share of the result of the equity-accounted investee through profit and loss. If the group's share of losses exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the group has given a commitment to meet the obligations. Unrealised profits between the group and equity-accounted investees are eliminated pro rata to the company's shareholding. The investment includes the goodwill arising from acquisition. The pro rata share of the results of equity-accounted investees for the financial period is shown as a separate item after operating profit. Similarly, the group's share of the equity-accounted investee's movements in other comprehensive income is recognised in the group's other comprehensive income.

The financial year of equity-accounted investees is the same as that of group companies. Insofar as the accounting policies of equity-accounted investees do not substantially correspond to those of the group, the necessary adjustments to the figures reported by the equity-accounted investee have been made when preparing the consolidated financial statements.

Joint ventures
The group had no investments in joint ventures in the report periods ended 31 December 2013 or 31 December 2012.

Foreign currency transactions
Figures relating to the profit and financial position of group units are measured in the currency of the primary economic environment in which the unit operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

Foreign currency transactions are translated in euros at the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currency are translated into euros using the prevailing period-end exchange rates. Non-monetary items denominated in foreign currency and measured at fair value are translated into euros using the exchange rates prevailing at the measurement date. Otherwise non-monetary items are measured at the exchange rates prevailing at the date of the transaction. Gains and losses arising from foreign currency transactions and the translation of monetary items are reported in the income statement. Foreign exchange gains and losses on operations (sales and purchases) are included in the corresponding items above operating profit. Foreign exchange gains and losses on financing are included in finance income and costs.

Items of income and expense in the income statements and statements of comprehensive income of consolidated companies outside Finland have been translated into euros at the average exchange rate for the period and the statements of financial position have been prepared using period-end exchange rates. The exchange rate difference arising from using different exchange rates to translate the result for the period in the income statement and statement of comprehensive income on the one hand and in equity on the other is recognised under other comprehensive income and is included in Translation differences in equity. Translation differences arising from eliminating the cost of foreign subsidiaries and from translating post-acquisition equity items are also recognised in other comprehensive income. When a subsidiary is sold, either in full or in part, the cumulative translation difference associated with the subsidiary is charged or credited to profit and loss as part of the adjusted capital gain or loss.

Goodwill arising from the acquisition of foreign units as well as the fair value adjustments made to the carrying amounts of the assets and liabilities of such units are treated as assets and liabilities of the units concerned. These are translated into euros using the prevailing period-end exchange rates.

Financial instruments

Financial assets
The group's financial assets have been classified into the following groups: loans and other receivables, financial assets at fair value through profit and loss, and available-for-sale financial assets. Classification is made on the basis of the purpose for which the financial assets were originally acquired.

Transaction costs are included in the original carrying amount of financial assets when an item is not measured at fair value through profit and loss. The group recognises purchases and sales of financial assets on the basis of the trade date. A financial item is derecognised from the statement of financial position when and only when the contractual rights to cash flows from the financial asset expire or the group transfers the item included in financial assets to another party such that the rewards and risks incidental to ownership of the item or control over it are transferred to the other party.

The group assesses at the end of each report period whether there is any objective evidence that a financial asset other than an item recognised through profit or loss is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment and the effect on estimated future cash flows of the financial assets accumulated can be reliably measured. Objective evidence impairment can be deemed to include a significant decline in the counterparty's result or the breach of contract of a debtor. The amount of the loss recognised on trade receivables is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset. Impairments are recognised immediately through profit and loss.

Loans and other receivables
Loans and other receivables are non-derivative financial assets with fixed or definable payments. They are not quoted on established markets and the group does not hold them for trading purposes. Loans and other receivables are measured at amortised cost, which is determined using the effective interest method. They are included in the statement of financial position under trade receivables or payables either as current or non-current assets, depending on their nature. Current trade receivables are recognised at the original amount invoiced less doubtful debts. In the measurement of non-current receivables, estimated future payments are discounted to present value.

Financial assets recognised at fair value through profit and loss
An item included in financial assets is classified as a financial asset at fair value through profit and loss if it has been acquired to be held for trading purposes or if it is classified at fair value through profit and loss when originally acquired. Investments managed on the basis of fair value are classified as being in the latter group. Derivatives that do not qualify for hedge accounting have been classified as being held for trading purposes. Items in this category have been recognised at fair value and are measured later at fair value at the end of each report period. Fair value is determined using quoted market prices and rates as well as other appropriate valuation methods. Unrealised or realised gains and losses arising from changes in fair value are recognised in the income statement during the financial period they are incurred.

Available-for-sale financial assets
Available-for-sale financial assets are assets (excluding derivative assets) which have been explicitly classified in this group or which have not been classified in any other group. Unless the intention is to sell them within 12 months of the end of the report period, they are included in non-current assets. These assets are measured at fair value or, if the fair value cannot reliably be determined, at acquisition cost. Rautaruukki's investments in other companies are classified as available-for-sale financial assets. This category includes shares in listed and unlisted companies. Listed shares are measured at fair value. Unlisted shares whose fair value cannot be reliably determined are measured at acquisition cost less any impairment. Fair value is determined using the market prices and rates quoted at the end of the report period as well as other appropriate valuation methods.

Changes in the value of available-for-sale financial assets are recognised net of tax in other comprehensive income and are included in the fair value reserve in equity. Cumulative changes in fair value included in equity are transferred to the income statement and loss when the investment is sold or when its fair value has been impaired to the extent that an impairment loss must be recognised for it.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits and other current, liquid investments. Items classified as cash and cash equivalents have a maximum of three months' duration from the acquisition date. Credit accounts relating to group accounts are included in current liabilities in the statement of financial position.

Financial liabilities
The group's financial liabilities are classified at either fair value through profit and loss and recognised in financial liabilities or are recognised in other financial liabilities (financial liabilities measured at amortised acquisition cost). A financial liability is classified as current unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the report period. A financial liability (or part of it) is derecognised from the statement of financial position when, and only when, the liability has been extinguished, i.e. when the obligation specified in the contract has been discharged, cancelled or lapses.

Financial liabilities recognised at fair value through profit and loss
Financial liabilities measured at fair value through profit and loss include derivatives that do not qualify for hedge accounting. Unrealised or realised gains and losses arising from changes in the fair value of derivatives are recognised in the income statement during the financial period they are incurred.

Other financial liabilities (financial liabilities measured at amortised cost)
Other financial liabilities consist of loans taken out by the group and are initially recognised at fair value. Transaction costs directly attributable to obtaining loans are included in the original amortised cost of the loan and allocated to interest expense using the effective interest method. In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest method.

Derivative contracts and hedge accounting
Derivative contracts are initially recognised at fair value and continue to be measured at fair value thereafter. Gains and losses arising from measurement at fair value are treated in the accounts in the manner determined by the purpose of the derivative contracts. When the group enters into derivative contracts, it treats them as hedges of the fair value of receivables, liabilities or firm commitments, hedges of the cash flow of a highly probable forecast transaction, hedges of a net investment in a foreign unit or as derivative contracts which do not qualify for hedge accounting. Cash flow hedging is used to hedge against cash flow fluctuations attributable to the materialisation of a risk associated with a particular recognised asset or liability in the statement of financial position or with a highly probable forecast transaction. The group had no hedging in respect of net investments made in subsidiaries outside the eurozone in the report periods 2013 and 2012. Derivatives that do not qualify for hedge accounting have been acquired to mitigate the impacts of the result and/or cash flow relating to business or financing.

The group applies hedge accounting to commodity derivatives (zinc, electricity and heavy fuel oil) and to certain foreign exchange derivatives (USD) and interest rate swaps. In addition, the group has foreign exchange derivatives which do not qualify for hedge accounting. At the inception of the hedging arrangement, the group documents the relationship between each hedging instrument and the hedged asset as well as the objectives of risk management and the strategy for undertaking hedging. The effectiveness of hedging instruments is tested before and after. Effectiveness refers to the capacity of the hedging instrument to offset changes in the fair value of the hedged item or in cash flow from a hedged transaction due to the materialisation of the risk being hedged. A hedging relationship is considered to be highly effective when the change in the fair value of hedging instrument offsets changes in the cash flow attributable to the hedged risk in the range of 80-125 per cent. Hedge accounting is discontinued when the criteria for hedge accounting are no longer met.

The profit or loss of derivative contracts constituting a hedging relationship is stated consistently with the hedged item in the income statement. The unrealised change in the fair value of derivatives hedging cash flow is recorded in other comprehensive income and is stated in equity in the fair value reserve to the extent the hedge is effective. Changes in fair values of the ineffective portion of the hedge are recognised through profit and loss. Cumulated gains and losses in equity are transferred to the income statement during the period the hedged item is recognised in the income statement. When a hedging instrument acquired to hedge a cash flow matures, is sold or no long qualifies for hedge accounting, the cumulative gain or loss remains in equity until the forecast transaction is realised. However, if the forecast transaction is assumed to no longer be realised, the gain or loss accrued in equity is recognised in the income statement. Changes in the fair value of a hedge and in the fair value of the derivative hedging it in relation to the hedged risk are reported through profit and loss in financial items.

Derivatives other than those qualifying for hedge accounting belong to the category Financial assets and liabilities at fair value through profit and loss, for which changes in fair value are recorded in full in the income statement. Exchange rate differences related to operative business (purchases and sales) are reported in the income statement above Operating profit and exchange rate differences related to financial items are reported in financial items.

The fair values of derivatives are determined by using market prices and generally available valuation models. The data and assumptions used in valuation models are based on verifiable market prices. More information about the fair values of derivatives can be found in Note 33 Derivative contracts.

The group separates embedded derivatives from their host contracts and treats them in the same way as other derivatives if they meet the following criteria: the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, the terms of the embedded derivative correspond to the definition of a derivative, and the hybrid instrument contained by the embedded derivative is not measured at fair value through profit and loss.

Property, plant and equipment

Property, plant and equipment is measured at historical cost less depreciation and impairment losses. If an item of property, plant and equipment consists of several parts with different estimated economic lives, each part is treated as a separate asset. The cost of replacing an element is then capitalised and the remainder is expensed. Borrowing costs directly attributable to the acquisition, construction of production of a qualifying asset are included in the acquisition cost of that asset. A qualifying asset is an asset that necessarily requires a substantial period of time to prepare it for its intended use or sale. Subsequent costs are included in the carrying value of an item of property, plant and equipment only when it is probable that future economic benefits from the asset will flow to the group and the cost of the asset can be determined reliably. Other repair and maintenance expenses are charged to the income statement as incurred.

Assets are depreciated on a straight-line basis over their estimated useful economic lives. No depreciation is made for land. The depreciation times of tangible assets are shown below:

Buildings	15-25 years
Production machinery and equipment	10-20 years
Other machinery and equipment	3-10 years

Property, plant and equipment acquired on finance leases is depreciated over the estimated useful economic life or lease term, whichever is the shorter.

The residual value and useful life of assets are regularly reviewed and, where necessary, adjusted to reflect changes that have occurred in the expectation of an asset's economic value. Depreciation of an item of property, plant and equipment ceases when it is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Gains and losses arising from the disposals and transfer of property, plant and equipment are included either in other operating income or other operating expenses.

Government grants

Government grants related to the purchase of property, plant and equipment are deducted from the carrying amounts of the assets concerned. Grants are recognised as income in the form of smaller depreciation charges over the useful economic life of the asset. Other government grants are recognised in other operating income. The accounting treatment of carbon dioxide emissions allowances is discussed below under Emissions allowances.

Intangible assets

Goodwill

For business combinations taking place on or after 1 January 2010, the excess of the consideration transferred, the amount of non-controlling interests in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of identifiable net assets is booked as goodwill. Goodwill is measured at cost less accumulated impairment losses.

Acquisitions taking place between 1 January 2004 and 31 December 2009 have been accounted for in accordance with earlier IFRS standards. Goodwill arising from business combinations taking place before 2004 corresponds to the carrying values of the previous financial statement framework that has been used as deemed cost in accordance with IFRS standards.

Goodwill and other intangible assets with indefinite useful economic lives are not amortised, but tested annually or, where necessary, more frequently for impairment (Note 12 Intangible assets). For this purpose, goodwill has been allocated to cash-generating units that correspond to management's way of monitoring the business and related goodwill. Cash-generating units at Rautaruukki correspond to the reported operating segments. In the case of equity-accounted investees, goodwill is included in the acquisition cost of the equity-accounted investee concerned.

Research and development costs
Research and development costs are expensed in the income statement as incurred. If research costs are expected to generate future income, they are capitalised as intangible assets and depreciated over the period of the income streams. No development costs were capitalised in the consolidated statement of financial position at 31 December 2013 or during the previous report period.

Emissions allowances
The group is party to the EU Emissions Trading Scheme and has been allocated a specific number of emissions allowances (EUA) for a specific period. Emissions allowances and emission reduction units purchased, as well as units in funds producing emission reductions are recognised in the acquisition cost of intangible assets and the cost of emissions received free of charge is nil. An impairment loss is recognised in the income statement if the carrying value of emissions allowances or emission reduction units exceeds their fair value.

The group has invested in funds that will provide access to certified emissions reductions. The terms and conditions of these funds are such that unless there are enough suitable investment targets for the funds, the number of emission reduction units and thus the amount of money invested in them might change. Investments already paid into funds can also be reclaimed. Because of this uncertainty, investments in these funds are measured at acquisition cost until their final result is known with sufficiently great certainty.

A provision to cover the obligation to return emissions allowances is recognised unless emissions allowances received free of charge and emissions acquired cover actual emissions. Any impact on the result will reflect the difference between actual emissions and emissions allowances received and acquired. Any provision is assessed at the fair value of emissions allowances at the end of the report period. The difference between actual emissions and emissions allowances received and acquired, changes in the value of the provision and the capital gains on the sale of emissions allowances and emissions reduction units are included in operating profit.

Other intangible assets
Patents, trademarks, licences and other intangible assets having finite useful economic life are recognised in the statement of financial position and amortised on a straight-line basis in the income statement over their useful economic life. Intangible assets having infinite useful economic life are not amortised, but tested annually, or where necessary, more frequently for impairment. At the end of the report period and the preceding report period, the group had no intangible assets having infinite useful economic life.

Intangible assets are depreciated on a straight-line basis during the course of their known or estimated useful economic life. The estimated useful economic lives of intangible assets are:

Customer contracts and associated customer relationships	3-10 years
Software	3-5 years
Other intangible rights	5-10 years

The acquisition cost of intangible assets comprises the purchase price and all costs that can be directly attributed to preparing an asset for its intended use.

A gain or loss arising on the sale of intangible assets is recognised in other operating income or other operating expenses in the income statement.

Leases

Leases of property, plant and equipment where the group holds substantially all the risks and rewards incidental to ownership are classified as finance leases. An asset leased under a finance lease is grouped according to its nature and recognised in the statement of financial position at its fair value at the date of inception or at the present minimum value of lease payments, whichever is the lower. An asset obtained on a finance lease is depreciated over the useful economic life of the asset or the lease term, whichever is the shorter. Lease obligations are included in financial liabilities.

Leases in which the risks and rewards incidental to ownership remain with the lessor are classified as other leases. Lease payments under other leases are expensed in the income statement on a straight-line basis over the lease term. Incentives received are deducted from rents paid on the basis of the time span of the user’s benefit.

Impairment of assets

At the end of each report period, the group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount is measured. The recoverable amount is the asset’s fair value less costs to sell or its value in use, whichever is the higher. Value in use means the estimated future net cash flows obtainable from the asset in question discounted at their present value.

Impairment testing in respect of goodwill, intangible assets with infinite useful life as well as in-process tangible assets is done annually regardless of whether or not there are any indications of impairment.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. The recoverable amount is the asset’s fair value or its value in use, whichever is the higher. Value in use means the estimated future net cash flows obtainable from the asset in question discounted at their present value. Impairment losses are recognised in the income statement. An impairment loss is reversed if a change has occurred in the circumstances and the recoverable amount of the asset has changed since the last impairment loss was recognised. However, the reversal must not cause the carrying amount to be higher (less booked depreciation) than it would have been had no impairment loss been recognised. Impairment losses in respect of goodwill are not reversed.

Inventories

Inventories are stated at acquisition cost or net realisable value, whichever is the lower. Acquisition cost is determined using the weighted average cost method. The cost of finished and semi-finished products comprises raw materials, direct labour costs, other direct costs as well as an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In ordinary operations, net realisable value is the estimated selling price obtainable, less the estimated costs incurred in bringing the product to its present condition and selling expenses.

Employee benefits

Pension obligations

The group has a number of defined contribution and defined benefit pension plans in different countries. A defined contribution plan is a plan under which the group pays fixed contributions to a separate unit. If the recipient of the contributions is unable to pay the pension benefits, the group has no legal or constructive obligation to pay further contributions. All plans not satisfying these conditions are defined benefit pension plans. Payments to defined pension plans are recognised in the income statement for the period incurred.

The group has defined benefit plans in Finland, Norway and Germany. Obligations under these pension plans have been determined separately for each plan using the projected unit credit method. Pension costs are expensed over the expected average remaining working lives of the employees participating in the plans on the basis of calculations made by authorised actuaries. For each defined benefit plan, the net total of the present value of the obligation, the fair value of plan assets and past service cost is stated as an asset or liability in the consolidated statement of financial position. The limited value of a defined benefit asset that can be recognised in the consolidated statement of financial position is the present value of economic benefits, including unrecognised gains and losses, available in the form of refunds from the plan or reductions in future payments to the plan. Economic benefit is deemed as being the group's receivables should the group be able to realise them at some point during the validity of the plan or when the obligations in respect of the plan have been met. Actuarial gains and losses are recognised in other comprehensive income. Past service costs are expensed through profit and loss.

Long service benefit plan

Rautaruukki has a long service benefit plan of a long-term employee benefit nature in Finland. Under the plan, an employee has a right to an extra holiday with pay or to be paid a certain amount of money after given years of service time. The present value of the long-term employee benefit obligation at the end of the reporting period is shown as a liability in the statement of financial position.

Share-based payments

Rautaruukki has share bonus schemes for management in which part of the bonuses are paid in shares and the remainder in cash. More information about share-based plans is given in Note 30 Share-based payments. The group had no option programmes in effect during the report period ended 31 December 2013 or during the previous report period.

Provisions and contingent liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate item when it is practically certain such reimbursement will be received.

A warranty provision is booked, based on historical experience of the realisation of warranty expense, when a product covered by warranty expenses is sold. A restructuring provision is booked when the group has prepared a restructuring plan and when the persons affected by the arrangement have valid grounds to expect that restructuring will be carried out. The provision includes only the immediate costs attributable to restructuring and which are not connected with the continuing operations of the group. A provision is recognised for an onerous contract when the outflow of resources required to settle the obligations exceeds the benefits of the contract. An environmental provision is booked on the basis of interpretations of environmental production acts and regulations prevailing at the end of the report period.

A contingent liability is a potential liability based on previous events and depends on the materialisation of an uncertain future event outside the group's control. Contingent liabilities include obligations that will probably not require payment or the amount of payment cannot be reliably determined. Contingent liabilities are disclosed in the Notes.

Income taxes
Taxes in the consolidated income statement comprise current tax and the change in deferred tax. Current tax on taxable income for the period is determined using the tax rates enacted or which in practice have been adopted in each country at the end of the report period. Tax is adjusted for any tax for previous periods. Any related tax effects for transactions and other events recognised through profit and loss are also recognised through profit and loss. Any related tax effects for transactions and other events recognised in other comprehensive income or directly in equity are likewise recognised accordingly either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are recognised on all temporary differences between the carrying amount of assets and liabilities and their tax base. The largest temporary differences arise from depreciation of property, plant and equipment, the fair valuation of derivatives, defined benefit pension plans, finance leases, provisions, unused tax losses and adjustments based on fair values made in conjunction with acquired businesses. Deferred tax is not recognised for taxation purposes on non-deductible impairment losses on goodwill or on the undistributed earnings of subsidiaries to the extent the difference will probably not be reversed in the foreseeable future. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the difference can be utilised. The amount and probability of the utilisation of a tax asset are reviewed at the end of each report period. Deferred taxes are measured based on the tax rates enacted or which have been adopted in practice by the end of the report period. A change in a deferred tax asset or liability is recognised in the income statement, except for taxes arising from a transaction or event that are recognised in other comprehensive income or which are the result of a business combination.

Deferred tax assets and liabilities are stated as separate items in the consolidated statement of financial position under non-current assets or liabilities. Deferred tax assets and liabilities are offset against each other only when the entity has a legally enforceable right to set off the recognised amounts, and the deferred tax asset and tax liability relate to income taxes levied by the same tax authority.

Revenue recognition
Goods sold
Revenue from the sale of goods is recognised when the significant risks, rewards and actual control incidental to ownership have been transferred to the buyer, the revenue and costs incurred in respect of the transaction can be reliably measured and it is probable that the economic benefits of the transaction will flow to the company.

Long-term projects
Revenue from long-term projects is recognised based on degree of completion, which is measured using the cost-to-cost method under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs. When the outcome of a transaction cannot reliably be estimated, revenue is recognised only to the extent of the expenses probably recoverable. Transaction costs are expensed in the financial period incurred. An expected loss on a project is expensed immediately. If the expenses incurred and recognised profits of a long-term project exceed the amount invoiced to customers, the gross amount is stated in Note 18 Trade and other receivables under the item Current accounts due from customers for contract work. Advances received for work that has not started or the share of an invoiced project in progress that exceeds the amount of expenses accrued and amount of profit are stated in Note 27 Trade and other payables.

Services
Revenue from the sale of services is recognised when the service has been carried out and the costs incurred in respect of the service can be reliably measured and it is probable that the economic benefits of providing services will flow to the company.

Revenue is measured at the fair value of the consideration received or receivable. VAT and other similar indirect taxes are deducted from sales revenues. Amounts payable to tax authorities are stated as current liabilities in the statement of financial position under Other liabilities and amounts receivable from tax authorities are stated as current receivables in the statement of financial position under Other receivables.

Interest, royalties and dividends

Interest, royalties and dividends are recognised when it is probable that the economic benefits of the transaction will flow to the group and the amount of revenue can be reliably measured. Interest income is recognised using the effective interest method. Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Dividends are recognised when the shareholder's right to receive payment is established.

Assets held for sale and discontinued operations

The group classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and under customary terms, management must be committed to a plan to sell the asset, an active programme has been initiated to locate a buyer and it is highly probable that the sale will be completed within a year.

Assets held for sale within the scope of IFRS 5 are measured at their carrying amount or fair value less costs to sell, whichever is the lower. Depreciation and amortisation on these asset items is discontinued at the time of classification. The profit from discontinued operations is stated as a separate item in the consolidated statement of comprehensive income. Assets held for sale, disposal groups, items recognised in other comprehensive income related to assets held for sale and liabilities included in disposal groups are presented in the statement of financial position separately from other items.

Treasury shares

The group presents treasury shares as a reduction in equity. A gain or loss on the purchase, sale, issuance or cancellation of treasury shares is not recorded in the income statement but the consideration paid or received is booked, net of transaction costs, direct to retained earnings in equity.

Adoption of new and amended standards and interpretations applicable in future financial years

Rautaruukki Corporation has not yet applied the following new standards, interpretations and amendments already published by the IASB. The group will adopt each standard and interpretation from the date it enters into force, except where this differs from the start of the financial year, in which case the standard or interpretation is effective from the start of the following financial year.
* = The amendment has not yet been endorsed for application in the EU.

- IFRS 10 *Consolidated Financial Statements* and subsequent amendments (in the EU, applicable to financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not assessed to have a material impact on Rautaruukki's consolidated financial statements.

- IFRS 11 *Joint Arrangements* and subsequent amendments (in the EU, applicable to financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not assessed to have a material impact on Rautaruukki's consolidated financial statements.

- IFRS 12 *Disclosures of Interests in Other Entities* and subsequent amendments (in the EU, applicable to financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard will expand the notes the group provides for its interests in other entities.

- IAS 27 *Separate Financial Statements* (revised 2011) and subsequent amendments (in the EU, applicable to financial years beginning on or after 1 January 2014): The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard will have no impact on Rautaruukki's consolidated financial statements.

- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011) (in the EU, applicable to financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not assessed to have a material impact on Rautaruukki's consolidated financial statements.

- Amendments to IAS 32 *Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments are not assessed to have a material impact on Rautaruukki's consolidated financial statements.

- Amendments to IAS 36 *Impairment of Assets** (effective for financial years beginning on or after 1 January 2014): The standard introduces additional disclosure requirements applying to the recoverable amount when it has been determined on the basis of fair value less costs of disposal. The amended standard is not assessed to have a material impact on Rautaruukki's consolidated financial statements.

- Amendments to IAS 39 *Financial Instruments*: *Recognition and Measurement** (effective for financial years beginning on or after 1 January 2014): IAS 39 introduces an additional exemption whereby a hedging relationship is not considered as expiring or terminating under certain circumstances where a counterparty to the hedging instrument is replaced because of a change in the clearing procedure. These amendments are not assessed to have a material impact on Rautaruukki's consolidated financial statements.

- IFRIC 21 Levies* (effective for financial years beginning on or after 1 January 2014): The interpretation addresses the accounting treatment of levies. A liability arising from a levy must be recognised, as identified by legislation, when the obligating event occurs. Income taxes, fines and other penalties, as well as such payments covered by the scope of other IFRS standards, remain outside the scope of IFRIC 21. The interpretation is not assessed to have an impact on Rautaruukki's consolidated financial statements.

- Amendments to IAS 19 *Employee benefits** (effective for financial years beginning on or after 1 July 2014): The change clarifies the accounting treatment when a benefit plan requires contributions from employees or third parties. The amendments to the standard have no impact on Rautaruukki's consolidated financial statements.

- Annual improvements to IFRSs 2011-2013* and 2010-2012*, (December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover four standards (2011-2013) and seven standards (2010-2012) in total. The impacts of the standards vary standard by standard, but are not significant.

- IFRS 9 *Financial Instruments** and subsequent amendments (the effective date of the standard has been deferred (earlier 1 January 2015), the effective date will be determined later): IFRS 9 is the first step of the IASB's originally three-phase project to replace the current IAS 39 *Financial Instruments: Recognition and Measurement*. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. The unfinished parts of IFRS 9, i.e. the impairment of financial assets and general hedge accounting phases are still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. The macro hedge accounting phase has been taken apart from the IFRS 9 project as a separate project. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

2. Operating segments

Operating Segments
Rautaruukki's operations are divided into three operating segments on the basis of the organisational and management structure and internal financial reporting. These operating segments are: Ruukki Building Products, Ruukki Building Systems and Ruukki Metals. The group's chief operating decision maker, the President & CEO, regularly assesses the activities and performance of the operating segments and decides on the allocation of resources based on the authorities given by the Board of Directors. The performance and operative capital employed of the operating segments have been stated using the same measurements and subtotals reported to the chief operating decision maker. In addition to operating profit, performance is also assessed after adjustment by items affecting comparability. The accounting policies applied to segment reporting are consistent with those used to establish the consolidated financial statements. Sales and administrative costs consist of a segment's own costs and costs allocated to the segment based on net sales or use of resources. There are no inter-segment sales which the company's management would monitor in internal reporting. Cash-generating units have not been combined in the presentation of segment information.

Ruukki Building Products
Ruukki Building Products supplies roofing, sandwich panel, foundation and infrastructure products, including services.

Ruukki Building Systems
Ruukki Building Systems comprises the building project business, including the units in Russia and Romania, and the new energy-efficient and functional buildings development unit.

Ruukki Metals
Ruukki Metals manufactures and supplies steel and special steel products, including high-strength, wear-resistant and special-coated products for demanding applications. Steel service centres supply steel products and related prefabrication, logistics and storage services, and also sell stainless steel and aluminium products as trading products.

Others
Under Others are reported group management costs and other non-allocated items.

Income statement

€m	2013	2012
Net Sales		
Ruukki Building Products	**430**	452
Ruukki Building Systems	**292**	288
Ruukki Engineering		265
Ruukki Metals	**1 679**	1 787
Others	**4**	4
Net Sales total	**2 405**	2 796
Operating profit		
Ruukki Building Products	**36**	19
Ruukki Building Systems	**-12**	-28
Ruukki Engineering		-12
Ruukki Metals	**27**	-53
Others	**-17**	-27
Operating profit total	**34**	-101
Net finance costs	**-36**	-40
Share of profit of equity-accounted investees	**-3**	2
Income tax expense	**-8**	22
Result for the period	**-14**	-117

Depreciation and impairment

	Depreciation		Impairment	
€m	2013	2012	2013	2012
Ruukki Building Products	**9**	10	**0**	2
Ruukki Building Systems	**16**	17	**1**	0
Ruukki Engineering		8		4
Ruukki Metals	**103**	110	**0**	4
Others	**4**	1	**0**	0
Group total	**132**	146	**2**	11

Operative capital employed of business segments

Operative capital employed is defined as follows:

+ Tangible and intangible assets
+ Available-for-sale financial assets
+ Inventories
+ Trade receivables
- Trade payables
- Advances received

Operative capital employed and additions to non-current assets	Operative capital employed		Additions to non-current assets	
€m	2013	2012	2013	2012
Ruukki Building Products	**138**	145	**5**	8
Ruukki Building Systems	**198**	241	**3**	5
Ruukki Engineering		36		1
Ruukki Metals	**1 338**	1 409	**84**	83
Others	**26**	22	**3**	3
Group total	**1 699**	1 853	**94**	100

Geographical information	Net sales		Non-current assets	
€m	2013	2012	2013	2012
Finland	**598**	700	**982**	999
Other Nordic countries	**737**	903	**38**	46
Central Eastern Europe*	**366**	379	**74**	76
Russia and Ukraine	**233**	262	**117**	141
Rest of the Europe	**305**	383	**0**	0
Other countries	**165**	169	**0**	1
Group total	**2 405**	2 796	**1 212**	1 264

* Central Eastern Europe refers to the Baltic states, Bulgaria, Croatia, Poland, Romania, Serbia, Slovakia, Slovenia, Czech Republic and Hungary.

Income from geographical regions is determined by customer location and the carrying amount of non-current assets is determined based on their location.

Transactions between geographical regions are conducted in compliance with general market prices and conditions.

The group earns revenues from many significant customers, but the revenues from a single customer did not exceed 10 per cent in 2013 or 2012.

Comparability of reporting periods

To ensure better understanding and comparability of results Ruukki presents, in additon to reported figures, comparable net sales and operating profit of segments and of the group.

Comparable net sales and operating profit	Net sales		Operating profit	
€m	2013	2012	2013	2012
Ruukki Building Products	**430**	452	**36**	22
Ruukki Building Systems	**292**	288	**-10**	-21
Ruukki Metals	**1 679**	1 859	**27**	-31
Others	**3**	-3	**-14**	-20
Group total	**2 404**	2 597	**39**	-50

Items affecting comparability

Items affecting comparability of net sales and operating profit comprise:

Items related to changes in business structure, for example

- Changes in group structure (acquisitions and disposals)
- Items related to discontinued and held for sale operations, for example
    - Write-down of inventories and impairment of assets
    - Restructuring costs
    - Impairment of goodwill and purchase price allocations

Items related to continued business operatons, for example

- Impairment of idle assets
- Expenses caused by restructurings
- Expenses and income from changes in imputed items such as change in discount rate of long service plan obligations
- Extra costs caused by fire at Raahe works (2012)

Items affecting comparability by segments

€m	2013	2012
Items affecting comparability of the group's net sales		
Ruukki Engineering		
Net sales of units transfered to Ruukki Metals		72
Net sales of other units		193
Ruukki Metals		
Net sales of units transfered from Ruukki Engineering		-72
Others		
Net sales of Mo i Rana unit	**0**	7
Net sales of Kalajoki unit	**1**	
Items affecting comparability of reported net sales, total	**1**	199
Items affecting comparability of the group's operating profit		
Ruukki Building Products		
Expenses related to restructuring	**-1**	-3
Ruukki Building Systems		
Expenses related to restructuring	**-2**	-7
Effect of change in discount rate on long service benefit costs		0
Ruukki Engineering		
Operating profit of units transfered to Ruukki Metals		11
Operating profit of other units		-24
Impact of Fortaco deal		0
Ruukki Metals		
Operating profit of units transfered from Ruukki Engineering		-11
Cost of fire at Raahe steel works		-3
Expenses related to restructuring		-6
Effect of change in discount rate on long service benefit costs		-2
Others		
Operating profit of Mo i Rana unit	**0**	-4
Operating profit of Kalajoki unit	**-2**	
Impact of Fortaco deal	**-1**	2
Expenses related to restructuring		-2
Restatement due to change of IAS19		-2
Effect of change in discount rate on long service benefit costs		0
Items affecting comparability of reported operating profit, total	**-5**	-51

3. Net sales

€m	2013	2012
Net sales goods	**2 241**	2 622
Net sales services	**26**	29
Net sales construction contracts	**137**	145
Total	**2 405**	2 796

Recognised profit in 2013 on construction contracts in progress at the end of 2013 totalled EUR 7 million (12). Current amounts due to customers for contracts in progress totalled EUR 7 million (14). Current amounts due from customers for contract work are presented in Note 18 Trade and other receivables, and Current amounts due to customers for contract work in Note 27 Trade and other payables.

4. Specification of costs by function

€m	2013	2012
Raw materials, consumables and supplies	**1 200**	1 417
Employee benefits	**422**	504
External services	**231**	276
Freights	**200**	223
Depreciation, amortisation and impairment	**134**	156
Energy and fuels	**103**	120
Rents	**24**	29
Production for own use	**-3**	-4
Change in inventories	**22**	120
Other	**51**	69
Total	**2 384**	2 909

Costs by function include cost of sales, selling, marketing and administration costs.

Research and development costs EUR 21 million (26), which accounted for 1 per cent of the costs by function (1), are expensed as incurred.

Auditors' fees

Principal auditor KPMG Oy Ab

€k	2013	2012
Statutory auditing	**944**	1 260
Other auditing	**78**	57
Tax services	**77**	121
Other services	**126**	129
Total	**1 225**	1 567

Other auditing firms

€k	2013	2012
Statutory auditing	**28**	64
Other auditing	**24**	30
Tax services	**130**	240
Other services	**130**	554
Total	**312**	888

5. Other operating income and expenses

Other operating income

€m	2013	2012
Gains on the sale of property, plant and equipment	**3**	6
Subsidies received	**4**	5
Other	**7**	2
Total	**13**	13

Other operating expenses

€m	2013	2012
Loss on the sale of property, plant and equipment	**0**	0

6. Employee benefits

€m	2013	2012
Wages and salaries	**336**	399
Share-based payments		
benefits granted paid as shares	**0**	0
benefits granted paid as cash	**0**	0
Pension insurance contributions and pensions		
defined contribution pension plans	**49**	56
defined benefit pension plans	**4**	4
Other indirect employee costs	**32**	44
Total	**422**	504

Employee benefits by function

€m	2013	2012
Cost of sales	**314**	369
Sales and marketing	**59**	65
Administration	**48**	69
Total	**422**	504

Management's employee benefits are specified in Note 29 Related party disclosures, and share-based incentive plans in Note 30 Share-based payments.

Average number of personnel by function	2013	2012
Cost of sales	**7 039**	8 980
Sales and marketing	**1 038**	1 103
Administration	**878**	1 131
Total	**8 955**	11 214

7. Depreciation, amortisation and impairment

€m	2013	2012
Depreciation and amortisation by asset group		
Intangible assets	**15**	19
Tangible assets		
Buildings and structures	**27**	28
Machinery, equipment and other tangible assets	**90**	99
Total depreciation and amortisation	**132**	146
Impairment by asset group		
Intangible assets	**0**	2
Tangible assets		
Land and water		0
Buildings and structures	**1**	2
Machinery, equipment and other tangible assets	**0**	7
Total impairment	**2**	11
Total depreciation, amortisation and impaiment	**134**	156

€m	2013	2012
Depreciation and amortisation by function		
Cost of sales	**123**	135
Sales and marketing	**2**	2
Administration	**8**	9
Total	**132**	146
Impairment by function		
Cost of sales	**2**	10
Sales and marketing	**0**	0
Administration	**0**	1
Total	**2**	11

Depreciation includes EUR 3 million (3) depreciation on leased buildings and structures and depreciation of EUR 3 million (3) on leased machinery and equipment. Previously recognised impairments have not been reversed.

8. Finance income and costs

€m	2013	2012
Dividend income	**0**	0
Interest income from loans and other receivables	**1**	1
Income from cash and cash equivalents measured at fair value through profit and loss	**0**	1
Other finance income		0
Total finance income	**2**	2
Interest expense from financial liabilities measured at amortised cost	**-24**	-28
Interest expense on finance items measured at fair value through profit and loss	**-5**	-8
Interest expense from hedge accounting	**0**	
Capitalised interest expense	**1**	0
Impairment losses on loan receivables	**-2**	-1
Other finance costs	**-6**	-5
Total finance costs	**-37**	-42
Exchange rate gains from loans and other receivables	**8**	19
Exchange rate gains from foreign currency derivatives not qualifying for hedge accounting	**30**	24
Exchange rate gains from loans measured at amortised cost		0
Total exchange rate gains	**38**	43
Exchange rate losses from loans and other receivables	**-23**	-20
Exchange rate losses from foreign currency derivatives not qualifying for hedge accounting	**-16**	-23
Total exchange rate losses	**-39**	-43
Total finance income and costs	**-36**	-40

EUR 5 million (-8) arising on electricity derivatives qualifying for hedge accounting has been recognised in the income statement as an adjustment to electricity purchases. Realised result of the zinc derivatives qualifying for hedge accounting was -EUR 1 million (-1). Realized result of the heavy fuel oil derivatives qualifying for hedge accounting was EUR 0 million (-2). -EUR 10 million (+17) arising on foreign currency derivatives qualifying for hedge accounting has been recognised in the income statement as an adjustment to raw material purchases. In addition to the exchange rate differences disclosed in Finance income and costs, the consolidated operating profit included EUR +2 million exchange rate differences on sales of which EUR +7 million resulted from derivatives (-10, of which -8 from derivatives) and EUR +3 million exchange rate differences on purchases none of which resulted from derivatives (+1, of which from derivatives +1).

Exchange rate differences have been recognized as an adjustment to net sales and purchases as well as in Finance income and costs. Exchange rate differences recognized in income statement totaled -EUR 7 million (+8).

9. Income taxes

€m	2013	2012
Current tax	**-2**	-5
Taxes for previous years	**0**	0
Change in deferred tax assets and liabilities	**-6**	27
Total	**-8**	22

Income taxes recognised in the consolidated income statement differ from the 24.5 per cent tax rate in force in Finland as follows:

€m	2013	2012
Result before income tax	**-6**	-139
Taxes calculated using parent company's tax rate	**1**	34
Effect of differing tax rates in foreign subsidiaries	**0**	-4
Effect of changes in tax rates	**-2**	1
Tax-free income and non-decuctible expenses	**1**	1
Utilisation of unrecognised tax losses carried forward	**0**	1
Unrecognised taxes on losses carried forward	**-3**	-9
Other temporary differences	**1**	-2
Taxes for previous years	**-6**	0
Income taxes	**-8**	22

Taxes booked directly to other comprehensive income and specification of other changes in deferred taxes are given in Note 16 Deferred tax assets and liabilities.

10. Earnings per share

Basic earning per share are calculated by dividing the result for the period attributable to owners of the company by the weighted number of shares outstanding during the period.

	2013	2012
Result for the period attributable to owners of the company, €m	**-14**	-118
Weighted average number of shares outstanding during the period, 1,000	**138 892**	138 884
Basic earnings per share, €	**-0.10**	-0.85

In calculating earnings per share adjusted for the effect of dilution, the diluting effect due to the conversion into shares of all dilutive potential shares is taken into account in stating the weighted average number of shares.

	2013	2012
Result for the period attributable to owners of the company, €m	**-14**	-118
Net result for the period for the calculation of earnings per share adjusted for the dilution effect, €m	**-14**	-118
Weighted average number of shares during the period, 1,000	**138 892**	138 884
Weighted average number of shares for calculating earnings per share adjusted for the dilution effect, 1,000	**138 934**	138 930
Earnings per share, diluted, €	**-0.10**	-0.85

11. Property, plant and equipment

€m	2013	2012
Land and water		
Acquisition cost at 1 Jan	**19**	21
Additions	**0**	0
Disposals	**0**	-1
Disposals through divestments		-1
Impairment for the period		0
Exchange rate differences	**-1**	0
Carrying amount at 31 Dec	**18**	19
Buildings and structures		
Acquisition cost at 1 Jan	**732**	741
Additions	**20**	21
Disposals	**-4**	-8
Disposals through divestments		-32
Impairment for the period		-2
Exchange rate differences	**-9**	11
Acquisition cost at 31 Dec	**739**	732
Accumulated depreciation at 1 Jan	**-403**	-382
Accumulated depreciation on disposals	**2**	6
Accumulated depreciation on divestments		9
Depreciation for the period	**-27**	-27
Impairment for the period	**-1**	0
Exchange rate differences	**4**	-8
Accumulated depreciation at 31 Dec	**-423**	-403
Carrying amount at 31 Dec	**315**	329
Machinery, equipment and other tangible assets		
Acquisition cost at 1 Jan	**2 596**	2 596
Additions	**56**	88
Additions through acquisitions		0
Disposals	**-23**	-48
Disposals through divestments		-50
Impairment for the period		-3
Transfers between tangible asset items	**-3**	2
Exchange rate differences	**-15**	10
Acquisition cost at 31 Dec	**2 611**	2 596
Accumulated depreciation at 1 Jan	**-1 856**	-1 818
Accumulated depreciation on disposals	**22**	44
Accumulated depreciation on divestments		28
Depreciation for the period	**-90**	-98
Impairment for the period	**0**	-3
Transfers between tangible asset items	**3**	
Exchange rate differences	**11**	-8
Accumulated depreciation at 31 Dec	**-1 911**	-1 856
Carrying amount at 31 Dec	**701**	739
Advance payments and construction in progress		
Acquisition cost at 1 Jan	**35**	56
Changes	**10**	-21
Carrying amount at 31 Dec	**45**	35
Total tangible assets	**1 079**	1 122

Interest of EUR 1 million (0) was capitalised in the acquisition cost of tangible assets in 2013. The capitalisation rate used averaged 3.5 per cent (3.5).

Finance leases

Tangible assets include property acquired under finance leases as follows:

€m	2013	2012
Buildings and structures		
Acquisition cost	**45**	45
Accumulated depreciation	**-33**	-30
Carrying amount at 31 Dec	**12**	15
Machinery and equipment		
Acquisition cost	**49**	45
Accumulated depreciation	**-28**	-25
Carrying amount at 31 Dec	**21**	20

The group has leased buildings as well as machinery and equipment under finance lease agreements with different terms. Additions to property, plant and equipment in 2013 include EUR 4 million assets under finance leases (4).

12. Intangible assets

€m	2013	2012
Goodwill		
Acquisition cost at 1 Jan	**72**	103
Additions through acquisitions		0
Disposals		-3
Disposals through divestments		-25
Impairment for the period		-1
Exchange rate differences	**-6**	-4
Carrying amount at 31 Dec	**65**	72
Customer relationships		
Acquisition cost at 1 Jan	**42**	46
Additions through acquisitions	**0**	1
Disposals through divestments		-6
Impairment for the period		0
Exchange rate differences	**-4**	1
Acquisition cost at 31 Dec	**38**	42
Accumulated depreciation at 1 Jan	**-29**	-30
Accumulated depreciation on divestments		6
Depreciation for the period	**-4**	-5
Impairment for the period		0
Exchange rate differences	**2**	
Accumulated depreciation at 31 Dec	**-31**	-29
Carrying amount at 31 Dec	**8**	13
Other intangible assets		
Acquisition cost at 1 Jan	**196**	200
Additions	**5**	13
Disposals	**-1**	-1
Disposals through divestments		-14
Transfers between intangible asset items	**3**	-1
Exchange rate differences	**-1**	1
Acquisition cost at 31 Dec	**202**	196
Accumulated depreciation at 1 Jan	**-162**	-160
Accumulated depreciation on disposals	**0**	1
Accumulated depreciation on divestments		11
Depreciation for the period	**-11**	-14
Impairment for the period	**0**	-1
Transfers between intangible asset items	**-3**	0
Exchange rate differences	**1**	0
Accumulated depreciation at 31 Dec	**-175**	-162
Carrying amount at 31 Dec	**28**	34

€m	2013	2012
Advance payments		
Acquisition cost at 1 Jan	**3**	8
Changes	**0**	-6
Carrying amount at 31 Dec	**3**	3
Total other intangible assets	**38**	50

The group’s intangible assets consist mostly of goodwill and purchased software. The group has no intangible assets with indefinite useful lives.

Emissions allowances

In 2013, the company’s carbon dioxide emissions were 3.8 million tonnes (3.8). In the free initial allocation of emissions allowances for the third period 2013-2020 of the EU Emission Trading Scheme the final allocation of free emissions allowances has not been confirmed at the time of writing, but according to unconfirmed information Ruukki will receive a total of 28,6 million tonnes emissions allowances. In 2013 emissions rights trading generated net income totalling EUR 0,3 million (4) for Ruukki’s Raahe and Hämeenlinna works. As part of managing the carbon dioxide emissions balance sheet, Ruukki is a participant in the World Bank’s Community Development Carbon Fund and GreenStream Network Oy’s Climate Opportunity Fund. Ruukki was also a participant in GreenStream Network Oy's Fine Carbon fund, which was closed in 2013. These funds purchase certified carbon emission reductions, based on the Kyoto Protocol, that can be used for compliance in the EU’s Emission Trading Scheme. On 31 December 2013 the value of the investments in such funds and certified carbon emission reductions in Ruukki's balance sheet was EUR 3 milloin (3).

Allocated goodwill by segments and impairment testing

€m	2013	2012
Ruukki Building Products	**5**	5
Ruukki Building Systems	**49**	55
Ruukki Metals	**12**	12
Total	**65**	72

For the purposes of impairment testing, goodwill is allocated to cash-generating units. Cash-generating units correspond to specific segments, which is the level at which management monitors operations and the related goodwill. The recoverable amount is determined on the basis of value-in-use calculations, which are based on management-approved forecasts covering three years. The forecasted cash flows are discounted to the present value. The discount rate (pre-tax) used was 9.5 per cent (9.0) for all cash-generating units.

Cash flow growth forecasts reflect management’s view of the behaviour of sales and cost items during the forecasting period. Cash flows subsequent to the forecasting period have been taken into account applying a growth assumption of one per cent. The growth assumption does not exceed the average non-current growth in the industry.

Materialisation of the calculations depends on the following central variables: market prices of steel products and raw materials, business cycles in construction and the engineering industry and the trend in foreign exchange rates. The assumptions applied by management are based on previous experience as well as on the general view on the outlook of the industry.

Impairment tests carried out show that the group has no need to recognise any impairment charges. The recoverable amount determined in impairment testing clearly exceeds the carrying amount of the units tested, whereby to the best of management’s belief and understanding, any conceivable change in the central variables applied in the calculations would not entail an impairment situation.

Sensitivity analysis

Sensitivity analysis has been prepared based on assumptions of weakening cash flow growth rates during and after the forecasting period. A general increase in interest rates has also been taken into consideration as well as a decrease in profitability. A decrease of 20 per cent in operating profit, an increase of 1 per cent in discount rate or zero growth rate after the forecasting period, none of these would result in any impairment losses. Only if the discount rate would increase by 2 per cent or operating profit would decrease by 28 per cent or if the growth assumption of cash flows subsequent to the forecasting period would turn negative one percent, impairment loss is required to be recorded to one operating segment. This impairment loss would amount to approximately 8 per cent of the total goodwill of the group.

13. Equity-accounted investees

Equity-accounted investees

Name	Country	Holding %
Bet-Ker Oy	Finland	44.4
Heléns Rör AB	Sweden	25.0
Fortaco Group Oy	Finland	19.0

Equity-accounted investees are not listed companies. The accounting period of equity-accounted investees is the calendar year. The results have been consolidated using preliminary figures if the financial statements of the companies have not been completed according to the schedule for the consolidated financial statements.

Rautaruukki Corporation owns 19.0 per cent of shares in Fortaco Group Oy, but has significant influence as it has two representatives out of total six in the Board of Directors of the company. Hence Fortaco is consolidated as an equity-accounted investee using the equity method.

Fortaco was established in December 2012 through the combination of business units from Komas and Ruukki Engineering. Headquarters are located in Helsinki, Finland, and Fortaco has production sites in Finland, Estonia, Poland, Hungary and Slovakia.

Fortaco companies did not have active business activities during the last days in December 2012, hence no share of profit for 2012 has been recognised as it was immaterial.

Combined carrying amounts of equity-accounted investees

€m	2013	2012
Carrying amount 1 Jan	**35**	15
Increase through acquisition	**2**	20
Share of results	**-3**	2
Dividends received	**-2**	-3
Carrying amount 31 Dec	**31**	35

Combined figures of equity-accounted investees

€m	2013	2012 *
Net sales	**386**	195
Result	**-12**	7
Assets	**251**	279
Liabilities	**261**	229

* For Fortaco Group Oy only assets and liabilites are reported in 2012.

14. Available-for-sale financial assets

€m	2013	2012
1 Jan	**14**	13
Additions	**1**	1
Disposals	**-2**	0
Exchange rate differences	**0**	0
31 Dec	**13**	14

Available-for-sale financial assets consist of shares in unlisted companies in which the group´s share of the votes is under 20 per cent. The financial assets have been recognised at acquisition cost because their fair value cannot be reliably determined.

15. Other non-current receivables

€m	2013	2012
Loan receivables from equity-accounted investees	**66**	72
Other loan receivables	**1**	1
Defined benefit asset	**7**	1
Other non-current receivables	**3**	5
Total	**76**	79

The fair values of non-current loan receivables are disclosed in Note 32 Financial assets and liabilities by category.

16. Deferred tax assets and liabilities

Changes in deferred taxes during 2013

€m	1 Jan	Recognised in income statement	Recognised in other comprehensive income	Exchange rate differences and other changes	31 Dec
Deferred tax assets					
Provisions	**3**	**0**		**0**	**3**
Tangible and intangible assets	**3**	**-1**		**-1**	**2**
Finance leases	**2**	**-1**			**1**
Employee benefits	**15**	**-2**	**-3**	**0**	**10**
Measurement of derivatives at fair value	**5**	**-1**	**0**	**1**	**4**
Taxable losses	**122**	**-40**		**3**	**85**
Other items	**3**	**0**		**0**	**3**
Total	**154**	**-45**	**-3**	**2**	**108**
Netted out against deferred tax liabilities	**-108**				**-66**
Deferred tax assets	**46**				**42**
Deferred tax liabilities					
Tangible and intangible assets	**106**	**-38**		**3**	**71**
Measurement of derivatives at fair value	**0**	**0**	**0**	**0**	**0**
Other items	**2**	**-1**	**0**	**1**	**2**
Total	**108**	**-39**	**0**	**4**	**73**
Netted out against deferred tax assets	**-108**				**-66**
Deferred tax liabilities	**1**				**7**

Changes in deferred taxes during 2012

€m	1 Jan	Recognised in income statement	Recognised in other comprehensive income	Exchange rate differences and other changes	Sale of subsidiary	31 Dec
Deferred tax assets						
Provisions	4	-2		1	0	3
Tangible and intangible assets	2	1		0		3
Finance leases	2	0				2
Employee benefits	11	1	3	0		15
Measurement of derivatives at fair value	7	-6	4	0		5
Taxable losses	97	30		-2	-2	122
Other items	4	-2		1		3
Total	127	22	7	-1	-2	154
Presented under assets held for sale	-12			12		0
Netted out against deferred tax liabilities	-89					-108
Deferred tax assets	26					46
Deferred tax liabilities						
Tangible and intangible assets	107	-1		0	0	106
Measurement of derivatives at fair value	7	-7		0		0
Other items	0	1		0		2
Total	114	-6		1	0	108
Netted out against deferred tax assets	-89					-108
Deferred tax liabilities	25					1

Deferred tax assets and tax liabilities are stated as net amounts in the statement of financial position in the event the entity has a legally enforceable right to set off the current tax assets and current tax liability, and the deferred tax asset and tax liability relate to income tax levied by the same tax authority.

At 31 December 2013, the group had taxable losses EUR 100 million (85), for which no tax asset has been recognised because the ability to make use of the losses concerned is doubtful. Of the taxable losses, EUR 39 million (38) expire within five years.

Majority of the deferred tax asset booked for losses consists of assets booked by the Finnish group companies. Management expects the companies to accrue future taxable income against which the losses can be utilised.

Deferred tax liabilities have not been recognised for the undistributed retained earnings of subsidiaries, because it is unlikely that the earnings will be distributed in the near future.

Taxes included in other comprehensive income

	2013			2012		
€m	**Before taxes**	**Taxes**	**Net of taxes**	**Before taxes**	**Taxes**	**Net of taxes**
Cash flow hedges	**-15**	**3**	**-12**	-11	3	-8
Cash flow hedges reclassified to profit and loss during the period	**9**	**-2**	**7**	-8	2	-6
Translation differences	**-20**		**-20**	4		4
Remeasurements of the net defined benefit liability	**9**	**-3**	**5**	-11	2	-9
Total	**-18**	**-3**	**-20**	-26	7	-19

17. Inventories

€m	2013	2012
Raw materials and consumables	**171**	205
Finished and semi-finished products	**386**	384
Total	**557**	590

During 2013, a charge of EUR 2 million (2) was recognised to write down the carrying value of inventories to net realisable value. Of previous year write-downs EUR 1 million (3) was reversed as a result of improvement in net realisable values.

18. Trade and other receivables

€m	2013	2012
Trade receivables	**239**	265
Trade receivables from equity-accounted investees	**4**	5
Total trade receivables	**243**	270
Current amounts due from customers for contract work	**14**	13
Prepayments and accrued income	**29**	31
Derivative contracts qualifying for hedge accounting	**2**	1
Derivative contracts not qualifying for hedge accounting	**4**	4
Current loan receivables from equity-accounted investees	**5**	
Other receivables	**30**	28
Total other receivables	**83**	77

Age analysis of trade receivables as well as doubtful receivables are disclosed in Note 31 Financial risk and capital management. The fair values of receivables are disclosed in Note 32 Financial assets and liabilities by category.

19. Current financial assets

€m	2013	2012
Financial assets classified as loans and receivables	**1**	0

Current financial assets recognised at fair value through profit and loss include short fixed-term deposits. The duration of current financial assets does not exceed three months.

20. Cash and cash equivalents

Cash and cash equivalents presented in the consolidated statement of cash flows are defined as follows:

€m	2013	2012
Financial assets classified as loans and receivables	**1**	0
Cash and cash equivalents	**46**	20
Total	**47**	21

21. Adjustments to cash flows

€m	2013	2012
Non-cash transactions		
Depreciation, amortisation and impairment	**134**	156
Provisions	**-4**	1
Share of profit of equity-accounted investees	**3**	-2
Employee benefits	**-2**	6
Exchange rate differences	**-10**	-6
Other	**-2**	-5
Total	**120**	150

22. Shares and share capital

Rautaruukki Corporation has one series of shares and each share conveys one vote. The countervalue is EUR 1.70 per share. The registered share capital at 31 December 2013 was EUR 238,485,222.50 and has been paid up in full.

Changes in the number of shares

	Shares issued	Treasury shares	Shares outstanding
31 Dec 2012	140 285 425	1 392 470	138 892 955
Returned shares		3 682	-3 682
31 Dec 2013	**140 285 425**	**1 396 152**	**138 889 273**

Rautaruukki Oyj had in its possession 1,396,152 treasury shares on 31 December 2013 with an acquisition cost of EUR 4.27 per share, representing one per cent of the share capital and votes. The bookkeeping countervalue of the treasury shares is EUR 2.4 million and the market value at 31 December 2013 was EUR 9.4 million (8.3).

23. Reserves in equity

€m	2013	2012
Share premium	**220**	220
Fair value and other reserves	**-17**	-11
Translation differences	**-45**	-25
Treasury shares	**-6**	-6
Reserve for share-based payments	**0**	0

The share premium reserve of EUR 220 million accrued during 1988-2007 from share premiums as a result of share issues and share subscriptions taking place through loans with warrants. Under the Limited Liability Companies Act – Finland, the share premium reserve is restricted equity and may no longer be added to. The share premium reserve may be reduced in accordance with the rules applying to decreasing share capital and can be used to increase the share capital as a reserve increase.

Fair value and other reserves contain the effective portion of the change in the fair value of instruments taken out to hedge future cash flows.

Translation differences include the translation differences arising from the translation of foreign subsidiaries' financial statements into euros.

The treasury shares reserve contains the acquisition cost of the treasury shares held by the company. Treasury shares transferred without consideration under the share based-incentive plan are booked during the time they vest and the corresponding increase is booked in equity. The value of the shares accrued by the balance sheet date, measured at the price at the time of granting, is booked in the reserve for share-based payments. Treasury shares, the reserve for share-based payments and fair value reserves are included in Other reserves in the statement of financial position.

24. Pension obligations

Majority of the group's pensions are arranged through defined contribution plans with insurance companies. However there are defined benefit plans in Finland, Germany and Norway. The most significant defined benefit plans are the Finnish pension fund (A-säätiö), the Finnish Pension promise plan and the Norwegian pension fund (CCB Pensionskasse). There are also defined benefit plans arranged through insurance companies.

Defined benefit assets and liabilities

€m	2013	2012
Defined benefit asset	**7**	1
Total defined benefit asset	**7**	1
Defined benefit liability	**36**	40
Total defined benefit liability	**36**	40

The gross defined benefit plan items are as follows

€m	2013	2012
Present value of defined benefit obligation	**134**	143
Fair value of plan assets	**-105**	-103
Net defined benefit liability	**29**	40

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (+)/asset (-)	
€m	2013	2012	2013	2012	2013	2012
Balance at 1 January	**143**	172	**104**	141	**39**	31
Included in profit and loss						
Current service cost	**3**	4			**3**	4
Past service credit				0		0
Administrative cost			**0**		**0**	
Curtailments and settlements	**0**	0	**0**			0
Interest cost (+), income (-)	**4**	7	**3**	6	**1**	1
Total included in profit and loss	**7**	11	**3**	6	**4**	4
Included in OCI						
Remeasurements on the net defined benefit liability:						
Actuarial gains (-) and losses (+) arising from changes in:						
Financial assumptions	**-3**	10			**-3**	10
Experience adjustments	**-2**	-42	**0**		**-2**	-42
Return on plan assets excluding interest income			**4**	-43	**-4**	43
Total included in OCI	**-5**	-32	**4**	-43	**-9**	11
Other						
Contributions paid by the employer	**0**		**6**	5	**-6**	-5
Benefits paid	**-8**	-7	**-7**	-7	**-1**	0
Exchange rate differences	**-3**	-1	**-4**	1	**1**	-2
Total Other	**-11**	-8	**-6**	-1	**-5**	-7
Balance at 31 December	**134**	143	**105**	103	**29**	40

Fair value of plan assets	2013			2012		
€m	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Cash	**4**		**4**	4		4
Equity	**7**		**7**	5		5
Equity funds	**10**		**10**	9		9
Fixed income funds	**27**		**27**	27		27
Private equity	**4**	**1**	**5**	4	1	5
Bonds	**33**	**1**	**34**	33	1	34
Real estate		**2**	**2**		2	2
Real estate in own use		**3**	**3**		2	2
Own shares	**2**		**2**	1		1
Total plan assets	**87**	**6**	**93**	84	6	90

The above table covers fair value of plan assets of Finnish pension fund (A-säätiö) and Norwegian CCB Pensionskasse.

The group expects the contributions to its defined benefit plans in 2014 total some EUR 5 million.

Exposure to the most significant risks

Asset volatility

The plan obligations are calculated using a discount rate set with a reference to corporate bond yields. The plan holds a significant part of its assets as equities which provide volatility and risk in the short-term but are expected to perform better than corporate bonds in the long-term. However, the group believes that as the liability has a long-term nature and the plan assets are managed very carefully it is prudent to invest in equities in the long run.

Changes in bond yields

A decrease in corporate yields will increase plan liabilities even though this will partially be offset by an increase in the value of the plan's bond assets.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Inflation risk

The plan's benefit obligations are linked to inflation and increase in pensions will lead to higher liabilities. As the plan's asset values are unaffected by inflation it means that an increase in inflation will also increase the deficit in the balance sheet.

Characteristics of the Group's most significant defined benefit plans

The Finnish pension fund (A-säätiö) is a voluntary final average pay plan supplementing statutory pensions. Its activities are governed by the Finnish Pension Fund Act, the Finnish Employees Pensions Act (TyEL) and the rules of the pension fund. The fund was closed for new entrances at 31 August 1987. This plan is fully funded. The fund underwrites a defined benefit scheme and entitles the employees to old age pension from 60 or 65 years of age. The benefits under the plan are measured for all members of the plan and they supplement statutory old age, disability and survivor’s pensions. The additional amounts paid are defined in the rules of the pension fund.

The Finnish pension promise plan is a final average pay pension plan concerning additional pensions. The benefits are on company’s own responsibility. The old age pension obligation is calculated for actives, for pensioners and for deferred. The plan provides an old age benefit to complement the statutory old age pension. The level of additional old age pension is agreed in the contract between the employer and the employee. The plan also underwrites disability and survivors pensions as well a funeral grant.

The Norwegian CCB (Carl Christensen og Brødres) Pensionskasse is a fully funded pension plan. The activities of the fund are governed by Norwegian legislation and the rules of the fund. The plan was closed for new entrances at 31 December 2012. The fund underwrites a defined benefit scheme and entitles the employees and beneficiaries to old age pension from 67 years of age. It also underwrites surviving spouse and children as well as a disability pension based on certain criteria regarding for example time of service.

Information on the most significant defined benefit plans

€m	Finnish pension fund (A-säätiö) 2013	2012	Finnish pension promise plan 2013	2012	Norwegian CCB Pensionskasse 2013	2012
Present value of unfunded obligations			**19**	21		
Present value of funded obligations	**79**	84			**16**	18
Fair value of plan assets	**-72**	-69			**-21**	-21
Net liability (+) / asset (-)	**8**	15	**19**	21	**-5**	-3

Actuarial assumptions used

	2013	2012	2013	2012	2013	2012
Discount rate, %	**3.25 %**	3.00 %	**3.25 %**	3.00 %	**4.46 %**	4.10 %
Future salary growth, %	**2.00 %**	2.00 %	**2.00 %**	2.00 %	**4.00 %**	4.00 %
Future pension growth, %	**2.10 %**	2.10 %	**2.10 %**	2.10 %	**0.50 %**	0.00 %
Longevity at age 65 (Finland) and 67 (Norway) for current pensioners, years						
Males	**19**	19	**19**	19	**18**	18
Females	**25**	25	**25**	25	**21**	21
Longevity at age 65 (Finland) 20 years after the end of the period, years						
Males	**21**		**21**			
Females	**26**		**26**			
Number of persons in the plan						
Actives	**1 347**	1 659	**38**	39	**167**	206
Pensioners	**1 534**	1 312	**702**	714	**115**	105
Paid up policies		6	**235**	289		
Total number of persons in the plan	**2 881**	2 977	**975**	1 042	**282**	311
Duration of the plan, years	**14**	13	**12**	13	**13**	13

Sensitivity analysis on 31 December 2013

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation/asset by the amounts shown below.

Change in net defined benefit obligation/asset

	Finnish pension fund (A-säätiö)		Finnish pension promise plan		Norwegian CCB Pensionskasse	
€m	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate (0.5% movement)	**-5**	**5**	**-1**	**1**	**0**	**0**
Future salary growth (0.5% movement)	**1**	**-1**	**0**	**0**	**0**	**0**
Future pension growth (0.5% movement)	**5**	**-4**	**1**	**-1**	**0**	**0**
Life expectancy (1 year movement)	**1**	**-1**	**0**	**0**		

25. Provisions

€m	Environment provisions	Warranty provisions	Restructuring provisions	Other	Total
1 Jan 2013	**1**	**1**	**7**	**3**	**11**
Exchange difference		**0**	**0**	**0**	**0**
Additions	**1**	**0**	**2**	**2**	**5**
Provisions used	**0**	**0**	**-4**	**-1**	**-6**
Reversals of unused provisions		**0**	**-2**	**0**	**-2**
31 Dec 2013	**1**	**0**	**2**	**3**	**7**
Non-current provisions	**1**	**0**		**0**	**2**
Current provisions		**0**	**2**	**3**	**5**
	1	**0**	**2**	**3**	**7**

Environmental obligations

An environmental provision is booked on the basis of existing interpretations of environmental protection acts and regulations. A provision is booked, when it is probable that an obligation has arisen and the amount of the obligation can be reliably estimated.

Restructuring provisions

Majority of the restructuring provision is related to the closing of Kalajoki unit and downscaling of production in Peräseinäjoki unit. The provisions are expected to be used during 2014.

Warranty provision

The group gives a warranty on certain products, for which a warranty provision is set up based on previous experience.

Other provisions

Provisions for onerous contracts and litigations are reported under Other provisions.

26. Loans and borrowings

€m	2013	2012
Non-current		
Loans from financial institutions	**317**	334
Bonds		150
Finance lease liabilities	**31**	35
Pension loans	**9**	14
Total	**358**	533
Current		
Loans from financial institutions	**62**	52
Bonds	**150**	
Finance lease liabilities	**7**	6
Pension loans	**5**	5
Commercial papers	**163**	188
Other current interest-bearing liabilities		1
Total	**387**	253

Information about bonds

€m	Coupon rate	Currency	2013	2012
Nominal value				
2009 - 2014	5.25%	EUR	**150**	150
			150	150

The weighted average of effective interest rates (including interest rate derivatives) for loans and borrowings at 31 December

%	2013	2012
Bonds and loans from financial institutions	**3.5**	3.6
Finance lease liabilities	**6.7**	6.8

Finance lease liabilities

The group has leased production facillities, office premises as well as machinery and equipment under finance lease agreements of varying length. In the event of a sale and leaseback, the group has recognised the capital gain in the statement of financial position and recognises the revenue over the lease period. Unrecognised capital gain of EUR 1 million (1) is included in the statement of financial position at 31 December 2013.

Maturities of finance lease liabilities

€m	2013	2012
Finance lease liabilities - minimum lease payments		
Within one year	**9**	9
Between one and five years	**25**	26
After five years	**13**	18
Total	**47**	52
Future financial costs	**-9**	-11
Present value of finance lease liabilities	**38**	41
Finance lease liabilities - present value of minimum lease payments		
Within one year	**7**	6
Between one and five years	**20**	20
After five years	**11**	15
Total	**38**	41

27. Trade and other payables

€m	2013	2012
Non-current		
Defined benefit pension plans	**36**	40
Derivative contracts qualifying for hedge accounting	**12**	9
Other non-current liabilities	**18**	19
Total other non-current liabilities	**66**	69
Current		
Trade payables	**279**	246
Trade payables to equity-accounted investees	**1**	0
Total trade payables	**279**	246
Current amounts due to customers for contract work	**7**	14
Accrued expenses and deferred income	**100**	118
Derivative contracts qualifying for hedge accounting	**13**	12
Derivative contracts not qualifying for hedge accounting	**3**	7
Advances received	**29**	25
Other liabilities	**7**	14
Total other current liabilities	**158**	189

The material items included in accrued expenses and deferred income consist of personnel expenses and accrued interest on loans and borrowings.

28. Contingent liabilities and investment commitments

€m	2013	2012
Mortgaged real estate	**59**	59
Guarantees given		
On own behalf	**23**	27
Rental obligations under operating leases	**64**	73
Other commitments	**9**	4

Mortgages have been given as collateral for pension loans and loans from financial institutions. The group has leased buildings, vehicles and other items of property, plant and equipment also under operating lease agreements. Rental obligations under operating leases exclude finance lease liabilities specified in Note 26 Loans and borrowings.

Minimum rents payable under operating leases

€m	2013	2012
Within one year	**14**	16
Between one and five years	**26**	30
After five years	**23**	27
Total	**64**	73

The agreements do not include significant sublease agreements or conditional leases.

Investment commitments

€m	After 31 Dec 2013	After 31 Dec 2012
Maintenance investments	**80**	61
Development investments and investments in special steel products	**6**	13
Total	**86**	74

Investment commitments comprise approved capital expenditure for the next two years.

The company has made the closure plan required by the Finnish-Swedish Frontier Rivers Commission for the old tailings area at Rautuvaara. The company received in December 2013 authorities' opinions and inquiries for further information. The company will answer the inquiries and autohorities' decision is expected earliest during the second quarter in 2014. In addition, an external actor is planning to re-start mining activities in the Hannukainen district of Kolari in northern Finland and has already made a claim and submitted an application for a mining patent, which also includes the Rautuvaara area. It is not possible to reliably estimate implementation of the closure plan under the present circumstances, where various options to continue using the Rautuvaara area are still being explored. The external actor is expected to make a decision to start mining during 2014. No bookings related to the closure of Rautuvaara are included in this financial statement.

29. Related party disclosures

The group’s related parties include the parent company, corporate subsidiaries, equity-accounted investees (Note 13 Equity-accounted investees), and Rautaruukki’s Pension Foundation as well as remarkable owner entities.The managing directors, members of the Board of Directors and other named key persons of Ruukki and its subsidiaries as well as members of the parent company’s Corporate Executive Board are also included in related parties. These persons have been specified on the basis of Ruukki’s organisation and the list of persons is updated regularly. Spouses and other family members of the persons referred to above who reside in the same household are also related parties of Ruukki.

The group’s parent and subsidiary relationships at 31 Dec 2013

Name	Country	Domicile	The group's share of share capital, %	The group's share of votes, %	
Subsidiaries of Rautaruukki Corporation:					
Alamentti Oy	FI	Alajärvi	100	100	*)
LLC Ruukki Ukraine	UA	Kiev	100	100	
Metform Oy	FI	Helsinki	100	100	*)
OOO Ruukki Rus	RU	Obninsk	100	100	
Ruukki Australia Pty Ltd	AU	Melbourne	100	100	
Ruukki Austria GmbH	AT	Wien	100	100	
Ruukki Bulgaria EOOD	BG	Sofia	100	100	
Ruukki Canada Inc	CA	Toronto	100	100	
Ruukki Chile SpA	CL	Santiago	100	100	
Ruukki Construction Oy	FI	Helsinki	100	100	
Ruukki Croatia d.o.o	HR	Zagreb	100	100	*)
Ruukki CZ s.r.o.	CZ	Prague	100	100	
Ruukki d.o.o.	SI	Ljubljana	100	100	*)
Ruukki DOO Belgrade	RS	Belgrade	100	100	*)
Ruukki Engineering Oy	FI	Helsinki	100	100	
Ruukki France SARL	FR	Paris	100	100	
Ruukki Holding AB	SE	Halmstad	100	100	
Ruukki Holding B.V.	NL	Almelo	100	100	
Ruukki Holding Danmark A/S	DK	Brøndby	100	100	
Ruukki Holding GmbH	DE	Duisburg	100	100	
Ruukki Hungary Kft	HU	Biatorbágy	100	100	
Ruukki Insurance Ltd.	GG	Guernsey	100	100	
Ruukki Istanbul Metal Sanayi ve Ticaret Limited Sirketi	TR	Istanbul	100	100	
Ruukki Metals (Shanghai) Co Ltd	CN	Shanghai	100	100	
Ruukki Metals Oy	FI	Helsinki	100	100	
Ruukki Metals Trading and Marketing India Private Limited	IN	Mumbai	100	100	
Ruukki Norge AS	NO	Oslo	100	100	
Ruukki Polska Sp.zo.o	PL	Zyrardów	100	100	
Ruukki Products AS	EE	Pärnu	100	100	
Ruukki Romania s.r.l.	RO	Bolintin	100	100	
Ruukki Slovakia s.r.o	SK	Bratislava	100	100	
Ruukki Spain S.L.	ES	Vitoria-Gasteiz	100	100	
Ruukki Stainless Steel & Aluminium Oy	FI	Helsinki	100	100	
Ruukki Trading (Shanghai) Co Ltd	CN	Shanghai	100	100	
Ruukki UK Ltd	GB	Solihull	100	100	
Ruukki USA Inc.	US	Wilmington, DE	100	100	
SIA Ruukki Latvija	LV	Riga	100	100	
UAB Ruukki Lietuva	LT	Vilnius	100	100	
Subsidiary of Ruukki Engineering Oy					
Presteel Oy	FI	Raahe	80.1	80.1	
Subsidiaries of Ruukki Holding AB:					
Ruukki Sverige AB	SE	Halmstad	100	100	
Plåtleverantören Express AB	SE	Stockholm	100	100	
Subsidiaries of Ruukki Norge AS:					
Ruukki Construction Norge AS	NO	Sandnessjøen	100	100	
Ruukki Profiler AS	NO	Mo i Rana	100	100	*)

Name	Country	Domicile	The group's share of share capital, %	The group's share of votes, %
Subsidiaries of Ruukki Holding B.V:				
Ruukki Finance B.V.	NL	Almelo	100	100
Ruukki Benelux B.V.	NL	Almelo	100	100
Subsidiary of Ruukki Holding Danmark A/S:				
Ruukki Danmark A/S	DK	Brøndby	100	100
Subsidiary of Ruukki Holding GmbH:				
Ruukki Deutschland GmbH	DE	Duisburg	100	100
Subsidiary of LLC Ruukki Ukraine:				
LLC Ruukki Investment Ukraine	UA	Kiev	100	100

*) Dormant company

Transactions with related parties

€m	Sales	Purchases	Trade receivables	Loan receivables	Trade payables
2013					
Equity-accounted investees total	**34**	**7**	**4**	**71**	**1**
Rautaruukki´s Pension Foundation	**0**				
2012					
Equity-accounted investees total	21	7	4	72	0
Rautaruukki´s Pension Foundation	0				

Sales of goods and services to related parties were conducted at market conditions and prices.

Rautaruukki has paid employee contributions EUR 1 million to Rautaruukki Pension Foundation in 2013 (1). Rautaruukki paid rents totalling EUR 0 million (0) to Rautaruukki Pension Foundation. There are no collaterals or guarantees relating to the leasing of real estate.

Management's employee benefits

€m	2013	2012
Salaries and other current employee benefits	**3**	3
Post-employment benefits	**0**	1
Share-based benefits		0
Total	**3**	3

Management's employee benefits are stated under the accrual basis, except for bonus and share-based benefits. Post-employment benefits also include increases in pension obligations. The company's management participates in a share ownership plan used as an incentive. The terms and conditions of share-based payment are detailed in Note 30 Share-based payments.

The company's Finnish executives are covered by the Finnish Employees' Pension Act (TyEL) scheme, which provides for pension security based on years of service and earnings as stipulated by law. Under the Finnish earnings-based pension system, base salary, including taxable benefits, and bonuses are considered as earnings, but income from share ownership plans is not. The age of retirement is between the ages of 63 and 68 according to own choice.

The President & CEO is entitled to retire at the age of 60. He is additionally, at the age of 60, entitled to a defined benefit supplementary pension of 60 per cent of average salary calculated during the past three years. Everyone covered by Section A of Rautaruukki's Pension Fund who has opted for a reduced retirement age retires at the age of 60. One member of the Corporate Executive Board belongs to this group. The amount of supplementary pension paid by the Pension Fund depends on the number of earning years and is generally between 30-60 per cent of retirement pay. No new defined benefit supplementary pension plans have been introduced in the company since 2006.

Two members of the Corporate Executive Board have a defined contribution supplementary pension plan and one member has individual pension insurance. The defined contribution pension plan does not guarantee the level of future pensions, which depend on the pension insurance contributions made and the return on investments. The Board of Directors decides annually the supplementary insurance premium to the defined contribution plan as a percentage of annual salary.

The statutory TyEL premium in respect of the company's president & CEO in 2013 was EUR 0.1 million (0.1) and the cost of voluntary supplementary pensions under IAS 19 was EUR 0.3 million (0.2). The supplementary pension liability under IAS 19 in the consolidated statement of financial position at 31 December 2013 was EUR 4.0 million (31 December 2012: EUR 3.9 million) in respect of the President & CEO. This supplementary pension has been arranged within the company's own pension promise plan.

Wages, salaries and other benefits

€k	2013	2012
President & CEO	**746**	772
Other members of the Corporate Executive Board	**1 968**	1 898
	2 714	2 670
Board of Directors		
Chairman, Kim Gran	**83**	79
Deputy Chairman, Hannu Ryöppönen, from 1 January to 31 March 2013	**2**	55
Debuty Chairman, Matti Lievonen, starting at 1 April 2013	**55**	44
Reino Hanhinen		2
Maarit Aarni-Sirviö		2
Pertti Korhonen		44
Liisa Leino	**45**	43
Saila Miettinen-Lähde	**45**	43
Jaana Tuominen	**45**	45
Timo U. Korhonen, starting at 1 April 2013	**42**	
Matti Kähkönen, starting at 1 April 2013	**44**	
	362	357
Total	**3 076**	3 027

The group has no other significant transactions, receivables, liabilities or guarantees with related parties.

30. Share-based payments

In December 2010, the Board of Directors decided to launch a new share-based incentive plan for 2011-2013. The plan aims to align the objectives of shareholders and key employees to enhance the value of the company, commit key employees to the company and to offer them a competitive reward plan based on ownership of shares in the company. The plan is targeted at around 100 key employees.

The plan includes three one-year earning periods, which are the calendar years 2011, 2012 and 2013. Furthermore, the plan includes one three-year earning period, 1 January 2011-31 December 2013. For 2013, the Board of Directors decided on the additional incentive made for the company's management within the limits of the existing share-based incentive plan 2011-2013. Any additional bonus is tied to the operating profit target.

Under the plan, a maximum of 1,200,000 shares are granted, together with a cash payment needed to cover the taxes and tax-related costs incurred by the key personnel at the time the shares vest. The company's Board of Directors decides on the earning criteria and the targets to be established for them at the beginning of each earning period. The Board of Directors may, for important reasons, revise the terms of the plan during an earning period. Any bonus payable for each earning period on the basis of the plan is paid as a combination of shares and cash by the end of April following the end of the respective earning period. The value of the bonus payable under the plan during the three years may not exceed three years' gross salary of the key person concerned.

The shares may not be transferred during the restriction period, which will end three years after the end of each earning period. Should a key person's employment or service in a group company end during the restriction period, he or she must return, gratuitously, the shares received as a bonus to the company. Members of the Corporate Executive Board must hold shares also after the restriction period such that the total value of their shareholding corresponds to the value of their gross annual salary. Such number of shares must be held for as long as their employment or service in a group company continues. Persons covered by the share-based incentive plan do not participate in the employee profit sharing scheme.

The amount of bonus confirmed for the earning period 2011 was 11.5 per cent of the maximum reward payable. In April 2012, a total of 30,811 treasury shares owned by Rautaruukki Corporation were settled on the key personnel covered by the bonus plan. Since the criteria established for the bonus for the earning periods 2012 and 2013, and for the additional incentive for 2013, were not met, no bonus is payable. The three-year earning period for 2011-2013 ended on 31 December 2013. The amount of bonus for this earning period was confirmed at 16.66 per cent of the maximum reward payable.

Information on the share-based incentive plans

Term of the plan	2013	2013 additional incentive	2012	2011
Grant date*	31.3.2013	9.6.2013	24.4.2012	8.4.2011
End of earnings period	31.12.2013	31.12.2013	31.12.2012	31.12.2011
End of restriction period	31.12.2016	31.12.2016	31.12.2015	31.12.2014
Maximum number of shares awarded	280 000	132 000	300 000	299 750
Market value of share on grant date, €	4.99	4.76	6.99	17.21
Number of participants	92	29	101	99

Term of the plan	2011-2013	2011-2013	2011-2013
Grant date*	31.3.2013	24.4.2012	8.4.2011
End of earnings period	31.12.2013	31.12.2013	31.12.2013
End of restriction period	31.12.2016	31.12.2016	31.12.2016
Maximum number of shares awarded	100 000	100 000	100 000
Market value of share on grant date, €	4.99	6.99	17.21
Number of participants	92	101	99

* grant date = the date by which the persons announced their participation in the incentive plan

Changes in number of shares to be awarded	**2013**	**2012**
Outstanding at the beginning of the period	**500 000**	399 750
Granted during the period	**512 000**	400 000
Excercised during the period		-30 811
Forfeited during the period		230
Expired during the period	**-712 000**	-269 169
Outstanding at the end of the period	**300 000**	500 000

Expenses of share-based incentive plans

€m	**2013**	**2012**
Expense recognised in profit and loss	**0**	1
Recognised in reserve for share-based payments	**0**	0

Liability of share-based incentive plans, payable in cash

€m	**2013**	**2012**
Liability payable in cash	**0**	0

31. Financial risk and capital management

Principles

Corporate financial risk management aims at minimising the unfavourable impacts of financial risks on the group's result, equity and cash flow, and at ensuring the group's liquidity. Financial risk management is centred on Corporate Treasury and is based on the financing policy approved by the Board of Directors. This policy defines the main principles for the organisation of financing, funding, financial risk management, reporting and oversight. The most significant financial matters are dealt with by the Corporate Finance Committee, which is chaired by the company's President & CEO. The Finance Committee decides on the credit lines valid at any given time within the framework of the financing policy. Financial transactions are carried out solely to fund the group's ordinary business and to manage the associated financial risks.

The corporate level is the point of departure for arranging funding and carrying out financial transactions. As a rule, financial transactions required by subsidiaries are carried out using arms-length principle internally by Corporate Treasury and are based on corporate policies. Where financial transactions are carried out in the name of subsidiaries, they are guaranteed by the parent company. Ruukki Metals, together with Corporate Treasury, is responsible for commodity price risk management in respect of zinc. Ruukki Metals is responsible centrally for managing electricity and special heavy fuel price risks. Some of the group's operations are within the scope of the EU Emissions Trading Scheme and management of the related emissions balance is dealt with by Ruukki Metals.

Market risks

Foreign exchange risks

Rautaruukki has international operations and its business is therefore exposed to risks caused by exchange rate fluctuations. The greatest foreign exchange risks involve the US dollar (USD) and the Swedish krona (SEK). The raw materials needed to make steel are generally priced in USD. The company's sales in USD offset only a very small percentage of the dollar deficit arising from the purchase of these materials. The SEK risk occurs primarily because the parent company has exports to Sweden denominated in SEK that the cash flows from the Swedish subsidiary do not eliminate. The aim of foreign exchange risk management is to limit the volatility on consolidated cash flow, result and statement of financial position. Foreign exchange risk management is centralised on Corporate Treasury. Foreign exchange risks are managed as a transaction position and translation position. The transaction position comprises the cash flows from business transactions agreed and forecast in currencies outside the eurozone and from items denominated in foreign currencies in the statement of financial position. Consistent with corporate operating principles, confirmed net cash flows are as a rule hedged in full. With some exceptions, foreign currency items included in the statement of financial position are hedged. In 2013, the Ukrainian hryvnia and Chinese yuan were not hedged.

Rautaruukki applies cash flow hedge accounting in accordance with IAS 39 for its USD-denominated raw material purchases. Effective hedges of open USD-derivatives are recognised in other comprehensive income under equity. The result of USD-denominated derivatives is transferred from equity to adjust the cost of goods sold in the period when the hedged item affects the result.

The table below shows income and expense from the group's external operations in main foreign currencies in 2013 and 2012. The figures denominated in foreign currencies have been translated into euros at the average exchange rates.

2013 €m	EUR	USD	SEK	NOK
Income	**1 253**	**70**	**324**	**231**
Expense	**-1 374**	**-558**	**-77**	**-112**

2012 €m	EUR	USD	SEK	NOK
Income	1 541	62	324	262
Expense	-1 707	-609	-107	-140

The translation position, which causes fluctuation in equity, consists of net investments in subsidiaries and equity-accounted investees outside the eurozone. Management assesses the need to hedge against the translation risk on a case-by-case basis, taking into account, for example, market conditions and the cost of hedging. The exchange rate risk arising on net investments in companies outside the eurozone was not hedged in 2013. The table below shows the group's translation position as regards the most significant foreign currencies.

Group translation position

€m	31 Dec 2013	31 Dec 2012
RUB	**104**	114
NOK	**36**	53
SEK	**19**	22
PLN	**33**	31

Positions determined at exchange rates at 31 Dec 2013 and 31 Dec 2012.

Sensitivity of the group's net investments (translation position) to exchange rate movements

	31 Dec 2013	31 Dec 2012
€m	Equity	Equity
+/-10% movement in EUR/RUB exchange rate	**-9.4/+11.5**	-10.3/+12.6
+/-10% movement in EUR/NOK exchange rate	**-3.3/+4.0**	-4.8/+5.8
+/-10% movement in EUR/SEK exchange rate	**-1.7/+2.1**	-2.0/+2.5
+/-10% movement in EUR/PLN exchange rate	**-3.0/+3.7**	-2.8/+3.4

+ means a strengthening, - means a weakening of the euro against other currencies

Sensitivity to financial exchange rates arising from financial instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a +/- 10 per cent movement in exchange rates would affect the consolidated income statement and equity by examining the impact of the following items: derivatives hedging cash flow, derivatives hedging the statement of financial position, trade payables, internal and external loans and receivables, and cash. The sensitivity analysis excludes the taxation impact.

Sensitivity to foreign exchange risks

	31 Dec 2013		31 Dec 2012	
M€	Result	Equity	Result	Equity
+/-10% movement in EUR/USD exchange rate	**+7.8/-9.6**	**-21.7/+22.5**	+9.8/-12.0	-19.9/+18.7
+/-10% movement in EUR/SEK exchange rate	**+4.2/-10.5**		+7.5/-10.6	
+/-10% movement in EUR/NOK exchange rate	**+3.1/-7.0**		+3.4/-4.7	

+ means a strengthening, - means a weakening of the euro against other currencies

Statement of financial position items denominated in USD, SEK and NOK were hedged in full at year-end 2013. The sensitivity analysis above excludes cash flows forecast from business transactions. At year-end 2013, cash flows forecast from business transactions in USD were hedged for around the following five months. Cash flows forecast from business transactions in SEK and NOK were hedged for the following five months, as well as cash flows from the project deliveries.

Interest rate risks

The group is exposed to interest rate risks through interest-bearing liabilities and receivables. Net interest-bearing financial liabilities at 31 December 2013 were EUR 693 million (765), which includes finance lease loans for EUR 38 million (41). The group's liquid assets were EUR 47 million (21.) Management of interest rate risks is centred on Corporate Treasury. Interest rate risk management aims to level out the impacts of fluctuations in interest rates in the consolidated result whilst seeking to optimise corporate financing costs within the given risk limits. The interest rate position is managed by currency. The euro is the group's most important currency in the interest risk position and accounts for almost 100 per cent (almost 100) of the assets and liabilities covered by the position. The interest rate risk position excludes foreign exchange derivatives. To manage the interest rate risk, borrowing and investments have been spread over fixed- and variable interest instruments. Also derivative instruments are used to modify the duration of the interest rate risk position. The group applies hedge accounting in accordance with IAS 39 to its interest rate derivatives. The interest rate derivatives used by the group have been defined as cash flow hedging instruments.

The interest rate risk is monitored and managed as interest rate flow risk and as price risk. Interest rate flow risk is examined by calculating the impact of a one percentage point rise in interest rates on net financial costs during the following 12 months. Price risk has no material impact on the income statement. The average fixed interest rate period of the group's debt position at 31 December 2013 was 1.6 years (2.0).

Sensitivity to interest rate risks arising from financial instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a hike of one percentage point in market interest rates would affect the consolidated result and equity. The impact on result consists of the interest flow risk and price risk. The analysis includes all the group's interest-bearing items. The sensitivity analysis excludes the taxation impact.

Sensitivity to interest rate risks	31 Dec 2013		31 Dec 2012	
€m	Result	Equity	Result	Equity
+ 1% point movement in market interest rate	**-2.6**	**+0.2**	-2.7	+0.2

Commodity price risks

The raw materials used by the group involve price risks for which the established derivatives markets cover zinc. Zinc price risk management is carried out through derivative contracts. Ruukki Metals business area is responsible for managing the zinc price risk, which in practice is carried out by Corporate Treasury. Under its zinc sourcing risk policy, Ruukki Metals hedges zinc purchases for the following 12 months at a hedging level of 30-100 per cent. In 2013, Ruukki purchased around 29,600 tonnes of zinc (31,700 tonnes).

Ruukki Metals uses special heavy fuel oil as a raw material in steel production. Fuel oil derivatives are used to hedge cash flows in the acquisition of special heavy fuel oil. The hedging horizon in managing the special heavy fuel oil price risk is 12 months at a hedging level of 85-15 per cent. In 2013, Ruukki purchased 71,600 tonnes of special heavy fuel oil (113,000 tonnes).

Rautaruukki Corporation is one of the largest users of electricity in Finland. The group's largest electricity consuming production units are in Finland, with most electricity being consumed at the company's works in Raahe and Hämeenlinna. In 2012, the group used around 1.2 TWh (1.2). The group generates around 40 per cent of the electricity it uses in Finland and buys the remainder. Production process gases are used in own electricity generation at the Raahe steel mill. Most of the electricity bought to meet the group's need in the Nordic countries is sourced centrally. Electricity price risk management aims to limit volatility, caused by fluctuations in the price of electricity, in cash flows and results. Electricity is hedged primarily through standard derivative products listed on the market and through fixed electricity supply contracts. The electricity price risk is also managed centrally within the group. The hedging horizon in managing the electricity price risk at Ruukki is the current year and the following five calendar years.

Rautaruukki applies IAS 39-compliant hedge accounting to zinc, electricity and fuel oil derivatives. The zinc, electricity and special heavy fuel oil derivatives employed by the group have been defined as cash flow hedges. The relationship between the hedging instrument and the hedged item is documented when the hedging contract is made. Hedge effectiveness is measured both at the start of the hedging relationship and quarterly throughout the validity of the relationship. The effective part of movements in the fair value of the derivatives that are designated as and qualify for cash flow hedging is recognised in other comprehensive income. The ineffective part of movements in the fair value of the derivatives is booked direct to the cost of goods sold. The realised income of the effective part of hedges is recognised as an adjustment to the cost of sales in the period during which the hedged items affects the result.

Sensitivity to commodity price risks arising from financial instruments as referred to in IFRS 7

A sensitivity analysis has assessed how a +/- 10 per cent movement in prices of electricity, zinc and heavy fuel oil would affect the consolidated result and equity by examining the derivative contracts. The sensitivity analysis excludes the taxation impact.

Sensitivity to commodity price risks	31 Dec 2013		31 Dec 2012	
€m	Result	Equity	Result	Equity
+/-10% movement in price of electricity	**+/-0**	**+6.1/-6.1**	+/-0	+7.0/-7.0
+/-10% movement in price of zinc	**+/-0**	**+1.8/-1.8**	+/-0	+1.7/-1.7
+/-10% movement in price of heavy fuel oil	**+/-0**	**+1.3/-1.3**	+/-0	+1.6/-1.6

Liquidity risk

Liquidity risk is defined as a situation in which the group's financial assets and borrowing facilities are insufficient to support future operational needs or a situation in which the costs of fundraising required are exceptionally high. Corporate Treasury is responsible for the group's liquidity and the fundraising process. To minimise the risk of refinancing, the group aims for a balanced maturity profile in its loan portfolio and utilises a variety of funding sources. The corporate Treasury Policy specifies that the amount of undrawn committed credit lines with financial institutions must at least equal the amount of debt maturing during the following 12 months. In addition, the weighted maturity of loans due after 12 months must be at least three years. At year-end 2013 the maturity of non-current loans after 12 months was 4.4 years (4.6).

The group has defined the sufficient liquidity reserve, which includes cash and liquid assets, committed undrawn credit lines and undrawn loans from banks less short-term credit. The liquidity reserve is deemed as being adequate when it covers the forecast net cash flow, including all non-current loans maturing, for the following 12 months. To ensure liquidity, the group had committed revolving credit facilities totalling EUR 475 million (510), which were completely undrawn at year-end. The group has overdraft facilities totalling around EUR 45 million (65). In addition, the group has non-committed credit lines totalling EUR 65 million (75) from banks and a EUR 350 million (350) commercial paper programme, of which EUR 187 million (162) remained undrawn at the end of the year. The table below shows the maturity profile of financial liabilities.

Maturities of the group's financial liabilities at 31 December 2013

€m	2014	2015	2016	2017	2018	2019-	Total	% of loan stock
Bonds	**150**						**150**	**14%**
Loans from financial institutions	**62**	**57**	**50**	**38**	**92**	**81**	**379**	**36%**
Pension loans	**5**	**5**	**3**			**1**	**14**	**1%**
Commercial papers	**163**						**163**	**15%**
Finance leases	**7**	**5**	**5**	**5**	**5**	**11**	**38**	**4%**
Derivative liabilities	**16**	**5**	**3**	**2**	**2**	**0**	**28**	**3%**
Trade payables	**279**						**279**	**27%**
	682	**72**	**61**	**45**	**99**	**93**	**1 052**	**100%**

Contractual interest flows at interest rates valid at 31 December 2013						
€m	**22**	**10**	**8**	**6**	**5**	**7**

Maturities of the group's financial liabilities at 31 December 2012

€m	2013	2014	2015	2016	2017	2018-	Total	% of loan stock
Bonds		150					150	14%
Loans from financial institutions	52	52	51	44	32	155	386	36%
Pension loans	5	5	5	3		1	20	2%
Commercial papers	188						188	18%
Finance leases	6	6	4	5	4	15	41	4%
Derivative liabilities	17	4	2	1	1	1	27	3%
Other loans	1						1	0%
Trade payables	246						246	23%
	516	217	63	53	37	172	1 059	100%

Contractual interest flows at interest rates valid at 31 December 2012						
€m	23	20	10	8	6	11

Credit and counterparty risks

Credit risks

Corporate Finance is responsible for credit risk management, which includes credit control processes, instructions and reporting to corporate management. The principles of credit sales are determined by corporate management and credit policies are prepared geographically, regionally or on a subsidiary-specific basis to support these policies. Corporate management makes the most significant decisions concerning credit limits and other credit risks in accordance with the authorities decided by the company's Board of Directors. Credit risks are reported monthly to the corporate management. In the same context, the most significant risks from the group and business area aspect are analysed in detail.

Rautaruukki manages credit risk in relation to trade receivables by imposing an appropriate credit limit on each customer. Sales exceeding the credit limit are not allowed under credit sales principles. Bank guarantees, other collateral and credit risk insurance of the group's trade receivables are considered as factors mitigating the risk to the company. Advance and cash payments, irrevocable letters of credit and export collections confirmed by a bank are also factors reducing credit risk. Customers are also given guarantees, either by the parent company or a subsidiary, against advance payments or other obligations. In such cases, the parent company, where necessary, guarantees the liabilities of subsidiaries to end customers or to the subsidiary's bank. The group's maximum credit risk equates to the carrying value of financial assets at the end of the period. The group's financial assets are specified in Note 32 Financial assets and liabilities by category.

Rautaruukki had no significant risk clusters in trade receivables because sales are spread over a broad customer base and no single customer or customer cluster is material to the group. A significant part of trade receivables are insured and the amount of uninsured trade receivables has decreased during the year. Credit losses of EUR 2 million (5) were booked over the period. This equates to 0.09 per cent (0.18) of net sales. Losses were spread over a number of subsidiaries within the group and no individual losses were significant. Doubtful receivables decreased by EUR 1 million during the financial year, in other words the impact of credit losses and doubtful receivables in total on the result was at a slightly lower level than a year earlier. Overdue trade receivables rose to account for 23 per cent (21) of total trade receivables. The majority of overdue receivables at year-end were overdue by less than 7 days. This is mainly explained by the time taken to process money transactions between financial institutions before payment is recognised in the group's bank account. The structure of overdue receivables for the whole year was similar to that of last year. In other words, factors of uncertainty in the business environment have not impacted significantly on the structure of trade receivables.

Trade receivables

€m	2013	2012
Trade receivables	**243**	270
Overdue by		
1-30 days	**41**	46
31-60 days	**6**	6
61-90 days	**3**	2
more than 91 days	**7**	3
Total overdue	**57**	57

The amount of doubtful receivables recognised through profit and loss fell to EUR 12 million. The table above shows doubtful receivables subtracted from trade receivables.

Doubtful receivables

€m	2013	2012
Doubtful receivables at 1 Jan	**13**	16
Change in doubtful receivables	**1**	2
Final credit losses	**-2**	-5
Doubtful receivables at 31 Dec	**12**	13
Analysis of doubtful receivables		
Not yet maturing		0
1-30 days	**0**	0
31-60 days	**0**	0
61-90 days	**0**	0
more than 91	**12**	13
Total	**12**	13

Rautaruukki holds bank guarantees in respect of trade receivables However, the significance of guarantees as an item improving credit quality was small since the amount is small compared to total trade receivables.

Counterparty risks

To minimise the counterparty risk in financing, the company enters into contracts only with leading creditworthy financial institutions and other counterparties. In investing activities, counterparty risk is managed by defining separate risk limits for each counterparty. The company has a valid ISDA framework agreement or similar agreement principle counterparties in respect of derivative contracts negotiated outside a stock exchange. Since ISDA framework agreements do not qualify for derecognition the statement of financial position, the receivables and liabilities involved may not be netted. The table below shows the carrying values in the statement of financial position, amounts that have not been netted and net amounts of Rautaruukki's financial instruments covered by netting arrangements.

Financial instruments included in netting agreements

€m	Carrying values of financial instruments in the statement of financial position	Amounts not netted	Net
31 Dec 2013			
Assets			
Foreign exchange derivatives	**4**	**-4**	**0**
Commodity derivatives	**1**	**-1**	**0**
Total	**5**	**-5**	**0**
Liabilities			
Foreign exchange derivatives	**-8**	**5**	**-3**
Interest rate derivatives	**0**		**0**
Commodity derivatives	**-19**	**0**	**-19**
Total	**-28**	**5**	**-23**
31 Dec 2012			
Assets			
Foreign exchange derivatives	4	-3	0
Commodity derivatives	1	-1	0
Total	5	-5	0
Liabilities			
Foreign exchange derivatives	-13	4	-9
Interest rate derivatives	0		0
Commodity derivatives	-14	1	-13
Total	-27	5	-23

As a result of the Fortaco arrangement completed in December 2012, Ruukki has Ruukki has long-term loan receivables from Fortaco Group Oy at a value of EUR 71 million. Information about the valuation of the loan receivables is presented in Note 34 Fair value hierarchy of financial assets and liabilities.

Capital management

Rautaruukki's capital management aims at safeguarding business conditions in all circumstances. The capital structure seeks to ensure flexible access to capital markets to secure adequate funding at a competitive rate compared to other actors in the industry.

Development of the capital structure is constantly monitored through gearing. The strategic intent is to keep gearing at around 60 per cent. The group's dividend policy is a payout ratio of 40-60 per cent of the result for the period. The aim is for a steadily rising dividend whilst taking into account the needs of business growth. Net interest-bearing financial liabilities at year-end 2013 were EUR 693 million (765) and the gearing ratio was 68.5 per cent (71.2). Net interest-bearing financial liabilities included financial liabilities less cash and current financial assets. The group has defined the weighted average cost of capital (WACC) applied to capital allocation decision-making and in assessing the efficiency of the use of capital.

The group's bank loans include covenants, which are quite normal for the industry. The group met all covenant terms in the 2013 and 2012 financial years.

Gearing ratio at 31 Dec

€m	2013	2012
Non-current financial liabilities	**358**	533
Current financial liabilities	**387**	253
Cash and current financial assets	**52**	21
Net interest-bearing financial liabilities	**693**	765
Total equity	**1 013**	1 074
Gearing ratio	**68.5%**	71.2%

32. Financial assets and liabilities by category

31 December 2013 €m	Financial assets/ liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives qualifying for hedge accounting	Carrying amount of the statement of financial position items	Fair value
Non-current assets							
Available-for-sale investments			**13**			**13**	**13**
Loan receivables		**67**				**67**	**67**
Other receivables		**2**				**2**	**2**
Current assets							
Trade receivables		**243**				**243**	**243**
Other receivables		**8**				**8**	**8**
Derivative contracts	**4**				**2**	**6**	**6**
Financial assets		**6**				**6**	**6**
Cash and cash equivalents		**46**				**46**	**46**
Carrying amount by measurement category	**4**	**372**	**13**		**2**	**391**	**391**
Non-current liabilities							
Loans and borrowings				**358**		**358**	**366**
Derivatives					**12**	**12**	**12**
Other non-current liabilities				**18**		**18**	**18**
Current liabilities							
Loans and borrowings				**387**		**387**	**399**
Derivative contracts	**3**				**13**	**16**	**16**
Trade payables				**279**		**279**	**279**
Carrying amount by measurement category	**3**			**1 042**	**25**	**1 070**	**1 090**

31 December 2012 €m	Financial assets/ liabilities recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised cost	Derivatives qualifying for hedge accounting	Carrying amount of the statement of financial position items	Fair value
Non-current assets							
Available-for-sale investments			14			14	14
Loan receivables		73				73	73
Other receivables		3				3	3
Current assets							
Trade receivables		270				270	270
Other receivables		8				8	8
Derivative contracts	4				1	5	5
Financial assets		0				0	0
Cash and cash equivalents		20				20	20
Carrying amount by measurement category	4	375	14		1	394	394
Non-current liabilities							
Loans and borrowings				533		533	557
Derivatives					9	9	9
Other non-current liabilities				18		18	18
Current liabilities							
Loans and borrowings				253		253	253
Derivative contracts	7				12	19	19
Trade payables				246		246	246
Carrying amount by measurement category	7			1 050	21	1 078	1 102

33. Derivative contracts

Cash flow hedges qualifying for hedge accounting

	Nominal amount				Fair value, €m					
	Valid				Positive			Negative		
Years	**<1**	**1-5**	**>5**	**Total**	**<1**	**1-5**	**>5**	**<1**	**1-5**	**>5**
31 Dec 2013										
Zinc derivatives										
Forward contracts, tonnes	**13 000**			**13 000**	**1**			**0**		
Heavy fuel oil derivatives										
Forward contracts, tonnes	**39 000**			**39 000**	**0**			**0**		
Electricity derivatives										
Forward contracts, GWh	**643**	**1 289**	**26**	**1 958**				**-7**	**-12**	**0**
Foreign currency derivatives										
Forward contracts	**137**			**137**	**0**			**-3**		
Options										
Bought	**122**			**122**	**1**					
Sold	**117**			**117**				**-2**		
Interest rate derivatives		**30**		**30**					**0**	
31 Dec 2012										
Zinc derivatives										
Forward contracts, tonnes	10 500			10 500	1			0		
Heavy fuel oil derivatives										
Forward contracts, tonnes	35 000			35 000	0			0		
Electricity derivatives										
Forward contracts, GWh	613	1 148	96	1 858	0	0		-4	-8	-1
Foreign currency derivatives										
Forward contracts	141			141	0			-4		
Options										
Bought	96			96	0					
Sold	90			90				-3		
Interest rate derivatives		30		30					0	

Derivatives not qualifying for hedge accounting

	Nominal amount, €m				Fair value, €m					
	Valid				Positive			Negative		
Years	**<1**	**1-5**	**>5**	**Total**	**<1**	**1-5**	**>5**	**<1**	**1-5**	**>5**
31 Dec 2013										
Foreign currency derivatives										
Forward contracts	**280**			**280**	**2**			**-2**		
Options										
Bought	**137**			**137**	**2**					
Sold	**274**			**274**				**-1**		
31 Dec 2012										
Foreign currency derivatives										
Forward contracts	417	10		427	3	0		-5	0	
Options										
Bought	90			90	0					
Sold	99			99				0		

The unrealised result of effective cash flow hedges is booked to other comprehensive income. Other fair value changes are booked through profit and loss. Forecast hedged cash flows are estimated to occur over the same period as the derivatives itemised above. No ineffectiveness of derivatives qualifying for hedge accounting was recognised in the income statement in 2013 or 2012.

The group had no significant embedded derivatives at 31 December 2013 or at 31 December 2012.

34. Fair value hierarchy of financial assets and liabilities

	2013				2012			
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value								
Foreign currency derivatives		**3**		**3**		4		4
Foreign currency derivatives (cash flow hedges)		**1**		**1**		0		0
Commodity derivatives (cash flow hedges)								
Electricity					0			0
Heavy fuel oil derivatives		**0**		**0**		0		0
Zinc		**1**		**1**		1		1
Available-for-sale financial assets			**13**	**13**			14	14
Assets total		**5**	**13**	**18**	0	5	14	19
Liabilities measured at fair value								
Foreign currency derivatives		**-3**		**-3**		-6		-6
Foreign currency derivatives (cash flow hedges)		**-5**		**-5**		-7		-7
Interest rate derivatives (cash flow hedges)		**0**		**0**		0		0
Commodity derivatives (cash flow hedges)								
Electricity	**-19**			**-19**	-13			-13
Heavy fuel oil derivatives		**0**		**0**		0		0
Zinc		**0**		**0**		0		0
Liabilities total	**-19**	**-8**		**-28**	-13	-13		-26

	2013				2012			
€m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets not measured at fair value								
Loan receivables from equity-accounted investees			**71**	**71**			72	72
Other non-current loan receivables		**1**		**1**		1		1
Assets total		**1**	**71**	**72**		1	72	73
Liabilities not measured at fair value								
Loans from financial institutions		**393**		**379**		402		386
Bonds		**155**		**150**		157		150
Commercial papers		**163**		**163**		188		188
Finance lease liabilities		**38**		**38**		41		41
Pensions loans		**15**		**14**		20		20
Other current interest-bearing liabilities						1		1
Liabilities total		**765**		**745**		810		786

The fair values in level 1 are based fully on the prices of similar asset or debt items on established markets.

The fair values in level 2 are determined using generally accepted valuation models whose input data is largely based on verifiable market prices. The discount rates used to determine the fair value of derivatives ranges from 0.1-8.2 per cent.

The fair value of financial instruments in level 3 is not based on verifiable market prices, but to a significant extent on management's estimates and their use in generally accepted valuation models. The hierarchy in which a certain item measured at fair value has been classified is determined at the lowest level based on input data.

There were no transfers between levels in 2013 (no transfers in 2012).

The fair values of foreign exchange forward contracts are determined by using the market prices at year-end for contracts with the same duration. The fair values of interest rate swaps are based on discounted cash flows and the net present value method and supported by market information at year-end. The fair values of commodity derivatives are determined by using publicly quoted market prices. The value of financial assets and liabilities not measured at fair value are measured at amortised cost using the effective interest method.

Level 3 loan receivables from equity-accounted investees are receivables from Fortaco Group Oy and have been stated at their acquisition cost. The value of loan receivables has been tested as part of testing the value of Ruukki's total Fortaco investment. The recoverable amounts of net assets in Fortaco's business activities have been compared with the value of Ruukki's investments as a whole in Fortaco. The recoverable amounts have been determined on the basis of fair value applying discounted cash flow calculations.

The key assumptions made by management and used in calculating fair value were: the expected development of Fortaco's market position, development of the capacity utilisation rate and the synergies and cost savings that can be achieved through the arrangement. The cash flows used in the calculations are based on business plans approved by Fortaco Group Oy's owners and cover five years. Cash flows after the forecast period have been taken into account applying an assumed growth rate of two per cent. The discount rate applied was 10.5 per cent (pre-tax). As at the balance sheet date, the recoverable amounts were found to be in excess of the carrying values of the asset items concerned.

The sensitivity analysis was made on the assumption that there would be a decline in the growth rate of cash flows both during and after the forecast period. In addition, a general increase in interest rates has also been taken into considerations well as a weakening of profitability. A rise of two percentage units in the discount rate, a decrease to minus one per cent in the growth rate after the forecast period or a decrease of 23 percentage in the forecasted operating profit in euros would result in the need to recognise an impairment loss, which would amount to about 9 per cent of the value of Ruukki's total Fortaco investment.

Available-for-sale financial assets consist mainly of investments in other companies without public quotation. They are measured at cost since the fair values cannot be reliably measured.

Changes in level 3 fair values of assets and liabilities measured at fair value

€m	**Available-for-sale financial assets**
Carrying amount at 1 Jan 2012	13
Additions	1
Disposals	0
Fair value changes	0
Translation differences	0
Carrying amount at 31 Dec 2012	14
Carrying amount at 1 Jan 2013	**14**
Additions	**1**
Disposals	**-2**
Translation differences	**0**
Carrying amount at 31 Dec 2013	**13**

35. Business combinations

2013

There were no business acquisitions in 2013.

2012

Plåtleverantören

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 are consolidated as subsidiaries from 1 July 2012.The figures below include information about the acquisition of the Swedish companies Plåtleverantören i Stockhom AB and its subsidiary Plåtleverantören i Södertälje AB.

€m	Fair values	Carrying values of acquired companies
Assets and liabilities of acquired companies		
Non-current assets	1	0
Current assets		
Inventories	1	1
Trade and other receivables	2	2
Cash and cash equivalents	0	0
Total assets	4	3
Non-current liabilities		
Interest-bearing	1	1
Other	0	0
Current liabilities		
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	

36. Business disposals

2013

There were no business disposals in 2013.

2012

Fortaco arrangement

Rautaruukki Corporation (Ruukki) and funds managed by CapMan (CapMan) agreed on 16 Octoer 2012 to combine units of Komas and units of Ruukki Engineering division to form a new company named Fortaco. The arrangement was finalised 27 December 2012. The company was formed from the compatible and complementary units of Ruukki and Komas. Ruukki Engineering units in Jaszbereny (Hungary), Wroclaw (Poland) and Holic (Slovakia) as well as Kurikka, Sepänkylä and the Kalajoki component business (Finland) were transferred to the new company.
In the arrangement Ruukki sold shares in subsidiaries Ruukki Tisza Zrt and Ruukki Slovakia s.r.o. and net assets of Wroclaw, Kurikka, Sepänkylä and Kalajoki component factory units. As consideration Ruukki received EUR 6 million worth of shares in Fortaco Group Oy, EUR 14 million convertible capital loan and EUR 72 million loan receivables.

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

€m	2012
Tangible assets	50
Goodwill	25
Other intangible assets	3
Inventories	20
Deferred tax assets	2
Trade- and other receivables	1
Cash and cash equivalents	5
Trade- and other payables	-13
Provisions	0
Net assets	93
Cash consideration	
Cash and cash equivalents of disposed businesses	-5
Impact on cash flow	-5
Consideration	
19.0% share in Fortaco Group Oy and the convertible capital loan	20
Loan receivables	73
Gain on the disposal	2
Presented:	
Administration costs	-3
Other operating income	5

37. Litigation and other pending legal actions

On 30 April 2013, Rautaruukki and Ruukki Group Plc settled their name dispute in consequence of which Ruukki Group changed its name after the report period. Ruukki Group is to assign all its rights to the Ruukki trademark and Ruukki name to Rautaruukki.

A number of lawsuits, claims and disputes based on various grounds are pending against Rautaruukki around the world. Management believes that the outcome of these lawsuits, claims and disputes will not have a material adverse effect on Rautaruukki’s financial position. Rautaruukki has itself also presented legal claims or is a plaintiff in disputes based on various grounds.

38. Events after the report period

Planned combination of SSAB and Rautaruukki

On 22 January 2014, the Boards of Directors of SSAB AB and Rautaruukki Oyj announced a plan to combine the two companies through SSAB making a recommended public share exchange offer to Rautaruukki's shareholders with a premium of 20 per cent based on the last three-month volume-weighted average share prices of both SSAB and Rautaruukki. AB Industrivärden intends to continue to act as the lead active shareholder in supporting the company's future development. The combined company will be a Nordic and U.S.-based steel company with a global reach and cost-efficient and flexible production. The proposed combination is expected to create substantial value for the shareholders in the combined company through the realisation of annual cost synergies of up to SEK 1.4 billion (EUR 150 million). The combined company will continue to serve customers with a broad offering within high strength steels, standard strip and plate products as well as tubular products. SSAB's construction related operations (Plannja) will be combined with Ruukki's Building Products and Ruukki's Building Systems operations to form a separate construction business division. This is expected to generate additional synergies.

Other events

In January, after the report period, it was announced that the employer-employee negotiations initiated by Ruukki Metals Oy at the Kiiluntie steel service centre in December 2013 had been completed. The negotiations resulted in a maximum of 26 persons being temporarily laid off simultaneously in accordance with a separate plan and the order book. Initially a maximum of ten persons will be laid off at a time. Lay-offs will last for a maximum of 90 days and will take place in early 2014, starting in February. The unit’s entire personnel of 54 persons are affected by the lay-off negotiations, which were held for reasons related to aligning production and costs to current market conditions.

In January, after the report period, it was also announced that the negotiations concerning possible workforce reductions and temporary lay-offs in Raahe initiated in November by Presteel Oy had been completed. The need for lay-offs will be assessed depending on the order book and any lay-offs will be effected in accordance with a separate plan. Lay-offs will continue at most until the end of 2014 and affect a maximum of the entire personnel of 51 persons. No redundancies will occur as a result of these negotiations, which were held because of a need to align Presteel’s production and costs with weakened market conditions and the order book.

On 29 January 2014, after the report period, it was announced that the Nomination Board appointed by Rautaruukki's shareholders is to propose to the Annual General Meeting convening on 18 March 2014 that the number of members of the Board of Directors remains unchanged at seven. The Nomination Board proposes the re-election of Kim Gran, Timo U. Korhonen, Matti Kähkönen, Liisa Leino, Matti Lievonen, Saila Miettinen-Lähde and Jaana Tuominen. The Nomination Board proposes that Kim Gran be elected as chairman of the Board and Matti Lievonen as deputy chairman. All the candidates have consented to stand for election. It is proposed that the fees of the Board of Directors remain unchanged.

Financial indicators

		2013	2012	2011	2010	2009
Net sales	€m	**2 405**	2 796	2 798	2 415	1 950
Operating profit	€m	**34**	-101	22	-12	-323
% of net sales	%	**1.4**	-3.6	0.8	-0.5	-16.6
Result before taxes	€m	**-6**	-139	-12	-74	-359
% of net sales	%	**-0.2**	-5.0	-0.4	-3.1	-18.4
Result for the period	€m	**-14**	-117	-10	-79	-275
% of net sales	%	**-0.6**	-4.2	-0.4	-3.3	-14.1
Return on capital employed	%	**1.8**	-4.9	1.3	-0.3	-14.2
Return on equity	%	**-1.3**	-10.0	-0.8	-5.4	-15.9
Equity ratio	%	**45.0**	45.6	48.7	55.3	59.9
Gearing ratio	%	**68.5**	71.2	60.3	44.7	22.3
Net interest-bearing liabilities	€m	**693**	765	770	621	336
Net cash from operating activities	€m	**184**	172	114	-64	182
Gross capital expenditure *	€m	**90**	97	179	173	161
% of net sales	%	**3.8**	3.5	6.4	7.2	8.2
Research and development	€m	**21**	26	29	27	29
% of net sales	%	**0.9**	0.9	1.0	1.1	1.5
Net interest costs	€m	**27**	35	32	29	26
% of net sales	%	**1.1**	1.2	1.1	1.2	1.3
Total assets	€m	**2 278**	2 380	2 656	2 539	2 532
Personnel on average		**8 955**	11 214	11 821	11 693	12 664
PER SHARE DATA						
Earnings per share, EPS, basic	€	**-0.10**	-0.85	-0.07	-0.57	-1.98
- diluted	€	**-0.10**	-0.85	-0.07	-0.57	-1.98
Equity per share	€	**7.27**	7.72	9.19	9.99	10.85
Dividend per share **	€		0.20	0.50	0.60	0.45
Dividend per earnings **	%		neg.	neg.	neg.	neg.
Price per earnings, P/E			neg.	neg.	neg.	neg.
Share trading	1 000 shares	**106 452**	151 014	200 241	182 131	189 371
% of shares issued	%	**77**	109	144	129	136
Share trading	€m	**765**	991	2 280	2 712	2 752
Volume weighted average share price	€	**5.42**	6.54	11.23	14.48	14.53
Lowest price of share	€	**4.35**	4.60	5.91	11.62	11.06
Highest price of share	€	**6.81**	9.49	18.77	17.78	18.14
Average adjusted number of shares	1 000 shares	**138 892**	138 884	138 862	138 864	138 846
- diluted	1 000 shares	**138 934**	138 930	138 907	138 864	138 846
Adjusted number of shares at year-end	1 000 shares	**140 285**	140 285	140 285	140 285	140 285
- excluding treasury shares	1 000 shares	**138 889**	138 893	138 862	138 862	138 864
- diluted	1 000 shares	**138 934**	138 930	138 907	138 862	138 864
Closing price at period end	€	**6.74**	5.96	7.12	17.51	16.14
Market capitalisation at year-end	€m	**946**	836	998	2 456	2 264
Effective dividend yield **	%		3.4	7.0	3.4	2.8

* Gross investments in tangible and intangible assets
** The Board of Directors' proposes that no dividend is paid for 2013

Formulas for the calculation of indicators

Return on capital employed, %	=	$\frac{\text{result before income tax + finance costs}}{\text{total equity + loans and borrowings (average at beginning and end of period)}}$	x 100
Return on equity, %	=	$\frac{\text{result before income tax - income tax expense}}{\text{total equity (average at beginning and end of period)}}$	x 100
Equity ratio, %	=	$\frac{\text{total equity}}{\text{total assets - advances received}}$	x 100
Gearing ratio, %	=	$\frac{\text{net interest-bearing financial liabilities}}{\text{total equity}}$	x 100
Net interest-bearing financial liabilities	=	loans and borrowings - current financial assets and cash and cash equivalents	
Earnings per share (EPS)	=	$\frac{\text{result for the period attributable to owners of the company}}{\text{weighted average number of shares outstanding during the period}}$	
Earnings per share (EPS), diluted	=	$\frac{\text{result for the period attributable to owners of the company}}{\text{weighted average diluted number of shares outstanding during the period}}$	
Equity per share	=	$\frac{\text{equity attributable to owners of the company}}{\text{basic number of shares outstanding at the end of period}}$	
Dividend per share	=	$\frac{\text{dividends paid}}{\text{basic number of shares at the end of period}}$	
Dividend per earnings, %	=	$\frac{\text{dividend per share}}{\text{earnings per share}}$	x 100
Effective dividend yield, %	=	$\frac{\text{dividend per share}}{\text{closing price at the end of period}}$	x 100
Price per earnings (P/E)	=	$\frac{\text{closing price at the end of period}}{\text{earnings per share}}$	
Trading volume, %	=	$\frac{\text{number of shares traded during the period}}{\text{average basic number of shares}}$	x 100
Volume weighted average share price	=	$\frac{\text{total EUR trading of shares}}{\text{number of shares traded}}$	
Market capitalisation	=	basic number of shares at the end of the financial 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	

Parent company financial statements

Parent company income statement (FAS)

€k	Note	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
NET SALES			
Production for own use		**312**	627
Other operating income	2	**38 363**	55 321
Materials and services	3	**-2 873**	-3 519
Salaries and other employee benefits	4	**-20 465**	-30 545
Depreciation, amortisation and impairment	5	**-3 526**	-4 472
Other operating expenses	6	**-29 124**	-55 150
		-55 988	-93 687
OPERATING PROFIT		**-17 313**	-37 739
Finance income and expenses	7		
Income from non-current financial assets		**29 483**	53 074
Other interest and finance income		**49 154**	68 148
Impairments		**-37 611**	-50 317
Interest and other finance expenses		**-46 847**	-71 775
Net finance income and costs		**-5 820**	-871
Result before extraordinary items		**-23 134**	-38 610
Extraordinary items			
Extraordinary income	8	**40 000**	14 475
Total extraordinary items		**40 000**	14 475
Result before approprition and taxes		**16 866**	-24 135
Appropriations			
Change in depreciation difference		**218**	434
Result before taxes		**17 084**	-23 700
Income taxes	9		
Taxes for previous years			-558
RESULT FOR THE PERIOD		**17 084**	-24 259

Parent company balance sheet (FAS)

€k	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets	10		
Intangible rights		**1 446**	1 280
Other capitalised non-current expenses		**3 272**	5 075
Advance payments		**1 198**	752
		5 916	7 107
Tangible assets	11		
Land and water		**1 687**	1 711
Buildings and structures		**4 015**	4 397
Machinery, equipment and other tangible assets		**728**	1 079
Advance payments and construction in progress			61
		6 430	7 248
Financial assets	12		
Investments in group companies		**716 707**	814 082
Investments in equity-accounted investees		**21 866**	19 965
Receivables from equity-accounted investees		**66 122**	
Other shares and holdings		**9 803**	8 880
		814 498	842 927
Total non-current assets		**826 844**	857 282
Receivables			
Non-current receivables			
Loan receivables from group companies		**683 251**	783 994
Other loan receivables	13	**905**	73 173
		684 156	857 167
Current receivables			
Trade receivables		**16**	614
Receivables from group companies	14	**43 267**	15 542
Receivables from equity-accounted investees	15	**5 234**	22
Loan receivables from group companies		**106 099**	66 505
Other receivables		**5 145**	4 343
Accrued income	16	**1 885**	1 136
		161 646	88 161
Total receivables		**845 802**	945 328
Cash and cash equivalents			50
Total current assets		**845 802**	945 378
TOTAL ASSETS		**1 672 646**	1 802 660

Parent company balance sheet (FAS)

€k	Note	31 Dec 2013	31 Dec 2012
EQUITY AND LIABILITIES			
Equity	17		
Share capital		**238 485**	238 485
Share premium		**219 894**	219 894
Retained earnings		**416 463**	468 518
Result for the period		**17 084**	-24 259
		891 926	902 638
Appropriations	18		
Depreciation difference		**709**	927
Provisions	19		
Pension provisions		**15 699**	16 195
Other provisions		**112**	135
		15 811	16 330
Liabilities			
Non-current			
Interest-bearing	20		
Bonds			149 654
Loans from financial institutions		**316 343**	332 664
Pension loans		**8 000**	13 333
Loans from group companies			900
		324 343	496 551
Current			
Interest-bearing			
Bonds		**149 836**	
Loans from financial institutions		**51 385**	39 484
Pension loans		**5 333**	5 333
Loans from group companies		**4 132**	31 487
Other liabilities		**206 004**	280 145
		416 691	356 449
Non-interest-bearing			
Trade payables		**11 509**	4 738
Liabilities to group companies	22	**251**	973
Accrued expenses and deferred income	23	**7 737**	17 001
Other liabilities		**3 668**	7 053
		23 166	29 764
Total liabilities		**764 200**	882 765
TOTAL EQUITY AND LIABILITIES		**1 672 646**	1 802 660

Parent company cash flow statement (FAS)

€k	2013	2012
Cash flows from operating activities		
Result before extraordinary items	**-23 134**	-38 610
Adjustments to cash flows*	**14 272**	10 862
Cash flow before change in working capital	**-8 862**	-27 748
Changes in working capital		
Change in current operating receivables	**-49 917**	-42 378
Change in current non-interest-bearing liabilities	**-12 643**	4 182
Change in working capital	**-62 560**	-38 197
Interest and other finance costs paid	**-49 122**	-65 134
Dividends received	**29 483**	58 550
Interest received	**51 387**	68 109
Taxes paid	**-416**	-22
	-40 088	-4 442
Cash flows from investing activities		
Investments in tangible and intangible assets	**-1 805**	-1 498
Proceeds from sale of tangible and intangible assets	**542**	807
Investments in other financial assets	**-10 696**	-47 498
Proceeds from sale of other financial asset	**74 381**	20 379
Net cash used in investing activities	**62 422**	-27 810
Net cash before financing activities	**22 333**	-32 252
Cash flows from financing activities		
Change in treasury shares	**-17**	138
Change in loan receivables	**106 889**	33 375
Change in current liabilities	**-99 824**	21 356
Withdrawal of non-current loans	**35 005**	30 109
Repayment of non-current loans	**-45 658**	-26 648
Dividends paid	**-27 779**	-69 431
Financial aid received from subsidiaries	**9 000**	5 475
Net cash from financing activities	**-22 384**	-5 627
Change in cash and cash equivalents	**-50**	-37 879
Cash and cash equivalents at 1 Jan	**50**	37 929
Cash and cash equivalents at 31 Dec		50
	-50	-37 879
*** Adjustments to cash flows from operating activities**		
Depreciation according to plan	**3 526**	4 472
Unrealised foreign exchange gains and losses	**-787**	425
Gains and losses on sale of tangible and intangible assets	**-292**	18 452
Impairment of shares and loan receivables	**37 856**	49 942
Dividends received	**-29 483**	-58 550
Provisions	**-520**	42
Finance income and expenses	**3 972**	-3 925
Other adjustments		3
	14 272	10 862

Notes to the parent company financial statements

1. Accounting policies

Basis of preparation
The parent company financial statements of Rautaruukki Oyj have been prepared in accordance with Finnish accounting principles (FAS). Consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies used are described in Note 1 Accounting policies in the notes to the consolidated financial statements. The parent company applies group accounting policies with the exception of the below listed major deviations.

Pension arrangements
The parent company's pensions are arranged through insurance companies or Rautaruukki Pension Foundation. The costs of both arrangements are recognised similarly in the parent company financial statements. In accordance with Finnish accounting principles contributions made to pension arrangements are booked as costs in the income statement on an accrual basis.

Tangible and intangible assets and depreciation
Tangible and intangible assets are measured at historical costs. Depreciations according to plan are based on the estimated useful lives of the assets. Depreciations are recorded on a straight-line basis over the economic useful lives of the assets.
Depreciations are recognised from the beginning of the following month after the asset has been taken into use.

Estimated useful lives of tangible assets:

Buildings and structures	10-40 years
Machinery and equipment	5-20 years
IT equipment and software	3-5 years

Estimated useful lives of intangible assets:

Licenses and other non-current assets	10 years
Goodwill	5 years

If the recoverable amount of a non-current asset is lower than its carrying value the difference is recognised as an impairment loss in the income statement.

Research and development expenses are not capitalised but recognised in the income statement as incurred.

Derivative instruments
Interest rate swaps that are used to hedge non-current interest-bearing liabilities are not measured at fair value in the financial statements. The realised interest from swaps is netted against interest expenses in the income statement.

Derivative contracts made with subsidiaries are not measured at fair value in the financial statements. The fair values of derivatives are presented in Note 25 Derivative contracts.

Income taxes
The parent company accrues deferred tax assets and liabilities from taxable losses, appropriations, provisions and other temporary differences. Deferred taxes are not booked to the income statement and balance sheet in the parent company.

2. Other operating income

€k	2013	2012
Gains on the sale of intangible and tangible assets	**296**	564
Subsidies received	**209**	424
Internal service fees	**37 263**	53 587
Other	**594**	746
	38 363	55 321

3. Materials and services

€k	2013	2012
Purchases during the period	**805**	1 134
External services	**2 068**	2 385
	2 873	3 519

4. Salaries and other employee benefits

€k	2013	2012
Wages and salaries	**15 517**	22 296
Share bonuses	**184**	102
Pension insurance premiums and pensions	**4 091**	6 572
Other indirect employee costs	**673**	1 575
	20 465	30 545

Management salaries and emoluments

€k	2013	2012
Members of the Board of Directors	**362**	357
President & CEO *)	**746**	772
CEO's pension expense	**266**	466
*) includes profit-based bonuses	**82**	116

Average number of personnel	2013	2012
White-collar employees	**247**	349
	247	349
Number of personnel at 31 Dec	**212**	299

President & CEO´s pension and emoluments and loans to persons closely associated with the company

Emoluments, including fringe benefits, paid to the parent company's President & CEO for 2013 amounted to EUR 745,751.

The President & CEO has the right to retire on a full 60 per cent old age pension at the age of 60.
The parent company has not given loans to related parties.

5. Depreciation, amortisation and impairment

Depreciation and impairment by asset group

€k	2013	2012
Other intangible assets	**2 808**	3 753
Buildings and structures	**386**	330
Machinery, equipment and other tangible assets	**332**	389
	3 526	4 472

6. Other operating expenses

€k	2013	2012
Sales freights	**1**	1
Rents	**2 164**	2 286
Losses from sale of non-current assets	**5**	19 016
Other	**26 954**	33 846
	29 124	55 150

Auditors' fees

€k	2013	2012
Principal auditor KPMG Oy Ab		
Statutory auditing	**162**	157
Other auditing	**37**	17
Tax services	**4**	38
Other services	**71**	34
Other auditing firms		
Tax services	**42**	680
Other services	**97**	24

7. Finance income and expenses

€k	2013	2012
Income from non-current financial assets		
Dividend income from group companies	**28 613**	52 050
Dividend income from equity-accounted investees	**870**	960
Dividend income from others	**0**	64
	29 483	53 074
Other interest and finance income		
Interest income from group companies	**24 279**	38 233
Interest income from others	**255**	576
Exchange gains	**24 621**	29 340
	49 154	68 148
Impairments		
Impairment of shares in subsidiaries	**-37 856**	-50 217
Impairment of loan receivables	**245**	-100
	-37 611	-50 317
Interest and other finance expenses		
Interest expenses to group companies	**-589**	-769
Interest expenses to other companies	**-24 841**	-31 580
Exchange losses	**-16 664**	-35 734
Other finance expenses	**-4 751**	-3 692
	-46 846	-71 775
Net finance income and expenses	**-5 820**	-870

8. Extraordinary items

t€	2013	2012
Group contributions received	**40 000**	14 475

9. Income taxes

€k	2013	2012
Taxes for previous periods		-558

10. Intangible assets

€k	2013	2012
Intangible rights		
Acquisition cost at 1 Jan	**8 137**	8 225
Additions	**648**	696
Disposals and adjustments	**-214**	-783
Acquisition cost at 31 Dec	**8 571**	8 137
Accumulated depreciation at 1 Jan	**-6 857**	-6 594
Accumulated depreciation on disposals and adjustments	**11**	
Depreciation for the period	**-278**	-264
Carrying amount at 31 Dec	**1 446**	1 280
Other capitalised non-current expenses		
Acquisition cost at 1 Jan	**45 714**	43 012
Additions	**711**	2 712
Disposals and adjustments	**2 586**	-10
Acquisition cost at 31 Dec	**49 011**	45 714
Accumulated depreciation at 1 Jan	**-40 638**	-37 150
Accumulated depreciation on disposals and adjustments	**-2 570**	
Depreciation for the period	**-2 530**	-3 489
Carrying amount at 31 Dec	**3 273**	5 075
Advance payments		
Carrying amount at 1 Jan	**752**	2 539
Changes	**445**	-1 786
Carrying amount at 31 Dec	**1 198**	752
Total intangible assets at 31 Dec	**5 916**	7 107

11. Tangible assets

€k	2013	2012
Land and water		
Carrying amount at 1 Jan	**1 711**	2 029
Additions		1
Disposals and adjustments	**-24**	-319
Carrying amount at 31 Dec	**1 687**	1 711
Buildings and structures		
Acquisition cost at 1 Jan	**10 527**	10 325
Additions		727
Disposals and adjustments	**-786**	-525
Acquisition cost at 31 Dec	**9 740**	10 527
Accumulated depreciation at 1 Jan	**-6 129**	-6 096
Accumulated depreciation on disposals and adjustments	**758**	297
Depreciation for the period	**-354**	-330
Carrying amount at 31 Dec	**4 015**	4 397
Machinery, equipment and other tangible assets		
Acquisition cost at 1 Jan	**20 107**	20 182
Additions	**62**	11
Disposals and adjustments	**-12 633**	-87
Acquisition cost at 31 Dec	**7 536**	20 107
Accumulated depreciation	**-19 028**	-18 725
Accumulated depreciation of disposals and adjustments	**12 549**	86
Depreciation for the period	**-328**	-389
Carrying amount at 31 Dec	**728**	1 079
Advance payments and construction in progress		
Carrying amount at 1 Jan	**61**	142
Changes	**-61**	-81
Carrying amount at 31 Dec	**0**	61
Total tangible assets at 31 Dec	**6 430**	7 248

12. Financial assets

€k	2013	2012
Investments in group companies		
Carrying amount at 1 Jan	**814 082**	856 412
Additions	**14 481**	46 404
Disposals and adjustments	**-74 000**	-38 438
Impairment	**-37 856**	-50 296
Carrying amount at 31 Dec	**716 707**	814 082
Investments in equity-accounted investees		
Carrying amount at 1 Jan	**19 965**	202
Additions	**1 901**	19 763
Carrying amount at 31 Dec	**21 866**	19 965
Receivables from equity-accounted investees		
Carrying amount at 1 Jan		
Additions	**66 122**	
Carrying amount at 31 Dec	**66 122**	
Other shares and investments		
Carrying amount at 1 Jan	**8 880**	8 070
Additions	**1 267**	1 100
Disposals and adjustments	**-344**	-190
Impairment		-100
Carrying amount at 31 Dec	**9 803**	8 880
Total financial assets at 31 Dec	**814 498**	842 927

Shares in subsidiaries owned by the parent company

Subsidiaries	Country	Domicile	% of Share capital and votes
Alamentti Oy	FI	Alajärvi	100
LLC Ruukki Ukraine	UA	Kiova	99.6
Metform Oy	FI	Helsinki	100
OOO Ruukki Rus	RU	Obninsk	100
Ruukki Australia Pty Ltd	AU	Melbourne	100
Ruukki Austria GmbH	AT	Wien	100
Ruukki Bulgaria EOOD	BG	Sofia	100
Ruukki Canada Inc.	CA	Toronto	100
Ruukki Chile SpA	CL	Santiago	100
Ruukki Construction Oy	FI	Helsinki	100
Ruukki Croatia d.o.o	HR	Zagreb	100
Ruukki CZ s.r.o.	CZ	Praha	100
Ruukki d.o.o.	SI	Ljubljana	100
Ruukki DOO Belgrade	RS	Belgrad	100
Ruukki Engineering Oy	FI	Helsinki	100
Ruukki France SARL	FR	Paris	100
Ruukki Holding AB	SE	Halmstad	100
Ruukki Holding B.V.	NL	Almelo	100
Ruukki Holding Danmark A/S	DK	Brøndby	100
Ruukki Holding GmbH	DE	Düsseldorf	100
Ruukki Hungary Kft	HU	Biatorbágy	100
Ruukki Insurance Ltd.	GG	Guernsey	100
Ruukki Istanbul Metal Sanayi ve Ticaret Limited Sirketi	TR	Istanbul	99
Ruukki Metals (Shanghai) Co Ltd	CN	Shanghai	100
Ruukki Metals Oy	FI	Helsinki	100
Ruukki Metals Trading and Marketing India Pivate Limited	IN	Mumbai	99
Ruukki Norge AS	NO	Oslo	100
Ruukki Polska Sp.zo.o	PL	Zyrardów	100
Ruukki Products AS	EE	Pärnu	100
Ruukki Romania s.r.l.	RO	Bolintin	100
Ruukki Slovakia s.r.o.	SK	Bratislava	100
Ruukki Spain S.L.	ES	Vitoria-Gasteiz	100
Ruukki Stainless Steel & Aluminium Oy	FI	Helsinki	100
Ruukki Trading (Shanghai) Co Ltd	CN	Shanghai	100
Ruukki UK Ltd	GB	Solihull	100
Ruukki USA Inc.	US	Wilmington, Delaware	100
SIA Ruukki Latvija	LV	Riga	100
UAB Ruukki Lietuva	LV	Vilnius	100

Equity-accounted investees	Country	Domicile	% of Share capital and votes
Bet-Ker Oy	FI	Ylivieska	44.4
Fortaco Group Oy	FI	Helsinki	19.0

13. Other loan receivables

t€	2013	2012
Fortaco Group Oy		72 283
Triton Oy	**810**	810
Other	**95**	79
	905	73 173

14. Current non-interest-bearing receivables from group companies

€k	2013	2012
Trade receivables	**2 384**	2 256
Other non-interest-bearing receivables	**40 884**	13 286
	43 267	15 542

15. Current receivables from equity-accounted investees

€k	2013	2012
Trade receivables	**234**	22
Other receivables	**5 000**	
	5 234	22

16. Accrued income

€k	2013	2012
Accrued interest income	**205**	2
Tax receivables	**117**	136
Other accrued income	**1 563**	997
	1 885	1 136

17. Equity

€k	2013	2012
Share capital at 1 Jan and 31 Dec	**238 485**	238 485
Share premium at 1 Jan and 31 Dec	**219 894**	219 894
Retained earnings at 1 Jan	**444 259**	537 811
Change in treasury shares	**-17**	138
Dividend distribution	**-27 779**	-69 431
Retained earnings at 31 Dec	**416 462**	468 517
Result for the period	**17 084**	-24 259
Equity at 31 Dec	**891 926**	902 638

€k	2013	2012
Distributable equity		
Retained earnings	**416 463**	468 517
+ Result for the period	**17 084**	-24 259
= Amount available for distribution of dividend	**433 547**	444 259

At 31 December 2013, the company had 1,396,152 treasury shares with an accounting countervalue of EUR 2.4 million.

Rautaruukki Corporation´s largest shareholders at 31 Dec 2013

	Shareholders	Shares, %	Number of shares
1	Solidium Oy	**39.67**	**55 656 599**
2	Ilmarinen Mutual Pension Insurance Company	**3.06**	**4 295 489**
3	Varma Mutual Pension Insurance Company	**2.51**	**3 514 322**
4	OP - Funds	**2.36**	**3 315 952**
5	Nordea - Funds	**1.49**	**2 088 155**
6	The State Pension Fund	**1.32**	**1 855 000**
7	Rautaruukki Corporation	**1.00**	**1 396 152**
8	SEB Gyllenberg - Funds	**0.95**	**1 337 634**
9	E & K Rannila Oy	**0.65**	**910 000**
10	Rumtec Holding Oy	**0.65**	**910 000**
11	Odin - Funds	**0.47**	**661 190**
12	Sijoitusrahasto Taaleritehdas Arvo Markka Osake	**0.43**	**600 000**
13	Rautaruukin Henkilöstörahasto HR	**0.43**	**600 000**
14	Mutual Insurance Company Pension-Fennia	**0.42**	**596 200**
15	Nordea Henkivakuutus Suomi Oy	**0.27**	**372 000**
16	Veikko Laine Oy	**0.24**	**335 000**
17	Oy Ingman Finance Ab	**0.24**	**330 000**
18	Norvestia plc	**0.21**	**300 766**
19	Toivonen Antero	**0.21**	**300 000**
20	Mandatum Life	**0.20**	**277 811**
	Nominee registration	**11.83**	**16 594 378**
	Other shareholders	**31.39**	**44 038 777**
	Total	**100.00**	**140 285 425**

Shareholders by share ownership at 31 Dec 2013

Number of shares	Number of shareholders	%	Number of shares	%
1–100	**11 998**	**25.5**	**756 106**	**0.5**
101–500	**19 722**	**41.9**	**5 393 813**	**3.8**
501-1 000	**7 939**	**16.9**	**6 187 335**	**4.4**
1 001-5 000	**6 235**	**13.3**	**13 431 223**	**9,6**
5 001-10 000	**665**	**1.4**	**4 856 743**	**3.5**
10 001-50 000	**378**	**0.8**	**7 129 188**	**5.1**
50 001-100 000	**36**	**0.1**	**2 613 904**	**1.9**
100 001-500 000	**38**	**0.1**	**7 455 505**	**5.3**
500 001+	**20**	**0.0**	**92 461 608**	**65.9**
	47 031	**100.0**	**140 285 425**	**100.0**

Shareholders by sector at 31 Dec 2013	Number of shares	%
Solidium Oy*	**55 656 599**	**39.7**
Other companies	**10 721 172**	**7.6**
Banks and insurance companies	**25 029 974**	**17.8**
Public institutions	**11 025 678**	**7.9**
Non-profit institutions	**2 717 383**	**1.9**
Households	**33 315 759**	**23.8**
Non-Finnish shareholders	**1 818 860**	**1.3**
Total	**140 285 425**	**100.0**
- of which nominee registered shares	**16 594 378**	**11.8**

* Solidium Oy is wholly-owned by Finnish State

At year-end 2013, members of the Board of Directors owned a total of 44,789 shares (25,410) in the company, equating to 0.032 per cent (0.018) of the shares and votes. Members of the Corporate Executive Board owned a total of 194,982 shares (173,776) in the company, equating to 0.139 per cent (0.124) of the shares and votes.

Rautaruukki Corporation, share capital

Rautaruukki has one series of shares and one (1) vote per share.

	Number of shares	Accounting countervalue, €
	140 285 425	**238 485 223**

18. Appropriations

€k	2013	2012
Accumulated depreciation difference at 1 Jan	**927**	1 361
Change in income statement	**-218**	-434
Accumulated depreciation difference at 31 Dec	**709**	927
Total appropriations at 31 Dec	**709**	927

19. Provisions

Provisions include provisions for pensions, restructuring and share-based payment plans, which represent the setting aside of funds to cover future costs.

€k	2013	2012
Provisions for pensions at 1 Jan	**16 195**	16 193
Change in personnel expenses in income statement	**-496**	3
Provisions for pensions at 31 Dec	**15 699**	16 195
Other provisions at 1 Jan	**135**	90
Changes in income statement	**-23**	45
Other provisions at 31 Dec	**112**	135
Total provisions	**15 811**	16 330

20. Non-current interest-bearing liabilities

Debts maturing after more than five years

€k	2013	2012
Loans from financial institutions	**80 644**	154 932
	80 644	154 932

Information about bonds

€k	Coupon rate	Currency	2013	2012
Nominal value				
2009-2014	5.25%	EUR		150 000
				150 000

21. Deferred tax assets and liabilities

The deferred tax liability from the depreciation difference included in the balance sheet and the deferred tax assets from provisions and the taxable losses which have not been booked in the company's balance sheet.

€k	2013	2012
Deferred tax assets		
From temporary differences	**165**	255
From taxable losses	**31 281**	49 439
	31 446	49 694
Deferred tax liability		
From depreciation difference	**142**	227

22. Current liabilities to group companies

€k	2013	2012
Trade payables	**-192**	538
Other non-interest-bearing liabilities	**443**	435
	251	973

23. Accrued expenses and deferred income

€k	2013	2012
Interest expenses	**3 507**	3 791
Personnel expenses	**3 873**	6 515
Other accruals and deferred income	**357**	6 694
	7 737	17 001

24. Contingent liabilities

€k	2013	2012
Guarantees given		
Guarantees given on own behalf	**3 591**	10 871
Guarantees given on behalf of group companies	**188 134**	280 384
Guarantees given on behalf of others	**577**	
Cash pooling account balances	**19 845**	12 821
	212 146	304 076
Contingent and other liabilities		
Leasing and rental liabilities		
Due next year	**1 700**	2 395
Due later	**351**	524
	2 050	2 919
Approved investment commitments at 31 Dec		255

25. Derivative contracts

Foreign currency derivatives measured at fair value are presented in other receivables and other liabilities.

Off balance sheet derivative contracts

	Nominal amount				Fair value, €k					
	Valid				Positive			Negative		
Years	**<1**	**1-5**	**>5**	**Total**	**<1**	**1-5**	**>5**	**<1**	**1-5**	**>5**
31 Dec 2013										
Foreign currency derivatives										
Forward contracts	**89 154**	**5 141**		**94 295**	**599**	**13**		**-1 419**	**-41**	
31 Dec 2012										
Foreign currency derivatives										
Forward contracts	125 328	9 682		135 010	2 102	453		-1 842	-84	

Derivative contracts on balance sheet

	Nominal amount, €k				Fair value, €k					
	Valid				Positive			Negative		
Years	**<1**	**1-5**	**>5**	**Total**	**<1**	**1-5**	**>5**	**<1**	**1-5**	**>5**
31 Dec 2013										
Foreign currency derivatives										
Forward contracts	**280 344**			**280 344**	**2 075**			**-1 832**		
Options										
Bought	**137 000**			**137 000**	**1 580**					
Sold	**274 000**			**274 000**				**-1 218**		
31 Dec 2012										
Foreign currency derivatives										
Forward contracts	417 066	9 682		426 748	3 316	84		-4 677	-453	
Options										
Bought	90 000			90 000	246					
Sold	99 000			99 000				-479		

Board of Directors´ proposal for the disposal of distributable funds

The Board of Directors is to propose to the Annual General Meeting to be held on 18 March 2014 that no dividend is paid for the financial year ended 31 December 2013.

The parent company´s distributable equity 31 December 2013 totalled EUR 433,546,873.08.

Helsinki, 13 February 2014

Kim Gran
Chairman of the Board

Timo U. Korhonen	Matti Kähkönen	Liisa Leino
Matti Lievonen	Saila Miettinen-Lähde	Jaana Tuominen

Sakari Tamminen
President & CEO

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

AUDITOR'S REPORT

To the Annual General Meeting of Rautaruukki Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rautaruukki Corporation for the year ended December 31, 2013. The financial statements comprise the consolidated statement of financial position, consolidate income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the President and CEO be discharged from liability for the financial period audited by us.

Helsinki, 13 February 2014

KPMG OY AB

PETRI KETTUNEN
Authorized Public Accountant

Figures by quarter

Reported net sales

€m	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	2013
Ruukki Building Products	83	125	133	112	452	78	112	130	110	430
Ruukki Building Systems	70	74	75	69	288	68	76	76	73	292
Ruukki Engineering	69	72	63	60	265					
Ruukki Metals	477	470	406	434	1 787	443	439	389	407	1 679
Others	2	0	-1	3	4	2	5	-3	0	4
Total	702	742	675	677	2 796	590	633	592	590	2 405

Reported operating profit

€m	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	2013
Ruukki Building Products	-4	8	11	4	19	-1	10	16	9	36
Ruukki Building Systems	-7	-4	-5	-13	-28	-7	-2	1	-4	-12
Ruukki Engineering	-1	-6	0	-5	-12					
Ruukki Metals	0	7	-18	-41	-53	16	8	-3	6	27
Others	-5	-11	-8	-3	-27	-5	0	-4	-7	-17
Total	-16	-6	-21	-59	-101	4	16	10	4	34

Comparable net sales

€m	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	2013
Ruukki Building Products	83	125	133	112	452	78	112	130	110	430
Ruukki Building Systems	70	74	75	69	288	68	76	76	73	292
Ruukki Engineering	498	490	419	452	1 859	443	439	389	407	1 679
Ruukki Metals	0	-2	-3	2	-3	1	5	-3	0	3
Total	651	688	624	634	2 597	589	633	592	590	2 404

Comparable operating profit

€m	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	2013
Ruukki Building Products	-4	8	12	6	22	-1	10	16	10	36
Ruukki Building Systems	-7	-4	-4	-7	-21	-7	-2	1	-2	-10
Ruukki Engineering	3	13	-16	-31	-31	16	8	-3	6	27
Ruukki Metals	-4	-7	-7	-2	-20	-4	0	-4	-6	-14
Total	-11	10	-15	-34	-50	4	17	10	8	39

Items affecting comparability of net sales

€m	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	2013
Ruukki Engineering										
Net sales of units transfered to Ruukki Metals	21	20	13	18	72					
Net sales of other units	48	52	49	42	193					
Ruukki Metals										
Net sales of units transfered from Ruukki Engineering	-21	-20	-13	-18	-72					
Others										
Net sales of Mo i Rana unit	2	2	1	1	7	0	0	0	0	0
Net sales of Kalajoki unit						1	0	0	0	1
Total	51	54	51	43	199	1	0	0	0	1

Items affecting comparability of operating profit

€m	Q1/2012	Q2/2012	Q3/2012	Q4/2012	2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	2013
Ruukki Building Products										
Expenses related to restructuring			-1	-2	-3				-1	-1
Ruukki Building Systems										
Expenses related to restructuring			-1	-6	-7				-2	-2
Effect of change in discount rate on long service benefit costs				0	0					
Ruukki Engineering										
Operating profit of units trasfered to Ruukki Metals	3	3	2	3	11					
Operating profit of other units	-4	-9	-3	-8	-24					
Impact of Fortaco deal				0	0					
Ruukki Metals										
Operating profit of units transfered from Ruukki Engineering	-3	-3	-2	-3	-11					
Cost of fire at Raahe steel works		-3			-3					
Expenses related to restructuring				-6	-6					
Effect of change in discount rate on long service benefit costs				-2	-2					
Others										
Operating profit of Mo i Rana unit	0	-3	0	0	-4	0	0	0	0	0
Operating profit of Kalajoki unit						0	0	0	-1	-2
Impact of Fortaco deal				2	2	-1	0	0		-1
Expenses related to restructuring				-2	-2					
Restatement due to change of IAS19	-1	-1	-1	-1	-2					
Effect of change in discount rate on long service benefit costs				0	0					
Total	-5	-16	-5	-25	-51	-1	-1	0	-4	-5

Ruukki provides its customers with energy-efficient steel solutions for better living, working and moving.

CFI.001EN/02.2014/KB/RUUKKI

Rautaruukki Corporation, Suolakivenkatu 1, FI-00810 Helsinki, Finland, +358 20 5911, www.ruukki.com
Business ID 0113276-9, VAT No. FI 01132769, Registered Office Helsinki