RUUKKI GROUP PLC

The Board of Directors Report and Annual Financial Statements 1 January-31 December 2012

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THE BOARD OF DIRECTORS REPORT

Improving performance in a challenging environment

Ruukki's objective is to create shareholder value through delivering improved profitability and long-term, sustainable growth.

In 2012 Ruukki was focused on improving its operative cash flow and profitability. This was achieved in an extremely challenging market environment for ferrochrome. In addition, Ruukki made good progress in driving its production further towards specialised alloy products and in growing its chrome ore resource base.

Operations at the Stellite mine in the Rustenburg area was consistent throughout the year and the team at the mine performed very well despite unrest in the South African mining industry. Tragic events took place at close-by mines to Stellite, but Ruukki did not experience any unrest at its mine. This shows a strong commitment by our employees towards achieving the targets commonly agreed on.

Development of the Mecklenburg mine project, on the eastern limb of the Bushveld Complex continued and is expected to be in full production by the end of Q2 2013. Even with the current depressed chrome ore prices, the Company expects Mecklenburg to contribute positively to the Group's profitability in the years to come.

Future acquisitions will assist in growing the Group's ore resource and a number of opportunities in South Africa have been identified. These are all currently undergoing further exploration and investigation.

The Mogale Alloys plant in South Africa operated below full production capacity because of the participation into Eskom's electricity buy-back program. However, this period of diminished production was utilised for essential maintenance work and improvements. Once electricity buyback program ends, Mogale Alloys will once again contribute positively to the Group's performance.

EWW, the smelting operation located in Germany and a key component of Ruukki's integrated speciality alloys business, continued to be a strong performer and its success in the current economic environment confirms that the Company's strategic decision to focus on specialised niché products, was the right one. Now when EWW is fully owned by Ruukki, further growth initiatives will begin and EWW will continue to contribute towards the Group's success.

One of the cornerstones of Ruukki's strategy is the fully integrated business model covering mining, processing, smelting, marketing and sales. In 2012, which was a very challenging year for our industry, the resilience and determination demonstrated throughout the model sequence was remarkable. RCS, the Group's marketing, sales and logistics organisation, performed well by managing the volatility of product prices and securing new long-term contracts with a number of multinational customers.

Safety, Health and Sustainable Development

The Group's mission is to conduct its business in a responsible and ethical manner for the benefit of all its stakeholders.

Ruukki strives to achieve "Zero Harm" at all of its operations and to provide its employees and contractors with a safe and healthy environment in which to work, develop and grow.

During the year, as part of the Group's restructuring into a focused mining and processing company, the Group introduced standardised health, safety and environment policies across all its units. The Group also implemented a lost time injury metrics system in conformance with internationally recognised standards.

The Group seeks to make positive contributions to the local communities in which it operates and to build long-term relationships to underpin the sustainability of its business. Ruukki's current community programs are focused on children, and aimed at providing them with much-needed basic support, including nutrition, education and safety. In Turkey, this translates into education subsidies to help families pay school fees. In South Africa, the Group is supporting feeding schemes for children, a shelter for abused women and children and a teacher support program. The teacher support program is dedicated to providing support for destitute children in an informal settlement close to one of the Group's operations, guiding the development of values in children's lives, many of whom are from broken families.

These programs are managed in conjunction with professional third party service providers to maximise their effectiveness and benefits. Ruukki intends to further expand its community programs during 2013.

Ruukki respects the environment in which it operates and aims to manage its operations in a sustainable way, minimising its footprint as much as possible to preserve the environment. As an example, in Turkey, TMS does not use chemical reagents in its production process. In South Africa, the Group has a number of initiatives in place to address its impact on the environment. At EWW the Group is investing substantial amounts into R&D to reduce the amount of waste from its production processes and the aim is to achieve 100% recycling of all materials.

Mogale was successfully awarded the ISO 9001 certification in February 2012. This elite accreditation complements that of EWW, which has already received ISO 9001 for adopting the very best in quality systems and emphasizes our commitment at Group level to continuously improve and build excellence into every process of its integrated management systems.

2012 Operating and Financial Performance

Turning to the Group's performance for 2012, there has been a clear improvement in its financial results year on year despite challenging and volatile market conditions.

The Chrome Market

Despite some positive signs in early 2012 and industry forecasts of a mid-year recovery, the year remained a very challenging one for all market participants. Market conditions deteriorated further during the second half of the year, due to a negative global macroeconomic sentiment, a weak global stainless steel demand, and weaker than expected levels of growth in Chinese stainless steel consumption. The power buy-back program of Eskom resulted in reduced processing volumes in South Africa, which brought the chrome ore market into a strong oversupply position. The decrease of the South African ferrochrome production resulting from the power buy-back program, radically changed the ferrochrome market balance as China in 2012 passed South Africa as the largest ferrochrome producer for the first time ever.

Prices for chrome ore and standard charge chrome declined throughout the year and demand was generally weak. The Group's diversified product range, from chrome ore through to premium specialty alloy products, enabled it to weather the difficult market conditions and provided considerable protection against such a changing market. Demand for the Group's specialty alloy products remained relatively stable throughout the year. The Group secured a number of long-term contract orders with strong demand especially from the United States aerospace and power generation industries.

Group Production

Production for the year decreased by 18.6% to 288,095 (353,962) tonnes, which mainly due to the decision to participate into Eskom's electricity buyback program in South Africa and the Company's decision to restrict its mining operations during the year in response to lower chrome ore prices and oversupply in the market.

Tonnes	Q1	Q2	Q3	Q4	**FY12**	FY11	Change
Speciality Alloys - Mining*	19,255	17,729	19,066	16,049	**72,098**	82,154	-12.2%
FerroAlloys - Mining*	55,234	38,144	22,783	24,185	**140,346**	159,455	-12.0%
Speciality Alloys - Processing	6,740	7,484	5,166	5,739	**25,129**	25,908	-3.0%
FerroAlloys - Processing	9,938	10,824	15,404	14,356	**50,522**	86,445	-41.6%

* Including both chromite concentrate and lumpy ore production

Sales

The Group's sales from processing, which includes all the products produced at the Mogale Alloys and EWW processing plants, were 66,449 (106,955) tonnes in 2012, a decrease of 37.9% compared to the equivalent period in 2011. Full year sales were impacted by Group's decision to restrict its production in South African processing plant and to participate in Eskom's electricity buyback program.

Sales from processing:

Tonnes	Q1	Q2	Q3	Q4	**FY12**	FY11	Change
Speciality Alloys - Processing	9,585	7,943	5,251	4,545	**27,324**	24,292	12.5%
FerroAlloys - Processing	23,232	4,624	5,800	5,469	**39,125**	82,663	-52.7%
Total – Processing	32,817	12,567	11,051	10,014	**66,449**	106,955	-37.9%

Group Revenue and Profitability
Revenue for the full year 2012 decreased by 18.0% to EUR 130.4 (159.1) million. The decrease in revenue, compared to the equivalent period in 2011, was mainly attributable to the decision to participate in Eskom's electricity buyback program in first half of 2012 and in fourth quarter of 2012.

EBITDA for the full year was EUR 12.2 (1.4) million and profit for the period was EUR -16.8 (22.7) million. The increase in EBITDA was mainly due to decreased project related costs, EUR 0.0 (-6.2) million and decrease in Group's headquarter costs, EUR -5.2 (-8.5) million.

EUR million	Q1	Q2	Q3	Q4	**FY12**	FY11	Change
Revenue	46.7	31.3	28.1	24.3	**130.4**	159.1	-18.0%
EBITDA	2.8	3.9	-1.8	7.3	**12.2**	1.4	765.9%
EBITDA margin	6.0%	12.5%	-6.5%	30.0%	**9.3%**	0.9%	
EBIT	-4.1	-2.6	-8.9	1.1	**-14.6**	-26.5	
EBIT margin	-8.8%	-8.4%	-31.8%	4.4%	**-11.2%**	-16.6%	
Profit for the period, discontinued operations	0.0	0.0	0.0	0.0	**0.0**	41.1	
Profit for the period	-2.1	-2.3	-6.2	-6.3	**-16.8**	22.7	

Discontinued operations include the house building, pallet and sawmill businesses.

The full year earnings per share was EUR -0.06 (0.10).

Balance Sheet, Cash Flow and Financing
The Group's liquidity, as at 31 December 2012, was EUR 14.8 (65.9) million. Decrease in Group's liquidity was mainly attributable to acquisition of Elektrowerk-Weisweiler GmbH and termination of the profit and loss sharing arrangement in relation to TMS and RCS with a cash consideration of EUR 25.3 million. Group also agreed to settle a dispute with Mogale Alloys vendors, and a cash contribution of EUR 16 million was paid to the vendors as a part of the settlement agreement.

Operating cash flow in the fourth quarter was EUR -6.1 (5.0) million and in the full year EUR 5.8 (-2.4) million. Ruukki's gearing at the end of the fourth quarter was -0.4% (8.1%). Net interest-bearing debt was EUR -0.9 (19.6) million.

One of the Group's South African subsidiaries, Mogale Alloys, has drawn down a loan from a South African bank for the principle amount of EUR 2.7 million. The loan agreement includes financial covenants some of which were breached during the fourth quarter of 2012. Based on initial discussions with the bank, the Company remains confident that the bank will not request the pay-back of the loan prior to its maturity date in April 2015 despite the breach.

Total assets on 31 December 2012 were EUR 312.5 (421.8) million. The equity ratio was 68.9% (57.0%)

Investments, acquisitions and divestments
Capital expenditure for the full year 2012 EUR 6.0 (4.5) million and related to acquisitions of new mining licenses in Turkey, opening of Mecklenburg mine, sustaining capital expenditure at the Speciality Alloys segment as well as to some environmental improvements at the European processing plant.

On 18 April 2012 Ruukki announced that it has signed an agreement with Kermas Limited ("Kermas") for the acquisition of Elektrowerk-Weisweiler GmbH ("EWW"). In addition Ruukki and Kermas agreed to terminate the profit and loss sharing arrangement in relation to Türk Maadin Sirketi and RCS Limited ("RCS") and certain other arrangements which were entered into in October 2008. EWW is a critical component in Ruukki's Speciality Alloys segment and was operating under a long-term tolling agreement between EWW and RCS. Ruukki has incorporated EWW's financial statements in its consolidated financial statements since November 2008. The transactions were completed after the approval by the Company's independent shareholders at the Annual General Meeting on 10 May 2012 and a total cash consideration of EUR 25.3 million was paid.

Speciality Alloys Segment
The Specialty Alloys production division consists of Turk Maadin Sirketi ("TMS"), the mining and beneficiation operation in Turkey and Elektrowerk Weisweiler ("EWW"), a specialised smelting plant in Germany which is fully owned by the Group since May 2012. The division produces chrome ore and a range of specialty products including specialised low carbon and ultralow carbon ferrochrome.

Production
The annual production decreased by 10.0% to 97,228 (108,062) tonnes which was mainly due to prolonged maintenances shutdown at EWW in the third quarter and reduced work shifts in the last quarter of 2012.

Tonnes	**Q1**	**Q2**	**Q3**	**Q4**	**FY12**	**FY11**	**Change**
Mining*	19,255	17,729	19,066	16,049	**72,098**	82,154	-12.2%
Processing	6,740	7,484	5,166	5,739	**25,129**	25,908	-3.0%

* Including both chromite concentrate and lumpy ore production

Financial Performance
Revenue for the full year 2012 was EUR 76.5 (83.6) million, representing a decrease of 8.6% and EBITDA was EUR 10.7 (13.8) million. The decrease in revenue and EBITDA was due to lower sales volumes throughout the year and decreased sales prices in the last quarter of 2012.

EUR million	**Q1**	**Q2**	**Q3**	**Q4**	**FY12**	**FY11**	**Change**
Revenue	21.2	22.3	17.9	15.0	76.5	83.6	-8.6%
EBITDA	3.2	4.5	1.8	1.2	10.7	13.8	-22.5%
EBITDA margin	14.9%	20.2%	10.1%	8.1%	14.0%	16.5%	
EBIT	-1.3	0.4	-2.8	-3.3	-6.9	-3.8	
EBIT margin	-6.0%	1.6%	-15.4%	-21.7%	-9.1%	-4.6%	

FerroAlloys Segment
The FerroAlloys production division consists of the Stellite mine, the Mogale processing plant and the Mecklenburg mine development project in South Africa and the Waylox mine development project in Zimbabwe. The division produces chrome ore, Plasma Charge Chrome and Silico Manganese.

Production
The full year production volumes decreased by 22.4% to 190,868 (245,900) tonnes which was due to participating Eskom's electricity buyback program during first half of 2012 and in Q4 2012. Full year production was also impacted by the decision to restrict mining at Stellite in response to lower chrome ore prices and decreased demand. Work continued on the Mecklenburg mine development project, which is now scheduled to be in full production of 30.000 ton ROM per month by the end of Q2 2013.

Tonnes	**Q1**	**Q2**	**Q3**	**Q4**	**FY12**	**FY11**	**Change**
Mining*	55,234	38,144	22,783	24,185	**140,346**	159,455	-12.0%
Processing	9,938	10,824	15,404	14,356	**50,522**	86,445	-41.6%

* Including both chromite concentrate and lumpy ore production

Financial Performance
Revenue for the full year decreased to EUR 53.9 (75.4) million, representing a decrease of 28.6%. The decrease in revenue was driven both by the substantial decline in demand for both Charge Chrome and Silico Manganese as well as decline in chrome ore prices and decision to participate in Eskom's electricity buyback program in first half of 2012 and end of November 2012.

EBITDA for the full year was EUR 6.7 (-3.9) million including a EUR 0.1 (0.4) million non-cash expense for share-based payments. Improvement of EBITDA compared to 2011 mainly relates to decrease of EUR 6.2 million in project costs and a decrease in environmental provision of EUR 2.1 (0.6) million.

EUR million	**Q1**	**Q2**	**Q3**	**Q4**	**FY12**	**FY11**	**Change**
Revenue	25.5	9.0	10.2	9.2	53.9	75.4	-28.6%
EBITDA	1.4	1.3	-2.2	6.2	6.7	-3.9	
EBITDA margin	5.4%	14.4%	-21.9%	67.3%	12.4%	-5.2%	
EBIT	-1.1	-1.1	-4.7	4.5	-2.4	-14.0	
EBIT margin	-4.3%	-12.2%	-46.5%	48.5%	-4.5%	-18.6%	

Other Operations
The Group's other operations include the Group's headquarters and other Group companies, which do not have significant business operations. These are reported under unallocated items. The full year EBITDA from unallocated items was EUR -5.2 (-8.5) million.

Human Resources
Ruukki operates in a very competitive industry and the Group's ability to successfully execute its business is dependent upon the competencies and motivations of its employees, as well as its ability to attract and retain a high calibre personnel. The Group follows local legislation and applicable regulations at each of its operations in regards to its human resources management.

At the end of 2012, the Group's headcount was 743, compared to 797 in 2011. The number of employees decreased especially in the FerroAlloys segment. Also in the Speciality Alloys segment there was a slight decrease in the headcount. The Group's other operations remained stable.

	31 December 2012	**31 December 2011**	**Change**
Speciality Alloys	423	442	-4.3%
FerroAlloys	310	345	-10.1%
Other Operations	10	10	0.0%
Total	**743**	**797**	**-6.8%**

Equal opportunities and diversity are important to an international company such as Ruukki and the appointment of a female chairman demonstrates the Group's commitment to gender diversity within the organisation. There are a number of senior female executives across the Group's key business units.

In South Africa specifically, as part of the Group's compliance with local legislation, the FerroAlloys division monitors its employment equity and it is a vital component of the recruitment process to ensure Ruukki is playing its part in the transformation of South Africa. The FerroAlloys division is aiming for an aggressive target of at least 50% of its workforce is represented by historically disadvantaged individuals.

Highly skilled, motivated and diverse employees are essential to the Group's success in implementing its business strategies and executing its objective.

Outlook
The global economic outlook continues to be uncertain in 2013 as the Eurozone crisis continues and demand for commodities, primarily driven by Chinese consumption, remains weak. The ferroalloy market is expected to continue to be volatile during the year. The Group is preparing for significant price fluctuations and will continue to adapt its production levels accordingly. At Mogale Alloys, part of the FerroAlloys division, the decision has been taken to participate in Eskom's electricity buyback program until the end of first quarter 2013. Company is also continuing its cost saving initiatives and restructuring of functions and this is expected to bring material costs savings in 2013 compared to previous financial year. In light of this the Group expects its financial performance for the full year 2013 to significantly improve compared to 2012.

Fluctuations of exchange rates between the Euro, the South African Rand, the Turkish Lira and the US Dollar can significantly impact the Company's financial performance.

Significant Risks and Uncertainties
The purpose of risk management is to identify the threats and opportunities affecting the business and the implementation of its strategy and to ensure that the risks are proportional to the Group's risk-bearing capacity. Ruukki's key risks are reviewed and assessed by the Board on a regular basis.

The risk management principles are discussed further in the Corporate Governance Statement.

Ruukki has defined its main risk categories as strategic, operational and financial risks, each of which is discussed below. Additional information on financial risks and financial risk management are presented in more detail in the notes to the consolidated financial statements in the section 2.7.

Strategic Risks

Ruukki's business is cyclical in nature and a significant strategic risk is the Group's exposure to price and demand volatility in the commodities markets as well as the steel and stainless steel industries. The global market for Group's products may not progress or develop at the levels forecast and a drop in demand for the Group's products could have an adverse effect on the Group's revenues and profits. As a vertically integrated producer who sells a diverse range of products, from raw chrome ore through to premium, speciality ferroalloy products, Ruukki believes it can mitigate some of this risk by using its strong customer interface and market intelligence to adjust its production volumes to match demand and adapt its diverse product mix to meet customer requirements.

Ruukki has operations in South Africa and a mine development project in Zimbabwe and political risk remains as one of the key challenges in the southern African mining sector. Changes in the mining, employment and fiscal regulatory environment may materially adversely affect Ruukki's business and its financial results. Operations may be affected to varying degrees by government regulations with respect to matters including, but not limited to: export controls; currency remittance; income taxes; expropriation of property; foreign investment; maintenance of claims; environmental legislation; land use; land claims of local people and water use. In South Africa, Ruukki seeks to maintain good relationships through direct, regular engagement and communication with government at local, regional and national levels, the relevant regulatory departments, its local communities, the unions, its BEE partners, as well as other stakeholders.

Ruukki's strategy is focused on acquisitive and organic growth. Subject to market conditions, the Company expects to continue to expand its business through acquisitions. There can be no assurance that the Group will be able to identify suitable acquisition targets, obtain the necessary financing to fund such acquisitions or acquire acquisition targets on satisfactory terms. If an acquisition has been successful, there are a number of risks involved in integrating the acquisition into the Group, including but not limited to: a failure to retain key personnel, difficulties in integrating the acquired operations in the Group's structure, risks arising from the change of control provisions in contracts of an acquired company, risk the acquisition may not become profitable and possible adverse effects on the Group's financial results.

As part of the Group's organic growth strategy, it is planning to build two new DC furnaces. There is a risk that Ruukki might not be able to find the appropriate site for the two DC furnaces, or to obtain the necessary licences to build and operate them or to secure the required financing, either through financial institutions or through strategic partnerships. If all or some of these risks materialise it would hinder the implementation of this part of the Group's growth strategy.

As part of the Group's long-term strategy, it is planning to build a power plant in order to control a key cost input of the business – electricity. There is a risk that Ruukki might not be able to secure the required coal feed, either through long-term contracts or by acquiring coal deposits that it may not obtain the necessary licences to build and operate them or not be able to secure the required financing, either through financial institutions or through strategic partnerships. If all or some of these risks materialise it would hinder the implementation of this part of the Group's strategy and could adversely impact the operations and the Group's financial results.

Operational Risks

Ruukki operates in a highly competitive industry and is dependent on the technical skill and management expertise of a small number of key personnel. The loss of key personnel could have an adverse effect on Ruukki's ability to operate some of its operations, particularly its processing plants, which could impact the Group's operating and financial results. Ruukki's future success will depend on its ability to attract and retain suitably skilled and qualified personnel. To ensure it can compete effectively against its peers, Ruukki aims to be an "employer of choice". It regularly re-assesses its remuneration policies and packages, based on Remuneration Committee guidelines, to ensure they are attractively competitive and reviews its succession plans.

There is always the risk of a severe mining and/or smelting accident at Ruukki's operations, such as adverse mining conditions, fire, flooding, rock bursts, unusual weather conditions, seismic events, other natural phenomena and other conditions resulting from drilling, blasting and the removal and processing of material associated with underground and/or opencast mining, which could have a serious impact on the Group. This could affect both employees' physical wellbeing and morale, as well as the operations themselves, resulting in suspension of operations until the accident has been fully investigated and appropriate measures taken to prevent a re-occurrence. To mitigate this risk as much as possible, Ruukki has adopted a policy of "Zero Harm" towards health and safety in the workplace. It has conducted baseline assessment risks at all of its operations, has developed a comprehensive set of health and safety guidelines, policies and procedures and has a programme of regular, continuous employee training. This is all overseen at the highest level in the Group by the Board of Directors.

Ruukki's processing operations in Germany and South Africa are intensive users of energy, primarily electricity. Fuel and energy prices globally have been characterised by volatility coupled with general cost inflation in excess of broader measures of inflation. In South Africa the majority of the electricity supply, price and availability are all controlled by one entity, namely Eskom. Increased electricity prices and/or reduced or unreliable electricity supply or allocation may negatively impact Ruukki's current operations, particularly its processing plants, which could have a consequent effect on the Group's operating and financial results. It may also impact the Group's plans to expand its operations and implement its growth strategy. Ruukki currently has contracted supply in excess of its present requirements and is examining ways in which it can protect itself from future energy price risks, including the owning of a power plant, either on its own or in conjunction with other industry partners.

Ruukki's processing plants are vulnerable to interruptions such as power cuts, particularly where these events cause a stoppage, which necessitates a shutdown in operations. Stoppages in smelting, even for only a few hours, can cause the contents of furnaces to solidify, resulting in a plant closure for a significant period and expensive repairs. To mitigate this risk Ruukki employs experienced operating managers and has standard operating procedures in place for most foreseeable circumstances.

Due to the nature of its business, Ruukki has a large, potential exposure to environmental risks. Environmental risks relate first to direct potential harm to the environment, and second to potential post-production rehabilitation or landscaping obligations. Both these types of environmental risks are managed closely and regularly assessed. Ruukki has appointed external experts to assist in identifying potential liabilities and ensuring that the different entities within the Group are compliant with the relevant environmental legislation. Group has carried out studies regarding the environmental liabilities and concluded on that basis that the provisions in the accounts are sufficient at current level.

Financial Risks

Ruukki's financial risks, including liquidity, exchange rate, interest rate, credit and commodity price risk, are briefly outlined below and are described in more detail in the notes to the consolidated financial statements in the section 2.7.

Liquidity risks involve whether Ruukki has enough liquidity to service and finance its operations and pay back loans. If liquidity risks materialised, it may cause overdue interest expenses and could negatively impact the Group's relationship with its goods and service suppliers as well as affect the pricing and other terms for input goods and services.

Ruukki is an international business and has operations in Turkey, Germany, Malta and southern Africa so the Group has significant foreign exchange rate exposure. The risks arise from both direct risk, such as commercial cash flows and currency positions as well as indirect risk, such as changes in the Group's competitiveness as a result of its foreign exchange rate exposures compared to its competitors.

Ruukki is exposed to interest rate risks where the Group's subsidiaries enter into loans or other financing agreements or make deposits and investments related to liquidity management. Changes in interest rates can influence the repayment of loans, impact the profitability of investments or alter the fair value of the Group's assets.

Credit risks are realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and cause a negative financial impact to the Group. Ruukki's key customers are typically long business relationships and include major international steel and stainless steel companies and some specialty agents selling to the steel sector. As these customers are sector specific, major changes in that industry's future outlook or profitability could also increase the Group's credit risk.

Ruukki is exposed to price risks on various output and input products, materials and commodities. The price risks on input materials and commodities are managed by pricing contracts so that, where possible, any changes in input materials and commodities may be absorbed in the sales prices. The Group's processing operations are exposed to the availability, quality and price fluctuations in raw materials. To diminish these risks, the Group's business units seek long-term contract agreements with known counterparties where possible.

Litigation

Rautaruukki Plc, another listed Finnish company, has initiated legal proceedings against Ruukki Group Plc concerning claims to the Ruukki name. This legal process is still ongoing, and hence its outcome or exact timing is not yet known. Rautaruukki has claimed for: (i) fixed EUR 5.0 million for damages; and (ii) EUR 12.1 million for royalties Rautaruukki has calculated based on Ruukki Group's 2004 – 2008 actual revenue; and (iii) reasonable legal fees. At 31 December 2012, Ruukki had not recognised any liability relating to these claims on its statement of financial position.

On 11 October Ruukki announced it had agreed to settle its dispute with the vendors (the "Vendors") of Mogale Alloys, which was acquired by Ruukki in May 2009. As part of the settlement Ruukki has paid the Vendors an aggregate cash amount of ZAR 177 million (approximately EUR 16 million) and will issue, in the aggregate, up to 16,000,000 new shares. The Vendors have transferred their entire remaining shareholding in Mogale Alloys to Ruukki, whereby Ruukki's ownership has increased from 84.9% to 90.0%.

The share issue to the Vendors was conditional upon the receipt of South African Reserve Bank approval which was received in March 2013. The share issue is expected to be completed latest in April 2013.

Share Information
Ruukki Group Plc's shares are listed on NASDAQ OMX Helsinki (RUG1V) and on the Main Market of the London Stock Exchange (RKKI).

On 31 December 2012, the registered number of Ruukki Group Plc shares was 248,432,000 (248,432,000) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2012, the Company had 4,297,437 (4,414,682) own shares in treasury, which was equivalent to 1.73% (1.78%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2012, was 244,134,563 (244,017,318).

At the beginning of the period under review, the Company’s share price was EUR 0.89 on NASDAQ OMX Helsinki and GBP 0.88 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.45 and GBP 0.35 respectively. During 2012 the Company’s share price on NASDAQ OMX Helsinki ranged from EUR 0.38 to 1.02 per share and the market capitalisation, as at 31 December 2012, was EUR 111.8 (1.1.2012: 221.1) million. For the same period on the London Stock Exchange the share price range was GBP 0.32 to 0.86 per share and the market capitalisation was GBP 87.0 (1.1.2012: 218.6) million, as at 31 December 2012.

Based on the resolution at the AGM on 10 May 2012, the Board is authorised to buy-back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 10 November 2013. The Company did not carry out any share buy-backs during 2012.

Ruukki announced on 7.12.2012, that the Board of Directors has resolved to grant a total of 117,245 ordinary shares in the Company to the members of the Executive Management Team as their share based incentive bonus for the year 2011. The shares are issued under the authorisation given by the Company’s Annual General Meeting in May 2012 and form a part of the Company’s incentive programme for senior management. Under the terms of the directed free share issue scheme, the shares were offered free of charge and in derogation of the pre-emptive subscription right of shareholders. The shares are subject to restrictions on transferability and pledge-ability until 24 months from the allotment date, after which the shares are free of any restrictions.

2013 Annual General Meeting
Ruukki’s 2013 Annual General Meeting will be held on 8 May 2013.

Dividend Payout Proposal
The Board of Directors proposes to the Annual General Meeting which will be held on 8 May 2013 that no dividend would be distributed but that a capital redemption of EUR 0.01 per share would be paid out of the paid-up unrestricted equity fund.

Events after the review period
Ruukki announced on 15 January 2013 that the Company's management will be reorganised to be more appropriately aligned to the size of the Company's current operations and the prevailing market conditions. The Company will also undertake a review of its cost base with a view to identifying other restructuring opportunities including larger structural and organisational developments.

As part of the restructuring both the Company's Board of Directors and executive management team was materially downsized. The following members of the Board of Directors have left their positions on 11 February 2013: Dr. Chris Pointon, Mr. Paul Everard, Mr. Barry Rourke and Mr. Thomas Hoyer. The Executive Management of Ruukki was reorganised as follows: Mr. Thomas Hoyer CEO; Mr. Markus Kivimäki, General Manager: Corporate Affairs; and Mr. Kalle Lehtonen, General Manager: Finance have left their positions. All the resigning executives will remain with the Company until end of March 2013 to ensure a smooth handover of responsibilities.

Ruukki's Extraordinary General Meeting ("EGM") was held on 11 February 2013. The EGM decided that the number of members of the Board of Directors shall be six and Mr Michael Lillja (Finnish citizen), Mr Markku Kankaala (Finnish citizen), Dr Danko Koncar (Croatian citizen), Dr Jelena Manojlovic (UK citizen), Dr Alfredo Parodi (Italian citizen) and Ms Bernice Smart (UK citizen) were elected for the next mandate that begins from the end of the General Meeting and ends in the end of the Annual General Meeting in 2013.

The EGM resolved that the members of the Board will be paid EUR 3,000 per month. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for the Board membership.

Following the EGM, the Board of Directors held an organisation meeting in which Dr Jelena Manojlovic was appointed Chairman and Ms Bernice Smart Deputy Chairman. Ms Bernice Smart (chairman), Mr Markku Kankaala and Dr Alfredo Parodi were elected as the members of the Audit Committee. Dr Jelena Manojlovic (chairman), Mr Markku Kankaala and Ms Bernice Smart were elected as the members of the Nomination and Remuneration Committee. The Board appointed Dr Danko Koncar as the Company's CEO.

Board of Directors has taken the decision to commence a project aiming into centralising all headquarter and other group support functions to Malta. By centralising functions into one location the Company expects significant benefits through increased efficiency and lower costs.

Ruukki announced on 18 March 2013 that South African Reserve Bank approval has been received in relation to the issue of shares to the Vendors of Mogale Alloys. Ruukki will publish a separate release regarding the share issue in due course.

Information Presented by Reference

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports.

KEY FIGURES

FINANCIAL INDICATORS

Continuing operations

		2012	**2011**	**2010**
Revenue	EUR '000	130 392	159 087	123 347
EBITDA	EUR '000	12 154	1 404	-8 439
% of revenue		9,3 %	0,9 %	-6,8 %
Operating profit / loss (EBIT)	EUR '000	-14 614	-26 464	-75 559
% of revenue		-11,2 %	-16,6 %	-61,3 %
Profit / loss before taxes	EUR '000	-18 507	-25 439	-76 253
% of revenue		-14,2 %	-16,0 %	-61,8 %
Return on equity	%	-7,4 %	9,5 %	-19,6 %
Return on capital employed	%	-3,5 %	7,0 %	-15,2 %
Equity ratio	%	68,9 %	57,0 %	44,3 %
Gearing	%	-0,4 %	8,1 %	46,6 %
Personnel, average		762	781	677

SHARE-RELATED KEY INDICATORS

		2012		2011		2010	
		Group	Continuing operations	Group	Continuing operations	Group	Continuing operations
Earnings per share, basic	EUR	-0,06	-0,06	0,10	-0,07	-0,22	-0,27
Earnings per share, diluted	EUR	-0,06	-0,06	0,09	-0,07	-0,22	-0,27
Equity per share	EUR	0,84	0,84	0,91	0,91	0,85	0,85
Dividends *	EUR '000	0		0		9 617	
Dividend per share *	EUR	0,00		0,0		0,04	
Price to earnings	EUR	neg.		9,1		neg.	
Average number of shares	1 000	244 025		241 343		239 363	
Average number of shares, diluted	1 000	251 604		271 533		267 629	
Number of shares at the end of the period	1 000	248 432		248 432		248 207	
Share price information (NASDAQ OMX Helsinki)							
Average share price	EUR	0,67		1,33		1,59	
Lowest share price	EUR	0,38		0,81		1,00	
Highest share price	EUR	1,02		2,03		2,30	
Market capitalisation	EUR '000	111 794		221 104		421 952	
Share turnover	EUR '000	3 773		15 138		33 414	
Share turnover	%	2,3 %		4,6 %		8,5 %	
Share price information (London Stock Exchange) **							
Average share price	EUR	0,54		1,50		1,64	
	GBP	0,43		1,30		1,39	
Lowest share price	EUR	0,39		0,96		1,60	
	GBP	0,32		0,83		1,36	
Highest share price	EUR	1,06		1,84		2,10	
	GBP	0,86		1,6		1,78	
Market capitalisation	EUR '000	106 545		261 727		416 682	
	GBP '000	86 951		218 620		358 659	
Share turnover	EUR '000	154		227		1 168	
Share turnover	GBP '000	125		197		990	
Share turnover	%	0,1 %		0,1 %		0,3 %	

* In 2011 the Company distributed a capital redemption of EUR 0.04 per share out of the paid-up unrestricted equity reserve and no dividend was distributed. In 2012 the Company didn’t distribute any dividend or capital redemption. In 2013 the Board has proposed to the AGM that no dividend would be distributed but that a capital redemption of EUR 0.01 per share would be paid out of the paid-up unrestricted equity fund.

** Ruukki’s shares have been listed on the London Stock Exchange since 26 July 2010. Therefore, share information on the LSE is available only from that day onwards.

FORMULAS FOR CALCULATION OF INDICATORS

Financial indicators

Return on equity	Profit for the period / Total equity (average for the period) * 100
Return on capital employed	(Profit before taxes + financing expenses) / (Total assets – Interest-free liabilities) average * 100
Equity ratio	Total equity / (Total assets - prepayments received) * 100
Gearing	(Interest-bearing debt - liquid funds) / Total equity * 100
EBITDA	Operating profit + depreciation + amortisation + impairment losses
Operating profit / loss	Operating profit is the net of revenue plus other operating income, plus gain/loss on finished goods inventory change, minus employee benefits expense, minus depreciation, amortisation and impairment and minus other operating expense. Foreign exchange gains or losses are included in operating profit when generated from ordinary activities. Exchange gains or losses related to financing activities are recognised as financial income or expense.

Share-related key indicators

Earnings per share, basic	Profit attributable to owners of the parent company / Average number of shares during the period
Earnings per share, diluted	Profit attributable to owners of the parent company / Average number of shares during the period, diluted
Equity per share	Equity attributable to owners of the parent / Average number of shares during the period
Dividend per share	Dividends / Number of shares at the end of the period. In the attached table of share related key indicators, the dividend and capital redemptions are presented in that year's column on which results the pay-out are based; hence the actual payment takes place during next year.
Price to earnings	Share price at the end of the period / Earnings per share
Average share price	Total value of shares traded in currency / Number of shares traded during the period
Market capitalisation	Number of shares * Share price at the end of the period

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	1.1.-31.12.2012	1.1.-31.12.2011
Continuing operations			
Revenue	1	**130 392**	**159 087**
Other operating income	2	13 843	1 173
Materials and supplies		-91 969	-113 115
Employee benefits expense	3	-23 293	-26 733
Depreciation and amortisation	4	-26 768	-27 853
Other operating expenses	5	-16 826	-19 279
Impairment, net	4	0	-15
Items related to associates (core)	12	6	272
Operating profit / loss		**-14 614**	**-26 464**
Finance income	6	4 767	7 943
Finance cost	6	-8 660	-7 113
Items related to associates (non-core)	12	0	196
Profit / loss before taxes		**-18 507**	**-25 439**
Income taxes	7	1 717	7 081
Profit / loss for the period from continuing operations		**-16 790**	**-18 358**
Discontinued operations			
Profit for the period from discontinued operations	8	0	41 086
Profit / loss for the period		**-16 790**	**22 729**
Profit attributable to:			
Owners of the parent		-15 650	23 664
Non-controlling interests		-1 141	-935
		-16 790	22 729
Earnings per share (counted from profit attributable to owners of the parent):	9		
basic (EUR), Group total		-0.06	0.10
diluted (EUR), Group total		-0.06	0.09
basic (EUR), continuing operations		-0.06	-0.07
diluted (EUR), continuing operations		-0.06	-0.07

Consolidated statement of comprehensive income

EUR '000

	1.1.-31.12.2012	1.1.-31.12.2011
Profit / loss for the period	**-16 790**	**22 729**
Other comprehensive income		
Exchange differences on translation of foreign operations	-6 185	-13 785
Income tax relating to other comprehensive income	1 991	6 640
Other comprehensive income, net of tax	**-4 194**	**-7 145**
Total comprehensive income for the year	**-20 984**	**15 583**
Profit attributable to:		
Owners of the parent	-19 192	18 738
Non-controlling interests	-1 792	-3 154
	-20 984	15 583

1.2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2012	31.12.2011
ASSETS			
Non-current assets			
Property, plant and equipment	10	67 101	71 902
Goodwill	11	68 990	96 269
Other intangible assets	11	44 863	65 215
Investments in associates	12	75	77
Other financial assets	14	589	559
Receivables	14	30 706	41 397
Deferred tax assets	20	3 607	5 884
		215 930	**281 303**
Current assets			
Inventories	15	51 675	44 011
Trade and other receivables	16	30 063	30 616
Cash and cash equivalents	17	14 815	65 878
		96 553	**140 504**
Total assets		**312 483**	**421 807**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	18		
Share capital		23 642	23 642
Share premium reserve		25 740	25 740
Paid-up unrestricted equity reserve		245 167	245 128
Translation reserve		5 453	8 995
Retained earnings		-91 945	-77 695
		208 056	**225 811**
Non-controlling interests		7 163	14 348
Total equity		**215 220**	**240 158**
Non-current liabilities			
Deferred tax liabilities	20	23 357	33 506
Interest-bearing debt	14	11 170	84 334
Pension liabilities	22	11 186	10 838
Other non-current debt	23	51	5 947
Provisions	21	14 239	15 700
		60 004	**150 326**
Current liabilities			
Trade and other payables	23	25 791	24 903
Deferred income	23	19	550
Provisions	21	596	579
Tax liabilities	23	8 135	4 181
Interest-bearing debt	14	2 719	1 109
		37 260	**31 323**
Total liabilities		**97 264**	**181 649**
Total equity and liabilities		**312 483**	**421 807**

1.3. CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	1.1.-31.12.2012	1.1.-31.12.2011
Operating activities		
Profit / loss for the period	-16 790	22 729
Adjustments to net profit:		
Non-cash items		
Depreciation and impairment	26 768	27 868
Finance income and cost	3 893	-830
Income from associates	-6	-467
Income taxes	-1 717	-7 081
Share-based payments	922	1 235
Proceeds from non-current assets	-132	-44 392
Working capital changes:		
Change in trade receivables and other receivables	10 468	-20
Change in inventories	-8 885	-1 776
Change in trade payables and other debt	-5 725	-10 003
Change in provisions	-2 234	-996
Interests paid	-361	-1 410
Interests received	1 400	1 665
Other financing items	877	3 248
Income taxes paid	-1 889	-423
Discontinued operations	-743	8 241
Net cash from operating activities	**5 845**	**-2 412**
Investing activities		
Acquisition of subsidiaries, net of cash acquired	-25 070	-500
Acquisition of joint ventures, net of cash acquired	0	-1 598
Capital expenditure on non-current assets, net	-5 849	-4 132
Other investments, net	93	-15
Disposals of subsidiaries, net of cash sold	0	82 861
Disposals of associated companies	0	415
Repayments of loan receivables and loans given, net	-3 418	-7 122
Discontinued operations	0	-77
Net cash used in investing activities	**-34 243**	**69 832**
Financing activities		
Proceeds from exercise of share options	0	86
Capital redemption	0	-9 617
Dividends paid to non-controlling interests	0	-84
Proceeds from borrowings	59	10 004
Repayments of borrowings	-22 376	-20 152
Repayments of finance leases	-75	-82
Discontinued operations	0	-339
Net cash used in financing activities	**-22 391**	**-20 184**
Change in cash and cash equivalents	**-50 789**	**47 236**
Cash at beginning of period	65 878	19 159
Exchange rate differences	-273	-517
Cash at end of period	14 815	65 878
Change in the statement of financial position	**-50 789**	**47 236**

The cash flow from investing activities includes EUR 0.1 (1.5) million deferred sales price inflow in relation to care services business which was divested in 2008.

1.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium reserve
C = Fair value and revaluation reserves
D = Paid-up unrestricted equity reserve
E = Translation reserve
F = Retained earnings
G = Equity attributable to owners of the parent, total
H = Non-controlling interests
I = Total equity

	Attributable to owners of the parent								
EUR '000	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Equity at 1.1.2011	**23 642**	**25 740**	**2 193**	**250 849**	**13 921**	**-104 772**	**211 574**	**24 781**	**236 355**
Profit for the period 1-12/2011						23 664	23 664	-935	22 729
Other comprehensive income					-4 926		-4 926	-2 219	-7 145
Total comprehensive income					-4 926	23 664	18 738	-3 154	15 583
Dividend distribution							0	-631	-631
Share-based payments						1 221	1 221		1 221
Exercise of share options				3 895			3 895		3 895
Capital redemption				-9 617			-9 617		-9 617
Acquisitions and disposals of subsidiaries			-2 193			2 193	0	-6 649	-6 649
Equity at 31.12.2011	**23 642**	**25 740**	**0**	**245 128**	**8 995**	**-77 695**	**225 811**	**14 348**	**240 158**
Profit for the period 1-12/2012						-15 650	-15 650	-1 141	-16 790
Other comprehensive income					-3 543		-3 543	-651	-4 194
Total comprehensive income					-3 543	-15 650	-19 192	-1 792	-20 984
Share-based payments				39		875	914	3	917
Acquisitions and disposals of subsidiaries						524	524	-5 396	-4 871
Equity at 31.12.2012	**23 642**	**25 740**	**0**	**245 167**	**5 453**	**-91 945**	**208 056**	**7 163**	**215 220**

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 COMPANY INFORMATION

Ruukki Group is a chrome mining and minerals producer focused on delivering sustainable growth with a speciality alloys business in southern Europe and a ferro alloys business in southern Africa. The Group's parent company is Ruukki Group Plc (business ID: 0618181-8). The parent company is domiciled in Helsinki, and its registered address is Kasarmikatu 36, 00130 Helsinki, Finland. Copies of the consolidated financial statements are available at Ruukki Group Plc's head office or at the Company's website: www.ruukkigroup.com.

Ruukki Group Plc is quoted on the NASDAQ OMX Helsinki Oy (trading code: RUG1V) in the industrials group, in the mid-cap category, and on the main market of the London Stock Exchange (RKKI).

2.2 ACCOUNTING PRINCIPLES

Basis of preparation

These consolidated financial statements of Ruukki Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2012. In the Finnish Accounting Act and the regulations issued on the basis thereof, International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application within the EU in accordance with the procedure prescribed in the EU regulation (EC) 1606/2002. Notes to the consolidated financial statements also meet the requirements set forth in the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on historical cost basis, unless otherwise explicitly stated. All the figures in the consolidated financial statements are given in EUR thousands.

Ruukki Group Plc's Board of Directors resolved on 27 March 2013 that these financial statements are to be published. According to the Finnish Companies Act, shareholders shall endorse the financial statements in the Annual General Meeting convening after the financial statements have been published.

Presentation of financial statements

The Group's income statement has been presented as a single statement where the continuing operations are presented first and discontinued operations on a single row thereafter. The details of the profit from discontinued operations have been presented on the notes to the consolidated financial statements. Continuing operations include the Speciality Alloys and the FerroAlloys business segments and unallocated items that consist of Group headquarters and other Group companies, which do not have significant business operations. Discontinued operations include the house building, pallet and sawmill businesses which were divested in 2011.

Principles of consolidation

The consolidated financial statements include the parent company Ruukki Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies controlled by the Group. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The existence of potential voting rights has been taken into account in assessing the requirements for control in cases where the instruments entitling their holder to potential voting rights can be exercised at the time of assessment. Control refers to the right to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Acquired subsidiaries are consolidated from the time when the Group gained control, and divested subsidiaries until the time when control ceased. All intra-group transactions, receivables, debts, and unrealised profits, as well as internal distribution of profits, are eliminated when the consolidated financial statements are prepared. The distribution of profits between parent company owners and non-controlling owners is shown on the income statement, and the non-controlling interest of equity is shown as a separate item in the statement of financial position under shareholders' equity.

Ruukki Group Plc has consolidated Elektrowerk Weisweiler GmbH to its financial statements since 1 November 2008 based on potential voting rights arising from a call option. Ruukki exercised the call option on 10 May 2012 and

acquired 100 % of the shares in Elektrowerk Weisweiler GmbH. The transaction has been treated as an adjustment to the cost of acquisition in accordance with the earlier IFRS 3 which was applied in 2008.

The Group holds 51% of shares of Synergy Africa Ltd. However, the shareholders of Synergy Africa Ltd have entered into a joint venture agreement with joint control over the company. Therefore, the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

Joint ventures are entities in which each venturer has an interest and there is a contractual arrangement establishing joint control over the economic activity of the entity. Ruukki Group recognises its interests in joint ventures using the proportionate method of consolidation, whereby the Group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with the similar items in its consolidated financial statements. In the consolidated financial statements transactions between the Group and the joint venture are eliminated in proportion to the Group's interest. Proportionate consolidation is applied until the date on which the Group ceases to have joint control over the joint venture.

Associates are companies in which Ruukki Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the target company's voting rights, or if the Group in other ways exercises significant influence but not control. Associates have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value on the statement of financial position, and losses exceeding the carrying amount are not consolidated unless the Group has made a commitment to fulfil the associates' obligations. Investment in an associate includes the goodwill arising from its acquisition.

Translation of foreign currency items

Figures indicating the profit or loss and financial position of Group entities are measured in the currency of each entity's main operating environment ('functional currency'). Figures in the consolidated financial statements are presented in euro, the functional and presentation currency of the Group's parent company, Ruukki Group Plc.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction or mid reference rates of central banks. Monetary items denominated in foreign currencies have been translated into the functional currency using the exchange rates at the balance sheet date. Exchange rate gains and losses are included in the revenue, operational costs or financial items, corresponding to their respective origin. Hedge accounting has not been applied.

In the Group accounts, foreign subsidiaries' income statement and statement of cash flows are converted into euro by using average exchange rates for the period, and the statement of financial position is converted by using the period-end exchange rate. The translation differences arising from this are recognised in other comprehensive income. Translation differences arising from the elimination of the acquisition cost and post-acquisition equity changes are also recognised in other comprehensive income. If and when the foreign subsidiary is partially or fully divested, these accrued translation differences will be taken into account in adjusting the sales gain or sales loss.

Goodwill, other assets and liabilities arising from acquisitions of subsidiaries are recognised in the Group accounts using the functional currency of each acquired subsidiary. The balances in that functional currency have then been translated into euro using the exchange rates prevailing at the end of the reporting period.

Operating profit

IAS 1 *Presentation of financial statements* does not define the concept of operating profit. Ruukki Group has defined it as follows: Operating profit is the net amount derived by adding to revenue other operating income, less purchase costs adjusted with the change in inventories of finished goods and work in progress, and expenses from work performed by the enterprise and capitalised, less costs from employee benefits, depreciation and impairment losses, and other expenses. Shares of associated companies' profit or loss are included in the operating profit to the extent to which they relate to the Group's core businesses. All other items of the income statement are excluded from operating profit. Exchange differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.

Revenue recognition

Income from the sale of goods is recognised once the substantial risks and benefits associated with ownership have been transferred to the buyer. The transfer of risks depends on, among others, terms of delivery (Incoterms). The most often used term is FCA or FOB, under which the revenue is recognised when the goods are assigned to the buyer's carrier or loaded on board the vessel nominated by the buyer. As typical in the business, preliminary invoices are issued for the mineral concentrates at the time of delivery. Final invoices are issued when quantity, mineral content and pricing have been defined for the delivery lot.

Income not generated by the Group's main businesses is accounted for as other operating income. The expenses incurred from disposals of non-current assets or a disposal group of assets are deducted from the gain on disposal.

Pension liabilities

Pension arrangements in Ruukki Group are classified as defined contribution plans or defined benefit plans. Payments for defined contribution plans are recognised as expenses for the relevant period. The present value of obligation for the defined benefit plans has been estimated applying the *Projected Unit Credit Method* and recognised as a non-current liability on the statement of financial position. Actuarial gains and losses arising from defined benefit plans are accounted for applying the corridor method. Following the revision of the standard IAS 19, the Group discontinues applying the corridor method from the beginning of the financial year 2013. The revised standard and its implications have been discussed in more detail in the section "Application of new or amended IFRS standards".

Share-based payments

Option rights are measured at fair value at the time they were granted and recorded as expenses on a straight-line basis during the vesting period. The expenses at the time the options were granted are determined according to the Group's estimate of the number of options expected to vest at the end of the vesting period. Fair value is determined on the basis of an applicable option pricing model (e.g. Black-Scholes). The effects of non-market-based terms and conditions are not included in the fair value of the option; instead, they are taken into account in the estimated number of options expected to vest at the end of the vesting period. The Group updates the estimated final number of options on each balance sheet date. Changes in the estimates are recorded in the income statement. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under paid-up unrestricted equity reserve.

The Group has directed a free issue of shares to the members of the Board of Directors as approved by the Annual General Meeting on 21 April 2010. The compensation plan is settled in shares and is accordingly recognised as share-based payment in the Group's financial statements. The fair value of the granted shares is determined based on the market price of the Ruukki Group share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at grant date. The cost is recognised as expense in personnel costs over the vesting periods and credited to equity (retained earnings).

The initial number of shares (maximum 950,000 shares) will have a graded three-year vesting schedule, and 1/3 of the shares will vest annually at each Annual General Meeting subsequent to the 2010 AGM. The additional shares (maximum 700,000 shares) will vest immediately if the Directors continue in their duty after the second (350,000 shares) and third (350,000 shares) ordinary general meeting following the approval of the initial issue (being the 2010 AGM). The shares are subject to a three year lock-up period. The Company is entitled to redeem the shares free of charge, in part or in full, should the Director's term on the Board of Directors end before the third ordinary general meeting following the approval of this issue. Based on historical information, the Company has estimated that 20% of the total maximum amount of shares granted will be forfeited during the vesting period. This estimate is revised until the final outcome is known. Finally, the cumulative cost of the scheme will equal the amount of vested shares multiplied by the grant date fair value of the share.

Black Economic Empowerment (BEE) transactions

The purpose of South African Black Economic Empowerment (BEE) regulation is to enable previously disadvantaged people meaningfully to participate in the South African economy. The Group is committed to making a positive contribution towards the objectives of BEE. Where the Group disposes of a portion of a South African based subsidiary or operation to a BEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 Accounting for Black Economic Empowerment (BEE) Transactions). The discount provided or value given is calculated in accordance with IFRS 2 and recognised as

an expense. Where the BEE transaction includes service conditions, the expense is recognised over the vesting period. Otherwise the expense is recognised immediately on the grant date.

Other benefits

In 2009, in conjunction with the Mogale Alloys acquisition, Ruukki Group agreed to make payments into a management trust, which has not been consolidated into the Group. The Group has recognised the payments as an expense during 2009-2012. The trust was dissolved in conjunction with the settlement of the final purchase consideration in 2012 and the expense accrual has finished.

Lease agreements (the Group as the lessee)

Leases of tangible assets where the Group possesses a material portion of the risks and benefits of ownership are classified as financial leases. An asset acquired through a financial lease agreement is recognised at the fair value of the leased object at the beginning of the lease period, or at a lower current value of minimum lease. An asset obtained through a finance lease is depreciated over the useful life of the asset or the lease term, whichever is shorter. The leases payable are divided into financial expenses and loan repayment during the lease term so that the interest rate for the remaining loan is roughly the same each financial year. Leasing obligations are included in interest-bearing liabilities. Lease agreements in which the risks and benefits typical of ownership remain with the lessor are classified as other leases. Leases paid under other lease agreements, for instance operating leases, are recognised as expenses on a straight-line basis over the lease term.

Impairment

On each balance sheet date, the Group makes an assessment of whether there are any indications of asset impairment. If such indications exist, the recoverable amount of the asset is estimated. In addition, goodwill is assessed annually for its recoverable amount regardless of whether there are any signs of impairment. Impairment is examined at the cash-generating unit level; in other words, the lowest level of entity that is primarily independent of other entities and whose cash flows can be separated from other cash flows. Impairment related to associates and other assets are tested on a company/asset basis.

The recoverable amount is the fair value of an asset less divestment costs, or the higher value in use. Value in use means the present value of estimated future cash flows expected to arise from the asset or cash-generating unit. Value in use is forecast on the basis of circumstances and expectations at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. An impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised. An impairment loss recognised for goodwill is not reversed in any circumstances.

Goodwill is tested for impairment annually at year end; for the 2012 financial year, testing took place on 31 December 2012. Impairment testing and the methods used are discussed in more detail in section 2.4 in the 'Notes to the consolidated financial statements'.

Financial income and expense

Interest income and expense is recognised using the effective interest method, and dividends are recognised when the right to dividends is established. Unrealised changes in value of items measured at fair value are recognised in the profit or loss. These items relate to currency forward contracts. Exchange rate gains or losses that arise from intercompany loans that are considered as part of the net investment in the foreign entity are included, net of any deferred tax effects, in the translation reserve within the equity. These exchange differences are recognised in other comprehensive income while accumulated exchange differences are presented in the translation reserves in the equity.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset forming part of the cost of that asset, are capitalised if it is likely that they will provide future economic benefit and can be

measured in a reliable manner. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Income taxes

Tax expenses on the income statement consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years. Maltese companies' income taxes are recognised and paid applying the nominal income tax rate which is 35%. 6/7 of this tax is refunded when the company pays dividend. Consequently the effective tax rate is 5%. The tax refund is recognised when the dividend is distributed, typically in the next financial year. Taxes arising from items recognised directly in the equity are presented as income tax relating to other comprehensive income.

Deferred taxes have been calculated for all temporary differences between the carrying amount and taxable amount. Deferred taxes have been calculated using the tax rates set at the balance sheet date. Deferred tax assets arising from taxable losses carried forward have been recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

Tangible assets

Tangible assets have been measured at historical cost less accumulated depreciation and impairment losses. The initial cost of an asset comprises its purchase price, costs directly attributable to bringing the asset into operation and the initial estimate of the rehabilitation and decommissioning obligation. Heavy production machinery often contains components with different useful lives, and therefore the component approach is applied. Material component replacements and repairs are capitalised. The repair and maintenance of lighter machinery and other intangible items are recognised as expense when occurred.

Interest expenses are capitalised as part of the tangible asset's value if and when the Group acquires or constructs assets that satisfy the required terms and conditions.

Assets are depreciated over their useful lives using the straight-line method, except for the mineral resources and ore reserves which are depreciated based on estimated or reported consumption. Land areas are not depreciated. The estimated useful lives of assets are as follows:

Buildings	15–25 years
Machinery and equipment	3–15 years
Other tangible assets	5–10 years
Mines and mineral assets	Units-of-production method

The residual value of assets and their useful life are reviewed in connection with each financial statement and, if necessary, they will be adjusted to reflect the changes that have occurred in the expected financial benefit. The sales gains or losses arising from the decommissioning or divestment of tangible assets are included in other operating income or expenses.

Mines and mineral assets

Measurement of mineral resources and ore reserves in business combinations

Mineral resources and ore reserves acquired in business combinations are recognised as separate assets. In the recognition and measurement of mineral resources and ore reserves the Group utilises available third party reports of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also an essential factor. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. There are also generally accepted standards for the classification of mineral resources in the business, such as the standards of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ('SAMREC'). The measurement of ore reserves is based on estimated market prices, estimated production costs and quantities. On the Group's statement of financial position, mineral resources and ore reserves are presented as tangible assets. Rehabilitation liabilities related to mines are included in their cost of acquisition, and corresponding provision is recognised on the statement of financial position.

Exploration and evaluation expenses of mineral resources

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources when new potential ore reserves are sought, for example by exploratory drilling. Exploration and evaluation expenditure is carried forward as an asset if the Group expects such costs to be recouped in full through the successful development of the area of interest; or alternatively by its sale; or if exploration and evaluation activities in the area of interest have not yet reached a stage which permits the reasonable assessment of the existence of economically recoverable reserves and active and significant operations in relation to the area are either continuing or planned for the future. Exploration and evaluation expenditure includes material and other direct costs incurred, for instance, by exploratory drilling and surveys. Overheads are included in the exploration and evaluation asset to the degree to which they can be associated with finding and evaluating a specific mineral resource. Exploration and evaluation assets are measured at cost and are transferred to mine development assets when utilisation of the mine begins. The asset is then depreciated using the units-of-production method.

Exploration and evaluation assets are assessed for impairment if and when facts and circumstances suggest that the carrying amount exceeds its recoverable amount. In particular, the impairment tests are carried out if the period for which the Group has right to explore the specific area expires or will expire in the near future and future exploration and evaluation activities are not planned for the area.

Exploration and evaluation assets acquired in conjunction with business combinations are accounted for at fair value in accordance with the principles of IFRS 3.

Mine establishment costs

Mine establishment costs are capitalised as part of the mine's acquisition cost and depreciated using the units-of-production method when the production of the mine begins. The costs arising from changes in mining plan after the production has begun are expensed as incurred.

Impairment

The value of mineral resources and ore reserves acquired in business combinations is tested for impairment if there are indications of deterioration in the long-term ability to utilise the asset economically. In the test the cash flows generated by the asset are assessed based on most recent information on the technical and economic utilisation of the asset.

Goodwill and intangible assets identified at acquisition

Goodwill represents the portion of acquisition cost that exceeds the Group's share of the fair value at the time of acquisition of the net assets of the acquired company. Instead of regular amortisation, goodwill is tested annually for potential impairment. For this purpose, goodwill has been allocated to cash-generating units or, in the case of an associated company, is included in the acquisition cost of the associate in question. Goodwill is measured at original acquisition cost less impairment losses. Changes in purchase considerations, for example due to earn-out arrangements, relating to acquisitions carried out before 2010 have been recognised against goodwill in accordance with the earlier IFRS 3.

The net assets of an entity acquired in a business combination are measured at fair value at the date of acquisition. In connection with business combinations, the Group also identifies intangible assets that are not necessarily recorded on the statement of financial position of the acquired entity. These assets include, for instance, customer relationships, trademarks and technology. They assets are recognised at fair value and amortised over their useful lives. The amortisation periods for these intangible assets are as follows:

Customer relationships: 2-5 years depending on contractual circumstances
Technology: 5-15 years
Trademarks: 1 year

Research and development costs

Research costs are always recognised as expenses. Mine development costs are capitalised as part of mining assets and depreciated on a unit of production basis. The development costs, which primarily relate to the development of existing products, are expensed as incurred.

Other intangible assets

Other intangible assets are initially recognised on the statement of financial position at cost when the costs can be reliably determined and it is probable that the expected financial benefits of those assets will be reaped by the Group. Other intangible assets mainly relate to IT software utilised in support of the Group's business operations and they are amortised over 3-5 years.

Inventories

Inventories are measured at acquisition cost or a lower probable net realisable value. Acquisition costs are determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour expenses, other direct expenses, and an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In open pit mining operations, the removal costs of overburden and waste material (stripping costs) are included in the cost of inventory. In ordinary operations, the net realisable value is the estimated selling price that is obtainable, less the estimated costs incurred in completing the product and the selling expenses.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and cash equivalents, short-term deposits, money market instruments, trade and other receivables, loan and other receivables, unquoted financial instruments and derivative financial instruments.

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The EIR amortisation is included in finance income. The impairment losses are recognised as finance costs.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

Financial assets classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured either at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in finance income or cost, or determined to be impaired, at which time the cumulative loss is recognised as finance costs and removed from the available-for-sale assets.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Derivative financial instruments and hedge accounting

When necessary, the Group utilises derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised on the income statement. The Group does not apply hedge accounting.

Treasury shares

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from the paid-up unrestricted equity reserve. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Liabilities are classified as current and non-current, and include both interest-bearing and interest-free liabilities. Interest-bearing liabilities are liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability. In the earlier financial years discounted non-current liabilities have included acquisition-related deferred conditional and unconditional liabilities. Certain conditional liabilities have included an earn-out component that needed to be met to make the liability unconditional and fix the amount of the future payment. Acquisition-related conditional purchase considerations that were payable in the Company's shares were presented as interest-free liabilities. The Group has made agreements on final purchase considerations for all earlier acquisitions during 2012.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss; loans and borrowings; or derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and derivative financial instruments.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised on the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discounts or premiums and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The provision for rehabilitation and decommissioning costs has arisen on operating mines and minerals' processing facilities. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation and decommissioning liability. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs of or in the discount rate applied to the rehabilitation obligation are added or deducted from the profit or loss or, respectively, decommissioning obligation adjusted to the carrying value of the asset dismantled.

Non-current assets held for sale and discontinued operations

The standard IFRS 5 requires that an entity must classify a non-current asset or a disposal group as assets held for sale if the amount equivalent to its carrying amount is accumulated primarily from the sale of the item rather than from its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under general and standard terms for the sale of such assets, and the sale must be highly probable.

During the financial year 2011 Ruukki Group disposed of its wood processing businesses. Consequently, the businesses as well as the discontinued Russian projects have been presented as discontinued operations.

Accounting policies requiring management discretion and key uncertainty factors for estimates

Preparation of the financial statements requires management to make estimates, assumptions and forecasts regarding the future. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. In addition, management is required to use its discretion in the application of the financial statements' preparation principles.

The scope of the financial statements

The consolidated financial statements include the parent company Ruukki Group Plc, its subsidiaries, joint ventures and associated companies. Subsidiaries refer to companies in which the Group has control. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The assessment of whether control is exercised requires management discretion. Using its discretion, the Group's management has decided that Elektrowerk Weisweiler GmbH is accounted for as a subsidiary in the consolidated financial statements based on potential voting rights prior the Group acquired the shares in the company. The Group has interpreted that it has had control over Elektrowerk Weisweiler GmbH, as defined in IAS 27, since October 2008. Since 10 May 2012 the consolidation has continued based on full ownership in the company.

The Group holds 51% of shares of Synergy Africa Limited. However, the shareholders of Synergy Africa Limited have entered into a joint venture agreement with joint control over the company. The joint venture agreement includes terms and conditions which give the other shareholder participating rights. Therefore, the Group's management has assessed, using its discretion, that the company and its subsidiaries are not consolidated into the Group as subsidiaries but as joint ventures.

Allocation of the cost of a business combination

In accordance with IFRS 3, the acquisition cost of an acquired company is allocated to the assets of the acquired company. The management has to use estimates when determining the fair value of identifiable assets and liabilities. Determining a value for intangible assets, such as trademarks and customer relationships, requires estimation and discretion because in most cases, no market value can be assigned to these assets. Determining fair value for tangible assets requires particular judgment as well, since there are seldom active markets for them where the fair value could be obtained. In these cases, the management has to select an appropriate method for determining the value and must estimate future cash flows.

Determination of the amount of the earn-out and contingent liabilities associated with business acquisitions

Some of the acquisitions carried out by the Group have involved contingent considerations, either subject to a specified future event occurring, or calculated and paid on the basis of the future operative profitability of the acquired company (earn-out arrangements). The discounted estimated contingent considerations have been included in the Company's other liabilities at the time of the acquisition. Therefore the estimates presented in the previous years' financial statements have differed from the actual purchase considerations. The effect of the changes in estimates has been recognised against the cost of acquisition in accordance with the previous IFRS 3.

Impairment testing

Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made at each balance sheet date, and more often if needed. The recoverable amounts of cash-generating units have been determined by means of calculations based on value in use. Preparation of these calculations requires the use of estimates to predict future developments.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any expansion investments and rearrangements. To prepare the estimates, efforts have been made to collect background information from the operative business area management as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the discount rate used. The definition of components of discount rates applied in impairment testing requires discretion, such as estimating the asset or business related risk premiums and average capital structure for each business segment.

Tangible and intangible assets

Ruukki Group management is required to use its discretion when determining the useful lives of various tangible and intangible assets, which affects the amount of depreciation and thereby the carrying amount of the assets concerned. The capitalising of mine development assets and exploration and evaluation expenditure, in particular, requires the use of discretion. Similarly, management is required to use its discretion in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and change in deferred taxes.

Measurement of mineral resources and ore reserves

In the Group's mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third party analyses of the quantities, mineral content, estimated production costs and exploitation potential of the resource. The probability of the ore reserve is also a key consideration. In the mining and minerals business, the probability is commonly described by classifying a mineral resource into categories such as 'proven', 'probable', 'inferred' and 'hypothetical'. The measurement of ore reserves is based on estimated market prices, estimated production costs and on the probability classification of the mineral resource and quantities. Therefore, the Group's management has to use its discretion in applying recognition and measurement principles for mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management's best estimate of the rehabilitation costs. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual costs to differ from the provision which has been made.

Application of new or amended IFRS standards

The Group applies new or amended IFRS standards and interpretations from their effective date or after they have been endorsed for application within the EU. The Group has decided to begin to apply the new standards IFRS 10, IFRS 11 and IFRS 12 as well as the revised standards IAS 27 and IAS 28 in the financial statements for the year 2013.

In these financial statements the Group has applied the following new or amended standards and interpretations:

- IFRS 7 Financial Instruments: Disclosures (Amendment). The amendment increases disclosures relating to transfers and derecognition of financial assets. The amendment has not had an impact on the Group's financial statements.

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets. The amendment introduces new requirements relating to measurement of deferred taxes on investment properties at fair value and on assets measured using the revaluation model. The amendment has not had an impact on Group's financial statements.

The Group will apply the following new or amended standards and interpretations in the financial statements for the year 2013 or subsequent financial years:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1. The amendments to the standard change the grouping of items presented in OCI. Items that will be reclassified to profit and loss in future periods will be presented separately from items that will never be reclassified. The amendment will be effective for annual periods beginning on or after 1 July 2012 and it will be applied retrospectively.

- IAS 19 Employee Benefits (Revised). The revised standard includes changes to presentation and measurement of defined benefit plans as well as amendments to accounting treatment of other employee benefits. The most significant change is that the possibility to apply the so called corridor method will be abolished. Consequently, actuarial gains and losses will be recognised in other comprehensive income when they occur and net defined benefit liability or asset will be presented in full on the statement of financial position.

Consequently, the Groups pension liability will increase by EUR 4.6 million compared with the liability presented in these financial statements as at 31 December 2012. The Group's equity will decrease by EUR 4.6 million respectively. The revised standard will be effective for annual periods beginning on or after 1 January 2013 and it will be applied retrospectively.

- Amendment: IFRS 7 Disclosures and IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities. These amendments require an entity to disclose information about rights of set-off and related arrangements and the effect of netting arrangements on an entity's financial position. The Group estimates that the amendments will not have material effect on its financial statements. The amendments to IFRS 7 will be effective from periods beginning on or after 1 January 2013 and the amendments to IAS 32 from periods beginning on or after 1 January 2014.

- IFRS 9 Financial Instruments – Classification and Measurement. The new standard replaces the standard IAS 39 and will have impact on classification and measurement of financial assets and liabilities as well as hedge accounting. The new standard will be effective for annual periods beginning on or after 1 January 2015 and will be applied prospectively; however the transitional requirements will entail some additional disclosures on the effects of the transition.

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (revised). The new IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements and the SIC-12 interpretation which will be withdrawn. The revised IAS 27 is limited to separate financial statements. IFRS 10 changes whether an entity is consolidated by revising the definition of control. The new standard requires more comprehensive assessment of control than the previous standard, and disclosures on the assessment and the conclusions which have been made. The new standard will not have an impact on the Group's financial statements in its current structure. The new standard and the revised standard will be effective within the EU for annual periods beginning on or after 1 January 2014 with early application permitted for annual periods beginning on or after 1 January 2013 and they will be applied retrospectively.

- IFRS 11 Joint arrangements, IAS 28 Investments in Associates and Joint Ventures (revised). The new standard replaces the standard IAS 31 and the SIC-13 interpretation. IFRS 11 requires considering all facts and circumstances relating to joint arrangements instead of legal form only, which influences the accounting treatment of the arrangements. Under the new standard its current joint ventures will be consolidated under the equity method instead of the proportionate method of consolidation. If the new standard would have been applied already from 1 January 2012, the Group's revenue in 2012 would have been EUR 2 million lower and total assets 21 million lower than presented in these financial statements. The new standard and the revised standard will be effective within the EU for annual periods beginning on or after 1 January 2014 with early application permitted for annual periods beginning on or after 1 January 2013 and they will be applied retrospectively.

- IFRS 12 Disclosure of Interests in Other Entities. The new standard defines the disclosure requirements relating to subsidiaries, joint arrangements, associates and structured entities. The standard will increase the disclosures on these entities in consolidated financial statements. The new standard will be effective within the EU for annual periods beginning on or after 1 January 2014 with early application permitted for annual periods beginning on or after 1 January 2013 and it will be applied retrospectively.

- IFRS 13 Fair Value Measurement. The standard introduces a common definition of fair value for all IFRS's and approach for fair value measurement. It also increases the disclosures related to fair value measurement. The Group estimates that the new standard will not have a material effect on its financial statements. The new standard will be effective for annual periods beginning on or after 1 January 2013 and it will be applied prospectively.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. According to the interpretation, when certain conditions are met, stripping costs occurring after the mine has entered production are accounted for as a non-current asset or as a part of the cost of inventory. The interpretation also gives guidance how stripping activity assets are classified on the statement of financial position and how they should be expensed. The Group has assessed that the interpretation will not have a material effect on its financial statements as the principles which Group has previously applied correspond the principles of the new interpretation. The interpretation will be effective for annual periods beginning on or after 1 January 2013 and it will be applied retrospectively.

2.3 BUSINESS COMBINATIONS AND ACQUISTION OF NON-CONTROLLING INTERESTS

2.3.1 Financial Year 2012

Elektrowerk Weisweiler GmbH

In April 2012 Ruukki signed an agreement with Kermas Limited ("Kermas") for the acquisition of Elektrowerk-Weisweiler GmbH ("EWW"). In addition Ruukki and Kermas agreed to terminate the profit and loss sharing arrangement in relation to Türk Maadin Sirketi A.S ("TMS") and RCS Limited ("RCS") and certain other arrangements which were entered into in October 2008.

Under the terms of the agreements Ruukki acquired 100% of the shares in EWW for approximately EUR 17.3 million in cash; the profit and loss sharing arrangement in relation to TMS and RCS was terminated for EUR 8 million in cash; the remaining 70,194,518 options granted to Kermas relating to the profit and loss sharing arrangement were cancelled and the restrictions regarding the sale or transfer of Ruukki's shares in TMS and RCS were cancelled. The steps completed the consolidation of the Group's ownership and control over its Speciality Alloys business in Europe.

EWW’s financial statements have been consolidated in Ruukki’s financial statements in 2008-2011 based on a purchase option. Consequently, the acquisition was not treated as a new business combination and no purchase price allocation was made. The difference between the option liability and acquisition cost was recognised against the acquisition cost of EWW. Following the acquisition, the non-controlling interest on EWW’s equity is no longer recognised (earlier 100%).

Mogale Alloys (Pty) Ltd

In October 2012 Ruukki and vendors of Mogale Alloys (“Vendors”) agreed to settle disputes in relation to unpaid portion of the purchase consideration for Mogale Alloys acquired in May 2009.

As outlined in the original acquisition agreement, 30% of the total purchase price (ZAR 600 million) was conditional and deferred upon certain conditions being met. The parties agreed to settle all outstanding disputes and claims by an arrangement whereby Ruukki paid the Vendors an aggregate cash amount of ZAR 177 million and issued up to 16,000,000 new shares. Simultaneously, the Vendors transferred their entire remaining shareholding in Mogale Alloys to Ruukki, whereby Ruukki's ownership increased from 84.9% to 90.0%.

In the consolidated financial statements the difference between the original purchase consideration and the settlement price has been accounted for as an adjustment of the acquisition cost of Mogale Alloys in accordance with the earlier IFRS 3. The change in the non-controlling interest representing the increased ownership in Mogale Alloys was recognised within the equity.

2.3.2 Financial Year 2011

Ruukki did not carry out any acquisitions during the financial year 2011.

2.4 IMPAIRMENT TESTING

General principles of impairment testing

Ruukki Group has carried out impairment testing on goodwill and other assets as of 31 December 2012. The following cash generating units were defined for the impairment testing:

- Speciality Alloys business (RCS, Türk Maadin Sirketi and Elektrowerk Weisweiler) with a vertically integrated mining-beneficiation-smelting-sales operation in the specialty grade ferrochrome business;

- South African minerals processing business (Mogale Alloys) which has ferroalloys smelting operations with four furnaces; and

- Southern African mining business (Chromex) which has mines in South Africa and mine development project in Zimbabwe. Each mine has been treated as a separate cash generating unit.

The Group assesses at each balance sheet date whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, irrespective of whether there is an indication of impairment. Of the above-mentioned cash generating units, Southern African mining business did not have any goodwill on its statement of financial position at the end of the financial year 2012. The Group assessed, however, that there is indication of impairment due to the weak situation in the chrome market, and the assets of the business were tested for impairment. As a result, no impairment was recognised.

At the end of 2012, there were no indications of impairment of any other assets, such as shares in associated companies.

Changes in goodwill during 2012

During the financial year 2012, the total goodwill of the Group decreased by EUR 27 million to a total of EUR 69 million compared to the end of the financial year 2011. The changes are described below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	**Group Total**
Goodwill 1.1.2012	**49 087**	**47 182**	**96 269**
Changes in acquisition costs	5 958	-28 464	**-22 506**
Exchange rate movement	-355	-4 418	**-4 773**
Goodwill 31.12.2012	**54 690**	**14 300**	**68 990**

Related to certain acquisitions there has been earn-out arrangements and conditional deferred liabilities. Changes in these liabilities have impacted the amount of goodwill during 2012.

The changes in goodwill during 2011 are presented below:

EUR '000	Speciality Alloys Business	FerroAlloys Business	**Group Total**
Goodwill 1.1.2011	**68 852**	**60 269**	**129 120**
Changes in earn-out liabilities	-21 477	0	**-21 477**
Exchange rate movement	1 712	-13 087	**-11 375**
Goodwill 31.12.2011	**49 087**	**47 182**	**96 269**

Goodwill as a ratio of the Group's equity on 31 December 2012 and 31 December 2011 was as follows:

EUR '000	31.12.2012	31.12.2011
Goodwill	68 990	96 269
Equity	215 220	240 158
Goodwill/Equity, %	32%	40%

Methodology applied in impairment testing

For the cash generating units that were tested, the test was carried out by calculating their value in use. Value in use has been calculated by discounting estimated future net cash flows based on the conditions and assumptions prevailing at the time of the testing. Future cash flows have been projected for a five-year period, after which a growth rate equalling projected long-term inflation has been applied (Speciality Alloys: 2%, South African minerals processing: 6%). For the terminal year after the five-year estimation period, the essential assumptions (e.g. revenue, variable costs and fixed costs) have been based at the estimation period's previous year's figures.

The weighted average cost of capital (WACC) has been calculated separately for each cash generating unit and testable asset, taking into account each business's typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as risk-free interest rates and margins for debt financing. The Group has used publicly available information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2012.

The information used in the 31 December 2012 impairment testing is based on business units' management future forecasts, on general third-party industry expert or analyst reports where available, and to the extent possible on the current business and asset base excluding any non-committed expansion plans. Forecasted sales volumes and profitability are based on the management's view on future development while also taking past performance into account. Price forecasts are based on independent market forecasts. The cash flow models have been prepared at constant foreign exchange rates. The management's approach in preparing cash flow forecasts has not changed significantly from the previous impairment testing.

These pre-tax discount rates applied in 2012 impairment testing were the following:

Cash Generating Unit	Pre-tax discount rate	
	2012	(2011)
Speciality Alloys	12.2%	(13.3%)
South African minerals	19.3%	(21.6%)

The key reasons for the changes in the discount rates compared to 2012 were the changes in risk-free interest rates in both cash-generating units.

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount based on the following judgment rules:

Recoverable amount divided by the carrying amount:	Conclusion:
< 100%	Impairment
101-120%	Slightly above
121-150%	Clearly above
> 150%	Significantly above

Test results 31 December 2012

The impairment test results were as follows:

Cash generating unit	Goodwill (MEUR), pre-testing	Goodwill (MEUR), post-testing	Carrying amount (MEUR), pre-testing	Conclusion
Speciality Alloys	55	55	112	Significantly above
South African minerals business	14	14	70	Significantly above

The testable asset base includes goodwill, intangible and tangible assets and net working capital less provisions and deferred tax liabilities (in relation to purchase price allocation entries).

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the following table:

Cash generating unit	Sales volume	Sales prices	Costs
Speciality Alloys business	FeCr: 26,000-28,000 t/a lumpy Cr ore: 26,000 – 41,000 t/a	LC/ULC ferrochrome with average Cr content of 70 %, based on external experts (CRU International and Heinz Pariser) price forecasts average	Raw material costs generally change in line with sales price. Other costs growing at inflation rate.
South African minerals business	Metal alloys: 90,000 t/a	Based on external experts (CRU International and Heinz Pariser) metal alloys price forecasts average	Raw material costs generally change in line with sales price. Other costs growing at inflation rate.

Moreover, the USD/ZAR foreign exchange rate affects significantly the testing of the South African minerals business. The foreign exchange rate used in the test was 8.5.

Sensitivity analysis of the impairment tests

The Group has analysed the sensitivity of the impairment test results by estimating how the essential assumptions should change in order for the recoverable amount to be equal to the carrying amount. The results of this sensitivity analysis as of 31 December 2012 are given below:

Cash generating unit	Change in pre-tax discount rate (compared to the level used in testing)	Change in free cash flow (annual average)	Change in CGU's average EBITDA margin
Speciality Alloys	10.6 %-points	-52.4%	-13.7 %-points
South African minerals business	6.4 %-points	-35.8%	-5.2 %-points

2.5 OPERATING SEGMENTS

Ruukki Group has two operating segments, FerroAlloys and Speciality Alloys, which are also the reporting segments. The operating segments are organised based on their products and production processes. The current reporting structure was adopted in 2011. The Group's executive management reviews the operating results of the segments for the purpose of making decisions on resource allocation and performance assessment. Segment performance is measured based on revenue as well as earnings before interest, taxes, depreciation and amortisation (EBITDA) as included in the internal management reports and defined consistently with the consolidated EBITDA.

The FerroAlloys business consists of the Stellite mine, the alloy processing plant Mogale and the Mecklenburg mine development project in South Africa and the Zimbabwean mine development project Waylox. The business produces chrome ore, Charge Chrome and Silico Manganese for sale to global markets.

The Speciality Alloys business consists of TMS, the mining and beneficiation operation in Turkey, and EWW, the chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which produces speciality products including Specialised Low Carbon and Ultra Low Carbon Ferrochrome. Excess chrome ore from TMS is exported.

The revenue and costs of the Group's sales and marketing arm RCS is allocated to the segments in proportion to their sales. Ruukki's other operations, including the Group's headquarters and other Group companies that do not have significant operations, are presented as unallocated items.

Ruukki completed the divestment of its wood processing businesses in 2011. These businesses have been presented as discontinued operations in the financial reports.

Intercompany transactions are carried out on an arm's length basis. The transactions between the segments have been limited but the parent company has provided funding and administrative services to the Group's subsidiaries.

The accounting policies applied in the operating segment information are the same as those in the consolidated financial statements.

Operating segment information 2012

Year ended 31.12.2012 EUR '000	Speciality Alloys	FerroAlloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Rendering of services	0	337	337	37	0	374
Sale of goods	76 456	53 562	130 018	0	0	130 018
Total external revenue	76 456	53 899	130 355	38	0	130 392
Inter-segment revenue	0	0	0	800	-800 [1]	0
Total revenue	**76 456**	**53 899**	**130 355**	**837**	**-800**	**130 392**
Items related to associates (core)	3	3	6	0	0	6
Segment EBITDA	**10 706**	**6 661**	**17 367**	**-5 243**	**30**	**12 154**
Depreciation and amortisation	-17 632	-9 094	-26 726	-42	0	-26 768
Segment operating profit / loss	**-6 926**	**-2 433**	**-9 359**	**-5 285**	**30**	**-14 614**
Finance income						4 767
Finance cost						-8 660
Income taxes						1 717
Profit / loss for the period from continuing operations						**-16 790**
Profit for the period from discontinued operations						0
Profit / loss for the period						**-16 790**

Segment's assets [2]	**152 852**	**154 049**	**306 901**	**12 604**	**-7 021**	**312 483**
Segment's liabilities [2]	**40 687**	**57 322**	**98 008**	**5 660**	**-6 405**	**97 264**
Other disclosures						
Gross capital expenditure [3]	3 549	2 418	5 967	1	0	**5 969**
Investments in associates	59	16	75	0	0	**75**
Provisions	4 912	9 673	14 585	250	0	**14 835**

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.

Operating segment information 2011

Year ended 31.12.2011 EUR '000	**Speciality Alloys**	**FerroAlloys**	**Segments total**	**Unallocated items**	**Eliminations**	**Consolidated Group**
External revenue						
Rendering of services	0	176	176	0	0	176
Sale of goods	83 637	75 272	158 909	2	0	158 912
Total external revenue	83 637	75 448	159 085	2	0	159 087
Inter-segment revenue	0	0	0	696	-696 [1]	0
Total revenue	**83 637**	**75 448**	**159 085**	**698**	**-696**	**159 087**
Items related to associates (core)	13	258	272	0	0	272
Segment EBITDA	**13 811**	**-3 886**	**9 925**	**-8 529**	**7**	**1 404**
Depreciation and amortisation	-17 648	-10 153	-27 800	-53	0	-27 853
Impairment	0	0	0	-15	0	-15
Segment operating profit / loss	**-3 837**	**-14 038**	**-17 875**	**-8 596**	**7**	**-26 464**
Finance income						7 943
Finance cost						-7 113
Items related to associates (non-core)						196
Income taxes						7 081
Profit / loss for the period from continuing operations						**-18 358**
Profit for the period from discontinued operations						41 086
Profit / loss for the period						**22 729**
Segment's assets [2]	**171 511**	**219 205**	**390 716**	**49 226**	**-18 135**	**421 807**
Segment's liabilities [2]	**56 168**	**116 760**	**172 927**	**25 501**	**-16 779**	**181 649**
Other disclosures						
Gross capital expenditure [3]	2 089	2 331	4 420	69	0	**4 489**
Investments in associates	64	13	77	0	0	**77**
Provisions	4 921	11 109	16 030	250	0	**16 280**

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.

Geographical information

Revenues from external customers

EUR '000	2012	2011
Other EU countries	85 317	91 333
United States	11 232	17 167
China	11 095	20 365
Africa	10 064	5 060
Finland	2 015	4 264
Other countries	10 669	20 898
Total revenue	**130 392**	**159 087**

Revenue figures are based on the location of the customers.

Revenue from one customer of Speciality Alloys business segment represents approximately 12% (16%) of the Group's continuing operations revenue in 2012. In 2011 revenue from one customer of FerroAlloys business segment represented 11% of the Group's continuing operations revenue.

Non-current assets

EUR '000	2012	2011
Africa	107 734	151 248
Other EU countries	68 859	77 597
Finland	70	110
Other countries	4 365	4 507
Total	**181 028**	**233 463**

In presenting geographical information, assets are based on the location of the assets. Non-current assets consist of property, plant and equipment, intangible assets and investments in associates.

2.6. NOTES TO THE INCOME STATEMENT

1. Revenue

EUR '000	2012	2011
Sale of goods	130 018	158 912
Rendering of services	374	176
Total	**130 392**	**159 087**

2. Other operating income

EUR '000	2012	2011
Gain on disposal of non-current assets	134	1
Rental income	296	288
Electricity buyback programme	11 300	0
Other	2 113	884
Total	**13 843**	**1 173**

3. Employee benefits

EUR '000	2012	2011
Salaries and wages	-19 896	-22 936
Share-based payments	-922	-1 235
Pensions, defined contribution plans	269	-697
Pensions, defined benefit plans	-1 246	-859
Other employee related costs	-1 499	-1 007
Total	**-23 293**	**-26 733**

Average personnel during the accounting period	2012	2011
Speciality Alloys business	431	423
FerroAlloys business	322	348
Group Management and other operations	9	10
Total	**762**	**781**

Personnel at the end of the accounting period	2012	2011
Speciality Alloys business	423	442
FerroAlloys business	310	345
Group Management and other operations	10	10
Total	**743**	**797**

4. Depreciation, amortisation and impairment

EUR '000	2012	2011
Depreciation / amortisation by asset category		
Intangible assets		
Clientele and technology	-19 556	-19 787
Other intangible assets	-599	-675
Total	**-20 155**	**-20 461**
Property, plant and equipment		
Buildings and constructions	568	-998
Machinery and equipment	-4 908	-4 212
Other tangible assets	-2 273	-2 182
Total	**-6 612**	**-7 392**
Impairment by asset category		
Machinery and equipment	0	-5
Other intangible assets	0	-8
Other assets	0	-2
Total	**0**	**-15**

5. Other operating expenses

EUR '000	2012	2011
Loss on disposal of non-current assets	-2	-151
Rental costs	-561	-666
External services	-6 176	-10 072
Travel expenses	-1 155	-1 166
Other operating expenses	-8 932	-7 225
Total	**-16 826**	**-19 279**

Audit fees paid to Ernst & Young totalled EUR 590 (2011: 781) thousand in the financial year. The fees for non-audit services totalled EUR 233 (2011: 289) thousand.

6. Financial income and expense

EUR '000	2012	2011
Finance income		
Interest income on loans and trade receivables	2 202	1 886
Foreign exchange gains	2 452	5 531
Gain on assets at fair value	87	0
Other finance income	25	527
Total	**4 767**	**7 943**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	-823	-1 524
Impairment on investments carried as non-current assets	-11	-47
Foreign exchange losses	-3 847	-2 507
Loss on assets at fair value	-1 903	-1 168
Unwinding of discount, provisions	-1 465	-961
Other finance expenses	-612	-906
Total	**-8 660**	**-7 113**
Net finance income/expense	**-3 893**	**830**

7. Income taxes

EUR '000	2012	2011
Income tax for the period	-6 232	-3 520
Income tax for previous years	3 008	1 420
Deferred taxes	4 942	9 180
Income tax for continuing operations	**1 717**	**7 081**
Income tax for discontinued operations	0	-1 005
Total	**1 717**	**6 075**
Profit before taxes	**-18 507**	**16 653**
Income tax calculated at income tax rate	**4 534**	**-4 330**
Tax exempt income	362	11 310
Difference between domestic and foreign tax rates	747	-89
Items recognised only for taxation purposes	-1 993	0
Income tax for previous years	3 008	1 420
Income from associates	1	122
Impairment losses	0	-1 479
Deferred tax asset write-offs	-3 550	0
Tax losses not recognised as deferred tax assets	-864	-503
Non-tax deductible expenses	-1 413	-376
Previously unrecognised tax losses now recognised	885	0
Total adjustments	**-2 818**	**10 405**
Income tax recognised	**1 717**	**6 075**

Taxes for previous years include tax refunds and reversals of tax accruals made during previous financial years. Deferred taxes are positive mainly due to diminished deferred tax liabilities. On 31 December 2012 the Group companies had unused tax losses totalling EUR 26.6 (10.1) million for which the Group has not recognised deferred tax assets.

8. Discontinued operations

Ruukki's strategic transformation into a mining and minerals company was completed with the sale of its wood processing businesses in 2011. The house building, pallet and sawmill businesses are presented as discontinued operations in the financial statements.

The income statement of the discontinued operations:

EUR '000	31.12.2012	31.12.2011
Revenue	**0**	**49 371**
Other operating income	730	358
Materials and supplies	0	-38 072
Employee benefits expense	11	-4 660
Depreciation and amortisation	0	0
Other operating expenses	-688	-2 367
Impairment, net	0	-5 676
Operating profit / loss	**54**	**-1 046**
Finance income	2	44
Finance cost	-56	-439
Profit / loss before taxes	**0**	**-1 441**
Income taxes	0	-1 005
Gain on disposal from discontinued operations	0	43 533
Profit for the period	**0**	**41 086**

Cash flows from discontinued operations	**2012**	**2011**
Cash flow from operating activities	-743	8 241
Cash flow from investing activities	0	-77
Cash flow from financing activities	0	-339

9. Earnings per share

	2012			2011		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to owners of the parent company (EUR '000)	-15 650	0	-15 650	-17 033	40 696	23 664
Weighted average number of shares, basic (1 000)	244 025	244 025	244 025	241 343	241 343	241 343
Basic earnings per share (EUR) total	**-0,06**	**0,00**	**-0,06**	**-0,07**	**0,17**	**0,10**

	2012			2011		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
Profit attributable to owners of the parent company (EUR '000)	-15 650	0	-15 650	-17 033	40 696	23 664
Weighted average number of shares, basic (1 000)	244 025	244 025	244 025	241 343	241 343	241 343
Effect of share options on issue (1 000)	7 579	7 579	7 579	30 190	30 190	30 190
Weighted average number of shares, diluted (1 000)	251 604	251 604	251 604	271 533	271 533	271 533
Diluted earnings per share (EUR) total	**-0,06**	**0,00**	**-0,06**	**-0,07**	**0,15**	**0,09**

Basic earnings per share is calculated by dividing profit attributable to the owners of the parent company by weighted average number of shares during the financial year.

When calculating the diluted earnings per share, all convertible securities with a potential dilutive effect are assumed to be converted into shares. Share options have a dilutive effect if the exercise price is lower than the share price. The diluted number of shares is the number of shares that will be issued free of charge when share options are exercised since with the funds received from exercising options, the Company is not able to issue the same number of shares at fair value. The fair value of shares is based on average share price of the period.

2.7. NOTES TO THE STATEMENT OF FINANCIAL POSITION

10. Property, plant and equipment

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Mines and mineral assets	Other tangible assets	Total
Balance at 1.1.2012	810	9 352	78 181	34 999	3 379	126 721
Additions	59	714	2 476	929	92	4 270
Business combinations				552		552
Disposals			-579		-15	-595
Reclass between items		579	-256		86	408
Effect of movements in exchange rates	-14	-358	-3 602	-1 159	-122	-5 255
Balance at 31.12.2012	**855**	**10 287**	**76 219**	**35 322**	**3 420**	**126 103**
Accumulated depreciation and impairment 1.1.2012		-5 627	-42 614	-4 406	-2 173	-54 819
Depreciation		568	-4 908	-2 176	-96	-6 612
Disposals			477		9	486
Reclass between items		-579	-15			-594
Effect of movements in exchange rates		371	2 120	-66	112	2 538
Accumulated depreciation and impairment at 31.12.2012	**0**	**-5 266**	**-44 940**	**-6 648**	**-2 148**	**-59 002**
Carrying amount at 1.1.2012	**810**	**3 726**	**35 567**	**30 593**	**1 206**	**71 902**
Carrying amount at 31.12.2012	**855**	**5 021**	**31 279**	**28 674**	**1 271**	**67 101**
Balance at 1.1.2011	556	10 558	79 799	39 499	2 303	132 715
Additions	16	78	2 923	734	127	3 878
Disposals		-69	-362	-78	-15	-524
Reclass between items	238	-180	3 823	935	1 124	5 940
Effect of movements in exchange rates	-1	-1 035	-8 003	-6 090	-160	-15 288
Balance at 31.12.2011	**810**	**9 352**	**78 181**	**34 999**	**3 379**	**126 721**
Accumulated depreciation and impairment 1.1.2011		-5 005	-36 417	-2 719	-1 106	-45 247
Depreciation		-998	-4 212	-2 043	-139	-7 392
Impairment			-5		-2	-7
Disposals			118		4	122
Reclass between items		-59	-3 737	-144	-1 048	-4 988
Effect of movements in exchange rates		435	1 638	501	118	2 692
Accumulated depreciation and impairment at 31.12.2011	**0**	**-5 627**	**-42 614**	**-4 406**	**-2 173**	**-54 819**
Carrying amount at 1.1.2011	**556**	**5 553**	**43 383**	**36 780**	**1 197**	**87 468**
Carrying amount at 31.12.2011	**810**	**3 726**	**35 567**	**30 593**	**1 206**	**71 902**

Machinery and equipment include the prepayments made for them.

11. Intangible assets

EUR '000	Goodwill	Intangible assets identified in acquisitions	Other intangible assets	Exploration and evaluation assets	Total
Balance at 1.1.2012	167 135	128 731	4 054	561	300 481
Additions	7 701		1 290	145	9 136
Disposals	-30 209		-48		-30 257
Business combinations				7	7
Reclass between items			266	-10	256
Effect of movements in exchange rates	-17 510	-7 763	15	1	-25 258
Balance at 31.12.2012	**127 118**	**120 968**	**5 577**	**703**	**254 366**
Accumulated amortisation and impairment at 1.1.2012	-70 866	-66 279	-1 852	0	-138 997
Amortisation		-19 556	-599		-20 155
Disposals			46		46
Reclass between items			15		15
Effect of movements in exchange rates	12 738	5 827	13	0	18 578
Accumulated amortisation and impairment at 31.12.2012	**-58 128**	**-80 008**	**-2 377**	**0**	**-140 513**
Carrying amount at 1.1.2012	**96 269**	**62 453**	**2 202**	**561**	**161 484**
Carrying amount at 31.12.2012	**68 990**	**40 960**	**3 200**	**703**	**113 853**
Balance at 1.1.2011	210 406	137 749	4 414	1 652	354 221
Additions			389	32	421
Disposals			-97		-97
Changes in earn-out liabilities	-21 477				-21 477
Reclass between items			-142	-935	-1 076
Effect of movements in exchange rates	-21 794	-9 018	-510	-189	-31 511
Balance at 31.12.2011	**167 135**	**128 731**	**4 054**	**561**	**300 481**
Accumulated amortisation and impairment at 1.1.2011	-81 285	-48 182	-1 308	-170	-130 946
Amortisation		-19 787	-675		-20 461
Impairment			-8		-8
Disposals			0		0
Reclass between items			55	144	200
Effect of movements in exchange rates	10 419	1 690	83	26	12 218
Accumulated amortisation and impairment at 31.12.2011	**-70 866**	**-66 279**	**-1 852**	**0**	**-138 997**
Carrying amount at 1.1.2011	**129 120**	**89 567**	**3 106**	**1 481**	**223 275**
Carrying amount at 31.12.2011	**96 269**	**62 453**	**2 202**	**561**	**161 484**

Other intangible assets include the prepayments made for them.

12. Investments in associates

EUR '000	Domicile	Balance sheet value	Ownership (%)	Balance sheet date	Assets	Liabilities	Revenue	Profit/ loss
2012								
Core associates								
Specialty Super Alloys SSA Inc	United States	75	20,0	31.12.2012	566	192	836	31
		75						
Non-core associates								
Incap Furniture Oy **	Finland	0	24,1					
Valtimo Components Oyj **	Finland	0	24,9					
		0						

EUR '000	Domicile	Balance sheet value	Ownership (%)	Balance sheet date	Assets	Liabilities	Revenue	Profit/ loss
2011								
Core associates								
Specialty Super Alloys SSA Inc	United States	77	20,0	31.12.2011	517	132	858	123
PGR Manganese (Pty) Ltd *	South Africa	0	49,0		holding company			
		77						
Non-core associates								
Incap Furniture Oy **	Finland	0	24,1					
Valtimo Components Oyj **	Finland	0	24,9					
		0						

* A company founded in relation to the Mogale acquisition that owns Mogale shares.
** Incap Furniture Oy and Valtimo Components Oyj are in a corporate restructuring process.

The income statement related items of associated companies of Speciality Alloys and FerroAlloys business segments (´core-associates´) are presented above EBIT; the non-core associates in financial items.

Movements in 2012	
EUR '000	
1.1.2012	**77**
Disposals	
PGR Manganese (Pty) Ltd	0
Share of profit	6
Exchange rate differences	-8
31.12.2012	**75**

During the financial year 2012, Ruukki disposed of its holdings in PGR Manganese (Pty) Ltd.

Movements in 2011	
EUR '000	
1.1.2011	**284**
Disposals	
ILP-Group Ltd Oy	-415
Share of profit	467
Dividends	-236
Exchange rate differences	-24
31.12.2011	**77**

During the financial year 2011, Ruukki disposed of its holdings in ILP-Group Ltd Oy.

13. Investments in joint ventures

At the end of the financial year 2012, the Group had joint control over one jointly controlled entity, Synergy Africa Ltd, in which the Group has a 51% interest. The acquisition of Chromex Mining Ltd, a UK company with mining operations and prospecting rights in southern Africa, was carried out by this joint venture company. Chromex has been consolidated as a joint venture company in the financial reporting of the Group starting at 31 December 2010 applying proportional consolidation.

Ruukki's share of the assets and liabilities of the Chromex Group at the balance sheet date 31.12.2012 is presented below.

Assets and liabilities EUR '000	2012	2011
Non-current assets		
Intangible assets	1 324	1 014
Property, plant and equipment	25 993	27 608
Other non-current assets	0	1 418
Non-current assets total	**27 317**	**30 040**
Current assets		
Inventories	1 300	2 245
Trade and other receivables	334	2 065
Cash and cash equivalents	657	1 941
Current assets total	**2 291**	**6 251**
Total assets	**29 608**	**36 291**
Non-current liabilities		
Interest-bearing debt	30 038	30 361
Provisions	1 346	1 760
Other non-current liabilities	8 066	7 703
Non-current liabilities total	**39 450**	**39 823**
Current liabilities		
Trade and other payables	1 929	2 641
Other current liabilities	34	21
Current liabilities total	**1 963**	**2 662**
Total liabilities	**41 413**	**42 485**

14. Financial assets and liabilities

31.12.2012, EUR '000

Non-current financial assets	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables	589	28 981		29 570
Trade and other receivables		1 726		1 726
Other financial assets				0
Current financial assets				
Current interest-bearing receivables		6 005		6 005
Trade and other receivables *		16 141		16 141
Cash and cash equivalents		14 815		14 815
Carrying amount of financial assets	589	67 668		68 257
Fair value of financial assets	589	67 668		68 257
Non-current financial liabilities				
Non-current interest-bearing liabilities			11 170	11 170
Other non-current liabilities			51	51
Current financial liabilities				
Current interest-bearing liabilities			2 719	2 719
Trade and other payables *			17 201	17 201
Derivatives			1 502	1 502
Carrying amount of financial liabilities			32 643	32 643
Fair value of financial liabilities			32 643	32 643

31.12.2011, EUR '000

Non-current financial assets	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables	559	33 337		33 896
Trade and other receivables		2 478		2 478
Other financial assets				0
Current financial assets				
Current interest-bearing receivables		1 124		1 124
Trade and other receivables *		21 599		21 599
Cash and cash equivalents		65 878		65 878
Carrying amount of financial assets	559	124 416		124 975
Fair value of financial assets	559	124 416		124 975
Non-current financial liabilities				
Non-current interest-bearing liabilities			84 334	84 334
Other non-current liabilities			5 941	5 941
Current financial liabilities				
Current interest-bearing liabilities			1 109	1 109
Trade and other payables *			14 504	14 504
Derivatives			1 153	1 153
Carrying amount of financial liabilities			107 042	107 042
Fair value of financial liabilities			107 042	107 042

* Non-financial assets and liabilities are not included in the figures.

Fair value hierarchy

31.12.2012, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			
Financial liabilities at fair value			
Derivatives		1 502	
Total		**1 502**	

31.12.2011, EUR '000	Carrying amounts at the end of the reporting period		
Financial assets at fair value	**Level 1**	**Level 2**	**Level 3**
Derivatives			
Other financial assets			
Total			
Available-for-sale financial assets			
Other financial assets			0
Financial liabilities at fair value			
Derivatives		1 153	
Total		**1 153**	

31.12.2012, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2012	**40**
Acquisition cost at 31.12.2012	**40**
Accumulated impairment losses at 1.1.2012	-40
Accumulated impairment losses at 31.12.2012	-40
Carrying amount at 31.12.2012	**0**

31.12.2011, EUR '000	
Level 3 reconciliation	
Acquisition cost at 1.1.2011	**739**
Additions	0
Disposals	-406
Transfer to assets held for sale	45
Reclass between items	-286
Effect of movements in exchange rates	-52
Acquisition cost at 31.12.2011	**40**
Accumulated impairment losses at 1.1.2011	0
Impairment	-40
Accumulated impairment losses at 31.12.2011	-40
Carrying amount at 31.12.2011	**0**

Interest-bearing debt

EUR '000	2012	2011
Non-current		
Bank loans	34	7 274
Subordinated loans	5	5
Finance lease liabilities	24	71
Payables on acquisitions	0	65 500
Other interest-bearing liabilities	11 107	11 485
Total	**11 170**	**84 334**
Current		
Bank loans	2 715	1 073
Finance lease liabilities	0	24
Cheque account with overdraft facility	4	0
Other interest-bearing liabilities	0	12
Total	**2 719**	**1 109**

Finance lease liabilities

EUR '000	2012	2011
Finance lease liabilities, minimum lease payments		
No later than 1 year	0	25
Later than 1 year and not later than 5 years	24	74
	24	**99**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	0	24
Later than 1 year and not later than 5 years	24	71
	24	**95**
Future finance charges	**0**	**4**
Total minimum lease payments	**24**	**99**

Financial risks and risk management

The Board of Directors of Ruukki Group Plc has outlined the key risks of the Group in the Board of Directors' Report. In the following section, the financial and commodity risks are presented in more detail with the related sensitivity analyses.

Summary on financial assets and loan arrangements

Financial assets 31 December 2012

In addition to the operating result and the cash flow generated from it the factors described below have most significantly affected the year-on-year change in the Group's financial assets at the 2012 closing date:

The Group's financial assets decreased in consequence of acquisition-related arrangements carried out during the year including the acquisition of Elektrowerk Weisweiler GmbH, termination of profit and loss sharing arrangement in relation to RCS and TMS and settlement of the dispute regarding the deferred purchase consideration for Mogale Alloys. The cash flow effect of the arrangements totalled EUR 42 million.

Also capital expenditure on fixed assets and repayments of financial liabilities reduced the Group's financial assets during the year.

On 31 December 2012, the cash and cash equivalents were invested mainly in interest-bearing EUR, ZAR and USD denominated bank accounts. The Group companies have given pledged deposits for EUR 3.9 (1.3) million. Other financial assets comprise interest-bearing loans and other receivables.

Interest-bearing debt 31 December 2012

- Floating rate loans from financial institutions total EUR 2.7 (8.3) million. Fixed rate loans total EUR 0.1 (0.1) million.
- Other floating rate interest-bearing loans amounting to EUR 11.1 (67.5) million.
- The interest rates of the loans are tied to the market rates of different countries such as JIBAR and LIBOR. The weighted average interest rate on 31 December 2012, based on market interest rates at that date, was approximately 4.0% (5.2%). The average interest rate margin for floating rate notes was 2.5% (2.4%) p.a.

The amount of interest-bearing debt has decreased mainly due to the settlement agreement in the dispute regarding the deferred purchase consideration for Mogale Alloys. At the end of 2011 the liability amounted to ZAR 600 million (EUR 57 million) and the settlement amount was ZAR 267 million, of which ZAR 177 million was paid in cash and the remainder will be paid in Ruukki Group Plc's shares. The unpaid part amounted to ZAR 93 million (EUR 8.3 million) as at 31 December 2012 and it has been included in interest-free liabilities.

Capital Management

The Group's capital management objective is to maintain the ability to continue as a going concern and to optimise the cost of capital in order to enhance value to shareholders. As part of this objective, the Group seeks to maintain access to loan and capital markets at all times. The Board of Directors reviews the capital structure of the Group on a regular basis.

Capital structure and debt capacity are taken into account when deciding on new investments. Practical tools to manage capital include the application of dividend policy, capital redemption, share buybacks and share issues. Debt capital is managed considering the requirement to secure liquidity. The Group's internal capital structure is reviewed on a regular basis with the aim of optimising the structure by applying measures such as internal dividends and equity adjustments.

The Group's long term target for capital structure is to keep the equity ratio in the region of about 50%. At the balance sheet date 31 December 2012, the Group's equity ratio stood at 68.9% (57.0%).

Financial Risk Management

In its normal operations, the Group is exposed to various financial risks. The main financial risks are liquidity risk, foreign exchange rate risk, interest rate risk, credit risk and commodity price risk. The objective of the Group's risk management is to identify and, to as far as reasonably possible, mitigate the adverse effects of changes in the financial markets on the Group's results. The general risk management principles are accepted by Ruukki Group Plc's Board of Directors and monitored by its Audit and Risk Management Committee. The managements of the Group and its subsidiaries' are responsible for the implementation of risk management policies and procedures. Group management monitors risk positions and risk management procedures on a regular basis, and supervises that the Group's policies and risk management principles are followed in all day-to-day operations. Risks and risk management are regularly reported to the Audit and Risk Management Committee.

The Group's significant financial instruments comprise bank loans and overdrafts, finance leases, other long-term liabilities, cash and short-term deposits and money market investments. The main purpose of these financial instruments is to finance the Group's acquisitions and ongoing operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

(i) Liquidity risk

The Group regularly assesses and monitors its investment and working capital needs and financing, so that it has enough liquidity to serve and finance its operations and pay back loans. The availability and flexibility of financing are targeted to be guaranteed by using multiple financial institutions in the financing and financial instruments, and to agree on financial limit arrangements.

The Group's short-term liquidity at the end of the financial year was good. At the end of 2012, the Group's unused credit facilities amounted to EUR 46.2 (47.3) million.

If the liquidity risks were to be realised, it would probably result in overdue interest expenses and damage the relations with suppliers. Consequently, the pricing and other terms for input goods and services and for financing could be affected.

The maturity distribution of the Group debt at the end of the financial year was as follows:

31.12.2012, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	2 749	-3 073	-486	-669	-1 260	-658	0
Finance lease liabilities	24	-24	-24	0	0	0	0
Trade and other payables	28 649	-28 649	-16 019	-502	-12 128	0	0
Bank overdraft	4	-4	-4	0	0	0	0
Total	**31 426**	**-31 750**	**-16 534**	**-1 171**	**-13 387**	**-658**	**0**

31.12.2011, EUR '000

Financial liabilities	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans	8 358	-9 901	-1 565	-1 395	-2 592	-4 348	0
Finance lease liabilities	95	-99	-37	-37	-25	0	0
Trade and other payables	106 929	-106 929	-29 640	-11 485	-65 805	0	0
Bank overdraft	0	0	0	0	0	0	0
Total	**115 383**	**-116 930**	**-31 242**	**-12 917**	**-68 422**	**-4 348**	**0**

(ii) Foreign exchange rate risk

The Group operates internationally, including in Turkey, Malta and South Africa, and is therefore exposed to foreign exchange rate risks. The risks arise both directly from the outstanding commercial cash flows and currency positions, and indirectly from changes in competitiveness between various competitors. The foreign exchange differences arising from inter-company loans designated as net investments in foreign subsidiaries has been recognised in the translation difference in the equity.

The Group is exposed to currency-derived risks that affect its financial results, financial position and cash flows. In particular the exchange rate of the South African Rand against the Euro and the US Dollar has a significant impact on the Euro-denominated profitability of its South African operations. The cash inflows of the business are denominated in US Dollars, whereas a significant portion of the costs are denominated in the South African Rand. The Rand fluctuated significantly during the financial year, which has had an impact on the Group's profit and loss as well as on the Group's assets and liabilities. The Group has hedged part of the open foreign currency positions by using currency derivatives. In its risk management, the Group aims to match its cash inflows and outflows as well as receivables and liabilities in terms of the currency in which these items are denominated.

At the end of the financial year the Group had USD/ZAR foreign currency forward contracts hedging the commercial cash flows. The nominal value of the contracts was EUR 30.8 (28.3) million.

The foreign exchange risk relating to ZAR has reduced during 2012 as the amount of ZAR-denominated liabilities has decreased.

The following tables present the currency composition of receivables and debt, and changes thereby relative to the previous year-end. As at 31 December 2012, the major open foreign exchange rate risk was against the USD.

31.12.2012 , EUR '000	EUR exchange rate	1	1,3194	0,8161	2,3551	11,1727
		EUR	USD	GBP	TRY	ZAR
Cash and cash equivalents (EUR)		5 403	5 297	154	272	3 689
Trade and other receivables (EUR)		17 116	7 784	10	793	1 296
Loans and other financial assets (EUR)		23 102	0	0	131	8 062
Trade and other current payables (EUR)		-2 931	-644	-37	-1 385	-12 489
Loans and other liabilities (EUR)		-25	-11 112	0	-46	-2 758
Currency derivatives (EUR)		0	-30 780	0	0	0
Currency exposure, net (EUR)		42 665	-29 454	127	-235	-2 200
Currency exposure, net in currency ('000)		42 665	-38 862	104	-554	-24 581

31.12.2011 , EUR '000	EUR exchange rate	1	1,2939	0,8353	2,4432	10,483
		EUR	USD	GBP	TRY	ZAR
Cash and cash equivalents (EUR)		45 742	8 830	734	5	10 567
Trade and other receivables (EUR)		7 259	16 627	12	31	5 577
Loans and other financial assets (EUR)		32 156	2 058	471	836	6 435
Trade and other current payables (EUR)		-16 676	-622	-50	-986	-7 119
Loans and other liabilities (EUR)		-15 406	-11 532	0	-59	-64 394
Currency derivatives (EUR)		0	-28 277	0	0	0
Currency exposure, net (EUR)		53 074	-12 914	1 166	-173	-48 933
Currency exposure, net in currency ('000)		53 074	-16 710	974	-423	-512 967

The effect on the 31 December 2012 currency denominated net assets by changes in foreign exchange rates compared with the rates used in the Group consolidation is presented below. Due to the high market volatility of the exchange rates, the range of change was kept at +/- 20%.

The Group's foreign exchange rate risks reduced during 2012 over 2011, but risks relating to USD and ZAR are expected to remain significant also in the future.

31 December 2012

	USD	GBP	TRY	ZAR
20 % strengthening	-7 364	32	-59	-550
15 % strengthening	-5 198	22	-42	-388
10 % strengthening	-3 273	14	-26	-244
5 % strengthening	-1 550	7	-12	-116
0 % no change	0	0	0	0
-5 % weakening	1 403	-6	11	105
-10 % weakening	2 678	-12	21	200
-15 % weakening	3 842	-17	31	287
-20 % weakening	4 909	-21	39	367

31 December 2011

	USD	GBP	TRY	ZAR
20 % strengthening	-3 229	292	-43	-12 233
15 % strengthening	-2 279	206	-31	-8 635
10 % strengthening	-1 435	130	-19	-5 437
5 % strengthening	-680	61	-9	-2 575
0 % no change	0	0	0	0
-5 % weakening	615	-56	8	2 330
-10 % weakening	1 174	-106	16	4 448
-15 % weakening	1 684	-152	23	6 383
-20 % weakening	2 152	-194	29	8 156

(iii) Interest rate risk

The Group is exposed to interest rate risk when Group companies take loans, or make other financing agreements or deposits and investments related to liquidity management. In addition, changes in interest rates can alter the fair values of the Group's assets. The Group's revenue and operative cash flows are mainly independent of the changes in market interest rates.

To manage interest rate risks, the Group has used both fixed and floating rate debt instruments and derivative instruments, such as interest rate swaps, when needed. At the end of 2012, the Group's interest-bearing debt was mainly based on floating interest rates; and there were no interest rate swaps in place. The Group aims to match the loan maturities with the businesses' needs and to have the maturities spread over various periods so that the Group's interest rate risks are somewhat diversified. Floating rate financing is mainly tied to the market rates of different countries (United Kingdom, South Africa), changes to which will then influence the Group's total financing cost and cash flows.

The short-term interest-bearing receivables of the Group are mainly loan receivables and receivables on asset disposals of varying lengths. The Group's interest-bearing liabilities have been discussed above.

The split of interest-bearing debt and receivables, also classified into fixed rate and floating rate instruments on 31 December 2012 and 31 December 2011 was as follows:

Interest rate profile of interest-bearing financial instruments (EUR '000)

	31.12.2012	31.12.2011
Fixed rate instruments		
Financial assets	13 760	13 665
Financial liabilities	-59	-9 564
Fixed rate instruments, net	13 701	4 101
Variable rate instruments		
Financial assets	21 816	21 356
Financial liabilities	-13 822	-75 879
Variable rate instruments, net	7 994	-54 523
Interest-bearing net debt	**21 695**	**-50 422**

The following table presents the approximate effect of changes in market interest rates on the Group's income statement should the deposits' and loans' interest rates change. The analysis includes floating rate financial assets and liabilities. The sensitivity analysis is illustrative in nature and applicable for the forthcoming 12 month period if the period's asset and liability structure were to be equal to that of 31 December 2012, and if there were no changes in exchange rates.

31 December 2012

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2,00 %	-436	276	-160
-1,50 %	-327	207	-120
-1,00 %	-218	138	-80
-0,50 %	-109	69	-40
0,00 %	0	0	0
0,50 %	109	-69	40
1,00 %	218	-138	80
1,50 %	327	-207	120
2,00 %	436	-276	160

31 December 2011

Interest rate change	Change in interest income	Change in interest expense	Net effect
-2,00 %	-427	1 518	1 090
-1,50 %	-320	1 138	818
-1,00 %	-214	759	545
-0,50 %	-107	379	273
0,00 %	0	0	0
0,50 %	107	-379	-273
1,00 %	214	-759	-545
1,50 %	320	-1 138	-818
2,00 %	427	-1 518	-1 090

(iv) Credit risk

Credit risk can be realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and thus cause financial damage to the Group. The Group's operational policies define the creditworthiness requirements for customers and for counterparties in financial and derivative transactions, as well as the principles followed when investing liquidity. In the case of major sales agreements, the counterparty's credit rating is checked. To date, the Group has not faced any major losses due to this reason.

The Group's key customers are major international stainless steel companies, and a number of specialist s agents selling to the steel sector, with typically long and successful business histories. Since the customers represent one sector of industry, major changes in that industry's profitability could increase the credit risk.

The Board of Directors of Ruukki Group Plc has determined a cash management policy for the Group's parent company, according to which the excess cash reserves are deposited for a short-term only and with sound financial institutions with which the Group has established business relations. The credit rating of all significant counterparties is analysed from time to time.

During the financial year, credit losses booked through the profit and loss were not significant. The maximum credit risk is equal to the carrying value of the receivables as of 31 December, and is split as follows:

Category	EUR million 31.12.2012	EUR million 31.12.2011
Interest-bearing		
Cash and cash equivalents	14.8	65.9
Receivables from related parties	29.7	28.1
Other interest-bearing receivables	5.8	6.9
Interest-bearing, total	**50.3**	**100.9**
Interest-free		
Trade receivables	14.9	19.2

Other short-term receivables	1.3	3.0
Long-term receivables	1.7	2.5
Interest-free, total	**17.9**	**24.7**
Total	**68.2**	**125.6**

(v) Commodity risks

The Group is exposed to price risks on various output and input products, materials and commodities. Also, securing the availability of raw materials without any serious disruptions is vital to its businesses.

The price risks on input materials and commodities are managed by pricing policies so that changes in input materials and commodities can be moved into sales prices. This, however, is not always possible or there may be delays as a result of contractual or competitive reasons.

The Group's units that have production operations are exposed to availability, quality and price fluctuations in raw materials and commodities. To diminish these risks, the Group's business units seek to enter into long-term agreements with known counterparties; although this is not always possible due to the tradition and practice of the business. For the most part, because it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, the Group did not have any commodity derivative contracts in place as of 31 December 2012.

Sensitivity Analysis - Speciality Alloys business

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Speciality Alloys business, to the Group's operating profit and equity is illustrated below, assuming that the EUR/USD rate were constant. The analysis is based on December 2012 price level. Since the products are priced in USD, the exchange rate changes could have a major effect on the Group's profitability in EUR. Full capacity for simulation purposes is set at 30,000 t/a, and it is also assumed that only one ferrochrome quality is produced. Various raw materials are used in ferrochrome production, including chrome concentrate and ferrosilicochrome. The purchase prices of the main raw materials typically in the same direction as the sales prices, although the correlation is not perfect and the timing may differ. In practice, therefore the net effect on the Group's profitability most probably would be lower than shown below. Electricity usage is also substantial, and hence changes in electricity prices have a significant effect on profitability; electricity prices do not correlate with changes in commodity prices.

Financial year 2012

Change in Sales price (USD / lb Cr)		**Change in Operating Profit**	**Change in Group's Equity**
2,70	20 %	15 790	15 001
2,59	15 %	11 843	11 251
2,48	10 %	7 895	7 500
2,36	5 %	3 948	3 750
2,25	0 %	0	0
2,14	-5 %	-3 948	-3 750
2,03	-10 %	-7 895	-7 500
1,91	-15 %	-11 843	-11 251
1,80	-20 %	-15 790	-15 001

Financial Year 2011

Change in Sales price (USD / lb Cr)		Change in Operating Profit	Change in Group's Equity
2,84	20 %	16 924	16 078
2,72	15 %	12 693	12 059
2,60	10 %	8 462	8 039
2,48	5 %	4 231	4 020
2,37	0 %	0	0
2,25	-5 %	-4 231	-4 020
2,13	-10 %	-8 462	-8 039
2,01	-15 %	-12 693	-12 059
1,89	-20 %	-16 924	-16 078

Sensitivity Analysis – FerroAlloys business

The FerroAlloys business's smelting operation, Mogale Alloys, is able to change its product mix quite rapidly and flexibly, and so only rough estimates on its sensitivity to commodity price changes can be given. Its full production capacity is about 100,000 metric t/a of various metal alloys. Assuming, for simplicity, that all of the Mogale capacity was used for charge chrome production only, and using the year-end 2012 sales price indications for charge chrome, the following table represents a rough proxy of the sales price sensitivities. It should also be taken into account that the profitability of the smelting operations can be substantially impacted by changes in the USD and ZAR exchange rates and in electricity prices, as well as changes in market prices.

Financial Year 2012

Change in Sales price (USD/lb Cr)		Change in Operating Profit	Change in Group's Equity
1,32	20 %	18 748	13 498
1,27	15 %	14 061	10 124
1,21	10 %	9 374	6 749
1,16	5 %	4 687	3 375
1,10	0 %	0	0
1,05	-5 %	-4 687	-3 375
0,99	-10 %	-9 374	-6 749
0,94	-15 %	-14 061	-10 124
0,88	-20 %	-18 748	-13 498

Financial Year 2011

Change in Sales price (USD/lb Cr)		Change in Operating Profit	Change in Group's Equity
1,37	20 %	19 424	13 985
1,31	15 %	14 568	10 489
1,25	10 %	9 712	6 993
1,20	5 %	4 856	3 496
1,14	0 %	0	0
1,08	-5 %	-4 856	-3 496
1,03	-10 %	-9 712	-6 993
0,97	-15 %	-14 568	-10 489
0,91	-20 %	-19 424	-13 985

15. Inventories

EUR '000	2012	2011
Goods and supplies	39 729	10 449
Unfinished products	151	38
Finished products	9 733	33 511
Prepayments	2 062	13
Total	**51 675**	**44 011**

16. Trade and other current receivables

EUR '000	2012	2011
Trade receivables	14 861	19 137
Loan receivables	1 738	927
Interest-bearing receivables	6 005	1 124
Prepaid expenses and accrued income	3 114	6 196
Income tax receivables	3 064	1 110
Other receivables	1 280	2 121
Total	**30 063**	**30 616**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses, VAT receivables and accrued interest for loans. Balance sheet values of receivables closely correspond to the monetary value of maximum credit risk, excluding the fair value of received guarantees, in the potential case where the counterparties cannot fulfil their commitments. There is no significant credit risk concentration related to receivables.

The aging of trade receivables at the balance sheet date

EUR '000	2012	2011
Not past due	11 003	13 275
Past due 0-30 days	2 812	4 342
Past due 31-60 days	441	1 197
Past due 61-90 days	97	63
Past due more than 90 days	507	260
Trade receivables total	**14 861**	**19 137**

17. Cash and cash equivalents

EUR '000	2012	2011
Cash and bank balances	**12 270**	**59 113**
Pledged deposits	3 882	1 293

Cash and cash equivalents in the cash flow statement:

EUR '000	2012	2011
Cash and bank balances	12 270	59 113
Short-term money market investments	2 545	6 764
Total	**14 815**	**65 878**

18. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2010	**248 207 000**	**239 466 105**	**23 642**
Treasury shares granted	0	1 350 000	23 642
Share subscriptions based on option rights	225 000	3 201 213	23 642
31.12.2011	**248 432 000**	**244 017 318**	**23 642**
Treasury shares granted	0	117 245	23 642
31.12.2012	**248 432 000**	**244 134 563**	**23 642**

There is no nominal value for the Company's share.

The equity reserves are described below:

Share premium reserve

Related to the old Finnish Companies Act, the Company has a share premium reserve in relation to old share issues, where the premium in excess of the par value of the shares subscribed has been recognised in the share premium reserve.

Paid-up unrestricted equity reserve

Paid-up unrestricted equity reserve comprises other equity investments and subscription price of shares to the extent that it is not recognised in the share capital based on a specific decision.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

Share subscriptions based on option rights

There were no share subscriptions based on option rights during financial year 2012.

Treasury shares

A total of 117,245 ordinary shares in the Company were granted to the members of the Executive Management Team (EMT) as their share-based incentive bonus for the year 2011. The shares were issued under the authorisation given by the Company's Annual General Meeting in May 2012 and form a part of the Company's incentive programme for senior management. Under the terms of the directed free share issue scheme, the shares were offered free of charge and in derogation of the pre-emptive subscription right of shareholders. The shares are subject to restrictions on transferability and pledgeability until 24 months from the allotment date, after which the shares can be transferred and used as a pledge.

On 31 December 2012 the Company had altogether 4,297,437 (4,414,682) of its own shares, which was equivalent to 1.73 (1.78) % of all registered shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2012 was 244,134,563 (244,017,318).

The Company's subsidiaries do not hold any of Ruukki Group Plc's shares.

Share Issue Authorisations given to the Board of Directors

The Annual General Meeting held on 10 May 2012 resolved the Board of Directors to decide on the share issue and on the issuing of stock options and other special rights that entitle to shares. By virtue of the authorisation shares can be emitted in one or more tranches in total a maximum of 24,843,200 new shares or shares owned by the Company. This equates to approximately 10% of the Company's registered shares on 31 December 2012. The authorisation replaces all previous authorisations and it is valid two years from the decision of the Annual General Meeting.

Directed free issue of shares

A total of 117,245 ordinary shares in the Company were granted to the members of the Executive Management Team as their share-based incentive bonus for the year 2011. The shares were issued under the authorisation given by the Company's Annual General Meeting in May 2012 and form a part of the Company's incentive programme for senior management. Under the terms of the directed free share issue scheme, the shares were offered free of charge and in derogation of the pre-emptive subscription right of shareholders. The shares are subject to restrictions on transferability and pledgeability until 24 months from the allotment date, after which the shares can be transferred and used as a pledge.

Other option rights

The Extraordinary General Meeting held on 28 October 2008 decided on issuing a maximum total of 73,170,731 option rights to Kermas Limited related to additional earn-out purchase consideration of an acquisition. The option rights entitled the recipients to subscribe for total of 70,194,518 new shares or shares that are in the possession of the Company when taking into account the share subscription made in 2011.

In May 2012 Ruukki signed an agreement with Kermas for the acquisition of Elektrowerk-Weisweiler GmbH (EWW). In connection with this Ruukki and Kermas decided to terminate the profit and loss sharing arrangement and the remaining 70,194,518 options related to this were cancelled.

Trading Information

Ruukki Group Plc’s shares are listed on the main market of the London Stock Exchange and on NASDAQ OMX Helsinki. Ruukki shares are traded on the London Stock Exchange under the trading code RKKI and on the NASDAQ OMX Helsinki under code RUG1V. The ISIN code is FI0009800098 and the trading takes place in Pound Sterling (GBP) and in Euros (EUR).

Share Performance and Trading

During the financial year 2012, the price of Ruukki Group's share in London Stock Exchange varied between GBP 0.32 (0.83) and GBP 0.86 (1.60) and in NASDAQ OMX Helsinki between EUR 0.38 (0.81) and EUR 1.02 (2.03). Ruukki’s share closed in London at the end of the financial year at GBP 0.35 (0.88) and Helsinki at EUR 0.45 (0.89). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 248,432,000 (248,432,000) shares of GBP 87.0 million (218.6) and EUR 111.8 million (221.1).

A total of 287,500 (151,201) Ruukki shares were traded in London and 5,600,329 (11,343,832) shares in Helsinki during the financial year, representing 0.1% (0.1%) of stock in London and 2.3% (4.6%) in Helsinki.

Shareholders

On 31 December 2012, the Company had a total of 4,048 shareholders (3,646 shareholders on 31 December 2011), of which nine were nominee-registered. The registered number of shares on 31 December 2012 was 248,432,000 (248,432,000).

Largest shareholders on 31 December 2012

	Shareholder	Shares	%
1	Kermas Limited	70 766 500	28.5
2	Atkey Limited	51 426 401	20.7
3	Finaline Business Ltd	27 000 000	10.9
4	Nordea Bank Finland Plc nominee-registered	24 029 032	9.7

5	Evli Bank Plc nominee-registered	18 568 311	7.5
6	Hino Resources Co. Ltd	13 960 544	5.6
7	Skandinaviska Enskilda Banken Ab nominee-registered	9 222 127	3.7
8	Kankaala Markku	7 066 116	2.8
9	Moncheur & Cie	6 754 172	2.7
10	Hukkanen Esa	4 391 048	1.8
	Total	233 184 251	93.9
	Other Shareholders	15 247 749	6.1
	Total shares registered	248 432 000	100.0

Ruukki Group Plc's Board members and Chief Executive Officer owned in total 78,610,463 (78,699,199) Ruukki Group Plc shares on 31 December 2012, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 31.6% (31.7%) of the total number of registered shares on 31 December 2012.

Shareholders by category 31 December 2012

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	784	19.37	48 710	0.02
101-1,000	2 244	55.44	1 169 020	0.47
1,001-10,000	906	22.38	2 690 874	1.08
10,001-100,000	92	2.27	2 127 830	0.86
100,001-1,000,000	10	0.25	1 913 878	0.77
1,000,001-10,000,000	6	0.15	34 730 900	13.98
in excess of 10,000,000	6	0.15	205 750 788	82.82
Total	4 048	100.00	248 432 000	100.00
of which nominee-registered	9		52 362 030	21.08
Total outstanding			248 432 000	100.00

Shareholders by shareholder type on 31 December 2012

	% of share capital
Finnish shareholders	30.16
of which:	
Companies and business enterprises	1.98
Banking and insurance companies	20.94
Non-profit organisations	0.00
Households	7.24
Foreign shareholders	69.84
Total	100.00
of which nominee-registered	21.08

19. Share-based payments

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

Option rights relating to the I/2005 scheme are granted to the Group's Executive Management Team and other key employees and to non-executive directors, as recommended by the Board. The scheme entitles option holders to subscribe for a maximum of 2,700,000 shares in the Company. The share subscription period is from 1 July 2007 to 30

June 2015 for various options series denoted with different letters, and the subscription price range is EUR 0.32 – 0.78 (with dividend and capital redemption adjustment). As a result of subscriptions made with the I/2005 options, Ruukki Group Plc’s number of shares may be increased by a maximum of 2,700,000 new shares. In accordance with the terms of the option scheme the subscription prices will be recognised in the paid-up unrestricted equity reserve.

Option rights relating to the I/2008 scheme were granted to the Group's previous CEO, Alwyn Smit, in October 2008. The scheme entitles the option holder to subscribe for a maximum of 2,900,000 shares in the Company for a subscription price of EUR 2.18 per share (with dividend and capital redemption adjustment). The share subscription period for 1,450,000 share options commenced on 1 October 2009 and on 1 October 2010 for the remaining 1,450,000 options. The subscription period matures on 31 December 2015. As a result of the subscriptions made with the options, Ruukki Group Plc’s number of shares may be increased by a maximum of 2,900,000 new shares.

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

Of the option scheme I/2005, options on A, B, C, D, E and F series have been issued to Ruukki’s management totalling 1,175,000 option rights, of the option scheme I/2008 a total of 2,900,000 options and of the option scheme I/2011 a total of 6,291,997 options. All options have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. Share options will be expired if not redeemed as agreed in the terms of options. The main terms of the option arrangements are detailed in the tables below.

The Board of Directors resolved to grant a total of 117,245 ordinary shares in the Company to the members of the Executive Management Team as their share based incentive bonus for the year 2011 under the authorisation given by the Company’s Annual General Meeting in May 2012. The shares form a part of the Company’s incentive programme for senior management. Under the terms of the directed free share issue scheme, the shares were offered free of charge and in derogation of the pre-emptive subscription right of shareholders. The compensation plans are recognised as share-based payments on the Group's financial statements. The fair value of the granted shares is determined based on the market price of Ruukki Group’s share at the grant date. The total fair value is therefore the amount of granted shares multiplied by the share market price at the grant date. The cost is recognised as an expense in personnel costs over the vesting periods and credited to equity.

Share option plan	**Share options, granted to employees in 2012**	**Share options, granted to CEO in 2008**	**Share options, granted to CEO in 2008**	**Share options, granted to employees in 2010**	**Share options, granted to employees in 2009**	**Share options, granted to employees in 2008**	**Share options, granted to employees in 2007**	**Share options, granted to employees in 2006**
Nature of the plan	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued
Grant date	1.4.2012	28.10.2008	28.10.2008	17.5.2010	6.8.2009	28.10.2008	17.10.2007	14.8.2006
Number of options	6 291 997	1 450 000	1 450 000	100 000	175 000	225 000	225 000	225 000
Options series	I/2011	I/2008	I/2008	F (I/2005)	E (I/2005)	D (I/2005)	C (I/2005)	B (I/2005)
Exercise period	1.7.2014-1.8.2017	1.10.2010-31.12.2015	1.10.2009-31.12.2015	1.7.2012-30.6.2015	1.7.2011-30.6.2014	1.7.2010-30.6.2013	1.7.2009-30.6.2012	1.7.2008 - 30.6.2011
Dividend adjustment	no	yes	yes	yes	yes	yes	yes	yes
Exercise price (with dividend and capital redemption adjustment)	0.00 - 0.87	2.18	2.18	0.78	0.68	0.58	0.48	0.38
Share price at grant date	0.90	1.26	1.26	1.00	1.75	1.26	2.86	0.69
Option life	1.1 - 3.1	5.3	6.3	3.0	3.0	3.0	3.0	3.0
Conditions	Employment until the vesting date and target share price	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date
Execution	In shares	In shares	In shares	In shares	In shares	In shares	In shares	In shares
Expected volatility	45 %	44 %	44 %	56 %	46 %	44 %	44 %	89 %
Expected option life at grant date (years)	5.3 years	5.0 years	5.0 years	5.1 years	4.9 years	4.7 years	4.7 years	4.9 years
Risk free rate, Euribor 12 months	2.24%	4.33%	4.33%	3.11%	3.66%	4.33%	4.10%	3.65%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.40%	2.20%
Expected personnel reductions	0	0	0	0	0	0	0	0
Fair value at grant date (EUR)	0.14 - 0.46	0.33	0.33	1.06	1.20	0.77	2.17	0.53
Valuation model	Up and in Call	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes

Changes in share options issued and in weighted average exercise prices:

	Weighted average exercise price (with dividend and capital redemption adjustment)	**Number of options**
	EUR/share	
At the beginning of 2011	1.82	3 850 000
Granted new options	0.00	0
Exercised options	0.38	225 000
Forfeited options	0.00	0
At the end of 2011	1.86	3 625 000
Exercisable at the end of 2011	1.89	3 525 000
At the beginning of 2012	1.86	3 625 000
Granted new options	N/A	6 291 997
Forfeited options	0.48	225 000
At the end of 2012	0.85	9 691 997
Exercisable at the end of 2012	1.96	3 400 000

There were no share subscriptions based on option rights during financial year 2012.

The exercise prices of existing share options and their years of forfeiting are presented below:

Year of forfeiting	Exercise price (EUR)	Number of shares
2012	0.48	225 000
2013	0.58	225 000
2014	0.68	175 000
2015	0.78	100 000
2015	2.18	2 900 000
2017	0.00-0.87	6 900 000

The exercise price above represents the original contractual exercise price adjusted by dividends and capital redemptions before the 2013 AGM.

20. Deferred tax assets and liabilities

Movements in deferred taxes in 2012

EUR '000	31.12.2011	Exchange rate differences	Recognised in P &L	Recognised in equity	Business combinations and divestments	31.12.2012
Deferred tax assets:						
Unrealised expenses	744	20	978			1 744
Tax loss carry forward	3 567	-17	-3 550			0
Pension liabilities	1 021		139			1 160
Group eliminations	550	-2	155			703
Total	**5 884**	**1**	**-2 278**	**0**	**0**	**3 607**
Deferred tax liabilities:						
Assets at fair value in acquisitions	30 173	-1 011	-7 245		155	22 073
Translation difference	1 990			-1 990		0
Other timing differences	1 343	-82	25			1 285
Total	**33 506**	**-1 093**	**-7 220**	**-1 990**	**155**	**23 357**

Movements in deferred taxes in 2011

EUR '000	31.12.2010	Exchange rate differences	Recognised in P &L	Recognised in equity	Business combinations and divestments	31.12.2011
Deferred tax assets:						
Unrealised expenses	1 603	112	-970			744
Tax loss carry forward	1 528	-310	2 349			3 567
Pension liabilities	1 045		-24			1 021
Group eliminations	116		434			550
Assets held for sale	-214		214			0
Total	**4 079**	**-198**	**2 002**	**0**	**0**	**5 884**
Deferred tax liabilities:						
Assets at fair value in acquisitions	41 645	-4 061	-7 410			30 173
Translation difference	13 140			-11 150		1 990
Other timing differences	1 039	-106	410			1 343
Total	**55 823**	**-4 167**	**-7 000**	**-11 150**	**0**	**33 506**

21. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2012	14 524	1 756	16 280
Additions	203	353	556
Releases and reversals	-2 087	-237	-2 324
Unwinding of discount	918	0	918
Exchange differences	-626	31	-594
Balance at 31.12.2012	**12 932**	**1 903**	**14 835**

EUR '000	2012	2011
Long-term provisions	14 239	15 700
Short-term provisions	596	579
Total	**14 835**	**16 280**

The long-term provisions in the statement of financial position relate to environmental and rehabilitation provisions of the Group's production facilities and mines. The provisions are based on expected liability. The amount of environmental provisions decreased during 2012 following environmental studies which were carried out to re-estimate the liability.

22. Pension liabilities

Defined benefit pension plans

The majority of the Group's pension plans are defined contribution plans for which a total expense of EUR 1.0 (2.2) million has been recognised on the 2012 income statement. In addition, the Group's German subsidiary has defined benefit plans. The obligations relating to the plans have been defined by actuarial calculations. The pension scheme is arranged by recognising a provision on the statement of financial position. The present value of the obligation less fair value of plan assets totalled EUR 11.2 (10.8) million on 31 December 2012. The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the balance sheet date. The Group does not own the assets of the pension plans.

Retirement benefit obligation

EUR '000	2012	2011
Present value of funded obligation	19 579	14 600
Fair value of plan assets	-3 764	-3 805
	15 815	**10 796**
Unrecognised actuarial gains / losses	-4 628	43
Net liability	**11 186**	**10 838**

Movements in defined benefit obligation

EUR '000	2012	2011
Defined benefit obligations at 1.1.	14 600	14 619
Benefits paid by the plan	-670	-628
Current service costs	237	257
Interest expence	784	760
Actuarial (gains) losses	4 628	-408
Closing balance at 31.12.	**19 579**	**14 600**

Movements in the fair value of the plan assets

EUR '000	2012	2011
Fair value of the plan assets at 1.1.	3 805	3 357
Expected return on plan assets	7	159
Benefits paid by the plan	-89	-73
Asset gains (losses)	275	22
Contributions paid into the plan	317	384
Closing balance at 31.12.	**3 764**	**3 805**

The funded pension plan has been financed through an insurance company and therefore asset specification is not available.

Expense recognised in profit or loss

EUR '000	2012	2011
Current service cost	-237	-257
Interest cost	-784	-760
Expected return on plan assets	7	159
Recognition of net (gain)/loss	-232	0
	-1 246	**-859**

Actual return on plan assets totalled EUR -0.3 (0.1) million in 2012.

Principal actuarial assumptions	2012	2011
Discount rate	3,40 %	5,50 %
Expected return on plan assets	4,5 %	4,5 %
Expected rate of salary increase	3 %	3 %
Inflation	2,25 %	2,25 %

The expected retirement age has been assumed to be in accordance with German legislation (RVAGAnpG 2007). Similarly, the expected pension increases have been assumed to be in line with the German legislation, and mortality expectancy in accordance with the German "Richttafeln 2005 G" has been applied in the valuations. The Group expects to recognise a EUR 0.8 million defined benefit plan expense in the 2013 income statement based on the revised IAS 19.

Historical information

EUR '000	2012	2011	2010
Present value of defined benefit obligation	-19 579	-14 600	-14 619
Fair value of plan assets	3 764	3 805	3 357
Deficit in the plan	**-15 815**	**-10 796**	**-11 262**
Experience adjustments arising on plan liabilities	-198	90	244
Experience adjustments arising on plan assets	-275	-22	-172
Adjustments due to change in actuarial assumptions	4 825	318	0

Provision for retirement pay liability in Turkey

In accordance with existing social legislation in Turkey, the Turkish subsidiary of the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability was based on the retirement pay ceiling announced by the Turkish government. On 31 December 2012, the employee severance indemnity recognised in accordance with IAS 19 the financial statements totalled EUR 0.8 (0.6) million.

23. Trade payables and other interest-free liabilities

EUR '000	2012	2011
Non-current		
Purchase price liabilities (paid as shares)	0	5 642
Other liabilities	51	305
Total non-current	**51**	**5 947**
Current		
Purchase price liabilities	14	13
Purchase price liabilities (paid as shares)	8 324	4 060
Trade payables	6 753	9 270
Prepayments	19	550
Accrued expenses and deferred income	10 041	10 952
Income tax liability	8 135	4 181
Other liabilities	660	608
Total current	**33 945**	**29 635**

During the financial year 2012 Ruukki completed the arrangements between the Company and Kermas Limited including the acquisition of Elektrowerk-Weisweiler GmbH from Kermas. In addition Ruukki and Kermas agreed to terminate the profit and loss sharing arrangement in relation to Türk Maadin Sirketi and RCS Limited and certain other arrangements which were entered into in October 2008. In consequence of the arrangements, the Group no longer has earn-out liabilities. On 31 December 2011 the earn-out liability amounted to EUR 9.7 million.

In 2012 financial statements the liability to Mogale vendors has been classified as current interest-free debt.

2.8 RELATED PARTY DISCLOSURES

2.8.1 Group structure on 31 December 2012

Subsidiaries

Name	Country of incorporation	Group's ownership and share of votes (%)	Ruukki Group Plc's direct ownership and share of votes (%)
Arafak Energy (Pty) Ltd	South Africa	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Dezzo Trading 184 (Pty) Ltd	South Africa	100.00	0.00
Didox (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0,00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Green Coal (Pty) Ltd	South Africa	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Mogale Alloys (Pty) Ltd	South Africa	90.00	0.00
PGR17 Investments (Pty) Ltd	South Africa	100.00	0.00
RCS Ltd	Malta	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Ruukki Holdings Ltd	Malta	100.00	0.00
Ruukki International Ltd	Malta	50.08	0.00
Ruukki Invest Oy	Finland	100.00	0.00
Ruukki Investments Ltd	Malta	100.00	99.99
Ruukki Mining Ltd	South Africa	100.00	0.00
Ruukki Services (UK) Ltd	United Kingdom	100.00	100.00
Ruukki South Africa (Pty) Ltd	South Africa	100.00	0.00
Ruukki Suisse SA	Switzerland	100.00	100.00
Ruukki Wood Oy	Finland	100.00	0.00
Ruukki Yhtiöt Oy	Finland	100.00	100.00
TH Ören Madencilik TAO	Turkey	73.08	0.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75

Joint ventures

Name	Country of incorporation	Group's ownership and share of votes (%)	Ruukki Group Plc's direct ownership and share of votes (%)
Synergy Africa Ltd	United Kingdom	51.00	0.00
Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00
Waylox Mining (Pvt) Ltd	Zimbabwe	51.00	0.00

Associated companies

Name	Country of incorporation	Group's ownership and share of votes (%)	Ruukki Group Plc's direct ownership and share of votes (%)
Specialty Super Alloys SSA Inc.	United States	20.00	0.00
Incap Furniture Oy	Finland	24.06	12.45

Valtimo Components Oyj *	Finland	24.90	24.90

* Ruukki's ownership can increase to 39.23% if the shares sold earlier, held as pledge, are not paid in cash to Ruukki.

2.8.2 Related party transactions

Ruukki Group Plc defines the related parties as:

• companies, entities or persons having common control or considerable voting power in Ruukki Group
• subsidiaries
• joint ventures
• associates
• Ruukki Group Plc's and the above mentioned entities' top management

Related party transactions with persons belonging to the Group's Board and management
Finnish accounting legislation, KPA 2:8 § 4 paragraph disclosure requirement

		2012			2011		
EUR '000		**Salaries**	**Fees**	**Share-based remuneration**	**Salaries**	**Fees**	**Share-based remuneration**
Baum Philip	Board member 21.4.2010 - 16.8.2012		64	193		83	97
Everard Paul	Board member 21.4.2010 onwards		115	97		82	97
Hoyer Thomas	CEO since 4.5.2011, Board member 11.5.2011 onwards	436		195	674*	0	0
Kankaala Markku	Board member 30.6.2003 onwards		104	64		73	64
Koncar Danko	Board member 11.8.2010 onwards	280			405		
	Acting Managing Director from 14.10.2010 to 3.5.2011						
Manojlovic Jelena	Board member 11.7.2008 onwards, Chairperson 17.6.2009 onwards		126	97		93	97
McConnachie Terence	Board member 7.10.2008 - 31.8.2010					1	193
Pointon Christopher	Board member 21.4.2010 onwards		127	97		84	97
Rourke Barry	Board member 21.4.2010 onwards		130	97		83	97
Total		**716**	**665**	**839**	**1 079**	**499**	**740**

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to the executive role have been presented above.

In 2011 the Company has transferred 950,000 shares to the members of the Board as part of their remuneration. The issued shares are subject to a three year lock-up period.

The annual basic salary of the CEO is EUR 444,000. The maximum annual incentive of the short-term incentive plan amounts to 200% of the annual base salary. In the 2012 annual incentive plan the targets were based on EBITDA, production volumes and health and safety related key parameters. The short-term incentive is paid 75% in cash and 25% in the Company's shares. The long-term incentive program is based on stock options. The CEO has 2,664,000 stock options based on the Stock Option Plan I/2011.

The CEO's retirement age is 63 years. The CEO has no pension arrangements in addition to the statutory pension coverage. The notice period in case of termination of the CEO's Service Agreement is six months. The CEO is not entitled to additional severance pay in addition to the salary for the notice period.

Management remuneration

EUR '000	2012	2011
Short-term employee benefits	872	3 397
Post-employment benefits	72	413
Termination benefits	0	763
Share-based payments	199	0
Total	**1 110**	**4 573**

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

Business reorganisations

In April 2012 Ruukki announced that it had signed an agreement with Kermas Limited for the acquisition of Elektrowerk Weisweiler GmbH. In addition, Ruukki and Kermas agreed to terminate the profit and loss sharing arrangement in relation to Türk Maadin Sirketi and RCS Limited and certain other arrangements which were entered into in October 2008. The transactions were completed after the approval by the Company's independent shareholders at the Annual General Meeting in May 2012 and a total cash consideration of EUR 25.3 million was paid. In consequence of the arrangements, the Group has no longer earn-out liabilities to related parties. On 31 December 2011 the earn-out liability amounted to EUR 9.7 million.

Financing arrangement with related parties

Ruukki Group Plc has entered into a USD 55 million standby loan facility agreement with its major shareholder Kermas Ltd. The facility is available until 31 December 2014 and the loan term will be from the first draw-down until 31 December 2015. The agreement replaced the old agreement for the same amount and was due 31 December 2011. At the end of the financial year 2012, the Group has not drawn down any of the loan. The expenses recognised for the facilities were EUR 0.1 (0.3) million.

Synergy Africa Ltd, a joint venture company of Ruukki Group and Kermas, entered into a facility agreement of USD 32.2 million with Kermas in 2010. At the end of the financial year 2012, Synergy Africa has drawn down USD 29.1 (29.1) million of the loan and repaid it for USD 0.4 million. The Group’s share of interest accrued on the loan amounted to EUR 0.3 (0.3) million.

The Group has a EUR 18.2 (18.1) million loan receivable and EUR 2.4 (1.9) million trade and other receivables from its joint venture companies. Interest income from a joint venture company totalled EUR 0.9 (0.7) million during the financial year 2012. The Group had on 31 December 2012 a EUR 10.0 (10.0) million receivable from Kermas Ltd.

Other related party transactions

The Group has sold its products and rendered services to related parties and joint ventures for a total value of EUR 0.4 (5.2) million. The Group has also made raw material purchases from a joint venture amounting to EUR 2.1 (0.8) million.

Dividends received from associated companies totalled EUR 0.0 (0.2) million.

On 31 December 2012 the Group’s parent company had short-term loan receivables from the members of the Board amounting to EUR 0.3 (0.6) million.

2.9 COMMITMENTS AND CONTINGENT LIABILITIES

2.9.1 Mortgages and guarantees pledged as security

On 31 December 2012 the Group had a loan from a financial institution totalling EUR 2.7 (8.3) million. The Group has provided real estate mortgages and other assets as collaterals for total carrying value of EUR 41.1 (48.3) million. Moreover, the Group companies have given cash deposits totalling EUR 3.9 (1.3) million as security for their commitments. The value of other collaterals totalled EUR 0.8 (0.8) million as at 31 December 2012. Ruukki Group Plc has given guarantees for third party loans totalling EUR 1.3 (1.6) million.

2.9.2 Covenants included in the Group's financing agreements

One of the Group's South African subsidiaries, Mogale Alloys, has drawn a loan from a South African bank with the principal amount of EUR 2.7 million. The loan agreement includes financial covenants some of which were breached during the fourth quarter of 2012. Based on discussions with the bank, the Group remains confident that the bank will not request pay-back of the loan prior to its maturity date in April, 2015.

2.9.3 Rental agreements

Liabilities associated with rental and operating lease agreements totalled some EUR 0.8 (0.9) million for the period. Typically, the rental agreements maturity varies between two to five years, and normally there is a possibility to continue these agreements beyond the original maturity date. For these contacts, their price indexing, renewal and other terms differ contract by contract. As guarantees for these rental agreements, the Group companies have made cash deposits of approximately EUR 0.1 (0.1) million as at 31 December 2012.

2.9.4 Collaterals given by Ruukki Group Plc

Ruukki Group Plc has given guarantees in connection with certain borrowings of Junnikkala Oy, the Group's former subsidiary which it sold in June 2011. These guarantees will continue to be in force until 30 June 2018. Under the terms of the disposal it has been agreed that Junnikkala will pay a fee of 2% per annum to Ruukki Group Plc in consideration for the continuation of these guarantees. At 31 December 2012 the indebtedness subject to these guarantees was EUR 1.3 (1.6) million in aggregate.

As at 31 December 2012, Ruukki Group Plc's rental and leasing liabilities were EUR 0.5 (0.5) million, of which EUR 0.2 (0.1) million will mature in less than one year and the rest in 1-5 years.

2.10 EVENTS AFTER THE REPORTING PERIOD

Ruukki announced on 15 January 2013 that the Company's management will be reorganised to be more appropriately aligned to the size of the Company's current operations and the prevailing market conditions. The Company will also undertake a review of its cost base with a view to identifying other restructuring opportunities including larger structural and organisational developments.

As part of the restructuring both the Company's Board of Directors and executive management team was materially downsized. The following members of the Board of Directors have left their positions on 11 February 2013: Dr. Chris Pointon, Mr. Paul Everard, Mr. Barry Rourke and Mr. Thomas Hoyer. The Executive Management of Ruukki was reorganised as follows: Mr. Thomas Hoyer CEO; Mr. Markus Kivimäki, General Manager: Corporate Affairs; and Mr. Kalle Lehtonen, General Manager: Finance have left their positions. All the resigning executives will remain with the Company until end of March 2013 to ensure a smooth handover of responsibilities.

Ruukki's Extraordinary General Meeting ("EGM") was held on 11 February 2013. The EGM decided that the number of members of the Board of Directors shall be six and Mr Michael Lillja (Finnish citizen), Mr Markku Kankaala (Finnish citizen), Dr Danko Koncar (Croatian citizen), Dr Jelena Manojlovic (UK citizen), Dr Alfredo Parodi (Italian citizen) and Ms Bernice Smart (UK citizen) were elected for the next mandate that begins from the end of the General Meeting and ends in the end of the Annual General Meeting in 2013. The EGM resolved that the members of the Board will be paid EUR 3,000 per month. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for the Board membership.

Following the EGM, the Board of Directors held an organisation meeting in which Dr Jelena Manojlovic was appointed Chairman and Ms Bernice Smart Deputy Chairman. Ms Bernice Smart (chairman), Mr Markku Kankaala and Dr Alfredo Parodi were elected as the members of the Audit Committee. Dr Jelena Manojlovic (chairman), Mr Markku Kankaala and Ms Bernice Smart were elected as the members of the Nomination and Remuneration Committee. The Board appointed Dr Danko Koncar as the Company's CEO.

Board of Directors has taken the decision to commence a project aiming into centralising all headquarter and other group support functions to Malta. By centralising functions into one location the Company expects significant benefits through increased efficiency and lower costs.

Ruukki announced on 18 March 2013 that South African Reserve Bank approval has been received in relation to the issue of shares to the Vendors of Mogale Alloys. Ruukki will publish a separate release regarding the share issue in due course.

3. PARENT COMPANY’S FINANCIAL STATEMENTS (FAS)

3.1 INCOME STATEMENT (FAS)

EUR '000	Note	**1.1.2012 - 31.12.2012**	**1.1.2011 - 31.12.2011**
REVENUE	1	**12 780**	**20 217**
Other operating income	2	121	47 914
Materials and services			
Goods, materials and supplies			
Purchases during the period		-11 940	-19 336
Goods, materials and supplies total		-11 940	-19 336
Materials and services total		-11 940	-19 336
Personnel expenses			
Salaries and wages		-1 752	-7 666
Social security expenses			
Pension expenses		-195	-635
Other social security expenses		-22	-243
Social security expenses total		-217	-878
Personnel expenses total		-1 969	-8 544
Depreciation and amortisation	3		
Depreciation and amortisation according to plan		-42	-46
Impairment of non-current assets		0	-15
Depreciation and amortisation total		-42	-61
Other operating expenses	4	-3 424	-4 700
OPERATING PROFIT (LOSS)		**-4 474**	**35 490**
Financial income and expenses:	5		
Income from Group companies		0	276
Impairment of non-current investments		-60 000	5 449
Other financial income			
From Group companies		9 939	11 528
From others		372	884
Interests and other financial expenses			
To Group companies		-60	-68
To others		-217	-347
Financial income and expenses total		-49 966	17 722
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		**-54 440**	**53 212**
PROFIT BEFORE TAXES		**-54 440**	**53 212**
Income taxes	6		
Income taxes		-578	0
NET PROFIT		**-55 018**	**53 212**

3.2 BALANCE SHEET (FAS)

EUR '000

	Note	**31.12.2012**	**31.12.2011**
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7		
Intangible rights		23	51
Total intangible assets		**23**	**51**
Property, plant and equipment	7		
Machinery and equipment		46	59
Total property, plant and equipment		**46**	**59**
Investments	8		
Shares in Group companies		59 099	5 099
Shares in associated companies		0	0
Receivables from Group companies		8 015	8 015
Total investments		**67 114**	**13 114**
Total non-current assets		**67 183**	**13 224**
CURRENT ASSETS			
Receivables	9		
Non-current receivables			
Receivables from Group companies		211 155	294 619
Other interest-bearing receivables		1 500	1 500
Other interest-free receivables		128	136
Total non-current receivables		**212 783**	**296 255**
Current receivables			
Trade receivables		124	113
Receivables from Group companies		4 251	1 942
Other interest-bearing receivables		84	125
Other interest-free receivables		27	27
Prepaid expenses and accrued income		906	876
Total current receivables		**5 392**	**3 083**
Cash and cash equivalents		**4 081**	**42 327**
Total current assets		**222 256**	**341 665**
TOTAL ASSETS		**289 439**	**354 889**

EUR '000

	Note	31.12.2012	31.12.2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	10		
Share capital		23 642	23 642
Share premium reserve		25 223	25 223
Paid-up unrestricted equity reserve		251 542	251 504
Retained earnings		41 263	-11 949
Profit for the period		-55 018	53 212
Total shareholders' equity		**286 652**	**341 631**
LIABILITIES	11		
Non-current liabilities			
Liabilities to Group companies		1 500	1 500
Loans from associated companies		5	5
Earn-out purchase consideration liabilities		0	5 642
Total non-current liabilities		**1 505**	**7 147**
Current liabilities			
Liabilities to Group companies		137	77
Accounts payable		149	297
Accounts payable to Group companies		0	0
Earn-out purchase consideration liabilities		0	4 060
Other liabilities		71	56
Accrued expenses and deferred income		925	1 621
Total current liabilities		**1 282**	**6 111**
Total liabilities		**2 787**	**13 258**
TOTAL EQUITY AND LIABILITIES		**289 439**	**354 889**

3.3 STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.2012 - 31.12.2012	1.1.2011 - 31.12.2011
Cash flow used in operating activities		
Profit for the period	-55 018	53 212
Adjustments:		
Depreciation and amortisation	42	46
Capital gains and losses from investments	-121	-47 323
Impairment	60 000	-5 434
Unrealised foreign exchange gains and losses	-17	0
Financial revenue and expense excluding impairment	-10 034	-12 273
Income taxes	578	0
Share-based payments	39	1 758
Cash flow before change in working capital	-4 532	-10 015
Change in working capital:		
Change in current trade receivables	-1 268	884
Change in current trade payables	-1 512	-1 596
Operating cash flow before financing items and taxes	-7 311	-10 727
Interests received and other financing items	455	1 419
Interests paid and other financing items	-112	-488
Income taxes paid	97	508
Cash flow used in operating activities	**-6 872**	**-9 288**
Cash flow used in investing activities		
Capital expenditure on tangible and intangible assets	-1	-69
Acquisition of subsidiaries and associates	-12 000	-501
Payments for earn-out liabilities	-8 000	0
Disposals of subsidiaries, associates and other investments	121	84 979
Cash flow used in investing activities	**-19 880**	**84 409**
Cash flow from financing activities		
Proceeds from exercise of share options	0	86
Repayments of current borrowings	0	-545
Short-term loans to Group companies	-1 250	0
Short-term loans to others	-52	0
Repayments of non-current loans from Group companies	0	-2 500
Repayments of current loans given to Group companies	0	1
Non-current loans to Group companies	-10 600	-44 553
Repayments of non-current loans given to Group companies	312	22 153
Repayments of non-current loan receivables	0	0
Repayments of current loan receivables	70	350
Capital redemption	0	-9 617
Cash flow from financing activities	**-11 520**	**-34 626**
Change in cash and cash equivalents	**-38 272**	**40 495**
Cash at the beginning of the period	42 327	1 744
Cash at the end of the period	4 081	42 327
Cash received from subsidiaries' dissolution	26	88
Change in cash and cash equivalents	**-38 272**	**40 495**

3.4 NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

3.4.1 Accounting Policies

Scope of financial statements and accounting policies

The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Consolidated financial statements are presented separately as a part of these financial statements.

Information on holdings in subsidiaries and associated companies and information on their consolidation is presented in the notes to the financial statements.

All figures are presented in thousand Euros, unless otherwise explicitly stated.

Valuation principles and methods

Investments in associated companies and debt instruments are valued at acquisition cost, less eventual impairment. Dividends received from Group companies and associates have been recorded as financial income.

The balance sheet value of property, plant and equipment is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the balance sheet at the lower of acquisition cost or their likely realisable value. Debt items are valued at acquisition cost. Loan receivables from subsidiaries and Group companies have been valued at acquisition cost.

Depreciation methods

Acquisition costs of property, plant and equipment are depreciated over their useful lives according to plan. Depreciation plans have been defined based on practice and experience.

Asset	Depreciation method and period
Intangible rights	5 years straight line
IT equipment	2 years straight line
Other machinery and equipment	5 years straight line

Translations of foreign currency items

Balance sheet items denominated in foreign currency are translated into functional currency using the exchange rates of the balance sheet date. Income statement items are translated applying the exchange rates prevailing at the date of the transaction.

Comparability of the reported financial year and the previous year

The reported financial year and the previous year were both calendar years and are thus comparable. The Company has been actively restructuring its business, which has required various ownership and financial arrangements. The transactions have had significant non-recurring effects on the Company's income statement, balance sheet and financial position, which make comparison of financial statements and estimating the future more difficult.

3.4.2 Notes to the income statement

1. Revenue

EUR '000

	2012	**2011**
By business line:		
Services	839	736
Other revenue	11 940	19 482
Total	**12 780**	**20 217**
By geography:		
Finland	3	185
EU countries	12 271	19 621
Other countries	505	411
Total	**12 780**	**20 217**

2. Other operating income

EUR '000

	2012	**2011**
Gain on disposal of subsidiary shares	0	47 724
Gain on disposal of associated companies shares	0	189
Gain on disposal of property, plant and equipment	121	0
Other income	0	1
Total	**121**	**47 914**

3. Depreciation, amortisation and impairment

EUR '000

	2012	**2011**
Depreciation and amortisation according to plan		
Intangible rights	-28	-31
Machinery and equipment	-14	-15
Total	**-42**	**-46**
Impairment		
Impairment of non-current assets	0	-15
Total	**0**	**-15**

4. Other operating expenses

EUR '000

	2012	**2011**
Voluntary employee benefits	-74	-73
Premise expenses	-133	-194
Machinery and equipment expenses	-187	-144
Travelling expenses	-637	-786
Representation expenses	-22	-17
Marketing expenses	-102	-31
Administration expenses	-2 170	-2 462
Other operating expenses	-99	-994
Total	**-3 424**	**-4 700**

5. Financial income and expense

EUR '000	2012	2011
Impairment on investments		
Impairment on holdings in subsidiaries	-60 000	0
Reversal of impairment from loans to Group companies	0	5 449
Other financial income		
From Group companies	9 939	11 804
From others	372	884
Other financial expense		
To Group companies	-60	-68
To others	-217	-347
Total	**-49 966**	**17 722**

6. Income taxes

EUR '000	2012	2011
Profit for the period	-55 018	53 212
Adjustments for tax calculation	57 450	-53 011
Taxable income	**2 432**	**200**
Tax advances paid	0	-97
Tax deferral based on taxable income	-578	0
Income tax of the period	**-578**	**-97**
Taxes of previous years		
Tax loss carryforward used	0	97
Net income taxes	**-578**	**0**
Income tax receivable	0	97
Income tax payable	578	0

3.4.3 Notes to assets

7. Fixed assets

EUR '000	2012	2011
Intangible rights		
Acquisition cost 1.1.	245	245
Acquisition cost 31.12.	245	245
Accumulated depreciation 1.1.	194	155
Depreciation for the period	28	31
Impairment for the period	0	8
Accumulated depreciation 31.12.	222	194
Book value 31.12.	**23**	**51**
Machinery and equipment	**2012**	**2011**
Acquisition cost 1.1.	282	213
Additions	1	69
Acquisition cost 31.12.	283	282
Accumulated depreciation 1.1.	223	203
Depreciation for the period	14	15
Impairment for the period	0	5
Accumulated depreciation 31.12.	237	223
Book value 31.12.	**46**	**59**
	2012	**2011**
Other tangible assets		
Acquisition cost 1.1.	2	2
Acquisition cost 31.12.	2	2
Accumulated depreciation 1.1.	2	0
Impairment for the period	0	2
Accumulated depreciation 31.12.	2	2
Book value 31.12.	**0**	**0**

8. Investments

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Receivables from associated companies	Other receivables	**Total**
Acquisition cost 1.1.2012	**15 147**	**8 153**	**19 618**	**169**	**80**	**43 167**
Additions	114 000					**114 000**
Acquisition cost 31.12.2012	129 147	8 153	19 618	169	80	**157 167**
Accumulated depreciation and impairment 1.1.2012	-10 048	-8 153	-11 603	-169	-80	**-30 054**
Impairment	-60 000					**-60 000**
Accumulated depreciation and impairment 31.12.2012	-70 048	-8 153	-11 603	-169	-80	**-90 054**
Book value 31.12.2012	**59 099**	**0**	**8 015**	**0**	**0**	**67 114**

Holdings in Group and other companies

Name	Country of incorporation	Group's ownership and share of votes (%)	Ruukki Group Plc's direct ownership and share of votes (%)
Arafak Energy (Pty) Ltd	South Africa	100.00	0.00
Auburn Avenue Trading 88 (Pty) Ltd	South Africa	74.00	0.00
Destiny Spring Investments 4 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 11 (Pty) Ltd	South Africa	100.00	0.00
Destiny Spring Investments 12 (Pty) Ltd	South Africa	100.00	0.00
Dezzo Trading 184 (Pty) Ltd	South Africa	100.00	0.00
Didox (Pty) Ltd	South Africa	100.00	0.00
Duoflex (Pty) Ltd	South Africa	74.00	0.00
Elektrowerk Weisweiler GmbH	Germany	100.00	0.00
Green Coal (Pty) Ltd	South Africa	100.00	0.00
Intermetal Madencilik ve Ticaret A.S.	Turkey	99.00	0.00
LP Kunnanharju Oy	Finland	100.00	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti	Turkey	97.76	0.00
Mogale Alloys (Pty) Ltd	South Africa	90.00	0.00
PGR17 Investments (Pty) Ltd	South Africa	100.00	0.00
RCS Ltd	Malta	100.00	0.00
Rekylator Oy	Finland	100.00	100.00
Ruukki Holdings Ltd	Malta	100.00	0.00
Ruukki International Ltd	Malta	50.08	0.00
Ruukki Invest Oy	Finland	100.00	0.00
Ruukki Investments Ltd	Malta	100.00	99.99
Ruukki Mining Ltd	South Africa	100.00	0.00
Ruukki Services (UK) Limited	United Kingdom	100.00	100.00
Ruukki South Africa (Pty) Ltd	South Africa	100.00	0.00
Ruukki Suisse SA	Switzerland	100.00	100.00
Ruukki Wood Oy	Finland	100.00	0.00
Ruukki Yhtiöt Oy	Finland	100.00	100.00
TH Ören Madencilik TAO	Turkey	73.08	0.00
Türk Maadin Sirketi A.S.	Turkey	98.75	98.75

Joint ventures

Name	Country of incorporation	Group's ownership and share of votes (%)	Ruukki Group Plc's direct ownership and share of votes (%)
Synergy Africa Ltd	United Kingdom	51.00	0.00
Chromex Mining Ltd	United Kingdom	51.00	0.00
Chromex Mining Company (Pty) Ltd	South Africa	37.74	0.00
Ilitha Mining (Pty) Ltd	South Africa	41.05	0.00
Mkhombi Stellite (Pty) Ltd	South Africa	44.24	0.00
Waylox Mining (Pvt) Ltd	Zimbabwe	51.00	0.00

Associated companies

Name	Country of incorporation	Group's ownership and share of votes (%)	Ruukki Group Plc's direct ownership and share of votes (%)
Special Super Alloys SSA Inc.	United States	20.00	0.00
Incap Furniture Oy	Finland	24.06	12.45
Valtimo Components Oyj *	Finland	24.90	24.90

* Ruukki's ownership can increase to 39.23% if the shares sold earlier, held as pledge, are not paid in cash to Ruukki.

9. Receivables

Receivables from Group companies

EUR '000	2012	2011
Non-current		
Loan and other receivables	179 508	268 103
Interest receivables	31 647	26 515
Total	**211 155**	**294 619**
Current		
Loan receivables	1 250	0
Trade receivables	2 170	1 164
Interest receivables	22	16
Prepayments and accrued income	809	762
Total	**4 251**	**1 942**

Other interest-bearing receivables

EUR '000	2012	2011
Non-current		
Receivables from disposals of Group companies	1 500	1 500
Total	**1 500**	**1 500**
Current		
Loan receivables	52	70
VAT receivable	33	55
Total	**84**	**125**

Other interest-free receivables

EUR '000	2012	2011
Non-current		
Other prepaid expenses and accrued income	128	136
Total	**128**	**136**
Current		
Trade receivables	124	113
Other receivables	27	27
Total	**151**	**140**

Prepaid expenses and accrued income	**2012**	**2011**
Income tax receivable	0	97
Accrued interest income	38	122
Other prepaid expenses and accrued income	867	657
Total	**906**	**876**

3.4.4 Notes to equity and liabilities

10. Shareholders' equity

EUR '000

Share capital	**2012**	**2011**
Share capital 1.1.	23 642	23 642
Share capital 31.12.	**23 642**	**23 642**

Share premium reserve	**2012**	**2011**
Share premium reserve 1.1.	25 223	25 223
Share premium reserve 31.12.	**25 223**	**25 223**

Paid-up unrestricted equity reserve	**2012**	**2011**
Paid-up unrestricted equity reserve 1.1.	251 504	255 468
Capital redemption to the shareholders	0	-9 617
Share subscriptions based on option rights	0	3 895
Share-based payments	39	1 758
Paid-up unrestricted equity reserve 31.12.	**251 542**	**251 504**

Retained earnings	**2012**	**2011**
Retained earnings 1.1.	-11 949	18 333
Profit for the previous financial year	53 212	-30 282
Retained earnings 31.12.	**41 263**	**-11 949**
Profit for the financial year	**-55 018**	**53 212**
Total shareholders' equity	**286 652**	**341 631**

Distributable funds	**2012**	**2011**
Retained earnings 1.1.	41 263	-11 949
Profit for the financial year	-55 018	53 212
Retained earnings 31.12.	**-13 756**	**41 263**
Paid-up unrestricted equity reserve	251 542	251 504
Distributable funds 31.12.	**237 787**	**292 766**

11. Liabilities

Non-current liabilities

EUR '000

Non-current interest bearing debt	**2012**	**2011**
Loans from Group companies	1 500	1 500
Total	**1 500**	**1 500**

Non-current interest-free debt	**2012**	**2011**
Loans from associated companies	5	5
Earn-out purchase consideration liabilities	0	5 642
Total	**5**	**5 647**

Current liabilities

EUR '000

Current interest-free debt	**2012**	**2011**
Accounts payable	149	297
Payables to Group companies	0	0
Other debt	71	56
Other debt to Group companies	137	77
Earn-out purchase consideration liabilities	0	4 060
Accrued expenses and deferred income	925	1 621
Total	**1 282**	**6 111**

At the end of 2011, the Company revised the estimated amount of its earn-out liabilities based on revised future profit forecasts of the acquired subsidiaries, which affected the estimated total purchase consideration liability of the 2008 minerals sector acquisition (RCS - TMS acquisition). The estimated total purchase consideration liability totalled EUR 9.7 million on 31.12.2011.

In May 2012 Ruukki settled the earn-out liability in connection with the acquisition of Elektrowerk-Weisweiler GmbH (EWW). The total settlement price of the earn-out liability totalled EUR 8 million and was paid in cash. As a result, the Company has no longer earn-out liabilities at the end of 2012.

Option rights

The Company's option schemes are presented in the notes to the consolidated financial statements. The Company has option schemes I/2005 (maximum 2,700,000 shares), I/2008 (maximum 2,900,000 shares, all options granted to the Group's previous CEO) and I/2011 (maximum 6,900,000 shares).

Moreover, the Company granted altogether 73,170,731 share options to Kermas Limited in relation to the acquisition of RCS Ltd and Turk Maadin Sirketi in October 2008. The exercise of these options was tied to the acquired companies' profits in 2009 - 2013. These options were cancelled in May 2012 as part of the EWW acquisition from Kermas.

3.4.5 Pledges and contingent liabilities

The Company's pledges and contingent liabilities are presented in the notes to the consolidated financial statements.

Pension liabilities

The Company's pension liabilities are directly in accordance with the statutory TyEL-system.

3.4.6 Other notes

Related party loans

The Company has short-term loan receivables from the members of the Board amounting to EUR 293 (632) thousand.

Information on the personnel

Personnel, annual average (all employees)	**2012**	**2011**
Employees	10	9

Management remuneration	**2012**	**2011**
Chief Executive Officer	621	774
Board members	1 032	2 533

The annual basic salary of the CEO is EUR 444,000. The maximum annual incentive of the short-term incentive plan amounts to 200% of the annual base salary. In the 2012 annual incentive plan the targets were based on EBITDA, production volumes and health and safety related key parameters. The short-term incentive is paid 75% in cash and 25% in the Company's shares. The long-term incentive program is based on stock options. The CEO has 2,664,000 stock options based on the Stock Option Plan I/2011.

Information on shares and shareholders

Changes in the number of shares and share capital

At the beginning of financial year 2012, the registered number of Ruukki Group Plc shares was 248,432,000 and the Company had 4,414,682 of its own shares. Share capital totalled EUR 23,642,049.60.

In December 2012 the Board of Ruukki Group Plc confirmed the amount of share-based incentive bonus of the Executive Management Team (EMT) for the year 2011 and a total of 117,245 ordinary shares in the Company were granted to the members of the EMT as their share based incentive bonus for the year 2011 under a directed free issue of shares.

On 31 December 2012 the Company had 4,297,437 (4,414,682) of its own shares, which is equivalent to 1.73 (1.78) % of all registered shares. The number of registered shares and share capital remained unchanged during financial year 2012.

More information on shares, share capital and shareholders have been presented in the notes to the consolidated financial statements.

Information obligated to a Group company

The Company is the Group's parent company.

Ruukki Group Plc, domicile Helsinki (address: Kasarmikatu 36, 00130 Helsinki)

Board members' and Chief Executive Officer's ownership

Ruukki Group Plc's Board members and Chief Executive Officer owned in total 78,610,463 (78,699,199) Ruukki Group Plc shares on 31 December 2012 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 31.6% of all outstanding shares that were registered in the Trade Register on 31 December 2012.

31.12.2012		shares	options
Board and CEO total:			
Paul Everard	Non-Executive Director	150,000	0
Thomas Hoyer	Executive Director, CEO	93,675	2,664,000
Markku Kankaala	Non-Executive Director	7,090,616	0
Danko Koncar	Executive Director	70,786,172	0
Jelena Manojlovic	Non-Executive Director	150,000	0
Christopher Pointon	Non-Executive Director	190,000	0
Barry Rourke	Non-Executive Director	150,000	0
Board and CEO total		**78,610,463**	**2,664,000**
All shares outstanding		248,432,000	248,432,000
Proportion of all shares		31.6 %	1.1%

On 31 December 2011 the total number of registered shares was 248,432,000 and the Board and CEO's ownership corresponded to 31.7% of the total number of registered shares.

Auditor’s fees

EUR '000	2012	2011
Ernst & Young Oy		
audit	258	380
other services	224	282
Total	482	662

Board’s dividend proposal

The Board of Directors proposes to the Annual General Meeting which will be held on 8 May 2013 that no dividend would be distributed but that a capital redemption of EUR 0.01 per share would be paid out of the paid-up unrestricted equity fund.

4. SIGNATURES TO THE BOARD OF DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

Helsinki 27 March 2013

Jelena Manojlovic
Chairman

Danko Koncar
Member of the Board, Chief Executive Officer

Markku Kankaala
Member of the Board

Michael Lillja
Member of the Board

Alfredo Parodi
Member of the Board

Bernice Smart
Member of the Board

5. THE AUDITOR’S NOTE

Our auditor’s report has been issued today.

Helsinki 27 March 2013

Ernst & Young Oy

Tomi Englund
Authorised Public Accountant