Annual report & accounts 2011

Laying solid foundations for growth

RUUKKI | GROUP

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Our business model

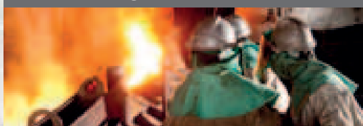
Ruukki is a vertically integrated ferroalloys producer supplying specialist products to the steel and stainless steel industries. The Company is listed on the Helsinki (RUG1V) and London (RKKI) stock exchanges.

Ferrochrome is a key ingredient in the production of steel and stainless steel, as chromium is the only metal that can provide stainless steel with its corrosion resistance. The average chrome content in stainless steel is typically around 18%. Over 80% of the world's annual ferrochrome production is used in the manufacture of stainless steel.

Ruukki mines, processes, markets and sells a range of chrome products to customers around the world, ranging from chrome ore up through the value chain to high speciality alloys, used in the aerospace and power generation industries. The business comprises two production divisions, FerroAlloys and Speciality Alloys, and a sales and marketing operation, RCS Limited.

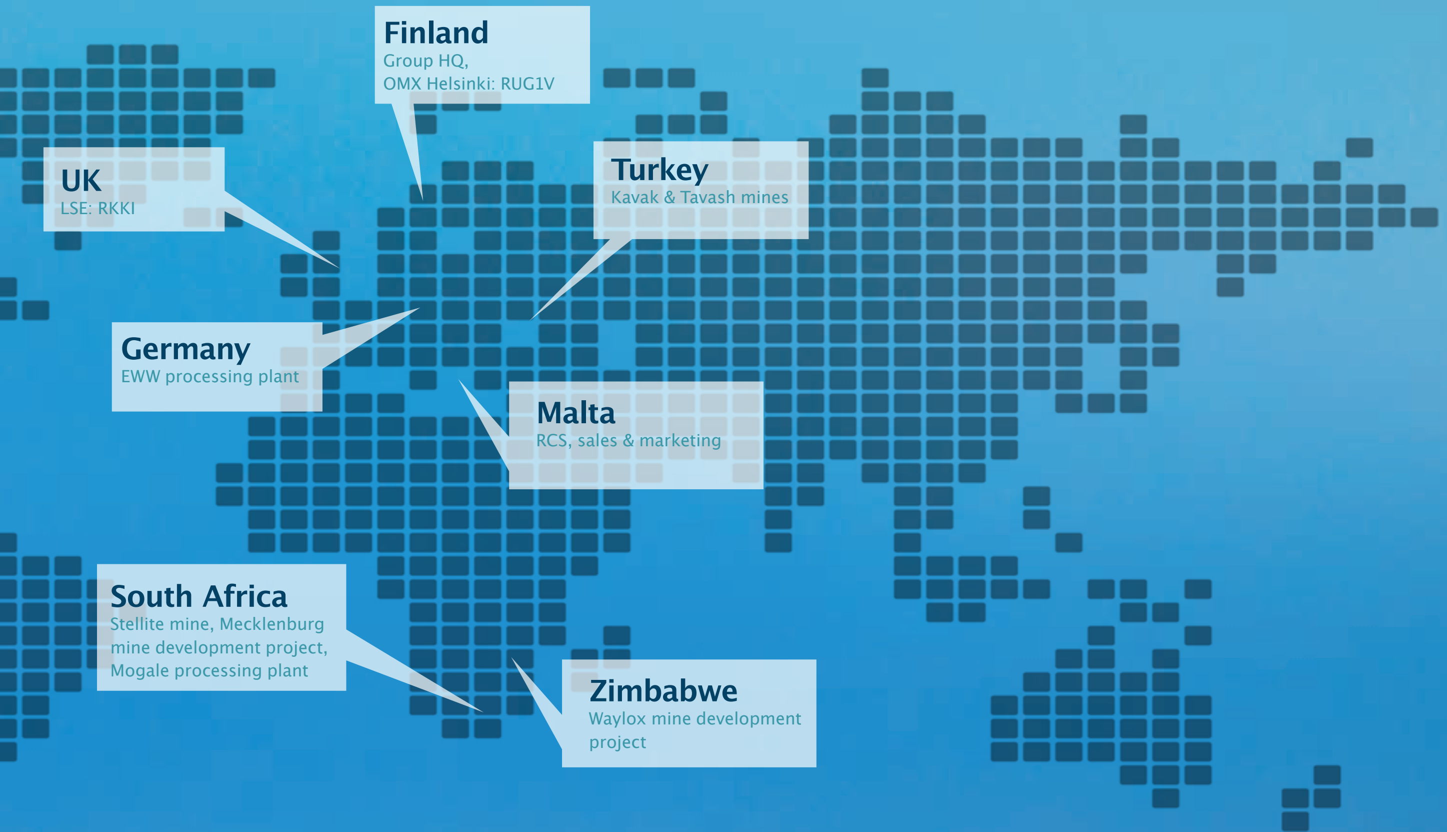
Ruukki's control of the supply chain, from mine to customer, ensures the business is fully orientated towards the customer and aligned to their specific product requirements. This direct interface enables Ruukki to react rapidly to changing market conditions and respond accordingly.

USA
Speciality Super Alloys, sales & marketing

Mining	Processing	Products
		
FerroAlloys		
Stellite Mine, S. Africa 360,000tpa* ROM	Mogale, S.Africa 110,000tpa*	Chrome Ore Plasma Charge Ferrochrome Silico Manganese
		RCS Malta Sales & Marketing
Speciality Alloys		
TMS, Turkey 120,000tpa* ROM	EWW, Germany 30,000tpa*	Chrome Ore Low Carbon Ultra Low Carbon Speciality Low Carbon

* Installed capacity

Overview



Ruukki's product range supplies global customers

Increasing the value added →

Products	Chrome Ore	Plasma Charge Chrome Stainless Steel Alloy	Silico Manganese	Low Carbon Ultra Low Carbon Speciality Low Carbon Ferrochrome
Customers	Ferrochrome smelters	Stainless steel mills	Carbon steel mills	Tool and high speed steels Engineering steel High strength low alloy steel Carbon steel mills
End-use sectors	Stainless steel mills	Cutlery Automotive Appliance Construction Architectural Rail Chemical applications	Automotive Construction Infrastructure Housing Appliance Shipping Industrial machinery Rail	Aerospace Automotive Engineering Plastics Machinery Yellow goods (mining equipment) Structural applications Nuclear power plant tubing/pipes

Our Objective

To create shareholder value through delivering long-term, sustainable growth that will transform **Ruukki** into a major player in the global ferrochrome industry within the next five years.

Our Business Ethics

Ruukki seeks to conduct its business in a responsible and ethical manner for the benefit of all its stakeholders:

- Ensuring employees have a safe and healthy workplace in which to develop and grow
- Offering a work culture that harnesses diversity, equal opportunities and team work
- Making positive contributions to the local communities in which it operates and building long-term relationships
- Respecting the environment and minimising its footprint as much as possible
- Adopting the principles behind the UK Bribery Act, which is currently considered best practice in the world
- Being a proactive participant in the industry, engaging with fellow chrome producers and government to address challenges and find sustainable, long-term solutions
- Leading by example, demonstrating commitment through action not just words

Our Strategy

Ruukki is implementing a three-phase growth strategy, which it believes will ultimately deliver this objective.

Our Progress during 2011

Phase 1 : Short Term
Increase chrome ore production

Grow resources through acquisitions.	Expand production at the Stellite mine.	Develop the Mecklenburg mine.
A number of opportunities have been identified.	**Run of mine capacity increased to 360,000tpa.**	**Feasibility Study reviewed, targeting development decision during 2012.**

Phase 2 : Medium Term
Expand processing capacity

Expand processing capacity by 280,000tpa with the addition of two DC furnaces in South Africa.	Feasibility Study underway, plant design work complete.	Explore strategic partnerships with major Asian corporations for financing and construction.
	Awaiting decision on site selection.	**Discussions are underway with an Asian corporation.**

Phase 3 : Long Term
Secure power supply to manage a key cost input

Various options are under investigation, monitoring the situation with Eskom.

2011 Highlights

Laying Solid Foundations for Growth

PRODUCTION

353,962 tonnes, +157%

Completed strategic transformation from a mini–conglomerate into a vertically integrated specialist ferroalloys producer

REVENUE

€159.1 million, +29%

Cash proceeds from wood assets redeployed in ferroalloys business to provide financial flexibility and strengthen Group's balance sheet

EBITDA

€1.4 million, +€9.8 million

Restructured the business to ensure most appropriate reporting and controls for a mining and minerals processing company

EARNINGS PER SHARE

€0.10, +€0.32

Adapted product mix to align business closely to customer requirements and respond to extended downturn in market conditions

Letter from the Chairman and Chief Executive Officer

Dear Shareholder,

We are pleased to present our first report as an integrated specialist ferroalloys producer.

Laying Solid Foundations for Growth

The first steps towards achieving this were taken in the second half of 2010 when, following a strategic review, the Group concluded that its most attractive course was to become a leading specialist ferroalloys producer. The strategic transformation was completed during the first half of 2011 with the successful sales of the Group's wood processing assets.

The Group now consists of two production divisions: the FerroAlloys division located in southern Africa and the Speciality Alloys division located in Turkey and Germany. Sales and marketing are handled centrally through our trading company RCS Limited, which is located in Malta. We believe our competitive advantage lies in the combination of this vertically integrated mine-to-customer model and our diverse range of speciality ferroalloy products.

Safety Remains Our First Priority

"Zero Harm" is a core value and this is reflected in the key performance indicators against which senior executives are measured as part of their remuneration. We deeply regret that Mr Kgantitsoe, one of our contractors, was fatally injured in July 2011 at the Stellite mine in South Africa. This incident has overshadowed the positive work undertaken during the year in standardising our health, safety and environmental procedures in South Africa, which will be rolled out across the whole Group during 2012. It is a pertinent reminder that we must remain constantly vigilant about our health and safety procedures and training.

Clear Improvement in Performance

2011 was a challenging year for the Group as the chrome market remained weak and the expected mid year recovery failed to materialise because of the Eurozone crisis and slower than anticipated levels of growth in China and India.

Against this backdrop, our diversified product range, strong balance sheet and efficiency improvement initiatives enabled us to weather the difficult market conditions and contributed to a clear improvement in our performance over the previous year.

Production increased substantially, by 157% to 353,962 tonnes, due to the acquisition of Chromex Mining, the ramp up at the Stellite mine and a near 50% improvement in production in Turkey and Germany. Revenue increased by 29% to EUR 159 million and EBITDA was EUR 1.4 million – a year on year improvement of EUR 9.8 million.

The Group successfully sold its wood processing businesses during the first half of the year, realising cash proceeds of over EUR 80 million. These proceeds were redeployed into the ferroalloys business to provide flexibility and to strengthen the Group's balance sheet.

A major focus for the year has been on restructuring the business with the integration of the Chromex Mining assets, acquired in late 2010, into the FerroAlloys business, and on realigning our reporting and controls so that they are appropriate for a specialist ferroalloys producer.

Responding to the Market

Our diverse range of specialist ferroalloy products offered some protection against the global economic situation this year. The market for our speciality alloy products was relatively stable throughout and prices were reasonably well supported. However, the market for chrome ore declined over the year with prices under constant pressure. In response to this, we adapted our production volumes and product mix accordingly.

Our Turkish and German operations ran at almost full capacity for the year, taking into consideration the annual maintenance shut down. A number of new long-term contracts for premium speciality alloy products were signed, which is an encouraging sign, and demand especially from the United States was strong.

In South Africa, the ramp up at Stellite to an annualised run of mine capacity of 360,000 tonnes was successfully completed in the second half of the year. Volumes and product quality have now stabilised. Mogale faced a more challenging time due to the very weak demand for charge chrome products. In July we took the decision to place two furnaces on extended care and maintenance in response to declining demand. This decision has now been extended into the first half of 2012, and coincides with a buy back offer from Eskom, our electricity provider in South Africa. We will continue to monitor the situation and expect to review it again during the second quarter of 2012.

Strategy Update

OUR OBJECTIVE IS TO BECOME A MAJOR PLAYER IN THE GLOBAL FERROCHROME INDUSTRY BY PURSUING A GROWTH STRATEGY AND THROUGH THIS ENHANCE VALUE FOR SHAREHOLDERS.

Our short-term strategy is to increase production by further growing our resource base in South Africa. The ramp-up of Stellite mine was successful and we are currently reviewing the feasibility studies on the Mecklenburg mine development project. We have identified a number of potential additional resources and are confident that we will be successful in securing some of these for our operations.

The Group's medium-term strategy is to expand its processing capacity through the addition of two new DC furnaces. Plant design work has been completed. Site selection for the new furnaces has been deferred for the time being until we have successfully increased our resource base, ensuring that we can maximise operational efficiencies.

Securing our own power supply remains an important part of our long-term strategy. Initial work has commenced and various options are being investigated. While power supply is a key cost input into our business, we must focus primarily on growing our resource base which is critical to implementing our medium and long-term strategies.

Prospects

Looking ahead for the year, the global economic situation remains uncertain and we are anticipating significant demand and price volatility in the chrome markets during 2012.

WE BELIEVE WE ARE IN A GOOD POSITION TO CONFRONT THIS ONGOING CHALLENGE. WE HAVE TAKEN MEASURES TO ADAPT OUR PRODUCTION VOLUMES AND ADJUST OUR SPECIALITY PRODUCT RANGE TO MEET OUR CUSTOMERS' PRECISE REQUIREMENTS. ONE OF OUR COMPETITIVE ADVANTAGES IS THAT WE PRODUCE PREMIUM, NICHE FERROALLOY PRODUCTS WHICH WE BELIEVE OFFER US PROTECTION AGAINST MARKET VOLATILITY.

Our balance sheet is healthy, which enables us to take a longer term view rather than a quarter to quarter perspective. Operational efficiencies, cost optimisations and growth initiatives will be a key focus for 2012.

In the short term, the biggest industry issue facing the Group is in South Africa, where the ferrochrome industry is struggling to remain competitive and retain market share against the growing Chinese ferrochrome industry. Between 2001 and 2010, South Africa's market share of the global ferrochrome industry fell from 50% to 42% while China's share has risen dramatically, from 5% to roughly 25% over the same period. This decline in South Africa's market share is predominantly due to the export of unbeneficiated chrome ore to China, which is then processed into ferrochrome products at a much lower cost, due to lower electricity tariffs and cheaper labour rates.

The South African ferrochrome industry employs over 200,000 people and is a significant contributor to the country's GDP. As the holder of around 70% of global chromite resources, South Africa needs to maximise benefits from its resource endowment and reverse the decline in its market share. The industry and government are currently in consultation over the introduction of a tax on unbeneficiated chrome ore exports. Ruukki supports this initiative and believes that the introduction of such a tax would encourage more beneficiation of chrome ore within South Africa, thereby boosting domestic ferrochrome production and yielding significant additional socio-economic benefits for the country. However, such an initiative should be complemented by investment in additional energy production so that the ore can be processed domestically. We are working closely with our chrome industry peers and government to ensure that a long-term sustainable solution is found and implemented so that South Africa's chrome ore resource endowment is maximised.

OVER THE LONGER TERM, PROSPECTS FOR THE GROUP REMAIN POSITIVE AND PROFITABLE AS THE EMERGING ECONOMIES OF CHINA, INDIA, SOUTH AMERICA AND INDONESIA CONTINUE TO GROW, MODERNISE AND URBANISE.

Stainless steel, of which chrome is an essential ingredient, will be fundamental to these developments, whether it is in infrastructure, power generation, construction or consumer products such as cars and domestic appliances.

Appreciation

We would like to take this opportunity to thank our employees for their continued dedication and determination during what has been both a testing

and productive year for us all. Despite the difficult market conditions, we achieved a number of important milestones that have laid the foundations for future growth and will enable us to continue to build a long-term sustainable business. We would also like to thank our fellow Board members for their input and guidance over the year, and our shareholders for their continued support.

In conclusion, we believe we have the right strategy and solid foundations in place to meet the challenges of 2012 and that the Group is well positioned to reach its objective of becoming a major player in the chrome industry.

Jelena Manojlovic
Chairman

Thomas Hoyer
Chief Executive Officer

Our Resource Base

Mineral Resource and Mineral Reserve[1] Statement for Ruukki Group in South Africa as at 31 December 2011.

Mineral Reserves[1] (ROM Feed numbers)	Attributable (%)	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
PROVED:				
Stellite Underground	41.06			
MG4				
MG3				
MG1				
LG6				
Stellite Open Pit	41.06			
MG4		592	30.94	1.21
MG3		129	32.04	1.33
MG2		167	31.00	1.23
MG1		228	33.34	1.31
LG6+6A		332	34.90	1.40
Mecklenburg Underground	37.74			
LG6		2 870	41.47	1.57
Total Proved		4 318	38.41	1.47
PROBABLE:				
Stellite Underground	41.06			
MG4				
MG3				
MG1				
LG6				
Stellite Open Pit	41.06			
MG4		1 101	31.51	1.21
MG3		339	31.94	1.31
MG2		259	30.99	1.22
MG1		355	33.25	1.31
LG6+6A		353	34.75	1.41
Mecklenburg Underground	37.74			
LG6+6A		1 933	41.45	1.57
Mecklenburg Open Pit	37.74			
LG6+6A				
Total Probable		4 340	36.35	1.40
Proved & Probable Reserves		8 658	37.37	1.44
Total Reserves		8 658	37.37	1.44

Mineral Resources (Geological Losses Applied)	Attributable (%)	Tonnage (kt)	Cr_2O_3 (%)	Cr:Fe ratio
MEASURED:				
Stellite Underground	41.06			
MG4		4 810	33.59	1.24
MG3		2 830	33.40	1.23
MG1		3 460	35.30	1.28
LG6		5 680	37.70	1.41
Stellite Open Pit	41.06			
MG4		590	31.86	1.22
MG3		390	34.80	1.33
MG2		180	37.20	1.31
MG1		160	39.00	1.40
LG6+6A		240	38.56	1.46
Mecklenburg Underground	37.34			
LG6+6A		4 495	43.36	1.59
Total Measured		22 835	36.87	1.36
INDICATED:				
Stellite Underground	41.06			
MG4		1 490	33.80	1.25
MG3		1 040	33.80	1.24
MG1		800	36.50	1.30
LG6		1 600	37.50	1.39
Stellite Open Pit	41.06			
MG4		1 160	32.35	1.23
MG3		990	34.30	1.30
MG2		320	37.30	1.31
MG1		260	38.80	1.41
LG6+6A		280	38.09	1.46
Mecklenburg Underground	37.74			
LG6+6A		3 008	43.37	1.59
Mecklenburg Open Pit	37.74			
LG6+6A		291	44.10	1.63
Total Indicated		11 239	37.56	1.39
Measured & Indicated Resources		34 074	37.10	1.37
INFERRED				
Stellite Open Pit	41.06			
MG4		1 480	33.18	1.24
MG3		790	34.60	1.30
MG2		210	37.10	1.32
MG1		80	38.90	1.41
LG6+6A		40	37.82	1.44
Mecklenburg Underground	37.74			
LG6+6A		1 138	43.41	1.59
Mecklenburg Open Pit	37.74			
LG7		47	44.99	1.48
LG6+6A		682	43.44	1.59
Inferred Resources		4 467	38.06	1.40
Total Resources		38 541	37.21	1.37

- *Mineral Reserves[1] used in SAMREC and IMMM Codes whereas termed Ore Reserves in the JORC Code*
- *No MG2 and LG6A Resources were declared underground for Stellite as the seams are too thin to enable eventual exploitation*
- *Resources were declared on the MG3 seam at Stellite for the first time as it satisfies all requirements for underground exploitation*
- *All Inferred underground Resources at Stellite were upgraded to Measured and Indicated Resources during the year*
- *Only LG6 seam reserves were declared at Mecklenburg in line with conventional single seam mining.*
- *Mineral Reserves were declared at Stellite for the first time*

The information in this report that relates to exploration results is based on information compiled by the MSA Group. The Competent Person has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC), the 2001 Code for reporting of Mineral Exploration Results, Mineral Resources and Mineral Reserves in the United Kingdom, Ireland and Europe (IMMM) as well as the 2007 edition of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). The team of people involved in the MSA estimation process is listed below:

Person:	Position:	Affiliations:
Andrew Scogings	Geological Consultant	MAusIMM, MAIG
Sifiso Siwela	Exploration Project Manager	Pr.Sci.Nat, MGSSA
Mike Hall	Mineral Resources Consultant	Pr.Sci.Nat, MGSSA, MAusIMM

A major positive feature of this year's estimation is the gain of 28.2 million tonnes in the Measured and Indicated Resource categories from the Inferred Resource category due to the MSA exploration drilling program. This made it possible to declare 3.85 million tonnes of opencast Mineral Reserves for the first time in the history of Stellite mine. Both features will add significant mineral asset value to Stellite. The declaration of opencast Mineral Resources for the first time in the history of Mecklenburg as well as the increase in total Mineral Resources will also add mineral asset value to Mecklenburg. The overall result is therefore a major improvement of the mineral asset value of Ruukki SA.

The Measured and Indicated Mineral Resources for Stellite declared as at 31 December 2011 decreased from that declared in February 2011 by Venmyn. The LG6A and the MG2 seams were removed from underground mining as they are only 26 and 41cm thick respectively. The minimum thickness that can be mined underground is 80cm. This resulted in a 7.27 million tonnes decrease. The decrease was positively impacted by the inclusion of MG3 underground resources which added 3.87 million tonnes. The net effect was a decrease of 3.4 million tonnes.

The Mineral Resources for Mecklenburg declared as at 31 December 2011 increased from that declared in February 2011 by Venmyn.

The combined Stellite and Mecklenburg Mineral Resources declared as at 31 December 2011 decreased from that declared in February 2011 by Venmyn, by 2.199 million tonnes and the Cr_2O_3 grade by 2.15% and the Cr to Fe ratio by 0.08.

The Mineral Reserves[1] for Stellite declared as at 31 December 2011 increased from that declared in February 2011 by Venmyn, due to the declaration of opencast Mineral Reserves for the first time in the history of Stellite mine as mentioned above.

The Mineral Reserves[1] for Mecklenburg declared as at 31 December 2011 decreased from that declared in February 2011 by Venmyn, due to the transfer of underground Mineral Resources to opencast Mineral Resources as mentioned above. Once a mine plan for the opencast is completed, Mineral Reserves[1] can be declared again that will eliminate the loss.

The combined Stellite and Mecklenburg Mineral Reserves[1] declared as at 31 December 2011 increased from that declared in February 2011 by Venmyn, by 2,978 million tonnes but the Cr_2O_3 grade decreased by 4.32% and the Cr to Fe ratio by 0.46, due to the addition of the low grade Stellite Mineral Reserves[1] to the previous only declared high grade Mecklenburg Mineral Reserves[1].

H.B, Swart Pr.Sci.Nat MGSSA
Mineral Resource Manager and
Competent Person for Ruukki SA

Overview

Mineral Resource and Mineral Reserve Statement for Ruukki Group in Turkey as at 31 December 2011.

Ore zone/body	Cr_2O_3%	Proven reserve (tonnes)	Probable (tonnes)	Possible (tonnes)	Total (tonnes)	Hypothetical Resources (tonnes)
KAVAK CONCESSIONS						
Yeni cevher	32–36	2 100	2 250	21 350	25 700	80 000
ÇamaÇırlık 2	20–25	2 900	4 800	9 700	17 400	225 000
Erenler	15		27 000	24 000	51 000	4 –5 million
TOTAL	20–36	5 000	34 050	55 050	94 100	4 800 000
BEYAĞAÇ CONCESSIONS						
Karabudak Oc.	38–43	300		–	300	
MeÇelidüz Oc.	38–43	1 700		–	1 700	
Mal Ocak	38–43	3 700		–	3 700	45 000
Çınar Ocak	38–43	6 900		–	6 900	10 000
ģehremen Oc.	38–43	5 000		–	5 000	
TOTAL	38–43	17 600		–	17 600	55 000
FETHIYE CONCESSIONS						
Çubuk pano 1	8–10	39 200		–	39 200	450 000
Çubuk pano 2	20	2 100		–	2 100	
Çubuk pano 4	25	1 100		–	1 100	
Karayatak Oc.	30	700		–	700	
TOTAL	8–30	43 100			43 100	450 000
KAVAK TAILINGS DAM						
Erenler	10–15	120 000			120 000	
Tailings Dam 1	13.23	950 000			950 000	
Tailings Dam 2	13.23	2 115 000			2 115 000	
Tailings Dam 3	13.23	230 000			230 000	
TOTAL	13.23	3 415 000			3 415 000	
TAVAS TAILINGS DAM						
Tailings Dam	10.97	441 000			441 000	
TOTAL	10.97	441 000			441 000	
GRAND TOTAL		3 921 700	34 050	55 050	4 010 800	

	2008			2010			2012		
	Cr_2O_3 %	Reserve Tonnes	Hypothetical (tonnes)	Cr_2O_3 %	Reserve Tonnes	Hypothetical (tonnes)	Cr_2O_3 %	Reserve Tonnes	Hypothetical (tonnes)
Eskişehir-Kavak	20-36	94 100		15.76	1 006 000		7-41	2 227 882	
Kavak Hypothetical			4 800 000			4 500 000	7-8		2 500 000
Denizli-Tavas	38- 43	17 600		23.85	11 700		33.05	208 500	
Tavas Hypothetical			55 000				16-34		490 000
Muğla-Fethiye	8-30	43 100		22-33	4 000				
Fethiye Hypothetical			450 000			363 000			363 000
Eskişehir-Kavak Tailings Old	13.23	3 415 000		13.23	3 415 000		13.23	3 155 000	
Eskişehir-Kavak Tailings New							4-6	270 000	
Denizli-Tavas Tailings	10.97	441 000		10.97	441 000		9-11	476 000	
Additional Fields									
Adana						16 300			16 300
Eskişehir-Beylikova						9 000			9 000
TOTAL		**4 010 800**	5 305 000		**4 877 700**	4 888 300		**6 337 382**	3 378 300
GRAND TOTAL		**9 315 800**			**9 766 000**			**9 715 682**	

Corporate Governance

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Corporate Governance Statement

Ruukki Group Plc ("Ruukki", the "Company" or the "Group") is a Finnish public limited company listed on the NASDAQ OMX Helsinki Stock Exchange (RUG1V) and the Main Market of the London Stock Exchange (RKKI).

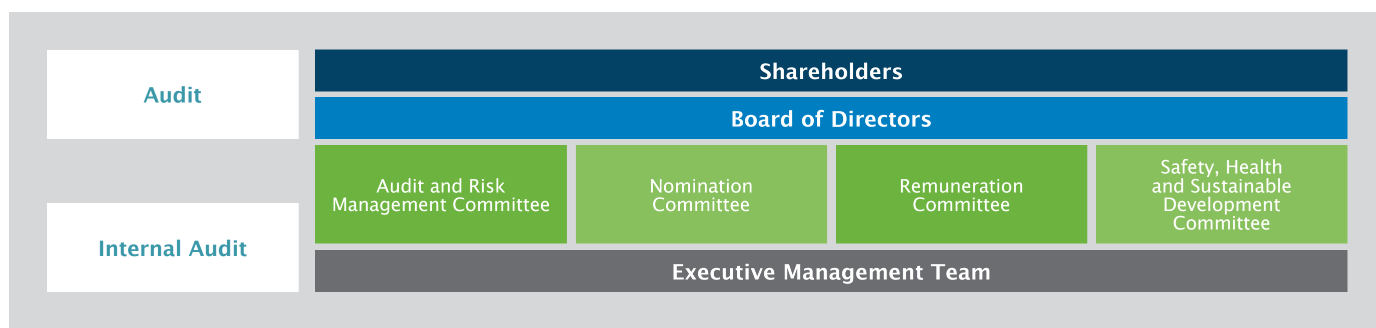
Ruukki's corporate governance is based on and complies with the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code and the regulations of the Finnish Financial Supervisory Authority, the NASDAQ OMX Helsinki Stock Exchange and the London Stock Exchange. Ruukki's foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls.

This Corporate Governance Statement for the financial period 1 January to 31 December 2011 is issued as a separate report to the Board of Directors' Report and is available on the Group's website at www.ruukkigroup.com. It has been prepared pursuant to the Finnish Corporate Governance Code 2010 and the guideline of the Securities Market Association dated 1 December 2010. Ruukki complies with the Finnish Corporate Governance Code which can be found on the Securities Market Association's website at www.cgfinland.fi.

Governance Bodies and the General Meeting of Shareholders

Governance Structure

The management and control of Ruukki Group Plc and its subsidiaries ("Group") is divided between the shareholders, the Board of Directors ("Board"), supported by the Board's audit and risk management, nomination, remuneration and safety, health and sustainable development committees and the Chief Executive Officer.



General Meeting

Ruukki's ultimate decision-making body is the shareholders' General Meeting which usually convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company's Articles of Association, the convening notice for a General Meeting will be published on the Group's website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor's report, will be available on the Group's website and at the Group's headquarters in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting will be published as a stock exchange release without undue delay and will be available on the Group's website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law.

The most significant items on the Annual General Meeting's agenda include:

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;
- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his/her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

General Meetings in 2011

The General Meeting was held on 11 May 2011 and an Extraordinary General Meeting was held on 16 June 2011, both at the Hotel Haven in Helsinki, Finland. All the resolutions of these General Meetings can be found at: www.ruukkigroup.com/en/investors/shareholder-meetings/2011.

The Board of Directors

Tasks and Responsibilities

The Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next Annual General Meeting immediately following their election. The Board elects a chairman from among its members.

The duties of a Board member are specified in the Finnish Companies Act. The Ruukki Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;

- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and modus operandi are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Company and all of its shareholders.

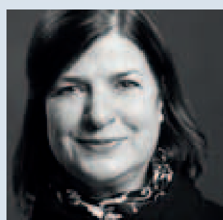
The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies.

Board Members

The 2011 General Meeting elected eight members to the Board: Dr Jelena Manojlovic, Philip Baum, Paul Everard, Markku Kankaala, Dr Danko Koncar, Dr Chris Pointon and Barry Rourke were re-elected, and Thomas Hoyer, the Group's CEO, was re-elected following previous membership of the Board between 2008 and 2010.

Board of Directors



Jelena Manojlovic Chairman, Dependent Non-Executive Director
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

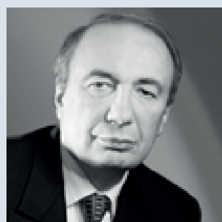
Jelena Manojlovic has been a member of the Board since 11 July 2008 and Chairman of the Board since 16 June 2009. She is also a member of the Remuneration and Nomination Committees. An established university lecturer and organisational consultant, Dr Manojlovic has over 35 years' experience in the human resources field and 20 years' in management positions across a diverse range of organisations and universities, including the UK's National Health Service and Kermas (a major shareholder in the Company), where she was Human Resources Director. Dr. Manojlovic is independent of the Company but through a controlled entity of her husband, Dr Danko Koncar, she is dependent on a major shareholder of the Company.

Chris Pointon Deputy Chairman, Independent Non-Executive Director
BSc (Earth Sciences and Chemistry), PhD (Geology)
Born 1948

Chris Pointon was appointed as a member of the Board at the Annual General Meeting on 21 April 2010. He is also Deputy Chairman of the Board, the Chairman of the Nomination Committee and a member of the Audit and Risk Management and Safety, Health and Sustainable Development Committees. He has 40 years of experience in the mining and minerals industry including exploration, development, operations and general management in Asia, Australia, South America, South Africa and Europe. He joined the Royal Dutch/Shell Group in 1970 in its Metals Division, subsequently Gencor, Billiton and BHP Billiton. From 1997 until his retirement in 2006 he was President of BHP Billiton's Stainless Steel Materials Division.

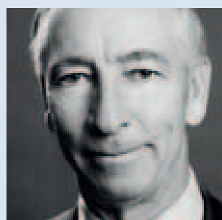
Thomas Hoyer Chief Executive Officer, Dependent Executive Director
M.Sc (Economics)
Born 1974

Thomas Hoyer was a member of the Board between 7 October 2008 and 21 April 2010 and was re-elected at the Annual General Meeting on 11 May 2011. He joined Ruukki in 2009 as CEO of the now divested wood processing division. During his tenure he was responsible for turning around the division and for the successful sale of five subsidiaries, valued at over EUR 100 million. In October 2010 he was promoted to Group CFO and in April 2011 to Group Chief Executive Officer and joined the Board. Prior to joining Ruukki, he held a number of senior management positions in portfolio management, private equity and finance at Allianz, Bank am Bellevue, Invision and Aldata Solution. He is dependent on the Company based on his position as CEO.



Dr Danko Koncar Enterprise Director, Dependent Executive Director,
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Danko Koncar was a member of the Board between 31 March 2008 and 11 July 2008 and was re-elected at the Extraordinary General Meeting on 11 August 2010, with special responsibility for strategy and new business development. He has extensive experience in minerals processing and trading, including 20 years in ferrochrome processing with six years experience in the application of direct current technology to ferrochrome processing. He has served as Chairman of Samancor Chrome, General Director of RCS Ltd and is General Director of Kermas. He was Acting Managing Director of the Company between October 2010 and April 2011. Dr Koncar is dependent on the Company based on his position as Enterprise Director and dependent on a major shareholder of the Company through his controlled entity Kermas Ltd.

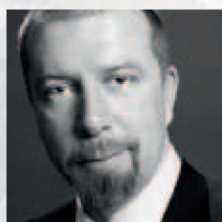


Philip Baum Independent Non-Executive Director
B.Com (Accountancy), LL.B (Law), Higher Diploma (Tax Law)
Born 1954

Philip Baum was appointed as a member of the Board at the Annual General Meeting on 21 April 2010. He is also the Chairman of the Remuneration Committee and a member of the Nomination and Safety, Health and Sustainable Development Committees. He has had a 32 year career mostly with Anglo American Plc, with extensive international experience in Africa, Europe, North and South America and Australasia in mining, minerals and heavy industry. He retired from Anglo American Plc in 2009 as Chief Executive Officer of its Ferrous Metals Division and a member of its Executive Committee. Currently, he is also chairman of Nord Gold.

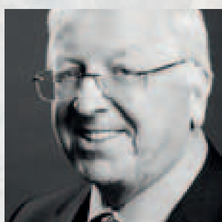
Paul Everard Independent Non-Executive Director
B.A. (Mechanical Sciences), M.A. (Mechanical Sciences), MBA
Born 1940

Paul Everard was appointed as a member of the Board at the Annual General Meeting on 21 April 2010. He is also the Chairman of the Safety, Health and Sustainable Development Committee and a member of the Audit and Risk Management Committee. He has had a career of over 40 years with natural resource companies involved in the extraction and processing of oil, metals and minerals including Shell, Billiton and BHP Billiton. In 1983 he was appointed Executive Director of Billiton responsible for the Aluminium Business. He retired from BHP Billiton as Deputy President Aluminium in 2005.



Markku Kankaala Independent Non-Executive Director
B.Sc. (Eng.)
Born 1963

Markku Kankaala has been a member of the Board since 30 June 2003. He is also a member of the Remuneration Committee. He was also the CEO of the Group from 2003 to 2004 and worked as a Branch Director in Ruukki Group Plc until 31 August 2006. Previously he worked for 10 years as an entrepreneur in the wood products industry and before that in different positions at Ahlstrom and Rautaruukki.



Barry Rourke Independent Non-Executive Director
FCA
Born 1950

Barry Rourke was appointed as a member of the Board at the Annual General Meeting on 21 April 2010. He is also the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee. He was an Audit Partner at PricewaterhouseCoopers for 17 years from 1984 to 2001, where he specialised in the Oil and Gas and Mining sectors. He currently holds a number of non-executive directorships and positions on the audit committees in other listed companies.

Board Independence

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Philip Baum, Paul Everard, Markku Kankaala, Dr Chris Pointon and Barry Rourke are independent. The Board has named Barry Rourke as the senior independent non-executive director.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination Committee	Remuneration Committee	Health, Safety and Sustainable Development Committee
Jelena Manojlovic	Chairman	11 July 2008	Dependent	–	Member	Member	–
Philip Baum	NED	21 April 2010	Independent	–	Member	Chair	Member
Paul Everard	NED	21 April 2010	Independent	Member	–	–	Chair
Thomas Hoyer	CEO	5 May 2011	Executive	–	–	–	–
Markku Kankaala	NED	30 June 2003	Independent	–	–	Member	–
Danko Koncar	Executive	11 August 2010	Executive	–	–	–	–
Chris Pointon	NED	21 April 2010	Independent	Member	Chair	–	Member
Barry Rourke	NED	21 April 2010	Independent	Chair	–	Member	–

Board Committees

The Board establishes its committees and appoints the committee members for a term of office that continues until the end of the following annual General Meeting.

Audit and Risk Management Committee

The Audit and Risk Management Committee currently has three members: Barry Rourke (committee chairman), Paul Everard and Dr Chris Pointon.

The Board has defined the committee's duties in accordance with the recommendations of the Finnish Corporate Governance Code. The Audit and Risk Management Committee surveys the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The committee evaluates internal audit and risk management, maintaining contact with auditors and evaluating their reports. The committee reports regularly to the Board.

In 2011, the Audit and Risk Management Committee evaluated and monitored the development of internal controls and risk management policies. The Group had no permanent internal auditor during the year, although operational management commissioned local specialists to conduct internal audit reviews within several business units as part of their local assurance process. The Board has received assurance from a number of sources, including a Board review of the Group's overall strategy and management processes and a strong head office function, which has exercised substantial supervision over the local operations, involving frequent visits to the operations. The integration of the Chromex assets into the FerroAlloy segment has led to the South African office being further strengthened, particularly in the areas of mining, geology and finance.

All significant Group companies are audited by the Company's auditor in order to ensure a consistent approach and to facilitate communication between the auditors and the Committee.

The Committee has focused on improving management information flow to the Board and on the identification and management of the main risks facing the Group. The risks are discussed in the Board of Directors' Report. These priorities continued to form the core of the committee's business during 2011, along with the regular scrutiny of the Group's compliance with laws, regulations and best practice.

Nomination Committee

The Nomination Committee currently has three members: Dr Chris Pointon (committee chairman), Dr Jelena Manojlovic and Philip Baum.

The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard.

In 2011, the Committee proposed the appointment of Thomas Hoyer as the Group's CEO, following a detailed executive search assisted by an external head hunter and the interviewing of a number of candidates.

Remuneration Committee

The Remuneration Committee currently has four members: Philip Baum (committee chairman), Dr Jelena Manojlovic, Markku Kankaala and Barry Rourke.

The Remuneration Committee leads the process relating to the remuneration of the executive management and the Board, and makes recommendations to the Board and to the General Meeting in relation to the Board's remuneration.

The Committee has most recently been focused on creating a management incentive plan that is more closely aligned with the Group's long and short-term growth and profitability targets in order to bring to shareholders an incentive plan designed to further improve the return on their investment.

Safety, Health and Sustainable Development Committee

The Safety, Health and Sustainable Development Committee currently has three members: Paul Everard (committee chairman), Philip Baum and Dr Chris Pointon.

Its main function is to oversee and review all relevant matters in order to advise and guide the Board on the safety, health and sustainability of the Group's operations.

The Committee has recently been working on improving the tracking of safety and health-related statistics throughout the Group. An independently performed environmental study into potential legacy liabilities relating to Mogale Alloys was also conducted.

Board and Committee meetings

During 2011 the Board held 15 meetings. The Audit and Risk Management Committee met on nine occasions, the Remuneration Committee on five occasions, the Nomination Committee on two occasions and the Health, Safety and Sustainable Development Committee on three occasions. The attendance record of the Directors during the period is shown in the table below. The average attendance percentage of the members of the Board was 97%.

	Board	Audit and Risk Management Committee	Nomination Committee	Remuneration Committee	Health, Safety and Sustainable Development Committee
Philip Baum	14		1	5	2
Paul Everard	14	9			3
Thomas Hoyer	9				
Markku Kankaala	15			5	
Danko Koncar	14				
Jelena Manojlovic	15		2	5	
Chris Pointon	14	8	2		2
Barry Rourke	15	9		5	

Remuneration

The Annual General Meeting held on 11 May 2011 approved the remuneration for the members of the Board as follows: Chairman EUR 7,500 and each non-executive director EUR 6,500 per month. During the financial year 2011, the Board members received a total of EUR 469,300 (416,250) in Board membership fees. In addition, the Board members received fees for committee meetings totaling EUR 30,100 (27,400).

In addition to the membership and meeting fees, the 2011 Annual General Meeting of the Company authorised the Board of Directors to decide on an issue of a maximum of 460,000 new shares or shares from the Company's treasury shares by a directed free issue to the members of the Board of Directors. The Board may decide to issue 80,000 shares each to the Deputy Chairman of the Board of Directors and the Chairman of the Audit Committee and 60,000 shares to each of the other non-executive Board members. This authorisation was not used during 2011.

Chief Executive Officer and Executive Management Team

Chief Executive Officer

The Board appoints the Chief Executive Officer (CEO), who leads the executive management of the Group in accordance with the Board's instructions. It is the responsibility of the CEO to lead and steer the Group and to act as the spokesperson for the Group both internally and externally. The CEO manages, develops, guides and supervises the Group's activities. In these duties, the CEO is assisted by the Executive Management Team and the personnel at the Group's headquarters. The CEO reports to the Board of Directors and prepares presentations and documentation for the Board. The focus of the CEO role is on major strategic activities, where his or her direct involvement and commitment are essential, whether concerning acquisitions, capitalisation, listing or other special projects.

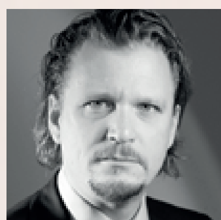
The CEO's ongoing responsibilities include the following:

- Providing leadership to the Group and determining its priorities and operating practices;
- Preparing and developing the Group's strategy for the Board's approval;
- Implementing the Group's strategy and delivering performance in line with targets;
- Planning and managing the organisational structure, capital structure, investments, mergers and acquisitions, de-mergers, credits, guarantees and other substantial commitments for the Board's approval;
- Organising the Group's finance, bookkeeping and internal control matters; and
- Coordinating communications to shareholders, the investment community and the media.

Thomas Hoyer was appointed Group CEO in May 2011. Dr Danko Koncar, previously Acting Managing Director, was appointed Enterprise Director and was also re-elected to the Board.

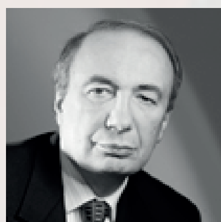
Executive Management Team

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.



Thomas Hoyer, Chief Executive Officer
M.Sc (Economics)

Thomas Hoyer was non-executive director of Ruukki Board between October 2008 and April 2010 and was re-elected at the Annual General Meeting on 11 May 2011. He joined Ruukki in 2009 as CEO of the now divested wood processing division. During his tenure he was responsible for turning around the division and for the successful sale of five subsidiaries, valued at over EUR 100 million. In October 2010 he was promoted to Group CFO and in May 2011 to Group Chief Executive Officer and joined the Board. Prior to joining Ruukki, he held a number of senior management positions in portfolio management, private equity and finance at Allianz, Bank am Bellevue, Invision and Aldata Solution.



Dr Danko Koncar, Enterprise Director
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)

Danko Koncar was a member of the Board between March 2008 and July 2008 and was re-elected at the Extraordinary General Meeting on 11 August 2010, with special responsibility for strategy and new business development. He has extensive experience in minerals processing and trading, including 20 years in ferrochrome processing with six years experience in the application of direct current technology to ferrochrome processing. He has served as Chairman of Samancor Chrome, General Director of RCS Ltd and is General Director of Kermas. He was Acting Managing Director of the Company between October 2010 and May 2011.

Stefano Bonati, Chief Commercial Officer
B.Sc (Chemistry, specialising in Inorganic Chemistry and Metallurgy)

Stefano Bonati joined Ruukki in 2008, as part of the transaction which acquired RCS Ltd, the Company's sales and marketing arm. He was European Head of the Minerals Business, which is now the Speciality Alloys division, until his promotion to Chief Commercial Officer in May 2011. He is now responsible for both the Speciality Alloy division and RCS. Prior to joining Ruukki, he held various senior management positions, including CEO of RCS Ltd between 2006 to 2008, Head of a BASF operational division in Italy and Executive Vice President of Dirox, part of a private Italian conglomerate and one of the market leaders in the chrome chemicals business.

Dr Alistair Ruiters, **Executive Chairman, Ruukki South Africa**

BA (Economic History), Ph.D. (Sociology)

Alistair Ruiters joined Ruukki in November 2009 as Ruukki South Africa's Managing Director. Prior to joining Ruukki, he was Chief Executive Officer of the black empowerment company, The Sediko Group, a diversified investment holdings company. Before transferring to the private sector in 2005, Dr Ruiters served as a public servant in the new South African democratic government from 1994 to 2005. He held numerous senior positions including the Commissioner of the Competition Commission and the Director General of the Department of Trade and Industry. He serves on the boards of Umcebo Mining, Accor Services South Africa and Sediko Holdings. He was also a De Beers Scholar.

Markus Kivimäki, **General Manager: Corporate Affairs and Company Secretary**

LL.M (Master of Laws)

Markus Kivimäki joined Ruukki as Head of wood processing business and Business Development of the now divested wood division in March 2010. He was promoted to General Manager: Corporate Affairs and Company Secretary in October 2010. Prior to joining Ruukki, he held various senior management positions including Senior Vice President and General Counsel of Elcoteq SE and Vice President of Legal Affairs with Aldata Solution Oyj.

Kalle Lehtonen, **General Manager: Finance**

M.Sc Economics

Kalle Lehtonen joined Ruukki in 2008 as Vice President Mergers & Acquisitions of the now divested wood processing business before being promoted to CFO of the wood division in 2009. He was promoted to General Manager: Finance in October 2010. Prior to joining Ruukki, he held a number of senior management positions including Group Controller of Aldata Solution Oyj and Vice President of Finance for Seven Networks Ltd.

Internal Control

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

Main Principles of Risk Management and Internal Control

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures. Each segment assesses and reports its risk position to the EMT on a monthly basis.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Ruukki personnel, and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Ruukki's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

The Structure of Internal Control Systems

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

The Internal Control of the Financial Reporting Process

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.

Each business unit has its own finance function which reports to the Group finance department. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group's finance department consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

Roles and Responsibilities Regarding Risk Management and Internal Control

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassesses them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

Group Management

The Group's management is in charge of the day-to-day management of the Group in accordance with the instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

The General Manager, Finance ensures that the Group's accounting and financial reporting practices comply with the law, and that all financial matters are handled effectively. The General Manager, Corporate Affairs ensures that the Group's corporate governance practices comply with the law and that all legal matters of the Group are handled appropriately.

External Audit

According to the Articles of Association, the annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

On 11 May 2011 Ruukki's General Meeting elected Authorised Public Accountant Ernst & Young Oy as auditor, with Authorised Public Accountant Tomi Englund having the principal responsibility. Ernst & Young is also the local auditor of all of the Group companies.

In 2011 the Group paid EUR 781,000 for audit fees (691,000) and EUR 289,000 for non-audit services (3,850,000) to Ernst & Young.

Insider Administration

The Company complies with the Guidelines for Insiders issued by the NASDAQ OMX Helsinki Stock Exchange.

Public Insider Register

The Company's permanent public insiders comprise the Board members, the CEO, the Executive Management Team and the auditors. All permanent public insiders and the statutory information about them, their related parties and the entities controlled by them or in which they exercise influence, have been entered into the Company's public insider register which is published on the Group's website.

Ruukki imposes a restriction on trading for insiders which forbids trading in the Company's shares for 30 days before the publication of financial reports. Prior to the announcement of annual results the closed period is 60 days or, if shorter, the period from the end of the relevant financial year up to and including the time of the announcement.

Compliance with the insider regulations is monitored by taking samples at certain intervals of trading by insiders in the Company's shares.

Company-specific Insider Register

In addition to the public insider register, the Company holds a company-specific insider register of persons who regularly receive information that can have material impact on the value of its securities. These persons include all Ruukki employees and third-party service providers who regularly obtain insider information.

Project-specific Insider Register

When necessary, the Company sets up a separate project-specific insider register. Project-specific insiders are those who, in connection with the insider project, obtain information about the Group that might have material impact on the value of the Company's shares if it were published. The establishment of a project is decided by the Board or the CEO.

Shareholdings of the Public Insiders at 31 December 2011

Members of the Board		Shares	Options
Jelena Manojlovic	Chairman	150 000	0
Philip Baum	Non-executive Director	150 000	0
Paul Everard	Non-executive Director	150 000	0
Thomas Hoyer	Executive Director, Chief Executive Officer	52 083	0
Markku Kankaala	Non-executive Director	7 066 116	0
Danko Koncar	Executive Director, Enterprise Director	70 766 500	70 194 518
Chris Pointon	Non-executive Director	190 000	0
Barry Rourke	Non-executive Director	150 000	0
Auditors			
Tomi Englund	Auditor	0	0
Other insiders			
Stefano Bonati	Chief Commercial Officer	0	0
Theuns De Bruyn	Chief Operating Officer	0	0
Markus Kivimäki	General Manager, Corporate Affairs	0	0
Kalle Lehtonen	General Manager, Finance	0	0
Alistair Ruiters	Executive Chairman, Ruukki South Africa	400 000	0

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

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

Shareholder Notifications

Ruukki received the following shareholder notifications during or after the review period, 1 January to 31 December 2011. They can also be found on the Group's website: www.ruukkigroup.com.

On 30 March 2011, Hanwa Co. Ltd announced that it had signed a share transfer agreement with Finaline Business Limited concerning a sale and transfer of 27,000,000 shares in the Company. After completion the transaction will result in Hanwa falling below the 5 per cent threshold and will become a 1.21 per cent holder of the shares and voting rights in Ruukki.

On 31 March 2011, Finaline Business Limited announced that it had signed a share transfer agreement with Hanwa Co. Ltd concerning a sale and transfer of 27,000,000 shares in Ruukki. After completion the transaction will result in Finaline increasing above the 5 per cent threshold and becoming a 10.87 per cent holder of the shares and voting rights in Ruukki.

On 23 December 2011, Hanwa Co. Ltd announced that it had completed a share transfer agreement with Finaline Business Limited concerning a sale and transfer of 27,000,000 shares in Ruukki. As a result of the transaction, Hanwa fell below the 5 per cent threshold and became a 1.21 per cent holder of the shares and voting rights in Ruukki.

On 27 December 2011, Finaline Business Limited announced that it had completed a share transfer agreement with Hanwa Co. Ltd concerning a sale and transfer of 27,000,000 shares in Ruukki. The transaction resulted in Finaline Business Limited increasing above 10 per cent and becoming a 10.87 per cent holder of the shares and voting rights in Ruukki.

On 8 February 2012, Hino Resources Co. Ltd announced that its ownership has exceeded the 5 per cent threshold and it had become a 5.08 per cent holder of the shares and voting rights in Ruukki as of 29 April 2011.

Remuneration Report

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

Remuneration Policy

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

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

Remuneration Committee

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

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

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

CEO Service Agreement

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

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

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

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

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

Other EMT Members' Service Contracts

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

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

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

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

Executive Management Team Remuneration

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

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

Share-based Compensation

Share Options

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

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

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

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

Directed Free Issue of Shares

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

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

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

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

Non-Executive Directors' Service Contracts

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

The Board and CEO Remuneration

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

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

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

Directors' Shareholdings and Options at 31 December 2011

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

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

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

The Board of Directors' Report

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Review of 2011

Laying Solid Foundations for Growth

Ruukki's objective is to create shareholder value through delivering long-term, sustainable growth that will transform it into a major player in the global ferrochrome industry within the next five years.

The first steps towards achieving this were taken in the second half of 2010 when the Group decided to become a vertically integrated specialist ferroalloys producer. The strategic transformation was completed during the first half of 2011 with the sale of the Group's wood processing assets. The cash proceeds totalled over EUR 80 million and were redeployed into the ferroalloys business to provide financial flexibility and strengthen the Group's balance sheet.

This strategic transformation also prompted a restructuring of the Group to align all its reporting and controls in a way that is most appropriate for a dedicated mining and processing business and to integrate the Chromex assets, acquired in December 2010, into its FerroAlloys production division.

Ruukki's short-term strategy, which has a two-year timeframe, is focused on growing its chrome ore resources, expanding production and improving operational efficiencies. Good progress was made during the year towards accomplishing these goals.

Production was successfully increased at Stellite with the ramp-up to 360,000 tonnes run of mine run rate achieved during the second half of the year. Production quality has also been stabilised.

Chrome ore exports to China were also successfully increased, although not at the pricing levels anticipated because of a weak general market as a result of the current oversupply of chrome ore.

Development of the Mecklenburg project, on the Eastern Limb of the Bushveld, is under appraisal. The Feasibility Study undertaken by the previous owners, Chromex Mining plc, is being reviewed and a development decision is expected during the second half of 2012.

Growing the Group's resources will be achieved through further acquisitions. A number of opportunities in South Africa were identified during 2011 and are currently being evaluated.

Looking towards the medium-term horizon, the Group is exploring the possibility of expanding its processing capacity with the construction of two additional DC furnaces in South Africa. During the year work continued on the Feasibility Study. The plant design work has been completed but the final component, site selection, is currently pending as it will be dependent on the outcome of the Group's plans to grow its chrome ore resources during the course of 2012. The situation will be reviewed in 2013.

Ruukki also explored potential strategic partnerships with major Asian corporations regarding collaboration in the Group's business, including the possible financing and construction of the two DC furnaces. In light of the pending decision on site selection, these discussions have been temporarily placed on hold, although the Group continues to maintain dialogue with the potential partners.

Longer term, the Group believes that controlling its own power supply to manage one of its key cost inputs will be vital in order to ensure its global competitiveness. Various options are under early evaluation and the situation with regard to Eskom's new build programme is also being monitored.

Pupils working in the Patrick Masego school garden

Here are two of the community projects Ruukki supports

Pupils from the Patrick Masego Primary School

Children from one of the day care centres in the Rietvallei informal settlement

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 in South Africa, which will be rolled out across its operations worldwide during 2012. The Group is also in the process of implementing a lost time injury metrics system in conformance with the internationally recognised standards.

It was with deep regret that the Board learned of the death of Mr Kgantitsoe, an employee of the drilling contractor Geoserve, who was fatally injured in an incident at the Stellite mine. A full root cause analysis was carried out and Ruukki and Geoserve are implementing all the lessons learned to prevent a similar incident occurring in the future.

The Group has started an initiative to focus on proactive safety and environmental measurements as part of its aim to achieve "Zero Harm". This will be rolled out across all operations during 2012, to all employees, contractors and neighbouring communities.

In South Africa, baseline risk assessments were carried out and completed at Mogale and Stellite as part of the integration process. The Stellite Social and Labour Plan, a legislated requirement, was reviewed and amended to reflect Stellite's position as part of the Group. The plan will be implemented during 2012. A medical aid programme was introduced during the year for all the employees of the FerroAlloys business.

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 programmes 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 programme. The teacher support programme 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 programmes are managed in conjunction with professional third party service providers to maximise their effectiveness and benefits. Now that the integration of the Stellite and Mogale operations has been completed, Ruukki intends to further expand its community programmes during 2012.

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.

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. An extensive environmental study was completed at Mogale during 2011. The Group has reviewed the findings and is currently preparing a roadmap in order to further improve its environmental performance, which will be implemented during 2012.

During the year, Mogale embarked on the ISO 9001 certification/accreditation process which was successfully awarded in February 2012. This ISO accreditation complements that of EWW, which has already received ISO 9001 and underlines our commitment to the quality of the Group's chrome products.

2011 Operating and Financial Performance

Turning to the Group's performance for 2011, there has been a clear improvement in its operating and financial results year on year despite challenging and volatile market conditions.

Group Production

Production for the year improved by a substantial 156.6% to 353,962 (137,951) tonnes, mainly due to the acquisition of Chromex Mining and the ramp up in production at the Stellite mine in the second half of the year.

Tonnes	Q1	Q2	Q3	Q4	FY 11	FY 10	Change
Speciality Alloys – Mining*	19,998	20,631	21,958	19,566	82,154	54,917	49.6%
FerroAlloys – Mining*	31,987	35,669	46,006	45,792	159,455	N/A	–
Speciality Alloys – Processing	6,881	7,209	5,247	6,571	25,908	17,994	44.0%
FerroAlloys – Processing	28,942	29,340	13,189	14,974	86,445	65,040	32.9%

** Including both chromite concentrate and lumpy ore production*

The Chrome Market

Despite a positive start to the year and industry forecasts of a mid-year recovery, this failed to materialise during the spring and the steel and stainless steel sector started de-stocking. Market conditions deteriorated further during the second half of the year, driven by global macroeconomic sentiment, the Eurozone crisis and sluggish levels of growth in China.

The Group's diversified product range, from chrome ore through to premium speciality alloy products, enabled it to weather the difficult market conditions and provided some protection. Prices for chrome ore and charge chrome declined throughout the year and demand was generally weak. At one point, prices for charge chrome fell 15% quarter on quarter. Demand for the Group's speciality alloy products, in contrast, remained relatively stable throughout the year. The Group secured a number of long-term contract orders through as far as 2018, with good demand from the United States aerospace and power generation industries and also from Japan, which was related to post-Tsunami reconstruction.

Group Revenue and Profitability

Revenue for the year increased by 29.0% to EUR 159.1 (123.3) million. This was mainly attributable to the Group's increased production volumes, particularly the FerroAlloys segment which included the Stellite mine, acquired as part of Chromex Mining in December 2010.

EBITDA for the year was EUR 1.4 (–8.4) million, an improvement of EUR 9.8 million year on year. This was predominantly due to the increased volumes and the more stable market for the Group's premium speciality alloy products, which held their prices.

Profit for the period was EUR 22.7 (–51.1) million, which includes EUR 43.5 million net gains on disposals of the wood processing businesses, and a EUR 5.7 million impairment loss related to discontinued operations.

EUR million	Q1	Q2	Q3	Q4	FY 11	FY 10	Change
Revenue	34.8	44.5	42.4	37.3	159.1	123.3	29.0%
EBITDA	3.5	1.7	–2.7	–1.1	1.4	–8.4	
EBITDA margin	9.9%	3.8%	–6.3%	–2.9%	0.9%	–6.8%	
EBIT	–3.6	–5.4	–9.6	–8.0	–26.5	–75.6	
EBIT margin	–10.2%	–12.1%	–22.5%	–21.3%	–16.6%	–61.3%	
Profit for the period, discontinued operations	43.0	4.1	–0.2	–5.8	41.1	14.2	189.6%
Profit for the period	39.9	0.3	–6.7	–10.7	22.7	–51.1	

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

The year's earnings per share was EUR 0.10 (–0.22).

Balance Sheet, Cash Flow and Financing

The Group's liquidity at 31 December 2011, when taking into account cash and cash equivalents as well as short-term deposits, remained strong at EUR 65.9 (8.6) million. Operating cash flow for the year was EUR –2.4 (10.6) million. Ruukki's gearing at the end of the financial year was 8.1% (46.6%). Net interest-bearing debt was EUR 19.6 (98.2) million.

The Group entered into a new US$55 million loan facility agreement with Kermas Limited in December 2011. This facility is available to be drawn until 31 December 2014 and the loan term will be from the first draw-down date until 31 December 2015. The new agreement replaced the old agreement for the same amount which was due to expire on 31 December 2011.

One of the Group's South African subsidiaries, Mogale Alloys, has drawn down a loan from a South African bank for the principal amount of EUR 8 million. This loan agreement includes financial covenants, some of which were breached during the third quarter of 2011. At the end of the financial year, however, none of the covenants were breached. Based on discussions with the bank, the Group is confident that the bank will not ask Mogale to repay the loan prior to its maturity date in April 2015, despite the breach during the financial year.

Total assets on 31 December 2011 were EUR 421.8 (557.0) million and the equity ratio was 57.0% (44.3%).

Speciality Alloys Segment

The Speciality 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 operates under a long-term toll manufacturing agreement. The division produces chrome ore and a range of speciality products including Specialised Low Carbon and Ultralow Carbon Ferrochrome.

Production

Production increased 48.2% year on year to 108,062 (72,911) tonnes. TMS increased its mining volumes by nearly 50% and EWW increased processing production by 44%.

During the year, TMS successfully completed a new shaft at the underground Kavak mine on budget and within schedule, and optimised the beneficiation plant to further improve recoveries. An extensive drilling programme was also undertaken to upgrade its reserves and resources.

EWW also operated close to full capacity, with a number of process optimisation initiatives successfully implemented during the year.

Tonnes	Q1	Q2	Q3	Q4	FY 11	FY 10	Change
Mining*	19,998	20,631	21,958	19,566	82,154	54,917	49.6%
Processing	6,881	7,209	5,247	6,571	25,908	17,994	44.0%

**Including both chromite concentrate and lumpy ore production*

Financial Performance

Revenue for the year was EUR 83.6 (69.0) million, representing an increase of 21.2% year on year and EBITDA was EUR 13.8 (7.8) million. Demand for speciality products remained relatively stable throughout the year and the Group responded accordingly with both the TMS and EWW operations running at almost full capacity, excluding the planned annual maintenance shutdown. Prices for the speciality products remained, on average, at the same level as in 2010.

EUR million	Q1	Q2	Q3	Q4	FY 11	FY 10	Change
Revenue	20.2	21.1	21.9	20.5	83.6	69.0	21.2%
EBITDA	5.0	3.5	2.0	3.3	13.8	7.8	77.0%
EBITDA margin	25.0%	16.8%	9.0%	15.9%	16.5%	11.3%	
EBIT	0.7	–1.0	–2.4	–1.1	–3.8	–10.0	
EBIT margin	3.2%	–4.7%	–11.2%	–5.2%	–4.6%	–14.5%	

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

Production increased 278.1% year on year to 245,900 (65,040) tonnes, mainly due to the addition of the Stellite mine, which was acquired as part of Chromex Mining. The division's main priorities for the year were the vertical integration of the Stellite mine with the Mogale processing plant and the ramp-up in production at Stellite to an annualised run of mine capacity of 360,000 tonnes. Both were successfully achieved.

A comprehensive review of the mining and beneficiation operations at Stellite was undertaken in order to optimise the operation. This included reappraising the mining contractor, which has resulted in an improved performance and should realise significant cost savings during 2012, and debottlenecking the beneficiation plant to reduce unnecessary waste. Mineral Reserves were also declared at Stellite for the first time and all Inferred Resources were upgraded to Measured and Indicated Resources.

Production at Mogale was up 32.9% year on year, although the weak demand for charge chrome during the second half of the year negatively impacted volumes and production was adjusted accordingly.

Tonnes	Q1	Q2	Q3	Q4	FY 11	FY 10	Change
Mining*	31,987	35,669	46,006	45,792	159,455	N/A	–
Processing	28,942	29,340	13,189	14,974	86,445	65,040	32.9%

** Including both chromite concentrate and lumpy ore production*

Financial Performance

Revenue for the year increased 39.7% to EUR 75.4 (54.0) million, which was driven by the rise in sales of chrome ore from Stellite and increased production volumes at Mogale Alloys. EBITDA for the year was EUR –3.9 (–1.0) million. This included a EUR 0.4 (0.0) million non-cash expense for share-based payments and EUR 4.4 (2.4) million of costs related to the feasibility studies for the proposed two new DC furnaces and a power plant. Further work on the feasibility studies have been deferred until the site selection has been made. The increase in sales volumes was not sufficient to compensate for the combined effect of the decrease in prices, the increase in electricity prices and the strong South African Rand.

EUR million	Q1	Q2	Q3	Q4	FY 11	FY 10	Change
Revenue	14.6	23.5	20.5	16.8	75.4	54.0	39.7%
EBITDA	0.0	0.1	–2.1	–1.9	–3.9	–1.0	
EBITDA margin	0.3%	0.3%	–10.3%	–11.2%	–5.2%	–1.8%	
EBIT	–2.6	–2.5	–4.6	–4.4	–14.0	–50.2	
EBIT margin	–17.5%	–10.5%	–22.3%	–26.2%	–18.6%	–93.0%	

Other Operations

The Group's other operations include the Group's headquarters and other Group companies that do not have significant business operations. These are reported under unallocated items. EBITDA for the year from unallocated items was EUR –8.5 (–15.4) million, including a EUR 0.9 million non-cash expense for share-based payments.

Discontinued Operations: Wood Processing Business

As a result of a strategic review undertaken in 2010, a process to sell the Group's wood processing businesses was initiated in late 2010 and completed during the first half of 2011.

In January 2011 Ruukki signed an agreement to sell the Finnish house building business, Pohjolan Design-Talo Oy, and the transaction was finalised in March. The consideration paid in cash was EUR 76.2 million.

In March 2011 Ruukki signed an agreement to sell the shares of its Finnish pallet business, Oplax Oy, for a total consideration of approximately EUR 8.4 million. The sale was completed in April 2011. The consideration was paid in cash and with a vendor note of EUR 1.5 million.

In May 2011 Ruukki signed a definitive agreement to sell its 51 percent holding in Junnikkala Oy to Junnikkala Oy's minority shareholders. The total consideration of EUR 6 million was paid in cash. The transaction was completed in June 2011.

On the Group's income statement these businesses have been presented as discontinued operations. The profit from discontinued operations for the year was EUR 41.1 (14.2) million, including EUR 43.5 million net gain on disposals of the wood processing business and a EUR 5.7 million impairment loss related to sawmill equipment that was acquired in 2008 for the abortive Russian sawmill project.

Investments, Acquisitions and Divestments

Capital expenditure in the year was EUR 4.5 (17.8) million and relates primarily to exploration drilling at the Turkish and South African mines and the annual maintenance at the EWW and Mogale processing plants.

The transactions and proceeds related to the Group's wood processing businesses have been detailed under "Discontinued Operations".

On 5 September 2011 the Group transferred a total of 2,976,213 ordinary shares as an earn-out consideration for the speciality alloys business acquired in 2008. The profit share calculation for the earn-out consideration was confirmed for the years 2009 and 2010. Ruukki paid the 2009 earn-out in full and 50 per cent of the 2010 earn-out. The fair value of the shares, EUR 3,809,552.64, was accounted for in the Company's paid-up unrestricted equity reserve.

Changes in Management

In May 2011 Thomas Hoyer was promoted from Group Chief Financial Officer to Chief Executive Officer. Theuns de Bruyn was appointed Chief Operating Officer in July 2011 and resigned in January 2012 to pursue other business interests.

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 of personnel. The Group's human resources policies are designed to develop, motivate and retain key employees. The Group follows local legislation and applicable regulations at each of its operations in regards to its human resources management.

By the end of 2011, the Group's headcount in the continuing operations had risen to 797, compared to 722 in 2010. There was around a 10% increases in both the Speciality Alloys and the FerroAlloys segments. The Group's other operations remained stable.

Continuing Operations	31 December 2011	31 December 2010	Change
Speciality Alloys	442	396	11.6%
FerroAlloys	345	316	9.2%
Other Operations	10	10	0%
Total	797	722	10.4%

Equal opportunities and diversity are important to an international company like 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.

As part of the Group's compliance with local legislation in South Africa, the FerroAlloys division monitors its employment equity. 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 to have at least 50% of its workforce represented by historically disadvantaged individuals.

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

Outlook

The global economic outlook for 2012 is uncertain 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 productions levels accordingly. At Mogale, part of the FerroAlloys division, the decision has been taken to put furnaces on care and maintenance for the first half of the year. This decision will be reviewed during the second quarter. The market for speciality alloy products is estimated to be more stable, however, uncertainty remains in 2012 too. In light of this and until the market for its products improves, the Group expects its financial performance for the full year 2012 to be comparable to 2011.

Fluctuations of exchange rates between the Euro, the South African Rand, the Turkish Lira and the US Dollar can significantly impact the Group'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 is presented in more detail in the notes to the consolidated financial statements in 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 and in the steel and stainless steel industries. The global market for the 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 that 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 varying customer requirements.

Ruukki has operations in South Africa and a mine development project in Zimbabwe and political risk remains a key challenge in the southern African mining sector. Changes in the mining, employment and fiscal regulatory environment may have a material adverse impact on the Group'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 both acquisitive and organic growth. Subject to market conditions, the Group 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 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 were to 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 that it may not be able to secure the required financing, either through financial institutions or through strategic partnerships. If all or some of these risks were to 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 the Group'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 reassesses its remuneration policies and packages, based on the Remuneration Committee's advice, to ensure they are attractively competitive and reviews its succession plans. Key personnel were successfully recruited during 2011 to further strengthen Ruukki's technical expertise and skill base.

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, the removal and processing of material associated with underground and/or opencast mining, and in particular our smelting operations, 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 recurrence. 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 risk assessment at all of its operations, has developed a comprehensive set of health and safety guidelines, policies and procedures and maintains a programme of regular, continuous employee training. All of these measures are overseen at the highest level within the Group by the Board Committee for Safety, Health and Sustainable Development.

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, 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. These factors 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 ownership 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 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. During 2011 the Group carried out studies regarding the environmental liabilities and concluded on that basis that the provisions in the accounts are sufficient at the 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.

Liquidity risks involve whether the Group has sufficient 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 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 both from direct risk, such as commercial cash flows and currency positions and from indirect risk, such as changes in the Group's competitiveness as a result of its foreign exchange rate exposures compared to its competitors. A significant portion of Ruukki's acquisition-related liabilities are denominated in foreign currencies.

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 specialist 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 2011, Ruukki had not recognised any liability relating to these claims on its statement of financial position.

During 2010, certain vendors of Mogale Alloys Ltd commenced legal actions in South Africa against the Group relating to the payment of the remaining ZAR 600 million (EUR 57.2 million), which represents 30% of the full purchase price for Mogale, along with an interest claim. The parties disagree whether the conditions for the payment have been fulfilled and consequently Ruukki strongly refutes this legal action and is vigorously defending it. Ruukki has already at the closing of the acquisition recorded the majority of the claimed amount as a liability in its consolidated statement of financial position. In the event that the Group is unsuccessful in defending the action, it will not be expected to have a material impact on the Group's consolidated income statement. It will, however, have a significant impact on the Group's financial position and cash flow.

One of Ruukki's joint venture companies, Chromex Mining Ltd, has received notice from Samancor Chrome Limited (Samancor) that Samancor has applied to the High Court in South Africa to dispute the decision by the Department of Mineral Resources ("DMR") of the Republic of South Africa to reject Samancor's application on Portions 2 and 5 of the Mecklenburg farm and to set aside the New Order Mining Right granted to Chromex in July 2008. There has been no change in the legal proceedings over the past year. Ruukki is confident of its position regarding the Mecklenburg farm and its right, as awarded by the DMR in accordance with South African law, to develop the property.

Share Information

Ruukki Group Plc's ordinary shares are listed on NASDAQ OMX Helsinki under the ticker "RUG1V" and on the premium segment of the Main Market of the London Stock Exchange under the ticker "RKKI".

On 31 December 2011, the registered number of Ruukki Group Plc shares was 248,432,000 (248,207,000) and the share capital was EUR 23,642,049.60 (23,642,049.60).

On 31 December 2011, the Group had 4,414,682 (8,740,895) own shares in treasury, which was equivalent to 1.78% (3.52%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Group on 31 December 2011, was 244,017,318 (239,466,105).

During 2011 the Group's share price on NASDAQ OMX Helsinki ranged from EUR 0.81 to 2.03 per share and the market capitalisation, as at 31 December 2011, was EUR 221.1 million (1 Jan 2011: 422.0). For the same period on the London Stock Exchange the share price range was GBP 0.83 to 1.60 per share and the market capitalisation was GBP 218.6 million (1 Jan 2011: 358.7), as at 31 December 2011.

Based on the resolution at the AGM on 11 May 2011, the Board is authorised to buy back up to a maximum of 15,000,000 of its own shares. This authorisation is valid until 11 November 2012. The Group did not carry out any share buy-backs during 2011.

2012 Annual General Meeting

Ruukki's 2012 General Meeting will be held on 10 May 2012.

Dividend Payout Proposal

The Board of Directors proposes to the Annual General Meeting that no dividend is distributed for the 2011 financial year.

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.

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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

Group's Key Financial Figures

		2011 Continuing operations	2010 Continuing operations	2009 Continuing operations
Revenue	**EUR '000**	**159 087**	**123 347**	**71 048**
EBITDA	EUR '000	1 404	–8 439	1 178
% of revenue		0.9 %	–6.8 %	1.7 %
Operating profit / loss (EBIT)	**EUR '000**	**–26 464**	**–75 559**	**–39 348**
% of revenue		–16.6 %	–61.3 %	–55.4 %
Profit / loss before taxes	**EUR '000**	**–25 439**	**–76 253**	**–40 645**
% of revenue		–16.0 %	–61.8 %	–57.2 %
Return on equity	%	9.5 %	–19.6 %	–10.8 %
Return on capital employed	%	7.0 %	–15.2 %	–8.3 %
Equity ratio	%	57.0 %	44.3 %	52.0 %
Gearing	%	8.1 %	46.6 %	22.7 %
Personnel, average		781	677	529

		2011		2010		2009	
		Group	Continuing operations	Group	Continuing operations	Group	Continuing operations
Earnings per share, basic	EUR	0.10	–0.07	–0.22	–0.27	–0.08	–0.13
Earnings per share, diluted	EUR	0.09	–0.07	–0.22	–0.27	–0.08	–0.13
Equity per share	EUR	0.91	0.91	0.85	0.85	1.03	1.03
Dividends *	EUR '000	0		9 617		9 570	
Dividend per share *	EUR	0.00		0.04		0.04	
Price to earnings	EUR	9.1		–7.7		–27.1	
Average number of shares	1 000	241 343		239 363		250 175	
Average number of shares, diluted	1 000	271 533		267 629		295 456	
Number of shares at the end of the period	1 000	248 432		248 207		261 034	
Share price information (NASDAQ OMX Helsinki)							
Average share price	EUR	1.33		1.59		1.67	
Lowest share price	EUR	0.81		1.00		1.04	
Highest share price	EUR	2.03		2.30		2.68	
Market capitalisation	EUR '000	221 104		421 952		558 613	
Share turnover	EUR '000	11 344		33 414		547 018	
Share turnover	%	4.6 %		8.5 %		125.7 %	
Share price information (London Stock Exchange) **							
Average share price	EUR	1.50		1.64		–	
	GBP	1.30		1.39		–	
Lowest share price	EUR	0.96		1.60		–	
	GBP	0.83		1.36		–	
Highest share price	EUR	1.84		2.10		–	
	GBP	1.6		1.78		–	
Market capitalisation	EUR '000	261 727		416 682		–	
	GBP '000	218 620		358 659		–	
Share turnover	EUR '000	227		1168		–	
Share turnover	GBP '000	197		990		–	
Share turnover	%	0.1 %		0.3 %		–	

* In 2010 and 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 Board of the Company has proposed to the General Meeting that no dividend would be distributed.

** 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.

Consolidated Income Statement and Statement of Comprehensive Income

EUR '000	Note	1.1.–31.12.2011	1.1.–31.12.2010
Continuing operations			
Revenue	1	**159 087**	**123 347**
Other operating income	2	1 173	1 248
Materials and supplies		–113 115	–81 587
Employee benefits expense	3	–26 733	–23 062
Depreciation and amortisation	4	–27 853	–27 023
Other operating expenses	5	–19 279	–28 775
Impairment, net	4	–15	–40 097
Items related to associates (core)	12	272	390
Operating profit / loss		**–26 464**	**–75 559**
Finance income	6	7 943	2 040
Finance cost	6	–7 113	–2 635
Items related to associates (non-core)	12	196	–99
Profit / loss before taxes		**–25 439**	**–76 253**
Income taxes	7	7 081	10 942
Profit / loss for the period from continuing operations		**–18 358**	**–65 311**
Discontinued operations			
Profit for the period from discontinued operations	8	41 086	14 186
Profit / loss for the period		**22 729**	**–51 125**
Profit attributable to:			
Owners of the parent		23 664	–52 611
Non-controlling interests		–935	1 486
		22 729	–51 125
Earnings per share (counted from profit attributable to owners of the parent):	9		
basic (EUR), Group total		0.10	–0.22
diluted (EUR), Group total		0.09	–0.22
basic (EUR), continuing operations		–0.07	–0.27
diluted (EUR), continuing operations		–0.07	–0.27

Consolidated statement of comprehensive income

EUR '000	1.1.–31.12.2011	1.1.–31.12.2010
Profit / loss for the period	**22 729**	**–51 125**
Other comprehensive income		
Exchange differences on translation of foreign operations	–13 785	19 412
Income tax relating to other comprehensive income	6 640	–9 815
Other comprehensive income, net of tax	**–7 145**	**9 597**
Total comprehensive income for the year	**15 583**	**–41 528**
Profit attributable to:		
Owners of the parent	18 738	–44 854
Non-controlling interests	–3 154	3 327
	15 583	–41 528

Consolidated Statement of Financial Position

EUR '000	Note	31.12.2011	31.12.2010
ASSETS			
Non-current assets			
Property, plant and equipment	10	71 902	87 468
Goodwill	11	96 269	129 120
Other intangible assets	11	65 215	94 154
Investments in associates	12	77	284
Other financial assets	14	559	994
Receivables	14	41 397	38 949
Deferred tax assets	20	5 884	4 079
		281 303	**355 050**
Current assets			
Inventories	15	44 011	45 160
Trade and other receivables	16	30 616	26 853
Cash and cash equivalents	17	65 878	8 598
		140 504	**80 611**
Assets held for sale		0	110 809
Cash and cash equivalents held for sale		0	10 561
Assets held for sale total		0	121 369
Total assets		**421 807**	**557 030**

EUR '000	Note	31.12.2011	31.12.2010
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	18		
Share capital		23 642	23 642
Share premium reserve		25 740	25 740
Revaluation reserve		0	2 193
Paid-up unrestricted equity reserve		245 128	250 849
Translation reserve		8 995	13 921
Retained earnings		-77 695	-104 772
		225 811	**211 574**
Non-controlling interests		14 348	24 781
Total equity		**240 158**	**236 355**
Non-current liabilities			
Deferred tax liabilities	20	33 506	55 823
Interest-bearing debt	14	84 334	102 244
Pension liabilities	22	10 838	10 919
Other non-current debt	23	5 947	29 553
Provisions	21	15 700	18 017
		150 326	**216 556**
Current liabilities			
Trade and other payables	23	24 903	33 373
Deferred income	23	550	0
Provisions	21	579	598
Tax liabilities	23	4 181	3 941
Interest-bearing debt	14	1 109	4 577
		31 323	**42 489**
Liabilities classified as held for sale	18	**0**	**61 630**
Total liabilities		**181 649**	**320 675**
Total equity and liabilities		**421 807**	**557 030**

Consolidated Statement of Cash Flows

EUR '000	1.1.–31.12.2011	1.1.–31.12.2010
Operating activities		
Profit / loss for the period	22 729	–51 125
Adjustments to net profit:		
Non-cash items		
Depreciation and impairment	27 868	67 120
Finance income and cost	–830	595
Income from associates	–467	–290
Income taxes	–7 081	–10 942
Share-based payments	1 235	1 688
Proceeds from non-current assets	–44 392	–16
Working capital changes:		
Change in trade receivables and other receivables	–20	8 803
Change in inventories	–1 776	–4 807
Change in trade payables and other debt	–10 003	608
Change in provisions	–996	–130
Interests paid	–1 410	–305
Interests received	1 665	3 409
Other financing items	3 248	1 329
Income taxes paid	–423	–4 759
Discontinued operations	8 241	–616
Net cash from operating activities	**–2 412**	**10 563**
Investing activities		
Acquisitions of subsidiaries, net of cash acquired	–500	–21 855
Payments for earn-out liabilities	0	–65
Acquisition of joint ventures, net of cash acquired	–1 598	–20 372
Capital expenditure on non-current assets, net	–4 132	–14 219
Other investments, net	–15	–10
Disposals of subsidiaries, net of cash sold	82 861	1 500
Disposals of associated companies	415	140
Repayments of loan receivables and loans given, net	–7 122	–11 222
Discontinued operations	–77	10 885
Net cash used in investing activities	**69 832**	**–55 218**
Financing activities		
Proceeds from exercise of share options	86	72
Share buy-back	0	–10
Capital redemption	–9 617	–9 570
Dividends paid to non-controlling interests	–84	–115
Proceeds from borrowings	10 004	23 312
Repayments of borrowings	–20 152	–1 678
Deposits	0	2 500
Interest received on investments	0	9
Repayments of finance leases	–82	–445
Discontinued operations	–339	–6 585
Net cash used in financing activities	**–20 184**	**7 491**
Change in cash and cash equivalents	**47 236**	**–37 165**
Cash at beginning of period	19 159	55 852
Exchange rate differences	–517	471
Cash at end of period	65 878	19 159
Change in the statement of financial position	**47 236**	**–37 165**

In relation to the care services business discontinued in 2008, there is a EUR 1.5 (1.5) million deferred sales price inflow within the investing activities cash flow.

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 1.1.2010	**23 642**	**25 740**	**2 193**	**260 357**	**6 165**	**-49 953**	**268 144**	**17 878**	**286 022**
Profit for the period 1.12.2010						-52 611	-52 611	1 486	-51 125
Other comprehensive income					7 756		7 756	1 841	9 597
Total comprehensive income					7 756	-52 611	-44 854	3 327	-41 528
Dividend distribution							0	-357	-357
Share-based payments						1 688	1 688		1 688
Exercise of share options				72			72		72
Acquisition of own shares				-10			-10		-10
Capital redemption				-9 570			-9 570		-9 570
Acquisitions and disposals of subsidiaries						-3 916	-3 916	3 933	17
Other changes in equity						20	20		20
Equity at 31.12.2010	**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		-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**

Notes to the Consolidated Financial Statements

1. COMPANY INFORMATION

Ruukki Group is a growing, integrated chrome producer supplying a range of specialist products to the global steel and stainless steel industries, leveraging off its technological advantages, to fuel profitable, sustainable growth. 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. 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 2011. 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 29 March 2012 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.

Comparative information

The comparative information for the financial year 2010 on the Group's income statement has been changed to be comparable with the presentation applied in 2011. 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. The notes to the income statement have been changed to be comparable with the new way of presentation. 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.

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.

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 is 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 associate's 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.

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 the Black & Scholes option pricing model. 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 conjunction with the Mogale Alloys acquisition, Ruukki Group has agreed to pay a total of ZAR 150 million into a management trust, which is not consolidated into the Group. The Group recognises the payments as an expense on straight-line basis over a five-year term in 2009-2013.

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-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 2011 financial year, testing took place on 31 December 2011. 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 current 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 as well as use of subcontractors. 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.

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 are 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. Discounted non-current liabilities include acquisition-related deferred conditional and unconditional liabilities. Certain conditional liabilities have an earn-out component that needs to be met to make the liability unconditional and fix the amount of the future payment. Some of the acquisition-related conditional purchase considerations are payable in the Company's shares, and are presented as interest-free liabilities.

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 manufacturing sites 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 unwinding of the discount is expensed as incurred and recognised as a finance cost. 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 has disposed of its wood processing businesses. Consequently, the businesses have been presented as discontinued operations. The assets and liabilities associated with the disposed businesses have been presented as assets and liabilities held for sale on the previous year's statement of financial position. 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 even though the Group has no ownership in the company. The Group has, based on potential voting rights, interpreted that it has had control over Elektrowerk Weisweiler GmbH, as defined in IAS 27, since October 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. 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. The estimates presented in the financial statements may differ from the actual earn-out liability if the realised profit or loss of the acquired company differs from the estimated profit. Furthermore, the estimated earn-out items may differ from the subsequent actual sale prices as a result of the discounting of future liabilities. The earn-out liabilities are reviewed at each balance sheet date and adjusted if the estimate has changed.

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 current 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.

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

- IAS 24 Related party disclosures. The definition of related party has been amended and the reporting requirements of government controlled entities have changed. The Group has applied the amended definition in the financial statements but it has not had any effect on the related party disclosures.
- IAS 32 Financial instruments: presentation. The classification of rights issues has been changed especially concerning rights issues in foreign currencies. The amendment has not had any effect on the Group’s financial statements.
- IFRIC 14 Prepayments of a Minimum Funding Requirement. The interpretation has been amended and it has not had any material effect on the accounting treatment of the Group’s defined benefit pension plans.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The interpretation has not had any effect on the Group’s financial statements.
- The Annual Improvements on standards published by IASB in 2010 to be applied in 2011 financial statements. The improvements have not had implications for the Group’s financial statements.

The Group will apply the following new or amended standards and interpretations in the financial statements for the year 2012 or subsequent financial years:

- IFRS 7 Financial Instruments: Disclosures (Amendment). The amendment increases disclosures relating to transfers and derecognition of financial assets. The amendment is effective for annual periods beginning on or after 1 July 2011 and it will be applied prospectively.
- 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 Group estimates that the amendment will not have an effect on Group’s financial statements. The amendment is effective for annual periods beginning on or after 1 January 2012 and it will be applied retrospectively. The amendment has not yet been endorsed for application within the EU.
- 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. Work on the standard is still ongoing and consequently the Group is not yet able to assess how the final version of the standard will influence the financial statements. 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 Group is still assessing the impacts of the new standard on its financial

statements. The new standard and the revised standard will be effective 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. The Group is still assessing the impacts of the new standard on its financial statements. The new standard and the revised standard will be effective 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 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 new standard will be effective for annual periods beginning on or after 1 January 2013 and it will be applied prospectively.
- 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 January 2013 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 OCI when they occur and net defined benefit liability or asset will be presented in full on the statement of financial position. The revised standard will be effective for annual periods beginning on or after 1 January 2013 and it will be applied retrospectively.
- 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 financial statements. The interpretation will be effective for annual periods beginning on or after 1 January 2013 and it will be applied retrospectively.

3. BUSINESS COMBINATIONS

3.1 Financial year 2011

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

3.2 Financial year 2010

Intermetal

In February 2010, Ruukki's Turkish subsidiary, Türk Maadin Sirketi A.Ş. (TMS), acquired 99% of the shares in Intermetal Madencilik ve Ticaret A.Ş. The purchase consideration paid in cash was USD 0.5 million (EUR 0.3 million). The rationale of the transaction was to expand the Group's potential chrome ore reserves in Turkey. Hence, to the extent that the purchase consideration exceeded the value of the target company's net assets on its statement of financial position, the residual was recognised on the consolidated statement of financial position as mining rights. Intermetal has six chrome ore exploration and exploitation licences with a total land area of about 5,000 hectares. There is no external quantification of the total minerals reserve of Intermetal's licence areas.

Between February and December 2010, Intermetal's revenue was EUR 1.5 million, EBITDA EUR 29,600 and profit EUR 20,500.

If the acquisition already had taken place with a corresponding holding on 1 January 2010, this would have changed Ruukki's consolidated figures for the period 1 January to 31 December 2010 as follows:

Consolidated revenue	No change
Consolidated EBIT	EUR –21,700 (–0.0%)
Consolidated profit	EUR –22,100 (–0.0%)

(compared with the 2010 continuing operations figures)

The following assets and liabilities were recognised in relation to the acquisition:

EUR '000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Mining rights	86	0
Exploration and evaluation assets	202	202
Property, plant and equipment		
Machinery and equipment	119	119
Other non-current receivables	1	1
Trade and other receivables	87	87
Cash and cash equivalents	18	18
Total assets	**514**	**428**
Deferred tax liability	17	0
Current liabilities		
Provisions	6	6
Interest-bearing liabilities	22	22
Trade and other payables	128	128
Total liabilities	**173**	**155**
Net assets	**341**	**272**
Acquisition cost	338	
Ruukki's share of net assets (99%)	338	
Goodwill	**0**	
Net cash outflow on the acquisition:		
Consideration paid in cash	–338	
Acquired cash and cash equivalents	18	
Net cash flow effect	**–320**	

Chromex

During the fourth quarter 2010, the Group acquired Chromex Mining plc, a UK company with mining operations and prospecting rights in South Africa and Zimbabwe. The acquisition was carried out by the Group's joint venture company Synergy Africa Ltd, which is 51% consolidated into the Group's financial statements applying proportional consolidation. The purchase consideration paid in cash at the closing was GBP 17.7 million (EUR 20.6 million). The acquisition advanced Ruukki's objective of becoming a vertically integrated mining and minerals producer.

If the acquisition already had taken place with a corresponding holding on 1 January 2010, this would have changed Ruukki's consolidated figures for the period 1 January to 31 December 2010 as follows:

Consolidated revenue	EUR +2.7 million (+2.2%)
Consolidated EBIT	EUR –3.4 million (–4.4%)
Consolidated profit	EUR –2.3 million (–3.5%)

(compared with the 2010 continuing operations figures)

The purchase price allocation of the acquisition is presented below. Chromex has almost 40 million tonnes of chromite resources and reserves in South Africa. Therefore the majority of the acquisition cost was allocated on mineral resources. Valuation of the resources was based on cash flow models prepared incorporating certain assumptions,

including quantities, chrome content, sales prices and mining and processing costs. The figures in the following table represent the 51% share of the assets and liabilities of Chromex which is consolidated into Ruukki Group's financial statements.

EUR '000	Fair value of acquired assets	Fair value adjustments	Book value before acquisition
Non-current assets			
Property, plant and equipment			
Machinery and equipment	3 856	411	3 445
Mineral resources	29 451	29 451	0
Other tangible assets	19	0	19
Intangible assets	1 200	714	486
Deferred tax asset	939	0	939
	35 464	30 575	4 889
Current assets			
Order book	3	3	0
Inventories	954	40	914
Trade and other receivables	329	0	329
Cash and cash equivalents	242	0	242
	1 528	43	1 485
Total assets	**36 992**	**30 618**	**6 375**
Non-current liabilities			
Loans and borrowings	2 137	0	2 137
Provisions	1 993	0	1 993
Deferred tax liability	8 528	8 528	0
	12 658	8 528	4 130
Current liabilities	2 222	0	2 222
Total liabilities	**14 880**	**8 528**	**6 352**
Net assets	**22 111**	**22 090**	**23**

Acquisition cost	22 111
Ruukki's share of net assets	22 111
Goodwill	**0**
Net cash outflow on the acquisition: *	
Consideration paid in cash	–20 563
Acquired cash and cash equivalents	242
Net cash flow effect	**–20 321**

* Cash flow effect has been calculated on the exchange rate at the date of acquisition.

4. IMPAIRMENT TESTING

General principles of impairment testing

Ruukki Group has carried out impairment testing on goodwill and other assets as of 31 December 2011. 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 an operational mine in South Africa and mine development projects.

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 2011, nor any indication of impairment, and it was not tested.

The Group has recognised a EUR 5.7 million impairment loss on sawmill equipment which was acquired in 2008 for the Russian sawmill project. The equipment was classified as asset held for sale. At the end of 2011, there were no indications of impairment of any other assets, such as shares in associated companies.

Changes in goodwill during 2011

During the financial year 2011, the total goodwill of the Group decreased by EUR 33 million to a total of EUR 96 million compared to the end of the financial year 2010. The changes are described 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**

Related to certain acquisitions there are earn-out liabilities or deferred liabilities, which are conditional upon future years' results of the target entity. The amounts of earn-outs are revised when the actual target company results are finalised, or if and when there is reason to believe that the original assumptions and forecasts used for the determination of these earn-outs have changed. Changes made in earn-outs have affected the amount of goodwill during 2011 due to the change in future profit estimates for the Speciality Alloys business.

The changes in goodwill during 2010 are presented below:

EUR '000	Minerals, Southern Europe	Minerals, South Africa	Wood, House building	Group Total
Goodwill 1.1.2010	**64 914**	**82 413**	**25 523**	**172 850**
Changes in earn-out liabilities	5 837		1	**5 838**
Impairment		-40 097		**-40 097**
Exchange rate movement	-383	17 952		**17 569**
Other changes	-1 516			**-1 516**
Reclassification to assets held for sale			-25 525	**-25 525**
Goodwill 31.12.2010	**68 852**	**60 269**	**0**	**129 120**

Goodwill as a ratio of the Group's equity on 31 December 2011 and 31 December 2010 was as follows:

EUR '000	31.12.2011	31.12.2010
Goodwill	96 269	129 120
Equity	240 158	236 355
Goodwill/Equity, %	40 %	55 %

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 the prevailing risk-free interest rates and required margins for debt financing. The Group has used publicly available information to get market information on the peer group companies' capital structure, risk premium and other factors. The market interest rates reflect the rates applicable on 31 December 2011.

The information used in the 31 December 2011 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. Foreign exchange rates are expected to remain constant in the cash flow models. The management's approach in preparing cash flow forecast has not changed significantly compared with the previous impairment testing. Changes in foreign exchange rates, particularly the South African rand, have impacted the impairment tests compared with the previous year.

These pre-tax discount rates applied in 2011 impairment testing were the following:

Cash Generating Unit	Pre-tax discount rate 2011	(2010)
Speciality Alloys	13.3%	(13.9%)
South African minerals	21.6%	(20.5%)

The key reasons for the changes in the discount rates compared to 2010 were the changes in risk-free interest rates in both cash-generating units. The South-African risk-free interest rate increased whereas the Eurozone interest rate decreased.

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 2011

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	49	49	110	Significantly above
South African minerals business	47	47	117	Clearly 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: 23,000–32,000 t/a lumpy Cr ore: 15,000 – 36 000 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 total: 90 000 – 120 000 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 on the testing date was 8.13 which was also applied in the test.

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 2011 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	16.8 %-points	-61 %	-17.6 %-points
South African minerals business	6.4 %-points	-29.4 %	-7.4 %-points

Moreover, strengthening of the USD/ZAR exchange rate to approximately 7.5 would result in the recoverable amount of the South African minerals business equalling the carrying amount.

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 and 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 Waylox mine development project in Zimbabwe. The business produces chrome ore, Charge Chrome, Silico Manganese and Stainless Steel Alloy (chromium-iron-nickel alloy) and exports chrome ore directly to global markets, particularly to China.

The Speciality Alloys business consists of the TMS mining and beneficiation operation in Turkey, and the EWW, chromite concentrate processing plant in Germany. TMS supplies EWW with high quality chromite concentrate which is used to make a range of speciality products including Specialised Low Carbon and Ultralow Carbon Ferrochrome. Surplus chrome ore is exported from TMS mainly to China.

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 during the first and second quarters of 2011. These businesses have been presented as discontinued operations in the Groups financial reports.

Inter-company 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 2011

Year ended 31.12.2011 EUR '000	Speciality Alloys	FerroAlloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Services	0	176	176	0	0	176
Goods sold	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.

Operating segment information 2010

Year ended 31.12.2010 EUR '000	Speciality Alloys	Ferro Alloys	Segments total	Unallocated items	Eliminations	Consolidated Group
External revenue						
Services	0	50	50	0	0	50
Goods sold	69 017	53 956	122 972	324	0	123 297
Total external revenue	69 017	54 006	123 023	324	0	123 347
Inter-segment revenue	0	0	0	643	-643[1]	0
Total revenue	**69 017**	**54 006**	**123 023**	**967**	**-643**	**123 347**
Items related to associates (core)	0	390	390	0	0	390
Segment EBITDA	**7 803**	**-972**	**6 831**	**-15 369**	**99**	**-8 439**
Depreciation and amortisation	-17 813	-9 147	-26 960	-64	0	-27 023
Impairment	0	-40 097	-40 097	0	0	-40 097
Segment operating profit / loss	**-10 009**	**-50 216**	**-60 225**	**-15 433**	**99**	**-75 559**
Finance income						2 040
Finance cost						-2 635
Items related to associates (non-core)						-99
Income taxes						10 942
Profit / loss for the period from continuing operations						**-65 311**
Profit for the period from discontinued operations						14 186
Profit / loss for the period						**-51 125**
Segment's assets [2]	**182 347**	**248 011**	**430 358**	**15 919**	**-10 616**	**435 661**
Segment's liabilities [2]	**77 265**	**136 702**	**213 968**	**51 918**	**-6 840**	**259 045**
Other disclosures						
Gross capital expenditure [3]	7 339	46 369	53 708	48	0	**53 756**
Investments in associates	65	0	65	219	0	**284**
Provisions	5 507	12 858	18 365	463	0	**18 365**

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	2011	2010
EU countries	91 333	82 022
China	20 365	12 475
United States	17 167	10 089
Africa	5 060	6 491
Finland	4 264	911
Other countries	20 898	11 359
Total revenue	**159 087**	**123 347**

Revenue figures are based on the location of the customers.

Revenue from one customer of Speciality Alloys business segment represents approximately 16% (22%), and revenue from one customer of FerroAlloys business segment represents 11% (8%) of the Group's continuing operations revenue in 2011.

Non-current assets

EUR '000	2011	2010
Africa	151 248	186 723
EU countries	77 597	107 997
Finland	110	8 780
Other countries	4 507	7 527
Total	**233 463**	**311 027**
Assets held for sale	**0**	**63 186**

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.

6. NOTES TO THE INCOME STATEMENT

1. Revenue

EUR '000	2011	2010
Sale of goods	158 912	123 297
Rendering of services	176	50
Total	**159 087**	**123 347**

2. Other operating income

EUR '000	2011	2010
Gain on disposal of non-current assets	1	17
Rental income	288	184
Other	884	1 047
Total	**1 173**	**1 248**

3. Employee benefits

EUR '000	2011	2010
Salaries and wages	−22 936	−19 008
Share-based payments	−1 235	−1 688
Pensions, defined contribution plans	−697	−349
Pensions, defined benefit plans	−859	−820
Other employee related costs	−1 007	−1 197
Total	**−26 733**	**−23 062**

Average personnel during the accounting period	2011	2010
Speciality Alloys business	423	385
FerroAlloys business	348	278
Group Management and other operations	10	14
Total	**781**	**677**

Personnel at the end of the accounting period	2011	2010
Speciality Alloys business	442	396
FerroAlloys business	345	316
Group Management and other operations	10	10
Total	**797**	**722**

4. Depreciation, amortisation and impairment

EUR '000	2011	2010
Depreciation / amortisation by asset category		
Intangible assets		
Clientele and technology	−19 787	−20 007
Other intangible assets	−675	−377
Total	**−20 461**	**−20 384**
Property, plant and equipment		
Buildings and constructions	−998	−1 158
Machinery and equipment	−4 212	−3 769
Other tangible assets	−2 182	−1 713
Total	**−7 392**	**−6 640**
Impairment by asset category		
Machinery and equipment	−5	0
Goodwill	0	−40 097
Other intangible assets	−8	0
Other assets	−2	0
Total	**−15**	**−40 097**

In the financial year 2010, a EUR 40.1 million impairment charge on goodwill of Mogale Alloys was recognised.

5. Other operating expenses

EUR '000	2011	2010
Loss on disposal of non-current assets	–151	–1
Rental costs	–666	–500
External services	–10 072	–15 506
Travel expenses	–1 166	–894
Other operating expenses	–7 225	–11 874
Total	**–19 279**	**–28 775**

Audit fees paid to Ernst & Young totalled EUR 781 (2010: 691) thousand in the financial year. The fees for non-audit services totalled EUR 289 (3,850) thousand.

6. Financial income and expense

EUR '000	2011	2010
Finance income		
Dividend income from others	0	5
Interest income on held-to-maturity investments	0	3
Interest income on loans and trade receivables	1 886	647
Foreign exchange gains	5 531	1 333
Other finance income	527	53
Total	**7 943**	**2 040**
Finance expense		
Interest expense on financial liabilities measured at amortised cost	–1 524	–418
Impairment on investments carried as non-current assets	–47	0
Foreign exchange losses	–2 507	–1 252
Unrealised loss on assets at fair value	–1 168	0
Unwinding of discount, provisions	–961	–564
Other finance expenses	–906	–401
Total	**–7 113**	**–2 635**
Net finance income/expense	**830**	**–595**

7. Income taxes

EUR '000	2011	2010
Income tax for the period	–3 520	–2 459
Income tax for previous years	1 420	3 550
Deferred taxes	9 180	9 851
Income tax for continuing operations	**7 081**	**10 942**
Income tax for discontinued operations	–1 005	657
Total	**6 075**	**11 599**
Profit before taxes	**16 653**	**–62 724**
Income tax calculated at income tax rate	**–4 330**	**16 308**
Tax exempt income	11 310	2 862
Difference between domestic and foreign tax rates	–89	1 306
Income tax for previous years	1 420	4 407
Income from associates	122	101
Impairment losses	–1 479	–10 589
Tax losses not recognised as deferred tax assets	–503	–3 645
Non-tax deductible expenses	–376	–1 345
Previously unrecognised tax losses now recognised	0	2 194
Total adjustments	**10 405**	**–4 709**
Income tax recognised	**6 075**	**11 599**

Taxes for previous years include tax refunds and reversals of tax accruals made during previous financial years. Deferred taxes are positive mainly due to decreased deferred tax liabilities. On 31 December 2011 the Group companies had unused tax losses totalling EUR 10.1 (4.3) million for which the Group has not recognised deferred tax assets. EUR 0.4 million of the tax losses expire before 2015 and rest in 2015–2020.

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. The tax refund recognised in 2011 financial statements was EUR 2.5 (3.2) million.

Tax for other comprehensive income which was recognised directly in equity totalled EUR –11.1 (9.8) million.

8. Discontinued operations

Ruukki's strategic transformation into a mining and minerals company was completed with the sale of its wood processing businesses in the first and second quarter of 2011. As a result, the wood processing businesses are presented as discontinued operations in the financial statements.

Pohjolan Design-Talo Oy

Ruukki completed the sale of its Finnish house building business, Pohjolan Design-Talo group, to funds managed by CapMan in March 2011. The consideration paid in cash was EUR 76.2 million. The group of businesses consisted of Pohjolan Design-Talo Oy, Nivaelement Oy, RG Design-Talotekniikka Oy, DTG Rakennus Oy, Kirkkonummen Kiinteistökehitys Oy, Storms Villa Oy and Storms Gård Oy. Ruukki has recognised a gain on the disposal of EUR 39.8 million on the income statement for the financial year.

Junnikkala Oy

On 24 May 2011 Ruukki signed a definitive agreement to sell its 51% holding in the Junnikkala Oy sawmill business to Junnikkala Oy's minority shareholders. The total consideration was EUR 6 million. The letter of intent to sell the business was announced on 31 January 2011. On 16 June 2011 Ruukki's Extraordinary General Meeting approved the sale of Junnikkala Oy, and the transaction was completed on 23 June 2011. The Group has recognised a loss on the disposal of EUR 0.9 million on the income statement.

Oplax Oy

On 8 April 2011 Ruukki completed the sale of its Finnish pallet business, Oplax Oy, to Pallet Invest Oy, a company founded by a group of Finnish and Russian investors. The final purchase consideration of approximately EUR 8.4 million was paid in cash with a vendor note of EUR 1.5 million. The Group has recognised a gain on the disposal of EUR 4.6 million on the income statement.

The income statement of the discontinued operations:

EUR '000	31.12.2011	31.12.2010
Revenue	**49 371**	**125 107**
Other operating income	358	606
Materials and supplies	–38 072	–85 805
Employee benefits expense	–4 660	–13 765
Depreciation and amortisation	0	–3 629
Other operating expenses	–2 367	–7 071
Impairment, net	–5 676	–629
Operating profit / loss	**–1 046**	**14 815**
Finance income	44	174
Finance cost	–439	–1 459
Profit / loss before taxes	**–1 441**	**13 529**
Income taxes	–1 005	657
Gain on disposal from discontinued operations	43 533	0
Profit for the period	**41 086**	**14 186**

Cash flows from discontinued operations	2011	2010
Cash flow from operating activities	8 241	–616
Cash flow from investing activities	–77	10 885
Cash flow from financing activities	–339	–6 585

At the end of the financial year 2010 the number of employees of the discontinued operations was 308.

9. Earnings per share

	2011 Continuing operations	2011 Discontinued operations	2011 Total	2010 Continuing operations	2010 Discontinued operations	2010 Total
Profit attributable to owners of the parent company (EUR '000)	–17 033	40 696	23 664	–65 296	12 685	–52 611
Weighted average number of shares, basic (1 000)	241 343	241 343	241 343	239 363	239 363	239 363
Basic earnings per share (EUR) total	**–0.07**	**0.17**	**0.10**	**–0.27**	**0.05**	**–0.22**

	2011 Continuing operations	2011 Discontinued operations	2011 Total	2010 Continuing operations	2010 Discontinued operations	2010 Total
Profit attributable to owners of the parent company (EUR '000)	–17 033	40 696	23 664	–65 296	12 685	–52 611
Weighted average number of shares, basic (1 000)	241 343	241 343	241 343	239 363	239 363	239 363
Effect of share options on issue (1 000)	30 190	30 190	30 190	28 266	28 266	28 266
Weighted average number of shares, diluted (1 000)	271 533	271 533	271 533	267 629	267 629	267 629
Diluted earnings per share (EUR) total	**–0.07**	**0.15**	**0.09**	**–0.27**	**0.05**	**–0.22**

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.

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 1.1.2011	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**
Balance at 1.1.2010	1 217	18 816	95 217	9 641	2 650	127 541
Additions	191	1 876	15 781		315	18 163
Business combinations			4 330	29 451	24	33 805
Disposals		−14	−4 006		−24	−4 044
Reclass between items			186	10	102	298
Transfer to assets held for sale	−852	−10 377	−37 480		−904	−49 614
Effect of movements in exchange rates	0	257	5 771	397	141	6 566
Balance at 31.12.2010	**556**	**10 558**	**79 799**	**39 499**	**2 303**	**132 715**
Accumulated depreciation and impairment 1.1.2010		−4 905	−39 800	−1 406	−774	−46 885
Depreciation		−1 941	−6 202	−1 301	−497	−9 941
Business combinations			−355		−6	−361
Disposals			169		19	189
Transfer to assets held for sale		1 806	10 356		226	−12 388
Effect of movements in exchange rates		35	−585	−12	−75	−637
Accumulated depreciation and impairment at 31.12.2010	**0**	**−5 005**	**−36 417**	**−2 719**	**−1 106**	**−45 247**
Carrying amount at 1.1.2010	**1 217**	**13 911**	**55 417**	**8 235**	**1 876**	**80 655**
Carrying amount at 31.12.2010	**556**	**5 553**	**43 383**	**36 780**	**1 197**	**87 468**

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 1.1.2011	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**
Balance at 1.1.2010	206 280	128 308	2 623	335	337 547
Additions			71	782	852
Business combinations	1		994	547	1 542
Changes in earn-out liabilities	5 837				5 837
Reclass between items	–1 516	–423	1 699		–240
Transfer to assets held for sale	–25 525		–994		–26 519
Effect of movements in exchange rates	25 329	9 864	22	–13	35 201
Balance at 31.12.2010	**210 406**	**137 749**	**4 414**	**1 652**	**354 221**
Accumulated amortisation and impairment at 1.1.2010	–33 430	–26 907	–1 297	0	–61 633
Amortisation		–20 148	–387	–177	–20 711
Impairment	–40 097				–40 097
Business combinations			–53		–53
Transfer to assets held for sale			426		426
Effect of movements in exchange rates	–7 759	–1 128	2	6	–8 878
Accumulated amortisation and impairment at 31.12.2010	**–81 285**	**–48 182**	**–1 308**	**–170**	**–130 946**
Carrying amount at 1.1.2010	**172 850**	**101 401**	**1 327**	**335**	**275 914**
Carrying amount at 31.12.2010	**129 120**	**89 567**	**3 106**	**1 481**	**223 275**

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
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						

EUR ’000	Domicile	Balance sheet value	Ownership (%)	Balance sheet date	Assets	Liabilities	Revenue	Profit/Loss
2010								
Core associates								
Specialty Super Alloys SSA Inc	United States	65	20.0	31.12.2010	574	188	1 208	172
PGR Manganese (Pty) Ltd *	South Africa	0	49.0		holding company			
		65						
Non-core associates								
ILP-Group Ltd Oy	Finland	219	33.4					
Incap Furniture Oy **	Finland	0	24.1					
Loopm Oy	Finland	0	28.4					
Rivest Oy	Finland	0	40.0					
Sportslink Group Oy	Finland	0	25.0					
Valtimo Components Oyj **	Finland	0	24.9					
		219						

* 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 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**

Movements in 2010
EUR '000

1.1.2010	**507**
Disposals	
Arc Technology Oy	-98
Stellatum Oy	-166
Widian Oy	-6
Share of profit	420
Dividends	-412
Exchange rate differences	38
31.12.2010	**284**

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

13. Investments in joint ventures

At the end of the financial year 2011, 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 31.12.2011 is presented below.

Assets and liabilities

EUR '000	2011	2010
Non-current assets		
Intangible assets	1 014	1 200
Property, plant and equipment	27 608	33 325
Other non-current assets	1 418	939
Non-current assets total	**30 040**	**35 464**
Current assets		
Inventories	2 245	957
Trade and other receivables	2 065	2 256
Cash and cash equivalents	1 941	242
Current assets total	**6 251**	**3 455**
Total assets	**36 291**	**38 919**
Non-current liabilities		
Interest-bearing debt	30 361	22 752
Provisions	1 760	1 993
Other non-current liabilities	7 703	8 619
Non-current liabilities total	**39 823**	**33 363**
Current liabilities		
Trade and other payables	2 641	7 007
Other current liabilities	21	7
Current liabilities total	**2 662**	**7 014**
Total liabilities	**42 485**	**40 378**

14. Financial assets and liabilities

31.12.2011, EUR '000 Non-current financial assets	Assets available-for-sale	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	0	559	124 416		124 975
Fair value of financial assets	0	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**

31.12.2010, EUR '000 Non-current financial assets	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Liabilities measured at amortised cost	Total carrying amount
Non-current interest-bearing receivables		554	28 312		28 865
Trade and other receivables			764		764
Other financial assets	440				440
Current financial assets					
Current interest-bearing receivables			2 200		2 200
Trade and other receivables *			13 933		13 933
Cash and cash equivalents			8 598		8 598
Carrying amount of financial assets	440	554	53 807		54 800
Fair value of financial assets	440	554	53 807		54 800
Non-current financial liabilities					
Non-current interest-bearing liabilities				102 244	102 244
Other non-current liabilities				29 553	29 553
Current financial liabilities					
Current interest-bearing liabilities				4 577	4 577
Trade and other payables *				26 080	26 080
Carrying amount of financial liabilities				**162 454**	**162 454**
Fair value of financial liabilities				**162 454**	**162 454**

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

Fair value hierarchy

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**	

31.12.2011, 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**

31.12.2010, 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			440
Financial liabilities at fair value			
Derivatives			
Total			

31.12.2010, EUR '000

Level 3 reconciliation

Acquisition cost at 1.1.2010	**743**
Disposals	0
Transfer to assets held for sale	–61
Reclass between items	0
Effect of movements in exchange rates	57
Acquisition cost at 31.12.2010	**739**
Accumulated impairment losses at 1.1.2010	–299
Accumulated impairment losses at 31.12.2010	–299
Carrying amount at 31.12.2010	**440**

Interest-bearing debt

EUR '000	2011	2010
Non-current		
Bank loans	7 274	3 095
Subordinated loans	5	17
Finance lease liabilities	71	0
Payables on acquisitions	65 500	75 384
Other interest-bearing liabilities	11 485	23 748
Total	**84 334**	**102 244**
Current		
Bank loans	1 073	3 886
Finance lease liabilities	24	145
Cheque account with overdraft facility	0	537
Other interest-bearing liabilities	12	9
Total	**1 109**	**4 577**

The Group's total interest-bearing debt has decreased during the financial year 2011 while the Group has repaid more loans than it has drawn down new ones. In addition the South African Rand has weakened compared to previous financial year and as a result the amount of liabilities denominated in this currency has decreased in Euros. The deferred purchase price liability in relation to the acquisition of Mogale Alloys is classified as non-current debt. Even though, based on the Group's view, the liability is not interest-bearing on 31 December 2011 it has been classified into interest-bearing debt, since the liability will become partially or fully interest-bearing at the latest when it becomes unconditional.

Finance lease liabilities

EUR '000	2011	2010
Finance lease liabilities, minimum lease payments		
No later than 1 year	25	145
Later than 1 year and not later than 5 years	74	0
	99	**145**
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	24	144
Later than 1 year and not later than 5 years	71	0
	95	**144**
Future finance charges	**4**	**1**
Total minimum lease payments	**99**	**145**

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 2011
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 2011 closing date:

The Group's financial assets increased due to disposals of wood processing businesses completed during the financial year. The net cash flow effect of the disposals totalled EUR 82.9 million.

Capital expenditure on fixed assets, Ruukki Group Plc's capital redemption in May 2011 and repayments of financial liabilities reduced the Group's financial assets during the year.

On 31 December 2011, 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 1.3 (2.0) million. Other financial assets comprise interest-bearing loans and other receivables.

Interest-bearing debt 31 December 2011

- Floating rate loans from financial institutions total EUR 8.3 (3.6) million. Fixed rate loans total EUR 0.1 (3.3) million.
- Other floating rate interest-bearing loans amounting to EUR 67.5 (90.1) million.
- The interest rates of the loans are tied to the market rates of different countries such as South African prime, JIBAR and LIBOR. The weighted average interest rate on 31 December 2011, based on market interest rates at that date, was approximately 8.0% (8.3%). The average interest rate margin for floating rate notes was 2.4% (0.7%) p.a.

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 in order to optimise the capital structure in all circumstances and in different strategic phases.

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.

At the balance sheet date 31 December 2011, the Group's equity ratio stood at 57.0% (44.3%).

Financial Risk Management

In its regular 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 management 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, as well as credit facilities.

The Group's cash reserves increased during 2011, mainly due to business disposals, and its short-term liquidity at the end of the financial year was good. At the end of 2011, the Group's unused credit facilities amounted to EUR 47.3 (42.9) million.

If the liquidity risks were to be realised, it would probably result in overdue interest expenses and make cooperation with goods and services suppliers more difficult. 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:

31.12.2011, 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**

31.12.2010, 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	6 984	-7 105	-7 095	-2	-4	-3	0
Finance lease liabilities	145	-145	-114	-10	-19	-2	0
Trade and other payables	166 022	-166 786	-35 771	-24 536	-73 308	-33 171	0
Bank overdraft	537	-537	-537	0	0	0	0
Total	**173 688**	**-174 572**	**-43 516**	**-24 548**	**-73 332**	**-33 176**	**0**

The maturity distribution has been prepared assuming that conditional purchase consideration amounting to ZAR 600 million (EUR 57.2 million) relating to acquisition of Mogale Alloys will be paid within 1–2 years. In the preparation of financial statements, the Group has interpreted that the conditions have not been met and will not be fulfilled during 2012. In the event that the Group is unsuccessful in defending the legal action commenced relating to the payment, it is not expected to have a material impact on the Group's consolidated income statement; however it will have a significant impact on the Group's financial position and cash flow.

(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. Moreover, a significant portion of its acquisition-related liabilities is denominated in foreign currency. 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 accordance with its risk management principles, the Group takes the foreign exchange risks into consideration both in the operative and financial decision making.

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 28.3 million.

The following tables present the currency composition of receivables and debt, and changes thereby relative to the previous year-end. As at 31 December 2011, the major open foreign exchange rate risk was against the ZAR, and in particular the deferred payments in relation to Mogale Alloys.

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

31.12.2010, EUR '000	**EUR exchange rate**	**1**	**1.3362**	**0.86075**	**2.0694**	**8.8625**
		EUR	**USD**	**GBP**	**TRY**	**ZAR**
Cash and cash equivalents (EUR)		6 340	998	192	20	1 048
Trade and other receivables (EUR)		2 095	10 994	120	44	111
Loans and other financial assets (EUR)		21 097	11 246	1 997	603	15 038
Trade and other current payables (EUR)		-4 159	-2 250	-630	-841	-9 311
Loans and other liabilities (EUR)		-53 393	-25 752	-1 600	-728	-71 082
Net position						
Currency exposure, net (EUR)		-28 021	-4 764	79	-902	-64 195
Currency exposure, net in currency ('000)		-28 021	-6 365	68	-1 868	-568 932

The effect on the 31 December 2011 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 were generally stable during 2011 over 2010, and also expected to remain significant in the future. At the end of 2011, the strengthening of the ZAR against the EUR would have the most adverse effect on the Group's results and financial position.

Sensitivity analysis of currency denominated net receivables
All figures in thousands
Group statement of financial position on 31 December 2011

	USD	GBP	TRY	ZAR
the effect of the change in currency rates compared with the actual rates				
EUR '000 CHANGE, CETERIS PARIBUS				
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

Sensitivity analysis of currency denominated net receivables
All figures in thousands
Group statement of financial position on 31 December 2010

	USD	GBP	TRY	ZAR
the effect of the change in currency rates compared with the actual rates				
EUR '000 CHANGE, CETERIS PARIBUS				
20 % strengthening	–1 191	20	–226	–16 049
15 % strengthening	–841	14	–159	–11 329
10 % strengthening	–529	9	–100	–7 133
5 % strengthening	–251	4	–47	–3 379
0 % no change	0	0	0	0
–5 % weakening	227	–4	43	3 057
–10 % weakening	433	–7	82	5 836
–15 % weakening	621	–10	118	8 373
–20 % weakening	794	–13	150	10 699

(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 2011, 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 (e.g. United Kingdom and 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, was follows on 31 December 2011 and 31 December 2010:

	31.12.2011	31.12.2010
Fixed rate instruments		
Financial assets	13 665	14 379
Financial liabilities	-9 564	-12 171
Fixed rate instruments, net	4 101	2 208
Variable rate instruments		
Financial assets	21 356	16 702
Financial liabilities	-75 879	-94 650
Variable rate instruments, net	-54 523	-77 948
Interest-bearing net debt	**-50 422**	**-75 740**

The following table presents the approximate effect on the Group's income statement by changes in market interest rates should the deposits' and loans' interest rates change. The changes in interest rates have been taken into account in the floating rate items. The sensitivity analysis is illustrative in nature and primarily takes into account the forthcoming 12 month period if the period's asset and liability structure were to be equal to that of 31 December 2011, and if there were no changes in exchange rates. Therefore, the analysis is primarily applicable to assessing the variation in the 2011 financial year's interest income and expenses.

Sensitivity analysis
Effect of changes in interest rate on interest expense and income
Group statement of financial position 31 December 2011

Main assumptions:

- interest rates for deposits and loans change simultaneously as market rates change, i.e. both are based on market rates, however the interest rate of fixed rate deposits and loans remains unchanged,
- the amount of loans and deposits remains unchanged the whole year (compared with the balance sheet 31.12.2011)
- the interest rates of deposits and loans in different currencies change simultaneously as market rates change, and the changes are parallel, i.e. exactly similar in all maturities, so there is no change in yield curve shape
- all group companies and the amounts of their deposits and loans on 31.12.2011 are constant and they are taken into account for full financial year of 12 months
- the change of interest rate for cash and liquidity deposits is taken into account

average change in average interest rate for 2012 compared with the interest rates on 31.12.2011 percentage points, % p.a.	change EUR ’000 interest income full year	change EUR ’000 interest expense full year	change EUR ’000 net effect in profit or loss full year
–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

Sensitivity analysis
Effect of changes in interest rate on interest expense and income
Group statement of financial position 31 December 2010

Main assumptions:

- interest rates for deposits and loans change simultaneously as market rates change, ie. both are based on market rates, however the interest rate of fixed rate deposits and loans remains unchanged,
- the amount of loans and deposits remains unchanged the whole year (compared with the balance sheet 31.12.2010)
- the interest rates of deposits and loans in different currencies change simultaneously as market rates change, and the changes are parallel, i.e exactly similar in all maturities, so there is no change in yield curve shape
- all group companies and the amounts of their deposits and loans on 31.12.2010 are constant and they are taken into account for full financial year of 12 months
- the change of interest rate for cash and liquidity deposits is taken into account

average change in average interest rate for 2011 compared with the interest rates on 31.12.2010 percentage points, % p.a.	change EUR ’000 interest income full year	change EUR ’000 interest expense full year	change EUR ’000 net effect in profit or loss full year
–2.00%	–334	1 893	1 559
–1.50%	–251	1 420	1 169
–1.00%	–167	946	779
–0.50%	–84	473	390
0.00%	0	0	0
0.50%	84	–473	–390
1.00%	167	–946	–779
1.50%	251	–1 420	–1 169
2.00%	334	–1 893	–1 559

(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, but recognises that it remains a risk.

The Group's key customers are major international stainless steel companies, and a number of specialist 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; on the other hand, payment terms within the international minerals business are typically quite short.

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 in the following manner:

Category	EUR million 31.12.2011	EUR million 31.12.2010
Interest-bearing		
Cash and cash equivalents	65.9	8.6
Receivables from related parties	28.1	21.2
Other interest-bearing receivables	6.9	9.8
Interest-bearing, total	**100.9**	**39.7**
Non-interest bearing		
Trade receivables	19.2	13.7
Current prepayments and accrued income	6.2	18.0
Other short-term receivables	3.0	0.5
Long-term receivables	2.4	1.1
Non-interest bearing, total	**30.9**	**33.3**
Total	**131.8**	**72.9**

(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. Usually it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, therefore the Group did not have any commodity derivative contracts in place as at 31 December 2011.

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. Since the products are effectively 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 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 2011

Sensitivity analysis, Speciality Alloys Business
Effect of changes in ferrochrome sales prices
EUR '000

Main assumptions:

- Production 30,000 tn/a
- Sales price is equal to the December 2011 average
    - Ferrochrome 0.05% C, $/lb Cr
    - Average price 2.365 USD/lb Cr
- Average chrome content of 70 % assumed
- EUR/USD rate on 31.12.2011 fixed at 1.2939

	Change in Sales price		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
USD/lb Cr	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

Financial Year 2010

Sensitivity analysis, Speciality Alloys business
Effect of changes in ferrochrome sales prices
EUR ’000

Main assumptions:

- Sales price is equal to the December 2010 average
  - Ferrochrome 0.05% C, $/lb Cr
  - Average price 2.425 USD/lb Cr
- Average chrome content of 70 % assumed
- EUR/USD rate on 31.12.2010 fixed at 1.3362
- Full capacity is assumed to be 30,000 tn / year

	Change in Sales price		Change in Operating Profit	Change in Group’s Equity
	2.91	20%	16 804	15 964
	2.79	15%	12 603	11 973
	2.67	10%	8 402	7 982
	2.55	5%	4 201	3 991
USD/lb Cr	2.43	0%	0	0
	2.30	–5%	–4 201	–3 991
	2.18	–10%	–8 402	–7 982
	2.06	–15%	–12 603	–11 973
	1.94	–20%	–16 804	–15 964

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 2011 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 2011

Sensitivity analysis, FerroAlloys Business
Effect of changes in ferrochrome sales prices
EUR '000

Main assumptions:

- Charge chrome production 100,000 tn/a
- Sales price is equal to the December 2011 market price
  - Charge chrome, basis 49–51% Cr
  - Average price 1.14 USD/lb Cr
- Average chrome content of 50 % assumed
- EUR/USD rate on 31.12.2011 fixed at 1.2939

	Change in Sales price		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
USD/lb Cr	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

Financial Year 2010

Sensitivity analysis, FerroAlloys Business
Effect of changes in ferrochrome sales prices
EUR ’000

Main assumptions:

- Charge chrome production 100,000 tn/a
- Sales price is equal to the December 2010 market price
    - Charge chrome, basis 52% Cr
    - Quarterly price 1.3 USD/lb Cr
- Average chrome content of 50 % assumed
- EUR/USD rate on 31.12.2010 fixed at 1.3362

	Change in Sales price		Change in Operating Profit	Change in Group's Equity
	1.56	20%	21 449	15 443
	1.50	15%	16 087	11 582
	1.43	10%	10 724	7 722
	1.37	5%	5 362	3 861
USD/lb Cr	1.30	0%	0	0
	1.24	-5%	-5 362	-3 861
	1.17	-10%	-10 724	-7 722
	1.11	-15%	-16 087	-11 582
	1.04	-20%	-21 449	-15 443

15. Inventories

EUR '000	2011	2010
Goods and supplies	10 449	11 871
Unfinished products	38	504
Finished products	33 511	32 777
Prepayments	13	9
Total	**44 011**	**45 160**

16. Trade and other current receivables

EUR '000	2011	2010
Trade receivables	19 137	13 706
Loan receivables	927	0
Interest-bearing receivables	1 124	2 200
Prepaid expenses and accrued income	6 196	8 051
Income tax receivables	1 110	2 457
Other receivables	2 121	439
Total	**30 616**	**26 853**

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 fulfill their commitments. There is no significant credit risk concentration related to receivables.

The aging of trade receivables at the balance sheet date

EUR '000	2011	2010
Not past due	13 275	9 080
Past due 0–30 days	4 342	439
Past due 31–60 days	1 197	1 618
Past due 61–90 days	63	1 679
Past due more than 90 days	260	890
Trade receivables total	**19 137**	**13 706**

17. Cash and cash equivalents

EUR '000	2011	2010
Cash and bank balances	59 113	8 332
Pledged deposits	1 293	2 081

Cash and cash equivalents in the cash flow statement

EUR '000	2011	2010
Cash and bank balances	59 113	8 332
Short-term money market investments	6 764	266
Cash and cash equivalents held for sale	0	10 561
Total	**65 878**	**19 159**

18. Notes to equity

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2009	**261 034 022**	**239 246 105**	**23 642**
Acquisitions of treasury shares	0	–5 000	23 642
Cancellation of treasury shares	–13 052 022	0	23 642
Share subscriptions based on option rights	225 000	225 000	23 642
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**

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

During financial year 2011, a total of 225,000 new shares were subscribed based on Ruukki Group Plc's B series stock options under the Option Program I/2005. According to the terms of the Option Program, the subscription period ended on 30 June 2011 and the subscription price was EUR 0.38 per share. The subscription price of the new shares was entered in whole in the Company's unrestricted equity reserve.

A total of 2,976,213 ordinary shares of no par value were subscribed on 5 September 2011 based on option rights held by Factorwood Ltd ("Factorwood"), a company incorporated and existing under the laws of the British Virgin Islands. According to the terms of the option rights, the subscription price was EUR 2.18 per share. The subscription was made utilising the Company's treasury shares. The fair value of the shares, EUR 1.28 per share, totalling EUR 3,809,552.64 was accounted for in whole in the Company's paid-up unrestricted equity reserve.

Treasury shares

950,000 ordinary shares in the Company were transferred from the shares held in treasury and allotted to certain present and past directors of the Company on 4 March 2011. The transfer took place pursuant to the resolution related to the remuneration of the Board approved at the Annual General Meeting held on 21 April 2010 and the resolution of the Board of Directors from the board meeting held on 29 May 2010. The shares have been released at no cost to the individuals. The issued shares are subject to a lock-up commitment in accordance with the resolution of the Annual General Meeting.

Based on an option program between Ruukki Group Plc and Kermas Ltd a total of 2,976,213 shares were subscribed in September. The subscription was made utilising the Company's treasury shares.

The Board of Ruukki Group Plc awarded 400,000 treasury shares to Dr Alistair Ruiters, Executive Chairman of Ruukki South Africa in December. The shares were issued under the authorisation given by the Annual General Meeting in May 2011 and form a part of the Company's incentive programme for senior management. The shares were issued from shares held in treasury.

On 31 December 2011 the Company had altogether 4,414,682 (8,740,895) of its own shares, which was roughly equivalent to 1.78% (3.52%) of all registered shares. The total number of shares outstanding, excluding the treasury shares held by the Company on 31 December 2011 was 244,017,318 (239,466,105).

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 11 May 2011 authorised 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 could be issued in one or more tranches in total a maximum of 24,820,700 new shares or shares owned by the Company. This corresponds approximately to 10% of the Company's registered shares on 31 December 2011. The authorisation replaces all previous authorisations and is valid for two years following the AGM.

The Annual General Meeting held on 11 May 2011 authorised the Board of Directors to decide on the directed free issue of shares to the members of the Board of Directors. The maximum number of shares to be issued is 460,000 new shares or shares from the Company's treasury shares. Based on the authorisation the shares will be issued free of charge and will form an essential part of the remuneration package for the Board of Directors. The authorisation is valid for two years following the AGM.

Directed free issue of shares

950,000 ordinary shares in the Company were transferred from the shares held in treasury and allotted to certain present and past directors of the Company on 4 March 2011. The transfer took place pursuant to the resolution related to the remuneration of the Board approved at the Annual General Meeting held on 21 April 2010 and the resolution of the Board of Directors from the board meeting held on 29 May 2010. The shares have been released at no cost to the individuals. The issued shares are subject to a lock-up commitment in accordance with the resolution of the Annual General Meeting.

The Board of Ruukki Group Plc decided in December to award 400,000 treasury shares to Dr Alistair Ruiters, Executive Chairman of Ruukki South Africa. The shares were issued under the authorisation given by the Company's Annual General Meeting in May 2011 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 are offered free of charge and in derogation of the pre-emptive subscription right of shareholders. The shares are issued in accordance with a lock-up agreement that includes transfer restrictions until 31 December 2012. After the lock-up period the shares shall be freely tradable.

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 entitle the recipients to subscribe for a maximum total of 73,170,731 new shares or shares that are in the possession of the Company. The subscription period for the shares occurs annually within 30 business days of the approval of the additional earn-out purchase consideration and matures on 31 December 2014. The number of shares in the Company can be increased by a maximum of 73,170,731 new shares as a result of share subscriptions.

Based on the option program described above, a total of 2,976,213 ordinary shares of no par value were subscribed in September 2011. According to the terms of the option rights, the subscription price was EUR 2.18 per share (with dividend and capital redemption adjustment). The subscription was made utilising the Company's treasury shares.

Trading Information

Ruukki Group Plc's shares have been listed on the main market of the London Stock Exchange since 26 July 2010 and on NASDAQ OMX Helsinki since 1 July 2007. 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, the price of Ruukki Group's share in London Stock Exchange varied between GBP 0.83 (1.36) and GBP 1.60 (1.78) and in NASDAQ OMX Helsinki between EUR 0.81 (1.00) and EUR 2.03 (2.30). Ruukki's share closed in London at the end of the financial year at GBP 0.88 (1.45) and Helsinki at EUR 0.89 (1.70). The closing price on 31 December gives the Company a market capitalisation of the entire capital stock 248,432,000 (248,207,000) shares of GBP 218.6 million (358.7) and EUR 221.1 million (422.0).

A total of 151,201 (712,000) Ruukki shares were traded in London and 11,343,832 (21,042,471) shares in Helsinki during the financial year, representing 0.1% (0.3%) of stock in London and 4.6% (8.5%) in Helsinki.

Shareholders

On 31 December 2011, the Company had a total of 3,646 shareholders (3,749 shareholders on 31 December 2010), of which nine were nominee-registered. The registered number of shares on 31 December 2011 was 248,432,000 (248,207,000).

Largest shareholders on 31 December 2011

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 Pankki Suomi Oyj nominee-registered	25 690 955	10.3
5	Evli Pankki Oyj nominee-registered	17 080 300	6.9
6	Hino Resources Co. Ltd	13 412 017	5.4
7	Skandinaviska Enskilda Banken Ab nominee-registered	9 277 442	3.7
8	Kankaala Markku	7 066 116	2.8
9	Moncheur & Cie	6 994 172	2.8
10	Ruukki Group Plc	4 414 682	1.8
Total		233 128 585	93.8
Other shareholders		15 303 415	6.2
Total shares registered		248 432 000	100.0

Ruukki Group Plc's Board members and Chief Executive Officer owned in total 78,699,199 (78,868,533) Ruukki Group Plc shares on 31 December 2011, including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 31.7% of all outstanding shares that were registered in the Trade Register on 31 December 2011. On 31 December 2010 the total number of registered shares was 248,207,000 and the Board and CEO's ownership corresponded to 31.8% of the total number of registered shares.

Shareholders by category 31.12.2011

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	757	20.76	46 861	0.02
101-1,000	2 049	56.20	1 064 942	0.43
1,001-10,000	755	20.71	2 280 963	0.92
10,001-100,000	62	1.70	1 440 599	0.58
100,001-1,000,000	10	0.27	2 045 284	0.82
1,000,001-10,000,000	7	0.19	36 177 178	14.56
in excess of 10,000,000	6	0.17	205 376 173	82.67
Total	3 646	100.00	248 432 000	100.00
of which nominee-registered	9		52 637 741	21.19
Total outstanding			248 432 000	100.00

Shareholders by shareholder type on 31 December 2011

	% of share capital
Finnish shareholders	30.20
of which:	
Companies and business enterprises	1.99
Banking and insurance companies	21.43
Non-profit organisations	0.00
Households	6.79
Foreign shareholders	69.80
Total	100.00
of which nominee-registered	21.19

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

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 and of the option scheme I/2008 a total of 2,900,000 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 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 and in addition to Dr Alistair Ruiters, Executive Chairman of Ruukki South Africa, as approved by Annual General Meeting on 11 May 2011. 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 (retained earnings).

Share option plan	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
Grant date	28.10.2008	28.10.2008	17.05.2010	06.08.2009	28.10.2008	17.10.2007	14.08.2006
Number of options	1 450 000	1 450 000	100 000	175 000	225 000	225 000	225 000
Options series	I/2008	I/2008	F (I/2005)	E (I/2005)	D (I/2005)	C (I/2005)	B (I/2005)
Exercise period	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	yes	yes	yes	yes	yes	yes	yes
Exercise price (with dividend and capital redemption adjustment)	2.18	2.18	0.78	0.68	0.58	0.48	0.38
Share price at grant date	1.26	1.26	1.00	1.75	1.26	2.86	0.69
Option life	5.3	6.3	3.0	3.0	3.0	3.0	3.0
Conditions	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
Expected volatility	44%	44%	56%	46%	44%	44%	89%
Expected option life at grant date (years)	5 years	5 years	5.1 years	4.9 years	4.7 years	4.7 years	4.9 years
Risk free rate, Euribor 12 months	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%	1.40%	2.2%
Expected personnel reductions	0	0	0	0	0	0	0
Fair value at grant date (EUR)	0.33	0.33	1.06	1.20	0.77	2.17	0.53
Valuation model	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes

The Group applies the Black & Scholes model to option arrangements that include employment terms. The expected volatility has been determined by calculating the historical volatility of the Company's share price and adjusting it according to generally available factors that are expected to affect historical volatility. Historical volatility was calculated on the basis of changes in the Company's share price.

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

	Weighted average exercise price (with dividend and capital redemption adjustment) EUR/share	Number of options
At the beginning of 2010	1.80	3 975 000
Granted new options	0.82	100 000
Exercised options	0.32	225 000
Forfeited options	0.00	0
At the end of 2010	1.82	3 850 000
Exercisable at the end of 2010	1.90	3 575 000
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

During the financial year 2011, a total of 225,000 shares were subscribed based on the B-series of the option scheme I/2005. According to the terms of the option scheme, the subscription period ended on 30 June 2011 and the subscription price was EUR 0.38 per share. The subscription price was entered in whole in the Company's paid-up unrestricted equity reserve. Share capital remained unchanged.

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

The exercise price above represents the original contractual exercise price adjusted by dividends and capital redemptions before the 2012 AGM.

20. Deferred tax assets and liabilities

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**

Movements in deferred taxes in 2010

EUR '000	31.12.2009	Exchange rate differences	Recognised in P & L	Recognised in equity	Business combinations and divestments	31.12.2010
Deferred tax assets:						
Unrealised expenses	932	54	597	20		1 603
Tax loss carry forward	0		589		939	1 528
Pension liabilities	1 072		-27			1 045
Group eliminations	259		-143			116
Transfer to assets held for sale	0				-214	-214
Total	**2 263**	**54**	**1 016**	**20**	**726**	**4 079**
Deferred tax liabilities:						
Assets at fair value in acquisitions	37 280	1 541	-7 463		10 286	41 645
Translation difference	3 325			9 815		13 140
Accumulated difference between actual and tax deductible depreciation	689		-131		-558	0
Financial assets at fair value	82		10		-92	0
Other items	2 573	5	-1 629		90	1 039
Total	**43 949**	**1 546**	**-9 213**	**9 815**	**9 726**	**55 823**

21. Provisions

EUR '000	Environmental and rehabilitation provisions	Other provisions	Total
Balance at 1.1.2011	16 645	1 970	18 615
Additions	282	93	375
Releases and reversals	–1 005	–151	–1 156
Unwinding of discount	879	0	879
Exchange differences	–2 278	–156	–2 433
Balance at 31.12.2011	**14 524**	**1 756**	**16 280**

EUR '000	2011	2010
Long-term provisions	15 700	18 017
Short-term provisions	579	598
Total	**16 280**	**18 615**

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. During 2011 the Group has carried out studies regarding the environmental liabilities and concluded on that basis that the provisions are sufficient at current level.

22. Pension liabilities

Defined benefit pension plans

The Group's German subsidiary has defined benefit pension plans in place. 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 10.8 (10.9) million on 31 December 2011. 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	2011	2010
Present value of funded obligation	14 600	14 619
Fair value of plan assets	0	–3 357
	14 600	**11 262**
Unrecognised actuarial gains / losses	–3 762	–343
Net liability	**10 838**	**10 919**

Movements in defined benefit obligation

EUR '000	2011	2010
Defined benefit obligations at 1.1.	14 619	13 740
Benefits paid by the plan	–628	–601
Current service costs	257	207
Interest expense	760	772
Actuarial (gains) losses	–408	501
Closing balance at 31.12.	**14 600**	**14 619**

Movements in the fair value of the plan assets

EUR '000	2011	2010
Fair value of the plan assets at 1.1.	3 357	3 035
Expected return on plan assets	159	159
Benefits paid by the plan	–73	–65
Asset gains (losses)	3 827	–172
Contributions paid into the plan	384	400
Closing balance at 31.12.	**0**	**3 357**

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	2011	2010
Current service cost	–257	–207
Interest cost	–760	–772
Expected return on plan assets	159	159
	–859	**–820**

Actual return on plan assets totalled EUR –3.7 million (–13 thousand) in 2011.

Principal actuarial assumptions	2011	2010
Discount rate	5,50%	5,32%
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 1.2 million defined benefit plan expense in the 2012 income statement.

Historical information

EUR '000	2011	2010	2009
Present value of defined benefit obligation	–14 600	–14 619	–13 740
Fair value of plan assets	0	3 357	3 035
Deficit in the plan	**–14 600**	**–11 262**	**–10 705**
Experience adjustments arising on plan liabilities	90	244	–110
Experience adjustments arising on plan assets	–3 827	–172	–79
Adjustments due to change in actuarial assumptions	318	0	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. As at 31 December 2011 the employee severance indemnity recognised in accordance with IAS 19 amounted to EUR 0.6 (0.7) million.

23. Trade and other interest-free liabilities

EUR '000	2011	2010
Non-current		
Purchase price liabilities (paid as shares)	5 642	28 481
Other liabilities	305	1 072
Total non-current	**5 947**	**29 553**
Current		
Purchase price liabilities	13	1 586
Purchase price liabilities (paid as shares)	4 060	6 507
Trade payables	9 270	17 192
Prepayments	550	0
Accrued expenses and deferred income	10 952	5 479
Income tax liability	4 181	3 941
Other liabilities	608	2 608
Total current	**29 635**	**37 314**

The main reason for the decrease in 2011 in the non-current interest-free liabilities was caused by the change in the estimate of an earn-out liability totalling EUR 19.5 million.

8. RELATED PARTY DISCLOSURES

8.1 Group structure on 31 December 2011

Subsidiaries

Name	Country of incorporation	Group's ownership and share of votes (%)	Ruukki Group Plc's direct ownership and share of votes (%)
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
Elektrowerk Weisweiler GmbH	Germany	0.00 *	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	84.90	0.00
PGR3 Investments (Pty) Ltd	South Africa	63.00	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 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
Utawood Oy	Finland	96.70	0.00

* EWW is consolidated into the Group based on potential voting rights as described in the accounting policies of the consolidated financial statements.

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

PGR Manganese (Pty) Ltd	South Africa	49.00	0.00
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

** In a corporate restructuring process

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

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

		2011			2010		
EUR '000		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
Philip Baum	Board member 21.4.2010 onwards	0	83	97	0	57	0
Paul Everard	Board member 21.4.2010 onwards	0	82	97	0	56	0
Thomas Hoyer	CEO since 4.5.2011, Board member 11.5.2011 onwards	674**	0	0	342*	18	0
Markku Kankaala	Board member 30.6.2003 onwards	0	73	64	0	62	0
Danko Koncar	Board member 11.8.2010 onwards	405	0	0	75	0	0
	Acting Managing Director from 14.10.2010 to 3.5.2011						
Jelena Manojlovic	Board member 11.7.2008 onwards, Chairman 17.6.2009 onwards	0	93	97	0	93	0
Terence McConnachie	Board member 7.10.2008 – 31.8.2010	0	1	193	0	41	0
Chris Pointon	Board member 21.4.2010 onwards	0	84	97	0	58	0
Barry Rourke	Board member 21.4.2010 onwards	0	83	97	0	59	0
Alwyn Smit	Board member and CEO until 14.10.2010	0	0		1 095	0	0
Total		**1 079**	**499**	**740**	**1 608**	**444**	**0**

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

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

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 2011 annual incentive plan the targets are 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 option allocations of the

Stock Option Plan 2011 have not yet been determined.

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

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

Earn-out structures

Ruukki acquired its Speciality Alloys business from its major shareholder Kermas Ltd in 2008. The Group's Enterprise Director Danko Koncar is also a Director of Kermas Ltd. This acquisition includes an earn-out structure, which is based on the future profitability of the acquired business. The earn-out will be settled by Ruukki Group Plc's shares. On 5 September 2011 Ruukki transferred a total of 2,976,213 ordinary shares from treasury as an earn-out consideration for this acquisition. The profit share calculation for the earn-out consideration was confirmed for the years 2009 and 2010. Ruukki paid the 2009 earn-out in full and 50 per cent of the 2010 earn-out.

All future related conditional earn-out payments have been estimated, and the estimated amounts have been recognised on the consolidated statement of financial position as liabilities. On 31 December 2011 the unsettled earn-out liabilities relating to this acquisition amounted to EUR 9.7 (35.0) 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 2011, the Group has not drawn down any of the loan. The expenses recognised for the facilities were EUR 0.3 (0.1) million.

In 2010 Ruukki Holdings Ltd entered into a facility agreement of USD 20.3 million with Kermas Ltd related to acquisition of Chromex. The original amount which was drawn down was USD 16.9 million. The Group has recognised EUR 0.2 (0.0) million interest on the loan. The loan was fully repaid in 2011.

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 2011, Synergy Africa has drawn down USD 29.1 (29.1) million of the loan. The Group's share of interest accrued on the loan amounted to EUR 0.3 (0.0.) million.

The Group has a EUR 18.1 (11.2) million loan receivable and EUR 1.9 (0.4) million trade and other receivables from its joint venture companies. Interest income from a joint venture company totalled EUR 0.7 (0.0) million during the financial year 2011.

Elektrowerk Weisweiler had on 31 December 2011 a EUR 10.0 (10.0) million receivable from its parent company Kermas Ltd.

Other related party transactions

Ruukki Group sold its 51 percent holding in Junnikkala Oy to Junnikkala Oy's minority shareholders in 2011. The total consideration of EUR 6 million was paid in cash.

The Group has sold its products and rendered services to related parties and joint ventures for a total value of EUR 5.2 (5.5) million. The Group has also made raw material purchases from a joint venture amounting to EUR 0.8 (0.0) million.

Dividends received from associated companies totalled EUR 0.2 (0.4) million.

On 31 December 2011 the Group's parent company had short-term loan receivables from the members of the board amounting to EUR 0.6 million.

9. COMMITMENTS AND CONTINGENT LIABILITIES

9.1 Mortgages and guarantees pledged as security

At 31 December 2011, the Group companies had provided business mortgages as collateral for loans and other liabilities totalling EUR 0.0 (14.0) million. Equipment and real estate mortgages amounted to EUR 20.6 (21.5) million and the book value of other pledges was EUR 28.4 (11.1) million. Moreover, the Group companies had given cash deposits totalling EUR 1.3 (2.1) million as security for their commitments. At the end of the financial year, EUR 0.0 (8.8) million of the Group's trade receivables were pledged as collateral for a credit facility. With the mortgages and guarantees given third parties, the Group companies have received loans that, in turn, have been used for financing acquisitions, capital expenditures or working capital needs.

In relation to deferred payments for the acquisition of Mogale Alloys (Pty) Ltd, 40% of the total number of Mogale shares owned by the Group is pledged as collateral in favour of the Mogale vendors. On 31 December 2011 the loan amounted to ZAR 600 million (EUR 57.2 million).

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 8 million. The loan agreement includes financial covenants some of which were breached during the third quarter of 2011. At the end of the financial year the covenants were not breached. 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.

9.3 Earn-out and deferred liabilities related to acquisitions

Earn-out and deferred liabilities related to acquisitions carried out by the Group have been recognised on the Group's financial statements, and presented in the consolidated statement of financial position as short-term or long-term debt based on the contractual obligations as to the date of payment. The earn-out liabilities on the statement of financial position as at 31 December 2011 are dependent upon the results of future financial periods, so the exact amount to be paid as earn-outs will only be finalised in the future based on the results of the acquired entities; hence the amounts recognised on the statement of financial position at year-end represent estimates. There are also some deferred purchase considerations where the nominal sum is fixed; however, the timing and terms of payments can vary. The liabilities, recognised in discounted values as appropriate, will be paid partially in cash but also in Ruukki Group Plc shares.

The following table presents the earn-out liabilities related to the Speciality Alloys business acquisition in October 2008 (RCS Ltd, Türk Maadin Sirketi A.S. and Elektrowerk Weisweiler GmbH) based on future profits. The sums in brackets represent the carrying amounts as at 31 December 2010.

Company	Estimated liability, EUR million	Estimated time of payment	
RCS Ltd and Türk Maadin Sirketi A.S. (earn-out)	9.7 (35.0), of which short-term portion 4.1	2012, 2013 and 2014	To be paid in Ruukki Group Plc shares.
Elektrowerk Weisweiler GmbH (option)	9.5 (9.1)	2014	Assumed to be paid in cash.
Total	19.2 (44.1)		

Related to the acquisition of RCS Ltd and Türk Maadin Sirketi A.S, Ruukki Group Plc has issued 73,170,731 option rights to the seller, Kermas Ltd, based on resolution passed at the 28 October 2008 Extraordinary General Meeting when the acquisition was confirmed. These options can be exercised only on condition that the companies acquired generate positive net results, and are based on EUR 2.30 per share exercise price with a dividend adjustment mechanism. The Group has estimated, based on actual results for the financial years 2009–2011 and forecasts for 2012–2013, that 7,579,541 (25,624,330) shares will be given as earn-out payment to the vendor. The fair value of these shares has been determined to be EUR 1.28 per share based on the market price of the share on 28 October 2008.

The total earn-out to be realised in the future can deviate from the estimated amount, if in turn, the actual net results of the acquired companies in 2012 – 2013 deviate from the estimated results; or if Ruukki Group Plc's dividend distribution differs from the estimated amount. Since the maximum amount of the earn-out is capped at the total amount of option rights issued, Ruukki Group Plc's total earn-out liability cannot exceed 73,170,731 shares. If the combined net profit of RCS Ltd and Türk Maadin Sirketi A.S. is negative during 2009 – 2013 (considered on an annual basis separately for each year), then the seller is obliged to pay back Ruukki Group Plc 50% of the losses in cash as a refund of the purchase consideration.

There is as yet no resolution as to the exercise of option rights related to Elektrowerk Weisweiler GmbH and the exercise price of the option rights is not fixed in advance. However, the exercise price will be based on the fair value of Elektrowerk Weisweiler GmbH and the liability recognised on the consolidated statement of financial position is based on the 'Stuttgarter Verfahren' valuation method. When recognising the liability on the consolidated statement of financial position on 31 December 2011, Ruukki Group Plc assumed that the option rights would be exercised in 2014.

At the end of May 2009, Ruukki South Africa (Pty) Ltd acquired an 84.9% stake in Mogale Alloys (Pty) Ltd. The purchase consideration is denominated in ZAR. According to the acquisition agreement, ZAR 600 million of the acquisition cost is conditional upon licences and permits being received for each of Mogale's furnaces separately. The consideration will be paid in cash in equal monthly instalments by April 2014. In the preparation of the financial statements, the Group has interpreted that the conditions have not yet been met for any of the furnaces and the Group does not expect them to be fulfilled during 2012. The conditional deferred consideration therefore has been fully presented as a long term liability on the Group's statement of financial position.

9.4 Rental agreements

Liabilities associated with rental and operating lease agreements totalled some EUR 0.9 (4.9) million for the period. Typically, the rental agreements maturity varies between three and eight 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 2011.

9.5 Collaterals given by Ruukki Group Plc

Of the parent company's EUR 4.2 million business mortgages, EUR 0.0 (1.7) million had been pledged as security with external financial institutions on 31 December 2011. At the end of the financial year, the parent company had not given any subsidiary shares as collaterals; at the end of 2010 the value of pledged subsidiary shares amounted to EUR 7.9 million. As at 31 December 2011, the parent company had not given any guarantees for the financing of Group companies (31 December 2010: EUR 1.0 million).

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 2011 the indebtedness subject to these guarantees was EUR 1.6 million in aggregate.

As at 31 December 2011, Ruukki Group Plc's rental and leasing liabilities were EUR 0.5 (0.2) million, of which EUR 0.1 (0.1) million will mature in less than one year and the rest in 1–5 years.

9.6 Contingent liabilities

The Group has recognised a ZAR 600 million (EUR 57.2 million) conditional liability on the acquisition of Mogale Alloys in its statement of financial position. The consideration is conditional upon obtaining certain permits and licences, and the vendors of Mogale Alloys have informed the Group that they consider the permits and licences have been obtained. Ruukki Group's management's view is that all the conditions have not yet been satisfied. However, if it is confirmed that all the conditions have been met, the deferred consideration will no longer be conditional and will be interest-bearing. The Group has not recognised the interest liability as at 31 December 2011.

9.7 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 2011, Ruukki had not recognised any liability relating to these claims on its statement of financial position.

During 2010, certain vendors of Mogale Alloys Ltd commenced legal actions in South Africa against the Group relating to the payment of the remaining ZAR 600 million (EUR 57.2 million), which represents 30% of the full purchase price for Mogale, along with an interest claim. The parties disagree whether the conditions for the payment have been fulfilled and consequently Ruukki strongly refutes this legal action and is vigorously defending it. Ruukki has already at the closing of the acquisition recorded the majority of the claimed amount as a liability in its consolidated statement of financial position. In the event that the Group is unsuccessful in defending the action, it will not be expected to have a material impact on the Group's consolidated income statement. It will, however, have a significant impact on the Group's financial position and cash flow.

One of Ruukki's joint venture companies, Chromex Mining Ltd, has received notice from Samancor Chrome Limited (Samancor) that Samancor has applied to the High Court in South Africa to dispute the decision by the Department of Mineral Resources ("DMR") of the Republic of South Africa to reject Samancor's application on Portions 2 and 5 of the Mecklenburg farm and to set aside the New Order Mining Right granted to Chromex in July 2008. There has been no change in the legal proceedings over the past year. Ruukki is confident of its position regarding the Mecklenburg farm and its right, as awarded by the DMR in accordance with South African law, to develop the property.

Parent Company's Financial Statements (FAS)

Income Statement (FAS)

EUR '000	Note	1.1.2011 – 31.12.2011	1.1.2010 – 31.12.2010
REVENUE	1	20 217	16 352
Other operating income	2	47 914	22
Materials and services			
Goods, materials and supplies			
Purchases during the period		–19 336	–15 549
Goods, materials and supplies total		–19 336	–15 549
Materials and services total		–19 336	–15 549
Personnel expenses			
Salaries and wages		–7 666	–2 328
Social security expenses			
Pension expenses		–635	–175
Other social security expenses		–243	93
Social security expenses total		–878	–82
Personnel expenses total		–8 544	–2 410
Depreciation and amortisation	3		
Depreciation and amortisation according to plan		–46	–41
Impairment of non-current assets		–15	0
Depreciation and amortisation total		–61	–41
Other operating expenses	4	–4 700	–11 572
OPERATING PROFIT (LOSS)		**35 490**	**–13 199**
Financial income and expenses:	5		
Income from Group companies		276	0
Dividends from associates		0	22
Impairment of non-current investments		5 449	–26 564
Other financial income			
From Group companies		11 528	9 434
From others		884	187
Interests and other financial expenses			
To Group companies		–68	–47
To others		–347	–225
Financial income and expenses total		17 722	–17 192
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		**53 212**	**–30 392**
PROFIT BEFORE TAXES		**53 212**	**–30 392**
Income taxes	6		
Income taxes		0	110
NET PROFIT		**53 212**	**–30 282**

Balance Sheet (FAS)

EUR '000

	Note	31.12.2011	31.12.2010
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	7		
Intangible rights		51	90
Total intangible assets		**51**	**90**
Property, plant and equipment	7		
Machinery and equipment		59	9
Other tangible assets		0	2
Total property, plant and equipment		**59**	**12**
Investments	8		
Shares in Group companies		5 099	42 528
Shares in associated companies		0	226
Receivables from Group companies		8 015	1 663
Total investments		**13 114**	**44 416**
Total non-current assets		**13 224**	**44 518**
CURRENT ASSETS			
Receivables	9		
Non-current receivables			
Receivables from Group companies		294 619	283 710
Other interest-bearing receivables		1 500	0
Other interest-free receivables		136	0
Total non-current receivables		**296 255**	**283 710**
Current receivables			
Trade receivables		113	7
Receivables from Group companies		1 942	3 489
Other interest-bearing receivables		125	561
Other interest-free receivables		27	1 490
Prepaid expenses and accrued income		876	623
Total current receivables		**3 083**	**6 170**
Cash and cash equivalents		**42 327**	**1 744**
Total current assets		**341 665**	**291 624**
TOTAL ASSETS		**354 889**	**336 141**

EUR '000

	Note	31.12.2011	31.12.2010
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	10		
Share capital		23 642	23 642
Share premium reserve		25 223	25 223
Paid-up unrestricted equity reserve		251 504	255 468
Retained earnings		-11 949	18 333
Profit for the period		53 212	-30 282
Total shareholders' equity		**341 631**	**292 384**
LIABILITIES	11		
Non-current liabilities			
Liabilities to Group companies		1 500	4 000
Loans from associated companies		5	5
Earn-out purchase consideration liabilities		5 642	28 481
Total non-current liabilities		**7 147**	**32 486**
Current liabilities			
Loans from financial institutions		0	545
Liabilities to Group companies		77	47
Accounts payable		297	2 369
Accounts payable to Group companies		0	173
Earn-out purchase consideration liabilities		4 060	6 507
Other liabilities		56	34
Accrued expenses and deferred income		1 621	1 596
Total current liabilities		**6 111**	**11 271**
Total liabilities		**13 258**	**43 758**
TOTAL EQUITY AND LIABILITIES		**354 889**	**336 141**

Statement of Cash Flows (FAS)

EUR '000	1.1.2011 – 31.12.2011	1.1.2010 – 31.12.2010
Cash flow used in operating activities		
Profit for the period	53 212	–30 282
Adjustments:		
Depreciation and amortisation	46	41
Capital gains and losses from investments	–47 323	433
Impairment	–5 434	26 564
Financial revenue and expense excluding impairment	–12 273	–9 372
Income taxes	0	–110
Share-based payments	1 758	0
Cash flow before change in working capital	–10 015	–12 725
Change in working capital:		
Change in current trade receivables	884	–1 297
Change in current trade payables	–1 596	1 646
Operating cash flow before financing items and taxes	–10 727	–12 377
Interests received and other financing items	730	79
Interests paid and other financing items	–439	–71
Income taxes paid	508	301
Cash flow used in operating activities	**–9 928**	**–12 068**
Cash flow used in investing activities		
Capital expenditure on tangible and intangible assets	–69	–43
Proceeds from sale of tangible and intangible assets	0	28
Acquisition of subsidiaries and associates	–501	–4 259
Payments for earn-out liabilities	0	–65
Disposals of subsidiaries, associates and other investments	84 979	1 640
Dividends received	0	22
Cash flow used in investing activities	**84 409**	**–2 677**

EUR '000	1.1.2011 – 31.12.2011	1.1.2010 – 31.12.2010
Cash flow from financing activities		
Proceeds from exercise of share options	86	72
Acquisition of own shares	0	–10
Repayments of non-current borrowings	0	–545
Repayments of current borrowings	–545	–735
Non-current loans from Group companies	0	4 000
Short-term loans to Group companies	0	–708
Repayments of non-current loans from Group companies	–2 500	0
Repayments of current loans given to Group companies	1	0
Non-current loans to Group companies	–44 553	–19 229
Repayments of non-current loans given to Group companies	22 153	15 038
Repayments of non-current loan receivables	0	420
Repayments of current loan receivables	350	0
Redeemed deposits	0	2 500
Capital redemption	–9 617	–9 570
Interests received and income from money market investments	689	4 675
Interests paid	–49	–65
Cash flow from financing activities	**–33 986**	**–4 156**
Change in cash and cash equivalents	**40 495**	**–18 900**
Cash at the beginning of the period	1 744	20 644
Cash at the end of the period	42 327	1 744
Cash received from subsidiaries' dissolution	88	0
Change in cash and cash equivalents	**40 495**	**–18 900**

Notes to the Financial Statements of the Parent Company (FAS)

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.

Summary of acquisitions and divestments carried out in 2011

Group companies:
Disposal of the shares in Pohjolan-Design Talo Oy (100.0% -> 0%) in March 2011
Disposal of the shares in Oplax Oy (100.0% -> 0%) in April 2011

Associated companies:
Disposal of ILP-Group Ltd Oy (33.4% -> 0%) in February 2011

2. Notes to the income statement

1. Revenue

EUR '000	2011	2010
By business line:		
Services	736	618
Other revenue	19 482	15 733
Total	**20 217**	**16 352**
By geography:		
Finland	185	325
EU countries	19 621	15 806
Other countries	411	220
Total	**20 217**	**16 352**

2. Other operating income

EUR '000	2011	2010
Gain on disposal of subsidiary shares	47 724	0
Gain on disposal of associated companies shares	189	4
Gain on disposal of property, plant and equipment	0	17
Other income	1	1
Total	47 914	22

3. Depreciation and amortisation

EUR '000	2011	2010
Depreciation and amortisation according to plan		
Intangible rights	–31	–26
Machinery and equipment	–15	–15
Total	**–46**	**–41**
Impairment		
Impairment of non-current assets	–15	0
Total	**–15**	**0**

4. Other operating expenses

EUR '000	2011	2010
Voluntary employee benefits	-73	-92
Premise expenses	-194	-233
Machinery and equipment expenses	-144	-103
Travelling expenses	-786	-383
Representation expenses	-17	-2
Marketing expenses	-31	-48
Administration expenses	-2 462	-3 807
Other operating expenses	-994	-6 905
Total	**-4 700**	**-11 572**

5. Financial income and expense

EUR '000	2011	2010
Dividends from associated companies	0	22
Impairment on investments		
Impairment on holdings in subsidiaries	0	-5 798
Impairment on loans to Group companies	0	-20 786
Reversal of impairment from loans to Group companies	5 449	0
Reversal of impairment from holdings in associates	0	20
Other financial income		
From Group companies	11 804	9 434
From others	884	187
Other financial expense		
To Group companies	-68	-47
To others	-347	-225
Total	**17 722**	**-17 192**

6. Income taxes

EUR '000	2011	2010
Profit for the period	53 212	-30 282
Adjustments for tax calculation	-53 011	26 978
Taxable income	**200**	**-3 305**
Tax advances paid	-97	-604
Tax deferral based on taxable income	0	604
Income tax of the period	**-97**	**0**
Taxes of previous years		
Returned taxes from previous year	0	110
Tax loss carryforward used	97	0
Net income taxes	**0**	**110**
Income tax receivable	97	604

3. Notes to assets

7. Fixed assets

EUR '000	2011	2010
Intangible rights		
Acquisition cost 1.1.	245	202
Additions	0	43
Acquisition cost 31.12.	245	245
Accumulated depreciation 1.1.	155	129
Depreciation for the period	31	26
Impairment for the period	8	0
Accumulated depreciation 31.12.	194	155
Book value 31.12.	**51**	**90**

EUR '000	2011	2010
Machinery and equipment		
Acquisition cost 1.1.	213	224
Additions	69	0
Disposals	0	–11
Acquisition cost 31.12.	282	213
Accumulated depreciation 1.1.	203	188
Depreciation for the period	15	15
Impairment for the period	5	0
Accumulated depreciation 31.12.	223	203
Book value 31.12.	**59**	**9**

8. Investments

	Shares in Group companies	Shares in associated companies	Receivables from Group companies	Receivables from associated companies	Other receivables	Total
Acquisition cost 1.1.2011	**52 576**	**8 378**	**13 266**	**169**	**80**	**74 470**
Additions	3 705	0	0	0	0	**3 705**
Disposals	–41 134	–226	0	0	0	**–41 360**
Transfers between categories	0	0	6 352	0	0	**6 352**
Acquisition cost 31.12.2011	15 147	8 153	19 618	169	80	**43 167**
Accumulated depreciation and impairment 1.1.2011	–10 048	–8 153	–11 603	–169	–80	**–30 054**
Accumulated depreciation and impairment 31.12.2011	–10 048	–8 153	–11 603	–169	–80	**–30 054**
Book value 31.12.2011	**5 099**	**0**	**8 015**	**0**	**0**	**13 114**

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 (%)
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
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	84.90	0.00
PGR3 Investments (Pty) Ltd	South Africa	63.00	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 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
Utawood Oy	Finland	96.70	0.00
Joint ventures			
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 (Pty) Ltd	Zimbabwe	51.00	0.00
Associated companies			
PGR Manganese (Pty) Ltd	South Africa	49.00	0.00
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

* In a corporate restructuring process

** In a corporate restructuring process. 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	2011	2010
Non-current		
Loan and other receivables	268 103	268 083
Interest receivables	26 515	15 627
Total	**294 619**	**283 710**
Current		
Trade receivables	1 164	2 722
Interest receivables	16	59
Prepayments and accrued income	762	708
Total	**1 942**	**3 489**

Other interest-bearing receivables

EUR '000	2011	2010
Non-current		
Receivables from disposals of Group companies	1 500	0
Total	**1 500**	**0**
Current		
Loan receivables	70	420
Rental deposits	0	74
VAT receivable	55	67
Total	**125**	**561**

Other interest-free receivables

EUR '000	2011	2010
Non-current		
Other prepaid expenses and accrued income	136	0
Total	**136**	**0**
Current		
Trade receivables	113	7
Receivable from disposal of Group company shares	0	1 463
Other receivables	27	28
Total	**140**	**1 497**

Prepaid expenses and accrued income

	2011	2010
Income tax receivable	97	604
Accrued interest income	122	12
Other prepaid expenses and accrued income	657	6
Total	**876**	**623**

4. Notes to equity and liabilities

10. Shareholders' equity

EUR '000	2011	2010
Share capital		
Share capital 1.1.	23 642	23 642
Share capital 31.12.	**23 642**	**23 642**

	2011	2010
Share premium reserve		
Share premium reserve 1.1.	25 223	25 223
Share premium reserve 31.12.	**25 223**	**25 223**

	2011	2010
Paid-up unrestricted equity reserve		
Paid-up unrestricted equity reserve 1.1.	255 468	264 975
Capital redemption to the shareholders	-9 617	-9 570
Acquisition of own shares	0	-10
Share subscriptions based on option rights	3 895	72
Share-based payments	1 758	0
Paid-up unrestricted equity reserve 31.12.	**251 504**	**255 468**

	2011	2010
Retained earnings		
Retained earnings 1.1.	18 333	17 664
Profit for the previous financial year	-30 282	669
Retained earnings 31.12.	**-11 949**	**18 333**
Profit for the financial year	**53 212**	**-30 282**
Total shareholders' equity	**341 631**	**292 384**

	2011	2010
Distributable funds		
Retained earnings 1.1.	-11 949	18 333
Profit for the financial year	53 212	-30 282
Retained earnings 31.12.	**41 263**	**-11 949**
Paid-up unrestricted equity reserve	251 504	255 468
Distributable funds 31.12.	**292 766**	**243 519**

11. Liabilities

Non-current liabilities

EUR '000	2011	2010
Non-current interest bearing debt		
Loans from Group companies	1 500	4 000
Total	**1 500**	**4 000**

	2011	2010
Non-current interest-free debt		
Loans from associated companies	5	5
Earn-out purchase consideration liabilities	5 642	28 481
Total	**5 647**	**28 486**

Current liabilities

EUR '000	2011	2010
Current interest bearing debt		
Loans from financial institutions	0	545
Total	**0**	**545**

Current interest-free debt

	2011	2010
Accounts payable	297	2 369
Payables to Group companies	0	173
Other debt	56	34
Other debt to Group companies	77	47
Earn-out purchase consideration liabilities	4 060	6 507
Accrued expenses and deferred income	1 621	1 596
Total	**6 111**	**10 726**

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 has affected the estimated total purchase consideration liability of the 2008 minerals sector acquisition. The Company had a total of EUR 9.7 million (31.12.2010: EUR 35.0 million) purchase consideration liabilities at the end of 2011 on its balance sheet, in relation to the acquisition made in 2008. These liabilities are to be settled with the Company's shares. The purchase consideration liabilities have been presented on the balance sheet as per 31 December 2011 in separate line items; the short-term liabilities include those items whose payments are estimated to take place during the next financial year (also including the issuance and granting of shares).

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 has 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 is tied to the acquired companies profits in 2009 – 2013.

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.

6. Other notes

Related party loans

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

Information on the personnel

	2011	2010
Personnel, annual average (all employees)		
Employees	9	8

Management remuneration

	2011	2010
Chief Executive Officer	774	1 323
Board members	2 533	416

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 2011 annual incentive plan the targets are 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 option allocations of the Stock Option Plan I/2011 have not yet been determined.

Information on shares and shareholders

Changes in the number of shares and share capital

On 1 January 2011, the registered number of Ruukki Group Plc shares was 248,207,000.

In March 2011 950,000 ordinary shares in the Company were transferred from the shares held in treasury and allotted to certain present and past directors of the Company. The transfer took place pursuant to the resolution related to the remuneration of the Board approved at the Annual General Meeting held on 21 April 2010 and the resolution of the Board of Directors from the board meeting held on 29 May 2010. The Shares have been released at no cost to the individuals. The issued shares are subject to a lock-up commitment in accordance with the resolution of the Annual General Meeting.

In June 2011, a total of 225,000 shares were subscribed based on the option scheme I/2005 B-series. According to the terms of the option scheme, the subscription period ended on 30 June 2011 and the subscription price was EUR 0.38 per share. The subscription price was entered in whole in the Company's paid-up unrestricted equity reserve. Share capital remained unchanged, totalling EUR 23,642,049.60. The number of the Company's shares after subscription is 248,432,000 shares.

Based on an option program between Ruukki Group Plc and Kermas Ltd a total of 2,976,213 shares were subscribed in September. The subscription was made utilising the Company's treasury shares.

The Board of Ruukki Group Plc awarded 400,000 treasury shares to Dr Alistair Ruiters, Executive Chairman of Ruukki South Africa in December. The shares were issued under the authorisation given by the Annual General Meeting in May 2011 and form a part of the Company's incentive programme for senior management. The shares were issued from shares held in treasury.

On 31 December 2011 the Company had 4,414,682 (8,740,895) of its own shares, which was roughly equivalent to 1.78% (3.52%) of all registered shares.

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 78,699,199 (78,868,533) Ruukki Group Plc shares on 31 December 2011 when including shares owned either directly, through persons closely associated with them or through controlled companies. This corresponds to 31.7% of all outstanding shares that were registered in the Trade Register on 31 December 2011.

		shares	options
31.12.2011			
Board and CEO total:			
Philip Baum	Non-Executive Director	150 000	0
Paul Everard	Non-Executive Director	150 000	0
Thomas Hoyer	Executive Director, CEO	52 083	0
Markku Kankaala	Non-Executive Director	7 090 616	0
Danko Koncar	Executive Director	70 766 500	70 194 518*
Jelena Manojlovic	Non-Executive Director	150 000	0
Chris Pointon	Non-Executive Director	190 000	0
Barry Rourke	Non-Executive Director	150 000	0
Board and CEO total		**78 699 199**	**70 194 518**
All shares outstanding		248 432 000	248 432 000
Proportion of all shares		31.7%	28.3%

On 31 December 2010 the total number of registered shares was 248,207,000 and the Board and CEO's ownership corresponded to 31.8% of the total number of registered shares.

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

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

* The option rights have been issued to Kermas Limited, a controlled corporation of Danko Koncar, related to additional earn-out purchase consideration of the acquisition carried out in October 2008. The option rights have been issued without consideration and they will entitle the recipients to subscribe for a maximum total of 73,170,731 (70,194,518 after share subscription during 2011) shares in Ruukki Group Plc. These options can be exercised only on condition that the companies acquired generate positive net results for 2009-2013, and are based on EUR 2.30 per share exercise price with dividend and capital redemption adjustment (on 31.12.2011 EUR 2.18 per share).

Auditor's fees

EUR '000	2011	2010
Ernst & Young Oy		
audit	380	566
other services	282	373
Total	**662**	**939**

Board's dividend proposal

The Board of Directors proposes to the Annual General Meeting, which will be held on 10 May 2012, that no dividend is distributed.

Signatures to the Financial Statements and the Report of the Board of Directors

Helsinki 29 March 2012

Jelena Manojlovic
Chairman

Thomas Hoyer
Member of the Board
Chief Executive Officer

Philip Baum
Member of the Board

Paul Everard
Member of the Board

Markku Kankaala
Member of the Board

Danko Koncar
Member of the Board

Christopher Pointon
Member of the Board

Barry Rourke
Member of the Board

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, 29 March 2012

Ernst & Young Oy

Tomi Englund
Authorised Public Accountant

Auditor's Report

Translation

To the Annual General Meeting of Ruukki Group Plc
We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Ruukki Group Plc for the financial period 1.1. – 31.12.2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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

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

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

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

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

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

Helsinki, March 29, 2012

Ernst & Young Oy
Authorised Public Accountant Firm

Tomi Englund
Authorised Public Accountant