

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 2012.

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 members of the committee in 2012 were Chris Pointon (Chairman), Dr Jelena Manojlovic 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 for 2012 was 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 2012 annual incentive plan the targets were based on EBITDA, production volumes and health and safety related key parameters. For the year 2012 the CEO did not receive any short-term incentives.

The long-term incentive program is based on stock options. The CEO has 2,664,000 stock options based on the Stock Option Plan I/2011.

The 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.

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 and long-term share-based incentives. In 2012, the Annual General Meeting resolved that the Chairman shall be paid EUR 12,500 per month, the Deputy Chairman EUR 11,000 per month and other Board members EUR 10,000 per month. In addition, the Audit Committee Chairman shall be paid for his/her work at the committee EUR 2,500 per month and the other members EUR 1000 per month. The members of the other committees shall be paid EUR 750 per month per committee.

The Board and CEO Remuneration

EUR '000		2012			2011		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
Philip Baum	Board member until 16.8.2012		64	193		83	97
Paul Everard	Board member		115	97		82	97
Thomas Hoyer	CEO since 4.5.2011, Board member 11.5.2011 onwards	436		195	674*		
Markku Kankaala	Board member		104	64		73	64
Danko Koncar	Board member Executive Director	280			405		
Jelena Manojlovic	Board member, Chairman		126	97		93	97
Terence McConnachie	Board member until 31.8.2010					1	193
Chris Pointon	Board member		127	97		84	97
Barry Rourke	Board member		130	97		83	97
Total		716	665	839	1 079	499	740

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 2012, the annual bonus KPIs were based on EBITDA, production volumes and key health and safety related parameters;

- The long-term incentive program 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	2012	2011
Short-term employee benefits	872	3 397
Post-employment benefits	72	413
Termination benefits	0	763
Share-based payments	166	0
Total	1 110	4 573

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

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 – 0.82 (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 entitled 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 has 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. To date, the total of 6,291,997 options have been issued. 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.

Directed Free Issue of Shares

On 7 December 2012 the Board of Directors granted a total of 117,245 ordinary shares in the Company to the members of the EMT as their share based incentive bonus for the year 2011. The

shares were issued under the authorisation given by the Company's Annual General Meeting in May 2012 and form a part of the Company's incentive programme for senior management. The shares are subject to restrictions on transferability and pledge-ability until 24 months from the allotment date, after which the shares can be transferred and used as a pledge.

Details of the share grant and resultant shareholdings are set out below:

Director / Senior Manager	Shares Granted	Resultant Holding	Percentage of issued share capital
Dr Danko Koncar	19,672	19,672	0.008
Mr Thomas Hoyer	41,592	93,675	0.038
Dr Alistair Ruiters	18,211	418,211	0.168
Mr Markus Kivimäki	12,590	12,590	0.005
Mr Kalle Lehtonen	12,590	12,590	0.005
Mr Stefano Bonati	12,590	12,590	0.005

The Group has directed a free issue of shares to the members of the Board of Directors, as approved by the 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 General Meeting following the approval of the initial issue. According to the decision by the 2010 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 General Meeting. The initial amount of shares (maximum of 950,000 shares) will have a graded three-year vesting schedule, with one third of the shares vesting annually at each General Meeting subsequent to 2010 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 General Meeting following the approval of the initial issue (being the 2010 General Meeting). The shares are subject to a three-year lock-up period.

Directors' Shareholdings and Options at 31 December 2012

		Shares *	Options
Jelena Manojlovic	Chairman	150,000	0
Paul Everard	Non-executive Director	150,000	0
Thomas Hoyer	Executive Director, Chief Executive Officer	93,675	2,664,000
Markku Kankaala	Non-executive Director	7,090,616	0
Danko Koncar	Executive Director, Enterprise Director	70,786,172	0
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:

- 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