



# Ruukki Group Plc

Interim Report Q3/2007  
(1 Jan – 30 Sep 2007)

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# Agenda

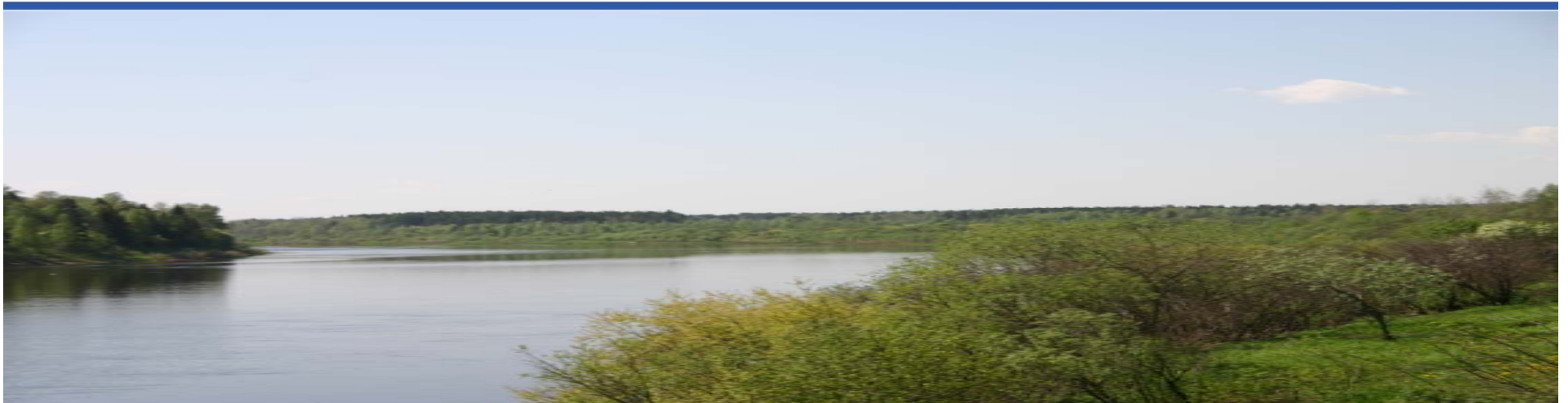
- CEO Priorities
- Kostroma Investment Projects
- Financial and Operational Key Developments
- Financial Performance
- Share and Shareholders
- Summary
- Appendix

# CEO Priorities

**1** "The company's Board has decided to focus the Group's business more intensively on **wood-based operations** so that the future industrial operations and investments will be **focused on Russia** in particular and on a substantially larger scale than before."

**2** "The extension of the investment agreement is not expected to considerably change the schedule of the investment projects. The **sawmill** is expected to start production **in late 2008**, and the **pulp mill's** initial start-up is expected to take place **in late 2010**."

**3** "REVENUE AND EBIT FORECAST 2007 - With the current business structure, Ruukki Group's consolidated **2007 revenue** is expected to be **in excess of EUR 200 million**, and the Group's euro-denominated operating profit (**EBIT**) for **2007** is expected to **exceed that of 2006**, excluding the expenses arising from the Kostroma projects."



# Kostroma Investment Projects

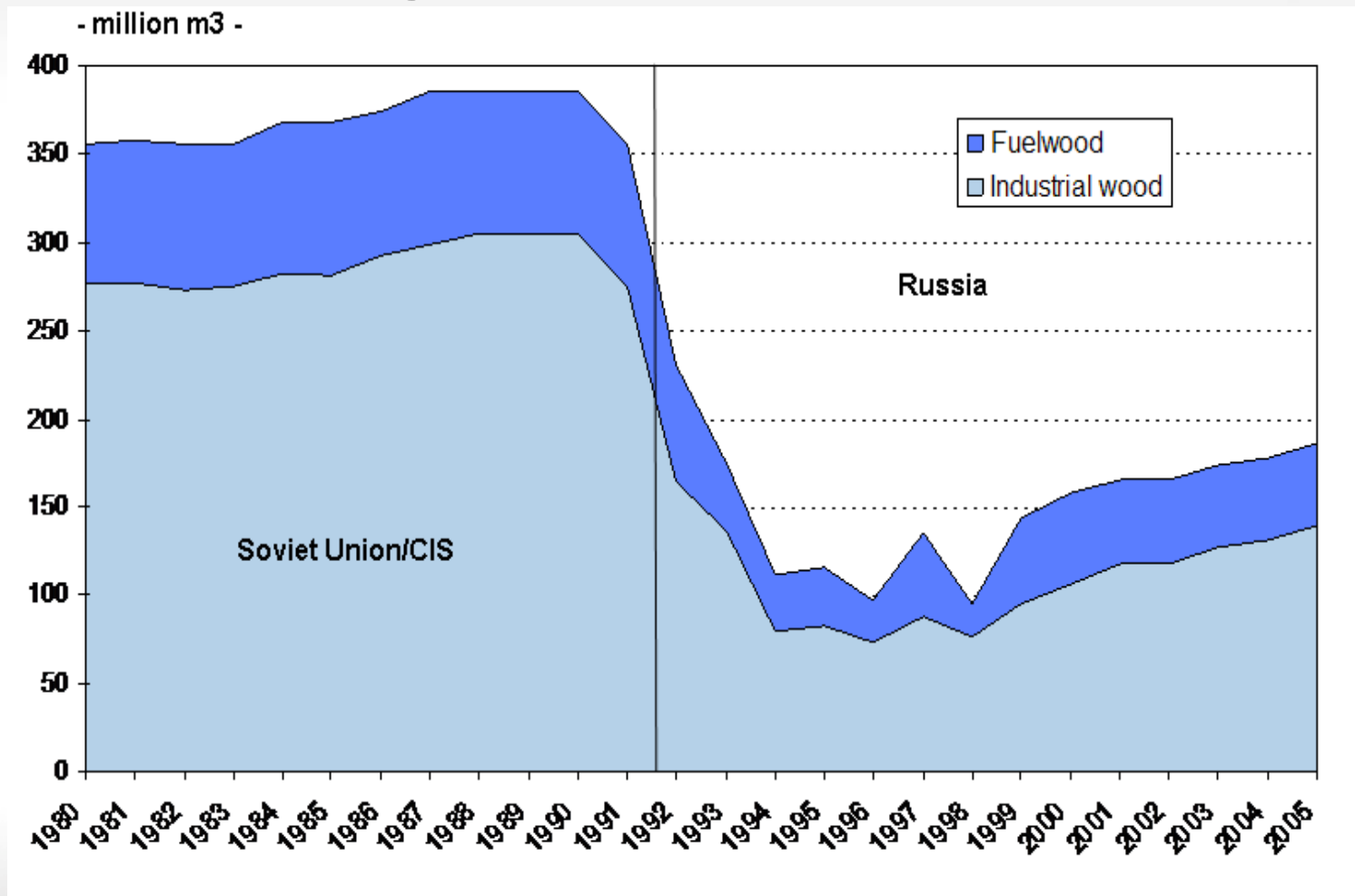
## Russian Forest Resources

- Russia's forest reserves are the largest in the world with about 22% of total global forest reserves, or 763.5 million hectares. The next largest countries are Brazil (16%), Canada (7%), and the US (6%)
- Of the global coniferous forest area, about 60% is in Russia
- Only 23% of the allowed amount of cuttings was harvested in 2000
- Clearcut logging is the main industrial harvesting method in Russia. The size of one clearcut area is currently limited to 50 hectares

## Recent Developments

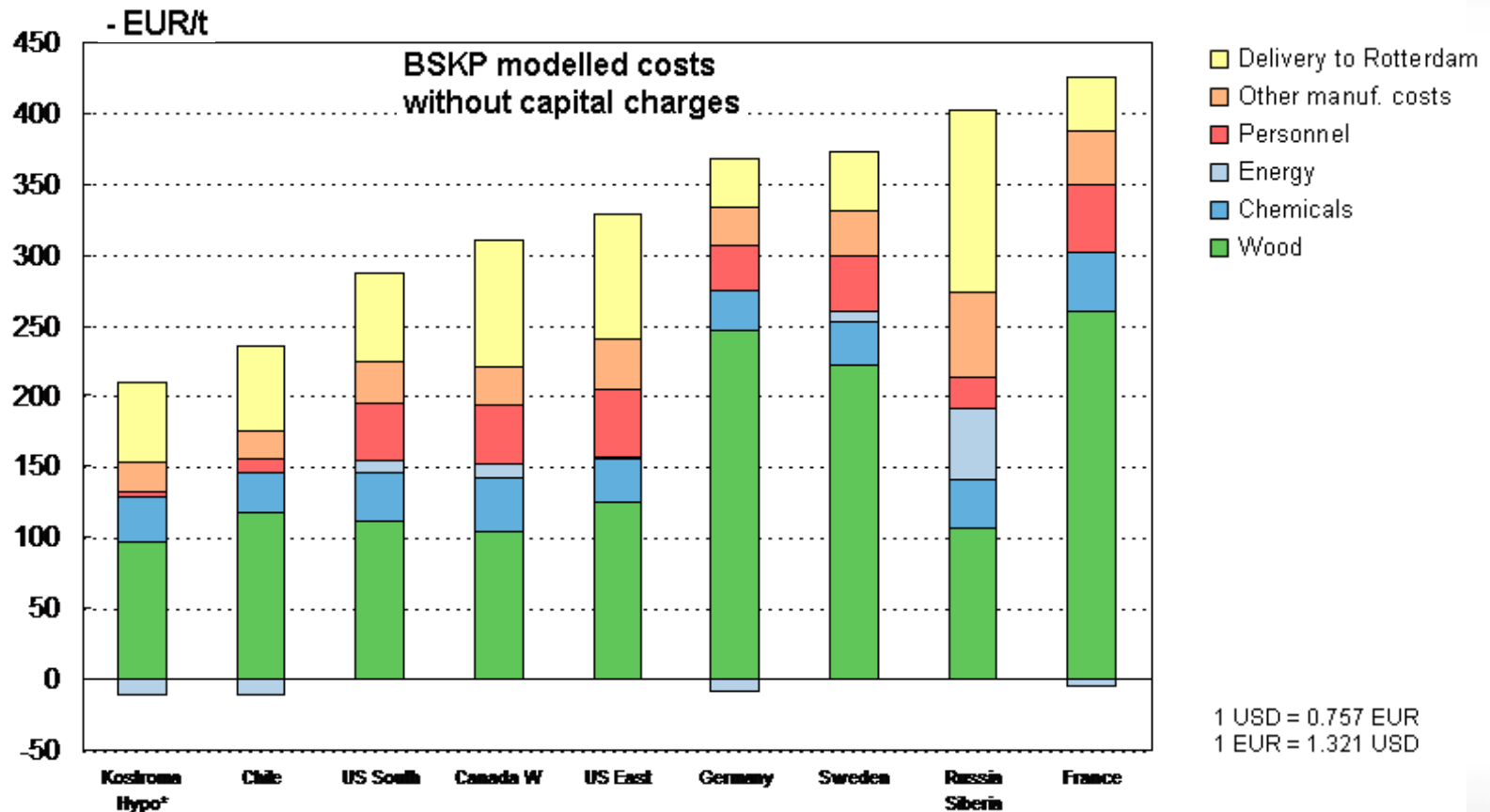
- Increases for customs duties on roundwood exports out of Russia introduced.
- No new greenfield investments into chemical forest industry done in Russia over the last 20 years.
- Ruukki Group's planned investments meet Russian Federation's strategic objectives to have large-scale foreign direct industrial investments into Russia
- Russian Forest Code renewed; new legislation entered into force in the beginning of 2007

# Wood Harvesting in Soviet Union/Russia



Source: Pöyry Forest Industry Consulting Oy

# Long-fibre bleached conifer pulp (BSKP, *bleached softwood kraft pulp*), manufacturing cost estimates



Source: Pöyry Forest Industry Consulting Oy, June 2007

Matti Vikkula, Chief Executive Officer, Ruukki Group Plc



# Kostroma Investment Agreements

- Enlargened investment agreements registered in June 2007 to the investment register of Kostroma region, agreed following:
  - » Ruukki Group to build a saw mill of production capacity 300,000 m<sup>3</sup> per annum (pine and spruce); further processed products under consideration
  - » Ruukki Group to build 300,000 – 500,000 tn BCTMP pulp mill or 800,000 tn chemical BKP pulp mill
  - » Ruukki Group is entitled to 6.0 million m<sup>3</sup> annual harvesting rights during the 49-year lease period
  - » The details of the agreements will be specified during 2007
  - » Total capital expenditure with BKP mill is expected to be at EUR 1.1 billion
  - » The acts stipulating the new Russian Forest Code, as well as decisions by the Russian Federation related to priority investor status probably to be settled within the short future

# Kostroma Investment Projects

- **Priority Investor Status** applications for sawmill and pulp mill filed in November 2007:
  - » Related to the new Russian Forest Code
  - » Material part of the implementation of the existing investment agreements with Kostroma Oblast
  - » Will be in the process (in Kostroma and Moscow) for approximately two months
  - » With the status, if granted:
    - » Forest lease agreements without auction
    - » 50 % discount on forest lease payments

# Kostroma Investment Projects

- **Sawmill** machinery and equipment purchase agreements signed in October 2007
  - » Suppliers established Finnish companies with experience in Russia:
    - » Heinola Sawmill Machinery
    - » Nordautomation
    - » Wärtsilä Biopower
    - » Valon Kone
    - » WSAB
  - » Capacity 500,000 cubic meters of sawnwood; the start-up phase planned at 300,000 m<sup>3</sup> (2 shifts, 5 days a week)
  - » Targeted start-up in Q4/2008



Lappipaneli sawmill in Kuusamo

# Kostroma Investment Projects

- Frame agreement signed with John Deere on **harvesting machinery** in November 2007
  - » Harvesters and forwarders
  - » Large-scale training programme
  - » Deere to establish service and spare parts center in Kostroma
  - » Targeted start-up of harvesting in Q1/2008

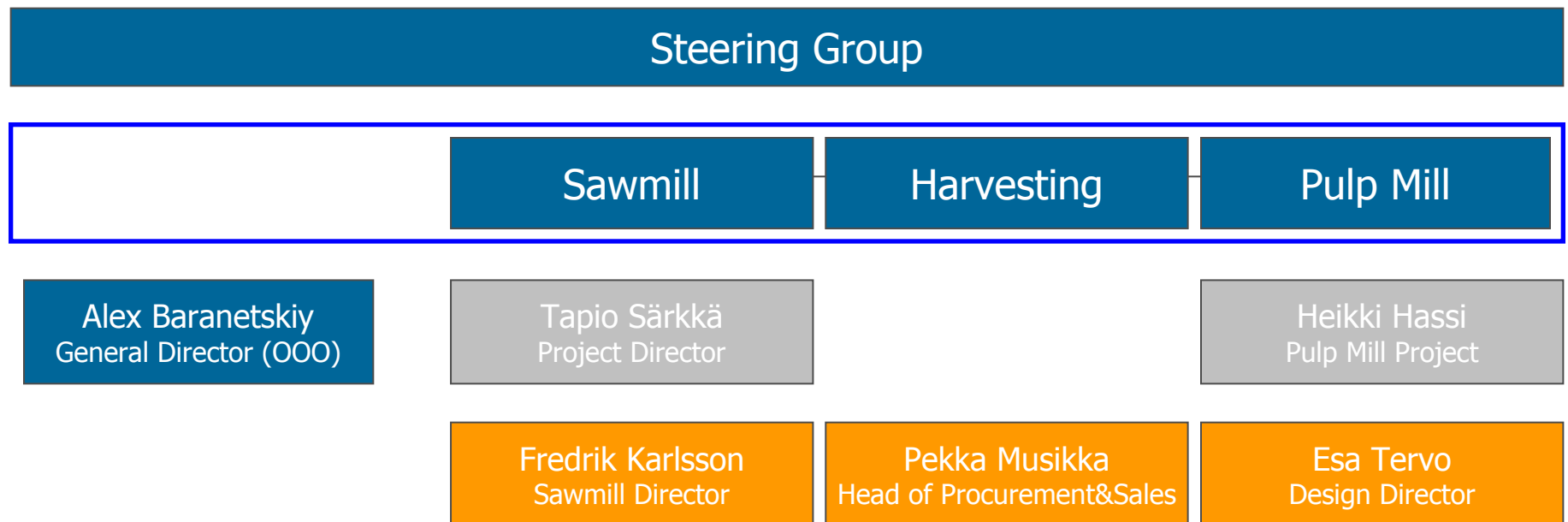


# Kostroma Investment Projects

- **Pulp mill pre-engineering** agreement signed with Pöyry Forest Industry Consulting in November 2007
  - » The technical set-up of the pulp mill to be further analysed and designed
    - » either chemical pulp (BKP)
    - » or chemi-mechanical pulp (BCTMP)
  - » Based on and as a part of the pre-engineering work both the technical mill concept and the main suppliers to be selected
  - » Includes also the Russian environmental impact assessment process
  - » Pre-engineering phase to last until the end of Q2/2008
  - » Pulp mill machinery and equipment orders targeted to be placed in mid-2008

# Kostroma Investment Projects

- Organisational structure



# Kostroma Investment Projects

- Public **recruitment** for support functions ongoing
- Targeted **executive search** processes for selected positions

## Business Controller, Manturovo

Käynnistät ja ylläpidät Ruukki Groupin liiketoiminnallisesta näkökulmasta strategista business controller -toimintaa Manturovon teollisuusalueella. Tehtävä sisältää alkuvaiheessa projektitoimintaan kuuluvia erityispiirteitä ja toimintojen kasvamisen myötä puunhankinnan, korjuutoiminnot, sahaustoiminnot sekä selluteollisen toiminnan.

Olet myös keskeisesti mukana paikallisesti tukemassa liiketoimintayhtiöitä. Vastaat konsernin Venäjän liiketoimintojen operatiivisesta laskennasta ja raportoinnista paikalliselle liiketoimintajohdolle ja emoyhtiölle. Odotamme sinulta taloudellista korkeakoulututkintoa.

## Business Controller, Espoo

Käynnistät ja ylläpidät business controller -toimintaa Espoon pääkonttorissa erityispainopistealueena puunjalostusinvestoinnit Venäjällä ja niihin liittyvät seuranta- ja raportointiprosessit.

Tehtävä sisältää myös erilaisia analyysi-, raportointi- ja selvitystehtäviä, joiden toteuttaminen vaatii hyvää kommunikointikykyä suullisesti ja kirjallisesti sekä kokemusta liiketoiminnan taloudellisesta mallintamisesta. Analyttikkotai yritysjärjestelykokemus on etu. Odotamme sinulta taloudellista korkeakoulututkintoa.

## Legal Counsel, Espoo ja/tai Manturovo

Käynnistät Ruukki Groupin Venäjän liiketoimintojen juridisten tehtävien hoitamisen ja jatkat niiden kehittämistä liiketoimintojen kasvaessa. Tavoitteena on Ruukki Groupin intressien ja etujen turvaaminen, kun liiketoimintaa käynnistetään ja kasvatetaan Venäjällä.

Sinulla on kokemusta kansainvälisen teollisuuden lakiasioiden hoitamisesta tai jopa johtamisesta sekä tuntemusta Venäjän markkinoiden erityispiirteistä sekä venäläisestä sopimus-juridiikasta. Odotamme sinulta matkustusvalmiutta ja oikeustieteellistä korkeakoulututkintoa Suomesta tai Venäjältä.

## HR-päällikkö, Espoo

Käynnistät ja ylläpidät Ruukki Groupin Venäjän liiketoimintojen henkilöstötoimintoja ja luot henkilöhallinnon prosesseja. Liiketoimintojen kehittäminen Manturovon alueelle edellyttää merkittäviä rekrytointi- ja koulutusprosesseja, joiden tuntemus venäläisessä liiketoimintaympäristössä on edellytys tehtävän menestykselliselle hoitamiselle.

Sinulla on kokemusta kansainvälisen teollisuuden henkilöstötoimintojen johtamisesta ja tuntemusta Venäjän markkinoiden ja työolainsäädännön erityispiirteistä. Odotamme sinulta matkustusvalmiutta ja tehtävään soveltuvaa koulutusta.

Helsingin Sanomat 21.10.2007





# Financial and Operational Key Developments



# Key Developments Q3/2007

## ■ Segment development

- » **Sawmilling Business** segment recognising strong revenue and EBIT, outlook for future somewhat deteriorated due to pressures on sales prices, especially on export markets
- » **House Building** segment flat on revenue, average sales prices per unit about 10 % higher than in 2006, business cycle expected to turn and market to be more challenging next year
- » **Furniture Business** volumes increasing, the profitability turning into black, one-off items recognised for Q3/2007:
  - » Insurance income of EUR 2 million net, taking into account Lestijärvi factory impairments
  - » Further impairments slightly in excess of EUR 1 million related mainly to inventories
- » **Care Services** segment progressing with organic growth

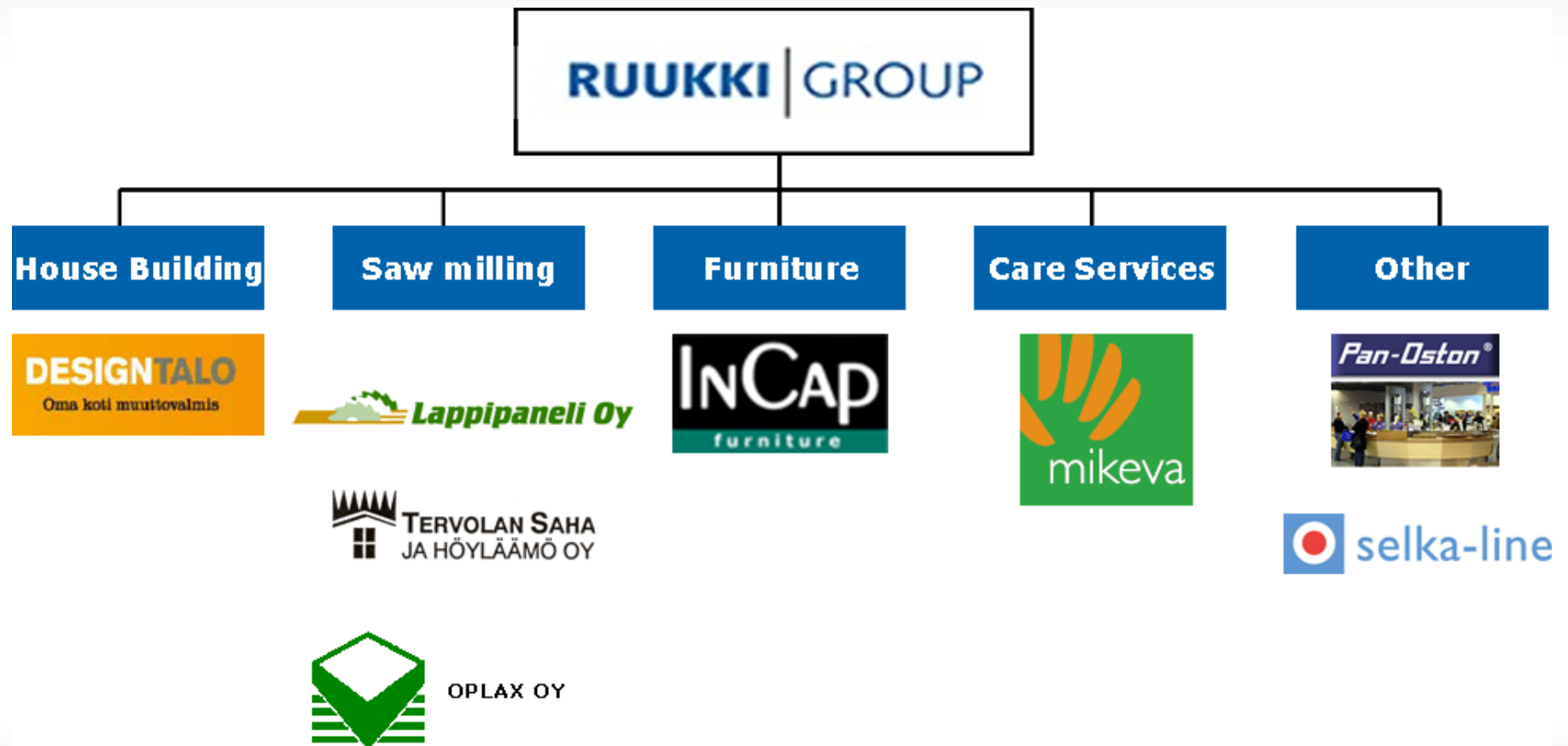
## Key Developments Q3/2007

- **Share issue** finalised in June-July, total net proceedings of approximately EUR 339 (when taking into account the tax benefit of the costs deducted)
- **Matti Vikkula** started as the CEO of Ruukki Group Plc on 1 September
- **Container-Depot Ltd**, the shares of which Ruukki Group sold in Q3/2006, related payments received according to the agreements and the deal finalised by Q3/2007; cash flow effect for FY 2007 totalling about EUR 7 million
- On 1 July 2007, Ruukki Group's share was moved from Small Cap sector to **Mid Cap** sector in the OMX Nordic Exchange



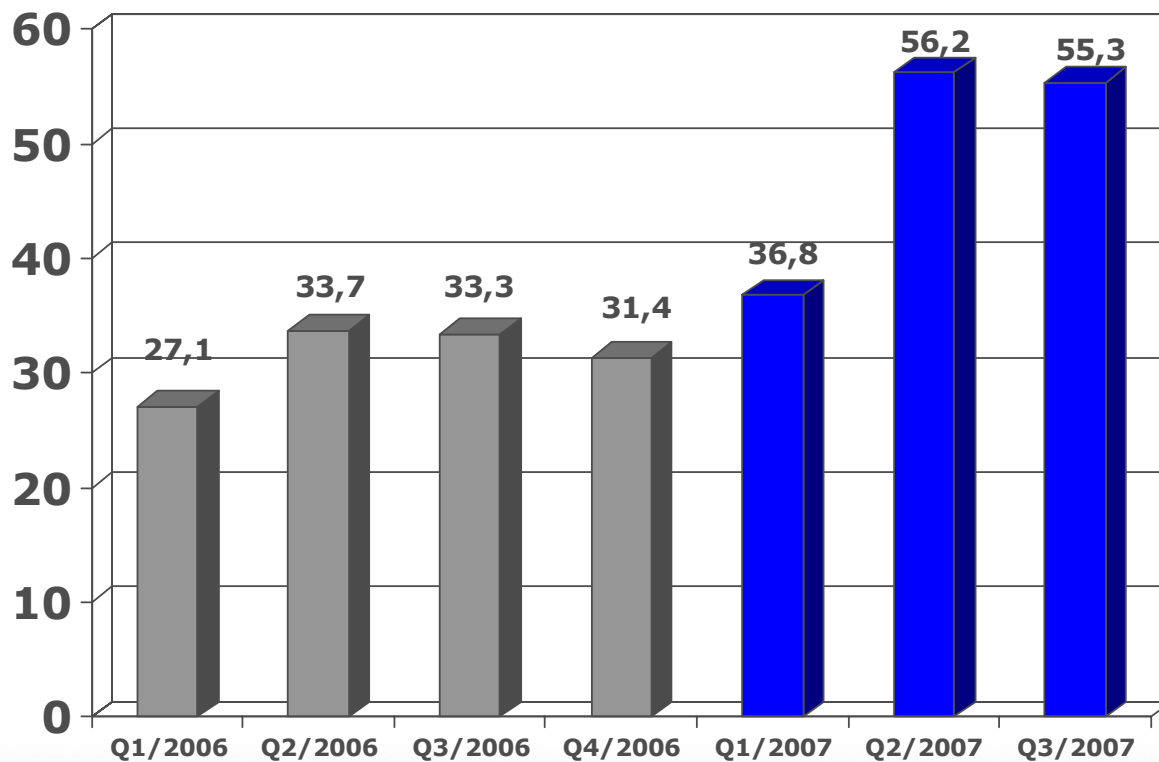
# Financial Performance

# Businesses

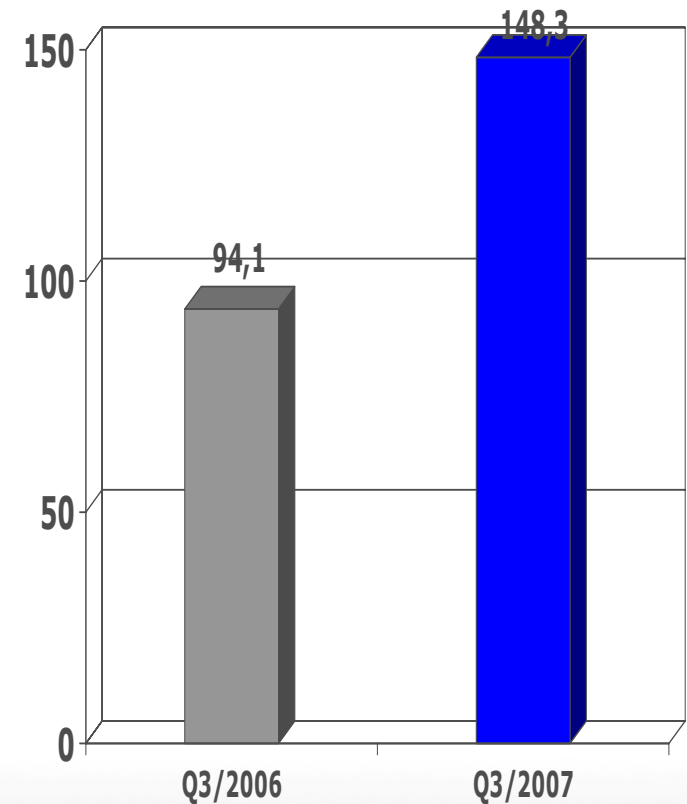


# Revenue (in EUR million)

## QUARTERLY REVENUE Q1/2006 – Q3/2007



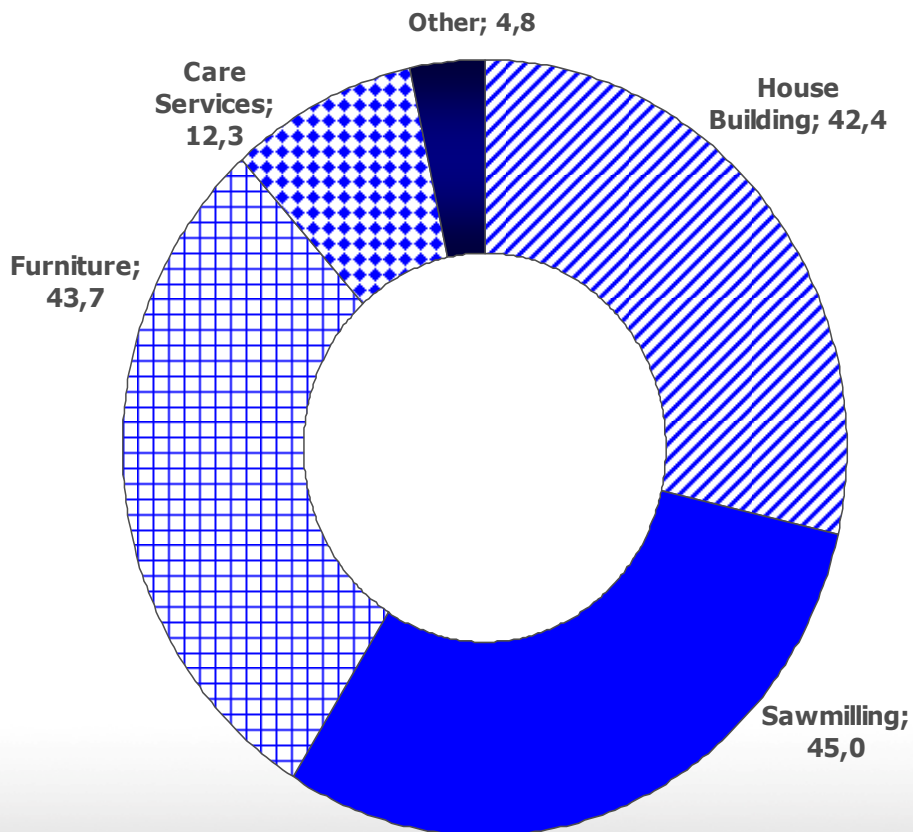
## YTD REVENUE, Jan - Sep



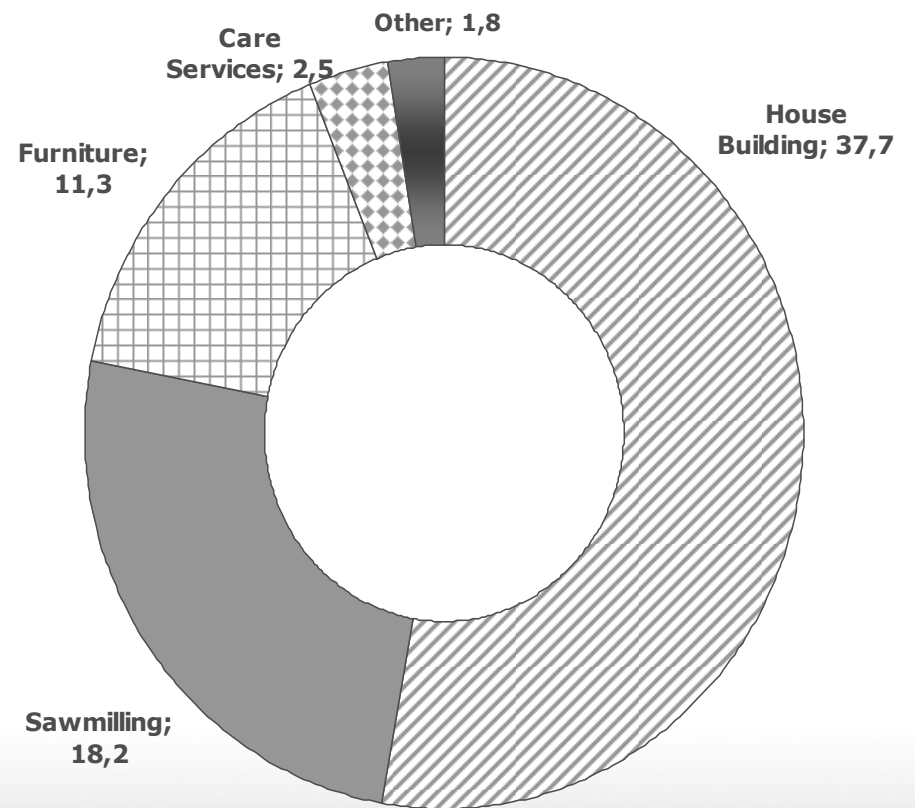
Acquisitions: Design-Sähkö Q2/2007, Oplax Q1/2007, Incap Furniture Q1/2007, Tervolan Saha Q4/2006, Terveyspalvelut Mendis Q3/2006

# Revenue by business (in EUR million)

**1-9/2007**



**1-9/2006**

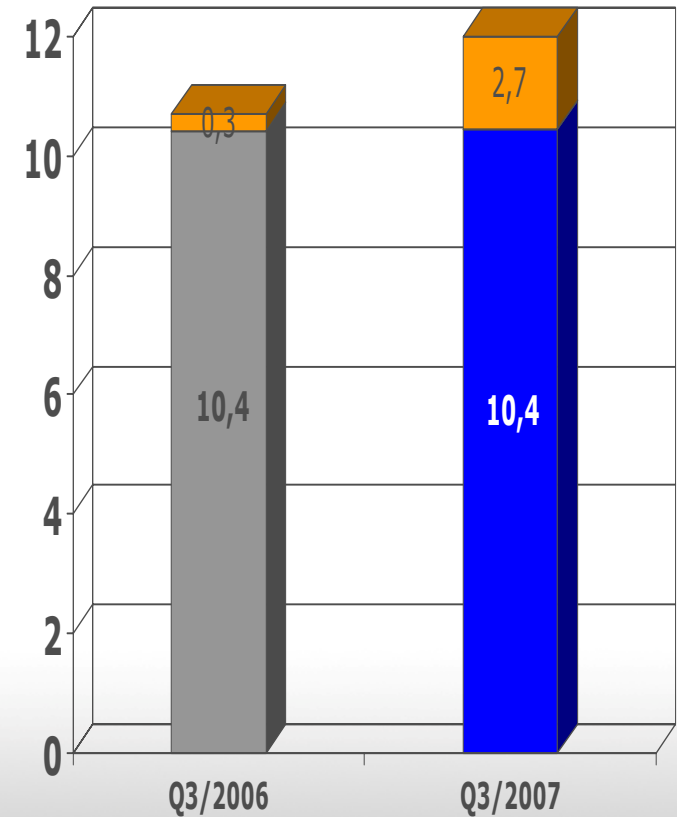
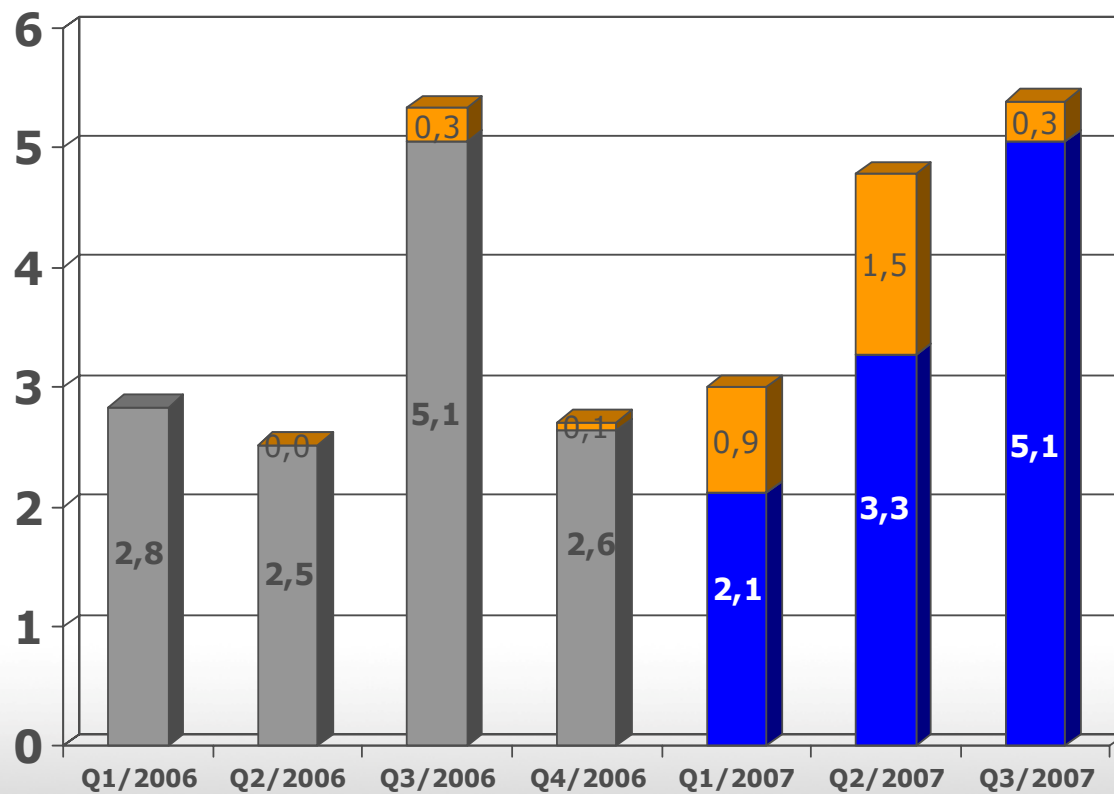


# EBIT (in EUR million)

## QUARTERLY EBIT Q1/2006 – Q3/2007

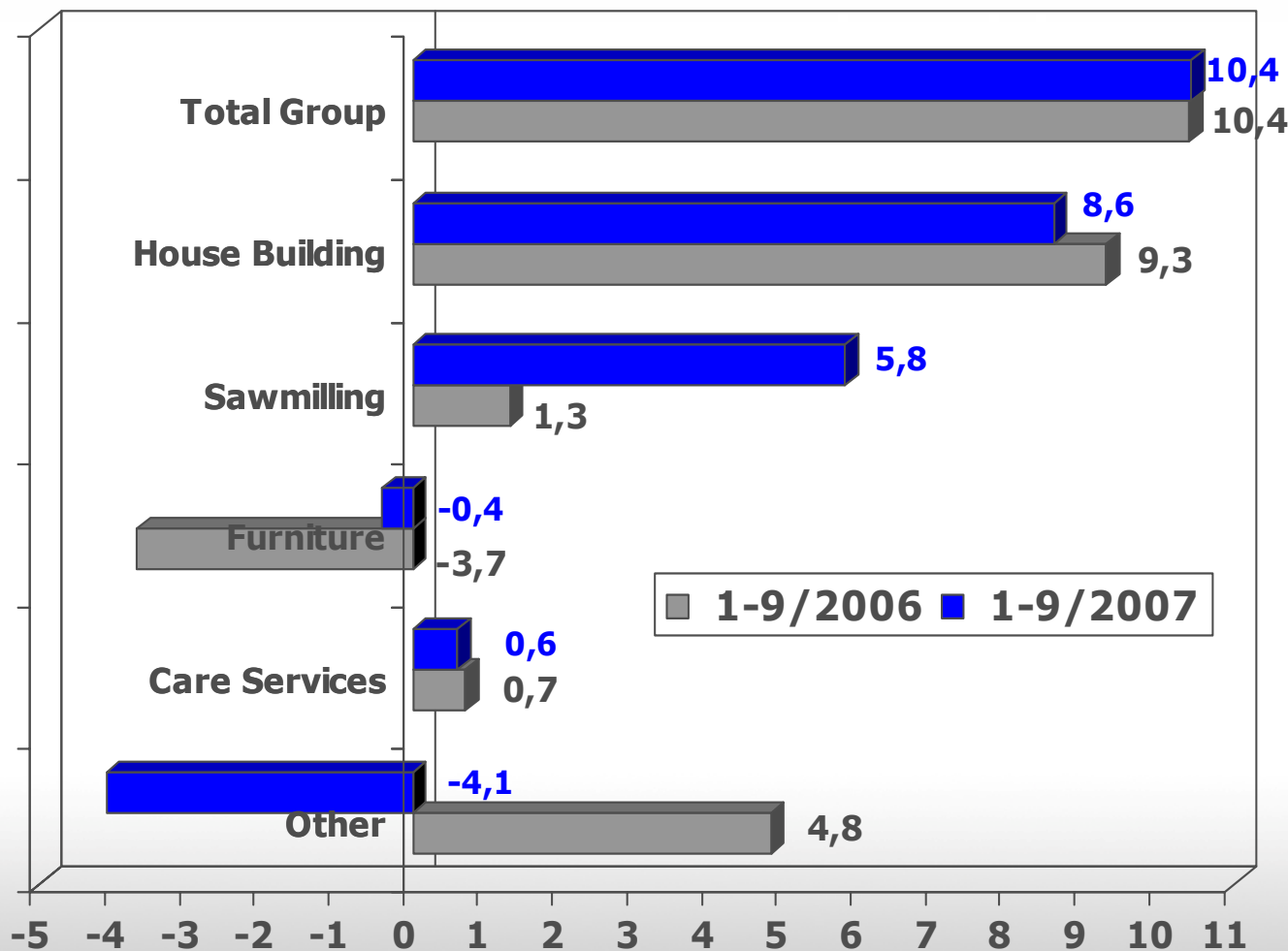
## YTD REVENUE, Jan - Sep

Upper column in orange = deducted Kostroma expenses (lowering reported EBIT)  
 Lower column in grey (FY06) / blue (FY07) = reported EBIT



# EBIT by business (in EUR million)

## YTD EBIT, Jan - Sep



Matti Vikkula, Chief Executive Officer, Ruukki Group Plc

### KOSTROMA COSTS:

1-9/2007 = EUR 2.8m  
1-9/2006 = EUR 0.3m

### MAJOR ONE-OFF ITEMS (IN ADDITION TO KOSTROMA):

1-9/2007 = insurance income of furniture business net of fire impairment = EUR 2.0m (Q3), and of sawmill business = EUR 0.4m (Q1)

1-9/2007 = impairment of furniture business inventories = EUR 1.1 million (Q3)

1-9/2006 = sales gain of EUR 4.6 million on Container-Depot (Q3)

### FURNITURE:

Only for part of the period consolidated as a group company; EBIT includes share of associate's profit/loss

### OTHER =

- + Parent company (Plc)
- + Metal Industry
- + Group eliminations
- + Other non-segment items

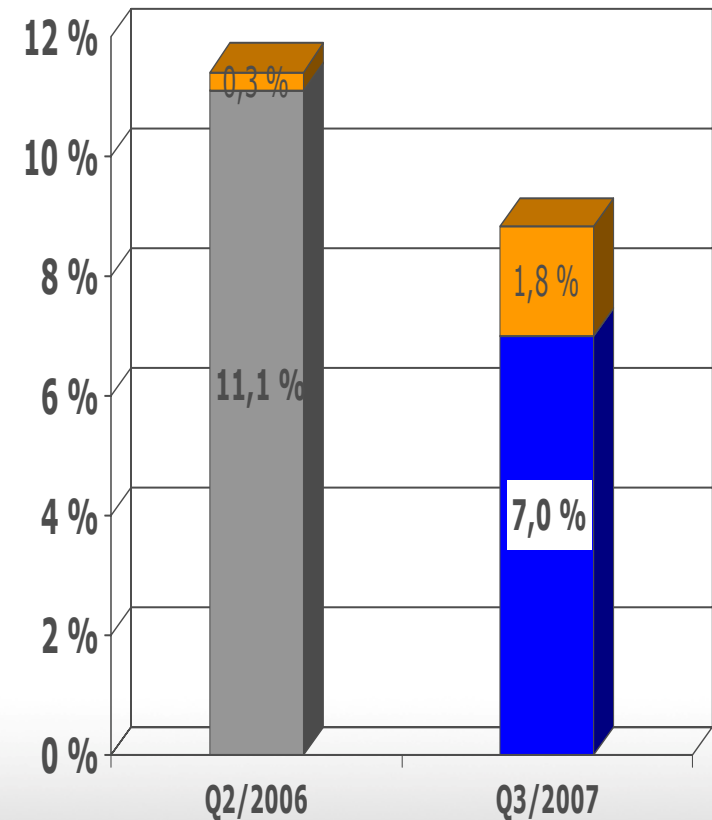
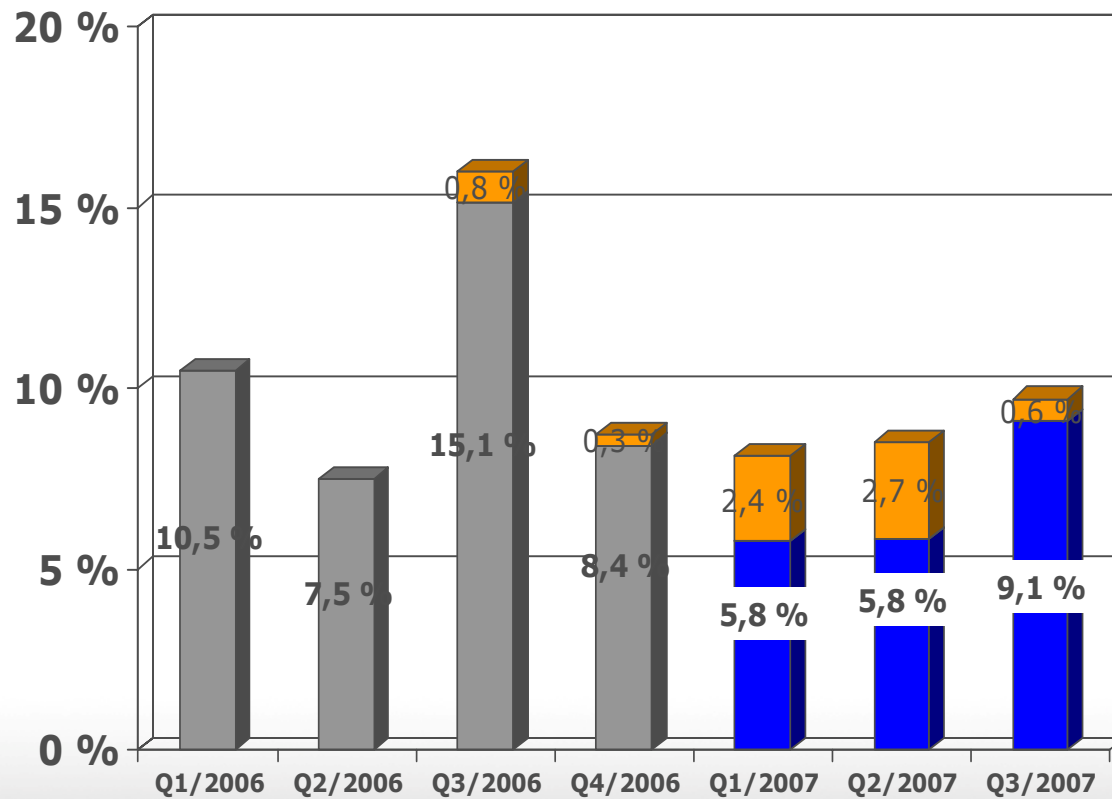


# EBIT-% (in % of revenue)

## QUARTERLY EBIT-% Q1/2006 – Q3/2007

## YTD EBIT-%, Jan - Sep

Upper column in orange= Kostroma expenses pro forma effect on EBIT-%  
 Lower column in grey (FY06) / blue (FY07)= reported EBIT-%



# Group Cash Flow Statement

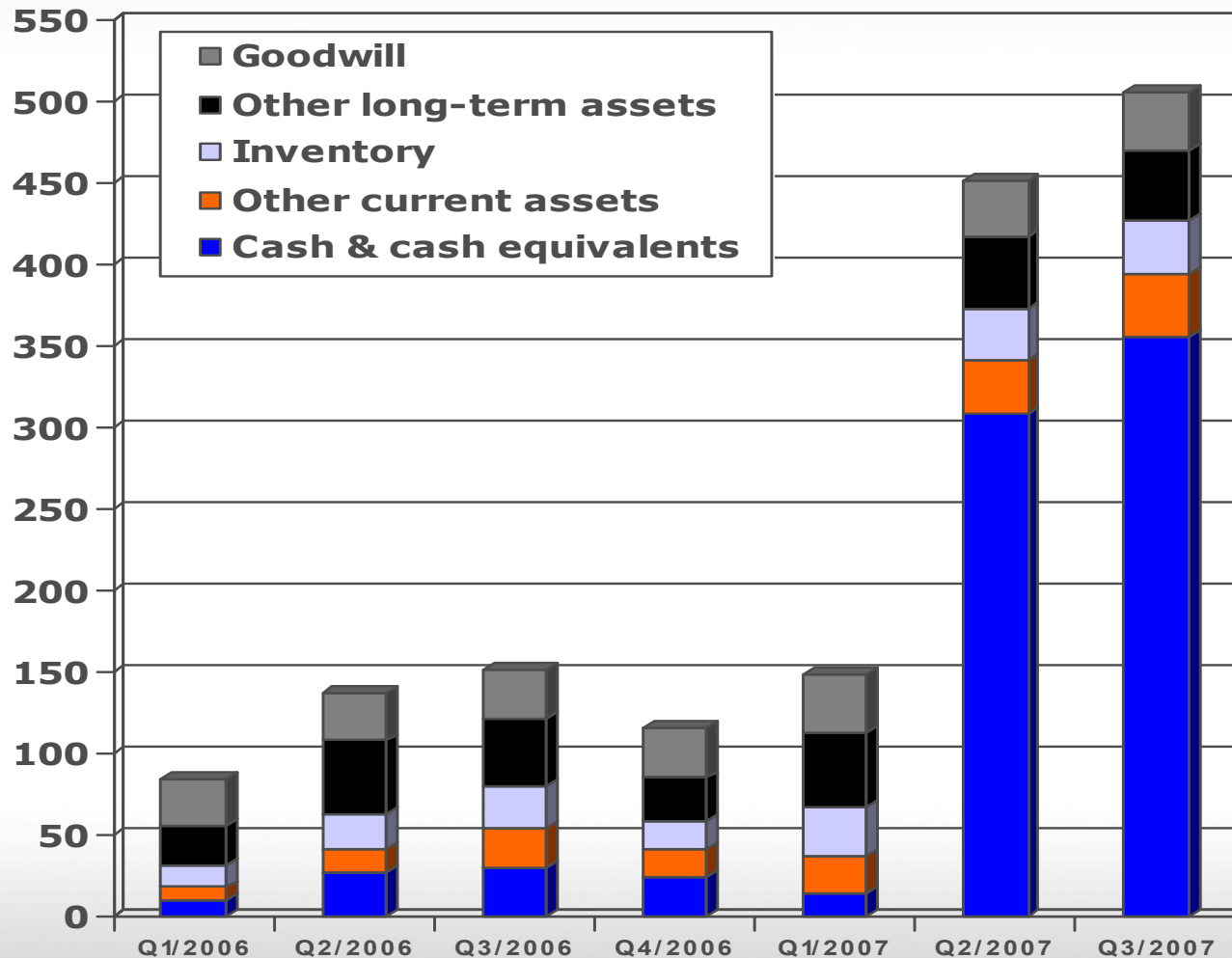
	1 Jan - 30 Sep 2007	1 Jan - 30 Sep 2006*	1 Jan - 31 Dec 2006
<b>Cash flows from operating activities</b>			
Net profit	8 114	6 856	8 442
Adjustments to net profit	7 442	470	10 794
Changes in working capital	-11 491	-1 682	-12 178
<b>Net cash from operating activities</b>	<b>4 065</b>	<b>5 653</b>	<b>7 058</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries and associates	-5 807	-10 744	-13 401
Payment of earn-out liabilities and exercises of call options related to acquisitions	-7 480	-5 830	-8 875
Disposal of subsidiaries and associates	7 067	2 427	4 183
Capital expenditures and other investing activities	-6 173	-358	-3 203
<b>Net cash used in investing activities **</b>	<b>-12 393</b>	<b>-14 505</b>	<b>-21 296</b>
<b>Cash flows from financing activities</b>			
Share issues	337 609	21 218	21 218
Dividends paid	-5 154	-1 866	-3 146
Proceeds from borrowings	8 889	2 373	5 561
Repayment of borrowings, and other financing activities	-3 377	-285	-2 611
<b>Net cash used in financing activities **</b>	<b>337 967</b>	<b>21 440</b>	<b>21 022</b>
<b>Net increase in cash and cash equivalents</b>	<b>329 639</b>	<b>12 588</b>	<b>6 784</b>

•Unrealised profits from short-term money market investments have been eliminated from change in liquid assets

\*\* With the presentation method of the payments of additional purchase price liabilities and the implementation of previously agreed purchase options changed from the previous so that these are presented under Cash flow used in investing activities, while they were previously under Cash flow from/used in financing activities

# Balance Sheet, Assets (in EUR million)

## Balance Sheet Q1/2006 – Q3/2007



Q2/2007: EUR 294 million share issue (130 million shares)

Q3/2007: EUR 44 million share issue (19.5 million shares)

Q1/2006: EUR 21 million share issue (30 million shares)

### INCAP FURNITURE:

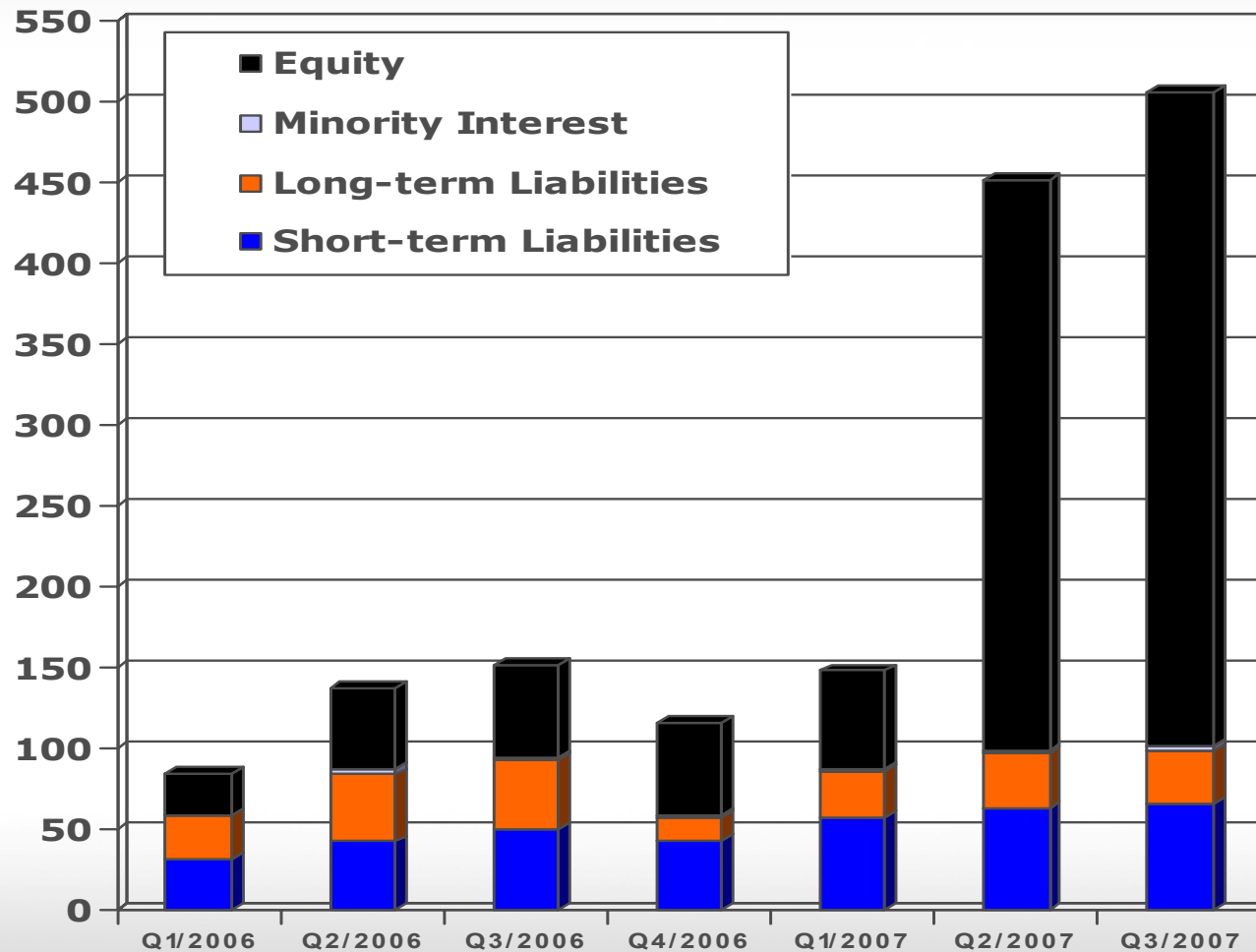
Not consolidated as group company in Q1/2006 and Q4/2006 balance sheets

### CASH:

As of end-October 2007, cash invested mainly into short-term deposits, of which about EUR 30 million in rouble-denominated deposits

# Balance Sheet, Equity and Liabilities (in EUR m.)

## Balance Sheet Q1/2006 – Q3/2007

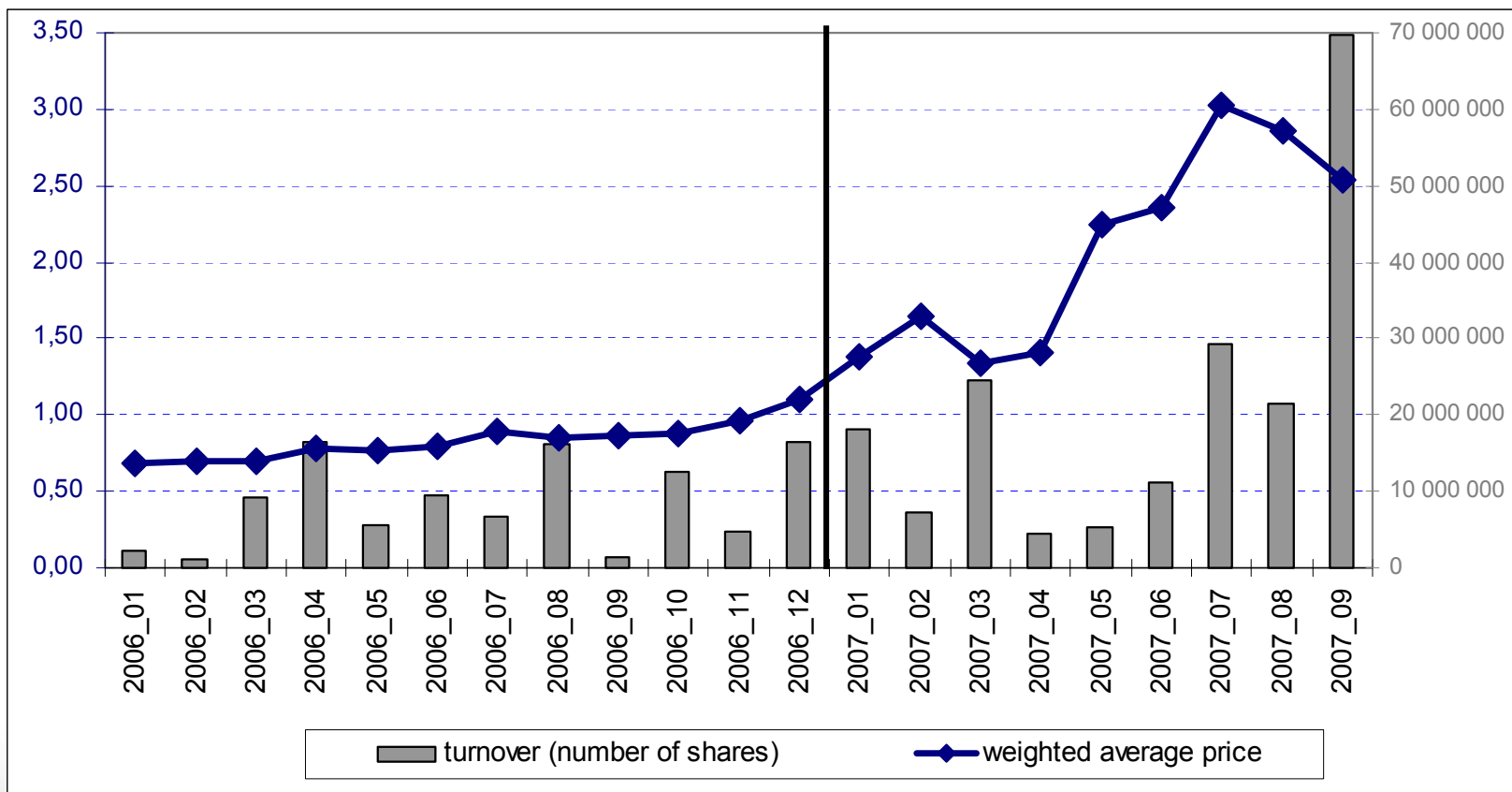




# Share and Shareholders

# Share Price Development

## Volume weighted average share price and turnover Jan/2006 – Sep/2007



Source: NCSD

## Recent Flagging Notices

<u>DATE</u>	<u>INVESTOR</u>	<u>OWNERSHIP</u>
21 Sep 2007	JPMorgan Chase&Co	above 10 %
11 Sep 2007	Oy Herttakakkonen Ab (Kai Mäkelä)	above 20 %
9 Aug 2007	Moncheur & Cie SA	below 5 %
16 Jul 2007	Nordea Bank AB (Nordea Pankki Suomi Oyj)	above 20 %
21 Jun 2007	Helsingin Mekaanikontalo Oy and Procomex SA combined	below 25 %

## Major Shareholders, 31 Oct 2007

Shareholder	Shares	%
1 Nordea Bank Finland Plc	70,728,754	24.4
2 Nordea Bank Finland Plc nominee-registered	61,197,980	21.1
3 Skandinaviska Enskilda Banken nominee-registered	43,597,012	15.0
4 Oy Herttakakkonen Ab	41,075,297	14.2
5 Evli Bank Plc	12,542,877	4.3
6 Kankaala Markku	9,560,491	3.3
7 Svenska Handelsbanken Ab nominee-registered	9,119,021	3.1
8 Hukkanen Esa	5,007,500	1.7
9 Procomex S.A.	4,629,215	1.6
10 Glitnir Bank Oy	3,710,029	1.3
Total	261,168,176	90.1
Other shareholders	28,865,846	9.9
Total shares registered	290,034,022	100.0





**Matti Lainema\***, Chairman of the Board  
(born 1939), Ph.D. (Econ. & Bus. Adm.)

In 1982 Matti Lainema founded **S.A.M.I. Oy** which specialized in **strategy consulting**. He was the CEO of the company for 14 years and later he was a partner of S.A.M.I. Ernst & Young Oy.

Since 2001 he has **concentrated in operating in the Boards of various companies**. Among other positions he is a partner of Boardman Oy and a member of the Board of Elektrobitt Group Oyj.

Matti Lainema's special expertise is in management of **companies operating in many different fields of business**.

Matti Lainema has been a member of Ruukki Group Plc's Board of Directors since 26 April 2006 and its Chairman since 1 Sep 2007.

On 31 Oct 2007, Matti Lainema owned 47,200 shares of Ruukki Group Plc.



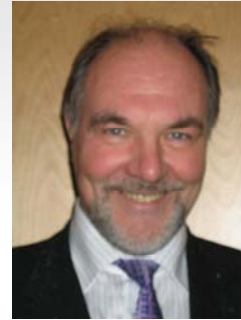
**Kai Mäkelä**, Vice Chairman of the Board  
(born 1947), M.Sc. (Econ. & Bus. Adm.), Certified HTM Auditor

Kai Mäkelä operates in the Hertta companies, among others in Oy Herttaässä Ab, and in Oy Herttakakkonen Ab as the Chairman of the Board and as CEO.

He is also a member of the Board of **Talentum Oyj**, a member of the Finnish Association of Professional Board Members and a partner of Boardman Oy.

Kai Mäkelä has been a member of **Ruukki Group Plc's** Board of Directors **since 10 Feb 2000**.

On 31 Oct 2007, Kai Mäkelä **owned** (directly and/or through the company he governs) **58,745,417 shares of Ruukki Group Plc** when forward contracts are also included.



**Mikko Haapanen\***  
(born 1949), M.Sc. (Eng.)

Mikko Haapanen has operated since 1976 in managerial duties of expert organisations.

He was a founding member of **ELC Finland Oy** (MH-Konsultit Oy) and was also the Chairman of the Board for 25 years. Since 1976 he has worked as a **logistics** teacher at Helsinki University of Technology.

He is also the CEO and the Chairman of the Board of Boardman Oy.

Mikko Haapanen has been a member of Ruukki Group Plc's Board of Directors since 26 April 2006. On 31 Oct 2007, Mikko Haapanen did not own Ruukki Group Plc's shares.



**Markku Kankaala**  
(born 1963), B. Sc. (Eng.)

Markku Kankaala worked as a branch director of Ruukki Group Plc until 31 Aug 2006. Previously he has worked **ten years as an entrepreneur in wood products industry** and before that in different positions in **Ahlström and Rautaruukki**.

He has also worked as the CEO of Ruukki Group Plc 2003–2004. Markku Kankaala has been a member of Ruukki Group Plc's Board of Directors since 30 June 2003.

In addition, he is a member of the Board in various companies in **Ruukki Group's wood products and furniture sectors** and Chairman of the Board of Junnikkala Oy, a non-group company.

On 31 Oct 2007, Markku Kankaala and his closely associated persons **owned a total of 9,560,891 shares of Ruukki Group Plc**.

\* = member of audit committee  
Matti Vikkula, Chief Executive Officer, Ruukki Group Plc



**Arno Pelkonen**  
(born 1954), M.Sc. (Econ. & Bus. Adm.)

Arno Pelkonen is Partner at Primaca Partners Oy.

Previously he has held the positions of **Senior Vice President, Strategy and Emerging Markets and SVP, Forest Products at Stora Enso Oyj**.

Arno Pelkonen has been a member of Ruukki Group Plc's Board of Directors since 12 June 2007.

In addition, he is a member of the Board of **Primaca Partners Oy and Kuusakoski Oy**.

On 31 Oct 2007, Arno Pelkonen owned no Ruukki Group Plc's shares.



**Timo Poranen\***  
(born 1943), M.Sc. (Eng.)

Timo Poranen has previously been **CEO of Metsäteollisuus ry - Finnish Forest Industries, Metsä-Serla Oyj and Metsä-Botnia Oy**.

Timo Poranen has been a member of Ruukki Group Plc's Board of Directors since 12 June 2007.

In addition, he is a member of the Board of **Konecranes Oyj** and **FACTE** (the Finnish Academies of Technology).

On 31 Oct 2007, Timo Poranen owned no Ruukki Group Plc's shares.



**Ahti Vilppula**  
(born 1959)  
He operates as the Director and a member of the Board of **Procomex SA**.

Ahti Vilppula has been a member of Ruukki Group Plc's Board of Directors since 7 June 2005.

He is also member of the board of **Alma Media Oyj** publishing company listed on OMX.

On 31 Oct 2007, Ahti Vilppula **owned** directly and/or through the company he governs **66,952,515 shares of Ruukki Group Plc** when also the forward securities are included.



**Matti Vikkula, CEO**  
(born 1960), M.Sc. (Econ. & Bus. Adm.)

Matti Vikkula has worked as the **CEO of Ruukki Group Plc since 1 Sep 2007**.

He was previously in charge of **Elisa Corporation's** Consumer and Small Enterprise Customer business and has worked as the CEO of **Saunalahti Group Oyj**.

Previously he has worked among other positions as a business management **consulting partner at PwC Consulting**.

In addition, he is Chairman of the Board of **Kristiina Cruises Oy** and member of the Board of **Satama Interactive Oyj**. He was a **member of Ruukki Group Plc's** Board of Directors during the period **7 June 2005–31 Aug 2007** and Chairman of the Board during part of this period.

On 31 Oct 2007, Matti Vikkula **owned** (directly and/or through the company he governs and/or by closely associated persons) **3,189,400 shares of Ruukki Group Plc**.

\* = member of audit committee  
Matti Vikkula, Chief Executive Officer, Ruukki Group Plc



# Summary

# CEO Priorities

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**2** "The extension of the investment agreement is not expected to considerably change the schedule of the investment projects. The **sawmill** is expected to start production **late in 2008**, and the **pulp mill's** initial start-up is expected to take place **late in 2010**."

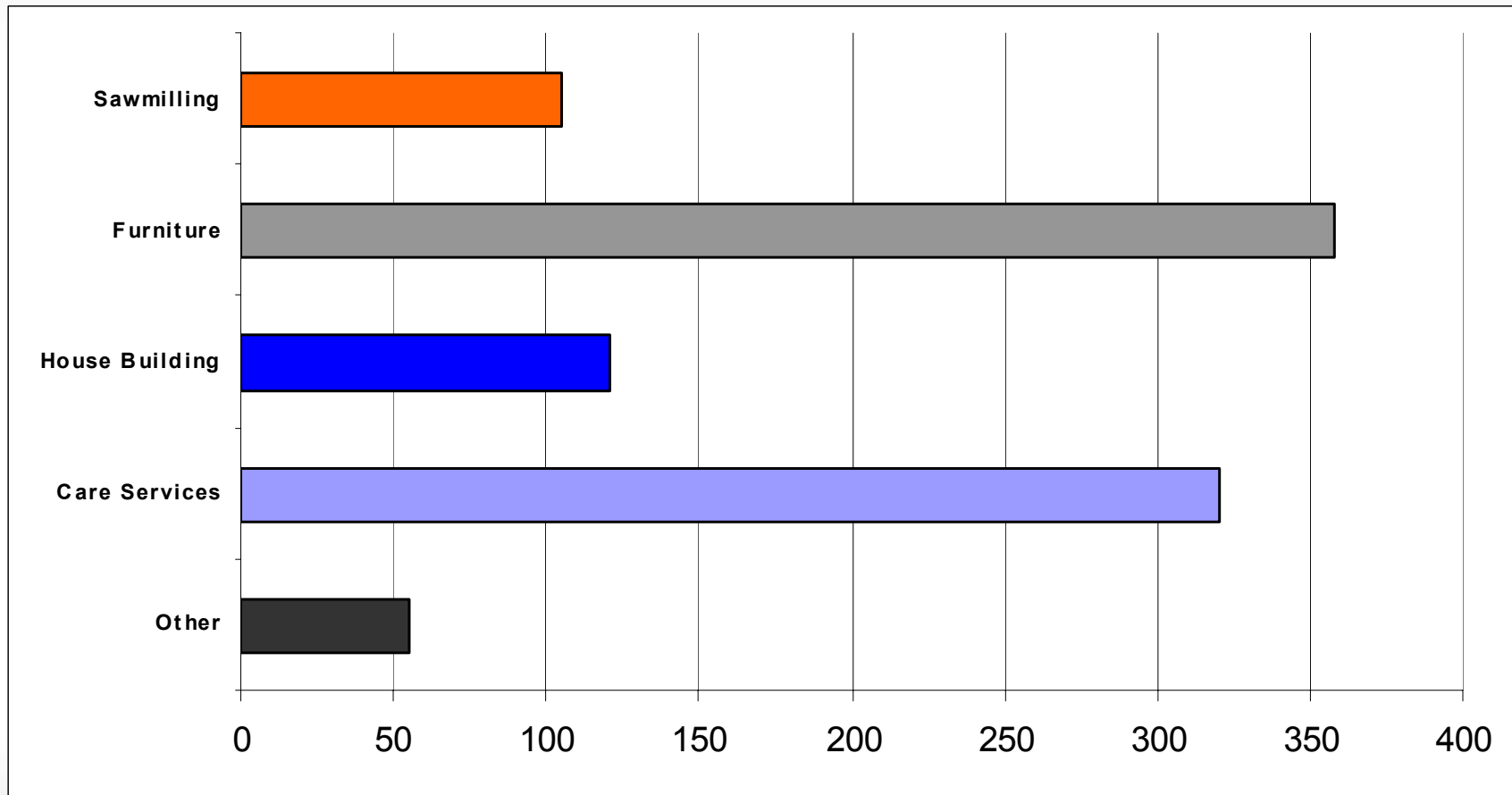
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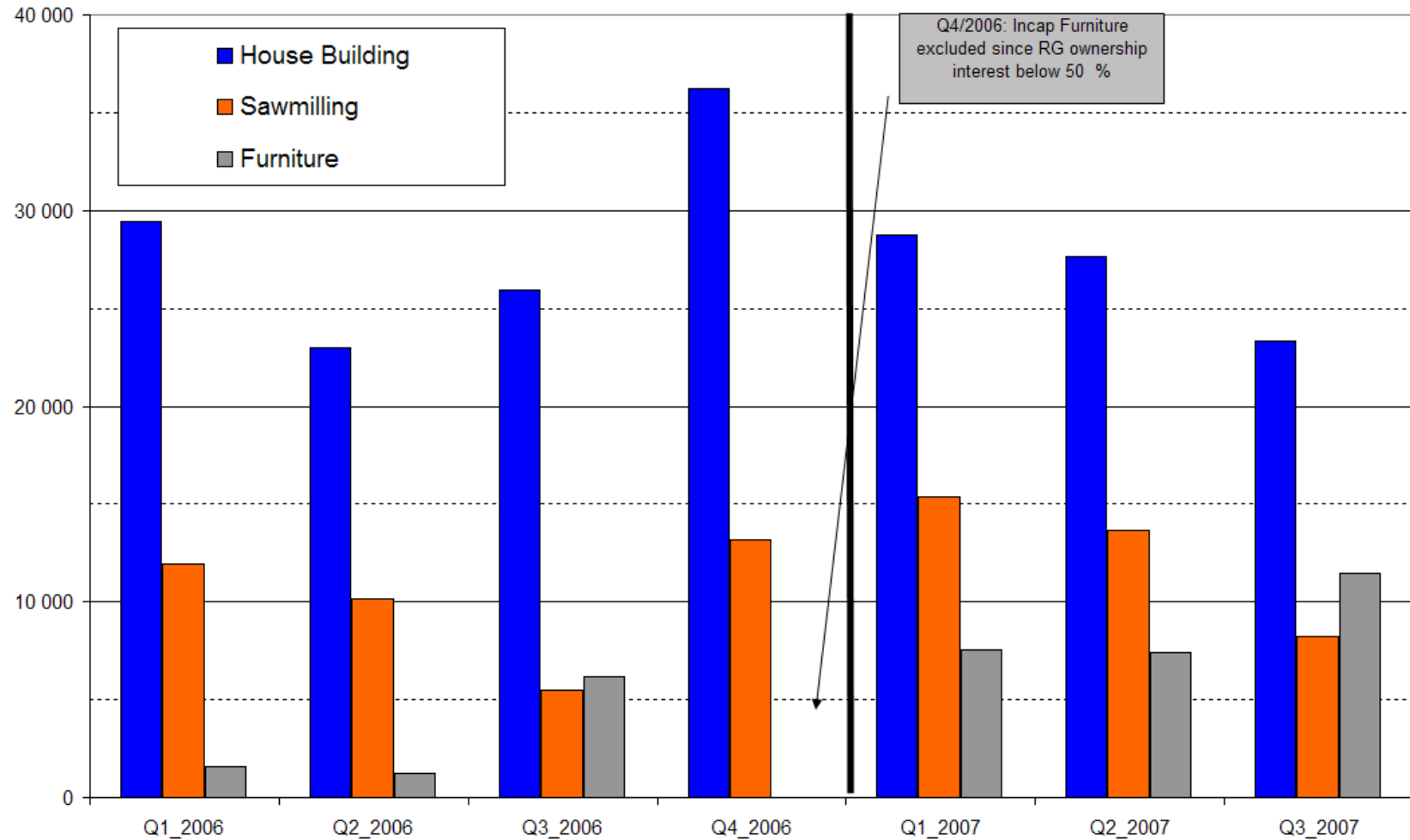


# Appendix

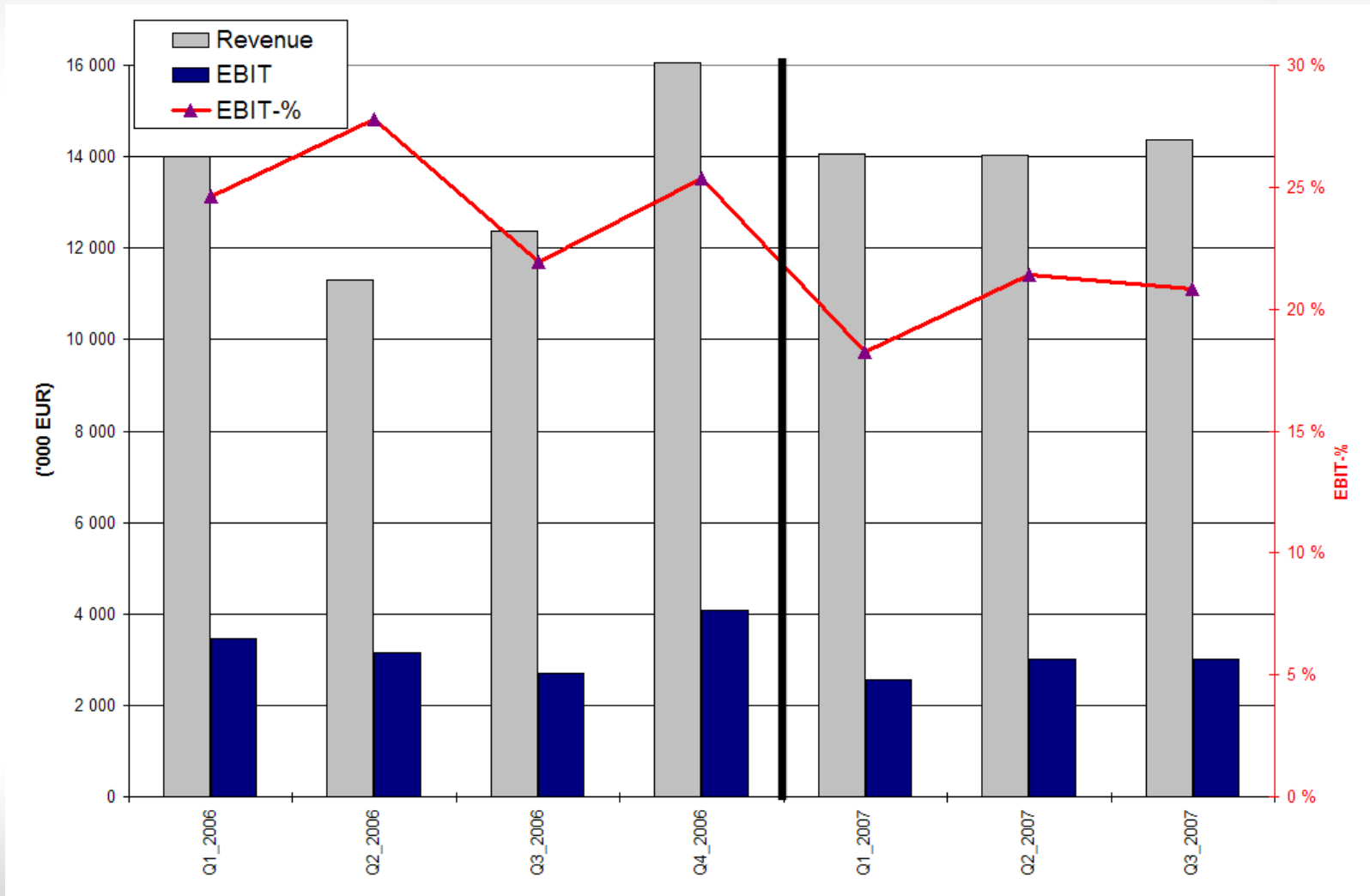
# Personnel by segment, 30 Sep 2007



# Order Book, end of period ('000 EUR)

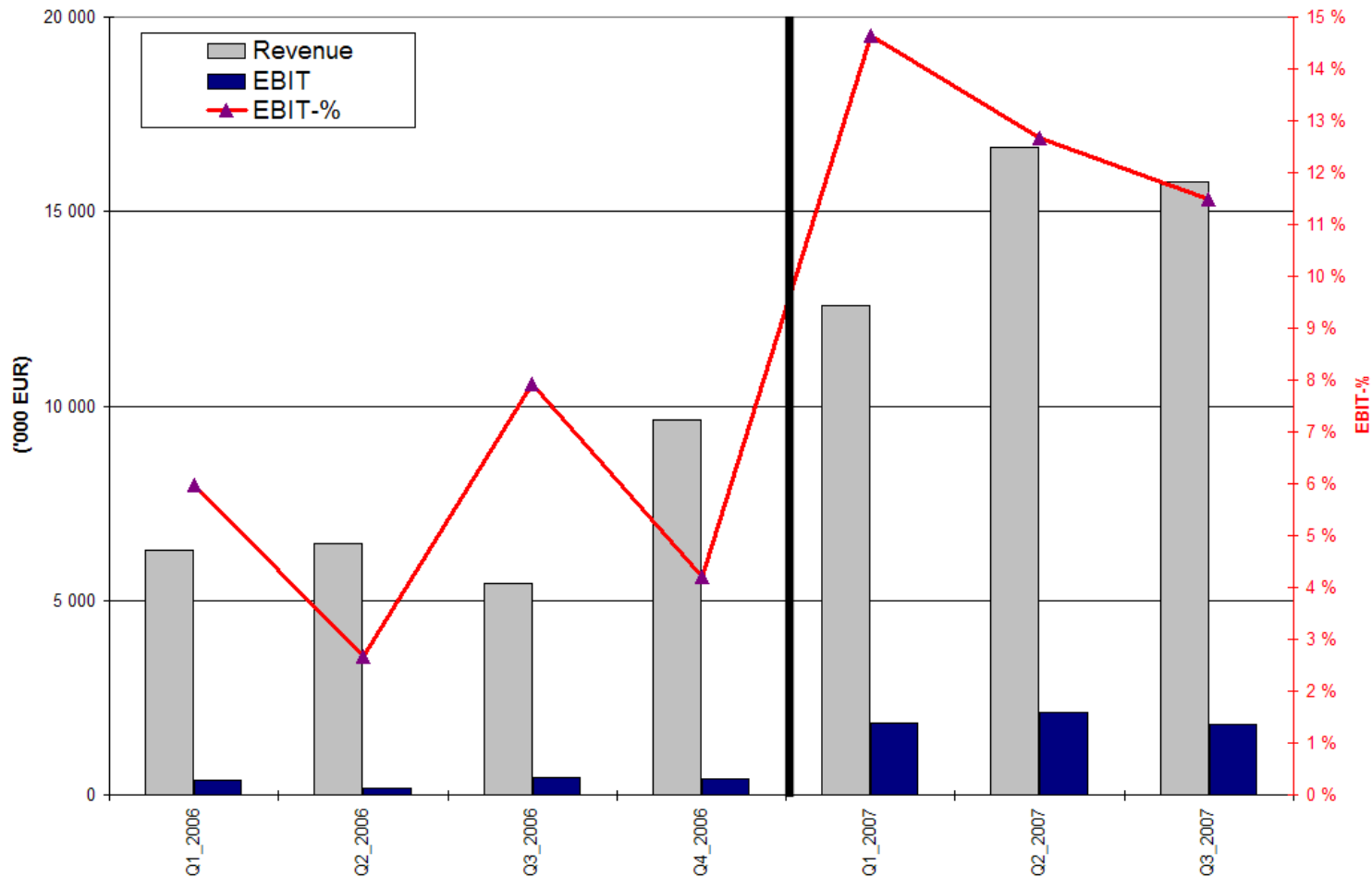


# Revenue and EBIT, House Building ('000 EUR)

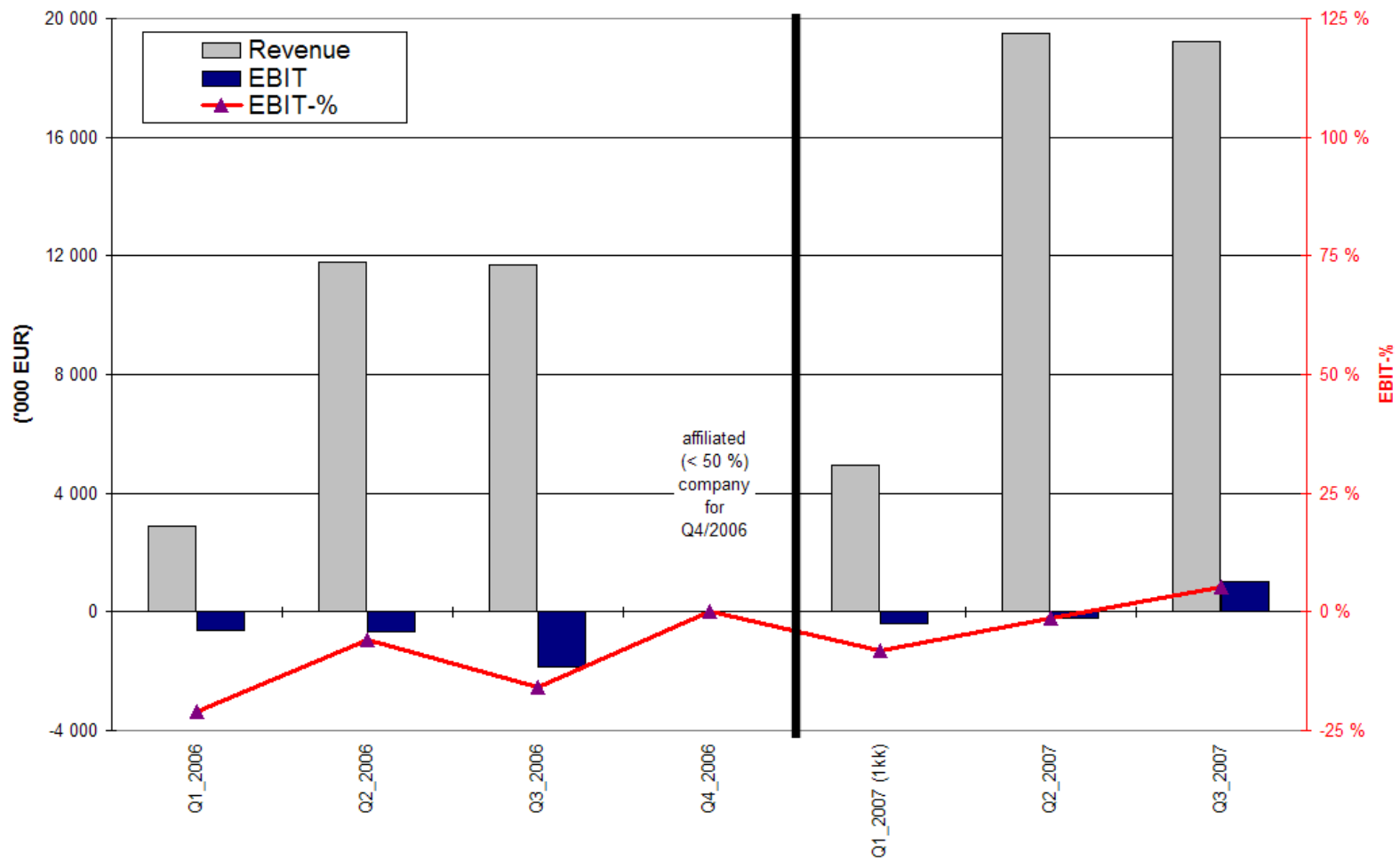




# Revenue and EBIT, Sawmilling ('000 EUR)



# Revenue and EBIT, Furniture ('000 EUR)



# Revenue and EBIT, Care Services ('000 EUR)

