



**RUUKKI** | GROUP

Ruukki Group Plc  
Financial Statements Review  
January – December 2007

27 February 2008

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# Important Notice

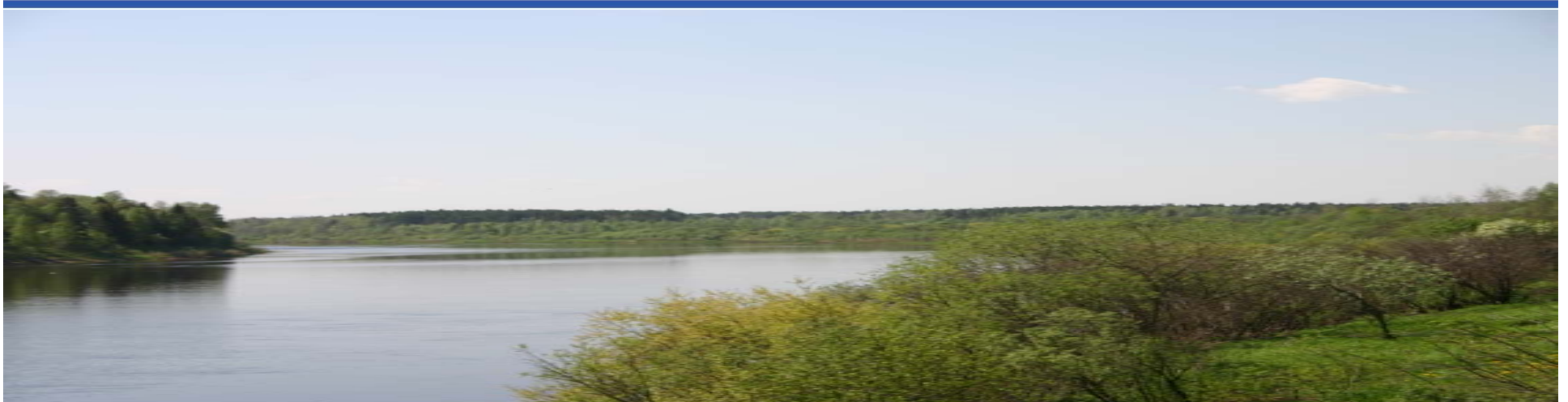
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# Agenda

- Key Events in Financial Year 2007
- Kostroma Investments Projects
- Key Financial Figures and Ratios
- Share, Shareholders, Board and CEO
- Summary
- Appendix



# Key Events in Financial Year 2007

## Key events during 2007

- **Focusing of the Group Strategy**
  - » Wood-based operations main focus
  - » Expansion to Russia
  - » Divestments of non-core operations
  
- **Enlargement of Kostroma investment agreements, May 2007**
  - » Sawmill 500,000 m<sup>3</sup>/a
  - » Chemical or chemi-mechanical pulp mill 300,000 – 800,000 tn/a
  - » Forest harvesting rights
  
- **Share offerings June 2007 and July 2007**
  - » Total gross proceedings approximately EUR 344 million
  - » New institutional shareholders
  
- **Strengthening of top management resources**
  - » Matti Vikkula started as the CEO of Ruukki Group Plc on 1 September
  - » Several key persons recruited for Russian investment projects

## Mergers and acquisitions during 2007 and 2008

- **Sawmill Business**
  - » **Oplax Oy** increase in ownership 32.0% → 100.0 % (Mar 2007)
  - » **Junnikkala Oy** acquisition of controlling interest 51.0 % (Jan 2008)
  
- **House Building**
  - » **Pohjolan Design-Sähkö Oy** acquisition of controlling interest 70.1 % (Jun 2007)
  
- **Furniture Business**
  - » **Incap Furniture Oy** increase in ownership 47,3 % → 70,3 % (Feb 2007)  
=> 71.0 % (31 Dec 2007)
  
- **Other operations**
  - » **Alumni Oy** increase in ownership 69.4 % → 100.0 % (Aug 2007)
  - » **Pan-Oston Oy**, sale of all shares (Jan 2008)
  
- **Exploration of opportunities to dispose of house building and care services segments started in Q1/2008**

## Other events 2007

- Fire at **Lestijärvi factory**
- **Container-Depot Ltd Oy**, shares sold Q3/2006, the entire consideration received according to agreements and transaction thus finalised; cash flow effect during accounting period 2007 in total about EUR 7 million
- OMX transferred Ruukki Group share from small cap segment to **mid cap** segment since 1 July 2007

## Development by Segment

- **Sawmill Business**
  - During first half strong increases in sales prices and logs purchase prices
  - Positive revenue and profitability development
  - Pressures on sales prices looming short-term outlook, especially in the export markets, relative profitability 2008 assumed to be below 2007 level
- **House Building**
  - Record-high revenue in Q4/2007
  - Markets expected to decline by about 20 % in 2008 as compared to 2007
  - The average sales price per unit increased by 10 % from previous year, but cost increases even higher, therefore relative profitability can be lower in 2008
- **Furniture Business**
  - Volume growing, operative profitability turned into black
  - Insurance compensations EUR 5.4 million related to Lestijärvi mill fire, as offsetting factor EUR 1.1 million impairment losses on inventory and fixed assets
  - Significant customer concentration risk
  - Challenging capital structure
- **Case services**
  - Strong organic growth continued
  - Profitability hit by salary increases in autumn 2007, new openings of care service units and investigations of new business opportunities



## Key figures 2007 (2006), EUR million

	<b>1-12/2007</b>	1-12/2006
Revenue	<b>213.9</b>	125.5
Operating profit	<b>15.7</b>	13.0
Operating margin	<b>7.3 %</b>	10.4 %
EPS, diluted	<b>0.06</b>	0.06
Equity ratio	<b>85.1 %</b>	60.1 %
Personnel (31 Dec)	<b>958</b>	452
Total assets (31 Dec)	<b>499.9</b>	116.0
Market cap (31 Dec)	<b>817.9</b>	163.2

## Dividend Distribution Proposal by Board of Directors

- **The Board of Directors of Ruukki Group Plc has decided to propose to the Annual General Meeting a dividend of EUR 0.04 per share (EUR 0.03 per share in previous year), totalling approximately EUR 11.6 million (EUR 4.1 million in previous year)**

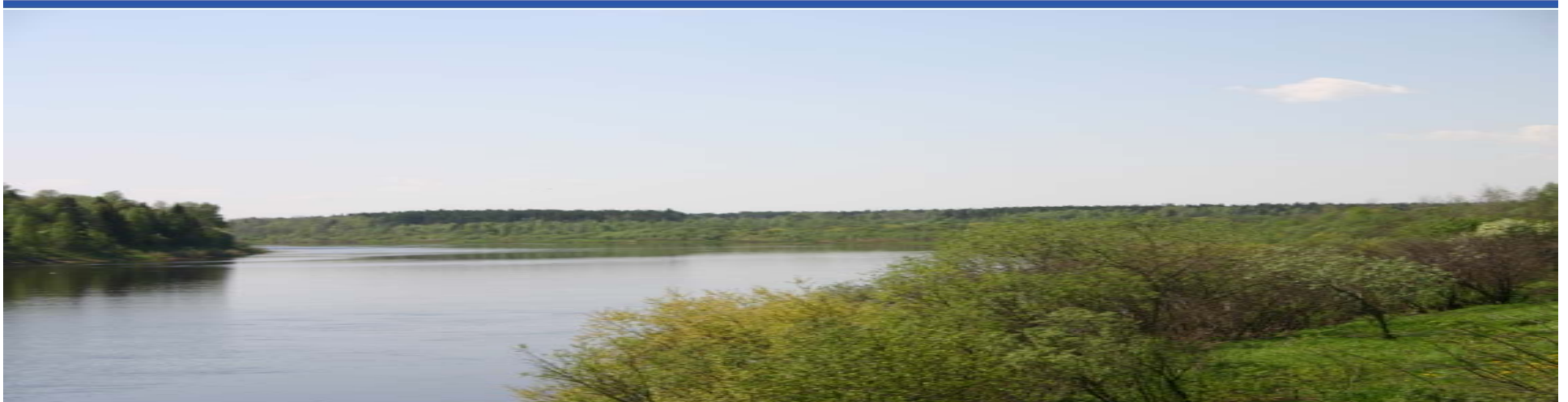
## Outlook for 2008

**With the current business structure, including the consolidation of Junnikkala Oy as of 1 February 2008, the Group's key figures' estimates for 2008 are:**

- **The Group's consolidated revenue in 2008 is expected to be about 20 % higher than the 2007 group revenue**
- **The Group's 2008 operating profit (EBIT) in euros is expected to be at about the same level as during 2007 despite the cyclical changes in the House Building and Sawmill businesses**
- **Earnings before taxes for the financial year 2008 is expected to increase by approximately one fourth year-over-year**

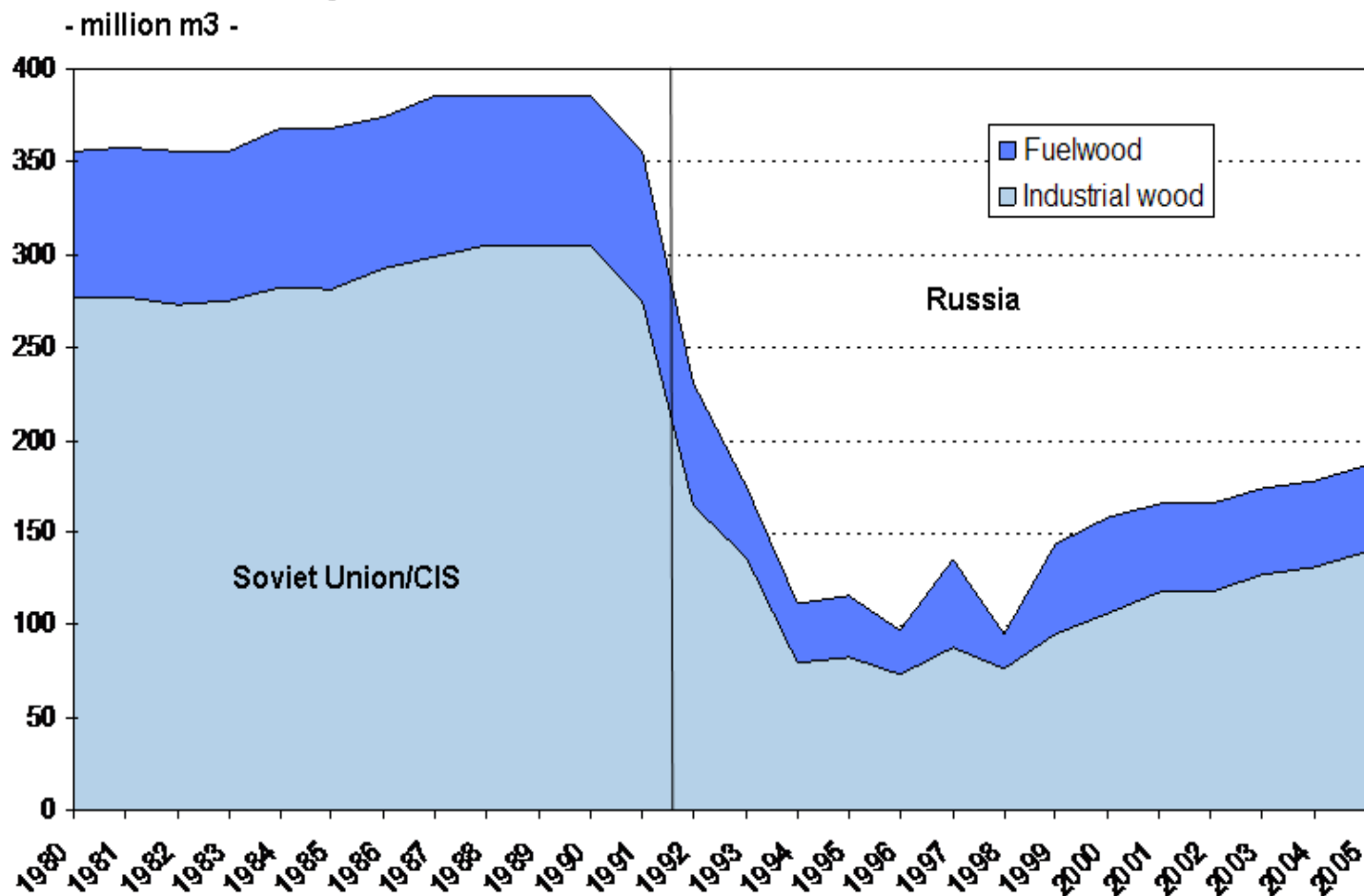
## Long-term Strategic Targets

- **Ruukki Group's strategic aim is to concentrate on wood processing within the Northern coniferous wood zone. Group business operations will be focused on mechanical wood processing, and furthermore on pulp business. The target is to reach revenue of over EUR one billion by the first half of the 2010 decade, and the Group EBIT percentage should be in excess of the average profitability within the same industry.**
- **Long-term goal of having equity ratio of 40 per cent at the group level.**



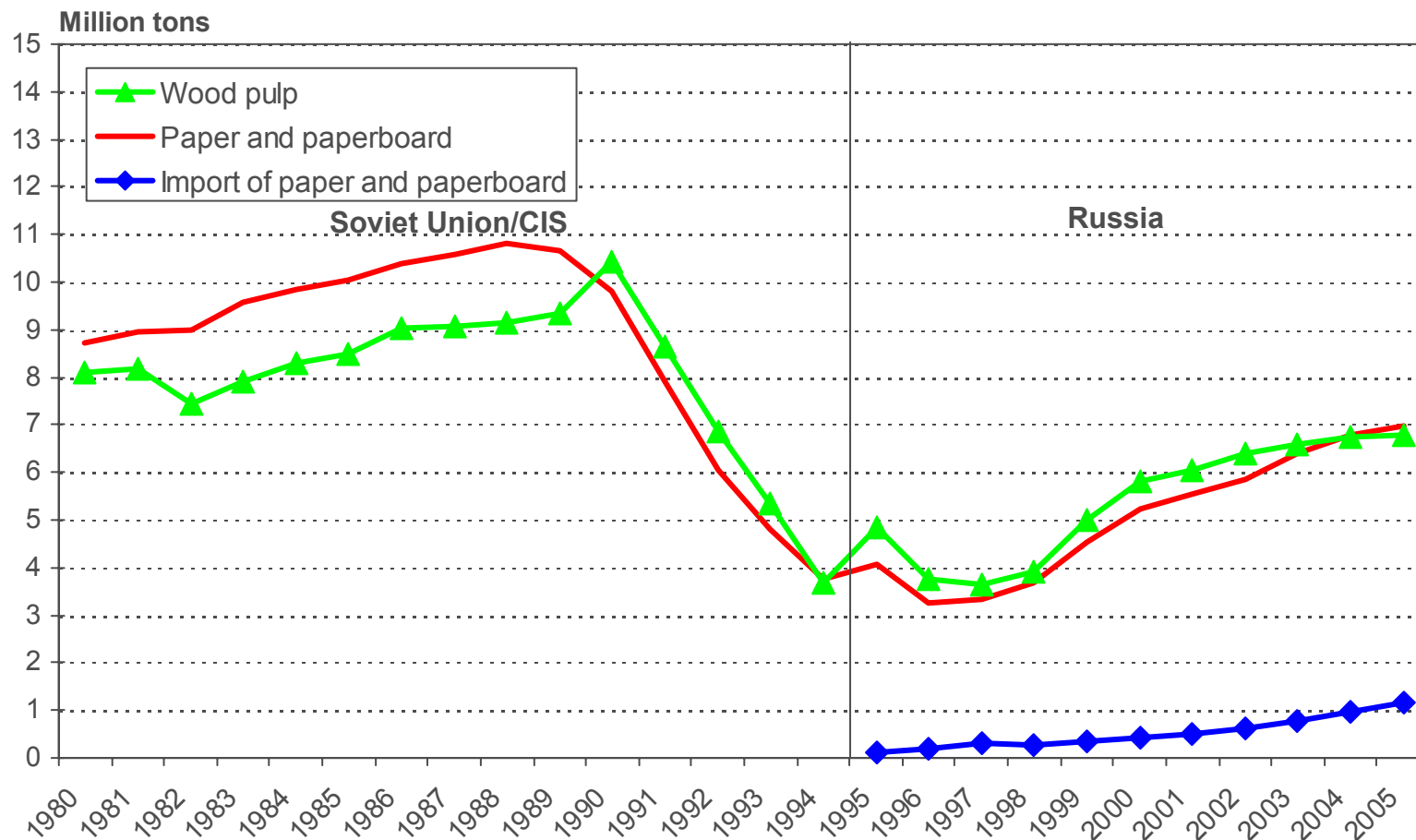
# Kostroma Investment Projects

# Wood Harvesting in Soviet Union/Russia

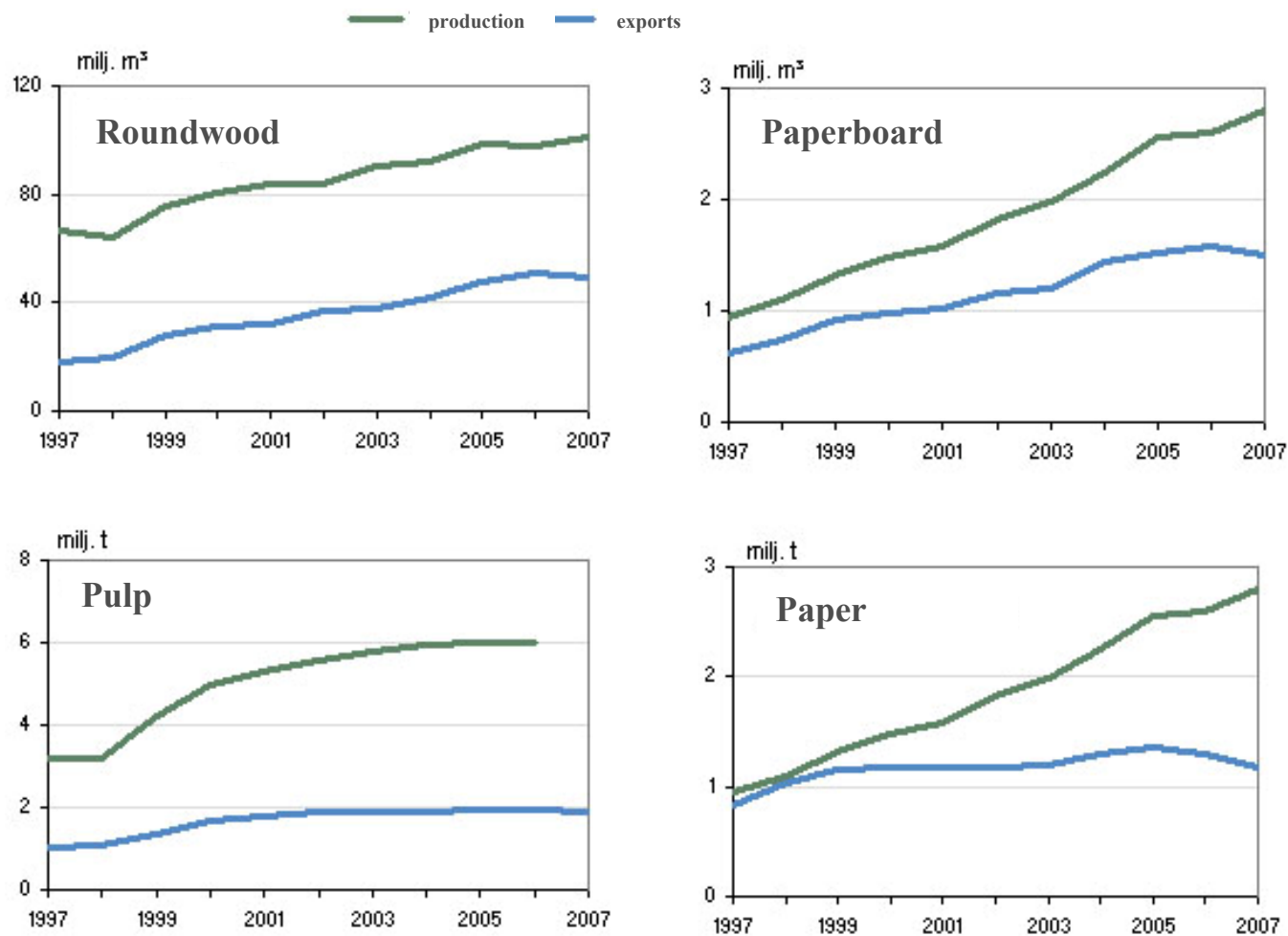


Source: Pöyry Forest Industry Consulting Oy

# Production of Paper and Paperboard and Wood Pulp in Soviet Union/Russia



# Russian forest industry production and exports



Source: Rosstat, Russian Customs



# Russian Forest Industry Exports

7 Feb 2008

## Development Program of Russian Forest Industry

Deputy Minister Denis Manturov from Russian Ministry for Industry and Energy presented the draft of the development program, aimed up until 2020, of Russian forest industry in the meeting of the forest industry development council in Syktyvkar at the end of January.

Excerpts of Manturov speech:

1. “**growth rate accelerated in 2007**”
2. “**export limitations of non-processed wood are aimed to be kept unchanged**”
3. “**development program for forest industry very fast**”
4. “company **locations** in the country to be **optimised** according the minister”
5. “existing production lines and mill to be **modernised**”
6. “with strongly growing demand it is **imperative to establish new pulp and paper mills**”

Source: Idän metsätieto news service

## Kostroma Investment Agreements

- Enlargened **investment agreements** registered in June 2007 to the investment register of Kostroma region
- Priority Investor Status applications for sawmill and pulp mill filed in November 2007; handling continues at Kostroma region level
- Targeted start-up of sawmill at the end of 2008 and of pulp mill at the end of 2010, if Ruukki Group will get within adequate time frame necessary permits and secure adequate raw material supply
- Sawmill machinery and equipment purchase agreements signed and deliveries agreed so that sawmill start-up at the end of Q4/2008
- Pre-engineering of pulp mill continuing, with supplier tendering rounds ongoing
- First 4 harvesters and 4 forwarders purchased into the harvesting operations

## Priority Investor Status

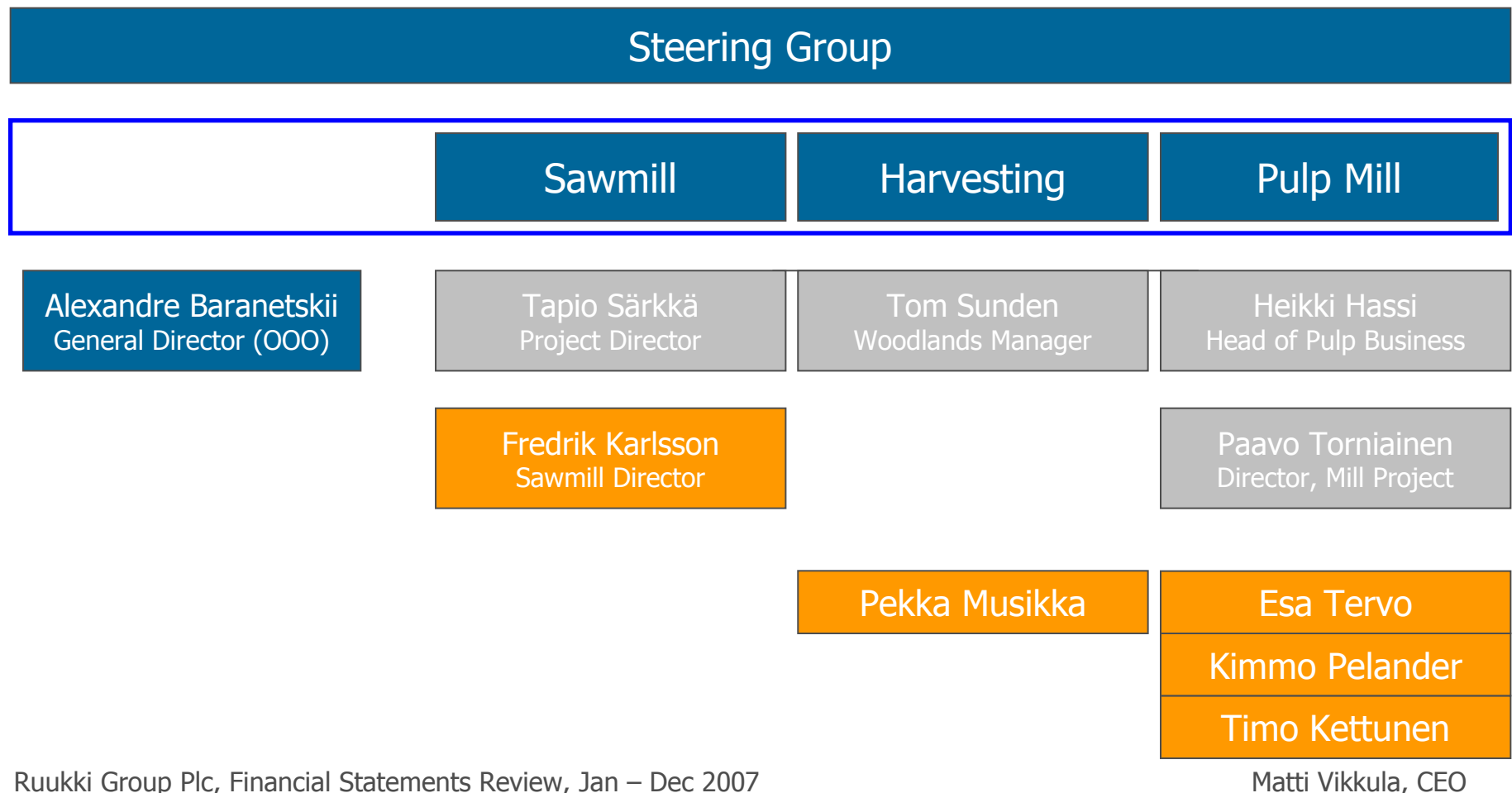
- Priority Investor Status applications for sawmill and pulp mill filed in November 2007:
  - » Related to the new Russian Forest Code
  - » Material part of the implementation of the existing investment agreements with Kostroma Oblast
  - » The process according to the applications still actively ongoing and not finalised in Kostroma region
  - » Final confirmation by Minpromenergo in Moscow
  - » Status enables:
    - » Forest lease agreements without auction
    - » 50 % discount on forest lease payments

## Approach to Russian investments

- **Integrated operations**
  - » **Ruukki Group targets to implement investment projects in Russia so that as a result a modern integrated forest industry entity will be created. Also third parties will be offered opportunities to join the integrate with their own areas of expertise.**
  - » **Ruukki Group investigating opportunities to find partner that would construct its own tissue paper mill integrated with the planned forest industry operations planned by Ruukki Group**
  - » **Capwell Oy has been selected as the technical and financial advisor in the investigation into tissue paper co-operation opportunities**

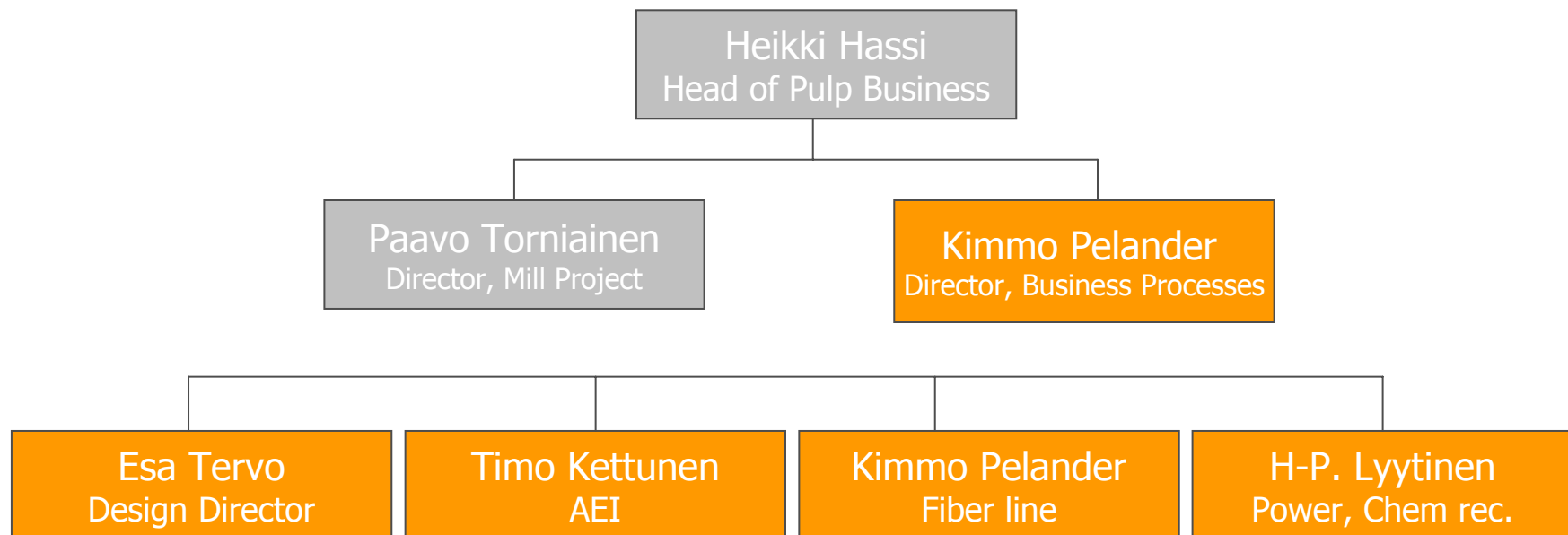
# Kostroma Investment Projects

- Organisational structure



# Kostroma Investment Projects

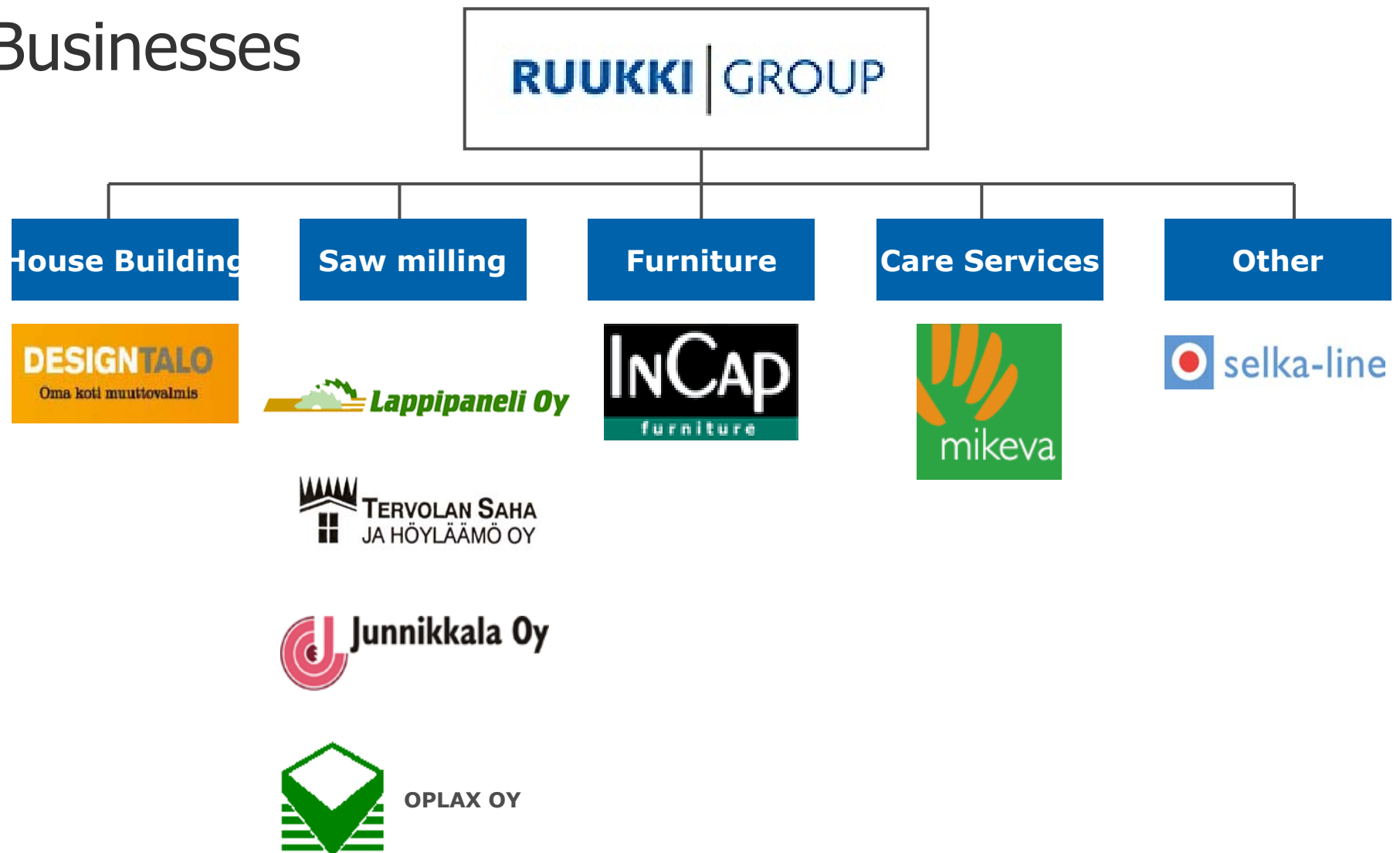
- **Organisational structure for the Pulp Project**





# Key Financial Figures and Ratios

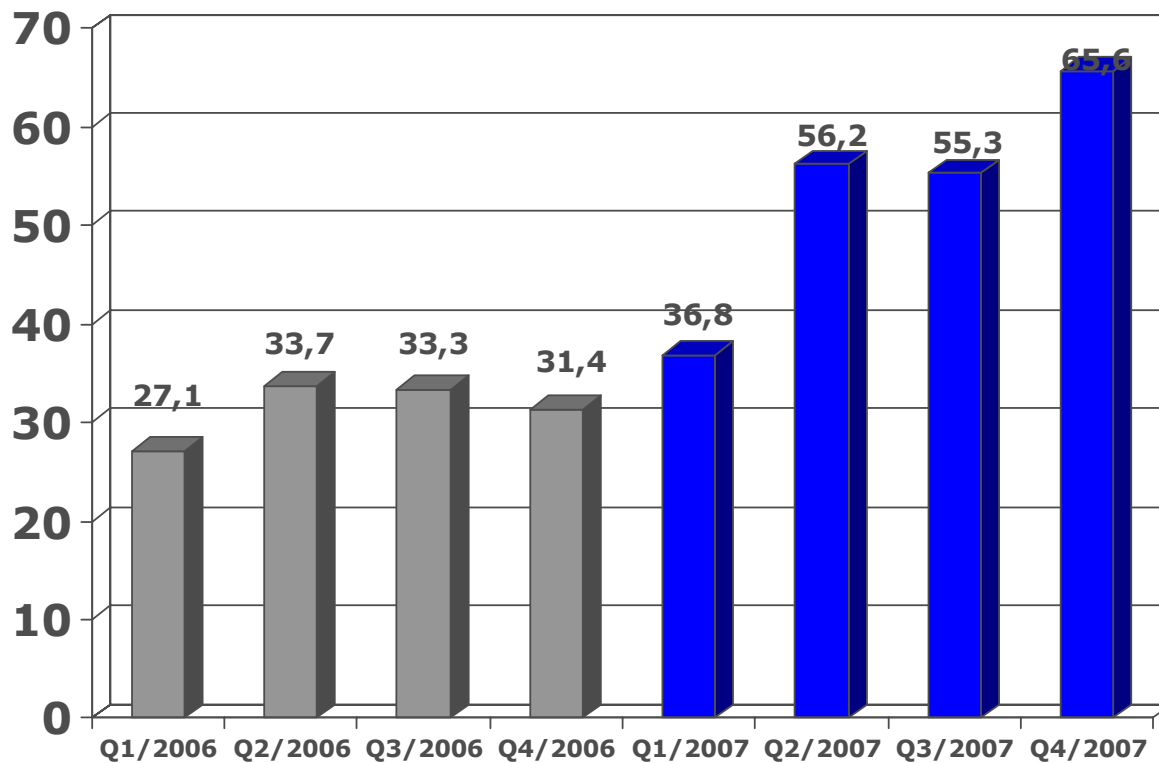
# Businesses



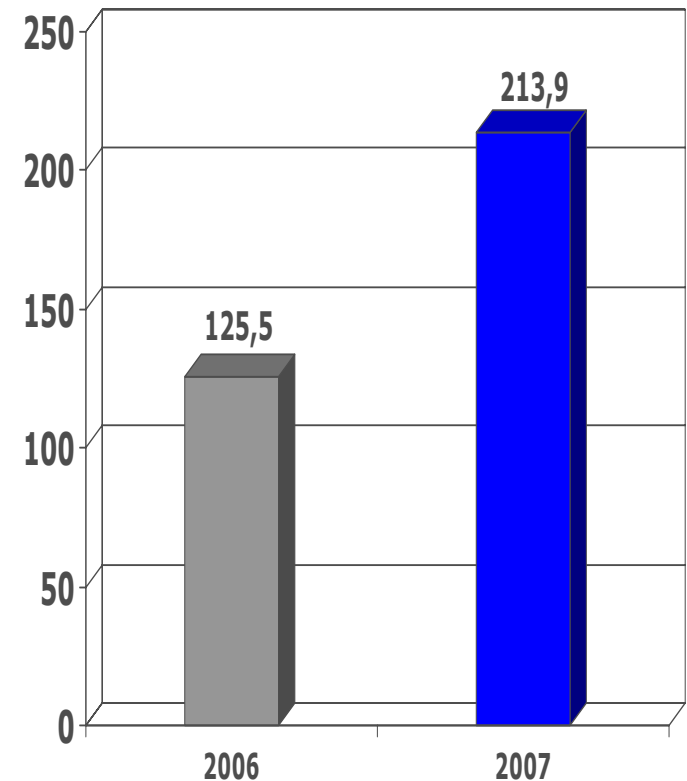


# Revenue (in EUR million)

## QUARTERLY REVENUE Q1/2006 – Q4/2007



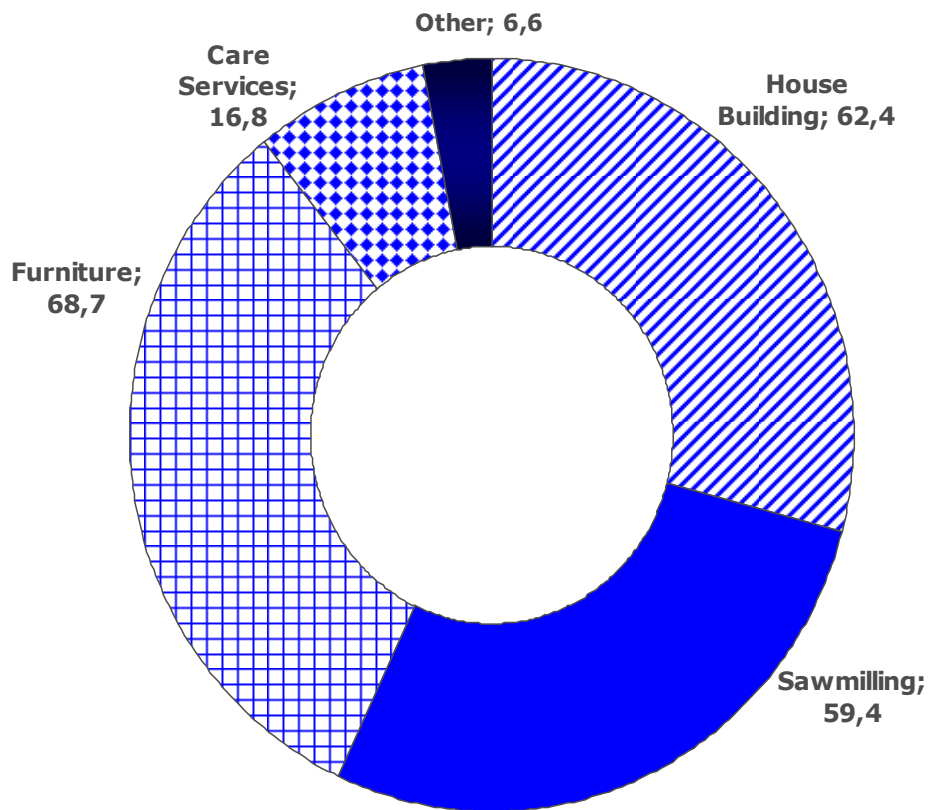
## YTD REVENUE, Jan - Dec



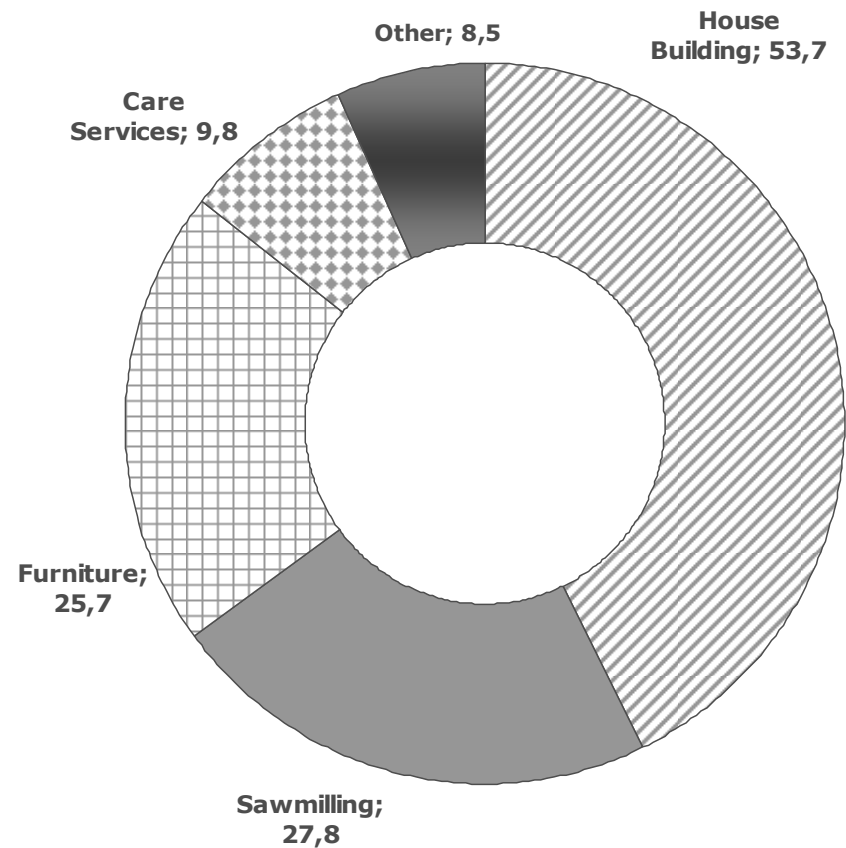
Acquisitions: Design-Sähkö Q2/2007, Oplax Q1/2007, Incap Furniture Q1/2007, Tervolan Saha Q4/2006, Terveyspalvelut Mendis Q3/2006

# Revenue by business (in EUR million)

**1-12/2007**



**1-12/2006**

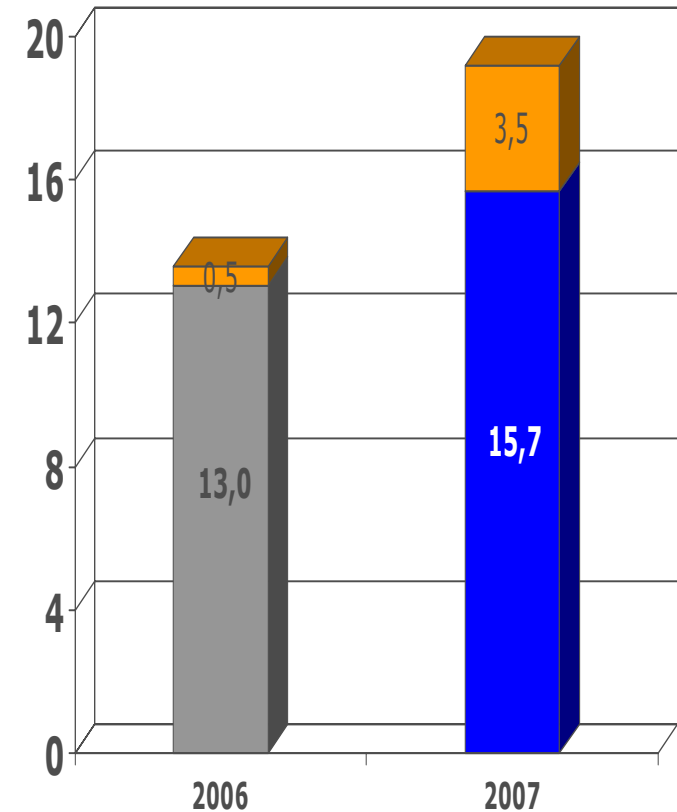
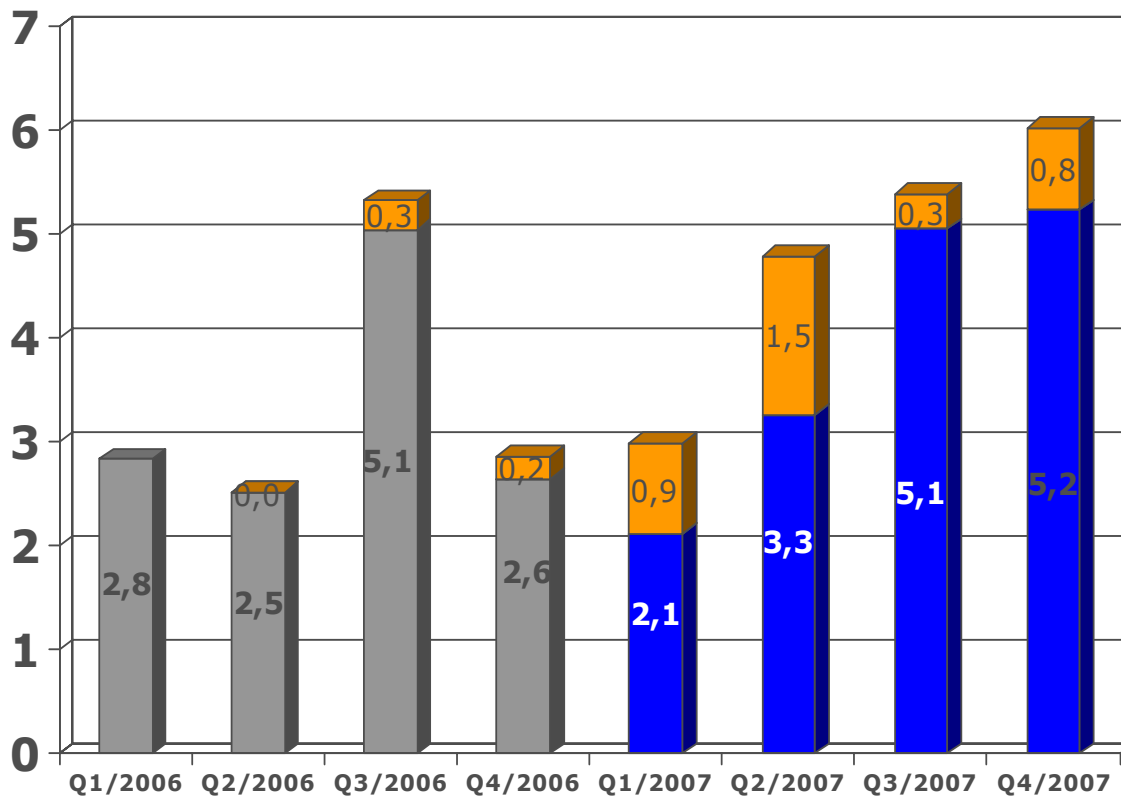


# EBIT (in EUR million)

## QUARTERLY EBIT Q1/2006 – Q4/2007

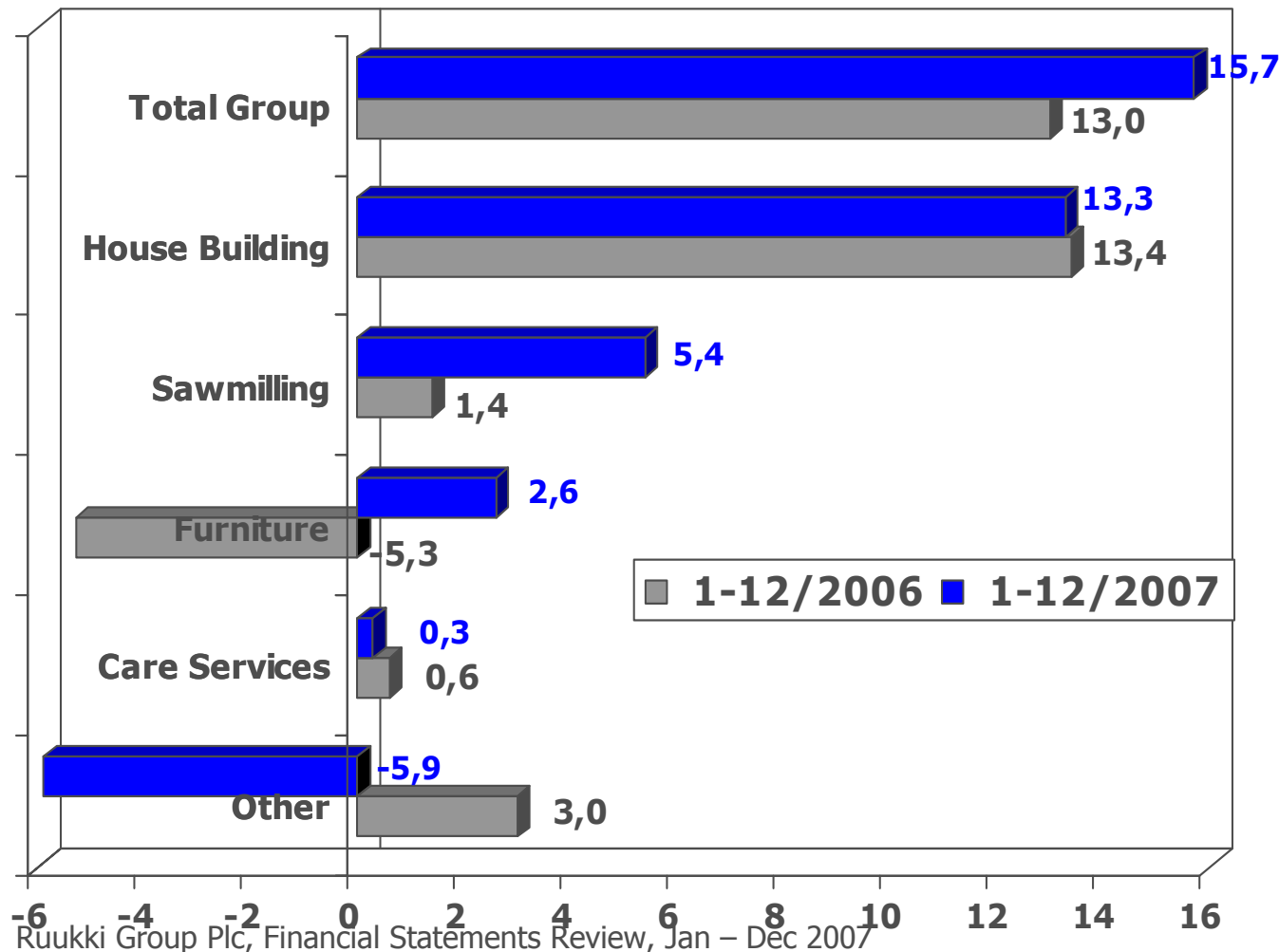
## YTD REVENUE, Jan - Dec

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 - Dec



**KOSTROMA COSTS:**

1-12/2007 = EUR 3.5m  
 1-12/2006 = EUR 0.5m

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

1-12/2007 = insurance income of furniture business net of fire impairment = EUR 2.0m (Q3), and of sawmill business = EUR 0.4m (Q1)

1-12/2007 = impairment of furniture business inventories = EUR 1.1 million (Q3)

1-12/2006 = 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 =**

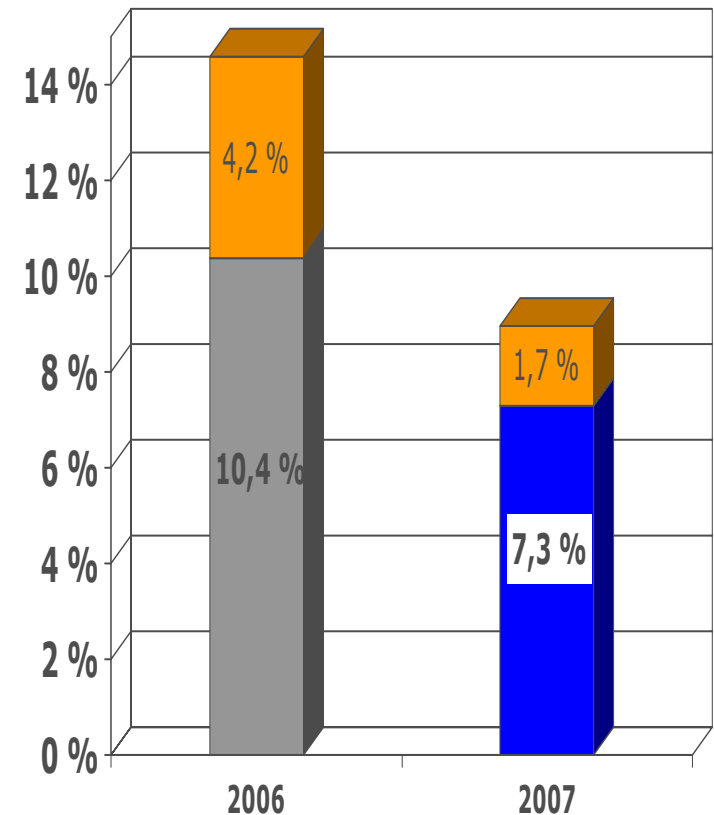
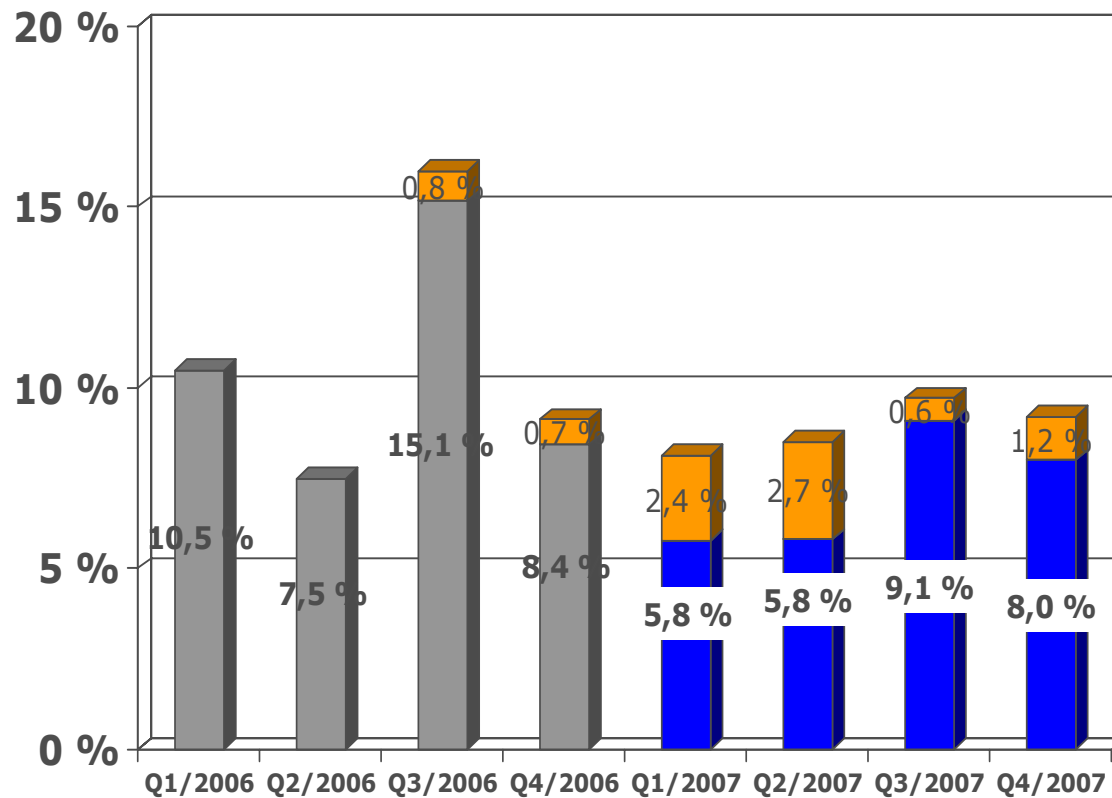
- + Parent company (Plc)
- + Metal Industry
- + Group eliminations
- + Other non-segment items

# EBIT-% (in % of revenue)

## QUARTERLY EBIT-% Q1/2006 – Q4/2007

## YTD EBIT-%, Jan - Dec

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



# Group Cash Flow Statement

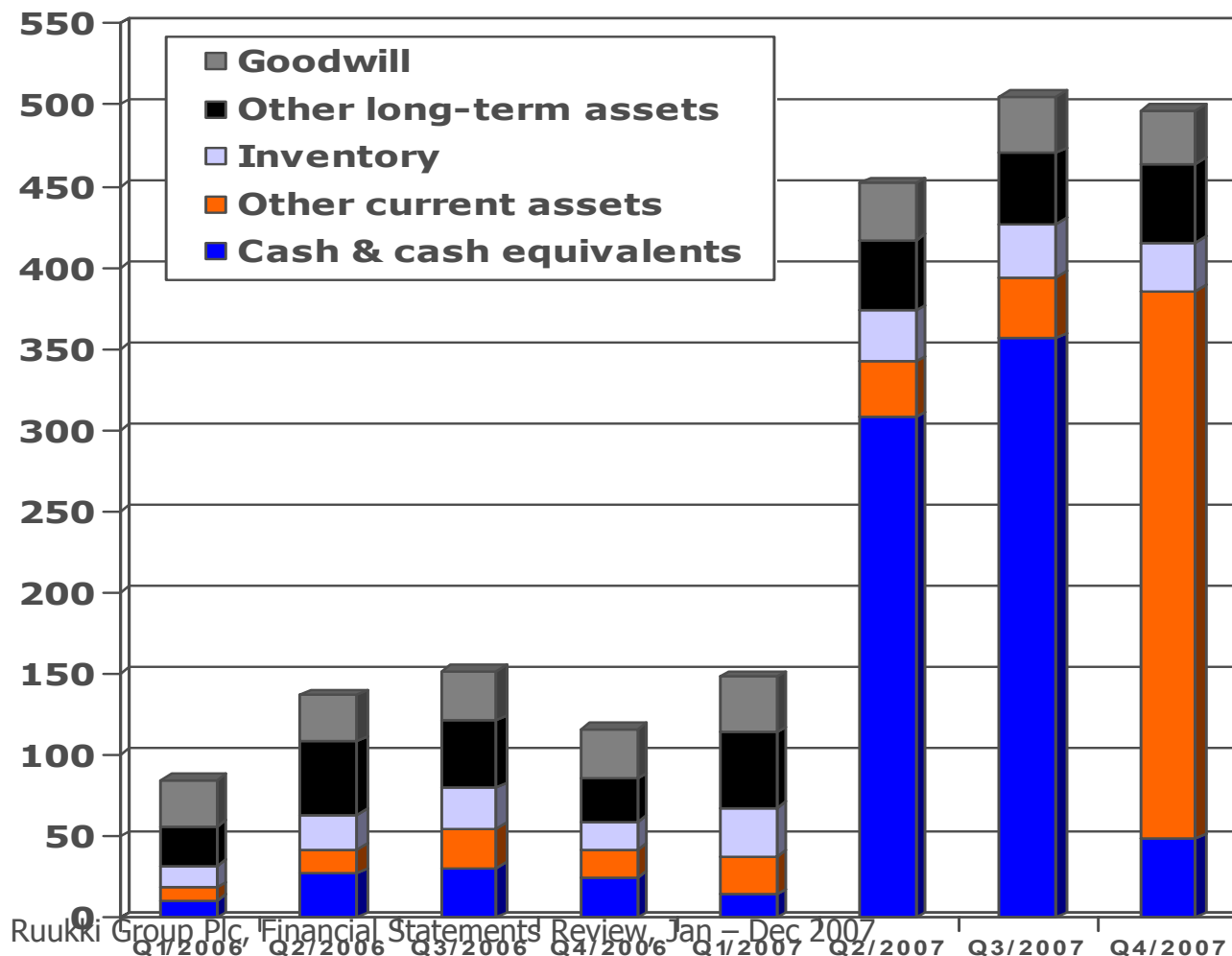
	1.1.- 31.12.2007	1.1.- 31.12.2006
Net profit attributable to equity holders	12 651	8 442
Adjustments to net profit	7 161	10 794
Changes in net working capital	-14 029	-12 178
<b>Net cash from operating activities</b>	<b>5 783</b>	<b>7 058</b>
Acquisitions of subsidiaries and associates	-6 487	-13 401
Payment of earn-out liabilities and exercises of call options related to acquisitions	-8 358	-8 875
Disposals of subsidiaries and associates	7 068	4 183
Capital expenditure and other investing activities	-6 336	-3 203
<b>Net cash used in investing activities **</b>	<b>-14 113</b>	<b>-21 296</b>
Share issues	337 608	21 218
Dividends paid	-5 493	-3 146
Deposits	-133 851	0
Other investments	-173 360	0
Interests received from financing activities	3 940	0
Proceeds from borrowings	10 630	5 561
Repayment of borrowings and other financing activities	-7 386	-2 611
<b>Net cash from financing activities **</b>	<b>32 088</b>	<b>21 022</b>
<b>Net increase in cash *</b>	<b>23 758</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 – Q4/2007



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

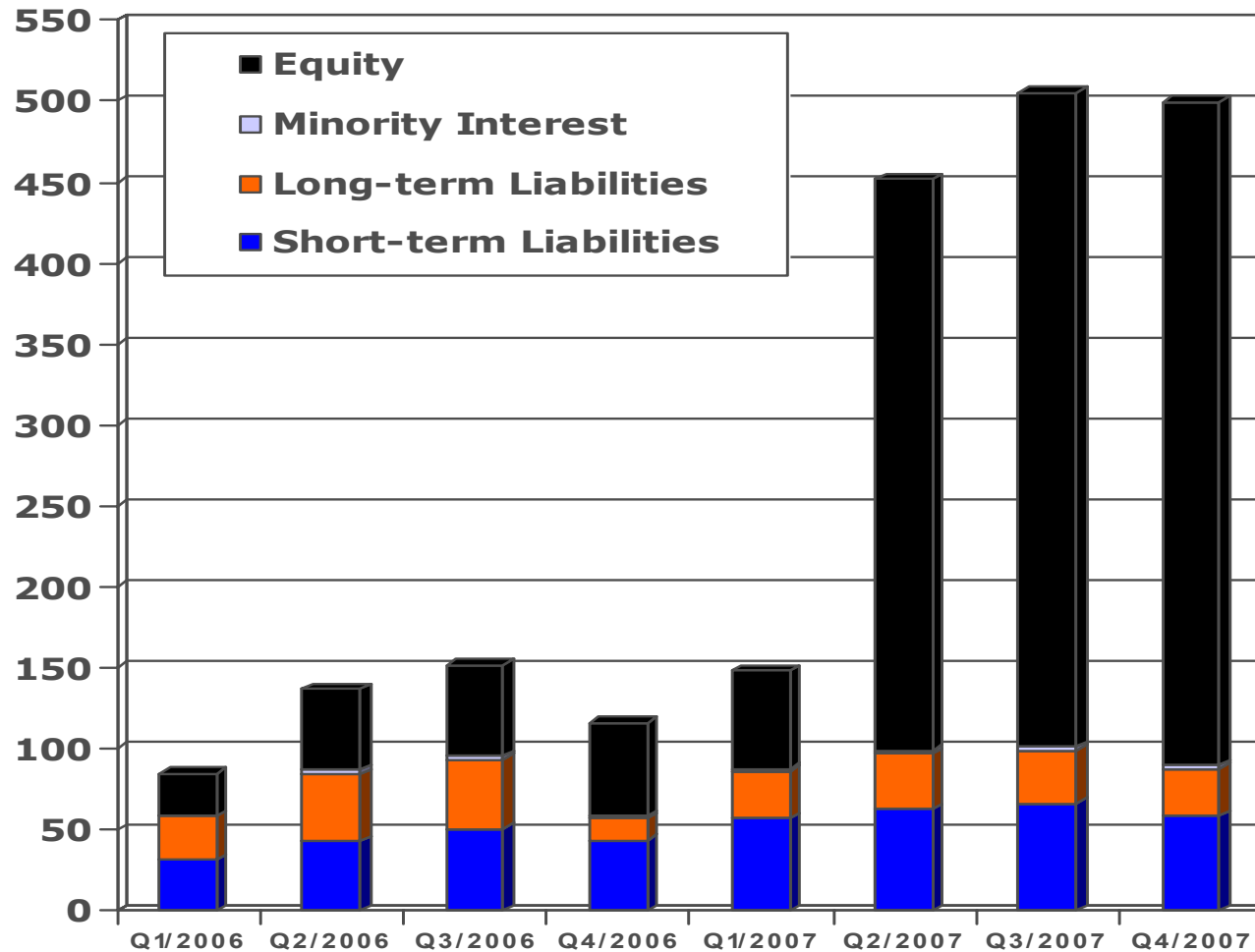
CASH:

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

Matti Vikkula, CEO

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

**Balance Sheet Q1/2006 – Q4/2007**



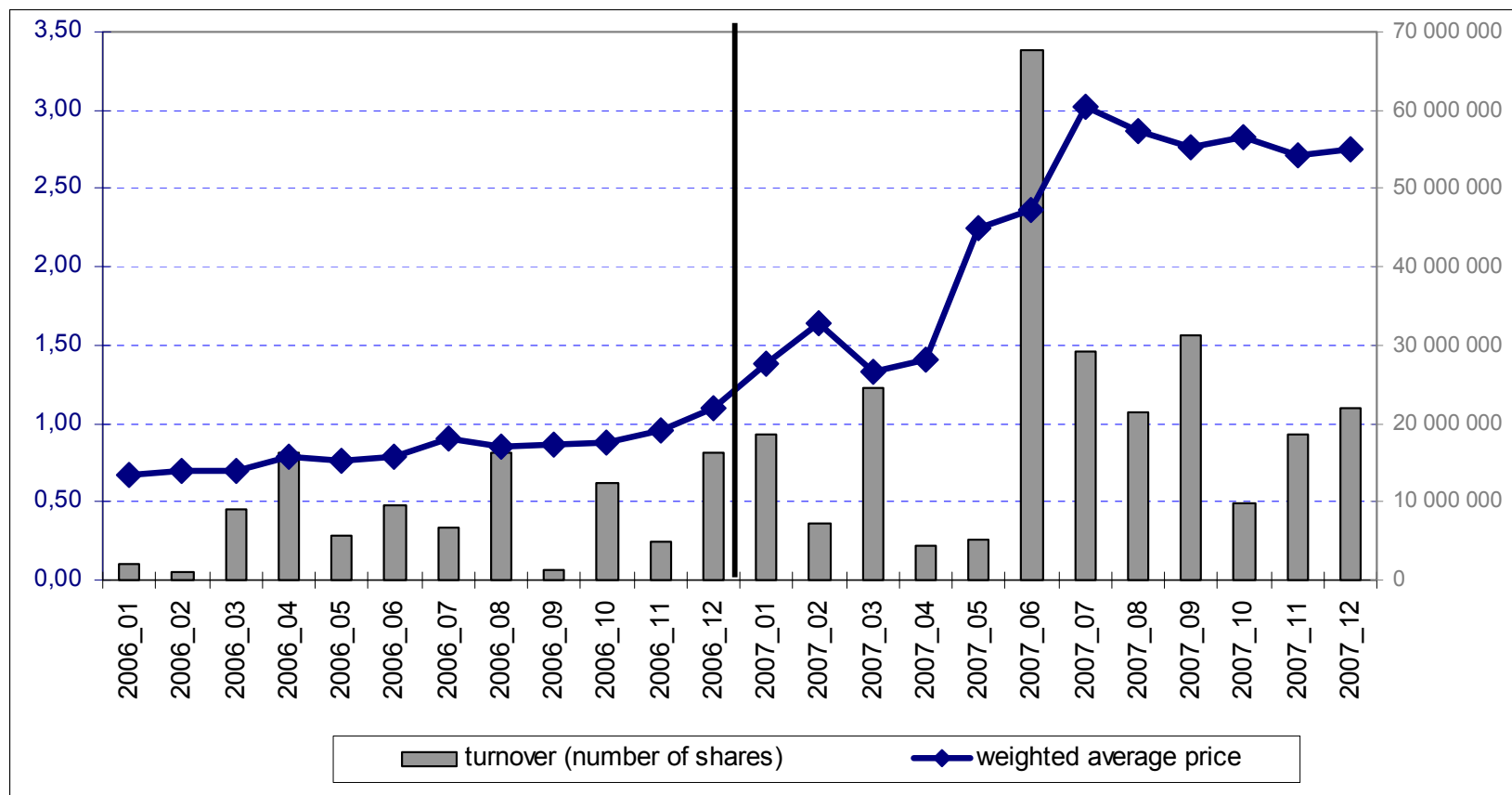




# Share, Shareholders, Board, CEO

# Share Price Development

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



Source: NCSD

## Recent Flagging Notices

<b><u>DATE</u></b>	<b><u>INVESTOR</u></b>	<b><u>OWNERSHIP</u></b>
<b>15 Feb 2008</b>	<b>JSC VTB Bank</b>	<b>above 10 %</b>
<b>13 Feb 2008</b>	<b>Helsingin Mekaanikontalo Oy and Procomex SA combined</b>	<b>below 20 %</b>
<b>23 Jan 2008</b>	<b>Moncheur &amp; Cie SA</b>	<b>above 5 %</b>
<b>21 Jan 2008</b>	<b>Nordea Bank AB (Nordea Pankki Suomi Oyj)</b>	<b>above 25 %</b>
<b>28 Dec 2007</b>	<b>Nordea Bank AB (Nordea Pankki Suomi Oyj)</b>	<b>above 25 %</b>

## Major Shareholders, 31 Dec 2007

Shareholder	Shares	%
1 Nordea Bank Finland Plc	75.883.960	26,2
2 Nordea Bank Finland Plc nominee-registered	57.776.322	19,9
3 Skandinaviska Enskilda Banken nominee-registered	43.135.512	14,9
4 Oy Herttakakkonen Ab	41.075.297	14,2
5 Evli Bank Plc	14.522.884	5,0
6 Kankaala Markku	9.601.791	3,3
7 Svenska Handelsbanken Ab nominee-registered	8.841.036	3,1
8 Hukkanen Esa	5.007.500	1,7
9 Procomex S.A.	4.629.215	1,6
10 Glitnir Bank Oy	3.998.068	1,4
Total	264.471.585	91,2
Other shareholders	25.562.437	8,8
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 Dec 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 Dec 2007, Kai Mäkelä **owned** (directly and/or through the company he governs) **60,548,417 shares of Ruukki Group Plc** when forward contracts are also included.

ements Review, Jan – Dec 2007



**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 Dec 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 Dec 2007, Markku Kankaala and his closely associated persons **owned a total of 9,602,191 shares of Ruukki Group Plc**.

Matti Vikkula, CEO

\* = member of audit committee



**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 Dec 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 Dec 2007, Ahti Vilppula **owned** directly and/or through the company he governs **72,815,715 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 Dec 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.**



# Summary

# Summary 2007

**1**

**Focusing on wood-based operations**

**2**

**Kostroma investment agreements and project preparations**

**3**

**2007: revenue EUR 213.9 million; and  
operating profit EUR 15.7 million**



# CEO priorities 2008

1

**“ Ruukki Group’s strategic aim is to concentrate on wood processing within the Northern coniferous wood zone. Group business operations will be focused on mechanical wood processing, and furthermore on pulp business. The target is to reach revenue of over EUR one billion by the first half of the 2010 decade, and the Group EBIT percentage should be in excess of the average profitability within the same industry.”**

2

## **2008 GUIDANCE:**

Ruukki Group’s consolidated revenue in 2008 is expected to be about 20 per cent higher than the 2007 group revenue.

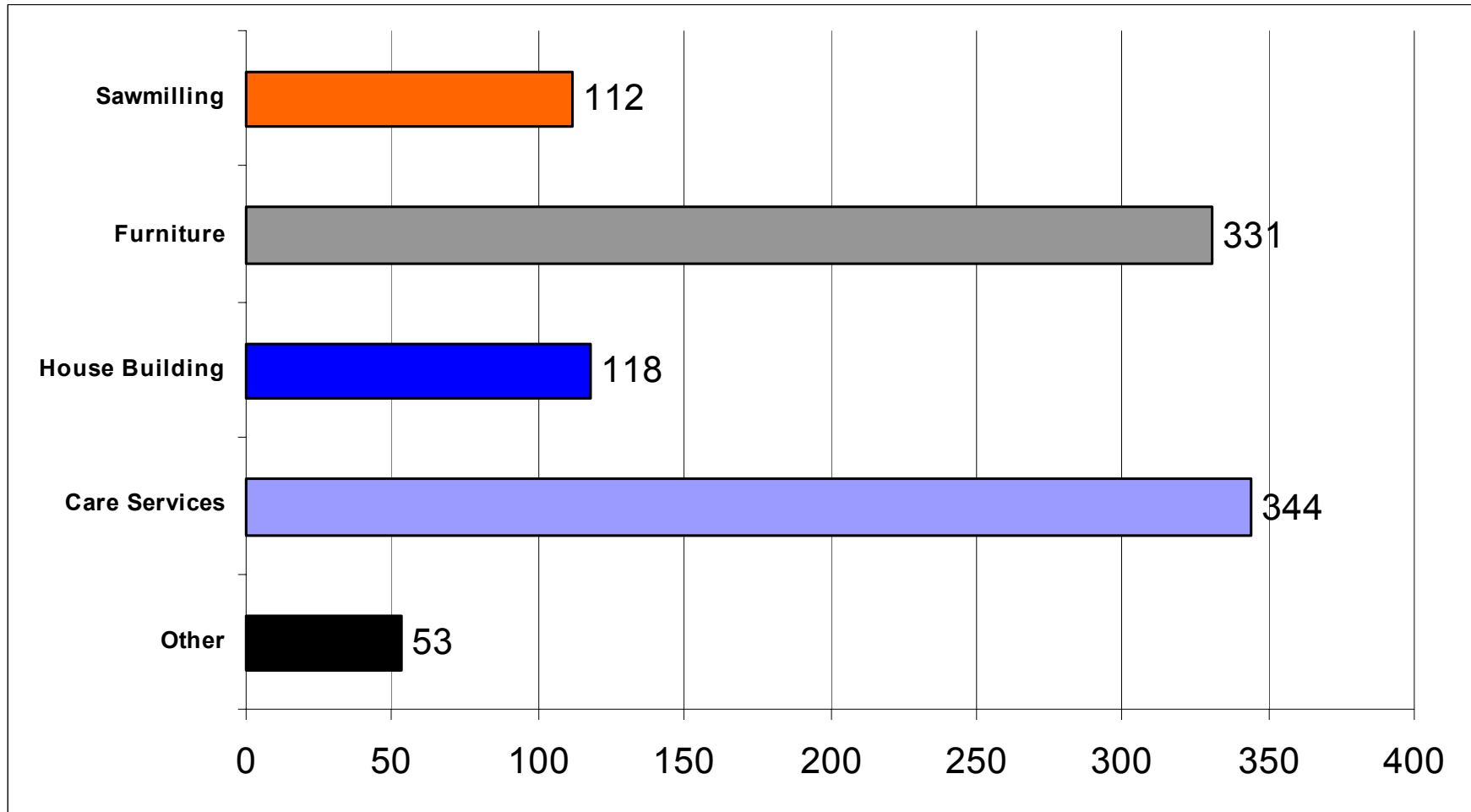
The Group’s 2008 operating profit (EBIT) in euros is expected to be at about the same level as during 2007 despite the cyclical changes in the House Building and Sawmill businesses.

Earnings before taxes for the financial year 2008 is expected to increase by approximately one fourth.

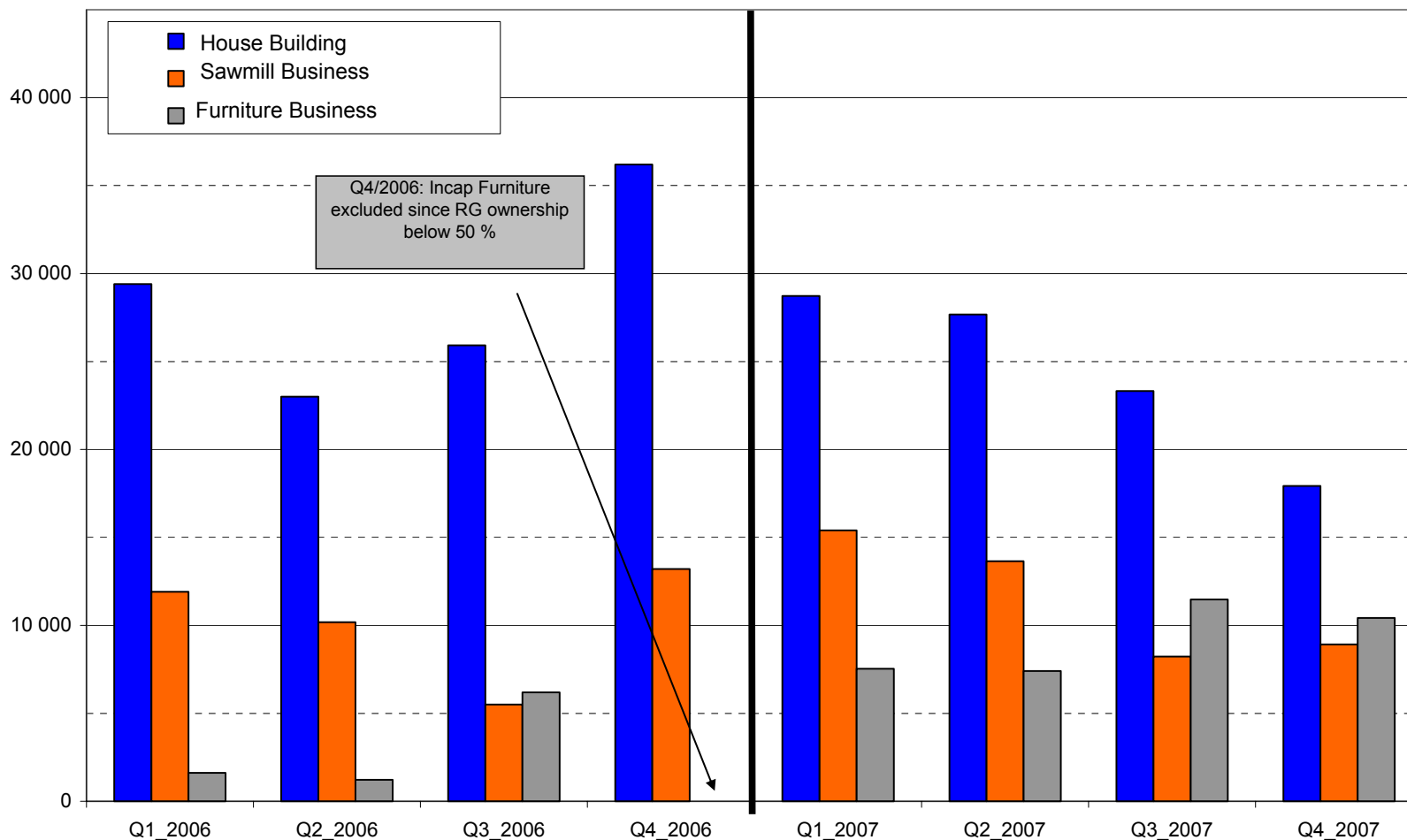


# Appendix

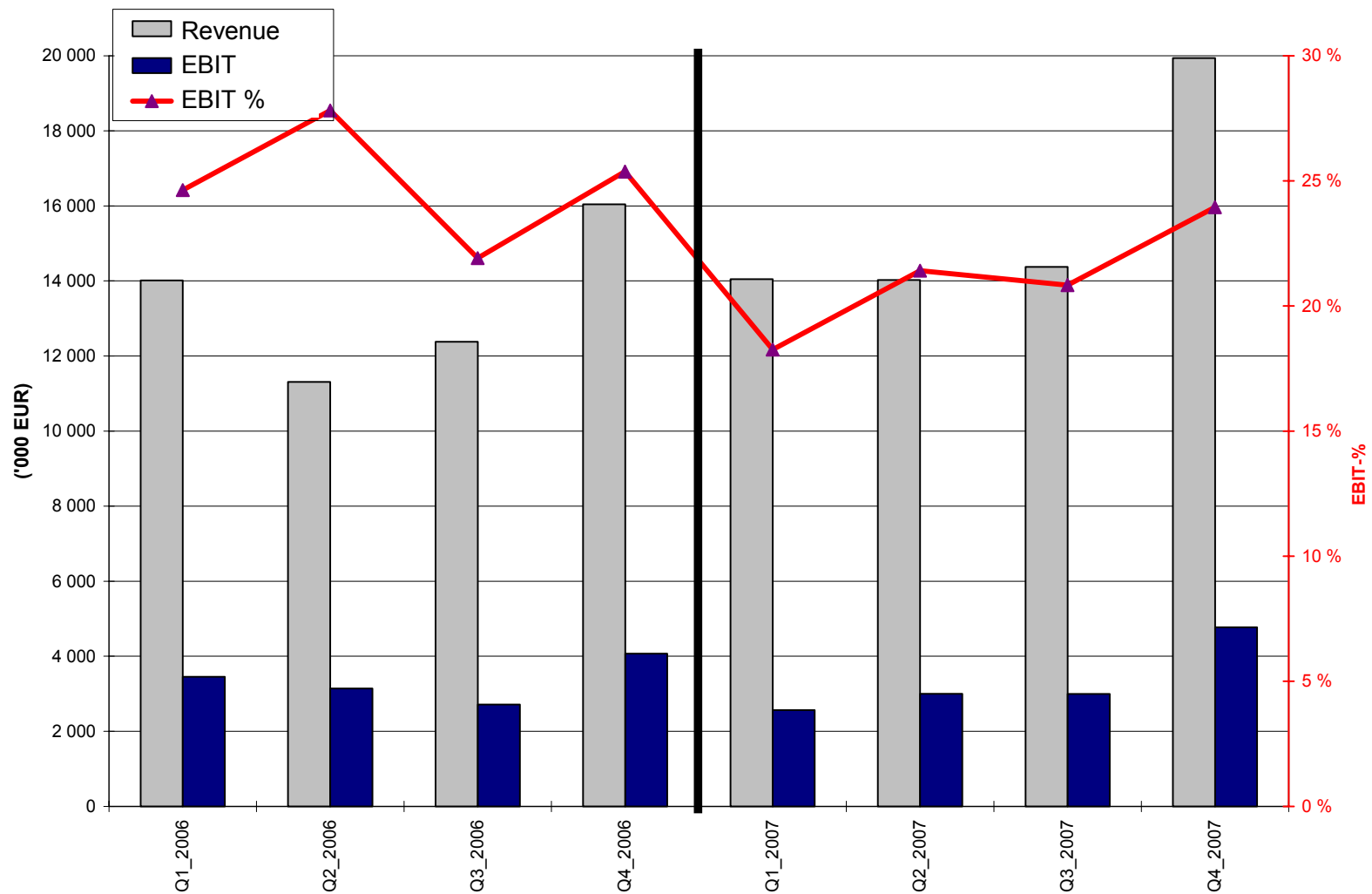
## Personnel by segment, 31 Dec 2007



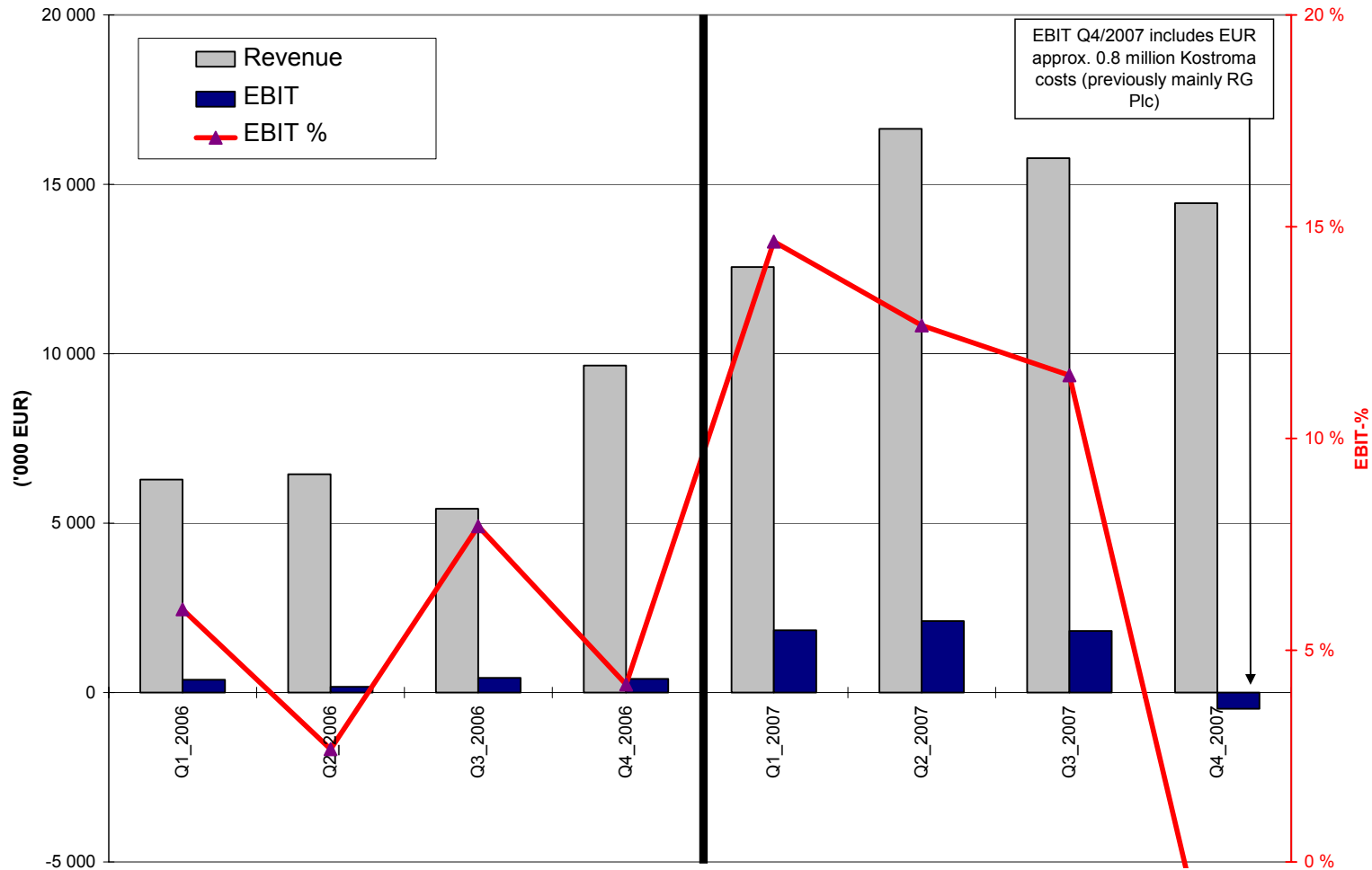
## Order Book, end of period ('000 EUR)



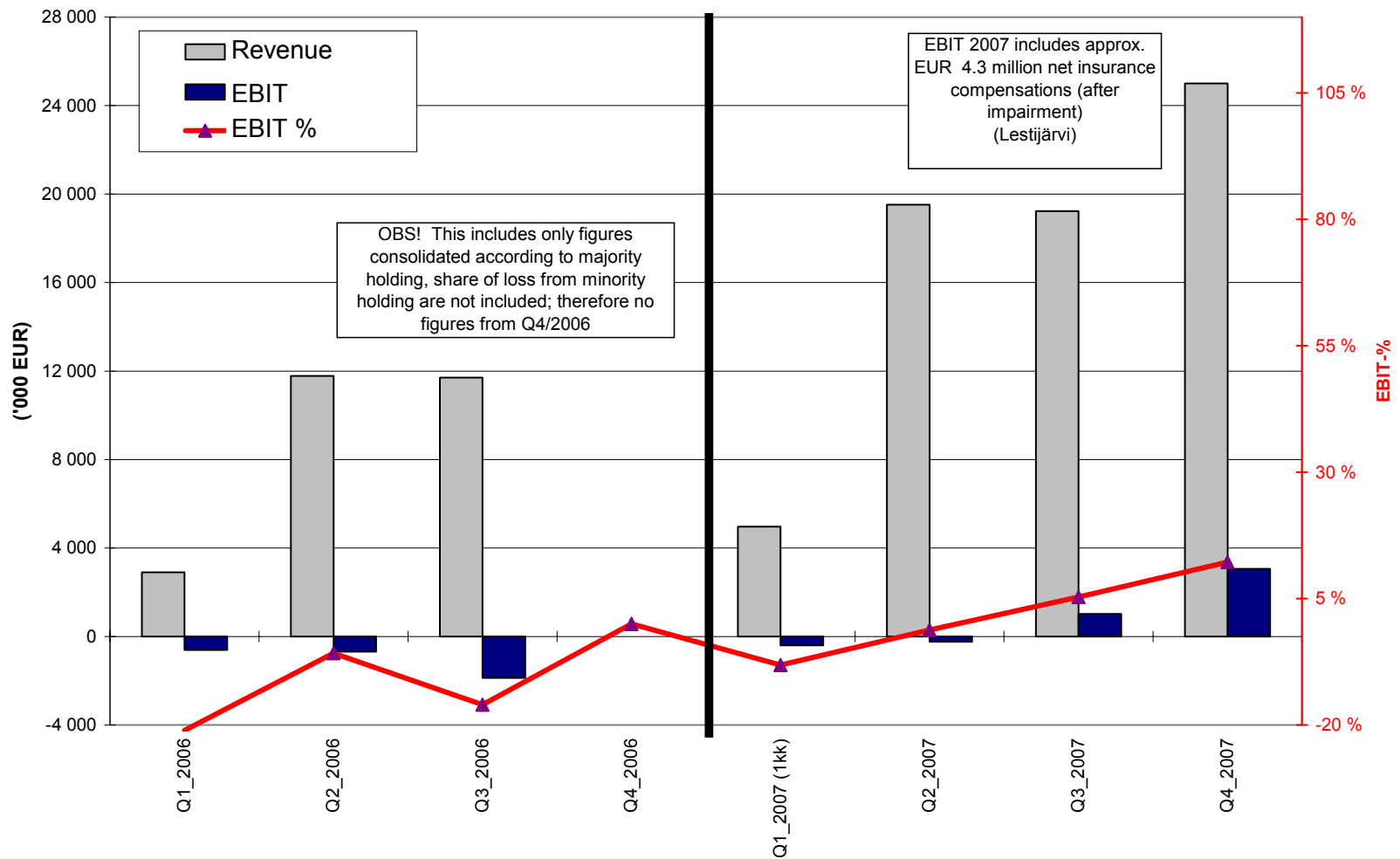
# Revenue and EBIT, House Building, 2006 - 2007 ('000 EUR)



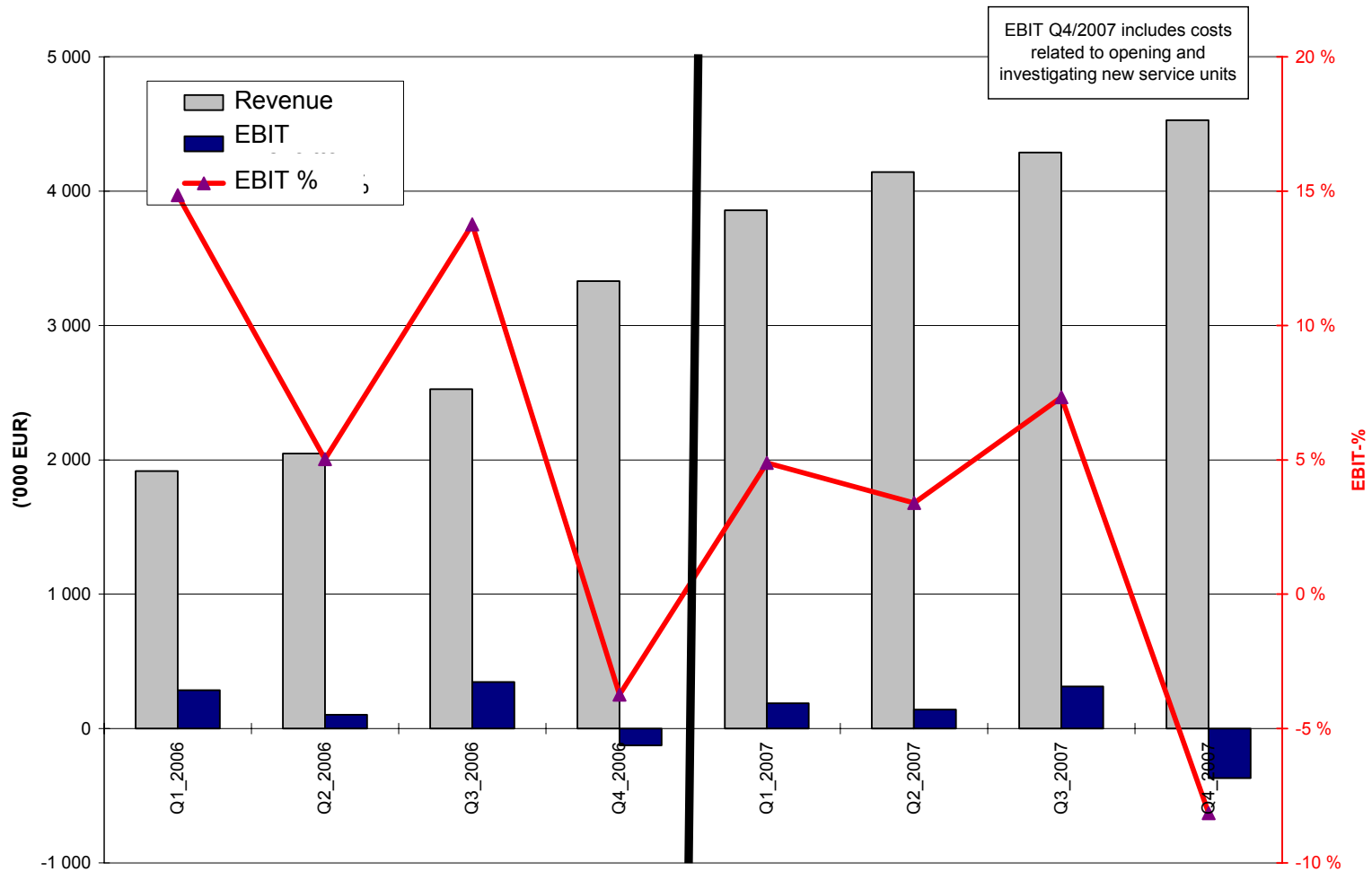
# Revenue and EBIT, Sawmilling, 2006 - 2007 ('000 EUR)



# Revenue and EBIT, Furniture ('000 EUR)



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





# Development of Conifer Log Stumpage Prices

## Price Data

(source: MTK)

Average Finnish stumpage prices, €/m<sup>3</sup>  
4 last weeks, 18 Feb 2008

### Logs €

pine 61.05

spruce 63.10

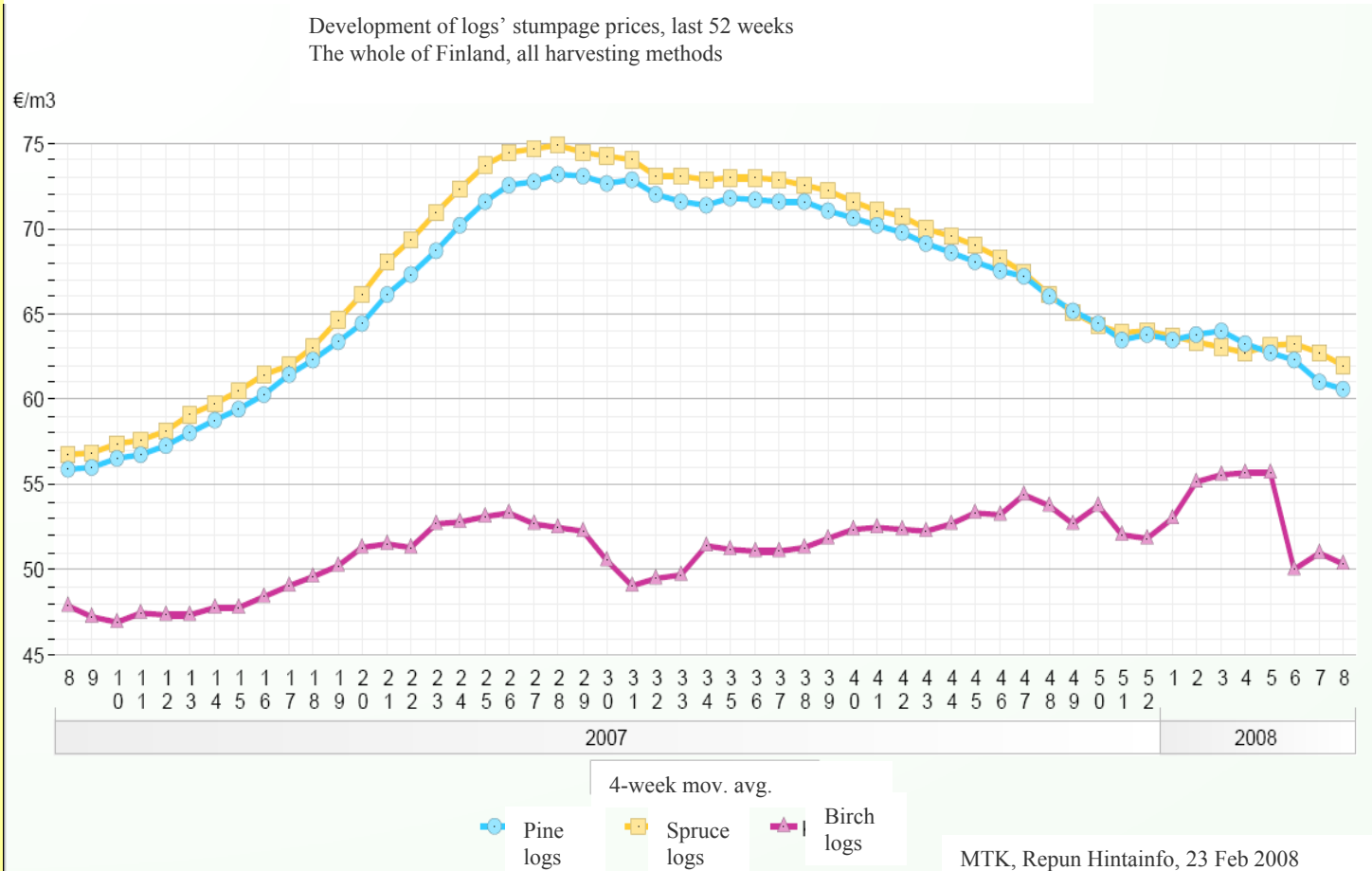
birch 50.93

### Fibre €

pine 18.80

spruce 25.19

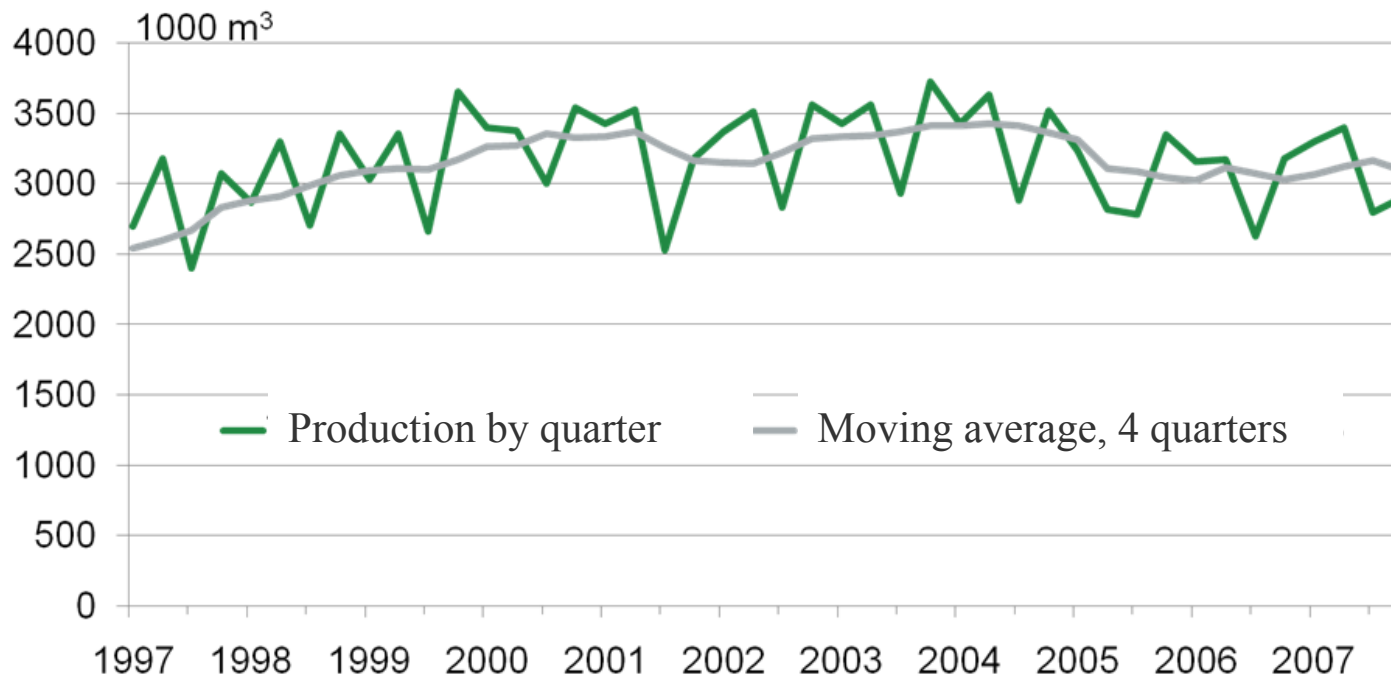
birch 16.19



## Sawn wood Production in Finland

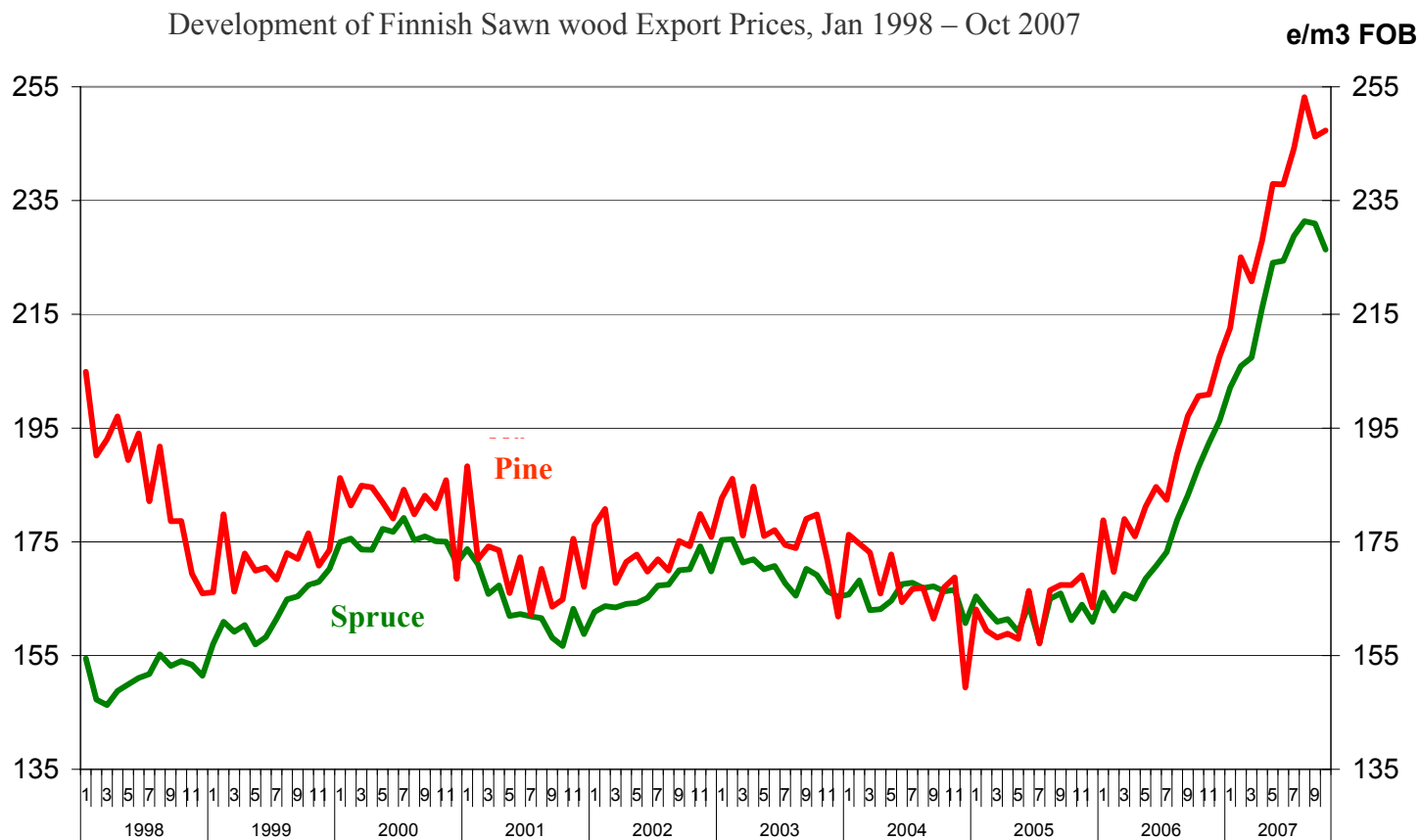
Production of conifer (pine, spruce) sawn wood by quarter:

Production in 2007 totalling 12.4 million m<sup>3</sup>, which was 2 % more than in previous year



15 Feb 2008, Source:  
Metsäteollisuus ry

# Development of Sawn wood Export Prices

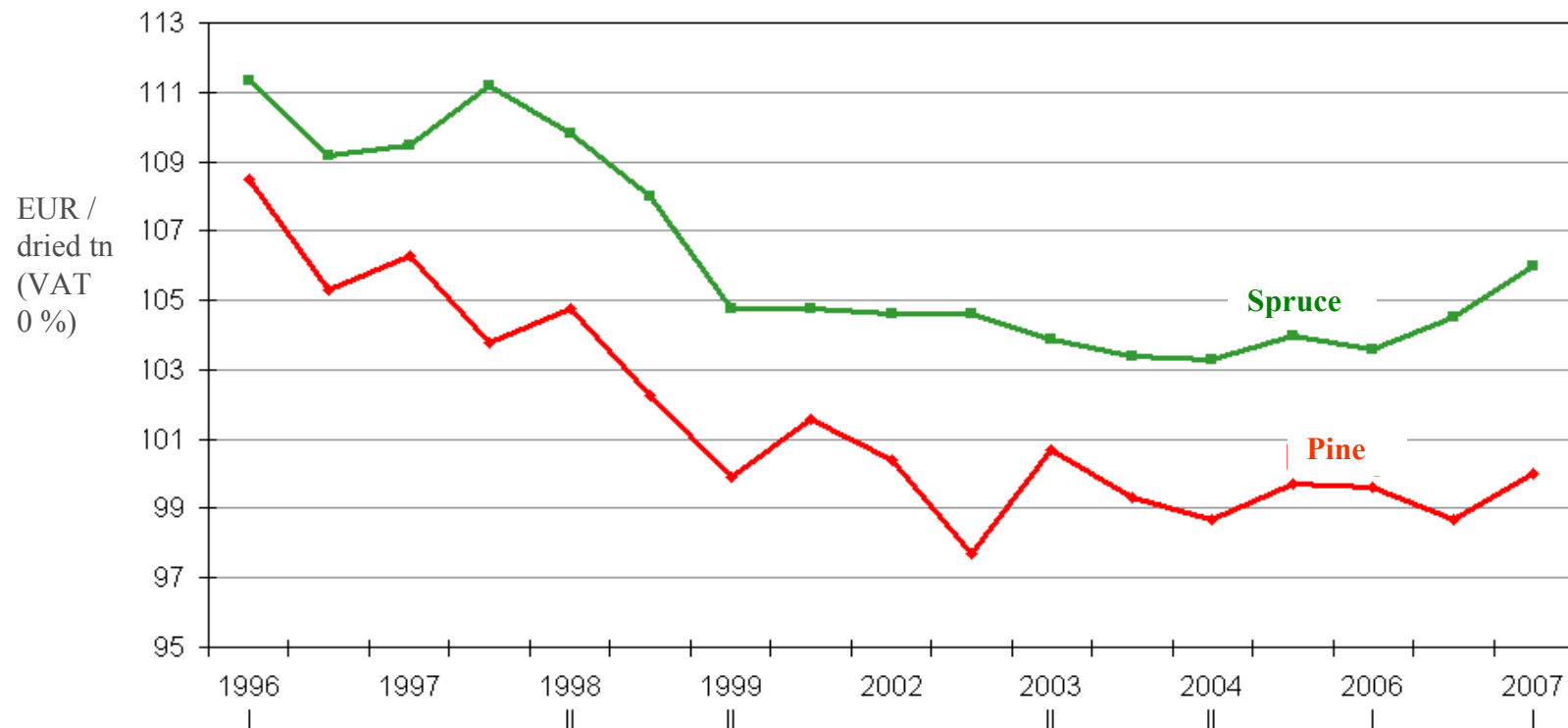


Strong seasonal change based on changes in quality distribution of pine sawn wood Base: Customs Statistics

Source: Suomen Sahat ry

## Development of Sawmills' Chip Prices

Development of Finnish Sawmills' Chip Prices, delivered to the destination, 1996 – 2007, based on surveys answered by Suomen Sahat ry member sawmills, base price (100 %)

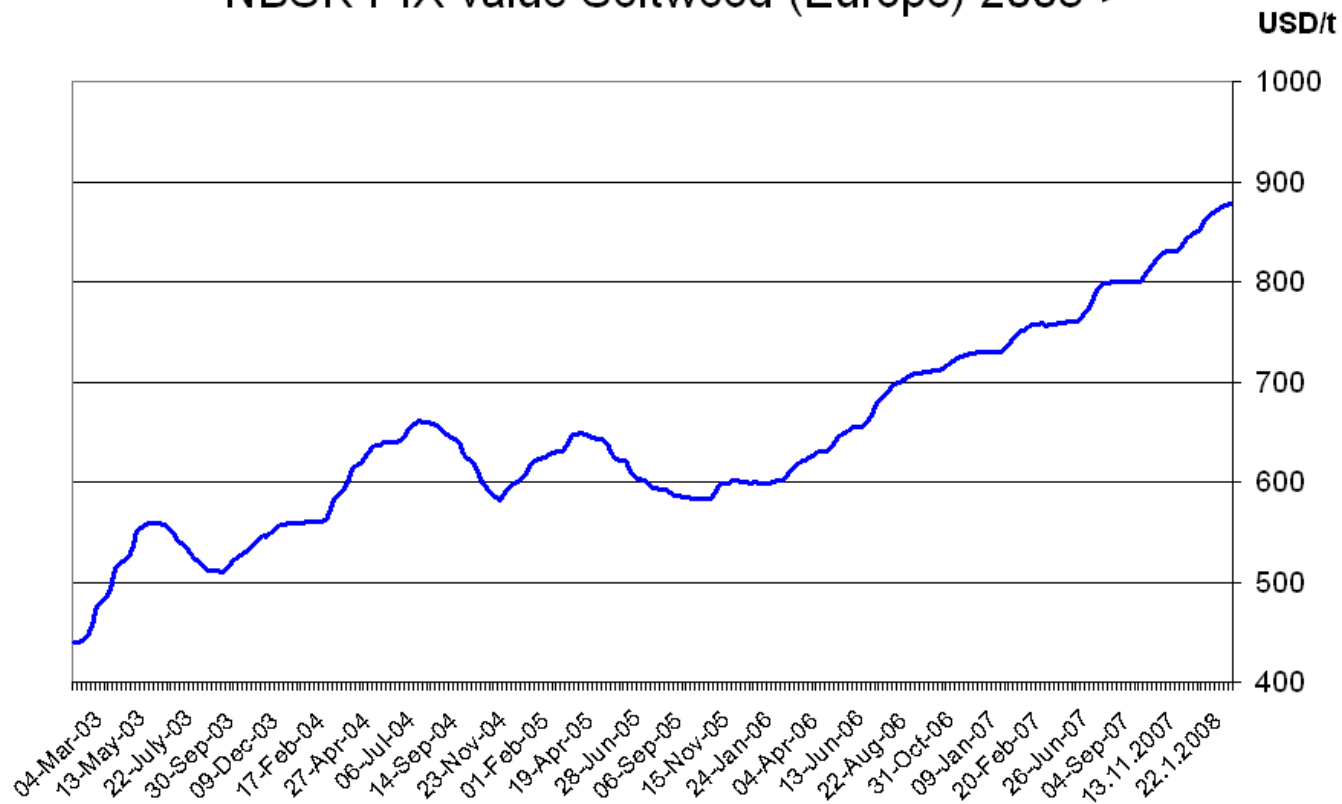


Source: Suomen Sahat ry

NOTE: time axis not with equal distances

# Development of Pulp Market Prices

NBSK PIX value Softwood (Europe) 2003->



The PIX Pulp Benchmark Indexes; <http://www.foex.fi/>

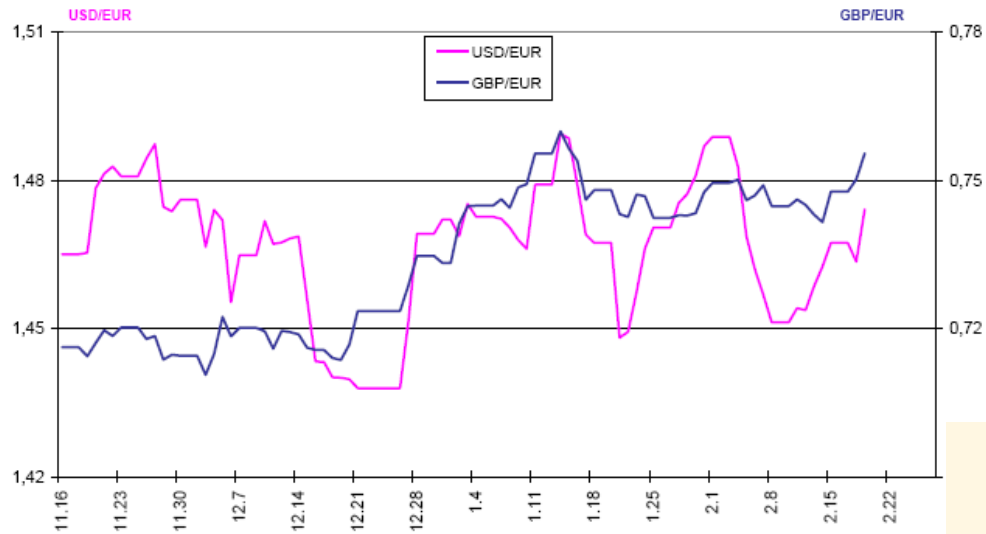
Source: Suomen Sahat ry / FOEX

## Pulp, Global Market Prices

Date	NBSK PIX value Softwood USD / t	NBSK PIX value Softwood EUR / t	BHKP PIX value Euca/Birch EUR / t	BHKP PIX value Euca/Birch USD/ t
<b>19.2.2008</b>	<b>880.00</b>	<b>599.70</b>	<b>542.63</b>	<b>796.26</b>
12.2.2008	880.00	606.35	545.19	791.23
5.2.2008	880.00	591.04	523.88	780.00
29.1.2008	880.00	598.44	530.43	780.00
22.1.2008	877.88	598.26	531.55	780.00
15.1.2008	876.73	592.71	527.31	780.00
8.1.2008	875.14	594.24	529.39	779.63
2.1.2008	871.16	592.95	529.55	778.01
27.12.2007	869.30	604.52	539.10	775.23
18.12.2007	866.28	597.06	532.39	772.44
<b>First index values</b>				
11-May-98			450.00	500.33
16-Sep-96	563.04			

Source: FOEX

## Foreign Exchange Rates vs. EUR



### USD and GBP

### RUB

