



**RUUKKI** | GROUP

Ruukki Group Plc  
Interim Report  
1 January – 30 September 2008

4 November 2008

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## Q3/2008, summary

1

**Expansion into Minerals Business,  
acquisition completed at the end of October**

2

**Challenging market conditions in wood processing  
businesses, expected to continue in the short future**

3

**Russian Investment Projects had negative impact on  
earnings, cost saving action implemented**

4

**Significant impairment on assets**

## Q3/2008, summary of financial performance

- **Actual 1-9/2008, continuing operations**

- » Group Revenue EUR 171.1 million
- » Group EBIT -35.9 million
- » Group Net Profit EUR -29.9 million

- **Forecast 10-12/2008**

- » Revenue for wood processing businesses EUR 60.0 million, 10-12/2008
- » Revenue for minerals business EUR 20.0 million, 11-12/2008
- » EBIT (IFRS) for wood processing businesses EUR 0.5 – 2.0 million
- » EBITDA (Turkish and Maltese GAAP) for minerals business EUR 7.0 million

- **Net cash position, 30 Sep 2008**

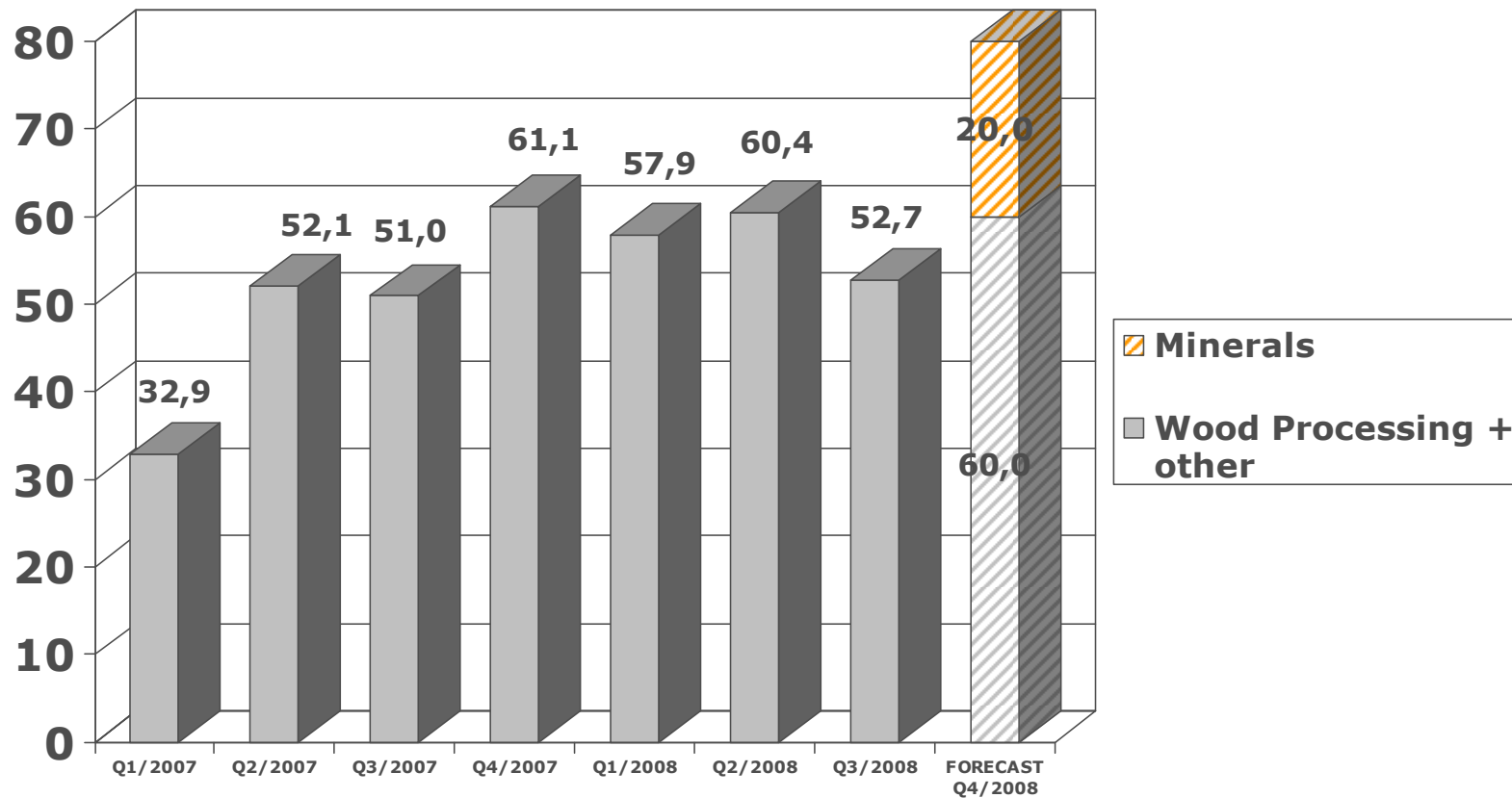
- » EUR 275.6 million



# Financial Key Figures

# Revenue from continuing operations, (EUR million)

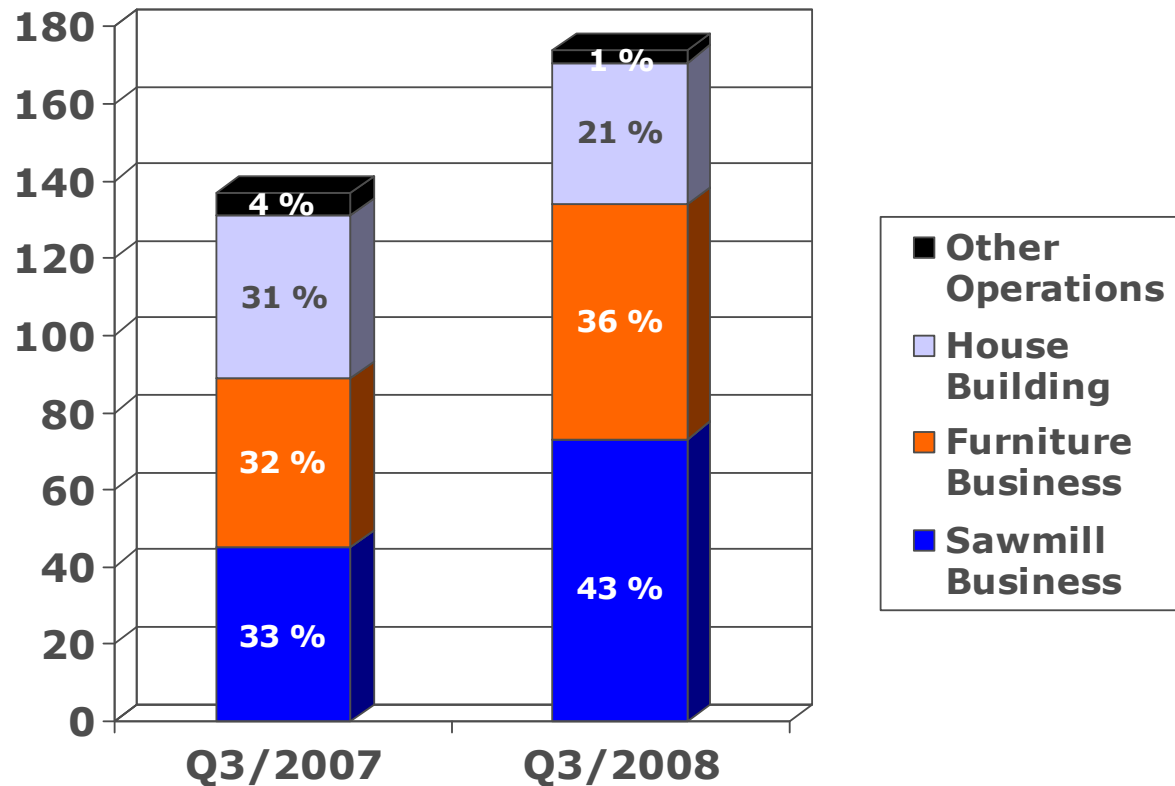
## QUARTERLY REVENUE Q1/2007 – Q4/2008



Acquisitions: Junnikkala Q1/2008, RCS + TMS Q4/2008

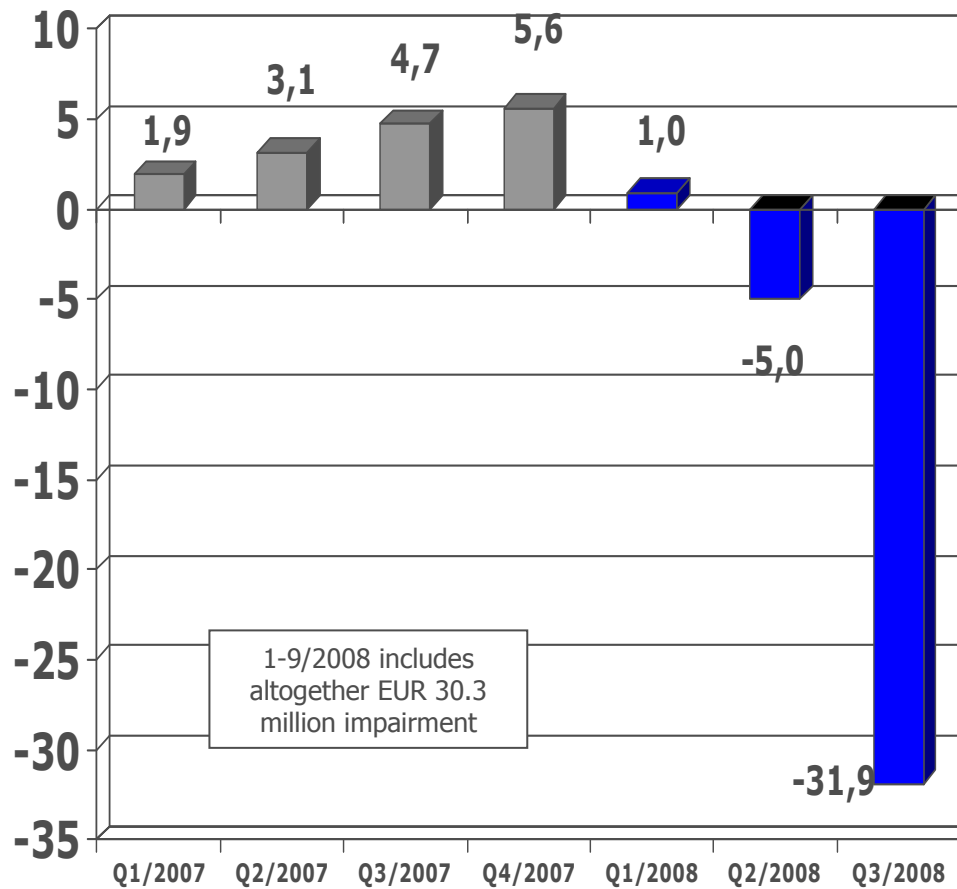
Design-Sähkö Q2/2007, Oplax and Incap Furniture Q1/2007

# Revenue by business, YTD Q3/2008 vs. YTD Q3/2007



# EBIT from continuing operations (EUR million)

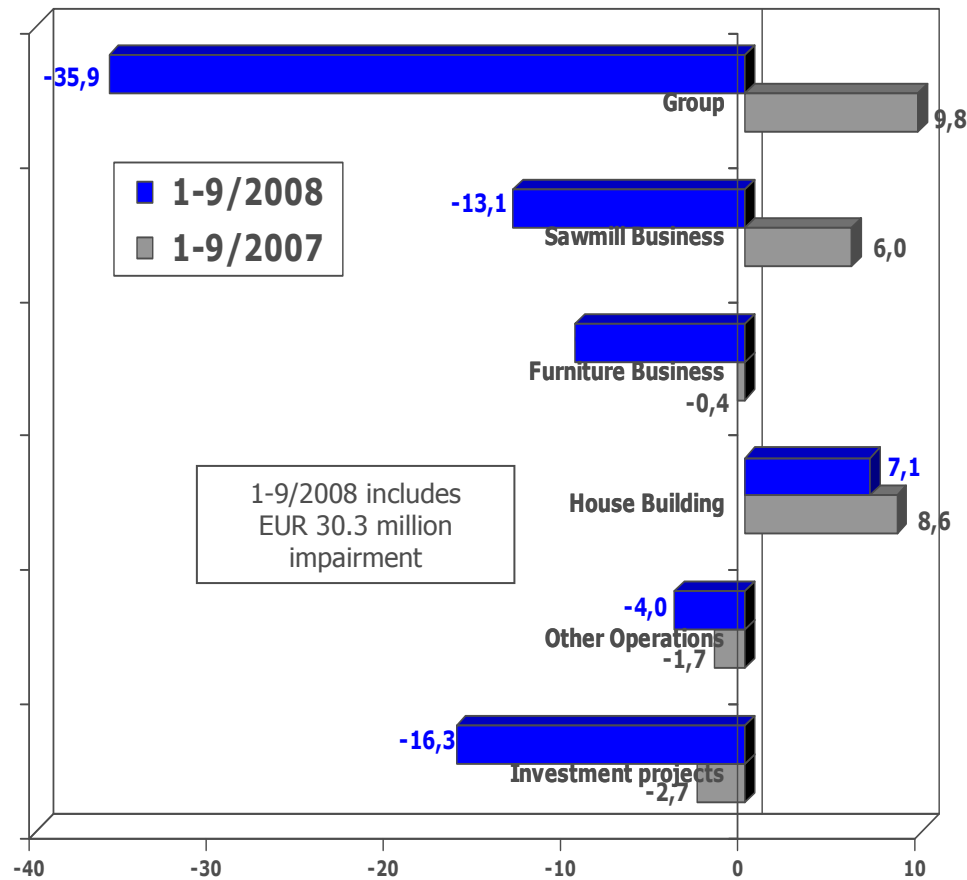
## QUARTERLY EBIT Q1/2007 – Q3/2008





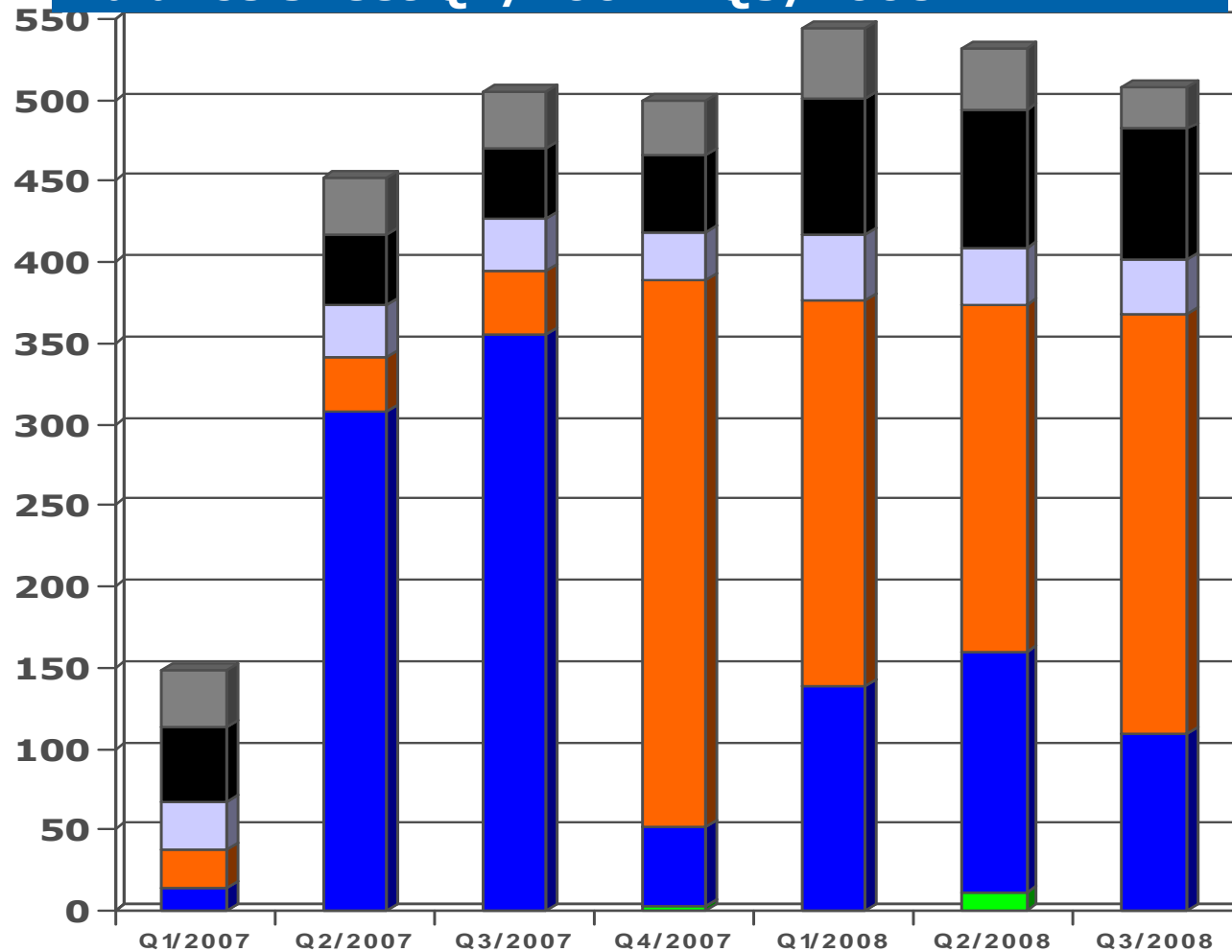
# EBIT from continuing operations (EUR million)

## EBIT BY BUSINESS



# Balance sheet, Assets (in EUR million)

## Balance Sheet Q1/2007 – Q3/2008



[Q2/2007](#): EUR 294 million share issue (130.0 million shares)

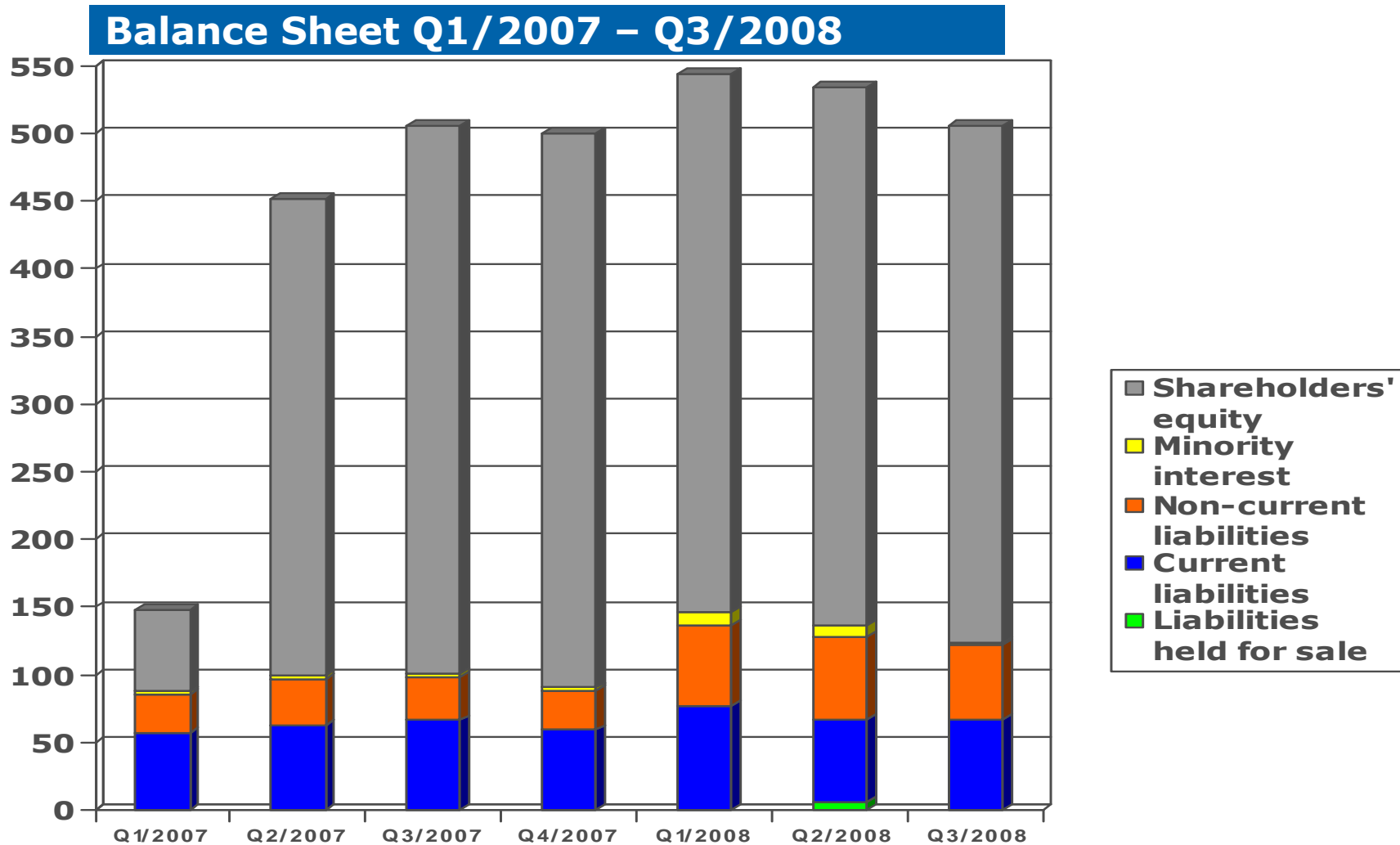
[Q3/2007](#): EUR 44 million share issue (19.5 million shares)

- Goodwill
- Other non-current assets
- Inventories
- Deposits and other current assets
- Cash and cash equivalents
- Assets held for sale

### CASH, AND DEPOSITS:

At the end of review period, cash invested mainly into short-term deposits, of which about EUR 26 million in rouble-denominated deposits

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



# Balance Sheet, Net Cash Position (in EUR '000)

## Net Cash Position

	30 Sep 2008	30 Sep 2007	31 Dec 2007
Cash and cash equivalents			
<b>Cash and cash equivalents, total</b>	<b>108,565</b>	<b>356,049</b>	<b>48,527</b>
Interest-bearing receivables			
Current	220,213	3,682	131,462
Non-current	<u>1,725</u>	<u>203</u>	<u>1,986</u>
<b>Interest-bearing receivables, total *</b>	<b>221,939</b>	<b>3,885</b>	<b>133,448</b>
Interest-bearing liabilities			
Current	20,153	18,708	15,991
Non-current	<u>34,745</u>	<u>22,915</u>	<u>23,958</u>
<b>Interest-bearing liabilities, total</b>	<b>54,898</b>	<b>41,622</b>	<b>39,949</b>
<b>Net cash position</b>	<b>275,606</b>	<b>318,312</b>	<b>142,026</b>

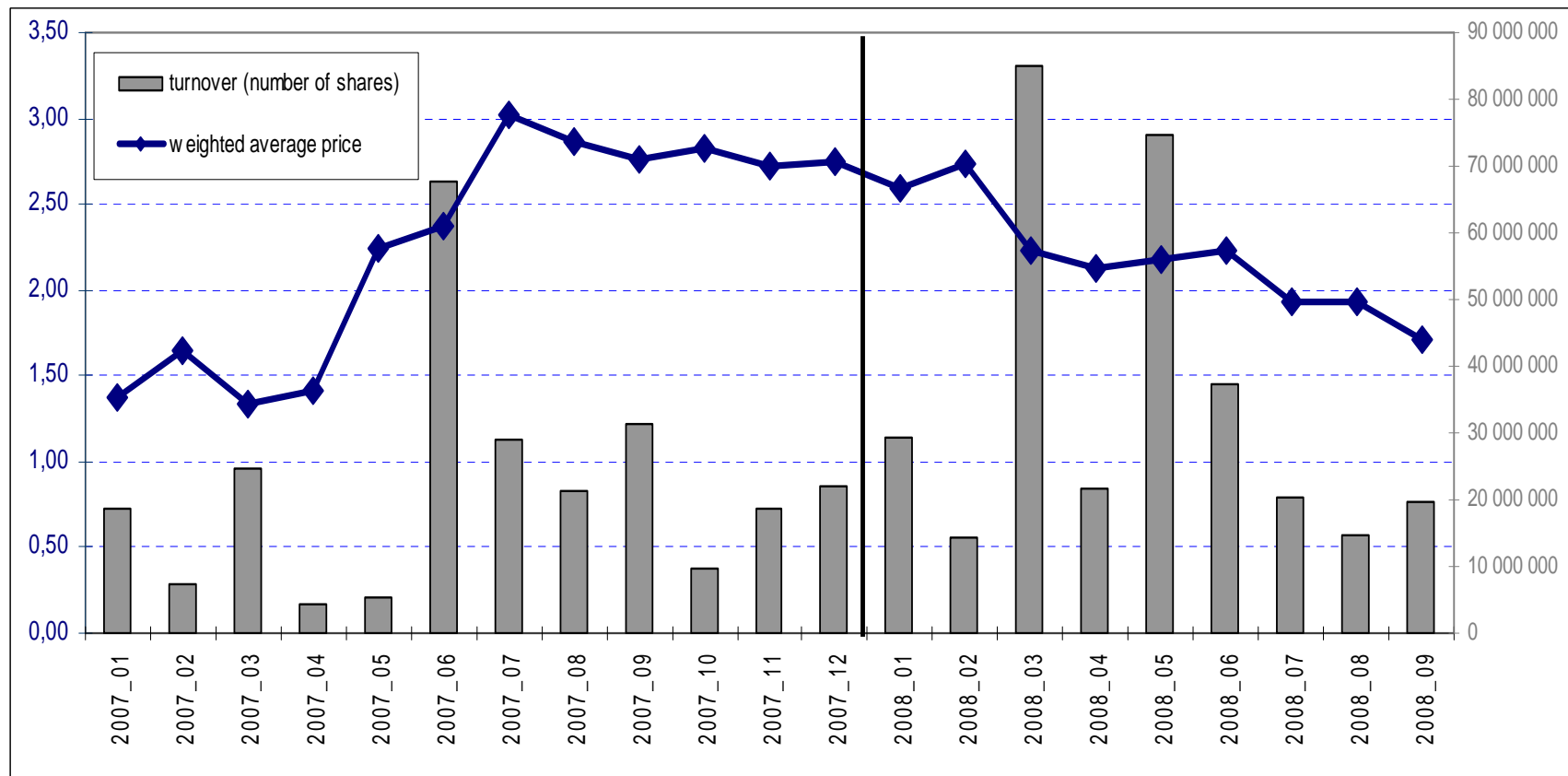
\* In the interest-bearing receivables certain investments in funds are excluded



# Shares and Shareholders

# Share Price Development

## Volume weighted average share price and turnover Jan 2007 – Sep 2008



Source: NCSD

# Some Recent Flagging Notices

## INVESTOR

## CHANGE IN OWNERSHIP

Hanwa Co., Limited

20 May.2008 → over 10 %

RCS Trading Corporation Ltd  
(Current and potential ownership altogether)

20 Mar 2008 → over 5 %      31 Mar 2008 → over 10 %

21 May 2008 → over 25 %      29 Oct 2008 → below 25 %

Kermas Limited

29 Oct 2008 → over 5 %      Potential ownership → over 25 %

## Major Shareholders, 31 October 2008

Shareholder	Shares	%
1 Nordea Pankki Suomi Oyj	84 532 911	29,1
2 Danske Bank As Helsinki Branch	36 624 000	12,6
3 Hanwa Company Limited	30 000 000	10,3
4 Skandinaviska Enskilda Banken nominee-registered	29 999 669	10,3
5 Nordea Pankki Suomi Oyj nominee-registered	29 673 999	10,2
6 RCS Trading Corporation Ltd	15 000 000	5,2
7 Djakov Aida nominee-registered	11 217 889	3,9
8 Kankaala Markku	9 698 890	3,3
9 Oy Herttaässä Ab	8 444 278	2,9
10 Evli Pankki Oyj	6 842 886	2,4
Total	262 034 522	90,3
Other Shareholders	27 999 500	9,7
Total shares registered	290 034 022	100,0





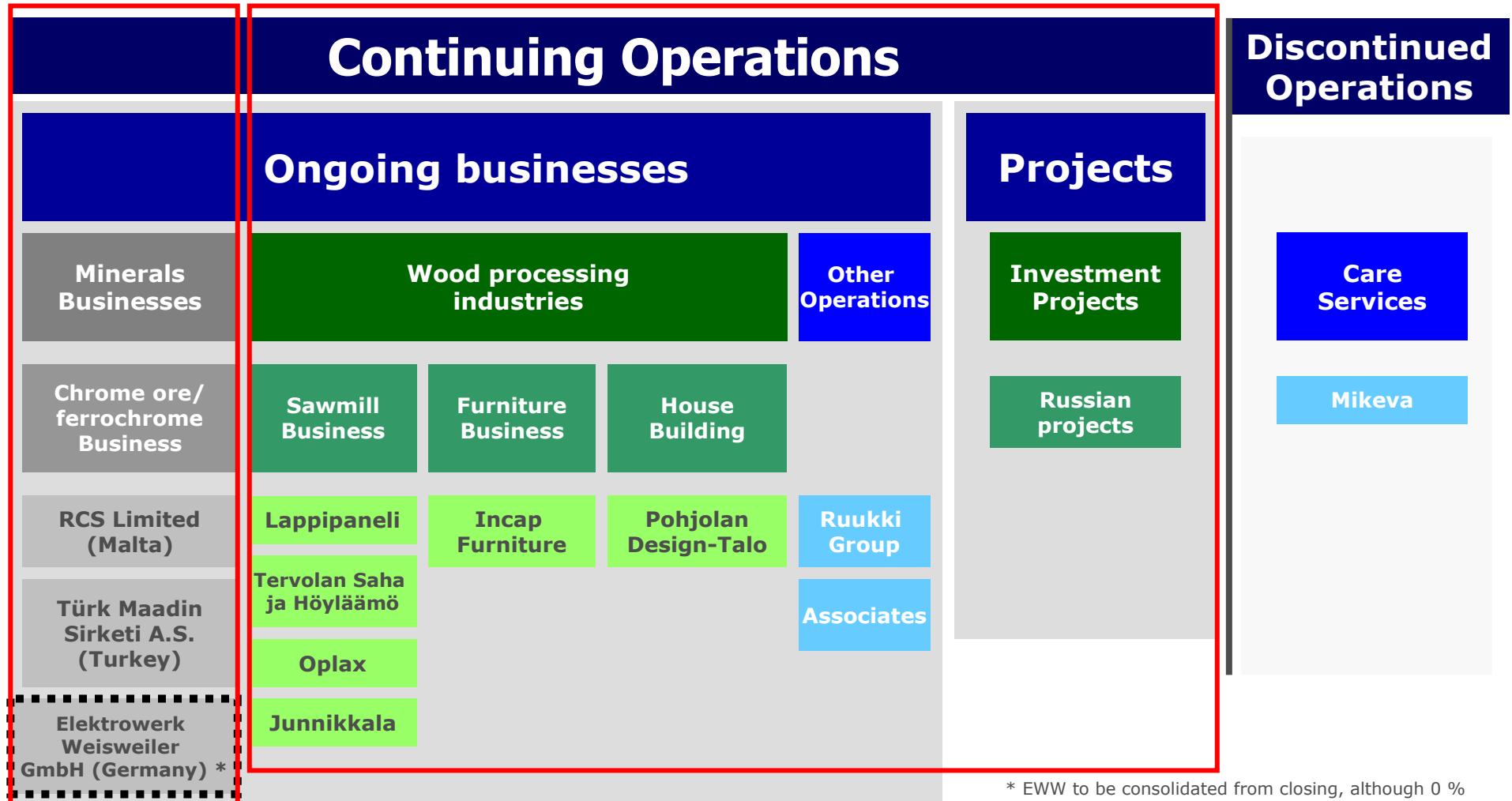
# Appendix



# Group / Reporting Structure

Minerals

Wood Processing



\* EWW to be consolidated from closing, although 0 % stake and EWW call option exercise period starting 1 Jan 2014 (IFRS SIC-12)

# Guidance Q4/2008

## Minerals

Revenue 11-12/2008 (2 m):  
 —> about  
 EUR 20 million

local GAAP

EBITDA 11-12/2008 (2 m):  
 —> about  
 EUR 7 million

local GAAP

## Wood Processing

Revenue 10-12/2008 (3 months):  
 —> about EUR 60 million  
 IFRS

EBIT 10-12/2008 (3 months):  
 —> EUR 0.5 – 2.0 million  
 IFRS

# Group Income Statement

EUR '000	1 Jan - 30 Sep 2008	1 Jan - 30 Sep 2007	1 Jul - 30 Sep 2008	1 Jul - 30 Sep 2007	1 Jan - 31 Dec 2007
	9 months	9 months	3 months	3 months	12 months
<b>Continuing operations</b>					
<b>Revenue</b>	<b>171 104</b>	<b>135 977</b>	<b>52 735</b>	<b>50 969</b>	<b>197 093</b>
Other operating income	3 237	3 468	570	1 678	6 841
Operating expenses	-171 550	-123 368	-54 495	-46 579	-179 743
Depreciation and amortisation	-8 342	-4 356	-2 888	-1 213	-7 134
Share of profit of associates	27	-740	-180	-83	-623
Impairment	-30 328	-1 184	-27 537	-35	-1 034
<b>Operating profit</b>	<b>-35 852</b>	<b>9 798</b>	<b>-31 795</b>	<b>4 738</b>	<b>15 400</b>
Financial income and expense	8 048	1 279	2 283	1 733	3 715
<b>Profit before tax</b>	<b>-27 803</b>	<b>11 077</b>	<b>-29 511</b>	<b>6 471</b>	<b>19 115</b>
Income tax	<u>-2 114</u>	<u>-3 300</u>	<u>-613</u>	<u>-687</u>	<u>-5 381</u>
<b>Net profit from continuing operations</b>	<b>-29 917</b>	<b>7 777</b>	<b>-30 124</b>	<b>5 783</b>	<b>13 734</b>
<b>Discontinued operations</b>					
<b>Net profit from discontinued operations</b>	<b><u>12 564</u></b>	<b><u>337</u></b>	<b><u>12 239</u></b>	<b><u>230</u></b>	<b><u>-54</u></b>
<b>Net profit</b>	<b>-17 354</b>	<b>8 114</b>	<b>-17 885</b>	<b>6 014</b>	<b>13 680</b>
Profit attributable to equity shareholders	-17 451	7 286	-17 679	5 712	12 651
minority interests	<u>97</u>	<u>829</u>	<u>-206</u>	<u>302</u>	<u>1 030</u>
Total	-17 354	8 114	-17 886	6 014	13 680

# Group Balance Sheet

EUR '000	30 Sep 2008	30 Sep 2007	31 Dec 2007	EUR '000	30 Sep 2008	30 Sep 2007	31 Dec 2007
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Non-current assets</b>				<b>Shareholders' equity</b>			
Investments and intangible assets				Share capital	23 642	23 642	23 642
Goodwill	25 436	35 095	33 422	Share premium reserve	25 740	25 740	25 740
Investments in associates	1 666	1 570	1 702	Revaluation reserve	969	757	969
Other intangible assets	6 293	6 288	5 807	Fair value reserve	0	0	0
Investments and intangible assets total	33 394	42 952	40 931	Paid-up unrestricted equity reserve	340 690	340 690	340 690
Property, plant and equipment	66 962	34 856	37 516	Retained earnings	-8 555	13 404	18 614
Other non-current assets	5 985	728	3 209	<b>Shareholders' equity</b>	<b>382 486</b>	<b>404 233</b>	<b>409 655</b>
<b>Non-current assets total</b>	<b>106 342</b>	<b>78 536</b>	<b>81 656</b>	<b>Minority interest</b>	<b>1 161</b>	<b>2 560</b>	<b>1 995</b>
<b>Current assets</b>				<b>Total equity</b>	<b>383 647</b>	<b>406 793</b>	<b>411 650</b>
Inventories	33 473	32 772	29 635	<b>Liabilities</b>			
Receivables	37 071	34 558	29 955	Non-current liabilities	55 622	32 514	29 188
Held to maturity investments	220 072	0	131 212	Current liabilities			
Other investments	767	3 682	176 112	Prepayments	14 969	24 823	16 481
Cash and cash equivalents	108 565	356 049	48 527	Other current liabilities	52 051	41 468	42 086
<b>Current assets total</b>	<b>399 947</b>	<b>427 061</b>	<b>415 440</b>	Current liabilities total	67 021	66 291	58 566
<b>Assets held for sale</b>	<b>0</b>	<b>0</b>	<b>2 893</b>	<b>Liabilities classified as held for sale</b>	<b>0</b>	<b>0</b>	<b>585</b>
<b>Total assets</b>	<b>506 289</b>	<b>505 597</b>	<b>499 990</b>	<b>Total liabilities</b>	<b>122 642</b>	<b>98 804</b>	<b>88 340</b>
				<b>Total equity and liabilities</b>	<b>506 289</b>	<b>505 597</b>	<b>499 990</b>

# Group Cash Flow Statement

EUR '000	1 Jan - 30 Sep 2008	1 Jan - 30 Sep 2007	1 Jan - 31 Dec 2007
Net profit attributable to equity holders	-17 451	7 286	12 651
Adjustments to net profit	15 150	8 270	7 161
Changes in net working capital	3 598	-11 491	-14 029
<b>Net cash from operating activities</b>	<b>1 297</b>	<b>4 065</b>	<b>5 783</b>
Acquisition of subsidiaries and associates	-11 559	-5 807	-6 487
Payment of earn-out liabilities and exercises of call options related to acquisitions	-114	-7 480	-8 358
Disposal of subsidiaries and associates	11 465	7 067	7 068
Capital expenditures and other investing activities	-25 283	-6 173	-6 337
<b>Net cash used in investing activities</b>	<b>-25 492</b>	<b>-12 392</b>	<b>-14 114</b>
Share issues	0	337 609	337 609
Dividends paid	-12 501	-5 154	-5 493
Deposits	-88 360	0	-133 851
Other investments	173 562	0	-173 360
Interest received from financing activities	7 039	0	3 940
Proceeds from borrowings	13 809	8 889	10 630
Repayment of borrowings, and other financing activities	-9 302	-3 377	-7 386
<b>Net cash used in financing activities</b>	<b>84 248</b>	<b>337 967</b>	<b>32 089</b>
<b>Net increase in cash and cash equivalents</b>	<b>60 053</b>	<b>329 639</b>	<b>23 758</b>

## Mergers and acquisitions

- **Acquisition of majority stake (51 %) in Junnikkala group**
  - » Junnikkala has sawmill and further processing operations in Kalajoki and Oulainen
  - » Annual sawmill capacity currently at about 200,000 m<sup>3</sup>
    - investment program going on with target capacity at about 400,000 m<sup>3</sup>
  - » Option to increase ownership to 100 % in 2010/2011
  
- **Care Services segment divested**
  - » The agreement was entered into at the end of June, transaction finalized in early July
  - » Disposal to DF-Care Oy, owned by a fund administered by Intera Equity Partners
  - » The net gain on disposal about EUR 12 million
  - » Call option to buy up to 5 % of the buyer's shares until the end of 2012
  
- **Pan-Oston Oy sale implemented during January 2008 as agreed in December 2007**
  
- **Divestment of majority stake (80.6 %) in Selka-line**
  - » Ruukki Group's metal industry subsidiary sold 80.6 % of the share capital of Selka-line Oy to the company's managing director Ismo Rätty
  - » Ruukki Group's share in the company decreases from 100 % to 19.4 %
  - » Selka-line will be consolidated into Ruukki Group up until the end of August 2008
  - » Sales price of the shares was EUR 10 thousand and estimated loss on disposal about EUR 150 thousand

## Mergers and acquisitions

- **Ruukki Group strengthens its House building business**
  - » Acquisition of 9.9 % of the shares of Pohjolan Design-Talo Oy from Kimmo Kurkela, the managing director of the company
  - » Cash consideration of the shares totalled approximately EUR 6.1 million
  - » After the transaction, Ruukki Group Plc owns all the shares in Pohjolan Design-Talo Oy
  - » At the same instance Pohjolan Design-Talo Oy entered into a preliminary agreement to buy, by the end of 2008 at the latest, all the business operations and related intellectual property rights of Gloria House Finland Oy with a fixed cash consideration of EUR 0.3 million
  
- **Expansion of the pallet business**
  - » Oplax Oy, a subsidiary of Ruukki Group's sawmill business segment entered into agreement of acquiring the entire share capital of PSL Räinen Oy on 31 October 2008
  - » Closing of the transaction will take place in early November



## Acquisition related to chrome and ferrochrome operations and expansion into minerals business

- **Decisions by Extraordinary General Meeting on 28 October 2008**
  - » The Extraordinary General Meeting decided, according to the proposal of the Board, on execution of acquisition related to chrome and ferrochrome operations so that Ruukki Group Plc shall purchase about 99.999 % and its subsidiary Re kylator Oy about 0.001 % of the shares of a Maltese Company called RCS Limited from a company called Kermas Limited and Ruukki Group Plc shall purchase approximately 98.75 % of the shares of a Turkish company called Türk Maadin Sirketi A.S. from Kermas Limited
  
- **Closing of the chrome business acquisition**
  - » Ruukki Group Plc's Board finalised and closed the acquisition of chrome ore and ferrochrome businesses at the end of October
  - » Ruukki Group paid EUR 80 million in cash to Kermas Limited as purchase consideration
  - » Total of 73,170,731 option rights issued to Kermas Limited related to additional earn-out purchase consideration
  - » The subscription of the options is tied to the net profit of RCS and TMS during a five year period covering financial years 2009 – 2013
  - » The business acquired will form a segment to be reported separately, and it will have effect from November on the consolidated Group revenue, results, financial position and cash flows

## Furniture Business area streamlines operations

- **Furniture business segment operations to be adjusted to meet demand**
  - » Furniture Business segment (Incap Furniture) decided to start co-determination negotiations related to all of its employees due to financial and production-related reasons
  - » At the end of September it was decided to start co-determination negotiations related to all of segment's employees due to financial and production-related reasons
  - » Based on main customer's declined volume forecast possible that significant scaling down might have to be enforced on both factories and employees
  
- **Ruukki Group Plc's Board decided that Furniture Business non-core, and that partial of full-scale divestment processes started**

## Development by Segment / Continuing Businesses

### » Sawmill Business

- » During second and third quarter 2008 the segment has generated losses due to decline in demand and sales prices, increased costs and deteriorated market condition
- » Since significant portion of Group's sales of sawn timber is directed to export markets, the strong exchange rate fluctuation triggered by international financial crises has also both directly and indirectly, via relative competitiveness, negatively affected profitability
- » The operations of the saw mills have been more closely integrated within the Sawmill Business segment and related to other Ruukki Group's wood processing businesses
- » The profitability of pallet business has remained good

### » Furniture Business

- » The operating profitability has turned negative especially during the third quarter 2008 due to production restructuring and inefficiencies as well as due to increased costs
- » Co-determination procedures for all the segment staff as well as all potential rationalisation and reorganisation measures in the process
- » Segment is currently reviewing various ways to enhance the efficiency and profitability of its operations, which may impact the future role of its current production facilities and their output
- » The factory located in Ruukki is to be closed down and that LEGO product line is discontinued
- » The liquidity situation has remained fair

### » House Building Business

- » Relative profitability remained at the historical levels
- » The volume of delivered houses during January-September 2008 was about one fifth lower than the corresponding volume during the same period last year
- » The general deterioration of economic situation and prevailing uncertainty have affect the sales, the level of which has been weak and lead to decline in order book → outlook for year 2009 clearly deteriorated

## Changes in Group Management and Board

- Managing Director Matti Vikkula and the company agreed to terminate the service agreement of Mr. Vikkula effective as of 31 July 2008
- Alwyn Smit was elected as Ruukki Group Plc's Chief Executive Officer and Managing Director on 12 September 2008. Alwyn Smit will for the time being continue in his role as the Chairman of the Board as well.
- At the same instance, it was decided that the Company will have two Deputy CEOs to assist Alwyn Smit: Jukka Havia, a Deputy CEO, being responsible for Finance and Acquisitions, and Antti Kivimaa, a Deputy CEO, being responsible for Finnish forest industry businesses.
- From 7 October onwards, after the Extraordinary General Meeting, the Board of Directors has had six members:

Alwyn Smit, chairman

Thomas Hoyer, member

Esa Hukkanen, member

Markku Kankaala, member

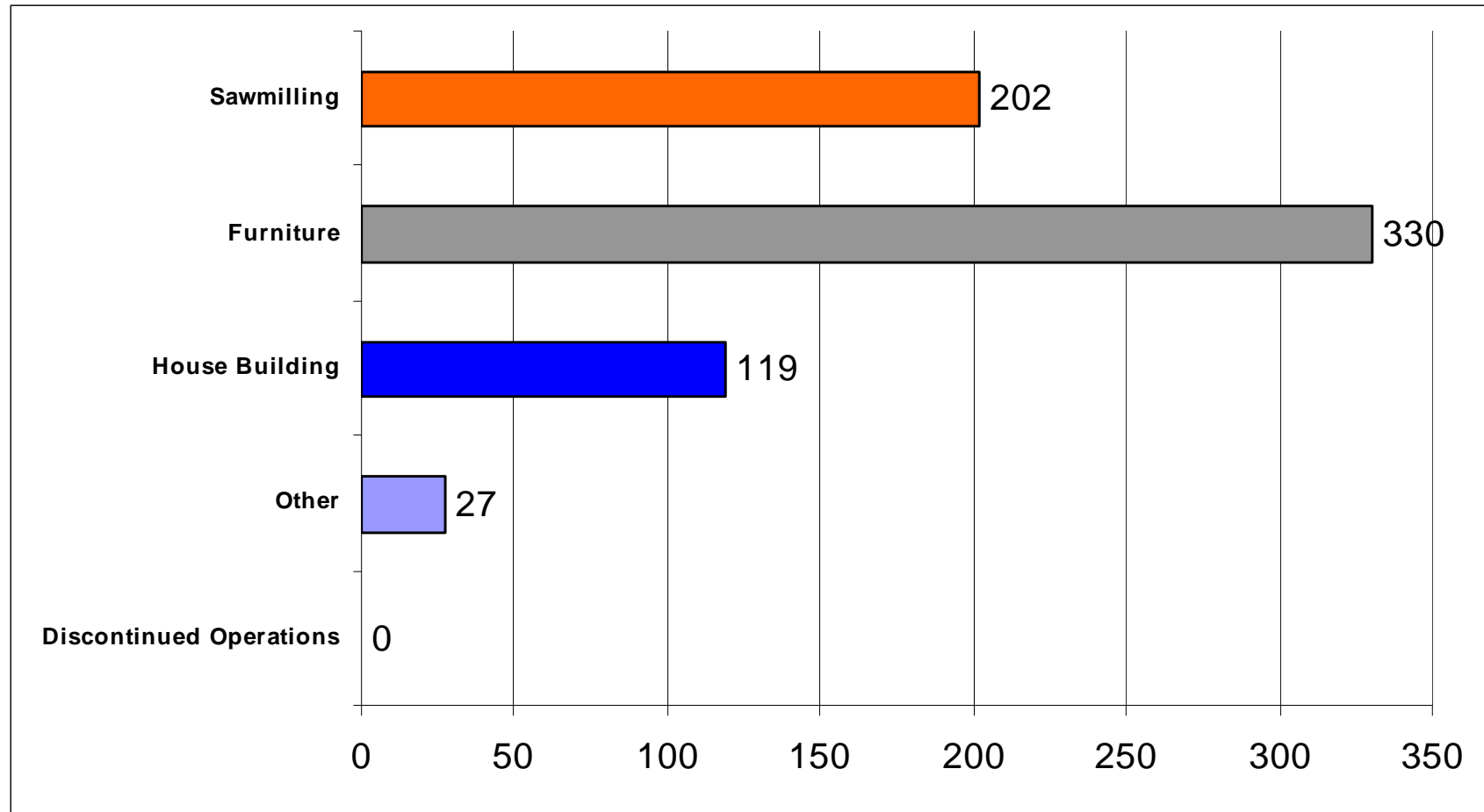
Jelena Manojlovic, member

Terence McConnachie, member

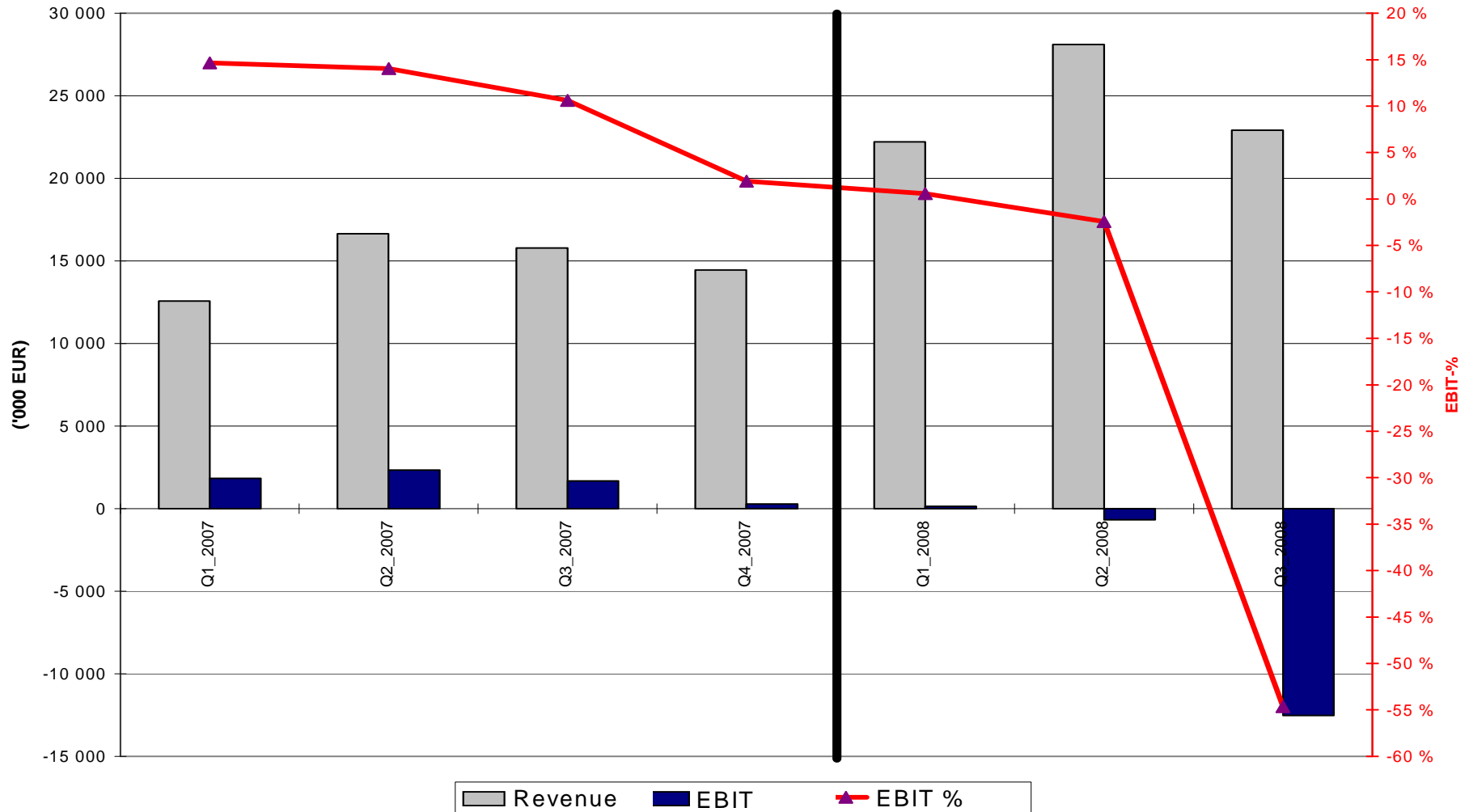
## Other developments

- Board decided, based on AGM authorisation, to commence share buy-back program:
  - » Maximum 10,000,000 own shares acquired
  - » Buy-back program starts on 5 November
  
- EGM gave additional authorisation for the Board to buy back 19,000,000 shares
  
- EGM gave Alwyn Smit 2,900,000 option rights

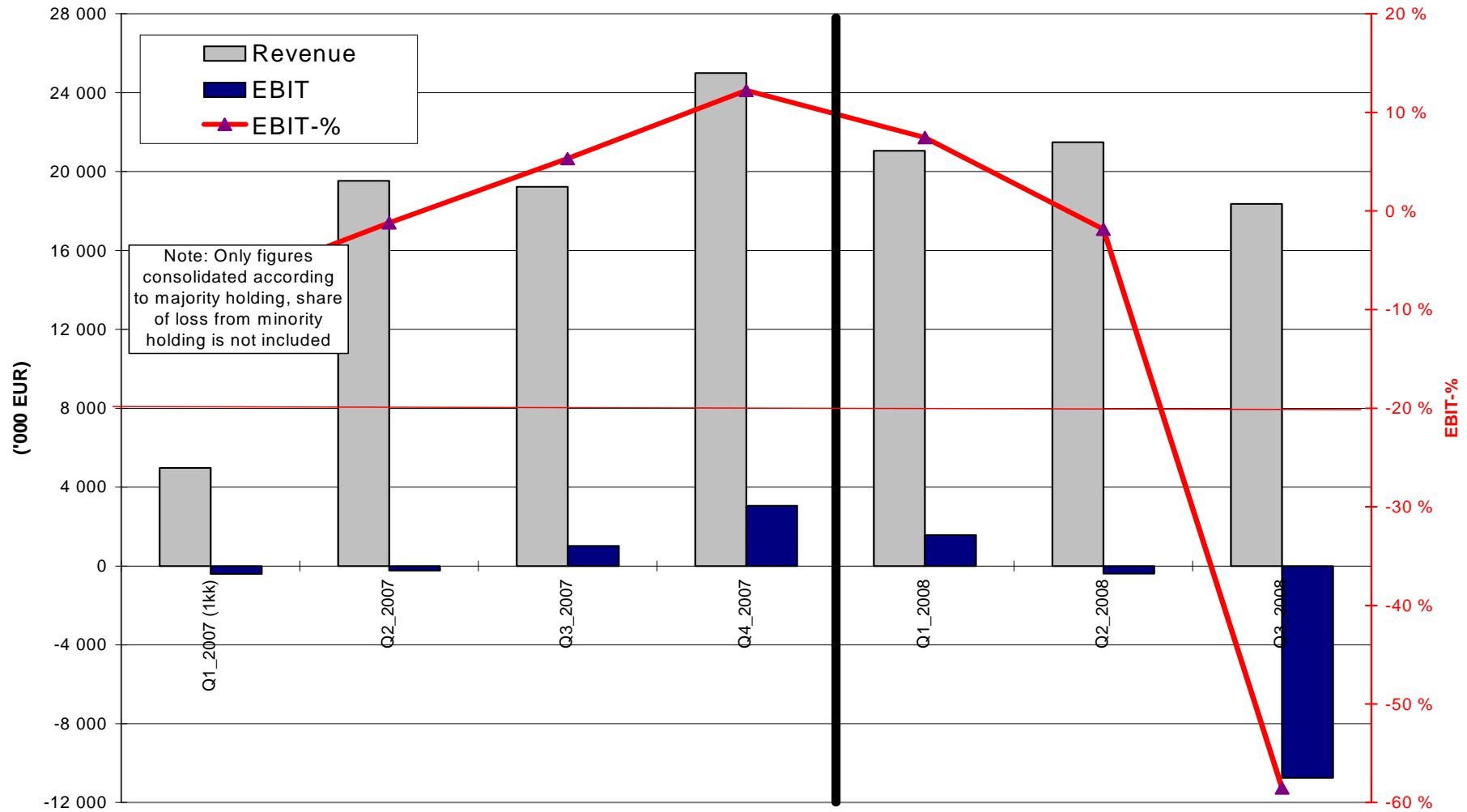
## Personnel by segment, 30 Sep 2008



# Quarterly Revenue and EBIT, Sawmill Business, 2007 - 2008 (‘000 EUR)



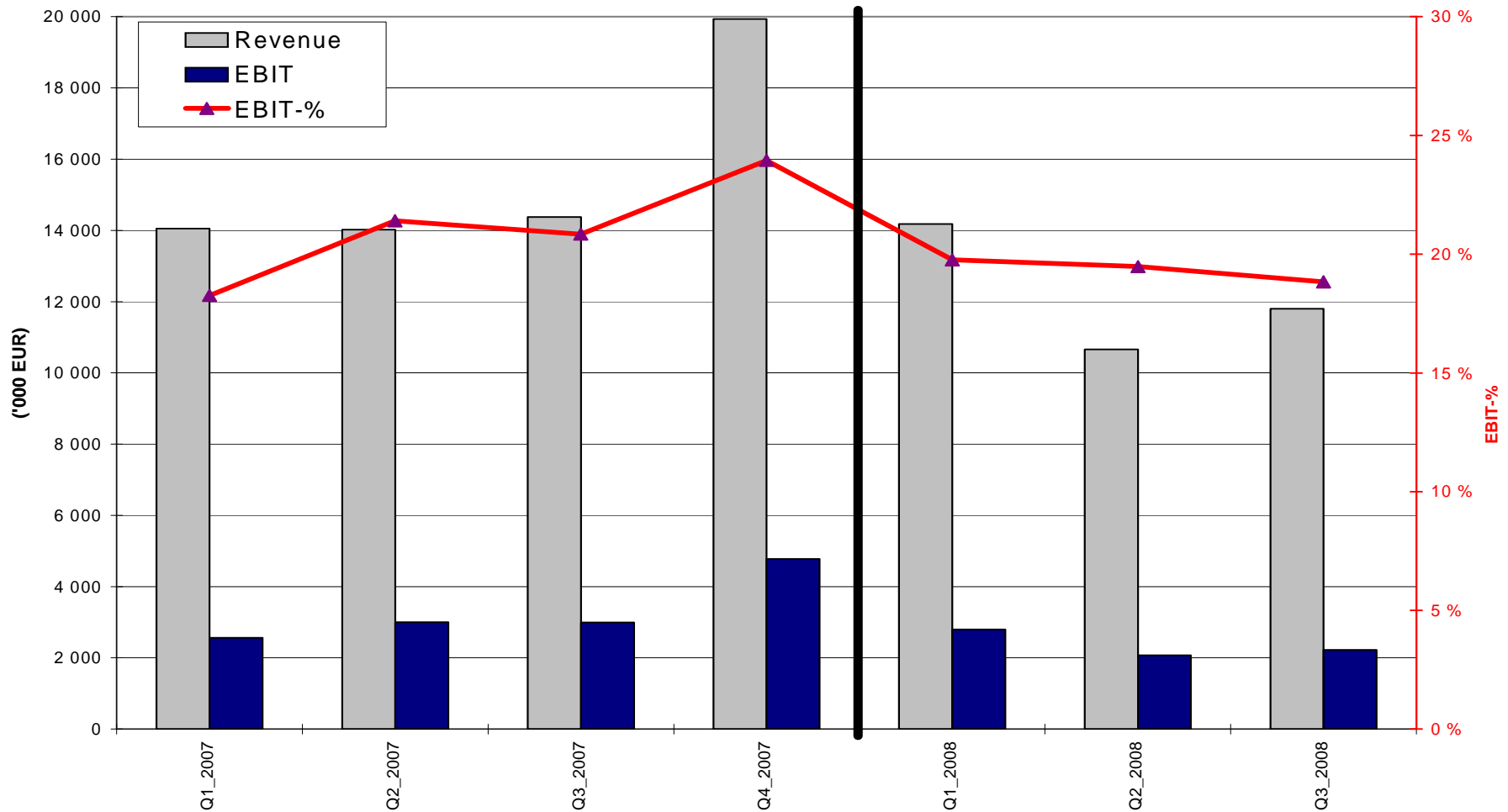
# Quarterly Revenue and EBIT, Furniture Business, 2007 - 2008 ( '000 EUR)





# Quarterly Revenue and EBIT, House Building, 2007 - 2008 (‘000 EUR)

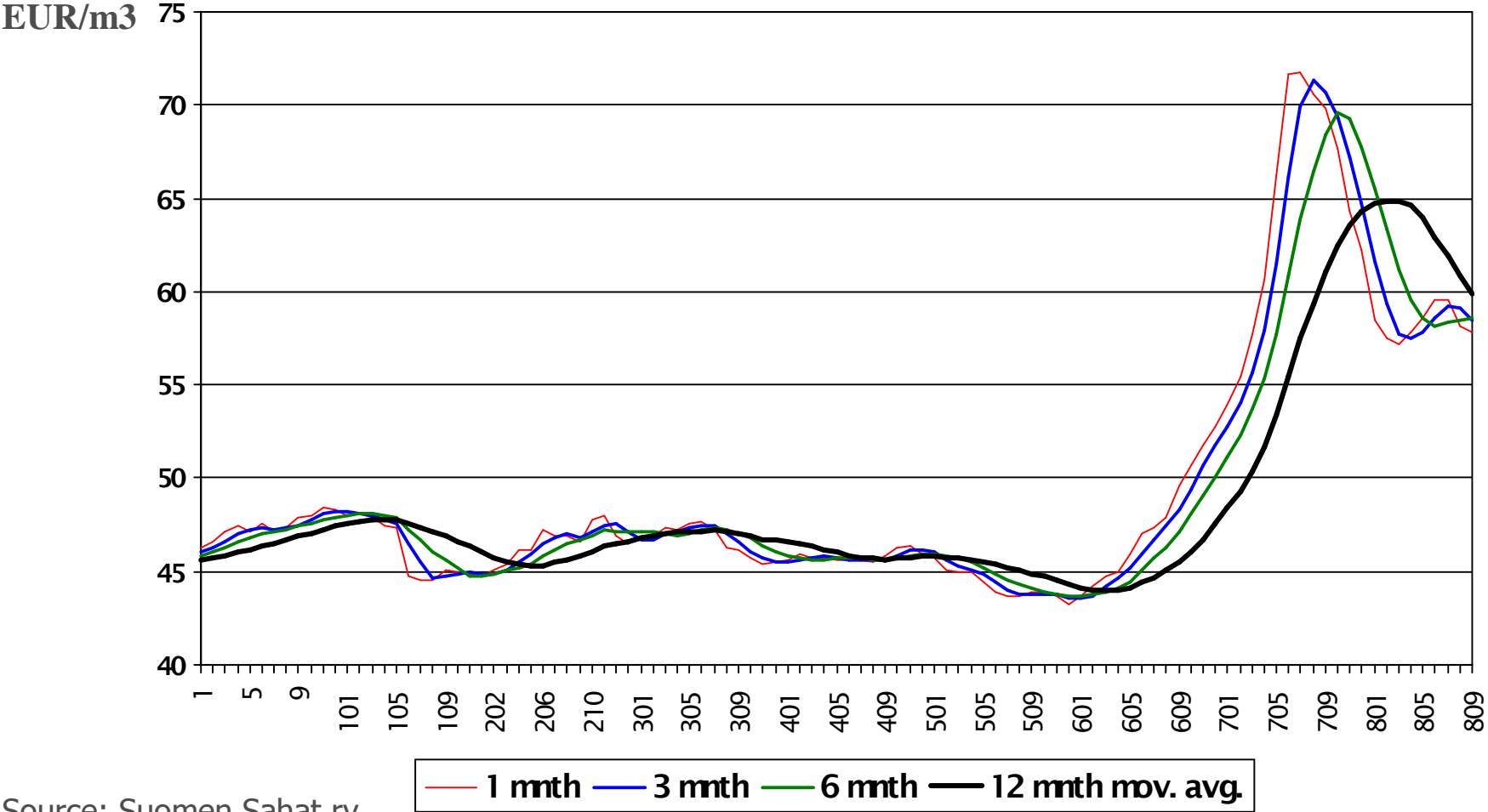
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# Pine log, stumpage price 2000 - 2008



SUOMEN SAHAT

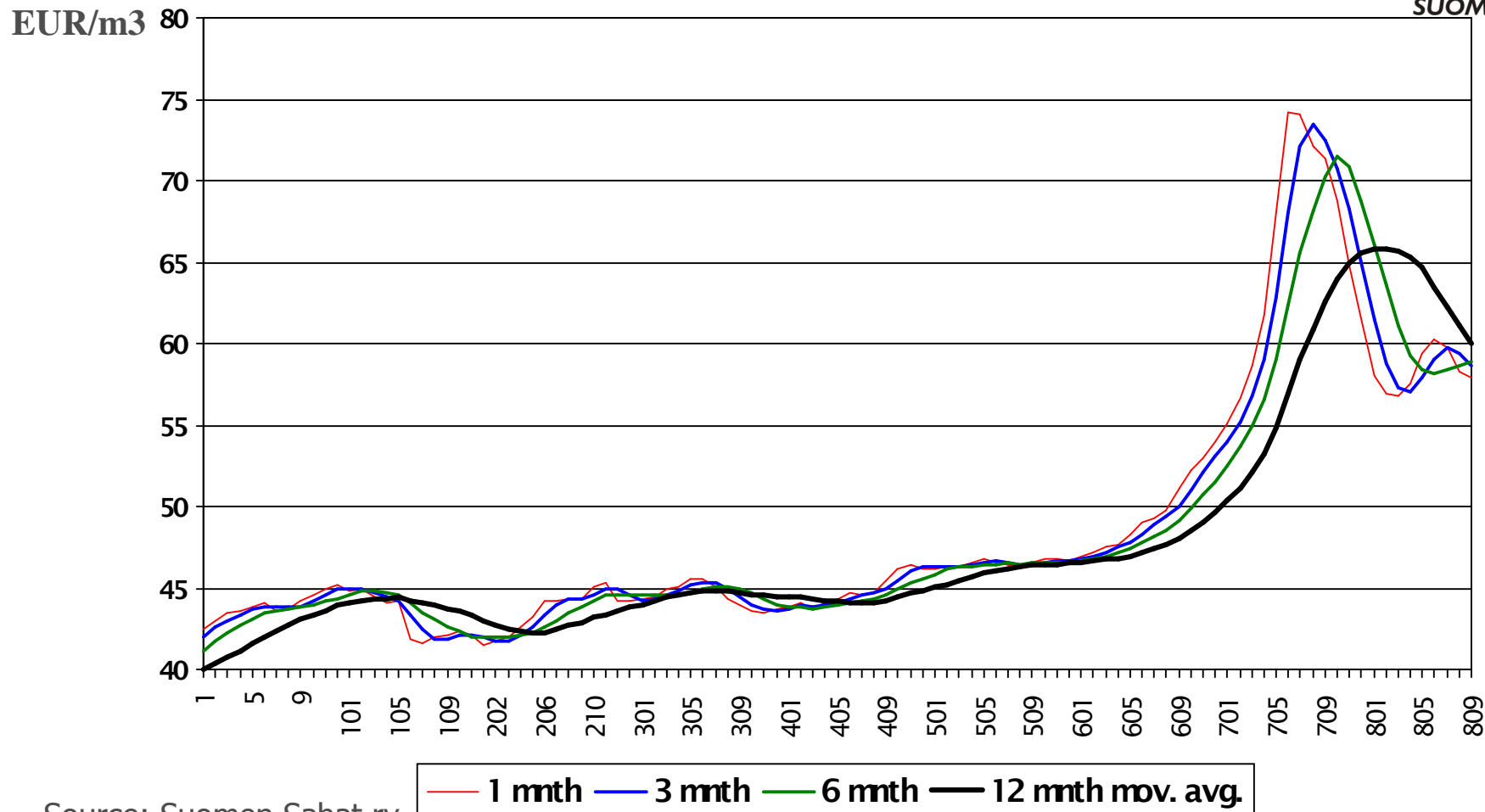


Source: Suomen Sahat ry

# Spruce log, stumpage price 2000 - 2008



SUOMEN SAHAT



Source: Suomen Sahat ry

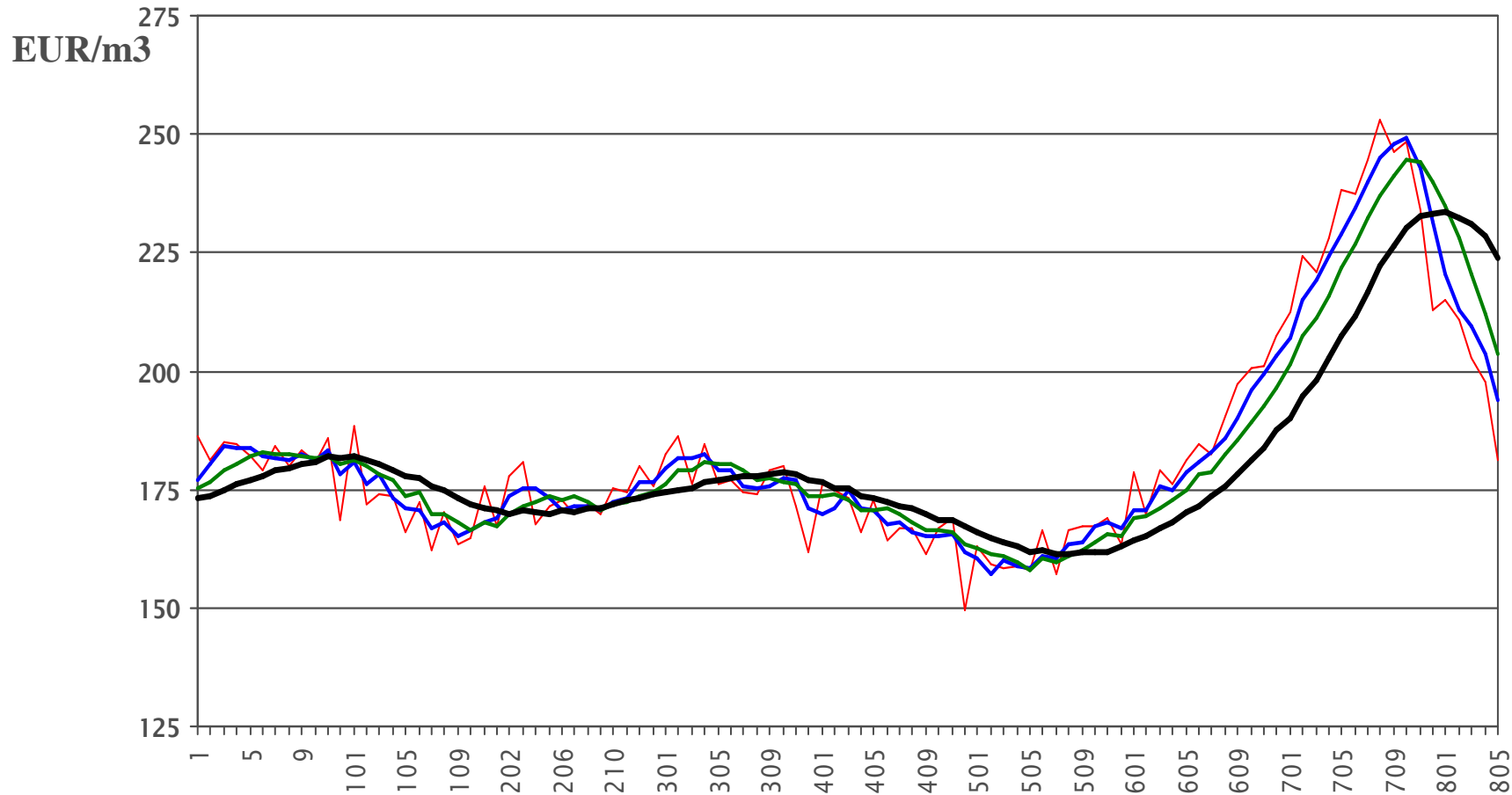
# Development of Sawn wood Export Prices, Pine



SUOMEN SAHAT

Development of Finnish Sawn wood Export Prices, Jan 1998 – May 2008

e/m3 FOB



Source: Suomen Sahat ry

Line colours above reflecting moving averages:

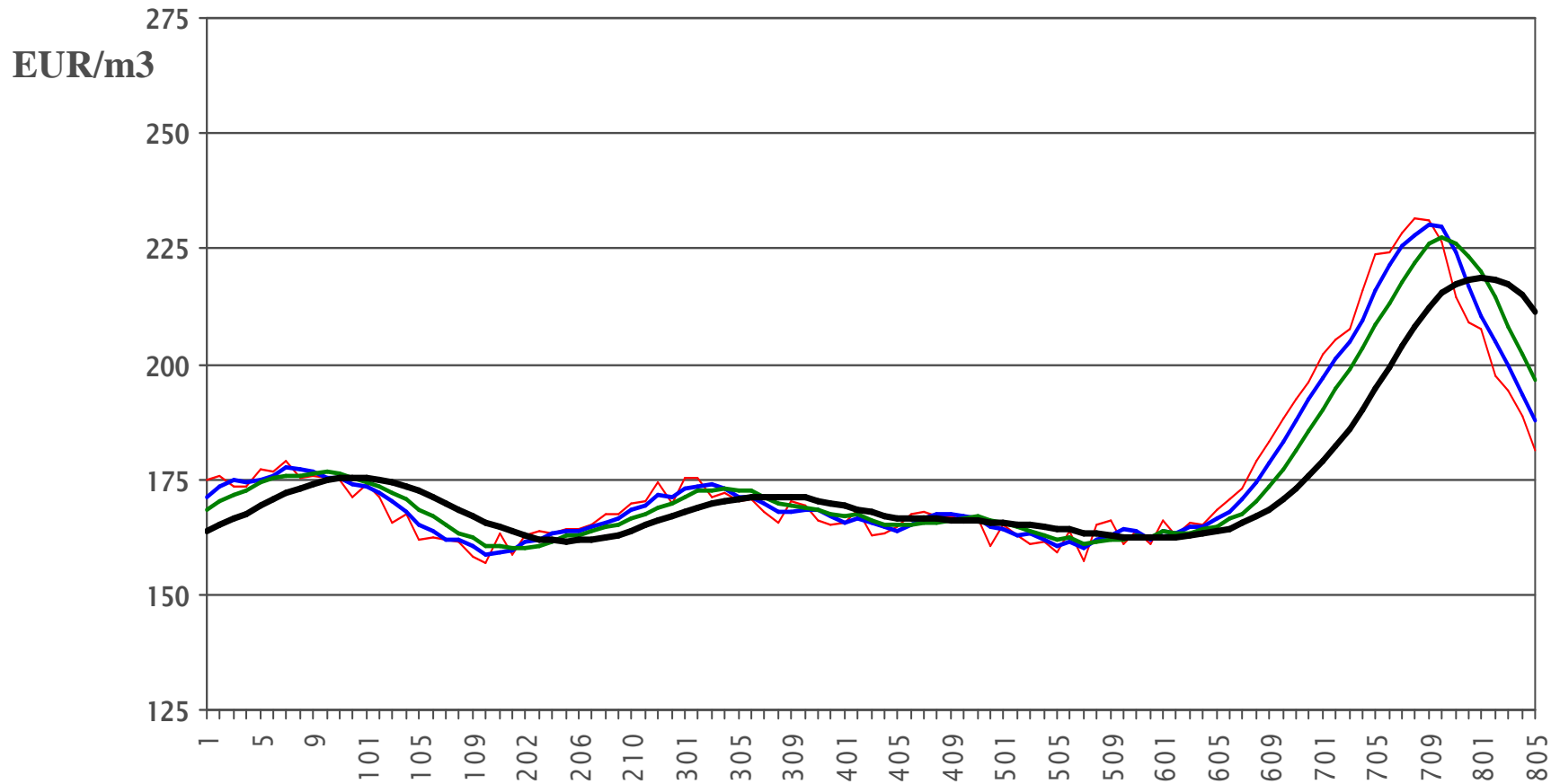
Red = 1mnth, Blue = 3 mnth; Green = 6mnth; Black = 12 mnth

Ruukki Group Plc, Interim Report, 1 Jan – 30 Sep 2008

# Development of Sawn wood Export Prices, Spruce

Development of Finnish Sawn wood Export Prices, Jan 1998 – May 2008

e/m3 FOB



Line colours above reflecting moving averages:

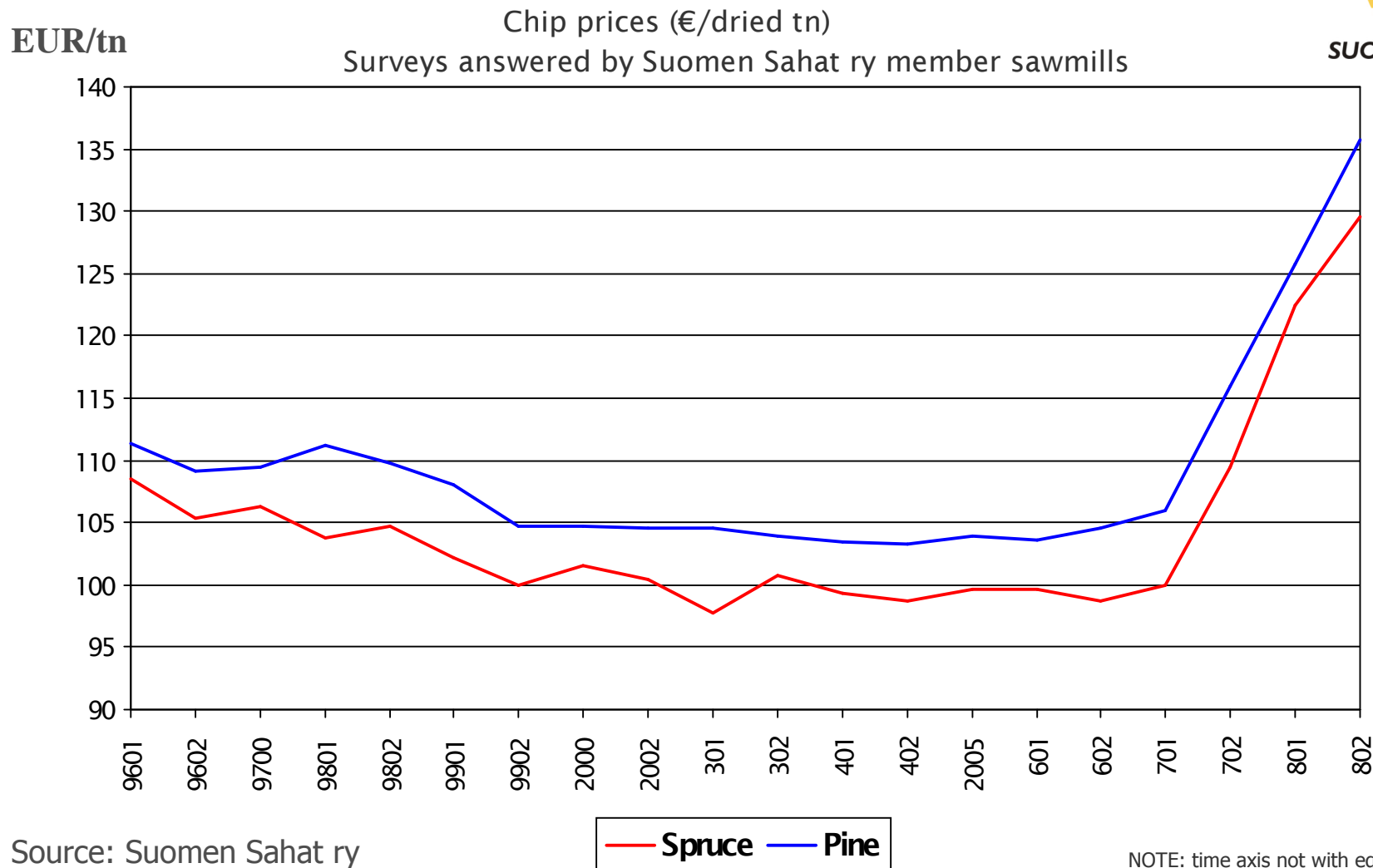
Red = 1mth, Blue = 3 mth; Green = 6mth; Black = 12 mth

Source: Suomen Sahat ry

# Development of Sawmills' Chip Prices



SUOMEN SAHAT



Source: Suomen Sahat ry

NOTE: time axis not with equal distances