



RUUKKI | GROUP

Ruukki Group Plc
Interim Report
1 January – 31 March 2008

6 May 2008

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Agenda

- **Key Events during the Review Period**
- **Russian Investment Projects**
- **Financial and Operational Development**
- **Share, Shareholders, Board of Directors**
- **Summary**
- **Appendix**



Key Events during the Review Period

Key events during review period Q1/2008

- **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 m³
→ investment program going on with target capacity at about 400,000 m³
 - » Option to increase ownership to 100 % in 2010/2011

- **Cancellation of Kostroma investment projects**
 - » Surveys on alternative sites continued and strengthened, primary focus on areas west of Ural
 - » Target to accomplish forest industry integrate in Russia:
 - Sawmill, capacity around 300,000 – 500,000 m³/a
 - Chemical pulp mill, capacity about 600,000 – 800,000 Adt/a
 - Potentially tissue paper mill to be carried out by third parties
 - » The machinery and equipment for the sawmill designed for Russia ordered, will be delivered to temporary warehouses in Finland

- **Pan-Oston Oy sale implemented during January 2008 as agreed in December 2007**

- **Change in segment reporting so that Russian Investment Projects as a separate segment from 1 Jan 2008**

Development by Segment

■ Sawmill Business

- » Sales prices continued to decline
- » Domestic sawn wood production decreased by about 25 % compared to last year's corresponding period (source: Nordic Wood Focus), restrictions on production capacity in the sector
- » Raw material prices not gone down in parallel with sales price decreases, geographical variance in the availability of raw material
- » Relative profitability of business unit below the 2007 level

■ Furniture Business

- » Volume growing, operative profitability turned positive
- » Q1/2008 insurance compensation EUR 0.9 million related to Lestijärvi mill fire

■ House Building

- » Business segment's revenue and EBIT at the level of previous year's same period
- » Order book declining, total market demand expected to fall
- » Based on current situation no structural changes predicted related to pursued surveys on restructuring opportunities

■ Care Services

- » Segment's organic growth continues
- » Investigations ongoing as to potential restructuring

Guidance for 2008

With the current business structure, the Group's key figures' estimates for 2008 are the following:

- The Group's consolidated revenue of the ongoing businesses in 2008 is expected to be about 20 % higher compared to 2007 consolidated revenue.
- The Group's 2008 comparable operating profit (EBIT) in euros of the ongoing businesses is expected to be at par with previous year's EBIT when excluding Investment Projects segment and any potential changes in Group structure.

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.



Russian Investment Projects

Russian Forest and Industrial Policy

- Two scenarios of Russian forest industry (16 April 2008):
 - » "1. *Inertion*": Current volume, "grase and wire to factories"
 - » "2. *Innovation*": Large-scale modernisation of pulp and paper mills, and construction of new mills. Increasing production 2.5 – 3-fold by 2020

- Export duties on roundwood increase to a level of EUR 50 / m³ => Russian forest industry operations might decline

Source: Idän metsätieto news service

Approach to Russian investments

■ Integrated operations targeted

- » 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
 - Sawmill, capacity around 300,000 – 500,000 m³/a
 - Chemical pulp mill, capacity about 600,000 – 800,000 Adt/a
 - Potentially tissue paper mill to be carried out by third parties
- » 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

■ The preparations for and implementation of the Kostroma project cancelled in the beginning of March, surveys on other alternative sites ongoing

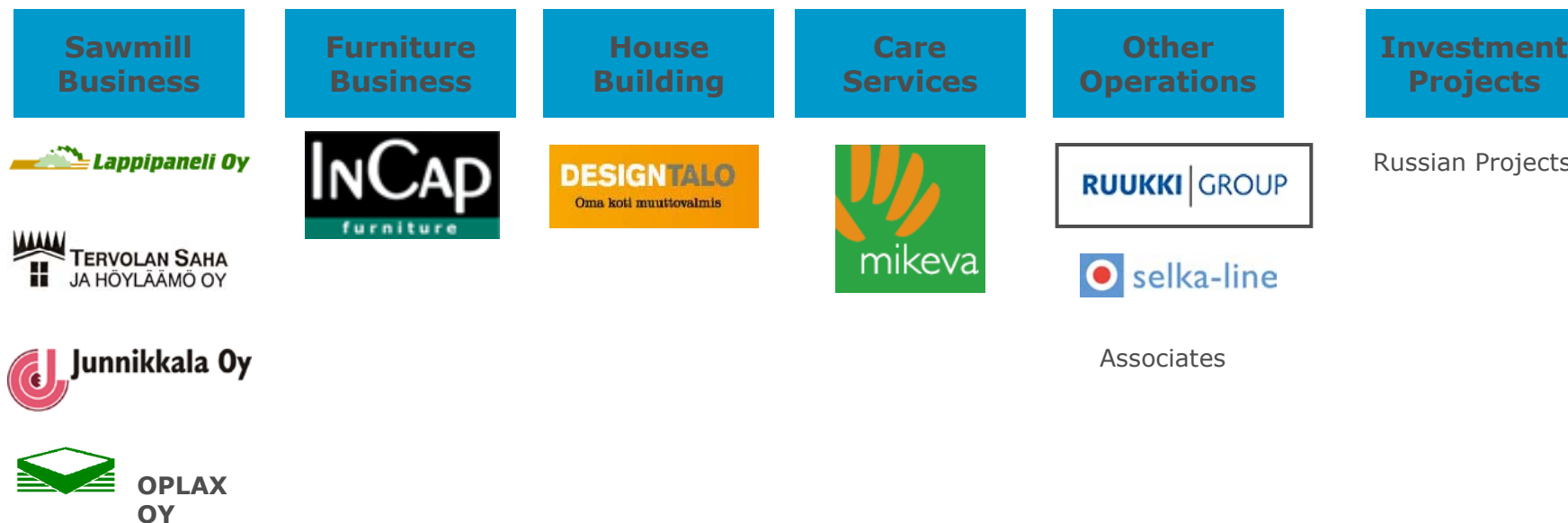


Financial and Operational Development

Group / Reporting Structure

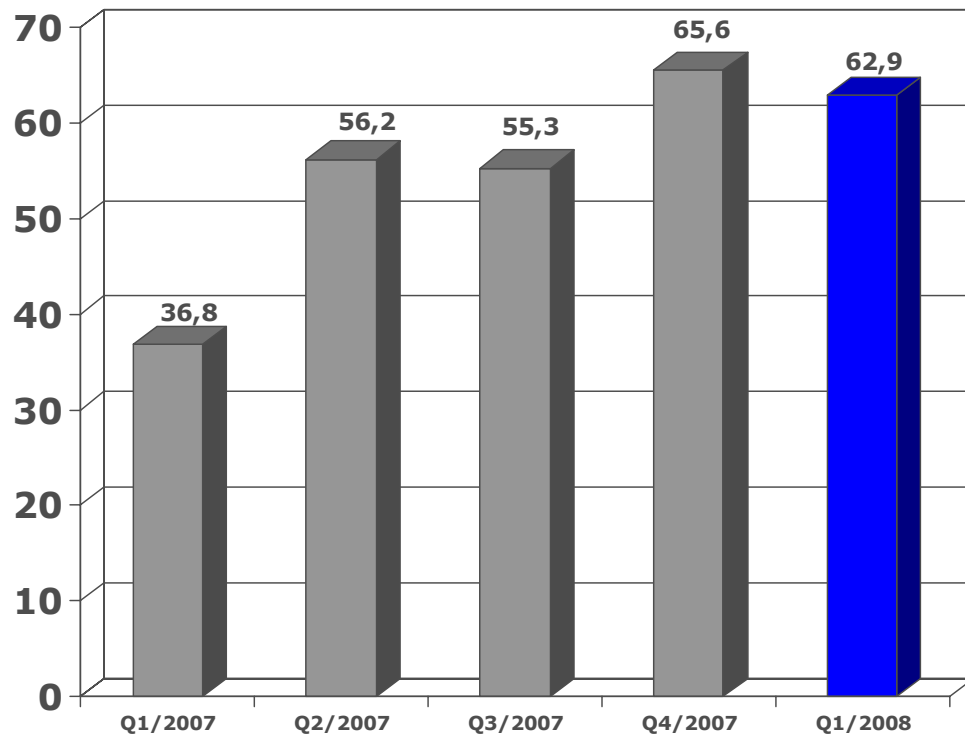
Ongoing Business

Projects

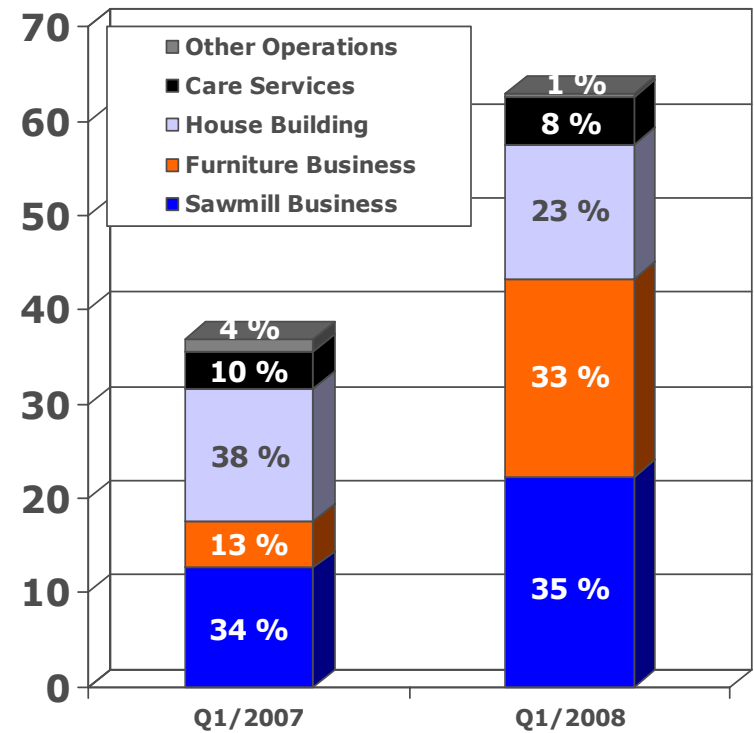


Revenue (in EUR million)

REVENUE (3 months) Q1/2007 – Q1/2008



REVENUE BY BUSINESS

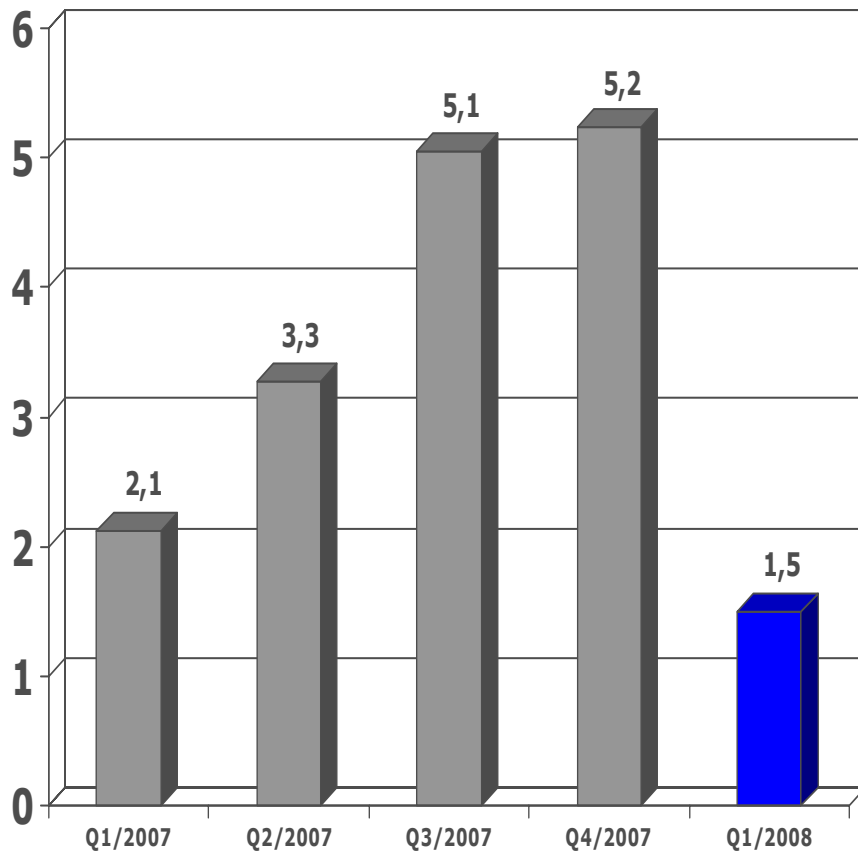


Acquisitions: Junnikkala Q1/2008

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

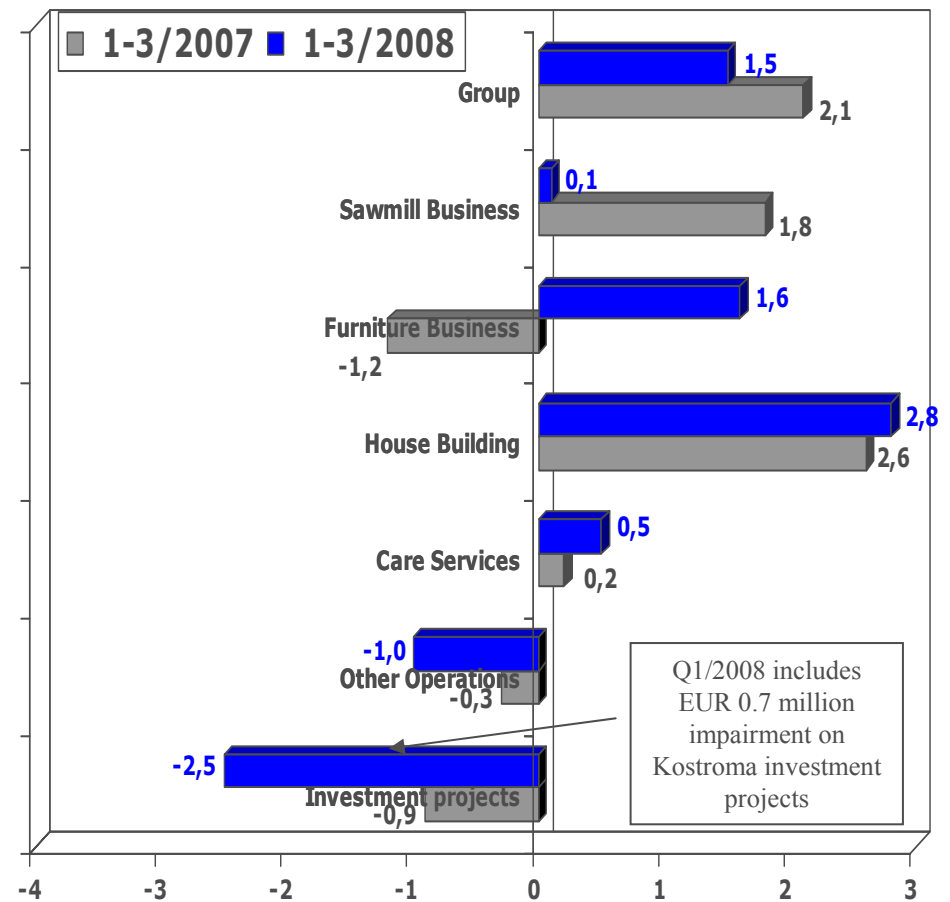
EBIT (in EUR million)

QUARTERLY EBIT Q1/2007 – Q1/2008



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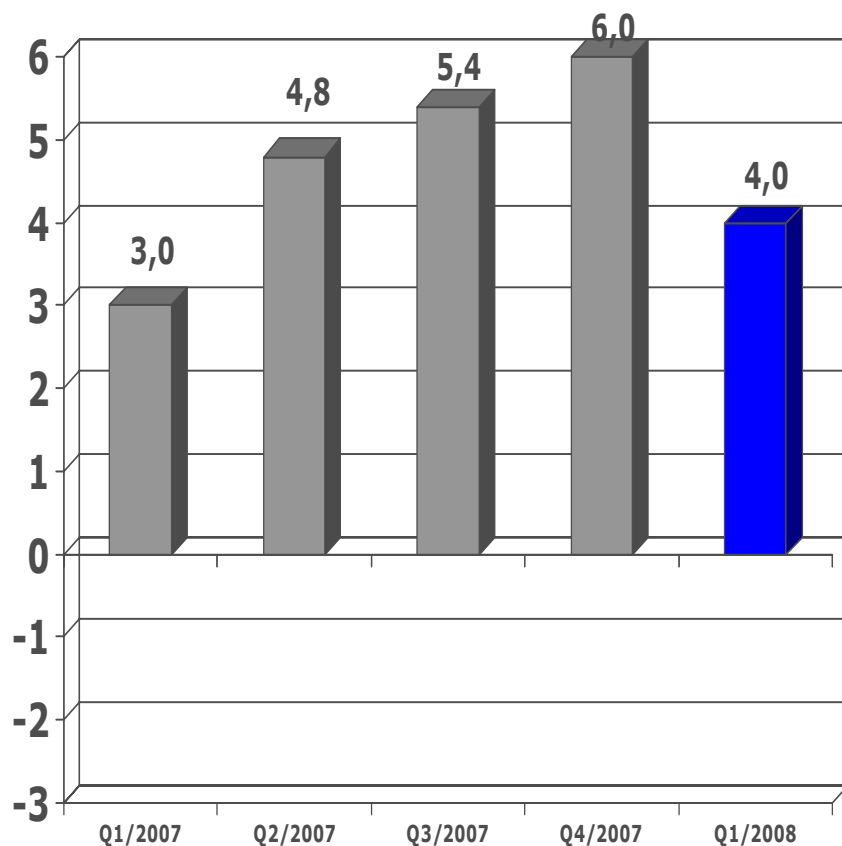
EBIT BY BUSINESS



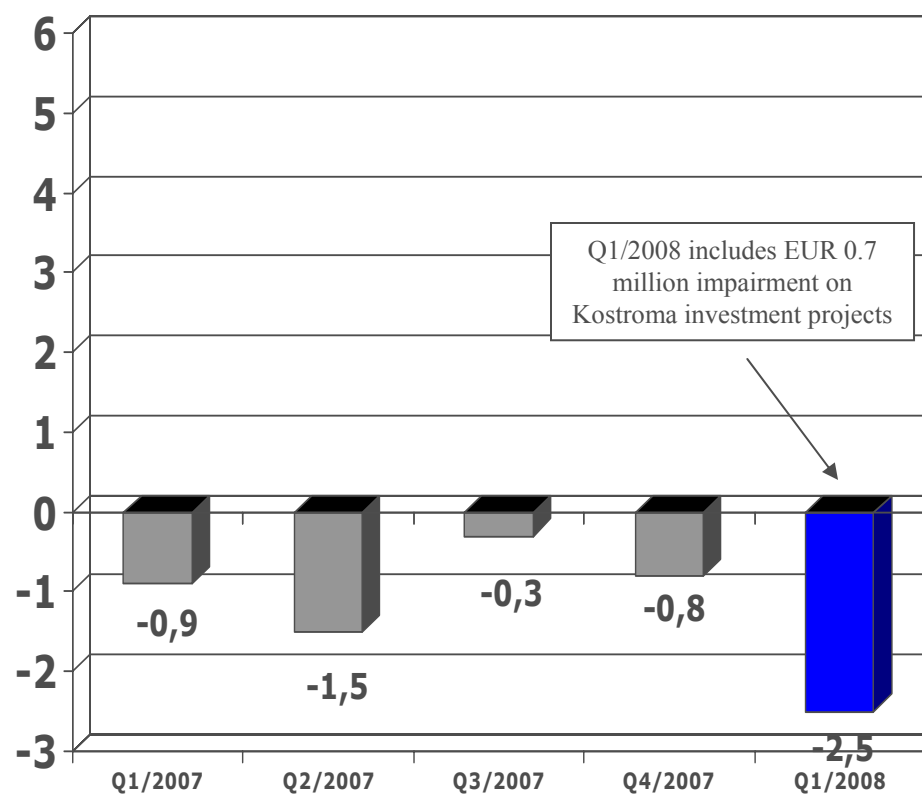
Matti Vikkula, CEO

EBIT (EUR million)

ONGOING BUSINESS

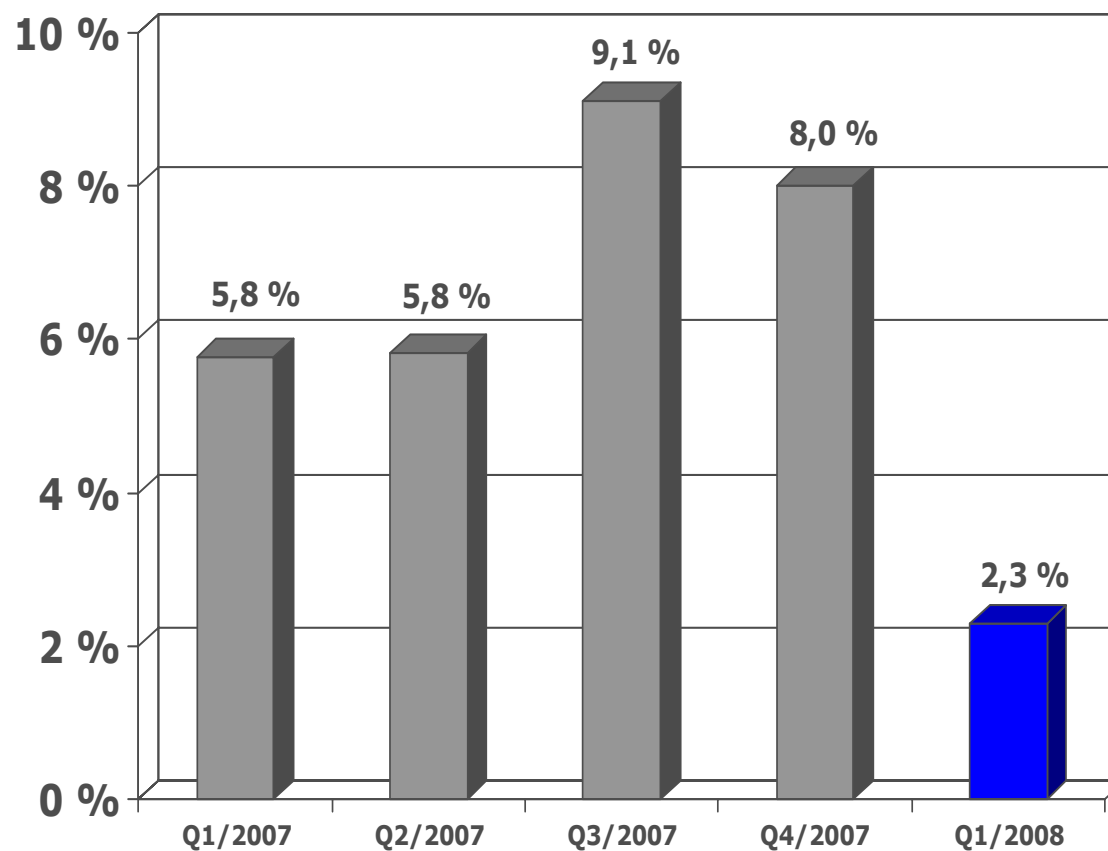


INVESTMENT PROJECTS



EBIT-% (in % of revenue)

QUARTERLY EBIT-% Q1/2007 – Q1/2008

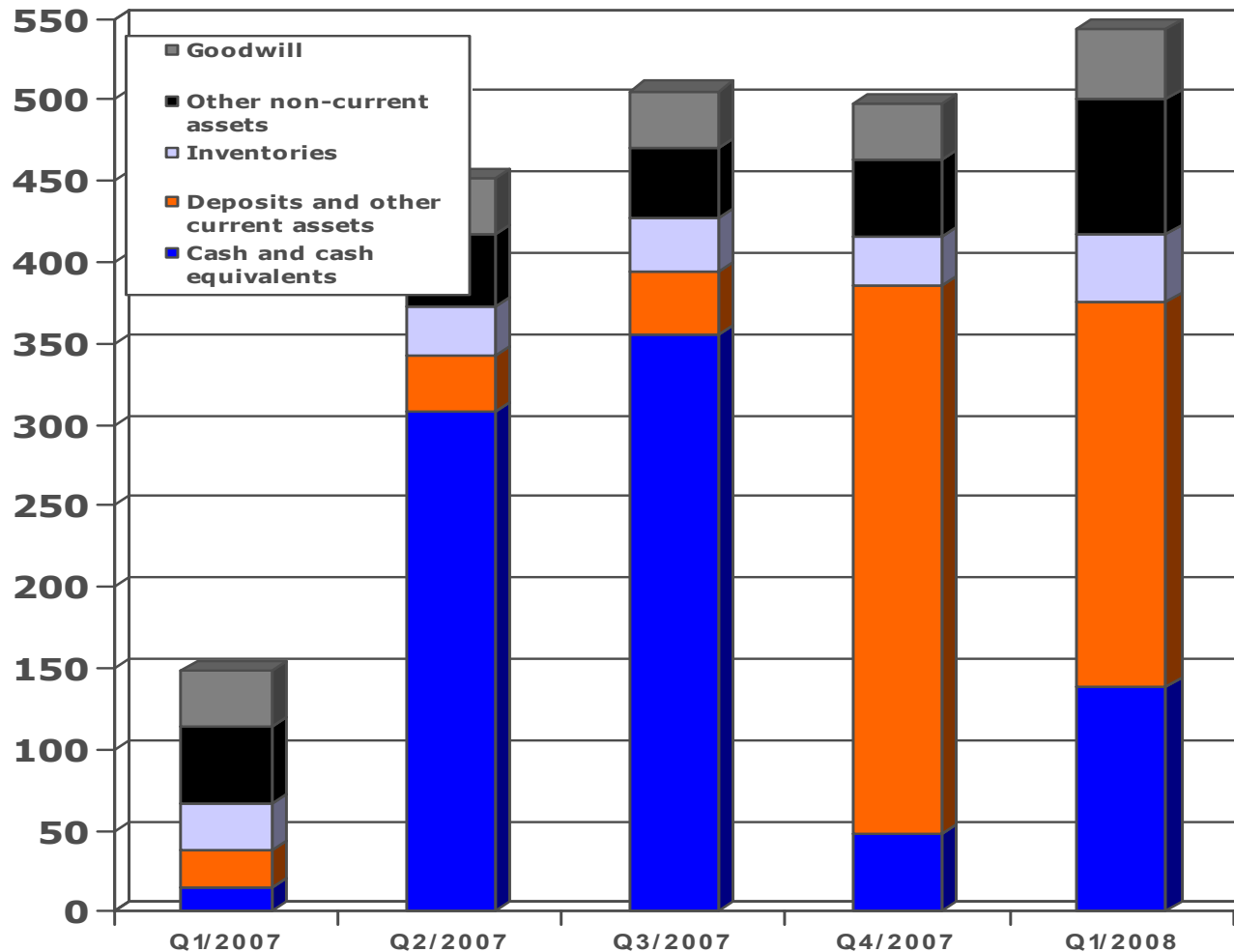


Group Cash Flow Statement

'000 EUR	1 Jan - 31 Mar 2008	1 Jan - 31 Mar 2007	1 Jan - 31 Dec 2007
Net profit attributable to equity holders	2 441	743	12 651
Adjustments to net profit	177	2 646	7 161
Changes in net working capital	3 510	-2 246	-14 029
Net cash from operating activities	6 128	1 144	5 783
Acquisitions of subsidiaries and associates	-12 706	-5 359	-6 487
Payment of earn-out liabilities and exercises of call options related to acquisitions	0	-7 054	-8 358
Disposals of subsidiaries and associates	2 589	2 361	7 068
Capital expenditure and other investing activities	-9 807	-1 844	-6 336
Net cash used in investing activities	-19 924	-11 896	-14 113
Share issues	0	0	337 608
Dividends paid	-174	0	-5 493
Deposits	-66 833	0	-133 851
Other investments	173 056	0	-173 360
Interests received from financing activities	294	0	3 940
Proceeds from borrowings	3 181	889	10 630
Repayment of borrowings and other financing	-6 004	-840	-7 386
Net cash from financing activities	103 519	49	32 088
Net increase in cash	89 723	-10 703	23 758

Balance sheet, Assets (in EUR million)

Balance Sheet Q1/2007 – Q1/2008



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

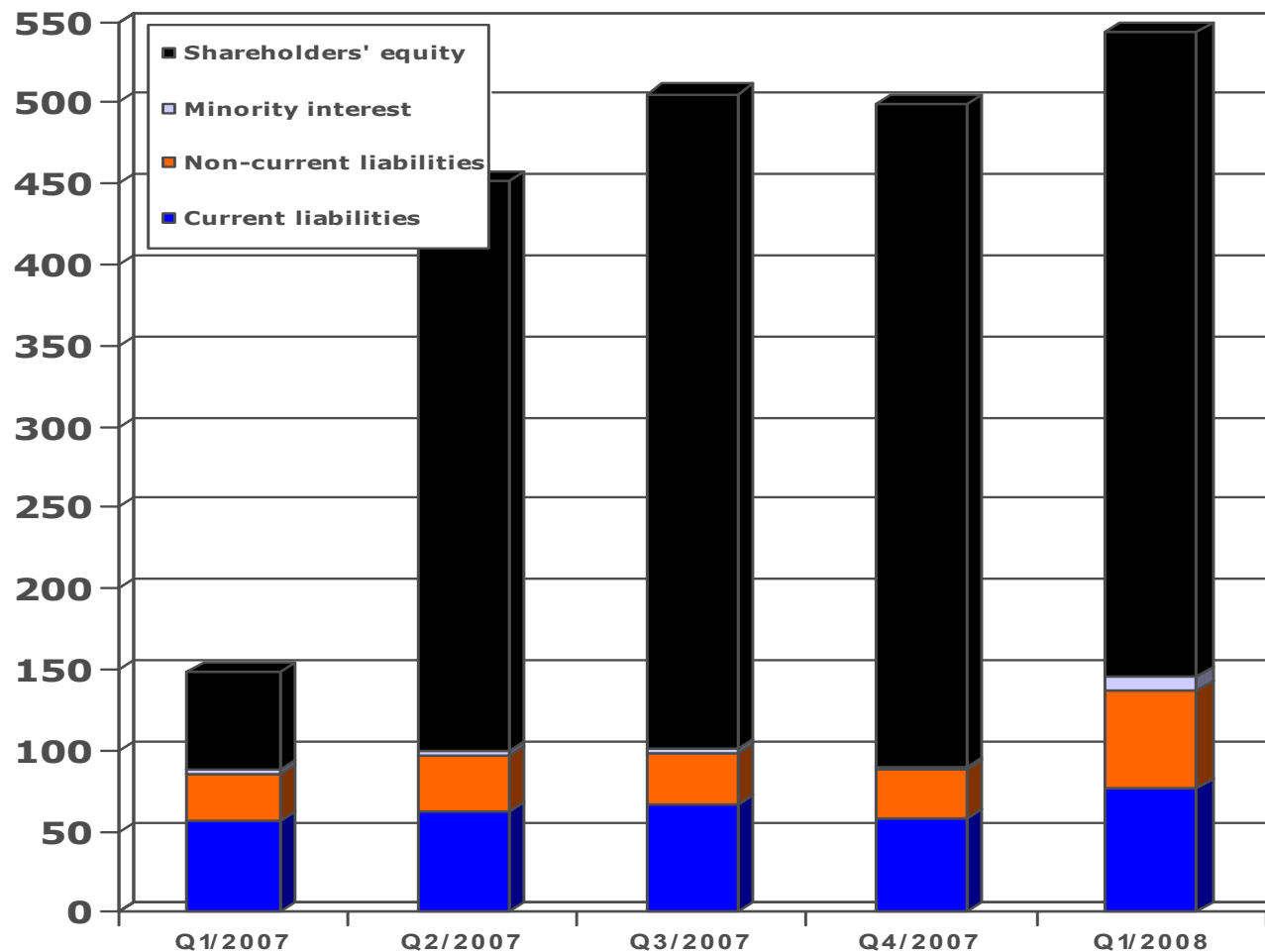
Q3/2007: EUR 44 million share issue (19.5 million shares)

CASH:

At the end of 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 Q1/2007 – Q1/2008

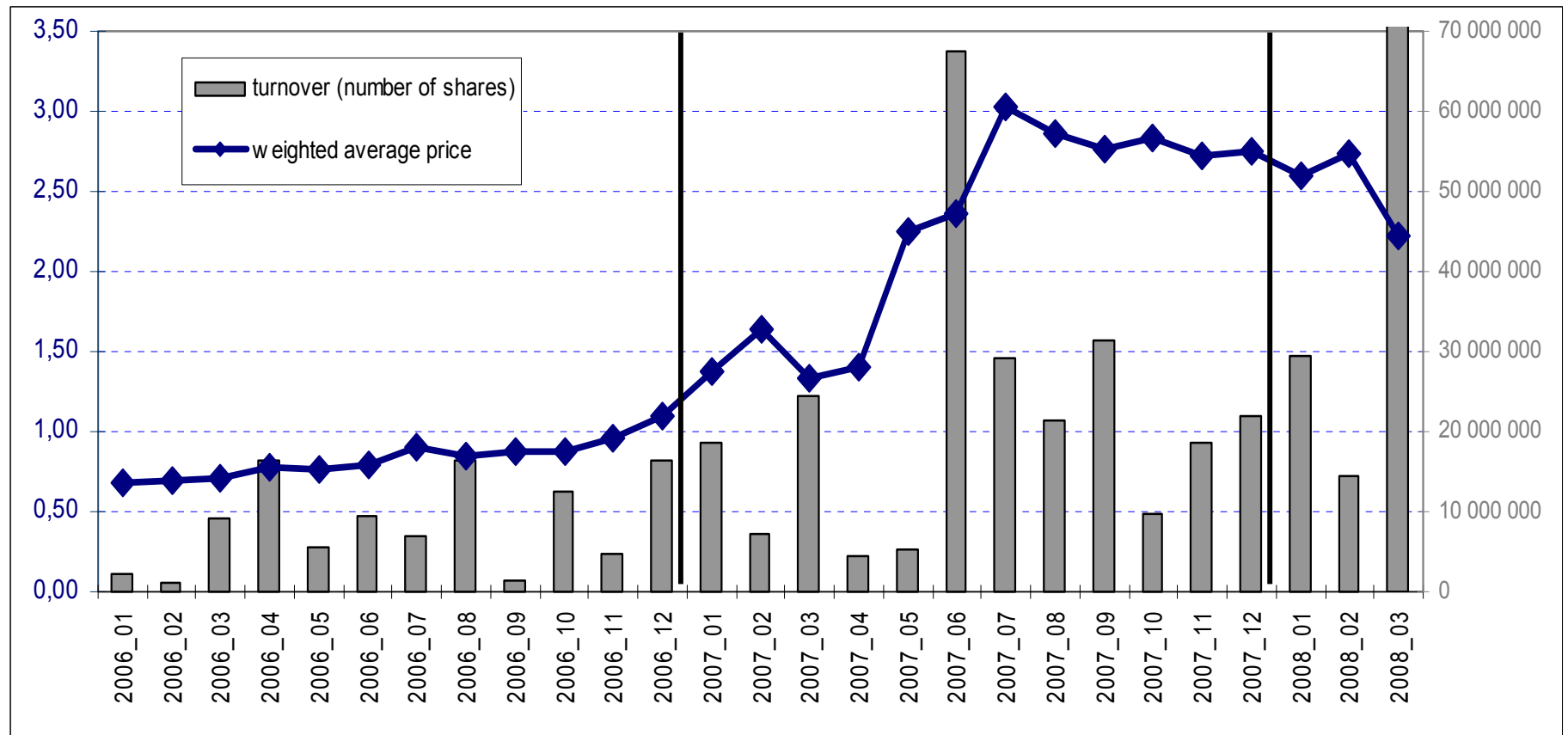




Share, Shareholders, Board of Directors

Share Price Development

**Volume weighted average share price and turnover
Jan/2006 – Mar/2008**



Source: NCSD

Recent Flagging Notices

<u>DATE</u>	<u>INVESTOR</u>	<u>OWNERSHIP</u>
2 Apr 2008	RCS Trading Corporation Ltd	above 10 %
2 Apr 2008	Nordea Bank AB (Nordea Bank Finland Plc)	above 20 %
31 Mar 2008	Oy Herttakakkonen Ab	below 15 %
20 Mar 2008	Evli Bank Plc	below 5 %
26 Mar 2008	Nordea Bank AB (Nordea Bank Finland Plc)	below 20 %

Major Shareholders, 30 Apr 2008

Shareholder	Shares	%
1 Nordea Bank Finland Plc, nominee-registered	87,128,926	30.0
2 Nordea Bank Finland Plc	69,161,100	23.8
3 Skandinaviska Enskilda Banken, nominee-registered	37,093,380	12.8
4 Danske Bank AS Helsinki Branch	26,994,000	9.3
5 Evli Bank Plc	12,351,657	4.3
6 Kankaala Markku	9,698,890	3.3
7 Oy Herttakakkonen Ab	6,439,827	2.2
8 Hukkanen Esa	5,010,100	1.7
9 Oy Herttaässä Ab	4,635,410	1.6
10 Glitnir Plc	3,644,000	1.3
Subtotal	262,157,290	90.4
Other shareholders	27,876,732	9.6
Total shares registered	290,034,022	100.0

Board of Directors

- The Board nominated by the Annual General Meeting on 31 March 2008:

Matti Lainema, chairman

Markku Kankaala

Danko Koncar

Timo Poranen

Konstantin Ryzhkov

Alwyn Smit

Ahti Vilppula



Summary

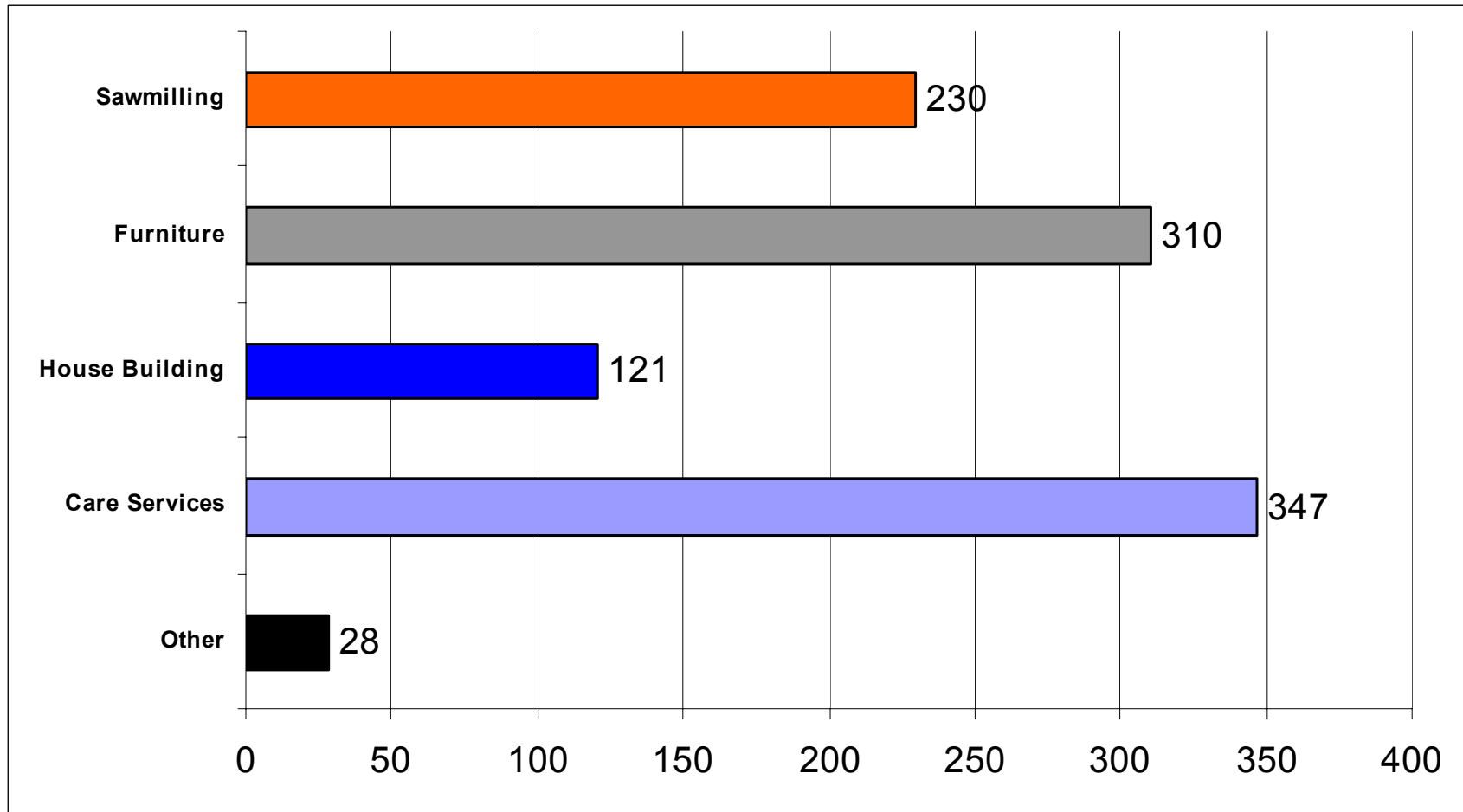
Summary Q1/2008

- 1 Surveys on Russian investment opportunities continued and strengthened**
- 2 Challenging market conditions in sawmill business**
- 3 Ongoing business (excluding Investment Projects and structural changes) in financial year 2008 expected to generate revenue 20 % in excess of the 2007 level and corresponding EBIT in euros at par compared to 2007**

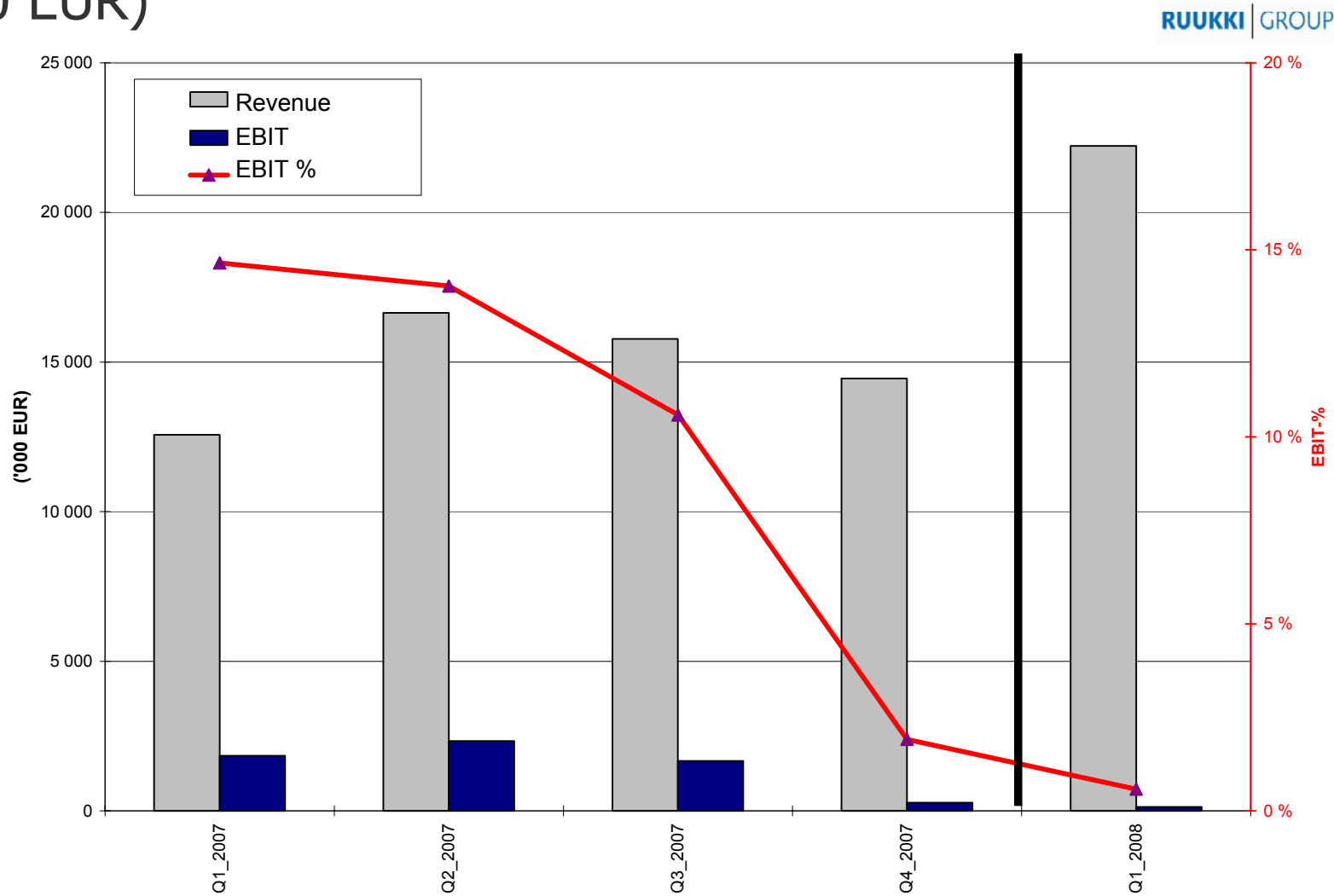


Appendix

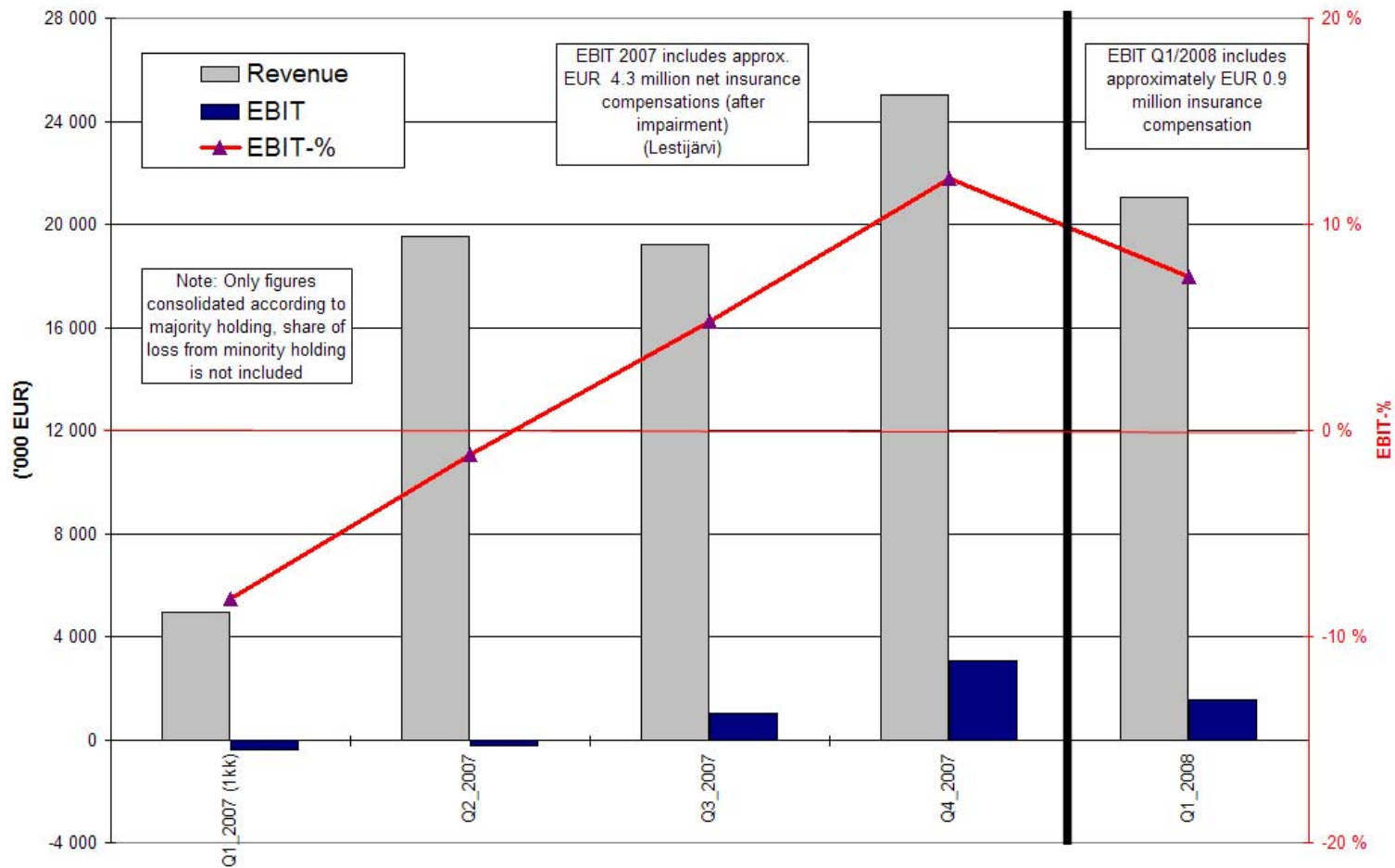
Personnel by segment, 31 Mar 2008



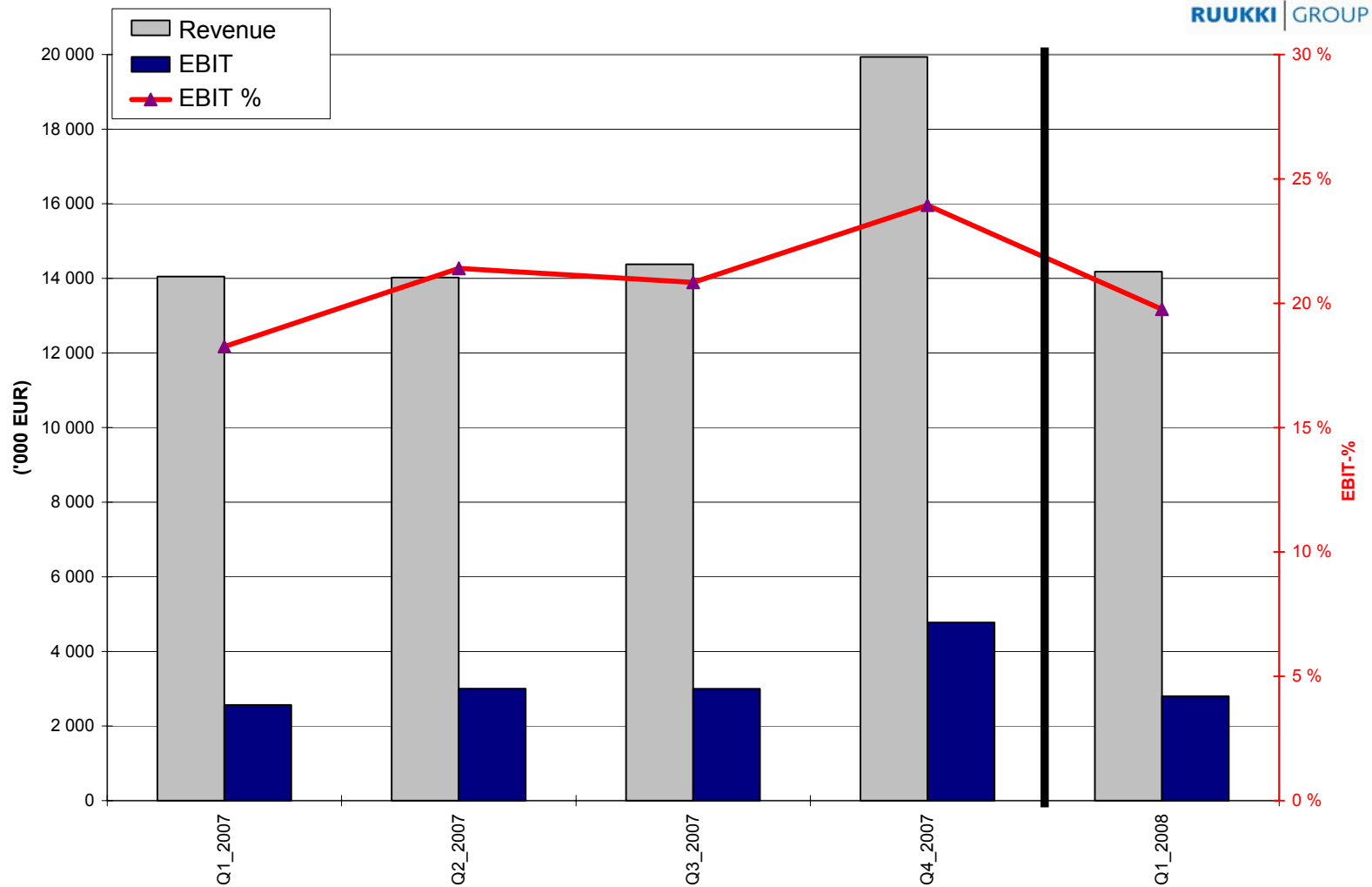
Quarterly Revenue and EBIT, Sawmill Business, 2007 - 2008 (‘000 EUR)



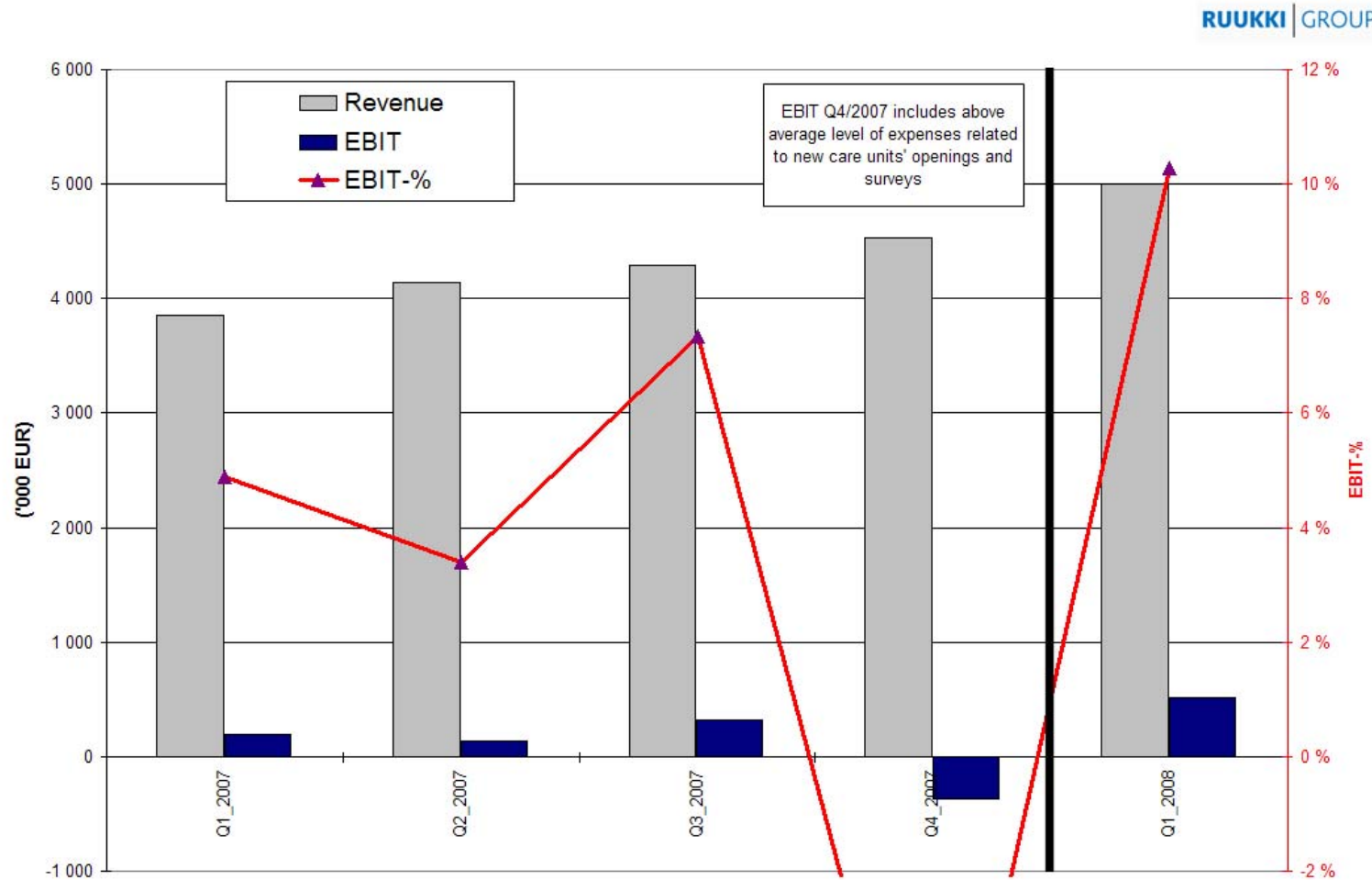
Quarterly Revenue and EBIT, Furniture Business, 2007 - 2008 (‘000 EUR)



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



Quarterly Revenue and EBIT, Care Services, 2007 - 2008 (‘000 EUR)



Development of Conifer Log Stumpage Prices

Price Data

(source: MTK)

Average Finnish stumpage prices, €/m³
4 last weeks, 28 Apr 2008

Logs €

pine 62.19

spruce 60.89

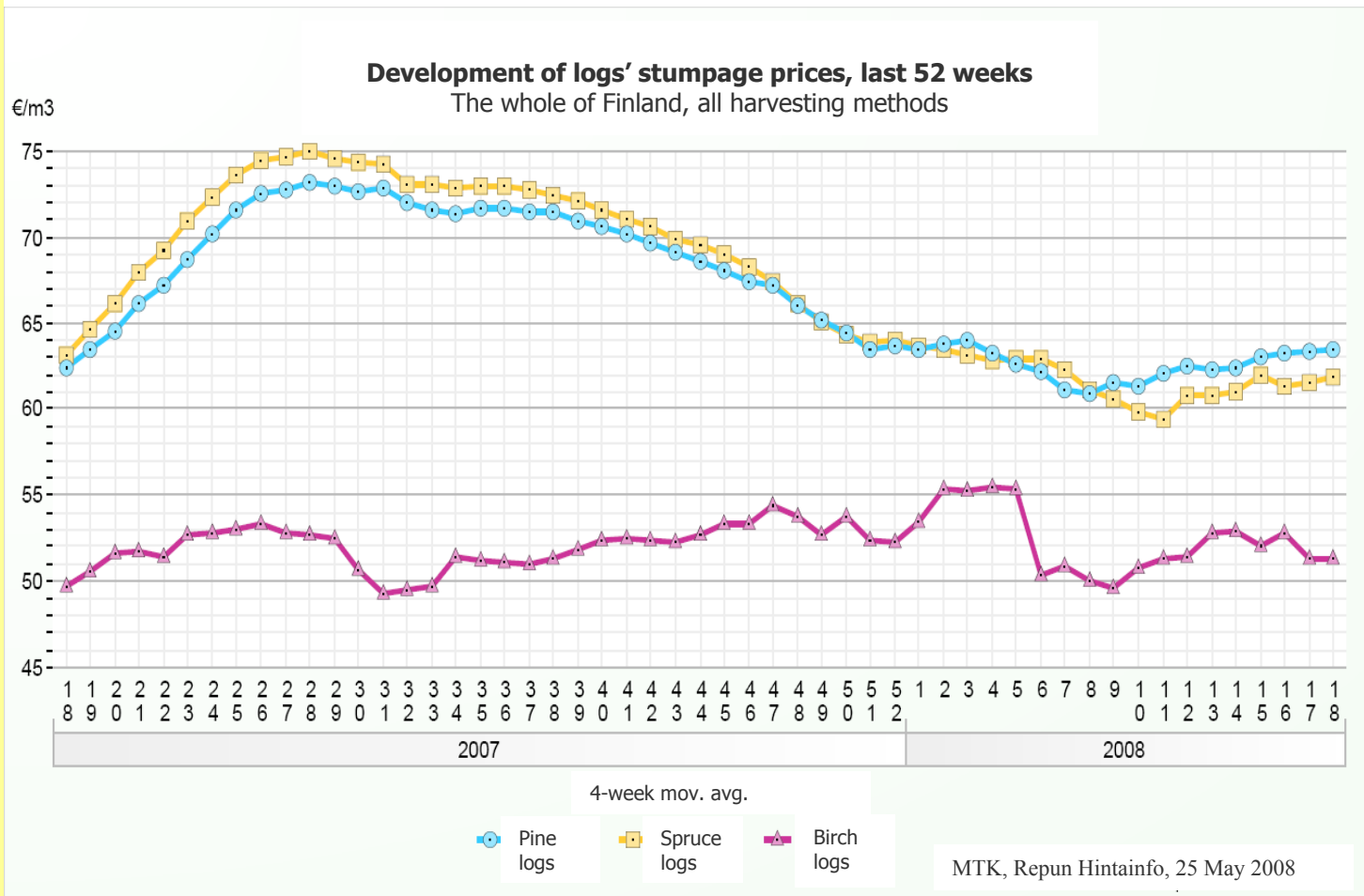
birch 51.53

Fibre €

pine 18.81

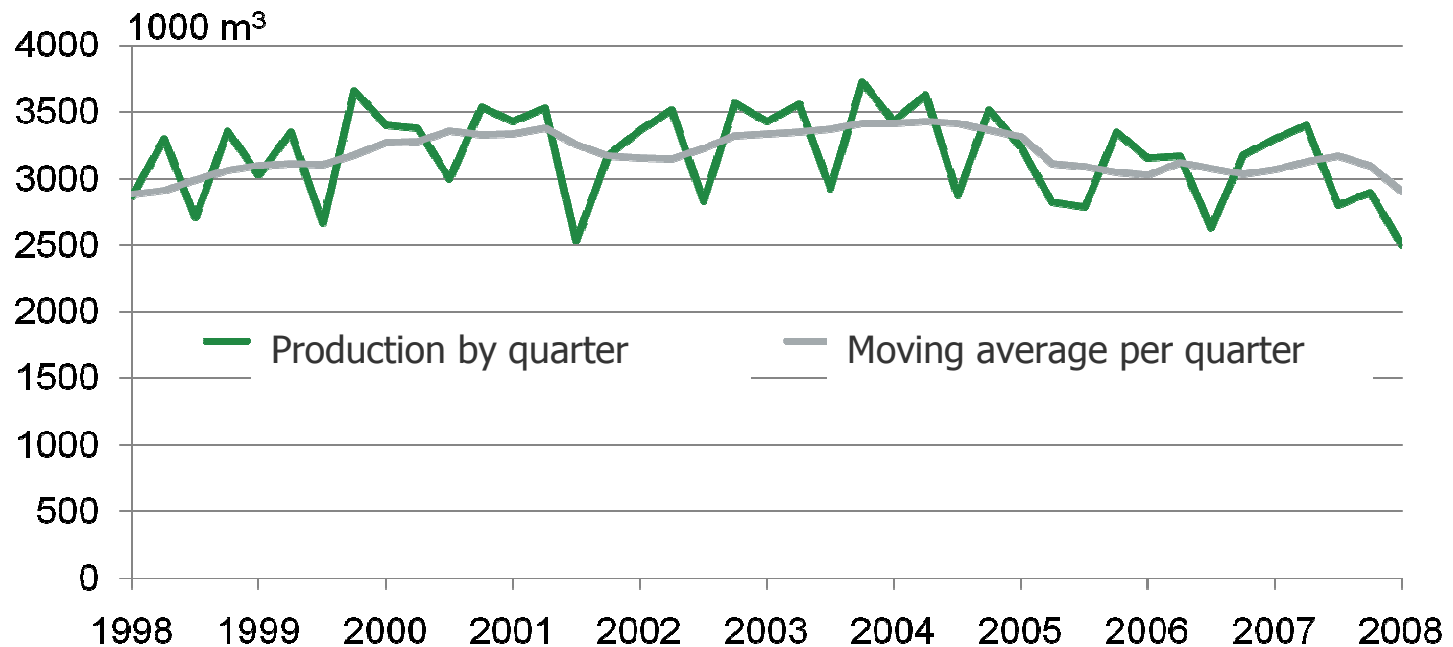
spruce 25.24

birch 16.67



Sawn wood Production in Finland

Production of conifer (pine, spruce) sawn wood by quarter:
 Production in 1-3/2008 in Finland totalled 2.5 million m³, which was 25 % less year-on-year

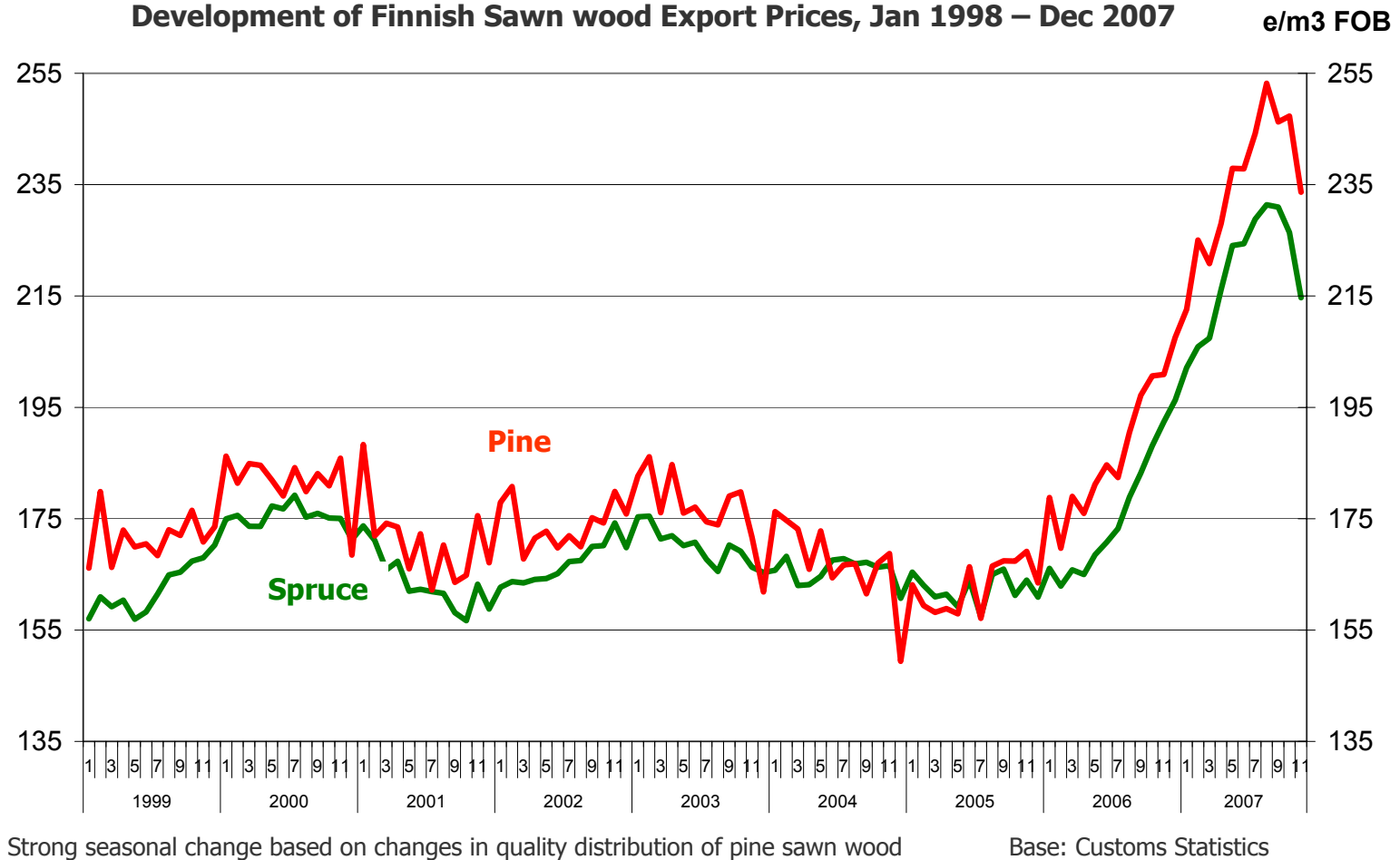


9 Apr 2008
 Source: Metsäteollisuus ry



Development of Sawn wood Export Prices

Development of Finnish Sawn wood Export Prices, Jan 1998 – Dec 2007



Source: Suomen Sahat ry

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Matti Vikkula, CEO

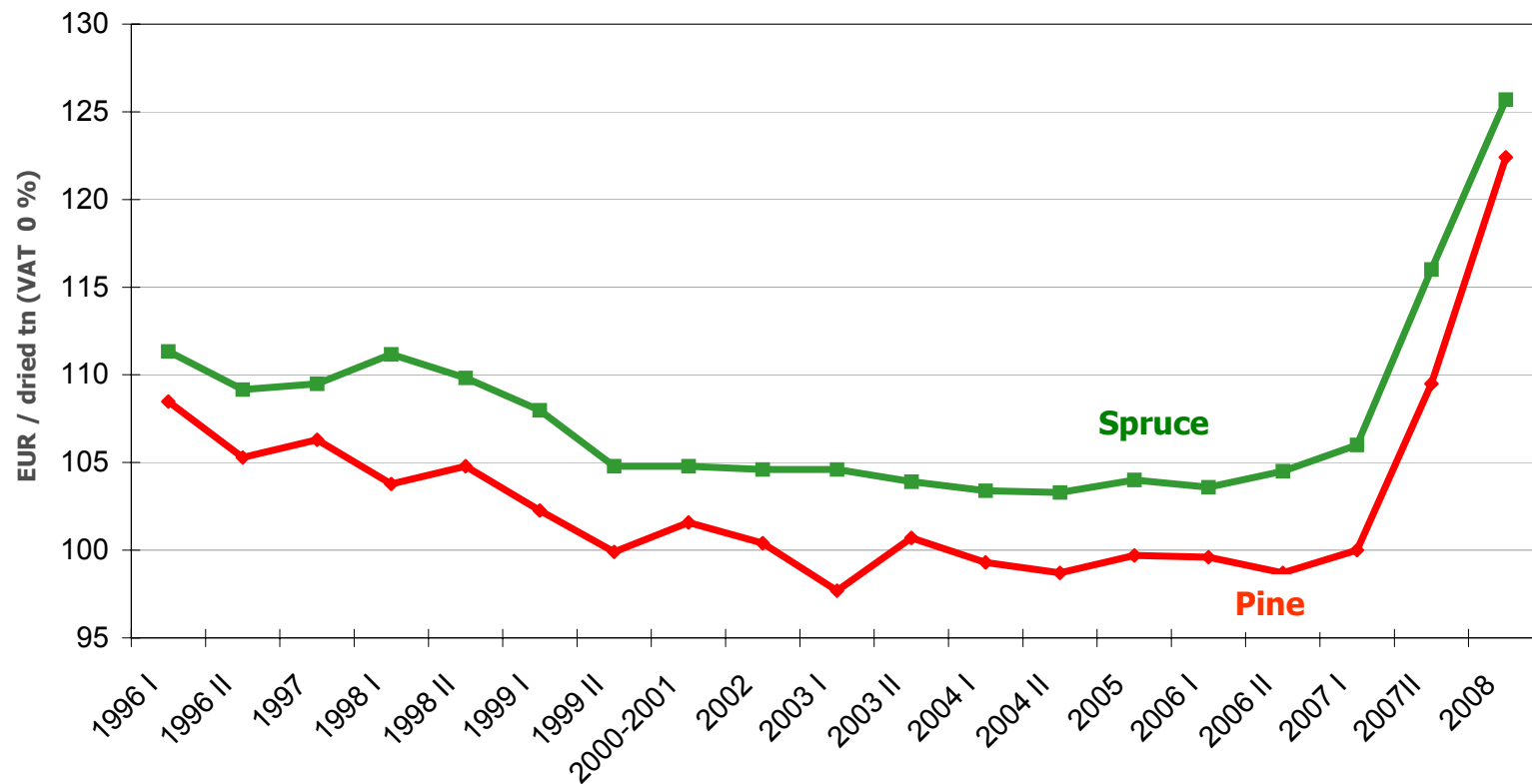
Development of Sawmills' Chip Prices

Development of Finnish Sawmills' Chip Prices
base price (100 %) delivered to the destination



SUOMEN SAHAT

Source: 1996–2008, based on surveys answered by Suomen Sahat ry member sawmills



Source: Suomen Sahat ry

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NOTE: time axis not with equal distances

Matti Vikkula, CEO

Pulp, Global Market Prices

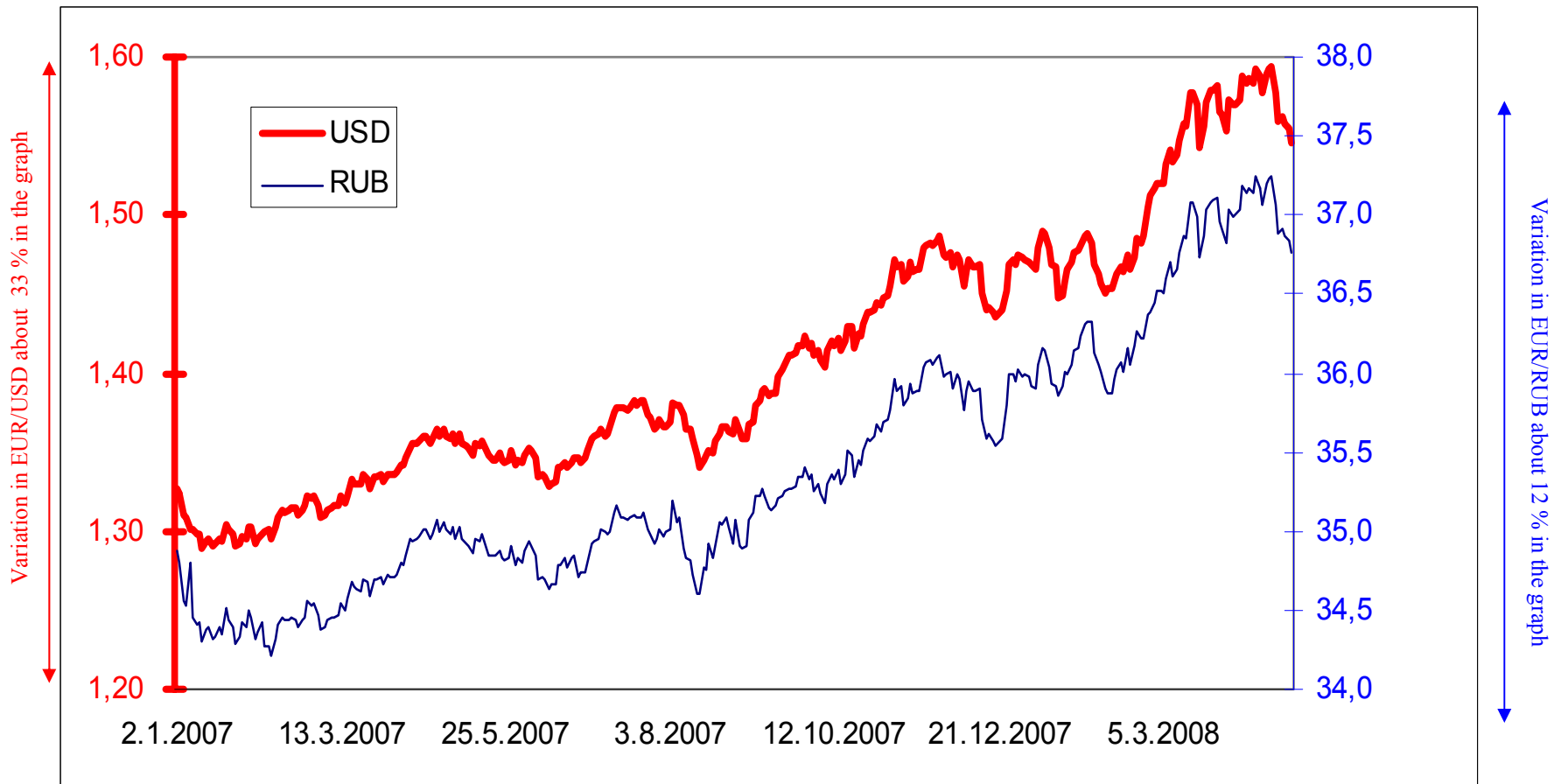
Date	NBSK PIX value Softwood USD / t	NBSK PIX value Softwood EUR / t	BHKP PIX value Euca/Birch EUR / t	BHKP PIX value Euca/Birch USD/ t
29.4.2008	900.40	577.33	536.34	836.48
22.4.2008	895.63	567.57	525.47	829.19
15.4.2008	891.89	563.31	519.97	823.27
8.4.2008	884.48	562.57	513.83	807.84
1.4.2008	880.00	557.10	506.46	800.00
25.3.2008	880.00	570.58	518.71	800.01
18.3.2008	880.00	565.52	514.11	800.01
11.3.2008	880.00	570.80	518.91	800.00
4.3.2008	880.00	580.21	527.46	800.00
26.2.2008	880.00	592.67	537.05	797.41
First index values				
11-May-98			450.00	500.33
16-Sep-96		563.04		

Please note that BHKP index value in USD includes both EUR and USD price quotations, and is a conversion of the BHKP PIX EUR value. The PIX benchmark index is published every Tuesday at 12:00 a.m. Helsinki time.

Source: FOEX

Foreign exchange rates, development

EUR/USD and EUR/RUB 2 Jan 2007 – 2 May 2008

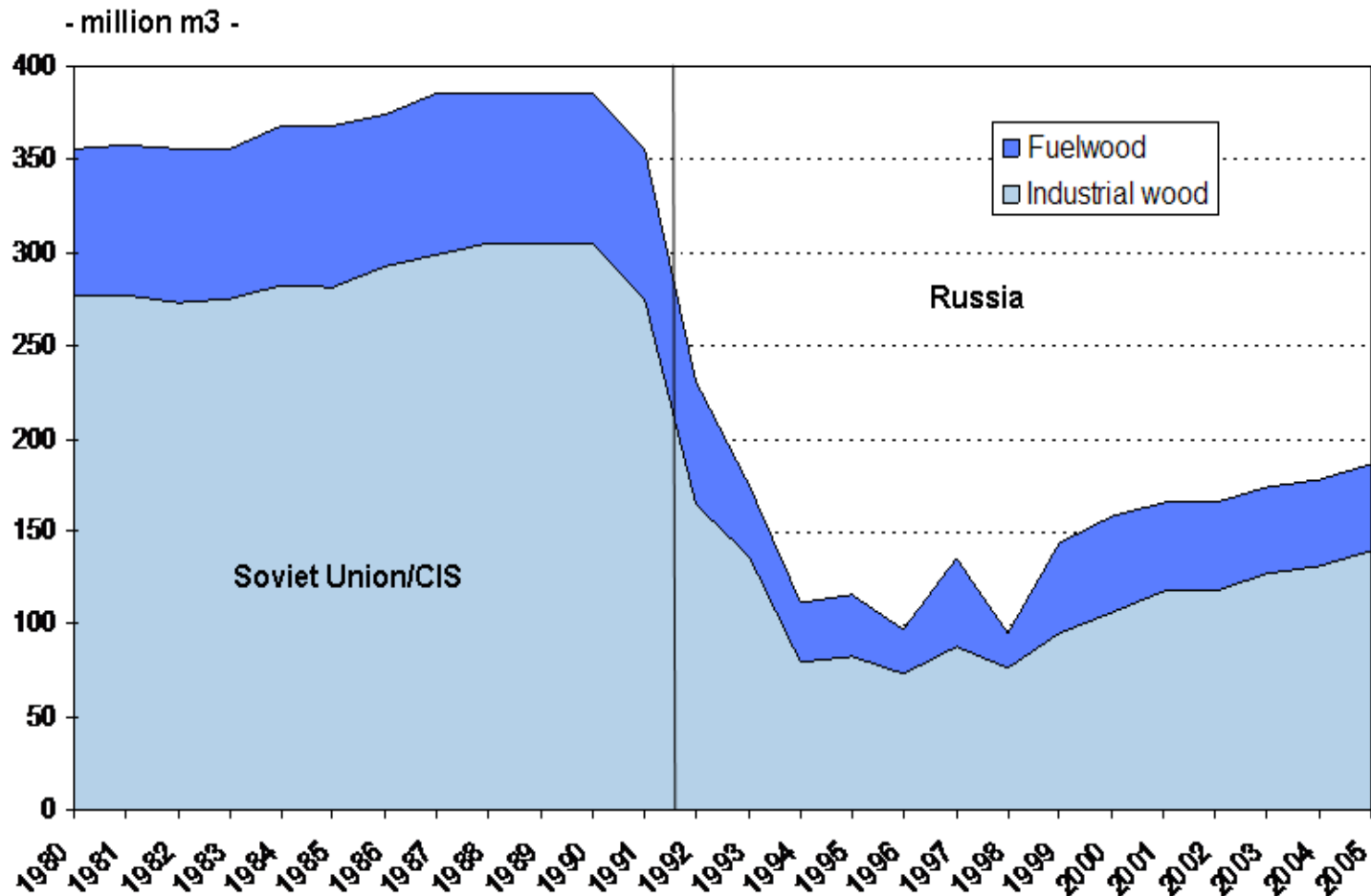


Source: Bank of Finland

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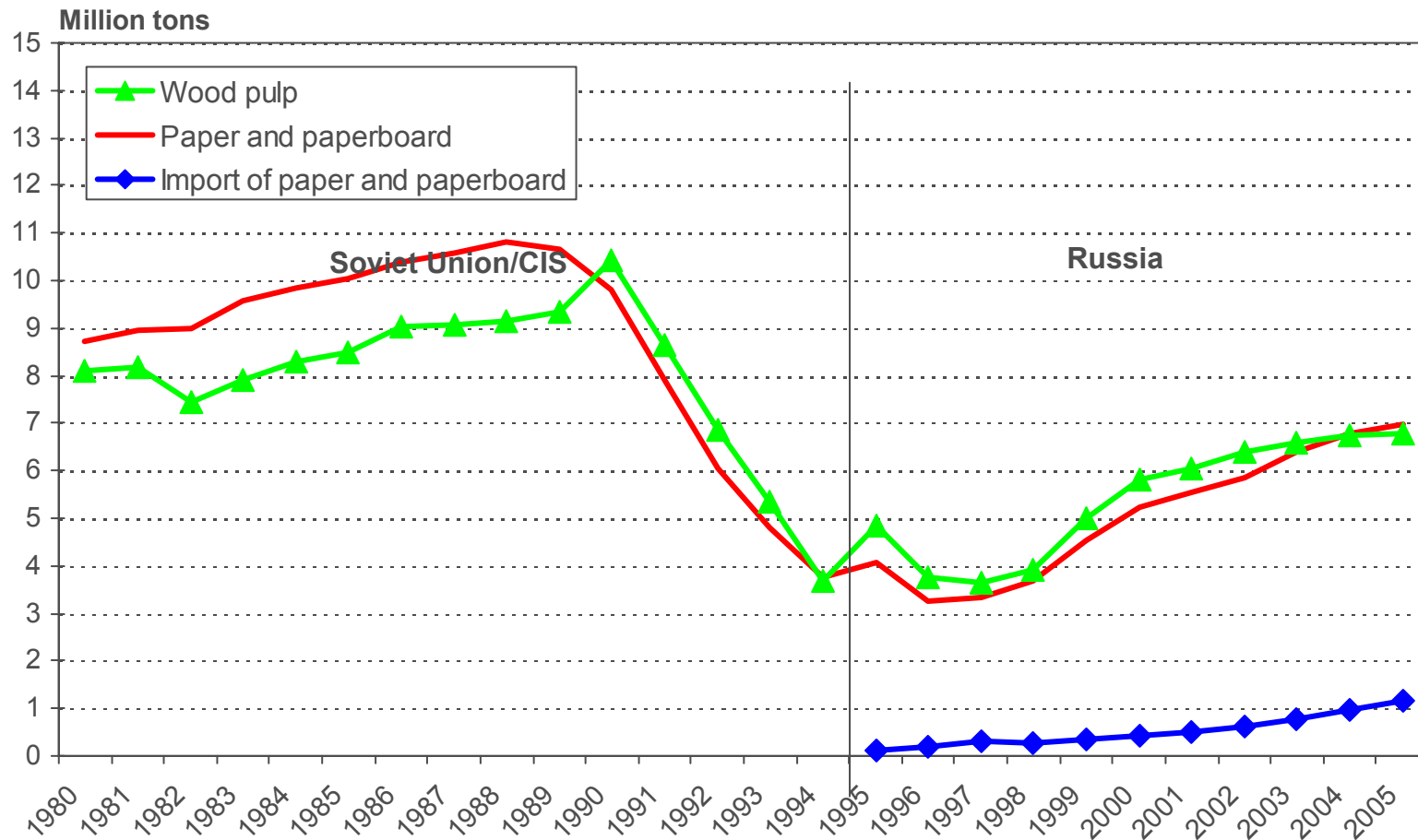
Matti Vikkula, CEO

Wood Harvesting in Soviet Union/Russia



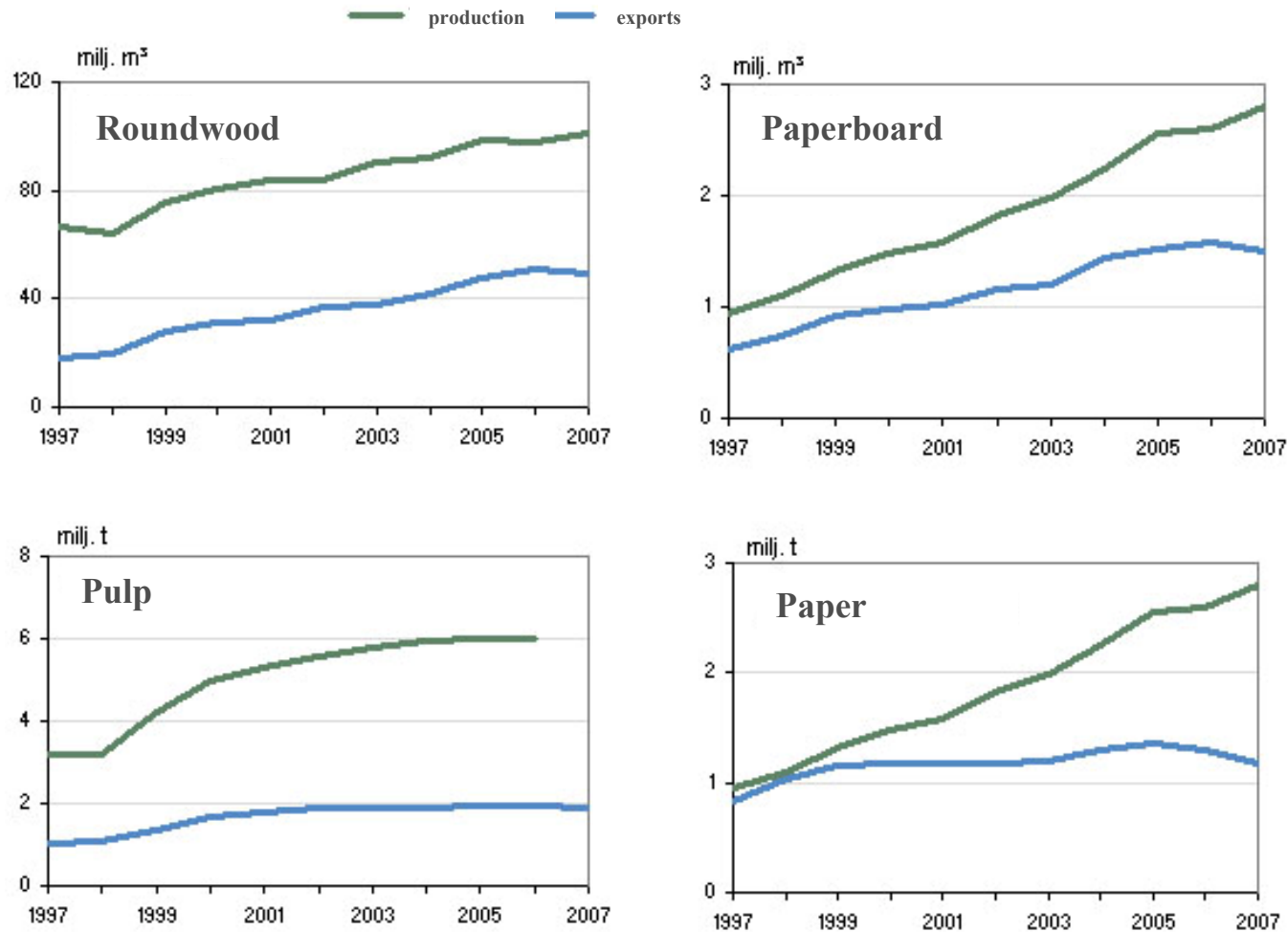
Source: Pöyry Forest Industry Consulting Oy

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



Source: Pöyry Forest Industry Consulting Oy

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 Projects

- Organisational structure



Kostroma Investment Projects

- Organisational structure for the Pulp Project

