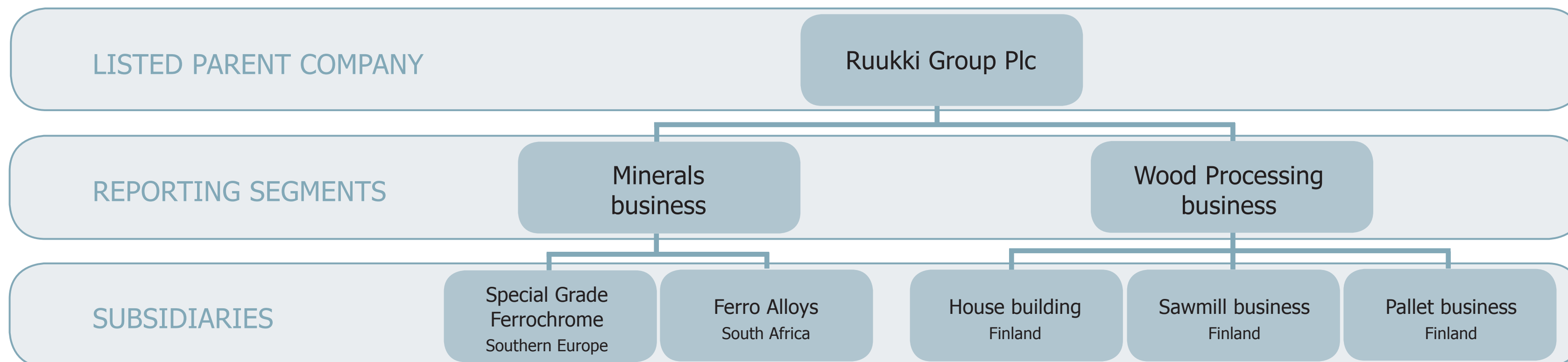
RUUKKI GROUP

ANNUAL REPORT 2009

RUUKKI GROUP BUSINESS STRUCTURE

RUUKKI GROUP PLC



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GROUP INTRODUCTION

RUUKKI GROUP IN BRIEF

Ruukki Group, an industrial operator in the minerals and wood businesses, aims at the financially profitable use and processing of natural resources. The Group's current operations include chrome ore mining and beneficiation, ferrochrome, silico manganese and nickel-chromium-iron alloy manufacturing as well as house building, sawmilling and pallet manufacturing.

Ruukki Group's consolidated revenue for 2009 totalled EUR 193.4 million with an EBITDA of EUR 19.4 million. The Group employs close to 900 people working in Finland, South Africa, Turkey, Germany, UK and elsewhere.

The objectives in the two principal business areas can be summarised as follows; Minerals - vertical integration by increasing our mining activities and expand our furnace operations. Wood Processing - turn our promising house building business, Pohjolan Design-Talo, into a growth construction company in Finland and potentially demerge wood processing assets from the Group.

The key strategic principles can be defined as follows:

1. Industrial operations in selected industry sectors
2. Diversification of operations by businesses and geographically
3. Vertical integration within business areas
4. A dynamic and proactive approach
5. Products with a high degree of customisation and processing
6. Targeting niche markets to the extent possible

Ruukki Group emphasises growth in revenue and profitability, whilst maintaining a conservative approach to managing its debt/equity ratio.

COMPANY FACT SHEET

Corporate name:	Ruukki Group Plc
Domicile:	Espoo
Business ID-number:	0618181-8
Business:	Industrials (OMX sector)
Business areas:	Minerals Wood Processing
Trading code:	RUG1V (NASDAQ OMX Helsinki)

Interim Reports in 2010:

Period	To be published
1.1. – 31.3.2010 (3 months)	12 May 2010
1.1. – 30.6.2010 (6 months)	12 August 2010
1.1. – 30.9.2010 (9 months)	11 November 2010

Annual General Meeting

The Annual General Meeting will be held in Espoo, Finland, on Wednesday 21 April 2010.

The Board of Directors has decided to propose to the 2010 Annual General Meeting that capital redemption of EUR 0.04 per share would be distributed out of the paid-up unrestricted equity reserve, and that no dividend would be paid out.

Disclaimer

The annual report is a translation from the original annual report in Finnish. In case of any discrepancies, inconsistencies or inaccuracies, the Finnish version shall prevail.

Group key figures, continuing operations

Financial performance indicators

EUR million	2009	2008
Revenue	193.4	158.7
EBITDA	19.4	2.1
EBIT	-24.6	-46.9
Profit before taxes	-28.3	-41.5
Net profit	-22.7	-41.4
Return on equity, %	-7.1%	-10.8%
Return on capital employed, %	-5.0%	-7.9%
Equity ratio, %	52.0%	64.8%
Gross capital expenditure	215.7	235.4
Average personnel	824	418

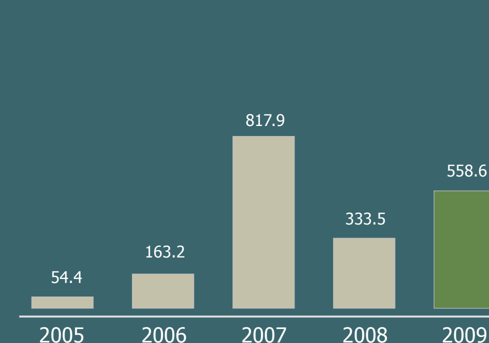
Share information

EUR	2009	2008
Earnings per share, basic	-0.08	-0.14
Earnings per share, diluted	-0.08	-0.14
Equity per share	1.03	1.20
Distribution	0.04[1]	0.04[2]
Market capitalization (EUR million)	558.6	333.5
Number of shares on 31.12. (1,000)	261 034	290 034

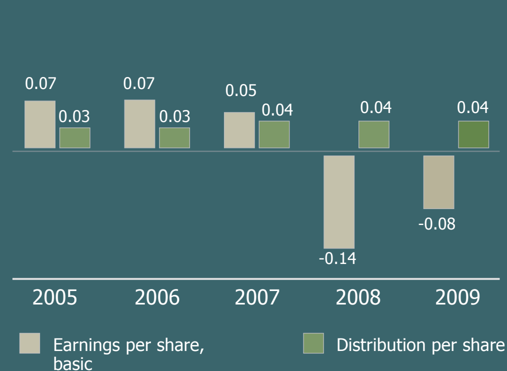
1) Capital redemption proposed to the AGM 2010
2) Capital redemption AGM 2009

Revenue and EBITDA
EUR million

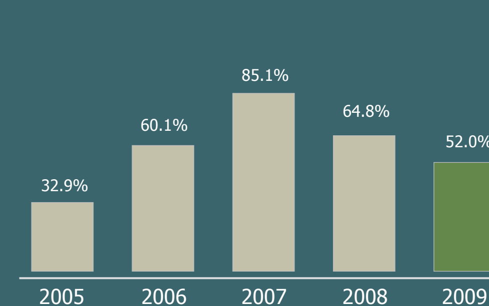
Market capitalization
EUR million



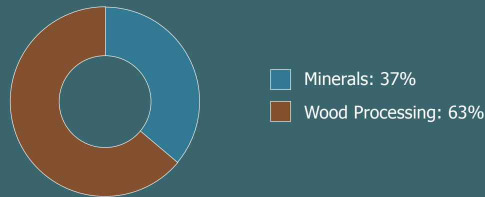
Earnings and distribution per share



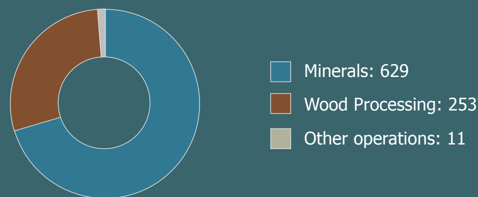
Equity ratio



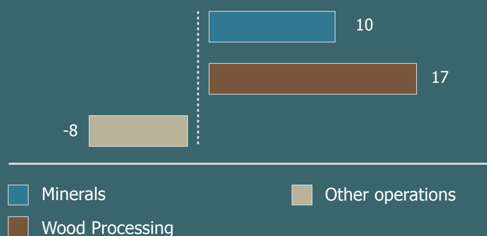
Revenue split by segment 2009



Personnel by segment on 31.12.2009
Group total: 893



EBITDA split by segment 2009
EUR million



Headquarters

The Group's headquarters are located in Espoo, Finland. A new office for the headquarter personnel working in London, UK, has also been set up. The parent company, Ruukki Group Plc, is listed on the NASDAQ OMX Helsinki under the Mid Cap segment and is preparing for a listing on the London Stock Exchange. Ruukki Group Plc is responsible for the Group's strategy and administration. During the year 2009, the Group central administration has been strengthened, Group Executive Committee established, segment management appointed and group steering enhanced. With a view to the long-term development of the Group's businesses, the parent company will also provide its subsidiaries with various services. Some of the Group's subsidiaries operate on an entrepreneurial basis with the entrepreneurs responsible for the daily operations.

MINERALS BUSINESS

The Minerals business operations are located in South Africa, Turkey, Malta and Germany. Ruukki Group acquired the European minerals businesses in October 2008, and expanded in May 2009 via an acquisition into South Africa. The Group operates in ferro alloys production, with emphasis on various grades of ferrochrome.

Mining and benefication

Mining and benefication operations are located in Turkey where the Group has active mining areas in three locations: Kavak, Tavas and Fethiye. In addition, there are several exploration licences in other locations. The main operations are the exploration and exploitation of chrome mines with a main focus on exporting two chrome types: high grade chrome concentrates and lumpy chrome ore. The chromite concentrate is delivered for further processing to the processing operations in Germany. The annual chrome ore concentrate production capacity is currently around 30,000 tonnes.

Processing

Processing the chromite concentrate from both the Group's Turkish mines and external parties is carried out in Germany through a toll manufacturing agreement. The German plant manufactures specialised low carbon and ultralow carbon ferrochrome products. The production capacity of special grade ferrochrome is some 30,000 metric tonnes per year. In South Africa, the Group has smelting operations in four furnaces with a total annual capacity of around 110,000 metric tonnes.

Procurement and sales

Procurement and sales operations are centralised into Malta. The Group sells low carbon and ultralow carbon ferrochrome, charge chrome, silico manganese and nickel-chromium-iron alloys to its customers worldwide, mainly to producers of stainless steel.

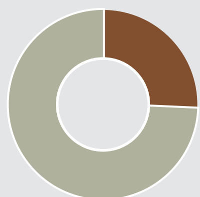
WOOD PROCESSING BUSINESS

Wood Processing operations are located in Finland, especially in north-western Finland. The business area is engaged in refining natural resources available in the northern coniferous zone with the ultimate aim of achieving a high degree of processing at optimum cost and efficiency.

Ruukki Group's Wood Processing segment is divided into three business operations:

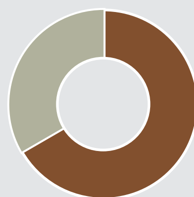
- » House building
- » Sawmill business
- » Pallet manufacturing

House building



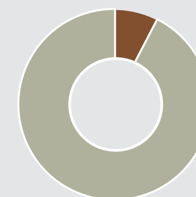
House building operations are located in north-western Finland. Prefabricated houses are designed in Oulunsalo; electrotechnical design as well as heating, plumbing, and air-conditioning work is carried out in Ii; and the element factory is located in Nivala. The business comprises the manufacture and delivery of ready-to-move-in detached wooden houses as turnkey deliveries to private individuals in Finland. During 2009, the house building revenue amounted to EUR 31.8 million with altogether 238 houses delivered.

Sawmill business



The Group's sawmills operate in western Finland with production sites in Kalajoki and Oulainen. Group's sawmills concentrate on the effective processing of softwood timber into various types of sawn goods - pine and spruce being the raw materials. The sawmills target both the domestic and export markets, mainly the UK, Japan, and the Mediterranean countries, with the construction industry being the key customer segment. The annual production capacity at the end of 2009 of sawn timber was about 300,000 m^3. The sawmill business area's revenue in 2009 was EUR 82.7 million.

Pallet manufacturing



Pallets are manufactured at four factories in Oulu, Kemi, Tornio and Rovaniemi. Wooden loading pallets are manufactured for paper, steel and other industries. The Oulu unit focuses on close deck, Kemi on open deck and Tornio on custom-designed pallets. Service to manufacture tailor-designed pallets is also provided. Annually some 1.5 million pallets are produced. Pallet business revenue was EUR 9.4 million in 2009.

> The most significant transaction of the year was our acquisition of Mogale Alloys in South Africa.

Major events

During 2009, we continued with the transformation of the Group from a Wood processing company to a natural resources company with two segments, wood and minerals.

The most significant transaction of the year was our acquisition of Mogale Alloys in South Africa. The Mogale transaction provides the Group with a platform from which we can grow our minerals operations in South Africa. The attempt to acquire Sylvania Resources was carried out with this in mind and although the transaction was terminated by mutual agreement, Mogale continues to see considerable growth opportunities through its capabilities and expertise in DC smelting technology.

Our Turkish operations entered into a project to extract chrome from our existing mine dumps, which is expected to reduce production costs at the mine, and we expect this to come into production in May 2010.

In October, our management team was strengthened by the appointment of Dr Danko Koncar as CEO of the Minerals business and by Dr Alistair Ruiters as CEO of Ruukki South Africa.

The house building business is a part of our wood segment demonstrating the most potential as high growth opportunity. To this end, we also acquired land in the Kirkkonummi area to develop, providing a platform to move into construction using our own house building business as the primary driver.

We have disposed of the sawmill companies Lappipaneli Oy and Tervolan Saha ja Höyläämö Oy as part of further restructuring of our wood segment.

The wood segment has also been boosted with a new management team. Thomas Hoyer started as CEO of the wood business during the last quarter of the year.

Profitability

The year 2009 was challenging for the Group and industry in general. However, despite the global economic crisis we were able to deliver a relatively strong performance for both our business segments, which reported profits at the EBITDA level.

Although we spent a considerable amount of cash acquiring Mogale, our cash flow from operations remained positive and we had sufficient cash in the bank for our working capital needs.

Outlook

The general improvement in our key industries appears to be driven by growth in China, which strengthened prices for our products in the 4th Quarter of 2009. Hopefully, this is the beginning of a trend; however, the global recovery is still very fragile and very uncertain as fiscal challenges

appear to be common in the first world economies.

Outside of our house building business, the majority of our operations are focused on emerging economies, which is where we see the greatest demand for our products going forward.

Our minerals strategy is based on expanding our production in addition to seeking opportunities to expand our range of products for the Steel and Stainless Steel industries. Our plans for 2010 are very much focused on growing our operations to meet this increasing demand.

Jelena Manojlovic
Chairperson of the Board

PERFORMANCE 2009

General

During 2009, the Group continued implementing the strategy decided in 2008, namely to have two separate reporting segments based on processing of certain natural resources. The Group's Minerals segment expanded into South Africa and at the same time diversified the ferroalloys product range into charge chrome, silico manganese and nickel-chromium-iron alloy. The Wood business restructuring alternatives in relation to the wood processing assets were evaluated and Wood segment changed its focus to increase the relative importance of house building by disposing of some non-core sawmill assets not suitable to the Group strategy. During the fourth quarter, segment CEOs were elected, and the Group established a management executive committee to better manage the operational issues.

The global financial and economic crisis that started in 2008 significantly affected the performance during the financial year 2009. Capacity utilisation levels were kept low to meet the weak demand, even though there were signs of recovery at the end of the year. Although the sales volumes dropped considerably from the previous year, the operational profitability, as measured by EBITDA, remained quite good. The Group's operations depend on the commodity prices to major extent, the volatility of which is typically quite high in the markets where the Group operates.

KEY EVENTS DURING FINANCIAL YEAR 2009

CORPORATE ACTIVITY

Acquisition of Mogale Alloys

At the end of May, Ruukki Group acquired an effective stake of 84.9% in Mogale Alloys, a company located in South Africa with minerals smelting operations. With the transaction, the Group expanded its minerals business into South Africa and into new products. The acquisition was a cornerstone transaction in the expansion into South Africa, one of the leading areas of minerals production in the world. The Mogale platform provides Ruukki with opportunities to pursue related acquisitions into various minerals and alloys operations, such as chrome and platinum assets. Mogale has a total of 96 MVA smelting capacity with four furnaces; it produces silico manganese, ferrochrome and stainless steel alloy and currently has a combined annual capacity of about 110,000 metric tons.

The purchase consideration was ZAR 1.85 billion (about EUR 160 million) and an additional ZAR 150 million (about EUR 13 million) was agreed to be paid into a management trust. When the transaction was concluded approximately ZAR 1.2 billion was paid in cash. The balance of the total payment, ZAR 800 million, is split into two tranches: unconditional ZAR 200 million to be paid in May 2010 and conditional ZAR 600 million tied to environmental licenses and permits.

Intended Sylvania Resources merger

At the end of June 2009, Ruukki Group announced its intension to acquire 100% of the share capital of Sylvania Resources Ltd, an Australian incorporated company producing platinum group metal (PGM) alloys with its main business located in South Africa. The target of the Sylvania transaction was to further expand Ruukki's minerals business in South Africa. In October, however, the merger implementation agreement was terminated. The parties faced serious obstacles during implementation that hampered the planned merger as well as the estimated benefits it was expected to generate.

Disposal of Lappipaneli Oy's sawmill assets

Lappipaneli Oy concluded in the fourth quarter of 2009 the sale of its sawmilling assets to Pölkky Oy, Pölkky Metsä Kmo Oy and Kitkawood Oy. Inventories were sold in October 2009 and the transfer of fixed assets is expected to take place in April 2010. This corporate activity aims at changing the focus of the Wood Processing business to enable better growth and profitability, and to benefit from the synergies between the various units in an improved way. The consideration for Lappipaneli's gross assets totalled EUR 14.6 million. The consideration is paid in instalments, to a major extent during the fourth quarter of 2009 and the rest expected to be received in April 2010.

Divestment of the shares in Tervolan Saha ja Höyläämö Oy

As part of refocusing the Group's Wood Processing business, Ruukki Group's subsidiary, Ruukki Yhtiöt Oy, entered on 20 November 2009 into an agreement to sell its 91.42% stake in Tervolan Saha ja Höyläämö Oy ("TSH") to TSH as part of TSH's directed acquisition of TSH's own shares. The effective date for the transfer of the shares was 31 December 2009. In conjunction with the deal, the call option agreement with TSH minority shareholders was dissolved. The consideration for the shares totalled approximately EUR 4.1 million, and it was paid in cash in December.

Russian investments

In 2006 – 2008 the Group carried out significant preparations for Russian pulp mill and sawmill projects in the Kostroma region. The target was to invest over EUR 1 billion into an integrated pulp mill, sawmill and harvesting operations. Due to changed circumstances the Group was not able to implement its business plan, and based on that as well as on the considerable losses incurred, the Russian projects were not further followed by the decision made by the Board at the end of February 2009.

Acquisition of land areas for house building business

The Group is looking into opportunities to broaden its house building model portfolio and the geographical sales organisation in order to achieve growth. It has also bought some land asset during the fourth quarter in Kirkkonummi. This and any other additional land assets that might be bought later are planned to be developed into housing projects and to be sold over the forthcoming years.

OTHER DEVELOPMENTS

Intended listing on London Stock Exchange

As published on 21 December 2009, Ruukki Group Plc's Board has started preparations with a view to list the Company's shares on the Main Market of the London Stock Exchange during the first half of 2010.

Changes in management

In June, Ruukki Board member Jelena Manojlovic was elected as the Chairperson of the Board. The previous Chairman, Alwyn Smit, continued as the Chief Executive Officer as well as a Board member. Ruukki Group Plc's Deputy CEO Antti Kivimaa, in charge of Group's Wood Processing businesses, resigned from the Company at the end of the third quarter 2009.

On 1 October 2009, the Board of Ruukki Group Plc appointed a new CEO of the Wood Processing business, Thomas Hoyer, and an operative management team to Ruukki Yhtiöt Oy, the subsidiary which will become the parent company for all the Wood Processing assets of the Group. In early November, Dr. Danko Koncar started as CEO of the Minerals business. Further, Dr. Alistair Ruiters joined the Group as CEO of Ruukki South Africa (Pty) Ltd, taking over responsibility for the Group's South African business.

Cancellation of treasury shares

Ruukki Group Plc's Board of Directors decided to cancel 29,000,000 treasury shares held by the Company in February 2009. The cancellation did not affect the Company's share capital. The registered number of shares was 261,034,022 after the cancellation, which became valid after it was registered at the Trade Register on 17 February 2009.

Lappipaneli Oy's legal proceedings against Sampo Bank Plc

Ruukki Group Plc announced on 7 July 2009 that its subsidiary, Lappipaneli Oy, has filed an action for damages at Helsinki District Court against Sampo Bank Plc which belongs to the Danske Bank Group. The matter concerns disagreements related to currency hedging transactions. The district court proceedings are not finished.

Audit committee members

Ruukki Group Plc's Board decided that from 21 January 2009, the Audit Committee will comprise three members. Thomas Hoyer and Markku Kankaala were appointed as new members with Jelena Manojlovic continuing on the committee. Thomas Hoyer was elected as chair. As from 6 October 2009, the Audit Committee has consisted of two members, Jelena Manojlovic (chair) and Markku Kankaala, since Thomas Hoyer started as the CEO of the Group's Wood Processing business. It is intended that the audit committee will be strengthened later in conjunction with any future general meetings of shareholders electing Board members.

Rautaruukki's dispute against Ruukki Group

On 21 December 2009, Ruukki Group received information from the release of Rautaruukki Corporation that Rautaruukki Corporation has initiated legal proceedings against Ruukki Group Plc. According to Rautaruukki Corporation, it has taken legal action in the Helsinki District Court against Ruukki Group Plc and its subsidiaries owing to increases in the registration of certain company names and business activities. According to Rautaruukki Corporation, it has also initiated legal proceedings in those countries where Rautaruukki Corporation claims to have earlier rights to the Ruukki name.

KEY EVENTS AFTER THE FINANCIAL YEAR 2009

CORPORATE ACTIVITY

Acquisition of Intermetal Madencilik ve Ticaret A.S.

In February 2010, Ruukki Group's Turkish subsidiary, Türk Maadin Sirketi A.S., acquired 99.00% of the shares in Intermetal Madencilik ve Ticaret A.S. ("Intermetal"). The rationale of the transaction was to expand the Group's chrome ore reserves base in Turkey. Intermetal has six chrome ore exploration and exploitation licenses with a total land area of about 7,000 hectares. There is no external quantification of the total minerals reserve of Intermetal's license areas. The purchase consideration of Intermetal's shares was close to USD 0.5 million (EUR 0.3 million) and was paid in cash.

OTHER DEVELOPMENTS

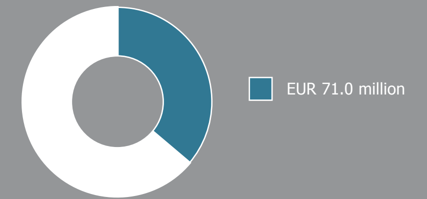
Cancellation of treasury shares

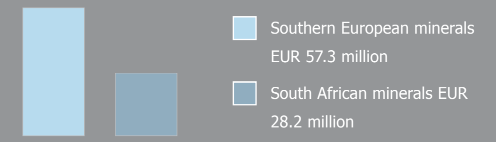
In January 2010, Ruukki Group Plc's Board decided to cancel 13,052,022 treasury shares held by the Company. The cancellation did not affect the Company's share capital. After the cancellation, the Company holds 8,735,895 of its own shares. The registered number of shares was 247,982,000 after the cancellation, which became valid after it was registered at the Trade Register on 2 February 2010.

Changes in management

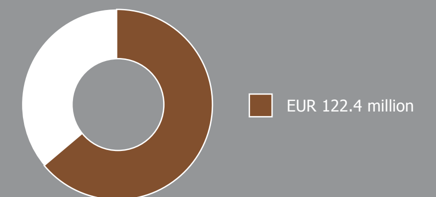
In January, Ruukki Group Plc's Deputy CEO Jukka Havia, responsible for finance and acquisitions, resigned from the Company and will move on to new responsibilities outside Ruukki Group. He continues in his duties until 15 April 2010. In February 2010, Ilona Halla was nominated CFO of Ruukki Group Plc. In early March 2010, Mr. Johan Oosthuizen, the CEO of Mogale, was dismissed by the Mogale Board, but he continues his role as a Board member. At the same time Mr. Callie Pienaar was elected to Chief Operating Officer position at Mogale.

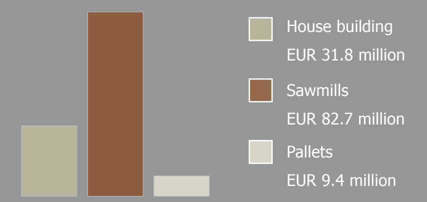
Revenue Minerals business





Revenue Wood Processing business





DEVELOPMENT BY SEGMENT

General overview of group structure and strategy

Ruukki Group Plc is a Finnish-incorporated parent company of a group of businesses engaged in the processing of minerals at operations based in South Africa and Europe. The facilities and expertise of the Group's minerals processing businesses enables them to produce a diverse range of products, including various grades of ferrochrome and other ferroalloys. Once processed, the end-products are distributed internationally by the Group's minerals sales team to customers operating in the stainless steel, automotive, aerospace and power plant industries.

In addition to its minerals processing businesses, the Group has wood processing subsidiaries located in North-Western Finland in the house building, sawmill and pallet sectors. The wood business restructuring alternatives in relation to the wood processing assets were evaluated during 2009 and Wood Processing segment changed its focus to increase the relative importance of house building by disposing of some non-core sawmill assets not suitable to the Group strategy.

MINERALS BUSINESS

Revenue and profitability of the Minerals segment (Mogale consolidated from 1 June 2009):

EUR million	1-12/2009 12 months	11-12/2008 2 months
Revenue	71.0	12.3
EBITDA	10.4	1.9
EBITDA margin	14.6%	15.3%
EBIT	-30.1	-1.0
EBIT margin	-42.3%	-8.1%

Minerals business segment 2009 EBIT was considerably affected by the EUR 19.1 million impairment of Mogale Alloys goodwill.

Quarterly revenue and profitability of the Minerals segment as of 1 November 2008:

EUR million	10-12/2009 3 months	7-9/2009 3 months	4-6/2009 3 months	1-3/2009 3 months	11-12/2008 2 months
Revenue	27.3	19.2	11.7	12.8	12.3
EBITDA	7.8	1.3	0.6	0.7	1.9
EBITDA margin	28.5%	7.0%	4.9%	5.4%	15.3%
EBIT	-17.5	-4.8	-4.2	-3.6	-1.0
EBIT margin	-64.1%	-24.9%	-35.7%	-28.1%	-8.1%

During 2009, the Minerals business segment's sales and production volumes substantially declined from 2008 levels, especially in the Southern Europe's specialty grade ferrochrome business; however, operating profitability, as measured by EBITDA, remained quite good for year as a whole even though the 2009 was challenging in the key markets where the Group operates. The German toll manufacturing smelter was shut down in Q1/2009, Q3/2009 and Q4/2009 for few months to adjust the production volumes to meet customer demands. The Turkish underground mining operations were also halted for the latter half of 2009. The fourth quarter volumes and EBITDA increased from Q1-Q3/2009 levels, driven partially by the reversal of earlier destocking by the stainless steel industry customers. The Group's product mix was continuously adjusted in 2009 to optimise demand and profitability, with the specialty grade ultralow carbon ferro-chrome products gaining more ground towards the end of the year.

During the fourth quarter, the segment management was strengthened when Dr. Danko Koncar joined as the segment CEO, and Dr. Alistair Ruiters as CEO of Ruukki South Africa.

The key operating subsidiaries of the segment were:

» RCS Ltd (100%), Malta;
» Türk Maadin Sirketi A.S. (98.7%), Turkey;
» Mogale Alloys (Pty) Ltd (84.9%), South Africa;
» Elektrowerk Weisweiler GmbH (0.0%), Germany.

Southern European minerals business

The specialty grade ferrochrome production of the Group's European operations has been adjusted to meet demand; as a result, sales and production volumes were lower than previous year. The product mix changed significantly during 2009, both to secure the profitability and operational cash flow as well as to meet customer demands.

In May, an investment project was started in Turkey to build a new chromite beneficiation plant, which is expected to be finalised in April 2010. The plant should reduce production costs as on-ground tailings dumps can be utilised instead of mining the ore underground.

Production volume for 1-12/2009, at the German manufacturing site EWW, totalled 14,074 metric tons of special grade ferrochrome (for 11-12/2008: 2,408 tons). In 2009, the Turkish subsidiary of the Group produced altogether 17,224 (11-12/2008: 3 563) tons of chrome ore concentrate for intra-group use, and in addition, lumpy chrome ore for external customers 8,742 (11-12/2008: 0) tons. The Turkish subsidiary has on the balance sheet on 31 December 2009 EUR 1.4 (0.7) million activated expenses related to exploration and drilling activities.

South African minerals business

After the Mogale Alloys (Pty) Ltd acquisition at the end of May 2009, as part of the integration process, Mogale products have been sold via RCS Ltd from Q3/2009, the Group's own trading arm. This action saves costs and gives more versatile products mix for the customers. Effective from July, South African Electricity Supply Commission (ESKOM) effected about a 40% increase in electricity prices, which had a negative impact on profitability. The new 12 MVA DC furnace production was started in August, which both tied resources in the third quarter and negatively affected the operations for other furnaces.

Since Ruukki announced in October that the intended Sylvania Resources merger implementation was terminated, the plan to become a vertically integrated chrome and PGM (platinum group metals) producer will not be realised in its original form. Based on the merger preparations, a total of EUR 2.1 million expenses were recognised in Ruukki Group's consolidated income statement for 1-12/2009.

During the latter half of 2009, a feasibility study was finalised for an additional DC furnace. Although preparations continue, there are no resolutions yet as to whether the investment will be made. There are also some ongoing investigations to find feasible ore resources, potentially via acquisition, for Mogale's smelting operations. Moreover, there are also a number of ongoing environmental development projects at Mogale.

Exchange rate changes have a major impact on the profitability in EUR terms and directly on the deferred purchase consideration of ZAR 800 million.

The ZAR 150 million purchase consideration related trust payment, to incentivise Mogale management, has been recognised as personnel expense in the Group accounts by accruing that evenly over a 5-year term.

Key financial performance indicators for the Southern European minerals business:

EUR million	1-12/2009, 12 months	11-12/2008 2 months
Revenue	57.3	12.3
EBITDA	10.0	1.9
EBITDA margin	17.4%	15.3%
EBIT	-6.9	-1.0
EBIT margin	-12.0%	-8.1%

Revenue above includes from Q3/2009 onwards also the sales of the Mogale products, which the Group have post-Mogale acquisition channelled through Group's Maltese distribution centre. As there is only a percentage commission on those sales, it affects the relative profitability of the Southern European minerals operations presented above.

Key financial performance indicators for the South African minerals business:

EUR million	6-12/2009 7 months
Revenue	28.2
EBITDA	0.4
EBITDA margin	1.6%
EBIT	-23.1
EBIT margin	-82.1%

” Production volume for 6-12/2009 at Mogale Alloys totalled 48,071 metric ton of various ferroalloys.

MOGALE
ALLOYS

WOOD PROCESSING BUSINESS

Revenue and profitability of the Wood Processing business:

EUR million	1-12/2009 12 months	1-12/2008 12 months	10-12/2009 3 months	10-12/2008 3 months
Revenue	122.4	144.9	32.9	36.4
EBITDA	17.1	14.5	11.5	2.9
EBITDA margin	14.0%	10.0%	35.0%	7.9%
EBIT	13.6	-13.7	12.1	-7.7
EBIT margin	11.1%	-9.5%	36.8%	-21.3%

Due to the sale of Lappipaneli Oy's assets at the end of the year, a EUR 2.1 million impairment recognised in 2008 on tangible assets was reversed in December 2009 which positively contributed to 2009 EBIT.

Moreover, at the end of 2009 the Group's subsidiary decided to terminate the put options written by the Group in relation to Junnikkala transaction, which led to a EUR 5.3 non-recurring bookkeeping gain positively affecting both EBITDA and EBIT. The termination was carried out due to material adverse change in financial results of Junnikkala compared to the business plan being part of the original transaction documentation. Ruukki Group owns 51.02% of Junnikkala Oy shares, and from December 2009 it has separated the 48.98% minority share. Ruukki Group still has the call options to buy the remaining 48.98% of Junnikkala shares. These call options vest after 2010 financial year, but the Group is not obliged to exercise the options.

Quarterly revenue and profitability of the Wood Processing business for 2009:

EUR million	10-12/2009 3 months	7-9/2009 3 months	4-6/2009 3 months	1-3/2009 3 months
Revenue	32.9	25.9	31.9	31.7
EBITDA	11.5	1.1	1.1	3.4
EBITDA margin	35.0%	4.1%	3.6%	10.7%
EBIT	12.1	-0.4	-0.2	2.1
EBIT margin	36.8%	-1.4%	-0.7%	6.6%

During 2009, sales volumes in general fell substantially from those of 2008. In the sawmilling sector, sales prices also declined for the first half of the year, which was somewhat offset by the lower input prices. The low level of capacity utilisation affected profitability negatively, since fixed costs could be adjusted down only to a minor extent. In the house building business area, the low level of new sales in 2008 and early 2009 meant that 2009 deliveries, and thereby revenue was clearly lower than in 2008.

At the end of 2009, it was resolved that more emphasis in the Wood Processing business will be put on house building. As a result of this refocusing, some of Group's sawmill units were divested at the end of 2009.

The key subsidiaries of the segment were:

» Pohjolan Design-Talo Oy (100%), house building;

» Junnikkala Oy (51%), sawmill business; and

» Oplax Oy (100%), pallet business.

House building

Due to very low sales at the end of 2008, the house building business delivery volumes were low for Q3/2009; however, volumes increased somewhat in Q4/2009 in particular in November. Although volumes have been low, due to lower economies of scale and the effect of fixed costs, operating profit margins have come down yet the business remains profitable. As the general sentiment and consumer confidence seems to be recovering, new sales have improved compared to the situation in 2008.

The Group is looking into opportunities to broaden its model portfolio and the geographical sales organisation in order to achieve growth. It has also started to buy land - in Q4/2009, the business area acquired land in Kirkkonummi, which is planned to be developed over the forthcoming years; other land areas are also sought for purchase. During the first half of 2009 the business area delivered a total of 31 cottages, which was the first experience of expanding into the recreational housing sector.

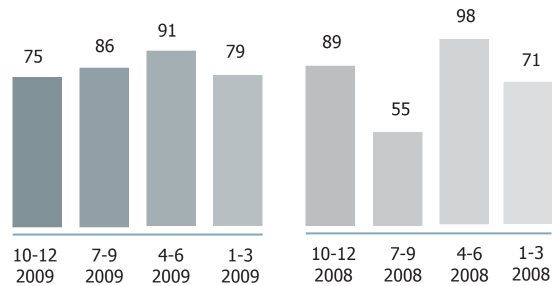
At the end of 2009 the Group had an order book of 285 (31.12.2008: 185) houses with a total value of EUR 40.1 (25.0) million excluding VAT.

Key financial performance indicators for the house building business:

EUR million	1-12/2009	1-12/2008
Revenue	31.8	50.4
EBITDA	7.2	10.4
EBITDA margin	22.6%	20.6%
EBIT	6.8	10.1
EBIT margin	21.5%	20.0%

Sawmill business

The volume of sawn timber production (1,000 m³):



Key financial performance indicators for the sawmill business:

EUR million	1-12/2009	1-12/2008
Revenue	82.7	87.1
EBITDA	8.4	2.3
EBITDA margin	10.1%	2.7%
EBIT	6.2	-21.8
EBIT margin	7.5%	-25.0%

During the second half of 2009, the Group's sawmill units were able to generate better earnings than during the first half, even though the profitability is still not adequate. In the sawmill business, the availability of logs has remained tight thus limiting, to some extent, the output volumes and levelling off log purchase price decline. In general, the market demand was weak for the review period, but there was some pick-up in demand and prices to the end of the year, partially due to decreased industry supply. As the pulp mill production in the vicinity of the Group's sawmills has been decreasing, chip sales prices have been negatively impacted. The key customer segment of the sawmill business, the house building and construction industry, has lately shown sign of recovery - a trend that has positively contributed to the financial performance.

During Q4/2009, the Group disposed of Tervolan Saha ja Höyläämö Oy. Furthermore, it sold the working capital related assets of Lappipaneli Oy, and the related fixed assets are to be divested in April 2010, which reduced the total annual output capacity of the sawmill business from about 500,000 m³ to about 300,000 m³ from the beginning of 2010.

Sawmill businesses EBITDA excluding non-recurring Junnikkala put option related gain was EUR 3.1 million for 1-12/2009, which corresponds to about 3.7% of revenue. Sawmill business EBIT was EUR 1.1 million negative (-1.4% of revenue) when both Junnikkala put option termination and Lappipaneli related reversal of impairment would be excluded.

Did you know that...

- » the northern slow-growing wood is especially suited for construction industry due to its strength properties.
- » the sawing by-products can be utilised in bio energy generation and as raw material for the pulp industry.
- » the wooden loading pallets are used as transportation pads for our customers' products, e.g. in the paper industry.

Pallet business

The pallet business was generally steady during 2009, even though one of its key customer segments, the paper industry, has been suffering from the general economic decline and periodical shutdowns. The operative profitability has remained quite stable.

Key financial performance indicators for the pallet business:

EUR million	1-12/2009	1-12/2008
Revenue	9.4	9.2
EBITDA	1.5	1.7
EBITDA margin	16.0%	19.0%
EBIT	0.5	-2.1
EBIT margin	5.5%	-22.4%

OTHER OPERATIONS

Associated companies were consolidated in the Group financial statements by applying the equity method. The income from associates for 1-12/2009 was positive for a net amount of about EUR 0.1 million, but EUR 0.9 million impairment on the shares of associates was recognised in 2009. In November Ruukki Group sold its stake in Cybersoft Oy in cash realising a sales gain of EUR 0.5 million.

For the financial year 2009 the total negative EBITDA of the other operations, not included in the two separately reported segments, was EUR 8.1 million, of which negative 1.6 million was related to Russian projects, to main extent that loss being derived from the sales loss on terminating Russian subsidiaries. The Group's parent company recognised EUR 1.0 million option expenses for the financial year 2009. In relation to London listing preparations EUR 1.9 million expenses were recognised in 2009.

GROUP PERSONNEL

At the end of the financial year, Ruukki Group's number of employees was 893 (2008: 721), and accordingly for the parent company 9 (8). The average headcount was 824 (913) during the financial year. The Group's personnel expenses for 2009 were EUR 28,229,894.28 (37,358,317.38). There were altogether EUR 990,755.92 (878,213.96) expenses recognised in the profit and loss account based on option and other share-based payments as depicted by the IFRS 2 standard.

The Group has several different business areas. The number of personnel, geographical location and tasks vary significantly between the business segments. The number of personnel by segment was the following at the end of the year:

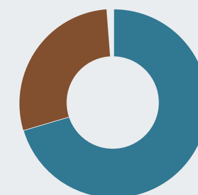
	31.12.2009	31.12.2008	31.12.2007
Minerals business	**629**	**404**	**-**
Southern Europe	357	404	-
South Africa	272	-	-
Wood Processing business	**253**	**301**	**230**
House building	91	99	118
Sawmill business	116	150	80
Pallet business	46	52	32
Russian projects	2	8	10
Group management	9	8	7
Discontinued operations	**-**	**-**	**711**
Total personnel	**893**	**721**	**958**

Did you know that...

» Of the employees, on 31 December 2009 altogether 633 worked abroad (70.9%) and 260 (29.1%) in Finnish entities.

» At the end of previous year, altogether 56.6% of the total employees worked abroad and 43.4% in Finland for the Finnish group companies.

Personnel by segment on 31.12.2009
Group total: 893



Minerals: 629
Wood Processing: 253
Other operations: 11

OUTLOOK FOR THE FUTURE

GUIDANCE AND OUTLOOK 2010

In the beginning of 2009, the Board of Directors of Ruukki Group Plc decided to emphasise cash flow generation from all of its operations, and this is still a valid operational principle for 2010. The Group is looking for expansion opportunities and potential acquisition targets within the current main business areas. Ruukki Group evaluates restructuring alternatives in relation to the Wood Processing assets.

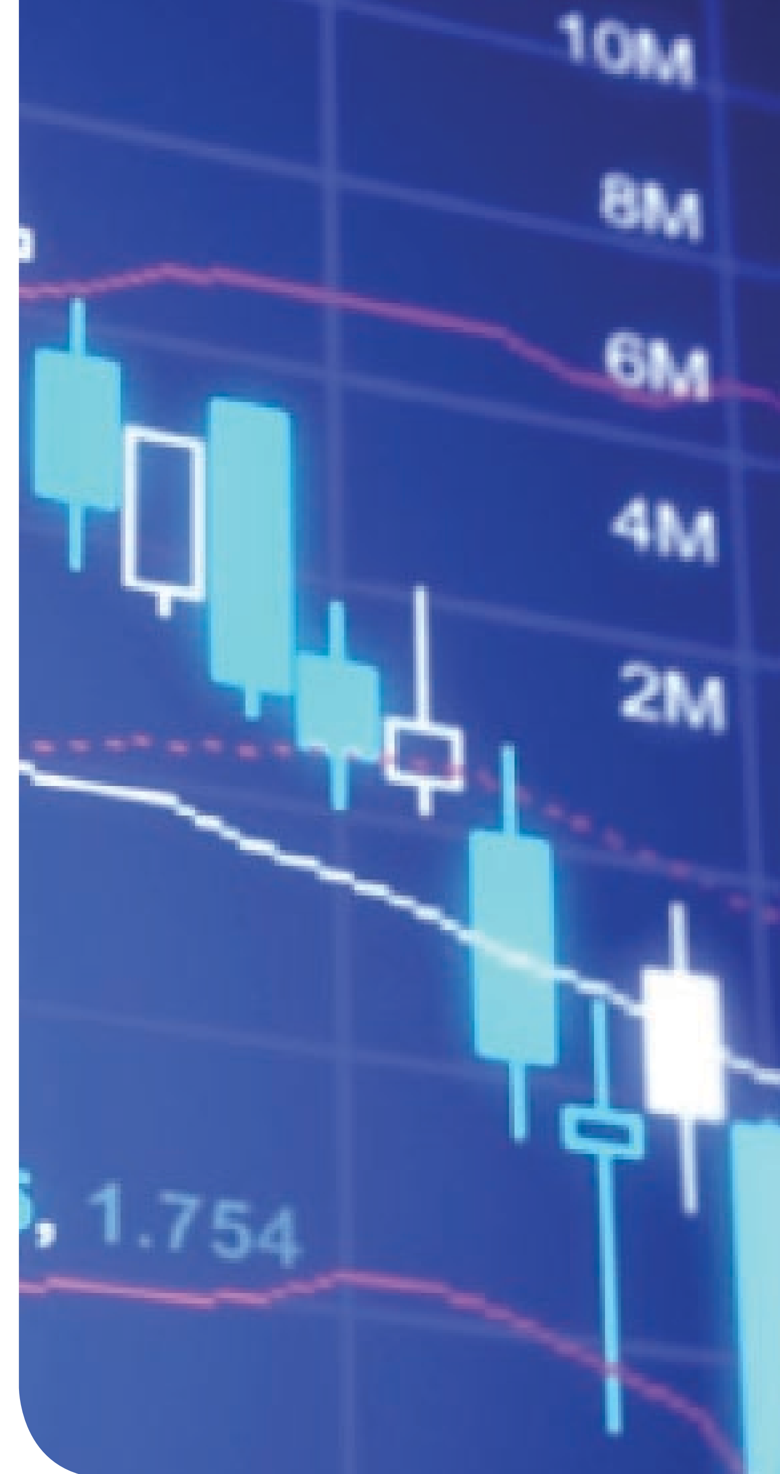
Ruukki Group Plc is preparing for a listing on the London Stock Exchange. In order to follow the international market practices of listed minerals companies, the Board of Directors of Ruukki Group Plc decided to change the way of presenting the future outlook compared to the past practice of the Company in conjunction with the February 2010 announcement of the financial statements review for the financial year ended 31 December 2009. The Board of Directors also takes the view that the new policy on future guidance better reflects the way in which the Board follows the development of the Company's business in the future as the Company has moved into new markets. Hence, EBITDA guidance will no longer be provided, for example.

FUTURE OUTLOOK

Global economic recovery remains fragile, but the Company expects demand for Ruukki Group's products to be better in 2010 than in the previous year in the Company's major markets. The economic environment is still in a fragile state and any growth in the markets the Company serves is expected to be modest. In general, production volumes have been increasing, but visibility entering into 2010 is low.

Ruukki Group's minerals units have been recovering after the recent downturn and the Company sees increased demand, which is expected to result in higher volumes and better prices for the Company's products in 2010. The main risk factor for the Company's profitability is input prices, mainly the development of the price of raw materials and electricity. The Company's production units have a flexible operational model and therefore the Company believes that it can quickly adapt to changes in volumes or alternatively, by adjusting the product mix, and take advantage of price differences between various types of metals. Despite recent positive signals, the current state of the minerals sector is filled with high uncertainty, and therefore the visibility on future financial performance remains very low.

Ruukki Group's wood processing units have been enjoying improved market conditions and demand has been increasing. However, the construction industry, which is the end market for a majority of Ruukki Group´s wood processing products, has been suffering significantly in 2009. Client activity is still at historically low levels in the industry and visibility remains weak. The Group's house building unit has increased its sales volume in 2009 and this trend is expected to continue also in 2010. The Group's sawmill unit has recovered, but the sawmill sector is generally in a challenging state and the Company believes that any increase on the supply side would risk the recovery of the whole sawmill market. The Group's pallet business has been relatively stable through the downturn, but also in this sector the Company is highly dependent on changes in the general economic climate. The major risk for Ruukki's wood processing units lies in production and raw material costs, where after two years of decreasing prices in the industry there is now pressure for increases.



RISKS RELATED TO OPERATIONS

The main risks relevant to the Group and their implications are discussed below. Certain risks and the risk management of the Group are presented in more detail in the notes to the consolidated financial statements in the section 'Commitments and risks'.

The risks and uncertainties described below are not the only ones the Group faces. The risks are categorised reflecting the Group's structure and business operations. Additional risks and uncertainties not presently known to the Directors or that the Directors currently deem immaterial may also have a material adverse effect on the Group's business, financial condition or operating or financial results and could negatively affect the price of the shares.

> The price and availability of raw materials has a significant effect on the Group's businesses.

RISKS RELATING TO THE GROUP AND ITS BUSINESSES

The Group's financial performance is dependent on cyclical businesses and on commodity prices which are cyclical and volatile

The Group's business portfolio comprises two main business divisions: (i) its minerals processing businesses and (ii) its house building and wood processing businesses, both of which are cyclical in nature and significantly affected by changes in the world and regional economies and changes in industry capacity and output levels.

There has been a significant drop in demand for and prices of the Group's minerals processing businesses' products due to the current economic environment, in particular the reduction in demand for specialist steels in end products in the automotive, aerospace and other industries in which the majority of the Group's chrome and ferrochrome products are used. There has also been a significant drop in demand for and prices of the house building and wood processing businesses' products due to the economic downturn, in particular the reduction in demand for houses and the reduction in the use of wood in the construction industry.

As a consequence of this reduced demand, a number of the Group's biggest competitors have reduced their output and some have temporarily closed certain production facilities. However, if the competitors' minerals processing facilities and sawmills which are temporarily closed restart their production earlier or with higher volumes than expected, whether due to the recovery of particular markets or for other reasons, market prices may decline from the forecasted levels. This would have a material adverse effect on the business, financial condition or operating or financial results of the Group.

If market prices trend downwards and/or if demand does not improve, some competitors might have to sell their products at low prices to generate cash; this could directly and indirectly have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The price and availability of raw materials has a significant effect on the Group's businesses

Although the Group's goal is to become a fully integrated mine-to-metals minerals producer and processor, the Group is currently not fully vertically integrated and the majority of raw materials used in its businesses are purchased from third parties. As a result, the price of raw materials plays an important role in the profitability of various companies within the Group.

If the price of raw materials develops unfavourably from the Group's perspective and/or if the availability of raw material is hindered or prevented, this may limit the profitability or viability of any pending or future investments and might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group will incur costs and forego revenues as a result of curtailed production

In an effort to avoid oversupplying markets or building up an inventory of unsold products during the current en-

vironment of depressed pricing and demand, the Group has curtailed its production by temporarily closing certain production facilities, running facilities significantly below full capacity and reducing headcount. This practice imposes costs both directly, in the form of closing costs, the costs of then resuming production and redundancy payments; and indirectly, in the form of revenue foregone, deterioration of assets and the resulting increase in unit costs from reduced economies of scale. These costs may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group's plans have involved and are likely to involve further acquisitions and the development of existing and new business interests, which requires project management, execution and integration

Acquisitions have formed an integral part of the Group's operational development and the Group expects to continue a strategy of identifying and, subject to market conditions, acquiring and investing in businesses at the appropriate time with a view to expanding and/or diversifying its operating businesses.

There can be no assurance that the Group will continue to identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or its investment; or acquire businesses on satisfactory terms; or that any business acquired will prove to be profitable. Furthermore, there can be no assurance that any particular transaction will ultimately be completed. For example, although the Group entered into a merger implementation agreement for the acquisition of Sylvania Resources Limited in June 2009, a number of obstacles hampering the potential acquisition were encountered and the transaction was called off.

Acquisitions and investments involve a number of risks. These include: possible adverse effects on the Group's operating results; diversion of the management's attention; failure to retain key personnel; risks associated with unanticipated events or liabilities; difficulties in the assimilation of the acquired operations, technologies, systems, services and products; and risks arising from the change of control provisions in contracts of any acquired company. Some of the businesses that the Group may acquire in the future may require substantial capital investments to be made in order to maximise their economic potential to the Shareholders. Further, the Group's integration strategy may also be influenced by local factors in the markets in which it has made and makes acquisitions, such as black empowerment in South Africa. Any failure to successfully make further acquisitions and to achieve successful integration of such acquisitions could have a material adverse effect upon the results of operations or financial condition of the Group.

The Group may be unable to manage effectively the expansion of its operations

The Group's plans involve the expansion of certain of its existing businesses and may also wish to expand and develop any new businesses it acquires. There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of the management to effectively manage the Group's growth and development could have a material adverse effect upon the results of operations or financial condition of the Group.

In addition to potential acquisitions, the Group is considering entering into joint ventures in the future, which may not be successful, and which necessarily involve special risks in addition to risks applicable to general acquisitions and other investments. Joint venture partners may have economic or business interests or goals that are inconsistent with or opposed to those of the Group; they may also block actions that the Group believes to be in its or the joint venture's best interests, take action contrary to the Group's policies or objectives, or be unable or unwilling to fulfil their obligations under the joint venture.

Any failure to successfully invest in a joint venture and any failure to operate the joint venture successfully with any joint venture partner could materially adversely affect the business, financial condition or operating or financial results of the Group.

The Group is dependent on the attraction and retention of key employees

The Group is dependent on the technical and management expertise of a small number of key personnel. The loss of key personnel may have an adverse effect on the Group's ability to operate certain facilities, duly produce and process information and its ability to carry out the Group's intended strategy which may affect the result of its operations. The Group's future success will depend on its ability to attract, train and retain suitably skilled and qualified personnel at the relevant locations (some of which are remote), which is not guaranteed. Any failure to retain such existing personnel and to attract appropriately skilled new personnel may materially adversely affect the business, financial condition or operating or financial results of the Group.

Labour disputes could lead to lost production and/or increased costs

Some of the Group's employees are represented by labour unions and collective labour agreements. The Group may not be able to satisfactorily renegotiate its collective labour agreements when they expire and may face tougher negotiations or higher wage demands than would be the case for non-unionised labour. In addition, existing labour agreements may not prevent a strike or work stoppage at its facilities in the future; this could have a material adverse effect on the business, financial condition or operating or financial results of the Group. Many of the Group's employees are based in jurisdictions where wages are typically significantly below levels in more mature markets. As the economies of such emerging markets develop, it is possible that there will be above average inflationary pressures on wages compared to more mature markets; this may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group is in the processes of centralising various management functions and may incur costs and/or suffer inefficiencies as a result of its management structure and the changes

The Group has historically operated a decentralised management structure, with a small central management team and significant autonomy being exercised by the Group's subsidiary companies. Members of the central management team may not have prior personal operational experience of the Group's main business areas or any new business areas which the Group may acquire or expand into in the future. The Group's senior management structure has undergone significant changes in the last six months and a number of the current management team are new to the Group.

The Group is in the process of centralising various head office functions including: the treasury, budgeting, contract management, risk management or IT arrangements; functions within its minerals processing segment; and its house building and wood processing segments. The Group will incur costs as a result of this restructuring and the benefits it hopes to realise by implementing the changes may not be achieved. Where functions are duplicated as a result of the Group's current and/or future arrangements, the Group may suffer from inefficiencies and additional costs which would not be incurred or suffered had the Group adopted other management arrangements. The Group has also outsourced functions which other more integrated groups may conduct internally; this may be more expensive and/or less efficient than carrying out these functions internally. Any such costs and inefficiencies could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group is exposed to fluctuations in currency exchange rates

The Group is exposed to risk from currency fluctuations because of mismatches between the currencies in which operating costs and purchase liabilities are incurred, and those in which revenues are received or deposited and finance facilities are denominated. The Group is also exposed to indirect risk from currency exchange risks, which may benefit its competitors and correspondingly reduce its relative competitiveness. The exchange rate risks are not hedged either at a group level or by the individual companies concerned. Fluctuations in currency exchange rates could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

Foreign exchange rate risks have increased significantly as a consequence of the Group's acquisitions of its minerals businesses, particularly the Mogale acquisition. The unpaid nominal purchase consideration (excluding interest expenses) is close to ZAR 800 million (approximately EUR 75 million at the 31 December 2009 spot exchange rate of 10.67 for EUR/ZAR).

Moreover, since the commodities bought and sold by the minerals businesses are predominantly denominated in USD, and expenses and investment are partly in EUR and other foreign currencies including the South African rand and Turkish lira in addition to the USD, the Group's operational foreign exchange risks have increased.

The Group's insurance policies may be insufficient to cover potential losses

Ruukki Group considers that the Group's insurance cover is in line with market practice for companies in its industries. However, insurance fully covering many environmental risks and political risks is not generally available to the Group or to other companies in its industries. Furthermore, most insurance policies are arranged by Ruukki Group's subsidiaries and do not cover the Group's parent company. No assurance can be given that any insurance will continue to be available, or that it will be available at economically feasible premiums.

The actual losses suffered by the Group may exceed the Group's insurance coverage and would be subject to limitations and excesses, which could be material. The realisation of one or more damaging events for which the Group has no or insufficient insurance cover might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The economic situation has affected payments and credit risks in relation to some of the Group's customers and availability of credit insurance

The ongoing economic recession has changed the payment behaviour of some of the Group's customers and they have prolonged their payments. The risk of payment defaults, or even credit losses, has therefore increased. As a result, credit insurance for such risks is only available on less favourable terms (including at higher premiums). Any deterioration in the economic situation either generally or in the particular industries industries in which the Group's customers and counterparties operate could increase the credit risk. This may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group's existing indebtedness and any new facilities may affect its operating flexibility

The Group finances its operations with equity-based funding and debt financing. Part of the Group's debt financing has covenants and other conditions that are tied to the Company's or its subsidiaries solvency, profitability or to the Group's share of ownership in particular group companies. These restrictions could affect the other funding of the Group in the future or, correspondingly, they could to a certain degree delay the repayment of debts from a subsidiary to Ruukki Group or require negotiations with financers.

If the negative outlook for global banking and credit markets continues for a prolonged period, the Group's access to finance may be restricted; this, in turn, may limit the Group's ability to grow via acquisitions and to invest capital into expansion projects within its current businesses. Moreover, the cost of financing may be significantly increased and the terms on which any new or renegotiated finance facilities are available may be considerably less favourable to the Group compared to its historical situation (which could include requirements to agree to covenants that place additional restrictions on its businesses). Any such funding restriction, additional costs and the impact of any covenant could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group is exposed to fluctuations in interest rates

The Group's debt finance is entirely subject to floating interest rates. Although a small proportion of the Group's liabilities, such as certain earn-out liabilities, are non-interest bearing, the majority of these, including the Mogale nominal purchase consideration and Junnikkala Oy's investment and working capital facilities, are also interest bearing, again at floating rates. The Group does not currently hedge its interest rate exposures. These interest payments are partially off-set by the interest receivable on the Group's cash in hand; however, there is no guarantee that increases in interest rates on the Group's debt will be matched by increased interest received on its deposits. Accordingly, changes in interest rates may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

Interest rate changes may also indirectly affect the conditions in which the business units operate; for example, the demand for ready-to-move-in houses, constructed by the Group's house building business, depends on the prevailing interest rate, given the impact this has on customers' finance arrangements.

The Group's results of operations could be materially adversely affected by the impairment of assets and goodwill under IFRS

The Group recognised net impairment loss of EUR 17.0 million in its 2009 financial statements: EUR 19.1 million impairment of goodwill in its South African minerals business and EUR 2.1 million reversal of impairments in the sawmill business. During 2008 the impairments totalled EUR 41.0 million in respect of its assets in its previous furniture business, its sawmill business and Russian projects. The write-downs in relation to the investments in equipment purchased in anticipation of expansion into Russia, with which the Group has subsequently decided not to proceed, totalled EUR 17.7 million in 2008.

The Group may be required to recognise other asset impairment charges, as a result of impairment indicators which could include: a weak economic environment; challenging market conditions; fluctuations in longterm commodity prices; and changes to long-term plans. In accordance with IFRS, the Group does not amortise goodwill but rather tests it annually for impairment. Goodwill impairments cannot be reversed. The Group may also be forced to revalue inventories if sale prices remain depressed in the long term or reduce further. Any such impairment or evaluation could have a material adverse effect on the operating or financial results of the Group.

The Group may be subject to additional tax liabilities

The Group's main tax risks are related to changes in or possible erroneous interpretations of tax legislation. Changes or erroneous interpretations could lead to tax increases or other financial losses. Realisation of this type of risk might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

It is possible that the Group has made interpretations on the tax provisions that differ from those of the tax authorities and that as a result, the tax authorities will impose taxes, tax rate increases or other consequences on the Group's companies. This could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

Did you know that...

» The Group's goal is to become a fully integrated mine-to-metals minerals producer and processor.

RISKS RELATING TO THE MINERALS PROCESSING BUSINESSES

Increases in energy and fuel prices and any interruptions in supply will adversely affect the Group

The Group's operations and facilities, particularly its minerals processing operations in Germany and South Africa, are intensive users of energy, primarily electricity. The procurement dynamics of these and other energy types are becoming increasingly connected as supply and demand conditions become more interdependent on a global basis. Fuel and energy prices globally have been characterised by volatility coupled with general cost inflation in excess of broader measures of inflation. The Group's exposure to energy and electricity prices and its reliance on the supply of electricity and other energy sources have thus increased. This is following its increased investment in its minerals businesses - an area of the Group's portfolio, such as wood processing, that consumes more energy and electricity than other areas.

In particular, in South Africa, the electricity supply, price and availability are essentially controlled by one entity, namely Eskom. Increased electricity prices and/or reduced or unreliable electricity supply may prevent the Group from carrying out its current operations or from expanding its business operations as it so desires; this might have a material adverse impact on the business, financial condition or operating or financial results of the Group.

In addition, increases in fuel prices may lead to third party transport service providers increasing transportation charges, thus resulting in an increase in the cost of sales. Any increase in energy costs would increase the cost of sales and decrease competitiveness relative to any competitors who have access to cheaper sources of energy or who have lower energy requirements. In particular, although the direct current furnaces operated by Mogale have certain advantages over traditional arc furnaces, they have higher electricity consumption per unit output; any increase in electricity prices, therefore, would reduce their relative competitiveness. If the Group is unable to pass on any price increases to its customers, the business, financial condition or operating or financial results of the Group may be materially adversely affected.

The minerals processing businesses' revenue and earnings depend upon prevailing prices for the commodities

The minerals processing businesses' revenue and earnings depend upon prevailing prices for the commodities it produces (such as low carbon and ultralow carbon ferrochrome, ferrochrome, silico manganese and stainless steel alloys) and any raw material commodities it purchases (such as UG2, chrome ore, manganese ore, ferrosilicochrome, silicon, stainless steel dust and anthracite) which the Group is unable to directly control. The management believes that future trends in prices are particularly difficult to predict at present.

Historically, commodity prices have been volatile and subject to wide fluctuations in response to relatively minor changes in supply and demand, market uncertainty, the overall performance of world or regional economies and the related cyclicality in commodity consuming industries, such as stainless steel production and market speculation by futures traders and other speculators.

In the past, commodity prices have exhibited a broadly upward trend, reflecting demand generated by global economic growth and industrialisation. Recently, however, the rapid deterioration of the global macroeconomic environment has led to reduced demand globally, stock draw-downs or the increased use of scrap or recycled materials by potential customers and the unwinding of speculative positions by commodities traders. As a result, commodity prices, including prices of those commodities produced by the Group, have fallen significantly over a relatively short period of time from their previous highs.

The Group does not currently engage in hedging against movements in commodity prices. As a result, adverse movements in commodity prices may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

Furthermore, as the majority of the commodities purchased and sold by the Group are not end commodities for which futures markets exist, the markets for these materials are less sophisticated than other commodities for which a futures market exists and react in different ways to market events than commodities for which there are developed futures markets.

The minerals processing businesses operate in competitive markets and the Group's failure to compete effectively could adversely affect the Group

The Group competes against a large number of mineral processing companies globally, including mineral companies with capabilities, personnel and financial resources which are substantially greater than the Group's. These include large diversified minerals processing companies and companies specialising in ferrochrome production. In competing with the ferrochrome and related mineral processing operations of larger producers, the Group may be at a competitive disadvantage. Some of these companies benefit from greater financial resources or operate furnaces and other processing plants that are lower cost producers than the Group's operations or may

benefit from other economies of scale. Competition in the industry extends to the acquisition of materials and properties as well as the technical expertise and financial ability to run and fund operations. The Group cannot be certain that its minerals processing operations will remain competitive on price or other factors. The Group may be forced to increase expenditure while being unable to increase the selling prices of its products sufficiently or in time to offset the effects of any increased costs without losing market share. It also may be forced to reduce pricing due to a competitor's pricing or other reasons without an equivalent reduction in its costs, either of which could have a material adverse effect on the results of the Group's operations. As the Group is smaller than many of its competitors, it may be less able to take advantage of any consolidation opportunities which may arise. Any failure to exploit opportunities for growth or consolidation may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group's furnaces are vulnerable to interruptions necessitating stoppages

The Group operates a number of mineral and metal processing plants; these include e.g. four furnaces in South Africa and mines and beneficiation plants in Turkey. Its European minerals processing business is also dependent on the processing facility operated by EWW, a company owned by Kermas, a major shareholder in the Company with whom it has an exclusive long-term Ferrochrome full manufacturing agreement. Mineral and metal processing plants are especially vulnerable to interruptions, such as power cuts, particularly where events cause a stoppage which necessitates a shutdown in operations. Stoppages in smelting, even for only a few hours, can cause the contents of furnaces to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, any of which could materially adversely affect the business, financial condition or operating or financial results of the Group.

The nature of mining and mineral extraction activities involves a high degree of risk

The Group's mining and mineral extraction operations carried out by its subsidiary, TMS, in Turkey are subject to a number of risks in addition to those affecting the Group's other mineral processing activities, including:

» adverse mining conditions, including unanticipated variations in grade and other geological problems, difficult surface or subsurface conditions and unusual or unexpected ground conditions, which may delay and hamper production;
» fire, flooding, rock bursts, cave-ins, landslides and the failure of pit walls or dams;
» climate change, unusual weather, seismic events or other natural phenomena; and
» other conditions resulting from drilling, blasting and the removal and processing of material associated with under-ground and/or opencast mining.

If one or more of these risks materialises, it could materially adversely affect the business, financial condition or operating or financial results of the Group.

The Group's reserve and resources estimates for its mining and mineral extraction operations may be materially different from mineral quantities that the Group may ultimately recover. The Group's estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain mineral reserves or mineral resources uneconomical to extract, which could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The minerals processing businesses are subject to numerous laws and regulations, changes to which could adversely affect the Group

The minerals processing businesses are subject to numerous health, safety and environmental laws, regulations and standards as well as community and stakeholder expectations. The Group is subject to extensive governmental regulations in various jurisdictions in which it operates. Operations are subject to general and specific regulations governing mining and processing; land tenure and use; the use and storage of chemicals and explosives; environmental requirements (including site-specific environmental licences; permits and statutory authorisations); workplace health and safety; social impacts; trade and export; corporations; competition; access to infrastructure; foreign investment and taxation. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations could cause additional expense, capital expenditures, restrictions on or suspension of the Group's operations which could materially adversely affect the business, financial condition or operating or financial results of the Group.

Evolving regulatory standards and expectations can result in increased litigation and/or increased costs, all of which can have a material and adverse effect on earnings and cash flows. The renewal of existing permits may incur significant additional expense and any failure to renew permits which are necessary for the Group's businesses may prevent the operation of the relevant part of the Group's business which could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group is subject to significant and increasing environmental regulation due to the nature of its activities

The minerals processing businesses are engaged in industrial activities that might pollute, inter alia, soil, surface and ground water, air and buildings, especially in the event of a leak or accident, and cause local noise pollution. The minerals businesses also produce large quantities of slag and other waste products. These activities might lead to breaches of environmental laws and liability for damage, and possibly also to criminal liability, such as corporate fines. If a real property currently or previously owned or used by the Group is or has been polluted due to the activities of the Group or its previous owner, this could mean that the Group would be responsible for cleaning the polluted area or for possible loss in the property's value. In addition, the Group could become subject to environmental liabilities resulting from personal injury, property damage or natural resources damage. The Group also has indirect environmental obligations and liabilities, such as post-production restoration or landscaping obligations.

The acquisition of minerals businesses has exposed the Group to greater environmental risks and regulations than its previous wood processing business and other minor or discontinued business operations.

Environmental laws and regulations are becoming more complex and stringent; the Group's environmental management programmes may be the subject of increasingly strict interpretation or enforcement or become more comprehensive resulting in financial or other penalties and/or the suspension or loss of the Group licences. The Group may also incur significant expenditures and may face operational constraints to maintain compliance with applicable existing and new environmental laws, regulations and permits to upgrade equipment at its mills, plants and other operations and to meet new regulatory requirements. The Group's reputation may suffer if it is prosecuted for failing to comply, or if it is perceived as not complying with environmental laws and regulations, which may hinder its relationship with customers, suppliers and employees. If the Group's environmental compliance obligations were to change as a result of changes to the legislation or in certain assumptions it makes to estimate liabilities, or if unanticipated conditions were to arise in its operations, the Group's expenses and provisions would increase to reflect these changes. If material, these expenses and provisions could materially adversely affect the business, financial condition or operating or financial results of the Group.

At the time of its acquisition by the Group, Mogale was in contravention of numerous environmental regulations. Since then, Mogale has obtained the necessary permits and licences for its two newer direct current furnaces. It is working towards obtaining the necessary permits for the other two sites and ensuring that Mogale remedies the environmental issues identified at the time of the Mogale acquisition. Although a portion of the purchase consideration was deferred and its payment is subject to receipt of the remaining permits, it is possible (albeit unlikely) that the Group's losses, should such licences and permits not be obtained; or the expenditure necessary to obtain such licences and permits exceed the retained deferred consideration; or the cap on the indemnities given to the Group in relation to Mogale's environmental liabilities in connection with the Mogale acquisition could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group has included a provision for certain environmental liabilities and closure costs for its Turkish minerals business. However, this provision is only an estimate and the costs the Group may incur in respect of its Turkish minerals operations may exceed this provision. The Group may also incur expenses in other subsidiaries for which no provision has been made.

Increased regulation of greenhouse gas emissions could adversely impact the Group's cost of operations

The Group's mineral processing businesses are energy intensive and indirectly depend heavily on fossil fuels. Increasing regulation of greenhouse gas emissions, including the progressive introduction of carbon emissions trading mechanisms and tighter emission reduction targets, is likely to raise energy costs and costs of production to a material degree over the next decade. Regulation of greenhouse gas emissions in the jurisdictions of the Group's major customers and in relation to international shipping could also have an adverse effect on the demand for the Group's products which, if material, could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

New technologies and the development of existing technologies may affect the Group's ability to compete successfully

New technologies or novel processes may emerge and existing technologies may be further developed in the fields in which the Group operates. These technologies or processes could have an impact on production methods or on product quality in these fields. Unexpected changes in employed technologies or the development of novel processes that affect the Group's operations and product ranges could render the technologies the Group utilises or the products it produces less competitive or reduce demand for its products in the future. Difficulties in as-

sessing new technologies may impede the Group from implementing them and competitive pressures may force the Group to implement any new technologies at a substantial cost. The Group's know-how enables it to use certain technologies including direct current ferrochrome furnaces, which provide certain advantages over competitors who use other processes. The development of equivalent or similar technologies by the Group's competitors will reduce any competitive advantage that the Group may currently enjoy as a result of these technologies and processes. Any such development could materially adversely affect the business, financial condition or operating or financial results of the Group.

Did you know that...

- Minerals business is an area of the Group's portfolio, such as wood processing, that consumes more energy and electricity than other businesses.
- Increases in energy and fuel prices and any interruptions in supply will adversely affect the Group.

RISKS RELATING TO SOUTH AFRICA

The Group may be affected by political, economic and other risks relating to its operations in South Africa

The Group has significant operations in South Africa. Changes in minerals processing or investment policies or shifts in political attitude in South Africa may materially adversely affect the business, financial condition or operating or financial results of the Group. Operations may be affected to varying degrees by government regulations with respect to matters including, but not limited to: restrictions on productions; price controls; export controls; currency remittance; income taxes; expropriation of property; foreign investment; maintenance of claims; environmental legislation; land use; land claims of local people; and water use.

As a result, important political, economic and other risks relating to South Africa could affect any investment in the Group. Large parts of the population of South Africa do not have access to adequate education, healthcare, housing and other services, including water and electricity. South Africa has also historically experienced high levels of crime and unemployment in comparison with more developed countries.

" 15.1% of the Mogale business is controlled or owned by BEE* partners or Mogale's employees.

* BEE = Black Economic Empowerment

These problems have been among the factors that have impeded inward investment into South Africa, prompted the emigration of skilled workers and negatively affected South Africa's growth rate. While the South African government has committed itself to creating a stable free market economy, it is difficult to predict the future political, social and economic direction of South Africa or how the government will try to address South Africa's challenges. It is also difficult to predict the effect on the Group's business of these problems or of the government's efforts to solve them.

Further, there has been political and economic instability in South Africa's neighbouring countries. If this instability were to extend into or cause similar instability in South Africa, it could have a negative impact on the Group's ability to manage and operate its South African operations and therefore on the business, financial condition or operating or financial results of the Group.

Electricity supply in South Africa is less reliable and may be subject to greater price rises than in certain other countries

The Group's minerals processing operations are dependent upon, and are intensive users of electricity. Electricity supply in South Africa is less reliable and may be subject to greater price increases than in certain other countries, with the supply and price both effectively being controlled by a single entity known as Eskom. Increased electricity prices and/or reduced or unreliable electricity supply may prevent the Group from carrying out its current operations. Any expansion of the Group's processing operations, particularly a development at a new site, would be dependent upon the availability of additional electricity supplies, which may not be available at the time or in the manner that the Group may require for such expansion, which may prevent the Group from implementing its expansion plans in the manner it may wish. This might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group's South African minerals processing operations may be affected by local empowerment rights

Under South African empowerment legislation, certain types of business are required to ensure that a minimum percentage of its interests in South Africa are controlled for the benefit of historically disadvantaged South Africans. Although the Group is currently not required by law to comply with the empowerment regime, its compliance with certain aspects is necessary to maintain and promote appropriate relationships with commercial counterparties and governmental agencies and regulators.

Should the Group acquire mining interests in South Africa, the empowerment regime will require 26% of relevant interests to be controlled for the benefit of historically disadvantaged South Africans. Currently, 15.1% of the Mogale business is so controlled or owned by BEE partners or Mogale's employees.

No assurance can be given that, despite the initiatives taken so far by the Group, the existing empowerment legislation or any future legislative developments in South Africa will not have a material adverse effect on the Group's mineral operations in South Africa and/or consequently on the business, financial condition or operating or financial results of the Group.

Some of the properties on which the Group conducts its South African mineral processing operations may be subject to successful land claims

South African law provides remedies for persons who were dispossessed of rights in land as a result of past racially discriminatory laws or practices. The claimants may be entitled to restitution in various forms, including the return of the land to the claimants, provision of alternative land, payment of compensation, or other forms of relief, including services and access to public housing. Although the Group does not foresee the widespread forfeiture of land, the settlement of any such claims could require that the Group cedes freehold titles to the claimants in return for compensation payments and may further necessitate entry into a lease arrangement by the Group. Such compensation may, in the aggregate, result in higher costs and materially adversely affect the business, financial condition or operating or financial results of the Group.

South African foreign exchange control restrictions could hinder the Group's ability to extract dividends from, make investments in or procure foreign denominated financings to support its South African subsidiaries

South African exchange control regulations are in force principally to control capital movements. South African companies are generally not permitted (except within certain monetary limits and other parameters) to export capital from South Africa or to hold foreign currency or foreign investments without the approval of the exchange control authorities. These exchange control regulations could hinder the Group's ability to extract dividends from, make investments in or procure foreign denominated financings to support its South African subsidiaries. Further modifications to these restrictions may be made by the South African government. The existing regulations and any expansion of existing, or imposition of new, exchange controls could materially adversely affect the business, financial condition or operating or financial results of the Group.

The high rate of HIV infection and other chronic health conditions in South Africa may adversely affect the Group's business

South Africa has one of the highest reported HIV infection rates in the world. The exact effect of increased mortality rates due to AIDS-related deaths or the costs of introducing and maintaining treatment for HIV on the cost of doing business in South Africa and on the South African economy remains unclear. However, in the past Mogale has lost and may continue to lose employees with valuable skills due to AIDS-related deaths. In addition, other effects of the HIV/AIDS epidemic faced by the Group, and other businesses operating in South Africa, include absenteeism, reduced productivity, employees being unable to perform their normal duties, loss of personnel, and increased costs for health care for employees and former employees. The HIV/AIDS epidemic and other chronic health conditions may cumulatively have a material adverse effect on the business, financial condition or operating or financial results of the Group.

Inflation or other macro-economic conditions in South Africa may increase costs and consequently could materially adversely affect the Group

South Africa has in the past experienced double-digit rates of inflation, with annual rates of inflation returning to these levels in 2008. If South Africa experiences substantial inflation in the future, the Group's costs in Rand terms will increase significantly and, subject to movements in the foreign exchange rates, its operating margins will contract, resulting in significantly lower cash flows in US dollar terms. Inflationary pressures may also curtail the Group's ability to access global financial markets in the longer term and could materially adversely affect the Group's business, financial condition or results of operations. In addition, the South African government's response to inflation or other significant macro-economic pressures may include the introduction of policies and/or other measures that could have a material adverse effect on the business, financial condition or operating or financial results of the Group.

RISKS RELATING TO THE WOOD PROCESSING BUSINESSES

The house building business is affected by the slowdown in the construction industry and additional liability risks compared to other wood processing industries

The house building business is affected by the development of the new construction industry in Finland, the demand for prefabricated detached houses and the cost development of the construction industry. Demand and prices in the Finnish detached house market have suffered significantly in the economic downturn and any recovery is subject, among other factors, to customer sentiment improving and the banking sector's willingness to lend to potential homeowners.

The Group's house building business deals directly with its customers; this means that it has responsibility towards the end customer for a package delivery, and the Group is dependent upon and bears the primary responsibility to the customer for the external subcontractors it engages. As a result, house building also entails a greater risk of legal actions than many other sectors.

House building products involve quality or quantity guarantees to customers, typically consisting of a short-term duty to make repairs (one-year) and a statutory 10-year guarantee in respect of structural safety issues. As the Group produces a limited range of house designs, any defect in a design could affect many individual houses. If realised, risks related to guarantees, structural liability or liability for the operations of an external subcontractor might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The Group's results have to a considerable extent been dependent on the success of the house building business since its acquisition in 2004. Accordingly, failure in the house building business might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The sawmill business is affected by timber pricing, timber demand and supply, and its position in the wood processing supply chain

In the sawmill business, the profitability of operations is affected by the development of standing timber prices, the development of timber market prices and the demand for conifer wood in general, both as a raw material and as an end product. Coniferous wood logs represent approximately two-thirds of production costs in the sawmill business. Due to the seasonal nature of coniferous log harvesting and business practices within the markets in which the wood processing business operates, the Group's sawmills are required to place firm orders for its coniferous wood logs (approximately six months) prior to the date they will process the logs. As the market price for timber at the time of sale may not reflect the market price for coniferous logs at the time of purchase, the Group is exposed to the risk of changes in demand for its products and price during the intervening period. Unfavourable developments might reduce the results and competi-tive strength of the business area to a considerable extent. The supply of coniferous logs is also dependent on environmental and other natural factors.

The Group's sawmills benefit from selling by-products produced from the mill's activities including wood chips to Finnish and Swedish pulp and paper producers and local bio-energy generators. The price of coniferous logs also reflects the use of other parts of the tree by such industries. Should the pulp and paper producers and any such bio-energy producers cut capacity further, this could affect the revenue from such by-product sales and also indirectly affect log prices, which may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The sawmill business is involved in the early stages of the processing chain and delivers part of its production output to external processing plants or to the wholesale market, which may affect its ability to react to major structural changes affecting the sector.

The house building and wood processing businesses operate in competitive markets and the Group's failure to compete effectively could adversely affect the Group

The Group competes against a large number of wood processors and house building businesses on a local level and internationally, many of whom have significantly larger businesses than the part of the Group's house building and wood processing businesses with which they compete. Some of these companies benefit from greater financial resources or operate sawmills and other production facilities or use subcontractors that have lower costs than the Group's facilities and subcontractors. The Group cannot be certain that each of its operations will remain competitive. The house building business competes against both other producers of 'turnkey' houses and companies building other types of housing. Ruukki Group expects that competition in the house building and wood processing industry will intensify, which could cause the Group to lose market share, increase expenditures or reduce pricing, any of which could have a material adverse effect on the business, financial condition or operating or financial results of the Group. In addition, competition may result in the Group being unable to

increase the selling prices of its products sufficiently or in time to offset the effects of any increased costs without losing market share, which may have a material adverse effect on the business, financial condition or operating or financial results of the Group.

The wood processing and house building businesses are subject to customer concentration risks and local market risks

The Group's house building and wood processing businesses' production facilities and personnel are all based in Finland. This has increased the Group's risks relating to the unfavourable developments in Finland and in relation to the markets supplied from its operations and the changes in neighbouring countries (for example, with respect to exchange rates). The Group's house building and wood processing customers are concentrated in certain markets, in particular: house buyers in Finland; the house building industry in Finland; and the Japanese, UK and Mediterranean export markets for sawn timber products. Decreased demand in these sectors might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

Each of the four factories in the pallet business serves predominantly one local customer for each site. Due to the economics of the pallet business, particularly transport costs, it might be uneconomical to continue to operate a particular factory should its main or sole current customer cease trading or significantly reduce its demand, which may materially adversely affect the business, financial condition or operating or financial results of the Group.

The Group is subject to various laws and regulations, changes to which could have an adverse effect on the Group's earnings and cash flows

The Group's house building and wood processing businesses are subject to various national and local laws, regulations and standards as well as community and stakeholder expectations in Finland, and to some extent in certain export markets. House building operations are subject to numerous regulations dealing with the technical quality requirements for construction as well as planning and local administrative requirements. These regulations often grant extensive discretion to relevant regulators. Changes in these regulations or the policies of the relevant official regulators might subject the Group to new obligations or obstruct current or planned business activities, which might have a material adverse effect on the business, financial condition or operating or financial results of the Group.

RISKS RELATING TO THE ORDINARY SHARES

Trading volumes and liquidity of the Company's shares on the Helsinki Stock Exchange have historically been low and an active trading market may not develop or be sustained

Trading volumes and liquidity of the ordinary shares on the Helsinki Stock Exchange have been relatively low and free float relatively low as well. The share prices of companies with low trading volumes and liquidity may not be the same as for companies with greater trading volumes and liquidity. The bid/offer spread is also likely to be higher for companies with low trading volumes.

The share prices of publicly traded companies can be highly volatile

The share price of the Company's shares may fluctuate widely, and such volatility may be caused by factors outside of the Group's control or may be unrelated or disproportionate to the results of operations of the Group. The market price may be subject to significant fluctuations due to a change in sentiment from investors and analysts regarding the Company's shares in response to various factors, including: differences between the Group's actual financial and anticipated operating results as well as the perceived prospects for the Group's business and operations and those of other companies in the industries it operates in. Furthermore, stock markets have from time to time experienced extreme price and volume fluctuations as a result of general economic and political considerations.

A small number of major shareholders would be able to influence matters requiring shareholder approval

Currently, a small number of the Group's major shareholders control approximately 61 per cent of Ruukki Group's issued share capital: Kermas Limited (approximately 29 per cent), Atkey Limited (approximately 20 per cent in total) and Hanwa Co., Limited (approximately 12 per cent). These significant shareholders would be able to influence matters requiring shareholder approval. Ruukki Group currently holds close to 4 per cent of its shares in the treasury, after some treasury shares were cancelled in February 2010. The concentration of ownership may also have the effect of delaying or deterring a change in control of the Group, could deprive shareholders of an opportunity to receive a premium for their shares as part of a sale of the Group, and might affect the market price and liquidity of the Company's shares.

Future sales or issues of the Company's shares may decrease the price of the shares

The sale of a significant number of Company's shares, or the perception that such sales may occur, could materially and adversely affect the market price of the shares. Under the terms of the RCS and TMS sale and purchase agreement, 15,000,000 Ruukki Group shares (representing approximately 6 per cent of the issued shares) held by Kermas are subject to a five-year lock-up (subject to certain carve outs) from October 2008. Although there are certain restrictions imposed by law, Ruukki Group is not aware of any other additional contractual restrictions limiting the sale of its ordinary shares by any of its major shareholders. Ruukki Group has issued option rights in respect of certain earn-out payments in respect of prior acquisitions and may be required to issue shares in respect of those options if the relevant earn-out conditions are met. The subsequent issue of further ordinary shares would have the effect of reducing proportionate ownership and voting interests of existing shareholders, and could thus have a material adverse effect on the market price of the ordinary shares.

As a holding company, Ruukki Group's ability to pay dividends will depend upon the level of distributions, if any, received from its operating subsidiaries and the level of cash balances

Ruukki Group is a holding company which operates its business through its subsidiaries. Therefore, the availability of funds to Ruukki Group to pay dividends and capital redemptions to shareholders depends in part, upon dividends received from these subsidiaries. The Group's existing and future contractual arrangements impose or may impose operating and financial restrictions on group companies. These restrictions and applicable foreign exchange control restrictions limit, or may limit, the ability of subsidiaries to pay their respective holding companies and in turn may limit Ruukki Group's ability to pay dividends. Ruukki Group's ability to declare dividends will also depend on the Group's future financial performance which is dependent on the other risk factors described above.

Ruukki Group currently holds about 4 per cent of its own shares.

DIVIDEND PAYOUT PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

The Company's Board of Directors has decided to propose to the Annual General Meeting that capital redemption of EUR 0.04 per share would be distributed out of the paid-up unrestricted equity reserve, i.e. in total EUR 9,919,280.00 and no dividend payout is proposed.

On the balance sheet date of 31 December 2009, the total distributable equity of the parent company Ruukki Group Plc totalled EUR 283,308,097.20, as detailed below:

Retained earnings	
Retained earnings 1.1.2009	17,663,749.21
Dividends paid out during 2009	0.00
Retained earnings after dividend payout	17,663,749.21
Net profit 1.1.–31.12.2009	669,096.67
Retained earnings 31.12.2009	18,332,845.88
Paid-up unrestricted equity reserve	
Paid-up unrestricted equity reserve 1.1.2009	332,643,853.17
Capital redemption paid out during 2009	-10,054,960.88
Issuance of own shares	100,000.00
Treasury shares acquired during 2009	-57,713,640.97
Paid-up unrestricted equity reserve 31.12.2009	264,975,251.32
Total distributable equity	
Retained earnings 31.12.2009	18,332,845.88
Paid-up unrestricted equity reserve 31.12.2009	264,975,251.32
Total distributable equity 31.12.2009	**283,308,097.20**

INFORMATION PRESENTED BY REFERENCE

The Group's key financial figures, information of share capital and option rights are presented on the notes for the consolidated financial statements. The share ownership of the parent company's Board members and the CEO is presented on the notes for the parent company's financial statements. The Corporate Governance Statement has been presented as a separate report.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

INCOME STATEMENT

EUR '000	Note	1.1.-31.12.2009 Continuing operations	1.1.-31.12.2008 Continuing operations	1.1.-31.12.2008 Discontinued operations	1.1.-31.12.2008 Total
Revenue	G1	**193 359**	**158 665**	**88 696**	**247 361**
Other operating income	G2	7 587	1 301	2 347	3 648
Changes in inventories of finished goods and work in progress		-17 495	-6 653	-2 397	-9 050
Raw materials and consumables used		-115 255	-109 352	-62 242	-171 595
Employee benefits expense	G3	-28 230	-19 724	-17 634	-37 358
Depreciation and amortisation	G4	-26 960	-10 839	-3 328	-14 168
Other operating expenses	G5	-20 611	-22 150	-5 542	-27 691
Impairment, net	G4	-17 020	-38 187	-2 847	-41 034
Items related to associates (core)	G11	6	0	0	0
Operating profit / loss		**-24 617**	**-46 939**	**-2 947**	**-49 886**
Finance income	G6	5 871	16 784	-1	16 783
Finance cost	G6	-9 306	-11 557	-1 402	-12 958
Items related to associates (non-core)	G11	-284	171	0	171
Profit / loss before taxes		**-28 336**	**-41 541**	**-4 349**	**-45 891**
Income taxes	G7	5 609	174	997	1 171
Gain on disposal from discontinued operations		0	0	12 033	12 033
Profit / loss for the period		**-22 727**	**-41 367**	**8 680**	**-32 687**
Profit attributable to:					
Owners of the parent		-19 744	-40 066	8 680	-31 386
Non-controlling interests		-2 983	-1 301	0	-1 301
		-22 727	-41 367	8 680	-32 687
Earnings per share (counted from profit attributable to owners of the parent):	G8				
basic (EUR)		-0.08	-0.14	0.03	-0.11
diluted (EUR)		-0.08	-0.14	0.03	-0.11

Consolidated statement of comprehensive income

EUR '000	1.1.-31.12. 2009	1.1.-31.12. 2008
Profit / loss for the period	**-22 727**	**-32 687**
Other comprehensive income		
Exchange differences on translation of foreign operations	9 534	1 026
Income tax relating to other comprehensive income	-3 518	-379
Other comprehensive income, net of tax	**6 016**	**646**
Total comprehensive income for the year	**-16 711**	**-32 041**
Profit attributable to:		
Owners of the parent	-14 038	-30 739
Non-controlling interests	-2 673	-1 301
	-16 711	-32 041

STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2009	31.12.2008
ASSETS			
Non-current assets			
Property, plant and equipment	G9	80 655	69 633
Goodwill	G10	172 850	87 248
Other intangible assets	G10	103 063	72 137
Investments in associates	G11	507	1 770
Other financial assets	G12	1 113	1 082
Receivables	G12	26 130	19 469
Deferred tax assets	G13	2 264	2 815
		386 583	**254 154**
Current assets			
Inventories	G14	55 951	40 419
Trade and other receivables	G15	49 283	36 672
Held-to-maturity investments	G12/G15	2 500	186 485
Other financial assets	G12/G15	314	133
Cash and cash equivalents	G16	55 852	45 413
		163 900	**309 121**
Assets held for sale	G18	**12 714**	**0**
Total Assets		**563 198**	**563 275**

EUR '000	Note	31.12.2009	31.12.2008
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	**G19**		
Share capital		23 642	23 642
Share premium reserve		25 740	25 740
Revaluation reserve		2 193	2 193
Paid-up unrestricted equity reserve		260 357	328 025
Translation reserve		6 165	-434
Retained earnings		-49 953	-30 224
		268 144	**348 943**
Non-controlling interests		17 878	7 768
Total equity		**286 022**	**356 710**
Non-current liabilities			
Deferred tax liabilities	G13	43 949	30 979
Interest-bearing debt	G21	75 506	41 779
Other non-current debt	G22	37 261	63 352
Provisions	G23	12 602	4 815
		169 318	**140 925**
Current liabilities			
Trade and other payables	G22	32 295	31 742
Deferred income	G22	13 480	13 215
Provisions	G23	1 690	479
Tax liabilities	G22	15 104	6 917
Interest-bearing debt	G21	39 008	13 286
		101 577	**65 640**
Liabilities classified as held for sale	G18	**6 280**	**0**
Total liabilities		**277 175**	**206 565**
Total equity and liabilities		**563 198**	**563 275**

STATEMENT OF CASH FLOWS

EUR '000	1.1.-31.12.2009	1.1.-31.12.2008
Operating activities		
Net profit	-22 727	-32 687
Adjustments to net profit:		
Non-cash items		
Depreciation and impairment	43 980	55 202
Finance income and expense	4 330	-3 341
Income from associates	-111	-571
Income taxes	-5 609	-1 171
Option expenses	991	358
Proceeds from non current assets	-1 564	-13 063
Working capital changes:		
Change in trade receivables and other receivables	-11 164	18 836
Change in inventories	-3 832	17 345
Change in trade payables and other debt	4 757	-31 182
Change in provisions	1 274	-1 708
Payment to trust fund to provide for future remuneration in relation to acquisition	-6 479	0
Interests paid	-2 145	-6 549
Interests received	1 623	1 340
Income taxes paid	-3 138	-3 763
Net cash from operating activities	**185**	**-952**
Investing activities		
Acquisitions of subsidiaries, net of cash acquired	-102 452	-89 157
Payments for earn-out liabilities	-438	-403
Acquisitions of associated companies	-63	-5
Capital expenditure on non-current assets	-10 772	-38 704
Other investments, net	-40	-1 175
Disposals of subsidiaries, net of cash sold	5 602	11 101
Disposals of associated companies	718	10
Net cash used in investing activities	**-107 443**	**-118 334**

In relation to the operations discontinued in 2008, within the 2009 cash flows there are a EUR 0.8 million cash inflow in relation to deferred sales price and a EUR 0.2 million cash outflow due to adjustments to the original sales price; both of these items in relation to the care services business that was divested in 2008.

EUR '000	1.1.-31.12.2009	1.1.-31.12.2008
Financing activities		
Share buy-back	-57 714	-12 273
Capital redemption	-10 055	0
Dividends paid	-479	-12 433
Proceeds from borrowings	9 417	16 731
Repayments of borrowings	-14 237	-14 498
Deposits	184 230	-52 770
Other investments	0	173 056
Interest received on investments	1 233	14 741
Repayments of loan receivables and loans given, net	5 590	3 872
Repayments of finance leases	-279	-212
Net cash used in financing activities	**117 706**	**116 214**
Change in cash and cash equivalents	**10 449**	**-3 071**
Cash at beginning of period	45 413	48 527
Exchange rate differences	-10	-42
Cash at end of period	55 852	45 413
Change in the balance sheet	**10 449**	**-3 071**

STATEMENT OF CHANGES IN EQUITY

A .... Share capital
B .... Share premium reserve
C .... Fair value and revaluation reserves
D .... Paid-up unrestricted equity reserve
E .... Translation reserve
F .... Retained earnings
G .... Equity attributable to shareholders, total
H .... Non-controlling interests
I .... Total equity

	Attributable to owners of the parent								
EUR '000	A	B	C	D	E	F	G	H	I
Equity at 1 January 2008	**23 642**	**25 740**	**969**	**340 690**	**-1 080**	**19 694**	**409 655**	**1 995**	**411 650**
Profit for the period 1-12/2008						-31 386	-31 386	-1 301	-32 687
Other comprehensive income					646		646		646
Total comprehensive income					646	-31 386	-30 739	-1 301	-32 041
Dividend distribution						-12 033	-12 033	-986	-13 019
Share-based payments						878	878		878
Acquisition of own shares				-12 665			-12 665		-12 665
Acquisitions and disposals of subsidiaries			1 224			-7 378	-6 154	8 060	1 906
Equity at 31 December 2008	**23 642**	**25 740**	**2 193**	**328 025**	**-434**	**-30 224**	**348 943**	**7 768**	**356 710**
Profit for the period 1-12/2009						-19 744	-19 744	-2 984	-22 728
Other comprehensive income					6 599	-893	5 706	311	6 016
Total comprehensive income					6 599	-20 637	-14 038	-2 673	-16 711
Dividend distribution							0	-479	-479
Share-based payments						908	908		908
Acquisition of own shares				-57 614			-57 614		-57 614
Capital redemption				-10 055			-10 055		-10 055
Acquisitions and disposals of subsidiaries							0	13 263	13 263
Equity at 31 December 2009	**23 642**	**25 740**	**2 193**	**260 357**	**6 165**	**-49 953**	**268 144**	**17 878**	**286 022**

COMPANY INFORMATION

Ruukki Group specialises in the industrial refining of certain natural resources. The Group currently has two business segments: minerals and wood processing. The Minerals business has ferro alloys smelting operations in South Africa; mining and beneficiation operations in Turkey; and specialty grade ferrochrome refining operations in Germany. The Wood Processing business has a strong presence in the northern and western part of Finland in the house building, sawmill and pallet businesses.

The Group's parent company is Ruukki Group Plc (business ID: 0618181-8). The parent company is domiciled in Espoo, and its registered address is Keilasatama 5, FI-02150 Espoo. Copies of the consolidated financial statements are available at Ruukki Group Plc's head office at Keilasatama 5, FIN-02150 Espoo.

Ruukki Group Plc is quoted (trading code: RUG1V) on the NASDAQ OMX Helsinki Oy in the industrials group, in the mid-cap category.

ACCOUNTING PRINCIPLES

Basis of preparation

These consolidated financial statements of Ruukki Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and in conformity with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force on 31 December 2009. In the Finnish Accounting Act and the regulations issued on the basis thereof, International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application within the EU in accordance with the procedure prescribed in the EU regulation (EC) 1606/2002. Notes to the consolidated financial statements also meet the requirements set forth in the Finnish accounting and company legislation.

The consolidated financial statements have been prepared on the basis of original acquisition cost, unless otherwise explicitly stated. All the figures in the consolidated financial statements are given in EUR thousands.

Ruukki Group Plc's Board of Directors has on 25 February 2010 resolved that these financial statements are to be published, and on 30 March 2009 the Board has confirmed subsequent changes and amendments. According to the Finnish Companies Act, shareholders have the right to approve or disapprove of the financial statements or to change them after financial statements have been published when they attend the Annual General Meeting.

Principles of consolidation

Subsidiaries

The consolidated financial statements include the parent company Ruukki Group Plc and its subsidiaries. Subsidiaries refer to companies in which the Group has control. The Group gains control of a company when it holds more than half of the voting rights or otherwise exercises control. The existence of potential voting rights has been taken into account in assessing the requirements for control in cases where the instruments entitling their holder to potential voting rights can be exercised at the time of assessment. Control refers to the right to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Acquired subsidiaries are consolidated from the time when the Group gained control, and divested subsidiaries until the time when control ceased. All intra-group transactions, receivables, debts, and unrealised profits, as well as internal distribution of profits are eliminated when the consolidated financial statements are prepared. The distribution of profits between parent company owners and minorities is shown in the income statement, and the minority share of equities is shown as a separate item in the balance sheet under shareholders' equity. The minority share of accumulated losses is recorded in the financial statements up to the amount of the investment.

Associates

Associates are companies in which Ruukki Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the target company's

voting rights, or if the company in other ways exercises significant influence but not control. Associates have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associate's losses exceeds the carrying amount of the investment, the investment is recognised at zero value in the balance sheet, and losses exceeding the carrying amount are not consolidated unless the Group has made a commitment to fulfil the associates' obligations. Unrealised profits between the Group and the associates have been eliminated in line with the Group's ownership. Investment in an associate includes the goodwill arising from its acquisition.

Translation of foreign currency items

Figures indicating the profit/loss and financial position of Group entities are measured in the currency of each entity's main operating environment ('functional currency'). Figures in the consolidated financial statements are presented in EUR, which is the functional and presentation currency of the Group's parent company, Ruukki Group Plc.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction or mid reference rates of central banks. Monetary items denominated in foreign currencies have been translated into the functional currency using the exchange rates for the balance sheet date. Exchange rate gains and losses are included in the revenue, operational costs or financial items, corresponding to their respective origin. Hedge accounting was not applied.

In the Group accounts foreign subsidiaries' income statement and cash flow statement are converted into EUR by using average exchange rates for the period, and balance sheet is converted by using the period-end exchange rate. The translation differences caused by this are recognised in other comprehensive income. If and when the foreign subsidiary would be partially or fully divested, these accrued translation differences will be taken into account in adjusting the sales gain or sales loss.

When acquiring foreign subsidiaries, the Group has applied IFRS3, and hence the purchase price allocation process has led to goodwill, other assets and liabilities to be recognised on the Group accounts, and these entries have been entered in using the functional currency of each acquired subsidiary. The balances in that functional currency have then been translated into EUR using the exchange rates prevailing at the end of the reporting period.

Operating profit

IAS 1 Presentation of financial statements does not define the concept of operating profit. Ruukki Group has defined it as follows: Operating profit is the net amount derived by adding to revenue other operating income, less purchase costs adjusted with the change in inventories of finished goods and work in progress and expenses from work performed by the enterprise and capitalised, less costs from employee benefits, depreciation and impairment losses, and other expenses. All other income statement items are excluded from operating profit. Translation differences arising from operational transactions with third parties are included in operating profit; otherwise they are recorded under financial items.

Income recognition principles

Goods sold and services provided

Income from the sale of goods is recognised once the substantial risks and benefits associated with ownership have been transferred to the buyer. Income from services is recognised after the service has been provided.

Construction contracts

Ruukki Group's house building business area has had some projects that fell under the definition applied in the IAS 11 standard Construction Contracts. Revenue and expense from construction contracts is recognised by reference to the stage of completion of a contract. The stage of completion of the contract activity is defined by the share of actual costs incurred of total estimated costs of the contract activity. The profit margin of the contract activity is recognised based on the estimated total profit margin. The sales of single houses, which currently comprise the majority of deliveries, from standard product mix to consumers are recognised as the contract is completed.

Financial income and expense

Interest income and expense is recognised using the effective yield method, and dividends are recognised when the right to dividends is established. Unrealised changes in value of items measured at fair value are recognised in the income statement. These items relate to currency forward contracts and interest rate swaps. Exchange rate gains or losses that arise from intercompany loans that are considered as part of the net investment in the foreign entity are included, net of any deferred tax effects, in the translation reserve within equity.

Employee benefits

Pension liabilities

All pension arrangements in Ruukki Group are classified as defined contribution plans with the exception of a defined benefit plan which is effective in Germany. Payments for defined contribution plans are recorded in the income statement for the relevant period. The present value of obligation for the defined benefit plan effective in

Germany has been estimated applying the Projected Unit Credit Method and recognised as a non-current liability on the balance sheet.

Share-based payments

Option rights are measured at fair value at the time they were granted and recorded as expenses in the income statement on a straight-line basis during the vesting period. The expenses at the time the options were granted are determined according to the Group's estimate of the number of options expected to vest at the end of the vesting period. Fair value is determined on the basis of the Black & Scholes option pricing model. The effects of non-market-based terms and conditions are not included in the fair value of the option; instead, they are taken into account in the estimated number of options expected to vest at the end of the vesting period. The Group updates the estimated final number of options on each balance sheet date. Changes in the estimates are recorded in the income statement. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under share capital and paid-up unrestricted equity reserve.

Other benefits

In conjunction with the Mogale Alloys acquisition, Ruukki Group has agreed to pay altogether ZAR 150 million into a management trust, which is not consolidated into the Group. In relation to this trust payment, Ruukki Group treats the ZAR 150 million payments in its Group accounts as an expense, evenly split over a five-year term; however, no pension or other social expenses or taxes are recognised.

Impairment

On each balance sheet date, the Group makes an assessment of whether there are any indications of asset impairment. If such indications exist, the recoverable amount of the asset is estimated. In addition, goodwill is assessed annually for its recoverable amount regardless of whether there are any signs of impairment. Impairment is examined at the cash-generating unit level; in other words, the lowest level of entity that is primarily independent of other entities and whose cash flows can be separated from other cash flows. Impairment related to associates and other assets are tested on a company/asset basis.

The recoverable amount is the fair value of an asset less divestment costs, or the higher value in use. Value in use means the present value of estimated future cash flows expected to arise from the asset or cash-generating unit. Value in use is forecast on the basis of circumstances and expectations at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments, in addition to the specific risks related to of these particular businesses. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. Impairment losses are recorded in the income statement. If the impairment loss involves a cash-flow-generating entity, it is allocated first to reduce the goodwill of the entity and subsequently to reduce other assets of the entity. An impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised. However, the reversal must not cause the adjusted value to be higher than the carrying amount without the recognition of the impairment loss. An impairment loss recognised for goodwill is not reversed in any circumstances.

Goodwill is tested for impairment annually at the year's end; for the 2009 financial year, testing took place on 31 December 2009. Impairment testing and the methods used are discussed in more detail elsewhere in 'Notes to the consolidated financial statements'.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation and decommissioning liability

The provision for rehabilitation and decommissioning costs has arisen on operating manufacturing site and facility for the processing of minerals. These costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the rehabilitation and decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future

costs of or in the discount rate applied to the rehabilitation obligation are added or deducted from the profit or loss, or respectively, decommissioning obligation adjusted to the carrying value of the asset dismantled. The unwinding of the discount is added to the finance cost of the period.

Product warranties in house-building

The prefabricated houses manufactured by Ruukki Group's house building segment involve a one-year repair liability and an additional ten-year structural safety guarantee. On the basis of the historical data of the company operating in the house building business area, the one-year repair liability has been recorded as expenses in the income statement and as provisions in the balance sheet. No expenses have been recorded in the income statement for the ten-year structural safety guarantee due to its immaterial nature.

Other

The Group has recognised a long-term provision on employee severance indemnities for the Group's employees working in Turkey in accordance with Turkish legislation.

Income taxes

Tax expenses in the income statement consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous years.

Deferred taxes have been calculated for all temporary differences between the carrying amount and taxable amount. No deferred taxes have been recorded for goodwill impairment. Deferred taxes have been calculated using the tax rates prescribed by the balance sheet date. Deferred tax assets arising from taxable losses carried forward have been recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

Tangible assets

Tangible assets have been measured at original acquisition cost less accumulated depreciation and impairment losses. If a tangible asset item consists of several parts with different useful lives, a components approach is applied. In this case, expenses from material component replacements are capitalised. Heavy production machinery contains components with different useful lives, and thus a component approach is applied. Material component replacements and overhauls are capitalised. Lighter machinery's and other intangible items' repair and maintenance are recognised as expense when occurred. Interest expenses are activated as part of the tangible asset's value if and when the Group acquires or constructs assets that satisfy the required terms and conditions. At the end of the financial period there were some tangible assets fitting into that definition, but the total activated interest expense was insignificant.

Minerals tailings acquired in business combinations and recognised as separate assets are measured based on estimated volume and the market price of the mineral content at the time of the acquisition.

Assets are depreciated over their useful lives using the straight-line method, except for the tailings which are depreciated based on reported consumption. Land areas are not depreciated. The estimated useful lives of assets are as follows:

Buildings	15–25 years
Machinery and equipment	3–15 years
Other tangible assets	5–10 years
Tailings	consumption

The residual value of assets and their useful life are reviewed in connection with each financial statement and, if necessary, they will be adjusted to reflect the changes that have occurred in the expected financial benefit. The sales gains or losses arising from the decommissioning or divestment of tangible assets are included in other operating income or expenses.

Public subsidies for the acquisition of tangible assets have been recorded as a deduction of the acquisition cost. The subsidies are recognised as income indirectly in the form of smaller depreciation amounts over the useful life of the asset.

Intangible assets

Goodwill and intangible assets identified at acquisitions

Goodwill represents the portion of acquisition cost that exceeds the Group's share of the fair value at the time of acquisition of the net assets of a company acquired after 1 January 2004. Goodwill arising from previous business combinations represents the carrying amount under the previous accounting standards, which has been used as the deemed cost. The classification or accounting process for these acquisitions has not been adjusted in preparation of the Group's opening IFRS balance sheet on 1 January 2004. Instead of regular amortisation, goodwill is tested annually for potential impairment. For this purpose, goodwill has been allocated to cash-generating units or, in the case of an associated company, is included in the acquisition cost of the associate in question. Goodwill is measured at original acquisition cost less impairment losses.

Goodwill, arising from acquisitions after 1/2004, is initially

measured at cost being the excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company at the date of acquisition. Intangible assets typically recognised include customer relationships, trademarks and brands and technology.

The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the acquisition. Contingent purchase consideration is inclined in the cost based on an estimate at the date of an acquisition, and adjusted subsequently to reflect the current estimate or the final outcome.

Increase in ownership interest after obtaining control

Ruukki Group is applying the 'Parent entity extension method', where the entire difference between the cost of the additional interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the acquisition of the minority interest is reflected as goodwill.

Decrease in ownership interest without loss of control

Consistently with increases in ownership interest, Ruukki Group is also applying the 'Parent entity extension method' in the decrease in ownership interest, where an adjustment to goodwill and gain or loss is recognised from the difference between the proceeds received of the disposed interest in the subsidiary and the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the date of the disposal.

Research and development costs

Research costs are always recognised as expenses in the income statement. The development costs, which primarily relate to the development of existing products, are expensed as incurred. The development of new products is recognised as an intangible asset when the Group can demonstrate the technical and commercial feasibility of the product, and the intention to complete the development project successfully.

Emission rights

One of the Group's sawmills has received emission rights without compensation. The Group has no operational use for the emission rights and the intention is to sell them. The emission rights have been classified as intangible assets measured at fair value; the reception of the rights, their subsequent fair value adjustments and the sale gain or loss are recognised as other operating income of the income statement.

Exploration and evaluation expenses in relation to mineral resources

In Group's mining operations exploration and evaluation expenses incurred, based on e.g. drilling actitivies, are activated on the balance sheet under the IFRS6 principles. If and when the exploitation phase starts, the Group will to relevant extent reclassify those assets and amortise them under the economic life according to the volume of that exploitation activity. Moreover, these exploration and evaluation assets are assessed for impairment if and when facts and circumstances suggest that the carrying amount exceeds its recoverable amount.

Other intangible assets

Other intangible assets are initially recognised on the balance sheet at cost when the costs can be reliably determined and it is probable that the expected financial benefits of that assets will be reaped by the Group. Other intangible assets mainly relate to IT software utilised as support to Group's business operations.

Amortisation periods are as follows:

Computer software	3–5 years
Other intangible rights (e.g. customer relationships)	3–5 years
Trademarks	5 or 10 years

Inventories

Inventories are measured at acquisition cost or a lower probable net realisable value. Acquisition costs are determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour expenses, other direct expenses, and an appropriate share of fixed and variable production overheads based on the normal capacity of the production facilities. In ordinary operations, the net realisable value is the estimated selling price that is obtainable, less the estimated costs incurred in completing the product and the selling expenses.

At the end of 2009, Group's house building business area acquired some land areas with a target to develop the land in the future into house sites, on which single family houses delivered by the Group could be erected as well as the houses and the attached land could be sold to customers. This acquired land asset is classified into inventory, and the balance sheet value is based on the purchase price agreed at the time of the transaction. The project contains a profit-sharing agreement with a third party

determining principles in sharing any added value to be achieved from the expected zoning and area development activities. As the fair value of the project appreciates, the inventory value and the discounted profit-share liability will be adjusted accordingly. The appreciation is based on the expected impact of the zoning and other development activities, when they become probable.

Financial assets and liabilities

Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts, and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

The Group has had funds that are placed into euro-denominated deposits whose maturities range from 0 to 1 month. These deposits are classified as short-term assets held to maturity during the periods ending on 31 December 2009 and 2008.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in

response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income; or determined to be impaired, at which time the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Presentation principles

Liabilities are classified as current and non-current, and they include both interest bearing and interest-free liabilities. Interest bearing liabilities include liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability. Discounted non-current liabilities include acquisition related deferred conditional and un-conditional liabilities. Conditional liabilities have an earn-out component that need to be met to make the liability unconditional and fix the amount of the future payment. Certain acquisition related conditional purchase considerations are payable in the Company's shares, and are presented as interest-free liabilities.

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium

on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include: using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group has to some extent used derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. At the end of December 2009, the Group had no material outstanding currency or interest rate derivative contracts in place. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Derivative contracts and hedge accounting

Derivative contracts are measured at fair value in the income statement. The Group does not apply hedge accounting.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset are capitalised if it is likely that they will provide future economic benefit and can be measured in a reliable manner. Other borrowing costs are recognised as an expense in the period in which they are incurred. Arrangement fees linked to loan commitments are entered as transaction costs.

Non-current liabilities are valued at amortised cost using the effective interest method.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from the paid-up unrestricted equity reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves.

Lease agreements (the Group as the lessee)

Leases of tangible assets where the Group possesses a material portion of the risks and benefits of ownership are classified as financial leases. An asset acquired through a financial lease agreement is recorded in the balance sheet at the fair value of the leased object at the beginning of the lease period, or at a lower current value of minimum lease. An asset obtained through a finance lease is depreciated over the useful life of the asset or the lease term, whichever is shorter. The leases payable are divided into financial expenses and loan repayment during the lease term so that the interest rate for the remaining loan is roughly the same each financial year. Leasing obligations are included in interest-bearing liabilities. Lease agreements in which the risks and benefits typical of ownership remain with the lessor are classified as other leases. Leases paid under other lease agreements are recognised as expenses in the income statement on a straight-line

basis over the lease term.

Non-current assets held for sale and discontinued operations

The standard IFRS 5 requires that an entity must classify a non-current asset or a disposal group as assets held for sale. if the amount equivalent to its carrying amount is accumulated primarily from the sale of the item rather than from its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under general and standard terms for the sale for such assets and the sale must be highly probable.

At the end of the financial year 2009, the Group agreed to dispose of Lappipaneli Oy's sawmilling business. The tangible assets related to that transaction, which will be transferred to the buyers in 2010 have been presented on the Group balance sheet as assets held for sale. Also the liabilities related to those fixed assets are shown in a separate balance sheet line as liabilities held for sale.

Accounting policies requiring management discretion and key uncertainty factors for estimates

Preparation of the financial statements requires the management to make estimates, assumptions, and forecasts regarding the future. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. In addition, the management is required to use its discretion in the application of the financial statements' preparation principles. Ruukki Group is engaged in several different lines of business, and each business requires different kinds of estimates and assumptions. Group Companies vary by their size and they are located both in different parts of Finland and abroad. The nature of Ruukki Group's operations essentially involves business acquisitions and other arrangements, which often requires the management's discretion in the application of accounting policies.

Allocation of the cost of a business combination

In accordance with IFRS 3, the acquisition cost of an acquired company is allocated to the assets of the acquired company. The management has to use estimates when determining the fair value of identifiable assets and liabilities. Determining a value for intangible assets such as trademarks or customer relationships requires estimation and discretion because in most cases, no market value can be assigned to these assets. Determining fair value for tangible assets requires particular discretion as well. This is especially the case where the companies are small or geographically situated in areas where there are no active markets for real property, for instance. In these cases, the management has to select an appropriate method for determining the value and must estimate future cash flows. Similarly, determining the discount rate to be used for discounting future cash flows requires discretion.

Determination of the amount of the earn-out and contingent liabilities associated with business acquisitions

The Group has made a significant number of business acquisitions in the past few years. These acquisitions have typically involved contingent considerations, in particular in relation to the acquisition of RCS Ltd and Türk Maadin Sirketi A.S. as well as Mogale Alloys (Pty) Ltd, either subject to a specified future event to occur, or calculated and paid on the basis of the future operative profitability of the acquired company (earn-out arrangements). The discounted estimated contingent considerations have been included in the Company's other liabilities at the time of acquisition. The estimates presented in the financial statements may differ from the actual earn-out liability if the realise profit or loss of the acquired company differs from the estimated profit. Furthermore, the estimated earn-out items may differ from the subsequent actual sale prices as a result of the discounting of future liabilities.

The earn-out liabilities are reviewed at each balance sheet date and adjusted if the estimate has changed, which affects the goodwill and the corresponding contingent consideration liability on the other hand.

Impairment testing

Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made at each balance sheet date, and more often if needed. The recoverable amounts of cash-flow-generating units have been determined by means of calculations based on value in use. Preparation of these calculations requires the use of estimates to predict future developments. Future cash flow forecasts are made for a five-year period, after which the cash flow growth rate is assumed to be zero in all of Group's cash flow generating units except for the South African minerals business, where a seven percent growth rate assumption has been used to reflected South African circumstances and the nominal discount rate used in impairment testing.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any expansion investments and rearrangements. Carving out the expansion investments from replacement investments and the elimination of their impact from the projected figures require the use of discretion. To prepare the estimates, efforts have been made to collect background information from the operative business area management as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the discount rate used.

The definition of components of discount rates applied in impairment testing requires discretion, such as estimating the asset or business related risk premiums and average capital structure for each business segment. When determining the carrying amount of assets to be tested, the liabilities that can be allocated to that cash flow generating units have been taken into account.

Trade receivable

The individual companies in Ruukki Group make assessments of the recoverability of their trade receivables based on known facts, previous experience, and foreseeable future events; therefore, the information includes estimates made by the management of the companies in question.

Tangible and intangible assets

Ruukki Group management is required to use its discretion when determining the useful lives of various tangible and intangible assets, which affects the amount of depreciation and thereby the balance sheet value of the assets concerned. In particular, when the Group acquires new subsidiaries, assessments have to be made to make the acquired companies' depreciation policy consistent with policy of the Group wherever applicable. Similarly, the management is required to use its discretion in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and change in deferred taxes.

Inventories

Those Ruukki Group companies that have inventories make, in case needed, an estimate-based non-marketability provision for inventories; as a result, the balance sheet value of inventories has been changed somewhat. The estimates are based on stocktaking as well as the predicted future need and inventory turnover rate.

Provisions

Guarantee expenses

The deliveries of prefabricated houses manufactured by Ruukki Group's house building business area involve repair liabilities. To estimate these liabilities, the management has to prepare estimates based on the historical data of the company operating in the division, as well as on experience of similar realised repair costs.

Rehabilitation provision

As part of the purchase price allocation for the acquisition of Mogale Alloys in 2009, the Group has recognised a provision for environmental rehabilitation obligations associated with Mogale's plants and facilities. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, and the expected timing of those costs, as well as whether the obligations stem from Mogale's past activity.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for estimated consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has certain tax losses carry forward. Some of these losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. There may not be taxable temporary differences or any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

Share-based payments

For share-based payments, Ruukki Group applies the IFRS 2 standard, according to which option rights are measured at fair value at the time they were granted. Share-based payments are recorded as expenses in the profit and loss account on a straight-line basis during the vesting period until the first potential exercise date of the options. Expenses on the option grant date are determined according to the Group's estimate of the number of options

expected to vest at the end of the vesting period. The Group updates the estimated final number of options on each balance sheet date. Changes in the estimates are recorded in the profit and loss account. Fair value is determined using the Black & Scholes option pricing model. The management is required to assess the parameters of this model in terms of the volatility of the underlying share, which is based on historical volatility data.

Moreover, as part of the incentive package of the Group's wood processing segment CEO, during the fourth quarter of 2009 shares were granted for free as a signing bonus for the segment CEO, and the valuation of that transaction was based on the written employment contract where a fixed monetary value was agreed and the amount of shares granted was determined by using the previous month-end exchange rate.

Segment reporting

IFRS8 'Operating Segments' became effective as of 1 January 2009. Ruukki Group Plc's Board of Directors decided at the beginning of 2009 that the Group change its segments based on the new IFRS 8. Consequently, from 1 January 2009 the Group has reported two operating segments: Minerals business and Wood Processing business.

Reclassifications

The Group decided in conjunction with 2009 financial statements to change the way it presents share of associated profits, sales gains and losses related to associates, and impairment on associates' shares and receivables, to the extent they relate to associated companies owned by the Group parent company and not belonging to business segments. Hence, from 2009 onwards these items are presented in finance items below EBIT, when previously they have been presented above EBIT in various lines. The comparatives of financial year 2008 have been changed accordingly as well. The rationale behind the change in the way of presenting these items is that these associated companies are not material and that they are classified as non-core assets.

From 31 December 2009, with retroactive implementation, the Group has presented realised and unrealised gains and losses in relation to emission rights in other operating income above EBIT, whereas earlier those items have been included in finance income and finance expense.

Acquisition-related liabilities, both conditional and unconditional items, have from 31 December 2009 been retroactively presented in interest-bearing liabilities to the extent those liabilities are to be settled with cash regardless whether the payments are fixed in nominal terms or whether there are interest determined in the transaction documentation. The earn-out liabilities where the payment is in the form of the Company's shares, no reclassification has been carried out, and hence those items are shown in the non-interest bearing liabilities category.

Compared to the previous year-end 31 December 2008 the reclassifications described above have not had a material effect.

Application of new or amended IFRS standards

The Group applies new or amended IFRS standards and interpretations related to its business activities since their effective date.

Amended standards

As the Group has been active in corporate restructuring, and might be carrying out mergers and acquisitions or divestments in the future, the revised IFRS3 standard (IFRS 3R), changes effective from 1 July 2009, that is applied to business combinations is expected to have significant impact on the Group's financial position and results for future financial periods in relation to new business combinations. To the extent the Group realises transaction expenses, it will lead to those expenses being recognised in the income statement. The Group has also typically carried out acquisitions where there has been earn-out components tied to future profitability of the target. Hence, if there are deviations between the expected and actual outcomes, it could have significant impact of Group's earnings in various periods, since those estimation changes will be reflected in the income statement rather than balance sheet as previously.

The other amendments to the standards presented below have been or will be taken into account to the relevant extent; however, it is expected that no major changes to the Group's financial statements arise from these standard changes that have or can have implications to the Group's disclosures:

- IAS1 'Presentation of Financial Statements' was changed effective 1 January 2009, which was to a relevant extent reflected in the 2009 financials.
- IAS 23 'Borrowing Costs' was changed effective 1 January 2009, but it did not have a major impact in 2009 financial statements even though it was applied to certain capital expenditures in 2009.
- IAS 27 'Consolidated and Separate Financial Statements' was changed effective 1 July 2009, but it did not affect the Group's 2009 financial statements. This standard charge affects acquisitions and divestments carried out in steps. If the parent company control is still with the Group, the changes in subsidiary ownership interest is directly recognised in the Group equity, Of these arrangements with minority shareholders, no goodwill nor income or expenses though profit and loss are

realised. If the control in the subsidiary is lost, any investment left will be recognised through profit and loss. Moreover, similar bookkeeping is applied to also to associated companies and to joint ventures. In the future subsidiary losses can be allocated to minority shareholders even if they exceed the value of the minority investment.

» IAS 19 standard has been amended, effective 1 January 2009, in relation to curtailments and negative past service costs, but it did not affect the Group's 2009 financial statements.

» IAS 39 (and IFRIC 9) has been amended, effective to financial periods ending on or after 30 June 2009, in relation to reassessment of embedded derivatives, but it did not affect the Group's 2009 financial statements.

» IFRS 2 was changed in relation to vesting conditions and cancellations effective from 1 January 2009, but it did not affect the Group's 2009 financial statements, but can impact Group's future profitability if and when new share-based incentive schemes are initiated.

» IFRS 7 was changed in relation to improving disclosures about financial instruments effective from 1 January 2009, which was to a relevant extent reflected in the 2009 financials.

New IFRIC interpretations

As far as the new IFRIC interpretations are concerned, the following changes have been effected:

» IFRIC 15 'Agreements for the Construction of Real Estate', effective from 1 January 2009, but its implications have not led to changes in Group's accounting policies.

» IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', effective from 1 October 2009.

» IFRIC 17 'Distributions of Non-cash Assets to Owners', effective from 1 July 2009.

» IFRIC 18 'Transfers of Assets from Customers', transfers on or after 1 July 2009, which will not be relevant to Group's current operations.

» IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual periods beginning on or after 1 July 2010 with earlier application permitted.

FINANCIAL INDICATORS

	2009	2008		2007	
	Group	Group	Continuing operations	Group	Continuing operations
Revenue, EUR '000	193 359	247 361	158 665	213 910	128 378
EBITDA, EUR '000	19 363	17 348	2 087	24 729	17 276
% of revenue	10.0%	7.0%	1.3%	11.6%	13.5%
Operating profit / loss, EUR '000	-24 617	-37 853	-46 939	15 674	12 667
% of revenue	-12.7%	-15.3%	-29.6%	7.3%	9.9%
Profit / loss before taxes, EUR '000	-28 336	-45 891	-41 541	19 158	17 981
% of revenue	-14.7%	-18.6%	-26.2%	9.0%	14.0%
Return on equity, %	-7.1%	-8.5%	-10.8%	5.8%	5.3%
Return on capital employed, %	-5.0%	-5.8%	-7.9%	8.8%	7.0%
Equity ratio, %	52.0%	64.8%	64.8%	85.1%	85.1%
Gross capital expenditure, EUR '000	215 700	241 243	235 411	34 442	12 065
% of revenue	111.6%	97.5%	148.4%	16.1%	9.4%
Personnel, average	824	916	418	866	279
Earnings per share, basic, EUR	-0.08	-0.11	-0.14	0.06	0.05
Earnings per share, diluted, EUR	-0.08	-0.11	-0.14	0.06	0.05
Equity per share, EUR	1.03	1.20	1.20	1.41	1.41
Dividends, EUR '000 *	9 919	10 055		11 601	
Dividend per share, EUR *	0.04	0.04		0.04	
Dividend per earnings, % *				68.9%	
Effective dividend yield, %				1.4%	
Price to earnings, EUR	-27.1	-10.6		48.6	
Highest share price, EUR	2.68	2.99		3.59	
Lowest share price, EUR	1.04	1.02		1.18	
Average share price, EUR	1.67	2.03		2.40	
Market capitalisation, EUR '000	558 613	333 539		817 896	
Turnover, EUR '000	547 018	884 635		623 228	
Turnover, %	125.7%	149.9%		89.7%	
Average number of shares, (1,000)	250 175	290 034		217 889	
Average number of shares, diluted, (1,000)	295 456	303 891		221 432	
Number of shares at the end of the period (1,000)	261 034	290 034		290 034	

* In 2009 the Company distributed a capital redemption of EUR 0.04 per share out of the paid-up unrestricted equity reserve and no dividend was distributed; in 2010 the Board of the Company has proposed to the AGM that EUR 0.04 per share capital redemption would be paid and that no dividend would be distributed

Formulas for calculation of indicators

Return on equity, %	Net profit / Total equity (average for the period) * 100
Return on capital employed, %	Profit before taxes + financing expenses / (balance sheet total - non-interest bearing liabilities) average * 100
Equity ratio, %	Total equity / balance sheet - prepayments received * 100
Earnings per share, basic, EUR	Profit attributable to shareholders of the parent company / Average number of shares during the period
Earnings per share, diluted, EUR	Profit attributable to shareholders of the parent company / Average number of shares during the period, diluted
Equity per share, EUR	Shareholders' equity / Average number of shares during the period
Dividend per share, EUR	Dividends / Number of shares at the end of the period
Dividend per earnings, %	Dividend per share / Earnings per share * 100
Effective dividend yield, %	Dividend per share / Share price at the end of the period
Price to earnings, EUR	Share price at the end of the period / Earnings per share
Average share price	Total value of shares traded in euro / Number of shares traded during the period
Market capitalisation, EUR '000	Number of shares * Share price at the end of the period
Operating profit	Operating profit is the net of revenue plus other operating income, plus gain on finished goods inventory change, minus employee benefits expense, minus depreciation, amortisation and impairment and minus other operating expense. Foreign exchange gains or losses are included in operating profit when generated from ordinary activities. Exchange gains or losses related to financing activities are recognised as financial income or expense.
Gross capital expenditure	Gross capital expenditure consists of the additions in the acquisition cost of non-current tangible and intangible assets as well as additions resulting from acquisitions.

OPERATING SEGMENT INFORMATION

The Group has two reportable segments (strategic business units) which are organised based on their products and services. The segments are managed and reviewed separately by the Group's CEO and Board as well as the appointed segment CEO's.

The Group's operating segments are the following:

» Minerals segment comprises mining, benefication, processing and smelting of ores and metal alloys including chrome ore, ferrochrome, silico manganese and chromium-iron-nickel alloy. The production plants are located in Europe and in South Africa. The sales of all production units has from the latter half of 2009 been centralised into the European trading arm located in Malta, and processes have been started to centralise the treasury functions as well; and

» Wood Processing segment is engaged in refining natural resources available in the coniferous zone of Finland. The segment specialises in mechanical production of wood-based products including sawmilling products, prefabricated houses and loading pallets. Segment's customers are predominantly in Finland, but the sawmilling business units have export operations as well.

Management reviews the operating results of its separate business segments regularly for the purpose of making decisions about resource allocation and performance assessment. Segment performance is measured based on earnings before interest, taxes, depreciation and amortisation (EBITDA) as included in the internal management reports and defined consistently with the consolidated EBITDA. Moreover, the Board of Directors of the Group's parent company has for the last years emphasised the ability of the businesses to generate positive cash flow operations.

In its operations the Group targets to utilise operational and financial synergies between the various units, and also targets to become a vertically integrated mine-to-metals producer in its Minerals segment. Hence, there are inter-company transactions between the segments' units. Inter-company transactions are carried out based on arm's length logic. There have practically not been any transactions between the two operating segments of the Group, i.e. Minerals and Wood Processing, but the Group's parent company has provided funding and administrative services for the those segments.

The Group's other business units are classified under *All Other Operations* section. As of 1 January 2009, the Group has changed the presentation of operational segments in accordance with IFRS 8 Operating segments so that the sawmill business and house building business previously reported as separate segments are now presented under Wood Processing and the Russian investment projects under All Other Operations. Information for the corresponding period 2008 has been changed accordingly. Investments in associates are presented in the segments classified by the nature of their operations. During 2008, the Group divested the majority stake in the furniture business and all of its care services segments which have been presented as discontinued operations.

Over the last years, various corporate restructurings have taken place, and a number of mergers, acquisitions and divestments have been either concluded or targeted with the Group's parent company having a key role in those processes. In 2009 the Board of Directors of Ruukki Group Plc decided that expenses of unsuccessful transactions or other activities will be allocated to the relevant business segments.

Operating segment information 2009

Year ended 31.12.2009	Continuing operations					
EUR '000	Minerals	Wood Processing	All other operations	Segments total	Eliminations and unallocated items	Consolidated Group
External revenue						
Services	278	1 461	1	1 739	0	1 739
Goods sold	70 757	120 863	0	191 620	0	191 620
Total external revenue	71 035	122 324	1	193 359	0	193 359
Inter-segment revenue	0	63	321	384	-384 [1]	0
Total revenue	**71 035**	**122 387**	**322**	**193 744**	**-384**	**193 359**
Associates (core)	6	0	0	6	0	6
Segment EBITDA	**10 380**	**17 086**	**-8 104**	**19 363**	**0**	**19 363**
Depreciation and amortisation	-21 367	-5 535	-57	-26 960	0	-26 960
Impairment, net	-19 079	2 059	0	-17 020	0	-17 020
Segment operating profit / loss	**-30 066**	**13 610**	**-8 161**	**-24 618**	**0**	**-24 617**
Finance income						5 871
Finance cost						-9 306
Associates (non-core)						-284
Income taxes						5 609
Profit/loss for the period						**-22 727**
Segment's assets [2]	**390 005**	**83 623**	**362 749**	**836 378**	**-273 180**	**563 198**
Segment's liabilities [2]	**404 944**	**96 561**	**44 596**	**546 101**	**-268 926**	**277 175**
Other disclosures						
Gross capital expenditure [3]	202 754	11 989	957	215 700	0	215 700
Investments in associates	27	0	481	507	0	507
Provisions	14 164	128	0	14 292	0	14 292

1. Inter-company items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.

Minerals segment more detailed information 2009

Continuing operations	Minerals	
EUR '000	Southern Europe	South Africa
External revenue		
Services	278	0
Goods sold	56 790	13 967
Total external revenue	57 068	13 967
Inter-segment revenue	232	14 235
Total revenue	**57 300**	**28 202**
Associates (core)	-36	42
Segment EBITDA	**9 992**	**409**
Depreciation and amortisation	-16 888	-4 479
Impairment, net	0	-19 079
Segment operating profit / loss	**-6 896**	**-23 149**
Segment's assets [1]	**307 574**	**214 526**
Segment's liabilities [1]	**300 312**	**236 702**

1. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.

Wood Processing segment more detailed information 2009

Continuing operations	Wood Processing		
EUR '000	Sawmill business	House building	Pallet business
External revenue			
Services	9	1 076	376
Goods sold	81 045	30 763	9 055
Total external revenue	81 054	31 839	9 431
Inter-segment revenue	1 635	0	0
Total revenue	**82 689**	**31 839**	**9 431**
Associates (core)	0	0	0
Segment EBITDA	**8 374**	**7 182**	**1 512**
Depreciation and amortisation	-4 195	-350	-990
Impairment, net	2 059	0	0
Segment operating profit / loss	**6 238**	**6 832**	**522**
Segment's assets [1]	**58 022**	**21 361**	**9 221**
Segment's liabilities [1]	**72 876**	**23 089**	**5 572**

Wood Processing segment more detailed information 2008

Continuing operations	Wood Processing		
EUR '000	Sawmill business	House building	Pallet business
External revenue			
Services	0	1 548	503
Goods sold	84 484	48 820	8 711
Total external revenue	84 484	50 368	9 214
Inter-segment revenue	2 640	11	0
Total revenue	**87 123**	**50 379**	**9 214**
Associates (core)	0	0	0
Segment EBITDA	**2 340**	**10 384**	**1 747**
Depreciation and amortisation	-6 152	-288	-1 385
Impairment, net	-17 949	0	-2 427
Segment operating profit / loss	**-21 761**	**10 097**	**-2 066**
Segment's assets [1]	**61 279**	**19 318**	**6 050**
Segment's liabilities [1]	**74 803**	**17 495**	**3 036**

1. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.

Operating segment information 2008

Year ended 31.12.2008	Continuing operations				Discontinued operations				
EUR '000	Minerals	Wood Processing	All other operations	Segments total	Furniture business	Care services	Segments total	Eliminations and unallocated items	Consolidated Group
External revenue									
Services	0	2 051	7	2 058	0	10 190	10 190	0	12 248
Goods sold	12 308	142 015	2 300	156 623	78 506	0	78 506	-16 [1]	235 113
Total external revenue	12 308	144 066	2 308	158 681	78 506	10 190	88 696	-16	247 361
Inter-segment revenue	0	840	381	1 221	0	0	0	-1 221 [1]	0
Total revenue	**12 308**	**144 906**	**2 689**	**159 902**	**78 506**	**10 190**	**88 696**	**-1 237**	**247 361**
Associates (core)	0	0	0	0	0	0	0	0	0
Segment EBITDA	**1 880**	**14 483**	**-13 346**	**3 016**	**2 125**	**13 136**	**15 260**	**-928**	**17 348**
Depreciation and amortisation	-2 880	-7 824	-135	-10 839	-2 959	-369	-3 328	0	-14 168
Impairment, net	0	-20 376	-17 810	-38 187	-2 847	0	-2 847	0	-41 034
Segment operating profit / loss	**-999**	**-13 718**	**-31 292**	**-46 010**	**-3 681**	**12 767**	**9 085**	**-929**	**-37 853**
Finance income									16 783
Finance expense									-12 958
Associates (non-core)									171
Income taxes									1 171
Profit/loss for the period									**-32 687**
Segment's assets [2]	**57 943**	**85 675**	**453 102**	**596 721**	**0**	**0**	**0**	**-33 446**	**563 275**
Segment's liabilities [2]	**58 210**	**106 831**	**71 317**	**236 358**	**0**	**0**	**0**	**-29 793**	**206 565**
Other disclosures									
Gross capital expenditure [3]	154 787	80 584	39	235 411	4 687	1 146	5 833	0	241 243
Investments in associates	0	0	1 770	1 770	0	0	0	0	1 770
Provisions	5 202	92	0	5 294	0	0	0	0	5 294

1. Inter-segment items are eliminated on consolidation.
2. The assets and liabilities of the segments represent items that these segments use in their activities or that can be reasonably allocated to them.
3. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.

Other operations include investment projects, Group headquarters and other operations not included in the two segments reported. In the care services segment's 2008 EBITDA and EBIT, a gain on disposal resulting from the sale of the segment and totalling about EUR 12.0 million is included.

BUSINESS COMBINATIONS

FINANCIAL YEAR 2009

Ruukki Group has carried out the following business acquisitions and disposals during the financial year 2009:

Month	Segment	Transaction description
May	Minerals	Acquisition of an effective stake of 84.9% in Mogale Alloys (Pty) Ltd
October	Wood (sawmills)	Sale of Lappipaneli Oy's sawmilling business
December	Wood (sawmills)	Disposal of the 91.4% stake in Tervolan Saha ja Höyläämö Oy

In addition to the abovementioned transactions, the Group's house building business (Pohjolan Design-Talo Oy) acquired some land areas in December, which are controlled by Keski-Lapin Kiinteistösijoitus Oy, of which the Group owns 100%. However, this transaction was not a business combination as defined in IFRS3, but rather is treated under IAS2.

> Ruukki Group owns Mogale both directly and via intermediate holding companies.

GROUP COMPANIES

Mogale Alloys (Pty) Ltd

At the end of May, Ruukki Group acquired an effective stake of 84.9% in South African ferroalloys producer Mogale Alloys. The acquired business has been consolidated into Ruukki Group since the beginning of June 2009. The total nominal purchase consideration, at the exchange rate prevailing at the date of the payment of purchase consideration (EUR/ZAR rate of 11.58) totals some EUR 162.5 million for the 84.9% share in Mogale.

Based on the timing and contingencies of the various payments in relation to purchase consideration as well as to management compensation, cash outflow liabilities can be split into the following categories:

(i) ZAR 1,200 million (about EUR 103.7 million at EUR/ZAR 11.58) paid in cash at the closing date, of which ZAR 1,125 million was paid to the vendors and ZAR 75 million allocated to a trust set up for Mogale's management. In addition about ZAR 24 million was paid as interest compensation;

(ii) ZAR 200 million (about EUR 17.3 million) in cash as unconditional deferred payment on the first anniversary of the closing date, i.e. in May 2010; and

(iii) ZAR 600 million (about EUR 51.8 million) in cash as conditional deferred payment via a five-year vendor loan arrangement, which includes ZAR 75 million to be allocated to Mogale's management trust. This tranche is payable only if and from the date when Mogale receives environmental permits and licences for its four furnaces, with the ZAR 600 million split into four furnace –specific tranches.

Ruukki Group's new subsidiary Ruukki South Africa (Proprietary) Ltd acquired the following shares in the Mogale transaction:
a) directly 17.7% of shares in Mogale Alloys (Proprietary) Ltd;
b) through 100% owned subsidiaries; and
c) through an 49% owned associated company

directly	17.70%
via PGR 17	34.60%
via Dezzo 184	27.70%
via PGR Manganese	4.90%
total effective stake	84.90%

The remaining 15.10% is effectively held by Mogale Alloys Trust and PGR Manganese (Pty) Ltd's major shareholders, both of which are controlled or owned by black entrepreneurs or Mogale's employees. Hence, in the transaction, South African Black Economic Empowerment legislation was taken into account. Since Ruukki South Africa (Pty) Ltd ceded 40% of the shares, and rights thereby, of Mogale, PGR 17 and Dezzo, it acquired as collateral for the unpaid portion of the purchase consideration, at inception the effective unpledged ownership interest of Ruukki totalled 52.90%.

If the acquisition had taken place with a corresponding holding already on 1 January 2009, this would have changed the consolidated figures reported by Ruukki Group for the review period 1 January - 31 December 2009 as follows:

Consolidated revenue	EUR +10.5 million (+5.5%)
Consolidated EBIT*	EUR - 4.4 million (-17.9%)
Consolidated net profit *	EUR - 3.8 million (-16.6%)

(all these figures compared with the accounting period 2009 figures reported by the Group)

* when (i) taking into account the depreciations and deferred taxes related to purchase price allocations, and (ii) assuming 31 May 2009 fair values to be valid for the earlier periods as well; and iii) taking into account ZAR 150 million management incentive schemes' accruals based portion for 1-5/2009

Ruukki Group prepared a preliminary purchase price allocation based on the target companies' balance sheets at the date of the conclusion of the deal, which was published in August 2009 within the Q2/2009 interim report. On 31 December 2009, the Group adjusted the purchase price allocation particularly based on changes in Mogale's environmental and rehabilitation provision, based on additional analysis pursued post-transaction. This was in particular based on analysis whether those liabilities have been caused by historical action and operation or whether they are future related.

Based on the adjustments above, the following key changes have been recognised compared to the balance sheet reported earlier:

» decrease of goodwill by ZAR 60.3 million (about EUR 5.2 million)
» decrease of provisions by ZAR 118.4 million (about EUR 10.2 million)
» decrease of deferred taxes by ZAR 44.2 million (about EUR 3.8 million)

The target companies' adjusted balance sheets as well as the assets and liabilities recognised in the purchase price allocation process on 31 December 2009 are presented on the next page. The figures include, to some extent, transactions between those parties and hence cannot be simply added up.

The goodwill recognised as a consequence of the transaction is based on the following factors:

» the utilisation of Ruukki Group's internal resources and sales channels for the sales and logistics operations thereby saving expenses, and therefore a total of about EUR 24.4 million of the goodwill recognised in conjunction with Mogale acquisition has been reallocated to Southern European Minerals business, i.e. to another cash generating unit which reaps those benefits, based on the present value of the expected synergy gains;
» a broader portfolio of alloys providing the Group with new and better opportunities to change its production and redirect resources to optimise profit margins;
» the knowledge of management and employees of the acquired company generating cost savings and higher returns, thus one key component of the deal has been to structure a five-year incentive package for key management and employees;
» providing access to the infrastructure, including but not limited to the supply of electricity;
» a platform for future expansion, which decreases the lead time to expand the current business or to adjust the business model in accordance with market conditions.

In the following tables, and when calculating the total purchase consideration and when converting the balance sheet of the acquired business, the exchange rate at the time of transaction has been used. The exchange rate used at the end of December to convert the balance sheet differs from this; hence, the translation differences have been recognised in Group equity.

In addition to transaction value, ZAR 150 million has been allocated to the Mogale management incentives scheme rather than to purchase consideration, and that is expensed over a five-year term.

At the end of 2009, the Board of Directors of Ruukki Group Plc resolved, based on IAS 36 impairment testing results, that an impairment of goodwill of about ZAR 208 million (EUR 19.1 million) was recognised in relation to the Mogale Alloys transaction.

MOGALE ALLOYS (PTY) LTD

A revised preliminary purchase price allocation of the acquisition:

	EUR '000			ZAR '000
	Fair value of acquired assets	FV adjustments	Book value before acquisition	Fair value of acquired assets
Non-current assets				
Property, plant and equipment	21 959	8 299	13 660	254 185
Intangible assets				
Technology	31 964	31 964	0	370 000
Clientele	12 699	12 699	0	147 000
Financial assets	321		321	3 711
	66 943	52 962	13 981	774 896
Current assets				
Inventories	9 528		9 528	110 288
Trade and other receivables	6 153		6 153	71 222
Tax receivables	314		314	3 634
Cash and cash equivalents	4 244		4 244	49 127
	20 238	0	20 238	234 270
Total assets	**87 181**	**52 962**	**34 219**	**1 009 166**
Non-current liabilities				
Loans	0		0	4
Finance lease obligation	658		658	7 613
Deferred tax liability	17 247	14 829	2 418	199 646
	17 905	14 829	3 076	207 264
Current liablities				
Trade and other payables	4 600		4 600	53 247
Provisions	7 048	-2 057	9 106	81 590
Income taxes	1 672		1 672	19 353
	13 320	-2 057	15 378	154 189
Total liabilities	**31 226**	**12 772**	**18 454**	**361 454**
Net assets	**55 955**	**40 190**	**15 766**	**647 712**

On 31 December 2009, Mogale had some ZAR 78.0 million worth of active unused banking, guarantee and loan facilities from a financial institution, corresponding to EUR 7.3 million at the exchange rate prevailing at the end of the financial year (EUR/ZAR rate of 10.67).

	EUR '000	ZAR '000
Purchase consideration, paid	98 265	1 137 461
Purchase consideration, unpaid	61 556	712 539
Interest	2 084	24 119
Stamp duty	400	4 625
Transaction costs	1 673	19 365
Acquisition cost	**163 976**	**1 898 109**
Acquisition cost	163 976	1 898 109
Ruukki's direct share of net assets	44 838	519 023
Ruukki's indirect share of net assets	2 718	31 462
Goodwill	**116 420**	**1 347 625**
Net cash outflow on the acquisition:		
Cash consideration for the acquisition	-99 272	-1 149 119
Management remuneration	-6 479	-75 000
Ruukki's share of acquired cash	4 244	49 127
Net cash flow effect	**-101 507**	**-1 174 993**

Lappipaneli Oy

Lappipaneli Oy concluded in the fourth quarter of 2009 the sale of its sawmilling assets to Pölkky Oy, Pölkky Metsä Kmo Oy and Kitkawood Oy. Inventories were sold in October 2009 and the transfer of fixed assets is expected to happen in April 2010. The consideration for Lappipaneli's gross assets totaled EUR 14.6 million. The consideration is to be paid in installments, to a major extent during the fourth quarter of 2009 and April 2010.

Tervolan Saha ja Höyläämö Oy

As part of refocusing the Group's Wood Processing business, Ruukki Group's subsidiary Ruukki Yhtiöt Oy entered on 20 November 2009 into an agreement to sell its 91.4% stake in Tervolan Saha ja Höyläämö Oy ("TSH").The effective date for the transfer of the shares was 31 December 2009. In conjunction with the deal, the call option agreement with TSH's minority shareholders was dissolved. The consideration for the shares totalled approximately EUR 4.1 million, and was paid in cash in December.

RCS Ltd and Türk Maadin Sirketi A.S.

Related to the October 2008 acquisition of RCS Ltd and Türk Maadin Sirketi A.S., there is an earn-out purchase price component linked to the financial results of the companies in 2009 – 2013. At the end of 2009, the actual 2009 financial results and revised forecasts for 2010 – 2013 have been taken into account, and thus the total purchase consideration has been revised down by EUR 21.7 million compared to the corresponding total expected liability at year-end 2008. The earn-out, sum, if positive, has to be paid in Ruukki shares, for which a fixed (with dividend and capital redemption adjustment) exercise price has been set (on 31 December 2009: EUR 2.26 per share). Therefore, on 31 December 2009 altogether 22,774,441 (31.12.2008: 39,725,720) shares was estimated to be given as earn-out payment to the seller based on revised forecasts of the target companies' future results. The fair value of these shares has been determined to be EUR 1.28 per share based on the market price of the share on 28 October 2008, the date of the Company's General Meeting.

Elektrowerk Weisweiler GmbH

On the consolidated balance sheet on 31 December 2009, Ruukki Group Plc assumed that the option rights in relation to Elektrowerk Weisweiler would be exercised in 2018. The nominal exercise price was determined by using judgment and a simplified valuation model based on so-called Stuttgarter Verfahren model. At the end of 2009, this component changed due to discounting.

Associates

As part of refocusing the Group's core business and strategy, Ruukki Group sold its 37.5% stake in Cybersoft Oy to Headpower Oy in an all-cash transaction. The effective date for the transfer of the shares was 1 November 2009. The consideration of the shares totalled about EUR 0.9 million and the transaction generated a sales gain of EUR 0.5 million. In addition, there are potential earn-out elements related to the transaction which have not been taken into account in the consolidated financial statements.

Other corporate activity

Pyyn Liikehuoneisto Oy, a subsidiary of Junnikkala Oy operating in the Wood Processing business, was merged into its parent company in January 2009.

During December 2009, Ruukki Yhtiöt Oy terminated the put options it had written in relation to the Junnikkala acquisition after which it only has the call option left in accordance with the original transaction agreements. This led to a EUR 5.3 non-recurring income positively affecting both the EBITDA and EBIT.

PSL Räinä Oy, a fully owned subsidiary of Oplax Oy, was merged into its parent company in November.

FINANCIAL YEAR 2010

Intermetal

In February 2010 Ruukki Group Plc's Turkish subsidiary, Türk Maadin Sirketi A.S., acquired 99% of the shares in Intermetal Madencilik ve Ticaret A.S.. The rationale of the transaction was to expand the Group's chrome ore reserves potential in Turkey. Hence, to the extent that the purchase consideration exceeded the value of target company's net assets on its balance sheet the residual was recognised on the Group balance sheet as minerals reserves. Intermetal has six chrome ore exploration and exploitation licenses with a total land area of about 5,000 hectares. There is no external quantification of the total minerals reserve of Intermetal's licence areas.

In 2009, Intermetal's revenue was approximately EUR 1.8 million, EBITDA EUR 12.4 thousand and net profit EUR 9.3 thousand when using the average exchange rate of 2.1631 for EUR/TRY.

The purchase consideration of the Intermetal shares was close to USD 0.5 million (about EUR 0.3 million), and was paid in cash.

Other corporate activity

In the beginning of 2010, certain initiatives have been taken targeted to dissolve or merge some non-active Finnish subsidiaries.

INTERMETAL

A preliminary purchase price allocation of the acquisition:

EUR '000	Fair value of acquired assets	Book value before acquisition
Intangible assets	7	7
Property, plant and equipment		
Machinery and equipment	119	119
Ore reserves	61	0
Other tangible assets	193	193
Inventories	14	14
Trade and other receivables	87	87
Cash and cash equivalents	27	27
Total assets	**508**	**447**
Deferred tax liability	12	0
Current liabilities		
Interest-bearing liabilities	130	130
Trade and other payables	29	29
Total liabilities	**172**	**159**
Net assets	**336**	**287**

EUR '000	
Acquisition cost	336
Net assets	336
Goodwill	**0**
Net cash outflow on the acquisition:	
Consideration paid in cash	336
Acquired cash and cash equivalents	-27
Cash flow	**309**

CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR 2008

Ruukki Group has carried out the following business acquisitions and disposals during the financial year 2008:

Month	Segment *	Transaction description
January	Wood (sawmills)	Acquisition of a 51.02% (51.06% of votes) stake in Junnikkala Oy
January	Non-segment	Disposal of Pan-Oston Oy
July	Non-segment	Disposal of Mikeva Oy and the group it formed
August	Non-segment	Disposal of an 80.6% stake in Selka-line Oy
September	Wood (house building)	Acquisition of 9.9% in Pohjolan Design-Talo Oy
September	Wood (house building)	Acquisition of all the business operations of Gloria House Finland Oy
October	Minerals	Acquisition of a 100% stake in RCS Ltd and a 98.75% stake in Türk Maadin Sirketi A.S.
October	Wood (pallet)	Acquisition of 100% of PSL Räinä Oy
December	Non-segment	Disposal of a 23% stake in Incap Furniture Oy

* segments following 2009 segment reporting structure

GROUP COMPANIES

Junnikkala Oy

The Group's sawmill business area acquired a 51% interest in Junnikkala Oy and the Group it forms in January. Junnikkala Oy was consolidated into Ruukki Group as a 100% subsidiary based on a share option arrangement as of February. Junnikkala Oy practises saw milling and the further processing of sawn wood mainly targeted for the prefabricated housing business. At the same time, Junnikkala Oy acquired all shares of Pyyn Saha ja Höyläämö Oy, which operates in Oulainen. It was merged into its parent company on 1 October.

If the acquisition had taken place with a corresponding holding already on 1 January 2008, it would have changed the consolidated figures reported by Ruukki Group for the accounting period 1 January - 31 December 2008 as follows:

Consolidated revenue + EUR 3.384 million (+1.4%)
Consolidated EBIT* + EUR 118,000 (0%)
Consolidated net profit + EUR 47,000 (0%)
(all these figures compared with the accounting period 2008 figures reported by the Group)

* when (i) taking into account the depreciation and deferred taxes related to purchase price allocations, and (ii) assuming 31 January 2008 fair values to be valid for the earlier periods as well

If the Junnikkala Group had been consolidated into Ruukki Group's sawmill business already on 1 January 2008, the business area's revenue would have been EUR 99.7 million (+3.5% compared with the business area's 2008 revenue) and EBIT about EUR -23.6 million (+0.5% compared with the business area's 2008 EBIT).

The acquisition generated EUR 2.5 million goodwill, which was based on synergies expected to be gained, e.g. from wood procurement, cooperation in export markets and potentially from rationalisation measures in administration to be taken in the future. According to the preliminary purchase price allocation, the acquisition generated EUR 5.4 million goodwill, which was written off in conjunction with the impairment test carried out on 30 September. Consequently, there was no goodwill on the Group's balance sheet on 31 December 2008. The difference in goodwill between the preliminary and final purchase price allocation was recognised by decreasing the value of the clientele.

Pan-Oston Oy

In January, Ruukki Group sold all the shares of its metal industry subsidiary, Pan-Oston Oy, in an all-cash transaction and recognised a gain on disposal totalling about EUR 0.7 million.

Selka-line Oy

On 29 August, Ruukki Group's metal industry subsidiary, Alumni Oy, sold 80.6% of the share capital of Selka-line Oy, a company operating in the metal contract furniture and furniture component businesses, to the company's Managing Director Ismo Räty. Ruukki Group's share in the company decreased from 100% to 19.4%, and Selka-line was consolidated into Ruukki Group up until the end of

August. The sales price of the shares was EUR 10,000 and the gain on disposal some EUR 150,000. The revenue of Selka-line totalled approximately EUR 2.9 million in 2007 and the operating profit was slightly positive. The transaction did not have a significant effect on the Group's income statement or balance sheet.

Pohjolan Design-Talo Oy

Ruukki Group Plc's Board of Directors decided in September to strengthen the house building business operations by redeeming all the minority shareholder's shares in its subsidiary, and by acquiring the business of Gloria House Finland Oy. Ruukki Group Plc acquired 9.9% of Pohjolan Design-Talo Oy from Kimmo Kurkela, its Managing Director, with approximately a EUR 6.1 million cash consideration. The share of the purchase price exceeding the minority interest, about EUR 6 million, was recognised as goodwill. After the transaction, Ruukki Group Plc owns all the shares in Pohjolan Design-Talo Oy. Moreover, Pohjolan Design-Talo Oy entered into a preliminary agreement to acquire, 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. The transaction was completed in November.

JUNNIKKALA OY

The following assets and liabilities were recognised relating to the acquisition:

EUR '000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Clientele	3 869	0
Emission allowances	795	0
Order book	104	0
Other intangible assets	318	318
Property, plant and equipment		
Land and water	730	730
Buildings and constructions	6 243	6 243
Machinery and equipment	13 984	13 984
Investments	59	59
Other tangible assets	687	687
Current assets		
Inventories	11 761	10 873
Non-interest bearing receivables	12 296	10 731
Cash and cash equivalents	415	415
Total assets	**51 260**	**44 040**
Interest-bearing liabilities	16 811	16 811
Non-interest bearing payables		
Deferred tax liability	1 470	0
Other non-interest bearing payables	10 538	10 538
Total liabilities	**28 820**	**28 696**
Net assets	**22 440**	**15 344**

EUR '000	
Acquisition cost	24 902
Net assets	22 440
Goodwill	**2 462**
Net cash outflow on the acquisition:	
Consideration paid in cash	5 740
Acquired cash and cash equivalents	-415
Cash flow	**5 326**

> The purchased Minerals business became a separately reported business segment

RCS Ltd and Türk Maadin Sirketi A.S.

Ruukki Group Plc purchased 99.93% and its subsidiary Rekylator Oy 0.07% of the shares of the Maltese company RCS Ltd; further, Ruukki Group Plc purchased 98.75% of the shares of the Turkish company Türk Maadin Sirketi A.S. from Kermas Ltd. Ruukki Group Plc paid as a purchase consideration EUR 80 million in cash at the closing and will pay, as a potential additional earn-out purchase consideration, 50% of the combined net profit of RCS and TMS over a five-year period covering the financial years 2009 – 2013. The maximum total earn-out consideration is EUR 150 million. In addition, the transaction includes a long-term ferrochrome toll manufacturing agreement between RCS Ltd and the German Elektrowerk Weisweiler GmbH (EWW), a put option for two years related to the shares of Türk Maadin Sirketi A.S., and a call option related to the shares of Elektrowerk Weisweiler GmbH after five years.

The purchased Minerals business became a separately reported business segment, which was consolidated into Ruukki Group from the beginning of November 2008. Also, EWW has been consolidated into the Ruukki Group even though the share of ownership is 0% and even though the exercise period of the EWW option only starts on 1 January 2014, since based on the IFRS SIC-12 principles and on a comprehensive view of the target, the signs of control are estimated to exist.

Related to the acquisition, Ruukki Group Plc has issued 73,170,731 option rights to the seller, Kermas Ltd, based on the General Meeting resolution on 28 October 2008. These options can be exercised only on the condition that the companies acquired generate positive net results, and are based on a EUR 2.30 per share exercise price with dividend adjustment mechanism. Based on estimates, as confirmed by Ruukki Group Plc’s Board of Directors, for 2009 – 2013 profits of the acquired entities and assuming the maximum dividend adjustment of the share purchase agreements, 39,725,720 shares were, on 31 December 2008, estimated to be given as earn-out payment to the seller. The fair value of these shares has been determined to be EUR 1.28 per share based on the market price of the share on 28 October 2008, the date of the company’s General Meeting. There is no resolution as to the exercise of option rights related to Elektrowerk Weisweiler GmbH. Moreover, the exercise price of the option rights on that company are not fixed in advance; however, the exercise price will be based on the fair value of Elektrowerk Weisweiler GmbH, which will be separately determined in the future. In the consolidated balance sheet on 31 December 2008, Ruukki Group Plc assumed that option rights would be exercised in 2018. The nominal exercise price was determined by using judgment and a valuation model.

If the business entity had been acquired in a corresponding way already on 1 January 2008, it would have changed the consolidated figures reported by Ruukki Group for the accounting period 1 January - 31 December 2008 as follows:

Consolidated revenue + EUR 98 million (+39%)
Consolidated EBIT* + EUR 12 million (+31%)
Consolidated net profit + EUR 11 million (+34%)
(all these figures compared with the accounting period 2008 figures reported by the Group)

* when (i) taking into account the depreciations and deferred taxes related to purchase price allocations, and (ii) assuming 31 January 2008 fair values to be valid for the earlier periods as well

RCS LTD AND TÜRK MAADIN SIRKETI A.S.

The following assets and liabilities were recognised relating to the acquisition:

EUR '000	Fair value of acquired assets	Book value before acquisition
Non-current assets		
Intangible assets		
Intangible assets	260	260
Clientele	66 587	0
Technology	5 573	0
Property, plant and equipment		
Land and buildings	4 741	1 519
Machinery and equipment	3 110	1 181
Other tangible assets	1 170	1 170
Ore reserves	10 435	0
Financial Assets	15 657	15 657
Deferred tax assets	2 009	1 615
	109 542	21 402
Current assets		
Inventories	20 135	16 789
Order book	237	0
Receivables	16 870	16 870
Cash and cash equivalents	8 576	8 576
	45 818	42 235
Total assets	**155 362**	**63 637**
Liabilities		
Non-current liabilities	87	87
Provisions	17 716	15 746
Deferred tax liabilities	30 308	683
Current liabilities	23 768	23 768
Total liabilities	**71 880**	**40 284**
Net assets	**83 482**	**23 353**

EUR '000	
Acquisition cost	144 571
Net assets	83 482
Goodwill	**61 089**
Net cash outflow on the acquisition:	
Consideration paid in cash	84 889
Acquired cash and cash equivalents	-8 576
Cash flow	**76 313**

Related to the acquisition, Ruukki Group recognised about EUR 61.1 million goodwill based on the following factors:

» As part of the transaction, Ruukki Group Plc acquired a mining company operating in Turkey with mining sites and ore reserves in a number of Turkish locations. To the extent that external experts' geological and other surveys have established proven or probable quantities of ore reserves, the reserves have been recognised as a separate asset on Ruukki Group's balance sheet. The value of ore reserves at the time of acquisition was determined to be EUR 10.4 million. However, there are no certain survey data on reserves below the surface, even though they might have major significance according to the studies; hence goodwill has been recognised.

» In implementing the acquisition, Ruukki Group's target was to create a combined business consisting of the acquired companies so that as tight integration as possible can be achieved. The Group will get efficiency and cost gains from the increase in operational integration, which also enables diminishing the relative importance of external service and goods providers thus giving added value into the Group. Via the acquisition, it is possible to gain with the ferrochrome business economies of scale - something that has not been possible in the past, for example in the production of chrome ore concentrate.

» To a certain extent, Ruukki Group can utilise the same global agent or trade house channels, which can lead to added value or cost savings in the operations of the Group's wood products businesses.

» Since at the time of the acquisition Ruukki Group's

cash reserves were significant, the expansion into the Minerals business has enlarged the Group's investment opportunities; as a result, the Group can make such investments or acquisitions that it could not make previously.

» The acquisition of the Minerals business increases the debt capacity of the Group, diversifies business risks, and consequently can affect the stability and potentially also the predictability of cash flows. This can lead to more optimal capital structure and tax benefits.

PSL Räinä Oy

Oplax Oy, a subsidiary of Ruukki Group's sawmill business, entered on 31 October 2008 into an agreement to acquire the entire share capital of PSL Räinä Oy, located in Rovaniemi, and which operates in the wooden loading pallets business. PSL Räinä Oy was consolidated into the Group as of November.

If the acquisition of PSL Räinä Oy had taken place with a corresponding holding already on 1 January 2008, this would have increased the Group's revenue by about EUR 2 million. Otherwise, the acquisition would not have had a material effect on the Group's reported figures.

The acquisition generated goodwill EUR 40 thousand, which is based on expected synergies to be generated by cost savings from streamlining the administrative functions and lowering the prices of sawn timber due to higher procurement volumes.

DISCONTINUED OPERATIONS

Mikeva Oy

At the end of June, Ruukki Group entered into an agreement to sell all the shares of Mikeva Oy, the parent company of its care services business, to DF-Care Oy. The transaction was closed at the beginning of July. The business was presented in the Group's 2008 income statement as a discontinued operation. The net gain on disposal amounted to EUR 12 million. The cash consideration paid in July to Ruukki Group Plc by the buyer was EUR 10.2 million. According to the transaction, Ruukki Group Plc's receivables from the sold subsidiary have been converted into non-interest-bearing vendor notes, whose total nominal amount is about EUR 3.8 million, and given to the buyer to be paid back in arrears over the next three years. Moreover, Ruukki Group Plc has, until the end of 2012, a call option to buy up to 5% of the buyer's shares.

Incap Furniture Oy

Ruukki Group decreased its stake in the furniture business by selling altogether 23% of the shares in Incap Furniture Oy, the parent company of its furniture business, with a total cash consideration of EUR 200 on 29 December 2008. After the transaction, Ruukki Group owns 48.3% of Incap Furniture Oy's shares and the company is currently the Group's associated company. Net gain on disposal amounted to EUR 5.2 million, which was fully recognised against impairment losses on the furniture business' property, plant and equipment recognised in September 2008.

The combined results and cash flows of the discontinued operations are set out on the next page. The comparative figures include care services and furniture business profit, and cash flows for the previous financial year.

Associates

Ruukki Group Plc's former associates, Lanux Oy, Orienteq Capital Oy and SG Systems Oy, closed down their operations during the financial year 2008.

PSL RÄINÄ OY

The following assets and liabilities were recognised relating to the acquisition:

EUR '000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Clientele	368	0
Property, plant and equipment	33	33
Inventories	252	252
Receivables		
Trade receivables	386	386
Other receivables	11	11
Cash and cash equivalents	0	0
Total assets	**1 050**	**682**
Deferred tax liability	96	0
Current liabilities		
Trade payables	91	91
Other liabilities	335	335
Total liabilities	**522**	**426**
Net assets	**528**	**256**
Acquisition cost	568	
Net assets	528	
Goodwill	**40**	
Net cash outflow on the acquisition:		
Consideration paid in cash	568	
Acquired cash and cash equivalents	0	
Cash flow	**568**	

DISCONTINUED OPERATIONS

EUR '000	1.1.-31.12.2008	1.1.-31.12.2007
Revenue	88 696	85 532
Other operating income	2 347	6 282
Operating expenses	-93 991	-88 808
Operating profit	-2 947	3 007
Finance income and expense	-1 402	-1 830
Profit before tax	-4 349	1 177
Income tax	997	-51
Net profit	-3 352	1 126
Gains on disposals of discontinued operations	12 033	0
Profit from discontinued operations	**8 680**	**1 126**
Cash flows from discontinued operations		
Cash flow from operating activities	6 919	-4 158
Cash flow from investing activities	-3 973	1 016
Cash flow from financing activities	-3 761	3 326
Net cash flows	**-815**	**183**

IMPAIRMENT TESTING

GENERAL PRINCIPLES OF IMPAIRMENT TESTING

Ruukki Group has carried out impairment testing on goodwill and other assets as of 31 December 2009. During 2008 the Group carried out impairment testing as of 31 December 2008, and additionally due to market circumstances also on 30 September 2008. For the impairment testing as of 31 December 2009 the following cash generating units were identified, which quite closely resembles the cash generating units used in the 2008 impairment testing:

Cash generating units belonging to Minerals business:

» Southern European Minerals Processing business (RCS, Türk Maadin Sirketi and Elektrowerk Weisweiler) with a vertically integrated mining-beneficiation-smelting-sales operation in the specialty grade ferrochrome business and having an annual capacity of about 30,000 metric tons; and

» South African Minerals Processing business (Ruukki South Africa and Mogale Alloys), which has ferroalloys smelting operations with four furnaces and with a total capacity of about 96MVA corresponding to about 110,000 metric tons per year production capacity.

During the financial year the total goodwill of the Group increased

Cash generating units belonging to Wood Processing segment:

» House building business (Pohjolan Design-Talo and subsidiaries), producing and selling wooden ready-to-move-in houses into the Finnish market mainly for private families; and

» Sawmill business (Junnikkala), which has sawmills in Kalajoki and Oulainen producing sawn timber and further processed products from pine and spruce with annual capacity of about 300,000 m^3 with sales into domestic and export markets; and

» Pallet business (Oplax) producing and selling wooden loading pallets and related logistical services.

The Group assesses at each balance sheet date whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of these assets is estimated. Moreover, the recoverable amount of any goodwill and unfinished investment projects will be estimated annually, at the end of the year, irrespective of whether there is an indication of impairment. At the financial year-end 2009 sawmill business and pallet business, two of the abovementioned cash generating units, did not have any goodwill on their balance sheet nor any indication of impairment, and they were not tested.

Changes in goodwill during 2009

During financial year 2009 the total goodwill of the Group increased by approximately EUR 86.4 million net, as compared to the end of financial year 2008, to a total of EUR 172.9 million.

Related to certain acquisitions there are earn-out liabilities or deferred liabilities, which are conditional upon future years' results of the target entity. The amounts of earn-outs are revised when the actual target company results are finalised or in case there is reason to believe that the original assumptions and forecasts used for the determination of these earn-outs have changed. Changes made in earn-outs have affected the amount of goodwill during 2009 mainly due to the change in future profit estimates for the Southern European Minerals Processing business. In the impairment testing process, the Group has reallocated about EUR 24.4 million of the goodwill recognised in conjunction with the Mogale Alloys acquisition from South African minerals CGU to the Southern European minerals CGU based on the present value of the expected synergy gains to be benefited by the Southern European minerals CGU due to Mogale Alloys acquisition.

Reversal of earlier impairment on other assets during 2009

In 2008 the Group recognised impairment losses on non-current tangible assets for its sawmill business and pallet business. Based on the actual realisation of the non-current assets, the Group reversed some of those earlier impairment losses by a total amount of EUR 2.1 million in relation to the divestment of Lappipaneli Oy's assets to external parties.

The methodology applied in impairment testing

For all cash generating units, which have been tested for impairment, the value in use has been calculated by discounting estimated future net cash flows that have been based on the conditions and assumptions prevailing at the

time of the testing. In certain cases the Group has applied the net realisable value approach, as an example when testing the associated companies' values.

Future cash flows have been projected for a 5-year period after which a zero percent growth assumption has been used for all European assets. As far as the Group's South African assets are concerned, a fixed 7% per annum nominal growth rate has been applied to reflect local inflation and the discount rate used. For the terminal year after the 5-year estimation period the essential assumptions (e.g. revenue, variable costs and fixed costs) have been based at the estimation period's last year figures excluding inflation adjustments. To take into account possible variations in the amount or timing of cash flows, the price for bearing uncertainty and other factors like illiquidity of the assets, adjustments are made to the discount rate used in discounting the projected future cash flows.

The weighted average cost of capital (WACC) has been calculated separately for each cash generating unit and testable asset taking into account unit-specific risk factors, each businesses typical capital structures, investors' average required rate of return for similar investments and company size and operational location related factors, as well as the prevailing risk-free interest rates and required margins for debt financing. The Group has used publicly available information to get market information on the peer group companies' capital structure, risk premium and other factors. As there are not perfect matches available, to fully incorporate all specific aspects of the assets, peer group averages have been used, and moreover, asset-specific risks added where applicable.

The changes in goodwill during 2009 are described below:

EUR '000	Minerals, Southern Europe	Minerals, South Africa	Wood, House building	Group Total
Goodwill 1.1.2009	**61 830**	**0**	**25 418**	**87 248**
Acquisitions		116 420		116 420
Reallocation between CGUs	24 390	-24 390		0
Changes in earn-out liabilities	-21 698		105	-21 592
Impairment		-19 079		-19 079
Exchange rate movement		9 462		9 462
Other changes	333			333
Goodwill 31.12.2009	**64 914**	**82 413**	**25 523**	**172 850**

The changes in goodwill during 2008 are presented below:

EUR '000	Minerals, Southern Europe	Wood, House building	Wood, Sawmill business	Wood, Pallet business	Continued operations	Other businesses	Discontinued operations	Group total
Goodwill 1.1.2008	**0**	**19 518**	**6 554**	**1 239**	**27 310**	**1 460**	**5 669**	**34 440**
Acquisitions	61 830	5 918	5 470	40	73 258			73 258
Divestments					0	-1 460	-5 665	-7 125
Changes in earn-out liabilities		-18	-218		-236		-5	-241
Impairment			-11 805	-1 279	-13 084			-13 084
Goodwill 31.12.2008	**61 830**	**25 418**	**0**	**0**	**87 248**	**0**	**0**	**87 248**

Goodwill was split in the following way on balance sheet dates 31 December 2009 and 31 December 2008:

EUR´000	31.12.2009	%	31.12.2008	%	Change
Minerals business	147 327	85.2%	61 830	70.9%	85 497
Wood Processing business	25 523	14.8%	25 418	29.1%	105
Total continuing operations	172 850	100.0%	87 248	100.0%	85 603

Goodwill as a ratio of the Group's equity has been the following on 31 December 2009 and 31 December 2008:

EUR´000	31.12.2009	31.12.2008
Goodwill	172 850	87 248
Equity	286 022	356 710
Goodwill/Equity, %	60%	24%

The information used in the 31 December 2009 impairment testing is based on subsidiary management future forecasts, on general third-party industry expert or analyst reports where available and to the extent possible, on current business and asset base excluding any non-committed expansion plans. Moreover, peer group market data has been utilised to determine certain components, such as beta coefficients, of the WACC. The market interest rates have been changed from previous year-end to reflect the rates applicable on 31 December 2009.

The functional currencies of the cash generating units have been used, which has been EUR for all the other assets than the Turkish minerals business, where Turkish lira has been converted into EUR, and the South African minerals business, where ZAR has been used for all cash flows and for carrying amount as well. By using the local currency and related South African economic indicators to determine the discount rate also the country-specific risk component has been taken into account.

Pre-tax discount rates used in 2009 impairment testing were the following:

	Pre-tax discount rate					
Segment	2009	(2008)	Risk-free interest	Average equity-%	Revelered Beta multiplier	Asset specific risks total *
Southern European Minerals	16.1%	(17.8%)	4.25%	82.7%	1.40	2.50%
South African Minerals	22.6%	-	9.13%	82.7%	1.35	1.50%
House building	11.8%	(12.6%)	3.44%	55.8%	0.90	2.50%

* total in addition to the WACC applied, including factors like: company size, liquidity of assets, customer concentration risks, stability of cash flows

The key reasons for the changes in the discount rates compared to 2008 are the following, the effect in parentheses presenting the impact to house building business discount rate:

- » changes in market interest rate (decrease)
- » change in the assumed debt/funding margin (decrease)
- » update of the risk premia, asset specific and general market related (decrease)

The results of impairment testing have been evaluated by comparing the cash generating units' recoverable amount to the corresponding carrying amount based on the following judgment rules:

Recoverable amount divided by the carrying amount	Conclusion
< 100%	Impairment
101-120%	Slightly above
121-150%	Clearly above
> 150%	Significantly above

Results of the impairment testing done at 31 December 2009

The results of the impairment testing were the following:

Cash generating unit	Goodwill, EUR '000 pre-testing	Goodwill, EUR '000 post-testing	Carrying amount EUR '000 pre-testing	Conclusion
Southern European Minerals	64 914	64 914	124 961	Significantly above
South African minerals business	101 957	82 413	157 839	Impairment
House building	25 523	25 523	26 715	Significantly above

Key background and assumptions used in the cash flow forecasts of the impairment testing process are summarised in the table below:

Cash generating unit	Sales volume	Sales prices	Costs	Net working capital, % of revenue
Southern European Minerals	FeCr: 22,000 tn/a (capacity about 30,000 tn/a) lumpy Cr ore: 27,000 - 30,000 tn/a	Assuming 40% LC FeCR and 60% ULC FeCr product mix, and based on external experts (CRU International and Heinz Pariser) price forecasts average	Raw material costs changes moving in line with sales price changes to main extent, Turkish plant investment expected to decrease chrome ore concentrate production costs from mid-2010	about 24%
South African Minerals business	metal alloys total: 88,000-102,000 tn/a (capacity about 110,000 tn/a)	Based on external experts (CRU International and Heinz Pariser) charge chrome price forecasts average	About 40% increase in electricity price assumed to take place in 2010, and longer term about 15% annual increase, with inflation from 2012 at 5,5% p,a,	about 11-14%
House building	ready-to-move-in houses: 320-360 houses/a	Based on order backlog on balance sheet date, thereafter inflation-based changes	Inflation assumption about 2% p.a., personnel expenses expected to increase by about 3% p.a.	about -10%, when including received prepayments

The carrying amount in the adjacent table is equal to the sum of:
+ goodwill
+ intangible and tangible assets (including purchase price allocation entries)
+ net working capital (if positive)
– provisions
– deferred tax liabilities (in relation to purchase price allocation entries).

Compared to the year-end 2008, the Company's Board somewhat changed in 2009 the way the carrying amount is determined:

» if and when the cash flows used in determining the value in use include the cash outflows related to provisions related to the acquired assets are taken into account, then also those provisions are deducted from the carrying amount; and

» since typically in the purchase allocation process deferred tax liabilities are recognised on the balance sheet, these liabilities are netted from the testable assets.

Sensitivity analysis of the impairment testing

Group has analysed the sensitivity of the impairment testing results by estimating how the essential assumptions should change in order for the recoverable value to be equal to the corresponding carrying amount.

During the financial year 2009 impairment loss was recognised, so the recoverable amount is equal to the carrying amount after the impairment. In order to illustrate the sensitivities, the sensitivity of the testing results of the South African minerals business to changes in key parameters is presented below:

- if the used pre-tax discount rate would have been at least 2.0%-units lower than the used rate no impairment would have recognised;
- free cash flow should have been at least 14.9% higher on average than the used forecast for not to recognise impairment;
- average EBITDA margin should have been at least 3.3%-units higher on average than the used forecast for not to recognise impairment.

The results of this sensitivity analysis as of 31 December 2009 are shown below:

Segment	Change in pre-tax discount rate (% units, compared to the level used in testing)	Change in free cash flow (%, on average for each year, compared to the used estimated values)	Change in segment's average EBITDA margin (% units)
Southern European Minerals business	5.2 %-units	-24.6%	-6.6%-units
House building	24.8 %-units	-64.9%	-10.2 %-units

Summary of impairment losses

During the financial years 2009 (2008 in parentheses, based on 2009 segment structure) the Group has recorded the following net impairment losses and/or reversals of earlier impairment in Group income statement, split below by segment:

EUR million	
Minerals business	-19.1 (-)
Wood Processing business	+2.1 (-20.4)
Non-segment and discontinued operations *	- (-20.6)

* excluding associated companies

The more detailed split by each of the cash generating units is summarised in the table below:

EUR million	2009	2008
Southern European Minerals business	-	-
South African Minerals business	-19.1	acquired in 2009
House building	-	-
Sawmill business	+2.1	-18.0
Pallet business	-	-2.4
Russian Investment Project (unfinished investment)	-	-17.7
Furniture business	discontinued in 2008	-2.9
Total	-17.0	-41.0

During the financial years 2009 and 2008 the Group has realised the following impairment losses or reversal of earlier impairment by type of asset:

EUR million	2009	2008
Land and buildings	-	-11.5
Machinery and equipment	-	-19.5
Reversal of fixed assets' impairment	+2.1	+5.2
Intangible assets	-	-1.6
Goodwill	-19.1	-13.6
Total	-17.0	-41.0

The impairment losses and reversals of impairment have been recognised in a separate line "impairment losses" in the Group income statement, immediately after the depreciation and amortisation, and hence it has not affected EBITDA, but has affected EBIT and profit lines below EBIT as well.

Impairment on other assets during 2009

For balance sheet date 31 December 2009 the value of shares in associated companies was written down by about EUR 0.9 million (during 2008 an impairment of about EUR 0.4 million on associated companies shares was recognised) based on one associated company's deteriorated financial situation and market outlook. These impairment losses are presented below EBIT in the income statement.

COMMITMENTS AND RISKS

Did you know that...

- The sawmill business of Lappipaneli Oy was divested at the end of 2009.
- The earn-out liabilities on the balance sheet at 31 December 2009 are dependant upon future financial periods' results, so the exact amount of the earn-outs will be finalised in the future.
- At the end of 2009, the Group's house building business acquired a land area with a target to develop the land and build Design-Talo houses on it.

COMMITMENTS AND CONTINGENT LIABILITIES

Mortgages and guarantees pledged as security

On 31 December 2009, the Group companies had given business mortgages as collateral for loans and other liabilities totalling approximately EUR 17.5 million (EUR 18.5 million on 31 December 2008). Of the parent company's EUR 4.2 million business mortgages, EUR 1.7 (1.7) million had been pledged as security with external financial institutions on 31 December 2009. Real estate mortgages amounted to approximately EUR 11.8 (13.5) million. The Group's parent company has given a total of EUR 4.0 (5.6) million in direct-liability absolute guarantees for the financing of Group companies. Moreover, the Group companies had given cash deposits totalling altogether EUR 2.5 (3.7) million as a security for their commitments. In addition, a Group company has given a total of EUR 0.6 million as a guarantee for equipment and land areas. Machinery financing typically involves the acquired machinery to be pledged as a guarantee with the debt repayment. With the mortgages and guarantees given to the Company's third parties, mainly to Finnish financial institutions, the Group companies have received loans that, in turn, have been used either for financing acquisition, capital expenditures or working capital needs.

In relation to debt financing arrangements of the acquisition of the pallet business in 2007, all of Oplax Oy's shares are pledged as collateral for a loan, taken by Ruukki Group Plc, the nominal value of which stood at EUR 1.5 million (2.9) at year-end. When the Group acquired the majority stake in Mogale Alloys (Pty) Ltd, deferred conditional and unconditional payments were agreed upon for a total nominal amount of ZAR 800 million (about EUR 69 million at the exchange rate at the time of transaction). In relation to these deferred payments, 40% of the total number of Mogale shares owned by the Group is pledged as collateral in favour of the Mogale vendors.

The sawmill business of Lappipaneli Oy was divested at the end of 2009, and the transfer of fixed assets is expected to take place in April 2010. These assets are on 31 December 2009 classified as assets held for sale. As specific guarantees to external funding, these assets have been used for asset and real estate pledges, and these pledges will be transferred out of the Group when the transfer of those assets will be concluded.

Covenants included in the Group's financing agreements

Some of the Group's debt financing agreements include covenants tied to the Group's or individual Group companies' solvency or profitability ratios; or have covenants that restrict the payment of the Group companies' liabilities to the parent company; or that require the parent company not to divest significant parts of the business operations without first consulting the financier.

During the financial year 2009, one of Ruukki Group Plc's loans was in breach of its covenants due to the pallet business subsidiary's senior debt to EBITDA ratio being worse than agreed in the loan agreement. By the end of the year, the covenant breach was waived by the bank and an amendment letter was signed. In conjunction with and as a consequence of this, loan margin was increased, and moreover, Ruukki Group Plc paid out EUR 0.9 million as additional partial loan capital repayment.

The Group's sawmill subsidiary, Junnikkala Oy, has a number of debt agreements where there are financial covenants tied to, e.g., the profitability and capital structure of Junnikkala. At the end of the financial year 2009, those covenants were not yet breached; however, due to tight liquidity, the sawmill subsidiary has during the first quarter not been able to make all the repayments of capital to the financial institutions, and hence is currently in breach of its financing agreements. In order to correct the situation, the owners of Junnikkala Oy, including Ruukki Yhtiöt Oy, most probably have to put in shareholders' loans or other funding into Junnikkala during the first half of 2010.

There are also some conditions and covenant-type terms in the debt facility agreements that Mogale Alloys had in place with an external bank; however, these facilities were not utilised during the financial year or at year end, and at the end of 2009 no breach of these terms were acknowledged.

Investment commitments

The irrevocable investment commitments and liabilities not paid at the end of the year totalled some EUR 3.1 (3.8) million. Of that sum, about EUR 2.9 (-) relates to finalising Turkish beneficiation plant investment, EUR 0.1 (-) million to South African furnaces and EUR 0.1 (3.8) million to the Finnish wood processing businesses.

Moreover, there is about EUR 2.0 million worth of machinery and equipment delivery commitments related to the sawmill intended originally to be located in Kostroma, Russia, and also an estimated EUR 3.7 million assembly commitments if and when the sawmill would be later taken into production use.

Mogale Alloys has budgeted funds to implement its environmental management plan which, for example, requires some refurbishing of the existing furnaces. There are also some early-stage feasibility studies on potential furnace capacity expansion projects; however, the Group has not yet committed to conclude those projects. As the Group's target is to become a vertically integrated mine-to-metals operator, the Group might have to buy additional minerals resources or further processing capacity; however, as yet there are no known commitments.

At the end of 2009, the Group's house building business acquired a land area with a target to develop the land and build Design-Talo houses on it. If and when the project would be developed as preliminarily planned, it will require capital outlays. There is also a profit-share agreement in place with a third party of any future value added created via the area development.

Earn-out and deferred liabilities related to acquisitions

Earn-out and deferred liabilities related to acquisitions carried out by the Group have been capitalised on the Group's financial statements, and presented in the consolidated balance sheet as short-term or long-term debt based on the contractual obligations as to the date of payment. The earn-out liabilities on the balance sheet as of 31 December 2009 are dependant upon future financial periods' results, so the exact amount to be paid as earn-outs will only be finalised in the future and based on the results of the acquired entities; hence the amounts recognised on the balance sheet at year-end are based on estimates. The earn-outs, recognised in discounted values to relevant extent, will be paid partially in cash and, to a major extent, in Ruukki Group Plc shares. There are also some deferred purchase considerations where the nominal sum is fixed; however, payments' time and terms can vary.

Related to the acquisition of RCS Ltd and Türk Maadin Sirketi A.S, Ruukki Group Plc has issued 73,170,731 option rights to the seller, Kermas Ltd, based on Extraordinary General Meeting's resolution on 28 October 2008. These options can be exercised only on condition that the companies acquired generate positive net results, and are based on EUR 2.30 per share exercise price with a dividend adjustment mechanism. Based on estimates at the end of 2009, as confirmed by Ruukki Group Plc's Board of Directors, for 2010 – 2013 net profits of the acquired entities, and assuming a maximum dividend adjustment of the share purchase agreements, altogether 22,774,441 (31.12.2008: 39,725,720) shares are estimated to be given as earn-out payment to the seller. The fair value of these shares has been determined to be EUR 1.28 per share based on the market price of the share on 28 October 2008, the date of the Company's Extraordinary General Meeting confirming the acquisition.

The total earn-out to be realised in the future can deviate from the amount estimated should the net results in 2010 – 2013 of the acquired companies deviate from the estimated results; or Ruukki Group Plc's dividend distribution is not equal to the amount estimated; or Ruukki

Group Plc would exercise the put option on Türk Maadin Sirketi A.S.'s shares. Since the maximum amount of the earn-out is capped at the total amount of option rights issued, Ruukki Group Plc's total earn-out liability cannot exceed 73,170,731 shares.

If the combined net profit of RCS Ltd and Türk Maadin Sirketi A.S. is negative during 2009 – 2013 (considered on annual basis separately for each year) , then the seller is obliged to pay back Ruukki Group Plc 50% of the losses in cash as a refund of the purchase consideration.

There is no resolution as to the exercise of option rights related to Elektrowerk Weisweiler GmbH. Moreover, the exercise price of the option rights on that company is not fixed in advance; however, the exercise price will be based on fair value of Elektrowerk Weisweiler GmbH, which will be separately determined in the future based on Stuttgarter Verfahren formula, used in certain circumstances in determining fair value of business entities. In the consolidated balance sheet on 31 December 2009, Ruukki Group Plc has assumed that option rights would be exercised in 2014. The nominal exercise price has been determined by using judgment and a valuation model.

At the end of May 2009, Ruukki South Africa (Pty) Ltd acquired an 84.9% stake in Mogale Alloys (Pty) Ltd. The purchase consideration is denominated in rand. According to the acquisition agreement there is a total of ZAR 800 million deferred payment, of which ZAR 200 million in unconditional and ZAR 600 million is conditional upon licences and permits being received from the relevant authorities, and this deferred conditional consideration will be paid in cash. If and when the exchange rate of ZAR changes that changes the EUR value of that liability.

Rental agreements

Liabilities associated with rental and operating lease agreements totalled some EUR 5.3 million (3.1 million on 31.12.2008). Typically, the rental agreements maturity varies between three to eight years, and normally there is a possibility to continue these agreements after the end of original maturity date. For these contacts, their price indexing, renewing and other terms differ contract by contract. As guarantees for these rental agreements, the Group companies have made cash deposits of approximately EUR 0.1 (0.1) million at year-end.

Other liabilities and commitments

In December 2009, the Group's Minerals business subsidiary had a liability of about EUR 0.2 million related to the employees' social security payments; and as a guarantee of paying this statutory commitment, the subsidiary has provided a guarantee of less than EUR 0.1 million and has also pledged some real estate.

The Group's house building products involve quality or quantity guarantees to customers, typically consisting of a short-term obligation to carry out repairs (one-year) and a statutory ten-year guarantee in respect of structural safety issues. For the potential short-term one-year repair liabilities, the Group has accrued a provision based on past realised repair expenses. Up until year-end 2009, a fixed percentage of 0.2% of revenue was used; however, at the end of 2009, the percentage was increased by the subsidiary's Board of Directors to 0.4% in order to take into account the expected repair costs for the houses delivered in 2009. As far as the longer-term ten-year contingent guarantee liability is concerned, the Group has not recognised any provision on its balance sheet.

Mogale Alloys has budgeted funds to implement its environmental management plan.

The following table presents the earn-out liabilities related to the Minerals business acquisition in October 2008 (RCS Ltd, Türk Maadin Sirketi A.S. and Elektrowerk Weisweiler GmbH) and based on future profits. The sums in brackets represent the corresponding bookkeeping entries at 31 December 2008:

Company	Estimated earn-out and call option related liability, EUR million	Estimated time of payment	Other
RCS Ltd and Türk Maadin Sirketi A.S.	29.2 (50.8) *, of which short-term portion 2.9	2010, 2011, 2012, 2013 and 2014	Earn-out to be paid in Ruukki Group Plc shares
Elektrowerk Weisweiler GmbH	8.8 (8.4) **	2014	Based on assumption that Ruukki Group Plc would buy Elektrowerk Weisweiler shares in cash by exercising its redeem options
Total	38.0 (59.2)		

* movement based on revised future profit forecasts and actual 2009 results, being the basis of the earn-out
** movement based on unwinding of interest due to discounting

At the end of December 2009, Ruukki Group terminated its put option granted to Junnikkala Oy's minority shareholders. Moreover, the Group sold Tervolan Saha ja Höyläämö's shares. Hence, at the end of 2009 in the Wood Processing business, the earn-out and deferred purchase consideration liabilities are only related to the acquisition of the 9.9% stake in Pohjolan Design-Talo Oy (house building business, increase in stake acquired during 2008), the sums in brackets at 31.12.2008:

EUR million	Earn-out liability	Deferred liability	Total
Short-term liabilities	0.1 (0.2)	0.9 (0.9)	1.0 (1.1)
Long-term liabilities	- (0.0)	- (0.9)	- (0.9)
Total liabilities	0.1 (0.2)	0.9 (1.8)	1.0 (2.0)

Collaterals given by Ruukki Group Plc

Collaterals for the Company's own behalf

EUR '000	31.12.2009	31.12.2008
Corporate mortgage	1 682	1 682
Pledged subsidiary shares	7 936	7 936
Other collaterals	0	943

Guarantees for Group companies

EUR '000	31.12.2009	31.12.2008
Payment guarantees for subsidiaries	0	7 250
Pledges for subsidiaries' liabilities	2 500	2 500

The amount of the above payment guarantees is the maximum amount; their realisation in full is unlikely in the opinion of the Company's management. If the Russian sawmill project would be continued and the equipment be assembled, would that most probably oblige the Group's parent company to give a guarantee to third parties on behalf of its subsidiary for the assembly costs, currently estimated to be about EUR 3.7 million.

Environmental and rehabilitation liabilities

As the Group has mining and minerals processing operations, there are certain known and potential environmental and rehabilitation liabilities in relation to the business activity as detailed below.

During 2009, the Group commissioned an external expert to assess the Group's Turkish exploration and exploitation areas from the environmental site assessment perspective. The key target was to identify and quantify to the extent possible any potential environmental liabilities that may have resulted from existing and previous land-use or site development activities on and adjacent to the sites. Moreover, the aim was to identify any conditions or practices that may represent additional significant environmental risks or liabilities under Turkish laws and regulations. Based on the analysis at the Group's Turkish sites, there are no observed acid rock drainage or apparent inhibition of vegetative growth on the tailings. The reclamation of the open pit and subsidance areas would require implementation of a reclamation plan, which may involve further backfilling of the underground openings via boreholes from the surface and terracing of the slopes with heights about 15 to 20 meters. Since the Group is planning to start reworking the on-ground tailings dumps, some additional preparation work for those areas was recommended by the expert. Based on the external study, decommissioning costs were estimated to be some USD 3.3 million, using the Group's Turkish subsidiaries' expected unit rehabilitation costs as the basis, of which about half relates to the on-ground tailings dumps. This estimate, based on the additional analysis run in 2009, i.e. after the acquisition was concluded in October 2008, confirmed the EUR 2.0 million liability that the Group recognised in conjunction with the purchase price allocation process in 2008. In relation to EWW smelting operations in Germany, the Group has altogether EUR 4.1 million provisions on its 31 December 2009 balance sheet, of which about EUR 2.9 million is long-term, to main extent related to environmental and waste treatment liabilities.

At the end of May 2009, the Group acquired the majority stake in Mogale Alloys (Pty) Ltd. As part of the due diligence process carried out pre-transaction, a third-party environmental expert was used to determine the environmental liabilities related to Mogale's operations. The due diligence report gave a range of ZAR 154 - 226 million as the nominal total environmental liability including a 10% subcharge for any potential contingencies. The liability consisted of the following parts: environmental monitoring activities; waste site permission procedures; environmental impact assessment; stormwater and groundwater management; slag and dust storage areas;and refurbishing and capital outlays mainly related to smoke hoods and electrode columns. At the time the transaction was concluded, the Group capitalised on its balance sheet a total nominal liability of ZAR 200 million based on the report and as part of the purchase price allocation process. After the transaction was concluded, Mogale Alloys submitted an environmental management plan to the South African authorities. Moreover, post-transaction Mogale Alloys management and its auditors reanalysed the environmental liabilities from the perspective of IAS 37 standard, to which extent the obligating event is a result of a past event and to which extent they are expected to be settled. Based on this additional analysis, the amount of the liability was reduced to about EUR 7.1 million at the end of 2009.

Litigation processes

Rautaruukki Oyj, another listed Finnish company, announced on 21 December 2009 that they had initiated legal proceedings against Ruukki Group Plc concerning claims to the Ruukki name. This legal process is still in its early stages, and hence its outcome or timing is not yet known. Rautaruukki has claimed for: (i) fixed EUR 5.0 million for damages; and (ii) EUR 12.1 million based on royalties Rautaruukki has calculated based on Ruukki Group's 2004 – 2008 actual revenue; and (iii) reasonable legal fees. On 31 December 2009, these claims have not been recognised on the balance sheet of the Group. Ruukki Group Plc and its subsidiaries will defend their position on all relevant fronts.

The sawmill business subsidiary Lappipaneli Oy, the business assets of which were resolved to be sold at the end of 2009, has an ongoing legal dispute where Lappipaneli has claimed for damages from Sampo Bank. Ruukki Group has recognised all the expenses of that process in its financial statements excluding the counterparty's fees. The timing and outcome of this legal process is uncertain.

There is also a legal dispute at Mogale Alloys, in relation to its earlier acquisition of a 30% stake in Nuco Chrome (BOP), which should not have any material effect and which is expected to be commercially settled later in 2010.

	credit limit in use / loan	maximum liability	maximum liability
	31.12.2009	31.12.2009	31.12.2008
Guarantees given to financial institutions for group companies' financing limits:			
Guarantees for equipment financing	909	1 840	2 744
Guarantees given to financial institutions for group companies' loans:			
Bonds	2 200	2 200	2 875
	3 109	4 040	5 619

Ruukki Group Plc's rental and leasing liabilities were on 31 December 2009 some EUR 0.4 (0.6) million, of which about EUR 0.3 (0.3) million will mature in less than one year and the rest in 1-5 years.

RISKS

The Board of Directors of Ruukki Group Plc has outlined the key risks of the Group in the Board of Directors' Report. In the following section, some more information is presented: first, on the short-term risk outlook for the Group; and second, on the financial and commodity risks with the related sensitivity analyses.

RISKS AND UNCERTAINTIES AT THE END OF 2009

By the acquisition of the chrome ore and ferrochrome businesses at the end of October 2008 and by the expansion into South African minerals sector via Mogale Alloys acquisition in May 2009, the Group has somewhat diversified its industry risks and is thus less vulnerable to the wood processing industry; however, it has more exposures to minerals sector commodity price risks. Although the number of geographical locations has increased and therefore dependence on any one location or country is decreased, the Group is now exposed to South Africa related risks. As a consequence of the recent acquisitions, more intangible assets and less cash were recognised on the Group balance sheet at the end of 2009 as compared to 2008.

Changes in the Group's business and legal structure have increased the absolute and relative importance of foreign operations and also foreign exchange rate risks, both directly and indirectly. Ruukki Group is dependent on the competence of the key employees in the acquired businesses. Based on studies and surveys carried out so far, the Group has no knowledge of any environmental risks or changes in environmental requirements that relate to its businesses in excess of what is disclosed in the financial statements. However, the Group might face some additional environmental liabilities or there might be changes in regulations that can lead to additional costs or investment needs.

Even though the general uncertainty in the global economy has somewhat alleviated compared to the year-end 2008, in the commodity and end-customer markets that are most important to the Group, such as the stainless steel industry, there is still considerable uncertainty in relation to future demand. Ruukki Group currently has quite a strong cash position, but if the availability or terms of external financing would be inadequate for longer term, it could have a major adverse impact on the implementation of the Group's strategy, on its future growth and on the implementation of mergers or acquisitions. Moreover, the uncertainty in the capital markets could limit the opportunities for the Group to pursue capital expenditure projects within the current businesses, or could adversely affect the profitability or return on capital of those projects.

The short-term success of the Group's Minerals businesses is to a large extent dependant on the global demand for stainless steel on which ferrochrome is one key raw material. During the latter half of 2009, there was a pick-up in demand and a trend of sales price increases; however, there is general uncertainty as to how the 2010 demand will develop. The Group's Minerals business segment's management expects the demand for the Group's ferroalloys products in general to be higher in 2010 compared to that of 2009; however, the Group has decided to

curtail the production of the specialty grade ferrochrome during the first quarter, and later if needed, to manage the cash flow and inventories. Both producers as well as end-users seem to be having quite low inventory levels, which can create short-term imbalances between supply and demand. The changes in exchange rate, if adverse, can have a major negative impact on Group's profitability, in particular in relation to changes in USD/ZAR. Changes in the ZAR exchange rate also affect the EUR value of the deferred purchase consideration of Mogale Alloys. The Group is expecting to finalise its Turkish beneficiation plant investment by the second quarter of 2010, and is expecting the utilisation of the on-ground tailings resources to significantly reduce production costs. If there would be any material delays, unexpected costs or other operational friction in the implementation process, there is the risk that the financial performance would be worse than expected. Since the Minerals segment operations, in particular in the smelting processes, require of a considerable amount of electricity and power, the availability and price of electricity can have a significant effect on the segment profitability. In South Africa in particular, there is a substantial risk of an increase in the unit price of electricity.

For the Wood Processing segment, the success of the house building business is one key driver of cash flows and profitability. Therefore, the development of the Finnish house building sector in general impacts the financial performance. Currently, the Finnish single-family house market in general is rebounding from a couple of years of declining volumes; however, there is still uncertainty as to the length and depth of the recovery. As the Group has at the end of 2009 started to diversify the house building business into larger area development projects, this typically ties in cash more than the earlier basic business model of the Group would have required. In the sawmill business, major short-term risks and uncertainties relate to customer demand and the development of market prices. Capacity utilisation rate was at a low level in 2009, and if this remains unchanged, it can continue to have an adverse effect on profitability since losing efficiency benefits typically increase average production costs per unit. If there are any public sector changes to taxes, laws, required safety measures or any other similar issues, these can increase the costs of the Group's wood processing businesses. Also, changes in foreign exchange rates can have major impact on the Group's sawmill business's performance, as sawn timber products are commodities produced and traded on global markets with only very minor differentiation between competitors.

Since the Group has made and might still carry out mergers and acquisitions, there are a number of implementation and integration related risks. Further, as the Group has during the last two years quickly acquired and established operations in a number of foreign jurisdictions, there might be some administrative or tax related issues that might require attention later or have some implications not currently known. There is also uncertainty whether the Group will exercise its call or put options in certain of the acquisitions, in particular in relation to the minerals segment. Consequently, the income statement, balance sheet or cash flow statement could change and might not correctly reflect the actual situation in retrospect. There is also uncertainty what the total purchase consideration is for some of the Group's acquisitions, both related to options' exercise prices and also related to earn-out purchase components, as they can only be verified when the total purchase considerations are finally settled, which to some extent takes place only after a few years. The Group is also considering some alternative options on how to organically grow its minerals business.

Currently the Finnish single-family house market is rebounding.

RISK MANAGEMENT

Management of strategic and operative risks

Ruukki Group has in both 2009 and 2008 operated in various businesses, which has diversified the Group's overall business risk as the businesses are not perfectly correlated. Moreover, since the Group has geographically expanded, the impact of changes in any single market is lower than previously. Ruukki Group Plc's Board is responsible for the comprehensive management of strategic risks.

Long-term planning and a flexible business model play a key role in managing operative risks. Due to the historically decentralised and heterogenic business structure, each business unit's role in managing operative risks has been very important; however, during the latter half of 2009 the Group has started to implement more centralised approaches to management, for example by establishing segment level management teams, and to risk and control issues, for example by hiring in-house and external resources for analysing and implementing internal control mechanisms.

The success of the Group's business is also dependant upon recruitment and holding on to professional and motivated personnel. As the Ruukki Group's operations have been growing, the relative importance of any one key employee has decreased. In order to commit the key employees at Group, segment or subsidiary level management, there are share-based and performance-based incentive schemes in place.
The damage and liability risks are covered by insurances to a major extent. To a certain extent, the Group has used insurances brokers and international insurance experts to build insurance packages that are needed to fulfil risk management needs.

The internal audit function, whose practical operations have been outsourced to an external specialist, is involved in ensuring the implementation of risk management activities and the appropriate follow-up on business processes and instructions. During 2009, there has been a change in the way the internal audit function is organised: for the first half there was an outsourced service solution; however, at the end of the year, the Group employed an internal resource to organise and develop the function.

Management of financial risks

In its normal operations, the Group is exposed to various financial risks. The objective of Group risk management is to identify and to a selected extent mitigate the adverse effects of the changes in the financial markets on the Group's results. The main financial risks are foreign exchange rate, interest rate, as well as liquidity and credit risks.

The general risk management principles are accepted by Ruukki Group Plc's Board of Directors and monitored by its audit committee with the management of the business segments and of the subsidiaries being responsible for the implementation. The Group has not, for the time being, had a centralised Group risk management organisation; however, it decided to start to centralise its treasury functions during 2009 in order to centrally manage risks and utilise economies of scale. When analysing risks, the Group's financial and operational information is utilised. The Group has not used e.g. VaR (Value at Risk) tools for risk measurement.

The Group's operations expose the Group and its business units to the following market risks:

(i) foreign exchange rate risk
(ii) interest rate risk
(iii) credit risk
(iv) liquidity risk
(v) commodity risks

At the end of the year the Group employed an internal resource to organise and develop internal audit.

(i) Foreign exchange rate risk

The Group operates internationally and has, during 2008 and 2009, diversified its operations out of Finland into, e.g. Turkey, Malta and South Africa. The Group thus has foreign exchange rate risks to an increasing extent - both directly via the outstanding commercial cash flows and currency positions, as well as indirectly via the changes in competitiveness between various competitors in the relevant product markets. Moreover, a significant portion of its acquisition-related liabilities are denominated in foreign currency. During 2009 translation differences, when converting foreign subsidiaries' financial statements into EUR, have affected the Group's balance sheet.

As a fundamental principle, the Group companies do not hedge the open foreign currency positions by using currency derivatives. To the extent possible the Group targets to match its cash inflows and outflows as well as receivables and liabilities in terms of the currency these items are denominated. Hence the Group is exposed to currency-derived risks that affect its financial results, balance sheet and cash flows. At the end of 2009, the Group had only one foreign currency derivatives position, with approximately EUR 0.3 million of nominal value, to hedge its commercial foreign currency denominated cash flows.

As the single most significant change in 2009 in the Group's currency exposure relates to the acquisition of Mogale Alloys in May, the changes in the USD/ZAR and EUR/ZAR exchange rates thus have a major impact on Mogale Alloys' profitability in EUR. Mogale's cash inflows are denominated in USD, whereas most of the costs are denominated in ZAR. Furthermore, Ruukki South Africa has about ZAR 0.8 billion deferred liabilities.

In the Southern European minerals business USD, EUR and GBP are used in the operations; however, during 2009, inflows and outflows in those currencies were quite closely matched.

In the sawmill business, the relative importance of exports is quite high, even though the sale of Lappipaneli's assets diminished the Group's exposure to the Japanese yen. The sawmill business area's sales and purchases are now more closely than before linked to EUR. The sawmill business also has some sales to and purchases from Sweden, denominated in SEK, which directly affects the euro cash flows, and indirectly the competitiveness towards Swedish competitors.

"The sawmill business area's sales and purchases are now more closely than before linked to EUR.

The following tables present the currency composition of receivables and debt, and changes thereby vis-à-vis the previous year-end. At the balance sheet date of 31 December 2009, the major open foreign exchange rate risk was against the ZAR, and in particular the deferred payments in relation to Mogale Alloys.

Currency exposure of receivables and liabilities

31.12.2009	EUR exchange rate					
EUR '000	1.0000 EUR	1.4406 USD	0.8881 GBP	2.1547 TRY	10.6660 ZAR	10.2520 SEK
Cash and cash equivalents (EUR)	50 060	3 325	188	199	2 078	2
Trade receivables (EUR)	15 218	5 806	474	16	4 150	0
Loans and other receivables (EUR)	49 660	1 182	0	61	1 661	0
Trade payables (EUR)	-9 978	-1 429	-743	-872	-6 052	-168
Loans and other payables (EUR)	-118 542	-5	0	-473	-74 319	-74
Derivatives (EUR)	0	-278	0	0	0	0
Currency position, net (EUR)	-13 581	8 601	-81	-1 070	-72 482	-240
Currency position, net (in each currency)	-13 581	12 391	-72	-2 306	-773 097	-2 455

Currency exposure of receivables and liabilities

31.12.2008	EUR exchange rate				
EUR '000	1.0000 EUR	1.4721 USD	35.9860 RUB	164.9300 JPY	Others
Cash and cash equivalents (EUR)	43 515	1 450	5	162	281
Trade receivables (EUR)	14 587	1 450	507	162	282
Loans and other receivables (EUR)	221 828	2 782	888	261	13
Trade payables (EUR)	-17 961	-1 352	0	0	0
Loans and other payables (EUR)	-150 436	-169	-344	0	-29
Derivatives (EUR)	0	-340	0	-10 914	0
Currency position, net (EUR)	111 533	3 821	1 056	-10 328	547
Currency position, net (in each currency)	111 533	5 625	37 994	-1 703 441	

The EUR-based earn-out payments, to be settled with Company's shares, in relation to RCS and TMS acquisition, are not taken into account in the table above.

The effect on 31 December 2009 balance sheet's currency denominated items by changes in foreign exchange rates vis-à-vis the rates used in the Group balance sheet consolidation is presented in the next page. To the extent that the Group has internally financed foreign subsidiaries with foreign currency loans and when these loans have been considered as net investments into the subsidiaries, not foreseen to be repaid, the corresponding foreign exchange rate difference has been recognised as conversion difference in the Group equity. Due to the high market volatility rates, the range of change was kept at +/- 20% applied also in 2008.

The Group management's view is that the currency distribution at the balance sheet date does not necessarily describe the real direct or indirect foreign exchange rate risk, since the year-end situation does not fully reflect the average situation during the ended or coming financial years. Furthermore, should the Group's geographical focus change during the coming years, the foreign exchange rate risks can change. Generally, the Group's foreign exchange rate risks increased during 2009 over 2008 and are expected to be important also in the future. At the end of 2009, the weakening of US dollar and strengthening of rand would have the most adverse effect on Group's results and financial position.

Sensitivity analysis of currency denominated net receivables

('000)	USD	GBP	TRY	ZAR	SEK
Group balance sheet on 31.12.2009					
Cash in currency	4 789	167	428	22 169	25
Receivables in currency	10 067	421	165	61 979	0
Derivatives in currency	-400	0	0	0	0
Payables in currency	-2 065	-660	-2 899	-857 245	-2 480
Net receivables in currency at 31.12.2009 exchange rates:	12 391	-72	-2 306	-773 097	-2 455
Net receivables in EUR	8 601	-81	-1 070	-72 482	-240

Sensitivity analysis compared with the actual conversion rates

		Exchange rate				
change in currency value vs. euro		USD	GBP	TRY	ZAR	SEK
20%	strengthening	1.15	0.71	1.72	8.53	8.20
15%	strengthening	1.22	0.75	1.83	9.07	8.71
10%	strengthening	1.30	0.80	1.94	9.60	9.23
5%	strengthening	1.37	0.84	2.05	10.13	9.74
0%	no change	1.44	0.89	2.15	10.67	10.25
-5%	weakening	1.51	0.93	2.26	11.20	10.76
-10%	weakening	1.58	0.98	2.37	11.73	11.28
-15%	weakening	1.66	1.02	2.48	12.27	11.79
-20%	weakening	1.73	1.07	2.59	12.80	12.30

The effect of the change in currency rates compared with the actual rates

		EUR '000 change, ceteris paribus				
change in currency value vs. euro		USD	GBP	TRY	ZAR	SEK
20%	strengthening	2 150	-20	-268	-18 121	-60
15%	strengthening	1 518	-14	-189	-12 791	-42
10%	strengthening	956	-9	-119	-8 054	-27
5%	strengthening	453	-4	-56	-3 815	-13
0%	no change	0	0	0	0	0
-5%	weakening	-410	4	51	3 452	11
-10%	weakening	-782	7	97	6 589	22
-15%	weakening	-1 122	11	140	9 454	31
-20%	weakening	-1 434	14	178	12 080	40

(ii) Interest rate risk

The Group is exposed to interest rate risk when the Group companies take loans or make other financing agreements or deposits and investments related to liquidity management. Moreover, changes in interest rates can indirectly affect the conditions in which the business units operate since, for example, the demand for ready-to-move-in houses is dependant upon the prevailing interest rate level and the customers' possibilities to get debt financing. In addition, the changes in interest rates can influence the profitability of investments or the changes can alter the fair values of Group assets via the IFRS impairment tests.

To manage interest rate risks, the Group has used both fixed and floating rate debt instruments, and when needed derivative instruments, such as interest rate swaps. At the end of 2009, the Group's interest-bearing debt was mainly based on floating interest rates, and there was a total of EUR 0.9 million nominal value of interest rate swaps in place where floating interest was effectively converted to fixed rates. The Group also aims to match the loan maturities with the businesses' needs and to have the maturities spread over various periods, whereby the Group's interest rate risks are somewhat diversified. Floating rate financing is mainly tied to 3 – 12 months Euribor interest rates, the changes of which will then influence the Group's total financing cost and cash flows. The Mogale Alloys related deferred contingent liability, if and when interest-bearing, is directly tied to the South African prime rate as published by the Reserve Bank of South Africa.

The short-term interest-bearing receivables of the Group are mainly fixed-rate deposits made for predetermined periods of varying lengths. The Group's revenue and operative cash flows are mainly independent of the changes in market interest rates.

The split of interest-bearing debt and receivables, also classified into fixed rate and floating rate instruments, was the following on the balance sheet dates 31 December 2009 and 31 December 2008:

EUR '000	31.12.2009	31.12.2008
Fixed rate instruments		
Financial assets (including mutual funds)	12 500	221 527
Financial liabilities	-1 089	-3 030
Fixed rate instruments, net	**11 411**	**218 497**
Variable rate instruments		
Financial assets (including mutual funds)	3 805	27 708
Financial liabilities	-37 068	-33 157
Variable rate instruments, net	**-33 263**	**-5 448**
Interest bearing net debt	**-21 852**	**213 049**

The following table presents the rough effect on the Group's income statement by changes in market interest rates should the deposits' and loans' interest rates change. The changes in interest rates have been taken into account in the floating rate items. The following sensitivity analysis is illustrative in nature and primarily takes into account the forthcoming twelve-month period, if the periods' balance sheet structure would be equal to that of 31 December 2009 and if there would be no changes in exchange rates. Therefore, the analysis is primarily applicable to assessing the variation in the 2009 financial year's interest income and expenses. Moreover, any potential acquisition or investment can alter the Group's capital structure to a major extent. Due to the increase in market volatility in 2008, the range of change was widened last year to +/- 200 basis points (from +/-100 basis points); this has also been selected as the basis for 2009.

Sensitivity analysis

Effect of changes in interest rate on interest expense and income

Main assumptions:

- interest rates for deposits and loans change simultaneously as market rates change, i.e. both are based on market rates, however the interest rate of fixed rate deposits and loans remains unchanged
- the amount of loans and deposits remains unchanged the whole year (compared with the balance sheet 31.12.2009)
- the interest rates of deposits and loans in differrent currencies change simultaneously as market rates change, and the changes are parallel, i.e exactly similar in all maturities, so there is no change in yield curve shape
- all group companies and the amounts of their deposits and loans on 31 December 2009 are constant and they are taken into account for full financial year of 12 months
- the change of interest rate for cash and liquidity deposits is taken into account
- it should be taken into account that in the reality the changes of the euribor rates for loans and for deposits do not materialise and the beginning of the next year, therefore most probably the effect would be slightly less, even if the interest rate change would take place 1.1.2010 and be unchanged for all of the year 2010

Group balance sheet 31.12.2009

Average change in average interest rate for 2010 compared with the interest rates on 31.12.2009 percentage points, % p.a. (net change in market rate + any potential change in margin)	Change EUR '000 interest income full year	Change EUR '000 interest expense full year	Change EUR '000 net effect in profit or loss full year
-2.00%	-76	741	665
-1.50%	-57	556	499
-1.00%	-38	371	333
-0.50%	-19	185	166
0.00%	0	0	0
0.50%	19	-185	-166
1.00%	38	-371	-333
1.50%	57	-556	-499
2.00%	76	-741	-665

In a separate section covering impairment testing, a sensitivity analysis is presented on the changes in impairment tests' values due to changes in interest rates used in the calculations. One component that affects the used weighted average cost of capital is the market interest rate and the changes in it. Any changes in the impairment tests' outcome can change the Group's financial result and values of assets on the Group balance sheet.

(iii) Credit risk

Credit risk can be realised when the counterparties in commercial, financial or other agreements cannot take care of their obligations and thus cause financial damage to the Group. The Group's operational policies define the creditworthiness requirements for customers and for counterparties in financial and derivative transactions, as well as the principles followed when investing liquidity. Related to the major sales agreements, the counterparty's creditworthiness information is checked. Due to the general economic turmoil, credit risks in general have increased based on available market information from, e.g. Moody's; however, it is expected that the default rates would decline. Although the Group has not faced any major losses due to this reason to date, depending on the market development in the future it could happen. Although the customer base is quite well diversified, geographically the house building and pallet businesses are concentrated in Finland – both in terms of customers and production facilities. The Group's business-to-business operations' customers quite often operate in certain industries, such as the stainless steel industry for ferrochrome production and the construction industry for sawmills; for this reason, there are some risk concentrations at the customer end. In the pallet business, although there are only a limited number of customers, the Group has, to a large extent, long-term delivery agreements with them.

The Minerals segment's key customers are major international stainless steel companies, or some specialty agents selling to the steel sector, with which there are typically long business histories. Since the customers represent one sector of industry, major changes in that industry's profitability could increase the credit risk; furthermore, the payment terms of the Minerals business are typically quite short.

The house building business area gets prepayments from its customers in accordance with the completion rate of the houses, which clearly diminishes potential credit risks. The sawmill business sells predominantly to the domestic and foreign construction industry, with some exposure in the pulp market as far as sales of wood chips are concerned. Changes in demand in these market areas can considerably affect the segment's profitability if no other customers can be found to replace any lost sales.

The Board of Directors of Ruukki Group Plc has determined a cash management policy for the Group's parent company, according to which the excess cash reserves are deposited for a short-term only and with sound financial institutions with which the Group has had business relations. These reserves are diversified into a number of counterparties so that a single entity can have a maximum of 40% share of total deposits. The credit rating of all significant counterparties is analysed from time to time. The exposure to foreign currencies at the end of 2008 was very minor, since the deposits were almost fully denominated in EUR.

During the financial year, credit losses booked through the profit and loss account were not significant.

At the end of 2009, the Group's cash and short-term deposits at financial institutions were split in the following way:

Financial institution's/counterparty's rating	Counterparty's domicile	Ruukki Group's cash and short-term deposits, 31 December 2009, EUR million	% of cash and interest-bearing receivables, 31 December 2009
Aa2 (Moody's, long-term), multiple banks	Finland	39.8	68%
A3 (Moody's, long-term)	Malta	8.9	15%
Baa2 (Moody's, long-term)	Great Britain	4.3	7%
A1 (Moody's, long-term)	Great Britain	1.7	3%
Other/not rated	Various	3.7	7%
Total		58.4	100%

The maximum credit risk is equal to the balance sheet value of the receivables as of 31 December, and is split in the following way:

EUR million	31.12.2009	31.12.2008
Interest-bearing		
Cash and cash equivalents	55.9	45.4
Held-to-maturity investments, short-term	2.5	186.5
Receivable from related party	10.1	16.4
Other interest-bearing receivables	6.7	4.4
Interest-bearing, total	**75.1**	**252.7**
Non-interest bearing		
Trade receivables	25.7	17.0
Current prepayments and accrued income	10.9	16.2
Other short-term receivables	11.5	2.9
Long-term receivables	11.9	0.5
Non-interest-bearing, total	**60.0**	**36.6**
Total	**135.2**	**289.3**

Of the interest-bearing liabilities as of 31 December 2009 about EUR 2.2 million have been put on an escrow account of a third party authority due to claims from Sampo Bank. The Group considers the receivable amount undisputed, and the Sampo Bank requirements relate to other legal dispute between Lappipaneli and Sampo Bank.

(iv) Liquidity risk

The Group regularly assesses and monitors the investment and working capital needs and financing so that the Group has enough liquidity to serve and finance its operations and pay back loans. The availability and flexibility of financing are targeted to be guaranteed by using multiple financial institutions in the financing and financial instruments, and to agree on financial limit arrangements. Cash flow forecasts on both incoming and outgoing cash flows are taken into account when the Group companies make decisions on liquidity management and investments, as well as when they plan short-term and long-term financing needs.

Even though the Group's cash reserves declined during 2009, mainly due to Mogale Alloys acquisition and share buy-backs, there are still no major short-term challenges to the Group's liquidity. However, in the sawmill business, which is capital-intensive, there might be some needs to restructure the financing portfolio. In addition to the debt from financial institutions, the Mogale Alloys deferred purchase consideration has to be settled in cash. At the end of 2009, the Group had about EUR 7.3 (31.12.2008: 0.0) million worth of unused credit facilities in place.

If the liquidity risks would be realised, it would probably cause overdue interest expenses and may make cooperation with goods and services suppliers more difficult. Consequently, the pricing and other terms for input goods and services and for financing could be affected.

The maturity distribution of the Group debt was the following at the balance sheet date:

31.12.2009

EUR '000	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Secured bank loans	23 678	-26 480	-3 458	-4 011	-6 819	-10 686	-1 507
Unsecured bank loans	2 934	-2 934	0	-2 934	0	0	0
Convertible loans	0	0	0	0	0	0	0
Finance lease liabilities	783	-933	-280	-257	-253	-143	0
Trade and other payables	133 620	-148 635	-36 903	-16 532	-47 061	-48 136	-3
Bank overdraft	3 817	-3 880	-232	-3 647	0	0	0
Derivatives							
Currency derivatives							
Outflow	0	0	0	0	0	0	0
Inflow	0	0	0	0	0	0	0
Interest rate swaps	0	0	0	0	0	0	0
Total	164 831	-182 862	-40 872	-27 381	-54 133	-58 965	-1 510

31.12.2008

EUR '000	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Secured bank loans	27 317	-32 846	-3 882	-4 111	-10 017	-11 387	-3 449
Unsecured bank loans	4 480	-5 308	-797	-716	-1 027	-2 193	-576
Convertible loans	0	0	0	0	0	0	0
Finance lease liabilities	6	-6	-6	0	0	0	0
Trade and other payables	113 545	-118 805	-54 733	-900	-19 605	-43 564	-3
Bank overdraft	4 367	-1 906	-1 472	-57	-94	-283	0
Derivatives							
Currency derivatives							
Outflow	-2 527	-3 498	-3 498	0	0	0	0
Inflow	0	0	0	0	0	0	0
Interest rate swaps	0	0	0	0	0	0	0
Total	147 187	-162 370	-64 388	-5 784	-30 743	-57 427	-4 028

(v) Commodity risks

The Group is exposed to price risks on various output and input products, materials and commodities. Also, securing the availability of raw materials without any major discontinuation is essential to the industrial processes.

The price risks on input materials and commodities are managed by pricing policies so that changes in input materials and commodities could be moved into sales prices. This, however, is not always possible or there might be delays due to contractual or competitive reasons.

The Group's units that have industrial production operations are exposed to the availability, quality and price fluctuations in raw materials and commodities. To diminish these risks, the Group's business units try to enter into long-term agreements with known counterparties; however, in certain industries like the Minerals business, this is not possible due to the tradition and practice of the business. For the most part, as it is not possible or economically feasible to hedge commodity price risks in the Group's business sectors with derivative contracts, the Group did not have any commodity derivative contracts in place as of 31 December 2009.

The effect of changes in the sales price of special grade ferrochrome, produced by the Group's Southern European minerals business, to the Group's EBITDA is illustrated in the table next page, assuming that the EUR/USD rate would be constant. Since the products are effectively priced in USD, the exchange rate changes could have a major effect on the Group's EBITDA in EUR. Full capacity for simulation purposes is set at 30,000 tn/a. In ferrochrome production, a number of raw materials are used, including chrome ore concentrate and ferrosilicochrome. Electricity usage is also substantial, and hence changes in

electricity prices have a significant effect on profitability; typically, the electricity price does not correlate perfectly with changes in commodity prices. However, in practice, the purchase prices of the main raw materials typically change to the same direction as the sales prices, even though the correlation is not perfect and the timing might differ. Therefore, the net effect on the Group's EBITDA most probably would be lower than shown below.

The South African ferroalloys smelting business of Mogale Alloys, acquired into the Group in 2009, can change its product mix quite rapidly and flexibly. Therefore, only rough estimates on its sensitivity to commodity price changes can be given. In general, the full production capacity is about 110,000 metric tn/a of various metal alloys. Assuming that all of the Mogale capacity would be used to charge chrome production only, which is only a simplification, and using the year-end 2009 sales price indications for charge chrome, the table below can be used as a rough proxy of the sales price sensitivities. It also shall be taken into account that both changes in exchange rate, both USD and ZAR, and changes in electricity prices can substantially affect the profitability in addition to changes in market prices.

Sensitivity analysis

Effect of changes in ferrochrome sales prices to Group EBITDA

Main assumptions, Southern European minerals business:

- Sales price is equal to the 8 January 2010 average price (quote in Metal Bulletin)
  - Ferrochrome 0.10% C, average 68-70% Cr major European destinations $/lb Cr
  - Average price was 1.825 USD/lb Cr
- Average chrome content of 70% assumed
- USD/EUR rate on 31.12.2009 fixed at 1.4406 (Bank of Finland)
- Full capacity is assumed to be 30,000 tn / year

Main assumptions, South African minerals business:

- Mogale assumed to utlise all of its capacity, with about 1 month maintenance break, for charge chrome FeCr production only
- Sales price is equal to the 8 January 2010 average price (quote in Metal Bulletin)
  - Ferro-chrome 6-8% C basis 60% Cr, max 1,5% Si
  - Average price was 0.95 USD/lb Cr
- Average chrome content of 50% assumed
- USD/EUR rate on 31.12.2009 fixed at 1.4406 (Bank of Finland)
- Full capacity is assumed to be 100,000 tn / year

Southern European minerals business

EUR '000	Change in sales price compared to January 8th, 2010, price		Change in full year EBITDA (EUR '000) 30,000 tn/a full capacity	22,500 tn/a 75% capacity	15,000 tn/a 50% capacity	7,500 tn/a 25% capacity
	2.19	20%	11 730	8 798	5 865	2 933
	2.10	15%	8 798	6 598	4 399	2 199
	2.01	10%	5 865	4 399	2 933	1 466
	1.92	5%	2 933	2 199	1 466	733
USD/lb Cr	1.83	0%	0	0	0	0
	1.73	-5%	-2 933	-2 199	-1 466	-733
	1.64	-10%	-5 865	-4 399	-2 933	-1 466
	1.55	-15%	-8 798	-6 598	-4 399	-2 199
	1.46	-20%	-11 730	-8 798	-5 865	-2 933

South African minerals business

EUR '000	Change in sales price compared to January 8th, 2010, price		Change in full year EBITDA (EUR '000) 100,000 tn/a full capacity	75,000 tn/a 75% capacity	50,000 tn/a 50% capacity	25,000 tn/a 25% capacity
	1.14	20%	14 538	10 904	7 269	3 635
	1.09	15%	10 904	8 178	5 452	2 726
	1.05	10%	7 269	5 452	3 635	1 817
	1.00	5%	3 635	2 726	1 817	909
USD/lb Cr	0.95	0%	0	0	0	0
	0.90	-5%	-3 635	-2 726	-1 817	-909
	0.86	-10%	-7 269	-5 452	-3 635	-1 817
	0.81	-15%	-10 904	-8 178	-5 452	-2 726
	0.76	-20%	-14 538	-10 904	-7 269	-3 635

The effect of changes in the sawmill business sales prices of end-products and purchase prices of logs are illustrated in the following table under various capacity utilisation rates. It should be taken into account that side-products (like chips) are not included, and that since the Group's sawmills sell their products to some extent to the Group's house building and pallet businesses, the net effect of consolidated Group results should typically be somewhat different from the presented figures. Logs present roughly two thirds of production costs and thus have a substantial effect to the EBITDA margin. As far as the capacity utilisation rate is concerned, it must also be taken into account that if the capacity utilization rate would be lowered, it typically would increase the cost per output unit, since fixed costs would be stable at least for the short-term; however, this would normally decrease the capital tied up in working capital. Also, the product mix can change, which is not taken into account in the table.

Main assumptions:

- Sales price is equal to December 2009 average pine and spruce export price from Finnish Customs statistics/ Woodnotes
- Full capacity of the sawmills assumed to be 300,000 m³ of sawn timber products / year
- Purchase price of logs is based on Metla December 2009 statistics (average price of spruce and pine, Finland average)
- Log yield (input-output) is assumed to be 2.34 times the output value
- Mix of raw material assumed to be 50% spruce and 50% pine
- Effect of the chip sales price and prices of other sawmill side-products excluded
- Effect of the exchange rates excluded, direct and indirect

Sensitivity analysis

Effect of changes in sawn timber sales prices and log purchase prices to Group EBITDA

			Change in full year EBITDA (EUR '000)			
EUR '000	Change in sales price compared to Dec 2009 average price		300,000 m³/a full capacity	225,000 m³/a 75% capacity	150,000 m³/a 50% capacity	75,000 m³/a 25% capacity
	216.00	20%	10 800	8 100	5 400	2 700
	207.00	15%	8 100	6 075	4 050	2 025
	198.00	10%	5 400	4 050	2 700	1 350
	189.00	5%	2 700	2 025	1 350	675
EUR/m³	180.00	0%	0	0	0	0
	171.00	-5%	-2 700	-2 025	-1 350	-675
	162.00	-10%	-5 400	-4 050	-2 700	-1 350
	153.00	-15%	-8 100	-6 075	-4 050	-2 025
	144.00	-20%	-10 800	-8 100	-5 400	-2 700

			Change in full year EBITDA (EUR '000)			
EUR '000	Change in sales price compared to Dec 2009 average price		300,000 m³/a full capacity	225,000 m³/a 75% capacity	150,000 m³/a 50% capacity	75,000 m³/a 25% capacity
	57.36	20%	-6 711	-5 033	-3 356	-1 678
	54.97	15%	-5 033	-3 775	-2 517	-1 258
	52.58	10%	-3 356	-2 517	-1 678	-839
	50.19	5%	-1 678	-1 258	-839	-419
EUR/m³	47.80	0%	0	0	0	0
	45.41	-5%	1 678	1 258	839	419
	43.02	-10%	3 356	2 517	1 678	839
	40.63	-15%	5 033	3 775	2 517	1 258
	38.24	-20%	6 711	5 033	3 356	1 678

- Changes in volumes having linear effect on revenue and costs, no economies of scale, linear interdependencies
- Not taken into account the effect on the input costs of the Group's house building and pallet businesses

RELATED PARTY DISCLOSURES

GROUP STRUCTURE 31.12.2009

Subsidiary name and domicile	Group ownership and share of votes (%)	Ruukki Group Plc direct ownership and share of votes (%)
Minerals business		
Southern European minerals business		
Ruukki Holdings Ltd, Valletta, Malta	100.00	99.99
RCS Ltd, Valletta, Malta	100.00	0.00
Türk Maadin Sirketi A.S., Istanbul, Turkey	98.74 *	98.74
TH Ören Madencilik TAO, Istanbul, Turkey	73.08	0.00
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti, Istanbul, Turkey	97.76	0.00
Elektrowerk Weisweiler GmbH, Eschweiler-Weisweiler, Germany	0.00 **	0.00
Ruukki Suisse SA, Switzerland	100.00	100.00
South African minerals business		
Ruukki South Africa (Pty) Ltd, South Africa	100.00	0.00
Dezzo Trading 184 (Pty) Ltd, South Africa	100.00	0.00
PGR17 Investments (Pty) Ltd, South Africa	100.00	0.00
PGR3 (Pty) Ltd, South Africa	63.00	0.00
Mogale Alloys (Pty) Ltd, South Africa	84.90	0.00
Wood Processing business		
House building business		
Pohjolan Design-Talo Oy, Oulunsalo	100.00	100.00
Nivaelement Oy, Nivala	100.00	0.00
RG Design-Talotekniikka Oy, Ii	70.10	0.00
Kirkkonummen Kiinteistösijoitus Oy, Helsinki	100.00	0.00
Storms Villa Oy, Kirkkonummi	100.00	0.00
Storms Gård Oy, Kirkkonummi	100.00	0.00
Sawmill business		
Ruukki Yhtiöt Oy, Espoo	100.00	100.00
Ruukki Wood Oy, Espoo	100.00	0.00
Ruukki Invest Oy, Espoo	100.00	0.00
Utawood Oy, Utajärvi	96.70	0.00
Lappipaneli Oy, Kuusamo	100.00	0.00
Junnikkala Oy, Kalajoki	51.02 ***	0.00
Pallet business		
Oplax, Oulu	100.00	100.00
Other group companies		
Alumni Oy, Espoo	100.00	100.00
Balansor Oy, Espoo	99.99	99.99
Hirviset Group Oy, Espoo	100.00	100.00
Rekylator Oy, Helsinki	100.00	100.00

* Ruukki Group Plc holds a put option on the shares of Türk Maadin Sirketi A.S. to sell the shares at any time until 28 October 2010 at their purchase price.

** Elektrowerk Weisweiler GmbH is consolidated into Ruukki Group in accordance with SIC-12 principles as described in accounting policies of consolidated financial statements. Ruukki Group Plc also has a call option from 1 January 2014 to 31 March 2014 to acquire all the shares of Elektrowerk Weisweiler GmbH.

*** Ruukki Group has a call option to carry out transactions after which Ruukki Group would have all shares of Junnikkala Oy. The vesting period of the option begins in spring 2011 and ends in spring 2013. Ruukki Group controls about 51.02% of the shares and 51.06% of the voting rights of Junnikkala Oy.

ASSOCIATED COMPANIES

Associated company's name and domicile	Group ownership and share of votes (%)	Ruukki Group Plc direct ownership and share of votes (%)
Minerals business		
PGR Manganese (Pty) Ltd, South Africa *	49.00	0.00
Special Super Alloys SSA Inc., United States	20.00	0.00
Other (excluding passive companies)		
Incap Furniture Oy **	24.06	12.45
ILP-Group Ltd Oy	33.44	33.44
Widian Oy	39.64	39.64
Stellatum Oy	34.00	34.00
Arc Technology Oy	37.40	37.40
Valtimo Components Oyj ***	24.90	24.90

* A holding company that is founded in relation to Mogale Alloys (Pty) Ltd acquisition and which owns 10% of Mogale shares.
** Incap Furniture Oy is in corporate restructuring process
*** Valtimo Components Oyj is in corporate restructuring process, ownership can increase to 39.23% if the shares sold earlier, held as pledge, are not to be paid to Ruukki Group in cash

The Group's South African subsidiary Mogale Alloys owns a 30 percent interest in Nuco Chrome Bophuthatswana (Pty) Ltd, but there are certain outstanding legal disputes around the ownership. Moreover, South African subsidiary of the Group PGR3 Investments (Pty) Ltd has a 30 percent ownership interest in Leswikeng Minerals UG2 (Pty) Ltd.

RELATED PARTY TRANSACTIONS

Ruukki Group Plc defines the related party consisting of:

- » companies or entities having common control or considerable voting power in Ruukki Group
- » subsidiaries
- » associates
- » Ruukki Group Plc's and the above mentioned entities' top management

Ruukki Group's management, its significant shareholders and Group Companies' management might, as private individuals or through companies or entities directly or indirectly controlled by them, or with other parties having considerable control or voting power, have transactions classified as related party transactions with any companies belonging to Ruukki Group. Their close family members might also, as private individuals or through companies or entities directly or indirectly controlled by them, or with other parties having considerable control or voting power, have transactions classified as related party transactions with any companies belonging to Ruukki Group. These individuals or entities might also have had existing agreements or business operations with Ruukki Group companies prior to the date that Ruukki Group has obtained control in the entities.

IAS 24 standard defines top management as those company employees who have direct or indirect power, authority and responsibility to affect company operations planning, management and control functions. This definition includes Board members and company top management team.

Related party transaction with persons belonging to group board and management

Finnish accounting legislation, KPA 2:8 § 4 mom disclosure requirement

	2009		2008	
EUR '000	Salaries	Fees	Salaries	Fees
Borman Thomas, Board member 11.7.2008 - 2.8.2008				0
Havia Jukka, Deputy CEO 12.9.2008 onwards	243		48	
Haapanen Mikko, Board member 26.4.2006 - 31.3.2008				2
Hoyer Thomas, Board member 7.10.2008 onwards	150	60		14
Hukkanen Esa, Board member 11.7.2008 - 7.5.2009 *	32	20	79	28
Kankaala Markku, Board member 30.6.2003 onwards		60		47
Kivimaa Antti, CEO's deputy 1.9.2007 - 12.9.2008; Deputy CEO 12.9.2008 - 30.9.2009 **	123		161	
Koncar Danko, Board member 31.3.2008 - 11.7.2008				17
Lainema Matti, Board member 26.4.2006 onwards; Chairman 1.9.2007 - 11.7.2008				28
Manojlovic Jelena, Board member 11.7.2008 onwards, Chairperson from 17.6.2009		75		28
McConnachie Terence, Board member 7.10.2008 onwards		60		14
Mäkelä Kai, Board member 10.2.2000 onwards, Deputy Chairman 26.4.2006 - 31.3.2008				2
Pelkonen Arno, Board member 20.4.2007 - 24.1.2008				1
Poranen Timo, Board member 20.4.2007 - 11.7.2008				33
Ryzhkov Konstantin, Board member 31.3.2008 - 11.7.2008				17
Smit Alwyn, Board member 31.3.2008 onwards, Chairman 11.7.2008 - 17.6.2009 Group CEO 12.9.2008 onwards	458	75	120	96
Vikkula Matti, Board member 7.6.2005 onwards, Chairman 6.4.2006 - 31.8.2007 Group CEO 1.9.2007 - 31.7.2008			1 237	
Vilppula Ahti, Board member 7.6.2005 - 11.7.2008				12
Total	1 005	350	1 645	338

* salaries up until 30.4.2009
** salaries up until 30.9.2009

As some of the Company's Board members have also had executive management roles both the Board fees and the salaries in relation to the executive role have been presented above. Of the aforementioned items, accruals based and unpaid salaries and fees totalled about EUR 265,000 on 31.12.2009, which was mainly related to bonus accruals for the Company's CEO and for a subsidiary's CEO (about EUR 44,000 on 31.12.2008).

In addition to the above mentioned salaries, Alwyn Smit has altogether 2,900,000 Ruukki Group Plc option rights, based on which a total of EUR 637,000 has been recognised in Group accounting as option expenses for the 2009 income statement (EUR 55,000 in 2008). Moreover, in October 2009 Thomas Hoyer was granted Ruukki Group Plc shares with a total value of EUR 100,000 that has been recognised as expense in the 2009 income statement in addition to the sums presented above.

A total options expense of EUR 354,000 was recognised in 2009 (2008: EUR 339,000) for the Group's previous Deputy CEO Kivimaa (Deputy CEO, Wood processing business until end of third quarter) and Deputy CEO Havia. The ex-CEO Vikkula had, in addition to the above mentioned and based on his CEO contract, a synthetic option arrangement and 300,000 free shares received as incentive. Based on this arrangement a total of EUR 484,000 was recorded according to IFRS 2 standard as expenses in the 2008 income statement even though no synthetic option cash flows were eventually realised.

The main terms of the CEO agreement signed with Alwyn Smit on 11 September 2008, valid at the end of December 2009, are the following:

- a fixed monthly gross salary of EUR 30,000
- the bonus salary is based on targets set by the Board in advance and annually capped at 24 months' gross salary
- the bonus salary for the financial year 2009 performance has been tied to four indicators as defined by the Board in the summer 2009 (the relative importance of each indicator presented in brackets): 1) realised EBITDA of the current businesses (60%); 2) Ruukki Group Plc's share price performance (25%); 3) completion of unfinished acquisition processes (10%); 4) other factors (5%)
- based on the EGM resolution in October 2008, Smit has altogether 2,900,000 option rights from the I/2008 option scheme; if the CEO resigns on his initiative the Company has the unilateral right to cancel the options
- Smit does not have any extra pensions and pension age benefits
- the Company is obliged to arrange Smit life, travel and occupational health insurances
- five weeks annual vacation
- non-competition is valid six months after the CEO agreement has been terminated
- in case the employer terminates the agreement, six months notice period and the notice period pay is applied; if the CEO terminates the agreement the notice period is three months

Based on their membership in the Ruukki Group Plc Board, the Board members received a total of EUR 350,000 as Board membership fees during 2009 (EUR 323,000 in 2008). In addition, Board members received fees on other bases to a total of EUR 0 (2008: 15,000).

For group companies' Managing Directors and Board members a total of EUR 1,600,000 has been paid as salaries and Board membership fees in 2009 (EUR 1,110,000 in 2008). In addition, as additional pension insurance payments a total of EUR 7,600 has been paid to these persons (EUR 26,000).

Management remuneration, including the individuals detailed above as well as other Ruukki Group Plc management:

Management remuneration

IAS 24.16 disclosure

EUR '000	2009	2008
Short-term remuneration	1 355	2 813
Pensions (TyeL)	237	329
Total	1 592	3 142

The information above includes IFRS 2 based options expenses and other similar share-based expenses a total of EUR 991,000 in 2009 (EUR 878,000 in 2008). The 2008 figures also include ex-CEO Matti Vikkula's non-recurring resignation costs.

Paid/accrued earn-outs

On the period on which results the earn-outs are based

EUR '000	2008	2009	2010	2011	2012	2013	2014
Jelena Manojlovic, chairperson of Ruukki Group Plc's Board of Directors → via Danko Koncar (Kermas Limited)		2 933	4 801	5 841	7 134	8 407	
Segment management and their related parties, total	197	62					
Other Ruukki Group employees and their related parties, total	358	181					
Total	555	3 175	4 801	5 841	7 134	8 407	0

THE PARENT COMPANIES OF THE BUSINESS AREAS WERE THE FOLLOWING ON 31.12.2009

Minerals business
Ruukki Holdings Ltd;
Southern European minerals business *
Ruukki South Africa (Pty) Ltd:
South African minerals business

Wood Processing business
Pohjolan Design-Talo Oy; house building
Ruukki Yhtiöt Oy; sawmill business
Oplax Oy; pallet business

*Ruukki Group Plc directly holds the shares in the Turkish subsidiary

For certain Ruukki Group's acquisitions, future earn-out structures, based on the future profitability of target companies, have been typical. These earn-out liabilities have been settled either by cash or by Ruukki Group's own shares. Within these annual accounts, there is a separate section where earn-out structures are written out in more detail. All future related conditional earn-out payments have been estimated, and the estimated amounts have been recognised on the balance sheet as liabilities.

Certain Ruukki Group Plc's Board members and group companies' management team members, or their related parties, are and/or have been either directly or through entities controlled by them counterparties in acquisitions where there are earn-out structures to be settled either in cash or in Ruukki Group's shares. Of the unsettled earn-out liabilities, as estimated and recognised on 31 December 2009, with related parties altogether EUR 29.1 million will be settled in Ruukki Group Plc's shares (estimate on 31 December 2008 was EUR 50.8 million) and the rest in cash.

OTHER RELATED PARTY TRANSACTIONS IN OR AFTER 2009

Earn-out and deferred purchase consideration payments to related parties

As part of Mogale Alloys acquisition deferred and conditional purchase consideration tranches were agreed upon, totalling about 40% of the total rand denominated cash outflows. Based on that, Ruukki Group's subsidiary Ruukki South Africa paid a total of about EUR 0.7 million to related parties in 2009. At the end of 2009 the parties however had different opinions as to if all the conditions are met, so no additional payments have been made after the EUR 0.7 million payment.

Ruukki Group Plc paid about EUR 0.2 million in cash as earn-out payments to the ex-CEO of the house building business parent company in 2009 and in addition an EUR 0.9 million fixed deferred purchase consideration.

Ruukki Group's sawmill business area's parent company, Ruukki Yhtiöt Oy, paid about EUR 0.2 million in cash at the end of December as earn-out payments to the sellers of Tervolan Saha ja Höyläämö Oy.

Dividend payout to related parties

The Group's parent company paid a total of EUR 4.5 million in capital redemption to related parties, based on the dividend payout decision by the Annual General Meeting held on 7 May 2009. Furthermore, the Group's subsidiaries have paid about EUR 0.1 million as dividends to the related parties who are minority shareholders of those companies.

Loans to related parties

Ruukki Group Plc had on 31 December 2009 an interest-bearing, long-term receivable, with no collateral backing, from the company's ex-CEO for an outstanding amount of about EUR 0.9 million, including capital and accrued interest. During 2009, a total of EUR 0.5 million of this loan was repaid to the Company.

Group's sawmill business area subsidiary had on 31 December 2009 about EUR 0.5 million dividend distribution liability to its minority shareholders.

Subsidiary of Group's Minerals business segment has given a retention loan to one member of the subsidiary management. At the end of 2009 the balance of the nominal loan capital stood at about EUR 0.1 million.

Elektrowerk Weisweiler GmbH, of which Ruukki Group owns no shares but which has been consolidated into the Group based on SIC-12 interpretation, had on 31 December 2009 a EUR 10.0 million receivable (EUR 15.0 million) from Kermas Ltd, the parent company of Elektrowerk Weisweiler which, in turn, is a major shareholder in Ruukki Group Plc.

The accrued interest on 31 December 2009 on this loan totalled EUR 0.1 million.

Consultancy and other fees to entities controlled by related parties

Ruukki Group paid a total of about EUR 0.4 million in 2009 as consultancy fees and other expenses to companies controlled by individuals being related parties of the Group.

Transactions with associated companies

Relating to the preparations of Ruukki Group's Russian sawmill project, the Group's subsidiary has temporarily used (since summer 2008) warehousing services partially provided by an associated company minority-owned by Ruukki Group Plc. The Group's subsidiary has paid altogether about EUR 0.5 million for these services during the financial year 2009.

The Group's sawmills sold sawn timber to an associated company for a total value of EUR 0.3 million during 2009.

Other related party transactions

In 2009, the Group's Minerals business subsidiary bought chromite concentrate from a related party for a value of EUR 0.3 million.

In February 2010, the Group's Turkish subsidiary acquired 99% of shares in another Turkish company, Intermetal, from the subsidiary's Managing Director for a cash consideration of about EUR 0.3 million.

During 2009, the Group's house building business sold single-family houses to the employees for a total value of about EUR 1.1 million including VAT.

The Group's house building subsidiary sold electro-technical work to a controlled corporation of its minority shareholder for a total value of EUR 0.1 million.

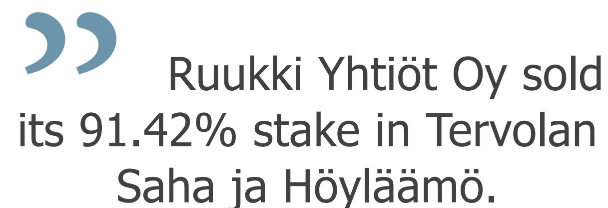
The Group's sawmill business subsidiary acquired an office building from a related party for a total value of EUR 0.2 million.

Ruukki Group's sawmill business' parent company, Ruukki Yhtiöt Oy, sold its 91.42% stake in Tervolan Saha ja Höyläämö Oy ('TSH') to TSH as part of TSH's directed acquisition of TSH's own shares. The effective date for the transfer of the shares to TSH was 31 December 2009. In conjunction with the deal, the call option agreement with TSH minority shareholders was dissolved. The consideration for the shares totalled approximately EUR 4.1 million and was paid in cash in December. TSH also distributed a dividend of about EUR 3.7 million to Ruukki Yhtiöt Oy.

During December 2009, Ruukki Yhtiöt Oy terminated the put options it had written in relation to the Junnikkala acquisition after which it only has the call option left in accordance with the original transaction agreements.

During 2009, the Group's Minerals business subsidiary purchased raw materials from Leswikeng UG2 Minerals (Pty) Ltd, for a total value of about EUR 0.4 million.

Kermas Ltd, a company being a related party to the Group, committed itself in October to grant Ruukki South Africa (Pty) Ltd, a subsidiary of Ruukki Group, a pledge in relation to the environmental liabilities of Mogale Alloys (Pty) Ltd. This pledge will be given in Ruukki Group Plc shares, so that Kermas Ltd pledges shares for an amount corresponding to 5% of Ruukki Group Plc's shares outstanding. However, this has not yet been implemented on 31 December 2009.



OTHER RELATED PARTY TRANSACTIONS 2008

Purchase of RCS Ltd and Türk Maadin Sirketi A.S.

Based on the 28 October 2008 resolutions by the Extraordinary General Meeting, Ruukki Group Plc paid Kermas Ltd EUR 80 million in cash as purchase consideration for the acquisition of the chrome ore and ferrochrome businesses. In addition, Ruukki Group Plc granted Kermas Ltd a total of 73,170,731 option rights related to potential future earn-out consideration, whose payment is conditional upon the future financial performance of the acquisition targets for the five financial years 2009 - 2013. Earn-out is paid to Kermas Ltd in Ruukki Group Plc's shares, if the combined net result of the acquired RCS Ltd and Türk Maadin Sirketi A.S. is positive. In case the combined net result is negative, Kermas Ltd returns Ruukki Group Plc's payment in cash. The amount of earn-out, and also the payback, is 50% of the net result, and it is calculated annually. In conjunction with the transaction, Ruukki Group Plc and Kermas Ltd have also entered into a management agreement, which is valid until 31 December 2013, and under which Kermas Ltd provides its know-how and assistance in relation to the business operations of the acquired companies.

Kermas Ltd is a major shareholder in Ruukki Group Plc and also acquired, as part of the previously described transaction, at the end of 2008, in its own name 15,000,000 Ruukki Group Plc's shares with a five-year lock-up commitment.

Other acquisitions and divestments with related parties

During the third quarter, Ruukki Group Plc acquired 9.9% of the shares in Pohjolan Design-Talo Oy, parent company of Ruukki Group's house building business, from its Managing Director Kimmo Kurkela. The cash consideration agreed upon totalled approximately EUR 6.1 million, of which EUR 4.2 million was paid to Mr. Kurkela during the financial year 2008.

Ruukki Group sold, during the third quarter, about 80.6% of Group's subsidiary Selka-line Oy to its Managing Director.

Financing arrangements

During the first quarter, the Group's parent company made a EUR 10.0 million short-term deposit so that the counterparty in the transaction was a company controlled by a related party. The capital and accrued interest of EUR 0.1 million were fully paid back during the first quarter.

Option rights related to sawmill segment's acquisition

In January, Ruukki Group's sawmill business's subsidiary, Ruukki Yhtiöt Oy, acquired a 51% majority stake in Junnikkala Oy. As a part of the arrangement, a shareholders' agreement was signed according to which, Ruukki Yhtiöt Oy has call options and Junnikkala Oy's minority stakeholders have put options regarding the remaining 49% minority ownership. As collateral for these options, Junnikkala Oy's minority stakeholders have pledged the shares in question.

Earn-out payments to related parties

Ruukki Group's sawmill business's parent company, Ruukki Yhtiöt Oy, paid about EUR 0.4 million in cash as earn-out payments to the sellers of Tervolan Saha ja Höyläämö Oy.

Dividend payout to related parties

The Group's parent company has paid a total of EUR 1.3 million in dividends to related parties based on the dividend payout decision by the Annual General Meeting on 31 March 2008. Furthermore, the group companies have paid about EUR 1.1 million dividends to the related parties that are minority shareholders of those companies.

Loans to related parties

Ruukki Group Plc had on 31 December 2008 an interest-bearing, long-term receivable with no collateral backing, from the company's ex-CEO for an outstanding amount of EUR 1.4 million, including capital and accrued interest.

A subsidiary of the Group had a short-term receivable amounting to EUR 0.8 million from a company controlled by a related party of Ruukki Group Plc.

Elektrowerk Weisweiler GmbH, of which Ruukki Group owns no shares but which has been consolidated into

the Group based on SIC-12 interpretation, had on 31 December 2008 a EUR 15 million receivable from Kermas Ltd that is the parent company of Elektrowerk Weisweiler and that is a major shareholder in Ruukki Group Plc. The accrued interest on 31 December 2008 on this loan totalled EUR 0.3 million.

Consultancy and other fees to entities controlled by related parties

Ruukki Group Plc paid a total of about EUR 0.2 million in 2008 as consultancy fees and other expenses to companies controlled by individuals being related parties of the Group.

Transactions with associated companies

Relating to the preparations of Ruukki Group's Russian sawmill project, the Group's subsidiary temporarily used, starting in the summer of 2008, transportation and warehousing services partially provided by an associated company minority-owned by Ruukki Group Plc. The Group's subsidiary paid altogether some EUR 0.4 million for these services during 2008.

Other related party transactions

A sawmill business area's company purchased timber raw material for about EUR 0.3 million during 2008 from a company controlled by persons belonging to the related party of that company.

During 2008, a subsidiary of the house building business area sold services to companies controlled or managed by the management of the subsidiary for a total value of close to EUR 0.3 million; it also, to minor extent, bought some services from those companies.

The Group's Russian subsidiary paid about EUR 0.2 million as rent for its premises to a related party during 2008.

During 2008, the Group's house building business made an agreement to deliver 31 wooden holiday houses to a company controlled by related parties. The total value of this delivery including value added tax was about EUR 4.3 million. Related to this transaction, the Group's house building business had approximately an EUR 0.9 million receivable on 31.12.2008. The Group subsidiary had, however, received a real security from the customer as collateral for receivables.

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

G1. Revenue

EUR '000	2009	2008
Continuing operations		
Sale of goods	190 753	153 849
Rendering of services	1 739	2 058
Construction contracts	867	2 758
	193 359	158 665
Discontinued operations		
Sale of goods	0	78 506
Rendering of services	0	10 190
	0	88 696
Total	**193 359**	**247 361**

Construction contracts above relate to the Group's house building business, where there were deliveries of leisure home, and that projects' revenue was recognised based on the stage of completion of those projects. The services revenue comes mainly from house building business's HVAC and electrical services sales as well as from services attached to the deliveries of wooden pallets.

G2. Other operating income

EUR '000	2009	2008
Gain on disposal of property, plant and equipment	217	294
Gain on disposal of investments	840	841
Government grants	3	6
Insurance compensations	2	1 785
Other	6 526	722
Total	**7 587**	**3 648**

The 2009 other operating income includes a total of an EUR 5.3 million non-recurring item based on termination of put option arrangement in relation to Junnikkala Oy sawmill and about EUR 0.8 million gain in relation to the sale of Lappipaneli Oy's sawmill business.

G3. Employee benefits

EUR '000	2009	2008
Salaries and wages	-22 177	-29 841
Share-based payments	-991	-395
Pensions, defined contribution plans	-3 253	-5 117
Pensions, defined benefit plans	-806	0
Other employee related costs	-1 003	-2 006
Total	**-28 230**	**-37 358**

Average personnel during the accounting period

	2009	2008
Wood Processing business	295	306
House building	88	113
Sawmills business	158	151
Pallets	49	42
Minerals business	517	69
Group Management	9	8
Other operations	3	35
Discontinued operations	0	495
Total	**824**	**913**

Personnel at the end of the accounting period

	2009	2008
Wood Processing business	253	301
House building	91	99
Sawmills business	116	150
Pallets	46	42
Minerals business	629	404
Group Management	9	8
Other operations	2	8
Discontinued operations	0	0
Total	**893**	**721**

Defined benefit pension plans

The majority of the Group's pension plans are defined contribution plans for which total expense of EUR 2.9 million has been recognised in the income statement for 2009. In addition, the Group's German subsidiary has defined benefit plans. The obligations relating to those plans have been defined by actuarial calculations. The pension scheme is arranged by recognising a provision in the balance sheet. The pension plan in question has been transferred into the Group in consequence of a business combination carried out on 31 October 2008. The present value of the obligation less fair value of plan assets totalled EUR 11.0 million on 31 December 2009 (EUR 11.1 million on 31 December 2008). The Group has considered that the value on 31 December also corresponds with the amount of net obligation at the balance sheet date. The Group does not possess the assets of the pension plans.

Retirement benefit obligation

EUR '000	2009	2008
Present value of funded obligation	13 740	13 082
Fair value of plan assets	3 035	1 966
	10 705	11 116
Unrecognised actuarial gains (losses)	330	0
Net liability	**11 035**	**11 116**

Movements in defined benefit obligation

EUR '000	2009	2008
Defined benefit obligations at 1.1.	13 082	0
Benefits paid by the plan	-573	
Current service costs	198	
Interest expense	748	
Business combinations		13 082
Actuarial (gains) losses	285	
Closing balance 31.12.	**13 740**	**13 082**

Movements in defined benefit obligation

EUR '000	2009	2008
Fair value of the plan assets at 1.1.	2 660	
Expected return on plan assets	140	
Benefits paid by the plan	-58	
Business combinations		1 966
Actuarial gains (losses)	-79	
Contributions paid into the plan	372	
Closing balance 31.12.	**3 035**	**1 966**

The funded pension plan has been financed through insurance company and therefore asset specification is not available.

Expense recognised in profit or loss

EUR '000	2009	2008
Current service cost	198	
Interest cost	748	
Expected return on plan assets	-140	
	806	

Actual return on plan assets was EUR 46 thousand in 2009.

Principal actuarial assumptions

	2009	2008
Discount rate	5.75%	5.85%
Expected retirement age	65	65
Expected return on plan assets	5%	5%
Expected rate of salary increase	3%	3%
Inflation	2.25%	2.25%

Moreover, mortality expectancy in accordance with the German "Richttafeln 2005 G" has been applied in valuations. The expected pension increases are in line with German pension legislation. The Group expects that in financial year 2010 expense for defined benefit plan of EUR 0.4 million will be recognised in the income statement.

Historical information

EUR '000	2009	2008
Present value of defined benefit obligation	-13 740	-13 082
Fair value of plan assets	3 035	1 966
Deficit in the plan	**-10 705**	**-11 116**
Experience adjustments arising on plan liabilities	-110	
Experience adjustments arising on plan assets	-79	

Provision for retirement pay liability in Turkey

In accordance with the existing social legislation in Turkey, the Turkish subsidiary of the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability was based upon the retirement pay ceiling announced by the Government. As of 31 December 2009, employee severance indemnity of about EUR 0.5 million (TRY 1.1 million) is recognised in the financial statements in accordance with IAS 19. The key actuarial assumptions used at 31 December 2009, were the following: interest rate 11%, expected rates of salary/limit increases 4.8%.

G4. Depreciation, amortisation and impairment

Depreciation / amortisation by asset category

EUR '000	2009	2008
Intangible assets		
Trademarks	-141	-141
Clientele	-15 029	-5 249
Technology	-2 432	-186
Other intangible assets	-310	-243
Total	**-17 911**	**-5 818**
Property, plant and equipment		
Buildings and constructions	-1 621	-1 859
Machinery and equipment	-5 868	-6 034
Other tangible assets	-1 559	-456
Total	**-9 048**	**-8 349**

Impairment by asset category

EUR '000	2009	2008
Buildings and constructions	0	-1 888
Machinery and equipment	0	-24 012
Goodwill	-19 079	-13 526
Clientele	0	-1 567
Other intangible assets		-41
Total	**-19 079**	**-41 034**

Reversal of impairmet losses by asset category

EUR '000	2009	2008
Machinery and equipment	2 059	0
Total	**2 059**	**0**

In December 2009, goodwill in relation to Mogale Alloys was impaired by EUR 19.1 million. Due to the sale of Lappipaneli Oy's assets at the end of the year, a EUR 2.1 million impairment recognised in 2008 on tangible assets was reversed in December 2009. In addition, below EBIT in the income statement there are additional impairment on the shares of associates (in 2009 altogether EUR 0.9 million) and write-downs of financial assets in relation to the Russian projects (in 2009 altogether EUR 1.5 million).

Of the 2008 impairment losses altogether EUR 17.7 million are related to changes in the Russian investment project preparations. As a result of the general economic situation and changes in financial markets, the sawmill business area recognised EUR 20.4 million impairment and correspondingly the furniture business, which was not consolidated into the Group at the balance sheet date, recognised impairment losses amounting to EUR 2.9 million. In addition, the value of loan receivables of associated companies was written down by about EUR 0.1 million.

The impairment losses recognised have been to major extent caused by changes in the actual and forecasted demand as well as sales and purchase prices of the key customer markets of the Group's business areas. In particular the financial crisis has from the latter half of 2008 adversely contributed to that. Most of the Group's business areas operate in commodity markets, whose volatility has been high over the last years. Moreover, the Russian wood processing investments, being part of the Group's earlier strategy, have been affected by changed circumstances.

G5. Other operating expenses

EUR '000	2009	2008
Loss on disposal of property, plant and equipment	0	-106
Research and development expenditure	0	-5
Rental costs	-1 416	-3 788
External services	-1 786	-3 785
Other	-17 409	-20 008
Total	**-20 611**	**-27 691**

During 2009, a total of about EUR 1.9 million of London listing related expenses were recognised. Moreover, a total of EUR 2.1 million expenses were booked based on the intended acquisition of Sylvania Resources. Based on other Minerals business related projects about EUR 0.3 million were recognised.

G6. Finance income and expense

Finance income

EUR '000	2009	2008
Interest income on available-for-sale financial assets	0	2
Dividend income on available-for-sale financial assets	4	3
Interest income on held-to-maturity investments	1 123	13 500
Interest income on loans and trade receivables	1 419	1 363
Net foreign exchange gains	1 959	1 983
Gain on disposal of available-for-sale financial assets	0	93
Gain on disposal of financial assets at fair value through profit or loss	0	-161
Other finance income	1 366	0
Total	**5 871**	**16 783**

Finance expense

EUR '000	2009	2008
Interest expense on financial liabilities measured at amortised cost	-1 930	-2 903
Impairment losses on receivables relating to discontinued operations in Russia	-1 483	0
Impairment losses on available-for-sale financial assets	0	-300
Impairment losses on trade receivables	0	-42
Net foreign exchange losses	-4 707	-5 594
Net change in fair value of financial assets at fair value through profit or loss	0	-2 527
Other finance expenses	-1 186	-1 592
Total	**-9 306**	**-12 958**
Net finance income/expense	**-3 435**	**3 824**

G7. Income taxes

EUR '000	2009	2008
Income tax for the period	-703	-3 585
Income tax for previous years	-1 764	-228
Deferred taxes	8 076	4 985
Total	**5 609**	**1 171**

EUR '000	2009	2008
Profit before taxes	**-28 336**	**-33 858**
Income tax calculated at income tax rate	**7 367**	**8 803**
Tax exempt income	206	5 027
Difference between domestic and foreign tax rates	577	1 052
Malta tax refund	7 486	0
Income tax for previous years	-1 764	-228
Income from associates	29	148
Impairment losses	-4 425	-10 669
Tax losses not recognised as deferred tax assets	-3 278	-5 046
Non-tax deductible expenses	-589	-311
Previously unrecognised tax losses now recognised	0	2 396
Total adjustments	**-1 758**	**-7 632**
Income tax recognised	**5 609**	**1 171**

G8. Earnings per share

	2009	2008		
	Total	Continuing operations	Discontinued operations	Total
Profit attributable to equity holders of parent company (EUR '000)	-19 744	-40 066	8 680	-31 386
Weighted average number of shares, basic (1 000)	250 175	290 034	290 034	290 034
Basic earnings per share (EUR) total	**-0.08**	**-0.14**	**0.03**	**-0.11**

	2009	2008		
	Total	Continuing operations	Discontinued operations	Total
Profit attributable to equity holders of parent company (EUR '000)	-19 744	-40 066	8 680	-31 386
Weighted average number of shares, basic (1 000)	250 175	290 034	290 034	290 034
Effect of share options on issue (1 000)	45 281	13 857	13 857	13 857
Weighted average number of shares, diluted (1 000)	295 456	303 891	303 891	303 891
Diluted earnings per share (EUR) total	**-0.08**	**-0.14**	**0.03**	**-0.11**

Basic earnings per share is calculated by dividing profit attributable to shareholders of the parent company by weighted average number of shares during the financial year.

Share options have a dilution effect if the exercise price is lower than share price. The diluted number of shares is the number of shares, which will be issued free of charge when share options are exercised, because with the funds received from exercising options, the company is not able to issue the same number of shares at fair value. The fair value of shares is based on average share price of the period.

In financial year 2009 the basic earnings per share of the company was negative, thus the diluted earnings per share is not presented, while it would be better than the basic (undiluted) earnings per share. The calculation method is though described above.

G9. Property, plant and equipment

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Balance at 1.1.2009	1 841	23 627	79 753	12 791	118 012
Additions	3	1 343	11 063	475	12 883
Acquisitions of subsidiaries	0	1 819	20 891	221	22 931
Disposals of subsidiaries	-100	-3 933	-3 024	-100	-7 156
Disposals	0	-451	-4 491	-174	-5 116
Transfer to assets held for sale	-527	-3 510	-10 486	-931	-15 454
Effect of movements in exhange rates	0	-79	1 512	9	1 442
Balance at 31.12.2009	**1 217**	**18 816**	**95 217**	**12 290**	**127 541**
Accumulated depreciation and impairment at 1.1.2009	0	-5 847	-41 630	-902	-48 378
Depreciation	0	-1 621	-5 868	-1 559	-9 048
Reversal of impairment	0	0	2 059	0	2 059
Disposals of subsidiaries	0	2 061	2 949	55	5 065
Disposals	0	0	117	0	117
Transfer to assets held for sale	0	426	2 605	256	3287
Effect of movements in exhange rates	0	76	-32	-29	14
Accumulated depreciation and impairment at 31.12.2009	**0**	**-4 905**	**-39 800**	**-2 180**	**-46 885**
Carrying amount at 1.1.2009	**1 841**	**17 780**	**38 123**	**11 889**	**69 633**
Carrying amount at 31.12.2009	**1 217**	**13 911**	**55 417**	**10 110**	**80 655**
Balance at 1.1.2008	669	18 635	28 653	1 394	49 351
Additions	0	2 489	35 607	308	38 404
Acquisitions of subsidiaries	1 284	12 088	17 353	11 300	42 024
Disposals of subsidiaries	-42	-9 586	-940	-131	-10 699
Disposals	-70	0	-920	-78	-1 068
Balance at 31.12.2008	**1 841**	**23 627**	**79 753**	**12 791**	**118 012**
Accumulated depreciation and impairment at 1.1.2008	0	-2 100	-11 584	-446	-14 130
Depreciation	0	-1 859	-6 034	-456	-8 349
Impairment	0	-1 888	-24 012	0	-25 899
Accumulated depreciation and impairment at 31.12.2008	**0**	**-5 847**	**-41 630**	**-902**	**-48 378**
Carrying amount at 1.1.2008	**669**	**16 534**	**17 069**	**948**	**35 221**
Carrying amount at 31.12.2008	**1 841**	**17 780**	**38 123**	**11 889**	**69 633**

Machinery and equipment include the prepayments paid of them.

In the property there are assets purchased through finance leases as follows:

EUR '000	Machinery and equipment	Buildings	Total
31.12.2009			
Balance	427	0	427
Accumulated depreciation	-131	0	-131
Carrying amount	**296**	**0**	**296**
31.12.2008			
Balance	84	0	84
Accumulated depreciation	-78	0	-78
Carrying amount	**6**	**0**	**6**

G10. Intangible assets

EUR '000	Goodwill	Intangible assets identified acc. to IFRS3	Other intangible assets	Total
Balance at 1.1.2009	101 808	81 101	2 520	185 429
Additions	307	0	620	928
Acquisitions of subsidiaries	116 526	44 663	64	161 253
Disposals of subsidiaries	-684	-1 222	-146	-2 052
Changes in earn-out liabilities	-21 638	0	0	-21 638
Transfer to assets held for sale	0	0	-101	-101
Effect of movements in exchange rates	9 963	3 766	0	13 729
Balance at 31.12.2009	**206 280**	**128 308**	**2 959**	**337 547**
Accumulated amortisation and impairment at 1.1.2009	-14 559	-10 500	-985	-26 044
Amortisation	0	-17 601	-310	-17 911
Impairment	-19 079	0	0	-19 079
Disposals of subsidiaries	684	1 222	0	1 907
Effect of movements in exchange rates	-475	-28	-2	-505
Accumulated amortisation and impairment at 31.12.2009	**-33 430**	**-26 907**	**-1 297**	**-61 633**
Carrying amount at 1.1.2009	**87 248**	**70 601**	**1 536**	**159 385**
Carrying amount at 31.12.2009	**172 850**	**101 401**	**1 662**	**275 914**
Balance at 1.1.2008	35 915	7 922	2 034	45 871
Additions	5 918	0	835	6 753
Disposals	-241	-320	-214	-775
Acquisitions of subsidiaries	67 340	74 051	562	141 953
Disposals of subsidiaries	-7 125	-552	-696	-8 373
Balance at 31.12.2008	**101 808**	**81 101**	**2 520**	**185 429**
Accumulated amortisation and impairment at 1.1.2008	-1 033	-3 357	-701	-5 091
Amortisation	0	-5 576	-243	-5 818
Impairment	-13 526	-1 567	-41	-15 135
Accumulated amortisation and impairment at 31.12.2008	**-14 559**	**-10 500**	**-985**	**-26 044**
Carrying amount at 1.1.2008	**34 882**	**4 565**	**1 333**	**40 780**
Carrying amount at 31.12.2008	**87 248**	**70 601**	**1 536**	**159 385**

G11. Investments in associates

The Group decided in conjunction with the 2009 financial statements to change the way it presents share of associated profits, sales gains and losses related to associates, and impairment on associates' shares and receivables, to the extent they relate to associated companies owned by the Group's parent company and not belonging to business segments. Hence, from 2009 onwards these non-core items are presented in finance items below EBIT, when previously they have been presented above EBIT in various lines. The rationale behind the change in the way of presenting these items is that these associated companies are not material and that they are classified as non-core assets. The income statement related items of associated companies of minerals and wood processing segments are presented within the segments and above the EBIT.

Movements in 2009

EUR '000	
1.1.2009	**1 770**
Additions	
Special Super Alloys SSA Inc	63
Leswikeng UG2 Minerals (Pty) Ltd	67
Disposals	
Cybersoft Oy	-362
Share of profit	111
Dividends	-213
Impairment	-928
31.12.2009	**507**

The impairment losses recognised in 2009 relate to ILP-Group Ltd Oy, and were caused by adverse changes in the company's target markets development and financial situation.

Movements in 2008

EUR '000	
1.1.2008	**1 702**
Disposals	
Orienteq Capital	-5
Share of profit	571
Dividends	-98
Impairment	-400
31.12.2008	**1 770**

EUR '000	Domicile	Balance sheet date	Assets	Liabilities	Revenue	Profit / loss	Ownership (%)
2009							
Arc Technology Oy	Helsinki	31.12.2009	904	661	2 055	-33	37.4
ILP-Group Ltd Oy	Helsinki	31.12.2009	5 677	2 638	13 707	127	33.4
Incap Furniture Oy *	Oulu	30.9.2009	9 264	15 487	21 559	-1 832	24.1
Loopm Oy	Helsinki	inactive					28.4
PGR Manganese (Pty) Ltd **	South Africa	holding company					49.0
Rivest Oy	Helsinki	31.12.2008	16	15	52	-8	40.0
Special Super Alloys SSA Inc	United States	31.12.2009	288	159	157	-181	20.0
Sportslink Group Oy	Helsinki	inactive					25.0
Stellatum Oy	Helsinki	31.12.2009	386	293	1 300	-15	34.0
Valtimo Components Oyj ***	Valtimo	31.12.2008	2 119	3 114	2 178	-497	24.9
Widian Oy	Espoo	31.12.2009	589	808	733	4	39.6
			19 243	**23 173**	**41 742**	**-2 435**	
2008							
Arc Technology Oy	Helsinki	31.12.2008	976	643	1 979	77	37.4
Cybersoft Oy Ab	Tampere	31.10.2008	514	147	1 137	81	37.5
ILP-Group Ltd Oy	Helsinki	31.12.2008	6 765	3 518	20 884	1 101	33.4
Incap Furniture Oy	Oulu	31.12.2008	22 244	30 266	78 506	-9 005	48.3
Loopm Oy	Helsinki	inactive					28.4
Rivest Oy	Helsinki	31.12.2008	16	15	52	-8	40.0
Sportslink Group Oy	Helsinki	inactive					25.0
Stellatum Oy	Helsinki	30.11.2008	347	320	1 120	-12	34.0
Valtimo Components Oyj	Valtimo	31.12.2008	2 119	3 114	2 178	-497	24.9
Widian Oy	Espoo	31.12.2008	733	956	623	2	39.6
			33 713	**38 979**	**106 479**	**-8 260**	

* Incap Furniture Oy is in corporate restructuring process
** Company founded in relation to Mogale acquisition that owns Mogale shares
*** Valtimo Components Oyj is in corporate restructuring process, ownership can increase to 39.23% if the shares sold earlier, held as pledge, are not to be paid to Ruukki in cash

The balance sheet date of certain associates differs from the Group's balance sheet date, since all of the associated companies' financial statements were not available when the Group's financial statements have been prepared. Certain associates are also inactive. All subordinated loans are included in the associated companies' liabilities.

Other investments

Company name	Ownership (%)	
Leswikeng UG2 Minerals (Pty) Ltd	18.9	Considered as an other investment, while the Group's effective stake is 18.9%
Selka-line Oy	19.4	A former subsidiary of the Group that operates in the metal contract furniture and furniture component business
Finnish Wood Research Oy	16.7	

G12. Financial assets

31.12.2009

EUR '000	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Assets at fair value through profit or loss	Liabilities at fair value through profit or loss	Liabilities measured at amortised cost	Carrying amounts by balance sheet items
Non-current financial assets							
Non-current interest-bearing receivables	281	669	14 525				15 475
Trade and other receivables			585				585
Other financial assets	163						163
Current financial assets							
Current interest-bearing receivables		2 500	2 765				5 265
Trade and other receivables *			24 686				24 686
Other financial assets				314			314
Cash and cash equivalents			55 852				55 852
Carrying amount of financial assets	**444**	**3 169**	**98 413**	**314**			**102 339**
Fair value of financial assets	**444**	**3 169**	**98 413**	**314**			**102 339**
Non-current financial liabilities							
Non-current interest-bearing liabilities						75 506	75 506
Other non-current liabilities						26 226	26 226
Current financial liabilities							
Current interest-bearing liabilities						39 008	39 008
Trade and other payables *						23 757	23 757
Carrying amount of financial liabilities						**164 497**	**164 497**
Fair value of financial liabilities						**164 497**	**164 497**

* non-financial assets or liabilities not included in the figure

31.12.2008

EUR '000	Assets available-for-sale	Assets held-to-maturity	Loans and other receivables	Assets at fair value through profit or loss	Liabilities at fair value through profit or loss	Liabilities measured at amortised cost	Carrying amounts by balance sheet items
Non-current financial assets							
Non-current interest-bearing receivables		957	19 066				20 024
Trade and other receivables			403				403
Other financial assets	125						125
Current financial assets							
Current interest-bearing receivables		186 485	845				187 329
Trade and other receivables *			18 032				18 032
Other financial assets				133			133
Cash and cash equivalents			45 413				45 413
Carrying amount of financial assets	**125**	**187 442**	**83 759**	**133**			**271 459**
Fair value of financial assets	**125**	**187 442**	**83 759**	**133**			**271 459**
Non-current financial liabilities							
Non-current interest-bearing liabilities						41 778	41 778
Other non-current liabilities						52 237	52 237
Current financial liabilities							
Current interest-bearing liabilities						13 286	13 286
Trade and other payables *						20 800	20 800
Derivatives					2 527		2 527
Carrying amount of financial liabilities					**2 527**	**128 101**	**130 628**
Fair value of financial liabilities					**2 527**	**128 101**	**130 628**

* non-financial assets or liabilities not included in the figure

Fair value hierarchy
31.12.2009

EUR '000	Carrying amounts at the end of the reporting period Level 1	Level 2	Level 3
Financial assets at fair value			
Derivatives			
Other financial assets		314	
Total			
Available-for-sale financial assets			
Other financial assets			444
Financial liabilities at fair value			
Derivatives			
Total			

EUR '000	Level 3
Level 3 reconciliation	
Acquisition cost at 1.1.2009	**423**
Additions	320
Disposals	0
Acquisition cost at 31.12.2009	**743**
Accumulated impairment losses at 1.1.2009	-299
Accumulated impairment losses at 31.12.2009	**-299**
Carrying amount at 31.12.2009	**444**

Financial assets at fair value through profit or loss include CO_2 derivatives, whose fair value has been determined based on Nordpool closing price. Available for sale financial assets consists of non-listed equities that have been revalued at cost because their fair value cannot be estimated reliably.

Non-current receivables

EUR '000	2009 Carrying amount	2008 Carrying amount
Loan receivables	10 954	16 380
Other receivables	15 176	3 089
Total	**26 130**	**19 469**

Balance sheet values of receivables closely correspond to the monetary value of maximum credit risk excluding the fair value of received guarantees in the potential case where the counterparties cannot fulfil their commitments. There is no significant credit risk concentration related to receivables.

G13. Deferred tax assets and liabilities

Movements in deferred taxes in 2009

EUR '000	31.12.2008	Exchange rate differences	Recognised in P&L or deferred taxes from fair value adjustments	Recognised in equity	Business combinations and divestment of subsidiaries	31.12.2009
Deferred tax assets:						
Unrealised expenses	1 437	-10	-495			932
Non-tax deductible depreciation	150		46		-196	
Pension liabilities	1 088		-16			1 072
Translation difference						
Group eliminations	139		120			259
Other items						
Total	**2 815**	**-10**	**-346**	**0**	**-196**	**2 264**
Deferred tax liabilities:						
Assets at fair value in acquisitions	28 753	748	-7 050		14 829	37 280
Translation difference				3 325		3 325
Accumulated difference between actual and tax deductible depreciation	1 678		-860		-129	689
Financial assets and investments at fair value	65		17			82
Other items	484	200	-529		2 418	2 573
Total	**30 979**	**948**	**-8 422**	**3 325**	**17 118**	**43 949**

Movements in deferred taxes in 2008

EUR '000	31.12.2007	Exchange rate differences	Recognised in P&L or deferred taxes from fair value adjustments	Recognised in equity	Business combinations and divestment of subsidiaries	31.12.2008
Deferred tax assets:						
Unrealised expenses	379		1 058			1 437
Non-tax deductible depreciation	130		20			150
Pension liabilities	0		1 088			1 088
Translation difference	379		**0**	-379		
Group eliminations	180		-9	-32		139
Other items	67		-30	-37		
Total	**1 136**	**0**	**2 127**	**-449**	**0**	**2 815**
Deferred tax liabilities:						
Assets at fair value in acquisitions	1 968		26 785			28 753
Accumulated difference between actual and tax deductible depreciation	1 442		988	-752		1 678
Financial assets and investments at fair value	142		-77			65
Other items	342		142			484
Total	**3 894**	**0**	**27 838**	**-752**	**0**	**30 979**

G14. Inventories

EUR '000	2009	2008
Goods and supplies	14 670	8 296
Unfinished products	9 760	8 311
Unfinished construction projects	2 610	0
Finished products	28 777	22 690
Prepayments	134	1 121
Total	**55 951**	**40 419**

At the end of 2009, the Group's house building business area acquired land areas, which were recognised into inventory and shown as unfinished construction projects. At the end of 2008, based on declining log prices, the Group booked the raw material inventories of sawmills to net realisable value, which had a total effect of EUR -0.5 million.

G15. Trade receivables and other current receivables

EUR '000	2009	2008
Trade receivables	25 664	16 988
Loan receivables	21	432
Interest-bearing receivables	2 765	845
Prepaid expenses and accrued income	10 926	16 156
Other receivables	9 907	2 250
Total	**49 283**	**36 672**

Prepaid expenses and accruals mainly relate to rental contracts, personnel expenses and accrued interest for loans. Balance sheet values of receivables closely correspond to the monetary value of maximum credit risk, excluding the fair value of received guarantees, in the potential case where the counterparties cannot fulfil their commitments. There is no significant credit risk concentration related to receivables.

The aging of trade receivables at the balance sheet date

EUR '000	2009	2008
Not past due	9 524	10 139
Past due 0-30 days	1 648	4 597
Past due 31-60 days	9 041	1 374
Past due 61-90 days	4 616	473
Past due more than 90 days	834	405
Impairment	0	0
Trade receivables total	**25 664**	**16 988**

Construction contracts

EUR '000	2009	2008
Contracts in progress at the balance sheet date		
Construction costs plus recognised profits	0	2 758
Progress billings	0	-1 787
Net	**0**	**972**
Gross receivables for constuction contracts	0	183

G16. Cash and cash equivalents

EUR '000	2009	2008
Cash and bank balances	55 852	45 413
Pledged deposits:	80	1 118

Cash and cash equivalents in the cash flow statement

EUR '000	2009	2008
Cash and bank balances	55 852	45 413
Short-term money market investments (deposit certificates)	0	0
Total	**55 852**	**45 413**

G17. Derivative agreements

Forward contracts, contract values

EUR '000	2009	2008
Foreign exchange forward contracts	0	14 759
Foreign exchange option contracts	278	0
Interest rate swaps	950	0
Other derivatives	0	1 030

Forward contracts, fair value

EUR '000	2009	2008
Foreign exchange forward contracts	0	-2 527
Foreign exchange option contracts	-1	0
Interest rate swaps	-14	0
Other derivatives	0	893

In order to hedge some of its exports related foreign exchange risks, the Group's sawmill subsidiary entered at the end of December 2009 into a EUR/USD currency option agreement where the fair value and market value were practically equal. The nominal amount of the position is USD 0.4 million, and there are two options: one USD put option and one USD call option. The call option has a knock-in feature, which was after the year end activated based on EUR/USD exchange rate development. The maturity of these options is less than 3 months at the end of 2009. The same subsidiary also has EUR 0.9 nominal value of interest rate swaps, whose fair value impact on 31 December 2009 was about EUR 14 thousand.

The maturity of foreign exchange rate and other derivatives was less than 6 months at the balance sheet date 31.12.2008.

G18. Assets and liabilities classified as held for sale

On the balance sheet date 2009 Ruukki Group presented the assets and related liabilities related to Lappipaneli's asset sales, to the extent the assets are transferred after the year-end 2009, on the Group balance sheet as assets and liabilities classified as held for sale.

On the balance sheet date for 31 December 2008 Ruukki Group did not have any assets classified as held for sale.

EUR '000	2009	2008
Non-current assets classified as held for sale		
Goodwill	0	0
Other intangible assets	101	0
Property, plant and equipment	12 612	0
Other non-current assets	1	0
Non-current assets classified as held for sale	**12 714**	**0**
Current assets classified as held for sale	**0**	**0**
Assets classified as held for sale	**12 714**	**0**
Liabilities associated with assets held for sale		
Trade payables	3 183	0
Other current liabilities	3 096	0
Liabilities associated with assets held for sale	**6 280**	**0**

G19. Share capital

The equity reserves are described below:

Share premium reserve

Related to the old Finnish Companies Act, the Company has share premium reserve in relation to old share issues, where the premium in excess of the par value of the shares subscribed has been recognised in share premium reserve.

Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Revaluation reserve

The revaluation reserve comprises fair value allocation to the previously acquired share of Oplax in an acquisition achieved in stages.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

Paid-up unrestricted equity reserve

Paid-up unrestricted equity reserve comprises other equity investments and subscription price of shares to the extent that it is not recognised in share capital based on a specific decision.

	Number of registered shares	Number of shares on issue	Share capital, EUR '000
31.12.2007	**290 034 022**	**290 034 022**	**23 642**
Acquisitions of treasury shares	0	-10 685 000	23 642
31.12.2008	**290 034 022**	**279 349 022**	**23 642**
Acquisitions and cancellations of treasury shares	-29 000 000	-40 102 917	23 642
31.12.2009	**261 034 022**	**239 246 105**	**23 642**

Treasury shares

The Annual General Meeting held on 31 March 2008 authorised the company's Board of Directors to acquire a maximum of 10,000,000 own shares and to transfer the acquired shares. This authorisation was valid until 31 March 2009. Based on the authorisation, the Board decided to acquire the maximum amount of own shares with the funds from the company's unrestricted shareholders' equity. The acquisition of the shares began on 5 November 2008, and the maximum amount 10,000,000 shares had been bought on 27 November 2008. The shares were acquired according to the section 5 of the Rules of NASDAQ OMX Helsinki related to the acquisition of company's own shares and otherwise according to the rules related to acquisition of company's own shares.

The Extraordinary General Meeting held on 28 October 2008 authorised the company's Board to acquire a maximum of 19,000,000 own shares and to transfer the acquired shares. The authorisation was valid until 28 October 2010. Based on the authorisation, the Board decided to start a trading plan, and the share buy-backs were started on 29 December 2008. A total of 19,000,000 own shares were acquired in accordance with the trading plan and the amount was reached on 30 January 2009. The shares were acquired according to the section 5 of the Rules of NASDAQ OMX Helsinki related to the acquisition of company's own shares and otherwise according to the rules related to acquisition of company's own shares.

Therefore, at the end of January 2009 the company held altogether 29,000,000 treasury shares, which was equivalent to approximately 9.999% of all the registered shares. On 3 February 2009 the Company's Board of Directors decided to cancel all the shares it held, altogether 29,000,000 shares. The cancellation was registered on 17 February 2009. After that the registered number of shares was 261,034,022.

The Extraordinary General Meeting held on 24 February 2009 authorised the Company's Board of Directors to acquire a maximum of 26,000,000 own shares and to transfer the acquired shares. This authorisation is valid until

24 February 2010. Based on the authorisation, share buybacks were started on 5 March 2009. The shares were acquired according to the section 5 of the Rules of NASDAQ OMX Helsinki related to the acquisition of company's own shares and otherwise according to the rules related to acquisition of company's own shares.

Based on the authorisation, Ruukki Group Plc's Board of Directors decided on 6 October 2009 to grant 52,083 shares, held by Ruukki Group Plc as treasury shares, to Thomas Hoyer as part of his incentive package as the Managing Director of Ruukki Yhtiöt Oy, the parent company of the Group's Wood Processing assets. On 31 December 2009 the company had in its possession altogether 21,787,917 own shares, which is equal to about 8.35% of the total amount of registered shares.

Ruukki Group Plc's Board of Directors decided on 19 January 2010 to cancel altogether 13,052,022 own shares held by the Company, which totals about 5% of the registered number of shares. The cancellation did not affect the Company's share capital. After the cancellation the Company will hold 8,735,895 own shares. The registered number of shares was 247,982,000 after the cancellation, which became valid after it was registered at the Trade Register on 2 February 2010.

The company's subsidiaries do not hold any of Ruukki Group Plc's shares.

Share Issue Authorisations given to the Board of Directors

The Extraordinary General Meeting held on 24 February 2009 decided to authorise the Board of Directors to decide on share issue and on the issuing of stock options and other special rights that entitle to shares. The authorisation replaces the authorisation given by the Annual General Meeting on 31 March 2008. By virtue of the authorisation shares could be emitted in one or more tranches in total a maximum of 100,000,000 new shares or shares owned by the Company. This equates approximately 38.3 per cent of the Company's registered number of shares on 31 December 2009. This authorisation was valid until 24 February 2010.

Other option rights

The Extraordinary General Meeting held on 28 October 2008 decided on issuing a maximum total of 73,170,731 option rights to Kermas Limited related to additional earn-out purchase consideration of a acquisition. The option rights entitle the recipients to subscribe for a maximum total of 73,170,731 new shares or shares that are in the possession of the Company. The subscription period for the shares occurs annually within 30 business days after the approval of the additional earn-out purchase consideration and matures on December 31, 2014. The share subscription price per share is EUR 2.26 (with dividend and capital redemption adjustment). The whole paid subscription price shall be entered in the paid-up unrestricted equity fund. The number of shares in the Company can be increased by a maximum of 73,170,731 new shares as a result of share subscriptions.

Share Price Development

Ruukki Group Plc's shares (RUG1V) are listed on NASDAQ OMX Helsinki in which the shares of the Company are traded in the mid cap segment, in the industrials sector since 1 July 2007. During the financial year, the price of Ruukki Group's share varied between EUR 1.04 (2008: 1.02) and EUR 2.68 (2.99). A total of 328,119,128 (434,714,427) Ruukki Group shares were traded in the financial year, representing 125.7% (149.9%) of all the shares registered at the end of the financial year. The closing price of the Company's share on 31 December was EUR 2.14 (1.15). The market capitalisation of the Group's entire capital stock 261,034,022 (290,034,022) shares at the closing price on 31 December was EUR 558.6 million (335.5).

Shareholders

On 31 December 2009, the company had a total of 3,874 shareholders (4,136 shareholders on 31.12.2008), of which 9 were nominee-registered. The registered number of shares on 31 December 2009 was 261,034,022 (290,034,022).

Largest shareholders on 31 December 2009

Shareholder	Shares	%
Kermas Limited	70 766 500	27.1
Atkey Limited	50 281 401	19.3
Nordea Bank Finland Plc nominee-registered	33 459 371	12.8
Hanwa Company Limited	30 000 000	11.5
Ruukki Group Plc	21 787 917	8.3
Hino Resources Co. Ltd	10 610 405	4.1
Djakov Aida nominee-registered	9 952 500	3.8
Kankaala Markku	8 525 728	3.3
Skandinaviska Enskilda Banken nominee-registered	6 960 503	2.7
Hukkanen Esa	5 010 100	1.9
Total	**247 354 425**	**94.8**
Other Shareholders	13 679 597	5.2
Total shares registered	**261 034 022**	**100.0**

Ruukki Group Plc's board members and CEO owned in total 82,168,811 Ruukki Group Plc shares on 31 December 2009 (113,675,890 on 31.12.2008) when including shares and forward contracts owned either directly, through persons closely associated with them or through controlled companies. This corresponds to approximately 31.5% of all outstanding shares that were registered to the Trade Register on 31 December 2009. On 31 December 2008 the total number of registered shares was 290,034,022 and the Board and CEO's ownership corresponded to 39.2% of the total number of registered shares.

Shareholders by category

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	688	17.76	44 155	0.02
101-1.000	2 215	57.18	1 149 405	0.44
1.001-10.000	877	22.64	2 693 646	1.03
10.001-100.000	73	1.88	1 587 990	0.61
100.001-1.000.000	9	0.23	2 798 401	1.07
1.000.001-10.000.000	6	0.16	35 854 831	13.74
in excess of 10.000.000	6	0.16	216 905 594	83.10
Total	3 874	100.00	261 034 022	100.00
of which nominee-registered	9		51 078 016	19.57
On common account			0	0.00
Total outstanding			261 034 022	100.00

Shareholders by shareholder type on 31 December 2009

	% of share capital
Finnish shareholders	32.18%
of which:	
Companies and business enterprises	8.57%
Banking and insurance companies	16.12%
Non-profit organisations	0.00%
Households	7.48%
Foreign shareholders	67.82%
Shares on common account	0.00%
Total	**100.00%**
of which nominee-registered	19.57%

G20. Share-based payments

The company has option schemes I/2005 and I/2008. In order to increase the level of commitment and motivation of key persons, option rights of option scheme I/2005 are, deviating from shareholders' pre-emptive rights, granted to Ruukki Group Plc's CEO and management and other key employees, and furthermore as decided by the Board to the board members, management or employees of group subsidiaries, and potentially for persons having other contractual relationships with the Group. Option scheme I/2008 is granted to the company's CEO.

The Annual General Meeting, held on 7 May 2009, decided in accordance with the Board's proposal to amend the terms of option schemes I/2005 and I/2008. The terms of the option plan I/2005 were amended so that the subscription price of the shares will be fixed based on the capital repayments respectively as the fixing made to the subscription price based on dividend according to the old terms. The terms of the option plan I/2008 were amended so that the subscription price of the shares will be fixed based on the payments of dividend as well as capital repayments.

The company's I/2005 option scheme entitles option holders to subscribe for a maximum of 2,700,000 shares in the company. The share subscription period is 1 July 2007 through 30 June 2015 for various options denoted with different letters, and the subscription price range is EUR 0.36 – 0.86 (with dividend and capital redemption adjustment). As a result of subscriptions made with the I/2005 options, Ruukki Group Plc's share capital may be increased by a maximum of EUR 459,000.00 and the number of shares by a maximum of 2,700,000 new shares.

The company's I/2008 option scheme entitles option holder to subscribe for a maximum of 2,900,000 shares in the company for subscription price EUR 2.26 per share (with dividend and capital redemption adjustment). The share subscription period for 1,450,000 stock options commences on October 1, 2009 and for 1,450,000 stock options on October 1, 2010. The subscription period matures on December 31, 2015. The number of Ruukki Group Plc shares can be increased by a maximum of 2,900,000 shares as a result of the subscriptions made with the I/2008 option rights.

Of the option scheme I/2005, options on A, B, C, D and E series have been issued to Ruukki Group's management totalling 1,075,000 option rights and of the option scheme I/2008 altogether 2,900,000 options. All options that have been granted after 7 November 2002 and that have not been vested prior to 1 January 2005 have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. Share options will be expired if not redeemed as agreed in the terms of options. Options are forfeited if the option holder leaves the company prior to the effective date of the options.

The Group applies the Black & Scholes model to option arrangements that include employment terms. The expected volatility has been determined by calculating the historical volatility of the Company's share price and adjusting it according to generally available factors that are expected to affect historical volatility. Historical volatility was calculated on the basis of changes in the Company's share price.

Changes in share options issued and in weighted average exercise prices:

	Weighted average exercise price (with dividend and capital redemption adjustment) EUR/share	Number of options
At the beginning of 2008	0.46	675 000
Granted new options	2.14	3 125 000
Exercised options	0.00	0
Forfeited options	0.00	0
At the end of 2008	1.85	3 800 000
Exercisable at the end of 2008	0.41	450 000
At the beginning of 2009	1.85	3 800 000
Granted new options	0.76	175 000
Exercised options	0.00	0
Forfeited options	0.00	0
At the end of 2009	1.80	3 975 000
Exercisable at the end of 2009	1.69	2 125 000

No share options were exercised during the financial year 2009.

The exercise prices of existing share options and their years of forfeiting are presented below:

Year of forfeiting	Exercise price (EUR)	Number of shares
2010	0.45	225 000
2011	0.56	225 000
2012	0.66	225 000
2013	0.76	225 000
2014	0.86	175 000
2015	2.26	2 900 000

The exercise price above represents the original contractual exercise price adjusted by dividends and capital redemptions before AGM 2010.

The main terms of the option arrangements are detailed in the table below:

Shares	Share options, granted to CEO in 2008	Share options, granted to CEO in 2008	Share options, granted to employees in 2009	Share options, granted to employees in 2008	Share options, granted to employees in 2007	Share options, granted to employees in 2006	Share options, granted to employees in 2005
Nature of the plan	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued	Share options issued
Grant date	28.10.2008	28.10.2008	6.8.2009	28.10.2008	17.10.2007	14.8.2006	14 Dec 2005
Number of options	1.450.000	1.450.000	175.000	225.000	225.000	225.000	225.000
Options series	I/2008	I/2008	E (I/2005)	D (I/2005)	C (1/2005)	B (I/2005)	A (I/2005)
Exercise period	1.10.2010 - 31.12.2015	1.10.2009 - 31.12.2015	1.7.2011- 30.6.2014	1.7.2010- 30.6.2013	1.7.2009 - 30.6.2012	1.7.2008 - 30.6.2011	1.7.2007 - 30.6.2010
Dividend adjustment	yes	yes	yes	yes	yes	yes	yes
Exercise price (with dividend and capital redemption adjustment)	2.26	2.26	0.76	0.66	0.56	0.46	0.36
Share price at grant date	1.26	1.26	1.75	1.26	2.86	0.69	0.63
Option life	5.3	5.3	3.0	3.0	3.0	3.0	3.0
Conditions	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date	Employment until the vesting date
Execution	In shares	In shares	In shares	In shares	In shares	In shares	In shares
Expected volatility	66%	66%	46%	66%	44%	89%	130%
Expected option life at grant date (years)	5 years	5 years	4.9 years	4.7 years	4.7 years	4.9 years	4.5 years
Risk free rate, Euribor 12 months	4.33%	4.33%	3.66%	4.33%	4.10%	3.65%	2,79%
Expected dividend yield	3.17%	3.17%	0.00%	3.17%	1.40%	2.2%	0,00%
Expected personnel reductions	0	0	0	0	0	0	0
Fair value at grant date	0.33	0.33	1.20	0.77	2.17	0.53	0.54
Valuation model	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes	Black & Scholes

G21. Interest-bearing debt

EUR '000	2009 Balance sheet values	2008 Balance sheet values
Non-current		
Bank loans	17 249	19 769
Subordinated loans (liability component for convertibles)	5	5
Equipment financing	452	3 321
Finance lease liabilities	247	0
Purchase price liabilities	57 552	18 683
Total	**75 506**	**41 778**
Current		
Bank loans and equipment financing	13 274	13 069
Finance lease liabilities	536	6
Purchase price liabilities	25 083	194
Other interest bearing liabilities	114	18
Total	**39 008**	**13 286**

Mogale Alloys acquisition in May 2009 is the main cause in the increase of interest-bearing debt. Even though these deferred payment liabilities are not interest-bearing based on the Group's interpretation, those liabilities have been classified into interest-bearing debt, since the liability will become partially or fully interest-bearing at the latest from the date when Mogale receives the environmental permits and licences agreed in conjunction with the acquisition.

The Group has at the end of 2009 changed the way it presents acquisition-related contingent or deferred receivables and liabilities so that those receivables and liabilities have been reclassified as interest-bearing to the extent they will be settled in cash even though the Group would have contractual obligations at the end of the year to pay interest on those loans. This reclassification has not had any major impact on the balance sheet structure when compared to year-end 2008. When compared to earlier unaudited interim reports 2009 (Q2 and Q3), and to financial statements review published in February 2010, the Mogale Alloys related liabilities (totalling about EUR 73.9 million at the year-end 2009) have earlier been presented in non-interest bearing liabilities but transferred on 31 December 2009 to the interest-bearing class.

Finance lease liabilities

EUR '000	2009	2008
Finance lease liabilities, minimum lease payments		
No later than 1 year	577	6
Later than 1 year and not later than 5 years	273	0
	850	6
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	536	6
Later than 1 year and not later than 5 years	247	0
	783	6
Future finance charges	**67**	**0**
Total minimum lease payments	**850**	**6**

G22. Trade payables and other liabilities

EUR '000	2009	2008
Non-current		
Purchase price liabilities	0	843
Purchase price liabilities (paid as shares)	26 219	50 849
Liabilities from defined benefit plans	11 035	11 116
Other liabilities	8	545
Total non-current	**37 261**	**63 352**
Current		
Purchase price liabilities	900	1 135
Purchase price liabilities (paid as shares)	2 933	0
Trade payables	19 242	19 313
Prepayments	13 480	13 215
Accrued expenses and deferred income	7 179	6 727
Income tax liability	15 104	6 917
Other liabilities	2 042	4 566
Total current	**60 880**	**51 875**

The main reason for the movement in 2009 in the non-current non-interest bearing liabilities was caused by the change in the estimate of the earn-out liability for RCS and TMS acquisitions carried out in October 2008. Material items included into accrued expenses are related to personnel expenses and interests. Received prepayments are mainly advance payments made by clients of house building business area.

G23. Provisions

EUR '000	Environmental and other provisions	Warranty provisions	Total
Balance at 1.1.2009	5 202	92	5 294
Additions	1 013	36	1 049
Acquisitions of subsidiaries	9 882	0	7 650
Reductions	-157	0	-157
Unwinding of discount	462	0	462
Translation difference	-6	0	-6
Balance at 31.12.2009	**14 164**	**128**	**14 292**

EUR '000	2009	2008
Long-term provisions	12 602	4 815
Short-term provisions	1 690	479
Total	**14 292**	**5 294**

The long-term provisions in the balance sheet relate mainly to environment and restoration provisions of the Minerals business and also to some degree to future personnel expenses. Environment and restoration provisions are based on an estimate of the future commitments. The house building segment gives a quality guarantee of one year for its products. Short-term liabilities for repair have been recorded as expenses in the profit and loss account and as provisions in the balance sheet. Defects discovered during the warranty period are repaired by the company or the product is replaced with equal product. The provision is based on expected number of defective products based on previous experience. Provisions are expected to be used within the next year.

G24. Summary on financial assets and loan arrangements

Financial assets 31.12.2009

In addition to the operative result and the cash flow generated from it the following factors described below have most significantly affected the change in the amount of the Group's financial assets at the balance sheet date 2009 year-on-year:

Actions that have decreased financial assets:

- Acquisition of own shares
- Investment project in Turkey
- Acquisition of Mogale Alloys (Pty) Ltd in May 2009
- Ruukki Group Plc's capital redemption in May 2009
- The intended acquisition of Sylvania Resources Ltd
- The intended listing on London Stock Exchange, preparation starter during fourth quarter

Actions that have increased financial assets:

- Disposal of Tervolan Saha ja Höyläämö Oy in December 2009

At the balance sheet date 31 December 2009 the cash and cash equivalents were invested mainly to interest-bearing euro-denominated bank accounts. At the balance sheet date 31 December 2008 the Group had invested significant part of its liquid funds in short-term euro-denominated fixed-term deposits. As a result of the acquisitions made, the amount of foreign-currency-denominated financial assets has increased.

On 31 December 2009, the Group's financial assets comprise of the euro- and foreign-currency-denominated deposits and pledged deposits as follows:

- Euro-denominated fixed-term deposits for EUR 2.5 million (31.12.2008: 200.4). The annualised average interest rate is 0.7% p.a (3.1%). The maturity of the deposit is less than 1 month
- Interest-bearing deposits pledged, when not taking into account the pledges for rented premises, the group companies have given for altogether EUR 2.5 million (31.12.2008: 3.4)

At the balance sheet date 31 December 2009, the amount of foreign-currency-denominated cash and cash equivalents is on its Euro-value about EUR 5.8 million (31.12.2008: 4.5 million). Euro-denominated cash and cash equivalents totalled EUR 50.1 million (24.5). The company has interest-bearing receivables from its previous or current related parties for approximately EUR 11.0 million, of which EUR 10.0 million relates to a German company that is consolidated into the Group, but in which Ruukki Group's ownership stake is zero.

Interest-bearing debt 31.12.2009

- Floating rate loans from financial institutions totalling EUR 37.1 million (33.2). Fixed rate loans altogether EUR 1.1 million (3.0).
- The interest rates of the loans are to major extent tied to euribor rates. The weighted average interest rate at the balance sheet date 31 December 2009 was, based on market interest rates at that date, about 2.9% (4.4%) when the impact of interest rate swaps have been taken account. The average interest rate margin for floating rate notes was 2.3% p.a (1.1%) (over the reference rates of the loans). The range of the annualised interest rates was 1.0 (1.9)% p.a. – 5.0 (7.4)% p.a. The loans will mature in years 2010 – 2018. The loans include about EUR 3.1 million liabilities classified as held for sale in the Group balance sheet.

G25. Management of capital

At the same time with preparing the financials statements for financial year 2008, the Board of Directors of Ruukki Group Plc has redefined the principles concerning management of capital as follows:
(1) the Group has conservative approach to managing Group's debt/equity ratio; and
(2) return on capital employed will be optimised in all businesses; and
(3) cash flow generation is emphasised in all operations; and
(4) cash reserves and financing capacity are supervised and administered in a centralised and conservative manner.

At the balance sheet date 31 December 2009, group's equity ratio stood at 52.0% (2008: 64.8%).

During the latter half of 2009 the Group established segment level management teams for both its Minerals business and Wood Processing business. In conjunction with the reorganization, the Group's Board of Directors also set a long-term target capital structures for its segments:

Minerals	50% equity, 50% debt
Wood	35% equity, 65% debt

During the previous year the Group decided on principles as to how to manage its capital and cash flows, and those fundamental principles will be followed in the future as well. Therefore, even though there have been some easing in the global financial markets compared the previous year-end, the Group has a conservative way of managing its capital structure and tries to optimise its businesses' cash generation. One key target, in addition to profitability, is return on capital employed. Furthermore, during 2009 the Group started processes where treasury operations will be run more centrally than historically, and this development will be continued in 2010.

Ruukki Group's Board reviews and monitors the adequacy of capital in all of its operations, and uses both internal and external measures to manage cash flows. In its minerals processing operations, if and when needed, also production slowdowns or stoppages are applied for short-term cash optimization. The Group's creditworthiness and capital structure can also have either direct effects, on e.g. cost of capital, and indirect effects, for example via its effects on suppliers or customers. There are also debt financing arrangements with covenants tied to the Group's or subsidiaries' capital structure, and therefore, any adverse changes in the balance sheet structure can affect financing costs or expedite the payback of loan capital.

The global financial and economic crisis has created quite considerable volatility in demand and prices in the markets the Group operates. Hence flexibility in financing arrangements and sources of capital is important, and the Group has during 2009 tried to decrease the level of total debt in its businesses to the extent possible. The Group has also sold some non-core assets, both to generate cash and to some extent to decrease the capital intensive subsidiaries' relative importance. Since in 2009 there were low output volumes and capacity utilisation rates, if the markets recover and volumes increase that will most probably tie up cash in working capital. The Group is also considering operational partnership or joint venture options to diversify risks and potential sources of funding.

The actual balance sheet structure at the year-end was the following (M=Minerals business, W=Wood Processing business, G=Consolidated Group):

	31.12.2009			31.12.2008		
EUR '000	M	W	G	M	W	G
Equity	-27 277	-18 478	268 144	-6 783	-22 408	348 943
Minority Interest	12 338	5 540	17 878	6 517	1 251	7 768
(1) Total Equity	**-14 939**	**-12 937**	**286 022**	**-266**	**-21 157**	**356 710**
Balance Sheet Total	390 005	83 623	563 198	57 943	85 675	563 275
Prepayments received	0	13 425	13 480	0	13 215	13 215
(2) Adjusted Balance Sheet	390 005	70 198	549 717	57 943	72 459	550 060
(3) Equity ratio = (1) / (2)	**-3.8%**	**-18.4%**	**52.0%**	**-0.5%**	**-29.2%**	**64.8%**

INCOME STATEMENT (FAS)

EUR '000	Note	1.1.-31.12.2009	1.1.-31.12.2008
Revenue	P1	**324**	**1 123**
Other operating income	P2	787	13 190
Materials and services			
Goods, materials and supplies			
Purchases during the period		0	-100
Goods, materials and supplies total		0	-100
Materials and services total		0	-100
Personnel expenses			
Salaries and wages		-1 774	-2 262
Social security expenses			
Pension expenses		-161	-422
Other social security expenses		-129	-173
Social security expenses total		-290	-595
Personnel expenses total		-2 064	-2 858
Depreciation, amortisation and impairment	P3		
Depreciation and amortisation according to plan		- 51	- 66
Impairment of non-current assets		0	- 40
Impairment of non-current investments		-8 732	-6 877
Depreciation, amortisation and impairment total		-8 783	-6 983
Other operating expenses		-6 600	-4 103
Operating profit (loss)		**-16 335**	**269**
Financial income and expenses	P4		
Dividends from subsidiaries		4 250	8 402
Dividends from associates		137	98
Other financial income			
From group companies		12 357	6 285
From others		2 829	10 976
Interests and other financial expenses			
To others		-223	-1 651
Financial income and expenses total		19 351	24 110
Profit (loss) before extraordinary items		**3 016**	**24 379**
Extraordinary items	**P5**		
Extraordinary expenses		-1 835	-7 000
Extraordinary items total		-1 835	-7 000
Profit before taxes		**1 181**	**17 379**
Income taxes	P6		
Income taxes		- 512	-737
Net profit		**669**	**16 642**

PARENT COMPANY'S FINANCIAL STATEMENTS (FAS)

STATEMENT OF FINANCIAL POSITION (FAS)

EUR '000	Note	31.12.2009	31.12.2008
ASSETS			
Non-current assets			
Intangible assets	P7		
Intangible rights		73	60
Total intangible assets		73	60
Property, plant and equipment	P7		
Machinery and equipment		35	66
Other tangible assets		2	2
Total property, plant and equipment		38	69
Investments	P8		
Shares in group companies		45 926	178 427
Shares in associated companies		795	1 277
Receivables from group companies		1 663	0
Total investments		48 383	179 704
Total non-current assets		**48 494**	**179 832**
Current assets			
Non-current receivables	P9		
Receivables from group companies		289 318	93 254
Other interest-bearing receivables		840	1 380
Other non interest-bearing receivables		1 398	2 686
Total non-current receivables		291 557	97 320
Current receivables	P9		
Trade receivables		0	6
Receivables from group companies		2 438	729
Other interest-bearing receivables		1 276	1 026
Other non interest-bearing receivables		1 611	1 441
Prepaid expenses and accrued income		831	475
Total current receivables		6 156	3 677
Financial assets			
Other financial assets		2 500	157 624
Total financial assets		2 500	157 624
Cash and cash equivalents		20 644	27 771
Total current assets		**320 857**	**286 392**
Total assets		**369 351**	**466 224**

EUR '000	Note	31.12.2009	31.12.2008
EQUITY AND LIABILITIES	P10		
Shareholders' equity			
Share capital		23 642	23 642
Share premium reserve		25 223	25 223
Paid-up unrestricted equity reserve		264 975	332 644
Retained earnings		17 664	1 022
Profit for the period		669	16 642
Total shareholders' equity		**332 173**	**399 173**
Liabilities	P11		
Non-current liabilities			
Loans from financial institutions		545	2 725
Loans from associated companies		5	5
Deferred purchase consideration liabilities		0	900
Earn-out purchase consideration liabilities		26 219	50 893
Total non-current liabilities		**26 769**	**54 523**
Current liabilities			
Loans from financial institutions		1 280	1 280
Liabilities to group companies		2 795	7 000
Accounts payable		1 007	922
Accounts payable to group companies		29	0
Deferred purchase consideration liabilities		900	900
Earn-out purchase consideration liabilities		2 996	200
Other liabilities		47	1 613
Accrued expenses and deferred income		1 355	614
Total current liabilities		**10 410**	**12 528**
Total liabilities		**37 178**	**67 051**
Total equity and liabilities		**369 351**	**466 224**

STATEMENT OF CASH FLOWS (FAS)

EUR '000	1.1.-31.12.2009	1.1.-31.12.2008
Operating activities		
Profit for the period	669	16 642
Adjustments:		
Depreciation and amortisation	51	66
Capital gains and losses from investments	-787	-13 175
Impairment	8 732	6 917
Financial revenue and expense excluding impairment	-19 351	-24 110
Group contributions	1 835	7 000
Income taxes	512	737
Other adjustments	0	-21
Cash flow before change in working capital	-8 339	-5 944
Change in working capital:		
Change in current trade receivables	-462	3 470
Change in current non-interest-bearing receivables	531	6 915
Operating cash flow before financing items and taxes	-8 271	4 441
Interests received	12	8
Interests paid and other financing items	-8	-59
Income taxes paid	-2 013	1 227
Cash flow used in operating activities	**-10 279**	**5 617**
Investing activities		
Capital expenditure on tangible and intangible assets	-32	-30
Acquisition of subsidiaries and associates	-3 656	-89 188
Payments for earn-out liabilities	-197	0
Disposals of subsidiaries, associates and other investments	1 314	10 043
Dividends received	4 387	8 500
Cash flow used in investing activities	**1 816**	**-70 676**

EUR '000	1.1.-31.12.2009	1.1.-31.12.2008
Financing activities		
Acquisition of own shares	-57 714	-12 273
Repayments of non-current borrowings	-900	0
Repayments of current borrowings	-1 280	-1 280
Non-current loans to group companies	-112 520	-157 147
Repayments of non-current loans given to group companies	29 694	116 947
Repayments of non-current loan receivables	540	4 279
Short-term deposits	156 067	-55 144
Investments in money market mutual funds	0	173 562
Dividends paid	0	-11 600
Capital redemption	-10 055	0
Group contributions paid	-7 000	0
Interests received and income from money market investments	4 901	11 351
Interests paid	-395	-4 249
Cash flow from financing activities	**1 337**	**64 447**
Change in cash and cash equivalents	**-7 126**	**-613**
Cash at the beginning of the period	27 771	28 384
Cash at the end of the period	20 644	27 771
Change in cash and cash equivalents	**-7 126**	**-613**

ACCOUNTING PRINCIPLES

Scope of financial statements and accounting principles

The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards. Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Consolidated financial statements are presented separately as a part of these financial statements.

Information on holdings in subsidiaries and associated companies and information on their consolidation is presented in notes to the financial statements.

Valuation principles and methods

Investments in associated companies and debt instruments are valued at acquisition cost, less eventual impairment. Dividends received from group companies and associates have been recorded as financial income.

The balance sheet value of property, plant and equipment is stated at acquisition cost, less accumulated depreciation. Other assets have been stated in the balance sheet at the lower of acquisition cost or their likely realizable value. Debt items are valued at acquisition cost. Loan receivables from subsidiaries and group companies have been valued at acquisition cost.

” The parent company has prepared its separate financial statements in accordance with Finnish Accounting Standards.

Depreciation methods

Acquisition costs of property, plant and equipment are depreciated over their useful lives according to plan. Depreciation plans have been defined based on practice and experience.

Asset	Depreciation period/method
Intangible rights	5 years straight line
IT equipment	2 years straight line
Other machinery and equipment	5 years straight line
Vehicles	6 years straight line

Translations of foreign currency items

Balance sheet items denominated in foreign currency are translated into functional currency using the exchange rates of the balance sheet date. Income statement items are translated applying the exchange rates prevailing at the date of the transaction.

Comparability of the reported financial year and the previous year

Financial year reported and previous year have both been calendar years and are thus comparable.

The Company has been actively restructuring its business, which may require various ownership and financial arrangements, which may have significant non-recurring or recurring effects on the Company's income statement, balance sheet and financial position, which makes comparison of financial statements and estimating future more difficult. As an example, during 2009 the Company has resctructured the group structure in relation to the Maltese minerals subsidiary acquired in October 2008, and transferred that company under a new subsidiary. As a consequence of this, the value of subsidiary shares on the Company's balance sheet has declined, but on the other hand the receivables from subsidiaries have increased to same extent. Moreover, during 2009 the Group's South African subsidiary made a significant minerals sector acquisition, which was financed by a loan granted by the Company. Hence, the amount of liquid funds has decreased considerably.

At the end of 2009, the Company has revised the estimated amount of its earn-out liabilities based on revised future profit forecasts of the acquired subsidiaries, which has in particular had an effect on the estimated total purchase consideration liability of the 2008 minerals sector acquisition. Based on this, at the end of 2009 the Company had a total of EUR 30.1 million (31.12.2008: EUR 52.9 million) purchase consideration liabilities, including the related stamp duties on its balance sheet, in relation to the acquisition made in 2008. Of these liabilities about EUR 29.2 million are to be settled with the Company's shares and about EUR 0.9 million in cash.

On the balance sheet as per 31 December 2009, the purchase consideration liabilities have been presented in separate line items so that, the short-term liabilities include those items whose payments are estimated to take place during the next financial year (also including the issuance and granting of shares).

From the end of 2008 the Company has acquired a considerable amount of its own shares, and later also cancelled these shares, which has affected the paid-up unrestricted equity fund, and decreased the Company' cash and also impacted the amount of shares outstanding.

During 2009, the Company recognised impairment losses on holdings in associates and in relation to receivables from a subsidiary carrying out the Russian wood processing projects. In 2008, the Company did recognise significant one-off impairment losses on holdings in subsidiaries and associates, mainly related to furniture business. Impairment is presented in income statement above operating profit.

Summary of key acquisitions and divestments carried out in 2009

Group companies:

- Acquisition of shares in Mogale Alloys Limited (0% → 84.9%) 5/2009 via Ruukki South Africa
- Transfer of RCS Limited shares under Ruukki Holdings Limited

Associated companies:

- Disposal of Cybersoft Oy (37.5% → 0%) 11/2009

The changes in earn-out liabilities, based on either changes in estimated future profits or payments made in 2009, are presented below:

EUR million	Fixed considerations	Based on 2009 results	Based on 2010 or later results
31.12.2009	0.9	3.0	26.2
31.12.2008	1.8	5.3	45.8
Change	-0.9	-2.3	-19.6
Reason	paid in 2009	actual result 2009 (vs. earlier estimate)	revised profit forecasts

NOTES TO INCOME STATEMENT

P1. Revenue

EUR '000	2009	2008
By business line:		
Wood components	0	114
Services	318	360
Other revenue	6	648
Total	**324**	**1 123**
By geography:		
Finland	280	1 008
EU countries	39	0
Other countries	5	114
Total	**324**	**1 123**

P2. Other operating income

EUR '000	2009	2008
Gain on disposal of subsidiary shares	7	13 173
Gain on disposal of associated companies shares	780	2
Rental income	0	14
Total	**787**	**13 190**

P3. Depreciation, amortisation and impairment

Depreciation and amortisation according to plan

EUR '000	2009	2008
Intangible rights	- 20	- 26
Machinery and equipment	- 31	- 40
Total	**- 51**	**- 66**

Impairment on intangible assets

EUR '000	2009	2008
Intangible rights	0	- 40
Total	**0**	**- 40**

Impairment on investments

EUR '000	2009	2008
Impairment on holdings in subsidiaries	0	-4 528
Impairment on loans to group companies	-8 337	-2 699
Reversal of impairment from loans to group companies	0	400
Impairment on holdings in associates	-394	0
Impairment on loan receivables from associates	0	- 50
Total	**-8 732**	**-6 877**

Impairment has been presented in the income statement above operating profit.

P4. Financial income and expense

EUR '000	2009	2008
Dividends from group companies	4 250	8 402
Dividends from associated companies	137	98
Gain on disposal of subsidiary shares	0	0
Other financial income		
From group companies	12 357	6 285
From others	2 829	10 976
Other financial expense		
To others	-223	-1 651
Total	**19 351**	**24 110**

P5. Extraordinary items

EUR '000	2009	2008
Group contributions, given	-1 835	-7 000
Total	**-1 835**	**-7 000**

P6. Income taxes

EUR '000	2009	2008
Profit for the period	669	16 642
Adjustments for tax calculation	3 757	-14 393
Taxable income	4 426	2 249
Tax advances paid	-1 946	-735
Tax deferral based on taxable income	796	150
Income tax of the period	**-1 151**	**-585**
Taxes of previous years		
Returned taxes from previous year	639	0
Additional taxes from previous years	0	-152
Net income taxes	**- 512**	**-737**
Tax receivable in relation to period's income tax 31.12.	796	150

NOTES TO ASSETS

P7. Property, plant and equipment

Intangible rights

EUR '000	2009	2008
Acquisition cost 1.1.	168	154
Additions	34	14
Acquisition cost 31.12.	202	168
Accumulated depreciation 1.1.	109	42
Depreciation for the period	20	26
Impairment for the period	0	40
Accumulated depreciation 31.12.	129	109
Book value 31.12.	**73**	**60**

Machinery and equipment

EUR '000	2009	2008
Acquisition cost 1.1.	224	208
Additions	0	16
Acquisition cost 31.12.	224	224
Accumulated depreciation 1.1.	157	118
Depreciation for the period	31	40
Accumulated depreciation 31.12.	188	157
Book value 31.12.	**35**	**66**

Other tangible assets

EUR '000	2009	2008
Book value 1.1.	2	2
Book value 31.12.	**2**	**2**

P8. Investments

EUR '000	Shares in group companies	Shares in associ-ated companies	Receivables from group companies	Receivables from associated companies	Other receivables	Total
Acquisition cost 1.1.2009	182 677	9 016	3 266	169	80	195 209
Additions	3 737		10 000			13 737
Disposals	-136 238	- 88				-136 326
Acquisition cost 31.12.2009	50 176	8 928	13 266	169	80	72 620
Accumulated depreciation and impairment 1.1.2009	-4 250	-7 739	-3 266	-169	- 80	-15 504
Impairment		-394	-8 337			-8 732
Accumulated depreciation and impairment 31.12.2009	-4 250	-8 133	-11 603	-169	- 80	-24 236
Book value 31.12.2009	**45 926**	**795**	**1 663**	**0**	**0**	**48 383**

Holdings in other companies

Subsidiaries

Name and domicile of the subsidiary	Group ownership 31.12.2009	Parent company's direct ownership 31.12.2009 (%)	Consolidated into the Group	Accounting period	Changes in parent company's holding in 2009
Ruukki Yhtiöt Oy, Espoo	100.00	100.00	1.7.2003	1.1.-31.12.2009	
Ruukki Wood Oy, Espoo	100.00	0.00	1.7.2003	1.1.-31.12.2009	
Ruukki Invest Oy, Espoo	100.00	0.00	1.7.2003	1.1.-31.12.2009	
Ruukki Harvest Oy, Espoo	100.00	0.00	17.10.2007	1.1.-31.12.2009	
Ruukki Sawmill Oy, Espoo	100.00	0.00	17.10.2007	1.1.-31.12.2009	
Utawood Oy, Utajärvi	100.00	0.00	1.7.2003	1.1.-31.12.2009	
Lappipaneli Oy, Kuusamo	10000	0.00	31.12.2003	1.1.-31.12.2009	
Junnikkala Oy, Kalajoki	51.00	0.00	31.1.2008	1.1.-31.12.2009	
Oplax Oy, Oulu	100.00	100.00	15.2.2007	1.1.-31.12.2009	
Pohjolan Design-Talo Oy, Oulunsalo	100.00	100.00	1.1.2004	1.1.-31.12.2009	
Nivaelement Oy, Nivala	100.00	0.00	1.12.2006	1.1.-31.12.2009	
RG Design-Talotekniikka Oy, Ii	70.10	0.00	1.7.2007	1.1.-31.12.2009	
Kirkkonummen Kiinteistösijoitus Oy, Helsinki	100.00	0.00	9.12.2009	1.1.-31.12.2009	Ownership 0% → 100%
Storms Villa Oy, Kirkkonummi	100.00	0.00	9.12.2009	1.1.-31.12.2009	Ownership 0% → 100%
Storms Gård Oy, Kirkkonummi	100.00	0.00	9.12.2009	1.1.-31.12.2009	Ownership 0% → 100%
Ruukki Holdings Limited, Malta	100.00	99.99	15.12.2008	1.1.-31.12.2009	
Ruukki South Africa (Pty) Ltd, South Africa	100.00	0.00	19.3.2009	1.1.-31.12.2009	Ownership 0% → 100%
Dezzo Trading 184 (Pty) Ltd, South Africa	100.00	0.00	25.5.2009	1.4.2008 - 30.9.2009	Ownership 0% → 100%
PGR 17 Investments (Pty) Ltd, South Africa	100.00	0.00	25.5.2009	1.4.2008 - 30.9.2009	Ownership 0% → 100%
PGR 3 (Pty) Ltd, South Africa	63.00	0.00	25.5.2009	1.4.2008 - 30.9.2009	Ownership 0% → 63.0%
Mogale Alloys (Pty) Ltd, South Africa	84.90	0.00	25.5.2009	1.4.2008 - 30.9.2009	Ownership 0% → 84.9%
RCS Limited, Malta	100.00	0.00	31.10.2008	1.1.-31.12.2009	
Türk Maadin Sirketi A.S., Turkey	98.74	98.74	31.10.2008	1.1.-31.12.2009	
TH Ören Madencilik TAO, Turkey	73.08	0.00	31.10.2008	1.1.-31.12.2009	
Metal ve Maden ic ve Dis Pazarlama Tic Ltd, Sti, Turkey	97.76	0.00	31.10.2008	1.1.-31.12.2009	
Ruukki Suisse SA, Switzerland	100.00	100.00	30.3.2009	1.4.-31.12.2009	Established in 2009
Balansor Oy, Espoo	99.99	99.99	1.11.2003	1.1.-31.12.2009	
Rekylator Oy , Helsinki	100.00	100.00	1.7.2003	1.1.-31.12.2009	
Hirviset Group Oy, Espoo	100.00	100.00	1.5.2006	1.1.-31.12.2009	
Alumni Oy, Espoo	100.00	100.00	1.8.2003	1.1.-31.12.2009	

Associated companies

EUR '000	Company's ownership (%)	Book value, parent company	Closing date/ Information date	Equity *	Net profit
Stellatum Oy, Helsinki	34.00	238	31.12.2009	93	-15
Valtimo Components Oyj, Valtimo **	24.90	0	31.12.2008	-996	-497
Arc Technology Oy, Helsinki	37.40	312	31.12.2009	243	-33
Widian Oy, Espoo	39.64	20	31.12.2009	-219	4
ILP-Group Ltd Oy, Helsinki	33.44	226	31.12.2009	2 830	127
Incap Furniture Oy, Oulu **	12.45	0	30.9.2009 (9 months)	-6 223	-1 832
Rivest Oy, Kärkölä	40.00	0	31.12.2008	1	-8
LoopM Oy, Helsinki	28.43	0			
Sportslink Group Oy, Helsinki	25.00	0			
Total		**795**			

* Equity excluding subordinated loans.
** Incap Furniture Oy and Valtimo Components Oyj are in formal corporate restructuring.

P9. Receivables

Receivables from group companies

EUR '000	2009	2008
Non-current		
Trade receivables	0	61
Loan and other receivables	280 676	92 618
Interest receivables	8 642	0
Prepayments and accrued income	0	575
Total	**289 318**	**93 254**
Current		
Trade receivables	173	45
Interest receivables	2 265	0
Prepayments and accrued income	0	684
Total	**2 438**	**729**

Other interest-bearing receivables

EUR '000	2009	2008
Non-current		
Loan receivables	840	1 380
Total	**840**	**1 380**
Current		
Rental deposits	74	83
Other collaterals	0	943
VAT receivable	1 202	0
Total	**1 276**	**1 026**

Other non-interest bearing receivables

EUR '000	2009	2008
Non-current		
Purchase price receivables from disposal of group companies	1 398	2 686
Total	**1 398**	**2 686**
Current		
VAT receivable	0	682
Receivable from disposal of group company shares	1 461	759
Receivable from disposal of associated company shares	150	0
Total	**1 611**	**1 441**

Prepaid expenses and accrued income

EUR '000	2009	2008
Deferred tax assets	796	150
Accrued interest income	28	265
Other prepaid expenses and accrued income	7	60
Total	**831**	**475**

NOTES TO EQUITY AND LIABILITIES

P10. Shareholders' equity

Share capital

EUR '000	2009	2008
Share capital 1.1.	23 642	23 642
Share capital 31.12.	**23 642**	**23 642**

Share premium reserve

EUR '000	2009	2008
Share premium reserve 1.1.	25 223	25 223
Share premium reserve 31.12.	**25 223**	**25 223**

Paid-up unrestricted equity reserve

EUR '000	2009	2008
Paid-up unrestricted equity reserve 1.1.	332 644	345 309
Capital redemption to the shareholders on (18.5.2009)	-10 055	
Issuance of own shares (14.10.2009)	100	
Acquisition of own shares	-57 714	-12 665
Paid-up unrestricted equity reserve 31.12.	**264 975**	**332 644**

Retained earnings

EUR '000	2009	2008
Retained earnings 1.1.	1 022	2 133
Profit for the previous financial year	16 642	10 490
Dividend pay-out	0	-11 601
Retained earnings 31.12.	**17 664**	**1 022**
Profit for the financial year	**669**	**16 642**
Total shareholders' equity	**332 173**	**399 173**

Distributable funds

EUR '000	2009	2008
Retained earnings 1.1.	17 664	12 623
Dividends	0	-11 601
Profit for the financial year	669	16 642
Retained earnings 31.12.	**18 333**	**17 664**
Paid-up unrestricted equity reserve	264 975	332 644
Distributable funds 31.12.	**283 308**	**350 308**

P11. Liabilities

Non-current liabilities

EUR '000	2009	2008
Non-current interest bearing debt		
Loans from financial institutions	545	2 725
Total	**545**	**2 725**

EUR '000	2009	2008
Non-current non-interest bearing debt		
Loans from associated companies	5	5
Deferred purchase consideration liabilities	0	900
Earn-out purchase consideration liabilities	26 219	50 893
Total	**26 224**	**51 798**

Current liabilities

EUR '000	2009	2008
Current interest bearing debt		
Loans from financial institutions	1 280	1 280
Total	**1 280**	**1 280**

EUR '000	2009	2008
Current non-interest bearing debt		
Accounts payable	1 007	922
Payables to group companies	29	0
Group contribution payable to group companies	1 835	7 000
Other debt	47	1 613
Other debt to group companies	960	0
Deferred purchase consideration liabilities, Pohjolan Design-Talo acquisition	900	900
Earn-out purchase consideration liabilities, Pohjolan Design-Talo acquisition	63	200
Earn-out purchase consideration liabilities, RCS + TMS acquisition	2 933	0
Accrued expenses and deferred income	1 355	614
Total	**9 130**	**11 248**

Option rights

The Company's option schemes are presented in the notes to the consolidated financial statements. The Company has two option schemes: I/2005 (maximum 2,700,000 shares) and I/2008 (maximum 2,900,000 shares, all options granted to the Group CEO). Moreover, the Company has granted altogether 73,170,731 share options to Kermas Limited in relation to the acquisition of RCS Ltd and Turk Maadin Sirketi in October 2008; the exercise of these options is tied to the acquired companies profits in 2009 - 2013.

Pledges and contingent liabilities

The Company's pledges and contingent liabilities are presented in the notes to the consolidated financial statements.

Earn-out liabilities related to share purchase agreements

The earn-out liabilities relating to the acquisitions carried out in financial year 2008 are recognised based on actual and forecasted results of the target companies' profits into the acquisition cost of the shares and into liabilities as well.

Pension liabilities

The Company is committed to arrange its CEO a pension insurance the cost level of which matches the insurance coverage of the Finnish TyEL pension system. Otherwise the Company's pension liabilities are directly in accordance with the statutory TyEL-system.

Related party loans

The Company has granted previous CEO and shareholder Matti Vikkula a loan of EUR 1,380,000 as a part of his incentive scheme. The interest is 12 months euribor. Loan period ends on 30 September 2012. Vikkula has the right to retire the loan or repay a part of it before the agreed due date. The loan has no guarantees. On 31 December 2009 the loan balance outstanding totalled EUR 840,000.

Breach of financing covenants

During financial year 2009 the Company's loans breached its covenants due to a subsidiary's financial performance. In consequence, the Company made an additional one-off repayment of loan to the bank for a total of EUR 0.9 million in December, after which the loan covenants have not breached. In addition to the extra capital repayment, for the remaining loan capital the interest margin increased.

Additional information on personnel

Personnel, annual average (all employees)

	2009	2008
Employees	9	8

Management remuneration

EUR ´000	2009	2008
Chief Executive Officers	990	1 333
Board members	350	331

From 1 July 2009 onwards the Chief Executive Officer has been employed by a subsidiary of the Company. The fixed monthly gross salary has been set at EUR 30,000. Moreover, the CEO is entitled to an annual bonus if the pre-set criteria are met. The maximum amount of the bonus is equal to 24 months salary. This bonus has been accrued on the Company's 31.12.2009 accounts based on the estimate confirmed by the Board of Directors.

INFORMATION ON SHARES AND SHAREHOLDERS

Changes in the number of shares and share capital during or after 2009

On 31 December 2008, the registered number of Ruukki Group Plc shares was 290,034,022. In January 2009 the Company continued the share buy-back program started in December 2008, based on shareholders' meeting authorisation to the Board. On 17 February, based on the Board resolution, altogether 29,000,000 treasury shares held by the company, equalling 9.99% of all shares, were cancelled. After that the registered number of shares was 261,034,022.

In addition, Ruukki's Board of Directors has a valid authorisation given by the Extraordinary General Meeting on 24 February 2009 to acquire a maximum of 26,000,000 own shares and to transfer the acquired shares. The authorisation is valid until 24 February 2010. Based on the authorisation, share buy-backs were started on 5 March 2009. By the end of December 2009 altogether 21,840,000 treasury shares were acquired based on this authorisation, which is equal to about 8.37% of the total amount of registered shares.

Based on the authorisation given by the Extraordinary General Meeting of shareholders, Ruukki Group Plc's Board of Directors decided in October to grant 52,083 shares, held by Ruukki Group Plc as treasury shares, to Thomas Hoyer as part of his incentive package as the Managing Director of Ruukki Yhtiöt Oy.

Based on the above mentioned share buy-back program, the Company has acquired altogether 21,845,000 own shares. The Company's Board decided to cancel 13,052,022 own shares held by the Company which became valid on 2 February 2010. The registered number of shares is now 247,982,000. After the cancellation, the Company holds 8,740,895 own shares, which is equal to about 3.52% of the total amount of registered shares.

More information on shares, share capital and shareholders have been presented in the notes to the consolidated financial statements.

Information obligated to a group company:

The Company is the Group parent company:
Ruukki Group Plc, domicile Espoo
(address: Keilasatama 5, 02150 Espoo)

OTHER NOTES

Board members' and CEO's ownership

	Shares	Forward contracts	Total shares + share forwards	Options
31.12.2009				
Board + CEO				
Alwyn Smit (CEO and member of the Board)	2 800 000	0	2 800 000	2 900 000
Thomas Hoyer *	52 083	0	52 083	0
Markku Kankaala	8 550 228	0	8 550 228	0
Jelena Manojlovic (Chairman of the Board) **	70 766 500	0	70 766 500	73 170 731
Terence McConnachie	0	0	0	0
Board + CEO total	**82 168 811**	**0**	**82 168 811**	**76 070 731**
All shares outstanding			261 034 022	261 034 022
Proportion of all shares			31.5%	29.1%

* Thomas Hoyer was granted 52,083 Ruukki Group Plc shares in October 2009, as announced on 7 October 2009, in conjunction with his appointment as the CEO of the Wood Processing business.

** These option rights have been issued to Kermas Limited, a controlled corporation of Jelena Manojlovic's spouse, related to additional earn-out purchase consideration of the acquisition carried out in October 2008. The option rights have been issued without consideration and they will entitle the recipients to subscribe for a maximum total of 73,170,731 shares in Ruukki Group Plc. These options can be exercised only on condition that the companies acquired generate positive net results for 2009-2013, and are based on EUR 2.30 per share exercise price with dividend adjustment mechanism (on 31.12.2009 EUR 2.26 per share).

Ruukki Group Plc's Board members and CEO owned in total 82,168,811 (31.12.2008: 113,675,890) Ruukki Group Plc shares on 31.12.2009 when including both shares and forward contracts owned either directly, through persons closely associated with them or controlled companies. This corresponds to approximately 31.5% of all outstanding shares that were registered to the Trade Register on 31 December 2009.

On 31 December 2008 the total number of registered shares was 290,034,022 and the Board and CEO's ownership corresponded to 39.2% of the total number of registered shares.

Auditors' fees

EUR '000	2009	2008
KPMG Oy Ab		
Audit	129	75
Other services	86	73
Total	**215**	**148**

EUR '000	2009	2008
Ernst & Young Oy		
Audit	88	-
Other services	217	-
Total	**305**	**-**

In addition to the expenses presented above, the Company has in 2009 paid its auditors EUR 53,292.00 acquisition-related expenses, activated on the balance sheet as part of the purchase consideration. Moreover, in relation to the targeted transactions not concluded during 2009, an additional EUR 130,293.99 has been recognised on the Company's income statement in relation to Ernst & Young Oy. Finally, for other Ernst & Young country organisations than Ernst & Young Oy, the Company has in 2009 paid and accrued expenses altogether EUR 1,558,348.39 for the London listing process started at the end of 2009.

Board's proposition of dividend payout

The Company's Board of Directors has decided to propose to the Annual General Meeting, which will be later convened separately, that a capital redemption of EUR 0.04 per share would be distributed out of the paid-up unrestricted equity reserve i.e. in total EUR 9,919,280.00, and no dividend payout is proposed.

SIGNATURES TO THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS

Espoo, 25 February 2010

Jelena Manojlovic
Chairman of the Board

Alwyn Smit
Member of the Board and Chief Executive Officer

Markku Kankaala
Member of the Board

Thomas Hoyer
Member of the Board

Terence McConnachie
Member of the Board

THE AUDITORS' NOTE

Our auditors' report on Ruukki Group Plc's 2009 financial statements and on Board report has been issued today.

Espoo, 31 March 2010

Tomi Englund
Authorised Public Accountant
Ernst & Young Oy

AUDITOR'S REPORT

Translation

To the Annual General Meeting of Ruukki Group Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Ruukki Group Pic for the financial period 1.1.2009 - 31.12.2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Espoo, March 31, 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Tomi Englund, Authorized Public Accountant

This Corporate Governance Statement reflects the situation in 2009, but takes into account relevant developments thereafter until 26 February 2010 when the Company published its Financial Statements Review 2009.

Since Ruukki Group has over the past years undergone a number of significant structural changes, there are certain transition processes ongoing, which can affect the status and implementation of the Group's corporate governance related issues in the future.

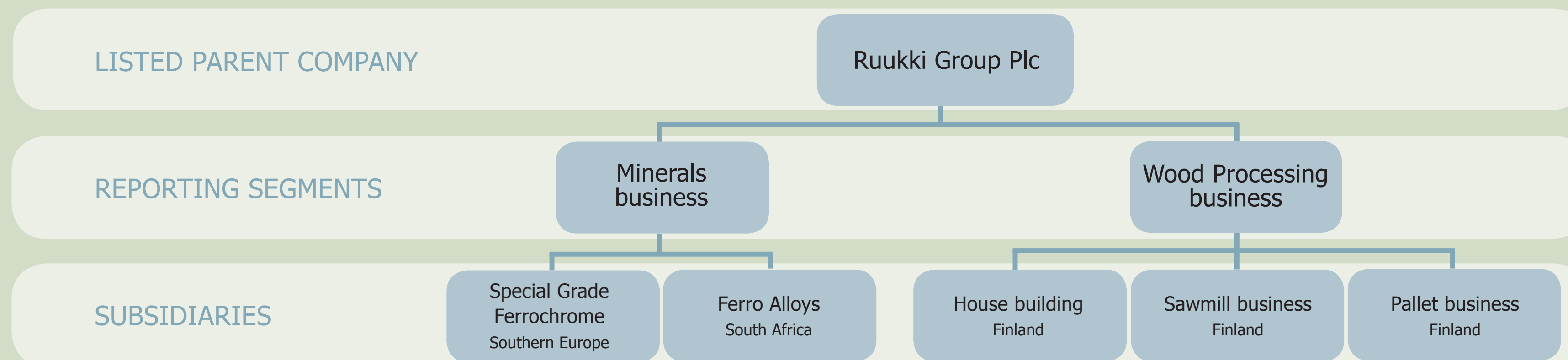
Ruukki Group Plc (also the 'Company') is the parent company of a Group whose subsidiaries operate in various countries and industries with emphasis on the profitable processing of natural resources, in particular certain minerals and coniferous wood. Currently, the Group has two separate reporting segments, both of which have their own management teams, aiming to utilise the synergies between the subsidiaries. The simplified Group structure is presented below.

REVIEW OF THE GROUP STRUCTURE

During 2009, the Group continued implementing the strategy decided in 2008. The Group's Minerals segment expanded into South Africa and at the same time diversified the ferroalloys product range into charge chrome, silico manganese and nickel-chromium-iron alloy. The Wood business restructuring alternatives in relation to the wood processing assets were evaluated and Wood segment changed its focus to increase the relative importance of house building by disposing of some non-core sawmill assets not suitable to the Group strategy.

At the end of 2009, the Group announced that it is carrying out preparations to list Ruukki Group Plc shares on the London Stock Exchange's Main Market during the first half of 2010.

The address of the Company is: Keilasatama 5, FI-02150 Espoo, Finland.



APPLICABLE REGULATIONS

Ruukki Group Plc is a Finnish public limited company complying with the Finnish legislation as well as all the relevant foreign legislation in its operations. In addition to the Finnish Companies Act, Securities Markets Act and other regulations governing Finnish public limited companies, Ruukki Group complies with the Articles of Association, the Finnish Corporate Governance Code, the insider guidelines and harmonised disclosure rules issued by NASDAQ OMX Helsinki Stock Exchange.

The Board of the Securities Market Association in Finland approved the current Finnish Corporate Governance Code in October 2008. In addition, NASDAQ OMX Helsinki's Board has adopted the Corporate Governance Code as a part of the Exchange self-regulation. The Corporate Governance Code can be found on the Securities Market Association's website at: www.cgfinland.fi.

Currently, the Company departs from or only partially complies with the following Finnish Corporate Governance Code recommendations:

» the Company does not have a nomination or a remuneration committee (recommendations 11 and 28-33);

» the majority of the Board members are not independent of the Company, and only one of the independent members is independent of the significant shareholders of the Company (recommendation 14); and

» the Audit Committee has less than three members, and the independence criteria of the Audit Committee members are not fully met (recommendations 25 and 26).

Since the Group has foreign subsidiaries, the local laws and regulations are also taken into account, including but not limited to local accounting and tax legislation and exchange controls.

If the shares of the Company will be listed on the London Stock Exchange's Main Market, for which preparations are currently ongoing, it will affect the relevant rules and regulations applicable to the Company. Hence, as an example, the Company may in the future be obliged to follow the Combined Code on Corporate Governance and other listing rules of the London market.

GOVERNANCE BODIES AND THE GENERAL MEETING OF SHAREHOLDERS

Governance structure

General meeting

Ruukki Group Plc's highest decision-making body is the General Meeting. The Finnish Companies Act stipulates that the Annual General Meeting (AGM) must be held within six months after the end of the financial year, which in practice is equal to the calendar year. The AGM shall address the issues assigned to it in accordance with the Company's Articles of Association and with any other proposals submitted to the AGM. An Extraordinary General Meeting (EGM) is convened, if necessary, to deal with a specific proposal made to the meeting. An EGM must be held if shareholders with a minimum total holding of 10% of the Company's shares require, in writing, that a meeting be held to resolving a certain issue.

The most significant items on the AGM's agenda include:

- deciding on the number of members on the Board and their remuneration and electing the members;
- electing the auditor or auditors and deciding on their remuneration;
- deciding on the adoption of the financial statements;
- deciding on confirmation of the financial year profit, on dividend distribution or other distribution, such as capital redemption;
- amending the Articles of Association; and
- deciding on a share issue or authorising the Board to launch a share issue.

Ruukki Group Plc will publish a notice of a General Meeting in one of the national newspapers in Finland, determined by the Board of Directors, no earlier than two months and no later than twenty-one days prior to the meeting. In the last few years, the notice has been published in Helsingin Sanomat or Kauppalehti. The notice outlines the items to be dealt with in the General Meeting. The notice of a General Meeting and the proposals by the Board will also be published as a stock exchange release. The material to be presented at a General Meeting will be made avail-able to the shareholders at the Company's headquarters in Espoo as well as on the Company website. Copies of the material are delivered to shareholders on request. The minutes of a General Meeting will be available for shareholders' inspection on the Company website within two weeks of the meeting. In addition, the Company publishes the decisions of the General Meeting in a stock exchange release without undue delay.

The General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his/her ownership rights shall register for the General Meeting in a manner stated in the notice of the meeting. All the shareholders who have been registered in the Company's shareholder register (maintained by Euroclear Finland Oy) ten days prior to the meeting, have the right to attend a General Meeting should they have given a proper notice to attend the meeting. The temporary registration to the shareholder register of the holders of nominee-registered shares wishing to attend a meeting needs to be valid no later than ten days prior to the meeting. A shareholder may attend a General Meeting in person or appoint a proxy to represent him/her.

Decisions made by a General Meeting are usually based on a majority vote. However, decisions on several matters under the Companies Act, such as an alteration of the Articles of Association or a decision on a directed share issue, require a qualified majority represented by shares and the votes conferred by the shares at the Meeting.

The Company's CEO, all Board members and auditors aim to be present at the General Meetings. In addition, persons proposed for the first time as director shall be present at the General Meeting that decides on the election, unless there is a cogent reason for the absence.

BOARD OF DIRECTORS

Tasks and responsibilities

The Board of Directors is responsible for the Company's administration and the proper organisation of the business operations. The Board steers and monitors the management of the Company abiding with Finnish legislation and, in particular, the Companies Act. The tasks and responsibilities of the Board are specified in the Finnish Companies Act and in the Company's Articles of Association. The Board's general duty is to direct the Company's activities in a way that the operations generate profit and yield the maximum added value for the capital invested in the longterm. The Board's operations are based on a writ-ten charter and established courses of action.

To fulfil its tasks, the Board:

» decides on the business strategy of the Group;

» oversees the implementation of the strategy;

» decides on the capital structure of the Group;

» makes decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;

» handles and approves the interim reports, administration reports, financial statements and future forecasts;

» decides on the organizational structure of the Group;

» appoints the CEO of the parent company and determines the compensation of the CEO;

» nominates the members of the Board in the significant subsidiaries;

» makes proposals to the General Meeting of shareholders and summons the General Meeting;

» decides on the general directives of the Group; and

» takes care of the duties of nomination and remuneration committees, as the Group has so far not established those committees.

The essential contents of the Board's written charter are:

» the Board convenes on preconfirmed dates with the objective to hold a meeting about once a month, and when any issues require, more often, e.g. via conference calls;

» the issues to be dealt with by the Board are presented by the Chairman, the CEO or some other person who has taken part in the preparation of the issues;

» the Board always aims to make unanimous decisions;

» minutes are taken of the meetings;

» the Board prepares a yearly plan for its operation;

» if possible, all the Board members and persons proposed for the Board participate in the Annual General Meeting;

» the Board acts carefully in the interest of the Company and all of its shareholders.

The Board monitors that all the communications and other requirements stipulated by the rules of the relevant stock exchanges and financial supervision authorities are fulfilled. Furthermore, the Board regularly conducts self-assessment. The Company has specified targets for the development of its administrative functions and processes, and continues to implement the already initiated development processes.

The Board decides on acquisitions and disposals of subsidiaries and associates. For this reason, a Board member cannot generally be a direct or an indirect owner of a subsidiary or an associated company of Ruukki Group.

Board committees

The Board established an Audit Committee in May 2007 and has confirmed the duties of the Committee in a written charter. The principal aim of the Audit Committee is to give the Board critical and independent advice on the Group's financial reporting and audit process, and to keep under review the Group's compliance with the relevant rules and regulations with specific reference to internal controls and risk management systems.

The key responsibilities of the Audit Committee relate to:

» internal control and risk management

» financial reporting

» external auditing

» internal auditing

The Board has not established any other committee, such as nomination or remuneration committee.

Board members

According to the Articles of Association, the Board comprises of three to nine members. The Annual General Meeting elects the Board members for a term that ends at the end of the AGM following their appointment. The Board elects a chairperson from among its members who calls the meetings. The composition of the Board must meet the requirements set by the Company's size, market position, and line of business.

BIOGRAPHICAL DETAILS OF THE BOARD MEMBERS

From left to right:
Terence McConnachie, Esa Hukkanen*, Jelena Manojlovic, Alwyn Smit, Thomas Hoyer, Markku Kankaala

* Board member until 7 May 2009

Jelena Manojlovic

Chairperson of the Board, Chairperson of the Audit Committee
Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy), born 1950

Jelena Manojlovic is currently organisational consultant and a university lecturer. She has 35 years' experience from different positions working with people, teams and organisations internationally and in UK hospitals and universities. She has been the Chairperson since 16 June 2009 and prior to that a member of the Board from 11 July 2008. She has recently resigned her other directorships in order to devote more time to her role in Ruukki. Manojlovic is independent of the Company, but via his husband's controlled entities, she is dependent on a major shareholder of the Company.

Thomas Hoyer

Member of the Audit Committee until October 2009
M.Sc. (Econ.), born 1974

Thomas Hoyer has been the CEO of Ruukki Yhtiöt Oy as of 1 October 2009. He is also the Chairperson of the Board of Helsinki Capital Partners Oy. He was the CFO at Aldata Solution Oyj during 2003-2009 and before that he worked in different investment banks, e.g. Invision Asset Management AG and Bank am Bellevue AG. He has been a member of the Board since 7 October 2008. He has been the CEO of the Group's wood processing segment from 1 October 2009, and he also serves at the Board of Group's wood processing companies, based on which he is not independent of the Company. However, he is independent of the Company's main shareholders.

Markku Kankaala

Member of the Audit Committee
B.Sc. (Eng.), born 1963

Markku Kankaala worked as a branch director in Ruukki Group Plc until 31 August 2006. Previously, he worked for ten years as an entrepreneur in the wood products industry and before that in different positions in Ahlström and Rautaruukki. He was also the CEO of Ruukki Group Plc in 2003–2004. He has been a member of the Board since 30 June 2003. Kankaala also acts as a Board member of some of Group's wood processing subsidiaries. From 1 January 2010, Kankaala is considered independent of the Company and of its major shareholders.

Terence McConnachie

High school degree, born 1955

Terence McConnachie is currently CEO at Sylvania Resources Limited, Welprop Mining Services and SA Chrome and Alloys Limited as well as a major shareholder and CEO in Alumicor Ltd. He has 25 years' experience in the mining industry and is the founder of South African Chrome & Alloys Ltd, which is listed on the Johannesburg stock exchange. He has been a member of the Board since 7 October 2008. He is independent of the Company and of its major shareholders.

Alwyn Smit

B.Comm.Hon., LLB, born 1961

Alwyn Smit is the Chief Executive Officer of Ruukki Group Plc. He has some twenty years' international experience in banking and finance. He is also founder and ex-CEO of Decillion Limited, an investment bank boutique listed on Johannesburg stock exchange. He has been a member of the Board since 31 March 2008 and was Chairperson from 11 July 2008 to 16 June 2009. He is not independent of the Company and not independent of the major shareholders either due to his past role as a consultant in Kermas Limited.

CHIEF EXECUTIVE OFFICER AND MANAGEMENT EXECUTIVE COMMITTEE

The Board appoints the Chief Executive Officer (CEO), who is responsible for the day-to-day management of the Company in accordance with the instructions issued by the Board. It is the responsibility of the Group CEO to lead and steer the Group and act as the spokesperson for the Group both internally and externally. The CEO manages, develops, guides and supervises the group activities. In these duties, the CEO is assisted by the Group Executive Committee and the Group headquarter's personnel. The CEO reports to the Board of Directors and is responsible for preparing presentations and documentation for the Board. The focus of the CEO role lies in major strategic efforts, where his/her involvement and commitment is essential, whether concerning acquisitions, capitalisation, listing or other special projects.

The role of the CEO includes the following general duties:

- providing leadership to the Group, determining its priorities and the ways to operate;
- preparing and developing the Group strategy for the Board's approval;
- implementing the Group strategy and monitoring the development of results, including:
  - planning and managing the organization structure, capital structure, investments, mergers and ac-quisitions, demergers, credits, guarantees and other substantial commitments for the Board's approval
  - organising the Group finance, bookkeeping and internal control matters
  - coordinating communications to the outside media
- planning nominations of the subsidiaries` Board members in the significant subsidiaries for the Group Board's approval.

With respect to the Company's operational management, the CEO is assisted by the Management Executive Committee, an advisory body set up by the Board of Directors. The Management Executive Committee has neither authority, based on laws or the Articles of Association, nor any independent decision-making rights. Decisions on matters discussed by the Executive Committee shall be taken by the CEO or an Executive Committee member responsible for the matter in question, unless the decision on the matter belongs to the Company's or any subsidiary's Board of Directors.

Historically, the Group has been founded on the principle of decentralised management, with operative decisions localised at the individual subsidiary or business level. However, the Group has recently moved towards a more centralised management structure.

In line with the Group's overall strategy, the Group has created two separate senior management operations: one for its minerals processing business and the other for wood processing businesses.

REMUNERATION PRINCIPLES

The Annual General Meeting resolves the compensation of the Board.

The remuneration of the CEO is decided by the Board. The time needed to carry out the duties, the state of the Company and general practices are taken into account in remuneration. The conditions of the CEO's employment are determined in a written contract, which is approved by the Board.

The remuneration of the other senior management is confirmed by the Board.

The Company has the following incentive schemes:

- Option scheme I/2008, which entitles the CEO, Alwyn Smit, to subscribe for a maximum of 2,900,000 new shares in the Company with a fixed exercise price of EUR 2.30 per share with dividend and capital redemption adjustment factor (hence, the current effective exercise price, before 2010 AGM, is EUR 2.26 per share).
- Option scheme I/2005, which entitles the option holders to subscribe for a maximum of 2,700,000 new shares in the Company. The exercise prices of the option scheme vary between EUR 0.50 – EUR 1.00 per share, with dividend and capital redemption adjustment factors (hence, the current effective exercise price, before 2010 AGM, is between EUR 0.36 – EUR 0.86 per share).

The option schemes are described in more detail on the company website at:
www.ruukkigroup.fi/In_English/Investors/Share/Other_share_information/Compensation.iw3.

INTERNAL AND EXTERNAL CONTROL

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as all other personnel within the Group, and as assisted by third-party experts when relevant. Internal control refers to aspects involved in management and activities aimed at:

- achieving set targets;
- using resources in an efficient and economical way, and safeguarding assets;
- managing risks sufficiently;
- getting reliable and accurate financial and operational information without undue delays;
- complying with external and internal laws and regulations; and
- securing systems and key operations, as well as ensuring business continuity.

The system of internal control provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.
Major commitments or transactions are subject to Group-level decision-making procedures and incorporate limits of authority in exercising implementation power. The segregation of duties is targeted in all areas considered significant, and any conflicts of interest are avoided where possible. In order to ensure that all shareholders' rights are taken into account, subsidiaries must report any related party transaction in excess of EUR 10,000 to the Company's Board; further, any related party transaction exceeding EUR 100,000 has to be accepted by the Board of Ruukki Group Plc.

The Board of Directors of the Company decides on the goals and organisation of risk management. The purpose of risk management is to identify the threats and opportunities affecting strategy implementation and to help achieve the targets set in the strategy by ensuring that risks are proportional to the riskbearing capacity.

The business segments, and the Group's subsidiaries within the segments, are primarily responsible for their risktaking, financial performance and compliance with the principles of internal control and risk management policies. The business units have the right to take risk management decisions within the approved decision-making authorisations.

Basically market price risks and foreign exchange rate risks are not hedged via derivative contracts, but to the extent possible cash flows shall be matched, in terms of currency-denominated inflows and outflows, to mitigate the effect of changes in the underlying prices and exchange rates. To major extent, hazard risks typically related to tangible assets and/or business discontinuation risks are covered by insurance policies.

Internal audit

The internal audit function assists the Board of Directors and other management in improving, supervising and assuring operations by carrying out audits independently and objectively. It shall evaluate and improve the effectiveness of risk management, control, and governance processes by assessing, for example, the performance level efficiency, the sufficiency of internal control and supervision, as well as compliance with laws, official regulations and internal instructions. The Board of Directors has confirmed guidelines for the organisation and operating principles governing internal audits.

From 2007 until the first half of 2009, the internal audit function was outsourced. However, at the end of 2009, the Company's Board decided to set up an internal audit function by recruiting internal resources, a process that is currently ongoing. The internal audit function reports to the Audit Committee and also informs the operational management of its findings.

Internal audit shall prepare a report on each audit and deliver it to the Audit Committee and the CEO. These reports may contain recommendations aimed at improvements. In addition, internal audit shall monitor the implementation of recommended improvements.

External audit

According to the Articles of Association, the Company shall have one ordinary auditor and one deputy auditor. Should an audit firm authorised by the Central Chamber of Commerce be elected as the ordinary auditor, no deputy auditor needs to be elected. The term of office of the auditor ends at the end of the first Annual General Meeting following the election.

The auditors are tasked with auditing the accounting, financial statements and corporate governance of the Company and the consolidated Group in order to obtain assurance that the Company and its administrative bodies operate in compliance with applicable laws; and that the financial statements have been prepared in accordance with the rules and regulations in force, giving a true and fair view of the Company's and the consolidated Group's results of operations and financial position to its shareholders and other interested parties. The auditors shall present the Auditors' Report to the Annual General Meeting, expressing their opinion of the content of the financial statements and profit distribution. Based on their observations, they shall also draw up an audit memoranda delivered to the Board of Directors and the Group management. Whenever necessary, the auditors shall also issue oral reports to the aforementioned persons and bodies.

The Board of Directors prepares, if and when needed, a tender offer for the statutory external audit, forming also the basis for the proposal by the Board to the shareholders' meeting.

INSIDER ADMINISTRATION

The Company complies with the Guidelines for Insiders issued by the NASDAQ OMX Helsinki Stock Exchange.

Public insider register

The Company's permanent public insiders comprise the Board members, the CEO, the Deputy CEO/CFO as well as the auditors. All permanent public insiders and the statutory information about them, their related parties and the entities controlled by them or in which they exercise influence, have been entered into the Company's public insider register which is published on the Company website. Ruukki Group imposes a restriction on trading for insiders, which forbids trading with the Company's shares for fourteen days before the publication of financial reports. Compliance with the insider regulations is monitored by taking samples at certain intervals of trading by insiders in the Company's shares.

Company-specific insider register

In addition to the public insider register, Ruukki Group Plc holds a company-specific insider register of persons who regularly receive information that can have material impact on the value of the Company's security. These persons include all Ruukki Group Plc employees (excluding those belonging to the public insider register), the boards and managing directors of the Group's significant subsidiaries, as well as all other Group employees or third-party service providers who regularly obtain insider information.

Project-specific insider register

When necessary, the Company sets up a separate project-specific insider register. Project-specific insiders are those who, in connection with the insider project, obtain information about the Company that might have material impact on the value of the Company's shares if it were published. The establishment of a project is decided by the Board or the CEO.

CORPORATE GOVERNANCE RELATED KEY EVENTS IN 2009

General Meetings

An Extraordinary General Meeting was held on 24 February 2009 in Espoo and the Annual General Meeting was held on 7 May 2009 in Espoo. General meeting resolutions can be found at: www.ruukkigroup.fi/In_English/Investors/General_meetings.iw3.

Board of Directors

The Annual General Meeting elected five members, one female and four male, to the Board: Thomas Hoyer, Markku Kankaala, Jelena Manojlovic, Terence McConnachie and Alwyn Smit. Esa Hukkanen was a Board member until 7 May 2009.

During 2009, the Board met 21 times (2008: 32 times). The average attendance rate of the members was 97% (86%).

Audit committee

The audit committee currently has two members: Jelena Manojlovic (Chair) and Markku Kankaala. Thomas Hoyer resigned from the committee in October 2009 after taking up the position of the CEO of the Group's Wood Processing business.

The committee met four times during 2009 (2008: three times).

Chief executive officer

The main terms of the CEO agreement signed with Alwyn Smit on 11 September 2008 are the following:

- fixed monthly gross salary of EUR 30,000; any fees paid based on Board membership are deducted from the gross salary, so the total fixed monthly remuneration in EUR 30,000 from both the CEO position and Board member position
- bonus salary is based on targets set by the Board in advance and annually capped at 24 months' gross salary
- bonus salary for the financial year 2009 performance has been tied to four indicators as defined by the Board in the summer 2009 (the relative importance

of each indicator presented in brackets): 1) realised EBITDA of the current businesses (60%); 2) Ruukki Group Plc's share price performance (25%); 3) completion of unfinished acquisition processes (10%); 4) other factors (5%)

» based on the EGM resolution in October 2008, Smit has altogether 2,900,000 option rights from the I/2008 option scheme; if the CEO resigns on his initiative, the Company has the unilateral right to cancel the options
» Smit does not have any extra pensions and pension age benefits, Smit's pension coverage is set equal to the Finnish TyeL system
» the Company is obliged to arrange Smit life, travel and occupational health insurances
» annual vacation totals 5 weeks
» non-competition is valid six months after the CEO agreement has been terminated
» in case the employer terminates the agreement, six months notice period is given and the notice period pay is applied; if the CEO terminates the agreement the notice period is three months.

Management executive committee

With effect from 4 November 2009, Dr Danko Koncar was appointed as Chief Executive Officer, Minerals business; Dr Alistair Ruiters was appointed as Chief Executive Officer, Ruukki South Africa (Pty) Ltd. With effect from 1 October 2009, Thomas Hoyer was appointed to the new role of Chief Executive Officer of Ruukki Yhtiöt Oy, the subsidiary which the Group intends will become the parent company for the house building and Wood Processing businesses. In conjunction with this appointment, an operative management team has also been appointed to the Wood Processing businesses.

On 24 November 2009, the Group Management Executive Committee held its first meeting with five members:

Mr. Alwyn Smit	Chief Executive Officer, Group
Dr. Danko Koncar	Chief Executive Officer, Minerals Processing businesses
Dr. Alistair Ruiters	Chief Executive Officer, Ruukki South Africa
Mr. Thomas Hoyer	Chief Executive Officer, Wood Processing businesses
Mr. Jukka Havia	Deputy Chief Executive Officer, Group

Ilona Halla replaced Jukka Havia as the Executive Committee member from February 2010 since Havia resigned from the Company.

SHAREHOLDINGS OF THE PUBLIC INSIDERS ON 31 DECEMBER 2009

Remuneration of the Board members and the CEO

The Annual General Meeting on 7 May 2009 resolved the compensation of the Board as follows: Chairman EUR 7,500 and each member EUR 5,000 per month. During the financial year 2009, the Board members received a total of EUR 350,000 as board membership fees (2008: EUR 323,000). In addition, the Board members received fees on other basis a total of EUR 0 (2008: EUR 18,000).

In 2009, the total fixed gross remuneration to the CEO was EUR 360,000, including his board fees, (2008: EUR 336,000) and bonuses EUR 172,500 (EUR 30,000). The IFRS 2 based options expenses in relation to the CEO's option rights totalled EUR 637,000 in 2009 (EUR 319,000).

Insider	Shares	Options
Englund Tomi	0	0
Havia Jukka	0	250 000
Hoyer Thomas	52 083	0
Kankaala Markku	8 550 228	0
Manojlovic Jelena	70 766 500	73 170 731
McConnachie Terence	0	0
Smith Alwyn	2 800 000	2 900 000

FLAGGING NOTICES

Notices issued under Chapter 2, section 10 of the Securities Market Act in the period from 1 January 2009 to 25 February 2010

Ruukki Group Plc has received the following flagging notifications during or after the financial year 1 January – 31 December 2009. The notifications can be found in full on the company website at:
www.ruukkigroup.fi/In_English/News/Flaggings.iw3

- 16 January 2009: RCS Trading Corporation Ltd → below 5%
- 19 January 2009: Kermas Limited → above 25%
- 19 January 2009: Danske Bank A/S Helsingin Sivukonttori → above 5% (later to fall below 5% if derivative agreements exercised)
- 19 January 2009: Nordea Bank Finland Plc → below 15% (in June 2009 to fall below 5% when forward contracts expire)
- 27 January 2009: combined ownership of Kai Mäkelä, Oy Herttakakkonen Ab and Oy Herttaässä Ab → below 5%
- 5 February 2009: based on Ruukki Group's announcement of the Board's decision to cancel treasury shares, Atkey Limited potentially above 10%
- 20 February 2009: Danske Bank A/S Helsingin Sivukonttori → still above 5% (later to fall below 5% if derivative agreements exercised)
- 24 March 2009: Danske Bank A/S Helsingin Sivukonttori → below 5%
- 18 May 2009: Kermas Limited → current ownership above 15%
- 28 May 2009: Bassanio Services Limited and Alwyn Smit → combined potential future ownership below 5%
- 28 May 2009: Atkey Limited and Aida Djakov → combined ownership above 20%
- 9 June 2009: Ruukki Group Plc → treasury shares held by the Company above 5%
- 30 June 2009: based on Ruukki Group's announcement of the Board's decision to acquire 100% of the share capital of Sylvania Resources Limited → Kermas Limited total ownership (shares and derivatives) potentially below 50%, Atkey Limited potentially below 10%, Nordea Bank Finland Plc potentially below 10%, Hanwa Company Limited potentially below 10%, Ruukki Group Plc's treasury shares potentially below 5% and Dresdner Bank AG London Branch, a shareholder of Sylvania Resources Limited, potentially above 5%
- 21 September 2009: Nordea Bank Finland Plc → below 10% (in November 2009 to fall below 5% when forward contracts expire)
- 21 September 2009: Kermas Limited → current ownership above 20%
- 23 October 2009: Kermas Limited → current ownership above 25%
- 9 November 2009: JPMorgan Chase & Co. → ownership of JPMorgan Asset Management (UK) Limited below 5%
- 12 November 2009: Nordea Bank Finland Plc → below 5%
- 13 November 2009: Kermas Limited → current ownership above 30%, Kermas Ltd will apply for an exemption from the obligation to make a mandatory bid and intends to reduce its holdings below the bid obligation threshold (30%)
- 11 December 2009: Kermas Limited → current ownership below 30%
- 14 December 2009: Atkey Limited and Aida Djakov → Atkey Limited above 15%, combined ownership above 25%
- 19 January 2010: Ruukki Group Plc → treasury shares held by the Company below 5%
- 20 January 2010: Atkey Limited → based on Ruukki Group's announcement of the Board's decision to cancel altogether 13,052,022 treasury shares held by Ruukki Group Plc Atkey Limited's ownership will exceed 20% of the registered share capital and voting rights of Ruukki Group Plc after the cancellation has been registered at the Trade Register

ADDITIONAL CORPORATE INFORMATION

Additional information can be found at www.ruukkigroup.fi

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