

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

If you have sold or otherwise transferred all your Shares in Ruukki Group Plc, please send this document, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Investec Bank plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Ruukki Group Plc and Synergy Africa Limited (in relation to the Offer only) and no one else in connection with the Offer and the Joint Venture Proposal and will not be responsible to anyone other than Ruukki Group Plc and Synergy Africa Limited for providing the protections afforded to clients of Investec Bank plc or for providing advice in relation to the Joint Venture Proposal.

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## **Ruukki Group Plc**

*(Incorporated as a public limited company governed by the laws of Finland with business identity code 0618181-8 and trade register number 360.572)*

### **Proposed Related Party Transaction**

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**This document should be read as a whole. Your attention is drawn to the letter from the Senior Independent Non-executive Director which is set out on pages 3 to 12 of this document and which recommends you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below.**

Ruukki Group Plc will convene an Extraordinary General Meeting for its Shareholders to be held at 9:00 a.m. (Finnish time) on 17 November 2010 at Keilasatama 5, Espoo FI-02150, Finland by publishing a separate stock exchange release of the notice of Extraordinary General Meeting in accordance with the Company's by-laws and by publishing the notice in the Finnish Language newspaper, *Helsingin Sanomat*, on or around 25 October 2010. A summary of the material content of the notice to the Extraordinary General Meeting is set out at the end of this document.

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## EXPECTED TIMETABLE OF EVENTS

Cut off time and date for right to attend meeting	Close of shareholder register on 5 November 2010
Latest time and date for shareholders holding Shares in nominee accounts to be entered into the Company's temporary share register	10:00 a.m. (Finnish time) on 12 November 2010
Latest time and date for informing the Company of intention to attend the Extraordinary General Meeting	4:00 p.m. (Finnish time) on 12 November 2010
Latest time and date for receipt of Forms of Proxy from Shareholders	4:00 p.m. (Finnish time) on 12 November 2010
Extraordinary General Meeting	9:00 a.m. (Finnish time) on 17 November 2010

The expected timetable of events will also be listed in the in the formal notice of Extraordinary General Meeting which will be published in the Finnish Language newspaper, *Helsingin Sanomat*, on or around 25 October 2010. If the expected timetable of events in the formal notice of Extraordinary General Meeting differs from the above, the Company will release an announcement to this effect.

## PART I

### LETTER FROM THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

#### **Ruukki Group Plc**

(Incorporated as a public limited company governed by the laws of Finland with business identity code 0618181-8 and trade register number 360.572)

#### Directors

Jelena Manojlovic (Chairperson)  
Philip Baum (Non-executive Director)  
Paul Everard (Non-executive Director)  
Markku Kankaala (Non-executive Director)  
Chris Pointon (Non-executive Director)  
Barry Rourke (Senior Independent Non-executive Director)  
Dr Danko Koncar (Executive Director; Acting Managing Director)

#### Registered office

Keilasatama 5  
Espoo FI-02150  
Finland

22 October 2010

Dear Shareholder

#### **Proposed Related Party Transaction with Kermas Limited**

#### **Introduction**

On 30 September 2010, your Board announced the terms of a recommended cash offer to be made by Synergy Africa Limited ("**Synergy Africa**"), a company 51 per cent. owned by Ruukki Group Plc ("**Ruukki**" or the "**Company**") and 49 per cent. owned by Kermas Limited ("**Kermas**") to acquire the entire issued and to be issued ordinary share capital of Chromex Mining plc ("**Chromex**") (the "**Offer**").

The arrangements agreed by the Company and Kermas relating to the establishment and financing of Synergy Africa for the purposes of making the Offer, the subsequent holding of Chromex Shares and related arrangements (the "**Joint Venture Proposal**") are classified as a "related party transaction" under the UKLA's Listing Rules. Accordingly, under the UKLA's Listing Rules, the Joint Venture Proposal requires the approval of the Company's shareholders other than Kermas.

I am writing to give you further details of the Joint Venture Proposal, including the background to and reasons for it, to explain why your Board considers it to be in the best interests of the Company and to seek your consent to the Joint Venture Proposal.

The Joint Venture Proposal is classified as a "related party transaction" as Kermas holds 28.51 per cent of the Company's issued Shares. Consequently the Offer is subject to, and conditional upon, inter alia the approval of the Joint Venture Proposal by the Company's shareholders other than Kermas. Your approval will be sought at an Extraordinary General Meeting to be held on 17 November 2010. A summary of the material content of the notice to the Extraordinary General Meeting, to be published separately in accordance with Finnish law and the Company's by-laws is set out at the end of this document.

## **The Relationship between the Company, Synergy Africa and Kermas**

Synergy Africa is a newly incorporated company in England. Synergy Africa is a joint venture company, 51 per cent. owned by Ruukki Holdings Limited (a wholly-owned subsidiary of the Company) ("**RHL**") and 49 per cent owned by Kermas, which has been established for the purposes of the Offer. Synergy Africa has not traded to date. The directors of Synergy Africa are Thomas Hoyer, Alistair Ruiters and Dr. Danko Koncar. Kermas, RHL and Synergy Africa have entered into a shareholders' agreement in relation to Synergy Africa and its investment in Chromex. Further details of this agreement are contained in paragraph 1 of Part II of this document. The Company is also party to a Relationship Agreement with Kermas (as more fully described in paragraph 5 and 7.3 of Part III of this document).

### Information on Kermas

Kermas Limited is a private company incorporated in the British Virgin Islands with registration number 504889, with interests in the minerals sector and a major shareholder of the Company with a 28.51 per cent. holding. Kermas is an investment vehicle, owned 99 per cent. by Danica Zagemster, a cousin of Dr. Danko Koncar. Dr. Danko Koncar does not own any shares in Kermas and is an executive director of the Company.

### History of Kermas

The Kermas group was one of the world's largest ferrochrome and chrome producing groups prior to the sale of its interest in Samancor Chrome Limited ("**Samancor Chrome**"). In addition to its mining and minerals processing activities, the Kermas group has interests in other industries including real estate investments.

In 2005, Kermas acquired a majority interest in Samancor Chrome, one of the world's leading integrated ferrochrome producers and one of South Africa's leading exporters of chemical-grade chromite, from Samancor Holdings (Proprietary) Limited ("**Samancor Holdings**"), which was owned in a ratio of 60 per cent. to 40 per cent. by BHP Billiton and Anglo American Plc respectively. Mogale, acquired by Ruukki in 2009, was at one stage part of Samancor Chrome. The management of Palmiet Chrome led a black economic empowerment consortium to acquire Palmiet Chrome, and renamed it Mogale at the same time as Kermas acquired Samancor Chrome from Samancor Holdings.

Together with the BEE consortium, the Batho Barena Consortium, and its international partners, Kermas successively transformed both the business and the profitability of Samancor Chrome before disposing of its interest in Samancor Chrome in November 2009. Dr. Danko Koncar, who has been a director of Kermas since its incorporation, was the main architect of Samancor Chrome's transformation during its time under Kermas's control. In connection with this disposal, Dr. Danko Koncar resigned from the board of directors of Samancor Chrome upon Kermas's disposal of its interest in Samancor Chrome and joined the Company as Chief Executive Officer of the Group's minerals processing businesses. He resigned this position in August 2010 when he was appointed Executive Director responsible for new business and elected to the Company's board of directors. He was also previously a director of the Company from March 2008 until July 2008. On 14 October 2010 he was appointed as Acting Managing Director of the Company, until the appointment of a new, permanent Chief Executive Officer is announced.

### Information on Chromex

Chromex is a dedicated chrome production company established to acquire, control and develop chromite mining and processing facilities. It currently has two key mining assets located on the Bushveld Complex in South Africa, which between them have a gross total chromite resource of approximately 41 million tonnes as well as exploration claims in Zimbabwe.

The 271 hectare Stellite chrome project, located on the Western Limb of the Bushveld complex in South Africa, has a New Order Mining Right which covers the right to mine both chrome and platinum group

elements ("PGE") and 31.9 million tonnes of SAMREC compliant chrome resources comprising four seams, namely the LG6, MG1, MG2 and MG4. All four seams outcrop on the property and it is anticipated that around six million tonnes will be open cast. The open pit operations at Stellite commenced production in July 2008.

Chromex has a New Order Mining Right over the Mecklenburg farm in the Limpopo Province, South Africa, where it intends to mine chromite. Mecklenburg is located on the Eastern Limb of the Bushveld Complex, well known for hosting much of the world's known resources of platinum, but also a major source of chromite. The LG-6 and LG-6A chromite reefs comprise approximately 9.1 million tonnes and 5.7 million tonnes of SAMREC compliant chrome resources and reserves respectively (resources are inclusive of reserves).

During 2009, Chromex completed the construction of a processing facility at the Stellite open cast chrome mine.

The commissioning of the first phase of the Stellite chrome beneficiation plant was completed in August 2009 and by the beginning of November 2009 this facility was able to operate at full design capacity, producing 42 per cent. and 44 per cent. metallurgical grade chrome concentrates. All plant feed was sourced from existing stockpiles at the Stellite mine. Due to ongoing demand, Chromex recommenced mining operations at Stellite in January 2010.

Stellite currently produces approximately 20,000 run of mine ('ROM') tonnes per month, which is expected to increase to 40,000 ROM tonnes per month when the dense media separation ('DMS') circuit is installed at the beneficiation plant. The DMS plant is due to be completed in the near future and is expected to improve yields, margins and economic efficiencies. Importantly, in addition to the capacity increase, Chromex will be in a position to market a sized lumpy chrome product as well as the chemical and metallurgical grade concentrates.

In May 2010, Chromex acquired Waylox Mining (Private) Limited ("Waylox"), a chrome company in Zimbabwe. Waylox has been operating in Zimbabwe since August 2008 after acquiring the Trixie and Prince of Wales claims located in the prospective Darwendale area. The Darwendale area is located on the Great Dyke of Zimbabwe which is host to significant chrome resources. The Trixie claims contain economic grades of alluvial chrome resources. The current mineral resources estimated on the 467ha Trixie project stands at approximately 1.9 million tonnes at an average modelled grade of 13.8 per cent. chromite.

Development of Chromex's Mecklenburg project has been deferred pending settlement of the legal dispute with Samancor Chrome over the Mining Rights. Mecklenburg will be an underground mine, producing high grade ore from the LG6 and LG6A reefs, which outcrop at surface. Access to the mine will be via an outcrop portal and access decline on the lower slopes of Serafa Hill, with on-reef development and a hybrid trackless/conventional stope mining method. The Mecklenburg mine design will be completed once the legal dispute has been resolved.

During the year ended 30 September 2009, the Chromex's Group income statement showed a loss before tax of £151,000 (2008 – loss before tax £1,406,000) and a profit after tax of £195,000 (2008 – loss after tax £1,406,000). These results reflect the fact that much of the year was taken up with the construction of the Stellite processing plant, while producing sufficient chrome to provide positive cash flow, and retaining valuable chrome resources in the ground pending an upturn in prices.

The loss before and after tax for the six months ended 31 March 2010 was £399,000 (2009 – profit before tax £81,000; profit after tax £47,000). This was a period of reduced volumes and lower than expected recoveries as well as low Rand based chrome prices.

The Chromex Shares and Chromex Warrants are admitted to trading on AIM.

The following tables provide financial information on Chromex which has been extracted without adjustment from Chromex's financial statements.

**Unaudited consolidated income statement**

for the six months ended 31 March 2010

	6 Months ended 31 March 2010 £'000	6 Months ended 31 March 2009 £'000	Year ended 30 September 2009 £'000
<b>Revenue</b>	964	1,613	2,016
Cost of sales	(683)	(1,068)	(1,204)
<b>Gross (loss)/profit</b>	281	545	812
Administrative expenses	(668)	(500)	(993)
Cost of bankable feasibility study	–	(27)	(8)
<b>Operating (loss)/profit before finance costs</b>	(387)	18	(189)
Finance income	7	63	38
Finance expense	(19)	–	–
<b>(Loss)/profit before tax</b>	(399)	81	(151)
Taxation	–	(34)	346
<b>(Loss)/profit for the period</b>	(399)	47	195
<b>(Loss)/profit per share</b>			
Basic	(0.47)p	0.06p	0.23p
Diluted	(0.47)p	0.05p	0.23p

**Unaudited consolidated balance sheet**

as at 31 March 2010

	6 Months ended 31 March 2010 £'000	6 Months ended 31 March 2009 £'000	Year ended 30 September 2009 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10,438	6,824	9,699
Deferred tax	569	79	525
Intangible assets	–	886	–
	11,007	7,789	10,224
<b>Current assets</b>			
Inventories	1,111	134	766
Trade and other receivables	76	407	611
Cash and cash equivalents	1,406	2,270	1,182
Other debtors	163	–	–
	2,756	2,811	2,559
<b>Total assets</b>	13,763	10,600	12,783

	6 Months ended 31 March 2010	6 Months ended 31 March 2009	Year ended 30 September 2009
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	850	850	850
Share premium	9,120	9,120	9,120
Accumulated losses	(1,369)	(1,118)	(970)
Exchange reserves	1,747	423	1,180
<b>Total equity</b>	<b>10,348</b>	<b>9,275</b>	<b>10,180</b>
<b>Non-current liabilities</b>			
Provisions	383	399	353
Loans and borrowings	2,320	734	1,724
	2,703	1,133	2,077
<b>Current liabilities</b>			
Trade and other payables	712	192	526
	712	192	526
<b>Total equity and liabilities</b>	<b>13,763</b>	<b>10,600</b>	<b>12,783</b>

### Chromex Mining plc

#### Chromex Group income statement for the year ended 30 September 2009

	2009 £'000	2008 £'000
<b>Revenue</b>	2,016	440
Cost of sales	(1,204)	(204)
<b>Gross Profit</b>	812	236
Administrative expenses	(993)	(956)
Cost of bankable feasibility study	(8)	(46)
Share Based Payments	-	(790)
<b>Operating loss before finance costs</b>	<b>(189)</b>	<b>(1,556)</b>
Finance income	38	151
Finance expense	-	(1)
<b>Loss before tax</b>	<b>(151)</b>	<b>(1,406)</b>
Taxation	346	-
<b>Profit/(loss) for the year</b>	<b>195</b>	<b>(1,406)</b>
<b>Profit/ (loss) per share</b>		
Basic and diluted	0.23p	(1.94)p

## Chromex Mining plc

### Chromex Group and Company balance sheets as at 30 September 2009

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	9,699	5,480	540	23
Deferred tax	525	106	-	-
Intangible assets	-	886	-	519
Investments	-	-	1,872	1,872
	<b>10,224</b>	<b>6,472</b>	<b>2,412</b>	<b>2,414</b>
<b>Current assets</b>				
Inventories	766	123	-	-
Loans to subsidiary companies	-	-	6,113	4,845
Trade and other receivables	611	590	101	88
Cash and cash equivalents	1,182	2,566	898	2,271
	<b>2,559</b>	<b>3,279</b>	<b>7,112</b>	<b>7,204</b>
<b>Total assets</b>	<b>12,783</b>	<b>9,751</b>	<b>9,524</b>	<b>9,618</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the Company</b>				
Share capital	850	847	850	847
Share premium	9,120	9,071	9,120	9,071
Accumulated losses	(970)	(1,165)	(493)	(361)
Exchange reserves	1,180	29	-	-
<b>Total equity</b>	<b>10,180</b>	<b>8,782</b>	<b>9,477</b>	<b>9,557</b>
<b>Non-current liabilities</b>				
Provisions	353	286	-	-
Loans	1,724	1	-	-
	<b>2,077</b>	<b>287</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Trade and other payables	526	682	47	61
	<b>526</b>	<b>682</b>	<b>47</b>	<b>61</b>
<b>Total equity and liabilities</b>	<b>12,783</b>	<b>9,751</b>	<b>9,524</b>	<b>9,618</b>

### Background to and Reasons for the Joint Venture Proposals

The Company and Kermas entered into a Relationship Agreement on 30 June 2010. The intention behind this agreement was to, inter alia, assist in the execution of Ruukki's strategy to operate as a vertically integrated mine-to-metals producer. In line with this Relationship Agreement, and to provide a certainty of funding,

Ruukki, through its wholly-owned subsidiary, RHL and Kermas have entered into a joint venture through the establishment and financing of Synergy Africa in order to facilitate the acquisition of Chromex pursuant to the Offer. The background to and reasons for the Offer and further information on the Offer are set out in the Offer Document released by the Company on 18 October 2010.

The Offer is intended to help achieve Ruukki's stated strategy to increase production capacity, expand market share and vertically integrate its whole business. The Company's current operation in South Africa, Mogale, consists of processing facilities only. Mogale does not have any security of chrome ore supply as ore is procured from various sources on short term contracts.

Chromex's Stellite mine, located in one of the world's premier chromite mining regions, and is in operation with all the necessary infrastructure in place. In addition, Chromex has a total of 41 million tonnes of chrome resources, with new order mining rights making it an attractive and logical acquisition target. Stellite is located approximately 80 kilometres from Mogale.

Ruukki expects that the Offer will enable the Company to achieve its stated strategy of increasing production capacity, expanding market share and vertically integrating its whole business through:

- a) vertical integration of the South African operations as Mogale, which will secure its own, long term ore supply, thereby completing the business model of mining, processing, sales and marketing;
- b) expansion of Ruukki's production volumes as Chromex's Stellite mine is currently in operation. In addition to the expected increase from 20,000 ROM tonnes per month to 40,000 ROM tonnes per month when the DMS circuit is installed, Ruukki believes there is an opportunity to further increase Chromex's forecast monthly production rate over the short to medium term if the underground development plans for Stellite and Mecklenburg are successfully implemented;
- c) supporting the planned increase in the production capacity of Ruukki's South African operations through the additional, potential increase in the production volume from Chromex's Stellite mine;
- d) potential to increase Ruukki's processing capacity as there is the opportunity for two DC furnaces to be built at the Stellite mine. Ruukki has entered into a framework agreement with MCC of China for the construction of two such DC furnaces. Ruukki has significant technological skill and experience in successfully operating DC furnaces. Until such time as these furnaces are built, any excess ore supply from Stellite will be exported to customers in China or India;
- e) consolidating Ruukki's presence in one of the world's premier chromite mining regions and geographically diversifying into Zimbabwe with the Waylox project;
- f) enabling synergies in the areas of operational expertise, human resources, cost savings and efficiencies. Ruukki anticipates retaining most of Chromex's operational team. It is expected that following completion, the Company will bring in-house the sales and marketing operations which Chromex currently outsources; and
- g) diversifying Ruukki's product range with the production of chemical, metallurgical, refractory and foundry grade concentrates and PGE by-products, as well as excess ore supply available for export in the short to medium term.

Chromex's operations will benefit from Ruukki's management expertise and knowledge in mining, minerals processing and sales and marketing expertise.

## **Principal Terms and Conditions of the Offer**

The terms and conditions of the Offer are set out in Appendix I of the Offer Document released on 18 October 2010. The Offer is being made by Synergy Africa, on the following basis:

### **36.5 pence in cash for each Chromex Share**

The Offer values the entire issued and to be issued share capital of Chromex at approximately £37.1 million. Based on the rate of exchange on 21 October 2010 (being 1.13 €/£), 36.5 pence equates to 0.414 Euros and the Offer values the entire issued and to be issued share capital of Chromex at approximately 42.1 million Euros.

At 36.5 pence, the Offer price represents:

- a premium of 82.5 per cent. to the Closing Price of 20 pence per Chromex Share on 14 July (being the last Business Day prior to the commencement of the Offer Period); and
- a premium of 83.4 per cent. to the average Closing Price during the 90 day trading period up to and including the 14 July 2010 (being the last Business Day prior to the commencement of the Offer Period).

The Offer will be conditional upon, inter alia:

- the Offer becoming unconditional as to acceptances;
- the approval of the Joint Venture Proposal by Ruukki shareholders; and
- South African competition clearance.

The announcement of the Offer made on 30 September 2010 stated that the Offer would be conditional upon written confirmation being received from the South African Department of Mineral Resources that the acquisition resulting from the implementation of the Offer will not require the approval of the Minister of Mineral Resources under section 11 of the Minerals and Petroleum Resources development Act, No.28 of 2002 of South Africa; however, Synergy Africa has now waived this condition.

Synergy Africa is also making an offer to acquire the Chromex Warrants on the basis of 16.5 pence in cash for each Chromex Warrant held. This represents the difference between the 36.5 pence per Chromex Share payable under the Offer and the subscription price of 20 pence payable on exercise of the Chromex Warrants. The offer for the Chromex Warrants is conditional only on the Offer becoming or being declared unconditional in all respects.

## **Principal terms and conditions of the joint venture**

Synergy Africa is a newly incorporated company in England. Synergy Africa is a joint venture company, 51 per cent. owned by RHL (a wholly-owned subsidiary of the Company) and 49 per cent owned by Kermas, which has been established for the purposes of the Offer. Synergy Africa has not traded to date. The directors of Synergy Africa are Thomas Hoyer, Dr. Danko Koncar and Alistair Ruiters. Kermas, RHL and Synergy Africa have entered into a shareholders' agreement in relation to Synergy Africa and its investment in Chromex. Further details of this agreement are contained in paragraph 1 of Part II of this document. The Company is also party to a Relationship Agreement with Kermas (as more fully described in paragraph 5 of Part III of this document).

RHL has agreed to provide a €24,360,697 on demand loan facility to Synergy Africa and Kermas has agreed to provide a US\$32,152,108 on demand loan facility to Synergy Africa both for the purposes of financing the

Offer. To assist RHL's funding obligation to Synergy Africa, Kermas has agreed to provide an on demand loan facility to RHL of up to US\$20,300,000. This loan is repayable by RHL at the expiry of nine months from the date of draw-down, subject to a three month extension at RHL's option. Amounts outstanding under this loan will bear interest at 2 per cent. above US LIBOR.

Further details of the proposed loans from Kermas and RHL to Synergy Africa and the proposed loan from Kermas to RHL are set out in Part II of this document.

RHL and Kermas have also entered into a shareholders' agreement to govern their relationship as shareholders of Synergy Africa, further details of which are set out in Part II of this document.

### **Extraordinary General Meeting**

The Joint Venture Proposal is a related party transaction and is conditional upon the approval of Shareholders at an extraordinary general meeting and the acquisition of Chromex is conditional on this approval being obtained. Ruukki Group Plc will convene an Extraordinary General Meeting for its shareholders to be held at 9:00 a.m. (Finnish time) on 17 November 2010 at Keilasatama 5, Espoo FI-02150, Finland by publishing a separate stock exchange release of the notice of Extraordinary General Meeting in accordance with the Company's by-laws and by publishing the notice in the Finnish Language newspaper, *Helsingin Sanomat*, on or around 25 October 2010. A summary of the material content of the notice to the Extraordinary General Meeting is set out at the end of this document.

Under the Listing Rules, Kermas is precluded from voting in relation to the Joint Venture Proposal. Kermas has irrevocably undertaken to abstain, and to take all reasonable steps to ensure that their associates will abstain from voting on the Resolution.

### **Voting undertakings**

Atkey Limited, Aida Djakov, Hino Resources Co. Ltd and Markku Kankaala have each given an irrevocable undertaking to vote in favour of the Resolution at the Extraordinary General Meeting in respect of, in aggregate, 86,645,653 Ruukki ordinary Shares, representing approximately 51.4 per cent. of the Company's voting rights at the Extraordinary General Meeting.

### **Action to be taken**

A Shareholder who wishes to attend the Extraordinary General Meeting should inform the Company of his/her intention to attend the Extraordinary General Meeting no later than 4:00 p.m. (Finnish time) on 12 November 2010 either (i) by letter to Ruukki Group Plc, Keilasatama 5, 02150 Espoo, Finland; (ii) by e-mail to ilmo@ruukkigroup.fi; (iii) or by fax on +358 10 440 7001, including the details specified in the notice of Extraordinary General Meeting (which are summarised at the end of this document).

A Shareholder who wishes to exercise his/her right to nominate a proxy representative to exercise his/her rights at the Extraordinary General Meeting should no later than 4:00 p.m. (Finnish time) on 12 November 2010 deliver the original proxy document or documents to Ruukki Group Plc, Keilasatama 5, 02150 Espoo, Finland.

Holders of depository interests in respect of underlying Ruukki Shares wishing to vote should note that a different procedure applies. A CREST bulletin will be released by Euroclear UK & Ireland Limited shortly. A holder of depository interests should in the first instance contact the depository, Capita IRG Trustees Limited, on the following number +44 (0) 871 664 0335 for further details of the procedure.

**Further information**

Your attention is drawn to the additional information set out in Parts II and III of this document relating to the Company and the Joint Venture Proposal. You are advised to read the whole document and not merely rely on the key or summarised information in this letter.

**Recommendation**

**Your Board, which has been so advised by Investec Bank plc, considers that the Joint Venture Proposal is fair and reasonable as far as the Shareholders are concerned. In giving its advice, Investec Bank plc has taken into account the Board's commercial assessment of the Joint Venture Proposal.**

**Dr. Danko Koncar, a director of Kermas, and Jelena Manojlovic have not participated in the Board's consideration of the Joint Venture Proposal due to their relationship with Kermas.**

**Under the Listing Rules, Kermas is precluded from voting in relation to the Joint Venture Proposal. Kermas has irrevocably undertaken to abstain and to take all reasonable steps to ensure that their associates will abstain from voting on the Resolution.**

**Your Board (except Dr. Danko Koncar and Jelena Manojlovic) considers that the Joint Venture Proposal will promote the success of the Company and is in the best interests of the Company and its Shareholders as a whole. Accordingly your Board unanimously recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting, as each Director (except Dr. Danko Koncar and Jelena Manojlovic) intends to do in respect of his own beneficial holdings which amount in aggregate to 8,077,533 Shares, representing approximately 3.37 per cent. of the existing issued ordinary share capital of the Company (excluding Treasury Shares) as at 20 October 2010, being the last practicable day prior to the publication of this document.**

Yours sincerely

Barry Rourke  
Senior Independent Non-executive Director

## PART II

### SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE JOINT VENTURE PROPOSAL

The Company, through its wholly-owned subsidiary RHL, and Kermas have entered into a joint venture through the establishment and financing of Synergy Africa in order to facilitate the acquisition of Chromex pursuant to the Offer. The details of the arrangements entered into between RHL and Kermas are summarised below.

#### 1. JOINT VENTURE AGREEMENT BETWEEN RHL, KERMAAS AND SYNERGY AFRICA

RHL, Kermas and Synergy Africa have agreed the terms of a joint venture agreement dated 29 September 2009, governing the subscription for shares in Synergy Africa and certain governance arrangements relating to the ongoing management of Synergy Africa (the "**Joint Venture Agreement**").

##### 1.1 Subscription for shares in Synergy Africa

RHL holds 51 ordinary shares of US\$1 each in Synergy Africa and Kermas holds 49 ordinary shares of US\$1 each in Synergy Africa, all shares having been subscribed for cash at par. If the Offer does not become unconditional in all respects by 28 February 2011, Kermas will transfer its 49 shares to RHL for a consideration of US\$1 per share.

##### 1.2 Management of Synergy Africa

RHL will be entitled to appoint two directors of Synergy Africa and Kermas will be entitled to appoint one director of Synergy Africa. As at the date of this document, the Ruukki appointed directors are Thomas Hoyer and Alistair Ruiters and the Kermas appointed director is Dr. Danko Koncar.

The quorum for meetings of the directors of Synergy Africa will be two directors, of which one will be a Ruukki appointed director and one will be a Kermas appointed director.

A director appointed by a particular shareholder will abstain from voting in respect of decisions relating to agreements between Synergy Africa and the relevant appointing shareholder. In this case, the quorum for meetings of the directors of Synergy Africa will be any one director.

Chromex will have an equivalent board structure.

It is agreed that RCS, a subsidiary of Ruukki, will undertake all marketing activities in respect of products produced by Chromex and its subsidiaries. RCS will be entitled to receive a fee equal to the direct costs of providing these services plus a margin of 10 per cent. If the market rate for the provision of these services by RCS exceeds this amount, the difference is to be paid to a subsidiary of Synergy Africa and, to the extent legally possible, shall be shared between RHL and Kermas in proportion to their shareholdings in Synergy Africa.

It is also agreed that Ruukki South Africa (Pty) Limited, a subsidiary of Ruukki, will provide all day to day management services to Synergy Africa and its subsidiaries for which Ruukki South Africa (Pty) Limited will be entitled to a fee of US\$2.00 per tonne of saleable produce mined from any mines operated by any subsidiary of Synergy Africa from time to time.

### 1.3 **Reserved Matters**

The Joint Venture Agreement includes a list of certain actions of Synergy Africa and its subsidiaries (the "**Synergy Africa Group**") which shall require the unanimous approval of both RHL and Kermas. The reserved matters include, inter alia, material acquisitions or disposals by the Synergy Africa Group, long-term contracts of the Synergy Africa Group, new operations not related to Chromex's current business or any business subsequently agreed by the shareholders, incurring material indebtedness or capital expenditure, the approval of budgets for the Synergy Africa Group and the entry into and amendment of agreements with shareholders including any amendment to the management agreement referred to in paragraph 1.2 of this Part II of this document. The approval of both shareholders is not required in respect of any matter which is provided for in an approved budget or which does not exceed the amount provided for in the budget by more than 5 per cent.

### 1.4 **Share Transfers**

RHL and Kermas will be prohibited from transferring their shares in Synergy Africa for a period of two years from the date of entering into the Joint Venture Agreement. After that period, a shareholder may transfer all of its Synergy Africa shares and such transfer will be subject to a right of first refusal in respect of the other shareholder. If the other shareholder does not exercise its right of first refusal, the shareholder wishing to transfer its shares in Synergy Africa may do so but the other shareholder will have the right to sell its shares to the same person and on the same terms.

A shareholder may pledge its shares, subject to the pledgee agreeing to be bound to the terms of the Joint Venture Agreement.

### 1.5 **Change of control**

In the event of a change of control of a shareholder without the prior consent of the other shareholder, the shareholder subject to the change of control will be deemed to have made an offer to sell its shares to the other shareholder at a price agreed by RHL and Kermas or failing that at fair value as determined by an independent valuation. This will not apply to RHL in the event that the change of control event arises as a result of Kermas disposing of its shares in Ruukki or Kermas acquires control of Ruukki. In the case of Ruukki, a change of control would occur if any person acquires 30 per cent or more of the total voting rights exercisable at general meetings of Ruukki. If the disposal to Kermas following a change of control would require approval of Ruukki shareholders due to any law, regulation or stock exchange requirement which is applicable due to Ruukki being a listed company, such disposal would then be subject to Ruukki shareholder approval at the relevant time.

### 1.6 **Funding**

The terms of which Kermas and RHL will provide funding to Synergy Africa for the purposes of the Offer are set out in paragraph 2 below. If Synergy Africa requires additional future funding, each of Kermas and RHL are to be given the opportunity to provide that funding in proportion to their shareholdings in Synergy Africa but otherwise on equal terms. If one shareholder declines to provide additional funding offered on this basis, the other shareholder may provide that declined funding.

### 1.7 **Other**

The Joint Venture Agreement will terminate on the earlier of the dissolution of Synergy Africa, or the holding by one of RHL and Kermas of all of the Synergy Africa shares; or the agreement of all the parties to the Joint Venture Agreement that it be terminated.

The Joint Venture Agreement will be governed by English law and any dispute arising under the terms of the Joint Venture Agreement will be resolved in the Courts of England.

## **2. FINANCING ARRANGEMENTS BETWEEN RHL AND KERMAS AND SYNERGY AFRICA**

### **2.1 RHL Shareholder Loan Facility**

RHL has agreed to provide a €24,360,697 on demand loan facility to Synergy Africa for the purposes of financing the Offer (the "**RHL Shareholder Loan Facility**"). The facility may not be utilised unless the Offer has become unconditional in all respects and will rank pari passu with the Kermas Shareholder Loan Facility. A summary of the key terms is as follows:

2.1.1 **Availability:** The facility will be available during the period from the date of the RHL Shareholder Facility to the earliest of (a) the date falling nine months after the date of the facility agreement; (b) the date on which the Offer lapses or is terminated; and (c) the date on which Chromex becomes a wholly owned subsidiary of Synergy Africa.

2.1.2 **Repayment:** The facility will be repayable immediately on demand at any time after the expiry of the availability period described in paragraph 2.1.1 above. RHL has agreed with Kermas and Synergy Africa that it will not demand repayment of the RHL Shareholder Loan Facility unless Synergy Africa has the cash available to repay both Shareholder Loan Facilities in full and is in a financial position to repay both Shareholder Loan Facilities without material detriment to Synergy Africa and its subsidiaries. The facility will also be repayable immediately on demand during such availability period if a trigger event occurs. The trigger events include, inter alia: it becomes unlawful for the lender or the borrower to perform its obligations; the obligations of the borrower cease to be legal, valid, binding and enforceable; or certain insolvency and insolvency related proceedings commence in respect of the borrower.

2.1.3 **Interest:** Amounts outstanding under the loan will bear interest at a rate of 2 per cent. above EURIBOR. Default interest will be set at 1 per cent. per annum above the interest that would otherwise apply.

2.1.4 **Prepayment and cancellation:** Prepayment and cancellation may be agreed between the borrower and lender from time to time.

2.1.5 **General Undertakings:** The facility agreement contains undertakings restricting Synergy Africa's actions in respect of the Kermas Shareholder Loan Facility, to ensure that the facilities remain on the same basis in relation to cancellation, repayment and prepayment of the facilities. Synergy Africa also undertakes to inform RHL of any breach of the Kermas Shareholder Loan Facility and undertakes not to amend or waive any provisions of the Kermas Shareholder Loan Facility.

2.1.6 **Governing law:** English law and jurisdiction

### **2.2 Kermas Shareholder Loan Facility**

Kermas has agreed to provide a US\$32,152,108 on demand loan facility to Synergy Africa for the purposes of financing the Offer (the "**Kermas Shareholder Loan Facility**"). The facility may not be utilised unless the Offer has become unconditional in all respects and will rank pari passu with the RHL Shareholder Loan Facility. The key terms of the Kermas Shareholder Loan Facility relating to availability, repayment, prepayment and cancellation, general undertakings and governing

law are the same as the key terms of the RHL Shareholder Loan Facility described in paragraph 2.1 of this Part II of this document. Amounts outstanding under the loan will bear interest at a rate of 2 per cent. above US LIBOR. Default interest will be set at 1 per cent. per annum above the interest that would otherwise apply. Kermas has agreed with RHL and Synergy Africa that it will not demand repayment of the Kermas Shareholder Loan Facility unless Synergy Africa has the cash available to repay both Shareholder Loan Facilities in full and is in a financial position to repay both Shareholder Loan Facilities without material detriment to Synergy Africa and its subsidiaries.

### 2.3 **Kermas/RHL Loan Facility**

To assist RHL's funding obligation to Synergy Africa under the RHL Shareholder Loan Facility, Kermas has agreed to provide an on demand loan facility to RHL of up to US\$20,300,000. The key terms of the Kermas Shareholder Loan Facility relating to availability, prepayment and cancellation, general undertakings and governing law are the same as the key terms of the RHL Shareholder Loan Facility described in paragraph 2.1 of this Part II of this document. This loan is repayable by RHL at the expiry of nine months from the date of draw-down, subject to a three month extension at RHL's option. Amounts outstanding under the loan will bear interest at a rate of 2 per cent. above US LIBOR.

## PART III

### ADDITIONAL INFORMATION

#### 1. DIRECTORS' RESPONSIBILITY

The Directors, whose names appear in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. RUUKKI GROUP PLC

The Directors of the Company and their functions are as follows:

<b>Name</b>	<b>Function</b>
Jelena Manojlovic	Chairperson of the Board
Philip Baum	Non-executive Director
Paul Everard	Non-executive Director
Markku Kankaala	Non-executive Director
Chris Pointon	Non-executive Director
Barry Rourke	Senior Independent Non-executive Director
Dr Danko Koncar	Executive Director; Acting Managing Director

On 14 October 2010 Danko Koncar was appointed as Acting Managing Director of the Company, until the appointment of a new, permanent, Chief Executive Officer is announced.

The Company is incorporated under the laws of Finland and the rights of shareholders are governed by Finnish company law and by the Company's articles of association. The Company has a premium listing on the Main Market of the London Stock Exchange and is also listed on the NASDAQ OMX Helsinki Stock Exchange. The Company is domiciled in Espoo, Finland and its registered office is at Keilasatama 5, Espoo FI-02150, Finland.

#### 3. MAJOR SHAREHOLDERS

As at 20 October 2010 (being the last practicable date prior to the publication this document) in as far as is known to the Company, the name of each person who, directly or indirectly, is interested in five per cent. or more of the existing share capital of the Company (being the minimum threshold for notification of an interest in shares of a publicly listed company under Finnish law), and the amount of such person's interest is as follows:

<b>Name of Shareholder</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital</b>
Kermas Limited	70,766,500	28.51
Atkey Limited	51,426,401 <sup>1</sup>	20.72
Hanwa Company Limited	30,000,000	12.09
Nordea Bank Finland (nominee registered)	24,904,914	10.03
Evli Pankki Oyj (nominee registered)	18,918,518 <sup>2</sup>	7.64

The percentages in the table above relate to the issued share capital inclusive of treasury Shares. As at 20 October 2010 (the latest practicable date prior to the publication of this document) the Company held 8,740,895 Shares in treasury (3.52 per cent. of the total issued share capital). There would be a corresponding increase in the percentage figures exclusive of treasury Shares.

Save as disclosed in this paragraph 3, the Directors are not aware of any interest which will represent an interest in the Company's share capital or voting rights which is notifiable under Finnish law.

In addition to the Shares it currently holds, Kermas has been granted share option rights which may entitle it to receive further Shares. Further details of the share option rights are set out in paragraph 7.1 of this Part III. The Company has entered into the Relationship Agreement with Kermas (as more fully described below in paragraph 5 of this Part III). Should Kermas become entitled to receive further Shares in accordance with the share option rights it holds, such additional Shares may increase its holding to above 30 per cent. of the then issued Shares. If Kermas does not dispose of some of its interest in Shares it may then be required, pursuant to the provisions of the Finnish Securities Markets Act, to make a mandatory takeover bid for all remaining Shares and other securities entitling the holder to receive Shares, which could result in Kermas acquiring control of the Company.

Save as disclosed above, as at 20 October 2010 (being the latest practicable date prior to the publication of this document) the Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise control over the Company, nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

There are no differences between the voting rights enjoyed by the Shareholders disclosed in the table above in this paragraph 3 and those enjoyed by any other holder of the Shares.

#### **4. SHARES HELD BY KERMA**

As at 20 October 2010 (being the latest practicable date prior to the publication of this document), Kermas is interested in 70,766,500 Shares in the Company, representing 28.51 per cent. of the issued share capital of the Company.

<sup>1</sup> In aggregate, Atkey Limited and Aida Djakov hold 68,506,701 Shares representing 27.6 per cent. of the issued share capital.

<sup>2</sup> Of the Shares held by Evli Pankki Oyj, 16,077,500 Shares representing 6.48 per cent. of the issued share capital are held for Aida Djakov (see above footnote 1 above).

In addition to the Shares it currently holds, Kermas has been granted share option rights which may entitle it to receive further Shares. Further details of the share option rights are set out in paragraph 7.1 of this Part III.

## **5. RELATIONSHIP AGREEMENT WITH KERMAS**

The Company has entered into the Relationship Agreement with Kermas (as more fully described below in paragraph 7.3 of this Part III). Should Kermas become entitled to receive further Shares in accordance with the option rights it holds, such additional Shares may increase its holding to above 30 per cent. of the then issued Shares. If Kermas does not dispose of some of its interest in Shares it may then be required, pursuant to the provisions of the Finnish Securities Markets Act, to make a mandatory takeover bid for all remaining Shares and other securities entitling the holder to receive Shares, which could result in Kermas acquiring control of the Company.

## **6. SIGNIFICANT CHANGES**

For the period since 30 June 2010 to 31 August 2010, while the Group's revenues have been up on the comparable period in 2009 supported by higher ferrochrome prices and a product mix more in favour of ultra-low carbon ferrochrome, the operating loss widened from an unaudited €2.4 million to an unaudited €3.3 million. This was due to two main factors: (i) an increase in depreciation and overhead costs relating to a new furnace at Mogale; and (ii) a current reduction in volumes at Mogale resulting from some capacity not in operation at the present time as a result of an industrial dispute in the area where Mogale operates. The combined impact of these two factors more than outweighed the higher ferrochrome price impact.

Other than the change in operating loss reported above there has been no significant change in the financial or trading position of the Company since 30 June 2010, being the date to which the last unaudited interim financial information has been published.

## **7. MATERIAL CONTRACTS**

The following comprises a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Group is a party, and which is relevant in the context of the Company's relationship with Kermas, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contains any provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

### **7.1 Purchase agreement in relation to TMS, RCS and EWW**

On 9 October 2008, the Company entered into a master purchase agreement with Kermas pursuant to which (inter alia): (i) the Group acquired approximately 98.74 per cent. of the shares in TMS and 100 per cent. of the shares in RCS; and (ii) RCS entered into an amended toll manufacturing agreement with EWW in relation to the further processing of RCS products at EWW's ferrochrome smelting and productions operations in Weisweiler, Germany. Following the completion of the transaction, the Company's interest in TMS was amended from 98.75 per cent. to 98.74 per cent.

The consideration payable for the acquisition comprised (i) €80.0 million paid in cash on the closing of the acquisition in October 2008 and (ii) earn-out consideration pursuant to a profit and loss sharing arrangement, under which Kermas is entitled to receive a 50 per cent. share of any profit and obliged to pay a 50 per cent. share of any loss based on the combined net profit or loss of RCS and

the TMS group assessed separately each year for each of the calendar years 2009, 2010, 2011, 2012 and 2013. The profit share is capped at €150 million aggregated across the five year period. The profit share is not paid in cash, but by the issue of shares in the Company. A total of 73,170,731 option rights (each option right being an entitlement to one share in the Company) were granted, potentially entitling Kermas to subscribe for up to 73,170,731 shares in the Company at a price of €2.30 per share subject to adjustments for dividends and distributions. If there is no profit share, then the option rights are not exercisable, and Kermas has no entitlement to subscribe for any shares in the Company. Any loss share is payable in cash as a reduction to the purchase price.

For a period of 24 months from the date of the closing of the transaction in late October 2008, the Company has the irrevocable and unilateral right to sell the TMS shares held by it to Kermas and Kermas is obliged to purchase and receive such shares. The put option was granted to the Company as it was unable to verify all necessary information relating to TMS in its due diligence prior to entering into the contract. Other than with respect to the put option (which is in respect of the share in TMS only), the Company cannot sell or transfer the TMS shares or the RCS shares without the prior consent of Kermas prior to the expiry of the last profit share period, being the end of the 2013 calendar year.

Kermas gave certain customary taxation, environmental, health and safety, property, operational and other warranties to the Company on an indemnity basis. Other than with respect to pre-closing taxation and environmental liabilities, the warranties given by Kermas are capped at €60 million.

#### *Lock-up agreement*

In connection with the transaction, Kermas entered into a lock-up commitment with regard to the 15 million shares in the Company that it undertook to acquire within 10 business days of the closing of the transaction. Kermas is not entitled to (*inter alia*) sell, transfer or dispose of such shares for a period of five years from the closing of the transaction, save that Kermas is entitled to tender all of its shares in the Company in connection with any tender offer made for the Company.

#### *Management agreement*

In view of the Group's inexperience in the mineral/mining sectors prior to the transaction, the Company and Kermas entered into a management agreement under which Kermas agreed to manage the businesses of RCS and TMS until 31 December 2013, at which time Kermas will transfer the relevant know-how and expertise to the Company in order to enable it to independently manage the businesses of RCS and TMS.

The management services to be provided by Kermas include the provision of know-how and assistance in relation to the operations and businesses of RCS and TMS and in order to minimize the costs associated with the toll manufacturing operations of EWW. Kermas will provide all employees or directors of Kermas as are required for the provision of the management services, including, at a minimum, Dr Danko Koncar and Mr Jürgen Schalomon. Kermas also has the right to appoint an observer to the board of RCS or TMS who will be entitled to participate in board meetings but will have no voting rights. Other than with regard to Kermas' reasonable costs or expenses incurred in providing the management services, there is no management fee payable to Kermas.

#### *EWW toll manufacturing agreement*

As part of the arrangements, the toll manufacturing agreement entered into by RCS and EWW on 27 February 2008 was amended on 29 October 2008. The agreement governs the provision by EWW of high-quality low carbon and ultra low carbon ferrochrome products for RCS and the provision by

RCS (at its own expense) of the raw materials required for EWW to fulfil its manufacturing obligations.

The amended toll manufacturing agreement has an initial term of five years until 27 February 2013 after which time it will continue for a further five years unless terminated by RCS (by giving at least six months' notice prior to the end of the initial term). After the initial term or (if applicable) the secondary five year term, either party may terminate the amended toll manufacturing agreement by giving at least twelve months' notice. The tolling fee payable by RCS to EWW is based on the manufacturing production costs plus a 5 per cent profit margin.

The Company has accrued the benefits from and controlled the business of EWW and, in fact, has been able to govern the financial and operating policies of EWW primarily as a result of a toll manufacturing agreement between EWW and RCS, the Company's subsidiary. As a result, the Company has incorporated the financial statements of EWW in its consolidated financial statements for the financial years ended 31 December 2008 and 31 December 2009 and will include EWW in its consolidated financial statements for the financial period ended 31 December 2010.

#### *EWW call option*

The Company secured an undertaking from Kermas that it would waive its right to transfer its shares in EWW (a wholly owned subsidiary of Kermas) until 31 December 2013. Thereafter, until 31 March 2014, the Company will have a call option over the EWW shares. If the Company does not exercise its call option within that three month period, thereafter it has a five year right of first refusal in relation to the EWW shares. The prior written consent of the Company to the disposal of any part or the whole of the EWW shares by Kermas is required (not to be unreasonably withheld in relation to transfers to affiliated companies). If either Kermas or the Company breaches any provision of the call option agreement, then notwithstanding any compensatory damage or other claims, that party will be subject to a contractual penalty of €10 million per breach and relinquishment of the continued relationship.

The Company has taken the view that, in fact, it has been able to exercise its call option to acquire EWW at any time. Kermas and the Company also formally agreed on 3 June 2010 that the call option can be executed by the Company at any time.

## **7.2 Acquisition agreement in relation to Mogale**

Under the terms of an agreement entered into on 25 May 2009 between Ruukki SA, the Mogale Vendors and Mogale, Ruukki SA acquired a 84.9 per cent. stake in Mogale (the "**Mogale SPA**"). The total purchase price was originally ZAR 1,850 million, plus ZAR 150 million payable to a trust established for Mogale management incentives. Of the purchase price, ZAR 1,125 million and half the ZAR 150 million management incentive was paid in cash at closing of the transaction on 28 May 2009. The balance of the purchase price (ZAR 725 million plus ZAR 75 million), plus interest thereon, was to be paid in cash over a period of five years from closing of the transaction, of which the second, unconditional, tranche of ZAR 200 million was due in May 2010. The Group paid ZAR 12 million in 2009, ZAR 187 million on 27 May 2010 and a further ZAR 13 million in July 2010. The remaining ZAR 600 million conditional payment (including the further ZAR 75 million incentive payment) is conditional upon Mogale receiving certain operational permits and licences with respect to its furnaces.

There is a dispute as to whether the conditions for payment of the remainder of the purchase price have been met. Ruukki has received a notification that the Mogale Vendors have commenced legal actions in South Africa against Ruukki SA relating to the remaining ZAR 600 million, which represents 30 per cent. of the full purchase price for Mogale, along with a claim for interest of ZAR

88.2 million. Ruukki has already recorded the majority of the claimed amount as a liability in Ruukki's consolidated balance sheet. The result of the legal action, is therefore, not expected to have any significant negative effect on the financial status of the Group in any event.

The Mogale SPA provides that where there is a dispute in regard to whether or not amounts are due and payable, such a dispute is to be referred to an independent attorney for determination. The Mogale Vendors have nevertheless instituted legal proceedings against Ruukki SA, who will vigorously defend the claim.

Furthermore the ZAR 12 million which was paid to the Mogale Vendors in 2009 as part of the remaining ZAR 600 million was erroneously paid after the Mogale Vendors falsely alleged that one of the furnaces had met all of the conditions. It is Ruukki's intention to claim this amount back.

The Mogale Vendors gave Ruukki SA customary warranties (on an indemnity basis) in relation to title, taxation, litigation, health and safety, contracts, property, environment and other matters.

At the time of negotiation of the Mogale SPA, it transpired from an environmental consultant's report, that Mogale potentially had liabilities as a result of non-compliance with South African environmental law relating to the operations conducted by Mogale. The Mogale Vendors were only willing to provide Ruukki SA with warranties in relation to its compliance with South African environmental law if such warranties were qualified with reference to the contents of the environmental consultant's report. As this was not acceptable to Ruukki SA, subsequent to the closing of the transaction, the Mogale Vendors, Ruukki SA and Kermas entered into an amendment and indemnity agreement on 2 November 2009 in terms of which, inter alia, Kermas provides Ruukki SA with warranties in relation to Mogale's environmental liabilities and indemnifies Ruukki SA against any loss, liability, damage or expense which Ruukki SA may suffer as a result of or which may be attributable to any claim which Ruukki SA would have had against the Mogale Vendors had the Golder Report not been disclosed in the disclosure schedule. The indemnity agreement applies retrospectively from the effective date under the Mogale SPA.

### **7.3 Relationship Agreement**

The Company has entered into the Relationship Agreement with its major shareholder Kermas and Dr. Danko Koncar and Kermas' majority shareholder (who is Dr. Danko Koncar's cousin) dated 30 June 2010 in order to regulate the relationship between the parties thereto.

Following the Company's extraordinary general meeting held on 11 August 2010 at which Dr. Danko Koncar was appointed as an executive director of the Company in the role of "Director Responsible for New Business", Dr. Danko Koncar agreed to present all discovered business opportunities in the minerals sector to the Company. The Company will decide whether any such business opportunity should be pursued by the Company. If the Company decides not to pursue any opportunity presented to it by Dr. Danko Koncar, Kermas will be entitled to develop the opportunity independently of the Company. In the event that Kermas decides to sell all or any part of its interests in any of its assets, the Company will have a right of first offer and a right to match any other offer in relation to such interests. Following the admission of Ruukki's Shares to the official list of the UK Listing Authority and to trading on the main market of the London Stock Exchange, Kermas has also agreed not to engage in any business which wholly or partly competes with any business carried on by the Group and not to undertake any new or independent projects or businesses unless such projects have been rejected by the Company after being presented to the Company by Dr. Danko Koncar.

Kermas has also agreed that subject to the provisions of the Relationship Agreement, all transactions between the Group and the Kermas Group (as defined in the Relationship Agreement) will be

entered into on arm's length terms and on a normal commercial basis and to abstain from voting in any shareholder resolution which may be required in relation to any related party transaction between the Group and the Kermas Group. Kermas's majority shareholder has agreed to exercise the rights and powers attaching to her shares in Kermas to procure that Kermas complies with its obligations under the Relationship Agreement.

Dr. Danko Koncar has also agreed that for so long as he is employed by the Group he shall operate in this position solely in the interest and to the benefit of the Company. He has agreed that he shall disqualify himself from voting at any meeting of the Board of Directors where the Kermas Group has or may have a direct or indirect interest which conflicts or which possibly may conflict with the interests of the Group.

#### **7.4 Standby facility agreement with Kermas**

On 27 May 2010, Ruukki agreed a new US\$55 million standby facility with Kermas, for working capital purposes. An amendment agreement was entered into on 30 June 2010 under which Kermas agreed to provide security over US\$25 million of bonds issued by Citigroup Inc. and Merrill Lynch & Co. as collateral in respect of its obligations under the facility agreement. A pledge agreement was also entered into on 30 June 2010 between Kermas and the Company. The facility was originally available to be drawn down for a period of two years from the date of the agreement, although this has now been amended to a period ending on 31 December 2011. The pledge agreement is in effect until 31 December 2011. As at the date of this document, the facility was undrawn. If drawn down, the loan is repayable in a single payment on the final day of the loan term, being three years from the date of the first draw down, subject to Ruukki's right to pre-pay the whole or part of the loan on 2 business days' notice. The interest rate is 3 month LIBOR plus a margin of 1.0 per cent. per annum. Ruukki is also obliged to pay a transaction fee of 0.5 per cent. per annum of the loan facility amount for two years irrespective of any drawdown. Ruukki's obligations under the loan are unsecured. Ruukki has provided certain representations and warranties to Kermas and these will be repeated on any drawdown.

#### **7.5 Joint Venture Agreement relating to Synergy Africa and Shareholder Loan Facilities**

On 29 September 2010, RHL, Kermas and Synergy Africa entered into the Joint Venture Agreement in order to facilitate the acquisition of Chromex pursuant to the Offer. On the same date, RHL and Kermas entered into a US\$20,300,000 loan agreement and each of RHL and Kermas entered into loan agreements with Synergy Africa for the purpose of financing the Offer and other related matters. The material terms of the Joint Venture Agreement and the loan agreements are conditional upon the Offer becoming unconditional in all respects. The key terms of these arrangements are contained in Part II of this document.

### **8. SERVICE CONTRACT OF DR. DANKO KONCAR**

Dr. Danko Koncar has a service contract with RHL, the holding company for the minerals processing business segment, which was entered into on 30 June 2010, with effect from 4 November 2009, which provides for a fixed monthly gross salary of €25,000, and an annual bonus based on targets set by the Board of Directors of Ruukki and capped at 24 months' salary. The bonus for 2010 is based on the 2010 EBITDA of the minerals processing business segment on a 24 point scale between the 2009 performance and the 2010 budget. Dr. Danko Koncar is entitled to customary benefits including pensions benefits in accordance with mandatory provisions of applicable law, occupational health care and travel and other insurances. The agreement also contains a non-compete clause in which Dr. Danko Koncar agrees not to participate in any activity directly or indirectly competing with that of RHL or which otherwise is contrary to its reasonable business

interests for the duration of the service contract and for six months following termination thereof, without the prior written approval of the Board of Directors of Ruukki. The notice period for termination is six months for notice by the company and three months for notice by Dr. Danko Koncar. Save for the continuation of pay and contractual benefits during the notice period and the entitlement of Dr. Danko Koncar to transfer relevant insurances to himself, his service contract does not provide for any additional benefits upon termination. Dr. Danko Koncar's service contract also contains certain provisions to reflect the terms of the Relationship Agreement (see paragraph 7.3 of this Part III).

## **9. DR. DANKO KONCAR'S INTERESTS IN SHARES**

Dr. Danko Koncar is a director of Kermas which owns 70,766,500 Shares, representing 28.51 per cent. of voting rights in Ruukki. Kermas is controlled by Dr. Danko Koncar's cousin.

In addition to the Shares referred to above, Kermas has 73,170,731 option rights in respect of Shares, which will become exercisable at a price of €2.30 (as adjusted for dividends and distributions since November 2008 and as at the date of this document such adjusted price being €2.22) should there be a profit share in relation to the earn out relating to the acquisition of the European minerals processing business from Kermas. See also paragraph 7.3 of this Part III of this document.

Dr. Danko Koncar is married to Jelena Manojlovic, who also has the right to receive 150,000 Shares, subject to entering into a lock up agreement in respect of those Shares pursuant to the I/2010 subscription rights under the share issue resolutions of the 2010 annual general meeting and the Board meeting of 1 June 2010. Jelena Manojlovic has the right to receive a further 50,000 Shares if she is still a director has the right to receive a further 50,000 Ordinary Shares if she is still a Director after the second annual general meeting of the company following the 2010 annual general meeting. If issued, these Shares will be subject to a three year lock up from the date of subscription/transfer. If issued prior to the third annual general meeting following the 2010 annual general meeting and her term of office ends prior to that date one third of these Shares will be redeemable by the Company free of charge. She has the right to receive a further 50,000 Shares if she is still a Director after the third annual general meeting of the company following the 2010 annual general meeting. If issued, these Shares will be subject to a three year lock up from the date of subscription/transfer. The subscription period for all Shares in the I/2010 subscription right ends on 21 April 2015.

## **10. RELATED PARTY TRANSACTIONS**

The Group has entered into a number of related party transactions with Kermas.

In April 2008 Kermas and EWW entered into a share purchase agreement whereby EWW sold its shares of TMS for a purchase price of €600,000 to Kermas in June 2008.

In June 2008 EWW and Kermas entered into a loan agreement under which EWW granted Kermas a loan of €10,000,000 with a term of 31 December 2008 and at an interest of 5 per cent. This loan agreement was subsequently amended, at the end of 2008. The interest rate was amended to 4 per cent. and EWW granted an additional loan of €5,000,000, taking the entire loan to €15,000,000. The loan was to be repaid on 31 December 2009. In 2008, interest income of €298,000 arose and was accrued.

The Group purchased the Southern European minerals processing business from Kermas in October 2008. Further details of the transaction documents are set out in paragraph 7.1 of this Part III of this document.

Kermas committed itself in October 2009 to grant to Ruukki South Africa (Pty) Limited a pledge of part of Kermas' holding of Shares in relation to the environment liabilities of Mogale for an amount corresponding to 5 per cent. of the issued Shares.

The Company entered into a standby facility agreement with Kermas as described in paragraph 7.4 of this Part III of this document in May 2010 and entered into a supplemental agreement in relation to the facility agreement on 30 June 2010.

Dr. Danko Koncar, who is a director of Kermas which is a significant shareholder of Ruukki, entered into a service contract with the Company on 30 June 2010. Further details are set out in paragraph 8 of this Part III.

On 29 September 2010, Kermas, RHL and Synergy Africa entered into various agreements relating to the Offer and the Joint Venture Proposal, further details of which are set out in Part II of this document.

## **11. CONSENTS**

Investec Bank plc has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of the Company at Keilasatama 5, 02150 Espoo, Finland, and the offices of Herbert Smith LLP, Exchange House, Primrose Street, London, EC2A 2HS, United Kingdom during normal business hours on Monday to Friday each week (public holidays excepted) from the date of a period from and including the date of publication of this document up to and including the date of the Extraordinary General Meeting and for the duration of the Extraordinary General Meeting:

- (a) the articles of association of the Company;
- (b) the annual reports and accounts of the Company for the years ended 31 December 2008 and 31 December 2009;
- (c) the interim report of the Company for the three month period ended 31 March 2010;
- (d) the interim report of the Company for the three month period ended 30 June 2010;
- (e) the Offer Document;
- (f) the written consent referred to in paragraph 11 of this Part III; and
- (g) this document.

Copies of the Offer Document and this document will also be available for inspection on Ruukki's website at [www.ruukkigroup.fi](http://www.ruukkigroup.fi), from the date of a period from and including the date of publication of this document up to and including the date of the Extraordinary General Meeting and for the duration of the Extraordinary General Meeting:

This document is dated 22 October 2010.

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<b>"AIM"</b>	The AIM Market of the London Stock Exchange
<b>"Board" or "Directors"</b>	the directors of the Company
<b>"Chairperson"</b>	the chairperson of the Board
<b>"Chromex"</b>	Chromex Mining plc, a public limited company incorporated in England and Wales with registered number 5566992
<b>"Chromex Group"</b>	Chromex and its subsidiaries and subsidiary undertakings
<b>"Chromex Shareholders"</b>	holders of Chromex Shares
<b>"Chromex Shares"</b>	the existing unconditionally allotted or issued and fully paid ordinary shares of 1p each in the capital of Chromex and any further such shares which are unconditionally allotted or issued and fully paid, and any Treasury Shares unconditionally sold or transferred by Chromex, in each case, before the date on which the Offer closes (or such earlier date(s) as Synergy Africa may, subject to the Code, determine), including any such shares so unconditionally allotted or issued pursuant to the exercise of Chromex Warrants or of options granted under the Chromex Share Options or pursuant to the Langa Trust Convertible Loan Subscription Agreement
<b>"Chromex Share Options"</b>	the options to acquire Chromex Shares held by various current and former officers and employees of the Chromex Group which give the right to subscribe for, in aggregate, 5,575,000 Chromex Shares at 25 pence per share and 2,050,000 Chromex Shares at 30 pence per share
<b>"Chromex Warrants"</b>	the 2,679,665 warrants in issue giving the right to subscribe for one Chromex Share for each warrant held at a subscription price of 20 pence per share
<b>"Code"</b>	the City Code on Takeovers and Mergers
<b>"Extraordinary General Meeting" or "EGM"</b>	the extraordinary general meeting of the Company to be held at 9:00 a.m. (Finnish time) on 17 November 2010, or any adjournment thereof
<b>"EWW"</b>	Elektrowerk-Weisweiler GmbH, a company incorporated in Germany with whom the Group has a long term toll manufacturing arrangement
<b>"Finnish Companies Act"</b>	the Finnish Companies Act (624/2006), as amended
<b>"Finnish Securities Markets Act"</b>	the Finnish Securities Markets Act (495/1989), as amended
<b>"Group"</b>	Ruukki and its subsidiaries and subsidiary undertakings (as

	defined in the Finnish Companies Act)
<b>"Joint Venture Agreement"</b>	the agreement between RHL, Kermas and Synergy Africa dated 29 September 2010 relating to Synergy Africa details of which are set out in paragraph 1 of Part II of this document
<b>"Joint Venture Proposal"</b>	the arrangements agreed by the Company and Kermas relating to the establishment and financing of Synergy Africa for the purposes of making the Offer, the subsequent holding of Chromex Shares and related arrangements
<b>"Kermas"</b>	Kermas Limited, a company incorporated in the British Virgin Islands with registration number 504889, with interests in the minerals sector and being a major Shareholder of Ruukki
<b>"Kermas Group"</b>	Kermas and its subsidiaries and subsidiary undertakings
<b>"Kermas Shareholder Loan Facility"</b>	the loan facility agreement dated 29 September 2010 between Synergy Africa and Kermas pursuant to which Kermas has agreed to lend US\$32,152,108 to Synergy Africa to fund the Offer and conditional on the Offer becoming unconditional, details of which are set out in Section 2 of Part II of this document
<b>"Kermas RHL Loan Facility"</b>	the loan facility agreement dated 29 September 2010 between Kermas and RHL pursuant to which Kermas has agreed to lend US\$20,300,000 to RHL such funds to be used by RHL to provide funding to Synergy Africa pursuant to the RHL Shareholder Loan Facility details of which are set out in Section 2 of Part II of this document
<b>"Langa Trust Convertible Loan Subscription Agreement"</b>	the subscription agreement dated 3 March 2009 pursuant to which Langa Trust is entitled to subscribe for Chromex Shares in respect of the outstanding principal and accrued interest under a loan facility agreement dated 3 March 2009 at a conversion price of 22 pence per Chromex Share converted at the prevailing ZAR/£ exchange rate
<b>"Listing Rules"</b>	the listing rules issued by the UK Listing Authority pursuant to Part VI of the Financial Services and Markets Act 2000
<b>"Mogale"</b>	Mogale Alloys (Proprietary) Limited, a company incorporated in South Africa with registration number 2002/015207/07 and involved in the Group's minerals business
<b>"Mogale Vendors"</b>	Johan Frederik Oosthuizen, Metmar Limited, Gujo Investments (Proprietary) Limited, Corocapital Limited, Isak Carel Pienaar, the Trustees for the time being of the Ferguson Family Trust, Sebeso Benefication (Proprietary) Limited, Leswikeng Minerals & Energy (Proprietary) Limited
<b>"Offer"</b>	the recommended cash offer made by Synergy Africa to acquire all of the Chromex Shares on the terms and subject to the conditions set out in the Offer Document and the forms of

	acceptance relating thereto, and including, where the context so requires, any subsequent revision, variation, extension or renewal of such offer
<b>"Offer Document"</b>	the document sent to Chromex Shareholders on 18 October 2010 containing the terms and conditions of the Offer
<b>"Offer Period"</b>	the period commencing on (and including) 15 July 2010 until whichever of the following times and dates shall be the latest of: <ul style="list-style-type: none"> <li>(i) 1.00 p.m. (London time) on the first closing date of the Offer; and</li> <li>(ii) the earlier of: <ul style="list-style-type: none"> <li>(a) the time and date at the Offer lapses; and</li> <li>(b) the time and date at which the Offer becomes unconditional.</li> </ul> </li> </ul>
<b>"RCS"</b>	RCS Limited, a company incorporated in Malta with registration number C43287 and involved in the Group's minerals business
<b>"Relationship Agreement"</b>	an agreement entered into between the Company, Kermas and Dr. Danko Koncar and Kermas' majority shareholder (who is Dr. Danko Koncar's cousin) dated 30 June 2010 in order to regulate the relationship between the parties thereto
<b>"Resolution"</b>	the ordinary resolution to approve the Joint Venture Proposal to be proposed at the Extraordinary General Meeting, the full text of which is set out in the Notice of Extraordinary General Meeting at the end of this document
<b>"RHL"</b>	Ruukki Holdings Limited, a company incorporated in Malta with registration number C45836 and a wholly owned subsidiary of Ruukki
<b>"RHL Shareholder Loan Facility"</b>	the loan facility agreement dated 29 September 2010 between Synergy Africa and the RHL pursuant to which RHL has agreed to lend €24,360,697 to Synergy Africa to fund the Offer and conditional on the Offer becoming unconditional, details of which are set out in Section 2 of Part II of this document
<b>"Ruukki Directors"</b>	the Directors of Ruukki
<b>"Ruukki" or "Company"</b>	Ruukki Group Plc
<b>"Ruukki SA"</b>	Ruukki South Africa (Proprietary) Limited
<b>"Shareholder"</b>	a holder of one or more Shares; and <b>"Shareholders"</b> shall be construed accordingly
<b>"Shareholder Loan Facilities"</b>	the RHL Shareholder Loan Facility and the Kermas Shareholder Loan Facility Agreement

<b>"Shares"</b>	ordinary shares of no par value each in the capital of Ruukki
<b>"Synergy Africa"</b>	Synergy Africa Limited, a private limited company incorporated in England and Wales with registered number 7382978
<b>"Synergy Africa Group"</b>	Synergy Africa and its subsidiaries and subsidiary undertakings
<b>"TMS"</b>	Turk Maadin Sirketi A.S, a company incorporated in Turkey with registration number 2996 and involved in the Group's minerals business
<b>"UK" or "United Kingdom"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"UK Listing Authority" or "UKLA"</b>	the Financial Services Authority as the competent authority under Part VI of the Financial Services and Markets Act 2000
<b>"£" or "Sterling"</b>	pounds sterling, the lawful currency for the time being of the UK and references to "pence" and "p" shall be construed accordingly
<b>"ZAR"</b>	South Africa Rand, the lawful currency of the Republic of South Africa

# Ruukki Group Plc

(Incorporated as a public limited company governed by the laws of Finland with business identity code 0618181-8 and trade register number 360.572)

(the "Company")

## SUMMARY OF NOTICE OF EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting for shareholders of the Company will be held at 9:00 a.m. (Finnish time) on 17 November 2010 at Keilasatama 5, Espoo FI-02150, Finland.

The formal notice to convene the Extraordinary General Meeting will be published in the Finnish Language newspaper, *Helsingin Sanomat*, on or around 25 October 2010. Notice has also been given by stock exchange release.

### A. Matters on the agenda

1. *Opening of the meeting*
2. *Election of the chairman of the meeting and the secretary of the meeting*
3. *Approval of the agenda*
4. *Election of the scrutinizer of the minutes and the person to supervise the counting of votes*
5. *Recording the legality and quorum of the meeting*
6. *Adoption of the list of votes*
7. *Relation party transaction arrangements in connection with the proposed acquisition of Chromex Mining plc*

The Board of Directors proposes that the arrangements between the Company, Kermas Limited and Synergy Africa Limited relating to the formation and financing and holding of shares of Synergy Africa and the acquisition and subsequent holding of shares in Chromex Mining plc as detailed in the circular dated 22 October 2010 (the "**Circular**") and the Joint Venture Agreement, the Shareholder Loan Facilities and the Kermas RHL Loan Facility (as defined in the Circular) be and are hereby approved and that the Directors be and are hereby authorised to take all such steps as may be necessary or acceptable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations, revisions or amendments are not of a material nature) as they shall deem necessary or desirable.

8. *Closing of the meeting*

### B. Documents

Documents to be kept on view in accordance with the Finnish Companies Act are available for the shareholders' inspection no later than a week before the Extraordinary General Meeting at the Company's headquarters at the address Keilasatama 5, FI-02150 Espoo. In addition, the documents will be available no later than 21 days before the Extraordinary General Meeting on the Company's website at the address [www.ruukkigroup.fi](http://www.ruukkigroup.fi). Copies of these documents will be sent to the shareholders on request.

### **C. Other instructions**

#### **1. Right to attend**

A shareholder who no later than on 5 November 2010 is registered as the Company's shareholder in a shareholder register held by Euroclear Finland Ltd has the right to participate in the Extraordinary General Meeting. A shareholder whose shares are registered on his/her personal Finnish book-entry account is registered in the Company's shareholder register.

#### **2. Notice to attend**

A shareholder wishing to attend the Meeting shall give the Company a notice to attend the meeting no later than by Friday 12 November 2010 at 4:00 p.m. (Finnish time), either:

- by letter to Ruukki Group Plc, Keilasatama 5, 02150 Espoo;
- by e-mail to ilmo@ruukkigroup.fi; or
- by fax on +358 10 440 7001.

In addition to his/her name, a shareholder is also requested to inform the Company of his/her identity number or business ID, address, phone number and the name of a possible representative. The personal data of shareholders shall be used only for purposes related to the general meeting and necessary registration related thereto.

#### **3. Proxy representative and powers of attorney**

A shareholder has the right to attend the Meeting and exercise his/her rights by way of proxy representation. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder. If a shareholder participates in the Extraordinary General Meeting by means of several proxy representatives representing the shareholder with shares on different securities accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration.

Proxy documents should be delivered (as originals) together with the notice to attend to address Ruukki Group Plc, Keilasatama 5, FI-02150 Espoo not later than 4:00 p.m. (Finnish time) on 12 November 2010.

#### **4. Holders of nominee registered shares**

A holder of nominee registered shares should request in good time in advance necessary instructions regarding the registration in the Company's shareholder register, issuing of proxy documents and registration for the Extraordinary General Meeting from his/her custodian bank. The account management organization of the custodian bank will register a holder of nominee registered shares, who wants to participate in the Extraordinary General Meeting, to be entered into the Company's temporary shareholder register no later than by 10:00 a.m. (Finnish time) on 12 November 2010.