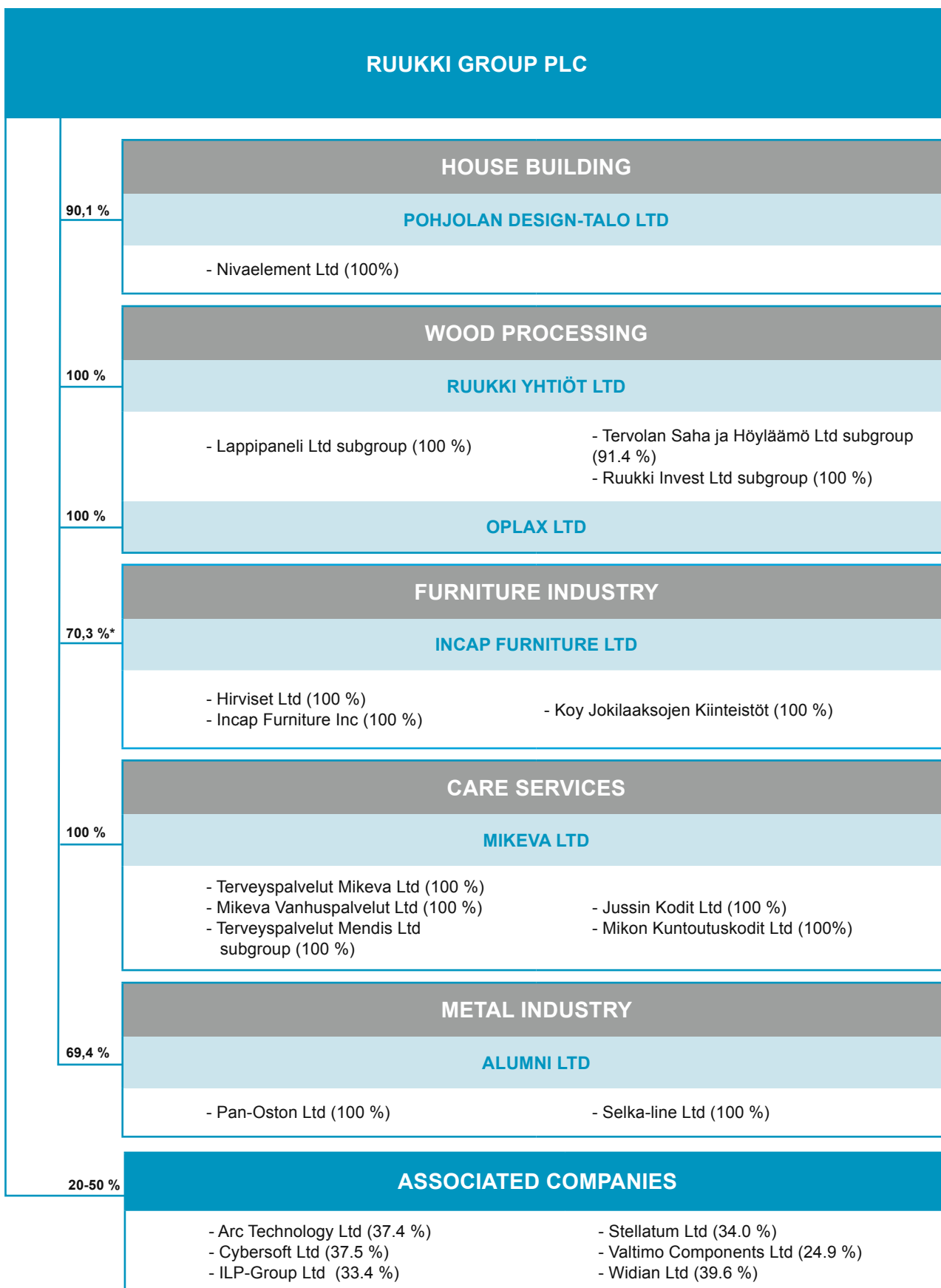


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RUUKKI | **GROUP**

ANNUAL REPORT

1.1.2006 - 31.12.2006



* Ruukki Group's ownership in Incap Furniture Ltd totals ca. 70.3%, of which Ruukki Group Plc's share is ca. 11.3% and its subsidiary's Hirviset Group Ltd's ownership ca. 59.1 %.

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INFORMATION FOR SHAREHOLDERS

Key information on Ruukki Group:

FINANCIAL INFORMATION (EUR million)	2006	2005
Revenue	125.5	91.1
Operating profit (EBIT)	13.0	9.0
Profit before taxes	12.2	8.5
Total assets	116.1	89.1
Operating profit-%	10.4%	9.8%
Return on investment-%	17.7%	25.4%
Equity ratio	60.1%	32.9%
Personnel, average	570	387

IDENTIFICATION DATA OF THE COMPANY:

Corporate name	Ruukki Group Plc
Domicile	Oulunsalo
Business ID-number	0618181-8
Business	development company
Business units	house building (prefabricated houses), sawmilling, furniture business, care services, metal industry
Trading code	RUG1V (OMX Nordic Exchange)

Ruukki Group's financial information in 2007

Ruukki Group will publish three interim reports in 2007:

1 Jan-31 Mar 2007 (3 months)	15 May 2007
1 Jan -30 Jun 2007 (6 months)	14 August 2007
1 Jan - 30 Sep 2007 (9 months)	13 November 2007

Ruukki Group publishes financial information in Finnish and in English.

The annual report, interim reports and stock exchange releases are published in pdf-format on Ruukki Group's website at <http://www.ruukkigroup.fi/sivu/en/>. Publications can be subscribed also by phone +358-9-25 111 00 or by e-mail at milka.taipale@ruukkigroup.fi

Annual General Meeting

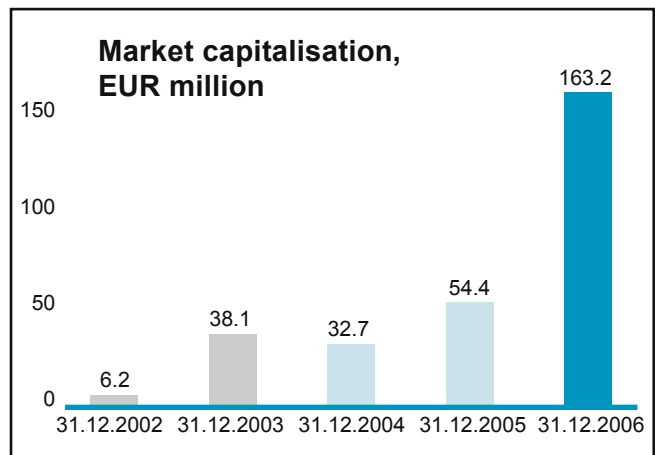
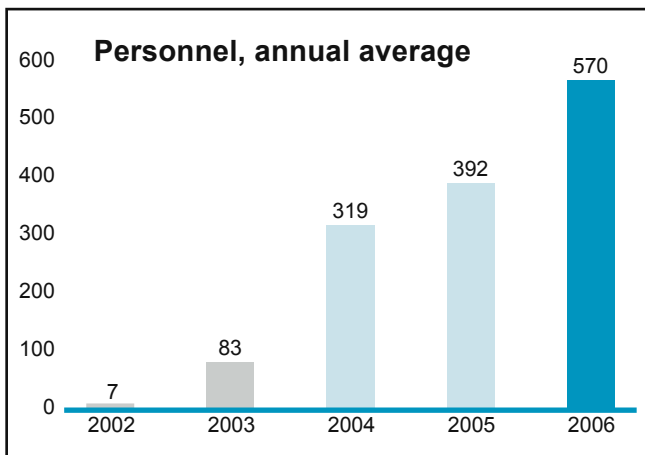
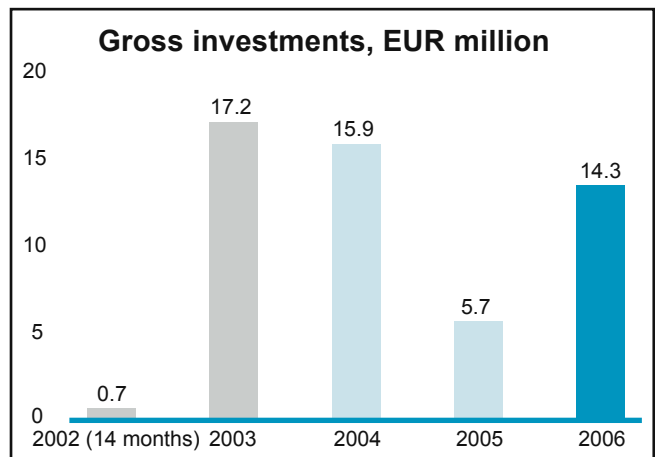
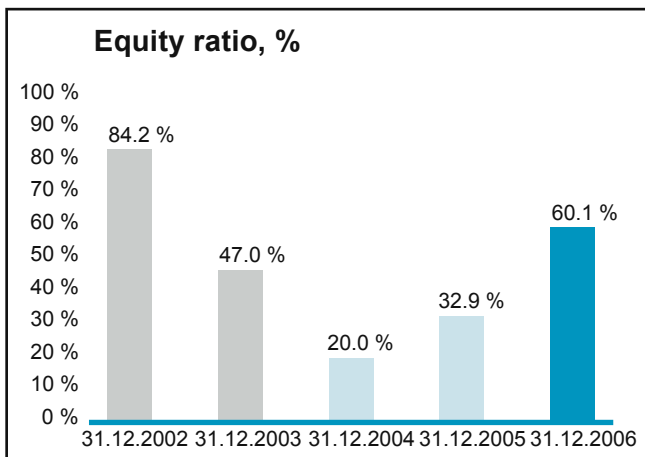
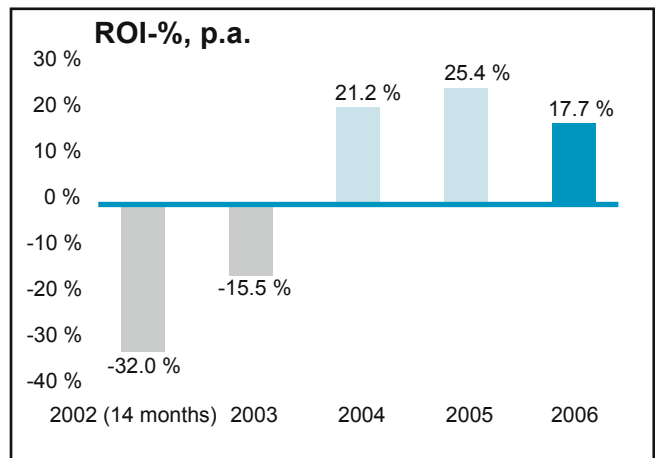
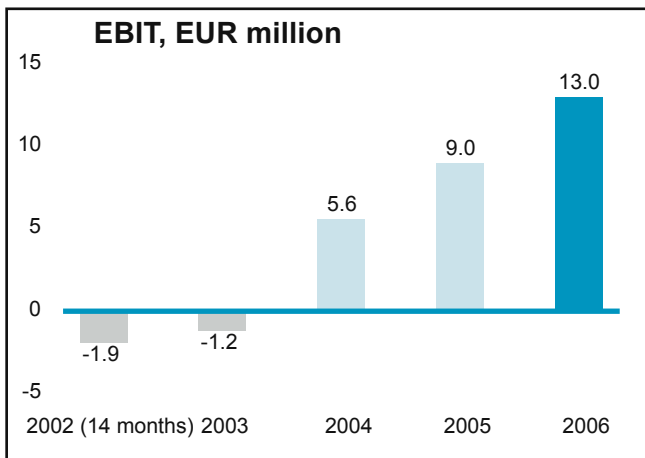
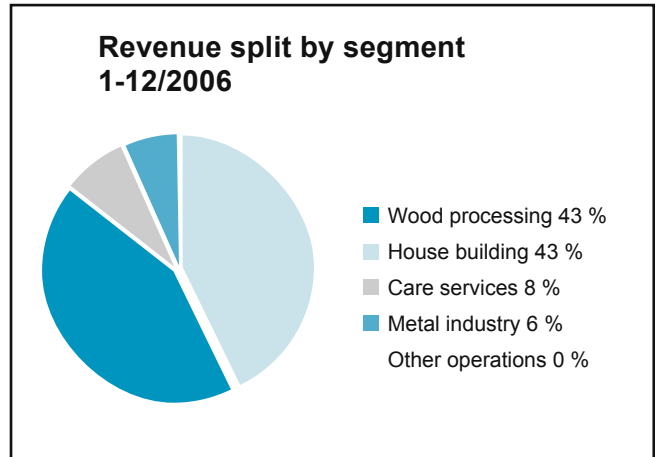
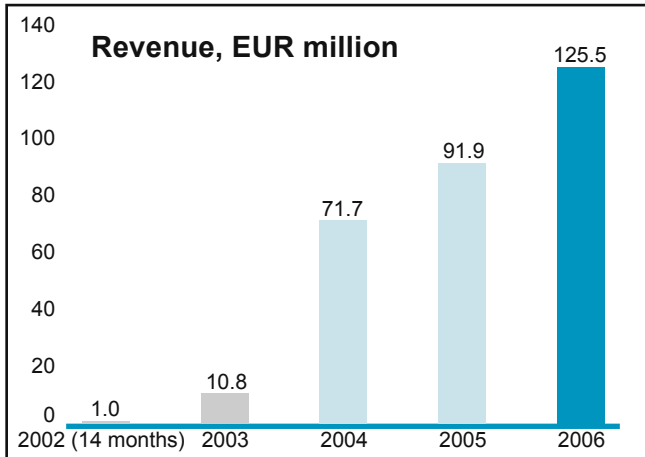
The Annual General Meeting of Ruukki Group Plc will be held on Friday 20 April 2007 at 10 am in Espoo.

The Board of Directors has decided to propose at the 2007 Annual General Meeting of Ruukki Group Plc, that the company would pay out, from the retained earnings, a dividend of three (3) cents (EUR 0.03) per share. The new shares of the company, which have been publicly traded since 14 February 2007 are not entitled to the dividend.

Disclaimer

The annual report is a translation from the original annual report in Finnish language. In the event of any discrepancy between the annual report in Finnish and its English translation, the annual report in Finnish shall prevail.

FINANCIAL PERFORMANCE INDICATORS



CEO'S REVIEW

For every CEO of a publicly listed developing company the problem – when writing annual review – is how much the review should focus on the previous year's events. On the other hand, the annual review should specifically congregate the past events, and thereby gather annual financial statements information and the related compulsory assessments.

When the momentum is fast, the previous year's appraisal and its events' repetition is somewhat useless, taking into account that the emphasis of management and board actions has to be on future and group development. Especially important this is in swift changes where Ruukki Group is at the moment.

Previous strategies have mainly been – during the past two years – changed due to strategy work compiled by the board, and therefore our group is in the phase of rapid revenue and market capitalisation growth.

The basis has lied at both the multiple segments' simultaneous development and the previously mentioned strategy refocusing. This way the group operations have been concentrating on fewer segments, faster growth and internationalisation. Particularly in the future the main areas of interest are at traditional industrial activities, to growing extent in the wood processing industry.

As a consequence of the ongoing strategy process, at the end of 2006 significant investment agreements were signed to start wood processing operations in Kostroma Oblast in Russia. These agreements were officially registered in the beginning of 2007. The agreements include 49-year harvesting rights, and on the other hand obliges the group to invest in major sawmilling facility and CTMP pulp mill during the next two to three years. Therefore, the group will grow considerably and become more international, which will put new demands and challenges to group personnel.

Despite the fastening changes the group's cornerstone still is based at entrepreneurship and entrepreneurs. Group management and board members, as well as subsidiaries's management predominantly consist of entrepreneurs. I further do believe that through this base value the group is going to deliver strong business growth combined with good profitability, which will have positive effect on market capitalisation.

The last months have been particularly busy, and the group personnel have been stretched to obtain the good results. For this great effort I will want to give my thanks for the whole team. Moreover, also the customers and other stakeholders are to be thanked for.

As the tradition has been, I can once again promise that the action and spirit of doing will continue at Ruukki Group's operation.

Antti Kivimaa
CEO

KEY EVENTS DURING THE FINANCIAL YEAR

General

In the 2006 financial year, Ruukki Group focused on developing and expanding its areas of operation through organic growth and business acquisitions. In addition, the Group made significant structural changes in its Furniture unit and, at the end of 2006, signed two investment agreements concerning the Kostroma region in Russia – to involve construction of a sawmill and a BCTMP pulp mill in Russia over the next few years. These arrangements will enhance the significance of the Wood Processing division of the Group considerably. A share issue carried out during the financial year under review generated shareholders' equity of some EUR 21 million for parent company Ruukki Group Plc.

Business reorganisation

In January 2006, Ruukki Group Plc sold 9.9% of the shares of its subsidiary Pohjolan Design-Talo Ltd to Kimmo Kurkela, managing director of the subsidiary.

In January 2006, two thirds of the convertible bond notes issued in 2003 by Ruukki Group Plc subsidiary Alumni Ltd, which is the Group's parent company in the metal industry, were converted into Alumni Ltd's new shares in accordance with the terms and conditions of the convertible bond loan. As a result of this conversion, Ruukki Group Plc's holdings in Alumni Ltd decreased in January 2006 to 69.44% from the previous 100%.

In February 2006, Ruukki Group Plc was involved in major reorganisation in the Finnish furniture industry. This reorganisation entailed Ruukki Group Plc acquiring approximately 39.1% of the shares of Incap Furniture Ltd, Finland's biggest contract manufacturer of furniture. The business reorganisation was implemented in full in May 2006. In this connection, Hirviset Group Ltd sold all of the share capital of subsidiary Hirviset Ltd to Incap Furniture Ltd in a share swap. In conjunction with this, Ruukki Group Plc exercised the call option included in the agreement signed in 2004 regarding Hirviset Group Ltd shares and in May bought 50.0% of Hirviset Group Ltd's shares from Vettenmaa Ltd for a cash consideration of EUR 3.0 million. As a result of these arrangements, Ruukki Group Plc and Hirviset Group Ltd together own a total of some 47% of Incap Furniture Ltd's shares. On

the basis of the potential voting rights associated with the options related to Incap Furniture shares, Incap Furniture was consolidated into Ruukki Group for 1 May to 30 September 2006 as a Group company, as opposed to being treated as an associated company as previously. In October 2006, the Board of Directors of Ruukki Group Plc decided to waive its call option for Incap Furniture Ltd shares. Consequently, Incap Furniture was not consolidated as a Group company from 1 October 2006 onwards but instead was consolidated as an associated company using the equity method.

In March 2006, Ruukki Group Plc increased its share capital by EUR 3.5 million and acquired a 27.6% holding in Container-Depot Ltd, a company conducting depot and container terminal business in Finland and in Russia. In September, Ruukki Group Plc disposed of all Container-Depot Ltd shares that it held (equivalent to a 27.6% holding). With a sale price of approximately EUR 8.2 million, the company recorded a significant sales gain. The sale price will be paid in cash in several instalments such that payment is made in full by the end of September 2007.

The Ruukki Group Plc subsidiary engaged in Internet business sold its operations to a non-Group buyer in June.

Ruukki Group Plc disposed of its holdings in the associated company Logium Ltd in June. Meanwhile, holdings in associated company Oplax Ltd were increased to about 32% in autumn 2006 through a share purchase.

In August, the Care Services business division signed a final agreement to acquire all of the share capital of Terveyspalvelut Mendis Ltd, which significantly strengthened the care services operations. Cash consideration of EUR 2.0 million was paid for the acquisition. In addition, the transaction involves an additional earn-out structure, which depends on the financial performance of Terveyspalvelut Mendis Ltd over the next three years. Terveyspalvelut Mendis Ltd has approximately 150 customer openings for mental health services, care for the elderly, and other social services, in 11 units situated in Ostrobothnia and in Central Finland.

In the final quarter of 2006, Ruukki Group concluded an agreement to include Tervolan Saha ja Höyläämö Ltd (TSH) and the Kittilä-based VK Timber Ltd (VKT) in the Group's sawmill division, which previously consisted

of the Kuusamo-based Lappipaneli Ltd. Under the agreement, approximately 91.4% of TSH's share capital was transferred to Ruukki Group, which effectively made VKT a fully owned subsidiary of TSH. The remainder of the TSH share capital continued to be held by Kalervo and Hannu Vuokila, who will continue to manage TSH. Both TSH and VKT were consolidated into Ruukki Group at the beginning of October 2006. This acquisition will further strengthen Ruukki Group's active sawmill business development in northern Finland.

In December 2006, the House Building division acquired the share capital of Nivaelement, a contract manufacturer of prefabricated elements, in full.

Other events

A decision was made at Ruukki Group Plc's extraordinary shareholders' meeting on 9 March 2006 to organise a share issue. This share issue was carried out as a rights issue under an auction mechanism, with a 29–31 March 2006 subscription period. The share issue, involving a maximum of 30,000,000 shares, was oversubscribed more than twice. In accordance with the terms and conditions of the issue, the company offered a maximum of 30,000,000 shares for subscription in April, for which the Board confirmed a subscription price of EUR 0.72 per share. The issue generated a net income of approximately EUR 21.2 million, excluding the direct costs involved in organising the issue.

In October company issued 564,857 new shares through a free directed issue for the sellers of Pan-Oston Ltd and Lappipaneli Ltd to settle old acquisitions' earn-out liabilities.

On 18 April 2006, Ruukki Group Plc submitted a petition to the Market Court in which Ruukki Group requested that the market court deny Rautaruukki Plc the use of the name 'Ruukki' under penalty of a one-million-euro fine. Rautaruukki's new 'marketing name' (as Rautaruukki Plc puts it) often is confused with the business name of Ruukki Group and the shortened version 'Ruukki' commonly used in everyday language. On 16 November 2006, the District Court of Helsinki issued its decision in the case against Rautaruukki Plc regarding use of the 'Ruukki' name. The District Court dismissed Ruukki Group Plc's claim. Ruukki Group Plc has taken the matter to the Court of Appeal. The matter still is pending with the Market Court on different grounds. The Market Court is expected to issue its ruling sometime in 2007.

In December 2006, OOO Ruukki Kostroma, Ruukki Group's Russian subsidiary established at the end of the 2006 financial year, agreed with the Kostroma Oblast of the Russian Federation on utilisation of forest resources in the Kostroma region. According to the agreements, Ruukki Kostroma will be entitled to annual harvests of between 2.5 and 3.1 million cubic metres during the 49-year lease period. In the first stage, Ruukki Kostroma will invest in a sawmill that uses pine and spruce, and in making processed timber products at the sawmill. The annual production capacity of the sawmill is around 300,000 m³.



The sawmill currently is expected to commence production in 2008. In the second stage, Ruukki Kostroma will invest in a BCTMP (bleached chemi-thermo-mechanical pulp) mill with an annual capacity in the region of 300,000-500,000 tons. The pulp mill is expected to begin production in 2009-2010. The sawn goods and pulp products will be sold primarily to international markets. Total capital expenditure is expected to be no more than EUR 500 million over four to five years. Negotiations with international financiers and ownership partners have been launched. The details of the agreements concerning the forest resources' utilisation and the related investments will be specified in the first half of 2007. These two agreements have been registered into the Kostroma Oblast investment register in February 2007.

EVENTS AFTER THE BALANCE SHEET DATE

Ruukki Group's Care Services business division (Mikeva) announced that it would open four new units in the first quarter of 2007, resulting in 80 new customer places in total. This will increase the relative weight of elderly care services in the service offering. Mikeva companies have been successful in competitive public-sector bidding for contracted services. The effect of the new care units on the business division's annual revenue is about EUR 1.5 million.

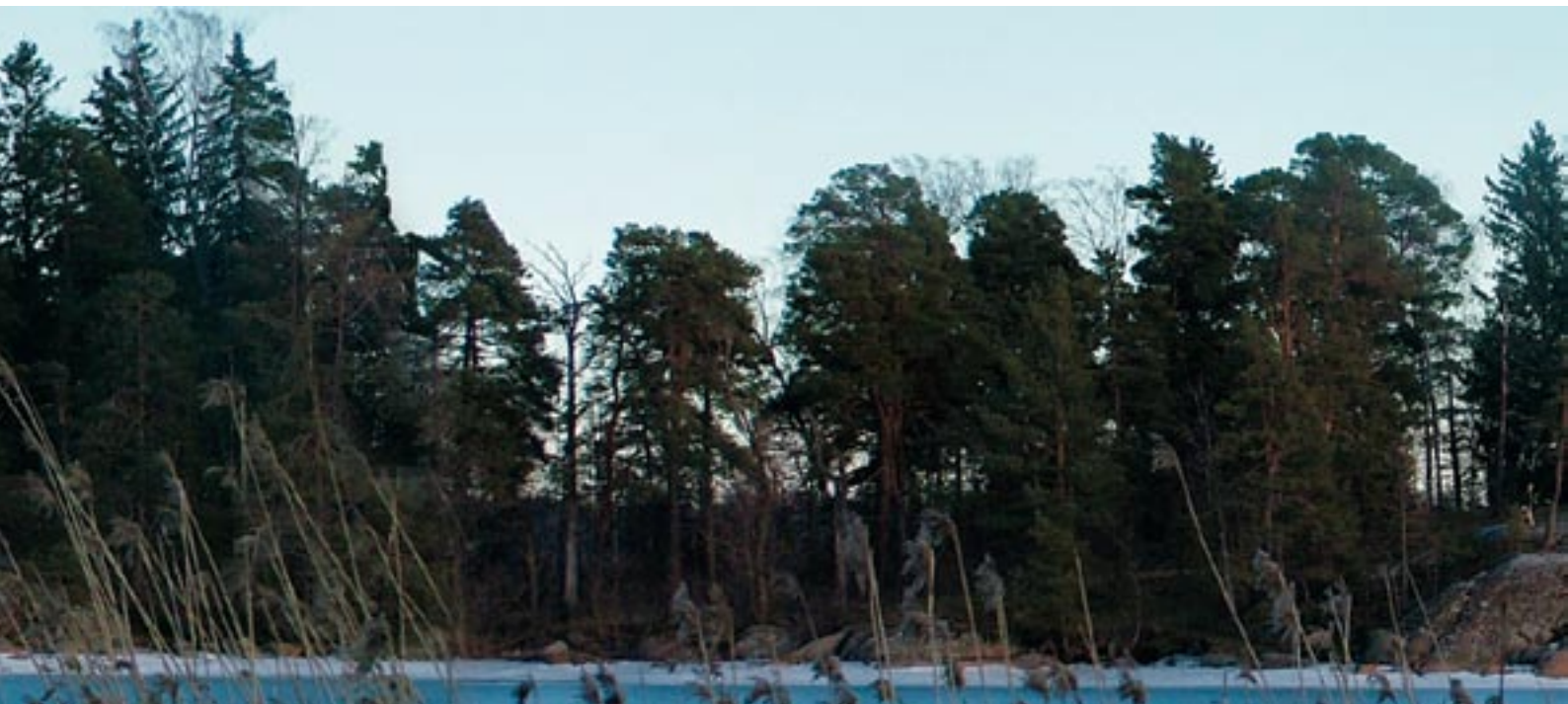
In February 2007, Ruukki Group Plc announced that it had agreed to an arrangement whereby Ruukki Group will, through a directed issue, increase its ownership of Incap

Furniture from 47.1% to 70.3%. This ownership increase has been finalised at the end of February 2007. The related refinancing package from owners and financial institutions will strengthen Incap Furniture Ltd's financial position by roughly EUR 3 million in total. If all stock options issued by Incap Furniture were exercised, Ruukki Group ownership would dilute to approximately 65%. The arrangement tied up a total of some EUR 0.9 million of Ruukki Group's cash funds.

This arrangement is an extension of Ruukki Group's strategy to grow and invest in wood-based product areas and in Russia. Ruukki Group intends to develop its raw material purchase processes, and possibly start furniture component production in Russia. Meanwhile, Incap Furniture has signed a letter of intent to launch glued board production in Impilahti in Russia in collaboration with Stora Enso Timber.

Ruukki Group will include Incap Furniture in its consolidated balance sheet from March 2007 onward, which will result in an estimated increase of some EUR 60-70 million in consolidated revenue for Ruukki Group in the 2007 financial year.

A positive impact on operating profit is expected by 2008. Ruukki Group's relative profitability (EBIT margin) is expected to drop due to the Incap Furniture consolidation. Ruukki Group's consolidated balance sheet will be affected to a considerable extent. Both tangible fixed assets and interest-bearing debt, short-term and long-term, will be clearly increased due to this transaction.



DEVELOPMENT BY BUSINESS AREA



HOUSE BUILDING

The House Building division specialises in the design and manufacture of prefabricated houses in Finland. The house-building business has been selected as one of the Group's key focus areas. Pohjolan Design-Talo Ltd and its fully owned subsidiary Nivaelement Ltd constitute the division of the Group that operates in this field. Customers include Finnish individuals and families.

Numbers of deliveries of prefabricated houses to customers developed as follows:

1-9/2006	1-9/2005		
458	412		
Q4/2006	Q3/2006	Q2/2006	Q1/2006
141	99	91	127
Q4/2005	Q3/2005	Q2/2005	Q1/2005
137	91	83	101

The revenue from prefabricated houses is recognised only when the house is delivered to the customer, which means that unfinished projects do not affect the Group's revenue or profit for the review period. This division of the Group has seen considerable growth in the past few

years, partly as a result of the general growth in housing markets and partly because the company's products enjoy a better than average market position. The proportion of prefabricated houses has increased relative to other types of single-house building methods.

The order book, exclusive of value added tax, at the end of the year stood at approximately EUR 36 million. There are no significant risks associated with the orders. The division employed 101 people at year end, as well as a considerable number of workers from outside service providers, employed under contract agreements.

In the second quarter of 2006, the company switched to wall-element-based house production. With wall-element-based production, more production stages take place in the production facility rather than at the construction site. Wall elements combine the benefits of large prefabricated panes and pre-cut structures. The new construction method allows houses to be made weatherproof quickly by means of a joint-free construction method. The benefits of wall elements as compared with traditional building include efficiency and the opportunity to produce uniform quality without increasing the consumer price.

House Building revenue and operating profit:

12 months	1-12/2006	1-12/2005	Change, %
Revenue, EUR million	53.7	45.4	18
Operating profit, EUR million	13.4	10.6	26
Operating margin	24.9 %	23.3 %	

3 months	Q4/2006	Q4/2005	Change, %
Revenue, EUR million	16.0	14.4	11
Operating profit, EUR million	4.1	3.6	13
Operating margin	25.4 %	25.0 %	

WOOD PROCESSING

Sawmill business

In the 2006 financial year and the comparison year 2005, the Wood Processing division covered softwood sawmill business and furniture business. Due to the various ownership arrangements carried out in the furniture industry in 2006, the division has changed radically. Since Ruukki Group had only a minority interest in the furniture business operations at the end of 2006, they are not considered to be a part of the same group as the sawmill business from a legal standpoint. From 2007 onwards sawmilling business and furniture business will be reported as separate segments.

The sawmill unit specialises in the efficient processing of softwood log products, and in the production of wooden components. The unit consists of the Kuusamo-based Lappipaneli sawmill group and the Tervolan Saha ja Höyläämö sawmill group operating in Tervola and Kittilä, which specialise in the efficient utilisation of Nordic pinewood and spruce. The key customer group includes companies serving the international construction business – for instance, the Japanese building beam markets – and house-building factories.

Favourable export demand continued in the sawmill business. Also, softwood sales prices have increased. The profitability of the sawmill operations improved in 2006. At the end of 2006, there was a fire at Lappipaneli facilities, which as combined with extraordinarily mild winter, caused some difficulties in last quarter production. Approximately 56% of the sawmill revenues in the review period were generated in the export markets, where the company has gained a good position. Business area's order book, excluding VAT, stood at approximately EUR 13.2 million at the end of the year. The sawmill unit employed a total of 72 people at the end of the financial year.

Furniture business

Ruukki Group is involved in the furniture business through its associated company Incap Furniture Ltd. The furniture operations continued to make a loss, and liquidity was tight throughout the financial year. At the end of fiscal year 2006, Ruukki Group's ownership in Incap Furniture was 47.1%. During 2006, the following units have been included as group companies:

- Hirviset Group Ltd during 1-12/2006 (based on potential voting rights on 1-4/2006)
- Hirviset Ltd and Ruukki Furniture Ltd during 1-9/2006 (both companies belonging to Incap Furniture group from 05/2006 onwards)
- Incap Furniture Ltd, Incap Furniture Inc ja Koy Jokilaaksojen Kiinteistöt during 5-9/2006 (and based on potential voting rights for all of the period 5-9/2006)

Rationalisation measures in the furniture business continue. The majority of the division's furniture production is exported. Operations involve a significant customer concentration risk. Opportunities for raw material procurement and manufacturing in Russia are being explored with the objective of ensuring the long-term profitability of operations. The balance sheet items and off-balance liabilities associated with the furniture business amounted to about EUR 2.2 million on 31 December 2006. During fiscal year 2007 furniture business will become a part of the group, and therefore will be consolidated into the group financials starting as of March 2007.

New business in Kostroma, Russia

Russian group companies (OOO Ruukki Kostroma and OOO Sever-Trust), established on latter half of 2006, have had very modest operations in 2006, but in December

they signed significant investment agreements, which, when fulfilled, should result in major investments and business in Russia in the coming years.

Ruukki Group Plc has recognised expenses in the amount of approximately EUR 0.5 million in 2006 associated with study, research, and analysis of the new Russian business operations.

Wood Processing revenue and operating profit 1-12/2006

12 months	Revenue, EUR million	Operating profit, EUR million	Operating margin
Sawmill business *	27.8	1.4	5.0
Furniture business **	25.7	-5.3	-20.8
Business area total	53.5	-3.9	-7.4

Wood Processing revenue and operating profit 1-12/2005

12 months	Revenue, EUR million	Operating profit, EUR million	Operating margin
Sawmill business *	20.2	0.6	3.0
Furniture business	13.0	-1.4	-10.6
Business area total	33.2	-0.8	-2.4

Wood Processing revenue and operating profit Q4/2006

3 months	Revenue, EUR million	Operating profit, EUR million	Operating margin
Sawmill business	9.7	0.4	4.2
Furniture business **	0.0	-1.2	
Business area total	9.7	-0.8	-8.4

Wood Processing revenue and operating profit Q4/2005

3 months	Revenue, EUR million	Operating profit, EUR million	Operating margin
Sawmill business	5.0	0.5	9.6
Furniture business **	3.5	-0.6	-17.1
Business area total	8.5	-0.1	-1.5

* sawmilling segment retroactively includes Neopolar Ltd's, an associated company of sawmilling business group; net profit share corresponding to Ruukki Group ownership percentage, which has had less than EUR 0.1 million effect on 2005 and 2006 sawmilling business group EBIT

** during 1.2. – 30.4.2006 (only Incap Furniture Ltd) as well as during 1.10 – 31.12.2006 (Incap Furniture Ltd + Hirviset Ltd + Ruukki Furniture Ltd) furniture business segment companies have been classified as associated companies thereby not affecting group and segment revenue but having effect on EBIT based on ownership share of those companies' net income. This has deteriorated wood processing segment (and furniture sub segment) EBIT by approximately EUR 1.7 million for the full year 2006 and by EUR 1.2 million for the last quarter (Q4) of 2006.

CARE SERVICES

The Care Services part of the Group provides high-quality care and rehabilitation services for municipalities, cities, communities, and businesses, and to some extent directly to private persons. The division offers services applying the best approved methods, solid experience, and proven service production processes, and it supports their development.

The Care Services business remained stable in 2006, and the division recorded higher than average costs in the final quarter, which could be attributed to the personnel costs and other initial costs associated with the opening of the new care units in early 2007. In the third quarter, all of the share capital of the Seinäjoki-based Terveyspalvelut Mendis Ltd was acquired, which will have a strong impact on the division's future volumes. At year end, the division employed 229 people. Its operations include the subgroup's parent company Mikeva Ltd and

its subsidiaries Jussin Kodit Ltd, Mikeva Vanhuspalvelut Ltd, Terveyspalvelut Mikeva Ltd, Mikon Kuntoutuskodit Ltd, and Terveyspalvelut Mendis Ltd along with its subsidiary Mendis Palvelukodit Ltd as the new units acquired in 2006. The subgroup's structure will be simplified in 2007 by merging some of the companies in the subgroup into the parent company. The division runs service units in 17 locations, with a total customer base of 420 at the end of the year.

Comparable revenue growth in the Care Services division was approximately 23% after elimination of the effect of Mikon Kuntoutuskodit Ltd (acquired in September 2005) and Terveyspalvelut Mendis Ltd (acquired in August 2006). The corresponding comparable increase in operating profit was about 24%.

Care Services revenue and operating profit 1-12/2006

12 months	1-12/2006	1-12/2005	Change, %
Revenue, EUR million	9.8	5.4	84 %
Operating profit, EUR million	0.6	0.3	76 %
Operating margin	6.2 %	6.5 %	

3 months	Q4/2006	Q4/2005	Change, %
Revenue, EUR million	3.3	1.7	91
Operating profit, EUR million	-0.1	0.0	-1 266
Operating margin	-3.7 %	0.6 %	

METAL INDUSTRY

For 2006, exports accounted for 55% of the Metal Industry division's revenue. No significant changes took place in this business area in the year under review. The relative importance of export markets remains significant.

At the end of the year, the division employed 45 people and comprised Alumni Ltd, Pan-Oston Ltd, and Selka-line Ltd.

Metal Industry revenue and operating profit 1-12/2006

12 months	1-12/2006	1-12/2005	Change, %
Revenue, EUR million	8.2	7.4	10.2 %
Operating profit, EUR million	0.3	0.2	24.4 %
Operating margin	3.6 %	3.3 %	

3 months	Q4/2006	Q4/2005	Change, %
Revenue, EUR million	2.5	1.6	60.1 %
Operating profit, EUR million	0.1	0.0	
Operating margin	4.3 %	-2.6 %	

ASSOCIATED COMPANIES

Ruukki Group Plc has, directly as well as through its subsidiaries, minority interests in several Finnish companies. These companies have been consolidated in the Group's financial statements using the equity method. Profit from associated companies for the 2006 financial year, excluding wood processing segment's associated companies produced EUR 0.7 million positive effect on Ruukki Group EBIT. The associated companies within the wood-processing segment generated a net negative effect of some EUR 1.7 million on 2006 EBIT, which is shown in the segment EBIT as well. During 2006 a write-down of some 0.3 million was booked related to associated companies shares and debt instruments.

Ruukki Group Plc has recognised in its consolidated operating profit for 2006 a significant gain of approximately EUR 4.6 million from the disposal of Container-Depot Ltd Ltd's shares in September. The share disposal generated approximately EUR 6.8 million of secured receivables in the consolidated balance sheet. In October, Ruukki Group announced that it had increased its interest in Oplax Ltd to 31.95% (previously 24.53%). In summer 2006, Ruukki Group sold all of its shares in Logium Ltd.



GROUP PERSONNEL

Ruukki Group employed 452 (2005: 416) people at year end, while the parent company employed five personnel, compared with four in 2005. During the financial year the average number of personnel was 570 (392), which includes Incap Furniture's personnel from May to September. The parent company's total personnel costs for 2006 came to EUR 468,269.83 (EUR 404,297.30) and the Group's to EUR 18,368,867.34 (EUR 13,328,985.37). In addition, the IFRS-compliant consolidated financial statements showed personnel option costs of EUR 105,304.50 (EUR 0.00) in the parent company and EUR

105,304.50 for the Group (EUR 25,124.72) recognised on the basis of IFRS2, 'Share-based payment'.

Ruukki Group operates in several different businesses, and therefore the number of employees, their geographic location, education and their work tasks differ significantly by business area. All operating decision-making, including personnel administration, is carried out on business segment level by their management.

Personnel by business segment at the end of the period

	31 Dec 2006	31 Dec 2005
House-building	101	105
Wood processing	72	138
Sawmill	72	35
Furniture	0	103
Care services	229	121
Metal industry	45	43
Other	0	7
Group administration	5	4



OUTLOOK FOR THE FUTURE

Ruukki Group operates as an entrepreneurial development company in several different sectors. Because the nature of a development company involves notable restructuring, forecasting the Group's future operations and development is exceptionally difficult.

Ruukki Group has focused its holdings and business on three to five sectors, and its primary interest is to pursue active and sustained business development in these sectors. As a rule, any operations outside these key areas of activity are divested. In addition, opportunities for further investments in the existing areas of business and potentially for expansion into new sectors or markets are being explored actively. If the new projects in the pipeline in Russia are realised, they will alter the Group's structure and affect the business risks and opportunities considerably.

A more detailed analysis of the expected developments in each of the Group's areas of operation is provided below.

House Building

- The sector typically is cyclical and has grown substantially in recent years.
- Growth across the whole sector is expected to continue in the coming years, especially in the prefabricated house production business, in which a Group company holds a strong market position.
- Consolidation may take place in the sector, and changes in the competitive environment are likely – particularly in prefabricated housing production.
- The situation in municipal planning and land availability, and possible changes therein, coupled with the market interest rate development, will have a significant impact on the sector's growth potential.
- In recent years, we have seen a dramatic increase in the cost of raw materials and supplies needed for production, as well as in labour costs; no changes are expected in the short term that could affect the development of short-term profitability.

Wood Processing

- The sawmill business typically is cyclic in nature, and cyclical fluctuation will have a major impact on the development of the division.
- The price of standing timber is expected to stabilise,

but it is likely that the proportion of raw material imported from Russia will shrink.

- Market price development is expected to continue to be positive and demand in export markets good.
- The volume and geographic distribution of the production capacity in the sector is likely to change, and the focus in new investments probably will be on the areas neighbouring Finland.
- Various consolidation and reorganisation solutions may be implemented in the division

Furniture

- The business environment in 2007 will remain very challenging especially due to increased raw material prices.
- Done restructuring measures are expected to have a major effect on 2007 operations, but despite that the profitability is estimated to be mediocre in 2007

Care Services

- The Care Services division is expected to grow both organically and through acquisitions.
- Public-sector bidding competitions and outsourcing of services to private companies provide good growth opportunities in this business area, particularly where care for the elderly and mental health care services are concerned; furthermore, demographic trends are going to increase the demand for care for the elderly in the near future.

RISKS RELATED TO OPERATIONS

Ruukki Group acts as a development company in a number of sectors, which may differ considerably in their type of business, risk-intensity, capital- and labour-intensity, geographic location, cost and balance sheet structure, the proportion of international trading, and a number of other factors. In addition, a development company involves notable development and restructuring as part of its nature, which affects the way the Group's business and other risks are analysed.

Strategic risks

Competitive situation and position in the production chain

It is likely that competition will tighten in the company's key business sectors, and direct foreign competition and subcontracting will play an increasingly important role. However, competition will not necessarily affect the profitability of Group companies. The Group strives to apply new solutions in its production operations that will guarantee sustained competitive strength as well as sufficient capacity and quality. To address these issues, the House Building division has decided to switch to shell-element-based production. The House Building division deals directly with the customers, which means that it has a responsibility toward the end clients for a package delivery, while in the production process subcontractors have a significant part to play as they increase the division's flexibility and its ability to respond to key market changes. The Wood Processing division is involved in the relatively early stages of the processing chain and delivers part of its production output to other processing plants or the wholesale industry, which may affect its ability to react to major structural changes affecting the sector.

Geographic and political risks and customer concentration

The Group previously operated mainly in Finnish markets, where the Group companies' production facilities, personnel, and customers all are located. However, in the past few years, export has become increasingly important for the metal industry and for Lappipaneli Ltd in the Wood Processing business, which is why the Group is now somewhat more decentralised geographically but also has assumed a higher risk when it comes to disappointing development of individual market areas or undesirable changes in their currencies. The decisions made at the end of the 2006 financial year to develop the business in Russia actively increase the Group's political risks. Generally speaking, the Wood Processing operations have an extensive client base, but the relative import of Japanese export markets and the House Building business in Finland is high even if individual customers are not very significant. An individual customer may, however, entail a significant risk in the furniture business, in which the Group operates through an associated company. The Care Services division is subject to license, and the key customer group consists of Finnish municipalities. If for social or regional policy reasons structural changes were made to the system of outsourcing social services to the private sector, a major impact could be seen in terms of future business opportunities in the care services sector.

Risks associated with business reorganisation

A significant proportion of the Group's operations consists of business reorganisations, which is why the implementation, timing, and pricing of acquisitions and divestments, as well as integration of these activities at Group level, have a key impact on both short- and long-term performance. Moreover, these operations essentially involve various financing arrangements that typically include covenants that may affect the chances of securing further financing, or the terms and conditions of such financing. The launch of the planned new business in Russia involves significant exercising of financing and investment solutions, involving risks that, especially in the Russian business environment, are likely to be greater than average.

Operational risks

Market situation in sectors of operation

The sectors in which the Group operates are clearly different in terms of their sensitivity to economic fluctuations, their operational profitability, and volume variations, and the individual divisions have only a very limited amount of direct co-operation. As a result, the dissimilar and mutually independent business operations diversify the Group's market risk and reduce the overall cyclicality of operations. If the BCTMP pulp mill project in the pipeline in Russia is carried out, it will represent a new business area for the Group, and therefore affect the Group's risk profile. Similarly, the customer and market risks will be, to some extent, new and rather sizeable, considering the current nature and scope of the Group's activities.

Raw material price and availability risks

The price risk associated with the Group companies' main raw materials should be relatively easy to manage, and the sales prices can, at least in part, be revised to match the raw material price development. To minimise price and availability risks, Ruukki Group makes use of long-term co-operation agreements and extensive partnership and subcontracting networks. The remote location of certain units increases the risks related to customer deliveries on the one hand, but on the other hand it ensures better raw material quality and availability, and it helps in retention of skilled personnel.

Environmental risks

The Group companies conduct self-assessment with regard to environmental permits and risks, and they

implement revisions and apply for the necessary permits if the business environment or regulations change. Environmental risks have to do firstly with direct potential harm to the environment and secondly with post-production rehabilitation or landscaping obligations. To the Group's knowledge, current operations carry no significant environmental risks.

Changes in regulations

Some of the Group's business activities are officially regulated. In the House Building business, operations are guided by regulations dealing with the technical quality requirements for construction. Furthermore, activities in the Care Services division require official permits, and certain members of staff must meet specific educational criteria. The Group keeps a close eye on any changes in regulations and attempts to respond to them as early as possible. The planned business operations in Russia might raise various regulative issues and permits and statutory requirements thereby affecting e.g. security and environmental arrangements.

Personnel

The work carried out in the Care Services division is particularly labour-intensive and is subject to statutory requirements regarding staff training and education, and concerning the ratio between staff and customers. The potential difficulties in recruiting and retaining skilled personnel may impose some restrictions on future growth in this business area. Moreover, as some of the Group companies are located relatively far from major towns and cities, individual companies may have trouble obtaining sufficient personnel.

Intellectual property rights

The Group is not currently involved in any business activity in which intellectual property rights, patents, or product development would be of significance.

Financial risks

Exchange rate risks

As a rule, short-term forward contracts are used to hedge against direct exchange rate risk exposure. The most significant exchange rate risks in export operations currently are linked with the Japanese yen, the Swedish krona, and the UK pound. A large percentage of the sale and purchase agreements are denominated in euros.

If the new projects in the works in Russia are carried out,

they will affect the Group's currency risks, which by default are going to gain a great deal of significance owing to the risks linked to the Russian rouble and to the growing relative weighting of export markets.

Interest rate and financial risks

The company's liability funding by and large involves variable interest, which means that the Group's interest expenses will, without any hedging measures, follow the movements in short-term market interest rates. As the average weighted maturity of the loans is not very high, the interest rate risk is no different from the standard risk. Furthermore, a considerable proportion of the Group's liabilities, including the earn-out liabilities, are interest-free. The interest rate risk is closely monitored, and hedging measures are taken when necessary. To ensure the availability of financing, the Group's parent company has increased its equity-based funding and also taken other measures to expand its range of financing sources and alternatives for future projects. An additional breakdown of financial risks is provided in the notes to the consolidated financial statements. Carrying out the business operations in Russia will require significant new financing solutions, which are expected to increase and affect the nature of the Group's financial risk.

Credit loss risks

Credit insurance is used to hedge against some of the credit loss risks involved in the wood processing industry. The House Building division generates a considerable proportion of the Group's cash flows, which follow a payment scheme prepared in advance that is based on degree of completion. This reduces the credit loss risk significantly. In some business divisions or companies representing them, individual customers may be somewhat important, which is why customer concentration risks could have a negative effect on the value of the Group's current receivables and its future business opportunities.

Damage risk

Property and damage risks

Property risks are covered with insurance, except for own risk. In addition, indirect liability for damages, such as those involved in transportation, is covered through insurance. The insurance cover for property risks is reviewed regularly.

Guarantee risks

In a number of cases, the products delivered by Group companies involve quality or quantity guarantees to customers, consisting of a short-term duty to make repairs and, in the House Building business, a 10-year guarantee of structural safety issues. These risks are covered only partly, but the Group companies invest heavily in quality assurance and product development. Furthermore, non-Group subcontractors are responsible for their own guarantee issues.

Legal proceedings

The Group's parent company is involved in legal action related to the company name, which may incur an obligation to pay the defendant's legal costs, or other liabilities.

PLEDGES AND CONTINGENT LIABILITIES

Earn-out liabilities related to acquisitions

The additional earn-out liabilities related to Group acquisitions have been recognised in the consolidated financial statements as either short-term or long-term liabilities, depending on when the earn-out liabilities are due for payment. Furthermore, potential earn-out items based on option rights have been recognised in the balance sheet under liabilities. Short-term earn-out liabilities on 31 December 2006 totalled EUR 9.0 million (on 31 December 2005, EUR 9.2 million) and long-term liabilities EUR 2.4 million (EUR 6.6 million).

Investment commitments

Ruukki Group Plc has made a commitment to invest a total of EUR 0.5 million in Finn-Thai Technology Fund B Ky, a company investing primarily in Finnish and Thai companies. Ruukki Group Plc is a silent partner in this limited partnership, and it also has a 30% interest in the responsible partner, Orienteq Capital Ltd. In all likelihood, this investment commitment will not be exercised because it is highly likely that the part of the fund encompassing Ruukki Group's investment commitment will be dissolved in its entirety in the first half of 2007.

Covenants included in the Group's financing agreements

Some of the Group's liability-based financing agreements feature covenants tied to the Group's or individual Group companies' solvency or profitability figures, or covenants

that restrict the payment of Group company liabilities to the parent company or that require the parent company not to divest significant parts of the business operations without consulting the financier first.

Mortgages and guarantees pledged as security against debt

The Group companies' business mortgages given as security against debt amounted to about EUR 5.7 million (on 31 December 2005, EUR 4.0 million). Of the parent company's EUR 4.2 million in business mortgages, EUR 1.7 million had been pledged as security with external financial institutions on 31 December 2006 (EUR 0.0 on 31 December 2005), and the company holds the rest. Real-estate mortgages amounted to about EUR 2.2 million (EUR 2.3 million). The Group's parent company has given absolute guarantees of EUR 6.6 million (EUR 6.8 million) as security for the Group companies' financing, of these guarantees some EUR 0.1 million has been freed by end of February 2007. Segments' parent companies have given to secure their subsidiaries' financing pledges to external parties totalling some EUR 0.4 million.

Guarantees

Group companies give short-term guarantees to replace or repair the products they sell, and the House Building division also makes long-term guarantees of structural safety. Short-term liabilities for repair have been recorded as expenses in the profit and loss account and as provisions in the balance sheet. Guarantees not recognised in the balance sheet may be presumed not to be significant. No expenses have been recorded in the profit and loss account, nor any liabilities in the balance sheet, for the 10-year structural safety guarantee, because such an amount is difficult to estimate, it is unlikely to materialise, and the majority of the guarantee risk rests with non-Group subcontractors.

Pledges and guarantees not related to financing agreements given on behalf of others

On 31 December 2006, a total of EUR 0.7 million of lease securities had been given to lessors (2005: EUR 0.2 million) of which EUR 0.1 million in cash. Approximately EUR 0.1 million (EUR 0.1 million) worth of guarantees had been granted to suppliers.

Purchase commitments

On the balance sheet date, Group companies had binding raw material purchase agreements, which are conventional in their line of business. The purchase

commitments in the Wood Processing division are covered by a bank guarantee for which the Group's parent company has provided an absolute counter-security up to a limit of EUR 1.5 million (2005: EUR 1.5 million).

Leasing liabilities

Liabilities included in agreements that can be interpreted as financial leasing agreements have been capitalised in the balance sheet. Some of the properties in which the Group's business units operate are Group-owned and some are leased, some under a fixed-term contract, and some subject to contracts that are effective until further notice. Leasing and rental liabilities totalled roughly EUR 6.9 million at 31.12.2006.

Redemption obligations

Group companies in the Wood Processing division have redemption agreements worth a total of EUR 0.3 million (2005: EUR 0.3 million) that have been capitalised in the balance sheet.

Pending legal proceedings

The Group's parent company has legal action against Rautaruukki Plc pending in various courts. As part of these proceedings, the District Court of Helsinki dismissed Ruukki Group Plc's claims in November 2006. Ruukki Group Plc has filed an appeal with the Court of Appeal. Furthermore, the Group companies have some unfinished taxation-related processes under way for which no tax or expense items have been recorded because the relevant matters still are ongoing.

INFORMATION ON SHARES AND SHAREHOLDERS

SHARE CAPITAL

Changes in share capital, 2005-2007

Changes in share capital (registration date)	Increase EUR	No. of shares after registration	Share capital, EUR after registration
Share capital on 31 December 2004		817,805,476	13,819,824.10
2005			
Directed issue (14 Jun)	218,049.12	830,708,807	14,037,873.22
Convertible bond note conversion (25 Aug)	1,689.62	830,808,810	14,039,563.14
Convertible bond note conversion (21 Oct)	253,480.04	845,808,810	14,293,043.18
Reverse split, 1 for 10 (26 Nov)	0.00	84,580,881	14,293,043.18
Convertible bond note conversion (12 Dec)	290,656.94	86,300,380	14,583,700.12
2006			
Bonus issue (11 Jan)	87,449.49	86,300,880	14,671,149.60
Directed issue (11 Jan)	1,190,000.00	93,300,880	15,861,149.60
Share issue (6 Apr)	5,100,000.00	123,300,880	20,961,149.60
Convertible bond note conversion (21 Jul)	610,810.00	126,893,880	21,571,959.60
Convertible bond note conversion (23 Aug)	116,110.00	127,576,880	21,688,069.60
Convertible bond note conversion (6 Oct)	102,000.00	128,176,880	21,790,069.60
Free directed issue (10 Nov)	0.00	128,741,737	21,790,069.60
Convertible bond note conversion (12 Dec)	259,250.00	130,266,737	22,049,319.60
Convertible bond note conversion (27 Dec)	968,490.00	135,963,737	23,017,809.60
2007			
Convertible bond note conversion (13 Feb)	620,840.00	139,615,737	23,638,649.60

Company shares

At the end of the 2006 financial year, the company did not hold any of its own shares.

A decision was made at the Annual General Meeting on 26 April 2006 to accept the proposal of the Board of Directors and, accordingly, to authorise the Board to use the company's distributable funds to acquire shares in the company in one or more lots within one year from the AGM, with the number of shares acquired to be no more than 12,300,000. Under the authorisation, the shares may be acquired through public trading, in which case the acquisition price and the order of acquisition are to be determined in public trading. In the acquisition of shares, the Board need not preserve the proportional holding of

existing shareholders. Under the authorisation, shares may be acquired for use as financing in acquisitions, inter-company co-operation, or similar arrangements; for setting up of a personnel payment or incentive scheme; to develop the company's capital structure; or to be invalidated. The authorisation entitles the Board to decide on those receiving shares in the company and the methods of transfer. The Board also may make decisions regarding the transfer price and grounds for determining the price, and regarding the recipient's right to pay for the shares in a manner other than in cash. The authorisation may be exercised if there are justified and pressing financial reasons for the share transfer, such as the implementation or financing of an acquisition, inter-company co-operation, or a payment or incentive scheme for company personnel. The authorisation shall remain

in effect for one year from the closing of the Annual General Meeting. So far, the Board has not exercised the authorisation.

Board authorisation to increase the share capital

A decision was made at the Annual General Meeting held on 26 April 2006 to accept the proposal of the Board of Directors to authorise the Board to decide on increasing the company's share capital through a rights issue, by granting options or by issuing convertible bonds in one or more lots, to a maximum amount of EUR 4,165,000.00 or 24,500,000 new shares. This authorisation includes the right to deviate from the shareholders' rights of pre-emption. This deviation may not, however, be made in favour of any related parties. Consequently, the Board is entitled to decide who will have the right to subscribe for shares in a rights issues, or who will be offered options. In the rights issue, shares may be subscribed for against a non-cash contribution or otherwise under certain terms and conditions, or by exercising the right of setoff. The Board of Directors is entitled to decide on the price criteria for the new shares and on the final subscription price, which may not, however, be lower than the accounting equivalent value. The Board of Directors is, within the limits set by the Companies Act, entitled to make decisions regarding all other matters related to the rights issue, or the convertible bond or the options, as well as the associated terms and conditions. Similarly, the Board is entitled to make decisions regarding offering of option rights to the management, employees, key personnel, or partners of the company or a company in the same group, as well as regarding other matters related to the options, and the terms and conditions involved. The authorisation remains in effect for one year after the closing of the Annual General Meeting.

Options

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 0.50–1.00. 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.

A deviation shall be made with respect to the shareholders' right of pre-emption, and the options will be offered to the President and CEO of Ruukki Group Plc;

other company executives and key personnel; and, as decided by the Board of Directors, members of Group companies' boards of directors, management, and personnel, as well as possibly to certain people in another contractual relationship with Ruukki Group in order to enhance their commitment and motivation. At the end of 2006, a total of 450,000 options had been offered to company executives. The subscription period for 225,000 of these options will begin on 1 July 2007 and for 225,000 on 1 July 2008.

Convertible bond loan

The company issued a convertible bond loan of EUR 7,200,000.00 on 18 November 2004. The loan period runs from 22 December 2004 to 22 June 2010. The loan will be repaid in a single instalment on 22 June 2010 provided that the repayment conditions specified in Chapter 12 of the Companies Act and in the terms and conditions of the convertible bond loan are met. The terms and conditions of the convertible bond loan state that, as of 22 June 2005, the company is entitled to early repayment of the loan principal in its entirety at a rate of 100 per cent, plus the interest that has accumulated by the payment date. If the loan has not been repaid on the due date, interest shall be paid on the unpaid loan principal at a rate of two percentage points above the confirmed annual interest rate for the loan. The notes linked to the convertible bond loan have been publicly traded on the Helsinki Stock Exchange since 3 January 2005.

Approximately 75.6% of the notes attached to the company's convertible bond loan were converted into company shares during the 2006 financial year. On 31 December 2006, EUR 1,652,400.00, or about 22.95%, remained of the convertible bond loan. Each note of EUR 450 entitles its holder to convert the note to 1,000 company shares. The remaining notes may be converted to a maximum of 3,672,000 shares. Notes have been converted thus far in 2007 such that, at the end of February, EUR 9,000.00 of the loan remained unconverted (0.13% of the loan's original nominal value). Ruukki Group Plc's share price since the end of the 2006 financial year has been above EUR 0.90 for longer than 20 trading days, which means the company is, under the terms and conditions of the loan, entitled to repurchase the remaining notes.

Convertible bonds issued by a subsidiary

On 24 November 2003, Alumni Ltd, the parent company (with a holding of 100%) for the Metal Industry division, offered convertible bonds to the division's key personnel,

entitling them to subscribe for Alumni Ltd's new shares in the period between 1 January 2006 and 30 December 2013. The purpose of this offering was to create a commitment and incentive scheme for the key personnel of the subgroup. By January 2006, two thirds of the convertible bonds had been converted into Alumni Ltd shares, and, as a result, Ruukki Group Plc's holdings in Alumni Ltd decreased to 69.44%. If the remaining bonds are converted into shares, Ruukki Group's ownership in Alumni Ltd will decrease to 60.24%.

Free directed issue

In an extraordinary shareholders' meeting held on 27 October 2006, a decision was made in line with the Board's proposal to deviate from the shareholders' pre-emptive rights and to issue 564,857 new shares free of charge in a directed issue to the sellers of Pan-Oston Ltd and Lappipaneli Ltd as a supplement to the purchase price in consideration of the companies' good financial performance in 2005. The issue involved offering 296,009 new shares to JSH Capital Ltd, a seller in the Pan-Oston Ltd share swap agreement; 21,707 new shares to Olli-Pekka Salovaara, a seller in the Pan-Oston Ltd share swap agreement; and 10,713 new shares to Seppo Honkanen, another seller in the Pan-Oston Ltd share swap agreement. Pekka and Petri Tuovinen, both of whom were sellers in the Lappipaneli Ltd share swap agreement, each were offered 118,214 new shares. The numbers of shares mentioned above are based on the terms and conditions regarding determination of the additions to sale prices in the share swap agreements, and on the proportional shareholdings of the sellers in the sold companies when the agreements were made.

Share price development

Ruukki Group Plc's shares (RUG1V) are listed on the OMX Nordic List of the Helsinki Exchanges in the 'small cap' category. The company carried out a reverse split of its shares (one for 10). The first trading day with the reverse-split shares was 28 November 2005. In the trading information for 2005 below, the reverse split has been taken into account retroactively in the share numbers and prices.

In 2006, the share price varied between EUR 0.64 and EUR 1.23. The share turnover totalled 87,827,858 shares (46,350,847.9 in 2005), accounting for 64.6% (53.7%) of the registered share capital on the balance sheet date. The share price at the end of the financial

year (on the last trading day of the year, 29 December 2006) was EUR 1.20 (2005 comparative: EUR 0.63). The market capitalisation of the registered share capital on 29 December 2006 was EUR 163.2 million (EUR 54.4 million).

Major shareholders

On 31 December 2006, the company had 3,226 shareholders, of whom four were nominee-registered. The total number of issued shares on 31 December 2006 was 135,963,737.

Major shareholders on 31 December 2006

Shareholder	No. of shares	% of shares
Herttakakonen Ltd	33,775,681	24.8 %
Nordea Pankki Suomi Plc	18,047,930	13.3 %
EVLI Pankki Plc	12,911,881	9.5 %
Nordea Pankki Suomi Plc, nominee-reg	12,617,873	9.3 %
Kankaala Markku	9,880,400	7.2 %
OP-Suomi Pienyhtiöt	5,993,000	4.4 %
FIM Pankkiiriliike Ltd	5,992,586	4.4 %
Hukkanen Esa	5,599,500	4.1 %
Mandatum Pankkiiriliike Ltd	4,020,000	2.9 %
Rausanne Ltd	1,803,500	1.3 %
Moncheur & Cie SA	1,800,000	1.3 %
Other shareholders	23,521,386	17.3 %
Total	135,963,737	100.0 %

On 31 December 2006, members of the Ruukki Group Plc Board of Directors and the President and CEO together owned a total of 83,146,388 company shares (31 December 2005: 74,341,849), taking into account shares and derivative instruments owned by these people directly or through either related parties or entities under their control or influence. This represents 61.2% (71.2%) of all shares issued and registered in the Trade Register on 31 December.

Shareholders by category as of 31.12.2006

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	390	12.09	24,923	0.02
101-1,000	1,521	47.15	908,797	0.67
1,001-10,000	1,054	32.67	4,003,910	2.94
10,001-100,000	220	6.82	5,645,062	4.15
100,001-1,000,000	28	0.87	9,491,194	6.98
1,000,001-10,000,000	9	0.28	38,488,986	28.31
in excess of 10,000,000	4	0.12	77,353,365	56.89
Total	3,226	100	135,916,237	99.97
of which nominee-registered	4	0.12	14,062,303	10.34
On common account			47,500	0.03
Total outstanding			135,963,737	100.00

% share, based on number of shares held, by shareholder type

Finnish shareholders	96.01
of which:	
Companies and business enterprises	34.30
Banking and insurance companies	40.10
Non-profit organisations	0.16
Households	21.45
Foreign shares holders	3.96
Shares on common account	0.03
Total	100.00
of which nominee-registered	10.34

PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors has decided to propose at the 2007 Annual General Meeting Ruukki Group Plc board has decided to propose to the annual general meeting, which will be later convened separately, that the company would pay out, from the retained earnings, a dividend of three (3) cents (EUR 0.03) per share.

As of 31.12.2006 balance sheet date the total distributable equity of the parent company Ruukki Group Plc totalled 6,635,619.53 euros, as detailed below:

Retained earnings 1.1.2006	8,859,928.21
Dividends paid out during 2006	- 3,147,786.40
Retained earnings 31.12.2006	5,712,141.81
Net income 1.1. – 31.12.2006	499,835.54
Total free equity	6,211,977.35
Invested equity fund	423,642.18
Total distributable equity	6,635,619.53

CONSOLIDATED PROFIT AND LOSS ACCOUNT

1000 EUR

	Note	1 Jan. - 31 Dec 2006	Jan. - 31 Dec 2005
Revenue		125,459.5	91,936.2
Other operating income	G1	5,711.6	435.5
Finished goods inventory change		3,871.5	1,514.0
Cost of goods sold		-69,074.1	-46,668.6
External services		-12,761.1	-11,702.4
Employee benefits expense	G2	-18,368.9	-13,329.0
Depreciation and impairment	G3	-4,757.2	-2,060.7
Other operating expenses	G4	-16,066.2	-11,139.5
Share of associated companies profit		<u>-967.5</u>	<u>354.1</u>
Operating profit		13,047.6	9,339.6
Interest income	G5	826.1	181.9
Interest expense	G6	-1,717.5	-1,056.1
Profit before taxes		12,156.2	8,465.4
Income taxes	G7	<u>-4,177.4</u>	<u>-2,916.0</u>
Net profit		7,978.8	5,549.4
Profit attributable to equity shareholders		8,442.4	5,549.4
to minority interests		<u>-463.6</u>	<u>0.0</u>
		7,978.8	5,549.4
Earnings per share:	G8	0.07	0.07
basic (EUR)		0.06	0.05
diluted (EUR)			

CONSOLIDATED BALANCE SHEET

1000 EUR

	Note	1 Jan. - 31 Dec 2006	Jan. - 31 Dec 2005
ASSETS			
Non-current assets			
Property, plant and equipment	G9	15,854.5	11,971.6
Goodwill	G10	31,237.4	30,926.5
Other intangible assets	G10	4,000.9	1,437.8
Associated companies	G11	5,568.3	3,848.0
Other non-current assets		332.0	204.2
Receivables	G12	195.5	208.4
Deferred tax assets	G13	<u>0.0</u>	<u>121.9</u>
		57,188.6	48,718.4
Current assets			
Inventories	G14	17,057.2	14,822.3
Receivables	G15	9,804.6	7,608.3
Other investments	G16	7,270.8	8,578.9
Cash and cash equivalents	G17	<u>24,768.3</u>	<u>9,413.6</u>
		58,900.9	40,423.1
Total Assets		116,089.5	89,141.5
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	G18	23,017.8	14,583.7
Share issue	G18	0.0	4,340.0
Share premium reserve	G18	24,712.0	2,144.0
Fair value reserve	G18	0.0	8.6
Invested non-restricted equity fund	G18	423.6	0.0
Retained earnings	G18	<u>9,511.5</u>	<u>3,380.4</u>
		57,664.9	24,456.7
Minority interest		1,591.1	0.0
Total equity		59,256.0	24,456.7
Non-current liabilities			
Deferred tax liabilities	G20	2,056.0	632.2
Interest-bearing debt		9,205.2	16,567.8
Other non-current debt		<u>2,227.4</u>	<u>8,546.2</u>
		13,488.6	25,746.2
Current liabilities			
Accounts payable	G21	20,548.3	18,859.5
Prepayments	G22	107.5	82.6
Provisions	G21	603.6	2,192.8
Tax liabilities	G20	<u>4,510.0</u>	<u>3,018.3</u>
Interest-bearing debt		43,344.9	38,938.6
Total liabilities		56,833.5	64,684.8
Total equity and liabilities		116,089.5	89,141.5

CONSOLIDATED CASH FLOW STATEMENT

1000 EUR	1.1.-31.12.2006	1.1.-31.12.2005
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	8,442.4	5,549.4
Adjustments to net profit:		
Non-cash items		
Depreciation and impairment	4,757.2	2,060.7
Financial revenue and expense	891.4	874.1
Share of associated companies profit	967.5	-354.1
Income taxes	4,177.4	2,916.0
Change in working capital:		
Change in accounts receivable and other receivables	-3,409.7	-337.6
Change in inventories	-2,234.9	-2,785.6
Change in accounts payable and other debt	646.8	4,988.3
Change in provisions	24.9	82.6
Interests paid	-1,717.5	-1,056.1
Interests received	826.1	181.9
Income taxes paid	-6,313.3	-2,871.6
Net cash flow from operating activities	7,058.3	9,248.0
CASH FLOW USED IN INVESTING ACTIVITIES		
Acquisitions of subsidiaries, net of cash acquired	-6,781.5	-932.9
Acquisitions of associated companies	-6,619.5	-357.3
Capital expenditure on non-current assets	-3,248.9	-2,684.5
Other investments, net	46.4	78.3
Disposals of subsidiaries, net of cash sold	2,183.0	0.0
Disposals of associated companies	2,000.0	20.0
Net cash flow used in investing activities	-12,420.5	-3,876.4
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	21,218.0	4,340.0
Dividends paid	-3,145.8	0.0
Proceeds from borrowings	5,560.7	2,474.0
Repayments of borrowings	-11,170.8	-3,589.1
Redemption of convertible bonds	0.0	-900.0
Issuance of convertible bonds	0.0	1,410.0
Repayments of finance leases	-315.5	-155.9
Net cash from financing activities	12,146.6	3,579.0
INCREASE IN CASH AND CASH EQUIVALENTS	6,784.4	8,950.6
Cash at the beginning of the period	17,992.5	9,033.3
Fair value adjustments	-8.6	8.6
Cash at the end of the period	24,768.3	17,992.5
Change in the balance sheet	6,784.4	8,950.6

CHANGES IN SHAREHOLDERS' EQUITY

1000 EUR

	Equity attributable to shareholders							Minority interests	Total equity
	Share capital	Share issue	Share premium reserve	Invested non-equity fund	Fair value reserve	Retained earnings	Total		
Shareholders' equity 31 Dec 2004	13,819.8	0.0	1,259.3	0.0	0.0	-2,436.4	12,642.7	52.1	12,694.8
Net profit						5,549.4	5,549.4		5,549.4
Total recognised income for 2005						5,549.4	5,549.4		5,549.4
Share issue 06/2005	218.1		427.0				645.1		645.1
Share issue 12/2005		4,340.0					4,340.0		4,340.0
Conversions of convertible bonds	545.8		457.7				1,003.5		1,003.5
Equity component of convertible bonds, change						-178.6	-178.6		-178.6
Convertible bond issuance and redemptions						510.0	510.0		510.0
Share options						50.2	50.2		50.2
Other					8.6	-114.3	-105.7	-52.1	-157.8
	763.9	4,340.0	884.7		8.6	267.3	6,264.5	-52.1	6,212.4
Shareholders' equity 31 Dec 2005	14,583.7	4,340.0	2,144.0	0.0	8.6	3,380.3	24,456.6	0.0	24,456.6
Net profit						8,442.4	8,442.4		8,442.4
Total recognized income for 2006						8,442.4	8,442.4		8,442.4
Bonus issue 01/2006	87.4		-87.4				0.0		0.0
Share issue 12/2005	1,190.0	-4,340.0	3,150.0				0.0		0.0
Share issue 3/2006	5,100.0		16,118.0				21,218.0		21,218.0
Free directed issue 10/2006				423.6			423.6		423.6
Conversions of convertible bonds	2,056.7		3,387.4				5,444.1		5,444.1
Equity component of convertible bonds, change						123.1	123.1		123.1
Dividends						-3,147.8	-3,147.8		-3,147.8
Share options						105.3	105.3		105.3
Other					-8.6	608.2	599.6	1,591.1	2,190.7
	8,434.1	-4,340.0	22,568.0	423.6	-8.6	-2,311.2	24,765.9	1,591.1	26,357.0
Shareholders' equity 31 Dec 2006	23,017.8	0.0	24,712.0	423.6	0.0	9,511.5	57,664.9	1,591.1	59,256.0

COMPANY INFORMATION

Ruukki Group Plc is a development company that operates through the companies it owns in several lines of business in Finland, such as house-building, the wood product industry, care services, and the metal industry. The Group is conducting studies and making plans to launch business development projects in Russia in the sawmill industry, the pulp industry, and furniture component production. Ruukki Group also has holdings in associated companies in various sectors of industry. The Group's parent company is Ruukki Group Plc (business ID: 0618181-8). The parent company is domiciled in Oulunsalo, and its registered address is Pilot Business Park 1, Lentokatu 2, FIN-90460 Oulunsalo. Copies of the consolidated financial statements are available at Ruukki Group Plc's head office at Pilot Business Park, Lentokatu 2, FIN-90460 Oulunsalo, as well as at the company's Espoo office at Innopoli I, Tekniikantie 12, FIN-02150 Espoo.

Ruukki Group Plc is quoted on the OMX Group's Nordic Stock Exchange (Helsinki Stock Exchange) in the 'small cap' category (trading code: RUG1V).

ACCOUNTING POLICIES

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 2006. 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 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, except in the case of investments available for sale and financial assets and liabilities recognised as income or expense with an impact on fair value, and similar items. Share-based payments have been recorded at fair value at the time of payment. For business combinations carried out

before 2004, goodwill is the carrying amount according to the previous accounting standards that has been used as the IFRS-compliant default acquisition cost. Figures in the consolidated financial statements are given in thousands of euros.

The preparation of IFRS-compliant consolidated financial statements requires the management to make certain estimates and to use its discretion in the application of the accounting policies. Information regarding management discretion used in applying the accounting policies and that may have an effect on the figures presented in the financial statements is shown in the section 'Accounting policies requiring management discretion and key uncertainty factors for estimates'.

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. Intra-group shareholding has been eliminated according to the acquisition cost method.

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. In cases where losses can be attributed to impairment, unrealised losses are not eliminated. Distribution of profits between parent company owners and minorities is shown in the profit and loss account, and the minority share of equities is shown as a separate item in the balance sheet under shareholders' equity. Minority share of accumulated losses is recorded in the financial statements up to the amount of the investment.

In the second half of the 2006 financial year, Ruukki Group established a private limited liability company, OOO Ruukki Kostroma, in Russia, which acquired a private limited liability company (OOO Sever-Trust) as a fully owned subsidiary. The companies are just starting their business activities and had little activity in 2006. A total of some EUR 0.5 million worth of expenses associated with the research and development of the new Russian business has been recorded in the Finnish companies' profit and loss accounts for 2006.

Associated companies

Associated companies are companies in which Ruukki Group exercises significant influence. The Group exercises significant influence if it holds more than 20% of the company's voting rights, or if the company in other ways exercises significant influence but not control.

Associated companies have been consolidated in the Group's financial statements using the equity method. If the Group's share of the associated company'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 associated companies' obligations. Unrealised profits between the Group and the associated companies have been eliminated in line with the Group's ownership. Investment in an associated company includes the goodwill arising from its acquisition.

The presentation of the share of associated companies' earnings was changed retrospectively in the second half of 2006 to show the share of associates' earnings above operating profit because this presentation better illustrates the nature of Ruukki Group as a development company and the content of its business operations. Previously, the share of associated companies' earnings was shown below operating profit under financial income and expenses. The effect of associated companies' earnings in 2006 amounted to EUR -967.5 thousand compared with EUR +354.1 thousand in 2005.

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 euros, which is the functional and presentation currency of the Group's parent company, Ruukki Group Plc. The functional and presentation currency of Finnish Group companies is the euro. The functional and presentation currency of Russian Group

companies is the Russian rouble. On the closing date, Group companies comprised Finnish limited companies and two Russian companies that had no significant business on 31 December 2006. The associated companies owned by the parent company have some individual foreign Group companies.

Transactions in foreign currencies have been recorded at the functional currency using the exchange rate on the date of the transaction. In practice, a close equivalent of the transaction date rate is used. 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 corresponding items above operating profit. Hedge accounting has not been applied to forward contracts used for hedging purposes.

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, each part is handled as a separate item. In this case, expenses from a part replacement are capitalised. In other cases, subsequent expenses are included in the carrying amount of an item only if it is probable that the future economic benefits from the item will flow to the Group and the acquisition cost of the item can be determined reliably. Other repair and maintenance expenses are recognised after they have occurred.

Assets are depreciated over their useful lives using the straight-line method. 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

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 business income or expenses.

Public subsidies

Public subsidies for the acquisition of tangible assets have been recorded as deduction of the carrying amounts of tangible assets. The subsidies are reflected in the form

of smaller depreciation amounts over the useful life of the asset.

The public transport and development subsidies received have been netted from the relevant expense items in the profit and loss account.

Intangible assets

Goodwill

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. 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 costs.

Acquisitions made after 1 January 2004 have been recorded in compliance with the IFRS 3 standard, which states that the acquired identifiable assets, liabilities, and contingent liabilities are measured initially by the acquirer at their fair values on the acquisition date. Any intangible assets of the acquired company not included in the company's balance sheet have been separated from goodwill. The remaining residual value is allocated as goodwill from acquisition. The IFRS 3 standard has been applied to the following transactions carried out by Group companies:

Financial year 2004:

Pohjolan Design-Talo Ltd (Q1/2004), Kalottipro Ltd (Q1/2004), Selka-line Ltd (Q2/2004), Hirviset Ltd (Q3/2004), Raahen Lämpöinssi Ltd (Q4/2004)

Financial year 2005:

Mikon Kuntoutuskodit Ltd (Q3/2005)

Financial year 2006:

Incap Furniture Ltd (Q1–Q2/2006, after gaining of control based on potential voting rights; Q4/2006 – however,

an associated company), Terveyspalvelut Mendis Ltd (Q3/2006), Tervolan Saha and Höyläämö Ltd (Q4/2006), Nivaelement Ltd (Q4/2006)

Efforts have been made to identify intangible assets outside the balance sheet associated with customers, marketing, technology, or intellectual property rights in all acquisitions. On the basis of the analyses conducted, trademarks and order books were identified as intangible rights to be capitalised in the balance sheet. Since market prices were not applicable to these items, a cash-flow-based approach was used in their measurement. In addition, the value of work in progress was reassessed where necessary. A 10-year depreciation period is applied to the capitalised balance sheet value of trademarks except for the Mendis trademark capitalised in connection with the acquisition of Terveyspalvelut Mendis Ltd; the depreciation period based on useful life is three years. The proportion of acquisition cost allocated to the order book and work in progress is depreciated over its useful life; therefore, these items related to the acquisition mentioned above were written off fully in 2004. The amount of the acquisition price remaining after the allocation of assets has been recorded as goodwill, which in the business combinations referred to above represented, on average, half of the combined acquisition price of the fair value measurements of Group companies acquired between 2004 and 2006, including the furniture-industry-related acquisitions that were not consolidated on 31 December 2006.

For determining the acquisition price, the assets provided by Ruukki Group companies, liabilities incurred by Ruukki Group or that it has undertaken to answer for, and equity-based instruments issued have been taken into account. In addition to the time of transaction, all future conditional earn-out items have been taken into account on an assessment basis, because the final amount of these items may be different from that recognised in the balance sheet, as the earn-out items are based on the future financial performance of the acquired company. Direct costs arising from the services of experts in connection with business combinations have been recognised in the total acquisition price.

Research and development costs

Research costs are recorded as expenses in the income statement. Development costs associated with the design of new or more advanced products have been recorded as expenses also, because the Group companies do not actually carry out any extensive R&D activities besides ordinary product improvement measures and

the development of business-supporting computer applications.

Depreciation periods for intangible assets

Depreciation periods are as follows:

Computer software	3–5 years
Other intangible rights	3–5 years
Trademarks	3 or 10 years

Inventories

Inventories are measured at acquisition cost or a lower probable net realisable value. Acquisition costs are determined using the FIFO method or an average cost method. The cost of finished and semi-finished products 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.

Lease agreements (the Group as the lessee)

Leases of tangible assets where the Group is in possession of 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. A significant number of the finance leases recorded in the consolidated balance sheet cover computer equipment (computers, servers, routers, and similar equipment and applications). 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 profit and loss account on a straight-line basis over the lease term.

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. Goodwill is tested at the segment level. In addition, impairment related to associated companies 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 account of the time value of money as well as the special risks involved for each asset, different capital structures in different lines of business, and the investors' return expectations for similar investments, in addition to risks related to company size. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. Impairment losses are recorded in the profit and loss account. If the impairment loss involves a cash generating unit, it is allocated first to reduce the goodwill of the entity and subsequently to reduce other assets of the entity in equal amounts. An impairment loss is reversed if a change has occurred in circumstance 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 has been tested for impairment annually at the year's end, for financial year 2006 on 31 December 2006. Impairment testing and the methods used are discussed in more detail in 'Notes to the consolidated financial statements'.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they were incurred. Transaction costs directly attributable to a specific loan are included in the original amortised cost of the loan and amortised to interest expense using the effective interest method. The issue costs of the convertible bond loan issued by Ruukki Group Plc at the end of 2004 have been included

in the acquisition cost to be capitalised. Because this loan includes the right of conversion, the loan capital has been divided into equity instrument and financial liability components in line with the principles of the IAS 32 standard.

Employee benefits

Pension liabilities

Pension arrangements are classified as defined contribution plans. Payments for defined contribution plans are recorded in the profit and loss account for the relevant period. Group companies have a few individual pension insurance policies that differ from the statutory insurance under the Finnish Employees' Pensions Act (TEL), but they have no material impact on the Group's expenses or liabilities.

Share-based payments

Ruukki Group has applied the IFRS 2 standard Share-based Payments to all option schemes in which the options were granted after 7 November 2002 and which did not vest before 1 January 2005. Prior option arrangements have not been shown as expenses in the profit and loss account. Option rights are measured at fair value at the time they were granted and recorded as expenses in the profit and loss account 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 profit and loss account. When the option rights are exercised, the cash payments received from the subscriptions adjusted with potential transaction costs are recorded under share capital and share premium fund.

In total, 450,000 options were granted and subscribed for by 31 December 2006 under an option scheme that was decided on in parent company Ruukki Group Plc's shareholders' meeting in December 2005. 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. These option rights granted by the parent company did not affect the results or shareholders' equity in the 2005 financial year, but, because they are recorded as expenses on a straight-line basis between the grant date and first subscription date, they will affect the results and shareholders' equity for 2006. The cost impact of these options in 2006 amounted to a little over EUR 0.1 million.

The convertible bond loan issued by the Group's Metal Industry segment was offered to the segment's executive personnel, as a result of which costs arising from employee benefits were recorded in the profit and loss account in 2005, totalling clearly less than EUR 0.1 million. This item has been treated as accumulated profit under shareholders' equity in the balance sheet, which effectively neutralises the net effect on shareholders' equity.

Provisions

A provision is recognised when the Group has a legal or factual obligation resulting from a previous event, when it is probable that the payment obligation will materialise, and the amount of the obligation can be reliably estimated. If a reimbursement can be obtained from a third party for part of the obligation, the reimbursement is treated as a separate asset but not until the reimbursement is practically certain. Provisions are measured at the current value of the expenses required to fulfil the obligation. The prefabricated houses manufactured by Ruukki Group's House Building segment involve a one-year repair liability and an additional 10-year structural safety guarantee. On the basis of the historical data of the company operating in the House-building segment, the one-year repair liability has been recorded as expenses in the profit and loss account and as provisions in the balance sheet. No expenses have been recorded in the profit and loss account for the 10-year structural safety guarantee, because such an amount is difficult to estimate, it is unlikely to materialise, and the majority of the guarantee risk ultimately rests with non-Group subcontractors. In addition, customer deliveries in the Metal Industry segment typically involve short-term guarantee liabilities.

Income taxes

Tax expenses in the profit and loss account 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 potential taxes 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, which is non-deductible, nor have deferred taxes been recorded for the subsidiaries' non-distributable profit funds insofar as the difference is unlikely to be revoked in the foreseeable future. Deferred taxes have been calculated using the tax rates prescribed by the balance sheet date. Deferred tax assets 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. Ruukki Group has not recorded any deferred tax assets for the impairment of the associated companies. No deferred tax assets have been recorded for the previous confirmed losses and company tax concessions of the companies operating in the wood product industry. Deferred taxes primarily involve the allocations of fair value carried out in connection with business acquisitions.

Income recognition principles

Goods sold and services provided

Income from the sale of goods is recognised once the essential risks and benefits associated with ownership have been transferred to the buyer. Some Group companies sell goods to buyers outside Finland, in which case income from export trading is recognised on a case-by-case basis with due attention paid to the terms of delivery in the trade agreements. Income from services is recognised after the service has been provided. Income from services provided is mainly attributable to the Care Services segment, where service provision is relatively stable and follows the agreements signed with customers.

Construction contracts

During the financial year or in the comparison year, Ruukki Group was not involved in any activities that would fall under the definition applied in the IAS 11 standard Construction Contracts. In future financial years, the Group's House-building segment may become involved in operations that can be classified as construction contracts.

Interest and dividends

Interest income is recognised using the effective interest method, and dividends are recognised when the right to dividends is established.

Non-current assets held for sale and discontinued operations

The IFRS 5 standard 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 its continued use. In this case, the asset or disposal group must be available for immediate sale in its present condition under the general and standard terms and conditions for sale for such assets, and sale must be highly probable. For sale to be highly probable, the management representing the appropriate organisational level must be committed to a plan to sell the asset or disposal group, and the entity must have initiated an active programme to locate a buyer and to execute the plan. When these requirements are met after the balance sheet date but before the approval of the financial statements for disclosure, the notes required by IFRS 5 will be presented.

The Ruukki Group Plc's Board of Directors made a decision in 2005 to dispose of the associated companies related to the company's prior history (when the company operated under the name 'A Company Finland Plc'), except for Oplax Ltd and ILP-Group Ltd. Even though the implementation of this decision has been explored, it is the Group management's opinion that sale of the associated companies was not highly probable as referred to in IFRS 5 when the financial statements for 2006 were approved for disclosure.

Because the nature of the Group's operations is development, its business activities essentially involve the ongoing and active development of the Group companies and their operations, which may require various ownership and financial arrangements and possibly very rapid ownership rearrangements.

Financial assets and liabilities

Financial assets are classified on the basis of the purpose for which the financial asset was acquired, and in connection with the original acquisition. Transaction costs have been included in the original carrying amount of the financial assets where an asset not measured at fair value through profit or loss is concerned. The acquisition and disposal of financial assets are recorded on the transaction dates. Investments held to maturity include non-derivative financial assets that involve fixed or easily defined payments, that mature on a specified date, and that the Group is determined and able to hold until maturity. Loans and other receivables are non-derivative financial assets that involve fixed or easily

defined payments, that are not quoted on active markets, and that the company does not hold for trading purposes. Cash consists of cash funds, bank deposits available for withdrawal on demand, and other highly liquid short-term investments that are measured at fair value on the balance sheet date. Items classified as financial assets mature not later than in three months from the date of acquisition. Credit facilities are included in short-term interest-bearing liabilities. Financial liabilities are included in long- and short-term liabilities, and they may be interest-bearing or interest-free.

Derivative contracts and hedge accounting

Derivative contracts are recognised at original acquisition cost. Group companies have not applied hedge accounting.

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 possible impairment losses, and other operating expenses. All other profit and loss account items are shown below operating profit. Translation differences arising from business items are included in operating profit; otherwise they are recorded under financial items. Shares of associate earnings are included in operating profit.

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 are small and medium-sized companies located in different parts of Finland. Some of the companies operate in capital-intensive and some in labour-intensive sectors. On the balance sheet date, the Group's two Russian subsidiaries were fairly inactive in the previous year. 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 requires particular discretion in cases 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 cash flow discounting requires discretion.

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

The Group has made a significant number of business acquisitions in the past few years. These acquisitions typically have involved additional sale prices calculated and paid on the basis of the future operative profitability of the acquired company (earn-out arrangements), and the estimated additional sale prices 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 realised profits or loss of the acquired company is different from the estimated. Furthermore, the estimated earn-out items may differ from the subsequent actual sale prices as a result of the discounting of future liabilities.

The previously presented earn-out liabilities have been specified in more detail in the financial statements dated 31 December 2006 (and 31 December 2005), which has affected the goodwill on the one hand and the corresponding transaction price liability on the other. This is because the companies acquired in the previous financial years have prepared their financial statements for 2006 (2005), thereby helping to specify the additional sale prices more accurately. The assumed additional sale prices payable on the basis of performance in 2007 and in subsequent financial years have not been revised from the previously recorded amounts in connection with the preparation of financial statements for 2006.

Impairment testing

Goodwill is tested annually for impairment, and assessments of whether there are indications of any other asset impairment are made. 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, under the principle of prudence, assumed to be zero. Group companies' goodwill is tested for impairment on the segment level, which is why the definition of segments approved by the Board of Directors of the parent company may affect the outcome of the testing, because the Group's development activities typically involve major business rearrangements and structural changes.

The forecasts used in the testing are based on the budgets and projections of the operative units, which strive to identify any extension investments and rearrangements. Separating extension investments from replacement investment 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 management of various segments as well as from different sources describing general market activity. The risk associated with the estimates is taken into account in the interest used. In addition, in some individual cases some of the forecasts prepared by the operative units have been revised to lower the predicted figures somewhat, on the basis of the historical forecasting accuracy of the units in question. Because the Group companies are small and medium-sized companies, estimated components are involved in the interest applied in the impairment testing and the related risk premiums, and the definition of the average capital structures of the markets of the segment in question. An individual accounting interest figure has been calculated for each operative unit in each segment.

Accounts receivable

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

Operating assets

Ruukki Group companies operate in very dissimilar lines of business, which is why on the business segment level

the Group's management is required to use its discretion when determining the useful lives of various assets, which affects the amount of depreciation and thereby the balance sheet value of the assets concerned. In addition, when the Group acquires new subsidiaries, assessments have to be made to make the acquired companies' depreciation practices consistent with practice in the rest of the Group wherever applicable. Similarly, the management is required to use its discretion in determining the useful lives of immaterial rights identified in accordance with IFRS 3, and in determining the depreciation 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 an estimate-based non-marketability provision for inventories, as a result of which 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.

Guarantee expenses

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

Deferred taxes

The tax expenses in the profit and loss account consist of tax based on taxable income for the period and deferred taxes. In some cases, estimates have to be made to determine deferred taxes. Special consideration is required in the capitalisation of deferred tax assets and in estimating grounds thereof, especially in predicting taxable income for future periods. No deferred taxes have been recorded for goodwill impairment, which is non-deductible, nor have deferred taxes been recorded for the subsidiaries' non-distributable profit funds insofar as the difference is unlikely to be revoked in the foreseeable future. Deferred tax assets 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.

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 and recorded as expenses in the profit and loss account on a straight-line basis during the vesting period. 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 under 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.

Associated companies

Ruukki Group's associated companies are consolidated using the equity method. Share of associates' earnings is recorded in the consolidated profit and loss account. Associated companies prepare their own financial statements in compliance with the Finnish Accounting Act, and Ruukki Group adjusts the statements to comply with the IFRS standard before recording the associates' earnings information. For this purpose, the management sometimes is forced to make estimates of the required adjustments, and sometimes it may not be possible to identify all of the necessary adjustments. However, this has no material impact on the Group's financial results or its financial position. Determining the value of associated companies' shares, particularly in consideration of the IAS-36-compliant impairment testing, requires discretion, as it involves an assessment of whether there is any indication of impairment of the balance sheet value of the associates' shares and receivables, and an assessment of how their value in use should be calculated if impairment testing needs to be conducted.

Application of new or amended IFRS standards

As a rule, the Group applies all new or amended IFRS standards related to its own business activities since their effective date.

The Group will apply IFRS 7 (Financial instruments: Disclosures) as of 1 January 2007, which will result in more extensive specification and analysis of the Group's financial items and risks. Similarly, the additional capital management breakdown required by the amended IAS 1 will be made as of the effective date 1 January 2007. The Group presumably will apply the IFRS 8 standard as of 1 January 2009. The introduction of IFRS 8 may affect the definition of business segments as well the content and presentation of the financial information for the various segments.

On the basis of the information currently available, the Group believes that the future introduction of the new or amended standards, or of the IFRS interpretations (IFRIC 8, 9, 10, 11, and 12) available on the balance sheet date, will not have a material impact on the Group's future financial statements.

SEGMENT INFORMATION

The presentation of information by business segment follows the Group's segmentation by business segment and by geographic area. Business segments represent the Group's primary segment reporting. The segment reporting is based on the Group's internal organisational structure and financial reporting.

The business segments consist of groups of assets and business operations generating products or services that involve risks and profitability that are different from those in other segments. Products and services in specified geographic areas are produced in a specific economic environment in which the risks and profitability related to products and services differ from those inherent in the financial environment of other geographic regions. Inter-segment transactions are carried out at market prices. Transactions between the Group's segments have, on average, been at a very low level, but they showed a slight increase in the 2006 financial year, owing to two factors: Firstly, raw material for one segment was procured from a company in another segment, and, secondly, the rearrangements in the furniture industry resulted in some recategorisation involving Group company v. associated company status. The assets and liabilities of the various segments of the Group represent items that these segments use in their activities or that can be reasonably allocated to them. Investments consist of increases in tangible and intangible assets whose life is longer than one financial year.

Business segments – primary segment

On the balance sheet date, the Group's business segments were:

House Building
Wood Processing
Metal Industry
Care Services

The Group's other operations are classified under 'Other operations'. Associated companies are not classified as a segment.

On account of its nature as a development company, the Group may change significantly in structure and its business divisions could undergo changes in the future.

House Building

The House Building business segment specialises in the design and manufacture of prefabricated houses in Finland. The house building business has been selected as one of the Group's key priority areas.

The revenue from prefabricated houses is recognised only when the house is delivered to the customer, which means that unfinished projects do not affect the Group's revenue or profit for the period under review. The 2006 financial year saw a total of 458 houses delivered to customers (2005: 412). This segment has seen considerable growth in the past few years, partly as a result of the general growth in the housing markets and in part because the company's products enjoy a better than average market position. The proportion of prefabricated houses has increased relative to other types of single-house building methods.

The order book exclusive of value added tax stood at approximately EUR 36 million at the end of the year. There are no significant risks associated with the orders. The segment employed 101 people at year end, as well as a considerable number of workers from outside service providers, employed on the basis of contract agreements. The division consists of Pohjolan Design-Talo Ltd and its fully owned subsidiary Nivaelement Ltd.

In the second quarter of 2006, Pohjolan Design-Talo Ltd switched to wall-element-based house production. With wall-element-based production, more production stages take place in the production facility rather than at the construction site. Wall elements combine the benefits of large prefabricated panes and pre-cut structures. The new construction method allows houses to be made weatherproof quickly by means of a joint-free construction method. The benefits of wall elements as compared to traditional building include efficiency and the opportunity to produce uniform quality without increasing the consumer prices of houses.

Wood Processing

Sawmill business

In the 2006 financial year and in the comparison year 2005, the Wood Processing segment covered softwood sawmill business and furniture business. Due to the

various ownership arrangements carried out in the furniture business in 2006, the segment has changed radically. Since Ruukki Group had only a minority interest in the furniture-business operations at the end of 2006, they legally are not considered to be part of the same group as the sawmill operations.

The sawmill operations specialise in the efficient processing of softwood log products and in the production of wooden components. This unit consists of the Kuusamo-based Lappipaneli sawmill group and the Tervolan Saha ja Höyläämö sawmill group operating in Tervola and Kittilä, which specialise in the efficient utilisation of Nordic pinewood and spruce. The key customer group includes companies serving the international construction business – for instance, in the Japanese building beam markets – and house building factories.

Favourable export demand continued in the sawmill business. Also, softwood sales prices have increased. The profitability of the sawmill operations improved in 2006, year on year. Approximately 56% of the sawmill revenue in the review period were generated in the export markets where the company has gained a good position. Sawmill unit's order book exclusive of value added tax stood at approximately EUR 13.2 million at the end of the year. The sawmill unit employed a total of 72 people at the end of the financial year.

Furniture business

Ruukki Group is involved in the furniture business through its associated company Incap Furniture Ltd. The furniture operations continued to make a loss, and liquidity was tight throughout the financial year. At the end of fiscal year 2006, Ruukki Group's ownership in Incap Furniture was 47.1%. During 2006, the following units have been included as group companies:

- Hirviset Group Ltd during 1-12/2006 (based on potential voting rights on 1-4/2006)
- Hirviset Ltd and Ruukki Furniture Ltd during 1-9/2006 (both companies belonging to Incap Furniture group from 05/2006 onwards)
- Incap Furniture Ltd, Incap Furniture Inc ja Koy Jokilaaksojen Kiinteistöt during 5-9/2006 (and based on potential voting rights for all of the period 5-9/2006)

Rationalisation measures in the furniture business continue. The majority of the segment's furniture production is exported. Operations involve a significant customer concentration risk. Opportunities for raw material procurement and manufacturing in Russia

are being explored with the objective of ensuring the long-term profitability of operations. The balance sheet items and off-balance liabilities associated with the furniture business amounted to about EUR 2.2 million on 31 December 2006. During fiscal year 2007 furniture business will become a part of the group, and therefore will be consolidated into the group financials starting as of March 2007

New business in Kostroma, Russia

A private limited company, OOO Ruukki Kostroma, was established in Russia at the end of 2006, which acquired a Russian subsidiary (OOO Sever-Trust). These companies had very modest operations in 2006, but in December they signed significant investment agreements, which, when fulfilled, should result in major investments and business in Russia in coming years and also affect the segment and the entirety of Ruukki Group and its financial position, for a considerable contrast with the situation on the 31 December 2006 balance sheet date. At the end of the financial year, the Russian companies had a total of three employees.

Metal Industry

The Metal Industry segment utilises a networking approach, where the growth and market position of a manufacturing company are based not so much on investments in tangible assets as on investments in people and skills. This manufacturing concept means that the company itself handles only a very small part of the value chain, while the rest is outsourced to partners and others in a long-term co-operation relationship. Exports in 2006 accounted for 55% of the Metal Industry segment's revenue. Ruukki Group Ltd's interest in Alumni Ltd, which is the parent company of the metal industry subgroup, fell to about 69.4% in January 2006.

At year end, the segment employed 49 people. It comprises Alumni Ltd, Pan-Oston Ltd, and Selka-line Ltd.

Care Services

The Care Services segment provides high-quality care and rehabilitation services for municipalities, cities, communities, and businesses. The segment offers services that utilise the best approved methods, solid experience in the field, and proven service production processes, and it supports their further development.

The Care Services segment remained stable in 2006. In the third quarter, all of the share capital of the Seinäjoki-based Terveyspalvelut Mendis Ltd was acquired, which

should strengthen the segment considerably. At year end, the segment employed 229 people. Care Services includes the subgroup's parent company Mikeva Ltd (previously Pohjanranta Ltd) and its subsidiaries Jussin Kodit Ltd, Mikeva Vanhuspalvelut Ltd, Terveyspalvelut Mikeva Ltd, Mikon Kuntoutuskodit Ltd, and Terveyspalvelut Mendis Ltd acquired in 2006.

Other Group companies and associated companies

Other Group companies include Ruukki Group Plc as the Group's parent company; Balansor Ltd, a subsidiary providing Internet services; and some associated companies that were not engaged in active business operations on the closing date.

Ruukki Group Plc, directly as well as through its subsidiaries, has minority interests in several Finnish companies. These companies have been consolidated in the Group's financial statements using the equity method. Profit from associated companies for the 2006 financial year, excluding wood processing segment's associated companies, produced EUR 0.7 million positive effect on Ruukki Group EBIT. The associated companies within the wood-processing segment generated a net negative effect of some EUR 1.7 million on 2006 EBIT, which is shown in the segment EBIT as well. During 2006 a write-downs of some 0.3 million was booked related to associated companies shares and debt instruments. In the third quarter of the year, the company sold its shares in Container-Depot Ltd Ltd. This generated a sales gain of EUR 4.6 million.

Segment information for 2006, by business division

Business segments	House building	Wood processing	Metal industry	Care services	Others	Eliminations and unallocated items	Group
External sales							
Services	2,540.1	0.0	0.0	9,819.8	551.0	-400.2	12,510.67
Goods sold	51,208.4	53,501.2	8,161.2	0.0	78.0	0.0	112,948.81
Total external sales	53,748.5	53,501.2	8,161.2	9,819.8	629.0	-400.2	125,459.48
Intra-group sales	0.0	0.0	0.0	0.0	0.0	0.0	0.00
Revenue	53,748.5	53,501.2	8,161.2	9,819.8	629.0	-400.2	125,459.48
Share of associated companies profit	0.0	-1,709.3	0.0	0.0	741.7	0.0	-967.54
Revenue of the segment	13,379.9	-3,983.6	295.7	610.5	2,619.5	125.7	13,047.62
Unallocated items							0.00
Operating profit							13,047.62
Unallocated items							-4,605.23
Net profit							8,442.39
Segment's assets	34,027.2	27,354.5	4,279.2	10,318.6	64,519.7	-29,978.0	110,521.18
Shares in associated companies	0.0	939.4	0.0	0.0	4,628.9	0.0	5,568.33
Unallocated assets							0.00
Total assets							116,089.52
Segment's liabilities	22,923.3	26,968.6	4,647.7	10,094.8	12,064.9	-19,973.3	56,726.05
Unallocated items							0.00
Total liabilities							56,726.05
Gross capital expenditure	561.3	7,161.0	84.4	4,037.9	2,485.1	0.0	14,329.74
Depreciation	-175.9	-3,626.4	-131.5	-379.8	-89.2	0.0	-4,402.75
Impairment	0.0	-5.0	0.00	0.0	-317.2	-32.2	-354.44
Other non-cash items:							
Warranty provisions	107.5	0.0	0.00	0.0	0.0		107.50

Segment information for 2005, by business division

Business segments	House building	Wood processing	Metal industry	Care services	Others	Eliminations and unallocated items	Group
External sales							
Services	4,130.4	0.0	0.0	5,351.2	815,5	-255.6	10,041.4
Goods sold	41,300.5	33,216.9	7,405.8	0.0	0,0	-28.3	81,894.8
Total external sales	45,430.9	33,216.9	7,405.8	5,351.2	815,5	-284.0	91,936.2
Intra-group sales	0.0	0.0	0.00	0.0	0,0	0.00	0.0
Revenue	45,430.9	33,216.9	7,405.8	5,351.2	815,5	-284.0	91,936.2
Share of associated companies profit	0.00	-60.8	0.00	0.0	0,0	414.9	354.1
Revenue of the segment	10,605.5	-842.5	247.2	346.4	-1 440,1	423.0	9,339.6
Unallocated items							0.0
Operating profit							9,339.6
Unallocated items							-3,790.2
Net profit							5,549.4
Segment's assets							
Shares in associated companies	0.0	20.4	0.0	0.0	3 518,3	309.2	3,848.0
Unallocated assets							0.0
Total assets							89,141.5
Segment's liabilities							
Unallocated items							-5,250.8
Total liabilities							64,602.2
Gross capital expenditure							
Depreciation	-299.5	-1,245.4	-119.3	-217.7	-178,8	0.0	-2,060.7
Impairment	0.0	0.0	0.0	0.0	0,0		0.0
Other non-cash items:							
Warranty provisions	82.6	0.0	0.0	0.0	0,0		82.6

Compared with financial statements for 2005, this information has been changed. Tax and financing items have been presented as non-allocated in 2005 financial statements. In 2006 the presentation was adjusted so, that segment's assets and liabilities comprise all assets and liabilities of juridical entities of the segment. To ensure comparability year on year, 2005 information has been adjusted accordingly.

Geographic segments – 'secondary segment'

Ruukki Group's divisions carry out operations in Finland and in Russia. Products manufactured by the Group are exported from Finland to foreign customers. The Group's key export areas are Japan, the Nordic region and other EU countries, and northern African countries. On the closing date, the Group's assets, investments, personnel, and production operations were in Finland and to a very small scale extended to Russia. However, Russia is likely to become an increasingly important area, which is why 2007 may see it assigned to a separate geographic

segment for reporting purposes. Revenue figures for the various geographic regions are based on the geographic location of the customers, and similarly the assets and investments for particular geographic regions are based on the location of assets.

In 2006, the Group's revenue in Finland came to EUR 85,526.1 thousand (68%) and revenue from international units EUR 39,933.4 thousand (32%).

2006, tEUR

Geographical

segments

	Finland	Rest of the world	Group
Revenue	85,526.13	39,933.35	125,459.48
Assets	110,521.18	0,0	110,521.18
Capital Expenditure	14,329.74	0,0	14,329.74

2005, tEUR

Geographical

segments

	Finland	Rest of the world	Group
Revenue	73,469.57	18,466.56	91,936.23
Assets	85,293.55	0,0	85,293.55
Capital Expenditure	5,696.10	0,0	5,696.10

Financial year 2006

Ruukki Group has carried out the following business combinations in financial year 2006:

1. Group Companies

- Terveyspalvelut Mendis Ltd, and its subsidiary Mendis Palvelukodit Ltd, has been consolidated from 1.9.2006 onwards into the care services business segment;
- Tervolan Saha ja Höyläämö Ltd, and its subsidiary VK Timber Ltd, has been consolidated from 1.10.2006 onwards into the wood processing business segment;
- Nivaelement Ltd has been consolidated from 1.12.2006 onwards into the house building business segment;
- Of the shares of house building segment's parent company Pohjolan Design-Talo Ltd 9.9 % were sold on 2.1.2006 to that company's managing director whereby Ruukki Group ownership has fallen to 90.1 % level;
- The management of metal industry segment's parent company has exercised call options and purchased new Alumni Ltd shares in January 2006; therefore Ruukki Group ownership in Alumni Ltd has fallen from 100 % to approximately 69.4 %;
- Ruukki Group Plc's subsidiary Balansor Ltd (previously Magentasites Ltd) has sold its business operations to a third party at end of second half 2006;
- Ruukki Group Plc has, based on an option agreement signed in 2004, acquired 50 % of Hirviset Group Ltd shares in May 2006 increasing its ownership to 100 %. This included a cash consideration of EUR 3.0 million. Based on that call option, Hirviset Group Ltd has been consolidated into Ruukki Group from 30.9.2004;
- Hirviset Group Ltd has, as part of larger furniture business restructuring, sold its subsidiary Hirviset Ltd to Incap Furniture Ltd via a stock swap arrangement in May 2006;
- Ruukki Group's Finnish group company Ruukki Invest Ltd established at the end of 2006 a new Russian subsidiary OOO Ruukki Kostroma which in turn later acquired another Russian limited liability company called OOO Sever-Trust. These companies did have only immaterial business operations in 2006.

2. Associated companies

Ruukki Group has finalised the following transactions related to associated companies during 2006:

- A 39.1 % share of Incap Furniture Ltd's shares was acquired on 3.2.2006. In May 2006 ownership interest was raised to 47.2 %. During 1.5.-30.9.2006 Incap Furniture was consolidated as a group company based on call options related potential voting rights. During 1.2.-30.4 and 1.10.-31.12. Incap Furniture Ltd has been treated as an associated company. At the year end 2006, Ruukki Group's combined ownership was decreased to 47.1 %. In the beginning of fiscal year 2007 Ruukki Group published that a transaction was agreed upon whereby Ruukki Group's ownership in Incap Furniture will be increased to approximately 70.3 %;
- In March Ruukki Group acquired a 27.6 % stake in Container-Depot Ltd; these shares were sold in September, which realised a 4,648.1 thousand euros sales gain;
- Ruukki Group sold all of its Logium Ltd shares (34.0 % stake) in June 2006;
- In October Ruukki Group raised its Oplax Ltd stake to 31.95 % (previously 24.53%)

Financial year 2007

During 2007 Ruukki Group has in February become a majority owner of Incap Furniture Ltd via a directed share issue to Hirviset Group Ltd whose direct ownership in Incap Furniture has gone up to 59.0 %. Ruukki Group Plc's stake in Incap Furniture has diluted to roughly 11.3 %, so the combined Ruukki Group ownership interest is 70.3 % . Incap Furniture Ltd will be consolidated as a group company as of 1.3.2007, and prior to that it will be treated as a consolidated company (combined ownership interest 47.1 %).

During 2007 Ruukki Group Plc has agreed to sell part of its Valtimo Components Plc shares so that Ruukki Group stake will drop to 24.9 % (previously 39.2 %).

Terveyspalvelut Mendis Ltd

Ruukki Group care services segment acquired all shares of Terveyspalvelut Mendis Ltd in 31.8.2006. Terveyspalvelut Mendis Ltd, including its subsidiary, has a total of roughly 150 customers in 11 locations in Ostrobothnia area and Central Finland providing services for e.g. mentally retarded and elderly people. This transaction considerably strengthened the care services segment. Terveyspalvelut Mendis Ltd group's revenue in 1.1.–31.12.2006 totalled approximately 5,080 thousand euros and the corresponding net income close to 459 thousand euros.

Terveyspalvelut Mendis Ltd acquisition included a cash consideration of EUR 2.0 million paid out in 2006. Moreover, transaction has earn-out components based on the next three years profitability on the acquired operations. In the purchase price allocation customer relationships and brand name were identified as assets and thereby activated on Ruukki Group balance sheet. In addition a considerable goodwill was recognised. This goodwill is based on and related to expected synergy gains on the care services segments' different units being integrated as operations quality and knowhow, on personnel training and backup arrangements, and on more efficient utilisation of geographically dispersed customer seats.

The following assets and liabilities were recognised and booked for the acquisition:

EUR'000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Goodwill	0.0	200.1
Trade marks	212.5	0.0
Other intangible assets	1,070.2	0.0
Property, plant and equipment	173.5	173.5
Receivables	474.6	474.6
Other assets	2.5	2.5
Cash and cash equivalents	158.5	158.5
Total assets	2,091.8	1,009.2
Current liabilities		
Accounts payable	386.4	386.4
Other payables	339.0	5.5
Total liabilities	725.4	391.9
Net assets	1,366.4	617.3
Acquisition cost	3,731.6	
Net assets	1,366.4	
Goodwill on acquisition	2,365.2	
Net cash outflow on the acquisition:		
Consideration paid in cash	2,032.0	
Acquired cash and cash equivalents	-158.5	
Cash flow	1,873.5	

Tervolan Saha ja Höyläämö Ltd

During the final quarter of 2006 Ruukki Group acquired 91.4 % majority stake in Tervolan Saha ja Höyläämö Ltd (TSH), and its subsidiary VK Timber Ltd (VKT). These two companies were included thereafter into the sawmilling business segment that previously consisted mainly of Lappipaneli Ltd. TSH old owners Kalervo and Hannu Vuokila have the remaining minority and they will continue in the management role. This acquisition strengthened in its part the active sawmilling business development carried out by Ruukki Group in Northern Finland.

TSH and VKT has been consolidated from the beginning of October in the group figures. Tervolan Saha ja Höyläämö –subgroup's revenue for the period 1.2. - 31.12.2006 totalled roughly 10,780 thousand euros

and the corresponding net income 1,218 thousand euros. VK Timber Ltd's separate 14 month revenue for the period 13.10.2005 – 31.12.2006 was 2,759 thousand euros and net income about 207 thousand euros. Cash consideration paid in 2006 totalled EUR 6.3 million including third party advisors' fees and applicable transaction taxes. Furthermore, there are additional earn-out purchase price components that will depend on future financial performance of TSH subgroup. These earn-out components are expected to total roughly EUR 1.8 million. Purchase price allocation lead to realisation of 109 thousand euros goodwill; the rest of the purchase price was allocated to customer relationships, fixed assets and inventory. Goodwill is based on expected synergy gains on the co-operation and coordination in raw material purchases and sales processes within the sawmilling business group.

The following assets and liabilities were recognised and booked for the acquisition:

EUR'000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Goodwill	0.0	458.1
Customers	1,595.3	0.0
Other intangible assets	145.6	145.6
Property, plant and equipment	4,892.6	2,690.8
Inventories	897.6	765.8
Receivables		
Accounts receivable	1,408.5	1,408.5
Other receivables	277.7	277.7
Other assets	1,515.8	1,515.8
Cash and cash equivalents	1,515.8	1,515.8
Total assets	12,248.9	8,778.1
Non-current liabilities	289.7	289.7
Current liabilities		
Accounts payable	747.1	747.1
Other payables	2,466.3	1,444.9
Total liabilities	3,503.1	2,481.7
Net assets	8,745.8	6,296.4
Acquisition cost	8,104.6	
Net assets	7,995.4	
Goodwill on acquisition	109.2	
Net cash outflow on the acquisition:		
Consideration paid in cash	6,182.2	
Acquired cash and cash equivalents	-1,515.8	
Cash flow	4,666.4	

Incap Furniture Ltd

In February 2006 Ruukki Group Plc took part in significant restructuring of Finnish furniture business, and acquired ca. 39.1 % of the shares of Incap Furniture Ltd, which is the biggest Finnish furniture manufacturing services company. The transaction was finalised in May when Hirviset Group Ltd sold its subsidiary Hirviset Ltd to Incap Furniture Ltd via a stock exchange deal. In conjunction with this transaction, Ruukki Group Plc exercised an old 2004 dated call option and bought

50.0 % of Hirviset Group Ltd shares with EUR 3.0 million cash payment. After this option exercise Ruukki Group Plc has owned all Hirviset Group Ltd's shares.

Based on all the abovementioned transactions, Ruukki Group Plc and Hirviset Group Ltd had totally ca. 47 % ownership in Incap Furniture Ltd. During

The following assets and liabilities were recognised and booked on the acquisition carried out in stages:

Phase 1: Acquisition of 39.1 % share EUR '000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Goodwill	0.0	0.0
Trade marks		
Other intangible assets	1,791.5	105.0
Property, plant and equipment	22,081.9	22,081.9
Inventories	5,157.1	4,888.8
Receivables		
Accounts receivable	3,906.1	3,906.1
Other receivables	531.5	531.5
Other assets	924.0	924.0
Cash and cash equivalents	265.6	265.6
Total assets	34,657.7	32,702.9
Interest-bearing debt		
Finance leases	5,570.2	5,570.2
Current and non-current debt	13,280.5	13,280.5
Other liabilities		
Accounts payable	2,392.1	2,392.1
Other payables	2,454.7	2,454.7
Deferred tax liability	2,141.2	1,632.9
Total liabilities	25,838.7	25,330.4
Net assets	8,819.0	7,372.5
Acquisition cost	2,455.0	
Net assets on 31 Jan 2006 (100 %)	8,819.0	
Acquired net assets on 31 Jan 2006 (39.1 %)	3,448.2	
Goodwill on acquisition	-993.2	
Net cash outflow on the acquisition:		
Consideration paid in cash	2,455.0	
Acquired cash and cash equivalents (39.1 %)	103.9	
Cash flow	2,351.2	

1.5.–30.9.2006 Incap Furniture was consolidated as group company due to potential voting right; before May it was treated as an associate. Ruukki Group sold its Incap Furniture Ltd call option in the beginning of 2006 final quarter, and therefore from 1.10.2006 onwards Incap Furniture has been again treated as an associated company.

In February 2007 a further ownership restructuring was finalised whereafter Ruukki Group owns approximately 70.3 % of Incap Furniture Ltd. If Incap Furniture Ltd had been acquired on 1.1.2006 and been consolidated for the full year, group revenue would have been roughly 26,533 thousand euros higher and corresponding net income 3,491 thousand euros lower.

Phase 2: Acquisition of 47.2 % share EUR '000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Goodwill	0.0	0.0
Trade marks		
Other intangible assets	2,131.4	98.0
Property, plant and equipment	21,099.8	21,099.8
Inventories	5,347.1	5,086.0
Receivables		
Accounts receivable	3,818.0	3,818.0
Other receivables	413.0	413.0
Other assets	1,173.8	1,173.8
Cash and cash equivalents	106.0	106.0
Total assets	34,089.1	31,794.6
Interest-bearing debt		
Finance leases	5,351.4	5,351.4
Current and non-current debt	13,712.0	13,712.0
Other liabilities		
Accounts payable	2,878.0	2,878.0
Other payables	2,343.0	2,343.0
Deferred tax liability	2,151.6	1,555.0
Total liabilities	26,436.0	25,839.4
Net assets	7,653.1	5,955.2
Acquisition cost	5,005.8	
Net assets on 30 Apr 2006 (100 %)	7,653.1	
Acquired net assets on 30 Apr 2006 (47.2 %)	3,612.3	
Goodwill on acquisition	1,393.5	
Net cash outflow on the acquisition:		
Consideration paid in cash	2,455.0	
Acquired cash and cash equivalents (47.2 %)	50.0	
Cash flow	2,405.0	

Nivaelement Ltd

House building segment of Ruukki Group acquired all shares of Nivaelement Ltd, a company producing wooden house elements, in December. Nivaelement Ltd has operated from summer 2006 as a subcontractor for Pohjolan Design-Talo Ltd and it has not had any other source of revenue; therefore the acquisition will not have any material effect on Ruukki Group revenue, net income or balance sheet. Nivaelement was acquired by 8 thousand euros cash consideration. The resulted minor goodwill was booked as cost.

If Nivaelement Ltd had been acquired in the beginning of financial year 2006, it would have had no effect on revenue and only minor effect on net income.

The following assets and liabilities were recognised and booked for the acquisition:

EUR '000	Fair value of acquired assets	Book value before acquisition
Property, plant and equipment	466.8	466.8
Inventories	474.1	474.1
Receivables		
Accounts receivable	99.0	99.0
Other receivables	156.2	156.2
Other assets		
Cash and cash equivalents	24.3	24.3
Total assets	1,220.4	1,220.4
Non-current liabilities	800.0	800.0
Current liabilities		
Accounts payable	403.4	403.4
Other payables	63.3	63.3
Total liabilities	1,266.7	1,266.7
Net assets	-46.3	-46.3
Acquisition cost	8.1	
Net assets	-46.3	
Goodwill on acquisition	54.4	
Net cash outflow on the acquisition:		
Consideration paid in cash	8.1	
Acquired cash and cash equivalents	-24.3	
Cash flow	-16.2	

Financial year 2005, Mikon Kuntoutuskodit Ltd

Ruukki Group Plc did acquire 100 % of Mikon Kuntoutuskodit Ltd into its care services business segment during 2005. Mikon Kuntoutuskodit Ltd has been consolidated into Ruukki Group starting from 30.9.2005. The revenue for the company on 1.7.2004 – 30.6.2005 totalled 1,682 thousand euros and net income 179 thousand euros. For the latter half of 2005, i.e. for period 1.7.2005 – 31.12.2005 revenue was 844 thousand euros and net income 62 thousand euros. If the acquired company had been in the group for the whole year, 2005 group revenue had been 1,263 thousand euros higher and

2005 group net income 120 thousand euros higher. Cost of acquisition has been estimated to total 1,549 thousand euros, of which 1,000 thousand euros was paid at the time of acquisition. There are additional earn-out elements whose exact amount is not known until future financial performance of the acquired company is known. These earn-out components have been estimated based on budgets and estimates prevailing at the time of acquisition.

The following assets and liabilities were recognised and booked for the acquisition:

EUR '000	Fair value of acquired assets	Book value before acquisition
Intangible assets		
Goodwill	0,0	11.2
Trade marks	0.0	0.0
Other intangible assets	0.0	0.0
Property, plant and equipment	132.6	132.6
Inventories		
Receivables		
Accounts receivable	148.1	148.1
Other receivables	298.4	295.5
Other assets	0.3	0.3
Cash and cash equivalents	100.4	100.4
Total assets	679.8	688.1
Non-current liabilities	8.1	8.1
Current liabilities		
Accounts payable	18.5	18.5
Other debt	174.3	174.3
Total liabilities	200.9	200.9
Net assets	478.9	487.2
Acquisition cost	1,549.0	
Net assets	-478.9	
Goodwill on acquisition	1,070.1	
Net cash outflow on the acquisition:		
Consideration paid in cash	1,000.0	
Acquired cash and cash equivalents	-100.4	
Cash flow	899.6	

Changes in earn-out payments

To significant extent the group has in its acquisitions used earn-out structures that are typically being based on future profitability of the acquired companies. This conditional future-related earn-outs have been estimated using judgment and information available at the time

of acquisitions, and re-estimated redefined at the year-end closing. Changes in these earn-out payments are shown in the table below detailing the change in the total corresponding earn-out liabilities at 31.12.2006 vis-à-vis the corresponding earn-out liabilities at 31.12.2005:

Segment	Earn-out liabilities change, m€ / %
House Building	+ 1.5 / +6.4 %
Wood Processing Industry	+ 0.2 / +9.6 %
Metal Industry	- 0.02 / -0.5 %
Care Services	- 0.02 / -1.4 %

IMPAIRMENT TESTING

Principles of impairment testing

Ruukki Group has carried out impairment testing on goodwill and other assets as of 31 December 2006. Group assesses at each fiscal year end whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amounts of these assets are estimated. Moreover, recoverable amount related to corresponding goodwill will be estimated annually irrespective of whether there is an indication of impairment. For reporting segments the impairment tests are carried out at the segment level. For associated companies and other assets related impairment tests are done by company or by asset.

Goodwill by segment

During fiscal year 2006, the total goodwill of Ruukki Group has increased by approximately EUR 0.3

million compared to the end of fiscal year 2005 due to acquisitions, divestments and changes in earn-out payments. The earn-out portions of purchase prices have been booked at the date of acquisition and based on judgment. Since these earn-out payments are conditional upon the target company future years' results, the earn-out payments are revised when the actual target company results are finalised and also otherwise in case there is reason to believe the basis for original assumptions has been altered.

During fiscal year 2006, an impairment of EUR 22.9 thousand has been booked related to Balansor Ltd (previously named Magentasites Ltd), since that subsidiary sold its major business to a third party.

Goodwill of group companies were the following (in thousand euros):

	31.12.2006	%	31.12.2005	%	Change
House building	19,336.8	61.9 %	19,860.5	64.2 %	-523.7
Wood processing	4,785.7	15.3 %	5,542.0	17.9 %	-756.4
Care services	5,726.4	18.3 %	3,511.5	11.4 %	2 214.9
Metal industry	1,388.5	4.4 %	1,989.6	6.4 %	-601.0
Other	0.0	0.0 %	22.9	0.1 %	-22.9
TOTAL	31,237.4	100.0%	30,926.5	100.0 %	310.8

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 end of 2006. Future cash flows have been projected for a 5-year period after which a conservative zero percent growth assumption has been used. For the terminal year after the 5-year estimation period the essential assumptions (revenue, variable costs, fixed costs) have been based at the estimation period's last year figures excluding inflation adjustments.

The weighted average cost of capital (WACC) has been calculated separately for each segment 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 related factors.

These pre-tax discount rates used in 31 December 2006 impairment testing were the following:

Segment:

Wood Processing Industry:	13.6 %
House Building:	13.6 %
Care Services:	13.7 %
Metal Industry:	17.9 %

Associated companies:

Ruukki Group ownership in associated companies has been tested if and when there has existed an indication of potential impairment.

At the end of fiscal year 2006, the furniture business company Incap Furniture Ltd has been classified as an associated company, even though during 5 – 9 /2006 it has been consolidated as group company due to potential voting rights. Incap Furniture Ltd related assets have been tested on 31 December 2006 due to its negative operative results. In that impairment testing the pre-tax discount rate (WACC) used has been 20.1 %.

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:

Ratio: recoverable amount / carrying amount	Conclusion
< 0 %	Impairment (for the difference)
1-20 %	Slightly above
21-50 %	Clearly above
> 51 %	Significantly above

Results of the impairment testing done at 31 December 2006

The results of the impairment testing were the following:

Segment	Goodwill (tEUR)	Total carrying amount (tEUR)*	Conclusion
House building	19,337	14,253	Significantly above
Care services	5,726	8,160	Significantly above
Wood processing	4,786	22,298	Clearly above
Metal industry	1,389	2,491	Slightly above

* Total carrying amount in the table above is equal to the sum of goodwill + group ownership share of intangible and tangible assets + group ownership share of net working capital

In addition, associated company Incap Furniture shares and receivables were tested for impairment, and no impairment needs were detected based on the impairment testing carried out.

Moreover, a separate analysis on other associated companies' shares and receivables has been carried out whereby a total EUR 332 thousand impairment losses have been booked.

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. The results of this sensitivity analysis are shown below:

Segment	Discount rate (WACC) change (% units, compared to the level used in testing)	Free cash flow change (% on average, compared to the used estimated values)	Segment's average profit margin* change (% units)
House Building	+ 66.8 %	- 80 %	- 14.3 %
Care Services	+ 14.3 %	- 37 %	- 4.5 %
Wood Processing Industry	+ 9.0 %	- 26%	- 2.8 %
Metal Industry	+ 2.6 %	- 8 %	- 2.3 %

* Profit margins used in the table above:

- EBIT margin for House Building and Care Services segments
- Sales margin for Wood Processing Industry and Metal Industry segments

RELATED PARTY TRANSACTIONS

Group company name and domicile	Group ownership -% and share of votes %	Ruukki Group PLC direct ownership-% and share of votes %
House building segment		
Pohjolan Design-Talo Ltd, Oulunsalo	90.10	90.10
Nivaelement Ltd, Nivala	90.10	0.00
Care services segment		
Mikeva Ltd, Oulunsalo	100.00	100.00
Jussin Kodit Ltd, Haukipudas	100.00	0.00
Terveyspalvelut Mikeva Ltd, Muhos	100.00	0.00
Mikeva Vanhuspalvelut Ltd, Muhos	100.00	0.00
Mikon Kuntoutuskodit Ltd, Parkano	100.00	0.00
Terveyspalvelut Mendis Ltd, Seinäjoki	100.00	0.00
Mendis Palvelukodit Ltd, Seinäjoki	100.00	0.00
Wood processing segment		
Ruukki Yhtiöt Ltd, Ruukki	100.00	100.00
Ruukki Wood Ltd, Ruukki	100.00	0.00
Woodproc Finland Ltd, Oulu	100.00	0.00
Ruukki Components Ltd, Ruukki	100.00	0.00
Ruukki Invest Ltd, Ruukki	100.00	0.00
OOO Ruukki Kostroma, Kostroma, Russia *	100.00	0.00
OOO Sever-Trust, Kostroma, Russia *	100.00	0.00
Utawood Ltd, Utajärvi	67.67	0.00
Lappipaneli Ltd, Kuusamo	100.00	0.00
Airisniemen Energia Ltd, Kuusamo	100.00	0.00
Laptimber Ltd, Kuusamo	100.00	0.00
Tervolan Saha ja Höyläämö Ltd, Keminmaa	91.42	0.00
VK Timber Ltd, Kittilä	91.42	0.00
Metal industry segment		
Alumni Ltd, Nastola	69.44	69.44
Pan-Oston Ltd, Nastola	69.44	0.00
Selka-line Ltd, Nastola	69.44	0.00
Other operations		
Balansor Ltd, Espoo	99.99	99.99
Mobilecrm Ltd, Espoo	99.99	0.00
Hirviset Group Ltd, Lestijärvi	100.00	100.00
Rekylator Ltd, Helsinki	100.00	100.00
Hoivaala Ltd, Somero	100.00	100.00

* Russian subsidiaries (OOO-companies, i.e. limited liability companies)

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 abovementioned entities' top management

As an active development company, the role of entrepreneurs is essential in the Ruukki Group Plc operations. These entrepreneurs might, as private individuals or through companies or entities directly or indirectly controlled by them or via their close family members have considerable control or voting power, and therefore have transactions with any companies belonging to Ruukki Group or its associates. These individuals or

entities might have existing agreements or business operations with Ruukki Group companies prior to the date that Ruukki Group has obtained control in the entities controlled by these entrepreneurs.

IAS 24 standard defines top management as those company employees that 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. The information presented below will in this respect be above the minimum IAS 24 required level.

Related party transactions have been analysed in three stages: group level, segment level and group company level.

	2006	2006	2005	2005
	Salaries	Fees	Salaries	Fees
Fredrik Danielsson, board member 26.4.2006 onwards		4.0		
Mikko Haapanen, board member 26.4.2006 onwards		4.0		
Juha Halttunen, board chairman 1.1.2005 - 6.4.2006				
Timo Honkala, board member 26.4.2006 onwards		4.0		
Esa Hukkanen, board member 1.1.2005 - 6.4.2006	19.1			
Markku Kankaala, board member 30.6.2003 onwards	48.0	4.0	69.2	
Matti Lainema, board member 26.4.2006 onwards		4.0		
Kai Mäkelä, board member 10.2.2000 onwards (vice chairman 26.4.2006 onwards)		6.0		
Pentti Koivikko, board member 1.1.2005 - 24.12.2005				
Matti Vikkula, board member 7.6.2005 onwards, chairman 6.4.2006 onwards		8.0		
Ahti Vilppula, board member 7.6.2005 onwards				
Antti Kivimaa, managing director	133.3		115.8	
Total	200.5	34.0	185.0	0,0

In addition to the above mentioned salaries, the managing director has Ruukki Group Plc call options based on which a total of EUR 81.9 thousand have been booked as options expenses for fiscal year 2006 profit and loss account (0.0 in FY2005).

Based on their membership in the Ruukki Group Plc board, the board members received a total of EUR 51.0 thousand as board membership fees during 2006. In 2005 no similar fees were paid.

Esa Hukkanen has received salary from 1.10.2006 based on his position as development director for Ruukki Group Plc. Markku Kankaala received salary for the period 16.8.2004 – 31.8.2006 for his position as segment director, and salaries a remuneration from wood processing segment's companies in 2006 totalling EUR 7.0 thousand (2005: EUR 8.5 thousand), and correspondingly Esa Hukkanen roughly EUR 32.3 thousand in 2006 (6.3). Both Mr. Hukkanen and Mr. Kankaala are major shareholders of Ruukki Group Plc.

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

	2006	2005
Short-term remuneration	440.9	292.7
Pensions	57.1	49.8
Total	498.0	342.4

The segment level parent companies are the following:

Pohjolan Design-Talo Ltd; House Building Segment
Mikeva Ltd; Care Services Segment
Ruukki Yhtiöt Ltd; Wood Processing Segment
Alumni Ltd; Metal Industry Segment

For many Ruukki Group acquisitions future earn-out structures, based on future profitability of target companies, have been typical. These earn-outs have been and will be settled either by cash or by Ruukki Group own shares.

Within these annual accounts there is a separate section where earn-out structures are written out in more detail. When the company made the transition into IFRS, all future related conditional earn-out payments have been estimated and that estimated amount been booked in the balance sheet as short-term and long-term debt.

Certain Ruukki Group Plc's board members and group companies' management team members are and/or have been either directly or through entities controlled by them a counterparty in acquisitions where there is earn-out structures to be settled either in cash or in Ruukki Group's shares.

Paid / accrued earn-outs	2003	2004	2005	2006	2007	2008	2009
Juha Halttunen, board chairman up until 6.4.2006	175.7	272.8	287.1	228.3			
Segment management managing director/board members) totally	226.0	2280.9	3,522.3	6,967.5			
Group companies management and board members totally		1614.2	229.3	1,043.7	1,138.5	1135.0	755.1
Total	401.7	4,167.9	4,038.7	8,239.5	1,138.5	1135.0	755.1

Certain Ruukki Group Plc's group companies are and/or have been lessees in operating or financial lease contracts for premises at which they operate. In these agreements the lessor has been either an individual characterised as belonging to related party at the group level or group company level, or an entity controlled by him/her. Typically these rental agreements have been made prior to Ruukki Group acquiring the majority stake.

Moreover, there are a few rental agreements with individuals or entities that have in the past being counterparties in transactions with Ruukki Group. These kind of transactions have been excluded if these individuals or entities controlled by them are not currently in any role within or with Ruukki Group.

Rents paid to related parties	2006	2005
Segment level management total	101.9	120.6
Ruukki Group, group companies' management and employees total	331.3	49.2
Total	433.2	169.8

Other related party transactions in 2006

Sale of Pohjolan Design-Talo Ltd shares

Ruukki Group Plc sold 9.9 % of the shares of its subsidiary Pohjolan Design-Talo Ltd to Kimmo Kurkela who is managing director of Pohjolan Design-Talo Ltd. The aim of the transaction is to incentivise managing director for the positive development of the company and its financial results. The total price per share of the transaction is roughly five percent higher than the price that Ruukki Group will pay, including all earn-outs, for the all, previously acquired Pohjolan Design-Talo shares. The final price is determined after fiscal year 2006 end. This sale do not realise significant sales gain. Ruukki Group has, at 31 December 2006, a receivable of roughly three hundred thousand euros related to this sale. After this transaction, Ruukki Group has owned 90.1 % of Pohjolan Design-Talo Ltd's shares.

Conversion of Alumni Ltd loan into Alumni shares

Ruukki Group Plc's subsidiary Alumni Ltd issued a convertible bond in 2003 including call options for new Alumni shares. Two thirds of this loan was converted in the beginning of 2006. The aim of this loan structure has been to create incentives for segment management for long-term development of metal industry business. The managing director and segment management member Olli-Pekka Salovaara carried this transaction out whereby Alumni Ltd equity increased by roughly 44 thousand euros. Due to this transaction Ruukki Group Plc ownership in Alumni Ltd dropped from 100 % to ca. 69.44 % which has been reflected in segment goodwill being adjusted down by approximately EUR 576.5 thousand. This is shown in the group profit and loss accounts in the other expenses line, which in turn has fully reduced both EBIT and Net Income for fiscal year 2006.

Purchase of Oplax Ltd shares

Ruukki Group Plc made an acquisition on 19.10.2006 and bought in cash roughly 7.42 % of associate Oplax Ltd shares from Esa Hukkanen for totally slightly less than EUR 0.7 million.

Purchase of Hirviset Group Ltd shares

Ruukki Group Plc exercised in May 2006 a call option of an agreement signed in 2004 and thereby acquired 50.0 % of Hirviset Group Ltd shares from Vettenmaa Ltd, a company controlled by Hirviset Group Ltd ex managing director. The purchase price totalled EUR 3.0 million, and it was paid in cash. After this transaction, Ruukki Group

Plc has owned all Hirviset Group Ltd's shares.

Consultancy fees to entities controlled by related parties

Ruukki Group Plc has paid a total of EUR 24.5 thousand euros in 2006 as consultancy fees to companies controlled by related party individuals of the company.

Earn-out payments

Ruukki Group Plc's extraordinary general meeting decided on 27.10.2006 to carry out a free directed share issue to the sellers of Pan-Oston Ltd and Lappipaneli Ltd in order to settle fiscal year 2005 related earn-outs for these companies. Therefore totally 564,857 new shares were issued, and these new shares were registered on 10 November 2006.

Dividend payout

Ruukki Group Plc has paid to the management and board members, and their close family members, and entities controlled by the previously mentioned individuals totally EUR 1,646.3 thousand dividends in 2006. Moreover EUR 3.7 thousand was paid to segment level management and EUR 22.4 thousand to other persons being employed by Ruukki Group companies. Moreover, dividend payout has been proposed by the board and based on fiscal year 2006 balance sheet equity, but that will be decided by the company's annual general meeting in April 2007.

Financing arrangements

In the 2006 share issue, Ruukki Group and group companies' management, their close family members, or entities controlled by them, acquired new Ruukki Group Plc shares in cash for a total of EUR 3,497.8 thousand euros. Moreover, these previously mentioned parties converted their subordinated convertible loans into equity worth of totally 2,574,9 thousand euros.

Other related party transactions in 2005

Sale of Ruukki Group Plc convertible bond

Ruukki Group's subsidiary (Ruukki Components Ltd) did in 23 June 2005 redeem in full Ruukki Group Plc's convertible bond issued previously and having a nominal value of EUR 900.0 thousand. After the purchase, Ruukki Components Ltd sold this convertible bond to Herttakakkonen Ltd for EUR 1,410.0 thousand.

Investment commitment related to fund governed by associate

Ruukki Group Plc owns 30 % of a company that will govern investment funds for which Ruukki Group Plc has given EUR 530 thousand investment commitment. Ruukki Group Plc has in 2005 financed the operations of this associate by giving short-term non-interest bearing credit that has been fully paid back in early 2006. In the related investment funds, there are other owners that can be considered as related parties to Ruukki Group Plc.

Loan contract of a group company

Group company Lappipaneli Ltd has taken an EUR 150.0 thousand loan for short-term liquidity needs from its three board members, one of them being Ruukki Group Plc board member. The interest of the loan has been set at eight percent per annum. This loan had 148.0 thousand

euros outstanding at the end of fiscal year 2005.

Consultancy fees to entities controlled by related parties

Ruukki Group Plc has paid a total of EUR 64.0 thousand euros in 2005 as consultancy fees to companies controlled by related party individuals of the company.

Financing arrangements

In the 2005 share issue, Ruukki Group and group companies' management, their close family members, or entities controlled by them, acquired new Ruukki Group Plc shares in cash for a total of EUR 2,625.7 thousand euros. Moreover, these previously mentioned parties converted their subordinated convertible loans into equity worth of totally 900.0 thousand euros.

OTHER NOTES

G1. Other operating income

EUR '000	2006	2005
Gain on disposal of property, plant and equipment	106.7	279.9
Gain on disposal of investments	5,150.8	0.0
Government grants	196.4	86.5
Insurance compensations	132.3	2.2
Other	125.4	66.9
Total other operating income	5,711.6	435.5

G2. Employee benefits

EUR '000	2006	2005
Salaries and wages	14,629.6	10,569.6
Pensions, defined contribution plans	2,583.3	1,874.0
Other employee related costs	1,156.0	885.4
Total	18,369.0	13,329.0

Average personnel during the period by segment

EUR '000	2006	2005
House building	88	105
Wood processing	247	124
Metal industry	47	48
Care services	180	101
Others	8	9
Total	570	387

Personnel at the end of the period by segment

EUR '000	2006	2005
House building	101	105
Wood processing	72	138
Metal industry	45	43
Care services	229	121
Others	5	9
Total	452	416

G3. Depreciation, amortisation and impairment

EUR '000	2006	2005
Depreciation by asset category		
Intangible assets		
Trade marks (IFRS3)	169.5	146.3
Customers (IFRS3)	531.8	0.0
Other intangible assets	228.5	45.6
Total	929.7	191.9
Property, plant and equipment		
Buildings and constructions	226.6	141.0
Machinery and equipment	3,112.0	1,650.8
Other	134.4	77.0
Total	3,473.0	1,868.8
Impairment by asset category		
Investments	354.4	0.0
Total	354.4	0.0

In 2006 impairment has been recognised on following items: associated companies' convertible bonds 2.7 thousand, other convertible bonds 80 thousand, associated companies' shares 243.8 thousand, other investments 5.0 thousand and 22.9 thousand on goodwill related to subsidiary Balansor.

G4. Other operating expense

EUR '000	2006	2005
Loss on disposal of property, plant and equipment	-4.0	0.0
Loss on disposal of investements	-576.5	0.0
Research and development expenditure	-8.3	-21.6
Rental costs	-1,938.2	-1,664.8
External services	-2,131.9	-2,093.6
Other	-11,407.3	-7,359.5
Total	-16,066.2	-11,139.5

G5. Financial income

EUR '000	2006	2005
Interest income	826.0	181.9

G6. Financial expense

EUR '000	2006	2005
Interest expense	-1,717.5	-1,056.0

G7. Income taxes

EUR '000	2006	2005
Income tax for the period	-4,588.6	-2,416.0
Income tax for previous years	352.8	-174.0
Deferred taxes	58.4	-326.0
Total	-4,177.4	-2,916.1

EUR '000	2006	2005
Profit before taxes	12,156.2	8,465.5
Income tax calculated at income tax rate	-3,160.6	-2,201.0
Tax exempt income	64.7	35.0
Income tax for previous years	365.8	-174.0
Share of associated companies profit	-251.6	-92.1
Impairment	-242.0	0.0
Tax losses not recognised as deferred tax assets	-1,123.1	0.0
Non-tax deductible expense	-19.5	-450.4
Previously unrecognised tax losses now recognised	58.2	374.1
Change of deferred tax assets and liabilities and other adjustments related to acquisitions and disposals.	130.7	-407.7
Total adjustments	-1,016.8	-715.1
Income tax recognised	-4,177.4	-2,916.0

G8. Earnings per share

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.

	2006	2005
Profit attributable to equity holders of parent company, EUR '000	8,442.4	5,549.4
Weighted average number of shares, basic (1 000)	118,051.7	83,188.4
Basic earnings per share (EUR)	0.07	0.07

When calculating diluted earnings per share, all convertible securities are assumed to be converted in preferred shares. The group has two types of securities with potential dilution effect: share options and convertible bond notes. 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. Convertible bonds are assumed to be converted into shares and the profit has been adjusted for interest savings after tax.

	2006	2005
Profit attributable to equity holders of parent company, EUR '000	8,442.4	5,549.4
Interests for convertible bonds, adjusted with taxes, EUR '000	293.8	193.4
Earnings used in calculation of diluted earnings per share, EUR '000	8,736.2	5,742.8
Weighted average number of shares, basic (1 000)	118,051.7	83,188.4
Shares deemed to be issued in respect of convertible bonds, (1 000)	17,944.2	23,279.5
Weighted average number of shares, diluted (1 000)	135,995.8	106,467.9
Diluted earnings per share, EUR	0.06	0.05

G9. Property, plant and equipment

EUR '000	Land and water property	Buildings and constructions	Machinery and equipment	Other	Total
Balance at 1 Jan 2006	47.4	3,770.5	11,692.0	545.8	16,055.7
Additions	0.0	0.0	2,761.8	367.5	3,129.3
Acquisitions through business combinations	122.9	2,220.4	24,233.7	55.3	26,632.3
Disposals	-40.7	-765.1	-21,599.9	0.0	-22,405.7
Balance at 31 Dec 2006	129.7	5,225.8	17,087.6	968.6	23,411.6
Accumulated depreciation and impairment 1 Jan 2006	0.0	-304.2	-3,639.7	-140.2	-4,084.1
Depreciation	0.0	-226.6	-3,112.0	-134.4	-3,473.0
Accumulated depreciation and impairment 31 Dec 2006	0.0	-530.8	-6,751.7	-274.6	-7,557.1
Carrying amount 1 Jan 2006	47.4	3,466.3	8,052.3	405.6	11,971.6
Carrying amount 31 Dec 2006	129.7	4,695.0	10,335.9	694.0	15,854.5
Balance at 1 Jan 2005	97.8	3,329.0	8,323.9	348.4	12,099.1
Additions	0.0	441.5	3,226.9	197.4	3,865.8
Acquisitions through business combinations	0.0	0.0	141.2	0.0	141.2
Disposals	-50.4	0.0	0.0	0.0	-50.4
Balance at 31 Dec 2005	47.4	3,770.5	11,692.0	545.8	16,055.7
Accumulated depreciation and impairment 1 Jan 2006	0.0	-163.2	-1,988.9	-63.2	-2,215.3
Depreciation	0.0	-141.0	-1,650.8	-77.0	-1,868.8
Accumulated depreciation and impairment 31 Dec 2006	0.0	-304.2	-3,639.7	-140.2	-4,084.1
Carrying amount 1 Jan 2005	97.8	3,165.8	6,335.0	285.2	9,883.8
Carrying amount 31 Dec 2005	47.4	3,466.3	8,052.3	405.6	11,971.6

Equipment under finance lease

EUR '000	Machinery and equipment	Other	Total
31 Dec 2006			
Balance	1,275.2	0.0	1,275.2
Accumulated depreciation	-1,115.0	0.0	-1,115.0
Carrying amount	160.2	0.0	160.2
31 Dec 2005			
Balance	646.8	0.0	646.8
Accumulated depreciation	-172.0	0.0	-172.0
Carrying amount	474.8	0.0	474.8

G10. Intangible assets

EUR '000	Intangible assets identified			Other intangible assets	Total
	Goodwill	acc. to IFRS3	Rights and licenses		
Balance at 1 Jan 2006	31,738.1	1,890.5	300.3	91.3	34,020.2
Additions	1,790.8	0.0	186.8	0.0	1,977.6
Disposals	-3,931.3	-3,437.5	0.0	0.0	-7,368.8
Acquisitions through business combinations	2,474.4	6,597.9	145.6	0.0	9,217.9
Balance at 31 Dec 2006	32,071.9	5,050.9	632.7	91.3	37,846.8
Accumulated amortisation and impairment 1 Jan 2006	-811.6	-717.2	-119.6	-7.5	-1,655.9
Amortisation	0.0	-701.2	-193.5	-35.0	-929.7
Impairment	-22.9	0.0	0.0	0.0	-22.9
Accumulated amortisation and impairment 31 Dec 2006	-834.5	-1,418.4	-313.1	-42.4	-2,608.5
Carrying amount 1 Jan 2006	30,926.5	1,173.3	180.7	83.8	32,364.3
Carrying amount 31 Dec 2006	31,237.4	3,632.5	319.6	48.8	35,238.3
Balance at 1 Jan 2005	29,849.5	1,890.5	250.8	91.3	32,082.1
Additions	0.0	0.0	49.5	0.0	49.5
Disposals	0.0		0.0	0.0	0.0
Acquisitions through business combinations	1,888.6	0.0	0.0	0.0	1,888.6
Balance at 31 Dec 2005	31,738.1	1,890.5	300.3	91.3	34,020.2
Accumulated amortisation and impairment 1 Jan 2006	-811.6	-570.9	-74.0	-7.5	-1,464.0
Amortisation	0.0	-146.3	-45.6	0.0	-191.9
Impairment	0.0	0.0	0.0	0.0	0.0
Accumulated amortisation and impairment 31 Dec 2006	-811.6	-717.2	-119.6	-7.5	-1,655.9
Carrying amount 1 Jan 2006	29,037.9	1,319.6	176.8	83.8	30,618.1
Carrying amount 31 Dec 2006	30,926.5	1,173.3	180.7	83.8	32,364.3

G11. Investments in associates

EUR '000	2006	2005
Balance 1 Jan 2006	3,848.1	3,170.5
Share of associated companies profit	-967.5	354.1
Additions	6,747.6	389.5
Disposals	-4,059.8	-66.1
Balance 31 Dec 2006	5,568.3	3,848.0

Movements in the investments in associates

EUR '000	
1 Jan 2006	3,848.0
Additions	
Container Depot	3,500.0
Incap Furniture	2,566.5
Oplax	681.1
Disposals	
Logium	-201.1
Container Depot	-3,558.6
Share of profit	-967.5
Dividends	-84.1
Impairment	-215.9
31 Dec 2006	5,568.3

In 2006 Ruukki Group has increased its ownership in Oplax to 31.95 %, and sold all its Logium shares. In March the company acquired 27.6 % of Container-Depot shares, which were sold in September. On 3 Feb Ruukki Group purchased 39.1% of Incap Furniture shares. This Incap Furniture ownership was increased together with Ruukki Group's subsidiary Hirviset Group to 47.2 on 15 May. From May to September Incap Furniture was consolidated to Ruukki Group. From February to April and from October to December Incap Furniture has been treated as an associated company. Ownership has on 31 Dec decreased to 47.1%.

2005

	Domicile	Balance sheet date	Assets	Liabilities	Revenue	Profit / loss	Ownership (%)
Arc Technology Ltd	Helsinki	31 Dec 2005	451.2	356.6	867.7	10.5	37.4
Cybersoft Ltd Ab	Tampere	31 Oct 2005	350.3	124.7	798.8	47.2	37.5
ID Express Ltd	Helsinki	31 Dec 2005	23.5	5.4	25.6	2.2	40.0
ILP-Group Ltd	Helsinki	31 Dec 2005	3,796.7	2,364.9	12,828.0	550.1	33.4
Lanux Ltd	Helsinki	inactive					47.0
Logium Ltd	Helsinki	30 June 2005	690.9	610.5	986.1	22.5	38.0
Loopm Ltd	Helsinki	31 Dec 2004	184.2	319.1	140.6	-198.7	28.4
Neopolar Ltd	Utajärvi	30 June 2005	917.8	747.3	602.1	-52.1	33.9
Oplax Ltd	Oulu	31 Dec 2005	6,208.6	1,024.3	6,029.2	941.4	24.5
Orienteq Capital Ltd	Helsinki	first financial year ends at 31 Dec 2006	7.5	7.2	10.1	-2.3	30.0
Rivest Ltd	Helsinki	31 Dec 2005					40.0
SG Systems Ltd	Helsinki	inactive					35.0
Sportslink Group Ltd	Helsinki	inactive					25.0
Stellatum Ltd	Helsinki	30 Nov 2005	247.8	254.6	1,522.7	217.9	34.0
Valtimo Components Plc	Valtimo	31 Dec 2005	2,934.8	3,390.6	2,466.5	-237.9	39.9
Widian Ltd	Espoo	31 Dec 2005	<u>323.9</u>	<u>591.3</u>	<u>768.5</u>	<u>46.0</u>	39.6
			16,137.2	9,796.5	27,046.0	1,346.7	

2006

Arc Technology Ltd	Helsinki	31 Dec 2006	671.5	557.2	1,053.0	20.7	37.4
Cybersoft Ltd Ab	Tampere	31 Oct 2006	563.0	131.0	1,021.8	254.3	37.5
ID Express Ltd	Helsinki	30 Nov 2006	22.4	4.7	17.2	6.5	40.0
ILP-Group Ltd *	Helsinki	31 Dec 2006	4,925.8	3,349.3	11,081.2	524.6	33.4
Incap Furniture Ltd	Oulu	31 Dec 2006	32,090.4	31,220.6	47,473.6	-5,864.2	47.1
Lanux Ltd	Helsinki	inactive					47.0
Loopm Ltd	Helsinki	30 Sep 2006	52.4	255.2	57.6	24.4	28.4
Neopolar Ltd	Utajärvi	31 May 2006	792.7	773.2	406.5	-151.0	33.9
Oplax Ltd	Oulu	31 Dec 2006	6,976.0	782.8	7,988.8	856.0	32.0
Orienteq Capital Ltd	Helsinki	30 Nov 2006	160.0	148.6	486.6	3.4	30.0
Rivest Ltd	Helsinki	31 Dec 2006	5.6	10.1	11.1	-4.8	40.0
SG Systems Ltd	Helsinki	inactive					35.0
Sportslink Group Ltd	Helsinki	inactive					25.0
Stellatum Ltd	Helsinki	30 Sep 2006	497.7	439.6	1,035.5	88.7	34.0
Valtimo Components Plc	Valtimo	31 Dec 2006	2,369.2	2,246.8	3,450.6	51.7	39.2
Widian Ltd	Espoo	31 Dec 2006	<u>773.0</u>	<u>999.6</u>	<u>758.0</u>	<u>8.4</u>	<u>39.6</u>
			49,899.7	40,918.7	74,841.5	-4,181.3	

* ILP-Group Ltd group's figures at 30 Sep 2006; consolidated financial statements at 31 Dec 2006 not available when these statements have been prepared

The balance sheet date of certain associated companies differs from group's balance sheet date, since all of the associated companies' financial statements were not available when group's financial statements have been prepared. Certain associated companies are also inactive.

All subordinated loans are included into associated companies' liabilities.

G12. Non-current receivables

EUR '000	2006	2005
Accounts receivable	27.3	11.3
Loans	168.2	171.2
Deferred tax assets	0.0	122.0
Other receivables	0.0	25.9
Total	195.5	330.3

Balance sheet values of receivables closely corresponds to the monetary value of maximum credit risk excluding the fair value of received guarantees in the potential case were 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 2006

EUR '000	31 Dec. 2004	Recognised in profit or loss and as activated with acquisitions	Recognised in equity	31 Dec. 2006
Deferred tax assets:				
Provisions	21.5	-21.5		0.0
Impairment of non current assets	69.2	-69.2		0.0
Other items	31.2		-31.2	0.0
Total	121.9	-90.7	-31.2	0.0
Deferred tax liabilities:				
Revaluation of non current assets	316.3	1,170.9		1,487.2
Difference between recognised depreciation and tax deductible depreciation	311.7	219.3		531.0
Revaluation of financial assets	2.2	-2.2		0.0
Other items	2.1	35.8		37.9
Total	632.2	1,423.8	0.0	2,056.0

Movements in deferred taxes in 2005

EUR '000	31 Dec. 2004	Recognised in profit or loss and as activated with acquisitions	Recognised in equity	31 Dec. 2005
Deferred tax assets:				
Provisions	0.0	21.5	0.0	21.5
Impairment of non current assets	332.0	-262.8	0.0	69.2
Other items	7.0	0.0	24.2	31.2
Total	339.0	-241.3	24.2	121.9
Deferred tax liabilities:				
Revaluation of non current assets	326.9	-10.7	0.0	316.3
Difference between recognised depreciation and tax deductible depreciation	216.3	95.4	0.0	311.7
Revaluation of financial assets	0.0	0.0	2.2	2.2
Other items	2.1	0.0	0.0	2.1
Total	545.3	84.7	2.2	632.2

G14. Inventories

EUR '000	2006	2005
Goods and supplies	2,682.7	2,941.2
Unfinished products	11,105.7	9,497.7
Finished products	2,386.9	1,910.1
Prepayments	881.9	473.3
Total	17,057.2	14,822.3

G15. Current receivables

EUR '000	2006	2005
Accounts receivable	7,424.7	5,908.0
Receivables from associated companies	0.0	0.6
Loans	1.7	0.0
Interest-bearing receivables	7,270.8	195.2
Prepaid expenses and accrued income	1,537.5	987.6
Other receivables	840.7	516.9
Total	17,075.4	7,608.3

Prepaid expenses and accruals are mainly related to rental contracts and accrued interest for loans. The group has recognised credit losses totalling EUR 121.3 thousand in 2006 (in 2005 117.7). 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.

G16. Other financial assets

EUR '000	2006	2005
Shares in mutual funds	0.0	8,578.9
Available-for-sale investments at 31 Dec 2006	0.0	8,578.9

The group has during 2006 sold all its mutual fund investment used for liquidity management purposes. The fair value adjustment recognised on these funds on 31 Dec 2005 had been recognised as equity in fair value reserve, which has been reverted when shares have been disposed of.

G17. Cash and cash equivalents

EUR '000	2006	2005
Cash and bank balances	24,768.4	9,238.1
Deposit certificates (1 - 3 months)	0.0	175.6
Total	24,768.4	9,413.6
Pledged deposits:	478.1	157.1

Cash and cash equivalents in the cash flow statement:

EUR '000	2006	2005
Cash, bank balances and deposit certificates	24,768.4	9,413.6
Available-for-sale investments	0.00	8,578.9
Total	24,768.4	17,992.5

G18. Share capital

EUR '000	Increase, EUR '000	Number of shares	Share capital, EUR '000
31 Dec 2004		817 805 476	
Directed share issue (14 June 2005)	218,0	830 708 807	14 037,9
Conversion of convertible bonds (25 Aug 2005)	1,7	830 808 810	14 039,6
Conversion of convertible bonds (21 Oct 2005)	253,5	845 808 810	14 293,0
Reverse split (26 Nov 2005)		84 580 881	14 293,0
Conversion of convertible bonds (12 Dec 2005)	290,7	86 300 380	14 583,7
31 Dec 2005		86 300 380	
Bonus issue (11 Jan 2006)	87,4	86 300 880	14 671,1
Directed issue (13 Jan 2006)	1 190,0	93 300 880	15 861,1
Directed issue (6 April 2006)	5 100,0	123 300 880	20 961,1
Conversion of convertible bonds (21 July 2006)	610,8	126 893 880	21 572,0
Conversion of convertible bonds (23 Aug 2006)	116,1	127 576 880	21 688,1
Conversion of convertible bonds (6 Oct 2006)	102,0	128 176 880	21 790,1
Directed free issue (10 Nov 2006)		128 741 737	21 790,1
Conversion of convertible bonds (12 Dec 2006)	259,3	130 266 737	22 049,3
Conversion of convertible bonds (27 Dec 2006)	968,5	135 963 737	23 017,8
31 Dec 2006		135 963 737	

The maximum number of shares is one billion. The book value of a share is EUR 0.17 (registered in January 2006 after bonus issue). If all the remaining notes of convertible bond issued by company were converted into shares, the number of shares would increase by 3,672,000. The company has registered an option scheme I/2005 (decision made on extraordinary general meeting 8 Dec 2005), which entitles option holders to subscribe with graded exercise prices for a maximum of 2,700,000 shares of the company.

Own shares

During the 2006 financial year, the company or any of its subsidiaries did not hold any of its own shares.

Invested non-restricted equity fund

In an extraordinary shareholders' meeting held on 27 October 2006, a decision was made in line with the Board's proposal to deviate from the shareholders' pre-emptive rights and to issue 564,857 new shares free of charge in a directed issue to the sellers of Pan-Oston Ltd and Lappipaneli Ltd as a supplement to the purchase price in consideration of the companies' good financial performance in 2005. The shares issued, EUR 423.6 thousand, were booked into invested non-restricted equity fund.

Dividends

The annual general meeting decided a dividend distribution of EUR 0.02 per share and extraordinary shareholders' meeting decided to distribute additional dividend of EUR 0.01 per share. After the balance sheet date The Board of Directors has decided to propose to the 2007 annual general meeting Ruukki Group Plc, which will be later convened separately, that the company would pay out, from the retained earnings, a dividend of three (3) cents (EUR 0.03) per share.

G19. Share-based payments

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 0.50–1.00. 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.

A deviation shall be made with respect to the shareholders' right of pre-emption, and the options will be offered to the President and CEO of Ruukki Group Plc; other company executives and key personnel; and, as to be decided by the Board of Directors, members of Group companies' boards of directors, management, and personnel, as well as possibly to certain people in another contractual relationship with Ruukki Group in order to enhance their commitment and motivation. At the end of 2006, a total of 450,000 options had been offered to company executives. The subscription period for 225,000 of these options will begin on 1 July 2007 and for 225,000 on 1 July 2008.

The A and B series of the option scheme I/2005 have been issued to Ruukki Group's management. All options that have been granted after 7 Nov 2002 and that has not been vested prior to 1 Jan 2005 have been treated according to the principles set forth in IFRS2 Share-based Payment 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. During the financial period one option arrangement was carried out with company management; the terms of this option arrangement are detailed in the table below.

Share option plan

	Share based options, granted to employees in 2006	Share based options, granted to employees in 2005
Nature of the plan	Share options issued	Share options issued
Grant date	14 Aug. 2006	31 Dec. 2005
Number of options	225.000	225.000
Options series	B (I/2005)	A (I/2005)
Exercise period	1 Jul. 2008 - 30 Jun. 2011	1 Jul. 2007 - 30 Jun. 2010
Exercise price	0.60 euro	0.50 euro
Share price at grant date	0.69 euro	0.63 euro
Option life	2	2
Conditions	Employment until the vesting date	Employment until the vesting date
Execution	In shares	In shares
Expected volatility	89%	130%
Expected option life at grant date (years)	4.9 years	4.5 years
Risk free rate, Euribor 12 months	3.65 %	2.79 %
Expected dividend yield	2.20 %	0.00 %
Expected personnell reductions	0	0
Fair value at grant date	0.53 euro	0.54 euro
Valuation model	Black & Scholes	Black & Scholes

The group applies Black & Scholes valuation model for option plans with employment condition. The expected volatility is determined by calculating the historical volatility of company share price adjusted with factors that can be expected to cause variation of historical volatility. The historical volatility is calculated based on share price past development.

Changes in share options issued in 2006 and weighted average exercise prices

	Weighted average exercise price EUR/share	Number of options
At the beginning of 2005	0	0
Granted during 2005	0.54	225,000
Exercised during 2005	0	0
Forfeited during 2005	0	0
At the end of 2005	0.54	225,000
Exercisable at the end of 2005	0	0
At the beginning of 2006	0	225,000
Granted during 2006	0.53	225,000
Exercised during 2006	0	0
Forfeited during 2006	0	0
At the end of 2006	0.54	450,000
Exercisable at the end of 2006	0	0

No share options were exercised in 2006.

The exercise prices of existing share options and their years of forfeiting is presented below:

Year of forfeiting	Exercise price (EUR)	Number of shares
2010	0.50	225,000
2011	0.60	225,000

The fair value of shares has been based on share price quotations. No dividends were expected and therefore they were not taken into account in share option valuation.

G20. Interest-bearing debt

EUR '000	2006 Balance	2005 Balance
Non-current		
Bank loans	6,367.4	6,698.7
Convertible bonds, liability component	0.2	0.7
Subordinated loans (liability component for convertibles)	75.1	7,058.2
Equipment financing	2,692.3	2,552.8
Finance lease liabilities	70.2	257.5
Total	9,205.2	16,567.8
Current		
Subordinated loans (liability component for convertibles)	1,576.2	0.0
Bank loans and equipment financing	2,874.1	2,830.4
Finance lease liabilities	59.7	187.9
Total	4,510.0	3,018.3

Expiration schedule of non-current debt

EUR '000	2008	2009	2010	2011	2012	Later
Bank loans						
Subordinated loans (liability component for convertibles)	2,672.9	1,473.7	1,753.8	394.8	41.3	31.0
Convertible bonds, liability component	17.6	17.6	17.9	10.9	10.9	0.2
Equipment financing	546.7	546.7	546.7	546.7	505.5	0.0
Finance lease liabilities	70.2	0.0	0.0	0.0	0.0	
Total	3,307.5	2,038.0	2,318.5	952.4	557.7	31.2

The interest rates of loans are variable excluding the subordinated convertible bond (nominal value on 31. Dec approximately 1,585.2 thousand). All interest-bearing debt is denominated in euros.

Finance lease liabilities

EUR '000	2006	2005
Finance lease liabilities, minimum lease payments		
No later than 1 year	59.7	187.9
Later than 1 year and not later than 5 years	70.2	257.5
Later than five years	<u>0.0</u>	<u>0.0</u>
	129.9	445.4
Finance lease liabilities, present value of minimum lease payments		
No later than 1 year	59.6	183.2
Later than 1 year and not later than 5 years	67.4	243.8
Later than five years	<u>0.0</u>	<u>0.0</u>
	127.0	427.0
Future finance charges	12.0	18.4
Total finance lease liabilities	139.0	445.4

G21. Other liabilities

EUR '000	2006	2005
Current		
Accounts payable	5,752.2	5,398.2
Payables to associated companies	0.0	5.1
Prepayments	17,575.5	14,785.4
Accrued expenses and deferred income	2,800.6	682.1
Income tax liability	603.6	2,117.0
	0.0	0.0
Other liabilities	11,995.5	12,849.8
Total	38,727.4	35,837.7
Non-current	2,227.4	9,178.4

Material items included into accrued expenses are related to personnel expenses and interests. A significant share of other debt is related to earn-out liabilities associated with acquisitions. Received prepayments are advance payments made by clients of house building business.

G22. Provisions

EUR '000	Warranty provisions	Other provisions	Total
Balance at 1 Jan 2006	82.6	0.0	82.6
Additions	24.9	0.0	24.9
Reductions	0.0	0.0	0.0
Balance at 31 Dec 2006	107.5	0.0	107.5

EUR '000	2006	2005
Long-term provisions	0.0	0.0
Short-term provisions	107.5	82.6
Total	107.5	82.6

The House building segment gives a quality guarantee 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. At the end of 2006 warranty provisions amounted to EUR 107.5 thousand (82.6 in 2005). The provision is based on expected number of defective products based on previous experience. Provisions are expected to be used within the next year.

G23. Other notes

Management of financial risks

The group is subject to various financial risks in its normal operations. The goal of group's risk management is to minimise the adverse influence of fluctuations in financial markets on group's profit. The main financial risks are exchange rate risk, interest risk, financing risk and credit loss risk. For currency risk management purposes, the group utilises foreign exchange forward contracts.

Debt financing is based on both fixed and variable rate instruments. Maturities of loans will be split into different periods to dampen adverse interest rate movements.

General risk management principles are accepted by the board, and the practical application will be carried out by each business segment's management.

Exchange rate risk

Group has international operations, and therefore transaction risks and translation risks exist. The most significant exchange rate risks relate to USD, GBP and JPY, the importance of which has been increasing. Sales invoices are denominated either in euros or in commonly traded currencies (mainly USD, GBP and JPY). Currency positions are analysed for each currency separately typically for 12 months period. Forward agreements are used to hedging the risks, mainly for 3 – 12 months period. At the end of financial year 2006 foreign currency forwards maturity range was 3 – 7 months.

Interest rate risk

Short-term deposits of group companies are subject to interest rate risk which however is not significant. Group revenue and other operational cash flows are to major extent not depending on changes in market interest rates. Group interest rate risks stem mainly from debt instruments outstanding. Group debt can be based on either fixed or variable interest rates.

Credit risk

Group has policies determining investment strategy as well as credit rating requirements for customers, investments and derivative contracts. Group does not have considerable credit risks on individual customers due to large and versatile customer base that is dispersed geographically. Moreover, credit control processes limit the customer base related risks. During the financial year no major credit losses were recognised. The maximum credit risk at 31.12.2006 is equal to the corresponding book value of those receivables.

Liquidity risk

Group financing needs are continually estimated and monitored in order to ensure the needed cash reserves to service ongoing operations and settling the liabilities. Availability and flexibility of financing is targeted by having unused credit facility arrangements, amounting to ca. 157.0 thousand at 31.12.2006, where applicable and by having multiple banks and financial institutions as well as various financial instruments.

Commodity risks

Group operations and profitability is sensitive to commodity risks relating to both availability and price changes of commodities. These risks are managed mainly by having long-term supply agreements with established counterparties.

Fair value of financial assets and liabilities

The fair value methodology related to financial assets and liabilities is presented in more detail below:

Derivative contracts

Currency forward agreements are valued at year end market prices for similar equal maturity agreements when that information is readily available.

Bank loans, convertible bonds and subordinated debt

The fair value of debt is based on discounted cash flows when applicable. The discount rate used is the corresponding rate at which new external financing would be possible with equal loan terms. The discount rate is the sum of risk-free interest rate plus company-specific risk premium.

Group's parent company has issued a subordinated convertible bond that has been split into debt and equity components. The debt component is equal to its cash flows' net present value. At the year end the fair value of other debt instruments does not differ from their book value.

Finance lease liabilities

The fair value is arrived at by discounting future cash flows with an interest rate equalling corresponding lease agreements' effective internal interest rate. At the year end the fair value of finance lease liabilities does not materially differ from the book value.

Other rental agreements

Fixed-term rental agreements' liabilities totalled roughly EUR 6.8 million at 31.12.2006. In the future no material changes are expected to materialise with these liabilities. Care services segment's units' premises rental liabilities account for majority of the total rental liabilities. Most of other group companies have also rented their production facilities and offices. Typically the rental agreements maturity varies between three to eight years, and normally there is 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 guarantee for these rental agreements group companies have at year end made totally 114 thousand euros cash deposits and given 615 thousand euros worth of guarantees.

PLEDGES AND GUARANTEES

Guarantees given by Ruukki Group Plc

Absolute guarantees given for financial institutions related to subsidiaries' financing

Other guarantees for group companies

EUR '000	credit limit in use / loan 31 Dec 2006	maximum liability 31 Dec 2006	maximum liability 31 Dec 2005
Guarantees for group companies' financing:			
Cheque account	50.1	50.0	50.0
Leasing limit		<u>0.0</u>	<u>100.0</u>
		50.0	150.0

Guarantees for group companies' financing

EUR '000	31 Dec 2006	31 Dec 2005
Guarantee for a group company's lease contract	<u>0.0</u>	<u>45.6</u>
	0.0	45.6

EUR '000	credit limit in use / loan 31 Dec 2006	maximum liability 31 Dec 2006	maximum liability 31 Dec 2005
Guarantees given to financial institutions for group companies' financing:			
Guarantees for bank guarantee limits	1,330.0	1,400.0	1,500.0
Guarantees for equipment financing	1,752.8	1,840.0	1,840.0
Factoring	0.0	0.0	900.0
Guarantees given to financial institutions for group companies' loans:			
Bank loans	1,478.4	<u>1,530.0</u>	<u>2,566.2</u>
		4,770.0	6,806.2

Guarantees for associated companies' financing

EUR '000	credit limit in use / loan 31 Dec 2006	maximum liability 31 Dec 2006	maximum liability 31 Dec 2005
Guarantees for group companies' financing:			
Cheque account	537.8	900.0	900.0
Leasing limit	486.9	<u>921.6</u>	<u>921.6</u>
		1821.6	1821.6

Guarantees given by group companies

For suppliers totally 0.1 (0.1) mEUR direct guarantees have been given.

Group companies have given business mortgage notes totalling EUR 5.7 million (31 Dec 2005 totalling EUR 4.0 million) as guarantees for bank financing. Of parent company's business mortgages totalling EUR 4.2 million a total of EUR 1.7 million has been given out for external financial institution as guarantee for financing (31.12.2005: 0.0). In addition, real estate mortgages totalling EUR 2.2 million (2.3 million) were given out as loan guarantees. Group's parent company has given absolute guarantees totalling 6.6 mEUR (6.8 mEUR) for group companies' financing. Moreover, the parent companies of business segments have as of year end given guarantees for their subsidiaries' financing totalling 0.4 mEUR.

Machinery financing typically involves the acquired machinery to be pledged for guaranteeing the debt repayment. At 31 Dec 2006 long-term machinery financing totalled ca. EUR 2,692.3 thousand (2005 ca. EUR 2,552.8 thousand).

Derivative contracts

EUR '000	2006	2005
Forward contracts, contract values		
Foreign exchange forward contracts	-2,739.7	2,692.6
Forward contracts, fair value		
Foreign exchange forward contracts	81.5	8.3

The maturity of the contracts is 3-7 months

In certain financing agreements there are covenants that are tied either to group level, segment level or individual company level balance sheet or other financial ratios or which include restrictions on inter-company financing cash flows or which limit parent company making corporate restructuring without negotiating these issues with the financiers.

Earn-out liabilities of acquisitions

The earn-out liabilities, including also call options' exercise prices as applicable, of the acquisitions carried out by the group have been presented as a liability in the balance sheet and shown in either short-term or long-term debt based on the liabilities' payment date. Short-term earn-out liabilities totalled EUR 9.0 million at 31 Dec 2006 (EUR 9.2 million at 31 Dec 2005), and long-term earn-out liabilities EUR 2.4 million (6.6).

Investment commitments

Ruukki Group Plc has committed itself to make a EUR 0.5 million investment into Finn-Thai Technology Fund B which is an entity designed to invest into Finnish and Thai companies and in which Ruukki Group is non-voting partner. Moreover, Ruukki Group owns 30 % of the limited liability company Orienteq Capital Ltd governing the fund. This commitment will most probably not materialise since this fund will be fully dissolved during the first half of 2007.

Commitments to purchase raw materials

Certain group companies have entered into agreements that oblige them to make raw material purchases in the future with fixed terms and that are typical in their line of business.

Financial indicators

	2006	2005	2004	2003	2002
		IFRS		FAS	
Revenue, EUR '000	125,459.5	91,936.2	71,705.1	10,848.9	1,045.3
Operating profit / loss, EUR '000	13,047.6	8,985.5	5,603.0	-1,191.5	-1,918.6
% of revenue	10.4 %	9.8 %	7.8 %	-11.0 %	-183.5 %
Profit / loss before taxes, EUR '000	12,156.2	8,465.4	3,984.6	-2,204.1	-1,750.6
% of revenue	9.7 %	9.2 %	5.6%	-20.3 %	-167.5
Return on equity, %	19.1 %	29.9 %	19.9%	-24.0 %	-32.2 %
Return on investment, %	17.7 %	25.4 %	21.2 %	-15.5 %	-32.0 %
Equity ratio, %	60.1 %	32.9 %	20.0 %	49.0 %	84.6 %
Gross capital expenditure, EUR '000	14,329.7	5,696.1	15,918.9	17,248.0	763.2
% of revenue	11.4 %	6.2 %	22.2%	159.0 %	73.0 %
Personnell, average	570	387	319	83	7
Earnings per share, basic, EUR	0.07	0.07	0.03	-0.05	-0.09
Earnings per share, diluted, EUR	0.06	0.05	0.02		
Equity per share, EUR	0.42	0.26	0.16	0.18	0.23
Dividends, EUR '000		3,147.8	0.0	0.0	0.0
Dividend per share, EUR		0.02	0.0	0.0	0.0
Dividend per earnings, %		34.7 %	0.0 %	0.0 %	0.0 %
Effective dividend yield, %		3.7 %	0.0 %	0.0 %	0.0 %
Price to earnings	16.8	9.4	15.7	-10.1	-3.2
Highest share price, EUR	1.23	0.70	0.50	0.50	0.50
Lowest share price, EUR	0.64	0.30	0.30	0.10	0.20
Average share price, EUR	0.84	0.54	0.41	0.34	0.30
Market capitalisation, EUR '000	163,156.5	54,369.6	32,712.2	38,091.0	6,249.5
Turnover, EUR '000	84,818.7	24,708.9	8,605.2	4,828.1	539.8
Turnover, %	86.0 %	53.7 %	25.7 %	18.7 %	15.7 %
Average number of shares, (1 000)	118,051.7	83,188.3	80,316.8	47,264.9	20,683.4
Average number of shares, diluted, (1 000)	135,995.8	106,467.9	84,938.9		
Number of shares at the end of the period (1 000)	135,963.7	93,300.9	81,780.5	76,182.0	20,831.6

Formulae for calculation of indicators

Return on equity, %	$\text{Net profit} / \text{Total equity (average for the period)} * 100$
Return on investment, %	$\text{Profit before taxes} + \text{financing expenses} / (\text{balance sheet total} - \text{non-interest bearing liabilities}) \text{ average} * 100$
Equity ratio, %	$\text{Total equity} / \text{balance sheet} - \text{prepayments received} * 100$
Earnings per share, € (basic)	$\text{Profit attributable to shareholders of the parent company} / \text{Average number of shares during the period}$
Earnings per share, € (diluted)	$\text{Profit attributable to shareholders of the parent company} / \text{Average number of shares during the period, diluted}$
Equity per share, EUR	$\text{Shareholders' equity} / \text{Average number of shares during the period}$
Dividend per share, EUR	$\text{Dividends} / \text{Number of shares at the end of the period}$
Dividend per earnings, %	$\text{Dividend per share} / \text{Earnings per share} * 100$
Effective dividend yield, %	$\text{Dividend per share} / \text{Share price at the end of the period}$
Price to earnings	$\text{Share price at the end of the period} / \text{Earnings per share}$
Average share price	$\text{Total value of shares traded in euro} / \text{Number of shares traded during the period}$
Market capitalisation	$\text{Number of shares} * \text{Share price at the end of the period}$
Operating profit	Operating profit is the net of revenue plus other operating income, minus cost of goods sold adjusted with 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.

RUUKKI GROUP PLC

PROFIT AND LOSS ACCOUNT

EUR '000

	Note	1 Jan - 31 Dec 2006	1 Jan - 31 Dec 2005
REVENUE		314.9	271,0
Other operating income	P1	4,961.4	1.6
Materials and services			
Goods, materials and supplies			
Purchases of the period		-110,0	-66.1
Unfinished goods inventory change		0.0	-1.1
Goods, materials and supplies total		<u>-110,0</u>	<u>-67.2</u>
Materials and services total		-110,0	-67.2
Personnel expenses			
Salaries and wages		-391.3	-323.3
Social security expenses			
Pension expenses		-58.1	-67.1
Other social security expenses		-29.2	-13.9
Social security expenses total		<u>-87.3</u>	<u>-81.0</u>
Personnel expenses total		-478.6	-404.3
Depreciation, amortisation and impairment			
Depreciation and amortisation according to plan	P2	-26.4	-32.3
Impairment of non-current assets		-2,918.7	-2,884.4
Depreciation, amortisation and impairment total		-2,945.1	-2,916.7
Other operating expenses		<u>-2,048.6</u>	<u>-934.3</u>
OPERATING PROFIT (LOSS)		-306.0	-4,049.9
Financial income and expenses	P3		
Income from group companies			
Dividends from subsidiaries		858.0	4,875.0
Dividends from associates		84.1	84.1
Other financial income			
From group companies		271,0	175.9
From others		410.4	16.1
Interests and other financial expenses			
To Group companies		-6.0	-184.0
To others		-482.5	-540.7
Interest and other financial expenses total		<u>1,135,0</u>	<u>4,426.4</u>
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		829,0	376.5
Extraordinary items	P4		
Extraordinary income		0.0	9,500.0
Extraordinary income total		<u>0.0</u>	<u>9,500.0</u>
PROFIT BEFORE TAXES		829,0	9,876.5
Income taxes	P5		
Income taxes		<u>-329.1</u>	<u>-2,047.6</u>
PROFIT		499.8	7,828.9

RUUKKI GROUP PLC

BALANCE SHEET

EUR '000

		31 Dec 2006	31 Dec 2005
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	P6	<u>5.0</u>	<u>4.1</u>
Total intangible assets		5.0	4.1
Property, plant and equipment			
Machinery and equipment	P7	95.0	111.4
Other tangible assets	P8	<u>2.3</u>	<u>2.3</u>
Total property, plant and equipment		97.3	113.8
Investments			
Shares in group companies	P9	29,941.2	29,157.0
Shares in associated companies		4,781.0	3,518.3
Receivables from group companies		1,947.4	165.5
Receivables from associated companies		49.5	1,212.0
Other receivables		0.0	127.7
Total investments		36,719.1	34,180.6
		<u>0.0</u>	<u>0.0</u>
Total non-current assets		36,821.4	34,298.4
Receivables			
Non-current receivables			
Receivables from group companies		<u>15,749.8</u>	<u>7,285.8</u>
Total non-current receivables		15,749.8	7,285.8
Current receivables			
Accounts receivable	P10	74.1	5.6
Receivables from group companies		552.0	405.7
Receivables from associated companies		21.1	0.9
Other interest-bearing receivables		6,812.2	14.5
Other non interest-bearing receivables		596.1	107.3
Prepaid expenses and accrued income		<u>1,460.1</u>	<u>77.3</u>
Total current receivables		9,515.6	611.2
Financial assets			
Other financial assets		<u>0.0</u>	<u>8,570.4</u>
Total financial assets		0.0	8,570.4
Cash and cash equivalents		3,493.3	405.9
Total current assets		28,758.7	16,873.2
TOTAL ASSETS		65,580.0	51,171.6

RUUKKI GROUP PLC

BALANCE SHEET

EUR '000		31 Dec 2006	31 Dec 2005
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
	P11		
Share capital		23,017.8	14,583.7
Share issue		0.0	4,340.0
Share premium reserve		24,194.9	1,244.9
Invested non-restricted equity fund		423.6	0.0
Retained earnings		5,712.1	1,031.1
Profit for the period		<u>499.8</u>	<u>7,828.7</u>
Total shareholders' equity		53,848.4	29,028.6
LIABILITIES			
Non-current liabilities			
	P12		
Convertible bonds		9.0	7,096.5
Loans from financial institutions		1,235.0	0.0
Loans from group companies		28.4	232.4
Loans from associated companies		5.1	5.1
Other debt		<u>0.0</u>	<u>6,387.6</u>
Total non-current liabilities		1,277.5	13,721.7
Current liabilities			
	P13		
Convertible bonds		1,643.4	0.0
Loans from financial institutions		380.0	0.0
Loans from group companies		5.0	0.0
Accounts payable		160.5	55.9
Payables to group companies		1.1	0.0
Other debt		7,936.6	8,038.6
Accrued expenses and deferred income		<u>327.6</u>	<u>326.9</u>
Total current liabilities		10,454.2	8,421.4
Total liabilities		11,731.7	22,143.1
TOTAL EQUITY AND LIABILITIES		65,580.1	51,171.6

RUUKKI GROUP PLC

CASH FLOW STATEMENT

	1 Jan - 31 Dec 2006	1 Jan - 31 Dec 2005
CASH FLOW USED IN OPERATING ACTIVITIES		
Profit	499.8	7,828.9
Adjustments:		
Depreciation, amortisation and impairment	26.4	32.3
Other operating income related to financing and investments	-4,961.4	-1.6
Other non-cash items	2,918.5	2,884.4
Financial revenue and expense	-1,135.0	-4,426.4
Extraordinary items	0.0	-9,500.0
Income taxes	680.9	2,047.6
Other adjustments	<u>0.0</u>	<u>73.9</u>
Cash flow before change in working capital	-1,970.5	-1,061.0
Change in working capital:		
Change in current non interest-bearing receivables	-2,106.7	273.3
Change in inventories	0.0	1.1
Change in current non interest-bearing payables	<u>1,253.9</u>	<u>-80.0</u>
Operating cash flow before financing items and taxes	-2,823.3	-866.6
Interests paid and other financing items	-1.6	-26.7
Income taxes paid	<u>-3,477.2</u>	<u>0.0</u>
Cash flow used in operating activities	-6,302.1	-893.3
CASH FLOW USED IN INVESTING ACTIVITIES		
Capital expenditure on non-current assets	-11.2	-47.7
Disposals of non-current assets	0.3	-7.0
Investments in other investments	-9,701.9	-4,532.6
Disposals of other investments	4,183.0	-65.3
Interests paid on investments	-6.0	-185.3
Dividends received	<u>942.1</u>	<u>4,955.0</u>
Cash flow used in investing activities	-4,593.7	117.1
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	21,600.0	4,340.0
Proceeds from borrowings	1,900.0	0.0
Repayments of borrowings	-285.0	0.0
Repayments of current earn-out liabilities	-5,792.9	-5,076.4
Current loans to group companies	-1,625.0	-188.0
Repayments of current borrowings from group companies	1,625.0	188.0
Non-current loans to group companies	-8,650.0	-688.0
Repayments of non-current loans to group companies	0.0	170.0
Dividends paid	-3,145.8	0.0
Extraordinary income from group companies	0.0	9,500.0
Interests received	325.5	1.8
Interests paid	<u>-553.5</u>	<u>-251.3</u>
Cash flow from financing activities	5,398.3	7,996.1
Change in cash and cash equivalents	-5,497.4	7,219.9
Cash at the beginning of the period	8,990.7	1,770.8
Cash at the end of the period	3,493.3	8,990.7
Change in the balance sheet	-5,497.4	7,219.9

Accounting principles

Scope of financial statements and accounting principles

The Company has formed a group of companies as defined in Finnish Accounting Act since 1 July 2003. Subsidiaries have been consolidated from the aforementioned date or later.

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 from financial year 2005. 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 at acquisition cost.

Depreciation methods

Costs of fixed assets are depreciated over their useful lives. Depreciation plans have been defined by estimated useful lives based on practice and experience.

Asset	Depreciation method/period
Intangible rights	5 years
Machinery and equipment	25 % declining balance depreciation
Vehicles	6 years

Translations of foreign currency items

Transactions in foreign currencies are recorded at the rates of the transaction date. At the end of the accounting period the company has no material assets or liabilities in foreign currencies. Generally, the significance of foreign currencies for the company is minor.

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 financial structure of the company has changed significantly in 2005 and 2006 due to equity and debt financing transactions carried out in order to strengthen the company's financial position. By share issue carried out in March 2006, the company raised capital for approximately 21.6 million euros.

In October 2006 the extraordinary shareholders' meeting of the company decided to establish a new equity fund, i.e. invested non-restricted equity fund, in accordance with renewed Companies Act. The presentation of subordinated debt has been adjusted in accordance with renewed Companies Act, so that subordinated debt is presented in liabilities in both financial statements of 2006 and 2005.

In 2005, the company has recognised one-off impairment losses related to shares of associated companies and securities. In 2006 impairment losses have been recorded on holdings in subsidiaries and associates, mainly related to furniture business. Impairment is presented in profit and loss statement above operating profit, which corresponds the presentation of associated companies' profit in group financial statements. One of the valuation criteria of the abovementioned write-offs has been to reconcile the parent company's financial statements values to the corresponding values in group financial statements that have been prepared in accordance with IFRS.

Because of the development company status, the business activities essentially involve the ongoing and active development of the Group companies and their operations, which may require various ownership and financial arrangements, which may have significant non-

recurring or recurring effect on company's profit and loss statement, balance sheet and financial position, which makes comparison of financial statements and estimating future more difficult.

Earn-out liabilities associated with business acquisitions

All future earn-out liabilities, even contingent, associated with business acquisitions are recognised as a liability based either on estimates or on the actual financial performance of the acquired company. Estimating the liabilities has required management discretion. The actual additional prices payable may differ from the estimates.

Summary of business reorganisation carried out in 2006

Group companies:

- Partial disposal of Pohjolan Design-Talo 01/2006 (100.0 % -> 90.1 %)
- Increase of ownership in Hirviset Group 05/2006 (50.0 % -> 100.0 %)

Associated companies:

- Purchase of Container-Depot Ltd shares 03/2006 (0.0 % -> 27.6 %) and disposal 09/2006 (27.6 % -> 0.0 %)
- Purchase of Incap Furniture Ltd shares 02/2006 (0.0 % -> 39.1 %; diluted 05/2006 to approximately 20.1 %:)
- Disposal of Logium shares 06/2006 (34.0 % -> 00 %)
- Purchase of Oplax shares 10/2006 (24.5 % -> 32.0 %)

NOTES TO PROFIT AND LOSS STATEMENT

P1. Other operating income

tEUR	2006	2005
Gain on disposal of property, plant and equipment	0,0	1.6
Gain on disposal of subsidiary shares	265.9	0.0
Gain on disposal of associated companies shares	4,695.5	0.0
Total	4,961.4	1.6

P2. Depreciation, amortisation and impairment

tEUR	2006	2005
Intangible rights	1.7	6.7
Machinery and equipment	24.7	25.6
Total	26.4	32.3

P3. Financial income and expense

tEUR	2006	2005
Dividends from group companies	858.0	4,875.0
Dividends from associated companies	84.1	84.1
Other financial income		
From group companies	271.0	175.9
From others	410.4	16.1
Impairment of non-current assets	-2,918.7	-2,884.4
Other financial expense		
To group companies	-6.0	-183.9
To others	-482.5	-540.7
Total	-1,783.8	1 542.0

Impairment of non-current assets:

tEUR	2006	2005
Subsidiary shares	-1,492.3	0.0
Associated companies' shares	-1,345.3	-2,884.3
Loans to associated companies	-1.1	-21.4
Loans to others	-80.0	0.0
Total	-2,918.7	-2,905.7

P4. Extraordinary income

tEUR	2006	2005
From group companies	0.0	9,500.0
Total	0.0	9,500.0

P5. Income taxes

tEUR	2006	2005
Profit for the period	499.8	7,828.9
Adjustments for tax calculation	2,119.1	46.6
Taxable income	2,618.9	7,875.5
Tax advances paid	-2,030.6	0.0
Tax deferral based on taxable income	1,349.7	-2,047.6
Income tax of the period	-680.9	-2,047.6
Taxes of previous years	0.0	246.9
Returned taxes from previous year	351.8	0.0
Net income taxes	-329.1	-1,800.7
Tax receivable 31 Dec	1,349.7	0.0
Tax liability 31 Dec	0,0	1,800.7

NOTES TO ASSETS

P6. Intangible rights

tEUR	31 Dec 2006	31 Dec 2005
Acquisition cost Jan 1	33.3	33.3
Additions	2.2	0.0
Disposals	0.0	0.0
Acquisition cost Dec 31	35.5	33.3
Accumulated depreciation Jan 1	29.2	22.5
Depreciation for the period	1.3	6.7
Accumulated depreciation Dec 31	30.5	29.2
Book value Dec 31	5.0	4.1

P7. Machinery and equipment

tEUR	31 Dec 2006	31 Dec 2005
Acquisition cost Jan 1	166.5	118.8
Additions	3.4	99.9
Disposals	0.3	-52.2
Acquisition cost Dec 31	170.2	166.5
Accumulated depreciation Jan 1	55.1	29.4
Depreciation for the period	20.1	25.6
Accumulated depreciation Dec 31	<u>75.2</u>	<u>55.1</u>
	95.0	111.4

P8. Tangible assets

tEUR	31 Dec 2006	31 Dec 2005
Book value Jan 1	2,3	2,3
Book value Dec 31	2,3	2,3

P9. Investments

	Shares in group companies	Shares in associated companies	Receivables from group companies	Receivables from associated companies	Other receivables	Total
Acquisition cost						
1 Jan 2006	29,723.1	6,952.1	165.5	1,330.8	127.7	38,299.3
Additions	4,547.9	6,619.5	11.5	610.2	310.8	12,099.9
Disposals	-2,271.6	-4,011.4		-1.2	-358.6	-6,642.7
Transfers between categories	0.2	-0.2	1,770.4	-1,770.4		0.0
Acquisition cost						
31 Dec 2006	31,999.6	9,560.1	1,947.4	169.5	80.0	43,756.5
Accumulated depreciation and impairment						
1 Jan 2006	-566.1	-3,433.8	0.0	-118.9	0.0	-4,118.8
Disposals						0.0
Depreciation for the period						0.0
Impairment	-1,492.3	-1,345.3		-1.1	-80.0	-2,918.7
Accumulated depreciation and impairment						
31 Dec 2006	-2,058.4	-4,779.2	0.0	-120.0	-80.0	-7,037.5
Revaluations						
Book value						
31 Dec 2006	29,941.2	4,781.0	1,947.4	49.5	0.0	36,719.0

Holdings in other companies

Group companies

Company name and domicile	Group ownership 31 Dec 2006 (%)	Parent company's direct ownership 31 Dec 2006 (%)	Joined the group	Accounting period	Movements in parent company's holding in 2006
Mikeva Ltd. Oulunsalo	100.00	100.00	1 Jul 2003	1 Jan -31 Dec 2006	
Jussin Kodit Ltd, Haukipudas	100.00	0.00	1 Jul 2003	1 Jan -31 Dec 2006	
Terveyspalvelut Mikeva Ltd, Muhos	100.00	0.00	1 Oct 2003	1 Jan -31 Dec 2006	
Mikeva Vanhuspalvelut Ltd, Muhos	100.00	0.00	31 Dec 2004	1 Jan -31 Dec 2006	
Mikon Kuntoutuskodit Ltd	100.00	0.00	30 Sep 2005	1 Jul. -31 Dec 2006	
Terveyspalvelut Mendis Ltd, Seinäjoki	100.00	0.00	1 Sep 2006	1 Jan -31 Dec 2006	
Mendis Palvelukodit Ltd, Seinäjoki	100.00	0.00	1 Sep 2006	11 Aug 2005 - 31 Dec 2006	
Ruukki Yhtiöt Ltd, Siikajoki	100.00	100.00	1 Jul 2003	1 Jan -31 Dec 2006	
Ruukki Wood Ltd, Siikajoki	100.00	0.00	1 Jul 2003	1 Jan -31 Dec 2006	
Woodproc Finland Ltd, Oulu	100.00	0.00	1 Jul 2003	1 Jan -31 Dec 2006	
Ruukki Components Ltd, Siikajoki	100.00	0.00	1 Jul 2003	1 Jan -31 Dec 2006	
Ruukki Invest Ltd, Siikajoki	100.00	0.00	1 Jul 2003	1 Jan -31 Dec 2006	
Utawood Ltd, Utajärvi	67.67	0.00	1 Jul 2003	1 Jan -31 Dec 2006	
OOO Ruukki Kostroma, Kostroma (Russia)	100.00	0.00	30 Sep 2006	(- 31 Mar 2007)	
OOO Sever-Trust, Kostroma (Russia)	100.00	0.00	31 Oct 2006	(- 31 Mar 2007)	
Lappipaneli Ltd, Kuusamo	100.00	0.00	31 Dec 2003	1 Jan -31 Dec 2006	
Airisniemen Energia Ltd, Kuusamo	100.00	0.00	31 Dec 2003	1 Jan -31 Dec 2006	
Laptimber Ltd, Kuusamo	100.00	0.00	31 Dec 2003	1 Jan -31 Dec 2006	
Tervolan Saha ja Höyläämö Ltd, Keminmaa	91.42	0.00	1 Oct 2006	31 Jan -31 Dec 2006	
VK Timber Ltd, Kittilä	91.42	0.00	1 Oct 2006	13 Oct 2005-31 Dec 2006	
Alumni Ltd, Nastola	69.44	69.44	1 Aug 2003	1 Jan -31 Dec 2006	01/2006: 100,0 % -> 69,4 %
Pan-Oston Ltd, Nastola	69.44	0.00	1 Aug 2003	1 Jan -31 Dec 2006	
Selka-Line Ltd, Nastola	69.44	0.00	30 Jun 2004	1 Jan -31 Dec 2006	
Pohjolan Design-Talo Ltd, Oulunsalo	90.10	90.10	1 Jan 2004	1 Jan -31 Dec 2006	01/2006: 100,0 % -> 90,1 %
Nivaelement Ltd, Nivala	90.10	0.00	1 Dec 2006	1 Jan -31 Dec 2006	
Balansor Ltd, Espoo	99.99	99.99	1 Nov 2003	1 Jan -31 Dec 2006	
MobileCRM Ltd, Espoo	99.99	0.00	1 Nov 2003	1 Jan -31 Dec 2006	
Rekylator Ltd , Helsinki	100.00	100.00	1 Jul 2003	1 Jan -31 Dec 2006	
Hoivaala Ltd, Somero	100.00	100.00	31 Jan 2004	1 Jan -31 Dec 2006	
Hirviset Group Ltd, Lestijärvi	100.00	100.00	1 May 2006	1 Jan -31 Dec 2006	05/2006: 50.0 % -> 100.0 %

Associated companies

	Ownership (%)	Book value	Closing date	Equity * 31 Dec 2006	Net profit 1 Jan -31 Dec 2006
Stellatum Ltd, Helsinki	34.00	238,0	31 Dec 2006	-3,0	27,5
Valtimo Components Plc, Valtimo	39.23	99.4	31 Dec 2006	-404,0	51,7
Ltd Cybersoft Ab, Tampere	37.50	87.9	31 Dec 2006 **	405,7	171,9
Arc Technology Ltd, Helsinki	37.40	311.6	31 Dec 2006	114,3	20,7
Widian Ltd, Espoo	39.64	71.0	31 Dec 2006	-226,6	8,4
ILP-Group Ltd	33.44	472.9	30 Sep 2006 (9 months)	1 418,2	524,6
Oplax Ltd , Oulu	24.53	2,470.8	31 Dec 2006 ***	6 123,2	1 236,9
Incap Furniture Ltd	47.09 ****	1,026.5	31 Dec 2006	909,3	-5 864,2
Orienteq Capital Ltd	30.00	2,7	30 Nov 2006 (11 months)	11,4	49,3
Rivest Ltd	40.00	0.0	31 Dec 2006	-4,5	-4,8
ID Express Ltd, Helsinki	40.00	0.0	30 Nov 2006 (11 months)	16,0	4,8
LoopM Ltd, Helsinki	28.43	0.0	30 Sep 2006 (9 months)	-202,9	24,4
Lanux Ltd, Helsinki	47.00	0.0			
ID Express Ltd, Helsinki	40.00	0.0			
SG Systems Ltd, Helsinki	35.00	0.0			
Sportslink Group Ltd, Helsinki	25.00	0.0			
Total		4 780,0			

* Excluding subordinated loans

** Financial year ends at 31 Oct

*** Financial year ends at 31 March

**** Excluding indirect ownership via Hirviset Group, book value includes only direct share of the parent company (20.1%)

P10. Receivables

Other interest-bearing receivables

tEUR	31 Dec 2006	31 Dec 2005
Rental deposits	19.1	14.5
Receivable from disposal of associated company shares	6,793.1	0.0
Total	6,812.2	14.5

Other non-interest bearing receivables

tEUR	31 Dec 2006	31 Dec 2005
VAT receivable		
Receivable from disposal of associated company shares	218.5	107.3
Other receivables	375.1	0.0
	2.4	0.0
Total	596.1	107.3

Prepaid expenses and accrued income

tEUR	31 Dec 2006	31 Dec 2005
Deferred tax assets	1,349.7	0.0
Other prepaid expenses and accrued income	110.4	77.3
Total	1,460.1	77.3

P11. Shareholders' equity

Changes in shareholders' equity	31 Dec 2006	31 Dec 2005
Share capital 1 Jan	14,583.7	13,819.8
Directed issue 14 Jun 2005		218.0
Convertible bond conversion 25 Aug 2005		1.7
Convertible bond conversion 21 Oct 2005		253.5
Convertible bond conversion 12 Dec 2005		290.7
Bonus issue 11 Jan 2006	87.4	
Directed issue 13 Jan 2006	1,190.0	
Share issue 6 Apr 2006	5,100.0	
Convertible bond conversion 21 Jul 2006	610.8	
Convertible bond conversion 23 Aug 2006	116.1	
Convertible bond conversion 6 Oct 2006	102.0	
Convertible bond conversion 12 Dec 2006	968.5	
Convertible bond conversion 27 Dec 2006	259.3	
Share capital 31 Dec	23,017.8	14,583.7
Share issue 1 Jan	4,340.0	
Share issue 8 Dec 2005 shareholders' meeting		4,340.0
Registration of share issue 13 Jan 2006	-4,340.0	
Share issue 9 Mar 2006 shareholders' meeting	21,600.0	
Registration of share issue 6 Apr 2006	-21,600.0	
Share issue 31 Dec	0.0	4,340.0
Share premium reserve 1 Jan	1,244.9	787.3
Convertible bond conversion 25 Aug 2005		2.8
Convertible bond conversion 21 Oct 2005		196.5
Convertible bond conversion 12 Dec 2005		258.3
Bonus issue 11 Jan 2006	-87.4	
Directed issue 13 Jan 2006	3,150.0	
Share issue 6 Apr 2006	16,500.0	
Convertible bond conversion 21 Jul 2006	1,006.0	
Convertible bond conversion 23 Aug 2006	191.2	
Convertible bond conversion 6 Oct 2006	168.0	
Convertible bond conversion 12 Dec 2006	427.0	
Convertible bond conversion 27 Dec 2006	1,595.2	
Share premium reserve 31 Dec	24,194.9	1,244.9
Invested non-restricted equity fund 1 Jan	0.0	0.0
Free directed issue 27 Oct 2006	423.6	0.0
Invested non-restricted equity fund 31 Dec	423.6	0.0
Retained earnings 1 Jan	1,031.1	7.0
Profit for the previous financial year	7,828.9	1,024.1
Dividends	-3,147.8	0.0
Retained earnings 31 Dec	5,712.1	1,031.1
Profit for the financial year 2006	499.8	7,828.9
Total shareholders' equity	53,848.36	29,028.57

Distributable funds

tEUR	31 Dec 2006	31 Dec 2005
Retained earnings	8,859.9	1,031.1
Dividends	-3,147.8	0.0
Profit for the financial year	499.8	7,828.9
Retained earnings 31 Dec	6,212.0	8,859.9
Invested non-restricted equity	423.6	0.0
Distributable funds 31 Dec	6,635.6	8,859.9
Non-restricted equity of consolidated balance sheet (IFRS) excluding invested non-restricted equity fund and appropriations according to FAS	11,636.4	2,463.0

P12. Non-current liabilities

Non-current interest bearing debt

tEUR	31 Dec 2006	31 Dec 2005
Convertible subordinated bonds	9.0	7 096.5
Loans from financial institutions	1,235.0	0.0
Loans from group companies	28.4	232.4
Total	1,272.4	7,328.9

Non-current non-interest bearing debt

tEUR	31 Dec 2006	31 Dec 2005
Loans from associated companies	5.1	5.1
Earn-out liabilities	0.0	6,374.5
Other debt	0.0	13.1
Total	5.1	6,392.7

P13 Current liabilities

Current interest bearing debt

tEUR	31 Dec 2006	31 Dec 2005
Convertible subordinated bonds	1,643.4	0.0
Loans from financial institutions	380.0	0.0
Loans from group companies	5.0	0.0
Total	2,028.4	0.0

Current non-interest bearing debt

tEUR	31 Dec 2006	31 Dec 2005
Accounts payable	160.5	55.9
Payables to group companies	1.1	0.0
Other debt	7,936.6	8,038.6
Accrued expenses and deferred income	327.5	326.9
Total	8,425.8	8,421.4

Other current debt

tEUR	31 Dec 2006	31 Dec 2005
Income taxes	0.0	1,800.7
Earn-out liabilities	7,906.6	6,125.3
Other current liabilities	30.0	112.5
Total	7,936.6	8,038.6

Options and convertible bonds

Convertible bond

The company has (22.12.2003) decided to issue a convertible bond with EUR 900,000.00 nominal value. During the financial year 2005, this bond has been fully converted into new shares of the company.

Convertible subordinated bond

The company issued a convertible bond loan of EUR 7,200,000.00 on 18 November 2004. The loan period runs from 22 December 2004 to 22 June 2010. The loan will be repaid in a single instalment on 22 June 2010 provided that the repayment conditions specified in Chapter 5 of the Companies Act and in the terms and conditions of the convertible bond loan are met.

The terms and conditions of the convertible bond loan state that, as of 22 June 2005, the company is entitled to early repayment of the loan principal in its entirety at a rate of 100 per cent, plus the interest that has accumulated by the payment date. These conditions have been met in the end of the 2006 and entitled to repurchase the remaining notes. If the loan has not been repaid on the due date, interest shall be paid on the unpaid loan principal at a rate of two percentage points above the confirmed annual interest rate for the loan.

On 31 December 2006, EUR 1,652,400.00, or about 23 %, remained of the convertible bond loan. Approximately 1.4% of the notes attached to the convertible bond loan were converted into company

shares during the 2005 financial year and approximately 75.7 % in 2006. Notes have been converted thus far in 2007 such that, at the end of February, EUR 9,000.00 of the loan remained unconverted. These notes entitle to 20,000 new shares. Each note of EUR 450 entitles its holder to convert the note to 1,000 company shares with book value of 0.17 euro. The conversion rate of the shares is 0.45 euro.

The notes linked to the convertible bond loan have been publicly traded on the Helsinki Stock Exchange since 3 January 2005.

Options

The company has registered an option scheme I/2005 (decision made on general meeting 8.12.2005), which 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 0.50–1.00. 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. At the end of 2006, a total of 450,000 options had been offered to company executives.

Pledges and contingent liabilities

Guarantees for group companies' financing

tEUR	credit limit in use / loan 31 Dec 2006	maximum liability 31 Dec 2006	maximum liability 31 Dec 2005
Guarantees for group companies' financing:			
Cheque account	50.1	50.0	50.0
Leasing limit	0.0	<u>0.0</u> 50.0	<u>100.0</u> 150.0

tEUR	31 Dec 2006	31 Dec 2005
Guarantee for a group company's lease contract	<u>0.0</u> 0.0	<u>45.6</u> 45.6

tEUR	31 Dec 2006 maximum liability	31 Dec 2005 maximum liability
Guarantee for accounts payable	<u>113.9</u> 113.9	<u>113.9</u> 113.9

tEUR	credit limit in use / loan 31 Dec 2006	maximum liability 31 Dec 2006	maximum liability 31 Dec 2005
Guarantees for bank guarantee limits	1,330.0	1,400.0	1,500.0
Guarantees for equipment financing	1,752.8	1,840.0	1,840.0
Bank loans	<u>1,478.4</u> 4,561.2	<u>1,530.0</u> 4,770.0	<u>1,530.0</u> 4,870.0

Guarantees for associated companies' financing

tEUR	credit limit in use / loan 31 Dec 2006	maximum liability 31 Dec 2006	maximum liability 31 Dec 2005
Factoring	537.8	900.0	900.0
Bank loans	<u>486.9</u> 1,024.6	<u>921.6</u> 1,821.6	<u>921.6</u> 1,821.6

Leasing liabilities

tEUR	31 Dec 2006	31 Dec 2005
Leasing liabilities		
Within the next financial year	6.7	111.2
After the next financial year	20.9	156.2
Total	27.6	267.4

Other liabilities

tEUR	31 Dec 2006	31 Dec 2005
Rental deposits, paid in cash	19.1	14.5
Rental deposits, guaranteed	0.0	48.5
Total	19.1	63.0

Rental liabilities

tEUR	31 Dec 2006	31 Dec 2005
Unlimited term contracts, liability for term of notice	25.1	21.9
Fixed-term contracts		
Within the next financial year	65.5	35.8
After the next financial year	37.6	71.6
Total	103.1	107.3

Other commitments and liabilities

Ruukki Group Plc has made a commitment to invest a total of EUR 0.5 million in Finn-Thai Technology Fund B Ky, a company investing primarily in Finnish and Thai companies. Ruukki Group Plc is a silent partner in this limited partnership, and it also has a 30% interest in the responsible partner, Orienteq Capital Ltd. In all likelihood, this investment commitment will not be exercised because it is highly likely that the part of the fund encompassing Ruukki Group's investment commitment will be dissolved in its entirety in the first half of 2007.

Ruukki Group has entered into debt agreements that feature covenants tied to the Group's or individual Group companies' solvency or profitability figures, or covenants that restrict the payment of Group company liabilities to the parent company or that require the parent company not to divest significant parts of the business operations without consulting the financiers first.

Received guarantees

The company has received pledged shares and absolute guarantees as a security for current interest-bearing receivables. Considering their amount and grade, guarantee can be regarded as sufficient.

Subordinated loans

Convertible subordinated bond

The company issued a convertible bond loan of EUR 7,200 thousand on 18 November 2004. The loan period runs from 22 December 2004 to 22 June 2010. The loan will be repaid in a single instalment on 22 June 2010 provided that the repayment conditions specified in Chapter 12 of the Companies Act and in the terms and conditions of the convertible bond loan are met.

The terms and conditions of the convertible bond loan state that, as of 22 June 2005, the company is entitled to early repayment of the loan principal in its entirety at a rate of 100 per cent, plus the interest that has accumulated by the payment date.

The confirmed annual interest rate for the loan is 7 %.

If the loan has not been repaid on the due date, interest shall be paid on the unpaid loan principal at a rate of two percentage points above the confirmed annual interest rate for the loan.

	2006	2005
Convertible bonds 1 Jan	7,096.5	7,200.0
Convertible bond conversion 25 Aug 2005		-4.5
Convertible bond conversion 12 Dec 2005		-99.0
Convertible bond conversion 21 Jul 2006	-1,616.9	
Convertible bond conversion 23 Aug 2006	-307.4	
Convertible bond conversion 6 Oct 2006	-270.0	
Convertible bond conversion 12 Dec 2006	-686.3	
Convertible bond conversion 27 Dec 2006	-2,563.7	
Convertible bonds 31 Dec	1,652.4	7,096.5

The convertible subordinated bond is due on 22 Jun 2010. By 28 Feb 2007 3,652 notes (EUR 1,643.4 thousand) have been converted such that, at the end of February, EUR 9,000.00 of the loan remained unconverted. Interests for the convertible bond have been recognised as an expense: in 2006 total EUR 396.6 thousand and in 2005 total EUR 512,6 thousand. Interest paid in 2006 were EUR 496,755.00.

Earn-out liabilities related to share-swap agreements

The company has on 5 Sep 2003 made a share-swap agreement on purchase of Pan-Oston shares. The agreement obligates the company to pay additional price for the shares based on financial statements for 2003-2006. The additional purchase price is 47% of Pan-Oston's profit for the period. The last additional price is settled in 2007 based on financial performance in 2006 and the estimated amount based on Pan-Oston's 2006 financial statements is EUR 257,5 thousand, which is recognised as a current liability. The liability is due within a month after both parties have agreed the additional price and it is to be settled most probably with Ruukki Group Plc's shares.

The company has on 30 Dec 2003 made a share-swap agreement on purchase of Lappipaneli shares. The agreement obligates the company to pay additional price for the shares based on financial statements for 2004-2006. The additional purchase price is 60% of Lappipaneli's net profit for the period. The last additional price is settled in 2007 based on financial performance in 2006 and the estimated amount based on Lappipaneli's 2006 financial statements is EUR 595,5 thousand, which is recognised as a current liability. The liability is due within a month after both parties have agreed the additional price and it is to be settled most probably with Ruukki Group Plc's shares.

Earn-out liabilities related to share purchase agreements

The company has on 27 Mar 2004 made a purchase agreement on purchase of Pohjolan Design-Talo shares. The agreement obligates the company to pay additional price for the shares based on financial statements for 2004-2006. The additional purchase price is 50% of Pohjolan Design-Talo's profit for the period. The last additional price is settled in 2007 based on financial performance in 2006 and the amount based on Design-Talo's 2006 financial statements is EUR 7,053,5 thousand, which is recognised as a current liability. The liability is due within a month after both parties have agreed the additional price and it is to be settled with cash.

Pension liabilities

The company does not have any pension liabilities in excess of the statutory TEL-system.

Related party loans

No related party loans are outstanding

Additional information on personnel

	2006	2005
Personnel, annual average		
Personnel	5	6
Management remuneration		
Managing Director	133.3	115.8
Board members	34.0	0.0

Share capital

Registered	Series	number of shares	book value EUR/ share	votes/ share
Number of shares 1 Jan 2006	A	86 300 880	0.17	1
Bonus issue 11 Jan 2006	A	0	0.17	1
Directed issue 13 Jan 2006	A	7 000 000	0.17	1
Share issue 6 Apr 2006	A	30 000 000	0.17	1
Convertible bond conversion 21 Jul 2006	A	3 593 000	0.17	1
Convertible bond conversion 23 Aug 2006	A	683 000	0.17	1
Convertible bond conversion 6 Oct 2006	A	600 000	0.17	1
Directed free issue 10 Nov 2006	A	564 857	0.17	1
Convertible bond conversion 12 Dec 2006	A	1 525 000	0.17	1
Convertible bond conversion 27 Dec 2006	A	<u>5 697 000</u>	0.17	1
Number of shares 31 Dec 2006		135 963 737	0.17	

The registered share capital of the company was on 31 Dec 2006 EUR 23,017,8 thousand. By the end of February 2007 the company has issued 3,652,000 new shares due to conversions of convertible bonds. After these conversions, the maximum dilution effect of remaining convertible bonds and share options is presented below.

Number of shares Dec 31 2006	135 963 737
Number of shares Feb 28 2007	139 615 737
Convertible bonds, max.	20 000
Share options, max.	2 700 000
Number of shares, diluted	142 335 737

Related to Pan-Oston and Lappipaneli share-swap agreements, Ruukki Group Plc is obligated to pay additional earn-out purchase prices in 2007. The exact amount of these obligations is dependent on Ruukki Group's share price development and presumably they will be settled through free directed share issue, depending on decision of company's annual general meeting.

The company is the group parent company:
Ruukki Group Plc, domicile Oulunsalo (Lentokatu 2, FIN-90460 Oulunsalo)

RUUKKI GROUP PLC

OTHER NOTES

Major shareholders

On 31 December 2006, the company had 3,226 shareholders, of whom four were nominee-registered. The total number of issued shares on 31 December 2006 was 135,963,737.

Major shareholders on 31 December 2006

Shareholder	No. of shares	% of shares
Herttakakkonen Ltd	33 775 681	24,84 %
Nordea Pankki Suomi Plc	18 047 930	13,27 %
EVLI Pankki Plc	12 911 881	9,50 %
Nordea Pankki Suomi Plc, nominee-reg	12 617 873	9,28 %
Kankaala Markku	9 880 400	7,27 %
OP-Suomi Pienyhtiöt	5 993 000	4,41 %
FIM Pankkiiriliike Ltd	5 992 586	4,41 %
Hukkanen Esa	5 599 500	4,12 %
Mandatum Pankkiiriliike Ltd	4 020 000	2,96 %
Rausanne Ltd	1 803 500	1,33 %
Moncheur & Cie SA	1 800 000	1,32 %
Other shareholders	23 521 386	17,30 %
Total	135 963 737	100,00 %

Shareholders by category as of 31.12.2006

Shares	Number of shareholders	% share of shareholders	Number of shares held	% of shares held
1-100	390	12.09	24,923	0.02
101-1,000	1,521	47.15	908,797	0.67
1,001-10,000	1,054	32.67	4,003,910	2.94
10,001-100,000	220	6.82	5,645,062	4.15
100,001-1,000,000	28	0.87	9,491,194	6.98
1,000,001-10,000,000	9	0.28	38,488,986	28.31
in excess of 10,000,000	4	0.12	77,353,365	56.89
Total	3.226	100	135.916.237	99.97
of which nominee registered	4	0.12	14.062.303	10.34
On common account			47.500	0.03
Total outstanding			135.963.737	100.00

Board members' and managing director's ownership

Ruukki Group board members and managing director owned a total of 83,146,388 company shares on 31.12.2006 (31.12.2005: 74,341,849) when taking into account both shares and derivative contracts that they owned either directly or through entities controlled by them. This corresponds to 61.2 % (71.2 %) of all outstanding shares at the year end.

% share, based on number of shares held, by shareholder type

Finnish shareholders	96.01
of which:	
Companies and business enterprises	34.30
Banking and insurance companies	40.10
Non-profit organisations	0.16
Households	21.45
Foreign shares holders	3.96
Shares on common account	0.03
Total	100.00
of which nominee-registered	10.34

31 Dec 2006:	shares	derivative contracts	amount of shares that can be converted from convertible bond	options	Total
Board:					
Danielsson Fredrik	1 184 000			0	1 184 000
Haapanen Mikko	0	0		0	
Honkala Timo	7 000	0		0	7 000
Matti Lainema	34 000	0		0	34 000
Markku Kankaala	9 980 400	0		0	9 980 400
Kai Mäkelä	33 775 701	0	1 561 000	0	35 336 701
Matti Vikkula	1 316 000	0		0	1 316 000
Ahti Vilppula	245 450	34 542 837		0	34 788 287
Managing Director:					
Antti Kivimaa	150 000	0		350 000	500 000
Board + Managing Director total	46 692 551	34 542 837	1 561 000	350 000	83 146 388
All shares outstanding					135 963 737

Auditors' fees	2006	2005
KPMG Ltd		
audit	22.5	19.1
other services	100.7	49.4
PricewaterhouseCoopers Ltd		
audit	0.0	16.5
other services	0.0	7.8

Board proposition of dividend payout

Board of directors proposes the annual general meeting, to be summoned later and separately, to pay out

of the retained earnings 31 Dec 2006 a dividend of EUR 0.03 per share totalling EUR 4.078.912,11.

SIGNATURES AND AUDITOR'S STATEMENT

Espoo 27 February 2007

Matti Vikkula
Chairman of
the Board

Kai Mäkelä
Vice chairman of
the Board

Fredrik Danielsson
Member of the Board

Mikko Haapanen
Member of the Board

Timo Honkala
Member of the Board

Markku Kankaala
Member of the Board

Matti Lainema
Member of the Board

Ahti Vilppula
Member of the Board

Antti Kivimaa
Chief Executive Officer

THE AUDITORS' NOTE

The above financial statement and the Report of the Board of Directors have been prepared in accordance with generally accepted accounting principles in Finland (Finnish GAAP). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. Our auditors' report has been issued today.

Espoo, 28 February 2007

KPMG Ltd

Reino Tikkanen
Authorised Public Accountant

Antti Kääriäinen
Authorised Public Accountant

AUDITOR'S REPORT

To the shareholders of Ruukki Group Plc

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Ruukki Group Plc for the period 1 January - 31 December 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration. We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies Act.

Espoo, 28 February 2007

KPMG Ltd

Reino Tikkanen
Authorized Public Accountant

Antti Kääriäinen
Authorized Public Accountant

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

GOVERNING PRINCIPLES IN BRIEF

General

In its operations, Ruukki Group complies with the current legislation and the regulations issued pursuant to it, and with generally accepted practices. As a rule, Ruukki Group adheres to the corporate governance recommendations for public companies listed on the Helsinki Stock Exchange. Key deviations from these recommendations include:

- The lack of a Supervisory Board
- That the Board of Directors has not set up any committees

General and business management within Ruukki Group are based on a clearly defined organisational structure, clearly specified duties and responsibilities, consistent planning and reporting systems, and coherent operating instructions. Ruukki Group acts as a development company for various lines of business, in which the customers, earnings logic, and other key elements may be highly dissimilar, which is why the operations are organised into separate business divisions. Each subsidiary and associated company is run by an entrepreneur, who makes the decisions regarding day-to-day operations. This operating model allows a very light organisation in Ruukki Group Plc. Subsidiaries and associated companies take care of their daily business routines independently instead of relying on Ruukki Group's planning, decision-making, or supervisory processes.

Annual General Meeting

Before an Annual General Meeting, sufficient information regarding the issues to be addressed is provided to Ruukki Group's shareholders, primarily in the form of stock exchange releases. Material presented at the AGM is available to the shareholders at the company's head office and at the Espoo office. Copies of the material may be delivered to shareholders on request.

The AGM will be organised in a way that allows the shareholders to exercise their rights as shareholders effectively. The CEO and Chairman of the Board attend the AGM, as do a sufficient number of Board members in view of the nature of the issues to be discussed. First-time

candidates for Board membership are, as a rule, present at the AGM.

Board of Directors

The Board of Directors is in charge of the company's management and of the appropriate arrangement of the business activities. The Board is responsible for the tasks specified in the Finnish Companies Act and in the company's Articles of Association. The Board's duty is to direct the company's activities so as to generate maximum long-term added value for the capital invested. The Board's operations are based on established courses of action. The company plans to initiate a project the purpose of which is to have the established courses of action written down in the form of standing orders for the Board.

To fulfil its duties, the Board:

- Decides a business strategy for the Group
- Supervises the strategy's implementation
- Makes decisions on the Group's capital structure
- Makes decisions on significant investments, credits, guarantees, and other commitments
- Reviews and adopts interim reports, financial statements, reports on operations, and forecasts
- Determines the Group's organisational structure
- Appoints the CEO of the parent company and determines the salary and other benefits offered to the CEO
- Appoints the membership of the Board of Directors in each of the key subsidiaries
- Makes proposals at the Annual General Meeting and calls the AGM
- Determines the general guidelines for the Group's operation

Members of the Board are elected at the Annual General Meeting. According to the Articles of Association, the Board consists of three to nine members. Board members are elected for a term that ends at the end of the Annual General Meeting following their appointment. The Board elects a chairman from among its members. The composition of the Board must meet the requirements set by the company's size, market position, and line of business. In 2006, the Board of Directors met 23 times, with an average attendance rate of 93%.

The CEO and other management

The Board of Directors appoints the CEO. The CEO runs the day-to-day administration of the company in accordance with the instructions provided by the Board. The CEO is not a Board member.

The company does not have a separate Executive Board, and its management consists of the following people:

Antti Kivimaa, CEO

(born in 1949), M.Sc. (Eng.), B.Sc. (Econ.), CEO of Ruukki Group Plc since 22 November 2004. Also Chairman of the Board and a Board member in Ruukki Group's subsidiaries and associated companies, and Chairman of the Board of FIM Group Plc. His previous positions include managing director of Startel, Chairman of the Board of Esmerk Group, managing director of Janton Plc, managing director of E. Ahlström, and branch director of Sponsor. On 31 December 2006, Kivimaa owned a total of 150,000 Ruukki Group Plc shares. He also holds 350,000 Ruukki Group Plc options.

Jukka Havia, CFO

(born in 1968), M.Sc. (Econ.), Ruukki Group Plc's CFO since 1 May 2005. Previous positions include Director of Finance at the Student Union of the Helsinki School of Economics. On 31 December 2006, Havia did not own any Ruukki Group Plc shares but held 100,000 Ruukki Group Plc options.

Esa Hukkanen, Business Development Director

(born in 1954), engineer, Ruukki Group Plc Business Development Director since 1 October 2006, before that serving as managing director of Ruukki Furniture. Previously an entrepreneur in the wood product industry and a holder of various positions in companies such as Ahlström Eristeet and Saint-Gobain Isover. Hukkanen was a member of the Ruukki Group Plc Board of Directors from 2003 to 2006. On 31 December 2006, he held a total of 5,599,500 Ruukki Group Plc shares.

Member of the Board Markku Kankaala was a branch director until 31 August 2006, after which he no longer was employed by Ruukki Group Plc; he continues to serve as a Board member.

Remuneration

A decision was made at the Annual General Meeting of the company on 26 April 2006 to pay members of the Board the following annual fees: Chairman of the Board

EUR 12,000.00, Vice-chairman EUR 9,000.00, and other Board members EUR 6,000.00.

All matters related to remuneration payable to the CEO must be approved by the Board of Directors. In determining the remuneration payable, the time needed to carry out the duties, the general situation of the company, and current standard practices are taken into account. The terms and conditions of the CEO's employment are specified in a written contract approved by the Board. In 2006, the CEO's salary, including fringe benefits, amounted to EUR 133,338.00, compared with EUR 115,840.80 in 2005. The remuneration of other senior management is determined by the Board.

Internal control and risk management

The principles of internal control are confirmed by the Board of Directors. The internal control is arranged in conjunction with external control – in other words, the audit. The Group's management and subsidiaries' boards of directors are in charge of day-to-day business management and administrative control. The internal control and risk management needs and implementation are monitored on a continuous basis for consistency with developments in the company and its business operations, and development projects will be launched if deemed necessary.

Insiders

The company complies with the Guidelines for Insiders issued by the Helsinki Stock Exchange.

Audit

According to the Articles of Association, the company has at least one and no more than three auditors. If there is only one auditor, the company must have one deputy auditor also. The auditor and his/her deputy must be an auditor or an auditing firm approved by the Central Chamber of Commerce. Auditors are elected for a term covering one financial year. As of 7 June 2005, the company auditors are Reino Tikkanen and the auditing firm KPMG, with Antti Kääriäinen as the principal auditor. Audit-related services in 2006 generated costs of approximately EUR 63 thousand to the company and the subsidiaries. Costs for non-audit services in the 2006 financial year amounted to approximately EUR 93 thousand.

Communications

The company ensures that adequate and correct information regarding the company and its shares is

available to the markets. Financial indicators, corporate governance principles, stock exchange releases, and stock exchange notifications are posted on the company's Web site. Information included in the public insider register is available on the company's Web site, at <http://www.ruukkigroup.fi/sivu/en/informationforinvestors/insiders/>.

The address of the company's Web site is www.ruukkigroup.fi.

BOARD OF DIRECTORS

Members of the Board of Directors

At the beginning of the financial year, members of the Board of Directors were Juha Halttunen, Esa Hukkanen, Markku Kankaala, Kai Mäkelä, Matti Vikkula, and Ahti Vilppula.

At the Annual General Meeting held on 26 April 2006, Markku Kankaala, Kai Mäkelä, Matti Vikkula, and Ahti Vilppula were re-elected, and Fredrik Danielsson, Mikko Haapanen, Timo Honkala, and Matti Lainema were elected as new members. In its first meeting, the Board elected Matti Vikkula as its chairman.

Presentation and shareholding of Board members

Matti Vikkula

(born in 1960), M.Sc. (Econ.), Executive Vice President in charge of Elisa Corporation's Consumer and Small Enterprise Customer business. Since 13 December 2001, he also has served as the CEO of Saunalahti Group Plc. His previous positions include that of business management consulting partner at PwC Consulting. He is also Chairman of the Board of Kristina Cruises and a member of the Satama Interactive Plc Board of Directors. Vikkula has been a member of the Ruukki Group Plc Board of Directors since 7 June 2005. On 31 December 2006, Vikkula held 1,316,000 shares of the company in total, including those held through entities under his control or by related parties.

Kai Mäkelä

(born in 1947), M.Sc. (Econ.), CPA, involved in the operations of the Hertta companies he owns – e.g., as Chairman of the Board and CEO of Herttässä and Herttakakkonen. He is also a Board member in Talentum Plc, a member of the Finnish Association of Professional Board Members, and a partner in Boardman. Mäkelä has been a member of the Ruukki Group Plc Board of Directors since 10 February 2000. On 31 December 2006,

Mäkelä held a total of 33,775,701 shares (33,777,262 including convertible bonds), including those held through entities under his control.

Fredrik Danielsson

(born in 1974), B.Sc. (Econ.), partner in Novator Partners LLP. Previous positions include analyst at Carnegie. Danielsson is a Swedish citizen. He has been a member of the Ruukki Group Plc Board of Directors since 26 April 2006. On 31 December 2006, Danielsson held 1,184,000 Ruukki Group Plc shares, including forward contracts.

Mikko Haapanen

(born in 1949), M.Sc. (Eng.), served in senior positions in an expert organisation since 1976 and was the founder of ELC Finland (MH-Konsultit) and Chairman of the Board of Directors there for 25 years. Since 1976, he has worked as a teacher of logistics at Helsinki University of Technology. He is also the chairman and CEO of Boardman. Haapanen has been a member of the Ruukki Group Plc Board of Directors since 26 April 2006. On 31 December 2006, Haapanen did not own any Ruukki Group Plc shares.

Timo Honkala

(born in 1943), Master of Social Sciences, retired Deputy Mayor of the City of Helsinki. He also has been the chairman of the Helsinki City Board and the vice-chairman of the Board of Kuntarahoyitus Plc. Honkala has been a member of the Ruukki Group Plc Board of Directors since 26 April 2006. On 31 December 2006, he owned 7,000 Ruukki Group Plc shares.

Markku Kankaala

(born in 1963), engineer, branch director at Ruukki Group Plc until 31 August 2006. He was an entrepreneur in the wood product industry for about 10 years, before that holding various positions in companies such as Ahlström and Rautaruukki. He served as the CEO of Ruukki Group Plc from 2003 to 2004. Kankaala has been a member of the Ruukki Group Plc Board of Directors since 2003. He also is a Board member in Ruukki Group's wood product and furniture business companies and is Chairman of the Board of Junnikkala, a non-Group company. On 31 December 2006, Kankaala owned 9,980,400 Ruukki Group Plc shares.

Matti Lainema

(born in 1939), D.Sc. (Econ.), founder of strategy consulting firm S.A.M.I. (in 1982) and CEO of the company for 14 years, then a partner in S.A.M.I. Ernst & Young. Since 2001, he has concentrated on Board duties, and he is a partner in Boardman Ltd and a Board member in Electrobit Group Plc. Lainema's area of expertise includes the management of diversified companies.

Lainema has been a Ruukki Group Plc Board member since 26 April 2006. Lainema and his related parties owned 34,000 Ruukki Group Plc shares on 31 December 2006.

Ahti Vilppula

(born in 1959), director and Board member of Procomex S.A. Vilppula has been a member of the Ruukki Group Plc Board of Directors since 7 June 2005. On 31 December 2006, Vilppula and the entities under his control owned a total of 34,788,287 Ruukki Group Plc shares, including forward contracts.

GROUP MANAGEMENT

Antti Kivimaa has been the CEO of Ruukki Group Plc since November 2004. Member of the Board Markku Kankaala was a branch director until 31 August 2006, after which he was no longer employed by Ruukki Group Plc. He continues to serve as a Board member. Jukka Havia has served as the CFO since May 2005. Esa Hukkanen has been the business development director since 1 October 2006; before that, he served as the managing director of Ruukki Furniture. Ruukki Group Plc does not have a separate Executive Board. The company's management consists of the people listed above.

SHAREHOLDERS' MEETINGS IN 2006

Extraordinary shareholders' meeting of 9 March 2006 in Espoo

A decision was made to increase the company's share capital by a minimum of EUR 1,700,000.00 (10,000,000 shares) and a maximum of EUR 5,100,000.00 (30,000,000 shares) through a private placement under the terms and conditions specified below. At the time the decision was made, the company's registered share capital was EUR 15,861,149.60, divided into 93,300,880 shares. The share issue was carried out as a tender issue offered to the public and to institutional investors under an auction mechanism. The share subscription price fluctuated between 62 cents per share at the lowest and 80 cents per share at the highest. The share issue was carried out under an auction mechanism, which means that subscribers were, when subscribing for shares, able to influence the per-share subscription price within the specified price framework, minimum and maximum included. For subscriptions exceeding 30,000,000 shares, the cuts primarily involved shares subscribed to at the lowest price. It was decided that the Board could at its discretion decide that the number of shares to be issued under the auction system would be less than 30,000,000 if this were in the interest of the company

in view of the subscription price. It was decided that the final subscription price would be the same for all shares. A decision was made to deviate from the shareholders' pre-emptive rights and to offer the shares to the public. Consequently, subscription rights were offered on a general basis. The company prepared a prospectus for the share issue and share listing in accordance with the Securities Market Act. A decision was made at the meeting that the new shares to be issued shall not entitle the holder to potential dividends paid out for the 2005 financial year as decided upon at the Annual General Meeting in spring 2006.

The company intends to use the funds raised through the private placement for investments required by business growth and for business expansion. To implement its business growth plan, the company needs additional equity-based financing. In its proposal, the Board pointed out that its objective is to increase the company's market value relatively quickly and to have the company's shares quoted on the future Nordic stock exchange list in the mid-cap category for medium-sized companies. In the future, Ruukki Group will focus on business development and global growth efforts in three to five lines of business.

The share issue was organised in March 2006.

Annual General Meeting of 26 April 2006 in Espoo

The profit and loss account and balance sheet for the financial year running from 1 January to 31 December 2005 were adopted. A decision was made in line with the Board's proposal to pay a dividend of EUR 0.02 per share. Dividends would not be paid for new shares issued in the March 2006 share issue.

Members of the Board of Directors and the CEO were released from liability.

The number of Board members was confirmed to be eight. Markku Kankaala, Kai Mäkelä, Matti Vikkula, and Ahti Vilppula were re-elected as Board members, and Fredrik Danielsson, Mikko Haapanen, Timo Honkala, and Matti Lainema were elected as new members. After the Annual General Meeting, the new Board of Directors held its first meeting, at which Matti Vikkula was elected Chairman and Kai Mäkelä Vice-chairman of the Board. It was decided that the annual fee paid to the chairman would be EUR 12,000.00, to the vice-chairman EUR 9,000.00, and to members of the Board EUR 6,000.00.

The auditing firm KPMG and Reino Tikkanen, authorised public accountant, were re-elected as the company's auditors.

A decision was made to accept the proposal of the Board of Directors to authorise the Board to decide on increasing the company's share capital through a rights issue, by granting options or by issuing convertible bonds in one or more lots, to a maximum amount of EUR 4,165,000.00 or 24,500,000 new shares.

A decision was made to accept the proposal of the Board of Directors and, accordingly, to authorise the Board to use the company's distributable funds to acquire shares in the company in one or more lots within one year from the AGM, with the number of shares acquired to be no more than 12,300,000, which represents less than 10% of the company's current registered share capital and total number of votes.

A decision was made in line with the Board's proposal to amend the terms and conditions of the convertible bond loan of 2004 regarding the accumulation of interest.

Extraordinary shareholders' meeting of 27 October 2006 in Espoo

A decision was made to accept the Board's proposal and to pay an additional dividend of EUR 0.01 per share. However, this additional dividend will not be paid for new shares to be issued in the free directed issue.

A decision was made in line with the Board's proposal to deviate from the shareholders' pre-emptive rights and to issue 564,857 new shares free of charge in a directed issue to the sellers of Pan-Oston and Lappipaneli as a supplement to the purchase price in consideration of the companies' good financial performance in 2005.

A decision was made in line with the Board's proposal that section 2 of the company's Articles of Association ('Line of business') be amended in its entirety to read as follows, while other sections remain unchanged:

"2. Line of business

The company is the publicly listed parent company of a group of diversified companies that acts primarily as the long-term owner and/or investor in its subsidiaries and associated companies or joint ventures and that provides its business expertise and group administration services to these companies. The company may, in lines of business separately chosen by its board of directors, be directly engaged in business activities. The company strives to develop its subsidiaries, associated companies, and joint ventures and their business with the objective of increasing their value and allowing for a lucrative exit from the investment. These development measures are taken via action on the Board of Directors or other bodies,

by acting as an advisor or financier, or by supporting the entrepreneur in other ways as agreed separately. The company, or companies in its ownership, may conduct business operations in Finland and abroad. The company also may conduct its business under auxiliary business names."

FLAGGING NOTICES

Notices issued under Chapter 2, section 10 of the Securities Market Act in the period from 1 January 2006 to 28 Feb 2007

3 January 2006 (Procomex S.A. over 10 %)

The holdings of Procomex S.A. (registration ID: R.C.Luxembourg B 57.877) in Ruukki Group Plc exceed 1/10. Procomex S.A. currently owns Ruukki Group Plc shares and loan units in the convertible bond loan issued by Ruukki Group Plc as follows:

Shareholder	No of shares	Percentage of share capital and votes
Procomex S.A.	9,339.960*	10,82 %

* The number of shares (a total of 5,776,960) includes shares some of which are new shares not registered in the trade register that will be issued in Ruukki Group Plc's private placement, as well as the rights included in the convertible bond loan to convert the loan units in question into shares (a total of 3,563,000).

3 April 2006 (changes in several shareholders' holdings as a result of the share issue)

On 3 April 2006, the Board of Directors of Ruukki Group Plc have made an allocation decision associated with its share issue. Taking into consideration the 30,000,000 new shares to be issued on the basis of the allocation decision, and on the basis of information received from shareholders regarding their holdings on 3 April 2006, Ruukki Group Plc hereby announces the following changes in ownership. The company has not received flagging notices from the shareholders concerned. The share issue allocation decision may not necessarily have reached all shareholders.

The holdings of Landisbank Lu (address: 85–91 Route de Thionville, P.O. BOX 1133, L-1011 Luxembourg) exceed 1/20. Landisbank LU holds 9,578,000 shares, which equals approximately 7.77% of the company's shares and votes after the share issue.

JSH Capital Ltd's holdings have fallen below 3/20. JSH Capital Ltd owns 15,074,808 shares, which represents approximately 12.23% of the company's shares and votes following the share issue.

Markku Kankaala's holdings have fallen below 1/10. Markku Kankaala owns 9,610,000 shares, representing approximately 7.79% of the company's shares and votes following the share issue.

Esa Hukkanen's holdings have fallen below 1/20. He owns 5,613,500 of the company's shares, which represents approximately 4.55% of the shares and votes after the share issue.

Herttakakonen Ltd's holdings have fallen below one third. Herttakakonen Ltd and Kai Mäkelä, who is part of the same interest group, currently own Ruukki Group Plc shares and loan units in the convertible bond loan issued by Ruukki Group Plc as follows:

Shareholder	No of shares	Percentage of share capital and votes
Hertta-kakonen Ltd	35 406 701*	28,72 %
Kai Mäkelä	20	0,00%

* The number of shares (a total of 31,686,701) includes shares some of which are new shares not registered in the trade register that will be issued by Ruukki Group Plc, as well as the rights included in the convertible bond loan to convert the loan units in question into shares (3,720,000 in total).

The interpretation of the Financial Supervision Authority of the flagging regulations provided in the Securities Market Act reads as follows: "In assessing the flagging duty based on convertible bonds, the holdings always are calculated in relation to the subscribed share capital entered in the Trade Register, and the effect of potential subsequent conversions or share subscriptions on total share capital and votes will not be taken into account." Consequently, the percentages of holdings shown above are not accurate.

10 April 2006 (JSH Capital Ltd below 10 %)

As a result of a transaction carried out by JSH Capital Ltd on 7 April 2006, the holdings of JSH Capital Ltd have fallen below 1/10. JSH Capital Ltd owns 7,574,808 shares, which represents approximately 6.14% of the company's shares and votes.

11 April 2006 (Nordea Bank AB over 5 %)

As a result of a transaction carried out by Nordea Pankki Suomi Plc (business ID: 1680235-8) on 10 April 2006, the holdings of Nordea Bank AB (plc) (registration number: 516406-0120) and its subsidiaries of Ruukki Group Plc's share capital and votes exceed 1/20. Nordea Bank AB and its subsidiaries own a total of 7,500,000 shares, which represents approximately 6.08% of the company's shares and votes. In addition, Nordea Pankki Suomi Plc has included the shares in a forward derivative contract that, upon materialisation, will result in the holdings falling below the five per cent limit on 15 September 2006 at the earliest.

4 May 2006 (Evli Bank Plc over 5 %)

Holdings of Evli Bank Plc (business ID: 0533755-0) of Ruukki Group's share capital and votes rose above 1/20 on 20 April 2006. Evli Bank Plc owns 6,217,000 shares, for approximately 5.05% of Ruukki Group Plc's shares and votes. Evli Bank Plc has sold 6,217,000 Ruukki Group Plc shares under a forward contract. The Evli Bank Plc holdings and votes will fall below five per cent of Ruukki Group Plc's share capital and votes on the maturity date of the forward contract.

25 July 2006 (Helsingin Mekaanikontalo Ltd over 5 %)

As a result of share and forward contract transactions carried out by Helsingin Mekaanikontalo Ltd (business ID: 1076761-9) on 25 July 2006, Helsingin Mekaanikontalo Ltd's holdings of Ruukki Group Plc's share capital and votes exceed 1/20. Helsingin Mekaanikontalo Ltd owns a total of 25,000 shares and has signed forward contracts to buy a total of 9,022,000 shares. After the maturity date of the forward contracts, Helsingin Mekaanikontalo Ltd's holdings will come to 9,047,000 shares, representing approximately 7.1% of Ruukki Group Plc's shares and votes.

27 July 2006 (Procomex S.A. and Helsingin Mekaanikontalo together over 15 %)

Procomex S.A. (registration ID: R.C.Luxembourg B 57.877) announces that the combined holdings of Procomex S.A. and Helsingin Mekaanikontalo Ltd of Ruukki Group Plc's share capital and votes exceed 3/20.

Shareholder	No of shares	Percentage of share capital and votes
Procomex S.A.	13 200 000*	
Helsingin Mekaanikontalo Ltd		10,4 %
	9 047 000*	7,13 %
Total	22 247 000	17,53 %

* The figures include several forward contracts, maturing at different times.

23 August 2006 (Nordea Bank AB over 10 %)

As a result of a transaction carried out by Nordea Pankki Suomi Plc (business ID: 1680235-8) on 23 August 2006, the holdings of Nordea Bank AB (plc) (registration number: 516406-0120) and its subsidiaries of Ruukki Group Plc's share capital and votes have risen to more than 1/10. Nordea Bank AB and its subsidiaries own a total of 13,052,000 shares, which represents approximately 10.23% of Ruukki Group Plc's shares and votes. In addition, Nordea Pankki Suomi Plc has included the shares in forward derivative contracts that, when exercised, will result in the holdings falling below the five per cent limit on 15 September 2006 at the earliest.

19 September 2006 (Nordea Bank AB over 10 %, the effect of renewed forward contracts)

The derivative contracts involving Ruukki Group Plc's shares, which, according to the earlier Nordea Pankki Suomi Plc (business ID: 1680235-8) announcement were to be exercised on 15 September 2006, have been renewed with the effect that, once exercised, they will result in the shareholdings falling below 1/20 on 16 March 2007 at the earliest. Nordea Pankki Suomi Plc also has effective derivative contracts involving Ruukki Group Plc shares that, when exercised, will cause the holdings to fall below 2/20 on 15 December 2006 at the earliest. Nordea Bank AB (plc) and its subsidiaries own a total of 14,097,000 shares, which represents approximately 11.05% of Ruukki Group Plc's shares and votes and thereby exceeds 2/20.

10 October 2006 (Helsingin Mekaanikontalo Ltd over 10 % and Procomex S.A. and Helsingin Mekaanikontalo Ltd together over 20%)

Helsingin Mekaanikontalo Ltd (business ID: 1076761-9) announces that, as a result of share forward contract transactions carried out on 10 October 2006, its holdings of Ruukki Group Plc's share capital and votes exceed 1/10.

At the same time, the combined holdings of Helsingin Mekaanikontalo Ltd and Procomex S.A. (registration ID: R.C.Luxembourg B 57.877) of Ruukki Group Plc's share capital and votes exceed 2/10.

Shareholder	No of shares	Percentage of share capital and votes
Helsingin Mekaanikontalo Ltd	12 866 000*	10,04 %
Procomex S.A.	13 206 060*	10,30 %
Total	26 072 060*	20,34 %

* The figures include shares and several forward contracts maturing at different times.

16 October 2006 (JSH Capital Ltd less than 5 %)

As a result of a transaction carried out by JSH Capital Ltd on 16 October 2006, the holdings of JSH Capital Ltd have fallen below 1/20. JSH Capital Ltd owns 3,502,808 shares, representing approximately 2.73% of the company's shares and votes.

19 October 2006 (Moncheur & Cie SA, and entities in which it exercises control or significant influence, over 5 %)

Moncheur & Cie SA (registration number: 660.0.096.997-7, Geneva) announces that, as a result of share and share forward contract transactions carried out on 17 October 2006, the holdings of Moncheur & Cie SA and the entities in which it exercises control or significant influence exceed 1/20 of Ruukki Group Plc's shares and votes. Moncheur & Cie SA and the entities in which it exercises control or significant influence own a total of 6.903.000 shares – approximately 5.39% of Ruukki Group Plc's shares and votes.

7 December 2006 (Helsingin Mekaanikontalo Ltd over 15% and Procomex S.A. and Helsingin Mekaanikontalo Ltd together over 25 %)

Helsingin Mekaanikontalo Ltd (business ID: 1076761-9) announces that, as a result of share forward contract transactions carried out on 5 December 2006, its holdings of Ruukki Group Plc's share capital and votes exceed 3/20. At the same time, the combined holdings of Helsingin Mekaanikontalo Ltd and Procomex S.A. (registration ID: R.C.Luxembourg B 57.877) of Ruukki Group Plc's share capital and votes exceed one fourth.

Shareholder	No of shares	Percentage of share capital and votes
Helsingin Mekaanikon-talo Ltd	21 240 437*	16,50 %
Procomex S.A.	13 267 658*	10,31 %
Total	34 517 095*	26,81 %

* The figures include shares and several forward contracts maturing at different times.

7 December 2006 (Nordea Bank AB over 15 %)

The Swedish Nordea Bank AB (plc) (registration number: 516406-0120) announces that, as a result of share transactions carried out on 5 December 2006, the holdings of its subsidiary Nordea Pankki Suomi Plc (business ID: 1680235-8) exceed 3/20 of Ruukki Group Plc's share capital and votes.

In addition, Nordea Bank AB (plc) announces that Nordea Pankki Suomi Plc has effective derivative contracts involving Ruukki Group Plc shares, which, when exercised, will result in the shareholdings falling below 3/20 on 15 December 2006 at the earliest.

Nordea Bank AB (plc) and its subsidiaries own a total of 20,070,100 shares, or approximately 15.59% of Ruukki Group Plc's shares and votes.

18 December 2006 (Nordea Bank AB below 15 %)

The Swedish Nordea Bank AB (plc) (registration number: 516406-0120) announces that some of the derivative contracts made by Nordea Pankki Suomi Plc (business ID: 1680235-8) involving Ruukki Group Plc shares matured on 15 December 2006, as a result of which Nordea Pankki Suomi Plc's holdings have fallen below 3/20.

In addition, Nordea Pankki Suomi Plc has effective derivative contracts involving Ruukki Group Plc shares that, on maturity, will result in Nordea Pankki Suomi Plc's holdings of Ruukki Group Plc shares and votes falling below 1/20.

Nordea Bank AB (plc) and its subsidiaries own a total of 18,047,930 shares, which represents approximately 13.85% of Ruukki Group Plc's shares and votes.

2 January 2007 (Mandatum Pankkiiriliike Ltd over 5 %)

As a result of a share transaction carried out on 2 January 2007, holdings of Mandatum Pankkiiriliike Ltd (business

ID: 1486391-5) in Ruukki Group Plc by shares and votes exceed 1/20.

In addition, Mandatum Pankkiiriliike Ltd has effective derivative contracts involving Ruukki Group Plc shares. Mandatum Pankkiiriliike Ltd's holdings of Ruukki Group Plc shares and votes will fall below 1/20 on 21 March 2007 at the earliest.

Mandatum Pankkiiriliike Ltd owns a total of 8,020,000 Ruukki Group Plc shares, which represents approximately 5.90% of Ruukki Group Plc's shares and votes.

19 March 2007 (Mandatum Pankkiiriliike Ltd below 5 %)

Mandatum Pankkiiriliike Ltd (business ID number 1486391-8) announces that its ownership in Ruukki Group Plc has fallen below one twentieth (1/20) of the share capital and voting rights of Ruukki Group Plc in consequence of derivative contracts that have expired on 16 March 2007.

Mandatum Pankkiiriliike Ltd owns 3,409,118 Ruukki Group shares which represents approximately 2.44 % of the share capital and voting rights of Ruukki Group Plc.

21 March 2007 (Nordea Bank AB over 15 %)

Nordea Bank AB (publ) (Swedish registration number 516406-0120) announces that its Finnish subsidiary Nordea Pankki Suomi Plc's (1680235-8) ownership in Ruukki Group Plc has exceeded three twentieth (3/20) of the share capital and voting rights of Ruukki Group Plc in consequence of purchases of altogether 5,302,500 Ruukki Group shares on 16 March 2007. Nordea Pankki Suomi Plc now owns 24,838,480 RUG1V shares and 45,000 RUG1VN0107 shares, i.e. in total 24,883,480 shares which represents 17.82 % of the share capital and voting rights of Ruukki Group Plc.

Nordea Pankki Suomi Plc has entered into Ruukki Group share forward contracts of which 12,202,517 expires on April 2007, 12,212,000 on June 2007 and 4,750,000 on December 2007. When the April 2007 forward contracts expire, Nordea Pankki Suomi Plc's ownership will fall below one tenth (1/10) of Ruukki Group share capital and voting rights. Moreover, when the June 2007 forward contracts expire, Nordea Pankki Suomi Plc's ownership will fall below one twentieth (1/20) of Ruukki Group share capital and voting rights.

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