ANNUAL REPORT 2009

RURIC
RUssian Real estate Investment Company

In house translation of Swedish original

Contents

Ruric in brief

Ruric was founded 2004 with the purpose of taking advantage of investment opportunities in the real estate market of Saint Petersburg. The parent company is based in Stockholm with the daily operations managed from the office in Saint Petersburg.

At the end of 2009 Ruric owned six properties in central Saint Petersburg, including four completed office properties totaling about 14,400 square meters and three development projects with a potential surface of about 160,000 square meters. Ruric also owns 25 percent of a 132 hectares territory southwest of the city. The company is one of the leading foreign investors in the city's real estate market.

Business concept

Ruric's business concept is to acquire, manage and let properties in Saint Petersburg, Russia, focusing on high quality commercial premises in attractive locations, which thereby positively contribute to the tenants' business operations.

Vision

The Company's vision is to become a leading property company in its segment in the Saint Petersburg region.

Strategy

Ruric's strategy is to manage properties in Saint Petersburg's central districts. In addition to this, Ruric intends to acquire properties and conduct value-generating supplemental investments on attractive terms. Through professional management and favourable tenant relationships, high-class properties are offered to tenants seeking the best possible premises in central locations who are willing to pay accordingly. Ruric primarily offers office and retail premises.

The strategy is based on a combination of factors such as:

- Local presence,
- Strong local network among local market operators and official bodies,
- An organisation that enables quick investment decisions and rapid implementation,
- The advantage of being a listed company.

From a short-term perspective, Ruric shall have a debt ratio of between 25 and 50 percent.

THE YEAR IN BRIEF

- Net turnover 42.1 million Swedish kronor (67.7)
- Loss after tax of 1,068 million Swedish kronor (loss: 351)
- Loss per share of 93.88 Swedish kronor (loss: 48.32)
- The properties' book value, including participations, amounted to 940 million Swedish kronor at 31 December (1,938)
- The property Grifon House was sold to the norwegian investment fund, Storm Real Estate Fund for 17 million US dollars. The transaction payments were not settled at the end of the year
- Generally a low activity on the market for property transactions In Saint Petersburg following the uncertainty the financial crises caused
- Further efficiency improvements was carried out at the office in Saint Petersburg
- Continued downward pressure on rent levels, but increasing demand on office premises at the end of the year
- An offer for exchange/acquisition of bonds did not reach sufficient acceptance to be carried out
- At the end of the year a company reorganization process is initiated to create a long term financing of the Company
- After the end of the year, the Board of Directors decided to propose to an extraordinary shareholder's meeting to resolve on a guaranteed rights issue amounting to approximately 170 million Swedish kronor

LETTER FROM THE CEO

The Russian economy was badly affected by the 2009 global economic crisis as activity came to a halt and oil prices plummeted to around $50. Many companies ran into trouble as a result of the crisis and were taken over by creditors or by the government, which occurred to a number of steel, aluminium plants and other businesses.

The Central Bank of Russia spent about USD 200 billion of its international reserves at the end of 2008 to prop up the ruble. The government spent an additional USD 200 billion to increase liquidity in the financial system and support Russian companies in rolling over foreign debts. By acting promptly to support the ruble the government managed to avoid a major currency meltdown.

By mid-2009 the economic decline appeared to be slowing and in the second half of the year there were slight signs of recovery. Oil is very important to the Russian economy and by the end of 2009 it traded at USD 75–80 a barrel. Due to the increased revenues derived from oil and gas exports, foreign reserves were reinvested back into the country which helped to stimulate the economy. Towards the end of 2009, and in early 2010, the ruble had stabilised from a high of 37 to around 30 rubles to the dollar.

Signs of improvement in 2010

At the beginning of 2010 the inflation rate was at 7 per cent year on year, compared to 13–14 per cent in early 2009. The Economic Ministry forecasted that the Russian economy would grow by 3.1 per cent in 2010, while the World Bank is more optimistic with a forecasted growth of up to 5.5 per cent as domestic demand recovers. In April 2010 oil traded at USD 85 and above. Banks and other creditors had also started issuing new mortgages again, after the mortgage market had come to almost a complete standstill in 2009.

In the spring of 2010 the Russian central bank also cut the key interest rate by 25 basis points to 8.25 per cent to further boost confidence. The reduction aimed to reduce the cost of borrowing, increase the availability of credit and boost domestic demand.

Even though several indicators have started to move in the right direction, it will probably not be a quick recovery in Russia as the crisis caused massive job losses, bankruptcies across all sectors of the economy and high inflation.

The Real Estate market

Activity in the real estate transaction market was very low in Saint Petersburg in 2009, partly due to the harsh credit market. Although limited credit was available, it was most often provided on difficult terms. The rental market was also challenging and landlords had to invest money and resources, including refurbishing and rent rebates, to

attract new tenants. However, with indexation I expect rents to start going up again slightly in 2010.

During the recession Saint Petersburg's economy has been buoyed by tourism and several multinational industries including breweries, food and beverages and cars. On the negative side, the level of technical and bureaucratic problems is not decreasing, and at least one international player has threatened to pull out of the country.

A stable financial base

We spent a lot of effort during 2009 to find a viable long-term solution to Ruric's financial position that relied heavily on previously issued bonds. An initial offer to bondholders to exchange or acquire new bonds did not gain enough support and, for the benefit of all stakeholders, the Board instead decided to restructure the company and develop a plan to refinance it. The solution was the most responsible alternative towards bondholders as well as shareholders.

In addition to the efforts to get Ruric's refinancing in place, the management and board also reviewed our overall strategy. Ruric will continue to be a property developer in the Saint Petersburg region. We will continue to improve and increase the tenant base to capacity in all our business centres. We are also committed to completely refurbishing Fontanka 57 and once tenants are in place and the property is a cash-generating asset, we will decide whether or not to divest.

In the longer term, Ruric will begin to target, acquire and develop assets within the framework of our business model. We will of course continue to be professional in our tenant relationship which is our core revenue generating business.

Moika/Glinki – a unique asset

Moika/Glinki requires a special strategy, as it is both unique and of such a large scale that we will continue to evaluate potential business investment partners to jointly develop this asset. At the same time we will continue to ensure that all areas of the investment agreement are fully met which is a continuing and ongoing process.

In an exception to the current zoning plan, Ruric has been granted permission to construct residential housing in the Moika/Glinki block. During the second quarter of 2009, Ruric also successfully applied for permission to demolish some of the buildings located in its courtyard, which is crucial for the planned development. Despite a major effort during the year from the team in Saint Petersburg, we still haven't been granted the extension of the investment agreement that we applied for 18 months ago. As for Apraksin Dvor, it is loss making and it will be divested.

Outlook 2010

After adjusting to the new business environment in 2009 we now have the correct level of 24 professional staff in Saint Petersburg, supplemented by external legal expertise. We provide office space in attractive locations and quality customer services. We are not the biggest, but we strive to be the best. One of our main operational goals is 'Tenant Retention', in other words, once we get the tenant, they stay with us.

We have three high-end revenue generating business centres that should remain as long-term Ruric assets. Infact Ruric have let more than 1,200 square metres of office space in the first 4 months of 2010 and are receiving offers for the yet to be completed Fontanka 57 Business centre.

In the beginning of 2010, we have seen business getting back to normal; activity is increasing with more inquiries, including through our new Russian website launched in 2009, www.ruric.org. We will continue to try to reduce vacancy rates, even though in general terms no major reduction in vacancy rates is to be expected. The rent levels can't be expected to increase in any significant way this year, but there will be no declines on the other hand.

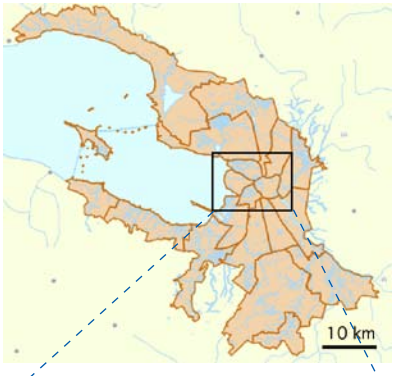
In March 2010 we signed a lease for over 300 square metres. It was the first time that we have signed a lease of that size in over two years, which is encouraging. International real estate consulting firms expect a gradual growth in demand for office space in 2010 while rental rates are expected to grow by 2012 as demand and supply rates adjust. This forecast is in line with Ruric's own market outlook.

During the coming year we plan to continue with a multi tasking approach of continued high level of service in the business centre's, finalising the completion of Fontanka 57, divesting Apraxhin Dvor, continue with the achieved progress in Glinky Moika, re-parcel the Strelna land plot and explore possibilities to acquire new properties that lie within our new planned strategy.

Saint Petersburg in April 2010

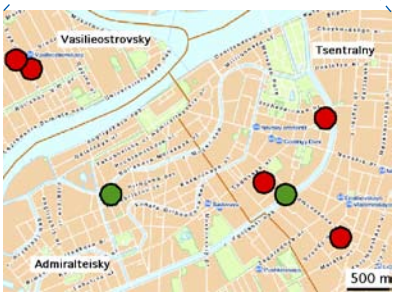
Craig Anderson
CEO

SAINT PETERSBURG IN BRIEF



Saint Petersburg was founded in 1703 and is Russia's second largest city with its 4.6 million residents. It is currently the fourth largest city in Europe, following London, Moscow and Paris. Saint Petersburg was Russia's capital from 1712 to 1918 when the capital city was moved to Moscow in conjunction with the revolution. In recent years, a program for the relocation of government authorities from Moscow to Saint Petersburg was conducted.

The city's location on the Baltic Sea makes it "Russia's window toward Western Europe". The city thus comprises a natural transportation hub with highways, six railway stations, ports and an airport. An increasing share of Russian export/import passes through the city's ports. The port is Russia's largest container port through which a major share of Russia's imports and exports pass. There is also a terminal for the traffic on Volga between the Baltic Sea and the Black Sea. Among the major industries are the shipyard, engineering and chemical industries. In recent years, a number of foreign automobile manufacturers have also established themselves, including, Ford, Toyota and Nissan. This is also the case for a number of international retail chain stores, such as Media Markt, Stockman, Burberry and Swedish H&M which opened its first store in Saint Petersburg in the spring of 2009.



The four most central city districts are Tsentralny, Admiralteysky, Vasileostrovsky and Petrogradsky, which combined, have nearly one million residents. When the foundations of the city were laid, there were distinct directives regarding construction materials and building proportions in order to achieve a harmonic general impression. Many buildings in the city centre have cultural and historical value and have reconstruction restrictions. At the juncture between these districts is the city's historic centre, which has been on UNESCO's World Heritage list since 1990.

At the end of 2009 Ruric owned, or in other ways disposed of, six properties in the central parts of the city.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Р. МОЙКИ

MARKET OVERVIEW

The possibility for private individuals to own properties was reinstated about 20 years ago in conjunction with the fall of the Soviet Union. Accordingly, the property market is young and the Russian Land Code, equivalent to the Swedish Code of Land Laws, was introduced in 2001. Questions and problems continue to arise wherever generally acceptable practices have not yet been established. This especially applies to how transactions take place. The low level of market maturity combined with an unreliable legal structure has resulted in a market of poor transparency and high complexity, particularly compared with such other European countries as the UK, France and Sweden.

Increased internationalization

The internationalization of the Russian property market has accelerated since the turn of the century, driven by international capital being allocated to Russian properties and by Western companies establishing themselves in Russia and demanding higher standards than those available in the existing portfolio.

The geographic markets in Russia that have developed the quickest are Moscow and Saint Petersburg. The combination of elevated rent levels, low vacancy rates, accelerating demand for space with Western standards and high yield potential has contributed to enhancing investment interest in these markets, particularly in the production of new buildings and project development.

Despite the emergence of a significant volume of new space, the underlying economic growth in Russia in general and in Moscow and Saint Petersburg in particularly has created a relatively balanced market. Modern elements of the property stock are characterised by rising rent levels, stable or declining vacancy rates and falling yield requirements.

However, at the end of 2008, Russia's economy became increasingly strained in conjunction with the world financial crisis and during 2009 the market for loan financing was very rigid which had a strong negative impact on the real estate market.

Many projects that had already begun were stopped and the transaction market amounted to some ten transactions amounting to a value of 300 million dollars, according to Colliers International. These were primarily transactions that had been initiated long before.

The real estate and rental market in Saint Petersburg

Properties in Russia are generally classified as Class A, B or C, depending on how centrally located the property is, if it is newly built or has been recently renovated and the level of security and other additional services offered by the landlord. Saint Petersburg has a large number of older buildings with cultural historical value which the city wishes to preserve. This desire is discernible in such measures as the limitations and restrictions placed on the extent to which central districts of the city may be developed with new buildings, additions and remodelling.

In 2009, the property market in Saint Petersburg suffered a marked decline in demand, which combined with higher supply from completed projects resulted in falling rent levels and rising vacancies. Considering the size of the city and its location, Ruric believes an underlying interest exists in modern, functional premises in the central districts of Saint Petersburg, primarily in the long-term.

Office premises

In the beginning of 2010 the supply of office space (A and B class) in Saint Petersburg amounted to 1.3 million square metres. During 2009 230,000 square metres were added, thus more than 20 per cent., of which 70 per cent was located outside the city centre. The high increase was explained by several projects being completed that had been planned to be complete already in 2008, according to Colliers International.

Uncertain economic prospects during 2009 made potential tenants delay in searching new, especially larger, premises. The trend leaned towards increasing demand for premises smaller than 50 square metres, while the interest for premises larger than 200 square metres decreased considerably. Starting in the

third quarter, signs of recovery in demand for office space were seen, after a very low activity during the first half of 2009.

Generally, the year was characterised by a close dialogue with the tenants to adjust the size and service to changed needs. A number of tenants wished to re-negotiate the rent, get a temporary discount or extend the tenure. Between the third quarter 2008 and the last quarter of 2009 the dollar based rents declined by 40 to 50 per cent, according to Colliers International. Landlords, such as Ruric, tried to reduce the terms to increase the flexibility in rent levels.

Retail premises

Up until early 2008 prices of retail properties had increased during several years, due to increasing rent levels, scarcity of good retail spaces, increasing interest for property investments, increasing belief in the Russian legal system and increasing supply of capital, both debt and equity, which led to a decline in yield requirement. After the financial crisis the distance between seller's and buyer's price expectations was still substantial.

The demand for shopping and retail premises was stabilized during the second half of 2009 after a steep decline in the beginning of the year. Variable charge rents based on turnover has become more common. The rent level is also influenced by the tenant's profile, kind of operation, location and fit-out. Despite a delaying attitude among consumers the vacancy rate was under 10 per cent during 2009, and the most popular shopping malls had waiting lists for new tenants, according to Colliers International.

BUSINESS OPERATIONS

Ruric's operational business is conducted from the office in Saint Petersburg where the CEO is based, along with some 25 employees. The office has overall responsibility for marketing and leasing, as well as property development and management.

Strategy

Ruric's strategy is to manage properties in the central parts of Saint Petersburg. In addition to this, Ruric intends to acquire properties and conduct value-generating supplemental investments on attractive terms. Through professional management and favourable tenant relationships, high-class properties are offered to tenants seeking the best possible premises in central locations who are willing to pay accordingly. Ruric primarily offers office and retail premises.

The strategy is based on a combination of factors such as:

- Local presence,
- Strong local network among local market operators and official bodies,
- An organisation that enables quick investment decisions and rapid implementation,
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From a short-term perspective, Ruric shall have a debt ratio of between 25 and 50 percent.

Ruric assesses properties that are, or may become available. To consider a property acquisition, a premise of 4,000 to 10,000 m^2 that can be developed through conversion and/or renovation in a period of 18 months is required.

Property management

Ruric's management company, Ruric management, handles the property management. Property maintenance is procured from external companies.

Marketing and leasing

The demand for premises was continuously weak during 2009, as was the ability of the existing tenants to pay rent. Ruric's lease agreements are mainly signed in American dollars and to some extent in euro. After the steep decline in the Russian rouble at the end of 2008, most rent levels rose in rouble terms for most tenants. Tenant relationship with a close dialogue was a top priority for the operations during the year. In order to accommodate in the best possible way to the changed needs from the tenants Ruric has offered solutions such as temporary discounts and reduced spaces.

Despite, or rather due to, the tough rental market Ruric put a lot of effort into structured and extensive marketing. Continued advertising and co-operation with leading brokers, and a sales team that continuously are addressing potential tenants are a few examples of marketing efforts. A new webpage with Ruric's premises was also launched during 2009, www.ruric.org. This has been very successful and generated many leads and several leases.

Property appraisals

Ruric has its property portfolio valued at least once a year by an established appraisal institute. The valuation shall reflect the most probable value in a sale on an open market with normal marketing time and without coercion. Generally, a valuation model is used that builds on the current value of the assessed future payment flows. The valuation arrived at with this method is compared with comparable transactions.

Supported by external valuations, the Board has valued all properties as per 31 December 2009. In a market that has been illiquid in such a long time, the uncertainty interval for the assessments is large and different surveyors make different assumptions on future outlook, risk factors etc. It is hard to assess a value of an asset in market that does not exist. The new assessments are also made with a slightly more bias toward sale, which is another explanation to why the values are much lower than as per 30 September 2009. All valuations are made under the assumption of going concern and continued operations.

The declining market rents and imbalance in supply and demand for office premises has caused a drop in current and projected income from the investment properties over year. The vacancy rates are slowly declining as from the third quarter, after having increased during the first part of the year. As per 31 December 23 % of lettable space was vacant. The positive trend has continued during the beginning of 2010 and at the end of March the empty space amounted to approximately 20 per cent.

For the year 2009 the value changes amount to –154.5 Swedish kronor (–158.1). The value of the investment property portfolio per 31 December 2009 amounts to 204.8 million Swedish kronor (525.3) which is equivalent to 14,233 Swedish kronor per lettable sqm. The value changes in the development properties amounted to –744.2 million Swedish kronor (236.8) and the value of the project properties amounted to 403.0 million Swedish kronor (1,137.5) at year end. The estimated market value for Moika/Glinky was 311.6 million Swedish kronor per 31 December and the estimated value for Rurics 65 per cent share of Apraksin Dvor was 91.4 million kronor.

Financing

During autumn 2009 the Board of Directors assessed that the possibilities for Ruric to redeem the two bonds with maturity November 2010 were limited. Since the offer for exchange or acquisition of a new bond did not reach sufficient acceptance, the Board of Directors decided to file for company reorganization.

The day to day operations continued in a normal way and together with the appointed administrator a reorganization plan was created for long-term financing of the company. The task resulted in a composition proposal that was accepted by the creditors in the beginning of 2010. The composition was finally adopted by the City Court of Stockholm on 6 April 2010.

In order to finance the composition dividend, the Board of Directors, during the spring, proposed to an extraordinary shareholders meeting to approve a new share issue amounting to approximately 170 million Swedish kronor. The Board also resolved on a set-off share issue directed to the creditors with claims amounting to approximately 216 million Swedish kronor. To complete the undertakings to those creditors, the Board decided to issue a new bond initially amounting to 511 million Swedish kronor. If the interest is paid in kind the loan amount may reach 683 million Swedish kronor maximum.

Transactions

Effective 1 April 2009, all shares in ZAO Grifon were sold at a loss of 15.2 million Swedish kronor. The first two payment installments, of total four, were received, while the third that was due in November/December was not paid. In the beginning of 20010 discussions were helde with the buyer to avoid arbitration.

According to a preliminary pro forma accounting Ruric's balance sheet will have the following appearance:

Pro forma effects on the consolidated balance sheet

		Pro forma	
Amounts in MSEK	**31 Dec 2009**	**Effects from the composition and share issues**	**31 Dec 2009**
Tangible fixed assets	613.0		613.0
Financial fixed assets	401.9		401.9
Non interest-bearing current assets	82.4		82.4
Cash, bank balances and current investments	75.1	–14.3	60.8
Total assets	**1,172.4**	**–14.3**	**1,158.1**
Shareholders' equity*	**177.3**	**423.8**	**601.1**
Interest-bearing long-term liabilities	–	510.7	510.7
Non interest-bearing long-term liabilities	9.3	0.0	9.3
Interest-bearing current liabilities	966.4	–966.4	0.0
Non-interest-bearing current liabilities	19.4	17.6	37.0
Total liabilities	**995.1**	**–438.1**	**557.0**
Total liabilities and shareholders' equity	**1,172.4**	**–14.3**	**1,158.1**
	0	0	0
Existing shares	11,363,096	92,785,459	104,148,555
Shareholders' equity per share, SEK	15.6		5.8
Equity/assets ratio	15.1%		51.9%
Net debt	891.3		449.9

* Interest calculated up until 7 June


MAGNUS
БИЗНЕС-ЦЕНТР

PROPERTY PORTFOLIO

Ruric owns, disposes or has other interest in six properties in central Saint Petersburg, of which one is 50-percent owned. Ruric is also an indirect co-owner of a land district outside the city.

Ruric's leases

Ruric's policy is to sign lease agreement on 3 to 5 years term, with a yearly indexation of 3 to 10 per cent. During 2009 the rental market was tough and Ruric chose to give temporary discounts and sign shorter leases. Under Russian law, it is not permissible to draw up leases for longer than 11 months, prior to the final registration and approval of the property. However, leases are designed so that there are mutual obligations to extend the leasing terms in accordance with the original intentions. Lease agreements are generally signed in US dollars but tenants pay in Russian roubles.

Oscar

The property at R. Fontanki nab. 13 is located in the Tsentralny district, which is full of businesses, retail stores, theatres and museums. The building was constructed in 1977 with the aim of becoming part of a cinema complex, but construction ceased in 1986 and the building was empty until Ruric purchased it in 2004. The investment totalled 86 million Swedish kronor, including renovation costs and capitalized interest expenses. The building comprises 3,676 m² of premises, of which 2,976 m² is leasable. Accordingly, the investment totals slightly less than 29,000 Swedish kronor/m². Planning commenced in 2004 along with the initial renovation work. The final tenant adjustments were completed in the spring of 2008. As per 31 December 2009 the occupancy rate was 86 per cent. The largest tenant is Statoil.

Magnus

The property at 9-ya V.O.i. 34 was acquired in 2005 and is located in the quiet district of Vasileostrovsky, where the Academy of Science, Saint Petersburg State University and many museums are located. The total investment amounted to 120 million Swedish kronor, including renovation costs. The building comprises a total of 7,760 m², of which 6,378 m² is lettable. The investment totalled about 18,500 Swedish kronor/m² for the lettable area. At the end of 2008 and during the first six months of 2009, several tenants discontinued their operations. On 31 December 2009, the occupancy rate was 83 percent. The largest tenant was the Russian alcohol distributor, Svarog.

Gustaf

The property at Srednyj Prospekt was acquired in 2005 and is located in the proximity of the Magnus property. The investment totalled 82 million Swedish kronor, including renovation costs. The building comprises a total of 5,214 m², of which 4,942 m² is lettable. Thus, the total investment corresponds to about 16,600 Swedish kronor/m² for the lettable area. The two lowest floors have been leased to a sporting goods retailer since 2005. The final registration for the property has not yet been received. In August 2009, Deloitte vacated two floors, but at year-end the accounting firm was still the largest tenant. On 31 December 2009 the occupancy rate was 71 per cent.

Project portfolio

Ruric holds development rights for two properties, Moika/Glinki and Apraksin Dvor. The development rights for these properties are based on investment agreements with the Russian authorities. Under these agreements, Ruric is entitled to develop a certain property within a specific period of time, while Ruric must also fulfil certain undertakings within the same time frame. These time frames and the nature of Ruric's undertakings may vary between the various investment agreements. The development right may be lost if all undertakings are not met and development is not completed within the stipulated time frame.

Such development rights are common in Russia and do not entail ownership of the property, but once development has been completed and the contractual undertakings have been fulfilled, the development rights may be converted into ownership of the property.

In addition to these development rights, Ruric holds 50 per cent of the right of use to the Fontanka 57 property. Moika/Glinki and Apraksin Dvor are classified as project properties, while Fontanka 57 and the Strelna land area are classified as financial assets.

Apraksin Dvor

In 2005, Ruric acquired 65 percent of the shares in the company that indirectly holds the development rights to two properties in the centrally located marketplace area, Apraksin Dvor. The agreement includes an option for Ruric to acquire the remaining shares when development is completed. The purchase consideration and the estimated cost of conditional undertakings, including renovation of roads and pavements in the area, totalled 168 million Swedish kronor. Ruric's only remaining conditional undertaking pertains to the relocation of a fire station. Disputes are under way with Saint Petersburg's property office. The total renovation costs to date amount to 136 million Swedish kronor, which signifies a total investment of approximately 304 million Swedish kronor based on the current shareholding. The lettable building space for the entire property is 12,460 m² which is intended primarily for stores.

Differences of opinion with the minority owner, which manages and controls the companies, have arisen, primarily due to a non-existent operating net from the properties. There are several disputes between the parties. Among other matters, Ruric's auditor has not been provided the opportunity to inspect the accounts of these project companies. In 2009, Ruric undertook measures to gain control of the situation. It is most probable that Ruric will decide to increase its efforts to divest these properties.

Moika/Glinkij

The former Moika/Glinki army complex is the largest project in Ruric's portfolio both in terms of area and potential. The area is located in the western part of central Saint Petersburg along the Moika Canal, Jusopov Park, residential housing, and the famous Mariinskij theatre. The Company has chosen to work with a special strategy to develop this asset.

Moika/Glinki is controlled through an investment agreement that gives Ruric both the development rights and the possibility to gradually assume ownership rights, but at the same time entails a number of undertakings. Under the current plan for Moika/Glinki, 70 percent of the area will be allocated to residential housing and 30 percent to commercial and retail space.

The strategy is to develop the property together with a large contractor or property developer. Discussions are being held with new and existing potential partners concerning the project. At the same time, Ruric continues its efforts to get an extension of the investment agreement until at least 2014. An extension is a key component of these negotiations. A step in the right direction is that in December 2009, Ruric obtained an "Act of Acceptance" concerning the replacement construction of the army facility in Petrodvorets. This means that Ruric has obtained proof that another condition in the investment agreement has been met.

Fontanka 57

In 2006, Ruric acquired the right of use for Fontanka 57 for 150 million Swedish kronor. The agreements expire in 2053 and 2054, respectively, and are booked as associated companies. The property, located along the Fontanka River in central Saint Petersburg, is a local landmark and referred to as Lenizdat. It has a total area of 18,356 m², which has the potential to increase to 27,000 m² following remodelling and expansion.

In 2008, 50 percent of the right of use was sold to the Israeli company, Scorpio Real Estate, for 90 million Swedish kronor. A new concept was developed together with Scorpio, which reduced the estimated development costs by at least 40 million dollars. Together with Scorpio, work on the outer façade was completed during the first quarter of 2010.

Ruric's share of the remaining investments, which include a renovation of an old printing plant, is estimated at approximately 7 million dollars. The Board has not yet made a decision concerning these investments. In 2009, negotiations were initiated with the authorities regarding the rent level, rules for leasing and possibilities to convert contracts from financial leasing to ownership.

Land Plot – Strelna

Ruric owns 25 percent of a company that owns a land area totalling 132 hectares southwest of central Saint Petersburg in Strelna. The purposes of this investment included enabling the development of residential buildings on the land, to which the Company would be able to relocate residents from the housing properties in the city centre that are being remodelled. Another reason was that the price was deemed to be favourable, which was also supported by a valuation prepared in 2009. No development of the area is currently in progress.

ORGANISATION AND EMPLOYEES

The Ruric Group had at the beginning of 2009 three separate units in Russia. The management company, 000 Ruric Management, handles Ruric's operational business in Russia. This means that the company is responsible for leasing, management, finance and law.

The importance of company 000 Tekhnostroi, which was established in 2006 with the aim of being responsible for construction management and construction planning, has been reduced. Instead, Ruric will employ external contractors to take care of planning, construction management and procurement. The service company that was responsible for the maintenance has been dismantled. Service and maintenance is now subcontracted.

Ruric's legal company structure is based on the principle that each property shall be owned by a seperate Russian company that is in turn owned by a separate Swedish subsidiary to the Parent Company, Russian Real Estate Investment Company. The purpose of this is to increase flexibility in the event of potential divestments.

The Group had 26 employees (66) at 31 December 2009, of which 13 were women. All employees work in Saint Petersburg with the exception of the CFO who is based at the Parent Company in Stockholm and is responsible for financial reporting and communications.

THE SHARE AND THE OWNERS

All of the company's shares are denominated in Swedish kronor with a par value of 2 Swedish kronor per share. The shares have been issued in accordance with the Swedish Companies Act (2005:551) and the shareholders' rights associated with the shares can only be changed in accordance with the procedures prescribed in the Act.

At shareholder meetings, each Ruric Class A share carry entitlement to ten votes and each Class B share entitlement to one vote. Each share allows the shareholder the preferential rights in new share issues, warrants and convertibles in relation to the number of shares he owns and carries equal rights to participation in profit dividends and to any surplus in conjunction with liquidation. The shares in the Company are subject to a conversion clause pursuant to the articles of association.

Ruric's class B shares are, since April 2006, traded under the short name RURI on First North. Erik Penser Bankaktiebolag is the Company's certified advisor, and the Company has its liquidity guarantee through E. Öhman J:or Fondkommission AB.

The share capital amounted per 31 December 2009 to 22,726,192 distributed on 1,330,266 share of class A and 10,032,830 share of class B.

Outstanding warrants

In 2009, the outstanding 2006/2009 warrant programme expired. None of those entitled to subscribe for shares exercised the subscription right in accordance with the terms since the subscription price amounted to 339.3 Swedish kronor. No other outstanding warrant programme exists.

The share and owners

The company's primary owners are Nils Nilsson who is also Ruric's Chairman, and E. Öhman J:or AB. Nils Nilsson owns 50 percent of the shares in Cancale Förvaltnings AB.

Analysts monitoring the company

David Zoudy, Öhman, will retain monitoring from May 2010.

Dividend

The Board will propose to the Annual General Meeting that no dividend be paid for the 2009 financial year.

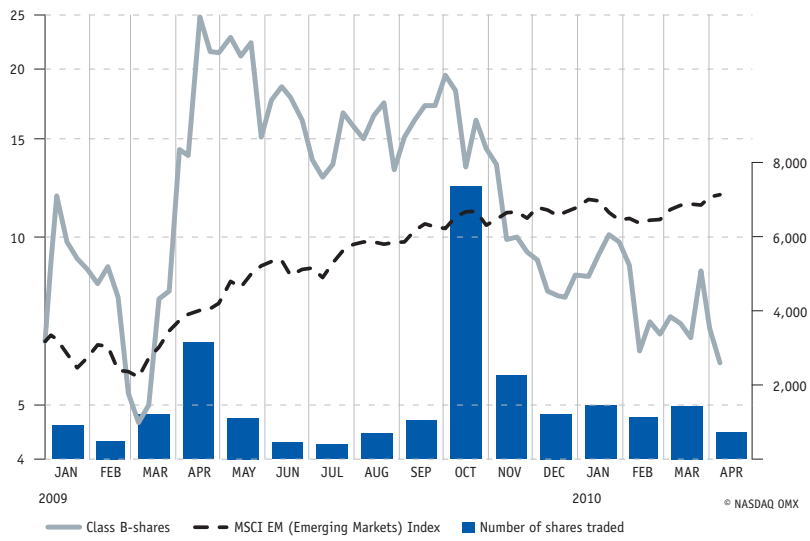
Share capital trend

Since Ruric was formed in 2004, its share capital has changed in accordance with the table below:

Year	Transaction	Par value, SEK	Change in number of shares	Total number of shares	Increase in the share capital, SEK	Total share capital, SEK	Subscription price, SEK
2004	Formation of the Company	100	1,000[1)]	1,000	100,000	100,000	100
2004	Split 50:1		49,000	50,000	–	100,000	–
2004	Share issue (without pre-emptive rights)	2	2,450,000[2)]	2,500,000	4,900,000	5,000,000	100
2006	Rights issue	2	1,500,000[3)]	4,000,000	3,000,000	8,000,000	160
2006	Share issue[4)] (without pre-emptive rights)	2	55,800	4,055,800	111,600	8,111,600	160
2006	Rights issue	2	608,370[5)]	4,664,170	1,216,740	9,328,340	250
2007	Rights issue	2	1,554,723[6)]	6,218,893	3,109,446	12,437,786	260
2007	Subscription through exercise of warrants	2	564,618	6,783,511	1,129,548	13,567,334	220
2007	Subscription through exercise of warrants	2	101,370	6,884,881	202,740	13,769,762	138
2008	Rights issue	2	4,478,215[7)]	11,363,096	8,956,430	22,726,192	24

1) 1) Class A shares only.
2) 350,000 class A shares and 2,100,000 class B shares.
3) 240,000 class A shares and 1,260,000 class B shares.
4) Share issue, i.e. without pre-emptive rights for the shareholders, carried out in connection with the rights issue in spring 2006, made to holders of 2005/2007 warrants in accordance with the applicable terms and conditions.
5) 96,000 class A shares and 512,370 class B shares.
6) 221,333 class A shares and 1,333,390 class B shares.
7) 665,133 class A shares and 3,813,082 class B shares.

On 31 December 2009, the closing price was 8.55 Swedish kronor per share, compared with 6.50 Swedish kronor on 31 December 2008, corresponding to an increase of 32 percent. A total of 20.2 million shares were traded, which corresponds to 177 percent of the average number of shares outstanding during the year.



	Shares				Votes	
2009-12-31	**Class A**	**Class B**	**Total number**	**Share of total**	**Number**	**Share of total**
EFG Private Bank S.A		1,360,361	1,360,361	11.97	1,360,361	5.83
Nils Nilsson	185,134	800,000	985,134	8.67	2,651,340	11.36
Öhman J:or AB	665,132	268,066	933,198	8.21	6,919,386	29.65
Deutsche Bank		855,477	855,477	7.53	855,477	3.67
Avanza Pension		574,129	574,129	5.05	574,129	2.46
Cancale Förvaltnings AB	480,000	65,400	545,400	4.80	4,865,400	20.85
UBS AG		500,000	500,000	4.40	500,000	2.14
Olof Andersson Förvaltning AB		188,685	188,685	1.66	188,685	0.81
Nordnet Pensionsförsäkring AB		183,316	183,316	1.61	183,316	0.79
Tibia Konsult AB		138,300	138,300	1.22	138,300	0.59
Total ten largest shareholders	**1,330,266**	**4,933,734**	**6,264,000**	**55.13**	**18,236,394**	**78.15**
Total other shareholders	**0**	**5,099,096**	**5,099,096**	**44.87**	**5,099,096**	**21.85**
All shareholders	**1,330,266**	**10,032,830**	**11,363,096**	**100.00**	**23,335,490**	**100.00**
Number of shareholders	**3**	**1,876**	**1,879**			

Excerpt from public share holders register per 31 December 2009

Size category	**Number of owners**		**Share of owners**		**Number of Class A shares**		**Number of Class B shares**		**Share of capital**		**Share of votes**	
den 31 december	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
1–500	837	725	44.5%	53.0%		0	185,338	146,826	1.8%	1.5%	0.8%	0.6%
501–1,000	402	220	21.4%	16.1%		0	346,451	180,406	3.5%	1.8%	1.5%	0.8%
1,001–5,000	436	274	23.2%	20.0%		0	1,058,981	654,967	10.6%	6.5%	4.5%	2.8%
5,001–10,000	92	64	4.9%	4.7%		0	677,670	471,232	6.8%	4.7%	2.9%	2.0%
10,001–20,000	57	26	3.0%	1.9%		0	823,448	377,715	8.2%	3.8%	3.5%	1.6%
20,001–50,000	33	30	1.8%	2.2%		0	1,026,076	1,003,302	10.2%	10.0%	4.4%	4.3%
50,001–	22	29	1.2%	2.1%	1,330,266	1,330,266	5,914,866	7,198,382	59.0%	71.7%	82.4%	87.9%
Total	**1,879**	**1,368**	**100.0%**	**100.0%**	**1,330,266**	**1,330,266**	**10,032,830**	**10,032,830**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

BOARD AND MANAGEMENT


Nils Nilsson


Harald Kjessler


Craig Anderson


Tom Dinkelspiel


Anders Sjunnesson


Anders Larsson


Jens Engwall


Mikael Ikonen

Nils Nilsson
Collonge-Bellerive, Switzerland, born 1961.
Chairman of the Board of Directors, elected to the Board of Directors in 2004.
Other current assignments: Member of the Board in Tbricks Holding AB and Director of Bellatin SaRL, Luxembourg and Hun Research PTY LTD, Singapore.
Shares of Ruric: 185,134 Class A shares and 984,000 Class B shares.

Tom Dinkelspiel
Saltsjöbaden, born in 1967.
Board member, elected to Board in 2004.
Other current assignments: Managing Director and alternate member of E. Öhman J:or AB, member of the Board, in some cases Chairman, of companies included in the Öhman group. Chairman of the Board of Svenska Fondhandlareföreningen, Konsumentkredit i Sverige AB, 11 Real Asset Fund AB. Member of the Board of Burgundy AB, KOGMOT AB, MPS Holding AB, Nordnet AB, and Nordnet Bank AB. Chairman of the Board in Svenska Fondhandlarföreningen.
Shares in Ruric: 18,000 Class B shares.

Jens Engwall
Stockholm, born in 1956.
Board member, elected to Board in 2006.
Other current assignments: Member of the Board and Managing Director of Hemfosa Fastigheter AB (publ). Member of the Board of Vasallen AB, Chengde Intressenter AB, Bonnier Fastigheter AB, Reinhold Polska AB, Tengbomgruppen AB. Chairman of the Board of RunsvenGruppen AB.
Shares in Ruric: 0.

Harald Kjessler
Saltsjöbaden, born in 1963.
Elected to Board in 2008. Previously deputy member 2004–2008.
Other current assignments: Board member of E. Öhman J:or Fondkommission AB, E. Öhman J:or Fondkommission Holding AB, Konsumentförsäkring i Norden AB och Kalix Finans AB. Chairman of the Board in X5 Music Group AB and HYM AB. President and Board member of Konsumentkredit i Sverige AB.
Shares in Ruric: 15,600 Class B shares through endowment assurance.

Anders Sjunnesson
Nacka, born 1964.
Member of the Board of Directors, elected to the Board of Directors in 2009.
Other current assignments: Managing Director and the Chairman of the Board of Raxor Capital AB, Chairman of the Board of Sweden Safe-Box AB, Tbricks Holding and Tbricks AB. Managing Director and member of the Board of Sjunnesson & Krook AB. Member of the Board of Pennybridge SL, Spain.
Shares in Ruric: 0.

Senior management

Craig Anderson
Saint Petersburg, born in 1962.
CEO since 2008.
Shares in Ruric: 16,000.
Warrants in Ruric: 0.

Anders Larsson
Stockholm, born in 1964.
CFO since 2007.
Other current assignments: Board member of Nordic Whisky Capital AB and companies within the Ruric Group.
Shares in Ruric: 4,552 Class B shares
Warrants in Ruric: 0.

Auditor

Ernst & Young
Auditor in charge:
Mikael Ikonen, born in 1963.

MANAGEMENT REPORT 2009

The Board of Directors and the Managing Director of Russian Real Estate Investment Company AB, with registered office in Stockholm, (556653-9705) hereby submit the following annual accounts and consolidated accounts.

Unless otherwise stated, all amounts are reported in million Swedish kronor.

The business

Ruric's business concept is to acquire, develop, manage, let and divest real estate in Saint Petersburg, Russia with a focus on commercial premises of the high class in the best locations that thereby contribute positively to the business operations of the tenants. The company has the vision of becoming a leading real estate company in central Saint Petersburg.

During 2009 Ruric has primarily worked with solving the long-term financing of the Company. Discussions were held with the major bondholders on extending the loans, at the same time as efforts continued regarding finding a financial and industrial partner for the Moika/Glinky project. During October an offer for exchange/acquisition of bonds was announced. The offer did not get sufficient acceptance to be implemented. The Board of Directors then decided to file for company reorganisation, which was also granted. The work on the reorganisation went on during the latter part of the year, and a composition offer has been accepted and become legally binding after the end of the period.

In the operating activities, focus has been directed on keeping existing tenants and find new tenants for the premises that has become vacant. Ruric has used temporary discounts, adjusted current clauses and relocation of tenants as tools in the process. To find new tenants a new Russian website was launched, www.ruric.org, and has been successful.

The work with the project properties has not been extensive. Fokus has been directed towards extending the investment agreement for the Moika/Glinky project. Some progress has been made, but no addendums have been signed. The collaboration with the co-owning partner in Apraksin Dvor broke down during the second half of the year, leading to several law suits from both parties and that Ruric's auditor has not been given access to audit the accounts in the project companies.

Real estate stock

At the end of the period, Ruric owns, disposes of or has other interests in six properties in central Saint Petersburg, of which three are completed, and in the other three, planning and design and/or renovation/conversion is ongoing. In one of these, the major work is completed. Included in the stock is also a land plot located south west of the city centre.

MSEK	2009	2008
Opening balance	**1,662.8**	**1,717.2**
Acquisitions	0.0	0.0
Investments in properties	51.4	209.3
Divestments	–151.1	–207.4
Changes in value	–898.7	–158.1
Impairment	–	–236.8
Changes in exchange rates*	–56.6	338.6
Closing balance	**607.8**	**1,662.8**

* The properties are valued in US dollars.

Multiple year overview

The financial year 2009 was the company's sixth financial year.

The Group	2009	2008	2007	2006	2005
Net turnover, MSEK	42.2	67.7	46.0	16.6	10.4
Profit/loss after tax, MSEK	–1,067.9	–350.7	–15.9	41.8	–16.3
Total assets, MSEK	1,172.4	2,178.1	2,041.7	1,463.0	476.8
Equity ratio, percent	15.1	55.2	54.1	44.0	48.2
Median number of employees	42	77	57	25	9

Acquisitions
No acquisitions were carried out during the year.

Work continuing within own stock
During the year, 51.4 million Swedish kronor were invested in the property portfolio. The major part is attributable to capitalised interest on project loans for Moika/Glinky.

Divestments
Effective 1 April 2009, all shares in ZAO Grifon were sold for an agreed purchase price of 17 million dollars. The transaction was recognised at a loss of 15.2 million Swedish kronor. The first two payment instalments (out of four) were received, but not the two remaining instalments which should have been received in November/December 2009 and partly in February/March 2010. Discussions are held with the buyer to avoid arbitration proceedings. Preparation has been made to initiate such arbitration.

Investment properties
Leasing
Ruric's investment properties are Oscar, Magnus and Gustaf. During the first part of the year the tenants were severely hit by the depreciating Russian Rouble, as the rents skyrocketed at the same time as all the markets where the tenants are active on were hit by decreasing demand in the footsteps of the global financial crisis. Ruric has, through close dialogue with the tenants and temporary discounts, been able to hold on to the larger tenants, but many smaller ones have moved or ceased with their operations. Towards the end of the year, an improvement has been seen. The vacancies that have been increasing up until mid third quarter were slowly starting to reduce. As per 31 December 23 per cent of lettable space was vacant. After the end of the period another approximately 1,000 m² has been let, leaving 17 per cent of lettable space vacant. The falling rent levels, has together with increasing vacancies and discounts led to decreasing rental income by 22 per cent in the comparable property stock.

Changes in value
Supported by external valuations, the Board has valued all properties as per 31 December 2009. In a market that has been illiquid in such a long time, the uncertainty interval for the assessments is large and different surveyors make different assumptions on future outlook, risk factors etc. It is hard to assess a value of an asset in market that does not exist. All valuations are made under the assumption of going concern and continued operations.

Project portfolio
The project portfolio consists of the properties at Moika 96–98/ul. Glinki 2, and the jointly-owned properties within Apraksin Dvor (65%)

The ten largest tenants of 31 December 2009

Tenant	Property	Leased space, sq.m.
1. Deloitte	Gustaf	1,444
2. Svarog	Magnus	1,387
3. Intersport	Gustaf	1,285
4. Statoil	Oscar	1,229
5. Quintiles	Gustaf	726
6. City Mortgage Bank	Oscar	557
7. IBM	Oscar	404
8. Alfa Laval Potok	Magnus	322
9. Tieto Enator	Magnus	315
10. Ove Arup & Partners International	Magnus	282

Fastighet	Lettable area	Net operating income at full tenancy (7.2 SEK/USD)	External valuation 31 December 2009	External valuation 31 December 2008
R. Fontanki nab. 13 (Oscar)	2,976	8.6	58.4	98.4
9-ya V.O.i. 34 (Magnus)	6,463*	9.9	74.8	146.5
Sredny Prospekt 36/40 (Gustaf)	4,943	10.1	71.6	130.2
Investment properties	**14,382**	**28.6**	**204.8**	**375.1**
Book value			204.8	374.2
Surplus value			**0.0**	**0.9**

The value of the investment property portfolio per 31 December 2009 amounts to 204.8 million Swedish kronor (525.3) which is equivalent to 14,233 Swedish kronor per lettable sq.m.

and at Fontanka 57 (50%). In addition to this, Ruric owns 25% of a land plot of 132 hectares located South West of the city centre. Moika/ Glinky and Apraksin Dvor, which are both held as investment agreements and are recorded as property projects, while Fontanka 57 and the land plot are recorded as financial assets under shares and participations.

During the year development has primarily been carried out on the Fontanka 57 property. The facade renovation was almost completed and planning was initiated for the interior renovation. On the other projects very limited development was carried out. For Moika/ Glinky this was mainly focused on extending the investment agreement until at least 2014.

From 1 January 2009 IAS 40 also include development properties. Thus, these assets shall be recorded at fair value. External valuations have been carried out for these projects, to support the Board's valuation. In the valuation for Moika/Glinky it is assumed that the extension of the investment agreement is granted until 2014. The values derived in the valuations, give rise to a value change amounting to –744.2 million Swedish kronor (236.8) in the income statement for the consolidated project properties for the full year.

Similar as for the investment properties, but with even more emphasis, the uncertainty interval for the assessments is large, since there has been no market for property transactions, especially not development properties. These valuations also assume going concern and continued operations.

Property	Valuation as per 31 December 2009	Valuation as per 31 December 2008
Apraksin Dvor 15/16/33	91.4	313.3
Moika /Glinkij	311.6	824.2
Development properties	**403.0**	**1,137.5**

Rental income

The rental income, which includes the buildings at the addresses Fontanka 13 (Oskar), 9-aya V.O. Linia 34 (Magnus) and Srednij Prospekt 36/40 (Gustaf), amounted to 42.1 million Swedish kronor (67.7) during the year. The decline is attributable to the sale of Grifon House (14.0 million Swedish kronor) and provisions for bad debt (2.8 million Swedish kronor). The rest of the decline is attributable to Apraksin Dvor, 14.8 million Swedish kronor.

Apraksin Dvor has generated a very low income during the year and no net income. The other properties did not as yet contain any lettable area.

Real estate expenses

Direct real estate expenses and expenses that cannot be capitalized, for legal administration, marketing of premises and management fees, among other things, amounted to –21.3 million Swedish kronor (–26.3) during the year.

Operating surplus

The operating surplus for completed investment properties amounted to 20.8 million Swedish kronor (41.4) during the year. The decline for the full-year is partly attributable to the sale of Grifon House, partly to lack of surplus from Apraksin Dvor and partly to reduced rental income. After a period with negative development on the operating surplus, the trend has now turned positive as a result of reduced vacancies.

Other operating expenses

Other operating expenses mainly referred to expenses for central administration that include expenses for group management as well as other central functions including personnel expenses. These expenses amounted to –34.9 million Swedish kronor (–49.1) during the year. The amount includes cost for the withdrawn public offer on exchange/acquisition of bonds during the autumn 2009.

Impairments

During the year shares in the participations owning Fontanka 57 and the land plot in Strelna been appreciated by 91.9 million Swedish kronor, which was recorded against equity., and thereafter been written down by 50.5 million Swedish kronor. This is a result of the uncertainty that prevails on the market for property transactions, and which make surveyors deviate in their assessments.

Operating result

The operating result for the year amounted to –974.5 million Swedish kronor (–383.0). The large negative numbers are due to changes in value of properties as well as impairments.

Net financial income/expense

Net financial income and expense amounted to –96.2 million Swedish kronor (–22.0) for the year. Participating interests from associated companies are included of –12.0 million Swedish kronor (–7.7). During the period, capitalized interest expenses amounted to 47.2 million Swedish kronor (47.4).

Currency fluctuations has impacted shareholders' equity by 345.3 million Swedish kronor, principally on account that the properties are valued in dollars, while changes in exchange rates impacting the income statement, amounted to –15.7 million Swedish kronor (33.3).

Result after financial items

The result after financial items amounted to –1,070.7 million Swedish kronor (–405.0) during the year.

Taxes

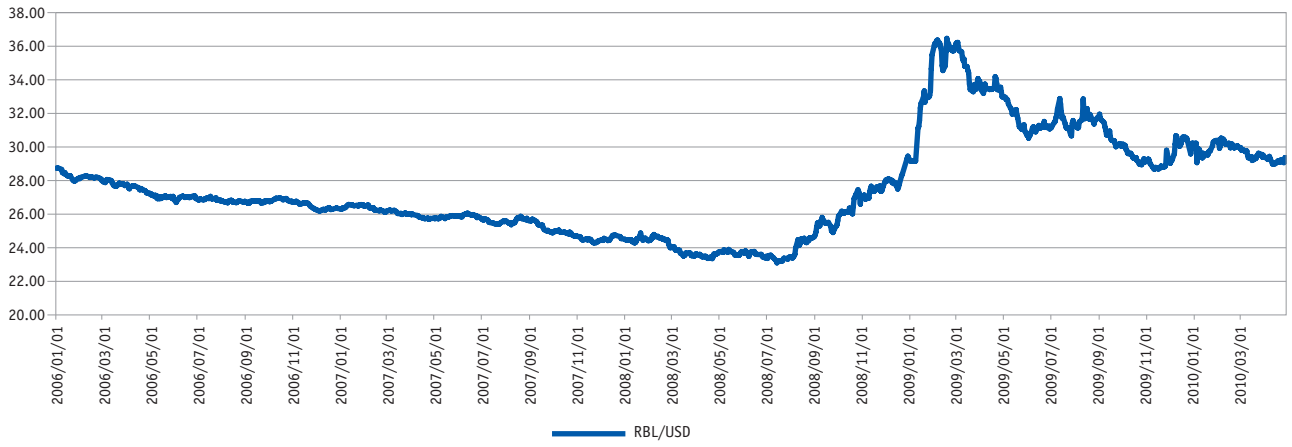
The tax expense, which for the year was income, amounted to 2.8 million Swedish kronor (54.3). Of the amount, 14.9 million Swedish kronor refers to reversal of a deferred tax liability attributable to change in value of properties. Since it is currently uncertain whether the subsidiary LLC Glinky 2 will be able to realise any profits, deferred tax assets has not been recorded fully, and previously recorded amounts has been recorded against tax cost.

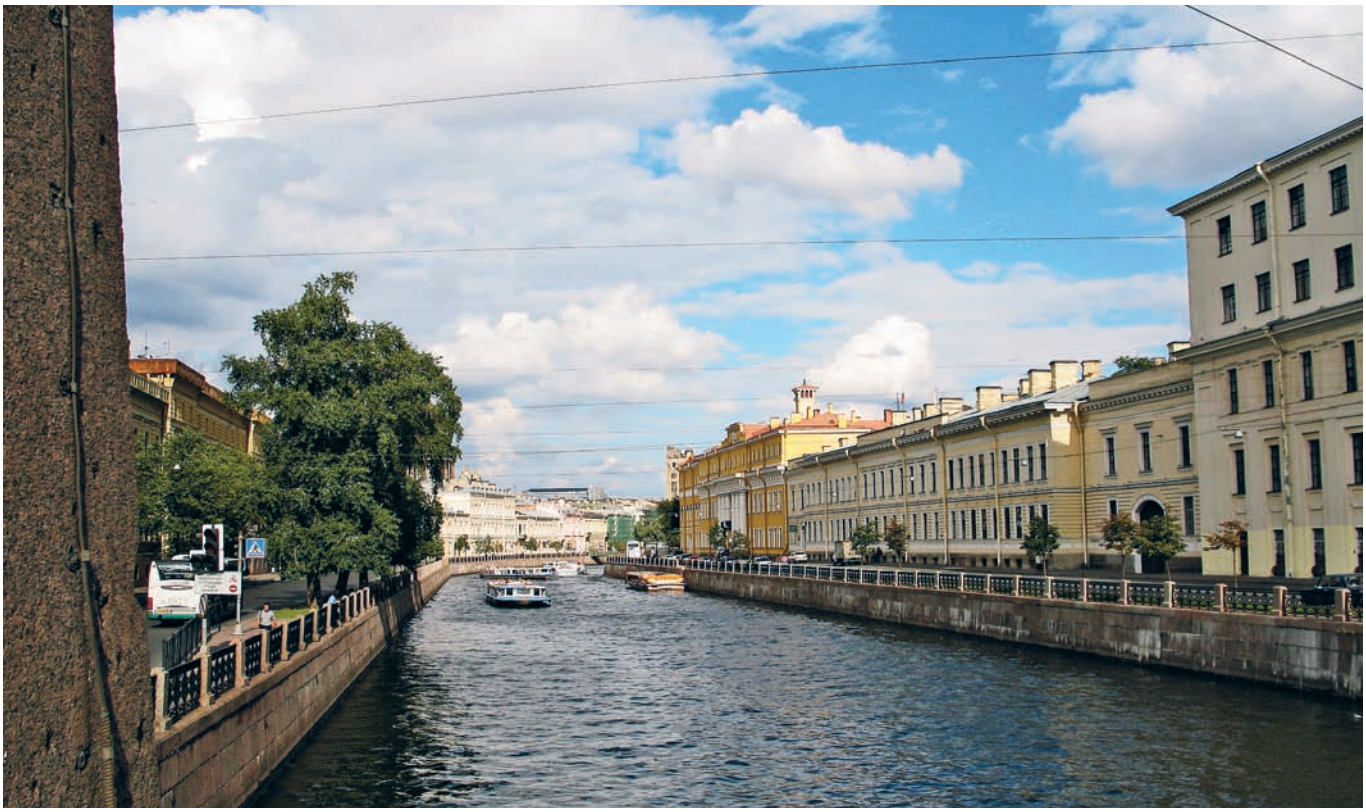
In Russia, it is not permissible to seek tax relief through granting and receiving group contributions. Naturally, the same applies to the ability to seek tax relief between the countries.

Cash flow, liquidity and financial position

The cash flow during the year amounted to 10.3 million Swedish kronor (13.5), of which –37.5 million Swedish kronor (–65.3) was from operating activities of which –17.8 million Swedish kronor was transfer of cash to Ruric's client account at G Grönberg Advokatbyrå. The equity

Exchange rate fluctuations RBL/USD





ratio amounted to 15.1 (55.2) percent at the close of the period. Equity amounted to 177.3 million Swedish kronor (1,202.1). Cash and cash equivalents amounted to 57.3 million Swedish kronor (47.0).

Interest-bearing liabilities

Ruric's financing has previously consisted of two bond loans, the first listed at NGM (Nordic Growth Market) and the other at OMX. Since Ruric applied for company reorganization in November 2009, the two bonds were accelerated. In the proposed, and accepted, composition part of the bonds are extended in a new, secured, bond with a term of approximately 4.5 years.

Personnel and organisation

The Group had 26 employees at the end of the period, of which 24 are in the Russian subsidiary companies in St Petersburg, and 2 in the parent company, of which the CEO operates principally in St Petersburg. At the beginning of the year the Group had 66 employees. The organisation is now deemed to be staffed adequately for the stock of assets Ruric is in possession of.

The Parent Company

The Parent Company comprises the central management in Stockholm with overall responsibility for operational management as well as financing and reporting. The number of employees in the Parent Company amounted to two people at year-end.

The Parent Company's turnover amounted to 1.1 million Swedish kronor (1.2) for the year. The result after financial items amounted to –1,106.6 million Swedish kronor (–15.6). Cash and cash equivalents at the close of the reporting period amounted to 1.6 million Swedish kronor (29.8).

Ownership

Russian Real Estate Investment Company AB ("Ruric") commenced operations in April 2004.

There are 11,363,096 shares issued in total, of which 1,330,266 are A-shares and 10,032,830 are B-shares. The Company's primary owners are Nils Nilsson and E. Öhman J:or AB. There were 1,879 (1,248) shareholders at year-end.

Risk factors and risk management

Set forth below is a summary of significant potential risks confronting Ruric:

Financial risks:

Liquidity risks

The company's liquidity position has been strained. The ongoing reorganisation including composition and new share issues, will cover the cash requirements to continue operations and also finance its part i development of Fontanka 57, but there are not resources to further develop Moika/Glinky property. In the long-term a financing solution is necessary for that project.

Interest risks

The Group's does currently not have long-term financing. The ongoing reorganisation contain an issue of a new bond were the interest term is not connected to the interest rate level in case of pre-redemption, why the is no interest risk connected to the bond. The Group's cash balances are held in interest-bearing bank accounts. The interest level on these accounts follows changes in market rates.

Credit risks

Counterparty risk arises primarily in conjunction with leases. Ruric mainly has international tenants with relatively good creditworthiness. Credit risk thus exists to a lesser extent for these. Approximately 37% of the rental income is provided by smaller companies that are not credit-assessed. A greater credit risk exists in relation to these.

This is handled by signing leases for shorter periods and they are spread on many different tenants.

The credit risks also consist of counterparty risks in conjunction with the administration of cash and cash equivalents. Since the cash balances are deposited in Swedish banks, these risks are considered negligible.

Currency risks/Cash flow risks

Borrowing by the Group has consisted to date of increases in shareholders' equity and the issuance of bonds in Swedish kronor. The Group's net outflow is primarily based on dollars and to a certain extent in roubles. The currency exposures is hedged only to a lesser extent according to approved finance policy.

Currency risks/translations

The Group's assets are primarily valued in US dollars, while liabilities are denominated in Swedish kronor. This translation risk has not been hedged by Ruric. A change in value of 5 percent affects Ruric's equity by 42 million Swedish kronor.

Other risks:

Ruric is active on a market characterised by political risks, which may affect the willingness to invest.

The legal system in Russia is not thoroughly developed nor is it entirely comparable to the Western European systems. Legal reforms tend to proceed slowly. All in all, this may have a negative effect on Ruric. The Company conducts an annual "legal health check" in order to evaluate these risks. During 2009 this was substituted by a legal due diligence in conjunction with the prospectus.

Ruric is dependent on a small number of senior executives. It cannot be excluded that Ruric could be negatively affected if one or more senior executives leave the company.

Post-balance sheet events

After the end of the period, the Board of directors and the administrator appointed by the district court of Stockholm, Roland Sundqvist, has presented a composition proposal to the creditors. The proposal has also been adopted at a creditor's meeting and become legally binding. The composition proposal gave the creditors the option to choose either a cash payment amounting to 55 percent of the claim, or to convert 66.5 percent to a new bond, convert 28.5 percent of the claim into equity at conversion rate 6 Swedish kronor, and receive 5 percent in cash. The composition proposal is financed by a rights issue of approximately 170 million Swedish kronor at the rate 3 Swedish kronor.

Outlook

Financing

After the forthcoming composition and share issue, it is estimated that Ruric will be able to finance its share of the development of Fontanka 57. The new bond has a term of 4.5 years until 16 November 2014 with a coupon of 10 or 13 per cent interest. Ruric can choose to pa 10 per cent cash or to pay 3 per cent cash and accumulate 10 per cent to the bond as a new loan. The first interest coupon payment is due on 16 November 2011 and amounts to approximately 55 million Swedish kronor if Ruric chooses to pay 10 per cent cash or 16 million Swedish kronor cash if the "roll-up" alternative is chosen.

From the revised strategy one can derive that the development portfolio is too big in relation to the size and financial capacity of the company. The project property Moika/Glinky is a material part of the Company's assets, why the project is aimed to be further developed, but with a more articulate focus on partnership. The location of the property is still very interesting possible partners are not missing, even though the changes in the business cycle has made the value dramatically decline. A very important task is to negotiate an extension of the investment agreement regarding Moika/Glinky from 2011 until 2014. Without such an extension both financing and sale seem difficult. If such extension is not obtained, Ruric will prepare legal action.

All assumptions on values in the balance sheet are based on the success of future financing of operations, and that the company thus can produce the values in, for example, the development properties.

The real estate market

The market for property transactions has been almost non-existent during the year. The decline in the rental market seems to have stopped and turned, and the tendency is now slightly positive, but still on a low level. However, the company expects over time that Saint Petersburg will have a positive development in many respects, through its geographical location and through its role as Russia's second largest city. Naturally this will be contingent on the overall economic development and political situation in the country as a whole. Property ownership and investment must always be seen in a longer perspective and in this regard the company expects that the investments in Saint Petersburg will deliver good long-term profitability.

The work of the Board of Directors

At the end of the year, the Board of Directors consisted of five ordinary members and no deputy members.

In addition to the first meeting of the Board of Directors, meetings must be held at least four times per calendar year. During 2009, 21 meetings were held, of which 13 were by telephone or per capsulam. The Board's work during the year focused on financing.

The work of the Board of Directors and the allocation of responsibility between the board and the managing director are governed by instructions which are updated annually.

The composition of the Board of Directors, number of meetings and attendance 2009

Member	Elected	Number or meetings Regular	Telefon/ per capsulam
Nils Nilsson (Chairman)	2004	8	13
Tom Dinkelspiel	2004	8	12
Harald Kjessler	2008	8	11
Jens Engvall	2006	8	11
Anders Sjunnesson[1)]	2009	7	9
Anna Haskell[2)]	2008	1	3

1) Elected as ordinary member at annual general meeting 2009
2) Resigned from the board at annual general meeting 2009

Annual General Meeting 2009

The Annual General Meeting 2009 was held at Strand Hotel, Stockholm on April 21. The Meeting resolved to adopt the income statements and balance sheets included in the annual report and to grant the board of directors and the managing director discharge from liability for the past financial year. The Annual Meeting also resolved in accordance with the Board of Director's proposal not to issue any dividend and to re-elect the board members Nils Nilsson, Tom Dinkelspiel, Harald Kjessler and Jens Engvall, and to elect Anders Sjunnesson as a new member of the board. It was resolved not to elect any deputy members.

Proposed distribution of profits

The following funds are available to the Annual General Meeting for disposition:

	SEK
Share premium reserve less costs of share issue	1,017,304,444
Loss brought forward	–35,590,129
Loss for the year	**–1,106,630,024**
Total	**–124,915,709**

The Board of Directors proposes that the net loss for the year be accumulated and brought forward.

FINANCIAL STATEMENT

Consolidated income statement

	Note	01-01-2009 – 31-12-2009	01-01-2008 – 31-12-2008
Rental income	2	42.1	67.7
Real estate expenses	3	–21.3	–26.3
Operating profit/loss		**20.8**	**41.4**
Depreciation of equipment	12	–0.4	–0.6
Other operating expenses	6,7	–34.9	–49.1
Changes in value properties	12	–917.5	–158.1
Profit on sale of property		0.0	28.2
Impairments	12,15	–42.5	–244.8
		–995.3	**–424.4**
Operating profit/loss		**–974.5**	**–383.0**
Profit/loss from financial investments			
Participating interests		–12.0	–7.7
Other interest income and similar profit/loss items	8	16.1	46.6
Interest expenses and similar profit/loss items	9	–100.3	–60.9
		–96.2	**–22.0**
Loss before tax		**–1,070.7**	**–405.0**
Tax on net loss for the year	10	2.8	54.3
Minority share of net loss for the year		0.0	0.0
Net loss for the year		**–1,067.9**	**–350.7**
Other comprehensive income			
Appreciation		91.9	–
Translation differences		–43.0	345.5
Total comprehensive income		**–1,024.8**	**–5.2**
Earnings per share before dilution	11	–93.98	–48.32
Earnings per share after dilution	11	–93.98	–48.32

Total result attributable to the parent company's shareholders.

Consolidated balance sheet

	Note	31-12-2009	31-12-2008
ASSETS			
Non-current assets			
Property, plant and equipment	12		
Equipment, tools and facilities		5.2	7.4
Investment properties		204.8	525.3
Ongoing real estate projects		403.0	1,137.5
		613.0	**1,670.2**
Financial assets			
Participations in associated companies	15	149.1	111.7
Other long-term receivables	13	234.4	215.3
Deferred tax assets	10	18.4	40.5
		401.9	**367.5**
Total non-current assets		**1,014.9**	**2,037.7**
Current assets			
Current receivables			
Accounts receivable		0.9	1.6
Other receivables	16	65.2	52.1
Prepaid expenses and accrued income	17	34.1	39.7
		100.2	**93.4**
Cash and bank balances	18	57.3	47.0
Total current assets		**157.5**	**140.4**
TOTAL ASSETS		**1,172.4**	**2,178.1**

	Note	31-12-2009	31-12-2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (shares)		22.7	22.7
Paid in funds		235.8	235.8
Translation differences		309.4	266.3
Retained earnings		–390.6	677.3
Total shareholders' equity		**177.3**	**1,202.1**
Non-current liabilities			
Bond loans	19	0.0	840.4
Other non-current liabilities	20	1.2	1.3
Deferred tax liability	10	9.3	32.2
Total non-current liabilities		**10.5**	**873.9**
Current liabilities			
Accounts payable		12.0	7.0
Bond loans	19	831.5	0.0
Other current liabilities	21	3.4	67.5
Accrued expenses and prepaid income	22	137.7	27.6
Total current liabilities		**984.6**	**102.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,172.4**	**2,178.1**
Pledged assets		None	None
Contingent liabilities	23		

Changes in Shareholders' equity

The Group	Number of shares	Share capital	Paid in funds	Translation difference	Retained earnings	Total equity
Shareholders' equity 1 January 2008	**6,884,881**	**13.6**	**235.9**	**–79.2**	**934.3**	**1,104.6**
Total comprehensive income				345.5	–350.7	–5.2
Shareholder transactions						
New issue	4,478,215	9.0			98.3	107.3
Issue expenses					–4.6	–4.6
New issue in progress		0.1	–0.1			0.0
Shareholders' equity 31 December 2008	**11,363,096**	**22.7**	**235.8**	**266.3**	**677.3**	**1,202.1**
Shareholders' equity 1 January 2009	**11,363,096**	**22.7**	**235.8**	**266.3**	**677.3**	**1,202.1**
Total comprehensive income				–45.9	–978.9	–1,024.8
Shareholders' equity 31 December 2009	**11,363,096**	**22.7**	**235.8**	**220.4**	**–301.6**	**177.3**

Moderbolaget	Number of shares	Share capital	Restricted reserves	Non-restricted equity	Total equity
Shareholders' equity 1 January 2008	**6,884,881**	**13.6**	**375.0**	**761.8**	**1,150.4**
Completed new issue 2007		0.1	–0.1		0.0
New issue 2008	4,478,215	9.0		98.3	107.3
Issue expenses				–4.6	–4.6
Group contributions received				2.9	2.9
Translation difference branch				–0.8	–0.8
Utilization of revaluation reserve			–91.6	91.6	0.0
Net loss for the year				–15.6	–15.6
Shareholders' equity 31 December 2008	**11,363,096**	**22.7**	**283.3**	**933.5**	**1,239.5**
January 1 January 2009	**11,363,096**	**22.7**	**283.3**	**933.5**	**1,239.5**
Change in revaluation reserve			–47.3	47.3	0.0
Group contributions received				0.8	0.8
Translation difference branch				0.1	0.1
Net loss for the year				–1,106.6	–1,106.6
Shareholders' equity 31 December 2009	**11,363,096**	**22.7**	**236.0**	**–124.9**	**133.8**

The number of shares amounted to 11,363,881 as at 31 December 2009 with a quotient value of SEK 2 per share.

Consolidated cash flow statement

	Note	01-01-2009 – 31-12-2009	01-01-2008 – 31-12-2008
Operating activities			
Profit/loss after net financial items		–1,070.7	–405.0
Adjustment for items not affecting cash flow			
Changes in value properties	12	933.1	158.1
Depreciation	12	0.4	0.6
Impairments	12,15	0.0	244.8
Capital gain		18.8	–28.2
Exchange rate differences		27.5	–19.7
Difference between paid and recognised net financial items		0.0	7.7
Other items		13.8	0.0
Taxes paid		0.0	–2.4
Cash flow from operating activities before changes in working capital		**–77.1**	**–44.2**
Change in working capital			
Change in operating receivables		–11.2	–16.9
Change in operating liabilities		50.8	–4.3
Total changes in working capital		**39.6**	**–21.2**
Cash flow from operating activities		**–37.5**	**–65.3**
Investing activities			
Acquisition of property, plant and equipment	12	–51.4	–211.1
Divestment of plant, property and equipment		132.3	182.8
Investments in other financial assets		–24.1	–104.2
Cash flow from investing activities		**56.8**	**–132.4**
Financing activities			
New issue		0.0	102.7
New loans		0.0	400.0
Amortisation of non-current liabilities		–9.0	–291.4
Cash flow from financing activities		**–9.0**	**211.3**
Cash flow for the year		**10.3**	**13.5**
Cash and cash equivalents at the start of the year		**47.0**	**33.5**
Cash and cash equivalents at year-end		**57.3**	**47.0**

The Parent Company's income statement

	Note	01-01-2009 – 31-12-2009	01-01-2008 – 31-12-2008
Net turnover		1.1	1.2
Operating profit	2	**1.1**	**1.2**
Other operating expenses		–21.5	–59.3
Personnel expenses	5,6	–6.5	–9.7
Depreciation of property, plant and equipment	12	–0.3	–0.2
Results from participations	13	–987.8	–258.0
		–1,016.1	**–327.2**
Operating loss		**–1,015.0**	**–326.1**
Profit/loss from financial investments			
Other interest income and similar profit/loss items	8	156.8	418.6
Interest expenses and similar profit/loss items	9	–248.4	–108.2
		–91.6	**310.4**
Loss before tax		**–1,106.6**	**–15.6**
Tax on net profit for the year	10	0.0	0.0
Net loss for the year		**–1,106.6**	**–15.6**

The Parent Company's balance sheet

	Note	31-12-2009	31-12-2008
ASSETS			
Non-current assets			
Property, plant and equipment	12		
Equipment, tools and facilities		4.3	4.6
		4.3	**4.6**
Financial assets			
Participations in group companies	13,14	35.0	188.9
Receivables at group companies		866.0	1,757.7
Other long-term receivables	13	6.7	0.2
		907.7	**1,946.8**
Total non-current assets		**912.0**	**1,951.4**
Current assets			
Current receivables			
Accounts receivable		0.7	1.0
Other receivables	16	213.3	137.9
Prepaid expenses and accrued income	17	1.0	17.0
		215.0	**155.9**
Cash and bank balances	18	1.6	29.8
Total current assets		**216.6**	**185.7**
TOTAL ASSETS		**1,128.6**	**2,137.0**

The Parent Company's balance sheet, cont.

	Note	31-12-2009	31-12-2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		22.7	22.7
Share premium reserve		236.0	236.0
Revaluation reserve		0.0	47.3
		258.7	**306.0**
Non-restricted equity			
Share premium reserve		1,017.3	1,017.2
Retained earnings		–35.6	–68.1
Net loss for the year		–1,106.6	–15.6
		–124.9	**933.5**
Total shareholders' equity		**133.8**	**1,239.5**
Non-current liabilities			
Bond loans	19	0.0	840.4
Other non-current liabilities	20	0.2	**0.2**
Total non-current liabilities		**0.2**	**840.6**
Current liabilities			
Accounts payable		10.2	0.6
Bond loans	19	851.5	–
Other current liabilities	21	1.3	40.2
Accrued expenses and prepaid income	22	131.6	16.1
Total current liabilities		**994.6**	**56.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,128.6**	**2,137.0**
Pledged assets		None	None
Contingent liabilities		None	None

The Parent Company's cash flow statement

	Note	01-01-2009 – 31-12-2009	01-01-2008 – 31-12-2008
Operating activities			
Loss after net financial items		–1,106.6	–15.6
Adjustments for items not affecting cash flow			
Depreciation	12	0.3	0.2
Impairments	13	969.0	258.0
Exchange rate differences	9	102.2	–223.5
Capital gain		18.8	–
Difference between paid and recognised net financial items		–14.4	–126.7
Other items		0.0	10.6
Cash flow from operating activities before changes in working capital		**–30.7**	**–97.0**
Change in working capital			
Increase –/Decrease + in other operating receivables		–156.1	–9.4
Increase+/Decrease – in other operating liabilities		85.9	–2.6
Cash flow from operating activities		**–100.9**	**–109.0**
Investing activities			
Sale of subsidiary		65.5	0.0
Investments in other financial assets		7.2	–120.7
Acquisition of property, plant and equipment		0.0	–1.0
Cash flow from investing activities		**72.7**	**–121.7**
Financing activities			
New issue		0.0	102.7
Change in long-term borrowings	18	0.0	150.0
Received/ paid shareholders' contributions and group contributions		0.0	–12.3
Cash flow from financing activities		**0.0**	**240.4**
Cash flow for the year		**–28.2**	**9.7**
Cash and cash equivalents at the start of the year		**29.8**	**20.1**
Cash and cash equivalents at year-end		**1.6**	**29.8**

NOTES

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

Generally

Russian Real Estate Investment Company (publ.) (556653-9705) "Ruric" is a Swedish limited liability company with its registered office in Stockholm, at the address Hovslagargatan 5B 111 48 Stockholm. Since 2006, the company's share is listed on the First North market place at the OM Stockholm Stock Exchange. The Group's operations are described in the Management report. The consolidated accounts were approved by the Board of Directors on 5 May 2010. The income statements and balance sheets of the Group and Parent Company will be submitted to the Annual General Meeting for adoption on 22 June.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable interpretations of the International Financial Interpretations Committee (IFRIC) as adopted per 31 December 2009. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1.2, Supplementary Accounting Rules for Groups. The Parent Company applies the same accounting principles as the Group except in the cases stated under the heading The Parent Company below.

Basis for preparation of the financial statements of the Parent Company and the Group

The majority of Ruric's assets are properties in Russia that are valued in US dollar while the reporting currency is the Swedish krona. All amounts are stated in kronor, millions with a decimal, unless otherwise stated. Assets and liabilities are recognised on the basis of historic acquisition cost, apart from investment properties which are stated at fair value.

Assets are classified as current assets if the expected holding period is shorter than one year. Other assets are classified as non-current assets. Liabilities are classified as long-term if the Group has the right to unconditionally at the earliest twelve months after the closing day. Other liabilities are classified as short-term.

Estimates and judgements

The preparation of financial statements in conformity with IFRS requires that the Board and Executive Management make estimates and judgements and make assumptions that affect the application of the accounting principles and the recognized amounts of assets, liabilities, income and costs. Estimates and assumptions are based on historical experience and a number of other reasonable factors. The result of these estimates and assumptions is subsequently used to estimate the book values of assets and liabilities that are not otherwise clear from other sources. Actual outcomes can deviate from these estimates and assessments. The significant estimates and assessments consist primarily of the valuation of properties.

Investment properties

On valuation of properties, estimates and assumptions are made which have a significant impact on the consolidated income statement and balance sheet. The valuation requires that an estimate is made of future cash flows and yield requirements. The assumptions that have been made and what effect altered assumptions can have, may be seen in Note 12.

Project real estate

Project real estate is from 2009 recognised as investment property. The estimates and judgements that are made for project real estate are more difficult than for the cash generating units, since the uncertainty is higher and several. See Note 12.

Application of new accounting principles

The following amended standards and new interpretations have become effective in 2009;

IFRS 8 Operating Segments has no impact on Ruric's financial reporting since Ruric owns and manages property only in Saint Petersburg.

Revised IAS 1, Presentation of Financial Statements. The revised standard implies that the Statement of changes in equity only records ownership transactions. Other transactions that previously was recorded in the Statement of Changes in equity is now recorded as Other items in the Total result.

Revised IAS 23, Borrowing costs, deals with the recognition of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for intended use or sale). The standard no longer provides the option of expensing or capitalising such borrowing costs, but they must be capitalised. Ruric has previously capitalised interest expenses upon significant conversion and new construction work.

IAS 40 has been revised, which means that the classification of real estate that is built on or developed for future use as an investment property has been amended in IAS 40, Investment Property. Previously such properties were classified as property, plant and equipment and accordingly recognised at acquisition cost until the date of completion. The change in IAS 40 implies that such properties shall also be classified as investment properties during the production period and thus recognised according to the same principles as other investment properties. Ruric has classified the project real estate according to this standard.

Other changes of standards and new interpretations have not had any impact on the Groups financial reporting.

Standards and interpretations that will apply from 2010

IASB has issued amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and separate financial statements, which shall be applied for annual periods starting 1 July 2009, or later. The changes may have an impact on Ruric's financial statements in the event of future acquisitions.

Other changes of standards and new interpretations are not expected to have any impact on the Groups financial reporting.

Consolidated accounts

Subsidiaries

The consolidated accounts cover the parent company and the companies in which the parent company holds, directly or indirectly, shares corresponding

to more than 50 percent of the number of votes, or in some other way exercises a controlling influence over. The consolidated accounts have been prepared in accordance with the purchase method. This means that the Group indirectly acquires a subsidiary's assets and takes over its liabilities and contingent liabilities. Assets are recognised at the market value that has provided the basis for determination of the purchase price of the shares. The Group's equity comprises the parent company's equity and that part of the equity in the subsidiaries that has arisen after these companies were acquired.

Translation of foreign operations

Foreign operations whose functional currency is different than the reporting currency are translated by translation of the income statements at the average rate for the period the companies have been active and the balance sheets at the closing day rate. The translation difference that arises is reported under Other items in the Total result, and is accumulated in the Group's equity, as a translation reserve. The accumulated translation differences are reversed and recognised as a part of the capital gain or loss in those cases where the foreign operation is divested.

Associated companies

Associated companies are companies in which the Group has a significant, but not controlling, influence over the operational and financial control. Significant influence means that the owner company can participate in the decisions concerning a company's financial and operational strategies. Associated companies are recognised according to the equity method. This means that participations in associated companies are reported in the balance sheet at acquisition cost adjusted for changes in the Group's participations in the net assets of the associated company. Income from associated companies is reported in the income statement under the heading "Income from participations in associated companies" as a financial item. Dividends received from associated companies reduce the book value of assets.

Joint Ventures

A joint venture is a contract-based financial relationship where the group carries on financial operations in conjunction with another party, and where the parties have a joint controlling influence over the operational and financial control. Participations in joint ventures are recognised pursuant to the equity method (see above under associated company). Currently, Ruric has no participations in joint ventures.

Transactions that are eliminated

Intra-group receivables and liabilities, income and expenses, profits and losses arising through intra-group transactions are eliminated in their entirety on preparation of the consolidated accounts.

Segment reporting

Ruric owns and manages properties in Saint Petersburg, Russia. The internal reporting consists of income and expenses relating to the investment properties. Thus, there is only one segment, at present.

Income

Income is recognised to the extent it is probable that the financial benefits will inure to the Group and the income can be estimated in a reliable manner. In the event of a sale of property or a company, the transaction is recognised on the date of contract, unless special conditions apply to the purchase agreement.

Rental income

Rental income is recognised linearly in accordance with the terms and conditions in the applicable lease agreement. Any rental reductions are allocated over the term of the lease, provided that the reduction is not linked to the use of the premises, in which case it is charged to the period it refers to.

Financial income and expenses

Financial income and expenses consists of interest income on bank balances and receivables, interest expenses on borrowings, realised and unrealised exchange rate gains and losses. Interest income is recognised when it is earned.

Borrowing costs are recognised in the period to which they refer. To the extent that borrowing costs are directly attributable to acquisition, construction or production of an asset that necessarily demands a considerable amount of time to complete for the intended use, they are included in the asset's acquisition cost. The interest expense corresponds to the actual expense or according to a rate of interest corresponding to the Group's average interest expense for the period.

Leasing agreements

Ruric's leasing agreements are considered to be operational leasing agreements from an accounting perspective. Recognition of these is clear from the principle of revenue recognition. The Parent company's contract for the leased premises is an operational leasing and is presented as Other operating expenses. A financial leasing agreement exists when the financial risks and benefits associated with ownership are essentially transferred from the lessor to the lessee. Ruric has no financial leasing agreements as of 31 December 2009.

Financial instruments

A financial asset or financial liability is carried in the balance sheet when the company becomes party to it under the commercial terms of the instrument. A financial asset is removed from the balance sheet when the rights in the agreement are realised, mature or the company loses control over it. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or in some other way extinguished. Acquisitions and disposals of financial assets are recognised on the transaction date except in those cases where the Group acquires or disposes of quoted securities, in those cases settlement date accounting is applied.

Financial instruments include among the assets, cash and bank balances, rental receivables other receivables, loan receivables, and among the liabilities, accounts payable, other liabilities and borrowings. The financial instru-

ments are initially recognised at acquisition cost corresponding to the fair value with allowance for transaction expenses.

Financial transactions such as incoming and outgoing interest and loan payments are recorded on the maintaining bank's settlement date, while other incoming and outgoing payments are recorded on the maintaining bank's accounting date.

The company assesses on each reporting date whether there are objective indications that an impairment need exists in relation to a financial asset. All financial assets and liabilities are recognised at fair value, unless otherwise stated.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and any short-term deposit investments with terms of less than three months. Cash and cash equivalents are recognised at nominal value. Cash and cash equivalents in foreign currency are translated at the closing day rate. Translation differences are reported in the income statement as financial income or a financial expense.

Accounts receivable

Accounts receivable are categorised as "Loan receivables and accounts receivable" which means that they are valued as amortised cost. Accounts receivable are by their nature short-term and are recognized at nominal value, deducted with possible provisions for feared customer losses. See note 2.

Receivables

Long-term receivables and other receivables are receivables that arose when the company provided funds without intent to carry on trade with the right to make a claim. These receivables are classified as "Loan receivables and accounts receivables" and are valued at amortised cost according to the effective interest method.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been translated at the closing day rate. Exchange rate gains and losses on operating receivables and liabilities are added to the operating result. Profits and losses on financial receivables and liabilities are recognised as financial items.

Liabilities

Accounts payable are categorised as "Other financial liabilities" and are recognised at amortised cost. Accounts payable are by their nature short-term and are recognized at their nominal amount.

Borrowings

Borrowings consist of issued bond loans and are categorised as "other financial liabilities" and valued at amortised cost according to the effective interest method. This means for example that if the bonds are issued at a discount, the difference is allocated over the term of the loan and costs for issuance of the loan are allocated over the term of the loan.

Transactions in foreign currency

If a Group company receives an invoice in a foreign currency it is recorded at the exchange rate prevailing on the transaction date and is translated to the closing day rate over the income statement.

Investment properties

Investment properties are properties, whose purpose is to generate rental income or appreciation in value or a combination of both, rather than for use in the company's own operations or for sale. Investment properties are initially valued at acquisition cost with allowance for any transaction expenses. Investment properties are reported at fair value in the balance sheet. Fair value is based on external valuations that are carried out annually. Changes in value relating to investment properties are reported in the income statement.

Project real estate

Ongoing construction projects with the objective for future use as investment property are reported in the balance sheet like investment property above at fair value. The fair value is based on external valuations that are carried out annually. Changes in value relating to investment properties are reported in the income statement.

Property, plant and equipment

Property, plant and equipment consist of machinery and equipment. These are valued at acquisition cost less accumulated depreciation and any impairment. Straight-line depreciation is used over the assets' estimated useful life as follows:

Computers and peripheral equipment	3 years
Equipment, tools	5 years
Fixtures and fittings	7 years

Remuneration to employees

Remuneration to employees (salaries, bonus, holiday pay, sickness benefit, etc.), and pensions are recognised as they are earned. Ruric's employees only have defined contribution pension plans, which means that the company has no further pension obligations other than what is paid in premiums.

Taxes including deferred taxes

Deferred taxes are reported according to the liability method, as a consequence of which deferred taxes are calculated for all identified, temporary differences as of the balance sheet date between values for tax purposes and the book value of assets and liabilities.

Deferred tax assets are recognised in respect of all deductible temporary differences and unutilized loss carry-forwards to the extent it is probable that future taxable profits will be available and against which the temporary differences or unutilized loss carry-forwards may be used.

The recognised values of the deferred tax assets are estimated on each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available in order to utilize all or part of the deferred tax assets.

Deferred tax assets and tax liabilities are calculated on the basis of the tax rate expected to apply in respect of the period during which the assets or liabilities are settled, based on those tax rates (and tax regulations) applicable, or in practice applicable, on the balance sheet date.

Provisions

Provisions are liabilities that are uncertain with regards to amount and/or time when they are to be settled. Ruric report a provision in the balance sheet when there is an undertaking as a consequence of an occurred event

and it is likely that an outflow of resources will be necessary to settle the undertaking and a reliable estimation can be made. Present value calculations are made if there is a substantial time effect on future cashflow.

Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognised because, it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Parent Company's accounting principles

The Parent Company's annual accounts are prepared in accordance with the Annual Accounts Act and by application of the Swedish Financial Reporting Board's recommendation RFR 2.2 (Accounting for Legal Entities). RFR 2.2 stipulates that a legal entity must apply the same IFRS/IAS applied in the consolidated accounts, with exceptions and amendments depending primarily on statutory provisions in the Annual Accounts and taking into consideration the relationship between recognition and taxation. The differences between the accounting policies applied by the Group and the Parent Company may be seen below.

Shares in subsidiaries

Shares in subsidiaries are recognised in the Parent Company using the purchase method. The book value is estimated continuously. In those cases where the book value is higher than the amount to be recovered through use or sale of the asset, an impairment loss is charged to the income statement. In those cases where a previous impairment loss can no longer be justified, a reversal of this is made.

Group contributions and shareholders' contributions

Recognition of group contributions and shareholders' contributions takes place in accordance with the statement UFR2 from The Swedish Financial Reporting Board. Group contributions are recognised according to their financial content. Group contributions granted and received whose purpose is to minimise the Group's total tax, and any related tax effect, are recognised directly in the balance sheet as a decrease or increase of non-restricted equity. Group contributions that are on a par with a dividend are recognised as financial income in the income statement by the receiver and as a decrease of non-restricted equity by the grantor. Group contributions that may be equal to shareholders' contributions are recognised as such. Shareholders' contributions are recognised as an increase of shares in subsidiaries by the grantor and as an increase of non-restricted equity by the receiver.

NOTE 2 INCOME

The Group

Rental income and operating profits/losses are distributed for the geographical markets as follows:

	2009		2008	
	Rental income	**Operating profit**	**Rental income**	**Operating profit**
Russia	42.1	20.8	67.7	41.4
Total	**42.1**	**20.8**	**67.7**	**41.4**

Rental income includes provision for feared rental losses amounting to MSEK 6.0 (7.3).

The terms of Ruric's lease agreements are divided according to the table below:

Term	Lease value (yearly rent)	Share
2010	11.2	34%
2011	6.8	21%
2012	5.5	17%
2013	8.8	27%
>2014	0.2	1%
Total	**32.5**	**100%**

The Parent Company

Rental income and operating profits/losses are distributed for the geographical markets as follows:

	2009		2008	
	Rental income	**Operating profit**	**Rental income**	**Operating profit**
Sweden	1.1	1.1	1.2	1.2
Russia	0.0	0.0	0.0	0.0
Total	**1.1**	**1.1**	**1.2**	**1.2**

The Parent Company's rental income is not included in the Group's turnover.

NOTE 3 REAL ESTATE EXPENSES

	The Group	
	2009	2008
Property tax	4.4	6.0
Other real estate expenses	16.9	20.3
Total	**21.3**	**26.3**

NOTE 4 PURCHASES AND SALES BETWEEN GROUP COMPANIES

The Parent Company has invoiced management fees amounting to MSEK 0.2 (0.2) to subsidiaries.

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2009		2008	
	Number of employees	Of which men	Number of employees	Of which men
Parent Company				
Sweden	1	1	2	2
Russia	1	1	1	1
Total Parent Company	**2**	**2**	**3**	**3**
Subsidiaries				
Russia	40	21	74	43
Total Group	**42**	**23**	**77**	**46**

NOTE 6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	2009		2008	
	Salaries and other remuneration	Social security expenses (of which pension expenses)	Salaries and other remuneration	Social security expenses (of which pension expenses)
Parent Company	4.5	2.0	7.4	2.6
		(0.5)		(1.1)
Subsidiaries	10.6	1.2	24.1	2.5
		(0.9)		(1.9)
Group total	**15.1**	**4.6**	**31.5**	**5.1**

Salaries and other remuneration broken down per country and between Board members, etc., and employees.

	2009		2008	
	Board of Directors, Managing Director & other senior executives	Other employees	Board of Directors, Managing Director & other senior executives	Other employees
Parent Company				
Sweden	4.5	0.0	7.1	0.3
		0.0	**7.1**	**0.3**
Foreign subsidiaries				
Russia	1.1	9.5	6.6	17.5
		9.5	**6.6**	**17.5**
Group total	**5.6**	**9.5**	**13.7**	**17.8**

Note 6 cont.

	2009			2008		
	Basic salary/ Director's fees	Variable remuneration	Pension expense	Basic salary/ directors' fees	Variable remuneration	Pension expense
The Chairman of the Board	0.1		–	0.1	–	–
Other Board members	0.4		–	0.3	–	–
Outgoing Managing Director	–		0.2	0.9	0.0	0.3
Managing Director	2.4		–	1.3	0.0	0.0
Other senior executives	1.2		0.5	3.2	4.5	0.5
Total	**4.1**	**0.0**	**0.7**	**5.8**	**4.5**	**0.8**

Remuneration to the Board of Directors amounts to SEK 500,000 to be distributed amongst the Board members.

The Managing Director receives a fixed annual salary of USD 280,000 and benefits in the form of compensation for dual residence, health care and training. In 2009 the benefits amounted to SEK 155,000. Employee withholding tax is included in the salary cost.

The Managing Director is entitled to terminate the employment agreement subject to three months' notice of termination. The Company is entitled to terminate the employment agreement subject to twelve months' notice of termination. In the event of termination by the Company, the Managing Director is entitled, in addition to salary, to severance pay equal to six months' salary, or twelve months' salary if the Managing Director has reached the age of 50.

The Company shall make annual pension contributions to the Managing Director equal to 4 percent of the Managing Director's fixed salary. The retirement age for the Managing Director is 65. In the event that the Managing Director is in service at the age of 60, the Managing Director or the Company shall be entitled to terminate the employment, whereupon retirement pension shall be payable in the amount of 70 percent of the most recent annual salary. Such pension shall be payable until the ordinary retirement age is reached.

NOTE 7 INFORMATION ABOUT AUDITOR'S FEES

	The Group		The Parent Company	
	2009	2008	2009	2008
Ernst & Young AB				
Audit assignments	1.3	1.0	0.9	0.4
Other assignments	0.2	0.3	0.2	0.3
Total	**1.5**	**1.3**	**1.1**	**0.7**
Other auditing firms				
Audit assignments	0.1	0.2	0.0	0.0
Other assignments	0.0	0.0	0.0	0.0
Total	**0.1**	**0.2**	**0.0**	**0.0**

NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2009	2008	2009	2008
Interest income	12.2	13.3	154.1	188.0
Exchange rate gains	4.0	33.3	2.7	230.6
Other financial income	0.0	0.0	0.0	0.0
Total	**16.1**	**46.6**	**156.8**	**418.6**

NOTE 9 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2009	2008	2009	2008
Interest expenses	–76.1	–48.3	–131.1	–95.8
Expense related to issuance of bond loan	–	–6.0	–15.9	–6.0
Other financial expenses	–4.5	0.0	0.0	0.0
Exchange rate losses	–19.7	–6.6	–101.4	–6.4
Total	**–100.3**	**–60.9**	**–248.4**	**–108.2**

NOTE 10 TAX ON PROFIT FOR THE YEAR

	The Group		The Parent Company	
	2009	2008	2009	2008
Current tax expense	–0.3	–2.4	–	–
Deferred	3.1	56.7	–	–
Recognised tax expense	**2.8**	**54.3**	**0.0**	**0.0**

The difference between the Group's tax expense and the tax expense based on the applicable tax rate consists of the following elements:

	The Group		The Parent Company	
	2009	2008	2009	2008
Reported results before tax	–1,070.7	–405.0	–1,106.6	–15.6
Tax according to applicable tax rates in each country	309.8	112.0	291.0	4.4
Adjustments for tax purposes:				
Non-deductible items	–255.5	–70.5	–259.7	–83.7
Deductible items not included in reported results	0.0	1.3	0.0	1.3
Effect of changes in tax rate	0.0	1.6	0.0	0.0
Group contribution paid	–	–	–0.2	0.0
Group contribution received	–	–	13.9	32.9
Adjusted assessment relating to previous year	0.0	–0.1	0.0	0.0
Adjustment of deferred tax	–3.2	0.0	0.0	0.0
Non-capitalised part of deficit for the year	–48.4	–46.7	–45.0	0.0
Utilisation of capitalised loss carry forwards from prior years	0.0	57.0	0.0	45.1
Recognised tax expense	**2.8**	**54.6**	**0.0**	**0.0**

The nominal tax rate in Sweden – excluding the branch – amounted to 26.3 percent and in the Russian operations, to 20 percent.

At year-end, the Group's total non-capitalised loss carry forwards were estimated at slightly less than MSEK 198 and for the Parent Company to MSEK 171.

The Group's temporary differences have resulted in deferred tax assets and tax liabilities with respect to the following items:

	The Group		The Parent Company	
	2009	2008	2009	2008
Deferred tax assets				
Opening balance	40.5	6.1	0.0	0.0
Revaluation of unutilised loss carry forwards	–17.1	0.0	0.0	0.0
Temporary differences	–5.0	34.4	0.0	0.0
Closing book value	**18.4**	**40.5**	**0.0**	**0.0**

Deferred tax assets relating to deficits, in the present year and previous years, have not been capitalised in previous years. In 2008 some of these were activated and off-set.

During the year, previously activated deficits amounting MSEK 17.1 was recocognised as tax cost in the income statement since they no longer are assessed to be set-off for future revenues.

Deferred tax assets are related to deficits in the Russian subsidiaries and are aimed to be off-set with future revenues.

	The Group	
	2009	2008
Deferred tax liability		
Opening balance	32.2	51.1
Changes in value properties	–14.9	–22.7
Other temporary differences	–8.0	3.8
Closing book value	**9.3**	**32.2**

Tax audit

During 2009 the Swedish Tax Authority has audited Russian Real Estate Investment Company AB and Russian Real Estate Investment Company Shest AB, specifically for extensive foreign currency transactions during the years 2006–2009. The tax authority decided to increase the taxable income SEK 491,180 for 2007. Ruric has not objected to the decision. After the end of the period the Tax Authority given a notice of consideration to raise taxable income for 2008 by SEK 1,576,499 and also to refuse deduction of SEK 54,066,203 for the subsidiary Ruric Shest AB. Ruric AB will not object to the consideration, which will lead to increased tax cost of about SEK 177,943 including tax surcharge. Regarding Ruric Shest, the consideration may be disputed. Should Shest not gain acceptance for such disputing, this will lead to an increased tax cost amounting to SEK 164,646 including tax surcharge.

NOTE 11 EARNINGS PER SHARE

	The Group	
	2009	2008
Loss after tax	–1,067.9	–350.7
Number of shares at the end of the period	11,363,096.0	11,363,096.0
Average number of shares	11,363,096.0	7,258,065.0
Average number of shares, incl. dilution	11,363,096.0	7,258,065.0
Earnings per share	–93.98	–48.32

Earnings per share is calculated as the profit/loss for the period in relation to the average number of shares.
No dilution effect is deemed to exist as the discounted value of the issue price exceeds the share price at the end of the period.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Equipment, tools and facilities

	The Group		The Parent Company	
	2009	2008	2009	2008
Opening acquisition value	9.1	7.4	5.0	4.0
Purchases	0.7	1.7	0.0	1.0
Disposals/obsolescence	–2.4	0.0	0.0	0.0
Exchange rate differences	–0.3	0.0	0.0	0.0
Closing accumulated acquisition value	**7.2**	**9.1**	**5.0**	**5.0**
Opening depreciation	–1.7	–1.2	–0.4	–0.2
Disposals/obsolescence	0.5	0.1	0.0	0.0
Depreciation for the year	–0.4	–0.6	–0.3	–0.2
Other changes	–0.4	0.0	0.0	0.0
Closing accumulated depreciation	**–2.0**	**–1.7**	**–0.7**	**–0.4**
Closing residual value according to plan	**5.2**	**7.4**	**4.3**	**4.6**

Investment properties

The investment properties have been valued by valuation company Aurora Consulting. The supporting documents for the valuation have been supplied by Ruric. The information provided consists of leases, lease duration and operating and maintenance costs. In addition to this, the valuation company deploys it own information about the rental trend, vacancy rates and market conditions in general in order to make an estimate of the value of each property.

The valuation aims to estimate the market value at the valuation date. By market value it refers to the most likely price in the event of a sale with normal time allowed for marketing on the open market. For the valuation estimate, a cash flow statement is produced for each property. The cash flow statement consists of an assessment of the present value of the property's future net operating income during a calculation period and the present value of the object's residual value after the end of the calculation period. In addition an assessment of reconstruction cost of a building of the same kind and quality is made, as well as an analysis of comparable transactions in the market. Thereafter a judgement of market value is made.

The average yield requirement of the properties in the valuation estimate amounts to approximately ten per cent of the estimated closing net operating income at the valuation date, 31 December 2009.

	The Group	
	2009	2008
Fair value at the start of the year	**525.3**	**549.9**
Reclassification/ completion	–1.7	0.0
Investments		19.1
Sales	–151.1	0.0
Changes in value	–154.5	–158.1
Changes in exchange rates	–13.2	114.4
Fair value at year-end	**204.8**	**525.3**

Note 12 cont.

Sensitivity analysis

		Yield requirements			
Net operating income		**10%**	**10.2%**	**12.0%**	**14.0%**
–15%	17.7	177.4	174.0	147.9	126.7
–10%	18.8	187.9	184.3	156.6	134.2
–5%	19.8	198.3	194.5	165.3	141.7
0%	**20.9**	**208.8**	**204.8**	**174.0**	**149.1**
5%	21.9	219.2	215.0	182.7	156.6
10%	23.0	229.6	225.2	191.4	164.0
15%	24.0	240.1	235.5	200.1	171.5

A change in net operating income of +/– 5% (caused by e.g. rental changes or letting rate) affects the value by approximately 5 per cent.
A change in the yield requirement by +/– 2% units affects the value by approximately 16 per cent.

Ongoing property projects

	The Group	
	2009	**2008**
Fair value at the start of the year	**1,137.5**	**1,167.3**
Reclassification/ completion	0.0	0.0
Investments	53.1	190.2
Sales	–	–207.4
Changes in value/Impairment	–744.2	–236.8
Changes in exchange rates	–43.4	224.2
Fair value at year-end	**403.0**	**1,137.5**

Loan expenses of MSEK 47.2 (47.4) have been capitalised as ongoing property projects. The interest rates which are used to determine the amount of the capitalised loan expenses average 10.0 (10.0) per cent.

The ongoing property projects have been valued by valuation company Aurora Consulting. The supporting documents for the valuation have been supplied by Ruric. The information provided consists of project plans, investment calculations etc. In addition to this, the valuation company deploys it own information about the rental trend, vacancy rates and market conditions in general in order to make an estimate of the value of each property. An important factor regarding the project properties is construction cost.

The valuation aims to estimate the market value at the valuation date. By market value it refers to the most likely price in the event of a sale with normal time allowed for marketing on the open market. For the valuation estimate, a cash flow statement is produced for each property. The cash flow statement consists of an assessment of the present value of the property's future net operating income during a calculation period and the present value of the object's residual value after the end of the calculation period.

In addition an assessment of reconstruction cost of a building of the same kind and quality is made, as well as an analysis of comparable transactions in the market. Thereafter a judgement of market value is made.

For Moika/Glinky project it is anticipated that Ruric will get an extension of the investment agreement until at least 2014.

NOTE 13 FINANCIAL ASSETS

Participations in subsidiaries

	The Parent Company	
	2009	**2008**
Opening acquisition value	447.1	231.7
Contribution made and group contribution	899.4	215.4
Sales	–84.3	0.0
Closing accumulated acquisition value	**1,262.2**	**447.1**
Opening impairment	–258.2	–0.2
Impairment for the year	–969.0	–258.0
Closing accumulated impairment	**–1,227.2**	**–258.2**
Closing book value	**35.0**	**188.9**

Other long-term receivables

	The Group		The Parent Company	
	2009	**2008**	**2009**	**2008**
Loan receivables	149.2	144.2	6.7	0.2
Property VAT	85.2	71.1	0.0	0.0
Closing accumulated acquisition value	**234.4**	**215.3**	**6.7**	**0.2**
Closing book value	**234.4**	**215.3**	**6.7**	**0.2**

Loan receivables refer to loans to associated companies LLC Perspectiva Development, LLC Litera and Grechetto Holding. The loans run with average interest of 8.5 percent and are issued in USD. Interest income has been recognised of MSEK 11.5 on these receivables.

No market exists for these types of securities and the company does not consider that it can estimate a fair value.

Of the Parent Company's loan receivables MSEK 6.5 are classified as receivables on associated companies.

The duration of the loan receivables is allocated as follows:

2010	**2011**	**2012**	**2013**
37.8	–	92.3	19.1

The VAT is repayable within 3 years from payment. Property VAT with estimated repayment within 1 year is reclassified to short-term receivables.

NOTE 14 PARTICIPATIONS IN GROUP COMPANIES

	Share of equity	Share of votes	Number of shares	Book value 2009-12-31	Book value 2008-12-31
Russian Real Estate Investment Company Sw 1 AB	100%	100%	1,000	0.1	4.0
Limited Liability Company Ruric 1	100%	100%	100,000		
Limited Liability Company Tekhnostroi	100%	100%	1		
Limited Liability Company Service	100%	100%	1		
Limited Liability Company Ruric Management	100%	100%	1	0.2	0.2
Closed Joint-Stock Company Grifon	–	–	–	–	84.3
Russian Real Estate Investment Company DVA AB	100%	100%	100,000	1.0	6.1
Limited Liability Company Ruric 2	100%	100%	349,099		
Russian Real Estate Investment Company TRI AB	100%	100%	100,000	0.0	27.1
Limited Liability Company Ruric 3	100%	100%	100		
Russian Real Estate Investment Company Chetire AB	100%	100%	100,000	11.3	31.2
Limited Liability Company Ruric 4	100%	100%	1		
Russian Real Estate Investment Company Pyat AB	100%	100%	1,000	0.1	20.3
Cofulek Limited Liability Company	65,5%	65,5%	72,019		
Limited Liability Company Crocus	100%	100%	1		
Limited Liability Company Incom	100%	100%	1		
Russian Real Estate Investment Company Shest AB	100%	100%	100,000	0.1	0.1
Limited Liability Company Glinky 2	100%	100%	1		
Russian Real Estate Investment Company Syem AB	100%	100%	1,000	6.4	6.4
PD Finance Sweden AB	100%	100%	1,000	15.8	9.3
Total				**35.0**	**188.9**

Information regarding subsidiaries' corporate identity numbers/registration numbers and registered offices:

	Corp. id. no./Reg. no.	Registered office
Limited Liability Company Ruric 1	104 785 503 9210	St Petersburg
Limited Liability Company Ruric 2	104 785 509 3846	St Petersburg
Limited Liability Company Ruric 3	104 785 508 6916	St Petersburg
Limited Liability Company Ruric 4	104 785 504 6227	St Petersburg
Limited Liability Company Ruric Management	105 781 268 3928	St Petersburg
Cofulek Limited Liability Company	HE 166876	Nicosia
Limited Liability Company Crocus	103 786 102 5542	St Petersburg
Limited Liability Company Incom	103 782 800 1738	St Petersburg
Limited Liability Company Tekhnostroi	105 781 320 3469	St Petersburg
Limited Liability Company Ruric Service	107 784 756 4442	St Petersburg
Limited Liability Company Glinky 2	106 784 720 5810	St Petersburg
Russian Real Estate Investment Company Sw 1 AB	556653-9721	Stockholm
Russian Real Estate Investment Company DVA AB	556662-7161	Stockholm
Russian Real Estate Investment Company TRI AB	556662-7286	Stockholm
Russian Real Estate Investment Company Chetire AB	556662-7971	Stockholm
Russian Real Estate Investment Company Pyat AB	556656-5841	Stockholm
Russian Real Estate Investment Company Shest AB	556662-8011	Stockholm
Russian Real Estate Investment Company Syem AB	556656-6799	Stockholm
PD Finance Sweden AB	556717-7968	Stockholm

NOTE 15 PARTICIPATIONS IN ASSOCIATED COMPANIES

Other investments held as fixed assets

	The Group	
	2009	2008
Opening acquisition value	111.7	36.4
Acquisitions	0.0	91.0
Impairments	–42.5	–8.0
Appreciation	91.9	0.0
Participating interests	–12.0	–7.7
Closing accumulated acquisition value	**149.1**	**111.7**
Closing book value	**149.1**	**111.7**

Fair value is estimated to be equal to book value.

Information about registration number and share of equity

	Corp. id. no./ Reg. no.	Registered office	Share of equity	Number of shares	Book value 2009-12-31	Book value 2008-12-31
PDH Sweden AB	556717-6895	Stockholm	25.1%	318	65.6	53.6
Grechetto Hld Ltd	HE 208926	Nicosia	50.0%	5,000	83.5	58.1

In the above participations in associated companies Ruric does not have controlling influence since the management is divided with the other parties.

NOTE 16 OTHER RECEIVABLES

	The Group		The Parent Company	
	2009	2008	2009	2008
Property VAT	8.9	28.9	2.0	0.3
Short-term receivables Group companies	–	–	158.3	133.0
Other short-term loan receivables	0.0	4.7	0.0	0.0
Tax receivables	2.5	8.2	0.0	0.0
Other receivables	53.8	10.3	52.7	4.6
Total	**65.2**	**52.1**	**213.0**	**137.9**

NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

	The Group		The Parent Company	
	2009	2008	2009	2008
Prepaid expenses relating to bond loan	0.0	15.4	0.0	15.4
Accrued interest income	29.0	19.0	0.0	0.0
Other items	5.1	5.3	1.0	1.6
Total	**34.1**	**39.7**	**1.0**	**17.0**

NOTE 18 CASH AND CASH EQUIVALENTS

	The Group		The Parent Company	
	2009	2008	2009	2008
Cash and bank balances	57.3	47.0	1.6	29.8

In addition MSEK 17.8 has been transferred to client account at G Grönberg Advokatbyrå as the Parent company is in company reorganization. This is recognized as short-term receivables in the balance sheet.

NOTE 19 BOND LOAN

Ruric has two outstanding bond loans. Both loans had annual coupon payments on 16 November and redemption on 16 November 2010. Both loans were accelerated on 13 November 2009 when the Company applied for company reorganization. A composition proposal has been adopted and ruled by the District Court of Stockholm on 1 April 2010, implying that the bond holders will receive either 55 per cent in cash dividend or a new bond amounting to 66.5 per cent of the claim with 4.5 years term.

The loans are recognized as short term liabilities.

The Group	
Nominal value	851.5
Share of the loan that is owned by Group Companies	–20.0
Book value in the Group	831.5

NOTE 20 OTHER LONG-TERM LIABILITIES

	The Group		The Parent Company	
	2009	**2008**	**2009**	**2008**
Other non-current liabilities	1.2	1.3	0.2	0.2
Total	**1.2**	**1.3**	**0.2**	**0.2**

NOTE 21 OTHER CURRENT LIABILITIES

	The Group		The Parent Company	
	2009	**2008**	**2009**	**2008**
Paid deposits	0.0	38.8	0.0	38.8
Tax liabilities	0.3	0.0	0.0	0.0
Other current liabilities	3.1	28.7	1.3	1.4
Total	**3.4**	**67.5**	**1.3**	**40.2**

NOTE 22 ACCRUED EXPENSES AND PREPAID INCOME

	The Group		The Parent Company	
	2009	**2008**	**2009**	**2008**
Deferred rental income	7.7	9.8	0.0	0.2
Accrued interest expenses bond loan	113.6	12.5	117.0	12.5
Accrued expenses due to pre-redemption of bond loan	11.4	0.0	12.0	0.0
Accrued personnel expenses	0.7	2.5	1.0	2.5
Other items	4.3	2.8	1.6	0.9
Total	**137.7**	**27.6**	**131.6**	**16.1**

NOTE 23 CONTINGENT LIABILITIES

Ruric has assumed certain undertakings within investment agreements. In most cases they are difficult to quantify. The company's most significant undertakings are described briefly below:

1. **Moika/Glinkij**
   Remaining undertaking concerns the completion of buildings of at least 95,000 sq.m within the area before 31-12-2011. Application for extension to 2014 has been filed.
2. **Apraksin Dvor**
   Remaining undertaking refers to relocation of a fire station to a site which has still not been assigned. In addition to this, a sum corresponding to MSEK 7.9 must be paid as final payment. It cannot be ruled out that further commitments have been made during the year that the Board and management are not aware of. The Group auditor has not been allowed to audit the accounts of the project companies.
3. **Fontanka 57 (50 procent)**
   The undertaking relates to front renovation of the property which was completed during first quarter, and renovation of the rest of the property. The remaining investment is estimated to MSEK 100 of which Ruric shall finance half.

NOTE 24 TRANSACTIONS WITH RELATED PARTIES

- During 2009, E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, received MSEK 0.2 in fees, in addition to the above, in their capacity as liquidity
- The Chairman of the Board, Nils Nilsson will receive remuneration/fees of MSEK 0.7 for work put in, travel etc.

NOTE 25 FINANCIAL GOALS

As a consequence of the company reorganisation that Ruric is currently going through, the Board has elected to limit the statements on financial goals to consist of a financial risk limitation. In the short run Ruric shall have a debt to equity ratio between 25 and 50 per cent.

Stockholm May 5 2010

Nils Nilsson
Chairman of the Board

Tom Dinkelspiel

Jens Engwall

Harald Kjessler

Anders Sjunnesson

Craig Anderson
Managing Director

My auditor's report deviates from the standard format and was presented on 6 May 2010

Mikael Ikonen
Authorized Public Accountant

AUDIT REPORT

To the annual meeting of the shareholders of Russian Real Estate Investment Company AB (publ)
Corporate identity number 556653-9705

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Russian Real Estate Investment Company AB (publ) for the year 2009. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

Except from what have been stated below we have conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

As presented in the Management´s report, have the cooperation with a partner in charge of the administration of two Russian subsidiaries, failed during the year. As a result of this, representatives of the parent company have been denied access to the accounting records of these parts of the Russian operations. Consequently no audits of these subsidiaries have been performed for the financial year 2009. This limitation in scope does not concern the main part of the Group´s operations but have resulted in us not beeing able to collect enough supporting evidence regarding some items in the accounts of the parent company and the consolidated accounts.

Due to the fact stated above we have not been able to express an opinion as to whether or not the Annual report has been prepared according to the Annual Accounts Act and give a true and fair view of the company´s financial position and results of operations in accordance with generally accepted accounting policies in Sweden. Nor can we express an opinion as to whether the consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group´s financial position and results of operations. Neither can we express an opinion whether the statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We can neither recommend nor oppose to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the statement of comprehensive income and the statement of financial position for the group be adopted or that the profit of the parent company be dealt with in accordance with the proposal in the administration report.

We recommend that the members of the board of directors and the managing director be discharged from liability for the financial year.

Without it affecting our opinion above we want to draw the attention to the information in the Management´s report that the company, in connection with the reconstruction, has received a legally binding composition with the creditors. A condition for the composition, which is stated in the Management´s report, is a new share issue. The company´s ability to continue its' operations under Going concern assumptions is also in other aspects dependent on the fulfillment of the new share issue.

Further it is noted in the Management´s report that there are ongoing disputes with the above mentioned parties. The outcome of these disputes can, at this moment, not be assessed, and there are no provisions made in the financial reports referring to possible obligations future court sentences may bring.

Stockholm May 6th 2010

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

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