RURIC
RUssian Real estate Investment Company

ANNUAL REPORT 2010

RURIC

In house translation of Swedish original. We use MSEK as an abbreviasion for million Swedish kronor.

Contents

Ruric in brief

Ruric was founded in 2004 for the purpose of taking advantage of investment opportunities in the property market of Saint Petersburg. The parent company is based in Stockholm, with the day to day operations managed from the office in Saint Petersburg.

At the end of 2010, Ruric owned six properties in central Saint Petersburg, including three completed office properties totalling about 14,400 square metres and three development projects with a potential total area of about 160,000 square metres. Ruric also owns 25 per cent of a 132 hectare land area southwest of the city. The company is one of the leading foreign investors in the city's property 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 their tenants' business operations.

Vision

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

Strategy

Ruric's strategy is to manage property 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:

- strong local network among local market operators and the authorities
- 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 per cent.

Moika/Glinki

THE YEAR IN BRIEF

- Net turnover was MSEK 36.3 (42.1). The decline is mainly due to higher vacancies than in the previous period.
- The result after tax amounted to MSEK 47.4 (-1,067.9). The improved result is explained by value changes in the property portfolio during previous year and by composition gain.
- Value changes in the investment properties amount to MSEK 24.6 (-154.5) and in project properties to MSEK 37.6 (-744.2). After two years of sharply falling values, there is now an upturn.
- Earnings per share amounted to SEK 0.76 (-93.98).
- The Oscar property became fully let in May.
- The company reorganisation was completed in June with a new share issue, an offset issue and a composition payment. Equity was strengthened by about MSEK 425.
- Most of the disputes regarding Apraksin Dvor were set aside.
- A settlement and final payment regarding Grofon House was achieved.
- After year end, the Russian defence minister gave orders that the investment agreement regarding Moika/Glinki should be extended by three years to December 2014.
- Ruric's application for repayment of investment VAT of about MSEK 28 has been granted. The sum was paid out in mid March 2011.

INCREASED INTEREST IN PROPERTY

During 2010 we saw a gradual return to normality following the financial crisis. Buoyed by higher gas and oil prices above USD 80 per barrel, the Russian economy stabilized. The rouble exchange rate declined versus the Swedish krona but held fairly stable at 29-30 to the US dollar.

Employment picked up in the Saint Petersburg area as the large foreign owned car plants re-established their production lines to capacity. A further sign of the improved labour market was the fact that two international employment agencies signed long term rental agreements with Ruric and have already begun recruitment campaigns in the city.

Infrastructure investments

Investment in tourism and infrastructure continued, including a new ferry line between Stockholm and Saint Petersburg, which opened in April 2011. Also, the frequency of the ferry connection with Helsinki has improved and there is also a new high-speed train between Saint Petersburg and Helsinki, cutting the travelling time from six hours to under four.

The new high speed rail link between Moscow and Saint Petersburg has also increased it's frequency and there are now plans to cut the travel time from 4 hours to 2.5 hours. The new city ring road and a second international airport terminal is also expected to open in 2011 as well as a brand new football arena with capacity for 62 000 spectators.

We also saw positive signs of increased activity in the property market. High oil prices and government subsidized mortgages are expected to bolster demand for housing in 2011 which should result in a gradual increase in house prices

With few property transactions in the Saint Petersburg area it is still difficult for surveyors to assess property value, even although there was a slight improvement in the transaction market during the fourth quarter. In estimating the value of Ruric's portfolio we used local surveyors with in depth knowledge of the city and the local market. We believe that the valuations are conservative in a long-term perspective.

Progress at Moika/Glinki

Ruric's continued and unrelentless efforts have resulted in much progress at Moika/Glinki. In early 2011, the Russian Minister of Defence signed an order to extend the terms of the investment agreement for an additional three years until December 2014. The associated partners within the Ministry of Defence have confirmed the order and initiated the process of implementing the amendment which is expected to be completed within the year.

The order was a significant step towards realizing the potential value in the project for both Ruric and it's perspective partners in the development. With the legal and contractual filings and registrations done, we now have the foundation laid to begin developing Moika/Glinki, with a plan to divide the complex into approximately 60 per cent residential housing and 40 per cent business centre, retail and hotel facilities.

Property development on the rise

We have also seen activity pick up in locations close to Moika/Glinki. The construction of the Second Stage building of the Marinsky Theatre is well underway while the new Army and Navy museum directly opposite Moika/Glinki is nearing completion. The New Holland development has also recently been re-energized with new investors planning to initiate works. It is exciting to see all of these plans taking shape in such close proximity to Moika/Glinki which leaves Ruric well positioned to benefit in the long term as these projects, along with Moika/Glinki, will transform the entire area.

Ruric is actively seeking new investors in order to continue developing the project for the medium and long term, with the prospects for bringing investors on board being promising.

Stronger balance sheet

In 2010 Ruric finalised the company reorganization. The re-financing was completed in the second quarter through a combination of share and bond issues as well as a composition payment. The reorganization was a challenging process. Thanks to, among other things, our strong administrator, choice of advisors and a diligent management team we managed the process in a professional and proper manner and importantly, we secured all of the Companies' assets.

Outlook

Economists predict the Russian GDP to grow by approximately 5 per cent and unemployment to fall to 7.5 per cent in 2011. The demand for office premises is slowly picking up, even though the increased supply of new office space so far has held back rental levels. Based on discussions with potential partners in the Moika/Glinki project, it is fair to say that interest in real estate projects has returned. This is also helped by a continued improvement in credit markets.

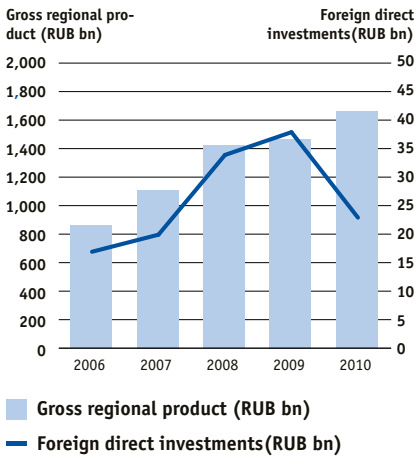
With the reorganization of Ruric complete, Ruric can now fully focus on it's clear strategic plans. The strong management team that is in place will continue to develop our business center strategy and the realisation of the investment projects.

This makes me confident that we will see continued improvements in our business this year, and thus take further steps to realize our vision of being a leading real estate company in Saint Petersburg.

Saint Petersburg in April 2011

Craig Anderson
CEO

THE MARKET BEGINS TO RECOVER



Source: Jones Lange LaSalle - OnPoint report, November 2010

The economy in Saint Petersburg began to recover in 2010, which is also confirmed by several key indicators such as increased industrial production and increased retail sales. The labour market began to recover at the start of the year, with a gradual improvement throughout the year. Similarly, real wages began to increase compared to the previous year

Yet another sign of improvement was the increase in foreign investment in the city. Altogether foreign investment is expected to increase by about 4 per cent during the year. Improvement can also be seen in the investment market in terms of offers and demand, as well as rent levels.

Internationalisation of the market

Internationalisation of the Russian property market has increased since the turn of the millennium, with a temporary pause during the financial crisis. This development has partly been driven by international capital invested in property and partly by western companies becoming established in Russia and demanding higher standards than have been found in existing inventory.

Saint Petersburg and Moscow are the fastest developing markets. In these markets, high rent levels, historically low levels of vacancies, increasing demand for western standards and good potential for return on investment have all contributed to interest, especially in new production and project development.

Russian property is normally divided into classes A, B+, B and C, depending on location, age, condition, security level and any additional services offered by the landlord. Saint Petersburg has a high proportion of older buildings of great cultural history value, which the city wishes to protect. There are therefore various limitations and restrictions with regard to the extent to which new building and reconstruction can be done in central parts of the city and what segments such reconstruction affects.

The office market

The supply of new office space in the upper segment, that is to say classes A and B, sank to about 150-180,000 square metres in 2010 as the number of new building projects declined. For 2011-2012, the supply of newly built and renovated office space in the upper segment is expected to be about 200-250,000 square metres a year, according to various forecasts.

From the end of 2009, trends and net leasing became positive again. Net leasing was positive in 2010, with net leasing of about 110,000 up to the beginning of the fourth quarter. Towards the end of 2010, there was about 390,000 square metres of office space available for leasing in existing A and B class properties. The trend remained positive at the beginning of 2011, then the amount of vacant office space reduced rapidly, amounting to about 280,000 square metres at the end of the first quarter, according to Jones Lang LaSalle.

The main driving force was tenants upgrading and moving to more modern office premises. An increasing number of companies considered moving to new and more modern premises, partly as a result of rents coming down after the financial crisis and staying low during 2010. The demand was also increased by foreign companies opening offices in the

Indicators office market Saint Petersburg

	2010 Q3	2009	2008	2007	2006
Stock ('000 sq m)	1,780	1,540	1,359	909	702
Completions ('000 sq m)	74	181	391	207	157
Net absorption ('000 sq m)	112	5	239	187	148
Vacancy rate (%)	22.0	24.7	15.0	5.3	5.1
Prime base rent (USD/sq m/year)	500	600	1.000	900	800

Source: Jones Lange LaSalle - OnPoint report, November 2010

city. Demand was greatest for class B and B+ properties.

The market for larger office premises of 1,000 - 2,000 square metres also revived during the year, after having been very weak during the financial crisis.

Average vacancy levels decreased during the year. Estimates of vacancy levels varied somewhat, but were between 20 and 30 per cent for class A offices. For class B offices, estimates at the end of the year varied between 5 and 20 per cent. The highest vacancy levels were in newer office centres in poor locations.

Rent levels stabilised during the year, after the fall in 2008-2009, then began to increase somewhat towards year end. Rent levels, in dollar terms, increased by 5 per cent for class A offices. For class B offices, the increase was between 5 and 10 per cent.

The yield on office properties in Saint Petersburg was assessed by property consultants Astera to be between 12 and 14 per cent in 2010.

Most business activity in 2010 was in the central districts of Centralny, Vasilieostrovsky, Petrogradsky and Moskovsky. Most of the available office space was in Centralny, Primorsky, Vasilieostrovsky and Petrogradsky, according to BNP Paribas/Astera.

Retail premises

The amount of retail space on offer increased by only about 8,000 square metres during the year. Around the turn of the year however, we saw Galeria with 93,000 square metres and Nevsky Centre with 42,700 square metres, partly of retail space and with tenants including Stockmann of Finland. Leto is expected to open with 79,000 square metres in early 2011. A number of projects started during the year and are expected to lead to a total of about 200,000 square metres of retail space coming in 2011-2012, according to Jones Lang LaSalle.

The level of vacancies in the retail segment fell after reaching a peak in 2009. This reduction is expected to continue through 2011-2012, according to Jones Lang LaSalle. There is practically no vacant retail space in the upper segment of the city's shopping centres. Both international and Russian retailers arrived during the year in various segments, including fashions, household products, restaurants and cafes.

Rent levels for retail premises in the best locations increased towards the end of the year to about USD 2,000 per square metre. A number of lease agreements were based on turnover, which has become more common after the financial crisis. Another alternative was agreements with built in rent steps, in which the rent increases in stages over the course of a couple of years. Where lease agreements are in dollars or euros, these are often at a predetermined rate of exchange, a method also often adopted by Ruric for its office premises.

Improving market

Astera expects the migration to higher quality offices to continue in 2011, that the level of vacancies will marginally decrease and that it will be possible to raise rents for office space in the best locations by 5-10 per cent. Ruric shares this view, and has indeed noticed it during the beginning of 2011.

Rental rates growth in Saint Petersburg qualitative business centres with good locations is possible within 5 per cent for class A properties and by 5-10 per cent for class B properties.

Astera December 2010

2010 became a period of gradual restoration and of slow growing of all parameters for Saint Petersburg.

Astera December 2010

MANAGEMENT AND GOOD CUSTOMER CARE

Strategy

Ruric's strategy is to manage property 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:

- a strong local network among market operators and the authorities
- an organisation that enables quick investment decisions and rapid implementation
- exploiting the advantage of being a listed company

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

Ruric assesses properties that are or may become available. To consider a property acquisition, premises of 4,000 to 10,000 square metres that can be developed through conversion and/or renovation within a period of 18 months are required.

Property management

Ruric's wholly owned subsidiary Ruric Management handles the property management. Property maintenance is procured from external suppliers.

Marketing and leasing

Customer care and a close dialogue with tenants is always important in property management. This has become especially important over the last two years. The changing needs of tenants over the period have meant discounts and reduced space among other things. It is therefore particularly heartening that many of the tenants who remain have begun to expand and have leased larger premises. Rent levels have also become established at a higher level in line with the improving market.

Ruric uses many channels to market premises: advertising, agents and the website (www.ruric.org), where potential tenants can find virtual navigation around vacant premises.

During the year, lease agreements have been more frequently signed in roubles rather than US dollars, which was most common previously.

Property appraisals

Ruric has its property portfolio valued at least once a year by an established appraisal institution. The valuation shall reflect the most probable value in a sale on an open market with normal marketing time. Generally a valuation model is used that is based on the current value of the assessed future payment flows. The valuation arrived at by this method is reconciled against comparable transactions and against an assessment of new building costs.

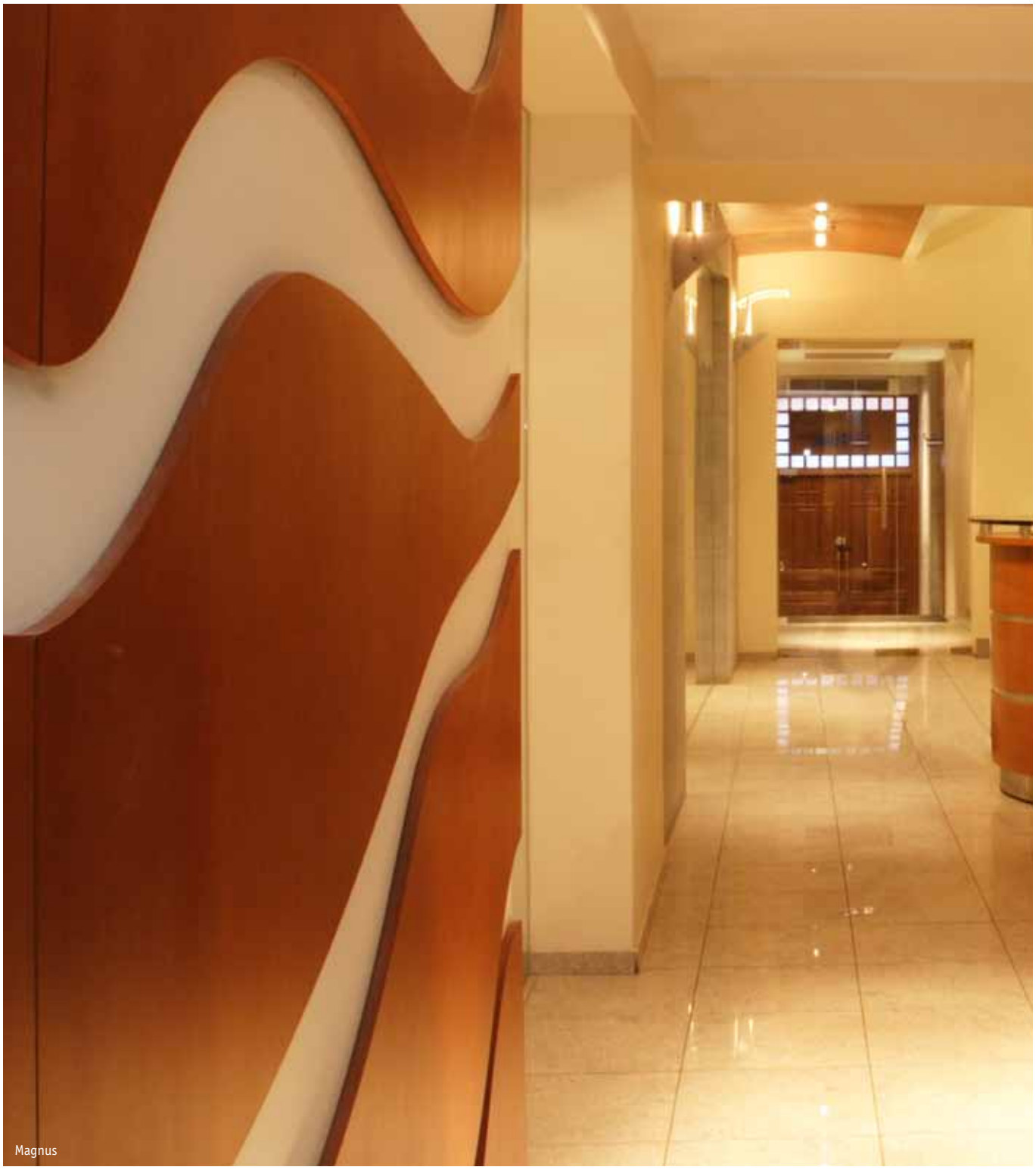
The market for property transactions has in practice been non-existent in recent years. This has made it hard for the appraisal institutions to come to a market value. There is a great deal of uncertainty involved.

Financing

Ruric's financing consists of a secured bond of MSEK 511 registered with OMX, maturing on 16 November 2014. The bond has a coupon rate of 10 or 13 per cent, where Ruric itself can choose to make a cash coupon payment of 10 per cent or make a cash payment of 3 per cent and increase the liability by 10 per cent. The first coupon payment falls due on 16 November 2011.

As mentioned above, discussions are ongoing as to how Ruric's major project, Moika/Glinki, will be financed. The scenarios under discussion include bank loans, sale of interest in the whole project, sale of parts of the project and/or partnerships.

In 1703 Peter the Great captured the Swedish fortress of Nyenskans on the Neva river. Two weeks later he laid down the Peter and Paul Fortres, which became the first brick and stone buildning of Saint Petersburg.



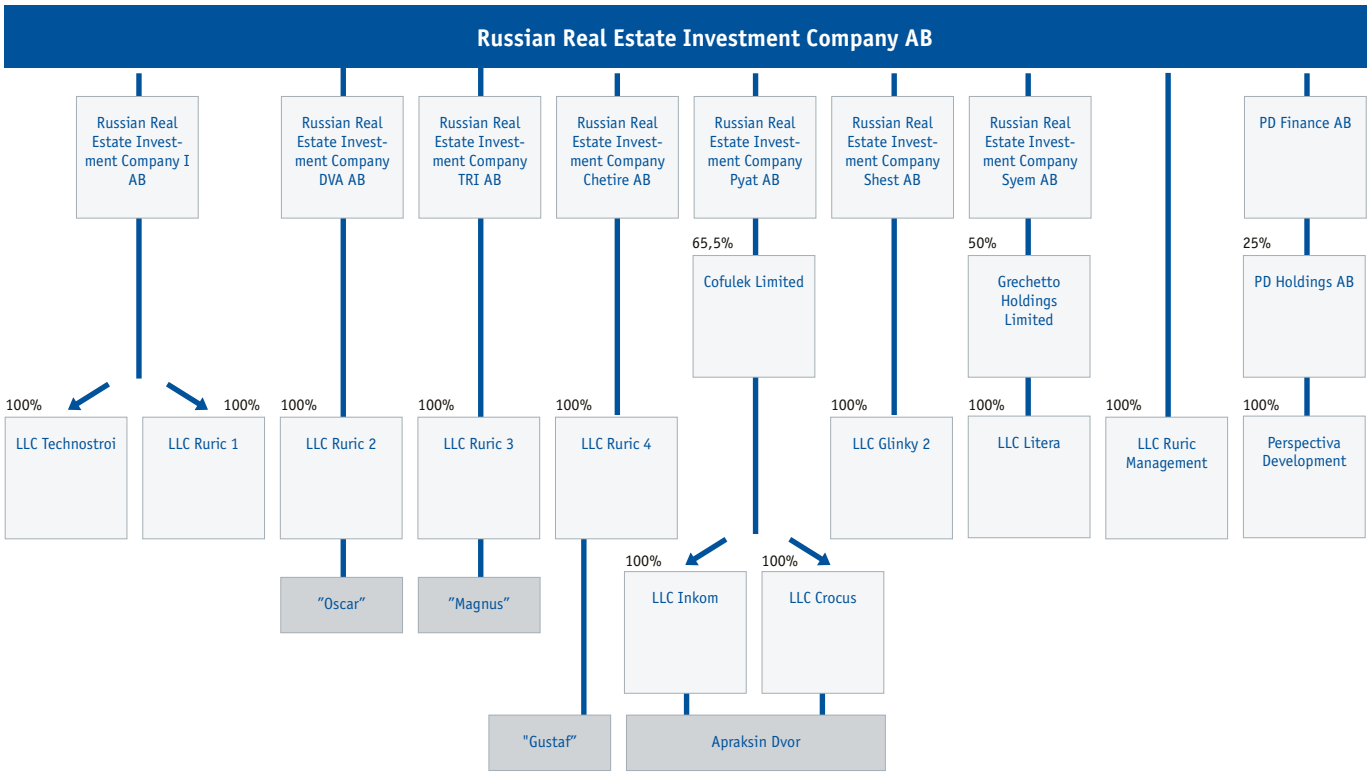
Magnus

ORGANISATION AND EMPLOYEES

Organisation

Russian Real Estate Investment Company AB is the parent company of a group currently consisting of eight Swedish subsidiaries, which in turn have six wholly owned Russian subsidiaries, two partly owned Cypriot subsidiaries, one partly owned Swedish associated company and one Russian management company, which is wholly owned by the parent company. The companies are headquartered in Stockholm, Saint Petersburg and Nicosia. Ruric's legal company structure is based on the principle that each investment shall be through a separate Russian company that is in turn owned by a separate Swedish subsidiary of the parent company. The purpose of this is to increase flexibility in the event of any divestments.

Operational activity is handled through the wholly owned subsidiary Ruric Management, which is responsible for leasing, property management, finance and legal issues. Ruric also has a wholly owned subsidiary called Technostroi, which is responsible for construction and project management.



Employees

At the end of 2010, the group had 23 employees (26), 11 (13) of whom were women. All were stationed in Saint Petersburg, except for the CFO who is stationed at the company's head office in Stockholm.

INFORMATION ABOUT DISPUTES

Disputes and status

Ruric has been involved in a number of disputes in the last two years, most of them concerning Apraksin Dvor. The purpose of this section is to give an update on what has not yet been cleared up.

1. **Dispute with partner in Apraksin Dvor**
   A number of disputes arose in 2009 with the partner in the project and writs were issued. Ruric and the partner have come to agreement that all writs shall be recalled and this has been done. There remains one case where the judge has twice rejected the parties recall.

2. **Dispute with KUGI (corresponding to Saint Petersburg's property office) regarding the Apraksin Dvor investment agreement**
   KUGI claims that the project company has not fulfilled its undertakings in accordance with the investment agreement. In two cases the arbitration court has rejected the matter. In the third case Ruric has again won in one instance, the company LLC Crocus, which probably means that the matter will not be appealed again and would lead to the investment agreement being deemed fulfilled and that ownership right can be received for building 33 at Apraksin Dvor. In the other case, the company LLC Inkom, the judge remitted the matter to the first instance again.

3. **RubeshPlus**
   Ruric's subsidiary Technostroi has summoned the company RubeshPlus in the arbitration committee to pay damages for work that was paid for but not performed, to an amount corresponding to MSEK 8.5. Technostroi has won in two instances and the defendant has not appealed within the stipulated time. Technostroi has thereby received title of execution. Book value of the claim is SEK 0.

4. **Svarog**
   LLC Ruric 3 has summoned ZAO Svarog for unpaid rent corresponding to MSEK 2.9. Ruric has won in the arbitration court but Svarog has stripped the company of assets and transferred them to another company. Ruric has requested recovery or bankruptcy.

Apraksin Dvor

RURIC PROPERTY PORTFOLIO

Ruric owns, has at its disposal or has interests in six properties in central Saint Petersburg, one of which is part owned. Ruric is also indirect owner of an area of land just outside the city.

The properties

Ruric's property portfolio is divided into two: investment properties and project properties. The assessed market value of the investment properties amounted to MSEK 217 and the assessed market value of the project properties amounted to SEK 452 at year end. The underlying value of the part owned properties that are reported as financial assets amounted to MSEK 224. There are no mortgages on Ruric's properties. The parent company has on the other hand pledged security in the form of stocks and shares as well as claims with subsidiaries.

For further information about the market valuation of the investment and project properties, see Management Report and note 1, Accounting and Valuation principles.

INVESTMENT PROPERTIES

Ruric owns three investment properties with a total leasable area of 14,382 square metres. All the properties are centrally located in Saint Petersburg. The properties' book value on 31 December 2010, which corresponds to the assessed market value, was MSEK 217, which corresponds to a book value of SEK 15,200 per square metre. Total rent value on an annual basis amounted to about MSEK 39 on 31 December 2010. Occupancy rate on 31 December was 74 per cent.

Ruric's lease agreements

Ruric's policy is to sign lease agreements of 3 to 5 years with an annual indexation of 3 to 10 per cent. Over the last two years the rental market has been tough and Ruric has in many cases given temporary discounts and signed new contracts with shorter leases. Under Russian law it is not possible 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 often signed in dollars but tenants pay in roubles. During 2010 the majority of contracts have been signed in roubles, which was favourable.

The contracted rent income for Ruric's investment properties amounted on an annual basis to MSEK 27.2 on 31 December 2010. Ruric charges tenants for electricity consumed. Ruric is of the opinion that the contracted rent income as a whole is at market levels.

Rent income from Ruric's ten largest tenants amounted on an annual basis to MSEK 20.8 on 31 December 2010, which corresponds to 76 per cent of contracted rent income.

Term	Contract value (annual rent)	Percentage
2011	12.8	47
2012	4.9	18
2013	9.5	35
2014	0.0	0
>2015	0.0	0
Total	27.2	100

Property costs

Operation and maintenance costs

All three of Ruric's investment properties have been managed since 1 July 2009 by the same sub-contractor, which formerly managed Magnus and Gustaf. The fees include part of the operation costs, but not media consumption, certain maintenance, security and property administration.

Operating costs comprise the costs of heating, electricity, water, insurance, security and alarms, waste handling and property maintenance.

Property tax

The national property tax amounts to 2.2 per cent of book acquisition value for office property.

The property tax for Ruric in 2010 amounted to MSEK 4.1 (4.4), which represents about 30 per cent of the total direct operating costs. The property tax is not invoiced on to tenants.

Investment properties	Leasable area	Invested amount SEK m	Invested amount SEK/sq m	Book value SEK m	Book value SEK/sq m	Rent value SEK m	Rent value SEK/sq m	Occupancy rate in %	Rent income SEK m
Oscar	2,976	86	28,898	67	22,614	11	3,730	100	11
Magnus	6,463	120	18,567	78	11,991	14	2,089	65	9
Gustaf	4,943	82	16,589	73	14,708	14	2,832	76	11
Total investment property	**14,382**			**218**	**15,123**	**39**	**2,684**	**76**	**31**

Oscar

The property at R. Fontanki nab. 13 is located in the Centralny district, which is full of businesses, shops, theatres and museums. The building was first 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 MSEK 86, including renovation costs and capitalised interest expenses. The building has a total area of 3,676 square metres, of which 2,976 square metres are leasable. Total investment thus amounts to about SEK 29,000 per square metre. Planning commenced in 2004 along with the original renovation work. The final tenant adjustments were completed in spring 2008. The building is fully let. The largest tenant is Statoil.

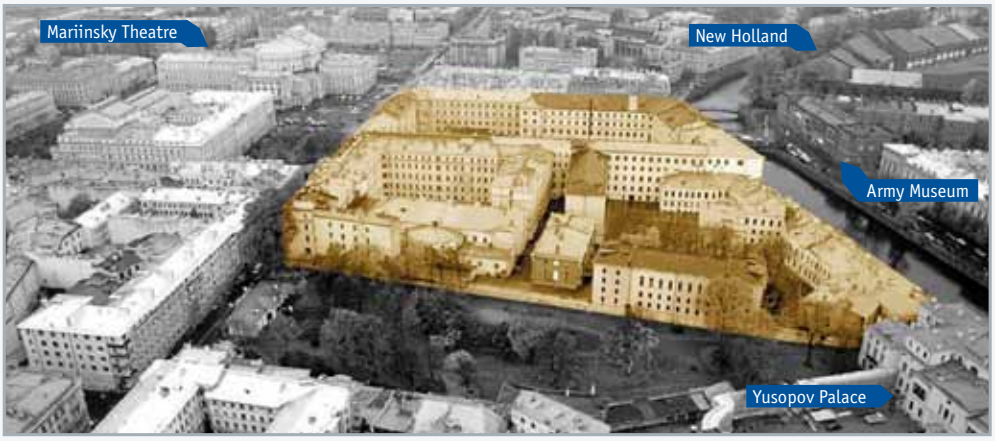
Magnus

The property at 9-ya V.O.i. 34 was acquired in 2005. The property is located in the quiet Vasileostrovsky district, where the Academy of Science, Saint Petersburg University and several museums are located. The investment amounted to about MSEK 120, including renovation costs. The building has a total area of 7,760 square metres, of which 6,463 square metres are leasable. The total investment amounts to about SEK 18,500 per square metre for the leasable area. The occupancy rate on 31 December 2010 was 65 per cent. The largest tenant is the treatment clinic Inclinic.

Gustaf

The property in Sredny Prospekt was acquired in 2005 and is located close to the Magnus property. The investment amounted to about MSEK 82, including renovation costs. Total area is 5,214 square metres, of which 4,943 square metres are leasable. Total investment thus corresponds to about SEK 16,600 per square metre of leasable area. The two lowest floors are retail space and above is office space. At year end the accounting firm Deloitte was the largest tenant. Occupancy rate on 31 December was 76 per cent. After the year end, the agreement for the shops has been renegotiated, which gives about MSEK 2.6 higher rent on an annual basis compared with the previous year.

THE MOIKA/GLINKI PROPERTY



Moika/Glinki

The former Moika/Glinki army complex is the largest project in Ruric's portfolio in terms of both area and potential. The area is located in the western part of central Saint Petersburg with the Moika Canal, Jusopov Park, residential housing and the famous Mariinsky Theatre.

Moika/Glinki is controlled through an investment agreement that gives Ruric both the development rights and the possibility to gradually assume ownership rights, but this also entails a number of undertakings. Under the current plan for Moika/Glinki, 60 per cent of the area will be allocated to residential housing and the remaining 40 per cent for commercial and retail space.

The main strategy is to develop the property together with one, or more probably several, large contractors or property developers. Discussions have been taking place with parties interested in partnership in the project. It now seems probable that Ruric has obtained an extension of the investment agreement until 2014, which has considerably improved the situation. Ruric estimates that a further investment of SEK 1.0 to 1.25 billion will be required in order to complete Moika/Glinki in accordance with the current concept. At a conservative estimate, the value should treble by the end of the project. It is estimated for example that the average value of the residential property exceeds SEK 40,000 per square metre, while production costs are estimated at about SEK 15,000 per square metre.

Planned area in the project	Assumed sq m	%
Homes	63,400	60
Offices	8,350	8
Retail	5,900	5
Hotel	6,080	6
Parking (740 spaces)	22,300	21
Total	106,030	100

OTHER PROPERTY

Project properties

Ruric holds development rights for two properties: Moika/Glinki and Apraksin Dvor. The development rights 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. Such development rights are common in Russia and do not involve 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.

Apraksin Dvor

In 2005, Ruric acquired 65 per cent 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 price and the estimated cost of conditional undertakings, including renovation of roads and pavements in the area, totalled MSEK 168. Ruric's only remaining conditional undertaking relates to the relocation of a fire station. The total renovation cost so far has amounted to MSEK 136, which means a total investment of about MSEK 304 based on the present ownership percentage. Total leasable area for the entire property amounts to 12,460 square metres and is mostly intended for shops.

The purpose of the investment is to assist in the modernisation of the whole Apraksin Dvor area. The central authority held a bidding contest for this purpose in 2007. Ruric submitted a bid in this process, but a competing bid won. These properties will therefore be disposed of on the most favourable terms available.

Fontanka 57

In 2006, Ruric acquired the right of use for Fontanka 57 for MSEK 150. The agreements expire in 2053 and 2054 respectively. The property, located along the Fontanka River in central Saint Petersburg, is a local landmark and is known as Lenizdat. It has a total area of 18,356 square metres with the potential to increase this to 27,000 square metres after remodelling and expansion.

In 2008, 50 per cent of the company was sold to the Israeli company Scorpio Real Estate for MSEK 90. Together with Scorpio, work on the outer facade was completed during the year. Ruric's share of the remaining investments, which mainly comprise the interior of the building, are estimated at about MSEK 40. The property is reported as a financial asset under Participations in associated companies and Other long term receivables.

Land plot - Strelna

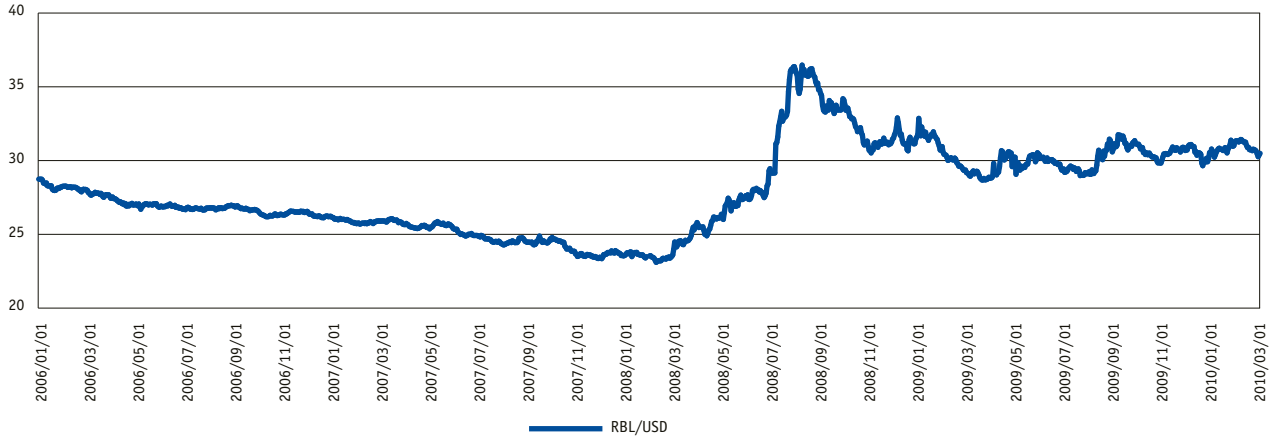
Ruric owns 25 per cent of a company that owns an area of land totalling 132 hectares southwest of central Saint Petersburg in Strelna. The purpose of this investment included enabling development of residential buildings on the land, to which the company would be able to relocate residents from the housing properties in the city that are being remodelled. Another reason was that the price was deemed to be favourable. No development of the area is currently in progress. Work has been going on since autumn 2010 to convert Ruric's 25 per cent shareholding into direct ownership of 25 per cent of the land, about 33 hectares. This process should be completed during the second half of 2011. When this has been done, Ruric will be free to exploit the asset as it wishes, for example for sale or borrowing. This asset is also reported as a financial asset under Participations in associated companies and Other long term receivables.

5 YEAR OVERVIEW

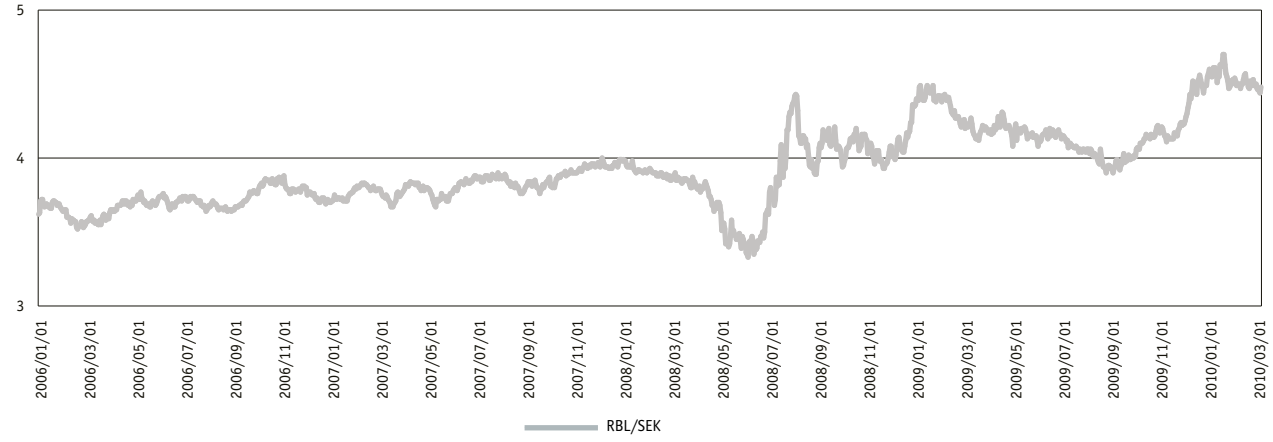
2010 is the company's seventh financial year.

Group	2010	2009	2008	2007	2006
Net turnover (MSEK)	36.3	42.1	67.7	46.0	16.6
Result after tax (MSEK)	47.4	-1,067.9	-350.7	-15.9	41.8
Balance sheet total, MSEK	1,117.8	1,172.4	2,178.1	2,041.7	1,463.0
Solvency, %	49.5	15.1	55.2	54.1	44.0
Average number of employees	25	42	77	57	25

Exchange rate trend RBL/USD



Exchange rate trend RBL/SEK



THE SHARE AND OWNERS

All the company's shares are denominated in Swedish kronor with a par value of SEK 2 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 carries entitlement to ten votes and each class B share to one vote. Each share entitles the shareholder to preferential rights in new share issues, warrants and convertibles in relation to the number of shares owned with an issue of both share classes and in proportion to the total number of shares of both series in the issue of one class only, and carries equal rights to participation in profit dividends and 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 B shares are traded under the short name RURI on First North at the Stockholm Stock Exchange. Erik Penser Bankaktiebolag is the company's certified advisor. Öhman Fondkommission furnishes the company's liquidity guarantee.

Ruric's share capital on 31 December 2010 amounted to SEK 208,297,110 made up of 1,330,266 A class and 102,818,289 B class shares.

Outstanding warrants

There is no outstanding warrant programme.

Shares and shareholders

The largest shareholder after the summer's new issues is Alecta Pensionsförsäkring.

Analysts who monitor the company

David Zaudy, Öhman Fondkommission.

Dividend

The board will propose to the annual general meeting that no dividend be paid for the 2010 financial year.

On 31 December 2010, the closing price was SEK 2.17 per share compared with SEK 8.55 on 31 December 2009, corresponding to a decrease of 294 per cent. A total of 60.9 million shares were traded, which corresponds to 97.6 per cent of the average number of shares outstanding during the year.

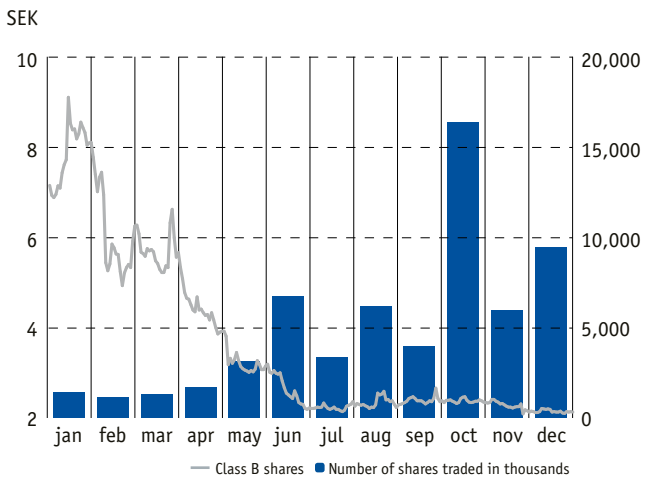
Share capital trend

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	Totalt 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-emptiverive 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-emptiverive 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	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
2010	Set off share issue	2	35,969,979[8)]	47,333,075	71,939,958	94,666,150	6
2010	Rights issue	2	56,815,480[8)]	104,148,555	113,630,960	208,297,110	3

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.
8) All class B shares

THE SHARE AND OWNERS



	Shares				Votes	
2010-12-31	**Class A**	**Class B**	**Total number**	**Share of total**	**Number**	**Share av total**
Alecta Pensions		12,719,519	12,719,519	12.21	12,719,519	10.95
Nils Nilsson	185,134	6,645,670	6,830,804	6.56	8,497,010	7.32
E. Öhman J:or AB	665,132	4,934,056	5,599,188	5.38	11,585,376	9.98
CASE		5,588,214	5,588,214	5.37	5,588,214	4.81
Avanza Pension		4,620,910	4,620,910	4.44	4,620,910	3.98
Proventus AB		4,217,151	4,217,151	4.05	4,217,151	3.63
TJ Junior AB		3,480,000	3,480,000	3.34	3,480,000	3.00
Friends Provident International Ltd		3,300,000	3,300,000	3.17	3,300,000	2.84
Banque Carnegie Luxembourg SA		2,851,081	2,851,081	2.74	2,851,081	2.46
Fibonacci Growth Capital		2,572,252	2,572,252	2.47	2,572,252	2.22
Total ten largest shareholders	**850,266**	**50,928,853**	**51,779,119**	**49.72**	**59,431,513**	**51.18**
Total other shareholders	**480,000**	**51,889,436**	**52,369,436**	**50.28**	**56,689,436**	**48.82**
All shareholders	**1,330,266**	**102,818,289**	**104,148,555**	**100.00**	**116 120 949**	**100.00**
Number of Shareholders	**3**	**1,993**	**1,996**			

Excerp from public shareholders' register per 31 December 2010.

Size category	**Number of owners**		**Share of owners, %**		**Number of Class A shares**		**Number of Class B shares**		**Share of capital, %**		**Share of votes, %**	
31 December	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
1 - 1,000	713	1,239	35.8	65.9			307,393	531,789	0.3	4.7	0.3	2.3
1,001 - 10,000	851	528	42.7	28.1			3,667,518	1,736,651	3.5	15.3	3.2	7.4
10,001 - 50,000	282	92	14.1	4.9			6,440,099	1,948,524	6.2	17.1	5.6	8.4
50,000 - 100,000	65	7	3.3	0.4			4,715,976	551,125	4.5	4.9	4.1	2.4
100,000 - 500,000	49	7	2.5	0.4			10,795,816	1,384,193	10.4	12.2	13.4	5.9
500,000 - 1,000,000	14	5	0.7	0.3			9,552,959	2,519,187	9.2	22.2	8.2	67.8
1,000,001 -	20	1	1.0	0.1	1,330,266	1,330,266	67,338,528	1,360,361	65.9	23.7	65.3	5.8
Total	**1,994**	**1,879**	**100.0**	**100.0**	**1,330,266**	**1,330,266**	**102,818,289**	**10,032,830**	**100.0**	**100.0**	**100.0**	**100.0**

BOARD OF DIRECTORS


Sten Olsson


Tom Dinkelspiel


Mikael Stöhr


Nils Nilsson


Jens Engwall

Sten Olsson
Stockholm, born 1953.
Chairman of the Board of Directors, elected to the Board of Directors in 2010.
Other current assignments: CEO of Sundbybergs Stadshus AB, Chairman of Fastighets AB Förvaltaren and Förvaltaren Lokalfastigheter i Sundbyberg AB, Board member of Fastighetsbolaget Gyllenforsen Deputy board member of Roxanne Fastighetsfond AB and Tornet Bostadsproduktion AB, special government investigator for evaluation of government property administration.
Shares in Ruric: 10,000 B shares.

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 in Ruric: 185,134 Class A shares and 6,645,670 Class B shares.

Tom Dinkelspiel
Stockholm, born 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 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.

Mikael Stöhr
Stockholm, born 1970.
Board member, elected to the Board of Directors in 2010.
Other current assignments: CEO of Green Cargo AB,Board member of The Transport Group and chairman of subsidiaries in the Green Cargo group.
Shares in Ruric: 0.

GROUP MANAGEMENT AND AUDITOR

Senior management


Craig Anderson

Craig Anderson
Saint Petersburg, born 1962.
CEO since 2008.
Other current assignments: Board member of companies within the Ruric Group.

Shares in Ruric: 96,000 class B shares.


Anders Larsson

Anders Larsson
Stockholm, born 1964.
CFO since 2007.
Other current assignments: Board member of Nordic Whisky Capital AB and companies within the Ruric Group.
Shares in Ruric: 50,000 class B shares.


Mikael Ikonen

Auditor

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

The historic architecture of Saint Petersburg which dates back from the 18th century has been largerly preserved. Since 1991 the historic centre of Saint Petersburg has been listed by UNESCO as a World Heritage Site.

Gustaf

MANAGEMENT REPORT 2010

In house translation of Swedish original.

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 (MSEK).

The Business

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

Year 2010

During 2010 focus has been on the financial restructuring including the issue of new shares and on the composition. Nevertheless it needs to be mentioned that Ruric also experienced several favorable developments during 2010 and the first part of 2011. Extension of the investment agreement regarding Moika/Glinki was gratifying. The settlement with the project partner for Apraksin Dvor seems to work out and a positive net cash flow of MSEK 6-8 is to be expected for 2011. The fact that the companies have won against KUGI (Saint Petersburg's local municipality agency) in several instances at the Court of Justice is a show of force. The settlement with Storm regarding the final payment of the Grifon property was also positive. These disputes have been time consuming and more effort can now be directed towards developing the Company.

Net letting has not been as good as expected. The eviction of Svarog, due to unpaid rent, and the fact that two other larger tenants have outgrown their premises and cancelled their leases has impacted us negativly. Nevertheless roughly 1 500 sq.m. have been rented out during the year which must be regarded as better than acceptable in the prevailing market. The beginning of 2011 has started on a strong note.

A significant amount of work during the year was to bring the Company through the reorganisation. The composition offer was accepted in April and intensive work was initiated to guarantee the issue of new shares, which was finally registered on June 14. The reconstruction package meant that Ruric's equity ratio was improved from 15 to 50 per cent, partly due to an offset share issue (MSEK 216), a cash share issue (MSEK 170) and finally from the composition gain (MSEK 117). As a result of the reorganisation, Ruric has gained flexibility and time to find a long-term, sustainable capital structure. The most important piece in the puzzle is the financing of the Moika/Glinki project where the efforts to find a financial and industrial partner continue.

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 for the other three, planning and design and/or renovation/conversion is ongoing. For one of these, the majority of work is completed. Included in stock is a land plot located south west of the city centre.

MSEK	2010	2009
Opening balance	**607.8**	**1,662.8**
Acquisitions	0.0	0,0
Investments in properties	36.4	51.4
Divestments	0.0	-151.1
Changes in value	62.2	-898.7
Impairment	–	–
Changes in exchange rates	-37.3	-56.6
Closing balance	**669.1**	**607.8**

Multiple year overwiew

The financial year 2010 was the Company's seventh financial year.

The Group	2010	2009	2008	2007	2006
Net turnover, MSEK	36.3	42.1	67.7	46.0	16.6
Profit/loss after tax, MSEK	47.4	-1,067.9	-350.7	-15.9	41.8
Total assets, MSEK	1,117.8	1,172.4	2,178.1	2,041.7	1,463.0
Equity ratio, per cent	49.5	15.1	55.2	54.1	44.0
Median number of employees	25	42	77	57	25

The ten largest tenants of 31 December 2010

Tenant	Property	Leased space sq.m.
1. Deloitte	Gustaf	1,490
2. Intersport	Gustaf	1,285
3. Statoil	Oscar	1,229
4. Quintiles	Gustaf	726
5. City Mortgage Bank	Oscar	557
6. IBM	Oscar	404
7. Adecco	Oscar	404
8. Inklinic	Magnus	323
9. Ove Arup & Partners International	Magnus	315
10. Jones Lang LaSalle	Oscar	265
		6,998

Acquisitions

No acquisitions were carried out during the year.

Divestments

No sales were realized during the year. During the fourth quarter Ruric and the purchaser of Grifon House settled an agreement regarding the final payment. The rest of the purchase sum has been received which had a marginal positive impact on results.

Investment properties

Leasing

Ruric's investment properties are Oscar, Magnus and Gustaf. The demand for premises has slowly improved and the present tenants seem to have weathered the storm. The vacancies that were increasing up until mid third quarter 2009 have since slowly started to decrease. During the year approximately 1,500 sq.m. have been let. The net lease was slightly negative during the year since Ruric had to evict Svarog, who rented 1,300 sq.m. in the property Magnus and since two other larger tentants had outgrown their premises and left. As per 31 December 26 (24) per cent of lettable space was vacant. During the early part of 2011 the tendency has been that vacancy rates and rent levels have been improving.

Changes in value

Supported by external valuations, the Board has valued all properties as per 31 December 2010. The comment included in the previous reports, that the uncertainty interval for the assessments is large partly due to market illiquidity, remain. All valuations are made under the assumption of a going concern. During the year the value increased by MSEK 24.6 (-154.5) and the reason is the decrease in vacancy levels and expectations of higher market prices.

Project properties

The project portfolio consists of the properties at Moika 96–98/ul. Glinki 2, and the jointly-owned properties within Apraksin Dvor (65%) and at Fontanka 57 (50%). In addition to this, Ruric owns 25% of a 132 hectares land plot located South West of the city centre. Moika/Glinki and Apraksin Dvor 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 Participations in associated companies.

During the year MSEK 36.4 has been capitalized in the property portfolio. A large part refers to value added tax on earlier investments related to work on Moika/Glinki and Apraksin Dvor that we now expect will not be repaid. This amount does not affect the cash-flow.

Development work

Development has primarily been carried out on the Fontanka 57 property. The facade renovation was completed and all windows were exchanged. The financial difficulties for the partner in this project, Scorpio, poses a problem. Several investors have actively evaluated the possibilities to purchase Scorpio's share and join in the partnership with Ruric, but until now there is no outcome from these discussions. Since November 15 Ruric is responsible manager of the project company and will strengthen leadership of the project.

Investment properties

Property	Lettable area	Net operating income at full tenancy (6.8 SEK/USD)	External valuation 31 december 2010 (6,8 SEK/USD)	External valuation 31 december 2010 (7,2 SEK/USD)
R. Fontanki nab. 13 (Oscar)	2,976	8.1	67.3	58.4
9-ya V.O.i. 34 (Magnus)	6,463	9.3	77.5	74.8
Sredny Prospekt 36/40 (Gustaf)	4,943	9.5	72.7	71.6
Total	**14,382**	**26.9**	**217.5**	**204.8**
Book value			217.4	204.8

The value of the investment property portfolio per 31 December 2010 amounts to MSEK 217.4 (204.8) which is eqivalent to approximately SEK 15,200 per lettable sq.m.

Changes in value

To support the valuations made by the Board, external valuations have been made for these projects. In the valuation for Moika/Glinki it is assumed that the extension of the investment agreement is granted until at least 2014. As has been communicated, such an extension has been granted, but the amendment that verifies this is not yet signed. Regarding the project properities the valuations have led to an increase in value of MSEK 37.6 (-744.2) this year. The positive changes can be explained by reduced uncertainty regarding the investment agreements' legal status.

The partly owned properties that are shown under shares and participations have also been valued as per December 31, 2010. With support from these valuations the assets have been depreciated by net MSEK -38.2 (38.5). The decrease can be explained by uncertainty regarding Fontanka 57.

Rental income

The rental income, which includes the buildings at the addresses Fontanka 13 (Oscar), 9-aya V.O. Linia 34 (Magnus) and Srednij Prospekt 36/40 (Gustaf), amounted to MSEK 31.0 (34.8) during the year. The decline this year is attributable to lower average rent and vacancies.

This year Apraksin Dvor has generated income of MSEK 4.7 (3.8). The other properties did not as yet contain any lettable area. Other income refers to occasional external assignments and project management.

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 MSEK -14.0 (-21.3) during the year.

Operating surplus

The operating surplus amounted to MSEK 22.3 (20.8) during the year. The increase is attributable mainly to the surplus from Apraksin Dvor.

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 MSEK -27.9 (-34.9) during the year. After the last two years of reduction in personnel the organisation is adequately staffed. Other operating expenses are, during a normal year, estimated to amount to appoximately MSEK 20.

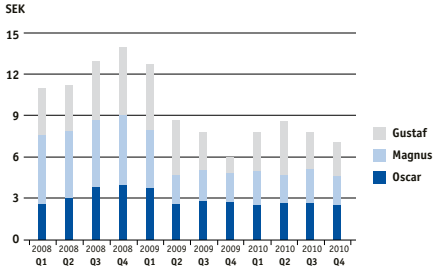
Operating result

The operating result for the year amounted to MSEK 51.9 (-932.0). The large negative number in the comparative period is due to changes in property values and impairments.

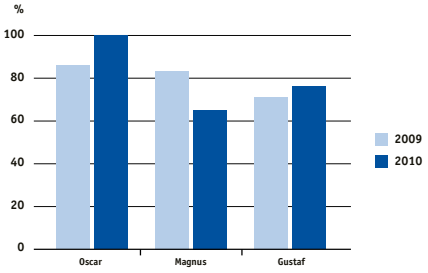
Net financial income/expense

Net financial income and expense amounted to MSEK -7.6 (-96.2) for the year. Participating interests from associated companies contributed MSEK -38.2 (-54.5). During the period no interest has been capitalized MSEK 0 (47.2). Currency fluctuations has impacted shareholders' equity by MSEK -44.8 (-48.8), principally because properties are valued in dollars, while changes in exchange rates impacting the income statement, amounted to MSEK -13.2 (-15.7).

Rental income



Rental level



Project properties

Property	Valuation as per 31 December 2010 (6,8 SEK/USD)	Valuation as per 31 December 2009 (7,2 SEK/USD)
Apraksin Dvor 15/16/33	99.2	91.4
Moika /Glinki	352.5	311.6
Total	**451.7**	**403.0**

Result after financial items

The result after financial items amounted to MSEK 44.3 (-1,070.7) during the year.

Taxes

The tax expense, which for the year was an income, amounted to MSEK 3.1 (2.8). 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 countries. However loss carry forwards are permissable to offset a future gain.

Cash flow, liquidity and financial position

The cash flow during the year amounted to MSEK -6.1 (10.3), of which MSEK -159.8 (-37.5) was from operating activities. The large negative number is due to interest payment on bond debt resulting from the composition last summer. The equity ratio amounted to 49.5 (15.1) per cent at the end of the period. Equity amounted to MSEK 552.9 (177.3). Cash and cash equivalents amounted to MSEK 51.2 (57.3).

Interest-bearing liabilities

Ruric's financing consists of a secured bond of MSEK 511, listed at OMX with a term until November 16, 2014. The bond runs with a coupon interest rate of 10 or 13 per cent. Ruric can choose to pay 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 November 16, 2011.

Personnel and organisation

The Group had 23 employees at the end of the period, of which 21 are in the Russian subsidiary companies in St Petersburg, and two in the Parent Company, of which the CEO operates principally in St Petersburg. At the beginning of the year the Group had 26 employees.

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 persons at year-end.

The Parent Company's turnover amounted to MSEK 1.1 (1.1) for the year. The result after financial items amounted to MSEK 10.3 (-1,106.6). Cash and cash equivalents at the close of the reporting period amounted to MSEK 46.5 (1.6).

Ownership

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

There are 104,148,555 shares issued in total, of which 1,330,266 are A-shares and 102,818,289 are B-shares. The Company's primary owner is Alecta. There were 1,996 (1,879) 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

Still after the re-organisation the Company's indebtedness is too high in the long-term. There are not enough resources to further develop Moika/Glinki property. In the long-term a financing solution is necessary for that project. Ruric's bond will be due in November 2014. There are no guarantees that this financing will be extended.

Interest risks

Ruric's financing consists of a bond where the interest term is not connected to the interest rate level in case of pre-redemption. Therefore there 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's main tenants are international companies with relatively good creditworthiness. Credit risks thus exists to a lesser extent for these. Approximately 35 per

cent 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

To date, borrowing by the Group has consisted of increases in shareholders' equity and the issuance of bonds in Swedish kronor. The Group's net outflow is primarily based on US 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

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 per cent affects Ruric's equity by approximately MSEK 45.

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. This may have consequences on the investment agreements. The Company conducts an annual "legal health check" in order to evaluate these risks. During 2010 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 Russian Minister of Defence has decided that an amendment to the investment agreement for Moika/Glinki shall be signed which includes an extension until December 2014.

The application for the refund of value added tax of approximately MSEK 28 has been accepted and the amount was paid out in the middle of March.

Outlook

Financing

After the financing this summer, and as has been mentioned above, Ruric has enough capital to be able to finance its share of the development of Fontanka 57. Altogether the development portfolio is too large in relation to the size and financial capacity of the Company. The project property Moika/Glinki is a material part of the Company's assets, thus 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 and possible partners are not missing, even though business cycle turmoil has dramatically decreased the property´s value. Since the investment agreement regarding Moika/Glinki has been extended from 2011 until 2014, more focus will be on the financing thereby increasing project credibility.

The Real Estate Market

During the last two years the market for property transactions has been almost non-existent. The decline in the rental market has touched bottom and turned. However the rental rates are still lower than before the financial crisis. The Company expects that Saint Petersburg will have a positive development in many respects over time, 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. The odds are that Russia, with its macro economic strength through its oil assets will have good future growth. The strong tendency that inflation will grow should impact property ownership positively. There is also a strong belief that the Central Bank will increase interest rates to restrain inflation. A stronger rouble is probable and positive for Ruric.

The composition of the Board of Directors, number of meetings and attendance 2010

Member	Elected	Number or meetings Regular	Telephone/ per capsulam
Sten Olsson (Chairman)	2010	2	2
Nils Nilsson	2004	5	8
Tom Dinkelspiel	2004	5	8
Harald Kjessler[1)]	2008	2	6
Jens Engvall	2006	5	5
Anders Sjunnesson[1)]	2009	3	5
Mikael Stöhr	2010	1	2

1) Resigned from the board at the annual general meeting 2010.

Property ownership and investments 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 alternates.

In addition to the meeting following election of the Board of Directors, meetings must be held at least four times per calendar year. During 2010, 13 meetings were held, of which 6 were by telephone and 2 per capsulam. The Board's work during the first half of the year focused on financing and during the second half of the year on the future capital structure of the Company.

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.

Governance Report

The Company has issued a Corporate Governance Report that is published on www.ruric.com.

Annual General Meeting 2010

The Annual General Meeting 2010 was held at Strand Hotel, Stockholm on June 22. 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 and Jens Engvall, and to elect Sten Olsson and Mikael Stöhr as new members of the Board. Sten Olsson was elected chairman of the Board. It was resolved not to elect any alternate 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	1,204,671,932
Loss brought forward	-1,124,240,497
Profit for the year	**10,189,667**
Total	**90,621,102**

The Board of Directors propose that the profit for the year be accumulated and brought forward.

FINANCIAL STATEMENT

Consolidated Income Statement

MSEK	Note	2010–01–01– 2010–12–31	2009–01–01– 2009–12–31
Rental income	2	36.3	42.1
Real estate expenses	3	-14.0	-21.3
Operating profit/loss		**22.3**	**20.8**
Depreciation of equipment	12	-0.6	-0.4
Other operating expenses	6,7	-27.9	-34.9
Changes in value properties	12	62.2	-917.5
Impairment receivables		-4.1	0.0
Operating profit/loss		**51.9**	**-932.0**
Profit/loss from financial investments			
Participating interests	15	-38.2	-54.5
Composition gain		117.1	0.0
Other interest income and similar profit/loss items	8	15.4	16.1
Interest expenses and similar profit/loss items	9	-101.9	-100.3
		-7.6	**-138.7**
Loss before tax		**44.3**	**-1,070.7**
Tax on net loss for the year	10	3.1	2.8
Net profit/loss for the year		**47.4**	**-1,067.9**
Appreciation		0.0	91.9
Translation differences		-44.8	-48.8
Total comprehensive income		**2.6**	**-1,024.8**
Profit/loss after tax			
Attributable to Parent Company shareholders		56.9	-1,067.9
Attributable to minority shareholding		-9.5	–
Total		**47.4**	**-1,067.9**
Total comprehensive income			
Attributable to Parent Company shareholders		12.1	-1,024.8
Attributable to minority shareholding		-9.5	–
Total		**2.6**	**-1,024.8**
Earnings per share before dilution	11	0.76	-93.98
Earnings per share after dilution	11	0.76	-93.98

Consolidated Balance Sheet

MSEK	Note	2010-12-31	2009-12-31
ASSETS			
Non-current assets			
Property, plant and equipment	12		
Equipment, tools and facilities		5.5	5.2
Investment properties		217.4	204.8
Ongoing real estate projects		451.7	403.0
Total property, plant and equipment		**674.6**	**613.0**
Financial assets			
Participation in associated companies	15	110.9	149.1
Other long-term receivables	13	166.3	234.4
Deferred tax assets	10	21.6	18.4
Total financial assets		**298.8**	**401.9**
Total non-current assets		**973.4**	**1,014.9**
Current assets			
Current receivables			
Accounts receivable		2.1	0.9
Other receivables	16	41.7	65.2
Prepaid expenses and accrued income	17	49.4	34.1
Total current receivables		**93.2**	**100.2**
Cash and bank balances	18	51.2	57.3
Total current assets		**144.4**	**157.5**
TOTAL ASSETS		**1,117.8**	**1,172.4**

Consolidated Balance Sheet cont.

MSEK	Note	2010-12-31	2009-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (shares)		208.3	22.7
Paid in funds		235.8	235.8
Translation differences		172.7	217.5
Retained earnings		-54.4	-298.7
Total shareholders' equity attributable to Parent Company shareholders		**562.4**	**177.3**
Minority		-9.5	–
Total shareholders' equity		**552.9**	**177.3**
Non-current liabilities			
Bond loans	19	510.6	0.0
Other non-current liabilities	20	0.2	1.2
Deferred tax liability	10	10.2	9.3
Total non-current liabilities		**521.0**	**10.5**
Current liabilities			
Accounts payable		6.8	12.0
Bond loans	19	-	831.5
Other current liabilities	21	3.8	3.4
Accrued expenses and prepaid income	22	33.3	137.7
Total current liabilities		**43.9**	**984.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,117.8**	**1,172.4**
Pledged assets	23	945.6	Inga
Contingent liabilities	24		

Changes in Shareholders' Equity

The Group MSEK	Number of shares	Share capital	Paid in funds	Translation difference	Retained earnings	Minority	Total equity
Shareholders' equity 1 January 2009	**11,363,096**	**22.7**	**235.8**	**266.3**	**677.3**	**0.0**	**1,202.1**
Total comprehensive income				-48.8	-976.0		-1,024.8
Shareholders' equity 31 December 2009	**11,363,096**	**22.7**	**235.8**	**217.5**	**-298.7**	**0.0**	**177.3**
Shareholders' equity 1 January 2010	**11,363,096**	**22.7**	**235.8**	**217.5**	**-298.7**	**0.0**	**177.3**
New issue	92,785,459	185.6			200.7		386.3
Issue expenses					-13.3		-13.3
Net profit/loss for the year				-44.8	56.9	-9.5	2.6
Shareholders' equity 31 December 2010	**104,148,555**	**208.3**	**235.8**	**172.7**	**-54.4**	**-9.5**	**552.9**

The Parent Company MSEK	Antal aktier	Aktiekapital	Bundna reserver	Fritt eget kapital	Summa eget kapital
Shareholders' equity 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 contribution 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**
Shareholders' equity 1 January 2010	**11,363,096**	**22.7**	**236.0**	**-124.9**	**133.8**
New issue	92,785,459	185.6		200.7	386.3
Issue expenses				-13.3	-13.3
Group contribution received				17.9	17.9
Net profit for the year				10.2	10.2
Shareholders' equity 31 December 2010	**104,148,555**	**208.3**	**236.0**	**90.6**	**534.9**

The number of shares amounted to 104,148,555 as at 31 December 2010 with a quotient value of SEK 2 per share.

Consolidated Cash Flow Statement

MSEK	Note	2010-01-01–2010-12-31	2009-01-01–2009-12-31
Operating activities			
Profit/loss after net financial items		44.3	-1,070.7
Adjustment for items not affecting cash flow			
Changes in value properties	12	-62.2	933.1
Depreciation	12	0.6	0.4
Impairments	12,15	4.1	0.0
Capital gain		–	18.8
Exchange rate differences		1.6	27.5
Other items		-78.7	13.8
Taxes paid		0.7	0.0
Cash flow from operating activities before changes in working capital		**-89.6**	**-77.1**
Change in working capital			
Change in operating receivables		40.2	-11.2
Change in operating liabilities		-110.4	50.8
Total changes in working capital		**-70.2**	**39.6**
Cash flow from operating activities		**-159.8**	**-37.5**
Investing activities			
Acquisition of property, plant and equipment	12	-2.5	-51.4
Divestment of property, plant and equipment	12	0.0	132.3
Investments in other financial assets		-8.9	-24.1
Cash flow from investing activities		**-11.4**	**56.8**
Financing activities			
New issue		373.0	0.0
New loans		510.6	0.0
Amortisation of non-current liabilities		-718.5	-9.0
Cash flow from financing activities		**165.1**	**-9.0**
Cash flow from the year		**-6.1**	**10.3**
Cash and cash equivalents at the start of the year		**57.3**	**47.0**
Cash and cash equivalents at year-end		**51.2**	**57.3**

The Parent Company's Income Statement

MSEK	Note	2010-01-01–2010-12-31	2009-01-01–2009-12-31
Net turnover		1.1	1.1
Operating profit	2	**1.1**	**1.1**
Other operating expenses		-9.7	-21.5
Personnel expenses	5,6	-5.2	-6.5
Depreciation of property, plant and equipment	12	-0.3	-0.3
Results from participations	13	-38.2	-987.8
Operating loss		**-52.3**	**-1,015.0**
Profit/loss from financial investments			
Other interest income and similar profit/loss items	8	81.5	156.8
Composition gain		117.1	0.0
Interest expenses and similar profit/loss items	9	-136.0	-248.4
		62.6	**-91.6**
Profit/loss before tax		**10.3**	**-1,106.6**
Tax on net profit for the year	10	-0.1	0.0
Net loss for the year		**10.2**	**-1,106.6**

The Parent Company's Consolidated Statement of Total Comprehensive Income

MSEK	2010-01-01–2010-12-31	2009-01-01–2009-12-31
Yearly comprehensive income	**10.2**	**-1,106.6**
Other comprehensive income	0.0	0.0
Total comprehensive income	**10.2**	**-1,106.6**

The Parent Company's Balance Sheet

MSEK	Note	2010–12–31	2009–12–31
ASSETS			
Non-current assets			
Property, plant and equipment	12		
Equipment, tools and facilities		4.0	4.3
Total property, plant and equipment		**4.0**	**4.3**
Financial assets			
Participations in group companies	13,14	36.2	35.0
Receivables at group companies		650.0	866.0
Other long-term receivables	13	20.2	6.7
Total financial assets		**706.4**	**907.7**
Total non-current assets		**710.4**	**912.0**
Current assets			
Current receivables			
Accounts receivable		0.5	0.7
Other receivables	16	315.8	213.3
Prepaid expenses and accrued income	17	4.6	1.0
Total current receivables		**320.9**	**215.0**
Cash and bank balances	18	46.5	1.6
Total current assets		**367.4**	**216.6**
TOTAL ASSETS		**1,077.8**	**1,128.6**

The Parent Company's Balance Sheet, cont.

MSEK	Note	2010–12–31	2009–12–31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		208.3	22.7
Revaluation reserve		236.0	236.0
Total restricted equity		**444.3**	**258.7**
Non-restricted equity			
Share premium reserve		1,204.7	1,017.3
Retained earnings		-1,124.3	-35.6
Net profit/loss for the year		10.2	-1,106.6
Total non-restricted equity		**90.6**	**-124.9**
Total shareholders' equity		**534.9**	**133.8**
Non-current liabilities			
Bond loans	19	510.6	0.0
Other non-current liabilities	20	0.2	**0.2**
Total non-current liabilities		**510.8**	**0.2**
Current liabilities			
Accounts payable		3.9	10.2
Bond loans		–	851.5
Other current liabilities	21	1.0	1.3
Accrued expenses and prepaid income	22	27.2	131.6
Total current liabilities		**32.1**	**994.6**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,077.8**	**1,128.6**
Pledged assets	23	945.6	None
Contingent liabilities	24	None	None

The Parent Company's Cash Flow Statement

MSEK	Note	2010-01-01 – 2010-12-31	2009-01-01 – 2009-12-31
Operating activities			
Loss after net financial items		10.3	- 1,106.6
Adjustments for items not affecting cash flow			
Depreciation	12	0.3	0.3
Impairments	13	38.2	969.0
Exchange rate differences	9	39.5	102.2
Capital gain		0.0	18.8
Difference between paid and recognised net financial items		-61.3	-14.4
Composition gain		-117.1	–
Other items		-0.1	0.0
Cash flow from operating activities before changes in working capital		**-90.2**	**-30.7**
Change in working capital			
Increase(–)/Decrease(+) in other operating receivables		47.4	-156.1
Increase(+)/Decrease(–) in other operating liabilities		-99.1	85.9
Cash flow from operating activities		**-141.9**	**-100.9**
Investing activities			
Sale of subsidiary		0.0	65.5
Investments in other financial assets		40.0	7.2
Cash flow from financing activities		**40.0**	**72.7**
Financing activities			
New issue		373.0	0.0
Change in long-term borrowings		-226.2	0.0
Cash flow from financing activities		**146.8**	**0.0**
Cash flow for the year		**44.9**	**-28.2**
Cash and cash equivalents at the start of the year		**1.6**	**29.8**
Cash and cash equivalents at year-end		**46.5**	**1.6**

NOTES

Unless otherwise indicated, amounts are stated in SEK million (MSEK).

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 May 4, 2010. The income statements and balance sheets of the Group and Parent Company will be submitted to the Annual General Meeting for adoption on May 18.

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 by EU. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1. 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 and project 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 properties

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 come into force in 2010 and have been introduced in the group.

IASB has issued changes to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements. IFRS 3R introduces a number of changes in accounting for business combinations that affect the amount of reported goodwill, reported results in the period when the acquisition is made and in future reported results. IAS 27R requires that changes in shareholdings in a subsidiary company, where the majority owner does not lose controlling influence, are reported as equity transactions. This means that these transactions no longer give rise to goodwill or lead to any profits or losses. IAS 27R also changes accounting of losses that occur in part-owned subsidiaries and accounting when the controlling influence over a subsidiary ceases.

Application of IFRS 3R and IAS 27R has not affected accounting in 2010 since no acquisitions have been made and no transactions with minority interests have occurred.

The changes in IFRS 3R and IAS 27R will affect any accounting of future acquisitions and disposals and transactions with owners without controlling influence.

IFRIC 16 Hedges of Net Investment in a Foreign Operation gives guidelines for how hedging a net investment in a foreign subsidiary shall occur as regards identifying currency risks that qualify for accounting for hedging of net investments and what companies within a group can hold the hedging instrument in question. The guidelines do not affect Ruric at present.

Other changes in standards and new interpretations have not had any effect on the group's financial reporting for 2010.

Standards and interpretations that apply from 2011

IFRS 7 Financial Instruments: Disclosures – amendment. (not yet approved by the EU)

Issued by IASB on 7 October 2010 as a supplement to IFRS 7 Financial Instruments: Disclosures. The change will mean that further quantitative and qualitative information is given when financial instruments are removed from the balance sheet. If a transfer of assets does not result in complete removal, information about this shall be given. In the same way, if a company retains an involvement in an asset that has been removed, information about this shall also be disclosed.

Other changes in standards and new interpretations are not expected to have any effect on the group's 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 per cent 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.

Transactions in foreign currency

Transactions in foreign currency are translated by the functional currency at the currency of the transaction date. Monetary claims and debt in forreign currency are translated at the currency of the balance sheet date whereas non-monetary posts are booked at historical currency rates.

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 2010.

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 instru-

ment. 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 instruments 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.

Derivatives

Derivaties are financial assets or liabilities valued at real value with value changes charged against the income statement. To handle the exposure against fluctuations of currency Ruric has, from time to time entered into foreign currency forward agreements. By using foreign currency derivates there may be value changes due to changes of currency. The currency derivates are valued at real value with value changes.

To determine real value, the currency rate for each currency noted at year-end is used. Ruric has no outstanding currency derivates at year-end.

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.

Ruric Group equity

Group equity is the sum of shareholders equity of Ruric shareholders and shareholders equity assignable to the minority. At year-end the equity of the Group was MSEK 552.9 (177.3). To maintain neccessary capital strucure the Group can sell assets and thereby reduce liabilities. The conditions of the outstanding bond prevents Ruric from adjusting equity through dividend or repurchase of shares. In the long term though this possibility exists.

NOTE 2 INCOME

The Group

Rental income and operating profit/losses are distributed on the geographical markets as follows:

	2010		2009	
	Rental income	**Operating profit**	**Rental income**	**Operating profit**
Russia	36.3	22.3	42.1	20.8
Total	**36.3**	**22.3**	**42.1**	**20.8**

Rental income includes provision for feared rental losses amounting to MSEK 2.8 (6.0).

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

Term	**2011**	**2012**	**2013**	**2014**	**>2015**	**Total**
Lease value (yearly rent)	12.8	4.9	9.5	0.0	0.0	27.2
Share %	47	18	35	0	0	100

The Parent Company

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

	2010		2009	
	Rental income	Operating profit	Rental income	Operating profit
Sweden	1.1	1.1	1.1	1.1
Russia	0.0	0.0	0.0	0.0
Total	**1.1**	**1.1**	**1.1**	**1.1**

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

NOTE 3 REAL ESTATE EXPENSES

	The Group	
	2010	2009
Property tax	4.1	4.4
Other real estate expenses	9.9	16.9
Total	**14.0**	**21.3**

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

	2010		2009	
	Number of employees	Of which men	Number of employees	Of which men
The Parent Company				
Sweden	1	1	1	1
Russia	1	1	1	1
Total Parent Company	**2**	**2**	**2**	**2**
Subsidiaries				
Russia	23	12	40	21
Total Group	**25**	**14**	**42**	**23**

NOTE 6 SALARIES, OTHER RENUMERATION AND SOCIAL SECURITY EXPENSES

	2010		2009	
	Salaries and other renumeration	Social security expenses (of which pension expenses)	Salaries and other renumeration	Social security expenses (of which pension expenses)
Parent Company	4.0	1.2	4.5	2.0
		(0.4)		(0.5)
Subsidiaries	7.8	0.6	10.6	1.2
		(0.5)		(0.9)
Group total	**11.8**	**1.8**	**15.1**	**3.2**

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

	2010		2009	
	Board of Directors, Managing Director & other senior executives	Other employees	Board of Directors, Managing Director & other senior executives	Other employees
Parent Company				
Sweden	4.8	0.0	4.5	0.0
Foreign subsidiaries				
Russia	0.9	6.9	1.1	9.5
Group total	**5.7**	**6.9**	**5.6**	**9.5**

Note 6 cont.

	2010			2009		
	Basic salary/ Director's fee	Variable renumeration	Pension-expense	Basic salary/ Director's fee	Variable renumeration	Pension-expense
The Chairman of the Board, Nils Nilsson	0.1			0.1		
Other Board members						
Tom Dinkelspiel	0.1			0.1		
Jens Engwall	0.1			0.1		
Harald Kjessler	0.1			0.1		
Anders Sjunnesson	0.1			–		
Anna Haskell	–			0.1		
Outgoing Managing Director	–	–	–	–	–	0.2
Managing Director	2.9	0.0	0.1	2.4	0.0	0.0
Other senior executives	1.3	0.4	0.4	1.2		0.5
Total	**4.7**	**0.4**	**0.5**	**4.1**	**0.0**	**0.7**

Accordning to decision at the Annual General Meeting 2010 renumeration to the Board of Directors amounts to SEK 100,000 to each Board member and SEK 200,000 to the Chariman of the Board.

The Managing Director receives a fixed annual salary of USD 280,000 (280,000) and benefits in the form of compensation for dual residence, health care and training. In 2010 the benefits amounted to SEK 604,000 (155,000). Swedish employee withholding tax is included in the salary cost.

The Managing Director also receives renumeration for his position as Managing Director of all Russian daughter companies. The renumeration amounts to 3,8 Mrbl (4,3), which for 2010 is equivalent to SEK 914,000.

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 eighteen 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.

This is valid also if the Managing Director terminates his employment agreement due to larger changes in ownership, changes of control.

The Company shall make annual pension contributions to the Managing Director equal to 4 per cent of the Managing Director's fixed salary. The retirement age for the Managing Director is 65. In the event 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 to the amount of 70 per cent of the most recent annual salary. Such pension shall be payable until the ordinary retirement age is reached.

NOTE 7 INFORMATION ABOUT AUDITOR'S FEE

	The Group		The Parent Company	
	2010	2009	2010	2009
Ernst & Young AB				
Audit assignments	0.9	1.3	0.3	0.9
Other assignments	0.2	0.2	0.2	0.2
Total	**1.1**	**1.5**	**0.5**	**1.1**
Other auditing firms				
Audit assignments	0.1	0.1	0.0	0.0
Other assignments	0.0	0.0	0.0	0.0
Total	**0.1**	**0.1**	**0.0**	**0.0**

NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2010	2009	2010	2009
Interest income	15.4	12.1	81.5	154.1
Exchange rate gains	0.0	4.0	0.0	2.7
Total	**15.4**	**16.1**	**81.5**	**156.8**

NOTE 9 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2010	2009	2010	2009
Interest expenses	-88.7	-64.3	-86.2	-131.1
Expense related to issuance of bond loans	0.0	-15.9	0.0	-15.9
Other financial expenses	0.0	-0.4	-2.7	0.0
Exchange rate losses	-13.2	-19.7	-47.1	-101.4
Total	**-101.9**	**-100.3**	**-136.0**	**-248.4**

NOTE 10 TAX

	The Group		The Parent Company	
	2010	2009	2010	2009
Current tax expense	-0.9	-0.3	0.0	0.0
Tax according to changed taxation earlier year	-0.1	0.0	-0.1	0.0
Deferred	4.1	3.1	0.0	0.0
Recogninsed tax expense	**3.1**	**2.8**	**-0.1**	**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	
	2010	2009	2010	2009
Reported results before tax	44.3	-1,070.7	10.3	-1,106.6
Tax according to applicable tax rates in each country	-14.0	309.8	-2.7	291.0
Adjustments for tax purposes:				
Non taxable composition gain	30.8	0.0	30.8	0.0
Other non taxable income	39.1	0.0	0.0	0.0
Non-deductable items	-41.3	-255.5	-11.4	-259.7
Deductable items not included in reported results	3.5	0.0	3.5	0.0
Group contributions received	–	–	-4.7	-0.2
Group contributions paid	–	–	8.2	13.9
Adjusted assessment relating to previous year	-1.6	0.0	0.1	0.0
Adjustment of deferred tax	5.2	-3.2	0.0	0.0
Non-capitalised part of deficit for the year	-18.6	-48.4	-23.6	-45.0
Utilisation of capitalised loss carry forwards from prior years	0.0	0.0	0.0	0.0
Recognised tax expense	**3.1**	**2.8**	**0.1**	**0.0**

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

At year-end, the Group's total non-capitalised loss carry forwards were estimated at slightly less than MSEK 153 (198) and for the Parent Company to MSEK 144 (171).

As a consequence of the composition gain, closing book value for non activated loss carry-forward decreased by MSEK 117.1.

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	
	2010	2009	2010	2009
Deferred tax assets				
Opening balance	18.4	40.5	0.0	0.0
Revaluation of unutilised loss carry forwards	0.0	-17.1	0.0	0.0
Temporary differences	3.2	-5.0	0.0	0.0
Closing book value	**21.6**	**18.4**	**0.0**	**0.0**

Note 10 cont.

Deferred tax assets are related to deficits in the Russian subsidiaries and are aimed to be off-set with future revenues. Loss cary forwards are valid for ten years in Russia. Of the Ruric Group's total loss carry forwards a major part will be due in 2018 and none earlier than 2018.

	The Group	
	2010	**2009**
Deferred tax liability		
Opening balance	9.3	32.2
Changes in value properties	0.0	-14.9
Temporary differences	0.9	-8.0
Closing book value	**10.2**	**9.3**

NOTE 11 EARNINGS PER SHARE

	The Group	
	2010	**2009**
Gain/loss after tax	47.4	-1,067.9
Number of shares at the end of the period	104,148,555.0	11,363,096.0
Average number of shares	62,204,443.0	11,363,096.0
Average number of shares, incl. dilution	62,204,443.0	11,363,096.0
Earnings per share	0.76	-93.98

Earnings per share is calculated as the profit/loss for the period in relation to the average number of shares.
No dillution 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	
	2010	**2009**	**2010**	**2009**
Opening acquisition value	7.2	9.1	5.0	5.0
Purchases	0.4	0.7	0.0	0.0
Disposals/obsolescence	0.0	-2.4	0.0	0.0
Exchange rate differences	-0.2	-0.2	0.0	0.0
Closing accumulated acquisition value	**7.4**	**7.2**	**5.0**	**5.0**
Opening depreciation	-2.0	-1.7	-0.7	-0.4
Disposals/obsolescence	0.0	0.5	0.0	0.0
Depreciations for the year	-0.6	-0.4	-0.3	-0.3
Other changes	0.7	-0.4	0.0	0.0
Closing accumulated depreciation	**-1.9**	**-2.0**	**-1.0**	**-0.7**
Closing residual value according to plan	**5.5**	**5.2**	**4.0**	**4.3**

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 2010.

Note 12 cont.

	The Group	
	2010	**2009**
Fair value at the start of the year	**204.8**	**525.3**
Reclassification/completion	0.0	-1.7
Investments	0.0	0.0
Sales	0.0	-151.1
Changes in value	24.6	-154.5
Changes in exchange rates	-12.0	-13.2
Fair value at year-end	**217.4**	**204.8**

Sensitivity analysis

		Yield requirements			
Net operating income		**10%**	**10.1%**	**12.0%**	**14.0%**
-15%	18.7	187.0	184.8	155.8	133.6
-10%	19.8	198.0	195.7	165.0	141.4
-5%	20.9	209.0	206.5	174.2	149.3
0%	**22.0**	220.0	217.4	183.3	157.1
5%	23.1	231.0	228.3	192.5	165.0
10%	24.2	242.0	239.1	201.7	172.9
15%	25.3	253.0	250.0	210.8	180.7

A change in net operating income of +/- 5 per cent (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 per cent affects the value by approximately 16 per cent.
MSEK 22.0 is an estimated net operating income per December 31, 2010, based on the current lease agreement and budgeted costs. See also the chart in the Management report

Ongoing property projects

	The Group	
	2010	**2009**
Fair value	**403.0**	**1,137.5**
Reclassification/completion	0.0	0.0
Investments	36.4	53.1
Sales	0.0	0.0
Changes in value/impairment	37.6	-744.2
Changes in exchange rates	-25.3	-43.4
Fair value at year-end	**451.7**	**403.0**

Loan expenses of MSEK 0.0 (47.2) have been capitalised as ongoing property projects. The interest rates which are used to determine the amount of the capitalised loan expense averaged 10.0 per cent last year.

NOTE 13 FINANCIAL ASSETS

Participations in subsidiaries

	The Parent Company	
	2010	**2009**
Opening acquisitions value	1,262.2	447.1
Contributions made and group contributions	31.2	899.4
Sales	0.0	-84.3
Closing accumulated acquisitions value	**1,293.4**	**1,262.2**
Opening impairment	-1,227.2	-258.2
Impairment for the year	-30.0	-969.0
Closing accumulated impairment	**-1,257.2**	**-1,227.2**
Closing book value	**36.2**	**35.0**

Other long-term receivables

	The Group		The Parent Company	
	2010	**2009**	**2010**	**2009**
Loan receivables	148.5	149.2	20.2	6.7
Property VAT	17.8	85.2	0.0	0.0
Closing accumulated acquisition value	**166.3**	**234.4**	**20.2**	**6.7**
Closing book value	**166.3**	**234.4**	**20.2**	**6.7**

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 per cent and are issued in USD. Interest income has been recognised of MSEK 15.9 (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 20.1 (6.5) are classified as receivables on associated companies.

The duration of the loan receivables is allocated as follows:

2011	2012	2013
43.3	87.2	18.0

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 2010-12-31	Book value 2009-12-31
Russian Real Estate Investment Company Sw 1 AB	100	100	1,000	0.0	0.1
Limited Liability Company Ruric 1	100	100	100,000		
Limited Liability Company Tekhnostroi	100	100	1		
Limited Liability Company Ruric Service	100	100	1		
Limited Liability Company Ruric Management	100	100	1	0.2	0.2
Russian Real Estate Investment Company DVA AB	100	100	100,000	1.0	1.0
Limited Liability Company Ruric 2	100	100	349,099		
Russian Real Estate Investment Company TRI AB	100	100	100,000	1.4	0.0
Limited Liability Company Ruric 3	100	100	100		
Russian Real Estate Investment Company Chetire AB	100	100	100,000	12.0	11.3
Limited Liability Company Ruric 4	100	100	1		
Russian Real Estate Investment Company Pyat AB	100	100	1,000	0.1	0.1
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	0.0	0.1
Limited Liability Company Glinky 2	100	100	1		
Russian Real Estate Investment Company Syem AB	100	100	1,000	2.3	6.4
PD Finance Sweden AB	100	100	1,000	19.3	15.8
Total				**36.2**	**35.0**

Note 14 cont.

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

	Corp. id. no./Reg. no	Registered office
Limited Liability Company Ruric 1	104 785 503 9210	Saint Petersburg
Limited Liability Company Ruric 2	104 785 509 3846	Saint Petersburg
Limited Liability Company Ruric 3	104 785 508 6916	Saint Petersburg
Limited Liability Company Ruric 4	104 785 504 6227	Saint Petersburg
Limited Liability Company Ruric Management	105 781 268 3928	Saint Petersburg
Cofulek Limited Liability Company	HE 166876	Nicosia
Limited Liability Company Crocus	103 786 102 5542	Saint Petersburg
Limited Liability Company Incom	103 782 800 1738	Saint Petersburg
Limited Liability Company Tekhnostroi	105 781 320 3469	Saint Petersburg
Limited Liability Company Ruric Service	107 784 756 4442	Saint Petersburg
Limited Liability Company Glinky 2	106 784 720 5810	Saint 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	
	2010	2009
Opening acquisitions value	149.1	111.7
Acquisitions	0.0	91.9
Participating interests	-38.2	-54.5
Closing accumulated acquisitions value	**110.9**	**149.1**
Closing book value	**110.9**	**149.1**

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 2010-12-31	Book value 2009-12-31
PDH Sweden AB	556717-6895	Stockholm	25.1	318	65.6	65.6
Grechetto Hld Ltd	HE 208926	Nicosia	50.0	5,000	45.3	83.5

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	
	2010	2009	2010	2009
Property VAT	31.2	8.9	0.0	2.0
Short-term receivables Group companies	–	–	310.8	158.3
Other short-term loan receivables	0.0	0.0	1.3	0.0
Tax receivables	1.5	2.5	0.2	0.0
Other receivables	9.0	53.8	3.5	52.7
Total	**41.7**	**65.2**	**315.8**	**213.0**

NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME

	The Group		The Parent Company	
	2010	2009	2010	2009
Prepaid expenses relating to bond loan	3.6	0.0	3.6	0.0
Accrued interest income	40.6	29.0	0.0	0.0
Other items	5.2	5.1	1.0	1.0
Summa	**49.4**	**34.1**	**4.6**	**1.0**

NOTE 18 CASH AND CASH EQUIVALENTS

	The Group		The Parent Company	
	2010	2009	2010	2009
Cash and bank balances	51.2	57.3	46.5	1.6

NOTE 19 BOND LOAN

Rurics's financing consists of a secured bond loan (see note 23) with a yearly coupon payment on November 16 and a final redemption on November 16, 2014. The bond runs with a coupon interest of 10 per cent. The Company can decide to pay interest of 3 per cent in cash and to issue new bonds corresponding to 10 per cent of nominal loan amount. Total interest rate will then be 13 per cent.

The Parent Company

Bond	Nominal value	Book value	Yearly coupon interest rate %	Yearly coupon payment MSEK	Final payment
RURI4	510.6	510.6	10.0%	51.1	2014-11-16
Total	**510.6**	**510.6**	**10.0%**	**51.1**	

The bond is noted on OMX under the name of RURI4. Estimated market value per 31 December 2010 was MSEK 332.

NOTE 20 OTHER LONG-TERM LIABILITIES

	The Group		The Parent Company	
	2010	2009	2010	2009
Other non-current liabilities	0.2	1.2	0.2	0.2
Total	**0.2**	**1.2**	**0.2**	**0.2**

NOTE 21 OTHER CURRENT LIABILITIES

	The Group		The Parent Company	
	2010	2009	2010	2009
Paid deposits	0.0	0.0	0.0	0.0
Tax liabilities	0.0	0.3	0.0	0.0
Other current liabilities	3.8	3.1	1.0	1.3
Total	**3.8**	**3.4**	**1.0**	**1.3**

NOTE 22 ACCRUED EXPENSES AND PREPAID INCOME

	The Group		The Parent Company	
	2010	2009	2010	2009
Deferred rental income	6.0	7.7	0.2	0.0
Accrued interest expenses bond loan	25.4	113.6	25.4	117.0
Accrued expenses due to pre-redemption of bond loan	0.0	11.4	0.0	12.0
Accrued personnel expenses	0.2	0.7	0.2	0.7
Other items	1.7	4.3	1.4	1.9
Total	**33.3**	**137.7**	**27.2**	**131.6**

NOTE 23 PLEDGED ASSETS

	The Group		The Parent Company	
	2010	2009	2010	2009
Share and participation	36.0	0.0	36.0	0.0
Receivables	909.6	0.0	909.6	0.0
Total	**945.6**	**0.0**	**945.6**	**0.0**

NOTE 24 CONTINGENT LIABILITIES

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

1. **Moika/Glinki**
   Remaining undertaking concerns the completion of buildings of at least 95,000 sq.m within the area before 31-12-2011. The Minister of Defence has given order of the prolongation of the agreement until 31-12-2014.
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 7.0 must be paid as final payment.

NOTE 25 TRANSACTIONS WITH RELATED PARTIES

- E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, received MSEK 2.4 in fees for purchase of guarantees in the new share issue.
- Alecta has received an guaranteed compensation of MSEK 0.4 as a guarantor of the new share issue.

All transactions have been adjusted to conditions on the market. No other transactions with related parties have taken place during the year. See note 6.

NOTE 26 FINANCIAL GOALS

As a consequence of the recent Company reorganisation, 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 30 per cent.

Stockholm May 4, 2011

Sten Olsson
Chairman of the Board

Tom Dinkelspiel

Jens Engwall

Nils Nilsson

Mikael Stöhr

Craig Anderson
Managing Director

My auditor's report was presented on May 4, 2011

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 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 21-48. 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.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that 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.

The annual accounts have been prepared in accordance with 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 principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRS 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. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and for the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm May 4 2011

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

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 2010 Ruric owned, or in other ways disposed of, six properties in the central parts of the city.

FINANCIAL CALENDAR

Annual General Meeting will be held Wednesday May 18, 2011.

Dividend

The Board proposes the Annual General Meeting to resolve that no dividend be paid for the 2010 fiscal year.

Financial Information 2011

Interim report January - March	May 18, 2011
Interim report January - June	August 19, 2011
Interim report January - September	November 24, 2011

Ruric

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