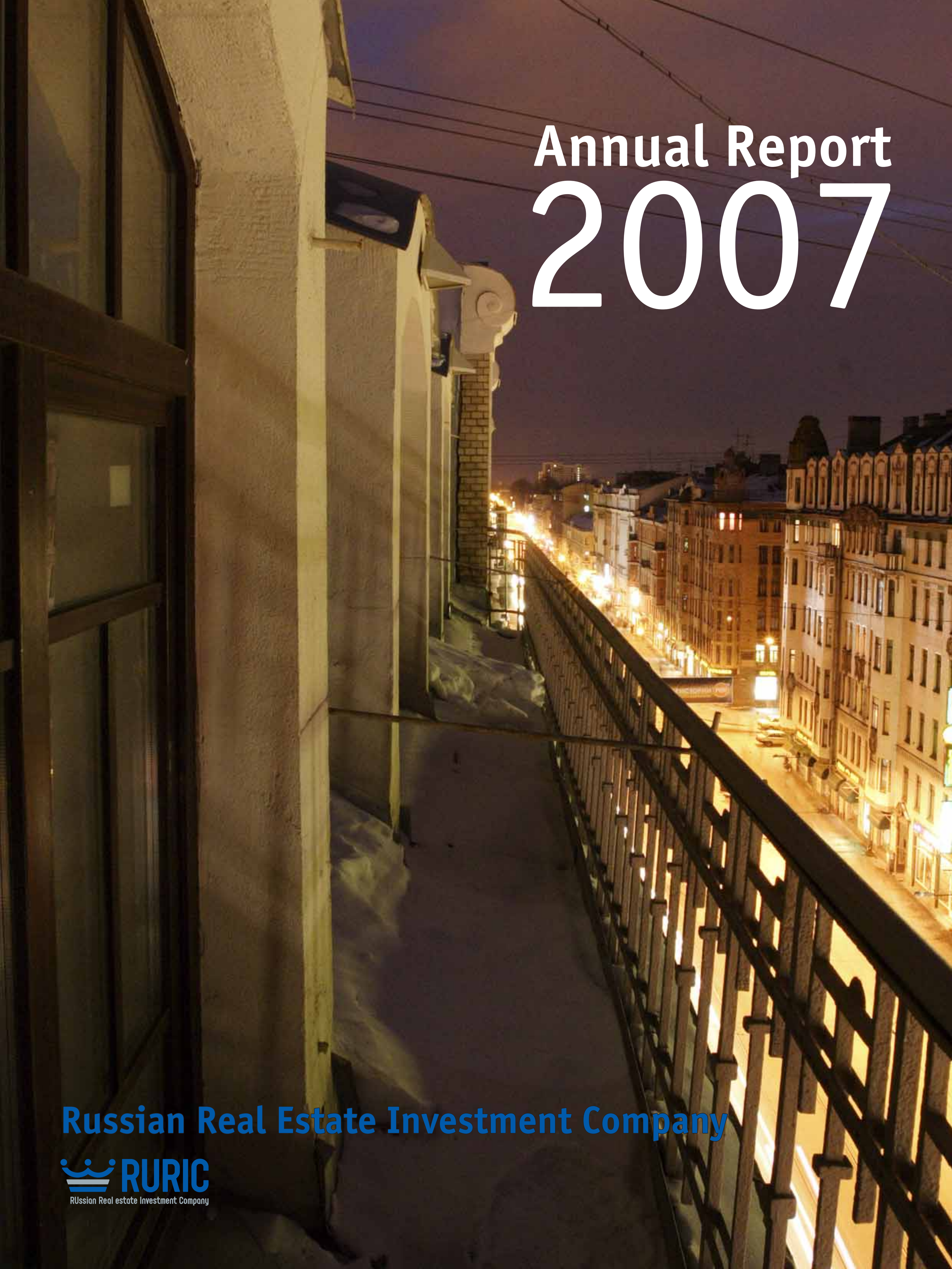


Annual Report 2007

Russian Real Estate Investment Company

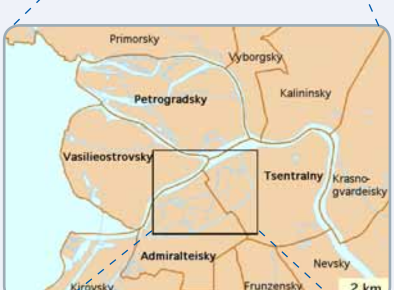
RURIC

RUssian Real estate Investment Company

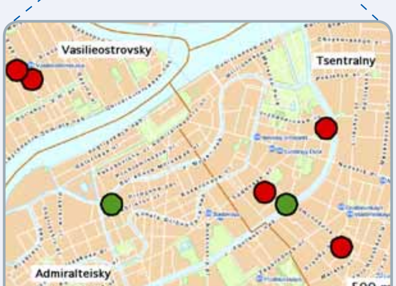
Saint Petersburg and Ruric

Saint Petersburg with its approximately 4.7 million inhabitants is Europe's fourth largest city, after London, Moscow and Paris. Ever since its foundation in 1703, the city was intended to represent Russia's "window" to Western Europe, both culturally and economically.

The city, through its geographical location, constitutes a transportation hub in the country's economy, and an ever increasing share of Russian exports/imports passes through the city's harbours. The economy is growing strongly and both domestic and foreign companies are establishing themselves in the area. Traditionally, there has been a large engineering industry, and in recent years a number of major foreign passenger car producers have established plants, including Ford, Toyota and Nissan. The services sector is now also growing rapidly.



The four most central city districts are Tsentralnyi, Admiralteisky, Vasilieostrovsky and Petrogradsky, which combined have almost 1 million inhabitants. At the point of intersection of these districts lies the city's historic centre, which has been on UNESCO' world heritage list since 1990. A number of buildings in the city centre thus have historical value and tight restrictions therefore apply in relation to conversion work.



Ruric has had a presence in Saint Petersburg since 2004, and owned seven properties at year-end 2007, all located in the most central areas of the city, five of which are completed office and retail premises of approximately 42,000 m^2 in total and two are development projects with planned total area of approximately 240,000 m^2. Through successful actions, the company has established itself as a leading player on the city's growing and attractive real estate market.

Ruric in brief

Business concept and vision

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

Long-term financial goals

Ruric's financial goals are to create and realise value for Ruric's shareholders through dividends and growth in value. Ruric's goal is to generate a return on shareholders' equity of at least 20 percent at a conservative level of borrowing and to obtain a yield from the real estate stock of at least 15 percent.

Strategy

The strategy of identifying real estate with great development potential in the central areas of Saint Petersburg, and offering these commercial premises of the highest-class after renovation, is implemented through a combination of key factors such as:

- local presence and external support,
- strong local network among market players and authorities,
- organisation that enables fast investment decisions and rapid execution,
- acquisition strategy focused on targets with significant conversion-needs and particularly through "off-market sourcing".

History

Ruric was founded in Sweden on 20 January 2004 and in conjunction therewith the Company obtained MSEK 240 through a directed placement of shares in order to invest in commercial premises in Saint Petersburg. Subsequently, a number of bond and share issues have been carried out. In spring 2006, Ruric's shares were listed on First North at the Stockholm Stock Exchange. To date, Ruric has invested in eight properties, of which one has been sold.

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Альфа-Капитал
RURIC

The year in brief

- **Investment properties**
  - Completed and let
  - Building up of own management organisation
- **Real estate developments**
  - Moika/Glinki
    - close to 90 percent of the replacement construction work delivered to the Russian army
    - agreement signed with partner in relation to joint project
  - Apraksin Dvor
    - completion of available area and letting of parts of it
    - participation in a consortium for a tender relating to development of the entire district
  - Fontanka 57
    - draft approval for the conversion work has been obtained
- **Raised profile in marketing and communication**
- **Preferential issue of MSEK 404**

During the year, the book value of the real estate stock has developed as follows:

MSEK	2007
Opening balance	**1,211.0**
Acquisitions	0.0
Investments in investment properties	74.9
Investments in real estate projects	469.2
Divestments	0.0
Change in value	30.0
Changes in exchange rates	–67.6
Closing balance	**1,717.2**

During 2007, Ruric's growth was financed by carrying out a preferential issue of shares for MSEK 404 and shares that were subscribed for by virtue of previously issued warrants for MSEK 138 in total.

The real estate market in Saint Petersburg continued to be positive during 2007. However, the market's character is such that there is relatively little supply with few and often non-transparent transactions. The rental levels have risen by 10–15 percent.

Comments by the Managing Director

Consolidation of our position

After the major acquisition of the development projects – Moika/Glinki and Fontanka 57 in 2006 – Ruric has strengthened its position further during 2007 as a major and significant player on the real estate market in Saint Petersburg, Russia's second largest city and Europe's fourth largest city.

We have completed the absolutely largest part of the replacement construction work for the Russian army within the Moika/Glinki agreement and we have commenced preparations for our own development of the property. In addition, we have completed the conversion and extension work of our building in the Apraksin Dvor district and carried out planning and design work ahead of the conversion and extension work on the building at Fontanka 57. We have doubled the area within the office premises Griffon, which was then sold to foreign buyers. Our office buildings, Oscar, Magnus and Gustaf, as well as large parts of the retail premises within Apraksin Dvor, have been filled with tenants and we have started to build up our own management organisation.

Ruric, in other words, has focused on construction work, letting and management during 2007. The local organisation has been strengthened and its skill has been recognised through some public accolades: Ruric's COO Leonid Polonski, was awarded the title "Top Manager 2007" in November, by the Russian equivalent of Who is Who and in December, our local management company received the prize for "Best management company in Saint Petersburg". We have not carried out any acquisitions during the past year, but we have initiated discussions with the City Administration concerning a couple of very large and interesting development projects. A number of other targets of somewhat lesser magnitude were evaluated, and Ruric participated in a tender process in a consortium format for development of the entire Apraksin Dvor district.

The replacement construction work for the Russian army's university within the Moika/Glinki project has progressed faster than originally planned. This construction work was completed during summer 2007 and the military training operations have moved out from the premises in the city centre. Our own draft design has been prepared, and is continually reconciled with the preferences of the local authorities, and our draft was submitted for formal approval at the end of the year, ahead of planned start of construction in spring 2008. On the initiative of Governor Matvienko, Ruric has already been afforded the opportunity to secure access to sufficient electrical capacity, through participation in one of the investment programmes initiated by the City for electricity supply to objects of strategic importance including the extension of the Mariinsky theatre, the New Holland project and the Constitutional Court's new premises. It is true that this somewhat accelerated process has put certain pressure on our liquidity plan within the project, but electricity supply is not something that one can take for granted in Russia and therefore we elected to participate in this programme.

During the year, the company has taken important steps in order to profile itself further in marketing and communication on the local market. This has been manifested through our involvement as a leading exhibitor at the City's international property fair PROEstate, through our sponsorship of an important sporting event and by chairman of the Board, Nils Nilsson's personal meeting with President Vladimir Putin. Ruric enjoys a reputation as a leading company in its sector by delivering with quality in all of its undertakings.

Ruric's business concept is to acquire, develop, let and manage real estate in Saint Petersburg, a city with high rental income in relation to investment levels. To carry out acquisitions and conversion work in a complex Russian environment is however not easily achieved. Ruric has succeeded well by focusing on a clear strategy: to identify and acquire buildings with great potential in the central areas of the city, but also often with complicated ownership and always with major renovation and conversion needs, and under our own management, procure, manage and control the construction work in order to subsequently offer completed premises of the highest-class.

The real estate market continues to be very attractive

The City's real estate market is characterised by a continuing imbalance between supply and demand for high-class office and retail premises, resulting in attractive rental levels. In certain cases, Ruric now receives rents in excess of USD 800 per m^2/year.

Naturally, we are not operating alone on this exciting market. There are many others already present – principally Russian companies – and more players would like to enter. This is resulting in increased competition for attractive renovation objects but also in rising prices for completed objects and those already in service. Real estate buyers' yield requirements are falling and transactions are now been made at levels under 9 percent, compared with around 12–15 percent just a few years ago.

New areas are continually being added to the market, and the additions are considerable within certain districts in the city, but on account of the low starting point, the total stock of complete and attractive premises will nevertheless remain quite small relative to the size of the city for a number of years to come. New areas are primarily being added on the outskirts of the city, not in the central areas. Complicated ownership, historic monuments, tight building restrictions, infrastructural deficiencies, slow bureaucracy etc. as well as limited financing opportunities hamper additions to supply. Demand from domestic and foreign companies and organisations is good and the vacancy rate in high-class office and retail premises is therefore very low.

Strong local organisation is the key to success

Ruric's Russian organisation was strengthened significantly and developed during 2007, particularly within property management with the aim of handling property caretaking and tenant relationships in the best way.

Through our site supervision unit LLC Tekhnostroi's firm control of employed construction companies, the replacement construction work in the Moika/Glinki project has been able to maintain a tempo meaning that the most extensive phase was consequently already concluded by summer 2007, almost one year ahead of the original schedule.

A look into the future

Our main goal for 2008 is to start the construction work within Moika/Glinki and Fontanka 57 and to ensure property management at the right cost and with the right quality. Refinacing of completed properties shall be arranged. In Apraksin Dvor, where a competing bid won the tender process for development of the entire district, we shall evaluate suitable avenues for continued ownership of our properties. Admittedly, we did not win the tender process, but we confidently look forward to either participating in some format in the development of the area, or selling at an attractive price level.

Naturally, we shall also identify and analyse new potential acquisition targets.

In the short-term, we have to handle our liquidity plan which is strained as a consequence of the outstanding payment in respect of the sale of 50 percent of the shares in the Moika/Glinki project, which was communicated on 28 December 2007. The buyer has confirmed their intention to complete the transaction, but the project is currently entering a concrete development phase with demolition of a number of buildings as well as excavation work for the construction of a car park and retail areas under ground level. We need financing of these activities. Consequently, we have resumed the discussions concerning participation in Moika/Glinki with other parties, as an alternative to the original buyer if their payment is not forthcoming. Turbulence on the international credit markets, and the fact that certain necessary registrations by authorities with respect to the properties Gustaf and Magnus will be not be ready until the second quarter of 2008 at the earliest, has meant that the work on raising loans on real estate has been taking a long time. An alternative is to sell one/some of these properties, since attractive prices are offered for real estate investments of this type. We have also started to explore the possibilities for a new bond issue.

It is my assessment that the market we are operating on will continue to be very exciting and attractive. There is a tremendous amount that needs to be done within the real estate stock in this city of several million inhabitants, Saint Petersburg. The journey has really only just begun.

In conclusion, I will repeat my message from last year: Ruric has a unique position as a foreign company with a well-established foothold in Saint Petersburg's real estate market. We are generating a good inflow of attractive investment opportunities that are continually evaluated. Our proven ability to conduct development projects in a complex environment facilitates our relations with the City's Authorities as well as commercial partners and suppliers. We have ambitions of continuing to grow. A very good basis has thus been laid for advancing our work. We shall contribute to the attractive force of the city by offering modern and purpose-built premises for tenants, we shall offer stimulating and broadening duties to our employees and we shall create value for our shareholders.

Stockholm, March 2008

Best regards

Thomas Zachariasson
Managing Director

Ruric's shares and shareholders

Ruric's class B shares are traded under the short name RURI on First North on the Stockholm Stock Exchange. A trading block comprises 25 shares, but trading can also take place in a lower number of shares. Ruric's Certified Advisor is Penser Fondkommission AB, which is a member of, and has an agreement with, the Stockholm Stock Exchange. Through Öhman Fondkommission, Ruric has a liquidity guarantee in connection with trading in the Company's shares on First North. As liquidity guarantor, Öhman must guarantee a purchase as well as a sales volume, each of at least four trading blocks, so that a difference of a maximum of 4 percent is obtained between the buying and selling price, calculated on the selling price.

All of the company's shares are denominated in SEK and have a quotient value of SEK 2 per share. At the shareholders' meeting, each Class A share in Ruric entitles the holder to ten votes and each Class B share entitles the holder to one vote. Each shareholder entitled to vote may vote for the entire number of votes held by such shareholder without limitation. Each share provides the shareholder with shareholder pre-emption rights in conjunction with new issues of shares, warrants and convertibles in relation to the number of shares he owns and carries equal rights to participation in profit distributions and to any surplus in conjunction with liquidation.

On 31 December 2007, the share capital in Ruric amounted to SEK 13,769,762 divided into 6,884,881 shares, of which 747,133 shares were Class A shares and 6,137,748 shares were Class B shares. Of the above, 101,370 shares were paid but not yet registered as at 31 December 2007.

Share capital development

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

Year	Transaction	Quotient value, SEK	Change in number of shares	Total number of shares	Increase in 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 to 1		49,000	50,000	–	100,000	–
2004	Directed issue	2	2,450,000 [2)]	2,500,000	4,900,000	5,000,000	100
2006	Preferential issue	2	1,500,000 [3)]	4,000,000	3,000,000	8,000,000	160
2006	Directed issue [4)]	2	55,800	4,055,800	111,600	8,111,600	160
2006	Preferential issue	2	608,370 [5)]	4,664,170	1,216,740	9,328,340	250
2007	Preferential issue	2	1,554,723 [6)]	6,218,893	3,109,446	12,437,786	260
2007	Subscription with options	2	564,618	6,783,511	1,129,236	13,567,022	220
2007	Subscription with options	2	101,370	6,884,881	202,740	13,769,762	138

1) All of which are Class A shares.
2) Of which 350,000 are Class A shares and 2,100,000 are Class B shares.
3) Of which 240,000 are Class A shares and 1,260,000 are Class B shares.
4) Relates to direct placement of shares which, in conjunction with the preferential issue that was carried out during spring 2006 was also made to holders of options 2005/2007 in accordance with the applicable option terms and conditions.
5) Of which 96,000 are Class A shares and 512,370 are Class B shares.
6) Of which 221,333 are Class A shares and 1,333,390 are Class B shares.



Outstanding warrants

The potential for dilution of the share capital exists through the 2006/2009 and the 2007/2010 option programmes. Through these, the outstanding number of shares may increase by 75,490 Class B shares.

Ownership

Since the founding of the company in 2004, the principal owners have been Cancale Förvaltnings AB, E. Öhman J:or AB and East Capital Holding AB with a total share of the voting rights of 56.6 percent as per 31 December 2007.

	Shares				Votes	
31 December 2007	**Series A**	**Series B**	**Total**	**Share of total**	**Number**	**Share of total**
Swedbank Robur Fonder	0	804,731	804,731	11.86%	804,731	5.96%
Capital Group	0	687,688	687,688	10.14%	687,688	5.09%
Morgan Stanley	0	647,000	647,000	9.54%	647,000	4.79%
E. Öhman J:or AB	240,000	134,033	374,033	5.51%	2,534,033	18.76%
Deutsche Bank	0	344,082	344,082	5.07%	344,082	2.55%
Nordea	0	302,801	302,801	4.46%	302,801	2.24%
Cancale Förvaltnings AB	240,000	32,700	272,700	4.02%	2,432,700	18.01%
Länsförsäkringar	0	271,602	271,602	4.00%	271,602	2.01%
East Capital Holding AB	267,133	0	267,133	3.94%	2,671,330	19.78%
UBS AG	0	255,000	255,000	3.76%	255,000	1.89%
10 largest shareholders	**747,133**	**3,479,637**	**4,226,770**	**62.31%**	**10,950,967**	**81.07%**
Other shareholders	**0**	**2,556,741**	**2,556,741**	**37.69%**	**2,556,741**	**18.93%**
All shareholders	**747,133**	**6,036,378**	**6,783,511**	**100.00%**	**13,507,708**	**100.00%**
Number of shareholders	**3**	**1,104**	**1,107**			

Size categories on 31 December	**Number of shareholders 2007**	**Number of shareholders 2006**	**Percentage of shareholders 2007**	**Percentage of shareholders 2006**	**Number of A-shares 2007**	**Number of A-shares 2006**	**Number of B-shares 2007**	**Number of B-shares 2006**	**Percentage of capital 2007**	**Percentage of capital 2006**	**Percentage of votes 2007**	**Percentage of votes 2006**
1–500	690	818	62.3%	66.2%	0	0	123,927	144,463	1.8%	3.1%	0.9%	1.4%
501–1,000	139	139	12.6%	11.2%	0	0	106,902	107,364	1.6%	2.3%	0.8%	1.0%
1,001–5,000	188	206	17.0%	16.7%	0	0	436,091	460,620	6.4%	9.9%	3.2%	4.3%
5,001–10,000	42	24	3.8%	1.9%	0	0	280,544	170,229	4.1%	3.6%	2.1%	1.6%
10,001–15,000	7	11	0.6%	0.9%	0	0	87,136	132,252	1.3%	2.8%	0.6%	1.2%
15,001–20,000	6	9	0.5%	0.7%	0	0	98,343	163,850	1.4%	3.5%	0.7%	1.5%
20,001–	35	29	3.2%	2.3%	747,133	664,000	4,903,435	2,821,392	83.3%	74.7%	91.6%	88.9%
Total	**1,107**	**1,236**	**100.0%**	**100.0%**	**747,133**	**664,000**	**6,036,378**	**4,000,170**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

			Original subscription terms and conditions		Amended subscription terms and conditions	
Outstanding warrants on 31 Dec 2007 Series	**Subscription period**	**No. of warrants**	**Additional no. of shares upon subscription**	**Subscription price, SEK**	**Additional no. of shares upon subscription**	**Subscription price, SEK**
2006/2009	10 Aug–10 Sep 2009	61,000	61,000	369.00	66,490	339.30
2007/2010	30 Jun–30 Jul 2010	9,000	9,000	368.60	9,000	368.60
Summa		**70,000**	**70,000**		**75,490**	

Market overview

Ruric is strongly dependent on the development of the Russian economy in general and Saint Petersburg's economy in particular. The Russian economy has displayed strong growth in recent years, stimulated by export growth primarily within the oil and gas sectors. Public data show a real growth in Russia's GNP of 6.7 percent during 2006 and 7.0 percent during 2007. According to forecasts by the IMF, the real GNP growth for 2008 is expected to amount to 6.5 percent. Despite the strong growth, GNP per capita is still only around 13 percent of the median value for the Euro area, which indicates considerable growth potential. Clear signs that the Russian economy is strengthening significantly are that the state budget has developed from a deficit of 4.2 percent of GNP in the beginning of 2000 to a surplus of 4.0 percent in 2007 and that inflation and government debt have decreased considerably. Government debt as a share of GNP is currently less than 10 percent, which can be compared with 130 percent in 1998. Substantial currency reserves mean, in practice, that Russia is a net lender.

Saint Petersburg was founded in 1703 and with its approximately 5 million inhabitants is Russia's second largest city. Today, the city is the fourth largest in Europe, after London, Moscow and Paris. The location of the city on the Baltic makes it "Russia's window to Western Europe". The harbour is Russia's largest container harbour, through which a large portion of Russia's imports and exports pass. Saint Petersburg enjoys good connections to Finland and Sweden through roads and ferry traffic. The city also has an international airport. A large part of production derives from shipping operations, engineering and the food industry.

The property market

The Russian property market is characterised by very low degree of transparency and a relatively high degree of complexity. Privately owned properties are a phenomena which returned as late as approximately 15 years ago in conjunction with the fall of the communist regime. The privatisation process during the 1990's has resulted in a complicated ownership situation that can often be difficult to resolve. The supply of commercial properties has been characterised by a will to rapidly meet a rising demand while awareness of prevailing international standards has often been limited. Only during recent years has new construction work met the demands of large international players intending to establish in Russia.

Another characteristic of the Russian' property market is that new construction work in most cases has been financed by domestic capital due to the fact that international investors have been hesitant due to political risks and corruption. The lack of, among other things, lease agreements with well-reputed tenants and at least mid-range lease terms has also meant that traditional international investors have had difficulty in locating properties which fulfilled their investment criteria.

The central areas of Saint Petersburg have a large portion of older buildings with strong cultural historical value which the city wishes to protect. The combination of a limited supply of office premises and the fact that foreign companies have also started to establish subsidiaries/branch offices in Saint Petersburg has created great demand for premises with high standards in central locations. Many large international corporations have established presence in Saint Petersburg, among them several automotive producers. More interesting from Ruric's perspective is that a number of major service companies in the accounting, consulting and advertising fields etc. have established a presence in central Saint Petersburg.

The City Administration in Saint Petersburg is investor-friendly and investment investments are viewed particularly positively. One trend that has been discernible in recent years is privatisation. Privatisation is taking place, among other things, for the purpose of financing an expanded municipal infrastructure, for which the need is great in Saint Petersburg, even when considered in relation to other Russian cities.

In light of the strongly growing economy, the great lack of high quality business premises, strong political support, and a growing confidence in the Russian legal system, among other factors, the interest in commercial premises has steadily increased in recent years.

Replacement building for the Russian army in Petrodvorets: barrack for cadets.

Business operations

The business concept and overall goals and strategies

The company's business concept is to acquire, develop, let and manage real estate in Saint Petersburg, Russia, with a focus on commercial premises of the highest quality in attractive locations that can thereby contribute positively to the business operations of the tenants.

The company has the goal of becoming the leading real estate company in the Saint Petersburg region within its segment.

The strategy is to identify properties with great potential in the central areas of Saint Petersburg, create suitable acquisition structures as well as acquire and renovate at the best price. After renovation, commercial premises (preferably office and retail premises) of the highest quality are offered to tenants seeking the best possible premises in attractive locations and who are willing to pay for them.

The acquisition strategy is focused on objects where Ruric can contribute significant added value and is implemented by Ruric benefiting from a lack of information on the local property market and an inefficient capital market in order to identify and carry out acquisitions at attractive prices. This is made possible through a strong local presence and good relationships with market players and governmental authorities.

The renovation and conversion work takes place under the management of Ruric's own site supervision company, Tekhnostroi. This is one reason why Ruric has successfully managed to carry out conversions and extensions within the established cost ceilings and within timeframes that are better than normal in the Russian market.

Financial goals

Ruric's goal is to generate a return on shareholders' equity of at least 20 percent at a conservative level of borrowing and to obtain a yield from the real estate stock (rental income minus operating expenses in relation to investment) of at least 15 percent.

Fulfilment of goals

Return on shareholders' equity must be viewed over a slightly longer perspective than the short time in which Ruric has been in existence so far. The completed properties generate together initially 14 percent yield in relation to total investment.

Real estate stock

Ruric's real estate stock consists of four completed investment properties which were fully let at year-end (although not all moved in) and a project portfolio containing three areas/properties. 2007 was characterised by strong activity in the project portfolio with completion of the replacement construction work for the Russian railway troops as the greatest milestone. The book value of the properties increased from MSEK 1,211 to MSEK 1,717 of which MSEK 469 referred to real estate projects and MSEK 75 to investments in investment properties. The total building area after completed conversion and renovation is expected to amount to approximately 280,000 m^2 of which approximately 210,000 m^2 is estimated to be lettable area.

Ruric owned seven properties in central Saint Petersburg at the end of the period.

Investment properties

The combined value of the investment properties amounted to MSEK 549.9 on 31 December. External valuations relating to the investment properties were obtained (apart from Griffon House which was sold). The valuation of this stock is based on a yield of approximately 10 percent, and for Griffon, the price agreed with the buyer. The value of the property portfolio given various yield requirements is illustrated below:

Property	Lettable area	Net operating income (6.5 SEK/USD)	Yield requirement 8%	9%	10%	11%	External valuation
R. Fontanki nab. 13 (Oscar)	2,976	10.5	131.3	116.7	105.0	95.5	107.9
9-ya V.O.i. 34 (Magnus)	6,378	13.5	168.8	150.0	135.0	122.7	137.8
Sredny Prospekt 36/40 (Gustaf)	4,943	12.0	150.0	133.3	120.0	109.1	128.7
Ul. Dostoyevskovo 19/21 (Griffon House)	6,143	16.1	201.3	178.9	161.0	146.4	181.1–194.0
Investment properties	**20,440**	**52.1**	**651.3**	**578.9**	**521.0**	**473.6**	**561.4**
Book value			549.9	549.9	549.9	549.9	549.9
Remaining investment/tenant conversions			5.0	5.0	5.0	5.0	5.0
Surplus value			**96.4**	**24.0**	**–33.9**	**–81.3**	**6.5**

Detail from Apraksin Dvor.

Ruric's assessment is that the yield on the properties will increase and that the yield requirements will fall in the short-term. Consequently, this will result in higher property values despite higher real estate expenses.

Commencing in 2007, Ruric entered a management stage for a part of the real estate stock. For the organisation it means new challenges in the form of looking after tenants and cost-efficiently managing the improved properties, and in this way continuously increasing the yield. This changeover is not entirely without difficulties. As proof that developments are going in the right direction, the company's Russian management company, LLC Ruric Management, received the award "Best property company in Saint Petersburg".

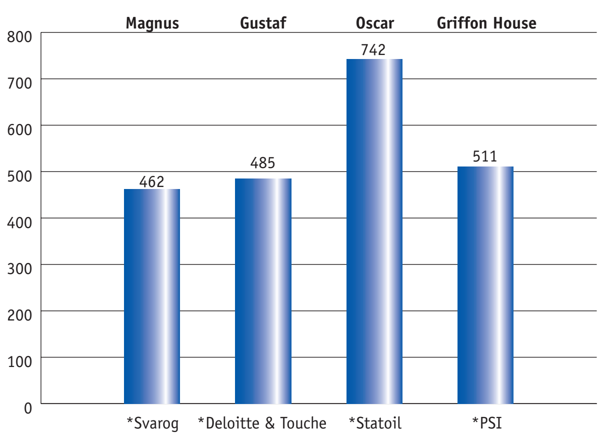
The rental market

Demand for high quality premises in Saint Petersburg's A-locations is considerable. Ruric's stock of both fully converted properties and real estate projects are sited in such locations that the economic occupancy rate should be almost 100 percent. Ruric's strategy of owning properties of the highest class means that the company focuses on slightly larger, sometimes international tenants, which also means that there can be a certain amount of delay between completion of the property and occupancy.

Of Ruric's completed area of 32,900 m^2, 26,100 m^2 (14,100) was contracted at year-end. The area that is still unlet relates to areas within the Apraksin Dvor district. The rental levels for leased area is in the range 350–975 USD/ m^2 per year, where the highest levels relate to retail areas in the Apraksin Dvor district.

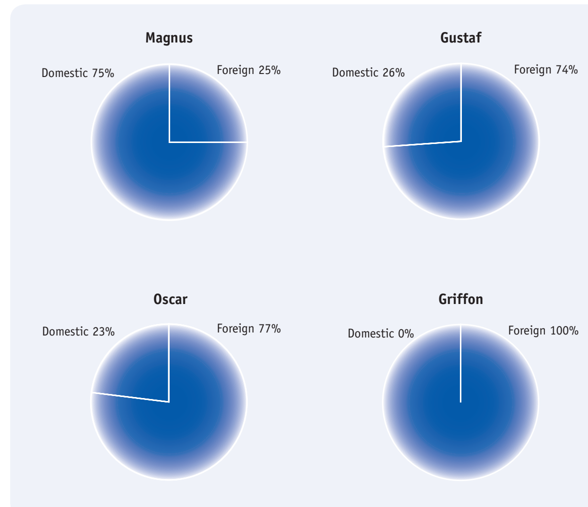
The chart below shows rental levels and largest tenant:

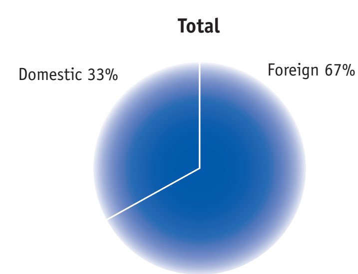
Average rent USD/m^2



*Largest tenant

Ruric's strategy of offering premises of the highest class to tenants who are prepared to pay for such premises often results in international players becoming tenants. This fact is illustrated to the right.



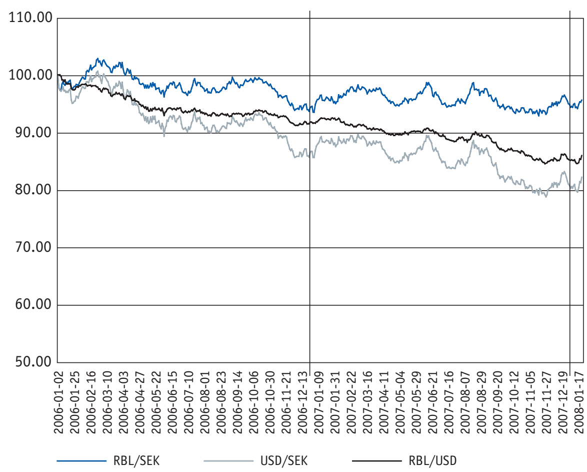


Ruric's lease agreements

Leases are normally signed in American dollars. All rental payments are paid however in Russian roubles, where the company obtains at least 27 roubles to the dollar, which in the present situation means a positive indexation of 12.5 percent in dollar terms. Currently, there are few macroeconomic signals suggesting that the rouble shall fall in value against the dollar.

Ruric's policy is to draw up leases for 3–5 years, with a rental adjustment upwards of 5–10 percent per year. Under Russian law, it is not permissible to draw up leases for a longer term than 11 months, prior to the final registration and approval of the property. Leases are constructed however so that there are mutual obligations to prolong the leasing terms in accordance with the original intentions.

Exchange rate changes
Index 100 = SEK



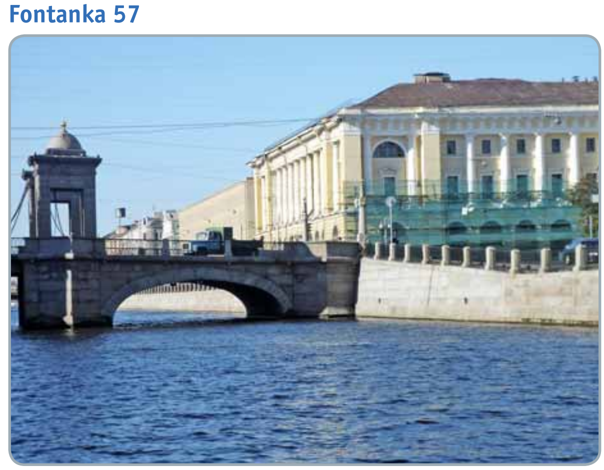
Real estate projects

In Russia, it is common that property transactions with public bodies are entered into in the form of an investment agreement, in which the rights to the property do not vest in the purchaser until after the purchaser has fulfilled certain undertakings towards the seller or regarding the property.

Apraksin Dvor

In the Apraksin Dvor area, which is a centrally located and very lively trading district, Ruric has entered into investment agreements which give the company the rights to two properties which are primarily retail properties. During the year, remaining area of approximately 10,000 m^2 was completed in both of the company's buildings with designation 15/16 and 33 in the district. Large parts are let to a couple of trading companies that moved in during the third quarter 2007. The rent for all leased area amounts on average to 715 USD/ m^2 per year. During the autumn of 2007, the City Administration carried out a tender process for modernisation of the entire Apraksin Dvor district, with start of construction expected during 2008. Ruric participated in the tender process, but a competing bid won. The imminent, very extensive, conversion work has led to a weakening of demand for retail solutions which require investment in furnishing and equipment on the part of the tenant. Furthermore, many tenants have become unsure whether the district's present landlords, some with unclear title to the premises, will be able to supply the areas desired in the longer-term. Pending clarification regarding what will apply ahead in the area as a whole, even certain parts of Ruric's completed areas have not yet been let. Negotiations are ongoing with current and potential tenants on suitable lease constructions for this special situation.

Fontanka 57



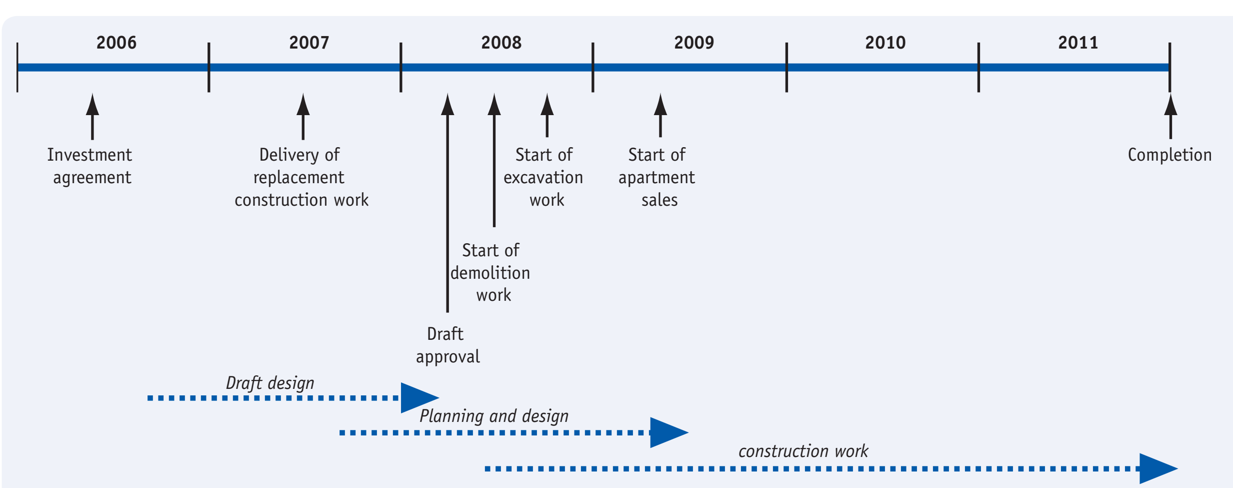
Along the Fontanka river, directly adjacent to the Apraksin Dvor district, lies Ruric's most recent acquisition from August 2006, located at Fontanka 57. At the end of the year, Ruric received approval of a draft for extension from 18,000 m^2 to 27,000 m^2 total area, for the property which is used through a 49-year financial lease. The property adjoins the Apraksin Dvor district. At year-end, negotiations were conducted with various parties about how this property could be included in the modernisation of the entire area. Ruric has entered into an agreement with a party relating to joint ownership of the property in order to develop it in the best way.

The Moika/Glinki development property

Ruric's absolutely largest project at Moika/ ul. Glinki is a relatively sizeable district, slightly more than 3 hectares, in central Saint Petersburg's western portion, which belonged to the Russian army. In the area, with a total building area of approximately 47,000 m^2, there are several university buildings which have been used for training Russian officers as well as residences and barracks for the students. Otherwise, the area consists primarily of open plots of land which can be developed.

Moika/Glinki lies in a beautiful area where one primarily finds residential homes and cultural institutions. Adjacent to the eastern side there is a public park and the northern side abuts the Moika canal. West of, and directly adjacent to Moika/Glinki lies Mariinsky theatre, one of Russia's most important cultural venues. Work is being carried out there with extension construction in two stages which will further increase the flow of traffic and attraction of this area. Ruric regards the western part of Saint Petersburg's city centre as very interesting in light of several new building projects. Recently, a large area, which lies north west of Moika/Glinki, New Holland, was privatised. The intention is that this area will be developed, resulting in a number of new hotels, shops and exhibition premises. Even the infrastructure will be improved within the near future since, according to information from the city, a subway station will be constructed, with an entrance in the vicinity of Moika/Glinki.

The work in this initial phase (the replacement construction work for the Russian army's university) has progressed faster that originally planned. These buildings were completed during summer 2007 and the military training operations have moved out from the premises in the city centre. In the



autumn, planning and design for the demolition and excavation work commenced and a procurement process has been concluded. During the year, the company ensured that the Moika/Glinki project will gain access to sufficient electrical capacity, through participation in one of the investment programmes initiated by the City for electricity supply to objects of strategic importance including the extension to the Mariinsky theatre, the New Holland project and the Constitutional Court's new premises.

Ruric will have the opportunity to demolish large parts of the existing buildings since only a few smaller free-standing buildings are culturally protected. In December, the application for draft approval was submitted to the relevant authorities for slightly more than 200,000 m² building area in total, and the preliminary green light was obtained. Final and formal approval is expected during spring 2008.

During the year, discussions were conducted with several potential partners in this project, and an agreement was finally signed on 28 December for sale of 50 percent of the shares in a hitherto wholly-owned subsidiary structure. The parties will develop this project under joint management which is expected to become a landmark in the ongoing renewal of Russia's second largest city. The buyer has still not paid for the shares, but have advised their intention to complete the deal. The transaction means, if it is completed, a cash contribution to Ruric of approximately SEK 1.3 billion (at an exchange rate of 6.5 SEK/Dollar) and a positive contribution to earnings of SEK 0.9 billion after tax but before transaction expenses. In addition to this, the transaction shows a surplus value, not reported in the accounts, of over SEK 0.9 billion for the 50 percent share that Ruric retains in the project company.

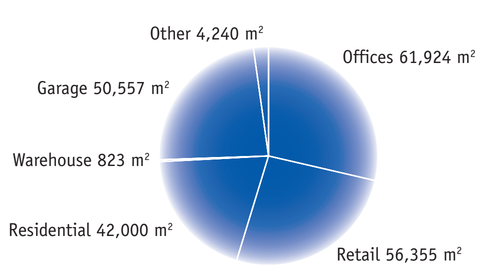
Ruric in collaboration with the partner shall establish in detail which type of properties the development may involve. This final decision will be preceded by thorough analyses, among other things concerning factors such as costs of development, development of rental levels for various types of properties and suitable risk levels for the total property portfolio. Taking into consideration the location of the property, however, it is probable that a not insignificant portion of residences will be built, while at the same time, the portion of office space is expected to be relatively small. Parking, hotels and shops will be included.

As a consequence of the fact that the planned development still has not been determined in detail, the estimated cost for the future conversion is not defined. A preliminary estimate of this cost amounts to about MSEK 3,000. The total cost is also dependent on the scope of the development, which has not yet been finally determined. Based on this estimate, the total investment including the initial acquisition amount and the cost for undertakings and development would be less than SEK 20,000/m² for the total area.

The following calculation can illustrate how an estimate of potential surplus value in the project portfolio could look, provided that the projects are completed as planned without any significant problems and all necessary permits etc. are obtained:

Property	Lettable area (m²)	Potential net operating income	Book value	Total cost completed	Planned completion	Potential value	Undiscounted surplus value (MSEK)
Apraksin Dvor 15/16, 33	12,275	40	303	360	2007	520	160
Fontanka 57	23,200	70	206	525	2009	715	190
Moika / Glinki total	150,000	300	658	3,900		5,700	1,800
Residences	42,000				2011	2,200	
Commercial incl. parking	108,000	300			2011	3,500	
Total	**185,475**	**410**	**1,167**	**4,785**		**6,935**	**2,150**

When all properties, including the project properties, are completed, the allocation of lettable area is approximately as follows.



Board of Directors and management

Nils Nilsson
Collonge-Bellerive, Schweiz, born 1961.
Chairman of the Board of Directors, elected to the Board of Directors in 2004.

Other current positions: Member of the Board of Directors of Nordnet Holding AB, Nordnet Family AB, Nordnet Bank AB, 11 Real Asset Fund AB, Malka Oil AB and Director of Bellatin SaRL, Luxemburg and Hun Research PTY LTD, Singapore.

Shares in Ruric: 120,000 class A shares and 16,350 class B via ownership share in Cancale Förvaltnings AB.

Tom Dinkelspiel
Saltsjöbaden, born 1967.
Member of the Board of Directors, elected to the Board of Directors in 2004.
Other current positions: Managing Director of E. Öhman J:or Fondkommission AB, Managing Director and Group CEO of the Öhman Group and member of the Board of Directors in the group. Member of the Board of Directors of Chevrone AB, KOGMOT AB, Konsumentkredit i Sverige AB, MPS Holding AB, Nordnet Holding AB, Nordnet Family AB, Nordnet Bank AB, 11 Real Asset Fund AB and Svenska Fondhandlareföreningen. Deputy member of the Gummesson Group AB.

Shares in Ruric: 4,000 class B shares.

Jens Engwall
Stockholm, born 1956.
Member of the Board of Directors, elected to the Board of Directors in 2006.
Other current positions: Member of the Board of Directors of Tengbomgruppen AB, Kungsleden AB, Vasallen AB, FastPartner AB, Chengde Intressenter AB, Catella Financial Advisory AB, Bonnier City-fastigheter AB, Runsvengruppen AB (Chairman), North European Properties Ltd (Chairman), Reinhold Polska AB.

Shares in Ruric: 0.

Warrants in Ruric: 7,000 2006/2009 warrants.

Gert Tiivas
Tallinn, Estland, born 1973.
Member of the Board of Directors, elected to the Board of Directors in 2006.
Other current positions: Managing Director of East Capital Explorer AB. Member of the Board of Directors of Arco Varavalitsemise AS, AS Baltika, Avec Asset Management AS, Avec Baltic Property Fund AB, East Capital Explorer Investments AB, East Capital Power Utilites fund, Cantik Enter-prises Ltd., Pervomayskaya Zarya Ltd., Tallinn Stock Exchange and TEO LT AB.

Shares in Ruric: 0.

Ulrika Hagdahl
Lidingö, born 1962.
Deputy member of the Board of Directors, elected to the Board of Directors in 2004.
Other current positions: Member of the Board of Directors and Managing Director of Cancale Förvaltnings AB, Nils Arousell Nilsson AB, Lannion AB and Baltenergo AB. Member of the Board of Directors of IFS AB. Of these companies, Ulrika Hagdahl is an owner of Cancale Förvaltnings AB, Lannion AB, Beijer Electronics AB och Baltenergo AB.

Shares in Ruric: 120,000 class A shares and 16,350 class B via ownership share in Cancale Förvaltnings AB.

Harald Kjessler
Saltsjöbaden, born 1963.
Deputy member of the Board of Directors, elected to the Board of Directors in 2004.
Other current positions: Member of the Board of Directors of E. Öhman J:or Fondkommission AB and X5 Music Group AB. Managing Director and member of the Board of Directors of Konsumentkredit i Sverige AB.

Shares in Ruric: 7,566 class B shares.

Senior Management

Thomas Zachariasson
Djursholm, born 1963.
Managing Director.
Commenced 2004.
Shares in Ruric: 11,672 class B shares.
Warrants in Ruric: 50,000.

Anders Larsson
Stockholm, born 1964.
Chief Financial Officer.
Commenced 2007.
Shares in Ruric: 810 class B shares.
Warrants in Ruric: 8,000.
Other current positions: Member of the Board of Directors of FastProp Holding AB.

Leonid Polonski
Saint Petersburg, born 1946.
Chief Operating Officer.
Commenced 2006.
Shares in Ruric: 0.
Warrants in Ruric: 5,000
Other current positions: None.

Auditor

Björn Fernström
Täby, born 1950.
Lead auditor
Ernst & Young
Jakobsbergsgatan 24
103 99 Stockholm
Authorised public accountant and member of the Swedish Institute of Authorised Public Accountants.
Auditor since 2004.

Management Report 2007

The Board of Directors and the managing director of Russian Real Estate Investment Company AB (556653-9705) hereby submit the following annual accounts and consolidated accounts.

Unless otherwise stated, all amounts are reported in 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 commercial premises of the highest-class in the best locations that thereby contribute positively to the business operations of the tenants. The company has the vision of becoming the leading real estate company in central Saint Petersburg.

Real estate stock

Ruric owned seven properties in central Saint Petersburg at year-end, of which three are completed, extension work is continuing to the existing property in one, and in the other three, planning and design and/or renovation/conversion is ongoing (largely completed in one of these properties). During the period, the real estate stock has developed as shown below:

MSEK	2007	2006
Opening balance	**1,211.0**	**288.8**
Acquisitions	0.0	337.5
Investments in investment properties	74.9	23.5
Investment in real estate projects	469.2	443.4
Divestments	0.0	–10.8
Changes in value	30.0	154.6
Changes in exchange rates	–67.6	–26.0
Closing balance	**1,717.2**	**1,211.0**

Acquisitions

No acquisitions were carried out during the year, but Ruric has gained the opportunity of participating in the ownership and development of an attractive land plot outside central Saint Petersburg through an agreement that includes loans, among other things.

Work continuing within own stock

During the year, MSEK 543.8 was invested in renovation and conversion work, of which approximately MSEK 350 consisted of replacement construction work as well as planning and design within the Moika/Glinki project and approximately MSEK 107 within Apraksin Dvor 15/16 and 33. Most of the remaining part was used for the extension work to Griffon House, at ul. Dostoyevskovo 19/21.

Divestment

During the second quarter an agreement was entered into concerning sale of the property at ul. Dostoyevskovo 19/21, with closing on 30 November 2007 at the latest, and at a price of approximately MUSD 26. The completion of a new building in the property was delayed and the parties agreed to break the agreement. A new agreement was subsequently made with a Norwegian property company regarding sale of the property for MUSD 28–30. Closing shall take place during the first quarter 2008.

On 28 December, an agreement was signed regarding divestment of 50 percent of the Moika/Glinki project through a subsidiary. The purchase price of MUSD 200, which should have been paid no later than 25 January 2008, has still not been paid. The sale has not been reported in the accounts.

Investment properties

Changes in value in investment properties

The fundamental factors that govern the value of properties – rental levels and yield requirements which are themselves governed by demand – have all moved in a positive direction during the year. Transactions on the market involving completed commercial objects are still however so uncommon that valuation institutions need a longer time in order to demonstrate general changes in market values. However it can be noted that a bid was received during summer 2007 from an international real estate investor for the purchase of Ruric's completed office buildings at a net yield level of 9 percent, which was refused.

New external valuations with respect to the investment properties were obtained from the valuation company Knight Frank at the end of the year (apart from Griffon House which is sold). The valuation of this stock is based on a yield of approximately 10 percent. The investment properties increased in value by MSEK 78.6 during the year consisting of MSEK 74.9 in investments, principally in Griffon House, and MSEK –26.3 in changes in exchange rates, as well as MSEK 30.0 in changes in value. The combined value of the investment properties amounted to MSEK 549.9 on 31 December. The value of the real portfolio given different yield requirements is illustrated in the table above on next page:

Property	Lettable area	Net operating income (6.5 SEK/USD)	Yield requirements 8%	9%	10%	11%	External valuation
R. Fontanki nab. 13 (Oscar)	2,976	10.5	131.3	116.7	105.0	95.5	107.9
9-aya V.O.i. 34 (Magnus)	6,378	13.5	168.8	150.0	135.0	122.7	137.8
Sredny Prospekt 36/40 (Gustaf)	4,943	12.0	150.0	133.3	120.0	109.1	128.7
Ul. Dostoyevskovo 19/21	6,143	16.1	201.3	178.9	161.0	146.4	181.1–194.0
Investment properties	**20,440**	**52.1**	**651.3**	**578.9**	**521.0**	**473.6**	**561.4**
Book value			549.9	549.9	549.9	549.9	549.9
Remaining investment/ tenant conversions			5.0	5.0	5.0	5.0	5.0
Surplus value			**96.4**	**24.0**	**–33.9**	**–81.3**	**6.5**

All areas in the investment properties were contracted at year-end.

Project portfolio

The total building area of the stock, including investment properties, after completed conversion and renovation will amount to approximately 280,000 m^2 of which 210,000 m^2 is estimated to be lettable area.

Investments in real estate projects were allocated during the year as follows:

Property	(MSEK)
Apraksin Dvor 15/16, 33	107.2
Fontanka 57	10.2
Moika / Glinki totalt	351.8
Total	**469.2**

Rental income

The rental income which includes the investment properties and the completed parts of Apraksin Dvor 15/16 and 33, amounted to MSEK 46.0 (16.6) during the year.

Other properties underwent planning and design, renovation and conversion work and did not as yet contain any lettable area.

Real estate expenses

Direct real estate expenses and expenses that cannot be capitalized for legal administration, marketing of premises, management fees etc. amounted to MSEK –18.4 (–18.5) during the year. The principles for cost apportionment have been revised as a consequence of completion of properties. Corresponding adjustments have been made for the reference periods.

Property tax

In the Russian subsidiaries, property tax is paid at a rate of 2.2 percent on the book value. Certain capitalized expenses such as capitalized interest and certain other expenses for external consultants, e.g. architects are deducted from the book value. Normally, it is expected that approximately 70 percent of the book value will be subject to property taxation in Russia. For Ruric this means approximately SEK 500/m^2. This expense has only been charged to the company's accounts to a limited extent, since this tax only starts to apply when certain approvals have been obtained.

Multiple year overview

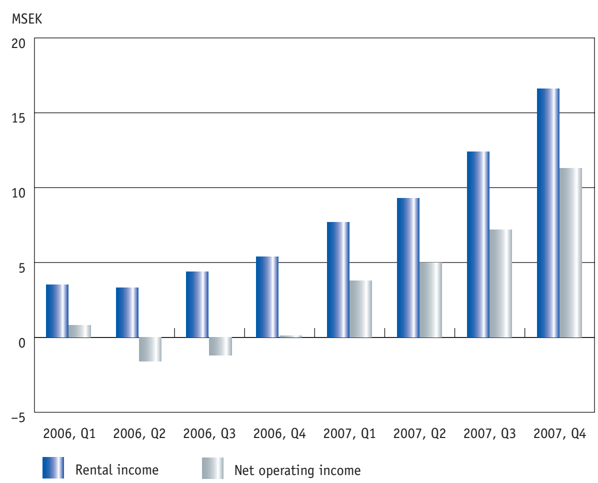
The financial year 2007 was the company's fourth financial year.

The Group

	2007	2006	2005	2004
Net turnover, MSEK	46.0	16.6	10.4	0.0
Profit/loss after tax, MSEK	–15.9	41.8	–16.3	–2.0
Total assets, MSEK	2,041.7	1,463.0	476.8	239.7
Equity ratio, percent	54.1	44.0	48.2	99.7
Median number of employees	57	25	9	4

Operating surplus

The operating surplus for completed investment properties amounted to MSEK 27.6 (–1.9) during the year. The improvement is due to the fact that more buildings are completed and let. The rental income and net operating income trends are shown in the chart below:



Proforma, as all rental income and direct real estate expenses are estimated on a yearly basis and property tax has started being charged, the yield on the completed investment properties is 14.3 percent, in relation to the investment made.

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 –35.5 (–32.3) during the year. During the year, Ruric put a huge amount of work into local marketing with the aim of making clear, the company's ambitions of playing a significant role in the development of Saint Petersburg's real estate stock.

Operating result

The operating result for the year amounted to MSEK 21.7 (120.1). The large decrease is due to changes in value of properties in connection with reclassification to investment properties during the reference period.

Net financial income/expense

Net financial income and expense amounted to MSEK –29.8 (–32.8) for the year. During the period, capitalized interest expenses amounted to MSEK 49.5 (18.1). The sharp fall in the value of the dollar has impacted shareholders' equity by MSEK 61.2, principally on account that the properties are valued in dollars, while changes in exchange rates impacting the income statement amounted to MSEK –5.3 (1.3).

Result after financial items

The result after financial items amounted to MSEK –2.7 (87.3) during the year.

Taxes

Tax expenses amounted to MSEK –13.2 (–45.5) during the year and are attributable to the Russian operations. The income tax rate in Russia is 24 percent, but it is more difficult to act tax efficiently, since it is not permissible to seek tax relief through group contributions. There are also rules for transfer pricing of services and capital that complicate such tax relief.

For the comparative period, a large part of the tax amount refers to deferred taxes in connection with changes in value of properties. Since it is not permissible either to expense interest for tax purposes until the buildings receive final approval, which none of the company's investment properties had secured on the balance sheet date, these companies had a full tax burden on the entire operating result for the financial year. The property at Fontanka 13 (Oscar) gained final approval after year-end and received the necessary registration.

Cash flow, liquidity and financial position

The cash flow during the year amounted to MSEK –119.4 (0.5), whereof MSEK 46.6 (–59.0) was from operating activities. The equity ratio amounted to 54.1 (44.0) percent at the close of the period, whereof the debt ratio is less than the maximum according to the bond terms. Equity amounted to MSEK 1,104.6 (643.9). Cash and cash equivalents amounted to MSEK 33.5 (152.9) and interest-bearing liabilities amounted to MSEK 737.5 (730.8). Investments during the period of MSEK 704.1 in total have been financed by a preferential issue and conversion of warrants for a total of MSEK 537.8 after issue expenses as well as partially through cash holdings.

Interest-bearing liabilities

Ruric's financing consists of two bond loans and a debt concerning financial leasing of a Russian property (Fontanka 57). The bond loans are listed on NGM (Nordic Growth Market).

During the second quarter 2005, a bond loan raised MSEK 226 or the Company, with a redemption date of 29 April 2008. The nominal amount is SEK 250 m. The loan ran without coupon interest until 28 April 2006. From 29 April 2006 until the redemption date, the loan runs with a coupon interest of 9.0 percent per annum, with interest due dates 29 April 2007 and 29 April 2008.

A further bond loan raised MSEK 410 for the Company during the second quarter 2006, with a redemption date of 16 November 2010. The nominal amount is MSEK 451.5. The loan ran without coupon interest until 16 November 2006. From 17 November 2006 until the redemption date, the loan runs with a coupon interest of 8.5 percent per annum, with interest due dates 16 November 2007, 16 November 2008, 16 November 2009 and 16 November 2010.

Discussions were conducted throughout 2007 with banks regarding raising loans on the completed real estate portfolio. The recent turbulence on the financial markets has delayed the process, but the expectation remains that the loan shall be disbursed during April 2008. In order to raise money on real estate, final approval of the properties must be registered with the relevant authority, which is still not the case for the Gustaf and Magnus properties. The loan amount is intended to be used for redemption of the first of the above-mentioned bond loans.

Personnel and organisation

Ruric has a corporate structure in which, in principle, each acquired property is to be owned by a Russian company (a separate company for each individual property) which in turn is owned by a Swedish subsidiary (a separate company for each individual property) of the parent company Russian Real Estate Investment Company AB. This provides a high degree of flexibility in conjunction with any future divestments.

Russian Real Estate Investment Company AB is the parent company of a group of companies which, at year-end consisted of seven Swedish subsidiaries with, in turn six wholly-owned Russian subsidiaries and a partially-owned Cypriotic subsidiary, and two Russian companies wholly-owned by the parent company. All management in Saint Petersburg is handled by the wholly-owned subsidiary LLC Ruric Management. The companies have their registered offices in Stockholm, Saint Petersburg and Nicosia.

At the end of the financial year, the Group had 79 employees, of which 76 were in the Russian subsidiaries in Saint Petersburg and 2 at the parent company's head office in Stockholm. One person is employed in the parent company and is based in Saint Petersburg.

In Russia, Ruric has elected to work with three separate organisations: one unit for management that handles letting, administration, finance and law; one unit for project management and site supervision with responsibility for the Group's very extensive real estate project; and one service unit, that started at the end of the year that shall handle property caretaking in the investment properties in particular, but also a certain amount of caretaking in the real estate projects. This has been assessed as significantly more cost-efficient and offers the Company better control over its undertakings compared with external solutions.

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 3 people at year-end, of which one is based in Saint Petersburg.

The parent company's turnover amounted to MSEK 1.2 (0.3) for the year. The result after financial items amounted to MSEK –51.1 (–94.9).

Cash and cash equivalents at the close of the reporting period amounted to MSEK 20.1 (123.3).

Ownership

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

The founders E. Öhman J:or AB, Cancale Förvaltnings AB and East Capital together own all of the company's 747,133 class A shares and also 166,733 class B shares. The total shareholding represented 56.6 percent of the voting capital at year-end. The remaining 5,869,645 B shares represented 43.4 percent of the votes. The company had 1,107 (1,236) shareholders at the close of the financial year.

Risk factors and risk management

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

Financial risks:

Liquidity risks

In light of the Company's expected cash flow trend and the budgeted renovation costs, the Company will require additional capital in the future. The failure to obtain additional financing at the right time may force the company to postpone, reduce or discontinue operations or sell properties on terms unfavourable to the Company. The aforementioned discussions with banks regarding refinancing are intended to secure long-term liquidity.

Interest risks

The Group's loans are composed of two bond series. The interest rates on these bond loans are fixed during the term of the loan. The redemption terms and conditions are not tied to the interest rate level upon any premature redemption as a consequence of which there is no interest risk. 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. Since the Company's operations to date have consisted primarily of conversion and renovation work, and only to a limited extent of leasing operations, this risk has been limited to date.

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

Currency risks/Cash flow risks

Borrowing by the Group has consisted to date of increases in shareholders' equity and the issuance of bonds in SEK. The Group's net outflow is primarily based on USD. To date, currency exposures have not been hedged.

Currency risks/translations

The Group's assets are primarily valued in USD, while liabilities are denominated in SEK. This translation risk has not been hedged by Ruric.

Other risks:

- Ruric is active on a market characterised by political risks, which may affect the willingness to invest.
- The legal system in Russia is not thoroughly developed nor is it entirely comparable to the Western European systems. Legal reforms tend to proceed slowly. All in all, this may have a negative effect on Ruric. The Company conducts an annual "legal health check" in order to evaluate these risks.
- The property market is attractive from an investment perspective, as a result of which, additional players may establish operations. Competition for attractive investment opportunities would accordingly increase.

Post balance sheet events

- Ruric participated, in collaboration with a Russian property developer, in the city's tender process for modernisation of the entire Apraksin Dvor district. A competing bid was chosen as the winner on 25 January. The company is conducting discussions with the winner regarding sale and/or cooperation.
- At a meeting on 31 March 2008, the Board of Directors resolved to explore the possibilities for a new bond loan of a maximum MSEK 400.

Future prospects

Financing

Since more than a year, Ruric has been in discussions with a number of banks regarding the possibilities of financing parts of the completed and let property holdings with mortgage bank loans. The discussions have been delayed due to the turbulence on the international credit market as well as certain required registrations with the authorities with respect to the Gustaf and Magnus properties that have not yet been obtained. A sale of the property on the ul. Dostoyevskovo 19/12 address (via the ZAO Grifon subsidiary) in line with the letter of intent that Ruric has entered into with E-Star Property AS is expected to be carried out according to plan. Payment of sales proceeds is expected first during the second half of 2008 after necessary approvals have been received. In addition, the payment with regard to the sale of the 50 per cent of the shares in the Moika/Glinki property development project, which was announced on December 28, 2007, has been delayed for bank compliance reasons. As a result of this, Ruric is in parallel negotiations with several other parties in order to successfully complete the project on time.

Ruric's intention has previously been that Bond loan 2005/2008 shall be repaid with funds from admitted mortgage bank loans and/or the above mentioned sales proceeds. For the purpose of securing the repayment of Bond loan 2005/2008 as well as Ruric's developing operations until funds have been received from the above mentioned sources, E. Öhman J:or Fondkommission AB has been assigned by the board of directors to explore the possibilities of raising capital in the bond market to a maximum volume of SEK 400 million. Assuming that no funds are received from bank loans or sale of properties and developing work according to plan, Ruric estimates that the net proceeds from the proposed capital raising are sufficient to finance Ruric's operation until November–December 2008. If none of these cash inflows have occurred until then, a new share issue should be considered.

The Property market

The Company expects that Saint Petersburg will continue to show a positive development in many respects, through its geographic location and its role as the second largest city in Russia. Naturally this will be contingent on the overall economic development and political situation in the country as a whole.

The real estate market in Saint Petersburg is not entirely transparent, as a consequence of which it is difficult to quantify available areas, demand, letting rates, rental levels and increases in value. However it is the view of the Board of Directors and executive management that the market, as a part of all of Russia's expected continuing growth, will be characterised by continued imbalance between supply and demand for high-end office and retail premises, and that Ruric, given its strong local position, will be able to operate successfully in this environment.

Secured letting in the investment properties, and those within Apraksin Dvor, means that Ruric expects to report a positive result after net financial items, as from the start of 2008.

The work of the Board of Directors

At the end of the year, the Board of Directors consisted of four regular members and two deputy members.

In addition to the first meeting of the Board of Directors, meetings must be held at least four times per calendar year. During 2007, 17 meetings were held, of which 5 were by telephone, and two took place in Saint Petersburg. The Board of Directors' work focused primarily on the continued build up and organisation of the Company, decisions regarding property investments/divestments and financing of these.

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

The composition of the Board of Directors, number of meetings and attendance 2007

Member	Elected	Number of meetings Regular	Telephone/ per capsulam
Nils Nilsson	2004	8	9
Tom Dinkelspiel	2004	8	9
Gert Tiivas	2006	7	7
Jens Engvall	2006	8	7

Annual General Meeting 2007

The Annual General meeting 2007 was held in E. Öhman J:or Fondkommissions AB's premises at Berzelii park on April 23. 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 Directors' proposal not to issue any dividend and to re-elect the board members Nils Nilsson, Tom Dinkelspiel, Gert Tiivas and Jens Engvall, and to re-elect the deputy members, Harald Kjessler and Ulrika Hagdahl.

Transition to reporting in accordance with IFRS rules

In light of the fact that the listing agreement with NGM (New Growth Market) – on which the Company's bonds are listed – prescribes a transition to reporting in accordance with the IFRS (International Financial Reporting Standards) rules, a transition to the IFRS reporting has taken place. This annual report is the first annual report that is prepared in accordance with IFRS. The transition date to IFRS standards is 1 January 2006.

The transition to IFRS will principally concern IAS 40 – investment properties – whereupon the Group's investment properties will be reported at market value, and unrealised profits and losses will be reported in the income statement. The effects are quantified in Note 1 New accounting principles.

Proposed allocation of profits

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

	SEK
Share premium reserve less costs of share issue	923,467,801
Loss brought forward	–110,587,856
Loss for the year	–51,144,399
Total	**761,735,546**

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

Financial reports

Consolidated income statement

	Note	01-01-2007 – 31-12-2007	01-01-2006 – 31-12-2006
Rental income	2	46.0	16.6
Real estate expenses	3	–18.4	–18.5
Operating profit/loss		**27.6**	**–1.9**
Depreciation of equipment	11	–0.4	–0.3
Other operating expenses	6, 7	–35.5	–32.3
Changes in value properties	11	30.0	154.6
		–5.9	**122.0**
Operating profit		**21.7**	**120.1**
Profit/loss from financial investments			
Other interest income and similar profit/loss items	8	9.3	3.8
Interest expenses and similar profit/loss items	9	–33.7	–36.6
		–24.4	**–32.8**
Profit/loss before tax		**–2.7**	**87.3**
Tax on loss for the year	10	–13.2	–45.5
Profit/loss for the year		**–15.9**	**41.8**
Earnings per share before dilution		–2.66	11.71
Earnings per share after dilution		–2.66	10.21

Total result attributable to the parent company's shareholders

Consolidated balance sheet

	Note	31-12-2007	31-12-2006
ASSETS			
Fixed assets			
Tangible fixed assets	11		
Equipment, tools and facilities		6.2	2.3
Investment properties		549.9	474.0
Ongoing property projects		1,167.3	737.0
		1,723.4	**1,213.3**
Financial fixed assets			
Other long-term security holdings	14	36.4	–
Other long-term receivables	12	169.2	44.6
Deferred tax assets	10	6.1	1.6
		211.7	**46.2**
Total fixed assets		**1,935.1**	**1,259.5**
Current assets			
Current receivables			
Accounts receivable		4.8	2.2
Other receivables	15	35.6	37.1
Prepaid expenses and accrued income	16	32.7	11.3
		73.1	**50.6**
Cash and bank balances	17	33.5	152.9
Total current assets		**106.6**	**203.4**
TOTAL ASSETS		**2,041.7**	**1,463.0**

	Note	31-12-2007	31-12-2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital (shares)		13.6	9.3
Reserves		156.7	217.7
		170.3	**227.0**
Non-restricted equity			
Non-restricted reserves		950.2	375.1
Profit for the year		–15.9	41.8
		934.3	**416.9**
Total equity		**1,104.6**	**643.9**
Long-term liabilities			
Bond loans	18	684.7	678.9
Other long-term liabilities	19	101.3	51.9
Deferred tax liabilities	10	51.1	43.4
Total long-term liabilities		**837.1**	**774.2**
Current liabilities			
Accounts payable		12.7	8.8
Other current liabilities	20	46.5	2.6
Accrued expenses and prepaid income	21	40.8	33.5
Total current liabilities		**100.0**	**44.9**
TOTAL EQUITY AND LIABILITIES		**2,041.7**	**1,463.0**
Pledged assets		None	None
Contingent liabilities		None	None

Changes in Shareholders' equity

The Group	Number	Share capital	Paid in funds	Other reserves	Retained profits	Total equity
Equity previous principles		5.0	236.0		–18.9	222.1
Reassessment according to changed accounting principles				7.0	0.5	7.5
Shareholders' equity 1 January 2006	2,500,000	5.0	236.0	7.0	–18.4	229.6
New issue	2,164,170	4.3			396.7	401.0
Issue expenses					–6.5	–6.5
Warrant settlement					3.0	3.0
Translation difference				–25.0		–25.0
Changes between restricted and non-restricted equity			–0.3		0.3	0.0
Profit for the year					41.8	41.8
Shareholders' equity 31 December 2006	**4,664,170**	**9.3**	**235.7**	**–18.0**	**416.9**	**643.9**
Shareholders' equity 1 January 2007	4,664,170	9.3	235.7	–18.0	416.9	643.9
New issue	2,119,341	4.3			524.5	528.8
Issue expenses					–5.2	–5.2
New share issue in progress	101,370		0.2		13.8	14.0
Warrant settlement					0.2	0.2
Translation difference				–61.2		–61.2
Loss for the year					–15.9	–15.9
Shareholders' equity 31 December 2007	**6,884,881**	**13.6**	**235.9**	**–79.2**	**934.3**	**1,104.6**

Translation differences in equity	31-12-2007	31-12-2006
Opening translation differences in the Group's equity	–18,0	7,0
Translation differences for the year in the Group's equity	–61,2	–25,0
Closing translation differences in the Group's equity	**–79,2**	**–18,0**

The Parent Company	Number	Share capital	Restricted reserves	Non-restricted equity	Total equity
Shareholders' equity 1 January 2006	2,500,000	5.0	236.0	–12.8	228.2
New issue	2,164,170	4.3		396.7	401.0
Issue expenses				–6.5	–6.5
Warrant settlement				3.0	3.0
Shareholders' contribution granted				–3.8	–3.8
Revaluation reserve			138.8		138.8
Loss for the year				–97.0	–97.0
Shareholders' equity 31 December 2006	**4,664,170**	**9.3**	**374.8**	**279.6**	**663.7**
Shareholders' equity 1 January 2007	4,664,170	9.3	374.8	279.6	663.7
New issue	2,119,341	4.3		524.5	528.8
Issue expenses				–5.2	–5.2
New share issue in progress	101,370		0.2	13.8	14.0
Warrant settlement				0.2	0.2
Loss for the year				–51.1	–51.1
Shareholders' equity 31 December 2007	**6,884,881**	**13.6**	**375.0**	**761.7**	**1,150.3**

The number of shares amounted to 6,884,881 as at 31 December 2007 with a quotient value of SEK 2 per share, of which 101,370 were not registered as at 31 December 2007.

Consolidated cash flow statement

	Note	01-01-2007–31-12-2007	01-01-2006 –31-12-2006
Operating activities			
Profit/loss after net financial items		–2.7	87.3
Adjustment for items not affecting cash flow:			
Changes in value properties	11	–30.0	–154.6
Depreciation	11	0.4	0.3
Exchange rate differences		2.1	–2.2
Difference between paid and recognised net financial items		5.8	37.1
Other items		0.5	–3.2
Income tax paid		–10.5	–3.6
Cash flow from operating activities before changes in working capital		**–34.2**	**–38.9**
Change in working capital			
Change in operating receivables		–22.5	–38.2
Change in operating liabilities		103.5	18.1
Total changes in working capital		**81.0**	**–20.1**
Cash flow from operating activities		**46.8**	**–59.0**
Investment activities			
Acquisition of tangible fixed assets		–543.1	–732.2
Sale of tangible fixed assets		–	11.9
Investments in other financial fixed assets		–161.0	–27.7
Cash flow from investment activities		**–704.1**	**–748.0**
Financing activities			
New issue		537.6	394.5
Warrants		0.2	3.0
Change in long-term borrowings		0.1	410.0
Cash flow from financing activities		**537.9**	**807.5**
Cash flow for the year		**–119.4**	**0.5**
Cash and cash equivalents at the start of the year		**152.9**	**152.4**
Cash and cash equivalents at year-end		**33.5**	**152.9**

The Parent Company's income statement

	Note	01-01-2007–31-12-2007	01-01-2006–31-12-2006
Net turnover	2	1.2	0.3
Operational profit		**1.2**	**0.3**
Central expenses		–26.0	–12.3
Personnel expenses	5,6	–7.7	–8.4
Depreciation of tangible fixed assets	11	–0.1	–0.1
		–33.8	**–20.9**
Operating loss	4	**–32.6**	**–20.6**
Profit/loss from financial investments			
Other interest income and similar profit/loss items	8	126.2	35.7
Interest expenses and similar profit/loss items	9	–144.7	–110.1
		–18.5	**–74.3**
Loss before tax		**–51.1**	**–94.9**
Tax on profit for the year	10	–	–2.1
Loss for the year		**–51.1**	**–97.0**

The Parent Company's balance sheet

	Note	31-12-2007	31-12-2006
ASSETS			
Fixed assets			
Tangible fixed assets	11		
Equipment, tools and facilities		3.9	0.1
		3.9	**0.1**
Financial fixed assets			
Participations in group companies	12, 13	231.5	206.3
Receivables at group companies		1,606.5	1,027.0
Other long-term receivables	12	1.9	–
		1,840.0	**1,233.3**
Total fixed assets		**1,843.9**	**1,233.3**
Current assets			
Current receivables			
Accounts receivable		0.5	0.0
Other receivables	15	0.4	0.4
Prepaid expenses and accrued income	16	30.5	8.6
		31.4	**9.0**
Cash and bank balances	17	20.1	123.3
Total current assets		**51.6**	**132.2**
TOTAL ASSETS		**1,895.5**	**1,365.6**

	Note	31-12-2007	31-12-2006
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		13.6	9.3
Share premium reserve		236.2	236.0
Revaluation reserve		138.8	138.8
		388.6	**384.1**
Non-restricted equity			
Profit brought forward		812.8	376.6
Loss for the year		–51.1	–97.0
		761.7	**279.6**
Total equity		**1,150.3**	**663.7**
Long-term liabilities			
Bond loans	18	684.7	678.9
Other long-term liabilities		0.2	–
Total long-term liabilities		**684.9**	**678.9**
Current liabilities			
Accounts payable		0.9	0.2
Other current liabilities	20	34.3	0.2
Accrued expenses and prepaid income	21	25.2	22.6
Total current liabilities		**60.3**	**23.0**
TOTAL EQUITY AND LIABILITIES		**1,895.5**	**1,365.6**
Pledged assets		None	None
Contingent liabilities		None	None

The Parent Company's cash flow statement

	Note	2007-01-01 – 2007-12-31	2006-01-01 – 2006-12-31
Operating activities			
Loss after net financial items		–51.1	–94.9
Adjustment for items not affecting cash flow:			
Depreciation	11	0.1	0.1
Exchange rate differences	9	75.6	56.5
Difference between paid and recognised net financial items		–117.0	19.6
Cash flow from operating activities before changes in working capital		**–92.4**	**–18.7**
Change in working capital			
Increase+/Decrease – in accounts payable		0.7	–1.5
Increase+/Decrease – in other operating receivables		–18.5	–8.8
Increase+/Decrease – in other operating liabilities		37.3	1.2
Cash flow from operating activities		**–72.9**	**–27.9**
Investment activities			
Investments in subsidiaries		–25.2	–48.4
Investments in other financial fixed assets		–539.1	–739.1
Acquisition of tangible fixed assets		–3.9	–
Sale of tangible fixed assets		–	0.2
Cash flow from investment activities		**–568.2**	**–787.4**
Financing activities			
New issue		537.7	394.5
Warrants		–	3.0
Change in long-term borrowings		0.2	410.0
Cash flow from financing activities		**537.9**	**807.5**
Cash flow for the year		**–103.2**	**–7.8**
Cash and cash equivalents at the start of the year		**123.3**	**131.1**
Cash and cash equivalents at year-end		**20.1**	**123.3**

Notes

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. 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 28 February 2008. The income statements and balance sheets of the Group and Parent Company will be submitted to the Annual General Meeting for adoption on 29 April.

The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) and applicable interpretations by International Financial Interpretations Committee (IFRIC) as of 31 December 2007. In addition the Group applies the Swedish Financial Accounting Standards Council's Recommendation RR 30:06 – Supplementary Reporting 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. This is the first annual report that the company has prepared in accordance with IFRS.

Ruric's functional currency is the American 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 values, apart from investment properties which are stated at fair value.

Consolidated accounts

Subsidiaries

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

Translation of foreign operations

Foreign operations whose functional currency is also 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 has been reported in the Group's equity, as a translation difference. The accumulated translation differences are reversed and reported 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 value 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 associated companies” as a financial item. Dividends received from associated companies reduce the book value of assets. Currently, Ruric has no participations in associated companies.

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 reported 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.

Revenues

Revenues are recognised to the extent it is probable that the financial benefits will inure to the Group and the revenues can be estimated in a reliable manner.

Rental income

Rental income is reported 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 income on borrowings, realised and unrealised exchange rate gains and losses. Interest income is reported when it is earned.

Borrowing costs are reported in the period to which they refer. To the extent that borrowing costs are directly attributable to purchasing, 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 value. 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 agreement

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 entered into a financial leasing agreement in connection with indirect acquisition of a property (see Note 11).

Financial instruments

Financial instruments that are reported in the balance sheet 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 value 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. Ruric has no financial instruments that are reported at fair value.

Long-term holdings of securities

Shares and participations are reported at acquisition value. Any impairments are reported in the income statement.

Receivables

Long-term receivables and other receivables are receivables that arose when the company provided funds without intent to engage in commerce with the right to make a claim. If the expected holding period is longer than one year it is classified as a long-term receivable and if the expected holding period is shorter than one year it is classified as short-term. After individual valuation, receivables have been recognised at the amount by which they are expected to be received, which means that they are reported at acquisition value with reservation for doubtful receivables. Reservation for doubtful receivables takes place when there are objective risk assessments that the Group will not receive the entire receivable.

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 reported as financial items.

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 reported 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. .

Liabilities

Accounts payable are reported at a nominal amount. Borrowings consist of the issued bond loans. The bonds are issued at a discount, whereupon the difference is allocated according to effective rate method. The liability is reported in the balance sheet at the accrued acquisition value.

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. 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 internal value assessments which are supported by 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 are reported at acquisition cost less any impairments.

Tangible fixed assets

Tangible fixed assets consist of machinery and equipment. These are valued at acquisition value less accumulated depreciation and any impairments. Straight-line depreciation is used during the 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 reported as they are earned. Ruric's employees only have defined contribution 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 balance sheet 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 reported 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 reported 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.

The Parent Company's accouting principles

The Parent Company's annual accounts are prepared in accordance with the Annual Accounts Act and by application of the Swedish Financial Accounting Standards Council's recommendation RR 32:06 (Reporting of legal entities). RR32 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 principles of the Group and the Parent Company may be seen below.

Shares in subsidiaries

Shares in subsidiaries are reported in the Parent Company according to the projected unit credit method. The book value is estimated continuously against the subsidiaries' groupwise equity. In those cases where the book value is less than the subsidiaries' groupwise equity, 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

Reporting of group contributions and shareholders' contributions takes place in accordance with the statement of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. Group contributions are reported according to their financial content. Sent or received group contributions whose purpose is to minimise the Group's total tax, and any related tax effect, are reported 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 reported as financial income in the income statement at the receiver and as a decrease of non-restricted equity at the sender. Group contributions that may be equal to shareholders' contributions are reported as such. Shareholders' contributions are reported as an increase of shares in subsidiaries at the sender and as an increase of non-restricted equity at the receiver.

NOTE 1 NEW ACCOUNTING PRINCIPLES

Transition to IFRS 2007

Ruric AB has changed over to the new accounting principles, IFRS, as from 1 January 2007. This is a requirement for companies that have shares or debt instruments listed on a statutory market place. Ruric has bond loans listed at NGM. The transition to IFRS is reported according to IFRS 1, "First time adoption of IFRS". IFRS 1 requires that comparative information is restated in accordance with the standards that apply during the period in question. This annual report has been prepared according to IFRS.

From Ruric's perspective, the most significant change is that the investment properties are included in the balance sheet at current market value. Changes in value are reported in the income statement. Write-down of properties disappears. The valuation of the properties has largely been carried out by an external valuation company. Another consequence of this is that the reassessment made earlier is reversed, as real estate projects are reported at acquisition value with allowance for investments made.

The effect of the IFRS-transition and the exchange rate method on Equity and Real Estate is shown below:

Equity	**01-01-2006**	**12-31-2006**
Equity previous principles	**222.1**	**681.7**
Translation differences current exchange rate	7.0	–18.7
Reversal appreciation fund		–138.8
Reversal depreciation		2.7
Revaluation, real estate	0.6	154.6
– taxes	–0.1	–37.6
Equity new principles	**229.6**	**643.9**

Real estate	**01-01-2006**	**12-31-2006**
Real estate previous principles	281.2	1 254.9
Reassessment at current exchange rate	7.0	–18.7
Reassessment reversal		–182.0
Reclassification to investment property	–10.2	–317.2
Real estate projects new principles	278.0	737.0
Reclassification from real estate projects	10.2	317.2
Changes in value real estate	0.6	156.8
Investment property new principles	10.8	474.0
Total real estate	**288.8**	**1 211.0**

Consolidated income statement **MSEK**	**Previous principles Jan–Dec 2006**	**Adjust-ment**	**IFRS Jan–Dec 2006**
Rental income	16.6		16.6
Real estate expenses	–18.5		–18.5
Operating surplus	–1.9		–1.9
Profit/loss from sale of real estate	1.2	–1.2	0.0
Changes in value	0.0	154.6	154.6
Depreciation	–3.0	2.7	–0.3
Other operating expenses	–32.3		–32.3
Operating profit/loss	–36.0	156.1	120.1
Financial income	3.8		3.8
Financial expenses	–36.6		–36.6
Profit/loss after financial items	–68.7	156.1	87.4
Taxes	–7.9	–37.6	–45.5
Profit/loss after tax	**–76.7**	**118.5**	**41.8**

NOTE 2 SEGMENT INFORMATION

The Group

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

	2007		2006	
	Rental income	**Operating profit**	**Rental income**	**Operating loss**
Russia	Total	27.6	16.6	–1.9
Summa	**46.0**	**27.6**	**16.6**	**–1.9**

The Parent Company

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

	2007		2006	
	Rental income	**Operating profit**	**Rental income**	**Operating loss**
Sweden	1.0	0.4	0.0	0.0
Russia	0.0	0.0	0.0	0.0
Total	**1.0**	**0.4**	**0.0**	**0.0**

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

NOTE 3 REAL ESTATE EXPENSES

	The Group	
	2007	**2006**
Property tax	1.6	0.6
Other real estate expenses	16.8	17.9
Total	**18.4**	**18.5**

NOTE 4 PURCHASES AND SALES BETWEEN GROUP COMPANIES

Of the year's purchases, 0 (0) relates to purchasing from other Group companies.

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2007		2006	
	Number of employees	**Of which men**	**Number of employees**	**Of which men**
The Parent Company				
Sweden	2	2	1	1
Russia	1	1	5	3
Total Parent Company	**3**	**3**	**6**	**4**
Subsidiaries				
Russia	54	30	19	11
Total Group	**57**	**33**	**25**	**15**

NOTE 6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

	2007		2006	
	Salaries and other remuneration	Social security expenses (of which pension expenses)	Salaries and other remuneration	Social security expenses (of which pension)
The Parent Company	5.5	2.7	7.2	1.9
		(0.9)		(0.5)
Subsidiaries	18.4	2.0	4.5	0.9
		(1.5)		
Group total	**23.9**	**4.7**	**11.7**	**2.8**

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

	2007		2006	
	Board of Directors and Managing Director	Other employees	Board of Directors and Managing Director	Other employees
The Parent Company				
Sweden	5.0	0.5	3.3	0.2
Russia (branch)	–	–	–	3.7
	5.0	**0.5**	**3.3**	**3.9**
Foreign subsidiaries				
Russia	4.2	14.2	–	4.5
	4.2	14.2	–	4.5
Group total	**9.2**	**14.7**	**3.3**	**8.4**

	2007			2006		
	Basic salary/ directors' fees	Bonus	Pension expense	Basic salary/ directors'	Bonus	Pension expense
Chairman of the Board	0.1			0.1		–
Other Board members	0.3			0.3		–
Managing Director	2.0	1.3	0.5	1.5	1.1	0.5
Other senior executives (2 persons)	2.0	3.4	0.4	1.1	2.2	–
Total	**4.4**	**4.7**	**0.9**	**3.0**	**3.3**	**0.5**

Remuneration to the Board of Directors amounts to SEK 400,000 to be distributed amongst the Board members.

The Managing Director receives a fixed annual salary of SEK 1,800,000. In addition to fixed salary, the Managing Director receives a performance-based variable salary not exceeding 75 percent of the fixed salary. In 2007, a bonus amounting to SEK 1,328,000 was paid. The Managing Director holds 50,000 warrants. The payment upon exercise has been calculated according to market terms. The allotment of warrants was resolved upon by an Extraordinary General Meeting on 16 August 2006.

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

The Company shall make annual pension contributions to the Managing Director equal to 25 percent of the Managing Director's fixed salary. The retirement age for the Managing Director is 65. In the event that the Managing Director is in service at the age of 60, the Managing Director or the Company shall be entitled to terminate the employment, whereupon retirement pension shall be payable in the amount of 70 percent of the most recent annual salary. Such pension shall be payable until the ordinary retirement age is reached. Remuneration and other conditions for the Managing Director are determined by the Chairman of the Board.

Salary of SEK 2,017,000 has been paid to other senior executives (2 persons) during the year and bonus of SEK 3,410,000. Pension premiums of SEK 389,000 have been paid. Remuneration and other conditions for senior executives are determined by the Managing Director. No senior executives have notice of termination periods exceeding 12 months. There are no defined benefit pension plans in the company.

NOTE 7 INFORMATION ABOUT THE AUDITOR'S FEES

	The Group		The Parent Company	
	2007	**2006**	**2007**	**2006**
Ernst & Young AB				
Revisionsuppdrag	1.4	0.9	0.7	0.5
Andra uppdrag	0.4	0.5	0.4	0.5
	1.8	**1.4**	**1.1**	**1.0**
Övriga revisionsbolag				
Revisionsuppdrag	0.3	0.2	–	–
Andra uppdrag	–	–	–	–
	0.3	**0.2**	**–**	**–**

NOTE 8 OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2007	**2006**	**2007**	**2006**
Interest income	9.1	3.8	126.2	35.7
Exchange rate gains	0.3	–	–	–
Total	**9.3**	**3.8**	**126.2**	**35.7**

NOTE 9 OTHER INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2007	**2006**	**2007**	**2006**
Interest expenses	–25.8	–37.3	–66.7	–51.9
Expense related to issuance of bond loan	–2.1	–1.3	–2.1	–1.3
Other financial expenses	–0.3	–0.3	–0.3	–0.4
Exchange rate losses	–5.5	2.3	–75.6	–56.5
Total	**–33.7**	**–36.6**	**–144.7**	**–110.1**

NOTE 10 TAX ON PROFIT FOR THE YEAR

	The Group		The Parent Company	
	2007	2006	2007	2006
Current tax expense	–2.9	–3.4	–	–
Deferred tax	–10.3	–42.1	0.0	–2.1
Reported tax expense	**–13.2**	**–45.5**	**0.0**	**–2.1**

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	
	2007	2006	2007	2006
Reported results before tax	–2.7	87.3	–51.1	–94.9
Tax according to applicable tax rates in each country	4.5	–16.7	14.3	26.4
Adjustments for tax purposes:				
Non-deductible items	6.4	1.3	–1.8	–
Deductible items not included in reported results	3.5	–	5.8	1.5
Adjusted assessment relating to previous year	0.2	–	–	–
Non-capitalised part of deficit for the year	–27.8	–29.3	–18.3	–29.3
Utilisation of capitalised loss carry forwards from prior years	–	–0.8	–	–0.7
Reported tax expense	**–13.2**	**–45.5**	**0.0**	**–2.1**

The nominal tax rate in Sweden – excluding the branch – amounts to 28 percent and in the Russian operations, to 24 percent.

At year-end, the Group's total non-capitalised loss carry forwards were estimated at almost MSEK 200.

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	
	2007	2006	2007	2006
Deferred tax assets				
Opening balance	1.6	0.7	0.0	0.7
Revaluation of unutilised loss carry forwards		–0.7		–0.7
Temporary differences	4.5	1.6		–
Closing book value	**6.1**	**1.6**	**0.0**	**0.0**

Deferred tax assets relating to the deficit, the present year and previous years, have not been capitalised in the Parent Company.

	The Group	
	2007	2006
Deferred tax liability		
Opening balance	43.4	0.1
Changes in value properties	0.0	37.6
Other temporary differences	7.7	5.7
Closing book value	**51.1**	**43.4**

NOTE 11 TANGLIBLE FIXED ASSETS

Equipment, tools and facilities

	The Group		The Parent Company	
	2007	**2006**	**2007**	**2006**
Opening acquisition value	3.0	2.8	0.1	0.5
Purchasing	4.4	0.5	3.9	0.0
Disposals/obsolescence	0.0	–0.2	–	–0.4
Closing accumulated acquisition value	**7.4**	**3.0**	**4.0**	**0.1**
Opening depreciation	–0.7	–0.5	0.0	–0.1
Disposals/obsolescence	0.0	0.1	–	0.2
Depreciation for the year	–0.4	–0.3	–0.1	–0.1
Other changes	–	–	–	–
Closing accumulated depreciation	**–1.2**	**–0.7**	**–0.1**	**0.0**
Closing residual value according to plan	**6.2**	**2.3**	**3.9**	**0.1**

Investment properties

	The Group	
	2007	**2006**
Fair value at the start of the year	**474.0**	**10.8**
Reclassification/completion	–	317.2
Investments	74.6	23.5
Sales	–	–10.8
Change in value	30.0	154.6
Changes in exchange rates	–28.7	–21.3
Fair value at year-end	**549.9**	**474.0**

Ongoing property projects

	The Group	
	2007	**2006**
Opening balance	**737.0**	**278.0**
Reclassification/completion	–	–317.2
Investments	469.2	780.9
Sales	–	–
Change in value	–	–
Changes in exchange rates	–38.9	–4.7
Closing balance	**1,167.3**	**737.0**

Loan expenses of MSEK49.5 (13.8) have been capitalised as ongoing property projects.

The interest rates which are used to determine the amount of the capitalised loan expenses average 9.1 (5.5) percent. The value of work in progress is reduced by MSEK 4.3 relating to profits generated in the Group company LLC Tekhnostroi.

cont'd Note 11 – Tangible fixed assets

Financial leasing

LLC Litera was acquired during 2006. Prior to the acquisition, this company had executed a 50-year lease for the Fontanka 57 property. This lease expires on 29 December 2054. Approximately 48.5 years of the lease term remained at the acquisition date. The lease has been classified as a financial lease. The annual lease expense amounts to USD 1,234,351.

Rental expense	Nominal, MSEK	Present Value
2008	0.8	7.4
2009–2012	31.9	20.8
2013–2054	335.3	26.4
	375.2	**54.6**

The reported value regarding this financial lease is included in Ongoing Property Projects in the amount of MSEK 59.5.

NOTE 12 FINANCIAL FIXED ASSETS

Participations in subsidiaries

	The Parent Company	
	2007	2006
Opening acquisition value	206.5	19.3
Revaluation	–	138.8
Contribution made and group contribution	17.9	–
Purchasing	7.3	48.4
Closing accumulated acquisition value	**231.7**	**206.5**
Opening depreciation	–0.2	–0.2
Depreciation for the year	–	–
Closing accumulated depreciation	**–0.2**	**–0.2**
Closing book value	**231.5**	**206.3**

Other long-term receivables

	The Group		The Parent Company	
	2007	2006	2007	2006
Loan claims	78.7	–	1.9	–
Property VAT	90.5	44.6	–	–
Other long-term receivables	–	0.0	–	–
Closing accumulated acquisition value	**169.2**	**44.6**	**1.9**	**–**
Closing book value	**169.2**	**44.6**	**1.9**	**–**

The fair value of loan claims is estimated to correspond to the reported value. The term of the loan does not exceed 5 years and the interest rate is 7 percent.

NOTE 13 PARTICIPATIONS IN GROUP COMPANIES	Share of equity	Share of votes	Number of shares	Book value 31-12-07	Book value 31-12-06
Russian Real Estate Investment Company Sw 1 AB	100%	100%	1,000	2.9	0.8
Limited Liability Company Ruric 1	100%	100%	100,000		
Limited Liability Company Tekhnostroi	100%	100%	1		
Limited Liability Company Service	100%	100%	1		
Limited Liability Company Ruric Management	100%	100%	1	0.2	0.2
Closed Joint-Stock Company Griffon	100%	100%	100	84.3	83.9
Russian Real Estate Investment Company DVA AB	100%	100%	100,000	1.8	0.3
Limited Liability Company Ruric 2	100%	100%	349,099		
Russian Real Estate Investment Company TRI AB	100%	100%	100,000	15.4	15.4
Limited Liability Company Ruric 3	100%	100%	100		
Russian Real Estate Investment Company Chetire AB	100%	100%	100,000	16.0	16.0
Limited Liability Company Ruric 4	100%	100%	1		
Russian Real Estate Investment Company Pyat AB	100%	100%	1,000	6.1	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	91.1	89.6
Limited Liability Company Glinky 2	100%	100%	1		
Russian Real Estate Investment Company Syem AB	100%	100%	1,000	6.4	0.1
Limited Liability Company Litera	100%	100%	1		
PD Finance Sweden AB	100%	100%	1,000	7.3	
Total				**231.5**	**206.3**

Information regarding subsidiaries' corporate identification numbers/registration 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
Closed Joint-Stock Company Griffon	103 784 300 2834	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
Limited Liability Company Litera	105 781 307 8300	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 14 OTHER LONG-TERM SECURITY HOLDINGS

Other long-term security holdings

	The Group	
	2007	2006
Opening acquisition value	–	–
Purchasing	36.4	–
Closing accumulated acquisition value	**36.4**	**–**
Closing book value	**36.4**	**–**

Purchasing for the year relates to long-term security holdings in the acquired group company PD Finance Sweden AB.

	Corp. id. no./ Reg. no.	Registered office	Share of equity	Number of shares	Book value 31-12-07	Book value 31-12-06
PDH Sweden AB	556717-6895	Stockholm	5.1%	51	36.4	–

NOTE 15 OTHER RECEIVABLES

	The Group		The Parent Company	
	2007	2006	2007	2006
Property VAT	14.9	16.7	0.2	0.1
Tax receivables	12.4	–	–	
Other receivables	8.3	20.4	0.2	0.3
Total	**35.6**	**37.1**	**0.4**	**0.4**

NOTE 16 PREPAID EXPENSES AND ACCRUED INCOME

	The Group		The Parent Company	
	2007	2006	2007	2006
Prepaid expenses relating to bond loan	6.1	7.9	6.1	8.0
Prepaid selling expenses	10.5	–	10.5	–
Other items	16.1	3.4	13.9	0.6
Total	**32.7**	**11.3**	**30.5**	**8.6**

NOTE 17 CASH AND CASH EQUIVALENTS

	The Group		The Parent Company	
	2007	2006	2007	2006
Cash and bank balances	33.5	152.9	20.1	123.3

NOTE 18 BOND LOAN

A bond loan was issued during the second quarter of 2005, raising MSEK 226 for the Company after issue expenses. The loan is to be repaid on 29 April 2008. The loan runs without interest during the first 12 months, after which 9 percent interest is paid during the following two years. Interest is paid annually in arrears, as a consequence of which, interest payments of MSEK 22.5 were made for the first time on 29 April 2007. A second interest payment will be made in conjunction with the bond loan's maturity date on 29 April 2008. The nominal amount of the bond loan is MSEK 250.

During the second quarter of 2006, an additional bond loan raised MSEK 410 MSEK for the Company. The loan is to be repaid on 16 November 2010. The loan ran without coupon interest up to and including 16 November 2006. From 17 November up to and including the maturity date, the loan runs subject to a coupon interest of 8.5 percent. Interest due dates are 16 November 2007, 16 November 2008, 16 November 2009 and 16 November 2010. The nominal amount of the bond loan is MSEK 451.5.

The Company has undertaken to ensure that the ratio between total liabilities and total assets at no time exceeds 60 percent.

The bond loans are listed on NGM and were valued at MSEK 699.6 at year-end.

NOTE 19 OTHER LONG-TERM LIABILITIES

	The Group		The Parent Company	
	2007	**2006**	**2007**	**2006**
Financial leasing liabilitiy	52.8	50.8	–	–
Other long-term borrowings	48.5	–		
Other long-term liabilities	–	1.1	0.2	–
Total	**101.3**	**51.9**	**0.2**	**0.0**

Other long-term liabilities refer to a loan to the Group company Ruric Syem AB. The loan runs without interest and relates to an advance payment on sale of participations in LLC Litera.

NOTE 20 OTHER CURRENT LIABILITIES

	The Group		The Parent Company	
	2007	**2006**	**2007**	**2006**
Paid deposits	32.7	–	32.7	–
Other current liabilities	13.8	2.6	1.6	0.2
Total	**46.5**	**2.6**	**34.3**	**0.2**

NOTE 21 ACCRUED EXPENSES AND PREPAID INCOME

	The Group		The Parent Company	
	2007	**2006**	**2007**	**2006**
Deferred rental income	12.9	6.9	0.1	–
Accrued interest expenses bond loan	19.7	19.7	19.7	19.7
Accrued personnel expenses	4.8	5.3	4.8	1.9
Other items	3.4	1.6	0.6	1.0
Total	**40.8**	**33.5**	**25.2**	**22.6**

NOTE 22 TRANSACTIONS WITH RELATED PARTIES

- During 2007, E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, received MSEK 5.2 in fees for advice in connection with, and execution of, the acquisition of capital in the form of a preferential share issue and a bond issue.
- During 2007, E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, received MSEK 0.3 in fees, in addition to the above, in their capacity as liquidity guarantor etc.
- In accordance with the resolution of the general meeting of shareholders, some members of the executive management subscribed for 9,000 options 2007/2010 in total, on market terms. Each option 2006/2009 shall entitle the holder to subscribe for one class B share in Ruric AB, of a nominal value of SEK 2, and new subscription for shares in Ruric AB using options can take place from and including 10 June 2010 up to and including 10 July 2010 at a recalculated subscription price of SEK 368.25 per share.
- The Chairman of the Board, Nils Nilsson will receive remuneration of MSEK 1.0 by way of compensation for travel etc.

Stockholm, 4 April 2008

Nils Nilsson
Chairman of the Board

Tom Dinkelspiel

Jens Engwall

Gert Tiivas

Thomas Zachariasson
Managing Director

My auditor's report was presented on 4 April 2008

Ernst & Young AB

Björn Fernström
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Russian Real Estate Investment Company AB (publ)
Corporate identity no. 556653-9705

We have audited the annual accounts, the consolidated accounts and the accounting records as well as the Board of Director's and Managing Director's administration of Russian Real Estate Investment Company AB (publ) for the financial year 2007. 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 IFRS 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 the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and in 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 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 the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 4 April 2008

Ernst & Young AB

Björn Fernström
Authorised Public Accountant

Ruric

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RUSSIAN REAL ESTATE INVESTMENT COMPANY

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