



# ANNUAL REPORT

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## Ruric in brief

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

At the end of 2008 Ruric owned seven properties in central Saint Petersburg, including four completed office properties totaling about 20,300 square meters and three development projects with a potential surface of about 160,000 square meters. Ruric also owns 25 percent of a 132 hectares territory southwest of the city. The company is one of the leading foreign investors in the city's real estate market.

## Business concept

Ruric's business concept is to acquire, 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.

## Vision

Ruric's vision is to become the leading real estate company within its segment in the Saint Petersburg region.

## Long-term financial goals

Ruric's goal is to generate a return on equity of at least 20 percent at a conservative level of borrowing as well as to obtain a yield from the real estate portfolio of at least 15 percent. The yield is defined as rental income minus operating expenses in relation to the total investment. The evaluation of the goal fulfillment should be based on a multi-year perspective, following the changed market conditions the global credit crunch has caused.

## Strategy

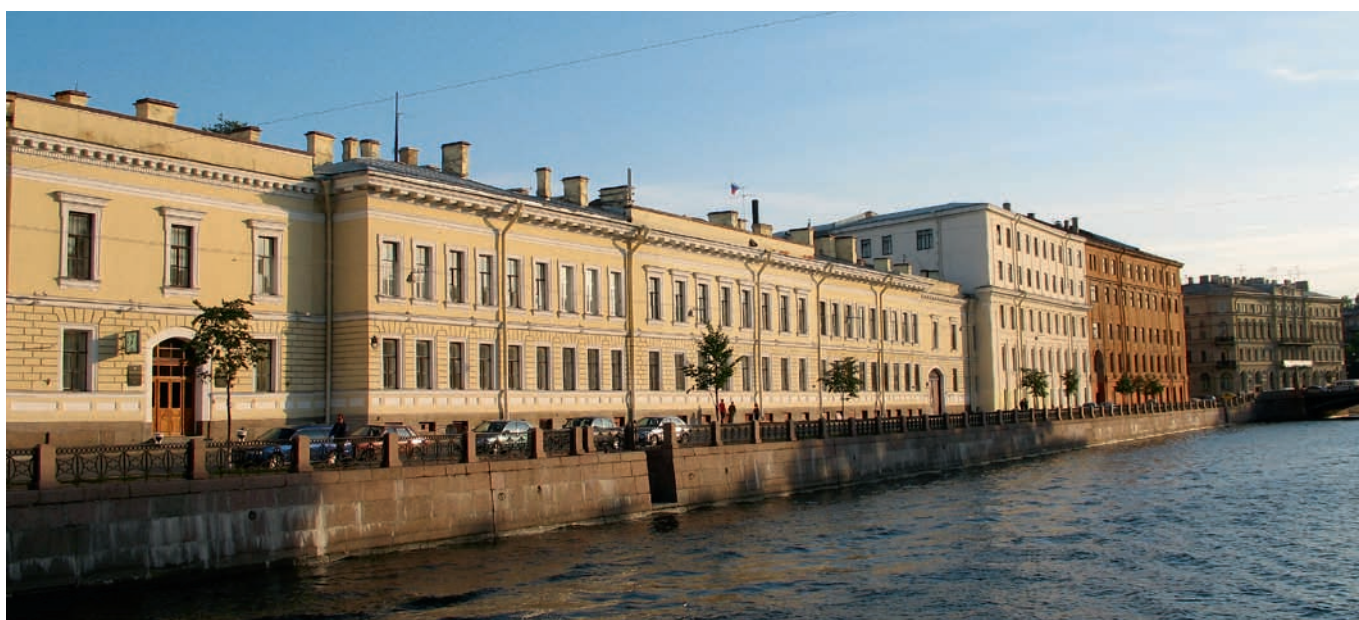
The strategy is to identify, acquire and renovate properties in the 4,000–10,000 square meter segments with great development potential in the central parts of Saint Petersburg. After renovations, commercial premises of the highest class are offered to clients that are looking for the best possible premises in attractive locations.

Ruric will consider a potential property acquisition if it is a property with development potential that can be rebuilt, renovated and finished within 18 months.

# THE YEAR IN BRIEF

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- ▶ Net turnover 67.7 million Swedish kronor (46.0)
- ▶ Loss after tax of 350.7 million Swedish kronor (loss: 15.9)
- ▶ Loss per share of 48.32 Swedish kronor (loss: 2.66)
- ▶ The properties' book value amounted to 1,663 million Swedish kronor at 31 December (1,717)
- ▶ Half of the Fontanka 57 property divested with a profit of 28 million Swedish kronor
- ▶ Craig Anderson new CEO based in Saint Petersburg from 1 July 2008
- ▶ Renewed focus on core operations, which allows for the divestment of completed office buildings and reduces planned investment costs
- ▶ A new local management team and adjustment of personnel numbers in Saint Petersburg
- ▶ Bond loan Three totalling 400 million Swedish kronor was taken in April, replacing bond loan One.
- ▶ New share issue generated 107 million Swedish kronor before issue expenses
- ▶ Decreased activity in the property market following a fall in the price of oil and turbulence in the financial markets



# LETTER FROM THE CEO

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Last year was a year of major changes for both Russia and Ruric. Falling oil prices and the escalating credit crunch during the second half of the year contributed to capital being pulled out of Russia, resulting in a sliding exchange rate, a slumping stock market and a deteriorating economic and financial environment.

With dramatic changes taking place, there became a need for reorganising within the Ruric Group. When I joined the company in July 2008 it was clear that the operations were too diverse, and that we were not focused enough on our core business – Property Development. We ran the risk of losing sight of our targets and as such I re-structured the management in Russia, and also reduced

the number of staff from 87 to 37 working for us today. Ruric will now focus on completing existing property developments and servicing the needs of our tenants in order to achieve a significant improvement in all aspects of our business operations.

It was a good strategic decision for Ruric to operate only in the Saint Petersburg market, which has had less of a correction than the Moscow property market. Also, the decision to allow divestment of properties means that we now have clear and direct dialogue with potential partners and investors. This will ensure that if any building is sold that we will get a fair market price even in today's stressed market conditions.

## The oil funds buffer

The Russian economy is based on raw materials, oil in particular. The 2008 state budget was based on an average oil price of 75 dollars per barrel, a level that kept up through the year until the fourth quarter. The investments in state-financed projects remained for most of the year, providing large scale employment and also job opportunities. When the price of a barrel of oil dropped to 40 dollars per barrel, the economy began to slow down. The government, via its huge cash reserves, began injecting cash into the economy via the banking system to provide some stability. This however is not a long term solution and the Russian

economy, like other countries in the world today, is shrinking. It is forecast that oil prices will begin to rise in the near future to a level close to the 2009 Russian budget forecast of 57 dollars per barrel.

### A challenging year ahead

As we are moving into the new year I think it is important to give shareholders, bondholders and other interested parties accurate information in a timely manner. I want to make sure that we communicate how and what we are doing to stabilise and further strengthen Ruric. Our portfolio has some of the most interesting and exciting development properties in some of the best locations in Saint Petersburg, representing considerable value when the credit market situation normalises.

We are continuously looking at ways to reduce Ruric's debt structure. We are acutely aware of the exchange rate fluctuations, and we are taking prudent measures to make sure that we take the opportunities that may arise in the currency market in order to maximise value for our owners.

### Outlook 2009

The former army complex Moika/Glinki is a landmark asset for Ruric. We remain committed to developing this unique property in the cultural centre of Saint Petersburg. The Moika/Glinki alternative plan has been developed in

which 80 percent of the area will be for residential dwellings and 20 percent for commercial and retail space. By creating a realistic plan, which no longer includes underground development, we have been granted a rezoning permit allowing residential apartments to be built.

The new plan is more feasible and can be developed and divested in several phases. It calls for much less excavation and less demolition than the previous plans, and by developing the property in stages, it will ease negotiations with potential investors. The Moika/Glinki project should be seen as an exception to our strategy as we will no longer take on such large scale projects on our own.

Despite the challenging road ahead, there are several reasons to be optimistic. We have dramatically reduced costs as well as investments in existing development projects. We have new and enthusiastic Russian management team in place. We will continue to look for joint development opportunities together with branded partners. We will continue offering high service to our tenants. We have four Business centres in good shape and fully tenanted providing a good source of revenue.

Saint Petersburg, March 2008

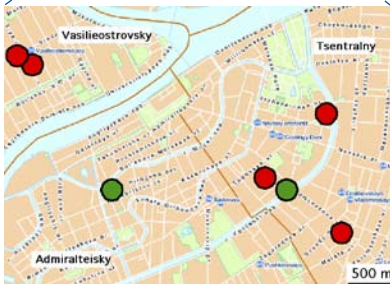
Craig Anderson  
CEO

*“Despite the challenging road ahead, there are several reasons to be optimistic.”*

# SAINT PETERSBURG IN BRIEF

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

The city's location on the Baltic Sea makes it "Russia's window toward Western Europe". The city thus comprises a natural transportation hub with highways, six railway stations, ports and an airport. An increasing share of Russian export/import passes through the city's ports. The port is Russia's largest container port through which a major share of Russia's imports and exports pass. There is also a terminal for the traffic on Volga between the Baltic Sea and the Black Sea. Among the major industries are the shipyard, engineering and chemical industries. In recent years, a number of foreign automobile manufacturers have also established themselves, including, Ford, Toyota and Nissan.

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

At the end of 2008 Ruric owned seven properties in the central parts of the city, of which one is owned 50% with a partner. Four of the properties are completed after renovation and/or total reconstruction, while designing and renovation is on-going on the other three.

# MARKET OVERVIEW

Privately owned properties starting reemerging in Russia about 15 years ago, in conjunction with the demise of the Soviet Union. In recent years, the selection of commercial properties has increased to meet rising demand, although the standard often does not fulfil the international average. The increase has primarily taken place in the outskirts of the city. The increase is mainly in the outskirts of the city. Generally, the Russian property market is relatively complex with a limited, yet gradually increasing, transparency.

The trend in property prices has been increasing for many years. However, it declined at the end of 2008 when turbulence in the financial markets and the decreasing price of oil contributed to fewer property transactions and a cautious market. Since, just as in Sweden, there was no properly functioning market on which to base property valuations, the value of properties was generally highly uncertain at the end of the financial year.

Many investors and property operators, domestic and foreign, were able to rely on inexpensive financing from Western banks for their property investments. This is currently no longer possible and the percentage of shareholders' equity in new investments must thus be significantly higher than before. This situation will probably lead to many property projects being postponed, discontinued or cancelled. The substantial decline in new production and renovation will probably lead to a new deficit in office and retail premises building up, which is favourable for Ruric in the longer term.

## Saint Petersburg

The rise in prices of properties was also substantial in Saint Petersburg, although not as significant as in Moscow. The price increases were driven by economic growth, a lack of good commercial premises, growing confidence in the Russian legal system and less red tape.

The city has an interest in preserving the historic districts of Saint Petersburg, which have many older buildings of considerable cultural-historical value. This entails limits to the extent to which the central districts of the city can be developed with new construction and conversions. In Ruric's assessment, considering the size and location of the city, there is an underlying interest in modern, functional premises in the city's central districts, even in times of increased financial uncertainty.

The local government in Saint Petersburg remains investor-friendly and international investments in particular are considered positive. The trend has moved toward increased privatization in the city, with the aim of financing the municipal infrastructure, which remains in need of major investments.

The properties are divided into Classes A, B and C, depending on how centrally located the property is in Saint Petersburg, whether the property was newly constructed or recently renovated and what level of security and other optional services the landlord can offer.

Acquiring properties in Saint Petersburg is a complicated process that requires local know-how and a local network. In 2008, many foreign investors withdrew from the Russian property market, which is why the competition currently primarily comprises domestic operators, such as Imperia, Senator and Glavstroj.

## Office premises

The number of business centres has increased in recent years and there are currently some 80 business centres in central Saint Petersburg. The supply of office premises increased by a record amount of nearly 50 percent in 2008, according to the property consultancy, Knight Frank.

The financial turmoil contributed to rent levels declining toward year-end and the vacancy rate increasing, particularly in Class A business centres. Many companies chose to relocate to less expensive offices. The average

vacancy rate was 23 percent in Class A business centres at year-end 2008, while the vacancy rate in Class B business centres was a mere 6 percent. At year-end, the highest demand was for office premises of less than 300 m<sup>2</sup>.

The rent level for Class A office premises was between 410 dollars and 965 dollars per m<sup>2</sup> annually, including operating expenses, while the corresponding rent level for Class B office premises was between 300 dollars and 620 dollars.

## Retail premises

Many domestic and international retail chains have chosen to establish themselves in Russia and Saint Petersburg in recent years, including Stockmann, Real, Burberry and Media Markt.

## Residences

In the first half of 2008, residential construction amounted to 821,000 m<sup>2</sup>, which corresponds to a decline of 20 percent, compared with the year-earlier period, according to Colliers, a property advisory. After residential property prices reached record highs at the beginning of 2008, the residential property market cooled off, not only due to the general economic situation, but also as a result of higher interest rates combined with most Russian banks implementing stricter loan terms and conditions.





# BUSINESS OPERATIONS



Ruric's operational business is conducted from the office in Saint Petersburg where the CEO is based, along with some 30 employees. The office has overall responsibility for acquisitions and divestments, marketing and leasing, as well as property development and management.

## Strategy

Ruric's strategy is to identify properties with significant development potential in Saint Petersburg's central districts and to acquire and renovate them on favourable terms and conditions. Following the renovation, high-class premises are offered to tenants seeking the best possible premises in central locations and who are willing to pay accordingly. Ruric primarily offers office and retail premises, but residences are also being planned.

Renovation and conversion work was previously carried out under the management of Ruric's proprietary construction management company, Tekhnostroi. During the second half of 2008, the company decided to focus on its core operation in property development. Tekhnostroi was recently divested and in the future, Ruric will enter partnerships with other companies to improve properties instead of doing it in-house. Accordingly, Ruric's role will be limited to monitoring and controlling construction projects and financing.

Ruric's strategy for identifying and implementing acquisitions at attractive prices builds on taking advantage of a lack of information in the local property market and an inefficient capital market. The strategy also builds on a combination of factors such as:

- ▶ Local presence and external support
- ▶ Strong local network among market operators and officials
- ▶ An organization that enables quick investment decisions and rapid implementation
- ▶ Focus on undercapitalized objects

Ruric continuously assesses properties that are, or may become available. The property development work will continue to be concen-

trated to central Saint Petersburg, although other areas in the Leningrad region may also be contemplated. To consider a property acquisition, a premise of 4,000 to 10,000 m<sup>2</sup> that can be developed through conversion and/or renovation in a period of 18 months is required.

### Property management

Ruric's management company, Ruric management, handles the property management. The company previously received the recognition of "Best property company in Saint Petersburg". Property management is supplemented by externally procured services. Ruric is considering various alternatives for how property management will be handled in the future.

### Marketing and leasing

The demand for premises declined substantially at the end of 2008, at the same time as existing customers' ability to pay decreased. Ruric's leases are primarily signed in US dollars but also occasionally in Euros. This meant rising rents toward the end of the year since the RUB declined in value at the same time as the dollar gained. This makes customer care and the dialogue with tenants extremely important. There are currently close discussions in progress with tenants regarding temporary rebates, a reduction of premises and other solutions.

In the difficult climate in the leasing market, it is also important to be active and have an attractive offering. Ruric actively works to market available premises to new tenants. Agreements have been signed with all leading estate agents, advertisements are placed in the city's major newspapers and important websites and experienced salesmen have been hired to cultivate potential tenants. In 2009, Ruric intends to introduce new offers that build on proprietary market surveys.

### Property appraisals

Ruric has its property portfolio valued at least once a year by an established appraisal institute. The valuation shall reflect the most

probable value in a sale on an open market with normal marketing time and without coercion. Generally, a valuation model is used that builds on the current value of the assessed future payment flows. The valuation arrived at with this method is compared with comparable transactions.

### Financing

Ruric has raised two bond loans that are listed on the Nordic Growth Market and Nasdaq OMX, respectively. The first is for slightly less than 452 million Swedish kronor nominally, with a coupon interest rate of 8.5 percent and repayment in November 2010. During the spring of 2008, another bond loan of 400 million Swedish kronor was raised at a coupon rate of 16 percent with repayment in November 2010.

The latter loan was taken after an agreed divestment at the end of 2007 was not completed by the buyer. The divestment to a property developer in Dubai pertained to half of the shares in a subsidiary with the rights to exploit three hectares of property at Moika/Glinki. For Ruric, the transaction would have entailed a cash contribution before transaction costs of about 1.3 billion Swedish kronor in January 2008 and a positive contribution to profit of more than 0.9 billion Swedish kronor after tax. The legal aftermath surrounding this transaction is still ongoing. At the beginning of 2009, 20 million Swedish kronor of the new bond loan was repurchased, which thereafter amounts to 380 million Swedish kronor.

Since the credit market is no longer functioning normally, the conditions for divesting properties declined significantly at the end of 2008. For Ruric, securing continued financing is paramount. The Board is still assessing a number of financing solutions, of which one alternative is to divest one of the properties, despite a weak market.

### Transactions

No acquisitions were made in 2008. However, at the beginning of the year, half of the shares in Fontanka 57's owner company were divested at a profit of 28 million Swedish kronor.



# PROPERTY PORTFOLIO

*Ruric owns seven properties in central Saint Petersburg, of which one is 50-percent owned. Ruric is also an indirect co-owner of a land district outside the city.*



Oscar

## Ruric's leases

Lease agreements are generally signed in US dollars but tenants pay in Russian roubles. In 2008, Ruric received an average of RUB 24.91 per dollar. The trend during the year went from RUB 24.50 to RUB 29.45, which in reality gave a "positive indexation" of 20 percent in rouble terms. Ruric's policy is to sign lease agreements of three to five years, with an annual upward rental adjustment of 3–10 percent. Under Russian law, it is not permissible to draw up leases for longer than 11 months, prior to the final registration and approval of the property. However, leases are designed so that there are mutual obligations to extend the leasing terms in accordance with the original intentions.

## Oscar

The property at R. Fontanki nab. 13 is located in the Tsentralny district, which is full of businesses, retail stores, theatres and museums. The building was constructed in 1977 with the aim of becoming part of a cinema complex, but construction ceased in 1986 and the building was empty until Ruric purchased it in 2004. The investment totalled 86 million Swedish kronor, including renovation costs and capitalized interest expenses. The building comprises 3,676 m<sup>2</sup> of premises, of which 2,976 m<sup>2</sup> is leasable. Accordingly, the investment totals slightly less than 29,000 Swedish kronor/m<sup>2</sup>. Planning commenced in 2004 along with the initial renovation work. The final tenant adjustments were completed in the spring of 2008. The property is fully leased and the final registration certification following a total renovation was ascertained in 2008.

The largest tenant is Statoil.

## Magnus

The property at 9-ya V.O.i. 34 was acquired in 2005 and is located in the quiet district of Vasileostrovsky, where the Academy of Science, Saint Petersburg State University and many museums are located. The building comprises a total of 7,760 m<sup>2</sup>, of which 6,378 m<sup>2</sup> is leasable. The investment totalled about 18,500 Swedish kronor/m<sup>2</sup> for the leasable premises. The property is complete but the building must be re-registered since the renovation was classified as a total reconstruction. This was a complicated process that was completed during the final days of the year. The property was essentially entirely leased during the year, although a few minor tenants vacated at year-end.

The largest tenant is the Russian alcohol distributor Svarog.



Magnus

### Gustaf

The property at Srednyj Prospekt was acquired in 2005 and is located in the proximity of the Magnus property. The investment totalled 82 million Swedish kronor, including renovation costs. The building comprises a total of 5,214 m<sup>2</sup>, of which 4,942 m<sup>2</sup> is leasable premises. The total investment thus corresponds to about 16,600 Swedish kronor/m<sup>2</sup> for the leasable premises. The bottom two floors have been leased to a sporting goods retailer since 2005. Another four floors are complete and leased to the auditing company, Deloitte, who is the largest tenant. The property is fully leased but the final registration has not yet been ascertained.

### Grifon

Ruric acquired 50 percent of the property in 2004 and the remaining 50 percent in 2006. The total purchase price amounted to 74 million Swedish kronor. The property consists of office premises comprising slightly more than 3,200 m<sup>2</sup>, with building rights for additional area of just under 5,000 m<sup>2</sup>. Approximately 4,000 m<sup>2</sup> of the building rights have been utilized at an estimated cost of about 60 million Swedish kronor, including capitalized interest expenses. This means that the total investment amounted to about 134 million Swedish kronor. Tenant adjustments were completed during the early summer of 2008 and both buildings are leased to the PSI Group.

At year-end 2007, the company signed a letter of intent to sell the property to a Norwegian property company. Since the rise of the turmoil in the financial markets, the buyer announced at year-end that it could no longer maintain its previous bid. A new, lower bid was made but Ruric chose to reject this. (See post-balance sheet events.)

### Project portfolio

Ruric's project portfolio comprises the properties at Moika/Glinki, and the co-owned properties at Apraksin Dvor and Fontanka 57.

During the second half of the year, Ruric assessed alternatives for reducing existing project plans since it was more difficult to secure financing. At year-end, the Russian government started to provide liquidity to the financial system, including Russian banks, with the aim of adding momentum to the economy. The action is positive since it can facilitate the financing of projects in progress and contribute to creating value in the company. Ruric maintains continuous dialogue with Russian banks about securing credit for projects.

### Apraksin Dvor

In 2005, Ruric acquired 65 percent of the shares in two companies that own the development rights for two properties in the centrally located market place district of Apraksin Dvor. The purchase price and the estimated cost of conditional obligations, including the renovation of roads and sidewalks in the area, totalled 168 million Swedish kronor. The only remaining conditional obligation pertains to the relocation of a fire sta-



Gustaf



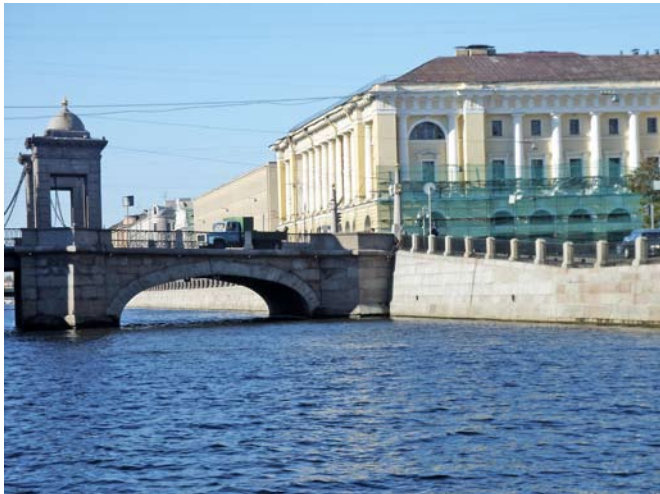
Grifon



Apraksin Dvor



Glinki



Fontanka 57

tion. As part of the agreement, Ruric has the option to acquire the remaining shares when the development is complete. The total renovation costs have amounted to 136 million Swedish kronor to date, which means a total investment of about 304 million Swedish kronor based on existing ownership. There are 12,460 m<sup>2</sup> of leasable premises in the entire building, primarily intended for retail stores.

A modernization of the area is planned. Details for the planned conversion and schedule are not yet known. Since the risks in the economic trend are rising, it is not entirely certain that the work will commence in 2009.

### Glinki

Ruric's largest project, at Moika/ul. Glinki, is a relatively substantial block in central Saint Petersburg's western district, which belonged to the Russian army. The army has vacated the area, which has a total of 47,000 m<sup>2</sup> of premises. This picturesque district includes the Moika canal, the Jusopov Park, residences and the famous Mariinskij theatre. At year-end, the area was assigned a new detailed development plan, which only permits the construction of residences within the area.

In 2008, a concept was developed that no longer requires construction underground, comprising Class A apartments, among other types. One of the aims is to produce scalable projects, whereby Ruric can invite several partners/investors to participate in smaller subprojects. According to the original investment agreement, the project should be completed by the end of 2011. In spring 2009, a decision is expected as to whether or not Ruric can extend the investment agreement to 2014, which would provide more time to seek new financing for the changed concept.

Ruric acquired the property in 2006 and has invested a total of about 730 million Swedish kronor, including the completion of obligations in the purchase contract, prospecting, blueprints, electrical connections and renovations.

### Fontanka 57

In 2006, Ruric acquired all shares of a Russian company that owned the exploitation and right of use for Fontanka 57. The property, which is a local landmark and referred to as Lenizdat, is located along the Fontanka river in central Saint Petersburg. The development rights and rights of use have a remaining duration of 46 years. Ruric paid 150 million Swedish kronor.

The property currently has a total area of 18,356 m<sup>2</sup>, with potential to reach 27,000 m<sup>2</sup> following conversions and extensions. In 2008, 50 percent of the properties were sold for 90 million Swedish kronor to the Israeli company Scorpio Real Estate Limited, which is a collaborative partner in the continued development work on the property. A new concept was developed for the property, which reduced the estimated development costs by at least 40 million dollars. At the same time, discussions were initiated with authorities regarding the possibility of postponing certain undertaking and permission to lease parts of the property.

# ORGANISATION AND EMPLOYEES

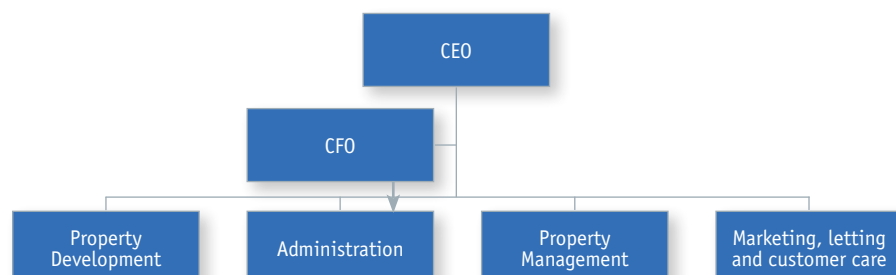
The Ruric Group has three separate units in Russia. The acquisition company, 000 Ruric Management, handles Ruric's operational business in Russia. This means that the company is responsible for leasing, management, finance and law.

The 000 Tekhnostroi company, which was established in 2006 with the aim of being responsible for construction management and construction planning, was essentially divested following last year's review. In the future, Ruric will employ external contractors to take care of planning, construction management and procurement. In addition to this, there is a service company that is responsible for the maintenance of the investment properties but also some maintenance of the project properties.

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

The Group had 66 employees (79) at 31 December 2008, of which 30 were women. All employees work in Saint Petersburg with the exception of the CFO who is based at the Parent Company in Stockholm and is responsible for financial reporting and communications. The number of employees was reduced to 37 in the spring of 2009 as a result of the action program.

## Operational organisational structure



# THE SHARE

All of the company's shares are denominated in Swedish kronor with a quotient value of 2 Swedish kronor per share. At the Annual General Meeting, each Ruric Class A share carry entitlement to ten votes and each Class B share entitlement to one vote. Each share allows the shareholder the preferential rights in new share issues, warrants and convertibles in relation to the number of shares he owns and carries equal rights to participation in profit dividends and to any surplus in conjunction with liquidation.

Ruric's Class B shares are traded under the abbreviation RURI on First North on the NASDAQ OMX Nordic Exchange Stockholm. Erik Penser Bankaktiebolag is the company's certified advisor, while it has its liquidity guarantee through Öhman Fondkommission.

## Change in share capital

In 2008, Ruric implemented a preferential rights issue through which the company generated about 107 million Swedish kronor, before issues expenses. Through the preferential rights issue, the number of Class A shares increased by 665,133 shares and the number of Class B shares by 3,813,082 shares. On 31 December 2008, share capital amounted to 22,726,192 Swedish kronor divided among 1,330,266 Class A shares and 10,032,830 Class B shares.

## Warrants outstanding

A potential dilution of share capital exists through the 2006/2009 options program. Through this, the number of shares can theoretically increase by 66,490 Class B shares. Since the issue price is 339.3 million Swedish kronor, this dilution is currently not probable.

## The share and owners

The company's primary owners since it was founded in 2004 have been Cancale Förvaltnings AB, E. Öhman J:or AB and East Capital Holding. In 2008, East Capital Holding transferred its Class A shares to E. Öhman J:or AB and to Ruric's Chairman Nils Nilsson, of which the latter owns 50 percent of the shares in Cancale Förvaltnings AB.

## Analysts monitoring the company

Anders Roslund, Öhman.

## Dividend

The Board will propose to the Annual General Meeting that no dividend be paid for the 2008 financial year.

## Share capital trend

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

Year	Transaction	Quotient value, SEK	Change in number of shares	Total number of shares	Rise in share capital, SEK	Total share capital, SEK	Issue price
2004	Company formed	100	1,000 <sup>1)</sup>	1,000	100,000	100,000	100
2004	Split 50:1		49,000	50,000	–	100,000	–
2004	Directed share issue	2	2,450,000 <sup>2)</sup>	2,500,000	4,900,000	5,000,000	100
2006	Preferential rights share issue	2	1,500,000 <sup>3)</sup>	4,000,000	3,000,000	8,000,000	160
2006	Directed share issue <sup>4)</sup>	2	55,800	4,055,800	111,600	8,111,600	160
2006	Preferential rights share issue	2	608,370 <sup>5)</sup>	4,664,170	1,216,740	9,328,340	250
2007	Preferential rights share issue	2	1,554,723 <sup>6)</sup>	6,218,893	3,109,446	12,437,786	260
2007	Subscription through options	2	564,618	6,783,511	1,129,236	13,567,022	220
2007	Subscription through options	2	101,370	6,884,881	202,740	13,769,762	138
2008	Preferential rights share issue	2	4,478,215 <sup>7)</sup>	11,363,096	8,956,430	22,726,192	24

1) Of which, all Class A shares.

2) Of which, 350,000 Class A shares and 2,100,000 Class B shares.

3) Of which, 240,000 Class A shares and 1,260,000 Class B shares.

4) Pertains to a directed share issue, which, in conjunction with the preferential rights share issue that was conducted in spring 2008, was also issued to holders of the 2005/2007 options in accordance with the applicable option terms and conditions.

5) Of which, 96,000 Class A shares and 512,370 Class B shares.

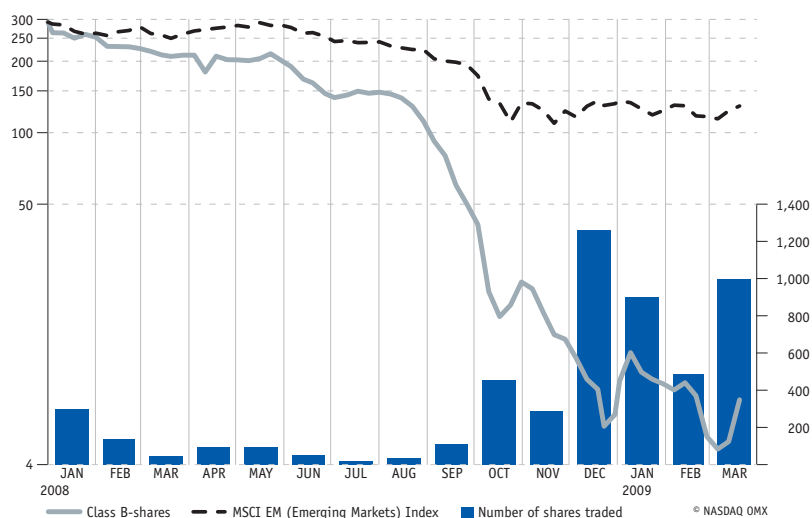
6) Of which, 221,333 Class A shares and 1,333,390 Class B shares.

7) Of which, 665,133 Class A shares and 3,813,082 Class B shares.

Outstanding warrants on 31 Dec 2008	Subscription period	Original subscription terms and conditions			Amended subscription terms and conditions	
		No. of warrants	Additional no. of shares upon subscription	Subscription price, SEK	Additional no. of shares upon subscription	Subscription price, SEK
Series						
2006/2009	10 Aug–10 Sept 2009	61,000	61,000	369.00	66,490	339.30
<b>Total</b>		<b>61,000</b>	<b>61,000</b>		<b>66,490</b>	



On 31 December 2008, the closing price was 6.50 Swedish kronor per share, compared with 292 Swedish kronor on 31 December 2007, corresponding to a decline of 96.3 percent. A total of 4.8 million shares were traded, which corresponds to 66 percent of the average number of shares outstanding during the year.



30 Dec 2008	Shares				Votes	
	Class A	Class B	Total number	Share of total	Number	Share of total
EFG Private Bank S.A		1,561,933	1,561,933	13.75	1,561,933	6.69
Deutsche Bank		1,349,472	1,349,472	11.88	1,349,472	5.78
Nils Nilsson	185,134	1,000,000	1,185,134	10.43	2,851,340	12.22
Öhman J:or AB	665,132	268,066	933,198	8.21	6,919,386	29.65
Swedbank Robur Fonder		825,029	825,029	7.26	825,029	3.54
Cancale Förvaltnings AB	480,000	65,400	545,400	4.80	4,865,400	20.85
UBS AG		475,700	475,700	4.19	475,700	2.04
Länsförsäkringar		271,602	271,602	2.39	271,602	1.16
Aktiebolaget Boninvest		210,400	210,400	1.85	210,400	0.90
Folksam		195,949	195,949	1.72	195,949	0.84
<b>Total, ten largest owners</b>	<b>1,330,266</b>	<b>6,223,551</b>	<b>7,553,817</b>	<b>66.48</b>	<b>19,526,211</b>	<b>83.68</b>
<b>Total, other owners</b>	<b>0</b>	<b>3,809,279</b>	<b>3,809,279</b>	<b>33.52</b>	<b>3,809,279</b>	<b>16.32</b>
<b>All owners</b>	<b>1,330,266</b>	<b>10,032,830</b>	<b>11,363,096</b>	<b>100.00</b>	<b>23,335,490</b>	<b>100.00</b>
<b>Number of owners</b>	<b>3</b>	<b>1,245</b>	<b>1,248</b>			

Size category 31 December	Number of owners		Share of owners		Number of Class A shares		Number of Class B shares		Share of capital		Share of votes	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1-500	725	690	53.0%	62.3%	0	146,826	123,927	1.5%	2.1%	0.6%	0.9%	
501-1,000	220	139	16.1%	12.6%	0	180,406	106,902	1.8%	1.8%	0.8%	0.8%	
1,001-5,000	274	188	20.0%	17.0%	0	654,967	436,091	6.5%	7.2%	2.8%	3.2%	
5,001-10,000	64	42	4.7%	3.8%	0	471,232	280,544	4.7%	4.6%	2.0%	2.1%	
10,001-20,000	26	13	1.9%	1.2%	0	377,715	185,479	3.8%	3.1%	1.6%	1.4%	
20,001-50,000	30	16	2.2%	1.4%	0	1,003,302	556,695	10.0%	9.2%	4.3%	4.1%	
50,001-	29	19	2.1%	1.7%	1,330,266	747,133	7,198,382	4,346,740	71.7%	72.0%	87.9%	87.5%
<b>Total</b>	<b>1,368</b>	<b>1,107</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1,330,266</b>	<b>747,133</b>	<b>10,032,830</b>	<b>6,036,378</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# BOARD AND MANAGEMENT



Nils Nilsson



Tom Dinkelspiel



Jens Engwall



Harald Kjessler



Anna Haskell



Craig Anderson



Anders Larsson

## Nils Nilsson

Collonge-Bellerive, Switzerland, born in 1961.

Chairman, elected to Board in 2004.

*Other current assignments:* Board member of Nordnet Holding AB, Nordnet Family AB, Nordnet Bank AB, 11 Real Asset Fund AB, Malka Oil AB, TBricks Holding AB and head of Bellatin SaRL, Luxembourg and Hun Research Pty Ltd, Singapore.

*Shares of Ruric:* 185,134 Class A shares and 984,000 Class B shares, and 240,000 Class A shares and 32,700 Class B shares via co-ownership, in Cancale Förvaltnings AB.

## Tom Dinkelspiel

Saltsjöbaden, born in 1967.

Board member, elected to Board in 2004.

*Other current assignments:* President and deputy member of the board of directors of E. Öhman J:or AB, Group CEO of Öhman Group and member of the Board of Directors in the Group. Board member of KOGMOT AB, Lifeplan AB, Konsumentkredit i Sverige AB (chairman), MPS Holding AB, 11 Real Asset Fund AB, Svenska Fondhandlareföreningen, Burgundy AB, Nordnet Holding AB, Nordnet Family AB and Nordnet Bank AB.

*Shares in Ruric:* 18,000 Class B shares.

## Jens Engwall

Stockholm, born in 1956.

Board member, elected to Board in 2006.

*Other current assignments:* Board member of Tengbomgruppen AB, Kungsleden AB, Vasallen AB, Chengde Intressenter AB, Catella Financial Advisory AB, Bonnier Fastigheter AB, Reinhold Polska AB and chairman of N&R Properties Ltd and Runsvengruppen AB.

*Shares in Ruric:* 0.

*Warrants in Ruric:* 7,000 warrants from the 2006/2009 series.

## Harald Kjessler

Saltsjöbaden, born in 1963.

Elected to Board in 2008. Previously deputy member 2004–2008

*Other current assignments:* Board member of E. Öhman J:or Fondkommission AB, AB Custos and X5 Music Group AB and President and Board member of Konsumentkredit i Sverige AB.

*Shares in Ruric:* 15,600 Class B shares through endowment assurance.

## Anna Haskell

New York, USA, born in 1977.

Elected to Board in 2008.

*Other current assignments:* Senior analyst at QVT Financial LP.

*Shares in Ruric:* 0.

## Senior management

### Craig Anderson

Saint Petersburg, born in 1962.

CEO since 2008.

*Shares in Ruric:* 16,000.

*Warrants in Ruric:* 0.

### Anders Larsson

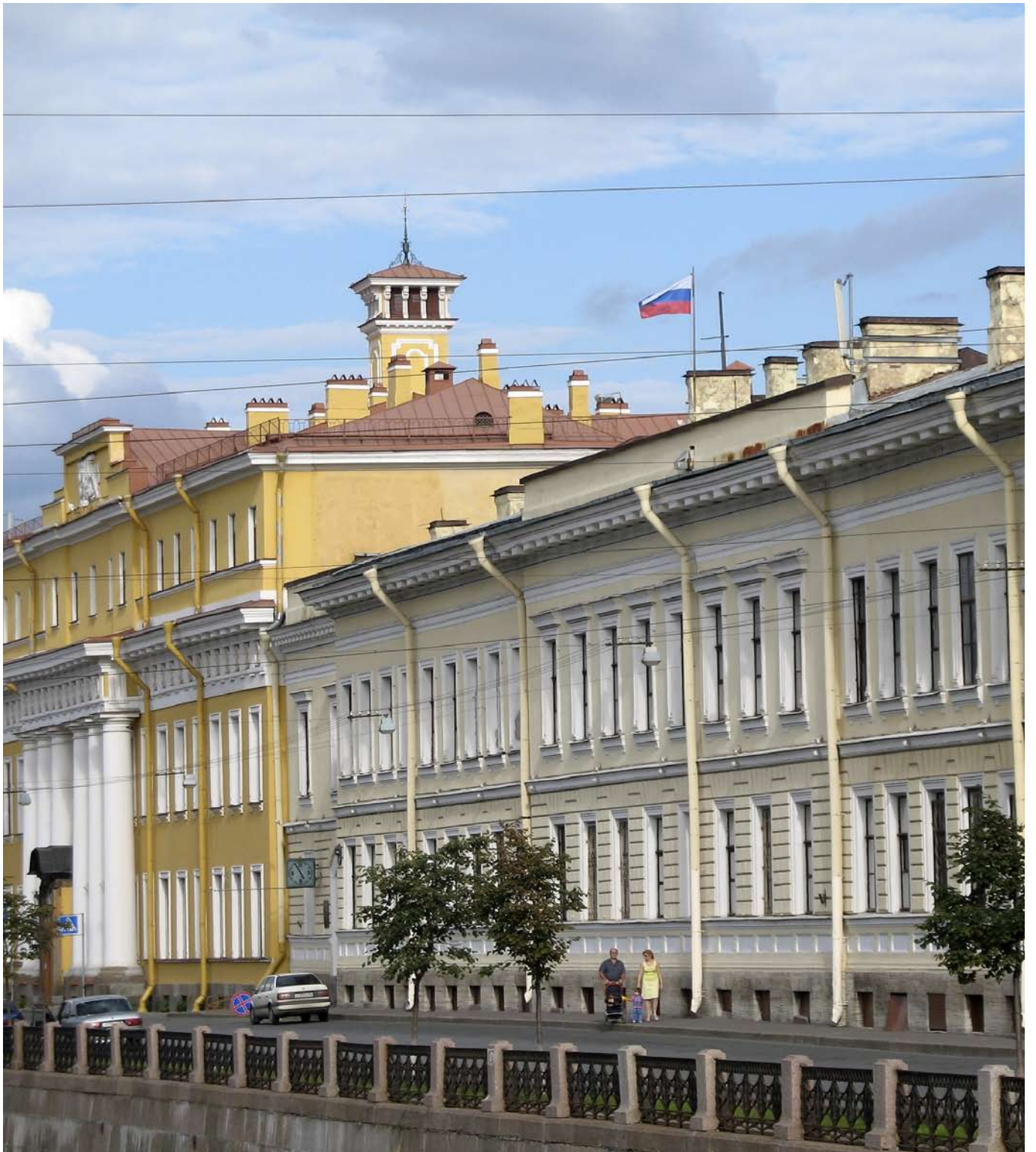
Stockholm, born in 1964.

CFO since 2007.

*Other current assignments:* Board member of FastProp Holding AB and Nordic Whisky Capital AB and companies within the Ruric Group.

*Shares in Ruric:* 4,552 Class B shares

*Warrants in Ruric:* 4,000.



# MANAGEMENT REPORT 2008

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

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

## The business

Ruric's business concept is to acquire, develop, manage, let and divest real estate in Saint Petersburg, Russia with a focus on commercial premises of the 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

At the end of the period, Ruric owns seven properties in central Saint Petersburg, of which four are completed, and in the other three, planning and design and/or renovation/conversion is ongoing. In one of these, the major work is completed. During the period, the real estate stock has developed as shown below:

MSEK	2008	2007
<b>Opening balance</b>	<b>1,717.2</b>	<b>1,211.0</b>
Acquisitions	0.0	0.0
Investments in investment properties	19.1	74.9
Investment in real estate projects	190.2	469.2
Divestments	-207.4	0.0
Changes in value	-158.1	30.0
Impairment	-236.8	0.0
Changes in exchange rates	338.6	-67.6
<b>Closing balance</b>	<b>1,662.8</b>	<b>1,717.2</b>

\* Ruric is using US dollar as functional currency. See note 1.

## Acquisitions

No acquisitions were carried out during the year.

## Work continuing within own stock

During the year, 146.2 million Swedish kronor was invested in renovation and conversion work mainly in the replacement construction work as well as planning and design within the Moika/Glinki project. In addition to this, 47 million Swedish kronor was carried forward as capitalized interest expenses. Most of the remaining part was used for the extension work to Grifon House, at ul. Dostojevskovo 19/21.

## Divestments

Shortly before year-end 2007/2008, Ruric signed an agreement to divest 50 percent of the Moika/Glinki project. The transaction would have generated a positive effect on earnings of slightly more than 0.9 billion Swedish kronor and a cash contribution of 1.3 billion Swedish kronor. However, it became clear during spring 2008 that the transaction would not be completed. The company had intended to use the sales proceeds to redeem bond loan One.

During the first quarter, the previously announced partnership regarding Fontanka 57 resulted in the sale of half of the shares in the holding company for 15 million dollars. The effect on earnings of 28 million Swedish kronor may be seen under changes in value in the income statement. The partnership aims to jointly develop the property.

During the second quarter an agreement was entered into concerning sale of the property at ul. Dostojevskovo 19/21. The purchaser elected not to complete the transaction due to the sharp deterioration of the Russian real

## Multiple year overview

The financial year 2008 was the company's fifth financial year.

The Group	2008	2007	2006	2005	2004
Net turnover, MSEK	67.7	46.0	16.6	10.4	0.0
Profit/loss after tax, MSEK	-350.7	-15.9	41.8	-16.3	-2.0
Total assets, MSEK	2,178.1	2,041.7	1,463.0	476.8	239.7
Equity ratio, percent	55.2	54.1	44.0	48.2	99.7
Median number of employees	77	57	25	9	4

estate market. Discussions are ongoing concerning the legal position relating to the deposit of 5 million dollars and about completion of the transaction at a lower price. (See Post-balance sheet events.)

## Investment properties

### Changes in value in investment properties

The Russian real estate market was affected later than the rest of the world by the international financial crisis, but when it struck it did so with force. The real estate market in Russia displayed a positive trend during the first half-year, subsequently stagnated, and then fell sharply during the final quarter.

The valuations of investment properties produced by the property consultants Knight Frank are uncertain. At the present time, a well-functioning market cannot be said to exist to underpin the valuations. The few transactions completed were of an involuntary character. The Board has decided to accept Knight Frank's valuations. The valuations are based on a forecast of expected cash flows from the properties, as well as an expected yield requirement from the investor. It should be pointed out that the property investor does not necessarily have the same methods of calculation and view of risk as, for example, the one who invests in shares and bonds.

The average yield on Ruric's properties in Knight Frank's valuation comes in at just under 12 percent. This is rather low but reasonable. In Saint Petersburg the stock of centrally located office buildings is limited. In

the current financial climate there is a sale pressure, but we estimate that the market will not be flooded within this segment. Thus, further dramatic price fall and increase in yield requirement is not highly likely.

Since the majority of leases are signed in dollars, the weakening of the ruble has made the rents very high for domestic businesses, with strong pressure on dollar-based rents as a result. The combination of falling market rents, higher yield requirements and vacancies, as well as lower loan to value ratios, have meant that the values of the investment properties fell by 158.1 million Swedish kronor (30) during the year. Since the properties are valued in dollars, the effect will not be as significant –38.2 million Swedish kronor.

The combined value of the investment properties amounted to 525.3 million Swedish kronor (549.9) on 31 December. The value of the real estate portfolio given different yield requirements is illustrated in the table below.

## Project portfolio

The project portfolio consists of the properties at Moika 96–98/ ul. Glinki 2, and the jointly-owned properties within Apraksin Dvor (65%) and at Fontanka 57 (50%). In addition to this, Ruric owns 25% of a land plot of 132 hectares located South West of the city centre. During the second half of the year, Ruric has evaluated the possibilities for scaling down existing project plans as it is difficult to secure financing. The Board has assessed the need for impairment and resolved to write down the properties by 244.8 million Swedish kronor.

Property	Net operating income		Yield requirements				External valuation 31 Dec 2008
	Lettable area (7.75 SEK/USD)		10%	12%	14%	16%	
R. Fontanki nab. 13 (Oscar)	2,976	10.9	108.5	90.4	77.5	67.8	98.4
9-ya V.O.i. 34 (Magnus)	6,463	15.5	155.0	129.2	110.7	96.9	146.5
Sredny Prospekt 36/40 (Gustaf)	4,943	14.7	147.3	122.7	105.2	92.0	130.2
Ul. Dostoyevskovo 19/21	5,917	17.8	178.3	148.5	127.3	111.4	151.1
<b>Investment properties</b>	<b>20,299</b>	<b>58.9</b>	<b>589.1</b>	<b>491.0</b>	<b>420.9</b>	<b>368.3</b>	<b>526.2</b>
Book value			525.3	525.3	525.3	525.3	525.3
<b>Surplus value</b>			<b>63.8</b>	<b>-34.3</b>	<b>-104.4</b>	<b>-157.0</b>	

At year-end, 709 square metres were vacant.

The impairment mostly relates to the Moika/Glinki property and 8.0 million Swedish kronor relates to the participation in the land plot and is recognised against participations.

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

Property	(MSEK)
Apraksin Dvor 15/16, 33	1.3
Moika/Glinki total	188.9
<b>Total</b>	<b>190.2</b>

Of which 44 million Swedish kronor refers to capitalized interest expenditure.

The changed project plan for Moika/Glinki meant that the need for electric capacity was dramatically reduced. At the end of the year the agreement with the local electricity supplier was renegotiated with a corresponding reduction in power requirement. In December 2008 Ruric paid 3 million dollars to settle all remaining obligations under the contract. During 2008 the total payments for the electricity supply for Moika/Glinkij was 6 million dollars. The total amount invested into the electricity project was thus about 20 million dollars. Compared to the previous plan and contractual obligations this represents a reduction of approximately 80 million Swedish kronor, or 10 million dollars. The electricity is reserved for use of Moika/Glinki and is capable to fully supply the planned development with the project.

### Rental income

The rental income, which includes the buildings at the addresses Fontanka 13 (Oskar),

9-aya V.O. Linia 34 (Magnus), Srednij Prospekt 36/40 (Gustaf), ul. Dostoyevskovo 19/21 (Griffon), as well as completed parts of Apraksin Dvor 15/16 and 33, amounted to 67.7 million Swedish kronor (46.0) during the year. As the majority of leases are based on dollars, the cost for the tenants has risen dramatically, in certain cases more than they are able to bear. Discussions regarding rebates are becoming increasingly common. The rental income and net operating income trends are shown in the table below.

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 and management fees, among other things, amounted to -26.3 million Swedish kronor (-18.4) during the year.

### Operating surplus

The operating surplus for completed investment properties amounted to 41.4 million Swedish kronor (27.6) during the year. The improvement for the full-year is due to the fact that more buildings are completed and let. The decline during the fourth quarter is due to the development of Apraksin Dvor.

The trend is negative at present. Demand for premises has fallen sharply, and existing tenants' ability to pay the rent has decreased. However, Ruric has well-located properties, which is why it is more a question of finding

Net operating income trend	2008, Q4	2008, Q3	2008, Q2	2008, Q1	2007, Q4	2007, Q3	2007, Q2	2007, Q1	2006, Q4	2006, Q3	2006, Q2
Rental income	18.0	19.6	14.9	15.2	16.6	12.4	9.3	7.7	5.4	4.4	3.3
Real estate expenses	-7.7	-7.3	-6.1	-5.2	-5.0	-5.2	-4.3	-3.9	-5.3	-5.6	-4.9
<b>Net operating income</b>	<b>10.3</b>	<b>12.3</b>	<b>8.8</b>	<b>10.0</b>	<b>11.6</b>	<b>7.2</b>	<b>5.0</b>	<b>3.8</b>	<b>0.1</b>	<b>-1.2</b>	<b>-1.6</b>

the correct price level in order to fill the vacancies that undeniably arise in the properties.

### 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 –49.1 million Swedish kronor (–35.5) during the year. The amount includes costs for outgoing MD, and the expenses for the non-execution of the transaction in relation to Moika/Glinki.

### Impairments

During the final quarter, impairments in respect of real estate projects were made of 244.8 million Swedish kronor (0), including the participation in the land plot.

### Operating result

The operating result for the year amounted to –383.0 million Swedish kronor (21.7). The large decrease is due to changes in value of properties as well as impairments.

### Net financial income/expense

Net financial income and expense amounted to –22.0 million Swedish kronor (–24.4) for the year. Participating interests from associated companies are included of –7.7 million Swedish kronor (0.0). During the period, capitalized interest expenses amounted to 47.4 million Swedish kronor (49.5).

The sharp rise in the value of the dollar has impacted shareholders' equity by 345.3 mil-

lion Swedish kronor, principally on account that the properties are valued in dollars, while changes in exchange rates impacting the income statement, amounted to 26.7 million Swedish kronor (–5.3).

### Result after financial items

The result after financial items amounted to –405.0 million Swedish kronor (–2.7) during the year.

### Taxes

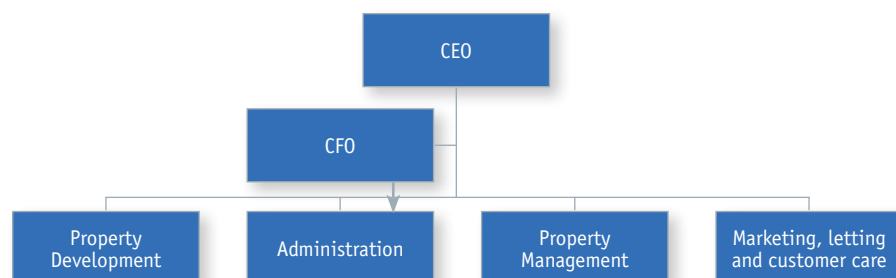
The tax expense, which for the year was income, amounted to 54.3 million Swedish kronor (–13.2). Of the amount, 22.7 million Swedish kronor refers to reversal of a deferred tax liability attributable to change in value of properties. The remainder refers to temporary differences in the Russian subsidiaries.

In Russia, it is not permissible to seek tax relief through granting and receiving group contributions. Naturally, the same applies to the ability to seek tax relief between the countries. As the Swedish entities act largely as financier to the Russian subsidiaries in dollar loans, the changes in exchange rates have meant that the Swedish companies have fully expended their loss carryforwards.

### Cash flow, liquidity and financial position

The cash flow during the year amounted to 13.5 million Swedish kronor (–119.4), of which –65.4 million Swedish kronor (46.8) was from operating activities. The equity ratio amounted to 55.2 (54.1) percent at the close

### Operational organisational structure



of the period, of which the debt ratio is less than the maximum permitted according to the bond terms. Equity amounted to 1,202.1 million Swedish kronor (1,104.6). Cash and cash equivalents amounted to 47.0 million Swedish kronor (33.5) and interest-bearing liabilities amounted to 840.4 million Swedish kronor (737.6). Investments during the period of 211.1 million Swedish kronor in total were financed by raising a bond loan in April, sale of 50 percent of the real estate project Fontanka 57, as well as through a preferential rights issue during October–November 2008.

#### Interest-bearing liabilities

At year-end, Ruric's financing consisted of two bond loans, one listed on Nordic Growth Market (NGM) and the other on Nasdaq OMX Stockholm.

Bond loan One was redeemed during spring 2008. Bond loan Two raised 410 million Swedish kronor for the Company during the second quarter 2006, with a redemption date of 16 November 2010. The nominal amount is 451.5 million Swedish kronor. 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% per annum, with interest due dates, 16 November 2009 and 16 November 2010.

During spring 2008, bond loan Three raised 400 million Swedish kronor for the purposes of redeeming bond loan One. The loan has the same redemption date as Two but runs with a coupon interest of 16 percent per annum.

The terms of the loan stipulate that the assets/liability ratio may not exceed 60 percent. The Board and management continually monitor that it does not occur. On 31 December 2008, the ratio was 44.8%.

#### Personnel and organisation

On 1 July, Craig Anderson took over as new managing director, with a principal base in Saint Petersburg. He has also taken over the role of MD for the Russian subsidiaries, after Leonid Polonski, who left the company. At the end of the period, the Group had 66 employees, of which 64 were in the Russian subsidi-

aries in Saint Petersburg and two were in the parent company.

After the close of the period, the workforce has been reduced to 37 people.

#### The Parent Company

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

The Parent Company's turnover amounted to 1.2 million Swedish kronor (1.2) for the year. The result after financial items amounted to -15.6 million Swedish kronor (-51.1), of which 229.1 million Swedish kronor refers to changes in exchange rates that are eliminated in the consolidated accounts.

Cash and cash equivalents at the close of the reporting period amounted to 29.8 million Swedish kronor (20.1).

#### Ownership

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

There are 11,363,096 shares issued in total, of which 1,330,266 are A-shares and 10,032,830 are B-shares. Of the founders, E. Öhman J:or AB, Cancale Förvaltnings AB and East Capital, East Capital divested its holding of A-shares during the year. There were 1,248 (1,107) shareholders at year-end.

#### Risk factors and risk management

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

##### Financial risks:

###### *Liquidity risks*

The company's liquidity position is strained at present. In the short term there is enough liquidity to run the company, but not to continue its investment plans on the project properties. In the slightly longer perspective, the company must find a refinancing solution by 16 November 2010 when both of the company's bond loans are due for redemption.



### 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. Ruric mainly has international tenants with relatively good creditworthiness. Credit risk thus exists to a lesser extent for these. Approximately 17% of the rental income is provided by smaller companies that are not credit-assessed. A greater credit risk exists in relation to these.

This is handled by signing leases for shorter periods.

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

### Currency risks/Cash flow risks

Borrowing by the Group has consisted to date of increases in shareholders' equity and the

issuance of bonds in Swedish kronor. The Group's net outflow is primarily based on dollars and to a certain extent in rubles. To date, currency exposures have not been hedged.

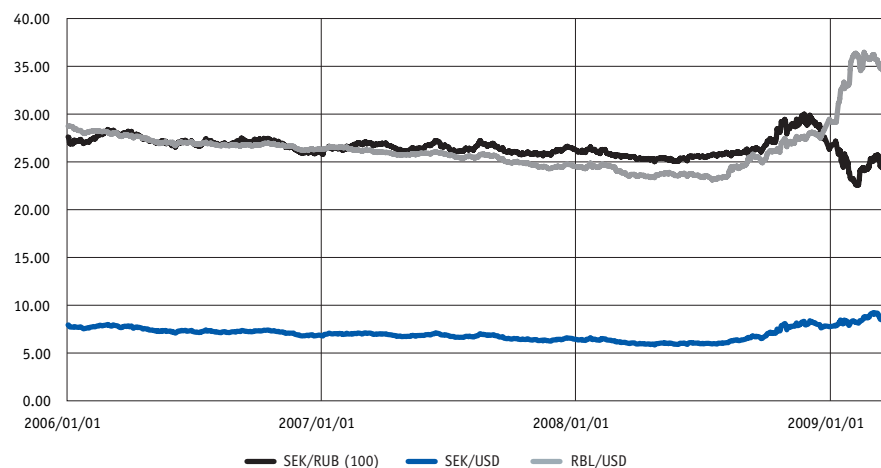
### Currency risks/translations

The Group's assets are primarily valued in US dollars, while liabilities are denominated in Swedish kronor. This translation risk has not been hedged by Ruric. A change in value of 5 percent affects Ruric's equity by 104 million Swedish kronor.

### Other risks:

- Ruric is active on a market characterised by political risks, which may affect the willingness to invest.
- The legal system in Russia is not thoroughly developed nor is it entirely comparable to the Western European systems. Legal reforms tend to proceed slowly. All in all, this may have a negative effect on Ruric. The Company conducts an annual "legal health check" in order to evaluate these risks.
- Ruric is dependent on a small number of senior executives. It cannot be excluded that Ruric could be negatively affected if one or more senior executives leave the company.

### Exchange rate fluctuations



## Post-balance sheet events

After the end of the period, an action program has been executed to reduce the company's workforce. The total number of employees now amounts to 37 people.

After the close of the period, Ruric has repurchased 20 million Swedish kronor of the company's outstanding debt, at a rate of 37 percent of the nominal amount. The remaining debt amount in bond Three is subsequently 380 million Swedish kronor.

On 1 April 2009 Ruric sold the shares in ZAO Grifon for a price amounting to 17 million dollars. The price is below the year-end value by approximately 2 million dollars and thus affects the income statement with approximately -16 million Swedish kronor. The change in equity is -10 million Swedish kronor taken into account exchange rate fluctuations. The transaction gives Ruric a cash injection of approximately 90 million Swedish kronor since the previous deposit is deducted in the settlement.

## Outlook Financing

The capacity to finance the future operations is a cornerstone in Ruric's work in the immediate future, as the company's survival depends on the success of this work. The western banks have largely ceased lending to operations in Russia. However, the Russian State has pumped many billions into Russian banks. Ruric is engaged in discussions with a few Russian banks regarding project loans. Since the intent of the "state support" is to get the Russian economy moving again, it is not possible to believe that any such potential credit facility could be used to redeem all or parts of the outstanding bond loans, rather solely as financing for ongoing projects within the country's borders. This does not solve the future liquidity issues, but can help to build value in the company, which in turn can facilitate the raising of capital. In this respect, the task of getting an extension for the investment agreement regarding Moika/Glinki from 2011 until 2014 is very important. Without

such extension neither financing nor sale seem likely. Should no such extension be obtained, legal actions will be prepared.

In the short-term there are a number of different financing solutions that the Board is evaluating. If none of these are successful, then one of the properties must be divested in an unfavourable market.

All assumptions regarding values in the balance sheet are based on the company being able to solve the financing issue and develop the value that exists, for example, in the real estate projects.

## The real estate market

In the short-term, the trend for property ownership is viewed as continuing to be negative. However, the company expects over time that Saint Petersburg will have a positive development in many respects, through its geographical location and through its role as Russia's second largest city. Naturally this will be contingent on the overall economic development and political situation in the country as a whole. Property ownership and investment must always be seen in a longer perspective and in this regard the company expects that the investments in Saint Petersburg will deliver good long-term profitability.

## The work of the Board of Directors

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

In addition to the first meeting of the Board of Directors, meetings must be held at least four times per calendar year. During 2008, 19 meetings were held, of which seven were by telephone, and one took place in Saint Petersburg. The Board's work during the year focused on financing and organisational questions.

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 2008

Member	Elected	Number of meetings		Tele- phone/ per capsulam
		Regular	capsulam	
Nils Nilsson (Chairman)	2004	9	10	10
Tom Dinkelspiel	2004	9	10	10
Harald Kjessler <sup>1)</sup>	2008	6	7	7
Jens Engvall	2006	9	7	7
Anna Haskell <sup>2)</sup>	2008	1	3	3
Gert Tiivas <sup>3)</sup>	2006	1	1	1

1) Elected as ordinary member at annual general meeting 2008

2) Elected to the board at extraordinary general meeting on 2 October 2008

3) Resigned from the board at annual general meeting 2008

## Annual General Meeting 2008

The Annual General Meeting 2008 was held in E. Öhman J:or Fondkommissions AB's premises at Berzelii park on April 29. The Meeting resolved to adopt the income statements and balance sheets included in the annual report and to grant the board of directors and the managing director discharge from liability for the past financial year. The Annual Meeting also resolved in accordance with the Board of Director's proposal not to issue any dividend and to re-elect the board members Nils Nilsson, Tom Dinkelspiel and Jens Engvall, and to elect previous deputy member, Harald Kjessler as a new member of the board. Ulrika Hagdahl declined re-election as a deputy member and it was resolved not to elect any new deputy members.

## Proposed distribution of profits

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

	SEK
Share premium reserve less costs of share issue	1,017,304,444
Loss brought forward	-68,269,810
Loss for the year	-15,568,584
<b>Total</b>	<b>933,466,050</b>

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

# FINANCIAL STATEMENT

## Consolidated income statement

	Note	01-01-2008 – 31-12-2008	01-01-2007 – 31-12-2007
Rental income	2	67.7	46.0
Real estate expenses	3	-26.3	-18.4
<b>Operating profit/loss</b>		<b>41.4</b>	<b>27.6</b>
Depreciation of equipment	12	-0.6	-0.4
Other operating expenses	6,7	-49.1	-35.5
Changes in value properties	12	-158.1	30.0
Profit on sale of property		28.2	0.0
Impairments	12,15	-244.8	0.0
		<b>-424.4</b>	<b>-5.9</b>
<b>Operating profit/loss</b>		<b>-383.0</b>	<b>21.7</b>
<i>Profit/loss from financial investments</i>			
Participating interests		-7.7	0.0
Other interest income and similar profit/loss items	8	46.6	9.3
Interest expenses and similar profit/loss items	9	-60.9	-33.7
		<b>-22.0</b>	<b>-24.4</b>
<b>Loss before tax</b>		<b>-405.0</b>	<b>-2.7</b>
Tax on net loss for the year	10	54.3	-13.2
Minority share of net loss for the year		0.0	0.0
<b>Net loss for the year</b>		<b>-350.7</b>	<b>-15.9</b>
Earnings per share before dilution	11	-48.32	-2.66
Earnings per share after dilution	11	-48.32	-2.66

Total result attributable to the parent company's shareholders.

## Consolidated balance sheet

	Note	31-12-2008	31-12-2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Property, plant and equipment</i>			
Equipment, tools and facilities	12	7.4	6.2
Investment properties		525.3	549.9
Ongoing real estate projects		1,137.5	1,167.3
		<b>1,670.2</b>	<b>1,723.4</b>
<i>Financial assets</i>			
Participations in associated companies	15	111.7	36.4
Other long-term receivables	13	215.3	169.2
Deferred tax assets	10	40.5	6.1
		<b>367.5</b>	<b>211.7</b>
<b>Total non-current assets</b>		<b>2,037.7</b>	<b>1,935.1</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable		1.6	4.8
Other receivables	16	52.1	35.6
Prepaid expenses and accrued income	17	39.7	32.7
		<b>93.4</b>	<b>73.1</b>
<i>Cash and bank balances</i>	18	47.0	33.5
<b>Total current assets</b>		<b>140.4</b>	<b>106.6</b>
<b>TOTAL ASSETS</b>		<b>2,178.1</b>	<b>2,041.7</b>

	Note	31-12-2008	31-12-2007
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital (shares)		22.7	13.6
Paid in funds		235.8	235.9
Translation differences		266.3	-79.2
Retained earnings		677.3	934.3
<b>Total shareholders' equity</b>		<b>1,202.1</b>	<b>1 104.6</b>
<b>Non-current liabilities</b>			
Bond loans	19	840.4	684.7
Other non-current liabilities	20	1.3	101.3
Deferred tax liability	10	32.2	51.1
<b>Total non-current liabilities</b>		<b>873.9</b>	<b>837.1</b>
<b>Current liabilities</b>			
Accounts payable		7.0	12.7
Other current liabilities	21	67.5	46.5
Accrued expenses and prepaid income	22	27.6	40.8
<b>Total current liabilities</b>		<b>102.1</b>	<b>100.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,178.1</b>	<b>2,041.7</b>
Pledged assets		None	None
Contingent liabilities	23		

## Changes in Shareholders' equity

The Group	Number of shares	Share capital	Paid in funds	Translation difference	Retained earnings	Total equity
Shareholders' equity 1 January 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 issue in progress	101,370		0.2		13.8	14.0
Warrant settlement					0.2	0.2
Translation difference				-61.2		-61.2
Net loss for the year					-15.9	-15.9
<b>Shareholders' equity, 31 December 2007</b>	<b>6,884,881</b>	<b>13.6</b>	<b>235.9</b>	<b>-79.2</b>	<b>934.3</b>	<b>1,104.6</b>
Shareholders' equity 1 January 2008	6,884,881	13.6	235.9	-79.2	934.3	1,104.6
New issue	4,478,215	9.0			98.3	107.3
Issue expenses					-4.6	-4.6
New issue in progress		0.1	-0.1			0.0
Warrant settlement						0.0
Translation difference				345.5		345.5
Net loss for the year					-350.7	-350.7
<b>Shareholders' equity, 31 December 2008</b>	<b>11,363,096</b>	<b>22.7</b>	<b>235.8</b>	<b>266.1</b>	<b>677.5</b>	<b>1,202.1</b>

The Parent Company	Number of shares	Share capital	Restricted reserves	Non-restricted equity	Total equity
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 issue in progress	101,370		0.2	13.8	14.0
Warrant settlement				0.2	0.2
Net loss for the year				-51.1	-51.1
<b>Shareholders' equity, 31 December 2007</b>	<b>6,884,881</b>	<b>13.6</b>	<b>375.0</b>	<b>761.8</b>	<b>1,150.4</b>
Shareholders' equity 1 January 2008	6,884,881	13.6	375.0	761.8	1,150.4
Completed new issue 2007		0.1	-0.1		0.0
New issue 2008	4,478,215	9.0		98.3	107.3
Change in revaluation reserve				-4.6	-4.6
Issue expenses				2.9	2.9
Group contributions received				-0.8	-0.8
Translation difference branch			-91.6	91.6	0.0
Net loss for the year				-15.6	-15.6
<b>Shareholders' equity 31 December 2008</b>	<b>11,363,096</b>	<b>22.7</b>	<b>283.3</b>	<b>933.5</b>	<b>1,239.5</b>

The number of shares amounted to 11,363,881 as at 31 December 2008 with a quotient value of SEK 2 per share.

## Consolidated cash flow statement

	Note	01-01-2008 – 31-12-2008	01-01-2007 – 31-12-2007
<b>Operating activities</b>			
Profit/loss after net financial items		-405.0	-2.7
<i>Adjustment for items not affecting cash flow</i>			
Changes in value properties	12	158.1	-30.0
Depreciation	12	0.6	0.4
Impairments	12,15	244.8	0.0
Capital gain		-28.2	0.0
Exchange rate differences		-19.7	2.1
Difference between paid and recognised net financial items		7.7	5.8
Other items		0.0	0.5
Taxes paid		-2.4	-10.3
<b>Cash flow from operating activities before changes in working capital</b>		<b>-44.2</b>	<b>-34.2</b>
<b>Change in working capital</b>			
Change in operating receivables		-16.9	-22.5
Change in operating liabilities		-4.3	103.5
<b>Total changes in working capital</b>		<b>-21.2</b>	<b>81.0</b>
<b>Cash flow from operating activities</b>		<b>-65.3</b>	<b>46.8</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	12	-211.1	-543.1
Divestment of plant, property and equipment		182.8	0.0
Investments in other financial assets		-104.2	-161.0
<b>Cash flow from investing activities</b>		<b>-132.4</b>	<b>-704.1</b>
<b>Financing activities</b>			
New issue		102.7	537.6
Warrants		0.0	0.2
New loans		400.0	0.0
Amortisation of non-current liabilities		-291.4	0.1
<b>Cash flow from financing activities</b>		<b>211.3</b>	<b>537.9</b>
<b>Cash flow for the year</b>		<b>13.5</b>	<b>-119.4</b>
<b>Cash and cash equivalents at the start of the year</b>		<b>33.5</b>	<b>152.9</b>
<b>Cash and cash equivalents at year-end</b>		<b>47.0</b>	<b>33.5</b>

## The Parent Company's income statement

	Note	01-01-2008 – 31-12-2008	01-01-2007 – 31-12-2007
Net turnover		1.2	1.2
<b>Operating profit</b>	2	<b>1.2</b>	<b>1.2</b>
Other operating expenses		-59.3	-26.0
Personnel expenses	5,6	-9.7	-7.7
Depreciation of property, plant and equipment	12	-0.2	-0.1
Impairments of subsidiaries	13	-258.0	0.0
		<b>-327.2</b>	<b>-33.8</b>
<b>Operating loss</b>		<b>-326.1</b>	<b>-32.6</b>
<i>Profit/loss from financial investments</i>			
Other interest income and similar profit/loss items	8	418.6	126.2
Interest expenses and similar profit/loss items	9	-108.2	-144.7
		<b>310.4</b>	<b>-18.5</b>
<b>Loss before tax</b>		<b>-15.6</b>	<b>-51.1</b>
Tax on net profit for the year	10	0.0	0.0
<b>Net loss for the year</b>		<b>-15.6</b>	<b>-51.1</b>



## The Parent Company's balance sheet

	Note	31-12-2008	31-12-2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Property, plant and equipment</i>			
Equipment, tools and facilities	12	4.6	3.9
		<b>4.6</b>	<b>3.9</b>
<i>Financial assets</i>			
Participations in group companies	13,14	188.9	231.5
Receivables at group companies		1,757.7	1,606.5
Other long-term receivables	13	0.2	1.9
		<b>1,946.8</b>	<b>1,840.0</b>
<b>Total non-current assets</b>		<b>1,951.4</b>	<b>1,843.9</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable		1.0	0.5
Other receivables	16	137.9	0.4
Prepaid expenses and accrued income	17	17.0	30.5
		<b>155.9</b>	<b>31.4</b>
Cash and bank balances	18	29.8	20.1
<b>Total current assets</b>		<b>185.7</b>	<b>51.5</b>
<b>TOTAL ASSETS</b>		<b>2,137.0</b>	<b>1,895.5</b>

	Note	31-12-2008	31-12-2007
<b>SHAREHOLDERS', EQUITY, AND, LIABILITIES</b>			
<b>Shareholders', equity</b>			
<i>Restricted, equity</i>			
Share, capital		22.7	13.6
Share premium reserve		236.0	236.2
Revaluation reserve		47.3	138.8
		<b>306.0</b>	<b>388.6</b>
<i>Non-restricted equity</i>			
Share premium reserve		1,017.2	923.5
Retained earnings		-68.1	-110.6
Net loss for the year		-15.6	-51.1
		<b>933.5</b>	<b>761.8</b>
<b>Total shareholders' equity</b>		<b>1,239.5</b>	<b>1,150.4</b>
<b>Non-current liabilities</b>			
Bond loans	19	840.4	684.7
Other non-current liabilities		0.2	<b>0.2</b>
<b>Total non-current liabilities</b>		<b>840.6</b>	<b>684.9</b>
<b>Current liabilities</b>			
Accounts payable		0.6	0.9
Other current liabilities	21	40.2	34.3
Accrued expenses and prepaid income	22	16.1	25.2
<b>Total current liabilities</b>		<b>56.9</b>	<b>60.3</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,137.0</b>	<b>1,895.5</b>
Pledged, assets		None	None
Contingent, liabilities		None	None

## The Parent Company's cash flow statement

	Note	01-01-2008 – 31-12-2008	01-01-2007 – 31-12-2007
<b>Operating activities</b>			
Loss after net financial items		-15.6	-51.1
<i>Adjustments for items not affecting cash flow</i>			
Depreciation	12	0.2	0.1
Impairments	13	258.0	0.0
Exchange rate differences	9	-223.5	75.6
Difference between paid and recognised net financial items		-126.7	-117.0
Other items		10.6	0.0
<b>Cash flow from operating activities before changes in working capital</b>		<b>-97.0</b>	<b>-92.4</b>
<b>Change in working capital</b>			
Increase –/Decrease + in other operating receivables		-9.4	-17.8
Increase+/Decrease – in other operating liabilities		-2.6	37.3
<b>Cash flow from operating activities</b>		<b>-109.0</b>	<b>-72.9</b>
<b>Investing activities</b>			
Investments in subsidiaries		0.0	-25.2
Investments in other financial assets		-120.7	-539.1
Acquisition of property, plant and equipment		-1.0	-3.9
<b>Cash flow from investing activities</b>		<b>-121.7</b>	<b>-568.2</b>
<b>Financing activities</b>			
New issue		102.7	537.7
Change in long-term borrowings		150.0	0.2
Received/ paid shareholders' contributions and group contributions		-12.3	0.0
<b>Cash flow from financing activities</b>		<b>240.4</b>	<b>537.9</b>
<b>Cash flow for the year</b>		<b>9.7</b>	<b>-103.2</b>
<b>Cash and cash equivalents at the start of the year</b>		<b>20.1</b>	<b>123.3</b>
<b>Cash and cash equivalents at year-end</b>		<b>29.8</b>	<b>20.1</b>

# NOTES

## NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

### Generally

Russian Real Estate Investment Company (publ.) (556653-9705) "Ruric" is a Swedish limited liability company with its registered office in Stockholm, at the address Hovslagargatan 5B 111 48 Stockholm. Since 2006, the company's share is listed on the First North market place at the OM Stockholm Stock Exchange. The Group's operations are described in the Management report. The consolidated accounts were approved by the Board of Directors on 2 April 2009. The income statements and balance sheets of the Group and Parent Company will be submitted to the Annual General Meeting for adoption on 21 April.

The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) and applicable interpretations of the International Financial Interpretations Committee (IFRIC) as of 31 December 2008. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1.1, Supplementary Accounting Rules for Groups. The Parent Company applies the same accounting principles as the Group except in the cases stated under the heading The Parent Company below.

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

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

### Estimates and judgements

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

### Investment properties

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

### Project real estate

Project real estate is recognised at acquisition cost with adjustment for possible impairments. In order to make an assessment of the recoverable amount it has been assumed that the company can solve the financing issue and compile these values.

### Application of new accounting principles

The following amended standards and new interpretations have become effective in 2008; Amendments to IAS 39: Financial Instruments Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Reclassification of Financial Assets), IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The above amendments and new interpretations have not had any impact on the consolidated accounts in 2008.

### Standards and interpretations effective from 2009

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

IAS 40 has been amended which means that the classification of real estate that is built on or developed for future use as an investment property has been amended in IAS 40, Investment Property. Previously such properties were classified as property, plant and equipment and accordingly recognised at acquisition cost until the date of completion. The change in IAS 40 implies that such properties shall also be classified as investment properties during the production period and thus recognised according to the same principles as other investment properties. This change is not expected to have any material impact on Ruric's balance sheet as the project real estate has been written down to its estimated recoverable amount at year-end.

IFRS 8 Operating segments has no impact on Ruric's financial reporting.

IASB has also issued amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and separate financial statements, which shall be applied for annual periods starting 1 July 2009, or later. These have not yet been adopted for application within the EU. The changes may have an impact on Ruric's financial statements in the event of future acquisitions.

### Consolidated accounts

#### Subsidiaries

The consolidated accounts cover the parent company and the companies in which the parent company holds, directly or indirectly, shares corresponding to more than 50 percent of the number of votes, or in some other way exercises a controlling influence over. The consolidated accounts have been prepared in accordance with the purchase method. This means that the Group indirectly acquires a subsidiary's assets and takes over its liabilities

and contingent liabilities. Assets are recognised at the market value that has provided the basis for determination of the purchase price of the shares. The Group's equity comprises the parent company's equity and that part of the equity in the subsidiaries that has arisen after these companies were acquired.

#### **Translation of foreign operations**

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

#### **Associated companies**

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

#### **Joint Ventures**

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

#### **Transactions that are eliminated**

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

#### **Segment reporting**

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

#### **Income**

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

#### **Rental income**

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

#### **Financial income and expenses**

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

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

#### **Leasing agreements**

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

#### **Financial instruments**

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

Financial instruments that are recognised 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 cost corresponding to the fair value with allowance for transaction expenses.

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

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

#### **Cash and cash equivalents**

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

#### **Accounts receivable**

Accounts receivable are categorised as "Loan receivables and accounts receivable" which means that they are valued as amortised cost. Accounts receivable are by their nature short-term and are recognized at nominal value. Possible provisions for feared customer losses are recognised in Note 2.

#### **Receivables**

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

#### **Receivables and liabilities in foreign currency**

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

#### **Liabilities**

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

#### **Borrowings**

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

#### **Transactions in foreign currency**

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

#### **Investment properties**

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

#### **Project real estate**

Ongoing construction projects are reported at acquisition cost less any impairments.

#### **Property, plant and equipment**

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

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

#### **Remuneration to employees**

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

#### **Taxes including deferred taxes**

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

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

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

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

**The Parent Company's accounting principles**

The Parent Company's annual accounts are prepared in accordance with the Annual Accounts Act and by application of the Swedish Financial Reporting Board's recommendation RFR 2.1 (Accounting for Legal Entities). RFR 2.1 stipulates that a legal entity must apply the same IFRS/IAS applied in the consolidated accounts, with exceptions and amendments depending primarily on statutory provisions in the Annual Accounts and taking into consideration the relationship between recognition and taxation. The differences between the accounting policies applied by the Group and the Parent Company may be seen below.

**Shares in subsidiaries**

Shares in subsidiaries are recognised in the Parent Company using the purchase method. The book value is estimated continuously against the subsidiaries' equity on consolidation. In those cases where the book value is less than the subsidiaries' equity on consolidation, an impairment loss is charged to the income statement. In those cases where a previous impairment loss can no longer be justified, a reversal of this is made.

**Group contributions and shareholders' contributions**

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

**NOTE 2 INCOME****The Group**

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

	2008		2007	
	Rental income	Operating profit	Rental income	Operating profit
Russia	67.7	41.4	46.0	27.6
<b>Total</b>	<b>67.7</b>	<b>41.4</b>	<b>46.0</b>	<b>27.6</b>

Rental income includes provision for feared rental losses amounting to MSEK 7.3 (0.0)

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

Term	Lease value (yearly rent)	Share
2009	20.8	28%
2010	1.5	2%
2011	24.9	33%
2012	8.7	12%
>2013	18.5	25%
<b>Total</b>	<b>74.5</b>	<b>100%</b>

**The Parent Company**

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

	2008		2007	
	Rental income	Operating profit	Rental income	Operating profit
Sweden	1.2	1.2	1.2	1.2
Russia	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>

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

**NOTE 3 REAL ESTATE EXPENSES**

	The Group	
	2008	2007
Property tax	6.0	1.6
Other real estate expenses	20.3	16.8
<b>Total</b>	<b>26.3</b>	<b>18.4</b>

**NOTE 4 PURCHASES AND SALES BETWEEN GROUP COMPANIES**

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

**NOTE 5 AVERAGE NUMBER OF EMPLOYEES**

	2008		2007	
	Number of employees	Of which men	Number of employees	Of which men
<b>The Parent Company</b>				
Sweden	2	2	2	2
Russia	1	1	1	1
<b>Total Parent Company</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Subsidiaries</b>				
Russia	74	43	54	30
<b>Total Group</b>	<b>77</b>	<b>46</b>	<b>57</b>	<b>33</b>

**NOTE 6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES**

	2008		2007	
	Salaries and other remuneration	Social security expenses (of which pension expenses)	Salaries and other remuneration	Social security expenses (of which pension expenses)
The Parent Company	7.4	2.6	5.5	2.7
		(1.1)		(0.9)
Subsidiaries	24.1	2.5	18.4	2.0
		(1.9)		(1.5)
<b>Group total</b>	<b>31.5</b>	<b>5.1</b>	<b>23.9</b>	<b>4.7</b>

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

	2008		2007	
	Board of Directors, Managing Director & other senior executives (of which bonus or similar)	Other employees	Board of Directors, Managing Director & other senior executives (of which bonus or similar)	Other employees
<b>The Parent Company</b>				
Sweden	7.1	0.3	5.0	0.5
	<b>7.1</b>	<b>0.3</b>	<b>5.0</b>	<b>0.5</b>
<b>Foreign subsidiaries</b>				
Russia	6.6	17.5	4.2	14.2
	<b>6.6</b>	<b>17.5</b>	<b>4.2</b>	<b>14.2</b>
<b>Group total</b>	<b>13.7</b>	<b>17.8</b>	<b>9.2</b>	<b>14.7</b>



## Note 6, cont.

	2008			2007		
	Basic salary/ directors' fees	Variable remuneration	Pension expense	Basic salary/ directors' fees	Variable remuneration	Pension expense
The Chairman of the Board	0.1	–	–	0.1	–	–
Other Board members	0.3	–	–	0.3	–	–
Outgoing Managing Director	0.9	0.0	0.3	–	–	–
Managing Director	1.3	0.0	0.0	2.0	1.3	0.5
Other senior executives	3.2	4.5	0.5	2.0	3.4	0.4
<b>Total</b>	<b>5.8</b>	<b>4.5</b>	<b>0.8</b>	<b>4.4</b>	<b>4.7</b>	<b>0.9</b>

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 USD 280,000 and benefits in the form of compensation for dual residence, health care and training. In 2008, the benefits amounted to SEK 219,000.

The Managing Director is entitled to terminate the employment agreement subject to three months' notice of termination. The Company is entitled to terminate the employment agreement subject to 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.

The outgoing Managing Director received, in addition to basic salary, a severance payment of SEK 900,000 as well as salary during the notice period, 12 months. The entire amount was charged during 2008.

## NOTE 7 INFORMATION ABOUT AUDITOR'S FEES

	The Group		The Parent Company	
	2008	2007	2008	2007
<b>Ernst &amp; Young AB</b>				
Audit assignments	1.0	1.4	0.4	0.7
Other assignments	0.3	0.4	0.3	0.4
	<b>1.3</b>	<b>1.8</b>	<b>0.7</b>	<b>1.1</b>
<b>Other auditing firms</b>				
Audit assignments	0.2	0.3	0.0	0.0
Other assignments	0.0	0.0	0.0	0.0
	<b>0.2</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>

## NOTE 8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2008	2007	2008	2007
Interest income	13.3	9.1	188.0	126.2
Exchange rate gains	33.3	0.2	230.6	0.0
<b>Total</b>	<b>46.6</b>	<b>9.3</b>	<b>418.6</b>	<b>126.2</b>

## NOTE 9 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2008	2007	2008	2007
Interest expenses	–48.3	–25.8	–95.8	–66.7
Expense related to issuance of bond loan	–6.0	–2.1	–6.0	–2.1
Other financial expenses	0.0	–0.3	0.0	–0.3
Exchange rate losses	–6.6	–5.5	–6.4	–75.6
<b>Total</b>	<b>–60.9</b>	<b>–33.7</b>	<b>–108.2</b>	<b>–144.7</b>

**NOTE 10 TAX ON PROFIT FOR THE YEAR**

	The Group		The Parent Company	
	2008	2007	2008	2007
Current tax expense	-2.4	-2.9	-	-
Deferred tax	56.7	-10.3	-	-
<b>Recognised tax expense</b>	<b>54.3</b>	<b>-13.2</b>	<b>0.0</b>	<b>0.0</b>

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	
	2008	2007	2008	2007
Reported results before tax	-405.0	-2.7	-15.6	-51.1
Tax according to applicable tax rates in each country	112.0	4.5	4.4	14.3
<i>Adjustments for tax purposes:</i>				
Non-deductible items	-70.5	6.4	-83.7	-1.8
Deductible items not included in reported results	1.3	3.5	1.3	5.8
Effect of changes in tax rate	1.6	0.0	0.0	0.0
Group contribution paid	-	-	32.9	0.0
Adjusted assessment relating to previous year	-0.1	0.2	0.0	0.0
Non-capitalised part of deficit for the year	-46.7	-27.8	0.0	-18.3
Utilisation of capitalised loss carry forwards from prior years	57.0	0.0	45.1	0.0
<b>Recognised tax expense</b>	<b>54.6</b>	<b>-13.2</b>	<b>0.0</b>	<b>0.0</b>

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

From 2009, the tax rate in has changed in Sweden to 26.3% and in Russia to 20%. The tax effect on temporary differences has been restated.

At year-end, the Group's total non-capitalised loss carry forwards were estimated at slightly less than MSEK 0.4.

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	
	2008	2007	2008	2007
<b>Deferred tax assets</b>				
Opening balance	6.1	1.6	0.0	0.0
Revaluation of unutilised loss carry forwards				
Temporary differences	34.4	4.5	0.0	0.0
<b>Closing book value</b>	<b>40.5</b>	<b>6.1</b>	<b>0.0</b>	<b>0.0</b>

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

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

In the parent company MSEK 161 of tax deficit has been activated and off-set.

	The Group	
	2008	2007
<b>Deferred tax liability</b>		
Opening balance	51.1	49.5
Changes in value properties	-22.7	0.0
Other temporary differences	3.8	1.6
<b>Closing book value</b>	<b>32.2</b>	<b>51.1</b>

**NOTE 11 EARNINGS PER SHARE**

	The Group	
	2008	2007
Loss after tax	-350.7	-15.9
Number of shares at the end of the period,	11,363,096	6,884,881
Average number of shares	7,258,065	5,983,289
Average number of shares, incl. dilution	7,258,065	6,050,422
Earnings per share	-48.32	-2.66

Earnings per share is calculated as the profit/loss for the period in relation to the average number of shares.

No dilution effect is deemed to exist as the discounted value of the issue price exceeds the share price at the end of the period.

**NOTE 12 PROPERTY, PLANT AND EQUIPMENT****Equipment, tools and facilities**

	The Group		The Parent Company	
	2008	2007	2008	2007
Opening acquisition value	7.4	3.0	4.0	0.1
Purchases	1.7	4.4	1.0	3.9
Disposals/obsolescence	0.0	0.0	0.0	0.0
<b>Closing accumulated acquisition value</b>	<b>9.1</b>	<b>7.4</b>	<b>5.0</b>	<b>4.0</b>
Opening depreciation	-1.2	-0.7	-0.1	0.0
Disposals/obsolescence	0.1	0.0	0.0	0.0
Depreciation for the year	-0.6	-0.4	-0.2	-0.1
Other changes	0.0	-0.1	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>-1.7</b>	<b>-1.2</b>	<b>-0.4</b>	<b>-0.1</b>
<b>Closing residual value according to plan</b>	<b>7.4</b>	<b>6.2</b>	<b>4.6</b>	<b>3.9</b>

**Investment properties**

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

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

The average yield requirement of the properties in the valuation estimate amounts to almost 12% of the estimated closing net operating income at the valuation date, 31 December 2009.

	The Group	
	2008	2007
<b>Fair value at the start of the year</b>	<b>549.9</b>	<b>474.0</b>
Reclassification/ completion	0.0	0.0
Investments	19.1	74.6
Sales	0.0	0.0
Changes in value	-158.1	30.0
Changes in exchange rates	114.4	-28.7
<b>Fair value at year-end</b>	<b>525.3</b>	<b>549.9</b>

**Sensitivity analysis**

Net operating income	Yield requirements					
	10,0%	11,2%	12,0%	14,0%	16,0%	
-15%	50.1	500.7	446.5	417.2	357.6	312.9
-10%	53.0	530.1	472.8	441.8	378.6	331.3
-5%	56.0	559.6	499.1	466.3	399.7	349.7
<b>0%</b>	<b>58.9</b>	<b>589.0</b>	<b>525.3</b>	<b>490.8</b>	<b>420.7</b>	<b>368.1</b>
5%	61.8	618.5	551.3	515.4	441.8	386.5
10%	64.8	647.9	577.9	539.9	462.8	404.9
15%	67.7	677.4	604.1	564.5	483.8	423.3

A change in net operating income of +/- 5% (caused by e.g. rental changes or letting rate) affects the value by approx. 5%.

A change in the yield requirement by +/- 2% units affects the value by approx. 16%.

Also see table in the Management Report.

**Note 12 cont.****Ongoing property projects**

	The Group	
	2008	2007
<b>Opening balance</b>	<b>1,167.3</b>	<b>737.0</b>
Reclassification/ completion	0.0	0.0
Investments	190.2	469.2
Sales	-207.4	0.0
Impairment	-236.8	0.0
Changes in exchange rates	224.2	-38.9
<b>Closing balance</b>	<b>1,137.5</b>	<b>1,167.3</b>

Loan expenses of MSEK47.4 (49.5) have been capitalised as ongoing property projects.

The interest rates which are used to determine the amount of the capitalised loan expenses average 10.0 (9.1) percent.

The real estate projects (Moika/Glinki and Apraksin Dvor) have been written down by MSEK 236.8. On estimation of the recovery amount, in one case, Apraksin Dvor, impairment has been made, based on the external property valuations that were carried out on the investment properties. In relation to Moika/Glinki, the recovery amount was estimated based on an external assessment of the project's present value which supports the book value. Ruric has made impairments of previously capitalised expenditure that is no longer deemed recoverable.

**NOTE 13 FINANCIAL ASSETS****Participations in subsidiaries**

	The Parent Company	
	2008	2007
Opening acquisition value	231.7	206.5
Appreciation	0.0	0.0
Contribution made and group contribution	215.4	17.9
Acquisitions	0.0	7.3
<b>Closing accumulated acquisition value</b>	<b>447.1</b>	<b>231.7</b>
Opening impairment	-0.2	-0.2
Impairment for the year	-258.0	0.0
<b>Closing accumulated impairment</b>	<b>-258.2</b>	<b>-0.2</b>
<b>Closing book value</b>	<b>188.9</b>	<b>231.5</b>

**Other long-term receivables**

	The Group		The Parent Company	
	2008	2007	2008	2007
Loan receivables	144.2	78.7	0.2	1.9
Property VAT	71.1	90.5	0.0	0.0
<b>Closing accumulated acquisition value</b>	<b>215.3</b>	<b>169.2</b>	<b>0.2</b>	<b>1.9</b>
<b>Closing book value</b>	<b>215.3</b>	<b>169.2</b>	<b>0.2</b>	<b>1.9</b>

Loan receivables refer to loans to associated companies LLC Perspektiva Development and LLC Litera. The loans run with average interest of 8.5 percent and are issued in USD. Interest income has been recognised of MSEK 12.3 on these receivables.

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

The duration of the loan receivables is allocated as follows:

24.5	2010
100.1	2012
19.6	2013

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

**NOTE 14 PARTICIPATIONS IN GROUP COMPANIES**

	Share of equity	Share of votes	Number of shares	Book value 31-12-2008	Book value 31-12-2007
Russian Real Estate Investment Company Sw 1 AB	100%	100%	1,000	4.0	2.9
Limited Liability Company Ruric 1	100%	100%	100,000		
Limited Liability Company Tekhnostroi	100%	100%	1		
Limited Liability Company Service	100%	100%	1		
Limited Liability Company Ruric Management	100%	100%	1	0.2	0.2
Closed Joint-Stock Company Grifon	100%	100%	100	84.3	84.3
Russian Real Estate Investment Company DVA AB	100%	100%	100,000	6.1	1.8
Limited Liability Company Ruric 2	100%	100%	349,099		
Russian Real Estate Investment Company TRI AB	100%	100%	100,000	27.1	15.4
Limited Liability Company Ruric 3	100%	100%	100		
Russian Real Estate Investment Company Chetire AB	100%	100%	100,000	31.2	16.0
Limited Liability Company Ruric 4	100%	100%	1		
Russian Real Estate Investment Company Pyat AB	100%	100%	1,000	20.3	6.1
Cofulek Limited Liability Company	65.5%	65.5%	72,019		
Limited Liability Company Crocus	100%	100%	1		
Limited Liability Company Incom	100%	100%	1		
Russian Real Estate Investment Company Shest AB	100%	100%	100,000	0.1	91.1
Limited Liability Company Glinki 2	100%	100%	1		
Russian Real Estate Investment Company Syem AB	100%	100%	1,000	6.4	6.4
PD Finance Sweden AB	100%	100%	1,000	9.3	7.3
<b>Total</b>				<b>188.9</b>	<b>231.5</b>

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

	Corp. id. no./Reg. no.	Registered office
Limited Liability Company Ruric 1	104 785 503 9210	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 Grifon	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 Glinki 2	106 784 720 5810	Saint Petersburg
Russian Real Estate Investment Company Sw 1 AB	556653-9721	Stockholm
Russian Real Estate Investment Company DVA AB	556662-7161	Stockholm
Russian Real Estate Investment Company TRI AB	556662-7286	Stockholm
Russian Real Estate Investment Company Chetire AB	556662-7971	Stockholm
Russian Real Estate Investment Company Pyat AB	556656-5841	Stockholm
Russian Real Estate Investment Company Shest AB	556662-8011	Stockholm
Russian Real Estate Investment Company Syem AB	556656-6799	Stockholm
PD Finance Sweden AB	556717-7968	Stockholm

**NOTE 15 PARTICIPATIONS IN ASSOCIATED COMPANIES**

	The Group	
	2008	2007
Opening acquisition value	36.4	0.0
Acquisitions	91.0	36.4
Impairments	-8.0	0.0
Participating interests	-7.7	0.0
<b>Closing accumulated acquisition value</b>	<b>111.7</b>	<b>36.4</b>
<b>Closing book value</b>	<b>111.7</b>	<b>36.4</b>

Impairments refer to Ruric's participation in a land plot and are due to altered market conditions for land in Saint Petersburg and environs. Fair value is assessed to book value.

**Information about registration number and share of equity**

	Corp. id. no./Reg. no.	Registered office	Share of equity	Number of shares	Book value 31-12-2008	Book value 31-12-2007
PDH Sweden AB	556717-6895	Stockholm	25.1%	318	53.6	36.4
Grechetto Hld Ltd	HE 208926	Nicosia	50.0%	5 000	58.1	-
<b>Total</b>					<b>111.7</b>	<b>36.4</b>

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

**NOTE 16 OTHER RECEIVABLES**

	The Group		The Parent Company	
	2008	2007	2008	2007
Property VAT	28.9	27.3	0.3	0.2
Short-term receivables Group companies	-	-	133.0	0.0
Other short-term loan receivables	4.7	0.0	0.0	0.0
Tax receivables	8.2	0.0	0.0	0.0
Other receivables	10.3	8.3	4.6	0.2
<b>Total</b>	<b>52.1</b>	<b>35.6</b>	<b>137.9</b>	<b>0.4</b>

**NOTE 17 PREPAID EXPENSES AND ACCRUED INCOME**

	The Group		The Parent Company	
	2008	2007	2008	2007
Prepaid expenses relating to bond loan	15.4	6.1	15.4	6.1
Prepaid selling expenses	0.0	10.5	0.0	10.5
Accrued interest income	19.0	0.0	0.0	0.0
Other items	5.3	16.1	1.6	13.9
<b>Total</b>	<b>39.7</b>	<b>32.7</b>	<b>17.0</b>	<b>30.5</b>

**NOTE 18 CASH AND CASH EQUIVALENTS**

	The Group		The Parent Company	
	2008	2007	2008	2007
Cash and bank balances	47.0	33.5	29.8	20.1

**NOTE 19 BOND LOAN**

Ruric has two outstanding bond loans. Both loans have annual coupon payments on 16 November and redemption on 16 November 2010. Also see description in the Management Report.

<b>Bond</b>	<b>Nominal amount</b>	<b>Book value</b>	<b>Annual coupon interest</b>	<b>Annual coupon payment MSEK</b>	<b>Redemption</b>
RURI2	451.5	440.4	8.5%	38.4	16-11-2010
RURI3	400.0	400.0	16.0%	64.0	16-11-2010
<b>Total</b>	<b>851.5</b>	<b>840.4</b>	<b>12.0%</b>	<b>102.4</b>	

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 NGX and OMX and are valued at year-end at approx. MSEK 508.

**NOTE 20 OTHER LONG-TERM LIABILITIES**

	<b>The Group</b>		<b>The Parent Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Financial leasing liability	0.0	52.8	0.0	0.0
Other long-term borrowings	0.0	48.5	0.0	0.0
Other non-current liabilities	1.3	0.0	0.2	0.2
<b>Total</b>	<b>1.3</b>	<b>101.3</b>	<b>0.2</b>	<b>0.2</b>

**NOTE 21 OTHER CURRENT LIABILITIES**

	<b>The Group</b>		<b>The Parent Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Paid deposits	38.8	32.7	38.8	32.7
Other current liabilities	28.7	13.8	1.4	1.6
<b>Total</b>	<b>67.5</b>	<b>46.5</b>	<b>40.2</b>	<b>34.3</b>

**NOTE 22 ACCRUED EXPENSES AND PREPAID INCOME**

	<b>The Group</b>		<b>The Parent Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Deferred rental income	9.8	12.9	0.2	0.1
Accrued interest expenses bond loan	12.5	19.7	12.5	19.7
Accrued personnel expenses	2.5	4.8	2.5	4.8
Other items	2.8	3.4	0.9	0.6
<b>Total</b>	<b>27.6</b>	<b>40.8</b>	<b>16.1</b>	<b>25.2</b>

**NOTE 23 CONTINGENT LIABILITIES**

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

**1. Moika/Glinki**

Remaining undertaking concerns the completion of buildings of at least 95,000 sq.m within the area before 31-12-2011. Application for extension to 2014 has been filed.

**2. Apraksin Dvor**

Remaining undertaking refers to relocation of a fire station to a site which has still not been assigned. In addition to this, a sum corresponding to MSEK 7.9 must be paid as final payment.

**3. Fontanka 57 (50%)**

The undertaking relates to front renovation of the property which shall be completed by July 2009, as well as renovation of the rest of the property by 2010.

**NOTE 24 TRANSACTIONS WITH RELATED PARTIES**

- During 2008, E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, received MSEK 17 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 2008, E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, received MSEK 0.2 in fees, in addition to the above, in their capacity as liquidity guarantor etc.
- The Chairman of the Board, Nils Nilsson will receive remuneration/fees of MSEK 1.0 for work put in, travel etc.

The above-mentioned transactions have taken place on commercial terms.

**NOTE 25 FINANCIAL GOALS**

Ruric's goal is to generate a return on equity of at least 20 percent at a conservative level of borrowing, and to obtain a yield of at least 15 percent from the property portfolio. The yield is defined as rental income less operating costs in relation to the total investments. The Group is not reaching the established goals. The changed circumstances occasioned by that the global financial crisis means that the fulfillment of the goals should be evaluated over a period of several years.

Equity is defined as recorded equity capital. The equity can be managed through new issues and dividends.

Ruric has undertakings to meet within the framework of the issued bond loans. These undertakings may be seen in Note 19.

Stockholm 3 April 2009

*Nils Nilsson*  
Chairman of the Board

*Tom Dinkelspiel*

*Jens Engwall*

*Harald Kjessler*

*Anna Haskell*

*Craig Anderson*  
Managing Director

My auditor's report deviates from the standard format and was presented on 3 April 2008.

Ernst & Young AB  
*Björn Fernström*  
Authorized Public Accountant



# AUDIT REPORT

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## **To the annual meeting of the shareholders of Russian Real Estate Investment Company AB**

Corporate identity number 556653-9705

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Russian Real Estate Investment Company AB for the year 2008. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

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

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. 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 administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

*Without it affecting our opinion above we would like to draw the attention to the Management report where the board of director's mentions certain factors of uncertainties. In section "Liquidity risks" it is stated that the liquidity situation of the company is strained. In a longer perspective the company must find a resolution to refinance.*

Stockholm 3 April 2009

Ernst & Young AB

*Björn Fernström*

Authorized Public Accountant

# INVITATION TO THE ANNUAL GENERAL MEETING

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The Annual General Meeting is held on Tuesday, 21 April 2009 at 4:00 p.m., at Radisson SAS Strand Hotell, Nybrokajen 9, Stockholm.

## Notice of attendance

Shareholders wishing to attend the annual meeting must be entered into the transcription of the share register maintained by Euroclear Sweden AB as of Wednesday 15 April 2009, and must give notice of attendance to the company by phone +46 8 509 00 100/102 or by fax +46 8 611 77 99 not later than 12:00 on Wednesday 15 April 2009. Notice by telephone can be given weekdays 10:00 a.m. to 4:00 p.m. Notice can also be given in writing within the prescribed time to Russian Real Estate Investment Company AB (publ), Hovslagargatan 5 B, 111 48 Stockholm, Sweden.

When giving notice of attendance, please indicate your name, date of birth, address, telephone number and number of attending assistants. A shareholder may bring one or two assistants, however only if the shareholder has given notice hereof in due course. The data received when giving notice of attendance will be processed and used only for the annual meeting.

Shareholders, whose shares are registered in the name of a nominee, must request to be temporarily entered into the share register kept by Euroclear Sweden AB as of 15 April 2009 at the latest in order to have a right to attend the meeting. The shareholder must inform the nominee to that effect well before 15 April 2009 when he must have been entered into the share register.

Shareholders represented by proxy shall issue a power of attorney for the representative. In case the power of attorney is issued by a legal entity, a certified copy of a certificate of registration for the legal entity shall be enclosed to the proxy. The power of attorney must not be older than one year.

## Dividend

The Board of Directors proposes to the annual meeting that no dividend shall be paid for the financial year 2008.

### Calendar of events in 2009

Interim report January – March,	May 27, 2009
Interim report January – June	August 22, 2009
Interim report January – September	November 24, 2009



## Ruric

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