

Year-end Report

JANUARY – DECEMBER 2006

- The property market in St Petersburg was in 2006 characterised by substantially increased prices
- Strong growth in Ruric's real estate stock
 - Book value of real estate increased from SEK 281.2 m to SEK 1,254.9 m during 2006
 - The total building area is expected after completed rebuilding and renovation to amount to approx. 225,000 sq.m, of which approx. 191,000 sq.m is expected to be lettable area
- Total completed lettable area amounted to approx. 18,300 sq. m (3,100) at the end of 2006
 - Three office buildings and part of a retail building were completed at the year-end with a lettable area amounting to approx. 14,200 sq.m
- Letting keeping pace with completion
 - 14,100 sq.m (3,100) let or contracted for immediate occupation
 - Unlet area of 4,200 sq.m completed right before year-end, and 840 sq.m of this area was contracted after the close of the period
 - Rental rates for area let are in the interval SEK 2,650 – 5,150 per sq.m per year
- Net turnover for the period January-December amounted to SEK 16.6 (10.4) m
- The result after tax for the period January-December amounted to SEK -76.7 (-16.8) m
- Earnings per share for the period January-December amounted to SEK -21.48 (-6.73)



*The completed office building "Magnus"
at 9th V.O. Line 34*



The development property at Fontanka 57

The Business

Business concept and overall goal and strategy

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

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

The strategy is to identify real estate with great potential in the central parts of St Petersburg, create suitable acquisition structures and acquire and renovate at the best price. After renovations, commercial premises (principally offices and shops) of the highest class are offered to tenants that are looking for the best possible premises in attractive locations and are willing to pay for it.

The acquisition strategy is focused on objects where Ruric can supply significant added value and is carried out by means of Ruric benefiting from the lack of information on the local real estate market and an inefficient capital market in order to identify and carry out acquisitions at attractive prices. That is made possible through a strong local presence and good links to the market players and authorities.

Financial Goal

Ruric has a goal of generating a return on equity of at least 20 per cent at a conservative level of borrowing as well as to obtain a yield from the real estate stock (rental income minus operating expenses in relation to investment) of at least 15 per cent.

Real estate stock

Ruric owned seven properties in central St Petersburg at the close of the period, of which three generally speaking are completed, in one extension work is continuing to the existing property, and in the other three, planning and design and/or renovation/rebuilding is ongoing. During the year, the real estate stock has developed as shown below.

	SEK m
Opening balance	281.2
Acquisitions (2)	337.5
Investments in own real estate	466.9
Sales (1)	-10.6
Reassessment	182.6
Depreciation	-2.7
Closing balance	1,254.9

During the fourth quarter, the book value of real estate increased by SEK 213.6 m net, consisting of investments and depreciation.

Acquisitions

Ruric has entered into an investment agreement with the Russian army and the Russian Federal Real Estate Administration regarding the Moika/Glinki property, an area of slightly more than 3 hectares in the western part of central St Petersburg with approx. 47,000 sq.m building area consisting of a military university and accommodation for military personnel. The agreement means both an undertaking by Ruric to relocate the military, and also implies development rights for Ruric in the Moika/Glinki property itself. The investment in the agreement referring to the rights and the undertaking to build the new premises for the military is estimated to amount to approx. SEK 540 m. Ruric's own development of Moika/Glinki is assessed to result in a building area of around 150,000 sq.m after rebuilding and extension and results in full ownership for Ruric to the buildings and land within Moika/Glinki.

The estimated budget for this 150,000 sq.m development is expected to amount to around SEK 2,000 m and planning and design plus building period is expected to run until 2010-2011. A large part of the investment is expected to be financed through "advance payment" apartment sales.

Ruric has acquired for approximately SEK 47 m from a local business partner all the remaining shares in a hitherto jointly owned company which owns and manages the property at the ul. Dostoyevskovo 19/21 address. The property consists of a site in the centre of the city with approx. 3,000 sq.m of completed and fully let office premises as well as a building right which through building work that has now commenced will add approx. 3,000 sq.m of additional area, partly office and partly warehouse. The expansion is expected to be completed in summer 2007.

Ruric has also acquired for approx. SEK 150 m all shares in a Russian company which has a lease with a remaining duration of approx. 48 years on a building at the Fontanka 57 address, in central St Petersburg. The building, with slightly more than 18,000 sq.m total area at present, is anticipated after extensive rebuilding and extension to consist of 25,000 sq.m, divided between offices, shops and a car park. The planning and design work has commenced and the rebuilding and extension work is expected to continue until the end of 2008.

Work continuing within own stock

During 2006, SEK 466.9 m was invested in renovation and rebuilding work, of which approximately SEK 252 m consisted of replacement construction work within the Moika/Glinki project and approximately SEK 215 m within other own stock.

Sales

Ruric has sold an office area of 340 sq. m for SEK 11.9 m at the Nevsky Prospekt 11 address. The sales price exceeded the acquisition value by SEK 1.8 m. The profit after selling expenses as shown in the income statement amounts to SEK 1.2 m.

Value reassessment

During the third quarter, reassessment of SEK 182.6 m took place in accordance with the Board of Director's resolution. The Company obtained an independent valuation report of the real estate in the Group as support for this reassessment. The reassessment has in accordance with prevailing accounting principles been reported directly against equity by transfer to an appreciation fund taking deferred taxes into account.

In light of the market developments, Ruric's Board believes the value of the property has increased further during the fourth quarter. However no further reassessment has been entered in the books. Accordingly, the real estate book value as at 31 December 2006 amounted to SEK 1,254.9 m (281.2).

Project portfolio

The total building area of the stock will amount to approx. 225,000 sq.m after completed rebuilding and renovation of which approx. 191,000 sqm is expected to be lettable area.

Address	Lettable area ¹⁾	Est. rental value SEK m	Completion
Fontanka 13	2,872	13.5	Completed
9th V.O. Line 34	6,389	19.0	Completed
Sredny Prospekt 36/40	4,907	13.4	Completed
Ul. Dostoyevskovo 19/21 phase 1	2 957	7.7	Completed
Ul. Dostoyevskovo 19/21 phase 2	3,000	7.8	Q2 2007
Apraksin Dvor 15/16/33 (65% owned)	20,000	84.0	Q4 2006 - Q3 2007
Fontanka 57	21,000	88.0	Q4 2008
ul. Glinki 2	130,000	²⁾	2010-2011
	191,125		

¹⁾ after planned rebuilding and extension

²⁾ part of the area (apartments) will be sold

Completed areas

Completed lettable area amounted to approx. 18,300 sq.m (3,100) at the end of 2006, of which approx. 14,100 sq.m (3,100) was let or contracted for immediate occupation. Unlet area of 4,200 sq.m was completed just at year-end, and of this area, 840 sqm was contracted after the end of the period. Rental rates for area let are in the interval SEK 2,650 – 5,150 per sq.m per year.

COMMENTS ON THE FINANCIAL DEVELOPMENT

Rental income

The rents booked as income for the Group comprise the buildings at the addresses, 9th V.O. Line 34 and Sredny Prospekt 36/40, all of the current building at the ul. Dostoyevskovo 19/21 address, completed part of Apraksin Dvor 15/16 as well as the office area now sold at the address Nevsky Prospekt 11 and amounted to SEK 5.4 m (3.2) during the fourth quarter. Certain minor delays in completion have meant that rental income has been somewhat lower than expected during the fourth quarter. For the period January-December, rental income amounted to SEK 16.6 m (10.4).

Other properties underwent renovation and rebuilding work and, as yet, do not contain any lettable area.

Real estate expenses

Non-activated real estate expenses – central project management, legal administration, marketing of premises, management fees etc. – amounted to SEK 8.2 m (5.7) during the fourth quarter and to SEK 43.0 m (17.2) for the period January-December.

Operating surplus

Operating results for the fourth quarter were negative and amounted to SEK -2.8 m (-2.5). Operating results for the period January-December amounted to SEK -26.4 m (-6.8). Rental income was limited to the completed parts of the real estate stock while the real estate expenses also arose from parts of the real estate stock that are not as yet, completed.

Other operating expenses, depreciation and profit on sale of real estate

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 SEK 1.4 m (1.2) during the fourth quarter and to SEK 7.8 m (3.4) for the period January-December. Depreciation of tangible fixed assets amounted to SEK 1.3 m (0.1) in the fourth quarter and to SEK 3.0 m (0.2) for the period January-December. The profit on sale of real estate during the fourth quarter amounted to SEK 1.2 m and refers to property at Nevsky Prospekt 11 in St Petersburg.

Operating result

The operating result amounted to SEK -4.3 m (-3.8) for the fourth quarter and to SEK -36.0 m (-10.5) for the period January-December. The negative outcome is mainly attributable to the fact that only a small part of Ruric's total building area was ready for letting.

Net financial income/expense

Net financial income and expenses amounted to SEK -9.7 m (-5.5) for the fourth quarter and to SEK -32.8 m (-3.9) for the period January-December. Net interest income/expense amounted to SEK -10.9 m (0.2) for the fourth quarter and to SEK -33.4 m (-1.7) for the period January-December. Exchange rate differences amounted to SEK 0.9 m (4.7) during the fourth quarter and to SEK 2.3 m (5.7) for the period January-December.

Result after financial items

The result after financial items amounted to SEK -14.0 m (-9.3) during the fourth quarter and to SEK -68.7 (-14.4) for the period January-December.

Tax

Tax expenses amounted to SEK -3.1 m (-0.5) during the fourth quarter and to SEK -7.9 m (-1.4) for the period January-December. Tax expenses for the period for the period January-December 2006 consist of current tax of SEK -3.3 m and deferred tax of SEK -4.6 m. The current tax expense is entirely attributable to the Russian operations.

Cash flow, liquidity and financial position

The cash flow amounted to SEK -45.0 m (-136.8) during the fourth quarter and to SEK 0.4 m (-24.5) for the period January-December. The equity ratio amounted to 45.2 (47.3) per cent at the close of the period and is thus within bond covenants. Equity amounted to SEK 681.7 m (222.1). Liquid funds amounted to SEK 152.9 m (152.4) and interest-bearing liabilities to SEK 730.8 m (238.3). Investments and the operating deficit during the year were financed partly by two new share issues and partly through the raising of a new bond loan.

Interest-bearing liabilities

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

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

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

Currently, discussions are being carried on with a number of banks regarding refinancing of the completed real estate portfolio, on significantly more favourable terms.

Personnel and organisation

The group had 44 employees at the end of the period, of which 1 is based at the parent company's branch office in St Petersburg, 42 in other Russian subsidiary companies in St Petersburg, and 1 at the parent company's head office in Stockholm

Ruric has chosen to create its own organisation responsible for project management and site supervision for the Group's extensive real estate projects. This is considered significantly more cost effective, and offers the Company considerably enhanced control over its undertakings.

Leonid Polonski has accordingly been appointed as the new head of the entire Russian operations and Chief Operating Officer for the Group and is a member of the Company's Executive Management. Leonid has been responsible for the Moika/Glinki project since spring 2006.

The Parent Company

The Parent Company comprises both the central management in Stockholm with responsibility for overall management of the operations and financing. A reorganisation has commenced of the Russian operations during the second quarter, in which most of the previous employees at the St Petersburg branch office, now are employees in various Russian group companies. The number of employees in the parent company amounts to 2 people at the close of the reporting period. Of the employees in the parent company, 1 person was based at the branch office in St Petersburg and 1 person at the office in Stockholm. From and including 1 January 2007 there are no employees at the branch office in St Petersburg.

The parent company's turnover amounted to SEK 0.3 m (-) for the period January to December and has arisen entirely during the fourth quarter. The result after financial items amounted to SEK -14.4 m (-6.3) for the fourth quarter. For the period January–December the result after financial items amounted to SEK -94.9 m(-3.4). Investments in tangible fixed assets amounted to SEK 0.0 m (0.1) during the fourth quarter and to SEK 0.1 m (0.4) for the period January–December. Liquid funds amounted to SEK 123.3 m (131.1) at the close of the reporting period.

The share and the owners

The principal owners since the founding of the company in 2004 are Cancale Förvaltnings AB, E. Öhman J:or AB and East Capital with a combined voting strength of 66.3% as at 31 December 2006.

Shareholder 31 December 2006	A-shares	B-shares	Proportion of the shares%	total number of shares	Share of votes%
ÖHMAN J:OR AB	240,000	16,000	5.5	256,000	22.7
CANCALE FÖRVALTNINGS AB	240,000		5.2	240,000	22.6
EAST CAPITAL	184,000	395,600	12.4	579,600	21.0
SWEDBANK ROBUR FONDER		555,788	11.6	555,788	5.2
SSB CL OMNIBUS		500,170	10.7	500,170	4.7
STENA REALTY B.V		416,242	8.9	416,242	3.9
BEAR, STERNS & CO		125,000	2.7	125,000	1.2
LÄNSFÖRSÄKRINGAR FASTIGHETSFOND		103,000	2.2	103,000	1.0
AKTIEBOLAGET BONINVEST		78,900	1.7	78,900	0.8
SIS SEGAINTERSETTLE AG		66,813	1.4	66,813	0.6
Total 10 largest owners	664,000	2,257,513	62.3	2,921,513	83.6
Other owners	0	1,742,657	37.7	1,742,657	16.4
Total	664,000	4,000,170	100.0	4,664,170	100.0

Events after the close of the period

- Leasing agreements have been signed with tenants for occupation during spring 2007:
 - office area of 840 sq.m at the Fontanka 13 address
 - shop area of 2,161 sq.m which is to be completed at the Apraksin Dvor 15/16 address
- Anders Larsson has taken over as CFO on 15 February 2007. Anders is a member of the Company's Executive Management and comes most recently from FastPartner AB where he was Deputy CEO and Financial Manager.
- A letter of intent has been entered into with a purchaser regarding sale of property at ul. Dostoyevskovo 19/21

Accounting principles

This interim report is prepared in accordance with accounting principles used in the preparation of the annual accounts for the 2005 financial year.

In light of the fact that the listing agreement with NGM (New Growth Market) — where the Company's bond loans are listed — prescribes a transition to reporting in accordance with IFRS standards, a transition to IFRS reporting will accordingly take place from 1 January 2007.

The transition to IFRS will principally concern IAS 40 – Investment Property – at which the Group's investment property will be reported at market value and unrealized gains and losses will be reported in the income statement.

Future reporting dates

Interim Report for the period January-March 2007	31 May 2007
Interim Report for the period January-June 2007	31 August 2007
Interim Report for the period January-September 2007	30 November 2007
Year-end Report 2007	28 February 2008

Annual General Meeting

Annual general meeting 2007	23 April 2007
-----------------------------	---------------

This year-end report has not been the subject of examination by the Company's auditor.

Stockholm, 28 February 2007
Russian Real Estate Investment Company AB (publ)

The Board of Directors

For additional information

Thomas Zachariasson, CEO
Phone +46-8-505 65 117, +46-70-563 77 14
thomas@ruric.com
www.ruric.com

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

Russian Real Estate Investment Company (publ)
Registered address: Birger Jarlsgatan 2, 5 tr, 114 34 Stockholm, Sweden
Visiting address: Kontoret Nybroviken, Birger Jarlsgatan 2, 5tr, 114 34 Stockholm
Phone: +46 - 8 - 505 65 117 Telefax: +46 - 8 - 505 65 119/199 Email: info@ruric.com Home page: www.ruric.com
Corporate identity number: 556653-9705 Registered office: Stockholm

Consolidated Income Statement				
SEK ('000)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2006	2005	2006	2005
Rental income	5,367	3,239	16,571	10,426
Real estate expenses	-8,208	-5,749	-42,985	-17,224
Operating surplus	-2,841	-2,510	-26,414	-6,798
Profit/loss on sale of real estate	1,240	-	1,240	-
Depreciation	-1,284	-63	-3,025	-236
Other operating expenses	-1,430	-1,226	-7,763	-3,438
Operating profit/loss	-4,315	-3,799	-35,962	-10,472
Financial income	1,025	473	3,824	4,119
Financial expenses	-10,723	-5,957	-36,602	-8,037
Profit/loss after financial items	-14,013	-9,283	-68,740	-14,389
Taxation	-3,067	-490	-7,927	-1,437
Minority share of the profit/loss for the period	-	-990	-	-990
Profit/loss after tax	-17,080	-10,763	-76,667	-16,817
Profit/loss per share, SEK	-3.92	-4.31	-21.48	-6.73
Profit/loss per share incl. dilution, SEK	n.a.	n.a.	n.a.	n.a.
Number of shares at close of the period, million	4.7	2.5	4.7	2.5
Average number of shares, million	4.4	2.5	3.6	2.5
Average number of shares incl. dilution, million	5.0	n.a.	4.0	n.a.

Consolidated Balance Sheet		
SEK ('000)	31-12-2006	31-12-2005
Fixed assets		
Real estate	1,254,898	281,190
Equipment	2,287	2,289
Deferred tax claim	1,591	663
Other long-term receivables	44,638	19,671
Total fixed assets	1,303,414	303,813
Current assets		
Current receivables	50,656	12,939
Liquid funds	152,869	152,448
Total current assets	203,525	165,387
TOTAL ASSETS	1,506,939	469,200
EQUITY AND LIABILITIES		
Equity	681,749	222,142
Deferred tax	49,493	-
Interest-bearing liabilities	730,835	238,282
Accounts payable	8,770	4,160
Other liabilities	2,555	1,521
Accrued expenses and deferred income	33,537	3,095
TOTAL EQUITY AND LIABILITIES	1,506,939	469,200

Change in Consolidated Equity		
SEK ('000)	Jan-Dec 2006	Jan-Dec 2005
Equity at the start of the period	222,142	238,959
Preferential rights issue	401,020	-
Issue expenses	-6,527	-
Warrant settlement	2,998	-
Appreciation fund, real estate	138,783	-
Profit/loss for the period	-76,667	-16,817
Equity at the close of the period	681,749	222,142

Consolidated Cash Flow Statement				
SEK ('000)	Oct-Dec 2006	Oct-Dec 2005	Jan-Dec 2006	Jan-Dec 2005
Operating activities				
Profit/loss after financial items	-14,013	-9,283	-68,740	-14,389
Adjustment for items not included in the cash flow	15,284	-617	33,313	1,202
Taxes paid	558	-141	-3,610	-810
Cash flow from operating activities before changes in working capital	1,829	-10,041	-39,037	-13,997
Changes in working capital				
Changes in operating receivables	-23,987	15,844	-38,205	1,561
Changes in operating liabilities	-4,386	-593	18,130	9,382
Total changes in working capital	-28,373	15,251	-20,075	10,943
Cash flow from operating activities	-26,544	5,210	-59,112	-3,054
Investing activities				
Acquisition of subsidiaries	-	279	-	279
Acquisition of tangible fixed assets	-161,664	-142,645	-732,191	-248,674
Sale of tangible fixed assets	11,900	-	11,900	-
Investments in other financial assets	-17,129	-389	-27,678	-1,337
Increase in short-term investments	-	481	-	481
Cash flow from investing activities	-166,893	-142,274	-747,969	-249,251
Financing activities				
Preferential rights issue	148,404	-	394,497	-
Warrant settlement	-	-	2,998	-
Change in long-term borrowing	-	262	410,007	227,762
Cash flow from financing activities	148,404	262	807,502	227,762
Cash flow for the period	-45,033	-136,802	421	-24,543
Incoming liquid funds	197,902	289,249	152,448	176,991
Liquid funds at the close of the period	152,869	152,448	152,869	152,448

The Group's Key Ratios	Oct-Dec 2006	Oct-Dec 2005	Jan-Dec 2006	Jan-Dec 2005
<i>Real estate related key ratios</i>				
Lettable area at close of the period, thousand sq.m ¹⁾	18.3	3.1	18.3	3.1
Letting rate area, %	77.1	100	77.1	100
Real estate book value, SEK ('000)	1,254,898	281,190	1,254,898	281,190
<i>Financial key ratios</i>				
Equity ratio, %	45.2	47,3	45.2	47.3
Liabilities/assets, %	54.8	52,7	54.8	52.7
Interest coverage ratio, times	n.a.	n.a.	n.a.	n.a.
Debt/equity ratio, times	1.1	1,1	1.1	1.1
Loan-to-value ratio, real estate, %	58	85	58	85
Return on equity, %	-2.8	-4,7	-17.0	-7.3
Interest-bearing liabilities, SEK ('000)	730,835	238 282	730,835	238,282
<i>Data per share and share data</i>				
Number of shares at the close of the period, million	4.7	2.5	4.7	2.5
Average number of shares excl. dilution, million	4.4	2.5	3.6	2.5
Average number of shares incl. dilution, million	5.0	n.a.	4.0	n.a.
Profit/loss per share excl. dilution, SEK	-3.92	-4.31	-21.48	-6.73
Profit/loss per share incl. dilution, SEK	n.a.	n.a.	n.a.	n.a.
Equity per share at the close of the period, SEK	146.17	88.86	146.17	88.86
Dividend, SEK	-	-	-	-
Book value of the real estate per share, SEK	269	112	269	112
<i>Employees</i>				
Average number of employees	39	10	25	9
Number of employees at the close of the period	44	10	44	10

1) In jointly owned real estate Ruric's share of the area is shown.

Definitions

Return on equity

Profit/loss after tax in relation to average equity.

Loan-to-value ratio real estate

Interest-bearing liabilities concerning real estate in relation to the book value of the real estate.

Profit/loss per share

The profit/loss for the period in relation to the average number of shares.

Interest coverage ratio

The profit/loss after financial items plus financial expenses divided by financial expenses.

Debt/equity ratio

Interest-bearing liabilities in relation to equity.

Equity ratio

Reported equity in relation to reported total assets at the close of the period.

Equity per share

Reported equity in relation to the number of shares at the close of the period.