RURIC
RUssian Real estate Investment Company

Annual Report 2011

Ruric

In-house translation of Swedish original. We use MSEK and SEK m as abbreviatsion for million Swedish kronor.

Content

Ruric in brief

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

At the end of 2011, Ruric owned six properties in central Saint Petersburg, including three completed office properties totalling about 14,400 square metres and three development projects with a potential total area of about 110,000 square metres. Ruric also owns a 33 hectare land area southwest of the city. The company is one of the leading foreign investors in the city's property market.

Business concept

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

Vision

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

Strategy

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

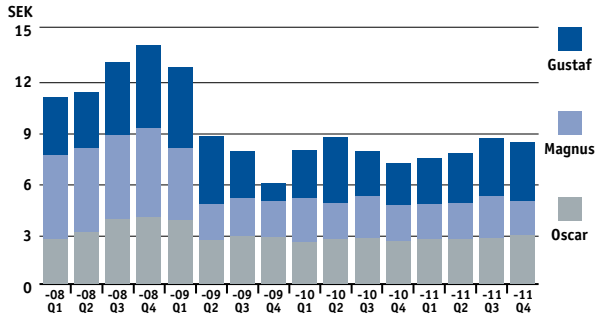
- strong local network among local market operators and the authorities
- an organisation that enables quick investment decisions and rapid implementation
- the advantage of being a listed company

Moika/Glinkyj

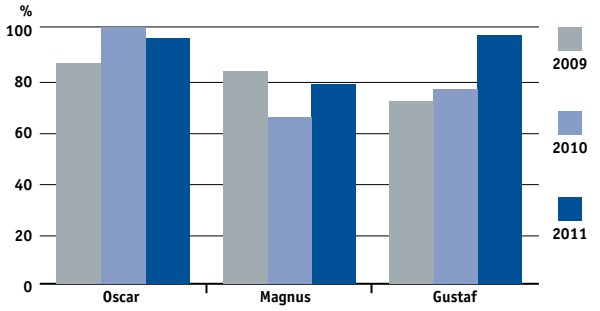
The year in brief

- Net turnover was MSEK 40.6 (36.3).
- The result after tax amounted to MSEK -38.1 (47.4). The negative result is directly attributable to the effects caused by the coupon payment on the corporate bond in November. Indirectly, it is caused by the high leverage.
- Value changes in the investment properties amounted to MSEK 92.8 (24.6) and in project properties to MSEK -38.9 (37.6). The net effect was SEK 53.9 m (62.2).
- Earnings per share amounted to SEK -0.37 (0.76).
- VAT reimbursement of about MSEK 28 was paid out in March.
- Nils Nilsson, co-founder of Ruric, suddenly dies in his home during the spring.
- In October, the parceling of the Strelna land plot is completed. Ruric is thereby sole owner of 33 ha of land in Strelna.
- The EGM appoints a new Board of Directors in October.
- In November, Adam Fischer is appointed CEO. Adam assumed the position on 1 january.
- The first coupon payment on the bond is made at 3 per cent on 16 november.
- The amendment agreement regarding Moika/Glinky is signed by all parties during the last days of December.

Rental income



Occupancy



Message from the CEO

I first came to St. Petersburg the week that Russia's economy crashed in August 1998. The very first day I fell in love with the city with its amazing facades and huge development potential. There was a prospective real estate project around every corner and an irrepressible optimism, despite all the city's misfortunes. I knew there and then that I wanted to join Russia in its journey to modernity.

I was fortunate to be able realize part of that dream as a member of the team that established IKEA as Russia's largest private investor next to all investments into natural resources. This gave me invaluable experience in developing real estate in Russia and the opportunity to follow Ruric's involvement in St. Petersburg from upon close. I had often cause to wonder if maybe Ruric was not a little too reckless. I saw how Ruric began as a sound business with the development of smaller properties into profitable offices, but also how the company's appetite grew faster than its capacity to implement. This appetite was financed by bond issues rather than by project debt or additional equity.

Now as CEO I must unfortunately say that my concern was justified. Primarily because of the bonds, Ruric faces exceptional challenges. With annual interest expenses of $8.7 million and net operating income of only $3.4 million, the cash flow is strained. Only three of our seven assets generate income. The others require additional funding for development, financing we currently are unable to access because all assets are already pledged in favour of holders of Ruric's bond. Thus, the bond has proven to be a trap for Ruric.

Ruric will escape this trap by either converting the bonds to shares or by refinancing the bond with other debt. This is currently the top priority for Ruric's management and we are working on scenarios including both refinancing and conversion. We are confident that we will find a solution, which will meet the demands and interests of the bond- and shareholders.

This will enable the management to focus on Ruric's fantastic assets. For each asset there are a number of investors and developers, who would like to cooperate with Ruric to fulfil their potential – if only we resolve our bond first.

The office properties, Oscar, Magnus and Gustaf generate a healthy operating net but could offer even better returns by improving area efficiency and reducing operating costs.

The development properties should all be able to deliver very good returns compared to current market values. Along the Fontanka, Ruric has the lease on an amazing property, No. 57, designed by Karlo Rossi in the 1800's to house the Czar's Interior Ministry. Ruric can develop this property into one of St. Petersburg's very few real A-Class office buildings.

What adds spice to our portfolio is of course the Moika Glinky project - a site with demolition and renovation projects located in St. Petersburg's cultural centre, between family Yusopov's palace, the Moika Canal and the world famous Marinskij Theatre. This is where Ruric will develop homes and offices, hotels or universities, shops and parking.

Last but not least, Strelna, green field property situated close to roads, sanitation networks, other valuable infrastructure and water in the direction that the city is planned to grow. The site is suitable for the construction of a mix of commercial and residential properties.

The exception to the good projects, Apraksin Dvor, consists of Ruric's interests in real estate in the old market area between Nevskiy Prospect and Sennaya Ploschad that Ruric unfortunately will not be able to realize because of unclear positions and agreements.

A positive event in the past year is that Ruric received a new major shareholder, controlled by Russian investors. These investors are of great value to Ruric in negotiations with authorities and companies, in particular regarding Moika Glinky and Apraksin Dvor.

Despite tough financial circumstances, we have therefore not been idle in our efforts to develop our projects. Strelna is now put in a wholly owned subsidiary, which finally makes this site possible to develop. In the final minutes of the year we managed to get the document signed on the Moika/Glinky's contract extension that gives us until the end of 2014 to break ground. Subsequently, as of March this year, we have taken full control of the Fontanka project, which will enable us to resume our development plans. This acquisition is conditional on the bondholders' approval.

Going forward, we have an action plan that we immediately have put in place both to save Ruric's finances as well as to facilitate the development of our projects.

We intend to sell Apraksin Dvor as soon as possible, preferably by mid-year. We also intend to have financed Fontanka 57 and initiated the development with a strong partner in the second half of 2012.

Our commercial properties will improve their NOI with at least 20 per cent. Vacancy rates have already been improved and are now below 10 per cent as promised.

Moika/Glinky will continue to take some time. Our highest priority is to convert Ruric's rights to a tangible asset and to find a partner for the development of the project. We intend to finish these processes by the second half of 2012.

There are many challenges ahead, but my own will and the will of the management is as irrepressible as the optimism of St. Petersburg's residents. We want to create order out of chaos. We want to develop Ruric's potential to provide returns to our loyal and patient shareholders. We want to put Ruric onto a safer path with a higher proportion of income generating properties.

When I came to Russia in 1998 the country's economy had just crashed. Today Russia stands strong. When I came to Ruric the company had just escaped bankruptcy by a hair's breadth. I am convinced that Ruric will soon be doing just as well as Russia.

Adam Fischer
Managing Director


УСПАДА

Investment Capital Returns to Real Estate

"The demand is mainly coming from tenants who are migrating from Class C buildings, as well as from Class B buildings into more contemporary office centres."

CBRE MarketView

Macroeconomics

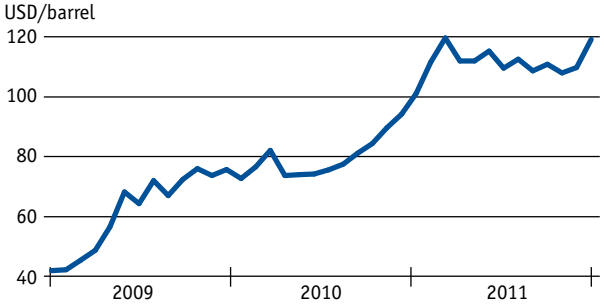
The expectations on the global economy for 2012 are rather gloomy with Europe being the main sinker. The current situation is however deemed to be much milder than 2008 – 2009. The uncertainty over the debt crisis is expected to have an effect on the investment climate and the growth.

Some indicators (year end)	2010	2011	2012F
Nominal GDP (USD bn)	1,480	1,852	2,107
Real GDP growth (%)	4.0	4.3	4.1
Unemployment (%)	7.2	6.1	6.5
Real wage growth (%)	4.2	3.5	5.0

Sourse: JLL Insider

The Russian GDP grew at a rate of 4.3 per cent during 2011, as compared to 4.0 per cent during 2010. This is essentially higher than in europe. The growth is also deemed to continue in 2012, but at a slightly lower pace, however higher than what is predicted for Europe. Large export income from oil and, as it seems, a sustainably high oil price, will continue to add to the Russian treasury. For as long as the Chinese growth economy is continuing basically nothing speaks for reduced export income in Russia.

Urals crude price



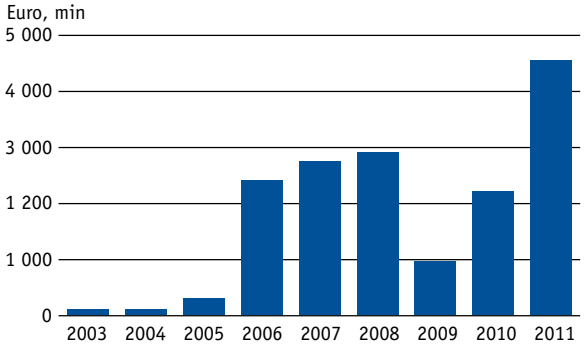
Source: Bank of Russia

The economic growth is primarily driven by domestic consumer demand, and this is expected to continue. Increases in real wages are expected to boost consumption further during 2012. Furthermore, the labour market is improving. The unemployment rate was down to 6.1 per cent at the end of 2011 as compared to 7.8 in the beginning of the year and 9.2 per cent in early 2010.

The market for real estate transactions

During 2011 the transactions market in Russia was record high. In December, the Ligovskaya Galleria in Saint Petersburg was sold at an estimated price of USD 1.1 billion. This was the largest real estate transaction in Russia during 2011. Even though this deal itself constituted 20 per cent of the total turnover in Russia, it shows that real estate has again become a more liquid asset. The number of transactions in Russia more than doubled compared to the previous year. The size of the transactions has also increased, and also the portion of cash-generating assets.

Investment volume



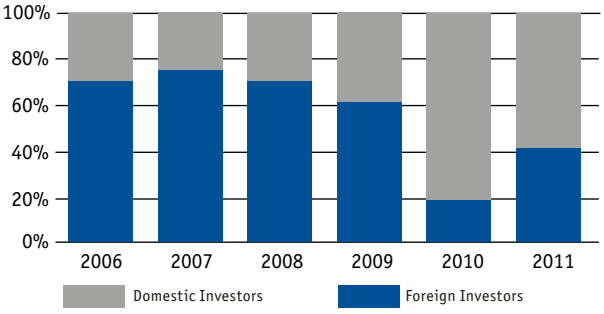
Source: CBRE Market View

Financing

An important pre-requisite for all real estate activity is supply of money. During the crisis, 2008 – 2009 this supply was completely shut off, both for equity and debt. Most foreign banks left the Russian market and have only to a minor extent returned. Several Russian banks have, however, taken on a big responsibility to supply liquidity to the real estate market. The increase in bank financing has increased during the full year and was at year end approximately 25 per cent. From an international perspective, the bank lending in Russia is still very small and capital supply is not a scarce resource in the Russian system.

Foreign investment

The proportion of foreign investors increased compared to the previous years. Prior to the economic crisis, the foreign share in investments was around 70 per cent, but has been rather small the



Source: CBRE Market View

last two years. Now the international investors are back and are expected to increase their share further in 2012 according to JLL.

Outlook for 2012

The development during 2012 will, according to several sources, mainly depend on the global development, but also on the political development in the country. United Russia did get sole majority in the State Duma, but its position was significantly weakened, and numerous demonstrations aired discontent regarding the democratic process in Russia. According to JLL's report "Insider" it is hardly the political environment on the national level that affects the real estate market, but rather local processes in decision making. In the long run these processes are certainly linked together in the political system, but not in short term. In addition, these processes affect the country risk and the investment grade and thus the cost of capital for the market players. JLL believes that the transaction volume will decrease with some 20 – 25 per cent during 2012, but these are still levels way above the pre-crisis levels. They also predict that the Russian property market as a whole will increase in value, since it has not recovered after the crisis in the same way as other European countries.

Other positive signals going into 2012 are that the Finnish real estate investor Sponda has communicated plans to invest some EUR 300 m in real estate in Russia, with focus on Moscow and Saint Petersburg. Also, Jensen Group has announced that they are launching a new fund with a budget of USD 300 m to purchase real estate in Russia.

The office market in Saint Petersburg

According to JLL, the additions to the available office space during 2011 were approximately 170,000 m2, of which half was considered Class A. The net absorption was approximately 237,000 m2, which means that the vacancy levels were reduced. Vacancy levels are still at 13 per cent which can be compared to 16 per cent in Moscow. As of 31 December 2011 there were 273,000 m2 (390,000) available office space in Saint Petersburg. During 2012-2013 some 320,000 m2 of office space will be delivered to the market, not considering delays. JLL estimates that the vacancy levels will be stable in the short term.

Key office market indicators	2011	2010	2009	2008	2007	2006
Modern office stock, (1,000 m2)	2,026	1,855	1,540	1,359	909	702
Completions (1,000 m2)	171	98	181	391	207	157
Net absorption (1,000 m2)	237	172	5	239	187	148
Vacancy	13.5	22.0	24.7	15.0	5.3	5.1
Prime rents	500	500	600	1,000	900	800

*) JLL On Point

Tenants are still price sensitive. In general rents have increased some 5-8 per cent during 2011 according to CBRE, which corresponds to the official inflation rate. The current level of vacancy and expected additions to the market will limit the potential rent increase. According to JLL, increases are estimated to be around 5-7 per cent.

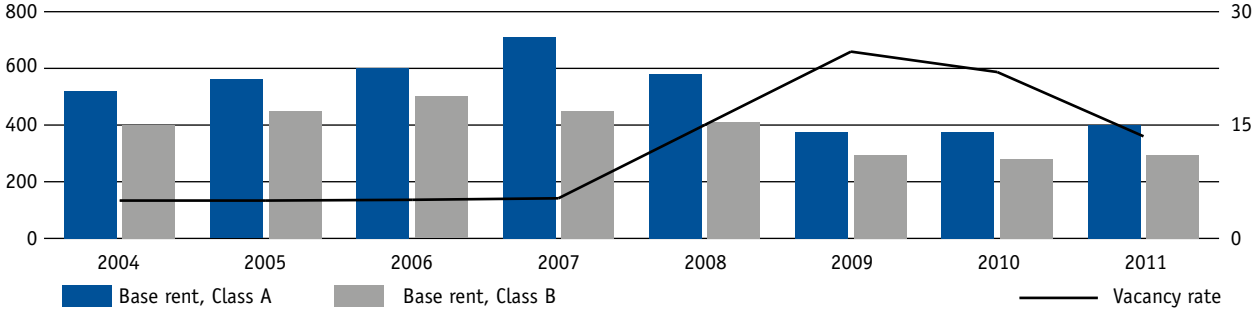
The main driver for office demand is migration from Class C building to Class B or from Class B to Class A. The share of newly started companies is still rather low, but has increased from around 5 per cent in 2010 to 7 per cent in 2011.

Retail market in Saint Petersburg

As was mentioned above, domestic consumption is an important driver to growth in the Russian economy. This consumption is largely made up of private consumption in the retail sector. The turnover in the retail sector increased by 8.2 per cent in 2011 according to Rosstat, and is expected to continue to increase in line with expected increases in real wages. Even if the additions of retail space has been high during the last few years, mainly through some large shopping centres, high quality retail space is still scarce. Vacancy levels are rather low, 6 per cent according to JLL. The rent level for prime space is around USD 2,000 per m2.

At year end there were approximately 3.7 million m2 of retail space in Saint Petersburg according to CBRE, which is approximately 0.3 million m2 more than the year before. 11 new shopping malls/ gallerias were opened during 2011. It is predicted that during 2012-2013 another 460,000 m2 of retail space will be added to the market.

Rent and vacancy rates Saint Petersburg office market



Sourse: JLL on Point Q4 2011

Business Operations

Strategy

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

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

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

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

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

Property management

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

Marketing and lease agreements

Customer care and a close dialogue with tenants are always important in property management.

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

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

Property appraisals

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

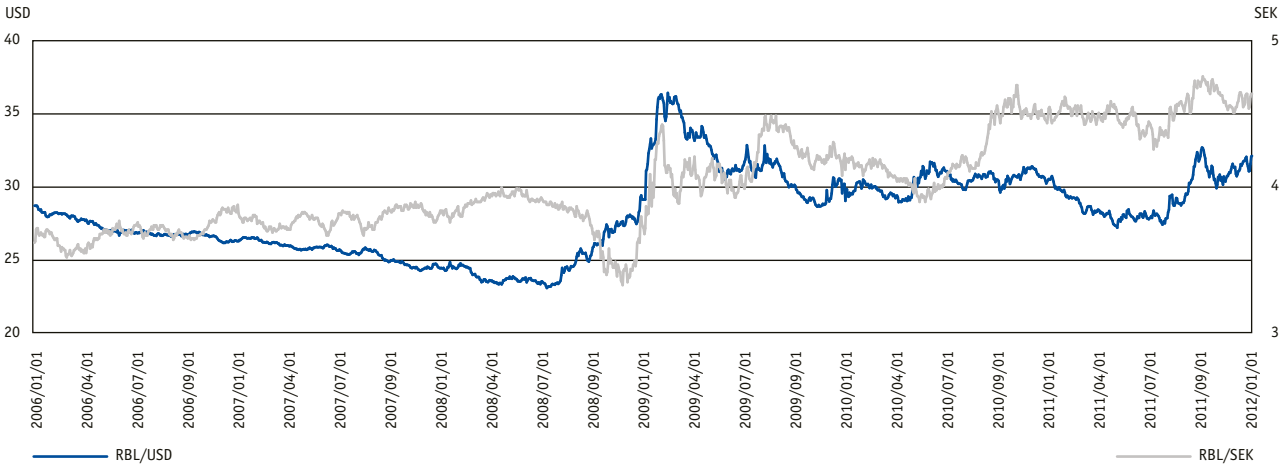
The market for property transactions has in practice been non-existent in recent years. During last year a substantial increase in transaction volumes was recorded. This obviously makes it a lot easier for the appraisers to set a market value on the properties. From an international comparison, the uncertainty interval is deemed to be high though.

Financing

Ruric's financing consists of a secured bond of MSEK 563 registered with OMX, maturing on 16 November 2014. The bond has a coupon rate of 10 or 13 per cent, where Ruric itself can choose to make a cash coupon payment of 10 per cent or make a cash payment of 3 per cent and increase the liability by 10 per cent. The first coupon payment was made on 16 November 2011 and Ruric selected to pay a 3 per cent cash coupon.

The company's indebtedness is too high. The coupon payments cannot be made through the running operating income from the properties. The management is putting highest priority on securing long-term financing for the company with solutions emanating from the cash-generating business centres.

Exchange rate trend



Organisation and Employees

Organisation

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

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

Employees

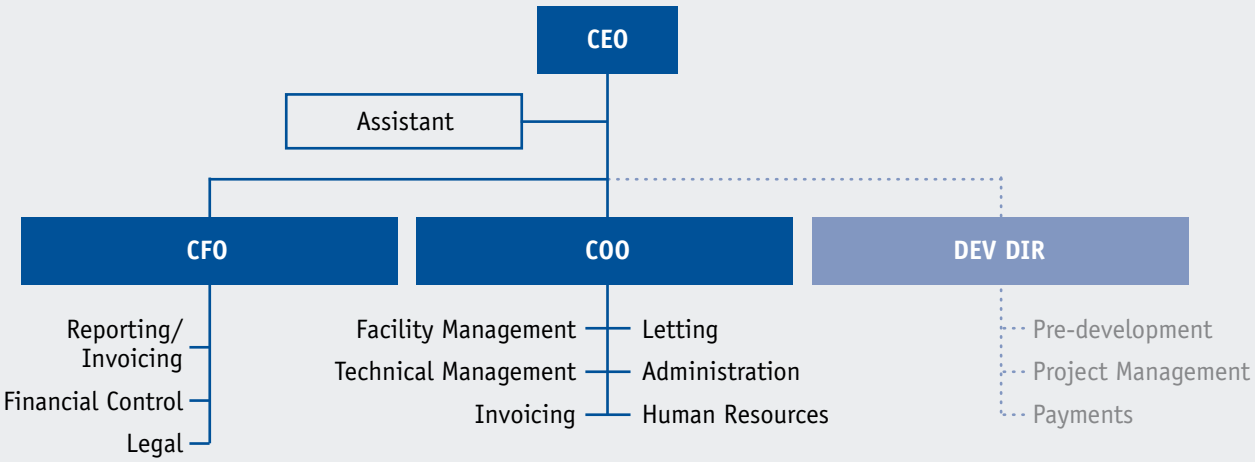
At the end of 2011, the group had 12 employees (23), 8 (11) of whom were women. All were stationed in Saint Petersburg, except for the CFO who was stationed at the Company's head office in Stockholm. From 1 January, 2012 Adam Fischer assumed the position as CEO for the parent company and the group. He will divide his time between working in Stockholm and Saint Petersburg.

As of 1 March 2012, Denis Savinkin assumed the position as CFO and will operate mainly from Saint Petersburg.

"The share of foreign investors rose significantly from that in previous years."

CBRE MarketView

The functional organisation of Ruric



Information about disputes

Disputes and status

Ruric has been involved in a number of disputes in the past years, most of them concerning Apraksin Dvor. The purpose of this section is to give an update on what remains to be cleared up.

1. **Dispute with partner in Apraksin Dvor**
   A number of disputes arose in 2009 with the partner in the project and writs were issued. Ruric and the partner came to an agreement that all writs were to be recalled.

2. **Dispute with KUGI (corresponding to Saint Petersburg's property office) regarding the Apraksin Dvor investment agreement**
   KUGI claims that the project company has not fulfilled its undertakings in accordance with the investment agreement. In two cases the arbitration court has rejected the matter. In the third case Ruric has again won in one instance, over the company LLC Crocus, which probably means that the matter will not be appealed again and would lead to the investment agreement being deemed fulfilled and that ownership rights can be received for building 33 at Apraksin Dvor. In the other case, the company LLC Inkom, the case was lost. The parties have asked to postpone the next hearing in order to try to amicably solve the situation.

3. **Rubezh Plus**
   Ruric's subsidiary Technostroi has summoned the company RubeshPlus in the arbitration committee to pay damages for work that was paid for but not performed, to an amount corresponding to MSEK 8.5. Technostroi won the case in court, but chances of any recovery are deemed as zero. The book value is 0.

4. **Svarog**
   LLC Ruric 3 has summoned ZAO Svarog for unpaid rent corresponding to MSEK 2.9. Ruric has won in the arbitration court but Svarog has stripped the company of assets and transferred them to another company. According to the bailiff chances are very small for recovery. The book value is 0.

RURIC Property Portfolio

Ruric owns, has at its disposal, or has interests, in seven properties in Saint Petersburg, one of which is part owned.

The properties

Ruric's property portfolio is divided into two: investment properties and project properties. The assessed market value of the investment properties amounted to MSEK 314 and the assessed market value of the project properties amounted to MSEK 598 at year end. The underlying value of the part-owned property that is reported as a financial asset amounted to MSEK 204. There are no mortgages on Ruric's properties. The parent company has, on the other hand, pledged security in the form of stocks and shares as well as claims with subsidiaries.

For further information about the market valuation of the investment and project properties, see above and in the notes.

INVESTMENT PROPERTIES

Ruric owns three investment properties with a total leasable area of 14,382 square metres. All the properties are centrally located in Saint Petersburg. The properties' book value on 31 December 2011, which corresponds to the assessed market value, was MSEK 314, which corresponds to a book value of SEK 21,800 per square metre. Total rent value on an annual basis amounted to about MSEK 39 on 31 December 2011. Occupancy rate on 31 December was 87 per cent.

Ruric's lease agreements

Ruric's policy is to sign lease agreements of 3 to 5 years with an annual indexation of 3 to 10 per cent. During the crisis the rental market was tough and Ruric in many cases gave discounts and signed new contracts with shorter leases. During the past year the market has stabilized. Lease agreements are often signed in dollars but tenants pay in roubles. During the past two years, many contracts have been in roubles. As of 31 December 2011, almost half of the contracts were based on Russian roubles.

The contracted rent income for Ruric's investment properties amounted to MSEK 35.1 on an annual basis on 31 December 2011. Ruric charges tenants for electricity consumed. Ruric is of the opinion that the contracted rent income as a whole is at market levels.

Rent income from Ruric's ten largest tenants amounted on an annual basis to MSEK 24.2 on 31 December 2011, which corresponds to 69 per cent of contracted rent income.

Term	Contract value (annual rent)	Per centage
2011	8.7	25
2012	10.1	29
2013	9.7	28
2014	4.9	14
>2015	1.6	4
Total	35.1	100

Property costs

Operation and maintenance costs

All three of Ruric's investment properties are managed by the same sub-contractor. The fees include part of the operation costs, but not media consumption, certain maintenance, security and property administration.

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

Property tax

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

The property tax for Ruric in 2011 amounted to MSEK 3.6 (4.1), which represents about 28 per cent of the total direct operating costs. The property tax is not invoiced on to tenants.

Investment properties	Leasable area	Invested amount SEK m	Invested amount SEK/m2	Book value SEK m	Book value SEK/m2	Rent value SEK m	Rent value SEK/m2	Occupancy rate in %	Rent income SEK m
Oscar	2,976	86	28,898	86	28,898	13	4,200	96	12
Magnus	6,463	120	18,567	113	17,422	15	2,244	78	11
Gustaf	4,943	82	16,589	116	23,427	12	2,367	97	12
Total investment property	**14,382**			**314**	**21,861**	**39**	**2,684**	**87**	**35**

Oscar

The property at R. Fontanki nab. 13 is located in the Centralny district, which is full of businesses, shops, theatres and museums. The building was first constructed in 1977 with the aim of becoming part of a cinema complex but construction ceased in 1986 and the building was empty until Ruric purchased it in 2004. The investment totalled MSEK 86, including renovation costs and capitalised interest expenses. The building has a total area of 3,676 square metres, of which 2,976 square metres are leasable. Total investment thus amounts to about SEK 29,000 per square metre. Planning commenced in 2004 along with the original renovation work. The final tenant adjustments were completed in spring 2008. As of 31 December, 4 per cent of the building was temporarily vacant. The largest tenant is Statoil.

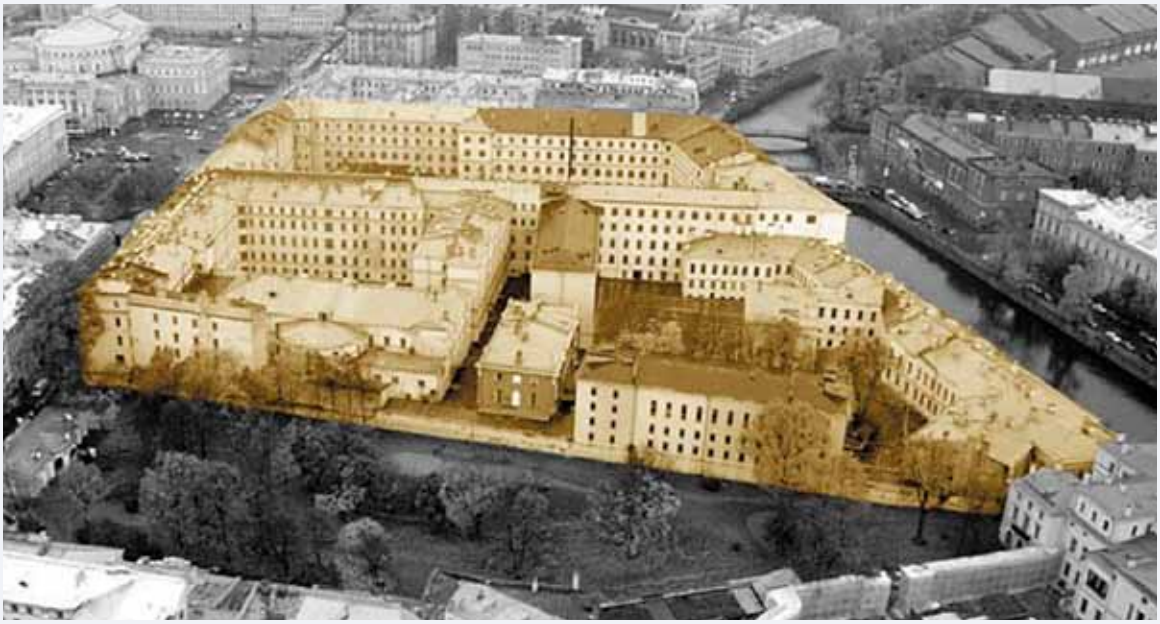
Magnus

The property at 9-ya V.O.i. 34 was acquired in 2005. The property is located in the quiet Vasileostrovsky district, where the Academy of Science, Saint Petersburg University and several museums are located. The investment amounted to about MSEK 120, including renovation costs. The building has a total area of 7,760 square metres, of which 6,463 square metres are leasable. The total investment amounts to about SEK 18,500 per square metre for the leasable area. The occupancy rate on 31 December 2011 was 78 per cent. The largest tenant is the treatment clinic Inclinic.

Gustaf

The property in Sredny Prospekt was acquired in 2005 and is located close to the Magnus property. The investment amounted to about MSEK 82, including renovation costs. Total area is 5,214 square metres, of which 4,943 square metres are leasable. Total investment thus corresponds to about SEK 16,600 per square metre of leasable area. The two lowest floors are retail space and office space is above. At year end the accounting firm Deloitte was the largest tenant. Occupancy rate on 31 December was 97 per cent.

THE MOIKA/GLINKY PROPERTY



Moika Glinky

The largest project in Ruric's portfolio is the Moika Glinky Project. Moika Glinky consists of a 3,4 hectare land plot with 47 000 m2 buildings next to the world famous Marinskiy theatre right in the heart of the cultural centre of Saint Petersburg. Ruric controls the project through an investment contract, which gives Ruric a basis to become the legal owner to the properties.

Due to town-planning restrictions Ruric has reduced its expectations on how many square meters could be developed on the site, and currently is of the opinion that the plot can boast some 60 000 m2 predominantly residential apartments. Additionally Ruric expects to be able to develop some 10 000 m2 covered parking on the territory.

The valuation of the project is not significantly negatively effected by the decreased size because the longer development period of the larger project renders it a lower present value.

OTHER PROPERTIES

Project properties

Ruric holds development rights for two properties: Moika/Glinky and Apraksin Dvor. The development rights are based on investment agreements with the Russian authorities. Under these agreements, Ruric is entitled to develop a certain property within a specific period of time, while Ruric must also fulfil certain undertakings within the same time frame. These time frames and the nature of Ruric's undertakings may vary between the various investment agreements. Such development rights are common in Russia and do not involve ownership of the property, but once development has been completed and the contractual undertakings have been fulfilled, the development rights may be converted into ownership of the property.

Apraksin Dvor

In 2005, Ruric acquired 65 per cent of the shares in the company that indirectly holds the development rights to two properties in the centrally located marketplace area, Apraksin Dvor. The purpose of the investment is to assist in the modernisation of the whole Apraksin Dvor area. The central authority held a bidding contest for this purpose in 2007. Ruric submitted a bid in this process, but a competing bid won. These properties will therefore be disposed of on the most favourable terms available. See also more information under "Disputes".

Fontanka 57

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

In 2008, 50 per cent of the company was sold to the Israeli company Scorpio Real Estate for MSEK 90. Together with Scorpio, work on the outer facade was completed during 2010 and the beginning of 2011. After the end of the year Ruric and Scorpio have agreed that Ruric will acquire Scorpio's share in the project. The transaction requires content from the bondholders. The asset is yet recorded as a financial asset under Participations in associated companies and Other long-term receivables.

Land plot - Strelna

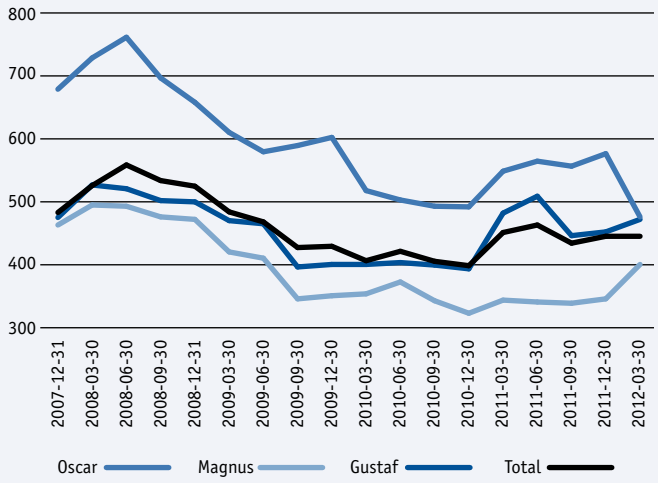
During the autumn, the parcelling of the land plot in Strelna was completed, which means that Ruric now is the sole owner of 33 hectares of land southwest of Saint Petersburg's city centre.Ruric is now free to exploit the asset as it wishes, for example for sale or as a pledge. One of the purposes of this investment included enabling development of residential buildings on the land, to which the Company would be able to relocate residents from the housing properties in the city that are being remodelled. Another reason was that the price was deemed to be favourable. No development of the area is currently in progress.

Five-year Overview

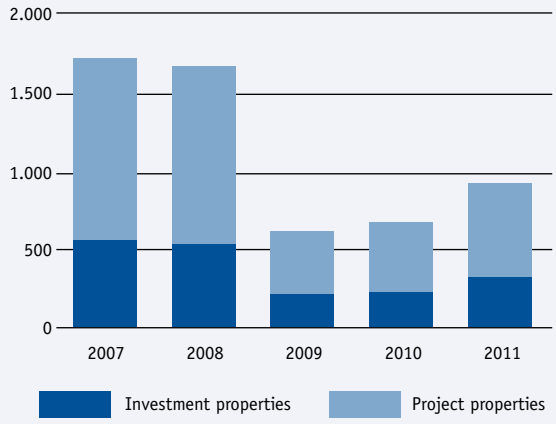
2011 is the company's eigth financial year.

Group	2011	2010	2009	2008	2007
Net turnover (MSEK)	40.6	36.3	42.1	67.7	46.0
Result after tax (MSEK)	-38.1	47.4	-1,067.9	-350.7	-15.9
Balance sheet total, MSEK	1,134.2	1,117.8	1,172.4	2,178.1	2,041.7
Solvency, %	45.5	49.5	15.1	55.2	54.1
Average number of employees	23	25	42	77	57

Average rent USD/m2



Book value real estate MSEK



The Share and Owners

All of the company's shares are denominated in Swedish kronor with a par value of SEK 2 per share. The shares have been issued in accordance with the Swedish Companies Act (2005:551) and the shareholders' rights associated with the shares can only be changed in accordance with the procedures prescribed in the act. At shareholder meetings, each Ruric class A share carries entitlement to ten votes and each class B share to one vote. Each share entitles the shareholder to preferential rights in new share issues, warrants and convertibles in relation to the number of shares owned with an issue of both share classes and in proportion to the total number of shares of both series in the issue of one class only, and carries equal rights to participation in profit dividends and any surplus in conjunction with liquidation. The shares in the company are subject to a conversion clause pursuant to the articles of association.

Ruric's B shares are traded under the short name RURI on First North at the Stockholm Stock Exchange. Erik Penser Bankaktiebolag is the company's certified advisor. Pareto Öhman Fondkommission furnishes the company's liquidity guarantee.

Ruric's share capital on 31 December 2011 amounted to SEK 208,297,110 made up of 1,330,266 A class and 102,818,289 B class shares.

Outstanding warrants

There is no outstanding warrant programme.

Shares and shareholders

The largest shareholder is Gano Services Inc.

Analysts who monitor the company

None

Dividend

The board will propose to the annual general meeting that no dividend be paid for the 2011 financial year.

On 31 December 2011, the closing price was SEK 1.66 per share compared with SEK 2.17 on 31 December 2010, corresponding to a decrease of 30 per cent. A total of 104,247,323 million shares were traded, which corresponds to 100 per cent of the average number of shares outstanding during the year.

Share capital trend

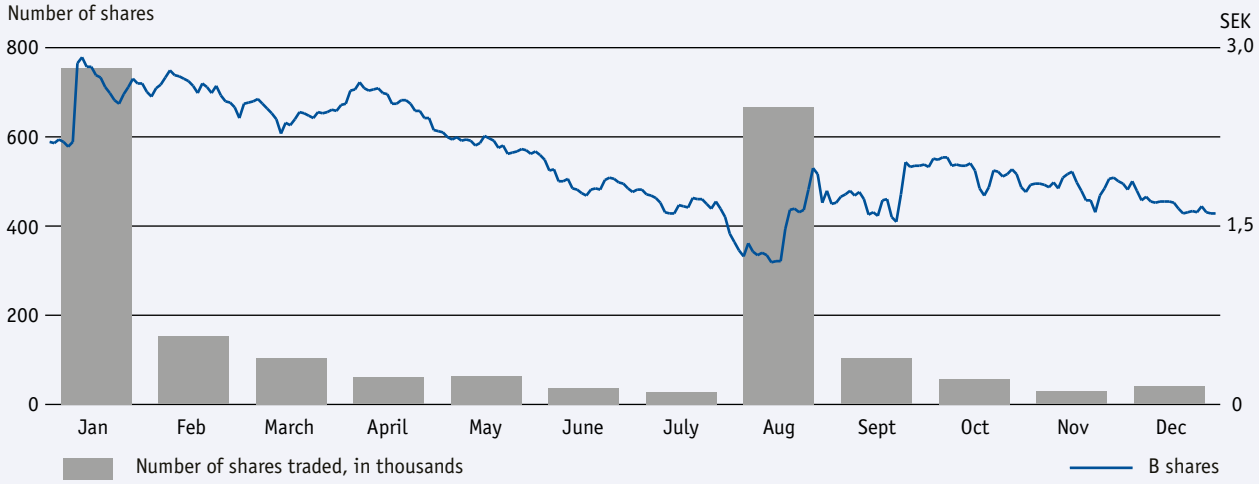
Since Ruric was formed in 2004, its share capital has changed in accordance with the table below:

Year	Transaction	Par value, SEK	Change in number of shares	Total number of shares	Increase in the share capital, SEK	Total share capital, SEK	Subscription-price, SEK
2004	Formation of the Company	100	1,000[1]	1,000	100,000	100,000	100
2004	Split 50:1		49,000	50,000	–	100,000	–
2004	Share issue (without pre emptive rights)	2	2,450,000[2]	2,500,000	4,900,000	5,000,000	100
2006	Rights issue	2	1,500,000[3]	4,000,000	3,000,000	8,000,000	160
2006	Share issue[4] (without pre emptive rights)	2	55,800	4,055,800	111,600	8,111,600	160
2006	Rights issue	2	608,370[5]	4,664,170	1,216,740	9,328,340	250
2007	Rights issue	2	1,554,723[6]	6,218,893	3,109,446	12,437,786	260
2007	Subscription through exercise	2	564,618	6,783,511	1,129,548	13,567,022	220
2007	Subscription through exercise of warrants	2	101,370	6,884,881	202,740	13,769,762	138
2008	Rights issue	2	4,478,215[7]	11,363,096	8,956,430	22,726,192	24
2010	Set off share issue	2	35,969,979[8]	47,333,075	71,939,958	94,666,150	6
2010	Rights issue	2	56,815,480[8]	104,148,555	113,630,960	208,297,110	3

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

The Share and Owners

Share price and turnover of Ruric B share



	Shares				Votes	
2011-12-31	Class A	Class B	Total number	Share of total	Number	Share of total
SIX SIS AG, W8IMY	1,330,266	29,905,989	31,236,255	29.99	43,208,649	37.21
ALECTA PENSIONSFÖRSÄKRING	0	12,719,519	12,719,519	12.21	12,719,519	10.95
AVANZA PENSION	0	7,337,965	7,337,965	7.05	7,337,965	6.32
CASE	0	5,000,000	5,000,000	4.80	5,000,000	4.31
PROVENTUS AKTIEBOLAG	0	3,717,151	3,717,151	3.57	3,717,151	3.20
BANQUE CARNEGIE LUXEMBOURG SA	0	2,190,222	2,190,222	2.10	2,190,222	1.89
JOHNSON, STEN K	0	2,110,006	2,110,006	2.03	2,110,006	1.82
OLOF ANDERSSON FÖRVALTNINGS AB	0	1,783,502	1,783,502	1.71	1,783,502	1.54
NORDNET PENSIONSFÖRSÄKRING AB	0	1,762,056	1,762,056	1.69	1,762,056	1.52
EFG BANK / GENEVA, W8IMY	0	1,618,482	1,618,482	1.55	1,618,482	1.39
Total ten largest shareholders	1,330,266	68,144,892	69,475,158	66.71	81,447,552	70.14
Total other shareholders	0	34,673,397	34,673,397	33.29	34,673,397	29.86
All shareholders	1,330,266	102,818,289	104,148,555	100.00	116,120,949	100.00
Number of Shareholders	1	1,969	1,970			

According to information disclosed at the Extraordinary Share holders meeting on 10 October 2011, Gano Services Inc owned 850,266 share of Class A and 23,262,683 shares of Class B, representing 27.4 per cent of the total votes. No further information have been provided to Ruric.

Excerpt from public shareholders' register as of 31 December 2011.

Size category	Number of owners		Share of owners, %		Number of Class A shares		Number of Class B shares		Share of capital, %		Share of votes, %	
31 december	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
1 - 1,000	747	713	37.9	35.8			328,806	307,393	0.3	0.3	0.3	0.3
1,001 - 10,000	835	851	42.4	42.7			3,648,662	3,667,518	3.5	3.5	3.1	3.2
10,001 - 50,000	267	282	13.6	14.1			6,124,883	6,440,099	5.9	6.2	5.3	5.6
50,000 - 100,000	61	65	3.1	3.3			4,567,190	4,715,976	3.4	4.5	3.9	4.1
100,000 - 500,000	38	49	1.9	2.5		480,000	8,114,142	10,795,816	7.9	10.8	7.0	13.4
500,000 - 1,000,000	6	14	0.3	0.7			4,017,064	9,552,959	3.9	9.2	3.5	8.2
1,000,001 -	16	20	0.8	1.0	1,330,266	850,266	76,017,542	67,338,528	75.1	65.5	76.9	65.3
Total	1,970	1,994	100.0	100.0	1,330,266	1,330,266	102,818,289	102,818,289	100.0	100.0	100.0	100.0

Board of Directors

Adam Fischer, Lennart Dahlgren, Vadim Gurinov, Denis Martyushev and Peter Partma.

Lennart Dahlgren
Stockholm, born 1943.
Chairman of the Board of Directors, elected to the Board of Directors in 2011.
Other current assignments: None.
Shares in Ruric: 300,000 B shares.

Adam Fischer
Stockholm, born 1972.
Board member, elected to the Board of Directors in 2011.
Other current assignments: CEO in Ruric AB. Chairman of Ryska Fastighetsfonden and Board member of companies within the Ruric Group.
Shares in Ruric: 0.

Vadim Gurinov
Moscow, born 1971.
Board member, elected to Board of Directors in 2011.
Other current assignments: Managing Director in Sibur-Tyres.
Shares in Ruric: 0.

Denis Martyushev
Saint Petersburg, born 1975.
Board member, elected to the Board of Directors in 2011.
Other current assignments: Manager for Ruric's Russian subsidiaries.
Shares in Ruric: 0.

Peter Partma
Moscow (Swedish citizen), born 1970.
Board member, elected to the Board of Directors in 2011.
Other current assignments: Board member of TSUM (RPGF Fund).
Shares in Ruric: 0.

"The Russian economy looks healthier compared to some other countries and is better positioned to withstand the shock than it was in 2008".

JLL Insider

Group Management and Auditor

Senior management

Adam Fischer

Stockholm, born 1962.
CEO since 2012.
Other current assignments: Chairman of Ryska Fastighetsfonden and Board member of companies within the Ruric Group.
Shares in Ruric: 0.

Denis Savinkin

Saint Petersburg, born 1980.
CFO since 2012.
Other current assignments: None.
Shares in Ruric: 0.

Auditor

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

2011 was a record year for investment in Russia real estate.

CBRE MarketView

Management Report 2011

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

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

The Business

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

2011

During 2011, management expected a solution to Ruric's long-term financial situation. The year started with the order from the Minister of Defence to extend the period for the investment agreement for Moika Glinky until 2014. However, the agreement was not signed until the end of the year. During 2011 Ruric did not manage to divest Apraksin Dvor. The company defended its investment contract related to this property in court but did not win unequivocal confirmation of its rights to register the rights to the buildings. The combination of these factors prevented Ruric from reaching a required long-term financial solution.

The overall occupancy rates for Ruric's properties increased during the year, mainly due to the new leases in Gustaf. The occupancy rate increased from 74 to 87 per cent. At the end of the year a process was started to improve the area efficiency in Magnus, by converting small offices and common areas to open area offices. This temporarily caused the occupancy rates for Magnus to fall somewhat by the end of the year, but the measure is expected to provide a better return during 2012.

In October a new Board of Directors was elected by an EGM. Ruric's management expects that the company will benefit from the new board members' extensive business network, as well as from their significant experience of doing business in Russia.

In November, the new board initiated a full-scale management overview.

Real estate stock

Ruric owned, disposed of, or had interests in six properties in central Saint Petersburg at the close of the period. Three of the properties are income producing, two are in the late stages of development and one is in an early stage of development. Moreover, Ruric owns a land plot close to the Saint Petersburg ring road in the southern suburbs.

MSEK	2011	2010	2009
Opening balance	669.1	607.8	1,662.8
Acquisitions	167.7	0.0	0,0
Investments in properties	9.5	36.4	51.4
Divestments	0.0	0.0	-151.1
Changes in value	53.9	62.2	-898.7
Changes in exchange rates	11.6	-37.3	-56.6
Closing balance	911.8	669.1	607.8

Acquisitions

During the fourth quarter the parcelling agreement regarding Strelna was completed. As a consequence Ruric became the sole owner of 33 hectares of land. The book value of the shares and loans that were transferred exchange in for the new land plot was SEK 167.7 m, which is recorded as the acquisition price. A year-end valuation of the land amounts to USD 28 m.

Divestments

No divestments have been made during 2011.

Multiple year overwiew

The financial year 2011 was the company's eigth financial year.

Group	2011	2010	2009	2008	2007
Net turnover (MSEK)	40.6	36.3	42.1	67.7	46.0
Result after tax (MSEK)	-38.1	47.4	-1,067.9	-350.7	-15.9
Balance sheet total, MSEK	1,134.2	1,117.8	1,172.4	2,178.1	2,041.7
Solvency, %	45.5	49.5	15.1	55.2	54.1
Average number of employees	23	25	42	77	57

Investment properties

Leasing

Ruric's investment properties are Oscar, Magnus and Gustaf. The demand for premises is increasing slightly more rapidly than the completions of new office buildings. The vacancies have thus been reduced both in the city as a whole and in Ruric's portfolio. As per 31 December, 13 (26) per cent of lettable space was vacant. During the early part of 2012, there has been a tendency towards improved vacancy rates and rent levels. Most advisors agree that a moderate rental increase is likely in the short term.

Changes in value

Valuations have been carried out by the board based on external valuations by CBRE as of 31 December 2011. For the full year value, changes amounted to SEK 92.8 m (24.6). The increase is attributable to a general increase in expected price levels and to higher income especially in the Gustaf Business Centre. The positive value changes have resulted in a reversal of previous impairment of shares in subsidiaries in the parent company, see note 13.

The value of the investment property portfolio as of 31 December 2011 amounts to SEK 314.3 m (217.4), which is equivalent to SEK 21,800 per lettable m2.

Project properties

The development portfolio consists of the property with address Moika 96-98/ul. Glinky 2, the land plot in Strelna and the jointly-owned properties at Apraksin Dvor (65%) and on Fontanka 57 (50%). The Moika/Glinky asset, and the Apraksin Dvor asset, which are both regulated in investment agreements, are recorded as Project properties, together with the land plot, whereas the Fontanka 57 is recorded as a financial asset.

During the year, SEK 9.5 m was capitalized in the property portfolio which is referred to the Moika/Glinky project.

Development work

Development has primarily been carried out on the Fontanka 57 property. The facade renovation was completed and all windows were exchanged. The financial difficulties for the partner in this project, Scorpio, pose a problem. During the year several investors have actively evaluated the possibilities to purchase Scorpio's share and join in the partnership with Ruric, but so far nothing concrete has arisen from these discussions. After the end of the year Ruric and Scorpio have agreed that Ruric will purchase Scorpio's share in the project at an agreed sum of approximately USD 13 m. The transaction implies that Ruric pays USD 2 m in cash, issues 10 million new shares to Scorpio and issue a vendor note amounting to USD 8 m. The transaction will enable Ruric to attract new investors to develop the property with, but will first require bond holders' consent.

Property	Valuation as of 31 December 2011 (6.9 SEK/USD)	Valuation as of 31 December 2010 (6.8 SEK/USD)
Apraksin Dvor 15/16/33	78.2	99.2
Moika / Glinky	325.4	352.5
Strelna *	193.8	102.0
Fontanka 57 **	102.1	122.4

* Value previous year refers to 25% of the previous 132 hectare landplot and was the recorded financial asset.

** Value refers to 50% of the property. Recorded as financial asset.

Changes in value

As regards for the investment properties the Board of Directors has based the valuation of the project properties and the properties recorded as participations on the external valuations as of 31 December 2011. For the Moika / Glinky asset, the board has added a development premium on the valuation in line with previous valuation reports, since the CBRE draft valuation was made only on existing buildings. The values derived in the valuations, give

Investment properties

Property	In m2	Net operating income at full tenancy (6.9 SEK/USD)	External valuation 31 december 2011 (6.9 SEK/USD)	External valuation 31 december 2010 (6.8 SEK/USD)
R. Fontanki nab. 13 (Oscar)	2,976	7.4	86.0	67.3
9-ya V.O.i. 34 (Magnus)	6,463	9.3	112.6	77.5
Sredny Prospekt 36/40 (Gustaf)	4,943	11.3	115.8	72.7
Investment properties	14,382	28.0	314.3	217.5
Book value			**314.3**	**217.4**

rise to a value change amounting to SEK -38.9 m (37.6) in the income statement for the consolidated project properties for the full year. The decline is explained by a higher risk factor in Apraksin Dvor.

The property recorded as shares and participations (Fontanka 57) has also been valued by CBRE as of 31 December 2011. Supported by those valuations, this asset has been revaluated by net SEK -26.3 m (-38.2) during the year and is recorded under profit participation.

The negative value cahnges have resulted in impairment of shares in subsidiaries, see note 13.

Rental income

The rental income that includes the buildings at the 9-aya V.O. Linia 34 (Magnus), Fontanka 13 (Oscar),and Sredny Prospekt 36/40 (Gustaf) amounted to SEK 32.2 m (31.0) during the year.

The income from Apraksin Dvor amounted to SEK 6.9 m (4.7). All other properties do not yet have any lettable space.

Other income consists of services provided to external companies and participations.

The ten largest tenants as of 31 December 2011

Tenant	Property	Leased space m2.
1. Deloitte	Gustaf	1,490
2. Statoil	Oscar	1,229
3. Quintiles	Gustaf	726
4. Johaston	Gustaf	697
5. Private Accredited Educational Institution	Gustaf	687
6. City Mortgage Bank	Oscar	557
7. Melon Fashion Group	Gustaf	458
8. IBM	Oscar	404
9. Adecco	Oscar	404
10. Inklinic	Magnus	323
		6,975

Real estate expenses

Direct real estate expenses and expenses for marketing of premises, management fees, etc. amounted to SEK -12.8 m (-14.0) during the year.

Operating surplus

The operating surplus amounted to MSEK 27.8 (22.3) during the year. The improvement is attributable to both higher income and lower operating cost.

Other operating expenses

Other operating expenses mainly referr 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 -34.9 m (-31.2) during the year. The amounts include financial compensation, and other related costs to the previous CEO amounting to SEK 2.6 m, and provisions for doubtful receivables SEK 3.2 m. During the fourth quarter the company has also taken other extra costs in order to get full control and insight in the operations and the legal situation regarding the assets.

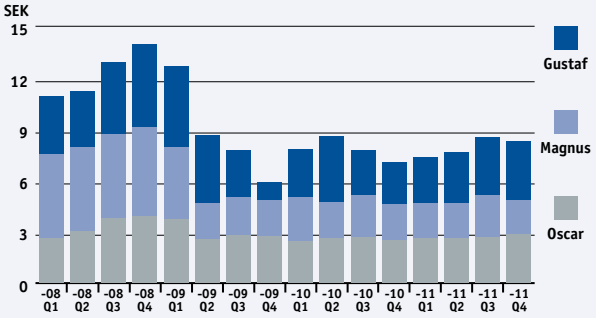
Operating result

The operating result for the year amounted to MSEK 46.3 (51.9). The decrease is due to changes in property values.

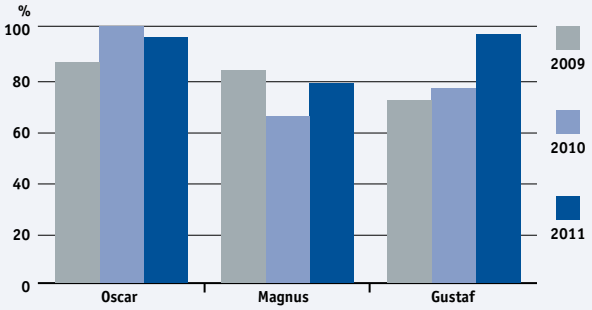
Net financial income/expense

Net financial income and expense amounted to MSEK -76.4 (-7.6) for the year. The large difference is explained by the composition gain in 2010. Participating interests from associated companies contributed MSEK -26.3 (-38.2). During the fourth quarter the company decided to use the possibility to pay a 3 per cent coupon payment instead of 10 per cent. This increased the total interest cost to 13

Rental income



Occupancy



per cent. Thus the fourth quarter was charged with interest expenses of SEK 30.5 m of which SEK 16.6 m was a direct effect on interest cost and SEK 4.0 was due to the fact that the company is calculating 13 per cent on the debt instead of the previous 10 per cent.

During 2011, as in the previous year, no interest cost has been capitalized in the balance sheet.

Currency fluctuations have impacted shareholders' equity by MSEK 1.8 (-44.8), principally because properties are valued in dollars, while changes in exchange rates impacting the income statement, amounted to MSEK 3.2 (-13.2).

Result after financial items

The result after financial items amounted to MSEK -30.1 (44.3) during the year.

Taxes

The tax expense, which for the year was an income, amounted to MSEK -8.0 (3.1), of which MSEK -0.3 m (0.7) relates to current tax. In Russia, tax relief can not be sought through granting and receiving group contributions. Naturally, the same applies to the ability to seek tax relief between countries. However, loss carry forwards are permissible to offset a future gain, during ten years.

Cash flow, liquidity and financial position

The cash flow during the year amounted to MSEK -9.4 (-6.1), of which MSEK 9.8 (-159.8) was from operating activities. The large negative number is due to interest payment on bond debt resulting from the composition last summer. The equity ratio amounted to 45.5 (49.5) per cent at the end of the period. Equity amounted to MSEK 516.6 (552.9). Cash and cash equivalents amounted to MSEK 41.8 (51.2).

Interest-bearing liabilities

Ruric's financing consists of a secured bond of MSEK 563.4, listed at OMX with a term until November 16, 2014. The bond runs with a coupon interest rate of 10 or 13 per cent. Ruric can choose to pay 10 per cent cash or to pay 3 per cent cash and accumulate 10 per cent to the bond as a new loan. The first interest coupon payment was paid on November 16, 2011 when Ruric selected to pay 3 per cent cash and issue new bonds amounting to 10 per cent or MSEK 52.8.

Personnel and organisation

The Group had 12 employees at the end of the period, of which 10 are in the Russian subsidiary companies in St Petersburg, and two in the parent company. The new CEO, employed in the parent company in Sweden, will divide his work time between Stockholm and Saint Petersburg. At the beginning of the year, the Group had 23 employees.

The parent company

The parent company comprises the central management in Stockholm with overall responsibility for operational management as well as financing and reporting. There were two employees in the parent company at the end of the year.

The parent company's turnover for the year amounted to MSEK 1.8 (1.1). The result after financial items amounted to MSEK -75.0 (28.1). Liquid funds amounted to SEK 8.9 m (46.5) at the end of the period.

Ownership

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

There are 104,148,555 shares issued in total, of which 1,330,266 are A-shares and 102,818,289 are B-shares. The Company's largest owner is Gano Services Inc. There were 1,970 (1,996) 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

Even after the re-organisation in 2010, the company's indebtedness is too high in the long-term. With a net operating income amounting to USD 3.4 m and interest costs amounting to USD 8.7 m, the debt ratio is much too high. There are not enough resources to further develop any of the projects. Ruric's bond will be due in November 2014. There are no guarantees that this financing will be extended.

Interest risks

Ruric's financing consists of a bond where the interest term is not connected to the interest rate level in case of pre-redemption. Therefore there is no interest risk connected to the bond. The Group's cash balances are held in interest-bearing bank accounts. The interest level on these accounts follows changes in market rates.

Credit risks

Counterparty risk arises primarily in conjunction with leases. Ruric's main tenants are international companies with relatively good creditworthiness. Credit risks thus exist to a lesser extent for these. Approximately 43 per cent of the rental income is provided by smaller companies that are not credit-assessed. A greater credit

risk exists in relation to these. This is handled by signing leases for shorter periods and they are spread on many different tenants.

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

Currency risks/cash flow risks

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

The policy implies that large in and outflows in foreign currency shall be hedged. In 2011 there were no such hedging.

Currency risks

The Group's assets are primarily valued in US dollars, while liabilities are denominated in Swedish kronor. This translation risk has not been hedged by Ruric. A change in value of 5 per cent in SEK/USD affects Ruric's equity by approximately MSEK 46.

Other risks

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

The legal system in Russia is not thoroughly developed, nor is it entirely comparable to the Western European systems. Legal reforms tend to proceed slowly. All in all, this may have a negative effect on Ruric. This may have consequences on the investment agreements. The Company conducts an annual "legal health check" in order to evaluate these risks.

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 thecompany.

Post-balance sheet events

On 1 January, Adam Fischer assumed the position as CEO. On 6 March an agreement was signed to acquire 50 per cent of the property Fontanka 57 for the equivalent of 13 MUSD. With this transaction Ruric will become sole owner of the property, and can thus attract new investors to the development of the property. The transaction requires approval from the bond holders, which was declined at a voting procedure on 18 April, since more information on the transaction details was required. A new voting procedure is on going.

After the close of the period it has come to Ruric's knowledge that a Cypriot company, to which Ruric has paid substantial amounts to secure the ownership of buildings adjacent to its Moika Glinky project, was controlled by the deceased Nils Nilsson at the time of the payments. At that time, Nilsson was also Chairman of the Board of Directors in Ruric. Instead of being used for the intended purposes it seems as if Ruric's money was used for other purposes than intended. Ruric and the Cypriot Company have come to an amicable agreement to return to Ruric whatever funds are left on its accounts and try to vindicate as much as possible from Nilsson's estate on behalf of Ruric.

The amounts have been recorded with no value in the balance sheet.

Negotiations to divest Apraksin Dvor have continued after the close of the period. These negotiations indicate that Ruric might not be able to divest the property at the indicated value. Authorities and Ruric's neighbors continue to insist that Ruric invest further money into the project before continuing discussions with the Company. Ruric will continue discussions and will defend its rights in court if necessary.

Outlook

Financing

The overall financing of the company is the key to Ruric's future. Ruric's current debt level, the terms in the bond and the pledge in all assets effectively prevent management from developing the company. A sound long-term financing solution shall emanate from the cash-generating business centres, and possibly from construction financing for the project properties once they have started. The company management is placing highest priority on securing the long-term financing.

The Real Estate Market

During 2011 the market for property transactions regained pace. In December the Galeria property in Saint Petersburg was sold for an amount equivalent to SEK 7.5 billion. This was the largest real estate transaction in Russia in 2011. Even if this transaction itself accounted for 20 per cent of the transaction volume it shows that the liquidity in the Russian real estate market has recovered. In Russia as a whole, transactions more than doubled compared to the previous year. The share of foreign investment rose considerably compared to recent years.

The rental market

The company expects that the rental market in Saint Petersburg will have a positive development due to its geographical location and size. The development is strengthened by the fact that it is considered to be politically opportunistic to move operations from Moscow to Saint Petersburg. Many advisors agree that the rent

levels will increase by 5-7 per cent in the coming years. This is obviously contingent on the overall performance of the Russian economy and the political development in the country. The odds are that Russia, with its macro-economic strength through its oil assets, will have good future growth. The strong tendency for inflation to grow should impact property ownership positively. There is also a strong belief that the Central Bank will increase interest rates to restrain inflation. A stronger rouble is probable and positive for Ruric.

Property ownership and investments must always be seen in a longer perspective and in this regard the company expects that the investments in Saint Petersburg will deliver good long-term profitability.

The work of the Board of Directors

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

In addition to the meeting following election of the Board of Directors, meetings must be held at least four times per calendar year. During 2011, 21 meetings were held, of which 9 were by telephone and 4 per capsulam. The board's work during the year focused on financing and on forward looking issues related to the capital structure of the company.

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

The composition of the Board of Directors, number of meetings and attendance in 2011

Member	Elected	Number of regular meetings	Telephone/ per capsulam
Sten Olsson (Chairman)	2010	6	9
Nils Nilsson [1)]	2004	0	2
Tom Dinkelspiel [2)]	2004	3	2
Jens Engvall	2006	4	9
Mikael Stöhr	2010	6	8
Torsten Josephson	2011	3	7
Lennart Dahlgren (chairman from October 2011)	2011	2	4
Peter Partma	2011	2	4
Adam Fischer	2011	2	4
Denis Martyushev	2011	2	4
Vadim Gurinov	2011	2	4

1) Deceased in May 2011.
2) Resigned from the board at the annual general meeting 2011.

Governance Report

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

Annual General Meeting 2011

The Annual General Meeting 2011 was held at Strand Hotel, Stockholm on June 11. The Annual 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 Sten Olsson, Mikael Stöhr and Jens Engvall, and to elect Torsten Josephson as new member of the board. Sten Olsson was elected Chairman of the Board. A decision was made not to elect any alternate members.

Extraordinary shareholders meeting 2011

On 10 October an extraordinary shareholders meeting was held. The meeting had been requested by the new main shareholder of Ruric, Gano Services Inc. At the meeting it was resolved to elect Lennart Dahlgren (chairman), Peter Partma, Vadim Gurinov, Adam Fischer and Denis Martyushev as Board members.

Proposed distribution of profits

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

	SEK
Share premium reserve less costs of share issue	1,204,671,932
Loss brought forward	-1,114,050,830
Profit for the year	-74,976,732
Total	15,644,370

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

We expect real rental increases to be at 5-7 per cent with the most popular office properties demonstrating even greater increases.

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Financial Statements

Consolidated Income Statement

MSEK	Note	2011–01–01– 2011–12–31	2010–01–01– 2010–12–31
Rental income	2	40.6	36.3
Real estate expenses	3	-12.8	-14.0
Operating profit/loss		**27.8**	**22.3**
Depreciation of equipment	12	-0.5	-0.6
Other operating expenses	6,7	-34.9	-31.2
Changes in fair value of properties	12	53.9	62.2
Operating profit/loss		**46.3**	**51.9**
Profit/loss from financial investments			
Income from partisipation in associated companies	15	-26.3	-38.2
Composition gain		-	117.1
Other interest income and similar profit/loss items	8	15.5	15.4
Interest expenses and similar profit/loss items	9	-65.6	-101.9
Total		**-76.4**	**-7.6**
Profit/Loss		**-30.1**	**44.3**
Tax on net loss for the year	10	-8.0	3.1
Net profit/loss for the year		**-38.1**	**47.4**
Translation differences		1.8	-44.8
Total comprehensive income		**-36.3**	**2.6**
Profit/loss after tax			
Attributable to Parent Company shareholders		-23.1	56.9
Attributable to minority shareholding		-15.0	-9.5
Total		**-38.1**	**47.4**
Total comprehensive income			
Attributable to Parent Company shareholders		-23.5	12.1
Attributable to minority shareholding		-12.8	-9.5
Total		**-36.3**	**2.6**
Earnings per share before dilution	11	-0.37	0.76
Earnings per share after dilution	11	n.a	0.76

Consolidated Balance Sheet

MSEK	Note	2011-12-31	2010-12-31
ASSETS			
Non-current assets			
Property, plant and equipment	12		
Equipment, tools and facilities		2.0	5.5
Investment properties		314.3	217.4
Ongoing real estate projects		597.5	451.7
Total property, plant and equipment		**913.8**	**674.6**
Financial assets			
Participation in associated companies	15	19.0	110.9
Other long-term receivables	13	80.3	166.3
Deferred tax assets	10	20.7	21.6
Total financial assets		**120.0**	**298.8**
Total non-current assets		**1,033.8**	**973.4**
Current assets			
Current receivables			
Accounts receivable		3.0	2.1
Other receivables	16	48.4	41.7
Prepaid expenses and accrued income	17	7.2	49.4
Total current receivables		**58.6**	**93.2**
Cash and bank balances	18	41.8	51.2
Total current assets		**100.4**	**144.4**
TOTAL ASSETS		**1,134.2**	**1,117.8**

MSEK	Not	2011-12-31	2010-12-31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (shares)		208.3	208.3
Paid in funds		235.8	235.8
Translation differences		174.5	172.7
Retained earnings		-79.7	-54.4
Total shareholders' equity attributable to Parent Company shareholders		**538.9**	**562.4**
Minority		-22.3	-9.5
Total shareholders' equity		**516.6**	**552.9**
Non-current liabilities			
Bond loans	19	563.4	510.6
Other non-current liabilities	20	0.0	0.2
Deferred tax liability	10	16.1	10.2
Total non-current liabilities		**579.5**	**521.0**
Current liabilities			
Accounts payable		3.1	6.8
Other current liabilities	21	3.5	3.8
Accrued expenses and prepaid income	22	31.5	33.3
Total current liabilities		**38.1**	**43.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,134.2**	**1,117.8**
Pledged assets	23	894.7	945.6
Contingent liabilities	24		

Changes in Shareholders' Equity

The Group MSEK	Number of shares	Share capital	Paid in funds	Translation difference	Retained earnings	Minority	Total equity
Shareholders' equity 1 January 2010	**11,363,096**	**22.7**	**235.8**	**217.5**	**-298.7**	**0.0**	**177.3**
New issue	92,785,459	185.6			200.7		386.3
Issue expenses					-13.3		-13.3
Total comprehensive income				-44.8	56.9	-9.5	2.6
Shareholders' equity 31 December 2010	**104,148,555**	**208.3**	**235.8**	**172.7**	**-54.4**	**-9.5**	**552.9**
Shareholders' equity 1 January 2011	**104,148,555**	**208.3**	**235.8**	**172.7**	**-54.4**	**-9.5**	**552.9**
Total comprehensive income				1.8	-25.3	-12.8	-36.3
Shareholders' equity 31 December 2011	**104,148,555**	**208.3**	**235.8**	**174.5**	**-79.7**	**-22.3**	**516.6**

The Parent Company MSEK	Number of shares	Share capital	Paid in funds	Non restricted equity	Total equity
Shareholders' equity 1 January 2010	**11,363,096**	**22.7**	**236.0**	**-124.9**	**133.8**
New issue	92,785,459	185.6		200.7	386.3
Issue expenses				-13.3	-13.3
Total comprehensive income				28.1	28.1
Shareholders' equity 31 December 2010	**104,148,555**	**208.3**	**236.0**	**90.6**	**534.9**
Shareholders' equity 1 January 2011	**104,148,555**	**208.3**	**236.0**	**90.6**	**534.9**
Total comprehensive income				-75.0	-75.0
Shareholders' equity 31 December2011	**104,148,555**	**208.3**	**236.0**	**15.6**	**459.9**

The number of shares amounted to 31 December 2011 amounted to 104 148 555 with a quotient value of SEK 2 per share.

Consolidated Cash Flow Statement

MSEK	Note	2011-01-01–2011-12-31	2010-01-01–2010-12-31
Operating activities			
Profit/loss after net financial items		-30.1	44.3
Adjustment for items not affecting cash flow			
Changes in value properties	12	-53.9	-62.2
Depreciation	12	0.5	0.6
Exchange rate differences		-13.0	1.6
Difference between paid and recognized financial cost		49.4	0.0
Income from partisipation in associated companies		26.3	38.2
Other items		14.7	-112.8
Taxes paid		-1.2	0.7
Cash flow from operating activities before changes in working capital		**-7.3**	**-89.6**
Change in working capital			
Change in operating receivables		13.2	40.2
Change in operating liabilities		3.9	-110.4
Total changes in working capital		**17.1**	**-70.2**
Cash flow from operating activities		**9.8**	**-159.8**
Investing activities			
Acquisition of property, plant and equipment	12	-10.3	-2.5
Divestment of property, plant and equipment		0.4	-
Investments in other financial assets		-9.3	-8.9
Cash flow from investing activities		**-19.2**	**-11.4**
Financing activities			
New issue		0.0	373.0
New loans		0.0	510.6
Amortisation of non-current liabilities		0.0	-718.5
Cash flow from financing activities		**0.0**	**165.1**
Cash flow from the year		**-9.4**	**-6.1**
Cash and cash equivalents at the start of the year		**51.2**	**57.3**
Cash and cash equivalents at year-end		**41.8**	**51.2**

The Parent Company's Income Statement

MSEK	Note	2011-01-01–2011-12-31	2010-01-01–2010-12-31
Net turnover		1.8	1.1
Operating profit	2,4	**1.8**	**1.1**
Other operating expenses		-13.1	-9.7
Personnel expenses	5,6	-8.3	-5.2
Depreciation of property, plant and equipment	12	-0.2	-0.3
Results from participations	14	-94.7	-38.2
Operating loss		**-114.5**	**-52.3**
Profit/loss from financial investments			
Received group contributions		21.2	17.9
Interest income and similar profit/loss items	8	93.0	81.5
Composition gain		-	117.1
Interest expenses and similar profit/loss items	9	-74.7	-136.0
Total		**39.5**	**80.5**
Profit/loss before tax		**-75.0**	**28.2**
Tax on net profit for the year	10	–	-0.1
Net loss for the year		**-75.0**	**28.1**

The Parent Company's Consolidated Statement of Total Comprehensive Income

MSEK	2011-01-01–2011-12-31	2010-01-01–2010-12-31
Yearly comprehensive income	**-75.0**	**28.1**
Other comprehensive income	0.0	0.0
Total comprehensive income	**-75.0**	**28.1**

The Parent Company's Balance Sheet

MSEK	Note	2011–12–31	2010–12–31
ASSETS			
Non-current assets			
Property, plant and equipment	12		
Equipment, tools and facilities		0.1	4.0
Total property, plant and equipment		**0.1**	**4.0**
Financial assets			
Participations in group companies	14	165.3	36.2
Receivables at group companies		836.7	960.8
Other long-term receivables	13	29.6	20.2
Total financial assets		**1,031.6**	**1,021.2**
Total non-current assets		**1,031.7**	**1,021.2**
Current assets			
Current receivables			
Accounts receivable		0.6	0.5
Other receivables	16	4.8	5.0
Prepaid expenses and accrued income	17	3.7	4.6
Total current receivables		**9.1**	**10.1**
Cash and bank balances	18	8.9	46.5
Total current assets		**18.0**	**56.6**
TOTAL ASSETS		**1,049.7**	**1,077.8**

The Parent Company's Balance Sheet, cont.

MSEK	Note	2011–12–31	2010–12–31
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		208.3	208.3
Revaluation reserve		236.0	236.0
Total restricted equity		**444.3**	**444.3**
Non-restricted equity			
Share premium reserve		1,204.7	1,204.7
Retained earnings		-1,145.1	-1,142.2
Net profit/loss for the year		-75.0	28.1
Total non-restricted equity		**15.6**	**90.6**
Total shareholders' equity		**459.9**	**534.9**
Non-current liabilities			
Bond loans	19	563.4	510.6
Other non-current liabilities	20	0.1	0.2
Total non-current liabilities		**563.6**	**510.8**
Current liabilities			
Accounts payable		0.8	3.9
Other current liabilities	21	1.1	1.0
Accrued expenses and prepaid income	22	24.2	27.2
Total current liabilities		**26.2**	**32.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,049.7**	**1,077.8**
Pledged assets	23	894.7	945.6
Contingent liabilities	24	None	None

The Parent Company's Cash Flow Statement

MSEK	Not	2011-01-01 – 2011-12-31	2010-01-01 – 2010-12-31
Operating activities			
Loss after net financial items		-75.0	28.2
Adjustments for items not affecting cash flow			
Depreciation	12	0.2	0.3
Impairments		94.7	38.2
Exchange rate differences	9	4.8	39.5
Group contributions received		-21.2	-17.9
Difference between paid and recognised net financial items		-36.2	-61.3
Composition gain		-	-117.1
Other items		7.7	-0.1
Cash flow from operating activities before changes in working capital		**-25.0**	**-90.2**
Change in working capital			
Increase(–)/Decrease(+) in other operating receivables		1.0	47.4
Increase(+)/Decrease(–) in other operating liabilities		-4.4	-99.1
Cash flow from operating activities		**-28.4**	**-141.9**
Investing activities			
Loans granted		-9.6	-
Investments in other financial assets		-	40.0
Sale of fixed assets		0.4	-
Cash flow from financing activities		**-9.2**	**40.0**
Financing activities			
New issue		0.0	373.0
Change in long-term borrowings		0.0	-226.2
Cash flow from financing activities		**0.0**	**146.8**
Cash flow for the year		**-37.6**	**44.9**
Cash and cash equivalents at the start of the year	18	**46.5**	**1.6**
Cash and cash equivalents at year-end	18	**8.9**	**46.5**

Notes

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

1 ACCOUNTING AND VALUATION PRINCIPLES

Generally

Russian Real Estate Investment Company (publ.) (556653-9705) "Ruric" is a Swedish limited liability Company with its registered office in Stockholm, at the address Hovslagargatan 5B 111 48 Stockholm. Since 2006, the Company's share is listed on the First North market place at the OM Stockholm Stock Exchange. The Group's operations are described in the Management report. The consolidated accounts were approved by the Board of Directors on May 16, 2011. The income statements and balance sheets of the Group and Parent Company will be submitted to the Annual General Meeting for adoption on June 11.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable interpretations of the IFRS Interpretations Committee (IFRIC) as adopted by EU. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1. Supplementary Accounting Rules for Groups. The Parent Company applies the same accounting principles as the Group except in the cases stated under the heading The Parent Company below.

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

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

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

Estimates and judgements

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

Investment properties

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

Project properties

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

Application of new accounting principles

The following amended standards and new interpretations have come into force in 2011 but has not had any impact on the Groups financial statements.

- Amendment to IAS 24 –Related party disclosures (change in the definition of a related party and exception of disclosure on government related entities)
- Amendment to IAS 32 – Financial instruments: Classification (classification of warrants etc in foreign currency)
- Improvements of IFRSs 2010
- IFRIC 19 - extinguishing financial liability with equity instruments.

Standards and interpretations that apply from 2012

IFRS 7 Financial Instruments: Disclosures – amendment. The change means that further quantitative and qualitative information is given when financial instruments are removed from the balance sheet. If a transfer of assets does not result in complete removal, information about this shall be given. In the same way, if a Company retains an involvement in an asset that has been removed, information about this shall also be disclosed.

Amendment to IAS 12: Income taxes regarding Deferred tax: Recovery of underlying assets. Deferred tax on Property recorded to fair value shall be based on the sales value unless there are indications the recovery of the carrying amount will be made otherwise.

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

New and amended Standards that apply from 2013

- IFRS 9- Financial Instruments. The Standard will be released in steps and is replacing IAS 39 Financial Instruments. IASB have decided to postpone the effective date until 2015
- IFRS 10 – Consolidated Financial Statements. The Standard contains uniform rules on which entities shall be consolidated and will replaces IAS 27 Consolidated Statements and SIC 12 which relates to Special Purpose Entities.
- IFRS 11 – Joint arrangements. The Standard relates to accounting of Joint Arrangements and will replace IAS 31 – Interests in Joint Ventures.
- IFRS 12 - Disclosure on interests in other entities. Increased disclosure on Subsidiaries, Joint arrangements and Participations are gathered in a joint Standard.
- IFRS 13 – Fair value measurement. The Standard contains uniform

rules for measurement and disclosure of fair values.
- Amendment to IAS 19 – Employee Benefits. Amendments mainly referring to accounting and disclosure of defined retirement plans. Ruric is currently analysing the effects of the new Standards.

Consolidated accounts

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

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

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

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

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

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

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

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

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

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

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

Leasing agreements
Ruric's leasing agreements are considered to be operational leasing agreements from an accounting perspective. Recognition of these is clear from the principle of revenue recognition. The Parent Company's contract for the leased premises is an operational leasing and is presented as Other operating expenses. A financial leasing agreement exists when the financial risks and benefits associated with ownership are essentially transferred from the lessor to the lessee. Ruric has no financial leasing agreements as of 31 December 2011.

Financial instruments
A financial asset or financial liability is carried in the balance sheet

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

Financial instruments include among the assets, cash and bank balances, rental receivables other receivables, loan receivables, and among the liabilities, accounts payable, other liabilities and borrowings. The financial instruments are initially recognised at acquisition cost corresponding to the fair value with allowance for transaction expenses.

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

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

Cash and cash equivalents

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

Accounts receivable

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

Other receivables

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

Receivables and liabilities in foreign currency

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

Derivatives

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

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

Liabilities

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

Borrowings

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

Transactions in foreign currency

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

Investment properties

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

Project real estate

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

Property, plant and equipment

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

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

Remuneration to employees

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

Taxes including deferred taxes

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

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

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

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

Provisions

Provisions are liabilities that are uncertain with regards to amount and/or time when they are to be settled. Ruric report a provision in the balance sheet when there is an undertaking as a consequence of an occurred event and it is likely that an outflow of resources will be necessary to settle the undertaking and a reliable estimation can be made. Present value calculations are made if there is a substantial time effect on future cashflow.

Contingent liabilities

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

The Parent Company's accounting principles

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

Shares in subsidiaries

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

Group contributions and shareholders' contributions

From 2011 group contributions received are recognised as Financial Income and group Contributions granted are recognised as increase of shares in subsidiaries. Values in 2010 have been adjusted.

Shareholders' contributions are recognised as an increase of shares in subsidiaries by the grantor and as an increase of non-restricted equity by the receiver.

Ruric Group equity

Group equity is the sum of shareholders equity of Ruric shareholders and shareholders equity assignable to the minority. At year-end the equity of the Group was MSEK 516.6 (552.9). To maintain necessary capital structure the Group can sell assets and thereby reduce liabilities. The conditions of the outstanding bond prevent Ruric from adjusting equity through dividend or repurchase of shares. In the long term, though, this possibility exists.

2 INCOME

The Group

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

	2011		2010	
	Rental income	**Operating profit**	**Rental income**	**Operating profit**
Russia	40,6	27,8	36,3	22,3
Total	**40,6**	**27,8**	**36,3**	**22,3**

Rental income includes provision for feared rental losses amounting to MSEK 2,7 (2,8).

Note 2 cont.

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

Term	2012	2013	2014	2015	>2016	Total
Lease value (yearly rent)	8.7	10.1	9.7	4.9	1.6	35.1
Share %	25	29	28	14	4	100

The Parent Company

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

	2011		2010	
	Rental income	Operating profit	Rental income	Operating profit
Sweden	1.8	1.8	1.1	1.1
Russia	0.0	0.0	0.0	0.0
Total	**1.8**	**1.8**	**1.1**	**1.1**

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

3 REAL ESTATE EXPENSES

	The Group	
	2011	2010
Property tax	3.6	4.1
Other real estate expenses	9.2	9.9
Total	**12.8**	**14.0**

4 PURCHASES AND SALES BETWEEN GROUP COMPANIES

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

5 AVERAGE NUMBER OF EMPLOYEES

	2011		2010	
	Number of employees	Of which men	Number of employees	Of which men
The Parent Company				
Sweden	1	1	1	1
Russia	1	1	1	1
Total Parent Company	**2**	**2**	**2**	**2**
Subsidiaries				
Russia	21	11	23	12
Total Group	**23**	**13**	**25**	**14**

6 SALARIES, OTHER RENUMERATION AND SOCIAL SECURITY EXPENSES

	2011		2010	
	Salaries and other renumeration	Social security expenses (of which pension expenses)	Salaries and other renumeration	Social security expenses (of which pension expenses)
Parent Company	5.7	1.6	4.0	1.2
		(0.7)		(0.4)
Subsidiaries	8.2	0.9	7.8	0.6
		(0.7)		(0.5)
Group total	**13.9**	**2.5**	**11.8**	**1.8**

Note 6 cont.

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

	2011 Board of Directors, Managing Director & other senior executives	Other employees	2010 Board of Directors, Managing Director & other senior executives	Other employees
Parent Company				
Sweden	5.7	0.0	4.8	0.0
Foreign subsidiaries				
Russia	1.0	7.2	0.9	6.9
Group total	**6.7**	**7.2**	**5.7**	**6.9**

	2011			2010		
	Basic salary/ Director's fee	Variable renumeration	Pension-expense	Basic salary/ Director's fee	Variable renumeration	Pension-expense
The Chairman of the Board, Sten Olsson	0.2			0.1		
Other Board members						
Nils Nilsson	0.1			0.1		
Tom Dinkelspiel	0.1			0.1		
Jens Engwall	0.1			0.1		
Mikael Stöhr	0.1			-		
Torsten Josephson	0.0			-		
Harald Kjessler	-			0.1		
Anders Sjunnesson	-			0.1		
Outgoing Managing Director	3.6	-	-	2.9	0.0	0.1
Other senior executives	1.5	0.5	0.6	1.3	0.4	0.4
Total	**5.9**	**0.5**	**0.6**	**4.8**	**0.4**	**0.5**

Accordning to decision at the Annual General Meeting 2011 remuneration to the Board of Directors amounts to SEK 100,000 to each Board member and SEK 200,000 to the Chairman of the Board. The numbers of Board members elected were four. An extraordinary shareholder's meeting on 10 October 2011 resolved that remuneration to the Board of Directors amounts to SEK 100,000 to each Board member and to SEK 150,000 to the Chairman of the Board. The resigning Board has been paid for their residing time.

The incoming Managing Director receives a fixed annual salary of SEK 1,440,000. 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 three 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 twenty-four months' salary. The Company shall make annual pension contributions to the Managing Director equal to 25 per cent of the Managing Director's fixed salary.

The retirement age for the Managing Director is 65. In the event the Managing Director is in service at the age of 60, the Managing Director or the Company shall be entitled to terminate the employment, whereupon retirement pension shall be payable to the amount of 70 per cent of the most recent annual salary. Such pension shall be payable until the ordinary retirement age is reached.

The resigning Managing Director has received a salary during the year amounting to tSEK 1,634 and a severance pay/benefits amounting to tSEK 2,624 of which tSEK 2,279 has been paid out.

7 INFORMATION ABOUT AUDITOR'S FEE

	The Group		The Parent Company	
	2011	2010	2011	2010
Ernst & Young AB				
Audit assignments	0.6	0.9	0.6	0.3
Other assignments	0.3	0.2	0.3	0.2
Total	**0.9**	**1.1**	**0.9**	**0.5**
Other auditing firms				
Audit assignments	0.1	0.1	0.0	0.0
Other assignments	0.0	0.0	0.0	0.0
Total	**0.1**	**0.1**	**0.0**	**0.0**

8 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2011	2010	2011	2010
Interest income	12.3	15.4	92.0	81.5
Exchange rate gains	3.2	0.0	1.0	0.0
Total	**15.5**	**15.4**	**93.0**	**81.5**

9 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	The Group		The Parent Company	
	2011	2010	2011	2010
Interest expenses	-65.6	-88.7	-65.1	-86.2
Other financial expenses	0.0	0.0	-1.2	-2.7
Exchange rate losses	0.0	-13.2	-8.4	-47.1
Total	**-65.6**	**-101.9**	**-74.7**	**-136.0**

10 TAX

	The Group		The Parent Company	
	2011	2010	2011	2010
Current tax expense	-0.8	-1.0	-	-
Tax according to changed taxation earlier year	-	-	-	-0.1
Deferred	-7.2	4.1	-	-
Recogninsed tax expense	**-8.0**	**3.1**	**0.0**	**-0.1**

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

	The Group		The Parent Company	
	2011	2010	2011	2010
Reported results before tax	-30.1	44.3	-75.0	28.2
Tax according to applicable tax rates in each country	18.1	-14.0	19.7	-7.4
Adjustments for tax purposes:				
Non taxable composition gain	-	30.8	-	30.8
Other non taxable income	38.9	39.1	0.0	0.0
Non-deductable items	-53.8	-41.3	-27.1	-11.4
Deductable items not included in reported results	-	3.5	-	3.5
Group contribution paid	-	-	5.2	8.2
Adjusted assessment relating to previous year	-	-1.6	0.0	-0.1
Adjustment of deferred tax	-8.8	5.2	0.0	0.0
Non-capitalised part of deficit for the year	-7.3	-18.6	-	-23.7
Utilisation of capitalised loss carry forwards from prior years	4.9	0.0	2.2	0.0
Recognised tax expense	**-8.0**	**3.1**	**0.0**	**-0.1**

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

At year-end, the Group's total non-capitalised loss carry forwards were estimated at slightly less than MSEK 140 (153) and for the Parent Company to MSEK 135 (144). As a consequence of the composition gain, closing book value for non activated loss carry-forward decreased by MSEK 117.1.

Note 10 cont.

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	
	2011	2010	2011	2010
Deferred tax assets				
Opening balance	21.6	18.4	0.0	0.0
Temporary differences	-0.9	3.2	0.0	0.0
Closing book value	**20.7**	**21.6**	**0.0**	**0.0**

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

	The Group	
	2011	2010
Deferred tax liability		
Opening balance	10.2	9.3
Temporary differences	5.9	0.9
Closing book value	**16.1**	**10.2**

11 EARNINGS PER SHARE

	The Group	
	2011	2010
Gain/loss after tax	-38.1	47.4
Number of shares at the end of the period	104,148,555.0	104,148,555.0
Average number of shares	104,148,555.0	62,204,443.0
Average number of shares, incl. dilution	104,148,555.0	62,204,443.0
Earnings per share	-0.37	0.76

Earnings per share is calculated as the profit/loss for the period in relation to the average number of shares. No dillution effect exist since there are no potential shares.

12 PROPERTY, PLANT AND EQUIPMENT

Equipment, tools and facilities

	The Group		The Parent Company	
	2011	2010	2011	2010
Opening acquisition value	7.4	7.2	5.0	5.0
Purchases	0.8	0.4	0.0	0.0
Disposals/obsolescence	-4.3	0.0	-4.3	0.0
Exchange rate differences	0.0	-0.2	0.0	0.0
Closing accumulated acquisition value	**3.9**	**7.4**	**0.7**	**5.0**
Opening depreciation	-1.9	-2.0	-1.0	-0.7
Disposals/obsolescence	0.5	0.0	0.6	0.0
Depreciations for the year	-0.5	-0.6	-0.2	-0.3
Other changes	0.0	0.7	0.0	0.0
Closing accumulated depreciation	**-1.9**	**-1.9**	**-0.6**	**-1.0**
Closing residual value according to plan	**2.0**	**5.5**	**0.1**	**4.0**

Note 12 cont.

Investment properties

The investment properties have been valued by valuation CBRE. 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 property's future net operating income during a calculation period and the present value of the object's residual value after the end of the calculation period. In addition an assessment of reconstruction cost of a building of the same kind and quality is made, as well as an analysis of comparable transactions in the market. Thereafter a judgement of market value is made.

The average yield requirement of the properties in the valuation estimate amounts to approximately 8.5 per cent of the estimated net operating income at the valuation date, 31 December 2011.

	The Group	
	2011	**2010**
Fair value at the start of the year	**217.4**	**204.8**
Reclassification/completion	0.0	0.0
Investments	0.0	0.0
Sales	0.0	0.0
Changes in value	92.8	24.6
Changes in exchange rates	4.1	-12.0
Fair value at year-end	**314.3**	**217.4**

Sensitivity analysis

		Yield requirements			
Net operating income		**7.0**	**8.5**	**10.0**	**11.5**
–15%	22.8	325.0	267.2	227.5	197.8
–10%	24.1	344.1	282.9	240.9	209.5
–5%	25.4	363.2	298.6	254.3	221.1
0%	**26.8**	382.4	**314.3**	267.7	232.7
5%	28.1	401.5	330.1	281.0	244.4
10%	29.4	420.6	345.8	294.4	256.0
15%	30.8	439.7	361.5	307.8	267.7

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

A change in the yield requirement by +/-2 per cent affects the value by approximately 16 per cent.

See also the chart in the Management report.

Ongoing property projects

	The Group	
	2011	**2010**
Fair value at the start of the year	**451.7**	**403.0**
Reclassification/completion	0.0	0.0
Investments	9,5	36.4
Acquisitions[1)]	167.7	0.0
Sales	0.0	0.0
Changes in value/impairment	-38.9	37.6
Changes in exchange rates	7.5	-25.3
Fair value at year-end	**597.5**	**451.7**

1) The acquisition relates to the parceling of Strelna and has no cash-flow effect. In practice Ruric has traded the shares in PDH Sweden AB and the loan to Perspectiva Development for 33 Ha of land in Strelna.

No loan expenses have been capitalized as ongoing property projects.

Note 13 cont.

13 FINANCIAL ASSETS

Participations in subsidiaries

	The Parent Company	
	2011	**2010**
Opening acquisitions value	1,262.4	1,262.2
Contributions made and group contributions	132.1	31.2
Closing accumulated acquisitions value	**1,425.5**	**1,293.4**
Opening impairment	-1,257.2	-1,227.2
Impairment for the year	-68.9	-30.0
Reversed impairment	65.9	0.0
Closing accumulated impairment	**-1,260.2**	**-1,257.2**
Closing book value	**165.3**	**36.2**

This year's impairment and reversal of impairment relates to the underbying value changes in real estate, see management report.

Other long-term receivables

	The Group		The Parent Company	
	2011	**2010**	**2011**	**2010**
Loan receivables	75.7	148.5	29.6	20.2
Property VAT	4.6	17.8	0.0	0.0
Closing accumulated acquisition value	**80.3**	**166.3**	**29.6**	**20.2**
Closing book value	**80.3**	**166.3**	**29.6**	**20.2**

Loan receivables refer to loans to associated companies LLC Litera and Grechetto Holding. The loans run with average interest of 10 per cent and are issued in USD. Interest income has been recognised of MSEK 12.3 (15.9) on these receivables. All receivables on associated companies are classified as long term receivables even if the remaining tenure is shorter than one year.

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

Of the Parent Company's loan receivables MSEK 20.1 (6.5) are classified as receivables on associated companies.

The duration of the loan receivables is allocated as follows:

2012	2013	2014
57.4	18.3	

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

14 PARTICIPATIONS IN GROUP COMPANIES

	Share of equity %	Share of votes %	Number of shares	Book value 2011-12-31	Book value 2010-12-31
Russian Real Estate Investment Company Sw 1 AB	100	100	1,000	0.4	0.0
Limited Liability Company Ruric 1	100	100	100,000		
Limited Liability Company Tekhnostroi	100	100	1		
Limited Liability Company Ruric Service	100	100	1		
Limited Liability Company Ruric Management	100	100	1	0.2	0.2
Russian Real Estate Investment Company DVA AB	100	100	100,000	21.5	1.0
Limited Liability Company Ruric 2	100	100	349,099		
Russian Real Estate Investment Company TRI AB	100	100	100,000	26.8	1.4
Limited Liability Company Ruric 3	100	100	100		
Russian Real Estate Investment Company Chetire AB	100	100	100,000	31.8	12.0
Limited Liability Company Ruric 4	100	100	1		
Russian Real Estate Investment Company Pyat AB	100	100	1,000	0.1	0.1
Cofulek Limited Liability Company	65.5	65.5	72,019		
Limited Liability Company Crocus	100	100	1		
Limited Liability Company Incom	100	100	1		
Russian Real Estate Investment Company Shest AB	100	100	100,000	0.1	0.0
Limited Liability Company Glinky 2	100	100	1		
Russian Real Estate Investment Company Syem AB	100	100	1,000	5.4	2.3
PD Finance Sweden AB	100	100	1,000	78.9	19.3
Limited Liability Company Strelna Development	100	100			
Total				**165.3**	**36.2**

Note 14 cont.

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

	Corp. id. no./Reg. no	Registered office
Limited Liability Company Ruric 1	104 785 503 9210	St Petersburg
Limited Liability Company Ruric 2	104 785 509 3846	St Petersburg
Limited Liability Company Ruric 3	104 785 508 6916	St Petersburg
Limited Liability Company Ruric 4	104 785 504 6227	St Petersburg
Limited Liability Company Ruric Management	105 781 268 3928	St Petersburg
Cofulek Limited Liability Company	HE 166876	Nicosia
Limited Liability Company Crocus	103 786 102 5542	St Petersburg
Limited Liability Company Incom	103 782 800 1738	St Petersburg
Limited Liability Company Tekhnostroi	105 781 320 3469	St Petersburg
Limited Liability Company Ruric Service	107 784 756 4442	St Petersburg
Limited Liability Company Glinky 2	106 784 720 5810	St Petersburg
Russian Real Estate Investment Company Sw 1 AB	556653-9721	Stockholm
Russian Real Estate Investment Company DVA AB	556662-7161	Stockholm
Russian Real Estate Investment Company TRI AB	556662-7286	Stockholm
Russian Real Estate Investment Company Chetire AB	556662-7971	Stockholm
Russian Real Estate Investment Company Pyat AB	556656-5841	Stockholm
Russian Real Estate Investment Company Shest AB	556662-8011	Stockholm
Russian Real Estate Investment Company Syem AB	556656-6799	Stockholm
PD Finance Sweden AB	556717-7968	Stockholm
Limited Liability Company Strelna Development	111 784 729 0604	St Petersburg

15 PARTICIPATIONS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Other investments held as fixed assets

	The Group	
	2011	2010
Opening acquisitions value	110.9	149.1
Disposal	-65.6	0.0
Participating interests	-26.3	-38.2
Closing accumulated acquisitions value	**19.0**	**110.9**
Closing book value	**19.0**	**110.9**

Fair value is estimated to be equal to book value.

Information about registration number and share of equity

	Corp. id. no./ Reg. no	Registered office	Share of equity %	Number of shares	Book value 2011-12-31	Book value 2010-12-31
Grechetto Hld Ltd	HE 208926	Nicosia	50.0%	5 000	19.0	45.3
Associated company sold 2011, see note 12						
PDH Sweden AB	556717-6895	Stockholm	25.1%	318	-	65.6

16 OTHER RECEIVABLES

	The Group		The Parent Company	
	2011	2010	2011	2010
Property VAT	12.8	31.2	0.0	0.0
Other short-term loan receivables	32.9	-	4.3	1.3
Tax receivables	0.7	1.5	0.2	0.2
Other receivables	2.0	9.0	0.3	3.5
Total	**48.4**	**41.7**	**4.8**	**5.0**

17 PREPAID EXPENSES AND ACCRUED INCOME

	The Group		The Parent Company	
	2011	2010	2011	2010
Prepaid expenses relating to bond loan	2.6	3.6	2.6	3.6
Accrued interest income	0.0	40.6	0.0	0.0
Other items	4.6	5.2	1.1	1.0
Total	**7.2**	**49.4**	**3.7**	**4.6**

18 CASH AND CASH EQUIVALENTS

	The Group		The Parent Company	
	2011	2010	2011	2010
Cash and bank balances	41.8	51.2	8.9	46.5

19 BOND LOAN

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

The Parent Company

Bond	Nominal value	Book value	Yearly interest rate %	Yearly interest cost MSEK	Yearly coupon payment, MSEK	Final payment
RURI4	510.6	510.6	13.0	66.4	15.3	2014-11-16
RURI4 issued 2011	52.8	52.8	13.0	6.9	1.6	2014-11-16
Total	**563.4**	**563.4**	**13.0**	**73.3**	**16.9**	

*For 2012 the Company is calculating to pay 3 % coupon and issue 10 % more on the bond.
The bond is noted on OMX under the name of RURI4. Estimated market value per 31 December 2011 was MSEK 365 (332).

20 OTHER NON CURRENT LIABILITIES

	The Group		The Parent Company	
	2011	2010	2011	2010
Other non-current liabilities	0.0	0.2	0.1	0.2
Total	**0.0**	**0.2**	**0.1**	**0.2**

21 OTHER CURRENT LIABILITIES

	The Group		The Parent Company	
	2011	2010	2011	2010
Tax liabilities	1.8	0.0	0.0	0.0
Other current liabilities	1.7	3.8	1.1	1.0
Total	**3.5**	**3.8**	**1.1**	**1.0**

22 ACCRUED EXPENSES AND PREPAID INCOME

	The Group		The Parent Company	
	2011	2010	2011	2010
Deferred rental income	7.4	6.0	0.2	0.2
Accrued interest expenses bond loan	21.9	25.4	21.9	25.4
Accrued personnel expenses	0.2	0.2	0.1	0.2
Other items	2.0	1.7	2.0	1.4
Total	**31.5**	**33.3**	**24.2**	**27.2**

23 PLEDGED ASSETS

	The Group		The Parent Company	
	2011	2010	2011	2010
Share and participation	165.1	36.0	165.1	36.0
Receivables	729.6	909.6	729.6	909.6
Total	**894.7**	**945.6**	**894.7**	**945.6**
Nominal receivables	**1,126.1**	**1,214.3**	**1,126.1**	**1,214.3**

24 CONTINGENT LIABILITIES

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

1. **Moika/Glinky**
   Remaining undertaking concerns the completion of buildings of within the area before 31-12-2014.
2. **Apraksin Dvor**
   Remaining undertaking refers to relocation of a fire station to a site which has still not been assigned. In addition to this, a sum corresponding to MSEK 7.0 must be paid as final payment.

Tax

There is a possible tax risk associated with Ruric having a so called permanent establishment in Russia. There is also a risk that Ruric is exposed to increased taxation due to thin capitalization rules. The total exposure could amount to SEK 45 m. The probability is less than 50 per cent. The Company is currently investigating the issue.

25 TRANSACTIONS WITH RELATED PARTIES

There has been no related party transactions during the year, apart from what is disclosed in note 6.

26 FINANCIAL GOALS

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

27 EVENTS AFTER THE END OF THE YEAR

See management report.

Stockholm, May 16, 2012

Lennart Dahlgren
Chairman of the Board

Vadim Gurinov

Denis Martyushev

Peter Partma

Adam Fischer
Managing Director

My auditor's report was presented on May 18 2012.

Mikael Ikonen
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Russian Real Estate Investment Company AB for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 21-48.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation, of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Russian Real Estate Investment Company AB for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 18 May 2012

Ernst & Young AB

Mikael Ikonen
Authorized Public Accountant

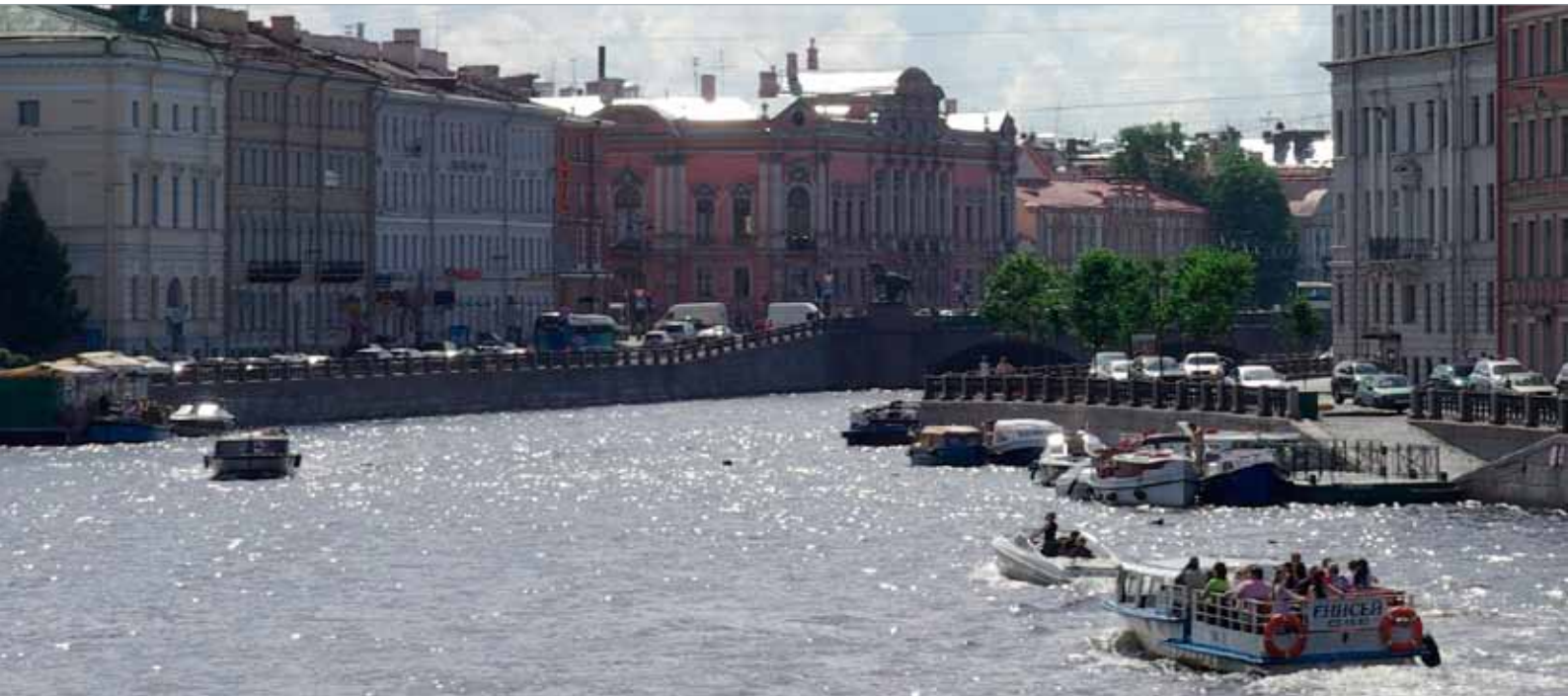
Saint Petersburg in Brief

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

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

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

At the end of 2011 Ruric owned, or in other ways disposed of, six properties in the central parts of the city.



Financial Calendar

Annual General Meeting will be held Monday June 11 2012.

Dividend

The Board proposes the Annual General Meeting to resolve that no dividend be paid for the 2011 fiscal year.

Ruric

Russian Real Estate Investment Company AB (publ)
Hovslagargatan 5 B
SE-111 48 Stockholm
Phone +46 8 509 00 100
www.ruric.com

LLC Ruric Management
Business Centre Magnus
9th V.O. Line 34
RU-190004 Sankt Petersburg
Ryssland
Phone +7 812 703 35 50
Fax +7 812 703 35 51

RURIC
RUssian Real estate Investment Company

www.ruric.com