RURIC

RUssian Real estate Investment Company

Annual report 2005

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The Board of Directors and the Managing Director for Russian Real Estate Investment company AB hereby present the following annual report and consolidated accounts.

Unless otherwise stated, all accounts are reported in thousands of Swedish kronor (TSEK).

Report by the Board of Directors 2005

Ownership structure

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

The founders, E. Öhman J:or AB, Cancale Förvaltnings AB and East Capital Holdings AB, together own 400,000 class A shares representing 4,000,000 votes. 2,100,000 class B shares representing 2,100,000 votes are held by approx. 250 other shareholders.

Financing

Acquisition of capital through share subscription in the spring of 2004 raised SEK 250 million before issue costs. During the second quarter of 2005, the company raised an additional SEK 226 million through a debenture issue, with the aim of facilitating further property acquisitions and development.

The Group's operations

The Company's objects are to acquire, renovate, manage, lease and sell properties in St. Petersburg, Russia, focusing on commercial premises of the highest standard in the most favourable areas, thereby contributing positively to the tenants' businesses. The Company's vision is to be the leading property company in the St. Petersburg region.

Financial objective: To create and realize value for Ruric's shareholders through dividends and growth in value. Ruric's objective is to generate return on shareholders' equity of at least 20% at a conservative level of gearing.

The strategy is to identify properties with great potential in the central parts of St. Peterburg, create the appropriate acquisition structure and acquire at the best price. After renovation, commercial premises of the highest standard are offered to tenants seeking the best premises available in the most favourable areas who are willing to pay for such.

Ruric will implement this strategy by taking advantage of its great expertise in the local property market. Key factors in the work include:

- local presence and external support
- strong local network among market players and authorities
- organization that enables quick investment decisions and quick implementation

Organization

During 2005, the Company has created a corporate structure based on the principle that each acquired property shall be owned by a Russian company (a separate company for each property) which, in turn, is owned by a Swedish subsidiary (a separate company for each individual property) of the parent company, Russian Real Estate Investment Company AB. This provides a high degree of flexibility in conjunction with any future divestments.

Russian Real Estate Investment Company AB is the parent company in a group which, at the end of the year, consisted of seven Swedish subsidiaries with, in turn, four wholly-owned Russian subsidiaries and one partly-owned Cypriot subsidiary, as well as a Russian company that is partly-owned by the parent company and a management company that is wholly-owned by the parent company. The companies have their registered offices in Stockholm, St. Petersburg and Nicosia. The parent company's branch office in St. Petersburg administers renovation and construction projects, as well as the letting and operation of the property portfolio. The management company was registered in the autumn of 2005 and, over the course of time, all of the branch office's tenant-related duties will be transferred to it.

During 2005, the organization that began to be created in the autumn of 2004 was strengthened and expanded and, at the end of the year, consisted of 10 employees, of whom 9 are in the branch office. The parent company's Managing Director is stationed at the office in Stockholm.

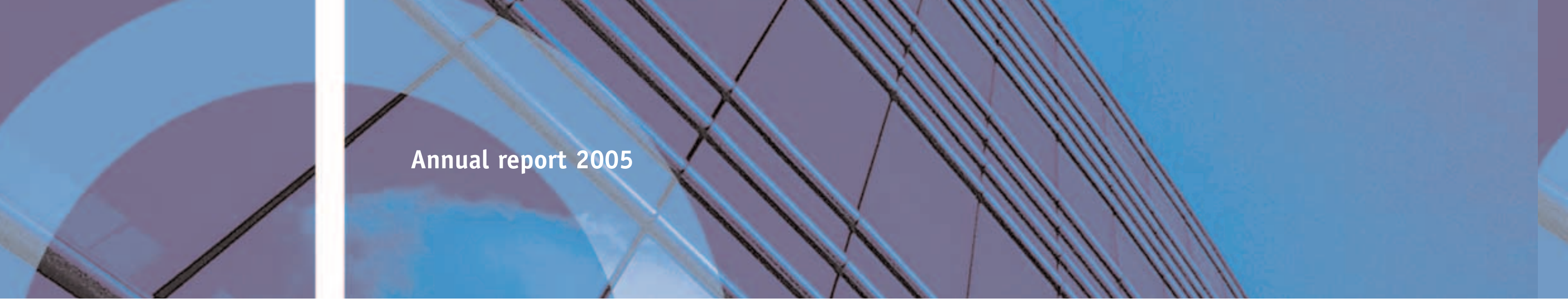
Financial, administrative and legal services are outsourced.

The work of the Board of Directors

The Board of Directors consists of four board members and two deputies.

In addition to the initial meeting of the board, meetings take place at least four times every calendar year. During 2005, ten meetings were held, one of which took place in St. Petersburg and nine in Stockholm. The work of the Board of Directors was primarily focused on the continued development of the Company and decisions regarding property investments.

The work of the Board of Directors and the allocation of responsibilities between the Board of Directors and the Managing Director are governed by procedural rules, which are updated annually.



Pursuant to the Swedish Financial Supervisory Authority's general definition of conflicts of interest, in 2005 Peter Elam Håkansson, as a fund manager at East Capital, was required to resign from all directorships in companies in which the fund invests, including Ruric. Peter remains, however, on the Company's investment committee. At the Annual General Meeting on 9 March, Göran Blomgren was elected as a member of Ruric's board but subsequently resigned for personal reasons.

Investments

- At the end of 2004, three investments had been made:
- Nevsky Prospekt 11 (part of building)
- Fontanka nab. 13
- Ul. Dostoyevskogo 19/21 (50% shareholding in company, with an option to acquire the outstanding share)

During 2005,three additional investments have been carried out:

- 9-aya Vasilieostrovskaya Linia 34
- Sredny Prospekt 36/40
- Apraksin Dvor 15716/33 (65.472% shareholding with an option to acquire the outstanding share, in a company which, through subsidiaries, owns development rights and right of use to this property in the centre of St. Petersburg)

Thus, at the end of 2005 the portfolio consisted of six properties, with a total acquisition sum of approx. SEK 230 million invested directly or through shareholdings in companies.

Renovation work amounted to almost SEK 70 million in 2005.

The total area of this property portfolio will, upon conclusion of the conversion and renovation work, amount to approx. 32,000 sq.m., of which approx. 28,000 sq.m. is expected to be lettable area. In the event of any acquisition of the outstanding ownership stakes in the partly-owned companies, the areas will be approx. 42,000 sq.m. and approx. 37,000 sq.m. respectively.

The Swedish subsidiary, Russian Real Estate Investment Company Pyat AB, owns the Group's share (65.472%) in the Cypriot company whose two Russian subsidiaries own the Apraksn Dvor property.

Profit trend

During its second financial year, the Company has strengthened its organization, carried out acquisitions and commenced renovations and partial letting.

The total anticipated lettable area amounts to 28,000 sq.m. At the end of the year, 3,104 sq.m. was completed, which was fully let. Rental revenues during the period amounted to SEK 10,4 million and relate to office space at Nevsky Prospekt 11, retail premises in the partially completed building at Sredny Prospekt 36/40, as well as office premises at ul. Dostoyevskogo 19/21.

At the end of the period, other buildings underwent renovation and conversion work and as yet do not contain any lettable space.

Therefore, for 2005 the Group reports negative operating income of SEK –10.5 (–3.4) million. Net financial items amounted to SEK –3.9 (0.9) million. Profit/loss after tax for 2005 amounted to SEK –16.8 (–2.0) million. The result for the year was affected by SEK 5.7 (–2.0) million due to exchange rate differences.

Financial position and liquidity

During the second quarter of 2005, the Company raised SEK 226 million through a debenture issue, in order to render possible further acquisitions and development.

During the year, SEK 7.3 million was transferred to the branch office in St. Petersburg for operating expenses.

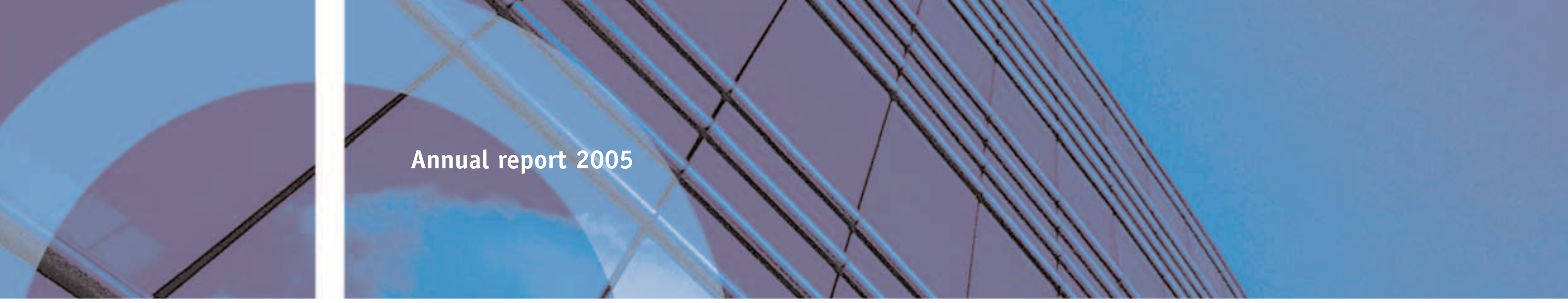
At the end of the year, the Group had SEK 152.4 (177.0) million in liquid funds.

Events after the end of the financial year

In March 2006, the Company was prsented with the opportunity, in a bidding process, to acquire a property in central St. Petersburg which, in the event of acquisition and subsequent coversion and extension, would add additional space to the Company that far exceeds the current portfolio. Final negotiations were commenced regarding the investment agreement which defines the rights (development and rights of use which subsequently convert into freehold title) and undertakings (relocation of current operations) that an acquisition entails. Acqisition of rights to the property, as well as relocation costs, are expected to amount to approx. SEK 500 million. Conversion and extension of the property are expected to amount to at least SEK 1,000 million and to take 2–3 years. The scale of the property, both current area and potential expansion, is thus extremely large and an acquisition is conditional on the Company raising new financing.

At a meeting held on 10 March 2006, the Board of Directors decided to convene an extraordinary meeting of the shareholders on 27 March 2006, at which resolutions would be adopted that:

- the Board of Directors be authorised, during the period up to the 2006 Annual General Meeting, to adopt resolutions regarding new issues of shares and warrants (in total not more than 2,500,000 new shares, to be subscribed for pursuant to the warrants);



– the Company be able, on one or more occasions, to take up loans not exceeding a total amount of SEK 700,000,000 and that the Board of Directors be authorised to resolve that the Company take up loans in the form of debentures, loans or other forms of debt instruments on terms that the Board of Directors considers to represent market terms at any given time;
– until the close of the 2006 Annual General Meeting, the Board of Directors shall consist of five members and that Jens Engwall and Gert Tiivas be elected as ordinary members of the Board of Directors.

At a meeting held on 10 April 2006, the Board of Directors resolved, pursuant to authorisation granted by the extraordinary meeting of the shareholders, on a new issue of shares and warrants and the taking up of loans.

Future development

It is expected that St. Petersburg will continue to show a positive development in many respects, through its geographical location and its role as the second largest city in Russia. Of course, this depends on the overall economic development and the political situation in the country as a whole.

In 2005, several foreign and Russian property investors increased their activity level in the city and thus competition for attractive investment properties has increased. Domestic capital appears to be turning to the property market to an increasing extent.

Renovated/converted office space is continually being made available but, due to the low starting point, for a number of years the total portfolio will still be small relative to the city's population, compared with the typical situation in other large cities.

Of a total office area at the beginning of 2005 of approx. 3 million sq.m., only approx. 800,000 sq.m. consisted of office premises of any good standard. 5% (approx. 40,000 sq.m.) of these 800,00 sq.m. consisted of class A (modern western standard, often offering a full range of office services) and almost 30% (230,000 sq.m.) were of class B (acceptable standard). The smaller modern premises and less atractive locations, class C, accounted for approx. 65% (540,000 sq.m.). At the end of 2005, classes A, B and C were estimated to comprise an area of approx. 940,000 sq.m., of which most of the additional area consisted of class B (often through upgrading of class C premises).

Given the not entirely transparent market, it is difficult to quantify in detail available space, demand, letting rate, rental levels and increase in value for commerical premises in the city. It is, however, our assessment that the property market in the centre of the city during the coming 2–3 years will be characterised by a continued imbalance between demand and supply as regards high class office and retail premises.

The strategy remains in place and our current property portfolio has formed a solid basis for achieving the Company's goals.

As a result of implemented acquisitions and renovation commitments in respect thereof, the Company's capital is almost fully invested. Negotiations are currently underway regarding new acquisitions and thus further capital is required in order to take advantage of these new investment opportunities. It is the opinion of executive managment that Ruric will be able to operate successfully in this environment. The goal is that such acquisitions generate a yield (rental income less operating costs in relation to investment) of not less than 15%.

The parent company

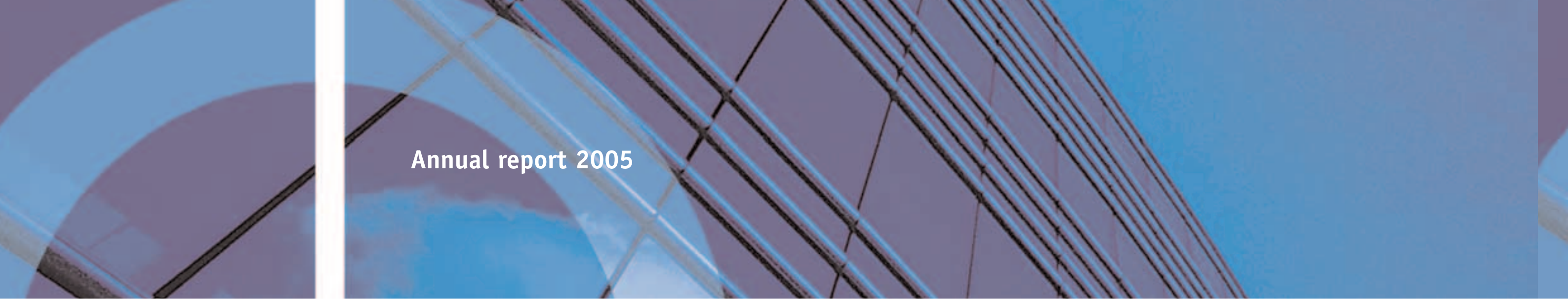
Operating profit/loss for the parent company (which includes the branch office in St. Peterburg) was SEK –14.9 (–2.2) million. Profit/loss after tax was SEK 3.4 (–1.99) million. Exchange rate differences of SEK 16.6 (–3.4) million have been reported in the income statement.

The parent company owns the Group's stake (50%) in the company that owns the property at ul. Dostoyevskogo 19/21.

Liquid funds in the parent company amounted to SEK 170.9 million as of December 31.

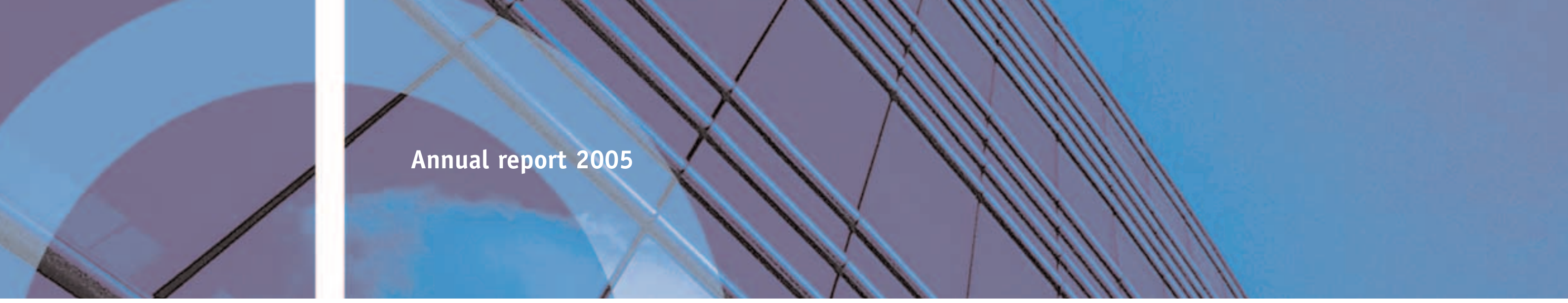
Proposed alllocation of loss

Net loss for the year, SEK 3,439,487
The Board of Directors proposes that the accumulated loss of SEK 12,768,964 be carried forward.
The Group's accumulated loss amounts to TSEK 18,858.



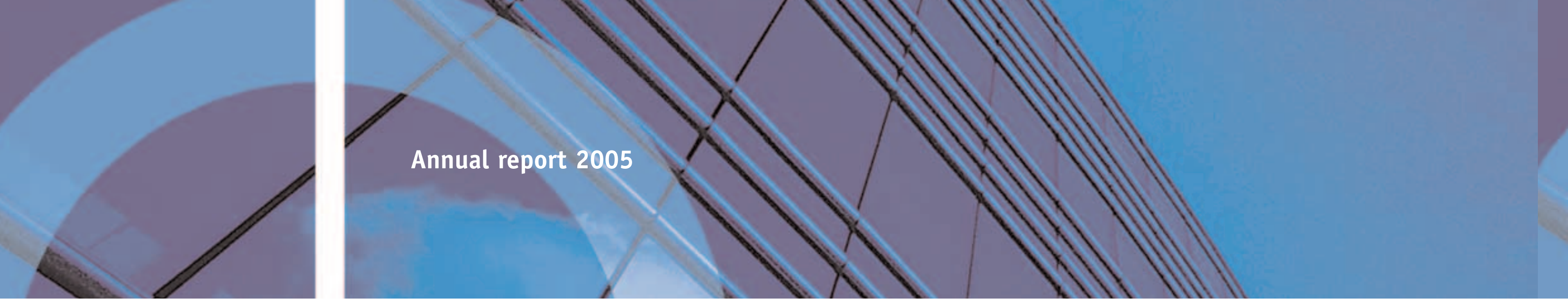
The Group’s income statement

	Note	2005-01-01 – 2005-12-31	2004-01-20 – 2004-12-31
Rental revenues	1	10,426	23
Property expenses		–17,224	–2,749
Operational result		**–6,798**	**–2,726**
Central administration	5	–2,440	–539
Personnel expenses	3,4	–998	–148
Depreciation of tangible assets	11	–236	–5
		–3,674	**–692**
Operating profit/loss	1,2,6	**–10,472**	**–3,418**
Profit/loss from financial investments			
Profit/loss from interests in Group companies		–1,094	–
Other interest income and similar profit/loss items	8	4,119	2,975
Interest expenses and similar profit/loss items	6,9	–6,943	–2,026
		–3,917	**949**
Profit/loss before tax		**–14,389**	**–2,469**
Tax on profit/loss for the year	10	–1,437	506
Minority’s share of profit/loss for the year		–990	–
Profit/loss for the year		**–16,817**	**–1,963**
Profit per share before dilution		–6.73	–0.79
Profit per share after dilution		–6.73	–0.79

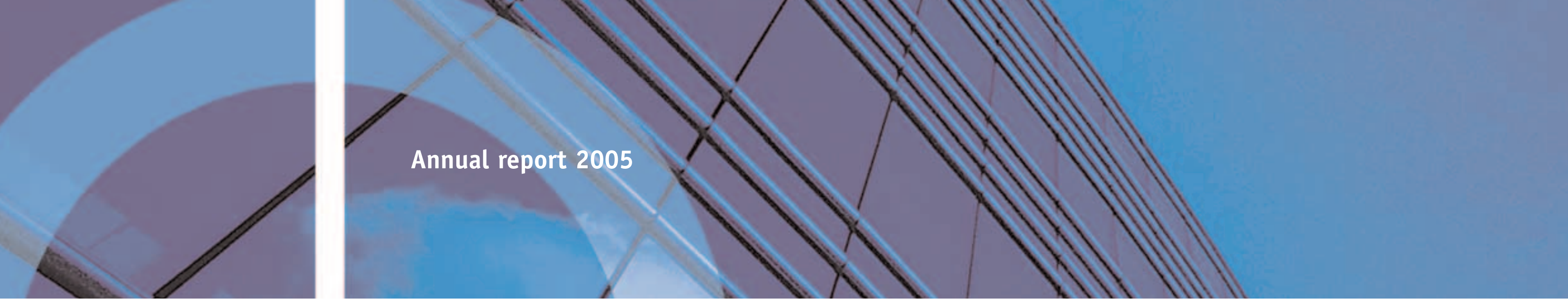


The Group's balance sheet

	Note	05-12-31	04-12-31
ASSETS			
Fixed assets			
Tangible assets	11		
Equipment, tools and facilities		2,289	58
Rebuilding in progress		281,190	22,443
		283,479	**22,501**
Financial assets			
Other long-term securities	12,14	–	18,268
Other long-term receivables	12	19,671	8,596
Deferred tax claims	10	663	729
		20,334	**27,593**
Total fixed assets		**303,813**	**50,094**
Current assets			
Current receivables			
Accounts receivable		117	–
Other receivables		5,793	11,743
Advances to suppliers		6,698	–
Prepaid expenses and accrued income	15	332	398
		12,939	**12,141**
Short-term investments		–	481
Cash and bank balances	16	152,448	176,991
Total current assets		**165,388**	**189,613**
TOTAL ASSETS		**469,200**	**239,707**

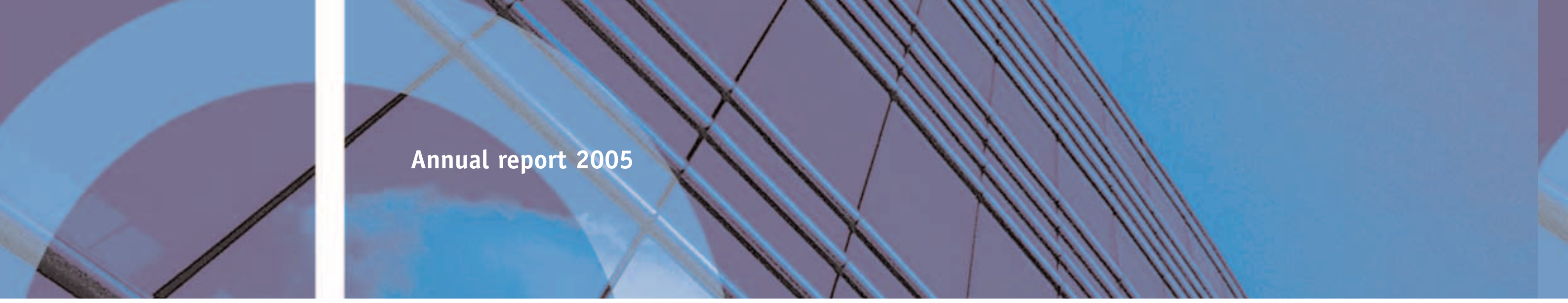


	Note	05-12-31	04-12-31
EQUITY & LIABILITIES			
Equity	17		
Restricted equity			
Share capital (2,500,000 shares)		5,000	5,000
Restricted reserves		236,000	236,000
		241,000	**241,000**
Accumulated deficit			
Non-restricted equity		–2,041	–78
Net loss for the year		–16,817	–1,963
		–18,858	**–2,041**
Total equity		**222,142**	**238,959**
Long-term liabilities			
Debenture loan	18	236,845	–
Other long-term liabilities		1,437	–
Total long-term liabilities		**238,282**	**–**
Current liabilities			
Accounts payable		4,160	35
Tax liabilities		850	223
Other liabilities	19	671	244
Accrued expenses and prepaid income	20	3,095	246
Total current liabilities		**8,776**	**748**
TOTAL EQUITY & LIABILITIES		**469,200**	**239,707**
Pledged assets	21	7,952	None
Contingent liabilities		None	None



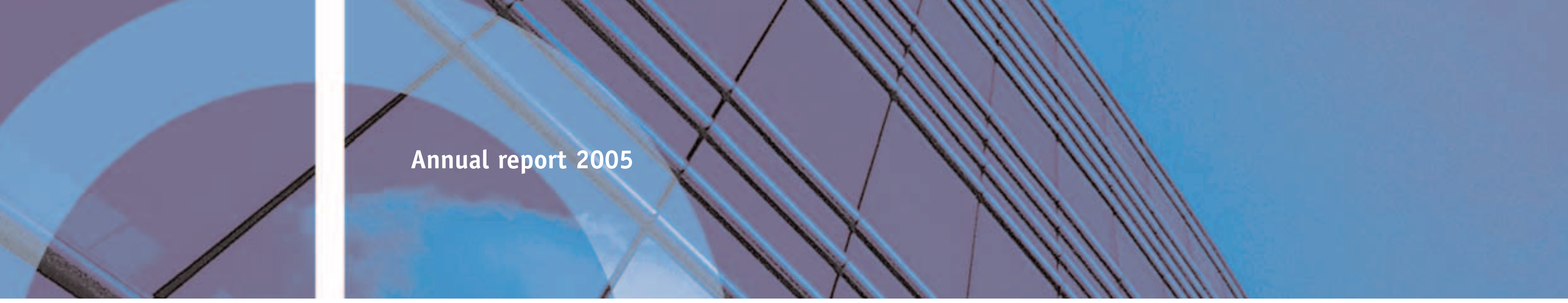
The Group's cash flow statement

	2005-01-01 – 2005-12-31	2004-01-20 – 2004-12-31
Operating activities		
Profit/loss after financial items	–14,389	–2,469
Adjustments for items not affecting cash flow		
Depreciation	236	5
Exchange-rate differences	–5,707	1,928
Capitalised interest expenses	5,579	–
Profit/loss from interests in Group companies	1,094	–
Paid tax	–810	–
Cash flow from opearting activities before changes in working capital	**–13,997**	**–536**
Change in working capital		
Increase in receivables	1,561	–12,121
Increase in accounts payable	2,413	35
Increase in other current operating liabilities	6,969	490
Cash flow from operating acitivities	**–3,054**	**–12,132**
Investing activities		
Acquisition of subsidiaries	279	–
Acquisition of associated companies	–	–18,268
Acquisition of tangible assets	–248,674	–22,506
Investments in other financial assets	–1,337	–10,622
Increase in short-term investments	481	–481
Cash flow from investing activities	**–249,251**	**–51,877**
Financing activities		
Share issue	–	241,000
Change in long-debt loan debts	227,762	–
Cash flow from financing activities	**227,762**	**241,000**
Cash flow for the year	**–24,543**	**176,991**
Liquid assets at the start of the period	**176,991**	**–**
Liquid assets at the end of the period	**152,448**	**176,991**



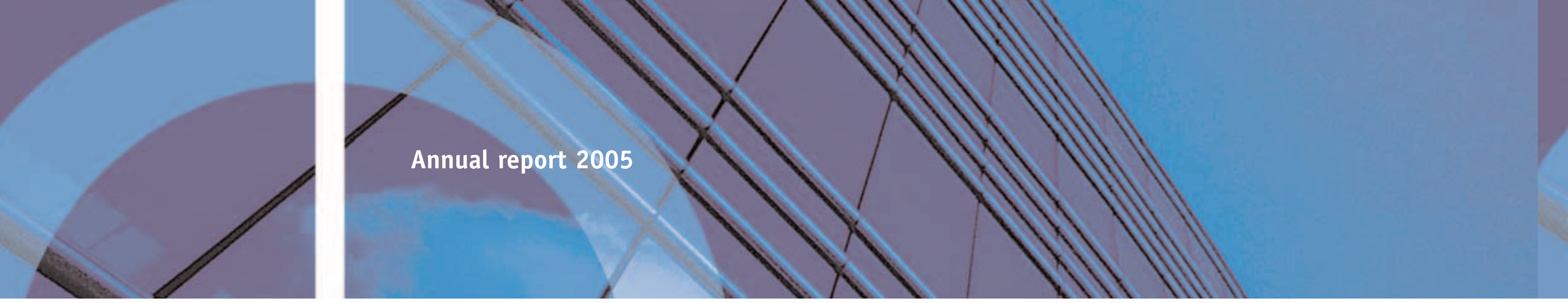
The parent company's income statement

	Note	2005-01-01–2005-12-31	2004-01-20–2004-12-31
Rental revenues	1	–	–
Property expenses		–11,789	–1,718
Operational result		**–11,789**	**–1,718**
Central administration	5	–1,953	–285
Personnel expenses	3,4	–994	–144,2
Depreciation of tangible assets	11	–135	–5
		–3,082	**–435**
Operating profit/loss	1,2,6	**–14,872**	**–2,153**
Profit/loss from financial investments			
Profit/loss from participations in Group companies	7	–	–235
Other interest income and similar profit/loss items	8	12,547	3,223
Interest expenses and similar profit/loss items	6,9	–1,114	–3,442
		11,433	**–454**
Profit/loss before tax		**–3,439**	**–2,607**
Tax on profit for the year	10	–	663
Net profit/loss for the year		**–3,439**	**–1,944**
Loss per share before dilution		–1.38	–0.78
Loss per share after dilution		–1.38	–0.78

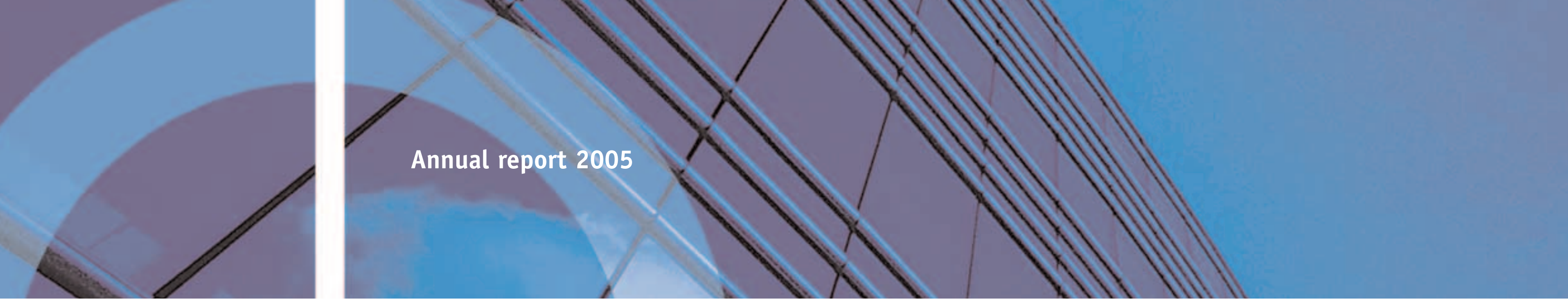


The parent company's balance sheet

	Note	2005-12-31	2004-12-31
ASSETS			
Fixed assets			
Tangible assets	11		
Equipment, tools and installations		339	58
		339	**58**
Financial assets			
Participations in Group companies	12,13	19,127	400
Claim on Group companies		317,410	39,757
Other long-term securities	12,14	–	18,268
Other long-term receivables	12	–	8,596
Deferred tax asset	10	663	663
		337,200	**67,684**
Total fixed assets		**337,540**	**67,742**
Current assets			
Short-term receivables			
Claims on Group companies		–	562
Other receivables		–	201
Prepaid expenses and accrued income	15	124	184
		124	**947**
Cash and bank balances	16	131,059	170,883
Total current assets		**131,183**	**171,830**
TOTAL ASSETS		**468,723**	**239,572**

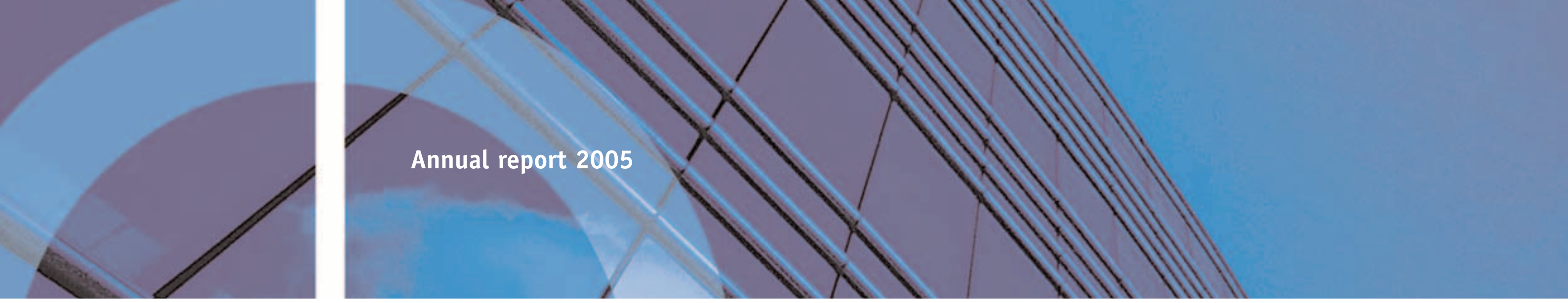


	Note	2005-12-31	2004-12-31
EQUITY & LIABILITIES			
Equity	17		
Restricted equity			
Share capital (2,500,000 shares with nominal value SEK 2)		5,000	5,000
Share premium reserve		236,000	236,000
		241,000	**241,000**
Accumulated deficit			
Loss brought forward		–9,329	–
Net loss for the year		–3,439	–1,944
		–12,769	**–1,944**
Total equity		**228,231**	**239,056**
Long-term liabilities			
Debenture loan	18	236,845	–
Total long-term liabilities		**236,845**	**–**
Current liabilites			
Accounts payable		1,725	35
Loans to Group companies		–	235
Other liabilities	19	412	46
Accrued expenses and prepaid income	20	1,510	200
Total current liabilities		**3,646**	**516**
TOTAL EQUITY AND LIABILITIES		**468,723**	**239,572**
Pledged assets		None	None
Contingent liabilities		None	None



The parent company's cash flow statement

	2005-01-01 – 2005-12-31	2004-01-20 – 2004-12-31
Operating activities		
Profit/loss after financial items	–3,439	–2,607
Adjustments for items not affecting cash flow		
Depreciation	135	5
Write-down of shares in subsidiaries		235
Exchange rate effects	–16,578	3,442
Capitalised interest income and interest expenses	1,824	
Cash flow from opearting activities before changes in working capital	**–18,058**	**1,075**
Change in working capital		
Increase in accounts payable	1,675	35
Increase in other operating receivables	823	–359
Increase in other operating liabilities	1,454	481
Cash flow from operating acitivities	**–14,106**	**1,232**
Investing activities		
Investments in Group companies	–459	–635
Investments in associated companies	–	–18,268
Investments in other financial assets	–251,168	–52,383
Acquisition of tangible assets	–416	–63
Cash flow from investing activities	**–252,043**	**–71,349**
Financing activities		
Share issue	–	241,000
Change in long-term loan debts	226,325	–
Cash flow from financing activities	**226,325**	**241,000**
Cash flow for the year	**–39,824**	**170,883**
Liquid assets at the start of the period	**170,883**	**–**
Liquid assets at the end of the period	**131,059**	**170,883**



Notes

Accounting and valuing policies

General

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and the guidelines issued by the Swedish Accounting Standards Board and recommendations issued by the Swedish Financial Accounting Standards Council in applicable parts in accordance with the description of the Company's valuation principles below.

Consolidated accounts

The consolidated accounts comprise the parent company and companies in which the parent company directly or indirectly has a holding of more than 50% or over which the parent company otherwise exercises a controlling influence in accordance with Chapter 1, section 4 of the Annual Reports Act.

The Company applies the acquisition method in consolidated accounting. This means that assets and liabilities in acquired subsidiaries have been reported at the market value that has provided the basis for determination of the purchase price for 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 the acquisitions.

The minority's share of the profit after tax is reported as a minority interest.

All foreign operations (branch and foreign subsidiaries) have been classified as integrated. The income statements have been converted to the average exchange rate for the period in which the companies have been active. Monetary items in the balance sheet have been converted at the balance sheet date rate of exchange whereas non-monetary items have been converted at the rate of exchange at the time of purchase. The translation difference that arises has been reported in the Group's income statement.

Valuing policies

Revenues

Revenues are accounted for to the extent it is probable that the financial benefits will be incorporated in the Group and the revenues can be reliably estimated.

Interest income is reported when earned.

Rental revenues are reported linearly in accordance with the conditions stated in the lease agreements.

Loan Costs

Loan costs are reported in accordance with the alternative principle set forth in the Swedish Financial Accounting Standards Council's Recommendation RR 21, i.e. loan expenses that are directly attributable to the acquisition construction or production of an asset which necessarily takes a consdierable time to prepare for the intended use shall be included in the acquisition value of the asset.

Receivables

Receivables have been stated at the nominal value or the amount expected to be received, whichever is lower.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been converted at the balance sheet date rate of exchange. Exchange rate profits and losses on operating receivables and liabilities are incorporated in the operating profit. Profits and losses on financial receivables and liabilities are reported as financial items.

Tangible assets

Tangible assets are reported at acquisition value less accumulated depreciation and any write-downs. A straight-line depreciation method is used over their estimated useful life as follows:

Equipment, tools and facilities	3–5 years
Property	100 years

Taxes including deferred tax

Deferred tax is reported according to the balance sheet method. This means that deferred tax is calculated for all identified temporary differences, as of the balance sheet date, between values for tax purposes and book values of assets and liabilities, respectively.

Deferred tax assets are accounted for in terms of all temporary differences and unutilized losses carried forward to the extent it is probable that future profits subject to tax will be available, against which the temporary differences or unutilized loss carry-forward can be set off.

The reported values of the deferred tax assets are estimated at each balance sheet date and reduced to the extent it is no longer probable that sufficient profit subject to tax will be available in order to use the whole or parts of the deferred tax assets.

Deferred tax assets and tax liabilities are calculated on the basis of the tax rates that can be expected to be valid in the period when the receivables and liabilities are settled, based on those tax rates (and tax regulations) that are valid, or in practice are valid, on the balance sheet date.

Note 1 Segment information

The Group

Rental revenues and operating profit/loss are distributed over geographical markets as follows:

	2005		2004	
	Net revenues	Operating profit	Net revenues	Operating profit
Sweden	–	–9,161	–	–778
Russia (including branch)	10,426	2,363	23	–1,948
Total	10,426	–6,798	23	–2,726

Note 2 Purchases and sales between Group companies

Of the year's purchases, 0 is referable to other Group companies.

Note 3 Average number of employees

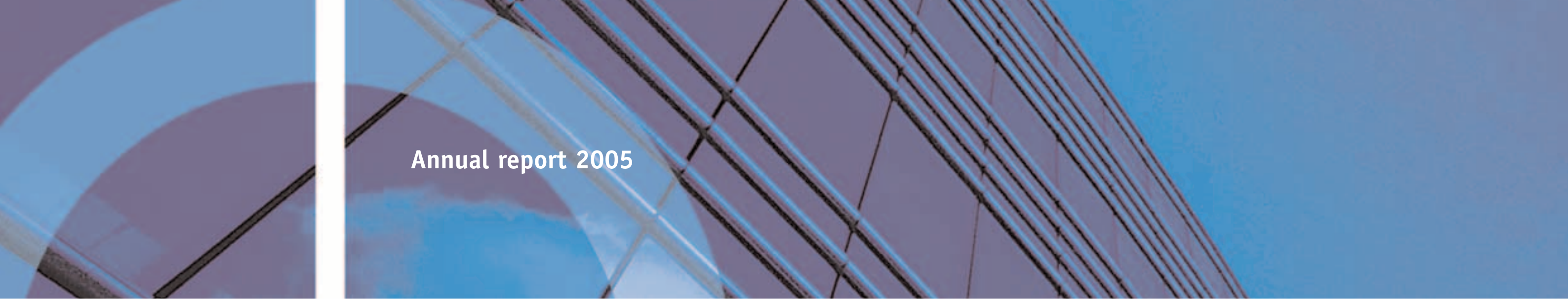
	2005		2004	
	Number of employees	Of which men	Number of employees	Of which men
The parent company				
Sweden	1	1	0.1	100%
Russia (branch)	8	4	4.1	62%
Total parent company	9	5	4.2	63%
Subsidiaries				
Russia	0	0	0.0	n/a
Group, total	9	5	4.2	63%

Note 4 Salaries, other remuneration and social security costs

	2005		2004	
	Salaries and other remunerations	Social security costs (of which pension expenses)	Salaries and other remunerations	Social security costs (of which pension expenses)
The parent company	4,475	1,229	623	90
		(281)		(53)
Subsidiaries	–	–	15	6
				(0)
Group, total	4,475	1,229	638	96

Salaries and other remuneration distributed per country and between board members among others and employees

	2005		2004	
	Board of Directors and Managing Director (of which bonus and the like)	Other employees	Board of Directors and Managing Director (of which bonus and the like)	Other employees
The parent company				
Sweden	2,355	–	69	–
			(–)	
Russia (branch)	–	2,120	–	554
	2,355	2,120	69	554
Foreign subsidiaries				
Russia	–	–	–	15
			(–)	
	–	0	–	15
Group, total	2,355	2,120	69	569



Note 4 Salaries, other remuneration and social security costs, cont.

	Basic salary/fee for the Board	Bonus	Pension expenses	Basic salary/fee for the Board	Pension expenses
Chairman of the Board	100		–	–	–
Other board members	200		–	–	–
Managing Director	1,035	855	281	60	12
Other senior management (1 person)	516		–	331	24
Total	1,851	855	281	391	36

Remuneration to the Board amounts to TSEK 300 to be distributed amongst the board members.

The Managing Director receives a fixed salary of SEK 1,140 since 1 April 2005. In addition to fixed salary, the Managing Director receives a performance-based variable salary not exceeding 75% of the fixed salary. In 2005, a bonus was paid in the amount of SEK 855. The Managing Director is entitled to an allotment, free of charge, of 81,000 warrants, conditional on a resolution which is to be adopted by the Annual General Meeing on 2 May 2006.

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

The Company shall make annual pension provisions for the Managing Director corresponding to 25 per cent of the Managing Director's fixed salary. The retirement age for the Managing Director is 65. Where the Managing Director is in service at the age of 60, the Managing Director or the Company shall be entitled to terminate the service, whereupon retirement pension shall be payable in the amount of 70 per cent of the most recent annual salary. Such pension shall be payable until the ordinary retirement age is reached.

Note 5 Information about the auditor's fees

	The Group		The parent company	
	2005	2004	2005	2004
Ernst & Young AB				
Accounting assignments	226	73	226	73
Other assignments	–	37	–	37
Total	226	110	226	110
Övriga revisionsbolag				
Accounting assignments	144	–	–	–
Other assignments	–	–	–	–
Total	144	–	–	–

Note 6 Exchange rate differences

	The Group		The parent company	
	2005	2004	2005	2004
Exchange rate profits	26 239	1 573	16 917	1
Exchange rate losses	–20 532	–3 579	–339	–3 443
Total	5 707	–2 006	16 578	–3 442

In the above, currency losses have been reported with constitute translation differences relating to monetary assets in the amount of SEK –5,109 with respect to the Group and TSEK –307 for the parent company (the branch).

Note 7 Income from participations in Group companies

	The Group		The parent company	
	2005	2004	2005	2004
Writedown due to additional funding	–	–	–	−235
Writedown, minority share claim	−1,094	–	–	–
Total	−1,094	0	0	−235

Note 8 Other interest income and similar profit/loss items

	The Group		The parent company	
	2005	2004	2005	2004
Interest income	4,119	2,975	12,547	3,223
Total	4,119	2,975	12,547	3,223

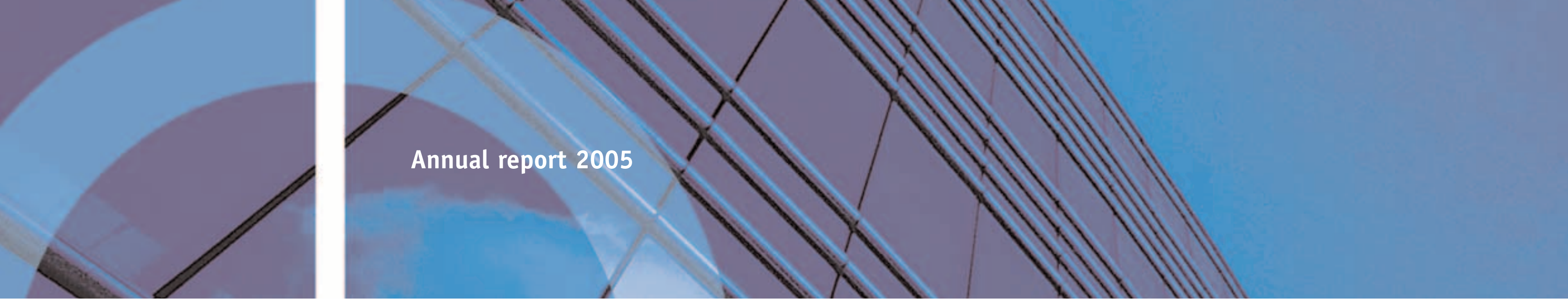
Note 9 Other interest expenses and similar profit/loss items

	The Group		The parent company	
	2005	2004	2005	2004
Interest expenses	−5,797	−20	−10,523	–
Costs in connection with taking up of debenture loan	−5,658	–	−5,658	–
Other financial expenses	−1,195	–	−1,511	–
Exchange rate differences	5,707	−2,006	16,578	−3,442
Total	−6,943	−2,026	−1,114	−3,442

Note 10 Tax on profit for the year

	The Group		The parent company	
	2005	2004	2005	2004
Actual tax cost	−1,189	−223	–	–
Deferred tax	−248	729	–	663
Reported tax cost	−1,437	506	–	663

The current tax rate for the group is 26.5% and 28% for the parent company.
Deferred tax receivables relating to the deficit in 2005 have not been taken into consideration.



Note 11 Tangible assets

Equipment, tools and installations

	The Group		The parent company	
	2005	2004	2005	2004
Opening acquisition value	63	–	63	–
Investments	416	63	416	63
Opening acquisition value from acquisitions	88	–	–	–
Other changes	2,197	–		–
Closing accumulated acquisition value	2,764	63	479	63
Opening depreciation	–5	–	–5	–
Opening accumulated depreciation from acquisitions	–52	–		–
Depreciation for the year	–196	–5	–135	–5
Other changes	–223	–	–	–
Closing accumulated depreciation	–475	–5	–140	–5
Closing residual value according to plan	2,289	58	339	58

Ongoing property projects

	The Group		The parent company	
	2005	2004	2005	2004
Opening acquisition value	22,443	–	–	–
Acquisitions via subsidiaries	12,530	–	–	–
Investments	246,257	22,443	–	–
Closing accumulated acquisition value	281,230	22,443	–	–
Opening depreciation	–	–	–	–
Depreciation for the year	–40	–	–	–
Closing accumulated depreciation	–40	0	0	0
Closing residual value according to plan	281,190	22,443	–	–

Prepared and let premises are depeciated for accounting purposes at a rate of 1 percent. Ongoing property projects which are not yet mainly completed and let, are not depreciated.

The loan costs have been capitalised as ongoing property projects, in accordance with the alternative principles in the Swedish Financial Standards Council's Recommendation 21.

The total loan costs which are included in the acquisition value during the reporting period amounts to TSEK 4,943, and totally to TSEK 5,372 including balanced loan costs from 2004.

The rates of interest that are used to determine the amount for loan costs are 5 and 7 percent respectively.

Advances to property owners, amounting to TSEK 9,663, where binding purchase agreements have been signed after the balance day, are reported as ongoing property projects as per the balance sheet date.

Note 12 Financial assets

Participations in subsidiaries

	The parent company 2005	The parent company 2004
Opening acquisition value	635	–
Reclassification[1)]	18 268	–
Investments	459	635
Closing accumulated acquisition value	19 362	635
Opening depreciation	–235	–
Depreciation for the year	–	–235
Closing accumulated depreciation	–235	–235
Closing book value	19 127	400

1) Subsidiaries which were previously reported as affiliated companies, where during 2005 a controlling interest has resulted in the company currently being reported as a group company

Other long-term securities holdings

	The Group 2005	The Group 2004	The parent company 2005	The parent company 2004
Opening acquisition value	18,268	–	18,268	–
Reclassification[1)]	–18,268	–	–18,268	–
Investments	–	18,268	–	18,268
Closing accumulated acquisition value	–	18,268	–	18,268
Closing book value	–	18,268	–	18,268

1) Subsidiaries which were previously reported as affiliated companies, where during 2005 a controlling interest has resulted in the company currently being reported as a group company

Other long-term receivables

	The Group 2005	The Group 2004	The parent company 2005	The parent company 2004
Opening acquisition value	8,596	–	8,596	–
Claims against former affiliated companies that are currently group companies	–8,596	–	–8,596	–
Loan claims	1,743	–	–	–
Property VAT	17,928	8,596	–	8,596
Closing accumulated acquisition value	19,671	8,596	–	8,596
Closing book value	19,671	8,596	–	8,596

Note 13 Participations in Group companies

	Share of equity	Share of votes	Number of shares	Book value 05-12-31	Book value 04-12-31
Russian Real Estate Investment Company Sw 1 AB	100%	100%	1,000	100	100
Limited Liability Company Ruric 1	100%	100%	100,000	–	–
Limited Liability Company Ruric Management	100%	100%	1	159	–
Closed Joint-Stock Company Grifon	50%	50%	50	18,268	–
Russian Real Estate Investment Company DVA AB	100%	100%	100,000	100	100
Limited Liability Company Ruric 2	100%	100%	349,099	–	–
Russian Real Estate Investment Company TRI AB	100%	100%	100,000	100	100
Limited Liability Company Ruric 3	100%	100%	100	–	–
Russian Real Estate Investment Company Chetire AB	100%	100%	100,000	100	100
Limited Liability Company Ruric 4	100%	100%	1		
Russian Real Estate Investment Company Pyat AB	100%	100%	1,000	100	
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	100	
Russian Real Estate Investment Company Syem AB	100%	100%	1,000	100	
Toal				19,127	400

Information about the subsidiaries' corporation numbers/registered offices

	Corp/Reg no.	Reg. 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
Closed Joint-Stock Company Grifon1)	103 784 300 2834	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
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

1) Closed Joint-Stock Company Grifon was reported last year as a long-term securities holding (affiliated company), commencing 31 December 2005 the company is consolidated in the Group's accounts.

Note 14 Other long-term securities holdings

	Share of equity	Number of shares	Book value 05-12-31	Book value 04-12-31
Directly owned				
Closed Joint-Stock Company Grifon1)	50%	50	–	18,268

Information regarding the company's organisation number/registration number and registered office.

	Corp. no/Reg. no	Registered office
Closed Joint-Stock Company Grifon	103 784 300 2834	St Petersburg

1) Closed Joint-Stock Company Grifon was reported last year as a long-term securities holding (affiliated company), commencing 31 December 2005 the company is consolidated in the Group's accounts.

Note 15 Prepaid expenses and accrued income

	The Group		The parent company	
	2005	2004	2005	2004
Prepaid leasing fees	–	45	–	45
Accrued interest income	–	26	–	26
Other items	332	327	124	113
Total	332	398	124	184

Note 16 Liquid assets

	The Group		The parent company	
	2005	2004	2005	2004
Cash and bank balances	152,448	176,991	131,059	170,883
(of which blocked funds)	(7,952)	(–)	(–)	(–)

Note 17 Equity

The Group

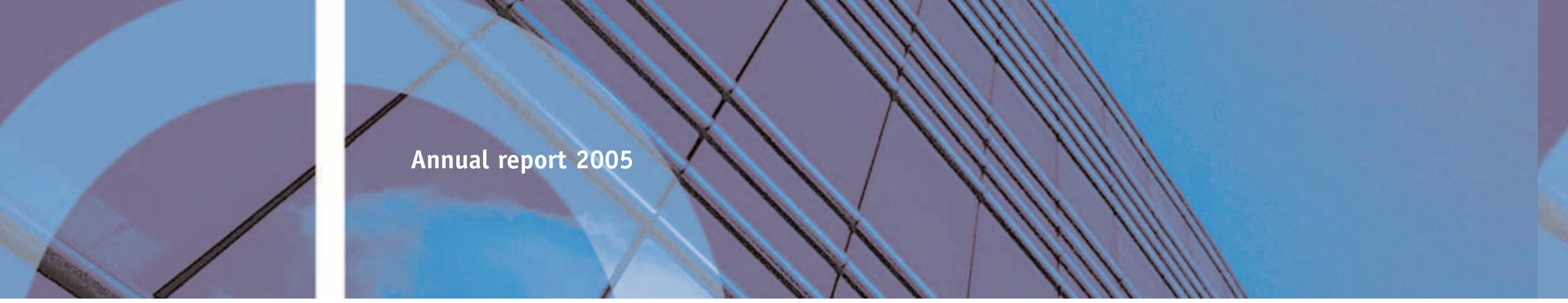
	Share capital	Restricted reserves	Non-restricted equity	Total equity
Equity, 20 January 2004	–	–	–	–
Exchange rate differences not reported in the income statement	–	–	–78	–78
Profit/loss for the year	–	–	–1,963	–1,963
New issue	5,000	245,000	–	250,000
Issue costs	–	–9,000	–	–9,000
Equity, 31 December 2004	5,000	236,000	–2,041	238,959
Equity, 1 January 2005	5,000	236,000	–2,041	238,959
Profit/loss for the year			–16,817	–16,817
Equity, 31 December 2005	5,000	236,000	–18,858	222,142

Parent company

	Share capital	Restricted reserves	Non-restricted equity	Total equity
Equity, 20 January 2004	–	–	–	–
Profit/loss for the year	–	–	–1,944	–1,944
New issue	5,000	245,000	–	250,000
Issue costs	–	–9,000	–	–9,000
Equity, 31 December 2004	5,000	236,000	–1,944	239,056
Equity, 1 January 2005	5,000	236,000	–1,944	239,056
Group contributions provided	–	–	–7,386	–7,386
Profit/loss for the year	–	–	–3,439	–3,439
Equity, 31 December 2005	5,000	236,000	–12,769	228,231

Note 18 Debenture loan

In 2005, a debenture loan was issued and raised SEK 226 million for the company after issuance costs. The loan is to be repaid in 2008. Interest is not payable on the debentures during the first months and is subsequently payable at a rate of 9% during the following two years. Interest is paid annually in arrears, entailing that interest payments of SEK 22.5 million will take place for the first time on 27 April 2007 and the second time incon with the maturity date for the loan, 27 april 2008. The nominal amount of the debenture loan is SEK 250 million.



Note 19 Other liabilities

	The Group		The parent company	
	2005	2004	2005	2004
Liabilities regarding personnel	671	244	412	46
Total	671	244	412	46

Note 20 Accrued expenses and deferred income

	The Group		The parent company	
	2005	2004	2005	2004
Deferred rental income	1,585	–	–	–
Accrued personnel expenses	1,510	–	1,510	–
Other items	–	246	–	200
Total	3,095	246	1,510	200

Note 21 Security provided

	The Group		The parent company	
	2005	2004	2005	2004
Frozen funds	7,952	–	–	–
Total	7,952	–	–	–

Note 22 Transactions with closely-related parties

- E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, received during 2005 TSEK 5,658 in fees for advice in connection with and performance of acquisition of capital in the form of a debenture issue.
- E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, was offered the opportunity to subscribe for 52,000 warrants on market terms and conditions.
- Alex Dymov, the manager of the company's branch office in Russia, was assigned 20,500 warrants free of charge and has been offered the opportunity to subscribe for 20,500 warrants on market terms and conditions.
- Each warrant 2005/2007 shall entitle the holder to subscribed for one class B share in Ruric AB at a nominal value of SEK 2 and subscription for new shares in Ruric AB through the exercise of options can take place commencing 2 May 2007 up to and including 28 December 2007 at a subscription price (cash) of SEK 150 per share.

In addition, E. Öhman J:or Fondkommission AB, Corporate & Structured Finance, will be retained in 2006 to provide advice and assistance with the implementation of the debenture issue and share issue decided upon by the Extraordinary General Meeting of the Shareholders held on 27 March 2006 and which the Board of Directors has been authorised to carry out. The Board of Directors assesses the cost at SEK 12 million.

Stockholm, 10 April 2006

Nils Nilsson
Chairman of the Board

Tom Dinkelspiel

Risto Silander

Gert Tiivas

Jens Engwall

Thomas Zachariasson
Managing Director

My audit report was submitted on 10 April 2006

Björn Fernström
Authorised Public Accountant

Audit Report

To the annual meeting of the shareholders of Russian Real Estate Investment Company AB
Corporate identity number 556653-9705

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Russian Real Estate Investment Company AB for the year 2005. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

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

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 10 April 2006

Björn Fernström
Authorized Public Accountant

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RUssian Real estate Investment Company

www.ruric.com

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