

Interim Report

JANUARY – JUNE 2011

- Net turnover for the interim period amounted to SEK 20.3 m (16.6). For the second quarter the turnover amounted to SEK 9.7 m (8.6)
- The result after tax amounted to SEK -10.0 m (76.3). For the second quarter the result after tax amounted to SEK -9.5 m (113.6). In the comparative period a composition gain of SEK 117.4 m was recorded.
- Earnings per share amounted to SEK -0.10 (4.00) for the interim period and to -0.09 (4.23) for the second quarter.
- Book value of the properties amounts to SEK 648.6 m (669.1). The low liquidity in the market for real estate transactions still make assessments difficult.
- The Minister of Defence in Russia approved that the investment agreement regarding Moika /Glinky shall be amended, including the extension until December 31st 2014. The amendment is not yet signed. The negotiations on the terms are more difficult then expected.

Key Events

January

Extension of the investment agreement regarding Moika / Glinky is granted by the Minister of Defence

March

Reimbursement of construction VAT for buildings in Petrodvorets of approximately SEK 28.5 m was paid out in mid March.

May

One of the founders of Ruric, Nils Nilsson suddenly deceases in his home.

June

Two leases in Gustaf together 800 sq.m increase occupancy to 86 per cent for the business centres.

Description of Ruric AB

Business concept, overall goal and strategy

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

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

The strategy is to manage properties in the central parts of St. Petersburg. In addition to that, Ruric shall acquire properties and carry out value creating add on investments to attractive terms. Through professional management and tenant relationship commercial premises of the high class are offered to tenants that are looking for premises in attractive locations and are willing to pay for it. Ruric offers primarily office and retail space.

Real estate stock

Ruric owns, disposes of or has interests in six properties in central St Petersburg at the close of the period, of which three are completed, and in the other three, planning and design and/or renovation/rebuilding is ongoing (mainly completed in one of these properties), and a land plot outside the city centre. During the period, the real estate stock*) has developed as shown below:

	Q1	Q2
Opening balance	669.1	647.2
Acquisitions	0.0	0.0
Investments in investment properties	0.0	0.0
Investments in real estate projects	3,4	0,8
Divestments	0.0	0.0
Changes in value	23.9	0.0
Changes in exchange rates	-49.2	0.6
Closing balance	647.2	648.6

*) The table shows the investment property and the project properties

Acquisitions

No acquisitions have been carried out during the period.

Divestment

No divestments have been made during the interim period.

INVESTMENT PROPERTY

Changes in value

The Board of Directors have chosen to base the valuation per 30 June on Aurora's valuations as per 31 December 2010 and a second opinion assessment from Colliers from April. The assessment is that there are no value changes during the interim period. The dollar depreciation, however, gave a negative effect on the value in SEK in the first quarter.

The value of the investment property portfolio per 30 June 2011 amounts to SEK 201.9 m (217.4) which is equivalent to 14,000 SEK per lettable sqm.

Property	Lettable area	Operating income at full tenancy (6,3 SEK/USD)	External valuation 31 December 2010
R. Fontanki nab. 13 (Oscar)	2,976	8.1	62.5
9-ya V.O.i. 34 (Magnus)	6,463	9.3	71.9
Sredny Prospekt 36/40 (Gustaf)	4,943	9.5	67.5
Investment properties	14,382	26.9	201.9

DEVELOPMENT PROPERTY

The development portfolio consists of the property with address Moika 96-98/ul. Glinky 2, and the jointly-owned properties at Apraksin Dvor (65%) and on Fontanka 57 (50%). Ruric also owns 25% of a land plot of 132 hectares southwest of the city centre. The Moika / Glinky asset and Apraksin Dvor

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asset, which are both regulated in investment agreements, are recorded as Project properties, whereas the Fontanka 57 and land-plot are recorded as financial assets - shares and participations.

As for the investment properties the Board of Directors has based the valuation of the project properties and the properties recorded as participations as per 30 June on external valuations from 31 December 2010 and the second opinion from Colliers in April. In the second quarter no value changes are recorded.

During the second quarter SEK 0.8 m was invested in the property portfolio, mainly regarding Moika/Glinky project.

Apraksin Dvor:

The strategy to divest these two properties remains. However, Ruric and the partners are convinced that the value of the property is dramatically increased if legal ownership is first obtained. The project companies have claimed that the investment agreements are fulfilled and that legal ownership should be obtained. This process is ongoing and is expected to be completed before year-end.

After the end of the period renewed discussions have been held with a potential buyer to the assets, with the view to exit.

Fontanka 57:

The construction works with this astonishing building in the city centre of St Petersburg is on-going, with some delay. The financial difficulty for the project partner, Scorpio, is still a problem, and Ruric is now unilaterally financing the project, hence the delays. There are, however, investors who are actively looking into the possibility to purchase Scorpio's share and enter into partnership with Ruric.

Ruric and Scorpio have made amendments to the share holder's agreement to secure some benefits for Ruric who continues to finance the project. Ruric has invested approximately SEK 4.5 m this year and Scorpio nothing.

Moika/Glinky:

Ruric's project at Moika/ ul. Glinki is controlled through an investment agreement, which gives the right to develop and gradually own the property, but also consist of several obligations. Ruric has fulfilled all obligations possible at this stage, but the counter parties have not and thus caused a delay. This is why an extension of the investment agreement has been necessary. The minister of defence in Russia gave order that an amendment to the investment agreement is to be signed, including an extension until December 2014. The first amendment that has been presented to Ruric cannot be signed since it contains unacceptable formal clauses for Ruric. Furthermore, the Russian ministry of defence has not taken the necessary steps to fulfil its obligation to transfer the land plots. Ruric has made preparations to file the dispute in court if no solution has come in place in the near future.

After the notice of the extension order several investors, domestic and international, have shown strong interest in investing into the project. This means that Ruric is confident to be able to finish the project should the amendment and the transfer of the land plots come in place.

It should also be noted that the immediate area surrounding Moika/Glinki is undergoing redevelopment with the new Army/Navy museum nearing completion, Marinski 2 Theatre being well under construction (currently at 4th floor) and the sale of New Holland development to 'Millhouse', a UK based developer owned by Roman Abramovitch, with a 400 MUSD development budget, which is now being implemented. These projects, along with Moika/Glinki will transform the entire area into the Cultural Centre of St.Petersburg.

Land-Plot in Strelina:

The process of parcelling the land is well underway and is expected to be completed during the 3rd quarter this year. During the negotiations, Ruric has agreed to give up the rights according to the loan agreement in exchange for the ownership. This will most likely have a negative impact on income statement in the 3rd quarter.

The area has good road and rail communication as well as utilities such as water and electricity, and is deemed very attractive. Initial discussions have been held with potential buyers to the land.

There is no development conducted on the land plot.

Future prospects – Financing

The turn-around in the Russian economy has been steady, but not fast, at least not in the real estate sector. The Rouble has been stable to the US dollar, but has declined to SEK. The demand for office premises is slowly picking up, but increasing supply of new office buildings is holding back rental levels. The competition is high, but the city centre locations of Oscar, Magnus and Gustav will enhance their attractiveness.

At the end of the fourth quarter 2010 and in early 2011 we saw sign of improvements in Ruric's portfolio. Both in Oscar and Gustaf rent levels were raised to almost pre-crisis levels on average. For Ruric this means more than SEK 3 m more income on a yearly basis from March and onwards. Since the occupancy has gradually increased and thus also increased the contracted income.

Since the long wished-for extension of the investment agreement regarding Moika /Glinky finally was granted, the task of financing the project intensified. Several local and international investors are interested in the residential parts of the project. The delay and difficulties in closing the amendment is, however, a serious setback.

Ruric is also exploring other solutions to reach a long term financial stability.

COMMENTS ON THE FINANCIAL DEVELOPMENT

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 15.0 m (16.4) during the interim period and to SEK 7.6 m (7.8) for the second quarter.

The income from Apraksin Dvor amounted to SEK 3.6 m (0.0). All other properties do not have any lettable space as of yet.

The demand for premises has slowly increased. In June Ruric signed up an educational institution as tenant in Gustav for 650 sq.m. As per 30 June 14 per cent (26) of lettable space was vacant.

Real estate expenses

Direct real estate expenses and expenses for legal administration, marketing of premises, management fees etc. amounted to SEK -6.2 m (-6.4) for the interim period and to SEK -2.8 m (-3.9) for the second quarter.

Operating surplus

The operating surplus amounted to SEK 14.1 m (10.2) during the interim period and to SEK 6.9 m (4.7) for the second quarter.

Other operating expenses

Other operating expenses mainly referred to expenses for central administration that include expenses for group management as well as other central functions including personnel expenses. These expenses amounted to SEK -12.4 m (-12.4) during the interim period and to SEK -6.7 m (-5.7) for the second quarter. The higher expenses in the second quarter are mainly attributable to legal for the dispute with KUGI regarding Apraksin Dvor.

Operating result

The operating result for the interim period amounted to SEK 25.3 m (16.9). The improvement is attributable to both a higher operating surplus and to value changes. During the second quarter the operating result amounted to SEK 0.0 m (18.6). The difference is attributable to value changes in the comparative period.

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Net financial income/expense

Net financial income and expenses amounted to SEK -28.1 m (57.9) for the interim period. Results from participations are included with SEK -0.3 m (-9.8). The comparative period included a composition gain amounting to SEK 117.4 m.

Currency exchange rates have effected equity with SEK -52.8 m (39.0), due to the fact that the properties are valued in USD, while changes in exchange rates that impacted the income statement amounted to SEK -15.2 m (16.4).

Result after financial items

The result after financial items amounted to SEK -10.0 m (74.8) during the interim period and to SEK -9.5 m (110.1) for the second quarter.

Taxes

Tax expenses amounted to SEK -7.2 m (1.7) during the interim period and mainly relate to deferred taxes.

Cash flow, liquidity and financial position

The cash flow during the interim period amounted to SEK 17.6 m (-18.9), whereof SEK 21.8 m (-63.5) was from operating activities. Approximately SEK 28 m refers to reimbursement of construction VAT from construction in Petrodvorets which was paid out in March. The equity ratio amounted to 45.5 (49.5) percent at the end of the period. Equity amounted to SEK 490.1 m (552.9). Liquid funds amounted to SEK 68.8 m (51.2) and interest-bearing liabilities amounted to SEK 510.6 m (510.6).

Interest-bearing liabilities

Ruric's financing consist of a secured bond loan listed at OMX, amounting to SEK 510.6 m with maturity 16 November 2014. The bond has a coupon of 10 or 13 per cent, where Ruric may elect to pay 10 per cent in a cash coupon or elect to pay a 3 per cent cash coupon with a roll-up of 10 per cent, accumulated to the bond. The first coupon payment is payable first time on 16 November 2011.

Risk assessment

The risk factors that were presented in the annual report for 2010 are continuously assessed. After the company reorganization and the share issues previous year, Ruric has enough funds to complete its share of the Fontanka 57 project, but in order to continue development of the Moika / Glinky project further financing is required.

Exchange rate effects

Ruric's assets are valued in US dollars. Thus, when the dollar appreciates, the equity in SEK rises. All rents are paid in Russian roubles. Contracts however are mainly signed in US dollars but rouble contracts are becoming more common. Currency hedging is carried out only to a minor extent according to the finance policy.

Personnel and organisation

The Group had 23 employees at the end of the period, of which 21 are in the Russian subsidiary companies in St Petersburg, and 2 in the parent company (of which the CEO operates principally in St Petersburg).

The Parent Company

The Parent Company comprises the central management in Stockholm with overall responsibility for operational management as well as financing and reporting. The number of employees in the parent company amounts to 2 people at the end of the interim period.

The parent company's turnover for the year amounted to SEK 1.1 m (0.6). The result after financial items amounted to SEK -44.2 m (101.2). Liquid funds amounted to SEK 33.4 m (46.5) at the end of the period.

The share and the owners

The largest owner is Alecta Pensionsförsäkring. The Ruric series B-share is listed at First North on OMX Stockholmsbörsen. Erik Penser Bankaktiebolag is the certified advisor.

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Related party transactions

During the reporting period no related party transactions have occurred.

Events after the close of the period

No material events have occurred after the end of the period.

Accounting principles

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This interim report is prepared in accordance with IAS 34 Interim reporting. The updated standard IAS 1 has been applied in this interim report. The group adopts the same accounting principles as the latest annual report.

Future reporting dates

Interim Report January-September 2011
Year-End Report January-December 2011

24 November 2010
February 2011

For additional information

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This Interim Report has not been the subject of examination by the company's auditor.

Stockholm, 31 August 2011
Russian Real Estate Investment Company AB (publ)

The Board of Directors

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

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Consolidated income statement SEK m	Apr-June 2011	Apr-June 2010	Jan-June 2011	Jan-June 2010	Jan-Dec 2010
Rental income	9.7	8.6	20.3	16.6	36.3
Real estate expenses	-2.8	-3.9	-6.2	-6.4	-14.0
Operating surplus	6.9	4.7	14.1	10.2	22.3
Depreciation of equipment	-0.2	-0.2	-0.3	-0.3	-0.6
Other operating expenses	-6.7	-5.3	-12.4	-12.4	-27.9
Changes in value real estate	0.0	19.4	23.9	19.4	62.2
Impairment	0.0	0.0	0.0	0.0	-4.1
Operating profit/loss	0.0	18.6	25.3	16.9	51.9
Profit participation	0.0	-8.8	-0.3	-9.8	-38.2
Financial income	3.5	127.1	6.6	131.3	133.6
Financial expenses	-11.7	-26.8	-34.4	-63.6	-103.0
Profit/loss after financial items	-8.2	110.1	-2.8	74.8	44.3
Taxes	-1.3	3.5	-7.2	1.5	3.1
Profit/loss after tax	-9.5	113.6	-10.0	76.3	47.4
Currency translation differences	-2.6	31.4	-52.8	39.0	-44.8
Total result	-12.1	145.0	-62.8	115.3	2.6
Earnings per share. SEK	-0.09	4.23	-0.10	4.00	0.76
Earnings per share incl. dilution. SEK	n.a	4.23	n.a	4.00	0.76
Number of shares at the close of the period	104,148,555	104,148,555	104,148,555	104,148,555	104,148,555
Average number of shares	104,148,555	26,827,339	104,148,555	19,095,218	62,204,443
Average number of shares. incl. dilution	104,148,555	26,827,339	104,148,555	19,095,218	62,204,443

Consolidated balance sheet MSEK		30-06-2011	30-06-2010	31-12-2010
Fixed assets				
Investment property		201.9	223.8	217.4
Real estate projects		446.7	450.9	451.7
Equipment		5.4	5.7	5.5
Shares and participations		110.6	137.4	110.9
Deferred tax claims		17.7	24.6	21.6
Other long-term receivables		156.7	242.1	166.3
Total fixed assets		939.0	1,084.5	973.4
Current assets				
Current receivables		70.1	93.5	93.2
Liquid funds		68.8	38.4	51.2
Total current assets		138.9	131.9	144.4
TOTAL ASSETS		1,077.9	1,216.4	1,117.8
EQUITY AND LIABILITIES				
Equity		490.1	665.6	552.9
Deferred tax liabilities		12.6	13.4	10.2
Interest-bearing liabilities		510.6	510.6	510.6
Accounts payable		6.2	10.8	6.8
Other liabilities		3.4	3.3	4.0
Accrued expenses and deferred income		55.0	12.7	33.3
TOTAL EQUITY AND LIABILITIES		1,077.9	1,216.4	1,117.8

Consolidated change in equity					
SEK m	Apr-June	Apr-June	Jan-June	Jan-June	Jan-Dec
	2011	2010	2011	2010	2010
Equity at the start of the period	502.2	147.6	552.9	177.3	177.3
Rights issue	0.0	170.8	0.0	170.8	170.8
Set-off share issue	0.0	215.5	0.0	215.5	215.5
Issue expenses	0.0	-13.3	0.0	-13.3	-13.3
Revaluation	0.0	0.0	0.0	0.0	0.0
Profit/loss for the period	-12.1	145.0	-62.8	115.3	2.6
Equity at the close of the period	490.1	665.6	490.1	665.6	552.9

Consolidated cash flow statement					
SEK m	Apr-June	Apr-June	Jan-June	Jan-June	Jan-Dec
	2011	2010	2011	2010	2010
Operating activities					
Profit/loss after financial items	-8.2	110.1	-2.8	74.8	44.3
Adjustment for items not included in the cash flow	-4.7	-122.0	-18.3	-118.0	-134.6
Taxes paid	-0.6	-0.2	-0.9	-0.2	0.7
Cash flow from operating activities before change in working capital	-13.5	-12.1	-22.0	-43.4	-89.6
Changes in working capital					
Change in operating receivables	-1.5	56.7	23.3	6.7	40.2
Change in operating liabilities	9.8	-63.4	20.5	-26.8	-110.4
Total change in working capital	8.3	-6.7	43.8	-20.1	-70.2
Cash flow from operating activities	-5.2	-18.8	21.8	-63.5	-159.8
Investing activities					
Acquisition of participations	0.0	0.0	0.0	0.0	0.0
Acquisition of tangible fixed assets	-0.8	-0.6	-4.2	-2.8	-36.8
Sale of tangible fixed assets	0.0	0.0	0.0	0.0	0.0
Investments in other financial assets	0.0	-1.5	0.0	-4.8	25.4
Increase in short-term investments	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-0.8	-2.1	-4.2	-7.8	-11.4
Financing activities					
Preferential rights issue	0.0	373.1	0.0	373.1	373.0
Warrant settlement	0.0	0.0	0.0	0.0	0.0
Change in long-term borrowing	0.0	-320.9	0.0	-320.9	-207.9
Cash flow from financing activities	0.0	52.2	0.0	52.2	165.1
Cash flow for the period	-6.0	53.9	17.6	-18.9	-6.1
Opening liquid funds	74.8	7.1	51.2	57.3	57.3
Liquid funds at the close of the period	68.8	38.4	68.8	38.4	51.2

Group key ratios	Apr-June 2011	Apr-June 2010	Jan-June 2011	Jan-June 2010	Jan-Dec 2010
<i>Real estate related key ratios</i>					
Lettable area. m ²			26,400	26,400	26,400
Book value real estate			648.6	674.7	669.1
Occupancy ratio. area. %			86.5	74.9	73.9
<i>Financial ratios</i>					
Equity ratio. %			45.5	54.7	49.5
Liabilities/Assets. %			54.5	45.3	50.5
Interest coverage ratio. times			0.30	1.87	0.83
Debt/equity ratio. times			1.0	0.8	0.9
Return on equity. %			-1.82	9.80	13.53
<i>Data per share and share data</i>					
Number of shares at the close of the period	104,148,555	104,148,555	104,148,555	104,148,555	104,148,555
Average number of shares	104,148,555	26,827,339	104,148,555	19,095,218	62,204,443
Average number of shares. incl. dilution	104,148,555	26,827,339	104,148,555	19,095,218	62,204,443
Earnings per share. SEK	-0.09	4.23	-0.10	4.00	0.76
Equity per share at the close of the period. SEK			4.7	6.4	5.3
Dividend. SEK			0	0	0
<i>Employees</i>					
Average number of employees	23	24	23	25	25
Number of employees at the end of the period	23	24	23	24	24

Parent company income statement					
MSEK	Apr-June 2011	Apr-June 2010	Jan-June 2011	Jan-June 2010	Jan-Dec 2010
Net income	0.9	0,3	1.1	0,6	1.1
Net operating income	0.9	0,3	1.1	0,6	1.1
Depreciation	-0.1	-0,1	-0.1	-0,2	-0.3
Other company cost	-3.8	-4,1	-6.4	-9,2	-14.9
Impairment	0.0	0,0	0.0	0,0	-38.2
Operating profit/loss	-3.0	-3,9	-5.4	-5,2	-52.3
Financial items	12.0	145,1	-38.9	108,3	62.6
Profit/loss before tax	9.0	141,2	-44.2	101,1	10.3
Taxes	0.0	-0,1	0.0	-0,1	-0.1
					10.2
					1.1
Profit / loss after tax	9.0	141,1	-44.2	101,0	1.1

Parent company balance sheets					
MSEK			30-06-2011	30-06-2010	31-12-2010
Fixed assets					
Tangible fixed assets			3.8	4.1	4.0
Financial fixed assets			682.0	886.7	706.4
Total fixed assets			685.8	890.8	710.4
Current assets					
Short term receivables			336.8	217.2	320.7
Cash			33.4	34.3	46.5
Total current assets			370.2	251.5	367.2
TOTAL ASSETS			1,056.0	1,142.3	1,077.6
EQUITY AND LIABILITIES					
Share capital and reserves			444.3	444.3	444.3
Retained earnings			46.2	172.8	90.4
Total equity			490.5	617.1	534,7
Long term liabilities			510.8	510.8	510.8
Short term liabilities			54.7	14.4	32.1
TOTAL EQUITY AND LIABILITIES			1,056.0	1,142.3	1,077.6

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Definitions

Return on equity

Profit/loss after tax in relation to average equity.

Loan-to-value ratio real estate

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

Earnings per share

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

Interest coverage ratio

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

Debt/equity ratio

Interest-bearing liabilities in relation to equity.

Equity ratio

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

Equity per share

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