

Interim Report

JANUARY – MARCH 2008

- Net turnover amounted to SEK 15.2 m (7.7) for the period January - March and the increase is due to letting of completed properties
- The result after tax amounted to SEK 46.9 m (-10.9) for the period January - March
- Earnings per share amounted to SEK 6.91 (-2.34) for the period January-March
- Book value of the properties has decreased from SEK 1,712.2 m to SEK 1,492.3 m during the period due to property divestment and changes in exchange rates
- 50% of shares in the holding company for the property Fontanka 57 have been sold for approximately SEK 90 m, with a capital gain of SEK 28 m
- Investment properties have increased in value SEK 32.0 m due to strong demand for commercial properties in central parts of St. Petersburg
- The Board of Directors is of the opinion that the deal previously announced concerning the Moika/Glinki project will not be completed. Very advanced negotiations are being conducted with other conceivable partners.

Description of Ruric AB

Business concept, overall goal and strategy

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

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

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

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

Financial goal

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

Real estate stock

Ruric owned seven properties in central St Petersburg at the close of the period, of which four are completed, and in the other three, planning and design and/or renovation/rebuilding is ongoing (partly completed in one of these properties). During the period, the real estate stock has developed as shown below:

	SEK m
Opening balance	1,717.2
Acquisitions	0.0
Investments in investment properties	8.5
Investments in real estate projects	46.0
Divestments	-207.4
Changes in value	32.0
Changes in exchange rates	-97.8
Closing balance	1,492.3

The real estate book value decreased by SEK 224.9 m net during the period consisting of net investments, changes in value, divestments and changes in exchange rates.

Acquisitions

No acquisitions have been carried out during the period.

Work continuing within own stock

During the interim period SEK 54.5 m was invested in renovation and rebuilding work, of which approximately SEK 38 m consisted of planning and design within the Moika/Glinki project.

Divestment

During the interim period the previously communicated partnership regarding Fontanka 57 resulted in a sale of 50% of the holding company of the project at USD 15 m. The capital gain amounting to SEK 28 m is included in value changes in the income statement. The partnership is aiming to jointly develop the property in the best possible way. The partner is interested in acquiring Ruric's remaining share of the holding company.

The sale of the property on ul. Dostoyevkovo 19/21, which was planned take place during the first quarter, has taken place after end of the period. The parties are awaiting the Russian anti-monopoly authority approval, and property registration, in order to close the deal.

Changes in value in investment properties

The fundamental factors that govern the value of properties – rental levels and yield requirements which are themselves governed by demand – have all moved in a positive direction. Transactions on the market involving completed commercial objects are still however so uncommon that valuation institutions need a longer time in order to demonstrate general changes in market values. However it can be noted that a bid was received during the interim period from an international real estate investor concerning the purchase of Ruric's completed office buildings at a net yield level of 8.4%, which was rejected. Last year, levels around 9% were discussed.

No new external valuations relating to investment properties have been obtained during the period. An internal assessment has been carried out, which results in changes in value of SEK 32.0 m in the income statement, corresponding to a yield of 9.2% on projected net operating income. Investment properties have nevertheless decreased in value by SEK 4.3 m, consisting of SEK 8.5 m in investments and SEK -43.9 m in changes in exchange rates, plus SEK 32.0 m in changes in value. The total value of the investment properties amounted to SEK 545.6 m as at 31 March. The value of the property portfolio given different yield requirements is illustrated in the table below:

Property	Lettable area	Net operating income (6.0 SEK/USD)	Yield requirement				External valuation 31/12 – 2007
			8%	9%	10%	11%	
R. Fontanki nab. 13 (Oscar)	2,976	10.4	130.0	115.6	104.0	94.5	99.5
9-ya V.O.i. 34 (Magnus) Sredny Prospekt 36/40 (Gustaf)	6,463	13.2	165.0	146.7	132.0	120.0	126.7
Ul. Dostoyevskovo 19/21	4,943	11.7	146.2	130.0	117.0	106.4	118.6
	5,917	14.9	186.3	165.6	149.0	135.5	160.6-172.6
Investment properties	20,299	50.2	627.5	557.9	502.0	456.4	511.4
Book value			545.6	545.6	545.6	545.6	545.6
Surplus value			81.9	12.3	-43.6	-89.2	

Development portfolio

The total building area of the development portfolio will amount to approx. 235,000 m² after completed rebuilding and renovation, of which slightly more than 175,000 m² is estimated to be lettable area (the ownership in development properties Apraksin Dvor and Fontanka 57 is 65% and 50%).

Apraksin Dvor:

During autumn 2007 a tender process for modernisation of the entire Apraksin Dvor district was carried out by the city administration, with estimated start of construction during 2009. Ruric participated in the tender process, but a competing bid won. Ruric can continue as owner of its properties or alternatively, as the winner of the tender may propose, enter into a partnership agreement or to sell at market price.

Due to the winner's forthcoming reconstruction work, which will have a substantial impact on the entire district, a weakening of demand has occurred for long-term retail solutions requiring investments in furnishing and equipment on the part of the tenant. The inflow of shoppers has also decreased. Consequently, in light of the uncertainties around the coming redevelopments in the district, also parts of Ruric's completed area are still unlet and negotiations are ongoing with current and potential tenants regarding appropriate rental models for these special circumstances. Ruric has therefore for the interim period reported SEK 3.2 m as a feared loss of rent on previously contracted leases.

Fontanka 57:

A concept for extension of the Fontanka 57 property from 18,000 m² till 27,000 m² total area was approved by the authorities. The property adjoins the Apraksin Dvor district. During the period, Ruric has divested 50% this project and is now jointly working with the partner to develop the property in the best possible way.

Moika / Glinki:

Ruric's absolutely largest project, at Moika/ ul. Glinki, has progressed faster than originally planned in the initial phase (replacement construction work for the Russian Army's University). This construction work was completed during summer 2007 and the military training operations have relocated from the premises in centre of the city.

During 2007, discussions have been conducted during the year with several possible partners in this project. On 28 December, an agreement was signed regarding sale of 50% of the shares in a hitherto wholly-owned subsidiary structure. The purchaser has not yet paid for the shares, but has reconfirmed its wish to complete the deal. The Board of Directors is however now of the opinion that the deal will not be completed. Ruric does not have an obligation to complete the deal but nevertheless keeps the door open for a solution. Very advanced negotiations are being conducted with other conceivable partners.

An application for draft approval was submitted to the relevant authorities in December 2007 and a preliminary green light has been received. Since partner negotiations are still in process, the concept might need to be somewhat revised, and Ruric is therefore not requesting a formal approval as yet.

In January, Ruric concluded procurement of the demolition and excavating work that represents the initial phase in the company's development of the former military university premises. This work will start when financing for the project is secured.

Other

During 2007 Ruric has gained the opportunity to participate in the ownership and development of a land plot outside central St. Petersburg. During the interim period Ruric has participated in a share issue of 23 MSEK and increased the ownership share in the project.

COMMENTS ON THE FINANCIAL DEVELOPMENT

Rental income

The rental income that includes the buildings at the 9-aya V.O. Linia 34 (Magnus) and Sredny Prospekt 36/40 (Gustaf) addresses, all of the already operational building at the ul. Dostoyevskovo 19/21 (Grifon) address, and completed parts of Apraksin Dvor 15/16 amounted to SEK 15.2 m (7.7) during the interim period. The development of rental income and net operating income are shown in the table below:

Net operating income development	2008, Q1	Q4, 2007	Q3, 2007	Q2, 2007	Q1, 2007	Q4, 2006	Q3, 2006	Q2, 2006	Q1, 2006
Rental income	15.2	16.6	12.4	9.3	7.7	5.4	4.4	3.3	3.5
Real estate expenses	-5.2	-5.3	-5.2	-4.3	-3.9	-5.3	-5.6	-4.9	-2.7
Net operating income	10.0	11.3	7.2	5.0	3.8	0.1	-1.2	-1.6	0.8

The deterioration compared to the final quarter 2007 is explained by payment defaults from some tenants in the Apraksin Dvor district, on account of which SEK 3.2 m is reported as a feared loss of rent. New short-term contracts have been entered into with other tenants after the close of the period, on other terms suited to the uncertain environment now prevailing in the district.

Other properties underwent projecting/renovation/rebuilding work and did not as yet contain any lettable area.

Real estate expenses

Direct real estate expenses and non-activated real estate expenses for legal administration, marketing of premises, management fees etc. amounted to SEK -5.2 m (-3.9) during the interim period.

Operating surplus

The operating surplus for completed investment properties amounted to SEK 10.0 m (3.8) during the interim period. The improvement is due to the fact that more buildings are completed and let.

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 -7.3 m (-1.4) during the interim period.

Operating result

The operating result for the interim period amounted to SEK 62.9 m (2.3).

Net financial income/expense

Net financial income and expenses amounted to SEK -0.3 m (-10.4) for the interim period. During the period, activated interest expenses amounted to SEK 15.8 m (5.8). The substantial decline of the value of the USD has effected equity with -97.6 MSEK, primarily due to the fact that the properties are valued in USD, while changes in exchange rates that impacted the income statement amounted to SEK 1.7 m (-1.0).

Result after financial items

The result after financial items amounted to SEK 62.6 m (-8.1) during the interim period.

The previously rendered opinion on a positive result after net financial income/expense for the full-year, but before changes in value, is now uncertain on account of the deterioration in the revenue forecast for Apraksin Dvor as well as increased financing expenses (bond no. 3).

Taxes

Tax expenses amounted to SEK -15.7 m (-2.8) during the interim period and are attributable to the Russian operations (-8.0) and deferred tax due to value changes. In Russia, it is not permissible to seek tax relief by providing and receiving group contributions, nor is it allowed to expense interest for tax purposes until the building receives final approval, which only one of the company's investment properties (Oscar, Fontanka 13) had received at the end of the interim period.

Cash flow, liquidity and financial position

The cash flow during the interim period amounted to SEK -11.3 m (87.7), whereof SEK 1.4 m (15.0) was from operating activities. The equity ratio amounted to 54.9 (54.1) percent at the close of the period, whereof the debt ratio is less than the maximum according to the bond terms. Equity amounted to SEK 1,053.9 m (1,104.6). Liquid funds amounted to SEK 22.2 m (33.5) and interest-bearing liabilities amounted to SEK 686.4 m (737.6). Investments during the period of SEK 177.7 m in total have been financed by the sale of 50% in the project property on Fontanka 57, as well as partially through cash holdings.

Interest-bearing liabilities

At the end of the interim period, Ruric's financing consisted of two bond loans, listed at NGM (Nordic Growth Market).

During the second quarter 2005, a bond loan (no. 1) raised SEK 226 m for the Company, with a repayment date of 28 April 2008. The nominal amount is SEK 250 m. The loan ran without coupon interest until 28 April 2006. From 29 April 2006 until the repayment date, the loan runs with a coupon interest of 9.0% per annum, with interest due dates 29 April 2007 and 29 April 2008.

A further bond loan (no. 2) raised SEK 410 m for the Company during the second quarter 2006, with a repayment date of 16 November 2010. The nominal amount is SEK 451.5 m. The loan ran without coupon interest until 16 November 2006. From 17 November 2006 until the repayment date, the loan runs with a coupon interest of 8.5% per annum, with interest due dates 16 November 2007, 16 November 2008, 16 November 2009 and 16 November 2010.

Discussions have been conducted with banks during 2007 regarding loans on the completed real estate portfolio. The recent unease on the financial markets has delayed the process. In order to raise money on real estate, the property's final approval is required to be registered with the relevant authority, which is not yet the case for the Gustaf and Magnus properties.

Personnel and organisation

The Group had 81 employees at the end of the period, of which 78 are in the Russian subsidiary companies in St Petersburg, and 3 in the parent company (of which 1 operates principally in St Petersburg)

In Russia, Ruric's organisation is divided in three units: one unit for management that handles letting, administration, finance and law; one unit for project management and site supervision with

responsibility for the Group's very extensive real estate projects; a service company has been started during the year that shall handle property caretaking in the investment properties. This has been assessed as significantly more cost-efficient and offers the Company substantially enhanced control over its undertakings compared with external solutions.

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 3 people at the end of the interim period.

The parent company's turnover for the year amounted to SEK 0.2 m (0.0) The result after financial items amounted to SEK -110.9 m (-9.5), of which SEK 89.0 m was attributable to exchange rate changes that are off-set in the group accounting.

Liquid funds amounted to SEK 12.1 m (20.1) at the end of the period.

The share and the owners

The principal owners since the founding of the company in 2004 are Cancale Förvaltnings AB, E. Öhman J:or AB and East Capital with a combined voting strength of 56.12% as at 31 March 2008.

2008-03-31	Shares				Votes	
	Series A	Series B	Total	% of total	Number	% of total
Deutsche Bank	0	860,277	860,277	12.50%	860,277	6.32%
Swedbank Robur Fonder	0	832,281	832,281	12.09%	832,281	6.12%
Morgan Stanley & Co. Inc.	0	781,850	781,850	11.36%	781,850	5.75%
Öhman J:or AB	240,000	134,033	374,033	5.43%	2,534,033	18.62%
Cancale Förvaltnings AB	240,000	32,700	272,700	3.96%	2,432,700	17.88%
Länsförsäkringar	0	271,602	271,602	3.94%	271,602	2.00%
East Capital Holding AB	267,133	0	267,133	3.88%	2,671,330	19.63%
UBS AG	0	263,625	263,625	3.83%	263,625	1.94%
Capital Group	0	228,700	228,700	3.32%	228,700	1.68%
Bear Sterns & Co	0	166,666	166,666	2.42%	166,666	1.22%
10 largest shareholders	747 133	3,571,734	4,318,867	62.73%	11,043,064	81.14%
Other shareholders	0	2,566,014	2,566,014	37.27%	2,566,014	18.86%
All shareholders	747 133	6 137 748	6 884 881	100.00%	13 609 078	100.00%
Number of shareholders	3	1,187	1,190			

Events after the close of the period

After the end of the interim period, Ruric has issued a new bond (2008/2010, no. 3) amounting to SEK 400 m and repaid one bond (2005/2008, no. 1).

Sale and purchase agreement has been signed in line with previous letter of intent regarding the property located on Dostoyeskovo 19/21.

Annual general meeting

At the Annual General meeting on 29 April, Nils Nilsson (Chairman), Tom Dinkelspiel and Jens Engwall, were re-elected to the Board of Director's and the previous deputy member Harald Kjessler were elected ordinary member. Gert Tiivas and Ulrika Hagdahl (deputy) had declined re-election. It was further resolved not to distribute any dividend for the year 2007 and to issue no more than 34,000 warrants to the key executives.

Future reporting dates

Interim Report January-June 2008	29 August 2008
Interim Report January-September 2008	28 November 2008
Year-end Report January-December 2008	27 February 2009

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

Stockholm, 30 May 2008
Russian Real Estate Investment Company AB (publ)

The Board of Directors

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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	Jan-Mar 2008	Jan-Mar 2007	Jan-Dec 2007
Rental income	15.2	7.7	46.0
Real estate expenses	-5.2	-3.9	-18.4
Operating surplus	10.0	3.8	27.6
Depreciation of equipment	-0.1	-0.1	-0.4
Other operating expenses	-7.3	-1.4	-35.5
Changes in value real estate	60.3	0.0	30.0
Operating profit/loss	62.9	2.3	21.7
Financial income	2.9	0.7	9.3
Financial expenses	-3.2	-11.1	-33.7
Profit/loss after financial items	62.6	-8.1	-2.7
Taxes	-15.7	-2.8	-13.2
Profit/loss after tax	46.9	-10.9	-15.9
Earnings per share. SEK	6.91	-2.34	-2.66
Earnings per share incl. dilution. SEK	6.83	n.a	n.a
Number of shares at the close of the period	6,884,881	4,664,170	6,884,881
Average number of shares	6,784,167	4,664,170	5,983,289
Average number of shares. incl. dilution	6,868,286	5,149,276	6,050,948

Consolidated balance sheet			
MSEK	31-3-2008	31-3-2007	31-12-2007
Fixed assets			
Investment property	545.6	492.9	549.9
Real estate projects	946.7	836.4	1,167.3
Equipment	6.8	2.3	6.2
Shares and participations	125.5		36.4
Deferred tax claims	1.4	2.9	6.1
Other long-term receivables	203.4	63.5	169.2
Total fixed assets	1,829.4	1,398.0	1,935.1
Current assets			
Current receivables	67.5	38.1	73.1
Liquid funds	22.2	65.2	33.5
Total current assets	89.7	103.3	106.6
TOTAL ASSETS	1,919.1	1,501.3	2,041.7
EQUITY AND LIABILITIES			
Equity	1,053.9	657.3	1,104.6
Deferred tax liabilities	58.9	48.0	51.1
Interest-bearing liabilities	686.4	733.2	737.6
Accounts payable	13.7	15.6	12.7
Other liabilities	52.6	2.0	94.9
Accrued expenses and deferred income	53.6	45.2	40.8
TOTAL EQUITY AND LIABILITIES	1,919.1	1,501.3	2,041.7

Consolidated change in equity SEK m	Jan-Mar 2008	Jan-Mar 2007	Jan-Dec 2007
Equity at the start of the period	1,104.6	643.9	643.9
Preferential rights issue	0.0	0.0	542.8
Issue expenses	0.0	0.0	-5.2
Warrants	0.0	0.0	0.2
Currency translation differences	-97.6	24.3	-61.2
Profit/loss for the period	46.9	-10.9	-15.9
Equity at the close of the period	1,053.9	657.3	1,104.6

Consolidated cash flow statement SEK m	Jan-Mar 2008	Jan-Mar 2007	Jan-Dec 2007
Operating activities			
Profit/loss after financial items	62.6	-8.1	-2.7
Adjustment for items not included in the cash flow	-31.0	9.3	-21.2
Taxes paid	-7.3	-3.8	-10.3
Cash flow from operating activities before change in working capital	24.3	-2.6	-34.2
Changes in working capital			
Change in operating receivables	5.6	12.6	-22.5
Change in operating liabilities	-28.5	5.0	103.5
Total change in working capital	-22.9	17.6	81.0
Cash flow from operating activities	1.4	15.0	46.8
Investing activities			
Acquisition of participations	-89.1	0.0	0.0
Acquisition of tangible fixed assets	-54.5	-83.8	-543.1
Sale of tangible fixed assets	207.4	0.0	0.0
Investments in other financial assets	-34.2	-18.9	-161.0
Increase in short-term investments	0.0	0.0	0.0
Cash flow from investing activities	29.6	-102.7	-704.1
Financing activities			
Preferential rights issue	0.0	0.0	537.6
Warrant settlement	0.0	0.0	0.2
Change in long-term borrowing	-42.3	0.0	0.1
Cash flow from financing activities	-42.3	0.0	537.9
Cash flow for the period	-11.3	-87.7	-119.4
Opening liquid funds	33.5	152.9	152.9
Liquid funds at the close of the period	22.2	65.2	33.5

Group key ratios	Jan-Mar 2008	Jan-Mar 2007	Jan-Dec 2007
<i>Real estate related key ratios</i>			
Lettable area, m ² (incl. Apraksin Dvor)	29,600	18,300	29,600
Book value real estate	1,492.3	1,329.3	1,717.2
Occupancy ratio, area, % (incl. Apraksin Dvor)	78.0	77.1	79.3
<i>Financial ratios</i>			
Equity ratio, %	54.9%	43.8%	54.1%
Liabilities/Assets, %	45.1%	56.2%	45.9%
Interest coverage ratio, times	1.72	0.27	0.03
Debt/equity ratio, times	0.7	1.1	0.7
Return on equity, %	8.90	-1.68	-2.88
<i>Data per share and share data</i>			
Number of shares at the close of the period	6,884,881	4,664,170	6,884,881
Average number of shares	6,784,167	4,664,170	5,983,289
Average number of shares, incl. dilution	6,868,286	5,149,276	6,050,948
Earnings per share, SEK	6.91	-2.34	-2.66
Equity per share at the close of the period, SEK	153	141	160
Dividend, SEK	0	0	0
<i>Employees</i>			
Average number of employees	78	50	57
Number of employees at the end of the period	81	55	79

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.