

Interim Report

JANUARY – SEPTEMBER 2008

- Net turnover increased 69% and amounted to SEK 49.7 m (29.4), for the period January - September
 - Profit after tax improved to SEK 20.1 m (-11.7) for the period January - September
 - Earnings per share amounted to SEK 2.92 (-2.26) for the period January-September
 - Book value of the properties has increased net from SEK 1,712.2 m to SEK 1,787.2 m during the period
 - After the end of the period,
 - The company has raised SEK 107 m by means of a rights issue
 - Independent valuation of properties was completed, supporting valuations in financial statements
 - A conditional offer to purchase 3 of the business centres has been accepted
 - Structural changes in the local management has commenced
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Key Events 2008

February

Sale of 50% of Fontanka 57, resulting in a capital gain of SEK 28 m

March

Final tenant adaptation completed for Fontanka 13 (Oscar). Now fully let.

April

Issue of Bond for SEK 400 m

May 2008

Sale and Purchase Agreement signed for the sale of ul. Dostoyevskovo 19/21 (Grifon).

July

Appointment of new CEO

August

New management team appointed for Apraskin Dvor

September

Registration certificate received for new building on ul. Dostoyevskovo 19/21 (Grifon)
Revised development plans were developed for both Fontanka 57 and Glinki/Moika, dramatically reducing costs

Description of Ruric AB

Business concept, overall goal and strategy

The company's business concept is to acquire, develop, let, manage and sell Real Estate in St Petersburg, Russia with a focus on commercial premises of the highest class in prime locations.

The company has the goal of becoming a leading real estate company in the St Petersburg region within this 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 potential Clients that are looking for the best possible premises in the best locations. Each building is continually assessed with regards to its overall value according to the company's strategy.

The acquisition strategy is focused on buildings that Ruric can add significant value to. Having a continuing developing and professional team that has a strong local presence with good links within the property markets and the authorities helps to achieve this.

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 (mainly 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	19.1
Investments in real estate projects	152.9
Divestments	-207.4
Changes in value	32.0
Changes in exchange rates	73.4
Closing balance	1,787.2

The real estate book value increased by SEK 70.0 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 127.7 m was invested in renovation and rebuilding work, of which approx. SEK 106 m consisted of planning and design within the Moika/Glinki project. In addition, SEK 44 m of interest expenses has been capitalized.

Divestments

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.

During the second quarter a sale and purchase agreement was signed regarding the property on ul. Dostoyevkovo 19/21. One of the pre-requisites for closing, the registration certificate of the new building to be able to mortgage the property, has been received. The parties are waiting for the lease agreements to be registered with the tax authorities to be able to close the deal. After the end of the period one of these registrations have been done. The other has been delayed, why the expected point for payment has been moved forward. Since the deal is not legally closed yet, it has not been accounted for in the financial statements.

After the end of the period Ruric has received and accepted a conditional offer for the remaining 3 business center. Due Dilligence is on-going.

Changes in value in investment properties

In relation with the prospectus for the recent rights issue, new valuations were conducted. These valuations support the book value. As a result of the dollar appreciation vis-a-vis the Swedish krona, the value of the investment property has increased with SEK 77 m during the reporting period July-Septemer and with SEK 26 m since year end. Previously during the year, a positive value change of SEK 32 m was accounted for. The tendencies after the end of the period are, however, negative.

The consequences of the international credit crunch has effected primarily the Moscow-region but also St. Petersburg. Since rent levels have not escalated in the same way in St. Petersburg as in Moscow, Ruric does not expect the same fall in the rent levels in St. Petersburg. Ruric's rent levels are not extremely high, why dramatic changes are not expected on the short-term lease agreements.

The value of the property portfolio given different yield requirements is illustrated in the table below:

Property	Lettable area	Net operating income (6.8 SEK/USD)	Yield requirement				External valuation Sept/Oct – 2008
			8%	9%	10%	11%	
R. Fontanki nab. 13 (Oscar)	2,976	10.3	128.8	114.5	103.1	93.7	123.0
9-ya V.O.i. 34 (Magnus)	6,463	15.3	191.5	170.3	153.2	139.3	162.3
Sredny Prospekt 36/40 (Gustaf)	4,943	13.4	167.0	148.4	133.6	121.4	151.4
Ul. Dostoyevskovo 19/21	5,917	16.6	207.6	184.6	166.1	151.0	188.3
Investment properties	20,299	55.6	695.0	617.8	556.1	505.5	625.0
Book value			626.6	626.6	626.6	626.6	626.6
Surplus value			68.4	-8.8	-70.5	-121.1	

Development portfolio

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 is currently evaluating the possibilities of down-scaling the current concepts due to the difficulties on the financial markets.

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. Discussions have been initiated.

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. During the reporting period, a new management agreement has been signed giving one single operator the responsibility to operate the properties for a fixed fee, on a short-term basis, in waiting for the situation to be resolved.

Fontanka 57:

Together with the project partner a new, smaller, concept has been developed to reduce the financial requirements. The potential surplus value will obviously be less, but parts of the property may be further developed further on.

Moika / Glinki:

Ruric's 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.

Discussions have been conducted with several possible partners in this project and are still on-going.

An application for concept 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. Parallel, a smaller concept, containing a larger portion of residential areas has been produced. The board is continuously evaluating what solution will provide the best return at an appropriate risk level. Due to the current situation on the capital markets, Ruric has started a process to prolong the investment agreement until 2014. This will give the necessary maneuver space to change concept and find financing solutions.

Other

During 2007 Ruric has gained the opportunity to participate in the ownership and development of a land plot outside central St. Petersburg. During January Ruric participated in a share issue of 23 MSEK and increased the ownership share in the project to 25%.

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), Sredny Prospekt 36/40 (Gustaf) and ul. Dostoyevskovo 19/21 (Grifon) addresses, and completed parts of Apraksin Dvor 15/16 amounted to SEK 49.7 m (29.4) during the interim period. For the reporting period July- September the rental income amounted to SEK 19.6 m (12.4). The increase is due the completion and letting of the new building on ul. Dostoyevskovo (Grifon 2). The development of rental income and net operating income are shown in the table below:

Net operating income development	Q3, 2008	Q2, 2008	Q1, 2008	Q4, 2007	Q3, 2007	Q2, 2007	Q1, 2007	Q4, 2006	Q3, 2006	Q2, 2006
Rental income	19,6	14,9	15,2	16,6	12,4	9,3	7,7	5,4	4,4	3,3
Real estate expenses	-7,3	-6,1	-5,2	-5,3	-5,2	-4,3	-3,9	-5,3	-5,6	-4,9
Net operating income	12,3	8,8	10,0	11,3	7,2	5,0	3,8	0,1	-1,2	-1,6

The properties on Fontanka 57 and at Moika/ ul. Glinki 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 -18.6 m (-13.4) during the interim period. For the reporting period July-September the real estate expenses amounted to SEK -7.3 (-5.2) m.

Operating surplus

The operating surplus for completed investment properties amounted to SEK 31.1 m (16.0) during the interim period and SEK 12.3 (7.2) m for the reporting period. The improvement is due to the fact that more buildings are completed and let, as well as higher rent levels in some buildings.

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 -25.1 m (-26.8) during the interim period and SEK -8.8 (-18.1) m for the reporting period.

Operating result

The operating result for the interim period amounted to SEK 66.0 m (19.0) and to SEK 3.4 (19.0) m for the reporting period.

Net financial income/expense

Net financial income and expenses amounted to SEK -33.5 m (-18.0) for the interim period. Results from associated companies are included with SEK -3.7 (0.0) m. During the period, activated interest expenses amounted to SEK 44.3 m (26.4). The appreciation of the the US dollar has effected equity with SEK 100.9 m, 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 1.0 m (1.2).

Result after financial items

The result after financial items amounted to SEK 32.5 m (1.0) during the interim period and to SEK -22.9 (16.3) m for the reporting period.

Taxes

Tax expenses amounted to SEK -12.4 m (-12.7) during the interim period and are attributable to the Russian operations 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 two of the company's investment properties (Oscar, Fontanka 13 and Grifon) 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 19.7m (-66.7), whereof SEK 5.9 m (4.1) was from operating activities. The equity ratio amounted to 54.1 (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 1,225.6 m (1,104.6). Liquid funds amounted to SEK 53.2 m (33.5) and interest-bearing liabilities amounted to SEK 839.1 m (737.6). Investments during the period of SEK 295.1 m in total have been financed by issuing a new bond, SEK 400 m, and the sale of 50% in the project property on Fontanka 57.

Interest-bearing liabilities

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

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 loan has been repaid during the interim period by issuing a new bond (2008/2010, no. 3) with a coupon interest of 16% per annum.

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 over the last year regarding loans on the completed real estate portfolio. The recent unease on the financial markets and difficulties in getting mortgage on the properties, have 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.

Risk assessment

The risk factors that were presented in the annual report for 2007 are continuously assessed. The development in the credit market has been negative and affected the company. Russia, as a country to invest in, has also experienced a negative trend.

Exchange rate effects

Ruric's assets are valued in US dollars. Thus, when the dollar appreciates, the equity in SEK rises. The valuation of the investment property are dependent on the cash flow, but the property projects are not. All rents are paid in Russian roubles. Contracts however are mainly signed in dollars, some leases are in EUR, which means that the rent is currently rising for the tenants.

Personnel and organisation

On 1 July Craig Anderson started as new CEO, based in St. Petersburg. After the end of the period he has also assumed the position as general director of the local subsidiaries, since Leonid Polonski has left his position.

The Group had 87 employees at the end of the period, of which 84 are in the Russian subsidiary companies in St Petersburg, and 3 in the parent company (of which 2 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 3 people at the end of the interim period.

The parent company's turnover for the year amounted to SEK 0.5 m (0.3). The result after financial items amounted to SEK -30.2 m (-92.5), of which SEK 55.5 m was attributable to exchange rate changes that are off-set in the group accounting.

Liquid funds amounted to SEK 10.4 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 53,3% as at 30 September 2008. After the end of the period E. Öhman J:or AB and Nils Nilsson (Chairman of the Board of Directors) have acquired all shares of Series A from East Capital Holding AB.

2008-09-30	Shares			Votes		% of votes
	Series A	Series B	Total	% of total	Number	
Deutsche Bank		1,682,202	1,682,202	24.43	1,682,202	13.07
Swedbank Robur Fonder		879,919	879,919	12.78	879,919	6.84
Öhman J:or AB	240,000	134,033	374,033	5.43	2,534,033	19.69
Cancale Förvaltnings AB	240,000	32,700	272,700	3.96	2,432,700	18.90
Länsförsäkringar		271,602	271,602	3.94	271,602	2.11
UBS AG		260,438	260,438	3.78	260,438	2.02
Capital Group		227,450	227,450	3.30	227,450	1.77
East Capital Holding AB	185,133	37,750	222,883	3.24	1,889,080	14.68
Nordea		169,195	169,195	2.46	169,195	1.31
Bear Sterns & Co		166,366	166,366	2.42	166,366	1.29
Summa 10 största ägarna	665,133	3,861,655	4,526,788	65.75	10,512,985	81.68
Summa övriga ägare	0	2,358,093	2,358,093	34.25	2,358,093	18.32
Alla ägare	665,133	6,219,748	6,884,881	100.00	12,871,078	100.00
Antal ägare	3	1,243	1,246			

Events after the close of the period

After the end of the period Ruric has raised SEK 107 m by means of a rights issue.

A letter of intent has been signed with Invesco Real Estate regarding the business centers Oscar, Magnus and Gustaf. Due diligence process is on-going.

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 group adopts the same accounting principles as the latest annual report.

Future reporting dates

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, 28 November 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	July-Sept 2008	July-Sept 2007	Jan-Sept 2008	Jan-Sept 2007	Jan-Dec 2007
Rental income	19.6	12.4	49.7	29.4	46.0
Real estate expenses	-7.3	-5.2	-18.6	-13.4	-18.4
Operating surplus	12.3	7.2	31.1	16.0	27.6
Depreciation of equipment	-0.1	-0.1	-0.3	-0.2	-0.4
Other operating expenses	-8.8	-18.1	-25.1	-26.8	-35.5
Changes in value real estate	0.0	30.0	60.3	30.0	30.0
Operating profit/loss	3.4	19.0	66.0	19.0	21.7
Results from associated companies	-3.7	0.0	-3.7	0.0	0.0
Financial income	2.4	4.6	7.7	6.5	9.3
Financial expenses	-25.0	-7.3	-37.5	-24.5	-33.7
Profit/loss after financial items	-22.9	16.3	32.5	1.0	-2.7
Taxes	1.3	-7.8	-12.4	-12.7	-13.2
Profit/loss after tax	-21.6	8.5	20.1	-11.7	-15.9
Earnings per share. SEK	-3.14	1.25	2.92	-2.26	-2.66
Earnings per share incl. dilution. SEK	n.a	1.23	2.92	n.a	n.a
Number of shares at the close of the period	6,884,881	6,784,167	6,884,881	6,784,167	6,884,881
Average number of shares	6,884,881	6,784,167	6,884,881	5,716,330	5,983,289
Average number of shares. incl. dilution	6,884,881	6,901,942	6,884,881	5,825,833	6,050,422

Consolidated balance sheet MSEK	2008-09-30	2007-09-30	2007-12-31
Fixed assets			
Investment property	626.6	550.0	549.9
Real estate projects	1,160.6	1,048.2	1,167.3
Equipment	7.2	6.2	6.2
Shares and participations	123.7	0.0	36.4
Deferred tax claims	2.5	5.1	6.1
Other long-term receivables	221.1	256.5	169.2
Total fixed assets	2,141.7	1,866.0	1,935.1
Current assets			
Current receivables	70.3	43.4	73.1
Liquid funds	53.2	86.2	33.5
Total current assets	123.5	129.6	106.6
TOTAL ASSETS	2,265.2	1,995.6	2,041.7
EQUITY AND LIABILITIES			
Equity	1,225.6	1,123.3	1,104.6
Deferred tax liabilities	58.9	51.1	51.1
Interest-bearing liabilities	839.1	731.7	737.6
Accounts payable	7.5	9.3	12.7
Other liabilities	58.8	22.6	94.9
Accrued expenses and deferred income	75.3	57.6	40.8
TOTAL EQUITY AND LIABILITIES	2,265.2	1,995.6	2,041.7

Consolidated change in equity					
SEK m	July-Sept 2008	July-Sept 2007	Jan-Sept 2008	Jan-Sept 2007	Jan-Dec 2007
Equity at the start of the period	1,048.5	1,031.5	1,104.6	643.9	643.9
Preferential rights issue	0.0	124.6	0.0	528.8	542.8
Issue expenses	0.0	0.0	0.0	-5.2	-5.2
Warrants	0.0	0.2	0.0	0.2	0.2
Currency translation differences	198.7	-41.5	100.9	-32.7	-61.2
Profit/loss for the period	-21.6	8.5	20.1	-11.7	-15.9
Equity at the close of the period	1,225.6	1,123.3	1,225.6	1,123.3	1,104.6

Consolidated cash flow statement					
SEK m	July-Sept 2008	July-Sept 2007	Jan-Sept 2008	Jan-Sept 2007	Jan-Dec 2007
Operating activities					
Profit/loss after financial items	-22.9	16.3	32.5	1.0	-2.7
Adjustment for items not included in the cash flow	39.6	-31.3	-17.0	-41.1	-21.2
Taxes paid	0.4	-6.2	-5.6	-7.6	-10.3
Cash flow from operating activities before change in working capital	17.1	-21.2	9.9	-47.7	-34.2
Changes in working capital					
Change in operating receivables	8.2	12.0	2.8	7.2	-22.5
Change in operating liabilities	29.0	-1.0	-6.8	44.6	103.5
Total change in working capital	37.2	11.0	-4.0	51.8	81.0
Cash flow from operating activities	54.3	-10.2	5.9	4.1	46.8
Investing activities					
Acquisition of participations	0.0	0.0	-91.0	0.0	0.0
Acquisition of tangible fixed assets	-74.2	-139.3	-172.0	-382.2	-543.1
Sale of tangible fixed assets	0.0	0.0	207.4	0.0	0.0
Investments in other financial assets	-1.6	-53.6	-32.1	-211.9	-161.0
Increase in short-term investments	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-75.8	-192.9	-87.7	-594.1	-704.1
Financing activities					
Preferential rights issue	0.0	124.6	0.0	523.6	537.6
Warrant settlement	0.0	0.2	0.0	0.2	0.2
Change in long-term borrowing	1.3	-0.5	101.5	-0.5	0.1
Cash flow from financing activities	1.3	124.3	101.5	523.3	537.9
Cash flow for the period	-20.2	-78.8	19.7	-66.7	-119.4
Opening liquid funds	73.4	165.0	33.5	152.9	152.9
Liquid funds at the close of the period	53.2	86.2	53.2	86.2	33.5

Group key ratios	July-Sept 2008	July-Sept 2007	Jan-Sept 2008	Jan-Sept 2007	Jan-Dec 2007
<i>Real estate related key ratios</i>					
Lettable area, m ² (incl. Apraksin Dvor)			32,900	29,600	32,900
Book value real estate			1,787.2	1,598.2	1,717.2
Occupancy ratio, area, % (incl. Apraksin Dvor)			97.8	76.5	79.3
<i>Financial ratios</i>					
Equity ratio, %			54.1%	56.3%	54.1%
Liabilities/Assets, %			45.9%	43.7%	45.9%
Interest coverage ratio, times			0.26	neg	0.03
Debt/equity ratio, times			0.7	0.7	0.7
Return on equity, %			1.73	-2.08	-2.88
<i>Data per share and share data</i>					
Number of shares at the close of the period	6,884,881	6,784,167	6,884,881	6,784,167	6,884,881
Average number of shares	6,884,881	6,784,167	6,884,881	5,716,330	5,983,289
Average number of shares, incl. dilution *)	6,884,881	6,901,942	6,884,881	5,825,833	6,050,422
Earnings per share, SEK	-2.60	-2.17	2.90	-2.05	-2.66
Equity per share at the close of the period, SEK			178	166	160
Dividend, SEK			0	0	0
*) No dilution effect exists, since the discounted value of the strike price of the warrants exceeds the share price at the end of the period					
<i>Employees</i>					
Average number of employees	87	60	83	55	57
Number of employees at the end of the period	87	65	87	65	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.