

Interim Report

JANUARY – JUNE 2006

Significant increase in portfolio of real estate developments in St Petersburg

- During the second quarter of 2006, Ruric has entered into an investment agreement with the Russian army regarding a property (Glinki) in central St Petersburg with 47,000 sqm building area.
 - The agreement means both development rights for the property and an undertaking by Ruric to provide new premises in another location for the present military university operations.
 - Ruric's own development of Glinki is estimated to result in a building area of slightly more than 120,000 sqm after rebuilding and extension, which is a fourfold increase of Ruric's current property portfolio. The preliminary budget for the development these 120,000 sqm is expected to exceed SEK 1,500 m and the construction is expected to last three to four years.
 - The investment in the agreement and the military's new premises is estimated to amount to approx. SEK 500 m.
- During the second quarter of 2006, Ruric has continued the extensive rebuilding and extension work in the company's existing portfolio of property developments:
 - Three properties totalling slightly more than 17,000 sqm in building area, principally offices, are expected to be completed during the second half of 2006.
 - A property, acquired at the end of 2005, is planned to be completed by the first half-year 2007 and offers at least 18,000 sqm building area, principally shops, after total rebuilding.
- The letting rate was 100 per cent in already completed and lettable premises, and net turnover / rental income during the second quarter amounted to SEK 3.3 (0.2) m and SEK 6.8 (0.4) m for the period January-June.
- The result after financial items amounted to SEK -27.8 (-3.9) m for the second quarter and SEK -40.0 (-2.4) m for the period January-June.
- The result after tax amounted to SEK -29.3 (-5.9) m for the second quarter and SEK -43.2 (-4.6) m for the period January-June.
- Earnings per share amounted to SEK -8.79 (-2.37) for the second quarter and SEK -14.77 (-1.86) for the period January-June.
- Ruric has carried out capital procurement consisting partially of a preferential rights issue of shares and warrants, partially of the raising of a bond loan. The Company raised before issue costs approximately SEK 250 m through the preferential rights issue and SEK 410 m through the bond issue.
- Ruric's series B share was listed on First North (formerly Nya Marknaden).

The Business

Business concept and the 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 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 premises for offices and shops) 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 per cent at a conservative level of borrowing as well as to obtain a yield from the real estate portfolio (rental income minus operating costs in relation to investment) of at least 15 per cent.

Real Estate Portfolio

During the second quarter 2006, Ruric has entered into an investment agreement with the Russian army and the Russian Federal Real Estate Administration regarding the Glinki property, an area of slightly more than 3 hectares in the western part of central St Petersburg with approx. 47,000 sqm building area consisting of a military university and accommodation for military personnel. The agreement means both an undertaking by Ruric to relocate the military, and also implies development rights for Ruric in the Glinki property itself. The investment in the agreement and new premises for the military is estimated to amount to approx. SEK 500 m. Ruric's own development of Glinki is assessed to result in a building area of slightly more than 120,000 sqm after rebuilding and extensions and results in full ownership for Ruric to the buildings and land within Glinki. The preliminary development budget for these 120,000 sqm is expected to exceed SEK 1,500 m and the construction period is expected to last three to four years.

No additional acquisitions have been carried out during the second quarter.

The real estate portfolio at the end of the second quarter 2006 amounted to seven objects (see below):

- The total acquisition amount for the first six acquisitions amounted to approx. SEK 230 m invested directly or through company shareholdings. The total building area of these acquisitions, after completed rebuilding and renovation, will amount to approx. 32,000 sqm of which approx. 28,000 sqm is expected to be lettable area. In the event of a possible acquisition of the remaining participating interests in the jointly owned companies, the areas will be approx. 42,000 sqm and approx. 37,000 sqm respectively.
- The acquisition amount with regard to the seventh acquisition – Glinki, amounts to approx. SEK 500 m. Of this amount, approx. SEK 172 m has hitherto been paid out in the project. The building area is estimated to 120,000 sqm after rebuilding and extension. The anticipated total building area for these seven objects will, after the completion of the ongoing rebuilding and extension, thus be approx. 152,000 – 162,000 sqm.

Ruric's seven properties:

- | | |
|---|--|
| <ul style="list-style-type: none"> - Nevsky Prospekt 11 (part of building) - Fontanka 13 - Ul. Dostoyevskovo 19/21 <p>(50 per cent shareholding in the company, with option to acquire the remaining part)</p> | <ul style="list-style-type: none"> - Sredny Prospekt 36/40 - 9-aya Vasilievostrovskaya Linia 34 - Apraksin Dvor 15/16/33 <p>(65.472 per cent shareholding with option to acquire the remaining part, in a company which through a subsidiary owns the development rights and rights of use to this property)</p> <ul style="list-style-type: none"> - Glinki 2 |
|---|--|

During the second quarter, the book value of the real estate has increased by SEK 201.8 m as a result of the ongoing renovation work plus Glinki project investments. The book value of the real estate amounted to SEK 514.9 m (114.6) on 30 June 2006.

COMMENTS ON THE FINANCIAL DEVELOPMENT

Rental income

The rents booked as income for the group comprise the partially completed building at Sredny Prospekt 36/40 and the office area at Nevsky Prospekt 11 as well as the existing office building at ul. Dostoyevskovo 19/21 and amounted to SEK 3.3 (0.2) m during the second quarter. For the period January-June rental income amounted to SEK 6,8 (0,4) m. At the close of the period, all of the completed area was fully let.

Other properties underwent renovation and rebuilding work and, as yet, do not contain any lettable area. Ongoing rebuilding and extension work has been going substantially according to plan, with certain minor delays in completion which have meant that rental income has been somewhat lower than expected during the second quarter.

Real estate costs

Non-activated real estate costs – central project management, legal administration, marketing of premises, management fees etc. - amounted to SEK 15.9 (4.1) m for the second quarter and SEK 23.6 (5.1) m for the period January-June.

Operating surplus

Operating results for the second quarter were negative and amounted to SEK -12.5 (-3.9) m. For the period January-June operating results amounted to SEK -16.7 (-4.6) m. Rental income was limited to the completed parts of the real estate portfolio while the real estate costs also arose from parts of the real estate portfolio that are not as yet ready for use.

Other operating costs and write-downs

Other operating costs mainly concerned costs for central administration that consist of costs for the group management as well as other central functions including staff costs. These costs amounted to SEK 2.8 (1.0) m in the second quarter and for the period January-June to SEK 4.7 (1.2) m. Write-downs of tangible fixed assets in the second quarter amounted to SEK 0.5 (0.0) m, and for the period January-June to SEK 0.9 (0.1) m.

Operating result

The operating result for the second quarter amounted to SEK -15.8 (-4.9) m and for the period January-June to SEK -22.4 (-5.9) m. As only a small part of Ruric's total building area as per plan was ready for letting, the rental income is still small compared to the total cost for running the organisation and its property investments.

Net financial income/expense

Net financial income and expenses for the second quarter amounted to SEK -11.9 (1.0) m and for the period January-June to SEK -17.7 (3.6) m.

Net interest income/expense for the second quarter amounted to SEK -8.5 (-1.9) m and for the period January-June to SEK -13.4 (-1.0) m.

Exchange rate differences amounted to SEK -3.8 (0.4) m during the second quarter and for the period January-June to SEK -3.4 (1.6) m.

Result after financial items

The result after financial items amounted during the second quarter to SEK -27.8 (-3.9) m and for the period January-June to SEK -40.0 (-2.4) m.

Cash flow, liquidity and financial position

The cash flow for the second quarter amounted to SEK 492.6 (176.8) m and for the period January-June to SEK 393.2 (142.6) m. The equity ratio at the close of the period amounted to 37.8 (48.9) per cent. At the start of the year, the equity ratio amounted to 47.3 per cent. Equity amounted to SEK 425.1 (234.3) m, compared with SEK 222.1 m at the start of the year. Liquid funds amounted to SEK 545.6 (319.6) m and interest-bearing liabilities to SEK 662.9 (226.6) m.

The group's liquid funds as of 31 December 2005 amounted to SEK 152.4 m and interest-bearing liabilities to SEK 238.3 m.

Interest-bearing liabilities

Interest-bearing liabilities consists of two bond loans. Both loans are listed at NGM (Nordic Growth Market):

- During the second quarter 2005, a bond loan has raised SEK 226 m for the company, with a repayment date of 28 April 2008 of a nominal amount of 250 m. The loans run 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 cent per annum, with interest due dates 29 April 2007 and 29 April 2008.
- A further bond loan has during the second quarter 2006 raised SEK 410 m for the company, with repayment date 16 November 2010 of a nominal amount of SEK 451.5 m. The loan runs 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 cent per annum, with interest due dates 16 November 2007, 16 November 2008, 16 November 2009 and 16 November 2010.

Preferential rights issue

During the second quarter of 2006 a preferential rights issue was carried out of 1,555,800 new shares at a price of SEK 160. This means that the company raised SEK 248.9 m before issue expenses.

Acquisitions and investments

The investment in the Glinki project amounted to SEK 172.3 m during the second quarter. No other new real estate acquisitions have been carried out during the period. Investments in renovation work and rebuilding amounted to SEK 29.5 m. during the second quarter and for the period January-June to SEK 61.4 m. Investments in equipment amounted to SEK 0.0 (0.2) m during the second quarter and for the period January-June to SEK 0.1 (0.2) m.

Personnel and organisation

The group had 24 employees at the end of the period, of which three were based at the parent company's branch office, 20 at other Russian subsidiary companies in St Petersburg and one at the parent company's head office in Stockholm.

The Parent Company

The Parent Company comprises both the central management in Stockholm and the company's branch office in St Petersburg. A reorganisation has commenced of the Russian operations during the second quarter, in which seven previous employees at the St Petersburg branch office, now are employees in various Russian group companies. The number of employees in the parent company amounts to four people at the close of the reporting period. Of the employees in the parent company, three people are based at the branch office in St Petersburg and one person at the office in Stockholm.

There is no turnover in the parent company. The result after financial items amounted to SEK -44.5 (9.4) m. during the second quarter. For the period January-June the result after financial items amounted to SEK -64.2 (5.9) m. Investments in tangible fixed assets during the second quarter amounted to SEK 0.0 (0.2) m and for the period January-June to SEK 0.0 (0.2) m.

Liquid funds at the close of the reporting period amounted to SEK 490.0 (307.3) m.

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 Holding AB with a combined voting power of 65.2% as at 30 June 2006.

Shareholder	A-shares	B-shares	Proportion of the shares %	Total number of shares	Share of the votes %
31 March 2006					
SEB PRIVATE BANK S.A., NQI		487,400	12.0	487,400	5.0
STENA REALTY BV		361,950	9.0	361,950	3.7
EAST CAPITALS RYSSLANDSFOND		344,000	8.5	344,000	3.5
REALINVEST, ROBURS AKTIEFOND		267,150	6.6	267,150	2.7
ÖHMAN J:OR AB	240,000		5.9	240,000	24.4
CANCALE FÖRVALTNINGS AB	240,000		5.9	240,000	24.4
EAST CAPITAL HOLDING AKTIEBOLAG	160,000		3.9	160,000	16.3
BEAR, STERNS & CO., W9		125,000	3.0	125,000	1.3
AKTIEBOLAGET BONINVEST		120,000	3.0	120,000	1.2
SVERIGEFONDEN, ROBURS		92,530	2.3	92,530	1.0
Total 10 largest owners	640,000	1,798,030	61.0	2,438,030	83.5
Other owners		1,617,770	39.9	1,617,770	16.5
Total	640,000	3,415,800	100.0	4,055,800	100.0

Events after the close of the period

- Alex Dymov has left his position as head of the St Petersburg branch office, General Director for all the Russian subsidiaries as well as Chief Operating Officer and member of the Group Management. He will from now on, in an independent role, assist Ruric in identifying suitable investment objects. Leonid Polonski has been appointed as the new head of the entire Russian operations. Since last spring, Leonid has been responsible for Ruric's major Glinki project and is General Director for Ruric's Russian project engineering company.
- At an Extraordinary General Meeting on 16 August 2006, it was among other things, resolved to issue, with deviation from the preferential rights of the shareholders, 50,000 warrants to the chief executive officer Thomas Zachariasson, 4,000 warrants to the incoming chief financial officer and 7,000 warrants to the board member Jens Engwall. Each warrant shall give a right to subscribe for one new share of series B in the company.
- Ruric is employing Anders Larsson as chief financial officer and as a member of the Company's Executive Management. Anders is a business administration graduate with a degree from the Stockholm School of Economics (*Handelshögskolan*) and is currently deputy CEO and Financial Manager at FastPartner AB. Anders will assume his position at Ruric at the beginning of 2007 at the latest.

- Ruric has acquired from a local business partner, all the remaining shares in a hitherto jointly owned company, which owns and manages real estate at ul. Dostoyevskovo 19/21. The real estate consists of a site in the centre of the city with approx. 3,000 sqm of completed and fully let office premises and a building right, which by means of building work now initiated, will provide slightly more than 3,000 sqm of additional area, partially office and partially warehouse. The expansion is estimated to be completed by the end of the first quarter of 2007. The existing building is leased by a Western European company, which will also lease all of the future area. Ruric's total investment (100 per cent of shares and extension) in this company is expected accordingly to amount to approx. SEK 88 m and generate a yield in line with Ruric's target of at least 15 per cent net.
- Ruric has acquired all shares in a Russian company, which has a lease contract, with a remaining duration of slightly more than 48 years, for two buildings at the Fontanka 57 address, along the Fontanka river in central St Petersburg. The buildings with slightly more than 18,000 sqm total area today, are expected after extensive rebuilding and extension to comprise at least 25,000 sqm distributed between offices, shops and a car park. The planning and design work is commencing now and the rebuilding and extension work is estimated to last until 2008.

Accounting principles

This interim report is prepared in accordance with accounting principles used in the preparation of the annual accounts for the 2005 financial year.

Upcoming reporting dates

Interim report January-September 2006

30 November 2006

Press release of unaudited annual earnings figures January-December 2006

28 February 2007

This interim report has not been the subject of examination by the company's auditor.

Stockholm, 31 August 2006

Russian Real Estate Investment Company AB (publ)

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Chief Executive Officer

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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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Corporate identity number: 556653-9705 Registered office: Stockholm

Consolidated income statement						
SEK ('000)	April- June	April- June	Jan- June	Jan- June	Jan- Dec	July 2005- June 2006
	2006	2005	2006	2005	2005	
Rental income	3,313	235	6,838	446	10,426	16,818
Real estate costs	-15,853	-4,137	-23,565	-5,084	-17,224	-35,705
Operating surplus	-12,540	-3,902	-16,727	-4,638	-6,798	-18,887
Write-downs	-478	-27	-945	-51	-236	-1,130
Other operating costs	-2,818	-1,011	-4,690	-1,247	-3,438	-6,881
Operating profit/loss	-15,836	-4,940	-22,362	-5,936	-10,472	-26,898
Financial income	1,063	4,267	1,652	5,690	4,119	81
Financial expenses	-12,979	-3,218	-19,320	-2,128	-8,037	-25,229
Profit/loss after financial items	-27,752	-3,892	-40,030	-2,374	-14,389	-52,046
Taxation	-1,575	-2,029	-3,124	-2,270	-1,437	-2,291
Minority share of the profit/loss for the period	-	-	-	-	-990	-990
Profit/loss after tax	-29,327	-5,920	-43,154	-4,644	-16,817	-55,327
Profit/loss per share, SEK	-8.79	-2.37	-14.77	-1.86	-6.73	-22.13
Profit/loss per share incl. dilution, SEK	-8.32	n.a.	-13.99	n.a.	n.a.	-20.96
Number of shares at close of the period, million	4.1	2.5	4.1	2.5	2.5	4.1
Average number of shares, million	3.3	2.5	2.9	2.5	2.5	2.7
Average number of shares incl. dilution, million	3.6	n.a.	3.4	n.a.	n.a.	2.8

Consolidated Balance Sheet

SEK ('000) **30-06-2006** **30-06-2005** **31-12-2005**

Fixed assets			
Real estate	514,924	114,638	281,190
Equipment	2,281	242	2,289
Shares and participations	-	-	-
Deferred prepaid taxes	1,767	663	663
Other long-term receivables	17,783	39,543	19,671
Total fixed assets	536,755	155,086	303,813
Current assets			
Current receivables	40,904	4,456	12,939
Liquid funds	545,638	319,632	152,448
Total current assets	586,542	324,088	165,387
TOTAL ASSETS	1,123,297	479,174	469,200
EQUITY AND LIABILITIES			
Equity	425,081	234,315	222,142
Interest-bearing liabilities	662,891	226,615	238,282
Accounts payable	18,724	2,957	4,160
Other liabilities	4,628	7,279	1,521
Accrued expenses and deferred income	11,973	8,008	3,095
TOTAL EQUITY AND LIABILITIES	1,123,297	479,174	469,200

Change in Consolidated Equity

SEK ('000)	Jan-June 2006	Jan-June 2005	Jan-Dec 2005
Equity at the start of the period	222,142	238,959	238,959
Preferential rights issue	248,928	-	-
Issue expenses	-2,834	-	-
Profit/loss for the period	-43,154	-4,644	-16,817
Equity at the close of the period	425,081	234,315	222,142

Consolidated Cash Flow Statement						
SEK ('000)	Apr-June 2006	Apr-June 2005	Jan-June 2006	Jan-June 2005	Jan-Dec 2005	July 2005-June 2006
Operating activities						
Profit/loss after financial items	-27,752	-3,892	-40,030	-2,374	-14,389	-52,045
Adjustment for items not included in the cash flow	10,114	783	15,133	1,652	1,202	14,683
Taxes paid	-2,177	-2,029	-3,623	-2,559	-810	-1,874
Cash flow from operations before changes in working capital	-19,815	-5,138	-28,520	-3,281	-13,997	-39,236
Changes in working capital						
Changes in operating receivables	-19,176	7,208	-27,965	4,061	1,561	-30,465
Changes in operating liabilities	18,233	17,240	23,109	17,719	9,382	14,772
Total changes in working capital	- 943	24,448	-4,856	21,780	10,943	-15,693
Cash flow from operating activities	-20,758	19,310	-33,376	18,499	-3,054	-54,929
Investing activities						
Acquisition of subsidiaries	-	-	-	-	279	279
Acquisition of tangible fixed assets	-204,056	-63,832	-234,257	-94,031	-248,674	-388,900
Investments in other financial assets	58,473	-5,005	1,888	-8,442	-1,337	8,993
Increase in short-term investments	-	-	-	-	481	481
Cash flow from investing activities	-145,583	-68,837	-232,369	-102,473	-249,251	-379,147
Financing activities						
Preferential rights issue	248,928	-	248,928	-	-	248,928
Change in long-term borrowings	410,007	226,326	410,007	226,615	227,762	411,154
Cash flow from financing activities	658,935	226,326	658,935	226,615	227,762	660,082
Cash flow for the period	492,594	176,799	393,190	142,641	-24,543	226,006
Incoming liquid funds	5,044	142,833	152,448	176,991	176,991	319,632
Liquid funds at the close of the period	545,638	319,632	545,638	319,632	152,448	545,638

The Group's Key Ratios	April-June	April-June	Jan-June	Jan-June	Jan-Dec	July
	2006	2005	2006	2005	2005	2005- June 2006
Real estate related key ratios						
Lettable area at close of the period, thousand sqm ¹⁾	3.1	1.8	3.1	1.8	3.1	3.1
Real estate book value, SEK ('000)	514,924	114,638	514,924	114,638	281,190	514,924
Letting rate area, %	100	100	100	100	100	100
Financial key ratios						
Equity ratio, %	37.8	48.9	37.8	48.9	47.3	37.8
Interest coverage ratio, times	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt/equity ratio, times	1.6	2.8	1.6	2.8	1.1	1.6
Loan-to-value ratio real estate, %	129	198	129	198	85	129
Return on equity, %	-9.3	-2.5	-13.3	-2.0	-7.3	-16.8
Interest-bearing liabilities, SEK ('000)	662,891	226,615	662,891	226,615	238,282	662,891
Information per aktie and share information						
Number of shares at close of the year, million	4.1	2.5	4.1	2.5	2.5	4.1
Average number of shares excl. dilution, million	3.3	2.5	2.9	2.5	2.5	2.7
Average number of shares incl. dilution, million	3.6	n.a.	3.4	n.a.	n.a.	2.8
Profit/loss per share excl. dilution. SEK	-8.79	-2.37	-15.11	-1.86	-6.73	-22.52
Profit/loss per share incl. dilution. SEK	-8.32	n.a.	-13.99	n.a.	n.a.	-20.96
Equity per share at the close of the period, SEK	104.81	93,73	104.81	93.73	88.86	104.81
Dividend, SEK	-	-	-	-	-	-
The book value of the real estate per share, SEK	127	46	127	46	112	127
Employees						
Average number of employees	19	8	15	8	9	12
Number of employees at the close of the period	24	7	24	7	10	24

1) in jointly owned real estate, Ruric's share of the area is shown

Definitions

Return on equity

Profit/loss after tax in relation to average equity.

Loan-to-value ratio real estate

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

Profit/loss 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.