

Interim Report

JANUARY – MARCH 2006

Continued development of real estate portfolio in St Petersburg

- During the first quarter of 2006, Ruric has continued the extensive rebuilding and extension work in the company's portfolio of property developments according to the defined plans
 - Three properties of slightly more than 17,000 sqm in total building area, primarily offices, are expected to be completed by beginning of the third quarter of 2006
 - Total rebuilding has started during the period in real estate, acquired at the end of 2005, that is planned to be complete for the first quarter 2007 and offers approx. 18,000 sqm in total building area, principally shops
- In already complete and lettable premises, the letting rate is 100 per cent, and rental income during the interim period amounted to SEK 3.5 (0.2) m
- No acquisitions have been carried out during the period
- During the period a bid has been made for the acquisition of real estate which after rebuilding and extensions is expected to comprise approx. 120,000 sqm building area on 3 hectares of land in a very attractive part of central St Petersburg
- Net turnover for the period amounted to SEK 3.5 (0.2) m
- The result after financial items for the period amounted to SEK -13.2 (1.5) m
- The result after tax for the period amounted to SEK -14.8 (1.3) m
- The result per share amounted to SEK -5.92 (0.51)

The office building "Oscar" - at the address, Fontanka 13 (second building from right) - will be ready for tenants during quarter 2, 2006 after extensive rebuilding.



The business

Business concept and 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 (rental income minus operating costs in relation to investment) of at least 15 per cent.

Real estate portfolio

No additional acquisitions have been made during the first quarter. This means that the real estate portfolio comprised six objects both at the end of 2005 and at the end of the first quarter, with a total acquisition amount of approx. SEK 230 m invested directly or through company shareholdings.

- Nevsky Prospekt 11 (part of building)
- Fontanka nab. 13
- Ul. Dostoyevskogo 19/21 (50 per cent shareholding in the company, with option to acquire the remaining part)
- 9-aya Vasilieostrovskaya Linia 34
- Sredny Prospekt 36/40
- Apraksin Dvor 15/16/33 (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 in relation to this property in the centre of St Petersburg)

The total area of this real estate portfolio, after completed rebuilding and extension, will amount to approx. 32,000 m² of which approx. 28,000 m² is expected to be lettable area. In the event of a possible acquisition of the remaining participating interests in the jointly owned companies, the area becomes approx. 42,000 m² and approx. 37,000 m² respectively.

The book value of the real estate has increased by SEK 31.0 m during the first quarter, as a consequence of the ongoing renovation work. The book value of the real estate amounted to SEK 312.4 (39.4) m as of 31/3/2006.

COMMENTS TO THE FINANCIAL DEVELOPMENT

Rental income

The rents booked as income for the group, comprise both the completed building at the address, Sredny Prospekt 36/40, the office area at the address, Nevsky Prospekt 11 as well as Dostoyevskogo 19/21 and amounted to SEK 3.5 (0.2) m, during the period. 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.

Real estate costs

Non-activated real estate costs – central project management, legal administration, marketing of premises, management fees etc – amounted to SEK 7.7 (0.9) m.

Operating surplus

Operating results for the first quarter were negative and totalled SEK -4.2 (-0.7) 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 holding 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 1.9 (0.2) m. Write-downs of tangible fixed assets in the first quarter amounted to SEK 0.5 (0.0) m.

Operating result

The operating result for the first quarter amounted to SEK -6.5 (-1.0) m. The negative outcome is mainly attributable to the fact that only a small part of Ruric's total building area was ready for letting.

Net financial income/expense

Net financial income and expenses amounted to SEK -6.7 (2.5) m.

Net interest income/expense totalled SEK -4.9 (0.9) m.

Exchange rate differences amounted to SEK -0.5 (1.2) m.

Result after financial items

The result after financial items amounted to SEK -13.2 (1.5) m during the period.

Cash flow, liquidity and financial position

The cash flow for the period amounted to SEK -99.4 (-34.2) m. The equity ratio amounted to 44.5 (99.5) per cent at the close of the period. At the start of the year, the equity ratio amounted to 47.3 per cent. Equity amounted to SEK 207.3 (240.2) m, compared to SEK 222.1 at the start of the year. Liquid funds totalled SEK 53.0 (142.8) and interest-bearing liabilities amounted to SEK 245.1 (0.3) m. The group's liquid funds as of 31 December 2005 amounted to SEK 152.4 m.

Interest bearing liabilities

The company raised SEK 226 m through a bond loan last year, with a repayment date of 28 April 2008 of a nominal amount of SEK 250 m. The loan is listed at NGM (Nordic Growth Market). The loan runs 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.

Acquisitions and investments

No new real estate acquisitions have been made during the period. The investments in renovation work and rebuilding amount to SEK 31.0 m. Investments in inventories during the period totalled SEK 0.1 m.

Personnel and organisation

The group had 11 employees at the end of the period, of which 10 are at the parent company's branch office in St Petersburg.

The Parent company

The Parent Company comprises both the central management in Stockholm and the company's branch office in St Petersburg. All the employees are based at the parent company's office in Stockholm and at the branch office in St Petersburg and totalled 11 people at the expiry of the reporting period. There is no turnover in the parent company. The result after financial items amounted to SEK -19.9 (-3.5) m. Investments in tangible fixed assets amounted to SEK 14 (-) ('000) and liquid funds at the expiry of the reporting period amounted to SEK 11.3 (138.7) m.

Ongoing capital procurement

At an extraordinary general meeting on 27 March 2006, it was resolved that

- the board of directors is authorised during the period until the annual general meeting for 2006, to make resolutions regarding new issues of shares and subscription options (at most 2,500,000 shares in total may be issued in the new issue and subscribed for with the support of subscription options)
- the company may raise loans, on one or several occasions, for a combined amount of SEK 700,000,000 at most, and the board shall be authorized to make resolutions that the company may raise loans in the form of bonds, loans or another form of promissory note, on conditions that the board on each occasion considers to be based on strictly business lines.

See further under the section below "Events after the expiry 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 Holding AB with a combined voting power of 69.1% as of 31 March 2006.

Shareholder 31 March 2006	A- shares	B-shares	Proportion of the shares %	Total number of shares	Share of the votes %
SEB PRIVATE BANK S.A., NQI		300,000	12.0	300,000	4.9
REALINVEST, ROBURS AKTIEFOND		245,000	9.8	245,000	4.0
EAST CAPITALS RYSSLANDSFOND		215,000	8.6	215,000	3.5
CANCALE FÖRVALTNINGS AB	150,000		6.0	150,000	24.6
STENA REALTY BV		150,000	6.0	150,000	2.5
ÖHMAN J:OR AB	150,000		6.0	150,000	24.6
AKTIEBOLAGET BONINVEST		100,000	4.0	100,000	1.6
EAST CAPITAL HOLDING AKTIEBOLAG	100,000		4.0	100,000	16.4
SIS SEGAINTERSETTLE AG		64,000	2.6	64,000	1.1
WESTINDIA AKTIEBOLAG		60,000	2.4	60,000	1.0
Total 10 largest owners	400,000	1,134,000	61.4	1,534,000	84.2
Other owners		966,000	38.6	966,000	15.8
Total	400,000	2,100,000	100.0	2,500,000	100.0

Events after the expiry of the period

- Ruric has entered into an investment agreement with the Russian army and the federal Russian real estate administration with regard to 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 relocation covers the building of housing and training premises for the military outside the city and the cost of this is estimated to amount to approx. SEK 500 m. Ruric's 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 planned development of Glinki means that Ruric's total property portfolio based on building space thereby will increase fourfold.
- Ruric has carried out a capital procurement consisting of both a preferential rights issue of shares and subscription options ("The Preferential Issue"), as well as the raising of a bond loan ("The Bond Issue"). Ruric raises, before issue costs, approximately SEK 250 m by means of the fully subscribed Preferential Rights Issue and SEK 410 m by means of the Bond Issue.
- The annual general meeting of Ruric was held on 2 May 2006 at which it was resolved among other things that board members Jens Engwall, Tom Dinkelspiel, Nils Nilsson as well as Gert Tiivas be re-elected. At the subsequent statutory board meeting, Nils Nilsson was appointed as chairman of the board.

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-June 2006	31 August 2006
Interim report January-September 2006	30 November 2006
Press release of unaudited annual earnings figures January-December 2007	28 februari 2007

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

Stockholm, 31 May 2006
Russian Real Estate Investment Company AB (publ)

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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 ('000)	Jan-Mar 2006	Jan-Mar 2005	Jan-Dec 2005	April 2005- Mar 2006
Rental income	3,525	211	10,426	13,740
Real estate costs	-7,712	-947	-17,224	-23,989
Operating surplus	-4,187	-736	-6,798	-10,249
Write-downs	-467	-24	-236	-679
Other operating costs	-1,872	-237	-3,438	-5,073
Operating profit/loss	-6,526	-996	-10,472	-16,002
Financial income	589	1,423	4,119	3,285
Financial expenses	-7,312	1,090	-8,037	-16,439
Profit/loss after financial items	-13,249	1,518	-14,389	-29,156
Taxation	-1,549	-241	-1,437	-2,745
Minority share of the profit/loss for the period	-	-	-990	-990
Profit/loss after tax	-14,798	1,276	-16,817	-32,891
Profit/loss per share, SEK	-5.92	0.51	-6.73	-13.16
Number of shares at expiry of period, million	2.50	2.50	2.50	2.50
Average number of shares, million	2.50	2.50	2.50	2.50

Consolidated Balance Sheet

SEK ('000)

31-03-2006 31-03-2005 31-12-2005

Fixed assets			
Real estate	312,155	51,380	281,190
Inventories	2,326	54	2,289
Shares and participations	-	18,665	-
Deferred prepaid taxes	663	663	663
Other long-term receivables	76,256	16,270	19,671
Total fixed assets	391,400	87,032	303,813
Current assets			
Current receivables	21,728	11,664	12,939
Liquid funds	53,044	142,833	152,448
Total current assets	74,772	154,497	165,387
TOTAL ASSETS	466,172	241,529	469,200
EQUITY AND LIABILITIES			
Equity	207,344	240,236	222,142
Interest-bearing liabilities	245,073	289	238,282
Accounts payable	5,553	27	4,160
Other liabilities	3,806	458	1,521
Accrued expenses and deferred income	4,396	520	3,095
TOTAL EQUITY AND LIABILITIES	466,172	241,529	469,200

Change in Consolidated Equity

SEK ('000)	Jan-Mar	Jan-Mar	Jan-Dec
	2006	2005	2005
Equity at the start of the period	222,142	238,959	238,959
Profit/loss for the period	-14,798	1,276	-16,817
Equity at the close of the period	207,344	240,236	222,142

Consolidated Cash Flow Statement				
SEK ('000)	Jan-Mar 2006	Jan-Mar 2005	Jan-Dec 2005	April 2005- Mar 2006
Operating Activities				
Profit/loss after financial items	-13,249	1,518	-14,389	-29,156
Adjustment for items not included in the cash flow	5,019	869	1,202	5,352
Taxes paid	-1,446	-530	-810	-1,726
Cash flow from operations before changes in working capital	-9,676	1,857	-13,997	-25,530
Changes in working capital				
Changes in operating receivables	-8,789	-3,147	1,561	-4,081
Changes in operating liabilities	4,876	479	9,382	13,779
Total changes in working capital	-3,913	-2,668	10,943	9,698
Cash flow from operation activities	-13,589	-811	-3,054	-15,832
Investing Activities				
Acquisition of subsidiaries	-	-	279	279
Acquisition of tangible fixed assets	-29,230	-30,199	-248,674	-247,705
Placements in other financial assets	-56,585	-3,437	-1,337	-54,485
Increase in short-term placements	-	-	481	481
Cash flow from investing activities	-85,815	-33,636	-249,251	-301,430
Financing activities				
Change in long-term liabilities	-	289	227,762	227,473
Cash flow from financing activities	-	289	227,762	227,473
Cash flow for the period	-99,404	-34,158	-24,543	-89,789
Incoming liquid funds	152,448	176,991	176,991	142,833
Liquid funds at the close of the period	53,044	142,833	152,448	53,044

The Group's Key Ratios	Jan-Mar 2006	Jan-Mar 2005	Jan-Dec 2005	April 2005- Mar 2006
<i>Real estate related key ratios</i>				
Lettable area at expiry of the period, thousand sqm ¹⁾	3.1	0.3	3.1	3.1
Real estate book value, SEK ('000)	312,155	51,380	281,190	312,155
Letting rate area , %	100	100	100	100
<i>Financial key ratios</i>				
Equity ratio, %	44.5	99.5	47.3	44.5
Interest coverage ratio, times	n.a.	n.a.	n.a.	n.a.
Debt/equity ratio, times	1.2	0.0	1.1	1.2
Loan-to-value ratio real estate, %	79	1	85	79
Return on equity, %	-6.9	0.5	-7.3	-14.7
Average interest on interest-bearing liabilities, % ²⁾	9.0	n.a.	9.0	9.0
Interest-bearing liabilities, SEK ('000)	245,073	289	238,282	245,073
<i>Information per share as well as share information</i>				
Number of shares at year end, million	2.5	2.5	2.5	2,5
Average number of shares, million	2.5	2.5	2.5	2,5
Profit/loss per share. SEK	-5.92	0.51	-6.73	-13.16
Equity per share at the expiry of the period, SEK	82.94	96.09	88.86	82.94
Dividend, SEK	-	-	-	-
The book value of the real estate per share, SEK	125	21	112	125
<i>Employees</i>				
Average number of employees	10	8	9	8
Number employees at close of the period	11	8	10	11

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

2) Refers to bond loan 2005/2008 with nominal coupon interest of 9 per cent from 29 April 2006 and an initial period of 12 months without interest (until 29 April 2006).

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 of 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 expiry of the period.

Equity per share

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