

Interim Report

JANUARY – MARCH 2007

- The property market in St Petersburg has been characterized by continuing stepped-up activity from several players during the first quarter 2007, both within property development and investment property
- Ruric has focused during the period on
 - replacement construction work for the Russian military within the Moika/Glinki project
 - planning and design of own development of the Moika/Glinki property
 - planning and design of the property at the Fontanka 57 address
 - reconstruction work in the properties at the Apraksin Dvor 15/16 and 33 addresses
- Book value of the properties has increased during the period from SEK 1,211.0 m to SEK 1,329.3 m
- Net turnover amounted to SEK 7.7 m (3.5) during the period January-March
- The result after tax amounted to SEK -10.9 m (-14.5) for the period January-March
- Earnings per share for the period January-March amounted to SEK -2.34 (-5.80)
- After the close of the period, Ruric has signed an agreement regarding a sale of a building at the ul. Dostoyevskovo 19/21 address for a preliminary sum of USD 25 m with occupancy on 31 August 2007 at the earliest



Part of the replacement construction work for the Russian military, within the Moika/Glinki agreement

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 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 three are completed, extension work is continuing to the existing property in one, and in the other three, planning and design and/or renovation/rebuilding is ongoing. During the period, the real estate stock has developed as shown below.

	MSEK
Opening balance	1,211.0
Acquisitions	0.0
Investments in own properties	107.9
Divestments	0.0
Changes in value	0.0
Changes in exchange rates	10.4
Closing balance	1,329.3

The real estate book value increased by SEK 118.3 m net during the period consisting of net investments and changes in exchange rates.

Acquisitions

No acquisitions have been carried out during the period.

Work continuing within own stock

During the period, SEK 107.5 m was invested in renovation and rebuilding work, of which approx. SEK 53 m consisted of replacement construction work within the Moika/Glinki project and approx. SEK 55 m within other own stock, principally Apraksin Dvor 15/16 and 33.



Part of the property development at the Apraksin Dvor 15/16 address, where Ruric carried out extensive reconstruction work during the first quarter 2007

Divestment

A letter of intent has been signed during the period relating to divestment of the property at ul. Dostoyevskovo 19/21 and a final agreement has been reached after the close of the period.

Changes in value

New valuations have been obtained from an external valuation company with regard to the completed investment properties. The valuations do not differ from those obtained at year-end.

Property portfolio

The total building area of the holdings will amount to approx. 225,000 m² after completed rebuilding and renovation, of which approx. 190,000 m² is estimated to be lettable area.

Address	Lettable area ¹⁾ m ²	Est. rental value SEK m	Completion
Fontanka 13	2,872	13.0	Completed
9-aya V.O. Linia 34	6,389	19.0	Completed
Sredny Prospekt 36/40	4,907	13.4	Completed
Ul. Dostoyevskovo 19/21 phase 1	2,957	7.7	Completed
Ul. Dostoyevskovo 19/21 phase 2	3,649	12.5	Q3 2007
Apraksin Dvor 15/16/33 (65% owned)	15,000	63.0	Q4 2006 - Q3 2007
Fontanka 57	23,000	90.0	2009
ul. Glinki 2	130,000	²⁾	2011
	188,774		

¹⁾ after planned rebuilding and extension

²⁾ part of the area (apartments) will be sold

Completed areas

No further areas have been completed during the period.

Other

Ruric's Moika/Glinki project constituted an official part of the city of St Petersburg's exposition at the MIPIM fair in Cannes, on 13-16 March 2007, and was presented for the Russian Trade Minister, German Gref, among others.

COMMENTS ON THE FINANCIAL DEVELOPMENT

Rental income

The rental income for the period, that includes the buildings at the 9-aya V.O. Linia 34 (Magnus) and Sredny Prospekt 36/40 (Gustaf) addresses, all of the existing building at the ul. Dostoyevskovo 19/21 (Grifon) address, and completed parts of Apraksin Dvor 15/16 amounted to SEK 7.7 m (3.5) during the first quarter. The property at Fontanka 13 (Oscar) that was completed at year-end has not generated any rental income yet. Tenant adaptations are ongoing and the first tenant, IBM, is paying rent as from the month of May. Other properties underwent renovation and 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 central project management, legal administration, marketing of premises, management fees etc amounted to SEK 3.9 m (2.7) during the reporting period. The principles for cost apportionment have been revised as a consequence of completion of investment properties. Corresponding adjustments have been made for the reference periods.

Net operating income

Net operating income for completed investment properties amounted to SEK 5.1 m (0.2) during the reporting period. The improvement is due to the fact that more buildings are completed and let. Total net operating income amounted to SEK 3.8 m (0.8).

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 1.4 m (6.9) during the reporting period. The difference is mainly accounted for by significantly lower costs for external consultants and legal advice.

Operating result

The operating result for the reporting period amounted to SEK 2.3 m (-6.2).

Net financial income/expense

Net financial income and expenses amounted to SEK -10.4 m (-6.7) for the reporting period. During the period, activated interest expenses amounted to SEK 5.8 m (2.9). Changes in exchange rates that impacted the income statement amounted to SEK -1.0 m (-1.0).

Result after financial items

The result after financial items amounted to SEK -8.1 m (-12.9) during the reporting period.

Taxes

Tax expenses amounted to SEK -2.8 m (-1.6) during the reporting period and are attributable to the Russian operations. In Russia, it is not permissible to seek tax relief by providing and receiving group contributions.

Cash flow, liquidity and financial position

The cash flow amounted to SEK -87.7 m (-99.3) during the reporting period. The equity ratio amounted to 43.8 (44.2) 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 657.3 m (643.9). Liquid funds amounted to SEK 65.2 m (152.9) and interest-bearing liabilities amounted to SEK 733.2 m (730.8). Investments during the period have been financed by cash holdings.

Interest-bearing liabilities

Ruric's financing consists of two bond loans and liability concerning financial leasing of a Russian property. The bond loans are listed at NGM (Nordic Growth Market).

During the second quarter 2005, a bond loan 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 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.

Currently, discussions are being carried on with a number of banks regarding refinancing of the completed real estate portfolio, on significantly more favourable terms.

Personnel and organisation

The group had 55 employees at the end of the period, 53 in the Russian subsidiary companies in St Petersburg, and 2 at the parent company's head office in Stockholm.

In Russia, Ruric has elected to work with two separate organisations: one unit for management that handles letting, administration, finance and law, as well as one unit for project management and site supervision with responsibility for the Group's very extensive real estate projects. 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 both 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 close of the reporting period.

The parent company's turnover for the reporting period amounted to SEK 0.0 m (0.0) The result after financial items amounted to SEK -9.5 m (-16.2).

Liquid funds amounted to SEK 32.7 m (123.3) at the close of the reporting 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 65.27% as at 31 March 2007.

31-03-2007	A-shares	B-shares	total no. shares	proportion of shares	total no. votes	Share of votes
SWEDBANK ROBUR FONDER	0	579,874	579,874	12.43%	579,874	5.45%
SSB CL OMNIBUS AC	0	514,170	514,170	11.02%	514,170	4.83%
EAST CAPITAL	184,000	287,864	471,864	10.12%	2,127,864	20.00%
MORGAN STANLEY & CO INC	0	349,950	349,950	7.50%	349,950	3.29%
E. ÖHMAN J:OR AB	240,000	16,000	256,000	5.49%	2,416,000	22.71%
CANCALE FÖRVALTNINGS AB	240,000	0	240,000	5.15%	2,400,000	22.56%
LÄNSFÖRSÅKRINGAR FONDER	0	222,935	222,935	4.78%	222,935	2.10%
DEUTSCHE BANK AG	0	169,700	169,700	3.64%	169,700	1.59%
BEAR, STERNS & CO	0	125,000	125,000	2.68%	125,000	1.17%
AKTIEBOLAGET BONINVEST	0	78,900	78,900	1.69%	78,900	0.74%
Total 10 largest owners	664,000	2,344,393	3,008,393	64.50%	8,984,393	84.44%
Total other owners	0	1,655,777	1,655,777	35.50%	1,655,777	15.56%
All owners	664,000	4,000,170	4,664,170	100.00%	10,640,170	100.00%

Events after the close of the period

- One of the buildings within Apraksin Dvor, nr 33, was completed and a lease signed with a tenant which is taking all retail areas on the building's four floors, at an average rent of approx. SEK 4,900 per m² per year
- The company has carried out a preferential rights issue for SEK 404 m during April 2007
- Ruric has signed an agreement regarding a sale of a building at the ul. Dostoyevskovo 19/21 address for a preliminary sum of USD 25 m with occupancy on 31 August 2007 at the earliest

Accounting principles - Transition to IFRS 2007

Ruric AB has changed over to the new accounting principles, IFRS, as from 1 January 2007. This is a requirement for companies that have shares or debt instruments listed on a statutory market place. Ruric has bond loans listed at NGM. The transition to IFRS is reported according to IFRS 1, the first time that IFRS is applied. IFRS 1 requires that comparative information is recalculated in accordance with the standards that apply during the period in question. This interim report for the first quarter 2007 is the first financial report that has been prepared according to IFRS.

The transitional effects of the new accounting principles are reported in Appendix A, following the financial statements below.

Future reporting dates

Interim Report for the period January-June 2007	31 August 2007
Interim Report for the period January-September 2007	30 November 2007
Year-end Report January-December 2007	28 February 2008

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

Stockholm, 31 May 2007
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 2007	Jan-Mar 2006	Jan-Dec 2006
Rental income	7.7	3.5	16.6
Real estate expenses	-3.9	-2.7	-30.5
Operating surplus	3.8	0.8	-13.9
Depreciation of equipment	-0.1	-0.1	-0.3
Other operating expenses	-1.4	-6.9	-20.3
Changes in value real estate	0.0	0.0	154.6
Operating profit/loss	2.3	-6.2	120.1
Financial income	0.7	0.6	3.8
Financial expenses	-11.1	-7.3	-36.6
Profit/loss after financial items	-8.1	-12.9	87.3
Taxes	-2.8	-1.6	-45.5
Profit/loss after tax	-10.9	-14.5	41.8
Earnings per share, SEK	-2.34	-5.80	11.71
Earnings per share incl. dilution, SEK	n.a.	n.a.	9.80
Number of shares at the close of the period	4,664,170	2,500,000	4,664,170
Average number of shares	4,664,170	2,500,000	3,569,826
Average number of shares, incl. dilution	5,160,105	2,595,000	4,264,664

Consolidated balance sheet SEK m			
	31-03-2007	31-03-2006	31-12-2006
Fixed assets			
Investment property	492.9	10.8	474.0
Real estate projects	836.4	310.9	737.0
Equipment	2.3	2.3	2.3
Shares and participations	-	-	-
Deferred tax claims	2.9	0.7	1.6
Other long-term receivables	63.5	76.3	44.6
Total fixed assets	1,398.0	401.0	1,259.5
Current assets			
Current receivables	38.1	21.7	50.6
Liquid funds	65.2	53.0	152.9
Total current assets	103.3	74.7	203.5
TOTAL ASSETS	1,501.3	475.7	1,463.0
EQUITY AND LIABILITIES			
Equity	657.3	216.7	643.9
Deferred tax liabilities	48.0	0.1	43.4
Interest-bearing liabilities	733.2	245.1	730.8
Accounts payable	15.6	5.6	8.8
Other liabilities	2.0	3.8	2.6
Accrued expenses and deferred income	45.2	4.4	33.5
TOTAL EQUITY AND LIABILITIES	1,501.3	475.7	1,463.0

Consolidated change in equity MSEK			
	Jan-Mar 2007	Jan-Mar 2006	Jan-Dec 2006
Equity at the start of the period	643.9	229.6	229.6
Preferential rights issue	0.0	0.0	401.0
Issue expenses	0.0	0.0	-6.5
Warrants	0.0	0.0	3.0
Currency translation differences	24.3	1.6	-25.0
Profit/loss for the period	-10.9	-14.5	41.8
Equity at the close of the period	657.3	216.7	643.9

Consolidated cash flow statement MSEK	Jan-Mar 2007	Jan-Mar 2006	Jan-Dec 2006
Operating activities			
Profit/loss after financial items	-8.1	-12.9	87.3
Adjustment for items not included in the cash flow	9.3	4.6	-122.6
Taxes paid	-3.8	-1.4	-3.6
Cash flow from operating activities before change in working capital	-2.6	-9.7	-38.9
Changes in working capital			
Change in operating receivables	12.6	-8.8	-38.2
Change in operating liabilities	5.0	4.9	18.1
Total change in working capital	17.6	-3.9	-20.1
Cash flow from operating activities	15.0	-13.6	-59.0
Investing activities			
Acquisition of participations	0.0	0.0	0.0
Acquisition of tangible fixed assets	-83.8	-29.2	-732.2
Sale of tangible fixed assets	0.0	0.0	11.9
Investments in other financial assets	-18.9	-56.6	-27.7
Increase in short-term investments	0.0	0.0	0.0
Cash flow from investing activities	-102.7	-85.8	-748.0
Financing activities			
Preferential rights issue	0.0	0.0	394.5
Warrant settlement	0.0	0.0	3.0
Change in long-term borrowing	0.0	0.0	410.0
Cash flow from financing activities	0.0	0.0	807.5
Cash flow for the period	-87.7	-99.4	0.5
Opening liquid funds	152.9	152.4	152.4
Liquid funds at the close of the period	65.2	53.0	152.9

Group key ratios			
	31-03 2007	31-03-2006	31-12-2006
<i>Real estate related key ratios</i>			
Lettable area, m ²	18,300	3,100	18,300
Book value real estate, SEK m	1,329.3	321.7	1,211.0
Occupancy ratio, area, %	77.1	100.0	77.1
<i>Financial ratios</i>			
Equity ratio, %	43.8	45.6	44.0
Liabilities/Assets, %	56.2	54.4	56.0
Interest coverage ratio, times	0.27	neg	neg
Debt/equity ratio, times	1.1	1.1	1.1
Return on equity, %	-1.68	-6.61	9.65
<i>Data per share and share data</i>			
Number of shares at the close of the period	4,664,170	2,500,000	4,664,170
Average number of shares	4,664,170	2,500,000	3,569,826
Average number of shares, incl. dilution	5,160,105	2,595,000	4,264,664
Earnings per share, SEK	-2.34	-5.80	11.71
Equity per share at the close of the period, SEK	141	87	138
Dividend, SEK	0	0	0
<i>Employees</i>			
Average number of employees	50	10	25
Number of employees at the end of the period	55	11	44

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.

APPENDIX A

Transition to IFRS 2007

Ruric AB has changed over to the new accounting principles, IFRS, as from 1 January 2007. This is a requirement for companies that have shares or debt instruments listed on a statutory market place. Ruric has bond loans listed at NGM. The transition to IFRS is reported according to IFRS 1, "First-time adoption of IFRS". IFRS 1 requires that comparative information is recalculated in accordance with the standards that apply during the period in question. This interim report for the first quarter 2007 is the first financial report that has been prepared according to IFRS.

From Ruric's perspective, the most significant change is that the investment property is included in the balance sheet at current market value. Changes in value are reported in the income statement. Write-down of properties disappears. The valuation of the properties has largely been carried out by an external valuation company. Another consequence of this is that the reassessment made earlier is reversed, as real estate projects are reported at acquisition value with allowance for investments made.

Reclassification of foreign subsidiaries

Ruric's non-Swedish subsidiaries have been reclassified as independent foreign operations. In accordance with IAS 21 "Effects of changed exchange rates", this means that the *current method* is used on translation of the balance sheet.

The effect of the IFRS-transition and the exchange rate method on Equity and Real estate:

Equity	01-01-2006	31-03-2006	31-12-2006
Equity previous principles	222.1	207.3	681.7
Translation differences current exchange rate	7.0	8.9	-18.7
Reversal appreciation fund			-138.8
Revaluation, real estate	0.6	0.6	157.3
- taxes	-0.1	-0.1	-37.6
Equity IFRS	229.6	216.7	643.9

Real estate	01-01-2006	31-03-2006	31-12-2006
Real estate previous principles	281.2	312.2	1254.9
Reassessment at current exchange rate	7.0	8.9	-18.7
Reassessment reversal			-182.0
Reclassification to investment property	-10.2	-10.2	-317.2
Real estate projects new principles	278.0	310.9	737.0
Reclassification from real estate projects	10.2	10.2	317.2
Changes in value real estate	0.6	0.6	156.8
Investment property new principles	10.8	10.8	474.0
Total real estate	288.8	321.7	1,211.0

Consolidated income statement	Previous principles	adjustment	IFRS	Previous principles	adjustment	IFRS
	Jan-Mar 2006			Jan-Mar 2006		
SEK m						
Rental income	3.5		3.5	16.6		16.6
Real estate expenses	-7.7		-7.7	-43.0		-43.0
Operating surplus	-4.2		-4.2	-26.4	0.0	-26.4
Profit/loss from sale of real estate				1.2	-1.2	0.0
Changes in value	0.0		0.0	0.0	154.6	154.6
Depreciation	-0.5	0.4	-0.1	-3.0	2.7	-0.3
Other operating expenses	-1.9		-1.9	-7.8		-7.8
Operating profit/loss	-6.5	0.4	-6.1	-36.0	156.1	120.1
Financial income	0.6		0.6	3.8		3.8
Financial expenses	-7.3	0.0	-7.3	-36.6		-36.6
Profit/loss after financial items	-13.2	0.4	-12.8	-68.7	156.1	87.4
			0.0			0.0
Taxes	-1.5	-0.1	-1.6	-7.9	-37.6	-45.5
Profit/loss after tax	-14.8	0.3	-14.5	-76.7	118.5	41.8

Consolidated balance sheet	Previous principles	adjustment	IFRS	Previous principles	adjustment	IFRS
	31-03-2006			31-03-2006		
SEK m						
Fixed assets						
Investment property	0.0	10.8	10.8	0.0	474.0	474.0
Properties/real estate projects	312.2	-1.3	310.9	1,254.9	-517.9	737.0
Equipment	2.3		2.3	2.3		2.3
Shares and participations	0.0		0.0	0.0		0.0
Deferred tax claims	0.7		0.7	1.6		1.6
Other long-term receivables	76.3		76.3	44.6		44.6
Total fixed assets	391.4	9.5	400.9	1,303.4	-43.9	1,259.5
Current assets						
Current receivables	21.7		21.7	50.7		50.7
Liquid funds	53.0		53.0	152.9		152.9
Total current assets	74.8	0.0	74.8	203.5		203.5
TOTAL ASSETS	466.2	9.5	475.7	1,506.9	-43.9	1,463.0
EQUITY AND LIABILITIES						
Equity	207.3	9.4	216.7	681.7	-37.8	643.9
Deferred tax liabilities	0.0	0.1	0.1	49.5	-6.1	43.4
Interest-bearing liabilities	245.1		245.1	730.8		730.8
Accounts payable	5.6		5.6	8.8		8.8
Other liabilities	3.8		3.8	2.6		2.6
Accrued expenses and deferred income	4.4		4.4	33.5		33.5
TOTAL EQUITY AND LIABILITIES	466.2	9.5	475.7	1,506.9	-43.9	1,463.0

Equity reconciliation

SEK m						
Equity	207.3			681.7		
IAS 40 Investment property		0.5			-19.1	
IAS 21 Effects of changed exchange rates		8.9			-18.7	
Total adjustment of equity		9.4			-37.8	
Equity according to IFRS			216.7			643.9