

Interim Report

1 JANUARY – 30 SEPTEMBER 2006

- During the third quarter, Ruric for SEK 47 m has acquired from a local business partner all the remaining shares in a hitherto jointly owned company which owns and manages a property in St. Petersburg at the ul. Dostoyevskovo 19/21 address
- Also during the third quarter, Ruric has for SEK 150 m acquired all shares in a Russian company which has a lease, with a remaining duration of slightly more than 48 years, on a building at the Fontanka 57 address
- During the third quarter of 2006, Ruric has continued the 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 before the end of 2006
 - A property, acquired at the end of 2005, is planned to be finalized in stages with completion in summer 2007 and will offer at least 25,000 sqm total building area, principally for shops, after rebuilding
- The total building area of the property portfolio, after completed rebuilding and renovation, will amount to approx. 201,000 sqm of which approximately 171,000 sqm is expected to comprise lettable area
- At the end of the period, the letting rate was 100 per cent in already completed and lettable premises of around 6,200 sqm, and net turnover/rental income during the third quarter amounted to SEK 4.4 (0.7) m and to SEK 11.2 (1.2) m for the period January-September
- The result after financial items for the third quarter amounted to SEK -14.7 (-5.3) m and to SEK -54.7 (-7.7) m for the period January-September
- The result after tax amounted to SEK -16.4 (-3.4) m for the third quarter and to SEK -59.6 (-8.1) m for the period January-September
- Earnings per share amounted to SEK -4.05 (-1.37) for the third quarter and to SEK -18.04 (-3.22) for the period January-September
- The Board of Directors has resolved to make a reassessment of SEK 182.6 m of the group's property portfolio. The company has obtained an independent valuation report as support for this reassessment.
- An Extraordinary General Meeting has resolved on a new share issue with preferential rights for the company's shareholders of not more than approximately SEK 152 m. The reason for the issue is to satisfy the company's capital needs which arise as part of undertakings according to the Glinki investment agreement and for the commencement of planning and design of the recently carried out acquisition of the Fontanka 57 address.

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.

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 direct 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 third quarter, Ruric has acquired for SEK 47 m from a local business partner all the remaining shares in a hitherto jointly owned company which owns and manages the property at the ul. Dostoyevskovo 19/21 address. The property consists of a site in the centre of the city with 3,000 sqm of completed and fully let office premises as well as a building right which through building work that has now commenced will add approx. 3,000 sqm of additional area, partly office and partly warehouse. The expansion is expected to be completed in spring 2007. The existing building is let to a Western European company, which will also rent the additional area.

During the period, Ruric has also for SEK 150 m acquired all shares in a Russian company which has a lease with a remaining duration of slightly more than 48 years, on a building at the Fontanka 57 address, in central St. Petersburg. The building, with slightly more than 18,000 sqm total area today, is anticipated after extensive rebuilding and extension to consist of at least 25,000 sqm, divided between offices, shops and a car park. The planning and design work is commencing now and the rebuilding and extension work is expected to continue until 2008.

This means that the real estate portfolio at the end of the third quarter 2006 amounted to eight objects. The total acquisition amount is so far approx. SEK 670 m invested directly or through company shareholdings. The total building area of these acquisitions after completed rebuilding and renovation will amount to approx. 201,000 sqm of which approx. 171,000 sqm is expected to comprise lettable area.

Ruric's eight real estate objects:

- Nevsky Prospekt 11 (part of building)
- Fontanka 13
- ul. Dostoyevskovo 19/21
- 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 to this property)
- ul. Glinki 2
- Fontanka 57

During the third quarter, the book value of the real estate has increased by a net of SEK 343.8 m consisting of investments and depreciation. To this comes reassessment amounting to SEK 182.6 m in accordance with the Board of Director's resolution. The company has obtained an independent valuation report of the real estate in the group as support for this reassessment. The reassessment has in accordance with prevailing accounting principles been reported directly against equity by transfer to an appreciation fund taking deferred taxes into account. The book value of real estate amounted to SEK 1,041.3 m (126.4) as per 30 September 2006.

COMMENTS ON THE FINANCIAL DEVELOPMENT

Rental income

The rents booked as income for the group comprise the partially completed buildings at the addresses 9-aya Vasilieostrovskaya Linia 34 and Sredny Prospekt 36/40, the office area at the address Nevsky Prospekt 11 as well as all of the current building at ul. Dostoyevskovo 19/21 and amounted to SEK 4.4 (0.7) m, during the third quarter. For the period January-September, rental income amounted to SEK 11.2 (1.2) 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 renovation and rebuilding is going substantially as planned, with certain minor delays in completion which has meant that rental income has been somewhat lower than expected during the third quarter.

Real estate costs

Non-activated real estate costs – central project management, legal administration, marketing of premises, management fees etc. – amounted during the third quarter to SEK 11.2 (3.8) m and to SEK 34.8 (8.9) m for the period January-September.

Operating surplus

Operating surplus for the third quarter was negative and amounted to SEK -6.8 (-3.1) m. Operating surplus for the period January-September amounted to SEK -23.6 (-7.7) 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 portfolio that are not as yet ready for use.

Other operating costs and depreciation

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 1.6 (1.0) m during the third quarter and to SEK 6.3 (2.2) m for the period January-September. Depreciation of tangible fixed assets in the third quarter amounted to SEK 0.8 (0.0) m and to SEK 1.7 (0.1) m for the period January-September.

Operating result

The operating result for the third quarter amounted to SEK -9.3 (-4.1) m and to SEK -31.6 (-10.0) m for the period January-September. 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/expenses for the third quarter amounted to SEK -5.4 (-1.2) m and to SEK -23.1 (2.4) m for the period January-September. Net interest income/expense amounted to SEK -9.1 (-0.8) m during the third quarter and to SEK -22.5 (-1.8) for the period January-September. Exchange rate differences amounted to SEK 4.8 (-0.6) m during the third quarter and to SEK -0.5 (1.0) m for the period January-September.

Result after financial items

The result after financial items was SEK -14.7 (-5.3) m during the third quarter and SEK -54.7 (-7.7) m for the period January-September.

Cash flow, liquidity and financial position

The cash flow during the third quarter amounted to SEK -347.7 (-30.4) m and to SEK 45.5 (112.3) m for the period January-September. The equity ratio at the close of the period amounted to 42.3 (49.2) per cent. At the start of the year, the equity ratio amounted to 47.3 per cent. Equity amounted to SEK 550.2 (230.9) m, compared with SEK 222.1 m at the start of the year. Liquid funds amounted to SEK 197.9 (289.2) m and interest-bearing liabilities to SEK 673.1 (226.3) m. The group's liquid funds as at 31 December 2005 amounted to SEK 152.4 m and interest-bearing liabilities to SEK 238.3 m.

Interest-bearing liabilities

Interest-bearing liabilities consist of two bond loans. Both 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 of a nominal amount of SEK 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 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 annum, with interest due dates 16 November 2007, 16 November 2008, 16 November 2009 and 16 November 2010.

Acquisitions and investments

During the third quarter, the relocation component in the Glinki project amounted to SEK 71.4 m and the Fontanka 57 acquisition amounted to SEK 151.6 m. In addition, the outstanding 50% in the company that owns the ul. Dostoyevskovo 19/21 property was acquired for SEK 47 m.

Investments in renovation and rebuilding work in all other properties amounted to SEK 75.2 m for the third quarter and to SEK 136.6 m for the period January-September.

Investments in equipment amounted to SEK 0.1 (0.1) m during the third quarter and to SEK 0.2 (0.3) m for the period January-September.

Personnel and organisation

The group had 34 employees at the end of the period, of which 2 are based at the parent company's branch office, 31 in other Russian subsidiary companies in St Petersburg, and 1 at the parent company's head office in Stockholm.

Leonid Polonski has been appointed as the new head of the entire Russian operations. Since last spring, Leonid has been responsible for the Glinki project and already is General Director for Ruric's Russian project engineering company.

Anders Larsson will take over as CFO in the beginning of 2007 at the latest, and will also be a member of the company's Executive Management. Anders is currently deputy CEO and Financial Manager at FastPartner AB.

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 most of the 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 3 people at the close of the reporting period. Of the employees in the parent company, 2 people are based at the branch office in St Petersburg and 1 person at the office in Stockholm.

There is no turnover in the parent company. The result after financial items for the third quarter amounted to SEK -16.3 (-3.0) m. The result after financial items for the period January-September was SEK -80.5 (2.9) m. Investments in tangible fixed assets during the third quarter was SEK 0.0 (0.0) m and SEK 0.0 (0.2) m for the period January-September. Liquid funds at the close of the reporting period amounted to SEK 65.2 (269.9) 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 September 2006.

Shareholders 30 September 2006	A-series shares	B-series shares	Proportion of the shares %	Total number of shares	Proportion of the votes %
CANCALE FÖRVALTNINGS AB	240,000		5.9	240,000	24.4
ÖHMAN J:OR AB	240,000		5.9	240,000	24.4
EAST CAPITAL HOLDING AKTIEBOLAG	160,000		3.9	160,000	16.3
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
BEAR, STERNS & CO., W9		125,000	3.0	125,000	1.3
AKTIEBOLAGET BONINVEST		120,000	3.0	120,000	1.2
SVERIGEFONDEN, ROBURS		88,530	2.2	88,530	0.9
Total 10 largest owners	640,000	1,794,030	60.1	2,434,030	83.5
Other owners	0	1,621,770	39.9	1,621,770	16.5
Total	640,000	3,415,800	100.0	4,055,800	100.0

At an Extraordinary General Meeting on 16 August 2006, it was resolved to issue in deviation from the preferential rights of shareholders, 50,000 warrants to the Chief Executive Officer Thomas Zachariasson, 4,000 warrants to the incoming CFO Anders Larsson and 7,000 warrants to the Board member Jens Engwall. Each warrant shall give entitlement to new subscription of 1 share of series B in the company.

Events after the close of the period

- Ruric received notification on 5 September 2006 from the issuing agent of Ruric's bond loans, wherein the issuing agent points out that Ruric in the Interim Report for the period 1 January - 30 June 2006 did not fulfill a term in the terms of the bonds with regard to the ratio between liabilities and assets. Accordingly, the company has elected to move forward the interim report for the period January-September 2006 to 18 October in order to show fulfilment of the outstanding bond loans' terms.
- The Extraordinary General Meeting on 6 October 2006 resolved on a new issue of shares with preferential rights for the company's shareholders of not more than approximately SEK 152 m, where owners of shares of series A shall have a right to subscribe for three new shares of series A for twenty existing shares of series A and owners of shares of series B shall have a right to subscribe for three new shares of series B for twenty existing shares of series B. The subscription price is fixed at SEK 250 per share. On the assumption that the issue is fully subscribed, the company will raise approximately SEK 152 m before issue costs. The reason for the issue is to satisfy the company's capital needs which arise as part of the undertakings according to the Glinki investment agreement and for the commencement of planning and design of the recently carried out acquisition of the Fontanka 57 address.
- A lease agreement has been signed with tenant, with possession taking place 1 November 2006, in the first completed stage in the property at the address Apraksin Dvor 15/16.

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

Press release of unaudited annual earnings figures January-December 2006	28 February 2007
Interim report for the period January-March 2007	31 May 2007
Interim report for the period January-June 2007	31 August 2007
Interim report for the period January-September 2007	30 November 2007

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

Stockholm, 18 October 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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Consolidated Income Statement						
SEK '000	July-Sept 2006	July-Sept 2005	Jan-Sept 2006	Jan-Sept 2005^{*)}	Jan-Dec 2005	Oct 2005-Sept 2006
Rental income	4,366	705	11,204	1,151	10,426	20,479
Real estate costs	-11,212	-3,797	-34,777	-8,881	-17,224	-39,173
Operating surplus	-6,846	-3,092	-23,573	- 7,730	-6,798	-18,694
Depreciation	-796	-46	-1,741	-97	-236	-1,880
Other operating costs	-1,643	-965	-6,333	-2,212	-3,438	-11,506
Operating profit/loss	-9,285	-4,103	-31,647	-10,039	-10,472	-32,080
Financial income	1,147	-656	2,799	5,034	4,119	-1,832
Financial expenses	-6,559	-545	-25,879	-2,673	-8,037	-27,527
Profit/loss after financial items	-14,697	-5,304	-54,727	-7,678	-14,389	-61,439
Taxation	-1,736	1,890	-4,860	-380	-1,437	-5,917
Minority share of the profit/loss for the period	-	-	-	-	-990	-990
Profit/loss after tax	-16,433	-3,414	-59,587	-8,058	-16,817	-68,346
Profit/loss per share, SEK	-4.05	-1.37	-18.04	-3.22	-6.73	-27.34
Profit/loss per share incl. dilution, SEK	.n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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	4.1	2.5	3.3	2.5	2.5	3.1
Average number of shares incl. dilution, million	4.7	n.a.	3.7	n.a.	n.a.	3.4

*) Reclassification of expenses between real estate costs and other operating costs has taken place in relation to that stated in the interim report 30-09-2005.

Financial expenses have decreased by SEK 1,722 ('000) in relation to that stated in the interim report 30-09-2005 relating to positive exchange rate differences which were previously reported directly against equity.

Consolidated Balance Sheet

SEK '000	30-09-2006	30-09-2005 *)	31-12-2005
Fixed assets			
Real estate	1,041,325	126,408	281,190
Equipment	2,282	303	2,289
Deferred prepaid taxes	1,861	663	663
Other long-term receivables	30,220	32,050	19,671
Total fixed assets	1,075,688	159,424	303,813
Current assets			
Current receivables	27,148	20,229	12,939
Liquid funds	197,902	289,249	152,448
Total current assets	225,050	309,478	165,387
TOTAL ASSETS	1,300,738	468,902	469,200
EQUITY AND LIABILITIES			
Equity	550,189	230,901	222,142
Provisions	43,826	-	-
Interest-bearing liabilities	673,071	226,325	238,282
Accounts payable	5,792	2,989	4,160
Other liabilities	6,783	2,382	1,521
Accrued expenses and deferred income	21,077	6,305	3,095
TOTAL EQUITY AND LIABILITIES	1,300,738	468,902	469,200

Change in Consolidated Equity

SEK '000	Jan-Sept 2006	Jan-Sept 2005 *)	Jan-Dec 2005
Equity at the start of the period	222,142	238,959	238,959
Preferential rights issue	248,928	-	-
Issue expenses	-3,075	-	-
Warrant settlement	2,998	-	-
Appreciation fund, real estate	138,783	-	-
Profit/loss for the period	-59,587	-8,058	-16,817
Equity at the close of the period	550,189	230,901	222,142

*) The items real estate and equity have decreased by SEK 300 ('000) in relation to that stated in the interim report 30-09-2005 on account of adjustment of group consolidation. The specification of the change of the group's equity for the period January-September 2006 has also been adjusted in relation to that stated in the report for the period January-September 2005.

Consolidated Cash Flow Statement						
SEK ('000)	July-Sept 2006	July-Sept 2005	Jan-Sept 2006	Jan-Sept 2005	Jan-Dec 2005	Oct 2005-Sept 2006
Operating activities						
Profit/loss after financial items	-14,697	-5,304	-54,727	-7,678	-14,389	-61,439
Adjustment for items not included in the cash flow	2,896	167	18,029	1,819	1,202	17,412
Taxes paid	-545	1,890	-4,186	-669	-810	-4,309
Cash flow from operations before changes in working capital	-12,346	-3,247	-40,866	-6,528	-13,997	-48,335
Changes in working capital						
Changes in operating receivables	13,747	-15,773	-14,218	-11,712	1,561	-945
Changes in operating liabilities	-593	-7,744	22,516	9,975	9,382	21,923
Total changes in working capital	13,154	-23,517	8,298	-1,737	10,943	20,978
Cash flow from operating activities	808	-26,764	-32,568	-8,265	-3,054	-27,357
Investing activities						
Acquisition of subsidiaries	-	-	-	-	279	279
Acquisition of tangible fixed assets	-336,270	-11,998	-570,527	-106,029	-248,674	-713,172
Investments in other financial assets	-12,437	7,494	-10,549	-948	-1,337	-10,938
Increase in short-term investments	-	-	-	-	481	481
Cash flow from investing activities	-348,707	-4,504	-581,076	-106,977	-249,251	-723,350
Financing activities						
Preferential rights issue	-2,835	-	246,093	-	-	246,093
Warrant settlement	2,998	-	2,998	-	-	2,998
Changes in long-term borrowing	-	885	410,007	227,500	227,762	410,269
Cash flow from financing activities	163	885	659,098	227,500	227,762	659,360
Cash flow for the period	-347,736	-30,383	45,454	112,258	-24,543	-91,347
Incoming liquid funds	545,638	319,632	152,448	176,991	176,991	289,249
Liquid funds at the close of the period	197,902	289,249	197,902	289,249	152,448	197,902

The Group's Key Ratios	July-Sept	July-Sept	Jan-Sept	Jan-Sept	Jan-Dec	Oct
	2006	2005	2006	2005	2005	2005-Sept 2006
<i>Real estate related key ratios</i>						
Lettable area at close of the period, thousand sqm ¹⁾	6.2	3.1	6.2	3.1	3.1	6.2
Letting rate area, %	100	100	100	100	100	100
Real estate book value, SEK ('000)	1,041,325	126,408	1,041,325	126,408	281,190	1,041,325
<i>Financial key ratios</i>						
Equity ratio, %	42.3	49.2	42.3	49.2	47.3	42.3
Liabilities/Assets, %	57.7	50.8	57.7	50.8	52.7	57.7
Interest coverage ratio, times	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt/equity ratio, times	1.2	1.0	1.2	1.0	1.1	1.2
Loan-to-value ratio real estate, %	65	65	65	65	85	65
Return on equity, %	-3.4	-1.5	-15.4	-3.4	-7.3	-17.5
Interest-bearing liabilities, SEK ('000)	673,071	226,325	673,071	226,325	238,282	673,071
<i>Information per share and share information</i>						
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	4.1	2.5	3.3	2.5	2.5	3.1
Average number of shares incl. dilution, million	4.7	n.a.	3.7	n.a.	n.a.	3.4
Profit/loss per share excl. dilution. SEK	-4.05	-1.37	-18.04	-3.22	-6.73	-27.34
Profit/loss per share incl. dilution. SEK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Equity per share at the close of the period, SEK	135.65	56.93	135.65	56.93	88.86	135.65
Dividend, SEK	-	-	-	-	-	-
The book value of the real estate per share, SEK	257	51	257	51	112	257
<i>Employees</i>						
Average number of employees	29	9	20	8	9	18
Number of employees at the close of the period	34	10	34	10	10	34

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