

# **Unaudited Interim Report**

**6 months to 30 June 2009**

**NR Nordic & Russia Properties Limited**

## NR Nordic & Russia Properties Limited

### Highlights

	Period to 30 June 2009	Period to 30 June 2008
EUR million	Continuing operations	Continuing operations
Gross rental revenue	37.5	39.9
Net rental income	26.2	25.4
Loss for the period	(56.2)	(18.4)

- The Group's underlying operations continue to be resilient to the difficult market conditions. Net rental income has increased by EUR 0.8 million on the same period last year to EUR 26.2 million and the occupancy rate remains at 95%.
- Property portfolio comprises 39 (2008: 39) properties with a total portfolio fair value of EUR 554 million (2008: EUR 605 million). Due to market volatility and the lack of liquidity in the capital markets it may be difficult to achieve a sale of property assets in the short-term.
- Total property net yield is 10.2% (2008: 7.5%)
- Group Loan to Value (LTV) of 59% (2008: 54%) and Interest coverage ratio (ICR) of 3.54x (2008: 1.58x) provides significant headroom on bank loan covenants
- Adjusted NAV per share<sup>2</sup> of EUR 0.48 (2008: EUR 0.60)
- Basic loss per share for the period of EUR 0.12 (2008: EUR 0.03). Diluted loss per share<sup>3</sup> for the period of EUR 0.10 (2008: EUR 0.03)
- The Board has decided to pay an interim dividend of EUR 0.01 per share, level with last year and in line with the existing dividend policy.

1) Comparative figures shown in brackets for income statement items relate to the same period last year, whilst balance sheet comparatives are those at 31 December 2008.

2) Calculated based on fully diluted shares outstanding as at 30 June 2009, totalling 546.7 million shares.

3) Calculated based on weighted average fully diluted shares outstanding during the period to 30 June 2009.

## NR Nordic & Russia Properties Limited

### Finance and property review

#### Review of reported results

In the review of the reported results, the income statement refers to the six month period ending 30 June 2009 while the balance sheet refers to 30 June 2009. Comparative figures shown in brackets for the income statement related to the same period last year, whilst balance sheet comparatives are those at 31 December 2008, unless otherwise stated.

<b>Adjusted Net Asset Value calculation</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
<b>EUR million</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
Net Asset Value - Equity attributable to equity holders of the parent	225.9	289.7	515.2
Convertible loans	36.3	39.5	36.8
Options	0.6	0.6	0.6
<b>Adjusted Net Asset Value</b>	<b>262.8</b>	<b>329.8</b>	<b>552.6</b>
<b>Number of shares, fully diluted</b>			
Issued and fully paid	475.9	475.9	475.9
Convertible loans	70.3	70.3	64.8
Options	0.5	0.5	0.5
<b>Total</b>	<b>546.7</b>	<b>546.7</b>	<b>541.2</b>
Adjusted NAV per share, fully diluted	0.48	0.60	1.02

#### Dividend

The Board has decided to pay an interim ordinary dividend of EUR 0.01 per share. The interim ordinary dividend will be paid on 9 October 2009 to shareholders on the register on 11 September 2009. The ex-dividend date is 9 September 2009.

#### Property Portfolio

No properties have been acquired or sold in the first half of the year. The property portfolio comprises 39 assets with a total floor space of 988,000 sqm. The annualized gross rental value remains at EUR 77 million, along with an economic occupancy of 95%. The average lease length has fallen since December 2008 from 6.6 years to 6.4 years.

The portfolio has been valued by DTZ Sweden AB and DTZ Russia Ltd as at 30 June 2009. The total value of the portfolio is EUR 554 million. This represents a decrease of 10% (in local currencies) on the value of the comparable portfolio at 31 December 2008.

The total net yield of 10.2% has moved out 1.8 percentage points since December 2008 due in the main to the declining property values. Properties located in Sweden and Russia accounted for 67% and 21%, respectively, of the total market value. The table below gives a summary of the property portfolio by asset class and country.

## NR Nordic & Russia Properties Limited

### Finance and property review

#### Portfolio as at 30 June 2009

The table below shows the annualised position of properties held at the 'half year'.

	No. of properties	Area (sqm '000)	Gross rental value (EUR m)	Occupancy rate, economic (%)	Average lease length (years)	Market value (EUR m)	% Market value
Office	4	186	17	91%	4.6	121	22%
Industrial	22	612	34	95%	5.6	229	41%
Logistics	7	101	5	100%	12.6	55	10%
Retail	3	50	13	96%	5.2	71	13%
Hotel	3	39	8	100%	10.8	78	14%
<b>Total</b>	<b>39</b>	<b>988</b>	<b>77</b>	<b>95%</b>	<b>6.4</b>	<b>554</b>	<b>100%</b>
Sweden	29	803	52	94%	5.0	369	67%
Denmark	2	45	3	100%	15.4	38	7%
Lithuania	1	4	1	100%	6.5	6	1%
Germany	1	15	1	100%	12.2	11	2%
Poland	2	44	2	100%	12.3	14	2%
Russia	4	77	18	97%	7.9	116	21%
<b>Total</b>	<b>39</b>	<b>988</b>	<b>77</b>	<b>95%</b>	<b>6.4</b>	<b>554</b>	<b>100%</b>

#### Year to 30 June 2009 analysis (for properties held at 30/06/2009)

The table below shows the result for the last 12 months of properties held at the 'half year'.

	Gross rental income (EUR m) <sup>1</sup>	Property costs (EUR m) <sup>1</sup>	Net rental income (EUR m) <sup>1</sup>	Net yield (%) <sup>2</sup>
Office	16	(6)	10	8.7%
Industrial	33	(8)	25	10.7%
Logistics	5	0	5	8.7%
Retail	13	(4)	9	13.4%
Hotel	8	(1)	7	8.9%
<b>Total</b>	<b>75</b>	<b>(19)</b>	<b>56</b>	<b>10.2%</b>
Sweden	49	(13)	36	9.8%
Denmark	3	0	3	7.9%
Lithuania	1	0	1	9.4%
Germany	1	0	1	8.3%
Poland	2	(1)	1	9.7%
Russia	19	(5)	14	12.4%
<b>Total</b>	<b>75</b>	<b>(19)</b>	<b>56</b>	<b>10.2%</b>

1) Actual figures for the first half of 2009, adjusted as if the properties have been held the entire half year period, then multiplied by two.

2) Net rental income as calculated above divided by the DTZ market value per June 2009.

The report is also available on the Company's webpage: [www.nr-properties.co.uk](http://www.nr-properties.co.uk)

#### Enquires:

Thomas Lindeborg  
Tel: +44 20 7563 9000  
Email: [tlindeborg@lrp.co.uk](mailto:tlindeborg@lrp.co.uk)

Jens Engwall, Chairman  
Tel: +46 70 690 65 50  
Email: [jens.engwall@lrp.se](mailto:jens.engwall@lrp.se)

Brian Cole  
Tel: +44 20 7563 9000  
Email: [bcole@lrp.co.uk](mailto:bcole@lrp.co.uk)

**NR Nordic & Russia Properties Limited**  
Unaudited Consolidated Income Statement  
*In millions of Euro*

		Period to 30 June 2009	Period to 30 June 2008
<b>Continuing operations</b>	<b>Note</b>		
Gross rental revenue	1	37.5	39.9
Property operating expenses	1,2	(11.3)	(14.5)
<b>Net rental income</b>	<b>1</b>	<b>26.2</b>	<b>25.4</b>
Revaluation losses on investment properties	1,8	(62.5)	(15.1)
Loss on disposals of investment properties	1	-	(1.9)
<b>Net results on investment properties</b>	<b>1</b>	<b>(62.5)</b>	<b>(17.0)</b>
Administrative expenses	1	(1.0)	(1.9)
Write downs	1	(1.8)	-
Impairment of goodwill	1,9	(5.4)	(24.9)
<b>Operating loss</b>	<b>1</b>	<b>(44.5)</b>	<b>(18.4)</b>
Finance income	3	3.5	6.7
Finance expenses – interest and other	4	(14.7)	(24.8)
Finance – net currency exchange (losses)/gains		(1.0)	10.3
Net changes in fair value of derivatives	11	(3.6)	(4.1)
<b>Net finance expenses</b>		<b>(15.8)</b>	<b>(11.9)</b>
<b>Loss before income tax</b>		<b>(60.3)</b>	<b>(30.3)</b>
Current income tax expense		-	(1.7)
Deferred income tax credit		4.1	13.6
<b>Loss for the period from continuing operations</b>		<b>(56.2)</b>	<b>(18.4)</b>
Profit from discontinued operations	7	-	4.4
<b>Loss for the period</b>		<b>(56.2)</b>	<b>(14.0)</b>
Attributable to:			
Equity holders of the parent		(56.2)	(14.0)
Earnings per share attributable to equity holders of the Company during the period:			
Basic losses per share (EUR)	5	(0.12)	(0.03)
Diluted losses per share (EUR)	5	(0.10)	(0.03)
		<b>Period to 30 June 2009</b>	<b>Period to 30 June 2008</b>
<b>Loss for the period</b>		<b>(56.2)</b>	<b>(14.0)</b>
<b>Other comprehensive income</b>			
Currency translation differences		4.0	(12.6)
<b>Other comprehensive income for the period net of tax</b>		<b>4.0</b>	<b>(12.6)</b>
<b>Total comprehensive income for the period</b>		<b>(52.2)</b>	<b>(26.6)</b>
Total comprehensive income attributable to:			
Equity holders of the parent		(52.2)	(26.6)

The notes on pages 9 to 15 are an integral part of these unaudited consolidated financial statements.

# NR Nordic & Russia Properties Limited

## Unaudited Consolidated Balance Sheet

In millions of Euro

	Note	30 June 2009	31 December 2008
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	8	553.6	604.6
Goodwill	9	43.9	49.3
Long term receivables	10	-	10.0
Other investments	10	10.0	-
Deferred tax assets		11.2	13.9
<b>Total non-current assets</b>		<b>618.7</b>	<b>677.8</b>
<b>Current assets</b>			
Derivative financial instruments	11	32.7	32.9
Trade and other receivables		5.9	24.1
Cash and cash equivalents		64.3	102.4
<b>Total current assets</b>		<b>102.9</b>	<b>159.4</b>
<b>Total assets</b>		<b>721.6</b>	<b>837.2</b>
<b>Equity</b>			
Ordinary share capital		85.9	85.9
Ordinary share premium		10.7	10.7
Equity portion of convertible loan notes		28.3	30.6
Other reserves		272.4	281.7
Foreign currency translation reserve		(24.2)	(28.2)
Retained earnings		(147.2)	(91.0)
<b>Total equity</b>		<b>225.9</b>	<b>289.7</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	12	351.1	328.8
Convertible loan notes	12	36.3	39.5
Deferred tax liabilities		55.6	62.4
<b>Total non-current liabilities</b>		<b>443.0</b>	<b>430.7</b>
<b>Current liabilities</b>			
Derivative financial instruments	11	19.8	16.4
Interest-bearing loans and borrowings	12	6.9	43.7
Trade and other payables		26.0	56.7
<b>Total current liabilities</b>		<b>52.7</b>	<b>116.8</b>
<b>Total liabilities</b>		<b>495.7</b>	<b>547.5</b>
<b>Total equity and liabilities</b>		<b>721.6</b>	<b>837.2</b>

The notes on pages 9 to 15 are an integral part of these unaudited consolidated financial statements.

**NR Nordic & Russia Properties Limited**

## Unaudited Consolidated Statement of Changes in Equity for the period to 30 June 2009

*In millions of Euro*

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Foreign currency translation reserve	Retained earnings	Total equity
<b>Balance at 1 January 2009</b>	<b>85.9</b>	<b>10.7</b>	<b>30.6</b>	<b>281.7</b>	<b>(28.2)</b>	<b>(91.0)</b>	<b>289.7</b>
Repayment on convertible loan notes	-	-	(2.3)	-	-	-	<b>(2.3)</b>
Dividends (note 6)	-	-	-	(9.3)	-	-	<b>(9.3)</b>
Total comprehensive income	-	-	-	-	4.0	(56.2)	<b>(52.2)</b>
<b>Balance at 30 June 2009</b>	<b>85.9</b>	<b>10.7</b>	<b>28.3</b>	<b>272.4</b>	<b>(24.2)</b>	<b>(147.2)</b>	<b>225.9</b>

The notes on pages 9 to 15 are an integral part of these unaudited consolidated financial statements.

# NR Nordic & Russia Properties Limited

## Unaudited Cash Flow Statement

In millions of Euro

	Note	Period to 30 June 2009	Period to 30 June 2008
<b>Cash flow from operating activities</b>			
Losses before tax	13	(60.3)	(26.7)
Adjustments for:			
Impairment of goodwill		5.4	24.9
Write downs		1.8	-
Unrealised net revaluation losses on investments properties	8	62.5	15.1
Loss on sale of investment properties		-	1.9
Interest income		(3.5)	(17.0)
Interest expense		14.7	29.0
Currency loss		1.0	-
Unrealised net revaluation losses on derivatives		3.6	4.1
Provisions for pensions		-	(0.3)
<b>Cash flow from operations before changes in working capital, interest and tax</b>		<b>25.2</b>	<b>31.0</b>
Change in trade and other receivables		11.1	11.0
Change in trade and other payables		(30.6)	(28.3)
<b>Cash flow from operations before interest and tax</b>		<b>5.7</b>	<b>13.7</b>
Interest paid		(8.3)	(18.4)
Interest received		1.0	7.3
Income tax paid		-	(2.6)
<b>Cash flow from operating activities</b>	13	<b>(1.6)</b>	<b>(0.0)</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of investment properties		-	47.2
Acquisition of investment properties		-	(86.9)
Capital expenditures on investment properties		(8.2)	(1.8)
Disposal of subsidiaries (net of cash received)	7	-	722.0
<b>Cash flow from investing activities</b>		<b>(8.2)</b>	<b>680.5</b>
<b>Cash flow from financing activities</b>			
Dividend	6	(9.3)	(42.4)
Borrowings drawn		2.0	36.4
Borrowings repaid		(21.4)	(685.8)
<b>Cash flow from financing activities</b>		<b>(28.7)</b>	<b>(691.8)</b>
Net decrease in cash and cash equivalents		(38.5)	(11.3)
Cash and cash equivalents beginning of period		102.4	142.2
Effect of exchange rate fluctuations on cash held		0.4	0.3
<b>Cash and cash equivalents end of period</b>		<b>64.3</b>	<b>131.2</b>

For a reconciliation of operating cash used in operations see note 13.

The notes on pages 9 to 15 are an integral part of these unaudited consolidated financial statement



## **NR Nordic & Russia Properties Limited**

### **Unaudited notes to the accounts**

*In millions of Euro, unless otherwise stated*

#### **Basis of preparation**

The interim unaudited consolidated financial statements of the Group for the six months to 30 June 2009 have been prepared on the basis of accounting policies set out in the published accounts of the Group for the year ended 31 December 2008 except for the changes in the accounting policies presented below.

The published accounts for the year ended 31 December 2008 were the Group's second full financial statements under IFRS. The basis of accounting and format of presentation is subject to change following any further interpretative guidance that may be issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretation Committee ("IFRIC") from time to time.

The statutory accounts for the year ended 31 December 2008 have been delivered to the Jersey Financial Services Commission and includes an audit report which was unqualified.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in published accounts of the Group for the year ended 31 December 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity and all 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The application of IFRS 8 has not affected the number or classification of segments as previously reported under IAS 14.

The operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the CEO who makes strategic decisions.

IAS 40, 'Investment property' (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have a direct impact on the group as the current strategy is not to significantly redevelop or construct investment property.

IAS 23, 'Borrowing costs'. The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale). However for qualifying assets that are carried at fair value there is not a requirement to capitalize borrowing costs. The standard is currently not applicable to the group as there are no qualifying assets.

# NR Nordic & Russia Properties Limited

Unaudited notes to the accounts

In millions of Euro, unless otherwise stated

## 1. Segment reporting

Segment information is presented in respect of the Group's operating segments, which is based on the Group's management and internal reporting structure. The parent company is a holding company and does not operate in any segment.

### Operating segments

	Sweden	Russia	Other	Period to 30 June 2009 Unallocated	Contin. Operat.
Gross rental revenue	24.7	9.4	3.4	-	37.5
Property operating expenses	(8.0)	(2.6)	(0.7)	-	(11.3)
<b>Net rental income</b>	<b>16.7</b>	<b>6.8</b>	<b>2.7</b>	<b>-</b>	<b>26.2</b>
Revaluation losses on investment properties	(32.4)	(24.3)	(5.8)	-	(62.5)
Loss on disposal of investment properties	-	-	-	-	-
<b>Net losses on investment properties</b>	<b>(32.4)</b>	<b>(24.3)</b>	<b>(5.8)</b>	<b>-</b>	<b>(62.5)</b>
Administrative expenses				(1.0)	(1.0)
Write downs				(1.8)	(1.8)
Impairment of goodwill				(5.4)	(5.4)
<b>Operating loss</b>					<b>(44.5)</b>
Net finance expenses				(15.8)	(15.8)
<b>Loss before income tax</b>					<b>(60.3)</b>
Net tax credit				4.1	4.1
<b>Loss for the period</b>					<b>56.2</b>
<b>Segment assets</b>					
Investment properties	369.1	116.1	68.4	-	553.6
Goodwill	37.2	-	6.7	-	43.9
Other assets	-	-	-	124.1	124.1
<b>Total assets</b>	<b>406.3</b>	<b>116.1</b>	<b>75.1</b>	<b>124.1</b>	<b>721.6</b>
<b>Capital expenditure</b>	<b>2.7</b>	<b>5.5</b>	<b>-</b>	<b>-</b>	<b>8.2</b>

	Sweden	Russia	Other	Period to 30 June 2008 Unallocated	Contin. Operat.	Discont. Operat.
Gross rental revenue	28.6	6.6	4.7	-	39.9	9.6
Property operating expenses	(9.8)	(2.1)	(2.6)	-	(14.5)	(1.5)
<b>Net rental income</b>	<b>18.8</b>	<b>4.5</b>	<b>2.1</b>	<b>-</b>	<b>25.4</b>	<b>8.1</b>
Revaluation (losses)/gains on investment properties	(14.3)	3.5	(4.3)	-	(15.1)	-
Loss on disposal of investment properties	(1.9)	-	-	-	(1.9)	-
<b>Net losses on investment properties</b>	<b>(16.2)</b>	<b>3.5</b>	<b>(4.3)</b>	<b>-</b>	<b>(17.0)</b>	<b>-</b>
Administrative expenses				(1.9)	(1.9)	(0.3)
Impairment of goodwill				(24.9)	(24.9)	-
<b>Operating loss</b>					<b>(18.4)</b>	<b>7.8</b>
Net finance expenses				(11.9)	(11.9)	(4.2)
<b>Loss before income tax</b>					<b>(30.3)</b>	<b>3.6</b>
Net tax credit				11.9	11.9	(0.9)
<b>Loss for the period</b>					<b>(18.4)</b>	<b>2.7</b>
Profit from disposal group					-	1.7
Profit from discontinued operations					4.4	
<b>Loss for the period</b>					<b>(14.0)</b>	
<b>Segment assets</b>						
Investment properties	527.6	167.5	85.2	-	780.3	
Goodwill	72.8	-	10.6	-	83.4	
Other assets	-	-	-	222.7	222.7	
<b>Total assets</b>	<b>600.4</b>	<b>167.5</b>	<b>95.8</b>	<b>222.7</b>	<b>1,086.4</b>	
<b>Capital expenditure</b>	<b>1.8</b>	<b>-</b>	<b>-</b>		<b>1.8</b>	

## NR Nordic & Russia Properties Limited

Unaudited notes to the accounts

*In millions of Euro, unless otherwise stated*

### 2. Property operating expenses

	Period to 30 June 2009	Period to 30 June 2008
Utilities	(3.8)	(4.3)
Caretaking, insurance and other expenses	(4.0)	(4.5)
Planned maintenance	(0.4)	(0.6)
Tenant improvements	(0.5)	(0.2)
Property tax	(1.4)	(1.6)
Site leasehold rent	(0.1)	(0.1)
Asset management fee	(1.1)	(3.2)
<b>Property operating expenses</b>	<b>(11.3)</b>	<b>(14.5)</b>

### 3. Finance income

	Period to 30 June 2009	Period to 30 June 2008
Interest income	2.5	6.7
Dividends from other investments (note 10)	1.0	-
<b>Total</b>	<b>3.5</b>	<b>6.7</b>

The interest income above includes a realised gain amounting to EUR 0.0 (2.7) million which arose on derivative financial instruments settled in conjunction with the repayment of associated loan balances during the period.

### 4. Finance expenses

	Period to 30 June 2009	Period to 30 June 2008
Interest payable on loans	(9.0)	(19.9)
Loan arrangement fees	(5.7)	(4.9)
<b>Total</b>	<b>(14.7)</b>	<b>(24.8)</b>

### 5. Earnings per share

#### a) Basic

	Period to 30 June 2009	Period to 30 June 2008
Loss attributable to equity holders of the Company (EUR millions)	(56.2)	(14.0)
Weighted average number of ordinary shares in issue	475,924,532	475,924,532
Basic losses per share (EUR)	(0.12)	(0.03)

#### b) Diluted

	Period to 30 June 2009	Period to 30 June 2008
Loss attributable to equity holders of the Company	(56.2)	(14.0)
Interest expenses on convertible debt (net of tax)	1.7	1.6
<b>Losses used to determine diluted earnings per share</b>	<b>(54.5)</b>	<b>(12.4)</b>
Weighted average number of shares in issue	475,924,532	475,924,532
Adjustment for:		
- Assumed conversion of convertible debt	70,288,224	64,788,224
- Share options	-	-
<b>Weighted average number of ordinary shares in issue for diluted earnings per share</b>	<b>546,212,756</b>	<b>540,712,756</b>
<b>Diluted losses per share (EUR)</b>	<b>(0.10)</b>	<b>(0.03)</b>

## NR Nordic & Russia Properties Limited

### Unaudited notes to the accounts

*In millions of Euro, unless otherwise stated*

## 6. Dividends

During the period a total dividend of EUR 0.017 per share, amounting to EUR 8.1 million was declared and paid out on 5 June 2009. In addition the equity amount attributable to holders of convertible loan notes, EUR 1.2 million was paid.

## 7. Business combinations

### **Disposal of Finnish hotel portfolio**

On 29 February 2008, the Group completed its disposal of the entire Finnish hotel portfolio including a hotel in Sweden, together called the disposal group.

The operations represented a separate major business segment for the Group. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations and the post-tax profit recognised on the remeasurement to fair value less cost to sell and on disposal of the discontinued operation. That is, the income and expenses of the disposal group are reported separately from the continuing operations of the NR Nordic & Russia Group. The table below provides further detail of the amount shown on the income statement.

The remeasurement to fair value less costs to sell resulted in a profit of EUR 4.4 million after tax.

Financial information for the discontinued operations after group eliminations is presented below:

	Period to 30 June 2008
Gross rental revenue	9.6
Property operating expenses	(1.5)
<b>Net rental income</b>	<b>8.1</b>
Revaluation gains on investment properties	-
Administrative expenses	(0.3)
<b>Operating profit</b>	<b>7.8</b>
Other finance expenses	(4.2)
Net changes in fair value of derivatives	-
<b>Results before income tax</b>	<b>3.6</b>
Current tax income tax expense	(0.9)
<b>Results after income tax</b>	<b>2.7</b>
Profit from disposal group	1.7
<b>Profit from discontinued operations</b>	<b>4.4</b>
Earnings (loss) per share from discontinued operations	
Basic, EUR	0.01
Diluted, EUR	0.01

The cash flow from the discontinued operations are presented below:

Net cash provided by operating activities	2.6
Net cash provided by investing activities	722.0
Net cash (used in) financing activities	(632.0)

## 8. Investment properties

	30 June 2009	31 December 2008
At 1 January	604.6	760.9
Additions through asset acquisitions	-	84.6
Capital expenditures	8.2	8.1
Disposals	-	(54.8)
Exchange differences	3.3	(67.9)
Revaluation	(62.5)	(126.3)
<b>End of period</b>	<b>553.6</b>	<b>604.6</b>

The investment properties have been valued by DTZ Sweden AB and DTZ Russia Ltd, independent expert valuers, as at 30 June 2009.

## NR Nordic & Russia Properties Limited

### Unaudited notes to the accounts

*In millions of Euro, unless otherwise stated*

## 9. Goodwill

	30 June 2009	31 December 2008
At 1 January	49.3	108.3
Impaired during the period	(5.4)	(53.1)
Impaired directly as a result of investment property disposals	-	(5.9)
<b>End of period</b>	<b>43.9</b>	<b>49.3</b>

The goodwill arising on the initial acquisition represented a portfolio premium, which was not recognized as part of the fair value of the investment properties acquired, the value to sell the acquired properties portfolio tax-free in the future, and a negative derivative financial instrument value, not incorporated into the purchase price.

The impairment in the period to 30 June 2009 is due to the devaluation of investment properties which have decreased the deferred tax liabilities, a component of goodwill.

## 10. Other investments

Other investments of EUR 10.0 million consist of shares in the Capman Hotel fund. The Group provided a vendor loan to the purchaser at the time of the disposal of the Finnish hotel portfolio. During the period the loan note converted to equity and has therefore been reclassified from long term receivables to other investments.

## 11. Derivative financial instruments

	30 June 2009	31 December 2008
Fair value at 1 January	16.5	23.5
Revaluation losses on financial instruments	(3.6)	(7.0)
<b>Fair value at end of period</b>	<b>12.9</b>	<b>16.5</b>

	30 June 2009		31 December 2008	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Interest rate swaps	-	(19.8)	-	(16.4)
Currency swaps	32.7	-	32.9	-
<b>Total</b>	<b>32.7</b>	<b>(19.8)</b>	<b>32.9</b>	<b>(16.4)</b>

At 30 June 2009, the notional principle amount of outstanding currency swap contracts was EUR 210.8 million (2008: EUR 210.7 million) and of outstanding interest rate swaps EUR 290.0 million (2008: EUR 264.2 million).

At 30 June 2009, the fixed interest rates vary from 4.0% to 13.0% (2008: from 4.0% to 12.0%) and the main floating rates are EURIBOR (Euro Interbank Offered Rate) 3 months and STIBOR (Stockholm Interbank Offered Rate) 3 months.

## 12. Interest bearing loans and borrowings

	30 June 2009	31 December 2008
Total amounts falling due within one year (recorded as current)	6.9	43.7
Total amounts of loans falling due after more than one year	351.1	328.8
Convertible loans falling due after more than one year	36.3	39.5
<b>Total borrowings</b>	<b>394.3</b>	<b>412.0</b>
Cash and cash equivalents attributable to continuing operations	(64.3)	(102.4)
<b>Net borrowings</b>	<b>330.0</b>	<b>309.6</b>

## NR Nordic & Russia Properties Limited

Unaudited notes to the accounts

*In millions of Euro, unless otherwise stated*

### 12. Interest bearing loans and borrowings (continued)

The loan maturity profile (excluding convertible loan) is as follows:

Maturity year	Amount (EUR m)	% amount
2010	6.9	1.9
2011	47.8	13.3
2012	23.8	6.7
2013	267.8	74.8
2014	11.7	3.3
<b>Total</b>	<b>358.0</b>	<b>100.0</b>

The facility maturing in 2013 includes a two year extension, which is at the discretion of the Group, on condition that LTV is no more than 75%; current LTV on this facility is 63%.

The convertible loan movement is as follows:

	Nominal value (total)	Fair value (total)	Liability (total)	Equity (total)
Opening balance	65.5	68.7	39.5	30.6
Repayment	(5.9)	(5.9)	(3.6)	(2.3)
Interest adjustment	-	-	0.4	-
<b>End of period</b>	<b>59.6</b>	<b>62.8</b>	<b>36.3</b>	<b>28.3</b>

The Company has 70,288,224 outstanding convertible loan notes of which 64,788,224 are held by LR Swedish Holdings No. 1 AB and 5,500,000 are held by LR Real Estate Asset Management AB. The convertible loan notes are convertible into shares of the Company.

### 13. Reconciliation of operating loss to cash used in operations

	Period to 30 June 2009	Period to 30 June 2008
<b>Continuing operations</b>		
Losses before taxes	(60.3)	(30.3)
Adjustments for:		
Impairment of goodwill	5.4	24.9
Write downs	1.8	-
Unrealised net revaluation losses on investments properties	62.5	15.1
Loss on disposal of investment properties	-	1.9
Interest income	(3.5)	(17.0)
Interest expense	14.7	24.8
Currency losses	1.0	-
Unrealised net revaluation losses on derivatives	3.6	4.1
Provision for pensions	-	(0.3)
<b>Cash flow from operations before changes in working capital, interest and tax</b>	<b>25.2</b>	<b>23.2</b>
Change in trade and other receivables	11.1	12.0
Change in trade and other payables	(30.6)	(28.3)
<b>Cash flow from operations before interest and tax</b>	<b>5.7</b>	<b>6.9</b>
Interest paid	(8.3)	(14.2)
Interest received	1.0	7.3
Income tax paid	-	(2.6)
<b>Cash used in continuing operations</b>	<b>(1.6)</b>	<b>(2.6)</b>

## NR Nordic & Russia Properties Limited

Unaudited notes to the accounts

*In millions of Euro, unless otherwise stated*

### 13. Reconciliation of operating loss to cash used in operations (continued)

	Period to 30 June 2008
<b>Discontinued operation</b>	
Profit before taxes (note 7)	3.6
Adjustments for:	
Impairment of goodwill	-
Unrealised net revaluation gains on investments properties	-
Interest expense	4.2
Unrealised net revaluation gains on derivatives	-
Provision for pensions	-
<b>Cash flow from operations before changes in working capital, interest and tax</b>	<b>7.8</b>
Change in trade and other receivables	(1.0)
Change in trade and other payables	-
<b>Cash flow from operations before interest and tax</b>	<b>6.8</b>
Interest paid	(4.2)
Income tax paid	-
<b>Cash generated from discontinued operations</b>	<b>2.6</b>
<b>Cash flow from operating activities</b>	<b>0.0</b>

### 14. Capital commitments

At 30 June 2009 the Company was contractually committed to EUR 7.2 million (2008: EUR 6.6 million) of future expenditure for the purchase, development and enhancement of the current investment property portfolio. In addition, the Company has a funding obligation for EUR 3.2 million if new equity is requested by the Capman fund.

### 15. Contingent liabilities

The Group is financed by external loans raised by certain Group companies. Other Group companies have guaranteed the commitments to the external lenders. The companies have pledged assets and rights as collateral for the guarantees. The guarantee commitments by the subsidiaries of the borrowing companies are limited to amounts that do not violate legislation that is in effect from time to time.

### 16. Events after the balance sheet date

The Chairman tendered his resignation on 19 August 2009. An Extraordinary General Meeting (EGM) has been requisitioned. The EGM notices were sent out on 19 August 2009.

### 17. Related Party transactions

LR Swedish Holdings No. 1 AB, a member of the London & Regional Group, owns 117,299,200 shares, representing 24.65 per cent. of the issued capital of the Company and 64,788,224 convertible loan notes. Assuming full conversion of the convertible loan notes, LR Swedish Holdings No. 1 AB will be interested in 182,087,424 fully diluted shares in aggregate representing 33.30 per cent. of the fully diluted share capital.

LR Real Estate Asset Management AB, a member of the London & Regional Group, owns 5,500,000 convertible loan notes, which are convertible into 5,500,000 shares (1.01 per cent. of fully diluted share capital).

The following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to the Company. In the opinion of the directors, each of the transactions was concluded at arm's length:

- the management agreement according to which LR Real Estate Asset Management AB is the asset manager and receives a fee of 0.4 per cent based on gross asset value (EUR 1.0 million for the period ending 30 June 2009) and a performance fee of 25 per cent of any increase in net asset value above 10 per cent. No performance fee was due 30 June 2009;
- the rental shortfall guarantee in which LR Real Estate Asset Management AB guarantees an income for certain premises of EUR 4.0 million per year for 2007-2009, less any rent from new leases in the same properties;
- the lease agreement Stockholm Katthavet 8 "Berns Hotel" between the Group and the London & Regional Group.

Mr. Ian Livingstone is an affiliate of, and thus may be deemed to have an indirect interest in, each of the members of the London & Regional Group that is a party to agreements listed in above.

### **Responsibility Statement**

The Directors' of NR Nordic & Russia Properties Limited (hereinafter "NR Group") wish to state that to our knowledge:

- 1) The Interim report for the six month period to 30 June 2009 give a true and fair view of the assets, liabilities, financial position and loss of the NR Group;
- 2) The Interim report for the six month period to 30 June 2009 gives a true and fair view of the NR Group's position as per 30 June 2009 and the developments during the first half of the financial year 2009;
- 3) The Interim report for the six month period to 30 June 2009 describes the material risks the issuer is facing.

Jersey, 28 August 2009

The Directors'

NR Nordic & Russia Properties Limited