**AISI REALTY PUBLIC PLC**
**("AISI" / "Group" / the "Company")**

**FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011**

**FIRST RESULTS UNDER NEW MANAGEMENT SHOW IMPROVED OPERATIONAL PERFORMANCE AND STRONGER FINANCIAL POSITION**

Aisi Realty Public PLC (AIM: AISI), a South Eastern European focused property and investment company, today announces its full year results for the year ended 31 December 2011. This is the Company's first set of results since the new management was introduced in August, and the results show improved operational performance, a stronger financial position and provide a clear strategy for growth.

**Financial highlights:**

- Operating Profit of $0.8 million (2010: loss $25.4 million) increasing to $1.4 million ( 2010: $5.3 million loss) when asset revaluations are excluded
- Basic and diluted loss per share fell 86% to $0.25 (2010: $6.02 loss)
- Gross Rental Income increased to $526.000 (2010:$nil) as a result of improved occupancy at Terminal Brovary, the Group's key income producing asset in Kiev
- Net Equity increased by 273% to $31.4 million in the second half of the year (HY 2011: $8.4 million) as a result of improved property occupancy, the settling of Group liabilities and the conversion of the Narrowpeak bond into shares
- NAV per share increased by 67% in the second half to $3.39 ($2.88 fully diluted) (HY 2011: $2.03)
- Balance sheet significantly strengthened as a result of an agreement with Narrowpeak, an affiliate of the SECURE Group, which provided rescue financing through an $8 million convertible loan, allowing Aisi to move forward with a stronger financial footing. Additional improvements to the balance sheet included:
  - Negotiation and then settlement of circa $17 million of liabilities as at June 2011 resulting in an 82% reduction to circa $4,2 million at the year end
  - Improved cash position of $0.8 million (2010: $0.3 million)
  - $15.5 million EBRD loan successfully refinanced
  - Stabilized gearing ratio at 0.50x (FY 2010: 0.62x).
- Cost savings of more than 60% in like-for-like operating expenses generated through improved operational efficiencies, including:
  - 32% net reduction in headcount as part of management restructuring
  - Streamlining and consolidation of third party advisors
  - Initiating tendering procedures and other cost monitoring and control internal operating processes.

**Operational highlights:**

- Occupancy at Terminal Brovary increased by over 100% from 20% in August 2010 to 43% at year end, following the signing of 3 new leases across 10,980 sq m

- New management team, introduced as part of the Narrowpeak transaction, currently implementing a clear growth strategy, comprising:

  - Emphasis on acquiring income yielding assets which will provide the Group with cashflow and reduce its development exposure from 100% to a target of 50%

  - Increasing geographic diversification. Expanding into other regional markets, such as Romania and Bulgaria, where the new management has extensive property development and investment experience, and where high quality income producing assets can be acquired at attractive yields

  - Focus on risk minimisation and cost control through strong corporate governance and improved internal procedures.

**Lambros Anagnostopoulos, Chief Executive Officer at Aisi, commented:**

"Having identified Aisi as a company which has significant growth potential, particularly given its presence in South East Europe, where the real estate market is relatively undersupplied and underdeveloped, we have successfully undertaken a number of important initiatives throughout the year. To put the Company on a more secure financial footing, as evidenced by this much improved set of results, good progress has been made across all areas of the business, in particular, the settlement of pre-acquisition liabilities, and the consolidation of the Company's finance and accounting practices.

"We are now keen to progress our strategy for growth by both further improving the Group's trading performance and by de-risking its operations. This may also include a capital increase during which we aim to expand the shareholder base by bringing in new investors and provide funds to finance opportunities for growth."

**Further information can be found on Aisi's website www.aisicap.com or from:**


**Aisi Realty Public Limited:**

Lambros Anagnostopoulos +30 210 72 26470

**FTI Consulting Inc:** +44 (0)20 7831 3113

Richard Sunderland / Toyah Simpson

Richard.Sunderland@fticonsulting.com/ Toyah.Simpson@fticonsulting.com

**Seymour Pierce Limited (Nominated Adviser):** +44 (0)20 7107 8000

Nandita Saghal / David Foreman

26 March 2012

## 1. Chairman's Statement

2011 was a pivotal year for Aisi Realty Public Ltd, due to the transaction with SECURE Management completed on 8 August. Under the terms of this transaction, Narrowpeak Consultants injected US$8m into Aisi through a convertible note, which it duly converted into equity in the Company in December leaving it with a 57% stake in the Company. The funds were used to pay off current liabilities, including a settlement of the Management contract, which was ended as a part of the deal, effectively internalising the management of the Company.

This transaction was the culmination of months of hard work on due diligence and negotiation between Aisi and Secure, which the Board pursued aggressively because it was clear from the outset that this approach was being made in a manner and on terms that were fair to shareholders and management alike, and would secure the future of the Company, with the financial and management support that it desperately needed. The Board, who's most of the pre-August 2011 members have waived their fees for the past few years, worked tirelessly on this transaction.

Six months after the deal was done in August, Aisi is transformed. The Company's finances have stabilised, and its Board and management have been strengthened considerably. Its property assets in Ukraine are intact, and it is in a better position to exploit its valuable assets - a portfolio of property and considerable operating knowledge in one of the fastest growing economies in Europe.

Paul Ensor
Chairman

## 2. Chief Executive's Statement

Dear shareholders,

2011 was a year to remember for many reasons, not all of them good, but the important point is that it ended positively for our Company, with Aisi having successfully completed the first phase of its rehabilitation. Amid a Eurozone crisis which was accentuated in the second half of the year, substantial uncertainty as to the future of the common European currency, a looming recession over a number of European economies despite measures announced by the European leaders targeting further fiscal discipline and integration, Aisi went through its own rollercoaster year but emerged stronger and healthier than it has been for a long time.

During the first half of the year, Aisi, having run out of cash in late 2010 and consequently unable to pay its mounting liabilities, flirted with a default until mid-year when an agreement with Narrowpeak was signed. This agreement was approved by the Shareholders during an extraordinary meeting on 1 July and comprised:

- an $8 million cash injection into the Company, in the form of a convertible loan, to be used to address immediate payables and cover the operating expenses of the Company until year end;
- a $4 million further equity cash injection to cover the 2012 operating cash needs of the Company;
- the settlement and discontinuation of the third party management agreement that saw the Investment Manager replaced by a new internal management structure.

The agreement became effective on 8 August 2011 with the new management bringing to the table extensive experience and expertise in investing in and developing properties throughout South East Europe.

In such a difficult environment, Aisi's new management put forward a four step resurrection/rejuvenation plan:

1. **Consolidation of the Company's finance and accounting practices.** A new finance director in Kyiv and the new Group Chief Financial Officer, undertook a thorough review and accurate presentation of the Company's finances, identifying in the process additional liabilities to those which had previously been assumed (and included in the Aisi-Narropeak agreement documents). In parallel, a budgeting and cost cutting exercise was initiated with a view to substantially reducing operating expenses from an average of around $5.0 million in 2009 and 2010, down to an expected circa $2.5 million in 2012.
2. **Settlement of all existing liabilities**. The management negotiated a reduction in the Company's payables from around $17 million at half-year to around $4 million at the year end. As of February 2012 the majority of the long-term liabilities which had plagued the Company for some time have been settled, while the remaining current payables in the Company's books refer to future staged payments for already agreed settlement plans.
3. **Improve capital returns of Terminal Brovary, Aisi's main operating asset** more than doubling the August occupancy rate of 20% to 45% by the year-end, while at the same time increasing the average unit rent by 20%.
4. **Prepare a strategy for growth,** to guide the Company into a new era, with a focus on identifying and investing in projects with high value added potential.

As a result of the successful implementation of this structured plan, the Company's net equity today is almost four times higher than it was six months ago, while its potential for future growth stands high among its peers.

Amid difficulties there are always opportunities. As such, Aisi grabbed its opportunity and, in tandem with its new investors, is now well positioned to take the next step and reap the benefits of its growth strategy. In an environment where debt liquidity is scarce and real estate values have dropped, but in geographic areas like Ukraine and other countries in South East Europe where economic growth is faster than elsewhere in Europe and where property markets are undersupplied in respect of good quality, modern real estate products, opportunities to invest in high yield assets abound. Consequently, Aisi's strategy is now to identify and acquire undervalued assets, with a view to investing at a low point in the market cycle and ahead of the eventual recovery. Three pillars form the cornerstones of such strategy:

1. Emphasis on income yielding assets which will provide the Company with cashflow and reduce its development exposure from 100% to around 50%;
2. Increase geographic diversification through expanding into other regional markets, such as Romania and Bulgaria, where the new management has extensive property development and investment experience, and where high quality income producing assets can be acquired;
3. Focus on risk minimisation and cost control through strong corporate governance and improved internal procedures.

In order to implement its growth strategy, Aisi expects to undertake a fundraising effort in due course. The timing for raising capital is considered opportune with equity liquidity commanding premiums and providing a distinct competitive advantage when negotiating acquisitions.

The Company has already identified a number of interesting investment opportunities in Ukraine, Romania and Bulgaria, and commenced the necessary due diligence. In addition, the Company has been approached by a number of large and renowned EU based retailers, with regard to helping them roll-out in Ukraine, which have indicated their readiness to commit to long term rental agreements, backed by substantial guarantees. Finally, the distressed environment created by the Eurozone sovereign debt issues and the resulting bank deleveraging, has started creating interesting opportunities to acquire both single assets and, in some cases, entire portfolios of assets at attractive prices.

In parallel, Aisi intends to focus on effective and efficient asset management of its current asset portfolio by leveraging the extensive asset management expertise introduced through the Narrowpeak transaction. The Company intends to both further increase the occupancy of its core asset, Terminal Brovary, as well as analyse and evaluate the opportunities of utilisation of its other assets. Through careful risk management and under a strict cost control policy, together with an efficient use of its assets, the Company will aim to not only increase revenues in 2012, but also provide opportunities for capital appreciation. With the Company in a more secure position than it has been for some time and, following an extensive streamlining of its human resources overhead, Aisi is now in a position to attract quality real estate professionals and has hired an experienced new commercial director in January 2012.

Finally, the difficult global economic environment that Europe is experiencing at the dawn of 2012, may offer opportunities but also presents substantial risks. The implementation of a culture of thorough and hands-on Risk and Asset Management is paramount and is an obligation to our shareholders that we take very seriously. Our plan is to manage prudently, guided by professional corporate governance processes, mitigating risk and, at the same time, focusing on identifying and executing opportunities for future growth. Having managed to reverse the negative trend in the Company's financial position during the last few months and being confident that our shareholders share our vision for Aisi's future, we commit to allocate all resources available to safeguard and increase the value of our assets and achieve our mutual objectives.

Best regards,

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Lambros G. Anagnostopoulos
Chief Executive Officer

# 3. Management Report

## 3.1 Corporate Overview & Financial Performance

For the Company, the first half of 2011 was characterised by a substantial liquidity crunch, following Aisi having run out of cash towards the end of 2010 and becoming unable to pay its creditors. The small amount of revenue derived from Terminal Brovary, as well as ad hoc cash injections in the form of personal loans by the Company's Directors enabled the Company to continue operating until a permanent solution could be found. The EBRD loan, which consequently went in default, was refinanced (at a higher rate and with a deferred penalty) allowing for a breathing space of 18 months, until October 2012.

During this difficult period, the Directors met frequently to evaluate the situation and identify possible solutions. In that context, the Company initiated discussions with Narrowpeak, an affiliate of the SECURE Group (a property development and investment platform specialising in South East Europe), regarding a capital injection that would cover the Company's liabilities and support its operations in the immediate future. An agreement was reached in June and was approved by the Company's shareholders in July 2011. As a fundamental pre-condition of this agreement, the Company's contract with its external Investment Manager was terminated and settled and the management was internalised.

On 8 August 2011, Narrowpeak subscribed to an $8 million convertible loan issued by the Company, while Lambros Anagnostopoulos, founder of the SECURE Group, and Constantinos Bitros were appointed as CEO and CFO respectively, of the Company.
Having established a more stable financial footing, the Company was able to use the last five months of the year to:

a) negotiate, settle and pay the liabilities that had previously been amassed;
b) progress the letting of the Company's key asset, Terminal Brovary;
c) rationalise its operating expenses and prepare a budget for going forward.

By the year end, the vast majority of the pre-requisition liabilities had been settled and Terminal Brovary was 45% let. Narrowpeak converted its loan into equity at the end of December and became the largest shareholder in the Company at 55.35%.

Following a roller-coaster year, the Company finds itself in a much healthier financial condition at the year-end than it was at the start. The Company now has settled most of the circa $17 million of liabilities it had at the half year, and has refinanced the EBRD loan. Cash availability is no longer an operating hindrance and Aisi has a streamlined and efficient staffing overhead following a 32% net reduction in headcount during the year. Since August, the Company has recruited two highly experienced executives to replace four executives that have left and is now well placed to seize the opportunities which present themselves as Europe slowly emerges from the current economic crisis.

### *Corporate Governance*

Aisi places increased value on prudent and professional corporate governance. Following the internalisation of management in August 2011, four new Board members were appointed and two Board committees, the Audit Committee and the Remuneration Committee were formed. The creation of standardized operating procedures is in process.

The Board's Audit Committee comprises Ian Domaille and Antony Kaffas, both stemming from the audit profession. The Committee's first task was to prepare new audit procedures to enhance the Board's supervisory and controlling role.

The Board's Remuneration Committee is formed of Anthony Achilleoudis and Ian Domaille. The composition of the Committee ensures continuity with the supervisory bodies under the previous management structure. Its first task was to prepare a new incentive and compensation scheme that will be offered to the Company's management executives and directors and will help align interests while rewarding for high performance and creation of shareholder value.

The Board is ultimately responsible for the Group's financial reporting, internal control and risk management systems. The Financial Department prepares detailed budgets and cash flow projections, which are approved annually by the Board and updated regularly throughout the year. Ongoing financial control is the responsibility of the management. A control structure is in place with defined delegated authorities and signatory rights for both management decisions and cash payments throughout the Group.

***Financial performance***

Against a challenging macro-economic backdrop and during a turbulent time for the Company, Aisi has successfully managed to turn-around its financial performance. 2011 saw the Group return to profitability, albeit on a small-scale, generating an operating profit of $0.8 million compared to a loss of $25.4 million in 2010. If one excludes revaluation losses of the properties, profit increases to $1.4 million (2010: loss $5.4 million). The bulk of the profitability improvement stems from the one-off reduction of the Company's accumulated liabilities, but an increasing contribution is derived from improving rental revenue at Terminal Brovary.

### 3.2 Property Holdings

***Property Assets***

The Company's portfolio comprises one income producing property and four development projects at different stages in the development process.

**Terminal Brovary Logistic park** consists of a 49,180 sq m Class A warehouse and associated office space, situated on the junction of the main Kyiv – Moscow highway and the Borispil road. The facility has been in operation since Q1 2010 and is currently 45% leased.

**Bela Logistic Centre** is a 22.4 ha plot in Odessa situated on the main highway to Kyiv. Following the issuance of permits in 2008, below ground construction for the development of a 103,000 sq m GBA logistic centre commenced. Construction was put on hold in 2009 due to the global economic crisis.

**Kiyanovsky Lane** consists of four adjacent plots of land, totaling 0.55 ha earmarked for a residential development, which are well located, overlooking the scenic Dnipro River, St. Michaels's Spires and historic Podil neighborhood.

**Tsymlianskiy Lane** is a 0.36 ha plot of land located in the historic Podil District of Kyiv earmarked for the development of a residential complex.

**Balabino** project is a 26.38 ha plot of land situated on the south entrance of Zaporozhye, a city in the south of Ukraine with a population of 800,000 people. Balabino is zoned for retail and entertainment development.

***Property Asset Valuations***

In 2011, the Company appointed BNP Paribas as its valuer in order to remove any potential conflict of interest, arising from extensive brokerage work being undertaken on behalf of Terminal Brovary by DTZ, the previous incumbent.

The valuations have been carried out by the appraisers on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Standards, 7th Edition (the "Red Book").

At the year-end, the Company's property assets held a net value of $44 million, an increase of 20% from the June 2011 valuation. This increase can be attributed to:

a) the lifting of provisions that the Board had taken in June 2011, to reflect the estimated at the time legal, contractual, financial and technical risks, which were substantially reduced following the settlement of most liabilities, and
b) the much higher occupancy of the Terminal Brovary Logistics Park.

The NAV per share as at 31 December 2011 stood at $3.39 ($2.88 fully diluted) representing a 67% increase over the June 2011 ($2.03) non audited figure.

The Company's property holdings are currently all in Ukraine, however, as the management begins to execute the new investment strategy, the geographic diversification is expected to expand into other South East European Countries. This increased regional spread also offers risk diversification, and helps mitigate foreign exchange, market and economic risks.

## 3.3 Financial and Risk Management

### *Leverage-Interest Rate Risk*

The Group's overall debt exposure comprises at the reporting date of an EBRD construction loan to Aisi Brovary of $15.8 million which was restructured in June 2011. As a result, the Group's gearing ratio (debt/equity) stands at 0,49x. The interest rate of the loan is tied to USD Libor and, consequently, little variance is expected.

### *Liquidity Management-Cash Flow Risk*

Post August 2011, a thorough audit of all of the Company's outstanding liabilities was initiated and was subsequently followed by a process of negotiation and settlement. As a result of this effort, the $17.3 million of liabilities, excluding bank debt and financial leasing, which were included in the June 2011 report were reduced by 75% to $4.2 million at the end of the year. Some of these were negotiated down to zero, while others were settled at 30-60% of their original value. Additional liabilities valued at a further $4 million, were identified post-August (and therefore not included in the June 2011 results), have also been negotiated and settled.

Simultaneously the management focused on preserving liquidity and minimising cash outflows, which were prioritised in accordance with their ability to enhance the value of the Group's assets.

### *Operating Expenses*

As part of the overall restructuring, and in view of the Company's liquidity constraints, management effected a cost control plan which targeted a 45% reduction in the operational expenses of the Group, compared with the previous year (2010). The management will continue this effort with a view to minimising costs, while at the same time increasing efficiency and retaining a high quality of services.

### 3.4 2012 and beyond

***Real Estate Market***

2012 started with a high degree of uncertainty being felt across all global markets. With the Eurozone trying to overcome its toughest challenges yet, the US looking towards a presidential election, China facing a possible slowdown and parts of the Arab world still in turmoil, there are few places where one can predict certainty and stability as a base case scenario. Having said that, such uncertainty brings opportunities and South East Europe, as a large, well-populated European region, outside the beleaguered Eurozone, with a lack of, and high appetite for new property product, as well as an oil driven Russian economy advancing nearby, could become the star of tomorrow. The European Football championship that takes place in the stadia of Ukraine and Poland in June 2012 will give a further boost to our region and its profile, which will be further enhanced if Ukraine manages to overcome the recently heightened political uncertainty.

***The Company***

2012 can become the turning point in the Group's history. Having averted financial disaster in 2011, the Company is putting together an investment plan that, if implemented, will generate substantial revenues and profits in both the near- and the mid-term. The timing of acquiring high income yielding assets and/or portfolios potentially together with their operating platforms, can not be better from a fundamentals point of view. Simultaneously, and whilst continuing the letting momentum of Terminal Brovary and enforcing a strong cost control and risk management culture, management will focus on further stabilizing Aisi's financial performance over and above any benefits derived by the implementation of its growth strategy. Finally, the management will look to advance opportunistic and profitable disposals of non core assets, bolstering further the Company's cash position and its ability to focus on its core interests.

## 4. Regional Economic Developments

The Ukrainian economy recorded growth of 6.6% year on year ("YoY") in Q3-11, the fastest pace since Q1-08. Domestic output was propelled by capital investments ahead of preparations for Euro 2012 (European Football Championship), which has and will benefit the construction and tourism sectors and strengthen private consumption. Despite the fiscal austerity and a still-fragile banking sector constraining growth in domestic demand, Gross Domestic Product, ("GDP"), is expected to grow by 4.4% YoY in 2012 as a whole.

Foreign Direct Investment ("FDI") inflows grew by 35.7% in the first ten months of 2011, reaching $5.5bn against $4.0bn in the same period last year.

In November, the Consumer Price Index ("CPI") slowed to 5.2% YoY (the lowest since May 2003), down from a multi-month high of 11.9% in June. Headline inflation is expected to average 8.0% YoY for 2011.

At the end of 2011, the average Ukrainian unemployment rate was expected to reach 7.8%, varying significantly from a low of 5.9% in Kyiv and increasing to 11.5% in the remote regions of the country.

The increasing need for external financing, coupled with the decrease in domestic confidence in the local currency created a trend of foreign exchange reserve losses as the National Bank of Ukraine defended the Hyrvnia ("UAH"). This had a negative impact on the banking sector's liquidity as well as government's issuance of USD-denominated debt. This, on one hand, re-instated the National Bank of Ukraine ("NBU") as the largest holder of domestic debt by Q3 2011 while, on the other hand, the absorption of domestic liquidity drove up deposit and lending rates as the lending availability further contracted.

The political cost of currency devaluation ahead of the parliamentary elections planned for October 2012 is among the main causes of the domestic authorities' willingness to defend UAH.

In November 2011, the IMF announced a decision to postpone the unlocking of the next tranch of its loan (on hold since spring 2011) to Ukraine until the finalisation of Ukraine’s negotiations with Russia on lowering gas prices. Failing this, a substantial uplift in household utility tariffs will be needed in order for the IMF requirements to be fulfilled.

| Macroeconomic data and forecasts | | | | | |
|---|---|---|---|---|---|
| | **2009** | **2010** | **2011e** | **2012f** | **2013f** |
| GDP (EUR bn) | 84,2 | 86,6 | 98,0 | 112,5 | 109,4 |
| Population (mn) | 46,0 | 45,8 | 45,5 | 45,3 | 44,8 |
| GDP (constant prices Y-o-Y | -14,8 | 4,2 | 4,4 | 3,0 | 3,9 |
| CPI (average, Y-o-Y %) | 16,0 | 9,4 | 8,0 | 6,6 | 11,5 |
| Unemployment rate (%) | 9,0 | 8,4 | 7,5 | 6,9 | 6,5 |
| Net FDI (EUR bn) | 3,2 | 4,5 | 6,0 | 5,0 | 4,5 |
| FDI % GDP | 3,8 | 5,2 | 6,1 | 4,4 | 4,1 |

Sources : Unicredit Bank, Eurobank EFG

## 5. Real Estate Market Developments

### *General*

In spite of the lingering Eurozone debt crisis, the large potential of the real estate market in Ukraine undoubtedly remains and is underpinned by its immaturity in terms of quality and types of property products offered, the country's large size and population, the perceived high retail brand awareness and the population’s propensity to spend, despite its comparatively low income.

During 2011, a further improvement in investor sentiment was witnessed, which was driven by high yields compared to other European countries, strong rental growth prospects as well as generally positive economic dynamics in the country.

### *Logistics Market*

Gross rents for prime warehouse space in the Greater Kyiv area varied from $5.5 to $6.5 per sq m per month depending on various factors, including the quality of space, location and general lease terms. In general, the rents for prime warehouse space in the Greater Kyiv area are comparable to those registered in the suburbs of Bucharest (Romania), Prague (Czech Republic) and Krakow (Poland).

Logistics warehouse vacancy rate dropped from 31% in 2008 to 12% in 2011, while new supply also dropped substantially. Kyiv has the lowest warehouse stock per capita in Europe, estimated at 0.4 sq m per capita.

### *Residential Market*

Despite the effects of the global economic crisis, the first signs of recovery are already apparent, especially in the high-end segment, which has almost recovered from the 15-20% downfall at the nadir of this crisis. The turnaround is driven by the fact that “luxury” clients are generally not dependent on mortgages.

The middle- or business-class segment, is expected to begin its recovery in 2012, when supply and demand reach equilibrium, while the low-cost residential property market is not expected to start taking off in the near future due to a supply demand imbalance.

Current average prices of luxury new built units in Kyiv vary from $6,000 to $10,000 per sq m while in the business-class segment prices vary from $1,500 to $3,500.

### *Office Market*

The deficiency of modern supply in the office property market in Kyiv will remain given that no new large scale projects are expected to commence prior to mid/late 2012 and that the projects planned for delivery during 2012 are not expected to fulfill the increased demand. The undersupply of prime CBD offices, combined with the increased occupier demand pushed rental prices upwards in 2011.

The amount of office space in Kyiv stands at circa 450 sq m / 1,000 residents, less than one-quarter of the amount available in Warsaw and well below other regional cities, such as Bucharest and Prague.

### *Retail Market*

The retail property market remains underdeveloped in terms of both supply and the formats offered. The existing retail stock consists mostly of first generation schemes with regional/destination properties remaining in shortage. New retail supply during 2011 was low in Kyiv as well as in the regional cities of Ukraine.

Kyiv, Dnipropetrovsk, Odessa, Kharkiv, Donetsk and Lviv, all cities with more than one million inhabitants, have been attracting particular interest from major retailers, developers and investors. In November 2011, total existing modern retail stock in these six cities exceeded 2.6 million sq m, on average amounting to 325 sq m per 1,000 inhabitants, less than half the amount available in other major cities in CEE.

## 6. Property Assets

### 6.1 Aisi Brovary – Terminal Brovary Logistic Park (Kiev)

The Brovary Logistics Park consists of a 49,180 sq m GLA Class A warehouse and associated office space. The building has large facades to Brovary ring road, at the intersection of Brovary (E-95/M-01 highway), and Boryspil ring road. It is located 10 km from Kyiv city border and 5 km from Borispol international airport.

The building is divided into six independent sections (each at least 6,400 sq m), with internal clear ceiling of 12m height and industrial flooring constructed with anti – dust overlay quartz finish. The terminal accommodates 90 parking spaces for cars and trucks, as well as 24 hour security and municipal provided sewage, water and garbage collection.

As of the end of 2011, the building is 45% let with the aggregate monthly rental income to approximately USD 110,000. The majority of the leases, which have been entered into with large, multinational corporate tenants, have a five year duration.

### 6.2 Aisi Bela – Bela Logistic Center (Odessa)

The site consists of a 22.4 ha plot of land with zoning allowance to construct industrial properties of up to 103,000 sq m GBA, is situated on the main Kyiv – Odessa highway, 20km from Odessa port and in an area of high demand for logistics and distribution warehousing.

Following the completion of planning and issuance of permits in 2008, construction commenced with column foundation and peripheral walls for 100,000 sq m being completed in 2009. Development was then put on hold due to lack of funding and deteriorating market conditions. Currently the option to sell to a third party interested to develop is being evaluated.

### 6.3 Kiyanovsky Lane – Land for Residential Complex

The project consists of 0.55 ha of land located at Kiyanovskiy Lane, near Kyiv city centre. It is destined for the development of business to luxury residences with beautiful protected views overlooking the scenic Dnipro River, St. Michaels's Spires and historic Podil.

The concept design of the project is under review with proposed development to include circa 100 residential apartments with office and retail space on the lower floors (GBA of circa 21,000 sq m) and 100 parking spaces across two levels of basement.

### 6.4 Tsymlyanski Lane – Land for Residential Complex

The 0.36 ha plot, is located in the historic and rapidly developing Podil District in Kyiv. The Company owns 55% of the plot, with one local co-owner owning the remaining 45%.

In 2009, all necessary documents were submitted to relevant authorities for approval and the issuance of a construction permit. The plan was to develop circa 10,000 sq m GBA of 40 high end residential units and office spaces on lower floors, as well as 41 parking spaces in three underground levels. Since then, the project has been frozen and the land lease fee to the state was not paid last year. The Company is negotiating with the authorities the level of this land lease fee, while it is evaluating the options of going forward which include inter alia an outright sale as well as a contribution in kind to a larger development.

### 6.5 Balabino-Land for Retail/Entertainment Development

The site, consisting of 26.38 ha land is situated on the south entrance of the city, 3 km away from the administrative border of Zaporozhye. It borders the Kharkov-Simferopol Highway (which connects eastern Ukraine and Crimea and runs through the two largest residential districts of the city) as well as another major artery accessing the city centre.

The site is zoned for retail and entertainment and various development options are being evaluated as per the market's needs. The Company is also evaluating a proposal to sell a corner part of the plot (circa 1 ha) to a restaurant developer.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

| | Note | 2011<br>US$ | 2010<br>US$ |
|---|---|---|---|
| Valuation losses from investment property | 2 | (628.720) | (19.965.122) |
| Operational income | 2 | 526.520 | - |
| | | **(102.200)** | **(19.965.122)** |
| Administration expenses | 3 | (5.445.162) | (5.978.087) |
| Other income, net | 4 | 6.348.354 | 587.025 |
| **Operating profit/(loss)** | | **800.992** | **(25.356.184)** |
| Finance income/(costs), net | | (1.644.991) | 115.527 |
| **Profit/(loss) before tax** | | **(843.999)** | **(25.240.657)** |
| Income tax expense | 5 | (249.715) | - |
| **Profit/(loss) for the year** | | **(1.093.714)** | **(25.240.657)** |
| **Other comprehensive income** | | | |
| Exchange difference on translation of foreign operations | | (100.222) | 22.430 |
| **Total comprehensive income for the year** | | **(1.193.936)** | **(25.218.227)** |
| **Profit/(loss) attributable to:** | | | |
| Owners of the parent | | (1.084.023) | (24.934.873) |
| Non-controlling interests | | (9.691) | (305.784) |
| | | **(1.093.714)** | **(25.240.657)** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | (1.141.331) | (24.933.034) |
| Non controlling interests | | (52.605) | (285.193) |
| | | **(1.193.936)** | **(25.218.227)** |
| **Earnings/(losses) per share ($cent per share):** | 1 | | |
| Basic loss for the year attributable to ordinary equity owners of the parent | | (0,25) | (6,02) |
| Diluted loss for the year attributable to ordinary equity owners of the parent | | (0,25) | (6,02) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2011

| | Note | 2011<br>US$ | 2010<br>US$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment properties | 6 | 35.937.000 | 33.631.000 |
| Investment property under construction | 6 | 8.100.000 | 10.300.000 |
| Prepayments made for investments | 6 | 5.000.000 | 6.000.000 |
| Long-term VAT recoverable, net | | - | 2.926.939 |
| Property, plant and equipment | | 21.788 | 54.783 |
| | | **49.058.788** | **52.912.722** |
| **Current assets** | | | |
| Prepayments and other current assets | | 5.005.135 | 3.487.598 |
| Cash and cash equivalents | | 754.640 | 291.053 |
| | | **5.759.775** | **3.778.651** |
| **Total assets** | | **54.818.563** | **56.691.373** |
| **EQUITY AND LIABILITIES** | | | |
| Issued share capital | 7 | 5.507.276 | 5.431.918 |
| Share premium | | 102.447.925 | 94.523.283 |
| Advances from shareholders | | - | 223.118 |
| Other reserves | | - | 68.390 |
| Foreign currency translation reserve | | (1.230.671) | (1.068.153) |
| Accumulated losses | | (75.301.995) | (74.217.972) |
| Equity attributable to equity holders of the parent | | 31.422.535 | 24.960.584 |
| Non controlling interests | | 1.083.398 | 1.030.793 |
| **Total equity** | | **32.505.933** | **25.991.377** |
| **Non-current liabilities** | | | |
| Interest bearing borrowings | 8 | - | 15.529.412 |
| Finance lease liabilities | | 652.397 | 591.245 |
| Trade and other payables | 9 | 364.032 | 642.374 |
| Deposits from tenants | | 196.669 | 30.704 |
| | | **1.213.098** | **16.793.735** |
| **Current liabilities** | | | |
| Interest bearing borrowings | 8 | 15.813.857 | 41.237 |
| Trade and other payables | 9 | 4.094.357 | 13.158.570 |
| Taxes payable | | 815.076 | 586.575 |
| Provisions | | 348.734 | 74.910 |
| Finance lease liabilities | | 27.508 | 44.969 |
| | | **21.099.532** | **13.906.261** |
| **Total liabilities** | | **22.312.630** | **30.699.996** |
| **Total equity and liabilities** | | **54.818.563** | **56.691.373** |
| **$ Net Asset Value (NAV) per share:** | 1 | | |
| Basic NAV attributable to equity holders of the parent | | 3,39 | 6,03 |
| Diluted NAV attributable to equity holders of the parent | | 2,88 | 6,03 |

**On 26 March 2012 the Board of Directors of AISI REALTY PUBLIC LTD authorised these financial statements for issue.**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## For the year ended 31 December 2011

| | Attributable to equity holders of the Parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Accumulated losses, net of non-controlling interest | Other reserves | Advances for issue of shares | Foreign currency translation reserve | Total | Non controlling interests | Total |
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| **Balance – 1 January 2010** | **5.431.918** | **94.523.283** | **(49.283.099)** | **68.390** | **-** | **(1.069.992)** | **49.670.500** | **1.315.986** | **50.986.486** |
| Loss for the period | - | - | (24.934.873) | - | - | - | **(24.934.873)** | (305.784) | **(25.240.657)** |
| Advances from shareholders | - | - | - | - | 223.118 | - | **223.118** | - | **223.118** |
| Foreign currency translation reserve | - | - | - | - | - | 1.839 | **1.839** | 20.591 | **22.430** |
| **Balance – 31 December 2010/ 1 January 2011** | **5.431.918** | **94.523.283** | **(74.217.972)** | **68.390** | **223.118** | **(1.068.153)** | **24.960.584** | **1.030.793** | **25.991.377** |
| Profit /(Loss) for the period | - | - | (1.084.023) | - | - | - | **(1.084.023)** | (9.691) | **(1.093.714)** |
| Issue of share capital | 75.358 | 7.924.642 | - | - | - | - | **8.000.000** | - | **8.000.000** |
| Return of advances for issues of shares | - | - | - | - | (223.118) | - | **(223.118)** | - | **(223.118)** |
| Reverse of other reserve | - | - | - | (68.390) | - | - | **(68.390)** | - | **(68.390)** |
| Foreign currency translation reserve | - | - | - | - | - | (162.518) | **(162.518)** | 62.296 | **(100.222)** |
| **Balance - 31 December 2011** | **5.507.276** | **102.447.925** | **(75.301.995)** | **-** | **-** | **(1.230.671)** | **31.422.535** | **1.083.398** | **32.505.933** |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable on account of the shareholders.

# CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

| | Note | 2011<br>US$ | 2010<br>US$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit/(loss) before tax and non controlling interests** | | **(843.999)** | **(25.240.657)** |
| Adjustments for: | | | |
| Loss on revaluation of investment property | 2 | 628.720 | 19.965.122 |
| Other non-cash movements in investment property | | 1.168.306 | (3.541.458) |
| Prepayments for investments impairment loss/(reversal) | 4 | 1.000.000 | (780.267) |
| Impairment loss/(reversal) for VAT recoverable | 4 | 417.645 | (1.050.843) |
| Prepayments and other current assets impairment loss | 4 | 316.592 | 111.899 |
| Trade and other payables written off | 4 | (8.628.135) | - |
| Depreciation of property, plant and equipment | | 32.875 | 81.183 |
| Interest income | | (8.164) | (84.694) |
| Interest expense | | 1.402.333 | 1.150.869 |
| Provisions | | 273.824 | - |
| Other reserves | | (68.390) | - |
| Write off advances | | (223.118) | |
| Effect of foreign exchange difference | | 117.484 | (263.388) |
| **Cash flows used in operations before working capital changes** | | **(4.414.027)** | **(9.652.234)** |
| Decrease in prepayments and other current assets | | 256.371 | (1.311.790) |
| Change in trade and other payables | 9 | (251.748) | 4.637.844 |
| Changes in other taxes and duties | | 73.619 | 94.817 |
| Increase in deposits from tenants | | 165.963 | 30.704 |
| Income tax paid | | (97.162) | - |
| | | **147.043** | **3.451.575** |
| **Net cash flows used in operating activities** | | **(4.266.984)** | **(6.200.659)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditures on investment property | 6 | (889.947) | (1.946.719) |
| Decrease in payables for construction | 9 | (573.199) | (156.212) |
| Change in VAT recoverable | | (714.704) | (871.735) |
| Increase/(Decrease) in financial lease liabilities | | 43.691 | (26.710) |
| Changes in property, plant and equipment | | 120 | (2.498) |
| Decrease in prepayments for investments | 6 | - | 4.640.494 |
| Interest received | | 8.164 | 84.694 |
| **Net cash flows from (used in) investing activities** | | **(2.125.875)** | **1.721.314** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital / shareholders advances | 7 | 8.000.000 | 223.118 |
| Interest paid | | (1.142.794) | (470.588) |
| Proceeds from other borrowings | | - | 12 |
| **Net cash flows from (used in) financing activities** | | **6.857.206** | **(247.458)** |
| Effect of foreign exchange rates on cash | | (760) | (2.801) |
| **Net increase/(decrease) in cash at banks** | | **463.587** | **(4.729.604)** |
| Cash: | | | |
| At beginning of the year | | 291.053 | 5.020.657 |
| **At end of the year** | | **754.640** | **291.053** |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

**1. Earnings and net assets per share attributable to equity holders of the parent**

**a. Weighted average number of ordinary shares**

| | 2011 | | 2010 |
|---|---|---|---|
| Issued ordinary shares capital | 9.277.727 | | 4.142.727 |
| Weighted average number of ordinary shares (Basic) | 4.297.480 | | 4.142.727 |
| Diluted weighted average number of ordinary shares | 4.297.480 | | 4.142.727 |

**b. Basic diluted and adjusted earnings per share**

| **Earnings per share** | **31/12/2011** | | **31/12/2010** |
|---|---|---|---|
| | **US$** | | **US$** |
| | | | |
| Profit/(Loss) after tax attributable to owners of the parent | (1.084.023) | | (24.934.873) |
| Basic | (0,25) | | (6,02) |
| Diluted | (0,25) | | (6,02) |

**c. Net assets per share**

| **Net assets per share** | **31/12/2011** | | **31/12/2010** |
|---|---|---|---|
| | **US$** | | **US$** |
| Net assets attributable to equity holders of the parent | 31.422.535 | | 24.960.584 |
| Number of ordinary shares | 9.277.727 | | 4.142.727 |
| Diluted weighted number of ordinary shares | 10.900.111 | | 4.142.727 |
| Basic | 3,39 | | 6,03 |
| Diluted | 2,88 | | 6,03 |

**2. Revenues**

Operational income in the amount of US$526.520 represents rental and service charged income generated during the reporting period by the rental agreements concluded with tenants of the Terminal Brovary Logistics center. Vacancy rate of the Terminal has gone down to 55% as at the reporting date (Note 12 in the full report).

Valuation gains/losses from investment property represents the adjustment for the period of the fair value of the Investment Property.

| **Project Name** | **Valuation gains/(losses) 2011** | **Valuation gains/(losses) 2010** |
|---|---|---|
| | **US$** | **US$** |
| Brovary Logistic Park | 3.337.770 | (7.835.830) |
| Bela Logistic Center | (2.836.174) | (563.045) |
| Kiyanovskiy Lane | (905.192) | (10.892.827) |
| Tsymlianskiy Lane | 8.817 | (673.420) |
| Balabino | (233.941) | - |
| **Total** | **(628.720)** | **(19.965.122)** |

**3. Administration Expenses**

The below table presents the breakdown of the administration expenses. As the Group underwent a reorganization period, Management opted to present the 2011 expenses in 2 categories:

a. Recurring category includes expenses that are expected to appear in the financial statements also in the future and are related to the ongoing activities of the Group.

b. Non-recurring/One-off category includes expenses that are either related to one-off events mainly emanating from the restructuring of the Group, or related to past years charges resulting from contracts/operations not previously recorded.

| | **2011** | | **2010** |
|---|---|---|---|
| | **US$** | | **US$** |
| | **Recurring Expenses** | **Non Recurring-One-off** | |
| Management fees | - | 1.403.501 | 3.492.678 |
| Salaries and Wages | 785.337 | 164.898 | 688.160 |
| Consulting fees | 261.654 | 478.495 | 335.885 |
| Legal fees | 332.338 | 380.807 | 239.162 |
| Taxes and duties | 70.726 | 410.094 | 60.704 |
| Audit | 129.522 | 117.745 | 91.316 |
| Public group expenses | 115.039 | 92.923 | 117.617 |
| Directors remuneration | 143.130 | - | 185.385 |
| Security | 79.500 | 48.069 | 337.842 |
| Travelling expenses | 63.793 | 47.342 | 13.144 |
| Office rent | 60.746 | 27.720 | 142.550 |
| Apartment rent | - | 45.722 | 25.842 |
| Accounting fees | 19.045 | 21.467 | 67.751 |
| Other office expenses | 37.223 | - | 119.073 |
| Depreciation | 32.875 | - | 20.303 |
| Other expenses | 75.451 | - | 40.675 |
| | **2.206.379** | 3.238.783 | **5.978.087** |
| **Total Administration Expenses** | **5.445.162** | | **5.978.087** |

**3.1 Non recurring/ One-off Expenses**

Management fee refers to the Investment Management contract between the Company and AISI Realty Capital LLC, which as of 1/7/2011 is no longer in effect. The amount expensed covers the period from 1/1/2011 until 30/06/2011 and has been part of the Settlement Agreement between the two entities (Note 24 in the full report).

Consulting, legal and audit fees, represent one-off expenses paid during the year in relation to the Company's restructuring and other extraordinary events.

Public Group, security, office rentals, apartment rentals, taxes and duties and accounting fees represent previous years' expenses, that have not been accrued and were invoiced during the relevant past periods or expenses incurred in 2011 up to July that because of their nature (apartment rental) will not be incurred in the future.

**3.2 Recurring Expenses**

Expenses classified under the recurring category represent on-going expenses corresponding to the current operational activity of the Group.

**4. Other income, net**

| | 2011 | 2010 |
|---|---|---|
| | US$ | US$ |
| Accounts payable written off | 8.450.252 | - |
| Provision on advance payments -gain/(loss) | (1.000.000) | 770.940 |
| Provision on prepayments and other current assets impairment loss | (316.592) | (111.899) |
| Impairment loss of VAT recoverable | (417.645) | - |
| Penalties | (194.379) | (1.788) |
| Other expenses, net | (173.282) | (70.228) |
| **Total** | **6.348.354** | **587.025** |

Accounts payable written off represent the total amount of creditors' payables written off as a result of negotiations and settlement during the reorganization of the Group.

Provision for advance payments reflects an allowance estimate made by the Management. The Group has advanced ~US $12 mil. in 2007 as a loan to a company who would sell its Podol property asset to the Group, taking as collateral an asset of 42 ha at Kiev Oblast-Rozny (Kiev Oblast property). As Management estimated already from August 2008 that the deal has limited probability to be effected, it has reduced the amount of the advance throughout the years and presents it at the valued amount of the collateral plot. Consequently and in view of the valuation performed in December 2011 by BNP Paribas an impairment provision of US $1.000.000 over the carrying amount as of the reporting period ending at 31/12/2010 was mandated.

Provision for prepayments and other current assets impairment represent difference between allowances for prepayments and other current assets estimated previously by the Management and the amounts which have been finally settled. The amount includes a 100% provision made by Management on the interest receivable over the loan granted to IFO Swiss Gmbh for the acquisition of a project in Podol (see paragraph just above, also Notes 13 and 12c), following the default of the debtor.

Impairment loss for VAT recoverable relates to VAT receivable of Aisi Bela LLC fully written off as of 31/12/2011 due loss of corporate tax status of "VAT payer" in July 2011.

Penalties incurred by the Group were mainly caused as a result of delayed payments of its liabilities during the first semester of 2011.

**5. Tax**

| | 2011 | 2010 |
|---|---|---|
| | US$ | US$ |
| Taxes | 249.715 | - |
| **Total Tax** | **249.715** | **-** |

The income tax rate for the Company's Ukrainian subsidiaries is 25% for the year ended 31/12/2011. The corporate tax that is applied to the qualifying income of the Company and its Cypriot subsidiaries is 10% for the year ended 31/12/2011 (years ending 31 December 2010 and 2009: 10%).

The tax on the Group's results differs from the theoretical amount that would arise using the applicable tax rates as follows:

| | 2011 | 2010 |
|---|---|---|
| | US$ | US$ |
| Profit / (loss) before tax | 651.518 | (25.240.657) |
| | | |
| Tax calculated on applicable rates | 65.152 | (5.819.619) |
| Allowances for tax losses carry forward | - | 1.494.522 |
| Expenses not recognized for tax purposes | 985.637 | 276.569 |
| Income/ (loss) on revaluation not subject to tax | 62.872 | 4.991.281 |
| Tax allowances not subject to tax | (884.320) | (942.753) |
| 10% additional tax | 20.374 | - |
| **Total Tax** | **249.715** | **-** |

As from 1 January 2008, deferred tax is not provided for in respect of the revaluation of the investment property and investment property under construction as the Management expects that the properties that are held by subsidiary companies in Ukraine will be realised through a share deal rather than through an asset deal and consequently expects that the gains generated from the disposal of subsidiaries will be exempt from any tax. The respective reversal of previously accrued Deferred Tax Liabilities has been made in 2008.

## 6. Investment Property (all)

Investment Property consists of the following assets:

**Terminal Brovary Logistic park** consists of a 49.180 sq.m Class A warehouse and associated office space, situated on the junction of the main Kiev – Moscow highway and the Borispil road. The facility is in operation since Q1 2010 and is currently 45% leased.

**Bela Logistic Center** is a 22,4Ha plot in Odessa situated on the main highway to Kiev. Following the issuance of permits in 2008, below ground construction for the development of a 103.000 sq.m GBA logistic center commenced. Construction was put on hold in 2009 following adverse macro-economic developments at the time.

**Kiyanovsky Lane** consists of four adjacent plots of land, totaling 0,55 Ha earmarked for a residential development, overlooking the scenic Dnipro River, St. Michael's Spires and historic Podil neighbourhood.

**Tsymlianskiy Lane,** is a 0,36 Ha plot of land located in the historic Podil District of Kiev and is destined for the development of a residential complex.

| **Asset Name** | **Description / Location** | **Principal activities/ Operations** | **Related Companies** | **Carrying amount as at 31/12/2011 US$** | **Carrying amount as at 31/12/2010 US$** |
|---|---|---|---|---|---|
| Terminal Brovary Logistics Park | Brovary, Kiev Oblast | Warehouse | TERMINAL BROVARY AISI BROVARY AISI LOGISTICS | 20.937.000 | 17.461.000 |
| Bela Logistic Center | Odessa | Land and Development Works for Warehouse | AISI BELA | 8.100.000 | 10.300.000 |
| Kiyanovskiy Lane | Podil, Kiev City Center | Land for residential development | AISI UKRAINE TORGOVIY CENTR | 8.000.000 | 8.920.000 |
| Tsymlianskiy Lane | Podil, Kiev City Center | Land for residential development | ALMAZ PRES UKRAINE | 2.500.000 | 2.500.000 |
| Balabino | Zaporozhie | Land for retail development | INTERTERMINAL MERELIUM INVESTMENTS | 4.500.000 | 4.750.000 |
| **TOTAL** | | | | **44.037.000** | **43.931.000** |

Carrying amounts of the properties represent fair value estimates as of 31 December 2011 as provided by BNP Paribas an external valuer. In June 2011, prior to the Group's restructuring, in the absence of a then current valuation and with certain contingent liabilities appearing, the Board opted to take a significant provisional reduction, amounting to US$7.833.811 from the December 2010 carrying amounts, thus reducing the June 2011 carrying amount of the investment properties to the total of US$36.129.132.

Following the restructuring in August 2011, and during the settlement process of liabilities related to the investment properties  of the Group, various issues that would have otherwise adversely impacted the valuation of the portfolio, have been quantified, managed, negotiated and settled, thus reducing the overall uncertainty. As a result, the provisional amount in June 2011 has been reversed.

In late 2011, the Group has received some offers for certain of its properties which further increased the Board of Directors reliance on the valuation figures representing the true and fair estimate of the investment portfolio.

**a. Investment Property Under Construction**

| | 2011 | 2010 |
|---|---|---|
| | **US$** | **US$** |
| **At 1 January** | **10.300.000** | **35.319.000** |
| Transfer to investment property | - | (23.490.000) |
| Capital expenditures on investment property | 666.402 | (1.003.062) |
| Revaluation losses on investment property | (2.836.175) | (563.045) |
| Translation difference | (30.227) | 37.107 |
| **At 31 December** | **8.100.000** | **10.300.000** |

As at 31 December 2011 investment property under construction represents the carrying value of Bela Logistic Center project, which has reached the +10% construction projects in late 2008 but it is stopped since then.

Following the restructuring of the Group in August 2011, a settlement has been agreed regarding a contingent liability with the main contractor of the said project, who was claiming at the time an amount ranging between US$3.000.000-US$5.000.000, not previously recorded in the accounting books of the Group. The ensuing settlement, which resulted to a total of  US$1.000.000, 70% of which is a conditional future payment, releases the Group of any other potential claim by the contractor and is shown in the liabilities of the Group (Note 20 in the full report).

In late December 2011, the Group has signed a Preliminary Agreement for the sale of the shares of the subsidiary owing the plot/asset for US$9.000.000 minus any liabilities arising during the due diligence process.

**b. Investment Property**

| | 2011 | 2010 |
|---|---|---|
| | **US$** | **US$** |
| **At 1 January** | **33.631.000** | **22.873.000** |
| Transfer from investment property under construction | - | 23.490.000 |
| Capital expenditure on investment property | 223.545 | 6.491.239 |
| Revaluation gain/(loss) on investment property | 2.207.455 | (19.402.077) |
| Translation difference | (125.000) | 178.838 |
| **At 31 December** | **35.937.000** | **33.631.000** |

Terminal Brovary, Kiyanovskiy Lane, Tsymliansky Lane and Balabino village are included in the Investment Property category.

### c. Advances for Investments

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | US$ | US$ |
| Advances for investments | 11.840.547 | 11.847.043 |
| Impairment provision (cumulative as of the reporting period) | (6.840.547) | (5.847.043) |
| **Total** | **5.000.000** | **6.000.000** |

The Group has made an advance payment of ~US$12mil. (representing principal plus interest) for the acquisition of a project in Podol (Kiev) in 2007. As of the end of the reporting period the Management does not expect such acquisition to proceed while the seller has already defaulted on his credit to the Group (Note 10 in the full report).

As a consequence, the Group has commenced legal proceedings for the transfer of the collateral (land plot of 42 ha in Kiev Oblast) in the Group's name. The said plot, as per the valuation by BNP Paribas in December 2011 is valued at US$5.000.000.

### 7. Share capital

| **Number of Shares (as at)** | 31/12/2010 | 17/7/2011 | 9/8/2011 | 9/8/2011 | 20/12/2011 | 31/12/2011 |
|---|---|---|---|---|---|---|
| | | Increase of Share Capital | Conversion of Share Capital | Conversion of Share Capital | Conversion exercised/ Issue of Share Capital | |
| **Authorised** | | | | | | |
| Ordinary shares of €0,01 each | 875.000.000 | 1.400.000.000 | 8 | 989.869.935 | 989.869.935 | 989.869.935 |
| Ordinary shares of €1 each | - | - | 13.999.999 | - | - | - |
| Ordinary Shares of €0,92 each | - | - | 1 | 1 | 1 | 1 |
| Deferred Shares of €0,99 each | - | - | - | 4.142.727 | 4.142.727 | 4.142.727 |
| **Total** | 875.000.000 | 1.400.000.000 | 14.000.008 | 994.012.663 | 994.012.663 | 994.012.663 |
| | | | | | | |
| **Issued and fully paid** | | | | | | |
| Ordinary shares of €0,01 each | 414.272.792 | 414.272.792 | | 4.142.727 | 5.135.000 | 9.277.727 |
| Ordinary shares of €1 each | - | - | 4.142.727 | - | - | - |
| Ordinary Shares of €0,92 each | - | - | - | 1 | - | 1 |
| Deferred Shares of €0,99 each | - | - | - | 4.142.727 | 4.142.727 | 4.142.727 |
| **Total** | 414.272.792 | 414.272.792 | 4.142.727 | 8.285.455 | 13.420.455 | 13.420.455 |

| **Value (as at)** | 31/12/2010 | 17/7/2011 | 9/8/2011 | 9/8/2011 | 20/12/2011 | 31/12/2011 |
|---|---|---|---|---|---|---|
| | | Increase of Share Capital | Conversion of Share Capital | Conversion of Share Capital | Conversion exercised/ Issue of Share Capital | |
| **Authorised (€)** | | | | | | |
| Ordinary shares of €0,01 each | 8.750.000 | 14.000.000 | 0.08 | 9.898.699 | 9.898.699 | 9.898.699 |
| Ordinary shares of €1 each | - | - | 13.999.999 | - | - | - |
| Ordinary Shares of €0,92 each | - | - | 0.92 | 0.92 | 0.92 | 0.92 |
| Deferred Shares of €0,99 each | - | - | - | 4.101.300 | 4.101.300 | 4.101.300 |
| **Total** | 8.750.000 | 14.000.000 | 14.000.000 | 14.000.000 | 14.000.000 | 14.000.000 |
| | | | | | | |
| **Issued and fully paid ($)** | | | | | | |
| Ordinary shares of €0,01 each | 5.341.918 | - | - | - | 75.358 | 5.507.276 |
| Ordinary shares of €1 each | - | - | - | - | - | - |
| Ordinary Shares of €0,92 each | - | - | - | - | - | - |
| Deferred Shares of €0,99 each | - | - | - | - | - | - |
| **Total** | 5.431.918 | 5.431.918 | 5.431.918 | 5.431.918 | 5.507.276 | 5.507.276 |

**7.1 Authorized share Capital**

Following a decision of the shareholders of the Company on 17 July 2011, the authorized share capital was increased to €14.000.000 divided into 1.400.000.000 Ordinary Shares of €0,01 each.

On 9 August 2011, the authorized share capital of the Company amounting to €14.000.000 divided into 1.400.000.000 Ordinary Shares of €0,01 each, was consolidated and converted to 13.999.999 Ordinary Shares of €1 each, 1 Ordinary Share of €0,92 and 8 Ordinary Shares of €0,01 each.

On the same date, the authorized share capital of the Company amounting to €14.000.000 was subdivided and converted to 989.869.935 Ordinary Shares of €0,01 each, 1 Ordinary Share of €0,92 and 4.142.727 Deferred Shares of €0,99 each.

**7.2 Issued Share Capital - Capital Reorganization - New Ordinary Shares**

Further to the resolutions approved at the EGM of 24 July 2011 and pursuant to the capital reorganization resolutions the Company has restructured its share capital from the then 414.272.792 existing ordinary shares to 4.142.727 new ordinary shares of €0,01 nominal value, having the same rights as the then existing ordinary shares, 4.142.727 deferred shares of €0,99 nominal value having no rights whatsoever, and 1 existing ordinary share of €0,92 nominal value. The new ordinary shares have been effected as of 15 August 2011.

**7.3 Convertible Bond-Financial Restructuring**

On 1 July 2011 the Company signed an agreement with an independent third party, namely Sec South East Continental Unique Real Estate (SECURE) Management, under which the Company entered into a subscription agreement with Narrowpeak Consultants Limited (Narrowpeak), a member of the SECURE Management group, for a substantial investment in the Company on certain terms.

Under the agreement, Narrowpeak conditionally agreed to subscribe for Bonds issued by the Company with aggregate value of US$8 million which were convertible, in certain circumstances, into 5.135.000 new ordinary shares and would be issued with class B warrants to subscribe for up to 1.091.000 new ordinary shares (see below).

The principal term of the bonds was eight months and the annual interest during this eight month period is 1% per annum. The bond was collateralized by all the freehold assets of the Group which were not mortgaged. The Company has issued the convertible bond to Narrowpeak on 15 August 2011.

On 20 December 2011 Narrowpeak converted the bond into equity, receiving 5.135.000 shares of nominal value of €0,01, together with the right to exercise its class B warrants (as defined below). The shares have been issued at a share premium of €1,0516 each. Following the conversion of the bond the Company has initiated the procedure to cancel the mortgages held by Narrowpeak. As at the publishing date of this report all mortgages have been lifted.

**7.4 Future Capital Increase**

The Board has also taken authority from Shareholders from the EGM of 17 July 2011 to allot up to 2.619.790 new ordinary shares at a price of £0,95 per Share and is in the process to raise up to $4m of capital without further shareholder's approval. This authority will expire on the date of the first anniversary of conversion of the bond, on 20 December 2012. For further details please revert to the Circular of 1 July 2011.

**7.5 Director's Option scheme**

Under the said scheme each of the directors serving at the time, which is still a Director of the Company is entitled to subscribe for 2.631 Ordinary Shares exercisable as set out below:

| | Exercise Price | Number of |
|---|---|---|
| | US$ | Shares |
| Exercisable till 1 August 2017 | 57 | 1.754 |
| Exercisable till 1 August 2017 | 83 | 877 |

<u>Director Franz M. Hoerhager Option scheme, 12/10/2007</u>

Under the said scheme, director Franz M. Hoerhager is entitled to subscribe for 1.829 ordinary shares exercisable as set out below:

| | Exercise Price | Number of |
|---|---|---|
| | GBP | Shares |
| Exercisable till 1 August 2017 | 40 | 1.219 |
| Exercisable till 1 August 2017 | 50 | 610 |

The above option schemes were approved by the shareholders of the Company in General Meeting on 31 March 2008. As of the reporting date the Company has reversed the reserved equity (from past periods) for the share options in the statement of financial position as at 31 December 2011 in the amount of US$ 68.390 as the options are well out of the money.

**7.6 Warrants issued**

On 8 August 2011, the Company has issued 273.000 <u>Class A Warrants</u> (equivalent to 2,5% of the issued share capital of the Company at the time) to AISI Realty Capital LLC, former Investment Manager of the Company. Each Class A Warrant entitles the holder to receive one Ordinary Share. The Class A Warrants may be exercised at any time until the third anniversary of the issuance date of the Class A Warrant Instrument. The exercise price of the Class A Warrant will be the nominal value per Ordinary Share as at the date of exercise.

On 8 August 2011 the Company has issued 1.091.000 Class B Warrants to Narrowpeak Consultants Ltd and is about to issue 273.000 Class B warrants to Mr. Besik Sikharulidze and Nugzar Kachukhashvili (for an aggregate equivalent to 12,5% of the issued share capital of the Company). Each Class B Warrant entitles the holder to receive one Ordinary Share. The Class B Warrants may be exercised at any time until the third anniversary of the issuance date of the Class B Warrant Instrument. The exercise price of the Class B Warrants will be the nominal value per Ordinary Share as at the date of exercise. The Class B Warrant Instruments have anti-dilution protections so that, in the event of further share issuances by the Company, the number of Ordinary Shares to which the holder of a Class B Warrant is entitled will be adjusted so that he receives the same percentage of the issued share capital of the Company (as nearly as practicable), as would have been the case had the issuances not occurred. This anti-dilution protection will lapse on the earlier of (i) the expiration of the Class B Warrants; and (ii) capital increase(s) undertaken by the Company generating cumulative gross proceeds in excess of US$100.000.000.

Pursuant to the reorganization of the share capital of the Company, the conversion of the bond by Narrowpeak into equity and the issuance of the Warrants the Company's share capital is as follows

| **Number of** | | **(as at)** 31/12/2011 |
|---|---|---|
| | | |
| Ordinary shares of €0,01 | Listed in AIM | 9.277.727 |
| Class A Warrants | | 273.000 |
| Class B Warrants | | 1.364.000 |
| **Total number of Shares** | **Non Dilutive Basis** | **9.277.727** |
| **Total number of Shares** | **Full Dilutive Basis** | **10.914.727** |
| Ordinary Share €0,92 | | 1 |
| Options | | 4.460 |

**8. Borrowings**

| | **31/12/2011** | **31/12/2010** |
|---|---|---|
| | **US$** | **US$** |
| Principal | 15.529.412 | 15.529.412 |
| Principal due to related parties (Note 24) | - | 4.333 |
| Interests | 284.445 | 36.904 |
| | | |
| **Total** | **15.813.857** | **15.570.649** |

**8.1 Current borrowings**

8.1.1 EBRD

In March 2011 the Group failed to make payment of the relevant instalments of the construction loan that had been signed with EBRD for the construction of Terminal Brovary Logistics Park. In May 2011 the Group signed a restructuring agreement with EBRD for the US$15,5m outstanding. The agreement provides Aisi with a grace period on the principal repayments until September 2012 (interest is to be paid quarterly), and extends the duration of the loan by 18 months compared with the original term.

The loan bears interest at 3 months LIBOR plus 6,75%, and the principal is repayable in 33 instalments of US$470.588. In addition, the loan bears a 2% margin over the effective interest rate for the duration of the grace period, payable upon the termination of such period.

Following the loan restructuring, the Group failed to effect the first interest payment due on 17 June 2011, due to inadequate liquidity. Pending the issue of the convertible loan to Narrowpeak, the Directors and Narrowpeak came into contact with EBRD and secured its collaboration until such time that the convertible loan was signed (8 August 2011). From late August 2011, when the interest due was repaid, the loan has been current.

As at 31 December 2011 the Group pledged through the June 2011 financing agreement, as collateral to secure the bank loan the following:

1. LLC Terminal Brovary pledged all movable property with the carrying value more than US$25.000.
2. LLC Terminal Brovary pledged its Investment property, Brovary Logistics Centre that was finished construction in 2010 (Note 12), and all property rights on the centre.
3. Aisi Realty Public Ltd pledged 100% corporate rights in Aisi Logistics Ltd, a Cyprus Holding Company for the Shareholder of LLC Terminal Brovary, LLC Aisi Brovary.
4. Aisi Logistics Ltd pledged 99% corporate rights in LLC Aisi Brovary.
5. LLC Aisi Brovary pledged 100% corporate rights in LLC Terminal Brovary.
6. LLC Terminal Brovary pledged all current and reserved accounts opened by LLC Terminal Brovary in Erste Bank, Ukraine.
7. LLC Aisi Brovary entered into a call and put option agreement with EBRD, Aisi Realty Public Ltd and LLC Terminal Brovary pursuant to which
    a. Following an Event of Default (as described in the Agreement) EBRD shall have the right (Call option) to purchase at the Call Price from LLC Aisi Brovary, 20% of the Participatory Interest held by LLC Aisi Brovary on the relevant Settlement Date,
    b. EBRD shall have the right (Put Option), exercisable in its sole discretion, to sell to LLC Aisi Brovary all but not less than all of the Participatory Interest in the Charter Capital of LLC Terminal Brovary held by EBRD on the relevant Settlement Date at the Put Price.
8. LLC Terminal Brovary has granted EBRD a second ranking mortgage in relation to its own and LLC Aisi Brovary's obligations under the call and put option agreement.

Also the Company issued the corporate guarantee dated 12 January 2009 to guarantee all liabilities and fulfilment of conditions under the loan agreement signed with EBRD. The maturity of the guarantee is equal to the maturity of the loan.

The credit agreement with EBRD includes among others the following requirements for LLC Terminal Brovary and the Group as a whole:

1. Consolidated total liabilities to audited equity of the Company, adjusted for deferred tax and independent valuation, should not exceed 60% over the life of Aisi Realty Public Guarantee.
2. At all times minimum value of unencumbered assets and cash of the Company should not be less than US$30.000.000 (based on the Group consolidated results).
3. At all times Brovary Logistics shall maintain a balance in the Debt Service Reserve Amount (DSRA) account equal to not less than the sum of all payments of principal and interest on the Loan which will be due and payable during the next six months on and after the Project Completion Date provided, however, that (A) LLC Terminal Brovary shall deposit not less than 50% of the DSRA before the end of the Grace Period and (B) the DSRA shall be fully funded on or before 18th December 2012.
4. LLC Terminal Brovary shall achieve a "CNRI"(Contract Net Rental Income is the aggregate of monthly lease payments, net of value added tax, contracted by the Borrower pursuant to the Lease Agreements as of the relevant testing date and converted into Dollars at the official exchange rate established by the National Bank of Ukraine as of such testing date) according to the following schedule:
    a) on 18th September, 2011, the CNRI of more than US$ 75.000;
    b) on 18th December, 2011, the CNRI of more than US$ 150.000; and
    c) on and after 18th March, 2012 until the end of the Grace Period, the CNRI of more than US$200.000.

## 9. Trade and other payables

| | 31/12/2011 US$ | 31/12/2010 US$ |
|---|---:|---:|
| Payables to related parties (Note 24 in the full report) | 925.704 | 7.939.294 |
| Guarantee reserve on construction works, current | 751.419 | 815.951 |
| Guarantee reserve on construction works, non-current | - | 642.374 |
| Payables for construction, current | 480.027 | 521.945 |
| Payables for construction, non-current | 364.032 | - |
| Payables for services | 240.601 | 1.677.313 |
| Provision for reimbursements | 1.550.000 | 1.504.390 |
| Accruals | 146.606 | 679.581 |
| Long-term notes | - | 20.096 |
| **Total** | **4.458.389** | **13.800.944** |

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

Guarantee reserve on construction works, represents the portion of the guaranteed amount payable to the contractor of Brovary Logistics Park upon finalization of the works and of the snagging list.

Payables for construction represent amounts payable to the contractor of Bella Logistics Park in Odessa. In December 2011, the Group has settled a probable cause for litigation with the said contractor who was claiming US$3.000.000-US$5.000.000. The settlement was reached on the basis of maintaining the construction contract in an inactive state (to be reactivated at the option of the Group) with the Group agreeing to pay UAH2.400.000 (~US$300.000) within Q1-2012, while upon reactivation of the contract or termination of it (because of the sale of the asset) the Group would have to pay an additional UAH5.400.000 (~US$ 700.000) payable upon such event occurring. Since it is uncertain when the latter amount is to be paid it has been discounted at the current discount rates in Ukraine and is presented as a non current liability.

Payables for services represent amounts payable to various service providers including auditors, legal advisors, consultants and third party accountants.

Provision for reimbursements represents the potential Group's liability towards UVK, first tenant of Brovary Logistics Park. The amount which is in dispute is also backed by a mortgage on the AISI Bella's Odessa plot which UVK attempts to enforce.

## 10. Events after the end of the reporting period

In January 2012, EBRD notified the Group that certain of the covenants of the Terminal Brovary loan are still in breach, namely covenants related to the required at specific point of time minimum Contract Net Rental Income (CNRI).