

30 September 2011

Aisi Realty Public Limited
("Aisi" or "the Company")

Unaudited Financial Results for the six months ended 30 June 2011

Overview

The Board of Aisi today reports its half year results for the six months ended 30 June 2011. As at 30 June 2011, the investment portfolio was valued at \$36 million compared with \$43 million as at 31 December 2010, following an impairment of \$7.8 million against the land and property assets of the Company as considered appropriate by the Board of Directors due to the risks associated with the probable development of the projects. The revised portfolio valuation together with other operating expenses and a further impairment against doubtful receivables and advance payments resulted in a pre-tax loss of \$16.5 million for the six months ended 30 June 2011 (2010: loss \$3.9 million).

Operational Review

The Group has signed up additional tenants at its Brovary Logistics Property ("Terminal Brovary") during the period and as at the date of these interims, has in situ tenants and signed preliminary agreements to lease space at Terminal Brovary approximating 30% of total available space.

The EBRD construction loan was restructured on 1 June 2011 and became effective on 20 September 2011.

All other portfolio projects remain on hold.

Outlook

The Directors consider that following the agreement with South East Continental Unique Real Estate (SECURE) Management, under which the Company has entered into an \$8,000,000 convertible Bond subscription agreement with Narrowpeak Consultants Limited (the "Investor"), the Company will have adequate working capital and liquidity to meet a considerable part of its existing liabilities. This together with improving market fundamentals and the effect of new lettings at Brovary Logistics Park, make the Board of Directors cautiously optimistic as to the future prospects of the Group

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2011

	Note	<u>Six month ended</u>	
		<u>30 June 2011</u>	<u>30 June 2010</u>
		US\$	US\$
Revenue from operations			
Fair value (losses) on investment property		(7 833 811)	(1 982 148)
Income from operations, net		184 633	49 826
		<u>(7 649 178)</u>	<u>(1 932 322)</u>
Expenses			
Administration expenses		(2 668 358)	(2 790 321)
Finance costs, net		(1 020 603)	789 256
Other income/(expenses), net		(5 255 472)	33 291
		<u>(16 593 611)</u>	<u>(3 900 096)</u>
Loss before taxation			
Tax		-	(2 283)
Loss for the period		<u>(16 593 611)</u>	<u>(3 902 379)</u>
Other comprehensive income		51 523	-
Total comprehensive income for the period		<u>(16 542 088)</u>	<u>(3 902 379)</u>
Attributable to:			
Equity holders of the parent		(16 538 804)	(3 912 740)
Non controlling interests		(3 284)	10 361
		<u>(16 542 088)</u>	<u>(3 902 379)</u>
Losses per share attributable to equity holders of the parent (cent)	4	(4,0)	(2,0)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	30 June 2011	31 December 2010	30 June 2010
	US\$	US\$	US\$
Assets			
Non-current assets			
Property, plant and equipment	32 427	54 783	59 294
Investment property under construction	6 286 553	10 300 000	35 834 098
Investment property	29 842 579	33 631 000	22 872 426
Advances for investments	2 000 000	6 000 000	8 525 887
VAT non-current	2 923 102	2 926 939	2 991 494
	41 084 661	52 912 722	70 283 199
Current assets			
Accounts receivable	2 565 758	3 487 598	3 088 679
Cash and cash equivalents	18 504	291 053	1 708 152
	2 584 262	3 778 651	4 796 831
Total assets	43 668 923	56 691 373	75 080 030

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
as at 30 June 2011

	30 June 2011	31 December 2010	30 June 2010
	US\$	US\$	US\$
Equity and Liabilities			
Share capital	5 431 918	5 431 918	2 283 299
Share premium	92 683 930	92 683 930	92 683 930
(Accumulated losses)/Retained earnings	(90 809 707)	(74 217 972)	(53 195 839)
Advances for issue of shares	2 062 471	2 062 471	4 987 972
Other reserves	68 390	68 390	68 390
Translation difference reserve	(1 027 228)	(1 068 153)	(1 377 231)
	8 409 774	24 960 584	45 450 521
Non controlling interests	1 027 508	1 030 793	1 326 347
Total equity	9 437 282	25 991 377	46 776 868
Non current liabilities			
Borrowings	15 550 059	15 529 412	14 588 235
Obligations under finance leases	583 584	591 245	596 711
Accounts payable	998 910	673 078	871 036
	17 132 553	16 793 735	16 055 982
Current liabilities			
Borrowings	793 476	41 237	1 411 765
Accounts payable	15 147 558	13 234 905	10 172 863
Obligations under finance leases	24 483	44 969	76 885
Current tax liabilities	554 352	510 240	510 240
Provisions	579 219	74 910	75 427
	17 099 088	13 906 261	12 247 180
Total liabilities	34 231 641	30 699 996	28 303 162
Total equity and liabilities	43 668 923	56 691 373	75 080 030

On 30 September 2011 the Board of Directors of Aisi Realty Public Ltd authorised the issue of these financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months period ended 30 June 2011

	Attributable to equity holders of the Parent						Total	Non controlling interests	Total	
	Share capital	Share premium	Notes payables from shareholders	Retained earnings, net of minority interest	Other reserves	Advances for issue of shares				Translation difference
	US\$	US\$	US\$	US\$	US\$	US\$				US\$
Balance - 1 January 2011	5 431 918	92 683 930	-	(74 217 972)	68 390	2 062 471	(1 068 153)	24 960 584	1 030 793	25 991 377
Total comprehensive income for the period				(16 591 735)			40 925	(16 550 809)	(3 284)	(16 554 093)
Balance - 30 June 2011	5 431 918	92 683 930	-	(90 809 707)	68 390	2 062 471	(1 027 228)	8 409 774	1 027 508	9 437 282

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**for the six months period ended 30 June 2011**

	30 June 2011	30 June 2010
	US\$	US\$
Operating activities		
Loss before taxation	(16 593 611)	(3 900 096)
Adjustments for:		
Depreciation of property, plant and equipment	19 921	34 400
Impairment of investment advances and accounts receivable	4 802 851	-
Tax paid	-	(2 285)
Foreign exchange losses/(gain)	120 683	(928 734)
Loss on revaluation of investment property	7 833 811	1 982 148
Other expenses	504 409	-
Interest expense	547 768	-
Interest income	(2 299)	(61 857)
Operating loss before working capital changes	(2 766 467)	(2 876 424)
Increase in advances to related parties	(618)	-
(Increase)/Decrease in prepayments and other current assets	(103 296)	(1 312 616)
Increase/(Decrease) in trade and other payables	927 980	84 737
Increase/(Decrease) in financial lease liabilities	(28 147)	10 672
Increase/(Decrease) in payables due to related parties	1 221 904	1 720 925
Cash flows from operating activities	(748 644)	(2 372 706)
Investing activities		
(Increase)/Decrease in VAT receivable	43 035	222 215
(Increase) in advances for investments	-	772 058
Increase in payables to constructors	(10 671)	-
Additions to investment property	(90 157)	(2 496 672)
Changes of property, plant and equipment	50 035	(20 930)
Cash flows from investing activities	(7 758)	(1 523 329)
Financing activities		
Proceeds from other borrowings	471 999	(37 967)
Net cash from financing activities	471 999	(37 967)
Effect of foreign exchange rates on cash and cash equivalents	11 854	621 497
Net increase in cash and cash equivalents	(272 549)	(3 312 505)
Cash and cash equivalents:		
At beginning of the period	291 053	5 020 657
At end of the period	18 504	1 708 152

Unaudited notes forming part of the condensed consolidated interim financial information for the six months ended 30 June 2011

1. Incorporation and principal activities

Country of incorporation

The Company was incorporated in Cyprus on 23 June 2005 as a private company with limited liability under the Companies Law, Cap. 113. On 19 March 2006 it was converted into a Public Limited Liability Company, by filing a statement in lieu of prospectus. Its registered office is at Totalserve House, 17 Gr. Xenopoulou Street, 3106 Limassol, Cyprus.

Principal activity

The consolidated financial statements of the Company as at and for the six months period ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The principal activity of the Group, which is unchanged from last year, is the investment in real estate including the development, operation and selling of real estate assets, in major population centres of Ukraine.

2. General information

This condensed consolidated interim financial information was approved by the Board on 30 September 2011.

The interim financial information for the six months ended 30 June 2011 and 30 June 2010 is unreviewed and unaudited and does not constitute statutory accounts. The comparative financial information for the year ended 31 December 2010 has been derived from the statutory financial statements for that period. Statutory accounts for the year ended 31 December 2010 were approved by the Board of directors on 8 August 2011. The Independent Auditors' Report on those accounts was both qualified and also contained an emphasis of matter in relation to the Group's ability to continue as a going concern and other matters.

3. Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the repayment of liabilities in the normal course of business. The recoverability of the Group's assets, as well as the future operations of the Group, may be significantly affected by the current and future economic environment, as well as the full settlement of the existing company liabilities, as they appear in the financial statements, taking into account the restructuring of the Group. The Group incurred a loss before tax of US\$ 16 591 735 during the six months ended 30 June 2011. At 30 June 2011, the Group's total assets exceed its total liabilities by US\$8 409 774.

The directors consider it is appropriate to prepare these consolidated financial statements on the going concern basis as the Group has succeeded to secure additional funding in August 2011 so as to ensure its continued operations. The consolidated financial statements do not include any adjustments should the Group be unable to obtain appropriate funds and consequently not be a going concern.

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

a. Weighted average number of ordinary shares

	<u>30 June 2011</u>	<u>30 June 2010</u>
	Number	Number
Issued ordinary shares capital	414 272 792	192 194 975
Weighted average number of ordinary shares	414 272 792	192 194 975
Diluted weighted number of ordinary shares	414 272 792	192 194 975

b. Basic, diluted and adjusted earnings per share

Profit (Loss) after tax	<u>30 June 2011</u>	<u>30 June 2010</u>
	US\$	US\$
Basic	(16 591 735)	(3 912 740)
Diluted	(16 591 735)	(3 912 740)
Adjusted	(16 591 735)	(3 912 740)

Earnings per share	<u>30 June 2011</u>	<u>30 June 2010</u>
	US\$	US\$
Basic	(0,04)	(0,02)
Diluted	(0,04)	(0,02)
Adjusted	(0,04)	(0,02)

c. Net assets per share

	<u>30 June 2011</u>	<u>30 June 2011</u>	<u>30 June 2011</u>
	Net assets	Number of shares	Net assets per share
	US\$	Number	US\$
Basic	8 409 774	414 272 792	0,02
Diluted	8 409 774	414 272 792	0,02
Adjusted	8 409 774	414 272 792	0,02

	<u>30 June 2010</u>	<u>30 June 2010</u>	<u>30 June 2010</u>
	Net assets	Number of shares	Net assets per share
	US\$	Number	US\$
Basic	45 450 521	192 194 975	0,24
Diluted	45 450 521	192 194 975	0,24
Adjusted	45 450 521	192 194 975	0,24

5. Events after the end of the reporting period

Financial Restructuring-Convertible Bond

On 15 March 2011, the Company announced that the Board was in discussions with (i) certain existing Shareholders; and (ii) an independent third party investor group to provide a working capital facility, or other cash injection, to meet the short term funding requirements of the Group.

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

Under the agreement, the Investor conditionally agreed to subscribe for Bonds issued by the Company with aggregate value of US\$8 million which shall be convertible, in certain circumstances, into 5,135,000 New Ordinary shares (see note below), and will be issued with class B warrants to subscribe for up to 1,091,000 New Ordinary shares. Each Class B Warrant will entitle the holder thereof to receive certain New Ordinary Share. The Class B Warrants may be exercised at any time from the earlier of the Maturity Date and exercise of not less than 75 % of the Bonds to the third anniversary of the date of the Class B Warrant Instrument. The exercise price of the Class B Warrants will be the nominal value per Existing Ordinary Shares or New Ordinary Shares as at the date of exercise. The Class B Warrant Instrument will have anti-dilution protections so that, in the event of further share issuances by the Company, the number New Ordinary Shares to which the Investor is entitled will be adjusted so that the Investor 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 for the Investor 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.

The bonds and the class B warrants will be subscribed for and issued to the Investor in two tranches. The principal term of the bonds will be eight months and the annual interest during this eight month period will be 1% per annum. On the date eight calendar months following the issue of the first tranche of bonds (the "Maturity Date"), if the paid and then then current liabilities are equal to or less than US\$6.4 million, the bonds will automatically be converted into the ordinary shares else the bonds will be converted into shares at the sole discretion of the Investor. In such circumstances, from the Maturity Date until such conversion the bonds will bear interest at 10% per annum. The bonds are collateralised by all the freehold assets of the Group which are not mortgaged.

Notwithstanding the above, the bonds will be able to be converted into ordinary shares at the Investor's discretion at any time between the date of the bond instrument and 31 December 2013 (excluding the Settlement Agreement-below).

For further details please revert to the Circular dated 1 July 2011 and the related AIM announcements.

On 15 June 2011, the Investor also entered into a Bridge Loan Facility Agreement to provide the Group with funds to meet certain urgent liabilities that caused a high risk of default to the Group. The Bridge Loan Facility is secured by means of a mortgage granted by Group.

New Ordinary Shares

On 24 July 2011, The Group obtained shareholder approval for a proposed capital reorganisation

resulting in the consolidation of all existing ordinary shares of the Company on a 100 for 1 basis. For further details please revert to the Circular dated 1 July 2011.

Settlement Agreement

As a condition precedent for the Investment, the Group and the management signed a settlement agreement, resulting in the Investment Manager releasing the Company from all claims and liabilities that had arisen under the investment management agreement which were owed by the Company to the Investment Manager. In consideration for this release, the Investment Manager will receive (i) cash payment of US\$300,000; and (ii) Class A Warrants to subscribe for up to 273,000 New Ordinary Shares. The Class A Warrants have substantially the same terms as the Class B Warrants but will not benefit from the anti-dilution protection granted to the Class B Warrants.

The Settlement Agreement constituted a related party transaction under Rule 13 of the AIM Rules for Companies. For further details please revert to the Circular of 1 July 2011.