ANNUAL REPORT
2011

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AISI REALTY PUBLIC LIMITED
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Aisi Realty Public PLC – An Overview

Key Facts	
Total Assets Under Management:	$55 million
Number of Assets:	5
Bank Debt:	$15.8 million
Current Leverage:	0.49x
NAV per share:	$3.39
EBITDA:	$0.8 million
Net Equity*:	$31.8 million
Issued Shares:	9,277,727

*Attributable to the parent shareholders

This report may contain forward-looking statements about the Company. Such statements are predictive in nature and depend upon or refer to future events or conditions and may include such words as "expects", "plans", "anticipates", "believes", "estimates'' or other similar expressions. In addition, any statement regarding future performances, strategies, prospects, actions or plans is also a forward-looking statement. Forward-looking statements are subject to known and unknown risks and uncertainties and other factors that may cause actual results, events, activities and achievements to differ materially from those expressed or implied by such statements. Such factors include general economic, political and market conditions, interest and foreign exchange rates, regulatory or judicial proceedings, technological change and catastrophic events. You should consider these and other factors carefully before making any investment decisions and before relying on forward-looking statements.

1. Letter to the Shareholders

26 March 2012

Dear shareholder,

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

2. Management Report

2.1. Corporate Overview & Financial Performance

In a nutshell

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.

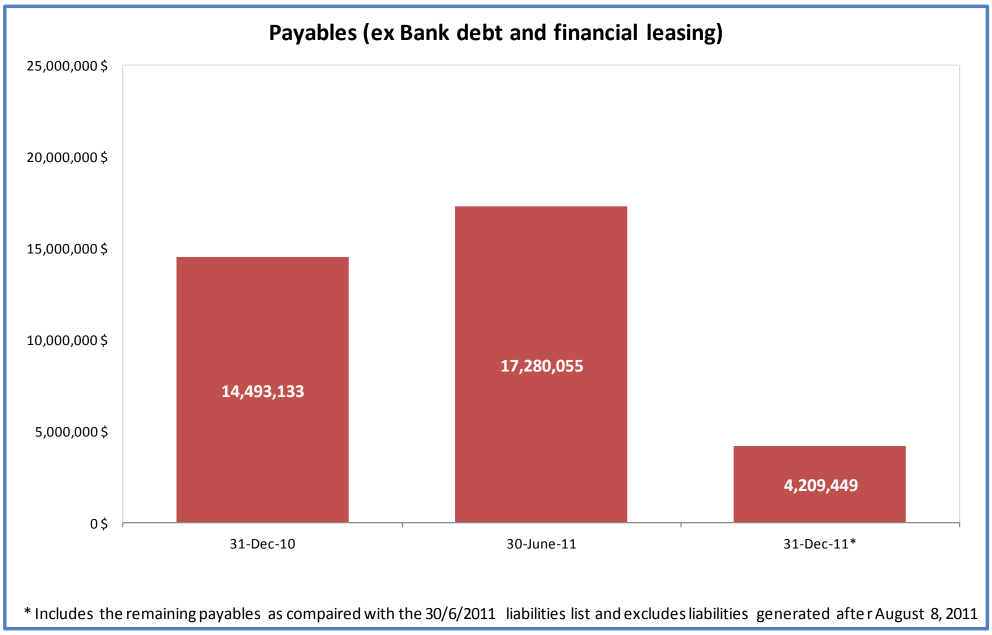
On 8 August 2011, Narrowpeak subscribed to an $8 million convertible loan issued by the Company, while Lambros Anagnostopoulos, founder of the SECURE Group, and Constantinos Bitros were appointed as CEO and CFO respectively, of the Company.

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.

Audit Committee

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.

Remuneration Committee

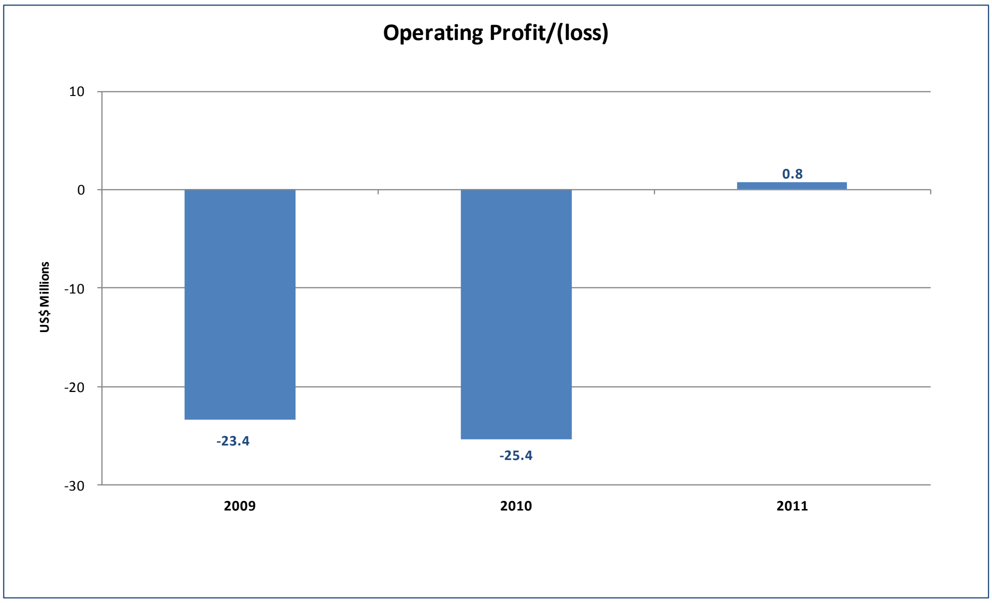
The Board's Remuneration Committee is formed of Anthony Achilleoudis and Ian Domaille. The composition of the Committee ensures continuity with the supervisory bodies under the previous management structure. Its first task was to prepare a new incentive and compensation scheme that will be offered to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

Internal Audit and Control

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.



2.2. 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.

Tsymlyanski 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.

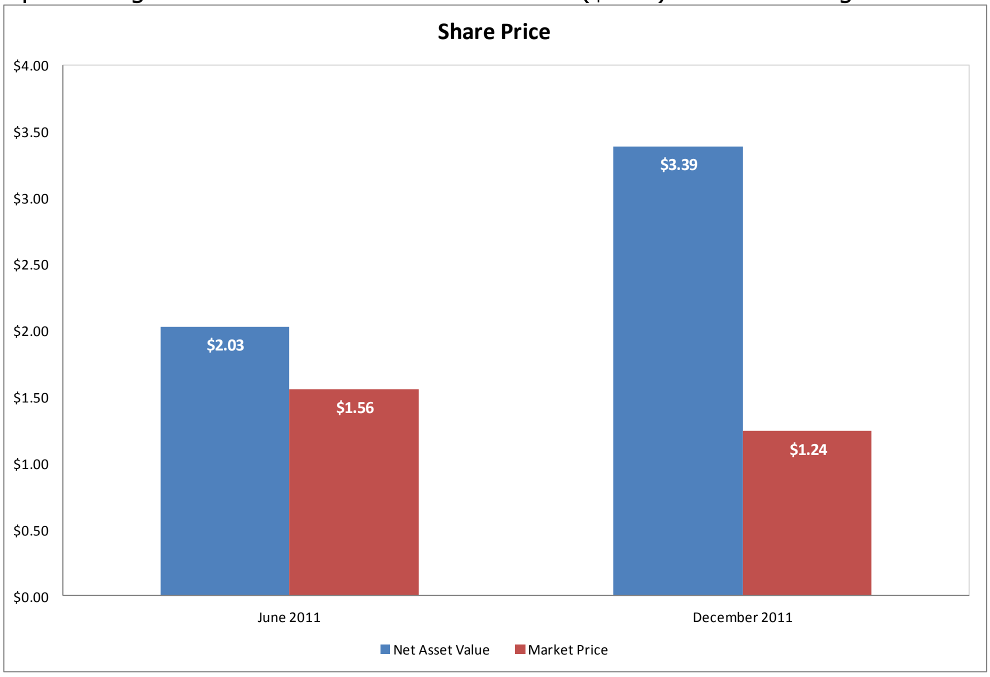
The valuations have been carried out by the appraisers on the basis of Market Value in accordance with the appropriate sections of the current Practice Statements contained within the Royal Institution of Chartered Surveyors ("RICS") Appraisal and Valuation Standards, 7th Edition (the "Red Book").

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 Logistic 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.

Net Asset Value



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.

2.3. 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.

2.4. 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.

3. Regional Economic Developments

Ukraine 2011-highlights

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

4. Real Estate Market Developments

General

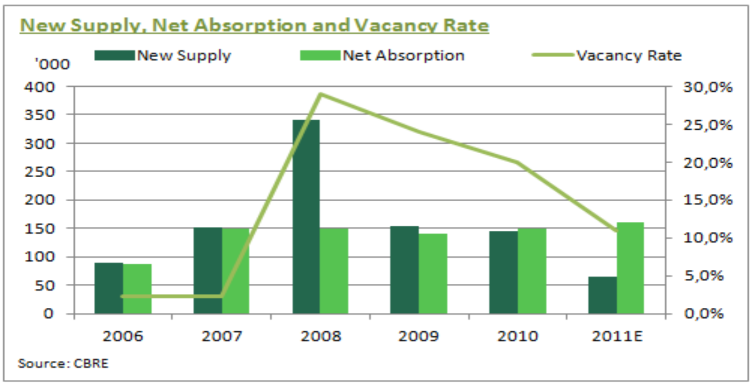
In spite of the lingering Eurozone debt crisis, the large potential of the real estate market in Ukraine undoubtedly remains and is underpinned by its immaturity in terms of quality and types of property products offered, the country's large size and population, the perceived high retail brand awareness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

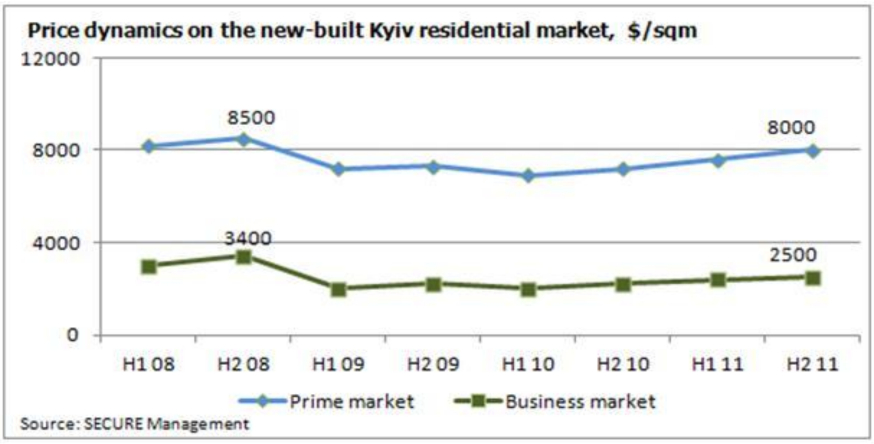


Residential Market

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.

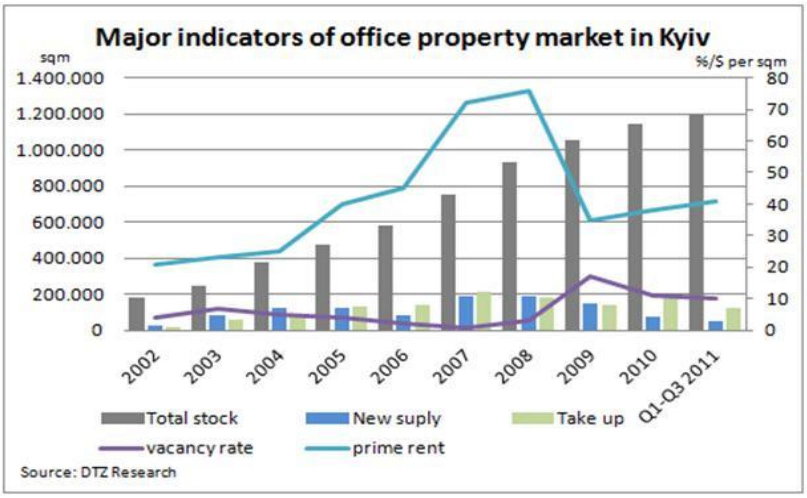
The middle- or business-class segment, is expected to begin its recovery in 2012, when supply and demand reach equilibrium, while the low-cost residential property market is not expected to start taking off in the near future due to a supply demand imbalance.

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.

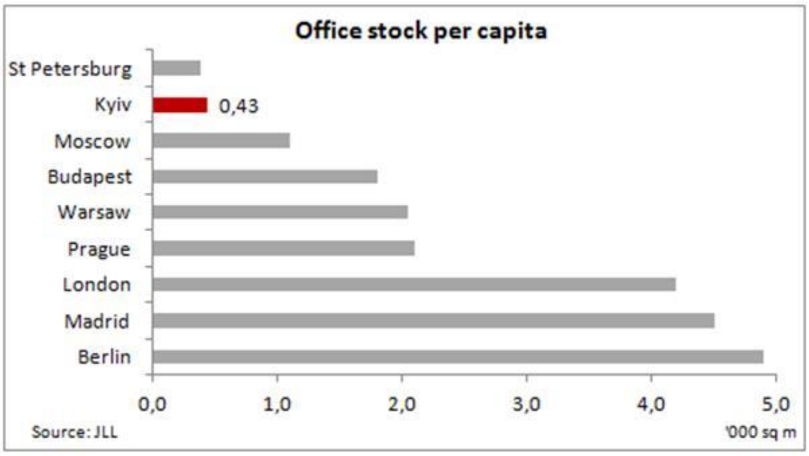


Office Market

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.

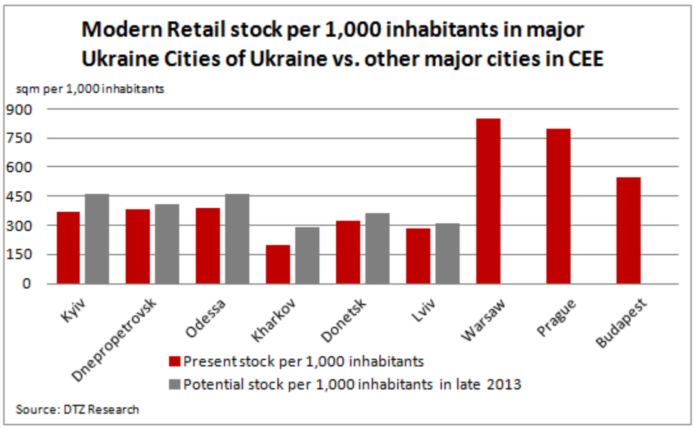


The amount of office space in Kyiv stands at circa 450 sq m / 1,000 residents, less than one-quarter of the amount available in Warsaw and well below other regional cities, such as Bucharest and Prague.



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.



5. Property Assets

5.1. Aisi Brovary – Terminal Brovary Logistic Park (Kiev)

Project description

The Brovary Logistic 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.

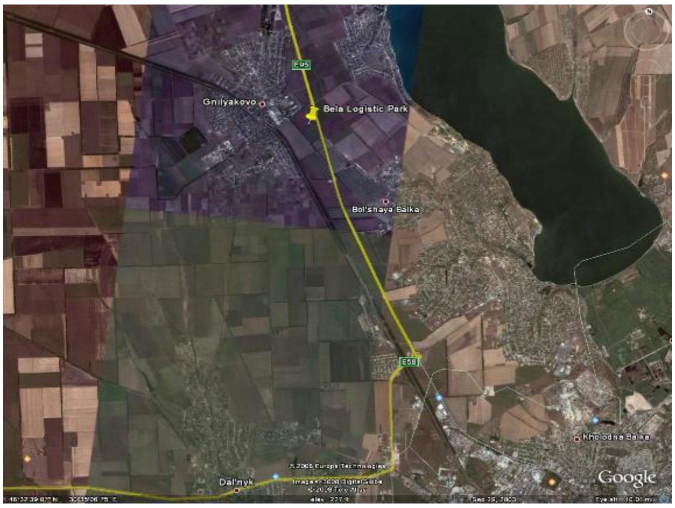
Current status

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.

5.2. Aisi Bela – Bela Logistic Center (Odessa)

Project description

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.



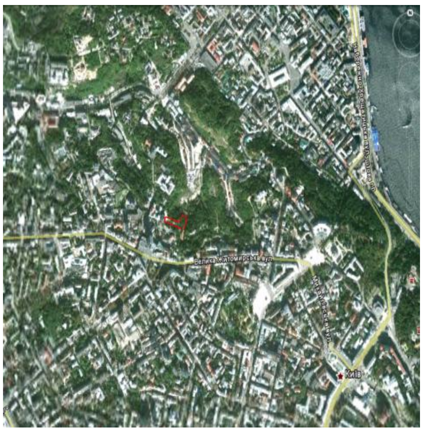
Current status

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.

5.3. Kiyanovsky Lane – Land for Residential Complex

Project description

The project consists of 0.55 ha of land located at Kiyanovsky 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.



Current status

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.

5.4. Tsymlyanski Lane – Land for Residential Complex

Project description

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%.

Current status

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.

5.5. Balabino-Land for Retail/Entertainment Development

Project description

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.

UKRAINE

SATELITE MAP OF ZAPOROZHYE

Current status

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.