

Current report 37/2013

Date: 29.11.2013



**KDM SHIPPING 9 MONTHS 2013 FINANCIAL STATEMENTS:
REVENUE AT USD 25.4 MILLION, UP BY 32.4%**

KDM Shipping Public Limited (KDM:PW), one of the leaders of the Ukrainian shipping industry, primarily involved in the niche segment of dry bulk river-sea freight in the Black, Azov and Mediterranean Sea regions, announces its condensed consolidated financial statements for the first 9 months of 2013 (ending 30 September).

FINANCIAL RESULTS

Selected financial data (in USD thousands)

	9M 2013	9M 2012	Change
Revenues	25,439	19,211	32.4%
<i>Freight</i>	<i>15,688</i>	<i>13,189</i>	<i>18.9%</i>
<i>Ship repair</i>	<i>5,603</i>	<i>3,029</i>	<i>85.0%</i>
<i>Passenger transport</i>	<i>701</i>	<i>2,993</i>	<i>(76.6%)</i>
<i>Grain trading</i>	<i>3,447</i>	<i>-</i>	<i>n/a</i>
Cost of sales	(15,386)	(9,142)	68.3%
<i>Freight</i>	<i>(8,350)</i>	<i>(5,032)</i>	<i>65.9%</i>
<i>Ship repair</i>	<i>(3,537)</i>	<i>(2,226)</i>	<i>58.9%</i>
<i>Passenger transport</i>	<i>(465)</i>	<i>(1,884)</i>	<i>(75.3%)</i>
<i>Grain trading</i>	<i>(3,034)</i>	<i>-</i>	<i>n/a</i>
Gross profit	10,053	10,069	(0.2%)
<i>Gross margin</i>	<i>39.5%</i>	<i>52.4%</i>	<i>(24.6%)</i>
EBITDA*	10,001	10,531	(5.0%)
<i>EBITDA margin</i>	<i>39.3%</i>	<i>54.8%</i>	<i>(28.3%)</i>
Profit for the period	8,642	9,090	(4.9%)
<i>Net margin</i>	<i>34.0%</i>	<i>47.3%</i>	<i>(28.1%)</i>

* Excluding other one-off non-operating expenses

Kostiantyn Molodkovets, Chief Executive Officer of KDM Shipping, commented: 'On behalf of KDM Shipping, I am pleased to report our consolidated 9 month financial results for the first 3 Quarters of 2013. Company revenues increased by 32.4% due to higher productivity in two of our core business segments, freight and ship repair, along with the introduction of our new grain trading business segment. Despite this revenue growth, our company experienced a slight decrease in net profitability due to an increased cost of sales in our freight transport segment from opening new Baltic routes for the fleet, and a temporary revenue drop in our passenger segment resulting from widespread reconstruction maintenance to Kiev's central pedestrian zone along the Dnipro River where our pier is located. This reconstruction should end prior the 2014 season. Our main priority now is to finalise negotiations for adding new ships to our dry bulk cargo fleet.'

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On KDM Shipping Public Limited

KDM Shipping is one of the leaders of the Ukrainian shipping industry, primarily involved in the niche segment of dry bulk river-sea freight in the Black, Azov and Mediterranean Sea regions.

The Group's cargo fleet consists of 10 river-sea dry cargo vessels of total 29,673 DWT, which due to their shallow draft are capable of accessing major rivers and sea ports in Black and Azov Seas region. The Group's cargo fleet specializes in river-sea transportation services for dry bulk cargoes, including such commodities as grain, metal products, wood, fertilizers, feldspar, peas, cement, gypsum, silicomanganese, pig iron as well as other materials and equipment. The Group also provides passenger river transport services in the Kyiv region (operating its own fleet of 8 passenger river vessels) as well as ship building and repair services in the Group's shipyard, which is located in the city of Kherson.

According to International Economic Rating "League of the Bests" in 2012, the Group is ranked as # 1 in river activity and 3rd in maritime activity in Ukraine.

The Group has developed a vertically integrated business model. The Group's main activity of dry-bulk shipping is supported by its own ship repair yard, its own ship agency in selected ports as well as its own crewing department. Such business model allows the Group to benefit from certain cost efficiencies and sustain competitive advantages.

KDM Shipping has been listed on the Warsaw Stock Exchange since August 2012.

More information at www.kdmshipping.com

KDM SHIPPING PUBLIC LIMITED

**CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
(UNAUDITED)**

For the nine months ended 30 September 2013

KDM SHIPPING PUBLIC LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2013

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KDM SHIPPING PUBLIC LIMITED**BOARD OF DIRECTORS AND OTHER OFFICERS**

Board of Directors	Konstantyn Molodkovets - Executive Director, CEO Denys Molodkovets - Executive Director, CFO Konstantin Anisimov - Non-executive Director Mykhailo Chubai - Non-executive Director
Audit Committee	Konstantin Anisimov – Head of Committee Mykhailo Chubai
Remuneration Committee	Mykhailo Chubai – Head of Committee Konstantin Anisimov
Secretary	Boomer Secretarial Limited 3 Michael Koutsofta Str. 3031, Limassol Cyprus
Independent Auditors	KPMG Limited
Bankers	Kreditprombank UBS AG JSC Rietumu Bank
Registered Office	3 Michael Koutsofta Str. 3031, Limassol Cyprus

KDM SHIPPING PUBLIC LIMITED

Declaration of the members of the Board of Directors and the person responsible for the preparation of the condensed interim consolidated financial statements

We, the Members of the Board of Directors and the person responsible for the preparation of the condensed interim consolidated financial statements of KDM Shipping Public Limited for the period ended 30 September 2013, based on our knowledge, which is the product of careful and conscientious work, declare that the particulars which are specified in the condensed interim consolidated financial statements are true and complete.

Members of the Board of Directors:

Konstantyn Molodkovets	
Denys Molodkovets	
Konstantin Anisimov	
Mykhailo Chubai	

Person responsible for the preparation of the condensed interim consolidated financial statements for the period ended 30 September 2013 :

Denys Molodkovets	
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Nicosia, 29 November 2013

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2013

	Note	30 September 2013 USD'000	30 September 2012 USD'000
Revenue		25 439	19 211
Cost of sales		<u>(15 386)</u>	<u>(9 142)</u>
Gross profit		10 053	10 069
Other operating income		726	472
Selling and distribution expenses		(294)	(61)
Administrative expenses		(658)	(423)
Other operating expenses		<u>(1 161)</u>	<u>(735)</u>
Profit from operating activities		<u>8 666</u>	<u>9 322</u>
Other non-operating expenses		(207)	-
Finance income	5	18	-
Finance costs	5	<u>(22)</u>	<u>(225)</u>
Profit before taxation		8 455	9 097
Taxation		<u>187</u>	<u>(7)</u>
Profit for the period		<u>8 642</u>	<u>9 090</u>
Other comprehensive income			
Effect of translation into presentation currency		<u>-</u>	<u>(247)</u>
Total comprehensive income for the period		<u>8 642</u>	<u>8 843</u>
Profit for the period attributable to:			
Owners of the Company		8 643	9 074
Non-controlling interests		<u>(1)</u>	<u>16</u>
Profit for the period		<u>8 642</u>	<u>9 090</u>
Total comprehensive income attributable to:			
Owners of the Company		8 643	8 840
Non-controlling interests		<u>(1)</u>	<u>3</u>
Total comprehensive income for the period		<u>8 642</u>	<u>8 843</u>
Earnings per share			
Basic and fully diluted earnings per share (USD)	12	<u>1.06</u>	<u>1.58</u>

The notes on pages 9 to 22 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

For the nine months ended 30 September 2013

	Note	30 September 2013 USD'000	31 December 2012 USD'000
Assets			
Vessels, property, plant and equipment		35 119	31 564
Intangible assets		110	110
Trade and other receivables	8	3 000	3 000
Deferred tax assets		-	236
Non-current assets		<u>38 229</u>	<u>34 910</u>
Inventories	7	5 107	749
Trade and other receivables	8	15 863	5 060
Tax asset		2	1
Cash and cash equivalents		20 113	12 954
Current assets		<u>41 085</u>	<u>18 764</u>
Total assets		<u>79 314</u>	<u>53 674</u>
Equity			
Share capital	9	118	91
Share premium		23 571	7 355
Translation reserve		(9 548)	(9 548)
Retained earnings		54 781	46 130
Equity attributable to owners of the Company		<u>68 922</u>	<u>44 028</u>
Non-controlling interests		83	92
Total equity		<u>69 005</u>	<u>44 120</u>
Liabilities			
Loans and borrowings	10	29	2 433
Deferred tax liabilities		2 560	2 983
Other long-term liabilities		267	250
Non-current liabilities		<u>2 856</u>	<u>5 666</u>
Loans and borrowings	10	4 006	2 038
Trade and other payables	11	3 447	1 850
Current liabilities		<u>7 453</u>	<u>3 888</u>
Total liabilities		<u>10 309</u>	<u>9 554</u>
Total equity and liabilities		<u>79 314</u>	<u>53 674</u>

On 29 November 2013 the Board of Directors of KDM Shipping Public Limited authorised for issue these condensed interim consolidated financial statements.

.....
Konstantyn Molodkovets
Director, CEO

.....
Denys Molodkovets
Director, CFO

The notes on pages 9 to 22 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013

Note	<u>Attributable to owners of the Company</u>					Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000		
Balance at 1 January 2012	18	-	(9 535)	33 638	24 121	48	24 169
Comprehensive income							
Profit for the period	-	-	-	9 074	9 074	16	9 090
Effect of translation into presentation currency	-	-	(250)	-	(250)	3	(247)
Total comprehensive income for the period	-	-	(250)	9 074	8 824	19	8 843
Transactions with owners, recognized directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of share capital on 22 February 2012	9	63	-	-	63	-	63
Issue of share capital on 09 August 2012		10	7 812	-	7 822	-	7 822
Total transactions with owners		73	7 812	-	7 885	-	7 885
Balance at 30 September 2012		91	7 812	(9 785)	42 712	67	40 897

The notes on pages 9 to 22 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013

Note	<u>Attributable to owners of the Company</u>					Non-controlling interests	Total equity	
	Share capital	Share premium	Translation reserve	Retained earnings	Total			
	USD'000	USD'000	USD'000	USD'000	USD'000			USD'000
Balance at 1 January 2013	91	7 355	(9 548)	46 130	44 028	92	44 120	
Comprehensive income								
Profit for the period	-	-	-	8 643	8 643	(1)	8 642	
Total comprehensive income	-	-	-	8 643	8 643	(1)	8 642	
Transactions with owners, recognized directly in equity								
<i>Contributions by and distributions to owners</i>								
Issue of share capital on 11 June 2013	9	27	18 583	-	-	18 610	-	18 610
Transaction costs		-	(2 368)	-	-	(2 368)	-	(2 368)
Total transactions with owners		27	16 215	-	-	16 242	-	16 242
Acquisition of non-controlling interest without a change in control		-	-	-	8	8	(8)	-
Balance at 30 September 2013		118	23 570	(9 548)	54 781	68 921	83	69 004

The notes on pages pages 9 to 22 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine months ended 30 September 2013

- (1) In accordance with the Cyprus Companies Law, Cap. 113, Section 55 (2) the share premium, reserve can only be used by the Company in (a) paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares; (b) writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (c) providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the Company.
- (2) Companies incorporated in Cyprus which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the owners.

The above requirements of the Law are not applied in the case of the Company due to the fact that its owners are not residents in Cyprus for tax purposes.

KDM SHIPPING PUBLIC LIMITED**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the nine months ended 30 September 2013

	30 September 2013	30 September 2012
	USD'000	USD'000
Cash flows from operating activities		
Profit for the period	8 642	9 090
Adjustments for:		
Depreciation of vessels, property, plant and equipment	1 335	1 209
Write-off of accounts receivable	14	464
Recovery of previously written-off payables	416	-
Provision for bad debts	239	-
Recovery of previously written-off receivables	(180)	-
VAT written-off	303	-
Payables written-off	(404)	-
Loss on disposal of vessels, property, plant and equipment	210	-
Discount of notes issued	17	16
Interest expense	5	209
Income tax	(187)	7
Cash flows from operations before working capital changes	<u>10 410</u>	<u>10 995</u>
(Increase)/decrease in inventories	(4 358)	8
Increase in trade and other receivables	(11 133)	(4 171)
Increase/(decrease) in trade and other payables	<u>1 561</u>	<u>(1 676)</u>
Cash flows (used in)/from operations	(3 520)	5 156
Tax paid	-	(1)
Net cash flows (used in)/from operating activities	<u>(3 520)</u>	<u>5 155</u>
Cash flows from investing activities		
Payment for acquisition of vessels, property, plant and equipment	(5 278)	(4 918)
Proceeds from disposal of vessels, property, plant and equipment	188	-
Net cash flows used in investing activities	<u>(5 090)</u>	<u>(4 918)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	17 959	7 885
Payment of transaction costs related to issue of share capital	(1 717)	-
Repayment of borrowings	(434)	-
Repayments of obligations under finance leases	(5)	-
Interest paid	(34)	(82)
Net cash flows from financing activities	<u>15 769</u>	<u>7 803</u>
Effect of translation into presentation currency	-	(247)
Net increase in cash and cash equivalents	7 159	7 793
Cash and cash equivalents at the beginning of the period	<u>12 954</u>	<u>80</u>
Cash and cash equivalents at the end of the period	<u><u>20 113</u></u>	<u><u>7 873</u></u>

The notes on pages 9 to 22 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2013

1. INCORPORATION AND PRINCIPAL ACTIVITIES

KDM Shipping Public Limited (the "Company") was incorporated in Cyprus on 2 December 1999 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 3 Michael Koutsofta Str., 3031, Limassol, Cyprus.

The Company was initially established under the name V.S. Marine Engineering Services Limited. On 21 December 2011, the Company was re-registered as a public limited company and changed its name to KDM Shipping Public Limited.

The condensed interim consolidated financial statements for the six months ended 30 June 2013 comprise the financial statements of the Company and its subsidiaries (together referred to as "the Group").

On 9 August 2012, the shares of the Company were admitted on the regulated market of the Warsaw Stock Exchange. On 11 June 2013, following the second public offering 2 000 000 new shares subscribed at issue price of PLN 30 per share (note 10).

The parent company of the Group is KDM Shipping Public Limited, with an issued share capital of 9 296 000 ordinary shares with nominal value of €0,01 per share. The shares were distributed as follows:

Owner	30 September 2013		31 December 2012	
	Number of shares	Ownership Interest %	Number of shares	Ownership Interest %
Kostiantyn Molodkovets (KM Management Limited)	5 100 000	54,86	5 100 000	69,90
ING Powszechne Towarzystwo Emerytalne S.A.	1 059 0	11,39	-	-
PZU TFI S.A.	797 750	8,58	-	-
Denys Molodkovets	749 999	8,07	749 999	10,28
Miralex Inc	449 998	4,84	449 998	6,17
Oleksyi Veselovskyy ⁽¹⁾	200 000	2,15	200 000	2,74
Konstantin Anisimov	1	-	1	-
Liudmila Molodkovets	1	-	1	-
Iurii Molodkovets	1	-	1	-
Public	<u>939 250</u>	<u>10,10</u>	<u>796 000</u>	<u>10,91</u>
	<u>9 296 000</u>	<u>100,00</u>	<u>7 296 000</u>	<u>100,00</u>

⁽¹⁾ Since Mr. Veselovskyy passed away on 25 March 2012, these Shares in the Issuer constitute a part of estate to be transferred to heirs of Mr. Veselovskyy. The heir(s) will enter into possession of the Shares not earlier than after 6 months from the date of death, while the title to the shares will have passed to the relevant heir(s) as of the date of death.

2. BASIS OF PREPARATION

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and were not audited or reviewed by the external independent auditors of the Group. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012.

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended 30 September 2013

2. BASIS OF PREPARATION *(continued)***(b) Basis of measurement**

The condensed interim consolidated financial statements have been prepared under the historical cost convention.

(c) Judgments and estimates

In preparing these interim financial statements, Management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

(d) Functional and presentation currency

The functional currency of most of the companies of the Group is US Dollar ("USD"). Transactions in currencies other than the functional currency of the Group's companies are treated as transactions in foreign currencies. The Group's management decided to use US dollar ("USD") as the presentation currency for financial and management reporting purposes for the convenience of its principal users. Exchange differences arising from the translation to presentation currency are classified on equity and transferred to the Company's translation reserve.

(e) Going concern basis

These condensed interim consolidated financial statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. Renewals of the Group's assets, and the future activities of the Group, are significantly influenced by the current and future economic environment in Ukraine. The consolidated financial statements do not comprise any adjustments in case of the Group's inability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012 except as described below:

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRS. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments.

The above changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2013

4. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different services and are managed separately. Information regarding the results of each reportable segment is included below:

30 September 2013

	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Grain trading USD'000	Total USD'000
Revenue	15 688	5 603	701	3 447	25 439
Cost of sales	<u>(8 350)</u>	<u>(3 537)</u>	<u>(465)</u>	<u>(3 034)</u>	<u>(15 386)</u>
Gross profit	7 338	2 066	236	413	10 053
Expenses	<u>(678)</u>	<u>(560)</u>	<u>(20)</u>	<u>(336)</u>	<u>(1 594)</u>
Operating profit	6 660	1 506	216	77	8 459
Net finance cost	<u>19</u>	<u>(22)</u>	<u>(1)</u>	<u>-</u>	<u>(4)</u>
Profit before tax	6 679	1 484	215	77	8 455
Tax	<u>-</u>	<u>495</u>	<u>(308)</u>	<u>-</u>	<u>187</u>
Net profit for the period	<u>6 679</u>	<u>1 979</u>	<u>(93)</u>	<u>77</u>	<u>8 642</u>

As at 30 September 2013

Non-current assets	13 014	20 587	4 628	-	38 229
Current assets	<u>26 851</u>	<u>5 883</u>	<u>798</u>	<u>7 553</u>	<u>41 085</u>
Total assets	<u>39 865</u>	<u>26 470</u>	<u>5 426</u>	<u>-</u>	<u>79 314</u>
Non-current liabilities	-	2 449	407	-	2 856
Current liabilities	<u>1 555</u>	<u>2 927</u>	<u>2 971</u>	<u>-</u>	<u>7 453</u>
Total liabilities	<u>1 555</u>	<u>5 376</u>	<u>3 378</u>	<u>-</u>	<u>10 309</u>

30 September 2012

	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Total USD'000
Revenue	13 189	3 029	2 993	19 211
Cost of sales	<u>(5 032)</u>	<u>(2 226)</u>	<u>(1 884)</u>	<u>(9 142)</u>
Gross profit	8 157	803	1 109	10 069
Expenses	<u>(433)</u>	<u>(187)</u>	<u>(127)</u>	<u>(747)</u>
Operating profit	7 724	616	982	9 322
Net finance cost	<u>(225)</u>	<u>-</u>	<u>-</u>	<u>(225)</u>
Profit before tax	7 499	616	982	9 097
Tax	<u>-</u>	<u>(5)</u>	<u>(2)</u>	<u>(7)</u>
Net profit for the year	<u>7 499</u>	<u>611</u>	<u>980</u>	<u>9 090</u>

As at 31 December 2012

Non-current assets	11 520	11 997	11 393	34 910
Current assets	<u>15 537</u>	<u>1 903</u>	<u>1 324</u>	<u>18 764</u>
Total assets	<u>27 057</u>	<u>13 900</u>	<u>12 717</u>	<u>53 674</u>
Non-current liabilities	718	103	4 845	5 666
Current liabilities	<u>1 321</u>	<u>2 473</u>	<u>94</u>	<u>3 888</u>
Total liabilities	<u>2 039</u>	<u>2 576</u>	<u>4 939</u>	<u>9 554</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended 30 September 2013

5. FINANCE COSTS

	30 September 2013 USD'000	30 September 2012 USD'000
Finance income		
Interest on bank current accounts	<u>18</u>	<u>-</u>
	<u>18</u>	<u>-</u>
Interest expense		
Loan interest	-	372
Capitalized interest	-	(163)
	<u>-</u>	<u>209</u>
Other finance expenses		
Discount of notes issued	17	16
Financial lease expenses	<u>5</u>	<u>-</u>
Total finance costs	<u>22</u>	<u>225</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended 30 September 2013

6. INVESTMENTS IN SUBSIDIARIES

The Group's subsidiaries, their principal activities, place of incorporation and effective ownership interests are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	30 September 2013 Effective holding %	31 December 2012 Effective holding %
KD Shipping Co. Limited Inc.	Panama	Bear Boat Charterer of vessels	100,00	100,00
LLC Danapris	Ukraine	Ukrainian holding company	99,84	99,84
LLC Capital Shipping Company	Ukraine	Ship owner, safety and technical license	99,57	99,57
LLC Hylea-Servise	Ukraine	Ship repair services	99,57	99,57
LLC CSC-Agent	Ukraine	Agent services in ports of Ukraine	0	99,84
LLC Riverest Tur	Ukraine	Passenger transportation	99,88	94,61
LLC Kuybyshev KSRY	Ukraine	Ship repair	100,00	-
Infoland Inc.	Panama	Freight	100,00	-
Camrose Shipping LTD	Marshall Islands	Ship owner	100,00	-

During the 9 months ended 30 September 2013 the Group acquired 100% interest in Camrose Shipping Ltd (Marshall Islands) for a purchase consideration of USD 3 880 thousand (H2 875 thousand). The acquisition of this subsidiary does not constitute a business therefore the cost was recognised as assets (a vessel of USD 3 828 thousand and fuel inventory of USD 52 thousand) and agreed to the fair values as at date of acquisition.

The Representative office of KD Shipping Co Limited has been established without the right to conduct commercial activity in Ukraine.

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For the nine months ended 30 September 2013

7. INVENTORIES

	30 September 2013	31 December 2012
	USD'000	USD'000
Raw materials	36	38
Work in progress	742	338
Goods for resale	3 603	-
Fuel	710	354
Spare parts and other consumables	2	10
Other materials	14	9
	<u>5 107</u>	<u>749</u>

Goods for resale represent acquisition of barley and wheat bran pallets with intention to sell at time when it would make economic value to sell and generate profit.

8. TRADE AND OTHER RECEIVABLES

	30 September 2013	31 December 2012
	USD'000	USD'000
Trade receivables	10 002	1 978
Less: Provision for impairment of trade receivables	(526)	(334)
Trade receivables - net	9 476	1 644
Prepayments	6 087	2 617
Prepayment for the acquisition of subsidiary	3 000	3 000
VAT recoverable	61	283
Other taxes prepaid	1	-
Other receivables	292	523
Less: Provision of impairment of other receivables	(54)	(7)
	<u>18 863</u>	<u>8 060</u>
Non-current portion	3 000	3 000
Current portion	<u>15 863</u>	<u>5 060</u>
	<u>18 863</u>	<u>8 060</u>

Non-current assets amounting to USD 3 000 thousand relate to a prepayment for the acquisition of 100% share in the equity capital of Shipmar LLC (RF). Control of the Company is expected to be attained in the fourth quarter of 2013.

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9. SHARE CAPITAL

	30 September 2013 Number of shares	30 September 2013 USD'000	31 December 2012 Number of shares	31 December 2012 USD'000
Authorised				
Ordinary shares of USD 0,01 each (Euro 0,01 each)	<u>20 000 000</u>	<u>265</u>	<u>20 000 000</u>	<u>265</u>
Issued and fully paid				
Balance at 1 January	7 296 000	91	10 000	18
Share split				
22 February 2012	-	-	1 700 000	-
Issue of share capital				
22 February 2012	-	-	4 790 000	63
Issue of share capital				
9 August 2012	-	-	796 000	10
Issue of share capital				
11 June 2013	<u>2 000 000</u>	<u>27</u>	<u>-</u>	<u>-</u>
Balance at 30 September / 31 December	<u>9 296 000</u>	<u>118</u>	<u>7 296 000</u>	<u>91</u>

The owners of the parent company were as follows:

	As at 30 September 2013 USD'000	As at 31 December 2012 USD'000
Kostiantyn Molodkovets	65	64
Denys Molodkovets	10	9
Miralex Inc.	6	6
Oleksiy Veselovsky	2	2
ING Powszechne Towarzystwo Emerytalne S.A.	13	-
PZU TFI S.A.	10	-
Public	<u>12</u>	<u>10</u>
	<u>118</u>	<u>91</u>

Authorised share capital

On 22 February 2012, it was resolved that the authorized share capital of the Company be increased from ₴17 100 divided into 1 710 000 ordinary shares of ₴0,01 each to ₴200 000 divided to 20 000 000 ordinary shares of ₴0,01 each by the creation of 18 290 000 new ordinary shares of nominal value ₴0,01 each. The new shares have the same rights as the existing shares. There were no changes in the authorised share capital of the Company during the period for the nine months ended 30 September 2013.

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For the nine months ended 30 September 2013

9. SHARE CAPITAL *(continued)**Issued share capital*

On 22 February 2012, it was resolved that the value of the shares of the Company's share capital is divided from ₺1,71 (USD 0,75) each to ₺0,01 (USD 0,01) each. As a result the currently existing 10 000 ordinary shares of nominal value ₺1,71 each, all of which have been issued and are fully paid up, be divided into 1 710 000 ordinary shares of ₺0,01 each, fully paid up.

Additionally, on the same date, it was resolved to issue and allot 4 790 000 ordinary shares of nominal value ₺0,01. As a result of the above, the issued share capital amounts to ₺65 000 (USD 81 000) and is divided into 6 500 000 ordinary shares of ₺0,01 each.

On 9 August 2012, the Company's shares started trading on the main market of Warsaw Stock Exchange ("WSE"). The offer price for each Company's share was established at PLN 32,4 (USD 9,80/EURO 7,96) and the investors subscribed for 796 000 shares of the Company which represent 10,9% of the total issued share capital. The number of Company's shares allotted was: 66 525 to retail investors and 729 475 to institutional investors.

On 11 June 2013 issued 2 000 000 new shares following the second public offering. The offer price for each Company's share was established at PLN 30 (USD 9,35/EURO 7,34) and the investors subscribed for 2 000 000 shares of the Company which represent 21,5% of the total issued share capital.

As a result of the above the ordinary share capital increased to USD 118 thousand and is divided into 9 296 000 ordinary shares of ₺ 0,01 each and share premium of USD 23 570 thousand net of transactions costs.

10. LOANS AND BORROWINGS

	30 September 2013 USD'000	31 December 2012 USD'000
Long term liabilities		
Bank loans	-	2 400
Obligations under finance leases	<u>29</u>	<u>33</u>
	<u>29</u>	<u>2 433</u>
Short term liabilities		
Bank overdrafts	-	15
Bank loans	1	417
Short term portion of long term loans	4 000	1 600
Obligations under finance leases	<u>5</u>	<u>6</u>
	<u>4 006</u>	<u>2 038</u>
Total	<u><u>4 035</u></u>	<u><u>4 471</u></u>

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11. TRADE AND OTHER PAYABLES

	30 September 2013 USD'000	31 December 2012 USD'000
Trade payables	747	619
Advances received	1 650	90
Salaries, contributions and other related taxes	100	121
Other accounts payable	699	732
Other taxes payable	11	17
Interest payable	240	271
	<u>3 447</u>	<u>1 850</u>

12. EARNINGS PER SHARE

The calculation of earnings per share was based on the profit attributable to ordinary owners and the number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary owners:

	30 September 2013 USD'000	30 September 2012 USD'000
Profit for the year	<u>8 643</u>	<u>9 074</u>
Number of ordinary shares	30 September 2013 '000	30 September 2012 '000
Issued ordinary shares at 1 January	7 296	10
Effect of share split as a result of change in nominal value from ₮1,71 to ₮0,01 on 22 February 2012	-	1 700
Effect of 4 790 000 shares issued on 22 February 2012	-	3 881
Effect of 796 000 shares issued on 09 August 2012	-	154
Effect of 2 000 000 shares issued on 11 June 2013	<u>821</u>	<u>-</u>
Weighted average number of ordinary shares at 30 September	<u>8 117</u>	<u>5 745</u>
Total basic and fully diluted earnings per share (USD)	<u>1,06</u>	<u>1,58</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended 30 September 2013

13. RELATED PARTY TRANSACTIONS

The majority of the Company's share capital is held by Molodkovets Kostiantyn who owns 54,86%, ING Powszechne Towarzystwo Emerytalne S.A. which owns 11,39%, PZU TFI S.A. which owns 8,58% and Molodkovets Denys who owns 8,07%. During the period for the nine months ended 30 September 2013 10,10% of the Company's share capital is traded at the Warsaw Stock Exchange and is held by both institutional and retail investors.

In the ordinary course of its business, the Group has engaged and continue to engage in transactions with related parties.

For the purposes of these condensed interim consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Group enters into transactions with both related and unrelated parties. It is generally not possible to objectively determine whether any transaction with a related party would have been entered into if the parties had not been related, or whether such transactions would have been effected on the same terms, conditions and amounts if the parties had not been related.

According to these criteria the related parties of the Group are divided into the following categories:

A. Key management;

B. Companies whose activities are significantly influenced by the Group's owners.

(i) Remuneration of key management

Salary costs of key management for the nine months ended 30 September 2013 and 30 September 2012 were as follows:

	30 September 2013 USD'000	30 September 2012 USD'000
Salaries	22	44
Contributions to pension funds	<u>9</u>	<u>22</u>
Total	<u><u>31</u></u>	<u><u>66</u></u>

Number of key management personnel was as follows:

	30 September 2013	31 December 2012
Number of key management personnel, persons	<u><u>18</u></u>	<u><u>20</u></u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended 30 September 2013

13. RELATED PARTY TRANSACTIONS *(continued)***(ii) Amounts receivable to directors/owners**

	30 September 2013 USD'000	31 December 2012 USD'000
Receivable from directors/owners	<u>47</u>	<u>18</u>

The amount receivable from owners are interest free, and have no specific repayment date.

There are no material transaction with the related parties, which are not member of the Group for the reporting period, other than described herein.

(iii) Amounts payable to directors/owners

	30 September 2013 USD'000	31 December 2012 USD'000
Payable to directors/owners	<u>155</u>	<u>86</u>

KDM SHIPPING PUBLIC LIMITED**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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14. FINANCIAL RISK MANAGEMENT**Fair Values**

Fair value of financial instruments is defined at the amount at which instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instruments. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holding of a particular instrument.

Significant assumptions used in determining fair value of financial assets and liabilities

As at 30 September 2013, the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents - the fair value is estimated to be the same as the carrying value for these short-term financial instruments.

Trade and other receivables - the fair value is reasonably estimated to be the same as the carrying value, as provision for doubtful debts is reasonable estimation of discount needed for reflection of credit risk influence.

Trade and other payables - the fair value is estimated to be the same as the carrying value for trade and other payables.

Application of the effective interest rate method for calculating carrying value of short-term receivables, interest free loans granted and received and payables has been applied to reflect at fair values.

Bank loans - the fair value of bank loans is estimated to approximate the total carrying value as the nominal interest rate of bank loans is approximately tied to the market rate concerning bank loans with similar credit risk rate and repayment period at the reporting period.

Long-term notes - the fair value of long-term notes approximate to their carrying value as they are disclosed to net present value using the Company's internal borrowing rate.

Other financial risk assessments

Other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

15. CONTINGENT AND CONTRACTUAL LIABILITIES***Economic environment***

Main operating activity of the Group is carried out within Ukraine. Laws and other regulatory acts affecting the activities of entities in Ukraine may be subject to changes during short periods of time. As a result, assets and operating activity of the Group may be exposed to the risk in case of any unfavorable changes in political and economical environment.

Management believes that it is taking appropriate measures to support the sustainability of the Group's

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For the nine months ended 30 September 2013

15. CONTINGENT AND CONTRACTUAL LIABILITIES *(continued)*

business in the current circumstances. However, any unexpected deterioration in the areas described above may negatively affect the Group's activities.

Taxation

As a result of unstable economic situation in Ukraine, tax authorities in Ukraine pay more and more attention to the business circles. In connection with it, tax laws in Ukraine are subject to frequent changes. Above this, there are cases of their inconsistent application, interpretation and execution. Non-compliance with laws and norms may lead to serious fines and penalties.

The Company is in the Cypriot tax jurisdiction and its subsidiaries in the Ukrainian tax jurisdiction. The Company's Management must interpret and apply mainly existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for direct and indirect taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group's uncertain tax positions are reassessed by Management at every reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting period and any known Court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

The Group considers that it operates in compliance with tax laws of Ukraine, although, a lot of new laws about taxes and transactions in foreign currency have been adopted recently, and their interpretation is rather ambiguous.

Legal matters

In the course of its economic activities the Group participates in legal proceedings with third parties. In most cases, the Group is the initiator of proceedings with the purpose of preventing from losses in the economic sphere or minimizing them.

The Group's management considers that as at the reporting period, legal proceedings on such matters will not have any significant influence on its financial position.

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15. CONTINGENT AND CONTRACTUAL LIABILITIES *(continued)**Pension and other liabilities*

Most of the Group's employees receive pension benefits from the Pension Fund, Ukrainian state organization, in accordance with the regulations and laws of Ukraine. Group is obliged to deduct a certain percentage of salaries to the Pension Fund to pay pensions.

As at 30 September 2013 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

On the 25th of April 2013, The Company and the owners (including the Principal Owner) involved in the Transaction, received a consent to release the lock-up obligations imposed on them pursuant to the placement agreement made in connection with the Company's initial public offering, to the extent necessary to enter into the new Transactions that of capital raise thought selling of new and/or existing shares. The new lock-up obligations for Principal Owner and/or other owners is likely to be imposed soon.

16. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which affect the condensed interim consolidated financial statements as at 30 September 2013, except as described below:

The Group representatives have finalized inspections of 6 potential vessels for purchase, currently on final stage of negotiating the terms of memorandum of agreement under SALEFORM 1993. Company plans to finalize purchases by the end of the year.