

KDM SHIPPING PUBLIC LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
(UNAUDITED)

For the three months ended 31 March 2014

KDM SHIPPING PUBLIC LIMITED

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2014

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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 31 March 2014, 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 31 March 2014:

Denys Molodkovets	
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Nicosia, 30 May 2014

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2014

	31 March 2014	31 March 2013
Note	USD'000	USD'000
Revenue	2 415	5 741
Cost of sales	8 (2 573)	(3 424)
Gross (loss)/profit	(158)	2 317
Other operating income	212	102
Selling and distribution expenses	9 (405)	(1)
Administrative expenses	(376)	(139)
Other operating expenses	10 (5 046)	(233)
(Loss)/profit from operating activities/profit	(5 773)	2 046
Finance costs	(8)	(129)
(Loss)/profit before taxation	(5 781)	1 917
Taxation	-	41
Profit for the period	(5 781)	1 958
Other comprehensive income		
Effect of translation into presentation currency	(3 581)	29
Total comprehensive (loss)/income for the period	(9 362)	1 987
Profit for the period attributable to:		
Owners of the Company	(5 779)	1 959
Non-controlling interests	(2)	(1)
(Loss)/Profit for the period	(5 781)	1 958
Total comprehensive income attributable to:		
Owners of the Company	(9 360)	1 987
Non-controlling interests	(2)	-
Total comprehensive income for the period	(9 362)	1 987

The notes on pages 8 to 13 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the three months ended 31 March 2014

	Note	31 March 2014 USD'000	31 December 2013 USD'000
Assets			
Vessels, property, plant and equipment		27 726	36 443
Intangible assets		116	120
Investments in associate companies	6	1 559	-
Trade and other receivables		3 000	3 000
Deferred tax assets		1	2
Non-current assets		32 402	39 565
<hr/>			
Inventories		6 149	6 158
Trade and other receivables		8 092	10 712
Tax asset		2	2
Cash and cash equivalents		20 628	20 307
Current assets		34 871	37 179
<hr/>			
Total assets		67 273	76 744
<hr/>			
Equity			
Share capital	7	118	118
Share premium		23 570	23 570
Translation reserve		(13 130)	(9 548)
Retained earnings		47 128	52 907
Equity attributable to owners of the Company		57 686	67 047
Non-controlling interests		85	87
Total equity		57 771	67 134
<hr/>			
Liabilities			
Deferred tax liabilities		1 688	2 313
Other long-term liabilities		204	273
Non-current liabilities		1 892	2 586
<hr/>			
Loans and borrowings		4 000	4 000
Trade and other payables		3 610	3 024
Current liabilities		7 610	7 024
<hr/>			
Total liabilities		9 502	9 610
<hr/>			
Total equity and liabilities		67 273	76 744
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On 30 May 2014 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 8 to 13 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

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 2013	91	7 355	(9 548)	46 130	44 028	92	44 120
Comprehensive income							
Profit for the period	-	-	-	1 959	1 959	(1)	1 958
Effect of translation into presentation currency	-	-	29	-	29	-	29
Total comprehensive income for the period	-	-	29	1 959	1 988	(1)	1 987
Balance at 31 March 2013	91	7 355	(9 519)	48 089	46 016	91	46 107
Balance at 1 January 2014	118	23 570	(9 548)	52 907	67 047	87	67 134
Comprehensive income							
Loss for the period	-	-	-	(5 779)	(5 779)	(2)	(5 781)
Effect of translation into presentation currency	-	-	(3 581)	-	(3 581)	-	(3 581)
Total comprehensive income for the period	-	-	(3 581)	(5 779)	(9 360)	(2)	(9 362)
Balance at 31 March 2014	118	23 570	(13 129)	47 128	57 687	85	57 772

The notes on pages 8 to 13 are an integral part of these condensed interim consolidated financial statements.

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

For the three months ended 31 March 2014

- (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.

The notes on pages 8 to 13 are an integral part of these condensed interim consolidated financial statements.

KDM SHIPPING PUBLIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2014

	31 March 2014	31 March 2013
	USD'000	USD'000
Cash flows from operating activities		
(Loss)/Profit for the period	(5 781)	1 958
Adjustments for:		
Depreciation of vessels, property, plant and equipment	559	437
Recovery of provision for impairment of receivables	-	(7)
Recovery of previously written-off payables	36	(86)
Provision for bad debts	89	-
Recovery of previously written-off receivables	(1)	-
Loss on disposal of vessels, property, plant and equipment	688	-
Fixed assets impairment losses	3 486	-
Discount of notes issued	5	6
Other provisions	-	(1)
Interest expense	3	123
Income tax	1	(41)
Cash flows (used in)/from operations before working capital changes	(915)	2 389
Decrease/(increase) in inventories	9	(2 493)
Decrease in trade and other receivables	2 555	429
Increase/(decrease) in trade and other payables	578	(245)
Cash flows from operations	2 227	80
Tax paid	-	-
Net cash flows from operating activities	2 227	80
Cash flows from investing activities		
Payment for acquisition of vessels, property, plant and equipment	-	(7)
Payment for acquisition of interest in associate company	(1 559)	-
Net cash flows used in investing activities	(1 559)	(7)
Cash flows from financing activities		
Interest paid	(37)	(20)
Net cash flows used in financing activities	(37)	(20)
Effect of translation into presentation currency	(310)	29
Net increase in cash and cash equivalents	321	82
Cash and cash equivalents at the beginning of the period	20 307	12 954
Cash and cash equivalents at the end of the period	20 628	13 036

The notes on pages 8 to 13 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 31 March 2014

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 three months ended 31 March 2014 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	31 March 2014		31 December 2013	
	Number of shares	Ownership Interest %	Number of shares	Ownership Interest %
Kostiantyn Molodkovets (KM Management Limited)	5 100 000	54,86	5 100 000	54,86
ING Powszechne Towarzystwo Emerytalne S.A.	1 059 000	11,39	1 059 000	11,00
PZU TFI S.A.	797 750	8,58	797 750	8,58
Denys Molodkovets	866 999	9,33	749 999	8,07
Miralex Inc	449 998	4,84	449 998	4,84
Oleksyi Veselovskyy ⁽¹⁾	200 000	2,15	200 000	2,74
Konstantin Anisimov	1	-	1	-
Liudmila Molodkovets	1	-	1	-
Iurii Molodkovets	1	-	1	-
Public	822 250	8,85	939 250	10,10
	<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.

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

For the nine months ended 31 March 2014

2. BASIS OF PREPARATION**(a) Statement of compliance**

The condensed consolidated interim financial statements for the 3 months ended 31 March 2014 have been prepared in accordance with IAS 34 “Interim Financial Reporting“ and the requirements of the Cyprus Companies Law, Cap. 113 and were not audited by the external independent auditors’ of the Group. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2013. These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 May 2013.

(b) 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.

In preparing these condensed consolidated interim financial statements, significant judgements 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 2013.

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 2013.

KDM SHIPPING PUBLIC LIMITED

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 March 2014

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:

31 March 2014

	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Grain trading USD'000	Total USD'000
Revenue before consolidation	2 309	518	25	-	2 852
Intergroup sales	-	(437)	-	-	(437)
Revenue	2 309	81	25	-	2 415
Cost of sales before consolidation	(2 689)	(313)	(8)	-	(2 689)
Intergroup sales	437	-	-	-	437
Cost of sales	(2 252)	(313)	(8)	-	(2 573)
Gross profit	57	(232)	17	-	(158)
Expenses	(3 997)	(1 079)	(172)	(367)	(5 615)
Operating profit	(3 940)	(1 311)	(155)	(367)	(5 773)
Net finance cost	-	(8)	-	-	(8)
Profit before tax	(3 940)	(1 319)	(155)	(367)	(5 781)
Tax	-	-	-	-	-
Profit before tax	(3 940)	(1 319)	(155)	(5 781)	(5 781)
As at 31 March 2014					
Non-current assets	21 647	8 459	2 296	-	32 402
Current assets	28 111	812	403	5 545	34 871
Total assets	49 758	9 271	2 699	-	67 273
Non-current liabilities	-	1 538	354	-	1 892
Current liabilities	2 589	4 873	148	-	7 610
Total liabilities	2 589	6 411	502	-	9 502
31 March 2013	Freight USD'000	Ship repair USD'000	Passenger transport USD'000	Grain USD'000	Total USD'000
Revenue	4 771	949	21	-	5 741
Cost of sales	(2 800)	(619)	(5)	-	(3 424)
Gross profit	1 971	330	16	-	2 317
Expenses	(216)	(54)	(1)	-	(271)
Operating profit	1 755	276	15	-	2 046
Net finance cost	(129)	-	-	-	(129)
Profit before tax	1 626	276	15	-	1 917
Tax	-	41	-	-	41
Net profit for the year	1 626	317	15	-	1 958
As at 31 Decemder 2013					
Non-current assets	23 820	12 392	3 353	-	39 565
Current assets	30 085	845	701	5 548	37 179
Total assets	53 905	13 237	4 054	5 548	76 744
Non-current liabilities	718	103	1 765	-	2 586
Current liabilities	1 321	2 473	3 230	-	7 024
Total liabilities	2 039	2 576	4 995	-	9 610

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

For the nine months ended 31 March 2014

5. 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>	31 March 2014 Effective holding %	31 December 2013 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 Riverest Tur	Ukraine	Passenger transportation	59,93	99,88
LLC Kuybyshev KSRY	Ukraine	Ship repair	100,00	100,00
Infoland Inc.	Panama	Freight	100,00	100,00
Camrose Shipping LTD	Marshall Islands	Ship owner	100,00	100,00
LLC Rivertime	Ukraine	Passenger transportation	59,93	0,00

During the 3 months ended 31 March 2014 the Group acquired 59.93% interest in Rivertime LLC (Ukraine) for a purchase consideration of USD 61 (UAH 540). The acquisition of this subsidiary does not constitute a business therefore the cost was recognised as assets (a cash of UAH 540) and agreed to the fair values as at date of acquisition.

6. INVESTMENTS IN ASSOCIATE COMPANIES

On 31 March 2014 the Group acquired 20% of interest in LLC 'Fifth expeditionary force of underwater and hydrological works' for a purchase consideration of USD 1 559 thousands. This transaction was recognized as acquisition in associated company due to absence of strong control under the company. The fair value of purchased share approximates to consideration paid at the date of transaction.

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

For the nine months ended 31 March 2014

7. SHARE CAPITAL

	31 March 2014 Number of shares	31 March 2014 USD'000	31 December 2013 Number of shares	31 December 2013 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	9 296 000	118	7 296 000	91
Issue of share capital 11 June 2013	-	-	2 000 000	27
Balance at 31 March / 31 December	<u>9 296 000</u>	<u>118</u>	<u>9 296 000</u>	<u>118</u>

The owners of the parent company were as follows:

	As at 31 March 2014 USD'000	As at 31 December 2013 USD'000
Kostiantyn Molodkovets	64	64
Denys Molodkovets	11	9
Miralex Inc.	6	6
Oleksiy Veselovskyy	3	3
ING Powszechne Towarzystwo Emerytalne S.A.	13	13
PZU TFI S.A.	10	10
Public	11	13
	<u>118</u>	<u>118</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.

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

For the nine months ended 31 March 2014

7. 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.

8. COST OF SALES

Significant changes in gross profitability relates to hard political situation on the south-east of Ukraine. As a result main fleet didn't perform usual quantity of voyages, but main cost of sales elements at the same level. At the same time freight rates were decreased in respect with the same reasons.

9. SELLING AND DISTRIBUTION EXPENSES

Increase in distribution expenses relates to new Group's activities - grain trading. Amount of USD 397 thousands is charges from grain storage.

10. OTHER OPERATING EXPENSES

Other operating expenses includes fixed assets impairment losses amounted to USD 3 486 thousands and losses on write-off of fixed assets amounted to USD 688 thousands.

11. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which affect the condensed interim consolidated financial statements as at 31 March 2014.

