



KDM Shipping Public Limited

*(incorporated as a public limited company under the laws of Cyprus,
having its registered office at Michael Koutsofta 3, 3031, Limassol, Cyprus,
and registered with the Department of the Registrar of Companies and Official Receiver in Cyprus under number 106931)*

Offering of up to 3,500,000 Shares, with a nominal value of EUR0.01 each, and admission to trading on the Warsaw Stock Exchange of up to 10,000,000 Shares in the share capital of KDM Shipping Public Limited.

This document (the "**Prospectus**") has been prepared for the purpose of (i) the offering (the "**Offering**") of up to 3,500,000 ordinary shares in the share capital, with a nominal value of EUR0.01 each (the "**Offer Shares**") in the share capital of KDM Shipping Public Limited (the "**Issuer**" or the "**Company**"), and (ii) the admission of up to 10,000,000 Shares to trading on Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange, the "**WSE**"). The Offering will consist solely of newly issued shares to be issued by the Issuer. The Issuer will receive all of the net proceeds from the sale of the Offer Shares. The Offer Shares offered in this Offering constitute a minority interest in the Issuer.

The Offering consists solely of: (i) public offering to retail investors in Poland (the "**Retail Investors**"), (ii) public offering to institutional investors in Poland (the "**Polish Institutional Investors**"), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act (the "**International Investors**"), and together with the Polish Institutional Investors, the "**Institutional Investors**"), in each case in accordance with applicable securities laws.

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of the Offering and subject to certain other conditions.

The Prospectus constitutes a prospectus in the form of a single document within the meaning of Section 9 of the Cyprus law on the conditions for making an offer to the public of securities, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market of 2005, Law 114 (I)/2005, as amended (the "**Cyprus Prospectus Law**") and Art. 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (the "**Prospectus Directive**"), and has been prepared in accordance with the Commission Regulation (EC) 809/2004 of 29 April 2004. The Cyprus Securities and Exchange Commission (the "**CySEC**") in its capacity as the competent authority in the Republic of Cyprus as the Issuer's home member state within the meaning of the Prospectus Directive has approved this document as a prospectus. The Issuer will be authorised to carry out the Offering to the public in Poland, once the CySEC has provided the Polish Financial Supervision Authority (the "**PFSA**"), which is the competent authority in Poland, (in accordance with Section 31 of the Cyprus Prospectus Law, Art. 18 of the Prospectus Directive and Art. 37 of the Polish Public Offerings Act) with a certificate of approval of this Prospectus and after the Prospectus has been made available to the public together with a translation of the summary into the Polish language.

Prior to the Offering, there was no public market for the Shares. Based on this Prospectus, the Issuer intends to apply for up to 10,000,000 Shares, including the Offer Shares, to be admitted to listing and trading on the WSE (the "**Admission**"). The Issuer expects that trading in the Shares on the WSE will commence on or about August 9, 2012 (the "**Listing Date**"). The subscription orders placed by the Institutional Investors will be accepted between July 26, 2012 and July 27, 2012 (till 2 p.m. CET). The subscription orders placed by the Retail Investors will be accepted between July 19, 2012 and July 24, 2012 (till 4 p.m. CET). The maximum price per Offer Share is PLN 36.00 (the "**Maximum Price**"). The final offer price (the "**Offer Price**") and the final number of the Offer Shares will be determined by the Issuer upon recommendation of the Bookrunner after completion of bookbuilding process for Institutional Investors on or about July 25, 2012, based on interest from investors and will be notified to the CySEC in the form of an announcement pursuant to section 13(4) of the Cyprus Prospectus Law and published in the same manner as the Prospectus and, if required, otherwise in accordance with applicable Polish and Cyprus regulations. The Offer Price shall not exceed the Maximum Price.

Offer Price: To be determined in PLN and announced on or about July 25, 2012 (the "Pricing Date").

All the Shares are ordinary shares and will exist in the territory of Poland in book entry form once they have been registered with the Polish clearing and settlement institution – the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*, the "**NDS**"). Shareholders in the Issuer may hold them through the NDS participants, such as investment firms and custodian banks operating in Poland.

The Company and the Company's directors that are signing this Prospectus accept the responsibility for the information contained in this Prospectus. To their best knowledge and belief, the Company and the Company's directors that are signing this Prospectus declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce in its capacity as Underwriter responsible for drawing up the Prospectus declares that, having taken all responsible care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

THE PUBLIC OFFERING IS MADE ONLY IN POLAND. THIS PROSPECTUS MAY NOT BE REGARDED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO PURCHASE THE OFFER SHARES OUTSIDE OF POLAND. SUBJECT TO CERTAIN LIMITED EXCEPTIONS THE SECURITIES OFFERED IN THIS PROSPECTUS MAY NOT BE OFFERED OR SOLD OUTSIDE POLAND, INCLUDING IN THE UNITED STATES OF AMERICA. THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR THE SECURITIES LAWS OF ANY U.S. STATE, AND SUBJECT TO CERTAIN LIMITED EXCEPTIONS, MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, OR TO, OR FOR THE BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT), EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, AND IN COMPLIANCE WITH ANY APPLICABLE U.S. STATE SECURITIES LAWS.

The Offering does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be illegal. See: "Selling Restrictions". Any person considering acquiring Offer Shares in the Offering should read this Prospectus in its entirety and, in particular, "Risk Factors".

**KBC Securities N.V. (Spółka Akcyjna)
Oddział w Polsce**
Lead Manager and Bookrunner

Jaspem Capital Partners
Co-Lead Arranger

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce
Underwriter responsible for drawing up the Prospectus

The date of this Prospectus is July 16, 2012

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SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and Warnings

A.1	<p>The following constitutes the summary of the essential characteristics and risks associated with the Issuer, the Group Companies, the Group and the Shares. This summary should be read only as an introduction to this Prospectus and contains information included elsewhere in this Prospectus. It is expressly pointed out that this summary is not exhaustive and does not contain all information which is of importance to prospective investors. Reading this summary should, in no way, be considered a substitute for reading this Prospectus in its entirety. Prospective investors should read this Prospectus thoroughly and completely, including the “Risk Factors”, any supplements to this Prospectus required under applicable laws and the Consolidated Financial Statements and other financial information and related notes, before making any decision with respect to investing in the Offer Shares. No civil liability will attach to the Issuer and other companies of KDM Shipping Group in respect of this summary or any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Shares. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p>
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Section B – Issuer

B.1	<p><u>The legal and commercial name of the Issuer</u></p> <p>KDM Shipping Public Limited</p>
B.2	<p><u>Domicile and legal form of the Issuer, the legislation under which the issuer operates and its country of incorporation</u></p> <p>The Issuer was incorporated in Cyprus as V.S. Marine Engineering Services Limited (registration number 106931), a Private Company limited by shares, on 2 December 1999. On 18 November 2011 the Issuer changed its name to KDM Shipping Limited. By virtue of a resolution of the extraordinary General Meeting of the Issuer dated 5 March 2012, the Issuer’s name was changed into KDM Shipping Public Limited on 21 March 2012 and the Issuer was transformed into a Public Limited Company. The Issuer operates under the laws of the Republic of Cyprus.</p>
B.3	<p><u>Issuer’s current operations and principal activities</u></p> <p>The Group 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.</p> <p>Since its establishment, the Group has been primarily involved in the river-sea freight of dry bulk cargo. Besides this principal activity, the Group also is active in ship repair services by operating its own shipyard in Kherson, as well as in the passenger business by operating the Kyiv touristic river line “Riverest”.</p>

The following table provides detailed information on the Group's revenues by its main business lines.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>(USD in thousands).</i>		
Cargo freight	22,852	12,766	14,137
Ship repair services	4,290	627	1,540
Carriage of passengers	2,017	514	596
Total	<u>29,159</u>	<u>13,907</u>	<u>16,273</u>

Source: Audited Consolidated Financial Statements

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, allowing the Group to benefit from certain cost efficiencies and to sustain competitive advantages. Such a business model allowed the Group, at the time of the crisis that hit the industry during 2008-2010, to sustain a volume of business with satisfactory profitability levels.

The Group's cargo fleet consists of 8 river-sea, dry cargo vessels of total 25,206 DWT, which due to their shallow draft allow the access to major river and sea ports in Black and Azov Sea regions. The Group's vessels are certified for the transport of various types of dry bulk cargo (e.g. grain, scrap metal, coal, wood, fertilizers etc.). As the Group employs its carriers under voyage and trip charters, it does not dedicate its ships to any specific type of cargo. Although the Group's strategic preference is to bid for grain cargoes, it makes case-by-case decisions aimed at maximizing its total income. The Group's main decision drivers are the availability of certain types of cargoes, the ports of load and discharge, the availability and price of fuel services, as well as the freight rates on certain routes and the cargo stowage factor.

The following table summarizes tonnage of cargo transported and related revenues by type of cargo in the years 2009-2011.

	<u>Jan-Apr 2012</u>		<u>Jan-Apr 2011</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>	
	(Tonnes)	(USD in thousand)	(Tonnes)	(USD in thousand)	(Tonnes)	(USD in thousand)	(Tonnes)	(USD in thousand)	(Tonnes)	(USD in thousand)
General cargo	20,477	661	71,532	1,342	278,672	7,058	193,128	3,331	218,324	3,826
Grain	11,974	482	14,355	293	168,433	5,684	193,140	5,081	289,873	6,806
Equipment	-	110	-	907	-	3,124	-	842	-	-
Scrap metal	4,800	205	24,971	684	72,444	2,421	55,918	1,412	31,382	787
Sunflower seed meal	8,118	425	8,178	269	37,484	1,743	31,774	955	52,091	1,832
Wood	34,642	940	27,520	549	36,588	1,020	26,038	625	13,617	351
Bran	11,380	270	14,776	206	32,041	772	23,515	421	14,596	282
Fertilizers	-	-	7,475	127	21,950	634	5,441	99	11,722	253
Feldspar	8,907	169	-	-	11,706	224	-	-	-	-
Cement	26,449	799	-	-	2,989	87	-	-	-	-
Peas	-	-	-	-	2,972	85	-	-	-	-
Total	<u>126,747</u>	<u>4,061</u>	<u>168,807</u>	<u>4,377</u>	<u>665,279</u>	<u>22,852</u>	<u>528,954</u>	<u>12,766</u>	<u>631,605</u>	<u>14,137</u>

Source: Issuer's data

The Group operates predominantly in the Black, Azov and Mediterranean Sea regions, transporting cargo mainly from the sea and river ports of Ukraine and Russia to destinations located mainly in the Black Sea and the eastern part of the Mediterranean region. The majority of cargo transported by the Group is shipped to Turkey. Other important destinations for the Group are Georgia, Italy and Greece. The Group's base port is located in Kherson (Ukraine).

The table below presents tonnage of cargo transported and revenues by country of discharge in years 2009-2011.

	Jan-Apr 2012		Jan-Apr 2011		2011		2010		2009	
	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)
Turkey	60,820	1,972	68,331	1,730	212,342	7,439	261,260	6,727	170,774	4,765
Russia	17,825	457	11,577	340	173,317	5,532	108,908	2,039	149,749	2,363
Ukraine	37,321	1,153	76,495	1,903	144,988	4,484	107,832	2,543	63,717	1,310
Georgia	2,976	104	5,193	123	79,584	2,516	25,930	650	141,418	3,127
Italy	5,400	327	5,475	250	30,032	1,639	13,708	503	64,914	1,521
Greece	-	-	1,736	31	16,640	968	5,308	90	21,684	568
Israel	-	-	-	-	5,636	200	-	-	-	-
Albania	2,405	48	-	-	2,740	74	3,004	114	8,778	214
Cyprus	-	-	-	-	-	-	-	-	7,627	231
Romania	-	-	-	-	-	-	-	-	2,944	38
Lebanon	-	-	-	-	-	-	3,004	100	-	-
Total	126,747	4,061	168,807	4,377	665,279	22,852	528,954	12,766	631,605	14,137

Source: Issuer's data

In the ports of Ukraine, whenever the arrangements with the charterer allow, the Group's vessels are serviced by one of the Group Companies, CSC - Agent. This subsidiary operates in the Group's key Ukrainian ports of load (the Group's base port in Kherson, as well as ports in Kakhovka, Dnepropetrovsk, Zaporozhye, Dnepryan and Nikolayev) with the purpose to reduce non-productive downtime of vessels associated with additional inspection, or issuing transit passage for ships regarding the inland ports of Ukraine (Kakhovka, Zaporozhye, Dnepropetrovsk.).

The Group does not engage crewing agencies for hiring the crews and handles locating and retaining qualified officers and seamen for the Group's vessels internally. The crewing process is performed by the dedicated department that also manages each seaman's training, travel and payroll, and ensures that all the seamen on the Group's vessels have the qualifications and licenses required to comply with international regulations and shipping conventions. As a result of handling the crewing process internally, the Group has achieved low turnover levels among its sea-going personnel.

In addition to its main activity of river-sea freight of dry bulk cargo, the Group also provides passenger river transport services in the Kiev region (operating the fleet of 8 passenger river vessels), as well as ship repair services at its own shipyard located in the city of Kherson.

Shipyard in Kherson is established on the basis of OJSC Kherson Shipyard named after Kuybyshev founded in 1930. The range of services offered by the shipyard includes repairs as well as the construction and modernisation of vessels of up to 2,000 tonnes. The current arrangement of the shipyard allows simultaneous repair works for 4-5 vessels of above 100 m length, on the shipyard's land territory and a float. In addition, the shipyard's capabilities allow the Group to construct various types of vessels including sea-river and sea going vessels (up to 115 m length). As of the date of the Prospectus majority of revenues of the Group's ship repair yard comes from repair services.

In 2010 the Group made a decision on changing the profile of its shipyard activity. By reducing the employment of production staff (e.g. welders), the shipyard has been turned into an engineering company with all necessary technical assets for conducting vessel repair and construction works.

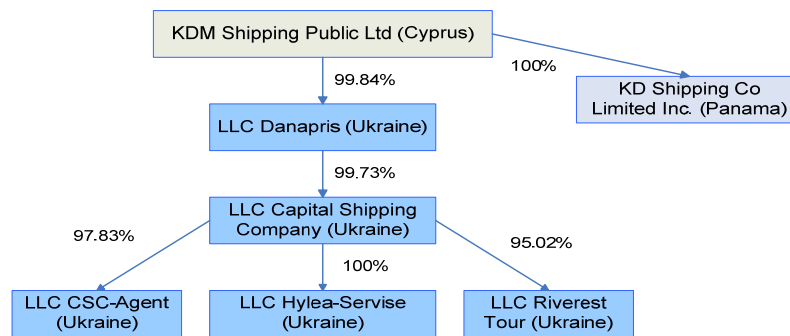
The Group's passenger business is of a seasonal nature and, subject to weather conditions, is operated from May to mid-October. The Group is active in two areas of passenger operations including (i) river sightseeing tours and (ii) catering and event services.

The Group offers various sightseeing tours of varying length in Kyiv and surrounding area, including Kyiv sightseeing day and night tours, tours to Dnepr locks and tours to Velikiy Island located on the Dnepr River up the stream from Kyiv. Six vessels are dedicated for servicing the Group's sightseeing tours. Catering and event services are offered on two as well as on the floating restaurant Riverest + which is docked on the pedestrian zone of Kyiv on the Dnepr bank.

	<p>The international economic rating of "League of the Best" in 2011, based on official data of the SSCU, ranked the Group seventh in terms of activity in freight river transport, third in terms of activity in maritime freight transport and fourth in building and repairing of ships, placing the Company among the leaders in various segments of the shipping industry.</p> <p>The Group's Management believes that the Group benefits from the following competitive strengths and advantages:</p> <ul style="list-style-type: none"> • Focus on the niche segment of river-sea freight. • Strict standards for the fleet's technical condition. • Strong customer relationships with reputable charterers. • Own cost effective ship repair yard. • Own crewing agency. • Own agency in selected ports. • Experienced and dedicated management team. • Solid financial performance. <p><u>Directors and Key Executives</u></p> <p>The following table sets out the current Directors of the Company.</p> <table border="1" data-bbox="279 952 1380 1149"> <thead> <tr> <th style="text-align: center;">Name</th> <th style="text-align: center;">Position/Function</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Mr. Kostiantyn Molodkovets</td> <td style="text-align: center;">Chief Executive Officer/Chairman of the Board of Directors</td> </tr> <tr> <td style="text-align: center;">Mr. Denys Molodkovets</td> <td style="text-align: center;">Chief Financial Officer</td> </tr> <tr> <td style="text-align: center;">Mr. Ivaylo Georgiev Getsov</td> <td style="text-align: center;">Chief Operating Officer</td> </tr> <tr> <td style="text-align: center;">Mr. Konstantin Anisimov</td> <td style="text-align: center;">Non-executive Director</td> </tr> <tr> <td style="text-align: center;">Mr. Mykhailo Chubai</td> <td style="text-align: center;">Non-executive Director</td> </tr> </tbody> </table>	Name	Position/Function	Mr. Kostiantyn Molodkovets	Chief Executive Officer/Chairman of the Board of Directors	Mr. Denys Molodkovets	Chief Financial Officer	Mr. Ivaylo Georgiev Getsov	Chief Operating Officer	Mr. Konstantin Anisimov	Non-executive Director	Mr. Mykhailo Chubai	Non-executive Director
Name	Position/Function												
Mr. Kostiantyn Molodkovets	Chief Executive Officer/Chairman of the Board of Directors												
Mr. Denys Molodkovets	Chief Financial Officer												
Mr. Ivaylo Georgiev Getsov	Chief Operating Officer												
Mr. Konstantin Anisimov	Non-executive Director												
Mr. Mykhailo Chubai	Non-executive Director												
B.4a	<p><u>Significant trends affecting the Issuer and its industries</u></p> <p>The operations of the freight segment in the period from late January till April 2012 were influenced by the adverse weather conditions resulting in the frozen Azov Sea. Such weather conditions according to Management were not observed on the Azov sea for approximately last thirty years. From beginning of February to mid- March two of Group's vessels were stopped from operations and for other vessels the operations were slower than usual. As a result the Group experienced the drop in the amounts of cargo it was able to transport in the period. Given however much better pricing of the freight services in the period, which resulted from high cargo availability, the Group managed to compensate for the adverse effect of the lower amounts of cargo transported. Hence the Group's sales revenue and earnings have been in line with targeted levels. The outlook for the sales revenues for the third and fourth quarter of 2012 remains in line with the Management's expectations. Since 31 December 2011, no significant change has occurred in the financial position of the Group.</p> <p>Over the period from January 2012 to June 2012, the Group has been finalizing the passenger vessel of 450 persons capacity started by the Group in 2009. The vessel is expected to be put into operation within next 3 months.</p>												

B.5 The Issuer's group

The following chart sets out the Issuer's principal subsidiaries and interests in those subsidiaries, as well as the structure of the Group, in each case as on the date of the Prospectus.

Historical and Recent Developments

1997

Formation of the Group Mr. Kostiantyn Molodkovets established LLC Danapris.

2001

Formation of the Group LLC Capital Shipping Company (until 31 March 2005 – LLC Danapris-Tour) was established by LLC Danapris as a co-founder, initially holding 10% of the participatory interest.

Business developments

The Group started its dry bulk and passenger businesses through the acquisition of the first passenger ship (Borysfen) able to take up to 40 passengers and the bareboat charter agreement for four river-sea dry cargo vessels (Seagul, Skylark, Grygoriy Petrovsky, and Stanislav Kosior) about 3,000 DWT each.

Four river-sea dry cargo vessels have been chartered from Volzhsko-Dneprovskaya Shipping Company.

2001-2003

Business developments

Given lack of certification for transportation of grain, the Group focused primarily on the transportation of wood and scrap metal and carried its dry bulk operations only within the Black and Azov Sea areas transporting the cargo between Ukraine, Russia, Turkey, Georgia, Bulgaria.

2004

Formation of the Group

In 2004 Mr. Konstantin Molodkovets acquired indirectly the 100% of the share capital of the Issuer through a trust arrangement.

Business developments

The strategic decision was made to expand the scope of operations of the Group by entering into freight of different types of cargo and extending geographical range of operations. At that time the initial decision to concentrate on grain cargo was made. On top of that, to support the increasing scale of its dry cargo business and to diversify the Group's revenue base, the Management made a decision to enter into the ship repair and ship building business.

Mr. Kostiantyn Molodkovets acquired from individual shareholders shares of OJSC Kherson Shipyard named after Kuybyshev, located in Kherson (an important ship repair center in Ukraine and a port in the Black Sea region located at Dnepr River near its mouth, which is the only transit port in Ukraine for the up-river in-land destinations). Mr. Kostiantyn Molodkovets currently holds approx. 98% of the capital of OJSC Kherson Shipyard named after Kuybyshev, assets of which were transferred to LLC Capital Shipping Company, leaving OJSC Kherson Shipyard named after Kuybyshev a defunct shell company for all intents and purposes. As of the date of the Prospectus, OJSC Kherson Shipyard named after Kuybyshev is being liquidated in the bankruptcy procedure.

	<p>2005 Business developments</p> <p>To further increase the scale of dry bulk operations, the Group acquired ten vessels (four of which had been previously operated by the Group under bareboat charter agreements), of the capacity of about 3,000 DWT each, from CJSC Volzhsko-Dneprovska Company. Two of the vessels were subsequently sold by the Group.</p> <p>Mr. Kostiantyn Molodkovets started the process of moving operating assets of the shipyard to LLC Capital Shipping Company in the series of intra group transactions. The process was finalised in 2010.</p> <p>Moreover, the Management took a decision to bring the crewing process in-house; the crewing department was established.</p> <p>2006 Formation of the Group</p> <p>After a chain of transfers performed in 2004 – 2005 mainly among related entities, which are not part of the Group, and after charter capital increase, LLC Danapris acquired 39.8% of the participatory interest in the charter capital of LLC Capital Shipping Company from Volzhsko-Dneprovskaya Shipping Company. In 2006 Mr. Konstantin Molodkovets acquired directly the 90% of the share capital of the Issuer and Mr. Denys Molodkovets acquired directly the remaining 10% of the share capital of the Issuer.</p> <p>Business developments</p> <p>The Group made a decision on further diversification of its revenues by increasing the scale of its passenger business. The Group acquired four passenger ships from CJSC Volzhsko-Dneprovska Company for the total consideration of USD235,506. To enable full scale operations of its passenger business, the Group started operating from a pier located in the pedestrian zone in the center of Kyiv. After required investments were made, the Group started to offer a range of sightseeing tours as well as banquet services on its passenger ships on the Dnepr River in Kyiv. For the performance of passenger tour services the subsidiary LLC Riverest-Tour was established and the “Riverest – Your celebration on the water” brand was registered.</p> <p>In addition, the Group purchased a floating dock from the State Property Fund of Ukraine in the public tender for USD185,000. It enabled the Group to increase the scale of operations as well as scope of services that could be performed in the shipyard. In particular, it allowed the Group to provide the full scope of services to its vessels. The investment increased the size of the vessels that could be serviced in the shipyard from 70 meters to 115 meters length.</p> <p>2007 Formation of the Group</p> <p>LLC Capital Shipping Company established LLC CSC-Agent as a wholly-owned subsidiary.</p> <p>Charter capital of LLC Capital Shipping Company was decreased due to failure of one of the participants to make its contribution in full. As a result, the participatory interest which was paid in full was redistributed among the relevant participants and the share of LLC Danapris increased to 82.3%.</p> <p>Business developments</p> <p>With the aim to facilitate operations of its freight business and optimize its operating costs, the Group established the subsidiary (LLC CSC - Agent) responsible for agency services in the major ports of the Group’s operations on the territory of Ukraine. The subsidiary started to service both the Group’s vessels and third party clients.</p> <p>A sixth passenger ship, with the capacity of 140 people, was acquired by the Group from CJSC Volzhsko-Dneprovska Company for USD133,069. The vessel required repair works, the cost of which was approximately USD 190,000.</p> <p>In terms of shipyard operations, in addition to ship repair services, the Group completed its first construction project of the hull for the river passenger catamaran for a Russian shipping company.</p> <p>Following the new strategic challenges of, among others, increasing the Group’s profitability, the Management started the restructuring process of the Group’s shipyard in Kherson.</p>
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	<p>2008 Formation of the Group</p> <p>LLC Capital Shipping Company acquired 100% of participatory interest in the charter capital of LLC Hylea-Servise.</p> <p>After a chain of transfers performed in 2005 – 2007 mainly among related entities, which are not part of the Group, and after charter capital increase, KDM Shipping Public Ltd (until 18 November 2011 - V.S. Marine Engineering Services Limited, until 21 March 2012 – KDM Shipping Limited) acquired 99.84% of the participatory interest in the charter capital of Danapris LLC from Proflinex Ltd. (Cyprus) and became the holding company of the Group. At that time LLC Danapris was the Ukrainian holding company for LLC Capital Shipping Company, LLC CSC-Agent and LLC Hylea-Servise.</p> <p>Business developments</p> <p>The Group completed construction projects relating to the hull of a floating office center and also conversion of a fishing vessel into an inland passenger vessel, in its shipyard in Kherson.</p> <p>2009 Formation of the Group</p> <p>LLC Capital Shipping Company acquired 17.5% of the participatory interest in its own charter capital. The share of LLC Danapris remained unchanged (i.e., 82.3%).</p> <p>Business developments</p> <p>Despite difficult market conditions in the shipping industry, the Group managed to sustain satisfactory levels of profitability thanks to their good relations with charterers and brokers as well as by taking the well-timed decision on shifting to different types of cargo (due to undersupply of grain).</p> <p>The Group completed construction projects for a floating office center and a hull of a river dry cargo vessel. In addition one vessel was converted from an inland passenger vessel into a motor yacht.</p> <p>2010 Formation of the Group</p> <p>LLC Capital Shipping Company acquired 93.77% of participatory interest in the charter capital of LLC Riverest Tour by way of a contribution to its charter capital.</p> <p>Business developments</p> <p>The Group developed the new strategic plan aimed at revenue and profitability growth, as described under “Business – Business Strategy”. The first step to implementation of the plan was division of the project of a 6,000 DWT river-sea type vessel, which, in the Management’s opinion is the most suitable for operation in the Group’s target market (see “<i>Business – Investments - Investment program 2012-2014</i>”).</p> <p>The Group conducted a yard inspection procedure in China to identify a shipyard for construction of its vessels. The Group likewise signed a Memorandum of Understanding with China National Machinery & Equipment Import & Export Corporation concerning construction of ocean-going and river-sea type vessels (for more detailed description see “Material Contracts”).</p> <p>2011 Formation of the Group</p> <p>100% of participatory interest in the charter capital of LLC Hylea-Sudoservise was disposed of (12.5% - by LLC Danapris and 87.5% - by LLC Capital Shipping Company).</p> <p>100% of participatory interest in the charter capital of LLC Hylea-Mekhanoservise was disposed of (12.5% - by LLC Danapris and 87.5% - by LLC Capital Shipping Company).</p> <p>67% of participatory interest in the charter capital of LLC Capital River Port was disposed of by LLC Capital Shipping Company.</p> <p>LLC Capital Shipping Company acquired additional 1.25% of participatory interest in the charter capital of LLC Riverest Tour and increased its share in LLC Riverest Tour to 95.02%.</p> <p>LLC Capital Shipping Company transferred 2.17% of participatory interest in the charter capital of LLC CSC-Agent to LLC Danapris to meet the requirements of Ukrainian corporate law (described in “Group Structure”).</p>
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	<p>Due to redemption of participatory interest, the charter capital of LLC Capital Shipping Company was decreased and the participatory interest was proportionally redistributed among the remaining participants. As a result, the share of LLC Danapris increased to 99.73%.</p> <p>The Issuer acquired 100% of shares in KD Shipping Co. Limited Inc (Panama) from Mr. Kostiantyn Molodkovets and Mr. Denys Molodkovets.</p> <p>The restructuring of the Group was completed.</p> <p>As a result of the restructuring of the Group's shipyard started in 2007, the number of employees has been decreased over the period of 2007 to 2011 from over 400 to around 50 and the profile of the shipyard was changed. It became more of an engineering company and reduced the number of other support staff that now is working with the shipyard on the contractual basis (for more detailed description please see "Business – Ship Repair Services").</p> <p>Business developments The Group's shipyard started the construction of two river passenger vessels ordered by the Group.</p> <p>To facilitate the implementation of its strategy, the Group decided to issue new shares and list them on the Warsaw Stock Exchange.</p> <p>The Group signed agreements for using three additional piers, commencing the use of one of the piers in 2011 and the other two in 2012.</p> <p>Pursuant to the Memorandum of Understanding signed with CMEC in 2010, the Group entered into the conditional shipbuilding contract with China Machinery Engineering Corporation and Jingjiang Nanyang Shipbuilding Co., Ltd. for the construction of dry cargo river-sea vessels (described in "Material Contracts").</p> <p>2012 Formation of the Group In 2012 the Issuer was converted into a public company.</p> <p>Business developments The construction by the Group's shipyard of the passenger vessel of 450 passenger capacity ordered by the Group is in the final stage.</p> <p>The Group chartered two additional passenger vessels to operate in 2012 navigation season.</p>																																																						
B.6	<p><u>Major shareholders in the Issuer</u></p> <p>The tables below indicate the Issuer's shareholding structure as at the date of this Prospectus and after the Offering:</p> <table border="1" data-bbox="279 1433 1380 1814"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Shares owned prior to the Offering</th> <th colspan="2">Shares owned after the Offering⁽¹⁾</th> </tr> <tr> <th>Number of shares</th> <th>%</th> <th>Number of shares</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Mr. Kostiantyn Molodkovets</td> <td>5,100,000</td> <td>78.5</td> <td>5,100,000</td> <td>51.0</td> </tr> <tr> <td>Mr. Denys Molodkovets</td> <td>749,999</td> <td>11.5</td> <td>749,999</td> <td>7.5</td> </tr> <tr> <td>Miralex Inc⁽²⁾</td> <td>449,998</td> <td>6.9</td> <td>449,998</td> <td>4.5</td> </tr> <tr> <td>Mr. Oleksiy Veselovsky⁽³⁾</td> <td>200,000</td> <td>3.1</td> <td>200,000</td> <td>2.0</td> </tr> <tr> <td>Mr. Konstantin Anisimov</td> <td>1</td> <td>0.0</td> <td>1</td> <td>0.0</td> </tr> <tr> <td>Mr. Yuriy Molodkovets</td> <td>1</td> <td>0.0</td> <td>1</td> <td>0.0</td> </tr> <tr> <td>Ms Lyudmila Molodkovets</td> <td>1</td> <td>0.0</td> <td>1</td> <td>0.0</td> </tr> <tr> <td>Public</td> <td>-</td> <td>-</td> <td>3,500,000</td> <td>35.0</td> </tr> <tr> <td>Total</td> <td>6,500,000</td> <td>100</td> <td>10,000,000</td> <td>100</td> </tr> </tbody> </table> <p>(1) Assuming that all the Offer Shares are subscribed in the Offering.</p> <p>(2) Ms. Ekaterina Malokanova, who is the head of legal department of LLC Capital Shipping Company, is the owner of the shares of Miralex Inc and therefore indirectly controls the shares that Miralex Inc owns in the Issuer.</p> <p>(3) Since Mr. Veselovsky passed away on 25 March 2012, these Shares in the Issuer constitute a part of estate to be transferred to heirs of Mr. Veselovsky. 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.</p>	Shareholder	Shares owned prior to the Offering		Shares owned after the Offering ⁽¹⁾		Number of shares	%	Number of shares	%	Mr. Kostiantyn Molodkovets	5,100,000	78.5	5,100,000	51.0	Mr. Denys Molodkovets	749,999	11.5	749,999	7.5	Miralex Inc ⁽²⁾	449,998	6.9	449,998	4.5	Mr. Oleksiy Veselovsky ⁽³⁾	200,000	3.1	200,000	2.0	Mr. Konstantin Anisimov	1	0.0	1	0.0	Mr. Yuriy Molodkovets	1	0.0	1	0.0	Ms Lyudmila Molodkovets	1	0.0	1	0.0	Public	-	-	3,500,000	35.0	Total	6,500,000	100	10,000,000	100
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	<p>The voting rights of Mr. Kostiantyn Molodkovets (the “Principal Shareholder”) with respect to its Shares do not differ in any respect from the rights attaching to the Offer Shares. The Principal Shareholder will not have other voting rights from other shareholders, other than the greater or lesser voting power inherent in its percentage ownership in the Company’s share capital.</p> <p>As at the date of this Prospectus, so far as the Company is aware, there is no arrangement that might result in the change of control over the Company.</p>																																																																																																																																														
B.7	<p><u>Selected historical key financial information</u></p> <p>The following tables set forth certain selected consolidated financial data for the indicated periods, which have been extracted from the audited Consolidated Financial Statements. The information below should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, included elsewhere in this Prospectus.</p> <p><u>Consolidated Statement of Comprehensive Income</u></p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">For the year ended 31 December,</th> </tr> <tr> <th>2011</th> <th>2010</th> <th>2009</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="3" style="text-align: center;"><i>(in USD thousand)</i></td> </tr> <tr> <td>Revenue</td> <td>29,159</td> <td>13,907</td> <td>16,273</td> </tr> <tr> <td>Cost of sales</td> <td>(13,645)</td> <td>(8,372)</td> <td>(9,498)</td> </tr> <tr> <td>Gross profit</td> <td>15,514</td> <td>5,535</td> <td>6,775</td> </tr> <tr> <td>Other income</td> <td>325</td> <td>13</td> <td>20</td> </tr> <tr> <td>Administrative expenses</td> <td>(851)</td> <td>(1,432)</td> <td>(1,522)</td> </tr> <tr> <td>Other operating expenses</td> <td>(921)</td> <td>(428)</td> <td>(194)</td> </tr> <tr> <td>Operating profit</td> <td>14,067</td> <td>3,688</td> <td>5,079</td> </tr> <tr> <td>Net financial (expenses) / income</td> <td>(100)</td> <td>25</td> <td>(159)</td> </tr> <tr> <td>Profit before tax</td> <td>13,967</td> <td>3,713</td> <td>4,920</td> </tr> <tr> <td>Tax</td> <td>222</td> <td>1,364</td> <td>(33)</td> </tr> <tr> <td>Profit for the year</td> <td>14,189</td> <td>5,077</td> <td>4,887</td> </tr> </tbody> </table> <p><i>Source: Audited Consolidated Financial Statements</i></p> <p><u>Consolidated Statement of Financial Position</u></p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">As of 31 December</th> </tr> <tr> <th>2011</th> <th>2010</th> <th>2009</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="3" style="text-align: center;"><i>(in USD thousand)</i></td> </tr> <tr> <td>Vessels, property, plant and equipment</td> <td>30,070</td> <td>21,480</td> <td>20,940</td> </tr> <tr> <td>Intangible assets</td> <td>117</td> <td>4</td> <td>6</td> </tr> <tr> <td>Deferred tax assets</td> <td>-</td> <td>3</td> <td>21</td> </tr> <tr> <td>Total non-current assets</td> <td>30,187</td> <td>21,487</td> <td>20,967</td> </tr> <tr> <td>Inventories</td> <td>421</td> <td>223</td> <td>195</td> </tr> <tr> <td>Trade and other receivables</td> <td>3,239</td> <td>1,473</td> <td>2,244</td> </tr> <tr> <td>Cash and cash equivalents</td> <td>80</td> <td>77</td> <td>196</td> </tr> <tr> <td>Current assets</td> <td>3,740</td> <td>1,773</td> <td>2,635</td> </tr> <tr> <td>Total assets</td> <td>33,927</td> <td>23,260</td> <td>23,602</td> </tr> <tr> <td>Share capital</td> <td>18</td> <td>18</td> <td>18</td> </tr> <tr> <td>Retained earnings</td> <td>33,638</td> <td>19,851</td> <td>20,195</td> </tr> <tr> <td>Translation reserve</td> <td>(9,535)</td> <td>(9,305)</td> <td>(9,352)</td> </tr> <tr> <td>Total equity attributable to owners of the Company</td> <td>24,121</td> <td>10,564</td> <td>10,861</td> </tr> <tr> <td>Non-controlling interests</td> <td>48</td> <td>3,183</td> <td>2,604</td> </tr> <tr> <td>Total equity</td> <td>24,169</td> <td>13,747</td> <td>13,465</td> </tr> <tr> <td>Loans and borrowings</td> <td>3,183</td> <td>4,000</td> <td>4,000</td> </tr> <tr> <td>Deferred tax liabilities</td> <td>2,643</td> <td>2,898</td> <td>4,278</td> </tr> <tr> <td>Other long-term liabilities</td> <td>229</td> <td>99</td> <td>-</td> </tr> <tr> <td>Total non-current liabilities</td> <td>6,055</td> <td>6,997</td> <td>8,278</td> </tr> </tbody> </table>		For the year ended 31 December,			2011	2010	2009		<i>(in USD thousand)</i>			Revenue	29,159	13,907	16,273	Cost of sales	(13,645)	(8,372)	(9,498)	Gross profit	15,514	5,535	6,775	Other income	325	13	20	Administrative expenses	(851)	(1,432)	(1,522)	Other operating expenses	(921)	(428)	(194)	Operating profit	14,067	3,688	5,079	Net financial (expenses) / income	(100)	25	(159)	Profit before tax	13,967	3,713	4,920	Tax	222	1,364	(33)	Profit for the year	14,189	5,077	4,887		As of 31 December			2011	2010	2009		<i>(in USD thousand)</i>			Vessels, property, plant and equipment	30,070	21,480	20,940	Intangible assets	117	4	6	Deferred tax assets	-	3	21	Total non-current assets	30,187	21,487	20,967	Inventories	421	223	195	Trade and other receivables	3,239	1,473	2,244	Cash and cash equivalents	80	77	196	Current assets	3,740	1,773	2,635	Total assets	33,927	23,260	23,602	Share capital	18	18	18	Retained earnings	33,638	19,851	20,195	Translation reserve	(9,535)	(9,305)	(9,352)	Total equity attributable to owners of the Company	24,121	10,564	10,861	Non-controlling interests	48	3,183	2,604	Total equity	24,169	13,747	13,465	Loans and borrowings	3,183	4,000	4,000	Deferred tax liabilities	2,643	2,898	4,278	Other long-term liabilities	229	99	-	Total non-current liabilities	6,055	6,997	8,278
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Short term loans	501	-	-
Short term portion of long-term bank loans	817	-	-
Trade and other payables	2,383	2,514	1,859
Tax liability	2	2	-
Total current liabilities	3,703	2,516	1,859
Total liabilities	9,758	9,513	10,137
Total equity and liabilities	33,927	23,260	23,602

Source: Audited Consolidated Financial Statements

Consolidated Statement of Cash Flows

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Net cash flow from operating activities	12,668	5,854	6,123
Net cash flow from investing activities	(9,506)	(1,236)	(863)
Net cash flow from financing activities	(2,983)	(4,727)	(5,051)
Effects of translation into presentation currency	(176)	(10)	(66)
Net increase/ (decrease) in cash and cash equivalents	3	(119)	143

Source: Audited Consolidated Financial Statements

Significant changes to historical key financial information

The significant changes to the Group's consolidated financial data and operating results during or subsequent to the period covered by the audited Consolidated Financial Statements are:

- The Group's sales revenue increased 109.7% to USD 29.2 million for the year ended 31 December 2011 from USD 13.9 million for the year ended 31 December 2010, which was primarily due to: (1) an increase in the number of return cargo; (2) a decrease in the number of off-hire days; (3) an improving market situation resulting in the higher freight rates; (4) an expansion of the Group's commercial relationships with fertilizer and equipment freight brokers, which were established in 2010, and the start of fertilizers freight routes to Israel and Georgia for the freight segment; (5) an increase in the sales revenue relating to the ship repair segment, primarily due to (i) an increase in the volume of metal changed, (ii) an increase in the number of ships repaired, and (iii) capital repair of the dry dock; (6) an increase in the sales revenue relating to passenger transportation segment, primarily due to (i) an increase in the number of passengers transported; (ii) an increase in average price per single trip and (iii) an increase in the passenger ship rental proceeds. The Group's sales revenue decreased 14.5% to USD 13.9 million for the year ended 31 December 2010 from USD 16.3 million for the year ended 31 December 2009, which was primarily due to: (1) a decrease in the sales revenue relating to the freight, as a result of (i) a grain export ban introduced in Russia, and (ii) a decrease in the number of the sunflower meal cargo freights from Ukrainian and Russian ports as a result of the decrease in the average freight rate; (2) a decrease of the sales revenue relating to the ship repair segment, primarily due to (i) completion of ship construction orders in 2009 and lack of new orders in 2010, (ii) a decrease in the amount of metal changed during the repair works conducted, and (iii) an increase in the relative number of smaller ship repair works done.
- The Group's cost of sales increased 63.0% to USD 13.6 million for the year ended 31 December 2011 from USD 8.4 million for the year ended 31 December 2010, and decreased as a percentage of total revenues to 46.8% for the year ended 31 December 2011 from 60.2% for the year ended 31 December 2010, primarily due to (i) an increase in the volume of freight transported, and (ii) expansion of the ship repair and passenger transportation businesses. The Group's cost of sales decreased 11.9% to USD 8.4 million for the year ended 31 December 2010 from USD 9.5 million for the year ended 31 December 2009, and increased as a percentage of total revenues to 60.2% for the year ended December 2010 from 58.4% for the year ended 31 December 2009 primarily due to (i) a decrease in the volume of cargo transported, (ii) a decrease in the volume of ship repair works done, and (iii) decrease in the amount of metal changed during the repair works conducted.

	<ul style="list-style-type: none"> The Group's gross profit margin increased to 53.2% for the year ended 31 December 2011 from 39.8% for the year ended 31 December 2010, due to increased profitability of the cargo freight segment. Gross profit increased 180.3% to USD 15.5 million for the year ended 31 December 2011 from USD 5.5 million for the year ended 31 December 2010 primarily due to (i) a higher increase in freight rates compared to the increase in the direct operational costs, (ii) an increase in the volume of freight cargoes transported, (iii) an increase in the volume of ship repair works done, and (iv) increase in the number of passengers transported. Gross profit decreased 18.3% to USD 5.5 million for the year ended 31 December 2010 from USD 6.8 million for the year ended 31 December 2009 primarily due to (i) a decrease in the volume of cargo transported and (ii) a decrease in ship repair operations. The Group recorded a profit of USD 14.2 million for the year ended 31 December 2011, as compared to a profit of USD 5.1 million for the year ended 31 December 2010, primarily as a result of an increase in the Group's gross profit and a decrease in the administrative expenses during the year ended 31 December 2011, partly offset by the increase in the other operating expenses for the same period. The Group recorded a profit of USD 5.1 million for the year ended 31 December 2010, as compared to a profit of USD 4.9 million for the year ended 31 December 2009, primarily as a result of decreased (i) income tax expenses, (ii) financial income/ (expenses), net, and (iii) distribution expenses; this was partially offset by a decrease in gross profit, administrative expenses and other operating income (expenses), net.
B.8	<p><u>Selected key pro forma financial information</u></p> <p>Not applicable. The Prospectus does not contain pro forma financial information.</p>
B.9	<p><u>Profit forecast</u></p> <p>Not applicable. The Issuer does not present profit forecast in the Prospectus.</p>
B.10	<p><u>Qualifications in the audit report on the historical financial information</u></p> <p>Not applicable. The audit report on the historical financial information does not contain qualifications.</p>
B.11	<p><u>Working capital</u></p> <p>Not applicable. Having done due analysis, the Group's Management is of the opinion that, for at least the next 12 months following the date of publication of this Prospectus and taking into account generally expected market conditions, internally generated cash flow provide sufficient working capital to adequately fund its operations, meet its present requirements and meet its contractual obligations in a timely fashion.</p>

Section C – Securities

C.1	<p><u>Class of securities and identification number</u></p> <p>The Issuer is offering for subscription up to 3,500,000 newly issued ordinary shares (the "Offer Shares") with a nominal value of EUR0.01 each and intends to admit to listing and trading on the WSE up to 10,000,000 Shares. For the purposes of listing on the WSE the Shares will be registered with the NDS, which is a Polish central clearinghouse and depository of securities, and no physical share certificates will be issued to shareholders. The security identification number (ISIN code) of the Shares is: CY0102492119.</p>
C.2	<p><u>Currency</u></p> <p>The nominal value of each Share is EUR0.01. All monetary amounts used in the Offering will be expressed in PLN. In particular, the Offer Price will be set and the Bookbuilding Process will be carried out in PLN.</p>

C.3	<p><u>Number of shares issued, payment, par value</u></p> <p>As of the date of the Prospectus the issued share capital of the Company is subdivided into Euro 65,000 divided into 6,500,000 ordinary shares of Euro 0.01 each. As a result of the Offering, the issued share capital of the Company may be increased up to EUR 100,000 through the issuance of up to 3,500,000 Offer Shares with a nominal value of EUR0.01 each.</p> <p>The table below shows the current Issuer's issued and paid-up share capital and the Issuer's issued and paid-up share capital after all of the Offer Shares have been issued:</p> <table data-bbox="284 465 1385 633"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Cumulative number of shares</u></th> <th style="text-align: center;"><u>Nominal value (EUR 0.01 per share)</u></th> </tr> </thead> <tbody> <tr> <td>Current shares issued as at the date hereof</td> <td style="text-align: center;">6,500,000</td> <td style="text-align: center;">EUR 0.01</td> </tr> <tr> <td>Offer Shares to be issued for the Offering</td> <td style="text-align: center;">3,500,000</td> <td style="text-align: center;">EUR 0.01</td> </tr> <tr> <td>Total issued shares post-Offering</td> <td style="text-align: center;">10,000,000</td> <td style="text-align: center;">EUR 0.01</td> </tr> </tbody> </table>		<u>Cumulative number of shares</u>	<u>Nominal value (EUR 0.01 per share)</u>	Current shares issued as at the date hereof	6,500,000	EUR 0.01	Offer Shares to be issued for the Offering	3,500,000	EUR 0.01	Total issued shares post-Offering	10,000,000	EUR 0.01
	<u>Cumulative number of shares</u>	<u>Nominal value (EUR 0.01 per share)</u>											
Current shares issued as at the date hereof	6,500,000	EUR 0.01											
Offer Shares to be issued for the Offering	3,500,000	EUR 0.01											
Total issued shares post-Offering	10,000,000	EUR 0.01											
C.4	<p><u>Rights attached to the Shares</u></p> <p>No special rights, other than those provided by the Cyprus Companies Law and which are summarized in this section, are attached to the Shares, in particular the shareholders have the following rights:</p> <ul style="list-style-type: none"> • A right to attend the general meetings and vote (each Share entitles its holder to one vote at the General Meeting); • A right to participate and share in the Company's profits through dividend distribution if such dividend is decided to be paid by the general meeting following the proposal by the Board of Directors; • A right to transfer their shares to any person; • A right to pledge any share they own in the Company; • A right to receive the annual financial statements of the Company together with the directors and auditors report; • A right to share in any surplus in the event of liquidation of the Company in proportion to their shareholding; • For existing shareholders, pre-emption rights when new shares are issued in the same class for cash consideration. The new shares have to be offered first to the existing shareholders in proportion to their shareholding; • Shareholder or shareholders owning or representing at least 5% of the issued share capital and voting rights of the Company, may request that matters are added in the agenda of the annual general meeting and/or add resolutions in the agenda of general meetings. <p>No special rights attach to any specific shares (including the Offer Shares) and there are no different classes of shares.</p> <p>The Company cannot redeem ordinary shares. Subject to the provisions of the Cyprus Companies Law, any preference shares may, with the sanction of an ordinary resolution, be issued on the condition that they are, or at the discretion of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.</p>												
C.5	<p><u>Restrictions on the free transferability of the Shares</u></p> <p>Not applicable. There are no restrictions on the free transferability of the Shares.</p>												
C.6	<p><u>Trading on regulated market</u></p> <p>The Issuer intends to apply for admission and introduction of up to all the Shares, including the Offer Shares, (<i>i.e.</i>, up to 10,000,000 Shares) to listing and trading on the WSE, a regulated market in Poland.</p>												

C.7	<p><u>Dividend policy</u></p> <p>The Board of Directors intends for the Company to re-invest any net earnings to finance the development of its assets and accordingly it is not intended that the Company shall pay any dividends in the next 2 years.</p>
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Section D – Risks

D.1	<p><u>Key information on the key risks that are specific to the issuer or its industry</u></p> <p>Risks Relating to the Group’s Industry and Business are as follows</p> <ul style="list-style-type: none"> • The Group charters all its vessels in the spot market and, as a result, is exposed to the cyclicality and volatility of the spot charter market. • The international drybulk shipping industry is a highly competitive market and the Group may not be able to compete with new entrants or established companies with greater resources. • The Group’s ability to ship certain commodities may be limited from time to time. • The Group may not be able to grow or effectively manage its growth. • The Group may be required to make substantial capital expenditures in order to maintain and expand the size of its fleet and to maintain the high quality of the vessels held. • Purchasing and managing previously owned or second-hand vessels may result in unforeseen operating costs and vessels off-hire. • The ageing of the fleet may result in increased operating costs in the future and an inability to employ all of vessels profitably. • The Group may experience unexpected delays in deliveries or non-delivery of additional vessels. • The Group may be subject to risk of war, other armed conflicts, terrorists or pirates attacks. • Operational risks inherent in the shipping industry may have a negative impact on the Group’s results of operations. • The operation of drybulk carriers has certain unique operational risks which could affect the Group’s earnings and cash flow. • The Group’s business may be affected by the performance and the supply of various products and services by third parties. • The Group depends on qualified, skilled employees or crew, and on their strict adherence to personal safety rules, to operate its business. • Compliance with safety and other vessel requirements imposed by classification societies may be costly. • Operational risks inherent in the shipyard industry may have a negative impact on the Group’s results of operations. • The Group’s business depends on Ukrainian cargo and passenger transportation licenses and other regulatory permits which may be withheld or revoked. • The Group is subject to regulation and liability under environmental and operational safety laws that could require significant expenditures and could subject the Group to increased liability under applicable law or regulation. • The inspection procedures may be increased and import and export controls may be tightened. • Increases in fuel prices and other operating costs could adversely affect the Group’s profits. • Vessel values may fluctuate which may result in the incurrence of a loss upon disposal of a vessel or increase the cost of acquiring additional vessels.
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- The Group's insurance coverage may be insufficient for any incurred losses.
- Labour interruptions and problems could disrupt the Group's business.
- Maritime claimants could arrest or government or other authorities could detain the Group's vessels.
- Governments could requisition or seize the Group's vessels during a period of war or emergency.
- The Group's results of operations are subject to seasonal fluctuations.
- Certain of the Group's credit facilities are repayable on demand and/or subject to certain covenants and restrictions.
- The Group's ability to obtain debt financing may depend on the performance of its business and market conditions.
- The Group is exposed to currency exchange risk, market risk, credit risk and liquidity risk.
- The Group may be subject to penalties imposed under an action of the Antimonopoly Committee of Ukraine and/or third parties.
- The Group could be subject to liabilities if it is determined that its past actions violated Ukrainian corporate law or regulation.
- Some of the Group's transactions are subject to Ukrainian transfer pricing regulations.
- The Issuer or its Panamanian subsidiary may be exposed to taxation in Ukraine if their activities are treated as creating a permanent establishment for Ukrainian tax purposes.
- The Group is subject to litigation which could have a material adverse effect on the Group's business.
- There are weaknesses in the Group's accounting and reporting systems, accounting personnel and its internal controls and procedures relating to the preparation of IFRS financial statements.
- Risks Relating to Ukraine are as follows:
 - Emerging markets such as Ukraine are subject to greater risks than more developed markets.
 - Ukraine may continue to experience political uncertainty.
 - Ukraine may experience economic instability.
 - Ukraine's currency is subject to exchange rate volatility.
 - Any unfavourable changes in Ukraine's regional relationships, especially with Russia, may adversely affect the Ukrainian economy and thus the Group's business.
 - A failure to develop relations with the EU might have negative effects on the Ukrainian economy and the Group's business.
 - Deterioration of relationships between Ukraine and its major creditors may adversely affect Ukraine's financing, and the level of inflation, which may in turn affect the Group's business.
 - Weaknesses relating to the legal system and legislation may create an uncertain environment for investment and business activity.
 - The judiciary's lack of independence and overall experience, difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effected redress in court proceedings.
 - There are deficiencies in corporate governance standards under Ukrainian law.
 - Official economic data and third-party information in this Prospectus may not be reliable.
 - Ukraine's economy is vulnerable to fluctuations in the global economy.

	<ul style="list-style-type: none"> • Ukraine's physical infrastructure is in poor condition, which could disrupt normal business activity. • Corruption and money laundering may have an adverse effect on the Ukrainian economy. • Ukraine's tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity. • The business environment in Ukraine could deteriorate. • The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's ability to conduct its business effectively and on the market price of the Shares. <p>Risk related to the Issuer are as follows:</p> <ul style="list-style-type: none"> • The Issuer is a holding company with no assets other than shares of its subsidiary. • The rights of Cyprus company shareholders differ from the rights of the shareholders of Polish listed companies. • Investors may have problems with enforcement of judgments against the Issuer. • The Issuer has been, and will continue to be, controlled by principal shareholder. • Tax treatment for non-Cypriot investors in a Cyprus company may change. • The Issuer may be subject to Cypriot Defence Tax. • The application or interpretation of the Cypriot tax system or in the double tax treaty between Ukraine and Cyprus may change or the Issuer may become managed and controlled from or otherwise tax resident in a jurisdiction other than Cyprus.
D.3	<p><u>Key information on the key risks that are specific to the Shares</u></p> <p>Risks Related to Shares, Listing and Trading on the WSE are as follows:</p> <ul style="list-style-type: none"> • The Offering may be delayed, suspended or cancelled. • There has been no prior public trading market for the Shares. • The price of the Shares may fluctuate significantly. • Turmoil in emerging markets could cause the value of the shares to suffer. • The market value of the Shares may be adversely affected by future sales or issues of substantial number of Shares. • Holders of the Offer Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of Shares. • Holders of Shares may face legal uncertainty if the Issuer is the subject of a takeover. • The Issuer is established and organised under laws of Cyprus while the Offer Shares will be listed on a regulated market in Poland. • There is no guarantee that the Issuer will pay dividends in the future. • The Issuer may be unable to list the Shares on the WSE, or the Issuer may be delisted from the WSE. • The Issuer may be unable to list the Shares on the main market of the WSE. • Trading in the Shares on the WSE may be suspended. • The Issuer may have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares. • The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Group's operating performance and decline below the Offer Price.

	<ul style="list-style-type: none"> • The Issuer has no experience in complying with requirements for publicly-listed companies. • The Issuer is not in full compliance with the corporate governance rules of the WSE and may not be able to be fully compliant in the near future.
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Section E – Offering

E.1	<p><u>The total net proceeds, estimate of the total expenses of the issue/offer, estimated expenses charged to the investor by the issuer or the offeror</u></p> <p>The Company expects the gross proceeds from the Offering to be approximately USD 36 million. The net proceeds that the Issuer will receive from the issue of the Offer Shares in the Offering, after deducting estimated commissions, costs and expenses associated with the Offering, are estimated to be approximately USD 33.5 million. The final amount of proceeds may however change due to possible fluctuations in PLN/USD ratio.</p> <p>In connection with the Offering, the Issuer agreed to pay the Arrangers total success fee of up to 6% of the gross proceeds from Offering. In addition, the Issuer has agreed to indemnify the Bookrunner against certain liabilities and to reimburse the Bookrunner for certain of their expenses in connection with the management of the Offering. The Bookrunner is entitled in certain circumstances to be released and discharged from their respective obligations under the Placement Agreement prior to the Listing Date. Such circumstances include the non-satisfaction of certain conditions precedent and the occurrence of certain force majeure events.</p>
E.2a	<p><u>Reasons for the offer, use of proceeds, estimated net amount of the proceeds</u></p> <p>The Offering and the Admission are expected to provide a number of benefits to the Company, such as the following: (i) enabling the Company to raise funds with a view to implementing the Group’s strategy and achieving its strategic goals; (ii) facilitating the Company’s access to the capital markets and, improving opportunities for further growth, expansion and development of the Group’s business and, thus increasing share value to our shareholders, (iii) raising the Group’s profile and strengthening the Group’s position as one of the leading regional river-sea shipping companies</p> <p>Net proceeds from the Offering (estimated to be approximately USD 33.5 million) together with its operating cash flows and debt financing will be used to accomplish the Group’s investment program for the years 2012-2014 which envisages the following: (i) increasing the fleet of dry bulk river-sea vessels; and (ii) increasing the capacity and renovation of the Group’s shipyard.</p>
E.3	<p><u>Description of the terms and conditions of the offer</u></p> <p>This Offering consists of (i) a public offering to retail investors, which term includes both individual and legal entities who intend to purchase the Offer Shares in the Retail Tranche on the territory of the Republic of in Poland (the “Retail Investors”), (ii) a public offering to legal persons and individuals, who are institutional investors (which term includes entities managing portfolios of securities for their clients and unincorporated organizations) registered in Poland (the “Polish Institutional Investors”), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act of 1933 (the “International Investors”, and together with the Polish Institutional Investors, the “Institutional Investors”), in each case in accordance with applicable securities laws.</p> <p><u>Offer Shares</u></p> <p>Up to 3,500,000 ordinary shares with a nominal value of EUR 0.01 each to be issued by the Issuer.</p>

<u>Expected Timetable for the Offering</u>	
July 19 – July 24, 2012 (till 4 p.m. CET)	Bookbuilding Process Accepting subscription orders in the Retail Tranche
On or about July 25, 2012	Announcement of the Offer Price, the final number of the Offer Shares and the final number of the Offer Shares in each tranche (the “Pricing Date”)
July 26 – July 27, 2012 (till 2 p.m. CET)	Accepting subscription orders in the Institutional Tranche
On or about July 27, 2012	Allotment Date
On or about August 9, 2012	Envisaged Listing Date
<u>Maximum Price</u>	
The Maximum Price is PLN 36.00.	
<u>Offer Price</u>	
<p>The final Offer Price will be determined by the Issuer upon recommendation of the Bookrunner, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the Bookbuilding Process; (ii) the current and anticipated situation on the Polish and international capital markets; (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer’s activities; and (iv) the result of subscriptions by the Retail Investors.</p> <p>The Offer Price shall not exceed the Maximum Price.</p> <p>The Issuer will announce the Offer Price, on or about July 25, 2012 (the “Pricing Date”), through a press release in the Republic of Poland and in a manner compliant with applicable regulations as well as market practice in Poland and in the Republic of Cyprus; more specifically the Offer Price will be notified to the CySEC in the form of an announcement pursuant to section 13(4) of the Cyprus Prospectus Law and published in the same manner as the Prospectus on or about July 25, 2012, in particular on the websites of the Issuer (www.kdmshipping.com) and the Bookrunner (www.kbcmakler.pl).</p>	
<u>Bookbuilding Process</u>	
<p>During the Bookbuilding Process amongst the Institutional Investors invited by the Issuer through the Bookrunner, such Institutional Investors interested in purchase of the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price will be willing to pay. The Bookbuilding Process, is expected to cease on or about July 24 (till 4 p.m. CET), but the deadline for receipt of indications of interest from the Institutional Investors may be extended or shortened at the discretion of the Issuer in consultation with the Bookrunner. The Retail Investors will not participate in the Bookbuilding and will place their subscription orders at the Maximum Price. The Institutional Investors can be invited in any form. For the purpose of the Bookbuilding Process for the Institutional Investors, a tentative price range will be determined. The price range will not be announced publicly and will be subject to change. The Bookbuilding Process results will not be made public.</p>	
<u>Subscription Period</u>	
<p>The subscription orders placed by the Institutional Investors will be accepted between July 26, 2012 and July 27, 2012 (till 2 p.m. CET). The orders placed by the Retail Investors will be accepted between July 19 – July 24, 2012 (till 4 p.m. CET).</p> <p>The subscription orders for the Offer Shares in the Retail Tranche should be fully paid for no later than on placing the order. Subscription orders in the Institutional Tranche should be fully paid for no later than on the last day of accepting subscriptions in that tranche (<i>i.e.</i> till July 27, 2012 (till 2 p.m. CET)).</p>	

	<p><u>Allotment Date</u></p> <p>The total number of the Offer Shares allotted to the Retail Investors and the Institutional Investors will be determined by the Issuer upon agreement with the Bookrunner. The final number of the Offer Shares to be allotted to the Retail Investors and the Institutional Investors shall be published following the completion of the subscription period for the Institutional Investors, in accordance with Cypriot law and by way of a press release and in the same manner as the Prospectus. Allotment will take place on or about July 27, 2012 (the “Allotment Date”).</p> <p><u>Delivery of the Offer Shares</u></p> <p>All the Shares will be registered with and cleared through the NDS. The delivery of the Offer Shares will be effected through the book-entry facilities of the NDS, in accordance with the NDS’s settlement procedures.</p>
E.4	<p><u>Description of any interest that is material to the issue/offer including conflicting interests</u></p> <p>Not applicable. There is no interest, including conflicting interest, which is material to the Offering.</p>
E.5	<p><u>Name of the Person or Entity Offering to Sell the Security</u></p> <p>Not applicable. Only newly issued Shares are offered for subscription in the Offering.</p> <p><u>Lock-up Agreements</u></p> <p>Subject to certain exceptions, the Issuer, the Principal Shareholder, Mr. Denys Molodkovets and Miralex Inc intend to agree that for a period of 12 months from the Listing Date, they will not, without the prior written consent of the Arrangers, propose or otherwise support an offering of any of the Shares, announce any intention to offer new shares and/or to issue any securities convertible into the Shares or securities that in any other manner represent the right to acquire the Issuer’s Shares, or conclude any transaction (including any transaction involving derivatives) of which the economic effect would be similar to the effect of selling the Shares.</p>
E.6	<p><u>The amount and percentage of immediate dilution resulting from the offer</u></p> <p>Assuming that all the Offer Shares are subscribed in the Offering, the free float of Shares held by the public could be no more than up to 35% of the Issuer share capital.</p>
E.7	<p><u>Estimated expenses charged to the investor by the issuer or the offeror</u></p> <p>Not applicable. The Issuer does not intend to charge any expenses to the investors.</p>

RISK FACTORS

Prospective investors in the Shares should carefully consider the following risks and uncertainties, as well as other information contained in this Prospectus before deciding to invest in any of the Shares. The Issuer's business, financial condition and results of operations have been, and could be, materially adversely affected by the following risks. If any of the following risks actually occurs, the value and trading price of the Shares could decline and investors could lose all or part of their investment. Described below are the risks and uncertainties the Issuer and the Group Companies believe are material, but these risks and uncertainties may not be the only ones faced by the Issuer and the Group Companies. Additional risks and uncertainties, including those that the Issuer and the Group Companies is not currently aware of or deems immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the value of the Shares.

Risks Relating to the Group's Industry and Business

The Group charters all its vessels in the spot market and, as a result, is exposed to the cyclical and volatility of the spot charter market.

The Group relies primarily on the cash flows generated from charters that operate in the drybulk carriers sector of the shipping industry. Due to the relative lack of diversification, an adverse development in the drybulk shipping industry would have a significantly greater impact on the Group's financial condition and results of operations than if the Group maintained more diverse assets or lines of business. The drybulk shipping market has been volatile in the recent years. The Group believes the capacity of the world's drybulk fleet will increase and there can be no assurance that European economy and the drybulk shipping market will recover over the next months and the market could continue to decline further.

Since the Group charters all its vessels in the spot market, it is exposed to the cyclical and volatility of the spot charter market. The Group does not intend to have long term, fixed rate time charters, because spot market revenues may generate increased profit margins during times when vessel rates are escalating, while vessels operating under fixed-rate time charters generally provide more predictable cash flows. The freight rates are strongly influenced by supply of and demand for shipping capacity. The factors affecting the supply and demand for vessels are outside of the Group's control and are generally unpredictable. Some of the factors that influence the demand for cargo vessels capacity and, in turn, freight and charter rates, include: levels of demand for the products which the Group transports; fluctuations in industrial and agricultural production; changes in laws and regulations affecting the cargo shipping industry; global and regional economic and political conditions; terrorist attacks; piracy; international and local hostilities; developments in international trade; changes in seaborne and other transportation patterns, including changes in the distances over which cargoes are transported; currency exchange rates; natural disasters; and weather conditions. The demand for cargo shipping is also closely related to general economic trends and global industrial growth. In periods of low growth, or even contraction, the demand for commodities and transportation will be impacted, causing rates to decline significantly.

As more vessels become available for the spot or short-term market, the freight rates may reduce and it may require the Group to enter into charters at reduced or unprofitable rates or it may not be able to charter its vessels at all, which could result in a decrease in the Group's cash flows and net income in periods when the market for drybulk shipping is depressed. Some of the factors that influence the supply of cargo vessels capacity and, in turn, freight and charter rates, include: the number of newbuilds; the scrapping rate of older vessels; vessel casualties; the price of steel; the number of vessels which are off-hire; the number of vessels which are out of service; changes in environmental and other regulations which may limit the useful life of vessels; technological developments which affect the efficiency of vessels; and port or canal congestion. The fleet serving the cargo market is large and with diverse ownership. Owing to the long life span of vessels, as well as the long construction period, the fleet will not adapt as quickly to changes in the market environment as demand. In periods of good rates, there is risk that many new vessels are ordered, which may have a long-lasting effect on the market balance once the ships are delivered. With a relative overcapacity of ships, rates can drop significantly. Future impacts of the large order book of cargo vessels will depend on the possibilities to cancel or delay orders, on scrapping of existing tonnage, and on the future growth in transportation volumes.

The Group cannot predict the future level of demand for its services or future conditions in the industries it serves, which historically have experienced volatility and supply/demand imbalances. In addition, vessels may experience repeated periods of unemployment between spot charters. The successful operation of the Group's vessels in the spot market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent travelling unladen to pick up cargo, or

ballast time. In the past, there have been periods when spot rates have declined below the operating cost of vessels. Future spot rates may decline significantly and may not be sufficient to enable the Group's vessels trading in the spot market to operate profitably or for the Group to pay dividends and may have a material adverse effect on the Group's cash flows and financial condition.

The international drybulk shipping industry is a highly competitive market and the Group may not be able to compete with new entrants or established companies with greater resources.

The Group employs its eight cargo vessels, and expects to employ the drybulk carriers it acquires in the future, in a highly competitive market. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than the Group does. Competition for the transportation of drybulk cargoes can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its managers to the cargo owners and charterers. Due in part to the highly fragmented market, competitors with greater resources could enter and operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than the Group is able to offer. Any inability to compete favourably could negatively impact the results of operations and financial condition. To the extent the Group enters new geographic areas, no assurance can be made that the Group will be able to compete successfully in these new markets.

The Group's ability to ship certain commodities may be limited from time to time.

The Group is widely engaged in shipping commodities (especially grain) harvested in Russia, Ukraine and Kazakhstan. In the past, the Russian and Ukrainian governments imposed restrictions on the export of grain in circumstances where domestic supply could be compromised. In July 2010, following a reduction in domestic production caused by extreme weather conditions, the Russian government imposed a moratorium on the export of all types of grain, including wheat, barley and corn. This moratorium was lifted with effect from 1 July 2011 due to improved weather conditions in Russia, which resulted in optimistic expectations for the 2011 harvest by the Russian government.

Because of increased demand for Ukrainian grain due to the export ban in Russia, in October 2010 the Ukrainian government introduced quotas for export of grain. The export quotas were initially imposed until the end of 2010 but were extended several times and finally lifted in July 2011. However, customs duties on the export of grain were introduced by the Ukrainian Parliament for the period from 1 July 2011 until 1 January 2012. It may not be excluded that due to bad weather conditions or natural disasters in the future, the grain harvest in Russia, Ukraine or Kazakhstan will be lower than expected and new export restrictions will be imposed or the amount of grain available for export will be limited.

In the period when the grain export ban and quotas were effective in Russia and Ukraine, the Group shifted to other types of cargo and experienced lower cargo freight rates due to relative ship transport excess capacity in that period, which had an adverse effect on the Group's revenues.

In addition, importing countries often impose restrictions on commodity imports, for example, in the context of broader trade disputes. Any restriction or limitation imposed on export or access to certain markets for the commodities shipped by the Group could have a material adverse effect on its business, results of operations, financial condition and the price of the Shares.

Furthermore, Ukraine and Russia experience unsettled weather conditions, characterized by high frosts in winter, above average rain fall in spring and a heat wave in summer. The net result of these unsettled weather conditions can be a loss of certain commodities harvested in Ukraine and Russia and shipped by the Group, which could have a material adverse effect on its business, results of operations, financial condition and the price of the Shares due to decrease in shipping volume and price for shipping freight.

The Group may not be able to grow or effectively manage its growth.

A principal focus of the Group's strategy is to grow by expanding its business and, in particular, the size of its fleet, including by capitalising on existing business relationships and developing new business relationships. The Group's future growth will depend on a number of factors which include, among others, ability to: maintain or develop new and existing customer relationships; identify and consummate desirable acquisitions, joint ventures or strategic alliances; identify and capitalise on opportunities in new markets; locate and acquire suitable vessels; integrate acquired vessels successfully with existing operations; successfully manage the Group's liquidity and obtain the required financing for existing and new operations; secure necessary third party service providers; and

attract, hire and retain qualified personnel to manage and operate the fleet. A deficiency in any of these factors could adversely affect the Group's ability to achieve anticipated growth in cash flow or realize other anticipated benefits. In addition, competition from other buyers could reduce acquisition opportunities or cause the Group to pay a higher price for vessels. The process of integrating acquired vessels into Group's operations may require additional management attention or financial resources. Future acquisitions could result in incurring additional indebtedness and liabilities that could have a material adverse effect on the Group's profitability. In addition, the Group's current operating and financial systems may not be adequate to support growth and attempts to improve those systems may be ineffective. If the Group is unable to operate its financial and operating systems effectively as the Group expands its fleet, the Group's performance may be adversely affected. Failure to execute the Group's business strategy or to manage growth effectively could adversely affect the Group's business, results of operations, cash flow and financial condition. In addition, even if the Group successfully implements its business strategy, it may not improve results of operations. Furthermore, the Group may decide to alter or discontinue aspects of business strategy and may adopt alternative or additional strategies in response to operating environment or competitive situation or factors or events beyond the Group's control.

The Group may be required to make substantial capital expenditures in order to maintain and expand the size of its fleet and to maintain the high quality of the vessels held.

The Group's business strategy is based in part upon the expansion of its fleet, including the purchase of second-hand vessels and newbuilds. Second-hand and previously owned vessels are generally purchased on the basis of a lump sum payment. In connection with the purchase of newbuilds, the Group is required to expend substantial sums in the form of down payments and progress payments during the construction of these vessels but will not derive any revenue from the vessels until after their delivery. Typically, installment payments on newbuilds are made during the construction period, with the final payment due concurrently with delivery. If the Group is unable to complete payments or is otherwise unable to fulfill its obligations under any purchase contracts, the Group may forfeit all or a portion of the down payments and progress payments that it has made under that contract.

In addition, the Group may be required to make capital expenditures to maintain, over the long-term, the operating capacity of its fleet and high quality of its vessels. These maintenance capital expenditures include capital expenditures associated with dry-docking a vessel or modifying an existing vessel. The Group's vessels are dry-docked periodically for repairs and renewals and, in addition, may have to be dry-docked in the event of accidents or other damages. Maintenance capital expenditures could increase as a result of: increases in the cost of labour and materials; changes in customer requirements; increases in the size of the Group's fleet; changes in technical developments in vessels; changes in governmental regulations and regulatory standards relating to safety, security, or environmental standards or requirements; and changes in competitive standards. Any requirement to increase capital expenditure could adversely affect the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

Purchasing and managing previously owned or second-hand vessels may result in unforeseen operating costs and vessels off-hire.

Previously owned or second-hand vessels are typically acquired on an "as is" basis without the benefit of warranty cover. Any inspections carried out prior to purchase do not normally provide the Group with the same knowledge about their condition or the cost of any required (or anticipated) repairs that the Group would have had if these vessels had been built for and managed exclusively by the Group. The Group may, as a consequence, be obliged to pay increased and unforeseen maintenance and repair, insurance and other operating costs in respect of these previously owned or second-hand vessels. The Group may also have to commit to greater expenditure to ensure that these vessels comply with all applicable regulations and standards. Each of these factors may negatively impact on the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

The ageing of the fleet may result in increased operating costs in the future and an inability to employ all of vessels profitably.

The Group's cargo fleet age ranges from 25 to 43 years. The Management expects service life of the vessels to be 60 years, though it will ultimately depend on the vessels' efficiency. There can be no assurance of how long the vessels will be in operation. In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Older vessels are typically more costly to maintain than more recently constructed vessels due to improvements in technology and normal tear and wear. Insurance rates may increase with the age

of a vessel, making older vessels more costly to operate and therefore less profitable. Governmental regulations and safety and/or other equipment standards related to the age of vessels may also require expenditures on alterations or new equipment for the Group's vessels and may restrict the type of activities in which vessels may engage. There may be no assurance that as the Group's vessels age, market conditions will justify such expenditures or will enable the Group to profitably operate its vessels during the remainder of their estimated useful lives. In addition, the Group may not be able to sell those vessels profitably. Each of these factors may negatively impact on the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

The Group may experience unexpected delays in deliveries or non-delivery of additional vessels.

The delivery of any vessels could be delayed, cancelled or otherwise not completed as a result of, among other things: non-performance of the purchase agreement with respect to the vessels by the seller; quality or engineering problems or delays in the receipt of construction materials such as steel; changes in governmental regulations or maritime organisation standards; labour disturbances or catastrophic events at a shipyard or financial crisis of a shipbuilder or charterer; damage to or destruction of the vessels while being operated by the seller prior to the delivery date; a backlog of orders at the relevant shipyards; political or economic disturbances which adversely affect the relevant shipyards; changes which need to be made to the vessel specifications; inability to obtain necessary permits or approvals or to receive the required classifications for the vessels; inability to finance the purchase of the vessels; weather interference or a catastrophic event, such as a major earthquake or fire or any other force majeure; or a shipbuilder's failure to otherwise meet the scheduled delivery dates for the vessels or failure to deliver the vessels at all.

If the delivery of the additional vessels is delayed or cancelled, especially in circumstances where the Group has already paid for such vessels, it could have adverse effect on the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

The Group may be subject to risk of war, other armed conflicts, terrorists or pirates attacks.

The war in Iraq and Afghanistan, the terrorist attacks of September 2001 and subsequent terrorist attacks, and social unrests in the Arab countries, as well as epidemics, have caused instability in the world's financial and commercial markets. This has in turn significantly increased political and economic instability in some of the geographic areas in which the Group operates and contributed to high levels of volatility in prices. This continuing instability as well as threats of war or armed conflicts elsewhere, may cause further disruption to financial and commercial markets and contribute to even higher levels of volatility in prices. War or other armed conflict could lead to increased vessel operating costs (including insurance costs), the inability to transport cargo to or from certain locations or endanger the delivery of newly acquired vessels.

For instance, in the past, during the armed conflict in Georgia, the Group's operations on its routes to Georgia were suspended. Although in that case the re-routing did not significantly impact the Company's final revenues, in future circumstances it may significantly affect the Group's business and results of operations.

In addition, acts of terrorism and threats of armed conflicts in or around various areas, in which the Group operates, could limit or disrupt the Group's markets and operations, including disruptions from evacuation of personnel, cancellation of contracts or the loss of personnel or assets. Armed conflicts, terrorism and their effects on the Group or its markets may significantly affect the Group's business and results of operations in the future.

Although the Group has never directly experienced piracy against its vessels, seaborne piracy against transport vessels has remained a significant issue in or around various areas in which the Group operates or may operate. Acts of piracy could limit or disrupt the Group's markets and operations, including but not limited to disruptions from taking over of the vessel or the loss of personnel or assets, and may significantly affect the Group's business, results of operations, financial condition and the price of the Shares.

Operational risks inherent in the shipping industry may have a negative impact on the Group's results of operations.

The Group's vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. All these hazards can result in death or injury to persons, increased costs, loss of revenues, loss or damage to property (including cargo), environmental damage, higher insurance rates, damage to the Group's customer relationships, harm to the Group's reputation as a safe

and reliable operator and delay or rerouting. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, may result in attacks on or arrest of vessels, mining of waterways, piracy, terrorism, labour strikes and boycotts. In particular, due to boycott of Israel by countries of anti-Israeli coalition, the vessels which entered Israeli ports may not enter ports of Lebanon and Syria, otherwise, they would be detained until undergo lengthy and costly formal clearance procedures; due to conflict between Turkey and Republic of Cyprus, a vessel may be fined or detained if after discharge in ports of Republic of Cyprus it enters Turkish ports.

Though the Group has not experienced major hazards in past, these sorts of events could interfere with shipping routes and result in market disruptions. Inherent risks also arise due to the nature of the products transported by the Group's vessels. Any damage to, or accident involving, Group's vessels while carrying these products could give rise to environmental damage or lead to other adverse consequences.

If the vessels suffer damage, they may need to be repaired at a drydocking facility. Although the Group typically performs most of its drydock repairs at its own shipyard, which is cost effective from the Group's perspective, the need may arise to perform repairs at third party facilities. The costs of drydock repairs at third party facilities are outside of the Group's control and may be substantial. The Group may have to pay drydocking costs that its insurance does not cover in full. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. The Group may be unable to find space at a suitable drydocking facility or its vessels may be forced to travel to a drydocking facility that is distant from the relevant vessel's position. The loss of earnings while the Group's vessels are being repaired and repositioned or from being forced to wait for space or to travel to more distant drydocking facilities, as well as the actual cost of repairs, could negatively impact the Group's business, results of operations, cash flows, financial condition and ability to pay dividends. Each of these inherent risks may also result in death or injury to passengers and third persons, loss of revenues or property, higher insurance rates, damage to customer relationships, delay or rerouting, as well as legal proceedings. Any of these proceedings or other proceedings involving similar claims or claims for substantial damages may harm Group's reputation, may require the Group to devote substantial time to these proceedings, time which the Group could otherwise devote to its business, and may have a material adverse effect on the Group's business, results of operations, cash flow and financial position.

The operation of drybulk carriers has certain unique operational risks which could affect the Group's earnings and cash flow.

The operation of drybulk carriers has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and could react badly to accidental water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach in the sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels' holds. If a drybulk carrier suffers flooding in its forward holds, it may lead to the loss of a vessel. If the Group is unable to adequately maintain the Group's vessels, it may be unable to prevent these events. Though the Group aims at limiting shipping of the cargo which brings inadequate operational risks to the Group's vessels, any of these circumstances or events, if they occur, may have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, the loss of any of the Group's vessels could harm its reputation as a safe and reliable vessel owner and operator.

The Group's business may be affected by the performance and the supply of various products and services by third parties.

As a shipping company, the Company depends upon the continued availability and satisfactory performance of third parties, including subcontractors, brokers, sea agents, pilots, and suppliers for many aspects of the business. The Group relies on third parties to supply it with various products and services. Using third parties to manufacture, assemble and test vessels and operating systems reduces the Group's control over quality assurance and delivery schedules and costs. If the third parties the Group works with fail to comply with the timing or quality provisions of the agreements governing relationships with the Group, the performance of certain of the Group's operations could be adversely affected. Although the Group works closely with its suppliers of goods and services to avoid supply-related problems, the Group cannot assure that it will not encounter supply problems in the future. Any delays, defects or failures could materially harm Group's business by causing delays in the completion of voyages or ship repair or construction orders (if, for example, spare parts could not be

sourced) and increases in costs. Also, if the prices for such products or services were to increase and the Group was unable to pass on such increase to its customers, the Group's profit margins would decrease.

The ability of third party providers to continue providing services and supplying products for benefit of the Group will depend in part on their own financial strength, which can be impaired due to circumstances beyond the Group's control. Because these providers can be privately held entities, it is unlikely that information about their financial strength would become public prior to any default by them under the relevant agreements. As a result, the Group might have little advance warning of problems even though those problems could have a material adverse effect on it. If the Group's commercial relationships with third party providers come to an end, the Group may have difficulty identifying third party providers of equal standing or, in certain instances where the supply is naturally very limited (i.e. pilotage or mooring services), replacing third party provider in general. In addition, the costs of securing alternative providers could be high which could adversely affect the Group's profitability. Each of these factors may impact on the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

The Group depends on qualified, skilled employees or crew, and on their strict adherence to personal safety rules, to operate its business.

The Group's success largely depends on the ability to attract and retain highly skilled, qualified personnel who are also fit to work on health grounds, and on strict adherence to personal safety rules. In crewing the Group's vessels, the Group requires technically skilled employees with specialized qualifications, training and good state of health, who can perform physically demanding tasks on a regular basis. A major incident affecting the health and safety of crew could disrupt the Group's operations, lead to fines or litigation against the Group and could have a negative effect on the confidence of the Group's customers and its business.

Competition to attract and retain qualified crew members is intense. Moreover, laws of Ukraine, the flag state of the Group's vessels, establish additional requirements to the crew. In particular, a master and top officers have to be Ukrainian citizens, hold ship rankings and undergo regular medical examinations.

If the Group is not able to hire personnel who meet the requirements of applicable law or to increase its rates to compensate for any crew cost increases, it could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and ability to pay dividends.

Compliance with safety and other vessel requirements imposed by classification societies may be costly.

The hull and machinery of every commercial vessel must be certified as being "in class" by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the SOLAS Convention and all vessels must be awarded ISM certification. A vessel must undergo annual surveys, intermediate surveys and special surveys. Every vessel is also required to be drydocked every two to three years for inspection of its underwater parts. If any vessel does not maintain its class or fails any annual, intermediate or special survey, and/or loses its certification, the vessel will be unable to trade between ports and will be unemployable, which could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and ability to pay dividends.

Operational risks inherent in the shipyard industry may have a negative impact on the Group's results of operations.

The shipyard industry has certain inherent special risks. In the course of construction or repair works, damage may be caused to a floating dock, which is not insured (see "*Risk Factors – The Group's insurance coverage may be insufficient for any incurred losses*"). The Group may be unable to promptly fix or replace its floating dock and will have to bear additional cost in order to remedy such damage. As a result, this may lead to the Group's inability to operate the shipyard and to liabilities towards the contractual counterparties for the delays in construction or repair works.

Though the qualified engineering personnel of the shipyard is employed by the Group, the majority of workers, including those qualified for special types of works (e.g., welding), are outsourced on group contract basis for each particular project. The outsourced workforce does not bear any warranty undertakings toward the Group or its clients. Despite the Group exercising regular supervision over the works performed by such work staff, the risk exists that the works may be done not up to the quality standards of the Group, which may trigger warranty

claims by the clients of the shipyard to the Group. Moreover, upon completion of the ship repair and ship construction works, a vessel must be accepted by a respective classification society and the Group will be liable toward the client if the classification society does not accept it. Moreover, the shipyard work is among the most hazardous occupations. Hazards at a shipyard include exposure to toxic substances, hazardous atmospheres, electrocution, falls, fires, and explosions. These hazards can be eliminated or minimized through use of an effective safety and health programs. The Group takes appropriate actions to prevent the hazards in order to ensure workers' safety, lower injury and illness rates and associated health care costs. Previously there have been no material accidents at the Group's shipyard.

In case any of the above risks materializes, could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and ability to pay dividends.

The Group's business depends on Ukrainian cargo and passenger transportation licenses and other regulatory permits which may be withheld or revoked.

The operation of the Group's business in Ukraine depends on the continuing validity of several licences, the issuance of new licences and/or permits and its compliance with the terms of its licences and/or permits and/or Ukrainian legislation. In particular, the Group's ability to provide cargo and passenger transportation in Ukraine depends on availability of respective licenses granted by the authorized governmental body for an indefinite term. The Group holds a license for rendering passenger and cargo transportation services by river and maritime transport and a license for rendering passenger transportation services by river transport. The licensing conditions establish requirements as to organizational structure, qualifications of the personnel, and technical characteristics of the vessels of the licensee. There can be no assurance that the Group will fully comply with such requirements at all times in the future.

Furthermore, Capital Shipping Company, being an operator of the Group's shipyard, must comply with Ukrainian environmental regulations as to placement of waste, special use of water and emission of contaminative substances into atmospheric air; and with legislation on the protection of labor. Capital Shipping Company has not obtained a permit to start operations of the shipyard from fire inspection, labor protection authority and sanitary authority, permits for performing works of increased danger and operating equipment of increased danger at the shipyard. Such permits originally were obtained and held by OJSC Kherson Shipyard named after Kuybyshev, and the Group is in the process of undertaking all necessary steps to obtain those permits in its name. Failure to obtain or maintain such permits may lead to imposition of fines in the amount of up to 7% of the monthly salary fund of this Group's Company or application of preventive measures on the relevant entity (including suspending its operations, production facilities, or the use of its buildings, premises and equipment up to initiation of cancelation of the state registration of a company if it has failed to cure the violation within the period of one month). Operation of passenger vessels, including for catering services, also requires regulatory permits from the fire, sanitary and labor protection authorities. The Group believes that it complies with the regulations regarding the licensing and permits in material respects and holds all necessary licenses and permits.

Regulatory authorities exercise considerable discretion in the timing of license and permit issuance and renewal and in the monitoring of compliance with the terms of licences and permits. In certain circumstances, state authorities may seek to interfere with the issuance of licences and permits, and the licensing and permitting process may also be influenced by outside commentary, political pressure and other non-legal factors. The Group has not had any material fines imposed on it and has not had the operation of the shipyard or any of its vessels suspended as the result of non-compliance with all applicable regulatory requirements. Moreover the Group intends to obtain all the necessary licenses, permits, certificates and approvals in the near future. However, there is a risk that licences or permits needed for the Group's business may not be issued or renewed, may not be issued or renewed in a timely fashion or may be subject to onerous conditions. If any or all licenses and permits were to be withheld or revoked, or the Group is unable to obtain, maintain or renew necessary licences or permits, its business, prospects, results of operations, financial condition or the price of the Shares could be materially adversely affected. See – “*Business – Environmental and Other Regulations—Ukrainian Regulations - Licenses and Permits*”.

The Group is subject to regulation and liability under environmental and operational safety laws that could require significant expenditures and could subject the Group to increased liability under applicable law or regulation.

The Group's business and the operation of its vessels are affected by extensive and changing international, national and local environmental protection laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictional waters of the countries in which its vessels operate, as well as the countries of the its vessels' registration. Many of these regulations and requirements are designed to reduce the risk of oil spills and other pollution, and the Group's compliance with these requirements can be costly. These requirements can affect the resale value or useful lives of the Group's vessels, require a reduction in carrying capacity, ship modifications or operational changes or restrictions, lead to decreased availability of insurance coverage for environmental matters or result in the denial of access to certain jurisdictional waters or ports, or detention in, certain ports. Under local, national and foreign laws, as well as international treaties and conventions, the Group could incur material liabilities, including cleanup obligations, in the event that there is a release of petroleum or other hazardous substances from its vessels or otherwise in connection with its operations. The Group could also become subject to personal injury or property damage claims relating to the release of or exposure to hazardous materials associated with its current or historic operations. Violations of or liabilities under environmental requirements, also can result in substantial penalties, fines and other sanctions, including in certain instances, seizure or detention of the vessels.

The operation of the Group's vessels is also affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject the Group to increased liability, may decrease available insurance coverage for the affected ships, and may result in denial of access to, or detention in, certain ports.

The Group could incur significant costs, including cleanup costs, fines, penalties, third-party claims and natural resource damages, as the result of an oil spill, fuel release or other liabilities under environmental laws. In complying with IMO regulations, EU directives and other existing laws and regulations and those that may be adopted, which frequently change and may impose increasingly stricter requirements, ship owners may incur significant additional costs in meeting new maintenance and inspection requirements, in developing contingency arrangements for potential spills and in obtaining insurance coverage. Government regulation of vessels, particularly in the areas of safety and environmental requirements, are expected to become more strict in the future and require the Group to incur significant capital expenditures on its vessels to keep them in compliance, or even to scrap or sell certain vessels altogether. Future accidents can be expected in the industry, and such accidents or other events could be expected to result in the adoption of even stricter laws and regulations. Each of these factors may adversely affect Group's business, results of operations, cash flow, financial condition or the price of the Shares.

The inspection procedures may be increased and import and export controls may be tightened.

International shipping is subject to increasingly rigorous security and customs inspection, sanitary control and related procedures in countries of origin, destination and certain trans-shipment points. Inspection procedures can result in the seizure of the contents of the Group's vessels, delays in the loading, offloading or delivery and the levying customs duties, fines or other penalties against exporters or importers and, in some cases, charterers and charter owners.

In December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. After 1 July 2004, to trade internationally a vessel must attain an International Ship Security Certificate from a recognized security organization approved by the vessel's flag state. For a further description of the various requirements, please see "*Business—Environmental and Other Regulations—Vessel Security Regulations.*"

It is possible that changes to inspection procedures could impose additional financial and legal obligations on the Group. Furthermore, changes to inspection procedures could also impose additional costs and obligations on the

Group's customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and ability to pay dividends.

Increases in fuel prices and other operating costs could adversely affect the Group's profits.

The Group's vessel operating expenses include the costs of crew, provisions, deck and engine stores, lube oil, bunkers, insurance and maintenance and repairs, port charges, canal passages and other voyage expenses, which depend on a variety of factors, many of which are beyond the Group's control. Spot charter arrangements generally provide that the vessel owner or pool operator bear the vessel operating expenses. To profitably price an individual charter, the vessel owner or pool operator must take into account the anticipated amount of such operating expense for the duration of the charter. Changes in the actual cost at the time the charter is to be performed could result in the charter being performed at a significantly greater or lesser profit than originally anticipated or even result in a loss. As a result, an increase in the voyage expenses beyond the Group's expectations may adversely affect its profitability, cash flows and ability to pay dividends.

Some of the operating costs have been fluctuating or increasing. In particular, the price and supply of fuel varies from port to port, it is unpredictable and fluctuates as a result of events outside the Group's control, including geo-political developments, supply and demand for oil and gas, actions by members of the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. Accordingly, a significant increase in these expenses over an extended period could significantly reduce profitability which could have an adverse effect on the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

Vessel values may fluctuate which may result in the incurrence of a loss upon disposal of a vessel or increase the cost of acquiring additional vessels.

Vessel values may fluctuate due to a number of different factors, including: general economic and market conditions affecting the shipping industry; competition from other shipping companies; the types and sizes of available vessels; the availability of other modes of transportation; increases in the supply of vessel capacity; the cost of newbuilds; governmental or other regulations; prevailing freight rates; and the need to upgrade second-hand and previously owned vessels, technological advances in vessel design or equipment or otherwise. In addition, as vessels grow older, they generally decline in value. Due to the cyclical nature of the drybulk shipping industry, if for any reason the Group sells any of its owned vessels at a time when prices are depressed, the Group could incur a loss and its business, results of operations, cash flow and financial condition could be adversely affected. Conversely, if vessel values are elevated at a time when the Group wishes to acquire additional vessels, the cost of acquisition may increase and this could adversely affect the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

The Group's insurance coverage may be insufficient for any incurred losses.

The Group's operations are subject to risks inherent in the maritime industry. The Group maintains insurance in accordance with industry standards. The Group has liability insurance for all its cargo vessels. The Group maintains mandatory asset insurance on four of its cargo vessels and six passenger ships which are owned and operated by the Group. The insurance is intended to cover risks associated with the conduct of the business, as well as collision with other ships, damage of fixed and floating objects, cargo liability, wreck removal liability, costs for decrease of claims and litigation costs, environmental damage, pollution coverage and death or injury to persons. The Group cannot assure that it has adequately insured against all risks, that any future claims will be paid (including, but not limited to claims relating to: shipped cargoes and death or injury to persons), or that it will be able to procure adequate insurance coverage at commercially reasonable rates in the future. If environmental regulations become even more stringent, insurance costs may further increase or make insurance unavailable against the risk of environmental damage or pollution. The Group's insurance policies also contain deductibles, limitations and exclusions which, although the Group believes are standard in the shipping industry, may nevertheless increase its costs. In addition, the Group's insurance may be voidable by the insurers as a result of certain of its actions, such as its ships failing to maintain certification with applicable maritime self-regulatory organizations. Further, there can be no assurance that the insurance policies will cover all losses that the Group incurs, or that disputes over insurance claims will not arise with the insurance carriers. In addition, the Group does not carry loss of hire insurance. Loss of hire insurance is intended to cover the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to

the vessel from accidents. Accordingly, any loss of a vessel or any extended period of vessel off-hire, due to an accident or otherwise, could have a material adverse effect on the Group's business, results of operations and financial condition and the Group's ability to pay dividends to the stockholders.

There can be no assurance that the Group will be able to renew its insurance policies on the same or commercially reasonable terms, or at all, in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm the Group's business, results of operations, cash flows, financial condition and ability to pay dividends.

Labour interruptions and problems could disrupt the Group's business.

The Group's vessels are manned by masters, officers and crews that are employed by the Issuer. If not resolved in a timely and cost-effective manner, industrial action or other labour unrest could prevent or hinder the Group's operations from being carried out normally and could have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.

In addition, seagoing personnel of the Group are a part of the International Transport Workers Federation. The Group believes that it maintains good relations with both its union represented and non-union represented employees and historically it has not experienced any employee work stoppages which have had any material impact on the Group's operations. However, there can be no assurances that the Group will not experience labour disputes which will have a material adverse effect on the Group's results of operations, financial condition and the price of the Shares.

Maritime claimants could arrest or government or other authorities could detain the Group's vessels.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. Claimants may also be entitled to assert "sister ship" liability against one vessel in the Group's fleet for claims relating to another vessel in the fleet. The arrest or attachment of one or more of the Group's vessels could interrupt Group's cash flow and require significant expenditures to have the arrest lifted. Government or other authorities may also detain vessels for the purposes of investigating their activities or those of their crew members. Though the Group has not experienced such cases in the past, any arrest, detention or investigation could prevent or delay a vessel from completing a voyage and from being available for subsequent voyages which could result in financial loss and adversely affect the Group's business, results of operations, cash flow, financial condition and the price of the Shares.

Governments could requisition or seize the Group's vessels during a period of war or emergency.

A government could requisition for title or seize one or more of the Group's vessels. Requisition for title occurs when a government takes control of a vessel and becomes her owner. Also, a government could requisition the Group's vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency, although governments may elect to requisition vessels in other circumstances. Although the Group would be entitled to compensation in the event of a requisition of one or more of its vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of the Group's vessels would have a negative impact on the Group's business, results of operations, cash flow, financial condition or the price of the Shares.

The Group's results of operations are subject to seasonal fluctuations.

The Group operates its vessels in markets that have historically exhibited seasonal variations in demand and, as a result, freight rates. This seasonality may result in quarter-to-quarter volatility in the Group's operating results, as its vessels trade in the spot market. Grain transport, which is the Group's core business, typically sees higher demand in the autumn and summer months. During the winter months, when the risk increases that vessels may wreck in the sea, especially where it is rather shallow, causing the damage to the vessel itself, cargo and injury or death to people, the cargo shipping market slows down. As a result, the Group's revenues could be weaker during the fiscal quarter ended 31 March. Conversely, the Group's revenue could be stronger during the quarter

ended 31 December. The quarters ended 30 June and 30 September generally can be expected to be at median levels. This seasonality could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and ability to pay dividends.

Certain of the Group's credit facilities are repayable on demand and/or subject to certain covenants and restrictions.

The operating and financial restrictions and covenants in existing and any future financing agreements could adversely affect the Group's ability to finance future operations or capital needs or to pursue and expand its business activities. For example, some of the loan agreements require to maintain certain level of cash flow on the bank accounts, opened with the respective bank, to provide the bank with regular financial statements, information on the borrower's business activity and documents to confirm proper use of credit facilities, to notify the bank on the changes in statutory documents, factual address, contact and bank details, as well as any changes of management within 3 business days upon occurrence of such events.

The Group's ability to comply with covenants and restrictions contained in debt instruments may be affected by events beyond its control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, the Group may fail to comply with these covenants. Failure to comply with the above mentioned requirements and failure to pay any principal, interest, fees, expenses or other amounts when due, as well as deterioration of the borrower's financial condition, entitles the bank to suspend granting of the loan facilities or to accelerate respective loans, and grants other rights to the bank, determined by the agreements and applicable laws. Though the Group believes that it complies with the conditions of the credit facilities in all material respects, there can be no guarantee that the Group will not be required to repay such facilities in the future with limited advance notice and when not provided for in the Group's budget. See "*Material Contracts – Financing Agreements*" for more information about the Group's existing credit facilities.

A default under financing agreements could also result in foreclosure on any of the Group's vessels and other assets securing related loans. The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and ability to pay dividends.

The Group's ability to obtain debt financing may depend on the performance of its business and market conditions.

The actual or perceived credit quality of the Group's business and market conditions affecting the spot charter market and the credit markets may materially affect the Group's ability to obtain the additional capital resources that may be required to purchase additional vessels or may significantly increase the Group's costs of obtaining such capital. The Group's inability to obtain additional financing at all or at a higher than anticipated cost may have a material adverse affect on its business, results of operations, cash flows, financial condition and ability to pay dividends.

The Group is exposed to currency exchange risk, market risk, credit risk and liquidity risk.

The Group generates most of its revenues in USD, while certain of its operating expenses are incurred in currencies other than USD, particularly the UAH and EUR. If the Group's expenditures on such costs and fees were significant, and the U.S. dollar were weak against such currencies, its business, results of operations, cash flows, financial condition and ability to pay dividends could be adversely affected. From time to time the Group enters into financing arrangements or material contracts that are denominated in currencies other than USD. As a result the Group may be adversely affected by fluctuations in exchange rates.

Moreover, the fluctuations of the exchange rate used to convert the Group Companies' financial information from foreign currencies into USD may have a positive or negative effect on the Group's consolidated financial condition and consolidated assets, which are expressed in USD in the consolidated financial statements. The value of investment in the Shares may be affected by prevailing rates of exchange between the EUR and the PLN because the Company's share capital, as set forth in this Prospectus, is denominated in EUR, while the Shares will be traded in PLN. Changes in the PLN to EUR exchange rate between the time of pricing and receiving the proceeds from the Offering by the Company could reduce the EUR denominated proceeds received from the Offering and result in a decline in the Company's equity capital for reasons unrelated to the performance of its business. As of the date of the Prospectus, the Group does not have any specific hedging arrangements in place to cover exchange rate or interest rate fluctuations and there can be no assurance that the Group will enter into such arrangements in the future. If the Group does enter into hedging arrangements, it cannot assure that hedging

arrangements will not result in additional losses or that further shifts in exchange rates or interest rates will not have a material effect on the Group's operations and results

The Group's income and value of financial instruments may fluctuate due to changes in equity prices and market interest rates. The majority of Group's borrowings is at variable interest rates, which exposes the Group to cash flow interest rate risk. As a result the Group is subject to the effects of interest rate fluctuations on such indebtedness. A significant increase in the interest rate will negatively influence the Group's results. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's counterparties may fail to discharge their obligations, which could reduce the amount of future cash inflows from the Group's financial assets. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. In addition, cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

If the maturity of assets and liabilities does not match, the Group may be exposed to liquidity risk. This situation may potentially enhance profitability, but can also increase the risk of losses. The Group has procedures aimed at minimising such losses by maintaining sufficient cash and other highly liquid current assets.

If these risks materialize, they may have an adverse effect on the Group's results of operations. Adverse exchange and interest rate fluctuations, if not hedged, may negatively impact on the Group's business, result of operations, cash flow, financial condition or the price of the Shares.

The Group may be subject to penalties imposed under an action of the Antimonopoly Committee of Ukraine and/or third parties.

The Group's business has grown substantially over the years through the establishment and acquisition of companies and assets within and outside Ukraine. Some of these transactions, including the transactions that led to the restructuring of the Group in preparation for the Offering (See "*Business – History*" and "*Group Structure*"), might have required prior merger control approval from the Antimonopoly Committee of Ukraine (the "AMC"). Similar to many other businesses in Ukraine, it is possible that the Group has not always complied with all applicable competition law requirements in Ukraine; in addition, the relevant legislation has not always been certain or sufficiently developed and its implementation has been inconsistent. As a result, there may be transactions that required AMC approvals and for which such approvals were not obtained.

The failure to obtain AMC approvals when required for such transactions could subject the Group and its controlling shareholders (together with any related by control persons or entities) to fines in the amount of up to 5% of the Group's consolidated revenue and the revenue of any persons and entities directly or indirectly related by control to the Group and its controlling shareholders for the financial year immediately preceding the year in which the fine is imposed. Such transactions may also be invalidated through court procedures pursuant to an action of the AMC and/or third parties and the relevant entities/assets may be divested.

Management believes that any actions by the AMC and/or any third party in relation to a number of such past transactions would be barred under the applicable statute of limitations in Ukraine. Management therefore expects that any administrative fine which may be imposed by the AMC is likely to be substantially less than the maximum amounts specified above, or time-barred. However, there can be no assurance that this will be the case, or that the AMC and/or the court under an action of a third party will not conclude that relevant transactions violated applicable competition and other legislation. Any such findings could result in the imposition of sanctions on the Group, including requiring the Group to divest relevant entities or assets, adversely affecting the Group's business, results of operations, and financial condition.

Moreover, the Group's operations in the passenger transportation segment may be limited by antimonopoly regulations, given that its estimated market share in passenger river transportation in Kyiv is about 50%. Although the Group believes that its operations are mostly in compliance with applicable antimonopoly

regulations, there can be no certainty that its current or future market shares will not trigger the initiation of proceedings or investigations by the AMC. If any proceedings or investigations were to result in adverse decisions against the Group, it could be prohibited from engaging in certain activities that are regarded as restricting competition and/or financial penalties could be imposed on it, which could have an adverse effect on our passenger transportation business, financial condition or results of operations.

The Group could be subject to liabilities if it is determined that its past actions violated Ukrainian corporate law or regulation.

Ukrainian corporate law has developed considerably since Ukraine's transition to a market economy. However, due to frequent material changes in the economic and political environment, and the legislative authorities' lack of expertise, Ukrainian corporate laws and regulations throughout the transition period were contradictory in many respects and contained many gaps that made compliance with these laws difficult. Some laws still contain ambiguities, imprecision and inconsistencies. As a result, prior transactions engaged in by the Group may not have fully complied with all corporate formalities, and its Ukrainian subsidiaries may have been in violation of certain mandatory provisions which were applicable to them during certain periods. The Group's Ukrainian subsidiaries may not have fully complied with all applicable corporate laws and regulations that were in effect, including laws and regulations regarding the convocation of general participants' meetings; the formation of charter capital; net assets sufficiency and the transfer of interests in the Group's Ukrainian subsidiaries.

Depending on the nature of such violations, various legal sanctions could be imposed on the Group, which could have the following consequences, among others: the loss of title to some of the Group's participatory interests in its Ukrainian subsidiaries; the invalidation of certain transactions; the requirement to pay administrative fines; a requirement to comply with a request from state authorities to remedy the violations within a prescribed period of time; the inability to increase charter (share) capital and/or the obligation to decrease charter (share) capital, which may lead to requests from creditors for early termination of contractual relations and/or requests for mandatory winding-up proceedings; requests to unwind a previous transaction. While to date, the Group has not received any notice of violation from any interested parties or from state authorities, there can be no assurance that the Group will not receive any such notices or claims in the future. Any such event could have an adverse effect on the Group's business, results of operations, and financial condition.

Some of the Group's transactions are subject to Ukrainian transfer pricing regulations.

Ukrainian transfer pricing rules require that taxes are calculated based on prices set on arm's length (market) basis. This applies to transactions between related parties and, under certain circumstances, between unrelated parties (for example, all cross-border transactions). Ukrainian tax authorities may make transfer pricing adjustments and impose additional tax liabilities in respect of transactions between related parties and, as applicable, unrelated parties if the transaction prices differ from market prices. The Ukrainian transfer pricing rules are vaguely drafted and leave a wide scope for interpretation by Ukrainian tax authorities and courts. In addition, to date, there is only limited guidance as to how to apply these rules. Moreover, in the event a transfer pricing adjustment is assessed by Ukrainian tax authorities, the Ukrainian transfer pricing rules do not provide for an offsetting adjustment to the counterparty in the transaction that is subject to adjustment.

In the ordinary course of the Group's business there have been and continue to be a number of transactions between companies within the Group, as well as with other parties related to the Group and cross-boarder transactions, which generate significant revenues and costs in the Group (see "*Related Party Transactions*"). Although the pricing policies of the Group have not been challenged by the Ukrainian tax authorities in the last three years and the Management believes that the Group has sufficient basis to support its compliance with transfer pricing regulations, and that it has paid all taxes that are applicable, it is not always possible to determine an appropriate market price for all such transactions, and the Ukrainian tax authorities' view as to what constitutes a market price may differ from that adopted by the Group. As a result, there can be no assurance that the Ukrainian tax authorities will not challenge the prices used by the Group for these transactions and assess additional taxes and/or impose fines on the Group. If such price adjustments are implemented, the Group's effective tax rate could increase and its future financial results could be materially adversely affected. In addition, the Group could face significant losses associated with the assessed amount of prior tax underpaid and related fines and penalties, which could have a material adverse effect on its business, results of operations and financial condition.

The Issuer or its Panamanian subsidiary may be exposed to taxation in Ukraine if their activities are treated as creating a permanent establishment for Ukrainian tax purposes.

The Ukrainian Tax Code contains the concept of a permanent establishment in Ukraine as a means for taxing foreign legal entities which carry out regular entrepreneurial activities in Ukraine beyond preparatory and auxiliary activities. However, double tax treaties between Ukraine and other countries, such as the double tax treaty with Cyprus, usually provide for a narrower definition of permanent establishment than the Tax Code of Ukraine and, to the extent that they are in force, take precedence over Ukrainian tax law provisions.

The practical application of the rules governing permanent establishments under Ukrainian law and double tax treaties is not well developed and, as a result, foreign companies that only have limited operations in Ukraine and which would not normally satisfy the conditions for creating a permanent establishment under international rules, might nevertheless be treated as having a permanent establishment in Ukraine and hence become liable to Ukrainian taxation. Accordingly, no assurance can be given that the activities of the Issuer or its Panamanian subsidiary will not be treated by the Ukrainian authorities as creating such a permanent establishment.

If the activities of the Issuer or its Panamanian subsidiary were treated as creating a permanent establishment in Ukraine, they would be subject to Ukrainian taxation on the part of their income that is attributable to that permanent establishment in a manner broadly similar to the taxation of any Ukrainian legal entity (currently 21% until 1 January 2013 and expected to reduce to 16% by January 2014 under current legislation). However, although Ukrainian tax law contains some attribution rules to determine the part of the income of a foreign entity that is attributable to any Ukrainian permanent establishment, these rules are not well developed. There is, therefore, a risk that the tax authorities might seek to assess Ukrainian tax on the entire income of the Issuer or its Panamanian subsidiary if they were treated as having a permanent establishment in Ukraine.

Having a permanent establishment in Ukraine may also have other adverse tax implications, including jeopardising the right to benefit from the reduced withholding tax rate under an applicable double tax treaty, and potentially affecting the Group's VAT obligations. There is also a risk that penalties could be imposed by the tax authorities for failure to register the permanent establishment with the Ukrainian tax authorities. Any such taxes or penalties could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is subject to litigation which could have a material adverse effect on the Group's business.

In February 2011 PJSC UkrSibbank filed a claim to the Kyiv commercial court against LLC Capital Shipping Company and three more companies claiming recovery, jointly and severally, of USD358,886.71 of overdue repayments of principal amount and interest and UAH89,584.18 of penalty under a loan agreement entered into by the bank with LLC Dniprovska Laguna. Since, allegedly, the debtor continued to breach the loan repayment schedule, the plaintiff increased the amount of the joint and several claim towards the defendants. Finally, the plaintiff increased the amount of claim to USD5,334,794.66 (the total purported principal loan amount and claimed interest) and UAH768,384.70 (the claimed penalty for the delay in repayment of the loan amount and interest). LLC Capital Shipping Company together with other two defendants acted as a surety in relation to payment obligations of the debtor under a loan extended by PJSC UkrSibbank to LLC Dniprovska Laguna, which was later restructured. LLC Capital Shipping Company did not undertake any surety obligations in relation to the restructured loan and considers its surety obligations terminated. Despite the objections of the defendants, the claim succeeded in the first instance and in December 2011 the court obliged LLC Capital Shipping Company and two other defendants to pay jointly with LLC Dniprovska Laguna to PJSC UkrSibbank the claimed amount in full. LLC Capital Shipping Company appealed that decision. The next court hearing is scheduled for July 2012. See: "*Business - Legal and Administrative Proceedings*". Management, having taken appropriate legal advice, believes that the claim is without merit. Having taken professional advice, the Group does not currently expect that the Group will suffer a material liability in connection with this matter and accordingly no provision has been made in the accounts in respect of this claim. There can be no assurance, however, that the claim will not succeed, which could have a material adverse effect on the Group's business, results of operations and financial condition.

There are weaknesses in the Group's accounting and reporting systems, accounting personnel and its internal controls and procedures relating to the preparation of IFRS financial statements.

Similar to many other companies that operate in emerging markets, the Group's accounting and reporting systems are not as sophisticated or robust as those of companies organized in jurisdictions with a longer history

of compliance with IFRS and the production of complete monthly financial statements for management purposes. The internal audit function of the Group is not presently fully operational and the lack of established accounting and reporting systems which have been in operation for an extended period of time may make the Group's financial information less reliable than that of companies that have implemented these systems over a longer period of time. These shortcomings could adversely impact the quality of decision making by the Group's senior management due to delays in producing complete management accounts on a basis consistent with IFRS.

Historically, the Group's senior management has largely based its decisions on sales and cost figures and demand and price trends rather than complete IFRS monthly financial statements. Each of the Group's Ukrainian subsidiaries prepares separate financial statements under Ukrainian accounting standards for statutory purposes. The preparation of IFRS consolidated financial statements involves, first, the conversion of the statutory financial statements of the Group's subsidiaries into IFRS financial statements through accounting adjustments and, second, the consolidation of all subsidiaries' financial statements. This process is complicated and time-consuming, and requires significant attention from the Group's senior accounting personnel at its corporate headquarters and subsidiaries. The Group's accounting systems and the internal controls and procedures relating to the preparation of the IFRS financial statements are not as advanced as those of companies operating in more developed countries and the preparation of financial statements and their conversion into IFRS may require more time for the Group and its subsidiaries than it does for such other companies. As a result, the Group may not be able to ensure that its consolidated financial statements are prepared and converted into IFRS in a timely manner in accordance with applicable requirements under the Group's financing arrangements or market expectations, or that complete management accounts are produced on a timely basis.

The preparation of the Group's IFRS financial statements requires IFRS-experienced accounting personnel. The Group lacks accounting personnel with substantial experience in IFRS. In addition to that, in Ukraine there is a limited pool of accounting personnel with IFRS expertise, which makes it difficult for the Group to hire and retain such personnel. There is a risk that any inability to hire or to retain qualified accounting staff could have a material adverse effect on the Group's ability to prepare accurate financial information in a timely manner.

Risks Relating to Ukraine

Emerging markets such as Ukraine are subject to greater risks than more developed markets.

Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. Concurrently with this transformation, Ukraine is changing from a centrally planned to a market-based economy, and its achievements in this respect have been recognised by the European Union, which gave Ukraine market economy status at the end of 2005, followed by the United States, which also granted Ukraine such status in February 2006. In addition, Ukraine joined the WTO in May 2008. Generally, investing directly or indirectly in emerging markets is suitable only for sophisticated investors who fully understand the significance of the risks involved and prospective investors are urged to consult with their own legal, tax, accounting and other advisers before making an investment in the Offer Shares. In particular, investors should be aware that an investment in a country such as Ukraine, which achieved independence about 20 years ago and whose economy is in transition, is subject to substantially greater risks than an investment in a country with a more developed economy and established political and legal systems, including significant political, economic and legal risks. Ukrainian enterprises have a limited history of operating in free-market conditions and (compared with companies in more developed jurisdictions) may lack experience in responding to changing marketing conditions or have more limited capital resources with which to develop their operations. Prospective investors should also note that emerging economies such as Ukraine's are subject to rapid change, and that some or all of the information set out in this Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market tends to adversely affect prices in debt and equity markets of all emerging markets as investors move their money to more stable, developed markets. In the second half of 2008, financial problems caused by the global economic slowdown and an increase in the perceived risks associated with investing in emerging economies dampened foreign investment in Ukraine, resulted in an outflow of capital and had an adverse effect on the Ukrainian economy. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate.

Ukraine may continue to experience political uncertainty.

Since obtaining independence in 1991, Ukraine has undergone substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. In

parallel with this transformation, Ukraine is transitioning from a centrally planned economy to a market economy. However, this process of economic transition is not complete.

The current Parliament was elected at the parliamentary elections held on 30 September 2007. On 9 October 2008, the President issued a decree dissolving the Parliament. However, this decree was challenged in court and cancelled by a subsequent decree by the President. The new parliamentary elections are expected to be held in October 2012.

The first round of the latest presidential elections was held on 17 January 2010. On 7 February 2010, in the second round of elections, Victor Yanukovich and Yuliya Tymoshenko won 48.95 % and 45.47 % of the popular vote, respectively. Viktor Yanukovich was inaugurated as President of Ukraine on 25 February 2010. In March 2010, the Parliament appointed Mykola Azarov, a member of the Party of Regions, as the new Prime Minister of Ukraine and endorsed the new members of the Government. In 2010 a political reform introduced by the Law of Ukraine "On Changes to the Constitution of Ukraine" dated 8 December 2004 (the "2004 Reform Law") was cancelled. The 2004 Reform Law provided for the shift of Ukraine from the presidential to the parliamentary democracy and distributed a significant part of the President's powers to the Parliament and the Government. The 2004 Reform Law has been challenged at the Constitutional Court of Ukraine and announced unconstitutional on 30 September 2010. As a result, the Constitution of Ukraine was reversed back to its initial text adopted in 1996 and the President resumed his significant powers.

As of the date of this Prospectus, the balance of power between the President, the Government and Parliament has shifted, in favour of the President and the parliamentary coalition dominated by the Party of Regions. A number of criminal cases have been initiated against the members of the former Government (including Mrs. Tymoshenko) for various acts of alleged misconduct during their service in the Government. In October 2011 the court found Mrs. Tymoshenko guilty of abuse of office in the signing a natural gas import contract with Russia in 2009, saying she lacked an official authorization for the deal and had agreed to a price that was too high for Ukraine's economy. Mrs. Tymoshenko was sentenced to seven years of imprisonment. This and some other court judgments reiterated claims about lack of the judicial system's independence from economic and political influences.

A number of factors could adversely affect political stability in Ukraine. These could include: alleged abuses during the upcoming parliamentary elections and possible court actions with this regard; or court action taken by opposition parliamentarians against decrees and other actions of the President or the Government; or court actions against members of opposition. If political instability occurs, it may have negative consequences for the Ukrainian economy and, as a result, a material adverse effect on Group's business, prospects, results of operations, financial condition or the price of the Shares.

Ukraine may experience economic instability.

The negative impact of the global economic and financial downturn has been compounded by weaknesses in the Ukrainian economy, which is sensitive to external and internal events. Since the dissolution of the Soviet Union, the Ukrainian economy has experienced at various times: (i) significant declines in gross domestic product; (ii) hyperinflation; (iii) an unstable currency; (iv) high state debt relative to gross domestic product; (v) a weak banking system providing limited liquidity to Ukrainian enterprises; (vi) a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings; (vii) significant use of barter transactions and illiquid promissory notes to settle commercial transactions; (viii) widespread tax evasion; (ix) the growth of "black" and "grey" market economies; (x) high levels of capital flight; (xi) high levels of corruption and the penetration of organised crime into the economy; (xii) significant increases in unemployment and underemployment; and (xiii) the impoverishment of a large portion of the Ukrainian population.

Although the Government has generally been committed to economic reform, the implementation of reforms has consistently faced the obstacles of controversies over privatization (including privatization of land in the agricultural sector and conducting opaque privatization), the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors, and the limited extent of cooperation with international financial institutions. Failure of the Government to support and implement reforms and any resulting instability could adversely affect the country's macroeconomic indices and economic growth. Furthermore, future political uncertainty in the executive or legislative branches could hamper efforts to implement necessary reforms. There can be no assurance that the political initiatives necessary to achieve these or any other reforms described elsewhere in this Prospectus will continue, will not be reversed or will achieve their intended aims. Rejection or reversal of reform policies favouring privatisation, industrial

restructuring and administrative reform, may have negative impact on the Ukrainian economy and, as a result, on the Group's business, prospects, results of operations, financial condition or the price of the Shares.

Ukraine's currency is subject to exchange rate volatility.

In view of the high dollarisation of the Ukrainian economy and increased activity of Ukrainian borrowers on external markets in 2005-2007, Ukraine has become increasingly exposed to the risk of Hryvnia exchange rate fluctuations. Since September 2008, the interbank USD/Hryvnia exchange rate has fluctuated significantly. In total, in 2008, the Hryvnia depreciated against USD by 52.5%% and against the Euro by 46% as compared to year-end 2007, and further depreciated against these currencies in the year ended 31 December 2009 by 3.7% and 5.5%, respectively.

In 2010, due to the increased supply, and resulting surplus, of foreign currency in the market, the Hryvnia appreciated against the USD by 0.29% and against the Euro by 7.65%. In 2011 the Hryvnia depreciated against the USD by 0.4% and, due to economic crisis in Europe, the Hryvnia appreciated against the Euro by 2.6%. The fluctuations in the USD/UAH exchange rate have negatively affected the ability of Ukrainian borrowers to repay their indebtedness to Ukrainian banks as well as to external lenders.

The Ukrainian currency may depreciate further in the near future, given (1) the absence of significant currency inflow from exports and foreign investment, (2) deterioration of economic crisis in Europe, which may result in shortage of Ukrainian export and, respectively, cause negative balance of Ukrainian external trade operations, and (3) the need for borrowers to repay a substantial amount of short-term external debt. Any further currency fluctuations may negatively affect the Ukrainian economy in general and, as a result, Group's business, results of operations, financial condition or the price of the Shares.

Any unfavourable changes in Ukraine's regional relationships, especially with Russia, may adversely affect the Ukrainian economy and thus the Group's business.

Ukraine's economy depends heavily on its trade flows with Russia and the rest of the CIS countries largely because Ukraine imports a large proportion of its energy requirements, mainly from Russia (and from other countries that deliver energy to Ukraine through Russia). In addition, a large portion of Ukrainian service proceeds come from transit charges for oil, gas and ammonia from Russia. As a result, Ukraine considers its relations with Russia to be of strategic importance. Apart from Russia, Ukraine also developed significant relationships with certain countries of the European Union ("EU") (including Germany, Poland, Hungary, Slovakia and Romania), as well as with Turkey and Georgia.

Relations between Ukraine and Russia cooled to a certain extent due to disagreements in late 2005, 2006, 2009, and again starting in 2011 over the prices and methods of payment for gas delivered by the Russian gas monopoly OJSC "Gazprom" ("Gazprom"); unresolved issues relating to the temporary stationing of the Russian Black Sea Fleet (Chornomorskyi Flot) in the territory of Ukraine; and a Russian ban on imports of meat and milk products from Ukraine, which was introduced in January 2006, partially lifted in July 2010 and reintroduced in 2012.

If bilateral trade relations between Russia and Ukraine were to deteriorate, this may have negative impact on the Ukrainian economy as a whole and thus on the Group's business, results of operations, financial condition and prospects. On 21 April 2010, the Presidents of Ukraine and the Russian Federation agreed to amend existing gas supply agreements between NJSC "Naftogaz of Ukraine" and Gazprom to the effect that Gazprom would introduce a discount to the previously agreed price formula. The discount was provided in exchange for certain concessions for stationing the Russian Black Sea Fleet on the territory of Ukraine, such as extending the lease terms for an additional 25 years from 2017 with further 5-year period extensions after the 25-year term. On 27 April 2010 the Ukrainian and Russian Parliaments ratified the agreement. Currently, the Government of Ukraine is in negotiations with the government of Russia to amend the existing agreement and negotiate more favourable terms for the gas supply which will be formalized in the new instrument.

More than 20 % of Ukrainian goods are currently exported to Russia, while much of Russian exports of energy resources are delivered to the EU via Ukraine. Considerable dependence of the Ukrainian economy on Russian energy exports together with increase in natural gas price by Russia may adversely affect the pace of economic growth of Ukraine. Furthermore, gas price increases may force Ukraine to launch certain reforms in the energy sector and modernization of major energy-consuming industries through the implementation of efficient technologies and modernization of production facilities. However, there can be no assurance that this will take place.

Any major adverse changes in Ukrainian relations with Russia, in particular any such changes adversely affecting exporting goods to Russia, would likely have negative effects on certain sectors of the Ukrainian economy and may affect the Group's business, prospects, results of operations, financial condition or the price of the Shares.

A failure to develop relations with the EU might have negative effects on the Ukrainian economy and the Group's business.

Ukraine continues to develop its economic relationship with the EU. In 2009, the EU was the second largest external trade partner of Ukraine with its share in the total foreign trade turnover of Ukraine amounting to about 31.0 % (exports of goods and services from Ukraine to the EU amounted to approximately USD 12.5 billion, and imports of goods and services from the EU to Ukraine amounted to approximately USD 18.4 billion). In 2010, the EU's share in the total foreign trade turnover of Ukraine amounted to 29.6% (exports of goods and services from Ukraine to the EU amounted to approximately USD 16.2 billion, and imports of goods and services from the EU to Ukraine amounted to approximately USD \$22 billion). In 2011, the European Union's share of the total foreign trade turnover of Ukraine remained materially the same. Goods and services exported from Ukraine to the European Union amounted to US\$21.5 billion, while goods and services imported to Ukraine from the European Union amounted to US\$29.1 billion.

European Union imports from Ukraine are to a large extent liberalised, apart from metal scrap, on which Ukraine levies export duties.

In return for effective implementation of political, economic and institutional reforms, Ukraine and other neighboring countries should be offered the prospect of gradual integration with the EU's internal market, accompanied by further trade liberalisation. Ukraine's accession to the World Trade Organisation (the "WTO") created the necessary preconditions for the launch of formal negotiations for introduction of a free trade area ("FTA") with the EU.

At the Paris Summit in September 2008 an agreement was reached to start negotiations on an EU-Ukraine Association Agreement and a number of negotiating rounds have been organized since then. The Association Agreement is intended to significantly deepen Ukraine's political association and economic integration with the EU. As Ukraine became a member of the World Trade Organisation (WTO) in May 2008, negotiations on the establishment of a Deep and Comprehensive Free Trade Area have been launched, as an integral part of the Association Agreement. On 11 November 2011 the last round of negotiations of the Association Agreement between Ukraine and the European Union was held. The Agreement will be term-free subject to revision after five years upon both parties' consent. Ukraine agreed to amend legislation (including constitutional amendments) to extend the jurisdiction of the International Criminal Court to citizens of Ukraine. No formal note on the prospect of EU membership for Ukraine has been included into the agreement, instead it was only established that agreement on this issue would be reached during a meeting at the political level, but no date was specified for this. On 30 March 2012 Ukraine and EU initialed the Association Agreement. After the initialing, the document has to be signed, ratified and implemented.

Should Ukraine fail to develop its relations with the European Union or should such developments be protracted, this may have a negative effect on the Ukrainian economy.

Deterioration of relationships between Ukraine and its major creditors may adversely affect Ukraine's financing, and the level of inflation, which may in turn affect the Group's business.

Ukraine's internal debt market remains illiquid and underdeveloped as compared to markets in most Western countries. This absence of a deep and liquid market for domestic treasury bonds means that Ukraine remains vulnerable should it not be possible to access international capital markets for any reason in the future. To date, international capital markets and loans from multinational organisations such as the European Bank for Reconstruction and Development (the "EBRD"), the IMF, the World Bank and the European Union have comprised Ukraine's significant sources of external financing. Failure to raise sufficient funds in the international capital markets or from multinational organisations could put pressure on Ukraine's budget and foreign exchange reserves, as well as the value of the Hryvnia, and have a material adverse effect on the Ukrainian economy as a whole, which could in turn have a material adverse effect on the Group's business, results of operations, financial condition or the price of the Shares.

Weaknesses relating to the legal system and legislation may create an uncertain environment for investment and business activity.

Since independence in 1991, as Ukraine has been developing from a planned to a market-based economy, the Ukrainian legal system has also been developing to support this market-based economy. Ukraine's legal system is, however, in transition and is, therefore, subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation; and (iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organized form.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending in the Parliament. The recent origin of much of Ukrainian legislation, lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt, and result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities.

These and other factors that have an impact on the Ukrainian legal system make investment in the Shares subject to greater risks and uncertainties than an investment in a country with a more mature legal system.

All of these weaknesses could affect the Group's ability to enforce its rights or to defend itself against claims by others, which could have a material adverse effect on the Group's business, prospects, results of operations, financial condition or the price of the Shares.

The judiciary's lack of independence and overall experience, difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions could prevent the Group or investors from obtaining effected redress in court proceedings.

The independence of the judicial system and its immunity from economic and political influences in Ukraine remains questionable. Although the Constitutional Court of Ukraine is the only body authorized to exercise constitutional jurisdiction, the system of constitutional jurisdiction itself remains complicated and, accordingly, it is difficult to ensure smooth and effective removal of discrepancies between the Constitution and applicable Ukrainian legislation on the one hand and among various laws of Ukraine on the other hand.

The court system lacks staffing and funding. Judicial decisions under Ukrainian law generally have no precedent effect, which results in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. The Ukrainian judicial system became more complicated and hierarchical as a result of the judicial reforms. All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in furtherance of political aims. The Group may be subject to these claims and may not be able to receive a fair hearing. Finally, court orders are not always enforced or followed by law enforcement institutions. Courts in Ukraine will generally not recognise and/or enforce any judgment obtained in a court of a country other than Ukraine unless such enforcement is envisaged by an international treaty to which Ukraine is a party, and then only in accordance with the terms of such treaty. The uncertainties of the Ukrainian judicial system may have a negative impact on the Ukrainian economy as a whole, and thus may materially adversely affect the Group's business, financial condition, results of operations or prospects in Ukraine.

State authorities have a high degree of discretion in Ukraine and at times they exercise their discretion arbitrarily, without due process or prior notice, and sometimes in a manner that is contrary to law. Unlawful or unilateral state actions could include the withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions.

There are deficiencies in corporate governance standards under Ukrainian law.

Disclosure and reporting requirements have only recently been enacted in Ukraine and remain underdeveloped. Anti-fraud legislation has only recently been adapted to the requirements of a market economy and remains largely untested. Most Ukrainian companies do not have corporate governance procedures in line with the standards of the European Union Member States or the United States. The concept of fiduciary duties owed by management or members of the board to their companies or shareholders remains undeveloped in Ukraine. Such deficiencies could significantly affect the communication of material information or result in inappropriate management decisions, which may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Official economic data and third-party information in this Prospectus may not be reliable.

Although a range of governmental ministries, along with the National Bank of Ukraine (the "NBU") and the State Statistics Committee of Ukraine (the "SSCU"), produce statistics on Ukraine and its economy, there can be no assurance that these statistics are as accurate or as reliable as those compiled in more developed countries. Prospective investors should be aware that figures relating to Ukraine's GDP and many other aggregate figures cited in this Prospectus may be subject to some degree of uncertainty and may not have been calculated in accordance with international standards.

Furthermore, standards of accuracy of statistical data may vary from ministry to ministry or from period to period due to the application of different methodologies. In this Prospectus data are presented as provided by the relevant ministry to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the International Monetary Fund (the "IMF"). Since the first quarter of 2003, Ukraine has produced data in accordance with the IMF's Special Data Dissemination Standard. There can be no assurance, however, that this IMF standard has been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. In addition, Ukraine has experienced variable rates of inflation, including periods of hyperinflation. Unless indicated, the information and figures presented in this Prospectus not been restated to reflect such inflation and, as a result, period to period comparisons may not be meaningful. Prospective investors should be aware that none of these statistics has been independently verified. The Group has also provided information on certain matters pertaining to documentation that belongs to independent third parties. In certain of these circumstances, the Group has relied on reported information in presenting such matters but is unable to independently verify such information.

Ukraine's economy is vulnerable to fluctuations in the global economy.

When the global economic and financial situation began to deteriorate in 2008, the effect on Ukraine's economy was particularly severe. Because Ukraine is a major producer and exporter of steel and agricultural products, the Ukrainian economy is especially vulnerable to world commodity prices and the imposition of import tariffs by the United States, the European Union or by other major export markets.

Ukraine's industrial output decreased dramatically starting from the fourth quarter of 2008: according to the SSCU, the decline in industrial output in 2008 amounted to 5.2%, compared to growth of 7.6% in 2007. Industrial output further declined in 2009 by 21.9%, followed by a 11.2% growth in 2010. In 2011, industrial output increased by 7.3%. In addition, consumer price inflation in Ukraine was 4.6% in 2011, 9.1% in 2010, 12.3% in 2009, and 22.3% in 2008. Wholesale prices are also vulnerable to increases in international prices for steel products and grain, as well as natural gas and oil, and wholesale price inflation levels have been high. Wholesale price inflation was 14.2%, 18.7%, 14.3% and 23.0% in 2011, 2010, 2009 and 2008, respectively.

Adverse economic developments may, in the future, have a disproportionate effect on Ukraine's economy and Ukraine may experience a lack of availability of external funding, increases in international prices for goods imported by Ukraine or decreases in international prices for goods exported from Ukraine, which may have or continue to have a material adverse effect on the economy and thus on Group's business, financial condition, results of operations and the price of the Shares.

Ukraine's physical infrastructure is in poor condition, which could disrupt normal business activity.

Ukraine's physical infrastructure largely dates back to the Soviet times and in certain respects has not been adequately funded and maintained. In some areas the waterway networks, power generation and transmission,

communication systems and building stock are particularly affected. The Ukrainian Government has been implementing plans to develop the nation's waterway networks, electricity and telephone systems, which may result in increased charges and tariffs whilst failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. Breakdowns and failures of any part of Ukraine's physical infrastructure may disrupt the Group's normal business activity. Further deterioration of Ukraine's physical infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Ukraine and interrupt business operations, any or all of which could have a material adverse effect on the Group's business, prospects, financial condition, results of operations and the price of the Shares.

Corruption and money laundering may have an adverse effect on the Ukrainian economy.

External analysts have previously identified corruption and money laundering as problems in Ukraine. An anti-money laundering law came into force in Ukraine in June 2003, which significantly improved money laundering monitoring procedures. The NBU and other financial institutions in the country are now required to take comprehensive actions to monitor certain financial transactions more closely for evidence of money laundering. As a result of the implementation of this legislation, Ukraine was removed from the list of non-cooperative countries and territories by the Financial Action Task Force on Money Laundering (the "FATF") in February 2004, and in January 2006 FATF suspended the formal monitoring of Ukraine. Ukraine is currently in the process of adopting its new anti-corruption laws. In early June 2009, the Parliament adopted several laws establishing a general framework for the prevention and counteraction of corruption in Ukraine, whose entry into force was suspended several times until the laws were finally abolished in early 2011. On 7 April 2011, the Parliament adopted a new Law of Ukraine on Fundamental Principles of Prevention and Counteraction of Corruption in Ukraine (the "Anticorruption Law"), which has been effective since 1 July 2011 (save for some articles which have been in force since 1 January 2012). Although the Anticorruption Law has been criticised for its departure from certain achievements of the 2009 anticorruption laws (for example, the elimination of responsibility of legal entities), the Anticorruption Law does contain provisions regarding measures to prevent corruption, introduces a detailed regulation of the responsibility for involvement in corruption, sets forth certain principles of financial reporting, establishes the Unified State Register of Individuals who Committed Corrupt Actions and provides for international cooperation in combating corruption.

In August 2010, a new law entered into force significantly amending Ukrainian anti-money laundering legislation and implementing 40 revised recommendations and nine special recommendations of the FATF, as well as the directive of the European Parliament on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. In particular, the law extends the list of entities that are required to monitor financial transactions at the primary level, extends the list of state agencies authorised to conduct state financial monitoring, and broadens the list of grounds on the basis of which a financial transaction may be subject to monitoring.

Additionally, on 19 May 2011, the Law of Ukraine on the Introduction of Amendments to Certain Legislative Acts of Ukraine on Prevention of Legalisation (Money-Laundering) of Illegally Gained Income (the "Anti-Money-Laundering Law") came into force. The Anti-Money-Laundering Law penalises certain stock market manipulations by introducing amendments to the Law of Ukraine on State Regulation of Stock Market in Ukraine, the Code of Administrative Offences of Ukraine, and the Criminal Code of Ukraine.

Although the newly adopted legislation is expected to facilitate anti-corruption efforts in Ukraine, there can be no assurance that the laws will be effectively applied and implemented by the relevant supervising authorities in Ukraine. Any future allegations of corruption in Ukraine or evidence of money laundering could have a negative effect on the ability of Ukraine to attract foreign investment and thus could have a negative effect on the economy of Ukraine, which in turn could have a material adverse effect on Group's business, results of operations, financial condition and the price of the Shares.

Ukraine's tax system is undeveloped and subject to frequent change, which may create an uncertain environment for investment and business activity.

Ukrainian tax legislation is subject to frequent changes and amendments, which can result in either a more favourable environment or unusual complexities for the Group and its business generally. For example, with effect from 1 January 2011 the Ukrainian tax system was significantly reformed by the adoption of the Tax Code of Ukraine. As a result, there may be significant uncertainty as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations.

Apart from the Tax Code of Ukraine, the issues of taxation are frequently governed by other statutory enactments. All the above impact negatively on the predictability of the country's taxation system, and, therefore, may tell adversely on business activity, reducing the attractiveness of the national economy for foreign investors and restricting its opportunities for medium and long-term planning.

As a result of the ambiguity of interpretation of some tax regulations, and the discrepancies in the attitudes of taxpayers and government control agencies, there exists a large volume of explanations and clarifications for the application of such laws. For example, the difficulties in refunding VAT remain an obstacle for investing in the export-oriented sectors of economy. The complicated process of tax inspections and the contradictory rules on when they should be held may create serious barriers during the administration of the taxes. Due to the budget deficit, even the taxpayers entitled to VAT refund, may not receive such refund in practice or may not be able to offset it against future tax liabilities. The Group's subsidiaries had experienced such problems in the past.

Differing opinions regarding legal interpretations often exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties and areas of conflict. Recent events within Ukraine suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Tax declarations/returns, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are authorized by law to impose substantial fines, penalties and interest charges. These circumstances generally create tax risks in Ukraine which are more significant than typically found in countries with more developed tax systems.

Generally, tax returns in Ukraine remain open and subject to inspection for an indefinite period of time; however, the Ukrainian tax authorities may re-assess tax liabilities of taxpayers only within a period of three years after the filing of the relevant tax return. Nonetheless, this statutory limitation period may not be observed or may be extended in certain circumstances. Moreover, the fact that a period has been reviewed does not exempt this period, or any tax declaration or return applicable to that period, from further review.

While the Group believes that it is currently in compliance in all material respects with the tax laws affecting its operations, it is possible that relevant authorities could, in the future, take differing positions with regard to interpretative issues, which may have a material adverse effect on the Group's business, prospect, results of operations, financial condition and the price of the Shares.

The business environment in Ukraine could deteriorate.

Ukrainian enterprises have a limited history of operating in free-market conditions and have had limited experience (compared with companies in more developed jurisdictions) of entering into and performing contractual obligations. Ukrainian enterprises, when compared to businesses operating in more developed jurisdictions, are often characterised by management that lacks experience in responding to changing market conditions and limited capital resources with which to develop their operations. In addition, Ukraine has a limited infrastructure to support a market system, and communications, banks and other financial infrastructure are less well developed and less well regulated than their counterparts in more developed jurisdictions. Ukrainian enterprises face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, high taxes and limited lending by the banking sector to the industrial sector, among other factors. Many Ukrainian enterprises cannot make timely payments for goods or services and owe large amounts in taxes, as well as wages to employees.

The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's ability to conduct its business effectively and on the market price of the Shares.

The multiple factors and, primarily, as a result of the financial or political crisis in Ukraine, the failure of the Government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism including calls for restrictions on foreign ownership of Ukrainian businesses, and violence. Although the Group has not experienced any such pressures in the past, no assurance can be given that the Group will not experience labour or social problems in the future. Any of these events could restrict the Group's operations and lead to the loss of

revenue, thereby materially adversely affecting both the Group's ability to conduct its business effectively and the market price of the Shares.

Risk related to the Issuer***The Issuer is a holding company with no assets other than shares of its subsidiary.***

The Issuer is a holding company with no other assets than the shares in the Group Companies. All business operations are carried out by the Group Companies. The Issuer could pay dividends only to the extent it is entitled to receive indirectly dividends from the Group Companies. It recognizes gains from the sale of its assets and proceeds from the issuance of the Shares only (see "General Information on the Issuer"). Furthermore, the Issuer will depend upon external sources of financing, the earnings and cash flows from the Group Companies and dividends on shares indirectly held in the Group Companies to pay expenses and meet any future obligations. There is no guarantee that the earnings and cash flows from the Group Companies will be sufficient to meet future needs.

The rights of Cyprus company shareholders differ from the rights of the shareholders of Polish listed companies.

The Issuer was incorporated and organized under the laws of the Republic of Cyprus in particular, in accordance with the Cyprus Companies Law Cap.113, as amended (the "Cyprus Companies Law") and consequently the rights of the Issuer's shareholders are governed by the laws of Cyprus and by the Issuer's Articles of Association. Accordingly, the Issuer's corporate structure as well as the rights and obligations of its shareholders may be different from the rights and obligations of the shareholders of Polish-based companies listed on the WSE. While in many important respects the Cyprus law is similar to the Polish law, Cyprus regulations may provide shareholders with particular rights and privileges which could not exist in Poland and, vice versa, certain rights and privileges that shareholders have in Poland may not be guaranteed. The exercise of some of the shareholders' rights in a Cypriot company could be more complicated or expensive for investors from Poland than the exercise of similar rights in a Polish company.

Resolutions of the General Meeting of Shareholders may be adopted with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Rectification of the Company's registers and/or some corporate actions may require the approval of Cypriot Courts.

Investors may have problems with enforcement of judgments against the Issuer.

The Issuer is incorporated in accordance with the laws of Cyprus and has its registered office in the Republic of Cyprus. However, the majority of the Group's assets and business activities are located in Ukraine. For this reason investors may encounter difficulties in service of process and the conduct of proceedings with respect to any of the entities within the Group. For the same reason it may be more difficult for investors to enforce a judgment of their home country courts issued against the entities from the Group compared to entities located and conducting business in that home country.

The Issuer has been, and will continue to be, controlled by principal shareholder.

Mr. Kostiantyn Molodkovets (the "Principal Shareholder"), who is also the Chief Executive Officer of the Issuer, owns directly 78.5% of the Issuer's shares existing on the date of the Prospectus. Following the Offering, Mr. Kostiantyn Molodkovets will continue to own directly up to 51.0% of the Issuer's issued share capital, assuming all of the Offer Shares are placed with investors. Moreover, Mr. Denys Molodkovets, who is a family relative to Mr. Kostiantyn Molodkovets (his son) and is member of the Board of Directors of the Issuer, owns directly 11.5% of the Issuer's shares existing on the date of the Prospectus and following the Offering will continue to own directly up to 7.5% of the Issuer's issued share capital, assuming all of the Offer Shares are placed with investors. The Principal Shareholder has the ability to control any action requiring shareholder approval, including electing the majority of the Issuer's Board of Directors and determining the outcome of most corporate matters, without recourse to the Issuer's minority shareholders. As a result, the Principal Shareholder could, for example, cause the Group to pursue acquisitions and other transactions, even though such transactions may involve higher risk for the Group. Moreover, the interests of the Principal Shareholder may, in some circumstances, conflict with the interests of the holders of the Offer Shares. If circumstances were to arise where the interests of the Principal Shareholder conflicted with the interests of holders of the Offer Shares, they could

take actions materially adverse to the interests of holders of the Offer Shares. See "*Management and Corporate Governance*" and "*Related Party Transactions*".

Tax treatment for non-Cypriot investors in a Cyprus company may change.

The Issuer is organised and existing under the laws of Cyprus and as such the Cyprus tax regime applies to distribution of profit and other payments from the Issuer to its investors. The taxation of incomes from such payments as well as other incomes, from sale of shares, for instance, may vary depending on the tax residence of particular investors as well as on provision of double tax treaties with Cyprus in force. Provisions applying to particular investors may be unfavourable or may change adversely. See "*Taxation*".

The Issuer may be subject to Cypriot Defence Tax.

The Cypriot Defence Tax, at a rate of 20%, would be payable by the Issuer on deemed dividends to the extent that its shareholders (both individuals and companies) are Cyprus tax residents. A Cypriot company which does not distribute at least 70% of its after tax profits within two years of the end of the year in which the profits arose would be deemed to have distributed this amount as a dividend two years after that year end. The Cypriot Defence Tax on deemed dividend distribution would be payable by the Issuer to the extent such profits are attributable to Cyprus tax resident shareholders (both individuals and companies). The Issuer will debit such Cypriot Defence Tax paid against the profits attributable to such shareholders. The amount of deemed dividend distribution (subject to the Cypriot Defence Tax) is reduced by any actual dividend (not subject to the Cypriot Defence Tax) paid out of the profits of the relevant year at any time up to the date of the deemed distribution. The profits to be taken into account in determining the deemed dividend do not include fair value adjustments to movable or immovable property (if any).

Imposition of such a tax on the Issuer could have a material adverse effect on the Group's business, results of operations, financial condition or prospects and the trading price of the Shares.

When a person who is not tax resident in Cyprus receives a dividend from a Cyprus tax resident company and that dividend is paid out of profits which at any stage were subjected to the deemed dividend distribution rule described above, then the Cypriot Defence Tax paid due of the deemed distribution which relates to the dividends received by such person is refundable.

The application or interpretation of the Cypriot tax system or in the double tax treaty between Ukraine and Cyprus may change or the Company may become managed and controlled from or otherwise tax resident in a jurisdiction other than Cyprus.

The Company is incorporated in Cyprus. Cyprus became a member of the European Union on 1 May 2004, as a result of which it has harmonised its legislation with European Union directives and guidelines and has reformed its tax system. Moreover, as a result of its accession to the European Union, Cyprus will adhere to decisions of the European Court of Justice and any amendments to, or newly introduced, European Union directives with respect to taxation. Such judicial decisions and legislative changes may adversely affect the tax treatment of and transactions with the Company.

In addition, in accordance with Cypriot income tax laws, a company is tax resident in Cyprus if its management and control is exercised in Cyprus. There is no definition in the Cypriot income tax laws as to what constitutes management and control. Currently the Cyprus tax authorities follow the OECD model convention with respect to taxes on income and capital, which refers to a "place of effective management". The commentary on that model convention states: the place of effective management is the place where key management and commercial decisions that are necessary for the conduct of the entity's business are in substance made. The place of effective management will ordinarily be the place where the most senior person or group of persons (for example a board of directors) makes its decisions, the place where the actions to be taken by the entity as a whole are determined; however, no definitive rule can be given and all relevant facts and circumstances must be examined to determine the place of effective management. An entity may have more than one place of management, but it can have only one place of effective management at any one time. Based on this definition, management and control may be considered to be exercised where the board of directors of a company meets and makes decisions. Management believes that the Company meets these criteria and can be considered a Cyprus tax resident. A company that is tax resident in Cyprus is subject to Cypriot taxation and qualifies for benefits available under the Cypriot tax treaty network, including the double tax treaty between the government of the Union of Soviet Socialist

Republics and the government of Cyprus, dated 29 October 1982, to which Ukraine is a successor and which is still applied in Ukraine (the “Double Tax Treaty”).

In the event the tax residency of a company incorporated in Cyprus is challenged, such Cypriot company would be required to establish that it is managed and controlled from Cyprus. If the tax residency of the Company were to be challenged and it had failed to observe the requirements of, or was unable to establish that it qualified as, a Cypriot tax resident, it would be unable to make use of the Cypriot tax treaty network. If the Company is not tax resident in a member state, any tax benefits under the EU tax directives may be restricted or eliminated. In addition, if management and control of the Company takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, it may be subject to tax in that other jurisdiction. Whether this is the case will depend upon the tax laws of that other jurisdiction and, in certain cases, the impact of any tax residence “tie-breaker” provision in any double tax treaty between Cyprus and that jurisdiction.

There can be no assurance that the Double Tax Treaty between Cyprus and Ukraine will not be denounced or renegotiated. On 16 January 2008, the Cabinet of Ministers of Ukraine authorised the Ukrainian Ambassador in the Republic of Cyprus to sign a new Convention between the government of Ukraine and the government of the Republic of Cyprus for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “Convention”). In June 2012 three draft laws on denunciation of the Double Tax Treaty between Cyprus and Ukraine were submitted to the Ukrainian parliament. Recent reports indicate that the currently effective Double Tax Treaty may be repealed and the new Convention may be signed in the near future, although it is expected that a new round of negotiations will take place and amendments to the proposed draft agreement may be effected. In contrast to the currently effective Double Tax Treaty, which exempts dividends, capital gains, interest payments, and rent (royalty) payments from Ukrainian withholding tax, under the proposed Convention, dividends paid by the Group’s Companies to the Company would be taxable at source in Ukraine at 5% of the gross amount of dividends. The proposed Convention also provides for taxation at source in Ukraine of interest at 10% of the gross amount of the interest if the beneficial owner of the interest is a resident of Cyprus.

Adverse changes in the application or interpretation of Cypriot tax law, or in the Double Tax Treaty or a finding that the Company does not qualify as a Cypriot tax resident or for tax treaty based benefits, or is subject to tax in another jurisdiction, may increase the Group’s consolidated tax burden, including its interest expenses and adversely affect its business, results of operations and financial condition.

Risks Related to Shares, Listing and Trading on the WSE

The Offering may be delayed, suspended or cancelled.

Public offerings are subject to various circumstances independent from the Company and the Principal Shareholder. In particular, the demand for the Offer Shares is shaped by, among others, investors’ sentiment toward sector, legal and financial conditions of the Offering. In case such circumstances would have an adverse impact on the results of the Offering, the Principal Shareholder and the Company may decide to delay, suspend or cancel the Offering. Consequently, the investors may be unable to successfully subscribe for the Offer Shares and payments made by investors during the Offering, if any, may be returned without any compensation.

There has been no prior public trading market for the Shares.

Prior to the Offering, there has been no public trading market for the Shares. Although the Issuer will apply for the Shares to be admitted to trading on the WSE, there can be no assurance that an active trading market for the Shares will develop or, if developed, can be sustained following the closing of the Offering. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be materially and adversely affected. Active, liquid trading markets generally result in lower price volatility, lower spreads and more efficient execution of buy and sell orders for investors. If an actual liquid trading market for the Shares does not develop, the price of the Shares may be more volatile and it may be difficult to complete a buy or sell order for the Shares.

The price of the Shares may fluctuate significantly.

The trading prices of the Shares may be subject to significant price and volume fluctuations in response to many factors, including but not limited to:

- variations in the Group's operating results and those of other companies operating in the same industry sector;
- negative research reports or adverse brokers' comments;
- future sales of the Shares owned by the Issuer's significant shareholders, or the perception that such sales will occur; and
- extreme price and volume fluctuations on the WSE or other stock exchanges, including those in other emerging markets.

Fluctuations in the price and volume of the Shares may not be correlated in a predictable way to the Group's performance or operating results. The Offer Price may not be indicative of prices that will subsequently prevail in the market and an investor may not be able to resell its Shares at or above the Offer Price.

Turmoil in emerging markets could cause the value of the shares to suffer.

Financial or other turmoil in emerging markets has in the recent past adversely affected market prices in the world's securities markets for companies operating in the affected developing economies. There can be no assurance that renewed volatility stemming from future financial turmoil, or other factors, such as political unrests, that may arise in other emerging markets or otherwise, will not adversely affect the value of the Shares even if the Ukrainian economy remains relatively stable.

The market value of the Shares may be adversely affected by future sales or issues of substantial number Shares.

Future sales of the Shares owned by the Principal Shareholder or new issuances of the Shares by the Issuer, or the perception that such sales or new issuances will occur, could cause a decline in the market price of the Shares. In connection with the Offering, each of the Issuer and the Principal Shareholder has agreed to certain lock-up arrangements in respect of their holdings of Shares held prior to the Offering. For further details see: "Shareholders – Lock-up agreements". The Issuer cannot predict whether substantial numbers of the Shares will be sold by the Principal Shareholder following the expiry of the lock-up period. In particular, there can be no assurance that after the lock-up period expires, the Principal Shareholder will not reduce his holdings of the Shares. Future sales of the Shares could be made by the Issuer or the Principal Shareholder or through a capital increase undertaken by the Issuer to fund an acquisition or for another purpose. A sale of a substantial number of the Shares, or the perception that such sales could occur, could materially and adversely affect the market price of the Shares and could also impede the Issuer's ability to raise capital through the issue of equity securities in the future.

Holders of the Offer Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of Shares.

Holders of the Offer Shares generally will have a pre-emptive right with respect to any issue for cash consideration of the Shares or the granting of rights to subscribe for the Shares, unless explicitly provided otherwise in a resolution by the General Meeting or other corporate body having the right to exclude pre-emptive rights. As of the date of the Prospectus the authorized share capital of the Issuer is EUR 200,000 divided into 20,000,000 ordinary shares. The Board of Directors is authorised to issue in connection with the Offering up to 3,500,000 new Shares in the Issuer's share capital during the period ending on five years from the date of publication of the resolution of the General Meeting to create the authorised capital and may limit or exclude pre-emptive rights of existing shareholders in connection with such issue of the new Shares. The authority of the Board of Directors to exclude pre-emptive rights within the scope of the authorised share capital may be extended for a further period by a majority resolution of the General Meeting. As a result, shareholders may experience significant dilution if additional Shares were to be offered and pre-emptive rights were excluded. Moreover, holders of the Shares in certain jurisdictions may not be able to exercise pre-emptive rights for the Shares unless the applicable securities law requirements in such jurisdiction are adhered to or an exemption from

such requirements is available. Accordingly, such holders may not be able to exercise their pre-emptive rights on future issuances of the Shares, and, as a result, their percentage ownership interest in the Issuer would be reduced.

Holders of Shares may face legal uncertainty if the Issuer is the subject of a takeover.

Following the listing of the Shares on the WSE, the Issuer will be subject to both Cypriot and Polish laws and regulations, and jurisdiction in respect of a possible takeover of the Issuer would be shared between the CySEC and the PFSA.

Pursuant to the Cyprus Takeover Law a person, who as a result of his/her own acquisition or the acquisition by persons acting in concert with him/her, holds securities of a company which, added to any existing holdings of those securities of his/hers and the holdings of those securities of persons acting in concert with him/her, directly or indirectly give him/her a percentage of 30% or more of existing voting rights in that company at the date of the acquisition, such a person is required to immediately make a bid to all the holders of those securities for all their holdings at an equitable price.

Additionally, the Polish takeover provisions that apply to the Issuer differ from the Polish takeover provisions that apply to Polish companies listed on the WSE in that the Polish Public Offerings Act explicitly disappplies Polish takeover regulations in respect of foreign companies listed on the Polish regulated market with respect to the crossing of the 66% voting rights threshold. In all other respects, the Polish takeover provisions that apply in respect of foreign companies listed on the Polish regulated market are the same as those that apply in respect of Polish companies listed on the WSE. For further, see "*Certain Cypriot and Polish Securities Market Regulations and Procedures and the Warsaw Stock Exchange*".

Similarly, no clear guidance can be given in connection with squeeze-out and sell-out. See "*Certain Cypriot and Polish Securities Market Regulations and Procedures and the Warsaw Stock Exchange*". The Issuer urges potential investors, prior to taking any decision with respect to exercising rights and obligations regarding tender offers, squeeze-out and sell-out, to contact their legal advisor and seek advice as to the possibility of such rights or obligations being exercised with respect to the Issuer.

The Issuer is established and organised under laws of Cyprus while the Offer Shares will be listed on a regulated market in Poland.

The Issuer is a company organised and existing under the laws of the Republic of Cyprus while the Offer Shares will be listed on a regulated market in Poland. The Issuer's corporate structure as well as rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE.

Cyprus will be the home Member State of the Issuer for the purpose of the European Union securities regulations, and Poland will be its host Member State. The EU directives provide different competencies for the home Member State and host Member State with respect to rights and obligations of the investors in public companies, depending on the subject of regulations. In addition, the directives are not always implemented in the proper manner at a national level. Consequently, investors in the Offer Shares may be forced to seek complex legal advice in order to comply with all regulations when exercising their rights or when fulfilling their obligations. In case an investor fails to fulfill its obligations or violates law when exercising rights from or regarding the Offer Shares, he or she may be fined or sentenced for such non-compliance or be unable to exercise rights from the Offer Shares.

In addition, the exercise of pre-emption and certain other shareholders' rights for Polish or non-Cypriot investors in a Cyprus company may be more difficult and costly than the exercise of rights in a Polish company listed on the WSE. Resolutions of the General Meeting of Shareholders may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Certain protections such as pre-emption rights and anti-takeover measures, may not be available to holders of the Offer Shares, or their application may be uncertain (see "*Risk Factors - Holders of the Offer Shares may not be able to exercise pre-emptive rights, and as a result may experience substantial dilution upon future issuances of Shares*" and "*— Holders of Shares may face legal uncertainty if the Issuer is the subject of a takeover*").

There is no guarantee that the Issuer will pay dividends in the future.

The Issuer is under no continuous obligation to pay regular dividends to its shareholders. Any payment of dividends in the future will depend upon decisions of the Board of Directors and the General Meeting (at which the Principal Shareholder may represent a majority of voting rights). Payment of (future) dividends may be made only if mandatory provisions so allow, as required by law or by the Articles of Association and the respective articles of association of the Group Companies. Furthermore, for the decision to pay dividends the following factors (among others) shall also be taken into account: future results of operations, cash flows, financial position, reinvestment needs, expansion plans, contractual restrictions, and other factors the Board of Directors and/or the General Meeting deem relevant, which do not necessarily have to coincide with the short-term interests of all the Issuer's shareholders.

There can be no assurance that the Issuer will make any dividend payments in the future. As at the date hereof, the Issuer does not expect to pay dividends in the next two years. However the Issuer may pay dividends at some future date, including in the short-to-medium term, if the Board of Directors consider it commercially prudent to do so and approve an interim dividend or if the General Meeting (having considered the recommendation of the Board of Directors) approves a dividend. The Board of Directors and the General Meeting will take into account various factors, including the Group's business prospects, future earnings, cash requirements, financial position, expansion plans and the requirements of the law of Cyprus (See "*Dividends and Dividend Policy*"). Accordingly, investors cannot rely on dividend income from the Offer Shares and any returns on an investment in the Offer Shares will likely depend entirely upon any future appreciation in the price of the Shares.

The Issuer may be unable to list the Shares on the WSE, or the Issuer may be delisted from the WSE.

The admission of the Shares to trading on the WSE requires, *inter alia*, that (i) the Shares are registered with the clearing and settlement system of the NDS and (ii) the management board of the WSE approves the listing and trading of the Shares on the WSE. To obtain the WSE management board's approval the Issuer has to meet certain requirements provided for in the respective regulations of the WSE and other applicable laws. Such requirements include, but are not limited to: (i) the appropriate free float of the Shares; (ii) the appropriate market value of the Shares or the equity of the Issuer; (iii) no restriction on transferability of the Shares; (iv) the approval of this Prospectus by the CySEC and its notification to the PFSA; and (v) no bankruptcy or liquidation proceedings pending with respect to the Issuer. Furthermore, while examining the Issuer's application for admission of the Shares to trading on the WSE, the management board of the WSE will take into consideration: (i) the Issuer's current and projected financial standing; (ii) the Issuer's development perspectives, in particular, assessment of investments objectives taking into account its financial sources; (iii) experience and qualifications of the members of the Issuer's Board of Directors; (iv) the terms on which the securities were issued and the compliance of these terms with the principles of the public nature laid out in the WSE Rules; and (v) security of public trading on the WSE and interests of trading participants. Some of the conditions mentioned above are discretionary in nature and, therefore, the Issuer cannot provide any assurance that the management board of the WSE will conclude that the Issuer meets all of them.

The rules of the WSE require the Issuer to file an application for introduction of the Shares to trading on the WSE within a period of six months from the date on which the Issuer's Shares have been admitted to such trading. If the Issuer fails to comply with this obligation, the decision of the management board of the WSE on the admission of the Issuer's Shares to trading on the WSE could be annulled.

The Issuer intends to take all the necessary steps to ensure that its Shares are admitted to trading on the WSE as soon as possible after the closing of the Offering. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading on the WSE on the Listing Date as expected or at all. Moreover, if the PFSA, which is the competent authority of the Issuer's host state, finds that the Issuer has failed to perform or has unduly performed its obligations under applicable Polish securities laws, it shall notify the CySEC, which is the competent authority of the Issuer's home state, of such event. If, despite the PFSA's notification, the CySEC does not take any measures aimed at preventing further breach by the Issuer of its obligations, or when such measures prove ineffective, after the notification of the CySEC, the PFSA may, in order to protect investors' interests, impose a fine and/or delist the Shares from trading on the WSE. The PFSA shall notify the European Commission immediately of the application of such measures.

Mandatory delisting of the Shares will be effected by the WSE management board where: (i) transferability of the Shares has become restricted, (ii) the Shares are no longer in book-entry form, (iii) the PFSA has requested so in accordance with the Polish Trading in Finance Instruments Act, or (iv) the Shares have been delisted from

another regulated market by a competent supervisory authority over such market, provided that the Shares were traded on another regulated market. In addition, the WSE management board shall delist the Shares from trading upon the request of the PFSA, if the PFSA concludes that trading in the Issuer's Shares imposes a significant threat to the proper functioning of the WSE or the safety of trading on that exchange, or infringes investors' interest.

The WSE management board may also delist the Shares where, (i) the Shares cease meeting all requirements for admission to trading on the WSE; (ii) the Issuer persistently violates the regulations of the WSE; (iii) the Issuer has requested so; (iv) the Issuer has been declared bankrupt or a petition for bankruptcy has been dismissed by the court because the Issuer's assets do not suffice to cover the costs of the bankruptcy proceedings; (v) the WSE considers it necessary to protect the interests of the market participants; (vi) following a decision on a merger, split or transformation of the Issuer; (vii) no trading was effected in the Shares within a period of three previous months; (viii) the Issuer has become involved in a business that is illegal under the applicable provisions of laws; and (ix) the Issuer is in liquidation proceedings.

The Issuer believes that as at the date hereof there are no circumstances which could give grounds for delisting of the Shares from the WSE in the foreseeable future. However, there can be no assurance that any of such circumstances will not arise in relation to the Issuer's Shares in the future. Delisting of the Shares from the WSE could have an adverse effect on the liquidity of the Shares and, consequently, on investors' ability to sell the Shares at a satisfactory price.

The Issuer may be unable to list the Shares on the main market of the WSE.

The Issuer intends to apply for admission and introduction of up to 10,000,000 Shares to trading on the main market of the WSE. The WSE requires that certain criteria shall be met in order to list shares on the main market of the WSE, e.g. the WSE requires that all shares of the same type shall be referred to in the application for admission and the share capital of a company to be listed must be adequately diluted (i.e. part of the capital must be held by minority shareholders holding individually less than 5% of that company's share capital). If the Issuer will not be able to meet all criteria required by the WSE, it may not be able to list the Shares on the main market of the WSE. As a result the WSE would not approve the Shares for listing on the main market of the WSE and, consequently, the Shares would be listed on the parallel market.

Trading in the Shares on the WSE may be suspended.

The WSE management board has the right to suspend trading in the Shares for up to three months (i) at the request of the Issuer, (ii) if the Issuer fails to comply with the respective regulations of the WSE (such as specific disclosure requirements), or (iii) if it concludes that such a suspension is necessary to protect the interests and safety of market participants.

Furthermore, the WSE management board shall suspend trading in the Shares for up to one month upon the request of the PFSA, if the PFSA concludes that trading in the Shares is carried out in circumstances which may impose a possible threat to the proper functioning of the WSE or the safety of trading on that exchange, or may harm investors' interest.

The Issuer will make all endeavours to comply with all applicable regulations in this respect. However, there can be no assurance that trading in the Shares will not be suspended. Any suspension of trading could adversely affect the Share price.

The Issuer may have a limited free float, which may have a negative effect on the liquidity, marketability or value of its Shares.

Prior to the Offering, the Principal Shareholder owns 78.5% of the Issuer's outstanding Shares and immediately after the Offering the Principal Shareholder will own up to 51.0% of the Issuer's outstanding Shares, provided that all Offer Shares are placed with investors. Moreover, Mr. Denys Molodkovets, who is a family relative to Mr. Kostiantyn Molodkovets (his son) and is member of the Board of Directors of the Issuer, owns directly 11.5% of the Issuer's shares existing on the date of the Prospectus and following the Offering will continue to own directly up to 7.5% of the Issuer's issued share capital, assuming all of the Offer Shares are placed with investors.

In addition, the WSE requires that the share capital of a company to be listed on the main market of the WSE must be adequately diluted, i.e. part of the capital must be held by minority shareholders holding individually less than 5% of that company's share capital. If the Offer Shares are acquired by a limited number of large investors, there is a risk that the share capital would not be adequately diluted and as a result the WSE would not approve the Shares for listing on the main market of the WSE and, consequently, the Shares would be listed on the parallel market.

The marketability of the Issuer's Shares may decline and the market price of the Issuer's Shares may fluctuate disproportionately in response to adverse developments that are unrelated to the Group's operating performance and decline below the Offer Price.

The Company cannot assure that the marketability of the Company's Shares will improve or remain consistent. The Offer Price in the Offering may not be indicative of the market price for the Company's Shares after the Offering has been completed. Shares listed on regulated markets, such as the WSE, have from time to time experienced, and may experience in the future, significant price fluctuations in response to developments that are unrelated to the operating performance of particular companies. The market price of the Company's Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Group Companies and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. These and other factors may cause the market price and demand for the Company's Shares to fluctuate substantially and any such development, if adverse, may have an adverse effect on the market price of the Company's Shares which may decline disproportionately to the Group Companies' operating performance. The market price of the Company's Shares is also subject to fluctuations in response to further issuance of shares by the Company, sales of Shares by the Company's major shareholders, the liquidity of trading in the Shares and capital reduction or purchases of Shares by the Company as well as investor perception. As a result of these or other factors, there can be no assurance that the public trading market price of the Company's Shares will not decline below the Offer Price.

The Issuer has no experience in complying with requirements for publicly-listed companies.

A public company is subject to a number of obligations, mostly relating to the disclosure of relevant information for investors. The Issuer has never been subject to such obligations and may fail to fulfill such obligations. As a consequence, investors may not be provided with price-sensitive information on time, or at all, or the content of materials made public may be of unsatisfactory quality. In addition, in case of its non-compliance with relevant rules and regulations relating to a public company, the Issuer may be fined or have other sanctions imposed on it, which may have an adverse impact on the Issuer's financial results, share price and demand for the Shares.

The Issuer is not in full compliance with the corporate governance rules of the WSE and may not be able to be fully compliant in the near future.

The Issuer is not, as of the date of this Prospectus, in full compliance with the WSE Corporate Governance Rules, which is a result of differences between Polish and Cypriot law. Certain principles contained in the WSE Corporate Governance Rules will apply to the Company only to the extent allowed by Cypriot law and subject to certain reservations stemming from the Company's corporate structure. In cases where the Company is unable to comply with the WSE Corporate Governance Rules directly, the Company will comply with them accordingly.

PERSONS RESPONSIBLE

This Prospectus has been drafted in accordance with relevant legislation. The Prospectus has been approved by the CySEC, as the Cypriot competent authority for the purposes of the Prospectus Directive, only as to the disclosure of information to investors as provided by the Cyprus Prospectus Law and the Prospectus Regulation.

This Prospectus contains all information concerning the Company and the Offering required to be published by the Cyprus Prospectus Law and the Prospectus Regulation. Thus, this Prospectus contains all the information necessary for investors to evaluate the assets, liabilities, financial position, performance and prospects of the Group as well as the rights attached to the Shares.

The Company

The Company assumes full responsibility for the information contained in this Prospectus and declares that the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. The Directors of the Company signing this Prospectus, are also responsible jointly and severally for the information contained in this Prospectus and declare that: (i) having taken all reasonable care to ensure that such is the case, the information and facts contained in it are, to the best of their knowledge, in accordance with the facts, complete and true; (ii) there are no other facts and no other events have taken place, the omission of which could affect the import of the information contained in it; and (iii) save as disclosed in this Prospectus no legal actions or claims of material importance are pending or threatened against the Company or the Group that could materially affect the Group's financial condition.

In accordance with the provisions of the Cyprus Prospectus Law, this Prospectus has been signed by the following Directors, who are responsible as to the accuracy, completeness, clarity and update of this Prospectus:

- Mr. Kostiantyn Molodkovets, Chief Executive Officer/Chairman of the Board of Directors;
- Mr. Denys Molodkovets, Chief Financial Officer;
- Mr. Ivaylo Georgiev Getsov, Chief Operating Officer.

Underwriter responsible for drawing up the Prospectus

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce in its capacity as Underwriter responsible for drawing up the Prospectus declares that, having taken all responsible care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

EXCHANGE RATES

The Consolidated Financial Statements included in this Prospectus are presented in US Dollars ("USD"). Financial statements were prepared by means of summarizing the share capital, assets, liabilities, revenues and expenses of the companies, which are under the control of the Issuer. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The following table shows, for the periods provided, and unless indicated otherwise, certain information regarding the exchange rates between Hryvnia ("UAH"), USD, and EUR used in the preparation of the Group's Consolidated Financial Statements appearing in this Prospectus.

	<u>UAH per USD</u>	<u>UAH per EUR</u>
Average weighted rate for the year ended 31 December 2008	5.27	7.71
Closing rate as of 31 December 2008	7.70	10.86
Average weighted rate for the year ended 31 December 2009	7.79	10.87
Closing rate as of 31 December 2009	7.99	11.45
Average weighted rate for the year ended 31 December 2010	7.94	10.53
Closing rate as of 31 December 2010	7.96	10.57
Average weighted rate for the year ended 31 December 2011	7.97	11.09
Closing rate as of 31 December 2011	7.99	10.30
Average weighted rate for the quarter ended 31 March 2012	7.99	10.46
Closing rate as of 31 March 2012	7.99	10.60

Source: The National Bank of Ukraine

USE OF PROCEEDS

Use of Proceeds

The Company expects the gross proceeds from the Offering to be approximately USD 36 million. The net proceeds that the Issuer will receive from the issue of the Offer Shares in the Offering, after deducting estimated commissions, costs and expenses associated with the Offering, are estimated to be approximately USD 33.5 million. The final amount of proceeds may however change due to possible fluctuations in PLN/USD ratio. Final details on the net proceeds from the Offering will be published within 14 days from the Allotment Date in a manner consistent with Cypriot and Polish regulations and market practice.

Net proceeds from the Offering together with its operating cash flows and debt financing will be used to accomplish the Group's investment program for the years 2012-2014 which envisages the following:

- increasing the fleet of dry bulk river-sea vessels; and
- increasing the capacity and renovation of the Group's shipyard.

As of the date of the Prospectus, the Group's cargo fleet consists of 8 river-sea dry bulk vessels of approx. 3,000 DWT each. The Group's strategy, as described in section "*Business - Investments*", assumes the increase of its total number of dry bulk vessels to 18 (of the combined carrying capacity of approximately 70,000 DWT). The first stage of this plan – acquisition of 6 secondhand dry bulk river-sea vessels of a size of 3,000 and 5,000 DWT – is going to be financed from the Offering proceeds in the amount of approximately USD 26.5 million. The Group aims to acquire the vessels built between 1992 and 1997. The choice between 3,000 and 5,000 DWT vessels will be done based on the availability of the vessels for sale on the market. The Group targets to acquire three 5,000 DWT vessels and three 3,000 DWT vessels. The Management expects to acquire vessels within 2-3 months after the Offering. Based on indicative market prices of the secondhand vessels as of the date of the Prospectus, the Management believes that the average price for such vessels should amount to around USD 4.5 million. Should the price of the available vessel exceed the originally assumed amount (due to the higher quality of the vessel or change in prices over time), the excess amount will be financed by the Group from its operating cash flows. The individual decisions on the acquisition of vessels will be based on the physical inspection of the technical condition of each vessel available, the classification society under which the vessels are registered and history of the vessel.

To support servicing of the increased fleet the Group plans to invest approximately USD 7 million in the increase of capacity by upgrading the existing facilities of the Group's shipyard and purchases of new equipment, in particular:

- increase of the capacity of existing slipway which will be able to take up repairs of 5-7 ships at the same time (instead of current 2-3);
- purchase of a railway floating dock allowing the repairs of additional 2 vessels at the same time and moving the vessels from water to land; and
- construction of a steel preparation workshop and an assembling workshop.

These investments will allow the Group to take up repairs of bigger vessels and in parallel construct up to two new vessels.

Depending on the availability of the operating cash flows and additional debt capacity, the Group may consider additional investments in the increase of its river-sea fleet.

The envisaged use of proceeds from the Offering has been presented by order of their priority for the Group.

For further details of the 2012 – 2014 investment program see "*Business – Investments – Investment program 2012-2014*".

To the extent the net proceeds of the Offering of the Offer Shares are not invested in any way described above, they will otherwise be used for modernization of fleet, supporting the Group's working capital needs, and for

activities carried out to support the key investment program items outlined by the business plan in line with the Group's business strategy.

Reasons for the Offering

The Offering and the Admission are expected to provide a number of benefits to the Company, such as the following:

- enabling the Company to raise funds with a view to implementing the Group's strategy and achieving its strategic goals;
- facilitating the Company's access to the capital markets and, improving opportunities for further growth, expansion and development of the Group's business and, thus increasing share value to our shareholders; and
- raising the Group's profile and strengthening the Group's position as one of the leading regional river-sea shipping companies.

DIVIDENDS AND DIVIDEND POLICY

The Board of Directors intends for the Company to re-invest any net earnings to finance the development of its assets and, accordingly, it is not intended that the Company shall pay any dividends in the next 2 years.

The dividend policy will be reviewed from time to time and payment of any future dividends will be effectively at the discretion of the Board of Directors and the General Meeting of shareholders after taking into account various factors, including the Company's business prospects, future earnings, financial position, expansion plans and requirements of Cypriot law. Cypriot law does not limit dividends that may be paid out except that the law states that dividends may only be paid of profits and may not be higher than recommended by the Board of Directors.

The distribution of profits and payment of dividends by the Company are subject to compliance with the Cyprus Companies Law, as amended, and the Company's Articles of Association.

The Company in a General Meeting may declare dividends to be paid out of profits but no dividend shall exceed the amount recommended by the Board of Directors. The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves.

Except for cases of reductions of subscribed capital, no distribution to shareholders may be made by a public company when, on the closing date of the last financial year, the net assets, as already set out in the company's annual accounts are, or following such a distribution would become, lower than the amount of the subscribed capital plus those reserves which may not be distributed under the law or the statutes. Where the uncalled part of the subscribed capital is not included in the assets shown in the balance sheet, this amount shall not be calculated in the amount of the subscribed capital. In addition, the amount of a distribution to shareholders may not exceed the amount of profits at the end of the last financial year, plus any profits brought forward and sums drawn from reserves available for this purpose, less any losses brought forward and sums placed to reserve in accordance with the law or the articles of association.

The Board of Directors may declare interim dividends if they determine such interim dividends to be justified by the profits of the Company. Interim dividends can only be paid if interim accounts are drawn up showing that the funds available for distribution are sufficient. In addition, the amount to be distributed may not exceed the total profits since the end of the last financial year plus any profits brought forward and sums drawn from reserves available for this purpose (less any losses brought forward and reserves created pursuant to the requirements of Cyprus law and the Articles of Association).

All Shares, including the Offer Shares, carry equal dividend rights.

As a holding company the ability of the Company to pay dividends will principally depend upon dividends or interest paid to it by its subsidiaries.

For information related to dividend rights and dividend payments, please see "*Description of the Shares and Corporate Rights and Obligations-Dividends*".

Dividends for the years ended 31 December 2009, 2010, and 2011 constituted approximately USD5.0 million, approximately USD4.7 million, and approximately USD3.5 million, respectively. Dividends per share for the years ended 31 December 2009, 2010, and 2011 amounted to approximately USD 500, approximately USD 470 and approximately USD 350, respectively.

CAPITALISATION AND INDEBTEDNESS

The following tables set out the Group's indebtedness and capitalization on a consolidated basis as of 30 April 2012 and 31 December 2011.

This information should be read in conjunction with the section "*Operating and Financial Review*" and the Consolidated Financial Statements, including the accompanying notes.

	As of 30 April 2012	As of 31 December 2011
	(unaudited)	(audited)
	(USD thousands)	(USD thousands)
Total current debt:		
Secured/guaranteed ⁽¹⁾	1,318	1,318
Unsecured/unguaranteed	-	-
Total current debt	1,318	1,318
Total non-current debt, net of current portion of long term debt:		
Secured/guaranteed ⁽¹⁾	3,183	3,183
Unsecured/unguaranteed	-	-
Total long-term liabilities	3,183	3,183
Shareholders' equity:		
Share capital	18	18
Share premium	-	-
Other reserves ⁽²⁾	24,103	24,103
Total shareholders' equity	24,121	24,121
Minority interest ⁽²⁾	48	48
Total capitalisation and indebtedness	28,670	28,670

⁽¹⁾ Secured and guaranteed debt consists of bank loans which are secured by property plant and equipment;
Source: The Issuer's data, based on audited consolidated accounts as of 31 December 2011 and management combined IFRS accounts as of 30 April 2012

⁽²⁾ Other reserves and minority interest have not been adjusted following the result of operations for the period 1 January 2012 to 30 April 2012

Net indebtedness as of 30 April 2012 and 31 December 2011.

	As of 30 April 2012	As of 31 December 2011
	(unaudited)	(audited)
	(USD thousands)	(USD thousands)
Cash	122	80
Cash equivalents	-	-
Trading securities	-	-
Liquidity	122	80
Current financial receivable		
Current bank debt	501	501
Current portion of non current debt	817	817
Other current financial debt - lease	-	-
Current financial debt	1,318	1,318
Net current financial indebtedness		
Non current bank loans	3,183	3,183
Bonds issued	-	-
Other non-current financial debt	-	-
Non-current financial indebtedness	3,183	3,183
Subordinated loan	-	-
NET FINANCIAL INDEBTEDNESS	4,379	4,421

Source: The Issuer's data, based on audited consolidated accounts as of 31 December 2011 and management combined IFRS accounts as of 30 April 2012

The Group does not have any indirect indebtedness and does not have any material contingent indebtedness that may have any significant influence on its financial position. For additional information on the contingent indebtedness, see Note 31 to the Audited Consolidated Financial Statements included elsewhere in this Prospectus.

Significant Change

No significant change in the consolidated indebtedness and capitalization of the Group has occurred since the 30 April 2012 and up to the date of the Prospectus.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following tables set forth certain selected consolidated financial data for the periods indicated, which have been extracted from the audited Consolidated Financial Statements.

The information below should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto and included elsewhere in this Prospectus and with the information included in “Operating and Financial Review”.

Consolidated Statement of Comprehensive Income

	For the year ended 31 December,		
	2011	2010	2009
	<i>(in USD thousand)</i>		
Revenue	29,159	13,907	16,273
Cost of sales	(13,645)	(8,372)	(9,498)
Gross profit	15,514	5,535	6,775
Other income	325	13	20
Administrative expenses	(851)	(1,432)	(1,522)
Distribution expenses	-	-	-
Other operating expenses	(921)	(428)	(194)
Operating profit	14,067	3,688	5,079
Net financial (expenses) / income	(100)	25	(159)
Profit before tax	13,967	3,713	4,920
Tax	222	1,364	(33)
Profit for the year	14,189	5,077	4,887

Source: Audited Consolidated Financial Statements

Consolidated Statement of Financial Position

	As of 31 December,		
	2011	2010	2009
	<i>(in USD thousand)</i>		
Vessels, property, plant and equipment	30,070	21,480	20,940
Intangible assets	117	4	6
Deferred tax assets	-	3	21
Total non-current assets	30,187	21,487	20,967
Inventories	421	223	195
Trade and other receivables	3,239	1,473	2,244
Cash and cash equivalents	80	77	196
Current assets	3,740	1,773	2,635
Total assets	33,927	23,260	23,602
Share capital	18	18	18
Retained earnings	33,638	19,851	20,195
Translation reserve	(9,535)	(9,305)	(9,352)
Total equity attributable to owners of the Company	24,121	10,564	10,861
Non-controlling interests	48	3,183	2,604
Total equity	24,169	13,747	13,465
Loans and borrowings	3,183	4,000	4,000
Deferred tax liabilities	2,643	2,898	4,278
Other long-term liabilities	229	99	-
Total non-current liabilities	6,055	6,997	8,278

	As of 31 December,		
	2011	2010	2009
	<i>(in USD thousand)</i>		
Short term loans	501	-	-
Short term portion of long-term bank loans	817	-	-
Trade and other payables	2,383	2,514	1,859
Tax liability	2	2	-
Total current liabilities	3,703	2,516	1,859
Total liabilities	9,758	9,513	10,137
Total equity and liabilities	33,927	23,260	23,602

Source: Audited Consolidated Financial Statements

Consolidated Statement of Changes in Equity

	Share capital	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	<i>(in USD thousand)</i>					
	18	(8,774)	21,085	12,329	1,829	14,158
As at 31 December 2008						
Profit for the year	-	-	4,075	4,075	812	4,887
Effect from translation into presentation currency	-	(578)	-	(578)	(37)	(615)
Dividends	-	-	(4,965)	(4,965)	-	(4,965)
As at 31 December 2009	18	(9,352)	20,195	10,861	2,604	13,465
Profit for the year	-	-	4,338	4,338	739	5,077
Effect from translation into presentation currency	-	47	-	47	10	57
Dividends	-	-	(4,682)	(4,682)	-	(4,682)
Acquisition of a non-controlling interest	-	-	-	-	(170)	(170)
As at 31 December 2010	18	(9,305)	19,851	10,564	3,183	13,747
Profit for the year	-	-	14,178	14,178	11	14,189
Effect from translation into presentation currency	-	(230)	-	(230)	(40)	(270)
Dividends	-	-	(3,523)	(3,523)	-	(3,523)
Acquisition of non controlling interest without a change in control	-	-	3,132	3,132	(3,132)	-
Acquisition of subsidiary	-	-	-	-	(1)	(1)
Disposal of subsidiaries	-	-	-	-	27	27
As at 31 December 2011	18	(9,535)	33,638	24,121	48	24,169

Source: Audited Consolidated Financial Statements

Consolidated Statement of Cash Flows

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Net cash flow from operating activities	12,668	5,854	6,123
Net cash flow from investing activities	(9,506)	(1,236)	(863)
Net cash flow from financing activities	(2,983)	(4,727)	(5,051)
Effects of translation into presentation currency	(176)	(10)	(66)
Net increase/ (decrease) in cash and cash equivalents	3	(119)	143

Source: Audited Consolidated Financial Statements

For description of significant changes to the Group's consolidated financial data and operating results during or subsequent to the period covered by audited Consolidated Financial Statements please see "Operating and financial review" in conjunction with the audited Consolidated Financial Statements.

OPERATING AND FINANCIAL REVIEW

Certain information contained in the section set forth below includes forward-looking statements. Such forward-looking statements are subject to risks, uncertainties and assumptions about the Group. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus may not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

The following review relates to the Group's historical financial condition and results of operations in the financial years ended on 31 December 2011, 2010, 2009. The "Operating and Financial Review" section was based on the Consolidated Financial Statements that are contained in the Prospectus and this section should be read in conjunction with the Consolidated Financial Statements.

Overview

The Group 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 8 river-sea, dry cargo vessels of total 25,206 DWT, which due to their shallow draft allow the access to major river 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, scrap metal, wood, fertilizers, feldspar, peas, cement, other materials and equipment. The Group also provides passenger river transport services in the Kyiv region (operating its own fleet of 6 passenger river vessels and the rented fleet of 2 passenger river vessels) as well as ship repair services in the Group's shipyard, which is located in the city of Kherson.

For additional information relating to the Group's fleet, ship repair yard and passenger river transport services see "Business".

The freight rates for dry bulk cargoes are characteristically cyclical and volatile, and this affects the Group's financial results. The cyclicity has been observed during the past three years. At the same time, the Black, Azov and Mediterranean Sea regions' shipping market has experienced overall increasing freight rates resulting in improved earnings and market growth in 2011. Other factors that affect the supply and demand of dry bulk cargoes capacity and as such, freight rates, include global and regional economic and political conditions, changes in seaborne and other transportation patterns (including changes in the distances over which cargoes are transported), and currency exchange rates. For a discussion of certain factors that affect supply and demand for dry bulk cargoes, see "Risk Factors".

Freight sales revenue accounted for 78.4%, 91.8% and 86.9% of total revenue for the years ended 31 December 2011, 2010 and 2009, respectively. Ship repair sales revenue accounted for 14.7%, 4.5% and 9.4% of total revenue for the years ended 31 December 2011, 2010 and 2009, respectively. Passenger sales revenue accounted for 6.9%, 3.7% and 3.7% of total revenue for the years ended 31 December 2011, 2010 and 2009, respectively.

Factors Affecting the Group's Operating Results

The Group's performance and operating results have been and continue to be affected by a number of factors, including macroeconomic conditions (primarily in Ukraine, Russia, Turkey, Italy, Georgia and Albania), spot contracts and freight rates, seasonality and grain demand fluctuations, voyage costs, crew costs and currency exchange rates among others. See also "Risk Factors".

Global macroeconomic conditions

The Group's operating results and financial condition are dependent among others on the general economic conditions in the global economy which may have an impact on the countries in which the Group loads and discharges largest amounts of cargo, namely Ukraine, Russia, Turkey, Italy, Georgia, Greece and particularly on economic growth and inflation and their impact on the purchasing power of its population.

The 2008/2009 global economic crisis severely impacted Ukraine's economy. As Ukraine is a major producer and exporter of metal, chemicals and machinery, its exports have decreased substantially due to weak external

demand and low international commodity prices since the end of 2008. In particular, in 2009, export of metallurgical products, chemicals and machinery declined by 53.6%, 51.1% and 63.1%, respectively.

Aggravated by other negative factors, such as the increase in energy prices and the absence of financial support from domestic and international lenders, this caused the decrease in the production volumes of the Ukrainian industrial enterprises, suspension of production processes and mass layoffs.

Furthermore, disruptions experienced in the international and domestic capital markets since 2007 have led to reduced liquidity and increased credit risk premiums for certain market participants which has resulted in a reduction of available financing or a “credit crunch”. Companies located in emerging market countries, such as Ukraine and Russia, have been particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs which resulted in them experiencing financial difficulty.

The following table sets forth the principal macroeconomic indicators for Ukraine, Russia, Turkey, Italy, Georgia, and Greece, for the years indicated.

	For the year ended 31 December		
	2011	2010	2009
	(%)		
Ukraine			
Change in real GDP	4.7	4.2	(14.5)
Consumer price index	9.3	9.4	15.9
Russia			
Change in real GDP	4.3	4.0	(7.8)
Consumer price index	8.9	6.9	11.7
Turkey			
Change in real GDP	6.6	8.9	(4.8)
Consumer price index	6.0	8.6	6.3
Georgia			
Change in real GDP	5.5	6.4	(3.8)
Consumer price index	9.6	7.1	1.7
Italy			
Change in real GDP	0.6	1.3	(5.2)
Consumer price index	2.6	1.6	0.8
Greece			
Change in real GDP	(5.0)	(4.4)	(2.3)
Consumer price index	2.9	4.7	1.4

Source: World Economic Outlook Database, September 2011, 2011 figures indicate IMF staff estimates

Spot contracts and freight rates

The Group’s main revenue is generated from the employment of its vessels for the river-sea transportation of dry bulk cargoes under spot contracts. The rates applicable under these contracts are determined by various market factors, including the supply and demand for products the Group transports, the number of vessels available in the market, the cost of fuel and other voyage and operating costs and the distance that cargoes must be transported.

The following table sets forth the average Group’s freight rates per tonne for different types of dry cargoes for the years indicated.

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD per 1 tonne)</i>		
Sunflower seed meal	46.5	30.1	35.2
Grain	33.7	26.3	23.5
Scrap metal	33.4	25.3	25.1
Cement	29.1	n/a	n/a
Fertilizers	28.9	18.2	21.6
Peas	28.6	n/a	n/a
Wood	27.9	24.0	25.8
General	25.3	17.2	17.5
Bran	24.1	17.9	19.3
Feldspar	19.1	n/a	n/a

Source: Issuer's data

The table above does not take into consideration the distance of the freight transported.

In deciding how to employ its vessels in the market, the Group considers a range of factors including but not limited to freight rates, types of dry cargoes, country of origin and destination, availability of return cargo, changes in the distances over which cargoes are transported, and restrictions of fleet usage in certain countries. For example, the fleet used in Cyprus shipping routes is restricted to enter Turkish ports. See "Risk Factors".

The Group specializes in transport services across the Black, Azov and Mediterranean Sea regions. Additionally, the Group's vessels are able to enter shallow inland river ports that limit access availability for most companies operating sea-going vessels.

The Group aims to employ its vessels under spot market contracts for the use in shallow inland ports to take advantage of spot rates in such ports, which, in the Management's experience, are higher. In addition, the Group enjoys lower average shallow sea and river port expenses.

The following table sets forth the average sea and river port rates for an average 3,000 DWT dry-bulk vessel per tonne of grain cargo for the year indicated.

	As of March, 2012
	<i>(USD per 3,000 DWT vessel)</i>
Sea ports	
Odessa	10,100
Yuzhny	9,700
Illichivsk	9,300
Nikolaev	8,300
Kherson	8,200
Yeisk	7,900
Ravenna	7,500
Poti	6,900
Temruyk	6,700
Azov	6,500
River ports	
Rostov	7,300
Dnepropetrovsk	6,000
Zaporozhye	5,400

Source: Issuer's data, GMS Global Maritime Services

Seasonality and grain demand fluctuations

The Group predominantly focuses on grain transportation, the demand for which is historically seasonal. The seasonality generates quarterly volatility in operating results. The river-sea grain transportation market is typically stronger in the fall months during harvest periods. In addition, due to severe weather conditions, the revenues have historically been weaker during the quarter ended 31 March and have been stronger during the quarter ended 31 December due to higher demand. The quarters ended June 30 and September 30 generally can be expected to be at median levels.

In the past, the Russian and Ukrainian governments imposed restrictions on the export of grain in circumstances where domestic supply could be compromised. In July 2010, following a reduction in domestic production caused by extreme weather conditions, the Russian government imposed a moratorium on the export of all types of grain, including wheat, barley and corn. This moratorium was lifted with effect from 1 July 2011 due to improved weather conditions in Russia, which have resulted in optimistic expectations for the 2011 harvest by the Russian government.

Because of increased demand for Ukrainian grain due to the export ban in Russia, in October 2010 the Ukrainian government introduced quotas for export of grain. The export quotas were initially imposed until the end of 2010 but were extended several times and finally lifted in July 2011. However, customs duties on the export of grain were introduced by the Ukrainian Parliament for the period from 1 July 2011 until 1 January 2012.

In the period when the grain export ban and quotas were effective in Russia and Ukraine, the Group shifted to other types of cargo and experienced lower cargo freight rates due to relative ship transport excess capacity in that period, which had adversely affected on the Group's revenues. For more information on the demand for grains and certain factors that affect it, see "*Risk Factors - The Group's ability to ship certain commodities may be limited from time to time*".

Foreign currency exchange rate

The functional currency of all the Group Companies is UAH. The currency of Cyprus is the Euro, but the principle exposure of the parent undertaking is through its Ukrainian subsidiaries, and therefore the functional currency of the Company is also considered to be UAH. Transactions in currencies other than the functional currency of the Group are treated as transactions in foreign currencies. The Group's management used USD as the presentation currency in the consolidated financial statements in compliance with IAS 21 "The effects of changes in foreign exchange rates".

Foreign currency exchange risk is the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Group does not use derivative financial instruments to hedge foreign currency risks and does not follow the official policy for distribution of risks between liabilities in one or another currency. However, in the period of receiving new borrowings and loans, the Group uses its own judgment to take the decision as for which currency of the liability will be more favorable for the Group during the expected period till maturity.

Other Operating Measures

The following table shows certain operating information relating to the Group's fleet that the Group considers in assessing its operating performance. The following operating data are not measurements of performance under IFRS or U.S. GAAP, and it should not be considered as an alternative to: (a) the financial information included in this Prospectus (as determined in accordance with IFRS), or (b) any other measures of performance under generally accepted accounting principles. The Group believes that the following measurements are measures commonly reported and widely used by investors in evaluating the performance of companies operating in the shipping industry, which can vary significantly depending upon accounting methods or non-operating factors. Accordingly, the following measurements have been disclosed in this Prospectus to permit a more complete and comprehensive analysis of the operating performance. Because companies do not calculate such measurements identically, the presentation of them may not be comparable to similarly titled measures used by other companies. Accordingly, undue reliance should not be placed on the following operating data.

	<u>Jan-April 2012</u>	<u>Jan-Apr 2011</u>	<u>2011</u>
Revenues per employment day (<i>USD in thousands</i>) ⁽¹⁾	49.2	39.6	69.2
Daily OPEX (<i>USD in thousands</i>) ⁽²⁾	26.2	25.7	29.8
Utilization rate (%) ⁽³⁾	98.2	96.1	97.1
Days available for hire ⁽⁴⁾	84	115	340

(1) *Revenues per employment day*. This figure represents freight business revenues, divided by days available for hire, multiplied by utilization rate.

(2) *Daily OPEX*. This figure represents freight business cost of sales, divided by days available for hire, multiplied by utilization rate.

(3) *Utilization rate*. This figure is equal to percentage of days available for hire that the vessels were actually hired.

(4) *Days available for hire*. This figure is equal to average number of days that each vessel is available for hire excluding periods of repair works and dry docking and weather not allowing navigation.

Source: Issuer's data

Explanation of Key Income Statement Items

The key consolidated income statement items are defined and explained below.

Sales revenue

The Group's sales revenue primarily generated from freight segment, passenger segment and ship repair segment.

Sales revenue from freight segment

The Group's sales revenue from its freight segment is generated mainly from the transportation services for dry bulk cargoes, including such commodities as grain, metal scrap, wood, fertilizers, coal and other materials along the Black, Azov and Mediterranean Sea regions' shipping routes. Freight segment sales revenue accounted for 78.4%, 91.8% and 86.9% of total revenue for the years ended 31 December 2011, 2010 and 2009, respectively.

Sales revenue from ship repair segment

The Group's sales revenue from its ship repair segment is generated mainly from the sale of ship construction, repair and maintenance and periodic dry-docking services provided on the Group's shipyard. Ship repair segment sales revenue accounted for 14.7%, 4.5% and 9.4% of total revenue for the years ended 31 December 2011, 2010 and 2009, respectively.

Sales revenue from passenger segment

The Group's sales revenue from its passenger segment is generated mainly from the sale of passenger river transport services in the Kyiv region (operating its own fleet of 6 passenger river vessels and the rented fleet of 2 passenger river vessels). Passenger segment sales revenue accounted for 6.9%, 3.7% and 3.7% of total revenue for the years ended 31 December 2011, 2010 and 2009, respectively.

Cost of sales

The Group's cost of sales consists of costs of material expenses, salary and related expenses, depreciation (amortization) of fixed assets, third parties services and other expenses.

Cost of sales related to the freight segment

The Group's cost of sales related to its freight segment consists of:

- bunker fuel, which the Group uses for its vessels;
- commissions payable to commercial managers and brokers for finding employment for the vessels;
- port and canal charges, which include port and canal dues, fees and charges for pilotage services, towage, mooring and unmooring, and agency fees;

- crew costs, representing the costs the Group incurs for the staffing and crew management of its vessels;
- technical expenses, representing repairs and spares expenses incurred in connection with the maintenance of its vessels;
- other expenses, including insurance for the Group's vessels.

Cost of sales related to the ship repair segment

The Group's cost of sales related to its ship repair segment generally consists of salary and material expenses incurred in connection with the construction, repair, maintenance and periodic dry-docking services provided.

Cost of sales related to the passenger segment

The Group's cost of sales related to its passenger segment generally consists of fuel, salary and technical expenses, representing repairs and spares expenses incurred in connection with the maintenance of its vessels.

Administrative expenses

The Group's administrative expenses consist of salary and related expenses, depreciation and amortization, third party services, taxes and duties, office and other materials, motor vehicles keeping expenses, expenses for maintenance, insurance and other administrative expenses.

Salary and related expenses primarily consists of salaries paid to administration and sales employees, payroll contributions with respect to such employees.

Depreciation and amortization primarily consists of depreciation of administrative buildings, cars, computers and office equipment.

Third party services primarily consist of professional and information services, auditors fees, lawyers fees, bank services and notary officer fees.

Taxes and duties primarily consist of taxes on land and other administrative taxes and duties.

Administrative expenses related to insurance primarily consist of premiums paid for insurance.

Distribution expenses

The Group's distribution expenses primarily consist of commissions related to the representative office of the Issuer in Cyprus.

Other operating income (expenses), net

The Group's other income (expenses), net primarily consists of income derived from income/(loss) from foreign exchange differences, income/(loss) from sale of foreign currencies, fines and penalties and other income and expenses.

Financial income (expenses), net

The Group's financial income (expenses), net consists of interest expenses, effect of notes discounting, write-offs of financial investments and gains and losses from foreign exchange in connection with credit facilities.

Operating and Financial Results

Summary financial and operating results for the year ended 31 December 2011, 2010 and 2009.

The following table sets forth a summary of our results of operations for the periods indicated.

	For the year ended 31 December				
	2011	Change	2010	Change	2009
	(USD in thousands)	%	(USD in thousands)	%	(USD in thousands)
Revenue	29,159	109.7	13,907	(14.5)	16,273
Cost of sales	(13,645)	63.0	(8,372)	(11.9)	(9,498)
Gross profit	15,514	180.3	5,535	(18.3)	6,775
<i>Gross profit margin</i>	<i>53.2%</i>	-	<i>39.8%</i>	-	<i>41.6%</i>
Other income	325	2400.0	13	(35.0)	20
Administrative expenses	(851)	(40.6)	(1,432)	(5.9)	(1,522)
Other operating expenses	(921)	115.2	(428)	120.6	(194)
Operating profit	14,067	281.4	3,688	(27.4)	5,079
<i>Operating profit margin</i>	<i>48.2%</i>	-	<i>26.5%</i>		<i>31.2%</i>
Net finance (expenses) / income	(100)	n/a	25	n/a	(159)
Profit before tax	13,967	276.2	3,713	(24.5)	4,920
Tax	222	(83.7)	1,364	n/a	(33)
Profit for the year	14,189	179.5	5,077	3.9	4,887
<i>Net profit margin</i>	<i>48.7%</i>		<i>36.5%</i>		<i>30.0%</i>

Source: Audited Consolidated Financial Statements

Year ended 31 December 2011 compared to year ended 31 December 2010

The following table sets forth the Group's results of operations for the years ended 31 December 2011 and 2010 derived from the consolidated financial statements.

	For the year ended 31 December		
	2011	2010	Change
	(USD in thousands)		(%)
Revenue	29,159	13,907	109.7
Cost of sales	(13,645)	(8,372)	63.0
Gross profit	15,514	5,535	180.3
Other income	325	13	2400.0
Administrative expenses	(851)	(1,432)	(40.6)
Other operating expenses	(921)	(428)	115.2
Operating profit	14,067	3,688	281.4
Net finance (expenses) / income	(100)	25	n/a
Profit before tax	13,967	3,713	276.2
Tax	222	1,364	(83.7)
Profit for the year	14,189	5,077	179.5

Source: Audited Consolidated Financial Statements

Sales revenue

The Group's sales revenue increased 109.7% to USD 29.2 million for the year ended 31 December 2011 from USD 13.9 million for the year ended 31 December 2010, which was primarily due to better weather conditions than in 2010, increase in the number of return cargo and decrease in the number of off-hire days. The following table sets forth the Group's sales revenue by segment for the years indicated:

	For the year ended 31 December		
	2011	2010	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Freight	22,852	12,766	79.0
Ship repair	4,290	627	584.2
Passenger transportation	2,017	514	292.4
Total	29,159	13,907	109.7

Source: Audited Consolidated Financial Statements

The most significant portion of the Group's sales revenue comes from its primary business of freight, which represented 78.4% and 91.8% of sales revenue for the year ended 31 December 2011 and 2010, respectively. The following table sets forth the volume of freight sold and the revenues generated from the sale of such freight broken down by freight type sold.

The following table sets forth the volume of freight sold and the revenues generated from the sale of such freight broken down by freight type sold.

	Year ended 31 December	
	2011	2010
Grain freight		
Sales of grain freight <i>(in tonnes)</i>	168,433	193,140
Revenue from sale of grain freight <i>(USD in thousands)</i>	5,684	5,081
Scrap metal freight		
Sale of scrap metal freight <i>(in tonnes)</i>	72,444	55,918
Revenue from sale of scrap metal freight <i>(USD in thousands)</i>	2,421	1,412
Sunflower meal freight		
Sales of sunflower meal freight <i>(in tonnes)</i>	37,484	31,774
Revenue from sale of sunflower meal freight <i>(USD in thousands)</i>	1,743	955
Wood freight		
Sales of wood freight <i>(in tonnes)</i>	36,588	26,038
Revenue from sales of wood freight <i>(USD in thousands)</i>	1,020	625
Bran freight		
Sales of bran freight <i>(in tonnes)</i>	32,041	23,515
Revenue from sales of bran freight <i>(USD in thousands)</i>	772	421
Fertilizers freight		
Sales of fertilizers freight <i>(in tonnes)</i>	21,950	5,441
Revenue from sales of fertilizers freight <i>(USD in thousands)</i>	634	99
Feldspar freight		
Sales of feldspar freight <i>(in tonnes)</i>	11,706	-
Revenue from sales of feldspar freight <i>(USD in thousands)</i>	224	-
Cement freight		
Sales of cement freight <i>(in tonnes)</i>	2,989	-
Revenue from sales of cement freight <i>(USD in thousands)</i>	87	-
Peas freight		
Sales of peas freight <i>(in tonnes)</i>	2,972	-
Revenue from sales of peas freight <i>(USD in thousands)</i>	85	-

	Year ended 31 December	
	2011	2010
General freight		
Sales of general freight (<i>in tonnes</i>)	278,672	193,128
Revenue from sales of general freight (<i>USD in thousands</i>)	7,058	3,331
Equipment freight		
Sales of equipment freight (<i>in tonnes</i>)	n/a	n/a
Revenue from sales of equipment freight (<i>USD in thousands</i>)	3,124	842
Total sales of freight (<i>in tonnes</i>)	665,279	528,954
Total revenue from freight sales (<i>USD in thousands</i>)	22,852	12,766

Source: Issuer's data

The split of the cargo transported in the years 2009-2011 by the Group was heavily influenced by prevailing market conditions in the Black and Azov Sea region, influenced by the global economic crisis as well as Russian and Ukrainian limitations imposed for the export of grain. The Group responded to the market conditions by taking case by case decisions on the choice of cargo, taking into consideration the cyclical nature of freight rates for particular types of cargo. For more information on the cyclical nature of different types of cargo please see “*Business – Cargo*”.

Sales revenue relating to the grain freight increased 11.7% to USD 5.7 million for the year ended 31 December 2011 from USD 5.1 million for the year ended 31 December 2010 despite 12.8% decrease in the sales volume of the grain freight and was primarily due to 28.1% increase of the average freight rate. Even though the grain export ban in Russia and quotas in Ukraine were lifted in mid 2011, the grain markets in Ukraine and Russia still have not recovered to the historic highest levels.

Sales revenue relating to the scrap metal freight increased 71.5% to USD 2.4 million for the year ended 31 December 2011 from USD 1.4 million for the year ended 31 December 2010, primarily due to the 29.6% increase in sales volume of the scrap metal freight and 32.3% increase of the average freight rate. The reason for the increased volumes was high demand from Turkey, which caused the increase of the freight rates.

Sales revenue relating to the sunflower meal freight increased 82.5% to USD 1.7 million for the year ended 31 December 2011 from USD 1.0 million for the year ended 31 December 2010, primarily due to the 18.0% increase in sales volume of the sunflower meal freight and 54.7% increase of the average freight rate. The increase of the average sunflower meal freight rate is primarily due to the shift from the short distance sunflower meal routes with Ukrainian and Russian ports of load and Turkish ports of discharge in 2010 to the long distance sunflower meal routes with Ukrainian and Russian ports of load and Italian ports of discharge in 2011.

Sales revenue relating to the wood freight increased 63.2% to USD 1.0 million for the year ended 31 December 2011 from USD 0.6 million for the year ended 31 December 2010, primarily due to the 40.5% increase in sales volume of the wood freight and 16.1% increase of the average freight rate. The increase in sales volume of the wood freight is primarily due to start of the shipment of wood freight from Nikolaev port in addition to the Kherson and Belgorod-Dnistrovsky ports of load in 2011.

Sales revenue relating to the bran freight increased 83.4% to USD 0.8 million for the year ended 31 December 2011 from USD 0.4 million for the year ended 31 December 2010, primarily due to the 36.3% increase in sales volume of the bran freight and 34.6% increase of the average freight rate.

Sales revenue relating to the fertilizers freight increased 540.4% to USD 0.6 million for the year ended 31 December 2011 from USD 0.1 million for the year ended 31 December 2010, primarily due to the 303.4% increase in sales volume of the fertilizers freight and 58.7% increase of the average freight rate. The increase in the sales volume and the average freight rate is primarily due to the start of fertilizers freight to Israel and Georgia.

Sales revenue relating to the equipment freight increased 371.0% to USD 3.1 million for the year ended 31 December 2011 from USD 0.8 million for the year ended 31 December 2010, primarily due to the increase in

volume of the equipment freight transported. Such increase was a result of expanding the commercial relationships with fertilizer and building equipment freight brokers which were established in 2010.

Sales revenue relating to the general freight increased 111.9% to USD 7.1 million for the year ended 31 December 2011 from USD 3.3 million for the year ended 31 December 2010, primarily due to the 44.3% increase in sales volume of the general freight and 46.8% increase of the average freight rate. Even though the general cargo had the highest share among cargo transported by the Group in 2011, it should be noted that this cargo is a group comprising different types of products, such as tiles on pallets, saten gypsum in big bags, silva gypsum in big bags, izover in pack, sand in bags on pallets, polyfoam on pallets, molded boards on pallets, steel in bundles, wood boards in pack on pallet a large portion of which was acquired by the Group as the return cargo on the opportunistic basis. The growth in 2011 was primarily a result of an improving market situation as well as increasing demand for such type of cargo. In addition to its specialization on the transportation services for dry bulk cargoes, including such commodities as grain, metal scrap, wood, fertilizers, other materials and equipment the Group diversified its freight segment business to feldspar, peas and cement freight in 2011.

The second most significant portion of the Group's sales revenue comes from its ship repair segment, which includes the sale of ship construction, repair, maintenance and periodic dry-docking services, which represented 14.7% and 4.5% of total sales revenue for the year ended 31 December 2011 and 2010, respectively. Sales revenue relating to the ship repair segment increased 584.2% to USD 4.3 million for the year ended 31 December 2011 from USD 0.6 million for the year ended 31 December 2010, primarily due to 369.5% increase in the volume of metal changed from 167 tonnes in 2010 to 784 tonnes in 2011 and 10% increase in the number of ships repaired, as well as the capital repair of the dry dock. In 2010 due to the bad situation in the shipping market, common decision was to postpone the big repairs and only undertake maintenance work, while the 2011 increase in freight rates allowed the ship owners to carry out the necessary repairs.

Sales revenue relating to passenger transportation segment represented 6.9% and 3.7% of total sales revenue for the year ended 31 December 2011 and 2010, respectively. Sales revenue relating to passenger transportation segment increased 292.4% to USD 2.0 million for the year ended 31 December 2011 from USD 0.5 million for the year ended 31 December 2010, primarily due to the 53.6% increase in the number of passengers transported from 104.6 thousand in 2010 to approximately 160.7 thousand in 2011, 160.3% increase in average price per 1 trip from USD 3.4 in 2010 to approximately USD 8.8 in 2011 and 276.7% increase in the passenger ship rental proceeds. The increase in the average price per 1 trip was caused by higher operating costs, a material price adjustment made by the Group for the first time in the last three years, and a market withdrawal by one competitor.

The following table sets forth the Group's sales revenue by domicile of entity providing the service for the years indicated.

	For the year ended 31 December		
	2011	2010	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Panama	19,761	12,766	54.8
Ukraine	9,398	1,141	723.7
Total	29,159	13,907	109.7

Source: Issuer's data

The revenues from Panama relate to freight services, while the revenues from Ukraine relate to ship repair and passenger transportation services. In 2011 a part of revenues from cargo transportation were generated in Ukraine due to part of the contracts being signed by the Ukrainian Group Companies. Sales revenue relating to Panama increased 54.8% to USD 19.8 million for the year ended 31 December 2011 from USD 12.8 million for the year ended 31 December 2010, primarily due to the 79.0% increase in the sales revenue related to the freight segment. Sales revenue relating to Ukraine increased 723.7% to USD 9.4 million for the year ended 31 December 2011 from USD 1.1 million for the year ended 31 December 2010, primarily due to the 585.3% increase in the sales revenue related to the ship repair segment and 292.4% increase in the sales revenue related to the passenger segment.

Cost of sales

The Group's cost of sales increased 63.0% to USD 13.6 million for the year ended 31 December 2011 from USD 8.4 million for the year ended 31 December 2010, and decreased as a percentage of total revenues to 46.8% for the year ended 31 December 2011 from 60.2% for the year ended 31 December 2010. The increase in cost of sales followed the increase in the volume of freight sold and transported and was also a result of expansion of the ship repair and passenger transportation businesses. The 22.3% decrease in cost as percentage of total revenue was primarily due to the increase in the amount of return freight cargoes which the Group managed to secure (not taken into account in quotation of cargo prices to the clients), and general increase in freight rates per tonne for different types of dry cargoes for the year ended 31 December 2011.

The following table sets forth the principal components of the Group's cost of sales for the periods indicated.

	For the year ended 31 December		
	2011	2010	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Wages and salaries	1,922	1,446	32.9
Materials	5,619	2,734	105.5
Third parties services	5,353	3,421	56.5
Sundry expenses	3	36	(91.7)
Depreciation	748	735	1.8
Total	13,645	8,372	63.0

Source: Audited Consolidated Financial Statements

Wages and salaries increased 32.9% to USD 1.9 million for the year ended 31 December 2011 from USD 1.4 million for the year ended 31 December 2010. This increase was primarily due to the increase in the volume of cargo transported.

Costs related to materials, which primarily consist of expenses for bunker fuel and technical expenses, increased 105.5% to USD 5.6 million for the year ended 31 December 2011 from USD 2.7 million for the year ended 31 December 2010. This increase was primarily due to the increase in the volume of cargo transported, increased consumption and price of fuel, as well as increased activities of the Group's shipyard in 2011.

Costs related to third parties services, which primarily consist of expenses for commissions payable, port and canal charges, and agent services, increased 56.5% to USD 5.4 million for the year ended 31 December 2011 from USD 3.4 million for the year ended 31 December 2010. This increase was primarily due to the increase in the volume of cargo transported and on average shorter voyages, resulting in the higher share of third party services in the cost of a single voyage.

The following table sets forth the Group's cost of sales by segments for the periods indicated.

	For the year ended 31 December		
	2011	2010	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Freight	9,824	7,696	27.7
Ship repair	2,456	357	588.0
Passenger transportation	1,365	319	327.9
Total	13,645	8,372	63.0

Source: Audited Consolidated Financial Statements

Costs related to freight segment, which primarily consist of expenses for bunker fuel, commissions payable, port and canal charges, crew costs and technical expenses, increased 27.7% to USD 9.8 million for the year ended 31 December 2011 from USD 7.7 million for the year ended 31 December 2010. This increase was primarily due to the 25.8% increase in the volume of cargo transported from 528,954 tonnes in 2010 to 665,279 tonnes in 2011 as well as growth in fuel prices and fuel consumption.

Costs related to ship repair segment, which consist of materials, third party services and salaries expenses incurred in connection with the construction, repair, maintenance and periodic dry-docking services, increased

588.0% to USD 2.5 million for the year ended 31 December 2011 from USD 0.4 million for the year ended 31 December 2010, primarily as a result of an increase in the volume of metal materials from 167 tonnes in 2010 to 784 tonnes in 2011 and the 10% increase in the number of ships repaired.

Costs related to passenger transportation, which consist of expenses for fuel, salary and technical expenses, increased 327.9% to USD 1.4 million for the year ended 31 December 2011 from USD 0.3 million for the year ended 31 December 2010, primarily due to the 53.6% increase in the number of passengers transported from 104.6 thousand in 2010 to approximately 160.7 thousand in 2011 and the increase in the passenger ship rental, the number of piers used, and the increase in fuel costs. Further, the Company bore additional costs in relation to preparation for anticipated servicing fans of EURO-2012 football championship, maintenance and repair of the passenger ships.

The following table sets forth the Group's cost of sales by domicile of entity providing the service for the years indicated.

	For the year ended 31 December		
	2011	2010	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Panama	7,117	7,696	(7.5)
Ukraine	6,528	676	865.7
Total	13,645	8,372	63.0

Source: Issuer's data

The cost of sales from Panama relates to freight services, while the cost of sales from Ukraine relates to ship repair and passenger transportation services. In 2011 a part of cost of sales from cargo transportation was generated in Ukraine due to part of the contracts being signed by the Ukrainian Group Companies. Cost of sales relating to Panama decreased 7.5% to USD 7.1 million for the year ended 31 December 2011 from USD 7.7 million for the year ended 31 December 2010, primarily due to the fact that part of the freight contracts being signed by the Ukrainian Group Companies. Cost of sales relating to Ukraine increased 865.7% to USD 6.5 million for the year ended 31 December 2011 from USD 0.7 million for the year ended 31 December 2010, primarily due to the increase in the ship repair and passenger transportation services as well as part of the cost of sales from cargo transportation was generated in Ukraine.

Gross profit

The Group's gross profit margin increased to 53.2% for the year ended 31 December 2011 from 39.8% for the year ended 31 December 2010, due to increased profitability of the cargo freight segment. Gross profit increased 180.3% to USD 15.5 million for the year ended 31 December 2011 from USD 5.5 million for the year ended 31 December 2010. The increase in gross profit is attributable to a higher increase in freight rates, compared to the increase in the direct operational costs, and increase in the volume of freight cargoes transported, increase in the volume of ship repair works done and increase in the volume passenger transported.

Other income

Other income increased 2400.0% to USD 0.3 million for the year ended 31 December 2011 from USD 13 thousand for the year ended 31 December 2010. The increase in other income was primarily the result of the increase in income from foreign exchange differences.

Administrative expenses

Administrative expenses decreased 40.6% to USD 0.9 million for the year ended 31 December 2011 from USD 1.4 million for the year ended 31 December 2010. The decrease in administrative expenses was primarily the result of a decrease in salary and related charges of administrative personnel, other administrative expenses and administrative taxes and duties, partially offset by the increase in the expenses related to the third party services.

The following table sets forth the principal components of the Group's administrative expenses for the years indicated.

	For the year ended 31 December		
	2011	2010	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Staff salaries and related charges	324	387	(16.3)
Other administrative expenses	9	98	(90.8)
Office and other material costs	17	95	(82.1)
Third party services	440	756	(41.8)
Taxes and duties	39	69	(43.5)
Depreciation	18	23	(21.7)
Amortisation	4	4	-
Total	851	1,432	(40.6)

Source: Audited Consolidated Financial Statements

Staff salary and related charges decreased 16.3% to USD 0.3 million for the year ended 31 December 2011 from USD 0.4 million in 2010 primarily as a result of the decrease in the number of administrative personnel due to disposal of 3 subsidiaries: LLC Hylea-Sydoservice, LLC Hylea-Mechanoservice and LLC Capital River Port.

Third parties services decreased 41.8% to USD 0.4 million for the year ended 31 December 2011 from USD 0.8 million in 2010 primarily due to the decrease in the level of legal fees.

Office and other materials costs decreased 82.1% to USD 17 thousand for the year ended 31 December 2011 from USD 95 thousand in 2010 primarily as a result of the decrease in the number of administrative personnel.

Other administrative expenses decreased 90.8% to USD 9 thousand for the year ended 31 December 2011 from USD 98 thousand in 2010 primarily as a result of the decrease in the costs related to the administrative insurance premiums paid.

Other operating expenses

The Group's other operating expenses increased 115.2% to USD 0.9 million for the year ended 31 December 2011 from USD 0.4 million for the year ended 31 December 2010. The Group recorded the increase in other operating expenses primarily as a result of a USD 0.5 million increase in loss from foreign exchange difference.

Net finance (expenses) / income

The Group recorded net financial expenses in 2011. Net financial expenses decreased to USD 0.1 million for the year ended 31 December 2011 from a financial gain of USD 25 thousand for the year ended 31 December 2010. This decrease was primarily attributable to USD 0.1 million increase in the interest expense on variable bank loans.

Tax

The Group recorded income tax gains in each of 2011 and 2010. Income tax gain of USD 222 thousand was recorded for the year ended 31 December 2011, comparing to a gain of USD 1.4 million for the year ended 31 December 2010. This gains in both years were primarily result of changes (decreases) in the income tax rate and changes in the tax law.

Profit for the year

The Group recorded a profit of USD 14.2 million for the year ended 31 December 2011, as compared to a profit of USD 5.1 million for the year ended 31 December 2010, primarily as a result of the increase in the Group's gross profit, decrease in the administrative expenses during the year ended 31 December 2011, partly offset by the increase in the other operating expenses for the same period.

Year ended 31 December 2010 compared to year ended 31 December 2009

The following table sets forth the Group's results of operations for the years ended 31 December 2010 and 2009 derived from the Consolidated Financial Statements.

	For the year ended 31 December		
	2010	2009	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Revenue	13,907	16,273	(14.5)
Cost of sales	(8,372)	(9,498)	(11.9)
Gross profit	5,535	6,775	(18.3)
Other income	13	20	(35.0)
Administrative expenses	(1,432)	(1,522)	(5.9)
Other operating expenses	(428)	(194)	120.6
Operating profit	3,688	5,079	(27.4)
Net finance (expenses) / income	25	(159)	n/a
Profit before tax	3,713	4,920	(24.5)
Tax	1,364	(33)	n/a
Profit for the year	5,077	4,887	3.9

Source: Audited Consolidated Financial Statements

Sales revenue

The Group's sales revenue decreased 14.5% to USD 13.9 million for the year ended 31 December 2010 from USD 16.3 million for the year ended 31 December 2009. The following table sets forth the Group's sales revenue by segment for the years indicated.

	For the year ended 31 December		
	2010	2009	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Freight	12,766	14,137	(9.7)
Ship repair	627	1,540	(59.3)
Passenger transportation	514	596	(13.8)
Total	13,907	16,273	(14.5)

Source: Issuer's data

The most significant portion of the Group's sales revenue comes from its primary business of freight, which represented 91.8% and 86.9% of sales revenue for the year ended 31 December 2010 and 2009, respectively. The following table sets forth the volume of freight sold and the revenues generated from the sale of such freight broken down by freight type sold.

	Year ended 31 December	
	2010	2009
Grain freight		
Sales of grain freight <i>(in tonnes)</i>	193,140	289,873
Revenue from sale of grain freight <i>(USD in thousands)</i>	5,081	6,806
Scrap metal freight		
Sale of scrap metal freight <i>(in tonnes)</i>	55,918	31,382
Revenue from sale of scrap metal freight <i>(USD in thousands)</i>	1,412	787
Sunflower meal freight		
Sales of sunflower meal freight <i>(in tonnes)</i>	31,774	52,091
Revenue from sale of sunflower meal freight <i>(USD in thousands)</i>	955	1,832
Wood freight		
Sales of wood freight <i>(in tonnes)</i>	26,038	13,617
Revenue from sales of wood freight <i>(USD in thousands)</i>	625	351

	Year ended 31 December	
	2010	2009
Bran freight		
Sales of bran freight (<i>in tonnes</i>)	23,515	14,596
Revenue from sales of bran freight (<i>USD in thousands</i>)	421	282
Fertilizers freight		
Sales of fertilizers freight (<i>in tonnes</i>)	5,441	11,722
Revenue from sales of fertilizers freight (<i>USD in thousands</i>)	99	253
Equipment freight		
Sales of equipment freight (<i>in tonnes</i>)	n/a	-
Revenue from sales of equipment freight (<i>USD in thousands</i>)	842	-
General freight		
Sales of general freight (<i>in tonnes</i>)	193,128	218,324
Revenue from sales of general freight (<i>USD in thousands</i>)	3,331	3,826
Total sales of freight (<i>in tonnes</i>)	<u>528,954</u>	<u>631,605</u>
Total revenue from freight sales (<i>USD in thousands</i>)	<u>12,766</u>	<u>14,137</u>

Source: Issuer's data

Sales revenue relating to the grain freight decreased 25.3% to USD 5.1 million for the year ended 31 December 2010 from USD 6.8 million for the year ended 31 December 2009, primarily due to the 33.4% decrease in sales volume of the grain freight, which was partially offset by 13.5% increase of the average freight rate. The decrease in volumes resulted from introduction of the grain export ban in Russia and grain export quotas in Ukraine in mid-2010.

Sales revenue relating to the scrap metal freight increased 79.4% to USD 1.4 million for the year ended 31 December 2010 from USD 0.8 million for the year ended 31 December 2009, primarily due to the 78.2% increase in sales volume of the scrap metal freight. The increase in sales volume of the scrap metal freight is primarily due to start of the scrap metal freight from Zaporozhye river port to Turkish sea ports in 2010.

Sales revenue relating to the sunflower meal freight decreased 47.9% to USD 1.0 million for the year ended 31 December 2010 from USD 1.8 million for the year ended 31 December 2009, primarily due to the 39.0% decrease in sales volume of the sunflower meal freight and 14.5% decrease of the average freight rate. The decrease in sales volume is primarily due to the decrease in the number of freights from Ukrainian and Russian ports.

Sales revenue relating to the wood freight increased 78.1% to USD 0.6 million for the year ended 31 December 2010 from USD 0.4 million for the year ended 31 December 2009, primarily due to the 91.2% increase in sales volume of the wood freight, which was partially offset by 6.9% decrease of the average freight rate. The increase in sales volume is primarily due to the additional shipments of wood freight from Belgorod-Dnistrovsky port in 2010.

Sales revenue relating to the bran freight increased 49.3% to USD 0.4 million for the year ended 31 December 2010 from USD 0.3 million for the year ended 31 December 2009, primarily due to the 61.1% increase in sales volume of the bran freight, which was partially offset by 7.3% decrease of the average freight rate.

Sales revenue relating to the fertilizers freight decreased 60.9% to USD 0.1 million for the year ended 31 December 2010 from USD 0.3 million for the year ended 31 December 2009, primarily due to the 53.6% decrease in sales volume of the fertilizers freight and 15.7% decrease of the average freight rate. The decrease in sales volume is primarily due to the absence of the fertilizers freight from Ukrainian ports in 2010.

Sales revenue relating to the general freight decreased 12.9% to USD 3.3 million for the year ended 31 December 2010 from USD 3.8 million for the year ended 31 December 2009, primarily due to the 11.5% decrease in sales volume of the general freight and 1.6% decrease of the average freight rate.

The second most significant portion of the Group's sales revenue comes from its ship repair segment, which includes the sale of ship construction, repair, maintenance and periodic dry-docking services, which represented 4.5% and 9.5% of total sales revenue for the year ended 31 December 2010 and 2009, respectively. Sales revenue relating to the ship repair segment decreased 59.4% to USD 0.6 million for the year ended 31 December 2010 from USD 1.5 million for the year ended 31 December 2009, primarily due to completion of ship construction orders in 2009 and lack of new orders in 2010, the decrease in the volume of ship repair works done, decrease in the amount of metal changed during the repair works conducted and increase in the relative number of smaller ship repair works done.

Sales revenue relating to the passenger transportation segment represented 3.7% and 3.7% of total sales revenue for the year ended 31 December 2010 and 2009, respectively. Sales revenue relating to the passenger transportation segment decreased 13.8% to USD 0.5 million for the year ended 31 December 2010 from USD 0.6 million for the year ended 31 December 2009, primarily due to the weather conditions.

The following table sets forth the Group's sales revenue by domicile of entity providing the service for the years indicated.

	For the year ended 31 December		
	2010	2009	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Cyprus	-	11,917	n/a
Panama	12,766	2,220	475.0
Ukraine	1,141	2,136	(46.6)
Total	13,907	16,273	(14.5)

Source: Issuer's data

The joint sales revenue of the Panamanian and Cypriot Group Companies decreased 9.7% to USD 12.8 million for the year ended 31 December 2010 from USD 14.1 million for the year ended 31 December 2009, and mirrored the decrease in the revenues from freight segment. The role of management and operational exploitation of the vessels shifted from Cypriot company to Panamanian in the course of 2009, resulting in the respective shift of the revenues.

The sales revenue of the Ukrainian company of the Group decreased 46.6% to USD 1.1 million for the year ended 31 December 2010 from USD 2.1 million for the year ended 31 December 2009, primarily due to the decrease in the level of ship repair segment sales revenue.

Cost of sales

The Group's cost of sales decreased 11.9% to USD 8.4 million for the year ended 31 December 2010 from USD 9.5 million for the year ended 31 December 2009, and increased as a percentage of total revenues to 60.2% for the year ended December 2010 from 58.4% for the year ended 31 December 2009. The decrease in cost of sales was primarily due to the decrease in material expenses and decrease in salary and related charges. The 1.8% point increase in cost of sales as percentage of total revenue was primarily due to a general increase in third parties services.

The following table sets forth the principal components of the Group's cost of sales for the periods indicated.

	For the year ended 31 December		
	2010	2009	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Wages and salaries	1,446	2,381	(39.3)
Materials	2,734	3,148	(13.2)
Third parties services	3,421	3,217	6.3
Sundry expenses	36	6	500.0
Depreciation	735	746	(1.5)
Total	8,372	9,498	(11.9)

Source: Audited Consolidated Financial Statements

Wages and salaries decreased 39.3% to USD 1.4 million for the year ended 31 December 2010 from USD 2.4 million for the year ended 31 December 2009, primarily due to the decrease in the volume of cargo transported as well as decrease in the average number of employees from 328 in 2009 to 287 in 2010.

Material expenses decreased 13.2% to USD 2.7 million for the year ended 31 December 2010 from USD 3.1 million for the year ended 31 December 2009, primarily due to the decrease in the volume of cargo transported and decrease in the Group's shipyard activity.

Third party services increased 6.3% to USD 3.4 million for the year ended 31 December 2010 from USD 3.2 million for the year ended 31 December 2009, primarily due to the increase in the port fees and dues in the Ukrainian ports, canal charges and agent services expenses.

The following table sets forth the Group's cost of sales by segments for the periods indicated.

	For the year ended 31 December		
	2010	2009	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Freight	7,696	8,314	(7.4)
Ship repair	357	928	(61.5)
Passenger transportation	319	256	24.6
Total	8,372	9,498	(11.9)

Source: Audited Consolidated Financial Statements

Costs related to the freight segment, which primarily consist of expenses for bunker fuel, commissions payable, port and canal charges, crew costs, technical expenses, decreased 7.4% to USD 7.7 million for the year ended 31 December 2010 from USD 8.3 million net for depreciation for the year ended 31 December 2009. This decrease was primarily due to the decrease in the volume of cargo transported.

Costs related to the ship repair segment, which consist of expenses for salary and material expenses incurred in connection with the construction, repair, maintenance and periodic dry-docking services, decreased 61.5% to USD 0.4 million for the year ended 31 December 2010 from USD 0.9 million net for depreciation for the year ended 31 December 2009, primarily as a result of lack of ship construction orders in 2010, the decrease in the volume of ship repair works done and decrease in the amount of metal changed during the repair works conducted.

Costs related to passenger transportation, which consist of expenses for fuel, salary and technical expenses, increased 24.6% to USD 0.3 million for the year ended 31 December 2010 from USD 0.3 million for the year ended 31 December 2009, primarily due to an increase in the material expenses.

The following table sets forth the Group's cost of sales by domicile of entity providing the service for the years indicated.

	For the year ended 31 December		
	2010	2009	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Cyprus	-	7,041	n/a
Panama	7,696	1,523	405.3
Ukraine	676	934	(27.6)
Total	8,372	9,498	(11.9)

Source: Issuer's data

The cost of sales from Panama and Cyprus relate to freight services, while the cost of sales from Ukraine relate to ship repair and passenger transportation services. The cost of sales of the Panamanian and Cypriot company of the Group increased 405.3% to USD 7.7 million for the year ended 31 December 2010 from USD 1.5 million for the year ended 31 December 2009, and decreased to USD 0.0 million for the year ended 31 December 2010 from USD 7.0 million for the year ended 31 December 2009, respectively, primarily due to the decrease in the volume of cargo transported.

The cost of sales of the Ukrainian company of the Group decreased 27.6% to USD 0.7 million for the year ended 31 December 2010 from USD 0.9 million for the year ended 31 December 2009, primarily due to the decrease in the level of ship repair works done.

Gross profit

Gross profit decreased 18.3% to USD 5.5 million for the year ended 31 December 2010 from USD 6.8 million for the year ended 31 December 2009. The decrease in gross profit was due to the decrease in the volume of cargo transported and decrease in ship repair operations.

Administrative expenses

Administrative expenses decreased 5.9% to USD 1.4 million for the year ended 31 December 2010 from USD 1.5 million for the year ended 31 December 2009. The decrease in administrative expenses was primarily the result of decrease in salary and related expenses, third party services, expenses for maintenance and repair, and was partially offset by a decrease in taxes and duties, office and other materials and insurance expenses.

The following table sets forth the principal components of the Group's administrative expenses for the years indicated.

	For the year ended 31 December		
	2010	2009	Change
	<i>(USD in thousands)</i>		<i>(%)</i>
Staff salaries and related charges	387	357	8.4
Other administrative expenses	98	314	(68.8)
Office and other material costs	95	104	(8.7)
Third party services	756	639	18.3
Taxes and duties	69	80	(13.8)
Depreciation	23	28	(17.9)
Amortisation	4	-	n/a
Total	1,432	1,522	5.9

Source: Audited Consolidated Financial Statements

Staff salary and related charges increased 8.4% to USD 0.4 million for the year ended 31 December 2010 from USD 0.4 million in 2009 primarily as a result of the increase in the number of top management personnel from 22 persons to 26 persons.

Other administrative expenses decreased from USD 0.3 million in 2009 to USD 0.1 million in 2010 as a result of the refusal of the Group from the representative office situated in Cyprus.

Other operating expenses

The Group's other operating expenses increased by 120.6% to USD 0.4 million for the year ended 31 December 2010 from USD 0.2 million for the year ended 31 December 2009. The Group recorded other operating expenses primarily as a result of losses from the sale of foreign currency and write-off of trade accounts receivable.

Financial income (expenses), net

The Group recorded financial gain in 2010 of USD 25 thousand for the year ended 31 December 2010 comparing to a loss of USD 0.2 million for the year 31 ended December 2009. This decrease was primarily attributable to gain from effect of notes discounting and decrease in write-offs of financial investments.

Tax

The Group recorded income tax gain of USD 1.4 million for the year ended 31 December 2010 as compared to a loss of USD 33 thousand for the year ended 31 December 2009 which resulted from change (decrease) in the income tax rate and changes in the tax law.

Profit for the year

The Group recorded a profit of USD 5.1 million for the year ended 31 December 2010, as compared to a profit of USD 4.9 million for the year ended 31 December 2009, primarily as a result of a decrease of income tax expenses, financial income/ (expenses), net, distribution expenses, which was partially offset by a decrease in gross profit, administrative expenses and other operating income (expenses), net.

Liquidity and Capital Resources***Working capital requirements***

The Group has historically financed its capital requirements with cash flow from operations and loan facilities. The main uses of funds have been capital expenditures for the acquisition of secondhand vessels, maintenance and periodic dry-docking, vessel operating expenses, repayment of bank loans and payment of dividends. The Group will require capital to fund ongoing operations, the construction of new vessels, and potential secondhand vessels acquisition.

The Group expects that in the future it may fund the acquisition of additional vessels through a combination of long term bank debt and operating cash flow.

The Group believes that funds from operations and those available under long term bank loans will be sufficient to support its growth strategy which may involve the acquisition of additional newbuilds and secondhand vessels.

Working capital, defined as current assets minus current liabilities, was USD 37 thousand, minus USD 0.7 million, USD 0.8 million as at 31 December 2011, 31 December 2010 and 31 December 2009, respectively. The Group's current assets primarily consist of trade accounts receivable, prepayments and other current assets, taxes recoverable and prepaid, cash and cash equivalents and inventories.

Having done due analysis, the Group's Management is of the opinion that, for at least the next 12 months following the date of publication of this Prospectus and taking into account generally expected market conditions, internally generated cash flow provide sufficient working capital to adequately fund its operations, meet its present requirements and meet its contractual obligations in a timely fashion.

Capital expenditures

The Group's main capital expenditures are connected to the fleet expansion program, vessels repair/renovation and capitalised dry-dock expenses.

The Group recorded capital expenditures in each of 2011, 2010 and 2009. Capital expenditures amounted to USD 9.5 million, USD 1.2 million, USD 0.9 million for the year ended 31 December 2011, 2010 and 2009, respectively. Lower level of capital expenditures for the repair works of the vessels in years ended 31 December 2010 and 31 December 2009 result from the deteriorating shipping market situation and decision to postpone certain repair works that were not essential for the proper functioning of the vessels and the fact that the extensive repairs were made to the vessels in the previous years. The major part of these repair works has been conducted in the year ended 31 December 2011.

During the year ended 31 December 2011, capital expenditures amounted to USD 9.5 million, of which USD 3.9 million was attributable to the construction of two river passenger vessels with the joint capacity of approximately 1,000 persons ordered by the Group and USD 3.3 million related to vessels repair/renovation, capitalized dry-dock expenses and USD 2.3 million dry dock repair.

During the year ended 31 December 2010, capital expenditures amounted to USD 1.2 million, of which USD 0.8 million was capitalized repair and construction costs related to the buildings for the Group's shipyard in Kherson, USD 0.2 million was attributable to the construction of two river passenger vessels and approximately USD 0.1 million related to capitalized dry-dock expenses.

During the year ended 31 December 2009, capital expenditures amounted to USD 0.9 million, of which USD 0.4 million related to capitalized vessels repair/renovation, dry-dock expenses of the vessels, USD 0.2 million was

attributable to the construction of two river passenger vessels and USD 0.1 million related to acquisition of equipment for the Group's shipyard in Kherson.

Cash flows

The following table sets out a summary of the Group's cash flows for the periods indicated.

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Net cash flow from operating activities	12,668	5,854	6,123
Net cash flow from investing activities	(9,506)	(1,236)	(863)
Net cash flow from financing activities	(2,983)	(4,727)	(5,051)
Effects of translation into presentation currency	(176)	(10)	(66)
Net increase in cash and cash equivalents	3	(119)	143

Source: Audited Consolidated Financial Statements

Net cash flow from operating activities

The Group's net cash inflow from operating activities increased 116.4% to USD 12.7 million for the year ended 31 December 2011 from USD 5.9 million for the year ended 31 December 2010, which represented a 4.4% decrease from USD 6.1 million for the year ended 31 December 2009. The increase in 2011 was primarily attributable to the increase in the operating cash flows attributable to the increase in the volume of freight cargoes transported, increase in the volume of ship repair works done and increase in the volume passenger transported.

Net cash flow from investing activities

The Group's net cash outflow from investing activities increased 669.1% to USD 9.5 million for the year ended 31 December 2011 from USD 1.2 million for the year ended 31 December 2010, which represented a 43.2% increase from USD 0.9 million for the year ended 31 December 2009. The increase in 2011 was primarily attributable to the construction of two river passenger vessels with the joint capacity of approximately 1,000 persons ordered by the Group in the amount of USD 3.9 million, USD 3.3 million related to vessels repair/renovation, capitalized dry-dock expenses and USD 2.3 million dry dock repair, whereas the increase in 2010 was attributable to capitalized repair and construction costs related to the buildings for the Group's shipyard in Kherson and the construction of two river passenger vessels.

Net cash flow from financing activities

The Group's net cash outflow from financing activities decreased 36.9% to USD 3.0 million for the year ended 31 December 2011 from USD 4.7 million for the year ended 31 December 2010, which represented a 6.4% decrease from USD 5.1 million for the year ended 31 December 2009. The decrease in 2011 was primarily attributable to the decrease in the Group's dividend distribution to the shareholders, which was partially offset by the increase in the loans and borrowings, whereas the decrease in 2010 was primarily attributable to the decrease in the Group's dividends. Dividends for the years ended 31 December 2011, 2010, and 2009 constituted USD 3.5 million, USD 4.7 million and USD 5.0 million, respectively.

Indebtedness

The Group's indebtedness consists of long-term bank loans. As at 31 December 2011, the outstanding balance on long-term loans including current portion of long-term loans was USD 4.5 million

The following table sets forth details of the Group's long-term and short-term bank loans as of the periods indicated.

<u>Lender</u>	<u>Currency</u>	<u>Coupon rate</u>	<u>Amount outstanding as of 31 December 2011</u> <i>(in thousand USD)</i>	<u>Maximum limit under credit line</u> <i>(in thousand USD unless otherwise stated)</i>	<u>Maturity</u>	<u>Security</u>
Kreditprombank	USD	Libor (3M)+10.6%	2,000	2,000	26 June 2015	<i>Cargo vessels:</i> - <i>Seagull;</i> - <i>Skylark;</i> - <i>S. Kosior;</i> - <i>Danapris-4.</i>
Kreditprombank	USD	Libor (3M)+10.6%	2,000	2,500	26 June 2015	<i>Passenger vessels:</i> - <i>Riverest-1;</i> - <i>Riverest-2;</i> - <i>Riverest-3;</i> - <i>Riverest-4;</i> - <i>Riverest-5;</i> - <i>Silver Breeze;</i> <i>Floating café Riverest;</i> <i>Floating crane tower JIIIJ-31;</i> <i>Cargo vessels:</i> - <i>Seagull;</i> - <i>Skylark;</i> - <i>S. Kosior;</i> <i>Danapris-4.</i>
Kreditprombank	USD and EUR	Libor (3M)+10.6% (USD denominated) and 15.5% (EUR denominated)	501	USD 621 thousand and EUR 1.4 million	30 April 2012*	- <i>Production buildings at 1, Karantynny Ostriv, Kherson, letter "A" and "H";</i> - <i>part of the integral property complex at 1, Karantynny Ostriv, Kherson.</i>

* For detailed information on maturity of loan with Kreditprombank please see: "Material Contracts – Financing Agreements – Kreditprombank Loans"

Source: Issuer's data

The availability of external financing is influenced by many factors, including the Group's financial position and market conditions. Under certain circumstances, the Group may be required to repay certain indebtedness. The Group expects that its current and expected capital resources will be sufficient for its anticipated capital expenditures and other operating needs under its current business plan.

Off-balance Sheet Arrangements

There were no significant off-balance sheet arrangements other than the contractual obligations and commitments and contingencies described below.

Contractual Commitments, 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 the political and economic environment.

Taxation

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

It should be mentioned that the Group took part in transactions which may be interpreted by tax authorities not in the way they are interpreted by the Group, as a result of which it may be accrued additional significant tax liabilities and fines. Notwithstanding the fact that most of the Group Companies' tax returns for the mentioned periods were reviewed by the tax authorities without any significant discrepancies or imposition of additional tax liabilities, they remain available for subsequent investigations. According to effective laws, tax returns remain open and may be subject to review during three years after their provision, but, in some cases, this limit is not applied.

As a result of future tax reviews additional liabilities may be discovered which may not comply with tax reporting of the Group. Such liabilities may be represented by taxes, as well as fines and penalties; and their amounts may be significant. The Group considers that it operates in compliance with the tax laws of Ukraine, although several 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 unconscionable counterparties. In most cases, the Group is the initiator of proceedings with the purpose of prevention from losses in the economic sphere or minimizing them.

The Group's Management considers that legal proceedings on such matters will not have any significant influence on its financial position.

Pension and other liabilities

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

As at 31 December 2011 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees. There are no other significant contractual obligations, commitments and contingencies than described above.

Quantitative and Qualitative Disclosures about Market Risks and Other Risks

The Group is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at

fixed rates expose the Group to fair value interest rate risk. The Group's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

The table below presents the interest rate profile of variable rate instruments in the years 2009-2011.

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Financial assets	80	77	196
Financial liabilities	(4,501)	(4,000)	(4,000)
Total	(4,421)	(3,923)	(3,804)

Source: Audited Consolidated Financial Statements

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The carrying amount of financial assets represents the maximum credit exposure. The table below presents maximum exposure to credit risk at the reporting date.

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Trade and other receivables	2,021	1,107	1,966
Cash at bank	80	77	196
Total	2,101	1,184	2,162

Source: Audited Consolidated Financial Statements

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses by maintaining sufficient cash and other highly liquid current assets.

The following table presents the contractual maturities of financial liabilities, including estimated interest payments.

31 December 2011	Carrying amounts	Contractual cash flows	6 months or less	Between 6-12 months	Between 1-5 years	More than 5 years
	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>
Bank loans	4,000	4,615	293	1,026	3,296	-
Short term loans	501	621	621	-	-	-
Trade and other payables	2,383	2,383	2,383	-	-	-
Other long-term liabilities	229	370	-	-	119	251
	<u>7,113</u>	<u>7,989</u>	<u>3,297</u>	<u>1,026</u>	<u>3,415</u>	<u>251</u>
31 December 2010						
	Carrying amounts	Contractual cash flows	6 months or less	Between 6-12 months	Between 1-5 years	More than 5 years
	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>
Bank loans	4,000	4,615	-	-	4,615	-
Trade and other payables	2,514	2,514	2,514	-	-	-
Other long-term liabilities	99	178	-	-	-	178
	<u>6,613</u>	<u>7,307</u>	<u>2,514</u>	<u>-</u>	<u>4,615</u>	<u>178</u>
31 December 2009						
	Carrying amounts	Contractual cash flows	6 months or less	Between 6-12 months	Between 1-5 years	More than 5 years
	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>	<i>(USD in thousands)</i>
Bank loans	4,000	4,615	-	-	3,579	1,036
Trade and other payables	1,859	1,859	1,497	-	362	-
	<u>5,859</u>	<u>6,474</u>	<u>1,497</u>	<u>-</u>	<u>3,941</u>	<u>1,036</u>

Source: Audited Consolidated Financial Statements

Critical Accounting Policies

The preparation of the Consolidated Financial Statements included herein for the years ended 31 December 2011, 2010 and 2009, requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of the contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

The accounting estimates and policies that require the more subjective judgment of the management in making assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the consolidated financial statements are summarized in Note 2.d to the audited Consolidated Financial Statements included elsewhere in this Prospectus.

Recent Accounting Developments

Certain new standards, amendments and interpretations have been published that were mandatory for the Group's accounting periods beginning on or after 1 January 2012 but were not adopted early by the Group. For information on these new accounting pronouncements, see Note 2.c to the Audited Consolidated Financial Statements included elsewhere in this Prospectus.

Recent Trends and Developments

This section covers the most significant recent trends observed since the end of the last financial year until the date of the Prospectus.

The operations of the freight segment in the period from late January till April 2012 were influenced by the adverse weather conditions resulting in the frozen Azov Sea. Such weather conditions according to Management were not observed on the Azov sea for approximately last thirty years. From beginning of February to mid-March two of Group's vessels were stopped from operations and for other vessels the operations were slower than usual. As a result the Group experienced the drop in the amounts of cargo it was able to transport in the period. However, given much better pricing of the freight services in the period, which resulted from high cargo availability, the Group managed to compensate for the adverse effect of the lower amounts of cargo transported. Hence the Group's sales revenue and earnings have been in line with targeted levels. The outlook for the sales revenues for the third and fourth quarter of 2012 remains in line with the Management's expectations. Since 31 December 2011, no significant change has occurred in the financial position of the Group.

Over the period from January 2012 to June 2012, the Group has been finalizing the passenger vessel of 450 persons capacity started by the Group in 2009. The vessel is expected to be put into operation within next 3 months.

INDUSTRY OVERVIEW

Dry bulk trade overview

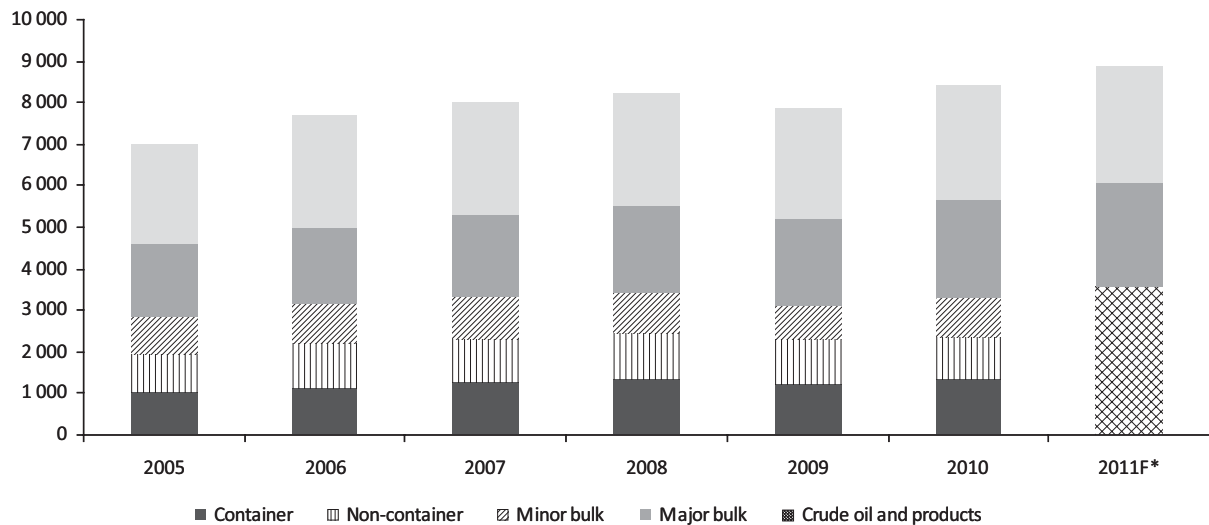
The maritime transportation industry is a vital part of international trade, with vessels being an efficient and cost-effective means of transporting large volumes of basic commodities and finished products. According to the International Maritime Organisation, the international shipping industry is responsible for carriage of about 90% of the world trade.

Seaborne cargo can be divided into: (i) dry cargo (that includes dry bulk cargo and other cargo that constitutes of container cargo as well as non-container cargo) and (ii) liquid cargo (that mainly includes crude oil and refined oil products, but also liquefied gases and chemicals that are shipped in tankers).

Dry bulk cargo is a type of homogenous non-liquid freight shipped in large quantities that can be easily stowed in a single hold with little risk of cargo damage. Dry bulk cargo is generally categorized as either major bulk or minor bulk. Major bulk cargo constitutes the vast majority of dry bulk cargo by weight, and includes iron ore, coal, fertilizers, grain, bauxite/alumina and phosphate rock. Minor bulk cargo includes agricultural products, mineral cargo (including metal concentrates), cement, forest products and metal products. In 2010, 3.3 billion tonnes of dry bulk cargo was transported by sea, comprising 39.1% of all international seaborne trade (according to yearly UNCTAD Review of Maritime Transport, 2011).

International seaborne trade

mn tonnes loaded



* 2011 data for container, non-container and minor bulk is forecasted
Source: UNCTAD Review of Maritime Transport, issues 2006 - 2011

The demand for dry bulk carrying capacity is determined by the underlying demand for commodities transported in dry bulk carriers, which in turn is influenced by global and regional economic and political conditions. According to UNCTAD Review of Maritime Transport (issues 2010 and 2011), dry bulk cargo's share in the total volume of goods loaded has been experiencing gradual growth since 1983 and in 2009 recorded their first drop by 93 million tonnes to 2.9 billion tonnes. In 2010 total volumes of dry bulk cargo transportation bounced back and grew by 11% to nearly 3.3 billion tonnes mainly due to the recovery in world steel production and the associated growth in import demand for iron ore and coking coal, as well as growing demand in Asian emerging countries for steam coal as well as grain used as feedstock. The share of major dry bulks in the seaborne trade in 2010 amounted to 28%.

Following table presents evolution of shipments of major dry bulk cargo in years 2005 – 2010.

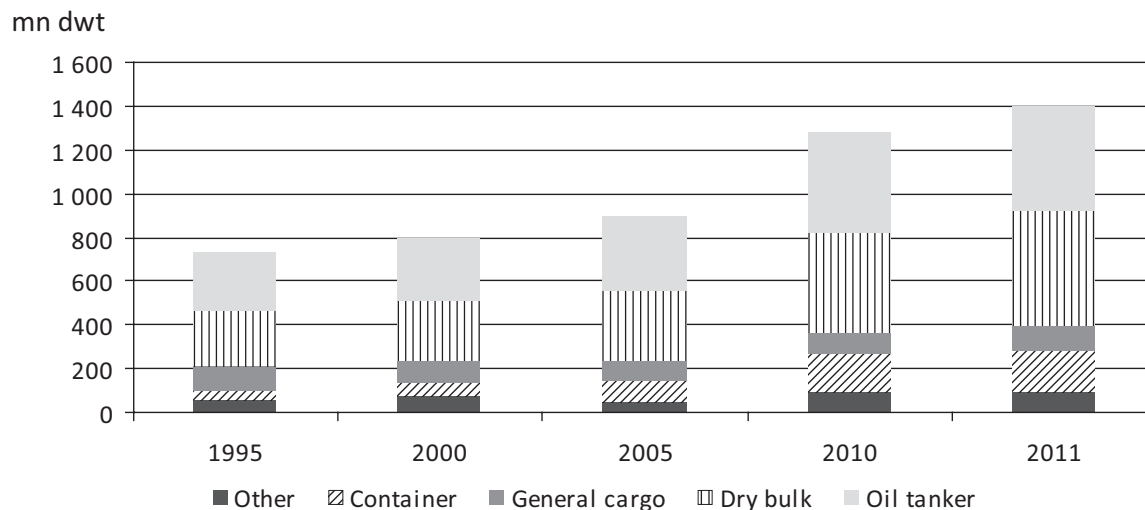
	2005	2006	2007	2008	2009	2010
	(Tonnes in million)					
Thermal coal	491	542	574	590	590	663
Coking coal	191	186	216	224	215	241
Iron ore	645	716	792	844	907	982
Grain	274	281	302	323	316	343
Bauxite/alumina	70	72	82	84	66	81
Phosphate rock	30	31	32	31	19	23

Source: UNCTAD Review of Maritime Transport, issues 2006 – 2011

Dry bulk carrier fleet

According to UNCTAD Review of Maritime Transport 2011, in January 2011, there were 103,392 seagoing commercial ships in service, with a combined tonnage of 1,396 million DWT. Oil tankers accounted for 475 million DWT and dry bulk carriers for 532 million DWT – an annual increase of 5.5% and 16.5% respectively. Container ships reached 184 million DWT, an increase of 8.7% over 2010. The general cargo fleet remained stable, standing at 109 million. Among other vessel types, tonnage of liquefied gas carriers continued to grow, reaching 43 million DWT by January 2011.

The following figure presents long-term trend in the composition of the world fleet.



Source: UNCTAD Review of Maritime Transport 2011

Dry bulk carriers are segregated into six major size categories: small (up to 10,000 DWT), handysize (between 10,000 and 30,000 DWT), handymax (between 30,000 and 60,000 DWT) with its subcategory supramax (between 50,000 and 60,000 DWT), panamax (between 60,000 and 80,000 DWT), capesize (between 80,000 and 200,000 DWT) and very large (over 200,000 DWT). Predominant in the category of small vessels are mini-bulkers with a capacity from 500 to 2,500 DWT that have a single hold and are designed for river transport.

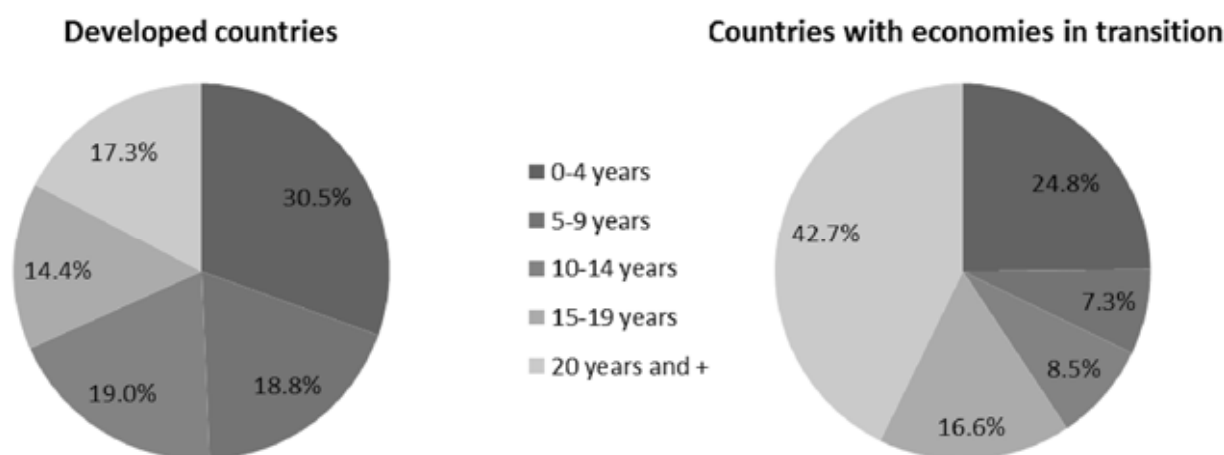
The major part of dry bulk carriers according to UNCTAD Review of Maritime Transport 2011 is registered in Panama (172,641 thousand DWT, as of 1 January 2011). In terms of the number of bulk carriers registered, the top five flag states also include China (incl. Hong Kong) (80,150 DWT), Liberia (48,578 DWT), Marshal Islands (32,248) and Malta (29,533).

The construction of bulk carriers is dominated by Asian countries. According to UNCTAD, China and the Republic of Korea together built more than 72% of DWT in 2010. Japan was the third-largest player, with 22%.

These three major producers combined reached a market share of 94% of world tonnage. The top 10 ship building countries cover 98.2% of global deliveries.

The vessels, as of their natures, may be used for a long period of time depending predominantly on their maintenance. Depending on types of the vessels, their exploitation time may exceed 50 years. In the recent years the industry observed a decline of the average age of the fleet. The average age of the world fleet continued decreasing also in 2009 and 2010 as a result of record deliveries of new tonnage being ordered before the 2008 economic crisis, and at 1 January 2011 amounted to 22.5 years. Bulk carriers are the second youngest vessel type, with an average age per ship of 15.3 years. It is also visible that the developed countries have much younger fleets than economies in transition, including Ukraine and Russia. The share of DWT of bulk carriers representing at least 20 years of age in developing countries at 1 January 2011 amounted to 42.7% while for developed countries only 17.3%.

The figure below presents the bulk carrier age distributions in developed countries and economies in transition.



Source: UNCTAD Review of Maritime Transport 2011

Charter market

Dry bulk carriers are employed in the market via a number of different chartering options. The general terms typically found in these types of contracts are described below:

- *Bareboat charter.* Involves the use of a vessel usually over longer periods of time ranging up to several years. In this case, all voyage related costs, including vessel fuel, or bunker, and port dues as well as all vessel operating expenses, such as day-to-day operations, maintenance, crewing and insurance, transfer to the charterer's account. The owner of the vessel receives monthly charter hire payments on a per day basis and is responsible only for the payment of capital costs related to the vessel.
- *Time charter.* Involves the use of the vessel, either for a number of months or years or for a trip between specific delivery and re-delivery positions (known as a trip charter). The charterer pays all voyage related costs. The owner of the vessel receives semi-monthly charter hire payments on a per day basis and is responsible for the payment of all vessel operating expenses and capital costs of the vessel.
- *Single or spot voyage charter.* Involves the carriage of a specific amount and type of cargo on a load-port to discharge-port basis, subject to various cargo handling terms. Most of these charters are of a single or spot voyage nature, as trading patterns do not encourage round voyage trading. The owner of the vessel receives one payment derived by multiplying the tonnes of cargo loaded on board by the agreed upon freight rate expressed on a per cargo tonne basis. The owner is responsible for the payment of all expenses including voyage, operating and capital costs of the vessel.
- *Contract of affreightment or COA.* Relates to the carriage of multiple cargoes over the same route and enables the COA holder to nominate different ships to perform individual voyages. Essentially, it constitutes a number of voyage charters to carry a specified amount of cargo during the term of the COA,

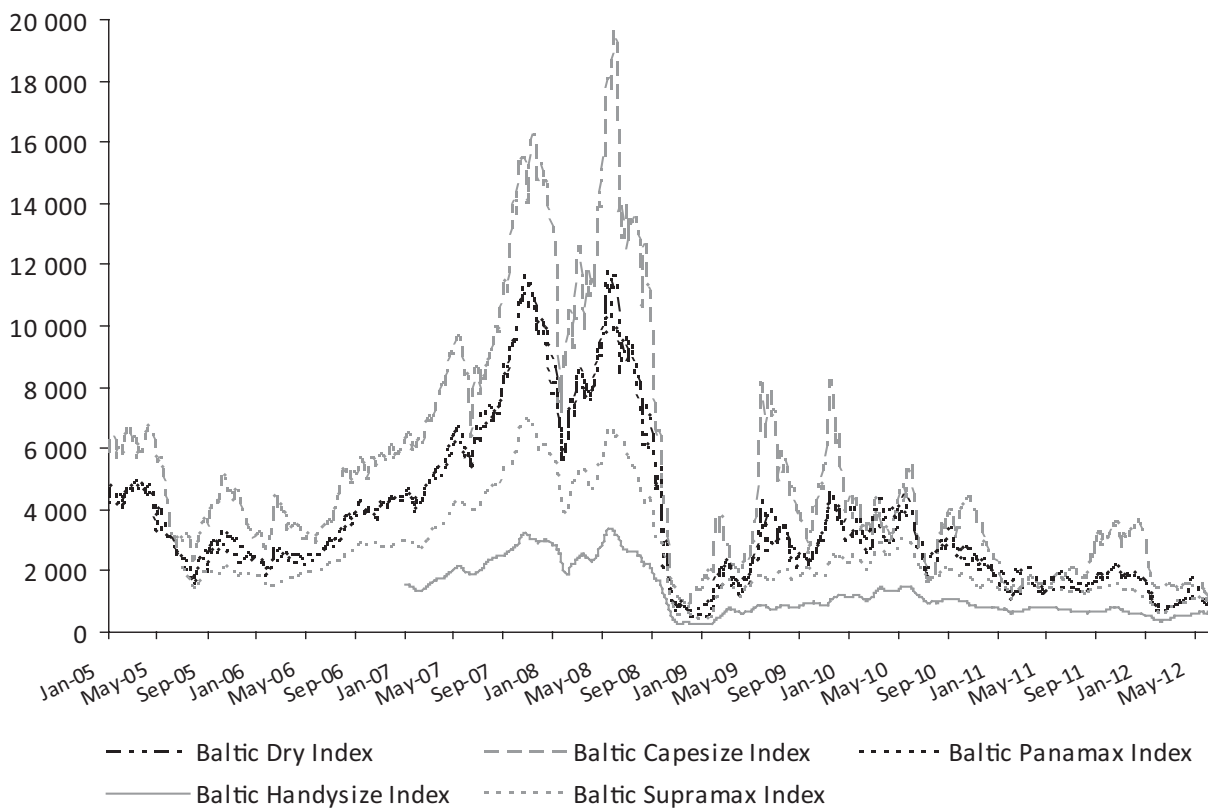
which usually spans a number of years. All of the ship's operating, voyage and capital costs are borne by the ship owner. The freight rate normally is agreed on a per cargo tonne basis.

Charter hire rates paid for dry bulk carriers are primarily a function of the underlying balance between vessel supply and demand. Charter hire rates fluctuate by varying degrees amongst the dry bulk carrier size categories. Demand for larger dry bulk vessels is affected by the volume and pattern of trade in a relatively small number of commodities (major bulks), therefore charter hire rates of larger ships tend to be more volatile. Conversely, the fact that there is a greater number of commodities available (minor bulks) as well as the fact that they can be carried by smaller dry bulk vessels, drives higher demand for such type of ships – accordingly, charter rates for those vessels are subject to less volatility.

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption. In the voyage charter market, rates are influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and re-delivery regions. In general, a larger cargo size is quoted at a lower rate per tonne than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region that includes ports where vessels load cargo also are generally quoted at lower rates. This is because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Within the dry bulk shipping industry, the charter hire rate references most likely to be monitored are the freight rate indices issued by the Baltic Exchange. These references are based on actual charter hire rates under charter entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers. The Baltic Panamax Index is the index with the longest history.

The following figure presents the performance of Baltic Indexes since 2005.



Source: Bloomberg

Prices of vessels

The price of vessels is determined by construction costs and by market pressures derived from the demand for transport services and the supply of vessels. As a consequence of global deteriorated economic conditions and hence overcapacity, prices for new ships dropped by over 30% within the period of 2008 - 2010. Ship owners stopped placing new orders, cancelled existing orders and delayed taking delivery of vessels nearing construction. Shipyards reacted by lowering their prices to attract new orders, while ensuring that they had enough revenue to cover their operational expenditures. The prices of newbuilds also influenced the prices of second hand vessels.

The table below provides representative newbuilds prices of dry bulk in years 2005–2010 (USD in millions, average prices).

Type and size of vessel	2005	2006	2007	2008	2009	2010	Change 2010-2008
	<i>(USD in millions)</i>						<i>%</i>
Handysize, 30,000 DWT	21	22	33	38	29	25	-34,2
Panamax, 75,000 DWT	35	36	47	54	39	35	-35,2
Capesize, 170,000 DWT	62	62	84	97	69	58	-40,2

Source: UNCTAD Review of Maritime Transport 2011

Even though the price statistics for small vessels are not available, the Management has observed similar pressure on their prices.

Characteristics of the river-sea transportation in Black and Azov Sea regions

General characteristics of the Black and Azov Seas transportation

The Black Sea region is the natural transport corridor between Asia and Europe. It also performs an essential role as a trans-shipment point for distant oceanic transportation between Eurasia and other continents.

Transportation between the Black Sea and the Mediterranean Sea is carried via the Straits of Bosphorus and Dardanelle. Because of its narrow waterway and several sharp turns that force ships to alter course many times up to 80 degrees as well as the fact that it runs right across densely populated shorelines and the city of Istanbul, navigation through the Strait of Bosphorus is considered as highly demanding (with longer vessels requiring assistance of pilots and tug boats throughout Bosphorus). River-sea type vessels can be securely navigated through the Bosphorus Strait without any additional assistance.

Not all carriers are allowed to navigate within the Black and Azov Seas. The largest vessels allowed to enter Black Sea area are Suezmax class tankers (120,000-200,000 DWT). Nevertheless the most common vessels that enter Black Sea are handysize vessels. The maximum DWT of the vessels that can enter Azov sea is limited by the depth of Strait of Kerch and is accessible for the vessels of up to 35,000 DWT, nevertheless some ports like Eysk and Taganrog can only be accessed by the vessels with the draft not exceeding 4.3 m.

Sea ports of the Black Sea region perform a role of key points connecting inland transport corridors with sea lines. Practically, all ports of the Black Sea region participate in the maintenance of inter-modal transportations.

There are over 40 ports operating at the Black and Azov Seas handling sea vessels, including: Bulgarian (2), Georgian (3), Romanian (2), Russian (11), Turkish (10) and Ukrainian ports (19). Their functioning is accompanied by over ten Ukrainian, Romanian and Bulgarian ports involved in the handling of vessels of the river-sea type. The main inter-modality trans-Black Sea lines pass via the basic ports: Illichivsk, Odessa, Izmail, Nikolaev, Kherson, Mariupol, Berdyansk and Kerch (Ukraine), Constanza (Romania), Varna and Burgas (Bulgaria), Novorossiysk and Kavkaz (Russian Federation), Poti and Batumi (Georgia), Istanbul, Derince, Zonguldak and Samsun (Turkey).

Three ports are exceptionally important for handling of export-import and transit cargo flows of Ukraine, so-called "Large Odessa" (Illichivsk, Odessa, Yuzhny). According to magazine "Ports of Ukraine Plus" (February 2011), their total cargo turnover amounted to 57.97 million tonnes in 2010. This complex is a main gate of Ukraine handling large vessels. In total, 18 Ukrainian sea ports, for which statistics are available, in 2010 serviced 107.6 million tonnes of cargo.

On the coast of the Azov and Black Seas, the ports of Mariupol, Berdyansk, Nikolayev, and Kherson (“Ports of Ukraine Plus” (February 2011) - 30 million tonnes in total serviced in 2010) have a major importance, as they are main gates to the industrial region of Donbas. During the winter some ports of the Azov Sea and inland ports of the Black Sea decrease the levels of cargo due to difficulties in maneuvering without help of ice breakers and tug boats.

The Ukrainian seaports are integrating into the system of international transport corridors. These corridors are multimodal transport routes, variously encompassing road, rail and waterways, of which airports, sea and river ports serve as the main transport hubs. Four of those corridors pass through the territory of Ukraine, namely: Brussels – Kyiv, Venice - Kyiv, The Danube River and Helsinki - Alexandroupolis via Kyiv.

Two main internal waterways in Ukraine have an international importance: the Danube (with the ports of Reni, Izmail and Ust-Dunaisk in the vicinity of its mouth) and the Dnepr (connecting the central part of the country including Kyiv with the Black Sea). After the opening of the Rhine – Main - Danube Canal, the Danube, together with the Rhine, form a major trans-European shipping artery, in length of approx. 3,500 kilometers, which links the North Sea with the Black Sea and which connects the inland navigation networks of 13 Central and Western European countries. There are no locks or bridges in the Ukrainian part of the Danube which enables the Group to sail in its Ukrainian part. The further part of Danube can only be accessed by the vessels with drafts up to 2.8 meters. The Group’s vessels may navigate on Danube up to ports of Braila and Galati.

Dnepr, the third longest river of Europe, has great potential in the sphere of inland transportation. A unique advantage of Ukraine is represented by the fact that Dnepr, according to the international system of classification of waterways, is unique in Europe as a deep-water transport highway which considerably raises its competitive rating. Dnepr is the only river in Ukraine provided with locks. Since 1992 the Dnepr is open for call to foreign flag ships, under condition that an individual permit is issued for the vessel by Ministry of Infrastructure of Ukraine Inspectorate of Ukraine for Safety of Maritime and Inland Water Transport. Permission is issued for individual vessel and applies for one entry. It constitutes the competitive advantage for the Ukrainian registered vessels that are not obliged to apply for permission. The Company’s vessels may navigate all the way up to Kyiv. Currently, the Group’s vessels go to Dnepropetrovsk and Dniprodzerzhynsk.

Don is another river of importance for the Group. It connects with Volga and creates Russia's larger network of inland waterways. In European Russia, this system links the Black and Caspian seas with each other, and further with the Baltic Sea, the White Sea, and the Arctic Ocean. The western anchor of the Volga-Don system is the port of Rostov, located near the mouth of the Don River, and the nearby ports of Azov and Taganrog. Roughly 350 kilometers upstream from Rostov lies the Volga-Don Canal, a 60 kilometer-long waterway which links the Don and Volga rivers. The shallow channel depths necessitates the use of smaller vessels, typically up to 5,000 DWT river-sea type, when shipping via the Volga-Don ports. It is accessible for the Group’s entire fleet.

The Group’s vessels enter also on Yuzhny Bug which is available for navigation for approximately 150 km up from its mouth. Major ports on this river are Nikolayev and Dneprobugsky port.

There are many river ports and quays along the banks of the Dnepr, Danube, and Yuzhny Bug. Ukraine's ten major river ports, which are located on Dnepr and Yuzhny Bug, Chernigov, Kyiv, Cherkassy, Dniprodzerzhynsk, Dnepropetrovsk, Zaporozhye, Nikopol, Novaya Kakhovka, Kherson and Nikolayev, have a capacity to handle up to 100 million tonnes of cargo annually, which was used in full during the Soviet Union times (according to International Journal of Transport Economics, Engineering and Law, Michael Doubrovsky, “Ukrainian and Russian waterways and the development of European transport corridors”, 2005). To the best knowledge of the Management, currently the amount of the handled cargo has decreased up to around 30 million tonnes.

Sea transport from Russia and Ukraine

There are 18 Ukrainian ports serving sea vessels. According to the Ports of Ukraine Plus (February 2011), the entire cargo transported through these ports amounted to 107.6 million tonnes in 2010. Dry bulk cargo constitutes a significant part of the above, staying at the level over 50% for last four years.

The breakdown of these cargoes in the years 2007 - 2010 is presented in the table below.

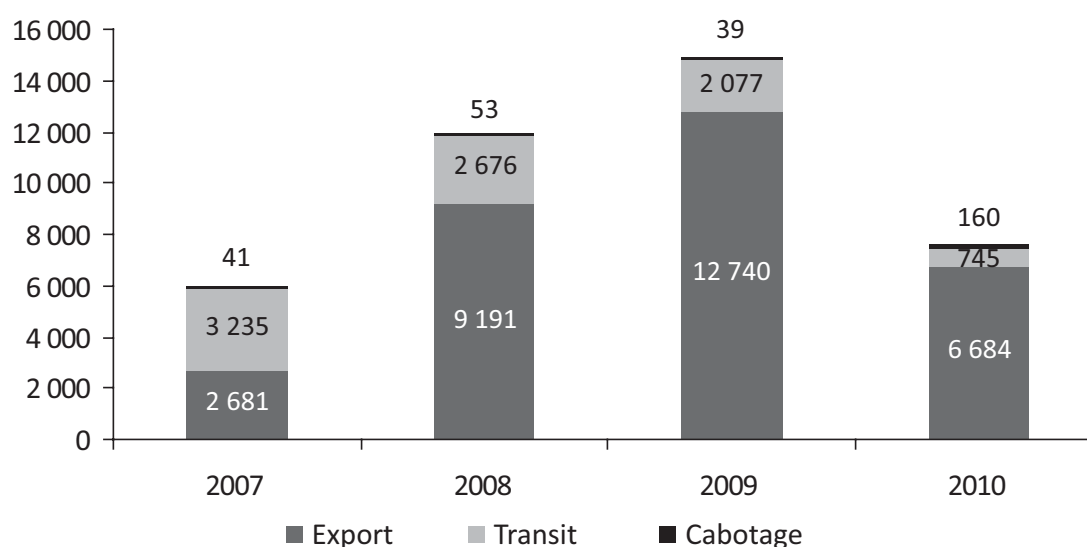
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(Tonnes in thousands)</i>			
Coal	15,772.2	17,333.6	12,508.2	12,396.0
Coking coal	479.6	753.9	851.0	745.4
Ore	14,465.5	13,554.2	17,669.7	19,499.3
Building materials	9,559.4	9,349.1	4,779.7	4,566.5
Chemicals	10,328.0	7,993.9	4,918.1	5,769.1
Sugar	967.4	742.0	363.9	583.6
Cereal	6,661.2	12,809.5	16,167.3	8,548.9
incl. grain	5,962.7	11,919.5	14,855.3	7,589.4
Others	2,576.2	3,130.1	2,542.6	2,689.8
Total dry bulk	<u>60,804.3</u>	<u>65,729.5</u>	<u>59,800.5</u>	<u>54,798.6</u>

Source: Ports of Ukraine Plus (issues: January 2009, February 2010, February 2011)

Based on information derived from Ports of Ukraine Plus, three major types of dry bulk cargo that were transported over the period of 2007-2010 from ports of Ukraine were coal, ore, chemicals and grain. The scale of the transport of each of those types of cargo fluctuated, however, over the period. For the Group, the most important type of cargo is grain that over the period experienced the largest level of instability of all dry bulk cargoes. The fluctuation resulted from the differences in the harvests, which depend on the weather conditions in a given and previous year. In general the cargo harvested in the given year is exported over the season starting after the harvest and ending by the start of next year's harvest. As a result the largest dispatches of grain were observed in 2009 after the exceptionally good harvest of 2008. The lower levels of grain dispatches in 2010 were a result of an embargo on grain exports imposed by Russia in August 2010 and quotas introduced by Ukraine in October 2010 introduced as a result of a severe draught in Russia and increased demand for grain in Ukraine.

According to Ports of Ukraine Plus, the majority of cargo transported via Ukrainian ports constitutes export and transit. In terms of grain cargo, besides Ukrainian export, the Ukrainian ports service also transit mostly from Kazakhstan and Russia. In 2007 the major part of grain cargo transported through the Ukrainian ports constituted transit cargo. Since 2008 the majority of grain cargo transported through Ukrainian ports is Ukrainian export. Since 2007 the share of the export of grain grew from 45% to 88% in 2010. On the other hand, the share of transit cargo experienced a gradual drop over the period from 54% to less than 10%.

The chart below presents the evolution of grain cargo sources for the years 2007-2010 in the ports of Ukraine.



Source: Ports of Ukraine Plus (issues: January 2009, February 2010, February 2011)

Competition

The Group competes for cargo with companies operating river-sea dry bulk fleet active in the Black and Azov Sea regions. The Management assesses that there are numerous companies active in the river-sea freight in the region of these two seas. The competitors vary by the size of their fleet, DWT of the vessels, and technical condition of their fleet as well as in terms of targeted cargo. In addition, there are a numerous ship owners with a large number of vessels diverse in their classes, i.e., seagoing, river-sea, tankers, container carriers. Usually, the vessels are not managed directly by the ship owners, and operating on a long-term contracts basis. In order to diversify the large ship owners possess different types of vessels.

In the Management's opinion, since 1990 the Black and Azov Sea regions experienced a gradual decrease in the number of available river-sea vessels. This was a result of the bad condition and poor handling of the fleet in the 1990's and the small number newbuilds of this type of vessel leading to under-supply of the fleet. According to Management's knowledge, current river-sea fleet constitutes only approximately 15% and 45% of total DWT available before 1990 in Ukraine and Russia respectively.

Most of the companies operating in the Black and Azov Sea regions have only small number of vessels. The considerable player in dry cargo, river-sea freight operating in the region is the Turkish Palmali Group. Its fleet consists of, among others, about 12 river-sea type dry bulk vessels. As Palmali Group focuses its operation on the transportation of liquid cargoes, it has a considerably higher fleet of various tankers.

Azov Don Company is a Russian company owning, according to the information published by the company itself, 73 river-sea type vessels, part of them being drybulk carriers. According to the knowledge of the Management, a significant portion of its vessels are managed by various brokers and not directly by the company. As a result of its different business and operating model, Azov Don Company is not viewed by the Management as a direct market competitor of the Group.

In Ukraine among the vessel owners there are state owned companies, private companies and ports. The major Ukrainian player is the state owned Ukrainian Danube Shipping Company, which primarily focuses its operations in the Azov, Black and Mediterranean Seas and on the Danube river. It is the largest Ukrainian ship owner and ship operator in terms of number of vessels. There is no up-to-date publicly available information on the size of the river-sea fleet of the Ukrainian Danube Shipping Company. According to Management's knowledge, not all of the company's vessels may be fully operational. In the last five years the company decreased its presence in sea going and river-sea going operations.

Another Ukrainian company with major presence is the PJSC Ukrrichflot that, besides being involved in vessel operations, is also involved in ship repair and ship building, as well as port management and agency services. The company is set on the base of Golovrichflot created from the transformation of the Central River Fleet Administration of Ukrainian Soviet Socialistic Republic, which was a combination of the central government and economic body and the shipping company. According to Group's best knowledge Ukrrichflot's dry cargo river-sea fleet consists of 10-12 vessels.

Other competitors, to the best knowledge of Management, encompass Russian and Ukrainian companies owning or chartering from 10 to 15 river-sea dry cargo vessels including; Marship, (Moscow, Russia), MD Shipping, (Odessa, Ukraine), Volgo Baltic Logistic LC (VBL) (St. Petersburg, Russia), and Orimi Shipping (Petrozavodsk, Russia). In addition the Group competes with smaller companies possessing from 2 to 5 vessels such as PKF Elena (Kherson, Ukraine), Vernon Shipping (Odessa, Ukraine), World Line Ltd (Kherson, Ukraine) and Tedral (Nikolaev, Ukraine).

Market prospects

Prospects of the Group are heavily dependent on the availability and demand for the main cargo carried by the Group's vessels, mainly grain (wheat), sunflower seed, scrap metal and wood. They are also dependent on the availability of the river-sea fleet with which the Group competes for cargo.

Cargo availability***Grain***

The Black and Azov Sea regions represent a natural gate to ship export goods from the Russian Federation, Ukraine and Kazakhstan (the “RUK”) playing important role in the world’s grain as well as other agricultural products trade. The agricultural potential of the RUK countries results in a certain amount of grain overproduction in most of the years, which is exported predominantly via sea routes.

Since 2005 Ukraine observed substantial fluctuations in its grain harvests that influenced the levels of Ukrainian exports.

The table below shows Ukrainian grain production in the years 2005 – 2010.

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<i>(Tonnes in thousands)</i>					
Total grain	37,321	33,698	28,938	52,740	45,406	38,679
of which wheat	18,699	14,000	13,938	25,885	20,886	16,851

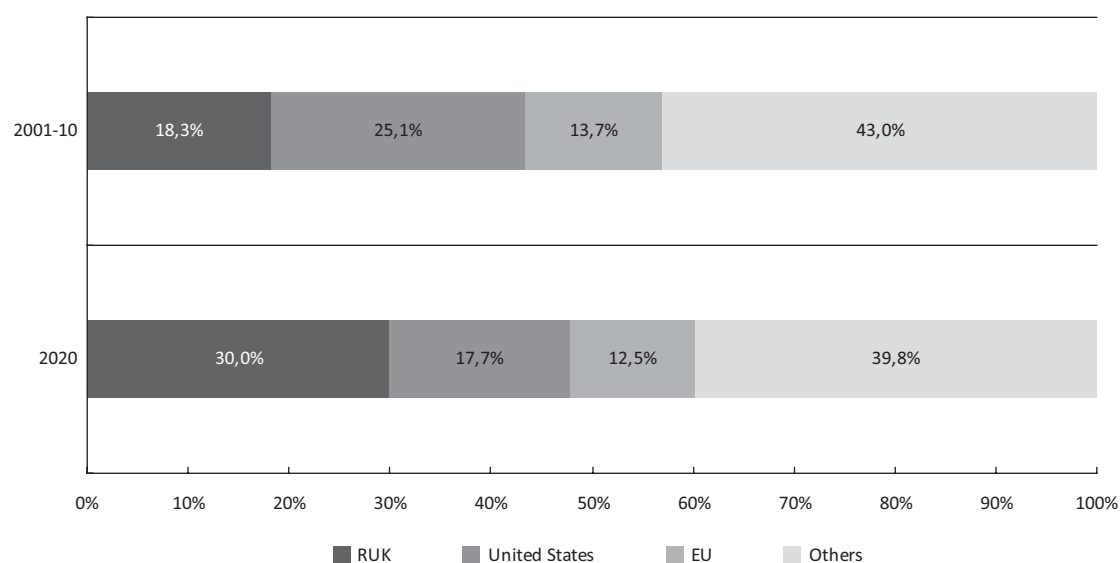
Source: SSCU, Statistical Yearbook 2010

According to SSCU, in 2011 grain production in Ukraine experienced its best harvest in the last 20 years. As compared to 2010, grain production grew by 46% to 56.7 million tonnes, which was predetermined both by expansion of the harvesting area (by 738,600 ha or by 5.1%) and an increase of the yield of grain cultures (by 10.1 centers from one ha or by 37.5%).

The OECD-FAO (Agricultural Outlook 2011) projects the gradual shift in agricultural market share from developed to developing countries. Eastern Europe, next to Latin America, is expected to become an increasingly important supplier for agricultural markets in the coming decade. Its crop area and yields are both expected to increase and livestock inventories to expand. Fuelled by investments and improved efficiency through structural reforms, the Russian Federation and other former Soviet republics may play an increasingly significant role in export markets for wheat and coarse grains, regaining some of their historic importance as a bread basket for the world.

RUK countries, being among of the leading providers of wheat cargo, notice their growing importance as major world wheat exporters. According to OECD-FAO Agricultural Outlook 2011, RUK countries are expected to surpass the US as the world’s largest wheat exporter over the next decade. By 2020, total RUK wheat exports are projected to be nearly double the US level. The RUK’s export share is expected to expand by 11%, with exports increasing by about 22.3 million tonnes. Similar conclusions have been made by FAPRI, which estimates Russia’s and Ukraine’s share of the global wheat export market to reach 24% in 2020.

The chart below compares historical and projected world market shares of major wheat exporters.



Source: OECD-FAO Agricultural Outlook 2011

Sunflower seed

One of the major cargoes transported by the Group is sunflower meal, a by-product of sunflower oil production. Ukraine and Russia are among the world leaders in production of sunflower seed. According to FAPRI the world sunflower crop in 2010 declined by 10% from the record-breaking production of 2009. Despite this reduction, it is the second-largest crop on record. This reduction is due to declines by almost every major producer, in particular Argentina, Ukraine, and other CIS countries. Starting from 2011, sunflower seed production is expected to grow about 2% annually over the next decade, with strong expansion in Argentina and CIS countries. CIS is expected to account for almost 67% of world net exports of sunflower seed 2020.

The table below presents sunflower seed production in Russia and Ukraine.

	2005	2006	2007	2008	2009	2010
	<i>(Tonnes in thousands)</i>					
Russia	6,280	6,753	5,657	7,350	6,454	n/a
Ukraine	4,706	5,324	4,174	6,526	6,364	6,772

Source:SSCU, Statistical Yearbook 2010; Instituto Geographico de Agostini, "Calendario Atlante de Agostini" issues, 2006 - 2010

The Institute of Agricultural and Food Economics of Poland ("Market analysis", October 2011), estimated world production of sunflower seeds to be at a record high in 2011 (37.1 mn tonnes). The production in Russia and Ukraine was expected to have reached 8.7 mn tonnes and 8.5 mn tonnes in 2011 respectively. As the result, those countries were expected to increase their export to the level of 0.7 mn tonnes and 0.6 mn tonnes in 2011/12 season respectively.

Wood

The Group involves in the transportation of roundwood from the CIS region which is one of the major wood producers in the world. Within the CIS countries, the Russian Federation is the dominant timber producer. The Russian Federation for many years has been by far the largest exporter of logs in the world. When the country announced a log export tax of 25% in 2007 and the intention to increase this tax to 80% in 2009, total log exports from the Russian Federation fell from 51 million m³ in 2006 to about 22 million m³ in 2009 and 2010. According to UNECE/FAO this downward trend, however, appeared to change in 2011. During the first few months of 2011, total softwood and hardwood log exports were up over 10% compared with the same period in 2010. The upward trend was expected to continue during 2011 and 2012, as Russian log export taxes are likely to be reduced. Total removals of industrial roundwood in the CIS region were up 17% to approximately 148 million m³ in 2010. Total removals (including fuelwood) increased by 13%.

The table below presents the roundwood balance in the CIS in years 2009-2010 (m³ in thousands).

	<u>2009</u>	<u>2010</u>	<u>Change</u>
	<i>(m³ in thousands)</i>	<i>(m³ in thousands)</i>	<i>%</i>
Removals in CIS	178,809	201,989	13.0
Exports	27,173	27,063	-0.4

Source: UNECE/FAO TIMBER database, 2011.

Scrap Metal

The CIS countries continue to be an important export market for scrap metal which is an important type of cargo transported by the Group. Nevertheless over the recent years, contraction of the export of scrap metal has been observed mainly from Russia.

Russian and Ukrainian export of scrap metal in the years 2006-2010 is presented in the table below:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Change</u> 2010/2009
	<i>(Tonnes in thousands)</i>					<i>%</i>
Russia	9,797	7,855	5,128	1,202	2,390	+98.9
Ukraine	746	688	637	882	664	-24.7

Source: *World Markets for Recovered and Recycled Commodities 2011. Bureau of International Recycling, October 2011; www.Ukrudprom.com according to Ministry of Industry of Ukraine's data*

According to the official data form the Ministry, cited by Ukrainian News, the export of scrap metal from Ukraine amounted to 801 thousand tonnes in 2011.

Prospects for the availability of river-sea dry bulk fleet

According to the Management's best knowledge, none of the Group's Ukrainian or Russian competitors has placed any major shipbuilding orders for new river-sea dry cargo vessels. In addition the Russian shipbuilding industry is concentrated on building tankers to comply with the requirement of convention MARPOL 73/78 concerning double hauling of the tankers that entered into force in 2006, with all the operational vessels to be compliant by 2015. As a result the Management believes that the risk of oversupply of river-sea vessels in the Black and Azov Seas region is remote.

Ship repair and ship building market in Ukraine

Ukraine's major shipyards are successors of ship repair and ship building industry companies during the Soviet Union. After the breakdown of the Soviet Union, Ukraine inherited powerful shipbuilding facilities. Most of them were subject to administration by the Ministry of Industrial Policy of Ukraine. These were 11 shipbuilding plants that used to contribute around 30% to the shipbuilding output of the Soviet Union, which at the time was among the top ten of civil shipbuilding countries. Ukraine also inherited numerous marine engineering enterprises, companies involved in marine device construction, as well as separate R&D institutes and design bureaus. Also, Ukraine has a number of shipbuilding plants and docks administered by the Ministry of Infrastructure, the State Agency of Fishing Industry, and the Ministry of Defense.

The current shipbuilding sector in Ukraine encompasses approximately 30 shipbuilding and ship repair enterprises. Their scopes of activity vary by the size and type of vessels serviced, services offered or by their ability to conduct turnkey projects. Ukrainian shipyards are located in the basins of the Black and Azov Seas, in close proximity to major shipping traffic and major seaports, as well as on the rivers Dnepr, Danube and Yuzhny Bug. The main centers of industry are: Sevastopol, Izmail, Illichivsk, Kherson and Nikolaev, which constitute over 70% of total capacity.

The scale of Ukraine's shipbuilding and ship repair industry has experienced substantial decline in comparison to Soviet times, mainly as a result of a small number of orders from local shipping companies. According to Ports of Ukraine of February 2006, for the first 14 years of Ukrainian independence, on average 10 to 20 % of the total orderbooks of Ukrainian shipbuilding enterprises belonged to Ukrainian shipping companies. In addition, the

major part of Ukraine's shipbuilding activity concentrates on non-turnkey production (only hulls) due to the high quality of steel and welding works.

The following table summarizes the output of cargo and technical vessels by Ukrainian shipbuilding enterprises in the years 2007 - 2010.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cargo vessels	14	9	21	15
Technical vessels	10	12	11	12

Source:SSCU, Statistical Yearbook 2010

Ship repair works in Ukraine are performed both by specialized repair enterprises as well as by large shipyards engaged predominantly in ship building activities. The Group concentrates on the repair works of vessels with sizes of up to 115 meters, and as such competes with the ship repair enterprises possessing facilities that allow repairs of vessels with similar sizes. Market leaders according to the number of completed vessels repairs are: Illichivsk Ship Repair Yard, Ship Repair Yard Dunaysudoremont, Kherson Shipyard, Sevastopol Sea Yard, and Shipyard Zaliv. The Management believes that its direct competitors are PJSC Kherson Shipyard, Kherson Komintern Shipbuilding and Repair Yard (a branch of Ukrrihflot), Kerch Ship Repair Yard and Kherson Shipbuilding Yard Named After 61 Communards.

The demand for ship repair services is driven by the globally accepted regulatory framework for the shipping industry (described in more detail in "*Environmental and Other Regulations*"), which requires vessel compliance with international conventions and treaties as well as with laws and regulations setting obeyable safety and environment protection norms. Vessels are required to go through periodic inspections in order to be able to verify their ability to safely navigate in various jurisdictions and maritime conditions and to obtain certain certificates allowing continuous vessel operation. This also requires periodic repairs and improvement works to be carried out in specialized shipyards. It is the main driver for the demand in repair services. Taking into account the fact that the average age of the vessels targeted by the Group's shipyard is growing, the Management believes that the demand for its services will remain high.

Kyiv touristic river transport

Competition

With respect to its passenger operations, the Group competes with other companies offering river tours in the city of Kyiv. As of the date of the Prospectus the only competitor of the Group, offering similar tours in the center of Kyiv, having access to the piers located at the pedestrian zone on the Dnepr River bank is Kyiv River Port. In the recent years Kyiv River Port has operated 4 piers in the pedestrian zone. According to the best knowledge of the Management as of the date of the prospectus, Kyiv River Port has not yet signed agreements for previously operated piers. According to the Management's knowledge, in 2011 Kyiv River Port owned 11 vessels of a similar type and size to those operated by the Group. Nine vessels were operated in 2011. In 2012 the company sold 3 of its touristic vessels.

According to the best knowledge of the Management, there are some other companies that offer similar services in Kyiv area but they are not located in the city center and do not have access to piers which substantially lowers the competition from these companies.

With reference to catering and restaurant services, the Group competes with on-land service providers.

Prospects

Group's prospects in regard to its passenger business depend on the level of tourism enjoyed by Ukraine. Most of the foreign tourists visiting Ukraine visit Kyiv. Based on the data from SSCU, the number of foreign tourists visiting Ukraine has grown over 3 times for the period 2000-2010, from less than 6,5 mn to over 21 mn tourists. The Group expects Ukraine's tourism attractiveness to benefit in the following years from the UEFA Euro 2012 football tournament co-hosted by Ukraine and Poland with matches occurring in four Ukrainian cities, including Kyiv where the championship final match will be held.

GENERAL INFORMATION ON THE ISSUER

The Issuer

The Issuer was incorporated in Cyprus as V.S. Marine Engineering Services Limited (registration number 106931), a Private Company limited by shares, on 2 December, 1999. On 18 November 2011 the Issuer changed its name to KDM Shipping Limited. By virtue of a resolution of the extraordinary General Meeting of the Issuer dated 5 March 2012, the Issuer's name was changed into KDM Shipping Public Limited on 21 March 2012 and the Issuer was transformed into a Public Limited Company. The registered office of the Issuer is Michail Koutsofta 3, 3031, Limassol, Cyprus. The telephone number of the registered office is +35 7253 769 19.

KDM Shipping Public Limited is a holding company of the Group whose principal assets are interests in equity of the Group Companies incorporated and/or operating in Ukraine and Republic of Panama in the shipping industry. The Issuer does not carry any material business operations except for the direct and indirect holding of equity interests in the Group Companies. The Group's business operations are conducted through its Ukrainian and Panamanian subsidiaries.

The Group's principal business is cargo freight, ship repair and passenger transportation.

The Group's headquarters in Ukraine are located at 6-a Pyrogova Str., Kyiv, 01030. Its telephone number is +38 044 569 47 15 and its fax number is +38 044 569 47 16.

Corporate Purpose

The objects of the Issuer are as set out in full in Article 3 of the Memorandum. The primary objects of the Issuer are to carry out the business of a shipping company, a holding and an investment company, business consultancy and general trade. However the object clauses of the Memorandum have been drafted very widely so as to allow the Issuer to carry on virtually any business.

Corporate Resolutions and the Share Capital

- Upon the Issuer's incorporation on 2 December, 1999, its issued share capital amounted to Cyprus Pounds 1,000.00 divided into 1,000 ordinary shares of nominal value of Cyprus Pounds 1.00 each.
- On 4 July 2000, the Issuer's share capital was increased to Cyprus Pounds 10,000.00 divided into 10,000 ordinary shares of nominal value of Cyprus Pounds 1.00 each.
- On 1 January 2008, following the adoption of the Euro by the Republic of Cyprus as its official currency, the share capital of the Issuer was converted into Euro 17,100.00 divided into 10,000 shares of nominal value of Euro 1.71 each.
- On 22 February 2012, the issued share capital of the Issuer was increased and subdivided into Euro 65,000 divided into 6,500,000 ordinary shares of Euro 0.01 each. As of the date of the Prospectus the authorized share capital of the Issuer is Euro 200,000.00 divided into 20,000,000 ordinary shares.
- By virtue of a resolution of the extraordinary general meeting of the Issuer dated 5 March 2012, the Issuer's name was changed into KDM Shipping Public Limited on 21 March 2012.
- The Board of Directors intends to use the authorisation to issue the Offer Shares in the Offering. As a result of the Offering, the issued share capital of the Company may be increased up to EUR 100,000 through the issuance of up to 3,500,000 Offer Shares. The current shareholders of the Company waived their pre-emption rights in relation to the Offer Shares in an extraordinary shareholders meeting which took place on 20 June 2012.

Consequently, as at the date of this Prospectus, all of the Shares are ordinary shares, are fully paid up and rank *pari passu* with each other and there is no other class of shares authorised. There are no different voting rights, and each share shall carry one vote. No depositary receipts for Shares in the capital of the Issuer have been issued with the agreement of the Issuer, and the Issuer has not been informed that depositary receipts for Shares in the capital of the Issuer have been issued without its agreement.

All the Shares including the Offer Shares have been or will be issued under Cyprus Companies Law.

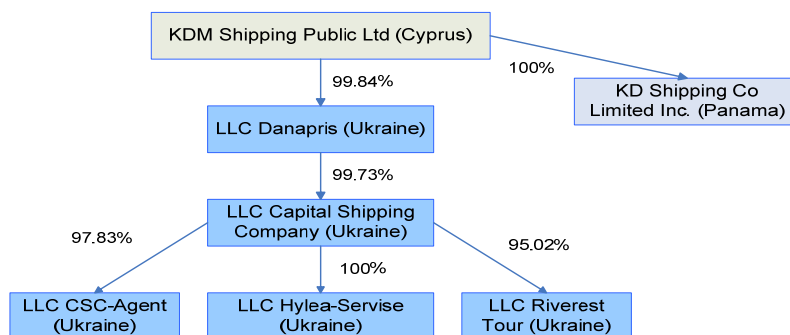
The table below shows the current Issuer's issued and paid-up share capital and the Issuer's issued and paid-up share capital after all of the Offer Shares have been issued:

	Cumulative number of shares	Nominal value (EUR 0.01 per share)
Current shares issued as at the date hereof	6,500,000	EUR 0.01
Offer Shares to be issued for the Offering	3,500,000	EUR 0.01
Total issued shares post-Offering	10,000,000	EUR 0.01

GROUP STRUCTURE

Description of the Group

The following chart sets out the Issuer's principal subsidiaries and interests in those subsidiaries, as well as the structure of the Group, in each case as on the date of the Prospectus. For a more detailed description of the assets, see "Business".



KDM Shipping Public Limited (the Issuer)

The Issuer is the parent company of the Group. The table below sets forth certain important information on the Issuer.

Company name:	KDM Shipping Public Limited
Registered office:	Michael Koutsofta 3, 3031, Limassol, Cyprus
Date of incorporation:	2 December 1999
Registration number:	106931
Profile of business:	Holding company
Members of the board of directors:	Mr. Kostiantyn Molodkovets, Mr. Denys Molodkovets, Mr. Ivaylo Georgiev Getsov, Mr. Konstantin Anisimov and Mr. Mykhailo Chubai

For further information on KDM Shipping Public Limited, see "General Information on the Issuer."

Subsidiaries

The Issuer is a sole direct shareholder of KD Shipping Co Limited Inc. (Panama).

Company name:	KD Shipping Co Limited Inc.
Registered office:	Republic of Panama
Date of incorporation:	29 June 2009
Registration number:	667130
Profile of business:	Business of freight
Directors and officers:	Mr. Kostiantyn Molodkovets, Mr. Denys Molodkovets, Mr. Sergiy Shevchenko

The Issuer is a direct and indirect shareholder of LLC Danapris (Ukraine), which is the holding company of the Group's Ukrainian subsidiaries and the majority shareholder of the Ukrainian operating companies (either directly or indirectly).

The Issuer holds 99.84% of capital and voting power in LLC Danapris. The Issuer does not hold 100% of interest LLC Danapris and LLC Danapris does not hold 100% interest in all of its subsidiaries due to requirements of Ukrainian law according to which a company with a single shareholder may not be a single participant in a limited liability company, and a company may be a single participant only in one limited liability company. The remaining percentage of the share capital in LLC CSC-Agent (2.17%) is held by LLC Danapris

and the remaining percentage in LLC Danapris (0.16%), LLC Capital Shipping Company (0.27%), and LLC Riverest-Tour (4.98%) is held by LLC Occos-Service, a company controlled by the Principal Shareholder.

Company name:	Limited Liability Company Danapris
Registered office:	2L Naberezhno-Luhova St., Kyiv, 04070 Ukraine
Date of state registration:	24 November 1997
Registration number:	22921976
Profile of business:	Ukrainian holding company
Director:	Ms. Maryna Tverdohlyeb
Charter capital:	UAH37,293,300

The Group's business is carried out by Group Companies incorporated under the laws of Ukraine. The vessels of the Group are registered under the Ukrainian flag, and the shipyard operated by the Group is located in Ukraine. The tables below indicate the most important corporate information on the Group's operating companies:

Company name:	Limited Liability Company Capital Shipping Company
Registered office:	2L Naberezhno-Luhova St., Kyiv, 04080 Ukraine
Date of state registration:	25 September 2001
Registration number:	31628535
Profile of business:	River and cargo transportation services, owner of vessels
Director:	Mr. Denys Molodkovets
Charter capital	UAH45,184,245

Kherson Shipyard named after Kuybyshev is a branch of LLC Capital Shipping Company which was established upon acquisition of the material assets of OJSC Kherson Shipyard named after Kuybyshev (referred to as the Group's shipyard). See "*Business-Real Property*".

Branch name:	Branch Kherson Shipyard named after Kuybyshev of Limited Liability Company Capital Shipping Company
Registered office:	1 Karantynny ostriv, Kherson 73000 Ukraine
Date of decision on establishment:	23 May 2005
Registration number:	33404533
Profile of business:	Repair works and services company
Director:	Mr. Anatoliy Hudyakov

Company name:	Limited Liability Company Riverest-Tour
Registered office:	2L Naberezhno-Luhova St., Kyiv, 04080 Ukraine
Date of state registration:	20 December 2005
Registration number:	33787128
Profile of business:	Passenger river transportation services
Director:	Ms. Valentyna Butko
Charter capital:	UAH533,200

Company name:	Limited Liability Company CSC - Agent
Registered office:	1 Karantynny ostriv, Kherson 73000 Ukraine

Date of state registration: 17 October 2007
Registration number: 35468740
Profile of business: Agencing services in Ukrainian ports
Director: Mr. Oleg Kulakov
Charter capital: UAH46,000

Company name: Limited Liability Company Hylea-Servise
Registered office: 1 Karantynny ostriv, Kherson 73000 Ukraine
Date of state registration: 19 March 2007
Registration number: 35028009
Profile of business: Repair works and services company
Director: Mr. Sergiy Shostak
Charter capital: UAH40,000

BUSINESS

Overview

The Group 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 8 river-sea, dry cargo vessels of total 25,206 DWT, which due to their shallow draft allow the access to major river and sea ports in Black and Azov Sea regions. The Group also provides passenger river transport services in the Kiev region (operating the fleet of 8 passenger river vessels), as well as ship repair services at its own shipyard located in the city of Kherson.

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, allowing the Group to benefit from certain cost efficiencies and to sustain competitive advantages. Such a business model allowed the Group, at the time of the crisis that hit the industry during 2008-2010, to sustain a volume of business with satisfactory profitability levels.

The international economic rating of "League of the Best" in 2011, based on official data of the SSCU, ranked the Group seventh in terms of activity in freight river transport, third in terms of activity in maritime freight transport and fourth in building and repairing of ships, placing the Company among the leaders in various segments of the shipping industry.

In 2011 the Group recorded consolidated revenues of USD 29,159 thousand and net profit of USD 14,189 thousand. The cargo transportation segment generated 78.4% of the Group's revenues.

Competitive Strengths and Advantages

The Group's Management believes that the Group benefits from the following competitive strengths:

- **Focus on the niche segment of river-sea freight.** The Group operates within the niche segment of river-sea freight. Its vessels, thanks to their shallow draft levels, are able to transport cargo to any port located in the Mediterranean Sea region directly from the inland ports of Ukraine and Russia. In most cases it limits the distance that cargo needs to be transported by land or removes the need of reloading (from barges or river vessels), which lowers the total cost of freight for the charterer. The shallow draft levels allow the Group's vessels to enter Ukrainian and Russian river ports as well as Russian ports of the Azov Sea region that are inaccessible for vessels with drafts exceeding 4.3 meters. This limits the access for larger vessels and results in lower competition for cargo. The Group also benefits from lower costs of port dues in the inland ports of the Black and Azov Sea regions (for detailed information please see "*Operational and Financial Review*").

In the Management's opinion, the current market under-supply of river-sea vessels (as described in the "*Industry Overview - Competition*") along with the increasing demand (supported by growing export of grain – the Group's main cargo – from RUK countries) for freight services will positively influence the price of freight services in the Group's regions, having a corresponding positive effect on the Group's financial results.

- **Strict standards for the fleet's technical condition.** The age of the Group's cargo fleet ranges from 26 to 43 years, which in Management's opinion is comparable to the average age of the vessels of its competitors. In the Management's opinion the lifespan of properly used and serviced vessels amounts to more than 60 years. The Group believes one of its competitive advantages is sustaining the first-class technical condition of its fleet, significantly exceeding regulatory requirements. By being both owner of the vessels and their pool operator, the Group is particularly interested in being able to use the vessels as long as practically possible while at the same time being able to provide top quality service to its customers. Therefore, besides regularly required by maritime regulations, checks and repair works, the Group's fleet has been subject to additional internal stringent maintenance and inspection programs, done mostly in the Group's shipyard (described further in "*Business – Technical management of the fleet*"). In particular each of the Group's vessels has gone through extensive renovations involving replacement of extensive portions of metal and machine equipment. Consequently, its vessels are in good technical

condition and this fact is supported by inspection results from the relevant authorities. All vessels are maintained in line with the Paris Memorandum, allowing them to operate in all ports of the Mediterranean region without exception. According to the Management's market knowledge, an extensive portion of the vessels operating in the Black and Azov Sea regions comply only with the requirements of the Black Sea Memorandum, under which they can only enter the ports located in the Black and Azov Sea regions and not the broader Mediterranean region.

The Management believes that operating a well-maintained fleet reduces operating costs (e.g. reduces fuel consumption), makes the fleet more reliable by reducing the likelihood of breakdowns, reduces potential liabilities by enabling the Group to perform charters at the agreed vessel speed and improves safety. It provides the Group with a competitive advantage in securing favorable charter conditions from charterers that seek a reliable freight service provider.

The New Inspection Regime under the Paris Memorandum in force since 1 January 2011, provides rules for evaluating a vessel's risk profile, and thereby determines the frequency of inspections. One of the major factors taken under consideration in evaluating the risk profile of the vessel is the historical performance of the shipping company as a whole instead of the condition of the individual vessel. That shall create a competitive advantage for shipping companies, such as the Group, that have historically focused on maintaining the good technical condition of their vessels.

- **Strong customer relationships with reputable charterers.** The Group's history of doing business as a reliable partner (among others, offering a high and sustainable level of vessels' technical shape) allowed it to create a strong network of business relations with charterers and brokers on which it can leverage for further expansion within the current region and into new markets. The Group has established relationships with leading charterers and a number of chartering, sales and purchase brokerage houses within the area of its operations. The Group has maintained relationships with major national and private industrial users, commodity producers and traders, including Kernel, Bunge, Trans-grain, Mriya Agro, Yug Russi, and Cargill, which have repeatedly chartered vessels managed by the Group. The Management intends to keep the vessels fully employed and to secure repeatable business with charterers by providing well-maintained vessels and dependable service.
- **Own cost effective ship repair yard.** Each operational cargo vessel is subject to strict international maritime requirements (described in "*Business - Environment and Other Regulations*") with respect to ship inspections, ship repair works and docking. These requirements result in significant cost burdens for shipping companies that have to be borne on a regular basis. In 2004 the Group acquired the assets of OJSC Kherson Shipyard named after Kuybyshev located in Kherson (an important ship repair center in Ukraine and a port in the Black Sea region) which went through a cost efficiency restructuring process during 2010. This allowed the Company to renovate its acquired fleet on a cost effective basis and generate additional income through offering third party services.

Currently the Group is using the shipyard equally for its internal needs, i.e. the repair works and docking of its own cargo and river passenger vessels, and providing repair and ship building services to third parties. In addition, as of the date of the Prospectus, the Group is in the final stage of construction of a passenger vessel with approximately 450 customer capacity for its passenger business line. It has also started the second construction of another passenger vessel for the Group. The Management is of the opinion that the shipyard allows it to save the Group approx. 15-25% of the costs for ship repair works and up to 30-35% of the costs of construction, in comparison to the situation in which the services are provided to the Group by third parties.

- **Own crewing agency.** The Group does not use external crewing agencies for staffing its vessels but fully relies on its internal crewing department. The department is responsible for the whole crewing process starting from seamen database handling, independent checks of seamen, contract negotiations and signing.

The Management believes that maintaining its internal crewing process allows for better selection of crew members corresponding with the Group's internal needs. It also strengthens the relationship between the Group and crew members. As a result the Group achieved low level of rotation of crew members. Over 95% of crew members hired by the Group since 2007, signed contracts with the Group more than twice. Consequently, the Group was able to form regular and shifting crews of highly qualified and trusted seamen that are characterized by low staff fluctuation, which results in better knowledge of the Group's

vessels by the crew members and hence mitigates the risk of improper handling of the vessel that may adversely affect the Group's financial results.

- ***Own agency in selected ports.*** In the ports of Ukraine the Group's vessels are serviced by one of its subsidiaries LLC CSC-Agent. The subsidiary is responsible for ensuring that all port processes associated with the Group's vessels are guided primarily by the interests of the Group. As a result of CSC-Agent's activity, the Group managed to achieve significant savings by reducing non-productive downtimes of vessels associated with additional inspections, verifications of authorized agencies and port authorities, reducing the time for the issue of transit passage of ships of inland ports of Ukraine (Kakhovka, Zaporozhye, Dnepropetrovsk). One of the additional advantages in using CSC-Agent is payment of the disbursement accounts after the service is provided rather than on a prepayment basis.
- ***Experienced and dedicated management team.*** Key members of the Company's management team have extensive and diversified experience within the shipping industry with the CEO of the Company being for over 30 years in the industry. In addition, key management team members are with the Company from its establishment driving its growth to the position of the leader in Ukrainian river-sea transport. The members of the management team have developed strong industry relationships with leading charterers, brokers, fuel suppliers, other suppliers and insurance providers. The Management believes that thanks to its experience, it is well positioned to successfully implement the Company's strategy.
- ***Solid financial performance.*** In the Management's opinion, the Group has delivered a strong financial performance in the recent years despite difficult economic and financial situations in Ukraine and worldwide. In the years 2008 – mid 2011 the dry bulk shipping sector experienced difficulties resulting from low freight prices and increasing oil prices, which have negatively influenced the overall results of the industry. In addition, the conditions for the shipping industry in the Black and Azov Sea regions were affected by the Russian ban on export of grain (15 August 2010 – 01 July 2011) and Ukrainian grain export quotas and custom duties (07 October 2010 – 04 June 2011), which limited the amount of cargo available for transport by the Group. Despite the abovementioned, the Group was able to sustain strong results on the EBITDA (in 2009, 2010 and 2011: 36.2%, 32.0% and 50.9 % respectively) and net income margins level (in 2009-2011: 30.0%, 36.5% and 48.7% respectively). The Management believes that the Group was able to sustain good profitability thanks to the strategy of the Management to keep all ships in operation by switching to cargoes of higher availability and maintaining good relations with the brokers also by offering lower margins however, still on the overall satisfactory levels. It allowed the Company to maintain the high level of its vessels' utilization at 97.1% in 2011 (understood as percentage of days available for hire excluding ship repair time and time of weather conditions under which a vessel could not proceed).

Business Strategy

The Group's overall strategy is to further consolidate and expand its business within the Azov Sea, Black Sea and Mediterranean Sea regional shipping market as well as expand into the new geographies. In the first stage the Group plans to expand its river-sea business segment. However, in order to be able to offer its clients a broader scope of services, the long term goal of the Group is to enter into the segment of the larger vessels that will enable the Group to transport cargo from Black and Azov Seas to more distant geographies. The investment program planned for 2012-2014 is intended to support and accelerate revenue growth and profitability improvement in the river-sea segment as well as taking advantage of the post crisis environment to strengthen Group's market position, by leveraging on the Group's competitive strengths and implementing the following key elements of the strategy:

- ***Expansion of Group's shallow river-sea fleet through well-timed transactions.*** In order to benefit from the expected growing demand for shipping services in the Black and Azov Sea regions (predominantly connected with the expected long term growth in the grain export from the RUK countries) the Group plans to expand its fleet of river-sea vessels. The Management actively monitors the market in order to take advantage of opportunities to expand the Group's shallow river-sea fleet. Such opportunities include: (i) purchasing second-hand vessels directly from previous owners, and (ii) well-timed orders for newbuilds.

In line with its investment plan for the years 2012-2014 (please see "*Business-Investments- Investment program 2012-2014*"), the Company plans to purchase six used vessels with the total deadweight of 24,000 metric tonnes. The Group also plans to finalize the project of construction of 4 newbuilds of a

dead weight of 6,000 metric tonnes each, which will be financed from the operating cash flows generated by the Group and with debt financing. Depending on the availability of the operating cash flows and additional debt capacity, the Company may consider further expansion of its fleet should that be beneficial from the perspective of the Group's financial results and its further growth opportunities. In the Management opinion, the Group is able to effectively operate the fleet of up to 30 vessels of the river-sea type and secure satisfactory level of freight for the fleet.

- ***Increase high efficiency of the Group's fleet.*** The Management believes that the Group's ability to maximize its vessel utilisation and earnings depends in major part upon the Management's experience and technical characteristics of its fleet. The Group intends to continue maintaining or even increasing the high efficiency of its vessels by continuing the stringent maintenance and inspection programs that it currently applies. The Group intends to maintain the operating and safety standards of internationally recognized classification societies, being the Members of the IMO. It will be supported by the fact that the Company plans to increase its fleet by the purchases of a much younger secondhand fleet than the one used currently by the Group. In addition, the Company plans to invest in newbuilds, the maintenance needs of which are much lower than those of an older fleet.
- ***Concentration on grain cargo.*** Concentration on grain cargo transport follows the general strategic aim of improving profitability of the Group and has been one of the major goals of the Group since 2004. Compared to other types of dry bulk cargo, in the Black and Azov Sea regions, for the loads up to 10,000 DWT grain in most of the cases offers one of the highest profitabilities for shipping companies and drives the prices for shipments of other types of cargo. Additionally, the availability of grain cargo in the Black and Azov Sea regions is high, as Russia, Ukraine and Kazakhstan are very important exporters of this type of cargo and their importance is expected to grow in the coming years. The Group plans to benefit from the expected growth. Nevertheless the Group will not limit itself to one type of cargo and will make the decisions on the choice of cargo according to the thorough analysis of current market conditions and will take into consideration the seasonal movements of the freight rates in the market.
- ***Dedicating vessels to service specific routes.*** By operating the increased fleet the Group will be able to dedicate particular ships for servicing certain routes in the way that, in the Management's opinion, will be the most profitable. In particular, the larger vessels will be dedicated to operate on the longer routes for which certain economies of scale, associated with larger amounts of cargo that the vessels are able to take, play important role. Longer routes are also associated with the higher probability of getting return cargo. The smaller vessels are to be dedicated to service shorter routes, on which they will be able to increase the number of round trips per month.

In addition, the Group plans to dedicate some of its vessels to service certain geographical markets. Having extensive access to the information concerning the history of each vessel, certain countries tend to put repressions on the vessels that in the past entered the ports of different (usually conflicted) countries. The repressions include arresting of the ships in the ports, difficulties in going through port formalities and creating other red tape bureaucratic delays. The transport of cargo into these directions is associated with higher margins, since the competition for cargo to such ports of call is much lower than for other ports.

- ***Expansion into new markets.*** The Group believes that it has established a strong reputation in the Black-Azov Sea shipping market for providing efficient, safe and reliable service. The Group intends to leverage on this reputation to develop its relationships with a number of regional charterers and to penetrate new markets (in terms of geography and cargo transported). For example, the Group aims to enter the freight services on the routes Black Sea - Northern Europe, where in order to enter Northern ports special equipment is required.

In addition to the strategic goals concerning its main business activity, the Group plans to further expand the activity of its shipyard and further leverage on its experience in the passenger business. For those business lines the following strategic plans have been developed:

- ***Expansion of Group's ship repair and ship building business.*** As of the date of the Prospectus the capacity of the Group's shipyard allows it to service all of the Group's vessels, and generate additional income by performing ship repair works for third parties. The capacity, however, is not sufficient to service the planned increase of the Group's fleet, mainly due to certain constraints with respect to the size of the vessels that can be serviced in the shipyard. Part of the docking and repair works would have to be

done in third party facilities which would expose the Group to additional cost. Hence, (i) to allow the performance of all services for its own increased fleet in-house, and (ii) to increase the value of services sold to the third parties, an important element of the Group's strategy aims at expanding the capacity of its shipyard.

The investments in the capacity of the shipyard will allow the Group to: (i) increase the scope of services, (ii) increase the number of vessels that can be serviced in parallel, as well as (iii) perform its services to the vessels of the bigger size and higher carrying capacity. In particular, the increase of the capacity will allow the Group to increase the scale (both in number and size of built vessels) of ship construction works which are characterized by the higher profitability than the repair works. In the future the Company will consider using the capacity to build new vessels for itself.

The investment plan for the shipyard should, as planned by the Management, increase the capacity of the shipyard by approx. three times by mid-2013. Based on the existing good working relationships with ship owners adding to the increasing demand for the river-sea vessels within the Black and Azov Sea regions, the Management believes the Group can effectively fill the increased capacity.

- **Expansion of the Group's passenger business.** The Group plans to continue diversification of its revenue base by increasing of the scale of operations of its passenger business. For that reason the Group is constructing two vessels in the Group's Shipyard (described in "Business - Investments"). In addition the Group plans to increase by 5 the number of chartered vessels for the 2013 season and further to enter into agreements for use of additional 2 piers with the Administration of the River Ports of Ukraine (Ministry of Infrastructure, Department of Sea and River Transport). Based on the increased fleet of passenger vessels the Group will be able to:
 - (i) Expand geographically outside of Kyiv - The Group plans to launch the passenger business in Kherson region, however this will be concentrated on providing transport service to the local community rather than providing tourist routes. Kherson region is also of interest due to its longer navigation period. The Group is also looking to explore opportunities of entering passenger transportation in city of Zaporozhye, which is a popular tourist destination and, according to the Management, currently the market allows for new entries.
 - (ii) Enter the higher end of the market – Based on the two newbuilds the Group will be able to offer high end tours and catering services, which are associated with a higher margin according to the Management.

Historical and Recent Developments

1997

Formation of the Group Mr. Kostiantyn Molodkovets established LLC Danapris.

2001

Formation of the Group LLC Capital Shipping Company (until 31 March 2005 – LLC Danapris-Tour) was established by LLC Danapris as a co-founder, initially holding 10% of the participatory interest.

Business developments

The Group started its dry bulk and passenger businesses through the acquisition of the first passenger ship (Borysfen) able to take up to 40 passengers and the bareboat charter agreement for four river-sea dry cargo vessels (Seagul, Skylark, Grygoriy Petrovsky, and Stanislav Kosior) about 3,000 DWT each.

Four river-sea dry cargo vessels have been chartered from Volzhsko-Dneprovskaya Shipping Company.

2001-2003

Business developments Given lack of certification for transportation of grain, the Group focused primarily on the transportation of wood and scrap metal and carried its dry bulk operations only within the Black and Azov Sea areas transporting the cargo between Ukraine, Russia, Turkey, Georgia, Bulgaria.

2004

Formation of the Group In 2004 Mr. Kostiantyn Molodkovets acquired indirectly the 100% of the share capital of the Issuer through a trust arrangement.

Business developments

The strategic decision was made to expand the scope of operations of the Group by entering into freight of different types of cargo and extending geographical range of operations. At that time the initial decision to concentrate on grain cargo was made. On top of that, to support the increasing scale of its dry cargo business and to diversify the Group's revenue base, the Management made a decision to enter into the ship repair and ship building business.

Mr. Kostiantyn Molodkovets acquired from individual shareholders shares of OJSC Kherson Shipyard named after Kuybyshev, located in Kherson (an important ship repair center in Ukraine and a port in the Black Sea region located at Dnepr River near its mouth, which is the only transit port in Ukraine for the up-river in-land destinations). Mr. Kostiantyn Molodkovets currently holds approx. 98% of the capital of OJSC Kherson Shipyard named after Kuybyshev, assets of which were transferred to LLC Capital Shipping Company, leaving OJSC Kherson Shipyard named after Kuybyshev a defunct shell company for all intents and purposes. As of the date of the Prospectus, OJSC Kherson Shipyard named after Kuybyshev is being liquidated in the bankruptcy procedure.

2005

Business developments

To further increase the scale of dry bulk operations, the Group acquired ten vessels (four of which had been previously operated by the Group under bareboat charter agreements), of the capacity of about 3,000 DWT each, from CJSC Volzhsko-Dneprovskaya Company. Two of the vessels were subsequently sold by the Group.

Mr. Kostiantyn Molodkovets started the process of moving operating assets of the shipyard to LLC Capital Shipping Company in the series of intra group transactions. The process was finalised in 2010.

Moreover, the Management took a decision to bring the crewing process in-house; the crewing department was established.

2006

Formation of the Group

After a chain of transfers performed in 2004 – 2005 mainly among related entities, which are not part of the Group, and after charter capital increase, LLC Danapris acquired 39.8% of the participatory interest in the charter capital of LLC Capital Shipping Company from Volzhsko-Dneprovskaya Shipping Company. In 2006 Mr. Kostiantyn Molodkovets acquired directly the 90% of the share capital of the Issuer and Mr. Denys Molodkovets acquired directly the remaining 10% of the share capital of the Issuer.

Business developments

The Group made a decision on further diversification of its revenues by increasing the scale of its passenger business. The Group acquired four passenger ships from CJSC Volzhsko-Dneprovskaya Company for the total consideration of USD235,506. To enable full scale operations of its passenger business, the Group started operating from a pier located in the pedestrian zone in the center of Kyiv. After required investments were made, the Group started to offer a range of sightseeing tours as well as banquet services on its passenger ships on the Dnepr River in Kyiv. For the performance of passenger tour services the subsidiary LLC Riverest-Tour was established and the "Riverest – Your celebration on the water" brand was registered.

In addition, the Group purchased a floating dock from the State Property Fund of Ukraine in the public tender for USD185,000. It enabled the Group to increase the scale of operations as well as scope of services that could be performed in the shipyard. In particular, it allowed the Group to provide the full scope of services to its vessels. The investment increased the size of the vessels that could be serviced in the shipyard from 70 meters to 115 meters length.

2007	
Formation of the Group	<p>LLC Capital Shipping Company established LLC CSC-Agent as a wholly-owned subsidiary.</p> <p>Charter capital of LLC Capital Shipping Company was decreased due to failure of one of the participants to make its contribution in full. As a result, the participatory interest which was paid in full was redistributed among the relevant participants and the share of LLC Danapris increased to 82.3%.</p>
Business developments	<p>With the aim to facilitate operations of its freight business and optimize its operating costs, the Group established the subsidiary (LLC CSC - Agent) responsible for agency services in the major ports of the Group's operations on the territory of Ukraine. The subsidiary started to service both the Group's vessels and third party clients.</p> <p>A sixth passenger ship, with the capacity of 140 people, was acquired by the Group from CJSC Volzhsko-Dneprovska Company for USD133,069. The vessel required repair works, the cost of which was approximately USD 190,000.</p> <p>In terms of shipyard operations, in addition to ship repair services, the Group completed its first construction project of the hull for the river passenger catamaran for a Russian shipping company.</p> <p>Following the new strategic challenges of, among others, increasing the Group's profitability, the Management started the restructuring process of the Group's shipyard in Kherson.</p>
2008	
Formation of the Group	<p>LLC Capital Shipping Company acquired 100% of participatory interest in the charter capital of LLC Hylea-Servise.</p> <p>After a chain of transfers performed in 2005 – 2007 mainly among related entities, which are not part of the Group, and after charter capital increase, KDM Shipping Public Ltd (until 18 November 2011 - V.S. Marine Engineering Services Limited, until 21 March 2012 – KDM Shipping Limited) acquired 99.84% of the participatory interest in the charter capital of Danapris LLC from Proflinex Ltd. (Cyprus) and became the holding company of the Group. At that time LLC Danapris was the Ukrainian holding company for LLC Capital Shipping Company, LLC CSC-Agent and LLC Hylea-Servise.</p>
Business developments	<p>The Group completed construction projects relating to the hull of a floating office center and also conversion of a fishing vessel into an inland passenger vessel, in its shipyard in Kherson.</p>
2009	
Formation of the Group	<p>LLC Capital Shipping Company acquired 17.5% of the participatory interest in its own charter capital. The share of LLC Danapris remained unchanged (i.e., 82.3%).</p>
Business developments	<p>Despite difficult market conditions in the shipping industry, the Group managed to sustain satisfactory levels of profitability thanks to their good relations with charterers and brokers as well as by taking the well-timed decision on shifting to different types of cargo (due to undersupply of grain).</p> <p>The Group completed construction projects for a floating office center and a hull of a river dry cargo vessel. In addition one vessel was converted from an inland passenger vessel into a motor yacht.</p>
2010	
Formation of the Group	<p>LLC Capital Shipping Company acquired 93.77% of participatory interest in the charter capital of LLC Riverest Tour by way of a contribution to its charter capital.</p>
Business developments	<p>The Group developed the new strategic plan aimed at revenue and profitability growth, as described under "<i>Business – Business Strategy</i>". The first step to implementation of the plan was division of the project of a 6,000 DWT river-sea type vessel, which, in the Management's opinion is the most suitable for operation in the Group's target market (see "<i>Business – Investments - Investment program 2012-2014</i>").</p> <p>The Group conducted a yard inspection procedure in China to identify a shipyard for construction of its vessels. The Group likewise signed a Memorandum of Understanding with China National Machinery & Equipment Import & Export Corporation concerning construction of ocean-going and river-sea type vessels (for more detailed description see "<i>Material Contracts</i>").</p>

2011

Formation of the Group 100% of participatory interest in the charter capital of LLC Hylea-Sudoservice was disposed of (12.5% - by LLC Danapris and 87.5% - by LLC Capital Shipping Company).

100% of participatory interest in the charter capital of LLC Hylea-Mekhanoservice was disposed of (12.5% - by LLC Danapris and 87.5% - by LLC Capital Shipping Company).

67% of participatory interest in the charter capital of LLC Capital River Port was disposed of by LLC Capital Shipping Company.

LLC Capital Shipping Company acquired additional 1.25% of participatory interest in the charter capital of LLC Riverest Tour and increased its share in LLC Riverest Tour to 95.02%.

LLC Capital Shipping Company transferred 2.17% of participatory interest in the charter capital of LLC CSC-Agent to LLC Danapris to meet the requirements of Ukrainian corporate law (described in “Group Structure”).

Due to redemption of participatory interest, the charter capital of LLC Capital Shipping Company was decreased and the participatory interest was proportionally redistributed among the remaining participants. As a result, the share of LLC Danapris increased to 99.73%.

The Issuer acquired 100% of shares in KD Shipping Co. Limited Inc (Panama) from Mr. Kostiantyn Molodkovets and Mr. Denys Molodkovets.

The restructuring of the Group was completed.

As a result of the restructuring of the Group’s shipyard started in 2007, the number of employees has been decreased over the period of 2007 to 2011 from over 400 to around 50 and the profile of the shipyard was changed. It became more of an engineering company and reduced the number of other support staff that now is working with the shipyard on the contractual basis (for more detailed description please see “*Business – Ship Repair Services*”).

Business developments

The Group’s shipyard started the construction of two river passenger vessels ordered by the Group.

To facilitate the implementation of its strategy, the Group decided to issue new shares and list them on the Warsaw Stock Exchange.

The Group signed agreements for using three additional piers, commencing the use of one of the piers in 2011 and the other two in 2012.

Pursuant to the Memorandum of Understanding signed with CMEC in 2010, the Group entered into the conditional shipbuilding contract with China Machinery Engineering Corporation and Jingjiang Nanyang Shipbuilding Co., Ltd. for the construction of dry cargo river-sea vessels (described in “*Material Contracts*”).

2012

Formation of the Group In 2012 the Issuer was converted into a public company.

Business developments The construction by the Group’s shipyard of the passenger vessel of 450 passenger capacity ordered by the Group is in the final stage.

The Group chartered two additional passenger vessels to operate in 2012 navigation season.

Principal Business Activities

Since its establishment, the Group has been primarily involved in the river-sea freight of dry bulk cargo. Besides this principal activity, the Group also is active in ship repair services by operating its own shipyard in Kherson, as well as in the passenger business by operating the Kyiv touristic river line “Riverest”. Operating its own shipyard, together with having its own ship agency (CSC-Agent) and internal crewing department play an important role in supporting of Group’s primary activity of cargo freight.

The following table provides detailed information on the Group’s revenues by its main business lines.

	2011	2010	2009
	<i>(USD in thousands).</i>		
Cargo freight	22,852	12,766	14,137
Ship repair services	4,290	627	1,540
Carriage of passengers	2,017	514	596
Total	29,159	13,907	16,273

Source: Audited Consolidated Financial Statements

Dry cargo freight

Vessels

As of the date of the Prospectus the Group operates eight river-sea dry cargo vessels with the total capacity of 25,206 DWT. The vessels are owned by LLC Capital Shipping Company and are chartered based on intra group bareboat charter agreements to KD Shipping Co Limited Inc., which enters into agreements for the transportation of cargo with the ultimate charterers.

The following table provides details on the characteristic of the Group’s dry cargo vessels.

Name of vessel	Capacity	Built	Breadth	Draft	Moulded depth	Length CWL	Date of next class renewal survey
	<i>(DWT)</i>		<i>(m)</i>	<i>(m)</i>	<i>(m)</i>	<i>(m)</i>	
Danapris-1	3,183	1977	14.8	3.2	5.0	103.7	21.04.2015
Danapris-2	3,183	1979	14.8	3.2	5.0	102.7	18.10.2013
Danapris-3	3,183	1986	14.8	3.2	5.0	105.0	17.09.2015
Danapris-4	3,128	1986	14.8	3.3	5.0	102.5	27.10.2014
Danapris-5	2,916	1987	14.8	3.1	5.0	102.5	28.08.2012
S. Kosior	3,353	1969	13.0	3.8	5.5	110.5	21.06.2016
Skylark	3,125	1972	13.0	3.7	5.5	110.8	31.05.2015
Seagull	3,135	1970	13.0	3.7	5.5	110.8	22.12.2015

Source: Issuer’s data

All the Group’s vessels, except one, are registered with the Shipping Register of Ukraine. One vessel (Danapris - 1) is registered with the Russian Maritime Register of Shipping (the “RMRS”). All the vessels fly the Ukrainian flag.

All the Group’s dry cargo vessels are certified to transport grain in bulk and solid bulk cargo (i.e., corn, sunflower seed meal, wheat, wheat bran, feldspar, scrap metal, peas, industrial wood and barley). Moreover, five vessels have additional certificates issued by the Russian Maritime Register of Shipping and the Shipping Register of Ukraine, such as are required for the transport of hazardous products falling under IMO 4.2 and 5.1 categories (flammable solids and oxidising substances – for example, ammonium nitrate and sodium chlorite). According to the classification restrictions, the Group’s vessels can navigate in closed seas no more than 100 nautical miles from a shore with allowable distance between harbours not exceeding 200 nautical miles, in open seas not more than 50 nautical miles from a shore with allowable distance between harbours not exceeding 100 nautical miles. Additional restrictions apply depending on the wave height and the criteria of acceleration in which the vessels are allowed to navigate. In practice, the Group’s vessels can easily access all the ports of Black

and Azov Seas and a major part of Mediterranean Sea. Thanks to their shallow drafts and special river-sea design, the Group's vessels can enter certain river routes in the Black Sea area (e.g. Dnepr River up to the port in Kyiv) and access certain ports of Azov Sea and in-land ports of the Don River that can only be entered by vessels with drafts not exceeding 4.3 meters.

The total value of the Group's dry cargo vessels as per the valuation report of Inter-economic Science and Technology Centre "Transservice-1" dated 31 January 2012 (the "Valuation Report") amounts to USD 30.9 mn. For more details concerning Group's vessels and valuation please see "*Annex I - Valuation Report*".

Commercial management of the dry cargo fleet

Commercial management of the Group's cargo fleet is performed within the Group by KD Shipping Co Limited Inc. based on the intra-group bareboat charter agreement with LLC Capital Shipping Company that owns the vessels. Commercial management involves negotiating charters for vessels, managing the mix of various types of charters, such as trip charters or voyage charters, and monitoring the performance of the Group's vessels under their charters.

The Group sells its cargo freight services predominantly on the spot market through voyage charter contracts and trip charter contracts (which are spot market related time charters) (for detailed description of the types of charters please see "*Market Overview – Charter Market*"). The process of chartering the Group's vessels is constantly adapted to market conditions prevailing in the shipping industry. In a growing market (rising charter prices) the Group starts the process of chartering a vessel 2-5 days before the ship enters the loading region. During times when the market experiences periods of falling prices, the Group tries to secure cargoes and agree to pricing, as well as to fix the vessels, from 1 to 3 months in advance.

The sales process for the Group's freight services follows standard market procedures, although the Group implements certain measures to maximise the profitability of its business. The process of cargo acquisition starts with daily analysis of the freight market, weather conditions in the regions, availability of cargo in certain ports and moves by competition. The Group also takes under consideration other factors such as political and economic stability in certain regions, the cost of fuel and/or port fees. For such analysis and also for the control of its vessels the Group uses specialised the maritime software "Shipexplorer". This program allows the Group to analyze the location of the Group's fleet and the position of the competition's vessels in real time. Based on this information KD Shipping Co Limited, after contacting charterers, brokers and regular clients, negotiates the type of shipping contract, type of cargo, date of desired load and price. The Group makes a decision on the offered price based on cargo size, commodity type, port dues and canal transit fees, as well as the delivery and re-delivery regions. The process of agreeing to these details lasts from one to several hours. If the client is not known to the Group, to diminish the risk of delays in payments and to ensure actual availability of cargo, the Group investigates the potential client's financial standing and market reputation.

Each of the Group's charter contracts may be terminated upon mutual consent of the parties or in case of force majeure circumstances lasting more than 10 days. It is mutually agreed between the ship owner and the charterer about any extra costs that might arise during the voyage, loading or discharge.

Port agency services

Each cargo vessel entering the port requires servicing by an agency. Such agent is responsible for conducting port operations, customs and border formalities, environmental and sanitary controls, etc. The port agent controls and confirms the amount of cargo loaded, checks cargo for the lack of damage, handles all procedures in case of damage and completes procedures for arrival and departure of the vessel. Agents are also required in case of the vessel passing through international straight passages (e.g. Kerch-Yenikalsky channel, the Bosphorus and the Dardanelles, the Corinth channel) or in handling emergency situations on the sea. For servicing its vessels the Group, depending on the port, client or purpose, uses following types of agents:

- Charterer's agents;
- General agents nominated by the Company (ship owner's agent); and
- The Group's in-house agent (CSC - Agent).

A decision on the type of agent hired and the party covering the costs of agents is the result of negotiations between the Group and the charterers. Whenever it's possible, the Group actively seeks the use of the ship owner's agents nominated by the Group, with which it has established working relations and has good history of cooperation. Some of the clients, however, require the assistance of their charterer's agents, which, in the opinion of Management, are more focused on acting in the best interest of the charterer. Charterer's agents and ship owner's agents charge in advance and unconditionally require payment of the pro-forma disbursement account in the port.

For the purpose of being able to pass through international straight passages, the Group uses ship owner's agents. Some examples of them include Kerch-Transit-Star, VizaStar, Delpa Shipping and Transport Company Ltd.

In the ports of Ukraine, whenever the arrangements with the charterer allow, the Group's vessels are serviced by one of the Group Companies, CSC - Agent. This subsidiary was established in 2007 and operates in the Group's key Ukrainian ports of load (the Group's base port in Kherson, as well as ports in Kakhovka, Dnepropetrovsk, Zaporozhye, Dnepryan and Nikolayev) with the purpose to reduce non-productive downtime of vessels associated with additional inspection, or issuing transit passage for ships regarding the inland ports of Ukraine (Kakhovka, Zaporozhye, Dnepropetrovsk.). The headquarters of CSC - Agent are established in Kherson from where the ports of Kherson, Kakhovka, Dnepryan, and Nikolayev are covered. In addition, a representative office of CSC - Agent is established in Zaporozhye to cover the ports of Zaporozhye and Dnepropetrovsk.

CSC - Agent does not limit itself to servicing only the Group's vessels, but also provides agency service to third party ship owners when entering ports of Ukraine. The substantial part of these services is rendered to the clients of the Group's shipyard in relation to the performance of ship repair services. Such clients also often use CSC - Agent on the other visits to Ukrainian river-sea ports. According to Management, the Group services approximately 50 clients on the regular basis.

Technical management of the fleet

The Group is both the owner and operator of its cargo vessels. As a result, the whole responsibility for technical management of the vessel and for maintaining the vessel lies on the Group. The Group's vessels are subject to regular surveys by classification societies (described in more detail in section "*Environmental and Other Regulations*"). In addition, the seaworthiness of the Group's vessels is checked in ports by the Port State Control, which issues a report outlining any possible deficiencies. If the results of such inspections are unsatisfactory, the vessel may be detained until all deficiencies are removed or granted a grace period to remove all deficiencies. The inspection history contained in Port State Control reports is frequently reviewed by charterers, who are interested in knowing the technical condition of a fleet that they aim to hire. On some occasions the checks of the vessels are also made by charterer's agents. For these reasons the Group is particularly interested in maintaining its fleet in sound technical condition.

Internal monitoring by the Group concerning the technical condition of its fleet includes a stringent maintenance and inspection program that involves two-level checking by the Group's specialists. Day to day technical management of the fleet is done by the vessel crews who perform all the required procedures. The master of a vessel is in constant contact with the Group's technical management department located in Kyiv and reports any technical issues or certain needs of the vessels. The Group's technical management department in Kyiv is responsible for addressing all issues. In addition, every 4 to 6 weeks, each vessel is surveyed by a team of specialists from the Group's technical department. Based on the survey results, the team issues a report for internal use by the Group that summarises the vessel's technical condition and outlines any deficiencies. The technical department arranges for removal of deficiencies either by the vessel crews or in the shipyard.

All the regular surveys by the classification society, as well as major repairs arising from the surveys done either by the Group or relevant authorities, are handled on the premises of the Group's shipyard in Kherson. With respect to the repair works for which the Group does not possess relevant know-how (e.g. repairs of the diesel generators, navigation equipment), third party companies are hired to conduct such repair works in the Group's shipyard in Kherson.

Crewing

Each of the Group's drybulk vessels is crewed with 12 officers and seamen. The Group does not engage crewing agencies and handles locating and retaining qualified officers and seamen for the Group's vessels internally. The crewing process is performed by the dedicated department that also manages each seaman's training, travel and

payroll, and ensures that all the seamen on the Group's vessels have the qualifications and licenses required to comply with international regulations and shipping conventions (International Convention for the Safety of Life at Sea (SOLAS), described further in section "*Environmental and Other Regulations*"). As a result of handling the crewing process internally, the Group has achieved low turnover levels among its sea-going personnel.

The Group develops regular and shifting crews to service its vessels. In this system the seaman usually signs a 6 month contract, and after its completion stays for a few months on shore before another contract with the Group is signed. In the crewing process the Group relies on its own-built data base of more than 2,000 seamen and officers covering all required functions. The Group cooperates on the regular basis with over 200 officers and seamen that rotate between the Group's vessels. Some of the officers and seamen are dedicated to servicing a particular vessel based on their preferences.

The Group uses predominantly Ukrainian crew members for its vessels, since in the Management's opinion they are well trained. Ukraine, according to UNCTAD, ranks as number 5 among the world providers of ship officers globally (after Philippines, China, India and Turkey).

Cargo

The Group's vessels are certified for the transport of various types of dry bulk cargo (e.g. grain, scrap metal, coal, wood, fertilizers etc.). As the Group employs its carriers under voyage and trip charters, it does not dedicate its ships to any specific type of cargo. Although the Group's strategic preference is to bid for grain cargoes, it makes case-by-case decisions aimed at maximizing its total income. The Group's main decision drivers are the availability of certain types of cargoes, the ports of load and discharge, the availability and price of fuel services, as well as the freight rates on certain routes and the cargo stowage factor. In general, the stowage factor of grain allows filling the Group's vessels to their full capacity (which is not the case, for example, for scrap metal). This factor, together with the cargo's high availability, positively influences its profitability for the Group.

The freight rates for the different types of cargo are subject to seasonal movements during the year. Freight rates for different types of cargo are influenced by different factors following the different characters of cargo supply and demand. The Group takes these seasonal movements under consideration and switches to cargoes and routes offering the best profitability for the Group at the time.

The seasonality of freight rates for grain is related to the harvest season in the country of port of load, or any other producing country if the cargo is transit freight. The highest season for all grain cargo types is the beginning of marketing year for agriculture products, which starts upon harvest during the period from end July to January. Favorable weather conditions and increased export activity following the harvest gathering season will stimulate prices of the freight to increase. After the high demand for freight services in quarters ending September 30 and December 31, the market slows down due to the holiday period (long January holiday period in Russia and Ukraine) as well as worsening weather conditions from January to mid-February (that result in slowing down the turnaround time for each voyage, due to ice fields in the inland ports as well as in some sea ports). These factors affect the export levels of all grain products and contribute to lower freight rates. Historically the market picks up at the end of March due to improved weather conditions and high demand for freight services that is driven by the need to export the remains of the summer harvest and new winter crop production. The demand for the freight of grain in this period is also influenced by expectations for the upcoming harvest results. In addition, the market prices for agriculture products have an overall effect of freight rate determinants.

Seasonal movements of freight rates for scrap metal are determined by the seasonal demand for the product in the Greek and Turkish processing facilities. These facilities have periods of building up scrap metal inventories which drive the freight rates high. Additionally the freight rates for the scrap metal may differ by port of load as a result of different port equipment, which may be able to decrease the stowage factor of the cargo and hence increase its profitability. The loading procedures may also increase the likelihood of damages to the holds.

Wood cargo freight rates are usually highly dependent on the price of freight forwarding for the above mentioned cargo types (all grain and scrap metal). Increases in the freight rate for all grains and scrape metals and unsatisfied demand for the transport of wood will push exporters to increase the price per tonne of transported cargo, by this decreasing profitability.

The following table summarizes tonnage of cargo transported and related revenues by type of cargo in the years 2009-2011.

	Jan-Apr 2012		Jan-Apr 2011		2011		2010		2009	
	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)
General cargo	20,477	661	71,532	1,342	278,672	7,058	193,128	3,331	218,324	3,826
Grain	11,974	482	14,355	293	168,433	5,684	193,140	5,081	289,873	6,806
Equipment	-	110	-	907	-	3,124	-	842	-	-
Scrap metal	4,800	205	24,971	684	72,444	2,421	55,918	1,412	31,382	787
Sunflower seed meal	8,118	425	8,178	269	37,484	1,743	31,774	955	52,091	1,832
Wood	34,642	940	27,520	549	36,588	1,020	26,038	625	13,617	351
Bran	11,380	270	14,776	206	32,041	772	23,515	421	14,596	282
Fertilizers	-	-	7,475	127	21,950	634	5,441	99	11,722	253
Feldspar	8,907	169	-	-	11,706	224	-	-	-	-
Cement	26,449	799	-	-	2,989	87	-	-	-	-
Peas	-	-	-	-	2,972	85	-	-	-	-
Total	126,747	4,061	168,807	4,377	665,279	22,852	528,954	12,766	631,605	14,137

Source: Issuer's data

In line with the Group's strategy, grain constitutes the largest single portion of cargo transported. In 2011 share of grain in total weight of the cargo transported by the Group amounted to 23.2%. Even though the amount of general cargo transported by the Group was higher than grain in 2011, it should be noted that this cargo is a group comprising numerous different types of products (such as tiles on pallets, saten gypsum in big bags, silva gypsum in big bags, izover in pack, sand in bags on pallets, polyfoam on pallets, molded boards on pallets, steel in bundles, wood boards in pack on pallet) a large portion of which was acquired by the Group as return cargoes on the opportunistic basis. In addition, the amount of grain transported during that time period was affected by the Russian embargo and the quotas introduced by Ukraine. The key load ports from where grain is transported by the Group's carriers are Russian ports (Rostov, Azov, Yeisk, Temryuk, Kavkaz) and Ukrainian ports (Kherson, Nikolaev, Kakhovka, Dneprian) and the Group's grain cargoes are transported predominantly to ports located in Georgia (Poti, Batumi), Turkey (Samsun, Bandirma, Izmir, Mersin, Antalya), all ports of Greece, Lebanon (Tripoli, Beirut), Israel (Haifa, Ashdod), Albania (Durrës), Italian Adriatic ports and Sicily.

Other important types of cargo for the Group are scrap metal, sunflower seed meal and wood, representing respectively 10.9%, 5.6%, and 5.5% of cargo deliveries by the Group in 2011. The scrap metal is transported mainly from Rostov (Russia); Kherson, Nikolaev (Ukraine); and Poti (Georgia) ports to Marmara ports, Izmir and Mersin (Turkey), Volos and Tsingeli (Greece). Main ports of sunflower meal's loading are Rostov (Russia) and Nikolaev (Ukraine), while the main ports of discharge are: Ravenna (Italy), Poti (Georgia) and Izmir (Turkey). Wood is transported mainly from the ports of Kherson and Belgorod-dnestrovsky (Ukraine) to Ordu and Marmara ports (Turkey) as well as Alexandropolis and Lefkandi (Greece).

The Group calculates voyage prices under the assumption that the Company will not secure a return cargo from the region of discharge (the ballast voyage). On many occasions the Group is, however, able to secure the return cargo which constitutes additional profit. The return cargo is associated with little additional cost for the Group resulting mainly from additional consumption of fuel for voyage of the vessel in load. This cargo consists in majority of cases of construction materials (classified as general cargo) imported into Russia and Ukraine as well as transit cargo flowing through above mentioned countries for other land locked markets. Majority of return cargo is secured from ports of Turkey which results from the fact that Turkey serves as a point of discharge for large shipments that are further broken down into smaller shipments for different markets of the Black and Azov Sea region. In addition large production facilities of gypsum cement and other construction materials are located in Turkey.

The availability of the return cargo has reached high levels in the recent years, mainly due to increased demand for construction materials (related to UEFA EURO 2012, the 2014 Sochi Olympics and the 2018 Football World Cup in Russia). The price for a return cargo is much lower than that of a regular cargo and, according to the Management, amounts to approx. 60-80% of the regular cargo price. In 2011 return cargo accounted for approximately 1/3 of all cargo transported by the Group or under a quarter of all revenues generated on freight forwarding.

Area of operations

The Group operates predominantly in the Black, Azov and Mediterranean Sea regions, transporting cargo mainly from the sea and river ports of Ukraine and Russia to destinations located mainly in the Black Sea and the eastern part of the Mediterranean region. The Group's base port is located in Kherson.

The following map presents major sea ports of load and discharge for the Group.



Source: Issuer's data

The Group concentrates on transportation of cargo on selected routes that, in the assessment of the Management, generate the highest income. The key routes served by the Company are: Rostov (Russia) to Poti (Georgia), Azov (Russia) to Poti (Georgia), Eisk (Russia) to Poti (Georgia), Rostov (Russia) to Samsun (Turkey), Azov (Russia) to Samsun, Rostov (Russia) to Bandirma (Turkey), Azov (Russia) to Martash (Turkey), Rostov (Russia) to Ravenna (Italy), Kherson (Ukraine) to Izmir (Turkey), Kherson (Ukraine) to Hereke (Turkey).

The table below presents tonnage of cargo transported and revenues by country of discharge in years 2009-2011.

	Jan-Apr 2012		Jan-Apr 2011		2011		2010		2009	
	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)	(Tonnes)	(USD in thousands)
Turkey	60,820	1,972	68,331	1,730	212,342	7,439	261,260	6,727	170,774	4,765
Russia	17,825	457	11,577	340	173,317	5,532	108,908	2,039	149,749	2,363
Ukraine	37,321	1,153	76,495	1,903	144,988	4,484	107,832	2,543	63,717	1,310
Georgia	2,976	104	5,193	123	79,584	2,516	25,930	650	141,418	3,127
Italy	5,400	327	5,475	250	30,032	1,639	13,708	503	64,914	1,521
Greece	-	-	1,736	31	16,640	968	5,308	90	21,684	568
Israel	-	-	-	-	5,636	200	-	-	-	-
Albania	2,405	48	-	-	2,740	74	3,004	114	8,778	214
Cyprus	-	-	-	-	-	-	-	-	7,627	231
Romania	-	-	-	-	-	-	-	-	2,944	38
Lebanon	-	-	-	-	-	-	3,004	100	-	-
Total	126,747	4,061	168,807	4,377	665,279	22,852	528,954	12,766	631,605	14,137

Source: Issuer's data

The majority of cargo transported by the Group is shipped to Turkey from the ports of Russia and Ukraine. Other important destinations for the Group are Georgia, Italy and Greece. The growing share of Russia and Ukraine during years 2009-2011 in the amount of cargo transported (by the country of discharge) stems from the fact that the Group has substantially increased the share of voyages for which it managed to secure return cargoes.

Ship repair services

In 2004 the Group acquired OJSC Kherson Shipyard named after Kuybyshev located in Kherson with the aim to support planned expansion of its dry cargo business and to diversify its revenue base. The shipyard, founded in 1930, for over 60 years has specialized in the repair of small tonnage fishing vessels (whalers), building floating docks as well as building 300 tonne sanitary-technical ships, middle sized fishing seiners as well as fish lifts. After 1991 the shipyard concentrated on repairs of sea-river 3,000 DWT vessels and special purpose vessels such as floating cranes, dredgers and tugs. In 1994 the yard was privatised and became a joint stock company owned by its employees.

As of the date of the Prospectus, all the assets of OJSC Kherson Shipyard named after Kuybyshev have been moved to the Branch of LLC Capital Shipping Company and the remaining OJSC Kherson Shipyard named after Kuybyshev, now a shell company, is undergoing a liquidation procedure. For further details on transfer of assets see “*Business - Real Property*”.

The shipyard is located on the area of 13.1748 hectares and in addition encompasses 2.4618 hectares of water surface area with the depth to 4 m. This allows the access of river-sea vessels of no more than 10,000 DWT with empty ballast. Major shipyard equipment includes:

- 751 m of mooring lines equipped with compressed air lines, water supply, power supply as well as berth cranes with capacities of 10, 20 and 25 tonnes;
- floating dock allowing to perform the repair of vessel underwater parts with docking weight 2,000 t, length 115 m, width 16 m and draft 5 m; and
- the slipway allowing repairs of vessels with weight up to 1,000 tonnes and length up to 70 m.

The current arrangement of the shipyard allows simultaneous repair works for 4-5 vessels of above 100 m length, on the shipyard’s land territory and a float.

The range of services offered by the shipyard includes repairs as well as the construction and modernisation of vessels. Repair works for ships weighing up to 2,000 tonnes comprise of:

- arrangement of the defect finding and ship repair process,
- ship’s hull defects detection,
- replacement of shell plating areas with deck plating framing,
- defect finding and repair of shaft lines and propellers, ship systems piping, valves and other fixtures, auxiliary machinery and ship electrical equipment,
- building-up welding and mechanical treatment,
- mounting and alignment of shaftlines on a vessel.

The services that are not covered by the Group are performed at shipyard’s premises by the third party service providers.

The shipyard’s capabilities allow the Group to construct various types of vessels including sea-river and sea going vessels (up to 115 m length), fishing vessels, dry cargo carriers and tankers for the Rhine, Danube and Main basins, tugboats, self-propelled and non-self-propelled barges, motor yachts, pleasure and passenger river boats, crafts afloat (offices, hotels, restaurants etc.), metal docks, mooring pontoons and others.

In 2010 the Group made a decision on changing the profile of its shipyard activity. By reducing the employment of production staff (e.g. welders), the shipyard has been turned into an engineering company with all necessary technical assets for conducting vessel repair and construction works. In this model the Group retained key highly qualified staff members (engineers, high quality servicing workers, dock masters and engine repair men) at the yard.

As a result of the restructuring, as of the date of the Prospectus, repair or ship building projects are conducted based on the Group's internal engineering staff and outsourced work staff. The engineering staff is responsible for defect finding, cost assessment, preparation of documentation for the repair work scope, supervision of the works and obtaining all necessary approvals. Work staff for each project is hired on a group contract basis.

The shipyard has its own marketing department responsible for the shipyard's sale of services to third parties. The shipyard is promoted via local and international trade exhibitions and through regular communication with ship owners, technical managers of shipping companies and charterers. The Group also uses Internet advertising as well as printed advertising in the shipping media. The majority of the sales flow, however, stems from the long history and high awareness of the shipyard's quality among ship owners as well as from the Management's personal relationships.

The process of sales of the ship repair service starts with agreeing on the scope of work and preliminary ship repair specification that may be further changed once the fault detection process has been conducted by the shipyard's engineering staff. Once commercial terms of the contracts are agreed, the works are executed. Completed works are subject to clients' approval and, depending on their scope, may be subject to classification society approval. All the works done by the shipyard including, among others, metal works and welding are covered by warranty. The warranty does not cover works performed by the third party companies and works not within the scope of the contract with the shipyard.

The shipyard's capacity is used equally for repairs and checks of the Group's carriers and for repairs of third party vessels. The Group is able to perform all the required repairs of its vessels in its shipyard. In addition the area of the shipyard is used for mooring of the vessels when idle.

The Group operates 2 tugboats, the title documents for which are being issued in the name of Capital Shipping Company instead of OJSC Kherson Shipyard named after Kuybyshev, a current formal owner.

Carriage of passengers

Since its establishment in 2001 the Group has been operating in the Kyiv touristic river transport market. As of the date of the Prospectus the Group operates 8 river passenger vessels, 6 of which are owned by the Group and another 2 are chartered on the basis of time charter from the LLC PKVN. In addition the Group owns and operates a floating restaurant. The Group conducts its passenger business under the "Riverest - Your celebration on the water" brand.

The following table provides details on the Group's passenger vessel characteristics.

Name of vessel	Built	Max number of passengers	Purpose	Owned/ chartered	Mouled depth	Length CWL
					<i>(m)</i>	<i>(m)</i>
Riverest-1	1978	100	river tours	Owned	2.55	30.0
Riverest-2	1975	100	river tours	Owned	2.55	30.0
Riverest-3	1977	100	river tours	Owned	2.55	30.0
Riverest-4	1970	150	river tours and catering	Owned	1.7	36.0
Riverest-5	1977	100	river tours	Owned	2.55	30.0
Silver Breeze*	1966	90	catering service	Owned	2.5	43.0
Kashtan 5	1980	120	river tours	Chartered**	1.7	36.0
Kashtan 2	1982	120	river tours	Chartered**	1.7	36.0
Silver (under construction)	2012	450	river tours and catering	Owned		45,6

* In Valuation Report referred as Serebryany Briz

**Chartered from LLC PKVN

Source: Issuer's data

All the Group's passenger vessels are registered with the Shipping Register of Ukraine and fly the Ukrainian flag. The passenger vessels are owned by LLC Capital Shipping Company. LLC Riverest Tour was established to operate the Group's passenger business. The license for passenger transportation was obtained during 2011, and from the 2012 navigation season the Group's passenger business is operated by LLC Riverest Tour. LLC Riverest Tour is responsible for the management of the passenger ships based on the intra-group bareboat charter

agreement with LLC Capital Shipping Company. The total value of the Group's passenger vessels as per the Valuation Report amounts to USD 1.1 mn. For more details concerning Group's vessels and valuation please see "*Annex I - Valuation report*".

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The Group's passenger business is of a seasonal nature and, subject to weather conditions, is operated from May to mid-October. The Group is active in two areas of passenger operations:

- River sightseeing tours;
- Catering and event services.

The Group offers various sightseeing tours of varying length in Kyiv and surrounding area, including Kyiv sightseeing day and night tours, tours to Dnepr locks and tours to Velikiy Island located on the Dnepr River up the stream from Kyiv. Six vessels are dedicated for servicing the Group's sightseeing tours. During the 2008-2010 navigation seasons the Group jointly with Kyiv Municipality offered a social transport program, where one of the passenger vessels was used on a transport route during the week days.

Based on the new vessel, being developed by the Group's shipyard, beginning in the 2012 season the Group aims to enter into the upper segment of the sightseeing tours. For more information on the new vessel please see "*Business- Investments - Investments in progress*".

Starting from the 2012 season, the Group's river tours are operated from 4 piers located in the pedestrian zone of Kyiv at the Dnepr bank, used under agreements with the River Ports Administration. Three piers are used by Capital Shipping Company LLC and one pier is used by LLC Riverest Tour. Until 2011 the Group had used two piers.

Passenger trip tickets are sold in the ticket offices located near the Group's operating piers, in hotels and through tour operators. Since 2011 the Group cooperates with two tour operators offering bus sightseeing tours in Kyiv whose stops are located near the piers used by the Group.

The following table presents the number of passengers that were carried by the Group in the years 2009-2011.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Number of passengers	160,672	104,600	104,400

Source: Issuer's data

Catering and event services are offered on two vessels (Silver Breeze and Riverest-4) as well as on the floating restaurant Riverest + which is docked on the pedestrian zone of Kyiv on the Dnepr bank. Silver Breeze (former Borysfen) is dedicated to banquet and event services. Riverest-4 services banquet and event services as well as sightseeing tours. The banquet and event services are sold usually through event services and to clients from the Group's client list.

The following table presents the revenues of the passenger segment split into sightseeing tours and catering services in the years 2009-2011:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	<i>USD in thousand</i>		
Sightseeing tours	1,418	355	375
Catering services and hire	599	159	221

Source: Issuer's data

In 2011 the Group experienced extensive growth of serviced passengers and related revenues compared to the previous years. This was as a result of increasing the Group's fleet (2 chartered vessels), using an additional pier, price increases as well as good weather.

As of the date of the Prospectus, the number of regular employees of the Group responsible for the passenger business amounts to 8 people. Given the seasonal nature of the passenger business, the Group hires the crews for the vessels and other supporting staff only for the season. The number of employees that serve the Group's passenger business during the operating season amounts to 114.

For the 2012 season, in connection with UEFA Euro 2012, the Group plans to benefit both from the increased interest in its river tours segment as well as its event and banquet segment. The Group plans to increase the sales of tours through contracts with tour operators, opening new point of sale for the tickets, hotel advertising and ticket sale, internet promotion as well as cooperation with alternative Kyiv tour providers. In addition the Group plans to team up with the tour operators hosting official guests of UEFA Euro 2012 to offer event and banquet services.

The Group has signed an agreement with the largest tour operator in Ukraine and is finalizing agreements with the second largest tour operator for sale of its services. Such contracts will give opportunity to the Group to sell passenger transportation services in advance, aiming at international customer base and visitors to Kyiv. The Group is also negotiating contracts with event agencies for organization of the events for the sponsors and representatives of UEFA.

Investments

Investments 2009 – 2012 YTD

The Group's main capital expenditures are connected to the fleet expansion program, capitalised vessels repair/renovation works and dry-dock works. The Group recorded capital expenditures in each of 2011, 2010 and 2009. Capital expenditures amounted to USD 9.5 million, USD 1.2 million, USD 0.9 million for the year ended 31 December 2011, 2010 and 2009, respectively. Lower level of capital expenditures for the repair works of the vessels in years ended 31 December 2010 and 31 December 2009 result from the deteriorating shipping market situation and decision to postpone certain repair works that were not essential for the proper functioning of the vessels and the fact that the extensive repairs were made to the vessels in the previous years. Major part of these repair works has been conducted in the year ended 31 December 2011.

In the year ended 31 December 2009, capital expenditures amounted to USD 0.9 million, of which USD 0.4 million related to capitalized vessels repair/renovation, dry-dock expenses of the vessels, USD 0.2 million was attributable to the construction of two river passenger vessels and USD 0.1 million related to acquisition of equipment for the Group's shipyard in Kherson.

In the year ended 31 December 2010, capital expenditures amounted to USD 1.2 million, of which USD 0.8 million was capitalized repair and construction costs related to the buildings for the Group's shipyard in Kherson, USD 0.2 million was attributable to the construction of two river passenger vessels and approximately USD 0.1 million related to capitalized dry-dock expenses.

In the year ended 31 December 2011, capital expenditures amounted to USD 9.5 million, of which USD 3.9 million was attributable to the construction of two river passenger vessels with the joint capacity of approximately 1,000 persons ordered by the Group (described further in "*Investments in progress*") and USD 3.3 million related to vessels repair/renovation, capitalized dry-dock expenses and USD 2.3 million dry dock repair.

During the period from 31 December 2011 up to the date of this Prospectus, capital expenditures amounted to USD 1.0 million, of which USD 0.6 million was attributable to the construction of 550 person catamaran that will serve as a year-round restaurant and entertainment floating complex ordered by the Group and USD 0.4 million related to vessels capitalized dry-dock expenses.

Investment program 2012 – 2014

The investment program planned by the Group for years 2012 – 2014 is aimed at increasing the Group's dry bulk carrying capacity, ship repair capacity as well as shipbuilding capacity, as indicated in sections "*Use of Proceeds*" and "*Business - Business Strategy*". The Group plans to finance the investment program both from the net proceeds raised during the Offering as well as from debt and Group's operating cash flows. The part of the investment program that the Group aims to finance from the Offering proceeds assumes:

- acquisition of 6 used dry bulk river-sea vessels, 3 of the size of 3,000 DWT and 3 of the size of 5,000 DWT, estimated at approx. USD 26.5 million; and
- improvement and increase of the repair and construction capacity of the Group's shipyard in Kherson estimated at approx. USD 7 million.

Additionally the Group plans to invest its operating cash flows as well as debt financing (together approx. USD 54 million) to construct 4 dry bulk river-sea vessels of the average size of 6,000 DWT.

Purchase of secondhand vessels

The Management plans to purchase 6 secondhand vessels (3,000 and 5,000 DWT) of the average age of 10-15 years. Such vessels, larger than ones currently used by the Group, offer better freight economies of scale and, by virtue of using newer technology than that employed in the Group's vessels, are more efficient. As of the date of the Prospectus, the Management plans for the search for used vessels to be concentrated mainly on Russian registered ships, since the Russian fleet is, based on the to-date Management experience, on average in good technical condition. According to the Management's knowledge of the market, the required amount of vessels is usually available on the market to purchase.

Investment in the repair shipyard

Investments planned in the Group's shipyard facilities in Kherson are aimed at increasing the scale and scope of services offered by the shipyard that will allow it to be used more effectively. Increasing capacity by reconstructing the existing slipway, 2 additional workshops (steel preparation and cutting workshop and assembling workshop) and an additional railway-floating dock will allow 5-6 vessels to undergo repair at the same time in the shipyard, 2 new ships to be constructed (from 3,000 to 6,000 DWT) and 3-4 ships ongoing repair on float. The shipyard will be able to service and build the vessels of up to 150 meters long. The new dock will allow for a vessel to be transferred to/from the construction zone located on shore. This way the ships under construction will not occupy the capacity of the dry dock and slipway available for ship repairs.

The Group is going to build on its current experience of ship building (two complete vessels in class and three hulls). Based on that experience and current contacts with Russian and Ukrainian shipping companies from various segments, the Management believes the Group will be able to secure a sustainable demand for ship repair and ship construction. According to the Management's knowledge, as of the date of the Prospectus, the major part of the Russian shipyards is currently over-flown with orders for tankers and military ships. That creates an opportunity for Ukrainian shipyards to take over construction of dry bulk cargo vessels, especially when considering that the Ukrainian construction season is longer than in Russia as it is less dependent on weather conditions.

The investment plan for the shipyard will, in the Management's opinion, increase the capacity of the shipyard by approx. three times. In addition the Group plans to increase the share of construction projects which are more profitable.

Construction of newbuilds

The Group does not limit its investment program to the usage of proceeds from the Offering. In order to facilitate further expansion of its shipping business the Group plans to use its own cash flow and raise additional debt financing to acquire 4 new 6,000 DWT river-sea dry cargo vessels.

The strategic plan to invest in the newbuilds was developed in 2010 and the project of the 6,000 DWT vessels has been designed upon the Group's specification by a Ukrainian design bureau. The project addresses all of the Group's requirements regarding expansion into the new markets and follows the Group's strategy focused increasing profitability. The project assumes: (i) design allowing the vessels, carrying twice as much cargo as the vessels currently owned by the Group, to enter shallow rivers, (ii) increased vessel speeds which correspondingly decrease the time for any specific voyage, (iii) efficient technology allowing certain reductions of operating costs per tonne of cargo carried that were not available in older ships, (iv) equipment allowing vessels to enter target ports in geographies/countries where the Group plans to expand, and (v) technological solutions making the vessel compliant with environmental and safety requirements (such as PSPC – professional standards for protective coating, new motor-boats requirements, etc.) that will over time become obligatory (hence requiring appropriate investments) for the older type of vessels.

The planned investments into the newbuilds support the Group's strategic objective to increase its existing business and develop new business, not just by multiplying the size of carried freight but also by providing opportunities to enter new geographies. The new vessels will have equipment allowing for expansion of the Group's area of operations (e.g. communication equipment allowing the vessels to enter A4 GMDSS area) and for entering new ports currently unreachable due to special technical requirements (e.g., the ports of Great Britain and Scandinavia that require vessels to be equipped with special water separators).

The current setup of the Group's shipyard does not allow it to build the size of planned newbuilds and the reconstruction of the shipyard is not expected to be completed earlier than by mid-2013. Therefore, the Group conducted a yard inspection procedure in China to identify a shipyard for construction of its vessels. On 27 May 2011 one of the Group's subsidiaries signed the Shipbuilding Contract with China Machinery Engineering Corporation and Jingjiang Nanyang Shipbuilding Co., Ltd on the construction of four dry cargo vessels of 6,000 DWT for a total consideration of USD 53,910,000 (USD 13,477,500 each). The contract is conditional on obtaining financing from Eximbank of China (see "*Material Contracts – Shipbuilding Arrangements*"). Should the loan facility contract not materialize, the Group will take measures to arrange for another source of debt financing for the construction of the vessels and will enter into a shipbuilding contract with another shipbuilding company. The Group has been already approached by a number of other ship construction yards willing to conduct the construction and procure financing on similar terms.

Investments in progress

In order to expand its passenger business and enter the higher segment of the market, in 2011 the Group started construction of 2 new passenger vessels at the Group's shipyard. First vessel named "Silver" (45.6 m long and 8.00 m wide with passenger capacity of 450 persons) will be furnished with high standard equipment, materials and furniture to serve the higher segment of the passenger market providing 2.5 hr tours aimed at restaurant services as well as excursion tours. The Group plans to finalize the construction of this high standard passenger vessel in August 2012.

The second vessel will be a 550 person catamaran that will serve as a year-round restaurant and entertainment floating complex, and it will be docked in the pier number 7 located in the Kyiv city center in the pedestrian zone. It will be also used for the high segment tours during the season. The vessel is expected to be finalized in 2013.

As of the date of the Prospectus the Group has borne USD 3.8 million for construction of the first passenger vessel named "Silver" and USD 1.6 million of the construction of passenger vessel of catamaran type for 550 passengers.

Suppliers and Clients

Suppliers

The Group's major suppliers in terms of value are companies providing agency services and fuel for Group's cargo freight business. The Group's major fuel suppliers are: Triton Marine Fuels Ltd., Rosmortrans Ltd, Agroimpex Ltd, Cye Petrol Ticaret Limited Sirketi, Hakan Kartan Oscar Gemi Acenteligi Ve Denizcilik, and major agencies are Viza-Star Denizcilik Nakliyat Ve Ticaret Ltd Sti, Santi Shipping, Delpa. Share of any of the companies in the total costs of sales did not exceed 10% in 2011, and Management is of the opinion that the Group is not dependent on the services of any of the above suppliers.

Clients

The Group's client list consists of charterers, some of which are major grain traders chartering vessels through their in-house brokerage services, scrap metal exporters, fertilizer producers and brokers servicing various cargoes.

Among grain traders the major clients are: Agrico SAS, Farinel Union Inc., Global Grane BVI, Oxksem Limited, Progress LTD, SMP "Razdolie", Rexton, Saxton, Sev Oil Corporation, Silvermark Impex Limited, Talex Ltd, Tenfore Systems UK Limited, Trampagro S.A., Utaro Management S.A., Wesma Llc, West Coast Supply LP. In the group of scrap metal exporters the major are Aventa Ltd, Claymond, Foinell Business Limited, Helveko Intertade S.A., Hebron OU, Optimus Shipping Company Ltd., Rostov Raw Co, Scanweco, Talex Ltd. Other

important clients are Citeca Management Corp, Bikh & Bingerbrad GmbH, Seaway Overseas Ltd, Ares Trading Co and Kerryhall Partners Inc.

The share of any of the clients did not exceed 10% in the total revenues for 2011. The Group is not dependent on any of these clients. The Management is of the opinion that if any of the clients resigns from the services of the Group, the Group can secure loads of the same types of cargo from other charterer or switch to another type of cargo.

Employees

The staff policy of the Group is aimed at creation of a well consolidated and highly professional team of like-minded persons able to respond adequately to changes in the market environment.

The average number of employees of the Group was 269 (including 23 persons of key management personnel), 313 (including 26 persons of key management personnel) and 350 (including 22 persons of key management personnel) for the years ended 31 December 2011, 2010 and 2009 respectively. As of the date of the Prospectus the Group employs 244 persons. The number of personnel may increase in 2012 due to expansion of operations at LLC Riverest-Tour.

For the years ended 31 December 2009, 2010 and 2011 the Group incurred crew costs of production personal and related tax of USD 2,381,000, 1,446,000 and 1,922,000 respectively. Salaries and wages of administrative personal amounted to USD 357,000, USD 387,000 and USD 324,000 for the years ended 31 December 2009, 2010 and 2011 respectively.

Seagoing Personnel

The vessels of the Group are manned by crews that are employed by the Company according to employment agreements. Generally, employment agreements with the crew members have durations of four months with a trial period of one month. The employment agreement can only be revised upon the mutual consent of the parties and provided that a revision will negatively affect neither the rights nor the interests of the employee.

Considering that the vessels of the Group are flying the flag of Ukraine, there are certain rules established by the Trade Navigation Code of Ukraine and other regulations:

- (i) the minimum composition of a crew should comply with the requirements of the applicable legislation;
- (ii) the crew should meet the qualifications established by the applicable Ukrainian legislation;
- (iii) the master and the officers of the vessel must be citizens of Ukraine;
- (iv) KD Shipping Co Limited, as the operational manager of the cargo vessels, is responsible for (a) labor safety on vessels, (b) health safety, (c) provision of food and water to the vessels, in accordance with the norms of the Trade Navigation Code of Ukraine and the international treaties ratified by Ukraine.

The seagoing personnel are members of the ITF (International Transport Workers Federation). The Group considers that it has good relations with its seagoing personnel. There have been no significant labour disputes at the Group's vessels since its establishment.

Overland Personnel

The Group's Ukrainian employees work under employment contracts as required under Ukrainian law and their labor relations with the Group are regulated by such contracts and by law.

Only one company of the Group (LLC CSC-Agent) entered into a collective bargaining agreement with its employees. This agreement regulates such matters as labour conditions, safety, uniforms and vacations. At the same time, it does not provide for significant additional benefits to its employees beyond those stipulated in the applicable Ukrainian legislation.

The Group does not provide for any additional social or corporate benefits to its personnel. There are no trade union organizations established at the Ukrainian Group Companies.

The Ukrainian Group Companies are subject to the Ukrainian state pension plan. The company's pension provisions are calculated based on the individual salary of its employees, in accordance with respective laws and regulations of Ukraine. The Group does not operate a private pension plan for its employees and is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

The Group considers its employee relations to be good. It has not experienced any significant disputes or accidents in the last three (3) years.

Real Property

In addition to the vessels, the Group's major assets contain the administrative building and production complex of the ship repair yard. The Group's main buildings of the aggregate area of about 28.6 thousand square meters owned by LLC Capital Shipping Company and located in Kherson, at 1 Karantynny Ostriv. LLC Capital Shipping Company exercises the ownership rights over the buildings on the basis of (i) contracts of purchase and sale and (ii) certificates of ownership.

LLC Capital Shipping Company acquired its real property from OJSC Kherson Shipyard named after Kuybyshev. In particular, in 2005 OJSC Kherson Shipyard named after Kuybyshev contributed to the charter capital of LLC Capital Shipping Company diesel workshop and premises of a slip. Further, LLC Capital Shipping Company purchased from OJSC Kherson Shipyard named after Kuybyshev a part of unified property complex (in 2005), floating dock (in 2006) and administrative building (in 2010).

The land plot under the above buildings with the total area of 13.1748 hectares is leased by LLC Capital Shipping Company from Kherson City Council until 31 December 2015. Under the lease agreement, LLC Capital Shipping Company will have the pre-emptive right to renew the lease once it expires.

Other than the leased land plots and two chartered passenger vessels, the Group does not have leased properties.

Encumbrances

Many of the Group's assets, including vessels, are encumbered under a number of mortgage agreements concluded to secure the Group's existing obligations under the loan facilities agreements.

The table below summarizes the existing mortgages.

<i>No.</i>	<i>Mortgage Agreement</i>	<i>Mortgagee</i>	<i>Mortgagor</i>	<i>Secured Obligations</i>	<i>Collateral</i>
1	<i>Mortgage Agreement No. 13/50/101/07-KJT, dated 4 December 2007</i>	<i>PJSC Kreditprombank</i>	<i>LLC Capital Shipping Company</i>	<i>Repayment of the loan in the amount of USD2.5 million and interest under Loan Agreement No. 04.1/50/07-KJT</i>	<i>Passenger vessels:</i> - <i>Riverest-1;</i> - <i>Riverest-2;</i> - <i>Riverest-3;</i> - <i>Riverest-4;</i> - <i>Riverest-5;</i> - <i>Silver Breeze;</i> <i>Floating café Riverest;</i> <i>Floating crane tower ППТ-31</i>
2	<i>Mortgage Agreement No. 13/50/104/07-KJT, dated 8 October 2011</i>	<i>PJSC Kreditprombank</i>	<i>LLC Capital Shipping Company</i>	<i>Repayment of the loan in the amount of USD2.5 million and interest under Loan Agreement No. 04.1/50/07-KJT</i>	<i>Cargo vessels:</i> - <i>Seagull;</i> - <i>Skylark;</i> - <i>S. Kosior;</i> - <i>Danapris-4.</i>

3	<i>Mortgage Agreement No. 13/44/I01/07-KJT, dated 9 November 2007</i>	<i>PJSC Kreditprombank</i>	<i>LLC Capital Shipping Company</i>	<i>Repayment of the loan in the amount of USD2 million and interest under Loan Agreement No. 04.1/44/07 – KJT</i>	<i>Cargo vessels:</i> - <i>Seagull;</i> - <i>Skylark;</i> - <i>S. Kosior;</i> - <i>Danapris-4.</i>
4	<i>Mortgage Agreement No. 24/02/I01/08-KJT, dated 28 May 2008</i>	<i>PJSC Kreditprombank</i>	<i>OJSC “Kherson Shipyard named after Kuybyshev”, LLC Capital Shipping Company assumed payment obligations</i>	<i>Repayment of the loan in the amount of EURO1.4 million and USD 621,000 and interest under Loan Agreement No. 24/02/08 – KJT</i>	- <i>Production buildings at 1, Karantynny Ostriv, Kherson, letter “A” and “H”;</i> - <i>part of the integral property complex at 1, Karantynny Ostriv, Kherson.</i>

Environmental and Other Regulations

Government regulations significantly affect the ownership and operation of the Group’s vessels. The Group is subject to international conventions and treaties, and national, state and local laws and regulations in force in the countries in which the Group’s vessels operate or are registered relating to safety and health and environmental protection, including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental and private entities subject the Group’s vessels to both scheduled and unscheduled inspections. These entities include the local port authorities, classification societies, flag state administrations (countries of registry) and charterers. Some of these entities require the Group to obtain permits, licenses, certificates, financial assurances and other authorizations for the operation of its vessels. The Group’s failure to maintain necessary permits, certificates or approvals could require it to incur substantial costs or result in the temporary suspension of operation of one or more of its vessels.

In recent periods, heightened levels of environmental and operational safety concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the drybulk shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. The Group believes that the operation of its vessels is in substantial compliance with applicable environmental laws and regulations and that its vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, though they usually provide for the grace period for the ship owners to comply with such requirements, the Group cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of its vessels. In addition, a future serious marine incident that results in significant oil pollution or otherwise causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect the Group’s profitability.

International Maritime Organization (IMO)

The IMO, the United Nations agency for maritime safety and the prevention of pollution by ships, has adopted the International Convention for the Prevention of Marine Pollution, 1973, as modified by the related Protocol of 1978, which has been updated through various amendments, or the MARPOL Convention. The MARPOL Convention establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. The IMO adopted regulations that set forth pollution prevention requirements applicable to drybulk carriers. These regulations have been adopted by over 150 nations, including Ukraine and many other jurisdictions in which the Group’s vessels operate. The vessels of the Group, being flagged under the country that is a signatory to MARPOL, are subject to its requirements, regardless of where they sail.

Air Pollution

In September 1997, the IMO adopted Annex VI to the MARPOL Convention to address air pollution from ships. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. In October 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone-depleting substances, which amendments entered into force on 1 July 2010. The amended Annex VI reduces air pollution from vessels by, among other things (i) implementing a progressive reduction of sulfur oxide, emissions from ships by reducing the global sulfur fuel cap reduced initially to 3.50%, effective from 1 January 2012, then progressively to 0.50%, effective from 1 January 2020, subject to a feasibility review to be completed no later than 2018; and (ii) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The Management believes that the Group's vessels comply with these requirements.

Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS, and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS Convention and LL Convention standards.

Under Chapter IX of SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, the Group's operations are also subject to environmental standards and requirements contained in the ISM Code promulgated by the IMO. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. The Group relies upon the safety management system that it implements for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. The Group believes that it has all material requisite documents of compliance and safety management certificates for all of its vessels for which such certificates are required by the IMO. The Group will renew these documents of compliance and safety management certificates as required.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the nations signatory to such conventions. For example, IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements (beginning in 2009), to be replaced in time with mandatory concentration limits. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, there has not been sufficient adoption of this standard for it to take force.

Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended in 2000, or the CLC. Under this convention and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable, subject to certain defenses, for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil. The limits on liability outlined in the 1992 Protocol use the International Monetary Fund currency unit of Special Drawing Rights, or SDR. Under an

amendment to the 1992 Protocol that became effective on 1 November 2003, for vessels not exceeding 5,000 gross tonnes (a unit of measurement for the total enclosed spaces within a vessel), liability is limited to 4.51 million SDR. The exchange rate between SDRs and dollars was 0.6451004 SDR per dollar on 1 March 2012. The right to limit liability is forfeited under the CLC where the spill is caused by the vessel owner's actual fault and under the 1992 Protocol where the spill is caused by the vessel owner's intentional or reckless conduct. Vessels trading with states that are parties to these conventions must provide evidence of insurance covering the liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to that of the CLC. The Group believes that its protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

Noncompliance with the ISM Code or other IMO regulations may subject the vessel owner or bareboat charterer to increased liability, lead to decreases in available insurance coverage for affected vessels or result in the denial of access to, or detention in, some ports. The European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in European Union ports. Each of the Group's vessels are ISM Code-certified, but there can be no assurance that such certifications will be maintained in the future.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on the Group's operations.

Ukrainian Regulations

Ukrainian law establishes criminal liability for individuals, who are guilty in pollution of sea with hazardous substances if it endangered life or health of people or sea life forms or caused their death, and for responsible officers, who failed to report to the closest ports or authorized agencies about such pollution. Civil liability of the ship owner is limited depending on the deadweight of the vessel.

Licenses and Permits

Environmental regulations. Ukrainian companies must obtain and maintain a number of environmental permits in order to carry out their activities. The Group's shipyard has obtained permits for placement of waste, special use of water and emission of contaminative substances into atmospheric air by the stationary sources.

Fire safety regulations. Contrary to the requirements of the Law of Ukraine *On Fire Safety*, the Group has not obtained a fire permit from the fire safety supervision authorities for start of operations of the Group's shipyard. In this case or if some other fire safety violation occurs, the state fire safety authorities may impose fines or apply preventive measures on the relevant entity (including suspending its operations, manufacturing facilities, or use of buildings, premises and equipment). The Management believes the Group generally complies with fire safety requirements in all material respects (see "*Risk Factors - The Group's business depends on Ukrainian cargo and passenger transportation licenses and other regulatory permits which may be withheld or revoked*").

Health and safety regulations. Ukrainian companies are subject to various Ukrainian laws governing workplace safety. Their operations are monitored by the labour protection authority and sanitary authority, which may inspect, at any time, the condition of equipment and monitor dangerous manufacturing processes, impose fine or take remedial measures in case if violations occurred. The Management believes that the Group in general complies with applicable health and safety legislation. However, the Group has not obtained permits for the commencement of hazardous works and use of hazardous equipment at its shipyard from labour protections and sanitraty authority. The failure to obtain or maintain such permits may result in imposition of fines or application of preventive measures on the relevant entity (including suspending its operations, manufacturing facilities, or the use of its buildings, premises and equipment) (see "*Risk Factors - The Group's business depends on Ukrainian cargo and passenger transportation licenses and other regulatory permits which may be withheld or revoked*").

Operation of passenger vessels, including for catering services, also requires regulatory permits from the fire, sanitary and labour protection authorities. The Management believes that all material permits have been obtained.

Licenses. The Law of Ukraine “On Licensing of Some Types of Commercial Activity”, dated 1 June 2000, as amended, prescribes that certain types of commercial activity can be conducted by the companies only upon obtaining of the special license. In particular, the Group holds two licenses with indefinite validity term, issued by the State Administration of Maritime and River Transport of Ukraine:

- (i) for rendering passenger and cargo transportation services by river and maritime transport, series AB No 482205, issued to LLC Capital Shipping Company on 6 August 2010; and
- (ii) for rendering passenger transportation services by river transport, series AB No 482290, issued to LLC Riverest-Tour on 15 April 2011.

Other permits and certificates. The Group is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and other authorizations with respect to its vessels. The kinds of permits, licenses, certificates and other authorizations required for each vessel depend upon several factors, including the cargo transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of the vessel.

All of the Group's drybulk carriers hold certificates of fitness for carriage of solid bulk cargo and for carriage of grain in bulk, five drybulk carriers (Danapris 1-5) hold certificates of fitness for carriage of dangerous cargoes and supplements to the certificate of fitness for carriage of solid bulk cargo, which allow them to carry dangerous chemical substances.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims.

Greenhouse Gas Regulation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or UNFCCC, referred to as the Kyoto Protocol, entered into force. Pursuant to the Kyoto Protocol, adopting countries are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases, which are suspected of contributing to global warming. Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol, which has been extended through 2020. However, international negotiations are continuing with respect to a successor to the Kyoto Protocol, which sets emission reduction targets after expiration of the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the United States and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The European Union indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from vessels, if such emissions are not regulated through the IMO or the UNFCCC by 31 December 2010. In addition, the IMO is evaluating various mandatory measures to reduce greenhouse gas emissions from international shipping, including energy efficiency and market-based instruments. Any passage of climate control legislation or other regulatory initiatives by the EU, IMO or other countries where the Group operates that restrict emissions of greenhouse gases could require the Group to make significant financial expenditures that cannot be predicted with certainty at this time.

Vessel Security Regulations

Since the terrorist attacks of 11 September 2001, there have been a variety of initiatives intended to enhance vessel security. In December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to protect ports and international shipping against terrorism. After 1 July 2004, to trade internationally, a vessel must attain an International Ship Security Certificate from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history including the name of the ship and of the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

The Group implements the various security measures addressed by the SOLAS and the ISPS Code. Each of the Group's vessels has been issued International Ship Security Certificate, but there can be no assurance that such certifications will be maintained in the future.

Inspection by Classification Societies

Every commercial vessel must be "classified" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class certification, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

- *Annual Surveys.* For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within 3 months before or after anniversary date from the date of the initial classification survey or of the date credited for the last special survey.
- *Intermediate Surveys.* Extended annual surveys are referred to as intermediate surveys and typically are to be held at or between either the 2nd or 3rd annual survey.
- *Special Surveys.* Special surveys, also known as class renewal surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at a 5 year intervals to renew the Classification certificate of a vessel. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a ship owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. Upon a ship owner's request, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every two to three years for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits. Vessels that are 15 years old or older are required, as part of the intermediate survey process, to be drydocked every 24 to 30 months for inspection of the underwater portions of the vessel and for necessary repairs stemming from the inspection.

Under the standard agreements all new and secondhand vessels that the Group purchases must be certified prior to their delivery. In case with the newbuilds, the Group takes a priority in deciding which classification society shall be used.

The vessels currently operated by the Group were issued with classification certificates (either by Russian or Ukrainian classification societies), confirming class under which the vessels are registered, and seaworthiness certificates, allowing the vessels to proceed after she met with a mishap or after temporary repairs. All the Group's vessels, except one vessel with two-year survey period, have 5-year survey period. Though as a matter of practice, the classification certificates are renewed each 2 years after regular dry-docking.

In addition to the classification inspections, many of the Group's customers regularly inspect its vessels as a precondition to chartering them for voyages. The Group believes that well-maintained, high-quality vessels provide it with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality.

State support of shipbuilding and ship repair industry of Ukraine

The Law of Ukraine On State Support of Shipbuilding Industry of Ukraine dated 23 December 1997, declared the shipbuilding industry as a priority field of Ukraine's economy and authorised the Government of Ukraine to act as a guarantor for performance of obligations of shipbuilding companies, arising from foreign loans granted by foreign states, banks, international financial institutions, as well as for performance of obligations under commercial agreements (contracts) entered into with foreign customers.

In November 1999 the parliament of Ukraine adopted the Law on Measures of State Support of Shipbuilding Industry of Ukraine introducing customs duties exemptions for shipbuilding companies, which imported equipment and components, and state financial support for building sea-going and river-going vessels and for reconstruction of fixed assets of shipbuilding companies. Those benefits were available only to a limited number of companies as approved by the Government of Ukraine and expired on 1 January 2012.

Currently, under the Tax code of Ukraine, shipbuilding companies which carry out shipbuilding or ship repair activities as their main business activities, may enjoy the following tax benefits:

- (i) Domestic shipbuilding companies may postpone payment of VAT to be charged from customs value of imported equipment and components, which are not produced in Ukraine, by issuing a respective promissory note which matures when tax obligations arising from supply of the relevant completed vessel occur. The list of applicable equipment and components shall be established by the Government of Ukraine.
- (ii) Income generated by shipbuilding companies from main activities is exempt from corporate profit tax until 1 January 2021.
- (iii) Shipbuilding companies are exempt from land tax until 1 January 2016.

The Group plans to apply for such benefits in the future.

Intellectual property rights

The Group holds a trademark "RIVEREST Vashe svyato na vodi" (in English: "Riverest - Your celebration on the water") in Ukrainian, registered in Ukraine by LLC Capital Shipping Company. This trademark is used by the Group for its inland passenger transportation activity. The Group believes that it has taken all the appropriate

steps to be the rightful owner of, or to be entitled to use, the intellectual property rights necessary to the proper conduct of its business.

Legal and Administrative Proceedings

From time to time and in the ordinary course of business, the Group is involved in legal proceedings relating to its operational activities.

The Group initiated several bankruptcy proceedings against its debtors for the debt recovery and several proceedings for debts recovery. The aggregate amount of the claims is UAH5.4 million (approximately USD670 thousand). LLC Dniprovska Laguna initiated several proceedings against the Group for the debt recovery in the aggregate amount of UAH1 million (approximately USD120 thousand).

UkrSibbank Court Case

In February 2011 PJSC UkrSibbank filed a claim to Kyiv commercial court against LLC Capital Shipping Company and three more companies claiming recovery of USD358,886.71 of overdue repayments of principal amount and interest and UAH89,584.18 of penalty under a loan agreement entered into with LLC Dniprovska Laguna. Since, allegedly, the debtor continued to breach the loan repayment schedule, the plaintiff increased the amount of the joint and several claim towards the defendants. Finally, the plaintiff increased the amount of claim to USD5,334,794.66 (the total purported principal loan amount and claimed interest) and UAH768,384.70 (the claimed penalty for the delay in repayment of the loan amount and interest). LLC Capital Shipping Company together with other two defendants acted as a surety in relation to payment obligations of the debtor under a loan extended by PJSC UkrSibbank to LLC Dniprovska Laguna, which was later restructured. LLC Capital Shipping Company did not undertake any surety obligations in relation to the restructured loan and considers its surety obligations terminated. That is why the Management believes that the claim is without merit. Despite the objections of the defendants, the claim succeeded in the first instance and in December 2011 the court of first instance obliged LLC Capital Shipping Company and two other defendants to pay jointly with LLC Dniprovska Laguna to PJSC UkrSibbank the claimed amount in full. LLC Capital Shipping Company appealed that decision. The next court hearing is scheduled for July 2012. See also *“Risk factors – Risks relating to the Group’s Industry and Business – The Group is subject to litigation which could have a material adverse effect on the Group’s business”*.

Other than the litigation with PJSC UkrSibbank and debt recovery cases described above, to the best of the Management’s knowledge, there are no governmental, legal or arbitration proceedings which have arisen over the last 12 months prior to the date of this Prospectus and which may have or have had in the recent past a significant effect on the Group’s financial position or results of operations. To the best of Group’s knowledge, no litigation or arbitration proceedings that are likely to have a significant effect on the Group’s financial position or results of operations are pending or threatened against the Group.

Insurance

The operation of any drybulk vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

The Group maintains insurance in accordance with industry standards. The Group has liability insurance for all its cargo vessels. The Group maintains mandatory asset insurance on four of its cargo vessels and six passenger ships, which are owned and operated by the Group. While the Group believes that it maintains insurance intended to cover main risks associated with the conduct of the business in amounts that are prudent to cover normal risks in its operations, it may not be able to achieve or maintain this level of coverage throughout a vessel's useful life. Furthermore, not all risks, including the loss of hire risks, have been and can be insured, and there can be no guarantee that any specific claim will be paid, or that the Group will always be able to obtain adequate insurance coverage at reasonable rates. See *“Risk Factors – The Group’s insurance coverage may be insufficient for any incurred losses”*.

MATERIAL CONTRACTS

The following contracts are the contracts that (i) have been entered into by the Company or any of its Group Companies within the two years immediately preceding the date of this Prospectus which are or may be material to their business or (ii) have been entered into by the Company or any of its Group Companies at any other time but which contain provisions under which the Company or any of its Group Companies has an outstanding obligation or entitlement that is material to the Group as at the date of this Prospectus.

Financing Agreements

The Group's operations are partially financed through long term loans extended by OJSC Kreditprombank ("Kreditprombank") to LLC Capital Shipping Company. As of 31 March 2012, the Group had total borrowings of approximately USD 4.5 million.

Kreditprombank Loans

The loans are granted in USD and EUR with the aim to fund the operational activities of the company, as well as for specific purposes as specified in the agreements. The Group has the following financing arrangements with Kreditprombank:

- Loan Agreement No.04.1/44/07-KJIT, dated 9 November 2007, as amended, for the credit line with the maximum limit of USD2 million, maturing on 26 June 2015. The purpose of the loan is the replenishment of working capital, financing of payments under contracts, funding of design works and debt refunding under loan agreement No 35-2/46KB as of 21 March 2006 with PJSC UkrSibbank. The interest rate is Libor (3M)+10.6%. The loan is secured with mortgage of the Group's cargo vessels. As of 31 March 2012, the aggregate amount outstanding under this agreement is USD2 million;
- Loan Agreement No.04.1/50/07-KJIT, dated 24 December 2007, as amended, for the credit line with the maximum limit of USD2.5 million, maturing on 26 June 2015. The purpose of the loan is funding of repair works, refit and purchasing equipment for a floating restaurant. The interest rate is Libor (3M)+10.6%. The loan is secured with mortgage of the Group's cargo vessels and passenger ships and other assets. As of 31 March 2012, the aggregate outstanding amount under this agreement is USD2.0 million.
- Loan Agreement No. 24/02/08-KJIT dated 28 May 2008, as amended, for the credit line with the maximum limit of EURO1.4 million and USD621 thousand. The interest rate is Libor (3M)+10.6% per annum for the USD-tranche and 15.5% per annum for the EURO tranche. Initially, the loan was provided to OJSC Kherson Shipyard named after Kuybyshev for performance of contract for construction of two hulls of drybulk carriers for a Dutch company. The loan was secured with mortgage of production buildings of the Group's shipyard and part of its integral property complex and surety of LLC Capital Shipping Company, which later assumed the payment obligation pursuant to the Assignment Agreement dated 20 October 2010. KD Shipping Co Limited Inc. provided it suretyship as additional collateral. As of 30 April 2012, the aggregate outstanding amount under this agreement was approximately USD 0.5 million. The loan matured on 30 April 2012 however, it was not repaid by the borrower. On 14 May 2012 Kreditprombank notified the borrower that it was decided that the loan repayment shall extend until 31 December 2012 and the accrued but unpaid interest shall be repaid on together with the repayment of the principal amount. In order to come into effect, the respective changes in the repayment schedule must be formalized in an amendment agreement to the Loan Agreement No. 24/02/08-KJIT, which is subject to certain formal conditions. In the meanwhile, technically the borrower is in default under the Loan Agreement No. 24/02/08-KJIT. The Management believes that such conditions will be met and the amendment agreement will be executed in the nearest future.

See "*Risk Factors—Risks Relating to the Group's Industry and Business — Certain of the Group's credit facilities are repayable on demand and/or subject to certain covenants and restrictions*".

Suretyship Agreement with UkrSibbank

On 12 January 2007 LLC Capital Shipping Company entered into suretyship agreement No. 11106635000-пop/CCK with PJSC UkrSibbank. LLC Capital Shipping Company undertook to be liable to PJSC UkrSibbank

for failure to repay loan extended to LLC Dniprovskia Laguna and the interest on the loan. The amount of the loan was USD4,560,000 (four million five hundred sixty thousand US Dollars) and had to be repaid according to the repayment schedule but no later than 12 February 2013. In case if the debtor fails to perform its obligations under the loan agreement, the bank may claim the repayment directly from the surety, which would then assume the creditor's rights toward the debtor. In case if the surety fails to satisfy the creditor's claim in timely manner or at all, in addition it will be liable to pay the penalty in the amount of double discount rate established by the National Bank of Ukraine for each day of delay. The suretyship terminates in case of termination of the principal obligations under the loan agreement.

The loan extended to LLC Dnirovskia Laguna was later restructured and, consequently, the suretyship undertakings of LLC Capital Shipping Company terminated as a matter of law. LLC Capital Shipping Company did not undertake any surety obligations in relation to the restructured loan. However, in February 2011 PJSC UkrSibbank filed a claim against LLC Capital Shipping Company with the request to enforce the suretyship and recover from the surety, jointly and severally with the debtor and other sureties, USD5,334,794.66 and UAH768,384.70 of the principal amount and the penalty. See - *"Business - Legal and Administrative Proceedings"* and *"Risk factors – Risks relating to the Group's Industry and Business –The Group is subject to litigation which could have a material adverse effect on the Group's business"*.

Shipbuilding Arrangements

Memorandum of understanding for supply of ocean ship and river vessel

On 5 August 2010 LLC Capital Shipping Company and China National Machinery & Equipment Import & export Corporation ("CMEC") signed Memorandum of understanding for supply of ocean ship and river vessel (the "Memorandum"). According to the Memorandum, LLC Capital Shipping Company desired to hire CMEC on a turn-key EPC (Engineering-Procurement-Construction) basis with export credit support for procurement of 25 river sea type vessels of up to 5,000 DWT and 12 ocean going vessels up to 60,000 DWT. The Memorandum provided for mutual exclusivity undertakings of both CMEC and LLC Capital Shipping Company. CMEC agreed to offer a most competitive price for the implementation of the project. The parties agreed to enter into formal agreement within 3 years term after signing the Memorandum, provided that the terms of the agreement shall be further agreed by the parties. The Memorandum is valid until 5 August 2013 unless terminated upon mutual consent of the parties.

Shipbuilding contracts for construction of dry cargo vessels

Pursuant to the Memorandum, on 27 May 2011 LLC Capital Shipping Company entered into Shipbuilding Contract with China Machinery Engineering Corporation and Jingjiang Nanyang Shipbuilding Co., Ltd. (the "Seller") for construction of four (4) dry cargo vessels having a deadweight of 6,000 metric tonnes at a design draft moulded of about 4.11 meters and acceptable for the registration under the flag of Ukraine (the "Shipbuilding Contract 1").

The entry into force of the Shipbuilding Contract 1 is conditional upon, among other things, final loan decision of the Eximbank of China being signed. Originally it was established that if this condition fails to be fulfilled by 31 May 2012, being its longstop date, the Shipbuilding Contract 1 would terminate without liabilities of either party. In June 2012 the additional agreement to the Shipbuilding Contract 1 was signed, according to which, among other few amendments, the long stop date was moved to 31 May 2013. The Group is in the discussions with the Eximbank of China on extension of the loan. Major terms of the loan have been agreed between the Group and the Eximbank of China. However the decision on the extension of the loan to the Group has been put on hold for undefined period of time.

The total contract price is USD53,910,000 (fifty three million nine hundred ten thousand US Dollars), each vessel's price is USD13,477,500. The contract price shall be paid in four installments. The contract price is subject to adjustments in case of delay of the vessels' delivery or if any of the vessels' characteristics is deficient.

The first vessel shall be delivered after fifteen months from the date when the second installment, being payable within three (3) business days after the cutting of the first steel plate of the first vessel, was paid. The other vessels shall be delivered with the time interval of one and a half (1.5) months. The delivery may be delayed due to *force majeure* circumstances. In case such circumstances last for more than one hundred and eighty (180) days, the buyer may cancel the contract.

The Seller provides twelve-month guarantee following the delivery of the vessel for the vessel, her hull, machinery and other equipment supplied by the seller against all defects which are due to defective materials and/or poor workmanship.

Further, on 27 May 2011 LLC Capital Shipping Company and the Seller entered into Shipbuilding Contract for construction of six (6) dry cargo vessels (the “Shipbuilding Contract 2”), having the equivalent technical characteristics with the vessels to be constructed under the Shipbuilding Contract 1, under the same material terms and conditions. The total contract price is USD80,865,000 (eighty million eight hundred sixty five thousand US Dollars). The entry into force of the Shipbuilding Contract 2 was conditional upon, among other things, receipt of the 10% downpayment by the Seller. The Group did not proceed with the fulfillment of the Shipbuilding Contract 2 until 31 May 2012, being its longstop date. After that date the Shipbuilding Contract 2 terminated without liabilities of the parties.

Passenger vessels time charter agreements

On 14 May 2012 LLC Riverest Tour entered into time charter agreements with LLC PKVN in relation to passenger vessels named Kashtan-2 and Kashtan-5. The vessels are chartered together with the crew. Each of the vessels is 36 meters long and has capacity of 120 passengers. The agreements are entered into for the period from 1 June 2012 until 1 July 2012, for seven hours during a day (since 1 pm to 8 pm). The agreements may be automatically extended for the next month if none of the parties requests their termination 7 days prior to their expiration. The charter payment constitutes UAH160,000 (approximately USD20,000) per month for each vessel.

Pier use agreements

The Group entered into three long-term agreements for use of piers with River Ports Administration. In particular:

- According to service agreement No. 73/HII/01-09 dated 19 September 2007 (as restated on 8 December 2011), River Ports Administration provides to LLC Capital Shipping Company mooring services at pier no.7 of passenger embankment in the city of Kyiv for six passenger vessels of the company. The agreement is effective until 19 September 2022 and may be extended under the same terms and conditions provided that LLC Capital Shipping Company properly fulfilled its obligations;
- According to service agreement No. PT/35 dated 8 December 2011, River Ports Administration provides to LLC Riverest-Tour mooring services at pier no.6 of passenger embankment in the city of Kyiv for the vessels and other floating objects of the company. The agreement is effective until 7 December 2021;
- According to service agreement No. CCK/825 dated 8 December 2011, River Ports Administration provides to LLC Capital Shipping Company mooring services at piers no.14 and 13 of passenger embankment in the city of Kyiv for the vessels and other floating objects of the company. The agreement is effective until 7 December 2021.

Placement Agreement

The Issuer intends to enter into an agreement with, among others, the Principal Shareholder and the Bookrunner, under which the Issuer agrees to take all actions in connection with the Offering which it is supposed to take, in particular, to issue the Offer Shares at the Offer Price, which will be offered and allocated in accordance with the provisions of section “*The Offering and Plan of Distribution*” of the Prospectus and the Placement Agreement. The Placement Agreement will also include lock-up undertakings of, *inter alia*, the Issuer and the Principal Shareholder. The Issuer will bear and pay all costs and expenses incurred in connection with the Offering. See “*Placing*”.

RELATED PARTY TRANSACTIONS

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

- (i) Key management;
- (ii) Companies which activities are significantly influenced by the Group's owners.

Salary costs of key management for the years ended 31 December 2011, 2010 and 2009 were as follows.

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Salaries	456	241	157
Contributions to pension funds	193	84	39
Other contributions	-	3	2
Total	649	328	198

Source: Audited Consolidated Financial Statements

Amounts of transactions with companies whose activities are significantly influenced by the Group's owners are presented in the table below.

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Sales	57	5	2
Purchases	(281)	(84)	(29)
Total	(224)	(79)	(27)

Source: Audited Consolidated Financial Statements

The table below presents data on outstanding balances with companies whose activities are significantly influenced by the Group's owners.

	For the year ended 31 December		
	2011	2010	2009
	<i>(USD in thousands)</i>		
Trade receivable	156	16	14
Other receivables	47	26	19
Trade payables	(204)	(20)	(19)
Other payables	(74)	(22)	(16)
Total	(75)	-	(2)

Source: Audited Consolidated Financial Statements

No other material related party transactions have occurred since the end of the last financial period, i.e. since 31 December 2011 and up to the date of the Prospectus.

There are no material transactions with the related parties, which are not members of the Group, in 2009, 2010, or 2011, other than described herein.

Other Transactions

In the ordinary course of its business, the Group Companies has engaged, and continues to engage, in transactions within each other. The following is the summary of intra-group transactions conducted in the financial years ended 31 December 2011, 2010 and 2009, respectively.

Intra-group loans and suretyships

Under the loan agreement No. CCK/824 dated 13 December 2011, KD Shipping Co Limited Inc. extended to LLC Capital Shipping Company a USD1 million loan bearing an interest rate of 11% per annum and maturing on 6 February 2015. Under provisions of applicable laws of Ukraine, the agreement will gain its force upon registration with National Bank of Ukraine. As of 31 March 2012, the outstanding amount under this loan is USD 120,000.

Under the suretyship agreement No.04/02/II01/11-KJIT dated 29 December 2011, KD Shipping Co Limited Inc. provided surety for payment obligations of LLC Capital Shipping Company under the Loan Agreement No. 24/02/08-KJIT dated 28 May 2008 with Kreditprombank. See *Material Contracts – Financing Agreements – Kreditprombank Loans*.

MANAGEMENT AND CORPORATE GOVERNANCE

Set out below is a summary of relevant information concerning the Board of Directors, key executives as well as a brief summary of certain significant provisions of Cypriot corporate law, the Issuer's Articles of Association and particular issues from the corporate governance codes in respect of the Board of Directors.

Board of Directors

The Issuer has a one-tier management structure consisting of the Board of Directors.

Composition

The Board of Directors shall consist of at least two Directors. The Company shall have such minimum number of independent non executive Directors as are required by the rules of any market where the shares of the Company are listed. In assessing the independence of the Directors, the criteria recommended by the rules of any such market where the shares of the Company are listed for the time being shall be applied.

Any Director appointed in office by or whose appointment is ratified by the general meeting of the company, there is no expiration in his term of office unless so specified by the general meeting. The term of office for any Directors who have been appointed by the Board of Directors expires at the next Annual General Meeting of the Company.

Powers

The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Cyprus Companies Law or by the Articles of Association of the Company, required to be exercised by the General Meeting of shareholders. Unless specifically authorized by the Board of Directors, a Director shall exercise his or her powers only through the Board of Directors.

The Board of Directors may delegate any of its powers to any committee consisting of one or more Directors. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors, as to its powers, constitution, proceedings, quorum or otherwise.

The Board of Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under the Articles of Association) and for such period and subject to such conditions as the Board of Directors may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board of Directors may think fit and may also authorize any such attorney to delegate all or any of the powers, authorities and discretions vested in him.

All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Board of Directors shall from time to time by resolution determine.

The Board of Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

Functioning

The member of the Board of Directors may meet together or convene a telephone conference for the dispatch of business, adjourn, and otherwise regulate their meetings as they think fit and questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. A Director may, and the secretary on the requisition of a Director shall, at any time summon a meeting of the Board of Directors, including a telephone conference.

The quorum necessary for the transaction of the business of the Board of Directors may be fixed by the Board of Directors and unless so fixed 2 members of the Board of Directors present at any one meeting in person or by proxy or though the telephone shall form a quorum.

The Board of Directors may appoint one of their number to be the Chairman of the Board of Directors and may at any time remove him from such office. Unless he is unwilling to do so, the Director appointed as the Chairman shall preside at every meeting of the Board of Directors at which he is present. If the Chairman is not willing to preside or if he is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be the Chairman of the meeting.

Subject to the provisions of the Cyprus Companies Law, the Board of Directors may appoint one or more of its members to be the holder of any executive office (except that of auditor) under the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms, including terms as to remuneration, as the Board of Directors determines, and any remuneration which is so determined may be in addition to or in lieu of any ordinary remuneration as a Director. The Board of Directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company by reason thereof.

Members of the Board of Directors

As at the date hereof, the Issuer's Board of Directors is composed of 5 Directors, including 2 non-executive, independent Directors. The table below sets forth the names, function, election date, and terms of office of the current members of the Board of Directors as of the date of the Prospectus.

Name	Function	Date of Appointment	Expiration of term of office
Mr. Kostiantyn Molodkovets	Chief Executive Officer/Chairman of the Board of Directors	5 March 2012	N/A**
Mr. Denys Molodkovets	Chief Financial Officer	5 March 2012	N/A**
Mr. Ivaylo Georgiev Getsov	Chief Operating Officer	29 March 2012	Annual General Meeting of the Issuer**
Mr. Konstantin Anisimov	Non-executive Director	5 March 2012	N/A**
Mr. Mykhailo Chubai	Non-executive Director	5 March 2012	N/A**

*** Any director appointed in office by or whose appointment is ratified by the general meeting of the company, there is no expiration in his term of office unless so specified by the general meeting. The Term of Office for any directors who have been appointed by the Board of Directors expires at the next Annual General Meeting of the Company. With the exception of Mr. Ivaylo Georgiev Getsov, whose term of office expires at the next Annual General Meeting of the Issuer, since he was appointed by the Board of Directors, no term of office has been set for the remaining Directors.*

Any Director may be removed by ordinary resolution, of which special notice of 28 days has been given in accordance with the provisions of the Cyprus Companies Law, of the General Meeting of shareholders, Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.

The business address of all the member of the Board of Directors is the Group's Ukrainian headquarters located at 6-a Pyrogova Str., Kyiv, 01030, Ukraine.

A brief description of qualifications and professional experience of the members of the Board of Directors is presented below.

Kostiantyn Molodkovets

Mr. Kostiantyn Molodkovets is the founder of the Group and since 2012 the CEO of the Company. Mr. Kostiantyn Molodkovets has broad experience in the maritime industry, he started his career in OJSC Kyiv River Port and in 1996 became its president. In 2000 Mr. Kostiantyn Molodkovets moved to Municipal Shipping Company Kyiv to take the post of the director. In 2001 Mr. Kostiantyn Molodkovets established LLC Capital Shipping Company (formerly – LLC Danapris Tour). Mr. Kostiantyn Molodkovets is engaged in the activities of industry organisation, including European River-Sea-Transport Union e.V, where he holds the post of vice president from Ukraine.

In 1980 Mr. Kostiantyn Molodkovets graduated from the Leningrad Institute of Water Transport (Russia) with MSc in mechanical engineering.

Denys Molodkovets

Mr. Denys Molodkovets holds the post of Chief Financial Officer of the Company. In recent years he gained broad experience working in LLC Capital Shipping Company as: Head of the Department of Passenger Transport (2007-2008), Chief of the Fleet Operation and Repair of Passenger Transport Department (2008-2009) and Deputy director of the Passenger Transport Department (2009). Since 2009 Mr. Denys Molodkovets has hold the post of Deputy director of LLC Capital Shipping Company.

Mr. Denys Molodkovets was educated in England. He holds BA (Hons) and MA in International Business from Regent's Business School in London.

Ivaylo Georgiev Getsov

Mr. Ivaylo Georgiev Getsov has been Chief Operating Officer of the Company since 29 March 2012. Mr. Ivaylo Georgiev Getsov has broad experience in the maritime industry. In years 1997-1999 he was associated with Vega Group Vega Shipping & Trading Ltd, between years 1999-2004 he held position of deputy director of Vassilev Maritime Limited and from 2005 till his arrival to the Group Mr. Ivaylo Georgiev Getsov was vice-president of transport and logistics in “Safinat” Group.

Mr. Ivaylo Georgiev Getsov graduated from Nikola Vaptsarov Naval Academy with MSc in shipping. He is also a fellow of the Institute of Chartered Shipbroker in London (since 2002).

Konstantin Anisimov

Mr. Konstantin Anisimov has been the non-executive, independent member of the Board of Directors of the Issuer since 2012. Mr. Anisimov started his career in 1992 as translator. In 1997 he started to work as a head of excursion agency. In 2000 he moved to Moscow River Shipping company and became its director in 2002. Mr. Konstantin Anisimov is engaged in the activities of industry organisation, including European River-Sea-Transport Union e.V, where he holds the post of vice president from Russia.

Mr. Anisimov graduated from Lomonosov Moscow State University with degree in history, specialisation translator of Persian, in 1992. In 2007 Mr. Konstantin Anisimov graduated from Executive Master of Business Administration program held by State University Higher School of Economics.

Mykhailo Chubai

Mr. Mykhailo Chubai has been the non-executive, independent member of the Board of Directors of the Issuer since 2012. Mr. Chubai started his career in the water-transport industry in 1970 as assistant in the Kyiv River Port. In 1975 he became Chief of the Foreign Traffic Department in Central River Fleet Administration of Ukrainian Soviet Socialistic Republic. In years 1988-1990 he held the position of Chief of the Foreign Traffic Department in Production Association Golovrichflot. Starting from 1990 for 19 years Mr. Mykhailo Chubai has been associated with PJSC Ukrrichflot as: Commercial director, President, General director and Counselor to the supervisory board. In years 2009-2011 he worked for Ministry of Transport and Communications of Ukraine (currently – the Ministry of Infrastructure) as, *inter alia*, Deputy Minister of Transport and Communications. Since 2011 Mr. Mykhailo Chubai has been Chairman of River Transport Workers' Trade Union of Ukraine.

Mr. Mykhailo Chubai graduated in 1975 from Operational Faculty of Odessa Institute of Marine Fleet Engineers as an engineer with specialisation in water transport running.

Key Executives

In the opinion of the Issuer, apart from the Board of Directors members, the following persons are the most important for the KDM Shipping Group (the “Key Executives”):

Oleksandr Shein

Mr. Oleksandr Shein has been director of the Group’s shipyard in Kherson since 2008. He has been with the Group’s shipyard since 2007, first as technical director and later as deputy director. In period 1991-2007 Mr. Oleksandr Shein gained experience in the shipyard industry as chief engineer and deputy director in Kherson Komintern shipbuilding and repair yard.

Mr. Oleksandr Shein graduated from Shipbuilding and Shiprepair Faculty of Odessa Institute of Marine Fleet Engineers. He is an engineer shipbuilder.

Sergij Zhumenko

Mr. Sergij Zhumenko has been Deputy director of maritime safety in LLC Capital Shipping Company since 2006. He has been working in the maritime industry since 1987, starting as safety shipping inspector. Later Mr. Zhumenko worked in various positions in Ukrainian shipping companies.

Mr. Sergij Zhumenko graduated with the engineer degree from Kyiv State Maritime Academy in 2005.

Directorships of Directors and Key Executives

The following table sets out additional past and current directorships held by the Issuer’s Board of Directors’ members and Key Executives in the past five years:

Name of the Director	Positions Held
Mr. Kostiantyn Molodkovets	<u>Former directorships:</u> OJSC Kherson Shipyard named after Kuybyshev – Chairman of the board of directors (till 2010);
	<u>Current directorships:</u> PJSC Volga-Dnepr Shipping Company - Chairman of the board of directors (since 2004); European River-Sea-Transport Union e.V – Vice President from Ukraine (since 2006);
Mr. Denys Molodkovets	<u>Former directorships:</u> None
	<u>Current directorships:</u> None
Mr. Ivaylo Georgiev Getsov	<u>Former directorships:</u> Black Sea Yacht Services, Bulgaria – partner (2002-2011)
	<u>Current directorships:</u> None

Mr. Konstantin Anisimov	<p><u>Former directorships:</u></p> <p>The Capital Shipping Company, Moscow – Member of the supervisory board (from 2001 till 2011);</p> <p><u>Current directorships:</u></p> <p>Mosturflot, Moscow – Chairman of the board of directors (since 2002);</p> <p>Khlebnikov Machine shipyard, Dolgoprudny – Member of the board of directors (since 2002);</p> <p>PJSC Volga-Dnepr Shipping Company - Member of the supervisory board (since 2003);</p> <p>European River-Sea-Transport Union e.V – Vice President from Russia (since 2006);</p> <p>Southern River port, Moscow - Chairman of the board of directors;</p> <p>Volgograd River Port – Member of the board of directors (since 2011)</p>
Mr. Mykhailo Chubai	<p><u>Former directorships:</u></p> <p>PJSC Ukrrihflot – Commercial director (1993-2007); President (2007-2008); General director (2008-2009); Counselor to the supervisory board (2010-2011);</p> <p>JSSC SEA TRIDENT – President (2011);</p> <p><u>Current directorships:</u></p> <p>None</p>
Name of the Key Executive	Positions Held
Mr. Oleksandr Shein	<p><u>Former directorships:</u></p> <p>None</p> <p><u>Current directorships:</u></p> <p>None</p>
Mr. Sergij Zhumenko	<p><u>Former directorships:</u></p> <p>None</p> <p><u>Current directorships:</u></p> <p>None</p>

Shares and Share Options held

Mr. Kostiantyn Molodkovets holds 78.5% of the Issuer’s share capital as on the date of the Prospectus. Mr. Denys Molodkovets holds 11.5% of the Issuer’s share capital as on the date of the Prospectus. Mr. Konstantin Anisimov holds 1 (one) Share in the Issuer’s share capital. Apart from the above mentioned persons, no other member of the Board of Directors and no other member of Key Executives holds directly or indirectly any Shares or stock options over such Shares in the Company. For information on the shareholding of the above mentioned persons before and after the Offering please see “Shareholders”.

Mr. Kostiantyn Molodkovets and Mr. Denys Molodkovets intend to conclude a lock-up agreement with regard to the Shares they hold. For more information on lock-up agreements please see: “Shareholders - Lock-up agreements”.

At the date of this Prospectus, the Issuer has no stock option plan or other arrangements in place for members of the Board of Directors, Key Executives or Group’s employees pursuant to which such persons can acquire

Shares or options of such Shares in the Issuers' capital or its subsidiaries. The Company may however implement such arrangements in the future.

As far as the Issuer is aware, no member of the Board of Director or member of Key Executives intends to purchase any Offer Shares in the Offering.

Remuneration and Terms of Service Contracts

The Shareholders of the Company shall approve the remuneration of all the members of the Board of Directors on the recommendation of the Remuneration Committee. Such remuneration shall correspond to the scope of tasks and responsibilities of the relevant member of the Board of Directors and be proportionate to the size of the Company's business and reasonable in relation to its financial results.

The objective of the Group's remuneration policy is to provide a compensation program allowing for the attraction, retention and motivation of members of the Board of Directors who have the character traits, skills and background to successfully lead and manage the Company.

Current members of the Board of Directors as well as Key Executives have been employed in certain Group Companies and received in the previous financial year remuneration from the Group Companies: Mr. Denys Molodkovets received USD 4,200; Mr. Oleksandr Shein received USD 35,000 and Mr. Sergij Zhumenko received USD 35,000. Other benefits granted to Directors and Key Executives included company cars and mobile phones. Mr. Ivaylo Georgiev Getsov, Mr. Konstantin Anisimov and Mr. Mykhailo Chubai were not with the Group in 2011 financial year.

The total remuneration, paid by the Group to the members of the Board of Directors, Key Executives, as well as all other directors and management staff in the latest ended financial year was approximately USD 649,000. In 2011 the number of top management personnel in the Group was 23 persons.

The members of the Board of Directors and Key Executives are not granted any pensions, retirement or similar benefits by the Issuer or the Group Companies. No amounts have been set aside or accrued by the Issuer or its subsidiaries to provide pension, retirement or similar benefits to members of the Board of Directors or Key Executives.

Indemnity agreements

Members of the Board of Directors and Key Executives do not have any indemnity arrangements with the Issuer. The Group has not purchased any directors & officers liability insurance policy.

Non-compete compensation and employment termination compensation

In line with Ukrainian practice, all members of the Board of Directors and Key Executives do not have any agreements with the Group under which, after termination of the employment relationship with the Group, such persons would be obligated to maintain non-competition duty for a certain period following termination of his employment relationship. The Company does not expect to enter into such agreements with members of the Board of Directors or Key Executives in the future.

The service contracts, employment agreements or other similar agreements entered into between the Company or the Group Companies and the members of the Board of Directors and Key Executives do not provide for special benefits in the case of dismissal or termination of such persons service, employment contract or other similar agreement.

Committees

The Audit Committee will assist the Company's board in discharging its responsibilities with regard to financial reporting, external and internal audits and controls, including reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of our internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board of Directors. The audit committee of the

Company, comprising Mr. Konstantin Anisimov and Mr. Mykhailo Chubai (both non-executive Directors), is chaired by Mr. Konstantin Anisimov. The audit committee meets at least once a year.

The Remuneration Committee assists the Board of Directors in discharging its responsibilities in relation to remuneration, including making recommendations to the Board of Directors and/or the General Meeting of the shareholders of the Company on its policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive Directors and recommending and monitoring the remuneration of senior management below board level. The remuneration committee of the Company, comprising Mr. Konstantin Anisimov and Mr. Mykhailo Chubai (both non-executive Directors), is chaired by Mr. Mykhailo Chubai and sets and reviews the scale and structure of the executive Directors' remuneration packages, including share options and the terms of their service contracts.

Other information on the members of the Board of Directors and on the Key Executives

At the date of this Prospectus, except as stated below, none of the members of the Board of Directors and no Key Executive for at least the previous five years:

- has been convicted of any offences relating to fraud;
- has been the subject of any official public incrimination or has been sanctioned by statutory or regulatory authorities (including professional associations); or
- has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conducting the affairs of any company; or
- has been associated with any bankruptcy, receivership or liquidation, or similar proceedings, in their capacity as members of any administrative, managing, or supervisory body or as a senior executive, except for Mr. Kostiantyn Molodkovets, who was the chairman of the board of directors of OJSC Kherson Shipyard named after Kuybyshev, when the bankruptcy procedure was initiated after all the assets of this company were transferred to LLC Capital Shipping Company.

No member of the Board of Directors and no member of the Key Executives hold a supervisory or a non-executive position in any other listed company or perform principal activities outside the Group which are significant with respect to the Issuer.

There are no family relationships among the members of the Board of Directors and Key Executives, except from family relationship between Mr. Kostiantyn Molodkovets and his son Mr. Denys Molodkovets. There are no family relationships between the members of the Board of Directors and/or Key Executives and the shareholders of the Company, except from family relationship between Mr. Kostiantyn Molodkovets and his son Mr. Denys Molodkovets and the following shareholders of the Company: Ms Lyudmila Molodkovets (spouse of Mr. Kostiantyn Molodkovets and mother of Mr. Denys Molodkovets) and Mr. Yuriy Molodkovets (brother of Mr. Kostiantyn Molodkovets and uncle of Mr. Denys Molodkovets).

There are no actual or potential conflicts of interest between the obligations of the members of the Board of Directors members and the Key Executives, except Mr. Kostiantyn Molodkovets, Mr. Denys Molodkovets and Mr. Konstantin Anisimov toward the Issuer and their respective private interests and duties or obligations to the Issuer. Moreover, due to the fact that interests of the Group are not always in line with the interests of the Principal Shareholder, there is a potential conflict of interest between private interests of Mr. Kostiantyn Molodkovets, as the Principal Shareholder, and the interests of the Issuer, see risk factor "*The Issuer has been, and will continue to be, controlled by principal shareholder*".

Except as stated above, there are no arrangements or understandings with Principal Shareholder of the Issuer, customers, suppliers or others pursuant to which any member of the Board of Directors or of the Key Executives was selected or appointed.

Corporate Governance Rules

Cyprus

Since the Company is incorporated in Cyprus, it has to comply with Cypriot law, as well as with provisions relating to corporate governance issues prescribed in the Company's Articles of Association and the Cyprus Companies Law. However, the Company is not subject to the requirements of any national corporate governance rules, including the Cypriot Code on Corporate Governance, as it is not listed in the Cypriot Stock Exchange.

Poland

The Company has decided to observe the majority of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent allowed by the Cypriot corporate law and corporate structure of the Group, especially the single board structure as opposed to the two-tier system that the WSE Corporate Governance Rules assume. The Company does not have two separate governing bodies (supervisory board and management board) which are obligatory in Polish joint stock companies. Instead, its Board of Directors performs both the management and supervisory functions. As a result, the Company will apply those principles of the WSE Corporate Governance Rules which refer to relations between supervisory board and management board not directly, but accordingly.

SHAREHOLDERS

Principal Shareholder

As at the date of this Prospectus, 78.5% of the outstanding share capital of the Company is held by the Principal Shareholder, Mr. Kostiantyn Molodkovets, who is also the Chief Executive Officer of the Issuer. Following the Offering Mr. Kostiantyn Molodkovets will continue to own directly up to 51.0% of the Issuer's issued share capital, assuming all of the Offer Shares are placed with investors. Moreover, Mr. Denys Molodkovets, who is family relative to Mr. Kostiantyn Molodkovets (his son) and is member of the Board of Directors of the Issuer, owns directly 11.5% of the Issuer's shares existing on the date of the Prospectus and following the Offering will continue to own directly up to 7.5% of the Issuer's issued share capital, assuming all of the Offer Shares are placed with investors. As at the date of this Prospectus Messers Kostiantyn Molodkovets and Denys Molodkovets hold directly 90.0% of the outstanding share capital of the Company and following the Offering they will continue to own directly up to 58.5% of the Issuer's issued share capital, assuming all of the Offer Shares are placed with investors.

Control over the Company

As at the date of this Prospectus, so far as the Company is aware, there is no arrangement that might result in the change of control over the Company.

Dilution

The tables below indicate the Issuer's shareholding structure as at the date of this Prospectus and after the Offering:

Shareholder	Shares owned prior to the Offering		Shares owned after the Offering ⁽¹⁾	
	Number of shares	%	Number of shares	%
Mr. Kostiantyn Molodkovets	5,100,000	78.5	5,100,000	51.0
Mr. Denys Molodkovets	749,999	11.5	749,999	7.5
Miralex Inc ⁽²⁾	449,998	6.9	449,998	4.5
Mr. Oleksiy Veselovsky ⁽³⁾	200,000	3.1	200,000	2.0
Mr. Konstantin Anisimov	1	0.0	1	0.0
Mr. Yuriy Molodkovets	1	0.0	1	0.0
Ms Lyudmila Molodkovets	1	0.0	1	0.0
Public	-	-	3,500,000	35.0
Total	6,500,000	100	10,000,000	100

(1) Assuming that all the Offer Shares are subscribed in the Offering.

(2) Ms. Ekaterina Malokanova, who is the head of legal department of LLC Capital Shipping Company, is the owner of the shares of Miralex Inc and therefore indirectly controls the shares that Miralex Inc owns in the Issuer.

(3) Since Mr. Veselovsky passed away on 25 March 2012, these Shares in the Issuer constitute a part of estate to be transferred to heirs of Mr. Veselovsky. 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.

The voting rights of the Principal Shareholder with respect to its Shares do not differ in any respect from the rights attaching to the Offer Shares. The Principal Shareholder will not have other voting rights from other shareholders, other than the greater or lesser voting power inherent in its percentage ownership in the Company's share capital.

Lock-up agreements

The Company intends to undertake with the Arrangers that, for a period commencing on the Listing Date and ending 12 months after this date (the “Lock-up Period”), it will not, without the prior written consent of the Arrangers, which consent shall not be unreasonably withheld: (i) propose or otherwise support an offering of any of its shares, announce any intention to offer new shares or and/or issue any securities convertible into its shares or securities that in any other manner represent the right to acquire its shares; or (ii) conclude any transaction (including any transaction involving derivatives) whose economic effect would be similar to the effect of selling its Shares.

The Principal Shareholder, Mr. Denys Molodkovets and Miralex Inc intend to agree with the Arrangers that within the Lock-up Period it will not, without the prior written consent of the Arrangers, which consent shall not be unreasonably withheld: (i) sell or otherwise transfer any of the Company’s shares; (ii) propose or otherwise support an offering of any of the Company’s shares, or announce any intention to sell any shares; (iii) issue any securities convertible or exchangeable into the Company’s shares, (iv) issue any securities that in any other manner represent the right to acquire the Company’s shares; or (v) conclude any transaction (including any transaction involving derivatives) whose economic effect would be similar to the effect of selling the Company’s shares.

Furthermore, the Principal Shareholder, Mr. Denys Molodkovets and Miralex Inc intend to agree for the Lock-up Period, without the prior written consent of the Arrangers, which consent shall not be unreasonably withheld, not to propose, vote in favour of or otherwise support, not to propose, vote in favour of or otherwise support: (i) any increase of the Company’s share capital; (ii) any issuance of securities convertible into Shares; (iii) any issuance of any other securities that in any other manner represent the right to acquire such Shares; or (iv) the conclusion of any transaction (including any transaction including derivatives) whose economic effect would be similar to the effect of causing the Company to issue such instruments.

DESCRIPTION OF THE SHARES AND CORPORATE RIGHTS AND OBLIGATIONS

Set forth below is a brief description of the Company's share capital and certain requirements of Cypriot legislation. The description does not purport to be complete and is qualified in its entirety by references to the Articles of Association of the Company and relevant Cyprus law. Holders of Shares will be able to exercise their rights with respect to the Shares only in accordance with the provisions and the relevant requirements of Cyprus law and the Articles of Association of the Company.

The rights attaching to the Shares provided for in the Company's Memorandum of Association (the "Memorandum") and Articles of Association are set out under the heading "Rights attached to the Shares" in this section. The rights attaching to the Shares are also subject in all respects to the Cyprus Companies Law.

Share Capital

As at the date of this Prospectus, the Company's authorized share capital amounted to Euro 200,000 divided into 20,000,000 ordinary shares of nominal value Euro 0.01 each. The Company's current issued share capital amounts to EUR 65,000 divided into 6,500,000 ordinary shares of nominal value EUR 0.01 each. No preferred shares are authorized or outstanding. The Company does not have any treasury shares.

As at the date of this Prospectus, all of the Company's issued share capital is fully paid.

The Offer Shares to be issued and made available pursuant to the Offering will rank *pari passu* in all respects with the other issued Shares of the Company and will carry the rights to receive all dividends and distributions declared, made or paid on, by the Company.

Form and transfer of the Shares

The Shares are registered shares. The Shares have been issued under, and are governed by, the laws of Cyprus, in particular, Cyprus Companies Law, Cap. 113 (as amended). The Company maintains a register of members in which the names and addresses of all shareholders are recorded, showing the date on which they acquired the shares and the date on which they ceased to be shareholders of the Company. Any pledges on the shares of the Company are also registered in the register of members. Extracts from the register are available free of charge upon the application of a shareholder or a pledgee.

After the listing of the Company's shares on the WSE, the Company will no longer maintain a register of members. Pursuant to the Cyprus Companies Law, Cap. 113 (as amended), if the Company's securities are listed in any overseas market (as defined in section 2 of the Cyprus Companies Law), the Company will be deemed to comply with the requirement to keep a register of members provided that it complies with the relevant regulations of the relevant overseas market.

The Shares, including the Offer Shares may generally be in certificated and uncertificated form. However, for the purposes of listing on the WSE the Shares will be registered with the NDS, which is a Polish central clearinghouse and depository of securities, and no physical share certificates will be issued to shareholders. The Shares, while registered with the NDS will take the uncertificated form and shareholding will be evidenced by reference to securities accounts held for the shareholder by members of the NDS (e.g., brokers or custodians). Transfer of the Shares takes place through the facilities of the NDS.

Pursuant to the Trading in Financial Instruments Act, securities which are offered in a public offering or admitted to trading on a regulated market in Poland exist in uncertificated form as of the date of their registration under the relevant depository agreement (dematerialization). In particular, before the commencement of a public offering or trading on a regulated market, an issuer of securities is obliged to conclude with the NDS (*Krajowy Depozyt Papierów Wartościowych S.A.*, with its registered seat in Warsaw, Książęca Str. 4), an agreement to register in the depository of securities the securities offered in a public offering or trading on a regulated market. Share deposit certificates evidencing the Shares may be issued at the request of the account holder. Pursuant to the Article 9 of Trading in Financial Instruments Act, a share deposit certificate confirms the title to exercise all rights arising from the securities which are not or cannot be exercised purely on the basis of entries in a securities account.

Rights attached to the Shares

No special rights, other than those provided by the Cyprus Companies Law and which are summarized in this section, are attached to the Shares, in particular the shareholders have the following rights:

- A right to attend the general meetings and vote (see section “*Voting Rights*”);
- A right to participate and share in the Company’s profits through dividend distribution if such dividend is decided to be paid by the general meeting following the proposal by the Board of Directors;
- A right to transfer their shares to any person;
- A right to pledge any share they own in the Company;
- A right to receive the annual financial statements of the Company together with the directors and auditors report;
- A right to share in any surplus in the event of liquidation of the Company in proportion to their shareholding;
- For existing shareholders, pre-emption rights when new shares are issued in the same class for cash consideration. The new shares have to be offered first to the existing shareholders in proportion to their shareholding;
- Shareholder or Shareholders owning or representing at least 5% of the issued share capital and voting rights of the Company, may request that matters are added in the agenda of the annual general meeting and/or add resolutions in the agenda of general meetings.

No special rights attach to any specific shares (including the Offer Shares) and there are no different classes of shares.

The Company cannot redeem ordinary shares. Subject to the provisions of the Cyprus Companies Law, any preference shares may, with the sanction of an ordinary resolution, be issued on the condition that they are, or at the discretion of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.

Issue of the Shares and Pre-emption rights

The Board of Directors may offer, allot, grant options over or otherwise deal with or dispose of any unissued Shares (whether forming part of the original or any increased capital) to such persons, at such times and generally on such terms, conditions and restrictions as the Board of Directors may decide most beneficial to the Company, subject to the pre-emption rights mentioned below.

On an issue of the Shares at a certain date as determined by the Board of Directors, each existing shareholder has a right of pre-emption to subscribe for the Shares (apart from the Shares issued for a non-cash consideration) in cash in proportion to the aggregate amount of their shareholding.

Under Cyprus Companies Law, the Company has to notify all shareholders in writing of its intention to issue new shares and the price to be issued. Each individual notice should include the number of shares each shareholder is entitled to buy, a period which a shareholder may exercise its pre-emption rights and purchase the offered shares, and the price per share.

Each shareholder will have no less than 14 days following its receipt of the notice of the offer, which notice will identify the proposed terms and conditions of the offer, to notify the Company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. If all the shareholders do not fully exercise all their pre-emption rights, the Board of Directors can decide who to issue the Shares to. Subject to certain limited exceptions, unless the approval of the shareholders in a general meeting is obtained, the Company must offer the Shares to be issued for cash to the existing holders of the Shares on a pro rata basis. Such right of pre-emption may only be disappplied by means of a resolution of the shareholders in general meeting, during

which the Board of Directors is required to present a written report indicating the reasons for why the right of pre-emption should be disapplied and justifying the proposed issue price.

Pre-emption rights may be waived, following a proposal by the Board of Directors, by an ordinary resolution of the General Meeting approved by two thirds of the shares entitled to vote, unless 50% of the shareholders are present in such meeting in which case only 50% of those present are required to vote in favour of the waiver. The decision must be published in the Official Gazette of the Republic of Cyprus as prescribed by the Cyprus Companies Law. The Board of Directors cannot waive pre-emption rights without the approval of the shareholders.

With respect to shareholders holding their Shares in dematerialized form through securities accounts with the participants of NDS, such notice will be sent to NDS.

Voting Rights

Subject to any special rights or restrictions as to voting attached to the Shares, every holder of the Share who is present in person or by a proxy, shall have one vote per share held by him, on a vote decided on a show of hands and/or a poll. A corporate shareholder may, by resolution of its directors or other governing body, authorize a person to act as its representative at general meetings and that person may exercise the same powers as the corporate shareholder could exercise if it were an individual shareholder. No shareholder is entitled to vote at any general meeting unless all calls and other amounts payable by him in respect of shares have been fully paid.

Each shareholder is entitled to attend general meetings, to address the meeting, and, if voting rights accrue to him or her, to exercise such voting rights. Shareholders may attend meetings in person or be represented by proxy authorized in writing.

For a shareholder to be recognized as being entitled to attend and vote at a general meeting he or she must present to the meeting proper evidence of his or her shareholding as of the date (the "Record Date") that will be specified in the notice convening the general meeting to the satisfaction of the chairman of the meeting. A deposit certificate issued by an entity maintaining the securities account of a shareholder will be deemed sufficient evidence of shareholding. Therefore in order to be able to participate and vote at the general meeting, the Company's shareholders holding the Shares in dematerialized form through the securities accounts with the participants of the NDS shall present deposit certificates issued in accordance with the Trading in Financial Instruments Act.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorized. A duly notarized and legalized or apostilled power of attorney shall be at all times accepted by the Company, the Secretary and the Board of Directors as the appropriate and sufficient instrument appointing a proxy. A proxy does not need to be a shareholder of the Company.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting at any time before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

Subject to any rights or restrictions attaching to any class of the Shares, voting at meetings shall be conducted in person or by proxy or attorney and, where the shareholder is a corporate body, by a representative.

Dividends

The Company in a general meeting may declare dividends to be paid out of profits but no dividend will exceed the amount recommended by the Board of Directors. The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves.

No distribution of dividends may be made when on the closing date of the last financial year the net assets, as already set out in the company's annual accounts are, or following such a distribution would become, lower than

the amount of the subscribed share capital plus those reserves which may not be distributed under the law or the Company's Articles of Association.

The Board of Directors may declare interim dividends as appear to the Board of Directors to be justified by the profits of the Company. Interim dividends can only be paid if interim accounts are drawn up showing that funds are available for distribution are sufficient and the amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits brought forward and sums drawn from reserves available for this purpose, and less losses brought forward and sums to be placed to reserve pursuant to the requirements of the law and the Articles of Association.

The Company proposes to announce its intention to pay dividends and set a date (the record date) which will be used to ascertain which shareholders are entitled to be paid dividends. The dividends should then be paid within 15 working days of the associated record date.

In respect of shareholders holding their shares in dematerialized form through securities accounts with participants of the NDS, the dividend will be paid through the facilities of the NDS. The NDS will then transfer the dividends to its participants, who in turn, will credit cash accounts of their clients.

Dividends may be paid once a year with the exception of any interim dividends that may be declared.

Variation of Rights

If at any time the share capital is divided into different classes of the Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not we are being wound up, be varied by a resolution passed at a separate meeting of the holders of that class of shares. A resolution to be passed at such separate meetings of each class of shares whose rights are affected by the variation, requires a two thirds majority of the votes corresponding to the shares represented at the meeting or two thirds of the issued share capital unless at least 50% of the issued share capital is represented, in which case a simple majority is sufficient.

Alteration of capital

The Company may by ordinary resolution of the general meeting of the shareholders:

- increase its share capital by such sum, to be divided into Shares of such amount, as the resolution shall prescribe;
- consolidate and divide all or any of its share capital into Shares of larger amounts than existing Shares;
- subdivide the existing Shares, or any of them, into Shares of smaller amounts than is fixed by the Memorandum subject, nevertheless, to the provisions of Section 60(1)(d) of the Cyprus Companies Law; and
- cancel any Shares which, at the date of the passing of the resolution, have not been taken nor agreed to be taken by any person.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account, in any manner and with, and subject to, any incident authorised, consented or required by Cypriot law. Following the adoption of a special resolution for the reduction of capital, the Company must apply to the Cypriot courts for ratification of the special resolution. The Cypriot court must take into account the position of the creditors of the Company in deciding whether to ratify the resolution. Once the court ratifies the resolution, the court order, together with the special resolution, are filed with the Cyprus Registrar of Companies

Purchase of the Issuer's own Shares

Subject to applicable law and to any rights attached to any shares, the Company may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class subject to the prior approval of the general meeting of the shareholders by way of a special resolution.

The special resolution must specify the terms, the manner and the maximum number of shares to be acquired. The total nominal value of the shares held at any one time by the Company must not exceed 10% of the Company's issued share capital or the amount representing 25% of the average value of the price of the shares for the 30 days preceding such purchase, whichever is less. The consideration for acquiring the shares must be paid out of undistributed profits. The shares cannot be held by the Company for more than a period of two years commencing on the date of such purchase. Any shares purchased by the Company shall have their voting and dividend rights suspended.

Winding up

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution of the shareholders and any other sanction required by the Cyprus Companies Law:

- divide among the shareholders in specie or in kind the whole or any part of the property of the Company;
- for that purpose set a value as the liquidator considers fair on any property to be so divided;
- decide how the division is to be carried out as between the shareholders or different classes of shareholders; and
- vest the whole or any part of the property of the Company in trustees upon such trusts, for the benefit of the contributories as the liquidator shall think fit, but so that no shareholder shall be compelled to accept any shares or other securities whereon there is any liability.

Meetings of shareholders

The Company is required each year to hold a meeting as its annual General Meeting, in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it. Not more than 15 months shall elapse between the date of one annual General Meeting and that of the next.

An annual General Meeting, and a meeting for the passing of a special resolution, shall be called by at least 21 days' notice in writing. All other meetings shall be called by at least 21 days' notice in writing, provided that such meetings may be called by 14 days' notice in accordance with the provisions of section 127(2)(c) of the Cyprus Companies Law. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. It shall specify the place, the day and the hour of meeting and in cases of special business, the general nature of that business and, if the Company's shares are listed on a regulated market (as defined in the Cyprus Companies Law), all other items required by section 127A of the Cyprus Companies Law and by the rules of the relevant market. Under Cypriot law, the accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice, shall not invalidate the proceedings at that meeting. Pursuant to Regulation 143 of the Articles of Association, notwithstanding any other provision in the Articles, for as long as the Company's shares are listed on an overseas market (as defined in the Cyprus Companies Law), notice sent in accordance with the rules of such market shall constitute sufficient notice to each Member for all purposes under these Articles of Association.

Except when the Company's shares are listed on a regulated market (as defined in the Cyprus Companies Law), a meeting of the Company shall, notwithstanding that it is called by a shorter notice period than that specified in the Articles of Association, be deemed to have been duly called if, in the case of a meeting called as the annual General Meeting, such is agreed by all the shareholders entitled to attend and vote, or, in the case of any other meeting, such is agreed by a majority of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

No business shall be transacted at any General Meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. Save as otherwise provided in the Articles of Association, a quorum shall be three members present in person or by proxy holding not less than 50% of the issued shares with a right to vote at the general meeting concerned. The provisions governing the quorum are set forth in Regulation 60 of the Articles of Association.

At any General Meeting, any resolution put to the vote of the General Meeting shall be decided by a show of hands, unless (before the declaration of the result by the show of hands or by oral declaration) a poll is demanded:

- (a) by the Chairman;
- (b) by at least three members present in person or by proxy;
- (c) by any member or members present in person or by proxy and representing not less than one tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum equal to not less than one tenth of the total sum paid up on all the shares conferring the said right has been paid up.

As at the date of this Prospectus, the Articles of Association do not provide for general meetings to be held outside Cyprus.

The Company shall send such written notice to the NDS, which will then pass it on to the NDS participants as well as will publish such information in a current report form.

Challenging resolutions of General Meetings

A shareholder can challenge the validity of a resolution in a court of competent jurisdiction if the resolution is contrary to applicable legislation, regulations, the Articles of Association or amounts to oppression on the minority. For the purposes of the Company, the District Court of Limassol, Cyprus, where the Company has its seat, is deemed a court of competent jurisdiction. The application to the court should be made in the Greek language. The shareholder may decide to use his own Cyprus registered lawyer for the purposes of his application, or he may choose to represent himself. If the court finds in favor of the petitioner/shareholder, the resolution will be nullified and the legal costs will be borne by the Company or the defaulting shareholders. Otherwise the legal costs will be borne by the petitioner/shareholder.

Indemnity of officers

Subject to the Cyprus Companies Law, each of the Company's current or former officers (other than an auditor) shall be indemnified out of the Company's assets against any losses or liabilities which he may sustain or incur in or about the execution of his duties including liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favor or in which he is acquitted or in connection with any application under section 383 of the Cyprus Companies Law.

The Board of Directors may purchase and maintain for, or for the benefit of, any person who holds or who has at any time held a relevant office insurance against any liability or expense incurred by him in relation to us or any of our subsidiaries or any third party in respect of any act or omission in the actual or purported discharge of the duties of the relevant officer concerned or otherwise in connection with the holding of that relevant office.

Number of Directors

Unless and until otherwise determined by the Company in the General Meeting, the number of the Directors shall be at least two and there shall be no maximum number. The Company shall have such a number of independent non-executive Directors as the rules of any Overseas Market (as defined in section 2 of the Cyprus Companies Law) in which the Shares of the Company are listed require. In assessing the independence of the members of the Board of Directors of the Company, the criteria recommended by the rules of any Overseas Market where the shares of the Company are listed for the time being shall be applied

Appointment of Directors

At any time, and from time to time, the Company at the General Meeting may by ordinary resolution appoint any person as Director and determine the period for which such person is to hold office. Without prejudice to the Company's power to appoint a person to be a Director, the Board of Directors shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board of Directors, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with the Articles of Association of the Company. Any Director so appointed by the Board of Directors shall, if still a Director, retire at the next annual general meeting after his/her appointment and shall then be eligible for re-election.

Directors' interests

A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Cyprus Companies Law.

No member of the Board of Directors may vote in respect of any contract or proposed contract or arrangement in which he may be interested and if he does so his vote shall not be counted and he may not be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing contained in the Articles of Association of the Company shall authorize a Director or his firm to act as auditor to the Company.

Adoption of Annual Accounts

The Company's fiscal year is the calendar year. The Directors shall from time to time, in accordance with sections 142, 149, 151 and 152 of the Cyprus Companies Law, cause to be prepared and to be laid before the Company in a General Meeting such complete sets of financial statements and Group financial statements (if any) according to International Accounting Standards and reports as are referred to in those sections.

A copy of every set of financial statements (including every document required by the Cyprus Companies Law to be annexed thereto) which is to be laid before the Company in a General Meeting, together with a copy of the Directors' and Auditors' report, shall be made available to every shareholder and every holder of debentures of the Company not less than 21 days before the date of the meeting.

The annual accounts are signed by the Board of Directors and must be presented to the General Meeting. The annual accounts will be available at the Company's registered office for inspection by shareholders and debenture holders and will be provided to any of them on request in printed or electronic form.

CERTAIN CYPRIOT AND POLISH SECURITIES MARKET REGULATIONS AND PROCEDURES AND THE WARSAW STOCK EXCHANGE

The Issuer has applied and will apply, respectively, to list all its Shares, including the Offer Shares on the WSE. As a result, the Issuer will be subject to certain Cypriot and Polish securities and capital market regulations, in particular with respect to disclosure of information and tender offers. The Issuer will also be subject to supervision of relevant regulatory authorities in Cyprus and Poland.

The information set out below describes certain aspects of Cypriot and Polish securities market regulation relevant in connection with the acquisition, holding and disposal of the Shares and is included for general information only. This summary does not purport to be a comprehensive description of all Cypriot and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Each prospective investor should consult a professional legal adviser regarding legal consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation, in force as of the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

European Union Tender Offer Regulations

In the absence of regulatory guidance, a clear resolution to conflicts of laws issues relating to various tender offer regulatory regimes cannot be provided. The relevant conflict of laws provisions of the Directive 2004/25/EC of the Parliament and Council of the European Union dated 21 April 2004 on takeover bids (the "Takeover Directive") explicitly state that if the offeree company's shares are not admitted to trading on a regulated market in the Member State in which the company has its registered office, and if the offeree company's shares are admitted to trading on regulated markets in another Member State, the authority competent to supervise the bid shall be that of the Member State on the market of which the shares are admitted to trading.

In respect of governing law, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the Bookrunner's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

Cypriot regulations

General

The principal legislation under which the Shares (including the Offer Shares) have been created and under which the Company was formed and now operates is the Cyprus Companies Law. The liability of shareholders is limited. Under the Cyprus Companies Law, a shareholder of a company is not personally liable for the acts of the company, save that a shareholder may become personally liable by reason of his or her own acts.

According to Cyprus Companies law, whenever shares will be issued in exchange for cash consideration, the shareholders have pre-emption rights with respect to such issuance of shares. These pre-emption rights may be disapplied by a resolution of the general meeting which is passed by a two thirds majority if less than half of all the votes are represented at the general meeting or by an ordinary resolution if at least half of all the votes are represented at the general meeting. The Directors have an obligation to present to the relevant general meeting a written report which explains the reasons for the disapplication of the pre-emption rights and justifies the proposed allotment price of the shares.

No clear guidance can be given as to conflicts that may arise between the Cypriot and the Polish legal regime relating to tender offers for the Company's Shares (other than mandatory offers), squeeze-out and sell out provisions. Prior to taking any decision on exercising any of the rights and obligations described herein,

investors should consult their own counsel for legal advice as to the possibility of such right or obligation being exercised with respect to the Company.

Takeover Bids

The Takeover Directive requires Member States of the EU to introduce legislation requiring any person who, together with those acting in concert with him, acquires “control” of a company having its registered office in a Member State and the securities of which are admitted to trading on a regulated market in a Member State, to make a mandatory offer to all holders of securities of the company.

Pursuant to article 4(2)(e) of the Takeover Directive, jurisdiction on takeover matters relating to the Company (following admission of the Shares to the WSE) will be shared between the PFSA and the CySEC. Matters relating to the consideration and procedural matters will be governed by Polish law. Matters relating to employee information and company law matters (in particular the percentage of voting rights which confers control and any derogation from the obligation to launch an offer, as well as the conditions under which the board of the offeree company may undertake any action which might result in the frustration of the offer) will be governed by Cypriot law.

Following admission of the Shares to the WSE, any mandatory offer for all remaining Shares in the Company will be subject to the provisions of the Polish Public Offerings Act, only with respect to consideration and the tender offer procedure, in particular as to the contents of the offer document and the manner of publication thereof, while the Public Take Over Bids Law, Law No. 41(I)/2007 as amended (the “Cyprus Takeover Law”) will apply to such an offer in relation to substantive company law matters, including whether an offer would trigger a mandatory offer to all holders of shares. The Cyprus Takeover Law will also govern matters including:

- notification of the offer to the personnel of the Company;
- exemptions from the obligation to make a public offer;
- the circumstances in which the Board of Directors is prohibited or permitted (as the case may be) to act in a manner which could frustrate the offer; and
- certain other matters of company law, for example in respect of thresholds governing whether or not “control” of the Company has been acquired.

Mandatory Offers

Section 13 of the Cyprus Takeover Law provides that, where a person, as a result of his/her own acquisition or the acquisition by persons acting in concert with him/her, holds securities of a company which, added to any existing holdings of those securities of his/hers and the holdings of those securities of persons acting in concert with him/her, directly or indirectly give him/her a percentage of 30% or more of existing voting rights in that company at the date of the acquisition, such a person is required to immediately make a bid to all the holders of those securities for all their holdings at an equitable price.

Squeeze-Out Rules

Section 36 of the Cyprus Takeover Law provides that, where an offeror makes a bid to all the holders of securities of an offeree company for the total of their holding, he is able to require all the holders of the remaining securities to sell him/her those securities in the following situations:

- where the offeror holds securities in the offeree company representing not less than 90% of all securities capital carrying voting rights and not less than 90% of the voting rights in the offeree company; or
- where the offeror holds or has irrevocably agreed to acquire, following the acceptance of a takeover bid, securities in the offeree company representing not less than 90% all securities capital carrying voting rights and not less than 90% of the voting rights included in the takeover bid.

The offeror may exercise the right within three months from the end of the time allowed for acceptance of the bid. The consideration for the acquisition of securities shall take the same form as and be at least equal to the consideration offered in the bid. A cash alternative is permitted, if accepted by the recipient.

The right to make such an offer shall be exercised only following an application to the CySEC, in which the relevant consideration shall be specified.

Sell Out Rules

Furthermore, section 37 of the Cyprus Takeover Law allows for the holder of the remaining securities (i.e. the remaining 1-10%) of the offeree company in any of the two situations described above, to require the offeror (holding not less than 90% of the securities carrying voting rights and not less than 90% of the voting rights as described above) to buy his/her securities from him/her at a fair price, provided that this right is exercised within three months of the end of the time allowed for acceptance of the bid.

Squeeze-Out and Sell Out Rules under the Cyprus Companies Law

The Cyprus Companies Law contains provisions in respect of squeeze out and sell out rights, which may apply to the Company.

The effect of these Cyprus Company Law provisions is that, where a company (the “offeror company”) makes a takeover bid for all the shares or for the whole of any class of shares of another company, and the offer is accepted by the holders of at least 90% of the shares concerned (other than shares already held by or on behalf of the offeror company), the offeror company can upon the same terms acquire the shares of shareholders who have not accepted the offer, unless such persons can persuade the court not to permit the acquisition. If the offeror company already holds more than 10% in value of the shares concerned, additional requirements need to be met before the minority can be squeezed out. If the offeror company acquires sufficient shares to aggregate, together with those already held by it or on its behalf, 90% or more then, within one month of the date of the transfer resulting the 90% threshold being reached, it must give notice of the fact to the remaining shareholders and such shareholders may, within three months of the notice, require the offeror company to acquire their shares and the offeror company shall be bound to do so upon the same terms as in the offer or as may be agreed between them or upon such terms as the court may order.

There have been no public takeover bids by third parties for all or any part of the Company’s equity share capital since its date of incorporation.

Cyprus Companies Law Compliance Matters

The Cyprus Company Law was amended in 2010 to address certain issues concerning members of Cypriot companies listed on regulated markets, particularly in relation to voting in general meetings. Certain key amendments introduced include:

- irrespective of any provisions contained in the articles of association of a Cypriot company listed on a regulated market, members who hold not less than 5% of the paid-up share capital and who have voting rights in general meetings can requisition the holding of an extraordinary general meeting and the directors of the company shall immediately call such meeting;
- notice of general meetings must be issued by Cypriot companies listed on regulated markets without charge to every member and must include, among other things, the place, time and the agenda of the general meeting and the procedures for adding a new subject to the agenda, appointing proxies and voting. Furthermore, Cypriot companies listed on regulated markets shall also provide their members through their websites, inter alia, the notice of the meeting, the proposed resolutions and the documents that must be used for appointing proxies and for voting by mail or by electronic means;
- members have the right to ask questions related to items on the agenda of the general meeting and to receive answers on such questions, subject to any measures which the Cypriot company listed on a regulated market may take for the purposes of member identification;
- members holding not less than 5% of the issued share capital (representing at least 5% of the total voting rights of those who have the right to vote in the meeting) of a Cypriot company listed on a regulated

market can propose a subject to be added to the agenda through electronic means or by post. Proposed agenda items must be received by the company at least 42 days prior to the date of the general meeting and the company must provide the amended agenda prior to the general meeting using a method similar to that used to provide the original agenda;

- a person must be registered as a member in the relevant register of members (including the register kept abroad) on the record date in order to be able to attend and vote in a general meeting of a Cypriot company listed on a regulated market. Any amendment to the relevant register after the record date will not be taken into account when determining the rights of any person to attend and vote in the meeting. The right of a member to attend a general meeting and vote in respect of his shares, is not subject to a condition that the shares be deposited with, or transferred to another person or registered in the name of another person, prior to the general meeting. Furthermore, a member is free to sell or otherwise transfer his shares in a Cypriot company listed on a regulated market at any time between the record date and the general meeting, provided that such right to sell would not otherwise be subject to any restrictions;
- Cypriot companies listed on regulated markets may make voting by electronic means available to their members and without the need for the member or their proxies to be present and may also provide real time communication;
- members of Cypriot companies listed on regulated markets may appoint more than one proxy if their shares are held in different security accounts;
- members entitled to more than one vote (either in person or through a proxy) in a meeting of members of a Cypriot company listed on a regulated market are not obliged to use all of their votes or to cast all of votes in the same manner; and
- when members of Cypriot companies listed on regulated markets apply for a full report of the results of vote by poll in a general meeting, the company shall announce, for every resolution proposed:

the number of shares on which votes were validly cast;

- the proportion of issued share capital at the end of the day before the meeting which is represented by such votes;
- the total number of valid votes; and
- the number of votes which were cast in favour and against every proposed resolution and, if counted, the number of abstentions.

If no members apply for such a full report, it will be sufficient for Cypriot companies listed on regulated markets to announce the results on their websites within 14 days of the meeting and only to the extent necessary in order to ensure that the required majority was reached for every resolution.

Transparency requirements

Upon admission of the Shares on the WSE, the Company will become subject to the provisions of the law on Transparency Requirements (Securities Admitted to Trading in a Regulated Market), law no.190(I)/2007 as amended (the “Transparency Law”), which has implemented the EU Transparency Directive (Directive 2004/109/EC) in Cyprus. The Transparency Law will require the publication by the Company of various reports and information on a periodic as well as on an ongoing basis.

The Company will be under an obligation to publish the following periodic reports during a financial year:

- an annual financial report comprising of, *inter alia*, the audited annual financial statements and the management report. The annual financial report must be disclosed as soon as possible and in any event, within four months from the end of each financial year;
- a half yearly financial report covering the first six months of the financial year comprising of, *inter alia*, the interim financial statements and the interim management report. The half yearly financial report must

be disclosed as soon as possible and in any event, within two months from the end of the first six month period;

- an interim management statement during both six months periods of the financial year explaining, *inter alia*, material events and transactions and their impact on the financial position of the Issuer and its controlled undertakings, the general description of the financial position and performance of the Issuer and its controlled undertakings. The interim management statement must be prepared and disclosed within the period commencing 10 weeks after the beginning of the relevant six-month period and ending six weeks before the end of such six-month period of the financial year; and
- an indicative result (net gain or loss after tax) for the full financial year which must be disclosed as soon as possible and at the latest, within two months from the end of the period relevant to the annual financial reports.

Apart from above mentioned requirements the Company undertakes that it will produce and publish on its website (www.kdmshipping.com) unaudited quarterly financial statements within 2 months from the end of the first and third trimester of each financial year.

The following information will also have to be published on an ongoing basis:

- the acquisition or disposal by the Company of its own Shares, whether directly or indirectly through another entity acting for the Company, such that the total proportion of voting Shares held reaches or exceeds or falls below the thresholds of 5% or 10%. Publication will have to be made as soon as possible and in any event within the next working day following the date of acquisition or disposal;
- the total number of voting rights and Shares of the Company at the end of each calendar month during which an increase or decrease of such total number occurred;
- information notified to the Company by its shareholders in relation to the acquisition or disposal of Shares in the Company by them. The publication will have to be made as soon as possible and in any event within the next working day following receipt by the Company of the relevant notification;
- any proposal for the amendment of the Company's memorandum or articles of association, as soon as possible and in any event before the date of the relevant general meeting. Publication will have to be made to the CySEC and the WSE;
- changes in the rights attaching to any class of Shares, or any derivative securities issued by the Company giving access to the Company's Shares; and
- new loan issues and in particular the general terms and any guarantee or security in respect of such loan issues.

Generally, the Company will be under an obligation to ensure that all shareholders who are in the same position are equally treated and that all facilities and information necessary to enable shareholders to exercise their rights are available to them. The publication of regulated information by the Company as set out above will have to be done in a manner ensuring prompt and easy access to such information on a non-discriminatory basis. Specifically, the Company will have to publish the regulated information on its internet site and additionally file it with the CySEC, which may publish it on its own internet site, and the National Central Storage Mechanism for Regulated Information (i.e. the Cyprus Stock Exchange). The Company will also have to publish through such media as may reasonably be relied upon for the effective dissemination of the regulated information to as wide public as possible within Cyprus and the other member states of the EU.

The Transparency Law will also impose notification obligations on persons who acquire or dispose of Company Shares in, *inter alia*, the following circumstances: any person who will directly or indirectly acquire or dispose of Company shares to which voting rights are attached such that his holding reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total voting rights of the Company will have to notify the Company and the CySEC of the particulars specified in the Transparency Law. Such notification must also be made when the said thresholds are reached or crossed as a result of a change in the breakdown of the Company's voting rights. The notification must be made as soon as possible and in any event not later than the next working

trading day from the transaction date, or from the date when such person learns or should have learned of the acquisition, disposal or exercise of the voting rights that triggers the notification requirement, or the date when such person learns or should have learned of the event which resulted in a change in the breakdown of the Company's voting rights (as the case may be).

Provisions on Insider Dealing and Market Manipulation

The Cyprus law on Insider Dealing and Market Manipulation (Market Abuse), law no. 116(I)/2005 as amended (the "Cyprus Insider Dealing Law") prohibits market manipulation and the misuse of insider information.

Insider information is defined in the Cyprus Insider Dealing Law as any information of precise nature, which has not been made public, relating, whether directly or indirectly, to one or more issuers of financial instruments, or one or more financial instruments, and which, if made public, could in the opinion of the CySEC have a notable effect on the price of the relevant financial instrument or related derivative financial instruments.

Pursuant to the Cyprus Insider Dealing Law, a possessor of insider information is any person who gains insider information:

- by virtue of membership in the governing bodies of the issuer; or
- by virtue of participation in the capital of the issuer; or
- as a result of having access to such information in the exercise of their employment, profession or duties; or
- through their criminal activities; or
- by virtue of the fact that such information accrues directly or indirectly from any of the aforementioned persons; or
- by virtue of their close association with any such person unless the Cypriot SEC is satisfied that they had no opportunity to access or actual access to or knowledge of such information; or
- by any other means if such person knows or ought to have known such information to be insider information.

As a general rule, the Cyprus Insider Dealing Law prohibits insiders from, directly or indirectly:

- using insider information to acquire or dispose of, or try to acquire or dispose of, for their own account or for the account of third parties, or through persons closely associated to them, either directly or indirectly, financial instruments to which that information relates;
- disclosing insider information to any other person, unless such disclosure is made in the normal course of the exercise of their employment, profession or duties; or
- recommending or inducing another person, on the basis of insider information, to acquire or dispose of financial instruments to which that information relates, irrespective of whether or not the other person knew that information.

Market manipulation, which is prohibited by the Cyprus Insider Dealing Law, includes:

- transactions or orders to trade which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level (unless this is done for a legitimate purpose, in accordance with acceptable market practice);
- transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance;

- dissemination of information through the mass media, including the internet or any other electronic means, or the dissemination of information in any other manner which gives, or is intended to give, false or misleading signals as to financial instruments, including the dissemination of rumors or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.

Any violation of the prohibition on market manipulation or the prohibition on the misuse of insider information is criminal as well as an administrative offence. If any person obtains gains as a result of the misuse of insider information or market manipulation, the administrative fine that may be imposed by the CySEC may be up to double the amount of such gain.

Polish regulations

Takeover Bids

The Takeover Directive allows the Member States to introduce, next to the mandatory takeover bids, additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the offeror does not acquire control of the company. Poland introduced such additional instruments.

Pursuant to Article 72 of the Polish Public Offerings Act, any acquisition of shares in a public company in secondary trading and within a period of less than 60 days by a shareholder who holds shares entitling it to less than 33% of votes at a general shareholders' meeting, leading to the increase of its share in the total number of voting rights by more than 10%, shall be effected exclusively through a public tender offer.

Furthermore, any acquisition of shares in a public company by a shareholder who holds shares entitling it to at least 33% of votes at a general shareholders' meeting, in secondary trading and within a period of less than twelve months, leading to the increase of its share in the total number of voting rights by more than 5%, shall be effected exclusively through a public tender offer.

Additionally a shareholder that wishes to cross the 33% voting rights threshold is obliged to launch a public tender for shares that will entitle it to hold 66% of votes. However, if the indicated thresholds are exceeded due to the acquisition of shares in a public offering, in-kind contribution, merger or division of a company, amendments to the articles of incorporation of the company or occurrence of certain other events, the shareholder must either launch a public tender as described above within three months, or sell the appropriate amount of shares so that the number of votes to which the shareholder is entitled is no more than 33% of votes.

It should be noted that Polish law explicitly excludes application of Polish regulations concerning thresholds only with respect to 66% threshold as the mandatory threshold under the Takeover Directive. In such case, Cypriot threshold of 30% should apply. On the other hand, the additional threshold of 33% stipulated in Polish law is a separate obligation imposed by Poland irrespective of the Takeover Directive. Therefore, the announcement of a takeover bid when exceeding 30% of votes to satisfy the obligations imposed by the Takeover Directive should be deemed a different obligation from the obligation to announce a bid for 66 per cent of votes when exceeding 33% of votes to satisfy additional Polish requirements.

The regulations set a number of detailed conditions to be followed in connection with a public tender offer, including without limitation the rules of determining the tender price, required security and settlement.

Squeeze-out and sell-out rules

Pursuant to Article 82 of the Polish Public Offerings Act, a shareholder in a public company that, on its own or together with its subsidiaries or parent companies or with companies which are parties to an agreement regarding the purchase of shares, voting in concert at the shareholders' meeting or conducting long-term policy against the company, reaches or exceeds 90% of the overall number of votes in such public company, may demand, within three months from the date on which such shareholder reaches or exceeds of the relevant threshold, that the remaining shareholders sell all the shares held by them to such shareholder.

Pursuant to Article 83 of the Polish Public Offerings Act, a shareholder in a public company may demand that another shareholder, which has reached or exceeded 90% of the total number of votes, purchase from it the shares it holds in such company. The demand is made in writing within three months from the date on which such shareholder reaches or exceeds the relevant threshold.

It should be noted that Polish law does not explicitly exclude the application of Polish regulations concerning squeeze-out and sell-out in public companies to companies listed on the WSE which are incorporated outside of Poland.

Obligations of Shareholders to Disclose Holdings

For the purpose of calculating a significant shareholding the Polish Public Offerings Act refers to the voting rights held by each shareholder (i.e., the number of votes held in relation to the total number of votes at the shareholders' meeting), and not to the share percentage held in the company's share capital. Voting shares of all classes are aggregated. For the purposes of calculating the number of votes, it is assumed that all shares give full voting rights, even if such voting rights are restricted or excluded by an agreement, or by the articles of association of a company or by applicable laws.

Pursuant to the Polish Public Offerings Act, an entity that:

- (i) achieves or exceeds 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total votes in a public company; or
- (ii) holds at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total vote in a public company, and as a result of a reduction of its equity interest, holds 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% or less of the total votes, respectively,

shall notify the PFSA and the public company of such fact immediately and, in no event, not later than within four business days from the date of a change in such shareholder's share in the total votes, or from the date on which the shareholder becomes, or by exercising due care could have become, aware of such change; if such change resulted from the acquisition of shares in a public company in a transaction concluded on a regulated market, the notification shall be made not later than within six session days of the transaction date. Session days shall mean session days specified by the WSE Rules pursuant to the Trading in Financial Instruments Act and announced by the PFSA on its website.

The notification requirement also arises in the event that:

- (i) an entity holding over 10% of the total vote, changes its share by at least (a) 2% of the total vote (in the case of a public company whose shares have been admitted to trading on the official stock market); or (b) 5% of the total vote (in the case of a public company whose shares have been admitted to trading on a regulated market other than the official stock market);
- (ii) an entity holding over 33% of the total vote changes its share by at least 1% of the total vote.

The notification requirements referred to above shall also be borne by the entity which reached or exceeded a given threshold of the total number of votes in connection with:

- (i) the occurrence of a legal event other than an act in law;
- (ii) the acquisition or disposal of financial instruments from which there results the unconditional right or duty to acquire already issued shares of a public company;
- (iii) indirect acquisition of shares of a public company.

The notification requirements referred to above do not apply if upon the settlement in the depository for securities of a number of transactions executed on the regulated market on a single day, the change in the shareholder's share in the total votes at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the notification requirement.

In order to perform these obligations, a public company shall promptly forward the information obtained from its shareholder, simultaneously, to the public, the PFSA, and the company operating the regulated market on which the company shares are listed. The Polish Public Offerings Act sets forth details on the required scope of information to be included in a notification addressed to the PFSA and the affected public company.

The Warsaw Stock Exchange

The WSE operates one of the two regulated markets in Poland within the meaning of the MiFID. The other regulated market (BondSpot, the subsidiary of the WSE) concentrates mainly on bond trading and OTC transactions. The WSE is a public joint-stock company.

Shares listed on the WSE may be traded in a continuous price-setting system or in the single-price auction system, depending on capitalisation and intensity of trading. In addition, there are two markets for shares: Basic and parallel, the latter being for smaller, less liquid issuers. Listed companies are classified into four segments according to their capitalisation: MINUS 5, 5 PLUS, 50 PLUS or 250 PLUS. To be traded in a specific market and segment, certain non-statutory criteria must be met by the securities in addition to the statutory listing criteria. Shares of companies which have high price volatility, or which are under bankruptcy proceedings may be classified into the Alert List segment and then moved to listing under the single-price auction system.

Settlement of all transactions executed on the WSE is handled by the NDS, a joint-stock company in which the WSE has a 33.3% stake (with the remaining shares held by the National Bank of Poland and the State Treasury of the Republic of Poland).

The electronic trading system used by the WSE is WARSET, a trading system similar to the system used in Paris, Brussels, Amsterdam, Chicago, and Singapore.

As of 21 May 2012, shares of 433 companies were listed on the WSE.

THE OFFERING AND PLAN OF DISTRIBUTION

General information

The Issuer is offering for subscription up to 3,500,000 newly issued shares (the “Offer Shares”). The Offer Shares are being offered at the Offer Price, which shall be determined through the Bookbuilding Process and after taking into account other conditions.

The final number of the Offer Shares in the Offering will not be higher than 3,500,000 and will depend on the final Offer Price based on an approximate indicative offer size of USD 36 million.

The Issuer, upon agreement with the Bookrunner, will determine the final terms on which the Offer Shares will be offered, including: (i) the final Offer Price, as well as (ii) the final number of the Offer Shares. For information on applicable selling restrictions in respect of the Offer Shares (see “*Selling Restrictions*”) and for information regarding the rights pertaining to the Shares (see “*Description of the Shares and Corporate Rights and Obligations*”).

This offering (the “Offering”) consists of (i) a public offering to retail investors, which term includes both individual and legal entities who intend to purchase Offer Shares in the Retail Tranche on the territory of the Republic of Poland (the “Retail Investors”), (ii) a public offering to legal persons and individuals, who are institutional investors (which term includes entities managing portfolios of securities for their clients and unincorporated organizations) registered in Poland (the “Polish Institutional Investors”), and (iii) private placement to institutional investors in certain jurisdictions outside the United States and Poland in reliance on Regulation S under the U.S. Securities Act of 1933 (the “International Investors”, and together with the Polish Institutional Investors, the “Institutional Investors”), in each case in accordance with applicable securities laws. Based on this Prospectus, the Issuer intends to apply for all the existing Shares and Offer Shares (“Shares”), to be admitted and introduced to trading on the regulated market of the WSE.

All of the Shares, including the Offer Shares have been assigned ISIN code: CY0102492119.

Authorisation

On 2 April 2012 the Board of Directors of the Issuer decided on its intention to issue the Offer Shares and to file this Prospectus to the CySEC for its approval, apply for the passporting of this Prospectus to Poland and to do all that is necessary for the Offering, including entering into a depositary agreement with the NDS and submitting an application to the WSE in respect to the listing of its Offer Shares on the WSE. The Board of Directors further elected Mr. Kostiantyn Molodkovets and Mr. Denys Molodkovets as a pricing committee and delegated to it authority to determine, jointly with the Arrangers, the final terms on which the Offer Shares will be offered, including the final Offer Price and the final number of Offer Shares in each tranche.

On 20 June 2012, the Issuer at its General Meeting resolved to waive the pre-emption rights in respect of the issuance of the Offer Shares, in connection with the Offering.

Tranches

The Offering in the Retail Tranche will be conducted on the territory of Poland. The Offering in the Institutional Tranche will be conducted on the territory of Poland and in certain other jurisdictions outside the United States and Poland.

The number of Offer Shares offered in each tranche will be determined by the Issuer upon agreement with the Bookrunner after completion of Bookbuilding Process and the subscriptions of the Retail Investors.

The Issuer reserves the right to shift the Offer Shares between tranches; provided that only those Offer Shares, which have not been duly subscribed and paid for in each of the tranches and Offer Shares which have not been taken by Investors as a result of Investors avoiding the legal consequences of their subscription orders, can be transferred to another tranche. This will not have any impact on a change of the final number of the Offer Shares.

The information about the final number of the Offer Shares allocated to each tranche will be published in the same manner as the Prospectus, after the end of the Bookbuilding Process for the Institutional Investors and the subscriptions of the Retail Investors.

Currency of the Offering

All monetary amounts used in the Offering will be expressed in PLN. In particular, the Offer Price will be set and the Bookbuilding Process will be carried out in PLN. For information on the currency of the Offer Price payments please refer to the “*The Offering and Plan of Distribution – Subscription Order Placement Procedure*” below.

Expected Timetable of the Offering

July 19 – July 24, 2012 (till 4 p.m. CET)	Bookbuilding Process Accepting subscription orders in the Retail Tranche
On or about July 25, 2012	Announcement of the Offer Price, the final number of the Offer Shares and the final number of the Offer Shares in each tranche (the “Pricing Date”)
July 25 – July 27, 2012 (till 2 p.m. CET)	Accepting subscription orders in the Institutional Tranche
On or about July 27, 2012	Allotment Date
On or about August 9, 2012	Envisaged Listing Date

The Issuer in consultation with the Bookrunner may decide to change the above dates, if it deems so necessary for the successful completion of the Offering and Admission. Any changes in the Offering dates shall be published in the form of an announcement pursuant to section 27 of the Cyprus Prospectus Law or a supplement to the Prospectus in accordance with Section 14 of the Cyprus Prospectus Law (if required), or in a new prospectus, as the case may be pursuant to the applicable legislation. If changes in the Offering dates will be published in the form of an announcement pursuant to section 27 of the Cyprus Prospectus Law, they will be also disclosed in the form of an update communication published in the same manner as this Prospectus in accordance with article 52 of the Polish Public Offering Act, in particular the website of the Issuer (www.kdmshipping.com) and the Bookrunner (www.kbcmakler.pl). Information on any change of the dates shall be published no later than on the originally set date, provided that if the period of acceptance of subscription orders or the Bookbuilding period is shortened, relevant information shall be published no later than on the date preceding the last day (according to the new schedule) of acceptance of subscription orders or of the Bookbuilding Process.

Determination of the Offer Price

The Offer Shares are being offered at the Offer Price, which shall be determined through a Bookbuilding Process and after taking into account other conditions as specified below.

The Offer Price shall not exceed PLN 36.00 (the “Maximum Price”).

During the Bookbuilding Process amongst the Institutional Investors invited by the Issuer through the Bookrunner, such Institutional Investors interested in purchase of the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price will be willing to pay. The Bookbuilding Process, is expected to cease on or about July 24, 2012 (till 4 p.m. CET), but the deadline for receipt of indications of interest from the Institutional Investors may be extended or shortened at the discretion of the Issuer in consultation with the Bookrunner. The Retail Investors will not participate in the Bookbuilding and will place their subscription orders at the Maximum Price. The Institutional Investors can be invited in any form. For the purpose of the Bookbuilding Process for the Institutional Investors, a tentative price range will be determined. The price range will not be announced publicly and will be subject to change. The Bookbuilding Process results will not be made public.

In order to obtain more detailed information as to the participation in the Bookbuilding Process, Institutional Investors interested should contact the Bookrunner.

The final Offer Price will be determined by the Issuer upon recommendation of the Bookrunner, based on the following criteria and rules: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the Bookbuilding Process; (ii) the current and anticipated situation on the Polish and international capital markets; (iii) assessment of the growth prospects, risk factors and other information relating to the Issuer's activities; and (iv) the result of subscriptions by the Retail Investors.

The Issuer will announce the Offer Price, on or about July 25, 2012 (the "Pricing Date"), through a press release in the Republic of Poland and in a manner compliant with applicable regulations as well as market practice in Poland and in the Republic of Cyprus; more specifically the Offer Price will be notified to the CySEC in the form of an announcement pursuant to section 13(4) of the Cyprus Prospectus Law and published in the same manner as the Prospectus on or about July 25, 2012, in particular on the websites of the Issuer (www.kdmshipping.com) and the Bookrunner (www.kbcmakler.pl).

There are no expenses or taxes specifically charged to the investors who subscribe for the Offer Shares in relation to the subscription.

Subscription Procedure

Subscription orders from Institutional Investors will be accepted at the office of the Bookrunner. For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) a possibility of placing orders and deposit instructions in a form other than the written form, the Institutional Investors should contact the Bookrunner.

Orders from the Retail Investors will be accepted at the Customer Service Points of the Bookrunner or at any other place that may be publicly communicated by the Bookrunner prior to the end of the period of accepting orders from the Retail Investors.

For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) the possibility of placing orders and deposit requests in a form other than the written form, the investors should contact the Customer Service Point of the brokerage house accepting orders for Shares from Retail Investors at which they intend to place their order. A detailed list of Customer Service Points will be published before the start of accepting orders at the Issuer's website (www.kdmshipping.com) and the websites of each brokerage house accepting orders for Offer Shares from Retail Investors. Placement of orders via Internet and by phone will be accepted from investors who have a brokerage account agreement with the Bookrunner and the agreement provides for placing orders via Internet or by phone. Such orders will be accepted in accordance with such agreement, internal regulations of the Bookrunner accepted by the investor when entering into such agreement and technical requirements of using the Internet application made available by the Bookrunner for placing subscriptions orders. If the Bookrunner establishes a selling syndicate and orders are accepted by other investment firms or other licensed entities, such entities may agree with particular investors to accept orders via Internet or by phone.

Investors have the right to place multiple orders, provided the aggregate number of the Offer Shares to be purchased by one investor is not greater than the total number of the Offer Shares. Orders for a total number of Shares greater than the number of the Offer Shares shall be considered to be orders for the all Offer Shares. The subscription order placed by an investor must be given in respect of at least one Offer Share.

By placing orders, each of the prospective investors will be deemed to have read the Prospectus, accepted the terms of the Offering consented to being allotted a lower number of Offer Shares than the number specified in such investor's orders, or to not being allotted any Offer Share at all, pursuant to the terms and conditions set forth in the Prospectus.

Orders from Retail Investors or Institutional Investors will be accepted only from prospective investors who at the time of placing their orders (before the end of the period of accepting orders from the Retail Investors from the Institutional Investors, respectively), will have opened securities accounts with entities of their choice, licensed to provide such services within the territory of the Republic of Poland.

At the time of placing a subscription order for the Offer Shares, the Retail and Institutional Investors are required to make an irrevocable instruction for depositing the Offer Shares in a securities account maintained in their name.

Any consequences of a subscription order form for the Offer Shares being incorrectly filled out will be borne by the investor.

Allotment of the Offer Shares

Preliminary Allocation in the Institutional Tranche

After the completion of the Bookbuilding Process, the Issuer, upon the recommendation of the Bookrunner, will preliminarily allot the Offer Shares to selected Institutional Investors who in declarations for the acquisition have offered a price no less than the finally determined Offer Price. Making a declaration with a price equal to or higher than the finally determined Offer Price does not guarantee that an Institutional Investor will be placed on the preliminary allotment list or that the Institutional Investor will be allocated all the Offer Shares that the investor declared in its declaration.

The Offer Shares will be preliminarily allotted by the Issuer in an entirely discretionary manner, i.e., the allotment rate can be different for different Institutional Investors and certain Institutional Investors may not be allotted any Offer Shares at all.

The Bookrunner will advise investors of the number of the preliminary allotted Offer Shares. The Institutional Investors who were preliminarily allotted the Offer Shares will be obliged to subscribe for and pay for all the Offer Shares, not later than on the last day of accepting subscription orders from the Institutional Investors, i.e. until July 27, 2012 (till 2 p.m. CET), in a manner agreed with the Sole Bookrunner. Subscription orders for the number of Offer Shares different than the number of Offer Shares preliminarily allocated to the Institutional Investors will not be valid, unless decided otherwise by the Issuer, upon recommendation of the Bookrunner.

Final Allocation

The total number of the Offer Shares allotted to the Retail Investors and the Institutional Investors will be determined by the Issuer upon agreement with the Bookrunner. The minimum allotment in the Offering will be one Offer Share, regardless of how and through whom the order has been placed (without prejudice to the possibility of the Bookrunner to allocate no Offer Shares at all to certain investors participating in the Offering).

The final number of the Offer Shares to be allotted to the Retail Investors and the Institutional Investors shall be published following the completion of the subscription period for the Institutional Investors, in accordance with Cypriot law and by way of a press release and in the same manner as the Prospectus.

The allotment of the Offer Shares is expected to take place on or about July 27, 2012 (the "Allotment Date"). In the case of an over-subscription in the Retail Tranche, the Offer Shares shall be allotted to the Retail Investors participating in the Offering in accordance with the proportional reduction principle with respect to each order placed. Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest integer value, and the remaining Offer Shares will be allocated to the Retail Investors who subscribed for the largest number of Offer Shares.

The Offer Shares shall be allotted to the Institutional Investors participating in the Offering, subject to the payment for the Offer Shares they subscribed for in accordance with the provisions set forth in the Prospectus, in the first instance to those Institutional Investors who have been invited by the Issuer, through the Bookrunner, to participate in the Bookbuilding, and will be preliminarily allotted the Offer Shares. If any Institutional Investor fails to subscribe for or pay for any Offer Shares preliminarily allotted to such Institutional Investor, the Issuer upon recommendation of the Bookrunner, may, at its discretion, invite one or more other Institutional Investors to subscribe for the Offer Shares not subscribed or paid for.

The Institutional Investors participating in the Offering will be notified about their allocations of the Offer Shares by the Bookrunner. The Retail Investors participating in the Offering will receive relevant notifications in accordance with the regulations of their brokerage accounts. The admission and introduction of the Offer Shares to stock exchange listing and trading is not dependent on informing all investors about the Offer Shares allotted to them.

The Issuer has not granted and will not grant any overallotment option.

Procedure of Payment for the Offer Shares

Subscription orders for the Offer Shares in the Retail Tranche should be fully paid for no later than on placing the order. Subscription order submitted by the Retail Investor may be made based on receivables due to the Retail Investor, provided this is acceptable by the regulations and procedures of the entity accepting the order. Subscription order in the Institutional Tranche should be fully paid for no later than on the last day of accepting subscription orders in that tranche (till July 27, 2012, 2 p.m. CET).

Full payment means payment equal to the number of the Offer Shares indicated in the subscription order multiplied by (i) the Maximum Price for Retail Investors, (ii) the Offer Price for the Institutional Investors.

Payments can be made in the form and currency acceptable by the regulations and procedures of the entity accepting the orders.

Payments for the Offer Shares are interest free.

The Retail Investors participating in the Offering who have not been allotted any Offer Shares or whose orders have been reduced, or in the event of the Offer Price being lower than the Maximum Price, will receive reimbursements of payments and of excess payments in accordance with the instructions provided by each Investor as required under the procedures applicable in the brokerage house in which the subscription order was placed within 7 days from the Allotment Date. The excess payments shall be returned without any reimbursements for costs incurred by the Investors in the course of placing order for the Offer Shares and net of all transfer expenses and without interest.

If an order placed by the Institutional Investor is not paid up in full, the Issuer, upon recommendation of the Bookrunner, at its discretion may deem also those orders valid for the number of the Offer Shares corresponding to the amount paid by such investor or may deem the order invalid and offer, at its full discretion, all such Offer Shares or the Offer Shares not subscribed to other Institutional Investor. If an order placed by the Retail Investor is not paid up in full, such order shall be deemed invalid.

Investors' Withdrawal from Subscription Orders Submitted

An order for the Offer Shares is irrevocable except when after the start of the Offering, supplement to the Prospectus is made public concerning an event or circumstances occurring before the allotment of the securities, of which the Issuer became aware before the allotment.

In such case, pursuant to section 14 of the Cyprus Prospectus Law and article 51a of the Public Offering Act, the investor who has placed a subscription order in relation to the Offering before the publication of the supplement to the Prospectus and who has not yet acquired the ownership right to the Offer Shares may, with some exception, withdraw from such a subscription order by submitting a written statement to the institution where the order was placed, within three business days from the date of the publication of the supplement to the Prospectus, unless a longer period is set out by the party making the Offering.

Cancellation or Postponement of the Offering

The Issuer may cancel or postpone the Offering, at its own initiative, at any time prior to the commencement of the period of accepting orders for the Offer Shares without stating the reasons for such decision. The Issuer may also change the dates of opening and closing of the Bookbuilding Process and order placement periods for the Retail Investors, or decide that the Offering will be postponed and that new dates of the Offering will be provided by the Issuer later.

The Issuer may cancel the Offering, after the commencement of accepting the orders for the Offer Shares, if the Issuer considers it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the WSE, as well as any other official stock exchange in the European Union and the United States; (ii) sudden and material adverse change in the economic or political situation in Cyprus, Poland or worldwide; (iii) a material loss or interference with the Issuer's business; (iv) any material change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Issuer's operations or the operations of the Group, or (v) an insufficient, in the Issuer's opinion or that of the Bookrunner, demand for the Offer Shares in the Bookbuilding Process, or (vi) an insufficient, in the Issuer's opinion or that of the Bookrunner, expected free

float of the Issuer's shares on the WSE taking into account preliminary results of the Bookbuilding Process or of the subscription orders already placed. In such event, orders for the Offer Shares that have been placed will be disregarded, and any payments made will be returned without interest or any other compensation.

Any decision on cancellation, suspension or postponement of the Offering will be published in the form of an announcement or supplement to the Prospectus, as the case may be pursuant to the applicable legislation. In the event of a cancellation, suspension or postponement of the Offering, the validity of the Prospectus for any new offer will have to be assessed by CySEC, having regards to the specifics of the case and the timing of the offer. The Offering may not be cancelled or suspended after the official trading in the Offer Shares on the WSE has begun.

If the Offering is suspended, the Issuer may decide that orders placed, Bookbuilding declarations submitted and payments made will be deemed to remain valid, however for not longer than 60 days. In such case, investors may withdraw their orders and declarations made by submitting a relevant statement to that effect within two business days after report on the suspension is announced.

If the Offering is cancelled, all orders for the Offer Shares will be disregarded and any payments made will be returned without interest or other compensation within 14 days from the date of the announcement on the cancellation, suspension or postponement of the Offering.

All dealings in the Offer Shares prior to the commencement of the official trading on the WSE will be at the sole risk of the investor concerned, irrespective of whether or not the investor concerned has been notified of the number of Offer Shares allocated to him.

Delivery of the Offer Shares

The National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*), with its seat at Książęca 4, 00-498 Warsaw, Poland, the Polish central clearinghouse and securities depository, will act as depository of the Shares.

The Issuer intends to apply for registration of all the Shares in the NDS and the listing of up to 10,000,000 Shares on the WSE. The Shares will be cleared through the NDS. The NDS will act as a paying agent for any distributions payable to holders of the Offer Shares.

Delivery of the Offer Shares will be made in accordance with settlement instructions placed by investors upon placing an order, through the facilities of the NDS, by registration of the Offer Shares on the Investors' securities accounts indicated by such Investors. The exact delivery dates will depend on timing of registration of Shares in the facilities of the NDS.

No share certificates or other documents confirming orders for the Offer Shares will be issued by the Issuer to the investors. The investors shall be notified of registration of the Offer Shares on their securities accounts in accordance with the rules applicable at their respective investment firms or banks holding securities accounts. However, the date of delivery of such notifications shall not affect the date of the first listing of the Offer Shares and such notices may be delivered following the first day of listing of Offer Shares on the Warsaw Stock Exchange.

At present the Issuer does not intend to seek a listing of the Shares at any stock exchange other than the WSE but may consider such listing in the future.

Public Announcement of the Offering results

The results of the Offering will be announced within 14 days from the Allotment Date, by way of a current report according to market practices in the Republic of Cyprus and Poland.

The Offering will close on the Allotment Date.

Listing

The Issuer intends to apply for admission and introduction of up to 10,000,000 Shares to trading on the main market of the WSE, immediately after the Allotment Date (please see: “*Risk Factors - Risks Related to Shares, Listing and Trading on the WSE - The Issuer may be unable to list the Shares on the main market of the WSE*”). The Issuer expects that the trading in the Shares on the WSE will commence as soon as possible after the Allotment Date. At present the Issuer does not intend to seek a listing of the Shares at any stock exchange other than the WSE but may consider such listing in the future.

PLACING

Placement Agreement

The Issuer intends to enter, prior to the Pricing Date and the Allotment Date, into a placement agreement (the “Placement Agreement”) in respect of the Offering with, *inter alia*, the Principal Shareholders and the Bookrunner, pursuant to which the Bookrunner will agree subject to the satisfaction of certain conditions as described below, to use all reasonable efforts, to procure purchasers for the Offer Shares.

The Placement Agreement will contain standard conditions precedent and conditions subsequent which are customary in placement agreements executed in connection with transactions similar to the Offering, including conditions and termination rights relating to the occurrence of specific *force majeure* events, the occurrence of any material adverse change in the business of the Group, or in the financial markets or the economy, as well as conditions relating to the truthfulness, completeness and accuracy of the representations and warranties made by the Issuer and the Principal Shareholder in the Placement Agreement, and the execution of a pricing supplement to the Placement Agreement, which will define the Offer Price, and the final number of Offer Shares to be offered in the Offering, as well as the number of Offer Shares to be offered to the various investor categories (the “Pricing Supplement”). It is expected that the Pricing Supplement will be executed, at the sole discretion of the parties thereto, upon completion of the Bookbuilding Process and the determination of the Offer Price and the final number of the Offer Shares to be offered in the Offering, as well as the final number of Offer Shares to be offered to the various investor categories.

The Placement Agreement will contain standard covenants by the Bookrunner with respect to the territorial range of the promotional activities undertaken in connection with the Offering, and a commitment to undertake any such promotional activity solely with respect to specified categories of institutional investors and in each case in compliance with the laws of the jurisdiction where such activities are to be conducted.

The Placement Agreement will provide that the Issuer, the Principal Shareholder, Mr. Denys Molodkovets and Miralex Inc will be subject to lock-up restrictions with respect to the Shares. For information related to these lock-up arrangements (see “*Shareholders - Lock-up agreements*”).

To the extent this is required by the provisions of law, information on the execution of the Placement Agreement will be published in the form of a press release in Poland and in a manner compliant with applicable regulations as well as market practice in Poland and in the Republic of Cyprus. If, in the assessment of the Principal Shareholder, a change in the terms of the Placement Agreement or of its execution date might materially affect the evaluation of the Offer Shares, such information will be published in the form of an supplement to the Prospectus.

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce with registered office in Poland at Chmielna 85/87, 00-805 Warsaw, Poland, acts as the Bookrunner for the purposes of the Offering and admission to trading on the WSE.

Costs of the Offering

In connection with the Offering, the Issuer agreed to pay the Arrangers total success fee of up to 6% of the gross proceeds from Offering. In addition, the Issuer has agreed to indemnify the Bookrunner against certain liabilities and to reimburse the Bookrunner for certain of their expenses in connection with the management of the Offering. The Bookrunner is entitled in certain circumstances to be released and discharged from their respective obligations under the Placement Agreement prior to the Listing Date. Such circumstances include the non-satisfaction of certain conditions precedent and the occurrence of certain force majeure events.

The Issuer does not intend to enter into any underwriting agreements in connection with the Offering.

Other Relationships

The Arrangers, their affiliates or other parties described in the first paragraph above may in connection with the Offering acquire the Offer Shares as investors and hold or sell those Shares for their own account, and may offer and sell those Shares outside of the offering period as well. This does not constitute a preferential allotment. The Arrangers do not intend to disclose the extent of such investments or transactions unless required by law.

The Arrangers and their affiliates may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer and any of its affiliates and the Principal Shareholder. The Arrangers and their affiliates may receive in the future customary fees and commissions for these transactions and service.

The Co-Lead Arranger will not provide any investment or ancillary services, as these terms are defined in the Cypriot law Investment Services and Activities and Regulated Markets Law 144(I)/2007 as amended.

Stabilization

The Bookrunner did not undertake to enter into any transactions aiming at stabilization of the price of Offer Shares.

Lock-up Agreements

For description of lock-up agreements, that shall be concluded with regard to the Issuer's Shares please see: "*Shareholders - Lock-up agreements*".

SELLING RESTRICTIONS

Important information about this Prospectus

This Prospectus constitutes a prospectus within the meaning of the Prospectus Directive and the Cyprus law on the conditions for making an offer to the public of securities, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market of 2005, Law 114 (I)/2005, as amended (the “Cyprus Prospectus Law”) (which implemented the Prospectus Directive into Cyprus law), for the purpose of giving the information with regard to the Issuer and the Shares it intends to offer pursuant to this Prospectus which is necessary to enable prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of article 5 of Prospectus Directive and section 9 of the Cyprus Prospectus Law. This Prospectus has been filed with, and was approved on July 16, 2012 by the CySEC, which is the competent authority in Cyprus to approve this document as a prospectus. Under the Prospectus Directive and the Cyprus Prospectus Law, this Prospectus, once approved by the competent authority of one member state of the EU (“Home Member State”) may be used for making a public offering and admission of securities to listing on a regulated market in another Member State of the EU (“Host Member State”), provided that the competent authority of the Home Member State provides the competent authority of the Host Member State with a certificate of approval of the Prospectus (in accordance with article 18 of the Prospectus Directive and section 31 of the Cyprus Prospectus Law).

The Company intends to undertake a public offering of the Offer Shares in Poland. Consequently, the Company will be authorized to carry out the Offering to the public in Poland, once the CySEC has provided the PFSA with (1) a certificate of approval of this Prospectus (in accordance with section 31 of the Cyprus Prospectus Law, Art. 18 of the Prospectus Directive and Art. 37 of the Polish Public Offerings Act) and (2) a copy of the Prospectus together with a summary of the Prospectus in the Polish language and after the Prospectus in the English language and its summary in the Polish language have been made available to the public, which is equivalent to authorizing the Offering to the public in Poland.

For the purposes of the public offering in Poland the Issuer will publish a Polish translation of the summary of the Prospectus.

The Issuer accepts responsibility for the information contained in this Prospectus. The Issuer declares that, after having taken all reasonable care to ensure that such is the case, the information in this Prospectus is in accordance with the facts and does not omit anything likely to affect the importance of such information.

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce in its capacity as Underwriter responsible for drawing up the Prospectus declares that, having taken all responsible care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce has appointed independent parties to carry out a legal due diligence review of the Group, the findings of which are reflected in various sections of this Prospectus and especially in the section entitled “*Risk Factors*”. KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce, together with the Co- Lead Arranger, has, in accordance with international practice, also been provided a comfort letter by the independent auditors of the Company in connection with its due diligence enquiries relating to the contents of this Prospectus.

Investors are authorised to use this Prospectus solely for the purpose of considering the purchase of the Offer Shares in the Offering. You acknowledge and agree that the Bookrunner, and the Co-Lead Arranger make no representation or warranty, express or implied, as to the accuracy or completeness of information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Bookrunner, and the Co-Lead Arranger.

No person is authorised to give information or to make any representation in connection with the Offering other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Issuer, Bookrunner and/or the Co-Lead Arranger or any of their affiliates or advisers or selling agents. Neither the delivery of this Prospectus nor any sale made hereunder shall under any

circumstances imply that there has been no change in the affairs of the Issuer and its subsidiaries or that the information set forth in this Prospectus is correct as at any date subsequent to the date of this Prospectus.

In making an investment decision, prospective investors must rely upon their own examination of the Issuer and the terms of this Prospectus, including the risks involved. The distribution of this Prospectus and the offering of the Offer Shares in certain jurisdictions may be restricted by law. The Company, Bookrunner and the Co-Lead Arranger require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the ordinary shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering to occur in any jurisdiction except Poland.

No Public Offering outside Poland

This Prospectus has been prepared on the basis that there will be no public offers of the Offer Shares, other than the Offering to the public in the territory of Poland in accordance with the Prospectus Directive, as implemented in Cyprus and Poland, respectively. Accordingly, any person making or intending to make any offering, resale or other transfer within the European Economic Area (the “EEA”), other than in Poland, of the Offer Shares may only do so in circumstances under which no obligation arises for the Issuer, the Principal Shareholder or the Bookrunner to produce an approved prospectus or other offering circular for such offering. Neither the Issuer, the Principal Shareholder, nor the Bookrunner have authorized, nor will any of them authorize, the making of any offer of the Offer Shares through any financial intermediary, other than offers made by the Bookrunner under this Prospectus.

No action has been or will be taken by the Issuer, the Principal Shareholder or the Bookrunner in any jurisdiction other than Poland that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Issuer or the Shares in any jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

The distribution of this Prospectus and the Offering in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions on the distribution of this Prospectus and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. This Prospectus does not constitute an offer to subscribe for or buy any of the Offer Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Notice to Investors

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the shares offered hereby.

No actions have been taken to register or qualify the Offer Shares or otherwise permit a public offering of the Offer Shares in any jurisdiction other than in Poland. The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law, and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

Notice to Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), an offer to the public of any Offer Shares may not be made in that Relevant Member State, other than the offer in Poland after the publication of a Prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that it may make an offer of the Offer

Shares to the public in that Relevant Member State under the following exemptions under the Prospectus Directive, if such exemptions have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined under the Prospectus Directive;
- by the Bookrunner to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150 natural or legal persons, as permitted under the Prospectus Directive; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offer Shares shall result in a requirement for the Issuer and the Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than, in the case of paragraph (a) below, persons in Poland receiving the offer in Poland contemplated in the Prospectuses) who receives any communication in respect of, or who acquires any the Offer Shares under, the offer contemplated in the Prospectuses will be deemed to have represented, warranted and agreed to and with each of the Issuer and the Bookrunner limited that:

- (a) it is a qualified investor as defined under the Prospectus Directive; and
- (b) in the case of any the Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Bookrunner has been given to the offer or resale.

For the purposes of the provisions and representations above, the expression an “offer to the public” in relation to any the Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering so as to enable an investor to decide to purchase any the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Notice to investors in the United Kingdom

This Prospectus and any other material in relation to the securities described herein may only be distributed to and may only be directed at persons in the United Kingdom (the “UK”) that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (“Qualified Investors”) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom the Prospectus may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order and (iii) to whom it may otherwise lawfully be distributed (all such persons together being referred to as “Relevant Persons”). The Offer Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such the Offer Shares will be engaged in only with, Relevant Persons. This document and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) by recipients to any other person in the UK. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

No prospective investor should consider any information in this Prospectus to be investment, legal, tax or other advice. Each prospective investor should consult its own counsel, accountant and other advisers for such advice. None of the Issuer and the Bookrunner or the Co-Lead Arranger makes any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in such shares by such offeree or purchaser.

The Bookrunner is acting solely for the Issuer and no one else in connection with this offering and is not, and will not be, responsible to any other person for providing advice in respect of this offering or for providing the

protections afforded to their respective clients. The Bookrunner and certain related entities may acquire a portion of the Offer Shares for their own accounts.

In connection with this offerings, the Bookrunner and the Co-Lead Arranger and any affiliate acting as an investor for its own account may acquire the Offer Shares and in that capacity may retain, purchase or sell for its own account the Offer Shares and any of the Issuer's other securities or related investments and may offer or sell the Offer Shares or other investments otherwise than in connection with this offerings. Accordingly, references in this document to the Offer Shares being offered should be read as including any offering of securities to the Bookrunner and any affiliate acting in such capacity. The Bookrunner and Advisors do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

In relation to member states of the EEA other than the United Kingdom, there may be further rules and regulations of such country or jurisdiction within the EEA relating to the offering of the Offer Shares or distribution or publication of this Prospectus or any other offering material or advertisement; persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of the Prospectus and the offer of Offer Shares applicable in such EEA member state.

United States

The Offer Shares have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions in reliance on Regulation S under the US Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the US Securities Act.

The Bookrunner has agreed that, except as permitted by the Placement Agreement, it will not offer, sell or deliver the Offer Shares within the United States or to, or for the account or benefit of, US persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the closing date, and that it will have sent to each dealer to which it sells Offer Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Offer Shares within the United States or to, or for the account or benefit of, US persons.

This Prospectus has been prepared by the Company for use in connection with the offer and sale of the Offer Shares outside the United States and for the listing of the Offer Shares on the Warsaw Stock Exchange. The Company and the Bookrunner reserve the right to reject any offer to purchase the Offer Shares, in whole or in part, for any reason.

Canada

This Prospectus is not, and under no circumstances is to be construed as, a Prospectus, an advertisement or a public offering of the securities described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

Japan

The Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended), and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term as used herein includes any corporation or other entity organized under the laws of Japan), or to others for offering or sale, directly or indirectly, in Japan or to, or for the account of, any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

TAXATION

The information set out below describes the principal Cypriot and Polish tax consequences of the acquisition, holding and disposal of the Shares and is included for general information only. This summary does not purport to be a comprehensive description of all Cypriot and Polish tax considerations that may be relevant to a decision to acquire, hold or dispose of the Company's Shares. Each prospective investor should consult a professional tax adviser regarding tax consequences of acquiring, holding and disposing of the Company's Shares under the laws of their country and/or state of citizenship, domicile or residence. Should any withholding taxes be payable on amounts payable by the Company, the Company assumes responsibility for withholding of such taxes at the source.

This summary is based on tax legislation, published case law, treaties, rules, regulations and similar documentation, in force as at the date of this Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

Taxation in Cyprus

Tax residency

A company which is considered to be a resident for tax purposes in Cyprus is subject to corporate income tax in Cyprus (the "Corporate Income Tax") on its worldwide income, subject to certain exemptions. A company is considered to be a resident of Cyprus for tax purposes if its management and control is exercised from Cyprus.

With respect to the individual shareholders, generally an individual is considered to be a tax resident of Cyprus if he or she is physically present in Cyprus for a period or periods exceeding in aggregate more than 183 days in any calendar year.

Rates of taxation

The rate of Corporate Income Tax in Cyprus is 10%.

Special Contribution for the Defence of the Republic (the "Defence Tax") is levied on certain types of income. Defence Tax applies, subject to any available exemptions, at the following tax rates:

- 3% on 75% of certain rental income;
- 15% on interest income not arising in the ordinary course of the business; and
- 20% on dividend income received or deemed to have been received from non-Cyprus resident companies.

Defence Tax is levied on the gross amount of income without any deduction for expenses.

Capital gains tax (the "Capital Gains Tax") is levied in Cyprus at a rate of 20% on profits from disposal of immovable property situated in Cyprus or shares of companies which own immovable property situated in Cyprus (unless the shares are listed on a recognized stock exchange).

Taxation of Income and Gains

The analysis below is based on the assumption that KDM Shipping Public Limited is resident in Cyprus for tax purposes.

Gains from the disposal of securities

Any gain from disposal of securities by KDM Shipping Public Limited shall be exempt from Corporate Income Tax irrespective of the trading nature of the gain, the number of shares held or the holding period and shall not be subject to Defence Tax. Such gains are also outside the scope of Capital Gains Tax provided that the company which shares are disposed of does not own any immovable property is situated in Cyprus.

Dividends received

Dividend income (whether received from Cypriot resident or non-resident companies including Ukrainian subsidiaries) is exempt from Corporate Income Tax in Cyprus. Dividend income from Cypriot resident companies is exempt from Defence Tax. Dividend income received from non-Cypriot resident companies including Ukrainian subsidiaries is exempt from Defence Tax, unless the company paying the dividend engages directly or indirectly for more than 50% in activities which generate investment income and the foreign tax burden of the company paying the dividend is substantially lower than the tax burden of the company in Cyprus receiving the dividend (in practice “foreign tax burden being significantly lower” means that such company is taxed at an effective tax rate of less than 5%). Dividend income received from Ukrainian subsidiaries is exempt from Defence Tax, since none of the Ukrainian subsidiaries is engaged directly or indirectly for more than 50% in activities which generate investment income and their foreign tax burden is not substantially lower than the tax burden of the Company.

If the exemption for Defence Tax does not apply, dividends from non-Cypriot resident companies are subject to 20% Defence Tax. Ukrainian withholding tax as well as the Ukrainian underlying tax (i.e. corporate profit tax of the Ukrainian subsidiary which is paying the dividends) can be credited against any such Defence Tax payable in Cyprus by the Company. This credit should be available provided that the proper documentation can be provided to the Cyprus tax authorities evidencing the fact that the Ukrainian tax was withheld at source and the profit tax suffered in Ukraine by Ukrainian subsidiary which is paying the dividend. No assurance can be provided as to whether such credit will be available in practice for the Company, which receives dividends.

Interest income

Any interest accruing to the Company which is considered to arise in the ordinary course of its business, including interest which is closely connected with the ordinary course of its business qualifies as business income and shall be subject to Corporate Income Tax in Cyprus at a rate of 10%. Such interest income shall be exempt from Defence Tax.

Specifically, interest income arising in connection with the provision of loans to related or associated parties such as Ukrainian subsidiary should be generally considered as income arising from activities closely connected with the ordinary carrying on of a business and should as such be exempt from Defence Tax and only be subject to Corporate Income Tax.

Any other interest income of the Company shall be exempt from the Corporate Income Tax and shall be subject to the Defence Tax at a rate of 15%.

Deemed distribution rules

Defence Tax at a rate of 20% would be payable by the Company on a deemed dividend to the extent its shareholders (both individuals and companies) are Cypriot tax residents. A Cypriot company which does not distribute 70% of its after-tax profits within two years of the end of the year in which the profits arose would be deemed to have distributed this amount as a dividend two years after that year end. The amount of this deemed dividend distribution (subject to Defence Tax) is reduced by any actual dividend (not subject to Defence Tax in case of companies) paid out of the profits of the relevant year at any time up to the date of the deemed distribution. The accounting profits to be taken into account in this respect do not include any fair value adjustments to movable or immovable property (if any).

Withholding taxes

No withholding taxes shall apply in Cyprus with respect to payments of interest by the Company to non-resident lenders (both corporations and individuals).

There is no withholding tax in Cyprus on interest income paid to Cypriot tax resident corporate lenders, unless the Company issues a corporate bond, note or any other similar fixed income instrument and the resident lender receiving the interest is not considered to have generated this interest in the course of its ordinary activities or in connection with activities closely connected to the ordinary carrying on of its business.

Any payment of interest by the Company to Cypriot tax resident individual lenders shall not be subject to withholding tax in Cyprus, unless the Company has issued a corporate bond, note or any other similar fixed

income instrument in which case the Company would have an obligation to withhold Defence Tax at a rate of 10% on payments made in favor of Cypriot tax resident individual holders.

Interest expenses

Interest expenses are tax deductible if they are incurred wholly and exclusively for the production of income. However, no deduction shall be allowed for interest applicable or deemed to be applicable to the cost of purchasing assets not used in the business. This provision applies until 7 years from the date of purchase of the relevant asset. In this respect, the investment in subsidiary is considered as non-business asset and any interest expense that relates (or deemed to relate) to the acquisition/financing of such assets (even if a subsidiary is to distribute dividends on a regular basis) is considered not to be tax deductible. The restricted interest expense is usually determined by the following apportionment methodology: cost of the investment in shares multiplied by the average interest borrowing rate. This apportionment methodology should also be applied after the lapse of the above-mentioned period based on a circular issued by the Cypriot tax authorities.

Capital duty

Capital duty in the form of registration fees is payable to the Registrar of Companies in respect of the registered authorized and issued share capital of a Cypriot company upon its incorporation and upon subsequent increases thereon.

The capital duty rates for subsequent changes of the registered authorized and issued share capital are as follows:

- 0.6% of the nominal value of additional registered authorized share capital; and
- EUR 17.00 flat duty on every issue, whether the shares are issued at their nominal value or at a premium.

Stamp duty

Cyprus levies stamp duty on every instrument if:

- it relates to any property situated in Cyprus; or
- it relates to any matter or thing which is performed or done in Cyprus.

There are instruments which are subject to stamp duty in Cyprus at a fixed fee (ranging from EUR 0.03 to EUR 34.00) and instruments which are subject to stamp duty based on the value of the instrument (0.15% for sums up to EUR 170,860 and 0.2% for sums exceeding EUR 170,860 and up to EUR 8,543,007). There is a maximum (capped) stamp duty of EUR 17,086 per agreement/contract regarding amounts exceeding EUR 8,543,007.

The obligation to pay stamp duty arises irrespective of whether the instrument is executed in Cyprus or abroad.

With regard to loans to be provided by the Company to its foreign (Ukrainian) subsidiaries, the Commissioner of Stamp Duty is usually expected to be satisfied that the loan agreements should not be subject to stamp duty in Cyprus provided the agreement is governed by a foreign law and is to be submitted to the courts of a foreign jurisdiction, the contract is executed outside of Cyprus and the loan asset is not secured or to be secured by way of a registered charge on Cypriot assets, such as shares in companies, either in Cyprus or abroad. Loan agreements between the Company and its Ukrainian subsidiaries satisfy all the above-mentioned criteria.

Taxation in Poland

This section provides information regarding the taxation of income related to holding and trading in shares admitted to trading on the regulated market. For the avoidance of doubt, all references to shares presented in this section also pertain to the Shares.

The information presented below is of a general nature and should not constitute the sole basis for evaluating the tax consequences of making any investment decisions. Potential investors are urged to consult their tax advisors. Please note that the information presented below has been prepared based on the legal statutes as at the date of the Prospectus.

Polish Corporate Investors

Taxation of Income Relating to Holding Shares

Dividends and other income (revenue) actually earned on holding shares (such as e.g. remuneration for redeemed shares – excluding buy-back of shares) actually earned by legal persons and companies in organization, as well as other unincorporated entities (except civil, general, limited partnerships, professional partnerships, and limited joint-stock partnerships) with their registered office or place of management in Poland (the “Polish Corporate Shareholders”), shall be subject to taxation on the general rules under the Corporate Income Tax (“CIT”) Act. They are taxed at the basic 19% rate.

Pursuant to Art. 20 section 3 of the CIT Act, an income tax exemption applies to dividends and other revenue earned on the holding of shares in companies whose seat or management office is outside Poland by Polish companies whose worldwide income is subject to CIT in Poland, regardless of where the source of income is located, if all of the following conditions are met:

- the entity which distributes the dividends and other revenue earned on shares is a company whose worldwide income (regardless of where the source of income is located) is subject to income tax in a European Union Member State other than Poland, or in a other Member State of the European Economic Area;
- Polish company holds directly not less than 10% of shares in the capital of the company referred to in item (a) above for an uninterrupted period of at least 2 years;
- Polish company does not enjoy income tax exemption on the total amount of its incomes, regardless of the source from which they are earned.

CIT Act expressly provides that in order to benefit from the above exemption, the 2-year holding period requirement may be also met after the dividend is paid, provided that a given taxpayer would actually satisfy that requirement afterwards. Otherwise, a taxpayer who did not meet the 2-year holding period requirement would be obliged to pay the due income tax along with penalty interests.

The above exemption will not apply, however, if distributions are made upon liquidation of a company or upon buy-back of shares.

Moreover, dividends paid out by a Cyprus company to Polish Corporate Shareholders may be exempt from Cypriot withholding tax under Council Directive of July 23, 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States, provided that the conditions specified by the Cyprus tax laws are satisfied.

The Double Tax Treaty concluded by the Republic of Poland and the Republic of Cyprus (“Double Tax Treaty”) provides that dividends paid by a company with its registered office in Cyprus to Polish Corporate Shareholders may be taxed both in Poland and Cyprus, although such Cypriot tax cannot exceed 10% of the gross amount of the dividend if the recipient of the dividend is its beneficial owner.

It should be noted that in relation to the dividends which may be subject to taxation in Cyprus, pursuant to Art. 24 sec. 1(b) of the Double Tax Treaty, a tax credit applies in Poland.

Pursuant to the provisions of the Double Tax Treaty, if a Polish Corporate Shareholder carries on business in Cyprus through a permanent establishment situated in Cyprus (i.e. a fixed place of business through which the business of an enterprise is wholly or partly carried on), and the shares in respect to which the dividends are paid are effectively connected with such permanent establishment, dividends will be taxed in Cyprus as business profits earned by that permanent establishment.

Taxation of Income from Disposal of Shares

Under Art. 13 sec. 4 of the Double Tax Treaty income earned by Polish Corporate Shareholders on disposal of shares of a Cypriot company (including buy-back of shares) is subject to corporate income tax in Poland. Such an income is taxable in accordance with the general rules. This income is aggregated with the business incomes of the given fiscal year, and subject to the general 19% CIT rate.

The income is computed as the difference between the revenue (in principle, the price agreed for the shares) and tax deductible costs (in principle, the costs of acquisition of the shares and costs related to the sale).

However, it should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, such agreed price may be challenged by the tax authorities.

Polish Individual Investors

Taxation of Income Relating to Holding Shares

Income earned by individuals domiciled in Poland (the “Polish Individual Shareholders”) on dividends and other income (revenue) actually earned on holding shares (such as e.g. remuneration for redeemed shares excluding buy-back of shares, liquidation proceeds) in a Cyprus company is considered to be income from a separate basket and it is not aggregated with incomes from other sources. Such income is subject to the 19% flat rate Personal Income Tax (“PIT”). The tax is settled on annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which the income was earned.

It is not absolutely clear whether the tax due on dividend income earned by a Polish Individual Investor from a Cyprus company shall be withheld by a Polish brokerage house assisting in the payment or not. On one hand, there is a regulation (Art. 41 sec. 4 of the PIT Act) that clearly imposes on brokerage houses the obligation to withhold the tax. On the other hand, there is a regulation which provides that amounts of tax due on dividends earned outside Poland and the amounts of tax paid outside Poland on such dividends should be reported by a taxpayer (i.e. Polish Individual Investor) in his annual tax return (Art. 30a sec. 11). Most tax advisers seem to regard the latter provision as overruling the first one, and are thus of the opinion that a Polish brokerage house should not withhold any tax. However, in case of any doubts, a tax adviser should be consulted by a taxpayer.

The Double Tax Treaty provides that dividends paid by a company with its registered office in Cyprus to Polish Individual Shareholders may be taxed both in Poland and Cyprus, but such Cypriot tax cannot exceed 10% of the gross amount of the dividend, provided that the recipient of the dividend is its beneficial owner.

It should be noted that in relation to the dividends which may be subject to tax in Cyprus, the tax credit method of avoidance of double taxation shall apply in Poland, pursuant to Art. 24 sec. 1(b) of the Double Tax Treaty.

Pursuant to the provisions of the Double Tax Treaty, if the Polish Individual Shareholder carries on business in Cyprus through a permanent establishment situated in Cyprus (i.e. fixed place of business through which the business of an enterprise is wholly or partly carried on) or performs in Cyprus independent personal services from a fixed base situated in Cyprus, and the shares in respect of which the dividends are paid are effectively connected with such permanent establishment or fixed base, dividends will be taxed in Cyprus as business profits or as income from independent personal services earned by that permanent establishment or fixed base.

Taxation of Income from a Disposal of Shares

Under Art. 13 sec. 4 of the Double Tax Treaty income earned by Polish Individual Shareholders on disposal of shares of a Cypriot company (including buy-back of shares) is subject to corporate income tax in Poland. Such an income should be classified as income from capital gains and as such it should not be combined with incomes from other sources but should be subject to the 19% flat PIT rate.

The income is computed as the difference between the revenue earned on disposal of shares (in principle, the price for the shares) and the related costs (in principle, the costs of acquisition of the shares and costs related to the sale). The tax is settled on annual basis. Annual tax returns should be filed by April 30 of the calendar year following the year in which income was earned (this also being the deadline for paying the tax). No obligation exists to pay tax advances during the tax year.

The above is not applicable if a Polish Individual Shareholder holds the shares within the scope of its business activity. If this is the case, the income should be classified as a business income. In such case, income tax shall be paid at the progressive tax rates, which varies from 18% to 32%, or at the 19% flat rate (depending on the form of taxation chosen by the given Polish Individual Shareholder).

It should be noted that if the value of shares expressed in the price specified in the agreement on the disposal of shares differs materially, without a legitimate reason, from the market value of the shares, this may be challenged by the tax authorities.

It should also be noted that pursuant to Art. 9 section 6 of the Polish PIT Act, losses incurred during a fiscal year on account of the disposal of shares may be deducted from the income received from that source over five consecutive fiscal years, provided that the amount of the deduction does not exceed 50% of the amount of the loss in any single fiscal year of the five-year period.

Foreign Investors

Individuals who do not have their place of residence in Poland and legal entities, companies in organization and other entities with no legal personality, if they are treated as tax residents under tax law of a given state, that have their registered office and place of management outside Poland are subject to PIT and CIT respectively, only with respect to the profits that are derived from sources of income located on the territory of Poland.

Although this is not expressly provided for in Polish tax law, it should be noted that dividends from a Cyprus company should not be treated as income derived from Poland, even if the company is listed on the Warsaw Stock Exchange. Consequently, it should be noted that dividends paid by a Cyprus company to a foreign investor should not be subject to Polish income tax.

Polish tax law does not give clear direction on whether income from a sale of shares of a Cyprus company should be treated as income derived from Poland if the shares are traded on the Warsaw Stock Exchange. It seems that the prevailing approach of the tax authorities is that trades on the Warsaw Stock Exchange shall be treated as, Polish source income. Consequently, as a rule, such income would be subject to Polish income tax and settled on general rules. In practice, however, most of the tax treaties would exempt such income from taxation in Poland. This should be verified on a case-by-case basis.

Tax on Civil Law Transactions

The tax on civil law transactions (“TCLT”) is levied on agreements providing for a sale or exchange of rights, provided that these rights are executed in Poland or, if executed abroad, that the purchaser is a Polish tax resident and the transaction is effected in Poland.

The tax rate on the sale of shares and the exchange of shares is 1% at their market value and should be paid within fourteen days of the date on which the tax obligation arose (that is, the date the share or exchange agreement was concluded), unless the sale of shares and the exchange of shares agreements are concluded in a form of a notary deed. In that case the due tax should be collected by the notary public acting as a tax remitter. The purchaser of shares is liable for paying the due tax on civil law transactions. In the case of an exchange of shares, the liability for paying the due tax is borne jointly and severally by the parties to the exchange of shares transaction.

Exemptions from the tax on civil law transactions apply, without limitation, to transactions concerning the sale of financial instruments (including shares) to investment companies or to foreign investment companies or, through them, the sale of such instruments within the boundaries of a regulated market, as well as the sale of such instruments made by investment companies or foreign investment companies outside the boundaries of a regulated market, provided that such instruments were acquired by those companies within the boundaries of a regulated market, as defined in the Trading in Financial Instruments Act.

CONSENTS

The following parties: Jaspem Capital Partners; KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce; Baker & McKenzie – CIS, Limited; Baker & McKenzie Krzyżowski i Wspólnicy sp. k; Dr. K. Chrysostomides & Co. LLC; Inter-economic Science and Technology Centre "Transservice-1" and KPMG have each given and have not withdrawn their written consent to the inclusion in this Prospectus of their names and the references thereto in the form and context in which they appear.

From the independent auditor, KPMG

The statutory independent auditors KPMG, have given and have not withdrawn their written consent presented below relating to the references to their name in the form and context in which they appear in the Prospectus.

July 16, 2012
Board of Directors
KDM Shipping Public Limited
Limassol

Prospectus of KDM Shipping Public Limited

The consolidated financial statements of KDM Shipping Public Limited and its subsidiaries for the years ended 31 December 2011, 2010 and 2009 were audited by us in accordance with International Standards on Auditing. We have not issued a qualified opinion on these consolidated financial statements.

In accordance with the requirements of paragraph 23 of Annex I of Regulation 809/2004 of the Commission of the European Union, with this letter, we give and do not withdraw our consent for:

- (i) the inclusion of our Auditors' report for the three years ended 31 December 2011, 2010 and 2009 within the Prospectus dated July 16, 2012 in the form and format this is presented; and
- (ii) for the references to our name in the form and context in which they appear in the Prospectus dated July 16, 2012, for which you as Directors are solely responsible.

KPMG
Certified Public Accountants and Registered Auditors

From the Underwriter responsible for drawing up the Prospectus, KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce

The underwriter responsible for drawing up the Prospectus, KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce, has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears.

July 16, 2012
Board of Directors
KDM Shipping Public Limited
Limassol

Prospectus of KDM Shipping Public Limited

Dear Sirs,

With this letter, we give and do not withdraw our consent for the references to our name in the form and context in which it appears in the Prospectus of KDM Shipping Public Limited dated July 16, 2012 of which you, as Directors, are solely responsible.

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce

From the Co-Lead Arranger, Jaspén Capital Partners

The Co-Lead Arranger, Jaspén Capital Partners, has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears.

July 16, 2012
 Board of Directors
 KDM Shipping Public Limited
 Limassol

Prospectus of KDM Shipping Public Limited

Dear Sirs,

With this letter, we give and do not withdraw our consent for the references to our name in the form and context in which it appears in the Prospectus of KDM Shipping Public Limited dated July 16, 2012 of which you, as Directors, are solely responsible.

Jaspén Capital Partners

From the legal advisor to the Underwriter responsible for drawing up the Prospectus as to Ukrainian law, Baker & McKenzie – CIS, Limited

The legal advisor the Underwriter responsible for drawing up the Prospectus as to Ukrainian law, Baker & McKenzie – CIS, Limited, has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears.

July 16, 2012
 Board of Directors
 KDM Shipping Public Limited
 Limassol

Prospectus of KDM Shipping Public Limited

Dear Sirs,

With this letter, we give and do not withdraw our consent for the references to our name in the form and context in which it appears in the Prospectus of KDM Shipping Public Limited dated July 16, 2012 of which you, as Directors, are solely responsible.

Baker & McKenzie – CIS, Limited

From the legal advisor to the Underwriter responsible for drawing up the Prospectus as to Polish law, Baker & McKenzie Krzyżowski i Wspólnicy sp. k.

The legal advisor to the Underwriter responsible for drawing up the Prospectus as to Polish law, Baker & McKenzie Krzyżowski i Wspólnicy sp. k., has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears.

July 16, 2012
Board of Directors
KDM Shipping Public Limited
Limassol

Prospectus of KDM Shipping Public Limited

Dear Sirs,

With this letter, we give and do not withdraw our consent for the references to our name in the form and context in which it appears in the Prospectus of KDM Shipping Public Limited dated July 16, 2012 of which you, as Directors, are solely responsible.

Baker & McKenzie Krzyżowski i Wspólnicy sp. k.

From the legal advisor of the Underwriter responsible for drawing up the Prospectus as to Cypriot law, Dr. K. Chrysostomides & Co. LLC

The legal advisor to the Underwriter responsible for drawing up the Prospectus as to Cypriot law, Dr. K. Chrysostomides & Co. LLC., has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears.

July 16, 2012
Board of Directors
KDM Shipping Public Limited
Limassol

Prospectus of KDM Shipping Public Limited

Dear Sirs,

With this letter, we give and do not withdraw our consent for the references to our name in the form and context in which it appears in the Prospectus of KDM Shipping Public Limited dated July 16, 2012 of which you, as Directors, are solely responsible.

Dr. K. Chrysostomides & Co. LLC

From the practitioner of valuation activities Inter-economic Science and Technology Centre "Transservice-1", an authorized representative of H.GLAHR & Co in Ukraine

The practitioner of valuation activities Inter-economic Science and Technology Centre "Transservice-1", has given and has not withdrawn its written consent to the inclusion of its Report on the valuation of property and the references to its name in the form and context in which it appears in the Prospectus.

July 16, 2012
 Board of Directors
 KDM Shipping Public Limited
 Limassol

Prospectus of KDM Shipping Public Limited

The practitioner of valuation activities Inter-economic Science and Technology Centre "Transservice-1" has given, and has not withdrawn, its written consent to the inclusion of its Report on the valuation of property and the reference to themselves herein in the form and context in which they are included. The Practitioner of valuation activities Inter-economic Science and Technology Centre "Transservice-1" has no interest in the Issuer.

Inter-economic Science and Technology Centre "Transservice-1"

Approval of the Board of Directors

The Prospectus has been presented to the Board of Directors of the Company and has been approved. The Directors of the Company, who have taken all reasonable care to ensure that such is the case, accept responsibility for the accuracy, correctness and completeness of the information contained in the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

INDEPENDENT AUDITORS

The Consolidated Financial Statements for the years ended 31 December 2011, 31 December 2010 and 31 December 2009 presented in the Prospectus were audited by KPMG Limited, with its seat at 14, Esperidon Street, 1087 Nicosia, Cyprus. The Consolidated Financial Statements for the years ended 31 December 2011, 31 December 2010 and 31 December 2009 presented in the Prospectus were prepared in accordance with IFRS as adopted by the EU.

KPMG Limited has given, and has not withdrawn, its written consent to the inclusion of its reports and the reference to themselves herein in the form and context in which they are included. Qualifications of KPMG Limited are provided in the Consolidated Financial Statements. KPMG Limited has no interest in the Issuer.

ADDITIONAL INFORMATION

Capitalized terms used in this Prospectus and not otherwise defined herein have the meaning ascribed to such terms in “*Defined Terms*” or “*Glossary of Shipping Terms*”.

This Prospectus has been prepared by the Issuer in connection with the Offering and Admission solely for the purpose of enabling a prospective investor to consider an investment in the Offer Shares. The information contained in this Prospectus has been provided by the Issuer and other sources identified herein.

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should, therefore, read this Prospectus in its entirety, and in particular, a section “*Risk Factors*”, when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice and not rely exclusively on the legal, financial or tax information contained in this Prospectus.

Save for the provisions of mandatory laws, no person is or has been authorized to give any information or to make any representation in connection with the Offering and/or Admission, other than as contained in this Prospectus, and if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, by the Bookrunner and by the Co-Lead Arranger.

The corporate governance structure of the Issuer is set out in its Articles of Association which are available on the Issuer’s website: www.kdmshipping.com.

Notice to Prospective Investors

The distribution of this Prospectus and the Offering of the Offer Shares in certain jurisdictions may be restricted by law. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or any solicitation or invitation to purchase, any of the Offer Shares offered hereby in any jurisdiction in which such an offer or solicitation or invitation would be unlawful. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions, including those set out under “*Selling Restrictions*”. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

As a condition to the purchase of any Offer Shares in the Offering, each purchaser will be deemed to have made, or in some cases be required to make, certain representations and warranties and will be required to take certain actions described in particular in “*The Offering and Plan of Distribution*”, which will be relied upon by the Issuer, the Bookrunner and others. The Issuer and the Principal Shareholder reserve the right, in its sole and absolute discretion, to reject any purchase of Offer Shares that the Issuer, the Principal Shareholder, the Bookrunner or any agents believe may give rise to a breach or a violation of any law, rule or regulation. See, in particular: “*Selling Restrictions*”.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any State securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

Presentation of Financial and Other Information

In this Prospectus, the terms “Issuer”, “Company” “KDM Shipping Group”, “the Group”, “KDM Shipping” and similar terms refer to KDM Shipping Public Limited and its direct and indirect consolidated subsidiaries, unless the context requires otherwise. Unless otherwise noted, references to “management” are to the members of the Board of Directors and the Key Executives and statements as to the Company’s beliefs, expectations, estimates and opinions are to those of the Company’s management. The term “Group Companies”, refers to Ukrainian and Panamanian operating companies: Limited Liability Company Danapris, Limited Liability Company Capital Shipping Company, Limited Liability Company Riverest-Tour, Limited Liability Company CSC – Agent, Limited Liability Company Hylea-Servise and KD Shipping Co Limited (Panama).

The Company maintains its financial statements (the “IFRS Financial Statements”) in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the International Accounting Standards Board (“IASB”) and as adopted by the EU, as well as interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and as applicable in the respective years. The IFRS Financial Statements included in this Prospectus comprise of the Consolidated Financial Statements for the years ended 31 December 2011, 2010 and 2009.

Consolidated Financial Statements included in the Prospectus are presented in USD which is the accounting currency of the Group and of the Company.

The Group Companies maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of their incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the Consolidated Financial Statements which have been prepared based on the Group Companies’ local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS as adopted by the EU.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in tables in this Prospectus have also been rounded and accordingly the totals in these tables may not add up to 100%.

Unless otherwise indicated, all references in this Prospectus to “USD”, “US\$” or “US Dollars” are to the lawful currency of the United States and all references to “EUR”, “Euro” or “€” are to the lawful currency of the European Economic and Monetary Union, of which Cyprus is a member. References to “UAH” or “Hryvnia” are to the lawful currency of Ukraine, whereas all references to “PLN” and “Polish zloty” are to the lawful currency of Poland.

Potential investors should consult their own professional advisers to gain an understanding of the financial information contained herein.

Vessels’ Valuation Report

Inter-economic Science and Technology Centre "Transservice-1", an authorized representative of H.GLAHR & Co in Ukraine, with registered seat at 12 Sagaydachnogo street, 04070 Kyiv, Ukraine, has prepared report on valuation of vessels owned by the Group as at 31 January 2012 (the “Valuation Report”). The Valuation Report is attached to the prospectus in Annex I of the Prospectus. The consent of Inter-economic Science and Technology Centre "Transservice-1" is provided in section “*Consents*” of the Prospectus.

Qualifications of experts preparing the Valuation Report are provided in the Valuation Report.

Inter-economic Science and Technology Centre "Transservice-1" does not have any interest in the Issuer.

Market, Economic and Industry Data

All references to market, economic or industry data, statistics and forecasts in this Prospectus consist of estimates compiled by professionals, state agencies, market and other organisations, researchers or analysts, publicly available information from other external sources as well as our knowledge of our sales and markets and assessments made by our management.

Certain statistical data and market, economic or industry information and forecasts relating to the shipping industry have been extracted and derived by us from reports and analysis produced by, *inter alia*, the following sources:

- information available on website owned and operated by the State Statistics Committee of Ukraine (www.ukrstat.gov.ua);
- statistical data of National Bank of Ukraine (www.bank.gov.ua);

- statistical data of National Bank of Poland (www.nbp.gov.pl);
- information available on website owned and operated by International Maritime Organisation (www.imo.org);
- information from the “Review of Maritime Transport”, issues 2006 – 2011, available at the website owned and operated by United Nations Conference on Trade and Development (www.unctad.org);
- information from Bloomberg database;
- information from magazine “Ports of Ukraine Plus”, issues February 2011, February 2010 and January 2009;
- information from OECD-FAO, “Agricultural Outlook 2011”, available on the website: <http://www.agri-outlook.org>;
- information available on website owned and operated by Food and Agricultural Policy Research Institute (<http://www.fapri.org/>);
- information from Instituto Geographico de Agostini, “Calendario Atlante de Agostini”, issues 2006 – 2010;
- information from UNECE – FAO, “TIMBER database, 2011”;
- information from Bureau of International Recycling, “World Markets for Recovered and Recycled Commodities 2011”, October 2011, available on the website: www.bir.org;
- information on the website: www.ukrrudprom.com, according to the Ministry of Industry of Ukraine’s data;
- information from the Institute of Agricultural and Food Economics of Poland, “Market analysis”, October, 2011;
- information from GMS Global Maritime Services (www.globalmaritimeservices.com);
- information from World Economic Outlook Database (www.imf.org).

While the Issuer has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, neither the Issuer or the Bookrunner have independently verified that data. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as we are aware and able to ascertain from the information published by the cited sources, no facts have been omitted that would render the reproduced information inaccurate or misleading. Subject to the foregoing, none of the Issuer or the Bookrunner can assure investors of the accuracy or completeness of, or take any responsibility for, such data. The source for such third party information is cited whenever such information is used in this Prospectus.

With respect to industries in which the Group operates, some of estimates and assessments could not be substantiated by reliable external market and/or industry information as such information is not often available or may be incomplete. While the Company has taken every reasonable care to provide the best possible assessments of the relevant market situation and the information about the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigations of the relevant markets or employ a professional consultant. Industry publications generally state that their information is obtained from sources they believe reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. The issuer has relied on the accuracy of such data and statements without carrying out an independent verification, thereof and therefore cannot guarantee their accuracy and completeness. Furthermore, Issuer believes that its management’s estimates and assessments are accurate and reliable, however, they have not been verified by independent external professionals. Consequently, the Issuer can guarantee neither their accuracy and

completeness nor that estimates or projections made by another entity relying on other methods of collecting, analysing and assessing market data would be the same as the Issuer's.

Save where required by mandatory provisions of laws, the Issuer does not intend and do not undertake to update market, economic or industry data, statistics and forecasts contained in this Prospectus. Industry trends may change or significantly differ from the one projected in this Prospectus. Therefore investors should be aware that estimates made in this Prospectus may not be relied upon as indicatives of our future performances and actual trends.

In this Prospectus, the Issuer makes certain statements regarding its competitive position, growth and market leadership. The Issuer believes these statements to be true based on market data and industry statistics regarding the competitive position of certain of the Group's competitors. In presenting the overview of the Issuer's competitive position in the relevant markets, the Issuer also relied on management's assessments and analysis of such competitive position. In making such assessments and analysis the management has used market information collected by its own employees and advisors for such purpose, either available on the basis of public information or derivable from the same.

Documents Incorporated by Reference

No documents or content of any website are incorporated by reference in this Prospectus.

Forward-looking Statements

Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Issuer's current views with respect to future events and financial performance of its Group. Such forward-looking statements can be identified by the use of forward-looking terminology, including the terms such as "believes", "expects", "estimates", "anticipates", "intends", "plans", "may", "will", "should", "would", "could" or, in each case, their negatives or other variations or comparable terms. All statements other than statements of historical facts included in this Prospectus are forward-looking statements. Such items in this Prospectus include, but are not limited to, statements under "*Risk Factors*", "*Business*", "*Industry Overview*" and "*Operating and Financial Review*"

By their nature, forward-looking statements involve known and unknown risk and uncertainty, and other factors that may cause the Group's actual results, performances and achievements to differ materially from any future results, performances, achievements or developments expressed in or implied by such forward-looking statements. The Issuer has based these forward-looking statements on numerous assumptions regarding the Group's present and future business strategies, the Group's current expectations and projections about future events and the environment in which the Group will operate in the future. These forward-looking statements are subject to risks, uncertainties and assumptions about the KDM Shipping Group, including, among other things:

- the Group's ability to develop and expand its business;
- the Group's ability to keep up with new technologies and expand into new markets;
- the Group's and the Group Companies ability to control their costs;
- the Group's future capital spending and availability of financial resources to finance capital spending;
- political and economic conditions in the countries in which the Group Companies operate;
- volatility in the world's securities markets;
- the effects of regulation (including tax regulations) in Cyprus and other countries in which the Group Companies operate.

The forward-looking statements speak only as at the date of this Prospectus. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein, whether to reflect any new information, future events, any change in expectations with regard

thereto or any change in events, conditions or circumstances on which any such statements is based, except as required by law, including under the Cyprus Prospectus Law and the Polish Public Offerings Act.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Prospective investors are cautioned not to place undue reliance on such forward-looking statements, which are based on facts known to the Issuer only as at the date of this Prospectus.

Documents Available for Inspection

Copies of the following documents will, when published, be available for inspection free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company from the date of this Prospectus throughout its validity period:

- the most recent version of the Articles of Association;
- the Consolidated Financial Statements;
- the Valuation Report;
- this Prospectus (including a summary translated into the Polish language) and supplements thereto, if any;
- copies of all corporate resolutions mentioned in this Prospectus.

Moreover, the following documents will be available through the Company's website (www.kdmshipping.com):

- this Prospectus, together with a summary translated into the Polish language;
- the most recent version of the Articles of Association.

DEFINED TERMS

Admission	Admission of the Shares, including the Offer Shares to trading on the WSE
Allotment Date	On or about July 27, 2012 – the date on which the Offer Shares will be allocated to Investors
AMC	Antimonopoly Committee of Ukraine
Arrangers	The Lead Manager and Bookrunner together with the Co-Lead Arranger
Articles of Association	The articles of association of the Company
Board of Directors	The Board of Directors of the Company
CIS	The Commonwealth of Independent States
Company, Issuer, KDM Shipping	KDM Shipping Public Limited, a public limited company, incorporated under the laws of Cyprus, having its registered office at Michail Koutsofta 3, 3031, Limassol, Cyprus, and registered with the Department of the Registrar of Companies and Official Receiver in Cyprus under number 106931
Consolidated Financial Statements	Audited consolidated financial statements of the Group for the years ended 31 December 2011, 31 December 2010 and 31 December 2009
Co-Lead Arranger	Jaspen Capital Partners
CSC	Capital Shipping Company, a limited liability company, registered in Ukraine, identification code: 31628535, registered office: 2L Naberezhno-Luhova St., Kyiv, 04080 Ukraine
CSC – Agent	CSC – Agent, a limited liability company, registered in Ukraine, identification code: 35468740, registered office: 1 Karantynnyj Island, Kherson 73000 Ukraine
CySEC	Cyprus Securities and Exchange Commission – capital market regulatory authority in Cyprus
Current Report	The official electronic information dissemination service as defined in article 56.1 of the Public Offering Act
Cyprus Companies Law	The Cyprus Companies Law Cap.113, as amended
Cyprus Insider Dealing Law	The Cyprus law on Insider Dealing and Market Manipulation (Market Abuse), no. 116(I)/2005, as amended
Cyprus Prospectus Law	The Cyprus law on the conditions for making an offer to the public of securities, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market of 2005, Law 114 (I)/2005, as amended
Cyprus Takeover Law	The Public Take Over Bids Law of the Republic of Cyprus, Law No. 41(I)/2007, as amended
Danapris	Danapris, a limited liability company, registered in Ukraine, identification code: 22921976, registered office: 2L Naberezhno-Luhova St., Kyiv, 04080 Ukraine
Director	Member of the Board of Directors of the Company

EEA	European Economic Area
ESPI	The electronic public company reporting system in Poland
EU	The European Union
EUR, €, Euro	The lawful currency of the European Economic and Monetary Union., of which Cyprus is a member
FATF	Financial Action Task Force on Money Laundering
GDP	Gross domestic product
General Meeting of Shareholders, General Meeting	The General Meeting of Shareholders of the Company
Group, KDM Shipping Group	KDM Shipping Public Limited together with its direct and indirect subsidiaries (the Group Companies)
Group Companies	Any direct or indirect subsidiary of the Issuer
Hryvnia or UAH	The lawful currency of the Republic of Ukraine
Hylea-Servise	Hylea-Servise, a limited liability company, registered in Ukraine, identification code: 35028009, registered office: 1 Karantynny ostriv, Kherson 73000 Ukraine
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards as adopted by the EU
IFRS Financial Statements	Consolidated Financial Statements contained in the Prospectus
IMF	The International Monetary Fund
Institutional Investors	Selected corporate entities (legal persons) and non-corporate entities other than individuals, to whom the Offering is addressed
Institutional Tranche	Tranche of the Offer Shares offered to the Institutional Investors
Lead Manager and Bookrunner (also referred as Lead Manager or Bookrunner)	KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce
Listing Date	First day of trading in Shares on the WSE
LLC	Limited liability company under Ukrainian law
Management	Management (including members of the Board of Directors) of the Company
Maximum Price	The maximum price per one Offer Shares is PLN 36.00
Member State	A Member State of the European Economic Area
Memorandum	Memorandum of Association of the Company

MIFiD	Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC
Mn	Million
NBP	The National Bank of Poland
NBU	The National Bank of Ukraine
NDS	Krajowy Depozyt Papierów Wartościowych S.A. – the National Depository for Securities – the clearing and settlement institution in Poland
Offer Price	The final offer price per Offer Share determined on or about July 25, 2012
Offer Shares	Up to 3,500,000 ordinary shares with a nominal value of EUR0.01 each to be issued by the Issuer
Offering	The offering of up to 3,500,000 Offer Shares, based on this Prospectus.
PAP	The Polish Press Agency
PFSA	The Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), the capital market regulatory authority of the Republic of Poland
PJSC	Public joint stock company under Ukrainian law
Placement Agreement	The agreement in respect to the Offering to be entered into prior to the Pricing Date and the Allotment Date by, <i>inter alia</i> , the Issuer, the Principal Shareholder and the Bookrunner
PLN, Polish zloty	The lawful currency of the Republic of Poland
Polish Public Offerings Act	The Polish Act of July 29, 2005, on Public Offerings and Conditions governing the Admission of Financial Instruments to Trading on Organized Markets, and on Listed Companies
Principal Shareholder	Mr. Kostiantyn Molodkovets
Prospectus	This Prospectus constituting a prospectus in the meaning of the Prospectus Directive prepared for the purpose of the Offering and the Admission
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of the European Union of November 4, 2003, on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and any relevant implementing measures
Regulation 809/2004, Prospectus Regulation	Commission Regulation (EC) no 809/2004 of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended

Regulation S	Regulation S promulgated under the United States Securities Act of 1933, as amended, governing offers and sales made outside the United States without registration under the US Securities Act
Retail Investors	Individuals and corporate entities (legal persons) and non-corporate entities other than individuals, not being the Institutional Investors, who intend to purchase Offer Shares in the Offering
Retail Tranche	Tranche of the Offer Shares offered to the Retail Investors
Riverest-Tour	Riverest-Tour, a limited liability company, registered in Ukraine, identification code: 33787128, registered office: 2L Naberezhno-Luhova St., Kyiv, 04080 Ukraine
SE	Small enterprise under Ukrainian law
Shares	The shares of KDM Shipping Public Limited with nominal value of EUR0.01 each
SSCU	State Statistics Committee of Ukraine
Stabilisation Regulation	The European Commission Regulation (EC) no. 2273/2003 of December 22, 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments
Takeover Directive	Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids
Trading in Financial Instruments Act	The Polish Act of July 29, 2005, on Trading in Financial Instruments
Transparency Law	The Cyprus Law on Transparency Requirements (Securities Admitted to Trading in a Regulated Market), no.190(I)/2007 as amended
Underwriter responsible for drawing up the Prospectus	KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce
US Securities Act	The United States Securities Act of 1933, as amended
USD, US\$, US Dollars	US dollar, the lawful currency of the United States of America
Valuation Report	Report on valuation of vessels owned by the Group as of 31 January 2012, prepared by Inter-economic Science and Technology Centre "Transservice-1", an authorized representative of H.GLAHR & Co in Ukraine, with registered seat at 12 Sagaydachnogo street, 04070 Kyiv, Ukraine
WSE	The Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.), a regulated market in Poland
WSE Corporate Governance Rules	Polish Principles of Corporate Governance contained in "Best Practices in Public Companies in 2005" approved by the WSE
WTO	The World Trade Organization

GLOSSARY OF SHIPPING TERMS

Annual Survey	The inspection of a vessel by a classification society, on behalf of a flag state, within 3 months before or after anniversary date from the date of the initial classification survey or of the date credited for the last special survey
Ballast Time	Time of the voyage without the load of cargo to next destination
Bareboat Charter	Contract or hire of a ship under which the ship owner receives monthly charter hire payments on a per day basis and is responsible only for the payment of capital costs related to the vessel
Bulk Vessel/Carrier	Vessel which is specially designed and built to carry large volumes of cargo in bulk cargo form
Bunker	Heavy fuel oil used to power a vessel's engines
Capesize	A dry bulk carrier with capacity between 80,000 and 200,000 DWT
Charter	The hire of a vessel for a specified period of time or to carry a cargo for a fixed fee from a loading port to a discharging port. The contract for a charter is called a charterparty
Charterer	The individual or company hiring a vessel
Charter Hire Rate	A sum of money paid to the vessel owner by a charterer under a time charterparty for the use of a vessel
Classification Society	An independent organization which certifies that a vessel has been built and maintained in accordance with the rules of such organization and complies with the applicable rules and regulations of the country of such vessel and the international conventions of which that country is a member
Deadweight Tonne (DWT)	A unit of a vessel's capacity for cargo, fuel oil, stores and crew, measured in metric tonnes of 1,000 kilograms. A vessel's DWT or total deadweight is the total weight the vessel can carry when loaded to a particular load line
Draft	Vertical distance between the waterline and the bottom of the vessel's keel
Dry Bulk	Non-liquid cargoes of commodities shipped in an unpackaged state
Drydocking	The removal of a vessel from the water for inspection and/or repair of submerged parts
Floating Dock	A platform or ramp supported by pontoons
GMDSS	Global Maritime Distress and Safety System, the international radio safety system mandated by the International Maritime Organization for ships at sea
Gross Tonne	Unit of 100 cubic feet or 2.831 cubic meters used in arriving at the calculation of gross tonnage
Handymax	A dry bulk carrier with capacity between 30,000 to 60,000 DWT
Handysize	A dry bulk carrier with capacity between 10,000 to 30,000 DWT
Hull	The shell or body of a vessel
International Maritime Organization (IMO)	A United Nations agency that issues international trade standards for shipping

Intermediate Survey	Extended annual surveys, typically held at or between either the 2 nd or 3 rd annual survey
ISM Code	The International Management Code for the Safe Operation of Ships and for Pollution Prevention, as adopted by the IMO
Metric Tonne	A unit of measurement equal to 1,000 kilograms
Mooring Pontoon	A concrete platform for mooring vessels
Newbuild	A newly constructed vessel
Orderbook	A reference to currently placed orders for the construction of vessels (e.g., the Panamax orderbook)
Panamax	A dry bulk carrier with capacity between 60,000 to 80,000 DWT of maximum length, depth and draft capable of passing fully loaded through the Panama Canal
Pool operator	Operator of the vessels
Protection & Indemnity Insurance	Insurance obtained through a mutual association formed by ship owners to provide liability insurance protection from large financial loss to one member through contributions towards that loss by all members
River-Sea Vessel	A vessel that is able to sail on the sea as well as on the river.
Scrapping	The disposal of old or damaged vessel tonnage by way of sale as scrap metal
Slipway	A ramp on the shore by which ships or boats can be moved to and from the water
SOLAS	The International Convention for the Safety of Life at Sea 1974, as amended, adopted under the auspices of the IMO
Special Survey	Also known as class renewal survey. The inspection of a vessel at 5 year intervals to renew the Classification certificate of a vessel
Spot Market	The market for immediate chartering of a vessel usually for single voyages
Stowage Factor	The number of cubic metres of space occupied by one metric tonne (or Cubic Feet of space one long ton) of a particular type of cargo in a hold of a cargo ship
Time Charter	Contract for hire of a vessel either for a number of months or years or for a trip between specific delivery and re-delivery positions (known as a trip charter). The charterer pays all voyage related costs. The owner of the vessel receives semi-monthly charter hire payments on a per day basis and is responsible for the payment of all vessel operating expenses and capital costs of the vessel
Tonne	A metric ton
Voyage Charter	Contract for hire of a vessel for a specific amount and type of cargo on a load-port to discharge-port basis. The owner of the vessel receives one payment derived by multiplying the tonnes of cargo loaded on board by the agreed upon freight rate expressed on a per cargo tonne basis. The owner is responsible for the payment of all expenses including voyage, operating and capital costs of the vessel

FINANCIAL INFORMATION

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2011, 2010 and 2009

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended 31 December 2011, 2010 and 2009

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KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)



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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF

KDM SHIPPING PUBLIC LIMITED
(formerly V.S. MARINE ENGINEERING SERVICES LIMITED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of KMD Shipping Public Limited (the "Company") and its subsidiaries (the "Group") on pages 2 to 55 which comprise the consolidated statement of financial position as at 31 December 2011, 2010 and 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2011, 2010 and 2009 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Chartered Accountants

Nicosia, 20 March 2012

Board Members:

N.G. Syrimis, A.K. Christofides, E.Z. Hadjizacharias, P.G. Loizou
A.M. Gregoriades, A.A. Demetriou, D.S. Vakis, A.A. Apostolou
S.A. Lozides, M.A. Lozides, S.G. Sofocleous, M.M. Antoniadis
C.V. Vasiliou, P.E. Antoniadis, M.J. Halios, M.P. Michael, P.A. Peleties
G.V. Markides, M.A. Papacosta, K.A. Papanicolaou, A.I. Shammouris
G.N. Tzortzis, H.S. Charalambous, C.P. Anayiotos, I.P. Ghalanos
M.G. Gregoriades, H.A. Kakoulis, G.P. Savva, C.A. Kalas, C.N. Kallis
M.H. Zavrou, P.S. Elias, M.G. Lazarou, Z.E. Hadjizacharias
P.S. Theophanous, M.A. Karantoni, C.A. Markides

KPMG Limited, a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087, Nicosia, Cyprus.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2011, 2010 and 2009

	Note	2011	2010	2009
		USD'000	USD'000	USD'000
Revenue	5	29.159	13.907	16.273
Cost of sales	6	(13.645)	(8.372)	(9.498)
Gross profit		15.514	5.535	6.775
Other income		325	13	20
Administrative expenses	7	(851)	(1.432)	(1.522)
Other operating expenses	8	(921)	(428)	(194)
Operating profit	9	14.067	3.688	5.079
Finance income	11	78	83	-
Finance expenses	11	(178)	(58)	(159)
Net finance (expenses)/income		(100)	25	(159)
Profit before tax		13.967	3.713	4.920
Tax	12	222	1.364	(33)
Profit for the year		14.189	5.077	4.887
Other comprehensive income				
Effect of translation into presentation currency		(270)	57	(615)
Total comprehensive income for the year		13.919	5.134	4.272
Profit for the year attributable to:				
Owners of the Company		14.178	4.338	4.075
Non-controlling interest		11	739	812
Profit for the year		14.189	5.077	4.887
Total comprehensive income attributable to:				
Owners of the Company		13.948	4.385	3.497
Non-controlling interest		(29)	749	775
Total comprehensive income for the year		13.919	5.134	4.272
Basic and diluted earnings per share (USD)	27	8,29	2,54	2,38

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT DECEMBER 2011, 2010 AND 2009**

	Note	<u>2011</u>	<u>2010</u>	<u>2009</u>
		USD'000	USD'000	USD'000
Assets				
Vessels, property, plant and equipment	13	30.070	21.480	20.940
Intangible assets	14	117	4	6
Deferred tax assets	23	-	3	21
Total non-current assets		<u>30.187</u>	<u>21.487</u>	<u>20.967</u>
Inventories	18	421	223	195
Trade and other receivables	19	3.239	1.473	2.244
Cash and cash equivalents	20	80	77	196
Current assets		<u>3.740</u>	<u>1.773</u>	<u>2.635</u>
Total assets		<u>33.927</u>	<u>23.260</u>	<u>23.602</u>
Equity				
Share capital	21	18	18	18
Retained earnings		33.638	19.851	20.195
Translation reserve		(9.535)	(9.305)	(9.352)
Total equity attributable to owners of the Company		<u>24.121</u>	<u>10.564</u>	<u>10.861</u>
Non-controlling interest		48	3.183	2.604
Total equity		<u>24.169</u>	<u>13.747</u>	<u>13.465</u>
Liabilities				
Loans and borrowings	22	3.183	4.000	4.000
Deferred tax liabilities	23	2.643	2.898	4.278
Other long-term liabilities	25	229	99	-
Non-current liabilities		<u>6.055</u>	<u>6.997</u>	<u>8.278</u>
Short term loans		501	-	-
Short term portion of long-term loans	22	817	-	-
Trade and other payables	24	2.383	2.514	1.859
Tax liability	26	2	2	-
Total current liabilities		<u>3.703</u>	<u>2.516</u>	<u>1.859</u>
Total liabilities		<u>9.758</u>	<u>9.513</u>	<u>10.137</u>
Total equity and liabilities		<u>33.927</u>	<u>23.260</u>	<u>23.602</u>

On 20 March 2012 the Board of Directors of KDM Shipping Public Limited (formerly V.S. Marine Engineering Services Limited) authorised these consolidated financial statements for issue.

Kostiantyn Molodkovets
Director, CEO

Denys Molodkovets
Director, CFO

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2011, 2010 and 2009

	Attributable to owners of the Company			Total	Non-controlling interests	Total equity
	Share capital	Translation reserve	Retained earnings			
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Balance at 1 January 2011	18	(9.305)	19.851	10.564	3.183	13.747
Comprehensive income						
Profit for the year	-	-	14.178	14.178	11	14.189
Effect from translation into presentation currency	-	(230)	-	(230)	(40)	(270)
Total comprehensive income for the year	-	(230)	14.178	13.948	(29)	13.919
Transactions with owners, recognized directly in equity						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	(3.523)	(3.523)	-	(3.523)
Total transactions with owners	-	-	(3.523)	(3.523)	-	(3.523)
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interest without a change in control	-	-	3.132	3.132	(3.132)	-
Acquisition of subsidiary	-	-	-	-	(1)	(1)
Disposal of subsidiaries	-	-	-	-	27	27
	-	-	3.132	3.132	(3.106)	26
Balance at 31 December 2011	18	(9.535)	33.638	24.121	48	24.169

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2011, 2010 and 2009

	Attributable to owners of the Company			Non-controlling interests	Total equity	
	Share capital	Translation reserve	Retained earnings			Total
	USD'000	USD'000	USD'000			USD'000
Balance at 1 January 2010	18	(9.352)	20.195	10.861	2.604	13.465
Comprehensive income						
Profit for the year	-	-	4.338	4.338	739	5.077
Effect from translation into presentation currency	-	47	-	47	10	57
Total comprehensive income for the year	-	47	4.338	4.385	749	5.134
Transactions with owners, recognized directly in equity						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	(4.682)	(4.682)	-	(4.682)
Total transactions with owners	-	-	(4.682)	(4.682)	-	(4.682)
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interest	-	-	-	-	(170)	(170)
	-	-	-	-	(170)	(170)
Balance at 31 December 2010	18	(9.305)	19.851	10.564	3.183	13.747

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2011, 2010 and 2009

	<u>Attributable to owners of the Company</u>			<u>Non-controlling interests</u>	<u>Total equity</u>	
	<u>Share capital</u>	<u>Translation reserve</u>	<u>Retained earnings</u>			<u>Total</u>
	USD'000	USD'000	USD'000	USD'000	USD'000	
Balance at 1 January 2009	18	(8.774)	21.085	12.329	1.829	14.158
Comprehensive income						
Profit for the year	-	-	4.075	4.075	812	4.887
Effect from translation into presentation currency	-	(578)	-	(578)	(37)	(615)
Total comprehensive income for the year	-	(578)	4.075	3.497	775	4.272
Transactions with owners, recognized directly in equity						
<i>Contributions by and distributions to owners</i>						
Dividends	-	-	(4.965)	(4.965)	-	(4.965)
Total transactions with owners	-	-	(4.965)	(4.965)	-	(4.965)
Balance at 31 December 2009	18	(9.352)	20.195	10.861	2.604	13.465

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 December 2011, 2010 and 2009

	Note	<u>2011</u>	<u>2010</u>	<u>2009</u>
		USD'000	USD'000	USD'000
Cash flow from operating activities:				
Profit for the year		14.189	5.077	4.887
Adjustments for:				
Depreciation of vessels, property, plant and equipment		766	758	774
Amortisation of computer software		4	4	-
Write-offs of accounts receivable		240	-	-
Loss from the sale of vessels, property, plant and equipment		14	-	-
Loss from the sale of intangible assets		-	2	-
Gain from the disposal of subsidiaries		(52)	-	-
Write-offs of financial investments		-	-	73
Notes discounting		(78)	(83)	-
Discount of notes issued		16	5	-
Interest expense		153	53	86
Income tax expenses		(222)	(1.364)	33
Cash flows from operations before working capital changes		<u>15.030</u>	<u>4.452</u>	<u>5.853</u>
(Increase)/decrease in inventories		(198)	(28)	251
(Increase)/decrease in trade and other receivables		(2.018)	817	250
(Decrease)/increase in trade and other payables		(146)	655	(227)
Cash flows from operation		<u>12.668</u>	<u>5.896</u>	<u>6.127</u>
Tax paid		-	(42)	(4)
Net cash flows from operating activities		<u>12.668</u>	<u>5.854</u>	<u>6.123</u>
Cash flow from investing activities				
Payment for acquisition of intangible assets		(7)	(4)	(4)
Payment for acquisition of vessels, property, plant and equipment		(9.446)	(1.232)	(859)
Acquisition of subsidiaries, net cash outflow on acquisition	16	(63)	-	-
Disposal of subsidiaries, cash inflow on disposal	17	4	-	-
Proceeds from disposal of vessels, property, plant and equipment		6	-	-
Net cash flows used in investing activities		<u>(9.506)</u>	<u>(1.236)</u>	<u>(863)</u>
Cash flows from financing activities				
Proceeds from short term loans		501	-	-
Proceeds from issue of notes		192	178	-
Interest paid		(153)	(53)	(86)
Dividends paid		(3.523)	(4.682)	(4.965)
Acquisition of non-controlling interest without changes in control		-	(170)	-
Net cash used in financing activities		<u>(2.983)</u>	<u>(4.727)</u>	<u>(5.051)</u>
Effects of translation into presentation currency		(176)	(10)	(66)
Net increase/(decrease) in cash and cash equivalents		3	(119)	143
Cash and cash equivalents at the beginning of the year		<u>77</u>	<u>196</u>	<u>53</u>
Cash and cash equivalents at the end of the year	20	<u>80</u>	<u>77</u>	<u>196</u>

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2011, 2010 AND 2009

1. INCORPORATION AND PRINCIPAL ACTIVITIES

KDM Shipping Public Limited (formerly V.S. Marine Engineering Services 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.

Change of Company name

The Company was initially established under the name V.S. Marine Engineering Services Limited. On 21 December 2011, the Company changed its name from V.S. Marine Engineering Services Limited to KDM Shipping Public Limited.

The consolidated financial statements as at and for the years ended 31 December 2011, 2010 and 2009 comprise the financial statements of the Company and its subsidiaries (together referred to as "the Group").

The principal activities of the Group which remained the same for all three years are cargo transportation, passenger transportation, ship repair and shipbuilding.

The history of the Group began in 2001 with acquisition by the principal owner of River-Sea type vessels for the purpose of cargo transportation in the region of Black, Azov and Mediterranean Seas. By using River-Sea vessels low drought inland ports of Russia and Ukraine are easily accessible as well as any Sea port within the region of operations. Currently the Group's fleet of vessels is in private ownership and it is the 3rd largest operating under Ukrainian Flag. Entire fleet of vessels is in compliance with Ukrainian Maritime Registry of Shipping. The Group specializes in transportation of all general cargo such as: All Grain, SFSM, Scrap Metal, Pine Logs, Metals, Glass, Chemical fertilizers.

From 2002 the Group's principal owner started investing into acquisition of Ship Repair Yard in Kherson region Ukraine, and had full control by 2004. This was a strategic investment in reaching a vertically integrated shipping business. By this point in time the Group had its own crewing, technical maintenance and ship repair departments. The Yard specialized in the repair of middle tonnage fishing fleet, River-Sea vessels, special purpose vessels, floating cranes, dredgers and tugs. This helped the Group not only to cut down on costs involved in repair of its own fleet of vessels as well as improving quality control but to get additional profitability from undertaking repair works for other ship-owners.

The shipyard was heavily involved in improving its repair facilities and increasing productivity. Nevertheless during this period management of the Group had undertaken a number of successful projects in segmental reporting in shipbuilding, ship modernization that generated additional revenue streams as well as reducing the risks for the entire Group.

In 2005 the Group started operating a seasonal passenger transportation business in Kiev Ukraine. With own fleet of passenger vessels in different divisions of comfort and size, the Group is one of the largest passenger carriers on water transport with a significant market share. The fleet of the luxury boats is also in the segment of providing specialized services like: conferences, meetings, corporate events, celebrations, excursion tours etc.

The Group's subsidiaries, country of incorporation, their principal activities and effective ownership percentage are disclosed in note 15 of the consolidated financial statements.

The parent company of the Group is KDM Shipping Public Limited (formerly V.S. Marine Engineering Services Limited), with an issued share capital of 10.000 ordinary shares with nominal value of €1,71 per share. The shares were distributed as follows:

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2011, 2010 AND 2009

Owner	31 December 2011		31 December 2010		31 December 2009	
	Number of shares	Ownership interest	Number of shares	Ownership interest	Number of shares	Ownership interest
		%		%		%
Denys Molodkovets	1.000	10	1.000	10	1.000	10
Kostiantyn Molodkovets	9.000	90	9.000	90	9.000	90

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113 and are for the years ended 31 December 2011, 2010 and 2009.

(b) Basis of measurement

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

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations

As from 1 January 2011, the Group adopted all of the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a significant effect on the consolidated financial statements of the Group.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2011:

(i) Standards and Interpretations adopted by the EU

- IFRS 7 (Amendments) Financial Instruments: Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 1 (Amendments) "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" (effective for annual periods beginning on or after 1 July 2011).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendments) "Financial Instruments" Disclosures – "Disclosures on transition to IFRS 9" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2015).
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).

KDM SHIPPING PUBLIC LIMITED
(FORMERLY V.S. MARINE ENGINEERING SERVICES LIMITED)NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2011, 2010 AND 2009

- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).
- IAS 1 (Amendments) "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- IAS 12 (Amendments) "Deferred tax" Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).
- IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised) "Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (Revised) "Investments in Associates and Joint ventures" (effective for annual periods beginning on or after 1 January 2013).
- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

The Board of Directors expects that the adoption of the above financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Group except for:

- The adoption of IFRS9 could change the classification and measurement of financial assets. The extent of the impact has not been determined.

(d) Use of estimates and judgements

The preparation of the Group's consolidated financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described below:

- Work in progress

Work in progress is stated at cost plus any attributable profit less any foreseeable losses and less amounts received or receivable as progress payments. The cost of work in progress includes materials,

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labour and direct expenses plus attributable overheads based on a normal level of activity. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

- Provision for bad and doubtful debts

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- Provision for obsolete and slow-moving inventory

The Group reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on Management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

- Income taxes and deferred tax assets

Significant judgement is required in determining the provision for income 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.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets are reviewed at each reporting date and reduced to the extent there is no longer any probability for sufficient taxable profit to be received, which enables utilization of the whole number of or a part of deferred tax assets. Estimate of probability includes judgments, which are based on expected characteristics of activity. To estimate the probability of utilising deferred tax assets in future, various factors are used, including previous years' results, operating plans, expiry of tax losses recovery, strategies of tax planning. Should actual results differ from the estimates, and should such estimates need to be reviewed in future periods, this can negatively influence the financial position, financial results and cash flows. Should the estimated utilisation of deferred tax assets be reduced, such reduction is to be recognised in consolidated statement of comprehensive income.

- Vessels life and impairment

The carrying value of the Group's vessels represents their original cost at the time they were delivered or purchased less depreciation calculated using an estimated useful life of years from the date the vessels were originally delivered from the shipyard. In the shipping industry, use of life in this range has become the standard. The actual life of a vessel may be different. If the economic life assigned to a vessel proves to be too long because of new regulations or other future events, higher depreciation expense and impairment losses could result in future periods related to a reduction in the useful life of a vessel.

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The carrying value of the Group's vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of new vessels. Historically, both charter rates and vessel values tend to be cyclical. The Group records impairment losses only when events occur that cause the Group to believe that future cash flows for the vessels will be less than their carrying value. The carrying amount of vessels held and used by the Group is reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the vessels may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the discounted future cash flows expected to result from the use of the vessels and their eventual disposition is less than the vessels' carrying amount.

In developing estimates of future cash flows, the Group must make assumptions about future charter rates, ship operating expenses and the estimated remaining useful life of the vessels. These assumptions are based on historical trends as well as future expectations. Although Management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions may be highly subjective.

- Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

- Legal proceedings

The Group's Management applies significant assumptions in the measurement and recognition of provisions for and risks of exposure to contingent liabilities, related to existing legal proceedings and other unsettled claims, and also other contingent liabilities. Management's judgment is required in estimating the probability of a successful claim against the Group or the crystallising of a material obligation, and in determining the probable amount of the final settlement or obligation. Due to uncertainty inherent in the process of estimation, actual expenses may differ from initial estimates. Such preliminary estimates may alter as new information is received, from internal specialists within the Group, if any, or from third parties, such as lawyers. Revision of such estimates may have a significant effect on the future results of operating activity.

- Contingent liabilities

Contingent liabilities are determined by the occurrence or non-occurrence of one or more future events. Measurement of contingent liabilities is based on Management's judgments and estimates of the outcomes of such future events. In particular, the tax laws in Ukraine are complex and significant management judgement is required to interpret those laws in connection with the tax affairs of the Group, which is open to challenge by the tax authorities.

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• Impact of the global financial and economic crisis

The ongoing global financial and economic liquidity crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the “Credit Crunch”) has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to bank failures of banks and other corporations, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to anticipate or completely guard against. The volume of wholesale financing has significantly reduced since August 2007. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Debtors and clients of the Group may be adversely affected by the financial and economic environment, lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating economic conditions for clients may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, Management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

(e) Functional and presentation currency

The functional currency of all companies of the Group is the Ukrainian Hryvnia (“UAH”). The currency of Cyprus is the Euro, but the principle exposure of the parent undertaking is through its Ukrainian subsidiaries, and therefore the functional currency of the Company is also considered to be UAH. 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. Exchange differences arising are classified as equity and transferred to the Company's translation reserve.

(f) Going concern basis

These 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 following accounting policies have been applied consistently for all the years presented in these consolidated financial statements and in stating the financial position of the Group. The accounting policies have been consistently applied by all companies of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company KDM Shipping Public Limited (formerly V.S. Marine Engineering Services Limited) and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date that control commences until the date control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and

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the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Transactions under common control

Consolidation of companies including organisations and entities under common control requires that all the organisations and enterprises being consolidated are controlled by one and the same party or parties, both before consolidation and after it, and this control is not transitory.

Combinations of businesses under common control

A business combination in which the combining entities are ultimately controlled by the same individual both before and after the combination and the control is not transitory is accounted using the pooling of interests accounting principles (otherwise known as "carry over accounting" or "predecessor accounting"). The principles of predecessor accounting are:

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- The Group does not restate assets and liabilities to their fair values. Instead the Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.
- No goodwill arises in predecessor accounting. Predecessor accounting may lead to differences in consolidation, for example the consideration given may differ from the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity. Such differences are included in equity in retained earnings.
- The consolidated financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined from the date that common control was achieved. Consequently, the consolidated financial statements reflect both entities' full year's results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous years also reflect the combined results of both entities, even though the transaction did not occur until the current year.

Segmental reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Group is organised by business segments and this is the primary format for segmental reporting. Each business segment provides products or services which are subject to risks and rewards that are different from those of other business segments.

The Group presents information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue recognition

Revenue comprises the invoiced amount for the sale of products and services in the course of the ordinary activities of the Group. Revenue is recorded net of Value Added Tax, rebates and discounts. Revenues earned by the Group are recognised on the following bases:

- Rendering of services

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance expenses

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

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Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividend distribution to the Group's owners is recognised in the Group's financial statements in the year in which they are approved by the Group's owners.

Vessels, property, plant and equipment

Initial recognition

Vessels, property, plant and equipment ("VPPE") are recognised by the Group as an asset only in a case, when:

- it is probable that the Group will receive certain future economic benefits
- the historical cost can be assessed in a reliable way
- it is intended for use during more than one operating cycle (usually more than 12 months)
- After actual commissioning, VPPE previously under construction is transferred to the relevant category.

Expenses after the initial recognition

Any subsequent expenses, increasing the future economic benefits from the asset, are treated as additions. Otherwise, the Group recognises subsequent expenses as expenses of the period, in which they have been incurred. The Group divides all expenses, related to VPPE, into the following types:

- current repairs and expenses for maintenance and technical service
- capital refurbishment, including modernisation.

Subsequent measurement

After initial recognition as an asset, the Group applies the model of accounting for the VPPE at historical cost, net of accumulated depreciation and any accumulated losses from impairment, taking into account estimated residual values of such assets at the end of their useful lives. Such cost includes the cost of replacing significant parts of the plant and equipment and borrowing costs for long-term construction

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projects if the recognition criteria are met. When significant parts of VPPE are required to be replaced from time to time, the Group recognises such parts as individual assets with specific estimated useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying value of the VPPE as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Expenditure for repairs and maintenance of vessels, property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of vessels, property, plant and equipment. The estimated useful lives of the Group's VPPE are as follows:

	<u>Years</u>
Buildings	30 - 50
Vessels	25 - 35
Vessels under construction	not depreciated
Plant and equipment	15 - 25
Vehicles	4 - 10
Furniture and fittings	4 - 10
Other	4 - 10

No depreciation is provided on land.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Assets under construction comprise costs directly related to construction of vessels and property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Construction in progress is not depreciated.

An asset is not depreciated during the first year of placing into operation. The acquired asset is depreciated starting from the following year from the date of placing into operation and depreciation is fully accumulated when useful life terminates.

De-recognition

An item of vessels, property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss when the asset is derecognised.

At each reporting date the Group evaluates whether any indicators of possible impairment of an asset exist. If the recoverable value of an asset or a group of assets within VPPE is lower than their carrying (residual) value, the Group recognises such asset or group of assets as impaired, and accrues a provision for impairment of the amount of excess of the carrying value over the recoverable value of the asset. Impairment losses are recognised immediately in profit or loss.

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Intangible assets

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) *Trade receivables*

Trade receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) *Financial investments*

Available for sale financial assets are those acquired and held for an unspecified period of time and may be sold to cover cash flow deficiencies, fluctuations in interest rates, exchange rates or other security prices. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Gains and losses arising from changes in fair value are recognised in other comprehensive income and then in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

(ii) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits of three months.

(iii) *Borrowings*

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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Notes issued are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

(v) *Trade payables*

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

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Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

The cost of inventories comprises all expenses for acquisition, processing and other expenses incurred in bringing the inventories to their present location and condition. The cost of work in progress includes materials, labour and direct expenses plus attributable overheads based on a normal level of activity.

The Group regularly reviews inventories to determine whether there are any indicators of damage, obsolescence, slow movement, or a decrease in net realizable price. When such event takes place, the amount by which inventories are impaired, is reported in profit or loss.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Value added tax (VAT)

There are two rates of value added taxes: 20% – on import and sales of goods and services in the territory of Ukraine and 0% - on export of goods and rendering of services and works outside Ukraine.

The VAT liability is equal to the total amount of VAT accrued during the reporting period and arises at the earlier of goods shipment to the customer or at the date of receipt of payment from the client.

VAT credit is the amount by which a taxpayer is entitled to reduce his/her VAT liabilities in the reporting period. The right to VAT credit arises on the earlier of the date of payment to supplier or the date of receipt of goods.

For goods and services supplied at the 20% tax rate, revenue, expenses and assets are recognised net of VAT amount, unless:

- The value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidation statement of financial position.

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Contingent assets and liabilities

Contingent liabilities are not recognized in the consolidated financial statements. Such liabilities are disclosed in the notes to consolidated financial statements, with the exception of when the probability of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements, but are disclosed in the notes in such cases when there is a possibility of receiving the economic benefits.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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:

	<u>Freight</u>	<u>Ship repair</u>	<u>Passenger transport</u>	<u>Total</u>
2011	USD'000	USD'000	USD'000	USD'000
Revenue	22.852	4.290	2.017	29.159
Cost of sales	(9.824)	(2.456)	(1.365)	(13.645)
Gross profit	13.028	1.834	652	15.514
Expenses	(300)	(589)	(558)	(1.447)
Operating profit	12.728	1.245	94	14.067
Net finance cost	(100)	-	-	(100)
Profit before tax	12.628	1.245	94	13.967
Tax	-	37	185	222
Net profit for the year	<u>12.628</u>	<u>1.282</u>	<u>279</u>	<u>14.189</u>
Non-current assets	7.554	14.602	8.031	30.187
Current assets	1.904	1.273	563	3.740
Total assets	<u>9.458</u>	<u>15.875</u>	<u>8.594</u>	<u>33.927</u>
Non-current liabilities	-	134	5.921	6.055
Current liabilities	800	1.801	1.102	3.703
Total liabilities	<u>800</u>	<u>1.935</u>	<u>7.023</u>	<u>9.758</u>

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Revenue	12.766	627	514	13.907
Cost of sales	<u>(7.696)</u>	<u>(357)</u>	<u>(319)</u>	<u>(8.372)</u>
Gross profit	5.070	270	195	5.535
Expenses	<u>(2)</u>	<u>(575)</u>	<u>(1.270)</u>	<u>(1.847)</u>
Operating profit	5.068	(305)	(1.075)	3.688
Net finance cost	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
Profit before tax	5.068	(305)	(1.050)	3.713
Tax	<u>-</u>	<u>(29)</u>	<u>1.393</u>	<u>1.364</u>
Net profit for the year	<u>5.068</u>	<u>(334)</u>	<u>343</u>	<u>5.077</u>
Non-current assets	5.812	10.405	5.270	21.487
Current assets	<u>824</u>	<u>543</u>	<u>406</u>	<u>1.773</u>
Total assets	<u>6.636</u>	<u>10.948</u>	<u>5.676</u>	<u>23.260</u>
Non-current liabilities	-	34	6.963	6.997
Current liabilities	<u>998</u>	<u>1.280</u>	<u>238</u>	<u>2.516</u>
Total liabilities	<u>998</u>	<u>1.314</u>	<u>7.201</u>	<u>9.513</u>

	<u>Freight</u>	<u>Ship repair</u>	<u>Passenger transport</u>	<u>Total</u>
2009	USD'000	USD'000	USD'000	USD'000
Revenue	14.137	1.540	596	16.273
Cost of sales	<u>(8.314)</u>	<u>(928)</u>	<u>(256)</u>	<u>(9.498)</u>
Gross profit	5.823	612	340	6.775
Expenses	<u>(352)</u>	<u>(411)</u>	<u>(933)</u>	<u>(1.696)</u>
Operating profit	5.471	201	(593)	5.079
Net finance cost	<u>-</u>	<u>-</u>	<u>(159)</u>	<u>(159)</u>
Profit before tax	5.471	201	(752)	4.920
Tax	<u>-</u>	<u>(22)</u>	<u>(11)</u>	<u>(33)</u>
Net profit for the year	<u>5.471</u>	<u>179</u>	<u>(763)</u>	<u>4.887</u>
Non-current assets	6.464	9.762	4.741	20.967
Current assets	<u>866</u>	<u>1.009</u>	<u>760</u>	<u>2.635</u>
Total assets	<u>7.330</u>	<u>10.771</u>	<u>5.501</u>	<u>23.602</u>
Non-current liabilities	-	-	8.278	8.278
Current liabilities	<u>779</u>	<u>625</u>	<u>455</u>	<u>1.859</u>
Total liabilities	<u>779</u>	<u>625</u>	<u>8.733</u>	<u>10.137</u>

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In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Revenue			
Turkey	7.439	6.727	4.765
Ukraine	11.618	3.903	3.579
Russia	4.705	1.820	2.230
Georgia	2.516	650	3.127
Italy	1.639	503	1.521
Greece	968	90	568
Other countries	274	214	483
	<u>29.159</u>	<u>13.907</u>	<u>16.273</u>
Non current assets			
Ukraine	30.187	21.487	20.967

5. SALES REVENUE

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Rendering of services	<u>29.159</u>	<u>13.907</u>	<u>16.273</u>
	<u>29.159</u>	<u>13.907</u>	<u>16.273</u>

6. COST OF SALES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Wages and salaries	1.922	1.446	2.381
Materials	5.619	2.734	3.148
Third parties services	5.353	3.421	3.217
Sundry expenses	3	36	6
Depreciation	748	735	746
	<u>13.645</u>	<u>8.372</u>	<u>9.498</u>

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7. ADMINISTRATIVE EXPENSES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Staff salaries and related charges	324	387	357
Other administrative expenses	9	98	314
Office and other material costs	17	95	104
Third parties services	440	756	639
Taxes and duties	39	69	80
Depreciation	18	23	28
Amortisation	4	4	-
	<u>851</u>	<u>1.432</u>	<u>1.522</u>

8. OTHER OPERATING EXPENSES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Loss from foreign exchange difference, net	561	67	145
Other operating expenses	347	355	48
Fines and penalties	13	6	1
	<u>921</u>	<u>428</u>	<u>194</u>

9. OPERATING PROFIT

Operating profit is stated after charging the following items:

	Note	<u>2011</u>	<u>2010</u>	<u>2009</u>
		USD'000	USD'000	USD'000
Depreciation of vessels, property plant and equipment	13	766	758	774
Staff costs	10	2.246	1.833	2.738
Auditor's remuneration for the statutory audit of annual accounts		<u>39</u>	<u>36</u>	<u>10</u>

10. STAFF COSTS

	Note	<u>2011</u>	<u>2010</u>	<u>2009</u>
		USD'000	USD'000	USD'000
Wages and salaries		1.575	1.340	2.011
Contributions to pension fund		604	445	653
Contributions to other funds		<u>67</u>	<u>48</u>	<u>74</u>
	9	<u>2.246</u>	<u>1.833</u>	<u>2.738</u>

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Payroll and related taxes for the years ended 31 December 2011, 2010 and 2009 were presented as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Payroll of production personnel and related taxes	1.922	1.446	2.381
Salaries and wages of administrative personnel	<u>324</u>	<u>387</u>	<u>357</u>
Total staff costs	<u><u>2.246</u></u>	<u><u>1.833</u></u>	<u><u>2.738</u></u>

Average number of employees was as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Average number of employees, persons	246	287	328
Key management personnel	<u>23</u>	<u>26</u>	<u>22</u>
	<u><u>269</u></u>	<u><u>313</u></u>	<u><u>350</u></u>

11. NET FINANCE INCOME AND EXPENSES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Finance income			
Effect of notes' discounting	78	83	-
	<u>78</u>	<u>83</u>	<u>-</u>
Finance expenses			
Interest expense			
Loan interest	(153)	(53)	(86)
Other finance expenses			
Write-offs of financial investments	(9)	-	(73)
Discount of notes issued	<u>(16)</u>	<u>(5)</u>	<u>-</u>
	<u><u>(178)</u></u>	<u><u>(58)</u></u>	<u><u>(159)</u></u>

12. TAXATION

	Note	<u>2011</u>	<u>2010</u>	<u>2009</u>
		USD'000	USD'000	USD'000
Income tax		9	7	1
Deferred tax - credit	24	<u>(231)</u>	<u>(1.371)</u>	<u>32</u>
Credit for the year		<u><u>(222)</u></u>	<u><u>(1.364)</u></u>	<u><u>33</u></u>

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Reconciliation of tax based on the taxable income and tax based on accounting profits:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Accounting profit before tax	13.967	3.713	4.920
Income tax, taxable at the rate of 27,5%	-	151	105
Income tax, taxable at the rate of 21%	507	732	1.145
Income tax, taxable at the rate of 10%	-	-	(28)
Expenses not included in gross expenses for income tax	42	(777)	(1.189)
Changes in tax rate and law	(771)	(1.470)	-
Tax as per consolidated statement of comprehensive income-credit	(222)	(1.364)	33

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13. VESSELS, PROPERTY, PLANT AND EQUIPMENT

2011	<u>Land and buildings</u>	<u>Vessels</u>	<u>Vessels under construction</u>	<u>Plant and equipment</u>	<u>Vehicles</u>	<u>Furniture and fittings</u>	<u>Other</u>	<u>Total</u>
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 January	11.020	12.186	1.013	1.399	212	191	96	26.117
Additions	-	5.496	3.941	6	-	1	2	9.446
Disposals	-	(2)	-	(11)	-	-	(1)	(14)
Exchange differences	(9)	(4)	(2)	(3)	(6)	(1)	(1)	(26)
Acquisition of subsidiary	1	-	-	-	-	-	-	1
Disposal of subsidiaries	(31)	(39)	-	(3)	-	-	-	(73)
Balance at 31 December	<u>10.981</u>	<u>17.637</u>	<u>4.952</u>	<u>1.388</u>	<u>206</u>	<u>191</u>	<u>96</u>	<u>35.451</u>
Depreciation								
Balance at 1 January	1.683	2.139	-	548	82	94	91	4.637
Depreciation during the year	275	282	-	58	120	15	16	766
Exchange differences	(2)	(3)	-	(2)	-	-	(12)	(19)
On disposal of subsidiaries	(1)	(2)	-	-	-	-	-	(3)
Balance at 31 December	<u>1.955</u>	<u>2.416</u>	<u>-</u>	<u>604</u>	<u>202</u>	<u>109</u>	<u>95</u>	<u>5.381</u>
Net book value								
Balance at 31 December	<u>9.026</u>	<u>15.221</u>	<u>4.952</u>	<u>784</u>	<u>4</u>	<u>82</u>	<u>1</u>	<u>30.070</u>

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2010	<u>Land and buildings</u>	<u>Vessels</u>	<u>Vessels under construction</u>	<u>Plant and equipment</u>	<u>Vehicles</u>	<u>Furniture and fittings</u>	<u>Other</u>	<u>Total</u>
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 January	10.154	12.040	774	1.379	207	158	94	24.806
Additions	834	105	238	16	5	32	2	1.232
Exchange differences	32	41	1	4	-	1	-	79
Balance at 31 December	<u>11.020</u>	<u>12.186</u>	<u>1.013</u>	<u>1.399</u>	<u>212</u>	<u>191</u>	<u>96</u>	<u>26.117</u>
Depreciation								
Balance at 1 January	1.424	1.752	-	472	63	74	81	3.866
Depreciation during the year	254	381	-	74	19	20	10	758
Exchange differences	5	6	-	2	-	-	-	13
Balance at 31 December	<u>1.683</u>	<u>2.139</u>	<u>-</u>	<u>548</u>	<u>82</u>	<u>94</u>	<u>91</u>	<u>4.637</u>
Net book value								
Balance at 31 December	<u>9.337</u>	<u>10.047</u>	<u>1.013</u>	<u>851</u>	<u>130</u>	<u>97</u>	<u>5</u>	<u>21.480</u>

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2009	Land and buildings	Vessels	Vessels under construction	Plant and equipment	Vehicles	Furniture and fittings	Other	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
Balance at 1 January	10.490	12.057	552	1.305	214	139	91	24.848
Additions	39	425	240	124	-	25	6	859
Exchange differences	(375)	(442)	(18)	(50)	(7)	(6)	(3)	(901)
Balance at 31 December	<u>10.154</u>	<u>12.040</u>	<u>774</u>	<u>1.379</u>	<u>207</u>	<u>158</u>	<u>94</u>	<u>24.806</u>
Depreciation								
Balance at 1 January	1.214	1.432	-	416	45	55	64	3.226
Depreciation during the year	260	379	-	73	20	22	20	774
Exchange differences	(50)	(59)	-	(17)	(2)	(3)	(3)	(134)
Balance at 31 December	<u>1.424</u>	<u>1.752</u>	<u>-</u>	<u>472</u>	<u>63</u>	<u>74</u>	<u>81</u>	<u>3.866</u>
Net book value								
Balance at 31 December	<u>8.730</u>	<u>10.288</u>	<u>774</u>	<u>907</u>	<u>144</u>	<u>84</u>	<u>13</u>	<u>20.940</u>

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14. INTANGIBLE ASSETS

2011	Goodwill	Computer software	Total
	USD'000	USD'000	USD'000
Cost			
Balance at 1 January	-	8	8
Additions	110	7	117
Balance at 31 December	<u>110</u>	<u>15</u>	<u>125</u>
Amortisation			
Balance at 1 January	-	4	4
Amortisation during the year	-	4	4
Balance at 31 December	<u>-</u>	<u>8</u>	<u>8</u>
Net book value			
Balance at 31 December	<u>110</u>	<u>7</u>	<u>117</u>
2010			
Cost			
Balance at 1 January	-	6	6
Additions	-	4	4
Disposals	-	(2)	(2)
Balance at 31 December	<u>-</u>	<u>8</u>	<u>8</u>
Amortisation			
Balance at 1 January	-	-	-
Amortisation during the year	-	4	4
Balance at 31 December	<u>-</u>	<u>4</u>	<u>4</u>
Net book value			
Balance at 31 December	<u>-</u>	<u>4</u>	<u>4</u>
2009			
Cost			
Balance at 1 January	-	2	2
Additions	-	4	4
Balance at 31 December	<u>-</u>	<u>6</u>	<u>6</u>
Amortisation			
Balance at 1 January	-	-	-
Amortisation during the year	-	-	-
Balance at 31 December	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
Balance at 31 December	<u>-</u>	<u>6</u>	<u>6</u>

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15. INVESTMENTS IN SUBSIDIARIES

The details of the subsidiaries are as follows:

Name	Country of incorporation	2011	2010	2009
		Effective Holding%	Effective Holding%	Effective Holding%
KD Shipping Co. Limited Inc.	Panama	100,00	100,00*	100,00*
LLC Danapris	Ukraine	99,84	99,84	99,84
LLC Capital Shipping Company	Ukraine	99,57	82,17	82,17
LLC Hylea-Mechanoservise	Ukraine	-	84,38	84,38
LLC Hylea-Sydoservise	Ukraine	-	84,38	84,38
LLC Hylea-Servise	Ukraine	99,57	55,05	55,05
LLC Capital River Port	Ukraine	-	82,17	82,17
LLC CSC-Agent	Ukraine	99,58	82,17	82,17
LLC Riverest Tur	Ukraine	94,61	-	-

* The Company acquired 100% of the share capital of KD Shipping Co. Limited Inc. on 25 November 2011. KD Shipping Co. Limited Inc. was previously owned by the shareholders of the Company and thus considered to be under common control. KD Shipping Co. Limited Inc. results as well as its assets and liabilities are reflected in the consolidated financial statements as of 01 January 2009 using the predecessor accounting as stated in note 3.

16. ACQUISITION OF SUBSIDIARY

In January 2011 the Company acquired 94,61% of the share capital of LLC Riverest Tur, an owner of passenger license in Ukraine.

Goodwill arising on consolidation:

	USD'000
Consideration paid	63
Plus: non-controlling interests	1
Plus: Fair value of the net liabilities acquired	46
	<hr/>
Goodwill arising on consolidation	110
	<hr/> <hr/>

The assets and liabilities acquired were as follows:

	<u>Acquiree's carrying amount before acquisition</u>	<u>Fair value</u>
	USD'000	USD'000
Property, plant and equipment	1	1
Trade payables	(44)	(44)
Other payables	(3)	(3)
	<hr/>	<hr/>
Net liabilities	(46)	(46)
	<hr/> <hr/>	<hr/> <hr/>

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Net cash outflow on acquisition of subsidiary	2011
	USD'000
Consideration paid in cash	(63)
Cash and cash equivalents acquired	-
	(63)

From the acquisition date of 1 January 2011 of LLC Riverest Tur no revenue contributed and a loss of USD 8.095 was attributed to the Group's results.

17. DISPOSAL OF SUBSIDIARIES

In January 2011 the Company disposed 84,38% of the share capital of LLC Hylea-Sydoservice, an owner of passenger license in Ukraine, 84,38% of the share capital of LLC Hylea-Mechanoservice, an owner of passenger license in Ukraine, and 82,17% of the share capital of LLC Capital River Port, a passenger service company operating in Ukraine.

The assets and liabilities disposed were as follows:

	USD'000
Property, plant and equipment	70
Inventories	2
Trade and other receivables	2
Prepayments and other current assets	2
Taxes recoverable and prepaid	1
Other long term liabilities	(2)
Trade and other payables	(135)
Other accounts payable	(3)
Deferred tax liabilities	(12)
Net liabilities	(75)
Non-controlling interests	27
Net liabilities disposed	(48)
Cash consideration received	4
Cash inflow on disposal	4

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18. INVENTORIES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Raw materials	40	45	36
Work-in-progress	18	18	10
Fuel	351	146	134
Spare parts and other consumables	7	7	8
Other materials	5	7	7
	<u>421</u>	<u>223</u>	<u>195</u>

19. TRADE AND OTHER RECEIVABLES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Trade receivables	1,608	907	1,620
Prepayments	939	175	123
Tax invoices not received	4	100	85
VAT for reimbursement against decrease in tax liabilities of future tax periods	279	191	155
Other taxes prepaid	-	4	9
Other receivables	409	96	252
	<u>3,239</u>	<u>1,473</u>	<u>2,244</u>

Ageing analysis of trade and other receivables:

	<u>Gross amount</u>	<u>Impairment</u>	<u>Gross amount</u>	<u>Impairment</u>	<u>Gross amount</u>	<u>Impairment</u>
	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Not past due	617	-	626	-	957	-
Past due 0-30 days	2	-	5	-	-	-
Past due 31-120 days	24	-	8	-	22	-
More than 120 days	965	-	268	-	641	-
	<u>1,608</u>	<u>-</u>	<u>907</u>	<u>-</u>	<u>1,620</u>	<u>-</u>

An amount of USD 240,000 was written off in year 2011 in relation to trade receivables.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 29 of the consolidated financial statements.

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20. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents include the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Cash at bank	<u>80</u>	<u>77</u>	<u>196</u>
	<u>80</u>	<u>77</u>	<u>196</u>

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 29 of the consolidated financial statements.

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21. SHARE CAPITAL

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	Number of shares	USD'000	Number of shares	USD'000	Number of shares	USD'000
Authorised						
Ordinary shares of EUR 1,71 each (translated to USD 1,75 each)	10.000	18	10.000	18	10.000	18
Issued and fully paid						
Balance at 1 January	10.000	18	10.000	18	10.000	18
Balance at 31 December	10.000	18	10.000	18	10.000	18

Dividends

The following dividends were declared and paid by the Company for the year ended 31 December:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
USD 496,5 per qualifying ordinary share	-	-	4.965
USD 468,2 per qualifying ordinary share	-	4.682	-
USD 352,3 per qualifying ordinary share	3.523	-	-
	<u>3.523</u>	<u>4.682</u>	<u>4.965</u>

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The owners of the parent company as at 31 December 2011, 2010 and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Denys Molodkovets	16	16	16
Kostiantyn Molodkovets	2	2	2
	<u>18</u>	<u>18</u>	<u>18</u>

On 22 February 2012 it was resolved that the value of the shares of the Company's capital is divided from €1,71 each to €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.

On the same date, 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 will have the same rights as the existing shares.

Additionally, on the same date, it was resolved to issue and allot 4.790.000 shares of nominal value €0,01. As a result of the above, the issued share capital amounts to €65.000 and is divided into 6.500.000 ordinary shares of €0,01 each.

22. LOANS AND BORROWINGS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Long term liabilities			
Bank loans	3.183	4.000	4.000
Short term liabilities			
Bank loans	817	-	-
Total	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>
Maturity of non-current borrowings:			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Within one year	817	-	-
Between one and five years	3.183	3.506	2.518
After five years	-	494	1.482
	<u>3.183</u>	<u>4.000</u>	<u>4.000</u>
	<u>4.000</u>	<u>4.000</u>	<u>4.000</u>

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The bank loans are secured as follows:

- By mortgage against vessels of net book value of USD 5.479 thousand (2010: USD 3.522 thousand and 2009: USD 3.388).
- By mortgage against buildings for 2011 of net book value of USD 5.562 thousand.

The weighted average effective interest rates at the reporting date were as follows:

	2011	2010	2009
Bank loans	3M Libor + 9%	6M Libor + 7%	6M Libor + 7%

23. DEFERRED TAX

Deferred tax liability

Deferred taxation liability arises as follows:

	2011	2010	2009
	USD'000	USD'000	USD'000
Vessels, property, plant and equipment	2.643	2.869	4.246
Inventories	-	3	1
Accounts receivable and prepayments	-	17	31
Provisions	-	9	-
	2.643	2.898	4.278

At 31 December 2011, no deferred tax liability was recognised on temporary differences related to the investments in subsidiaries since the sale of shares in subsidiaries does not raise taxable income.

Deferred tax assets

Deferred taxation asset arises as follows:

	2011	2010	2009
	USD'000	USD'000	USD'000
Vessels, property, plant and equipment	-	1	-
Accounts receivable and prepayments	-	2	21
	-	3	21

Deferred tax assets have not been recognised in respect of tax losses for the year 2011 USD 53.724(2010: USD 514.047).

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24. TRADE AND OTHER PAYABLES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Trade payables	1,649	1,403	1,130
Advances received	39	104	86
Salaries contributions and other related taxes	71	139	97
Payables for the acquisition of subsidiaries	363	360	362
Other accounts payable	206	477	169
Other taxes payable	55	31	15
	<u>2,383</u>	<u>2,514</u>	<u>1,859</u>

The exposure of the Group to liquidity risk in relation to other accounts payable is reported in note 29 of the consolidated financial statements.

25. OTHER LONG-TERM LIABILITIES

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Long-term notes payable	370	178	-
Discount	(141)	(79)	-
	<u>229</u>	<u>99</u>	<u>-</u>

The amounts above relate to bills issued by the Group.

Maturing of other long term liabilities:

	<u>2011</u>	<u>2010</u>
	Nominal value	Nominal value
	USD'000	USD'000
Within one year	-	-
Between one and five years	119	-
After five years	251	178
	<u>370</u>	<u>178</u>

26. TAX LIABILITY

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Income tax accrued for the period	11	7	1
Income tax paid for the period	(9)	(7)	(1)
Effect of translation into presentation currency	-	2	-
	<u>2</u>	<u>2</u>	<u>-</u>

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27. EARNINGS PER SHARE

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

Profit attributable to ordinary owners:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Profit for the year	<u>14.178</u>	<u>4.338</u>	<u>4.075</u>

Number of ordinary shares:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	'000	'000	'000
Issued ordinary shares at 1 January	<u>10</u>	<u>10</u>	<u>10</u>
Share split as a result of change in nominal value from €1,71 to €0,01 on 22 February 2012	<u>1.710</u>	<u>1.710</u>	<u>1.710</u>
Number of shares at 31 December	<u>1.710</u>	<u>1.710</u>	<u>1.710</u>

28. RELATED PARTY BALANCES AND TRANSACTIONS

The Company is controlled by Molodkovets K. and Molodkovets D., who directly or indirectly own 100% of the Company's share capital as at each reporting period.

For the purposes of these 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 which activities are significantly influenced by the Group's owners.

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(i) Remuneration of key management

Salary costs of key management for the years ended 31 December 2011, 2010 and 2009 were as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Salaries	456	241	157
Contributions to pension funds	193	84	39
Other contributions	-	3	2
	<u>649</u>	<u>328</u>	<u>198</u>

Number of key management personnel for the years ended 31 December 2011, 2010 and 2009 was as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Number of key management personnel, persons	<u>23</u>	<u>26</u>	<u>22</u>

(ii) Transactions with related parties

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Sales	57	5	2
Purchases	<u>(281)</u>	<u>(84)</u>	<u>(29)</u>
	<u>(224)</u>	<u>(79)</u>	<u>(27)</u>

(iii) Outstanding balances with related parties

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Trade receivable	156	16	14
Other receivables	47	26	19
Trade payables	(204)	(20)	(19)
Other payables	<u>(74)</u>	<u>(22)</u>	<u>(16)</u>
	<u>(75)</u>	<u>-</u>	<u>(2)</u>

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29. FINANCIAL RISK MANAGEMENTFinancial risk factors

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group recognises impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this amount are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Trade and other receivables	2.021	1.107	1.966
Cash at bank	80	77	196
	<u>2.101</u>	<u>1.184</u>	<u>2.162</u>

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(ii) *Liquidity risk*

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2011	Carrying amounts	Contractua l cash flows	6 months or less	Between 6-12 months	Between 1-5 years	Over than 5 years
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Bank loans	4.000	4.615	293	1.026	3.296	-
Short term loans	501	621	621	-	-	-
Trade and other payables	2.383	2.383	2.383	-	-	-
Other long-term liabilities	229	370	-	-	119	251
	<u>7.113</u>	<u>7.989</u>	<u>3.297</u>	<u>1.026</u>	<u>3.415</u>	<u>251</u>
31 December 2010	Carrying amounts	Contractua l cash flows	6 months or less	Between 6-12 months	Between 1-5 years	More than 5 years
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Bank loans	4.000	4.615	-	-	4.615	-
Trade and other payables	2.514	2.514	2.514	-	-	-
Other long-term liabilities	99	178	-	-	-	178
	<u>6.613</u>	<u>7.307</u>	<u>2.514</u>	<u>-</u>	<u>4.615</u>	<u>178</u>
31 December 2009	Carrying amounts	Contractua l cash flows	6 months or less	Between 6-12 months	Between 1-5 years	More than 5 years
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Bank loans	4.000	4.615	-	-	3.579	1.036
Trade and other payables	1.859	1.859	1.497	-	362	-
	<u>5.859</u>	<u>6.474</u>	<u>1.497</u>	<u>-</u>	<u>3.941</u>	<u>1.036</u>

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(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies, primarily the US dollar.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

Interest rate risk is the risk that expenditure or the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
<i>Variable rate instruments</i>			
Financial assets	80	77	196
Financial liabilities	(4.501)	(4.000)	(4.000)
	(4.421)	(3.923)	(3.804)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit.

	<u>Profit or loss</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Variable rate instruments	(44)	(39)	(50)
	<u>(44)</u>	<u>(39)</u>	<u>(50)</u>

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Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Group's overall strategy remains unchanged from last year.

The Group's management follows the policy of providing a firm capital base which allows supporting the trust of investors, creditors and market and ensuring future business development.

In relation to capital management, the Group's objectives are as follows: maintaining the Group's ability to adhere to the going concern principle in order to provide income for shareholders and benefits to other interested parties, and also maintaining the optimal capital structure with the purpose of its cost reduction.

To manage capital, the Group's management, above all, uses calculations of financial leverage coefficient (ratio of leverage ratio) and ratio between net debt and EBITDA.

Financial leverage is calculated as a ratio between net debt and total amount of capital. This ratio measures net debt as a proportion of the capital of the Group, i.e. it correlates the debt with total equity and shows whether the Group is able to pay the amount of outstanding debts. An increase in this coefficient indicates an increase in borrowings relative to the total amount of the Group's capital. Monitoring this indicator is necessary to keep the optimal correlation between own funds and borrowings of the Group in order to avoid problems from over leverage. It is calculated as cumulative borrowing costs net of cash and cash equivalents. Total amount of capital is calculated as own capital reflected in the statement of financial position plus the amount of net debt.

For the ratio of net debt to EBITDA, the calculation of net debt is as above. EBITDA is an indicator of income before taxes, interest depreciation and amortization. It is useful for the Group's financial analysis, since the Group's activity is connected with long-term investments in vessels, property, plant and equipment. EBITDA does not include depreciation, so that in the Group's opinion, it reflects the approximate cash flows deriving from the Group's income in a more reliable way.

The ratio of net debt to EBITDA gives an indication of whether income obtained from operating activities is sufficient to meet the Group's liabilities.

	2011	2010	2009
	USD'000	USD'000	USD'000
Long-term loans	4.000	4.000	4.000
Short term loans	501	-	-
Total amount of borrowings	4.501	4.000	4.000
Cash and cash equivalents	(80)	(77)	(196)
Net debt	4.421	3.923	3.804
Share capital	18	18	18
Retained Earnings	33.638	19.851	20.195
Effect from translation into presentation currency	(9.535)	(9.305)	(9.352)
Non-controlling interests	48	3.183	2.604
Total equity	24.169	13.747	13.465
Total amount of equity and net debt	28.590	17.670	17.269
Financial leverage coefficient	15,46%	22,20%	22,03%

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For the years ended 31 December 2011, 2010 and 2009 the ratio of net debt to EBITDA amounted to:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000
Profit for the period	14,189	5,077	4,887
Income tax credit	(222)	(1,364)	33
Finance cost/(income)	100	(25)	159
EBIT (Earnings before interest and income tax)	<u>14,067</u>	<u>3,688</u>	<u>5,079</u>
Depreciation and amortisation	770	762	774
EBITDA (Earnings before interest, income tax, depreciation and amortization)	<u>14,837</u>	<u>4,450</u>	<u>5,853</u>
Net Debt/EBITDA	<u>29,80%</u>	<u>88,16%</u>	<u>64,99%</u>

During the year there were no changes in approaches to capital management. The Group is not subject to any external regulatory capital requirements.

30. FAIR VALUES

The carrying amounts and fair values of certain financial assets and liabilities are as follows:

	<u>Carrying amounts</u>			<u>Fair values</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Financial assets						
Trade and other receivables	3,239	1,473	2,244	3,239	1,473	2,244
Cash and cash equivalents	80	77	196	80	77	196
Financial liabilities						
Loans and borrowings	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Other long-term liabilities	(229)	(99)	-	(229)	(99)	-
Trade and other payables	(2,383)	(2,514)	(1,859)	(2,383)	(2,514)	(1,859)
Short term loans	(501)	-	-	(501)	-	-
	<u>(3,794)</u>	<u>(5,063)</u>	<u>(3,419)</u>	<u>(3,794)</u>	<u>(5,063)</u>	<u>(3,419)</u>

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31. CONTINGENT AND CONTRACTUAL LIABILITIES

a) *Economical 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.

The Ukraine's economy returned to growth in 2011. Although significant economic uncertainties remain, Ukrainian economy experienced a 4,2% GDP growth in 2011 and further recovery is expected in 2012.

b) *Taxation*

As a result of instable 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 accruals.

It should be mentioned that the Group took part in transactions which may be interpreted by tax authorities not in the way they are interpreted by the Group, as a result of which it may accrue additional significant tax liabilities and fines. Notwithstanding the fact that most of tax returns of the Group's companies for the mentioned periods were reviewed by the tax authorities without any significant discrepancies or imposition of additional tax liabilities, they remain open to subsequent investigations. According to effective laws, tax returns remain open and may be subject to the reviews during three years after their provision, but, in some cases, this limit is not applied.

As a result of future tax reviews additional liabilities may be discovered which may not comply with tax reporting of the Group. Such liabilities may be represented by taxes, as well as fines and penalties; and their amounts may be significant. 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.

c) *Legal matters*

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

The Group's management considers that legal proceedings on such matters will not have any significant influence on its financial position.

d) *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 31 December 2011 the Group had no liabilities for any supplementary pension payments, health care, insurance or other benefits after retirement to their working or former employees.

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32. EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting period which affect the consolidated financial statements as at 31 December 2011 apart from:

- On 22 February 2012 it was resolved that the value of the shares of the Company's capital is divided from €1,71 each to €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.

On the same date, 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 will have the same rights as the existing shares.

Additionally, on the same date, it was resolved to issue and allot 4.790.000 shares of nominal value €0,01. As a result of the above, the issued share capital amounts to €65.000 and is divided into 6.500.000 ordinary shares of €0,01 each.

- On 20 March 2012 the Board of Directors of KDM Shipping Public Limited (formerly V.S. Marine Engineering Services Limited) authorised the consolidated financial statements for the year ended 31 December 2011 for issue.

RESPONSIBILITY STATEMENTS

The Company, and the Directors that are signing this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of their knowledge and belief, the Company, and the Directors that are signing this Prospectus, declare, having exercised due care so as to form a responsible opinion, that the information contained in this Prospectus is true and correct and contains no omission likely to affect its import.

In accordance with the provisions of the Cyprus Prospectus Law, this Prospectus has been signed by the following Directors, who are responsible as to the accuracy, completeness, clarity and update of this Prospectus:

On behalf of the Company, KDM Shipping Public Limited:

- Mr. Kostiantyn Molodkovets, Chief Executive Officer/Chairman of the Board of Directors

- Mr. Denys Molodkovets, Chief Financial Officer

- Mr. Ivaylo Georgiev Getsov, Chief Operating Officer

KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce in its capacity as the Underwriter responsible for drawing up the Prospectus accepts responsibility for the information contained in this Prospectus. To the best of its knowledge and belief, the Underwriter responsible for drawing up the Prospectus declares, having exercised due care so as to form a responsible opinion, that the information contained in this Prospectus is true and correct and contains no omission likely to affect its import.

In accordance with the provisions of the Cyprus Prospectus Law, this Prospectus is signed by the following persons, who are responsible as to its accuracy, completeness, clarity and update:

On behalf of KBC Securities N.V. (Spółka Akcyjna) Oddział w Polsce:

- Mr. Kojo J. Asakura, General Manager

- Mr. Adam Bruliński, Executive Director

ANNEX I – VALUATION REPORT



ISTC «TRANSSERVICE – 1»

Inter-economic Science and Technology Centre «Transservice -1»

REPORT
on the valuation of property:
assets that are on the balance sheet of
Capital Shipping Company LLC
as at 31.01.2012

Kiev 2012



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REPORT on the valuation of property: assets that are on the balance sheet of
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1. GENERAL PROVISIONS

1.1. Reference organizational and legal conditions.

This report on the valuation of property – assets that were on the balance sheet of Capital Shipping Company LLC as at 31.01.2012, is prepared by the Practitioner of valuation activities Inter-economic Science and Technology Centre "Transservice-1", an authorized representative of H.GLAHR & Co in Ukraine (hereinafter – the Executor), commissioned by LLC "Capital Shipping Company" (hereinafter – the Customer) for the purpose of the prospective offering of up to 3,500,000 Shares, with a nominal value of EUR0.01 each, and admission to trading on the Warsaw Stock Exchange of up to 10,000,000 Shares issued in the share capital of KDM Shipping Public Limited.

Customer — Capital Shipping Company LLC.

Executor – the Practitioner of valuation activities Inter-economic Science and Technology Centre "Transservice-1", an authorized representative of H.GLAHR & Co in Ukraine.

Valuer – Yu. N. Chursin (Certificate of registration in the State Register of Valuers #824 dated 29.04.2002 SPFU).

Grounds for valuation – Contract dated 07.02.2012 between Capital Shipping Company LLC and ISTC "Transservice-1".

Subject property – assets that are on the balance sheet of Capital Shipping Company LLC as at 31.01.2012.

Basis of Valuation – as a valuation basis the Valuer takes the basis that corresponds to the market value.

Valuation purpose – determination of the subject property market value.

Valuation function - determination of the market value of subject property for management decision making.

Valuation date – as at 31.01.2012.

Report Completion Date – 01 March 2012.

The Practitioner of valuation activities owns Certificate #11822/11 of the Practitioner of valuation activities, issued by the State Property Fund of Ukraine 13 May 2011 for the right to conduct valuation activities in areas of:

- Valuation of objects in-kind;
- Valuation of integral property complexes, shares/equity interests/ownerships, securities, property rights and intangible assets, including the valuation of intellectual property rights.

1.2. Regulatory and methodological framework used in the valuation:

- European valuation standards that are approved as a basis for valuation practices within the European Union and recommended to the members of the European Group of Valuers' Associations (TEGOVA) as a basis for developing national valuation standards.
- The Law of Ukraine "On the valuation of property, property rights and professional valuation activities" (from 12.07.2001 No. 2658-III);
- Property valuation methodology, approved by Resolution of the Cabinet of Ministers of Ukraine dated 10 December 2003 No. 1891;
- National standard № 1 "General provisions for valuation of property and property rights," approved by Resolution of the Cabinet of Ministers of Ukraine from 10 September 2003;
- Letter of Instruction SPF of Ukraine № 10-95-9281 "On Requirements to reports of expert valuation" from 26.12.95;
- Documents of the Shipping Register;
- Regulation on the technical operation of the marine fleet (RD 31.20.01-80);



- Regulation on the repair of vessels at the institutional repair facilities (KD 31.5.001-96);
- Manual for the operation of metal structures, systems, devices (REKUS NK-84);
- Order of the State Property Fund and the Ministry of Economy of Ukraine K787 / 1 77 dated 12.12.94

For the purposes of this valuation we have analyzed technical and financial documentation submitted to us, gathered information about the state of the sales market at the time of valuation.

1.3. Assumptions and limiting conditions

Agreement as a whole

The parties deem specified the fact that these PROVISIONS embody a complete mutual understanding between the Parties.

These provisions shall apply to assignees, managers and administrators or authorized representatives of the Parties relating to this Report.

Responsibility

We assume no responsibility for any judgments in the financial, legal and tax areas, expressed by the management of the Customer. Management of the Customer assumes responsibility for any financial or tax implications of its actions relating to the property being valued.

We have worked as an independent contractor. Our fee in no way has affected our judgments about the cost. We assume, without independent review, that all data provided to us were accurate.

Additional work

This Report does not oblige us to perform additional work, to give official testimony on matters relating to the assets, property objects, except for our obligations under the contract. We assume no responsibility for updating this work in the event of any changes after the date of writing this Report.

Unseen defects and damages

We bear no responsibility for the condition of structures that cannot be seen during the regular inspection (or when reviewing technical documents that were provided to us).

Other terms and conditions

We considered reliable the information provided by the Customer; however we have not conducted any inspection to confirm its authenticity. We do not have and will not have in the future, any property and other interests in the valued object.

Information received from independent sources is considered true, however, we do not guarantee in any way the fact of its authenticity. We bear no responsibility for any loss or consequences that may arise from the use of this report for the purpose other than specified in the introduction.

2. VALUATION METHOD

In preparing the report the Valuer was guided primarily by the European valuation standards, approved by the European Group of Valuers' Associations (TEGOVA). TEGOVA is a non-profit association (ASBL), acting under the laws of Belgium, and includes European professional organizations whose activities are related to the valuation of real estate. List of association members, participating associate members and observers is given below:

- The Albanian Society of Real Property Valuers
- Belorussian Society of Valuers
- Union Beige des Geometres Experts Immobiliers CIBEX
- The Bulgarian Association of Business Appraisers



- The Czech Chamber of Appraisers
- The Czech Committee of Valuers
- Dansk Ejendomsmeoglerforening
- Institute Francais L 'Expertise Immobiliere (IFEI)
- Chamber des Experts (FNAIM)
- Compagnie Nationale des Experts Immobilier (CNEI)
- Association des Evaluation d 'Entreprise (AEE)
- Estonian Association of Appraisers
- Bundesverband der Oeffentlich Bestellten Vereinigten und Qualifizierten Sachver-staendigen (BVS)
- Bund der Oeffentlich Bestellten Vermessungs-Ingenieure (BVDI)
- Deutscher Verein Fuer Vermessungswesen (DVW)
- Ring Deutscher Makler (RDM)
- Verband Deutscher Hypotheken Banken (VDH)
- Body of Sworn-In Valuers of Greece
- Association of Hungarian Appraisers and Finnnnancial Analysts
- The Society of Chartered Surveyors in the Republic of Ireland
- Irish Auctioneers and Valuers Institute
- Consiglio Nazionale Geometri
- Huoneistomarkkinointi (Finland)
- Latvian Association of Appraisers
- Lithuanian Association of Property Valuers
- Institut National de L ' Expertise Immobiliere (Luxembourg)
- Nederlandse Vereniging van Maklaars v Onroerende Goederen (NVM)
- Norges Takseringsforbund (NTF)
- Polish Federation of Valuers ' Associations
- The Portuguese Association of Fixed Asset Valuers
- The National Association of Valuers in Romania (ANEVAR)
- Russian Society of Appraisers (RSA)
- Asociacion Profesional Sociedades Valoracio de Espana
- Samfundet for Fastighetsvardering (SFF)
- Ukrainian Society of Appraisers
- Royal Institution of Chartered Surveyors (RICS)
- Institute of Revenue, Rating and Valuation (IRRV)
- Incorporated Society of Valuers and auctioneers (ISVA)



TEGOVA members represent professional valuation organizations of the European Union with an active and growing participation of partners from the European Economic Community, as well as from Central and Eastern Europe, including Russia, Ukraine, Czech Republic, Hungary, Poland, Bulgaria, Romania and Albania.

TEGOVA works in close collaboration with the International Valuation Standards Committee (IVSC). Common standards and methodology allow to carry out reliable valuation in the public and private interest with substantial benefits for commerce and industry, financial and institutional investment sector, as well as for the wider community that depends directly or indirectly on the economic efficiency of these sectors.

European Valuation Standards are recommended for use as representing best practices developed for inclusion in the relevant regulations of the European Union.

2.1. Basis of Valuation

In accordance with the priority principles of transparency, consistency and coherence to implement, the Valuer has applied Valuation basis and reporting practices consistent with international practice, European and national legislation, regulations and customer needs.

Valuation was performed using the Valuation basis, which corresponds to the market value.

Market value is an estimated amount for which the property should be exchanged as at the date of valuation between a buyer willing to buy and a seller willing to sell in a commercial transaction after due marketing, where the Parties have acted competently, prudently and without compulsion¹.

The purpose of valuation is critical in choosing the valuation framework; it has been established jointly with the client and its professional advisers when negotiating the terms of valuation agreement.

Market value is defined as the most probable reasonably attainable price in the market at the valuation date. This is the best price reasonably attainable by the seller and the most advantageous price reasonably attainable by the buyer.²

Calculation excludes the increase or decrease in the calculated price by virtue of special conditions or circumstances such as atypical financing, encumbrance by agreements for the sale and leaseback, special considerations or concessions made by anyone related to the sale, or any items of special value³

The value of property is a calculated amount, not a predetermined or actual sale price. This is the price based on which, according to market expectations, a transaction should be entered into at the valuation date, satisfying all other elements of the definition of Market Value.

Calculated Market Value applies to a specific point in time. As markets and market conditions may change, the calculated value may be incorrect or inappropriate at a different point of time. Valuation amount shall reflect actual market situation and circumstances at the actual valuation date, and not a past or future date.

Commercial transaction means a transaction between parties that have no special or particular relations with each other (such as the relationship between a parent and subsidiary company, or the relationship between a lessor and lessee), which can make the price level uncharacteristic of the market or increased due to the item of Special value. It is assumed that the transaction at market value takes place between unrelated parties, each of which operates independently.

Market Value is understood as the value of property, calculated excluding transaction costs of sale and transaction-related taxes⁴.

2.2. Basic principles of property valuation.

In international practice valuation of property is performed with the use of methodological approaches, valuation methods, which are components of the methodological approaches and valuation procedures.

¹ European Group of Professional Valuers, 4.01

² European Group of Professional Valuers, 4.03.08

³ Стандарт 2 IVSC - "Базы оценки, отличные от рыночной стоимости" - Специальная стоимость

⁴ European Group of Professional Valuers, 4.03.17



Theoretical basis of evaluation is a set of interrelated principles, i.e. rules, on whose application property valuation is based.

Valuation principles constitute taken as a basis for methodological approaches basic rules of property valuation, which reflect the socio-economic factors and laws of formation of value of property.

The principle of utility. It is based on the fact that property has value only on condition of utility for a potential owner or user. Utility should be understood as the ability of the property to meet the needs of the owner or user over a certain period of time.

In order to determine the utility during valuation the Valuer:

- Considered the value of separate property within the Subject property as part of utility of the Subject property in general, and the utility of the property as a separate subject property;
- Predicted possible influence of socio-economic and other factors on changes in the utility of the subject property;
- Estimated the costs of improving the Property, taking into account the impact of these costs on an increase of its market value.

The principle of supply and demand displays the ratio of supply and demand for similar property. In accordance with this principle during valuation the Valuer took into account market fluctuations in prices for similar property and other factors that may lead to a change in the ratio of supply and demand for such property.

Under *the principle of substitution* the Valuer took into account the behavior of typical customers, which implies that the buyer will not pay for the purchase of the subject property an amount greater than the minimum price of the property of similar utility sold in the market.

According to *the principle of expectation*, in the report the Valuer calculated the cost of the Subject property, which is determined by the size of economic benefits expected from ownership use and disposal thereof.

The principle of contribution (marginal productivity) involves consideration of the effect on the value of the subject property of such factors as labor, management, capital and land that is proportional to their contribution into total revenue. The influence of an individual factor is determined as part of the value of the subject property or as part of the value, by which the total value of the subject property decreased in the absence thereof.

The principle of the highest and best use lies in consideration of dependence of the market value of the subject property on its highest and best use.

Highest and best use should be understood to mean the use of property, resulting in the maximum value of the subject property. In this case we considered only those options that are technically possible, permitted and economically viable.

2.3. Methodological approaches to property valuation

Methodological basis for valuation of the property is a set of methodological approaches, valuation methods, which are part of valuation methods, or are the result of combining several technical approaches, and valuation procedures. Methodological approaches represent common ways to determine property value based on the principles of valuation. They fall into:

- Cost approach;
- Income approach;
- Market comparison approach.

During valuation we used several methodological approaches. Impossibility and inappropriateness of using a particular methodological approach, relating to complete lack of or unreliability of data on the Subject property necessary for the approach, and other information, is grounded separately further on in the Report.



Cost approach involves determining the current value of costs for restoration or replacement of the subject property with their subsequent adjustment to the amount of depreciation.

The main methods of the cost approach are the method of direct reconstruction and substitution method.

The method of direct reconstruction means determining the cost of reconstruction and subsequent subtraction of the depreciation amount.

The substitution method lies in determining the replacement cost and subsequent subtraction of the depreciation amount.

In applying the method of direct reconstruction, or replacement method, we use the original data on the Subject property, information on the restoration or replacement of the Subject property or similar property at current prices, or average indicators that summarize the conditions for its reconstruction or replacement at current prices.

Cost approach implementation sequence.

1. We determine the cost of a new vessel of the type under consideration and design; with no data available we select the data on the cost of new vessels – functional analogues with similar characteristics.
2. Through analytical expert way we determine (if necessary) correction coefficients that take into account the differences in deadweight, travel speed, autonomy, level of automation, the date of the transaction, etc.; then the unit value is calculated for each indicator and the value of the cost of a new vessel at the valuation date is determined.
3. According to the data of the surveyor inspection or through the method of effective economic life based on the data of the Classification Society we determine physical depreciation of a vessel.
4. According to the results of a marketing research we determine its functional and economical depreciation.
5. We calculate the value of the subject using the cost approach.

It should be noted that the cost approach, in the opinion of many surveyors (for example, CJSC "Morskaya tekhnicheskaya ekspertiza", Moscow), is of limited use in today's environment. This is due to the lack of data about the historical value of the subject property, difficulty in the definition of functional depreciation, uncertainty in setting the coefficient that takes account of the external depreciation. Determination of replacement cost for the subject property poses difficulty in that the market of orders on new vessels of the type under consideration undergoes a period of dramatic change, caused by several different factors simultaneously.

The income approach is based on consideration of the principles of highest and best use and expectations, according to which the cost of the Subject property is defined as the present value of expected income from the highest and best use of the Subject property, including income from its probable resale.

The main methods of income approach are direct income capitalization and indirect income (cash flow) capitalization.

Information sources for the application of income approach are details and (or) expected revenue and expenditure of the Subject property or similar property. The Valuer forecasted and substantiated the amounts of revenues and expenses from the possible use of the Subject property, as well as from its highest and best use.

A method of direct capitalization of income applies when we forecast net operating income constant in size and equal in intervals of the projection period, receipt of which is not limited in time. Capitalization of net operating income is done by dividing it into a capitalization rate.

Capitalization rate is a coefficient which is used to determine the value of the subject property based on the expected income from its use, provided that the income is assumed constant during a certain period in the future. The capitalization rate characterizes the rate of return on invested capital and the rate of its return.



The method of indirect income capitalization (discounted cash flow) is applied when projected cash flows from the use of the Subject property are unequal in size, not constant during a certain period of forecasting, or if their receipt is limited in time. Forecasted cash flows, including the cost of reversal, are to be discounted using the discount rate to obtain their present value.

Capitalization rate and discount rate is determined by analyzing the information on the income from the use of similar property and its market value, or by a comparative analysis of return on investment in alternative objects (deposits, securities, property, etc.)

Market comparative approach is based on consideration of principles of substitution and supply and demand. A comparative approach involves the analysis of sales prices and supply of similar property with a corresponding adjustment of differences between the objects of comparison and the subject property.

To determine the market value of the subject property in a material form using the comparative approach, we used information about like property, which meets the following criteria:

- Terms of sale and purchase agreements or conditions of the offer to enter into such agreements do not differ from those that meet the requirements that are put forward to determine the market value;
- The sale of such property took place in compliance with the typical payment terms;
- Conditions in the market of like property, which determined the formation of prices of sale or supply, have not changed significantly at the valuation date, or the changes that occurred were taken into consideration.

The main elements of comparison are characteristics of like property at the place of its location, physical and functional characteristics, conditions of sale, etc. The adjustment of the value of like property was carried out by adding or subtracting the amount of money at a rate (percent) to the selling price (offer) of a particular property, or by their combination.

Market comparative approach is recommended to determine the value at the active market of such type of objects.

Combinations of valuation methods cover the full range of possible alternatives of a potential investor to invest capital (funds) into a profitable venture - analogue to the valued, by modeling the logic of making the decision. *No investor, acting reasonably in conditions that meet the "conditions of a fair deal", will not pay for the Subject property the amount, significantly different from the replacement (reconstruction) cost of an object, reduced to the present value.* The concept of "substitution of the subject" here also implies the possibility of investing in other profitable alternative projects with similar investment criteria, i.e. a potential buyer will not pay for the subject property the amount considerably larger than the present value (in their estimate) of expected revenue (or saving on necessary expenditures), which can be obtained from the ownership of the subject.

In this case, given the purpose of valuation, one must take into account the point of view of a typical investor and the principle of "highest and best use", which, in our opinion, corresponds to the current technical and physical state of the subject property.

An alternative to the subject property (depending on the characteristics, parameters and technical conditions) can only be the sale on the domestic or foreign market of vessels of the same class.

Our analysis has shown that reliable information on the sale of vessels in the market conditions, is represented mainly by private broker companies. Information on sales comparable in the degree of consumer properties, is present, but is limited.

2.4. Determination of subject property depreciation

Physical deterioration of the vessel and equipment is determined based on a full-scale subject inspection.

The volume of physical depreciation of separate structures, technical equipment and parts thereof, is determined by comparing the standard signs of deterioration with the signs revealed during a full-scale inspection of the subject.



A specific percentage of physical depreciation within the boundaries of the normative interval is taken for the following reasons:

- in the presence in the element of all signs of deterioration - is defined as the maximum value of deterioration;
- in the presence in the element of only one sign of depreciation - is taken a minimum value of depreciation;
- if there are several signs of depreciation - depreciation of the element is determined by interpolation according to the nature of the damage.

The proportion of individual structural elements in the replacement cost of a vessel is determined on the basis of the regulations to determine the value of individual indicators, or by analyzing the summary estimate of construction cost of the vessel.

The degree of physical depreciation of the vessel can be determined from the effective date of economic (regulatory) age:

$$\Phi\phi = T_B / T_{M.ж}$$

T_B – age of the vessel;

$T_{M.ж}$ – age of moral (economic) life

The average typical age of economic life for vessels is 25 years.

Functional depreciation

The basis of determining the coefficient of obsolescence of the vessel may be founded on the consumer interest in the subject property (depending on the age, rates of insurance charge, position of the vessel in the freight market).

Coefficient of life (Cl), which takes into account cumulative physical and functional (moral) depreciation is determined according to the formula:

$$K_r = 1 - \Phi\phi * I_m$$

Where I_m – index of the moral life of a modern vessel, calculated by the system of averaged expert opinions.

Values of the Index (coefficient) I_m are shown in Table

No.	Condition of the vessel	Score	Value of I_m
1.	excellent	4	0,5
2.	good	5	1,0
3.	satisfactory	3	1,5
4.	workable	2	1,75
5.	unsatisfactory	1	2,0
6.	poor	0	2,5

The economic (external) depreciation.

The value of the coefficient of external depreciation (C_{ex}), taking into account the competitiveness of the vessel in the freight market, can be defined according to the formula:

$$K_{вн} = N_{спр} / N_{пред}, \text{ where}$$

$N_{спр} / N_{пред}$ – is supply and demand ratio for this class of vessels.

The numerical values of physical depreciation of elements of the vessel are defined up to integers.



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The cost depreciation is determined as either an absolute amount, or as a percentage of the vessel construction cost.

By the cost depreciation we mean the cost of repairs, i.e. complex shipbuilding operations aimed at restoring performance characteristics with their possible improvement. At the same the constructive characteristics of the vessel remain unchanged.

Selection and substantiation of accepted valuation methodology.

Having analyzed the possibility of application of the three classical approaches to determine the market value of the vessel under consideration, The Valuer concluded the following:

1. As for reliability of the result the cost approach presupposes the existence of the following main factors: the cost of construction of a similar vessel at current prices, determination of the actual physical depreciation of structures and elements of the hull and developments in main and auxiliary engines and other machinery, as well as the size of the functional and external depreciation, application of this method in our case is considerably difficult. This is due to the complexity of determining the replacement value in a rapidly changing market, the lack of data about the physical deterioration and uncertainty of the coefficients of the functional and external wear.
2. Market comparative and income approaches are quite applicable for determining the estimated market value of vessels.

Highest and best use of the subject property

In analyzing the highest and best use of the Subject property we considered various options for using the Subject property but given the functionality of the Subject property and its characteristics, The Valuer believes that **their highest and best use would be** use for intended purpose according to the class of vessel. Any other use entails the cost of improvement and will give less value.

3. TECHNICAL SPECIFICATIONS OF THE SUBJECT PROPERTY

Name: Motor vessel "Danapris 1"

Inspection was carried out by the expert valuer 26.02.2012 at the Kherson river port.

Project 1743

Type	Dry cargo m.v.
Official number	763 699
IMO Number	8889373
Date and place of construction	1977, Romania
Length, m	103,67
Width, m	14,80
Depth, m	5,00
Gross tonnage, t	2360
Deadweight, tons	3183
Hull material	steel
Number, type, year and place of construction of the main engine	Two combustion engines, 6NVD48A-2U, 1976-77, Magdeburg
Total power, kW	1030

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:



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In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m

When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

The last repair of the vessel was carried out in 2010-2011 During the repairs following works were carried out:

- Outside hull underwater part and variable waterline zone (cleaning and painting);
- Repair of outside hull below waterline – 22,182 tons of metal;
- Repair of shaft and propeller gear;
- Repair of steering gear;
- Repair of seawater valves;
- Repair of valves;
- Repair of kingston box and seawater box;
- Repair of anchor and anchor chains;
- Fuel tanks and bilge water tank cleaning;
- bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Repair of framing in bottom ballast tanks – 16,605 tons of metal;
- Repair of second bottom in cargo holds – 12,784 tons of metal;
- Repair of second side in cargo holds – 16,234 tons of metal;
- Repair of bulkheads in cargo holds – 0,985 tons of metal;
- Repair of outside hull above waterline – 4,300 tons of metal;
- Repair of cargo holds hatch cover – 2,420 tons of metal;
- Repair of cable drive of cargo holds hatch cover;
- Repair of pulleys of cargo holds hatch cover;
- Repair of cargo holds hatch cover rolls;
- Repair of cargo holds hatch covers closing;
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads;
- Repair of rectangular windows;
- Repair of round windows;
- Repair of tanks manholes;
- Repair of steel flooring in E.R.;
- Works with canvas (sewing of covers);
- Repair of main engines – 2 pc;
- Repair of ADG – 3 pc;



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- Repair of water and oil coolers;
- Repair of air balloons and CO2 system balloons;
- Repair of separators CIQ-1,5;
- Repair of water boiler KOAB-200;
- Repair of bilge and ballast pumps;
- Repair of fi-fi pump HIIB 40/63;
- Repair of bilge water pump HIIC-3;
- Repair of bilge water pump ЭCH-2;
- Repair of fresh water pump ЭCH-2 (hydrophore);
- Repair of fresh water pump ЭCH-1 (hydrophore);
- Repair of windlass Б-6;
- Repair of boat winches;
- Repair of cargo holds cover winches ЛЭ-61;
- Repair of hydraulic system;
- Repair of sewage and drain system;
- Repair of generators ADG;
- Repair and testing of CA, АСII, PHY. Repair, testing of PC, changing of PYH;
- Repair of ADG electrical part;
- Repair of EDG electrical part: repair of EDG starter;
- Changing of storage batteries;
- Repair of electromotor water pumps of boiler;
- Repair of electromotor of capstan;
- Repair of switchboards;
- Repair of galley stove;
- Repair of echo-sounder;
- Repair of gyrocompass;
- Repair and testing of tank sensors;
- Repair of fire alarm system;
- Repair loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius";
- Repair and testing VHF radio unit "Reid";
- Finding of defects and repair of antenna;
- Repair of КИИ (electrical and tachometer, Mechanical);
- Cleaning and painting (freeboard and gunwale outside, gunwale inside, cargo holds coaming, cargo holds wells, Main deck, fore deck, poop deck, cargo holds hatch cover outside, cargo holds hatch cover inside, cargo holds № 1, 2, 3, 4, fresh water tanks, superstructure, paint works);
- IMO symbols;



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- Examination of anti-fouling system;
- Removal of bilge water.

After repairs on 21.04.2010 the ship was examined by Russian Maritime Register of Shipping that found the vessel fit for use and issued relevant documents confirming the class valid until 21.04.2015.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.

Motor vessel "Danapris 2"

Inspection was carried out by the expert valuer on 19.02.2012 at the Kherson river port.

Project 1743

Type	Dry cargo m.v.
Official number	784229
IMO Number	8889397
Date and place of construction	1979, Romania
port of registration	Kherson
Length, m	102,67
Width, m	14,80
draft, m	3,19
Gross tonnage, t	2360
Net capacity, t	870
Hull material	steel
Number, type, year and place of construction of the main engine	Two combustion engines, 6NVD48A-2U, Magdeburg
Total power, kW	1030

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:

In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m

When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Cleaning and painting of outside hull underwater part and variable waterline zone;
- Repair of outside hull below waterline – 17,266 tons of metal;
- Repair of shaft and propeller gear, repair of steering gear;



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- Repair of seawater valves, Repair of valves;
- Kingston box and seawater box;
- Repair of anchor and anchor chains;
- Bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Drain plugs;
- Repair of framing in bottom ballast tanks – 15,980 tons of metal;
- Repair of second bottom in cargo holds – 14,780 tons of metal;
- Repair of second side in cargo holds – 18,764 tons of metal;
- Repair of outside hull above waterline – 3,542 tons of metal;
- Repair of cargo holds hatch cover – 0,960 tons of metal;
- Repair of cable drive of cargo holds hatch cover;
- Repair of pulleys of cargo holds hatch cover;
- Repair of cargo holds hatch cover rolls;
- Repair of cargo holds hatch covers closing;
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads;
- Repair of rectangular windows, repair of round windows;
- Repair of tanks manholes;
- Repair of main engines – 2 pc;
- Repair of ADG – 3 pc;
- Repair of water and oil coolers;
- Repair of air balloons and CO2 system balloons;
- Repair of separators CIQ-1,5;
- Repair of water boiler KOAB-200;
- Repair of bilge and ballast pumps;
- Repair of fi-fi pump HIQB 40/63;
- Repair of bilge water pump HIQC-3;
- Repair of bilge water pump HIQC-3 ЭCH-2;
- Repair of fresh water pump ЭCH-2 (hydrophore);
- Repair of fresh water pump ЭCH-1 (hydrophore);
- Repair of windlass Б-6;
- Repair of boat winches;
- Repair of cargo holds cover winches ЛЭ-61;
- Repair of hydraulic system;
- Repair of sewage and drain system;
- Repair of domestic water system;



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- Repair of generators ADG;
- Repair and testing of CA, ACII, PHY. Repair, testing of PC, changing of PVH;
- Repair of ADG electrical part: ADG starter, charging generator,
- Repair of EDG electrical part: repair of starter;
- Changing of storage batteries;
- Repair of electromotor water pumps of boiler;
- Repair of electromotor of capstan;
- Repair of galley stove;
- Repair of gyrocompass;
- Repair and testing of tank sensors;
- Repair of fire alarm system;
- Repair loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius";
- Repair and testing VHF radio unit "Reid";
- Finding of defects and repair of antenna;
- Repair of КИП (electrical and tachometer, Mechanical);
- Cleaning and painting (freeboard and gunwale outside, gunwale inside, cargo holds coaming, cargo holds wells, Main deck, fore deck, poop deck, cargo holds hatch cover outside, cargo holds hatch cover inside, cargo holds № 1, 2, 3, 4, fresh water tanks, superstructure, paint works);
- IMO symbols;
- Examination of anti-fouling system;
- Removal of bilge water.

After repairs on 18.10.2010 the ship was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class valid until 18.10.2013.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.

Motor vessel "Danapris 3"

Inspection was carried out by the expert valuer on 19.02.2012 at the Rostov port.

Project 1743

Type	Dry cargo m.v.
Official number	1-306924
IMO Number	8889440
Date and place of construction	1986, Romania
port of registration	Kherson
Length, m	105,00
Width, m	14,80
Depth, m	5,00



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freeboard, mm	1818
Gross tonnage, t	2360
deadweight, t	3183
Hull material	steel
Number, year and place of construction of the main engine	Two combustion engines, 1985, Magdeburg
Total power, kW	1030

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:

In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m

When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2010. During repairs the following works were carried out:

- Replacement of underwater siding of the bottom and sides - 10,100 tons of metal;
- Replacement of the metal on the covers of the holds, bulwark, superstructure, deck, bulkheads, tanks, lining of the inner side and the second bottom of cargo holds, coamings - 12.806 tons of metal;
- Repair of screw-steering gear;
- Repair of bottom- intake valves;
- Repair of anchors and anchor chains;
- Repair of windlass and capstan;
- Repair of hydraulic systems, replacing sealing rubber on the hatch covers;
- Repair of systems: ballast, drainage, fire, fuel, water, pumping of deadwood;
- Repair of the main engines and diesel generators;
- Repair of the boiler;
- Repair of pumps;
- Repair of the separator;
- Repair of automatics, signaling and navigation equipment;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment);
- painting the hull.

After repairs on 17.09.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.



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Motor vessel "Danapris 4"

Inspection was carried out by the expert valuer on 05.01.2012 at the Rostov port.

Project 1743.

Type	Dry cargo m.v.
Official number	1-306598
IMO Number	8887753
Date and place of construction	1986, Romania
port of registration	Kherson
Length, m	102,5
Width, m	14,80
Draft, m	3,12
Gross tonnage, t	2446
deadweight, t	3128
Hull material	steel
Number, type and place of construction of the main engine	Two combustion engines, 6NVD48A-2U, Magdeburg
Total power, kW	1030

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:

In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m

When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2009. During repairs the following works were carried out:

- Replacement of underwater siding of the bottom and sides – 21.300 tons of metal;
- Replacement of the metal on the covers of the holds, bulwark, superstructure, deck, bulkheads, tanks, lining of the inner side and the second bottom of cargo holds, coamings – 29.167 tons of metal;
- Repair of screw-steering gear;
- Repair of bottom- intake valves;
- Repair of anchors and anchor chains;
- Repair of windlass and capstan;
- Repair of hydraulic systems, replacing sealing rubber on the hatch covers;



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- Repair of systems: ballast, drainage, fire, fuel, water, pumping of deadwood;
- Repair of the main engines and diesel generators;
- Repair of the boiler;
- Repair of pumps;
- Repair of the separator;
- Repair of automatics, signaling and navigation equipment;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment);
- painting the hull;
- cleaning of ballast tanks.

After repairs on 27.10.2009 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.

Motor vessel "Danapris 5"

Inspection was carried out by the expert valuer on 28.02.2012 at Kherson Shipyard "Pallada".

Project 1743.

Type	Dry cargo m.v.
Official number	1-306867
IMO Number	8887387
Date and place of construction	1987, Romania
port of registration	Kherson
Length, m	102,67
Width, m	14,80
Draft, m	3,12
Gross tonnage, t	2353
Net capacity, t	885
Hull material	steel
Number, type and place of construction of the main engine	Two combustion engines, 6NVD48A-2U, Magdeburg
Total power, kW	1030

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:

In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m



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When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2010. During repairs the following works were carried out:

- Replacement of underwater siding of the bottom and sides – 9.726 tons of metal;
- Replacement of the metal on the covers of the holds, bulwark, superstructure, deck, bulkheads, tanks, lining of the inner side and the second bottom of cargo holds, coamings – 10.274 tons of metal;
- Repair of screw-steering gear;
- Repair of bottom- intake valves;
- Repair of anchors and anchor chains;
- Repair of windlass and capstan;
- Repair of hydraulic systems, replacing sealing rubber on the hatch covers;
- Repair of systems: ballast, drainage, fire, fuel, water, pumping of deadwood;
- Repair of the main engines and diesel generators;
- Repair of pumps;
- Repair of automatics, signaling and navigation equipment;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment);
- painting the hull;

After repairs on 28.05.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.

Motor vessel "Stanislav Kosior"

Inspection was carried out by the expert valuer on 12.01.2012 in the port Kherson aquatorium
Project 1557.

Type	Dry cargo m.v.
Official number	1-307360
IMO Number	7050872
Date and place of construction	1969, Russia
port of registration	Kherson
Length, m	110,5
Width, m	13,0
Depth, m	5,50
Gross tonnage, t	2466
deadweight, t	3353
Hull material	steel



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Number, type and place of construction of the main engine	Two combustion engines, Magdeburg
Total power, kW	970

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:

In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m

When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Repair of outside hull below waterline – 46,721 tons of metal;
- Cleaning, painting of underwater hull and hull from light waterline;
- Repair of shaft and propeller gear and steering gear;
- Repair of seawater valves and repair of valves;
- Repair, cleaning, painting and testing of kingston box and seawater box;
- Repair of anchor and anchor chains;
- Fuel tanks and bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Repair of framing in bottom ballast tanks – 36,129 tons of metal;
- Repair of cargo holds (deck, board, bulkhead) – 42,214 tons of metal;
- Repair of outside hull above waterline – 15,716 tons of metal;
- Repair of cargo holds hatch cover – 1,920 tons of metal, renewal of rubber, repair of cable drive, repair of pulleys, repair of rolls, repair of cargo holds hatch covers closing;
- Repair of boat gear;
- Repair of steel doors, ventilation hatches and heads, tanks manholes;
- Repair of portholes;
- Repair of main engines – 2 pc;
- Repair of RAC of main engines;
- Repair of ADG – 3 шт.;
- Repair of water and oil coolers;
- Repair of motorboat engine;
- Repair of countershafts;
- Repair of air compressor 2OK;
- Repair of air balloons and CO2 system balloons;
- Repair of separators ЦИ-1,5;



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- Repair of water boiler KOAB-200;
- Repair of pumps (oil, bilge and ballast, fi-fi, fuel pump, bilge water pump);
- Repair of windlass;
- Repair of boat winches and cargo holds cover winches;
- Repair of hydraulic system;
- Repair of CO2 system, sewage and drain system, domestic water system;
- Repair of ADG generators;
- Repair and testing of CA, ACII, PHY, testing of PC, changing of PYH;
- Repair of MSB and ESB;
- Repair of electromotors;
- Repair of welding machine;
- Cable works;
- Repair of lightness;
- Repair of echo-sounder;
- Repair and testing of tank sensors, flooding ER signalization, alarm system, loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius", VHF radio unit "Reid", PIY "Brig";
- Repair of BAKC;
- Repair of KIII;
- Cleaning and painting of the vessel (freeboard, gunwale outside, gunwale inside, cargo holds hatch covers, cargo holds, superstructure, fresh water tanks, ladders, boat deck, Inner compartments, paint works)

After repairs on 21.06.2011 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class valid 21.06.2016.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.

Motor vessel "Seagull"

Inspection was carried out by the expert valuer on 12.01.2012 at Kherson Shipyard "Pallada".

Project 1557.

Type	Dry cargo m.v.
Official number	1-307153
IMO Number	7050884
Date and place of construction	1970, Russia
port of registration	Kherson
Length, m	110,76
Width, m	13,0
Depth, m	5,50
Gross tonnage, t	2466



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deadweight, t	3135
Hull material	steel
Number, type and place of construction of the main engine	Two combustion engines, Magdeburg
Total power, kW	970

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:

In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m

When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2010-2011. During repairs the following works were carried out:

- Repair of outside hull below waterline – 16,846 tons of metal;
- Cleaning, painting of underwater hull and hull from light waterline;
- Repair of shaft and propeller gear;
- Repair of steering gear;
- Repair of seawater valves;
- Repair of valves;
- Repair of kingston box and seawater box;
- Repair of anchor and anchor chains;
- Fuel tanks and bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Repair of framing in bottom ballast tanks – 26,597 tons of metal;
- Repair of cargo holds – 33,419 tons of metal;
- Repair of outside hull above waterline – 10,912 tons of metal;
- Repair of cargo holds hatch cover – 2,332 tons of metal;
- Renewal of rubber on cargo holds hatch cover, repair of cable drive;
- Repair of pulleys of cargo holds hatch cover, repair of rolls, repair of cargo holds hatch covers closing;
- Repair of boat gear (davits ШБ2Ш5, ШБ4Ш5В);
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads, tanks manholes;
- Works with canvas;
- Repair of portholes;
- Repair of main engines – 2 pc, repair of RAC of main engines;



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- Repair of ADG – 3 шт.;
- Repair of water and oil coolers;
- Repair of motorboat engine 4ЧСН 8,5/11;
- Repair of countershafts;
- Repair of air compressor 2OK;
- Repair of air balloons and CO2 system balloons;
- Repair of separators ЦИ-1,5;
- Repair of water boiler KOAB-200;
- Repair of pumps (oil, bilge and ballast, fi-fi, fuel pump, bilge water pump);
- Repair of fresh and outboard water pumps (hydrophore);
- Repair of windlass Б-6;
- Repair of boat winches;
- Repair of cargo holds cover winches;
- Repair of hydraulic system;
- Repair of CO2 system, sewage and drain system, domestic water system;
- Repair of ADG generators;
- Repair and testing of CA, АСН, РНУ;
- Repair, testing of PC, changing of РУН;
- Repair of ADG electrical part;
- Repair of MSB and ESB;
- Repair of electromotors;
- Repair of welding machine;
- Cable works;
- Repair of lightness;
- Repair of echo-sounder;
- Repair and testing of tank sensors, flooding ER signalization, alarm system, loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius", VHF radio unit "Reid", РНУ "Brig";
- Repair of БАКС;
- Repair of КНН (electrical, mechanical);
- Cleaning and painting of the vessel (freeboard, gunwale outside, gunwale inside, cargo holds hatch covers, cargo holds, superstructure, fresh water tanks, ladders, boat deck, Inner compartments, paint works).

After repairs on 22.12.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class valid until 22.12.2015.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.



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Motor vessel "Skylark"

Inspection was performed by the expert valuer 20.01.2012 in the Nikolayev River Port.

Project 1557.

Type	Dry cargo m.v.
Official number	1-306852
IMO Number	7223445
Date and place of construction	1972, Russia
port of registration	Kherson
Length, m	110,76
Width, m	13,0
Depth, m	5,50
Gross tonnage, t	2466
deadweight, t	3125
Hull material	steel
Number, type and place of construction of the main engine	Two combustion engines, Magdeburg
Total power, kW	970

Conditions, navigation areas and seasons: mixed (river - sea) navigation in rough seas with wave height of 3% on the supply of more than 5 m away from the harbor:

In the open seas, no more than 50 miles and with an allowable distance between harbors of 100 miles;

In closed seas, no more than 100 and with an allowable distance between harbors not exceeding 200 miles.

With the criteria for acceleration from 0.75 to 1.00, allowable wave height 3% security should be no more than 5.0 m

When the criteria for acceleration of 0.75 or less than allowable wave height 3% security should be no more than 4.0 m.

Technical condition:

The last repair of the vessel was done in 2010-2011. During repairs the following works were carried out:

- Repair of outside hull below waterline – 22,182 tons of metal;
- Cleaning and repair underwater part and variable waterline zone;
- Repair of shaft and propeller gear and repair of steering gear;
- Repair of seawater valves and repair of valves;
- Repair of kingston box and seawater box;
- Repair of anchor and anchor chains;
- cleaning of fuel tanks cleaning;
- Bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;



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- Repair of framing in bottom ballast tanks – 16,605 tons of metal;
- Repair of second bottom in cargo holds – 12,784 tons of metal;
- Repair of bottom and bulkheads in cargo holds – 17,219 tons of metal;
- Repair of outside hull above waterline – 4,300 tons of metal;
- Repair of cargo holds hatch cover – 2,420 tons of metal;
- Repair of cable drive of cargo holds hatch cover;
- Repair of pulleys of cargo holds hatch cover;
- Repair of cargo holds hatch cover rolls;
- Repair of cargo holds hatch covers closing;
- Repair of boat gear (davits ШБ2Ш15, ШБ4Ш15В);
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads;
- Repair of rectangular and round windows;
- Repair of tanks manholes;
- Sewing of covers;
- Repair of main engines – 2 pc, repair of RAC;
- Repair of ADG – 3 pc;
- Repair of water and oil coolers;
- Repair of air balloons and CO2 system balloons;
- Repair of separators ЦИ-1,5;
- Repair of water boiler KOAB-200;
- Repair of bilge and ballast pumps;
- Repair of fi-fi pump ИЦБ 40/63;
- Repair of pumps (fuel pump, bilge water pump);
- Repair of fresh water and fresh water pump (hydrophore);
- Repair of windlass Б-6
- Repair of boat winches and cargo holds cover winches;
- Repair of hydraulic system;
- Repair of sewage and drain system;
- Repair of generators ADG;
- Repair and testing of CA, АСII, PHY;
- Repair, testing of PC, changing of PYH;
- Changing of storage batteries;
- Repair of ADG electrical part;
- Repair of electromotor of capstan;
- Repair of EDG electrical part;
- Repair of electromotor steering;



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- Repair of gyrocompass;
- Repair of fire alarm system;
- Repair of echo-sounder;
- Repair loud-speaking system;
- Repair radar station "Mius", VHF radio unit "Reid";
- Repair of КИИП (electrical and mechanical);
- Cleaning and painting (freeboard and gunwale outside, gunwale inside, cargo holds coaming, cargo holds wells, Main deck, fore deck, poop deck, cargo holds hatch cover outside, cargo holds hatch cover inside, cargo holds № 1, 2, 3, 4, fresh water tanks, superstructure, paint works);
- IMO symbols;
- Examination of anti-fouling system.

After repairs on 31.05.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class valid until 31.05.2015.

Life period for vessel trading, under current technical conditions, constant maintenance and repair, up to 60 years.

Motor vessel "Riverest 1"

Project 1430, year of construction 1978.

The vessel is designed to carry passengers.

Type	Passenger motor vessel
Official number	2-801061
Date and place of construction	1978, Kherson
port of registration	Kiev
Length, m	30,00
Width, m	5,10
Depth, m	2,55
Freeboard, mm	850
Gross tonnage, t	156
Hull material	steel
Number, type, year and place of construction of the main engine	Two combustion engines, 3D12, 1977, Russia
Total power, kW	440

Class  R 1,2

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2011. During repairs the following works were carried out:



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- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 17/06/2011 the ship was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS till Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property does not exceed 10-15%.

Motor vessel "Riverest 2"

Project 1430

Type	Passenger motor vessel
Official number	2-801248
Date and place of construction	1975, Kherson
port of registration	Kiev
Length, m	30,00
Width, m	5,10
Depth, m	2,55
Freeboard, mm	850
Gross tonnage, t	156
Hull material	steel
Number, type, year and place of construction of the main engine	Two combustion engines, 3D12, 1977, Russia
Total power, kW	440

Class  P 1,2

Conditions, navigation areas and seasons: Dnipro River and tributaries with a restriction on the wave height of 1.2 m from the dam of the Kiev HPS till Ukrainka.

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Repair of screw-steering gear
- Repair of bottom-intake valves
- Maintenance of the main engines and diesel generators
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)



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After repairs on 30.07.2011 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS till Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property does not exceed 10-15%.

Motor vessel "Riverest 3"

Project 1430

Type	Passenger motor vessel
Official number	2-801433
Date and place of construction	1977, Kherson
port of registration	Kiev
Length, m	30,00
Width, m	5,10
Depth, m	2,55
Freeboard, mm	850
Gross tonnage, t	156
Deadweight, t	25,6
Hull material	steel
Number, type and place of construction of the main engine	Two combustion engines, 3D12, 1977, Russia
Total power, kW	440

Class  P 1,2

Conditions, navigation areas and seasons: Dnipro River and tributaries with a restriction on the wave height of 1.2 m from the dam of the Kiev HPS to Ukrainka.

Technical condition:

The last repair of the vessel was done in 2009. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the hull
- Maintenance of the main engines and diesel generators;
- repair of bottom-intake valves;
- Replacement of the propeller
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 12.05.2009 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS till Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property does not exceed 10-15%.



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Motor vessel "Riverest 4"

Project r51, year of construction 1970.

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 27.05.2011 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS to Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property does not exceed 10-15%.

Motor vessel "Riverest 5"

Mark: Project 1430, year of construction 1976.

The vessel is designed to carry passengers.

Type	Passenger motor vessel
Official number	2-801433
Date and place of construction	1977, Kherson
port of registration	Kiev
Length, m	30,00
Width, m	5,10
Depth, m	2,55
Freeboard, mm	850
Gross tonnage, t	156
Deadweight, t	25,6
Hull material	steel
Number, type and place of construction of the main engine	Two combustion engines, 3D12, 1977, Russia
Total power, kW	440

Class  P 1,2

Conditions, navigation areas and seasons: Dnipro River and tributaries with a restriction on the wave height of 1.2 m from the dam of the Kiev HPS to Ukrainka.

According to the Act of the technical condition, provided by the Customer (see Appendix):



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The last repair of the vessel was done in 2007. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 10.08.2007 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and tributaries from the dam of the Kiev HPS to Ukrainka with wave height to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property does not exceed 10-15%.

Motor vessel "Serebryany Briz"

Project 935, year of construction 1966, converted in 2003

Type	Passenger motor vessel
Official number	2-000402
IMO Number	1977, Kherson
Date and place of construction	Kiev
port of registration	43,00
Length, m	7,05
Width, m	2,50
Freeboard, mm	738
Gross tonnage, t	325
deadweight, t	17,18
Hull material	steel
Number, type and place of construction of the main engine	Two combustion engines, 6ChNSP18/22, Russia
Total power, kW	330

According to the Act of the technical condition, provided by the Customer (see Appendix):

The last repair of the vessel was done in September 2011. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 13.07.2011 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on rivers and reservoirs rated "R".

Conclusions: The Commission believes that the physical depreciation of the property equals 10-15%.



4. VALUATION THROUGH INCOME APPROACH

Income approach application technology

Valuation of vessels by their profitability is the valuation procedure based on the expectations of the buyer-investor, focusing on the future benefits from the use and their current expression in a certain sum of money.

The income approach is based on consideration of principles of highest and best use and expectations, according to which the cost of the Subject property is defined as the present value of expected income from the highest and best use of the Subject property, including income from its probable resale.

In analyzing income and expenditure it is common to use both retrospective and forecast data. The only condition that must be followed in the capitalization of income - cash flows for different subject properties should be calculated on the same basis.

As income approach is based on the principle of expectation of future benefits, the essential point here is clear definition and classification of benefits for their unified interpretation. The benefits of ownership include the right of ownership, as well as income from the sale after the end of ownership (if provided).

The typical owner of a commercial vessel aims to receive income, comparable to the income from the investment of money in a project with similar risk. In this case, firstly, the investor must return the invested funds, and secondly, it must receive compensation for the use of funds.

In analyzing the highest and best use of the Subject property we considered various options for using the Subject property but given the functionality of the Subject property and its characteristics, The Valuer believes that their **highest and best use would be to use** for intended purpose according to the class of vessel. Any other use entails costs for renovations and will bring less value.

To determine the projected value of net operating income we will use the data on bareboat charter rates for similar vessels.

The Valuer relied on information about the bareboat - charter rates provided by the survey company **H.GLAHR & Co** (Bremen), at the official request of Inter-economic Science and Technology Centre "Transservice - 1".

We also used information about the bareboat charter rates provided by brokerage firms (see Appendix)

The cost of the vessel is determined according to the following formula:

$$Coo = NOI / Rk, \text{ where}$$

Coo – value of the vessel, determined through income approach;

NOI – projected income received from the use of the Subject property taking account of all costs associated with obtaining this amount;

Rk – capitalization rate.

Capitalization rate is the coefficient, used to determine the value of the ship, based on the expected income from its use, provided that the income is assumed unchanged during a certain period in the future.

Capitalization rate characterizes the rate of income on invested capital and the rate of its return.

Determination of capitalization rate

Risk-free rate:

Risk-free investment implies that the investor no matter what gets the amount of income on invested capital, which they were hoping for at the time of investment. It should be noted that speaking about the risk-free investment, we are referring to a relative, not absolute, absence of risk. As a risk-free we take interest rate on deposits for legal entities in USD.



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No.	Bank	for 12 months
		USD
1.	PRIVATBANK	9,00
2.	UKRSOTSBANK	7,00
3.	RAIFFEISEN BANK AVAL	6,50
4.	UKREXIMBANK	9,20
5.	ALFA-BANK	9,00
6.	UKRSIBBANK	7,30
7.	OTP Bank	7,25
8.	NADRA	9,30
9.	FORUM	10,20
10.	BROKBUSINESSBANK	7,00
11.	average	8,31

Therefore, a relatively risk-free rate is 8.3%

Risk of investing in the company:

The degree of corrections is determined in an expert way, at that it should be in the range from 0% to 5%. Let us consider the above factors in more detail.

To determine the risk premium of investing in the company we used the method of risk assessment widely used in practice. This method is described in the Business Valuation News as guidance in determining the risk premium for a particular company.

Table A-1. The risk premium for an individual company (expert evaluation)

RISKS	
The quality of management	0-5%
Diversification of production and territory	0-5%
Diversification of customer base	0-5%
The stability of income generation and the likelihood of their receipt	0-5%

Based on the analysis of the company activities we considered the following risk factors:

- The company has a high level of management. However, the company needs improvement in the area of information systems to provide regular, reliable financial and operational information.
Conclusion: 1 percent point of risk.
- The company's activities are not diversified. Inter-sectoral diversification of the company is also missing
Conclusion: 3 percent point of risk.
- Highly diversified clientele: clients both in Ukraine and abroad.
Conclusion: 0 percent point of risk.
- The stability of income generation and the likelihood of their receipt is relatively high, so the risk premium was set at 1%.

As a result of assessment of internal risks inherent in the company activities we obtained additional 5 percentage points. In the sum with risk free rate of return of 8.3% this gives us a capitalization rate in the amount of 13.3%.



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Investment risk in the territory of any country is defined in the International Risk Management as "direct loss of physical and/or financial assets in the country, or as unexpectedly low levels of income from these assets, or from international operations, occurred by virtue of events, factors of general economic, financial or socio-political nature, operating in the country independent from the particular company or person".

Assessment of risk across the country is vital in determining the discount rate. The inclusion of risk across the country in our analysis is necessary, as the use of our method for determining the discount rate is based on the study of the norms of income of companies operating in more stable political, business and economic climate.

Finally, as a potential investor can be of any nationality, the risk of investing in another country must be considered, even when investing in countries with stable conditions.

Professional valuers often use the classification of the major risk factors, which has been prepared on the basis of analysis of the practice of investing in foreign countries. The evaluation we use is based on this classification:

Table A-2 Investment risk factors for Ukraine

№ of the risk type	TYPE OF RISK	1	2	3	4	5	6	7	8	9	10
1.	The policy of expropriation								X		
2.	The policy of nationalization	X									
3.	Possibility of local funding						X				
4.	Protection of patents, licenses, contracts					X					
5.	Political stability								X		
6.	Attitude to foreign investments					X					
7.	Regulations on ownership								X		
8.	Overall legal situation										X
9.	Involvement of the State in management								X		
10.	Sentiment against the private sector							X			
11.	Availability and cost of local labor		X								
12.	Relationships with neighboring countries								X		
13.	The influence of organized crime										X
14.	Privileges for domestic competition									X	
15.	Convertibility of national currency								X		
16.	Stability of national currency								X		
17.	Restriction on capital and trade							X			
18.	Price regulation							X			
19.	Size of the economy / market capacity			X							
20.	Economic trends (growth, balance of payments, unemployment)					X					
21.	Debt						X				
22.	Tax rates									X	
23.	Inflation rate							X			



№ of the risk type	TYPE OF RISK	1	2	3	4	5	6	7	8	9	10
	Number of observations	1	1	1	0	3	2	4	7	2	2
	Weighted result	1	2	3	0	15	12	28	56	18	20
	Total	15									
	Number of factors	5									
	Weighted average	6,7									

The table contains the ranking of 23 risk factors. This ranking was compiled by experts in finance, accounting and macroeconomics of "Deloitte & Touche" (Moscow) and Russian Society of Appraisers (RSA).

The overall rate of the investment risk in their assessment for Ukraine amounted to 6.7%, which may be regarded as a moderate level.

The next step is to include in the assessment of risk factor across the country. Studies have shown that one of the most common methods is to adjust the capitalization rate.

For the valuation case under consideration we have chosen the method of adjusting the capitalization rate. To the base (riskless) rate we add 6.7 percentage points of the risk premium for the risk across the country. To justify the capitalization rate, we used the "rise" method (build-up method). In our opinion, this method is most suitable for the Ukrainian environment.

We determined the discount rate calculated on the basis of "build-up method" - 20%.

Calculations of the value of ships through income approach are presented in the following tables:

Determination of the value of the motor vessel "Danapris 1" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	2100
Days of operation	360
Net Operating Income	756 000
Capitalization rate	0,2
Value of the vessel, USD	3 780 000

Determination of the value of the motor vessel "Danapris 2" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	2100
Days of operation	360
Net Operating Income	756 000
Capitalization rate	0,2
Value of the vessel, USD	3 780 000

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Determination of the value of the motor vessel "Danapris 3" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	2400
Days of operation	360
Net Operating Income	864 000
Capitalization rate	0,2
Value of the vessel, USD	4 320 000

Determination of the value of the motor vessel "Danapris 4" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	2400
Days of operation	360
Net Operating Income	864 000
Capitalization rate	0,2
Value of the vessel, USD	4 320 000

Determination of the value of the motor vessel "Danapris 5" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	2500
Days of operation	360
Net Operating Income	900000
Capitalization rate	0,2
Value of the vessel, USD	4 500 000

Determination of the value of the motor vessel "Stanislav Kosior" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	1700
Days of operation	360
Net Operating Income	612000
Capitalization rate	0,2
Value of the vessel, USD	3 060 000



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Determination of the value of the motor vessel "Seagull" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	2000
Days of operation	360
Net Operating Income	720000
Capitalization rate	0,2
Value of the vessel, USD	3 600 000

Determination of the value of the motor vessel "Skylark" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	2000
Days of operation	360
Net Operating Income	720000
Capitalization rate	0,2
Value of the vessel, USD	3 600 000

Determination of the value of the motor vessel "Riverest 1" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	200
Days of operation	180
Net Operating Income	36000
Capitalization rate	0,2
Value of the vessel, USD	\$180,000

Determination of the value of the motor vessel "Riverest 2" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	200
Days of operation	180
Net Operating Income	36000
Capitalization rate	0,2
Value of the vessel, USD	\$180 000



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Determination of the value of the motor vessel "Riverest 3" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	200
Days of operation	180
Net Operating Income	36000
Capitalization rate	0,2
Value of the vessel, USD	\$180 000

Determination of the value of the motor vessel "Riverest 4" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	200
Days of operation	180
Net Operating Income	36000
Capitalization rate	0,2
Value of the vessel, USD	\$180 000

Determination of the value of the motor vessel "Riverest 5" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	200
Days of operation	180
Net Operating Income	36000
Capitalization rate	0,2
Value of the vessel, USD	\$180 000

Determination of the value of the motor vessel "Serebryany briz" through income approach

<i>Calculation parameter</i>	<i>Value</i>
Bareboat charter rate	230
Days of operation	180
Net Operating Income	41400
Capitalization rate	0,2
Value of the vessel, USD	\$207 000



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Thus, as a result of calculations through income approach we obtained the following results:

No.	Name	Value through income approach, USD (exclusive of VAT)
1.	m. v. «Danapris 1»	3 780 000
2.	m. v. «Danapris 2»	3 780 000
3.	m. v. «Danapris 3»	4 320 000
4.	m. v. «Danapris 4»	4 320 000
5.	m. v. «Danapris 5»	4 500 000
6.	m. v. «Stanislav Kosior»	3 060 000
7.	m. v. «Seagull»	3 600 000
8.	m. v. «Skylark»	3 600 000
9.	m. v. "Riverest 1"	180 000
10.	m. v. "Riverest 2"	180 000
11.	m. v. "Riverest 3"	180 000
12.	m. v. "Riverest 4"	180 000
13.	m. v. "Riverest 5"	180 000
14.	m. v. "Serebryany briz"	207 000

5. VALUATION OF ASSETS THAT ARE ON THE BALANCE SHEET OF CAPITAL SHIPPING COMPANY LLC THROUGH MARKET COMPARATIVE APPROACH

When comparing the value with analogues the expert simplified the comparison, taking into account the following circumstances:

The selected ships are of the same type, have a similar physical condition and year of construction

Radio navigation equipment complies with the requirements of the Classification Society.

Determination of the value of the motor vessel "Danapris 1" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	3 800 000,00	4 000 000,00	3 600 000,00	3 600 000,00	3 500 000,00
Average Value, USD	3 700 000,00				



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Determination of the value of the motor vessel "Danapris 2" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	3 800 000,00	4 000 000,00	3 600 000,00	3 600 000,00	3 500 000,00
Average Value, USD	3 700 000,00				

Determination of the value of the motor vessel "Danapris 3" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	4 500 000,00	4 400 000,00	4 200 000,00	3 900 000,00	4 600 000,00
Average Value, USD	4 320 000,00				

Determination of the value of the motor vessel "Danapris 4" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	4 500 000,00	4 400 000,00	4 200 000,00	3 900 000,00	4 600 000,00
Average Value, USD	4 320 000,00				

Determination of the value of the motor vessel "Danapris 5" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	4 500 000,00	4 400 000,00	4 200 000,00	4 700 000,00	4 600 000,00
Average Value, USD	4 480 000,00				

Determination of the value of the m.v. "Stanislav Kosior" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	2 800 000,00	3 100 000,00	3 000 000,00	2 700 000,00	3 250 000,00
Average Value, USD	2 970 000,00				



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Determination of the value of the motor vessel "Seagull" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	3 800 000,00	4 000 000,00	3 600 000,00	3 600 000,00	3 500 000,00
Average Value, USD	3 700 000,00				

Determination of the value of the motor vessel "Skylark" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.	Dry cargo m.v.
Value of the vessel, USD	3 800 000,00	4 000 000,00	3 600 000,00	3 600 000,00	3 500 000,00
Average Value, USD	3 700 000,00				

Determination of the value of the motor vessel "Riverest 1" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.
Value of the vessel, USD	150000	180000	170000	180000	210000
Average Value, USD	178000,00				

Determination of the value of the motor vessel "Riverest 2" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.
Value of the vessel, USD	150000	180000	170000	180000	210000
Average Value, USD	178000,00				

Determination of the value of the motor vessel "Riverest 3" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.
Value of the vessel, USD	150000	180000	170000	180000	210000
Average Value, USD	178000,00				



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Determination of the value of the motor vessel "Riverest 4" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.
Value of the vessel, USD	150000	180000	170000	180000	210000
Average Value, USD	178000,00				

Determination of the value of the motor vessel "Riverest 5" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.
Value of the vessel, USD	150000	180000	170000	180000	210000
Average Value, USD	178000,00				

Determination of the value of the motor vessel "Serebryany briz" through comparative approach

Type of the vessel	Analogue 1	Analogue 2	Analogue 3	Analogue 4	Analogue 5
	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.	Passenger m.v.
Value of the vessel, USD	230000	180000	230000	180000	210000
Average value, USD	206000,00				

Thus, as a result of calculations of the subject properties through comparative approach we obtained the following results:

No.	Name	Value through comparative approach, USD (exclusive of VAT)
1.	m. v. «Danapris 1»	\$3 700 000,00
2.	m. v. «Danapris 2»	\$3 700 000,00
3.	m. v. «Danapris 3»	\$4 320 000,00
4.	m. v. «Danapris 4»	\$4 320 000,00
5.	m. v. «Danapris 5»	\$4 480 000,00
6.	m. v. «Stanislav Kosior»	\$2 970 000,00
7.	m. v. «Seagull»	\$3 700 000,00
8.	m. v. «Skylark»	\$3 700 000,00
9.	m. v. "Riverest 1"	\$178 000,00



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No.	Name	Value through comparative approach, USD (exclusive of VAT)
10.	m. v. "Riverest 2"	\$178 000,00
11.	m. v. "Riverest 3"	\$178 000,00
12.	m. v. "Riverest 4"	\$178 000,00
13.	m. v. "Riverest 5"	\$178 000,00
14.	m. v. "Serebryany briz"	\$206 000,00

6. ADJUSTMENT OF RESULTS

With the application of the two valuation approaches we obtained the following results:

No.	Name	Value through income approach, USD (exclusive of VAT)	Value through comparative approach, USD (exclusive of VAT)	Net book value as at 31.12.2011, USD
1.	m. v. «Danapris 1»	3 780 000	3 700 000	1 341 576
2.	m. v. «Danapris 2»	3 780 000	3 700 000	927 883
3.	m. v. «Danapris 3»	4 320 000	4 320 000	1 286 782
4.	m. v. «Danapris 4»	4 320 000	4 320 000	1 235 669
5.	m. v. «Danapris 5»	4 500 000	4 480 000	1 235 669
6.	m. v. «Stanislav Kosior»	3 060 000	2 970 000	1 424 906
7.	m. v. «Seagull»	3 600 000	3 700 000	1 014 182
8.	m. v. «Skylark»	3 600 000	3 700 000	929 293
9.	m. v. "Riverest 1"	180 000	178 000	150 326
10.	m. v. "Riverest 2"	180 000	178 000	150 326
11.	m. v. "Riverest 3"	180 000	178 000	150 326
12.	m. v. "Riverest 4"	180 000	178 000	128 266
13.	m. v. "Riverest 5"	180 000	178 000	151 842
14.	m. v. "Serebryany briz"	207 000	206 000	108 719

Taking into account the highest and best use, for determining the market value of the Subject Property the Valuer utilized two approaches: a comparative and income approaches, as they display the actual situation on the vessel sale and purchase market and take into account important market technical and operational factors.

The result obtained using the income approach was adopted by the Valuer as the main result, as such approach, given sufficient statistical basis, is the most market-oriented, realistically displaying the situation in the current competitive market of vessel purchase and sale and it is justified from the point of view that a potential buyer before making a decision to purchase the vessel, will analyze the current market offer and come to the conclusion about the possible price of the proposed object, taking into consideration all its advantages and disadvantages with respect to comparison objects.

Thus, the total value of assets that are on balance of Capital Shipping Company LLC as at 31.01.2012, net of VAT is as follows: \$ 31 986 000.00 (thirty-one million nine hundred eighty six thousand) USD, of which by items:

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*REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012*

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No.	Name	Value through comparative approach, USD (exclusive of VAT)
1.	m. v. «Danapris 1»	\$3 700 000,00
2.	m. v. «Danapris 2»	\$3 700 000,00
3.	m. v. «Danapris 3»	\$4 320 000,00
4.	m. v. «Danapris 4»	\$4 320 000,00
5.	m. v. «Danapris 5»	\$4 480 000,00
6.	m. v. «Stanislav Kosior»	\$2 970 000,00
7.	m. v. «Seagull»	\$3 700 000,00
8.	m. v. «Skylark»	\$3 700 000,00
9.	m. v. "Riverest 1"	\$178 000,00
10.	m. v. "Riverest 2"	\$178 000,00
11.	m. v. "Riverest 3"	\$178 000,00
12.	m. v. "Riverest 4"	\$178 000,00
13.	m. v. "Riverest 5"	\$178 000,00
14.	m. v. "Serebryany briz"	\$206 000,00

The difference between the book and fair value. IAS 16 permits two accounting models of the fixed assets: a model of historical cost accounting and revaluation model. Accounting of Subject property is carried out at historical cost less accumulated depreciation which is calculated using the straight-line method of depreciation. Model of historical cost accounting does not allow the Company to increase the book value of valuation objects down to fair value calculated by the comparative and income approaches.



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

**Conclusion on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012**

Customer — Capital Shipping Company LLC.

Executor – the Practitioner of valuation activities Inter-economic Science and Technology Centre "Transservice-1", an authorized representative of H.GLAHR & Co in Ukraine by agreement with Capital Shipping Company LLC.

Grounds for valuation – Agreement dated 07.02.2012 between ISTC "Transservice-1" and Capital Shipping Company LLC.

Valuation basis – market value.

Valuation purpose – determination of the subject property market value.

Valuation function - determination of the market value of subject property for the Customer's business decision-making.

Valuation date – as at 31.01.2012.

The specialists of Inter-economic Science and Technology Centre "Transservice 1" (an authorized representative of the surveyor company H.GLAHR & Co, Bremen), have performed the work on valuation of assets on the balance of Capital Shipping Company LLC as at 31.01.2012.

Based on the examination of the subject property, the analysis of submitted materials, the use of methodological approaches and methods corresponding to the European Valuation Standards, approved by the European Group of Professional Valuers, and National valuation standard № 1, and limitations associated with the peculiarities of the subject property, taking into account several factors that affected the results, as well as the calculations performed, which are listed in the Report on the valuation, the Valuer has concluded that value of the subject property at the valuation date 31.01.2012, excluding VAT is:

\$31 986 000,00 (thirty-one million nine hundred eighty six thousand) USD, of which by items:

No.	Name	Value through comparative approach, exclusive of VAT
1.	m. v. «Danapris 1»	\$3 700 000,00
2.	m. v. «Danapris 2»	\$3 700 000,00
3.	m. v. «Danapris 3»	\$4 320 000,00
4.	m. v. «Danapris 4»	\$4 320 000,00
5.	m. v. «Danapris 5»	\$4 480 000,00
6.	m. v. «Stanislav Kosior»	\$2 970 000,00
7.	m. v. «Seagull»	\$3 700 000,00
8.	m. v. «Skylark»	\$3 700 000,00
9.	m. v. "Riverest 1"	\$178 000,00
10.	m. v. "Riverest 2"	\$178 000,00
11.	m. v. "Riverest 3"	\$178 000,00
12.	m. v. "Riverest 4"	\$178 000,00
13.	m. v. "Riverest 5"	\$178 000,00
14.	m. v. "Serebryany briz"	\$206 000,00

Director

S.B. Lakhtionov

Surveyor,

Expert valuer

ISTC "Transservice-1"

Authorized specialist

Of "H.GLAHR & Co" surveyor company in Ukraine

Yu.N. Chursin



ISTC «TRANSSERVICE - 1»

*REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012*

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CERTIFICATE OF VALUATION

Based on our research, opinions and assumptions applied the experts believe that the value of the subject property at the valuation date 31.01.2012, excluding VAT, is:

\$31 986 000,00 (thirty-one million nine hundred eighty six thousand) USD, of which by items:

No.	Name	Value through comparative approach, exclusive of VAT
1.	m. v. «Danapris 1»	\$3 700 000,00
2.	m. v. «Danapris 2»	\$3 700 000,00
3.	m. v. «Danapris 3»	\$4 320 000,00
4.	m. v. «Danapris 4»	\$4 320 000,00
5.	m. v. «Danapris 5»	\$4 480 000,00
6.	m. v. «Stanislav Kosior»	\$2 970 000,00
7.	m. v. «Seagull»	\$3 700 000,00
8.	m. v. «Skylark»	\$3 700 000,00
9.	m. v. "Riverest 1"	\$178 000,00
10.	m. v. "Riverest 2"	\$178 000,00
11.	m. v. "Riverest 3"	\$178 000,00
12.	m. v. "Riverest 4"	\$178 000,00
13.	m. v. "Riverest 5"	\$178 000,00
14.	m. v. "Serebryany briz"	\$206 000,00

We believe that this report and details contained therein are expressed with sufficient accuracy. We affirm that the facts set out in the report, based on which we performed analysis and drew conclusions, are trustworthy and contain no errors. Some information used in the calculations, is confidential and may not be disclosed, however the experts attest to its reliability.

We have no current or future ownership interest regarding the subject of this report, and we have no personal interest or bias with respect to the parties involved in the case. Our analysis, opinions and judgments have been prepared, and the report has been drawn up according to "European Valuation Standards" of professional organizations of valuers whose members we are.

Surveyor,
Expert valuer
ISTC "Transservice-1"
Authorized specialist
Of "H.GLAHR & Co" surveyor company in Ukraine

Yu.N. Chursin



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Постоянные ограничения *restricted II СП.*
Permanent restrictions
River-sea navigation at seas with a wave height of 6.0 m with 3 per cent probability with ships proceeding from the place of refuge:

- in open seas up to 50 miles and with an allowable distance between the places of refuge not more than 100 miles;

- in enclosed seas up to 100 miles and with an allowable distance between the places of refuge not more than 200 miles.

When acceleration criterion from 0.75 to 1.00 permissible height of the wave 3% probability should not greater than 5.00 m.

When acceleration criterion 0.75 or less permissible height of the wave 3% probability should not greater than 4.00 m.

Прочие характеристики *The ship it is suitable for transportation of a dangerous goods according to the Certificate of Fitness*
Other characteristics
of the ship for the carriage of dangerous goods No.10.00573.160.

The vessel is in compliance with IACS UR S27.

Свидетельство действительно до **21.04.2015** при условии ежегодного его подтверждения в
The Certificate is valid until subject to annual confirmation in accordance
соответствии с Правилами.
with the Rules.

Свидетельство выдано в порту **Nikolayev, Ukraine** Дата **21.04.2010**
The Certificate is issued at the port of Date

Дата завершения освидетельствования, являющегося основанием для выдачи настоящего Свидетельства **21.04.2010**
Completion date of the survey on which this Certificate is based (дата выдачи)
(date of issue)



Российский морской регистр судоходства
Russian Maritime Register of Shipping

10.00214.160

(подпись должным образом уполномоченного лица, выдавшего Свидетельство)
signature of duly authorized official issuing the Certificate

ПРОДЛЕНИЕ КЛАССА
EXTENSION OF THE CLASS



На основании проведенного освидетельствования класс продлен до
On the basis of the performed survey the validity of the class is extended until

Место
Place

Дата
Date

Российский морской регистр судоходства
Russian Maritime Register of Shipping

М.П.
L.S.

(подпись уполномоченного лица)
signature of authorized official

2

PC 3.1.2



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE	
PV № 01713	
СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО SHIPS CERTIFICATE	
Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр <u>Херсонського</u> This is certify that according to the data entered in the State Register of Ships of the <u>Kherson</u>	
<u>морського торговельного</u> merchant sea	порту під № <u>491</u> від <u>24</u> числа <u>жовтня</u> місяця port under № of date October month
<u>2006</u> року, судновласник <u>ДАНАПРИС 1</u> year, the shipowner of ship <u>DANAPRIS 1</u>	
є is	<u>ТОВ "Столична Судноплавна Компанія"</u> <u>LLC "Capital Shipping Company"</u>
розташований (юридична адреса судновласника) located (domicile of the shipowner)	
<u>м. Київ, вул. Набережно-Лугова, 2Л</u> <u>2L, Naberezhno-Lugova Str., Kiev</u>	
Відносно зазначеного судна у Державному судновому реєстрі України записано наступне: The above ship has been notified in the State Register of ships of Ukraine as follows:	
1. Призначення та тип Destinations and type	<u>генвантаж</u> <u>general cargo</u>
2. Позивний сигнал Call letters	<u>URIG</u> <u>URIG</u>
3. Ідентифікаційний номер ІМО IMO Identification Number	<u>8889373</u>
4. Рік та місце побудови Year and place construction	<u>1977р., Румунія</u> <u>1977, Romania</u>
5. Основний матеріал Main material	<u>сталь</u> <u>steel</u>
6. Головні розміри за обмірним свідоцтвом, що видане Principal dimensions according to the Tonnage Certificate issued by	
<u>Російським Морським Регістром Судноплавства</u> <u>Russian Maritime Register of Shipping</u>	
<u>27</u> числа <u>серпня</u> місяця <u>2004</u> року під № <u>4.00541.160</u> day <u>August</u> month year by №	

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ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

довжина	102,67	м;	валова місткість	2360	т;
length		m;	gross tonnage		tons;
ширина	14,80	м;	чиста місткість	870	т.
breadth		m;	net tonnage		tons.
осадка	3,190	м;			
draught		m;			

7. Тип, кількість та потужність головних двигунів
Type, number and output of main engines

ДВЗ 6NVD 48A-2U, два, 1030 кВт
ICE 6NVD 48A-2U, two, 1030 kW

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт його реєстрації
The previous name of ship if she sailed under foreign flag and her previous port registry

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом власності
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final complete evidence of the right of property of

ТОВ "Столична Судноплавна Компанія"
LLC "Capital Shipping Company"

на судно
on the ship

ДАНАПРИС 1
DANAPRIS 1

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається капітану
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other events mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the Harbour Master of the

Херсонського морського торговельного порту
Kherson merchant sea port

Видано під № 01713 від 24 числа жовтня місяця 2006 року
Issued by № of day October month ye

Комісія верифікації
Комітет порта

Капітан порту
Harbour Master of the port

У.В. Єремешко



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE
PF № 003849

**СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ
ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ)
CERTIFICATE OF NAVIGATION UNDER THE STATE FLAGE
OF UKRAINE (SHIPS PATENT)**

Відповідно до Кодексу торговельного мореплавства України судну _____ ДАНАПРИС 1
According to the Code of Merchant Shipping of Ukraine the ship _____ DANAPRIS 1

що належить _____ ТОВ "Столицна Судноплавна Компанія"
owned by _____ LLC "Capital Shipping Company"

(і зафрахтовано за договором бербоут-чартера) _____
(and bareboat - chartered by) _____

дозволяється (тимчасово, на строк дії договору бербоут-чартера до _____ числа _____ місяця
has been authorized (temporarily, for the term of the bareboat-charter till _____ day _____ month

_____ року) плавання під Державним прапором України.
_____ year) to sail under the State flag of Ukraine.

У Державному судновому реєстрі _____ Херсонського морського торговельного порту
The State Register of Ships of Ukraine _____ Kherson merchant sea port

під № 491 від 24 числа жовтня місяця 2006 року, відносно судна
by № of day October month year, the ship

_____ ДАНАПРИС 1 _____ значиться наступне:
DANAPRIS 1 _____ has been notified as follows:

1. Призначення та тип _____ генвантаж
Destination and type _____ general cargo

2. Позивний сигнал _____ URIG
Call letters _____ URIG

3. Ідентифікаційний номер IMO _____ 8889373
IMO Identification Number _____

4. Рік та місце побудови _____ 1977р., Румунія
Year and place of construction _____ 1977, Romania

003849



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

5. Основний матеріал		СТАЛЬ	
Main material		steel	
6. Головні розміри за обмірним свідоцтвом, що видане			
Principal dimensions according to the Tonnage - Certificate issued by			
Російським Морським Регістром Судноплавства			
Russian Maritime Register of Shipping			
27	числа серпня	місяця	2004 року
	day August	month	year
			під № 04.00541.160
			by №
довжина	102,67	м;	валова місткість 2360 т;
length		m;	gross tonnage tons;
ширина	14,80	м;	чиста місткість 870 т.
breadth		m;	net tonnage tons.
осадка	3,190	м;	
draught		m;	
7. Тип, кількість та потужність головних двигунів		ДВЗ 6NVD 48A-2U, два, 1030 кВт	
Type, number and output of main engines		ICE 6NVD 48A-2U, two, 1030 kW	
Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та його капітану всяку співдію та допомогу.			
All civil and military institutions and officials of the Ukraine are bound and the institutions and officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the principles of international law and usages and with the agreements concluded, to show the ship all necessary assistance and support.			
Це свідоцтво зберігається на борту судна.			
This Certificate is to be kept on board ship.			
У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає поверненню капітану			
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be returned to the Harbour Master of the Kherson merchant sea port.			
Видано під № 003849	від 25	числа червня	місяця 2011 року.
Issued by №	of	day June	month year.
Дійсний до 21	числа квітня	місяця 2015 року.	
Valid until	day April	month year.	
		Капітан порту Harbour Master of the port	



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Постоянные ограничения *restricted II CII.*
Permanent restrictions
river-sea navigation at seas with a wave height of 6.0 m with 3 per cent probability with ships proceeding from the place of refuge:
in open seas up to 50 miles and with an allowable distance between the places of refuge not more than 100 miles;
in enclosed seas up to 100 miles and with an allowable distance between the places of refuge not more than 200 miles.

Прочие характеристики *The ship it is suitable for transportation of a dangerous goods according to the Certificate of fitness*
Other characteristics
of the ship for the carriage of dangerous goods No.07.00818.160.
The vessel is in compliance with IACS UR S27.

Свидетельство действительно до **02.08.2012** при условии ежегодного его подтверждения в
The Certificate is valid until subject to annual confirmation in accordance
соответствии с Правилами.
with the Rules.

Свидетельство выдано в порту **Nikolayev, Ukraine** Дата **02.08.2007**
The Certificate is issued at the port of Date

Дата завершения освидетельствования, являющегося основанием для выдачи настоящего Свидетельства **02.08.2007**
Completion date of the survey on which this Certificate is based (дата выдачи)
(date of issue)



Российский морской регистр судоходства
Russian Maritime Register of Shipping

07.00216.160


(подпись должным образом уполномоченного лица, выдávшего Свидетельство)
signature of duly authorized official issuing the Certificate

ПРОДЛЕНИЕ КЛАССА
EXTENSION OF THE CLASS

На основании проведенного освидетельствования класс продлен до
On the basis of the performed survey the validity of the class is extended until

Место **Российский морской регистр судоходства** Дата
Place Russian Maritime Register of Shipping Date

М.П.
L.S.

Российский морской регистр судоходства
Russian Maritime Register of Shipping

(подпись уполномоченного лица)
signature of authorized official



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012


3.1.2

ПОДТВЕРЖДЕНИЕ ЕЖЕГОДНЫХ И ПРОМЕЖУТОЧНЫХ ОСВИДЕТЕЛЬСТВОВАНИЙ
ENDORSEMENT OF ANNUAL AND INTERMEDIATE SURVEYS

Первое ежегодное освидетельствование
First annual survey

На основании проведенного освидетельствования класс подтверждается.
On the basis of the performed survey the class is confirmed.

Место *Poti, Georgia* Дата *20.10.2008*
Place Date

 Российский морской регистр судоходства
Russian Maritime Register of Shipping

Савин
(подпись уполномоченного лица)
(signature of authorized official)

Второе ежегодное/промежуточное* освидетельствование
Second annual/intermediate* survey

На основании проведенного освидетельствования класс подтверждается.
On the basis of the performed survey the class is confirmed.

Место *Kherson, Ukraine* Дата *30.09.2009*
Place Date

Российский морской регистр судоходства
Russian Maritime Register of Shipping

М.П.
L.S.

[Signature]
(подпись уполномоченного лица)
(signature of authorized official)

Третье ежегодное/промежуточное* освидетельствование
Third annual/intermediate* survey

На основании проведенного освидетельствования класс подтверждается.
On the basis of the performed survey the class is confirmed.

Место _____ Дата _____
Place Date

Российский морской регистр судоходства
Russian Maritime Register of Shipping

М.П.
L.S.

(подпись уполномоченного лица)
(signature of authorized official)

Четвертое ежегодное освидетельствование
Fourth annual survey

На основании проведенного освидетельствования класс подтверждается.
On the basis of the performed survey the class is confirmed.

Место _____ Дата _____
Place Date

Российский морской регистр судоходства
Russian Maritime Register of Shipping

М.П.
L.S.

(подпись уполномоченного лица)
(signature of authorized official)

PC 3.1.2 07.00216.160 3



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE	
PV № 01648	
СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО SHIPS CERTIFICATE	
Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр <u>Херсонського</u>	
This is certify that according to the data entered in the State Register of Ships of the <u>Kherson</u>	
<u>морського торговельного</u>	<u>порту під № 449</u> від <u>09</u> числа <u>березня</u> місяця
<u>merchant sea</u>	<u>port under №</u> <u>of</u> <u>date</u> <u>March</u> month
<u>2006</u> року, судновласник <u>"Данаприс 2"</u>	
<u>year, the shipowner of ship</u>	<u>DANAPRIS 2</u>
<u>с</u>	<u>ТОВ "Столична Судноплавна Компанія"</u>
<u>is</u>	<u>LLC "Capital Shipping Company"</u>
<u>розташований (юридична адреса судновласника)</u>	
<u>located (domicile of the shipowner)</u>	<u>м. Київ, вул. Набережно-Лугова 2Л</u>
	<u>2L, Naberejno-Lugovaya Str., Kiev</u>
Відносно зазначеного судна у Державному судновому реєстрі України записано наступне:	
The above ship has been notified in the State Register of ships of Ukraine as follows:	
1. Призначення та тип <u>генеральний</u>	<u>general cargo</u>
Destinations and type	
2. Позивний сигнал <u>U0AA</u>	
Call letters	
3. Ідентифікаційний номер IMO <u>8889397</u>	
IMO Identification Number	
4. Рік та місце побудови <u>1979р., Румунія</u>	
Year and place construction	<u>1979, Romania</u>
5. Основний матеріал <u>сталь</u>	
Main material	<u>steel</u>
6. Головні розміри за обмірним свідоцтвом, що видане	
Principal dimensions according to the Tonnage Certificate issued by	
<u>Російським Морським Регістром Судноплавства</u>	
<u>Russian Maritime Register of Shipping</u>	
<u>10</u> числа <u>березня</u> місяця <u>2005</u> року	<u>від №05.00511.160</u>
<u>day</u> <u>March</u> <u>month</u> <u>year</u>	<u>by №</u>

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REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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довжина length	102,67 m	м:	валова місткість gross tonnage	2360 tons	т:
ширина breadth	14,80 m	м:	чиста місткість net tonnage	870 tons	т:
осадка draught	3,190 m	м:			

7. Тип, кількість та потужність головних двигунів
Type, number and output of main engines

ICE 6NVD 48A-2U, два, 1030 кВт
ICE 6NVD 48A-2U, two, 1030 kW

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт його реєстрації
The previous name of ship if she sailed under foreign flag and her previous port of registry

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and complete evidence of the right of property of

ТОВ "Столична Судноплавна Компанія"
LLC "Capital Shipping Company"

на судно "Данаприс 2"
on the ship DANAPRIS 2

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається капітану
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event mentioned in the Code of Merchant Shipping of Ukraine this Certificate is to be returned to the Harbour Master of the

Херсонського морського торговельного порту.
Kherson merchant sea port.

Видано під № 01648 від 09 числа березня місяця 2006 року.
Issued by № 01648 of 09 day March month 2006 year.

Капітан порту
Harbour Master of the port



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ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE
РГ № 112-0

**СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ
ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ)
CERTIFICATE OF NAVIGATION UNDER THE STATE FLAGE
OF UKRAINE (SHIPS PATENT)**

Відповідно до Кодексу торговельного мореплавства України судну "Данаприс 2"
According to the Code of Merchant Shipping of Ukraine the ship DANAPRIS 2
що належить ТОВ "Столицька Судноплавна Компанія"
owned by LLC "Capital Shipping Company"
(і зафрахтовано за договором бербоут-чартера)
(and bareboat chartered by)

Дозволяється (тимчасово, на строку, за договором бербоут-чартеру, до _____ числа _____ місяця _____ року) плавання під державним прапором України.
has been authorized (temporarily, for the term of the bareboat-charter till _____ day _____ month _____ year) to sail under the State flag of Ukraine.

У Державному судновому реєстрі Херсонського морського торговельного порту
The State Register of Ships of Ukraine Kherson merchant sea port
під № 449 від 09 числа березня місяця 2006 року, відносно судна
by № of day March month year the ship
Данаприс 2
DANAPRIS 2
значиться наступне:
has been notified as follows:

1. Призначення та тип рейсів: генеральний вантаж
Destination and type: general cargo

2. Національний сигнал: UUA
Call letters: UUA

3. Ідентифікаційний номер IMO: 8889397
IMO Identification Number: 8889397

4. Рік та місце побудови: 1979р., Румунія
Year and place of construction: 1979, Romania

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REPORT on the valuation of property: assets that are on the balance sheet of
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5. Основний матеріал		сталь	
Main material		steel	
6. Головні розміри за обмірним свідоцтвом, що видає			
Principal dimensions according to the Tonnage Certificate issued by			
Російським Морським Регістром Судноплавства			
Russian Maritime Register of Shipping			
01	числа серпня	місяця	2007 року
day	August	month	year
			№ 07.00216.160
			by №
довжина	102,67	м;	валова місткість
length		m;	gross tonnage
			2360 т;
			tons;
ширина	14,80	м;	чиста місткість
breadth		m;	net tonnage
			870 т.
			tons.
осадка	3,190	м;	
draught		m;	
7. Тип, кількість та потужність головних двигунів		ДВЗ 6NVD 48A-2U, два, 1030 кВт	
Type, number and output of main engines		ICE 6NVD 48A-2U, two, 1030 kW	
Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і			
all civil and military institutions and officials of the Ukraine are bound and the institutions and			
officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the			
principles of international law and usages and with the agreements concluded, to show the ship all			
necessary assistance and support.			
Це свідоцтво зберігається на борту судна.			
This Certificate is to be kept on board ship.			
У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає			
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be			
поверненню капітану			
Херсонського морського торговельного порту.			
returned to the Harbour Master of the		Kherson merchant sea port.	
Видано під № 02555	від 03	числа серпня	місяця 2007 року
Issued by №	of	day August	month year.
Дієвий до 01	числа	серпня	місяця 2012 року
Valid until	day	August	month year.
		Капітан порту	
		Harbour Master of the port	




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REPORT on the valuation of property: assets that are on the balance sheet of
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РЕГІСТР СУДНОПЛАВСТВА УКРАЇНИ
SHIPPING REGISTER OF UKRAINE

КЛАСИФІКАЦІЙНЕ СВДОЦТВО
CLASSIFICATION CERTIFICATE

Видане на підставі Правил класифікації і побудови суден Регістра судноплавства України
Issued under the provisions of the Rules for the Classification and Construction of Ships of the Shipping Register of Ukraine

Назва або номер судна Name or number of ship		ДАНАПРИС 3 DANAPRIS 3		Прапор Flag		Україна Ukraine	
Регістровий номер Registered number		1-306924		Номер IMO IMO number		8889440	
Тип Type		генерув general cargo		Позивний сигнал Call signal		UWBB	
Судновласник ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ» Shipowner LLC «CAPITAL SHIPPING COMPANY»				Власник судна ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ» Owner LLC «CAPITAL SHIPPING COMPANY»			
Дата і місце побудови Data and place of build		01.1986, Олтеніца, Румунія 01.1986, Oltenitsa, Romania		Порт приписки Port of registry		Херсон Kherson	
Довжина по КВЛ Length CWL		105,00 м m		Ширина Breadth		14,80 м m	
				Висота борту Depth		5,00 м m	
				Надводний борт Freeboard		1818 мм mm	
Валова вага Gross Tonnage		2360		Дедвейт Deadweight		3183 т t	
				Матеріал корпусу Material of hull		сталь steel	

ГОЛОВНІ МЕХАНІЗМИ MAIN ENGINES			ГОЛОВНІ КОТЛИ MAIN BOILERS		
Тип Type	Двигатель внутрішнього згорання Integral combustion engine	Кількість два Number two	Тип Type		Кількість Number
Рік і місце побудови Year and place of build	1985, Магдебург, Німеччина 1985, Magdeburg, Germany		Рік і місце побудови Year and place of build		
Сумарна потужність Total power output	1030	кВт kW			

Цим посвідчується, що на підставі проведеного огляду судно, його пристрій і обладнання задовольняють вимогам Правил, згідно з чим судно надіється /зберігається /поновлюється /перепризначається * клас з символом:

This is to certify that as a result of the survey performed the ship, her equipment and arrangements have been found in compliance with the requirements of the Rules, based on which class with following notation is assigned /retained /renewed /reassigned* to the ship:

KM + LCN-III (III при h_{max} ≤ 5,0 м)

* Не потрібне закреслити /Delete as appropriate.

ПРИМІТКА. Свідоцтво втрачає чинність у таких випадках: неспраць закінчення судна в цілому або окремих його елементів до призначеного періодичного або позачергового огляду в приписаній термін (для класу автоматично призупиняється, якщо щорічний огляд не закінчений, і для Класифікаційного Свідоцтва не підтверджена в межах 3-х місяців від встановленої дати щорічного огляду), після аварії (судно повинно бути пред'явлене до роздільного огляду в порту, де відбулася аварія, або в першому порту заходу, якщо аварія відбулася в морі); введення не узгоджених з Регістром конструктивних змін і /або змін в спорядженні судна в сторону зменшення від приписаних Правил; виконання ремонту піднаглядових елементів судна без узгодження і /або без нагляду Регістра; експлуатації судна з осадкою, що перевищує регламентовану Регістром для конкретних умов, а також експлуатації судна в умовах, що не відповідають присвоєному класу або встановленим при цьому Регістром обмеженням; несвочасного виконання приписаних конкретних вимог, котрі були при попередньому огляді умовою присвоєння або збереження класу Регістра; призупинення за ініціативою або з відома судновласника процесу огляду судна, що проводиться Регістром; виводу судна з експлуатації на тривалий (більше трьох місяців) період для виконання виставлених Регістром вимог (крім випадків знаходження судна в ремонті для цієї цілі).

NOTE: The Certificate ceases to be valid in the following cases: if the ship as a whole or her separate elements have not been subjected to scheduled periodical or occasional survey in specified terms (classification is automatically suspended, if the annual survey is not completed, and the Classification Certificate is not validly endorsed, with in 3 months of the due date of the annual survey; after an accident (the ship shall be submitted for occasional survey at port where the accident took place or at the first port of call if the accident took place at sea); if alterations not agreed with the Register have taken place in the construction and /or if any change has been made in the equipment which may result in reducing the standards required by the Rules; when repair of supervised items of a ship has been performed without the agreement and /or supervision of the Register; when the ship navigates with a draught exceeding that specified by the Register for specific conditions as well as in case of operation of a ship in condition which do not comply with the requirements for assigned class of a ship or the restrictions specified by the Register; if the prescribed specific requirements which during previous survey of the ship were the conditions for assignment of confirmation of the Register class have not been fulfilled within the specified period; if the process of surveying the ship by the Register has been suspended on shipowner's initiative or through his fault; when the ship has been taken out of service for a long period (more than 3 months) for fulfillment of the Register requirements (except the case when a ship is under repair for these purposes).

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REPORT on the valuation of property: assets that are on the balance sheet of
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Постійні обмеження. Умови, райони і сезони плавання.

Permanent restrictions. Condition, areas and seasons of navigation.

Смешанное (река – море) плавание на волнении с высотой волны 3% обеспеченности не более 5,0 м с удалением от места убежища:

- в открытых морях не более 50 миль и с допустимым расстоянием между местами убежища не более 100 миль;
- в закрытых морях не более 100 миль и с допустимым расстоянием между местами убежища не более 200 миль.

River – sea navigation at seas with a wave height with 3 per cent probability not exceeding 5.0 m with ships proceeding from the place of refuge:

- in open seas up to 50 miles and with an allowable distance between the places of refuge not more than 100 miles;
- in enclosed seas up to 100 miles and with an allowable distance between the places of refuge not more than 200 miles.

При критерии ускорения от 0,75 до 1,00 допустимая высота волны 3 % обеспеченности должна быть не более 5,0 м.

When acceleration criterion from 0.75 to 1.00 permissible height of the wave 3% probability should not greater than 5.0 m.

При критерии ускорения 0,75 или меньше допустимая высота волны 3 % обеспеченности должна быть не более 4,0 м.

When acceleration criterion 0.75 or less permissible height of the wave 3% probability should not greater than 4.0 m.



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Інші характеристики.
Other Characteristics.

Свідоцтво дійсне до
The Certificate is valid until **17.09.2015** при умові щорічного його підтвердження
відповідно до Правил.
with the Rules. subject to annual confirmation in accordance

Огляд судна проведений в порту
The survey of the ship is carried out at the port of **Херсон / Kherson** **17.09.2010**
Дата / Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

№ **104-1-1239-10**

К.В. Костенко
K. Kostenko
(Підпис належним чином уповноваженої особи, яка видала Свідоцтво,
прізвище, І. Б. / Signature of duly authorized official issuing the Certificate)

ПРОДОВЖЕННЯ КЛАСУ
EXTENSION OF THE CLASS

На підставі проведеного огляду клас продовжується до
On the basis of the performed survey the validity of the class is extended till

Місце
Place

Дата
Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

М.П.
L.S.

(підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

ПІДТВЕРДЖЕННЯ ЩОРІЧНИХ І ПРОМІЖНИХ ОГЛЯДІВ
ENDORSEMENT FOR ANNUAL AND INTERMEDIATE SURVEYS

Перший щорічний огляд / First annual survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце
Place

Дата
Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

М.П.
L.S.

(підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

Другий щорічний / проміжний * огляд / Second annual / intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце
Place

Дата
Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

М.П.
L.S.

(підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

*Непотрібне закреслити / Delete as appropriate

1.2.1 3



REPORT on the valuation of property: assets that are on the balance sheet of Capital Shipping Company LLC as at 31.01.2012

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Третій щорічний /проміжний * огляд / Third annual/intermediate * survey	
На підставі проведеного огляду клас підтверджується. On the basis of the performed survey the class is confirmed.	
Місце Place	Дата Date
РЕГІСТР УКРАЇНИ REGISTER OF UKRAINE	
М.П. L.S.	(підпис уповноваженої особи, прізвище, І. Б. /signature of authorized official)
Четвертий щорічний огляд / Forth annual survey	
На підставі проведеного огляду клас підтверджується. On the basis of the performed survey the class is confirmed.	
Місце Place	Дата Date
РЕГІСТР УКРАЇНИ REGISTER OF UKRAINE	
М.П. L.S.	(підпис уповноваженої особи, прізвище, І. Б. /signature of authorized official)
Підтвердження перенесення щорічної дати у випадку дострокового пред'явлення до щорічного огляду Endorsement for advancement of anniversary date in case of prescheduled annual survey	
Згідно з правилами новою щорічною датою є In accordance with the Rules the new anniversary date is	
Місце Place	Дата Date
РЕГІСТР УКРАЇНИ REGISTER OF UKRAINE	
М.П. L.S.	(підпис уповноваженої особи, прізвище, І. Б. / Signature of authorized official)
Згідно з правилами новою щорічною датою є In accordance with the Rules the new anniversary date is	
Місце Place	Дата Date
РЕГІСТР УКРАЇНИ REGISTER OF UKRAINE	
М.П. L.S.	(підпис уповноваженої особи, прізвище, І. Б. / Signature of authorized official)
ТИМЧАСОВІ ОБМЕЖЕННЯ І ПРИМІТКИ: TEMPORARY RESTRICTIONS AND REMARKS.	
Непотрібне закреслити / Delete as appropriate	
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ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE	
PV № 2015	
СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО SHIPS CERTIFICATE	
Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр	<u>Херсонського</u>
This is certify that according to the data entered in the State Register of Ships of the	<u>Kherson</u>
<u>морського торговельного</u> порту під № <u>511</u> від <u>24</u> числа <u>квітня</u> місяця	<u>merchant sea</u> port under № of date <u>April</u> month
<u>2007</u> року, судновласник <u>ДАНАПРИС 3</u>	<u>year, the shipowner of ship DANAPRIS 3</u>
є	<u>ТОВ "Столична Судноплавна Компанія"</u>
is	<u>LLC "Capital Shipping Company"</u>
розташований (юридична адреса судновласника)	<u>м.Київ, вул. Набережно-Лугова, 2Л</u>
located (domicile of the shipowner)	<u>2L, Naberezhno-Lugova Str., Kiev</u>
Відносно зазначеного судна у Державному судновому реєстрі України записано наступне: The above ship has been notified in the State Register of ships of Ukraine as follows:	
1. Призначення та тип <u>генвантаж</u>	<u>Destinations and type general cargo</u>
2. Позивний сигнал <u>UWBB</u>	<u>Call letters UWBB</u>
3. Ідентифікаційний номер IMO <u>8889440</u>	<u>IMO Identification Number</u>
4. Рік та місце побудови <u>1986р., Румунія</u>	<u>Year and place construction 1986, Romania</u>
5. Основний матеріал <u>сталь</u>	<u>Main material steel</u>
6. Головні розміри за обмірним свідоцтвом, що видане Principal dimensions according to the Tonnage Certificate issued by	
<u>Російським Морським Регістром Судноплавства</u> <u>Russian Maritime Register of Shipping</u>	
<u>23</u> числа <u>квітня</u> місяця <u>2007</u> року від № <u>07.00508.160</u>	<u>day April month year by №</u>

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REPORT on the valuation of property: assets that are on the balance sheet of
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довжина	102,67	м;	валова місткість	2360	т;
length		m;	gross tonnage		tons;
ширина	14,80	м;	чиста місткість	870	т.
breadth		m;	net tonnage		tons.
осадка	3,192	м;			
draught		m;			

7. Тип, кількість та потужність головних двигунів ДВЗ 6NVD 48A-2U, два, 1030 кВт
Type, number and output of main engines ICE 6NVD 48A-2U, two, 1030 kW

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт його реєстрації
The previous name of ship if she sailed under foreign flag and her previous port of registry

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and complete evidence of the right of property of


ТОВ "Столична Судноплавна Компанія"
LLC "Capital Shipping Company"

на судно ДАНАПРИС 3
on the ship DANAPRIS 3

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається капітану Херсонського морського торговельного порту.
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the Harbour Master of the Kherson merchant sea port.

Видано під № 02464 від 24 числа квітня місяця 2007 року.
Issued by № of day April month year.


 Капітан порту
Harbour Master of the port



ISTC «TRANSSERVICE - 1»

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ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE	
PF № 02-12	
СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ) CERTIFICATE OF NAVIGATION UNDER THE STATE FLAGE OF UKRAINE (SHIPS PATENT)	
Відповідно до Кодексу торговельного мореплавства України судну	ДАНАПРИС 3
According to the Code of Merchant Shipping of Ukraine the ship	DANAPRIS 3
що належить	ТОВ "Столична Судноплавна Компанія"
owned by	LLC "Capital Shipping Company"
(і зафрахтовано за договором бербоут-чартера)	
(and bareboat - chartered by)	
<p>дозволяється (тимчасово, на строк дії договору бербоут-чартера, до _____ числа _____ місяця _____ року) плавання під Державним прапором України.</p> <p>has been authorized (temporarily, for the term of the bareboat-charter till _____ day _____ month _____ year) to sail under the State flag of Ukraine.</p>	
У Державному судновому реєстрі	Херсонського морського торговельного порту
The State Register of Ships of Ukraine	Kherson merchant sea port
на № 511 від 24 числа квітня місяця 2007 року, відносно судна	
by № of day April month year, the ship	
ДАНАПРИС 3	значиться наступне:
DANAPRIS 3	has been notified as follows:
1. Призначення та тип	генвантаж
Destination and type	general cargo
2. Позивний сигнал	UWBB
Call letters	UWBB
3. Ідентифікаційний номер IMO	8889440
IMO Identification Number	
4. Рік та місце побудови	1986р., Румунія
Year and place of construction	1986, Romania

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REPORT on the valuation of property: assets that are on the balance sheet of
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5. Основний матеріал	Сталь						
Main material	steel						
6. Головні розміри за обмірним свідоцтвом, що видане	Principal dimensions according to the Tonnage Certificate issued by						
Російським Морським Регістром Судноплавства							
Russian Maritime Register of Shipping							
23	числа	квітня	місяця	2007	року	під №	07.00508.160
	day	April	month		year	by №	
довжина	102,67		м;	валова місткість	2360		т;
length			m;	gross tonnage			tons;
ширина	14,80		м;	чиста місткість	870		т.
breadth			m;	net tonnage			tons.
осадка	3,192		м;				
draught			m;				
7. Тип, кількість та потужність головних двигунів	ДВС 6NVD 48A-2U, два, 1030 кВт						
Type, number and output of main engines	ICE 6NVD 48A-2U, two, 1030 kW						
Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та його капітану всімку співдію та допомогу.							
All civil and military institutions and officials of the Ukraine are bound and the institutions and officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the principles of international law and usages and with the agreements concluded, to show the ship all necessary assistance and support.							
Це свідоцтво зберігається на борту судна.							
This Certificate is to be kept on board ship.							
У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає поверненню капітану							
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be returned to the Harbour Master of the							
Херсонського морського торговельного порту.							
Kherson merchant sea port.							
Видано під №	02539	від	24	числа	квітня	місяця	2007
Issued by №		of		day	April	month	year.
Дієвий до	23	числа	квітня	місяця	2012	року.	
Valid until		day	April	month	year.		
Капітан порту							
Harbour Master of the port							




ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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РЕГІСТР СУДНОПЛАВСТВА УКРАЇНИ
SHIPPING REGISTER OF UKRAINE

КЛАСИФІКАЦІЙНЕ СВДОЦТВО
CLASSIFICATION CERTIFICATE

Видане на підставі Правил класифікації і побудови суден Регістра судноплавства України
Issued under the provisions of the Rules for the Classification and Construction of Ships of the Shipping Register of Ukraine

Назва або номер судна Name or number of ship		ДАНАПРИС 4* DANAPRIS 4		Прапор Flag	Україна Ukraine
Регістровий номер Registered number		1-306598		Номер ІМО IMO number	8887753
				Позивний сигнал Call signal	UROP
Тип генвантаж Type general cargo					
Судноласник/ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ» Shipowner LLC «CAPITAL SHIPPING COMPANY»			Власник судна ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ» Owner LLC «CAPITAL SHIPPING COMPANY»		
Рік і місце побудови Year and Place of Build			1986, Румунія, Romania		
			Порт приписки Port of Registry		
			Херсон Kherson		
Довжина по КВЛ Length CWL	102.5 м m	Ширина Breadth	14.80 м m	Висота борту Depth	5.00 м m
				Надводний борт Freeboard	1746 мм mm
Валова місткість Gross Tonnage	2446		Дедвейт Deadweight	3128 т t	Матеріал корпусу Material of hull
					сталь steel

ГОЛОВНІ МЕХАНІЗМИ MAIN ENGINES			ГОЛОВНІ КОТЛИ MAIN BOILERS		
Тип Type	дизель diesel	Кількість Number	2	Тип Type	
				Кількість Number	
Рік і місце побудови Year and Place of build			1985 Германия Germany		
Сумарна потужність Total power output			1030 кВт kW		

Цим посвідчується, що на підставі проведеного огляду судно, його пристрої і обладнання задовольняють вимогам Правил, згідно з чим судно надається ~~Аберігасьяся/новоюється/перепризначається~~ * клас з символом:

This is to certify that as a result of the survey performed the ship, her equipment and arrangements have been found in compliance with the requirements of the Rules, based on which class with following notation is assigned ~~/retained-/renewed /reassigned~~ * to the ship:

KM * LHC 13H

* Использовать зачеркнуть /Delete as appropriate.

ПРИМІТКА. Свідоцтво втрачає чинність у таких випадках: перепризначення судна в цілому або окремих його елементів до призначеного періодичного або позачергового огляду в призначений термін (для класу автоматично призупиняється, якщо щорічний огляд не закінчений, і для Класифікаційного свідчення не підтверджено в межах 3-х місяців від встановленої дати щорічного огляду); після аварії (судно повинно бути пред'явлено до позачергового огляду в порту, де відбулася аварія, або в першому порту заходу, якщо аварія відбулася в морі); введення не узгоджених з Регістром конструктивних змін (забо змін в спорядженні судна з боку замовника від приписаного Правиллами, виконання ремонту піднагляданих елементів судна без узгодження і/або без нагляду Регістра, експлуатації судна з осадкою, що перевищує регламентовану Регістром для конкретних умов, а також експлуатації судна в умовах, що не відповідають присвоєному класу або встановленим при цьому Регістром обмеженням; несвоєчасного виконання приписаних конкретних умов, які були при попередньому огляді умовою присвоєння або збереження класу Регістра; призначення за ініціативою або з вини судноласника процесу огляду судна, що проводиться Регістром; виводу судна з експлуатації на тривалій (більше трьох місяців) період для виконання виставлених Регістром вимог (крім випадків знаходження судна в ремонті для цілі цілі).

NOTE. The Certificate ceases to be valid in the following cases: if the ship as a whole or her separate elements have not been subjected to scheduled periodical or occasional survey in specified terms (classification is automatically suspended, if the annual survey is not completed, and the Classification Certificate is not validly endorsed, with in 3 months of the due date of the annual survey, after an accident (the ship shall be submitted for occasional survey at port where the accident took place or at the first port of call if the accident took place at sea); if alterations not agreed with the Register have taken place in the construction and/or if any change has been made in the equipment which may result in reducing the standards required by the Rules; when repair of supervised items of a ship has been performed without the agreement and/or supervision of the Register; when the ship navigates with a draught exceeding that specified by the Register for specific conditions as well as in case of operation of a ship in condition which do not comply with the requirements for assigned class of a ship or the restrictions specified by the Register; if the prescribed specific requirements which during previous survey of the ship were the conditions for assignment of confirmation of the Register class have not been fulfilled within the specified period; if the process of surveying the ship by the Register has been suspended on shipowner's initiative or through his fault; when the ship has been taken out of service for a long period (more than 3 months) for fulfillment of the Register requirements (except the case when a ship is under repair for these purposes).

019/52



Постійні обмеження. Умови, райони і сезони плавання.

Permanent restrictions. Condition, areas and seasons of navigation.

Смешанное (река – море) плавание на волнении с высотой волны 3% обеспеченности не более 5 м с удалением от места убежища:

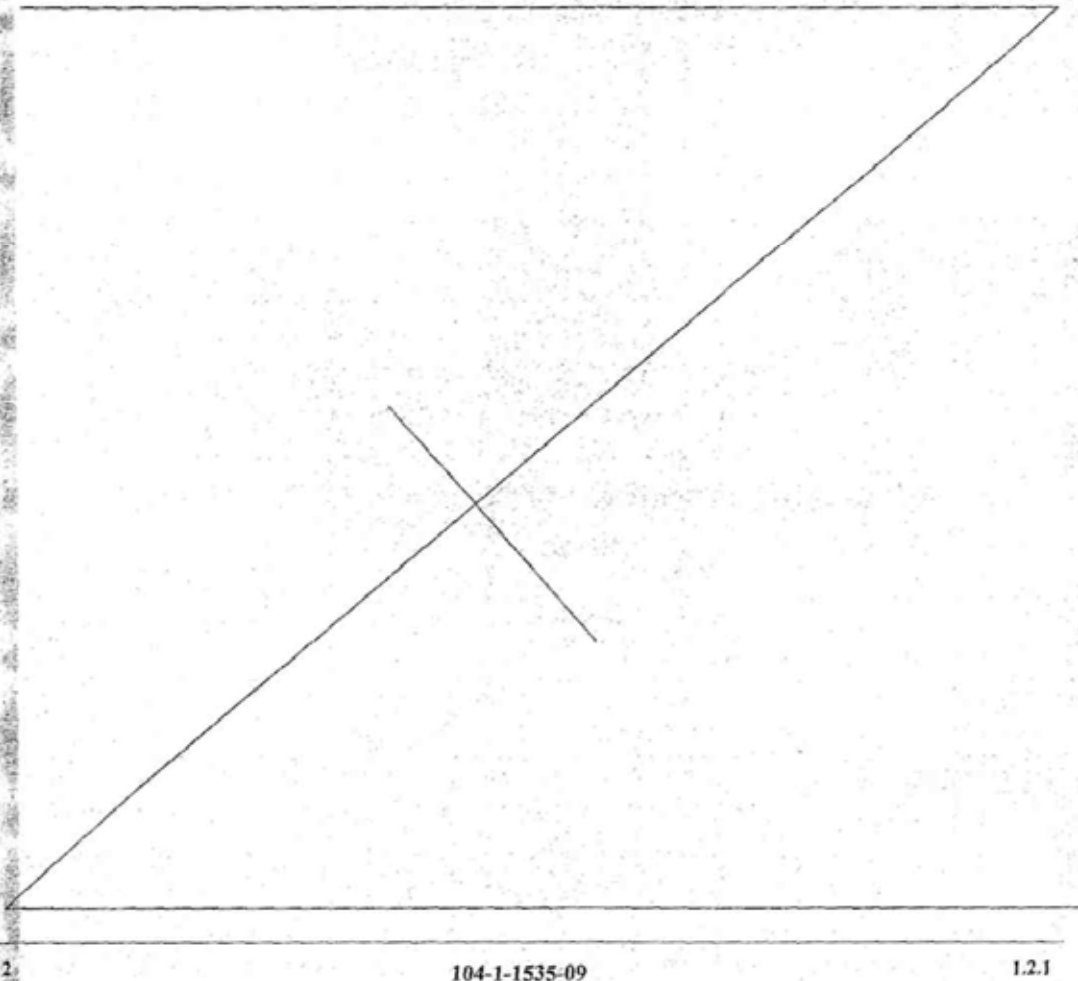
- в открытых морях не более 50 миль и с допустимым расстоянием между местами убежища не более 100 миль;
- в закрытых морях не более 100 миль и с допустимым расстоянием между местами убежища не более 200 миль.

По критерию ускорения эксплуатация судна в море в грузу допускается на волнении при значениях высоты волны 3% обеспеченности не более 4.0 м.

Mixed (river – sea) navigation with wave height 3 per cent probability not exceeding 5 m with ship proceeding from the place of refuge:

- in open seas – up to 50 miles and with permissible distance between the places of refuge not more than 100 miles;
- in enclosed seas – up to 100 miles and with permissible distance between the places of refuge not more than 200 miles.

With acceleration criterion exploitation of the loaded ship at sea is permitted with wave height 3 per cent probability not exceeding 4.





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Інші характеристики.
Other Characteristics.

Для уменшення слемінга осадка носом должна быть не менее 1.95 м.
For safety in respect of slamming, bow submergence must make not less than 1.95 m.

Свідоцтво дійсне до 27.10.2014 при умові щорічного його підтвердження
The Certificate is valid until 27.10.2014 subject to annual confirmation in accordance
відповідно до Правил.
with the Rules.

Огляд судна проведений в порту Херсон / Kherson 27.10.2009
The survey of the ship is carried out at the port of Kherson / Kherson 27.10.2009

Дата / Date



РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

Костенко К.В. / K. Kostenko
(підпис належним чином уповноваженої особи, яка видає Свідоцтво,
прізвище, І. Б. / Signature of duly authorized official issuing the Certificate)

№ 104-1-1535-09

ПРОДОВЖЕННЯ КЛАСУ
EXTENSION OF THE CLASS

На підставі проведеного огляду клас продовжується до
On the basis of the performed survey the validity of the class is extended till

Місце / Place
Дата / Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

М.П.
L.S.

(підпис уповноваженої особи, прізвище, І. Б. /
signature of authorized official)

ПІДТВЕРДЖЕННЯ ЩОРІЧНИХ І ПРОМІЖНИХ ОГЛЯДІВ
ENDORSEMENT FOR ANNUAL AND INTERMEDIATE SURVEYS

Перший щорічний огляд / First annual survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце / Place
Дата / Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

М.П.
L.S.

(підпис уповноваженої особи, прізвище, І. Б. /signature of authorized official)

Другий щорічний /проміжний * огляд / Second annual/intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце / Place
Дата / Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

М.П.
L.S.

(підпис уповноваженої особи, прізвище, І. Б. /signature of authorized official)

*Необхідно закреслити / Delete as appropriate

1.2.1

3



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
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ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE	
PV № 00243	
СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО SHIPS CERTIFICATE	
Цим свідоцтвом, що відповів до записів, внесених у Державний судновий реєстр Херсонського This is certify that according to the data entered in the State Register of Ships of the Kherson	
морського торговельного порту № 425 від 07 листопада merchant sea port under № of date November month	
2005 року, судновласник "Данаприс 4" year, the shipowner of ship "DNAPRIS 4"	
с ТОВ "Столиця Судноплавна компанія" is LLC "CAPITAL SHIPPING COMPANY"	
розташований (юридична адреса судновласника) located (domicile of the shipowner)	04080, м. Київ, вул. Набережно-Лугова, 2Л 2L, Naberezhno-Lugova str., Kyiv, 04080
Відносно зазначеного судна у Державному судновому реєстрі України записано наступне: The above ship has been notified in the State Register of ships of Ukraine as follows:	
1. Призначення та тип генвантаж Destinations and type General cargo	
2. Позивний сигнал Call letters UROJ	
3. Ідентифікаційний номер IMO IMO Identification Number 8887752	
4. Рік та місце побудови Year and place construction 07.1986, Румунія, Олтеніца 07.1986, Romania, Oltenitsa	
5. Основний матеріал Main material сталь steel	
6. Головні розміри за обмірним свідоцтвом, що видане Principal dimensions according to the Tonnage Certificate issued by	
Російський Морський Регістр Судноплавства Russian Maritime Register of Shipping	
02 числа листопада місяця 2005 року від № 05.00540.160 day November month year by №	000243



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длина	162,54	м.	длина шхесты	2445	мм
length		m.	gross tonnage		tons
ширина	14,88	м.	нестандартн.	0,69	т.
breadth		m.	markings		tons
осадка	3,2703	м.			
draught		m.			

7. Тип, номер и паспорт двигателя: ENVD 48A-20, год, 1999, 180
 Type, number and output of main engine: ENVD 48A-20, year, 1999, 180

8. Предыдущее наименование судна, в котором данное судно было зарегистрировано, и номер судна по предыдущему порту регистрации: ...
 The previous name of ship if the vessel under foreign flag and her previous port of registry: ...

Согласно Кодексу торгового морского судоходства Украины и включенным в него законодательным актам Украины это свидетельство должно рассматриваться как окончательное и полное доказательство права собственности на судно.
 According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and complete evidence of the right of property of ...


на судне
 on the ship

Это свидетельство должно храниться на борту судна в оригинале или в заверенной копии.
 This Certificate is to be kept on board of the vessel in original or copy certified by a notary.

Если данное судно зарегистрировано под государственным флагом Украины, то в случае возникновения каких-либо споров, связанных с правами собственности на судно, это свидетельство должно возвращаться в орган государственного управления Украины, упомянутый в Кодексе торгового морского судоходства Украины.
 If the ship has her right of registry under the State Flag of Ukraine, or in case of any other circumstances mentioned in the Code of Merchant Shipping of Ukraine this Certificate is to be returned to the ...

Гарбоу-Мастер порта: Карповское морское торговое портовое управление (порт) / Harbour Master of the port: Karpon merchant sea port

Выдано на № 0024 от 07 числа месяца 2008 года / Issued by № 0024 of 07 day November month 2008 year



Копия
 Harbour Master of the port



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIP'S REGISTRAR INSPECTION OF UKRAINE

PF № 003792

**СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ
ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ)
CERTIFICATE OF NAVIGATION UNDER THE STATE FLAG
OF UKRAINE (SHIPS PATENT)**

Відповідно до Кодексу торговельного мореплавства України судну "Данаприс 4"
According to the Code of Merchant Shipping of Ukraine the ship "DANAPRIS 4"

що належить ТОВ "Столична Судноплавна компанія"
owned by LLC "CAPITAL SHIPPING COMPANY"

(І зафрахтовано за договором бербоут-чартера)
(and bareboat - chartered by)

дозволяється (тимчасово, на строк дії договору бербоут-чартера до _____ числа _____ місяця _____ року) плавати під Державним прапором України.
has been authorized (temporarily, for the term of the bareboat-charter till _____ day _____ month _____ year) to sail under the State flag of Ukraine.

У Державному судновому реєстрі Херсонського морського торговельного порту
The State Register of Ships of Ukraine Kherson merchant sea port

під № 425 від 07 числа листопада місяця 2005 року, відносно судна
by № of day November month year, the ship

"Данаприс 4" _____ значиться наступне:
"DANAPRIS 4" _____ has been notified as follows:

1. Призначення та тип ГЕНВАНТАЖ
Destination and type General cargo

2. Позивний сигнал УРОП
Call letters UROF

3. Ідентифікаційний номер IMO 8887753
IMO Identification Number

4. Рік та місце побудови 07.1986р., Румунія, Олтенія
Year and place of construction 07.1986, Romania, Oltenitza

003792



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Постоянные ограничения *restricted II СП.*
Permanent restrictions
River-sea navigation at seas with a wave height of 6.0 m with 3 per cent probability with ships proceeding from the place of refuge:

- *in open seas up to 50 miles and with an allowable distance between the places of refuge not more than 100 miles;*

- *in enclosed seas up to 100 miles and with an allowable distance between the places of refuge not more than 200 miles.*

Прочие характеристики *1. The vessel is in compliance with the IACS UR S27. IACS UR S26 is not applicable for the vessel*
Other characteristics
(there are no small hatches on the exposed fore deck).

2. The ship it is suitable for transportation of a dangerous goods according to the Certificate of fitness of the ship for the carriage of dangerous goods No.07.00888.160.

Свидетельство действительно до **09.2012** при условии ежегодного его подтверждения в
The Certificate is valid until subject to annual confirmation in accordance
соответствии с Правилами. with the Rules.

Свидетельство выдано в порту **Nikolayev, Ukraine** Дата **09.2007**
The Certificate is issued at the port of Date

Дата завершения освидетельствования, являющегося основанием для выдачи настоящего Свидетельства **09.2007**
Completion date of the survey on which this Certificate is based (date of issue)

Российский морской регистр судоходства
Russian Maritime Register of Shipping

М.П.
L.S.

№ **07.00220.160**

(подпись должным образом уполномоченного лица, выдавшего Свидетельство)
signature of duly authorized official issuing the Certificate

**ПРОДЛЕНИЕ КЛАССА
EXTENSION OF THE CLASS**

На основании проведенного освидетельствования класс продлен до
On the basis of the performed survey the validity of the class is extended until

Место
Place

Дата
Date

Российский морской регистр судоходства
Russian Maritime Register of Shipping

М.П.
L.S.

(подпись уполномоченного лица)
signature of authorized official

2

РС 3.1.



REPORT on the valuation of property: assets that are on the balance sheet of
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ПОДТВЕРЖДЕНИЕ ЕЖЕГОДНЫХ И ПРОМЕЖУТОЧНЫХ ОСВИДЕТЕЛЬСТВОВАНИЙ ENDORSEMENT OF ANNUAL AND INTERMEDIATE SURVEYS	
<p>Первое ежегодное освидетельствование annual survey</p> <p>На основании проведенного освидетельствования класс подтверждается. On the basis of the performed survey the class is confirmed.</p> <p>Место Place</p> <p>Киев, Украина Kyiv, Ukraine</p> <p>Российский морской регистр судоходства Russian Maritime Register of Shipping</p> <p>160-33</p>	<p>Дата Date</p> <p>28.11.2008</p> <p>(подпись уполномоченного лица) (signature of authorized official)</p>
<p>Второе ежегодное/промежуточное* освидетельствование Second annual/intermediate* survey</p> <p>На основании проведенного освидетельствования класс подтверждается. On the basis of the performed survey the class is confirmed.</p> <p>Место Place</p> <p>Киев, Украина Kyiv, Ukraine</p> <p>Российский морской регистр судоходства Russian Maritime Register of Shipping</p> <p>160-33</p>	<p>Дата Date</p> <p>13.11.2009</p> <p>(подпись уполномоченного лица) (signature of authorized official)</p>
<p>Третье ежегодное/промежуточное* освидетельствование Third annual/intermediate* survey</p> <p>На основании проведенного освидетельствования класс подтверждается. On the basis of the performed survey the class is confirmed.</p> <p>Место Place</p> <p>Российский морской регистр судоходства Russian Maritime Register of Shipping</p> <p>М.П. I.S.</p>	<p>Дата Date</p> <p>(подпись уполномоченного лица) (signature of authorized official)</p>
<p>Четвертое ежегодное освидетельствование Fourth annual survey</p> <p>На основании проведенного освидетельствования класс подтверждается. On the basis of the performed survey the class is confirmed.</p> <p>Место Place</p> <p>Российский морской регистр судоходства Russian Maritime Register of Shipping</p> <p>М.П. I.S.</p>	<p>Дата Date</p> <p>(подпись уполномоченного лица) (signature of authorized official)</p>



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
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ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE

PV № 00254

СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО
SHIPS CERTIFICATE

Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр Херсонського
This is certify that according to the data entered in the State Register of Ships of the Kherson

морського торговельного порту під № 436 від 26 числа грудня місяця
merchant sea port under № of date December month

2005 року, судновласник "ДАНАПРИС 5"
year, the shipowner of ship "DANAPRIS 5"

є ТОВ "Столична Судноплавна компанія"
is LLC "CAPITAL SHIPPING COMPANY"

розташований (юрисдикція адреса судновласника)
located (domicile of the shipowner)

04080, м.Київ, вул. Набережно-Лугова, 2Л
2L, Naberezhno-Lugova str., Kyiv, 04080

Відносно зазначеного судна у Державному судновому реєстрі України записано наступне:
The above ship has been notified in the State Register of ships of Ukraine as follows:

1. Призначення та тип генвантаж
Destinations and type general cargo
 2. Позивний сигнал УРЕД
Call letters URED
 3. Ідентифікаційний номер IMO 8887387
IMO Identification Number
 4. Рік та місце побудови 1987р., Румунія, Олтеніця
Year and place construction 1987, Romania, Oltenitsa
 5. Основний матеріал сталь
Main material steel
 6. Головні розміри за обмірним свідоцтвом, що видане
Principal dimensions according to the Tonnage Certificate issued by
Російський Морський Регістр Судноплавства
Russian Maritime Register of Shipping
- 24 числа грудня місяця 2004 року під № 04.00559.160
day December month year by №

000254



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довжина	102,67	м;	валова місткість	2453	т;
length		m;	gross tonnage		tons;
ширина	14,80	м;	чиста місткість	885	т.
breadth		m;	net tonnage		tons.
осадка	3,120	м;			
draught		m;			

7. Тип, кількість та потужність головних двигунів
Type, number and output of main engines

6NVD 48A-2U, два, 1030 кВт
6NVD 48A-2U, two, 1030 kW

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт
The previous name of ship if she sailed under foreign flag and her previous port of
його реєстрації _____
registry _____

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and

власності
complete evidence of the right of property of

ТОВ "Столична Судноплавна компанія"
LLC "CAPITAL SHIPPING COMPANY"

на судно _____
on the ship "DANAPRIS 5"

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event
випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається
mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the
капітану _____ порту.
Harbour Master of the _____ Kherson merchant sea port.

Видано під № 00254 від 26 числа грудня місяця 2005 року.
Issued by № of day December month year.



Капітан порту _____
Harbour Master of the port



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ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE	
PF № 02350	
СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ) CERTIFICATE OF NAVIGATION UNDER THE STATE FLAG OF UKRAINE (SHIPS PATENT)	
Відповідно до Кодексу торговельного мореплавства України ст. 49 According to the Code of Merchant Shipping of Ukraine, the ship	"ДАНАПРИС 5" "DANAPRIS 5"
яке належить owned by	ТОВ "Столична Судноплавна компанія" LLC "CAPITAL SHIPPING COMPANY"
(і зафрахтовано за договором бербоут-чартера) (and bareboat - chartered by)	
дозволяється (тимчасово, на строк дії договору бербоут-чартера, до has been authorized (temporarily, for the term of the bareboat-charter till	числа --- місяця day --- month
року) плавати під Державним прапором України. year) to sail under the State flag of Ukraine.	
У Державному судновому реєстрі The State Register of Ships of Ukraine	Херсонського морського торговельного порту Kherson merchant sea port
під № 436 від 26 числа грудня місяця 2005 року, відносно судна by № of day December month year, the ship	"ДАНАПРИС 5" "DANAPRIS 5"
значається наступне: has been notified as follows:	
1. Призначення та тип Destination and type	генвантаж general cargo
2. Позивний сигнал Call letters	УРЕД URED
3. Ідентифікаційний номер ІМО IMO Identification Number	8887387
4. Рік та місце побудови Year and place of construction	1987р., Румунія, Олтенія 1987, Romania, Oltenitsa



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5. Основний матеріал	сталь		
Main material	steel		
6. Головні розміри за об'ємним свідоцтвом, що видане	Principal dimensions according to the Tonnage Certificate Issued by		
Російський Морський Реєстр Судноплавства Russian Maritime Register of Shipping			
24 числа грудня місяця 2004 року	day December month	year	№ 04100559.160 by №
довжина	102,67 м;	валова місткість	2453 т;
length	m;	gross tonnage	tons;
ширина	14,80 м;	чиста місткість	885 т.
breadth	m;	net tonnage	tons.
осадка	3,120 м;		
draught	m;		
7. Тип, кількість та потужність головних двигунів	6NVD 48A-2U, два, 1030 кВт		
Type, number and output of main engines	6NVD 48A-2U, two, 1030 kW		
Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та його капітану всяку цивільну та допоміжну необхідну допомогу та підтримку.			
All civil and military institutions and officials of the Ukraine are bound and the institutions and officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the principles of international law and usages and with the agreements concluded, to show the ship all necessary assistance and support.			
Це свідоцтво зберігається на борту судна. This Certificate is to be kept on board ship.			
У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає поверненню капітану			
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be returned to the Harbour Master of the Kherson merchant sea port.			
Видано під № 02560	від 05	числа вересня	місяця 2007 року.
Issued by №	of	day September	month year.
Дійсний до	01	числа вересня	місяця 2012 року.
Valid until	day	September	month year.
		Капітан порту Harbour Master of the port	



REPORT on the valuation of property: assets that are on the balance sheet of
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РЕГІСТР СУДНОПЛАВСТВА УКРАЇНИ
SHIPPING REGISTER OF UKRAINE

1.2

КЛАСИФІКАЦІЙНЕ СВДОЦТВО
CLASSIFICATION CERTIFICATE

Видане на підставі Правил класифікації і побудови суден Регістра судноплавства України
Issued under the provisions of the Rules for the Classification and Construction of Ships of the Shipping Register of Ukraine

Назва або номер судна Name or number of ship		РІВЕРЕСТ-1		Прапор Flag		УКРАЇНА	
Регістраційний номер Registered number		2-801061		Номер ІМО IMO number		Позивний сигнал Call signal	
Тип Type		ПАСАЖИРСЬКИЙ ТЕПЛОХІД					
Судновласник Shipowner				Власник судна Owner			
ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ»				ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ»			
Дата і місце побудови Data and place of build				Порт приписки Port of registry			
1978, ХЕРСОН				КИЇВ			
Довжина по КВЛ Length CWL	30 м m	Ширина Breadth	5,1 м m	Висота борту Depth	2,55 м m	Надводний борт Freeboard	850 мм mm
Валова місткість Gross Tonnage	156		Делайт Deadweight	-	т t	Матеріал корпусу Material of hull	Сталь

ГОЛОВНІ МЕХАНІЗМИ MAIN ENGINES				ГОЛОВНІ КОТЛИ MAIN BOILERS			
Тип Type	ЗД12	Кількість Number	2	Тип Type	-	Кількість Number	-
Рік і місце побудови Year and place of build	1977, РОСІЯ			Рік і місце побудови Year and place of build	-		
Сумарна потужність Total power output	440		кВт kW				

Цим посвідчується, що на підставі проведеного огляду судно, його пристрої і обладнання задовольняють вимогам Правил, згідно з чим судну надається /зберігається /поновлюється /перепризначається * клас з символом:

This is to certify that as a result of the survey performed the ship, her equipment and arrangements have been found in compliance with the requirements of the Rules, based on which class with following notation is assigned /retained /renewed /reassigned * to the ship:

★ P 1,2

* Непотрібне закреслити /Delete as appropriate.

ПРИМІТКА. Свідоцтво втрачає чинність у таких випадках: неперед'явлення судна в цілому або окремих його елементів до призначеного періодичного або позачергового огляду в приписаний термін (для класу автоматично призупиняється, якщо щорічний огляд не закінчений, і для Класифікаційного Свідоцтва не підтверджена в межах 3-х місяців від встановленої дати щорічного огляду); після аварії (судно повинно бути пред'явлене до позачергового огляду в порту, де відбулася аварія, або в першому порту заходу, якщо аварія відбулася в морі); введення не узгоджених з Регістром конструктивних змін і /або змін в спорядженні судна в сторону зменшення від приписаних Правилами; виконання ремонту підлягаючих елементів судна без узгодження і /або без нагляду Регістра; експлуатації судна з осадкою, що перевищує регламентовану Регістром для конкретних умов, а також експлуатації судна в умовах, що не відповідають присвоєному класу або встановленим при цьому Регістром обмеженням; несвочасного виконання приписаних конкретних вимог, котрі були при попередньому огляді умовно присвоєння або збереження класу Регістра; призначення за ініціативою або з вказівки судновласника процесу огляду судна, що проводиться Регістром; аварию судна з експлуатації на тривалій (більше трьох місяців) період для виконання встановлених Регістром вимог (крім випадків зникнення судна в ремонті для цієї цілі).

NOTE: The Certificate ceases to be valid in the following cases: if the ship as a whole or her separate elements have not been subjected to scheduled periodical or occasional survey in specified terms (classification is automatically suspended, if the annual survey is not completed, and the Classification Certificate is not validity endorsed, with in 3 months of the due date of the annual survey, after an accident (the ship shall be submitted for occasional survey at port where the accident took place or at the first port of call if the accident took place at sea); if alterations not agreed with the Register have taken place in the construction and /or if any change has been made in the equipment which may result in reducing the standards required by the Rules, when repair of supervised items of a ship has been performed without the agreement and /or supervision of the Register; when the ship navigates with a draught exceeding that specified by the Register for specific conditions as well as in case of operation of a ship in condition which do not comply with the requirements for assigned class of a ship or the restrictions specified by the Register; if the prescribed specific requirements which during previous survey of the ship were the conditions for assignment of confirmation of the Register class have not been fulfilled within the specified period; if the process of surveying the ship by the Register has been suspended on shipowner's initiative or through his fault; when the ship has been taken out of service for a long period (more than 3 months) for fulfillment of the Register requirements (except the case when a ship is under repair for those purposes).



*REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012*

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Постійні обмеження. Умови, райони і сезони плавання.
Permanent restrictions. Condition, areas and seasons of navigation.

**РЕКА ДНЕПР И ПРИТОКИ С ОГРАНИЧЕНИЕМ ПО ВЫСОТЕ ВОЛНЫ 1,2м.
ОТ ПЛОТИНЫ КИЕВСКОЙ ГЭС ДО УКРАИНКИ.**



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Діючі характеристики.
Other Characteristics.

Свідоцтво дійсне до
The Certificate is valid until
відповідно до Правил.
with the Rules.

13.06.2010г

при умові щорічного його підтвердження
subject to annual confirmation in accordance

Огляд судна проведений в порту
The survey of the ship is carried out at the port of

КИЕВ

24.05.2006

Дата / Date



РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

ЗЛОТОЯБКО С.П.

(Підпис належним чином уповноваженої особи, яка видає Свідоцтво,
прізвище, І, Б. / Signature of duly authorized official issuing the Certificate)

№ 101-1-743-06

ПРОДОВЖЕННЯ КЛАСУ
EXTENSION OF THE CLASS

На підставі проведеного огляду клас продовжується до
On the basis of the performed survey the validity of the class is extended till

Місце
Place

Дата
Date

М.П.
L.S.

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І, Б. /
signature of authorized official).

ПІДТВЕРДЖЕННЯ ЩОРІЧНИХ І ПРОМІЖНИХ ОГЛЯДІВ
ENDORSEMENT FOR ANNUAL AND INTERMEDIATE SURVEYS

Перший щорічний огляд / First annual survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце
Place

Дата
Date

М.П.
L.S.



РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І, Б. /signature of authorized official)

16.09.09

Андрій Карпенко В.С.

Другий щорічний / проміжний * огляд / Second annual / intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце
Place

Дата
Date

М.П.
L.S.



РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І, Б. /signature of authorized official)

до 13.06.2011.

25.06.10

Андрій Карпенко В.С.

*Непотрібне закреслити / Delete if appropriate

1.2.1

2



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTER INSPECTION OF UKRAINE

PV № 01541

СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО SHIPS CERTIFICATE

Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр _____
This is certify that according to the data entered in the State Register of Ships of the _____

Інспекція ДАФП м. Київ порту під № PC-0014 від 23 числа 05 місяця _____
BSSR Inspection, Kyiv port under № PC-0014 of 23 date 05 month _____

2006 року, судновласник судна „Ріверест 1“
2006 year, the shipowner of ship „Riverest 1“

є ТОВ „Сталева судноплавна компанія“
is B.S. Capital Shipping Company

розташований (юридична адреса судновласника) м. Київ вул. Набережно-
located (domicile of the shipowner) 21, Набережно-Луганська №1,
Львів, 21
Київ

Відносно зазначеного судна у Державному судновому реєстрі України записано наступне:
The above ship has been notified in the State Register of ships of Ukraine as follows:

1. Призначення та тип пасажирський темський
Destinations and type passenger ship
2. Позивний сигнал _____
Call letters _____
3. Ідентифікаційний номер IMO _____
IMO Identification Number _____
4. Рік та місце побудови 1978, Персоян
Year and place construction 1978, Persoyan
5. Основний матеріал сталь
Main material steel
6. Головні розміри за обмірним свідоцтвом, що видане Головним державним
Principal dimensions according to the Tonnage Certificate issued by State Register of Ukraine

свідоцтво, Регістр судноплавства України
certificate, Shipping Register of Ukraine

24 числа 05 місяця 2006 року під № 101-1-743-06
24 day 05 month 2006 year by № 101-1-743-06

001743



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

довжина	<u>30,0</u>	м;	валова місткість	<u>156</u>	т;
length	<u>30,0</u>	m;	gross tonnage	<u>156</u>	tons;
ширина	<u>5,1</u>	м;	чиста місткість	<u>—</u>	т.
breadth	<u>5,1</u>	m;	net tonnage	<u>—</u>	tons.
осадка	<u>1,5</u>	м;			
draught	<u>1,5</u>	m;			

7. Тип, кількість та потужність головних двигунів 3D12, 900, 599,4 к.с.
Type, number and output of main engines

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт
The previous name of ship if she sailed under foreign flag and her previous port of
його реєстрації _____
registry _____

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and

власності
complete evidence of the right of property of ТОВ «Столітнє судномаринське товариство»
LLC «Capital Shipping Company»
на судно «Ріверест 1»
on the ship «Riverest 1»

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event
випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається
mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the

капітану Інспекції ДРПР, м. Київ порту.
Harbour Master of the БСР Інспекція, Київ port.

Видано під № 01541 від 24 числа 05 місяця 2008 року.
Issued by № 01541 of 24 day 05 month 2008 year.



Капітан порту
Harbour Master of the port



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОСГОСНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE		PF № 003999	
СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ) CERTIFICATE OF NAVIGATION UNDER THE STATE FLAG OF UKRAINE (SHIPS PATENT)			
Відповідно до Кодексу торговельного мореплавства України судну		«РІВЕРЕСТ-1»	
According to the Code of Merchant Shipping of Ukraine the ship			
що належить		ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ»	
owned by		---	
(і зафрахтовано за договором бербоут-чартера)			
(and bareboat - chartered by)		---	

дозволяється (тимчасово, на строк дії договору бербоут-чартера до		---	---
has been authorized (temporarily, for the term of the bareboat-charter till		day	month

року) плавання під Державним прапором України.			
year) to sail under the State flag of Ukraine.			
У Державному судновому реєстрі		Інспекції ГДРФ, м. Київ	
The State Register of Ships of Ukraine		port	
		port	
під №	РРС-0014	від	23
by №	of	day	05
		month	2006
		year,	року, відносно судна
			year, the ship
			«РІВЕРЕСТ-1»
			значиться наступне:
			has been notified as follows:
1. Призначення та тип	Пасажирський теплохід		
Destination and type			
2. Позивний сигнал	---		
Call letters			
3. Ідентифікаційний номер ІМО	---		
IMO Identification Number			
4. Рік та місце побудови	1978 р., м. Херсон		
Year and place of construction			



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

5. Основний матеріал <u>СТАЛЬ</u>		Main material	
6. Головні розміри за обмірним свідоцтвом, що видане			
Principal dimensions according to the Tonnage Certificate issued by			
Класифікаційне свідоцтво, Регістр судноплавства України			
25	число <u>06</u>	місяць <u>2010</u>	року <u>101-1-743-06</u>
	day	month	year by №
довжина	<u>30,0</u>	м;	валова місткість <u>156</u> т;
length		m;	gross tonnage tons;
ширина	<u>5,1</u>	м;	чиста місткість <u>—</u> т.
breadth		m;	net tonnage tons.
осадка	<u>1,5</u>	м;	
draught		m;	
7. Тип, кількість та потужність головних двигунів			
Type, number and output of main engines			
Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та його капітану всяку співдію та допомогу.			
All civil and military institutions and officials of the Ukraine are bound and the institutions and officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the principles of international law and usages and with the agreements concluded, to show the ship all necessary assistance and support.			
Це свідоцтво зберігається на борту судна.			
This Certificate is to be kept on board ship.			
У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає поверненню капітану			
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be returned to the Harbour Master of the			
Видано під <u>803999</u>		Інспекції ГДРФ, м. Київ	
Issued by №	of	числа <u>07</u>	місяця <u>2010</u> року.
		day	month year.
Дійсно до	<u>13</u>	числа <u>06</u>	місяця <u>2011</u> року.
Valid until		day	month year.
		Капітан порту Harbour Master of the port	



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012



РЕГІСТР СУДНОПЛАВСТВА УКРАЇНИ
SHIPPING REGISTER OF UKRAINE

1.2.1

КЛАСИФІКАЦІЙНЕ СВДОЦТВО
CLASSIFICATION CERTIFICATE

Відомо на підставі Правил класифікації і побудови суден Регістра судноплавства України
Issued in accordance with the provisions of the Rules for the Classification and Construction of Ships of the Shipping Register of Ukraine

Назва або номер судна Name or number of ship		PIBEREST 2		Прапор Flag		УКРАЇНА	
Регістраційний номер Registered number		2-801248		Номер IMO IMO number		Позивний сигнал Call signal	
Тип Type							
ПАСАЖИРСЬКИЙ ТЕПЛОХІД							
Суднобудівник Shipowner				Власник судна Owner			
ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ»				ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ»			
Дата і місце побудови Date and place of build				Порт приписки Port of registry			
1975, ХЕРСОН				КИЇВ			
Довжина по КВЛ Length CWL	30 м m	Ширина Breadth	5,1 м m	Висота борту Depth	2,55 м m	Надводний борт Freeboard	850 мм mm
Валова місткість Gross Tonnage	156		Дедвейт Deadweight	- т t	Матеріал корпусу Material of hull		Сталь

ГОЛОВНІ МЕХАНІЗМИ MAIN ENGINES				ГОЛОВНІ КОТЛИ MAIN BOILERS			
Тип Type	ЗД12		Кількість Number	2		Тип Type	Кількість Number
Рік і місце побудови Year and place of build	РОССИЯ						
Сумарна потужність Total power output	440		кВт kW				

Цим посвідчується, що на підставі проведеного огляду судна, його пристрої і обладнання задовольняють вимогам Правил, згідно з чим судну надіється /зберігається /поновлюється /перепризначається * клас з символом:

This is to certify that as a result of the survey performed the ship, her equipment and arrangements have been found in compliance with the requirements of the Rules, based on which class with following notation is assigned /retained /renewed /reassigned * to the ship:

★ P 1,2

* Непридатне закреслити /Delete as appropriate.

ПРИМІТКА. Свідоцтво втрачає чинність у таких випадках: неперед'явлення судна в цілому або окремих його елементів до призначеного періодичного або позачергового огляду в приписаний термін (для класу автоматично призупиняється, якщо щорічний огляд не закінчений, і для Класифікаційного Свідоцтва не підтверджена в межах 3-х місяців від встановленої дати щорічного огляду); після аварії (судно повинно бути пред'явлено до позачергового огляду в порту, де відбулася аварія, або в першому порту заходу, якщо аварія відбулася в морі), введення не узгоджених з Регістром конструктивних змін і /або змін в спорядженні судна в сторону зменшення від приписаного Правилами; виконання ремонту підняжливих елементів судна без узгодження і /або без нагляду Регістра; експлуатації судна з осадкою, що перевищує регламентовану Регістром для конкретних умов, а також експлуатації судна в умовах, що не відповідають присвоєному класу або встановленим при цьому Регістром обмеженням; несвочасного виконання приписаних конкретних вимог, котрі були при попередньому огляді умовно присвоєння або збереження класу Регістра; призупинення за ініціативою або з вини суднобудівника процесу огляду судна, що проводиться Регістром; виводу судна з експлуатації на тривалій (більше трьох місяців) період для виконання встановлених Регістром вимог (крім випадків знаходження судна в ремонті для цієї цілі).

NOTE. The Certificate ceases to be valid in the following cases: if the ship as a whole or her separate elements have not been subjected to scheduled periodical or occasional survey in specified terms (classification is automatically suspended, if the annual survey is not completed, and the Classification Certificate is not validly endorsed, with in 3 months of the due date of the annual survey; after an accident (the ship shall be submitted for occasional survey at port where the accident took place or at the first port of call if the accident took place at sea); if alterations not agreed with the Register have taken place in the construction and /or if any change has been made in the equipment which may result in reducing the standards required by the Rules; when repair of supervised items of a ship has been performed without the agreement and /or supervision of the Register; when the ship navigates with a draught exceeding that specified by the Register for specific conditions as well as in case of operation of a ship in condition which do not comply with the requirements for assigned class of a ship or the restrictions specified by the Register; if the prescribed specific requirements which during previous survey of the ship were the conditions for assignment of confirmation of the Register class have not been fulfilled within the specified period, if the process of surveying the ship by the Register has been suspended on shipowner's initiative or through his fault; when the ship has been taken out of service for a long period (more than 3 months) for fulfillment of the Register requirements (except the case when a ship is under repair for these purposes).



ISTC «TRANSSERVICE - 1»

*REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012*

Februar 2012

Постійні обмеження. Умови, райони і сезони плавання.
Permanent restrictions. Condition, areas and seasons of navigation.

**РЕКА ДНЕПР И ПРИБТОКИ С ОГРАНИЧЕНИЕМ ПО ВЫСОТЕ ВОЛНЫ 1,2м.
ОТ ПЛОТИНЫ КНЕВСКОЙ ГЭС ДО УКРАИНКИ.**

Blank lined area for text entry.

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Інші характеристики.
Other Characteristics.

Ця умова діє до
The Certificate is valid until
встановлено до Правил.
with the Rules.

15.07.2010r

при умові щорічного його підтвердження
subject to annual confirmation in accordance

Обгляд судна проводиться в порту
The survey of the ship is carried out at the port of:

КИЄВ

24.05.06

Дата - Date



РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

[Handwritten signature]

ЗЛОТЮБКО С.П.

(підпис уповноваженої особи, прізвище, І. Б. / Signature of duly authorized official - issuing the Certificate)

№ 101-1-736-06

**ПРОДОВЖЕННЯ КЛАСУ
EXTENSION OF THE CLASS**

На підставі проведеного огляду клас продовжується до
On the basis of the performed survey the validity of the class is extended till

Місце
Place

Дата
Date

М.П.
L.S.

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

**ПІДТВЕРДЖЕННЯ ЩОРІЧНИХ І ПРОМІЖНИХ ОГЛЯДІВ
ENDORSEMENT FOR ANNUAL AND INTERMEDIATE SURVEYS**

Перший щорічний огляд / First annual survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

до 15.07.07

Місце
Place

Київ

Дата
Date

01.08.06



РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

[Handwritten signature]
(підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

Другий щорічний / проміжний * огляд / Second annual / intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

до 15.07.08

Місце
Place

Київ

Дата
Date

24.07.2007



РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

[Handwritten signature]
(підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)



*Неоприлюднено / Not published as appropriate

1.2.1

3



REPORT on the valuation of property: assets that are on the balance sheet of Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Третій щорічний /проміжний * огляд / Third annual/intermediate * survey
 На підставі проведеного огляду клас підтверджується.
 On the basis of the performed survey the class is confirmed.
 Місце / Place: Київ / Date: 13.06.08
 М.П. / L.S. / РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE
 (підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

Четвертий щорічний огляд / Forth annual survey
 На підставі проведеного огляду клас підтверджується.
 On the basis of the performed survey the class is confirmed.
 Місце / Place: Київ / Date: 01.10.09
 М.П. / L.S. / РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE
 (підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

Підтвердження перенесення щорічної дати у випадку дострокового пред'явлення до щорічного огляду
 Endorsement for advancement of anniversary date in case of prescheduled annual survey
 Згідно з правилами новою щорічною датою є / In accordance with the Rules the new anniversary date is 15.07.2011р.
 Місце / Place: Київ / Date: 09.07.2010р.
 М.П. № 94 / L.S. / РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE
 (підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

Згідно з правилами новою щорічною датою є / In accordance with the Rules the new anniversary date is
 Місце / Place: / Date: /
 М.П. / L.S. / РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE
 (підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

ТИМЧАСОВІ ОБМЕЖЕННЯ І ПРИМІТКИ:
 TEMPORARY RESTRICTIONS AND REMARKS.

Blank lines for temporary restrictions and remarks.



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ДІПЛОМНЕ ПІДРОБИТО У ДЕРЖАВНОМУ РЕЄСТРІ СУДНОВІЙ СПРАВИ УКРАЇНИ
GENERAL STATE SHIPS REGISTRATION INSPECTOR'S OFFICE OF UKRAINE

PV № 01494

СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО SHIPS CERTIFICATE

Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр
This is certify that according to the data entered in the State Register of Ships of the

Інвестинг ІДРРР, м. Київ порту під № 19С-0016 від 13 числа 05 місяця
Investing IRRR, Kyiv port under № 19C0016 of 13 date 05 month

2006 року, судновласник судна „Ріверест 2“
2006 year, the shipowner of ship „Riverest 2“

є ТОВ „Стайпінг судновласницьке товариство“
is LLC „Capital Shipping company“

розташований (юридична адреса судновласника) м. Київ, вул. Набережно-
located (domicile of the shipowner) д.к., Набережно-Будова стр.,
Лунова, д.к.
Київ

Відносно зазначеного судна у Державному судновому реєстрі України записано наступне:
The above ship has been notified in the State Register of ships of Ukraine as follows:

1. Призначення та тип пасажирський турмастер
Destinations and type passenger ship
2. Позивний сигнал —
Call letters —
3. Ідентифікаційний номер IMO —
IMO Identification Number —
4. Рік та місце побудови 1975, Німеччина
Year and place construction 1975, Germany
5. Основний матеріал сталь
Main material steel
6. Головні розміри за обмірним свідоцтвом, що видане Класифікаційне
Principal dimensions according to the Tonnage Certificate issued by Classification

свідоцтво, Регістр судновласництва України
certificate, Register of Ukraine

24 числа 05 місяця 2006 року під № 101-1-736-08
24 day 05 month 2006 year by № 101-1-736-08

001696



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

довжина	<u>30,0</u>	м;	валова місткість	<u>156</u>	т;
length	<u>30,0</u>	m;	gross tonnage	<u>156</u>	tons;
ширина	<u>5,1</u>	м;	чиста місткість	<u>—</u>	т.
breadth	<u>5,1</u>	m;	net tonnage	<u>—</u>	tons.
осадка	<u>1,55</u>	м;			
draught	<u>1,55</u>	m;			

7. Тип, кількість та потужність головних двигунів 5212, 100, 538, 4 к.с.
Type, number and output of main engines

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт
The previous name of ship if she sailed under foreign flag and her previous port of
його реєстрації _____
registry _____

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and

власності
complete evidence of the right of property of ТОВ „Станція суднобудівництва“
LLC „Capital Shipping Company“
на судно „Ріверсон 2“
on the ship „Riverest 2“

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event

випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається
mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the

капітану _____ порту.
Harbour Master of the Інспекція ДРПР, м. Київ Г.С.С.Р. Inspection, Kyiv port.

Видано під № 01494 від 24 числа 05 місяця лютого року.
Issued by № 01494 of 24 day 05 month 2006 year.



Капітан порту
Harbour Master of the port



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE
PF № 004077

**СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ
ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ)
CERTIFICATE OF NAVIGATION UNDER THE STATE FLAG
OF UKRAINE (SHIPS PATENT)**

Відповідно до Кодексу торговельного мореплавства України судну «Ріверест 2»
According to the Code of Merchant Shipping of Ukraine the ship «Riverest 2»

що належить ТОВ «Столична судноплавна компанія»
owned by LLC «Capital shipping company»

(і зафрахтовано за договором бербоут-чартера)
(and bareboat - chartered by)

допускається (тимчасово, на строк дії договору бербоут-чартера до числа місяця
has been authorized (temporarily, for the term of the bareboat-charter till day month
 року) плавання під Державним прапором України.
year) to sail under the State flag of Ukraine.

У Державному судновому реєстрі Інспекції ГДРФ, м. Київ порту
The State Register of Ships of Ukraine GSSR Inspection, Kyiv port

під № IPC-0016 від 23 числа 05 місяця 2006 року, відносно судна
by № IPC-0016 of 23 day 05 month 2006 year, the ship

«Ріверест 2» значиться наступне:
«Riverest-2» has been notified as follows:

1. Призначення та тип пасажирський теплохід
Destination and type passenger-ship

2. Позивний сигнал
Call letters

3. Ідентифікаційний номер IMO
IMO Identification Number

4. Рік та місце побудови 1975р м. Херсон
Year and place of construction 1975, Kherson

004077



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

5. Основний матеріал		СТАЛЬ	
Main material		steel	
6. Головні розміри за обмірним свідоцтвом, що видане			
Principal dimensions according to the Tonnage Certificate issued by			
Класифікаційне свідоцтво, Регістром судноплавства країни			
Classification certificate, Shipping register of Ukraine			
числа	місяця	року	під №
09	07	2010	101-1-965-10
09	07	2010	101-1-965-10
day	month	year	by №
довжина	30,0	м;	валова місткість
length	30,0	m;	gross tonnage
ширина	5,1	м;	чиста місткість
breadth	5,1	m;	net tonnage
осадка	1,55	м;	
draught	1,55	m;	
7. Тип, кількість та потужність головних двигунів			
Type, number and output of main engines		3Д12, два, 598,4 к.с.	
		3D12, two, 598,4 hp	
Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і			
All civil and military institutions and officials of the Ukraine are bound and the institutions and			
посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин			
officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the			
міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та			
principles of international law and usages and with the agreements concluded, to show the ship all			
його капітану всяку співдію та допомогу.			
necessary assistance and support.			
Це свідоцтво зберігається на борту судна.			
This Certificate is to be kept on board ship.			
У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає			
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be			
поверненню капітану		порту.	
returned to the Harbour Master of the		port.	
		Інспекції ГДРФ, м. Київ	
		GSSR Inspection, Kyiv	
Видано під №	від	числа	місяця
Issued by №	of	day	month
004076	30	07	2010
004076	30	07	2010
Дійсно до	числа	місяця	року.
Valid until	day	month	year.
	15	07	2015
	15	07	2015
М.П.		Капітан порту	
Seal		Harbour Master of the port	



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

1.2.1



РЕГІСТР СУДНОПЛАВСТВА УКРАЇНИ
SHIPPING REGISTER OF UKRAINE

КЛАСИФІКАЦІЙНЕ СВДОЦТВО
CLASSIFICATION CERTIFICATE

Видане на підставі Правил класифікації і побудови суден Регістра судноплавства України
Issued under the provisions of the Rules for the Classification and Construction of Ships of the Shipping Register of Ukraine

Назва або номер судна Name or number of ship		РІВЕРЕСТ 3		Прапор Flag		УКРАЇНИ	
Регістровий номер Registered number		2-801433		Номер ІМО IMO number		НЕМАЄ	
				Позивний сигнал Call signal		НЕМАЄ	
Тип Type							
Судноласник Shipowner				Власник судна Owner			
ТОВ "СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ"				ТОВ "СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ"			
Дата і місце побудови Data and place of build				Порт приписки Port of registry			
1977-Херсон				КИЇВ			
Довжина по КВЛ Length CWL		30,00 м m		Ширина Breadth		5,10 м m	
Висота борту Depth		2,55 м m		Надводний борт Freeboard		850 мм mm	
Валова місткість Gross Tonnage		156,00		Дедвейт Deadweight		25,60 т t	
				Матеріал корпусу Material of hull		Сталь	

ГОЛОВНІ МЕХАНІЗМИ MAIN ENGINES				ГОЛОВНІ КОТЛИ НЕТ MAIN BOILERS			
Тип ДВС Type		ЗД12		Кількість Number		два	
Рік і місце побудови Year and place of build		Росія		Тип Type		Кількість Number	
				Рік і місце побудови Year and place of build			
Сумарна потужність Total power output		440		кВт kW			

Цим посвідчується, що на підставі проведеного огляду судно, його пристрої і обладнання задовольняють вимогам Правил, згідно з чим судну надається /зберігається /поновлюється /перепризначається * клас з символом:

This is to certify that as a result of the survey performed the ship, her equipment and arrangements have been found in compliance with the requirements of the Rules, based on which class with following notation is assigned /retained /renewed /reassigned * to the ship:

+ P 1,2

* Непотрібне закреслити /Delete as appropriate.

ПРИМІТКА. Сертифікат втрачає чинність у таких випадках: неперед'явлення судна в цілому або окремих його елементів до призначеного періодичного або позачергового огляду в приписаний термін (для класу автоматично призупиняється, якщо щорічний огляд не закінчений, і дія Класифікаційного Сертифіката не підтвержена в межах 3-х місяців від встановленої дати щорічного огляду); після аварії (судно повинно бути пред'явлено до позачергового огляду в порту, де відбулася аварія, або в першому порту заходу, якщо аварія відбулася в морі); введення не узгоджених з Регістром конструктивних змін і /або змін в спорядженні судна з боку зменшення від приписаного Правилами; виконання ремонту підняглидних елементів судна без узгодження і /або без нагляду Регістра, експлуатації судна з осадкою, що перевищує регламентовану Регістром для конкретних умов, а також експлуатації судна в умовах, що не відповідають приписаному класу або встановленим при цьому Регістром обмеженням; несвочасного виконання приписаних конкретних вимог, котрі були при попередньому огляді умовно присвоєння або збереження класу Регістра; приупущення за ініціативою або з вини судноласника процесу огляду судна, що проводиться Регістром; виводу судна з експлуатації на тримайлі (більше трьох місяців) період для виконання встановлених Регістром вимог (крім випадків зішкодження судна в ремонті для цієї цілі).

NOTE. The Certificate ceases to be valid in the following cases: if the ship as a whole or her separate elements have not been subjected to scheduled periodical or occasional survey in specified terms (classification is automatically suspended, if the annual survey is not completed, and the Classification Certificate is not validly endorsed, with in 3 months of the due date of the annual survey; after an accident (the ship shall be submitted for occasional survey at port where the accident took place or at the first port of call if the accident took place at sea); if alterations not agreed with the Register have taken place in the construction and /or if any change has been made in the equipment which may result in reducing the standards required by the Rules; when repair of supervised items of a ship has been performed without the agreement and /or supervision of the Register, when the ship navigates with a draught exceeding that specified by the Register for specific conditions as well as in case of operation of a ship in condition which do not comply with the requirements for assigned class of a ship or the restrictions specified by the Register; if the prescribed specific requirements which during previous survey of the ship were the conditions for assignment of confirmation of the Register class have not been fulfilled within the specified period; if the process of surveying the ship by the Register has been suspended on shipowner's initiative or through his fault; when the ship has been taken out of service for a long period (more than 3 months) for fulfillment of the Register requirements (except the case when a ship is under repair for these purposes).

015951



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Постійні обмеження. Умови, райони і сезони плавання.
Permanent restrictions. Condition, areas and seasons of navigation.

Річка Дніпро та притоки з обмеженням по висоті хвилі $H_{1\%} \leq 1,2$ м. від греблі Київської ГЕС
до України.



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Інші характеристики.
Other Characteristics.

Свідоцтво дійсне до
The Certificate is valid until **30.11.2013** за умови щорічного його підтвердження
відповідно до Правил.
with the Rules. subject to annual confirmation in accordance

Огляд судна проведений в порту **КИЇВ** **12.05.2009**
The survey of the ship is carried out at the port of Дата / Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE **Карпенко В.С.**

М.П. (Підпис належним чином уповноваженої особи, яка видала Свідоцтво,
L.S. signature of authorized official).

№ **101-1-572-09**

ПРОДОВЖЕННЯ КЛАСУ
EXTENSION OF THE CLASS

На підставі проведеного огляду клас продовжується до [redacted]
On the basis of the performed survey the validity of the class is extended till

Місце Дата
Place Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE (підпис уповноваженої особи, прізвище, І.Б. /
L.S. signature of authorized official).

ПІДТВЕРДЖЕННЯ ЩОРІЧНИХ І ПРОМІЖНИХ ОГЛЯДІВ
ENDORSEMENT FOR ANNUAL AND INTERMEDIATE SURVEYS

Перший щорічний огляд / First annual survey

На підставі проведеного огляду клас підтверджується. **до 30.11.2010р.**
On the basis of the performed survey the class is confirmed. Дата

Місце **05.05.2010р.**
Place Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE (підпис уповноваженої особи, прізвище, І.Б. /signature of authorized official)

Другий щорічний /проміжний * огляд / Second annual/ intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце Дата
Place Date

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE (підпис уповноваженої особи, прізвище, І.Б. /signature of authorized official)

L.S. L.S.

*Необхідно закреслити / Delete as appropriate

1.2.1 3



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

НА ІНТЕКІВНІ ТА ІНФОРМАЦІЙНО-ТЕХНОЛОГІЧНО-ПРАВОВІ РЕЄСТРАТОРА ВІДСТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE

PV № 01495

**СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО
SHIPS CERTIFICATE**

Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр
This is certify that according to the data entered in the State Register of Ships of the

Інспекції ТДРФ, м. Київ порту під № ПК-004 від 23 числа 05 місяця
BSSR Inspection, Kyiv port under № ПК-004 of 23 date 05 month

2006 року, судновласник судна "Ріверст 3"
2006 year, the shipowner of ship "Riverest 3"

є ТОВ "Столічна судноплавна компанія"
is LLC "Capital Shipping Company"

розташований (юридична адреса судновласника) м. Київ, вул. Набережно-Луганська,
located (domicile of the shipowner) 24, Naberezhno-Luhanska st.,
Київ, 01
Kyiv

Відносно зазначеного судна у Державному судновому реєстрі України записано наступне:
The above ship has been notified in the State Register of ships of Ukraine as follows:

1. Призначення та тип пасажирський туристичний
Destinations and type passenger ship

2. Позивний сигнал —
Call letters —

3. Ідентифікаційний номер IMO —
IMO Identification Number —

4. Рік та місце побудови 1977, м. Керсон
Year and place construction 1977, Kherson

5. Основний матеріал сталь
Main material steel

6. Головні розміри за обмірним свідоцтвом, що видане Знахідковим
Principal dimensions according to the Tonnage Certificate issued by Classification

свідоцтво, Регістр судноплавства України
certificate, Shipping register of Ukraine

24 числа 05 місяця 2006 року під № 101-1-719-05
24 day 05 month 2006 year by № 101-1-719-05

001697



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

довжина	<u>30,0</u>	м;	валова місткість	<u>156</u>	т;
length	<u>30,0</u>	m;	gross tonnage	<u>156</u>	tons;
ширина	<u>5,1</u>	м;	чиста місткість	<u>—</u>	т.
breadth	<u>5,1</u>	m;	net tonnage	<u>—</u>	tons.
осадка	<u>1,55</u>	м;			
draught	<u>1,55</u>	m;			

7. Тип, кількість та потужність головних двигунів БДМ, 60, 590, 4 к.с.
Type, number and output of main engines

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт
The previous name of ship if she sailed under foreign flag and her previous port of
його реєстрації —
registry

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and

власності
complete evidence of the right of property of ТОВ «СТАШКА СУДНОМОРСЬКА КОМПАНІЯ»
LLC «CAPITAL SHIPPING COMPANY»

на судно «Ріверест 3»
on the ship «Riverest 3»

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event

випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається
mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the

капітану Григорій ТДПР, м. Київ порту.
Harbour Master of the B.S.R. Inzhelion, Kyiv port.

Видано під № 01495 від 24 числа 05 місяця 2006 року.
Issued by № 01495 of 24 day 05 month 2006 year.



Капітан порту
Harbour Master of the port



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE

RF № 003555

**СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ
ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ)
CERTIFICATE OF NAVIGATION UNDER THE STATE FLAG
OF UKRAINE (SHIPS PATENT)**

Відповідно до Кодексу торговельного мореплавства України судну "Ріверест 3"
According to the Code of Merchant Shipping of Ukraine the ship

що належить ТОВ "Стайшна судноплавна компанія"
owned by

(і зафрахтовано за договором бербоут-чартера) _____
(and bareboat - chartered by)

дозволяється (тимчасово, на строк дії договору бербоут-чартера до _____ числа _____ місяця
has been authorized (temporarily, for the term of the bareboat-charter till _____ day _____ month

_____ року) плавати під Державним прапором України.
year) to sail under the State flag of Ukraine.

У Державному судновому реєстрі Інспекції ТДРР, м. Київ порту
The State Register of Ships of Ukraine _____ port

під № SPC 0014 від 23 числа 05 місяця 2006 року, відносно судна
by № _____ of _____ day _____ month _____ year, the ship

"Ріверест 3" значиться наступне:
has been notified as follows:

1. Призначення та тип пасажирський гетохід
Destination and type

2. Позивний сигнал _____
Call letters

3. Ідентифікаційний номер IMO _____
IMO Identification Number

4. Рік та місце побудови 1977р., м. Керсон
Year and place of construction

003555



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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5. Основний матеріал Сталь
Main material

6. Головні розміри за обмірним свідоцтвом, що видане Жидасурікавінке
Principal dimensions according to the Tonnage Certificate issued by
свідоцтво, Реєстр судноплавства України

12 числа 05 місяця 2009 року під № 101-1.542-09
day month year by №

довжина	<u>30,0</u>	м;	валова місткість	<u>156</u>	т;
length		m;	gross tonnage		tons;
ширина	<u>5,1</u>	м;	чиста місткість	<u>-</u>	т.
breadth		m;	net tonnage		tons.
осадка	<u>1,55</u>	м;			
draught		m;			

7. Тип, кількість та потужність головних двигунів 5Д12, два, 530,4 м.с.
Type, number and output of main engines

Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і
All civil and military institutions and officials of the Ukraine are bound and the institutions and
посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин
officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the
міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та
principles of international law and usages and with the agreements concluded, to show the ship all
його капітану всяку співдачу та допомогу.
necessary assistance and support.

Це свідоцтво зберігається на борту судна.
This Certificate is to be kept on board ship.

У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be
поверненню капітану Інспекції ТДАП, м. Севаст порту.
returned to the Harbour Master of the port.

Видано під № 003555 під 20 числа 08 місяця 2009 року.
Issued by day month year

Високо 20 30.11.2013р.

Капітан порту
Harbour Master of the port


Державний КОД: Закон 1726 2008 р. 144



REPORT on the valuation of property: assets that are on the balance sheet of
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Februar 2012

1.2.1



РЕГІСТР СУДНОПЛАВСТВА УКРАЇНИ
SHIPPING REGISTER OF UKRAINE

КЛАСИФІКАЦІЙНЕ СВДОЦТВО
CLASSIFICATION CERTIFICATE

Видане на підставі Правил класифікації і побудови суден Регістра судноплавства України
Issued under the provisions of the Rules for the Classification and Construction of Ships of the Shipping Register of Ukraine

Назва або номер судна Name or number of ship		РІВЕРЕСТ 5		Прапор Flag		УКРАЇНА	
Регістровий номер Registered number		2-040053		Номер IMO IMO number		Позивний сигнал Call signal	
Тип Type							
ПАСАЖИРСЬКИЙ ТЕПЛОХІД							
Судновласник Shipowner				Власник судна Owner			
ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ»				ТОВ «СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ»			
Дата і місце побудови Date and place of build				Порт приписки Port of registry			
1976, ХЕРСОН				КИЇВ			
Довжина по КВЛ Length CWL	30 м m	Ширина Breadth	5,1 м m	Висота борту Deck height	2,55 м m	Надводний борт Freeboard	850 мм mm
Валова місткість Gross Tonnage	156		Дедвейт Deadweight	0,4 т t		Матеріал корпусу Material of hull	Сталь

ГОЛОВНІ МЕХАНІЗМИ MAIN ENGINES				ГОЛОВНІ КОТЛИ MAIN BOILERS			
Тип Type	3Д12	Кількість Number	2	Тип Type	-	Кількість Number	-
Рік і місце побудови Year and place of build	РОСІЯ			Рік і місце побудови Year and place of build	-		
Сумарна потужність Total power output	440		кВт kW				

Цим посвідчується, що на підставі проведеного огляду судно, його пристрої і обладнання задовольняють вимогам Правил, згідно з чим судну надається /зберігається /поновлюється /перепризначається * клас з символом:

This is to certify that as a result of the survey performed the ship, her equipment and arrangements have been found in compliance with the requirements of the Rules, based on which class with following notation is assigned /retained /renewed /reassigned * to the ship:

+ P 1,2

* Непотрібне закреслити /Delete as appropriate.

ПРИМІТКА. Свідчення втрачає чинність у таких випадках: несприятелення судна в цілому або окремих його елементах до призначеного періодичного або позачергового огляду в приписаний термін (для класу автоматично призупиняється, якщо щорічний огляд не закінчений, і для Класифікаційного Свідчення не підтверджена в межах 3-х місяців від встановленої дати щорічного огляду); після аварії (судно повинно бути пред'явлене до позачергового огляду в порту, де відбулася аварія, або в першому порту заходу, якщо аварія відбулася в морі); введення не узгоджених з Регістром конструктивних змін і /або змін в спорядженні судна в сторону зменшення від приписаного Правилами, виконання ремонту піднятих елементів судна без узгодження і /або без нагляду Регістра; експлуатації судна з оглядкою, що перевищує регламентовану Регістром для конкретних умов, а також експлуатації судна в умовах, що не відповідають присвоєному класу або встановленим при цьому Регістром обмеженням; несвочасного виконання приписаних конкретних вимог, котрі були при попередньому огляді умовою присвоєння або збереження класу Регістра; призупинення за ініціативою або з вини судновласника процесу огляду судна, що проводиться Регістром; виводу судна з експлуатації на тривалій (більше трьох місяців) період для виконання встановлених Регістром вимог (крім випадків знаходження судна в ремонті для цієї цілі).

NOTE. The Certificate ceases to be valid in the following cases: if the ship as a whole or her separate elements have not been subjected to scheduled periodical or occasional survey in specified terms (classification is automatically suspended, if the annual survey is not completed, and the Classification Certificate is not validly endorsed, with in 3 months of the due date of the annual survey, after an accident (the ship shall be submitted for occasional survey at port where the accident took place or at the first port of call if the accident took place at sea); if alterations not agreed with the Register have taken place in the construction and /or if any change has been made in the equipment which may result in reducing the standards required by the Rules; when repair of supervised items of a ship has been performed without the agreement and /or supervision of the Register; when the ship navigates with a draught exceeding that specified by the Register for specific conditions as well as in case of operation of a ship in condition which do not comply with the requirements for assigned class of a ship or the restrictions specified by the Register; if the prescribed specific requirements which during previous survey of the ship were the conditions for assignment of confirmation of the Register class have not been fulfilled within the specified period; if the proceeds of surveying the ship by the Register has been suspended on shipowner's initiative or through his fault; when the ship has been taken out of service for a long period (more than 3 months) for fulfilment of the Register requirements (except the case when a ship is under repair for these purposes).

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REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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Інші характеристики.
Other Characteristics.

Свідоцтво дієсне до **09.11.2012** при умові щорічного його підтвердження
The Certificate is valid until **09.11.2012** subject to annual confirmation in accordance
віповідно до Правил.
with the Rules.

Огляд судна проведений в порту **КНІВ** **10.08.07**
The survey of the ship is carried out at the port of **КНІВ** **10.08.07**
Дата / Date

М.П. **РЕГІСТР УКРАЇНИ** **КОЛІМАКОВ В.С.**
L.S. **REGISTER OF UKRAINE**
(Підпис належить членом уповноваженої особи, яка видає Свідоцтво,
прізвище, І. Б. / Signature of duly authorized official issuing the Certificate)

№ **101-1-900-07**

ПРОДОВЖЕННЯ КЛАСУ
EXTENSION OF THE CLASS

На підставі проведеного огляду клас продовжується до **09.11.2009р.**
On the basis of the performed survey the validity of the class is extended till **09.11.2009р.**

Місце **КНІВ** Дата **05.05.2009р.**
Place **КНІВ** Date **05.05.2009р.**

М.П. **РЕГІСТР УКРАЇНИ** **Гурабенко В.О.**
L.S. **REGISTER OF UKRAINE**
(Підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

ПІДТВЕРДЖЕННЯ ЩОРІЧНИХ І ПРОМІЖНИХ ОГЛЯДІВ
ENDORSEMENT FOR ANNUAL AND INTERMEDIATE SURVEYS

Перший щорічний огляд / First annual survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце **КНІВ** Дата **19.04.10**
Place **КНІВ** Date **19.04.10**

М.П. **РЕГІСТР УКРАЇНИ** **Карпенко В.С.**
L.S. **REGISTER OF UKRAINE**
(Підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

Другий щорічний / проміжний * огляд / Second annual/ intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце **КНІВ** Дата **09.11.2011**
Place **КНІВ** Date **09.11.2011**

М.П. **РЕГІСТР УКРАЇНИ** **Карпенко В.С.**
L.S. **REGISTER OF UKRAINE**
(Підпис уповноваженої особи, прізвище, І. Б. / signature of authorized official)

*Непотрібно закреслювати / Delete as appropriate

1.2.1 3



REPORT on the valuation of property: assets that are on the balance sheet of Capital Shipping Company LLC as at 31.01.2012

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Третій щорічний /проміжний * огляд / Third annual/intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце / Place: *Львів* Дата / Date: *23.12.2011р.*

РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І. Б. / Signature of authorized official)

Четвертий щорічний огляд / Forth annual survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце / Place: Дата / Date:

РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І. Б. / Signature of authorized official)

Підтвердження перенесення щорічної дати у випадку дострокового пред'явлення до щорічного огляду
Endorsement for advancement of anniversary date in case of prescheduled annual survey

Згідно з правилами новою щорічною датою є
In accordance with the Rules the new anniversary date is

Місце / Place: Дата / Date:

РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І. Б. / Signature of authorized official)

Згідно з правилами новою щорічною датою є
In accordance with the Rules the new anniversary date is

Місце / Place: Дата / Date:

РЕГІСТР УКРАЇНИ / REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, І. Б. / Signature of authorized official)

**ТИМЧАСОВІ ОБМЕЖЕННЯ І ПРИМІТКИ:
TEMPORARY RESTRICTIONS AND REMARKS.**

*Невпорядковані записати / Delete as appropriate

1.2.1
04.01



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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ДІПАРТАМЕНТ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРА СУДОВ УКРАЇНИ
 GENERAL STATE SHIP REGISTER INSPECTION OF UKRAINE
 PV № _____

СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО
SHIPS CERTIFICATE

Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр _____
 This is certify that according to the data entered in the State Register of Ships of the _____

Іспанській ТАРР, м. Київ порту під № УРС-061 під 06 числа 07 місяця
 port under № of date month

2007 року, судновласник „Ріверест 5”
 year, the shipowner of ship

«СПО» „Столична суднобудівна компанія”
 is

розташований (юридична адреса судновласника) 04080, м. Київ,
 located (domicile of the shipowner)

вул. Пабережжя - Лугова, 21

Відносно зазначеного судна у Державному судновому реєстрі України записано наступне:
 The above ship has been notified in the State Register of ships of Ukraine as follows:

1. Призначення та тип пасажирський теплохід
Destinations and type
2. Позивний сигнал _____
Call letters
3. Ідентифікаційний номер IMO _____
IMO Identification Number
4. Рік та місце побудови 1976р., Херсон
Year and place construction
5. Основний матеріал сталь
Main material
6. Головні розміри за обмірним свідоцтвом, що вилане класифікаційне
Principal dimensions according to the Tonnage Certificate issued by

свідоцтво, Реєстр суднобудівства України

06 числа 06 місяця 2007 року під № 101-1-620-07
 day month year by №

002578



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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довжина	33.5	м;	валова місткість	82.5	т;
length		m;	gross tonnage		tons;
ширина	5.30	м;	чиста місткість	—	т.
breadth		m;	net tonnage		tons.
осадка	—	м;			
draught		m;			

7. Тип, кількість та потужність головних двигунів 3A12, два, 2x220 кВт
Type, number and output of main engines

8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт
The previous name of ship if she sailed under foreign flag and her previous port of
його реєстрації —
registry

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and
власності ТОВ «Стаціонар судноплавна компанія»
complete evidence of the right of property of


на судно «Ріверсан 5»
on the ship

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.


У випадку втрати судном права плавання під Державним прапором України, або в інших
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event
випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається
mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the

капітану Інспекції ТАРП, м. Київ порту.
Harbour Master of the port.

Видано під № 02376 від 06 числа 07 місяця 2007 року.
Issued by № of day month year.



Seal



Капітан порту
Harbour Master of the port

Директор КСР Зам 1719 2008 0 1/14



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ
GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE

PF № 0259

**СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ
ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ)
CERTIFICATE OF NAVIGATION UNDER THE STATE FLAGE
OF UKRAINE (SHIPS PATENT)**

Відповідно до Кодексу торговельного мореплавства України судну „Ріверест 5“
According to the Code of Merchant Shipping of Ukraine the ship

що належить ТОВ „Стажерна судноплавна компанія“
owned by

(і зафрахтовано за договором бербоут-чартера) _____
(and bareboat - chartered by)

дозволяється (тимчасово, на строк дії договору бербоут-чартера до _____ числа _____ місяця
has been authorized (temporarily, for the term of the bareboat-charter till _____ day _____ month

_____ року) плавання під Державним прапором України.
_____ year) to sail under the State flag of Ukraine.

У Державному судновому реєстрі Інспекція ГДРФ, м. Київ порту
The State Register of Ships of Ukraine _____ port

під № РС-0161 від 06 числа 07 місяця 2007 року, відносно судна
by № _____ of _____ day _____ month _____ year, the ship

„Ріверест 5“ значиться наступне:
_____ has been notified as follows:

1. Призначення та тип пасажирський теплохід
Destination and type

2. Позивний сигнал _____
Call letters

3. Ідентифікаційний номер IMO _____
IMO Identification Number

4. Рік та місце побудови 1976р, м. Херсон
Year and place of construction

002480



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

5. Основний матеріал сталь
Main material

6. Головні розміри за обмірним свідоцтвом, що видане Тоннажним
Principal dimensions according to the Tonnage Certificate issued by
свідоцтво, Реєстр судноплавства України

10 числа 08 місяця 2007 року під № 101-1-900-07
day month year by №

довжина 33,5 м; валова місткість 82,5 т;
length m; gross tonnage tons;
ширина 5,30 м; чиста місткість — т.
breadth m; net tonnage tons.
осадка — м;
draught m;


7. Тип, кількість та потужність головних двигунів 3Д12, дв. 2x220 кВт
Type, number and output of main engines


Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і
All civil and military institutions and officials of the Ukraine are bound and the institutions and
посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин
officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the
міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та
principles of international law and usages and with the agreements concluded, to show the ship all
його капітану всяку співдію та допомогу.
necessary assistance and support.

Це свідоцтво зберігається на борту судна.
This Certificate is to be kept on board ship.

У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be
поверненню капітану Інспекції ТДРРР, м. Київ порту.
returned to the Harbour Master of the port.

Видано під № 02469 від 16 числа 08 місяця 2007 року.
Issued by of day month year.

 112012р.

 Капітан порту
Harbour Master of the port

Державний КОД: Зак. 1770 2005 р. 1/а



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012



РЕГІСТР СУДНОПЛАВСТВА УКРАЇНИ
SHIPPING REGISTER OF UKRAINE

1.2.1

КЛАСИФІКАЦІЙНЕ СВДОЦТВО
CLASSIFICATION CERTIFICATE

Видане на підставі Правил класифікації і побудови суден Регістра судноплавства України
Issued under the provisions of the Rules for the Classification and Construction of Ships of the Shipping Register of Ukraine

Назва або номер судна Name or number of ship		СРІБНИЙ БРИЗ		Прапор Flag		УКРАЇНИ	
Регістровий номер Registered number		2-000402		Номер ІМО IMO number		НЕМАЄ	
Тип Type		ПАСАЖИРСЬКЕ					
Суднобудівник Shipowner		ТОВ "СТОЛИЧНА СУДНОПЛАВНА КОМПАНІЯ"		Власник судна Owner			
Дата і місце побудови Data and place of build		1966-Москва, перебудовання		2003 Київ		Порт приписки Port of registry	
Довжина по КВЛ Length CWL		43,0 м		Ширина Breadth		7,05 м	
Валова місткість Gross Tonnage		325,00		Дедвейт Deadweight		17,18 т	
				Висота борту Depth		2,50 м	
				Надводний борт Freeboard		738 мм	
				Матеріал корпусу Material of hull		Сталь	

ГОЛОВНІ МЕХАНІЗМИ MAIN ENGINES			ГОЛОВНІ КОТЛИ НЕТ MAIN BOILERS			
Тип ДВС Type	6ЧНСП 18/22	Кількість Number	два		Тип Type	Кількість Number
Рік і місце побудови Year and place of build	1965,1966, Хабаровськ		Рік і місце побудови Year and place of build			
Сумарна потужність Total power output	330	кВт kW				

Цим посвідчується, що на підставі проведеного огляду судно, його пристрій і обладнання задовольняють вимогам Правил, згідно з чим судно надається /зберігається /поновлюється /перепризначається * клас з символом:

This is to certify that as a result of the survey performed the ship, her equipment and arrangements have been found in compliance with the requirements of the Rules, based on which class with following notation is assigned /retained /renewed /reassigned * to the ship:

✦ О-пр 2,0

* Непотрібне закреслити /Delete as appropriate.

ПРИМІТКА. Свідоцтво втрачає чинність у таких випадках: неперед'явлення судна в цілому або окремих його елементів до призначеного періодичного або позачергового огляду в приписаний термін (для класу автоматично призупиняється, якщо щорічний огляд не закінчений, і дія Класифікаційного Свідоцтва не підтверджена в межах 3-х місяців від встановленої дати щорічного огляду); після аварії (судно повинно бути пред'явлене до позачергового огляду в порту, де відбулася аварія, або в першому порту заходу, якщо аварія відбулася в морі); введення не узгоджених з Регістром конструктивних змін і /або змін в спорядженні судна в сторону зменшення від приписаного Правил; виконання ремонту планованих елементів судна без узгодження і /або без нагляду Регістра; експлуатації судна з осадкою, що перевищує регламентовану Регістром для конкретних умов, а також експлуатації судна в умовах, що не відповідають присвоєному класу або встановленим при цьому Регістром обмеженням; несвочасного виконання приписаних конкретних вимог, котрі були при попередньому огляді умовно присвоєно або збереження класу Регістра; призупинення за ініціативою або з вини суднобудівника процесу огляду судна, що проводиться Регістром; виводу судна з експлуатації на тривалій (більше трьох місяців) період для виконання виставлених Регістром вимог (крім випадків знаходження судна в ремонті для цієї цілі).

NOTE. The Certificate ceases to be valid in the following cases: if the ship as a whole or her separate elements have not been subjected to scheduled periodical or occasional survey in specified terms (classification is automatically suspended, if the annual survey is not completed, and the Classification Certificate is not validly endorsed, with in 3 months of the due date of the annual survey; after an accident (the ship shall be submitted for occasional survey at port where the accident took place or at the first port of call if the accident took place at sea); if alterations not agreed with the Register have taken place in the construction and /or if any change has been made in the equipment which may result in reducing the standards required by the Rules; when repair of supervised items of a ship has been performed without the agreement and /or supervision of the Register; when the ship navigates with a draught exceeding that specified by the Register for specific conditions as well as in case of operation of a ship in condition which do not comply with the requirements for assigned class of a ship or the restrictions specified by the Register; if the prescribed specific requirements which during previous survey of the ship were the conditions for assignment of confirmation of the Register class have not been fulfilled within the specified period; if the process of surveying the ship by the Register has been suspended on shipowner's initiative or through his fault; when the ship has been taken out of service for a long period (more than 3 months) for fulfillment of the Register requirements (except the case when a ship is under repair for these purposes).

015944



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Постійні обмеження. Умови, райони і сезони плавання.
Permanent restrictions. Condition, areas and seasons of navigation.

Річки та водосховища за розрядом «Р», за відсутністю радіобладнання згідно норм та
правил РУ



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Інші характеристики.
Other Characteristics.

Свідоцтво дійсне до
The Certificate is valid until **20.04.2013**
відповідно до Правил.
with the Rules.

Огляд судна проведений в порту
The survey of the ship is carried out at the port of **КИЇВ**

зи умові щорічного його підтвердження
subject to annual confirmation in accordance

07.05.2009
Дата / Date

М.П.
L.S.
прізвище, і, б / Signature of duly authorized official (issuing the Certificate)

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

№ **101-1-542-09**

Карпенко В.С.
(Підпис належним чином уповноваженої особи, яка видала Свідоцтво.)

ПРОДОВЖЕННЯ КЛАСУ
EXTENSION OF THE CLASS

На підставі проведеного огляду клас продовжується до
On the basis of the performed survey the validity of the class is extended till

Місце
Place

Дата
Date

М.П.
L.S.

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, і, б.
signature of authorized official)

ПІДТВЕРДЖЕННЯ ЩОРІЧНИХ І ПРОМІЖНИХ ОГЛЯДІВ
ENDORSEMENT FOR ANNUAL AND INTERMEDIATE SURVEYS

Перший щорічний огляд / First annual survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце
Place **Київ**

Дата
Date **20.04.2011р.**

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

№ **94**

Карпенко В.С.
(підпис уповноваженої особи, прізвище, і, б. /signature of authorized official)

Другий щорічний / проміжний * огляд / Second annual/ intermediate * survey

На підставі проведеного огляду клас підтверджується.
On the basis of the performed survey the class is confirmed.

Місце
Place

Дата
Date

М.П.
L.S.

РЕГІСТР УКРАЇНИ
REGISTER OF UKRAINE

(підпис уповноваженої особи, прізвище, і, б. /signature of authorized official)

*Не потрібно закреслювати / Delete as appropriate

1.2.1



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ГЕНЕРАЛЬНЕ ДИРЕКТОРАТСТВО ДЕРЖАВНОГО РЕЄСТРУ СУДНОВИЙ РЕЄСТР
GENERAL STATE SHIPS REGISTER INSPECTION OF UKRAINE

PV № 02137

СВІДОЦТВО ПРО ПРАВО ВЛАСНОСТІ НА СУДНО SHIPS CERTIFICATE

Цим засвідчується, що відповідно до записів, внесених у Державний судновий реєстр
This is certify that according to the data entered in the State Register of Ships of the

Іменний ТРПР, м. Київ порту під № М-005 від 08 числа 06 місяця
B.S.R. Inspection, Kyiv port under № M-005 of 08 date 06 month

2006 року, судновласник "Срібний Бриг"
2006 year, the shipowner of ship "Срібний Бриг"

є ТОВ, статична судноплавна компанія
is LLC "Capital Shipping company"

розташований (юрисдикційна адреса судновласника) м. Київ, вул. Набережно-
located (domicile of the shipowner) дб, Набережно-Лугова ст,
Луга, м/р
Київ

Відносно зазначеного судна у Державному судновому реєстрі України записано наступне:
The above ship has been notified in the State Register of ships of Ukraine as follows:

1. Призначення та тип пасажирський теплохід
Destinations and type passenger ship
2. Позивний сигнал =
Call letters =
3. Ідентифікаційний номер IMO =
IMO Identification Number =
4. Рік та місце побудови 1986р, Москва
Year and place construction 1986y, Moscow
5. Основний матеріал стал
Main material steel
6. Головні розміри за обмірним свідоцтвом, що видане власноручним
Principal dimensions according to the Tonnage Certificate issued by classification

свідоцтво, Реєстр судноплавства України
certificate, Shipping register of Ukraine

06 числа 06 місяця 2006 року під № 101-1-005-06
06 day 06 month 2006 year by № 101-1-005-06

002439



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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довжина	<u>43,0</u>	м;	валова місткість	<u>325</u>	т;
length	<u>43,0</u>	m;	gross tonnage	<u>325</u>	tons;
ширина	<u>7,05</u>	м;	чиста місткість	<u>—</u>	т.
breadth	<u>7,05</u>	m;	net tonnage	<u>—</u>	tons.
осадка	<u>1,7</u>	м;			
draught	<u>1,7</u>	m;			

7. Тип, кількість та потужність головних двигунів 6 ЧНСТ 18/22, ДВР, 451,5 к.с.
Type, number and output of main engines



8. Попередня назва судна, якщо раніше воно плавало під іноземним прапором, та попередній порт його реєстрації
The previous name of ship if she sailed under foreign flag and her previous port of registry

Відповідно до Кодексу торговельного мореплавства України це Свідоцтво є виключним доказом власності
According to the Code of Merchant Shipping of Ukraine this Certificate is to be considered as the final and complete evidence of the right of property of ТОВ «Капітал Шіпінг Компані»
на судно «Срібний Бриз»
on the ship «Sribnyy Bryz»

Це свідоцтво зберігається на борту судна в оригіналі або нотаріально засвідченій копії.
This Certificate is to be kept on board of the ship in original or copy certified by a notary.

У випадку втрати судном права плавання під Державним прапором України, або в інших випадках, зазначених у Кодексі торговельного мореплавства України, це Свідоцтво повертається капітану
If the ship loses her right to sail under the State Flag of Ukraine or in case of any other event mentioned in the Code of Merchant Shipping of Ukraine, this Certificate is to be returned to the Harbour Master of the ГІСМАНІТІ ТРАП, м. Київ БСР Інспекція, Київ port.

Видано під № 02237 від 08 числа 08 місяця 2006 року.
Issued by № 02237 of 08 day 08 month 2006 year.

 
Капітан порту
Harbour Master of the port

Друк № 108. Зов 1719. 2005 р. 1/18



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

ІНСПЕКЦІЯ ГОЛОВНОГО ДЕРЖАВНОГО РЕЄСТРАТОРА ФЛОТУ УКРАЇНИ GENERAL STATE SHIPS REGISTRAR INSPECTION OF UKRAINE	
PF № 003554	
СВІДОЦТВО ПРО ПРАВО ПЛАВАННЯ ПІД ДЕРЖАВНИМ ПРАПОРОМ УКРАЇНИ (СУДНОВИЙ ПАТЕНТ) CERTIFICATE OF NAVIGATION UNDER THE STATE FLAG OF UKRAINE (SHIPS PATENT)	
Відповідно до Кодексу торговельного мореплавства України судну <u>«Срібний Бриг»</u> According to the Code of Merchant Shipping of Ukraine the ship	
що належить <u>ТОВ «Столична суднобудівна компанія»</u> owned by	
(і зафрахтовано за договором бербоут-чартера) (and bareboat - chartered by)	
дозволяється (тимчасово, на строк дії договору бербоут-чартера до _____ числа _____ місяця has been authorized (temporarily, for the term of the bareboat-charter till _____ day _____ month	
_____ року) плавати під Державним прапором України. year) to sail under the State flag of Ukraine.	
У Державному судновому реєстрі <u>Інспекція ТДРР, м. Київ</u> порту The State Register of Ships of Ukraine _____ port	
під № <u>SPC-0015</u> від <u>08</u> числа <u>06</u> місяця <u>2006</u> року, відносно судна by № _____ of _____ day _____ month _____ year, the ship	
<u>«Срібний Бриг»</u> значиться наступне: has been notified as follows:	
1. Призначення та тип Destination and type	<u>пасажирський теплохід</u>
2. Позивний сигнал Call letters	_____
3. Ідентифікаційний номер IMO IMO Identification Number	_____
4. Рік та місце побудови Year and place of construction	<u>1988р., Москва</u>

003554



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

5. Основний матеріал сталь
Main material

6. Головні розміри за обмірним свідоцтвом, що видане Класифікаційне
Principal dimensions according to the Tonnage Certificate issued by
свідоцтво, Регістр судноплавства України

дн	числа	05	місяця	2009	року	під № 101-1-542-09
day	day	month	month	year	year	by №
довжина	<u>43,0</u>		м;	валова місткість	<u>325</u>	т;
length			m;	gross tonnage		tons;
ширина	<u>7,05</u>		м;	чиста місткість	<u>-</u>	т.
breadth			m;	net tonnage		tons.
осадка	<u>1,7</u>		м;			
draught			m;			


7. Тип, кількість та потужність головних двигунів 6 ЧНСТ 18/22, 90, 451,5 кс.
Type, number and output of main engines

Усі цивільні та військові установи і посадові особи України зобов'язуються, а установи і посадові особи дружніх держав запрошуються на засадах взаємності у відповідності до підвалин міжнародного права і звичаїв, а також укладених договорів, надавати зазначеному суднові та його капітану всяку співдію та допомогу.
All civil and military institutions and officials of the Ukraine are bound and the institutions and officials of the friendly Powers are requested upon the basis of reciprocity and in accordance with the principles of international law and usages and with the agreements concluded, to show the ship all necessary assistance and support.

Це свідоцтво зберігається на борту судна.
This Certificate is to be kept on board ship.

У випадку виключення судна з Державного суднового реєстру України це свідоцтво підлягає поверненню капітану Агенції ТДРР, м. Київ порту.
In case the ships are excluded from the State Register of Ships of Ukraine this certificate is to be returned to the Harbour Master of the port.

Видано під № 00554 числа 20 місяця 08 року 2009
Issued by Миско 90 2004.2013р. day month year.


Капітан порту
Harbour Master of the port

Держреєстр КСФ. Форм 1720 2005 р. 1/14



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of Capital Shipping Company LLC as at 31.01.2012

Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC



A. Shokun
January 2012

АКТ
of technical condition of property

Name: motor vessel "Riverest 1"
Mark: Project 1430, year of construction 1978

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

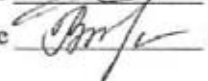
The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 17.06.2011 the ship was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS to Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A. Shokun
January 2012



**ACT
of technical condition of property**

Name: motor vessel "Riverest 2"

Mark: Project 1430, year of construction 1975.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

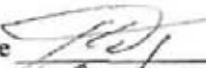
Technical condition:

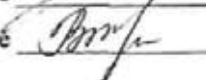
The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Repair of screw-steering gear
- Repair of bottom-intake valves
- Maintenance of the main engines and diesel generators
- Repair of electrical parts (cables, electric motors, lighting, generators, electrical equipment)

After repairs on 30.07.2011 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS to Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



REPORT on the valuation of property: assets that are on the balance sheet of Capital Shipping Company LLC as at 31.01.2012

Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC



ACT
of technical condition of property

Name: motor vessel "Riverest 3"
Mark: Project 1430, year of construction 1977.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

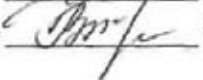
The last repair of the vessel was done in 2009. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the hull
- Maintenance of the main engines and diesel generators;
- Repair of bottom-intake valves;
- Replacement of the propeller
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 12.05.2009 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS to Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A. Shokun

17 January 2012



АКТ
of technical condition of property

Name: motor vessel "Riverest 4"

Mark: Project r51, year of construction 1970.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

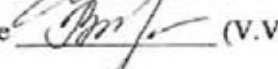
The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 27.05.2011 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and its tributaries from the dam of the Kiev HPS to Ukrainka with wave height up to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC



ACT
of technical condition of property

Name: motor vessel "Riverest 5"
Mark: Project 1430, year of construction 1976.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:


The last repair of the vessel was done in 2007. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 10.08.2007 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on the Dnieper River and tributaries from the dam of the Kiev HPS to Ukrainka with wave height to 1.2 m.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

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Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC



ACT
of technical condition of property

Name: motor vessel "Serebryany Briz"

Mark: Project 935, year of construction 1966, converted in 2003.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.


Technical condition:

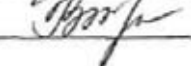
The last repair of the vessel was done in September 2011. During repairs the following works were carried out:

- Defect identification in the hull and machinery
- Painting the underwater hull
- Maintenance of the main engines and diesel generators;
- Repair of the pump;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment)

After repairs on 13.07.2011 the vessel was examined by the Shipping Register of Ukraine, which declared the vessel fit for use and issued appropriate documents for the right of navigation on rivers and reservoirs rated "R".

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



REPORT on the valuation of property: assets that are on the balance sheet of
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Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A.A. Shokun

17 January 2012



АКТ
of technical condition of property

Name: motor vessel "Danapris 1"
Mark: Project 1743, year of construction 1977.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

The last repair of the vessel was carried out in 2010-2011 During the repairs following works were carried out:

- Outside hull underwater part and variable waterline zone (cleaning and painting);
- Repair of outside hull below waterline – 22,182 tons of metal;
- Repair of shaft and propeller gear;
- Repair of steering gear;
- Repair of seawater valves;
- Repair of valves;
- Repair of kingston box and seawater box;
- Repair of anchor and anchor chains;
- Fuel tanks and bilge water tank cleaning;
- bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Repair of framing in bottom ballast tanks – 16,605 tons of metal;
- Repair of second bottom in cargo holds – 12,784 tons of metal;
- Repair of second side in cargo holds – 16,234 tons of metal;
- Repair of bulkheads in cargo holds – 0,985 tons of metal;
- Repair of outside hull above waterline – 4,300 tons of metal;
- Repair of cargo holds hatch cover – 2,420 tons of metal;
- Repair of cable drive of cargo holds hatch cover;
- Repair of pulleys of cargo holds hatch cover;
- Repair of cargo holds hatch cover rolls;
- Repair of cargo holds hatch covers closing;
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads;
- Repair of rectangular windows;
- Repair of round windows;
- Repair of tanks manholes;
- Repair of steel flooring in E.R.;
- Works with canvas (sewing of covers);
- Repair of main engines – 2 pc;
- Repair of ADG – 3 pc;
- Repair of water and oil coolers;
- Repair of air balloons and CO2 system balloons;
- Repair of separators CIQ-1,5;



REPORT on the valuation of property: assets that are on the balance sheet of
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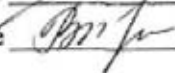
Februar 2012

- Repair of water boiler KOAB-200;
- Repair of bilge and ballast pumps;
- Repair of fi-fi pump HIIБ 40/63;
- Repair of bilge water pump HIIС-3;
- Repair of bilge water pump ЭСН-2;
- Repair of fresh water pump ЭСН-2 (hydrophore);
- Repair of fresh water pump ЭСН-1 (hydrophore);
- Repair of windlass Б-6;
- Repair of boat winches;
- Repair of cargo holds cover winches ИЭ-61;
- Repair of hydraulic system;
- Repair of sewage and drain system;
- Repair of generators ADG;
- Repair and testing of CA, ACII, PHY. Repair, testing of PC, changing of PYH;
- Repair of ADG electrical part;
- Repair of EDG electrical part: repair of EDG starter;
- Changing of storage batteries;
- Repair of electromotor water pumps of boiler;
- Repair of electromotor of capstan;
- Repair of switchboards;
- Repair of galley stove;
- Repair of echo-sounder;
- Repair of gyrocompass;
- Repair and testing of tank sensors;
- Repair of fire alarm system;
- Repair loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius";
- Repair and testing VHF radio unit "Reid";
- Finding of defects and repair of antenna;
- Repair of KHII (electrical and tachometer, Mechanical);
- Cleaning and painting (freeboard and gunwale outside, gunwale inside, cargo holds coaming, cargo holds wells, Main deck, fore deck, poop deck, cargo holds hatch cover outside, cargo holds hatch cover inside, cargo holds № 1, 2, 3, 4, fresh water tanks, superstructure, paint works);
- IMO symbols;
- Examination of anti-fouling system;
- Removal of bilge water.

After repairs on 21.04.2010 the ship was examined by the Russian Maritime Register of Shipping that found the vessel fit for use and issued relevant documents confirming the class KM * 1 R2-RSN.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A.A. Shokun

17 January 2012



ACT
of technical condition of property

Name: motor vessel "Danapris 2"

Mark: Project 1743, year of construction 1979.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

The last repair of the vessel was done in 2011. During repairs the following works were carried out:

- Cleaning and painting of outside hull underwater part and variable waterline zone;
- Repair of outside hull below waterline – 17,266 tons of metal;
- Repair of shaft and propeller gear, repair of steering gear;
- Repair of seawater valves, Repair of valves;
- Kingston box and seawater box;
- Repair of anchor and anchor chains;
- Bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Drain plugs;
- Repair of framing in bottom ballast tanks – 15,980 tons of metal;
- Repair of second bottom in cargo holds – 14,780 tons of metal;
- Repair of second side in cargo holds – 18,764 tons of metal;
- Repair of outside hull above waterline – 3,542 tons of metal;
- Repair of cargo holds hatch cover – 0,960 tons of metal;
- Repair of cable drive of cargo holds hatch cover;
- Repair of pulleys of cargo holds hatch cover;
- Repair of cargo holds hatch cover rolls;
- Repair of cargo holds hatch covers closing;
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads;
- Repair of rectangular windows, repair of round windows;
- Repair of tanks manholes;
- Repair of main engines – 2 pc;
- Repair of ADG – 3 pc;
- Repair of water and oil coolers;
- Repair of air balloons and CO2 system balloons;
- Repair of separators CIJ-1,5;
- Repair of water boiler KOAB-200;
- Repair of bilge and ballast pumps;
- Repair of fi-fi pump H1QB 40/63;
- Repair of bilge water pump H1IC-3;



REPORT on the valuation of property: assets that are on the balance sheet of
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- Repair of bilge water pump HIC-3 ЭСН-2;
- Repair of fresh water pump ЭСН-2 (hydrophore);
- Repair of fresh water pump ЭСН-1 (hydrophore);
- Repair of windlass Б-6;
- Repair of boat winches;
- Repair of cargo holds cover winches ЛЭ-61;
- Repair of hydraulic system;
- Repair of sewage and drain system;
- Repair of domestic water system;
- Repair of generators ADG;
- Repair and testing of CA, ACIL, PHY. Repair, testing of PC, changing of PYH;
- Repair of ADG electrical part: ADG starter, charging generator,
- Repair of EDG electrical part: repair of starter;
- Changing of storage batteries;
- Repair of electromotor water pumps of boiler;
- Repair of electromotor of capstan;
- Repair of galley stove;
- Repair of gyrocompass;
- Repair and testing of tank sensors;
- Repair of fire alarm system;
- Repair loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius";
- Repair and testing VHF radio unit "Reid";
- Finding of defects and repair of antenna;
- Repair of КИИ (electrical and tachometer, Mechanical);
- Cleaning and painting (freeboard and gunwale outside, gunwale inside, cargo holds coaming, cargo holds wells, Main deck, fore deck, poop deck, cargo holds hatch cover outside, cargo holds hatch cover inside, cargo holds № 1, 2, 3, 4, fresh water tanks, superstructure, paint works);
- IMO symbols;
- Examination of anti-fouling system;
- Removal of bilge water.

After repairs on 18.10.2010 the ship was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class KM*LP1 PZP.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



REPORT on the valuation of property: assets that are on the balance sheet of
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Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC



ACT
of technical condition of property

Name: motor vessel "Danapris 3"

Mark: Project 1743, year of construction 1986.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

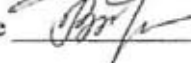
The last repair of the vessel was done in 2010. During repairs the following works were carried out:

- Replacement of underwater siding of the bottom and sides – 10.100 tons of metal;
- Replacement of the metal on the covers of the holds, bulwark, superstructure, deck, bulkheads, tanks, lining of the inner side and the second bottom of cargo holds, coamings - 12.806 tons of metal;
- Repair of screw-steering gear;
- Repair of bottom- intake valves;
- Repair of anchors and anchor chains;
- Repair of windlass and capstan;
- Repair of hydraulic systems, replacing sealing rubber on the hatch covers;
- Repair of systems: ballast, drainage, fire, fuel, water, pumping of deadwood;
- Repair of the main engines and diesel generators;
- Repair of the boiler;
- Repair of pumps;
- Repair of the separator;
- Repair of automatics, signaling and navigation equipment;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment);
- painting the hull.

After repairs on 17.09.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class KM*LP1 PZP (PZP at h3% ≤5.0m).

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
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APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC



Shokun
January 2012

ACT
of technical condition of property

Name: motor vessel "Danapris 4"

Mark: Project 1743, year of construction 1985.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

The last repair of the vessel was done in 2009. During repairs the following works were carried out:

- Replacement of underwater siding of the bottom and sides – 21.300 tons of metal;
- Replacement of the metal on the covers of the holds, bulwark, superstructure, deck, bulkheads, tanks, lining of the inner side and the second bottom of cargo holds, coamings – 29.167 tons of metal;
- Repair of screw-steering gear;
- Repair of bottom- intake valves;
- Repair of anchors and anchor chains;
- Repair of windlass and capstan;
- Repair of hydraulic systems, replacing sealing rubber on the hatch covers;
- Repair of systems: ballast, drainage, fire, fuel, water, pumping of deadwood;
- Repair of the main engines and diesel generators;
- Repair of the boiler;
- Repair of pumps;
- Repair of the separator;
- Repair of automatics, signaling and navigation equipment;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment);
- painting the hull;
- cleaning of ballast tanks.

After repairs on 27.10.2009 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class KM*LP1 PZP.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



REPORT on the valuation of property: assets that are on the balance sheet of
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APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A. Shokun
January 2012



**ACT
of technical condition of property**

Name: motor vessel "Danapris 5"

Mark: Project 1743, year of construction 1986.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

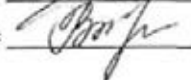
The last repair of the vessel was done in 2010. During repairs the following works were carried out:

- Replacement of underwater siding of the bottom and sides – 9.726 tons of metal;
- Replacement of the metal on the covers of the holds, bulwark, superstructure, deck, bulkheads, tanks, lining of the inner side and the second bottom of cargo holds, coamings – 10.274 tons of metal;
- Repair of screw-steering gear;
- Repair of bottom- intake valves;
- Repair of anchors and anchor chains;
- Repair of windlass and capstan;
- Repair of hydraulic systems, replacing sealing rubber on the hatch covers;
- Repair of systems: ballast, drainage, fire, fuel, water, pumping of deadwood;
- Repair of the main engines and diesel generators;
- Repair of pumps;
- Repair of automatics, signaling and navigation equipment;
- Repair of electrical parts (cables, motors, lighting, generators, electrical equipment);
- painting the hull;

After repairs on 28.05.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class KM*LP1 PZP.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
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APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A. Shokun

17 January 2012



**ACT
of technical condition of property**

Name: motor vessel "Stanislaw Kosior"
Mark: Project 1557, year of construction 1968.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

- The last repair of the vessel was done in 2011. During repairs the following works were carried out:
- Repair of outside hull below waterline – 46,721 tons of metal;
 - Cleaning, painting of underwater hull and hull from light waterline;
 - Repair of shaft and propeller gear and steering gear;
 - Repair of seawater valves and repair of valves;
 - Repair, cleaning, painting and testing of kingston box and seawater box;
 - Repair of anchor and anchor chains;
 - Fuel tanks and bilge water tank cleaning;
 - Bottom and side ballast tanks cleaning;
 - Repair of framing in bottom ballast tanks – 36,129 tons of metal;
 - Repair of cargo holds (deck, board, bulkhead) – 42,214 tons of metal;
 - Repair of outside hull above waterline – 15,716 tons of metal;
 - Repair of cargo holds hatch cover – 1,920 tons of metal, renewal of rubber, repair of cable drive, repair of pulleys, repair of rolls, repair of cargo holds hatch covers closing;
 - Repair of boat gear;
 - Repair of steel doors, ventilation hatches and heads, tanks manholes;
 - Repair of portholes;
 - Repair of main engines – 2 pc;
 - Repair of RAC of main engines;
 - Repair of ADG – 3 шт.;
 - Repair of water and oil coolers;
 - Repair of motorboat engine;
 - Repair of countershafts;
 - Repair of air compressor 2OK;
 - Repair of air balloons and CO2 system balloons;
 - Repair of separators CII-1,5;
 - Repair of water boiler KOAB-200;
 - Repair of pumps (oil, bilge and ballast, fi-fi, fuel pump, bilge water pump);
 - Repair of windlass;
 - Repair of boat winches and cargo holds cover winches;
 - Repair of hydraulic system;
 - Repair of CO2 system, sewage and drain system, domestic water system;
 - Repair of ADG generators;
 - Repair and testing of CA, ACII, PHY, testing of PC, changing of PУH;
 - Repair of MSB and ESB;
 - Repair of electromotors;
 - Repair of welding machine;



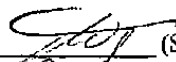
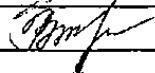
REPORT on the valuation of property: assets that are on the balance sheet of
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- Cable works;
- Repair of lightness;
- Repair of echo-sounder;
- Repair and testing of tank sensors, flooding ER signalization, alarm system, loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius", VHF radio unit "Reid", PIY "Brig";
- Repair of БАКС;
- Repair of КИПТ;
- Cleaning and painting of the vessel (freeboard, gunwale outside, gunwale inside, cargo holds hatch covers, cargo holds, superstructure, fresh water tanks, ladders, boat deck, Inner compartments, paint works)

After repairs on 21.06.2011 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class KM*LP1 [1] PZP.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)
Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
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Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A.A. Shokun

January 2012



**ACT
of technical condition of property**

Name: motor vessel "Seagull"

Mark: Project 1557, year of construction 1970.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

The last repair of the vessel was done in 2010-2011. During repairs the following works were carried out:

- Repair of outside hull below waterline – 16,846 tons of metal;
- Cleaning, painting of underwater hull and hull from light waterline;
- Repair of shaft and propeller gear;
- Repair of steering gear;
- Repair of seawater valves;
- Repair of valves;
- Repair of kingston box and seawater box;
- Repair of anchor and anchor chains;
- Fuel tanks and bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Repair of framing in bottom ballast tanks – 26,597 tons of metal;
- Repair of cargo holds – 33,419 tons of metal;
- Repair of outside hull above waterline – 10,912 tons of metal;
- Repair of cargo holds hatch cover – 2,332 tons of metal;
- Renewal of rubber on cargo holds hatch cover, repair of cable drive;
- Repair of pulleys of cargo holds hatch cover, repair of rolls, repair of cargo holds hatch covers closing;
- Repair of boat gear (davits ІІІБ2ІІІ5, ІІІБ4ІІІ5Б);
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads, tanks manholes;
- Works with canvas;
- Repair of portholes;
- Repair of main engines – 2 pc, repair of RAC of main engines;
- Repair of ADG – 3 шт.;
- Repair of water and oil coolers;
- Repair of motorboat engine 4ЧСІІ 8,5/11;
- Repair of countershafts;
- Repair of air compressor 2OK;
- Repair of air balloons and CO2 system balloons;
- Repair of separators СІІ-1,5;
- Repair of water boiler KOAB-200;
- Repair of pumps (oil, bilge and ballast, fi-fi, fuel pump, bilge water pump);
- Repair of fresh and outboard water pumps (hydrophore);
- Repair of windlass Б-6;



REPORT on the valuation of property: assets that are on the balance sheet of
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- Repair of boat winches;
- Repair of cargo holds cover winches;
- Repair of hydraulic system;
- Repair of CO2 system, sewage and drain system, domestic water system;
- Repair of ADG generators;
- Repair and testing of CA, ACII, PHY;
- Repair, testing of PC, changing of PYH;
- Repair of ADG electrical part;
- Repair of MSB and ESB;
- Repair of electromotors;
- Repair of welding machine;
- Cable works;
- Repair of lightness;
- Repair of echo-sounder;
- Repair and testing of tank sensors, flooding ER signalization, alarm system, loud-speaking system;
- Repair of light pulsed equipment;
- Repair and testing radar station "Mius", VHF radio unit "Reid", PITV "Brig";
- Repair of BAKC;
- Repair of КМІІ (electrical, mechanical);
- Cleaning and painting of the vessel (freeboard, gunwale outside, gunwale inside, cargo holds hatch covers, cargo holds, superstructure, fresh water tanks, ladders, boat deck, Inner compartments, paint works).

After repairs on 22.12.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class KM*LP1 [1] PZP.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)

Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

APPROVED BY
Head of Fleet Maintenance Service of CAPITAL SHIPPING COMPANY LLC

A. A. Shokun
February 2012



**ACT
of technical condition of property**

Name: motor vessel "Skylark"

Mark: Project 1557, year of construction 1971.

Act is drawn up by the committee composed by:

1. Deputy Director S.G. Zhumenko – chair of the committee.
2. Lead Specialist of Fleet Maintenance Service V.V. Revera - member of the committee.

Technical condition:

The last repair of the vessel was done in 2010-2011. During repairs the following works were carried out:

- Repair of outside hull below waterline – 22,182 tons of metal;
- Cleaning and repair underwater part and variable waterline zone;
- Repair of shaft and propeller gear and repair of steering gear;
- Repair of seawater valves and repair of valves;
- Repair of kingston box and seawater box;
- Repair of anchor and anchor chains;
- cleaning of fuel tanks cleaning;
- Bilge water tank cleaning;
- Bottom and side ballast tanks cleaning;
- Repair of framing in bottom ballast tanks – 16,605 tons of metal;
- Repair of second bottom in cargo holds – 12,784 tons of metal;
- Repair of bottom and bulkheads in cargo holds – 17,219 tons of metal;
- Repair of outside hull above waterline – 4,300 tons of metal;
- Repair of cargo holds hatch cover – 2,420 tons of metal;
- Repair of cable drive of cargo holds hatch cover;
- Repair of pulleys of cargo holds hatch cover;
- Repair of cargo holds hatch cover rolls;
- Repair of cargo holds hatch covers closing;
- Repair of boat gear (davits ІІІБ2ІІІ5, ІІІБ4ІІІ5В);
- Repair of steel water and gas tight doors;
- Repair of ventilation hatches and heads;
- Repair of rectangular and round windows;
- Repair of tanks manholes;
- Sewing of covers;
- Repair of main engines – 2 pc, repair of RAC;
- Repair of ADG – 3 pc;
- Repair of water and oil coolers;
- Repair of air balloons and CO2 system balloons;
- Repair of separators СІІ-1,5;
- Repair of water boiler KOAB-200;
- Repair of bilge and ballast pumps;
- Repair of fi-fi pump ІІІБ 40/63;




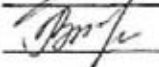
REPORT on the valuation of property: assets that are on the balance sheet of
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- Repair of pumps (fuel pump, bilge water pump);
- Repair of fresh water and fresh water pump (hydrophore);
- Repair of windlass B-6
- Repair of boat winches and cargo holds cover winches;
- Repair of hydraulic system;
- Repair of sewage and drain system;
- Repair of generators ADG;
- Repair and testing of CA, ACII, PHY;
- Repair, testing of PC, changing of PYH;
- Changing of storage batteries;
- Repair of ADG electrical part;
- Repair of electromotor of capstan;
- Repair of EDG electrical part;
- Repair of electromotor steering;
- Repair of gyrocompass;
- Repair of fire alarm system;
- Repair of echo-sounder;
- Repair loud-speaking system;
- Repair radar station "Mius", VHF radio unit "Reid";
- Repair of КИП (electrical and mechanical);
- Cleaning and painting (freeboard and gunwale outside, gunwale inside, cargo holds coaming, cargo holds wells, Main deck, fore deck, poop deck, cargo holds hatch cover outside, cargo holds hatch cover inside, cargo holds № 1, 2, 3, 4, fresh water tanks, superstructure, paint works);
- IMO symbols;
- Examination of anti-fouling system;

After repairs on 31.05.2010 the vessel was examined by the Shipping Register of Ukraine that found the vessel fit for use and issued relevant documents confirming the class KM*LP1 [1] PZP.

Conclusions: The Commission believes that the physical depreciation of the property is 20%.

Signature  (S.G. Zhumenko)
Signature  (V.V. Revera)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

Exportmax S. A.

Drake Chambers
Road Tawn Bvitortola
3321 Virgin Islands

№ 67/04 от 10.02.2012

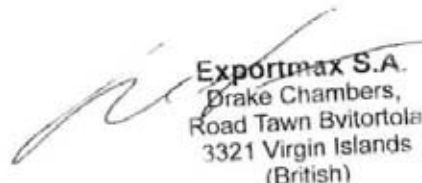
Общество с ограниченной ответственностью
«Столичная судоходная компания»

Предоставляя ответ на Ваш запрос, сообщаем следующее:

Суточная ставка бербоут-чартера на теплоход «Омский» грузоподъемностью 3000 тонн, возраст судна 25 – 35 лет, на сегодняшний день составляет 2700 дол. США.

Суточная ставка бербоут-чартера на теплоход «Сормовский» грузоподъемностью 3000 тонн, возраст судна 40 – 45 лет, на сегодняшний день составляет 2900 дол. США.

Директор
по чартерным перевозкам


Exportmax S.A.
Drake Chambers,
Road Tawn Bvitortola
3321 Virgin Islands
(British)



*REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012*

Februar 2012

Exportmax S. A.
Drake Chambers,
Road Tawn Bvitortola
3321 Virgin Islands

No. 67/04 from 10.02.2012

CAPITAL SHIPPING COMPANY
Limited Liability Company

Providing a response to your inquiry, we report the following:

The daily rate of the bareboat charter for the "Omsky" motor vessel with the carrying capacity of 3,000 tons, the age of the vessel – 25-35 yrs, currently stands at 2,700 U.S. dollars.

The daily rate of the bareboat charter for the "Sormovsky" motor vessel with the carrying capacity of 3,000 tons, the age of the vessel – 40-45 yrs, currently stands at 2,900 U.S. dollars.

Director of charters

[Signature]

Exportmax S. A.
Drake Chambers,
Road Tawn Bvitortola
3321 Virgin Islands
(British)



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

MONOFLEX INDUSTRIES INC

2/50TH Street Global Plaza Tower, Panama

No 56/05/128-48
10.02.2012


Общество с ограниченной ответственностью
«Столичная судоходная компания»

Предоставляя ответ на Ваш запрос, сообщаем следующее:

Суточная ставка бербоут-чартера на теплоход «Омский» грузоподъемностью 3000 тонн, возраст судна 25 – 35 лет, на сегодняшний день составляет 2900 дол. США.

Суточная ставка бербоут-чартера на теплоход «Сормовский» грузоподъемностью 3000 тонн, возраст судна 40 – 45 лет, на сегодняшний день составляет 3100 дол. США.

Чартер-директор


MONOFLEX INDUSTRIES INC
2/50TH STREET,
GLOBAL PLAZA TOWER,
PANAMA



MONOFLEX INDUSTRIES INC

2/50th Street Global Plaza Tower, Panama

No 56/05/128-48

10.02.2012

**CAPITAL SHIPPING COMPA
Limited Liability Comp**

Providing a response to your inquiry, we report the following:

The daily rate of the bareboat charter for the "Omsky" motor vessel with the carrying capacity of 3,000 tons, the age of the vessel – 25-35 yrs, currently stands at 2,900 U.S. dollars.

The daily rate of the bareboat charter for the "Sormovsky" motor vessel with the carrying capacity of 3,000 tons, the age of the vessel – 40-45 yrs, currently stands at 3,100 U.S. dollars.

Charter-Director

[Signature]

MONOFLEX INDUSTRIES INC
2/50th Street,
Global Plaza Tower,
Panama



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012

NIDERA

HANDELSCOMPAGNIE B. V.

10.02.2012 № 153 - 67

ООО «Столичная судоходная компания»

Предоставляя ответ на Ваш запрос, сообщаем следующее:

Суточная ставка бербоут-чартера на теплоход «Омский» грузоподъемностью 3000 тонн, возраст судна 25 – 35 лет, на сегодняшний день составляет 2800 дол. США.

Суточная ставка бербоут-чартера на теплоход «Сормовский» грузоподъемностью 3000 тонн, возраст судна 40 – 45 лет, на сегодняшний день составляет 3000 дол. США.

Директор по организации
чартерных перевозок

NIDERA HANDELSCOMPAGNIE B. V.



ISTC «TRANSSERVICE - 1»

*REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012*

Februar 2012

**NIDERA
HANDELSCOMPAGNIE B.V.**

10.02.2012 No. 153-67

CAPITAL SHIPPING COMPANY LLC

Providing a response to your inquiry, we report the following:

The daily rate of the bareboat charter for the "Omsky" motor vessel with the carrying capacity of 3,000 tons, the age of the vessel – 25-35 yrs, currently stands at 2,800 U.S. dollars.

The daily rate of the bareboat charter for the "Sormovsky" motor vessel with the carrying capacity of 3,000 tons, the age of the vessel – 40-45 yrs, currently stands at 3,000 U.S. dollars.

Director of charter operations

[Signature]

NIDERA HANDELSCOMPAGNIE B.V.



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012



ФОНД ДЕРЖАВНОГО МАЙНА УКРАЇНИ

СВІДОЦТВО про реєстрацію в Державному реєстрі оцінювачів

від 29 квітня 2002 р.№ 824

Видане Чурсіну Юрію Миколайовичу на підставі сертифіката оцінювача від 07.06.99р. № 0-47С, виданого Фондом державного майна України спільно з Республіканським учбовим центром, та засвідчує про те, що його зареєстровано в Державному реєстрі оцінювачів як оцінювача, який має право здійснювати оцінку майна та майнових прав за такими напрямками:

1. Оцінка об'єктів у матеріальній формі*:

- 1.1. Оцінка об'єктів нерухомого майна, у тому числі земельних ділянок.
- 1.2. Оцінка машин, обладнання та окремих видів транспортних засобів.
- 1.3. Оцінка автотранспортних засобів.
- 1.4. Оцінка літальних апаратів.
- 1.5. Оцінка судноплавних засобів.

2. Оцінка цілісних майнових комплексів, паїв, цінних паперів, майнових прав та нематеріальних активів, у тому числі оцінка прав на об'єкти інтелектуальної власності:

- 2.1. Оцінка цілісних майнових комплексів, паїв, цінних паперів, майнових прав та нематеріальних активів (крім оцінки прав на об'єкти інтелектуальної власності).
- 2.2. Оцінка прав на об'єкти інтелектуальної власності.

Оцінка земельних ділянок.



Заступник Голови Фонду

Ю.П.Гришан

*/ Непотрібно закреслити:



[National Emblem of Ukraine]

STATE PROPERTY FUND OF UKRAINE

CERTIFICATE

Of registration in the State Register of Valuers

Dated 29 April 2002

No. 824

Issued to Yuriyu Mykolayovych Chursin pursuant to the Certificate of Valuer from 07.06.99 № 0-47S, issued by the State Property Fund of Ukraine jointly with Republican training center, and certifies that he is registered in the State Register of Valuers as a valuer who is qualified to perform valuation of property and property rights in the following areas:

1. Valuation of objects in material form*:

1.1. Valuation of real estate objects, including land plots.

1.2. Valuation of machinery, equipment and certain types of vehicles.

1.3. Valuation of motor vehicles.

1.4. Valuation of aircrafts.

1.5. Valuation of shipping vessels.

2. Valuation of integral property complexes, shares, securities, property rights and intangible assets, including valuation of intellectual property rights:

2.1. Valuation of integral property complexes, shares, securities, property rights and intangible assets (with the exception of valuation of intellectual property rights).

2.2. Valuation of intellectual property rights.

3. Valuation of land plots.

Deputy Head of the Fund

[Signature]

Yu.P. Gryshan

[SEAL: The Verkhovna Rada of Ukraine
STATE PROPERTY FUND OF UKRAINE
Identification code 00032945]


*/ cross out where inapplicable [X]



ISTC «TRANSSERVICE - 1»

REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012

Februar 2012



ФОНД ДЕРЖАВНОГО МАЙНА УКРАЇНИ

СЕРТИФІКАТ № 1822/11

суб'єкта оціночної діяльності
Дата видачі "13" грудня 2011 р.

Виданий Приватному підприємству «Міжгосподарський науково-технічний центр «ТРАНССЕРВІС - 1»
(назва юридичної особи або фізична, ім'я та по батькові фізичної особи – суб'єкта підприємницької діяльності)

Реквізити суб'єкта 04070, м. Київ, вул. Сагайдачного, 12
(місцезнаходження)



підприємницької діяльності 25637394
(ідентифікаційний код суб'єкта підприємницької діяльності за Єдиним державним реєстром підприємств, організацій та установ (ЄДРПОУ))

Напрями оцінки майна, щодо яких дозволена практична оціночна діяльність
1. Оцінка об'єктів у матеріальній формі. 2. Оцінка цілісних майнових комплексів, пай, цінних паперів, майнових прав та нематеріальних активів, у тому числі оцінка прав на об'єкти інтелектуальної власності.

Спеціалізації в межах напрямів оцінки
1.1. Оцінка нерухомих речей (нерухомого майна, нерухомоті), у тому числі земельних ділянок та майнових прав на них.
1.2. Оцінка машин і обладнання. 1.3. Оцінка коливних транспортних засобів. 1.4. Оцінка літальних апаратів.
1.5. Оцінка судноплавних засобів.
2.1. Оцінка цілісних майнових комплексів, пай, цінних паперів, майнових прав та нематеріальних активів (крім оцінки прав на об'єкти інтелектуальної власності). 2.2. Оцінка прав на об'єкти інтелектуальної власності.
(зазначається необхідність)

Строк дії з "13" грудня 2011 р. **до** "13" грудня 2014 р.

Заступник Голови Фонду С. М. Григоренко



ISTC «TRANSSERVICE - 1»

*REPORT on the valuation of property: assets that are on the balance sheet of
Capital Shipping Company LLC as at 31.01.2012*

Februar 2012

[National Emblem of Ukraine]

STATE PROPERTY FUND OF UKRAINE

CERTIFICATE No. 11822/11

Of the Practitioner of valuation activities

Date of issuance: 13 May 2011

Issued to Private Enterprise Inter-economic Science and Technology Centre «Transservice -1»
(*name of legal entity or last name, first name and patronymic of an individual -
entrepreneur*)

Details of the business entity04070, Kyiv, Sahaidachnoho Street 12 (*location*)

25637394 (*identification code of the business entity by the Unified State Register of
enterprises, organizations and institutions /EDRPOU/*)

Areas of property valuation, regarding which practical evaluation activities are permitted

1. Valuation of objects in material form.
2. Valuation of integral property complexes, shares, securities, property rights and intangible assets,
including valuation of intellectual property rights.

(*as applicable*)

Specializations within the areas of valuation

- 1.1. Valuation of real estate objects (immovable property, real estate), including land plots and property
rights thereof.
- 1.2. Valuation of machinery and equipment.
- 1.3. Valuation of wheeled vehicles.
- 1.4. Valuation of aircrafts.
- 1.5. Valuation of shipping vessels.
- 2.1. Valuation of integral property complexes, shares, securities, property rights and intangible assets
(with the exception of valuation of intellectual property rights)
- 2.2. Valuation of intellectual property rights.

(*as applicable*)

Valid from 13 May 2011 to 13 May 2014

Deputy Head of the Fund

[Signature]

Ye.M. Grygorenko

[SEAL: The Verkhovna Rada of Ukraine
STATE PROPERTY FUND OF UKRAINE
Identification code 00032945]

ANNEX II – MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

THE COMPANIES LAW CAP. 113

PRIVATE COMPANY

LIMITED BY SHARES

MEMORANDUM AND ARTICLES

OF ASSOCIATION

OF

KDM SHIPPING PUBLIC LIMITED

(As amended by Special Resolution dated 5th March 2012)

KDM SHIPPING LIMITED

(As amended by Special Resolution dated 18th November 2011)

THE COMPANIES LAW CAP. 113

PRIVATE COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

KDM SHIPPING PUBLIC LIMITED

1. The name of the company (hereinafter called "the Company") is **KDM SHIPPING PUBLIC LIMITED**.
2. The registered office of the Company will be situated in Cyprus.
3. The objects for which the Company is established are:
 - (1) To set up and operate offices in Cyprus or abroad for the management and administration of business activities conducted on an international basis.
 - (2)
 - (a) To bareboat charter vessels of any kind and to register same at any ship registry in accordance with any relevant law and as well as to purchase, take in exchange, hire, manage, charter, build, or otherwise acquire, hold or equip ships or vessels of any kind with or without their equipment machinery, furniture and receptacles or shares or interests in such ships or vessels, as well as shares or other documents of companies possessed of such ships or vessels, and to employ the same in the conveyance of passengers, goods and produce of all kinds, including live stock, oil or other liquids, and generally any kind of articles between any postal subsides, and to maintain, repair ,improve, alter, let out on hire, mortgage or otherwise deal with, sell or dispose of any such ships or vessels, shares or documents.
 - (b) To carry on the business of shipowners, carriers by land and sea, managers, dealers and agents of ships and shipping companies, shipchandlers, warehousemen, contractors, owners of barges, lighters, motorboats or other small vessels, forwarding agents, agents of all kinds, stevedores , shipbrokers, freight contractors shipowners and keepers of refrigerating stores and spaces and insure with any company or person against any loss, damage, risk or liability of any kind which may affect the Company its property, its products or the persons or articles transported by it and its transport means as well as to carry on the business of insurance agents for any type of insurance business, including marine insurance and to carry on the business of crew managers, risk managers, commercial managers, superintendents, marine consultants and representatives of any kind .
 - (c) To carry on the activities or business of agents and advisors in relation to any kind of management, administration, funds administration, control, organisation, companies, business, enterprises or persons and to carry on the activities and business of a service company, of a company acting as arbitrator, to supply or participate or assist in offering consultancy services, managerial, administrative or other services on any subject and the provision of assistance in handling and solving problems, disputes and claims between companies, organisations, persons or enterprises of any kind.
 - (d) To carry on the activities and business of consultants in relation to any matter or any branch of any enterprise or industry.
 - (3) To acquire and hold shares in companies or in other legal entities as nominee shareholder and generally to offer and provide work of an organisational and administrative kind or provide advice and generally to carry on the business of consultants or advisors.
 - (4) To carry on the activities and business of consultants on subjects in relation to the administration, organisation of industries and enterprises, in relation to the training of personnel for industry and enterprises, in relation to the investment and development of capital, stocks, shares, money and to offer advice in relation to the means and methods for the further development and improvement of every kind of business and/or industries and in relation to all systems and/or procedures connected with the production, storage, distribution, advertisement and sale of goods and/or insurances and/or movable or immovable property and/or related objects connected with the supply of services.
 - (5) To carry on the activities and business of secretary, director, attorney, managing director, administrative director, shareholder, receiver, or agent of any company, enterprise, public or

private organisation, of every agency or other authority or rule or private person and generally of every natural or legal person.

- (6)
 - (a) To carry on the activities and business of importers, exporters, wholesalers, retailers, distributors, commercial agents, agents, resellers, commission agents, brokers, providers, store-keepers, distributors, of any kind of goods, products, supplies, possessions, raw materials, computers, printers and all their parts and accessories, faxes, photocopying machines, typewriters, software, machinery, electric units, household and electric items, pharmaceutical goods and products, drugs, medical equipment and appliances, gifts, toys, supplies or other objects, goods or products of any kind and description.
 - (b) To negotiate, buy, sell, administer, store, import, export, re-export, advertise, transport, of any kind of products, goods, materials, supplies or of any other objects of every kind.
 - (c) To carry on the activities and business of movers, transporters, store-keepers, loaders, contractors, forwarding agents, for the transportation of goods or loads of any kind, and of every related trade or commercial act, work or activity.
- (7)
 - (a) To carry on the activities and business of builders and contractors, road constructors, engineers, architects, civil engineers, electricians, furniture manufacturers, decorators, plumbers, loaders, store-keepers and generally of contractors of every type of building road activity, general constructions mechanician, and electrical and mechanical activities.
 - (b) To carry on every type of industry, handicraft or business.
- (8) To carry on the activities and business of hoteliers, tourist agents, brokers, owners, administrators, directors of hotels and tourist units, complexes, places or lodgings and generally to carry on every related activity or business in every branch of the hotel and tourist industry.
- (9) To promote and participate in the development and extension of tourism and to establish and function tourist and travel agencies and information offices for the supplying of information and ticket issuing offices and generally to promote, organise and participate in excursions for tourists, visitors and of every other persons.
- (10) To buy, import, own, hold, use, exploit, sell, lease, let on hire purchase terms or otherwise, exchange, administer, export, replace, exchange, maintain and dispose of machinery, machines, installations, vehicles, vehicles for public transport or self drive vehicles, equipment, tools, apparatus, devices, supplies or other things.
- (11) To acquire by purchase, gift, exchange or otherwise, possess and register in the name of the Company, to develop, exchange, assign, lease, sub-lease, administer, exploit, charge, mortgage, sell or otherwise dispose of, movable or immovable property of any nature including land, building sites, plots, fields, buildings, as well as any easements, privileges, licences shares or other rights or interests in, or over movable or immovable property.
- (12)
 - (a) To construct, improve, convert, extend, equip, furnish, administer, operate, manage, buildings, structures or other installations, works, places or other establishments and generally to develop, improve or manage property, belonging to or are in the possession, control or management of the Company.
 - (b) To establish, erect, acquire, possess, supply, administer, manage, let, lease, maintenance, or exploit, factories, workshops, metal workshops, shops, offices, approved or in transit warehouses or other buildings, places or premises.
- (13) To carry on investment business and for that purpose to acquire and register in the company's name for its own account or on behalf of others by way of gift, purchase, loan or otherwise,

shares, stock, debentures, debenture stock, bonds, money, or other securities of any nature issued or guaranteed by any company, government or other authority and to exercise all the powers and rights conferred by or arising out of holding or ownership of any of them and to sell, substitute, mortgage, pledge or otherwise dispose, invest and exploit same.

- (14) To finance, lend or advance credit or other financial assistance, or to provide assistance or services for the securing of finance, lending or provision of credit or other assistance, to persons associated or dealing with the Company or to any other persons.
- (15) To provide guarantees and grant letters of indemnity in relation to obligations or contracts of any persons, companies, firms or other organisations subsidiary or otherwise affiliated with the Company or dealing with or are customers of the Company or any other natural or legal persons, firms or bodies.
- (16) To buy out or otherwise acquire the whole or any part of the business, assets and liabilities of any company organisation, firm or person whose objects coincide in whole or in part with the objects of the Company or any of them and to carry on, receive or liquidate any such undertaking.
- (17) To establish, acquire, manage, carry on or assist, participate, undertake directly or indirectly in the establishment, acquisition, management or carry out of any occupation, act or business of any nature and to carry out any trade, work or business which may be profitably carried out by the Company in relation to, in conjunction with, or as ancillary to any other objects or activities or of the general business of the Company.
- (18) To pay monies or other things for the acquisition of any rights or property and to grant reward to any person and either in cash or by the issue of shares or other securities of the Company credited as fully or partly paid or otherwise.
- (19) To invest monies available by the Company and for that purpose to acquire, maintain, substitute, and deal with shares, debentures or other securities, bill of exchange or other interests or rights in movable or immovable property.
- (20) To pay subscriptions or contributions for charitable, benevolent or other useful purposes of a public nature, the support of which may in the opinion of the Company contribute to the enhancement of the goodwill of the Company or its relations with its employees, customers or the public at large.
- (21) To contract, secure or grant, loans, or other financial, economic or credit facilities with or without security in such way as the Company may consider fit and to mortgage, pledge or charge its undertaking or any part thereof, assets, movable and immovable property, present or future, wherever situate, including the unissued capital of the Company or any part thereof, to secure any loan or loans or facilities and to issue bonds, promissory notes, charges, debentures, bills of exchange, securities, floating charges or debentures payable at such time and in such manner as the Company shall decide.
- (22) To accept mortgages, bonds, debentures, charges or other securities or facilities and to assign, transfer, amend, substitute or release same.
- (23) To sign, execute, endorse, transfer, redeem, negotiate and discount promissory notes, bonds, bills, bills of lading and other negotiable or transferable documents, instruments or titles or other mercantile documents and generally to perform any other similar transactions.
- (24) To establish, promote or participate in the establishment of any company and to acquire by subscription, purchase or otherwise accept, take, hold, substitute, sell or otherwise dispose of, shares, stocks, monies, debentures or other securities or interests in any Company, body or undertaking.
- (25) To issue and allot fully or partly paid shares in the capital of the Company for the payment of any movable or immovable property purchased or otherwise acquired by the Company or for

any services rendered to the Company and to pay in any other way for any property or service thus acquired or rendered to the Company.

- (26) To enter into any agreements contract and do any act with any State, Governmental, Municipal Commune or other authority body or organisation or with any person as in the circumstances may be considered necessary or conducive to the attainment of the objects of the Company.
- (27) To file applications and commence procedures and to take out, purchase or otherwise acquire, lease, substitute, register and use any right to patents, trade marks, licences, business names, copyrights, concessions, easements, legal powers, rights or privileges and to sell, lease or give by way of gift, assign or otherwise secure or grant licences for the use thereof.
- (28) To amalgamate or enter into partnership, participate in profits, join in any way, joint venture financial arrangement or co-operation with any natural or legal person having business either in Cyprus or abroad and carry on or engage any business work activity or act which the Company may carry on or which may in the opinion of the directors be carried on in conjunction with the business of the Company or in a way serving directly or indirectly the objects of the Company.
- (29) To distribute in specie among the members any property of the Company or the proceeds of sale or disposition generally of any such property on condition that if such distribution would result in reduction of capital this shall be done as may be provided by the Law from time to time.
- (30) To pay all charges expenses and costs relating to the promotion and formation of the Company or which the Company shall consider to be in the nature of preliminary expenses, including study, fees, consultancy fees, printing stationery and other related expenses.
- (31) To establish, participate, finance and maintain or contribute to the establishment and maintenance of any pension, provident fund or other benefits with or without contributions or for the welfare or assistance of any persons which are or at any time have been in the employment of the Company or in any other company which is subsidiary, associated or inn any other way connected to the Company or persons who have been directors or officers of the Company or of any subsidiary or associated company as above, or the spouses, widows, widowers, families or the dependants of any such persons and to pay or otherwise contribute to the granting to such persons of donations, bonuses, pensions, grants, contributions or other assistance.
- (32) To register or recognise in any other country and to comply with any terms and conditions enabling the Company to carry on business and to establish in any such country offices, branches or agencies in order to achieve the objects of the Company.
- (33) To carry out any of the above activities, business, acts or works in any place in the world and either by the Company acting in its name and for its own account or as agent, broker, contractor, executor or otherwise and either alone or in conjunction with others and either directly or through agents, contractors, subcontractors, nominees or otherwise.
- (34) To adopt, acknowledge, ratify and perform any contract, act or transaction entered into or made for account or on behalf of the Company before incorporation with or without modifications as the directors may think fit.
- (35) To undertake and carry out any other business, act or activity which in the opinion of the directors may be carried out usefully, incidentally or in parallel with any other object or business of the Company or which may enhance directly or indirectly the value, usefulness or productivity of any of the business, work, assets or rights of the Company.
- (36) Generally to do all such other things as may appear to the Company to be useful, incidental or conducive to the attainment directly or indirectly of the above objects or any of them.

Irrespective of the above purposes, powers and other provisions, the company (a) does not provide financial services apart from its shareholders or to any other company which belongs to the same group of companies with itself (for the purposes of this provision the term financial services means:- the trading of investments and the management of collective investments schemes. The term investment means shares, debentures, governmental and public securities, instruments and entitling to shares of securities, certificate representing securities, units in collective investment schemes, options to acquire or dispose futures, and contracts for differences), (b) will not undertake directly or indirectly any obligation to the public either in the form of deposits, securities or in any other way of lending. For the purposes of this provision the term public does not include banks or financial institutions, members of the company or any other company which belongs to the same group of companies with itself. The term deposition does not represent sum of money which is collected after an agreement which is connected either with the sale of goods or with the offering of services not including financial services as indicated above. The term lending does not include credit facility which is incurred for the purpose of acquiring goods or services.

And it is hereby declared that in interpreting this paragraph the powers conferred on the Company by any sub-paragraph hereof shall not be limited or restricted in any way by reference to any other sub-paragraphs or the name of the Company and each sub-paragraph shall be interpreted independently as if each one of them contained the main object of the Company.

And it is further declared that where in this paragraph the word "company" does not refer to this Company shall be deemed to include any company or body corporate with limited liability or not or other legal person whether same has been incorporated under the Laws of Cyprus or any other State. And the word "person" (unless the context expressly otherwise requires) shall be deemed to include a legal person.

Provided always that, as long as any of the shares of the company are beneficially owned by any person (legal or natural) who is not a resident of the Republic of Cyprus, the company will not do any business within the Republic except with the permission of the Central Bank of Cyprus and subject to the conditions of such permission.

4. The liability of the members is limited.
5. The share capital of the Company is CY.P.1,000 (One Thousand Cyprus pounds) divided into 1,000 shares of CY.P.1 each with power of the Company to increase or reduce same and with power to issue any of the shares in the capital, initial or increased, with or subject to any preferential, special or defined rights or terms as to dividend, repayment of capital, surplus assets, voting rights or otherwise.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

NAMES, ADDRESSES AND	NUMBER OF SHARES TAKEN
DESCRIPTION OF SUBSCRIBERS	BY EACH SUBSCRIBER

HERMES STYLIANIDES

3 Michael Koutsofta str. (500)

3031 Limassol

BOOMER SECRETARIAL LTD

Cyprus Company

3 Michael Koutsofta (500)

3031 Limassol

This day of 1999

Witness to the above signatures

Maria Hadjinikola

31 Seychellon str.

3065 Limassol

(Sgn.)

THE COMPANIES LAW, CAP. 113

PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

*As adopted by the Special
Resolution dated 5 March,
2012*

KDM Shipping Public Limited

INTERPRETATION

1. In these regulations:

- "Cyprus" means the Republic of Cyprus.
- "Cyprus law" means any Cyprus law in force, other than that of the Companies Law, Cap. 113, which applies or may apply, to the Company.
- "Director" means a "director" as defined in section 2 of the Law and the term "Directors" shall be construed accordingly. For the avoidance of doubt at the date of adoption of these Articles of Association a director shall mean any person who holds the position of the director by whatever name called;
- "Electronic Means" means "electronic means" as defined in section 2 of the Law;
- "Electronic Register" means an electronic register of Members relating to shares in uncertificated form for enabling the title and ownership to those shares to be evidenced and transferred without any certificate, or instrument of title (including share certificate) and includes an "overseas register" kept by, or on behalf of, the Company under or pursuant to and in accordance with, sections 114, 115, 116, and 117A of the Law. The Electronic Register shall, for all purposes, be:
- (a) deemed to be supplemental to, or extract of, the register of members; and
 - (b) prima facie evidence of all matters lawfully, duly and properly directed or authorised to be inserted therein;

“Member”	means a “member”, as defined by section 27 of the Law, of the Company. For the avoidance of doubt at the date of adoption of these Articles of Association the term member includes the subscribers of the memorandum of association of the Company and any other person who agrees to become a Member of the Company and its name is entered into the register of members of the Company. References to the term “register of members” include references to the term “Electronic Register” and the term “Members” will be construed accordingly.
“Overseas Market”	shall mean any overseas market as defined in article 2 of the Law.
“Regulation”	means the regulations contained in these present Articles of Association
"the Law"	means the Companies Law, Cap. 113 or any Law substituting or amending the same.
"the seal"	means the common seal of the Company.
"the Secretary"	means any person appointed to perform the duties of the secretary of the Company.

Expressions referring to "writing" shall, unless the contrary intention appears, be construed as including references to printing, lithography, photography, and other modes of representing or reproducing words in a visible form.

Unless the context otherwise requires, words or expressions contained in these Regulations shall bear the same meaning as in the Law or any statutory modification thereof in force at the date at which these Regulations become binding on the Company.

TABLE "A" EXCLUDED

2. The Regulations contained in Table "A" in the First Schedule to the Law shall not apply except so far as the same are repeated or contained in these Regulations.

BUSINESS

3. The Company shall enter into, adopt, carry into effect, take over or continue (with such modifications, if any, as the contracting parties shall agree and the Board of Directors shall approve), any agreement or business or work for which there is express or implied authorization in the Memorandum of Association or the present Regulations to be carried out or undertaken by the Company at the time or times that the Board of Directors of the Company may deem appropriate.

SHARE CAPITAL AND VARIATION OF RIGHTS

4. Subject to the provisions following hereunder, any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall be at the disposal of the Board of Directors which has the right to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.

The above is without prejudice, and at all times subject, to the provisions of section 60B of the Law, or any section amending or replacing the same which inter alia, stipulates that whenever the share capital of the Company is increased by considerations in cash, the shares must be offered on a pre-emptive basis to the existing Members and such right of pre-emption may only be restricted or withdrawn by means of a resolution of the Company in general meeting, during which the Board of Directors shall be required to present a written report indicating the reasons for restricting or withdrawing the right of pre-emption and justifying the proposed issue price.

5. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Board of Directors may from time to time determine. The holders of shares of the same class must be treated in a non-discriminatory manner by the Company.
6. Subject to the provisions of section 57 of the Law, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may by special resolution determine.
7. If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied by a resolution passed at a separate general meeting of the holders of the shares of each class whose rights are affected by the variation. A resolution to be passed at such separate meetings of each class of shares whose rights are affected by the variation, requires a two thirds majority of the votes corresponding to the shares represented at the meeting or two thirds of the issued share capital unless at least 50% of the issued share capital is represented, in which case a simple majority is sufficient. To every such separate general meeting the provisions of these Regulations relating to general meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. The provisions of Regulations 67.1 and 81 concerning the holding of meetings through Electronic Means or the approval of written resolutions of the Members apply to the proceedings stipulated under these Regulations.
8. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
9. The Company may exercise the powers of paying commissions conferred by section 52 of the Law, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the said section and the rate of the commission shall not exceed the rate of 10 per cent of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 10 per cent of such price (as the case may be). Such commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.
10. Except as required by law, no person shall be recognised by the Company as holding any shares upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
11. Every Member, upon becoming the holder of any shares shall be entitled, without payment, to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the Board of Directors may from time to time determine. Subject to Regulation 14 every certificate shall be sealed with the seal or executed by one director and the secretary or by two directors and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The Company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them. Shares of different classes may not be included in the same certificate.
12. Nothing in these Regulations shall preclude any share or other security of the Company from being issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form. The shares or other securities of the Company issued in uncertificated form may be registered in any securities clearing system and exists in the book-entry form.

In relation to any share or other security which is in uncertificated form, these Regulations shall have effect subject to the following provisions:-

- (a) the Company shall not be obliged to issue a certificate evidencing title to shares and all references to a certificate in respect of any shares or securities held in uncertificated form in these Regulations shall be deemed inapplicable to such shares or securities which are in uncertificated form;
 - (b) the registration of title to and transfer of any shares or securities in uncertificated form shall be sufficient for its purposes and shall not require a written instrument of transfer;
 - (c) any communication required or permitted by these Regulations to be given by a person to the Company may be given in accordance with and in any manner (whether or not in writing) prescribed or permitted by Cyprus law;
 - (d) if a situation arises where any provisions of these Regulations are inconsistent in any respect with any provision of Cyprus law then:-
 - (i) the relevant provision of Cyprus law will be given effect thereto in accordance with its terms; and
 - (ii) the directors shall have power to implement any procedures as they may think fit and as may accord with any provision of Cyprus law for the recording and transferring of title to shares and securities in uncertificated form and for the regulation of those proceedings and the persons responsible for or involved in their operation.
13. If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity (with or without security) and payment of any exceptional out-of-pocket expenses reasonably incurred by the Company in investigating evidence and preparing the requisite form of indemnity as the Board of Directors may determine but otherwise free of charge, and (in the case of defacement or wearing out) on delivery up of the old certificate.
14. The Board of Directors may by resolution determine either generally or in any particular case that any certificates for shares or debentures or representing any other form of security to which the seal is affixed may have signatures affixed to them by some mechanical means, or printed thereon or that such certificates need not bear any signature.
15. The Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any shares in the Company or in its holding company nor shall the Company make a loan for any purpose whatsoever on the security of its shares or those of its holding company, but nothing in this Regulation shall prohibit transactions mentioned in the proviso to section 53(1) of the Law.

LIEN

16. The Company shall have a first and paramount lien on every share for all monies (whether presently payable or not) called or payable at a fixed time in respect of that share, and the Company shall also have a first and paramount lien on all shares standing registered in the name of a single person for all monies presently payable by him or his estate to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from the provision of this Regulation. The Company's lien, if any, on a share shall extend to all dividends payable thereon.
17. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.

18. To give effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.
19. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

20. The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen day's notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified, the amount called on his shares. A call may be revoked or postponed as the Directors may determine.
21. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by instalments.
22. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
23. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding 8 per cent per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.
24. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable and in case of non-payment all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified. The Directors may on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment.
25. The Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him and upon all or any of the monies so advanced they may (until the same would, but for such advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) 5 per cent per annum, as may be agreed upon between the Directors and the Member paying such sum in advance.

TRANSFER OF SHARES

26. Nothing in these Regulations shall preclude the transfer of shares or other securities of the Company in uncertificated form in accordance with the terms of Regulation 12 and any references contained in these Regulations in relation to the execution of any instrument of transfer or the registration of any transfer of shares or other securities of the Company in uncertificated form shall be read in accordance with the terms of Regulation 12.
27. The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.
28. Any Member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form, including electronic form, which the Directors may approve.

29. The Board of Directors may, without giving any reason, refuse to register the transfer of a share which is not fully paid or on which the Company has a lien.
30. The Board of Directors may also refuse to register the transfer of a share unless the instrument of transfer:-
- (a) is lodged, duly stamped, at the office or at such other place as the Board of Directors may appoint accompanied by the certificate for the shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
 - (b) is in respect of only one class of shares; and
 - (c) is in favour of not more than four transferees.
31. If the Board of Directors refuses to register the transfer, it shall within two months after the date on which the instrument of transfer was lodged with the Company send to the transferee notice of the refusal.
32. The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board of Directors may determine.
33. No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.
34. The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the Board of Directors refuses to register shall be returned to the person lodging it when notice of the refusal is given.

PLEDGE OF SHARES

35. Any share may be pledged by a Member as security for any loan, debt or obligation of such Member, without the approval of the Board of Directors.

TRANSMISSION OF SHARES

36. In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the legal personal representatives of the deceased where he was a sole holder, shall be the only person recognised by the Company as having any title to his interest in the shares: but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
37. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof.
38. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered, he shall testify his election by executing to that person a transfer of the share.
39. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided always that, where the identity and contact details of any such person are known to the Company, the Directors may at any time give notice requiring such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with. Any notices provided for in this Regulation 39 must be sent to the respective persons either by registered mail or by courier with confirmed receipt.

FORFEITURE OF SHARES

40. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.
41. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.
42. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect.
43. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.
44. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the company all monies which, as the date of forfeiture, were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.
45. A statutory declaration in writing that the declarant is a Director or the Secretary of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
46. The provisions of these Regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the shares or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
47. **DELETED**
48. **DELETED**
49. **DELETED**
50. **DELETED**

ALTERATION OF CAPITAL

51. The Company, in a general meeting, may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
52. The Company, in a general meeting, may by ordinary resolution:
- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
 - (b) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Law;
 - (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
53. The Company, in a general meeting, may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

GENERAL MEETINGS

54. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Provided that so long as the Company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at such time and place as the Directors shall appoint.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

55. **DELETED**

56. The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by section 126 of the Law. If at any time there are not within Cyprus sufficient Directors capable of acting to form a quorum, any Director may convene an extraordinary general meeting in the same manner or as nearly as possible as that in which meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

- 57.1 An annual general meeting and a meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by fourteen days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given.
- 57.2 The notice of general meeting must specify the place, the day and the hour of meeting and must contain the agenda of such meeting and the grounds upon which resolutions (with the exception of ordinary resolutions and resolutions that concern matters of an administrative nature) will be tabled at the meeting. Any Member may, before or during the general meeting in question, motion for the inclusion of a topic on the agenda of the general meeting, including a motion to take a topic off the agenda and must provide grounds enabling an informed decision on the topic by the Members. The removal of a topic from the agenda of the meeting and/or the addition of a new topic (as the case may be) shall,

however, be decided upon by the Chairman of the general meeting, provided that any such motion shall not be unreasonably refused.

PROVIDED THAT for so long as the Company shares are listed in an Overseas Market, in addition to the forgoing requirements, the notice shall, pursuant to section 127A(3) of the Law, specify the following:

- (1) The proposed agenda for the meeting.
- (2) The procedures in respect of the participation and voting in the meeting required to be complied with by the Members entitled to attend and vote at the meeting.
- (3) The record date and that only the holders of the shares conferring the right to attend and vote at the meeting, as at the close of business on the record date, shall be entitled to attend and vote at the meeting.
- (4) Where and how the full text of the documents to be submitted to the meeting may be obtained.
- (5) Subject to sections 127A(5) and 127A(6) of the Law, the internet website at which the information required by section 127A(4) of the Law shall be made available by the Company.

57.3 The notice shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meetings to such persons as are, under the Regulations of the Company, entitled to receive such notices from the Company.

Without prejudice to section 127(3) of the Law and provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in this Regulation, be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as the annual general meeting, by all the Members entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right.

58. The non-receipt of notice of a meeting by any person entitled to receive notice through the fault of such person, in particular, his, her or its failure to timely notify the Company of the change of mailing address or fax number, shall not invalidate the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

59. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the financial statements, and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the auditors.

60. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business; save as herein otherwise provided, three persons present in person or by proxy holding not less than 50 per cent of the issued shares entitled to vote upon the business to be transacted shall be a quorum.

61. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at the adjourned meeting a quorum is not present

within half an hour from the time appointed for the meeting, then three Members present in person or by proxy holding not less than 25 per cent of the issued shares entitled to vote shall be a quorum.

62. One or more members of the Board of Directors shall attend the general meetings of the Company. The Chairman, if any, of the Board of Directors shall preside as Chairman at every general meeting of the Company, or if there is no such Chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting.
63. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
64. At any general meeting, any resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declarations of the result of the show of hands or by oral declaration) demanded:
- (a) by the Chairman; or
 - (b) by at least three Members present in person or by proxy; or
 - (c) by a Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or
 - (d) by a Member or Members present in person or proxy, holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid on all the shares conferring that right.

Unless a poll be so demanded, a declaration by the Chairman that a resolution has on a show of hands or by an declaration been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn.

65. Except as provided in Regulation 69 if a poll is duly demanded, it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
66. In the case of an equality of votes whether on a show of hands or by an oral declaration or on a poll, the Chairman of the meeting shall not have a casting vote.
67. A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.
- 67.1 General meetings of the Company and separate meetings of the holders of a class of shares may, subject to section 128B of the Law and provided that the Company's shares have been listed in an Overseas Market, be held in whole or in part, by Electronic Means.

VOTES OF MEMBERS

- 68. For the purpose of determining which Members are entitled to notice of or to vote at any meeting of Members, or any adjournment thereof, the Board of Directors of the Company may provide that the Register of Members shall be closed for a stated period, so long as this does not exceed in any given case, thirty days.
- 69. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands and/or a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder.
- 70. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
- 71. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, on a show of hands or on a poll, by the administrator of his property, his committee, receiver, curator bonis, or other person in the nature of an administrator, committee, receiver or curator bonis appointed by that Court, and any such administrator, committee, receiver, curator bonis or other person may on a poll vote by proxy.
- 72. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
- 73. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.
- 74. On a poll votes may be given either personally or by proxy.
- 75. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. For the avoidance of doubt, a duly notarized and legalized or apostilled power of attorney shall be at all times accepted by the Company, the Secretary and the Board of Directors as the appropriate and sufficient instrument appointing a proxy. A proxy need not be a Member of the Company.
- 76. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Company or at such other place within Cyprus as is specified for that purpose in the notice convening the meeting at any time before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, at any time before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- 77. An instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit and must contain the agenda of such meeting:

..... P.L.C.

(Name of the Company)

I/We,, of, being a Member/Members of the above-named Company, hereby appoint of, or failing him of, as my/our proxy to vote for me/us or on my/our

behalf at the (annual or extraordinary, as the case may be) general meeting of the Company, to be held on the day of 20..., and at any adjournment thereof.

Signed this day of 20....."

78. Where it is desired to afford Members an opportunity of voting for or against a resolution the instrument appointing the proxy shall be in the following form or a form as near thereto as circumstances admit:

..... P.L.C.

(Name of the Company)

I/We,, of, being a Member/Members of the above-named Company, hereby appoint of, or failing him of, as my/our proxy to vote for me/us or on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company, to be held on the day of 20..., and at any adjournment thereof.

Signed this day of 20....."

This form is to be used in favour of/* against the resolution. Unless otherwise instructed, the proxy will vote as he thinks fit.

* Strike out whichever is not desired.

79. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
80. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.
- 80.1 The Regulations relating to the appointment and revocation of appointment, of proxies and to any notification to, deposit with and delivery to, the Company of any instrument or document in respect of proxies shall, subject to sections 130(1A) and 130(2A) of the Law and provided that the shares of the Company are listed in an Overseas Market, apply and take effect, mutatis mutandis to any such appointment, revocation, notification, deposit or delivery, by one or more Electronic Means approved or adopted by the Company.
81. Subject to the provisions of the Law, a resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be as valid and effective as if the same had been passed at a general meeting of the Company duly convened and held. Any such resolution may consist of several documents in the like form each signed by one or more of the Members or their attorneys, and signature in the case of a corporate body which is a Member shall be sufficient if made by a Director or other authorised officer thereof or its duly appointed attorney.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETINGS

82. Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.

DIRECTORS

83. Unless and until otherwise determined by the Company in general meeting, the number of the Directors shall be at least two and there shall be no maximum number. The Company shall have such minimum number of independent non executive directors as are required by the rules of any Overseas Market where the shares of the Company are listed. In assessing the independence of the Directors, the criteria recommended by the rules of any Overseas Market where the shares of the Company are listed for the time being shall be applied..
84. The Directors shall remain in office until removed by an ordinary resolution at a general meeting, in accordance with Regulation 104 or until their office becomes vacated in accordance with Regulation 102.
85. No person, other than a Director appointed at the first general meeting, shall be appointed a Director at any general meeting unless:-
- (a) he is recommended by the Board of Directors; or
 - (b) not less than seven nor more than forty-two clear days before the date appointed for the meeting, notice executed by a Member qualified to vote at the meeting (not being the person to be proposed) has been given to the Company of the intention to propose that person for appointment stating the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors, together with notice executed by that person of his willingness to be appointed.
86. The Members of the Company shall approve the remuneration of all the members of the Board of Directors on the recommendation of the Remuneration Committee Such remuneration shall correspond to the scope of tasks and responsibilities of the relevant member of the Board of Directors and be proportionate to the size of the Company's business and reasonable in relation to its financial results.
87. The shareholding qualification for Directors may be fixed by the Company in general meeting, and unless and until so fixed no qualification shall be required.
88. A Director of the Company may be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such other company unless the Company otherwise directs.

BORROWING POWERS

89. The Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

POWERS AND DUTIES OF DIRECTORS

90. The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not, by the Law or by these Regulations, required to be exercised by the Company in general meeting, subject, nevertheless to any of these Regulations, to the provisions of the Law and to such regulations, being not inconsistent with the aforesaid Regulations or provisions as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if that regulation had not been made. Unless specifically authorized by the Board of Directors, a Director shall exercise his or her powers only through the Board of Directors.
91. Notwithstanding the provisions of Regulation 90, no Member of the Company may be given undue preference over other Members with regard to transactions and agreements made by the Company with the Members and their related entities.
92. Without prejudice to the generality of Regulation 90, each member of the Board of Directors of the Company should act in the interests of the Company and form independent decisions and judgments. In particular:
- (1) Each member of the Board of Directors of the Company should refuse to accept unreasonable benefits which could have a negative impact on the independence of his or her opinions and judgments;
 - (2) Each member of the Board of Directors of the Company should raise explicit objections and separate opinions in any case when he or she deems that any decision of the Board of Directors is contrary to the interests of the Company.
 - (3) Each member of the Board of Directors of the Company should submit to the Board of Directors information on any relationship (whether financial, family or any other relationship which may affect the ability of such member to vote on issues decided upon by the Board of Directors) with a Member who holds shares representing not less than 5% of the votes at a general meeting.
93. The Board of Directors may delegate any of its powers to any committee consisting of one or more Directors. Any committee so formed shall in the exercise of the powers so delegated conform to any Regulations that may be imposed on it by the Directors, as to its powers, constitution, proceedings, quorum or otherwise.
94. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Regulations) and for such period and subject to such conditions as they may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him.
95. The Company may exercise the powers conferred by section 36 of the Law with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.
96. The Company may exercise the powers conferred upon the Company by sections 114 to 117 (both inclusive) of the Law with regard to the keeping of a dominion register, and the Directors may (subject to the provisions of those sections) make and vary such Regulations as they may think fit respecting the keeping of any such register.
97. (1) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with section 191 of the Law.

- (2) No member of the Board of Directors may vote in respect of any contract or proposed contract or arrangement in which he may be interested and if he does so his vote shall not be counted and he may not be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.
- (3) The Board of Directors may appoint a Director to an executive office or other position of employment with the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board of Directors may determine, and the Board of Directors may (without prejudice to the right of such Director to claim damages for breach of contract from the Company) revoke, terminate or vary the terms of any such appointment. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.
- (4) Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.
98. All cheques, promissory notes, drafts, bills of exchange, and other negotiable instruments, and all receipts for monies paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.
99. Without prejudice to the duties and responsibilities of the Board of Directors of the Company under the provisions of the Law, it should:
- (a) in each year, prepare and present to the Company at its annual general meeting a brief assessment of the Company's standing including an evaluation of the internal control system and the significant risk management system;
- (b) in each year, prepare and present to the Company at its annual general meeting an evaluation of the Board's work;
- (c) review and, during the course of general meetings, present opinions on proposed resolutions tabled at such meetings.
100. The Directors shall cause minutes, including telephone conferences, to be made in books provided for the purpose:
- (a) of all appointments of officers made by the Directors;
- (b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;
- (c) of all resolutions and proceedings at all meetings, including telephone conferences, of the Company, and of the Directors, and of committees of Directors.

PENSIONS

101. The Directors may grant retirement pensions or annuities or other gratuities or allowances, including allowances on death, to any person or persons in respect of services rendered by him or them to the Company whether as managing Director or in any other office or employment under the Company or indirectly as officers or employees of any subsidiary, associated or allied company of the Company,

notwithstanding that he or they may be or may have been Directors of the Company and the Company may make payments towards insurances, trusts, schemes or funds for such purposes in respect of such person or persons and may include rights in respect of such pensions, annuities and allowances in the terms of engagement of any such person or persons.

DISQUALIFICATION OF DIRECTORS

102. The office of Director shall be vacated if the Director:
- (a) ceases to be Director by virtue of section 176 of the Law; or
 - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
 - (c) becomes prohibited from being a Director by reason of any order made under section 180 of the Law; or
 - (d) becomes of unsound mind; or
 - (e) resigns his office by notice in writing to the Company; or
 - (f) shall for more than six consecutive months have been absent without permission of the Board of Directors from meetings of the Board of Directors held during that period and the Board of Directors resolves that his office be vacated; or

APPOINTMENT OF ADDITIONAL DIRECTORS AND REMOVAL OF DIRECTORS

103. The appointment of any new Directors, either to fill a casual vacancy or as an addition to the existing Directors, shall be made in accordance with these Regulations.
104. The Company may by ordinary resolution, of which special notice has been given in accordance with section 136 of the Law, remove any Director before the expiration of his period of office notwithstanding anything in these regulations or in any agreement between the Company and such Director. Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.
105. At any time, and from time to time, the Company may (without prejudice to the provisions under Regulation 104 by ordinary resolution appoint any person as Director and determine the period for which such person is to hold office.
106. Without prejudice to the Company's power to appoint a person to be a Director pursuant to these Regulations, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Regulations. Any Director so appointed shall, if still a Director, retire at the next annual general meeting after his/her appointment and shall then be eligible for re-election.

PROCEEDINGS OF DIRECTORS

107. The Directors may meet together or convene a telephone conference for the despatch of business, adjourn, and otherwise regulate their meetings as they think fit and questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors, including a telephone conference. It shall be necessary to give a 96 hour notice of a meeting, including a telephone conference of Directors to any Director for the time being absent from Cyprus who has supplied to the Company a registered address situated outside Cyprus.

108. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed two Directors present at any one meeting in person or by proxy or though the telephone shall form a quorum.
109. The continuing Directors may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to the Regulations of the Company as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company but for no other purpose.
110. The Board of Directors may appoint one of their number to be the chairman of the Board of Directors and may at any time remove him from such office. Unless he is unwilling to do so, the Director appointed as chairman shall preside at every meeting of the Board of Directors at which he is present. If the chairman is not willing to preside or if he is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be chairman of the meeting.
111. Subject to the provisions of the Law, the Board of Directors may appoint one or more of its body to be the holder of any executive office (except that of auditor) under the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms, including terms as to remuneration, as the Board of Directors determines, and any remuneration which is so determined may be in addition to or in lieu of any ordinary remuneration as a Director. The Board of Directors may revoke or vary any such appointment but without prejudice to any rights or claims which the person whose appointment is revoked or varied may have against the Company by reason thereof.
112. Subject to any regulations imposed on it by the Directors, a committee may meet or convene telephone conferences and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the Committee members present.
113. If a question arises at a meeting of the Board of Directors or of a committee of the Board of Directors as to the entitlement of a Director to vote or be counted in a quorum, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed. If any such question arises in respect of the chairman of the meeting, it shall be decided by resolution of the Board of Directors (on which the chairman shall not vote) and such resolution will be final and conclusive except in a case where the nature and extent of the interests of the chairman have not been fairly disclosed.
114. All acts done by any meeting of the Directors or of a committee of Directors or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.
115. A resolution in writing signed or approved by letter, telegram or cablegram, telex or telefax by each Director shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held and when signed may consist of several documents each signed by one or more of the persons aforesaid.
116. **DELETED**

SECRETARY

117. The Secretary shall be appointed by the Directors for such terms, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them.

118. No person shall be appointed or hold office as Secretary who is:
- (a) the sole Director of the Company; or
 - (b) a corporation the sole director of which is the sole Director of the Company; or
 - (c) the sole director of a corporation which is the sole Director of the Company.
119. A provision of the Law or these Regulations requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

THE SEAL

120. The Directors shall provide for the safe custody of the seal, which shall only be used by the authority of the Directors or of a committee of the Directors authorised by the Directors in that behalf, and every instrument to which the seal shall be affixed shall be signed by a Director and shall be countersigned by the Secretary or by some other person appointed by the Directors for the purpose.

DIVIDENDS AND RESERVE

121. Subject to the provisions of section 169A of the Law, the Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
122. Subject to the provisions of section 169C of the Law, the Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company.
123. No dividend shall be paid otherwise than out of profits.
124. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to the reserve carry forward any profits which they may think prudent not to divide.
125. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
126. The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
127. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in anyone or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the

rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

128. Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of the two or more joint holders may give effectual receipts for any dividends, bonuses or other monies payable in respect of the shares held by them as joint holders.
129. No dividend shall bear interest against the Company.
130. Notwithstanding any other provision of these Regulations, the Company or the Board of Directors may fix any date as the record date for any dividend, distribution, allotment or issue, and such record date may be on or at any time before or after any date on which the dividend, distribution, allotment or issue is declared, paid or made.

FINANCIAL STATEMENTS AND CONTROL

131. The Directors shall cause proper books of account to be kept, as are necessary for the preparation of financial statements according to the Law.
- Proper books shall not be deemed to be kept if there are not kept such books of account as are adequate to give a true and fair view of the Company's affairs and to explain its transactions, according to the provisions of section 143 of the Law.
132. The books of account shall be kept at the Registered Office of the Company, or, subject to section 141(3) of the Law, at such other place or places as the Directors think fit, and shall always be open to the inspection of the Directors.
133. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the financial statements and books of the Company or any of them shall be open to the inspection of Members not being Directors and no Member (not being a Director) shall have any right of inspecting any financial statements or book or document of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting.
134. The Directors shall from time to time, in accordance with sections 142, 149, 151 and 152 of the Law, cause to be prepared and to be laid before the Company in general meeting such complete set of financial statements and group financial statements (if any) according to the International Accounting Standards, and reports as are referred to in those sections.
135. A copy of every set of financial statements (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the Directors' and auditors' report shall not less than twenty-one days before the date of the meeting be sent to every Member of, and every holder of debentures of the Company and to every person registered under Regulation 37.

Provided that this Regulation shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

CAPITALISATION OF PROFITS

136. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution, amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up in full unissued shares or debentures of the Company to be allotted, distributed and credited as fully paid up to and amongst such Members in the proportions aforesaid, or partly in the one way or partly in the other, and the Directors shall give effect to such resolution:

Provided that a share premium account and a capital redemption reserve fund may, for the purposes of this Regulation, only be applied in the paying up of unissued shares to be issued to Members of the Company as fully paid bonus shares.

137. Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provisions by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may require) for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.

AUDIT

138. Auditors shall be appointed and their duties regulated in accordance with sections 153 and 156 (both inclusive) of the Law.

NOTICES

139. A notice may be given by the Company to any Member either personally or by sending it to him by post, telefax, telex or any other means for transmitting text to his registered address or his mailing address or his electronic or other address supplied by him to the Company for this purpose or to the fax number or telex number supplied by him to the Company for this purpose. Where a notice is sent by post, service of the notice shall be deemed to be effected at the expiration of 72 hours after the letter containing the same is posted, at the correct address and with the proper postage. Where a notice is sent by telefax, telex or any other means of transmitting text, service of the notice shall be deemed to be effected one business day after the date of successful transmission or relay at the place of receipt.

PROVIDED THAT for so long as the shares of the Company are listed in an Overseas Market, such notices may, where permitted under or pursuant to these Regulations, be given or sent by one or more Electronic Means approved or adopted by the Company.

140. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder first named in the Register by Members in respect of the share.
141. A notice may be given by the Company to the persons entitled to a share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to them by name, or by title of representative of the deceased, or trustee of the bankrupt, or by any like descriptions, at the address supplied for the purpose by the persons claiming to be so entitled, or (until such an address has

been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

142. Notice of every general meeting shall be given in any manner hereinbefore authorised to:
- (a) every Member except those Members who (having no registered address) have not supplied to the Company an address for the giving of notices to them;
 - (b) every person upon whom the ownership of a share devolves by reason of his being a legal personal representative or a trustee in bankruptcy of a Member where the Member but for his death or bankruptcy would be entitled to receive notice of the meeting; and
 - (c) the auditor for the time being of the Company.

No other person shall be entitled to receive notice of general meetings.

143. Notwithstanding any other provision hereof, for as long as the Company's shares are listed on an Overseas Market, notice sent in accordance with the rules of such Overseas Market shall constitute sufficient notice to each Member for all purposes under these Regulations.

WINDING UP

144. If the Company shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Law, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

145. Every Director or other officer for the time being of the Company shall be indemnified out of the assets of the Company against any losses or liabilities which he may sustain or incur in or about the execution of his duties including liability incurred by him in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 383 of the Law in which relief is granted to him by the Court and no Director or officer of the Company shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto. But this clause shall only have effect insofar as its provisions are not avoided by section 197 of the Law.

NAMES, ADDRESSES AND DESCRIPTION OF SUBSCRIBERS

Dated today the day of

Witness to the above signatures:

Name:

Occupation:

Address:

I hereby certify that the present
Articles of Association has
been drafted by myself

NO. COMPANY: 106931

SPECIAL RESOLUTION
OF
V.S. MARINE ENGINEERING SERVICES LTD

Resolved on the 4th of July 2000

At an extraordinary General Meeting of the Company V.S. MARINE ENGINEERING SERVICES LTD duly convened and constituted on the 3rd of July 2000 the following Special Resolution was unanimously passed:

«It is resolved that the authorised share capital of the Company be increased from 1000 shares of £1,00 each into 10,000 shares of £1,00 each, by the creation of 9.000 new ordinary shares of £1,00».

True Copy

Date 4 July, 2000

Stelios Stylianides
Director

SPECIAL RESOLUTION

At an Extraordinary General Meeting of the Company **V.S. MARINE ENGINEERING SERVICES LIMITED** which was took place on 18th day of November 2011 at 6.00 p.m. the following Special Resolution was passed:

SPECIAL RESOLUTION

IT WAS RESOLVED THAT the name of the Company will change from **V.S. MARINE ENGINEERING SERVICES LIMITED** to:

‘KDM SHIPPING LIMITED’

Date: 18th of November 2011

(Sign).....
BOOMER SECRETARIAL LIMITED
Secretary

True copy

Date: 18/11/2011

No. of Company: C106931

KDM SHIPPING LIMITED

3 Michael Koutsofta
3031 Limassol

By Written Resolution of all the members of the Company signed on the 22/02/2012 under Article 19 of the Articles of Association of the Company the following special resolution was approved:

SPECIAL RESOLUTION

INCREASE OF SHARE CAPITAL

«It is resolved that the authorised share capital of the Company be increased from EURO 17,100 divided into 1,710,000 ordinary shares of EURO 0.01 each to EURO 200,000 divided to 20,000,000 ordinary shares of nominal value EURO 0.01 each by the creation of 18,290,000 new ordinary shares of nominal value EURO 0.01 each . The new shares will have the same rights as the existing shares».

TRUE COPY

Secretary

.....
Boomer Secretarial Limited

No. of Company: C106931

KDM SHIPPING LIMITED

3 Michael Koutsofta
3031 Limassol

By a Written Resolution of all the members of the Company signed on 05/03/2012 under Article 19 of the Articles of Association of the Company the following special resolution was approved:

SPECIAL RESOLUTION

AMENDEMENT OF ARTICLES

«It is resolved that the Articles of Association of the Company be amended and are amended by their substitution with new Articles of Association».

TRUE COPY

Secretary

.....
Boomer Secretarial Limited

No. of Company: C106931

KDM SHIPPING LIMITED

3 Michael Koutsofta
3031 Limassol

By a Written Resolution of all the members of the Company signed on 05/03/2012 under Article 19 of the Articles of Association of the Company the following special resolution was approved:

SPECIAL RESOLUTION

CHANGE OF COMPANY NAME

«It is resolved that the name of the Company be changed and it is changed from KDM SHIPPING LIMITED to KDM SHIPPING PUBLIC LIMITED».

TRUE COPY

Secretary

.....
Boomer Secretarial Limited

Fee €17,09

COMPANY LAW
CAP. 113.

HE16

Company Number HE 106931

**Notification for Consolidation, division, subdivision,
redemption and cancellation of shares, conversion of
shares and reversion of part of capital into shares.**

According to article 61

Company Name	KDM SHIPPING LIMITED
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To the Registrar of Companies

With this form it is notified that:

With a Special Resolution dated 22.02.2012 it was resolved that the Capital of the Company which is divided into 10.000 Ordinary Shares of Euro 1.71 each be subdivided into 1,710,000 Ordinary Shares of Euro 0.01 each.

Based on these facts the shares will be distributed between the Shareholders as follows:

1,539,000 Kostiantyn Molodkovets

171,000 Denys Molodkovets

Signature		Date	05/03/2012
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Secretary or Director

Name and address of Correspondence

Name	Hermes S. Stylianides LLC		
Address	P.O.Box 56202		
	LIMASSOL		
Postal Code	3305	Telephone	25-376919

THE ISSUER

KDM Shipping Public Limited
3, Michael Koutsofta Street
3031, Limassol
Cyprus

GROUP OF OPERATING COMPANIES

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01030 Kyiv
Ukraine

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Poland

**LEAD MANAGER AND
BOOKRUNNER**

**KBC Securities N.V. (Spółka
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00-805 Warsaw
Poland

CO-LEAD ARRANGER

Jaspen Capital Partners

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01133 Kyiv
Ukraine

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