d'Amico International Shipping S.A.

Annual Report 2018

d'Amico International Shipping S.A.

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2018 Annual Report

CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS

Year ended 31 December 2018

d'Amico International Shipping S.A.
Registered office at 25C Boulevard Royal, Luxembourg
RCS B124790
Share capital US$ 65,375,803 as at 31 December 2018

This document is available on www.damicointernationalshipping.com

Contents

LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present d'Amico International Shipping's Annual Report. 2018 was unfortunately one of the worst years for product tankers in the last decade. However, DIS managed to mitigate the effects of this negative market, thanks to a prudent commercial strategy coupled with a constant focus on strengthening its balance sheet and liquidity position. On the back of this challenging market, d'Amico International Shipping posted a net loss of US$ (55.1) million in the full-year 2018.

The market was relatively weak throughout the first nine months of 2018 and hit historically low rates in the third quarter and the first month of the fourth quarter. However, we were very pleased to see our market rebounding to profitable levels towards the end of the year, with clear signs of improvement confirmed also at the start of 2019, relative to the prior year.

DIS' daily spot average was of US$ 10,798 in 2018 vs. US$ 12,026 achieved in the previous year. At the same time, we could count on 34.2% time-charter coverage during the year at an average daily rate of US$ 14,850. Our total blended daily TCE (spot and time-charter) was of US$ 12,184, which is a rather satisfactory level, given the weak freight markets confronted, proving once again that our prudent strategy of covering part of our fleet through long-term contracts allows us to mitigate considerably the effects of the negative cycles.

Most of the industry's analysts and players have a very positive outlook on the product tanker market and I totally share their view. On the demand side, the world product seaborne trade is expected to grow by 3% already in 2019 supported by an expected strong underlying oil consumption growth and by forecasted global refinery capacity additions of 4.9 million barrels a day between 2019 and 2021 (according to Clarksons). In particular, 2019 is expected to be characterized by one of the largest annual increases in refinery capacity in years, with an estimated additional 3.1 million barrels a day (according to Clarksons). In addition, the new IMO regulation coming into force in January 2020, limiting the sulphur content in bunker fuels, is widely expected to have a significant positive impact in the demand for product tankers already from the second half of 2019. At the same time, the net fleet growth of the segments we operate in (MRs and LR1s) is expected to be limited and below 2.0% per annum, over the next two years.

I believe DIS' recent investments and our prudent commercial strategy, together with a very modern, versatile and high-quality fleet and organization, will allow us to benefit in full from the next expected positive shipping cycle. Our investment plan based on 22 newbuilding vessels we began to order in 2012 is now coming to an end, with the last LR1 ship expected to be delivered in Q3 2019, for a total remaining capital expenditure of US$ 31.6 million, of which approximately US$ 18.8 million should be financed with committed bank debt and the rest with own funds.

At the same time, we remain intensely focused in strengthening DIS' financial structure and improving its liquidity position. In addition to over US$ 40 million in net cash proceeds (after debt repayment) generated in 2017 through outright sales and sale and lease back transactions, we managed to raise an additional US$ 56.5 million in 2018 through similar deals, of which US$ 46.9 million arising from sale-leaseback transactions for four vessels and US$ 9.6 million from the outright sale of two vessels. In Q1 2019, we closed sale and sale-leaseback deals for three vessels, which already generated US$10.2 million in net cash for the Company in January and an additional US$6.2 million in April, with further US$9.6 million to be generated upon delivery of the third vessel to its new owners.

From 2020, the lower investments and debt repayments, when coupled with the expected increase in freight rates, should contribute to a significant generation of free cash-flow for our shareholders, as well as a rapid deleveraging of our balance sheet.

We went through a very challenging period for our industry and we successfully overcame all the financial difficulties that the weak freight markets generated, always respecting our bank covenants and all our stakeholders' interests. I strongly believe we are now at a real turning point for our market and I do think we have a very positive future in front of us. From this perspective, we believe it is now crucial to reduce our financial leverage and achieve a more robust capital structure, to fully benefit from the next positive cycle and create value for our shareholders.

With this purpose, DIS' Board of Directors has approved on 20 March 2019, a share capital increase amounting to the US$ equivalent of Euro 44 million. Once again, our controlling shareholder, d'Amico International S.A., which has been supporting DIS during this difficult period, through share capital increases, early exercise of its warrants and direct loans, provided its irrevocable and unconditional commitment to fully subscribe the rights offering.

On behalf of the Board of Directors, I would like thank our Shareholders, our Lenders on all our Stakeholders for their continued support and trust and we look forward to a bright future ahead.

Paolo d'Amico, Chairman of the Board of Directors and Chief Executive Officer

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Chairman and Chief Executive Officer
Paolo d'Amico

Directors
Antonio Carlos Balestra di Mottola, Chief Financial Officer
Cesare d'Amico
Massimo Castrogiovanni
Stas Andrzej Jozwiak
John Joseph Danilovich
Heinz Peter Barandun

Indipendent Auditors

Moore Stephens Audit S.A.

KEY FIGURES

Financials

US$ Thousand	2018	2017
Time charter equivalent (TCE) earnings *	244,870	257,437
EBITDA *	17,519	36,838
as % of margin on TCE	7.15%	14.31%
EBIT *	(17,325)	(11,428)
as % of margin on TCE	(7.07)%	(4.44)%
Net profit / (loss)	(55,100)	(38,083),
as % of margin on TCE	(22.50)%	(14.79)%
Earnings / (loss) per share (US$)	(0.085)	(0.075)
Operating cash flow	7,587	(11,308)
Gross capital expenditure (CapEx)*	(101,485)	(80,102)
	As at 31 December 2018	**As at 31 December 2017**
Total assets	1,039,737	1,013,235
Net financial indebtedness*	588,708,	510,285
Shareholders' equity	337,343	394,432

*see Alternative Performance Measures on page 30

Other Operating Measures*

	2018	2017
Daily operating measures TCE earnings* per employment day (US$)[1]	12,184	13,150
Fleet development Total vessel equivalent	54.4	54.7
- Owned	30.5	30.3
- Chartered	23.9	24.4
Vessel equivalent under commercial management	1.5	-
Off-hire days / available vessel days[2](%)	0.9%	2.0%
Fixed rate contract / available vessel days[3](coverage %)	34.2%	33.0%

*see Alternative Performance Measures on page 30

[1] This figure represents time charter ("TC") equivalent earnings for vessels employed on the spot market and time charter contracts, net of commissions. Please refer to the Alternative Performance Measures included further on in this report. The 2018 figure excludes vessels under commercial management from the calculation; these vessels generated US$ 5.4 million in time-charter equivalent earnings and an equivalent amount of time-charter hire costs.

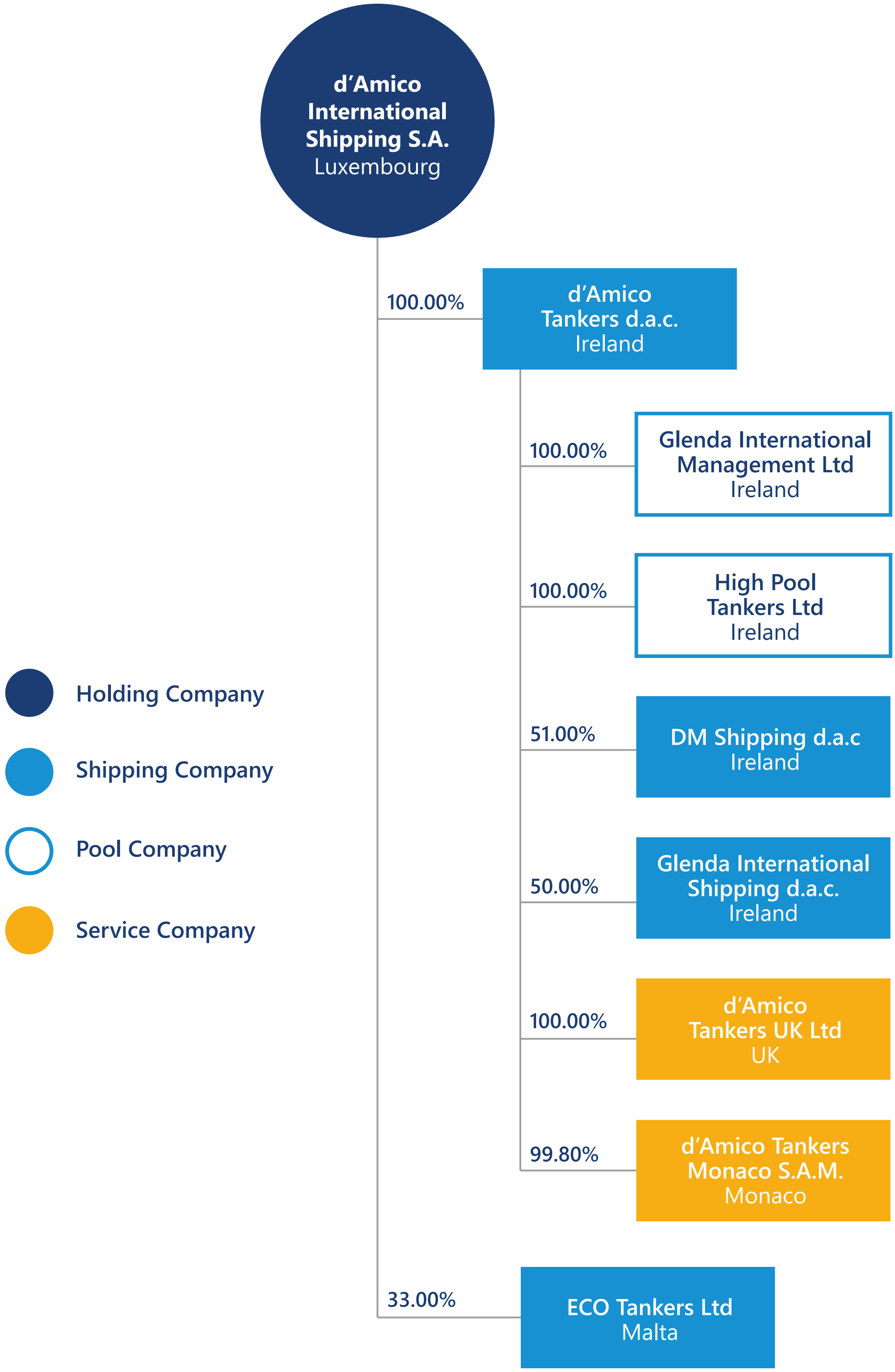
[2] This figure is equal to the ratio of the total off-hire days, inclusive of dry-docks, and the total number of available vessel days.

[3] Fixed rate contract days/available vessel days (coverage ratio): this figure represents how many vessel days were employed on time charter contracts, inclusive of off-hire days.

d'AMICO INTERNATIONAL SHIPPING
CONSOLIDATED MANAGEMENT REPORT

Group Structure

Set out below is d'Amico International Shipping Group's structure:



d’Amico International Shipping Group

d’Amico International Shipping S.A. (DIS, the Group or d’Amico International Shipping, the Company) is an international marine transportation company, part of the d’Amico Group, which traces its origins to 1936. d’Amico International Shipping operates, mainly through its fully owned subsidiary d’Amico Tankers d.a.c. (Ireland), controlling a fleet with an average age of approximately 6.9 years, compared to an average in the product tankers industry[4] of 11.1 years for MRs (25,000 – 54,999 dwt) and of 10.2 years for LR1s (55,000 - 84,999 dwt). All DIS’ vessels are double-hulled and are primarily engaged in the transportation of refined oil products, providing worldwide shipping services to major oil companies and trading houses. All the vessels are compliant with IMO (International Maritime Organization) regulations, including MARPOL (the International Convention for the Prevention of Pollution from Ships), with the requirements of oil-majors and energy-related companies and other relevant international standards. Based on MARPOL/IMO rules, cargoes such as palm oil, vegetable oil and other chemicals can only be transported by vessels that meet certain requirements (IMO Classed). As at December 31, 2018, 81.8% of DIS’ controlled fleet was IMO Classed, allowing the Group to transport a large range of products.

d’Amico International Shipping’s revenue is mainly generated from the employment, either directly or through its partnerships, of the vessels of its fleet under spot contracts and time charters, for the marine transportation of refined petroleum products. Vessels operating under fixed rate contracts, including time charters, usually provide more steady and predictable cash flows than vessels operating in the spot market. Spot contracts offer the opportunity to maximise DIS’ revenue during periods of increasing market rates, although they may result in lower earnings than time charters during periods of decreasing rates. This employment mix varies according to prevailing and forecast market conditions. Gains can also arise from the sale of the vessels in the Fleet.

DIS believes that it benefits from a strong brand name and an established reputation in the international market due to its long operating history and that such a reputation is important in maintaining and strengthening its long-term relationships with its partners and existing customers and developing relationships with new customers. Its partners and customers appreciate the transparency and accountability, which have characterised the Group and the way in which its business has been operated from its early days. Accountability, transparency and a focus on quality are pillars of its operations and key to DIS’ success.

The quality of its fleet is preserved through scheduled maintenance programmes, by aiming for exacting standards on owned vessels and, by chartering-in vessels from owners who meet high-quality standards.

DIS’ Global Footprint

DIS has a presence in Luxembourg, Dublin (Ireland), London (U.K.), Monte Carlo (Monaco), Singapore and Stamford, CT (USA). These offices are located in the key maritime centres around the world. DIS’ believes that its international presence allows it to meet the needs of its international clients in different geographical areas, while the offices also strengthen the Group’s recognition and its brand name worldwide. In addition, through the different opening hours of offices located in several time zones, DIS is able to continuously monitor its operations and to assist its customers.

As at December 31, 2018, the Group employed 715 seagoing personnel and 34 onshore personnel.

[4] Source: Clarksons Research as at January 1, 2019

Fleet

DIS controlled as at December 31, 2018, either through ownership or charter arrangements a modern fleet of 49.5 product tankers and 4.0 additional vessels in commercial management (December 31, 2017: 55.5). DIS' product tanker vessels range from approximately 36,000 to 75,000 dwt.

Since 2012, DIS has ordered 22 new buildings, of which 2 were still under construction as at the end of December 2018. All these newbuildings are fuel-efficient and in compliance with recent environmental legislation. They can therefore cater to the high standards required by the Group's oil customers, in addition to being highly cost effective.

Operating a large fleet enhances the generation of earnings and operating efficiencies. A large fleet strengthens the Group's ability to advantageously position vessels and improves the fleet's availability and scheduling flexibility, providing DIS with a competitive advantage in securing spot voyages. In particular, the scale of its operations provides it with the flexibility necessary to enable it to capitalise on favourable spot market conditions in order to maximise earnings and negotiate favourable contracts with suppliers

The following table sets forth information about DIS' fleet on the water as at December 31, 2018.

LR1 fleet

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
Owned				
Cielo di Cagliari	75,000	2018	Hyundai Mipo, South Korea	IMO II/III
Cielo Rosso	75,000	2018	Hyundai Mipo, South Korea	IMO II/III
Cielo di Rotterdam	75,000	2018	Hyundai Mipo, South Korea	IMO II/III
Cielo Bianco	75,000	2017	Hyundai Mipo, South Korea	IMO II/III

MR fleet

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
Owned				
High Challenge	50,000	2017	Hyundai Mipo, South Korea	IMO II/III
High Wind	50,000	2016	Hyundai Mipo, South Korea	IMO II/III
High Voyager	45,999	2014	Hyundai Mipo, South Korea	IMO II/III
High Tide	51,768	2012	Hyundai Mipo, South Korea	IMO II/III
High Seas	51,678	2012	Hyundai Mipo, South Korea	IMO II/III
GLENDA Melissa [5]	47,203	2011	Hyundai Mipo, South Korea	IMO II/III
GLENDA Meryl [6]	47,251	2011	Hyundai Mipo, South Korea	IMO II/III
GLENDA Melody [6]	47,238	2011	Hyundai Mipo, South Korea	IMO II/III
GLENDA Melanie [5]	47,162	2010	Hyundai Mipo, South Korea	IMO II/III
GLENDA Meredith [5]	46,147	2010	Hyundai Mipo, South Korea	IMO II/III
GLENDA Megan [6]	47,147	2009	Hyundai Mipo, South Korea	IMO II/III
High Venture	51,087	2006	STX, South Korea	IMO II/III
High Performance	51,303	2005	STX, South Korea	IMO II/III
High Progress	51,303	2005	STX, South Korea	IMO II/III
High Valor	46,975	2005	STX, South Korea	IMO II/III
High Courage	46,975	2005	STX, South Korea	IMO II/III

[5] Vessels owned by GLENDA International Shipping d.a.c. (in which DIS has 50% interest) and time chartered to d'Amico Tankers d.a.c.

[6] Vessels owned by GLENDA International Shipping d.a.c. (in which DIS has 50% interest)

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
Bareboat with purchase options and purchase obligations				
High Trust	49,990	2016	Hyundai Mipo, South Korea	IMO II/III
High Trader	49,990	2015	Hyundai Mipo, South Korea	IMO II/III
High Loyalty	49,990	2015	Hyundai Mipo, South Korea	IMO II/III
High Freedom	49,990	2014	Hyundai Mipo, South Korea	IMO II/III
High Discovery	50,036	2014	Hyundai Mipo, South Korea	IMO II/III
High Fidelity	49,990	2014	Hyundai Mipo, South Korea	IMO II/III
High Priority	46,847	2005	Nakai Zosen, Japan	-
TC-in long-term with purchase options				
High Leader	50,000	2018	Japan Marine, Japan	IMO II/III
High Navigator	50,000	2018	Japan Marine, Japan	IMO II/III
High Explorer	50,000	2018	Onomichi, Japan	IMO II/III
High Adventurer	50,000	2017	Onomichi, Japan	IMO II/III
Crimson Pearl	50,000	2017	Minaminippon Shipbuilding, Japan	IMO II/III
Crimson Jade	50,000	2017	Minaminippon Shipbuilding, Japan	IMO II/III
TC-in long-term without purchase option				
Carina	47,962	2010	Iwagi Zosen, Japan	-
High Efficiency [7]	46,547	2009	Nakai Zosen, Japan	
High Strength [7]	46,800	2009	Nakai Zosen, Japan	-
Freja Baltic	47,548	2008	Onimichi Dockyard, Japan	-
High Prosperity	48,711	2006	Imabari, Japan	-
High SD Yihe	48,700	2005	Imabari, Japan	-
SW Southport I	46,992	2004	STX, South Korea	IMO II/III
SW Tropez	46,992	2004	STX, South Korea	IMO II/III
TC-in short-term				
Freja Hafnia	53,712	2006	Shin Kurushima Dockyard, Japan	-
High Power	46,874	2004	Nakai Zosen, Japan	-

[7] Vessel owned by the joint-venture DM Shipping d.a.c. (in which DIS has 51% interest) and time chartered to d'Amico Tankers d.a.c..

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
Vessel under commercial management [8]				
High Current	46,590	2009	Nakai Zosen, Japan	-
High Beam	46,646	2009	Nakai Zosen, Japan	-
High Force	53,603	2009	Shin Kurushima, Japan	-
High Glow	46,846	2006	Nakai Zosen, Japan	-

Handysize fleet

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
Owned				
Cielo di Salerno	39,043	2016	Hyundai Mipo, South Korea	IMO II/III
Cielo di Hanoi	39,043	2016	Hyundai Mipo, South Korea	IMO II/III
Cielo di Capri	39,043	2016	Hyundai Mipo, South Korea	IMO II/III
Cielo di Ulsan	39,060	2015	Hyundai Mipo, South Korea	IMO II/III
Cielo di New York	39,990	2014	Hyundai Mipo, South Korea	IMO II/III
Cielo di Gaeta	39,990	2014	Hyundai Mipo, South Korea	IMO II/III
Cielo di Guangzhou	38,877	2006	Guangzhou, China	IMO II
TC-in short-term				
SW Cap Ferrat I	36,032	2002	STX, South Korea	IMO II/III

Fleet Employment and Partnership

As at December 31, 2018, d'Amico International Shipping directly employed 49.5 Vessels: 4 LR1 ('Long Range 1'), 15.5 MRs ('Medium Range') and 4 Handy-size on term contracts at a fixed rate, whilst 22 MRs and 4 Handy-size vessels were at the same date employed on the spot market. In addition to this, DIS had 4 MR vessels in commercial management as at December 31, 2018. Some of these DIS' vessels are employed through its joint ventures.

GLENDA International Shipping d.a.c., a jointly controlled entity with the Glencore Group, in which d'Amico Tankers d.a.c. has a 50% interest. The JV operator owns 6 MR vessels built between August 2009 and February 2011. Glenda International Shipping as at December 31, 2018, has three vessels time-chartered to d'Amico Tankers and three vessels to the Glencore Group.

DM Shipping d.a.c. (DMS), a jointly controlled entity with the Mitsubishi Group, in which d'Amico Tankers d.a.c. has a 51% interest. The JV company owns 2 MR vessels, built in July and October 2009 (more details within Significant events after the end of the period).

Eco Tankers Limited, a joint venture with Venice Shipping Logistics S.p.A., in which d'Amico International Shipping S.A. has a 33% shareholding. The JV company owns an eco-design MR product tanker of 50,000 dwt built at Hyundai-Vinashin Shipyard Co., Ltd and delivered in May 2014. The d'Amico Group is responsible for the commercial, technical and administrative management of the vessel.

d'Amico International Shipping is part of the d'Amico Group (d'Amico), one of the world's leading privately-owned marine transportation companies with over 70 years of experience in the shipping business, whose ultimate parent company is d'Amico Società di Navigazione S.p.A. (Italy). As at December 31, 2018, d'Amico Group controlled a wide fleet of owned and chartered-in vessels, of which 53.5 were part of the DIS fleet (including 4 ships in commercial management), operating in the product tanker market. d'Amico International Shipping also benefits from the expertise of the d'Amico Group, which provides support for technical management services, as well as safety, quality and technical products and services to DIS' vessels, including crewing and insurance arrangements.

[8] DIS passes the TCE Earnings generated by the 'vessels under commercial management' on to their owners, after deducting a 2% commission on all their gross revenues.

The Product Tankers Industry

Product tankers have coated tanks and primarily carry a range of refined petroleum products, typically gasoline, jet fuel, kerosene, fuel oil, and naphtha. Provided they are classified as IMO II/III they can also carry easy chemicals and edible oils. The seaborne movement of refined oil products between different world regions addresses demand and supply imbalances, mainly caused by the lack of resources or refining capacity in consuming countries. Additional 'arbitrage' also occurs, taking advantage of differences in price and specific product demand between refining centres.

Within the product tanker industry, d'Amico International Shipping operates primarily in the Medium Range size, which comprises vessels ranging from 25,000 dwt to 55,000 dwt. This specific vessel size allows the greatest flexibility in terms of trade routes and port access. In addition, DIS had as at year-end 2018 four Long Range 1 (LR1 – 75,000 dwt) already on the water with two more LR1s under construction, one of which was delivered in January 2019 and subsequently sold and leased-back, and the other one is expected to be delivered in Q3 2019.

Product tanker class (dwt)	**Short range (SR) 10,000 – 25,000**	**Medium range (MR) 25,000 – 55,000**	**Long range (LR) 55,000 – 120,000**
Characteristics	Trades in specialised market regionally	Access to more ports than larger vessels	Better economies of scale over longer haul voyages
	Focused primarily on the distribution side	Better economies of scale over medium and longer distances versus SR vessels	
Voyages	Only short	Short and long	Short and long
Flexibility	High	High	Medium (LR1) / Low (LR2)
Arbitrage Voyages	No	Yes	Yes
% world fleet [9]	18.9%	42.5%	38.7%

[9] Source: Clarksons Research, as of January 1, 2019. Percentage of total product tankers (5,213 vessels) excludes vessels with stainless steel tanks.

NON-FINANCIAL STATEMENTS

Corporate Social Responsibility

A general overview of the d'Amico Group CSR strategy

d'Amico International Shipping's Corporate Social Responsibility strategy, through the d'Amico Group, has evolved considerably during the last few years. The strategy is monitored on an ongoing basis and reflects the extent to which the Group is committed to social and environmental matters.

The d'Amico Group is committed to compliance with the applicable regulations in force – and anticipates those to come – through the adoption of appropriate operational, safety and environmental procedures. Such procedures are included in the Integrated Management System, which addresses in a wider framework the Group's strategy and policy on safety, on protection and respect of the environment, personnel safety, quality, and energy.

The implementation of the Integrated Management System originates from a choice made by the d'Amico Group, which gives paramount importance to the quality of the services provided to its clients, health and safety at the workplace, energy efficiency, environmental preservation and social responsibility, through the adoption of recognized international standards and certifications. Moreover, the Integrated Management System, developed with an approach based on Company processes, enables the d'Amico Group to identify, maintain and improve a dynamic organizational management model. Continuous monitoring, suitable measurement of performance indicators, scrupulous execution of internal inspections, in-depth analysis of the data gathered and timely implementation of corrective actions and actions for improvement, drive the continuous growth of the Company's performance in terms of safety, customer and stakeholder satisfaction and environmental practices.

Through its flexible Integrated Management System, the Group can ensure compliance with the numerous national and international regulations and legislations. Such a system, already compliant with the International Safety Management (ISM) Code has been extended to include the following international standards: ISO 9001, 14001, 50001 and OHSAS 18001, the latter confirming the use of the ISO 26000 as the reference document to integrate social responsibility. The Company recently received the RINA Best 4 Plus certificate, which acknowledges the compliance with all applied standards.

The d'Amico Group always aims to go beyond required standards. As an example, its technical department is currently working on the launch of a Fleet Operation Centre, which will increase the safety and operational efficiency of its fleet (see further on for more details).

In addition, all procedures and practices are in compliance with the Maritime Labour Convention 2006, and the Group aims to guarantee the crew's contractual, health, and safety requirements are properly safeguarded through the Integrated Management System.

Health, Safety, Quality and Environment (HSQE): an objective beyond compliance

Health, Safety and Quality objectives

d'Amico International Shipping, through the d'Amico Group, promotes safety on-board and respect for the environment, aiming to eliminate incidents such as groundings, fires, collisions, and petroleum spills. In this respect, the ultimate holding company in the d'Amico Group, d'Amico Società di Navigazione S.p.A., arranges insurance cover for the Fleet and operates both the Tanker Management and Self-Assessment programme (TMSA), launched in 2004 by the OCIMF (Oil Companies International Marine Forum), and the Integrated Management System for Health, Safety, Quality, Environment and Energy Efficiency (HSQE) since 2003.

Although not compulsory, the TMSA programme is recommended by major oil companies as a means of encouraging ship operators to measure, evaluate and improve their safety management systems against key listed performance indicators. In addition, the programme establishes best practices to solve problems and to optimize safety and environmental performance. Electronic tools to control and measure key performance indicators for different areas of the technical management system have been implemented and the TMSA review is carried out every six months. In this respect, a new version of TMSA, TMSA 3, has been issued by OCIMF to maintain its relevance, to reflect changes in legislation and best practice, to provide clarity, to encourage a more unified interpretation of the Key Performance Indicators and best practice guidance, and to promote Continuous Improvement.

The TMSA introduced updated industry legislative requirements, including the Manila Amendments to the Maritime Labour Convention 2006, the Polar Code and the Ballast Water Management Convention, it revised elements on Environmental and Energy Management (previously Environmental Management), incorporating the OCIMF Energy Efficiency and Fuel Management information paper and added a new element on Maritime Security.

d'Amico Società di Navigazione has performed every action to permit the migration to the new TMSA 3 programme, compulsory from December 31, 2017.

The assessment is also the starting point for a continuous improvement plan aimed at achieving and guaranteeing high standards in safety and respect for the environment.

Since before the introduction of the TMSA programme, DIS through the d'Amico Group has been promoting internal HSQE (Health, Safety, Quality and Environmental) management procedures and operating an integrated management system on all its vessels, in conformity with the quality and environmental standards ISO 9001 and ISO 14001 established by the International Organisation for Standardization, as certified by the international classification society RINA S.p.A. (Registro Italiano Navale) in 2003. New versions of these two standards (ISO 9001:2015 and ISO 14001:2015) have been issued by ISO, with the aim of better harmonizing the various requirements included in the standards. The d'Amico Group has obtained the compliance with the new certificates at the annual RINA audit in July 2018.

To promote crew safety, the Group Management System includes the certification of compliance with the international standard OHSAS 18001, aimed at improving health and safety on board vessels and in any work environment. Through the regular use of a detailed risk assessment and together with proper training of the seagoing and onshore personnel, any dangerous situation is properly evaluated and adequate preventive measures are implemented.

Environmental concern – the quality of DIS Fleet

The primary goal of all the aforementioned systems and procedures is the preservation of the marine environment. The Group is committed to promoting responsible behaviour towards the environment within its workforce. Protecting and respecting the environment is a mission for the d'Amico Group and part of its corporate values.

Besides previously described initiatives, a condition-based maintenance (CBM) approach has been implemented, through the use of specific tools and software, with the intention of seeking continuous improvement and of achieving higher machinery reliability. CBM has been specifically adopted on main engine turbo chargers, in order to identify upcoming failures. This in turn will lead to an improvement in equipment reliability, reducing cost of asset failures and improving workers' safety.

Every year DIS' product tankers are required to undergo the following external examinations:

- Inspection and monitoring of compliance with international rules and regulations by the flag state;
- Port-state controls, which are inspections of foreign ships in national ports to verify if the condition of the ship and its equipment comply with the requirements of international conventions and if the ship is manned and operated in compliance with these rules;
- Vetting inspections by oil major and energy-related companies, enabling them to assess the quality of the vessel and optimize its selection.

Pursuant to a ship management agreement, d'Amico Società di Navigazione S.p.A., DIS Group's ultimate parent company, in cooperation and under the supervision of d'Amico Tankers d.a.c., is responsible for the technical management of d'Amico International Shipping Group's owned and bareboat chartered vessels (please also refer to the relevant note of the consolidated financial statement "Other direct operating costs").

The ship manager's responsibilities include those of performing general vessel maintenance, ensuring compliance with regulatory and classification society's requirement, satisfying oil majors vetting procedures, supervising the maintenance and promoting the efficiency of vessels, arranging and supervising dry-docks and repairs, purchasing supplies and spare parts, and appointing supervisors and technical consultants.

Energy efficiency and reduction of emissions

In respect of ISO 50001, the international standard recognising Management Systems aimed at promoting energy efficiency, and the environmental standard ISO 14001, the d'Amico Group monitors and analyses energy consumption on its vessels, showing its commitment to protect people and the environment, using lessons learned and general guidelines and procedures improving energy efficiency while reducing emissions: increased energy efficiency is one of the most effective means to protect the environment. The Ship Energy Efficiency Management Plan, in line with IMO guidelines on ship efficiency, has been implemented on board of Group vessels since the beginning of 2013, to optimize operational processes and improve profitability through the efficient use of people and assets and serves as a guide for all DIS Group's personnel to increase energy efficiency in its vessel systems and operational processes.

Summarizing DIS' management is committed to:

- Increasing energy efficiency;
- Reducing emissions;
- Investing in clean, energy efficient technologies where financially viable;
- Reducing environmental impacts arising from consumption of energy;
- Raising staff awareness and commitment to reduce energy consumption.

The vessels' performances are analysed within the annual Integrated Management System Review. The Paris Climate Agreement (2015) dealing with greenhouse gas emissions, sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C.

The European Union was the first major economy to submit its intended contribution to the Paris agreement in March 2015. It is already taking steps to implement its target to reduce greenhouse gas emissions by at least 40% by 2030.

In this respect, the EU issued the Regulation 2015/757 for the Monitoring Reporting and Verification (MRV) of CO2 emissions by vessels for voyages between European ports. In this respect, d'Amico Group has prepared a specific Monitoring and Reporting Plan for each vessel, together with the procedure to provide all data needed for the monitoring and reporting.The monitoring started in January 2018. At the end of each calendar year, all data must be verified and a report with the CO2 emissions has to be submitted to the EU Commission, which will issue a specific certificate to each vessel. Currently, all vessel data collected for the year 2018, is under review by the Performance Monitoring Department, and will transmitted pursuant to the EU Regulation 2015/757.

At the same time, also the International Maritime Organization (IMO) has amended the MARPOL Annex VI (Prevention of Air Pollution from Ships), introducing through the Resolution MEPC.278(70) a data collection system for fuel oil consumption by ships. Under the amendments, ships of 5,000 gross tonnage and above, are required, starting from January 2019, to collect consumption data for each type of fuel oil used, as well as other, additional specified data including proxies for transport work. The aggregated data is reported to the ship flag State after the end of each calendar year and the flag State, having determined that the data has been reported in accordance with the requirements, issues a Statement of Compliance to the ship. Flag States are required to subsequently transfer this data to an IMO Ship Fuel Oil Consumption Database. IMO will be required to produce an annual report to MEPC (Marine Environment Protection Committee), summarizing the data collected. The methodology used to collect and report the data must be included in a new, second part of the existing Ship Energy Efficiency Management Plan (SEEMP). d'Amico, during the year 2018, updated all vessel's SEEMP obtaining the Confirmation of Compliance (CoC) by the respective Flag States, and is currently implementing the collection and monitoring activities.

These represent initial steps to understand how the maritime industry can contribute to the reduction of global emissions.

Since 2016, the technical management of the d'Amico Group has strengthened the vessel performance monitoring through a dedicated team and the adoption of specific on-board tools (sensors and data platform) integrated with software systems such as BMT and RINA Ego. This will definitively enable a more accurate vessel performance analysis to optimize vessel efficiency, leading to bunker savings and gas emission abatement.

Comparison for Owned and Bareboat Fleet, of bunker consumption and related emissions of gas, such as CO2, NOx and SOx, into the atmosphere for the year 2017 and 2018

Total bunker consumed per vessel
The consumption per vessel in 2018 is 2.13% lower than in 2017.

Mix of bunkers consumed per vessel
In 2018, DIS' owned vessels consumed 0.27% less Intermediate Fuel Oil (IFO) with Sulphur content higher than 1%, relative to the previous year. In addition, from 2017 to 2018, DIS' vessels consumed 100% less Maritime Diesel Oil (MDO) with Sulphur content higher than 0.1%, now completely eliminated, and 8.87% less MDO with a Sulphur content lower than 0.1%, highlighting the shift towards cleaner fuels.

Emission of different types of Gas per vessel
There is a decrease in the overall emissions per vessel from DIS' owned fleet in 2018, relative to the previous year. In particular, the emissions per vessel decreased by 2.17% for CO2, by 2.13% for NOx and by 1.05% for SOx.

d'Amico Group has recently joined with two partners to build a new digital Fleet Operating Centre. The new centre will increase data collection from ships and provide greater detail on performance criteria to enable d'Amico Group to increase efficiency and safety across the fleet.

The project, which officially started at the beginning of May 2018, is an example of an increasing trend towards digitalisation within the maritime industry. As well as providing to the d'Amico Group intelligence about operations on which strategic business decisions and operational improvements are based, the level of information from the Fleet's vessels will enable expert support during emergencies and efficient planning of predictive maintenance to maximize vessel availability. Such results are achieved thanks to the smart engineering behind the centre, the robust design of the monitoring system and the validation of the alerting rules. Once the project is completed, there will be further opportunities to integrate additional software systems into the platform to further increase efficiency and visibility throughout the d'Amico Group.

All of the above measures and activities, put in place to increase and improve efficiency, have allowed d'Amico Group to win the 2019 SMART4SEA Energy Efficiency Award in 2018. This represented a significant contribution in shipping energy efficiency.

Ballast Water Treatment System

In September 2017, the new IMO Ballast Water Convention entered into force. Ballast water contains a variety of organisms, such as marine and coastal plants and animals from different regions of the world. If taken up in one place and released in another, some organisms may survive and prosper in their new environment. These "non-native species" can have a serious ecological, economic and public health impact on the receiving environment. To prevent the problem of invasive species from ballast water, the IMO adopted the first International Convention for the Control and Management of Ships' Ballast Water and Sediments in 2004.

d'Amico International Shipping through the d'Amico Group has prepared and is implementing plans, record books and procedures, not only to comply with the Convention's requirements, but most importantly to guarantee the prevention of this kind of pollution on behalf of its vessels. In this respect, a dedicated Ballast Water Treatment System has been already installed on over 80% of its owned fleet vessels. All newbuildings are fit with this equipment while the installation is planned on the remaining vessels during their next dry-docks. Furthermore, specific contingency measures are in place to prevent and respond to any failure and improper operation of these systems.

Other projects sustaining the environment

DIS through the d'Amico Group supports the preservation of the marine environment from pollution and excessive over-use, through the participation in several projects. DIS also constantly promotes responsible behaviour of its personnel towards the environment both onboard vessels and ashore.

The d'Amico Group is also partner of the "Istituto Italiano di Navigazione". Founded in 1959, the organization considers itself a link between the various institutions and businesses to promote the technical and scientific development of navigation and shipping.

With the aim of promoting and developing the Italian maritime heritage, including its care for the environment, the d'Amico Group supports the non-governmental "Associazione Promotore Musei del Mare e della Navigazione Onlus". The Group also supports the Oceanographic Museum of Monaco, by participating to projects aiming to protect the oceans and its biodiversity and increasing the awareness towards marine matters.

Commitment to Humanitarian, Educational and Cultural matters

Sustaining solidarity, training and cultural projects in the countries where it operates, is also one of the priorities of d'Amico International Shipping, for which solidarity is an ethical obligation.

Through the d'Amico Group, contributions are given to charitable activities all over the world to assist the neediest populations and territories, with a special attention dedicated to children, as well as to supporting events in favour of the protection of human life and scientific research, as well as contributing to the reconstruction of towns, villages and cities struck by natural disasters. As one of the latest examples, the d'Amico Group helped the people from the villages of the Khanh Hoa's province in Vietnam, when it was violently hit by the typhoon "Damrey" in 2017. Earlier in 2011, it was on the front-line in assisting in the reconstruction of a small village in Japan after the Tsunami, which hit the country's north-eastern coast.

The d'Amico Group is also committed to projects aiming to organize seminars and activities promoting the understanding of health, finance and wellness for the spouses of d'Amico's seafarers. In this respect, the "d'Amico Ishima Sea Jewels" project is addressed to the spouses of the Filipino seafarers, the former staying at home to oversee the whole family, taking care of their children in school and of the house budget, while the latter are on-board, operating on d'Amico vessels.

Since 2013, d'Amico Group is alongside Save the Children, supporting its emergency and development projects, in Italy and in the world, through specific programs for children and the Christmas campaign.

In addition, the d'Amico Group provides education, professional development and guidance to its employees and to students outside the Group, who are interested in careers in the maritime industry, aiming to contribute to the development of successful career paths inside and outside the organization, by financing several projects at different educational levels and by partnering with several national and international maritime institutions.

In particular, the d'Amico Group is one of the founding members of the ITS Fondazione G. Caboto – Institute for Sustainable Mobility – a private-law institute, composed of public and private bodies, which aims to promote technical and scientific shipping culture, as well as the formation of specialized technical staff, which could also be employed on its vessels.

The d'Amico Group also consolidated its partnership with the Royal Institution of Naval Architects – the British professional association of naval engineers founded in 1860, London – and the Naval Engineering Department of Genoa University (DITEN), to promote and foster the exchange of technical and scientific information in ship-designing and shipbuilding. In this respect, more than a decade ago the three organizations created, the "Student Naval Architect Award", which is assigned to the best thesis of one of their students.

Every year d'Amico Group also offers a scholarship/project work to the highest-ranking student of the IPE Institute of Naples, seeking to contribute to the student's professional training.

Active participation from d'Amico is provided to the Connecticut Maritime Association (CMA), a non-profit trade association representing people from all over the Shipping and Trade Industry. Through this association, the d'Amico Group supports university students intending to enter the shipping industry, by awarding the winners of the CMA Essay Contest, a competition evaluating submitted works focusing on the maritime market.

The d'Amico Group also supports the world of art and culture, aiming to introduce social, cultural, economic and environmental topics to an ever-wider public audience. Besides sponsoring several Museums and exhibitions worldwide, a few years ago the d'Amico Group launched "The Owner's Cabin" project, a unique artist's residency program that allows them to produce artwork inspired by the international shipping environment they experience while on-board one the group's vessels. In 2018, the Group hosted three young artists on three different vessels and they all agreed that they lived a unique experience useful both from an artistic and personal point of view.

Human Resources, Social and Employee Matters, Respect for Human Rights

As at 31 December 2018, the Group employed a workforce of 715 seagoing personnel and 34 onshore personnel.

The development of the Group's Human Capital has represented one of its strategic priorities in 2018 with the firm belief that investing in its employees will contribute to strengthen its competitive advantage.

In 2018, the Group promoted activities aimed at enhancing diversity and inclusion, which it encourages as a means of developing and strengthening its organisation. In this respect, DIS promotes cultural diversity in teams, with the objective of enriching discussions and providing new insights to problems. One of the HR Group's main goals is making employees feel valued, respected, involved in the Company, with access to equal opportunities, going well beyond compliance with equal employment opportunity or non-exclusionary laws.

This strategic priority is confirmed by the recent changes in the gender and nationality composition of the Group's workforce. In this respect, the number of shore-based personnel's nationalities increased remarkably, reaching 13 at the end of 2018. Likewise, the number of women employed in the Group increased as well, resulting in a more balanced working environment, with 50% gender distribution in on-shore based personnel.

The DIS Group continues to promote policies and practices aimed at maximising and retaining talent, embracing the use of technology and innovation, improving employee wellbeing and ensuring prevention of unlawful behaviour. Its goal is to create a workplace environment where every employee has the capacity to perform at higher levels, ensuring at the same time work-life balance for both genders.

The strategic focus on people has also been expressed through the development and adoption of a "d'Amico Group privacy model" implementing a comprehensive process of legal, organizational and technical measures in accordance with the EU Regulation no. 679/2016 and other international laws for the protection of personal data.

As far as the use of technology and innovation, through the resources of the d'Amico Group, DIS is part of a newly developed Human Resource system, named "d'Amico People", which comprises a global database supporting the management of Human Resources activities, enabling the management of consolidated HR information on real time among all the offices worldwide.

The Group's marine and technical superintendent and information and communication technologies (ICT) teams, have recently expanded their presence in Mumbai, where the Indian market has an established track-record for providing highly professional and skilled personnel with proficiency in the English language. The crew management department has also recently increased its presence in Manila.

The internal evaluation system for the Group's employees, named "People Performance Management", continues to play a key role in evaluating personnel performance, talent management and establishing of the Group's incentive system, which is aligned with the latest best practices.

Through corporate leadership programs for onshore as well as seagoing personnel, and core shipping courses, the Group seeks to encourage employees' productivity, collaboration, engagement and accountability. One-quarter of the delivered training hours were focused on consolidating management skills whereas the remaining three-quarters were focused on core shipping skills and cyber security training programmes. Continuous attention is dedicated to the retention and development of staff that the Group deems key for the management of its fleet, leading to an overall average job retention rate for these positions of 83 % in 2018.

In combination with the reward system, the Group confirmed also its long-term incentive system, to reinforce the alignment of interests between its employees involved in the plan (the "Beneficiaries") and its Shareholders. The stock-option plan promotes value creation in the medium to long-term, through the establishment of a number of goals, linked to the performance of the Company's share price and other economic performance measures (please refer also to the note 8 to the financial statements, where personnel remuneration is detailed).

Due to the scale and complexity of its operations and the challenges set by the shipping industry, the Group requires several communication tools to promote its image and enhance awareness of its role and objectives. In this respect, a creative project was developed with the aim of representing graphically the main policies for d'Amico's managed vessels, using a simple and clear communication style, transmitting in a more effective way any relevant message to all of d'Amico's employees, and in the process reinforcing the Company's culture. An Italian School of excellence in design and graphic arts was chosen by the d'Amico Group to realise the project, highlighting the d'Amico Group's commitment to the development of young generations, by sustaining training projects and cooperating with schools and academies worldwide. A new project based on the graphic representation of the Group's values has just started with the same design school.

The seagoing personnel plays a key role in the safe and efficient operation of the fleet.

The crewing policy implemented by the Group, which boasts years of experience in the sector, aims to promote on-board safety and environmental protection through crew efficiency and reliability. To achieve these results the Company established a crew-training matrix, providing guidelines to all crew-management offices. The matrix is a dynamic tool and is continuously updated by the crew department, to follow any modification or amendment with respect to the Convention on Standards of Training, Certification and Watchkeeping for Seafarers (the convention prescribing training and certification standards watchkeeping personnel must be aligned to) and is kept on board vessels engaged in international voyages.

Quality of crew training is measured during the inspection of the vessels carried out by technical and marine Superintendents. Furthermore, Port State Controls and Vetting Inspection reports reflect the quality and level of crew competencies, evaluating seafarer practices as well as policies for safety and environmental protection.

The «Home Grown Officers» philosophy is a fundamental aspect of the personnel's development strategy. In this respect, the d'Amico Group realizes specific personnel career development and manning requirements plans, which are constantly monitored and updated. The starting point is the cadet strategy that underpins d'Amico Group's global manning strategy. In this respect, its co-operation with nautical institutes for the education of its cadets, who could become the future officers of its fleet, is of utmost importance (as mentioned in previous section, the ITS Institute for Sustainable Mobility - "G. Caboto" focuses on the training of specialized technical on-board staff).

Risk Strategy Policy

Operational risks

The Group is exposed to a number operating risks, which can lead to unplanned costs and loss of income. These risks can arise from matters relating to crewing, bunkering, dry-docks and repairs, commercial management, port agencies and towage, navigation and insurance. The Group's risk management practices to counter those risks include the following:

(i) In the crewing of vessels, DIS benefits from the support of the d'Amico Group, which has a strong expertise in this area.

Starting from 2017, the d'Amico Group strengthened its organization by establishing a Crew Department, managing and supervising the crewing process and all related functions for the entire d'Amico Group. The new organisational structure aims to obtain synergies and economies of scale by applying the same policies (standard of training, carrier development, crew bargaining agreement, wage scale, etc.) to all of the d'Amico Group's crew. All operational and administrative tasks are assigned to SIRIUS, a crew manning agent which is part of the d'Amico Group, under the responsibility of the Group's crew department (please refer to the section above of these Non-Financial statements, dedicated to Human Resources).

By operating the entire crewing function through a single department at Group level, all related risks are greatly reduced, as all applicable procedures are continuously updated and communicated to all managed vessels, with prompt implementation of new rules and with special regard to safety and environmental protection.

The Group's crew department monitors the number of seafarers' contracts which terminate before the contract term, as a key performance indicator, aiming to maintain this ratio below 8%. In addition, the Group aims to achieve a retention of at least 80%, which is the industry standard.

From a financial perspective, every year the crewing function develops very accurate budgets for each of DIS' technically managed vessels, with quarterly analysis of variances and comparisons to the previous year, to properly support the financial and treasury departments.

(ii) Bunkering is managed by DIS with the support of a d'Amico Group company, Rudder Sam.

Rudder Sam has an in-depth knowledge of the market, and by using a network of reliable suppliers with high standards, can cover DIS' worldwide requirements, with the aim of reducing costs, minimizing deviations and ensuring supplies are in line with the most recent ISO standards in force.

A constant supervision of physical deliveries (as per planned timing and quantities) and analyses of the quality of bunker samples, directly managed by DIS, ensures quality and quantity issues are kept under control.

(iii) Port agencies and towage are managed by DIS through general agreements and are based on a reliable network of agents operating at high standards, with the aim of maximizing the efficiency of the Group's vessels turnaround during port stays, providing qualified husbandry services to owned vessels and taking advantage of economies of scale.

(iv) Voyage planning and control is managed by DIS to ensure good quality service to charterers, through constant attention to the fulfillment of contractual requirements, with the objective of reducing costs and minimizing delays.

(v) Dry-docks and repairs – the management of dry-docks and repairs is coordinated through the d'Amico Group, providing economies of scale and a proper benchmarking of the cost and quality of such services. DIS' objective of always controlling a young fleet also helps to minimize such risks.

The d'Amico Group has established preferred yards in key trade areas on the basis of criteria such as the quality of jobs performed, ISO certifications and other volunteer or mandatory certifications, compliance with ethical principles, past experience of the d'Amico Group and a list of references.

The dry-docks are planned in advance, so as to secure the required slots and the dry-dock specification is finalized through a pre-docking inspection.

When selecting dry-docks all the costs are taken into account, including the repairs cost, the cost of the deviation including that of the bunkers consumed, and the time required for the repairs.

A Company representative is always onsite to monitor the quality of the job performed and the progress of the whole project, ready to promptly address any issue outstanding.

All of the above activities are performed also to reduce the risks relating to:

- the unavailability of a dock slot at the time of stoppage;
- unexpected works;
- unexpected costs and delays;
- ensure redelivery to the charterer in time;

To monitor the performance, the Group has established as a key performance indicator, the "Dry-dock planning performance", to monitor and control costs and delays.

(vi) DIS Group's insurance plan provides coverage for a wide range of risks which may arise from ship ownership and management and which may expose the Group to financial losses. With regards to the vessels' operation and transportation of cargoes the coverage includes personal injury, environmental damage and pollution, third-party casualty and liability, hull and engine damage, total loss, war risks and piracy risks.

(vii) Piracy risk is a major issue in the Gulf of Aden, in the Indian Ocean and in the Gulf of Guinea economic zone north of Latitude 3 North (including Nigeria, Togo and Benin). In this respect, DIS has taken measures to: (a) minimize the risk during transit in the Gulf of Aden, to promote safer navigation; (b) check the suitability of the insurance policies currently in force to ensure such risks are adequately covered. A detailed analysis of the situation has allowed the DIS Group, together with the d'Amico Group, to prepare guidelines to be followed by any vessel while in the risk zone. Moreover, to obtain as much information as possible and to stay updated on all issues, the d'Amico Group monitors websites dedicated to piracy issues regularly. Regarding insurance, on the basis of a risk assessment the DIS Group ascertained that the main piracy risks are adequately covered through: (a) loss of hire insurance, which covers the Company for the loss of income resulting from physical damages to the vessel caused by a piracy attack (risk covered under the Hull & Machinery policy); (b) kidnap and ransom insurance, which covers the perils of kidnap, wrongful detention, hijacking; (c) piracy loss of hire, which covers the payment of hire during the period of detention by pirates; (d) third parties liabilities – included in the P&I cover.

Brexit is not expected to have a direct material impact on DIS, although in the case of a hard Brexit the negative effects on the British economy and the spillover effects on the other economies worldwide, could negatively affect the demand for refined products and as a consequence also for the seaborne transportation of these products, resulting in lower freight rates and asset values for DIS.

Financial Risk

For a detailed disclosure of financial risks, please refer to note 29 of the consolidated financial statements.

Anti-Corruption And Bribery Matters

The Group is exposed to fraud risk resulting from the significant volume and value of transactions processed. To minimise these risks DIS has implemented the following risk management policy:

(i) Limits in powers and authority set for all individuals (e.g. power of attorneys restricted in object, limit amount for transactions).

(ii) Controls over bank signatories (e.g. four eyes principle for specific transactions).

(iii) Controls over tendering process including the due diligence of new agents, joint venture partners and key suppliers prior to signing of contract.

(iv) Risk assessment before entering a new country.

(v) Monitoring of compliance with rules on travel, meals lodging and entertainment.

(vi) Continuous internal communication on compliance issues, progress and training.

(vii) Combined oversight of the Internal Audit function, the Control and Risk Committee, the Chief Control and Risk Officer, the manager in charge of preparing the Company's financial reports and the Supervisory Committee.

(viii) Management commitment on all levels.

(ix) The adoption of a Code of Ethics (the "Code") which includes the principal rules of good behavior to reduce and prevent in a material way the risk of commission of the different types of crimes, including fraud. On 7 May 2014 an updated version of the Code was approved by the Board of Directors of DIS upon revision performed by the Control and Risk Committee. The Company decided to adopt the main principles of ethics of its ultimate parent company, d'Amico Società di Navigazione S.p.A. but tailored these to satisfy the applicable Luxembourg legislation.

(x) The adoption of a compliance program ("Organizational Management and Control Model" or "231 Model") aimed at developing an organic and structured system of procedures, rules and controls to be implemented both preventively (ex-ante) and subsequently (ex post), to reduce and prevent the risk of perpetration of the offences (corruption and bribery included) provided for by the Italian Legislative Decree n.231 of 8 June 2001 (the "Decree 231") and the establishment of the Supervisory Committee, an internal supervisory body with the function of monitoring the effective implementation of the 231 Model, and its constant updating.

The 231 Decree which DIS complies with due to its listing on the STAR segment of the Italian Stock Exchange introduced the corporate liability of legal entities, in case of crimes committed by subjects that act on behalf of the company, such as representatives, executives, directors, subordinates, and persons who even de facto carry out management or control activities. Under the Decree 231, corporations may be held liable for a specific list of offences committed, or even attempted, in the interest or for the benefit of the Company.

Companies shall not be considered liable if the individual committed the crime in their own sole interest, or in the interest of third parties (not linked to the company) or where proven that the board of directors has adopted and efficiently implemented, before the offence was committed, the 231 Model and has appointed a Supervisory Committee that did not omit to exercise its control duty or where the offence was committed by an individual with the fraudulent intention of avoiding the 231 Model implemented by the Company.

The DIS 231 Model (lastly amended on 2 March 2017):

- specifically identifies the areas of activity where there is a chance of perpetration of the crimes mentioned in the Decree 231 ("Risk Areas");
- identifies appropriate procedures aimed at preventing the crimes mentioned in the Decree 231, including the duty of each division of the company to report violations and provide relevant information to the Supervisory Committee;
- provides for specific procedures concerning the Supervisory Committee decision-making process and the implementation of its decisions;
- provides for an appropriate financial management, to prevent the perpetration of financial crimes;
- provides for a specific duty to inform the Supervisory Committee in case a violation of the 231 Model occurs (the Supervisory Committee e-mail's account as publicized on the DIS website is a direct channel to be used by whistle-blowers;
- provides for a disciplinary sanctions system so as to punish each violation of the procedures;
- provides for a training activity to be performed towards all the company's employees.

Moreover, DIS continuously improves the implementation of specific control activities (COSO Framework) to prevent the commission of the crimes mentioned in the Decree 231 and monitors the need to update the 231 Model (during 2018 DIS approved the performance of a new risk assessment aimed at updating the model with some recently introduced crimes and at introducing a new whistleblowing procedure and anti-corruption policy.

d'Amico Group's long-standing commitment to doing business with integrity demonstrates a keen sense of social responsibility.

Acting professionally, fairly and in an honest and ethical manner in all business dealings and relationships wherever the Company operates (or is envisaged to operate), implementing and enforcing effective systems to counter bribery and corruption are of outmost importance for the Group. This means avoiding corruption in any form, including bribery, and complying with the anti-corruption laws of every country in which the Group operates and promoting a "zero tolerance" approach to acts of bribery, including advisors, agents or contractors.

Essentially, all DIS Group employees are responsible for the prevention, detection and reporting of bribery and other forms of corruption; they are required to avoid any activity that might lead to, or suggest, a breach of the anti-corruption policy. The DIS Group ensures through the implementation of specific measures, that all cases of suspected corruption are dealt with consistently and whether or not an investigation shows it exists, there will be no retaliation against or adverse consequences for the person reporting the possible case of breach: an anti-corruption reporting system using dedicated email address has been implemented through the d'Amico Group HR department.

Likewise, no DIS employee would suffer any retaliation or adverse consequences for refusing to adopt illegal conduct and for reporting in good faith violations of the anticorruption rules and regulations as applicable.

Compliance with the anti- corruption Policy is verified through various methods, including but not limited to, active monitoring of the expense reimbursement and gift tracking systems, reports from available business tools, internal and external audits, self-assessment, reports of potential violations and/or other feedback to the HR department, which is the policy owner.

Corporate Governance and Ownership Structure

The Company is organized and governed in compliance with the applicable Luxembourg laws and regulations on companies and, to the extent possible, with the recommendations of the Borsa Italiana Corporate Governance Code (available at the Borsa Italiana website **www.borsaitaliana.it**) not being obliged to comply with the corporate governance regime of the Luxembourg Stock Exchange. Furthermore, due to its incorporation in Luxembourg and listing on the Italian market, the Company is subject to the transparency obligations established by the European Regulations directly applicable from time to time, the Luxembourg Law of 11th January 2008 and subsequent amendments and to those established by the Italians laws and regulations as applicable from time to time.

In accordance with article 123-bis of Legislative Decree No. 58/98 and in line with the recommendations of the Borsa Italiana Corporate Governance Code, the Company provides complete disclosure of its Ownership Structure and Corporate Governance system at December 31, 2018 in the 2018 Corporate Governance and Ownership Structure Report (the "Report"). A specific paragraph of the Report is dedicated to the takeover bids legislation as applicable to the Company including, among others, all information required by article 11 of the Luxembourg law of 19 May 2006 and subsequent amendments and/or supplements which implements the Directive 2004/25/EC of 21 April 2004 on takeover bids (the "Takeover Law")[10] . The Report is available to everyone at the registered office of the Company and on its website (**www.damicointernationalshipping.com**) in the Corporate Governance section which contains other documents regarding the Company's Corporate Governance System. Moreover it is filed with Borsa Italiana S.p.A. and Commissione Nazionale per le Società e la Borsa (CONSOB) through the eMarket SDIR and STORAGE system, Commission de Surveillance du Secteur Financier (CSSF) and Société de la Bourse de Luxembourg S.A. in its quality of DIS Officially Appointed Mechanism (OAM) for the central storage of regulated information.

[10] The Company falls within the ambit of the Takeover Law. By application of its article 4, paragraph 2, clause b) and pursuant to article 101-ter of the TUF, the authority competent to supervise a takeover bid on the shares of the Company will be the Italian regulating authority, CONSOB. Italian law is the governing law as to (i) the price of the bid; (ii) the procedure of the bid and, in particular, the information on the offerors' decision to make a bid; (iii) the contents of the offer document and (iv) the disclosure of the bid. The Luxembourg regulating authority, the Commission de Surveillance du Secteur Financier (CSSF) will in turn be competent (and Luxembourg law will be applicable) pursuant to the Takeover Law and the CSSF Circular 06/258 in respect of matters relating to the information to be provided to the employees of the 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, as well as the conditions under which the Board of Directors of the Company may undertake any action which might result in the frustration of the bid.

The Company is also subject to the Luxembourg law of 21 July 2012 on the squeeze-out and sell-out of securities of companies admitted or having been admitted to trading on a regulated market or which have been subject to a public offer and the CSSF Circular 12/545 if any individual or legal entity, acting alone or in concert with another, becomes the owner directly or indirectly of a number of Shares representing at least 95% of the voting share capital and 95% of the voting rights of the Company.

The Articles of Association do not make any reference to the takeover bid procedure, therefore, the Takeover Law is deemed directly and entirely applicable, according to which:

- the shareholders of the Company may resolve, even before a takeover bid has been made public, to impose on the Board of Directors to submit to their prior approval the adoption of any defensive action by the Board of Directors which may result in the frustration of the takeover bid. Absent such a resolution, as the case is, the Board of Directors may be free to take defensive actions without the prior approval of the shareholders (defensive actions);

- the shareholders of the Company may resolve that any transfer restrictions applicable to their securities as well as any restrictions on voting rights and/or any exceptional voting right entitlements shall cease to be enforceable upon a takeover bid (breakthrough rule).

Shareholders Information

Investor Relations

d'Amico International Shipping's Investor Relations (IR) team runs a structured program aimed at promoting an ongoing dialogue with institutional investors, shareholders and the markets to ensure a regular dissemination of exhaustive, complete, and timely information on its activities, in accordance with legal requirements and by complying with the relevant corporate governance standards and recommendations, while respecting the limits arising from the confidential nature of certain information.

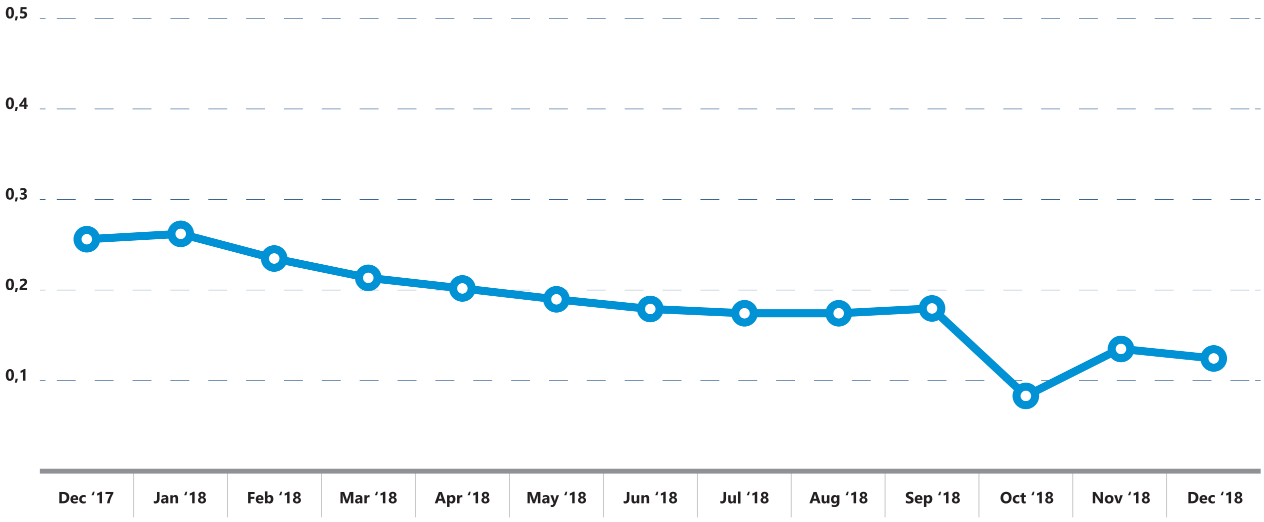
The financial results were presented on a quarterly basis through public conference calls, which can be widely accessed, including through the Group's Investor Relations website. During 2018 the IR team kept in constant contact with the financial community to discuss DIS' performance and results through meetings, conference calls, presentations at broker conferences and at the relevant events that Borsa Italiana (STAR Segment) organizes. Participation in roadshows with shareholders and investors focused on the major financial centers, and meetings were organized with investors that were deemed to have a particular interest in investing in our company, taking into account our market capitalisation, equity valuation, sector of operation and the cyclical nature of our business.

More information is available on the Group's institutional website http://investorrelations.damicointernationalshipping.com/. The Investor Relations' section provides share information, historical financial data, press releases, institutional presentations, periodic publications and analyst coverage.

d'Amico International Shipping's shareholders may also contact: **ir@damicointernationalshipping.com.**

Share Price Performance

As 31 December 2018, d'Amico International Shipping S.A.'s share capital consisted of 653,758,025 ordinary shares. The Company's shares are listed on Borsa Italiana S.p.A., in the STAR segment.



In 2018, DIS' share price fell by 52%, ending the year at € 0.123, versus € 0.259 at the end of 2017. The market capitalization of the Company's shares was of € 79.5 million at the end of 2018. The average daily traded volume during the year was of 1.45 million shares.

Financial Calendar

The Company's 2019 Financial Calendar is the following:

2018 Annual Financial Statements	March	Wednesday 20
Annual General Meeting	April	Tuesday 30
2019 First Interim Management Statements	May	Thursday 09
2019 Half Yearly Report	September	Thursday 12
2019 Third Interim Management Statements	November	Wednesday 13

Alternative Performance Measures (APM)

Along with the most directly comparable IFRS measures, DIS management is regularly using Alternative Performance Measures, as they provide helpful additional information for users of its financial statements, indicating how the business has performed over the period, filling the gaps left by the reporting standards. APMs are financial and non-financial measures of historical or future financial performance, financial position or cash-flows, other than a financial measure defined or specified in the Group's applicable financial reporting framework and standards (IFRS); for this reason they might not be comparable to similarly titled measures used by other companies and are not measurements under IFRS or GAAP and thus should not be considered substitutes for the information contained in the Group's financial statements. The following section sets out the Group's definitions of used APMs:

FINANCIAL APMs (They are based on or derived from figures of the financial statements)

Time charter equivalent earnings

A shipping industry standard allowing the comparison of period-to-period net freight revenues, which are not influenced by whether the vessels were employed on Spot charters, Voyage charters or Contracts of affreightment (please see Non-Financial APM definitions below). As indicated in the Profit and Loss financial statement, it is equal to (voyage) revenues less voyage costs.

EBITDA and EBITDA Margin

EBITDA is defined as the result for the period before the impact of taxes, interest, the Group's share of the result of joint ventures and associates, depreciation and amortization. It is equivalent to the gross operating profit, which indicates the Group's revenues from sales less its cost of the services (transport) sold. EBITDA Margin is defined as EBITDA divided by Time charter equivalent earnings (as described above). DIS believes that EBITDA and EBITDA Margin are useful additional indicators investors can use to evaluate the Group's operating performance.

EBIT and EBIT Margin

EBIT is defined as the result for the period before the impact of tax, interest and the Group's share of the result of joint ventures and associates. It is equivalent to the net operating profit and the Group uses it to monitor its return after operating expenses and the cost of the use of its tangible assets. EBIT Margin is defined as operating profit as a percentage of Time charter equivalent earnings and represents for DIS a suitable measure to show the contribution of the Time-Charter Earnings in covering both fixed and variable costs.

Gross CAPEX

Gross capital expenditure, that is the expenditure for the acquisition of fixed assets as well as expenditures capitalised as a result of the intermediate or special surveys of our vessels, or of investments for the improvement of DIS vessels, as indicated under Net acquisition of fixed assets within the cash-flow from investing activities; it gives an indication about the strategic planning (expansion) of the Group (capital intensive industry).

Net Indebtedness

Comprises bank loans and other financial liabilities, less cash and cash equivalents and liquid financial assets or short-term investments available to service those debt items. The Group believes net indebtedness is relevant to investors as it is a metric on the overall debt situation of a company, indicating the absolute level of non-equity funding of the business. The relevant table in the net indebtedness section within the report on operations, reconciles net debt to the pertinent balance sheet line items.

NON-FINANCIAL APMs (not derived from figures of the financial statements)

Available vessel days	Total theoretical number of days a vessel is available for sailing during a period. It provides an indication of the Group's fleet earnings potential during a period, which takes into account the date of delivery to and redelivery from the Group of the vessels in its fleet (please refer also to the Key figures, other operating measures).
Coverage	Ratio indicating how many available vessel days are already covered by fixed rate contracts (time charter contracts or contracts of affreightment). It provides an indication of how exposed the Group is to changes in the freight market during a certain period (please refer to Time charter equivalent earnings in the Management financial review).
Daily spot rate or daily TC rate	Daily spot rate refers to daily time-charter equivalent earnings (please refer to definition below) generated by employing DIS' vessels on the spot market (or on a voyage basis) and daily TC rate refers to daily time-charter earnings generated by employing DIS' vessels on 'time-charter' contracts (please refer to the Management financial review).
Off-hire	Means the period in which a vessel is unable to perform the services for which it is immediately required under a time charter. Off-hire periods can include days spent on repairs, dry-docking and surveys, whether or not scheduled. It can help to explain changes in time-charter equivalent earnings between different periods (please refer to Revenues, in the Management financial review).
Time charter equivalent earnings per day	A measure of the average daily revenue performance of a vessel on a per voyage basis. DIS' method of calculating time charter equivalent earnings per day is consistent with industry standards and is determined by dividing voyage revenues (net of voyage expenses) by on-hire days for the relevant time period. Time charter equivalent earnings per day is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance, since it is unaffected by the changes in the mix of charter contracts (i.e. spot charters, time charters and contracts of affreightment) through which the vessels are employed. It allows a comparison of the Group's performance with industry peers and market benchmarks (please refer to Key figures).
Vessels equivalent	The number of vessels equivalent in a period is equal to the sum of the products of the total available vessel days over that period for each vessel and the participation of the Group (direct or indirect) in that vessel, divided by the number of calendar days in that period. It provides an indication of the Group's fleet size and earnings potential over a period (please refer to Key figures).

OTHER DEFINITIONS

Bareboat charter

A contract type under which the ship owner is usually paid monthly in advance charter hire at an agreed daily rate for a specified period of time, during which the charterer is responsible for the technical management of the vessel, including crewing, and therefore also for its operating expenses (please refer to note 6). A bareboat charter is also known as a "demise charter" or a "time charter by demise".

Charter

A contract for the hire of a vessel for a specified period of time or to carry cargo from a loading port to a discharging port. The contract for a charter is commonly called a charter party and there are three main types of such contracts, a bareboat charter party, a voyage charter party and time charter party (refer to definitions in this section).

Contract of affreightment (COA)

An agreement between an owner and a charterer which obliges the owner to provide a vessel to the charterer to move specific quantities of cargo, at a fixed rate, over a stated time period but without designating specific vessels or voyage schedules, thereby providing the owner with greater operating flexibility than with voyage charters alone.

Disponent Owner

The company that operates a vessel controlling it either through a time-charter or a bareboat charter.

Fixed-rate contracts

For DIS these usually refer to revenues generated through time-charter contracts or contracts of affreightment (please refer to definitions in this section). Bareboat charter contracts are also usually fixed rate contracts but DIS controls rather than employs vessels through such contracts.

Spot charter or Voyage charter

A contract type through which an owner or disponent owner (please refer to definition in this section) is paid freight on the basis of moving cargo from a loading port to a discharging port. The charterer pays the vessel owner on a per-ton or lump-sum basis. The payment for the use of the vessel is known as freight. The disponent owner is responsible for paying both vessel operating expenses and voyage expenses. Typically, the charterer is responsible for any delay at the loading or discharging ports.

Time charter

Is a contract type through which the ship owner or disponent owner (please refer to definition within this section) is paid usually monthly in advance charter hire at an agreed daily rate for a specified period of time (usually a fixed rate contract). With such contracts the charterer is responsible for paying the voyage expenses and additional voyage insurance. A ship-owner or bareboat charterer operating its vessel on time-charter is responsible for the technical management of the vessel, including crewing, and therefore also for its operating expenses.

Summary of the Results in the Fourth Quarter and FY 2018

Market conditions across all product tanker sectors were soft in the first nine months of 2018, largely due to existing oversupply of tonnage coupled with weaker demand trends. Rising bunker prices during the first nine months of 2018 have capped earnings during that period, contributing to more limited product arbitrage opportunities, mainly between the Atlantic and Asia, weighing on products trade growth. In Q4 2018, however, the market firmed considerably with Clarksons' raising its estimate of growth in product tanker dwt demand for the year from 2.1% to 2.3%. Among the factors contributing to weak markets in 2018 is the reduction in products import into Southeast Asia, which fell by 8% in the full year, partially as a result of reduced arbitrage flows from the West. Declining shipments into Brazil (which fell 18% year-on-year in the January-November 2018 period) and Mexico in the first half of the year also dampened overall volume growth. Mexican imports recovered in the second half of the year and Brazilian imports from the US surged in the last quarter, rising by 54% between September and October 2018.

The one-year time-charter rate is always the best indicator of spot market expectations. As markets failed to show any signs of improvement in Q3 2018, this rate for conventional (non-eco) MRs was between US$ 12,500 and US$ 12,750 per day. The improved sentiment in Q4 raised the rate at the end of the year to around US$ 13,500 per day for conventional (non-Eco) MRs and to around US$ 15,000 per day for Eco MRs.

DIS' Net Result was negative for US$ (55.1) million in full-year 2018 vs. a Net Loss of US$ (38.1) million posted in 2017. This variance is mainly due to the weaker product tanker market experienced in 2018. In fact, ***DIS' daily spot rate[11] was US$ 10,798 in the full-year 2018*** vs. US$ 12,026 in the full-year 2017. In detail, the freight market hit historically low rates in the third quarter of the year but rebounded to profitable levels towards the end of 2018. Freight rates at the start of 2019 are showing clear signs of improvement relative to the previous year.

At the same time, 34.2% of DIS' total employment days in 2018, were covered through 'time-charter' contracts at an average daily rate of US$ 14,850 (2017: 33.0% coverage at an average daily rate of US$ 15,433). Such good levels of time charter coverage is one of the pillars of DIS' commercial strategy and allows it to mitigate the effects of the spot market volatility, securing a certain level of earnings and cash generation even throughout the negative cycles. DIS' total daily average rate (which includes both spot and time-charter contracts) was US$ 12,184 in the full-year 2018 compared with US$ 13,150 achieved in the previous year.

In 2018, DIS ***'gross capital expenditures' amounted to US$ 101.5 million*** (US$ 1.3 million in Q4 2018), mainly in relation to DIS' newbuilding plan. Since 2012, DIS has ordered a total of ***22 'Eco-design' product tankers[12]*** (10 MR, 6 Handy-size and 6 LR1 vessels), of which 20 vessels have been already delivered as at the end of 2018. This corresponds to an overall ***investment plan*** of approximately ***US$ 755.0 million*** and is in line with the Group's strategy to modernize its fleet through new-buildings with an eco-design. In addition, DIS has fixed the majority of its new-building vessels on long-term time-charter contracts with three oil-majors and a leading trading house, securing a good level of earnings and cash generation.

[11] Daily Average TCE excludes US$ 5.4 million generated by the vessels under commercial management, as it is off-set by an equivalent amount of time charter hire costs.

[12] Including M/T High Sun, an MR vessel ordered at Hyundai Mipo Dockyard Co. Ltd. and owned by Eco Tankers Limited (in which DIS has a 33% interest, in JV with Venice Shipping and Logistics S.p.A.)

Operating performance

US$ Thousand	2018	2017
Revenue	399,046	390,971
Voyage costs	(154,176)	(133,534)
Time charter equivalent earnings*	**244,870**	**257,437**
Time charter hire costs	(129,750)	(126,664)
Other direct operating costs	(81,572)	(80,370)
General and administrative costs	(16,196)	(15,482)
Result from disposal of vessels	167	1,917
EBITDA*	**17,519**	**36,838**
Depreciation, impairment and impairment reversal	(34,844)	(48,266)
EBIT*	**(17,325)**	**(11,428)**
Financial income	5,035	2,419
Financial (charges)	(34,296)	(28,379)
Share of profit (loss) of equity accounted investee	(8)	85
Impairment of financial assets	(7,526)	-
Profit / (loss) before tax	**(54,120)**	**(37,303)**
Taxes	(980)	(780)
Net profit / (loss)	**(55,100)**	**(38,083)**

*see Alternative Performance Measures on page 30

Revenue was US$ 399.0 million in 2018 compared with US$ 391.0 million realized in the previous year. The percentage of off-hire days in 2018 (0.9%) was significantly lower than in the same period of the previous year (2.0%), mainly due to commercial off-hires and the timing of dry-docks.

Voyage costs reflect the mix of spot and time-charter employment contracts. These costs, which occur only for vessels employed on the spot market, amounted to US$ (154.2) million in 2018 compared with US$ (133.5) million recorded in 2017.

Time charter equivalent earnings were US$ 244.9 million in 2018 vs. US$ 257.4 million in 2017. The total amount for 2018 includes US$ 5.4 million 'time charter equivalent earnings' generated by the vessels under commercial management, which is offset by an equal amount reported under 'Time charter hire costs'.

The variance compared with last year is due to the much weaker product tanker market experienced in 2018. In fact, DIS realized a **Daily Average Spot Rate of US$ 10,798 in 2018**[13] compared with US$ 12,026 achieved in the previous year. After a very weak product tanker market in October 2018, freight rates rallied in the last part of Q4 2018, allowing DIS to achieve a Daily Average Spot Rate of US$ 11,617, slightly better than the US$ 11,299 realized in the same quarter of the prior year.

Following its strategy, in 2018 DIS maintained a **good level of 'coverage'** (fixed contracts), securing an average of **34.2%** (2017: 33.0%) of its available vessel days at a **Daily Average Fixed Rate of US$ 14,850** (2017: US$ 15,433). In addition to securing revenue and supporting the operating cash flow generation, these contracts enabled DIS to strengthen its historical relationships with the main oil majors, which is one the pillars of its commercial strategy.

[13] Daily Average TCE excludes US$ 5.4 million generated by the vessels under commercial management, as it is off-set by an equivalent amount of time charter hire costs.

DIS' Total Daily Average TCE (Spot and Time Charter)[14] was **US$ 12,184 in 2018** vs. 13,150 in 2017.

DIS TCE daily rates (US$)	2017					2018[14]				
	Q1	Q2	Q3	Q4	**FY**	Q1	Q2	Q3	Q4	**FY**
Spot	13,363	11,763	11,960	11,299	**12,026**	12,726	10,327	8,689	11,617	**10,798**
Fixed	15,908	15,078	15,681	15,003	**15,433**	15,001	14,867	14,716	14,831	**14,850**
Average	14,412	12,851	12,977	12,459	**13,150**	13,446	11,818	10,680	12,892	**12,184**

Time charter hire costs relate to the chartered-in vessels and amounted to US$ (129.8) million in 2018 vs. US$ (126.7) million in 2017. The total amount for 2018 includes US$ 5.4 million hire costs in relation to the vessels under commercial management, which is offset by an equal amount reported under 'Time charter equivalent earnings'. Excluding item, DIS' 2018 'time charter hire costs' would have been US$ 2.4 million lower than in the previous year. In fact, DIS operated a lower number of chartered-in vessels in 2018 (23.9 equivalent ships) relative to the prior year (24.4 equivalent ships) and at a slightly lower daily average cost.

Other direct operating costs mainly consist of crew, technical and luboil relating to the operation of owned vessels together with insurance expenses for both owned and chartered-in vessels. These costs amounted to US$ (81.6) million in 2018 vs. US$ (80.4) million in 2017. DIS constantly monitors its operating costs, while focusing on crew with appropriate skills, high SQE (Safety, Quality & Environment) standards and full compliance with very stringent market regulations. Maintaining a 'high quality' fleet represents an essential part of d'Amico's vision and strategy.

General and administrative costs were US$ (16.2) million in 2018 vs. US$ (15.5) million in 2017. These costs relate mainly to onshore personnel, together with office costs, consultancies, travel expenses and others.

Result from disposal of vessel. In 2018, DIS sold the M/T High Presence (a 2005-built MR vessel) and the M/T Cielo di Milano (a 2003-built Handy vessel), generating a US$ 0.1 million net gain on disposal. In 2017, DIS sold the M/T High Endurance, the M/T High Endeavour (two 2004-built MR vessels) and the M/T High Prosperity (a 2006-built MR vessel), generating a US$ 1.9 million net gain on disposal. The result from sale and lease back transactions is deferred and recognised over the duration of the leases, within this line of the Income Statement.

EBITDA was **US$ 17.5 million in 2018** compared with US$ 36.8 million achieved in 2017. The reduction relative to last year is mainly due to lower 'TCE Earnings' achieved in 2018. **DIS' EBITDA Margin was 7.2% in 2018** compared with 14.3% in 2017.

Depreciation, impairment and impairment reversal amounted to US$ (34.8) million in 2018 vs. US$ (48.3) million in 2017. The total amount for 2017 included an impairment of US$ (10.9) million booked on three vessels, which were under sale negotiations at the time. In fact, based on IFRS 5 these three ships were classified as 'assets held for sale' and the difference between their appraised market value and their book value was charged to the 2017 profit and loss. However, the sale transaction on two of these vessels has not materialized as at the end of 2018. Therefore, DIS booked an impairment reversal of US$ 4.9 million on the two ships and their book value was reclassified from 'assets held for sale' to 'fixed assets'.

EBIT was negative **US$ (17.3) million in 2018** compared to a negative result of US$ (11.4) million in 2017.

[14] Daily Average TCE excludes US$ 5.4 million generated by the vessels under commercial management, as it is off-set by an equivalent amount of time charter hire costs.

Net financial income was US$ 5.0 million in 2018 vs. US$ 2.4 million in 2017. The 2018 amount comprises amounts from derivative instruments totalling US$ 2.2 million due to the equity release on the IRS on the M/T High Freedom, M/T High Trust, M/T High Loyalty and M/T High Trader (following the sale and leaseback of the vessels in the period) and US$ 0.5 million representing realized profit on foreign exchange hedges. Realized amounts include also US$ 0.34 million foreign exchange gain on commercial transactions, bank interest income (funds held with financial institutions on deposit and current accounts) and interest on the financing provided to the DM Shipping joint venture. Unrealized gains of US$ 1.9 million relate to the ineffective portion (fair value) of the interest rate swaps cash-flow hedges.

Net financial charges were US$ (34.3) million in 2018 vs. US$ (28.4) million in 2017. The amount comprises the interest expenses due on DIS' bank loan facilities and financial leases, actual expenses on interest rate swaps and amortization of financial fees.

Impairment of financial assets amounted to US$ (7.5) million due to the write-down of d'Amico Tankers d.a.c.'s shareholder loan to DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group). This follows management's decision to sell the two vessels owned by DM Shipping in the course of 2019.

DIS recorded a ***Loss before tax*** **of US$ (54.1) million in 2018 vs.** US$ (37.3) million in the previous year.

Income taxes were US$ (1.0) million in 2018 vs. US$ (0.8) million in the previous year.

The ***Net Result*** for **2018 was US$ (55.1) million** compared with a Net loss of US$ (38.1) million in 2017. The variance compared to the previous year is mainly due to the much weaker spot market experienced in 2018.

Consolidated Statement of Financial Position

US$ Thousand	As at 31 December 2018	As at 31 December 2017
ASSETS		
Non-current assets	924,164	823,752
Assets held for sale	-	77,750
Current assets	115,573	111,733
Total assets	**1,039,737**	**1,013,235**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	337,343	394,432
Non-current liabilities	539,518	426,157
Current liabilities	162,876	192,646
Total liabilities and shareholders' equity	**1,039,737**	**1,013,235**

Non-current assets mainly relate to DIS' owned vessels net book value and it includes the portion relating to its new-buildings under construction. The balance at the end of December 2018 is higher than the previous year, mainly due to the yard instalments paid for DIS' new-buildings in the year (including the last instalments due in connection with the delivery of one new-building vessel in Q1 2018 and two new-building vessels in Q3 2018). According to the valuation report provided by a primary broker, the estimated market value of DIS' owned fleet as at December 31, 2018 was of US$ 807.15 million.

Gross Capital expenditures (Capex) were of US$ 101.5 million in 2018 vs. US$ 80.1 million in 2017. The amount comprises mainly the instalments paid on the newbuilding vessels under construction at Hyundai-Mipo. Dry-dock costs pertaining to owned vessels are also capitalized.

Current assets as at December 31, 2018 amounted to US$ 115.6 million. As at the same date, in addition to the working capital items (inventories and trade receivables amounting to US$ 13.5 million and US$ 52.2 million respectively), current assets include 'cash and cash equivalent' of US$ 31.7 million. In addition, following management's decision to sell the two ships owned by DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group) in the course of 2019, the shareholder's loan to the joint venture was written-down by US$ 7.5 million and the residual value of US$ 14.7 million is now booked under 'current assets'. Current assets include also US$ 2.4 million relating to funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance (please refer to the disclosures on related parties in the notes to the consolidated Financial Statements) in respect of interest rate swap contracts (on January 1, 2018 this amount was reclassified from 'cash and cash equivalent' to 'current financial assets').

Non-current liabilities were of US$ 539.5 million as at December 31, 2018 and mainly consist of the long-term portion of debt due to banks (disclosed under the Net Indebtedness section of the report), US$ 165.3 million in liabilities for financial leases and US$ 30.6 million in long-term financing granted by DIS' majority shareholder (d'Amico International S.A.).

The balance of ***Current liabilities***, other than the debt due to banks and other lenders (disclosed under the Net Indebtedness section of the report), includes as at December 31, 2018, working capital items amounting to US$ 54.0 million (mainly relating to trade and other payables), US$ 8.4 million in liabilities from financial leases and US$ 7.9 million in other current financial liabilities. The total balance of Current liabilities includes also US$ 1.3 million of short-term financing granted by DIS' majority shareholder (d'Amico International S.A.).

The **Shareholders' equity** balance as at December 31, 2018 was of US$ 337.3 million (US$ 394.4 million as at December 31, 2017). The variance relative to the previous year is primarily due to Net loss generated in the current year, partially compensated by the improvement in the valuation of cash-flow hedges.

Net Indebtedness*

DIS' Net debt as at December 31, 2018 amounted to **US$ 588.7 million** compared to US$ 510.3 million at the end of 2017. The net debt/fleet market value ratio was of 72.9% as at December 31, 2018 vs. 66.6% as at December 31, 2017.

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Liquidity - Cash and cash equivalents	31,713	29,694
Current financial assets	1,116	344
Other current financial assets – related party **	17,089	-
Total current financial assets	**49,918**	**30,038**
Bank loans and other lenders– current	91,238	128,488
Liabilities from financial lease	8,369	3,267
Shareholders' loan	1,280	-
Other current financial liabilities – 3rd p.ties	7,876	10,043
Total current financial debt	**108,763**	**141,798**
Net current financial debt	**58,845**	**111,760**
Other non-current financial assets – third parties	9,655	5,947
Other non-current financial assets – related party DMS**	-	21,685
Total non-current financial assets	**9,655**	**27,632**
Bank loans non-current	338,622	357,544
Liabilities from financial lease	165,298	63,144
Shareholders' financing	30,600	-
Other non-current financial liabilities – 3rd p.ties	4,998	5,469
Total non-current financial debt	**539,518**	**426,157**
Net non-current financial debt	**529,863**	**398,525**
Net financial indebtedness	**588,708**	**510,285**

* See Alternative Performance Measures on page 30

** Please refer to the disclosures on related parties in the notes to the consolidated Financial Statements

The balance of ***Total Current Financial Assets*** was US$ 49.9 million as at the end of December 2018. The total amount comprises Cash and cash equivalents of US$ 31.7 million, short-term financial receivables of US$ 1.1 million, US$ 14.7 million shareholder's loan to DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group) following management's decision to sell the two ships owned by the joint venture, and US$ 2.4 million relating to funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance (please refer to the disclosures on related parties in the notes to the consolidated Financial Statements) in respect of interest rate swap contracts (on January 1, 2018 this amount was reclassified from 'cash and cash equivalent' to 'current financial assets').

Total Non-current Financial Assets comprise mainly deferred losses on sale and lease back transactions.

The total outstanding bank debt (Bank loans) as at December 31, 2018 amounted to US$ 429.9 million, of which US$ 91.2 million is due within one year. Other than some short-term credit lines, DIS' debt as at December 31, 2018 comprises mainly the following long-term facilities granted to d'Amico Tankers d.a.c. (Ireland), the key operating company of the Group:

(i) US$ 279.0 million (originally US$ 250.0 million) term-loan facility granted by a pool of nine primary financial institutions (Crédit Agricole Corporate and Investment Bank, Nordea Bank, ING Bank, Banca IMI, Commonwealth Bank of Australia, Skandinaviska Enskilda Banken (SEB), The Governor and Company of the Bank of Ireland, Credit Industriel et Commercial, DnB), to refinance 8 existing vessels and provide financing for 6 new-building vessels, with an outstanding debt of US$ 167.7 million;

(ii) Intesa medium-term facility with an outstanding debt of US$ 15.0 million;

(iii) DnB NOR Bank 5 years term-loan facility to finance 1 MR vessel built in 2012, for a total outstanding debt of US$ 16.3 million;

(iv) ING 5 years term-loan facility to finance 1 MR vessel built in 2012, for a total outstanding debt of US$ 15.6 million;

(v) DnB NOR Bank 5 years term-loan facility to finance 1 MR vessel built in 2014, for a total outstanding debt of US$ 16.2 million;

(vi) ABN Amro 6 years term loan facility to finance 1 Handysize vessel built in 2014 for a total outstanding debt of US$ 14.9 million;

(vii) Banca IMI (Intesa Group) 7 years term-loan facility to finance 2 Handy-size vessels built respectively in 2015 and 2016 for a total outstanding debt of US$ 36.8 million;

(viii) Crédit Agricole CIB 4 years term-loan facility to finance 1 Handy-size vessel built in 2006 and purchased in 2015 for a total outstanding debt of US$ 6.8 million;

(ix) Monte dei Paschi di Siena 5 year term-loan facility to finance 1 LR1 vessel (delivered in November 2017), with an outstanding debt of US$ 24.1 million;

(x) Century Tokyo Leasing 6 years term-loan facility to finance 2 Handy-size vessel delivered respectively in July and October 2016 and 1 MR vessel delivered in January 2017, with an outstanding debt of US$ 61.6 million;

(xi) In addition, DIS' debt comprises also its portion of the bank loans of its joint venture 'Glenda International Shipping d.a.c.' with Credit Suisse and Cross Ocean AGG Company I (owned by Cross Ocean Partners), amounting to US$ 40.1 million, to finance the 6 Glenda International Shipping d.a.c. vessels, delivered between 2009 and 2011.

Liabilities for financial leases leases include the financial leases on M/T High Fidelity, M/T High Discovery, M/T High Priority, M/T High Freedom, M/T High Trust, M/T High Loyalty, and M/T High Trader, which were sold and leased back between 2017 and 2018.

Shareholders' loan comprises US$ 30.6 million long-term financing and US$ 1.3 million short-term financing granted by DIS' majority shareholder (d'Amico International S.A.).

Other Non-current financial liabilities include the negative fair value of derivative hedging instruments (interest rate swap agreements), accrued interest and financial fees.

Cash Flow

DIS' **Net Cash Flow for 2018 was positive, amounting to US$ 2.8 million**. vs. US$ (2.5) million in 2017. During the year, gross capital expenditures of US$ 101.5 million, were partially offset by US$ 21.9 million in proceeds from disposal of vessels and US$ 74.6 million positive financing cash flow.

US$ Thousand	2018	2017
Cash flow from operating activities	7,587	(11,308)
Cash flow from investing activities	(79,420)	(29,322)
Cash flow from financing activities	74,589	38,135
Change in cash balance	**2,756**	**(2,495)**
Cash and cash equivalents net of bank overdrafts at the beginning of the year*	**12,363**	**20,164**
Cash and cash equivalents	31,713	29,694
Bank overdrafts	(16,593)	(12,025)
Cash and cash equivalents net of bank overdrafts at the end of the year	**15,120**	**17,669**

* Please refer to note n.1 of the consolidated accounts

Cash flow from operating activities was positive, amounting to US$ 7.6 million in 2018 vs. US$ (11.3) million in 2017. The better result achieved in 2018 was mainly due to a reduction in working capital.

The net ***Cash flow from investing activities*** was US$ (79.4) million in 2018 vs. US$ (29.3) million in 2017. The 2018 amount comprises US$ (101.5) million in capital expenditures in connection with the installments paid on the new-building vessels under construction at Hyundai-Mipo (mainly due to the delivery of 1 LR1 vessel in Q1 2018 and 2 LR1 vessels in Q3 2018), as well as dry-dock expenses. The net investing cash flow includes US$ 21.9 million 'proceeds from the disposal of fixed assets' in relation to the sale of M/T High Presence in Q1 2018 and the sale of M/T Cielo di Milano in Q3 2018.

Cash flow from financing activities was positive, amounting to US$ 74.6 million in 2018 (US$ 38.1 million in 2017). This figure comprises mainly: (i) US$ (175.7) million in bank debt repayments (of which US$ 113.7 million were due to the sale of some financed vessels and to the refinancing of some bank facilities); (ii) US$ 111.8 million in bank loan drawdowns (of which US$ 31.9 million were in relation to the refinancing of a facility on two vessels in Q4 2018); (iii) US$ 104.2 million inception and amortization of financial leases; (iv) US$ 0.5 million movement in financial receivables and payables; (iv) US$ 31.9 million long-term financing granted by DIS' majority shareholder (d'Amico International S.A.); (v) US$ 2.4 million relating to funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance (please refer to the disclosures on related parties in the notes to the consolidated Financial Statements) in respect of interest rate swap contracts (on January 1, 2018 this amount was reclassified from 'cash and cash equivalent' to 'current financial assets').

Quarterly Results

Fourth Quarter results

US$ Thousand	**Q4 2018**	**Q4 2017**
Revenue	97,865	101,787
Voyage costs	(33,697)	(38,521)
Time charter equivalent earnings*	**64,168**	**63,266**
Time charter hire costs	(30,185)	(33,659)
Other direct operating costs	(20,200)	(21,347)
General and administrative costs	(4,118)	(4,374)
Result from disposal of vessels	18	(725)
EBITDA*	**9,683**	**3,161**
Depreciation, impairment and impairment reversal	(5,490)	(20,451)
EBIT*	**4,193**	**(17,290)**
Financial income	2,230	685
Financial (charges)	(10,961)	(7,691)
Share of profit (loss) of equity accounted investee	(1,349)	(7)
Impairment of financial assets	(7,526)	-
Profit / (loss) before tax	**(13,413)**	**(24,303)**
Income taxes	(513)	(196)
Net profit / (loss)	**(13,926)**	**(24,499)**

* See Alternative Performance Measures on page 30

Market and key operating measures review by Quarter*

	Q1	**Q2**	**Q3**	**Q4**	**FY**
Total vessel equivalent					
2018	**55.1**	**55.5**	**56.2**	**50.6**	**54.4**
2017	53.3	54.1	55.4	56.6	54.7
Off-hire days/available vessel days (%)					
2018	**0.6%**	**0.6%**	**1.7%**	**0.8%**	**0.9%**
2017	3.7%	1.9%	0.9%	1.4%	2.0%
TCE earnings per employment day (US$)					
2018	**13,446**	**11,818**	**10,680**	**12,892**	**12,184**
2017	14,412	12,851	12,977	12,459	13,150

* See Alternative Performance Measures on page 30

Financials by Quarter

The 2018 quarterly financials largely reflect the performance of freight markets during that period.

US$ Thousand	Q1	Q2	Q3	Q4	FY
Revenue	103,509	98,853	98,819	97,865	399,046
Voyage costs	(37,189)	(39,524)	(43,766)	(33,697)	(154,176)
Time charter equivalent earnings*	**66,320**	**59,329**	**55,053**	**64,168**	**244,870**
Time charter hire costs	(31,963)	(33,702)	(33,900)	(30,185)	(129,750)
Other direct operating costs	(20,549)	(21,518)	(19,305)	(20,200)	(81,572)
General and administrative costs	(3,960)	(4,140)	(3,978)	(4,118)	(16,196)
Other operating Income	238	14	(103)	18	167
EBITDA*	**10,086**	**(17)**	**(2,233)**	**9,683**	**17,519**
Depreciation, impairment and impairment reversal	(9,253)	(9,640)	(10,461)	(5,490)	(34,844)
EBIT*	**833**	**(9,657)**	**(12,694)**	**4,193**	**(17,325)**
Financial income	3,099	2,200	1,060	2,230	5,035
Financial charges	(7,331)	(9,095)	(10,463)	(10,961)	(34,296)
Share of profit (loss) of equity accounted investee	2	(3)	1,342	(1,349)	(8)
Impairment of financial assets	-	-	-	(7,526)	(7,526)
Profit / (loss) before tax	**(3,397)**	**(16,555)**	**(20,755)**	**(13,413)**	**(54,120)**
Income taxes	(201)	(67)	(199)	(513)	(980)
Net profit / (loss)	**(3,598)**	**(16,622)**	**(20,954)**	**(13,926)**	**(55,100)**

* See Alternative Performance Measures on page 30

The following table shows the Net Debt at the end of the fourth quarter 2018 compared with the figures at end of the third quarter of the same year:

US$ Thousand	As at 31 December 2018	As at 30 September 2018
Total current financial assets	49,919	30,990
Total current financial debt	108,763	135,077
Net current financial debt	**58,844**	**104,087**
Total non-current financial assets	9,655	27,750
Total non-current financial debt	539,518	511,653
Net non-current financial debt	**529,863**	**483,903**
Net financial indebtedness*	**588,707**	**587,990**

* See Alternative Performance Measures on page 30

Significant Events in the Year

In 2018 the main events for the d'Amico International Shipping Group were the following:

d'Amico Tankers d.a.c.:

- **'Time Charter-In' and 'Commercial management' Fleet:** In January 2018, the contract on M/T Carina, an MR vessel built in 2010 and time-chartered-in by d'Amico Tankers d.a.c. since 2013, was extended for a further 2 year period starting from May 2018, at a reduced rate.

  In January 2018, the time-charter-in contract on M/T Port Said, an MR vessel built in 2003, with d'Amico Tankers d.a.c. ended and the vessel was redelivered to her owners.

  In February 2018, the contract on M/T SW Cap Ferrat I, an MR vessel built in 2002 and time-chartered-in by d'Amico Tankers d.a.c. since 2015 and due to expire in December 2018, was extended for a further year, at a reduced rate.

  In April 2018, the time-charter-in contract on M/T Port Stewart, a Handy vessel built in 2003, with d'Amico Tankers d.a.c. ended and the vessel was redelivered to her owners.

  In May 2018, the contract on M/T High Power, an MR vessel built in 2004 and time-chartered-in by d'Amico Tankers d.a.c. since 2015 and due to expire in May 2018, was extended for a 12 month period, at a reduced rate.

  In May 2018, d'Amico Tankers d.a.c. time-chartered-in M/T High Navigator, a newbuilding MR vessel built in Japan Marine United Co. (Japan) for an 8 year period and M/T High Explorer, a newbuilding MR vessel built in Onomichi Dockyard (Japan) for an 8 year period with options to extend the contract.

  In June 2018, d'Amico Tankers d.a.c. time-chartered-in M/T High Leader, a newbuilding MR vessel built in Japan Marine United Co. (Japan), for an 8 year period.

  In July 2018, the contract on M/T Freja Baltic, an MR vessel built in 2008 and time-chartered-in by d'Amico Tankers d.a.c. since 2014 and due to expire in August 2018, was extended for a further 2 year period, at a reduced rate.

  In August 2018, the time-charter-in contract on M/T Silver Express, an MR vessel built in 2009, with d'Amico Tankers ended and the vessel was redelivered to her owners.

  In August 2018, the time-charter-in contracts on M/T High Beam, M/T High Current, M/T High Glow, M/T High Enterprise, M/T High Force, all expiring between August 2018 and October 2018, were extended for 1 to 3 more spot voyages. The original fixed hire rate was changed into a 'floating hire rate' based on the spot market earnings of each of the vessels. Therefore, DIS is effectively acting as commercial manager of these vessels, earning a 2% commission on all their gross revenues. As at year-end 2018 five vessels were participating in this new commercial scheme.

  In October 2018, the time-charter-in contract on M/T Citrus Express, an MR vessel built in 2006, with d'Amico Tankers d.a.c. ended and the vessel was redelivered to her owners. In the same month, the time-charter-in contract on M/T High Sun, an MR vessel built in 2014, with d'Amico Tankers ended and the vessel was redelivered to her owners (Eco Tankers Limited, in which DIS has a 33% shareholding).

  In November 2018, the management contract on M/T High Enterprise ended and the Vessel was redelivered to her owners.

  In December 2018, the time-charter-in contract on M/T High Pearl, an MR vessel built in 2009, with d'Amico Tankers d.a.c. ended and the vessel was redelivered to her owners.

- **'Time Charter-Out' Fleet:** In January 2018, a 3 year time-charter contract between d'Amico Tankers d.a.c. and an oil-major expired and the vessel is now employed on the spot market.

  In February 2018, d'Amico Tankers d.a.c. fixed one of its 'eco' MR vessels with an oil major for a 1 year time charter at a profitable rate.

  In March 2018, d'Amico Tankers d.a.c. extended a 6 month time charter contract with a leading trading house on one of its LR1 vessels for a 9 month period with a charterer's option for an additional 6 months, at a higher rate.

  In March 2018, d'Amico Tankers d.a.c. extended its time charter contracts with an oil major on three MR vessels. The first of these contracts was extended for 28 months at a profitable rate, with an option for a further 8 months; the second contract was extended for 12 months at a profitable rate, with an option for further 12 months; the third contract was extended for 32 months at a profitable rate, with an option for a further 6 months.

  In May 2018, d'Amico Tankers d.a.c. fixed one of its newbuilding 'eco' LR1 vessels expected to be delivered in Q3 2018, with a leading trading house, for a 9 month charter contract with a charterer's option for an additional 6 months.

  In August 2018, d'Amico Tankers d.a.c. extended its time charter contract with an oil major on one of its MR vessels for 12 months starting from September 2018. At the same time, d'Amico Tankers d.a.c. fixed two of its MR vessels on a time charter contract with the same oil major for 12 months, with an option for a further 12 months.

  In October 2018, d'Amico Tankers d.a.c. extended its time charter contract with a leading trading house on one of its LR1 vessels for 9 months starting from October 2018, with an option for a further 9 months.

In November 2018, d'Amico Tankers d.a.c. fixed one of its new LR1 vessels delivered in January 2019 with an oil major for a 2-year time-charter contract at a profitable rate, with a charterer's option for one additional year. In the same month, d'Amico Tankers d.a.c. extended its time charter contract with a leading trading house on another of its LR1 vessels for 6 months starting from February 2019, at a profitable rate.

In December 2018, d'Amico Tankers d.a.c.: i) extended its time charter contract with an oil-major on one of its MR vessels for 12 months starting from January 2019; ii) fixed two of its eco MR time-chartered-in vessels with a leading trading house for a 2-year time charter contract at a profitable rate with a charterer's option for one additional year; iii) fixed one of its eco MR owned vessels with an oil-major for a 4 year time charter contract at profitable rates.

- **Newbuilding vessels:** In January 2018, M/T Cielo di Rotterdam, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

  In January 2018, d'Amico Tankers d.a.c. agreed with Hyundai Mipo Dockyard Co. Ltd. (South Korea) to take delivery of the remaining LR1s under construction, as per the following approximate schedule: 1 vessel in January 2018, 2 vessels in July 2018 and the last 2 vessels in January 2019.

  In July 2018, M/T Cielo di Cagliari, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

  In August 2018, M/T Cielo Rosso, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

  In December 2018, d'Amico Tankers d.a.c. agreed with Hyundai Mipo Dockyard Co. Ltd. – South Korea – to postpone delivery of the last LR1 under construction from January 2019 to September 2019.

- **Vessel Sales and Sales-leasebacks:** In November 2017, d'Amico Tankers d.a.c. signed a memorandum of agreement for the sale of M/T High Presence, a 48,700 dwt medium-range product tanker vessel, built in 2005 by Imabari Shipbuilding Co. Ltd. (Japan), for a consideration of US$ 14.14 million. This transaction generated at delivery of the Vessel in Q1 2018, a positive net cash effect of around US$ 7.2 million for d'Amico Tankers, net of commissions and reimbursement of the vessel's existing loan, contributing to the liquidity required to complete DIS' fleet renewal program. At the same time, d'Amico Tankers will maintain the commercial employment of the vessels having also concluded with the buyer a 6 years' time-charter agreement at a competitive rate.

  In December 2017, d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Freedom, a 49,990 dwt medium-range product tanker vessel, built in 2014 by Hyundai Mipo (South Korea), for a consideration of US$ 28.0 million. This transaction allowed d'Amico Tankers to generate around US$ 13.4 million in cash in Q1 2018, net of commissions and reimbursement of the vessel's existing loan, contributing to the liquidity required to complete DIS' fleet renewal program. In addition, through this transaction d'Amico Tankers will maintain full control of the Vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the charter period. Furthermore, d'Amico Tankers has the option to repurchase the Vessel, starting from the second anniversary of her sale at a competitive cost of funds.

In July 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement for the sale of the M/T Cielo di Milano, a 40,081 dwt handy product tanker vessel, built in 2003 by Shina Shipbuilding, South Korea for a consideration of US$ 8.025 million. This transaction allows d'Amico Tankers to generate around US$ 2.4 million in cash, net of commissions and the reimbursement of the vessel's existing loan.

In July 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Trust, a 49,990 dwt medium-range product tanker vessel, built in 2016 by Hyundai-Mipo, South Korea, for a consideration of US$ 29.5 million. This transaction allows d'Amico Tankers to generate at the vessel's delivery around US$ 11.9 million in cash, net of commissions and the reimbursement of the vessel's existing loan. In addition, through this transaction d'Amico Tankers will maintain full control of the vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers has the option to repurchase the vessel, starting from the second anniversary of her sale at a competitive cost of funds.

In August 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Loyalty, a 49,990 dwt medium-range product tanker vessel, built in 2015 by Hyundai-Mipo, South Korea for a consideration of US$ 28.5 million. This transaction allows d'Amico Tankers to generate at the vessel's delivery around US$ 13.3 million in cash, net of commissions and the reimbursement of the vessel's existing loan. In addition, through this transaction d'Amico Tankers will maintain full control of the vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers has the option to repurchase the vessel, starting from the second anniversary of her sale at a competitive cost of funds.

In November 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Trader, a 49,990 dwt medium-range product tanker vessel, built in 2015 by Hyundai-Mipo, South Korea for a consideration of US$ 27.0 million. This transaction allows d'Amico Tankers d.a.c. to generate at the vessel's delivery around US$ 8.6 million in cash, net of commissions and the reimbursement of the vessel's existing loan. In addition, through this transaction d'Amico Tankers will maintain full control of the vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers d.a.c. has the option to repurchase the vessel, at any time starting from the second anniversary of her sale with three months notice at a competitive cost of funds.

d'Amico International Shipping:

- **Shareholders' Loan:** DIS has been constantly benefitting from the strong financial support of its controlling shareholder, d'Amico International S.A., which had loans outstanding to the Company of US$ 31.9 million as at the end of 2018, of which US$ 30.6 million fully subordinated to the rights and interests of any secured creditor. On June 26, 2018 ("Effective date"), d'Amico International Shipping (the "Borrower") signed a loan agreement with its controlling shareholder, d'Amico International (the "Lender"), as modified by the addendum of 14 December 2018. At the request of the Borrower, the Lender has agreed to make available to the Borrower a US$ long term loan of up US$ 40,000,000 (the "Facility"). The Facility maturity date will be the day following three (3) years from the Effective Date above (the "Maturity Date"), without prejudice to any earlier Maturity Date coinciding with the end of the Reimbursement Notice Period. Each Advance under the Facility shall carry an interest rate of 3 Months US$ LIBOR plus the applicable margin agreed at 2% p.a. The Borrower has the right to prepay partially or in whole any single advance or the whole outstanding amount at any time. In this case the amount prepaid will be available for future advances. The Lender can demand that part or the total amount outstanding under the Facility be reimbursed by the Borrower at any time with a notice of one year and one day (the "Reimbursement Notice Period"). If at the same time as asking for a reimbursement of the full amount outstanding, the Lender also asks for an early termination of the facility, the Maturity Date of the Facility will be the last day of the Reimbursement Notice Period.

- **Results of d'Amico International Shipping Warrants 2017-2022:** on July 2, 2018 DIS' share capital was increased following the end of the first exercise period of the "d'Amico International Shipping Warrants 2017 – 2022" (ISIN code LU1588548724). During this first exercise period n. 518,602 Warrants were exercised at the price of Euro 0.315 per ordinary share, resulting in the subscription of no. 518,602 Warrant Shares – on the basis of a ratio of one (1) Warrant Share, for each one (1) Warrant exercised – admitted to trading on the MTA market of Borsa Italiana S.p.A., without nominal value and with the same rights (including that to dividends) and features as DIS' ordinary shares outstanding (the "Warrant Shares"). Following such subscription, DIS' share capital was increased at US$ 65,373,392, represented by 653,733,920 ordinary shares without nominal value.

- **Resignation of Marco Fiori, Chief Executive Officer of the Company:** on October 23, 2018 Marco Fiori, CEO and Director of d'Amico International Shipping S.A., announced to the Board of Directors his intention to resign for personal reasons, his resignation to be effective from January 1st, 2019.

- **Appointment of Paolo d'Amico as the new Chief Executive Officer of the Company:** On November 8, 2018, d'Amico International Shipping S.A. Board of Directors granted all of the powers of the resigning CEO of DIS to Mr. Paolo d'Amico January 1st, 2019.

- **Results of d'Amico International Shipping Warrants 2017-2022: on December 28, 2018 DIS' share capital** was increased following the end of the second additional exercise period of the "d'Amico International Shipping Warrants 2017 – 2022" (ISIN code LU1588548724). During this second additional exercise period n. 24,105 Warrants were exercised at the price of Euro 0.328 per ordinary share, resulting in the subscription of no. 24,105 Warrant Shares – on the basis of a ratio of one (1) Warrant Share, for each one (1) Warrant exercised – admitted to trading on the MTA market of Borsa Italiana S.p.A., without nominal value and with the same rights (including that to dividends) and features as DIS' ordinary shares outstanding (the "Warrant Shares"). Following this subscription, DIS' share capital was increased to US$ 65,375,802.50, represented by 653,758,025 ordinary shares without nominal value.

Significant Events since the End of the Period and Business Outlook

d'Amico International Shipping:

- **Board of Directors Meeting Meeting:** On February 8, 2019, d'Amico International Shipping S.A. convened the extraordinary general meeting of shareholders of the Company to be held on 11 March 2019 ("EGM"). The board of directors of the Company (the "Board of Directors") proposed to the EGM to increase the authorised corporate capital by 750,000,000 shares to 1,750,000,000 shares with the intention, subject to the approval of the EGM and to market conditions, to execute in the weeks following the EGM a Capital Increase respecting the following conditions.

  i) amount of up to USD 60 million;

  ii) Theoretical ex-rights price ("TERP") discount of up to 25%.

- **Shareholders' Extraordinary General Meeting:** On March 11, 2019, the Extraordinary General Meeting of DIS resolved:

  I) to approve the proposed reduction of the accounting value of each share of the issued share capital of the Company from its former amount of USD 0.10 per share to now USD 0.05 per share without cancellation of any shares in issue nor repayment on any share nor off-setting of any losses as proposed by the Board of Directors in the explanatory report published on 8 February 2019 and available to Shareholders in the Corporate Governance section of the Company's website (**www.damicointernationalshipping.com**);

  II) to consequently reduce the amount of the issued share capital from its former amount of USD 65,375,802.50 to USD 32,687,901.25, allocating the amount resulting from the reduction to a special capital account (apport en capitaux propres non rémunéré par des titres), which is part of the premium accounts of the Company;

  III) to set the authorised corporate capital, including the issued share capital, at a total amount of USD 87,500,000 divided into 1,750,000,000 shares with no nominal value, approving the related proposed amendment to DIS' Articles of Association, and

  IV) to renew, with immediate effect and for a period of five years from today, the authorisation of the Board of Directors to increase the capital in one or several tranches within the limits of the amended authorised capital, as well as the authorisation of the Board of Directors to limit or cancel, in full or partially, the preferential subscription rights of the existing shareholders.

On 18th March 2019 DIS announced that during this extraordinary exercise period, no Warrants were exercised. Consequently, DIS' share capital remained unchanged at US$ 32,687,901.25 divided into 653,758,025 shares with no nominal value.

d'Amico Tankers d.a.c.:

- **Newbuilding vessels:** In January 2019, M/T Cielo di Houston, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

- **First Japanese Operating Lease Transaction:** In January 2019, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T Cielo di Houston, a 75,000 dwt LR1 product tanker vessel built by Hyundai-Mipo, South Korea (at their Vinashin facility in Vietnam) and delivered in January 2019. The vessel was sold for a consideration of US$ 38.6 million. This transaction allowed d'Amico Tankers to generate around US$ 10.2 million in cash, net of commissions and additional costs, relative to financing the vessel though the previously committed loan facility.

In addition, through this transaction d'Amico Tankers maintained full control of the Vessel, since a 10.2-year bareboat charter agreement was also concluded with the buyer. Furthermore, d'Amico Tankers has the option to repurchase the vessel, after approximately 5 years and after approximately 7 years of the charter period, at a competitive cost of funds.

- **'Time Charter-In' and 'Commercial management' Fleet:** In January 2019, the time-charter-in contract on M/T Freja Hafnia, an MR vessel built in 2006, expired and d'Amico is now acting as commercial manager of the vessel, earning a 2% commission on her gross revenues. In the same month, the management contract on M/T High Beam ended and the Vessel was redelivered to her owners.

  Between February and March 2019, the management contracts on M/T High Current, M/T High Force and M/T High Glow ended and these vessels were redelivered to their owners.

- **Vessel Sale:** In February 2019, DIS announced that DM Shipping d.a.c., a joint venture with the Mitsubishi Group, in which d'Amico Tankers d.a.c. holds a 51% participation, signed a memorandum of agreement for the sale of the M/T High Strength, a 46,800 dwt MR product tanker vessel, built in 2009 by Nakai Zosen Corporation, Japan for a consideration of US$ 16.4 million. The Vessel will continue its current time-charter out contract with d'Amico Tankers d.a.c. until October 2019. This transaction allows DM Shipping to generate around US$ 12.3 million in cash, net of commissions and reimbursement of the Vessel's existing loan.

The profile of d'Amico International Shipping's vessels on the water is summarized as follows.

	As at 31 December 2018				As at 2 March 2019 UNREVIEWED			
	LR1	MR	Handysize	**Total**	LR1	MR	Handysize	**Total**
Owned	4.0	13.0	7.0	**24.0**	4.0	13.0	7.0	**24.0**
Bareboat chartered*	0.0	7.0	0.0	**7.0**	1.0	7.0	0.0	**8.0**
Long-term time chartered	0.0	15.5	0.0	**15.5**	0.0	15.5	0.0	**15.5**
Short-term time chartered	0.0	2.0	1.0	**3.0**	0.0	1.0	1.0	**2.0**
Total	**4.0**	**37.5**	**8.0**	**49.5**	**5.0**	**36.5**	**8.0**	**49.5**
Commercial Agreement [15]	0.0	4.0	0.0	**4.0**	0.0	2.0	0.0	**2.0**

* with purchase obligation

[15] In August 2018, the time-charter-in contracts on M/T High Beam, M/T High Current, M/T High Glow, M/T High Enterprise, M/T High Force, all expiring between August 2018 and October 2018, were extended for 1 to 3 more spot voyages. The original fixed hire rate was changed into a 'floating hire rate' based on the spot market earnings of each of the vessels. Therefore, d'Amico is effectively acting as commercial manager of these vessels, earning a 2% commission on all their gross revenues.

Business Outlook

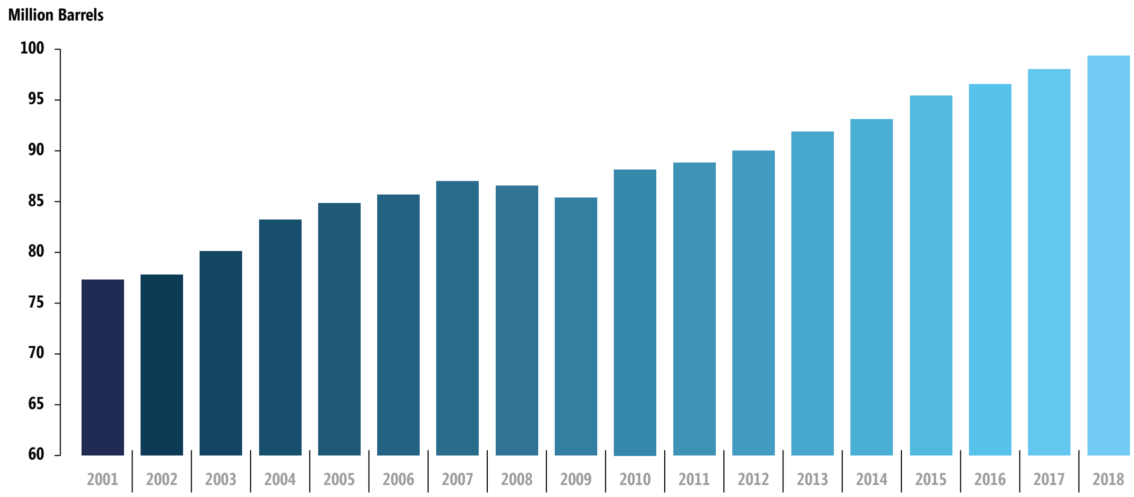
According to the IMF in their latest World Economic Outlook ("WEO") of January 2019, the global expansion has weakened, driven by a slowdown in particular in some countries in Europe and Asia. Despite this, healthy global growth of 3.7% is estimated for 2018, in-line with their previous forecast of October 2018. The global economy is projected to grow at 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage points below last October's projections. The global growth forecast for 2019 and 2020 had already been revised downward in the last WEO, partly because of the negative effects of tariff increases enacted in the United States and China earlier that year. The further downward revision since October partly reflects carry over from softer momentum in the second half of 2018 – including in Germany following the introduction of new automobile fuel emission standards and in Italy where concerns about sovereign and financial risks have weighed on domestic demand – but also weakening financial market sentiment.

The International Energy Agency's (IEA) latest estimate for crude oil demand growth in 2018 is unchanged. Growth in Q4 2018 is estimated to have been robust, at 1.4 million b/d year-on-year, and for 2018 as a whole growth was estimated at 1.3 million b/d; China (0.44 million b/d), India (0.21 million b/d) and the US (0.54 million b/d) contributed 1.19 million b/d of the total. Growth in demand in 2019 is expected to be 1.4 million b/d, also unchanged from their last report. It is supported by lower prices and the start-up of petrochemical projects in China and the US. Slowing economic growth will, however, limit any upside.

Q1 2019 rate levels have corrected since the uptick in Q4 2018. Mainly as a result of reduced imports into West Africa and reduced exports from the United States. Month-on-month exports from the US have declined 1 million b/d by mid-February. A number of newbuilding VLCCs and Suezmaxes have been fixed for distillates from Asia to the Western hemisphere hampering arbitrage opportunities for product tankers. According to Clarksons, in the product tanker sector, dwt demand growth is projected to improve to 3.0% in 2019, supported by the return of some Asian arbitrage opportunities and possible inventory building.

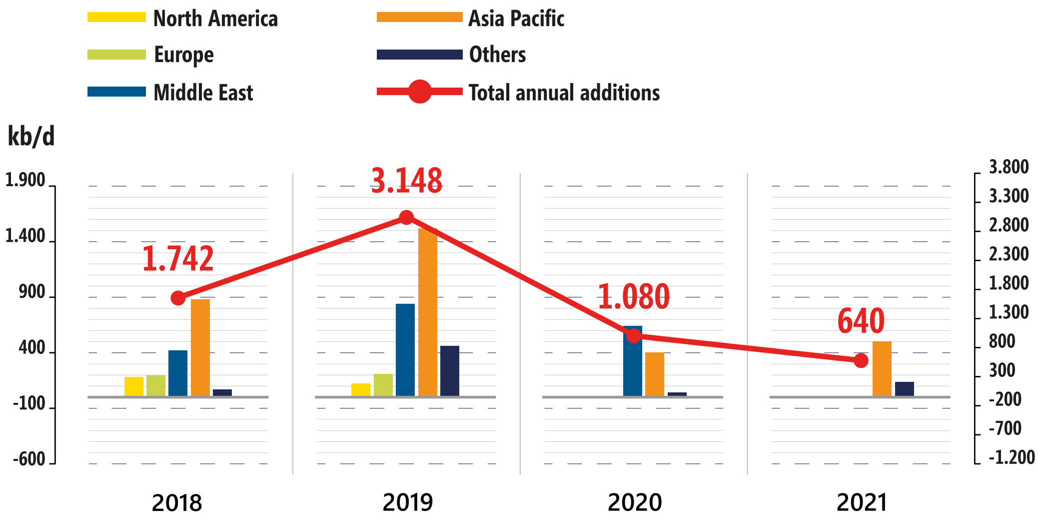
The key drivers that should affect the product tanker freight markets and d'Amico International Shipping's performance are (i) global oil supply (ii) the crude oil price and refinery margins (iii) demand for refined products and (iv) the product tankers fleet growth rate. Some of the factors that could drive a recovery in the product tanker market in the medium-term are detailed below:

Crude Oil Demand (million barrels per day) Since 2001



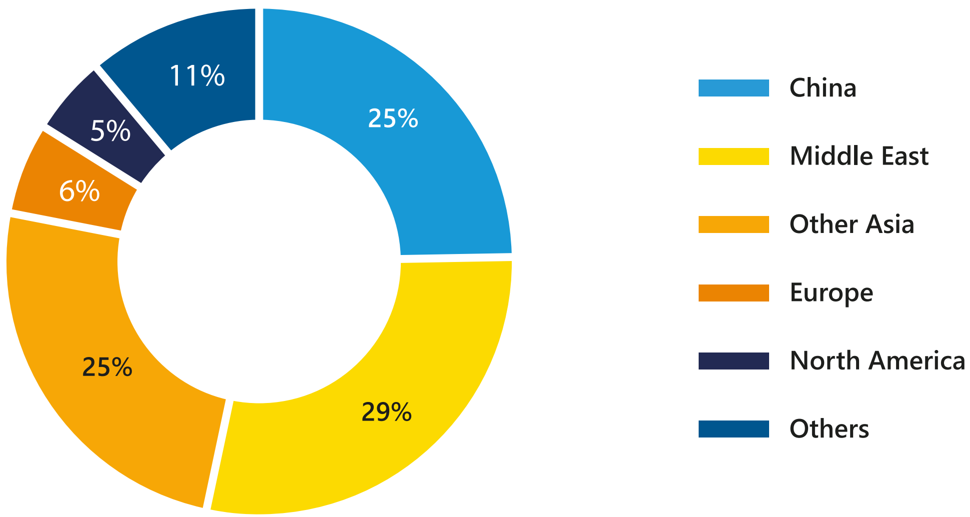
Source: IAE Oil market report Feb 2019, annual statistical supplement 2018

Capacity addition by region 2018-2021



Source: Clarksons Research Services, Feb'19, Clarksons Oil & Tanker Trades Outlook – Feb'19, and BP Statistical Review of World Energy 2018

Refinery growth 2017-2022

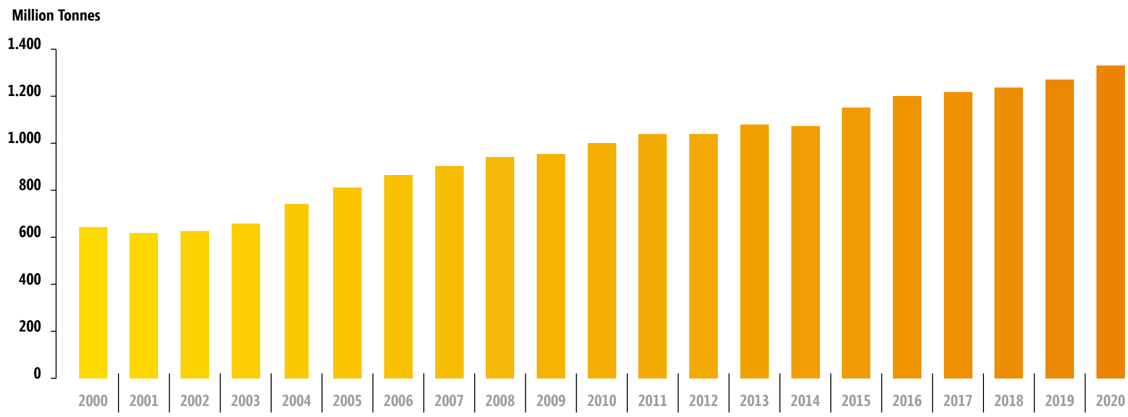


Source: Clarksons Research Services, Feb'19, Clarksons Oil & Tanker Trades Outlook – Feb'19, and BP Statistical Review of World Energy 2018

Product Tanker Demand

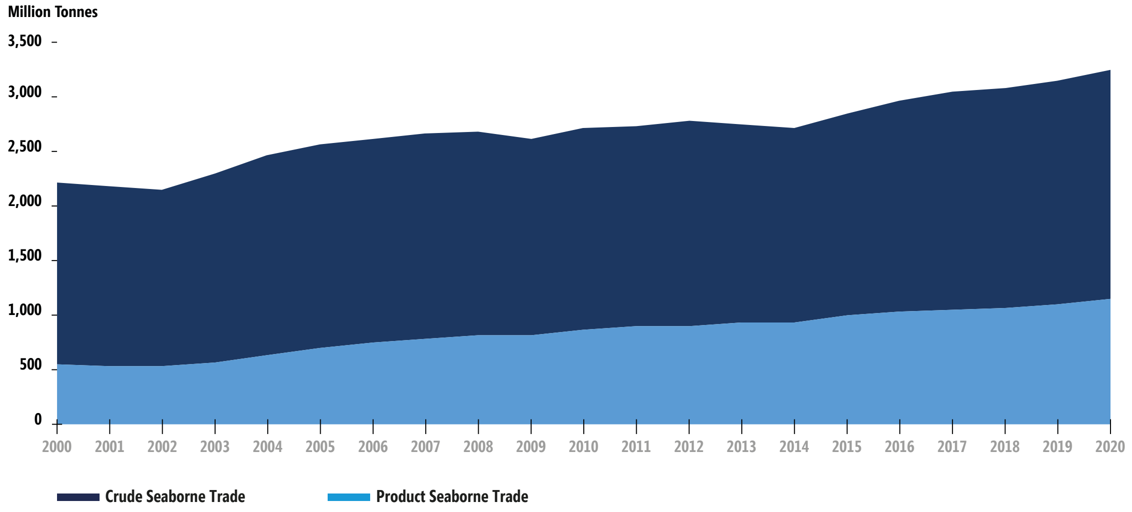
- The IEA have maintained their forecast for oil demand growth at 1.4 million b/d. It is supported by lower prices and the start-up of petrochemical projects in China and the US. Slowing economic growth will, however, limit any upside;
- According to Clarksons, in the product tanker sector dwt demand growth is projected to improve to 3.5% in 2019, supported by the return of some Asian arbitrage opportunities and possible inventory building;
- According to the IEA's January 2019 report, global refiners will add 2.6m b/d of primary processing capacity in 2019. That's the biggest annual increase in the agency's records, though some of the capacity may not start commercial operations until 2020;
- China will account for 1.4 million b/d of 2019's new capacity, with runs forecast to increase by 450,000 b/d versus 600,000 b/d last year. China and the Middle East remain the largest sources of incremental refining activity;
- With these significant refinery capacity additions planned in the Middle East next year, products shipments from the region are expected to continue to expand firmly, by 10% year-on-year (Clarksons);
- Asian products exports, which were soft in 2018, are currently expected to expand by a healthy 4% in 2019 (Clarksons), with shipments projected to grow from a broad range of countries in the region;
- The International Maritime Organisation (IMO) has mandated that from 2020 vessels are to use marine fuels with less than 0.5% sulphur content outside the Emissions Control Areas (ECA), down from the current limit of 3.5%. Changes in this regulation is likely to lead to a surge in demand for very-low sulphur distillates and gasoil. It is expected to affect products trade patterns, regional refinery runs, storage patterns, and vessel productivity, although uncertainty remains over the extent of the potential impact.

World Seaborne Refined Products Trade



Source: Clarkson Research Services as at Feb'19

Product share of Oil Seaborne Trade

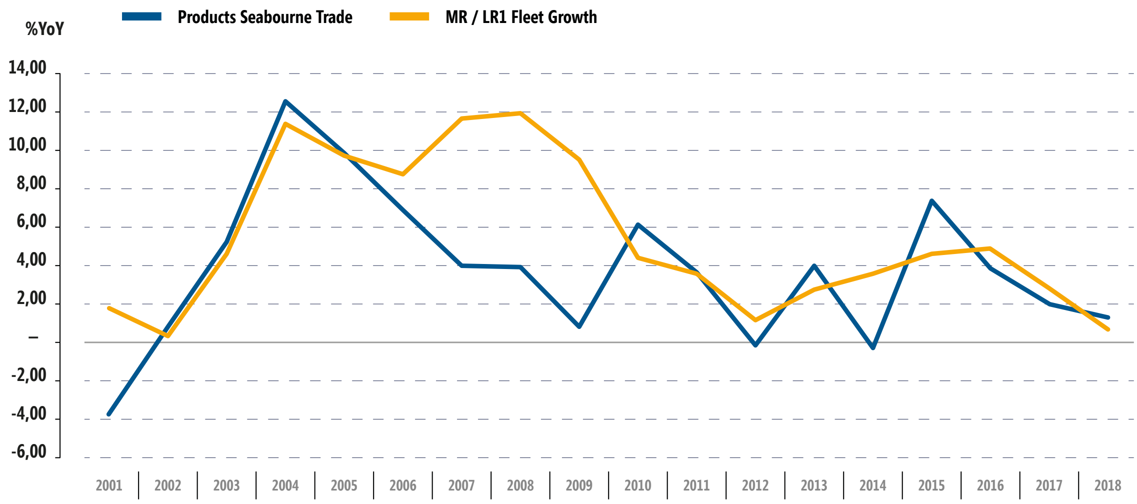


Source: Clarkson Research Services as at Feb'19

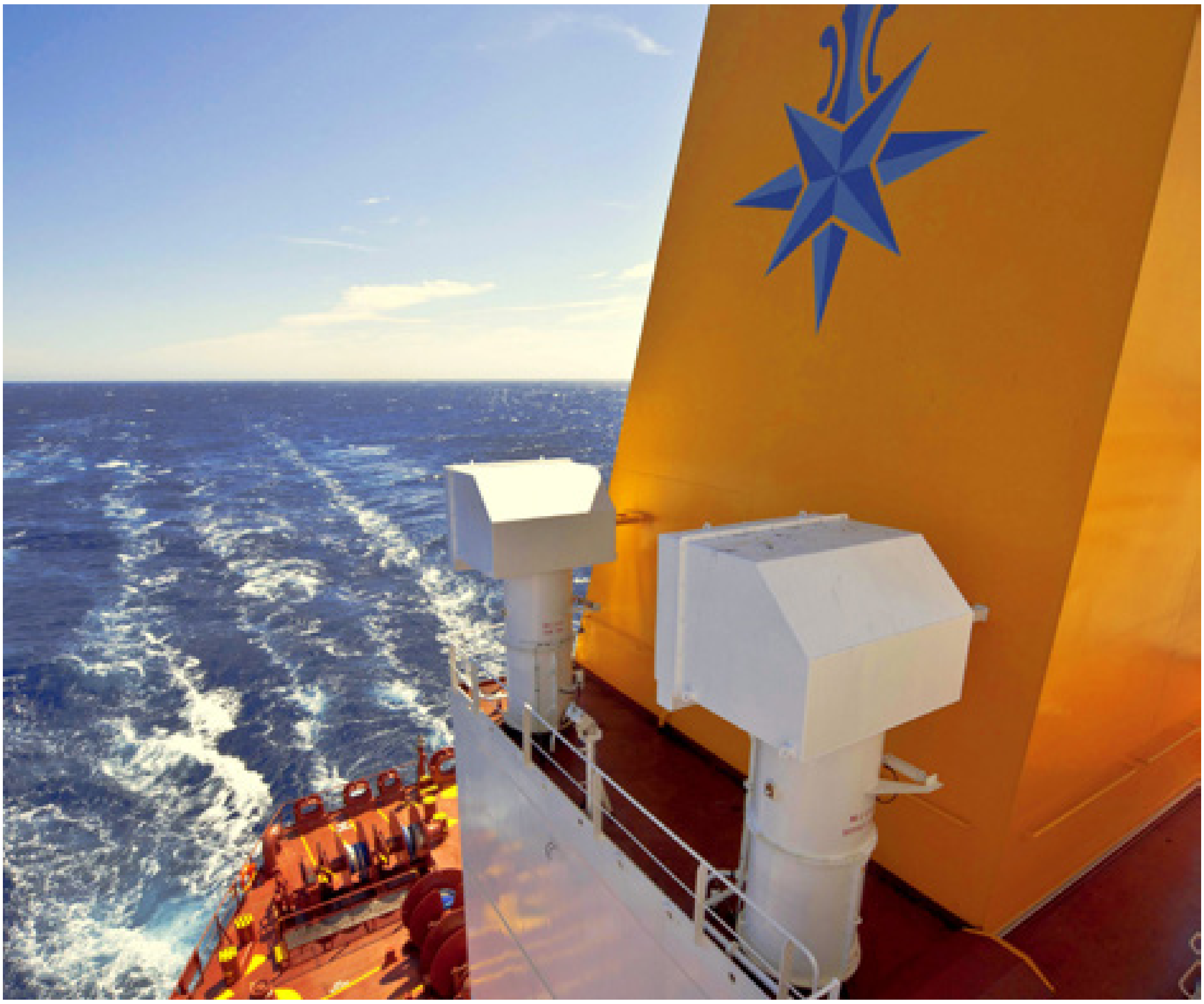
Product Tanker Supply

- At the end of last year, according to Clarksons 74 MRs were scheduled to be delivered in 2018. However, actual MR deliveries were of only 56 vessels;
- According to Clarksons 16 LR1s were scheduled to be delivered in 2018, with actual deliveries amounting to 13 vessels;
- In 2018, 46 MRs and 7 LR1s had been sold for demolition, resulting in an annual fleet growth for these two size of only 0.8% and 1.7%, respectively;
- Around 5% of the MR and LR1 fleet currently on the water (on a dwt basis) is older than twenty years;
- Shipyards are going through a period of uncertainty. Lack of orders and poor returns are leading to a reduction in global shipyard capacity;
- Scrapping coupled with a subdued order book and limited newbuilding ordering should result in low fleet growth over the next two years;
- The International Maritime Organisation's (IMO) mandate that from 2020 vessels use marine fuels with less than 0.5% sulphur content, could result in older less efficient ships being removed from trading as they become uncompetitive and are forced to burn the more expensive low sulphur fuels;
- Compliance with the IMO 2020 regulations can also be achieved through the installation of scrubbers on-board. Dry-docks required for such installations will when possible coincide with special surveys, but would result in longer off-hire periods and reduce the effective supply of vessels;
- Port delays and any increase in the length of voyages, as more cargoes are exported from the Middle East, could reduce the ready supply of tonnage.

Growth in Seaborne Volumes of Refined Products vs Growith in the MR and LR1 Fleet



Source: Clarkson Research Services as at Feb'19



d'AMICO INTERNATIONAL SHIPPING GROUP
CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2018

Consolidated Income Statement

US$ Thousand	Note	2018	2017
Revenue	(3)	399,046	390,971
Voyage costs	(4)	(154,176)	(133,534)
Time charter equivalent earnings *	**(5)**	**244,870**	**257,437**
Time charter hire costs	(6)	(129,750)	(126,664)
Other direct operating costs	(7)	(81,572)	(80,370)
General and administrative costs	(8)	(16,196)	(15,482)
Result from disposal of vessels	(9)	167	1,917
EBITDA *		**17,519**	**36,838**
Depreciation, impairment and impairment reversal	(14)	(34,844)	(48,266)
EBIT *		**(17,325)**	**(11,428)**
Financial income	(10)	5,035	2,419
Financial (charges)	(10)	(34,296)	(28,379)
Profit share of equity accounted investee	(11)	(8)	85
Impairment of financial assets	(12)	(7,526)	-
Profit/ (loss) before tax		**(54,120)**	**(37,303)**
Tax	(13)	(980)	(780)
Net profit / (loss)		**(55,100)**	**(38,083)**
Basic earnings per share in US$ (1)		**(0.085)**	**(0.075)**

*see Alternative Performance Measurements on page 30

Consolidated Statement of Other Comprehensive Income

US$ Thousand	2018	2017
Profit / (loss) for the period	(55,100)	(38,083)
Movement of valuation of Cash flow hedges	(633)	2,456
Movement in conversion reserve	(136)	253
Total comprehensive result for the period	**(55,869)**	**(35,374)**
Basic comprehensive income / (loss) per share in US$ (1)	(0.086)	(0.070)

The notes from page 61 to 112 form an integral part of these consolidated financial statements.

(1) Basic earnings per share (e.p.s.) in 2018 was calculated on an average number of 645,714,080 outstanding shares, while in 2017 was calculated on an average number of 508,653,542 outstanding shares. There was no dilution effect either in 2018 or in 2017 earnings per share.

Consolidated Statement of Financial Position

US$ Thousand	Note	As at 31 December 2018	As at 31 December 2017
ASSETS			
Property, plant and equipment	(14)	911,281	792,851
Investment in jointly controlled entities	(15)	3,228	3,269
Other non-current financial assets	(16)	9,655	27,632
Total non-current assets		**924,164**	**823,752**
Assets held for sale	**(17)**	**-**	**77,750**
Inventories	(18)	13,492	15,495
Receivables and other current assets	(19)	52,163	66,200
Other current financial assets	(16)	18,205	344
Cash and cash equivalents	(20)	31,713	29,694
Total current assets		**115,573**	**111,733**
Total assets		**1,039,737**	**1,013,235**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	(21)	65,376	65,322
Retained earnings (accumulated losses)	(21)	(30,270)	26,389
Other reserves	(21)	302,237	302,721
Total shareholders' equity		**337,343**	**394,432**
Banks and other lenders	(22)	338,622	357,544
Liabilities from financial leases	(23)	165,298	63,144
Shareholders' long-term loan	(24)	30,600	-
Other non-current financial liabilities	(26)	4,998	5,469
Total non-current liabilities		**539,518**	**426,157**
Banks and other lenders	(22)	91,238	128,488
Liabilities from financial leases	(23)	8,369	3,267
Shareholders' short-term financing	(24)	1,280	-
Payables and other current liabilities	(25)	54,013	50,811
Other current financial liabilities	(26)	7,876	10,043
Current tax payable	(27)	100	37
Total current liabilities		**162,876**	**192,646**
Total shareholders' equity and liabilities		**1,039,737**	**1,013,235**

March 20, 2019

Paolo d'Amico, Chairman

Antonio Carlos Balestra di Mottola, Chief Financial Officer

The notes from page 61 to 112 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

US$ Thousand	2018	2017
Loss for the period	**(55,100)**	**(38,083)**
Depreciation, amortisation and impairment	39,789	48,266
Current and deferred income tax	979	780
Financial charges (income)	29,523	25,260
Unrealised foreign exchange result	(261)	700
Profit share of equity-accounted investment	8	(85)
Profit on disposal of fixed assets	(168)	(1,917)
Impairment of a financial asset v/ related party	7,526	-
Reversal of impairment	(4,945)	-
Cash flow from operating activities before changes in working capital	**17,351**	**34,921**
Movement in inventories	2,003	(2,639)
Change in contract assets	(3,267)	- *
Movement in amounts receivable	16,448	(25,220)
Movement in amounts payable	984	5,650
Taxes paid	(619)	(675)
Net interest (paid)	(20,045)	(23,620)
Movement in other financial liabilities	(5,450)	-
Movement in share option reserve	182	275
Net cash flow from operating activities	**7,587**	**(11,308)**
Acquisition of fixed assets	(101,485)	(80,102)
Proceeds from disposal of fixed assets	21,856	50,532
Disposal of equity-accounted investee ETL	-	132
Dividend from equity-accounted investee ETL	83	116
Movement in financing to equity accounted investee	126	-
Net cash flow from investing activities	**(79,420)**	**(29,322)**
Share capital increase	199	66,164
Other changes in shareholders' equity	(178)	252
Shareholders' financing	31,880	(10,001)
Movement in other financial receivables	3,900	-
Movement in other financial payables	(1,533)	(2,000)
Bank loan repayments	(175,690)	(127,258)
Bank loan draw-downs	111,770	58,098
Proceeds from disposal of assets subsequently leased back	117,211	54,469
Repayments of financial lease	(12,970)	(1,589)
Net cash flow from financing activities	**74,589**	**38,135**
Net increase/(decrease) in cash and cash equivalents	**2,756**	**(2,495)**
Cash and cash equivalents net of bank overdrafts at the beginning of the year**	12,363	20,164
Cash and cash equivalents net of bank overdrafts at the end of the year	**15,120**	**17,669**
Cash and cash equivalents	31,713	29,694
Bank overdrafts	(16,593)	(12,025)

* The Company avails itself from the practical expedient in IFRS 15 and does not disclose the movement in contract assets referring to comparative periods of 2017.

** Please refer to note 1 – Collateral amount – impact of reclassification.

Financing activities not requiring the use of cash are reconciled within note 28.

The notes from page 61 to 112 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity

US$ Thousand	Share Capital	Retained Earnings	Share Premium	Other Reserves		Total
				Other	Cash-Flow hedge	
Balance as at 1 January 2018	**65,322**	**26,389**	**316,594**	**(14,837)**	**964**	**394,432**
IFRS15 adjustment	-	(1,559)	-	-	-	(1,559)
Balance as at 1 January 2018 adj.IFRS 15	**65,322**	**24,830**	**316,594**	**(14,837)**	**964**	**392,873**
Capital increase	54	-	146	-	-	200
Cost of issue	-	-	(43)	-	-	(43)
Share option cost	-	-	-	182	-	182
Total comprehensive income		(55,100)	-	(136)	(633)	(55,869)
Balance as at 31 December 2018	**65,376**	**(30,270)**	**316,697**	**(14,791)**	**331**	**337,343**

US$ Thousand	Share Capital	Retained Earnings	Share Premium	Other Reserves		Total
				Other	Cash-Flow hedge	
Balance as at 1 January 2017	**42,851**	**64,472**	**272,900**	**(15,365)**	**(1,492)**	**363,366**
Capital increase	22,471	-	44,826	-	-	67,297
Cost of issue	-	-	(1,132)	-	-	(1,132)
Share option cost	-	-	-	275	-	275
Total comprehensive income	-	(38,083)	-	253	2,456	(35,374)
Balance as at 31 December 2017	**65,322**	**26,389**	**316,594**	**(14,837)**	**964**	**394,432**

The notes from page 61 to 112 form an integral part of these consolidated financial statements

Notes

d'Amico International Shipping S.A. (the "Company", DIS) a Sociéte Anonyme, was incorporated under the laws of the Grand-Duchy of Luxembourg on 9 February 2007; its statutory seat is in Luxembourg. The ultimate parent company of the Group is d'Amico Societa' di Navigazione.

The financial statements of d'Amico International Shipping Group are prepared in accordance with International Financial Reporting Standards (IFRS – International Financial Reporting Standards and IAS – International Accounting Standards) as issued by the 'IASB' (International Accounting Standards Board) and adopted by the European Union. The designation 'IFRS' also includes all 'IAS', as well as all interpretations of the International Financial Reporting Interpretations Committee 'IFRIC', formerly the Standing Interpretations Committee 'SIC' as adopted by the European Union. The consolidated financial statements are prepared on the basis of historic cost convention, with the exception of certain financial assets and labilities, which are stated at fair value through profit or loss or Other comprehensive income for the effective portion of the hedges.

The financial statements are presented in U.S. Dollars, being the functional currency of the Company and its principal subsidiaries. Rounding is applied to the nearest thousand.

1. ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied, are set out below.

Basis of Consolidation

The financial statements present the consolidated results of the parent company, d'Amico International Shipping S.A., and its subsidiaries for the year ended 31 December 2018.

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date the control ceases.

The assets and liabilities of the parent and subsidiary companies are consolidated on a line-by-line basis and the carrying value of the investments held by the parent company and other consolidated subsidiaries is eliminated against shareholders' equity. Intra-group balances and transactions, and gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements, as well as unrealized gains and losses from intra-group operations. Non-controlling interests and net profit attributable to minorities, if any, are listed separately from the Group's equity, on the basis of the percentage of net Group assets they possess.

Joint Arrangements

Jointly controlled entities are enterprises over whose activities the Group has joint control, as defined in IFRS11 – Joint Arrangements. The accounting treatment is dependent on the type of joint arrangement, which is determined by considering the rights and obligations of the investor. The consolidated financial statements include the assets and liabilities, revenue and costs of joint operations on a proportional basis, based on the Group's share; the joint ventures are accounted for using the equity method: the Group's share of the investee's profit or loss is recognized in the Consolidated income statement; distributions received from an investee reduce the carrying amount of the investment; post-acquisition movements in Other comprehensive income/(loss) are recognized in Other comprehensive income/(loss) with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of the losses of a joint venture or associate exceeds the Group's interest in that joint venture or associate, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss) of associates in the income statement.

To comply with the application of IFRS 11, the Group previously assessed and subsequently confirmed its control on structure, legal form, terms of the contractual arrangements and other facts and circumstances of the joint arrangements; as a result, Glenda International Shipping (GIS) and High Pool Tankers Limited (HPT), will be treated as joint operations and consolidated proportionally line-by-line; while the investment in DM Shipping (DMS) and Eco Tankers Ltd (ETL) will be treated as Joint Ventures and the equity method of accounting will be applied

Foreign currencies

Most of the Group's revenues and costs are denominated in U.S. Dollar, which is the functional currency of the Group. Transactions during the year in currencies other than U.S. Dollar have been translated at the appropriate rate ruling at the time of the transactions. Monetary assets and liabilities denominated in currencies other than the U.S. Dollar have been translated into U.S. Dollar at the rate ruling at the financial position date. All exchange differences have been accounted for in the income statement. For non-monetary assets, please refer to Critical accounting judgements, further on disclosed.

In the consolidated financial statements, the income statements of subsidiaries, which do not report in U.S. Dollar, are translated at the average exchange rate for the period (if no significant fluctuations occur), whereas statement of financial position items are translated at the exchange rates at the financial position date. Exchange differences arising on the translation of financial statements into U.S. Dollar are recognized directly in other comprehensive income.

Critical accounting judgments and key estimates

The preparation of the financial statements requires Directors to make accounting estimates and in some cases assumptions in the application of accounting principles. The Management decisions are based on historical experience as well as on expectations associated with the realization of future events, considered reasonable under the circumstances. Critical accounting estimates and judgments are exercised in all areas of the business and are reviewed on an ongoing basis. The key areas where this applies are listed below.

Vessel carrying values.
The carrying value of vessels may significantly differ from their market value. It is affected by the Management's assessment of the remaining useful lives of the vessels, their residual value and indicators of impairment. If the carrying value of vessels exceeds the recoverable amount then an impairment charge is recognized.

Demurrage revenues.
Demurrage revenues are recognized as part of the voyage over-time, in accordance with the terms and conditions of the charter parties, based on an estimate of the amount earned during the period on uncompleted voyages and represent the compensation estimated for the additional time incurred for discharging a vessel (please refer to Revenues' recognition policy further in the note).

Voyage expenses.
Voyage expenses on uncompleted voyages are estimated based on the historically recognised average expenses of the Group's standard completed voyages.

Tax liabilities.
The tax liabilities are calculated based on our tax situation as affected by the regulatory frameworks of the jurisdiction in which we operate. The liability for tax may be affected by changes in the treatment or assessment of trading income, freight tax, tonnage tax and value added tax.

Measurement of Fair Values.
The 'fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date at the current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of financial instruments is represented by market quotations or, in their absence, by the value resulting from the adoption of suitable financial valuation models which take into account all the factors adopted by the market operators and the prices obtained in similar actual transactions in the market.

For significant fair value measurement, quoted prices or broker information are obtained to support the valuations and valuation adjustments together with unobservable inputs are reviewed regularly for the classification of such valuations in the appropriate level of fair value. In the measurement of fair values market data are used to the farthest possible extent.

Three levels of inputs to the fair value valuation techniques are used to measure the fair values:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable directly or indirectly for the asset or the liability;
- Level 3 inputs are not observable from market data..

Should the inputs used to measure the fair value of an asset or a liability belong to different categories, then the fair value measurement is categorised entirely in the lowest and most significant fair value hierarchy basket. The transfer between levels of fair value hierarchy is recognised at the end of the reporting period during which the change has occurred.

Some of the following accounting policies require the measurement of fair values for financial and non-financial assets and liabilities. Further information about fair value calculation is found in note n.29.

Revenue recognition

Revenues are recognised according to IFRS 15; the standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard replaces IAS18 and IAS11, and relevant references in other standards, and the underlying principle of risks and rewards in IAS 18 is replaced with consideration of the timing for the transfer of control over goods or services.

All of DIS' revenues from contracts with its customers are recognised over time. The Group has disclosed in detail "spot voyages" within the Alternative Performance Measures: freight is paid at voyage completion, for moving cargo from the loading to the discharging port. Adoption of IFRS15 results, in comparison to IAS 18, in a postponement in the timing for recognition of revenue on voyage charters, with a change from a "discharge-to-discharge basis" to a "load-to-discharge basis", resulting in a later recognition of these revenues; under IFRS 15, costs incurred in positioning the tanker to the load port shall be capitalised as contract costs and amortised as revenue is recognised, that is the cost of moving the vessel from the last discharge port to the next load port ('ballast cost') is capitalized at the end of the ballast voyage and amortised during the next laden voyage, from the load port to the discharge port.

All freight revenues from vessels are recognized on a percentage of completion basis. The load-to-discharge basis is used in determining percentage of completion for all spot voyages and voyages servicing contracts of affreightment (COAs). Under this method, the freight revenue is recognized over the period from the departure of a vessel from its original load port to the next discharge port ('load-to-discharge').

For voyages in progress at the end of a reporting period the Group recognizes a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the financial position date. The estimate of revenue is based on the expected duration and destination of the voyage. Revenues from time charter contracts are recognized on a pro-rata tempora basis over the rental periods of such charters, as service is performed.

Demurrage revenues
Freight contracts contain conditions regarding the amount of time available for loading and discharging of the vessel. Demurrage revenues, recognized over time, represent the compensation estimated for the additional time incurred for discharging a vessel. Demurrage revenue is an additional variable consideration, whose contingent amount is estimated; any allowance will fall under IFRS 9 requirements and will therefore be separately accounted for.

IFRS 15 standard application is based around five steps in recognising revenue:

1) Identification of the contract;

2) Identification of the performance obligations in the contract: it was observed that an impact would only arise on the Spot contract revenues for Transport of refined petroleum products from its loading port to its discharge port; implementation of IFRS 15 does not impact time-charter revenues as it falls under another standard;

3) Determine the transaction price: on Spot voyages, which are performed through voyage charter contracts, transaction prices are equivalent to the product of spot freight rates and the quantity of goods transported, at the time of closing of the transaction. Demurrage is an additional sum payable by the charterer, which arises when the vessel takes longer than stipulated in the voyage charter contract, to load and/or discharge the cargo; no financing element is present in the contract therefore the Company does not make use of the practical expedient allowed by the standard;

4) Allocate the transaction price to the performance obligation: Allocation is based on a load-to-discharge basis.

5) Recognition of revenue when a performance obligation is satisfied: Recognition of revenues is based on a load to discharge basis. Revenue is recognised over the time based on the duration of the spot voyage. Recognition of variable consideration: demurrage revenues is considered a variable consideration, and is dependent on the demurrage rate and agreed delay; the performance is invoiced at the discharging port;
The standard also provides specific principles to apply, when there is a contract modification, accounting for contract costs and accounting for refunds and warranties: The repositioning is required for the vessel to satisfy its performance obligation (with no additional benefit from such voyage). Repositioning costs can be capitalised prior to loading if they meet all of the following three conditions: 1. They relate directly to a contract; 2. They generate or enhance resources to be used in meeting obligations under the contract; 3. They are expected to be recovered.

Voyage costs and other direct operating costs

Voyage costs (Port expenses, canal passage, bunker fuel consumption and commissions) are incurred in connection with the employment of the fleet on the spot market and under COAs (contracts of affreightment) and are recognized over the time according to the matching principle of IFRS15.

Time Charter hire rates incurred for chartering in vessels are charged to the income statement on an accruals basis. Vessel operating costs such as crew, repairs, spares, stores, insurance, commercial fees and technical fees are charged to the income statement as incurred. The cost of lubricants is based on the consumption in the period.

General and administrative costs

Administrative expenses, which comprise administrative staff costs, management fees, office expenses and other expenses relating to administration, are expensed as incurred.

Financial income and charges

Financial income and charges include interest, realized and unrealized exchange rate differences relating to transactions in currencies other than the functional currency, and other financial income and charges, including value adjustments of certain financial instruments not accounted for as hedging instruments. Interest is recognized in accordance with the accrual basis of accounting using the effective interest method.

Taxation

The current taxation of the holding company d'Amico International Shipping S.A. and certain subsidiaries (service companies) is based on taxable income for the year using local tax rates that have been enacted at the financial position date. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not subject to tax or are not deductible.

The key operating company of the Group, d'Amico Tankers d.a.c. (Ireland) as well as DM Shipping d.a.c. (Ireland) and Glenda International Shipping d.a.c. (Ireland) are taxed under the Irish Tonnage Tax regime in respect of all eligible activities. Under the tonnage tax regime, the tax liability is not calculated on the basis of income and expenses as under the normal corporate taxation, but is based on the controlled fleet's notional shipping income, which in turn depends on the total net tonnage of the controlled fleet. The tonnage tax charge is included within the income tax charge in the Consolidated Income Statement. For all of the Irish activities, which fall outside tonnage tax, income tax expense represents the tax charge based on the result for the year adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates enacted or substantially enacted at the financial position date.

Deferred tax, if any, represents tax the group is expecting to pay or recover on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit. It is accounted for using the financial position liability method. Liabilities relating to deferred tax are generally recognized for all taxable temporary differences. Assets relating to deferred tax are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The carrying amounts of deferred tax assets are reviewed at each financial position date and reduced in the event that it is not considered probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the applicable tax rates during the period when liability is settled or the asset realized. It is charged or credited in the income statement, unless it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also accounted for in other comprehensive income.

Fixed assets (Fleet)

Vessels

The owned vessels are measured in the statement of financial position at cost less accumulated depreciation and any impairment loss. Cost includes the acquisition cost of the vessels as well as other costs which are directly attributable to the acquisition or construction of the vessel, including interest expenses incurred during the period of construction based on the loans obtained for the vessels.

Depreciation is calculated on a straight-line basis to the estimated residual value over the estimated useful life of the major components of the vessels. The vessels contracted by the group are estimated to have a useful economic life normally of 25 years, depending on the specifications and expected kind of employment. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the current market scrap value per ton, which is reassessed every year. The vessel tank coatings are depreciated over ten years and the dry dock element is depreciated over the period to the expected next dry dock. The remaining useful economic life is estimated at the date of acquisition or delivery from the shipyard and is periodically reassessed.

Vessels in the course of construction (new buildings) are shown at cost less any identified impairment losses. Costs relating to new buildings include instalment payments made to date, and other vessel costs incurred during the construction period including capitalized interest. Depreciation commences upon vessel delivery.

In making their judgement for the recognition of gains or losses incurred on the disposal of vessels, management considers the detailed criteria set out in IFRS 15 and, in particular, whether the Company has satisfied its performance obligation by transferring the asset to the buyer and the latter has obtained control of the asset, whether the transaction price net of costs relating to the disposal is reported in contractual terms, as well as the amount of the vessel has been determined measuring it at the lower of its carrying amount or fair value less cost to sell. Should the vessel on sale be already within to the category of "Assets held for sale", the measurement of its value would already take place at an earlier stage and the result on disposal is the remaining difference between the price perceived and the Asset held for sale valuation.

The DIS Fleet is considered as a single cash generating unit (CGU): a cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's cash-generating unit involves judgement.

- DIS management has identified one Cash Generating Unit: A single vessel does not generate cash net inflows that are largely independent of those from other vessels because vessels are mostly of the same type and similar age and have similar customer base / counterparts. The Group employs a significant portion of its controlled vessels through partnership arrangements. All of those vessels are under the collective exclusive responsibility of DIS's corporate function for vessel commercial management, in particular with regard to chartering, vessel operations and administration. Therefore, vessels could reasonably be replacements for the purpose of commercial commitments. All DIS' vessels are double-hulled and are primarily engaged in the transportation of refined oil products, providing worldwide shipping services to major oil companies and trading houses. All the vessels are compliant with IMO (International Maritime Organization) regulations, including MARPOL (the International Convention for the Prevention of Pollution from Ships), with the requirements of oil-majors and energy-related companies and other relevant international standards. Based on MARPOL/IMO rules, cargoes such as palm oil, vegetable oil and other chemicals can only be transported by vessels that meet certain requirements (IMO Classed).
- DIS' internal management reporting, on the basis of which the company makes strategic decisions, is designed so as to measure the performance of the tanker fleet as a whole rather than that of individual vessels.

Dry-docking costs

To comply with industry certification or governmental requirements, the vessels are required to undergo planned major inspections or classification (dry-docking) for major repairs and maintenance, which cannot be carried out while the vessels are operating. For vessels younger than 15 years, dry-docking takes place approximately every 5 years depending on the nature of work and external requirements, with an Intermediate in Water Survey (IWS) every 2.5 years. For vessels older than 15 years dry-docking takes place every 2.5 years. The costs of dry-docking are capitalized and depreciated on a straight-line basis over the period to the next dry-docking. If the next dry-docking of a vessel is performed in less than 30 months from the last dry-docking date, the balance on the original dry-dock is written off.

For new buildings and other vessels acquired, the initial dry-docking asset is segregated and capitalized separately. The cost of such assets is estimated based on the expected costs related to the first dry-docking.

Impairment of assets

The values of the entire fleet, considered as a single cash-generating unit, is reviewed on a non-recurring basis considering market conditions. The carrying amount of the CGU is tested for impairment whenever events or changes in circumstance indicate that the carrying amount might not be recoverable. If any such indication exists, the recoverable amount of the CGU is estimated in order to determine the extent of the impairment. Recoverable amount is normally defined as the higher of the fair value less costs of disposal of all the vessels and their value in use, that is, the net present value of the cash flows from the remaining useful lives of the vessels. In assessing the value in use, the estimated future cash flows are discounted to their present value. An impairment charge is recorded when the carrying amount exceeds its recoverable amount and is determined to be other than a temporary difference. The impairment is then allocated to each single vessel on a pro-rata basis, based on the carrying amount of each vessel in the CGU with the limit of the higher of fair value less cost of disposal and value in use.

The cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled dry-docking, expected off-hire and scrap values. Specifically, in estimating future charter rates, management takes into consideration rates currently in effect for existing time charters and estimated daily time charter equivalent rates for each vessel class for the unfixed days over the estimated remaining lives of each of the vessels. The estimated daily time charter equivalent rates used for unfixed days are based on a combination of internally forecasted rates that are consistent with forecasts provided to senior management and to board members, and the trailing 10-year historical average market earnings, based on average data published by maritime researchers. The internally forecasted rates are applied to short-term estimations, whilst the 10-year historical average is used for long-term estimations. Recognizing that rates tend to be cyclical, and subject to significant volatility based on factors beyond our control, management believes the use of estimates based on the combination of internally forecasted rates and 10-year historical average rates calculated as of the reporting date to be reasonable.

Estimated outflows for operating expenses and dry-docking requirements are based on historical and budgeted costs. Forecasts take into account also cost of complying with new regulations, including the expected cost of the requirement for some of the vessels of our fleet to install water ballast tank systems. Utilization is based on historical levels achieved and estimates of a residual value are consistent with scrap rates used in management's evaluation of scrap value.

Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will remain at their current levels or whether they will improve by a significant degree.

At each reporting date management assess whether there is any indication that an impairment loss recognised in a previous period either no longer exists or has decreased. If there is such an indication management estimates the recoverable amount of the cash generating unit and, in case of a positive difference with the carrying amount, a reversal of the impairment is recognised. The reversal is limited to the value that would have been recognised had the original impairment not occurred. A possible trigger event for the reversal of the impairment recognised in previous years is the gain arising from the sale of the vessels to which that impairment was allocated.

Assets held for sale

In accordance with IFRS5, non-current assets (vessels) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition and the asset must be actively marketed for sale at a price that is reasonable compared to its current fair value. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Thereafter, the assets are recognised at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale, are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are included in the income statement. Gains are not recognised in excess of the original, depreciated carrying amount.

In case conditions for classification of non-current assets and disposal groups as held for sale are no longer met, classification as held for sale ceases. Non-current assets that ceases to be classified as held for sale are re-measured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of property, plant and equipment are deemed to be qualifying assets as defined in IAS23 – Borrowing Costs, are capitalized.

Operating leases (Charter Agreements)

The charter-in and charter-out agreements relating to the vessels, where substantially all the risks and rewards of ownership are not transferred to the lessee, are treated as operating leases, and lease costs and income are recognized to the income statement on a straight-line basis over the lease term. The obligation for the remaining lease period relating to the charter-in contracts is disclosed as a commitment in the notes to the financial statements.

Financial leases

Following a sale transaction, agreements to charter-in vessels (sale-and-leaseback) for which DIS maintains substantially all the risks and rewards incidental to economic ownership, are recognized in the Statement of Financial Position as finance leases in compliance with IAS 17. Leased assets are measured at the start of the leasing contract at the sooner of the present value of minimum lease payments determined in the lease contract and the assets' fair value, plus any incidental expense borne by the lessee. For the purpose of calculating the present value, the interest rate implicit in the lease is used as discount factor. Depreciation of leased assets is based on the sooner of the lease term and the useful life of the asset unless it is reasonably certain that the ownership will pass to the lessee (in that case it is based on the useful life of the asset). The useful economic life corresponds to that applied to comparable owned assets.

Liabilities for financial leases are recognized in the Statement of Financial Position and the interest included in the lease payment is charged to the income statement.

Inventories

Inventories relate to Intermediate Fuel Oil (IFO), Marine Diesel Oil (MDO) and Luboil on board vessels. IFO and MDO inventories of fuel and luboils on board the vessels are shown at the lower between the net realizable value and cost, calculated using the first-in first-out method. The cost includes the expenses incurred in bringing the inventory on-board vessels.

Financial assets and liabilities

Financial assets are measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. A financial asset can only be measured at amortised cost when the Group has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding. When the requirements for measuring the financial asset at amortised cost are met, but the business model also includes the selling of those instruments, then these financial assets are measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit or loss.

The impairment model in IFRS 9 moves to one that is based on expected credit losses, rather than the IAS 39 incurred loss model. The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, with expected credit losses recognised on initial recognition based on 12 months expected credit losses; or, if there has been a significant increase in the credit risk of the financial asset then the impairment is based on lifetime expected losses. A three-stage approach is considered for impairment: the first instance (12 months expected credit losses) is applicable when there's no significant increase in credit risk, expected credit losses are recognised and updated at each reporting date and interest is presented on gross basis; in the second stage a lifetime credit loss is expected and recognised, due to the increase of credit risk, anyway interest continues to be presented on gross basis; the last stage considers a lifetime expected credit loss, the subsequent impairment of the credit and interest is presented on a net basis.

The accounting policies adopted for specific assets and liabilities are disclosed below.

Trade and other receivables
Receivables arising from outstanding freight are initially measured at their nominal value (representative of the fair value of the transaction) and are subsequently measured at amortized cost, net of write-downs for impairment and allowance for credit losses. Impairment is recognized in the income statement when there is objective evidence that the asset is impaired. Such write-downs are calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the asset original effective interest rate. Particularly with regard to short-term trade receivables, considering the short period of time, the measurement at amortized cost is equivalent to the nominal value, less write-downs for impairment. Outstanding freight deriving from voyages in progress results in contract assets as indicated under IFRS15; contract assets represent accrued income arising from the Group's right to consideration for work performed but not billed at the reporting date on spot contracts (conditional right to consideration for the part of the contractual obligation performed). The service is invoiced upon delivery of the service.

Expected credit losses are calculated on demurrage receivables and are based on an assessment about lifetime expected credit losses, adopting the simplified approach, and determined at initial recognition and subsequently adjusted for any changes in expectations.

From 1 January 2018, under IFRS 9 the impairment is assessed in references to expected credit losses associated with its trade receivables (demurrages) carried at amortised cost and FVOCI. For demurrages, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables, but the impairment methodology applied depends on whether there has been a significant increase in credit risk.

In assessment of credit risk and expected losses, management considers a risk of default and its probability for each set window of payment. On an ongoing basis an increase in risk is considered through comparison of probability of default at point of assessment vs when was last estimated. A rebuttable presumption on accounts receivable aging is considered by Management, where each class of days represents an indicator of increase in risk of default (rate) used by group. The policy is to write off any undue demurrages at the end of the closing of trade negotiation, following the contractual terms.

Cash and cash equivalents
Cash and cash equivalents include cash in-hand, current accounts and deposits held on demand with banks, and other short-term highly-liquid investments readily convertible to a known amount of cash within three months from inception and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value, corresponding to their nominal value, or at cost plus interest charges, if any.

Banks and other lenders

Interest-bearing bank loans relating to the financing of the vessels and overdrafts are recorded on the basis of the amounts received net of transaction costs and are subsequently measured at amortized cost, using the effective interest rate method, with the difference between the loan proceeds and the nominal value being recognized in the income statement over the term of the loan.

Trade and other payables

Trade and other payables are measured at amortized cost which, considering the characteristics and maturity of such payables, is generally equivalent to the nominal value. Payments received in advance under time charter contractual agreements lead to the recognition of deferred income.

Derivative instruments

Derivative financial instruments are primarily used to hedge the exposure to interest rate risks (interest rate swap) and currency fluctuations. In accordance with IFRS 9 a hedging relationship qualifies for hedge accounting only when

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items,
- at the inception of the hedge there is formal designation and documentation of the hedging relationship,
- there is an economic relationship between the hedged item and the hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship is the same as the one resulting from the quantity of the hedged item that the entity actually hedges, and the quantity of the hedging instrument used by the entity for that specific hedged item, therefore not reflecting an imbalance between hedged item and hedging instrument as to be inconsistent with the purpose of hedge accounting.

When effectiveness is subsequently not met with regards to hedge ratio but risk management objective remains the same, hedge ratio is adjusted accordingly.

The fair value measurement of the derivative instruments is recurring, at each closing date; derivatives are classified as an asset or a liability. The fair value of a derivative instrument classification is split between non-current and current asset or liability. The non-current asset or liability is the remaining maturity of the hedged item that is more than twelve months from the reporting date and the current asset or liability is the maturity of the hedged item expected to be settled in twelve months from the reporting date.

Provisions for risks and charges

Provisions for risks and charges are recognized when the Group has a present obligation as a result of a past event and it is likely that the Group will be required to settle that obligation. Provisions are measured at the Directors' best and reliable estimate of the expenditure required to settle the obligation at the financial position date and are discounted to present values.

Treasury shares

Treasury shares acquired following a buy-back program, are recognized at cost and are presented as a deduction from equity (under separate item of equity). The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

Equity Compensation Plans (Share Based Payments)

The Group provides additional benefits to certain members of senior management through an equity compensation plan (stock option plan); information about this scheme is set out in note 8. In accordance with IFRS 2 – Share-based Payment, this plan represents a component of the recipient's remuneration.

The fair value is measured using the Black Scholes pricing model, in line with IFRS guidelines and market practice. The inputs used in the model are based on management's best estimate, including market and non-market performance conditions. The compensation expense, corresponding to the fair value of the options at the grant date, is recognized in the income statement on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognized directly in equity. At the end of each period the entity revises its estimates of the number of options that are expected to vest based on the actual service conditions.

With reference to the Disclosure – amendment to IAS 7, the Group continues disclosing the changes in liabilities arising from financial activities.

Dividends

Dividends payable are reported as a movement in equity in the period in which they are approved by shareholders' meeting.

Segment information

d'Amico International Shipping is providing transportation services of refined petroleum products and vegetable oil operating in only one business segment, Product Tankers. Furthermore, the Group only has one geographical segment, employing all of its vessels worldwide, rather than in specific geographic areas. The Chief operating decision maker is monitoring, evaluating and allocating the Group resources as a whole, operations are run in one single currency – the US$ – and DIS regards, therefore, the product tankers business as a single segment.

Seasonality

In the Product Tankers business and for d'Amico International Shipping as a global Product Tanker player, there is some element of seasonality, however, there are other factors that can have a much more important influence on the demand for our vessels and in their earning potential.

Branches, Own shares, R&D

The Company has no branches; there are no Research&Development costs; Own shares are disclosed under note 21.

Adoption of new and revised International Financial Reporting Standards

The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2018:

IFRS 15 – Revenue from contract with customers;

IFRS 9 – Financial Instruments;

Classification and measurement of share-based payment transactions – amendments to IFRS 2;

Annual improvements 2014-2016 cycle.

Impact on the financial statements

Hereby we explain the impact of the adoption of IFRS 15, Revenue from contract with customers, and IFRS 9, Financial Instruments on the Group's financial statements.

Accounting policies have been adjusted accordingly and impact of the policies is disclosed if relevant and material for the Group. With exception of IFRS 9 and IFRS 15 application as outlined below, the impact of other standards has not been significant.

As a result of the changes in the entity's accounting policies, prior year financial statements did not have to be restated following the prospective approach permitted by the standards. The impact of their application on prior year financials, however, would not have been material.

All hedge relationships in place at the transition period, 1 January 2018, that qualified under IAS 39 also met IFRS 9 requirements and were considered to be continuing. They are initially recognized at fair value and subsequently stated at fair value as other receivables or other liabilities, respectively.

IFRS 15 Revenue from contracts with customers – Impact of adoption

For the purpose of transition, the Group has elected to apply IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, the "modified retrospective approach". Under this method prior period figures are not restated, and instead the cumulative effect of the IFRS 15 application is adjusted in opening retained earnings for the year of initial application, that is 1 January 2018. Furthermore, this was applied only to contracts that were not completed before that date as an expedient permitted by the standards.

Given the method selected, comparative figures are not restated and are measured under standards previously in effect as applicable (IAS 18, IAS 11 etc). For these reasons, the disclosure requirements in IFRS 15 generally have also not been applied to comparative information:

US$ Thousand	Retained earnings
1 January 2018	26,389
Costs of obtaining the contract	(1,559)
1 January 2018 (restated)	24,830

US$ Thousand	1 January 2018 as reported	Remeasurement impact	1 January 2018 adjusted
Trade receivables	63,689	(63,689)	-
Other debtors	683	(683)	-
Prepayment and accrued income	1,828	(1,828)	-
Contractual receivables IFRS 15	-	36,836	36,836
Contract assets IFRS 15	-	14,037	14,037
Other contractual receivable – time charters	-	4,653	4,653
Other debtors, prepayments and accrued income	-	9,115	9,115
Total receivables and other current assets	66,200	(1,559)	64,641
Retained earnings	(26,389)	1,559	(24,830)

IFRS15 Contractual receivables and Contract assets are shown separately in 2018 financial statements notes. In 2017 their amount was included within trade and other receivables.

Should IFRS 15 have not been applied, the following situation would be highlighted from the Receivables and other current assets for the year ended 31 December 2018:

US$ Thousand	31 December 2018 as reported (IFRS15)	Effect of IFRS 15	31 December 2018 should IFRS 15 have not been applied
Contractual receivables IFRS 15	21,956	(21,956)	-
Contract assets IFRS 15	13,035	(13,035)	-
Other contractual receivable – time charters	3,060	(3,060)	-
Other debtors, prepayments and accrued income	14,112	(14,112)	-
Trade receivables	-	38,546	38,546
Other debtors	-	13,110	13,110
Prepayment and accrued income	-	1,002	1,002
Total receivables and other current assets	52,163	495	52,658
Retained earnings	30,270	(495)	29,775

All things considered, IFRS 15 does not have a significant impact on the net assets, financial position and results of operations of DIS, nevertheless the disclosures to be presented in the financial statements and notes are extensive.

IFRS 9 Financial Instruments – impact of adoption

IFRS 9 replaces IAS 39 and deals with the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting.

Amendments to IFRS 7 "Financial Instruments: Disclosures": as these are applicable to entities applying IFRS 9, they have been adopted for 2018, but not applied to 2017 comparatives.

IAS 1 amendments and clarifications arising as a result of the new standard, which require separate presentation of certain items have also been adopted where relevant and material to the Group.

The Group has considered its financial assets measured at amortised cost or through fair value in other comprehensive income and there isn't a material adjustment arising from the classification changes due to IFRS 9. The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement', have been transferred to IFRS 9, with no impact on the Group's net Assets.

The Group's financial assets mainly consist of trade receivables without a significant financing element, and an impairment model based on the life time expected losses for such instruments has been applied by the Group (please refer to accounting principle "Trade and other receivables").

Apart from cash and cash equivalents, the Group's other material financial assets measured at amortised cost is the financing extended to d'Amico Mitsubishi Shipping (DMS) (see further in notes 12, 16 and 29).

Collateral amount – impact of reclassification

As disclosed in note 19 of the Company's 2017 Consolidated Annual Report, cash and cash equivalents on December 31, 2017 comprised US$ 5.3 million relating to funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance d.a.c. in respect of interest rate swap contracts. Since these are collateral funds as per IAS 7 – Statement of cash-flows, these amounts were reclassified into a current financial receivable on January 1, 2018, with no effect on total current assets, as follows:

US$ Thousand	1 January 2018 as reported	Remeasurement impact	1 January 2018 adjusted
Cash and cash equivalents	29,694	(5,306)	24,388
Current financial assets	344	5,306	5,650
	30,038	-	30,038

Cash-flow reclassifications and non-cash items - impact

In compliance with paragraph 43 of IAS 7 Statement of Cash Flows – which requires investing and financing transactions that do not require the use of cash and cash equivalent be excluded from the statement of cash-flows, the non-cash amount relative to the inception of financial lease has been excluded from the cash-flows, as well as the same leased assets. At the same time, the proceeds from the disposal of assets simultaneously leased-back are reclassified from investing cash-flow to financing cash-flow, underlining the financing nature of the arrangement. The same criteria are applied to 2018 financial data, as follows:

US$ Thousand	31 December 2017 as reported	Reclassification	Elimination of non-cash items	31 December 2017 adjusted
Acquisition of fixed assets - investing	(148,102)	adjusted	-	(80,102)
Inception of financial lease - financing	68,000	(68,000)	-	-
Proceeds from disposal of assets - investing	105,001	(54,469)	-	50,532
Proceeds from disposal of assets subsequently leased back	-	54,469	-	54,469

Accounting principles, amendments and interpretations not yet effective

At the financial position date, the following significant Standards and Interpretations, which are applicable to the Group, were in issue but not yet effective:

IFRS 16 – Leases is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted.

Leasing is a means of gaining access to assets, of obtaining finance and of reducing an entity's exposure to the risk of asset ownership. The new approach to leases will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. Within the Income Statement, operating expenses will be replaced with interest and depreciation, so key metrics like TCE and EBITDA will change. Operating cash-flow will be higher as cash payments for the lease liability will be classified within financing activities. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019 and the Group will apply IFRS 16 from its effective date.

The changes for lessors and for lessees under current finance leases, will be limited, but the standard will significantly affect the treatment by lessees of what are currently treated as operating leases. With some exceptions, lessees under current operating leases will be required to record a liability for the payments under the lease, which remains discounted at the rate implicit in the lease (or if not known, the lessee's incremental borrowing rate), and record a corresponding leased asset (amounting to the liability plus the present value of any restoration costs and any incremental costs in entering the lease, as well as any lease payments made prior to commencement of lease, minus any lease incentives already received).

Based on existing operating lease commitments the directors estimate that as at 31 December 2018 there would be recognition of an additional leased asset of US$ 174.0 million and an additional lease liability of US$ 174.0 million.

DIS' directors estimate that IFRS 16 will lower the Net Worth/ Total Assets ratio of DIS, based on its consolidated financials, from 35.4% as at 31 December 2018 to 30.3% as at the same date in 2019. DIS has reached an agreement with all of its banks, for which this ratio is one of the financial covenants in guarantees provided by DIS for loans to its subsidiaries, to lower this threshold to 25.0% from the 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. CAPITAL DISCLOSURE

The d'Amico International Shipping Group's objectives in managing capital are:

- To safeguard the Group's ability to continue as a going concern, so it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders while managing market risk by covering part of its employment days through fixed rate contracts.

The capital of the Group was established at the beginning of 2007 as part of the IPO process, taking into consideration the risks affecting d'Amico International Shipping and the industry where the Group operates. The capital of the Company was subsequently increased in the years 2012, 2014, 2015, 2016, 2017 and 2018 to support the growth of DIS' fleet and to strengthen its balance sheet.

The Group also has various bank facilities, credit lines and financial leases (see notes 22 and 23).

The capital structure is reviewed during the year and - if needed - adjusted depending on the Group's capital requirements, changes in the general economic conditions and industry risk characteristics. The Group monitors its capital on the basis of the 'assets cover ratio' representing the outstanding amounts on its facilities divided by the fair market value of the vessels owned (see further details in notes 14 and 22).

3. REVENUE

US$ Thousand	2018	2017
Revenues from voyage-charter (spot) and demurrage	**260,611**	**270,871**
Other revenues	138,435	120,100
Total revenue	**399,046**	**390,971**

Revenue represents vessel income comprising time charter hire, freight and demurrage and is recognized over time (please refer to the accounting principles). In 2018, one customer generated US$ 44.9 million in revenues, equivalent to more than 10% of the Group's total. In 2017, one customer generated US$ 60.8 million in revenues, equivalent to more than 10% of the Group's total.

Contractual revenues as defined by IFRS15 derive from freight (contracts for which payment is received at voyage completion) and demurrage. Other revenues comprise income derived from time-charter contracts. There is only one revenue stream and it is derived from the employment of the vessels for the transportation of refined products. As long as all contractual revenues derive from freight and demurrage, for which payment of the performance obligation is settled at completion of the voyage, no performance obligations are recognised to be outstanding.

Costs to fulfil a contract (ballast days to the first loading port) are recognised over the time and capitalised at the reporting date; they amount to US$ 0.6 million and will be amortised throughout the duration of the relevant contracts (2017: 1.6 million).

4. VOYAGE COSTS

US$ Thousand	2018	2017
Bunkers (fuel)	(91,528)	(74,328)
Commissions payable	(9,487)	(9,353)
Port charges	(50,495)	(48,232)
Other	(2,666)	(1,621)
Total	**(154,176)**	**(133,534)**

Voyage costs arise from the employment, direct or through our partnerships, of DIS' vessels, through voyage charters or contracts of affreightment. When vessels are employed through time charters they do not incur voyage costs.

5. TIME CHARTER EQUIVALENT EARNINGS

US$ Thousand	2018	2017
Time charter equivalent earnings	**244,870**	**257,437**

Time-charter equivalent earnings represent revenue less voyage costs. In 2018 about 40.8% of the time-charter equivalent earnings came from fixed rate contracts (38.7% in 2017).

6. TIME CHARTER HIRE COSTS

US$ Thousand	2018	2017
Time charter hire costs	**(129,750)**	**(126,664)**

Time-charter hire costs represent the cost of chartering-in vessels from third parties.

7. OTHER DIRECT OPERATING COSTS

US$ Thousand	2018	2017
Crew costs	(43,300)	(42,326)
Technical expenses	(13,905)	(13,596)
Luboil	(2,852)	(2,791)
Technical and quality management	(8,333)	(7,980)
Insurance	(5,937)	(6,090)
Other direct operating costs	(7,245)	(7,587)
Total	**(81,572)**	**(80,370)**

Other direct operating costs include crew costs, technical expenses, technical and quality management fees, insurance costs and sundry expenses originating from the operation of DIS' owned and bareboat chartered vessels.

Personnel

As at 31 December 2018, d'Amico International Shipping S.A. and its subsidiaries employed 715 seagoing personnel and 34 on-shore personnel (2017: 703 seagoing personnel and 36 on-shore personnel); the average number of seagoing personnel in 2018 was 732 (2017: 721), while the average number of onshore personnel was 35 (2017: 36). Onshore personnel costs are included under general and administrative costs. The Group has no liabilities with regard to pensions and other post-retirement benefits.

8. GENERAL AND ADMINISTRATIVE COSTS

US$ Thousand	2018	2017
Personnel	(7,035)	(6,741)
Other general and administrative costs	(9,161)	(8,741)
Total	**(16,196)**	**(15,482)**

Personnel costs relate to on-shore personnel salaries, as well as US$ 1.7 million relating to director fees and US$ 1.8 million paid to senior managers including the CEO, COO, CFO and other managers with strategic responsibilities (2017: US$ 1.2 million of director fees and US$ 1.0 million to senior managers). There are no further benefits with regards to pensions and other post-retirement benefits.

On 3 March 2016, the Board of Directors of d'Amico International Shipping S.A. approved, with the prior favourable opinion of the Nomination and Remuneration Committee, the proposal to submit to the annual general shareholders' meeting the adoption, in accordance with art. 114-bis of Legislative Decree no. 58, 24 February 1998 as amended and supplemented ("TUF"), of the incentive plan the "Stock Option Plan DIS 2016/2019" or "the Plan". The annual general shareholders' meeting, held on 20 April 2016, approved the adoption of the Plan and delegated the Board of Directors for the definition of terms, conditions, and procedures for the Plan's implementation.

The terms and conditions, and the procedures for the Plan implementation are defined by a Regulation as approved by the Board of Directors on 4 May 2016; the Plan is available to everyone at the registered office of the Company.

Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of options that will vest depend on the service and performance conditions included in the Plan over a three-year period, as participants need to remain employed at the expiry date of the Plan. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share at a pre-agreed strike price. The Board has the discretion to settle in cash the conversion requests.

Set out below is a summary of options granted under the plan:

	Average price per share option	**Number of options**
As at 1 January 2018	€ 0.0852	7,830,000
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	-	2,100,000
As at 31 December 2018	€ 0.0852	5,730,000

No options expired during the periods covered by the above table. Share option at the end of the period have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Share Options Dec.31, 2018
31 May 2016	31 May 2019	€ 0.454823	5,730,000

The fair value of the options at grant date is determined using the Black Scholes Model taking into account the following assumptions:

Share price on 1st June 2016	€ 0.4479	
Expected volatility	34.5%	Last three years average for DIS' shares
Expected dividend yield	3.12%	Average of dividend yield since 2007 using market capitalization at the end of each year
Risk-free interest rate	(0.396)%	4 Years € Luxembourg Government Bond Yield

The cost relating to the Plan in 2018 was equivalent to US$ 183 thousand, while in 2017 its cost was equivalent to US$ 275 thousand.

Sensitivity calculation

The valuation model is particularly sensitive to the dividend yield and the volatility of the share price. With all other variables remaining constant:

€UR	Share price volatility		Dividend yield	
	+10% Increase	-10% Decrease	+10% Increase	-10% Decrease
Share Option Cost	€0.0959	€0.0743	€0.0825	€0.0879

The other general and administrative costs comprise consultancy, office rental fees, and other sundry expenses originating from the operation of the Group's companies. They include infra-group management fees on brand and trademark, IT, personnel, legal and internal audit services amounting to US$ 4.9 million, tax advisory fees amounting to US$ 59.5 thousand, and fees paid to DIS' Auditors amounting to US$ 252.5 thousand (2017: infra-group services and fees US$ 4.8 million, tax advisory fees US$ 81.1 thousand, audit fees US$ 298.5 thousand).

9. RESULT FROM DISPOSAL OF VESSELS

US$ Thousand	2018	2017
Net profit on disposal of vessel	167	1,917

During 2018, two vessels were sold and four vessels were sold and leased-back. In the first quarter the M/T High Presence was sold, generating a net profit on disposal of US$ 0.3 million, while in the third quarter of the year the M/T Cielo di Milano was sold generating a net gain on disposal of US$ 0.1 million. The vessels sold and leased-back were the M/T High Freedom in February, the M/T High Trust in July, the M/T High Loyalty in October, and the M/T High Trader in December. The result on disposal of the leased-back vessels is deferred and recognised over the duration of the lease.

During 2017, two vessels were sold and four vessels were sold and leased-back. The M/T High Endurance and M/T High Endeavour were sold in February and March 2017, respectively, generating a profit on disposal of US$ 1.3 million for each vessel. At the end of May, the M/T High Fidelity was sold and leased-back generating a profit on disposal; at the end of July the M/T High Discovery was sold and leased back and at the beginning of October the M/T High Prosperity was sold, both generating a loss on disposal. At the end of September, the M/T High Priority was sold and leased back approximately at cost. The result on disposal of the leased-back vessels is deferred and recognised over the duration of the lease, resulting in a net loss of US$ 0.7 million in 2017.

10. NET FINANCIAL INCOME (CHARGES)

US$ Thousand	2018	2017
Financial income:		
Interest Income	309	309
Realized on options	2,242	101
Realized foreign exchange	29	-
At fair value through income statement:		
Unrealised gain on financial activities	1,930	1,176
Unrealised foreign exchange	525	833
Total financial income	**5,035**	**2,419**
Finance charges:		
Interest expense	(29,360)	(24,078)
Financial fees	(4,673)	(2,768)
Realized on options	(264)	-
Exchange differences	-	(1,533)
Total financial charges	**(34,296)**	**(28,379)**
Net financial (charges)/income	**(29,261)**	**(25,960)**

In 2018, financial income includes interest income amounting to US$ 0.3 million deriving from funds held with financial institutions on deposit and current accounts, as well as from the financing provided to the DM Shipping joint venture. Financial income includes also the result realised from the de-designation of the interest rate swaps (recycling of the hedging reserve through the P&L) on four vessels sold (M/T High Freedom, M/T High Trust, M/T High Loyalty and M/T High Trader) for an amount of US$ 2.2 million and US$ 30 thousand realized commercial foreign exchange.

In 2018, financial income includes also the unrealised gains on interest rate swaps measured at fair value and unrealised foreign exchange differences. In particular, it includes the ineffective portion interest rate swap cash-flow hedges and the unrealised result of pre-hedges, for a total of US$ 1.9 million, as well as the exchange difference of US$ 0.5 million arising from the Japanese Yen financing provided to the DM Shipping joint venture.

In 2018, financial charges includes interest expense amounting to US$ 29.4 million, comprising US$ 21.3 million interest on bank loans relating to DIS' owned vessels, overdraft facilities and realised expenses on interest rate swaps, and US$ 0.6 million due to DIS' shareholder, d'Amico International S.A., on a long-term and a short-term financing facility (please refer also to note 24) as well as interest on intercompany payable towards Rudder S.A.M.. In 2018, interest expense includes also interest implicit in the financial leases of seven vessels, amounting to US$ 7.2 million. In 2018 financial cost includes also the amortization of financial fees amounting to US$ 4.7 million. No unrealised losses were recorded in 2018.

In 2017, financial income comprises interest incomes amounting to US$ 0.3 million deriving from funds held with financial institutions on deposit and current accounts, as well as from the financing provided to the DM Shipping joint venture. In 2017, financial income includes also the result realised from the de-designation of the interest rate swaps (recycling of the hedging reserve through the P&L) on two vessels sold (M/T High Fidelity and M/T High Discovery), amounting to US$ 0.1 million.

In 2017, financial income includes also the unrealised gains on interest rate swaps measured at fair value and unrealised foreign exchange differences. In particular, it includes the ineffective portion interest rate swap cash-flow hedges and the result of pre-hedges, amounting to US$ 1.2 million, as well as an exchange difference amounting to US$ 0.8 million arising from the Japanese Yen financing provided to the DM Shipping joint venture.

In 2017, financial cost includes interest expense amounting to US$ 24.1 million, comprising interest on bank loans relating to DIS' owned vessels, and realised expenses on interest rate swaps. In 2017, interest expense includes also interest implicit in the financial leases of three vessels, amounting to US$ 1.8 million. In 2017, financial cost includes also the amortization of financial fees amounting to US$ 2.8 million. No unrealised losses were recorded in 2017.

Information about the type and nature of the cash-flow hedges is included in note 29.

11. PROFIT SHARE OF EQUITY ACCOUNTED INVESTEES

The result from investment mainly consists of DIS' share of the profit and loss of Eco Tankers Limited (ETL), an investee accounted for with the equity method, which for 2018 amounted to a loss of US$ 8 thousand; in 2017 it amounted to an income of US$ 0.1 million.

DM Shipping d.a.c. is a joint arrangement between d'Amico Tankers d.a.c. and Mitsubishi Corporation. The arrangement between the two partners establish that the assets brought to DM Shipping d.a.c. are acquired by the company itself which is also liable for all the debts and obligations of the arrangement. The parties have no rights, title or ownership in those assets or obligations for the liabilities of the arrangement. Therefore, DM Shipping d.a.c. qualifies as a joint venture in accordance with IFRS 11 and it has been accounted for using the equity method.

Eco Tankers Limited is a joint arrangement between d'Amico International Shipping S.A. and Venice Shipping and Logistics; it is a joint venture for the same reasons as those indicated for DM Shipping d.a.c.. For more details about the main financial data of the investees, refer to note n.15 and n.32.

12. IMPAIRMENT OF FINANCIAL ASSETS

US$ Thousand	2018	2017
Impairment of financial assets	**(7,526)**	**-**

At the end of 2018, due to the intention of DIS' subsidiary, DM Shipping d.a.c., to sell its vessels, the financing to the joint-venture was still considered to be due and receivable. The reclassification of the loan from long-term to short-term, entailed the valuation at fair value of the vessels for which the financing was granted, leading to the recognition of an expected credit loss and impairment amounting to US$ 7.5 million (please refer also to the events after the reporting period within the Non-Financial Statements and to note 29). No financial assets were impaired in the course of 2017.

13. TAX

Effective from 1 January 2007, d'Amico Tankers d.a.c. qualified to be taxed under the Tonnage Tax regime in Ireland; DM Shipping d.a.c. obtained the ruling commencing on 1 January 2009 and Glenda International Shipping on 1 January 2010.

The tax liability under the tonnage tax regime is based on the controlled fleet's notional shipping income, which in turn depends on the total net tonnage of the controlled fleet. The 2018 tonnage tax provision for d'Amico Tankers d.a.c. and Glenda International Shipping d.a.c. amounted to US$ 0.3 million (2017: US$ 0.3 million). Certain minor activities will not fall within the tonnage tax regime and are subject to standard rates of local corporation tax (currently 12.5% on trading income, 25% on passive income, and 22% on non-tonnage tax capital gains). These activities could give rise to deferred tax assets and liabilities. Items of other comprehensive income are taxed depending on the tax regime they fall within.

The holding company, d'Amico International Shipping S.A. had, at the end of 2018, accumulated tax losses to be carried forward of approximately € 57.4 million (equivalent to US$ 65.8 million). No deferred tax asset has been accounted for as management does not foresee taxable profits against which the accumulated losses could be offset. The holding company is subject to the Luxembourg Net Wealth Tax regime which is based on the net assets of the company and which for 2018 generated a tax charge of US$ 0.6 million (2017: US$ 0.3 million).

US$ Thousand	**2018**	**2017**
Current tax:		
Taxation at corporate tax rates	(112)	(189)
Tonnage Tax	(264)	(258)
Net wealth tax / other tax	(604)	(333)
Total current tax	**(980)**	**(780)**
Loss before tax	**(54,120)**	**(37,303)**
Theoretical income tax (tax rate 29.22%)	15,814	10,900
- result for which the Irish Tonnage Tax is applicable	(18,330)	(11,340)
- impact of overseas tax rates	159	134
- effect of temporary differences	2,245	117
Taxation at corporate tax rates	**(112)**	**(189)**

14. TANGIBLE ASSETS

US$ Thousand	Fleet on water	Vessels under construction	Leased vessels	Dry-dock	Other assets	Total
At 1 January 2018						
Cost or valuation	840,135	79,128	69,000	19,211	3,202	1,009,676
Accumulated depreciation	(201,605)	-	(1,087)	(12,333)	(1,800)	(216,825)
Net book amount	**638,530**	**79,128**	**66,913**	**6,878**	**1,402**	**792,851**
Period ended 31 December 2018						
Opening net book amount	638,530	79,128	66,913	6,878	1,402	792,851
Additions	-	100,222	113,000	1,004	243	214,469
Vessel delivered	84,869	(84,869)	-	-	-	-
Vessel sold	(135,814)	-	-	-	-	(135,814)
Depreciation charge	(32,203)	-	(4,541)	(2,479)	(566)	(39,789)
Impairment reversal	4,945	-	-	-	-	4,945
Depreciation write-back	18,603	-	-	-	-	18,603
Transfer from assets held for sale	56,000	-	-	-	-	56,000
Reclassification to depreciation	-	-	-	5,414	-	5,414
Reclassification to cost	-	-	-	(5,414)	-	(5,414)
Exchange differences	-	-	-	-	16	16
Closing net book amount	**634,930**	**94,481**	**175,372**	**5,403**	**1,095**	**911,281**
At 31 December 2018						
Cost or valuation	845,190	94,481	181,000	14,801	3,461	1,138,933
Accumulated depreciation	(210,260)	-	(5,628)	(9,398)	(2,366)	(227,652)

The following table shows, for comparison purposes, the changes in the fixed assets in 2017.

US$ Thousand	Fleet on water	Vessels under construction	Leased vessels	Dry-dock	Other assets	Total
At 1 January 2017						
Cost or valuation	881,913	86,844	-	17,847	2,113	988,717
Accumulated depreciation	(166,405)	-	-	(9,880)	(1,704)	(177,989)
Net book amount	**715,508**	**86,844**	**-**	**7,967**	**409**	**810,728**
Period ended 31 December 2017						
Opening net book amount	715,508	86,844	-	7,967	409	810,728
Additions	847	76,808	68,000	1,364	1,084	148,103
Vessel delivered	84,524	(84,524)	-	-	-	-
Disposals at cost	(63,149)	-	-	-	-	(63,149)
Depreciation charge	(32,960)	-	(1,087)	(2,453)	(96)	(36,596)
Impairment	(10,920)	-	-	-	-	(10,920)
Depreciation asset held-for-sale	(750)	-	-	-	-	(750)
Depreciation write-back	9,430	-	-	-	-	9,430
Transfer to assets held for sale	(64,000)	-	-	-	-	(64,000)
Exchange differences	-	-	-	-	5	5
Closing net book amount	**638,530**	**79,128**	**66,913**	**6,878**	**1,402**	**792,851**
At 31 December 2017						
Cost or valuation	840,135	79,128	68,000	19,211	3,202	1,009,676
Accumulated depreciation	(201,605)	-	(1,087)	(12,333)	(1,800)	(216,825)

Fleet

Fleet includes the purchase costs for owned vessels, vessels under financial leases and payments to yards for vessels under construction.

Additions include instalments totalling US$ 85.0 million on three vessels that were delivered during the year and instalments of US$ 15.2 million on a further two vessels in the course of construction, to be delivered in Q1 2019 and Q3 2019 (2017 total additions: US$ 76.8 million). One of those vessels, M/T Cielo di Houston, was subsequently sold and leased-back in financial lease in 2019. Capitalized instalments of borrowing costs at Group level for 2018 amounted to US$ 1.1 million. Mortgages are secured on all the vessels owned by the Group. Four vessels, the M/T High Freedom, M/T High Trust, M/T High Loyalty and M/T High Trader have been sold and leased back in bare-boat to d'Amico Tankers d.a.c. in February 2018, July 2018, October 2018 and December 2018, respectively, for a total consideration of US$ 113.0 million.

The bareboat charter rate (average compound rate) is of US$ 7.7 thousand per day for all leased vessels for the entire term of the bareboat. The following table indicates purchase obligations and option of all those vessels sold and leased-back in bare boat:

Vessels name, M/T	Year of the lease	Purchase obligation	Option to repurchase the vessel
High Freedom, High Trust, High Loyalty, High Trader	2018	10th year from sale	from 2nd year
High Fidelity, High Discovery	2017	10th year from sale	from 3rd year
High Priority	2017	5th year from sale	from 2nd year

The total net present value of the Group fleet as calculated by management (reference is made to following paragraph) amounts to US$ 1,059 million (2017: 1,014 million) and includes DIS' share of the fleet value of Joint operation, Glenda International Shipping Ltd, consolidated using the proportional method and the leased vessels amounting US$ 244 million.

Measurement of Fair Value – Valuation technique – Impairment testing

The Fleet's recoverable amount is defined as the higher of its fair value less costs to sell and its value in use, represented by the net present value of the cash flows from the vessels' remaining useful life. Impairments and their reversal are non-recurring and will be based on the fleet's recoverable amount as well as on an assessment by management of the sustainability of a number of market factors.

For impairment test purposes, management's estimates take into consideration the market information available, including reported sales of similar vessels, as well as past experience and future expectations and have been based on the following key assumptions: (i) Earnings under contracts concluded and the estimate of future rates; (ii) Useful economic life of 25 years; (iii) Estimated economic value at end of vessels' life based on current steel demolition prices (iv) General and administrative costs reflecting d'Amico's current corporate structure; (v) The figures have been discounted at a nominal rate of 6.97%, which represents the Group's weighted average cost of capital based on the Group's current cost of debt financing and DIS' estimate of its required return on equity. Since a nominal discount rates is used for the projected cash-flows, including revenue, costs, capital expenditures and residual values, for consistency, these cash-flows are adjusted to reflect an expected inflation of 1.8%, equal to the last ten years' average US core consumer price index. Time-charter equivalent rates for vessel days currently not committed under contracts over the next three years are based on management assumptions and are equivalent to the average of a panel of reputed shipbrokers and financial analysts. Beyond the three-year forecast horizon, time-charter equivalent rates for vessel days currently not committed under contracts are assumed to be equal to the last ten-year average charter rates after adjusting for inflation. Management notes that the calculations are particularly sensitive to changes in the key assumptions for future charter and discount rates. Management's estimated "headroom" over the fleet's net book value as at 31 December 2018 is of US$ 148.5 million, of which US$ 68.8 million for owned vessels, US$ 68.0 million for leased vessels and US$ 11.7 million for vessels under construction (2017: total US$ 86.2 million).

Given the specificity of the market and the factors influencing the cash-flows, there is a significant sensitivity to changes in the key assumptions. All other things remaining equal, the sensitivities have been assessed as follows: a change in the long-term forecasted tanker time-charter equivalent rates of US$ +/-500 per day, would result in a movement in the value in use calculation on the fleet of US$ 69.7 million / US$ (69.7) million, respectively (2017: US$ 55.8 million / US$ (55.8) million, respectively); an increase of 1% in the discount factor would result in a decrease in the value in use calculation of the fleet of US$ 87.7 million (2017: US$ 79.5 million decrease).

Impairment charge write-back and assets held for sale reclassification

Management decided to withdraw from the market and continue employing two of the vessels that were intended to sell in 2018, the M/T Cielo di Salerno and M/T Cielo di Hanoi. These vessels which were at the end of 2017 classified as 'Assets held for sale', have therefore been transferred back to the non-current tangible assets (Fleet) account, in accordance with IFRS 5. Subsequent to reclassification, the impairment charge on those vessels, amounting to US$ 6.2 million, booked in 2017 at the moment of the transfer to 'Assets held for sale', was partially reversed by US$ 4.9 million in accordance with IFRS 5.

Dry-dock

Dry-dock includes expenditure for the fleet's dry-docking programme and resulting amortization; a total of two vessels dry-docked in 2018.

Other assets

Other assets mainly include fixtures, fittings, and office equipment.

15. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Eco Tankers Limited - 33%	3,228	3,269
DM Shipping d.a.c. - 51%	-	
Investments at equity	**3,228**	**3,269**

As at 31 December 2018, investments accounted for using the equity method amounted to US$ 3.2 million (31 December 2017: US$ 3.3 million). The table below reconciles the value of the investment at the beginning of the year with that at the end of the year (please refer also to note 30). The movement during the year reflects DIS' share of Eco Tanker Limited's net result and of the movement of its cash-flow hedge reserve, as well as its share of the dividend declared and paid by this subsidiary.

US$ Thousand	2018	2017
At 1 January	**3,269**	**3,261**
Share of profit / (loss)	(8)	85
Distribution of Retained Earnings	(83)	(132)
Other movements	50	55
At 31 December	**3,228**	**3,269**

16. OTHER FINANCIAL ASSETS

	As at 31 December 2018			As at 31 December 2017		
	Non-current	Current	Total	Non-current	Current	Total
Financing to DM Shipping ("DMS")	-	14,684	14,684	21,685	-	21,685
Financial receivable	3,200	2,405	5,605	5,200	-	5,200
Deferred loss	6,191	660	6,851	188	22	210
Fair value of derivative instruments of derivative instruments	264	456	720	559	322	881
Total	**9,655**	**18,205**	**27,860**	**27,632**	**344**	**27,976**

On 31 December 2018, the non-current amount of US$ 9.7 million comprised a US$ 3.2 million financial receivable from the sale of the vessels M/T High Endurance and M/T High Endeavour in Q1 2017, US$ 0.3 million representing the non-current part of the valuation of the Interest Rate Swaps hedging instruments and US$ 6.2 million corresponding to the deferred loss on the sale and leaseback of the vessels M/T High Discovery, M/T High Loyalty and M/T High Trader. The current amount comprises the current part of the Interest Rate Swaps hedging instruments valuation of US$ 0.5 million, the current portion of the deferred loss on the above mentioned vessels,

of US$ 0.6 million, US$ 2.4 million relating to funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance d.a.c. in respect of interest rate swap contracts and US$ 14.7 million corresponding to the U.S. Dollar equivalent of d'Amico Tankers d.a.c.'s long-term financing in Japanese Yen to the jointly controlled entity DMS, provided as own capital to finance the acquisition of DMS' vessels. At the end of 2018 reporting period due to the intention of the joint venture to sell its vessels, the financing was considered to be still current and payable. The reclassification from long-term to short-term, entailed the valuation of the vessels for which the financing was granted at fair value, leading to the recognition of an impairment of the loan (see further observations within note 29).

As at 31 December 2017, the non-current amount of US$ 27.6 million comprised a US$ 5.2 million financial receivable from the sale of the vessels M/T High Endurance and M/T High Endeavour during Q1 2017, US$ 0.6 million representing the non-current part of the valuation of the Interest Rate Swaps hedging instruments, US$ 0.2 million corresponding to the deferred loss on the sale and leaseback of the vessel M/T High Discovery and US$ 21.7 million corresponding to the U.S. Dollar equivalent of d'Amico Tankers d.a.c.'s long-term financing in Japanese Yen to the jointly controlled entity DMS, provided as own capital to finance the acquisition of DMS' vessels.

17. ASSETS HELD FOR SALE

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Assets held for sale	-	**77,750**

There are no assets held for sale as at 31 December 2018. Of the four vessels classified as held for sale on 31 December 2017, M/T Cielo di Milano was sold in August 2018, while the M/T Cielo di Salerno and M/T Cielo di Hanoi have been reintegrated in the Fleet, partially reversing the impairment of US$ 2.3 million and US$ 2.6 million, respectively, booked at the time they were classified as held-for-sale in 2017.

18. INVENTORIES

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Inventories	**13,492**	**15,495**

Inventories represent stocks of Intermediate Fuel Oil (IFO), Marine Diesel Oil (MDO) – collectively bunker fuels – and luboils, on board vessels. The amounts expensed during the period are detailed in notes 4 and 7.

19. RECEIVABLES AND OTHER CURRENT ASSETS

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Contractual receivables IFRS15	21,956	38,395
Contract assets	13,035	14,037
Other contractual receivables / time charters	3,060	4,653
Other debtors	13,110	10,964
Prepayments and accrued income	1,002	(290)
Total	**52,163**	**66,200**

As at 31 December 2018, receivables and other current assets include IFRS 15 contractual receivables amounting to US$ 22 million, net of allowance for credit losses of US$ 1.2 million; contractual receivables are recognised when the right to consideration becomes unconditional, that is in the case of voyage charters, when the voyage is completed and the customer is billed. All comparatives to 31 December 2017 were reclassified to comply with the new IFRS 15 criteria (2017 contractual receivables IFRS 15: US$ 38.4 million net of allowance for credit losses US$ 0.1 million).

Revenue-related contract assets, represent accrued income arising from the Group's right to consideration for work performed but not billed at the reporting date on voyage charters (conditional right to consideration for the part of the contractual obligation performed, which is invoiced at the end of the performance obligation) and amounts to US$ 13.0 million (14.0 million on 31 December 2017). In former years when IFRS 15 was still not applied, contract assets were presented as part of the trade receivables. The Company decided to adopt the practical expedient, indicated in paragraph 121 of IFRS 15, and not to disclose further information relative to contracts which duration is shorter than twelve months.

The amount of contract receivables increases as the controlled fleet increases, as freight and time-charter rates rise, as the proportion of the Company's vessels employed on the Spot market rises, and if there is an increase in delays relative to normal contractual payment terms (counterparty working capital management). The amount of contract assets increase dependent on the increase of voyages in progress not invoiced or partially invoiced at the reporting date.

Other contractual receivables represent amounts receivable from time-charter contracts, US$ 3.0 million (US$ 4.7 million as at 31 December 2017).

Other debtors principally consist of remaining debtors amounting to US$ 13.1 million, including a US$ 0.1 million tax receivable (31 December 2017: remaining debtors amounted to US$ 11.0 million, including a US$ 0.3 million tax receivable).

The ageing of trade receivables is disclosed below.

US$ Thousand	As at 31 December 2018	As at 31 December 2017
0-60 days	27,868	42,886
61-90 days	2,235	3,185
91-120 days	1,920	3,367
>120 days	6,028	6,088
Total	**38,051**	**55,526**

Amounts due over 90 and 120 days mainly represent demurrage receivables. Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, since they are mostly due by first-class counterparties (Oil Majors and large trading houses).

Information about the Group's exposure to credit risk and impairment losses for trade and other receivables is included in note 29.

20. CASH AND CASH EQUIVALENTS

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Cash and cash equivalents	31,713	29,694

Cash and cash equivalent are represented by cash-on-board, cash at bank and short-term deposits.

21. SHAREHOLDERS' EQUITY

Changes in 2018 Shareholders' equity items are detailed in the relevant statement.

Share capital

As at 31 December 2018, the share capital of d'Amico International Shipping amounted to US$ 65,375,802.50 corresponding to 653,758,025 ordinary shares with no nominal value (31 December 2017: US$ 65,321,531.80 corresponding to 653,215,318 ordinary shares with no nominal value).

On 2 July 2018 the share capital of the Company increased by 518,602 shares (US$ 51,860.20) and on 28 December 2018, it increased by 24,105 shares (US$ 2,410.50), as a result of the exercise of an equivalent number of warrants, (please refer to the Terms and Conditions for the exercise of the Warrants) at a price of € 0.315 and € 0.328 each, respectively. The total amount of both capital increases, including the share premium, was of US$ 199,439.81.

Retained earnings

As at 31 December 2018, the item includes previous year and current year net results, as well as deductions for dividends distributed.

Other reserves

The other reserves include the following items:

US$ Thousand	As at 31 December 2017	Movement in 2018	As at 31 December 2018
Share premium reserve	316,594	103	316,697
Treasury shares	(18,122)	-	(18,122)
Share option reserve	424	182	606
Hedging reserve / trough OCI	964	(633)	331
Retranslation reserve / through OCI	(247)	(136)	(383)
Legal Reserve	3,108	-	3,108
Total	**302,721**	**(484)**	**302,237**

Share premium reserve

The share premium reserve arose initially as a result of the Group's IPO and related increase of share capital (May 2007) and thereafter as a result of further capital increases, with the latest occurring in December 2018. By statutory provision, it is available for distribution. Certain costs and charges connected with the listing processes and further capital raisings (mainly bank commissions and related advisory fees and charges) have been offset against these reserves.

Treasury shares

Treasury shares as at 31 December 2018 consist of 7,760,027 ordinary shares (as at 31 December 2017: 7,760,027) amounting to US$ 18.1 million (as at 31 December 2017: US$ 18.1 million), corresponding to 1.2% of the outstanding shares at the financial position date (as at 31 December 2017: 1.3%). These shares were acquired, as part of DIS' authorised buyback programme and the relevant reserve is constituted within the distributable share premium reserve.

Share option reserve

The reserve was created in connection with the Share Option Plan (reference is made to note n. 8) and is not distributable.

Hedging reserve

The cash-flow hedge reserve is not distributable and arose as a result of the movement in the effective portion of the Interest Rate Swap agreements connected to some of the bank facilities. Details of the fair value of the derivative financial instruments are set out in note 29.

Retranslational reserve

The reserve is not distributable and is the result of the conversion into US$ of the shareholders' equity of the Group's companies having functional currencies different from the US$.

Legal Reserve

The legal reserve is a requirement of the Luxembourg Law. The balance is not distributable.

22. BANKS AND OTHER LENDERS

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Non-current liabilities		
Banks and other lenders	338,622	357,544
Current liabilities		
Banks and other lenders	91,238	128,488
Total	**429,860**	**486,032**

The balance comprises the following facilities:

Lender / Details	Asset	Repayment terms	interest%	Loan-to -value covenant(1)	Financial covenants	Short-term	Long-term	Total 31 Dec. 2018
DTL								
Crédit Agricole CIB + 8 syndicated Banks/ March 2016 US$ 250m Term Loan Facility (supplemented and amended from time to time)	High Performance High Progress High Venture High Courage High Valor High Wind Cielo di New York Cielo di Rotterdam Cielo di Cagliari Cielo Rosso Cielo di Houston* Cielo di Londra	19/20 consecutive quarterly instalments from draw-down + balloon at maturity (total balloon for the vessels already on water= US$ 97.57m)	US$ LIBOR + 2.0 % or + 2.15% according to vessel employment	< 76.9%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	24,676	142,999	167,675
DNB Bank ASA/ December 2018 US$ 16.25m Term Loan Facility	High Seas	20 consecutive quarterly instalments + US$ 8.87m balloon at maturity	US$ LIBOR + 2.80%	< 74.1%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,476	14,774	16,250
ING Bank N.V., London Branch/ December 2018 US$ 15.6m Term Loan Facility	High Tide	20 consecutive quarterly instalments + US$ 8.5m balloon at maturity	US$ LIBOR + 2.70%	< 74.1%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 25%	1,418	14,182	15,600
DNB Bank ASA / December 2016 US$ 19.375m Term Loan Facility	High Voyager	20 consecutive quarterly instalments + US$ 11.7m balloon at maturity	US$ LIBOR + 2.55%	< 76.9%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,482	14,694	16,175
MPS Capital Services S.p.A./ July 2015 US$ 58m Term Loan Facility	Cielo Bianco	10 consecutive semi-yearly instalments + US$ 17.9m balloon at maturity	US$ LIBOR + 2.25%	< 80.0%	Liquid assets > US$ 25m Equity > US$ 100m Equity ratio > 30%	1,764	22,320	24,084
Crédit Agricole CIB/ December 2015 US$ 9.5m Term Loan Facility	Cielo di Guangzhou	16 consecutive quarterly instalments + US$ 5.5m balloon at maturity	US$ LIBOR + 2.10%	< 74.1%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,000	5,750	6,750
Banca IMI S.p.A./ October 2014 US$ 45.080m Term Loan Facility	Cielo di Ulsan Cielo di Capri	14 consecutive semi-yearly instalments + US$ 12m balloon for each vessel at maturity	US$ LIBOR + 2.65%	< 75.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	3,011	33,787	36,799
ABN Amro N.V./ December 2016 US$ 19.5m Term Loan Facility	Cielo di Gaeta	24 consecutive quarterly instalments + US$ 9.7m balloon at maturity	US$ LIBOR + 2.4% per annum during the charter period to the Key charter thereafter 2.30%	< 76.9%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,439	13,504	14,943
Tokyo Century Corporation/ December 2014 US$ 41.6m Term Loan Facility	Cielo di Hanoi Cielo di Salerno	24 consecutive quarterly instalments + US$ 12.5m balloon for each vessel at maturity	US$ LIBOR + 2.3%	< 87.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	2,776	32,925	35,701
Tokyo Century Corporation/ November 2015 US$ 21.78m Term Loan Facility	High Challenge	24 consecutive quarterly instalments + US$ 13.1m balloon at maturity	US$ LIBOR + 2.175%	< 87.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,452	17,787	19,239
Tokyo Century Corporation/ August 2016 US$ 10.472m General Working Capital Facility	High Challenge Cielo di Hanoi Cielo di Salerno	22 consecutive quarterly instalments, no balloon	US$ LIBOR + 2.45%	n.a.	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,904	4,774	6,678

* sold and leased-back in Q1 2019

Lender / Details	Asset	Repayment terms	interest%	Loan-to-value covenant(1)	Financial covenants	Short-term	Long-term	Total 31 Dec. 2018
			DTL					
Intesa Sanpaolo Bank Ireland PLC/ December 2014 US$ 75m Facility	Corporate	10 consecutive semi-yearly instalments	US$ LIBOR + 2.25%	n.a.	NFP/Ship Mkt Value < 75% Equity ratio > 35% Liquid assets > US$ 25m Net worth > US$ 100 m	15,000	-	15,000
Intesa Sanpaolo S.p.A./ Hot money	n.a.	within 12 months	n.a.	n.a.	n.a.	4,991	-	4,991
Intesa Sanpaolo S.p.A./ Overdraft	n.a.	within 12 months	n.a.	n.a.	n.a.	4,940	-	4,940
Bank of Ireland/ Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	5,721	-	5,721
			GIS					
Crédit Suisse AG (originally with Commer-zbank AG)/ June 2008 US$ 195m Term Loan Facility	Glenda Melanie Glenda Melissa Glenda Melody Glenda Megan Glenda Meryl Glenda Meredith	40 consecutive quarterly instalments + US$ 62.8m total balloon at maturity	US$ LIBOR + spread 0.90% to 1.10%	< 76.9%	n.a.	14,685	25,383	40,068
			DIS					
Cassa Lombarda S.p.A./ Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	1,076	-	1,076
UniCredit S.p.A./ Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	4,805	-	4,805
Financial Fees						(2,378)	(4,257)	(6.635)
Total 31 December 2018						**91,238**	**338,622**	**429,860**

Lender / Details	Asset	Repayment terms	interest%	Loan-to-value covenant(1)	Financial covenants	Short-term	Long-term	Total 31 Dec. 2017
			DTL					
Crédit Agricole CIB + 8 syndicated Banks / March 2016 US$ 250m Term Loan Facility	High Performance High Progress High Venture High Courage High Valor High Wind Cielo di New York Cielo di Rotterdam Cielo di Cagliari Cielo di Houston Cielo di Londra	19 or 20 consecutive quarterly instalments from draw-down + balloon at maturity (total balloon for the vessels already on water= US$ 41.35m)	US$ LIBOR +2.0% or +2.15% according to vessel employment	< 76.9%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	11,967	88,151	100,118
Crédit Agricole CIB & DNB NOR Bank ASA / July 2011 US$ 48m Term Loan Facility	High Seas High Tide	28 consecutive quarterly instalments + balloon payment of US$ 12.3m for each vessel at maturity	US$ LIBOR + 2.10%	< 74.1%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	3,088	25,472	28,559

Lender / Details	Asset	Repayment terms	interest%	Loan-to -value covenant[1]	Financial covenants	Short-term	Long-term	Total 31 Dec. 2017
				DTL				
Danish Ship Finance A/S / Oct. 2013 US$ 31.5m Term Loan facility	High Trust	12 consecutive semi-yearly instalments + US$ 12m balloon at maturity	US$ LIBOR + 2.75%	< 80.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,333	16,667	18,000
Danish Ship Finance A/S / Dec. 2013 US$ 39m Term Loan Facility	High Freedom High Loyalty	14 consecutive semi-yearly instalments, + US$ 10.4m balloon for each vessel at maturity	US$ LIBOR + 2.35%	< 80.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	2,600	28,600	31,200
DNB Bank ASA / Dec. 2016 US$ 19.4m Term Loan Facility	High Voyager	20 consecutive quarterly instalments + US$ 11.7m balloon at maturity	US$ LIBOR + 2.55%	<76.9%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,482	16,175	17,657
Intesa Sanpaolo Bank of Ireland/ Dec.2014 US$ 75m Facility	Corporate	10 consecutive semi-yearly instalments	US$ LIBOR + 2.25%	n.a.	NFP/ship mkt value < 75% Equity ratio > 35% Liquid assets> US$ 25m Net worth > US$ 100m	15,000	15,000	30,000
Intesa Sanpaolo / Sept.2014 Hot money US$10m	n.a.	within 12 months	-	n.a.	n.a.	10,000	-	10,000
ING Bank N.V. London Branch / Dec. 2014 US$ 20m Term Loan Facility	High Presence [2]	24 consecutive quarterly instalmentsfrom draw-down + US$ 3.1m balloon at maturity	US$ LIBOR + 2.05%	< 76.9%	Liquid assets > = US$ 25m Net worth > = US$ 100m Equity ratio > = 35%	6,762	-	6,762
MPS Capital Services S.p.A. / July 2015 US$ 58m Term Loan Facility	Cielo Bianco Cielo Rosso	10 consecutive half-yearly instalments from draw-down + balloon at maturity (US$ 17.9m balloon at ma-turity for the vessel already on water)	US$ LIBOR + 2.25%.	< 80.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 30%	1,764	35,634	37,398
Skandinaviska Enskilda Banken AB / March 2015 US$ 23.1m Term Loan Facility	High Trader	24 consecutive quarterly instalments + US$ 13.8m balloon at maturity	US$ LIBOR + 2.45% if CP with Oil major otherwise 2.60%	< 76.9%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,412	18,083	19,495
Crédit Agricole CIB / June 2015 US$ 9.5m facility	Cielo di Guangzhou	16 consecutive quarterly instalments + US$ 5.7m balloon at maturity	US$ LIBOR + 2.10%	< 74.1%	Liquid asset > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,000	6,750	7,750
Banca IMI S.p.A. / Oct. 2014 US$ 45.080m Term Loan Facility	Cielo di Ulsan Cielo di Capri	14 consecutive half-yearly instalments + US$ 12m balloon for each vessel at maturity	US$ LIBOR + 2.65%	< 75.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	3,011	36,799	39,810
ABN Amro Bank N.V. / Dec. 2016 US$19.5m Term Loan Facility	Cielo di Gaeta	24 consecutive quarterly instalments + US$ 9.7m balloon at maturity	US$ LIBOR + 2.4% per annum during the initial charter period, thereafter 2.30%	< 76.9%	Liquid asset > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,921	14,943	16,864
Tokyo Century Corp. / Dec.2014 US$ 41.6m Term Loan Facility	Cielo di Hanoi [2] Cielo di Salerno [2]	24 consecutive quarterly instalments + US$ 12.5m balloon for each vessel at maturity	US$ LIBOR + 2.3%	< 87.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	38,477	-	38,477

Lender / Details	Asset	Repayment terms	interest%	Loan-to -value covenant[1]	Financial covenants	Short-term	Long-term	Total 31 Dec. 2017
			DTL					
Tokyo Century Corp. / November 2015 US$ 21.8m facility	High Challenge	24 consecutive quarterly instalments + US$ 13.1m balloon at maturity	US$ LIBOR + 2.2%	< 87.0%	Liquid assets > US$ 25m Net worth > US$ 100m Equity ratio > 35%	1,452	19,239	20,691
Tokyo Century Corp. / August 2016 US$ 10.5m general working capital facility	High Challenge Cielo di Hanoi [2] Cielo di Salerno [2]	22 consecutive quarterly instalments, no balloon	US$ LIBOR + 2.45%	n.a.	Liquid asset > US$ 25m Net worth > US$ 100m Equity ratio > 35%	6,062	2,520	8,582
ING Bank N.V. London Branch / July 2017 US$6.6m Term Loan Facility	Cielo di Milano [2]	18 consecutive quarterly instalments + US$ 0.2m balloon at maturity	US$ LIBOR + 2.5%	< 80.0%	Liquid asset > US$ 25m Net worth > US$ 100m Equity ratio > 35%	6,219	-	6,219
Bank of Ireland / Overdraft for working capital	n.a.	n.a.		n.a.	n.a.	5,997	-	5,997
			GIS					
Commerzbank AG / June 2008 US$ 195m Term Loan Facility	Glenda Melanie Glenda Melissa Glenda Melody Glenda Megan Glenda Meryl Glenda Meredith	10 year maturity from vessel delivery + 62.8 m total balloon	US$ LIBOR + spread 0.9% to 1.1%	< 76.9%	n.a.	5,370	40,068	45,438
			DIS					
Cassa Lombarda / Overdraft for working capital	n.a.	n.a.	-	n.a.	n.a.	1,108	-	1,108
Unicredit S.p.A. / Overdraft for working capital	n.a.	n.a.	-	n.a.	n.a.	4,921	-	4,921
Financial Fees						(2,458)	(6,557)	(9,015)
Total 31 December 2017						**128,488**	**357,544**	**486,032**

(1) As specified in the financing contract;

(2) Vessels re-classified as held-for-sale: all relevant bank financing has been re-classified as short-term bank debt.

All bank loans comply with the covenants.

DIS has reached an agreement with all of its banks, for which the Equity / Total Assets ratio is one of the financial covenants in guarantees provided by DIS for loans to its subsidiaries, to lower this threshold to 25.0% from the 1 January 2019. However, as far as the loan of the jointly controlled entity Eco Tankers Limited on which DIS has a 33% interest, the ratio was reduced to 25% for the fiscwal year 2019, while from 2020 it will be of 30%.

23. LIABILITIES FROM FINANCIAL LEASES

Liabilities from finance leases are repaid over the lease term. They have the following residual lease terms at the balance sheet date:

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Total future minimum lease payments (gross investment)	**249,386**	**96,048**
due within one year	19,386	7,797
due in one to five years	82,310	38,025
due over five years	147,690	50,226
Present value of minimum lease payments	**173,667**	**66,411**
due within one year	8,369	3,267
due in one to five years	44,732	22,650
due over five years	120,566	40,494
Finance charge included in the minimum lease payments	**75,719**	**29,637**
of which pertaining to the period	7,227	1,825

The carrying amount of the assets held under finance leases, as well as the main lease terms, are disclosed principally under note 13 for tangible assets; the annual rate of return on DIS' leasing transactions were, at the moment they were closed, aligned with market rates.

24. SHAREHOLDERS' FINANCING

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Long Term loan	**30,600**	-
Short Term financing	1,280	-
d'Amico International S.A.	31,880	-

On 31 December 2018, the non-current balance represents a US$ term revolving facility for corporate purpose, of up to US$ 40.0 million, granted by DIS' main shareholder, d'Amico International S.A., at an interest rate equal to the 3 months US$ LIBOR plus a 2.0% margin. The facility's maturity will be on 26 June 2021. The borrower has the right to prepay partially or in whole the outstanding amount at any time, while the lender can demand the partial or entire repayment at any time with a notice of one year and one day. The borrower has the right to specify that any amount drawn-down under the facility is subordinated to the rights and interest of any secured creditor ("Subordinated"). As at 31 December 2018, US$ 30.6 million of this facility had been Subordinated.

The current balance is lent by d'Amico International S.A. through a short-term financing facility for working capital needs at an interest rate equal to the one-month US$ Libor plus a 1% margin.

No financing by DIS' main shareholder, d'Amico International S.A., was outstanding as at 31 December 2017.

25. PAYABLES AND OTHER CURRENT LIABILITIES

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Trade payables	43,460	41,923
Other creditors	3,476	2,211
Accruals & deferred income	7,077	6,677
Total	**54,013**	**50,811**

Payables and other current liabilities as at 31 December 2018, mainly include trade payables.

The Group has financial risk management policies in place to ensure all payables are settled within agreed terms. Further information is disclosed in the note 29.

26. OTHER FINANCIAL LIABILITIES

US$ Thousand	As at 31 December 2018			As at 31 December 2017		
	Non-current	Current	Total	Non-current	Current	Total
Other financial liabilities	1,226	6,779	8,005	222	7,308	7,530
Fair value of derivative instruments	3,772	1,097	4,868	5,247	2,735	7,982
Total other financial liabilities	**4,998**	**7,876**	**12,873**	**5,469**	**10,043**	**15,512**

The balance as at 31 December 2018 as well as on 31 December 2017 mainly represents other financial liabilities relating to the fair value of the Interest Rate Swap hedging instruments and accrued interest and commitment fees pertaining to loans on vessels under construction (the derivatives instruments fair value calculation techniques and disclosure about financial market risk are shown in note 29); it includes also US$ 2.0 million relating to the outstanding financial payable to Solar Shipping for the purchase of the vessel M/T Cielo di Guangzhou (2017: 3.0 million) as well as deferred profit on disposal on three of the vessels sold and leased-back (M/T High Fidelity, High Freedom and M/T High Trust; 2017: US$ 17.7 thousand deferred profit) and accrued interest on the shareholders' financing US$ 0.5 million (2017: nil).

27. CURRENT TAX PAYABLE

US$ Thousand	As at 31 December 2018	As at 31 December 2017
Current tax liabilities	100	37

The balance at the end of 2018 and at the end of 2017 relates to the income taxes payable by the subsidiaries and the net wealth tax payable by the holding company.

28. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

US$ Thousand	As at 31 December 2017	Net cash-flows	Non-Cash Changes					As at 31 December 2018
			Amortised financial fees	Financial lease cost	Inception of financial lease	Derivatives P&L Unrealised movements	Cash-flow hedge OCI	
Liabilities from financial lease	66,411	(12,971)	-	7,227	113,000	-	-	173,667
Banks and other lenders	486,032	(59,352)	3,180	-	-	-	-	429,860
Liabilities from derivative instruments	7,100	323	-	-	-	(3,908)	633	4,148

29. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of risks connected with its operations: DIS has to take new risks to conduct its business and achieve its objectives, but aims to do so by identifying, measuring, managing and controlling them so as to ensure the long-term success of the Group. The shipping industry is highly sensitive to market fluctuations, which can determine significant changes in freight rates and vessel prices. One of DIS' key risk management aims is to reduce DIS' earnings exposure to cyclical fluctuations.

During the budget process, the Group identifies the key risks, and seeks to systematically take the necessary actions to manage such exposures also through hedges. Specific risk control policies and guidelines are in place to measure the Group's aggregate trading limits and delta variances on a daily basis. Duties are distributed between its back- and front offices, to properly monitor compliance with internal control procedures. This section provides qualitative and quantitative disclosure on the effects that those risks may have on the Group.

The Internal Control and Risk Management Committee – established within the Board of Directors – develops and monitors the Group's risk management policies, reporting regularly to the Board on its activities, as required by the Company's Corporate Governance structure.

The Group adopted an Internal Control and Risk Management System aimed at identifying, measuring, managing and monitoring the main risks. The System contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of financial information and the compliance with laws and regulations, including the by-laws and internal procedures.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from associated entities and derivatives.

Market Risk

DIS and its subsidiaries are exposed to market risk in respect of vessels trading on the spot market earning market rates. In particular, when chartering-in vessels hire rates may be too high to turn out profitable and, conversely, when chartering-out vessels the hire rates may be too low to ensure an adequate return. The following risk management strategies are applied: (i) The Group aims to have a fixed contract coverage between 40-60%, thus ensuring the exposure to the spot market does not exceed 60%, depending on the market conditions, the trend of rates and expectations; (ii) The vessels trade on a worldwide basis to reduce the effect of different regional market conditions. The Group does not normally use derivative financial instruments to manage their exposure to vessel spot market rates.

Financial Markets Risk

As a multinational Group that has operations throughout the world, DIS is exposed to the market risk of changes in foreign currency exchange rates and fluctuation in interest rates.

Currency risk

DIS uses US$ as functional currency and the majority of its transactions are denominated in U.S. Dollars. The Group is exposed to currency risk in respect of transactions denominated in currencies other than U.S. Dollars.

The Group monitors its exposure to currency risk on a regular basis. Management does not consider the Group has significant exposure to foreign exchange risk from operational activities, as almost all of the Group's revenues and most of its operating costs are denominated in U.S. Dollars. The Group systematically identifies and monitors its exposure to foreign currency fluctuation and imbalances, so as to detect potential negative effects in advance and take the necessary mitigating actions, hedging its foreign currency exposure, when appropriate, to keep it within acceptable levels. In particular, the exchange rate exposure on forecasted financing and commercial flows could be hedged by currency swaps, forward contracts and currency options, subject to specific risk policies and guidelines and internal control procedures. All forward exchange contracts and related currency options are valued at fair value through profit or loss, with the exception of cash flow hedges. Changes in the valuation of effective cash flow hedges are recorded in other comprehensive income and transferred to profit or loss when the hedged transaction affects profit or loss or are included in the initial acquisition cost of the hedged assets or liabilities where appropriate. Counterparties to these agreements are major financial institutions. Certain transactions could also have as counterpart the related party d'Amico Finance d.a.c.

The foreign exchange risk relating to cash flows not denominated in U.S. Dollars, arises mainly from administrative expenses and operating costs denominated in Euros. For 2018, these payments amounted to an equivalent of US$ 35.6 million, representing 9.3% of total operational, administrative, financial and fiscal expenses, of which 7.9% related to Euro transactions. Other foreign currencies do not represent a significant portion of DIS' cash flows.

US$ Thousand	**2018**		**2017**	
	+ 10%	- 10%	+ 10%	-10%
US$ / Ccy	**3,579**	**(3,579)**	**3,766**	**(3,766)**

Through a sensitivity analysis, we established that a 10% fluctuation in the U.S. Dollar exchange rate against all other currencies would have resulted in a variation of +/- US$ 3.6 million in the Group's 2018 net result (US$ +/-3.8 million in 2017). The Group's overall sensitivity to currency risk has not changed significantly from the prior year.

At the reporting date a forward currency contract was in place to counter the exposure to foreign exchange risk on EUR transactions.

Interest rate risk

The Group is exposed to interest rate risk arising from the fact that its bank deposits and its credit facilities necessary to the funding of new-buildings and vessel purchases, respectively, earn or pay interest at variable rates. The risk is managed by the Group through the use of interest rate swap contracts and the hedging activity is regularly evaluated to ensure an adequate coverage is in place.

The risk management strategies provide that: (i) a portion of d'Amico Tankers d.a.c.'s (a fully-owned subsidiary of d'Amico International Shipping S.A.) facilities are fixed using Interest rate swap (IRS) agreements. All the agreements are classified as a hedge for accounting purposes (IFRS9) and the effective portion of the gain or loss on the hedging instrument will be recognised under comprehensive income. Management considers that by fixing a proportion of the loan's interest expense, this will improve the predictability of future interest costs, at a level considered appropriate for the business and allowing the Group to reduce the risk of significant fluctuations in interest rates (cash-flow hedge). To comply with the on-going requirements of hedge accounting the effectiveness of the hedge is reviewed and confirmed on a quarterly basis; (ii) Management continuously reviews financing conditions available in the market to ensure its facilities are competitive.

Interest rate (*i*) Sensitivity

US$ Thousand	2018		2017	
	***i*+1%** Increase	***i*-1%** Decrease	***i*+1%** Increase	***i*-1%** Decrease
Interest rate cost / P&L	(1,700)	1,700	(1,436)	1,448
Interest rate swap / hedging instruments through OCI	10,086	(10,086)	10,667	(10,667)

With all other variables constant, an increase in the level of interest rates of 100 basis points would increase net financial charges by US$ 1.7 million (US$ 1.4 million in 2017) while a reduction in interest rates of 100 basis points would decrease net financial charges by US$ 1.7 million (US$ 1.4 million in 2017). As at 31 December 2018, had interest rates been 100 bp higher/lower, with all other variables constant, the valuation of the swaps would have increased by US$ 10.1 million or decreased by US$ 10.1 million, respectively (2017: US$ 10.7 million increase or decrease, respectively).

Financial instruments – Fair values and Risk Management

Fair value risk and valuation techniques

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash-flow analysis is performed. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching the maturities of the contracts. Interest rates swaps are measured at the present value of the future cash-flow estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash-flow analysis.

- The fair value of financial instruments accounts for the risk of counterparty (financial assets) and the entity's own credit risk (liabilities).

Accounting classification and fair values

The following table shows the carrying amounts and the fair values of financial assets and liabilities, together with their levels within the fair value hierarchy.

31 December 2018

US$ Thousand	Loans and receivables	Derivative instruments	Total	Fair Value		Total
				Level 1	*Level 2*	
ASSETS						
Non-current financial assets	9,391	264	9,655	-	264	264
Receivables and other current assets	52,163	-	52,163	-	-	-
Other current financial assets	15,395	456	15,851	-	456	456
Cash and cash equivalents	34,118	-	34,118	-	-	-
LIABILITIES						
Banks and other lenders	429,860	-	429,860	-	-	-
Liabilities from financial lease	173,667	-	173,667	-	-	-
Shareholders' financing	31,880	-	31,880	-	-	-
Other non-current financial liabilities	1,226	3,772	4,998	-	3,772	3,772
Payables and other current liabilities	54,013	-	54,013	-	-	-
Other current financial liabilities	6,779	1,097	7,876	-	1,097	1,097

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2017.

31 December 2017

US$ Thousand	Loans and receivables	Derivative instruments	Total	Fair Value		Total
				Level 1	*Level 2*	
ASSETS						
Non-current financial assets	27,073	559	27,632	-	559	559
Receivables and other current assets	66,200	-	66,200	-	-	-
Other current financial assets	22	322	344	-	322	322
Cash and cash equivalents	29,694	-	29,694	-	-	-
LIABILITIES						
Banks and other lenders	486,032	-	486,032	-	-	-
Liabilities from financial lease	66,411	-	66,411	-	-	-
Other non-current financial liabilities	222	5,247	5,469	-	5,247	5,247
Payables and other current liabilities	50,811	-	50,811	-	-	-
Other current financial liabilities	7,308	2,735	10,043	-	2,735	2,735

The Level 2 financial instruments in the above table refer to derivative instruments and their fair value is obtained through valuations provided by the corresponding bank at the end of the period. Counterparties to these derivatives are financial institutions which are rated from A+ to B+. Due to the high credit rating of these financial institutions, no adjustments for non-performance risk are deemed necessary.

The fair value of receivables and payables is equivalent to their carrying amount.

The carrying amount of financial assets represents the maximum credit exposure.

In 2018, the realised gains amounted to US$ 2.2 million (IRS) and the realised losses amounted to US$ 0.3 million (FX), while the unrealised gains amounted to US$ 2.5 million (US$ 1.9 million IRS and US$ 0.5 million FX); no unrealised losses were recorded. (2017: realised income US$ 0.1 million (IRS), realised losses US$ 1.5 million (FX), unrealised gains US$ 2.0 million (US$ 1.2 million IRS and US$ 0.8 million FX); no unrealised losses were recorded.)

Derivative instruments

Interest rate swaps

At the end of 2018, d'Amico Tankers d.a.c. had in place twenty-four interest rate swap contracts (IRS) to hedge the risk relating to interest rates on bank financings. Eighteen hedges are linked to the financing of vessels and deemed highly effective, with the effective part of the unrealized gain/loss for the period recognized in other comprehensive income. These contracts were held with the following counterparties: two with Bank of Ireland, two with Den Norske Bank London, three with ING Bank N.V., one with ABN Amro Bank N.V., two with Crédit Agricole Corporate and Investment Bank, four with d'Amico Finance d.a.c., one with Intesa San Paolo, one with MPS and two with Skandinaviska Enskilda Banken AB. Six of the hedges are not linked to specific vessels and the ineffective part recognized in profit or loss; they are contracted with the following counterparties: four with ING Bank NV, one with Intesa San Paolo and one with Skandinaviska Enskilda Banken AB.

The following table shows the accounting impact of the derivatives (Interest Rate Swaps) in 2018 and 2017:

US$ Thousand	2018		2017	
	Profit or Loss	Equity Reserve	Profit or Loss	Equity Reserve
Interest rate swaps / hedge accounting	1,743	(639)	1,000	2,456
Total / fair value hedge	**1,743**	**(639)**	**1,000**	**2,456**

Forward currency contracts

As of 31 December 2018, the DIS Group has a specific hedging arrangement in place to cover exchange rate fluctuations for a notional amount of € 0.6 million.

The following table shows the accounting impact of the Forward currency contract in 2018 and 2017:

US$ Thousand	2018		2017	
	Profit or Loss	Equity Reserve	Profit or Loss	Equity Reserve
Forward currency contract	(264)	6	-	-
Total	**(264)**	**6**	**-**	**-**

The outstanding derivative instruments fair value at the end of the year is shown under Other Current / Non-current financial assets and Other current/Non-current financial liabilities.

Measurement of Fair Value

The fair value measurement for the IRS has been categorised within Level 2, since their fair value measurement is derived from inputs other than quoted prices that are observable (cfr. note 1). The disclosures envisaged for Level 3 categories of fair value are not applicable to the current measurement.

The fair value of existing derivative instruments and hedging instrument is recurrent, at each closing date.

The counterparties to DIS' derivatives contracts are banks and financial institution counterparties, which are rated A+ to B+ (S&P).

Credit risk

The Group is exposed to credit risk resulting from the possible non-performance of any of its counterparties, primarily customers, agents, joint venture partners and financial institutions. The Group normally deals only with creditworthy counterparties and has financial risk management policies in place to ensure all payables are settled within agreed terms. Such policies include a continuous monitoring and evaluation, also of the default risk of the industry and country in which its customers operate, to limit its exposure to delayed payments. To minimise its credit risk the Group has the following risk management strategies: (i) regarding receivables, balances are reviewed on an on-going basis. The recovery of demurrage income and charter expenses is followed by a dedicated team. The customer's portfolio includes a large number of oil majors, and large oil trading companies. Historically DIS has, therefore, not experienced significant losses on trade receivables. Nevertheless, the Group recognises an allowance for impairment that represents its estimate of losses that will be incurred with respect to trade and other receivables; (ii) regarding payments relating to services such as crew management, technical and bunker purchases, advancess are planned to minimise credit risk. (iii) regarding instalment payments relating to vessels under construction, advances are covered by appropriate bank guarantees from creditworthy institutions; (iv) regarding payment to port agents, these are managed by the DA Desk, a professional and external organisation specialised in ensuring an effective and timely execution of commercial transactions. The relationships with the agents and the DA Desk are managed through an in-house team with significant experience. (v) regarding banks holding its cash deposits, the Group's policy is deal only with large institutions with strong credit ratings, a first-class reputation and in most cases, specialised in shipping.

The top 10 customers in 2018 represented approximately 43.6% of the revenue of the Group (2017: 48%). As at 31 December 2018, 33% of the total trade receivables were due from the Group's ten largest customers (As at year-end 2017: 49.2%). DIS primarily deals with oil majors and large oil trading companies, with strong credit ratings. Counterparty risks, therefore, mainly relate to demurrage receivables and expenses incurred on the behalf of charterers. Each of these receivables are regularly monitored and on an individual basis.

To measure the expected credit losses, management has used time-slots risk indexes for overdue demurrages as per table below, with a risk increase per time-slot of 0.5% until 90 days overdue and further increasing the risk by 1% for overdues within 120 days and by 1.3% for overdues of over 120 days (please also refer to the accounting principles).

US$ Thousand	**< 30 days**	**30<days < 60**	**60< days <90**	**90< days < 120**	**> 120 days**	**Total**
Demurrage receivable	1,541	3,388	1,892	908	2,363	**10,092**
Percentage of risk of overdue receivables	3.5%	4.0%	4.5%	5.5%	6.8%	**-**
YE '18 provision for life-time credit loss (gross interest)	54	135	85	50	161	**485**
YE '18 life-time impairment of credits under legal dispute	-	-	-	-	-	**690**

As at year-end 2018 the bad debt provision for the life-time credit losses on demurrage receivables decreased relative to year-end 2017, with a positive income statement impact in 2018 of US$ 40 thousand, while the impairment of credits under legal dispute had a negative income statement impact in 2018 of US$ 210 thousand; the total allowance for trade and other receivables losses as at 31 December 2018 amounted to US$ 1.2 million (2017: US$ 1.0 million).

2017 comparatives have not been restated for IFRS9 and are presented as measured under the previous criteria (5% loss risk on gross interest/ based on averaging of historic data). Had the credit risk on 2017 receivables been re-measured with the current IFRS 9 criteria, a US$ 45.3 thousand lower provision would have resulted.

The Group has significant cash deposits with the following banks, which can count on the following S&P credit rating, Credit Agricole Bank (A+), JP Morgan (A-) and DNB (A).

Other financial assets at amortised cost include a loan to a related party DM Shipping d.a.c. (ref. note n.16). Under IFRS9, this asset is assessed at each period-end to ascertain whether the credit risk relating to it has increased significantly since initial recognition. If it has, then an allowance is made for lifetime expected credit losses on it. If it has not, then only credit losses expected on defaults within 12 months of the period end are recognised. Risk of default is assessed on an individual basis on the counterparty and expected credit losses are measured based on the historical and current data. At the end of 2018 reporting period due to the intention of the DM Shipping d.a.c. joint venture to sell its vessels, the financing was still considered to be current and payable: the reclassification from long-term to short-term, entailed the implicit valuation of the vessels for which the financing was granted at fair value, leading to the recognition of an expected credit loss resulting from the impairment of the credit. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

The Group is exposed to liquidity risk from the possible mismatch between cash requirements – principally for vessel purchase and credit facility repayments – and Group cash flows.

As part of its financial planning process, DIS manages the liquidity risk by targeting a capital structure that balances the significant credit lines and funds currently available with the cash generation of the operating activities, to allow the Group to maintain an adequate level of liquidity. In this respect, the Group also seeks to manage the terms, maturity and composition its financing facilities. The Group's capital structure is set within the limits established by the Company's Board of Directors and the Group's Management regularly reviews group facilities and cash requirements.

Despite the challenging credit market conditions, the Group has succeeded in maintaining access to a wide range of funding at competitive rates through financial institutions and the capital markets (see also note 22 and 23).

The following tables details for the years 2018 and 2017, respectively, the Group's remaining contractual maturity for its financing liabilities with agreed repayment periods. The tables have been drawn-up on the basis of undiscounted cash-flows on the earliest date in which the Group can be required to pay.

US$ Thousand	**As at 31 December 2018**				
	< 1 y	**1-2 y**	**2-5 y**	**> 5 y**	**Total**
Total Banks and other lenders (Fin. fees excluded)	98,557	65,256	275,414	2,209	**441,435**
Other financial liabilities	2,000	-	-	-	**2,000**
Amount due to parent company	1,280	30,600	-	-	**31,880**
Financial leasing	8,369	8,767	35,965	120,565	**173,667**
Total	**110,206**	**104,623**	**311,379**	**122,774**	**648,982**

US$ Thousand	**As at 31 December 2017**				
	< 1 y	**1-2 y**	**2-5 y**	**> 5 y**	**Total**
Total Banks and other lenders (Fin. fees excluded)	130,937	88,954	237,610	37,538	**495,039**
Other financial liabilities	3,118	-	-	-	**3,118**
Financial leasing	3,267	4,663	17,987	40,494	**66,411**
	137,322	**93,617**	**255,597**	**78,032**	**561,450**

For our financial liabilities, as disclosed in the maturity analysis above, it is not expected that the cash-flows could occur significantly earlier or with significantly different amounts.

30. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24, the Group's related parties are entities and individuals capable of exercising control, joint control or significant influence over DIS and its subsidiaries, companies belonging to the d'Amico Group, and joint ventures of the d'Amico International Shipping Group. Moreover, members of the DIS Board of Directors, and executives with strategic responsibilities and their families are also considered related parties. The business relationships with the related parties are generally conducted under the same conditions as for non-related parties.

Related party transactions and outstanding balances between d'Amico International Shipping S.A. and its subsidiaries (intra-group related party transactions) are disclosed in the statutory financial statements.

The volume of significant transactions of the Group not elsewhere disclosed in the present report for 2018 and 2017 with these related parties is set out below:

US$ Thousand	2018		2017	
	Total	Of which related parties	Total	Of which related parties
Revenue	399,046	7,286	390,971	4,945
Voyage costs	(154,176)	-	(133,534)	-
Time charter hire costs	(129,750)	(15,309)	(126,664)	(14,171)
Other direct operating costs	(81,572)	(7,829)	(80,370)	(8,142)
General and administrative costs	(16,196)	(4,857)	(15,482)	(5,160)
Result from disposal of vessels	167	-	1,917	-
Net financial income (charges)	(29,261)	-	(25,960)	-

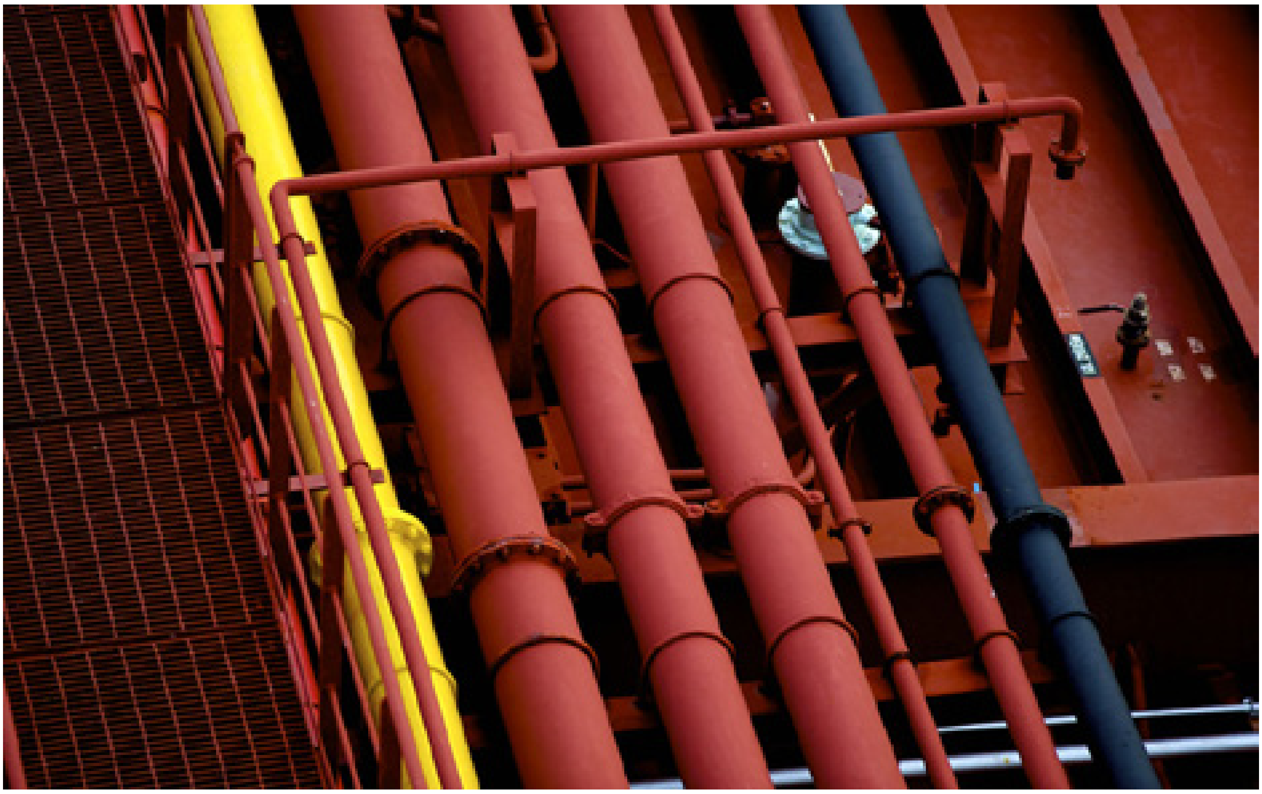
The effects of related party transactions on the Group's consolidated statement of financial position not elsewhere disclosed in the present financial report as at 31 December 2018 and 31 December 2017 are the following:

US$ Thousand	As at 31 December 2018		As at 31 December 2017	
	Total	Of which related parties	Total	Of which related parties
ASSETS				
Non-current assets				
Property, plant and equipment	911,281	-	792,851	-
Investment in jointly controlled entities	3,228	-	3,269	-
Other Non-current financial assets	9,655	-	27,632	21,685
Current assets				
Assets held for sale	-	-	77,750	-
Inventories	13,492	-	15,495	-
Receivables and other current assets	52,163	1,060	66,200	1,721
Current financial assets	18,205	17,089	344	-
Cash and cash equivalents	31,713	-	29,694	-
LIABILITIES				
Non-current liabilities				
Banks and other lenders	338,622	-	357,544	-
Liabilities from financial leases	165,298	-	63,144	-
Shareholders' long term loan	30,600	30,600	-	-
Other non-current financial liabilities	4,998	-	5,469	-
Current liabilities				
Banks and other lenders	91,238	-	128,488	-
Liabilities from financial leases	8,369	-	3,267	-
Shareholders' short term financing	1,280	1,280	-	-
Payables and other current liabilities	54,013	12,372	50,811	16,731
Other financial current liabilities	7,876	-	10,043	3,000
Current taxes payable	100	-	37	-

The effects, by legal entity, of related party transactions on the Group's consolidated Income Statement for 2018 not disclosed elsewhere in this report are the following:

US$ Thousand	d'Amico International Shipping S.A.	DM Shipping d.a.c.	d'Amico Società di Nav. S.p.A.	Eco Tankers Limited	d'Amico Shipping Singapore	d'Amico. Shipping USA
	(consolidated)					
Revenue	399,046					
of which						
Freight out	7,286	-	-	-	7,286	-
Time charter hire costs	(129,750)					
of which						
Vessel charter agreements	(15,309)	(11,450)	-	(3,859)	-	-
Other direct operating costs	(81,572)					
of which						
Technical management expenses and SQE	(7,829)	-	(7,829)	-	-	-
General and Administrative costs	(16,196)					
of which						
Service agreement - Consultancy	(4,857)	-	(1,282)	-	(1,922)	(1,653)
Total		**(11,450)**	**(9,111)**	**(3,859)**	**5,364**	**(1,653)**

An amount of US$ 0.3 million of construction supervisory fees was incurred through a contract with the related party Ishima. This amount was capitalised in 2018 and is therefore not disclosed in the table above, indicating the effects on DIS' income statement of transactions with related parties.



The following table shows the effects, by legal entity, of related party transactions on the Group's consolidated income statement for the year 2017:

US$ Thousand	d'Amico International Shipping S.A.	DM Shipping d.a.c.	d'Amico Società di Nav. S.p.A.	Eco Tankers Limited	d'Amico Shipping Singapore	d'Amico. Shipping USA
	(consolidated)					
Revenue	390,971					
of which						
Freight out	4,945	-	-	-	4,945	-
Time charter hire costs	(126,664)					
of which						
Vessel charter agreements	(14,171)	(11,148)	-	(3,023)	-	-
Other direct operating costs	(80,370)					
of which						
Technical expenses and SQE	(8,142)	-	(8,142)	-	-	-
General and Administrative costs	(15,482)					
of which						
Service agreement - Consultancy	(5,160)	-	(1,191)	-	(2,669)	(1,300)
Total		**(11,148)**	**(9,333)**	**(3,023)**	**2,276**	**(1,300)**

An amount of $ 1.1 million of construction supervisory fees was incurred through a contract with the related party Ishima. This amount was capitalised in 2017 and is therefore not disclosed in the table above, indicating the effects on DIS' Income statement of transactions with related parties.

The effects, by legal entity, of related party transactions on the Group's consolidated Statement of Financial Position as at 31 December 2018, are as follows:

US$ Thousand	d'Amico International Shipping S.A.	d'Amico Shipping Singapore	DM Shipping d.a.c.	d'Amico Finance d.a.c.	d'Amico International S.A.	Rudder SAM	d'Amico Società di Navigazione
	(consolidated)						
Other current financial assets	**18,205**						
of which related party	17,089	-	14,684	2,405	-	-	-
Receivables and other current assets	**52,163**						
of which related party	1,060	1,060	-	-	-	-	-
Payables and other current liabi-lities	**54,013**						
of which related party	12,372	-	-	-	-	9,789	2,583
Other furrent financial liabilities							
of which related party							
Shareholders' financing	**31,880**						
of which related party	31,880	-	-	-	31,880	-	-
Total		**1,060**	**14,684**	**2,405**	**(31,880)**	**(9,789)**	**(2,583)**

The effects, by legal entity, of related party transactions on the Group's consolidated Statement of Financial Position as at 31 December 2017, are as follows:

US$ Thousand	d'Amico International Shipping S.A.	d'Amico Shipping Italia S.p.A.	d'Amico Shipping Singapore	Rudder SAM	d'Amico Societa' di Navigazione	DM Shipping d.a.c.	Sirius Ship Management	Ishima Pte. Ltd.
	(consolidated)							
Other financial assets	27,976							
of which related party	21,685	-	-	-	-	21,685	-	-
Receivables and other current assets	66,200							
of which related party	1,721	-	1,721	-	-	-	-	-
Payables and other current liabilities	50,811							
of which related party	18,254	-	1,550	8,439	5,406	-	1,523	1,336
Other current financial liabilities	10,043							
of which related party	3,000	3,000	-	-	-	-	-	-
Total		**(3,000)**	**171**	**(8,439)**	**(5,406)**	**21,685**	**(1,523)**	**(1,336)**

31. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at December 31, 2018, the Group's capital commitments amounted to US$ 58.2 million, of which payments over the next 12 months amounted to US$ 58.2 million (31 December 2017 US$ 144.4 million of which payments over the next 12 months amounted to US$ 91.9 million).

US$ Million	As at 31 December 2018	As at 31 December 2017
Within one year	58.2	91.9
Between 1 – 3 years	0.0	52.5
Total	**58.2**	**144.4**

Capital commitments relate to the payment for 2 Hyundai-Mipo dockyard 75,000 dwt Product/chemical tanker newbuilding vessels expected to be delivered in Q1 and Q3 2019.

Operating leases – chartered in vessels

As at December 31, 2018, the Group's minimum operating lease rental commitments amounted to US$ 336.4 million, of which payments over the next 12 months amounted to US$ 81.0 million (December 31, 2017, the Group's minimum operating lease rental commitments amounted to US$ 449.4 million, of which payments over the next 12 months amounted to US$ 126.7 million).

US$ Million	As at 31 December 2018	As at 31 December 2017
Within one year	81.0	126.7
Between 1 – 3 years	106.9	129.1
Between 3 – 5 years	89.4	91.5
More than 5 years	59.1	102.1
Total	**336.4**	**449.4**

As at December 31, 2018, the Group operated 18.5 vessel equivalents on time charter-in contracts as lessee. These had an average remaining contract period of 3.3 years at that date (4.1 years including optional periods).

As at 31 December 2017, the Group operated 25.5 vessel equivalents on time charter-in contracts as lessee. These had an average remaining contract period of two years at that date (2.4 years including optional periods).

Purchase options

Some of the charter-in contracts include options to purchase vessels. Exercise of these options is at the discretion of the Group based on the conditions prevailing at the date of the option.

Operating leases – other

Other operating leases primarily consist of contracts regarding office space. The minimum lease payments under these contracts are as follows:

US$ Million	As at 31 December 2018	As at 31 December 2017
Within one year	0.7	0.8
Between 1 – 3 years	0.9	1.1
Between 3 – 5 years	0.5	0.6
More than 5 years	1.2	1.5
Total	**3.3**	**4.0**

On-going disputes

The Group is currently involved in a number of on-going commercial disputes concerning both our owned and chartered vessels. The majority are cargo contamination claims. The disputes are mostly covered by the P&I Club insurance and therefore no significant financial exposure is expected.

Tonnage tax deferred taxation

All Irish operating companies are qualified to be taxed under the Tonnage Tax regime in Ireland.
The regime includes a provision whereby a proportion of capital allowances previously claimed by the Group may be subject to tax in the event that vessels are sold, or the Group fails to comply with the ongoing requirements to remain within the regime.

There are neither contingent liabilities nor commitments made by the Group which are not recognized at the reporting date in relation with the Group's interests in its joint ventures.

32. d'AMICO INTERNATIONAL SHIPPING GROUP COMPANIES

The table below shows the complete list of Group companies, and for each of these companies d'Amico International Shipping's percentage ownership, its method of consolidation, registered office, share capital and currency.

Name	Registered Office	Share Capital	Currency	Interest %	Consolidation Method
d'Amico International Shipping S.A.	Luxembourg	65,375,803	US$	n.a.	Integral
d'Amico Tankers d.a.c.	Dublin / Ireland	100,001	€	100.0%	Integral
High Pool Tankers Limited	Dublin / Ireland	2	€	100.0%	Proportional
Glenda International Management Limited	Dublin / Ireland	2	€	100.0%	Integral
Glenda International Shipping d.a.c.	Dublin / Ireland	202	US$	50.0%	Proportional
DM Shipping d.a.c.	Dublin / Ireland	100,000	US$	51.0%	Equity*
d'Amico Tankers Monaco SAM	Monaco	150,000	€	99.8%	Integral
d'Amico Tankers UK Ltd	London / UK	50,000	US$	100.0%	Integral
Eco Tankers Limited	Malta	65,162	US$	33.0%	Equity

The consolidation area in 2018 does not differ with respect to the 2017 consolidated accounts.

Interest in Jointly Controlled Entities

The Group has the following significant interests in jointly controlled entities:

- 50% equity share in the ownership, with equivalent voting power, of Glenda International Shipping d.a.c. (Ireland), a jointly controlled operation with the Glencore Group.
- 51% equity share in the ownership, with 50% voting power, of DM Shipping d.a.c. (Ireland), a jointly controlled entity with the Mitsubishi Group.
- 33% equity share in the ownership, with 50% voting power, of Eco Tankers Limited (Malta), a jointly controlled entity with the shipping investment fund, Venice Shipping & Logistics.

There was no change in the Group's ownership or voting interests in these joint ventures for the reported years.

The jointly controlled entities have been consolidated following the consolidation method specified in the previous table, within the consolidated financial statements, based on the following amounts expressed in US$ thousands:

US$ Thousand	Glenda International Shipping d.a.c.		DM Shipping d.a.c.*		Eco Tankers Limited	
SUMMARISED BALANCE SHEET	**31 Dec.2018**	**31 Dec.2017**	**31 Dec.2018**	**31 Dec.2017***	**31 Dec.2018**	**31 Dec.2017**
Non-current assets	179,845	190,415	-	50,763	23,591	24,898
Current assets	15,135	14,448	38,824	5,117	2,284	2,707
Net equity	(111,448)	(110,558)	(14,657)	874	(9,570)	(9,693)
Non-current liabilities	(50,769)	(80,146)	-	(50,666)	(14,410)	(15,846)
Current liabilities	(32,763)	(14,158)	(53,481)	(6,088)	(1,896)	(2,065)
SUMMARISED S.O.C.I.	**2018**	**2017**	**2018**	**2017***	**2018**	**2017**
Time Charter Equivalent Earnings	28,750	30,141	11,438	11,114	4,793	5,096
Other direct operating costs	(14,599)	(13,911)	(4,752)	(4,972)	(2,273)	(2,333)
General and administrative costs	(228)	(227)	(158)	(173)	(137)	(127)
Other operating income	300	-	-	-	-	-
Depreciation and impairment	(10,563)	(15,705)	(18,863)	(2,960)	(1,457)	(1,457)
Financial costs	(2,729)	(2,297)	1,936	(2,907)	(844)	(921)
Tax	(42)	(29)	(13)	(11)	-	-
Result of the period	**889**	**(2,028)**	**(13,783)**	**91**	**(23)**	**258**

* In compliance with the application of IFRS 11, DM Shipping d.a.c. was not consolidated in the 2018 nor in the 2017 DIS' Group accounts, since it had a negative equity.

Earning per share (e.p.s.)

US$ Thousand	2018	2017
Basic e.p.s.	(0.085)	(0.075)
Diluted e.p.s.	(0.085)	(0.075)
Weighted average number of ordinary shares used as the denominator in calculating basic e.p.s.	645,714,080	508,653,542
Adjustment for calculation of diluted e.p.s. – options	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted e.p.s.	645,714,080	508,653,542

d'AMICO INTERNATIONAL SHIPPING S.A.
MANAGEMENT REPORT AND STATUTORY FINANCIAL STATEMENTS
Year ended 31 December 2018

This document is available on **www.damicointernationalshipping.com**

d'Amico International Shipping S.A.
RCS LUXEMBOURG B 124 790
25C Boulevard Royal, Luxembourg
Share capital US$ 65,375,802.50 as at 31 December 2018

Management Report

d'Amico International Shipping S.A. (the "Company", DIS) a company with limited liability, was incorporated under the laws of the Grand-Duchy of Luxembourg on 9 February 2007; its statutory seat is in Luxembourg.

The object of the Company is the investment in enterprises operating in the shipping industry, including the relevant services and facilities, as well as the administration, management, control and development of such participating interests. Its principal activity is to act as the holding company for d'Amico Tankers d.a.c. and its subsidiaries and of Eco Tankers Limited.

On 3 May 2007 d'Amico International Shipping S.A. completed its initial public offering (IPO) of shares, which are listed on the Milan (Italy) Stock Exchange. Subsequent capital increases occurred in 2012, 2014, 2015, 2016, 2017 and 2018 aimed at financing the subsidiaries' fleet expansion.

Financial review of d'Amico International Shipping S.A.

Operating performance

In 2018 the Company recorded a net loss of US$ 0.1 million. The Company's Income Statement is summarized in the following table.

US$ Thousand	31 December 2018	31 December 2017
Investment income (dividends)	83	252
Investment loss (loss in value)	(1,315)	-
Personnel costs	(407)	(463)
Other general and administrative costs, including tax	(3,373)	(2,997)
Financial income (charges)	4,894	2,006
Net Profit / (Loss)	**(118)**	**(1,202)**

Investment income (dividends) totalling US$ 0.1 million was received in 2018.

Costs are essentially made up of general and administrative expenses and personnel costs.

The Company has no branches; there are no Research&Development costs; Own shares are disclosed under note 13.

Statement of Financial Position

US$ Thousand	31 December 2018	31 December 2017
Non-current assets	351,878	357,198
Current assets	45,106	7,572
Total assets	**396,985**	**364,770**
Shareholders' Equity	357,706	357,484
Non-current liabilities	30,600	-
Current Liabilities	8,679	7,286
Total liabilities and shareholders' equity	**396,985**	**364,770**

The Company's Non-current Assets of US$ 351,878 million include:

- the investment in d'Amico Tankers d.a.c. (DTL)— the key operating subsidiary of the Group — with a book value of US$ 318.9 million;

- the investment in Eco Tankers Limited, a 33% JV with Venice Shipping and Logistics, with a book value of US$ 3.0 million.
- a medium-term financing to d'Amico Tankers, with a book value of US$ 30.0 million.
- Current assets are mainly represented by US$ 44.8 million in financial receivables from the subsidiary d'Amico Tankers d.a.c.

Significant Events in the Year

In 2018 the main events for the d'Amico International Shipping Group were the following:

d'Amico Tankers d.a.c.:

- **'Time Charter-In' and 'Commercial management' Fleet:** in January 2018, the contract on M/T Carina, an MR vessel built in 2010 and time-chartered-in by d'Amico Tankers d.a.c. since 2013, was extended for a further 2 year period starting from May 2018, at a reduced rate. In January 2018, the time-charter-in contract on M/T Port Said, an MR vessel built in 2003, with d'Amico Tankers ended and the vessel was redelivered to her Owners.

  In February 2018, the contract on M/T SW Cap Ferrat I, an MR vessel built in 2002 and time-chartered-in by d'Amico Tankers d.a.c. since 2015 and due to expire in December 2018, was extended for a further year, at a reduced rate.

  In April 2018, the time-charter-in contract on M/T Port Stewart, a Handy vessel built in 2003, with d'Amico Tankers ended and the vessel was redelivered to her Owners.

  In May 2018, the contract on M/T High Power, an MR vessel built in 2004 and time-chartered-in by d'Amico Tankers d.a.c. since 2015 and due to expire in May 2018, was extended for a 12 month period, at a reduced rate.

  In May 2018, d'Amico Tankers d.a.c. time-chartered-in M/T High Navigator, a newbuilding MR vessel built in Japan Marine United Co. (Japan) for a 8 year period and M/T High Explorer, a newbuilding MR vessel built in Onomichi Dockyard (Japan) for a 8 year period with options to extend the contract.

  In June 2018, d'Amico Tankers d.a.c. time-chartered-in M/T High Leader, a newbuilding MR vessel built in Japan Marine United Co. (Japan), for a 8 year period.

  In July 2018, the contract on M/T Freja Baltic, an MR vessel built in 2008 and time-chartered-in by d'Amico Tankers d.a.c. since 2014 and due to expire in August 2018, was extended for a further 2 year period, at a reduced rate.

  In August 2018, the time-charter-in contract on M/T Silver Express, an MR vessel built in 2009, with d'Amico Tankers ended and the vessel was redelivered to her Owners.

  In August 2018, the time-charter-in contracts on M/T High Beam, M/T High Current, M/T High Glow, M/T High Enterprise, M/T High Force, all expiring between August 2018 and October 2018, were extended for 1 to 3 more spot voyages. The original fixed hire rate was changed into a 'floating hire rate' based on the spot market earnings of each of the vessels. Therefore, d'Amico is effectively acting as commercial manager of these vessels, earning a 2% commission on all their gross revenues. As at year-end 2018 five vessels were participating in this new commercial scheme.

  In October 2018, the time-charter-in contract on M/T Citrus Express, an MR vessel built in 2006, with d'Amico Tankers ended and the vessel was redelivered to her owners. In the same month, the time-charter-in contract on M/T High Sun, an MR vessel built in 2014, with d'Amico Tankers ended and the vessel was redelivered to her owners (Eco Tankers Limited, in which DIS has a 33% shareholding).

  In November 2018, the management contract on M/T High Enterprise ended and the Vessel was redelivered to her owners.

  In December 2018, the time-charter-in contract on M/T High Pearl, an MR vessel built in 2009, with d'Amico Tankers ended and the vessel was redelivered to her owners.

- **'Time Charter-Out' Fleet:** In January 2018, a 3 year time-charter contract between d'Amico Tankers d.a.c. and an oil-major expired and the vessel is now employed on the spot market.

  In February 2018, d'Amico Tankers d.a.c. fixed one of its 'eco' MR vessels with an oil major for a 1 year time charter at a profitable rate.

  In March 2018, d'Amico Tankers d.a.c. extended a 6 months' time charter contract with a leading trading house on one of its LR1 vessels for a 9 months period with a charterer's option for an additional 6 months, at a higher rate.

  In March 2018, d'Amico Tankers d.a.c. extended its time charter contracts with an oil major on three MR vessels. The first of these contracts was extended for 28 months at a profitable rate, with an option for a further 8 months; the second contract was extended for 12 months at a profitable rate, with an option for further 12 months; the third contract was extended for 32 months at a profitable rate, with an option for further 6 months.

  In May 2018, d'Amico Tankers d.a.c. fixed one of its newbuilding 'eco' LR1 vessels expected to be delivered in Q3 2018, with a leading trading house, for a 9 months charter contract with a charterer's option for an additional 6 months.

  In August 2018, d'Amico Tankers d.a.c. extended its time charter contract with an oil major on one of its MR vessels for 12 months starting from September 2018. At the same time, d'Amico Tankers d.a.c. fixed two of its MR vessels on a time charter contract with the same oil major for 12 months, with an option for a further 12 months.

  In October 2018, d'Amico Tankers d.a.c. extended its time charter contract with a leading trading house on one of its LR1 vessels for 9 months starting from October 2018, with an option for further 9 months.

  In November 2018, d'Amico Tankers d.a.c. fixed one of its new LR1 vessels delivered in January 2019 with an oil major for a 2-year time-charter contract at a profitable rate, with a charterer's option for one additional year. In the same month, d'Amico Tankers d.a.c. extended its time charter contract with a leading trading house on another of its LR1 vessels for 6 months starting from February 2019, at a profitable rate.

  In December 2018, d'Amico Tankers d.a.c.: i) extended its times charter contract with an oil-major on one of its MR vessels for 12 months starting from January 2019; ii) fixed two of its eco MR time-chartered-in vessels with a leading trading house for a 2-year time charter contract at a profitable rate with a charterer's option for one additional year; iii) fixed one of its eco MR owned vessels with an oil-major for a 4 year time charter contract at profitable rates.

- **Newbuilding vessels:** In January 2018, M/T Cielo di Rotterdam, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

  In January 2018, d'Amico Tankers agreed with Hyundai Mipo Dockyard Co. Ltd. (South Korea) to take delivery of the remaining LR1s under construction, as per the following approximate schedule: 1 vessel in January 2018, 2 vessels in July 2018 and the last 2 vessels in January 2019.

  In July 2018, M/T Cielo di Cagliari, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

  In August 2018, M/T Cielo Rosso, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co.

Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

In December 2018, d'Amico Tankers d.a.c. agreed with Hyundai Mipo Dockyard Co. Ltd. – South Korea – to postpone delivery of the last LR1 under construction from January 2019 to September 2019.

- **Vessel Sales:** In November 2017, d'Amico Tankers d.a.c. singed a memorandum of agreement for the sale of M/T High Presence, a 48,700 dwt medium-range product tanker vessels, built in 2005 by Imabari Shipbuilding Co. Ltd. (Japan) for a consideration of US$ 14.14 million. This transaction generated at delivery of the Vessel in Q1 2018, a positive net cash effect of around US$ 7.2 million for d'Amico Tankers, net of commissions and reimbursement of the vessel's existing loan, contributing to the liquidity required to complete DIS' fleet renewal program. At the same time, d'Amico Tankers will maintain the commercial employment of the vessels having also concluded with the buyer a 6 years' time-charter agreement at a competitive rate.

  In December 2017, d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Freedom, a 49,990 dwt medium-range product tanker vessel, built in 2014 by Hyundai Mipo (South Korea) for a consideration of US$ 28.0 million. This transaction allowed d'Amico Tankers to generate around US$ 13.4 million in cash in Q1 2018, net of commissions and reimbursement of the vessel's existing loan, contributing to the liquidity required to complete DIS' fleet renewal program. In addition, through this transaction d'Amico Tankers will maintain full control of the Vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers has the option to repurchase the Vessel, starting from the second anniversary of her sale at a competitive cost of funds.

  In July 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement for the sale of the M/T Cielo di Milano, a 40,081 dwt handy product tanker vessel, built in 2003 by Shina Shipbuilding, South Korea for a consideration of US$ 8.025 million. This transaction allows d'Amico Tankers to generate around US$ 2.4 million in cash, net of commissions and the reimbursement of the vessel's existing loan.

  In July 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Trust, a 49,990 dwt medium-range product tanker vessel, built in 2016 by Hyundai-Mipo, South Korea, for a consideration of US$ 29.5 million. This transaction allows d'Amico Tankers to generate at the vessel's delivery around US$ 11.9 million in cash, net of commissions and the reimbursement of the vessel's existing loan. In addition, through this transaction d'Amico Tankers will maintain full control of the vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers has the option to repurchase the vessel, starting from the second anniversary of her sale at a competitive cost of funds.

  In August 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Loyalty, a 49,990 dwt medium-range product tanker vessel, built in 2015 by Hyundai-Mipo, South Korea for a consideration of US$ 28.5 million. This transaction allows d'Amico Tankers to generate at the vessel's delivery around US$ 13.3 million in cash, net of commissions and the reimbursement of the vessel's existing loan. In addition, through this transaction d'Amico Tankers will maintain full control of the vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers has the option to repurchase the vessel, starting from the second anniversary of her sale at a competitive cost of funds.

In November 2018, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Trader, a 49,990 dwt medium-range product tanker vessel, built in 2015 by Hyundai-Mipo, South Korea for a consideration of US$ 27.0 million. This transaction allows d'Amico Tankers to generate at the vessel's delivery around US$ 8.6 million in cash, net of commissions and the reimbursement of the vessel's existing loan. In addition, through this transaction d'Amico Tankers will maintain full control of the vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers has the option to repurchase the vessel, at any time starting from the second anniversary of her sale with three months' notice at a competitive cost of funds.

d'Amico International Shipping:

- **Shareholders' Loan:** DIS has been constantly benefitting from the strong financial support of its controlling shareholder, d'Amico International S.A., which had loans outstanding to the Company of US$ 31.9 million as at the end of 2018, of which US$ 30.6 million fully subordinated to the rights and interests of any secured creditor. On June 26, 2018 (Effective date), d'Amico International Shipping (the "Borrower") signed a loan agreement with its controlling shareholder, d'Amico International (the "Lender"), as modified by the addendum of 14 December 2018. At the request of the Borrower, the Lender has agreed to make available to the Borrower a US$ long term loan of up US$ 40,000,000 (the "Facility"). The Facility maturity date will be the day following three (3) years from the Effective Date above (the "Maturity Date"), without prejudice to any earlier Maturity Date coinciding with the end of the Reimbursement Notice Period. Each Advance under the Facility shall carry an interest rate of 3 Months US$ LIBOR plus the applicable margin agreed at 2% p.a. The Borrower has the right to prepay partially or in whole any single advance or the whole outstanding amount at any time. In this case the amount prepaid will be available for future advances. The Lender can demand that part or the total amount outstanding under the Facility be reimbursed by the Borrower at any time with a notice of one year and one day (the "Reimbursement Notice Period"). If at the same time as asking for a reimbursement of the full amount outstanding, the Lender also asks for an early termination of the facility, the Maturity Date of the Facility will be the last day of the Reimbursement Notice Period.

- **Results of d'Amico International Shipping Warrants 2017-2022:** on July 2, 2018 DIS' share capital was increased following the end of the first exercise period of the "d'Amico International Shipping Warrants 2017 – 2022" (ISIN code LU1588548724). During this first exercise period n. 518,602 Warrants were exercised at the price of Euro 0.315 per ordinary share, resulting in the subscription of no. 518,602 Warrant Shares – on the basis of a ratio of one (1) Warrant Share, for each one (1) Warrant exercised – admitted to trading on the MTA market of Borsa Italiana S.p.A., without nominal value and with the same rights (including that to dividends) and features as DIS' ordinary shares outstanding (the "Warrant Shares"). Following such subscription, DIS' share capital was increased at US$ 65,373,392, represented by 653,733,920 ordinary shares without nominal value.

- **Resignation of Marco Fiori, Chief Executive Officer of the Company:** on October 23, 2018 Marco Fiori, CEO and Director of d'Amico International Shipping S.A., announced to the Board of Directors his intention to resign for personal reasons, his resignation to be effective from January 1st, 2019.

- **Appointment of Paolo d'Amico as the new Chief Executive Officer of the Company:** on November 8, 2018, d'Amico International Shipping S.A. Board of Directors granted all of the powers of the resigning CEO of DIS to Mr. Paolo d'Amico January 1, 2019.

- **Results of d'Amico International Shipping Warrants 2017-2022: on December 28, 2018 DIS' share capital** was increased following the end of the second additional exercise period of the "d'Amico International Shipping Warrants 2017 – 2022" (ISIN code LU1588548724). During this second additional exercise period n. 24,105 Warrants were exercised at the price of Euro 0.328 per ordinary share, resulting in the subscription of no. 24,105 Warrant Shares – on the basis of a ratio of one (1) Warrant Share, for each one (1) Warrant exercised – admitted to trading on the MTA market of Borsa Italiana S.p.A., without nominal value and with the same rights (including that to dividends) and features as DIS' ordinary shares outstanding (the "Warrant Shares"). Following this subscription, DIS' share capital was increased to US$ 65,375,802.50, represented by 653,758,025 ordinary shares without nominal value.

Significant Events since the End of the Period and Business Outlook

d'Amico International Shipping:

- **Board of Directors Meeting Meeting:** On February 8, 2019, d'Amico International Shipping S.A. convened the extraordinary general meeting of shareholders of the Company to be held on 11 March 2019 ("EGM"). The board of directors of the Company (the "Board of Directors") proposed to the EGM to increase the authorised corporate capital by 750,000,000 shares to 1,750,000,000 shares with the intention, subject to the approval of the EGM and to market conditions, to execute in the weeks following the EGM a Capital Increase respecting the following conditions:

  i) amount of up to USD 60 million;

  ii) Theoretical ex-rights price ("TERP") discount of up to 25%.

  - **Shareholders' Extraordinary General Meeting:** On March 11, 2019, the Extraordinary General Meeting of DIS resolved:

    I) to approve the proposed reduction of the accounting value of each share of the issued share capital of the Company from its former amount of USD 0.10 per share to now USD 0.05 per share without cancellation of any shares in issue nor repayment on any share nor off-setting of any losses as proposed by the Board of Directors in the explanatory report published on 8 February 2019 and available to Shareholders in the Corporate Governance section of the Company's website (**www.damicointernationalshipping.com**);

    II) to consequently reduce the amount of the issued share capital from its former amount of USD 65,375,802.50 to USD 32,687,901.25, allocating the amount resulting from the reduction to a special capital account (apport en capitaux propres non rémunéré par des titres), which is part of the premium accounts of the Company;

    III) to set the authorised corporate capital, including the issued share capital, at a total amount of USD 87,500,000 divided into 1,750,000,000 shares with no nominal value, approving the related proposed amendment to DIS' Articles of Association, and

    IV) to renew, with immediate effect and for a period of five years from today, the authorisation of the Board of Directors to increase the capital in one or several tranches within the limits of the amended authorised capital, as well as the authorisation of the Board of Directors to limit or cancel, in full or partially, the preferential subscription rights of the existing shareholders.

On 18th March 2019 DIS announced that during this extraordinary exercise period, no Warrants were exercised. Consequently, DIS' share capital remained unchanged at US$ 32,687,901.25 divided into 653,758,025 shares with no nominal value.

d'Amico Tankers d.a.c.:

- **Newbuilding vessels:** In January 2019, M/T Cielo di Houston, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.

- **First Japanese Operating Lease Transacion:** In January 2019, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T Cielo di Houston, a 75,000 dwt LR1 product tanker vessel built by Hyundai-Mipo, South Korea (at their Vinashin facility in Vietnam) and delivered in January 2019. The vessel was sold for a consideration of US$ 38.6 million. This transaction allowed d'Amico Tankers to generate around US$ 10.2 million in cash, net of commissions and additional costs, relative to financing the vessel though the previously committed loan facility. In addition, through this transaction d'Amico Tankers maintained full control of the Vessel, since a 10.2-year bareboat charter agreement was also concluded with the buyer. Furthermore, d'Amico Tankers has the option to repurchase the vessel, after approximately 5 years and after approximately 7 years of the charter period, at a competitive cost of funds.

- **'Time Charter-In' and 'Commercial management' Fleet:** In January 2019, the time-charter-in contract on M/T Freja Hafnia, an MR vessel built in 2006, expired and d'Amico is now acting as commercial manager of the vessel, earning a 2% commission on her gross revenues. In the same month, the management contract on M/T High Beam ended and the Vessel was redelivered to her owners.

  Between February and March 2019, the management contracts on M/T High Current, M/T High Force and M/T High Glow ended and these vessels were redelivered to their owners.

- **Vessel Sale:** In February 2019, DIS announced that DM Shipping d.a.c., a joint venture with the Mitsubishi Group, in which d'Amico Tankers d.a.c. holds a 51% participation, signed a memorandum of agreement for the sale of the M/T High Strength, a 46,800 dwt MR product tanker vessel, built in 2009 by Nakai Zosen Corporation, Japan for a consideration of US$ 16.4 million. The Vessel will continue its current time-charter out contract with d'Amico Tankers d.a.c. until October 2019. This transaction allows DM Shipping to generate around US$ 12.3 million in cash, net of commissions and reimbursement of the Vessel's existing loan.

The profile of d'Amico International Shipping's vessels on the water is summarized as follows.

	As at 31 December 2018				As at 20 March 2019 UNREVIEWED			
	LR1	MR	***Handysize***	**Total**	LR1	MR	***Handysize***	**Total**
Owned	4.0	13.0	***7.0***	**24.0**	4.0	13.0	***7.0***	**24.0**
Bareboat chartered*	0.0	7.0	***0.0***	**7.0**	1.0	7.0	***0.0***	**8.0**
Long-term time chartered	0.0	15.5	***0.0***	**15.5**	0.0	15.5	***0.0***	**15.5**
Short-term time chartered	0.0	2.0	***1.0***	**3.0**	0.0	1.0	***1.0***	**2.0**
Total	**4.0**	**37.5**	***8.0***	**49.5**	**5.0**	**36.5**	***8.0***	**49.5**
Commercial Agreement 16	0.0	4.0	***0.0***	**4.0**	0.0	2.0	***0.0***	**2.0**

* with purchase obligation

[16] In August 2018, the time-charter-in contracts on M/T High Beam, M/T High Current, M/T High Glow, M/T High Enterprise, M/T High Force, all expiring between August 2018 and October 2018, were extended for 1 to 3 more spot voyages. The original fixed hire rate was changed into a 'floating hire rate' based on the spot market earnings of each of the vessels. Therefore, d'Amico is effectively acting as commercial manager of these vessels, earning a 2% commission on all their gross revenues.

Business Outlook

According to the IMF in their latest World Economic Outlook ("WEO") of January 2019, the global expansion has weakened, driven by a slowdown in particular in some countries in Europe and Asia. Despite this, healthy global growth of 3.7% is estimated for 2018, in-line with their previous forecast of October 2018. The global economy is projected to grow at 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage points below last October's projections. The global growth forecast for 2019 and 2020 had already been revised downward in the last WEO, partly because of the negative effects of tariff increases enacted in the United States and China earlier that year. The further downward revision since October partly reflects carry over from softer momentum in the second half of 2018 – including in Germany following the introduction of new automobile fuel emission standards and in Italy where concerns about sovereign and financial risks have weighed on domestic demand – but also weakening financial market sentiment.

The International Energy Agency's (IEA) latest estimate for crude oil demand growth in 2018 is unchanged. Growth in Q4 2018 is estimated to have been robust, at 1.4 million b/d year-on-year, and for 2018 as a whole growth was estimated at 1.3 million b/d; China (0.44 million b/d), India (0.21 million b/d) and the US (0.54 million b/d) contributed 1.19 million b/d of the total. Growth in demand in 2019 is expected to be 1.4 million b/d, also unchanged from their last report. It is supported by lower prices and the start-up of petrochemical projects in China and the US. Slowing economic growth will, however, limit any upside.

Q1 2019 rate levels have corrected since the uptick in Q4 2018. Mainly as a result of reduced imports into West Africa and reduced exports from the United States. Month-on-month exports from the US have declined 1 million b/d by mid-February. A number of newbuilding VLCCs and Suezmaxes have been fixed for distillates from Asia to the Western hemisphere hampering arbitrage opportunities for product tankers. According to Clarksons, in the product tanker sector, dwt demand growth is projected to improve to 3.0 3.5% in 2019, supported by the return of some Asian arbitrage opportunities and possible inventory building.

The key drivers that should affect the product tanker freight markets and d'Amico International Shipping's performance are (i) global oil supply (ii) the crude oil price and refinery margins (iii) demand for refined products and (iv) the product tankers fleet growth rate. Some of the factors that could drive a recovery in the product tanker market in the medium-term are detailed below:

Product Tanker Demand

- The IEA have maintained their forecast for oil demand growth at 1.4 million b/d. It is supported by lower prices and the start-up of petrochemical projects in China and the US. Slowing economic growth will, however, limit any upside;
- According to Clarksons, in the product tanker sector dwt demand growth is projected to improve to 3.5% in 2019, supported by the return of some Asian arbitrage opportunities and possible inventory building;
- According to the IEA's January 2019 report, global refiners will add 2.6m b/d of primary processing capacity in 2019. That's the biggest annual increase in the agency's records, though some of the capacity may not start commercial operations until 2020;
- China will account for 1.4 million b/d of 2019's new capacity, with runs forecast to increase by 450,000 b/d versus 600,000 b/d last year. China and the Middle East remain the largest sources of incremental refining activity;
- With these significant refinery capacity additions planned in the Middle East next year, products shipments from the region are expected to continue to expand firmly, by 10% year-on-year (Clarksons);

- Asian products exports, which were soft in 2018, are currently expected to expand by a healthy 4% in 2019 (Clarksons), with shipments projected to grow from a broad range of countries in the region;
- The International Maritime Organisation (IMO) has mandated that from 2020 vessels are to use marine fuels with less than 0.5% sulphur content outside the Emissions Control Areas (ECA), down from the current limit of 3.5%. Changes in this regulation is likely to lead to a surge in demand for very-low sulphur distillates and gasoil. It is expected to affect products trade patterns, regional refinery runs, storage patterns, and vessel productivity, although uncertainty remains over the extent of the potential impact.

Product Tanker Supply

- At the end of last year, according to Clarksons 74 MRs were scheduled to be delivered in 2018. However, actual MR deliveries were of only 56 vessels;
- According to Clarksons 16 LR1s were scheduled to be delivered in 2018, with actual deliveries amounting to 13 vessels;
- In 2018, 46 MRs and 7 LR1s had been sold for demolition, resulting in an annual fleet growth for these two sizes of only 0.8% and 1.7%, respectively;
- Around 5% of the MR and LR1 fleet currently on the water (on a dwt basis) is older than twenty years;
- Shipyards are going through a period of uncertainty. Lack of orders and poor returns are leading to a reduction in global shipyard capacity;
- Scrapping coupled with a subdued order book and limited newbuilding ordering should result in low fleet growth over the next two years;
- The International Maritime Organisation's (IMO) mandate that from 2020 vessels use marine fuels with less than 0.5% sulphur content, could result in older less efficient ships being removed from trading as they become uncompetitive and are forced to burn the more expensive low sulphur fuels;
- Compliance with the IMO 2020 regulations can also be achieved through the installation of scrubbers on-board. Dry-docks required for such installations will when possible coincide with special surveys, but would result in longer off-hire periods and reduce the effective supply of vessels;
- Port delays and any increase in the length of voyages, as more cargoes are exported from the Middle East, could reduce the ready supply of tonnage.

March 20, 2019

On behalf of the Board

Paolo d'Amico, Chairman

Antonio Carlos Balestra di Mottola,
Chief Financial Officer

d'Amico International Shipping S.A. Financial Statements and Notes

For the year ended 31 December 2018

Statement of Income and Other Comprehensive Income

US$	Note	2018	2017
Revenue	(3)	82,500	252,000
Impairment on participation	(4)	(1,314,585)	-
General and administrative costs	(5)	(3,180,110)	(3,130,645)
Gross operating result		**(4,412,195)**	**(2,878,645)**
Depreciation	(8)	(4,663)	(3,882)
Operating result		**(4,416,858)**	**(2,882,527)**
Financial income	(6)	5,780,315	2,431,298
Financial charges	(6)	(885,898)	(424,746)
Profit / (Loss) Before Tax		**477,559**	**(875,975)**
Tax expense	(7)	(596,040)	(325,695)
Net Profit / (Loss)		**(118,481)**	**(1,201,670)**
Total comprehensive income for the period		**(118,481)**	**(1,201,670)**

The net loss is entirely attributable to the equity holders of the Company

The notes on pages 129 to 144 form an integral part of these statutory financial statements

Statement of Financial Position

US$	Note	As at 31 December 2018	As at 31 December 2017
Non-current assets			
Tangible assets	(8)	5,030	9,693
Financial fixed assets	(9)	321,873,528	238,188,013
Non-current financial receivable	(10)	30,000,000	119,000,000
Total non-current assets		**351,878,558**	**357,197,706**
Current assets			
Receivables and other current assets	(11)	66,430	137,914
Current financial receivables	(10)(17)	44,768,522	6,138,447
Cash and cash equivalents	(12)	270,985	1,295,509
Total current assets		**45,105,937**	**7,571,870**
Total assets		**396,984,495**	**364,769,576**
Shareholders' equity			
Share capital	(13)	65,375,803	65,321,532
Retained earnings	(13)	(9,960,787)	(9,842,306)
Other reserves	(13)	302,290,415	302,004,965
Total shareholders' equity		**357,705,431**	**357,484,191**
Non-current liabilities			
Shareholder financing	(15)	30,600,000	-
Current liabilities			
Bank and other lenders	(14)	5,880,789	6,027,420
Shareholder financing	(15)(18)	1,280,200	-
Payables and other current liabilities	(16)	1,518,075	1,257,965
Total current liabilities		**8,679,064**	**7,285,385**
Total liabilities and shareholders' equity		**396,984,495**	**364,769,576**

The notes on pages 129 to 144 form an integral part of these statutory financial statements.

Paolo d'Amico, Chairman

Antonio Carlos Balestra di Mottola, Chief Financial Officer

Statement of Cash Flows

US$	2018	2017
(Loss) / profit for the period	**(118,481)**	**(1,201,670)**
Dividend	(82,500)	(252,000)
Impairment on participation	1,314,486	-
Depreciation	4,663	3,882
Current tax	596,040	325,695
Financial charges (income)	(4,545,803)	(2,006,552)
Other change in Shareholder equity / Stock Option Plan	182,726	274,676
Cash flow from operating activities before changes in working capital	**(2,648,869)**	**(2,855,969)**
Movement in amounts receivable	71,483	(254,230)
Movement in amounts payable	17,226	548,828
Taxes (paid)	(537,779)	(393,434)
Net cash flow from operating activities	**(3,097,939)**	**(2,954,805)**
Acquisition of fixed assets	-	(11,712)
Repayment of subsidiary financing – d'Amico Tankers d.a.c.	1,980,551	(62,481,117)
Investment income - Dividend	82,500	252,000
Net cash flow from investing activities	**2,063,051**	**(62,240,829)**
Share capital increase	156,995	66,163,724
Net cash flow from financing activities	**156,995**	**66,163,724**
Change in cash balance	**877,893**	**968,094**
Cash and cash equivalents net of bank overdraft at the beginning of the year	(4 731 911)	(5 700 005)
Cash and cash equivalents net of bank overdraft at the end of the year	**(5,609,804)**	**(4,731,911)**
Cash and cash equivalents at the end of the year	270,985	1,295,509
Bank overdrafts at the end of the year	(5,880,789)	(6,027,420)

The notes on pages 129 to 144 form an integral part of these statutory financial statements.

Statement of Changes in Shareholders' Equity

US$	Share Capital	Retained Earnings	Other Reserves	Total
Balance as at 1 January 2018	**65,321,532**	**(9,842,306)**	**302,004,965**	**357,484,191**
Capital increase	54,271	-	145,169	199,440
Cost of issue	-	-	(42,445)	(42,445)
Share option cost	-	-	182,726	182,726
Total comprehensive income	-	(118,481)	-	(118,481)
Balance as at 31 December 2018	**65,375,803**	**(9,960,787)**	**302,290,415**	**357,705,431**

US$	Share Capital	Retained Earnings	Other Reserves	Total
Balance as at 1 January 2017	**42,851,036**	**(8,640,636)**	**258,036,628**	**292,247,028**
Capital increase	22,470,496	-	44,826,758	67,297,254
Cost of issue	-	-	(1,133,526)	(1,133,526)
Share option cost	-	-	275,105	275,105
Total comprehensive income	-	(1,201,670)	-	(1,201,670)
Balance as at 31 December 2017	**65,321,532**	**(9,842,306)**	**302,004,965**	**357,484,191**

The notes on pages 129 to 144 form an integral part of these statutory financial statements.

Notes

d'Amico International Shipping S.A. (the "Company", DIS) a company with limited liability (Sociéte Anonyme), was incorporated under the laws of the Grand-Duchy of Luxembourg on 9 February 2007; its statutory seat is in Luxembourg.

d'Amico International Shipping S.A. has adopted International Financial Reporting Standards (IFRS – International Financial Reporting Standards and IAS – International Accounting Standards) as issued by the 'IASB' (International Accounting Standards Board) and endorsed by the Luxembourg law of 10 December 2010, article 26. The designation 'IFRS' also includes all 'IAS', as well as all interpretations of the International Financial Reporting Interpretations Committee 'IFRIC', formerly the Standing Interpretations Committee 'SIC'. The Company prepares consolidated financial statements which are part of this Annual report.

The d'Amico International Shipping S.A. has adequate resources to continue in operational existence for the foreseeable future; accordingly, the financial statements have been prepared on a going concern basis.

The financial statements are expressed in U.S. Dollars, being the functional currency of the Company rounded to the nearest dollar.

1. ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention as and in accordance with the applicable International Financial Reporting Standards (IFRS) as adopted by the European Union.

The principal accounting policies, which have been consistently applied, are set out below.

Revenue recognition

It is represented by dividends income received from subsidiaries. Dividend income is recognised when the subsidiary profit is distributed to holders of equity investment, in proportion to their holdings of capital.

General and administrative costs

Administrative expenses, which comprise administrative staff costs, management costs, office expenses and other expenses relating to administration, are expensed as incurred.

Equity Compensation Plans (Share Based Payments)

The Group provides additional benefits to certain members of senior management through an equity compensation plan (stock option plan); information about this scheme is set out in note 5. In accordance with IFRS 2 – Share-based Payment, this plan represents a component of the recipient's remuneration.

The fair value is measured using the Black Scholes pricing model, in line with IFRS guidelines and market practice. The inputs used in the model are based on management's best estimate, including market and non-market performance conditions. The compensation expense, corresponding to the fair value of the options at the grant date, is recognized in the income statement on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognized directly in equity. At the end of each period the entity revises its estimates of the number of options that are expected to vest based on the actual service conditions.

Financial Income and charges

Financial income and charges include interests, which are recognized in accordance with the accrual basis of accounting, using the effective interest method.

Taxation

The current taxation is based on taxable income for the period using local tax rates that have been enacted by the reporting date. Taxable profit differs from profit as reported in the income statement as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible.

Current taxation includes also the Net Wealth Tax, calculated at 0.5% on the taxable wealth of the Company, which is its Net Worth; the Company unitary value is set on 1 January each year.

Deferred tax, if any, represents tax the Company is expecting to pay or recover on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit. It is accounted for using the financial position liability method. Liabilities relating to deferred tax are generally recognised for all taxable temporary differences. Assets relating to deferred tax are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each financial position date and reduced in the event that it is not considered probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the applicable tax rates during the period when liability is settled or the asset realised. It is charged or credited in the income statement, unless it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also accounted for in other comprehensive income.

Foreign currencies

Transactions during the year in currencies other than U.S. Dollars have been translated at the appropriate rate ruling at the time of the transactions. Assets and liabilities denominated in currencies other than the U.S. Dollar have been translated into U.S. Dollars at the rate ruling at the financial position date. All exchange differences have been accounted for in the Statement of Comprehensive Income.

Tangible assets

The tangible assets are shown at cost less accumulated depreciation and any impairment loss. Cost includes the acquisition cost as well as other costs which are directly attributable to the acquisition. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Financial assets and liabilities

Financial assets are measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. A financial asset can only be measured at amortised cost when the Group has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding. When the requirements for measuring the financial asset at amortised cost are met, but the business model also includes the selling of those instruments, then these financial assets are measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit or loss.

Embedded derivatives within a host contract in the scope of IFRS 9 are no longer separated and the whole contract is measured at fair value through profit or loss, when the host contract is an asset; they might be, however, if the host contract is a liability within the scope of IFRS 9. There are no changes to the treatment of embedded derivatives in a host contract that is not a financial instrument. The Group has embedded derivatives within its contracts, although they are not financial instruments within the scope of IFRS 9 and therefore are not recognised within these financial statements.

The impairment model in IFRS 9 moves to one that is based on expected credit losses, rather than the IAS 39 incurred loss model. The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, with expected credit losses recognised on initial recognition based on 12 months expected credit losses; or, if there has been a significant increase in the credit risk of the financial asset then the impairment is based on lifetime expected losses. A three-stage approach is considered for impairment: the first instance (12 months expected credit losses) is applicable when there's no significant increase in credit risk, expected credit losses are recognised and updated at each reporting date and interest is presented on gross basis; in the second stage a lifetime credit loss is expected and recognised, due to the increase of credit risk, anyway interest continues to be presented on gross basis; the last stage considers a lifetime expected credit loss, the subsequent impairment of the credit and interest is presented on a net basis.

The accounting policies adopted for specific assets and liabilities are disclosed below.

Non-current financial assets (investment in subsidiaries)
Investments in subsidiaries, jointly controlled entities and associated companies are stated at cost adjusted for any impairment losses.

Any positive difference, arising at the time of the acquisition, between the acquisition cost and the fair value of net assets acquired by the Company is therefore included in the investment carrying value. If there is any evidence that these investments have been permanently impaired, the impairment loss is recognised directly under the income statement. If the impairment loss subsequently no longer exists or is reduced, it is reversed and the reversal is recognised under income statement up to the limit of the value initially accounted for as cost of the investment.

Receivables
Receivables are initially measured at their nominal value (representative of the 'fair value' of the transaction) and are subsequently measured at amortized cost, net of write-downs for impairment and allowance for credit losses. Impairment is recognised in the income statement when there is objective evidence that the asset is impaired. Such write-downs are calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the asset original effective interest rate. Particularly with regard to short-term trade receivables, considering the short period of time, the measurement at amortized cost is equivalent to the nominal value, less write-downs for impairment.

Expected credit losses are calculated and are based on an assessment about lifetime expected credit losses, adopting the simplified approach, and determined at initial recognition and subsequently adjusted for any changes in expectations. From 1 January 2018, under IFRS 9, the impairment is assessed in references to expected credit losses associated with its commercial receivables carried at amortised cost and FVOCI. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the receivables, but the impairment methodology applied depends on whether there has been a significant increase in credit risk. In assessment of credit risk and expected losses, management considers a risk of default and its probability for each set window of payment. On an ongoing basis an increase in risk is considered through comparison of probability of default at point of assessment vs when was last estimated. A rebuttable presumption on accounts receivable aging is considered by Management, where each class of days represents an indicator of increase in risk of default (rate) used by group.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, current accounts and deposits held on demand with banks, and other short-term highly liquid investments readily convertible to a known amount of cash within three months from inception and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value, corresponding to their nominal value, or at cost plus interest charges, if any.

Bank and other lenders
Short-term bank overdrafts are recorded on the basis of the amounts received net of transaction costs and are subsequently measured at amortized cost, using the effective interest rate method, with the difference between the loan proceeds and the nominal value being recognized in the income statement over the term of the loan.

Payables
Payables are measured at amortized cost which, considering the characteristics and maturity of such payables, is generally equivalent to the nominal value.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Company has a present obligation as a result of a past event and it is likely that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the financial position date and are discounted to present values where the effect is material.

Treasury shares

Treasury shares, following the buy-back program, are recognized at cost and are presented as a deduction from equity (under separate item of equity). The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

Dividends

Dividends payable are reported as a movement in equity in the period in which they are approved by shareholders' meeting.

Critical accounting Judgments and key estimates

The preparation of the financial statements requires Management to make accounting estimates and in some cases assumptions in the application of accounting principles. The Directors' decisions are based on historical experience as well as on expectations associated with the realisation of future events, considered reasonable under the circumstances. Critical accounting estimates and judgments are exercised in all areas of the business. The key areas where this applies are listed below.

Measurement of Fair Values
The 'fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal / most advantageous market at the measurement date at the current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. The fair value of financial instruments is represented by market quotations or, in their absence, by the value resulting from the adoption of suitable financial valuation models which take into account all the factors adopted by the market operators and the prices obtained in similar actual transactions in the market.

For significant fair value measurement, quoted prices or broker information are obtained to support the valuations and valuation adjustments together with unobservable inputs are reviewed regularly for the classification of such

valuations in the appropriate level of fair value. In the measurement of fair values market data are used to the farthest possible extent.
Three levels of inputs to the fair value valuation techniques are used to measure the fair values:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are other than quoted prices included within Level 1 that are observable directly or indirectly for the asset or the liability;
- Level 3 inputs are not observable from market data.

When the inputs used to measure the fair value of an asset or a liability belong to different categories, the fair value measurement is categorised entirely in its lowest and most significant fair value hierarchy. The transfer between levels of fair value hierarchy is recognised at the end of the reporting period during which the change has occurred.

Provision for tax liabilities

Tax liabilities are calculated on the current understanding of the Company's tax situation as impacted by Luxembourg regulatory framework.

New accounting principles

Accounting principles adopted from 1st of January 2018
The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2018:

IFRS 9 – Financial Instruments;

Classification and measurement of share-based payment transactions – amendments to IFRS 2;

Annual improvements 2014-2016 cycle.

Impact on the financial statements
Hereby we explain the impact of the adoption of IFRS 9, Financial Instruments on the Company's financial statements.

IFRS 9 replaces IAS 39 and deals with the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting.

Amendments to IFRS 7 "Financial Instruments: Disclosures": as these are applicable to entities applying IFRS 9, they have been adopted for 2018, but not applied to 2017 comparatives.

IAS 1 amendments and clarifications arising as a result of the new standard, which require separate presentation of certain items have also been adopted where relevant and material to the Group.

The Group has considered its financial assets measured at amortised cost or through fair value in other comprehensive income and there isn't a material adjustment arising from the classification changes due to IFRS 9.

The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement', have been transferred to IFRS 9, with no impact on the Group's net Assets.

The Group's financial assets mainly consist of commercial receivables without a significant financing element, and an impairment model based on the life time expected losses for such instruments has been applied by the Group (please refer to accounting principle "Receivables").

Apart from cash and cash equivalents, the Company's material financial assets not measured at fair value is the financing extended to d'Amico Tankers d.a.c.. Under IFRS9, this asset is assessed at each period-end to ascertain whether the credit risk relating to it has increased significantly since initial recognition. If it has, then an allowance is made for lifetime expected credit losses on it. If it has not, then only credit losses expected on defaults within 12 months of the period end are recognised. So far, there has been no significant increase in credit risk on this asset and no future credit loss is expected.

Other financial assets of the Company mainly consist of commercial receivables without a significant financing element, and therefore an impairment model based on the life time expected losses for such instruments has been applied. No allowance is recognised in 2018 under this basis.

Amendment of IFRS 2 does not have impact on the entity in the period under review.

2. CAPITAL DISCLOSURE

d'Amico International Shipping manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The capital of the Company was established at the beginning of 2007 as part of the IPO process, taking into consideration the risks affecting d'Amico International Shipping as a company and the industry where its subsidiaries operate. The capital of the Company was subsequently increased in the years 2012, 2014, 2015 2016, 2017 and in 2018, consistent with its strategy of supporting the path of continuous growth and expansion within the traditional market of its operating companies and allowing financial flexibility. It includes issued and fully paid capital, reserves and retained earnings as detailed in note 13.

The capital structure is reviewed during the year and - if needed - adjusted depending on the Company capital requirements, changes in the general economic conditions and industry risk characteristics of the participations. The Company monitors its capital on the basis of the 'assets cover ratio' of DIS Group, being the drawdown amounts on the Group facilities over the fair market value of Group owned vessels.

3. REVENUE

US$	2018	2017
Revenue	82,500	252,000

A dividend from Eco Tankers Limited amounting to US$ 82.5 thousand was received in 2018; two dividends were received in 2017: US$ 0.1 million from the key operating subsidiary d'Amico Tankers d.a.c. and US$ 0.1 million from Eco Tankers Limited.

4. IMPAIRMENT OF PARTICIPATION

US$	2018	2017
Impairment of participation	**(1,314,585)**	**-**

At the beginning of December 2018 a net present value valuation of Glenda International Shipping d.a.c. (GIS) recognised an impairment of US$ 1.3 million to be booked against the participation, down to a value of US$ 55.0 million. No impairment of participation was recorded in 2017 (please refer to note 9).

5. GENERAL AND ADMINISTRATIVE COSTS

US$	2018	2017
Wages and benefits	(405,720)	(463,391)
Other operating charges	(2,774,390)	(2,667,254)
Total General & Administrative costs	**(3,180,110)**	**(3,130,645)**

Employees

The Company employs one manager and one administrative employee (2017: no changes). The total charge for wages and salaries amounted to US$ 405,724 (2017: US$ 463,391).

Fees were paid to the Company directors for services rendered to the Company and attending the Board's meetings. A total amount of € 780,000 was paid, including net fees for € 624,000 and 20% withholding tax (2017: total € 780,000 net fees and 20% withholding tax).

On 3 March 2016, the Board of Directors of d'Amico International Shipping S.A. approved, with the prior favourable opinion of the Nomination and Remuneration Committee, the proposal to submit to the annual general shareholders' meeting the adoption, in accordance with art. 114-bis of Legislative Decree no. 58, 24 February 1998 as amended and supplemented ("TUF"), of the incentive plan "Stock Option Plan DIS 2016/2019" or "the Plan". The annual general shareholders' meeting, held on 20 April 2016, approved the adoption of the Plan and delegated the Board of Directors for the definition of terms, conditions, and procedures for the Plan implementation.

The terms and conditions, and the procedures for the Plan implementation are defined by a Regulation as approved by the Board of Directors on 4 May 2016: the Plan is available to everyone at the registered office of the Company.

Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The amount of options that will vest depend the service and performance conditions included in the Plan over a three-year period, as participants needs to remain employed at the expiry date of the Plan. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share at a pre-agreed strike price. The Board has the discretion to settle in cash the conversion requests.

Set out below is a summary of options granted under the plan:

	Average price per share option	Number of options
As at 1 January 2018	€ 0.0852	7,830,000
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	-	2,100,000
As at 31 December	€ 0.0852	5,730,000

No options expired during the periods covered by the above table. Share option at the end of the period have the following expiry date and exercise price

Grant date	Expiry date	Exercise price	Share Options Dec. 31, 2018
31 May 2016	**31 May 2019**	**€ 0.454823**	**5,730,000**

The fair value of the options at grant date is determined using the Black Scholes Model taking into account the following assumptions:

Share price on 1st June 2016	€ 0.4479	
Expected volatility	34.5%	last three years average
Expected dividend yield	3.12%	Average of dividend yield since 2007 using market capitalization at the end of each year
Risk-free interest rate	(0.396)%	4Y€ Luxembourg Government Bond Yield

Sensitivity calculation

The valuation model is particularly sensitive to dividend yield and volatility of the share price. With all other variables remaining constant:

€UR	Share price volatility		Dividend yield	
	+10% Increase	-10% Decrease	+10% Increase	-10% Decrease
Share Option Cost	€0.0959	€0.0743	€0.0825	€0.0879

The cost relating to the Plan in 2018 was equivalent to US$ 183 thousand (2017: US$ 275 thousand).

Other operating charges

The amount of US$ 1,358,471 in 2018 includes professional fees and advisory costs incurred by the Company during the year as a result of being a listed entity (2017: US$ 1,576,183), of which fees accrued for the réviseur d'entreprises agréé /statutory auditor for the audit of the 2018 financial statements amount to € 8 thousand equivalent to US$ 9.6 thousand.

6. FINANCIAL INCOME (CHARGES)

US$	2018	2017
Financial income	5,780,315	2,431,298
Financial charges	(885,898)	(424,746)
Net financial income	**4,894,417**	**2,006,552**

Financial income in 2018 comprises interest income on the financing provided to the subsidiary d'Amico Tankers d.a.c. of US$ 5,684,784 (2017: US$ 2,338,686) and commercial foreign exchange differences of US$ 95,531 (2017: US$ 92,612). Financial charges in 2018 are made up by interest expenses due the shareholder d'Amico International, on the long-term and short-term financing (please see as further described in note 15) for US$ 605,744 (2017: US$ 158,947), interest expense due on the overdraft facility US$ 238,649 (2017: US$ 236,291) and US$ 15,398 financial fees (2017: US$ 24,648).

7. TAXATION

US$	2018	2017
Tax expenses	**(596,040)**	**(325,695)**

Taxation in 2018 represents the accrual on the Net Wealth Tax charge for the year of equivalent US$ 596,040 (2017: US$ 325,695).

d'Amico International Shipping S.A. had, at the end of 2018, cumulative tax losses to be carried forward of approximately € 57.4 million (US$ 65.8 million equivalent).

No deferred tax asset has been accounted for, as management do not foresee taxable profits against which the accumulated losses could be offset.

8. TANGIBLE ASSETS

Tangible assets principally represent IT equipment for the Luxembourg office; they are depreciated at 8.33% quarterly rate over their useful lives.

US$	2018	2017
At 1 January		
Cost	32,553	20,841
Additions	-	11,712
At 31 December	32,553	32,553
Depreciation		
At 1 January	22,860	18,978
Charge for the period	4,663	3,882
At 31 December	27,523	22,860
Net book value		
At 31 December	**5,030**	**9,693**

9. FINANCIAL FIXED ASSETS

Investment in subsidiaries

Company	Country	Ownership	Ccy	Book value as at 31 December 2017	Increase (decrease)	Book value at 31 December 2018
d'Amico Tankers d.a.c.	IRL	100%	USD	178,921,920	140,000,000	318,921,920
Glenda International Shipping d.a.c.	IRL	50%	USD	56,314,485	(56,314,485)	-
Eco Tankers Limited	Malta	33%	USD	2,951,608	-	2,951,608
			USD	**238,188,013**	**83,685,515**	**321,873,528**

d'Amico Tankers d.a.c. (DTL) is the key operating subsidiary of the d'Amico International Shipping Group; because of a restructuring within the Group in 2018 financial year, the participation increased by US$ 140,000,000 through the conversion of the financial receivable granted to it. DTL result as at 31 December 2018 is a loss of US$ 56.4 million and net equity of US$ 283.1 million. At the year-end, management considers no impairment is needed to be accounted for in the investment.

In the month of December the participation held in GLENDA International Shipping d.a.c. (GIS, the vehicle for the Joint Operation with Glencore Group, one of the world's largest suppliers of commodities and raw materials to industrial consumers) was impaired by US$ 1.3 million, after a net present value valuation of the investment; GIS was subsequently transferred to d'Amico Tankers d.a.c. against a receivable, for a book value amount of US$ 55,000,000 (please refer also to note 4).

Eco Tankers Limited (ETL), is an associate held together with the Shipping investment fund Venice Shipping & Logistics. Eco Tankers Limited result as at 31 December 2018 is USD 258 thousand and net equity is US$ 9.7 thousand. At the year-end, management considers no impairment is needed to be accounted for in the investment.

Investments through d'Amico Tankers d.a.c.:

Company	Effective Interest	Country	Activity
High Pool Tankers Limited	100%	Ireland	Pool company
Glenda International Management Limited	100%	Ireland	Pool company
Glenda International Shipping d.a.c.	50%	Ireland	Shipping
DM Shipping d.a.c.	51%	Ireland	Shipping
d'Amico Tankers Monaco S.A.M.	100%	Monaco	Services
d'Amico Tankers UK Limited	100%	UK	Services

10. FINANCIAL RECEIVABLES

US$	As at 31 December 2018	As at 31 December 2017
Non-current financial receivable	**30,000,000**	**119,000,000**
Current financial receivable	**44,768,522**	**6,138,447**
Total	**74,768,522**	**125,138,447**

The total balance at the end of the year represents the financing granted to the subsidiary d'Amico Tankers d.a.c.; in 2017 a portion of the financing to the subsidiary was granted as a term revolving facility for medium term corporate purposes, carrying interest rate of 3 Months US$ LIBOR plus a margin, while the current financing bears interest at USD LIBOR 1 month plus a margin; margins are aligned with the markets conditions; the range of rates for the one-month USD Libor was 1.56% –2.38% during 2018.

11. RECEIVABLES AND OTHER CURRENT ASSETS

US$	As at 31 December 2018	As at 31 December 2017
Receivables and other current assets	**66,430**	**137,914**

In 2018 and in 2017 the balance represents other sundry debtors and prepaid company expenses.

12. CASH AND CASH EQUIVALENTS

US$	As at 31 December 2018	As at 31 December 2017
Cash and cash equivalents	270,985	1,295,509
Bank overdrafts	(5,880,789)	(6,027,420)
Total Cash and cash equivalents	**(5,609,804)**	**(4,731,911)**

Cash and cash equivalent represent cash held at the bank and bank overdrafts as described in note 14.

13. CAPITAL AND RESERVES

Subscribed capital

At 31 December 2018 d'Amico International Shipping current subscribed and fully paid-up capital of US$ 65,375,802.50 (corresponding to € 57,099,225.91 at the year-end exchange rate) is divided into 653,758,025 shares without nominal value.

On 2 July and 28 December 2018, the share capital of the Company was increased by total n. 542,707 shares equivalent to US$ 54,270.70, as a result of the exercise of an equivalent number of options (please refer to the Terms and Conditions for the exercise of the Warrants) at a price of respectively € 0.315 and € 0.328 each, for a total amount – including the share premium, of US$ 199,439.81.

Retained earnings

The item includes previous years and current net results and deductions for dividends distributed.

Other reserves

The other reserves include the following items:

US$	As at 31 December 2017	Movements in 2018	As at 31 December 2018
Share premium reserve	316,594,037	102,724	316,696,761
Treasury shares	(18,121,626)	-	(18,121,626)
Share option reserve	424,258	182,726	606,984
Legal reserve	3,108,296	-	3,108,296
Total	**302,004,965**	**285,450**	**302,290,415**

Share premium reserve

The share premium reserve arose in the years as a result of the Group's IPO and related increase of share capital in May 2007 and as a result of further capital increases occurred in the period from December 2012 to December 2018. Certain costs and charges connected with the listing process and the share capital increases (mainly bank commissions and related advisory fees and charges) have been offset against this reserve. By statutory provision it is a distributable reserve.

Treasury shares

Treasury shares at the end of 2018 consist of 7,760,027 ordinary shares (2018: 7,760,027) for an amount of US$ 18.1 million (2017: US$ 18.1 million), corresponding to 1.2% of the outstanding share capital at the financial position date (2017: 1.3%). These shares were acquired as part of the DIS authorised buy-back programme.

Share option reserve

The reserve was created in connection with the Share Option Plan; reference is made to note n. 5.

Legal reserve

It is a legal requirement in Luxembourg and is constituted through an allocation of 5% of annual net income until this reserve equals 10% of the subscribed share capital. The reserve may not be distributed.

14. BANK AND OTHER LENDERS

US$	As at 31 December 2018	As at 31 December 2017
Bank and other lenders	**5,880,789**	**6,027,420**

The outstanding amount of US$ 5.9 million at 31 December 2018 refers to the bank overdraft for general company purpose (Cassa Lombarda: € 1.1 million, Unicredit US$ 4.8 million), negotiated at an average interest rate of 4.2%.

15. SHAREHOLDERS' FINANCING

US$	As at 31 December 2018	As at 31 December 2017
Long Term loan	30,600,000	-
Short Term financing	1,280,200	-
d'Amico International S.A.	**31,880,200**	**-**

On 31 December 2018, the non-current balance represents a US$ term revolving facility for corporate purpose up to US$ 40.0 million granted by the main shareholder at an interest rate equal to the 3 months US$ LIBOR plus 2.0% margin. The facility maturity will be three years from the effective date. The borrower has the right to prepay partially or in whole the outstanding amount at any time, while the lender can demand the partial or entire repayment at any time with a notice of one year and one day; the amount is fully subordinated to the rights and interest of any secured creditor under any borrower's finance document.

The current balance represents a short-term financing in support of current cash-flows and is remunerated at one-month BBA Libor plus 1% margin.

No financing by the shareholder d'Amico International was outstanding on 31 December 2017.

16. PAYABLES AND OTHER CURRENT LIABILITIES

US$	As at 31 December 2018	As at 31 December 2017
Other current liabilities	1,518,075	1,257,965

The amount of current liabilities in 2018 refers to the day-to-day administrative activity of the Company; in particular, the Company is liable for VAT in Luxembourg and an amount equivalent to US$ 0.4 million is accrued as VAT payable (2017: total US$ 576 thousand).

17. RISK MANAGEMENT

The Company is exposed to the following financial risks connected with its operation:

Currency risk

As long as the Company functional currency is US$ and is performing its holding activity in a € market, it receives services for a consideration, from its directors, managers and external consultants. The Company monitors its exposure to currency risk on a regular basis and mitigates it through the availability of credit lines denominated in € currency.

Within the frame of a sensitivity analysis, a 10% fluctuation in the U.S. Dollar exchange rate against Euros would have resulted in a variation of +/- US$ 0.3 million in the result of the Group for the year (US$ +/- 0.3 million in 2017). The overall Company sensitivity to currency risk has not changed significantly from prior year.

Interest rate risk

The Company is exposed to interest rate risk arising from the fact that its bank deposits and it is party to interest bearing financial agreements which earn or bear interest at variable rates. Management identifies and monitors these risks in order to detect in advance potential negative effects and take appropriate action for mitigation. The sensitivity exercise doesn't give inside to any material amount, taking into consideration the short period of utilization of the bank overdrafts both in years 2018 and 2017, resulting in a not material, low amount of interest cost for both years.

Liquidity risk

The Company is exposed to liquidity risk from the possible mismatch between cash requirements and cash-in-flows, principally for the payment of its General and Administrative costs inherent to the holding activity and its presence in the capital market. As part of its financial planning process DIS manages the liquidity risk by targeting its capital structure in a way to balance the funds currently available together with the cash to be generated by the subsidiaries operating activities and credit lines, to allow the Company to maintain a level of liquidity adequate to its needs. The Company capital structure is set within the limits established by the Company's Board of Directors.

Accounting classification and fair values

All the financial instruments fall within the category of loans and receivables; their fair value classification is not disclosed as their carrying amount is reasonably approximate to their fair value.

18. RELATED PARTIES TRANSACTIONS

During 2018, d'Amico International Shipping had transactions with related parties. These transactions have been carried out on the basis of arrangements negotiated on commercial market terms and conditions.

The effects, by legal entity, of related party transactions on the Company's income statement for the 2018 are the following:

US$	d'Amico International Shipping S.A.	d'Amico Società di Nav. S.p.A.	d'Amico Tankers Monaco SAM	d'Amico Tankers d.a.c.	Eco Tankers Limited	Glenda International Shipping d.a.c.	d'Amico International S.A.	Directors & key management
Revenue	**82,500**							
of which								
Dividend	82,500	-	-	-	82,500	-	-	-
General and administrative costs	**(3,180,110)**							
of which								
Personnel cost (directors)	(872,813)	-	-	-	-	-	-	(872,813)
Rent	(31,727)	-	-	-	-	-	(31,727)	-
Services agreement	(535,877)	(179,499)	(356,378)	-	-	-	-	-
Net financial income (charges)								
of which								
Financial interest	5,079,040	-	-	5,684,784	-	(41,667)	(564,077)	-
Total		**(179,499)**	**(356,378)**	**5,684,784**	**82,500**	**(41,667)**	**(595,804)**	**(872,813)**

The effects, by legal entity, of related party transactions on the Company's income statement for the 2017 were the following:

US$	d'Amico International Shipping S.A.	d'Amico Società di Nav. S.p.A.	d'Amico Tankers Monaco SAM	d'Amico Tankers d.a.c.	Eco Tankers Limited	d'Amico International S.A.	Directors & key management
Revenue	**252,000**						
of which							
Dividend	252,000	-	-	120,000	132,000	-	-
General and administrative costs	**(3,130,645)**						
of which							
Personnel cost (directors)	(882,813)	-	-	-	-	-	(882,813)
Rent	(29,789)	-	-	-	-	(29,789)	-
Services agreement	(502,384)	(169,107)	(333,277)	-	-	-	-
Net financial income (charges)	**2,006,552**						
of which							
Financial interest	2,179,739	-	-	2,338,686	-	(158,947)	-
Total		**(169,107)**	**(333,277)**	**2,458,686**	**132,000**	**(188,736)**	**(882,813)**

The effect, by legal entity, of related-party transactions on the Company's Statement of Financial Position as at 31 December 2018 are as follows:

US$	d'Amico International Shipping S.A.	d'Amico Tankers d.a.c.	d'Amico International S.A.
Non-current financial receivable	**30,000,000**		
of which related party	30,000,000	30,000,000	-
Current financial receivable	**44,768,522**		
of which related party	44,768,522	44,768,522	-
Non-current liabilities	**30,600,000**		
of which related party	30,600,000	-	30,600,000
Current liabilities	**8,769,064**		
of which related party	1,280,200	-	1,280,200
Total		**74,768,522**	**31,880,200**

The effect, by legal entity, of related party transactions on the Group's combined Statement of Financial Position as at 31 December 2017 were the following:

US$	d'Amico International Shipping S.A.	d'Amico Tankers d.a.c.
Non-current financial receivable	**119,000,000**	
of which related party	119,000,000	**119,000,000**
Current financial receivable	**6,138,447**	
of which related party	6,138,447	6,138,447
Total		**125,138,447**

19. ULTIMATE HOLDING COMPANY

The immediate parent company of d'Amico International Shipping S.A. is d'Amico International S.A., a company incorporated in Luxembourg.

The ultimate holding company controlling party is d'Amico Società di Navigazione S.p.A., incorporated in Italy.

20. GUARANTEES AND COMMITMENTS

d'Amico International Shipping S.A. has provided guarantees to its subsidiary company, d'Amico Tankers d.a.c., in respect of the US$ 279.0 million (originally US$ 250.0 million) facility at Crédit Agricole Corporate & Investment Bank, the US$ 19.375 million DNB Bank ASA facility, the US$ 29.0 million (originally US$ 58.0 million) MPS Capital Services Banca per le Imprese S.p.A. facility, the US$ 9.5 million Crédit Agricole Corporate & Investment Bank facility, the US$ 45.08 million Banca IMI S.p.A. facility, the US$ 19.5 million ABN AMRO Bank N.V. facility, the US$ 41.6 million Tokyo Century Corporation facility, the US$ 21.78 million Tokyo Century Corporation facility, the US$ 10.472 million Tokyo Century Corporation for financing general working capital, the US$ 16.25 million DNB Bank ASA facility, the US$ 15.6 million ING Bank N.V. London Branch facility and to Eco Tankers Limited with respect to the US$ 20.0 million facility at Norddeutsche Landesbank Girozentrale. The total amount outstanding in respect of these facilities at 31 December 2018 amounted to US$ 365.164 million.

A US$ 150 thousand guarantee is given at the Credit Suisse account in respect of credit cards held by the members of the Executive Committee.

Earning per share (e.p.s.)

US$ Thousand	**2018**	**2017**
Basic e.p.s.	(0.0002)	(0.002)
Diluted e.p.s.	(0.0002)	(0.002)
Weighted average number of ordinary shares used as the denominator in calculating basic e.p.s.	645,714,080	508,653,542
Adjustment for calculation of diluted e.p.s. – options*		-
Weighted average number of ordinary shares used as the denominator in calculating diluted e.p.s.	645,714,080	508,653,542

* share option plan

The manager responsible for preparing the Company's financial reports, Mr. Antonio Carlos Balestra di Mottola, in his capacity of Chief Financial Officer of d'Amico International Shipping S.A. (the "Company") declares to the best of his knowledge, that the consolidated and statutory financial statements prepared in accordance with the applicable set of accounting standards as published in this report, give a true and fair view of the assets, liabilities, financial position and income statement of the Company and its consolidated subsidiaries and that the report on operation and the management report include a fair review of the development and performance of the business and the position of the Company and its consolidated subsidiaries, together with a description of the principal risks and uncertainties that they face.

March 20, 2019

Antonio Carlos Balestra di Mottola, Chief Financial Officer

AUDITORS' REPORTS

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Leudelange, March 21, 2019

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of d'Amico International Shipping S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" ("CSSF"). Our responsibilities under the EU Regulation N°537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "*Réviseur d'Entreprises Agréé*" for the Audit of the Consolidated Financial Statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of

Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of non-current assets

Key Audit Matter

The risk relates to management's estimate of the value in use of the fleet calculated based on estimates of future cash flows. We focused on the area as management is required to exercise considerable judgement because of the inherent complexity in this estimation.

When there is an indication of impairment, management calculates the value in use of the group's cash generating unit (CGU). Due to the significant remaining life of the Group's vessels, management need to make key assumptions involving significant estimates with respect to a) expected future rates, b) expected future operating costs, and c) cost of capital.

Reference is made to note 14 ("Tangible assets") in the consolidated financial statements.

How our audit addressed the Key Audit Matter

As part of our audit procedures we performed a walk-through of the impairment review process and challenged management as to the key assumptions. We checked the methodology with respect to the identification of the relevant cash generating unit (CGU) and considered its appropriateness. We checked the reasonableness of the key assumptions with reference to available data (broker estimates, operating costs, estimated future capital expenditure, vessel useful life, residual value and consumer price index) and competitor analysis. We checked and recalculated the discount rate with reference to the weighted average cost of capital (WACC) of the Group and peers. We checked the mathematical accuracy of the value in use calculations prepared by management.

Other information

The Board of directors is responsible for the other information. The other information comprises the information stated in the annual report including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of “Réviseur d’Entreprises Agréé” thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Responsibilities of the “Réviseur d’Entreprises Agréé” for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “*Réviseur d’Entreprises Agréé*” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises Agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on April 19, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website https://en.damicointernationalshipping.com/, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remain independent of the Group in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

MOORE STEPHENS Audit S.A.

Horst SCHNEIDER
Réviseur d'Entreprises Agréé

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Leudelange, March 21, 2019

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of d'Amico International Shipping S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" ("CSSF"). Our responsibilities under the EU Regulation N°537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "*Réviseur d'Entreprises Agréé*" for the Audit of the Financial Statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For Key Audit Matters please refer to the report on the consolidated financial statements as at December 31, 2018 issued on March 21, 2019.

Other information
The Board of directors is responsible for the other information. The other information comprises the information stated in the annual report including the management report and the Corporate Governance Statement but does not include the financial statements and our report of “Réviseur d’Entreprises Agréé” thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as adopted by the European Union, 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.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "*Réviseur d'Entreprises Agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "*Réviseur d'Entreprises Agréé*" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as "*Réviseur d'Entreprises Agréé*" by the General Meeting of the Shareholders on April 19, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is two years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website https://en.damicointernationalshipping.com/, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remain independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

MOORE STEPHENS Audit S.A.

Horst SCHNEIDER
Réviseur d'Entreprises Agréé

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