



## **d'Amico International Shipping S.A. Half-Yearly / Second Quarter 2019 Financial Report**

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d'Amico International Shipping S.A.

Registered office at 25C Boulevard Royal, Luxembourg

Share capital US\$ 62,051,446.25 as at 30 June 2019

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## **BOARD OF DIRECTORS AND CONTROL BODIES**

### **BOARD OF DIRECTORS**

*Chairman, Chief Executive Officer*  
Paolo d'Amico

#### *Directors*

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

### **INDEPENDENT AUDITORS**

Moore Audit S.A.

## KEY FIGURES

### FINANCIALS

Q2 2019 UNREVIEWED	Q2 2018 UNREVIEWED	US\$ Thousand	H1 2019	H1 2018
62,449	59,329	Time charter equivalent (TCE) earnings*	126,307	125,649
25,487	(17)	EBITDA*	47,905	10,069
40.81%	(0.03)%	as % of margin on TCE	37.93%	8.01%
(6,612)	(9,657)	EBIT*	(1,434)	(8,824)
(10.59)%	(16.28)%	as % of margin on TCE	(1.14)%	(7.02)%
(18,806)	(16,622)	Net profit / (loss)	(24,321)	(20,220)
(30.12)%	(28.02)%	as % of margin on TCE	(19.26)%	(16.09)%
(4,292)	(16,724)	Adjusted Net profit / (loss)**	(9,179)	(23,562)
(0.015)	(0.026)	Earnings / (loss) per share	(0.020)	(0.031)
3,214	447	Operating cash flow	20,030	942
(637)	(10,909)	Gross CAPEX*	(31,157)	(44,032)
			As at 30 June 2019	As at 31 December 2018
		Total assets	1,165,287	1,039,737
		Net financial indebtedness	698,502	588,708
		Shareholders' Equity	354,326	337,343

\*see Alternative Performance Measures on page 9; see also \* on the consolidated interim cash-flow statement on page 29;

\*\* Adjusted by excluding impact of IFRS16 and non-recurring items (please refer to the management report on page 15)

### OTHER OPERATING MEASURES

Q2 2019 UNREVIEWED	Q2 2018 UNREVIEWED		H1 2019 UNREVIEWED	H1 2018 UNREVIEWED
<b>13,710</b>	11,818	<b>Daily operating measures</b> - TCE earnings* per employment day (US\$) <sup>1</sup>	<b>13,879</b>	12,625
49.4	55.5	<b>Fleet development</b> - Total vessel equivalent*	49.6	55.3
23.3	26.0	- Owned	23.6	26.3
8.7	4.0	- Bareboat chartered-in	8.3	3.7
17.8	25.5	- Time chartered-in	17.7	25.3
0.7	0.0	Vessels equivalent under commercial management	2.2	0.0
0.6%	0.6%	Off-hire days/ available vessel days <sup>2</sup> (%)	3.9%	0.6%
48.0%	32.3%	Fixed rate contract/ available vessel days <sup>3</sup> (coverage %)	47.3%	32.3%

\*see Alternative Performance Measures on page 9 to 11

<sup>1</sup>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 figure exclude vessels under commercial management from the calculation; in H1 2019 and H1 2018 these vessels generated US\$ 4.4 million and US\$ 0.0 million in time-charter equivalent earnings and an equivalent amount of time-charter hire costs.

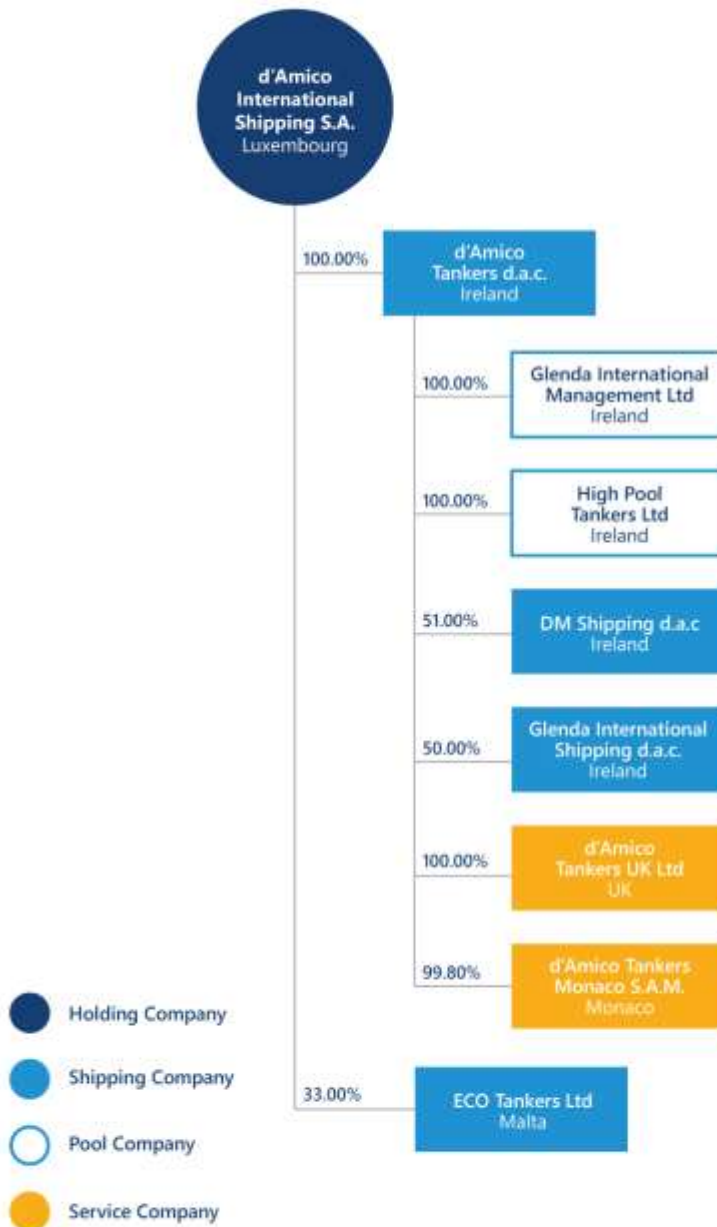
<sup>2</sup> This figure is equal to the ratio of the total off-hire days, inclusive of dry-docks, and the total number of available vessel days.

<sup>3</sup>Fixed rate contract days/available vessel days (coverage ratio): this figure represents the proportion of available vessel days employed on time charter contracts, inclusive of off-hire days.

# CONSOLIDATED INTERIM MANAGEMENT REPORT

## GROUP STRUCTURE

Set out below is d'Amico International Shipping Group's structure as at 30 June 2019:



## 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), which as at 30 June, 2019, controls a fleet of 49.5 vessels, of which 32 owned and bareboat vessels (with purchase obligation) with an average age of approximately 6.4 years, compared to an average in the product tankers industry<sup>4</sup> of 10.8 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 30 June 2019, 83.8% 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 forecasted 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 in 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 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 30 June 2019, the Group employed 716.2 seagoing personnel and 32 onshore personnel.

### **Fleet**

DIS controlled as at 30 June 2019, either through ownership or charter arrangements a modern fleet of 49.5 product tankers and 1 additional vessel in commercial management (31 December 2018: 49.5 product tankers and 4 additional vessels in commercial management). DIS' product tanker vessels range from approximately 36,000 to 75,000 dwt.

Since 2012, DIS has ordered 22 new buildings, of which one was still under construction as at the end of June 2019. 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.

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<sup>4</sup> Source: Clarksons Research as at July 1, 2019

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 to maximise earnings and negotiate favourable contracts with suppliers.

The following table sets forth information about DIS' fleet on the water as at 30 June 2019.

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
<b>LR1 fleet</b>				
<b>Owned</b>				
Cielo di Cagliari	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
Cielo Rosso	75,000	2018	Hyundai Mipo, South Korea	IMO II/III
<b>Bareboat with purchase options and purchase obligations</b>				
Cielo di Houston	75,000	2019	Hyundai Mipo, South Korea	IMO II/III
<b>MR fleet</b>				
<b>Owned</b>				
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 Tide	51,768	2012	Hyundai Mipo, South Korea	IMO II/III
High Seas	51,678	2012	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melissa <sup>5</sup>	47,203	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Meryl <sup>6</sup>	47,251	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melody <sup>5</sup>	47,238	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melanie <sup>6</sup>	47,162	2010	Hyundai Mipo, South Korea	IMO II/III
GLEND A Meredith <sup>6</sup>	46,147	2010	Hyundai Mipo, South Korea	IMO II/III
GLEND A Megan <sup>5</sup>	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
<b>Bareboat with purchase options and purchase obligations</b>				
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 Voyager	45,999	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	-
<b>TC-in long-term with purchase options</b>				
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

<sup>5</sup> Vessels owned by GLEND A International Shipping d.a.c. (in which DIS has 50% interest) and time chartered to d'Amico Tankers d.a.c.

<sup>6</sup> Vessels owned by GLEND A International Shipping d.a.c. (in which DIS has 50% interest).

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
<b>TC-in long-term without purchase option</b>				
Freja Baltic	47,548	2008	Onimichi Dockyard, Japan	-
High Prosperity	48,711	2006	Imabari, Japan	-
High SD Yihe <sup>7</sup>	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
<b>TC-in short-term</b>				
Di Matteo	46,800	2009	Nakai Zosen, Japan	-
Celsius Rimini	53,603	2009	Shin Kurushima Dockyard, Japan	-
Carina	47,962	2010	Iwagi Zosen, Japan	-
High Efficiency <sup>8</sup>	46,547	2009	Nakai Zosen, Japan	-
<b>Vessel under commercial management<sup>9</sup></b>				
Philoxenia	46,590	2019	Hyundai Mipo, South Korea	IMO II/III
<b>Handy-size fleet</b>				
<b>Owned</b>				
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
<b>TC-in short-term</b>				
SW Cap Ferrat I	36,032	2002	STX, South Korea	IMO II/III

### **Fleet Employment and Partnership**

As at 30 June 2019, d'Amico International Shipping directly employed 49.5 Vessels: 5 LR1 ('Long Range 1'), 15.5 MRs ('Medium Range') and 3 Handy-size on term contracts at a fixed rate, whilst 21 MRs and 5 Handy-size vessels were at the same date employed on the spot market. In addition, DIS had 1 MR vessels in commercial management as at June 30, 2019. Some of these DIS' vessels are employed through its joint ventures.

*GLENDIA 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. As at 30 June 2019, the JV operator owns 6 MR vessels built between August 2009 and February 2011, three of which were time-chartered to d'Amico Tankers and three to the Glencore Group. In August 2019, a memorandum of agreement was signed with respect to the sale of the M/T Glenda Megan, at that moment time-chartered to d'Amico Tankers d.a.c.

*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. Following the sale of an MR vessel in April 2019, the JV company owns 1 MR vessel, built in July 2009, the sale of which should be finalized by September 2019.

*Eco Tankers Limited*, a joint venture with Venice Shipping Logistics S.p.A., in which d'Amico International Shipping SA has a 33% shareholding. The JV company owned an eco-design MR product tanker of 50,000 dwt built at Hyundai-Vinashin Shipyard Co., Ltd sold in June 2019. The d'Amico Group was responsible for the commercial, technical and administrative management of the vessel.

<sup>7</sup> Former High Presence sold by d'Amico Tankers d.a.c in Feb'18 and taken back in time charter for 6 years

<sup>8</sup> 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.

<sup>9</sup> 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.



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 30 June 2019, d'Amico Group controlled a wide fleet of owned and chartered-in vessels, of which 50.5 were part of the DIS fleet (including 1 ship 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.

## 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 Time 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.

#### ***ROCE***

Return on Capital Employed is a profitability ratio which measures how efficiently a company is using its capital. It is calculated dividing the EBIT by the capital employed, that is, by total assets less current liabilities.

#### ***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.

### **IFRS 16 impact**

The standard eliminates the classification of leases as either operating leases or finance leases for a lessee; instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are “capitalised” by recognising the present value of lease payments and showing them either as leased assets (right-of-use assets, RoU) or together with property, plant and equipment (PPE). Lease items of low value (under US\$ 5 thousand) or for which the lease duration is shorter than one year are excluded from this treatment and are expensed as incurred. If lease payments are made over time, the company also recognises a financial liability representing its obligation to make future lease payments: the most significant effect will be an increase in lease assets (or PPE) and financial liabilities, leading to changes in key financial metrics derived from balance sheet data.

For companies with material off-balance sheet leases, IFRS 16 changes the nature of the expenses related to those leases: the straight-line operating lease expense are replaced with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs).

### **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 or of DIS’ fleet. 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 for transporting 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 SECOND QUARTER AND FIRST HALF OF 2019**

Both the product and crude tanker markets suffered in Q2 from the prolonged refinery maintenances. Product tankers started Q2 benefitting from relatively firm markets both in the Atlantic and Pacific regions. The Atlantic basin was helped by healthy demand for products into West Africa, whilst in the Far East draw-downs of product inventories prior to the end of the 2018 fiscal year, increased demand for product tankers this year. The clean product tanker market conditions, however, softened in May, with the average clean MR earnings falling by 7% month on-month to low teens, according to Clarksons. In June, Middle East refinery volumes increased and boosted earnings for product tankers. The opposite occurred in the Atlantic, however, with refining volumes decreasing. Since the beginning of the year refining volumes in the Atlantic basin have been very disappointing and far below those in the same period of last year. Refining volumes in the Pacific basin in the first-half of 2019 have also been subdued, but higher on average than in the same period in 2018. The Philadelphia refinery (300,000+ b/d) fire and explosion at the end of June, contributed to only a temporary improvement in freight rates in the Atlantic. The recent incidents and seizures of ships in the Middle East are having a major effect on the market in that region, with enquiries and demand severely reduced. Despite the lacklustre volumes and gradual weakening of freight rates throughout most of 2019 to date, the product tanker markets have been much stronger than last year, with the Clarksons' average for the three key MR routes, around 30% higher in H1 2019 relative to H1 2018.

Furthermore, also period rates and asset values have been gradually rising throughout 2019 year-to-date. The one-year time-charter rate is always the best indicator of spot market expectations. The improved sentiment in Q1 2019 raised the rate at the end of the quarter to around US\$ 14,000 per day for conventional (non-Eco) MRs and to around US\$15,500 per day for Eco MRs. In Q2 2019 this trend continued with the one-year rates rising further and settling at the end of the period at around US\$ 14,500 per day and US\$ 16,500 per day for conventional and Eco MRs, respectively.

**In H1 2019, DIS recorded a Net Loss of (24.3) million** vs. a Net Loss of US\$ (20.2) million posted in the same period of last year. Excluding results on disposal and non-recurring financial items from H1 2019 and H1 2018, as well as the asset impairment and the effects of IFRS 16 from H1 2019, DIS' Net result would have been US\$ (9.2) million in the first half of the current year compared with US\$ (23.6) million recorded in the same period of 2018. Therefore, **excluding the effects of the application of IFRS 16 and such non-recurring effects, DIS' H1 2019 Net result would have been US\$ 14.4 million higher than in the same quarter of last year.**

In fact, **DIS generated an EBITDA of US\$ 47.9 million in H1 2019** vs. US\$ 10.1 million in the same period of last year. Even excluding the effects arising from the application of IFRS 16 (positive impact of US\$ 17.6 million), DIS' H1 2019 EBITDA was **three times higher than the level achieved in the first six months of 2018**. Such strong improvement relative to last year is attributable to better market conditions coupled with a more efficient cost structure.

In terms of spot performance, **DIS achieved a daily spot rate of US\$ 13,326 in H1 2019**, 15.6% (i.e. US\$ 1,800/day) higher than US\$ 11,526 achieved in the first half of the prior year, due to the improving markets.

At the same time, 47.3% of DIS' total employment days in H1 2019, were covered through 'time-charter' contracts at an average daily rate of US\$ 14,496 (H1 2018: 32.3% coverage at an average daily rate of US\$ 14,932). A good level 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\$ 13,879 in the first half of 2019 compared with US\$ 12,625 achieved in the same period of the previous year.

In H1 2019, DIS '**gross capital expenditures**' amounted to **US\$ 31.2 million**, mainly in relation to the delivery of 1 newbuilding LR1 vessel at the beginning of the year. Since 2012, DIS has ordered a total of **22 'Eco-design' product tankers**<sup>10</sup> (10 MR, 6 Handy-size and 6 LR1 vessels), of which 21 vessels have been already delivered as at the end of H1 2019. 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.

## OPERATING PERFORMANCE

Q2 2019 UNREVIEWED	Q2 2018 UNREVIEWED		H1 2019	H1 2018
		<i>US\$ Thousand</i>		
87,387	98,853	Revenue	178,418	202,362
(24,938)	(39,524)	Voyage costs	(52,111)	(76,713)
<b>62,449</b>	<b>59,329</b>	<b>Time charter equivalent earnings*</b>	<b>126,307</b>	<b>125,649</b>
(7,230)	(33,702)	Time charter hire costs	(17,450)	(65,665)
(26,433)	(21,518)	Other direct operating costs	(54,124)	(42,067)
(2,458)	(4,140)	General and administrative costs	(5,880)	(8,100)
(841)	14	Result on disposal of fixed assets	(948)	252
<b>25,487</b>	<b>(17)</b>	<b>EBITDA*</b>	<b>47,905</b>	<b>10,069</b>
(22,986)	(9,640)	Depreciation and impairment	(33,932)	(18,893)
(9,113)	-	Depreciation of right-of-use leased asset	(15,407)	-
<b>(6,612)</b>	<b>(9,657)</b>	<b>EBIT*</b>	<b>(1,434)</b>	<b>(8,824)</b>
766	2,200	Net financial income	578	3,928
(13,896)	(9,095)	Net financial (charges)	(25,228)	(15,055)
1,269	(3)	Share of profit of associate	1,251	(1)
(226)	-	Reversal of impairment of loan to an equity accounted investee	719	-
<b>(18,699)</b>	<b>(16,555)</b>	<b>Loss before tax</b>	<b>(24,114)</b>	<b>(19,952)</b>
(107)	(67)	Income taxes	(207)	(268)
<b>(18,806)</b>	<b>(16,622)</b>	<b>Net loss</b>	<b>(24,321)</b>	<b>(20,220)</b>

\*see Alternative Performance Measures on page 9

**Revenue** was US\$ 178.4 million in H1 2019 (US\$ 202.4 million in H1 2018) and US\$ 87.4 million in Q2 2019 (US\$ 98.9 million in Q2 2018). The decrease in gross revenue compared with the previous year is attributable mainly to a

<sup>10</sup> Including M/T High Sun, an MR vessel ordered at Hyundai Mipo Dockyard Co. Ltd. and previously owned by Eco Tankers Limited (in which DIS has a 33% interest, in JV with Venice Shipping and Logistics S.p.A.), which was sold in June 2019.

lower number of vessels operated on average by DIS in the first half of the current year (H1 2019: 49.6 vs. H1 2018: 55.3). In addition, the percentage of off-hire days in H1 2019 (3.9%) was significantly higher than in the same period of the previous year (0.6%), 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\$ (52.1) million in H1 2019 compared with US\$ (76.7) million in H1 2018 (Q2 2019: US\$ (24.9) million vs. Q2 2018: US\$ (39.5) million). The lower costs reflect DIS' lower exposure to the spot market relative to the same period of last year.

**Time charter equivalent earnings** were US\$ 126.3 million in H1 2019 vs. US\$ 125.6 million in H1 2018 and US\$ 62.4 million in Q2 2019 vs. US\$ 59.3 million in Q2 2018. The total amount for 2019 includes US\$ 4.4 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'.

In detail, DIS realized a **Daily Average Spot Rate of US\$ 13,326 in H1 2019<sup>11</sup>** compared with **US\$ 11,526** achieved in the same period of 2018 (Q2 2019: US\$ 13,074 vs. Q2 2018: US\$ 10,327). DIS' spot result of H1 2019 represents an improvement of 15.6% (i.e. US\$ 1,800/day) relative to H1 2018.

Following its strategy, in H1 2019 DIS maintained a **good level of 'coverage'** (fixed contracts), securing an average of **47.3%** (H1 2018: 32.3%) of its available vessel days at a **Daily Average Fixed Rate of US\$ 14,496** (H1 2018: US\$ 14,932). 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 of the pillars of its commercial strategy.

**DIS' Total Daily Average TCE (Spot and Time Charter)<sup>12</sup> was US\$ 13,879 in H1 2019** vs US\$ 12,625 in H1 2018 (Q2 2019: US\$ 13,710 vs. Q2 2018: US\$ 11,818).

DIS TCE daily rates (US dollars)	2018 UNREVIEWED					2019 UNREVIEWED		
	Q1	Q2	H1	Q3	Q4	Q1	Q2	H1
Spot	12,726	10,327	<b>11,526</b>	8,689	11,617	<b>13,583</b>	13,074	<b>13,326</b>
Fixed	15,001	14,867	<b>14,932</b>	14,716	14,831	<b>14,604</b>	14,398	<b>14,496</b>
Average	13,446	11,818	<b>12,625</b>	10,680	12,892	<b>14,057</b>	13,710	<b>13,879</b>

**Time charter hire costs.** IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019 and has been adopted by the Company. IFRS 16 substantially changes the Group's Consolidated Financial Statements, significantly affecting the treatment by lessees of contracts which in previous periods were treated as operating leases. With some exceptions, liabilities for payments in contracts previously classified as operating leases are now discounted at the lessee's incremental borrowing rate, leading to the recognition of a lease liability and a corresponding right of use 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). Therefore, starting from January 1 2019, 'time-charter hire costs' includes only time-charter contracts whose term is shorter than 12 months. The application of IFRS16 reduces 'charter hire costs' by US\$ 32.2 million in H1 2019, as within the Income Statement, these costs are replaced with other direct operating costs, interest and depreciation.

The total amount for H1 2019 includes also US\$ 4.4 million hire costs in relation to vessels under commercial management (2.2 average equivalent vessels in H1 2019), which is offset by an equivalent amount reported under 'time charter equivalent earnings', after deducting a 2% commission on the gross revenue generated by these ships in the period. Excluding the cost related to the vessels under commercial management and the effect of IFRS 16, DIS' H1 2019 'time-charter hire costs' would have been US\$ 11.6 million lower than in H1 2018. In fact, DIS operated a lower number of chartered-in vessels in H1 2019 (17.7 equivalent ships) relative to the same period in the prior year (25.3 equivalent ships).

<sup>11</sup> Daily Average TCE excludes US\$ 4.4 million generated by the vessels under commercial management, as it is off-set by an equivalent amount of time charter hire costs after deducting a 2% commission on gross revenues.

<sup>12</sup> Daily Average TCE excludes US\$ 4.4 million generated by the vessels under commercial management, as it is off-set by an equivalent amount of time charter hire costs.



**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. The adjustment to 'other direct operating costs' arising from the application of IFRS 16 is negative for US\$ (15.0) million in H1 2019, as within the Income Statement, charter hire costs are replaced by other direct operating costs, interest and depreciation. Excluding the effect of IFRS 16, DIS' H1 2019 'other direct operating costs' would have been US\$ (39.2) million, lower than the US\$ (42.1) million cost of H1 2018, even though the Company operated a larger fleet of owned and bareboat vessels in H1 2019 relative to the same period of last year (H1 2019: 31.9 vs. H1 2018: 30.1). 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\$ (5.9) million in H1 2019 vs. US\$ (8.1) million in H1 2018 (i.e. 27.4% decrease) and US\$ (2.5) million in Q2 2019 vs. US\$ (4.1) million in Q2 2018. These costs relate mainly to onshore personnel, together with office costs, consultancies, travel expenses and others. The application of IFRS 16 reduced 'general and administrative costs' by US\$ 0.4 million in H1 2019 due to the recognition of right of use assets and liabilities for some office leases.

**Result on disposal of vessel** was negative for US\$ (0.9) million in H1 2019 vs. US\$ 0.3 million in H1 2018. The H1 2019 amount refers to the amortisation of the net deferred result on all vessels sold and leased back (including for the two transactions closed in January and April 2019 for the M/T Cielo di Houston and M/T High Voyager, respectively). The amount for the first half of 2018 refers to the amortisation of the net deferred result on all vessels which had been sold and leased back as at the end of June 2018.

**EBITDA** was **US\$ 47.9 million in H1 2019**. The adjustment to 'EBITDA' arising from the application of IFRS 16 is positive for US\$ 17.6 million in H1 2019 (US\$ 9.7 million in Q2 2019), as within the Income Statement, charter hire costs are replaced with other direct operating costs, interest and depreciation. **Excluding the effect of IFRS 16, DIS' H1 2019 EBITDA would have amounted to US\$ 30.3 million vs. US\$ 10.1 million achieved in H1 2018** (Q2 2019: US\$ 15.8 million vs. Q2 2018: closed to zero). This large improvement relative to last year, is attributable to the stronger freight markets and to a more efficient cost structure achieved by DIS.

**Depreciation and Impairment** amounted to US\$ (33.9) million in H1 2019 vs. US\$ (18.9) million in H1 2018 (Q2 2019: US\$ (22.9) million vs. Q2 2018: US\$ (9.6) million). The 2019 amount includes US\$ (12.1) million impairment booked on two vessels owned by Glenda International Shipping (a jointly controlled entity with the Glencore Group, in which d'Amico Tankers d.a.c. has a 50% interest), which were reclassified as 'assets held for sale' (in accordance with IFRS 5) as at June 30 2019, and the difference between their fair value and their book value was charged to the Income Statement.

**Depreciation of right-of-use leased assets** amounted to US\$ (15.4) million in H1 2019 (US\$ (9.1) million in Q2 2019).

**EBIT** was **negative for US\$ (1.4) million in H1 2019** vs. US\$ (8.8) million in H1 2018 (Q2 2019: US\$ (6.6) million vs. Q2 2018: US\$ (9.7) million). The H1 2019 amount was positively impacted by US\$ 5.0 million from the application of IFRS 16 but negatively impacted by US\$ (12.1) million from the impairment booked in Q2 2019.

**Net financial income** was US\$ 0.6 million in H1 2019 vs. US\$ 3.9 million in H1 2018. The amount of H1 2019 includes foreign exchange gains 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 amounting to US\$ 0.3 million. Financial income for H1 2019 includes also the realised income on interest rate swaps closed amounting to US\$ 0.1 million; unrealised amounts in the same period relate to changes in the valuation of the DM Shipping financing of US\$ 0.2 million, attributable to foreign exchange movements. The variance relative to the previous year is mainly due to US\$ 2.6 million unrealized gain in relation to the ineffective part of DIS' interest rate swap agreements posted in H1 2018.

**Net financial charges** were US\$ (25.2) million in H1 2019 vs. US\$ (15.1) million in H1 2018. The amount comprises the interest expenses due on DIS' bank loan facilities and financial leases, actual expenses on interest rate swaps, unrealised losses in relation to the ineffective part of DIS' interest rate swap agreements and the amortization of financial fees. The 2019 amount includes also US\$ (10.6) million interest expenses on liabilities arising from the application of IFRS 16.

**Reversal of impairment of loan to an equity accounted investee** was positive for US\$ 0.7 million in H1 2019 due to the partial reversal of 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).

DIS recorded a **Loss before tax** of US\$ (24.1) million in H1 2019 (US\$ (20.0) million in H1 2018) and loss of US\$ (18.7) million in Q2 2019 (Q2 2018: US\$ (16.6) million).

**Income taxes** amounted to US\$ (0.2) million in H1 2019 vs. US\$ (0.3) million in H1 2018 (US\$ (0.1) million in Q2 2019, in line with Q2 2018).

DIS' **Net Result** was **negative for US\$ (24.3) million in H1 2019 compared with a US\$ (20.2) million** Net loss posted in the same period of 2018, whilst the Q2 2019 result was negative for US\$ (18.8) million vs. US\$ (16.6) million in Q2 2018. The application of IFRS 16, negatively impacted the results for the first half of 2019 by US\$ (1.6) million, and net of the one-off reversal of provisions for previous years' onerous contracts, also attributable to the application of IFRS 16, the results for the period were lower by US\$ (0.9) million.

Excluding results on disposal and non-recurring financial items from H1 2019 (US\$ (2.1) million<sup>13</sup>) and H1 2018 (US\$ 3.3 million<sup>14</sup>), as well as the asset impairment (US\$ (12.1) million) and the net effects of IFRS 16 (US\$ (0.9) million) from H1 2019, DIS' Net result would have been US\$ (9.2) million in the first half of the current year compared with US\$ (23.6) million recorded in the same period of 2018. Therefore, **excluding the effects of the application of IFRS 16 and such non-recurring effects, DIS' H1 2019 Net result would have been US\$ 14.4 million higher than in the same semester of last year.** As previously mentioned, this is due to the better market conditions in H1 2019 and to a more efficient cost structure.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(US\$ Thousand)</i>	As at 30 June 2019	As at 31 December 2018
<b>ASSETS</b>		
Non-current assets	1,038,435	924,164
Total current assets	126,852	115,573
<b>Total assets</b>	<b>1,165,287</b>	<b>1,039,737</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Shareholders' equity	354,326	337,343
Non-current liabilities	644,369	539,518
Total current liabilities	166,592	162,876
<b>Total liabilities and shareholders' equity</b>	<b>1,165,287</b>	<b>1,039,737</b>

**Non-current assets** mainly relate to DIS' owned vessels net book value, including the portion relating to its newbuilding under construction and the right-of-use of the leased assets. The H1 2019 amount includes a positive adjustment of US\$ 135.7 million arising from the application of IFRS 16. According to the valuation report provided by a primary broker, the estimated market value of DIS' owned and bareboat fleet as at 30 June 2019 was of US\$ 845.4 million.

**Gross Capital expenditures (Capex)** were of US\$ 31.2 million in H1 2019 vs. US\$ 44.0 million in H1 2018. 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 30 June 2019 amounted to US\$ 109.5 million, excluding assets held for sale. As at the same

<sup>13</sup> US\$ (0.9) million loss on disposal, US\$ (2.1) million realized and unrealized loss on Interest rates swap agreements, US\$ 0.2 million foreign exchange movements arising from the valuation of the DM Shipping financing, US\$ 0.7 million reversal of impairment of an equity-invested asset

<sup>14</sup> US\$ 0.3 million profit on disposal, US\$ 2.7 million realized and unrealized profit on Interest rates swap agreements, US\$ 0.4 million foreign exchange movements arising from the valuation of the DM Shipping financing

date, in addition to the working capital items (inventories and trade receivables amounting to US\$ 11.4 million and US\$ 45.9 million respectively), current assets include 'cash and cash equivalent' of US\$ 35.7 million and d'Amico Tankers' shareholder loan to DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group) of US\$ 9.4 million. Current assets as at 30 June 2019 include also US\$ 4.7 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.

Current assets include *Assets held-for-sale*. The amount of US\$ 17.3 million refers to two vessels owned by Glenda International Shipping (a jointly controlled entity with the Glencore Group, in which d'Amico Tankers d.a.c. has a 50% interest), which were reclassified as 'Assets held for sale' (in accordance with IFRS 5) as at 30 June 2019, with the difference between their fair value and their book value charged to the Income Statement. Following the impairment allocation, a net carrying value of US\$ 17.3 million (equal to the 50% ownership) was transferred to this line of the Statement of Financial Position as at the end of the period.

**Non-current liabilities** were of US\$ 644.4 million as at 30 June 2019 and mainly consist of the long-term portion of debt due to banks (disclosed under the Net Indebtedness section of the report) and of liabilities for financial leases. The amount as at 30 June 2019 includes an additional US\$ 110.9 million corresponding to the liabilities arising from the application of IFRS 16.

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 30 June 2019, working capital items amounting to US\$ 41.3 million (mainly relating to trade and other payables), US\$ 39.6 million in liabilities from financial leases, and US\$ 11.7 million in other current financial liabilities. The amount as at 30 June 2019 is US\$ 28.4 million higher due to the application of IFRS 16.

The **Shareholders' equity** balance as at 30 June 2019 was of US\$ 354.3 million (US\$ 337.3 million as at December 31, 2018). The variance relative to year-end 2018 is primarily due to the US\$ 49.8 million Share capital increase that occurred in the month of April, the Net loss generated in the first half of 2019, as well as to the loss on the valuation of cash-flow hedges. The total amount of the Shareholders' equity as at 30 June 2019 includes also a US\$ (2.0) million prior year adjustment arising from the application of IFRS16.



## NET INDEBTEDNESS\*

**DIS' Net debt as at 30 June 2019** amounted to **US\$ 698.5 million** compared to US\$ 588.7 million at the end of 2018. The large variance relative to the end of 2018 is due to the application of IFRS16 which led to the recognition of an additional liability of US\$ 137.8 million as at the end of the first half of 2019. The net debt (excluding IFRS 16) / fleet market value ratio was of 66.3% as at 30 June 2019 compared with 72.4% as at March 31, 2019 and with 72.9% as at December 31, 2018.

<i>US\$ Thousand</i>	As at 30 June 2019	As at 31 December 2018
Liquidity - <i>Cash and cash equivalents</i>	35,739	31,713
Current financial assets	2,452	1,116
Other current financial assets – related party	14,014	17,089
<b>Total current financial assets</b>	<b>52,205</b>	<b>49,918</b>
Bank loans and other lenders– current	73,978	91,238
Liabilities from financial lease	39,567	8,369
Shareholders' loan	-	1,280
Other current financial liabilities – related party	6,454	-
Other current financial liabilities – 3 <sup>rd</sup> parties	5,209	7,876
<b>Total current financial debt</b>	<b>125,208</b>	<b>108,763</b>
<b>Net current financial debt</b>	<b>73,003</b>	<b>58,845</b>
Other non-current financial assets – third parties	18,870	9,655
<b>Total non-current financial assets</b>	<b>18,870</b>	<b>9,655</b>
Bank loans non-current	301,425	338,622
Liabilities from financial lease	332,276	165,298
Shareholders' financing	-	30,600
Other non-current financial liabilities – 3 <sup>rd</sup> parties	10,668	4,998
<b>Total non-current financial debt</b>	<b>644,369</b>	<b>539,518</b>
<b>Net non-current financial debt</b>	<b>625,499</b>	<b>529,863</b>
<b>Net financial indebtedness</b>	<b>698,502</b>	<b>588,708</b>

\*see Alternative Performance Measures on page 9

The balance of *Total Current Financial Assets* was US\$ 52.2 million as at the end of June 2019. The total amount comprises *Cash and cash equivalents* of US\$ 35.7 million, US\$ 9.4 million shareholder's loan to DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group), and short-term financial receivables of US\$ 4.7 million which mainly consist of 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.

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

The total outstanding bank debt (*Bank loans*) as at 30 June 2019 amounted to US\$ 375.4 million, of which US\$ 73.9 million is due within one year. Other than some short-term credit lines, DIS' debt as at 30 June 2019 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\$ 150.96 million;
- (ii) Intesa medium-term facility with an outstanding debt of US\$ 7.5 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\$ 15.5 million;
- (iv) ING 5 years term-loan facility to finance 1 MR vessel built in 2012, for a total outstanding debt of US\$ 14.9 million;
- (v) ABN Amro 6 years term loan facility to finance 1 Handysize vessel built in 2014 for a total outstanding debt of US\$ 14.1 million;
- (vi) 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\$ 35.3 million;
- (vii) 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\$ 6.3 million;
- (viii) Monte dei Paschi di Siena 5 years term-loan facility to finance 1 LR1 vessel (delivered in November 2017), with an outstanding debt of US\$ 23.2 million;
- (ix) Century Tokyo Leasing 6 years term-loan facility to finance 2 Handy-size vessels delivered respectively in July and October 2016 and 1 MR vessel delivered in January 2017, with an outstanding debt of US\$ 58.6 million;
- (x) 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\$ 37.4 million, to finance the 6 Glenda International Shipping d.a.c. vessels, delivered between 2009 and 2011.

*Liabilities for financial 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, M/T High Trader, M/T Cielo di Houston and M/T High Voyager, which were sold and leased back between 2017 and 30 June 2019. In addition, 'liabilities for financial leases' include US\$ 135.4 million arising from the application of IFRS 16 on contracts previously classified as 'operating leases'.

*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 H1 2019 was positive, amounting to US\$ 3.8 million** vs. US\$ 3.0 million positive in H1 2018. The amount of H1 2019 includes *gross capital expenditures* of US\$ (31.2) million, partially offset by US\$ 6.3 million *Movement in financing to equity accounted investee* (arising from the reduction of d'Amico Tankers' shareholders loan to DM Shipping, following the sale of one its two vessels in Q2 2019) and by US\$ 8.6 million positive financing cash flow.

Q2 2019 UNREVIEWED	Q2 2018 UNREVIEWED	US\$ Thousand	H1 2019	H1 2018
3,214	447	Cash flow from operating activities	20,030	942
5,817	(10,878)	Cash flow from investing activities	(24,853)	(30,137)
(2,516)	9,657	Cash flow from financing activities	8,621	32,146
<b>6,515</b>	<b>(774)</b>	<b>Change in cash balance</b>	<b>3,798</b>	<b>2,951</b>
12,403	16,089	Cash and cash equivalents net of bank overdrafts at the beginning of the period	15,120	12,364
<b>18,918</b>	<b>15,315</b>	<b>Cash and cash equivalents net of bank overdrafts at the end of the period</b>	<b>18,918</b>	<b>15,315</b>
35,739	32,174	Cash and cash equivalents at the end of the period	35,739	32,174
(16,821)	(16,859)	Bank overdrafts at the end of the period	(16,821)	(16,859)

*Cash flow from operating activities* was positive, amounting to US\$ 20.0 million in H1 2019 vs. US\$ 0.9 million in H1 2018 (positive for US\$ 3.2 million in Q2 2019 vs. US\$ 0.5 million in Q2 2018). This improvement is the result of the much stronger freight markets in H1 2019 relative to the same period of last year.

The net **Cash flow from investing activities** was US\$ (24.9) million in H1 2019 vs. US\$ (30.1) million in H1 2018. The 2019 amount comprises the capital expenditures in connection with the installments paid on the new-building vessel delivered in January 2019, which was sold and leased back upon delivery, partially off-set by US\$ 6.3 million arising from the reduction of d'Amico Tankers' shareholders loan to DM Shipping, following the sale of one its two vessels in Q2 2019.

**Cash flow from financing activities** was positive, amounting to US\$ 8.6 million in H1 2019. This figure comprises mainly: (i) US\$ 48.9 million net proceeds from the share capital increase completed in Q2 2019; (ii) US\$ (31.9) million reimbursement of the financing previously granted by DIS' majority shareholder (d'Amico International S.A.); (iii) US\$ (56.3) million in bank debt repayments (of which US\$ 8.75 million were due to the reimbursement of the pre-delivery financing on M/T Cielo di Houston, which was sold and leased back and US\$ 15.8 million were due to the reimbursement of the financing on M/T High Voyager, which was also sold and leased back); (iv) US\$ 45.9 million issuance and repayment of financial leases, which mainly comprised the inception of the lease on M/T Cielo di Houston and M/T High Voyager; (v) US\$ (2.3) million movement in financial receivables and payables, mainly related 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, offset by US\$ 4.4 million upstream loan received from Eco Tankers Limited, following the sale of its vessel (M/T High Sun) in Q2 2019.

## SIGNIFICANT EVENTS OF THE FIRST SEMESTER

In H1 2019, the main events for the d'Amico International Shipping Group were the following:

### d'Amico International Shipping:

- **Board of Directors Meeting:** On February 8, 2019, the Board of Directors of d'Amico International Shipping S.A. (the "Board of Directors") convened the extraordinary general meeting of shareholders of the Company to be held on 11 March 2019 (the "EGM") proposing to the EGM to increase the authorised corporate capital of the Company from 750,000,000 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 US\$ 60 million;
  - ii) Theoretical ex-rights price ("TERP") discount of up to 25%.

DIS Board of Directors also resolved to set an extraordinary period for the exercise of the "d'Amico International Shipping Warrants 2017 – 2022", ISIN code n. LU1588548724 (the "Warrants"), as set out in art. 3.3.1. of the terms and conditions of the attached to the Company prospectus dated 18 April 2017 (the "2017-2022 Warrants Terms and Conditions"), starting from 12 March 2019 until 18 March 2019, both dates included (the "Extraordinary Exercise Period").

- **Shareholders' Extraordinary General Meeting:** On March 11, 2019, the EGM 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 US\$ 0.10 per share to US\$ 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](http://www.damicointernationalshipping.com));
  - ii) to consequently reduce the amount of the issued share capital from its former amount of US\$ 65,375,802.50 to US\$ 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 US\$ 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, 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 18<sup>th</sup> March 2019 DIS announced that during the 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.

- **Board of Directors Meeting:** On March 20, 2019, the Board of Directors of d'Amico International Shipping S.A., exercising the powers delegated by the EGM of Shareholders of 11 March 2019 – resolved:
  - i) to approve a rights issue addressed to the shareholders of the Company consisting of (i) an offering by the Company with preferential subscription rights (the “Preferential Subscription Rights”) of new shares (the “New Shares”) of the Company (the “Rights Offering”) and (ii) in case the Preferential Subscription Rights are only partially exercised during the Rights Offering, a private placement whereby the Board of Directors will place any New Shares that were not subscribed in the Rights Offering, with cancellation in this second round of offering of any preferential subscription right (the “Private Placement”, together with the Rights Offering, the “Offering”);
  - ii) to approve an increase of the share capital of the Company, within the limits of the authorised capital, of up to a maximum of the US\$ equivalent of € 44,045,318 (including share premium), through the issuance of up to 587,270,900 New Shares, that will generally in all respects rank *pari passu* with the existing shares, at an issuance price per New Share of € 0.075 (the “Issuance Price”), in the ratio of 10 New Share for every 11 Preferential Subscription Rights exercised (the “Ratio”).

It was also communicated that the net proceeds of the Offering will have to be used to strengthen the Company's balance sheet, reducing its financial leverage and improving its liquidity position.

The Issuance Price of the New Shares incorporated a discount of 25% to the reference price of d'Amico International Shipping shares on the Mercato Telematico Azionario of Borsa Italiana S.p.A. (“MTA”) as at 19 March 2019, a discount of 43% to the simple average of the reference market prices registered by d'Amico International Shipping's shares during the last six months and a discount of 15% to the theoretical-ex-rights-price (“TERP”).

The controlling shareholder of the Company – d'Amico International S.A. (“DAM”), which owned 64.00% of the share capital of the Company – irrevocably undertook and committed to subscribe to any share that were not subscribed to in the Private Placement and on the same terms, notably as to pricing, as determined by the Company at the Board of Directors meeting held on 20 March 2019.

In the context of the Offering DAM converted a long term subordinated revolving facility, which amounted to US\$ 30,600,00.00, to an unsubordinated due and payable debt. DAM subscribed a part of the capital increase by offsetting the outstanding due and payable facility.

- **Adjustment of Warrants exercise price following the Offering and notification to Consob of the updated version of KID regarding Warrants:** On March 29, 2019, d'Amico International Shipping S.A. announced that the exercise price of the DIS Warrant were adjusted according to article 6.1.1 of the terms and conditions of the 2017-2022 Warrants Terms and Conditions.

The Warrants exercise prices were reduced for all the established exercise periods and additional exercise periods that will follow the completion of the Offering (as defined in the prospectus dated 21 March 2019, the “2019 Prospectus”, relating to the Offering with Preferential Subscription Rights of 587,270,900 New Shares at an Issuance Price of € 0.075 per New Share, in the Ratio of 10 New Shares for 11 Preferential Subscription Rights) and were fixed at:

- € 0.327 for Warrants exercised on all the days of the month of June 2019;
- € 0.341 for Warrants exercised on all the days from 27 November to 27 December 2019;
- € 0.354 for Warrants exercised on all the days of the month of June 2020;
- € 0.368 for Warrants exercised on all the days from 27 November to 27 December 2020;
- € 0.382 for Warrants exercised on all the days of the month of June 2021;
- € 0.397 for Warrants exercised on all the days from 27 November to 27 December 2021;
- € 0.412 for Warrants exercised on all the days of the month of June 2022.

## Results of the Rights Offering

During the Preferential Subscription Rights' exercise period, which started on March 25, 2019 and ended on April 16, 2019 (the "Rights Subscription Period"), no. 628,392,688 Preferential Subscription Rights were exercised, representing approximately 97.3% of the total number of Preferential Subscription Rights. Given the ratio of 10 New Shares for 11 Preferential Subscription Rights, the Company issued 571,266,080 New Shares, generating gross proceeds were the equivalent in US\$ of € 42.8 million.

- **The Board of Directors of d'Amico International Shipping S.A. announced the amendment of the ending date for the private placement, the private placement results and final results of the right issue. Capital increase 100% subscribed and gross proceeds of the offering equal to the US\$ equivalent of € 44 million:** On April 24, 2019, the Board of Directors of d'Amico International Shipping S.A. announced, following its offering of up to 587,270,900 the New Shares with Preferential Subscription Rights announces the ending, as of that date, of the private placement period for the unsubscribed New Shares initially set on May 17.

During the Private Placement 16,004,820 New Shares were subscribed (representing an additional capital increase - including share premium - amounting to the US\$ equivalent of € 1,200,361.50).

Following the completion of the Private Placement, the Company's share capital amounted to US\$ 62,051,446.25, divided into 1,241,028,925 shares with no nominal value.

- **Amendment of financial covenants on all bank loans guaranteed by DIS** – The application of IFRS16 from January 1, 2019 had a negative effect of 4.3% on DIS' Net Worth/Total Assets ratio, based on the Company's consolidated financials as at March 31, 2019. To offset the impact of this new accounting standard, before the end of Q1 2019, all of DIS' banks agreed to amend the financial covenants on loans guaranteed by DIS, with a reduction of the minimum threshold for this ratio to 25% from 35% previously. The amended covenant is effective from January 1, 2019.
- **Approval of DIS' medium to long-term incentive plan:** on May 9, 2019, d'Amico International Shipping S.A.'s Board of Directors, upon positive opinion of its Nomination and Remuneration Committee held on May 3, 2019, approved the Regulation of the Company's medium to long-term incentive plan (the "Medium to Long-Term Variable Incentive Plan 2019-2021" or the "Incentive Plan" or the "Plan"), available in the Corporate Governance section of the Company's website ([www.damicointernationalshipping.com](http://www.damicointernationalshipping.com)).

The main beneficiaries of the Plan are the following top-managers and executive directors of DIS: Paolo d'Amico (CEO and Chairman), Carlos Balestra di Mottola (CFO and Executive Director), Flemming Carlsen (COO), Cesare d'Amico (Executive Director), Marie-Anne Fiorelli (head of operations).

The main features of the Plan are the following:

The plan is based on the average financial results achieved by DIS over three rolling two-year periods ("the Period(s)" or "Cycle(s)"). The first Period is 2019-2020. The plan seeks to align the interest of shareholders and the key decision makers in DIS. In particular, the plan establishes a bonus pool based on the average ROCE (Return on Capital Employed) achieved by DIS over each rolling two-year Period, with a minimum threshold of 5% established – the "gate" objective. The bonus pool is then calculated as 10% of the difference between the average EBIT achieved during the Period and the EBIT corresponding to an average ROCE of 5%, up to a maximum EBIT corresponding to a ROCE of 7.5%.

The Bonus Pool is allocated according to three targets that aim to measure DIS' financial performance while accounting for the risks taken, as well as the soundness of the contract coverage strategy and the cost efficiency of the management structure. In particular, the three targets measured are:

- i) the adjusted ROCE (40% of the pool), which modifies the ROCE through a matrix which accounts for the financial leverage in DIS' capital structure and the percentage of contract coverage;
- ii) the hedging effectiveness (35% of the pool), which measures whether the coverage taken contributed positively or negatively to the blended time-charter equivalent earnings;
- iii) the percentage change in the daily General and Administrative costs (25% of the pool), which attempts to measure how efficiently the vessels were managed.

For each of the above targets minimum thresholds are established and the percentage allocated increases linearly once such threshold is exceeded, up to a maximum of 110% of the amount attributable to the achievement of such target. A final adjustment to the bonus pool is made to reflect the total shareholder return (TSR) obtained by DIS' shareholders during the Period, relative to the TSR which would have been achievable by investing in the shares of a group of peers.

The final bonus as calculated above is paid 70% in cash at the end of the vesting period of each Cycle, and the remaining 30% through DIS shares (free of charge) in the two years following the vesting period (15% each year).

The number of DIS shares allotted will be based on the arithmetic average of the official market closing prices of DIS' ordinary shares in the month prior to the Company's Board of Directors that will verify the results achieved in the corresponding vesting period.

The DIS shares serving the Plan, are those currently held in portfolio by the Company (n. 7,760,027 own shares without nominal value).

- **Second exercise period of DIS' Ordinary shares warrants 2017-2022:** On May 31, 2019, d'Amico International Shipping S.A. confirmed that the holders of "d'Amico International Shipping Warrants 2017 – 2022", ISIN code n. LU1588548724 (the "Warrants") could apply for their Warrants, to be exercised on any Borsa Italiana S.p.A. ("Borsa") trading day starting from June 3 2019 until June 28 2019, both dates included (the "Second Exercise Period"), with the right to subscribe for newly issued ordinary shares of DIS admitted to trading on the MTA market organized and managed by Borsa, without par value and with the same rights and features as the DIS ordinary shares outstanding at the issue date (the "Warrant Shares"), in the ratio of one (1) ordinary DIS share for one (1) Warrant exercised. The exercise price for the Second Exercise Period amounted to EUR 0.327 (zero point three hundred and twenty seven Euros) per Warrant Share. Following the exercise of no. 3,199 Warrants, on July 2, 2019, DIS announced the new issued share capital, duly registered by notarial deed executed at that day and the subsequent subscription and issuance of 3,199 ordinary newly issued shares (the "Warrant Shares"). Following the completion of the Second Warrants exercise period, the Company's share capital amounts now to US\$ 62,051,606.20, divided into 1,241,032,124 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.
- **'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 Freja Hafnia and M/T High Force ended and these vessels were redelivered to their owners.

In April 2019, the management contracts on M/T High Glow and M/T High Current ended and these vessels were redelivered to their owners.

In April 2019, d'Amico Tankers d.a.c. time-chartered-in M/T Celsius Rimini (ex-High Force), an MR vessel built in 2009 in Shin Kurushima (Japan), for a 12-month period.

In May 2019, M/T High Power, an MR vessel built in 2004 and time-chartered-in by d'Amico Tankers d.a.c. since 2015, was redelivered to her owners.

In May 2019, M/T Philoxenia, an MR vessel built in May 2019, was delivered to d'Amico, which is now acting as commercial manager of the vessel, earning a 2% commission on her gross revenues.



- **'Time Charter-Out' Fleet:** In March 2019: i) d'Amico Tankers d.a.c. extended its time charter contracts with an oil-major on two of its Handy vessels for 12 months starting from respectively March and May 2019; ii) a leading trading house exercised its option of extending for 6 months a time charter contract for one of d'Amico Tankers' LR1s at an increasing rate, starting from May 2019.

In April 2019, d'Amico Tankers d.a.c. extended its time charter contract with an oil-major on one of its MR vessels for 29 months, with an option for further six months, starting from 30 April 2019.

In June 2019, 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 6, 2019.

- **Vessel Sales and Sale-Leasebacks:** 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 through 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 commencement of the charter period, at a competitive cost of funds.

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. The vessel was delivered to its new owners on 2 April 2019, allowing DM Shipping to generate as at the same date around US\$ 12.3 million in cash, net of commissions and the reimbursement of the Vessel's existing loan.

In March 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 High Voyager, a 45,999 dwt medium-range product tanker vessel, built in 2014 by Hyundai-Mipo, South Korea for a consideration of US\$ 25.7 million. This transaction allowed d'Amico Tankers d.a.c. to generate at the vessel's delivery, on 25 April 2019, around US\$ 9.6 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 charter period. Furthermore, d'Amico Tankers d.a.c. has the option to repurchase the vessel, at any time starting from the third anniversary of her sale with three months' notice, at a competitive cost of funds.

In May 2019, DIS announced that Eco Tankers Limited a joint venture company with Venice Shipping and Logistics S.p.A., in which d'Amico International Shipping S.A. ("DIS") holds a 33% participation, signed a memorandum of agreement for the sale of the MT High Sun, a 49,990 dwt MR product tanker vessel (the "Vessel"), built in 2014 by Hyundai MIPO, South Korea (Vinashin), for a consideration of US\$ 28.7 million. This transaction resulted in a profit on disposal and allowed Eco Tankers to generate around US\$ 12.8 million in cash, net of commissions and the reimbursement of the Vessel's existing loan.

In June 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 Efficiency, a 46,547 dwt MR product tanker vessel, built in 2009 by Nakai Zosen Corporation, Japan for a consideration of US\$ 16.1 million. The vessel is expected to be delivered to its new owners by the end of September 2019, allowing DM Shipping to generate around US\$ 13.2 million in cash, net of commissions and the reimbursement of the Vessel's existing loan.

## SIGNIFICANT EVENTS SINCE THE END OF THE PERIOD AND BUSINESS OUTLOOK

### d'Amico Tankers d.a.c.:

- **'Time Charter-Out' Fleet:** In July 2019: i) a leading trading house exercised its option of extending for a minimum of 12 months and a maximum of 18 months its time charter contracts for two of d'Amico Tankers' LR1s at increased rates, starting respectively from Q3 and Q4 2019; ii) an oil-major extended its time charter contract on one of d'Amico Tankers' LR1s for a further 12 months, with an option for 12 additional months, starting from January 2020; iii) d'Amico tankers d.a.c. fixed one of its MR vessels with a leading trading house for 150 days; iv) an oil-major exercised its option for extending a time charter contract on one of d'Amico Tankers' MRs for further 12 months at an increased rate. In August 2019: i) an oil-major exercised its option for extending a time charter contract on one of d'Amico Tankers' MRs for further 12 months at an increased rate; ii) d'Amico tankers d.a.c. fixed its newbuilding LR1 vessel, expected to be delivered in Q3 2019, with a leading trading house for 24 months, with an option for 12 additional months; iii) d'Amico tankers d.a.c. fixed one of its MR vessels with an oil-major for 3 years.

### Glenda Interantional Shipping d.a.c.:

- **Vessel Sale:** in August 2019, Glenda International Shipping d.a.c., the joint venture company with Glencore Group, in which d'Amico Tankers holds a 50% participation, signed a memorandum of agreement of the sale of the M/T Glenda Megan, a 47,147 dwt MR product tanker vessel, built in 2009 by Hunday Mipo, South Korea, for a consideration of US\$ 19.0 million.

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

	As at 30 June 2019				As at 12 September 2019			
	LR1	MR	Handysize	Total	LR1	MR	Handysize	Total
Owned	4.0	12.0	7.0	23.0	4.0	12.0	7.0	23.0
Bareboat chartered*	1.0	8.0	0.0	9.0	1.0	8.0	0.0	9.0
Long-term time chartered	0.0	12.5	0.0	12.5	0.0	12.5	0.0	12.5
Short-term time chartered	0.0	4.0	1.0	5.0	0.0	3.0	1.0	4.0
<b>Total</b>	<b>5.0</b>	<b>36.5</b>	<b>8.0</b>	<b>49.5</b>	<b>5.0</b>	<b>35.5</b>	<b>8.0</b>	<b>48.5</b>

\* with purchase obligation

### Business Outlook

According to the IMF's July 2019 update, global growth remains subdued. Since their April World Economic Outlook (WEO) report, the United States further increased tariffs on certain Chinese imports and China retaliated by raising tariffs on a subset of US imports. Global technology supply chains were threatened by the prospect of US sanctions, Brexit-related uncertainty continued, and rising geopolitical tensions affected energy prices. The factors led the IMF to reduce global growth forecasts to 3.2% in 2019, and 3.5% in 2020 (0.1 percentage points lower than in their April report, for both years).

According to the IEA, global oil demand growth which was very weak in the first half of 2019, is expected to accelerate in the second half of the year. In 2020, demand growth is expected to further accelerate to average 1.4 million b/d relative to 1.2 million b/d in 2019.

In the second half of June, a fire and subsequent closure of the 335,000 b/d refinery in Philadelphia affected East Coast runs. The owner, Philadelphia Energy Solutions, is in the process of mothballing the plant, seeking a sale or



an eventual shutdown. A closure would increase the import requirements of the US East Coast. The refinery had a capacity to produce 160,000 b/d Gasoline and 100,000 b/d of Distillates.

Product tanker demand is expected to accelerate in the second half of 2019 driven by a surge in refining volumes driven also by bunker inventory building ahead of the IMO 2020 sulphur cap. In 2020, demand growth for product tankers is expected to accelerate further due to the boost to trade from the IMO 2020 sulphur cap, as well as by an expansion in US shipments to Asia and Latin America.

Asian product imports are expected to exceed 9m b/d in 2019. South East Asian countries such as Thailand and Malaysia saw growing imports, as did Singapore, now a key hub for processing and trading.

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**

- According to the IEA, oil demand growth which exceptionally weak at 310,000 b/d in 1Q19 and 800,000 kb/d in 2Q19, should increase to 1.8 million b/d in the second half of the year as economic activity improves and petrochemical plants ramp up. In 2020, demand growth is expected to further accelerate to average 1.4 million b/d relative to 1.2 million b/d in 2019.
- According to Clarksons, product tanker ton-mile demand is expected to expand by 3.3% in 2019, supported by a return to growth in Asian products imports and the potential for bunker inventory building ahead of the IMO 2020 sulphur cap. In 2020, Clarksons expected product tanker ton-mile demand to pick-up to circa 5.4%, driven mainly by a boost to trade from the IMO 2020 sulphur cap, as well as by an expansion in US shipments to Asia and Latin America.
- According to the IEA's Oil Market Outlook 2019 report, global refiners will add 2.7m b/d of primary processing capacity in 2019; the majority of these additions will be in the East, with the Middle East and China adding 500,000 b/d and 1.4 million b/d, respectively.
- With the significant refinery capacity additions planned in the Middle East this year, Clarksons expects products shipments from the region to continue to expand firmly, by 10% and 7%, respectively, in 2019 and 2020.
- Asian products exports, which were soft in 2018, are currently expected to expand by a healthy 5% in 2019 and the same percentage in 2020 (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 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. In the second-half of 2019, refining margins for diesel are expected to rise, and the new low sulphur fuel will start to be refined and distributed to ports worldwide, creating additional demand for seaborne transportation.

## Product Tanker Supply

- According to Clarksons' estimates at the beginning of this year, 93MRs and 14LR1s were scheduled to be delivered in 2019.
- Actual deliveries in the first half of the year amounted to only 48 MRs, compared to 63 scheduled, and 6 LR1s, compared to 10 scheduled.
- According to Clarksons planned deliveries and DIS' management conservative demolition assumptions, fleet growth in the MR and LR1 segments, should be of 2.5% in 2019 and 1.6% in 2020.
- 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 newbuild ordering should result in low fleet growth over the next two years.
- The International Maritime Organisation's (IMO) regulations that limit sulphur content in marine fuels to 0.5% from January 2020, 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.

## D'AMICO INTERNATIONAL SHIPPING GROUP

### CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2019

#### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

Q2 2019 UNREVIEWED	Q2 2018 UNREVIEWED	US\$ Thousand	Note	H1 2019	H1 2018
87,387	98,853	Revenue	(2)	178,418	202,362
(24,938)	(39,524)	Voyage costs	(3)	(52,111)	(76,713)
<b>62,449</b>	<b>59,329</b>	<b>Time charter equivalent earnings*</b>	(4)	<b>126,307</b>	<b>125,649</b>
(7,230)	(33,702)	Time charter hire costs	(5)	(17,450)	(65,665)
(26,433)	(21,518)	Other direct operating costs	(6)	(54,124)	(42,067)
(2,458)	(4,140)	General and administrative costs	(7)	(5,880)	(8,100)
(841)	14	Result on disposal of fixed assets	(8)	(948)	252
<b>25,487</b>	<b>(17)</b>	<b>EBITDA*</b>		<b>47,905</b>	<b>10,069</b>
(22,986)	(9,640)	Depreciation and impairment	(13)	(33,932)	(18,893)
(9,113)	-	Depreciation of right-of-use leased asset	(14)	(15,407)	-
<b>(6,612)</b>	<b>(9,657)</b>	<b>EBIT*</b>		<b>(1,434)</b>	<b>(8,824)</b>
766	2,200	Net financial income	(9)	578	3,928
(13,896)	(9,095)	Net financial charges	(9)	(25,228)	(15,055)
1,269	(3)	Profit share of equity method investees	(10)	1,251	(1)
(226)	-	Reversal of impairment of loan to an equity accounted investee	(11)	719	-
<b>(18,699)</b>	<b>(16,555)</b>	<b>Loss before tax</b>		<b>(24,114)</b>	<b>(19,952)</b>
(107)	(67)	Income taxes	(12)	(207)	(268)
<b>(18,806)</b>	<b>(16,622)</b>	<b>Net loss</b>		<b>(24,321)</b>	<b>(20,220)</b>
<i>The net result is attributable to the equity holders of the Company</i>					
<b>(0.015)</b>	<b>(0.026)</b>	<b>Loss per share in US\$<sup>(1)</sup></b>		<b>(0.020)</b>	<b>(0.031)</b>

\*see Alternative Performance Measures on page 9

#### CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Q2 2019 UNREVIEWED	Q2 2018 UNREVIEWED	US\$ Thousand	H1 2019	H1 2018
(18,806)	(16,622)	Loss for the period	(24,321)	(20,220)
<i>Items that can subsequently be reclassified into Profit or Loss</i>				
(3,602)	665	Cash flow hedges	(4,917)	3,281
(21)	(93)	Exchange differences in translating foreign operations	(31)	99
<b>(22,429)</b>	<b>(16,050)</b>	<b>Total comprehensive income for the period</b>	<b>(29,269)</b>	<b>(17,038)</b>

*The net result is entirely attributable to the equity holders of the Company.*

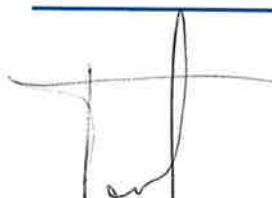
(<sup>1</sup>) Basic earnings per share (e.p.s.) were calculated on an average number of outstanding shares equal to 888,723,323 in the first half of 2019 and equal to 1,134,145,595 in the second quarter of 2019 and to 645,455,291 in the first half and second quarter of 2018. In H1/Q2 2019 and H1/Q2 2018 diluted e.p.s. was equal to basic e.p.s..

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

<i>US\$ Thousand</i>		As at 30 June 2019	As at 31 December 2018
<b>ASSETS</b>			
Property, plant and equipment	(13)	879,473	911,281
Right-of-use of leased assets	(14)	135,701	-
Investments in jointly controlled entities	(15)	4,391	3,228
Other non-current financial assets	(16)	18,870	9,655
<b>Total non-current assets</b>		<b>1,038,435</b>	<b>924,164</b>
Inventories	(18)	11,392	13,492
Receivables and other current assets	(19)	45,915	52,163
Other current financial assets	(16)	16,465	18,205
Cash and cash equivalents	(20)	35,739	31,713
<b>Current Assets</b>		<b>109,511</b>	<b>115,573</b>
Assets held for sale	(17)	17,341	-
<b>Total current assets</b>		<b>126,852</b>	<b>115,573</b>
<b>TOTAL ASSETS</b>		<b>1,165,287</b>	<b>1,039,737</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Share capital	(21)	62,052	65,376
Retained earnings (accumulated losses)	(21)	(56,595)	(30,270)
Share Premium	(21)	368,884	316,697
Other reserves	(21)	(20,015)	(14,460)
<b>Total shareholders' equity</b>		<b>354,326</b>	<b>337,343</b>
Banks and other lenders	(22)	301,425	338,622
Non-current liabilities from financial leases	(23)	332,276	165,298
Shareholders' long-term loan	(24)	-	30,600
Other non-current financial liabilities	(26)	10,668	4,998
<b>Total non-current liabilities</b>		<b>644,369</b>	<b>539,518</b>
Banks and other lenders	(22)	63,857	91,238
Current liabilities from financial leases	(23)	39,567	8,369
Shareholders' short-term financing	(24)	-	1,280
Payables and other current liabilities	(25)	41,293	54,013
Other current financial liabilities	(26)	11,663	7,876
Current tax payable	(27)	91	100
<b>Current liabilities</b>		<b>156,471</b>	<b>162,876</b>
Banks associated with assets held-for-sale	(17)	10,121	-
<b>Total current liabilities</b>		<b>166,592</b>	<b>162,876</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,165,287</b>	<b>1,039,737</b>

12 September 2019

On behalf of the Board



Paolo d'Amico  
Chairman, CEO



Carlos Balestra di Mattola  
Chief Financial Officer

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

Q2 2019 UNREVIEWED	Q2 2018 UNREVIEWED	US\$ Thousand	H1 2019	H1 2018
<b>(18,807)</b>	<b>(16,622)</b>	<b>Profit (loss) for the period</b>	<b>(24,321)</b>	<b>(20,220)</b>
8,645	9,640	Depreciation, amortisation	17,403	18,893
11,321	-	Depreciation of right-of-use leased assets	19,801	-
12,136	-	Impairment	12,136	-
107	40	Current and deferred income tax	207	241
6,408	-	Finance lease cost	10,576	-
7,260	6,789	Other net Financial charges (income)	14,270	11,778
(539)	106	Unrealised foreign exchange result	(196)	(651)
(1,270)	3	Profit share of equity accounted investment	(1,252)	1
(841)	(14)	Profit on disposal of fixed assets	(948)	(251)
226	-	Impairment reversal of a financial asset / v related pty.	(719)	-
(1,008)	-	Reclassification off-hire against depreciation	-	-
(589)	64	Movement in share option reserve	(607)	132
899	-	Movement in deferred result on disposal of S&L assets	1,114	-
<b>23,948</b>	<b>(58)</b>	<b>Cash flow from operating activities before changes in working capital</b>	<b>47,464</b>	<b>9,791</b>
647	(2,168)	Movement in inventories	2,100	(2,470)
1,980	294	Movement in amounts receivable	6,248	(2,278)
(12,541)	9,923	Movement in amounts payable	(15,857)	7,861
(6,408)	-	Payment of interest portion of lease liability	(10,576)	-
(164)	(38)	Taxes (paid) received	(217)	26
(4,248)	(7,541)	Net interest paid	(9,132)	(12,684)
<b>3,214</b>	<b>447</b>	<b>Net cash flow from operating activities</b>	<b>20,030</b>	<b>942</b>
(637)	(10,909)	Acquisition of fixed assets*	(31,157)	(44,032)
-	-	Proceeds from disposal of fixed assets*	-	13,750
-	-	Dividend from equity accounted investee	-	83
6,454	31	Movement in financing to equity accounted investee	6,304	62
<b>5,817</b>	<b>(10,878)</b>	<b>Net cash flow from investing activities</b>	<b>(24,853)</b>	<b>(30,137)</b>
17,907	-	Share capital increase	17,907	-
(694)	(91)	Other changes in shareholder's equity	(955)	(118)
(1,620)	27,000	Shareholders' financing	-	27,000
(950)	2,317	Movement in other financial receivables / related party**	(2,250)	1,167
4,259	(1,065)	Net movement in other financial payable	4,354	375
(38,920)	(23,258)	Bank loan repayments	(56,341)	(55,081)
-	5,833	Bank loan draw-downs	-	30,682
26,305	-	Proceeds from disposal of assets subsequently leased back	63,676	27,353*
(8,803)	(1,079)	Repayments of principal portion of financial lease	(17,770)	(2,132)
<b>(2,516)</b>	<b>9,657</b>	<b>Net cash flow from financing activities</b>	<b>8,621</b>	<b>32,146</b>
<b>6,515</b>	<b>(774)</b>	<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>3,798</b>	<b>2,951</b>
12,403	16,089	Cash and cash equivalents net of bank overdrafts at the beginning of the period **	15,120	12,364
18,918	15,315	Cash and cash equivalents net of bank overdrafts at the end of the period*	18,918	15,315
35,739	32,174	Cash and cash equivalents at the end of the period **	35,739	32,174
<b>(16,821)</b>	<b>(16,859)</b>	<b>Bank overdrafts at the end of the period</b>	<b>(16,821)</b>	<b>(16,859)</b>

\* Refer to note 1 of the current report under *Cash-flow reclassifications and non-cash items - impact* - for a reclassification of amounts relating to tangible assets sold and leased-back in H1 2018;

\*\* Refer to note 1 of the consolidated annual report 2018 concerning a reclassification of 2018 collateral amount from cash and cash equivalents to financial receivables.

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

## INTERIM CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>US\$ Thousand</i>	Share capital	Retained Earnings / (Accumulated losses)	Share premium	Other Reserves		Total
				<i>Other</i>	<i>Cash-Flow hedge</i>	
<b>Balance as at 1 January 2019 as previously reported</b>	<b>65,376</b>	<b>(30,270)</b>	<b>316,697</b>	<b>(14,791)</b>	<b>331</b>	<b>337,343</b>
IFRS 16 Adjustment	-	(2,004)	-	-	-	(2,004)
<b>Balance as at 1 January 2019 adjusted</b>	<b>65,376</b>	<b>(32,274)</b>	<b>316,697</b>	<b>(14,791)</b>	<b>331</b>	<b>335,339</b>
Share option cost	-	-	-	(607)	-	(607)
Shareholders' contribution without issuance of shares	(32,688)	-	32,688	-	-	-
Capital increase	29,364	-	20,423	-	-	49,787
Cost of share issuance	-	-	(924)	-	-	(924)
Total comprehensive income	-	(24,321)	-	(31)	(4,917)	(29,269)
<b>Balance as at 30 June 2019</b>	<b>62,052</b>	<b>(56,595)</b>	<b>368,884</b>	<b>(15,429)</b>	<b>(4,586)</b>	<b>354,326</b>

<i>US\$ Thousand</i>	Share capital	Retained earnings	Share Premium	Other Reserves		Total
				<i>Other</i>	<i>Cash-Flow hedge</i>	
<b>Balance as at 1 January 2018</b>	<b>65,322</b>	<b>26,389</b>	<b>316,594</b>	<b>(14,837)</b>	<b>964</b>	<b>394,432</b>
IFRS15 adjustment	-	(1,559)	-	-	-	(1,559)
<b>Balance as at 1 January 2018 adj. IFRS 15</b>	<b>65,322</b>	<b>24,830</b>	<b>316,594</b>	<b>(14,837)</b>	<b>964</b>	<b>392,873</b>
Share option cost	-	-	-	132	-	132
Cost of issue	-	-	(20)	-	-	(20)
Total comprehensive income	-	(20,220)	-	(99)	3,281	(17,038)
<b>Balance as at 30 June 2018*</b>	<b>65,322</b>	<b>4,610</b>	<b>316,574</b>	<b>(14,804)</b>	<b>4,245</b>	<b>375,947</b>

\*The H1 2018 Statement of changes in equity has been restated to include IFRS 15 adjustment – please refer to note 1 of the 2018 YE financial statements.

The following notes form an integral part of the interim consolidated financial report.

## NOTES

d'Amico International Shipping S.A. (the "Company", DIS) a Société 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 Società 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 liabilities, 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, which is the functional currency of the Company and its principal subsidiaries.

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### 1. ACCOUNTING POLICIES

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

#### Basis of Preparation

The financial statements present the consolidated results of the parent company, d'Amico International Shipping S.A., and its subsidiaries for the period ended June 30, 2019 and are prepared in line with IAS 34.

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2018.

#### 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's 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 and are reviewed on an ongoing basis.

#### Segment Information

d'Amico International Shipping transports refined petroleum products and vegetable oils and operates 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 Company monitors, evaluates and allocates the Group's resources to one geographical and business unit, operations are run in one single currency – the US\$ – and DIS regards, therefore, the product tankers business as a single segment.

#### Accounting principles

The accounting policies adopted are consistent with those of the previous financial year, except for those described in the following paragraphs, which have a significant impact on the Group.



## **Accounting principles adopted from 1 January 2019**

*IFRS 16 – Leases*, is effective for annual periods beginning on or after 1 January 2019 and has been adopted by the Group.

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 results in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, provides greater transparency of a lessee's financial leverage and capital employed.

IFRS 16 substantially changes the Group's Consolidated Financial Statements, significantly affecting the treatment by lessees of contracts which in previous periods were treated as operating leases. With some exceptions, liability for payments in contracts previously classified as operating leases are now discounted at the inherent rate in the lease unless this is not readily determinable, in which case at the group's incremental borrowing rate at the date of initial application or commencement of the lease, leading to the recognition of a lease liability and a corresponding right of use asset (RoUA).

Within the Income Statement, Charter hire costs are replaced with other direct operating costs, interest and depreciation, so key metrics like TCE, EBITDA, EBIT and Net result are changing (please refer to alternative performance measures on page 10). The interest portion of the financial leases is deducted from the Operating cash-flow, which however is higher than before, since the remaining cash payments for the lease liability are classified within financing activities.

The Group has adopted the modified retrospective approach for transition into IFRS 16, applying the standard from the beginning of 2019, not restating prior year financial information, but recognising an adjustment in equity at the beginning of the current period. Since the impact of IFRS16 on comparability of financial information is high, additional disclosures were made in the notes, to explain the difference in opening balances and results of operating leases, previously accounted for as per IAS 17 and now accounted for as per IFRS 16.

The Group decided to grandfather the definition of a lease on transition: as practical expedient are considered leases those contracts that were previously identified as leases in accordance with IAS 17, and applying the IFRS 16 to all contracts, those entered into before and after the date of initial application of the new standard, to establish if such contracts are leases.

Therefore, for most contracts previously classified as operating leases under IAS 17, from January 1, 2019, a Right of Use (RoU) asset and a lease liability are recognised, where the right-of-use assets are estimated at the present value of minimum lease payments, plus any initial direct costs, dismantling or removal costs, less any incentive or pre-payment received, while the lease liabilities are measured as the sum of fixed payments, any residual value guarantee, the value of a purchase option, less any receivable incentive. The discount rate is DIS' (the lessee's) incremental borrowing rate at date of initial application for each of the leasing arrangements, and for DIS' current contracts this discount rates varies between 5.3% and 9.8%, equivalent to a weighted average of 5.9%. When contracts include optional periods for the charterer, DIS has estimated the remaining term, assuming such options will be exercised, only if at the date of initial application, it is reasonably certain to exercise the renewal option and including a termination penalty in the lease liability only if at date of initial application, it assumes to exercise the termination option. Right-of-Use assets for which a purchase obligation or a bargain purchase option exist, substantially equate to owned vessels, and are included under the heading Plant, Property and Equipment. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the vessel, whichever is shorter.

The Group has also elected to use the following practical expedients:

- not to recognise as leases the contracts shorter than 12 months (short-term leases) and those with a value lower than US\$ 5,000 (low-value items). For these contracts, the lease cost is recorded an expense, with no adjustment due to the transition.
- To exclude initial direct costs in the measurement of the right-of-use asset as at the date of initial application.

A non-lease component (service element) is excluded from initial calculation of the leased vessels, with reference to the Time-charter rate; its amount is estimated at US\$ 6,926/day flat, for all leased ships, in line with budgeted amounts of operating costs, for all owned vessels of the Fleet.



The net impact on Retained earnings at the beginning of the application period (January 1, 2019) was a decrease of US\$ 2.0 million.

DIS, as a lessee, applies IAS 36 *Impairment of Assets* to determine whether the leased asset is impaired and to account for any impairment loss identified.

The previously detailed transitional provisions are not going to have an impact on future periods.

When applying IFRS 16, the Group made the following changes in presentation:

- In the Consolidated Income Statement, one additional line related to the depreciation of the right-of-use of leased assets;
- In the Consolidated Statement of Financial Position, an additional line item reflects the right-of-use;
- In the consolidated Statement of Cash-flows, additional line items related to the depreciation of right-of-use assets, the lease interest cost, the repayment of lease liabilities and lease interest paid. The part of the lease payments for the principal portion of the lease liability is presented as a cash-flow from financing activities and the part of the lease payments for the interest portion of the lease liability is presented as a cash-flow from operating activities as per the group's accounting policy regarding the presentation of interest payment.

As of 1 January 2019, the Group recognized US\$ 326.6 million lease liabilities, determined as follows:

	<i>US\$ million</i>
Operating leases commitments disclosed as at 31 December 2018	339.7
Lump-sum opex deduction on lease liability calculation	(143.8)
Discounted using the lessee incremental borrowing rate at the date of initial application	(24.0)
Less: short-term leases recognised on a straight-line basis as expense	(19.0)
Additional lease liability from application of IFRS 16	<u>152.9</u>
Adding lease liability ex IAS 17	<u>173.7</u>
= Lease liabilities as at 1 January 2019	<u>326.6</u>

The Group's income statement in the first six months of 2019 was impacted by a shift of US\$ 32.2 million from charter hire costs to US\$ 15.0 million in other direct operating costs, US\$ 15.4 million in depreciation of right-of-use leased assets and US\$ 3.8 million in interest expense. As a result of such changes EBITDA and EBIT in the first-half of 2019 were respectively US\$ 17.6 million and US\$ 5.1 million higher than they would have been, and the Profit/loss before tax and Net Result were both US\$ 1.6 million lower than they would have been. Overall, IFRS 16 was cash-flow neutral for the Group.

We present below the main Profit or Loss line items for the first-half of 2019, compared with pro-forma figures for the same items and for the same period, had IFRS 16 not been applied from 1 January 2019:

**Items of Consolidated of Profit or Loss:**

<i>US\$ Thousand</i>	H1 2019	H1 2019 without IFRS16 application	H1 2018
Time charter hire costs	(17,450)	(49,602)	(65,665)
Other direct operating costs	(54,124)	(39,164)	(42,067)
General and administrative costs	(5,880)	(6,275)	(8,100)
Result on disposal of vessels	(948)	(948)	252
<b>EBITDA*</b>	<b>47,905</b>	<b>30,318</b>	<b>10,069</b>
Depreciation and impairment	(33,932)	(33,932)	(18,893)
Depreciation of right-of-use leased asset	(15,407)	-	-
<b>EBIT</b>	<b>(1,434)</b>	<b>3,614</b>	<b>(8,824)</b>
....	....	....	....
<b>Profit / (loss) before tax</b>	<b>(24,114)</b>	<b>(22,528)</b>	<b>(19,952)</b>
....	....	....	....
<b>Net profit / (loss)</b>	<b>(24,321)</b>	<b>(22,735)</b>	<b>(20,220)</b>

\* Please refer to Alternative Performance Measures on page 9

We present below the main Statement of Financial Position line items as at 30 June 2019, compared with pro-forma figures for the same items as the same date, had IFRS 16 not been applied from the 1 January 2019.

### **Consolidated Statement of Financial Position**

	As at 30 June 2019	As at June 2019 without IFRS16 application	As at 31 December 2018
<i>(US\$ Thousand)</i>			
Right-of-use leased assets, including those reclassified as owned	369,742	233,953	-
.....	.....	.....	.....
Total non-current assets	1,038,435	902,647	924,164
.....	.....	.....	.....
<b>Total assets</b>	<b>1,165,287</b>	<b>1,029,499</b>	<b>1,039,737</b>
Retained earnings	(57,143)	(53,554)	(30,270)
.....	.....	.....	.....
<b>Shareholders' equity</b>	<b>354,326</b>	<b>357,915</b>	<b>337,343</b>
Non-current liabilities from financial leases	332,276	221,331	165,298
.....	.....	.....	.....
Non-current liabilities	<b>644,369</b>	533,424	539,518
Current liabilities from financial leases	39,567	11,136	8,369
.....	.....	.....	.....
Current liabilities	<b>166,592</b>	138,160	162,876
<b>Total liabilities and shareholders' equity</b>	<b>1,165,287</b>	<b>1,029,499</b>	<b>1,039,737</b>

### **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 involve the use of cash and cash equivalent be excluded from the statement of cash-flows, the non-cash amount relating to the inception of financial leases and investment in a leased asset, have been excluded from the financing and investing cash-flow, respectively. 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 comparative 2018 financial data, as follows:

<i>US\$ thousand</i>	H1 2018 as reported	Reclassification	Elimination of non-cash items	H1 2018 adjusted
Acquisition of fixed assets - investing	(72,032)	28,000	-	(44,032)
Inception of financial lease - financing	28,000	(28,000)	-	-
Proceeds from disposal of assets - investing	41,103	(27,353)	-	13,750
Proceeds from disposal of assets subsequently leased back	-	27,353	-	27,353

### **Accounting principles, amendments and interpretations not yet effective**

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. REVENUE

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Revenues from voyage-charter (spot) – freight and demurrage	36,619	71,113	86,622	149,572
Revenue from operating leases (time-charter)	9,851	-	21,481	-
Revenue from subleasing RoUA (time-charter)	37,331	-	66,651	-
Other revenues	3,586	27,740	3,664	52,790
<b>Total revenue</b>	<b>87,387</b>	<b>98,853</b>	<b>178,418</b>	<b>202,362</b>

Revenue represents vessel income comprising time charter hire, freight and demurrage and is recognised over the time.

There is only one revenue stream and it is derived from the employment of the vessels for the transportation of refined products. Contractual revenues, as defined by IFRS15, derive from freight (contracts for which payment is received at voyage completion) and demurrage; since 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\$ 0.5 million in the first semester 2019 and will be amortised throughout the term of the relevant contracts.

Income from subleasing represents revenue on vessels controlled through time-charter-in contracts that are time-chartered-out. Income from operating leases represent income from owned vessels that are time-chartered-out.

Other revenues comprise income from deviations, including bunker cost at port.

## 3. VOYAGE COSTS

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Bunkers (fuel)	(15,225)	(22,532)	(30,647)	(43,177)
Commissions	(2,144)	(2,463)	(4,265)	(5,027)
Port charges	(7,162)	(14,514)	(16,639)	(28,732)
Other	(407)	(15)	(560)	223
<b>Total</b>	<b>(24,938)</b>	<b>(39,524)</b>	<b>(52,111)</b>	<b>(76,713)</b>

Voyage costs arise from the employment, directly 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.

## 4. TIME CHARTER EQUIVALENT EARNINGS

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Time charter equivalent earnings	62,449	59,329	126,307	125,649

Time charter equivalent earnings represent revenue less voyage costs. In the first half of 2019 vessel days on fixed rate contracts represented about 47.3% of total available vessel days (HY1 2018: 32.3%).

## 5. TIME CHARTER HIRE COSTS

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Time charter hire costs	(7,230)	(33,702)	(17,450)	(65,665)

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

From 1 January 2019, following the application of the new IFRS 16 standard, the amount relates essentially to the cost of chartering-in vessels for a period of time shorter than one year (short-term leases). Period costs are not comparable with previous year amounts, when also long charter-in costs (contracts with duration exceeding one year) were included; now these costs are replaced by other direct operating costs, interest and depreciation (please also refer to note 1).

## 6. OTHER DIRECT OPERATING COSTS

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Crew costs	(11,030)	(10,947)	(21,810)	(21,506)
Technical expenses	(2,551)	(3,270)	(6,216)	(7,586)
Luboil	(693)	(668)	(1,413)	(1,408)
Technical and quality management	(2,742)	(2,017)	(5,966)	(4,187)
Insurance	(1,182)	(1,560)	(2,343)	(2,773)
Operating costs related to leased vessels	(7,480)	-	(14,960)	-
Other costs	(755)	(3,056)	(1,416)	(4,607)
Total	(26,433)	(21,518)	(54,124)	(42,067)

Other direct operating costs include crew costs, technical expenses, lubricating oils, technical and quality management fees and sundry expenses originating from the operation of the vessel, including insurance costs. Operating costs related to leased vessels represent one of the non-lease components of a TC contract, which is expensed in the income statement.

### Personnel

As at 30 June 2019, d'Amico International Shipping S.A. and its subsidiaries had 748 employees, of which 716 seagoing personnel and 32 on-shore. Onshore personnel costs are included under general and administrative costs. The Group has no liabilities with regards to pensions and other post-retirement benefits.

## 7. GENERAL AND ADMINISTRATIVE COSTS

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Personnel	(693)	(1 694)	(2,085)	(3 517)
Other general and administrative costs	(1,765)	(2 446)	(3,795)	(4 583)
Total	(2,458)	(4 140)	(5,880)	(8 100)

Personnel costs relate to on-shore personnel salaries, including the amount allocated to the cost for the share-based option plan granted to senior management, adopted in 2016. The fair value was charged to the income statement on a straight-line basis over the period from the grant date to the vesting date on 31 May 2019. The vesting conditions were not satisfied and therefore the previous reserves accrued for the plan were released, resulting in an income in the first half of 2019 of US\$ 0.6 million. As described in the Management report, within the Events of the period, a new long-term incentive plan for the key managers and executive directors of DIS was approved in May 2019; no charge has been recorded so far for payments under such plan.

The other general and administrative costs comprise consultancy, office rental fees, and other sundry expenses originating from the operation of d'Amico International Shipping Group companies. They include intra-group management fees on brand and trademark, IT, Legal and Internal Audit services for US\$ 1.8 million in H1 2019 and US\$ 0.8 million in Q2 2019. They also include negligible expenses relating to short-term leases, relating mainly to office equipment.

## 8. RESULT FROM DISPOSAL OF FIXED ASSETS

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Result from disposal of vessels	(841)	14	(948)	252

The amounts in 2019 refer to the deferral of the result on disposal of all vessels sold and leased-back, two of which - M/T Cielo di Houston and M/T High Voyager - in the months of January and of April 2019, respectively.

Amounts in the first half of 2018 refer to the sale in Q1 2018 of M/T High Presence and the deferral of the result on disposal of M/T High Freedom, which was sold and leased back in Q1 2018, as well as deferral of results on disposal of M/T High Fidelity, M/T High Priority and M/T High Discovery, sold and leased back during Q2 2018.

Second quarter amounts in 2019 and 2018 refer to deferred results on vessel disposals.

## 9. NET FINANCIAL INCOME (CHARGES)

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
<b>Financial Income</b>				
<i>Loans and receivables at amortised cost:</i>				
Interest Income	111	84	265	179
Realised on derivative instruments	118	679	118	679
Realised exchange differences	-	565	-	73
<i>At fair value through income statement:</i>				
Unrealised gains on derivative instruments	-	872	-	2,627
Unrealised exchange differences	537	-	195	370
Total financial income	766	2,200	578	3,928
<b>Financial Charges</b>				
<i>Financial liabilities measured at amortised cost:</i>				
Interest expense and financial fees	(6,449)	(7,841)	(12,422)	(14,680)
Financial lease cost	(6,407)	-	(10,576)	-
Realised on derivative instruments	-	-	-	-
Exchange differences	(332)	-	(26)	-
<i>At fair value through income statement:</i>				
Unrealised losses on derivative instruments	(708)	(375)	(2,204)	(375)
Unrealised exchange differences	-	(879)	-	-
Total financial charges	(13,896)	(9,095)	(25,228)	(15,055)
Net financial charges	(13,129)	(6,895)	(24,650)	(11,127)

In H1 2019, financial income includes realised 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 for H1 2019 includes also the realised income on interest rate swaps closed amounting to US\$0.1 million; unrealised amounts in the same period relate to changes in the valuation of the DM Shipping financing of US\$ 0.2 million, attributable to foreign exchange movements.

Financial charges in the first half of 2019 include realised expenses amounting to US\$ 12.4 million, comprising US\$ 10.2 million interest on bank loans relating to DIS' owned vessels, overdraft facilities and the realised result on open interest rate swaps, as well as US\$ 2.2 million in financial fees. Financial charges in the first half of 2019 include also US\$10.6 million interest implicit in leases (in 2018 the interest expense implicit in the financial leases was included within interest expenses). Unrealised losses on derivative instruments in the same period amount to US\$ 2.2 million, representing changes in the fair value of the ineffective portion of hedging interest-rate swaps amounting to US\$ 1.0 million and changes in the fair-value of non-hedging interest rate swaps amounting to US\$ 1.2 million.

## 10. PROFIT SHARE OF EQUITY-ACCOUNTED INVESTEEES

The result from investment consists of DIS' share of the profit and loss of the investee accounted for with the equity method, amounting to a profit of US\$ 1.3 million in the first-half of 2019.

## 11. REVERSAL OF IMPAIRMENT OF EQUITY ACCOUNTED ASSET

The amount of US\$ 0.7 million in H1 2019 refers to the partial reversal of 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).

## 12. TAX

<i>US\$ thousand</i>	Q2 2019	Q2 2018	H1 2019	H1 2018
Current income taxes	(107)	(67)	(207)	(268)

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. (consolidated with the equity method) obtained the ruling from 1 January 2009 and Glenda International Shipping from 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 first-half 2019 total tonnage tax provision for d'Amico Tankers d.a.c.. and Glenda International Shipping d.a.c. amounts to US\$ 207 thousand (US\$ 100 thousand in Q2 2019). Current income tax includes also charges relating to activities that are not eligible for tonnage tax and are taxed at either 12.5% or 25%. Accrued Net Wealth Tax for the holding company amounts to US\$ 3.0 thousand in H1 2019.

## 13. PROPERTY, PLANT AND EQUIPMENT

<i>US\$ thousand</i>	Vessels owned	Vessels under construction	Financial Lease	Dry-dock	Other assets	Total
<b>At 1 January 2019</b>						
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)
<b>Net book amount</b>	<b>634 930</b>	<b>94 481</b>	<b>175 372</b>	<b>5 403</b>	<b>1 095</b>	<b>911 281</b>
<b>Period ended 30 June 2019</b>						
Opening net book amount	634 930	94 481	175 372	5 403	1 095	911 281
Reclassifications	231,940	(56,568)	(175,372)	-	-	-
<b>Restated opening net book amount</b>	<b>866,870</b>	<b>37,913</b>	<b>-</b>	<b>5,403</b>	<b>1,095</b>	<b>911,281</b>
Additions	63,073	28,016	-	2,909	-	93,997
Vessel delivered	46,884	(46,884)	-	-	-	-
Disposals at cost – vessel	(80,560)	-	-	-	-	(80,560)
Disposal at cost – depreciation fund	6,035	-	-	-	-	6,035
Depreciation charge	(20,122)	-	-	(1,429)	(245)	(21,796)
Impairment	(12,136)	-	-	-	-	(12,136)
Transfer to Held-for-sale	(17,229)	-	-	(112)	-	(17,341)
Exchange differences	-	-	-	-	(7)	(7)
<b>Closing net book amount</b>	<b>852,814</b>	<b>19,045</b>	<b>-</b>	<b>6,771</b>	<b>843</b>	<b>879,473</b>
<b>At 30 June 2019</b>						
Cost or valuation	1,089,297	19,405	-	17,598	3,454	1,129,394
Accumulated depreciation	(236,483)	-	-	(10,827)	(2,611)	(249,921)

## FLEET

The net book value of DIS' fleet as at 30 June 2019 amounts to US\$ 1,011 million and comprises the net book value of the Fleet on the water, the book value of the vessels under construction and the net book value of dry-docks, as well as the capitalised and depreciated value of DIS leases obligations (Rights of Use); please refer to note 1, Accounting principles adopted from 1 January 2019 for a detailed disclosure on leases.

Additions for vessels under construction in the period ended 30 June 2019, include instalments paid to the yard, capitalised interest on pre-delivery bank loans, as well as newbuilding supervision costs and cost of first supply and additional equipment bought for the vessels: on M/T Cielo di Houston that was delivered and subsequently leased back in the month of January and the M/T Cielo di Londra planned to be delivered in September 2019. In the month of April M/T High Voyager was sold and leased-back. Capitalized interest on pre-delivery bank loans in the first half of 2019 amounts to US\$ 0.1 million. All financings on the vessels owned by the Group are secured through mortgages.

As mentioned in note 1, leased vessels (Right of Use assets) for which a purchase obligation or a bargain purchase option exists, are substantially equivalent to owned vessels and they are reported under that category; their amount is US\$ 233.5 million as at 30 June 2019.

The following table indicates purchase obligations and option of all those vessels sold and leased-back through bareboat contracts:

Vessels name, M/T	Year the lease begins	Purchase obligation	Option to repurchase the vessel
High Voyager	2019	10 <sup>th</sup> year from sale	from 3 <sup>rd</sup> year
Cielo di Houston	2019	n.a.	from 5 <sup>th</sup> year
High Freedom, High Trust, High Loyalty, High Trader	2018	10 <sup>th</sup> year from sale	from 2 <sup>nd</sup> year
High Fidelity, High Discovery	2017	10 <sup>th</sup> year from sale	from 3 <sup>rd</sup> year
High Priority	2017	5 <sup>th</sup> year from sale	from 2 <sup>nd</sup> year

The total fair value of the Group's fleet as 30 June 2019, based on charter-free broker valuations received for the vessels, amounts to US\$ 845.4 million and includes DTL's owned vessels, DTL's leased assets, DTL's newbuilding contracts and DIS' share of the fleet value of Glenda International Shipping Ltd (a joint-operation, consolidated with the proportional method).

### Fleet's Recoverable Amount (Value in Use, Fair Value and 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. The fleet consists of both the Group's owned and leased vessels, including the vessels on time-charter-in.

For impairment test purposes, management estimates take into consideration the market information available, including reported sales of similar vessels, as well as past experience and future expectations and value-in-use calculations 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 DIS current corporate structure; (v) The figures have been discounted at a nominal rate of 7.16% for owned and leased vessels, 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. Management notes that the calculations are particularly sensitive to changes in the key assumptions of future charter rates and discount rates. The headroom of the Fleet's Cash Generating Unit (CGU) against its net book value as at 30 June 2019 was estimated to amount to US\$ 111.2 million, of which US\$ 90.7 million relating to Plant, Property and Equipment and US\$ 20.5 million relating to right-of-use assets following the application of IFRS 16 (please refer also to note 14).

At the reporting date the value-in-use calculation is higher than the net book value of the vessels. Management of the Group therefore does not consider necessary to recognise an impairment of the Fleet's value; they confirm closely monitoring DIS' vessels market values and value-in-use calculations.

### Impairment charge and assets held for sale reclassification

Continuing the fleet renewal policy, management have commenced marketing certain vessels and accordingly two vessels have been transferred to the 'Assets Held for Sale' in accordance with IFRS 5. Prior to reclassification, management performed a review whereby the carrying value of the vessels was compared to their fair value less costs to sell. As a result of the review, a total consolidated impairment charge of US\$ 12.1 million was recognised on the two vessels - the M/T Glenda Megan and M/T Glenda Meredith. Following the impairment allocation, the net carrying value (US\$ 17.3 million, equal to the 50% ownership) was transferred to 'Assets Held for Sale' at period end.

### DRY-DOCK

Dry-dock includes expenditure for the fleet's dry-docking programme and resulting amortization; two vessels dry-docked in the first semester of 2019.

### OTHER ASSETS

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

## 14. RIGHT OF USE ASSETS

The following table shows the breakdown of the right-of-use assets into vessels on the water and other assets, such as office space. Those leased vessels for which a purchase obligation or a bargain purchase option exists, substantially equate to owned vessels and are not included in this table (see preceding note 13).

<i>US\$ thousand</i>	RoU Vessels	RoU Other	Total
<b>As at 1 January 2019</b>	<b>147,340</b>	<b>3,767</b>	<b>151,108</b>
Additions	-	-	-
Depreciation charge	(15,057)	(350)	(15,407)
<b>As at 30 June 2019</b>	<b>132,283</b>	<b>3,417</b>	<b>135,701</b>

## 15. INVESTMENT IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

<i>US\$ thousand</i>	As at 30 June 2019	As at 31 December 2018
Eco Tankers Limited	4,391	3,228
DM Shipping d.a.c	-	-
Equity accounted investments	4,391	3,228

As at 30 June 2019 investments accounted for using the equity method amounted to US\$ 4.4 million (31 December 2018: US\$ 3.2 million). The movement during the semester reflects DIS' share of the movement of Eco Tankers Limited's shareholder's equity.



## 16. OTHER FINANCIAL ASSETS

<i>US\$ thousand</i>	As at 30 June 2019			As at 31 December 2018		
	Non-current	Current	Total	Non-current	Current	Total
Long-term financing DM Shipping	-	9,357	9,357	-	14,684	14,684
Financial receivable	3,200	4,656	7,856	3,200	2,405	5,605
Fair value of derivative instruments	426	35	461	264	456	720
Deferred loss	15,244	2,417	17,661	6,191	660	6,851
<b>Total</b>	<b>18,870</b>	<b>16,465</b>	<b>35,335</b>	<b>9,655</b>	<b>18,205</b>	<b>27,860</b>

As at 30 June 2019, the non-current amount of US\$ 18.9 million includes US\$ 3.2 million financial receivable from the sale of the vessels M/T High Endurance and M/T High Endeavour in 2017, US\$ 0.4 million representing the non-current part of the valuation of the Interest Rate Swaps hedging instruments and the cumulated deferred losses on the sale and leasebacks of vessels, which will be amortised over the long-term, amounting to US\$ 15.2 million.

As at 30 June 2019, the current portion includes US\$ 9.4 million corresponding to the US Dollar equivalent of the d'Amico Tankers d.a.c.'s due and payable financing to the jointly controlled entity DMS (initially a JP¥ 2.4 billion facility), provided as own capital to finance the acquisition of DMS' vessels; it includes also US\$ 4.7 million funds deposited with the related party d'Amico Finance d.a.c. as a collateral for financial trades performed on behalf of d'Amico Tankers d.a.c. , US\$ 35 thousand representing the current portion of the valuation of interest-rate-swap hedging instruments and US\$ 2.4 million deferred losses on the sale and leaseback of vessels.

## 17. ASSETS HELD FOR SALE - LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

<i>US\$ Thousand</i>	As at 30 June 2019	As at 31 December 2018
Assets held-for-sale	17,341	-
Liabilities related to assets held-for-sale	10,121	-

Continuing DIS' fleet renewal policy, management recently commenced marketing certain of its older vessels which have therefore been transferred to the 'Assets Held for Sale' account in accordance with IFRS 5. Prior to reclassification, management performed a review whereby the carrying value of these vessels was compared to their fair value less costs to sell. As a result of the review, a total consolidated impairment charge of US\$ 12.1 million was recognised on the two vessels – the M/T Glenda Megan and M/T Glenda Meredith. Following the impairment allocation, the net carrying value (US\$ 17.3 million, representing our 50% ownership s) was transferred to 'Assets Held for Sale' at period end. There were no assets held for sale as at 31 December 2018.

The bank loan financing the two vessels held-for-sale, in the consolidated amount of US\$ 10.1 million, was reclassified from current liabilities - Bank and other lenders to current liabilities - related to assets held-for-sale, as required by the IFRS standard (see also note 22).

## 18. INVENTORIES

<i>US\$ thousand</i>	As at 30 June 2019	As at 31 December 2018
Inventories	11,392	13,492

Inventories represent stocks of Intermediate Fuel Oil (IFO), Marine Diesel Oil (MDO) – collectively bunker fuels – and lube-oils on board vessels. The amounts expensed during the period are detailed in notes 3 and 6.

## 19. RECEIVABLES AND OTHER CURRENT ASSETS

<i>US\$ thousand</i>	As at 30 June 2019	As at 31 December 2018
Contractual receivables IFRS15	13,343	21,956
Contract assets	8,815	13,035
Other contractual receivables / time charters	7,848	3,060
Other debtors	13,138	13,110
Prepayments and accrued income	2,771	1,002
Total	45,915	52,163

As at 30 June 2019, receivables and other current assets include IFRS 15 contractual receivables amounting to US\$ 13.3 million, net of allowance for credit losses of US\$ 0.1 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.

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\$ 8.8 million as at 30 June 2019.

Other contractual receivables represent amounts receivable from time-charter contracts, amounting to US\$ 7.8 million as at 30 June 2019.

Other debtors as at 30 June 2019 principally consist of remaining debtors for non-trade receivables and advances, amounting to US\$ 13.1 million, including a US\$ 0.2 million tax receivable.

## 20. CASH AND CASH EQUIVALENTS

<i>US\$ thousand</i>	As at 30 June 2019	As at 31 December 2018
Cash and cash equivalents	35,739	31,713

Cash and cash equivalent represent cash-on-board, cash at bank and short-term deposits.

## 21. SHAREHOLDERS' EQUITY

Changes Shareholders' equity during the first six months of 2019 are detailed in the relevant statement.

### Share capital

On March 11, 2019, the Extraordinary General Meeting of DIS' shareholders – on the basis of a special report by the Board of Directors – resolved 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 US\$ 0.10 per share to US\$ 0.05 per share without cancellation of any shares in issue nor repayment on any share nor off-setting of any losses and consequently reducing the amount of the issued share capital from its former amount of US\$ 65,375,802.50 to US\$ 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; decision was taken to set the authorised corporate capital, including the issued share capital, at a total amount of US\$ 87,500,000 divided into 1,750,000,000 shares with no nominal value, authorising the Board of Directors to increase the Company's capital in one or several tranches.

On March 22, 2019, The Board of Directors of the Company further resolved to prepare the launch of a preferential subscription rights ("PSR") offering addressed to its shareholders, regulated as per information included in the

Prospectus; all PSRs were exercised, resulting in an increase in the share capital amounting to US\$ 29,363,545, through the issuance of 587,270,900 new ordinary shares.

As at 30 June 2019, the share capital of d'Amico International Shipping amounts to US\$ 62,051,446.25, corresponding to 1,241,028,925 ordinary shares with no nominal value.

### Retained earnings

As at 30 June 2019, the item includes previous years' and current year's net results after deductions for dividends distributed.

### Other reserves

The other reserves include the following items:

<i>US\$ thousand</i>	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>
Share premium reserve	368,884	316,697
Treasury shares	(18,122)	(18,122)
Share option reserve	-	606
Hedging reserve / through OCI	(4,586)	331
Retranslation reserve / through OCI	(415)	(383)
Legal reserve	3,108	3,108
Total	<u>348,869</u>	<u>302,237</u>

#### **Share premium reserve**

The share premium reserve arose in first instance 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, of which the latest one occurred in April 2019. By statutory provision, it is available for distribution. Certain costs and charges connected with the listing processes and further capital raising (mainly bank commissions and related advisory fees and charges) have been deducted from the share premium reserve.

The share premium reserve includes also US\$ 32,687,901.25 resulting from the reduction of the accounting value of each share of the issued share capital of the Company from its former amount of US\$ 0.10 per share to US\$ 0.05 per share on March 11, 2019.

#### **Treasury shares**

Treasury shares as at 30 June 2019 consist of 7,760,027 ordinary shares (YE 2018: 7,760,027) amounting to US\$ 18.1 million (YE 2018: US\$ 18.1 million), corresponding to 0.6% of the outstanding shares at the financial position date (YE 2018: 1.2%). These shares were acquired, as part of DIS' authorised buyback programme.

#### **Share option reserve**

The reserve was created in connection with the Share Option Plan; reference is made to note 7.

#### **Hedging reserve**

The reserve arose as a result of the valuation of interest rate swap agreements connected to some of DIS' bank facilities. Details of the fair value of the derivative financial instruments are set out in note 29.

#### **Retranslation reserve**

The reserve is the result of the conversion into US\$ of the shareholders' equity of the Group companies having functional currency denominated in currencies different from the US\$.

#### **Legal Reserve**

This reserve is legally required in Luxembourg and is not distributable.

## 22. BANKS AND OTHER LENDERS

US\$ thousand

	As at 30 June 2019	As at 31 December 2018
Banks and other lenders – <i>Non-current liabilities</i>	301,425	338 622
Banks and other lenders – <i>Current liabilities</i>	63,857	91,238
<b>Total</b>	<b>365,282</b>	<b>429,860</b>

The following tables show the carrying amounts for each facility as at the balance sheet closing dates of 30 June 2019 and 31 December 2018, expressed in US\$ thousand.

Lender / Details	Asset	Repayment terms	interest%	Loan-to-value covenant	Financial covenants	Short-term	Long-term	Total 30 June 2019
<b>DTL</b>								
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 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 > 25%	15,926	135,036	150,962
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 > 25%	1,476	14,036	15,512
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	13,473	14,891
MPS Capital Services SpA/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 > 25%	1,764	21,438	23,202
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 > 25%	6,250	-	6,250
Banca IMI SpA / 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 > 25%	3,011	32,282	35,293
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 > 25%	1,279	12,865	14,144
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 > 25%	2,776	31,537	34,313
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 > 25%	1,452	17,061	18,513
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 > 25%	1,904	3,822	5,726
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 > 25% Liquid assets > US\$ 25m Net worth > US\$ 100 m	7,500	-	7,500

Intesa Sanpaolo SpA/ Overdraft	n.a.	within 12 months	n.a.	n.a.	n.a.	5,050	-	5,050
Bank of Ireland/Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	5,713	-	5,713
<b>GIS</b>								
Crédit Suisse AG (originally with Commerzbank 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.	3,759	23,504	27,263
<b>DIS</b>								
Cassa Lombarda SpA/Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	1,087	-	1,087
UniCredit SpA/ Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	4,970	-	4,970
<i>Financial fees</i>						(1,478)	(3,629)	(5,107)
<b>Total as at 30 June 2019</b>						<b>63,857</b>	<b>301,425</b>	<b>365,282</b>

Lender / Details	Asset	Repayment terms	interest%	Loan-to-value covenant	Financial covenants	Short-term	Long-term	Total 31 Dec. 2018
<b>DTL</b>								
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 SpA/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 SpA/ 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
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 SpA/ Hot money	n.a.	within 12 months	n.a.	n.a.	n.a.	4 991	-	4 991
Intesa Sanpaolo SpA/ 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
<b>GIS</b>								
Crédit Suisse AG (originally with Commerzbank 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
<b>DIS</b>								
Cassa Lombarda SpA/Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	1 076	-	1 076
UniCredit SpA/ Overdraft for working capital	n.a.	n.a.	n.a.	n.a.	n.a.	4 805	-	4 805
<i>Financial fees</i>						(2 378)	(4 257)	(6 635)
<b>Total as at 31 December 2018</b>						<b>91 238</b>	<b>338 622</b>	<b>429 860</b>

\* transferred to assets held-for-sale in Q2 2019 – the financing relating to those assets is shown separately, within note 17.

\*\* sold and leased-back in Q1 2019

All bank loans are guaranteed and comply with their respective covenants.

## 23. LIABILITIES FROM LEASES

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

<i>US\$ thousand</i>	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>
Total future minimum lease payments (gross investment)	486,048	249,386
due within one year	60,540	19,386
due in one to five years	208,038	82,310
due over five years	217,470	147,690
Present value of minimum lease payments	371,843	173,667
Principal due within one year	39,567	8,369
Principal due in one to five years	145,707	44,732
Principal due over five years	186,569	120,566
Finance charge included in the minimum lease payments	114,205	75,719
of which pertaining to the period	10,576	7,227

The carrying amount of the assets held as Right-of-Use, as well as the main lease terms, are disclosed in notes 13 and 14; the average annual rate of return on these leases reflect current market rates.

## 24. SHAREHOLDERS' FINANCING

<i>US\$ thousand</i>	As at 30 June 2019			As at 31 December 2018		
	Non-current	Current	Total	Non-current	Current	Total
Total	-	-	-	30,600	1,280	31,280

In the month of April, DIS' controlling shareholder, d'Amico International S.A., exchanged the loan granted to DIS, amounting to US\$31.3 million as at 31 December 2018, for new shares issued through the Company's preferential subscription rights offering. No shareholders' financing remains outstanding as at 30 June 2019.

## 25. PAYABLES AND OTHER CURRENT LIABILITIES

<i>US\$ thousand</i>	As at 30 June 2019	As at 31 December 2018
Trade payables	31,149	43,460
Other creditors	3,453	3,476
Accruals & deferred income	6,691	7,077
Total	41,293	54,013

Payables and other current liabilities as at 30 June 2019, mainly include trade payables.

The Group has financial risk management policies in place to ensure all payables are settled within agreed terms (refer to note 29).

## 26. OTHER FINANCIAL LIABILITIES

<i>US\$ thousand</i>	As at 30 June 2019			As at 31 December 2018		
	Non-current	Current	Total	Non-current	Current	Total
Fair value of derivative instruments	9,496	2,159	11,655	3,772	1,097	4,868
Deferred profit on disposal	1,110	323	1,433	45	142	187
Financial payable	-	6,454	6,454	-	2,101	2,101
Other financial liabilities	62	2,727	2,789	1,181	4,536	5,717
Total Other financial liabilities	10,668	11,663	22,331	4,998	7,876	12,873

The balance of other financial liabilities as at 30 June 2019 represents the fair value of interest-rate-swap hedging instruments amounting to US\$ 2.2 million, 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, US\$ 0.3 million deferred profit on disposal of vessels sold and leased back, an advance on future capital distributions upon liquidation of US\$ 4.3 million received from Eco Tankers Limited following the sale of its only vessel the MT High Sun, and US\$ 2.7 million of financial interest accrued. For derivative instruments fair value calculation techniques and disclosure about financial market risks please refer to note 29.

## 27. CURRENT TAX PAYABLE

<i>US\$ thousand</i>	As at 30 June 2019	As at 31 December 2018
Current tax liabilities	91	100

The balance as at 30 June 2019 reflects the balance of income taxes and tonnage 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 2018	NET CASH-FLOWS	NON-CASH CHANGES							Cash- flow hedge OCI	As at 30 June 2019	
			Capital increase	Capital modification	Amortised financial fees	Financial lease cost	New accounting standard IFRS 16	Assets held for sale	Derivatives P&L Realised movements			Unrealised movements
Share Capital	65,376	9,545	19,819	(32,688)	-	-	-	-	-	-	-	62,052
Share Premium	316,697	5,717	13,782	32,688	-	-	-	-	-	-	-	368,884
Shareholders' loan	31,880	1,721	(33,601)	-	-	-	-	-	-	-	-	-
Liabilities from financial lease	173,667	34,725	-	-	-	10,576	152,875	-	-	-	-	371,843
Banks and other lenders	429,860	(56,112)	-	-	1,655	-	-	(10,121)	-	-	-	365,282
Liabilities from Derivative instruments	4,148	504	-	-	-	-	-	-	(118)	2,204	4,917	11,209

## 29. RISK MANAGEMENT

Shipping freight rates and vessel values can vary significantly during the business cycle. Furthermore, the Company is a multinational that has operations throughout the world and is therefore exposed to the market risk of changes in foreign currency exchange rates. Since deposits and credit facilities necessary to fund investments in new-buildings or the purchase of vessels earn or pay interest at variable rates, the Group is also exposed to interest rate risk. DIS is also exposed to fluctuations in the price of bunkers.

The overall risk management is part of d'Amico International Shipping's strategy, which aims to reduce DIS' exposure to some of the above market risks.

These half-year condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements and for a detailed description of this information they should be read in conjunction with the Group's annual financial statements as at 31 December 2018, note 27; DIS' risk situation as described has not changed significantly in the six months to 30 June 2019. There have been no changes in the risk management policies since the year end.

### 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 as the present value of the estimated future cash-flow 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 counterparty risk (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.

As at 30 June 2019						
US\$ thousand	At amortised cost	At fair value through O.C.I.	Total	Fair Value		Total
				Level 1	Level 2	
<b>Assets</b>						
Non-current financial assets	18,444	426	18,870	-	426	426
Receivables and other current assets	45,915	-	45,915	-	-	-
Other current financial assets	16,430	35	16,465	-	35	35
Cash and cash equivalents	35,739	-	35,739	-	-	-
<b>Liabilities</b>						
Banks and other lenders	365,282	-	365,282	-	-	-
Banks associated with assets held-for-sale	10,121	-	10,121	-	-	-
Liabilities from financial lease	371,843	-	371,843	-	-	-
Other non-current financial liabilities	1,172	9,496	10,668	-	9,496	9,496
Payables and other current liabilities	41,293	-	41,293	-	-	-
Other current financial liabilities	9,504	2,159	11,663	-	2,159	2,159

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2018.

As at 31 December 2018						
US\$ thousand	At amortised cost	At fair value through O.C.I.	Total	Fair Value		Total
				Level 1	Level 2	
<b>Assets</b>						
Non-current financial assets	9,391	264	9,655	-	264	264
Receivables and other current assets	52,163	-	52,163	-	-	-
Other current financial assets	17,749	456	18,205	-	456	456
Cash and cash equivalents	31,713	-	31,713	-	-	-
<b>Liabilities</b>						
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 Level 2 financial instruments in the above tables refer to derivative instruments and their fair value is obtained through valuations provided by the corresponding bank at the end of the period. Counterparties are financial institutions which are rated from A+ to BB+; taking this into consideration, no adjustments for non-performance risk are deemed necessary.

The carrying value of assets and liabilities, such as short-term trade receivables and payables, which are not measured at fair value, approximates their fair value.

### 30. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24, the Company'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 d'Amico International Shipping. Furthermore, members of the DIS Board of Directors, and executives with strategic responsibilities and their families are also considered related parties.

DIS carries out transactions with related parties, including its immediate parent company d'Amico International S.A. a company incorporated in Luxembourg, its ultimate Italian parent company, d'Amico Società di Navigazione S.p.A (DSN) and certain of DSN's subsidiaries (d'Amico Group).

During the first six months of 2019 the most significant financial transactions included a management service agreement (for technical, crewing and IT services) with d'Amico Group companies, a brand fee with d'Amico Società di Navigazione S.p.A., a personnel service agreement with d'Amico Shipping Singapore and d'Amico Shipping USA and a service agreement for the purchase of Intermediate Fuel Oil and Marine Diesel Oil, from Rudder SAM, a d'Amico Group controlled company.

The effects of related party transactions on the Group's consolidated income statement for the first half of 2019 and first half of 2018, are the following:

<i>US\$ thousand</i>	H1 2019		H1 2018	
	Total	Of which related parties	Total	Of which related parties
Revenue	178,418	7,882	202,362	5,404
Voyage costs	(52,111)	(189)	(76,713)	(318)
Time charter hire costs	(17,450)	(4,160)	(65,665)	(6,473)
Other direct operating costs	(54,124)	(4,260)	(42,067)	(3,935)
General and administrative costs	(5,880)	(1,969)	(8,100)	(2,255)
Result on disposal of fixed assets	(948)	-	252	-
Depreciation of right-of-use leased asset	(15,407)	(299)	-	-
Net financial income (charges)	(24,650)	(396)	(11,127)	(119)

The effects of related party transactions on the Group's consolidated balance sheets as at 30 June 2019 and 31 December 2018 not elsewhere disclosed in the present report, are the following:

<i>US\$ thousand</i>	As at 30 June 2019		As at 31 December 2018	
	Total	Of which related parties	Total	Of which related parties
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	879,473	-	911 281	-
Right-of-Use of leased assets	135,701	2,797	-	-
Investment in jointly controlled entities	4,391	-	3 228	-
Other Non-current financial assets	18,870	-	9 655	-
<b>Current assets</b>				
Assets held for sale	17,341	-	-	-
Inventories	11,392	-	13 492	-
Receivables and other current assets	45,915	5,384	52 163	1 060
Current financial assets	16,465	9,358	18 205	17 089
Cash and cash equivalents	35,739	-	31 713	-
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Banks and other lenders	301,425	-	338 622	-
Liabilities from financial leases	332,276	2,289	165 298	-
Shareholders' financing	-	-	30 600	30 600
Other non-current financial liabilities	10,668	-	4 998	-
<b>Current liabilities</b>				
Banks and other lenders	63,857	-	91 238	-
Banks associated with assets held-for-sale	10,121	-	-	-
Liabilities from financial leases	39,567	570	8 369	-
Shareholders' financing	-	-	1 280	1 280
Payables and other current liabilities	41,293	4,855	54 013	12 372
Other financial current liabilities	11,663	4,454	7 876	-
Current taxes payable	91	-	100	-

### 31. COMMITMENTS AND CONTINGENCIES

#### Capital commitments

<i>US\$ million</i>	As at 30 June 2019	As at 31 December 2018
Within one year	30.5	58.2
Total	30.5	58.2

Capital commitments as at 30 June 2019 relate to the payment for one Hyundai-Mipo dockyard 75,000 dwt Product/chemical tanker newbuilding vessel, the M/T Cielo di Londra, expected to be delivered at the end of Q3 2019.

#### Ongoing 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'S COMPANIES

The table below shows the complete list of Group main 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	62,051,446	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

\*In compliance with the application of IFRS 11, DM Shipping d.a.c. was not consolidated in the 2019 nor in the 2018 DIS' Group accounts, since it had a negative equity.

The consolidation area in H1 2019 does not differ with respect to the 2018 consolidated accounts.

12 September 2019

On behalf of the Board



**Paolo d'Amico**  
 Chairman, Chief Executive Officer



**Carlos Balestra di Mottola**  
 Chief Financial Officer

The manager responsible for preparing the company's financial reports, Mr. Carlos Balestra di Mottola, in his capacity as Chief Financial Officer of d'Amico International Shipping SA (the "Company") declares to the best of his knowledge, that the half yearly/second quarter 2019 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 interim management report includes 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.



**Carlos Balestra di Mottola**  
 Chief Financial Officer

To the Shareholders of  
**d'Amico International Shipping S.A.**  
25C, Boulevard Royal  
L-2449 Luxembourg

Leudelange, September 12, 2019

## Report on Review of the Condensed Consolidated Interim Financial Information

### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of d'Amico International Shipping S.A. and its subsidiaries as of June 30, 2019 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed interim statement of changes in consolidated shareholders' equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 *Interim financial reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim financial reporting* as adopted by the European Union.

MOORE Audit S.A.



Horst SCHNEIDER  
*Réviseur d'Entreprises Agréé*