



*d'Amico*  
INTERNATIONAL SHIPPING S.A.

# **d'AMICO INTERNATIONAL SHIPPING S.A. INTERIM REPORT AS AT 30 SEPTEMBER 2007**

## **THIRD QUARTER 2007**



**Date of issue: 6th November 2007**

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**d'Amico International Shipping S.A.**

**Registered office in Luxembourg**

**Share capital US\$ 149,949,907 as at 30 September 2007**



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

### **BOARD OF DIRECTORS**

*Chairman*

Paolo d'Amico<sup>(1)</sup>

*Chief Executive Officer*

Marco Fiori<sup>(1)</sup>

*Directors*

Cesare d'Amico<sup>(1)</sup>

Massimo Castrogiovanni<sup>(2)</sup>

Stas Andrzej Jozwiak<sup>(3)</sup>

Gianni Nunziante

(1) *Member of the Executive Committee*

(2) *Independent Director*

(3) *Lead Independent Director*

### **STATUTORY AUDITORS/COMMISSARIE AUX COMPTES**

Lux-Fiduciaire S.à.r.l.

### **EXTERNAL AUDITORS**

Moore Stephens S.à.r.l., Luxembourg

## D'AMICO INTERNATIONAL SHIPPING GROUP

### GROUP OVERVIEW

d'Amico International Shipping S.A. (the Group or d'Amico International Shipping) is an international marine transportation group, historically part of the d'Amico Group that traces its origins to 1936. As at 30 September 2007, d'Amico International Shipping controls, either through ownership or charter arrangements, a modern fleet of 34 product tanker vessels, aggregating approximately 1.40 million deadweight tons (dwt). The product tanker vessels of d'Amico International Shipping range from approximately 35,000 to 51,000 dwt. Following the Group's exercise of two purchase options, finalised in early October 2007, the fleet includes twelve owned and twelve chartered in medium range product tankers (MRs), ranging from 46,000 to 51,000 dwt, and three owned and four chartered in handysize product tankers, ranging from 35,000 to 40,000 dwt. d'Amico International Shipping employs most of its controlled fleet through three commercial partnership arrangements. Through one of these arrangements the Group has partial interests in eight additional chartered in handysize product tankers, corresponding 3.4 vessels equivalent. As at 30 September 2007 the 16 chartered in vessels were under charter in contracts which have an average remaining contract term of 5.7 years, with the longest charter in contract spanning until 2015. Furthermore, 15 of these 16 chartered in vessels have either a vessel purchase option, a charter in extension option or a combination of both, during or at the end of the contract term. All of the Group's vessels are double-hulled, and are primarily engaged in the transportation of refined petroleum products, providing worldwide shipping services to major oil companies and trading houses, such as ExxonMobil, Total, Shell, Glencore and Vitol.

d'Amico International Shipping operates a young fleet, with an average age of approximately 3.5 years (4.3 years for the owned vessels<sup>1</sup>), compared to an average in the product tanker industry of 10.6 years, according to Clarkson.

All the vessels are built in accordance with international industry standards and are compliant with IMO (International Maritime Organization) regulations and MARPOL (the International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978) as well as other international standards. In addition, d'Amico International Shipping is in compliance with the stringent requirements of major oil and energy-related companies, such as ExxonMobil, Shell, Total, Glencore, Petrobras, Vitol and Vela, which are some of its established customers. Based on recent revisions to Annexes I and II to MARPOL, adopted by the IMO and effective as of 1 January 2007, cargoes, such as palm oil, vegetable oil, and a range of other chemicals can only be transported by vessels that meet the requirements stated in these revised annexes (hereinafter referred to as IMO Classed). Approximately 64% of the current d'Amico International Shipping fleet, calculated by number of vessels, is IMO Classed and this, together with the access to clients, both direct and through our partnerships, provides d'Amico International Shipping with a competitive advantage for penetrating these markets and expanding the range of products the Group transports.

d'Amico International Shipping operates and employs a significant portion of its controlled vessels through three partnership arrangements, two of which are pool arrangements and one of which is a commercial arrangement. These commercial partnerships enable the Group to deploy, collectively with the partners, a fleet of

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<sup>1</sup> Calculation includes High Trust and High Priority.

vessels with significant scale and geographic coverage. As a result, these partnerships allow d'Amico International Shipping to provide a comprehensive service to the customers and to enhance the geographic exposure to advantageous business opportunities, which in turn results in greater flexibility in deploying the Group's fleet.

Since 2001, d'Amico International Shipping has been a member of the Handytankers Pool, together with A.P. Moller-Maersk, Seaarland Shipping Management and Motia Compagnia di Navigazione S.p.A. This is currently the largest handysize product tanker pool in the world, operating approximately 83 vessels as at 30 September 2007. This pool includes the seven handysize product tankers of our fleet and eight indirectly chartered in handysize product tankers in which we have a partial interest. Under the service agreement the Group entered into with the pool manager, A.P. Moller-Maersk, d'Amico International Shipping is actively involved in the pool's commercial management, in particular chartering and vessel operations, but not administration.

In 2003, the Group established High Pool Tankers Limited with Nissho Shipping Co. Limited (Japan). This pool operated eight MR product tankers as at 30 September 2007, including seven of our controlled MRs. Under the pool arrangements d'Amico International Shipping is exclusively responsible for the pool's commercial management, in particular chartering, vessel operations and administration. In May 2005, the Group entered into a commercial arrangement with Glencore - ST Shipping, to jointly manage eight MR product tankers. d'Amico International Shipping and Glencore - ST Shipping each contributed four MRs. In August 2006, d'Amico International Shipping incorporated the commercial arrangement as Glenda International Management Limited to allow the Group to trade the vessels under a single brand name, Glenda International Management. As of 30 September 2007, Glenda International Management Limited operated 19 MR product tankers, including five of our owned MRs, and five of our chartered in MRs. d'Amico International Shipping employs all its vessels through its partnerships, except for seven MRs, which are operated directly through long-term time charter contracts with Exxon, Total and Glencore.

d'Amico International Shipping is a subsidiary of the d'Amico Group, one of the world's leading privately-owned marine transportation companies with over 70 years of experience in the shipping business. Today, the d'Amico Group manages and controls over 65 owned and chartered in vessels, including the vessels of our fleet. d'Amico International Shipping benefits from a strong brand name and an established reputation in the international market due to the long operating history of the d'Amico Group. In addition, the Group benefits from the expertise of the d'Amico Group, which provides technical management services, as well as all safety, quality and technical products and services to the owned vessels, including crewing and insurance arrangements.

The Group has offices in Dublin, London, Monaco and Singapore. In addition, d'Amico International Shipping is also represented through the offices of our partnerships in New York, Copenhagen, Venice and Tokyo. As at 30 September 2007, the Group employed 374 seagoing personnel<sup>1</sup> and 46 onshore personnel.

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<sup>1</sup> Includes seagoing personnel for High Trust and High Priority, which were previously time-chartered by d'Amico International Shipping and became owned vessels of the Group on 5 October 2007 and 12 October 2007, respectively.

## FLEET

The following tables set forth information about our current fleet, following the exercise of two purchase options in October 2007:

<b>MR Current Fleet</b>				
<b>Name of vessel</b>	<b>Dwt</b>	<b>Year built</b>	<b>Builder, Country</b>	<b>IMO Classified</b>
<b>Owned</b>				
High Venture	51,087	2006	STX, South Korea	IMO II / III
High Progress	51,303	2005	STX, South Korea	IMO II / III
High Performance	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
High Endurance	46,992	2004	STX, South Korea	IMO II / III
High Endeavour	46,992	2004	STX, South Korea	IMO II / III
High Challenge	46,475	1999	STX, South Korea	IMO II / III
High Spirit	46,473	1999	STX, South Korea	IMO II / III
High Wind	46,471	1999	STX, South Korea	IMO II / III
High Priority <sup>1</sup>	46,847	2005	Nakai Zosen, Japan	-
High Trust <sup>2</sup>	45,937	2004	Shin Kurushima, Japan	-
<b>Time chartered with purchase option</b>				
High Century	48,676	2006	Imabari, Japan	-
High Prosperity	48,711	2006	Imabari, Japan	-
High Presence	48,700	2005	Imabari, Japan	-
High Harmony	45,913	2005	Shin Kurushima, Japan	-
High Consensus	45,896	2005	Shin Kurushima, Japan	-
High Peace	45,888	2004	Shin Kurushima, Japan	-
High Nefeli	45,976	2003	STX, South Korea	IMO III
<b>Time chartered without purchase option</b>				
High Glory	45,700	2006	Minami Nippon, Japan	-
High Glow	46,846	2006	Nakai Zosen, Japan	-
High Trader	45,879	2004	Shin Kurushima, Japan	-
High Energy	46,874	2004	Nakai Zosen, Japan	-
High Power	46,874	2004	Nakai Zosen, Japan	-

<sup>1</sup> High Priority, previously time-chartered by d'Amico International Shipping, became an owned vessel of the Group on 12 October 2007. The purchase option on the vessel was exercised in advance with respect to original exercise period, which started in 2010.

<sup>2</sup> High Trust, previously time-chartered by d'Amico International Shipping, became an owned vessel of the Group on 5 October 2007.

### Handysize Current Fleet

Name of vessel	Dwt	Year built	Builder, Country	IMO Classified
<b>Owned</b>				
Cielo di Salerno	36,032	2002	STX, South Korea	IMO III
Cielo di Parigi	36,032	2001	STX, South Korea	IMO III
Cielo di Londra	35,985	2001	STX, South Korea	IMO III
<b>Bare Boat without purchase option</b>				
Cielo di Guangzhou	38,877	2006	Guangzhou, China	-
<b>Time chartered without purchase option</b>				
Cielo di Milano	40,083	2003	Shina, South Korea	IMO III
Cielo di Roma	40,096	2003	Shina, South Korea	IMO III
Cielo di Napoli	40,081	2002	Shina, South Korea	IMO III

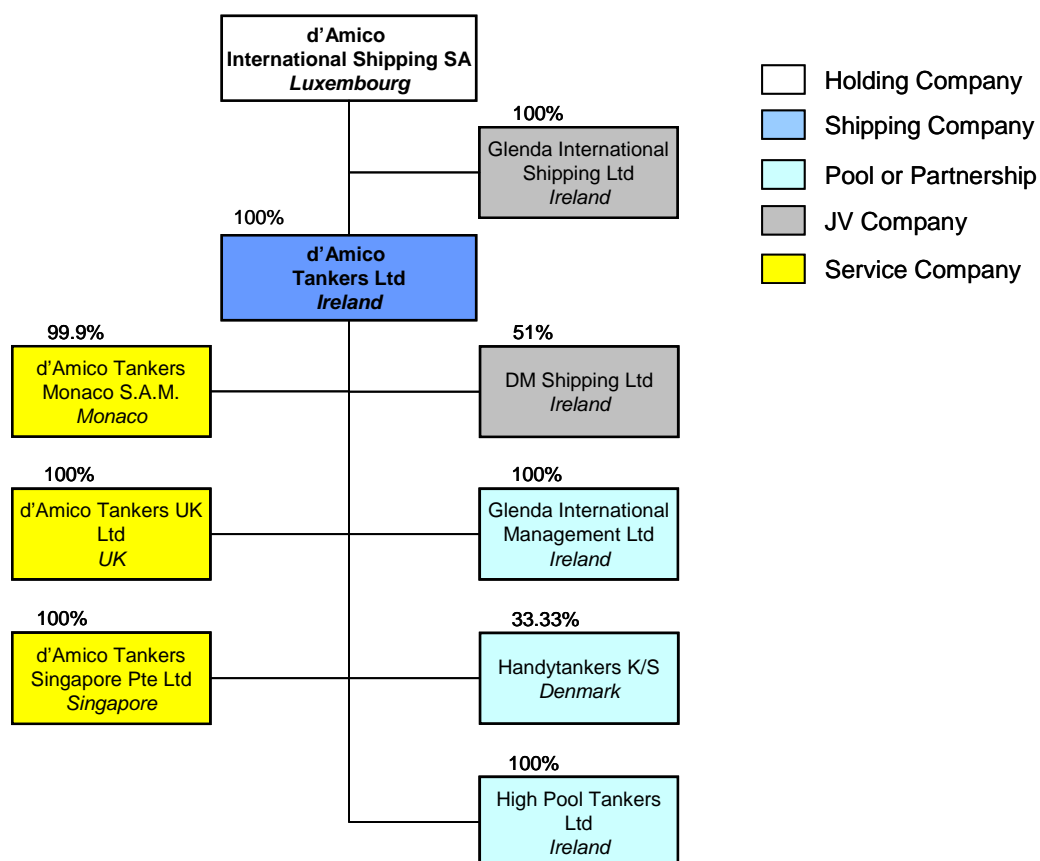
### Handysize Partial Interests Current Fleet

Name of vessel	Dwt	Year built	Builder, Country	Partial Interest	IMO Classified
Handytanker Spirit	34,671	2006	Dalian, China	50%	IMO III
Handytanker Unity	34,620	2006	Dalian, China	33%	IMO III
Handytanker Liberty	34,620	2006	Dalian, China	33%	IMO III
Tevere	37,178	2005	Hyundai, South Korea	50%	IMO III
Fox	37,025	2005	Hyundai, South Korea	50%	IMO III
Ocean Quest	34,999	2005	Dalian, China	25%	IMO III
Orontes	37,274	2002	Hyundai, South Korea	50%	IMO III
Ohio	37,999	2001	Hyundai, South Korea	50%	IMO III



## GROUP STRUCTURE

Set out below is d'Amico International Shipping Group's<sup>1</sup> structure:



<sup>1</sup> Glenda International Shipping Limited is the vehicle for the joint venture with Glencore Group

## THE PRODUCT TANKERS INDUSTRY

Product tankers normally move refined petroleum products, typically gasoline, jet fuel, kerosene, fuel oil, naphtha and other soft chemicals and edible oils.

The seaborne movement of refined petroleum products between regions addresses demand and supply imbalances for such products caused by the lack of resources or refining capacity in consuming countries. An additional “arbitrage” trade also occurs, taking advantage of differences in price between refining centres and dislocation of specific product specifications. Owners of product tankers seek to utilise trade patterns to optimise the revenue and profit-generating potential of their product tanker fleets by maximizing vessel laden days (freight carrying) and minimizing waiting time and ballast days.

Within the product tanker industry, d’Amico International Shipping operates in the MR segment, which comprises vessels ranging from 25,000 dwt to 55,000 dwt. MR vessels account for the largest portion<sup>2</sup> of product tankers; these size vessels permit the greatest flexibility in trade routes and access to ports which may have restrictions on vessel displacement size, or vessel length-overall. The most common cargo size for refined petroleum products is 30,000 – 40,000 tonnes, which usually represent full cargoes, since products transported have a specific gravity which varies between 0.66 and 0.82..

<b>Product Tanker Class (dwt)</b>	<b>Short range (SR) 10,000 – 25,000</b>	<b>Medium Range (MR) 25,000 – 55,000</b>	<b>Long Range (LR) 55,000 – 120,000</b>
Characteristics	Trades in specialised market regionally  Focused primarily on the distribution side	Access to more ports than larger vessels  Better economies of scale over medium and longer distances versus small vessels	Better economies of scale over longer haul voyages
Voyages	Only short	Short and long	Only long
Flexibility	Low	High	Low
Arbitrage Voyages	No	Yes	No
% world fleet <sup>2</sup>	20%	46%	34%

The market for shipping refined petroleum products is generally highly cyclical and volatile. However, during the past three years, the product tanker shipping market has experienced overall increasing freight rates resulting in improved earnings and market growth.

<sup>2</sup> Source: Clarksons Research Services Limited. As at 1 October 2007. % of total product tankers (3,182 vessels). Excludes stainless steel vessels.

## SHAREHOLDERS

### INVESTOR RELATIONS

d'Amico International Shipping has a constant dialogue with its shareholders and Investors, pursuing a policy of fair communication with them through its Investor Relations Team. Since the listing date the Investor Relations function has organised conference calls after the delivering of Group results. Moreover, the annual IR programme includes several Analysts meetings, an Investors Day and the attendance to all the events that the Italian Stock Exchange (STAR Segment) will organize in London, New York, Tokyo and Milan.

According to the Group's disclosure policy, d'Amico International Shipping edits a quarterly Investor News, seeking to keep all stakeholders updated about business developments, market opportunities, strategies and projects, operating performance, financial results and share trends.

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

D'Amico International Shipping shareholders may also contact:  
*[ir@damicointernationalshipping.com](mailto:ir@damicointernationalshipping.com)*  
*[damicotankers@capitallink.com](mailto:damicotankers@capitallink.com)*

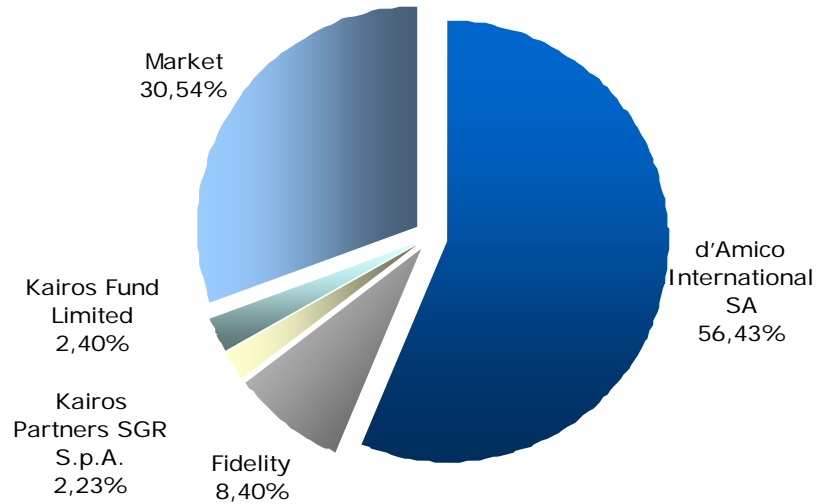
### SHAREHOLDERS

A total of 149,949,907 ordinary shares are outstanding. Based on the latest shareholdings communicated by investors in accordance with applicable rules and Art. 6 of our Articles of Association, the following individuals and institutions have holdings exceeding 2% of d'Amico International Shipping's total ordinary shares outstanding:

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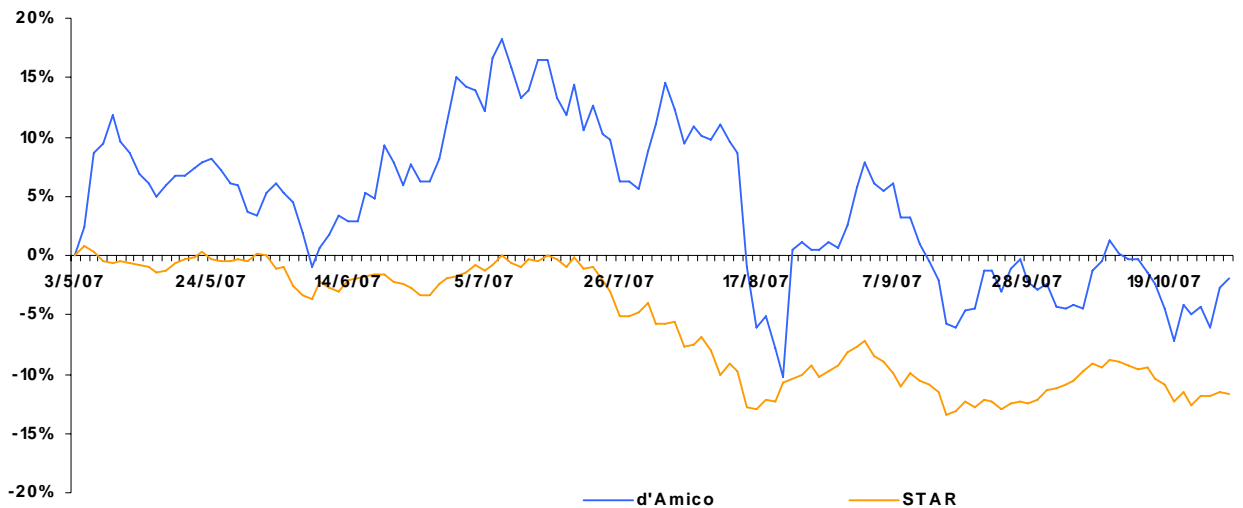
**Shareholders whose holding exceeds 2% of d'Amico International Shipping's ordinary shares outstanding (as at 30 September 2007)**

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**PERFORMANCE OF D'AMICO INTERNATIONAL SHIPPING'S SHARES**



In a stock market scenario characterized by great volatility and recovery, d'Amico International Shipping's share price has decreased by 2.9%<sup>1</sup>, constantly outperforming the STAR Index. The average daily trading volume, excluding the first week of negotiation, has been of about 350,000 shares.

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<sup>1</sup> As at market close on 30 October 2007.

## HIGHLIGHTS

### KEY FINANCIALS

9 Months 2007	9 Months 2006	US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006
197 453	185 711	Time charter equivalent (TCE) earnings	57 695	62 694
87 849	111 658	Gross operating profit / EBITDA	24 009	29 003
65 868	94 693	Operating profit / EBIT	16 766	23 135
66 888	75 772	Net profit	17 854	18 014
<b>Excluding gain from vessels disposals</b>				
87 849	81 680	Gross operating profit / EBITDA	24 009	29 003
44.5%	44.0%	<i>as % of margin on TCE</i>	41.6%	46.3%
65 868	64 715	Operating profit / EBIT	16 766	23 135
33.4%	34.8%	<i>as % of margin on TCE</i>	29.1%	36.9%
66 888	46 593	Net profit	17 854	18 014
33.9%	25.1%	<i>as % of margin on TCE</i>	30.9%	28.7%
73 576	56 133	Operating cash flow	27 401	18 412
8 717	36 891	Gross Capital Expenditure (CapEx)	6 770	1 081
<b>As at 30 September 2007</b>	<b>As at 31 December 2006</b>			
446 096	435 915	Total assets		
94 200	226 288	Net financial indebtedness		
286 773	153 990	Shareholders' Equity		

## OTHER OPERATING MEASURES

9 Months 2007	9 Months 2006		3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006
<b>Daily operating measures</b>				
22 073	21 476	TCE earnings per employment day (US\$) <sup>1</sup>	19 738	21 600
<b>Fleet development</b>				
35.5	34.2	Total vessel equivalent	34.5	34.4
13.0	10.6	-Owned	13.0	11.1
19.6	21.3	-Chartered	18.2	21.0
3.0	2.3	-Partial Chartered	3.2	2.3
Vessel equivalent %:				
36.6%	30.9%	-Owned	37.8%	32.3%
55.1%	62.3%	-Chartered	52.9%	61.0%
8.3%	6.8%	-Partial Chartered	9.4%	6.7%
1.7%	2.1%	Off-hire days / available vessel days <sup>2</sup> (%)	0.7%	1.5%
48.4%	44.6%	Fixed rate contract/Available vessel days <sup>3</sup> (coverage %)	55.7%	45.0%

<sup>1</sup> This figure represents time charter ("TC") equivalent earnings for vessels employed on the spot market and time charter contracts, divided by the number of on-hire days, less commissions charged by external brokers and commercial managers. Calculations also exclude chartered vessels in which the Group has a partial interest, since distributions paid by the pool on these vessels are net of charter expenses, and would therefore require pro-forma adjustments to make it comparable to the remaining vessels.

<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, which is defined as the number of vessel days between delivery and redelivery for the fiscal year being considered.

<sup>3</sup> Fixed rate contract days/available vessel days (coverage ratio). This figure represents how many vessel days were employed on time charter contracts and COAs, inclusive of off-hire days, divided by the number of available vessel days, defined as the number of days between delivery and redelivery for all of our vessels, for the fiscal year being considered. To calculate TC days for vessels employed within the High Pool, we first had to calculate the ratio of TC days/available vessel days (the pool coverage ratio) for all vessels employed within the pool, from each of our vessels' pool entry dates. The number of TC days for a vessel was then determined as the product of the pool's coverage ratio since that vessel's pool entry and the number of days that vessel was operated within the pool. For vessels employed within Glenda International Management, the results from vessels are not pooled; we therefore used contractual commitments of each individual vessel to determine its coverage ratio. For vessels employed within the Handytankers Pool, we are not responsible for administrative functions and therefore have access to less detailed operating data, compared to the High Pool. TC days for these vessels was therefore determined using the average pool coverage ratio for the fiscal year being considered, rather than the ratio from the entry date of each of our vessels.

## REPORT ON OPERATIONS

### HIGHLIGHTS OF THE GROUP'S PERFORMANCE IN THE THIRD QUARTER OF 2007

During the third quarter of 2007, the Group achieved a net profit of US\$17.9 million, and gross operating profit (EBITDA) of US\$24.0 million. Time charter equivalent earnings and EBITDA for d'Amico International Shipping, were lower than for the same period in 2006 (driven by unconventional seasonal variances in freight rates last year), decreasing respectively, by 8.0% and 17.2%. Net Profit, however, was almost unchanged.

Lower TCE Earnings and EBITDA compared to the third quarter of 2006, are mainly attributable to a decrease in average daily TCE earnings of 8.6%, to US\$19,738 (US\$ 21,600 in the third quarter of 2006).

The reduction in daily TCE earnings is largely attributable to the less favourable freight market performance the third quarter of 2007, compared to the same period last year. While in 2006 freight markets in the traditionally weaker seasonal third quarter were supported by a large build-up of inventories – to anticipate the expected potentially tight market following possible damages to refineries in the US Gulf, caused by hurricanes such as those experienced in 2005 – this pent-up demand was not available in the same quarter of 2007.

Freight tanker rates, therefore remained, relatively stable during the first part of the third quarter 2007, but then drifted downwards. Markets in July and for most of August absorbed the sizable fleet deliveries thanks to an increased need for product imports in several key consuming markets such as the United States, arising from a temporary decrease in refinery utilization levels in these same areas. As refinery utilization levels in these markets improved, and oil companies began drawing down on product inventories, product tanker rates decreased towards the end of the period.

The stability in net profit, despite a weaker freight market, is attributable to lower financial charges arising from the Group's low indebtedness, and to lower income tax charges, following d'Amico Tankers Limited's entry into the Irish tonnage tax regime.

### HIGHLIGHTS OF THE GROUP'S PERFORMANCE IN THE NINE MONTHS OF 2007

During the first nine months of 2007, the Group achieved a net profit of US\$66.9 million, and a gross operating profit (EBITDA) of US\$87.8 million. Excluding, for comparison purposes, the non-recurring gains from the disposal of vessels, the Group's key financials improved with respect to the same period last year, with time charter equivalent earnings, EBITDA and net profits, rising by 6.3%, 7.6% and 43.6%.

The improvement in performance with respect to the same period last year was driven mainly by a 2.8% increase in average daily TCE earnings to US\$22,073 per day (US\$21,476 per day for the same period last year), and by the increase in d'Amico International Shipping's controlled fleet.

In addition, improvements in EBITDA and Net Profit are also attributable to, respectively, the increase in the proportion of owned vessels in the Group's fleet, and the reversal of d'Amico Tankers Limited's deferred tax liabilities, following entry into the Irish tonnage tax regime.

The improvement in daily TCE earnings was the result of a strong product tankers' freight market, despite some fluctuation in rates in both the Eastern and the Western hemisphere, during the first nine months of 2007.

The favorable market conditions for most of the period, resulted in attractive employment opportunities for vessels operating on the spot market, and allowed the Group to employ some of its vessels on new long-term time charters at historically high rates.

Although markets were strong in most regions and throughout the first half, freight rates have come off towards the end of the third quarter, with the Eastern market closing at a higher and more stable level.

The comparatively stronger performance in the Western hemisphere in the first half of the year was driven mainly by demand for clean petroleum products into the United States and South America.

## OPERATING PERFORMANCE

9 Months 2007	9 Months 2006		<i>US\$ Thousand</i>	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006
242 620	225 062	Revenue		70 532	73 324
(45 167)	(39 351)	Voyage costs		12 837	10 630
<b>197 453</b>	<b>185 711</b>	<b>Time charter equivalent earnings</b>		<b>57 695</b>	<b>62 695</b>
(72 583)	(79 745)	Time charter hire costs		(22 524)	(25 398)
(24 776)	(20 312)	Other direct operating costs		(8 331)	(7 054)
-	29 978	Result on disposal of vessels		-	-
(14 941)	(6 046)	General and administrative costs		(4 042)	(1 930)
2 696	2 070	Other operating Income		1 211	690
<b>87 849</b>	<b>111 658</b>	<b>Gross operating profit / EBITDA</b>		<b>24 009</b>	<b>29 003</b>
(21 982)	(16 965)	Depreciation		(7 243)	(5 868)
<b>65 868</b>	<b>94 693</b>	<b>Operating profit / EBIT</b>		<b>16 766</b>	<b>23 135</b>
(8 876)	(12 275)	Net financial income (charges)		954	(3 278)
9 896	(6 647)	Income taxes		135	(1 843)
<b>66 888</b>	<b>75 772</b>	<b>Net profit</b>		<b>17 854</b>	<b>18 014</b>

## Operating Performance of d'Amico International Shipping in the Third Quarter of 2007

**Revenue** for the third quarter of 2007 amounted to US\$70.5 million, compared to US\$73.3 million for the third quarter of 2006. The decrease in revenues of 3.8% reflects lower freight rates for the quarter ended 30 September 2007, partially off-set by a slight increase in the average number of vessels controlled to 34.5 in the third quarter of 2007, from 34.4 vessels in the same period last year, and a decrease in the percentage of off-hire to available days for the Group's fleet, to 0.7% for the third quarter of 2007, from 1.5% for the third quarter of 2006.



**Voyage costs** increased by 20.8% to US\$12.8 million for the third quarter of 2007, from US\$10.6 million for third quarter of 2006. The increase reflects mainly higher average daily voyages costs.

**Time charter equivalent earnings** for the third quarter of 2007 were of US\$57.7 million, 8.0% lower than for the same period last year (US\$62.7 million). The decrease is mainly attributable to a reduction in TCE earnings per employment day of 8.6%, to US\$19,738 per day for the third quarter of 2007, from US\$21,600 per day for the same period last year. This decrease was only partially off-set by a slight increase in the average number of available vessels to 34.5 for the third quarter of 2007, from 34.4 for the same period last year, and by a decrease in the percentage of off-hire days to 0.7% of available vessel days for the third quarter of 2007, from 1.5% for the third quarter of 2006. Lower daily TCE earnings in 2007 are attributable to a weaker freight market compared to the same period last year, when rates were sustained by the incremental demand resulting from a build-up in US product inventories in anticipation of 2005 like weather-related refinery disruptions.

**Time charter hire costs** for the third quarter of 2007 were of US\$22.5 million, 11.3% lower than those for the same period last year, when these costs amounted to US\$25.4 million. The reduction in Time charter hire costs is attributable mostly to a reduction of 13.2% in the average number of vessels on Time charter in, which amounted to 18.2 for the third quarter of 2007, compared to 21.0 for the third quarter of 2006.

**Other direct operating costs** arise mostly from the operation of owned vessels, and to a lesser extent from the operation of vessels on time charter in. These costs amounted to US\$8.3 million in the third quarter of 2007, compared to US\$7.0 million for the third quarter of 2006. The 18.1% increase is attributable mostly to the growth of 17.2% in the average number of owned vessels from 11.1 in the third quarter of 2006 to 13.0 in the third quarter of 2007.

**General and administrative expenses** for the third quarter of 2007, of US\$4.0 million, as expected, were significantly higher than those recorded for the same period last year (US\$1.9 million). The increase is attributable to the higher on-going administrative costs of running the Group following its Initial Public Offering.

**Gross operating profit (EBITDA)** for the third quarter of 2007 amounted to US\$24.0 million, compared to US\$29.0 million for the same period last year. As a percentage of Time charter equivalent earnings, the gross operating profit margin decreased to 41.6% for the third quarter of 2007, from 46.3% for the third quarter of 2006. This reduction in margins is essentially attributable to a decrease in average daily TCE earnings, partially compensated by an increase in the proportion of owned vessels. The decrease in margins is to a large extent attributable to last year's atypical seasonal freight rates variances.

**Depreciation** for the third quarter of 2007 amounted to US\$7.2 million, rising by 23.4% compared to the same quarter last year. The increase in this item is attributable mainly to a 17.2% growth in the average number of owned vessels for the third quarter of 2007, compared to the same period last year, and also to the higher average cost for the two vessels acquired in the last quarter of 2006, compared to those bought previously.

**Operating profit** for the third quarter of 2007 amounted to US\$16.8 million, 27.5% lower than the result for the third quarter of 2006, which amounted to US\$23.2 million. As was the case for gross operating profits, also for operating profits, stronger performances in the third quarter of 2006 are attributable to last year's atypical freight rates variances. Gross operating profits margins were of 29.1% for the third quarter of 2007, compared with 36.9% for the same quarter last year.

**Net financial income** for the third quarter of 2007 amounted to US\$1.0 million, compared to a charge of US\$3.3 million in the third quarter of 2006. The income recorded in the third quarter of this year, reflects: (i) The debt structure (revolving facility), which allows the Group to manage its financial leverage with greater flexibility, to significantly reduce financial charges, (ii) A gain, amounting to US\$2.1 million, on derivative instruments used to hedge the Yen exchange exposure on High Trust and High Priority's purchase options (there were no such instruments outstanding in 2006).

**Profit before tax** for the third quarter of 2007 amounted to US\$17.7 million (30.7% of TCE earnings), compared to US\$19.9 million for the third quarter of 2006 (31.7% of TCE earnings).

**Income taxes** arise essentially from the Group's key operating entity, d'Amico Tankers Ltd (Ireland). Entry into the tonnage tax regime from January 2007, led to the recognition of taxes for the period based on the notional income of vessels, which is dependent on the size of the vessel, rather than on the company's profit. The positive figure accounted for in the third quarter 2007 reflects an adjustment to the previous tax charge estimate.

**Net profit** for the third quarter of 2007 amounted to US\$17.9 million, compared with US\$18.0 million for the third quarter of 2006. Despite lower operating profits attributable to a strong and atypical freight market in the third quarter of 2006, savings achieved through sound treasury management and lower taxation charges, allowed the Group to record a Net profit in line with the same period last year. The Net profit margin for the third quarter of 2007, of approximately 30.9%, was higher than that for same period last year, when it amounted to 28.7%.

## Operating Performance of d'Amico International Shipping in the first nine months of 2007

**Revenue** for the first nine months of 2007 amounted to US\$242.6 million, compared to US\$225.1 million for the first nine months of 2006. The 7.8% increase was driven by the expansion of our fleet to an average of 35.5 vessels for the first nine months of 2007, from an average of 34.2 vessels for the same period last year, and by an overall increase in freight rates for the nine months period ended 30 September 2007.

**Voyage costs** amounted to US\$45.2 million for the first three quarters of 2007, compared to US\$39.4 million for the same period last year. The 14.8% increase reflects the expansion of our fleet and an increase in the average daily cost of such voyages.

**Time charter equivalent earnings** for the first nine months of 2007 were of US\$197.5 million, compared to US\$185.7 million for the first nine months of 2006. The increase of 6.3% is attributable to higher TCE earnings per employment day, which rose by 2.8%, to US\$22,073 per day for the first nine months of 2007, from US\$21,476 per day for the first three quarters of 2006, to a growth of 3.7% in the average number of available vessels to 35.5 for the first three quarters of 2007, and to a reduction in the proportion of off-hire days to total available days to 1.7%, from 2.1% for the same period last year.

**Time charter hire costs** for the first three quarters of 2007 were of US\$72.6 million, a 9.0% decrease compared to the same period last year, when these costs amounted to US\$79.7 million. The reduction in Time charter hire costs is attributable mostly to a reduction of 8.3% in the average number of vessels on Time charter in, which amounted to 19.6 for the first nine months 2007, compared to 21.3 for the first three quarters of 2006.

**Other direct operating costs** arise mostly from the operation of owned vessels, and to a lesser extent from the operation of vessels on time charter in. These costs amounted to US\$24.8 million for the first three quarters of 2007, compared to US\$20.3 million for the first nine months of 2006. The 22.0% increase is attributable mostly to a growth of 22.9% in the average number of owned vessels from 10.6 in the first three quarters of 2006, to 13.0 in the first nine months of 2007.

**General and administrative expenses** for the nine months of 2007, amounted to US\$14.9 million, and were significantly higher than those recorded for the same period last year (US\$6.0 million). The increase in these expenses is mainly attributable to non-recurring costs, amounting to US\$4.6 million, arising from the Initial Public Offering (IPO) of our shares, and to higher ongoing administrative costs following the group's reorganisation prior to such offering.

**Gross operating profit (EBITDA)** amounted to US\$87.8 million, compared to US\$111.7 million for the same period last year. Excluding, for comparison purposes, the gain on the disposal of vessels in 2006, however, EBITDA for the first nine months of 2007 was 7.6% higher than for the first three quarters of 2006, when it amounted to US\$81.7 million. As a percentage of Time charter equivalent earnings, and excluding gains on the disposal of vessels, the gross profit margin increased to 44.5% for the first three quarters of 2007, from 44.0% for the same period last year. This improvement in margins is attributable mainly to an increase in average daily TCE earnings, and to a larger proportion of owned vessels, which more than compensated the effect of the IPO costs on general and administrative expenses.

**Depreciation** amounted to US\$22.0 million, rising by 29.6% compared to the same period last year. The increase in this item is attributable to the growth in the average number of owned vessels (13.0), compared to the same period last year (10.6).

**Operating profit** for the nine months of 2007 amounted to US\$65.9 million, 1.8% higher than the result for the corresponding period of 2006 (US\$64.7 million excluding the gain on disposal of vessels). The Operating profit margin, excluding gains on the disposal of vessels, decreased slightly to 33.4%, from 34.8% for the same period last year.

**Net financial charges** for the nine months of 2007 amounted to US\$8.9 million, a decrease of 27.7% from US\$12.3 million for the first nine months of 2006. The significant decrease is mainly attributable to the Group's lower average indebtedness, arising from the IPO proceeds and substantial cash generated over the period, but reflects also an improvement in treasury management resulting from the greater financial flexibility available with the new revolving facility.

**Profit before tax** for the nine months of 2007 amounted to US\$57.0 million (28.9% of TCE earnings), an 8.7% increase compared to US\$52.4 million (excluding gains on the disposal of vessels) for the same period last year (28.2% of TCE earnings).

**Income taxes** arise essentially from the Group's key-operating entity, d'Amico Tankers Ltd (Ireland). Entry into the tonnage tax regime from January 2007, led to the recognition of taxes for the period based on the notional income of vessels, which is dependent on the ship's size, rather than on the company's profits. In addition, the entry into the program also led to the elimination of the Group's deferred tax liabilities, resulting in an income of US\$10.2 million.

**Net profit** for the nine months of 2007 amounted to US\$66.9 million, compared to US\$75.8 million for the same period of 2006. Excluding the after-tax gain on the disposal of vessels, however, net profit for the nine months of 2007, were 43.6% higher than the amount of US\$46.6 million, recorded for the same period last year. The significant improvement is also reflected in the Net profit margin of 33.9%, with respect to 25.1% for the same period last year.

## BALANCE SHEET

<i>US\$ Thousand</i>	<b>As at 30 September 2007</b>	<b>As at 30 June 2007</b>	<b>As at 31 December 2006</b>
<b>ASSETS</b>			
Non current assets	362 389	362 864	377 621
Current assets	83 707	104 396	58 294
<b>Total assets</b>	<b>446 096</b>	<b>467 260</b>	<b>435 915</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Shareholders' equity	286 773	272 492	153 990
Non current liabilities	133 406	168 327	197 893
Current liabilities	25 917	26 441	84 032
<b>Total liabilities &amp; shareholders' equity</b>	<b>446 096</b>	<b>467 260</b>	<b>435 915</b>

**Non current assets** are comprised almost entirely of the fleet (owned vessels), whose book value (cost less depreciation) is significantly lower than its market value of US\$690.0 million<sup>1</sup> (US\$796.0 million including High Trust and High Priority, whose acquisition has been finalised early in October 2007), according to a valuation report provided by Clarkson, as at 15 October 2007. During the first nine months of 2007, capital expenditures, amounting to US\$ 8.5 million, corresponded mainly to advance payments for exercising High Trust and High Priority's purchase options (finalised in October 2007), and to the capitalised costs of the Group's owned vessels' Dry-Docks.

**Current assets**, excluding cash and cash equivalents (US\$ 39.2 million as at 30 September 2007), mainly refer to working capital items (trade receivables).

**Non current liabilities** consist of the long-term portion of debt due to banks, disclosed under the Financial position section below, while current liabilities include working capital items (trade payable and other liabilities).

The increase in **shareholders' equity** from US\$154.0 million as at 31 December 2006, to US\$286.8 million as at 30 September 2007, is attributable to pre-IPO dividends of US\$25.0 million, to a capital increase of US\$94.5 million (net of offering costs and commissions amounting to US\$5.4 million charged directly to shareholders' equity) arising from the IPO, to own share buy-backs amounting to US\$3.6 million, and to d'Amico International Shipping's consolidated net profits for the period, amounting to US\$66.9 million.

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<sup>1</sup> Includes 10% advance payments on High Trust and High Priority, for a total of approximately US\$6.0 million.

## FINANCIAL POSITION

Net financial indebtedness, amounted to US\$94.2 million as at 30 September 2007, compared to US\$226.3 million as at the end of 2006. The ratio of net debt to shareholder's equity was of only 0.33, at the end of September 2007.

<i>US\$ Thousand</i>	<b>As at 30 September 2007</b>	<b>As at 30 June 2007</b>	<b>As at 31 December 2006</b>
<b>Liquidity</b>			
Cash and cash equivalents	39 206	57 070	13 932
Securities held for trading	-	-	-
<b>Current financial receivables</b>			
From related parties	-	-	-
From third parties	-	-	-
<b>Other current financial assets</b>	-	-	-
<b>Total current financial assets</b>	<b>39 206</b>	<b>57 070</b>	<b>13 932</b>
<b>Bank loans – current</b>	-	-	16 000
<b>Other current financial liabilities</b>			
Due to related parties	-	-	36 496
Due to third parties	-	-	-
<b>Total current financial debts</b>	<b>-</b>	<b>-</b>	<b>52 496</b>
<b>Net current financial indebtedness</b>	<b>(39 206)</b>	<b>(57 070)</b>	<b>38 564</b>
<b>Bank loans – non current</b>	<b>133 406</b>	<b>168 327</b>	<b>185 400</b>
<b>Other non current financial liabilities</b>			
Due to related parties	-	-	2 324
Due to third parties	-	-	-
<b>Total non current financial debt</b>	<b>133 406</b>	<b>168 327</b>	<b>187 724</b>
<b>Net financial indebtedness</b>	<b>94 200</b>	<b>111 257</b>	<b>226 288</b>

The financial indebtedness has been fully refinanced in March 2007, following the long term (10 years) revolving facility agreement of US\$350.0 million arranged between the operating subsidiary, d'Amico Tankers Ltd (Ireland) and Calyon, and which has been syndicated by other primary banking institutions (Intesa Sanpaolo S.p.A., Fortis

Bank (Nederland) N.V., The Governor and the Company of the Bank of Ireland, Norddeutsche Landesbank Girozentrale, and Scotiabank (Ireland) Limited).

The initial draw-down under the facility, of US\$250.0 million, occurred on 30 March 2007 and was used to fully repay the previous debt, including the financial debt due to related parties (d'Amico Group). On 30 May 2007, taking into consideration the CapEx plan for 2007 and using the proceeds from the Initial Public Offering, US\$80.0 million of the facility was reimbursed. An additional US\$35.0 million of the facility was reimbursed on August 30.

The principal amount available through the facility at any given time is reduced by \$15.5 million every six months down to a final reduction of \$40.0 million at maturity. A first reduction of \$15.5 million occurred in September.

As at 30 September 2007, the drawn-down amount on this facility, net of arrangement fees accounted for under the amortised cost method, was of US\$133.4 million.

The Group may draw down on a revolving basis such that the aggregate outstanding amount due does not exceed the maximum available amount at any given time, subject to the requirements relating to facility reductions. However, the ratio between the amount outstanding at any given time and the fair market value of the vessels (the "asset cover ratio") owned by d'Amico Tankers Limited (the "borrower"), which are subject to mortgages pursuant to the facility, must not be higher than 66.6%. According to Clarksons, the valuation, as at 15 October 2007, of the borrower's vessels on the water as at 30 September 2007, is of approximately US\$690.0<sup>1</sup> million (US\$796.0 million including High Trust and High Priority), resulting in an asset cover ratio of around 19.6%.

Interest on any amount outstanding under the facility will be payable at a rate of LIBOR plus 0.65%, if the asset cover ratio of d'Amico Tankers Limited and its consolidated subsidiaries is below 50%, and LIBOR plus 0.95%, if such ratio is equal to or higher than 50%.

In addition, the maximum amount that the borrower will be able to draw-down is also limited by its EBITDA to financial costs ratio. This ratio is calculated on the estimated total amount of d'Amico Tankers Limited's interest payable in the six months following any draw down date, and may not be lower than 1.65:1. The ratio, for the first nine months of 2007 was significantly higher than that.

The facility provides certain covenants, calculated on the basis of d'Amico International Shipping's (the "Guarantor") consolidated financial statements, which can be summarised as follows: (i) cash available, including under undrawn credit lines of more than 12 months, must be at least US\$40.0 million (ii) net worth, which is defined as book equity plus subordinated shareholder loans, as recorded in the balance sheet, must not be less than US\$100.0 million and (iii) equity to asset ratio, calculated by dividing the book equity by total assets, must not be lower than 35.0%. As at 30 September 2007, according to the facility's definitions, cash available amounted to US\$238.7 million, net worth amounted to US\$286.8 million, and the equity to asset ratio was of 64.3%.

The facility is secured through a guarantee by the parent Company, d'Amico International Shipping, and provides (i) as at today, mortgages on thirteen of the

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<sup>1</sup> Includes 10% advance payments on High Trust and High Priority, for a total of approximately US\$6.0 million

Group's owned vessels. On the last two vessel acquired in October 2007 (purchase options exercised) no mortgages were provided; (ii) an assignment in favour of the lenders of the time-charter agreements entered into by the Group; and (iii) a pledge over an account opened with Calyon S.A. into which the Group undertakes to pay the proceeds of its operating activities.

## CASH FLOW

Net cash flow for the period ended 30 September 2007 amounted to US\$25.3 million, increasing cash & cash equivalents to US\$39.2 million as at 30 September 2007, from US\$13.9 million at the end of December 2006.

9 Months 2007	9 Months 2006	US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006
73 576	56 133	Cash flow from operating activities	27 401	18 412
(6 803)	33 113	Cash flow from investing activities	(6 771)	(1 081)
(41 499)	(85 519)	Cash flow from financing activities	(38 495)	(12 147)
<b>25 275</b>	<b>3 671</b>	<b>Change in cash balance</b>	<b>(17 864)</b>	<b>5 183</b>
<b>25 275</b>	<b>3 671</b>	<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(17 864)</b>	<b>5 183</b>
13 932	10 494	Cash & cash equivalents at the beginning of the period	57 070	9 038
<b>39 207</b>	<b>14 165</b>	<b>Cash &amp; cash equivalents at the end of the period</b>	<b>39 206</b>	<b>14 165</b>

*Cash flow from operating activities*, for the nine months of 2007, amounted to US\$73.6 million, a 31.2% increase compared to US\$56.1 million for the same period last year. The improvement compared to the same period last year, was driven by higher EBITDA and decrease in indebtedness. For the third quarter of 2007, operating cash flow generated of US\$27.4 million was significantly higher (+48.8%) compared with the corresponding period of the previous year (US\$ 18.4 million); this improvement occurred despite less favourable market conditions over the third quarter 2007, and is attributable to lower financial charges and a higher cash inflow from changes in working capital, compared to the same period last year.

*Cash flow from investing activities* for the first three quarters of 2006 includes both the disposal of certain vessels, generating proceeds of around US\$70.0 million, and investments of US\$36.9 million, most of which for the acquisition of High Venture. In the first nine months of 2007, capital expenditures relate mainly to advance payments made in the third quarter, amounting to US\$6.0 million, for the vessel purchase options declared by d'Amico Tankers (High Trust and High Priority), and to dry-dock expenditures, amounting to US\$2.0 million; the only proceeds for the period are attributable to the sale of d'Amico Tanker Limited's share in an airplane.



*Cash flow from financing activities*, for the nine months of 2007 includes the refinancing of all previous loans, amounting to US\$240.2 million, through a US\$248.3 million draw-down of the new revolving facility, the payment of a US\$25.0 million dividend, proceeds from the Initial Public Offering of US\$94.5 million and the use of these proceeds to repay US\$115.0 million of the new revolving facility, and to buy-back d'Amico International Shipping's own shares for US\$3.6 million. In the first nine months of 2006, the Group experienced a substantial cash outflow from financing activities, arising mainly from repayments, amounting to US\$76.4 million, of loans with related parties. The financing cash outflow for the third quarter 2007 is mainly attributable to the repayment of US\$35.0 million in loans from our revolving facility.

## SIGNIFICANT EVENTS OF THE FIRST NINE MONTHS OF THE YEAR

### INITIAL PUBLIC OFFERING (IPO)

At the beginning of May 2007 d'Amico International Shipping was successfully listed on the Milan (Italy) Stock Exchange. The price for d'Amico International Shipping S.A.'s 68,976,957 shares offered (including 8,996,994 Greenshoe shares) was fixed at 3.5 Euros. The Italian Retail Offering, representing 5,998,500 shares, was five times oversubscribed, and at the offer price, the Institutional Placement, representing the remaining 62,978,457 shares, was over two times oversubscribed. The Retail Offering was reserved for the Italian public and the Institutional Offer, distributed to Institutional Investors in Italy and abroad, including a placement in the US to 144A investors. Dealings on the Mercato Telematico Azionario (MTA) – Star segment – organized and managed by Borsa Italiana S.p.A. started on 3 May 2007.

The strong level of interest expressed by Institutional Investors worldwide confirms the market's appreciation of the Group and of its history of growth. Joint Global Coordinators of the offering were JPMorgan and Capitalia. JPMorgan acted as sole bookrunner of the institutional offering. Capitalia acted as Lead Manager, Sponsor and Specialist of the offering. Tamburi Investment Partners S.p.A. acted as financial advisor. Bain & Company Italy acted as industrial advisor.

### JOINT-VENTURE WITH GLENCORE

Following signing of the letter of Intent, dated 9 June 2007, d'Amico International Shipping S.A. and the Glencore Group signed the Joint Venture Agreement for Glenda International Shipping Ltd (Ireland) on 5 November 2007.

The 50/50 joint venture has purchased four new 51,000 DWT product / chemical tankers under construction, which are to be delivered between the end of 2008 and the beginning of 2009.

Glencore International AG (Switzerland), is one of the world's largest suppliers of a wide range of commodities and raw materials to industrial consumers. Glencore is one of the largest non-integrated oil suppliers by volume and handles the physical supply of some 3% of the world's daily oil consumption of Crude Oil and Refined Products.

The relevance of this deal is significant considering:

- it reinforces d'Amico International Shipping Group's new building program and growth strategy;
- that the contract price obtained for the ships – US\$48.6 million each – is very interesting compared with the current market value of comparable vessels that today is estimated at around US\$56 million<sup>1</sup>;
- the early delivery date of the vessels;
- the interesting specifications of the vessels, which have modern deep well pumps and are IMO III classed.

<sup>1</sup> Source: Clarksons' Research Services.

## TONNAGE TAX

d'Amico International Shipping's Irish operating subsidiary, d'Amico Tankers Limited, successfully entered the Irish Tonnage Tax regime, effective from 1 January 2007 (i.e. accounting period 1 January 2007 to 31 December 2007), for a period of 10 years. In the tonnage tax regime, tax is charged on income calculated on a notional basis rather than on the accounting profit. This notional income is calculated by reference to the ship's size. Activities, which do not fall within the tonnage tax regime, are taxed at 12.5%.

## CHANGES TO CONTROLLED FLEET

As planned and disclosed in the IPO prospectus, the single hull MR vessels, High Seas and High Tide, both time chartered by d'Amico Tankers Limited, were redelivered to owners on 22 June 2007 and on 5 July 2007, respectively. Following these redeliveries, d'Amico International Shipping's fleet comprises only double hull vessels.

On 10 August 2007, Handytankers Spirit, a Handy size chartered-in vessel, in which the Group has a 50% interest, was delivered to d'Amico Tankers Ltd.

The time charter-in contract for High Nefeli, which would have expired on March 2008, was extended for another three years to March 2011.

## VESSEL OPTIONS EXERCISE

During the first nine months of 2007, d'Amico Tankers Ltd., the fully-owned operating subsidiary of d'Amico International Shipping, exercised the Purchase options on High Trust and High Priority, two MR vessels, previously on Time Charter, for US\$32.1 million (Yen 3.69 billion) and US\$29.1 million (Yen 3.35 billion), respectively. The purchase price of both vessels was substantially below their current market value, of approximately US\$55 million for High Trust, and US\$57 million for High Priority.

Respecting the Group's fleet expansion strategy, d'Amico Tankers Ltd. declared the purchase option on High Trust on May 2007. On 24 July 2007, the Group paid to High Trust's owners an advance of Yen 368.5 million (US\$3.1 million<sup>1</sup>), or approximately 10% of the vessel's exercise price. The transaction was finalized on 5 October 2007, when the vessel was delivered and the final instalment of the vessel's acquisition price paid. The vessel's total acquisition cost was of Yen 3.7 billion (US\$ 32.1 million<sup>2</sup>).

In addition, on September 2007, d'Amico Tankers Ltd. announced the early exercise of High Priority's purchase option – the option was originally exercisable starting in 2010, but d'Amico Tankers Ltd. managed to negotiate with the former owner an anticipation of such exercise date. On 28 September 2007, d'Amico Tankers Limited paid to High Priority's owners an advance of Yen 335.0 million (US\$2.9 million<sup>3</sup>), or approximately 10% of the vessel's exercise price. On 12 October 2007, High Priority became an owned vessel of d'Amico Tankers Ltd., and on around the same date, the second and final instalment of the vessels' purchase price was paid. The vessel's total acquisition price was of Yen 3.35 billion (US\$29.1 million<sup>4</sup>).

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<sup>1</sup> Converted at the Yen/US\$ exchange at date of transaction (24 July 2007), of Yen120.95 per US\$1.

<sup>2</sup> Actual price in US\$, corresponding to an average Yen/US\$ exchange rate of Yen 115.03 per US\$1.

<sup>3</sup> Converted at the Yen/US\$ exchange at date of transaction (28 September 2007), of Yen114.96 per US\$1.

<sup>4</sup> Actual price in US\$, corresponding to an average Yen/US\$ exchange rate of Yen 114.96 per US\$1.

## BUY BACK PROGRAM

On 3 July 2007, the extraordinary shareholders' general meeting of d'Amico International Shipping, duly convened and regularly held pursuant to applicable provisions, approved a resolution authorizing the Board of Directors of d'Amico International Shipping to effect on one or several occasions repurchases of d'Amico International Shipping's shares on the regulated market on which its shares are admitted for trading during a period of eighteen (18) months from the date of the shareholder's meeting, for a maximum of 14,994,990 ordinary shares, corresponding to 10% of the subscribed capital of d'Amico International Shipping, within a price ranging from one euro (€1) per share to five euros per share (€5). The maximum potential outlay on purchases for the operation is therefore equal to €75 million:

Repurchases of d'Amico International Shipping shares were approved to:

- enable d'Amico International Shipping to use its own shares for sale and/or swaps which might be pursued in the ordinary course of business;
- to pursue transactions in line with d'Amico International Shipping's strategy, involving an exchange, transfer, contribution, pledge, allocation, or assignment, of own shares.
- to allocate own shares for the implementation of stock option plans.

As at 5 November 2007, d'Amico International had repurchased 1,030,793 shares (0.69% of the outstanding share capital), for EUR 3.5 million.

## SIGNIFICANT EVENTS SINCE THE END OF THE THIRD QUARTER AND BUSINESS OUTLOOK

### VESSEL OPTIONS EXERCISE

As disclosed above (significant events of the first nine months of the year), two MR vessels, High Trust and High Priority, previously time chartered by d'Amico Tankers Limited, became owned vessels of the Group on 5 October 2007 and 12 October 2007, respectively. The Group financed part of the payment for the two vessels, for an amount of US\$ 45 million, by drawing down its existing revolving facility. As a result of these transactions, the Group's gross debt as at 31 October 2007 was of US\$ 180 million.

The purchase price of High Trust (US\$ 32.1 million) and High Priority (US\$29.1 million) was substantially below their current market value, of approximately US\$55 million and US\$57 million respectively.

### BUSINESS OUTLOOK

The key drivers that should affect product tanker freight markets in the fourth quarter are:

- Revival of imports into United States coupled with a switch to winter grade products, driven also by low stocks of US gasoline and distillate stocks (10% lower than same time last year according to Group estimates).
- Continued discharge port delays in East and West Africa, absorbing available tonnage.
- Strong demand for IMO classed vessels for Vegetable and Palm oil transportation.
- Arbitrage for long haul trade of petroleum products to US West Coast and Western hemisphere via Suez, opening up again.

Looking beyond 2007 we expect some of the key drivers of freight rates will be:

- A substantial influx of new buildings in 2008 and 2009.
- High Oil prices, which are likely to remain at recent historic high levels, dampening, otherwise strong worldwide GDP and oil demand growth rates.

However to a large degree we expect these drivers to be offset by:

- A further tightening of vetting and screening procedures from oil companies, favouring modern, double hull vessels operated by owners with full in-house ship-management and crewing.
- An additional acceleration of scrapping of older single-hull vessels. According to Clarkson's research, there are still 318 vessels expected to be scrapped in the 25-55.000 metric ton deadweight segment by the 2010 IMO phase out.

- Substantial increases in forecasted product refining capacity, averaging approximately 2.6<sup>1</sup> million barrels per day (mmbd) per annum, from 2008 to 2010 (increase in 2007 is expected to be of only 1.0 mmbd<sup>1</sup>).
- An increase in request for long-haul voyages, driven by a growing dislocation between refining capacity and demand – the majority of the new refining capacity is being added in South East Asia and the Middle East, far away from the key consuming areas of Europe and North America.
- Ability of modern refineries, often located far from the consuming regions to:
  - Meet increasing demand for specialised products arising from new US and European environmental regulations.
  - Process sour crude, which should represent most of the future growth in crude production (smaller capacity to scale-up production of sweet crude).
- Increased demand for IMO Classed vessels to cover the strong and growing demand, for the carriage of Vegetable and Chemical products.

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<sup>1</sup> Source: IEA/Jefferies.

**d'AMICO INTERNATIONAL SHIPPING GROUP  
INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES AS AT 30 SEPTEMBER 2007**

## CONSOLIDATED INCOME STATEMENT

<i>US\$ Thousand</i>	Note	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
Revenue	2	70 532	73 324	242 620	225 062
Voyage costs	3	(12 837)	(10 630)	(45 167)	(39 351)
<b>Time charter equivalent earnings</b>	4	<b>57 695</b>	<b>62 694</b>	<b>197 453</b>	<b>185 711</b>
Time charter hire costs	5	(22 524)	(25 398)	(72 583)	(79 745)
Other direct operating costs	5	(8 331)	(7 054)	(24 776)	(20 312)
Result on disposal of vessels	6	-	-	-	29 978
General and administrative costs	5	(4 042)	(1 930)	(14 941)	(6 046)
Other operating income	5	1 211	690	2 696	2 070
<b>Gross Operating Profit</b>		<b>24 009</b>	<b>29 003</b>	<b>87 849</b>	<b>111 658</b>
Depreciation	7	(7 243)	(5 868)	(21 982)	(16 965)
<b>Operating Profit</b>		<b>16 766</b>	<b>23 135</b>	<b>65 868</b>	<b>94 693</b>
Net financial income (charges)	8	954	(3 278)	(8 876)	(12 275)
Income taxes	9	135	(1 843)	9 896	(6 647)
<b>Net profit</b>		<b>17 854</b>	<b>18 014</b>	<b>66 888</b>	<b>75 772</b>
<b>Attributable to:</b>					
Equity holders of the parent		<b>17 854</b>	<b>18 014</b>	<b>66 888</b>	<b>75 772</b>
Minority interests		-	-	-	-
<b>Earnings per share<sup>1</sup></b>		<b>0.119</b>	<b>0.120</b>	<b>0.446</b>	<b>0.505</b>

<sup>1</sup> Since d'Amico International Shipping was only incorporated in 2007, to enable comparability, earnings per share for Q3 and the first Three Quarters of 2006 were calculated by dividing the profit for the period by d'Amico International Shipping's shares outstanding as at 30 September 2007 (149,949,907 shares).



## CONSOLIDATED BALANCE SHEET

<i>US\$ Thousand</i>	Note	As at 30 September 2007	As at 30 June 2007	As at 31 December 2006
<b>ASSETS</b>				
<b>Non current assets</b>				
Intangible assets	10	196	15	-
Tangible assets	11	362 189	362 845	377 571
Financial fixed assets	12	4	4	50
<b>Total non current assets</b>		<b>362 389</b>	<b>362 864</b>	<b>377 621</b>
<b>Current assets</b>				
	13			
Inventories		5 197	7 223	5 213
Receivables and other current assets		39 303	40 103	39 149
Cash and cash equivalents		39 206	57 070	13 932
<b>Total current assets</b>		<b>83 707</b>	<b>104 396</b>	<b>58 294</b>
<b>Total assets</b>		<b>446 096</b>	<b>467 260</b>	<b>435 915</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Shareholders' equity</b>				
Share capital		149 950	149 950	159
Retained earnings		66 888	49 034	154 367
Other reserves		69 935	73 508	(536)
<b>Total shareholders' equity</b>		<b>286 773</b>	<b>272 492</b>	<b>153 990</b>
<b>Non current liabilities</b>				
	14			
Banks and other lenders		133 406	168 327	187 724
Other non current liabilities		-	-	10 169
<b>Total non current liabilities</b>		<b>133 406</b>	<b>168 327</b>	<b>197 893</b>
<b>Current liabilities</b>				
	15			
Banks and other lenders		-	-	16 000
Other financial current liabilities		-	-	36 496
Payables and other current liabilities		25 917	26 441	31 536
<b>Total current liabilities</b>		<b>25 917</b>	<b>26 441</b>	<b>84 032</b>
<b>Total liabilities &amp; shareholders' equity</b>		<b>446 096</b>	<b>467 260</b>	<b>435 915</b>

## CONSOLIDATED CASH FLOW STATEMENT

US\$ Thousand	9 Months 2007	9 Months 2006
<b>Net Profit</b>	<b>66 888</b>	<b>75 772</b>
Depreciation and amortisation	21 982	16 965
Current and deferred income tax	(9 896)	6 646
Financial charges	8 876	12 275
Profit on disposal of fixed assets	-	(29 978)
Other non-cash items	2	-
<b>Cash flow from operating activities before changes in WC</b>	<b>87 852</b>	<b>81 680</b>
Movement in stocks	15	(979)
Movement in amounts receivables	(153)	(7 555)
Movement in amounts payable	1 677	(7 903)
Taxes paid	(4 539)	-
Interest paid	(11 275)	(9 110)
<b>Net cash flow from operating activities</b>	<b>73 576</b>	<b>56 133</b>
Acquisition of fixed assets	(8 713)	(36 891)
Proceeds from the disposal of fixed assets	1 915	70 005
Acquisition of investments	(4)	-
<b>Net cash flow from investing activities</b>	<b>(6 803)</b>	<b>33 114</b>
Movement in amounts due from parent company	(38 914)	(76 393)
Share capital increase	94 556	-
Other changes in shareholders' equity	(593)	2
Treasury Shares	(3 554)	-
Bank loan repayments	(316 400)	(181 127)
Bank loan draw-downs	248 406	172 000
Dividend paid	(25 000)	-
<b>Net cash flow from financing activities</b>	<b>(41 499)</b>	<b>(85 519)</b>
<b>Change in cash balance</b>	<b>25 275</b>	<b>3 727</b>
<b>Net increase/ (decrease) in cash &amp; cash equivalents</b>	<b>25 275</b>	<b>3 727</b>
Cash & cash equivalents at the beginning of the period	13 932	10 494
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>39 206</b>	<b>14 222</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

US\$ Thousand	Share Capital	Retained Earnings	Other Reserves	Total
<b>Balance as at 1 January 2007</b>	<b>159</b>	<b>154 367</b>	<b>(536)</b>	<b>153 990</b>
Initial paid in capital	35	-	-	35
Dividend paid	-	(25 000)	-	(25 000)
Share capital increase	149 807	(128 814)	73 528	94 521
Other changes	(51)	(553)	516	(107)
Treasury Shares	-	-	(3 554)	(3 554)
Profit for the period	-	66 888	-	66 888
<b>Balance as at 30 September 2007</b>	<b>149 950</b>	<b>66 888</b>	<b>69 935</b>	<b>286 773</b>

## EXPLANATORY NOTES

The d'Amico International Shipping Group has adopted International Financial Reporting Standards (IFRS – International Financial Reporting Standards and IAS – International Accounting Standards) as issued by the 'IASB' (International Accounting Standards Board) and endorsed by the European Union. The designation 'IFRS' also includes all valid International Accounting Standards ('IAS'), as well as all interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), formerly the Standing Interpretations Committee ('SIC').

The Interim report has been prepared in compliance with IAS 34 - *Interim financial reporting*. The amounts are expressed in U.S. Dollars, which is the functional currency of the Group.

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### 1. ACCOUNTING POLICIES

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This interim report has been prepared applying the same accounting principles adopted for d'Amico Tankers Limited's (Ireland) previous years' financial statements and for the combined financial statements as at 31 December 2006 included in the Prospectus, dated 26 April 2007, prepared for the listing of the shares (Initial Public Offering). It should be noted that the adjustment of US\$12.1 million, relating to the accumulated depreciation, made in the combined financial statements, shown in the Prospectus for the listing process, has been eliminated in these interim accounts, as this combining adjustment was only included for comparison purposes with respect to prior years results.

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

#### BASIS OF CONSOLIDATION

This interim report presents the results of the parent company, d'Amico International Shipping SA, and its subsidiaries for the third quarter of 2007, and for the nine months ended 30 June 2007. d'Amico International Shipping was incorporated under Luxembourg law on 9 February 2007 and, following a reorganisation of the entities under d'Amico Group control, it acquired the shares of d'Amico Tankers Limited, comprising the tanker activities of the d'Amico Group. The results for the quarter therefore include those of the entities part of the d'Amico International Shipping Group following the reorganisation and starting from January 2007, which represents the date when control was effectively transferred. The 2006 comparative data is presented on a consistent and combined basis, making reference to the entities in place at that time.

The assets and liabilities of the parent and subsidiary companies are consolidated on a line-by-line basis and the carrying value of the investments held by the parent company and other consolidated subsidiaries is eliminated against shareholders' equity. Intra-group balances and transactions, and gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements, as well as unrealised gains and losses from intra-group operations.

## REVENUE

All freight revenues and voyage expenses are recognised on a percentage of completion basis. The discharge to discharge basis is used in determining percentage of completion for all spot voyages and voyages servicing COAs. Under this method, the freight revenue is recognised evenly over the period from the departure of a vessel from its original discharge port to departure from the next discharge port. Revenues from time charters accounted for as operating leases are recognised on pro rata temporis basis over the rental periods of such charters, as service is performed.

Revenue received from the partnership arrangements is based on the participation of the Group's vessels in the pools, calculated by using the number of employment vessel days as adjusted by share of pool points, where applicable. Revenue received from the participation in the Handytankers Pool is accounted for on a time charter equivalent basis and is net of voyage costs and fees associated with the pool.

Revenue received from demurrage is recognised at the completion of the voyage. It represents the compensation estimated as a result of exceeding the permitted time for discharging a vessel. These revenues are accounted for net of the provision made in respect of demurrage claims where full recovery is not anticipated.

## VOYAGE COSTS AND OTHER DIRECT OPERATING COSTS

Voyage costs are incurred in connection with the employment of the fleet in the spot market and under COAs (contracts of affreightment).

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

## FIXED ASSETS, DEPRECIATION AND IMPAIRMENT

The value of the owned vessels is shown on the balance sheet at cost less accumulated depreciation and any impairment loss. Cost represents the acquisition cost of the vessels as well as other costs which are directly attributable to the acquisition or construction of the vessel. When a vessel is acquired, the cost is analysed between its various components being vessel cost, tank coatings and estimated dry dock element.

Depreciation is provided on the vessels on a straight line basis over their expected useful economic life from the date the vessels were constructed, after allowing for a residual value based on current prevailing market scrap rates. The vessel tank coatings are depreciated over ten years and the estimated dry dock element is depreciated over the period to the expected first dry dock. Write down is made for any impairment of vessels. The remaining useful economic life is estimated at the date of acquisition or delivery from the shipyard and is reassessed yearly. The new vessels contracted are estimated to have a useful economic life of 17 years.

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

To comply with industry certification or governmental requirements, the vessels are required to undergo planned major inspections or classification (dry-docking) for major

repairs and maintenance, which cannot be carried out while the vessels are operating. The costs of dry-docking are capitalised and amortised over the period to the next dry-docking, estimated at 30 months. If the next dry-docking of a vessel is performed in less than 30 months from the last dry-docking date, the balance on the original dry-dock is written off.

#### **IMPAIRMENT CHARGES**

At each reporting date, it is assessed whether there is any indication that an asset may be impaired. Impairment charges are recognised whenever the carrying amount of an asset or equipment exceeds its recoverable amount. Recoverable amount is normally defined as the higher of an asset's fair value less costs to sell and its value in use, that is, the net present value of the cash flow from its remaining useful life. In assessing value in use the estimated future cash flow from its remaining useful life are discounted to their present value. An impairment loss recognised in prior years is reversed if the current estimated value in use is higher than at the time the impairment loss was recognised.

Management judgment is critical in assessing whether events have occurred that may impact the carrying value of our vessels, and in developing estimates of the future cash flow, future charter rates, ship-operating expenses, and the estimated remaining useful lives and residual values of the vessels. These estimates are based on historical trends as well as future expectations.

#### **DISPOSAL OF VESSELS**

The profits or losses incurred on the disposal of vessels are recognized when the significant risks and rewards of ownership of the vessel have been transferred to the buyer, and these are measured as the sale price net of costs relating to the disposal and the carrying amount of the vessel.

#### **INVENTORIES**

Inventories relate to Intermediate Fuel Oil (IFO), Marine Diesel Oil (MDO) and Luboil on board ships. IFO and MDO inventories of fuel on board the vessels are shown at cost calculated using the first in first out method, while Luboil inventories represent their estimated replacement cost.

#### **TAXATION**

The company and its subsidiaries have elected to be taxed under the Irish Tonnage Tax regime in respect of all eligible activities. Certain minor activities will not fall within the tonnage tax regime and will continue to be subject to standard rates of corporation tax. These activities will also give rise to deferred tax assets and liabilities. The tonnage tax charge arising, is included within the income tax charge in the Consolidated Income Statement. For all of the activities which fall outside tonnage tax, income tax expense represents the tax charge based on the result for the year adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates enacted or substantially enacted as at the balance sheet date.

Deferred tax represents the tax it is expected to pay or recover on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit. It is accounted for using the balance sheet liability method. Liabilities relating to deferred tax are generally recognised for all taxable temporary differences. Assets relating to deferred tax are recognised to the extent that it is probable that taxable profits will be

available against which deductible temporary differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced in the event that it is not considered probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the applicable tax rates during the period when liability is settled or the asset realised. It is charged or credited in the combined income statement, unless it relates to items charged or credited directly to equity, in which case the deferred tax is also accounted for in equity.

Deferred tax assets and liabilities are offset if they relate to income taxes levied by the same tax authority and we intend to settle our current tax assets and liabilities on a net basis.

Income taxes are recognised in the interim report based upon the best estimate of the weighted average income tax rate expected for the full financial year.

#### **FOREIGN EXCHANGE RATES**

Most of the Groups' revenues and costs are denominated in U.S. dollars. Transactions during the year in currencies other than U.S. dollars have been translated at the appropriate rate ruling at the time of the transactions. Assets and liabilities denominated in currencies other than the U.S. dollar have been translated into U.S. dollars at the rate ruling at the balance sheet date. All exchange differences have been accounted for in the retained earnings account.

In the consolidated financial statements, the results of some minor subsidiaries undertakings which do not report in United States Dollars are translated at the average rate and the balances of these undertakings are translated at the period end exchange rates. Exchange differences arising on the re-translation of opening net assets and results for the period are dealt with directly in equity.

#### **DERIVATIVES INSTRUMENTS**

Derivative financial instruments are used to hedge our exposure to interest rate risks and currency fluctuations. They are initially recognized at cost and subsequently stated at fair value.

Interest rate swaps representing cash flow hedges are stated at fair value. Unrealised gains or losses on the effective part of the hedge are accounted for directly in equity. The unrealised gain or loss on any ineffective parts of the hedge or any other interest rate swaps not qualifying for hedge accounting are dealt with in the income statement as part of the net finance costs.

Forward currency contracts used to partially hedge exposure on the vessel purchase options denominated in Japanese yen are recorded in the balance sheet at fair value. The gains or losses are dealt with in the income statement as part of net finance costs.

#### **CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATES**

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

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

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

## SEGMENT INFORMATION

d'Amico International Shipping only operates in one business segment: Product Tankers. With reference to geographical area, the Group only has one geographical segment, considering the global market as a whole, and the fact that individual vessels deployment is not limited to a specific area of the world. As a result, no segment information is needed.

## 2. REVENUE

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
	70 532	73 324	242 620	225 062

Vessel income, representing revenues received for hire, freight, demurrage and our participation in pools.

## 3. VOYAGE COSTS

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
Bunkers (fuel)	(7 450)	(6 810)	(26 115)	(21 494)
Commissions payable	(1 773)	(1 131)	(5 123)	(5 928)
Port charges	(3 597)	(2 683)	(13 804)	(12 557)
Other	(18)	(6)	(124)	(2)
Total voyage costs	(12 837)	(10 630)	(45 166)	(39 351)

Voyage costs are operating costs resulting from the employment, direct or through our partnerships, of the vessels of our fleet, in voyages undertaken in the spot market and under Contracts of Affreightment. Time charter contracts are net of voyage costs.



#### 4. TIME CHARTER EQUIVALENTS EARNINGS

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
	57 695	62 695	197 453	185 711

Time charter equivalents earnings represent revenue less voyage costs. It represents the standard industry measure, to be used also for comparative purposes.

#### 5. TIME CHARTER IN COSTS, OTHER DIRECT OPERATING COSTS, GENERAL AND ADMINISTRATIVE COSTS, AND OTHER OPERATING INCOME

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
Time charter hire costs	(22 524)	(25 398)	(72 583)	(79 745)
Other direct operating costs	(8 331)	(7 054)	(24 776)	(20 312)
General and administrative costs	(3 881)	(1 930)	(14 780)	(6 046)
Other Operating Income	1 211	690	2 696	2 070

Time charter hire costs represent expenses we incur for chartering in vessels from a third party.

Other direct operating costs include crew costs, technical expenses, technical and quality management fees, insurance costs, and sundry expenses originating from the operation of the vessel.

General and administrative costs include salaries paid to on-shore personnel, rent, foreign exchange gains and losses' arising from the company's operating activities, and other sundry expenses originating from the operation of d'Amico International Shipping's group companies.

Other operating income reflects management commissions earned for services provided to the Handytankers pool.

#### 6. RESULT ON DISPOSAL OF VESSELS

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
	-	-	-	29 978

Result on disposal of vessels, is equal to the vessel's sale price net of costs relating to its disposal, less its accounting net book value at the time of sale. No sales of vessel occurred during the first quarter of 2007.

## 7. DEPRECIATION

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
	(7 243)	(5 868)	(21 981)	(16 965)

Depreciation charges essentially refer to the depreciation of the acquisition cost of owned vessels. In addition, it includes amortisation of owned vessels' dry-docks costs, as well as depreciation of furniture, fittings and equipment.

Dry-dock depreciation for the first nine months of 2007 and 2006 amounted to US\$1.2 million and US\$1.0 million, respectively, and for the third quarter of 2007 and 2006, to US\$0.4 million and US\$0.3 million, respectively.

## 8. NET FINANCIAL INCOME (CHARGES)

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
Financial costs	195	(3 390)	(10 504)	(12 535)
Financial income	758	113	1 628	261
Net financial charges	954	(3 278)	(8 876)	(12 275)

Financing costs includes interest expense on bank loans, fees paid to banks relating to bank loans, expense relating to swap arrangements, and net losses on the mark to market of foreign exchange derivative instruments. Financial income includes interest income, and net gains on the mark to market of foreign exchange derivative instruments.

Foreign exchange derivative instruments resulted in a gain of US\$1.4 million for the third quarter of 2007, and in a loss of US\$0.6 million for the first nine months of 2007. There were no foreign exchange derivative instruments outstanding during the first three quarters of 2006.

Expenses relating to interest rate swap arrangements for the first nine months of 2007 and 2006 amounted to US\$0.4 million and US\$ 1.0 million, respectively, and for the third quarter of 2006 to US\$0.3 million. There were no Swap arrangements in place during the third quarter of 2007.

## 9. INCOME TAXES

US\$ Thousand	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
	135	(1 843)	9 896	(6 647)

Taxes for the d'Amico International Shipping Group are attributable almost entirely to profits generated by the d'Amico Tankers Limited subsidiary, incorporated in Ireland. Taxes for d'Amico Tankers Limited, in 2006 were calculated assuming the Irish

Corporate income tax rate of 12.5% of the profit on ordinary activities (as that profit is adjusted for tax purposes). Capital gains were subject to a tax rate of 20%.

In June 2007, however, d'Amico Tankers Limited elected to be taxed under the Irish Tonnage Tax regime in Ireland, effective from 1 January 2007. 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.

Entry into the regime resulted in the complete reversal of the 2007 opening balance for deferred tax liabilities, amounting to US\$10.1 million, which has now been fully credited to income. Income tax for the third quarter of 2007 results from a reduction in the estimated tax liabilities for fiscal year 2006, and from a downward revision in tonnage tax charges for the first half of 2007.

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## 10. INTANGIBLE ASSETS

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Intangible Fixed assets (US\$ 196 thousand as at 30 September 2007) represent the acquisition cost less depreciation, of our software licenses.

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## 11. TANGIBLE ASSETS

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<b>US\$ Thousand Cost</b>	Fleet	Dry-Dock	Other Assets	Total Tangible
At January 1, 2007	411 428	3 050	2 042	416 519
Additions	5 971	2 029	506	8 507
Impairment provision	-	-	2	-
Disposal	-	(717)	(2 044)	(2 761)
Exchange Differences	-	-	-	-
At September 30, 2007	417 399	4 362	506	422 268
<b>Depreciation</b>				
At January 1, 2007	37 949	871	129	38 949
Charge for the period	20 704	1 212	57	21 974
Disposal	-	(717)	(129)	(846)
Exchange Differences	-	-	2	2
At September 30, 2007	58 653	1 366	59	60 001
<b>Net Book Value</b>				
At September 30, 2007	358 746	2 996	447	362 189
At December 31, 2006	373 479	2 179	1 913	377 571

Tangible fixed assets are comprised of:

- The Fleet – includes the acquisition cost for owned vessels, and payments to yards for vessels under construction;
- Dry-Docks – includes expenditures for the fleet's dry docks;

- Other Assets – include fixtures, fittings and office equipment. As at 31 December 2006, it included also d'Amico Tankers Limited's share of an aircraft, which was, however, sold in the first quarter of 2007.

The facility currently in place provides mortgages on each of the vessels owned by the Group.

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## 12. FINANCIAL FIXED ASSETS

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Financial fixed assets, as at 30 September 2007 (US\$ 4 thousand), represent the book value of our investment in Handytankers K/S.

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## 13. CURRENT ASSETS

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US\$ Thousand	As at 30 September 2007	As at 30 June 2007	As at 31 December 2006
Inventories	5 197	7 223	5 213
Receivables and other current assets	39 303	40 103	39 149
Cash and Cash equivalents	39 206	57 070	13 932
Total	83 707	104 396	58 294

Inventories represent stocks of Intermediate Fuel Oil (IFO) and Marine Diesel Oil (MDO) on board ships.

Receivables, as at 30 September 2007, include trade receivables amounting to US\$31.4 million, and receivables from other debtors amounting to US\$1.9 million. Other current assets, as at the end of the first nine months of 2007, consist of prepayments and accrued income amounting to US\$6.0 million.

Cash and Cash Equivalents relate to the Cash available at the end of the period, which is mainly represented by short term deposits. The amount also includes about US\$2.5 million of cash held by Pool companies which will be distributed to other pool participants.

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## 14. NON CURRENT LIABILITIES

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US\$ Thousand	As at 30 September 2007	As at 30 June 2007	As at 31 December 2006
Banks and other lenders	133 406	168 327	187 724
Other non current liabilities	-	-	10 169
Total	133 406	168 327	197 893

The debt balance due to banks and other lenders as at 30 September 2007 relates to the amount outstanding of US\$135.0 million (less the unamortized portion of the arrangement fees paid at draw-down, amounting to US\$1.6 million), under the new

US\$350.0 million revolving loan facility (of which US\$334.5 million available for draw-down as at 30 September 2007) negotiated with Calyon and other banks. Key terms and conditions of the new facility have been disclosed in the Report on Operations section.

This facility allowed d'Amico International Shipping to fully refinance bank debt outstanding as at 31 December 2006, amounting to US\$201.4 million, of which the non-current portion amounted to US\$185.4 million, and to repay US\$38.8 million in debt due to related parties (subsidiaries of the ultimate parent company d'Amico Società di Navigazione S.p.A.) as at 31 December 2006. Of the debt due to related parties as at 31 December 2006, US\$36.5 million represented current liabilities, and US\$2.3 million were classified as non current liabilities, within banks and other lenders, and represent shareholder loans from d'Amico International SA, d'Amico International Shipping's parent company, to d'Amico Mitsubishi Shipping, a subsidiary of the d'Amico International Shipping.

Other non current liabilities as at 31 December 2006 represent deferred taxes. d'Amico International Shipping's entry into tonnage tax, in June 2007, led to a reversal of this amount at 30 September 2007.

## 15. CURRENT LIABILITIES

US\$ Thousand	As at 30 September 2007	As at 30 June 2007	As at 31 December 2006
Banks and other lenders	-	-	16 000
Other financial current liabilities	-	-	36 496
Payables and other current liabilities	25 917	26 441	31 536
Total	25 917	26 441	84 032

Banks and other lenders as at 31 December 2006, relates to the current portion of the bank loans outstanding at that time. The new loan facility has been shown as at 30 September 2007, entirely under long-term debt, since no amortization of the drawn-down amount is required and future facility reductions will not reduce availability over the next twelve months, below indebtedness outstanding as at 30 September 2007. Key terms and conditions of the new facility have been disclosed in the Report on Operations section.

As at 31 December 2006, other current financial liabilities included loans to d'Amico Finance Limited, a d'Amico Group company outside the consolidation perimeter, amounting to US\$36.5 million.

Payables and other current liabilities as at 30 September 2007, include mainly Trade payables and accrued and deferred income amounting to US\$24.8 million.

## 16. RELATED PARTIES TRANSACTION

During the first nine months of 2007, d'Amico International Shipping had transactions with related parties, including its ultimate Italian parent company, d'Amico Società di Navigazione S.p.A (DSN) and certain of DSN's subsidiaries (d'Amico Group). These

transactions have been carried out on the basis of arrangements negotiated on an arm's length basis on market terms and conditions.

These transactions include a management service agreement (for technical, crewing and IT services) with d'Amico Group companies, and a brand fee with d'Amico Società di Navigazione S.p.A., for a total cost amounting to US\$2.5 million, in the first nine months of 2007. In addition, time charter hire costs for three Handy size vessels, chartered from d'Amico Shipping Italia, amounted to US\$14.5 million during the first three quarters of 2007. The related party transactions also include purchases of Intermediate Fuel Oil and Marine Diesel Oil, from Rudder SAM, a d'Amico Group controlled company, amounting to US\$21.5 million. The Group's Income statement for the first three quarters of 2007, also includes interest expense charged by d'Amico Finance, amounting to US\$1.2 million on loans entirely repaid as at 30 June 2007.

With effect from 1 August 2007 the ship management agreement between d'Amico Tankers Ltd and d'Amico Ireland Limited was novated to d'Amico Società di Navigazione SpA. All terms and conditions of the above agreement, including the remuneration, remain unchanged.

On 5 November 2007, to comply with Italian Stock Exchange rules, d'Amico Società di Navigazione S.p.A. and d'Amico International Shipping S.A entered into an agreement pursuant to which d'Amico Società di Navigazione S.p.A will provide consulting services to the Group.

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## **17. DERIVATIVES INSTRUMENTS**

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d'Amico International Shipping has hedged its Yen exposure to High Trust and High Priority's purchase options, which it has decided to exercise, through the forward acquisition of Yen. These forward contracts, open as at 30 September 2007, had a total nominal value of ¥3,319.7 million for High Trust and ¥3,015.0 million for High Priority, and matured on 2 October 2007 and 9 October 2007, respectively. d'Amico had no other exposure to derivative instruments as at 30 September 2007, having closed the interest rate swap contracts positions open as at 31 December 2006, at the end of March 2007.

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## 18. COMMITMENTS AND CONTINGENCIES

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### CAPITAL AND OPERATING COMMITMENTS

As at 30 September 2007, the Group's total capital commitments amounted to US\$189.9 million, of which payments over the next twelve months amount to US\$115.1 million. Total capital commitments are comprised of:

- Payments for 51% of two vessels bought in joint-venture with Mitsubishi, through d'Amico Mitsubishi Shipping, amounting to Yen 4.32 billion (US\$37.5 million<sup>1</sup>), of which commitments over the next twelve months amount to Yen 0.45 billion (US\$3.9 million<sup>1</sup>);
- Payments for 50% of four vessels bought in joint-venture with St Shipping PTE Limited (a Glencore International AG Group Company). Our share of these commitments amounts to US\$97.2 million, of which our share of commitments over the next twelve months amount to US\$55.9 million;
- High Trust's acquisition option final payment, of Yen 3.3 billion (US\$29.0 million<sup>2</sup>), which occurred on 2 October 2007. The vessel's total cost, including the 26 July 2007 advance payment, was of US\$32.0 million.
- High Priority's acquisition option final payment, of Yen 3.0 billion (US\$26.3 million<sup>2</sup>), which occurred on 9 October 2007. The vessel's total cost including the 28 September advance payment, was of US\$29.1 million.

As at 30 September 2007, the Group's minimum operating lease rental commitments amounted to US\$984.6 million<sup>3</sup>, of which commitments over the next twelve months total US\$105.5 million<sup>3</sup>.

### PURCHASE OPTIONS

As previously disclosed, d'Amico Tankers Ltd. has exercised the purchase option on High Trust and High Priority, vessels it previously time chartered. In addition to these options, d'Amico Tankers Ltd. has currently in place another 13 vessel purchase options (for 10.1 vessels equivalent, since some of the options are on partially controlled vessels) on time chartered vessels, 7 (6.3 vessels equivalent) of which on vessels it currently controls, and the remaining on vessels to be delivered. Exercise of these options is at the discretion of the Group based on the conditions prevailing at the date of the option. It should be noted that the agreed exercise prices of a number of these options are significantly lower than the current market value of the chartered vessels.

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<sup>1</sup> Converted at Yen/\$ exchange rate as at 19 October 2007, of Yen 115.38 per \$1.

<sup>2</sup> Converted at Yen/\$ exchange rate at respective dates of last payment, of Yen114.41 per \$1 on 3 October 2007 for High Trust and of Yen114.65 on 9 October 2007 for High Priority.

<sup>3</sup> Excludes Time Charter Expense for High Trust and High Priority, from their respective dates of acquisition, on 5 October 2007 and 12 October 2007.

## ONGOING DISPUTES

The Group is currently involved in a number of on-going commercial disputes concerning both our owned and chartered vessels. The majority of current disputes relate to cargo contamination claims. In addition, there is also a collision dispute and a repudiation of charter claim. The disputes are mostly covered by our P&I Club insurance and we expect that our financial exposure will be limited to the value of the appropriate insurance policy deductibles.

## TONNAGE TAX DEFERRED TAXATION

Effective 1 January 2007 the group entered the Irish tonnage tax regime. The regime includes provision whereby a proportion of capital allowances previously claimed by the company may be subject to tax in the event that vessels are sold and not replaced within the specified time limit or the group fails to comply with the ongoing requirements to remain within the regime. The theoretical contingent tax liability as at 30 September 2007 has been estimated at US\$6.1 million assuming all vessels on which capital allowances had been formerly claimed were sold for their net book value at that date. This contingent liability decreases over the first five years following entry into tonnage tax to nil. No provision has been made as no liability is reasonably expected to arise.

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## 19. D'AMICO INTERNATIONAL SHIPPING GROUP'S COMPANIES

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

Name	Registered Office	Share Capital	Currency	Interest %	Conso. Method
d'Amico International Shipping S.A.	Luxembourg	149 949 907	USD		
d'Amico Tankers Limited	Dublin / Ireland	100 000	EUR	100.0%	Integral
High Pool Tankers Limited	Dublin / Ireland	2	EUR	100.0%	Integral
Glenda International Management Ltd	Dublin / Ireland	2	EUR	100.0%	Integral
Glenda International Shipping Ltd	Dublin / Ireland	200	USD	100.0%	Integral
DMS Shipping Ltd	Dublin / Ireland	100 000	USD	51.0%	Proportional
d'Amico Tankers Monaco Sam	Monaco	150 000	EUR	100.0%	Integral
d'Amico Tankers UK Ltd	London / UK	50 000	USD	100.0%	Integral
d'Amico Tankers Singapore Pte Ltd	Singapore	50 000	USD	100.0%	Integral