

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

## **Half-Yearly / Second Quarter 2012 Financial Report**

This document is available on [www.damicointernationalshipping.com](http://www.damicointernationalshipping.com)

d'Amico International Shipping S.A.

Registered office at 25C Boulevard Royal, Luxembourg

Share capital US\$149,949,907 as at 30 June 2012

## CONTENTS

<b>BOARD OF DIRECTORS AND CONTROL BODIES .....</b>	<b>3</b>
<b>KEY FIGURES .....</b>	<b>4</b>
<b>INTERIM MANAGEMENT REPORT .....</b>	<b>5</b>
<b>GROUP STRUCTURE .....</b>	<b>5</b>
<b>FINANCIAL REVIEW .....</b>	<b>9</b>
<b>SIGNIFICANT EVENTS IN THE PERIOD .....</b>	<b>14</b>
<b>SIGNIFICANT EVENTS SINCE THE END OF THE PERIOD AND BUSINESS OUTLOOK .....</b>	<b>15</b>
<b>D'AMICO INTERNATIONAL SHIPPING GROUP</b>	
<b>CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012 .....</b>	<b>17</b>
<b>CONSOLIDATED INCOME STATEMENT .....</b>	<b>17</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....</b>	<b>17</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>18</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOW .....</b>	<b>19</b>
<b>STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY .....</b>	<b>20</b>
<b>NOTES.....</b>	<b>21</b>
<b>AUDITORS' REPORT .....</b>	<b>37</b>

## 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>

Giovanni Battista Nunziante

John Joseph Danilovich<sup>(2)</sup>

Heinz Peter Barandun<sup>(2)</sup>

(1) *Member of the Executive Committee*

(2) *Independent Director*

(3) *Lead Independent Director*

### INDEPENDENT AUDITORS

MOORE STEPHENS Audit S.A.R.L

## KEY FIGURES

### FINANCIALS

Q2 2012	Q2 2011	US\$ Thousand	H1 2012	H1 2011
44 493	48 327	Time charter equivalent (TCE) earnings	88 960	96 209
3 422	8 305	Gross operating profit / EBITDA	9 193	13 885
7.69%	17.19%	as % of margin on TCE	10.33%	14.43%
(91 936)*	(947)	Operating result / EBIT	(95 132)*	(4 025)
(206.63)%*	(1.96)%	as % of margin on TCE	(106.94)%*	(4.18)%
(95 776)*	(5 465)	Net profit / (loss)	(97 235)*	(10 223)
(215.26)%*	(11.31)%	as % of margin on TCE	(109.30)%*	(10.63)%
(0.6387)	(0.0364)	Earnings / (loss) per share	(0.6485)	(0.0682)
2 580	1 475	Operating cash flow	33	18 423
(37 580)	(4 055)	Gross CAPEX	(70 376)	(20 565)
			<b>As at</b>	<b>As at</b>
			<b>30 June 2012</b>	<b>31 December 2011</b>
		Total assets	622 824	670 237
		Net financial indebtedness	309 457	239 565
		Shareholders' Equity	218 202	315 481

\* the numbers include the fleet impairment of US\$ 85.0 million

### OTHER OPERATING MEASURES

Q2 2012	Q2 2011		H1 2012	H1 2011
12 753	14 687	<b>Daily operating measures</b> - TCE earnings per employment day (US\$) <sup>1</sup>	13 304	14 505
40.1	38.2	<b>Fleet development</b> - Total vessel equivalent	38.4	38.4
21.3	19.0	- Owned	20.2	18.7
18.7	18.2	- Chartered	18.2	18.8
-	1.0	- Chartered thorough pools	-	1.0
4.3%	3.36%	Off-hire days/ available vessel days <sup>2</sup> (%)	4.2	2.2%
37.0%	48.9%	Fixed rate contract/ available vessel days <sup>3</sup> (coverage %)	37.6%	48.2%

<sup>1</sup>This figure represents time charter ("TC") equivalent earnings for vessels employed on the spot market and time charter contracts net of commissions. Calculations exclude vessels chartered through the pools, if any.

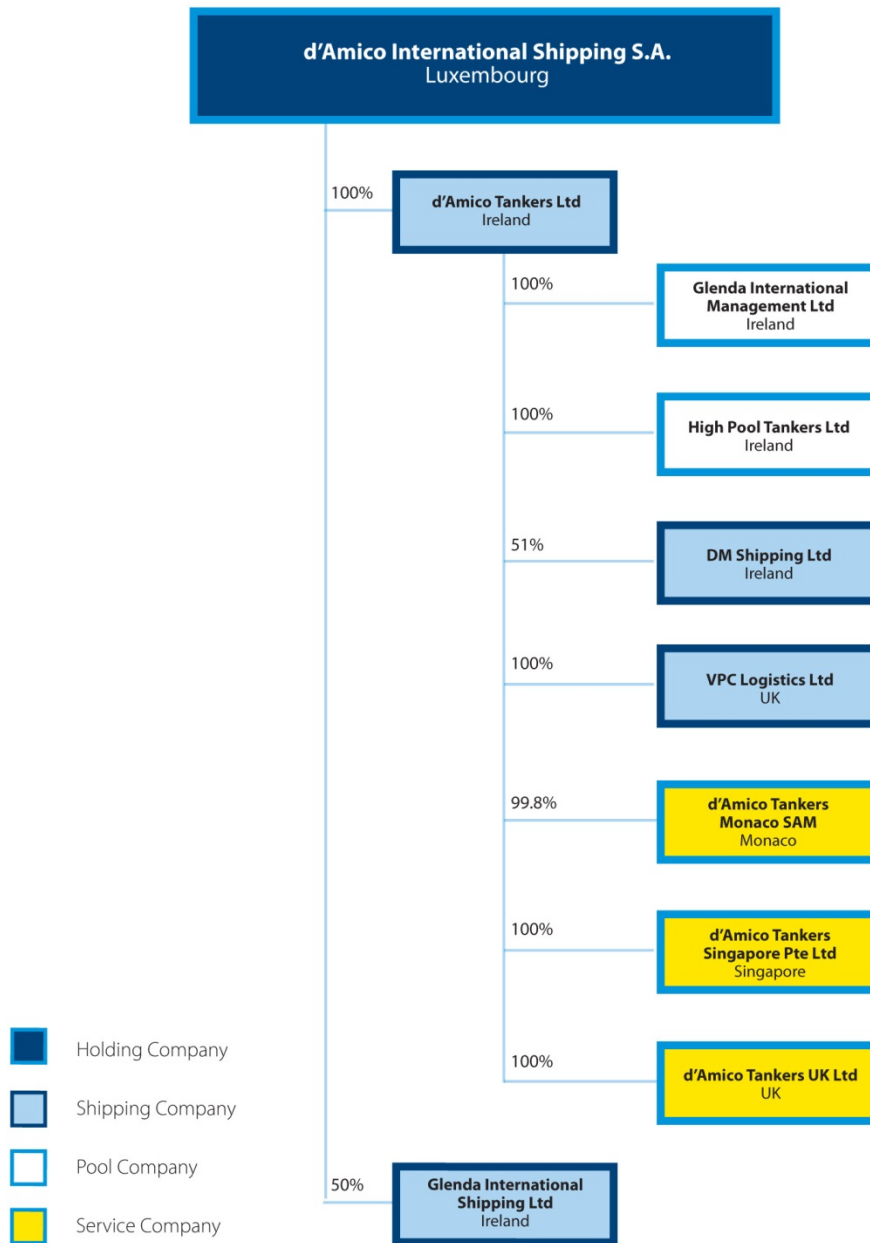
<sup>2</sup>This figure is equal to the ratio of the total off-hire days, inclusive of dry-docks, and the total number of available vessel days.

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

# INTERIM MANAGEMENT REPORT

## GROUP STRUCTURE

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



VPC logistics Ltd. (UK) under liquidation

d'Amico International Shipping S.A. (DIS, the Group or d'Amico International Shipping) is an international marine transportation company, part of the d'Amico Group that traces its origins to 1936. d'Amico International Shipping operates, mainly through its fully owned subsidiary d'Amico Tankers Limited (Ireland), a fleet with an average age of approximately 5.9 years, compared to an average in the product tankers industry of 8.9 years (source: Clarkson). All DIS vessels are double-hulled and are primarily engaged in the transportation of refined oil products, providing worldwide shipping services to major oil companies and trading houses. All the vessels are compliant with IMO (International Maritime Organization) regulations, including MARPOL (the International Convention for the Prevention of Pollution from Ships), with the requirements of oil-majors and energy-related companies and other relevant international standards. Based on MARPOL/IMO rules, cargoes such as palm oil, vegetable oil and other chemicals can only be transported by vessels that meet certain requirements (IMO Classed). As at 30 June 2012, 67% of the DIS fleet was IMO Classed, allowing the Group to transport a large range of products.

## Fleet

The following tables set forth information about the DIS fleet as at 30 June 2012, which consists of **40 vessels**:

### MR fleet

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
<b>Owned</b>				
High Tide	51,768	2012	Hyundai Mipo, South Korea	IMO II/III
High Seas	51,678	2012	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melissa <sup>1</sup>	47,203	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Meryl <sup>1</sup>	47,251	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melody <sup>1</sup>	47,238	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melanie <sup>1</sup>	47,162	2010	Hyundai Mipo, South Korea	IMO II/III
GLEND A Meredith <sup>1</sup>	46,147	2010	Hyundai Mipo, South Korea	IMO II/III
High Strength <sup>2</sup>	46,800	2009	Nakai Zosen, Japan	-
GLEND A Megan <sup>1</sup>	47,147	2009	Hyundai Mipo, South Korea	IMO II/III
High Efficiency <sup>2</sup>	46,547	2009	Nakai Zosen, Japan	-
High Venture	51,087	2006	STX, South Korea	IMO II/III
High Prosperity	48,711	2006	Imabari, Japan	-
High Presence	48,700	2005	Imabari, Japan	-
High Priority	46,847	2005	Nakai Zosen, Japan	-
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

<sup>1</sup> Vessels owned by GLEND A International Shipping, in which DIS has a 50% interest

<sup>2</sup> Vessels owned by DM Shipping (in which DIS has a 51% interest) and time chartered to d'Amico Tankers Limited

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
<b>Time chartered with purchase option</b>				
High Enterprise	45,800	2009	Shin Kurushima, Japan	-
High Pearl	48,023	2009	Imabari, Japan	-
<b>Time chartered without purchase option</b>				
High Force	53,603	2009	Shin Kurushima, Japan	-
Eastern Force	48,056	2009	Imabari, Japan	-
High Saturn	51,149	2008	STX, South Korea	IMO II/III
High Mars	51,149	2008	STX, South Korea	IMO II/III
High Mercury	51,149	2008	STX, South Korea	IMO II/III
High Jupiter	51,149	2008	STX, South Korea	IMO II/III
Torm Hellerup	45,990	2008	Shin Kurushima, Japan	-
Freja Hafnia	53,700	2006	Shin Kurushima, Japan	-
High Glow	46,846	2006	Nakai Zosen, Japan	-
High Energy	46,874	2004	Nakai Zosen, Japan	-
High Power	46,874	2004	Nakai Zosen, Japan	-
High Nefeli	45,976	2003	STX, South Korea	IMO II/III

#### Handysize fleet

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
<b>Owned</b>				
Cielo di Salerno	36,032	2002	STX, South Korea	IMO II/III
Cielo di Parigi	36,032	2001	STX, South Korea	IMO II/III
Cielo di Londra	35,985	2001	STX, South Korea	IMO II/III
<b>Time chartered with purchase option</b>				
Malbec	38,499	2008	Guangzhou, China	IMO II/III
Marvel	38,435	2008	Guangzhou, China	IMO II/III
<b>Time chartered without purchase option</b>				
Cielo di Guangzhou <sup>1</sup>	38,877	2006	Guangzhou, China	IMO II

<sup>1</sup> Bare-Boat charter contract

## **Fleet Employment and Partnership**

	<i>DIS' No. of Vessels</i>	<i>Total Pool Vessels</i>
Direct employment	25.5	
High Pool (MR vessels)	9.0	13.0
GLEND A Int. Mgmt. (MR vessels)	5.5	8.0
<b>Total</b>	<b>40.0</b>	

As at 30 June 2012, d'Amico International Shipping directly employed 25.5 Vessels: 8.5 MRs ('Medium Range') on fixed term contract, whilst 11 MRs and 6 Handy-size vessels are currently employed on the spot market. The Group still employs a significant portion of its controlled vessels through partnership arrangements, even if lower compared to the previous periods:

*High Pool Tankers Limited* – a Pool with Nissho Shipping Co. Limited (Japan) and Mitsubishi Corporation. It operated 13 MR product tankers as at 30 June 2012. d'Amico International Shipping, through d'Amico Tankers Limited, is exclusively responsible for the Pool's commercial management, in particular chartering, vessel operations and administration.

*GLEND A International Management Limited* – a Pool with Glencore/ST Shipping to trade vessels under a single brand name, 'GLEND A'. The pool, GLEND A International Management Limited operated 8 MR product tankers at the end of June 2012, 5 of which owned by *GLEND A International Shipping Limited*, a 50/50 joint venture company with the Glencore Group. This Company owns 6 MR vessels, delivered between August 2009 and February 2011.

DIS also established another joint venture agreement, *DM Shipping Limited*, with Mitsubishi Group. The Company owns two MR vessels, delivered in 2009.

d'Amico International Shipping is part 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, whose ultimate parent company is d'Amico Società di Navigazione S.p.A. (Italy). Today, the entire d'Amico Group controls 79 owned and chartered-in vessels, of which 40 are vessels part of the DIS fleet, operating in the product tanker market, while the remaining 39 are mainly dry-bulk vessels controlled by d'Amico Dry Limited and d'Amico Shipping Italia S.p.A. d'Amico International Shipping benefits from a strong brand name and a well-established reputation in the international market due to the long operating history of the d'Amico Group. In addition, it benefits from the expertise of the d'Amico Group, which provides support for technical management services, as well as safety, quality and technical products and services to DIS' vessels, including crewing and insurance arrangements.

d'Amico International Shipping has offices in Luxembourg, Dublin, London, Monaco and Singapore. As at 30 June 2012, the group employed 548 seagoing personnel and 43.5 onshore personnel.



## FINANCIAL REVIEW

### SUMMARY OF THE RESULTS IN THE SECOND QUARTER AND FIRST HALF OF 2012

The ever present uncertainty of the Global economic recovery affected the returns for d'Amico International Shipping in Q2/H1 2012. Financial markets turmoil and sovereign debt stress in the euro zone are still deeply and negatively influencing the World economy. Growth in a number of major emerging market economies was lower than forecasted. Partly due to a slightly better than expected first quarter, the IMF revised baseline projections in their recent World Economic outlook to suggest that these economic developments will only result in a minor setback to the global outlook, with global growth at 3.5% in 2012 and 3.9% in 2013, marginally lower than in the April 2012 World Economic Outlook. Oil Product demand for 2012 has been moderately reduced by 15,000 barrels per day and is still expected to increase by 1 million barrels per day in 2013 on the back of modest global growth. A geographical split was once again evident in product tanker markets, with Asian markets outperforming those in the Atlantic Basin. In the East, the Middle East – Japan trade outperformed other routes, as Japan improved demand accounting for an extra 155,000 b/d, coming from the Japanese power sector. In the Atlantic Basin weak demand from the US for European gasoline in the light of a very limited US driving season coupled the fact that US refineries were running at just below 90% continues to severely dent the trans-Atlantic trade. Freight levels fell dramatically to their lowest levels in nearly two years. U.S. East Coast gasoline imports have averaged 612,000 barrels a day so far this year, down from 789,000 barrels a day during the same period in 2011.

The Net loss for the first half of 2012 was US\$ 97.2 million, including US\$ 85.0 million of fleet write down following the impairment test carried out at the end of the period.

During the first half of the current year the estimated product tanker vessels market value had decreased by about 15% compared to December 2011. The operating environment is still under a significant pressure and no substantial recovery in rates has been noted during the last quarters. Based on the market conditions and of the impairment test carried out, the Board of Directors of the Company has taken the decision to write down the fleet net book value by US\$ 85.0 million. It should be highlighted that the impairment, which results in a Net Equity closer to the theoretical Net Asset Value of the Company, leads to a Net Equity of US\$ 218.2 million and does not have any effect on cash flow and cash balance.

Excluding the impairment effect DIS Net loss was of US\$ 10.8 million in the second quarter of the year and US\$ 12.2 million in H1. These results were driven by the TCE Earnings performance, which clearly reflect the weak product tanker market experienced especially in Q2 2012. In fact DIS realized a daily Spot TCE average of US\$ 10,872 in Q2 and US\$ 11,702 in H1 2012, compared to US\$ 12,185 achieved in the first half of last year. The Q2 2012 daily spot rate was weaker compared to the previous quarter of the current year, which was supported by a relatively stronger market in January. At the same time, coverage was 37.6% at the average daily rate of US\$ 15,964. These results were partially mitigated by the decrease in both Operating and General and Administrative costs, compared to the first semester of 2011. The H1 net loss also benefited from a strong treasury performance.

The soft product tanker market experienced in the first half of the current year did not support the cash flow generation. At the same time, both in Q1 than Q2 the Company incurred relevant capital expenditures for newbuildings, a second hand vessel acquisition and various dry-dockings. The financial position of the Company remains solid, even if an increase in the net debt has to be noted.

## OPERATING PERFORMANCE

Q2 2012	Q2 2011	US\$ Thousand	H1 2012	H1 2011
79 899	74 509	Revenue	157 610	142 589
(35 406)	(26 182)	Voyage costs	(68 650)	(46 380)
<b>44 493</b>	<b>48 327</b>	<b>Time charter equivalent earnings</b>	<b>88 960</b>	<b>96 209</b>
(23 284)	(23 104)	Time charter hire costs	(45 717)	(47 550)
(14 118)	(13 209)	Other direct operating costs	(27 105)	(26 650)
(4 076)	(4 532)	General and administrative costs	(7 948)	(9 997)
407	823	Other operating Income	1 003	1 873
<b>3 422</b>	<b>8 305</b>	<b>Gross operating profit / EBITDA</b>	<b>9 193</b>	<b>13 885</b>
(95 358)	(9 252)	Depreciation and write-down	(104 325)	(17 910)
<b>(91 936)</b>	<b>(947)</b>	<b>Operating result / EBIT</b>	<b>(95 132)</b>	<b>(4 025)</b>
(3 723)	(4 378)	Net financial income (charges)	(1 840)	(5 916)
<b>(95 659)</b>	<b>(5 325)</b>	<b>Profit / (loss) before tax</b>	<b>(96 972)</b>	<b>(9 941)</b>
(117)	(140)	Income taxes	(263)	(282)
<b>(95 776)</b>	<b>(5 465)</b>	<b>Net profit / (loss)</b>	<b>(97 235)</b>	<b>(10 223)</b>

**Revenue** was of US\$ 79.9 million in Q2 2012, while the total H1 gross turnover was US\$ 157.6 million (US\$ 142.6 million last year). The off-hire days percentage in H1 2012 (4.2%) was higher than the same period of the previous year (2.2%), simply due to the timing of dry-docks.

**Voyage costs** in Q2 and H1 2012 reflected the revenue trend and the related vessel employment portfolio mix, leading to a higher proportion on Revenues compared to the same periods last year. These costs amounted to US\$ 35.4 million in Q2 2012 and US\$ 68.7 million in the first half of the current year (US\$ 26.2 million and US\$ 46.4 million respectively in the same periods of 2011).

**Time charter equivalent earnings** were US\$ 44.5 million in Q2 2012 (US\$ 48.3 million in Q2 2011), and the amount for H1 2012 was US\$ 89 million (US\$ 96.2 million in H1 2011). As shown in the table below, H1 2012 average daily returns (US\$ 13,304 daily) were driven by the reduction in the fixed rate (H1 2012: US\$ 15,964 vs. H1 2011: US\$ 16,896) and by lower spot returns, especially in the second quarter of 2012. Looking at the quarterly evolution of the spot results, DIS performed at a daily average of US\$ 10,872 in Q2 2012, lower than the previous quarter and also compared to the same period of 2011. It should be noted that the better performance realized in H1 2011 was due, other than to the higher coverage daily rate and percentage, to the strong result realized in May/June last year, when the market rates temporarily picked up. Excluding the relatively strong January, no spikes in rates were noted over the first half of 2012.

DIS TCE daily rates (US Dollars)	2011					2012		
	Q1	Q2	H1	Q3	Q4	Q1	Q2	H1
Spot	11,871	12,516	<b>12,185</b>	11,894	11,819	12,623	10,872	<b>11,702</b>
Fixed	16,932	16,854	<b>16,896</b>	16,517	16,082	15,972	15,956	<b>15,964</b>
Average	14,328	14,687	<b>14,505</b>	14,164	13,869	13,904	12,753	<b>13,304</b>

According to its strategy, DIS has continued to maintain a high level of 'coverage' (fixed contracts), securing an average of 37.6% of its H1 2012 revenues. The lower level of the average fixed daily rate in H1 2012 compared to the previous year is due to the contracts renewed or expired in the last quarters. Other than securing revenue and supporting the cash flow generation, the fixed contracts pursue the strategic purpose of strengthening DIS historical relationships with the main oil majors.

**Time charter hire costs** relate to the chartered-in vessels and amounted to US\$ 23.3 million in Q2 2012 and US\$ 45.7 million in H1 2012 (US\$ 23.1 million in Q2 and US\$ 47.6 million in H1 2011). The average number of chartered-in vessels was 18.2 in H1 2012, compared to 18.8 in H1 2011. Such decrease, together with a slight reduction in the daily costs of chartered-in fleet, explains the variance occurred on these costs.

The **Other direct operating costs** mainly consist of crew, technical, luboil and insurance expenses relating to the operation of owned vessels. Those costs were US\$ 14.1 million in Q2 2012 (US\$ 13.2 million in Q2 2011) and US\$ 27.1 million in H1 2012 (US\$ 26.7 in H1 2011). The increase in absolute values compared to the same period of last year, related only to the fleet growth (20.2 owned vessels on average in H1 2012 vs. 18.7 in H1 2011), while a positive trend in the daily costs were noted. The operating costs are constantly monitored, while focusing on crew with appropriate skills, SQE (Safety, Quality & Environment) standards and remaining in compliance with stringent market regulations. A 'high quality' fleet is an essential part of the d'Amico vision and strategy.

The **General and administrative costs** were US\$ 4.1 million in Q2 of the current year (US\$ 4.5 million in Q2 2011) and US\$ 7.9 million as of June 2012 (US\$ 10 million in H1 2011). The positive trend, other than the favourable USD/Euro exchange rates, it is mainly explained by the cost management activity, focused on the ashore and staff personnel cost saving targets.

**Other operating income** amounted to US\$ 0.4 million in Q2 2012 (US\$ 0.8 million in Q2 2011) and US\$ 1 million in the first half of the current year (US\$ 1.9 million in H1 2011). The balance refers to chartering commissions from third parties vessels operated through pools.

**Gross operating profit (EBITDA)** for Q2 2012 was US\$ 3.4 million (US\$ 8.3 million in Q2 2011) and for the first half of 2012 was US\$ 9.2 million (US\$ 13.9 million in H1 2011). The lower results were mainly due to the weaker spot market rates in the second quarter of the year, together with a lower average fixed rate.

**Depreciation** and impairment amounted to US\$ 95.4 million in Q2 2012, of which US\$ 10.4 of recurring depreciations and US\$ 85.0 million of write downs arising from the fleet impairment (US\$ 9.3 million in Q2 2011). The total costs for the first half of the current year were of US\$ 104.3 million, of which US\$ 19.3 million for depreciation charges (US\$ 17.9 million in H1 2011). The depreciation charges increase compared to last year was mainly due to the higher number of owned vessels, following the delivery of 'new-building' vessels.

The **Operating result (EBIT)** of the second quarter of the year was negative for US\$ 91.9 million following the US\$ 85 million impairment (Operating loss of US\$ 0.9 million in Q2 2011) and US\$ 95.1 million in H1 2012 (US\$ 4.0 million in H1 2011).

**Net financial charges** amounted in Q2 2012 to US\$ 3.7 million (US\$ 4.4 million in Q2 2011), while US\$ 1.8 million was the total cost of the first half of the year (US\$ 5.9 million in H1 2011). The overall positive variance compared to H1 2011 was mainly due to: (i) the FX gain of US\$ 1.4 million arising from the US Dollar conversion of the loans denominated in Japanese Yen; (ii) trading gain on forex derivatives instruments for the total amount of US\$ 1.1 million in H1 2012; (iii) bond portfolio fair value increase for the amount of US\$ 0.9 million. Following the renegotiation of two IRS contracts, interest on the loans, amounted to US\$ 5 million in H1 2012, lower compared to the same period of last year (US\$ 5.8 million), despite the new loan draw-down to finance the 'new-building' vessels delivered during the first semester of 2012 and the purchase of the second-hand vessel M/T High Prosperity.

The Company's **Loss before tax** in Q2 2012 was US\$ 95.7 million (loss of US\$ 5.3 million in Q2 2011) and US\$ 97.0 million in H1 2012 (loss of US\$ 9.9 million in H1 2011).

**Income taxes** amounted to US\$ 0.1 million in Q2 2012 and US\$ 0.3 million in the first half of the year in line with the same period of the last year.

The **Net loss** for Q2 2012 was US\$ 95.8 million vs. US\$ 5.5 million of Q2 2011. The H1 2012 Net loss was US\$ 97.2 million (Net loss of US\$ 10.2 million in H1 2011).

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(US\$ Thousand)</i>	As at 30 June 2012	As at 31 December 2011
<b>ASSETS</b>		
Non current assets	513 726	547 634
Current assets	109 098	122 603
<b>Total assets</b>	<b>622 824</b>	<b>670 237</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Shareholders' equity	218 202	315 481
Non-current liabilities	322 774	286 527
Current liabilities	81 848	68 229
<b>Total liabilities and shareholders' equity</b>	<b>622 824</b>	<b>670 237</b>

**Non-current assets** mainly relate to the DIS owned vessels net book value. According to the valuation report provided by a primary broker, the estimated market value of the DIS owned fleet of US\$ 460.2 million as at 30 June 2012, compared to the net book value of US\$ 502.9 million, following the impairment of US\$ 85.0 million accounted for at 30 June 2012.

**Gross Capital expenditures** for the second quarter of the year were US\$ 37.6 million and US\$ 70.4 million for the entire first half. These significant amounts comprise the final instalments paid on the two Hyundai-Mipo new-building vessels, delivered respectively in March and April 2012, and the purchase of the second-hand vessel High Prosperity in March 2012. Dry-dock costs pertaining to owned vessels are also included in capitalized costs.

**Current assets** as at 30 June 2012 were US\$ 109.1 million. Other than the working capital items, inventories and trade receivables, amounting to US\$ 19.5 million and US\$ 47 million respectively, current assets include short term financial resources of US\$ 42.5 million, of which treasury investments of US\$ 2.3 million and cash on hand of US\$ 40.2 million.

**Non-current liabilities** (US\$ 317.2 million) consist of the long-term portion of debt due to banks, disclosed under the following section (Net Indebtedness).

The balance of **Current liabilities**, other than the debt due to banks and other lenders (see the following section), includes the working capital items, amounting to US\$ 60.6 million, essentially relating to trade and other payables.

The **Shareholders' equity** balance at 30 June 2012 was US\$ 218.2 million (US\$ 315.5 million as at 31 December 2011). The variance compared to the previous year-end balance, other than the loss coming from the operations, was significantly affected by the US\$ 85.0 million impairment of the fleet net book value booked in Q2 2012.

## NET INDEBTEDNESS

Net debt as at 30 June 2012 amounted to US\$ 309.5 million, compared to the balance of US\$ 239.6 million at the end of 2011. The increase in net debt, considering that no operating cash flow has been generated in H1 2012, is due to the vessels delivery and/or purchased in the course of the first half of 2012.

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
<b>Liquidity</b>		
Cash and cash equivalents	40 191	51 068
Current financial assets	2 348	14 396
<b>Total current financial assets</b>	<b>42 539</b>	<b>65 464</b>
<b>Bank loans – current</b>	<b>17 733</b>	<b>14 864</b>
<b>Other current financial liabilities</b>		
Amount due to parent company	8 000	-
Due to third parties	3 489	3 638
<b>Total current financial debt</b>	<b>29 222</b>	<b>18 502</b>
<b>Net current financial debt</b>	<b>(13 317)</b>	<b>(46 962)</b>
<b>Bank loans non-current</b>	<b>317 248</b>	<b>282 492</b>
<b>Other non-current financial liabilities</b>		
Due to third parties	5 526	4 035
<b>Total non-current financial debt</b>	<b>322 774</b>	<b>286 527</b>
<b>Net financial indebtedness</b>	<b>309 457</b>	<b>239 565</b>

The short term financial resources balance (*Cash and cash equivalents* together with the treasury investments shown under *Current financial assets*) is US\$ 42.5 million.

The total outstanding bank debt (*Bank loans*) as at 30 June 2012 amounted to US\$ 335 million, of which US\$ 17.7 million is due within one year. DIS debt structure is based on the following facilities granted to d'Amico Tankers Limited (Ireland), the key operating company of the Group: (i) Crédit Agricole 10 years revolving facility (syndicated by other banking institutions) of US\$ 149.5 million; (ii) Mizuho syndicated loan facility of US\$ 25.3 million; (iii) Crédit Agricole and DnB NOR Bank seven years term loan facility to finance the two newbuilding MR vessels delivered in H1 2012 for total US\$ 45.5 million; (iv) Danish Ship Finance 18 months term loan facility to finance the purchase of the second-hand vessel High Prosperity, purchased in H1 2012, for US\$ 11.4 million. DIS debt also comprises of the share of the loans existing at the two joint ventures level, GLENDA International Shipping Ltd and DM Shipping Ltd: (i) Commerzbank AG Global Shipping and Credit Suisse loans of US\$ 76.7 million for the Glenda International Shipping Ltd Hyundai-Mipo vessels, all of which have been already delivered (ii) Mitsubishi UFJ Lease loan of US\$ 26.6 million in connection with the financing of the DM Shipping Ltd two vessels delivered in 2009.

Net debt also includes, under *Other financial liabilities*, US\$ 9 million of negative valuation of derivatives hedging instruments (essentially interest rate swap agreements – IRS) and US\$ 8 million of short term facility, which has been granted to DIS by the controlling shareholder, as part of the d'Amico Group treasury agreement.

## CASH FLOW

The net cash flow for the period ended on 30 June 2012 was negative US\$ 10.7 million.

Q2 2012	Q2 2011	US\$ Thousand	H1 2012	H1 2011
2 580	1 475	Cash flow from operating activities	33	18 423
(37 580)	(4 055)	Cash flow from investing activities	(70 376)	(20 565)
30 460	(9 004)	Cash flow from financing activities	59 686	(11 026)
<b>(4 540)</b>	<b>(11 584)</b>	<b>Change in cash balance</b>	<b>(10 657)</b>	<b>(13 168)</b>
44 749	66 778	Cash & cash equivalents at the beginning of the period	51 068	68 266
(18)	(424)	Exchange gain (loss) on cash and cash equivalents	(220)	(328)
<b>40 191</b>	<b>54 770</b>	<b>Cash &amp; cash equivalents at the end of the period</b>	<b>40 191</b>	<b>54 770</b>

**Cash flow from operating activities** for Q2 2012 was positive for the amount of US\$ 2.6 million (US\$ 1.5 million in Q2 2011), recovering the cash out-flow of the same amount occurred in the first quarter this year, leading to a 'nil' net balance in H1. The operating cash flow break-even performance was essentially driven by the weak EBITDA of the period.

The net **Cash flow from investing activities** of US\$ 70.4 million (outflow) in H1 2012 was made up of the capital expenditures in connection with the instalments paid for the new building plan, the purchase of the second-hand vessel High Prosperity as well as dry-dock expenses.

**Cash flow from financing activities** in H1 2012 amounted to a net inflow of US\$ 59.7 million, following the planned bank loan drawdowns relating to the vessels delivery/purchase, net of the debt repayments, together with around US\$ 12.8 million sale of bonds made during the first half of the year.

## SIGNIFICANT EVENTS IN THE PERIOD

### CONTROLLED FLEET – D'AMICO TANKERS LIMITED

The following changes occurred in the Fleet controlled by d'Amico Tankers Limited in H1 2012:

- **New-building Deliveries:** M/T High Seas and M/T High Tide, two Medium Range (MR) owned new-building vessels were delivered by Hyundai-Mipo dockyard, South Korea, to d'Amico Tankers Limited, respectively in March and April 2012.
- **Vessel Purchase:** In March 2012 d'Amico Tankers Limited agreed the purchase of the Medium Range (MR) double hulled product tanker vessel M/T High Prosperity, built in 2006 by Imabari Shipbuilding Co. Ltd, Japan, at the price of US\$ 22.5 million. The time charter-in contract included a purchase option, which was not exercised earlier this year as it was not 'in the money'. This purchase allowed us to lower our break-even level on the vessel by an amount in excess of 2,500 US\$ per day.. The Vessel was delivered to d'Amico Tankers in May 2012.
- **Other Changes:** In January 2012, M/T Freja Hafnia, a Medium Range (MR) vessel built in 2006, was delivered to d'Amico Tankers Limited for a 1 year time charter period. In April 2012, M/T Eastern Force, a Medium Range (MR) vessel built in 2009, was delivered to d'Amico Tankers Limited for a 1 year time charter period, with an option for a further 1 year

In May 2012, M/T Torm Hellerup, a Medium Range (MR) vessel built in 2008, was delivered to d'Amico Tankers Limited for a 1 year time charter period, with an option for a further 1 year.

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

### CONTROLLED FLEET

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

	As at 30 June 2012			As at 29 August 2012		
	MR	Handysize	Total	MR	Handysize	Total
Owned	19.0	3.0	22.0	19.0	3.0	22.0
Time chartered	15.0	3.0	18.0	15.0	3.0	18.0
<b>Total</b>	<b>34.0</b>	<b>6.0</b>	<b>40.0</b>	<b>34.0</b>	<b>6.0</b>	<b>40.0</b>

### ORDER OF TWO ECO 40 SHALLOWMAX NEWBUILDING PRODUCT TANKERS

On 26 July 2012 d'Amico Tankers Limited, the fully owned operating subsidiary of d'Amico International Shipping S.A., entered into contracts for the construction of two additional new product/chemical tanker vessels (Hulls 2385 and 2386 - 40,000 dwt Handysize) with Hyundai Mipo Dockyard Co. Ltd. – Korea, expected to be delivered early in 2014, for a consideration of US\$ 30.65 million each and with an option for two further vessels, under same terms and conditions, to be exercised by the end of 2012. These two new-buildings in addition to being double-hulled, and IMO classed vessels belong to a new generation of vessels with lower consumption of fuel. The design of these vessels is the latest HMD concept of low fuel consumption /high efficiency and cubic/shallow-draft combination denominated "HMD ECO 40 ShallowMax". The vessel are designed to be able to save on fuel between 5 to 6 tonnes of fuel per day, compared to older type ones, allowing a lower operating cost, at the same speed of 14 Knots, comprised between US\$ 2,000 to US\$ 4,000 per day. Another financial advantage of these ships can be found in the fact that they incorporate all the most recent regulatory requirements and therefore they will not need any modifications to operate them. On older tonnage these improvements have been calculated as impacting daily cost for at least US\$ 700. These vessels are more flexible to operate since the have a draught of 9.5 meters instead of over 10 meters for older design vessels. Moreover d'Amico Tankers Limited signed Time Charter agreements with one of the main Oil Majors for these two vessels for a period of five years. These Time Charter contracts increase DIS coverage (revenue generated by fixed contracts) and are fixed at levels which will generate a profit.

### BUSINESS OUTLOOK

Going into Q3, refinery closures still are a hot topic. The permanent closure of the Sunoco Coryton Plant in the UK was countered by the saving of their Philadelphia one. Extremely poor margins and returns should lead to refinery closures primarily in the OECD countries. This year we will see net additions of over 1 million barrels per day of refining capacity, with a further 1.3 million barrels in 2013, which will exceed demand growth and potentially make more products available for export. Upgrading and desulphurization additions are a combined 2.6 million barrels per day and 2.8 million barrels per day this year and next. The new capacity and upgrades are predominantly within non-OECD countries. The new more efficient refinery projects are situated in the emerging economies and, thus, should be very well placed to meet demand as and when it increases.

The current geographical split in markets is unlikely to change unless the tonnage balance is redressed. There are currently more Product tankers trading within the western hemisphere so unless there is any significant improvement in demand the market rates are likely to remain under pressure in this region. European stocks of all products are below the five year average and any increase in demand should result in products being imported from further afield.

Under the current Economic conditions, the short term view is consequently still fairly bearish. Concerns over the current European sovereign debt issues and a short term slowing of the emerging economies prevail. The product

tanker market, following more than three years of weak operating environment, will recover and, consequently, the longer term view is positive, with better utilization. On the other side, any substantial improvement in demand could be influenced by oil prices and commodity prices, which would moderate growth. Therefore d'Amico International Shipping maintains a prudent approach going into the next quarter.

The key drivers that should affect the product tanker freight markets and d'Amico International Shipping performances are (1) Global oil demand, (2) worldwide GDP growth and (3) the large modern fleet delivered in recent years. The factors that could mitigate and partially off-set the current scenario for the Product Tanker demand and supply in the longer term are disclosed in more details below:

### ***Product Tanker Demand***

- Product dislocation will be a factor in the Product Tanker trade. Three million barrels per day of refining capacity has been permanently closed in western OECD Countries since the end of 2008. Four million two hundred thousand barrels of new capacity has come online east of Suez within the same time frame. One million eight hundred thousand will open in Asia in 2012.
- The fundamental shift of crude runs from the Western to the Eastern Hemisphere should structurally support Product Tanker utilisation and positive tonne-mile growth.
- Refining capacity of about 800,000 barrels per day in OECD is earmarked to be removed in 2012 and in the current climate further refining capacity is likely to be permanently closed. Despite the end to the planned maintenance poor returns and squeezed margins are resulting in refineries in Europe running at very low capacity.
- Indian net surplus refining capacity will reach 600,000 barrels per day by 2013 followed by net growth in Middle East capacity from 2013.
- Despite the fact that the new refinery Capacity is coming on line in the coming years in the emerging economies, the projects are not likely to keep in line with projected increase in domestic demand and thus resulting in imports.
- South American Oil Product demand is still increasing year on year. This provides a home for Products being exported from the United States Gulf coast refineries and the Gasoline producing refineries in Europe. Brazil accounts for almost 40% of Latin American demand growth in 2012 and 2013, especially in gasoil/diesel and jet/kerosene, on the back of vehicle sales and air travel.

### ***Product Tanker Supply***

- There have been a comparatively large number of new building orders placed this year compared to 2011. However this is nowhere near the record ordering in recent years. We would not expect the order book to significantly increase in the current market climate.
- Twenty eight MR Product tankers have been delivered this year compared to fifty five in the same period last year. Eighteen ships have been permanently removed from this sector so far this year.
- The MR Sector net growth should still only run at between 1% and 3% on average till 2016. Therefore it should remain below the projected growth in seaborne trade in the same period.
- There is still a certain amount of speculation that financing may not be fully in place for the ships that are still to be delivered.
- The order book for 2012 is still relatively large but it is expected that the estimated deliveries will be reduced, helped by cancellations, conversions and contract "Slippage".
- Slow steaming and port congestion are having a positive effect on supply. As demand improves we would expect utilization rates to on average exceed 80% between 2013 and 2015 up from the low of 75% in 2008.
- Longer haul product exports from emerging markets are expected to increase effectively reducing the available supply of tonnage.



## d'AMICO INTERNATIONAL SHIPPING GROUP

### CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2012

#### CONSOLIDATED INCOME STATEMENT

Q2 2012	Q2 2011	US\$ Thousand	Note	H1 2012	H1 2011
79 899	74 509	Revenue	(2)	157 610	142 589
(35 406)	(26 182)	Voyage costs	(3)	(68 650)	(46 380)
<b>44 493</b>	<b>48 327</b>	<b>Time charter equivalent earnings</b>	(4)	<b>88 960</b>	<b>96 209</b>
(23 284)	(23 104)	Time charter hire costs	(5)	(45 717)	(47 550)
(14 118)	(13 209)	Other direct operating costs	(6)	(27 105)	(26 650)
(4 076)	(4 532)	General and administrative costs	(7)	(7 948)	(9 997)
407	823	Other operating income	(8)	1 003	1 873
<b>3 422</b>	<b>8 305</b>	<b>Gross operating profit</b>		<b>9 193</b>	<b>13 885</b>
(95 358)	(9 252)	Depreciation and impairment		(104 325)	(17 910)
<b>(91 936)</b>	<b>(947)</b>	<b>Operating profit / (loss)</b>		<b>(95 132)</b>	<b>(4 025)</b>
(3 723)	(4 378)	Net financial income (charges)	(9)	(1 840)	(5 916)
<b>(95 659)</b>	<b>(5 325)</b>	<b>Profit / (loss) before tax</b>		<b>(96 972)</b>	<b>(9 941)</b>
(117)	(140)	Income taxes	(10)	(263)	(282)
<b>(95 776)</b>	<b>(5 465)</b>	<b>Net profit / (loss)</b>		<b>(97 235)</b>	<b>(10 223)</b>
<i>The net profit is attributable to the equity holders of the Company</i>					
<b>(0.6387)</b>	<b>(0.0364)</b>	<b>Earnings / (loss) per share in US\$</b>		<b>(0.6485)</b>	<b>(0.0682)</b>

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Q2 2012	Q2 2011	US\$ Thousand	H1 2012	H1 2011
(95 776)	(5 465)	Profit / (loss) for the period	(97 235)	(10 223)
(358)	778	Cash flow hedges	39	2 168
(96 134)	(4 687)	Total comprehensive income for the period	(97 196)	(8 055)
(0.6411)	(0.0313)	Earnings / comprehensive income per share in US\$	(0.6482)	(0.0537)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>US\$ Thousand</i>	Note	As at 30 June 2012	As at 31 December 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	(11)	513 726	547 634
<b>Total non-current assets</b>		<b>513 726</b>	<b>547 634</b>
<b>Current assets</b>			
Inventories	(12)	19 525	17 522
Receivables and other current assets	(13)	47 034	39 617
Current financial assets	(14)	2 348	14 396
Cash and cash equivalents	(15)	40 191	51 068
<b>Total current assets</b>		<b>109 098</b>	<b>122 603</b>
<b>Total assets</b>		<b>622 824</b>	<b>670 237</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		149 950	149 950
Retained earnings		21 198	118 433
Other reserves		47 054	47 098
<b>Total shareholders' equity</b>	(16)	<b>218 202</b>	<b>315 481</b>
<b>Non-current liabilities</b>			
Banks and other lenders	(17)	317 248	282 492
Other non-current financial liabilities	(20)	5 526	4 035
<b>Total non-current liabilities</b>		<b>322 774</b>	<b>286 527</b>
<b>Current liabilities</b>			
Banks and other lenders	(17)	17 733	14 864
Amount due to parent company	(18)	8 000	-
Payables and other current liabilities	(19)	52 592	49 678
Other current financial liabilities	(20)	3 489	3 638
Current taxes payable	(21)	34	49
<b>Total current liabilities</b>		<b>81 848</b>	<b>68 229</b>
<b>Total shareholders' equity and liabilities</b>		<b>622 824</b>	<b>670 237</b>

29 August 2012  
On behalf of the Board

*Paolo d'Amico*  
Chairman

*Marco Fiori*  
Chief Executive Officer

## CONSOLIDATED STATEMENT OF CASH FLOWS

Q2 2012	Q2 2011	US\$ Thousand	H1 2012	H1 2011
<b>(95 776)</b>	<b>(5 465)</b>	<b>Loss for the period</b>	<b>(97 235)</b>	<b>(10 223)</b>
95 358	9 252	Depreciation, amortisation and write-down	104 325	17 910
117	140	Current and deferred income tax	263	282
2 130	2 827	Financial charges	3 983	5 517
1 667	1 601	Fair value gains on foreign currency retranslation	(1 507)	527
(74)	(38)	Other non-cash items	(636)	(128)
<b>3 422</b>	<b>8 317</b>	<b>Cash flow from operating activities before changes in working capital</b>	<b>9 193</b>	<b>13 885</b>
(1 092)	757	Movement in inventories	(2 003)	(1 585)
(3 921)	(8 496)	Movement in amounts receivable	(7 417)	1 403
6 059	3 326	Movement in amounts payable	2 914	9 999
(288)	(239)	Taxes paid	(342)	(292)
(1 600)	(2 190)	Interest paid	(2 312)	(4 987)
<b>2 580</b>	<b>1 475</b>	<b>Net cash flow from operating activities</b>	<b>33</b>	<b>18 423</b>
(37 580)	(4 055)	Acquisition of fixed assets	(70 376)	(20 565)
<b>(37 580)</b>	<b>(4 055)</b>	<b>Net cash flow from investing activities</b>	<b>(70 376)</b>	<b>(20 565)</b>
(42)	251	Other changes in shareholders' equity	(42)	272
6 960	(4 929)	Movement in other financial assets	12 758	(6 600)
8 000	(780)	Movement in other financial payable	8 000	1
(4 434)	(3 546)	Bank loan repayments	(8 118)	(7 137)
19 976	-	Bank loan draw-downs	47 088	2 438
<b>30 460</b>	<b>(9 004)</b>	<b>Net cash flow from financing activities</b>	<b>59 686</b>	<b>(11 026)</b>
<b>(4 540)</b>	<b>(11 584)</b>	<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(10 657)</b>	<b>(13 168)</b>
44 749	66 778	Cash and cash equivalents at the beginning of the period	51 068	68 266
(18)	(424)	Exchange gain (loss) on cash and cash equivalents	(220)	(328)
<b>40 191</b>	<b>54 770</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>40 191</b>	<b>54 770</b>

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>US\$ Thousand</i>	Share capital	Retained earnings	Other Reserves		Total
			<i>Other</i>	<i>Cash-Flow hedge</i>	
<b>Balance as at 1 January 2012</b>	<b>149 950</b>	<b>118 433</b>	<b>54 715</b>	<b>(7 617)</b>	<b>315 481</b>
Other changes (consolidation reserve)	-	-	(83)	-	(83)
Total comprehensive income	-	(97 235)	-	39	(97 196)
<b>Balance as at 30 June 2012</b>	<b>149 950</b>	<b>21 198</b>	<b>54 632</b>	<b>(7 578)</b>	<b>218 202</b>

<i>US\$ Thousand</i>	Share capital	Retained earnings	Other Reserves		Total
			<i>Other</i>	<i>Cash-Flow hedge</i>	
<b>Balance as at 1 January 2011</b>	<b>149 950</b>	<b>139 446</b>	<b>55 464</b>	<b>(11 754)</b>	<b>333 106</b>
Other changes	-	-	57	-	57
Total comprehensive income	-	(10 223)	-	2 168	(8 055)
<b>Balance as at 30 June 2011</b>	<b>149 950</b>	<b>129 223</b>	<b>55 521</b>	<b>(9 586)</b>	<b>325 108</b>

## NOTES

The financial statements have been prepared in accordance with provisions of Art. 4 of the Luxembourg Law dated 11 January 2008, which transposed Directive 2004/109/EC of the European Parliament and of Council of 15 December 2004 in the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

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 adopted by the European Union. The designation 'IFRS' also includes all 'IAS', as well as all interpretations of the International Financial Reporting Interpretations Committee 'IFRIC', formerly the Standing Interpretations Committee SIC as adopted by the European Union. This interim financial information was prepared in compliance with IAS 34.

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

The financial statements are expressed in U.S. Dollars, being the functional currency of the Company and its principal subsidiaries.

---

### 1. ACCOUNTING POLICIES

---

The financial statements present the results of the parent company, d'Amico International Shipping SA, and its subsidiaries for the period ended 30 June 2012. The accounting policies used in the presentation of the interim report on the same as those adopted in the 2011 annual report.

#### Basis of Consolidation

The financial statements present the consolidated results of the parent company, d'Amico International Shipping SA, and its subsidiaries for the period ended 30 June 2012.

#### Critical Accounting Judgments and Key Estimates

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

#### 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 geographical segment information disclosures are necessary.

#### Accounting principles

There are no new International Financial Reporting Standards or IFRICs applicable to this quarterly financial report with respect to those applied for 31 December 2011 year end.

## 2. REVENUE

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Revenue	79 899	74 509	157 610	142 589

Revenue represents vessel income comprising time charter hire, freight, demurrage and income from participation in vessel pools.

## 3. VOYAGE COSTS

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Bunkers (fuel)	(27 432)	(19 088)	(52 557)	(33 807)
Commissions	(1 444)	(1 450)	(3 138)	(2 822)
Port charges	(6 071)	(5 332)	(11 876)	(9 032)
Other	(459)	(312)	(1 079)	(719)
Total	(35 406)	(26 182)	(68 650)	(46 380)

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

## 4. TIME CHARTER EQUIVALENT EARNINGS

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Time charter equivalent earnings	44 493	48 327	88 960	96 209

Time charter equivalent earnings represent revenue less voyage costs. In the first half of 2012 about 37.6% of the Time Charter Equivalent earnings came from fixed contracts (contracts longer than 12 months) (HY1 2011: 48.2%).

## 5. TIME CHARTER HIRE COSTS

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Time charter hire costs	(23 284)	(23 104)	(45 717)	(47 550)

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

## 6. OTHER DIRECT OPERATING COSTS

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Crew costs	(7 080)	(6 445)	(13 603)	(12 705)
Technical expenses	(3 470)	(3 346)	(7 186)	(6 857)
Luboil	(838)	(564)	(1 505)	(1 379)
Technical and quality management	(1 200)	(945)	(2 225)	(1 862)
Other costs	(1 530)	(1 909)	(2 586)	(3 847)
Total	(14 118)	(13 209)	(27 105)	(26 650)

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

## Personnel

As at 30 June 2012 d'Amico International Shipping SA and its subsidiaries had 591.5 employees, of which 548 seagoing personnel and 43.5 on-shore. Onshore personnel costs are included under general and administrative costs. The Group has no liabilities with regard to pensions and other post-retirement benefits.

### 7. GENERAL AND ADMINISTRATIVE COSTS

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Personnel	(2 579)	(2 788)	(4 761)	(6 064)
Other general and administrative costs	(1 497)	(1 744)	(3 187)	(3 933)
<b>Total</b>	<b>(4 076)</b>	<b>(4 532)</b>	<b>(7 948)</b>	<b>(9 997)</b>

Personnel costs relate to on-shore personnel salaries.

The other general and administrative costs comprise consultancy, office rental fees, and other sundry expenses originating from the operation of d'Amico International Shipping Group companies. They include intra-group management fees on brand and trademark, IT, Legal and Internal Audit services for US\$ 0.6 million.

### 8. OTHER OPERATING INCOME

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Other operating income	407	823	1 003	1 873

Other operating income represents chartering commissions earned for services provided by group personnel to third parties customers.

### 9. NET FINANCIAL INCOME (CHARGES)

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
<b>Income</b>				
<i>Loans and receivables:</i>				
Interest Income – Banks	15	89	102	199
Realised on financial activities	1 409	28	2 790	219
<i>At fair value through income statement:</i>				
Gains on derivative instruments	-	-	-	24
Exchange differences	-	-	1 164	-
<i>Available for sale financial assets</i>				
Current financial assets	-	-	554	30
<b>Total Financial Income</b>	<b>1 424</b>	<b>117</b>	<b>4 610</b>	<b>472</b>
<b>Charges</b>				
<i>Financial liabilities measured at amortised cost:</i>				
Interest expense	(2 517)	(3 068)	(4 733)	(5 575)
<i>At fair value through income statement:</i>				
Derivative instruments	(654)	-	(1 379)	-
Exchange differences	(1 807)	(1 093)	-	(281)
Financial fees	(143)	(294)	(338)	(532)
<i>Available for sale financial assets</i>				
Current financial assets	(26)	(40)	-	-
<b>Total financial charges</b>	<b>(5 147)</b>	<b>(4 495)</b>	<b>(6 450)</b>	<b>(6 388)</b>
<b>Net Financial Charges</b>	<b>(3 723)</b>	<b>(4 378)</b>	<b>(1 840)</b>	<b>(5 916)</b>

The details of financial income and charges have been expanded to allow the readers of the financial statements focus on the details.

The exchange differences are mainly composed of the amounts relating to the conversion into US\$ of the loans denominated in Japanese Yen.

## 10. INCOME TAXES

<i>US\$ Thousand</i>	<b>Q2 12</b>	<b>Q2 11</b>	<b>H1 12</b>	<b>H1 11</b>
Current income taxes	(117)	(140)	(263)	(282)

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

The tax liability under the tonnage tax regime is based on the controlled fleet's notional shipping income, which in turn depends on the total net tonnage of the controlled fleet. The 2012 tonnage tax provision for d'Amico Tankers Limited, DM Shipping and Glenda International Shipping amounted to US\$ 0.1million. The income tax charges relate to activities, which are not eligible for tonnage tax and are taxed at 25%.

## 11. TANGIBLE ASSETS

<i>US\$ Thousand</i>	<b>Fleet</b>	<b>Dry-dock</b>	<b>Other assets</b>	<b>Total</b>
<b>Cost</b>				
At 1 January 2012	728 779	9 799	2 531	741 109
Additions	63 940	6 430	6	70 376
Disposal	-	-	-	-
Exchange Differences	-	-	30	30
At 30 June 2012	792 719	16 229	2 567	811 515
<b>Depreciation and impairment</b>				
At 1 January 2012	187 496	4 528	1 451	193 475
Charge for the period	17 319	1 922	84	19 325
Impairment	85 000	-	-	85 000
Disposal	-	-	-	-
Exchange Differences	-	-	(11)	(11)
At 30 June 2012	289 815	6 450	1 524	297 789
<b>Net book value</b>				
At 30 June 2012	502 904	9 779	1 043	513 726



The table below shows, for comparison purposes, the changes in the fixed assets in the first half of 2011.

<i>US\$ Thousand</i>	<b>Fleet</b>	<b>Dry-dock</b>	<b>Other assets</b>	<b>Total</b>
<b>Cost</b>				
At 1 January 2011	692 996	12 122	2 537	707 655
Additions	17 113	3 390	62	20 565
Impairment / write-down	-	-	-	-
Disposal	-	-	-	-
Exchange Differences	-	-	19	19
At 30 June 2011	710 109	15 512	2 618	728 239
<b>Depreciation</b>				
At 1 January 2011	155 849	6 315	1 208	163 372
Charge for the period	15 453	2 349	108	17 910
Disposal	-	-	-	-
Exchange Differences	-	-	46	46
At 30 June 2011	171 302	8 664	1 362	181 328
<b>Net book value</b>				
At 30 June 2011	538 807	6 848	1 256	546 911

Tangible fixed assets are comprised of the following:

## **FLEET**

Fleet includes the purchase costs for owned vessels, and payments to yards for vessels under construction. Additions in 2012 relate to the instalments paid on new-buildings – in particular, M/T High Seas and M/T High Tide delivered to d'Amico Tankers – and to the purchase of the M/T High Prosperity. Capitalized instalments at Group level for HY1 2012 amount to US\$ 63.9 million (HY1 2011: US\$ 17.1 million) and capitalized interest is US\$ 0.1 million (HY1 2011: US\$ 0.1 million). All vessels under construction were delivered in the period (2011: US\$ 45.3 million). Mortgages are secured on all the vessels owned by the Group - for further details see note 17.

The carrying amount of the vessels has been reviewed to ensure they are not impaired. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use, represented by the net present value of the cash flow from its remaining useful life. In the assessment, the estimated future cash flows from its remaining useful life are discounted to their present value.

For impairment test purposes, the management estimates take into consideration the market information available, including reported sales of similar vessels, as well as future expectations, and have been based on the following key assumptions: (i) Earnings: under contracts concluded and the estimate of future rates; (ii) Useful economic life of 20 years; (iii) Estimated economic value at end of life based on current rates (iv) Costs reflect the current d'Amico structure; (v) The figures have been discounted based at a rate of 6.5%, which represents the current and expected profile of the company's required weighted average cost of capital based on the current cost of financing and required of return on equity. Compared to the impairment test carried out for the 2011 financial statements purposes, the freight rate scenario have been updated, together with the increase from 6.0% to 6.5% of the discount factor. Management note that the calculations are particularly sensitive to changes in the key assumptions of future hire rates and discount rate

Based on the assessment of the recoverable amount and considering that the future value in use calculations no longer support the written down value of the vessels, the Management of the Group has taken the decision that there was now the need to impair the net book value of the fleet by the amount of US\$ 85.0 million. Management reached the decision considering that in the first six month of 2012, the brokers desk top valuations declined by a further 15% compared to the previous year end, the largest decrease since 2008/2009 and the expectation in the market as to the timing of an improvement in product tanker freight rates was moved back from 2012 to 2015. In addition Management consider that the availability of new fuel efficient product tanker designs will impact the results of existing vessels

The total market value of the Group fleet, according to a valuation report provided by a primary shipping broker at the end of June 2012, is of US\$ 460.2 million. After impairment, the carrying amount of the fleet is USD 42.7 million above the desk top broker valuation.

## DRY-DOCK

Dry-docks include expenditure for the fleet's dry docking programme; a total of 5 vessels dry-docked in the period.

## OTHER ASSETS

Other assets mainly include fixtures, fittings, office equipment.

---

## 12. INVENTORIES

---

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Inventories	19 525	17 522

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

---

## 13. RECEIVABLES AND OTHER CURRENT ASSETS

---

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Trade receivables	31 707	23 208
Other debtors	428	279
Prepayments and accrued income	14 899	16 130
Total	47 034	39 617

Receivables, as at 30 June 2012, include trade receivables amounting to US\$ 31.7million, net of the allowance for credit losses of US\$ 1.2 million. Other current assets mainly consist of prepayments and accrued income amounting to US\$ 14.9 million.

---

## 14. CURRENT FINANCIAL ASSETS

---

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Current financial assets	2 348	14 396

The amount of US\$ 2.3 million mainly represents the fair value of the amounts invested in highly rated bonds. The fixed income securities are listed on recognised stock exchanges, are redeemable in a period from three to five years, with effective yields in the region of 1.4%.

## 15. CASH AND CASH EQUIVALENTS

<i>US\$ Thousand</i>	As at 30 June 2012	As at 31 December 2011
Cash and cash equivalents	40 191	51 068

Cash and cash equivalents is mainly represented by short-term deposits and includes approximately US\$ 3.4million of cash held by Pool companies (High Pool Tankers Ltd and Glenda International Management Ltd) which is distributed to other pool participants in July. The balance includes US\$ 2.4 million secured in connection with the Mizuho facility.

## 16. SHAREHOLDERS' EQUITY

Changes in first half 2012 Shareholders' equity items are detailed in the relevant statement.

### Share capital

At 30 June 2012 the share capital of d'Amico International Shipping amounted to US\$ 149,950 thousand, corresponding to 149, 949, 907 ordinary shares with no nominal value.

### Retained earnings

The item includes previous year and current net results and deductions for dividends distributed.

### Other reserves

The other reserves include the following items:

<i>US\$ Thousand</i>	As at 30 June 2012	As at 31 December 2011
Share premium reserve	71 389	71 389
Treasury shares	(16 356)	(16 356)
Fair value reserve	(7 578)	(7 617)
Other	(401)	(318)
Total	47 054	47 098

### Share premium reserve

The share premium reserve arose as a result of the Group's IPO and related increase of share capital, which occurred at the beginning of May 2007.

### Treasury shares

Treasury shares at June 30, 2012 consist of 5,090,495 ordinary shares (YE 2011: 5,090,495) for an amount of US\$ 16.4million (2011: US\$ 16.4 million), corresponding to 3.39% of the outstanding share capital at the financial position date (YE 2011: 3.39%). These shares were acquired in 2007 and 2008 and during the second half of 2011, following the approval of the Buy-back program.

### Fair value reserve

The fair value reserve arose as a result of the valuation of the Interest Rate Swap agreements connected to the Crédit Agricole facility to their fair value of US\$ 7.6 million (liability). Details of the fair value of the derivative financial instruments are set out in note 22.

## 17. BANKS AND OTHER LENDERS

<i>US\$ Thousand</i>	As at 30 June 2012	As at 31 December 2011
<i>Non-current liabilities</i>		
Banks and other lenders	317 248	282 492
<i>Current liabilities</i>		
Banks and other lenders	17 733	14 864
Total	334 981	297 356

<i>US\$ Thousand</i>	As at 30 June 2012			As at 31 December 2011		
	Non-current	Current	Total	Non-current	Current	Total
Crédit Agricole	149 551	-	149 551	149 460	-	149 460
Mizuho	20 414	4 836	25 250	23 407	4 967	28 374
Crédit Agricole – DNB	42 453	3 087	45 540	10 565	-	10 565
Commerzbank-Crédit Suisse	70 093	6 578	76 671	73 382	6 578	79 960
Mitsubishi UFJ Lease	23 386	3 232	26 618	25 678	3 319	28 997
Danish Ship Finance	11 351	-	11 351	-	-	-
Total	317 248	17 733	334 981	282 492	14 864	297 356

### **Crédit Agricole Credit and Investment Bank (former Calyon) facility**

The outstanding amount as at 30 June 2012 of US\$ 149.5 million (less the unamortized portion of the arrangement fees paid at draw-down, amounting to US\$ 0.5 million), relates to the originally US\$ 350.0 million revolving loan facility negotiated by d'Amico Tankers Limited (Ireland) with Crédit Agricole and other banks (IntesaSanpaolo 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 facility interest cost is payable at a US dollar LIBOR plus a spread varying from 65 to 95 basis points, depending on the financed vessels' value-to-loan ratio. Collateral mainly refers to first-priority mortgages on thirteen owned vessels. The agreements also provide that the ratio between the amount outstanding at any given time and the fair market value of the thirteen vessels (the 'asset cover ratio') owned by d'Amico Tankers Limited (the 'borrower'), which are currently subject to mortgages pursuant to the facility, must not be higher than 66.6%.

### **Mizuho facility**

The outstanding amount at 30 June 2012 of US\$ 25.3 million relates to the loan facility arranged by the Mizuho Corporate Bank Ltd., and syndicated by a pool of Japanese primary banks and leading financial institutions. The Loan Facility purpose is to finance the acquisition of Japanese product tanker vessels for which d'Amico Tankers Limited has purchase options and/or the acquisition of other product tanker vessels.

The contract, over a period of ten years, provides the repayment of quarterly instalments and an interest cost corresponding to the three month London Interbank Offer Rate (LIBOR) for Japanese Yen, plus a margin of between 100 and 125 basis points depending on the financed vessels' advance ratio.

Similarly to the Crédit Agricole CIB facility, the key terms and conditions of the Mizuho loan provide that the ratio between the amount outstanding at any given time and the fair market value of vessels (the 'advance ratio') owned by d'Amico Tankers Limited, which are subject to mortgages pursuant to the facility (currently two vessels), must not be higher than 66.6%. The facility is secured also through a guarantee by the parent Company, d'Amico International Shipping S.A.

### ***Crédit Agricole Corporate & Investment Bank & DNB NOR Bank ASA facility***

The balance at 30 June 2012 for an outstanding amount of US\$ 45.5 million, relates to the originally US\$ 48.0 million loan facility negotiated by d'Amico Tankers Limited with Crédit Agricole CIB and DNB NOR Bank ASA signed on the 26 July 2011 to finance two new vessels to be constructed by Hyundai Mipo Dockyard CO. Ltd, the M/T High Seas and M/T High Tide which were delivered respectively at the end of March and April 2012.

The principal amount available through the seven year facility period will be repaid with 28 consecutive quarterly instalments, down to a balloon of US\$ 12.8 million per vessel. The ratio between the amount outstanding at any given time and the fair market value of the two vessels (the 'asset cover ratio') owned by d'Amico Tankers Limited (the 'borrower'), which are currently subject to mortgages pursuant to the facility, must not be higher than 65%. Interest is payable at a rate of LIBOR plus 2.10%. The facility is secured by a guarantee from the parent Company, d'Amico International Shipping SA.

### ***Danish Ship Finance A/S facility***

The outstanding amount at 30 June 2012 of US\$ 11.4 million (less the unamortized portion of the arrangement fees paid at draw-down, amounting to US\$ 0.2 million) relates to the facility granted by Danish Ship Finance A/S to d'Amico Tankers Limited to finance the purchase of M/T High Prosperity in May 2012.

The principal amount will be repaid in one instalment at maturity, 18 months from drawdown. The ratio between the fair market value of the vessel and the amount outstanding at any given time (the 'Security Maintenance Cover Ratio') must not be lower than 175%. Interest is payable at a rate of USD LIBOR plus 2.0%.

The facility is secured by a guarantee from the parent Company, d'Amico International Shipping SA, and provides mortgages on the Company's owned financed vessel.

### ***Glenda International Shipping Limited / Commerzbank – Crédit Suisse loan***

The outstanding amount at June 30, 2012 of US\$ 76.7 million relates to the facility granted by Commerzbank AG Global Shipping and Crédit Suisse to Glenda International Shipping Ltd for the construction of six new-buildings 47.000 dwt MR Product Tankers (Hyundai Mipo Dockyard Co. Ltd – Korea).

This agreement involves single-vessel loans with a ten-year maturity from vessel delivery, for a total initial amount of up to US\$ 195.0 million (67% of the contract price to be paid for the vessels). Interest is payable at US dollar LIBOR plus a spread varying from 90 to 110 basis points, depending on the financed vessels' loan-to-value ratio. Collateral mainly refers to first-priority mortgages on the vessels. The agreements also provide a covenant relating to the financed vessels' aggregate loan-to-value ratio, which should at all times be at least 130%. Based on the loan outstanding and the broker's valuation obtained at the end of June, the loan to value ratio was 121%, slightly lower than required by the covenant. The banks agreed to accept corporate guarantees from the shareholders to ensure continuing compliance with the covenant and negotiations were in progress at the date of the report as to the amount of guarantee to be provided.

### ***DM Shipping Limited – Mitsubishi UFJ Lease***

The outstanding amount at June 30, 2012 of US\$ 26.6 million relates the balance relates to the debt due to Mitsubishi UFJ arising from the loan granted for the acquisition of the two vessels delivered in 2009. The agreement provides for a loan of JPY 2.8 billion per vessel, to be repaid in 10 years, through monthly instalments. The interest rates on the loans are fixed for the two vessels between 2.955% and 2.995%.

The facility is secured through mortgages on the vessels. There are no other relevant covenants on the loan.

## 18. AMOUNTS DUE TO PARENT COMPANY

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
d'Amico International	8 000	-

The balance represents short-term financing granted by the parent company.

## 19. PAYABLES AND OTHER CURRENT LIABILITIES

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Trade payables	38 820	38 336
Other creditors	11 245	8 559
Accruals & deferred income	2 527	2 783
<b>Total</b>	<b>52 592</b>	<b>49 678</b>

Payables and other current liabilities as at 30 June 2012, mainly include trade payables, of which an amount of US\$ 11.0 million relates to the related party, Rudder SAM (bunkers).

## 20. OTHER FINANCIAL LIABILITIES

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>			<b>As at 31 December 2011</b>		
	Non-current	Current	Total	Non-current	Current	Total
Other financial liabilities	-	58	58	-	56	56
Fair value of derivative instruments	5 526	3 431	8 957	4 035	3 582	7 617
<b>Total Other financial liabilities</b>	<b>5 526</b>	<b>3 489</b>	<b>9 015</b>	<b>4 035</b>	<b>3 638</b>	<b>7 673</b>

The fair value of derivative instruments relate to Interest Rate Swap and forward foreign exchange derivatives hedging instruments. The comparative at 31 December 2011 has been amended to reflect the reclassification between non-current and current to reflect the treatment for the current period. The derivative instrument fair values are shown in note 22.

## 21. CURRENT TAX LIABILITIES

<i>US\$ Thousand</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Current tax liabilities	34	49

The balance at 30 June 2012 mainly reflects the income taxes and tonnage taxes payable by the subsidiaries.

## 22. DERIVATIVE INSTRUMENTS

As at 30 June 2012 the following derivative instruments were in place:

<i>US\$ Thousand</i>	<b>Fair value at 30 June 2012</b>	<b>Income statement financial income/(charges)</b>	<b>Equity hedging reserves</b>
<b>Hedge accounting</b>			
Interest rate swaps	(7 578)	-	(7 578)
Forward currency contracts	(1 379)	(1 379)	-
<b>Total</b>	<b>(8 957)</b>	<b>(1 379)</b>	<b>(7 578)</b>

<i>US\$ Thousand</i>	<b>Fair value at 31 December 2011</b>	<b>Income statement financial income/(charges)</b>	<b>Equity hedging reserves</b>
<b>Hedge accounting</b>			
Interest rate swaps	(7 617)	-	(7 617)
Forward currency contracts	50	50	-
<b>Total</b>	<b>(7 567)</b>	<b>50</b>	<b>(7 617)</b>

The negative outstanding derivative instruments fair value at the end of the period is shown under Other Current financial liabilities.

### Interest rate swaps

In 2007, d'Amico Tankers Ltd signed three interest swap contracts (IRS), for a total notional amount of US\$ 150.0 million for a period of 5 years. The IRS contracts purpose is to hedge the risks relating to interest rates on the existing Crédit Agricole CIB revolving facility. In 2011, d'Amico Tankers renegotiated two of these IRS contracts for a total amount of US\$ 50.0 million each, moving the termination dates respectively to December 2014 and December 2016. At the end of 2012 one IRS contract totalling US\$ 50.0 million will terminate.

In May 2012, d'Amico Tankers Ltd signed four new interest swap contracts (IRS), for the initial notional amount of US\$ 45.5 million for a period of 7 years. The IRS contracts purpose is to hedge the risks relating to interest rates on the existing Crédit Agricole CIB- DNB NOR Bank ASA facility.

The IRS contracts are considered level 2 instruments in that their fair value measurement is derived from inputs other than quoted prices that are observable.

### Forward currency contracts

During the first six months of 2012 d'Amico Tankers Limited entered into forward currency contracts with maturity before December 31, 2012 to hedge the risk of cash deposits denominated in Euro, Japanese Yen, Singapore Dollar and British pounds. is the contracts are considered as a level 2 instruments in that his fair value measurement is derived from inputs other than quoted prices.

The realised gains amount to US\$ 2.4 million gain and unrealised losses amount to US\$1.4 million.

## 23. RELATED PARTY TRANSACTIONS

During 2012, 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. The immediate parent company of the Group is d'Amico International S.A. a company incorporated in Luxembourg.

These transactions include a management service agreement (for technical, crewing and IT services) with US\$ 1.7 million. The related party transactions also include purchase of Intermediate Fuel Oil and Marine Diesel Oil, from Rudder SAM, a d'Amico Group controlled company, amounting to US\$ 52.6 million, included in the bunker cost for the period.

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

The effects of related party transactions on the Group's consolidated income statement for the first six months of 2012 and 2011 are the following:

<i>US\$ Thousand</i>	H1 2012		H1 2011	
	Total	Of which related parties	Total	Of which related parties
Revenue	157 610	-	142 589	-
Voyage costs	(68 650)	(52 557)	(46 380)	(33 807)
Time charter hire costs	(45 717)	(441)	(47 550)	(479)
Other direct operating costs	(27 105)	(4 435)	(26 650)	(2 717)
General and administrative costs	(7 948)	(641)	(9 997)	(615)
Other operating income	1 003	-	1 873	-
Net financial income (charges)	(1 840)	-	(5 916)	-

The effects of related party transactions on the Group's consolidated balance sheets as at 30 June 2012 and 30 June 2011 are the following:

<i>US\$ Thousand</i>	As at 30 June 2012		As at 30 June 2011	
	Total	Of which related parties	Total	Of which related parties
<b>ASSETS</b>				
<b>Non-current assets</b>				
Tangible assets	513 726	-	546 911	-
<b>Current assets</b>				
Inventories	19 525	-	22 757	-
Receivables and other current assets	47 034	251	65 144	11
Current financial assets	2 348	-	15 004	-
Cash and cash equivalents	40 191	-	54 770	-
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Banks and other lenders	317 248	-	277 187	-
<b>Current liabilities</b>				
Banks and other lenders	17 733	-	14 555	-
Payables and other current liabilities	52 592	12 495	78 854	13 499
Other financial current liabilities	17 049	8 000	9 802	6



The effects, by legal entity, of related party transactions on the Group's consolidated income statement for the first half of 2012 are the following:

<i>US\$ Thousand</i>	d'Amico International Shipping SA	Rudder SAM	d'Amico Società di Nav. SpA	Cogema SAM	Ishima Pte Ltd	d'Amico Shipping UK	Compagnia Generale Telemar SpA
	(consolidated)						
<b>Voyage costs</b>	<b>(68 650)</b>						
<i>of which</i>							
Bunker	(52 557)	(52 557)	-	-			-
<b>Time charter In costs</b>	<b>(45 717)</b>						
<i>of which</i>							
Vessel charter agreement	(441)					(441)	
<b>Other direct operating costs</b>	<b>(27 105)</b>						
<i>of which</i>							
Management agreements	(1 744)		(1 744)				
Technical expenses	(2 691)				(6)	(2 006)	(679)
<b>General and administrative costs</b>	<b>(7 948)</b>						
<i>of which</i>							
Services agreement	(641)		(581)			(60)	
<b>Total</b>		<b>(52 557)</b>	<b>(2 325)</b>		<b>(6)</b>	<b>(2 447)</b>	<b>(60)</b>
							<b>(679)</b>

The table below shows the effects, by legal entity, of related party transactions on the Group's consolidated income statement for the first half of 2011:

<i>US\$ Thousand</i>	d'Amico International Shipping SA	Rudder SAM	d'Amico. Shipping Italia SpA	d'Amico Società di Nav. SpA	Cogema SAM	Compagnia Generale Telemar SpA
	(consolidated)					
<b>Voyage costs</b>	<b>(46 380)</b>					
<i>of which</i>						
Bunker	(33 807)	(33 807)	-	-	-	-
<b>Time charter In costs</b>	<b>(47 550)</b>					
<i>of which</i>						
Vessel charter agreement	(479)	-	(479)	-	-	-
<b>Other direct operating costs</b>	<b>(26 650)</b>					
<i>of which</i>						
Management agreements	(1 805)	-	-	(1 805)	-	-
Technical expenses	(912)	-	-	-	-	(912)
<b>General and administrative costs</b>	<b>(9 997)</b>					
<i>of which</i>						
Services agreement	(615)	-	-	(545)	(70)	-
<b>Total</b>		<b>(33 807)</b>	<b>(479)</b>	<b>(1 630)</b>	<b>(70)</b>	<b>(912)</b>

The effect, by legal entity, of related party transactions on the Group's consolidated Statement of financial position as at 30 June 2012 are as follows:

<i>US\$ Thousand</i>	d'Amico Internat. Shipping SA	Cogema SAM	Rudder SAM	d'Amico Shipping UK	d'Amico Società di Nav. SpA	Ishima Pte.Ltd	d'Amico Dry Ltd.	Compagnia Generale Telemar SpA
	(consolidated)							
<b>Receivables and other current assets</b>		<b>47 034</b>						
of which related party	251	-	-	4	-	247	-	-
<b>Payables and other current liabilities</b>		<b>52 592</b>						
of which related party	13 495	5	11 047	60	1 591	-	108	684
<b>Total</b>		<b>(5)</b>	<b>(11 047)</b>	<b>(56)</b>	<b>(1 591)</b>	<b>247</b>	<b>(108)</b>	<b>(684)</b>

The effect, by legal entity, of related party transactions on the Group's consolidated Statement of financial position as at 30 June 2011 were the following:

<i>US\$ Thousand</i>	d'Amico Internat. Shipping SA	d'Amico Finance Limited	Rudder SAM	d'Amico Shipping Italia SpA	d'Amico Società di Nav. SpA	d'Amico Ireland Ltd	d'Amico Dry Ltd	Compagnia Generale Telemar
	(consolidated)							
<b>Receivables and other current assets</b>		<b>66 144</b>						
of which related party	11	-	-	-	6	-	5	-
<b>Payables and other current liabilities</b>		<b>78 854</b>						
of which related party	13 505	6	11 798	37	1 185	2	-	477
<b>Total</b>		<b>(6)</b>	<b>(11 798)</b>	<b>(37)</b>	<b>(1 179)</b>	<b>(2)</b>	<b>5</b>	<b>(447)</b>

## 24. COMMITMENTS AND CONTINGENCIES

### Capital commitments

As at 30 June 2012 there were no capital commitments.

<i>US\$ Million</i>	As at 30 June 2012	As at 31 December 2011
Within one year	-	37.4
Between 1 – 3 years	-	-
Between 3 – 5 years	-	-
More than 5 years	-	-
<b>Total</b>	<b>-</b>	<b>37.4</b>

With reference to the subsequent event, the order of two "HMD ECO 40 ShallowMax" new-building Product Tankers for a total consideration of US\$ 61.3 million, US\$ 12.3 million will be paid before December 31, 2012 and the remainder thereafter.

## Operating leases – chartered in vessels

As at 30 June 2012, the Group's minimum operating lease rental commitments amounted to US\$ 255.6 million, of which payments over the next 12 months will amount to US\$ 85 million.

<i>US\$ Million</i>	<b>As at 30 June 2012</b>	<b>As at 31 December 2011</b>
Within one year	85.0	85.4
Between 1 – 3 years	103.7	119.3
Between 3 – 5 years	46.6	60.1
More than 5 years	20.3	28.7
Total	255.6	293.5

As at 30 June 2012, d'Amico Tankers Limited operated 18 vessel equivalents on time charter-in contracts as lessee. These had an average remaining contract period of 2.75 years at that time (3.98 years including optional periods). Some of the charter-in contracts include options to purchase vessels in the future, details of which are included below.

### Purchase options

d'Amico Tankers Ltd. Currently has 4 vessel purchase options on time chartered vessels already on the water. Exercise of these options is at the discretion of the Company based on the conditions prevailing at the date of the option.

### Ongoing disputes

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

### Tonnage tax deferred taxation

Effective from 1 January 2007, d'Amico Tankers Limited qualified to be taxed under the Tonnage Tax regime in Ireland; DM Shipping Limited obtained the ruling commencing 1 January 2009 and Glenda International Shipping in 2010. 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 Company fails to comply with the on-going requirements to remain within the regime.

No provision has been made for deferred taxation as no liability is reasonably expected to arise.

---

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

---

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

Name	Registered Office	Share Capital	Currency	Interest %	Consolidation Method
d'Amico International Shipping S.A.	Luxembourg	149 949 907	USD		
d'Amico Tankers Limited	Dublin / Ireland	100 001	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	202	USD	50.0%	Proportional
VPC Logistics Limited	London / UK	50,000	USD	100.0%	Integral
DM 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

The consolidation area in H1 2012 does not differ with respect to the 2011 consolidated accounts. VPC Logistics is in the process of being liquidated.

29 August 2012

On behalf of the Board

*Paolo d'Amico*  
Chairman

*Marco Fiori*  
Chief Executive Officer

The manager responsible for preparing the company's financial reports, Mr Alberto Mussini, in his capacity of Chief Financial Officer of d'Amico International Shipping SA (the "Company") declares to the best of his knowledge, that half yearly/second quarter 2012 financial statements prepared in accordance with the applicable set of accounting standards as published in this report, give a true and fair view of the assets, liabilities, financial position and income statement of the Company and its consolidated subsidiaries and that the interim management report includes a fair review of the development and performance of the business and the position of the Company and its consolidated subsidiaries, together with a description of the principal risks and uncertainties that they face.

*Alberto Mussini*  
Chief Financial Officer