



D'AMICO INTERNATIONAL SHIPPING S.A. INTERIM MANAGEMENT STATEMENTS – FIRST QUARTER 2019

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d'Amico International Shipping S.A.
Registered office at 25C Boulevard Royal, Luxembourg
RCS B124790
Share capital US\$ 32,687,901.25 as at 31 March 2019

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BOARD OF DIRECTORS AND CONTROL BODIES

BOARD OF DIRECTORS

Chairman, Chief Executive Officer
Paolo d'Amico

Directors

Cesare d'Amico

Massimo Castrogiovanni

Stas Andrzej Jozwiak

John Joseph Danilovich

Heinz Peter Barandun

Carlos Balestra di Mottola, *Chief Financial Officer*

INDEPENDENT AUDITORS

Moore-Stephens Audit S.A.

KEY FIGURES

FINANCIALS

<i>US\$ Thousand</i>	Q1 2019	Q1 2018
Time charter equivalent (TCE) earnings*	63,858	66,320
EBITDA *	22,418	10,086
<i>as % of margin on TCE</i>	35.11%	15.21%
EBIT *	5,180	833
<i>as % of margin on TCE</i>	8.11%	1.26%
Net profit/(loss)	(5,514)	(3,598)
<i>as % of margin on TCE</i>	(8.63)%	(5.42)%
Basic earnings/ (loss) per share	US\$ (0.009)	US\$ (0.006)
Operating cash flow	16,815	495
Gross capital expenditure (CapEx)*	(30,520)	(61,123)
	As at	As at
	31 March 2019	31 December 2018
Total assets	1,196,175	1,039,737
Net financial indebtedness*	748,678	588,708
Shareholders' equity	328,232	337,343

*see Alternative Performance Measures on page 10

OTHER OPERATING MEASURES

<i>US\$ Thousand</i>	Q1 2019	Q1 2018
Daily operating measures - TCE earnings* per employment day (US\$) ¹	14,057	13,446
Fleet development - Total vessel equivalent	49.4	55.1
- Owned	24.0	26.7
- Bareboat chartered	7.8	3.4
- Time chartered	17.6	25.0
Vessels equivalent under commercial management	3.7	-
Off-hire days/ available vessel days ² (%)	3.9%	0.6%
Fixed rate contract/ available vessel days ³ (coverage %)	46.4%	31.7%

*see Alternative Performance Measures on page 10

¹ This figure represents time charter ("TC") equivalent earnings for vessels employed on the spot market and time charter contracts net of commissions. Please refer to the Alternative Performance Measures included further on in this report. The figure exclude vessels under commercial management from the calculation; in Q1 2019 and Q1 2018 these vessels generated US\$ 3.8 million and US\$ 0.0 million in time-charter equivalent earnings and an equivalent amount of time-charter hire costs.

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

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

CONSOLIDATED MANAGEMENT REPORT

GROUP STRUCTURE

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



as at 31 March 2019

D'AMICO INTERNATIONAL SHIPPING GROUP

d'Amico International Shipping S.A. (DIS, the Group or d'Amico International Shipping, the Company) is an international marine transportation company, part of the d'Amico Group, which traces its origins to 1936. d'Amico International Shipping operates, mainly through its fully owned subsidiary d'Amico Tankers d.a.c. (Ireland), which as at March 31, 2019, controls a fleet of 49.5 vessels, of which 32 owned and bareboat vessels (with purchase obligation) with an average age of approximately 6.1 years, compared to an average in the product tankers industry⁴ of 11.0 years for MRs (25,000 – 54,999 dwt) and of 10.3 years for LR1s (55,000 - 84,999 dwt). All DIS' vessels are double-hulled and are primarily engaged in the transportation of refined oil products, providing worldwide shipping services to major oil companies and trading houses. All the vessels are compliant with IMO (International Maritime Organization) regulations, including MARPOL (the International Convention for the Prevention of Pollution from Ships), with the requirements of oil-majors and energy-related companies and other relevant international standards. Based on MARPOL/IMO rules, cargoes such as palm oil, vegetable oil and other chemicals can only be transported by vessels that meet certain requirements (IMO Classed). As at March 31, 2019, 83.8% of DIS' controlled fleet was IMO Classed, allowing the Group to transport a large range of products.

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

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

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

DIS' Global Footprint

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

As at March 31, 2019, the Group employed 730.5 seagoing personnel and 32 onshore personnel.

Fleet

DIS controlled as at March 31, 2019, either through ownership or charter arrangements a modern fleet of 49.5 product tankers and 2 additional vessels in commercial management (December 31, 2018: 49.5 product tankers and 4.0 additional vessels in commercial management). DIS' product tanker vessels range from approximately 36,000 to 75,000 dwt.

Since 2012, DIS has ordered 22 new buildings, of which one was still under construction as at the end of March 2019. All these newbuildings are fuel-efficient and in compliance with recent environmental legislation. They can therefore cater to the high standards required by the Group's oil customers, in addition to being highly cost effective.

⁴ Source: Clarksons Research as at April 1, 2019

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

The following table sets forth information about the DIS fleet on the water as at March 31, 2019.

Name of vessel	Dwt	Year built	Builder, Country	IMO classed
LR1 fleet				
Owned				
Cielo Rosso	75,000	2018	Hyundai Mipo, South Korea	IMO II/III
Cielo di Cagliari	75,000	2018	Hyundai Mipo, South Korea	IMO II/III
Cielo di Rotterdam	75,000	2018	Hyundai Mipo, South Korea	IMO II/III
Cielo Bianco	75,000	2017	Hyundai Mipo, South Korea	IMO II/III
Bareboat with purchase options and purchase obligations				
Cielo di Houston	75,000	2019	Hyundai Mipo, South Korea	IMO II/III
MR fleet				
Owned				
High Challenge	50,000	2017	Hyundai Mipo, South Korea	IMO II/III
High Wind	50,000	2016	Hyundai Mipo, South Korea	IMO II/III
High Voyager ⁵	45,999	2014	Hyundai Mipo, South Korea	IMO II/III
High Tide	51,768	2012	Hyundai Mipo, South Korea	IMO II/III
High Seas	51,678	2012	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melissa ⁶	47,203	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Meryl ⁷	47,251	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melody ⁶	47,238	2011	Hyundai Mipo, South Korea	IMO II/III
GLEND A Melanie ⁷	47,162	2010	Hyundai Mipo, South Korea	IMO II/III
GLEND A Meredith ⁷	46,147	2010	Hyundai Mipo, South Korea	IMO II/III
GLEND A Megan ⁶	47,147	2009	Hyundai Mipo, South Korea	IMO II/III
High Venture	51,087	2006	STX, South Korea	IMO II/III
High Performance	51,303	2005	STX, South Korea	IMO II/III
High Progress	51,303	2005	STX, South Korea	IMO II/III
High Valor	46,975	2005	STX, South Korea	IMO II/III
High Courage	46,975	2005	STX, South Korea	IMO II/III
Bareboat with purchase options and purchase obligations				
High Trust	49,990	2016	Hyundai Mipo, South Korea	IMO II/III
High Trader	49,990	2015	Hyundai Mipo, South Korea	IMO II/III
High Loyalty	49,990	2015	Hyundai Mipo, South Korea	IMO II/III
High Freedom	49,990	2014	Hyundai Mipo, South Korea	IMO II/III
High Discovery	50,036	2014	Hyundai Mipo, South Korea	IMO II/III
High Fidelity	49,990	2014	Hyundai Mipo, South Korea	IMO II/III
High Priority	46,847	2005	Nakai Zosen, Japan	-
TC-in long-term with purchase options				
High Leader	50,000	2018	Japan Marine, Japan	IMO II/III
High Navigator	50,000	2018	Japan Marine, Japan	IMO II/III
High Explorer	50,000	2018	Onomichi, Japan	IMO II/III
High Adventurer	50,000	2017	Onomichi, Japan	IMO II/III

⁵ In April 2019, d'Amico Tankers d.a.c. sold and leased back M/T High Voyager

⁶ Vessels owned by GLEND A International Shipping d.a.c. (in which DIS has 50% interest) and time chartered to d'Amico Tankers d.a.c.

⁷ Vessels owned by GLEND A International Shipping d.a.c. (in which DIS has 50% interest)

Crimson Pearl	50,000	2017	Minaminippon Shipbuilding, Japan	IMO II/III
Crimson Jade	50,000	2017	Minaminippon Shipbuilding, Japan	IMO II/III
Name of vessel	Dwt	Year built	Builder, Country	IMO classed
TC-in long-term without purchase option				
Carina	47,962	2010	Iwagi Zosen, Japan	-
Freja Baltic	47,548	2008	Onimichi Dockyard, Japan	-
High Prosperity	48,711	2006	Imabari, Japan	-
High SD Yihe	48,700	2005	Imabari, Japan	-
SW Southport I	46,992	2004	STX, South Korea	IMO II/III
SW Tropez	46,992	2004	STX, South Korea	IMO II/III
TC-in short-term				
High Strength ⁸	46,800	2009	Nakai Zosen, Japan	-
High Efficiency ⁸	46,547	2009	Nakai Zosen, Japan	-
High Power	46,874	2004	Nakai Zosen, Japan	-
Vessel under commercial management⁹				
High Current	46,590	2009	Nakai Zosen, Japan	-
High Glow	46,846	2006	Nakai Zosen, Japan	-
Handy-size fleet				
Owned				
Cielo di Salerno	39,043	2016	Hyundai Mipo, South Korea	IMO II/III
Cielo di Hanoi	39,043	2016	Hyundai Mipo, South Korea	IMO II/III
Cielo di Capri	39,043	2016	Hyundai Mipo, South Korea	IMO II/III
Cielo di Ulsan	39,060	2015	Hyundai Mipo, South Korea	IMO II/III
Cielo di New York	39,990	2014	Hyundai Mipo, South Korea	IMO II/III
Cielo di Gaeta	39,990	2014	Hyundai Mipo, South Korea	IMO II/III
Cielo di Guangzhou	38,877	2006	Guangzhou, China	IMO II
TC-in short-term				
SW Cap Ferrat I	36,032	2002	STX, South Korea	IMO II/III

Fleet Employment and Partnership

As at March 31, 2019, d'Amico International Shipping directly employed 49.5 Vessels: 5 LR1 ('Long Range 1'), 15.5 MRs ('Medium Range') and 3 Handy-size on term contracts at a fixed rate, whilst 21 MRs and 5 Handy-size vessels were at the same date employed on the spot market. In addition to this, DIS had 2 MR vessels in commercial management as at March 31, 2019. Some of these DIS' vessels are employed through its joint ventures.

GLENDIA International Shipping d.a.c., a jointly controlled entity with the Glencore Group, in which d'Amico Tankers d.a.c. has a 50% interest. As at March 31, 2019, The JV operator owns 6 MR vessels built between August 2009 and February 2011. Glenda International Shipping as at March 31, 2019, has three vessels time-chartered to d'Amico Tankers and three vessels to the Glencore Group.

DM Shipping d.a.c. (DMS), a jointly controlled entity with the Mitsubishi Group, in which d'Amico Tankers d.a.c. has a 51% interest. Following the sale of an MR vessel in April 2019, the JV company owns 1 MR vessel, built in July 2009 (more details within Significant events after the end of the period).

Eco Tankers Limited, a joint venture with Venice Shipping Logistics S.p.A., in which d'Amico International Shipping SA has a 33% shareholding. The JV company owns an eco-design MR product tanker of 50,000 dwt built at Hyundai-

⁸ Vessel owned by the joint-venture DM Shipping d.a.c. (in which DIS has 51% interest) and time chartered to d'Amico Tankers d.a.c. The High Strength was sold and delivered to its new owners in April 2019.

⁹ DIS passes the TCE Earnings generated by the 'vessels under commercial management' on to their owners, after deducting a 2% commission on all their gross revenues.

Vinashin Shipyard Co., Ltd and delivered in May 2014. The d'Amico Group is responsible for the commercial, technical and administrative management of the vessel.

d'Amico International Shipping is part of the d'Amico Group (d'Amico), one of the world's leading privately-owned marine transportation companies with over 70 years of experience in the shipping business, whose ultimate parent company is d'Amico Società di Navigazione S.p.A. (Italy). As at March 31, 2019, d'Amico Group controlled a wide fleet of owned and chartered-in vessels, of which 51.5 were part of the DIS fleet (including 2 ships in commercial management), operating in the product tanker market. d'Amico International Shipping also benefits from the expertise of the d'Amico Group, which provides support for technical management services, as well as safety, quality and technical products and services to DIS' vessels, including crewing and insurance arrangements.

ALTERNATIVE PERFORMANCE MEASURES (APM)

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

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

Time charter equivalent earnings

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

EBITDA and EBITDA Margin

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

EBIT and EBIT Margin

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

Gross CAPEX

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

Net Indebtedness

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

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

Available vessel days

Total theoretical number of days a vessel is available for sailing during a period. It provides an indication of the Group's fleet earnings potential during a period, which takes into account the date of delivery to and redelivery from the Group of the vessels in its fleet (please refer also to the Key figures, other operating measures).

Coverage

Ratio indicating how many available vessel days are already covered by fixed rate contracts (time charter contracts or contracts of affreightment). It provides an indication of how exposed the Group is to changes in the freight market during a certain period (please refer to Time charter equivalent earnings in the Management financial review).

Daily spot rate or daily TC rate

Daily spot rate refers to daily time-charter equivalent earnings (please refer to definition below) generated by employing DIS' vessels on the spot market (or on a voyage basis) and daily TC rate refers to daily time-charter earnings generated by employing DIS' vessels on 'time-charter' contracts (please refer to the Management financial review).

Off-hire

Means the period in which a vessel is unable to perform the services for which it is immediately required under a time charter. Off-hire periods can include days spent on repairs, dry-docking and surveys, whether or not scheduled. It can help to explain changes in time-charter equivalent earnings between different periods (please refer to Revenues, in the Management financial review).

Time charter equivalent earnings per day

A measure of the average daily revenue performance of a vessel or of DIS' fleet. DIS' method of calculating time charter equivalent earnings per day is consistent with industry standards and is determined by dividing voyage revenues (net of voyage expenses) by on-hire days for the relevant time period. Time charter equivalent earnings per day is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance, since it is unaffected by the changes in the mix of charter contracts (*i.e.* spot charters, time charters and contracts of affreightment) through which the vessels are employed. It allows a comparison of the Group's performance with industry peers and market benchmarks (please refer to Key figures).

Vessels equivalent

The number of vessels equivalent in a period is equal to the sum of the products of the total available vessel days over that period for each vessel and the participation of the Group (direct or indirect) in that vessel, divided by the number of calendar days in that period. It provides an indication of the Group's fleet size and earnings potential over a period (please refer to Key figures).

OTHER DEFINITIONS**Bareboat charter**

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

Charter

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

Contract of affreightment (COA)

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

Disponent Owner

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

Fixed-rate contracts

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

Spot charter or Voyage charter

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

Time charter

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

SUMMARY OF THE RESULTS IN THE FIRST QUARTER OF 2019

Product tanker market conditions remained healthy in January 2019 following strong improvements in late 2018. According to Clarksons, average clean MR spot earnings fell 10% m-o-m to average around the mid teens in January, but were still up significantly from the full year 2018 average. The opening of some arbitrage trades in late 2018 to January 2019 (particularly West to East naphtha flows) has provided support, along with firm growth in US product exports. The product tanker market eased back in February. Average clean MR spot earnings fell, with Chinese New year contributing to a lull in earnings in the East in the first part of the month. However, overall earnings in the first two months of the year were up by significantly compared to the 2018 average. In March, product demand was supported by strong flows into West Africa. Planned and unplanned refinery outage in the US Atlantic coast reduced domestic production, limiting exports, but contributing to an increase in imports of gasoline. In March, the Asian and Middle Eastern markets also experienced some improvement, with demand for Indian coastal business opening up to non-Indian flag ships and healthy demand into East Africa.

The one-year time-charter rate is always the best indicator of spot market expectations. The improved sentiment in Q4 raised the rate at the end of the year to around US\$ 13,500 per day for conventional (non-Eco) MRs and to around US\$15,000 per day for Eco MRs. In Q1 2019 this trend continued with the one-year rates rising further and settling at the end of the period at around US\$ 14,000 per day and US\$ 15,500 per day for conventional and Eco MRs, respectively.

DIS' Net Result was negative for US\$ (5.5) million in Q1 2019 vs. a Net Loss of US\$ (3.6) million posted in the same quarter of 2018. Excluding results on disposal and non-recurring financial items from Q1 2019 and Q1 2018, as well as the effects of IFRS 16 from Q1 2019, DIS' Net result would have been US\$ (4.4) million in the first quarter of the current year compared with US\$ (6.8) million recorded in the same period of 2018. Therefore, excluding the effects of the application of IFRS 16 and such non-recurring effects, DIS' Q1 2019 Net result would have been US\$ 2.4 million higher than in the same quarter of last year.

In fact, in terms of spot performance, **DIS achieved a daily spot rate of US\$ 13,583 in Q1 2019**, 7% better than US\$ 12,726 achieved in Q1 2018 and 26% higher than the overall spot average of last year. In addition, the Q1 2019 spot result was affected by an approximately US\$ 0.7 million negative adjustment on prior year voyages, which corresponds to about US\$ 330/day on DIS' daily average for its spot vessels.

At the same time, 46.4% of DIS' total employment days in Q1 2019, were covered through 'time-charter' contracts at an average daily rate of US\$ 14,604 (Q1 2018: 31.7% coverage at an average daily rate of US\$ 15,001). Such good levels of time charter coverage is one of the pillars of DIS' commercial strategy and allows it to mitigate the effects of the spot market volatility, securing a certain level of earnings and cash generation even throughout the negative cycles. DIS' total daily average rate (which includes both spot and time-charter contracts) was US\$ 14,057 in the first quarter of 2019 compared with US\$ 13,446 achieved in the same quarter of the previous year.

In Q1 2019, DIS '**gross capital expenditures**' amounted to **US\$ 30.6 million**, in relation to the delivery of 1 newbuilding LR1 vessel. Since 2012, DIS has ordered a total of **22 'Eco-design' product tankers**¹⁰ (10 MR, 6 Handy-size and 6 LR1 vessels), of which 21 vessels have been already delivered as at the end of Q1 2019. This corresponds to an overall **investment plan** of approximately **US\$ 755.0 million** and is in line with the Group's strategy to modernize its fleet through new-buildings with an eco-design.

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

Operating Performance

Consolidated Statement of Profit or Loss

<i>US\$ Thousand</i>	Q1 2019	Q1 2018
Revenue	91,031	103,509
Voyage costs	(27,173)	(37,189)
Time charter equivalent earnings*	63,858	66,320
Time-charter hire costs	(10,220)	(31,963)
Other direct operating costs	(27,691)	(20,549)
General and administrative costs	(3,422)	(3,960)
Result on disposal of vessels	(107)	238
EBITDA*	22,418	10,086
Depreciation	(8,758)	(9,253)
Depreciation of right-of-use leased asset	(8,480)	-
EBIT*	5,180	833
Net financial income	458	3,099
Net financial (charges)	(11,979)	(7,331)
Share of profit of associate	(18)	2
Reversal of impairment of an equity-invested asset	945	-
Profit / (loss) before tax	(5,414)	(3,397)
Income taxes	(100)	(201)
Net profit / (loss)	(5,514)	(3,598)

Revenue was US\$ 91.0 million in Q1 2019 compared to US\$ 103.5 million in Q1 2018. The decrease in gross revenue compared with the previous year is attributable mainly to a lower number of vessels operated on average by DIS in the first quarter of the current year (Q1 2019: 49.4 vs. Q1 2018: 55.1). In addition, the percentage of off-hire days in Q1 2019 (3.9%) was significantly higher than the same period of the previous year (0.6%), mainly due to commercial off-hires and the timing of dry-docks.

Voyage costs reflect the mix of spot and time-charter employment contracts. These costs, which occur only for vessels employed on the spot market, amounted to US\$ (27.2) million in Q1 2019 compared with US\$ (37.2) million recorded in the same quarter of last year.

Time charter equivalent earnings were US\$ 63.9 million in Q1 2019 vs. US\$ 66.3 million in Q1 2018. The total amount for 2018 includes US\$ 3.8 million 'time charter equivalent earnings' generated by the vessels under commercial management, which is offset by an equal amount reported under 'time-charter hire costs'. The variance compared with last year is only due to the lower number of vessels operated on average by DIS in Q1 2019 compared with the same quarter of last year.

In fact, DIS realized a **Daily Average Spot Rate of US\$ 13,583 in Q1 2019¹¹** compared with US\$ 12,726 achieved in the same quarter of 2018. DIS' spot result of Q1 2019 represents an improvement of 7% (or US\$ 858/day) relative to the first quarter of last year and of 26% (or US\$ 2,785/day) compared with the full-year average of 2018. In addition, the Q1 2019 spot result was affected by approximately US\$ 0.7 million negative adjustment on prior year voyages, which corresponds to about US\$ 330/day on DIS' daily average.

¹¹ Daily Average TCE excludes US\$ 3.8 million generated by the vessels under commercial management, as it is off-set by an equivalent amount of time charter hire costs after deducting a 2% commission on all their gross revenues.

Following its strategy, in Q1 2019 DIS maintained a **good level of ‘coverage’** (fixed contracts), securing an average of **46.4%** (Q1 2018: 31.7%) of its available vessel days at a **Daily Average Fixed Rate of US\$ 14,604** (Q1 2018: US\$ 15,001). In addition to securing revenue and supporting the operating cash flow generation, these contracts enabled DIS to strengthen its historical relationships with the main oil majors, which is one of the pillars of its commercial strategy.

DIS’ Total Daily Average TCE (Spot and Time Charter)¹² was US\$ 14,057 in Q1 2019 vs US\$ 13,446 in Q1 2018.

DIS TCE daily rates (US dollars)	2018					2019
	Q1	Q2	Q3	Q4	FY	Q1
Spot	12,726	10,327	8,689	11,617	10,798	13,583
Fixed	15,001	14,867	14,716	14,831	14,850	14,604
Average	13,446	11,818	10,680	12,892	12,184	14,057

Time charter hire costs. IFRS 16 Leases is effective for annual periods beginning on or after January 1 2019 and has been adopted by the Company. IFRS 16 substantially changes the Group’s Consolidated Financial Statements, significantly affecting the treatment by lessees of contracts which in previous periods were treated as operating leases. With some exceptions, liabilities for payments in contracts previously classified as operating leases are now discounted at the lessee’s incremental borrowing rate, leading to the recognition of a lease liability and a corresponding right of use asset (amounting to the liability plus the present value of any restoration costs and any incremental costs in entering the lease, as well as any lease payments made prior to commencement of lease, minus any lease incentives already received). Therefore, starting from January 1 2019, ‘time-charter hire costs’ includes only time-charter contracts whose duration is shorter than 12 months. The application of IFRS16 reduces ‘charter hire costs’ by US\$ 15.2 million in Q1 2019, as within the Income Statement, these costs are replaced with other direct operating costs, interest and depreciation.

The total amount for Q1 2019 includes also US\$ 3.6 million hire costs in relation to the vessels under commercial management (3.7 average equivalent vessels in Q1 2019), which is offset by an equivalent amount reported under ‘time charter equivalent earnings’, after deducting a 2% commission on the gross revenue generated by these ships in the period. Excluding the cost related to the vessels under commercial management and the effect of IFRS 16, DIS’ Q1 2019 ‘time-charter hire costs’ would have been US\$ 10.7 million lower than in Q1 2018. In fact, DIS operated a lower number of chartered-in vessels in Q1 2019 (17.6 equivalent ships) relative to the prior year (25.0 equivalent ships) and at a slightly lower daily average cost.

Other direct operating costs mainly consist of crew, technical and luboil relating to the operation of owned vessels together with insurance expenses for both owned and chartered-in vessels. The adjustment to ‘other direct operating costs’ arising from the application of IFRS 16 is negative for US\$ (7.5) million in Q1 2019, as within the Income Statement, charter hire costs are replaced by other direct operating costs, interest and depreciation. Excluding the effect of IFRS 16, DIS’ Q1 2019 ‘other direct operating costs’ would have been US\$ (20.2) million, lower than the US\$ (20.5) million cost of Q1 2018, even though the Company operated a larger fleet of owned and bareboat vessels in Q1 2019 relative to the same period of last year (Q1 2019: 31.8 vs. Q1 2018: 30.1). DIS constantly monitors its operating costs, while focusing on crew with appropriate skills, high SQE (Safety, Quality & Environment) standards and full compliance with very stringent market regulations. Maintaining a ‘high quality’ fleet represents an essential part of d’Amico’s vision and strategy.

General and administrative costs were US\$ (3.4) million in Q1 2019 and 13.6% lower than the same quarter of last year (US\$ (4.0) million costs in Q1 2018). These costs relate mainly to onshore personnel, together with office costs, consultancies, travel expenses and others. The adjustment to ‘general and administrative costs’ arising from the application of IFRS 16 is positive for US\$ 0.2 million in Q1 2019 and it relates to office leases.

Result from disposal of vessels. In Q1 2019, DIS sold and leased back M/T Cielo di Houston and the result of this type of transaction is deferred and recognized over the duration of the leases, within this line of the Income Statement.

EBITDA was **US\$ 22.4 million in Q1 2019**. The adjustment to ‘EBITDA’ arising from the application of IFRS 16 is

¹² Daily Average TCE excludes US\$ 3.8 million generated by the vessels under commercial management, as it is off-set by an equivalent amount of time charter hire costs.

positive for US\$ 7.9 million in Q1 2019, as within the Income Statement, charter hire costs are replaced with other direct operating costs, interest and depreciation. Excluding the effect of IFRS 16, DIS' Q1 2019 EBITDA would amount to US\$ 14.5 million vs. US\$ 10.1 million achieved in Q1 2018. The improvement relative to last year, is attributable to the improvement in freight markets and a more efficient cost structure.

Depreciation amounted to US\$ (8.8) million in Q1 2019 vs. US\$ (9.3) million in Q1 2018.

Depreciation of right-of-use leased assets amounted to US\$ (8.5) million in Q1 2019, and the application of IFRS 16 led to an increase in this cost item of US\$ (6.5) million for the period.

EBIT was positive for US\$ 5.2 million in Q1 2019 compared to US\$ 0.8 million for the same period of last year. The 2019 amount was positively impacted by US\$ 1.5 million from the application of IFRS 16.

Net financial income was US\$ 0.5 million in Q1 2019 vs. US\$ 3.1 million in Q1 2018. The amount of Q1 2019 includes foreign exchange gain on commercial transactions, bank interest income (funds held with financial institutions on deposit and current accounts) and interest on the financing provided to the DM Shipping joint venture. The variance relative to the previous year is mainly due to US\$ 1.2 million positive exchange difference (primarily on the USD/JPY rate) and US\$ 1.8 million unrealized gain in relation to the ineffective part of DIS' interest rate swap agreements posted in Q1 2018.

Net financial charges were US\$ (12.0) million in Q1 2019 vs. US\$ (7.3) million in Q1 2018. The amount comprises the interest expenses due on DIS' bank loan facilities and financial leases, actual expenses on interest rate swaps and amortization of financial fees. The 2019 amount includes also US\$ (1.8) million interest expenses on liabilities arising from the application of IFRS 16.

Reversal of impairment of an equity-invested asset was positive for US\$ 0.95 million in Q1 2019 due to the partial reversal of the write-down of d'Amico Tankers d.a.c.'s shareholder loan to DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group).

DIS recorded a **Loss before tax** of US\$ (5.4) million in Q1 2019 vs. US\$ (3.4) million profit in Q1 2018. The 2019 amount includes US\$ (0.3) million negative adjustment arising from the application of IFRS 16.

Income taxes amounted to US\$ (0.1) million in Q1 2019 vs. US\$ (0.2) million in Q1 2018.

The **Net Result for Q1 2019** was **US\$ (5.5) million** compared with a Net loss of **US\$ (3.6) million** in Q1 2018. The application of IFRS 16, negatively impacted the results for the first quarter of 2019 by US\$ 0.3 million, and net of the one-off reversal of provisions for previous years onerous contracts, also attributable to the application of IFRS 16, the results for the period were lower by US\$ 0.1 million.

Consolidated Statement of Financial Position

<i>(US\$ Thousand)</i>	As at 31 March 2019	As at 31 December 2018
ASSETS		
Non current assets	1,086,937	924,164
Current assets	109,238	115,573
Total assets	1,196,175	1,039,737
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity	328,232	337,343
Non-current liabilities	643,428	539,518
Current liabilities	224,515	162,876
Total liabilities and shareholders' equity	1,196,175	1,039,737

Non-current assets mainly relate to DIS' owned vessels net book value, including the portion relating to its new-building under construction and the right-of-use of the leases assets. The Q1 2019 amount includes a positive adjustment of US\$ 143.9 million arising from the application of IFRS 16. According to the valuation report provided by a primary broker, the estimated market value of DIS' owned and bareboat fleet as at March 31, 2019 was of US\$ 832.35 million.

Gross Capital expenditures (Capex) were of US\$ 30.7 million in Q1 2019 vs. US\$ 19.3 million in Q1 2018. The amount comprises mainly the instalments paid on the newbuilding vessels under construction at Hyundai-Mipo. Dry-dock costs pertaining to owned vessels are also capitalized.

Current assets as at March 31, 2019 amounted to US\$ 109.2 million. As at the same date, in addition to the working capital items (inventories and trade receivables amounting to US\$ 12.0 million and US\$ 47.9 million respectively), current assets include 'cash and cash equivalent' of US\$ 29.1 million and d'Amico Tankers' shareholder loan to DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group) of US\$ 15.5 million. Current assets as at at 31 March, 2019 include also US\$ 3.7 million relating to funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance (please refer to the disclosures on related parties in the notes to the consolidated Financial Statements) in respect of interest rate swap contracts.

Non-current liabilities were of US\$ 643.4 million as at March 31, 2019 and mainly consist of the long-term portion of debt due to banks (disclosed under the Net Indebtedness section of the report) and of liabilities for financial leases. The Q1 2019 amount includes an additional US\$ 112.0 million in right-of-use assets, arising from the application of IFRS 16.

The balance of **Current liabilities**, other than the debt due to banks and other lenders (disclosed under the Net Indebtedness section of the report), includes as at March 31, 2019, working capital items amounting to US\$ 51.0 million (mainly relating to trade and other payables), US\$ 44.2 million in liabilities from financial leases, US\$ 33.5 million in long-term financing granted by DIS' majority shareholder (d'Amico International S.A.), and US\$ 8.2 million in other current financial liabilities. The Q1 2019 amount includes a positive adjustment of US\$ 34.3 million arising from the application of IFRS 16.

The **Shareholders' equity** balance as at March 31, 2019 was of US\$ 328.2 million (US\$ 337.3 million as at December 31, 2018). The variance relative to year-end 2018 is primarily due to the Net loss generated in the first quarter of 2019, as well as to the loss on the valuation of cash-flow hedges. The total amount of the Shareholders' equity as at March 31, 2019 includes also a US\$ (2.3) million prior year adjustment arising from the application of IFRS16.

Net Indebtedness *

DIS' Net debt as at March 31, 2019 amounted to US\$ 748.7 million compared to US\$ 588.7 million at the end of 2018. The large variance relative to the end of 2018 is due to the application of IFRS16 which led to the recognition of an additional liability of US\$ 146.3 million as at the end of the first quarter of 2019. The net debt (excluding IFRS 16) / fleet market value ratio was of 72.4% as at March 31, 2019 vs. 72.9% as at December 31, 2018.

<i>US\$ Thousand</i>	As at 31 March 2019	As at 31 December 2018
Liquidity - Cash and cash equivalents	29,062	31,713
Current financial assets	4,726	1,116
Other current financial assets – related party	15,515	17,089
Total current financial assets	49,303	49,918
Bank loans and other lenders– current	87,512	91,238
Liabilities from financial lease	44,204	8,369
Shareholders' loan	33,500	1,280
Other current financial liabilities – 3 rd p.ties	8,138	7,876
Total current financial debt	173,354	108,763
Net current financial debt	93,451	58,845
Other non-current financial assets – third parties	18,801	9,655
Total non-current financial assets	18,801	9,655
Bank loans non-current	325,297	338,622
Liabilities from financial lease	310,790	165,298
Shareholders' financing	-	30,600
Other non-current financial liabilities – 3 rd p.ties	7,341	4,998
Total non-current financial debt	643,428	539,518
Net non-current financial debt	655,227	529,863
Net financial indebtedness	748,678	588,708

* See Alternative Performance Measures on page 10

The balance of *Total Current Financial Assets* was US\$ 49.3 million as at the end of March 2019. The total amount comprises *Cash and cash equivalents* of US\$ 29.1 million, US\$ 15.5 million shareholder's loan to DM Shipping (a 51/49 jointly controlled entity with the Mitsubishi Group), and short-term financial receivables of US\$ 4.7 million which mainly consist of US\$ 3.7 million funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance (please refer to the disclosures on related parties in the notes to the consolidated Financial Statements), in respect of interest rate swap contracts.

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

The total outstanding bank debt (*Bank loans*) as at March 31, 2019 amounted to US\$ 412.8 million, of which US\$ 87.5 million is due within one year. Other than some short-term credit lines, DIS' debt as at March 31, 2019 comprises mainly the following long-term facilities granted to d'Amico Tankers d.a.c. (Ireland), the key operating company of the Group:

- (i) US\$ 279.0 million (originally US\$ 250.0 million) term-loan facility granted by a pool of nine primary financial institutions (Crédit Agricole Corporate and Investment Bank, Nordea Bank, ING Bank, Banca IMI, Commonwealth Bank of Australia, Skandinaviska Enskilda Banken (SEB), The Governor and Company of the Bank of Ireland, Credit Industriel et Commercial, DnB), to refinance 8 existing vessels and provide financing for 6 new-building vessels, with an outstanding debt of US\$ 154.9 million;
- (ii) Intesa medium-term facility with an outstanding debt of US\$ 15.0 million;

- (iii) DnB NOR Bank 5 years term-loan facility to finance 1 MR vessel built in 2012, for a total outstanding debt of US\$ 15.9 million;
- (iv) ING 5 years term-loan facility to finance 1 MR vessel built in 2012, for a total outstanding debt of US\$ 15.2 million;
- (v) DnB NOR Bank 5 years term-loan facility to finance 1 MR vessel built in 2014, for a total outstanding debt of US\$ 15.8 million;
- (vi) ABN Amro 6 years term loan facility to finance 1 Handysize vessel built in 2014 for a total outstanding debt of US\$ 14.5 million;
- (vii) Banca IMI (Intesa Group) 7 years term-loan facility to finance 2 Handy-size vessels built respectively in 2015 and 2016 for a total outstanding debt of US\$ 36.8 million;
- (viii) Crédit Agricole CIB 4 years term-loan facility to finance 1 Handy-size vessel built in 2006 and purchased in 2015 for a total outstanding debt of US\$ 6.5 million;
- (ix) Monte dei Paschi di Siena 5 year term-loan facility to finance 1 LR1 vessel (delivered in November 2017), with an outstanding debt of US\$ 24.1 million;
- (x) Century Tokyo Leasing 6 years term-loan facility to finance 2 Handy-size vessel delivered respectively in July and October 2016 and 1 MR vessel delivered in January 2017, with an outstanding debt of US\$ 60.1 million;
- (xi) In addition, DIS' debt comprises also its portion of the bank loans of its joint venture 'Glenda International Shipping d.a.c.' with Credit Suisse and Cross Ocean AGG Company I (owned by Cross Ocean Partners), amounting to US\$ 38.7 million, to finance the 6 Glenda International Shipping d.a.c. vessels, delivered between 2009 and 2011.

Liabilities for financial leases include the financial leases on M/T High Fidelity, M/T High Discovery, M/T High Priority, M/T High Freedom, M/T High Trust, M/T High Loyalty, M/T High Trader and M/T Cielo di Houston which were sold and leased back between 2017 and Q1 2019. In addition, 'liabilities for financial leases' include US\$ 144.6 million arising from the application of IFRS 16 on contracts previously classified as 'operating leases'.

Shareholders' loan comprises US\$ 33.5 million current financing granted by DIS' majority shareholder (d'Amico International S.A.).

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

Cash Flow

DIS' **Net Cash Flow for Q1 2019 was negative, amounting to US\$ (2.7) million** vs. US\$ 3.7 million positive in Q1 2018. The amount of Q1 2019 includes gross capital expenditures of US\$ (30.7) million, partially offset by US\$ 11.1 million positive financing cash flow.

<i>US\$ Thousand</i>	Q1 2019	Q1 2018
Cash flow from operating activities	16,815	495
Cash flow from investing activities	(30,670)	(19,906)
Cash flow from financing activities	11,139	21,386
Change in cash balance	(2,716)	3,725
Cash and cash equivalents net of bank overdrafts at the beginning of the period	15,120	12,364
Cash and cash equivalents at the end of the period	29,062	28,476
Bank overdrafts at the end of the period	(16,659)	(12,389)
Cash and cash equivalents net of bank overdrafts at the end of the period	12,404	16,089

Cash flow from operating activities was positive, amounting to US\$ 16.8 million in Q1 2019 vs. US\$ 0.5 million in Q1 2018.

The net **Cash flow from investing activities** was US\$ (30.7) million in Q1 2019 vs. US\$ (19.9) million in Q1 2018. Almost the entire 2019 amount comprises the capital expenditures in connection with the installments paid on the new-building vessel delivered in January 2019, which was sold and leased back upon delivery.

Cash flow from financing activities was positive, amounting to US\$ 11.1 million in Q1 2019. This figure comprises mainly: (i) US\$ (17.4) million in bank debt repayments (of which US\$ 8.75 million were due to the reimbursement of the pre-delivery financing on M/T Cielo di Houston, which was sold and leased back); (ii) US\$ 28.4 million inception and amortization of financial leases, which mainly comprised the inception of the lease on M/T Cielo di Houston amounting to US\$37.4 million; (iii) US\$ (1.2) million movement in financial receivables and payables, mainly related to funds deposited by d'Amico Tankers d.a.c. with d'Amico Finance (please refer to the disclosures on related parties in the notes to the consolidated Financial Statements) in respect of interest rate swap contracts; (iv) US\$ 1.6 million financing granted by DIS' majority shareholder (d'Amico International S.A.).

SIGNIFICANT EVENTS OF THE FIRST QUARTER

In Q1 2019, the main events for the d'Amico International Shipping Group were the following:

d'Amico International Shipping:

- **Board of Directors Meeting:** On February 8, 2019, d'Amico International Shipping S.A. convened the extraordinary general meeting of shareholders of the Company to be held on 11 March 2019 ("EGM"). The board of directors of the Company (the "Board of Directors") proposed to the EGM to increase the authorised corporate capital by 750,000,000 shares to 1,750,000,000 shares with the intention, subject to the approval of the EGM and to market conditions, to execute in the weeks following the EGM a Capital Increase respecting the following conditions:
 - i) amount of up to US\$ 60 million;
 - ii) Theoretical ex-rights price ("TERP") discount of up to 25%.
- **Shareholders' Extraordinary General Meeting:** On March 11, 2019, the Extraordinary General Meeting of DIS resolved:
 - i) to approve the proposed reduction of the accounting value of each share of the issued share capital of the Company from its former amount of US\$ 0.10 per share to US\$ 0.05 per share without cancellation of any shares in issue nor repayment on any share nor off-setting of any losses as proposed by the Board of Directors in the explanatory report published on 8 February 2019 and available to Shareholders in the Corporate Governance section of the Company's website (www.damicointernationalshipping.com);
 - ii) to consequently reduce the amount of the issued share capital from its former amount of US\$ 65,375,802.50 to US\$ 32,687,901.25, allocating the amount resulting from the reduction to a special capital account (*apport en capitaux propres non rémunéré par des titres*), which is part of the premium accounts of the Company;
 - iii) to set the authorised corporate capital, including the issued share capital, at a total amount of US\$ 87,500,000 divided into 1,750,000,000 shares with no nominal value, approving the related proposed amendment to DIS' Articles of Association; and
 - iv) to renew, with immediate effect and for a period of five years, the authorisation of the Board of Directors to increase the capital in one or several tranches within the limits of the amended authorised capital, as well as the authorisation of the Board of Directors to limit or cancel, in full or partially, the preferential subscription rights of the existing shareholders.

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

- **Board of Directors Meeting:** On March 20, 2019, d'Amico International Shipping S.A., exercising the powers delegated by the Extraordinary General Meeting of Shareholders of 11 March 2019 – resolved:

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

The net proceeds of the Offering will be used to strengthen the Company’s balance sheet, reducing its financial leverage and improving its liquidity position.

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

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

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

- **Adjustment of Warrants exercise price following the Offering and notification to Consob of the updated version of KID regarding Warrants:** On March 29, 2019, d’Amico International Shipping S.A. announced that the exercise price of the DIS Warrant 2017-2022, ISIN code LU1588548724 (the “Warrants”) were adjusted according to article 6.1.1 of the terms and conditions of the Warrants, attached to the Company prospectus dated 18 April 2017 (the “2017-2022 Warrants Terms and Conditions”).

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

- € 0.327 for Warrants exercised on all the Banking Days of the month of June 2019;
 - € 0.341 for Warrants exercised on all the Banking Days from 27 November to 27 December 2019;
 - € 0.354 for Warrants exercised on all the Banking Days of the month of June 2020;
 - € 0.368 for Warrants exercised on all the Banking Days from 27 November to 27 December 2020;
 - € 0.382 for Warrants exercised on all the Banking Days of the month of June 2021;
 - € 0.397 for Warrants exercised on all the Banking Days from 27 November to 27 December 2021;
 - € 0.412 for Warrants exercised on all the Banking Days of the month of June 2022.
- **Approximately 97.3% of the preferential subscription rights were exercised during the rights subscription period – gross proceeds were the equivalent in US\$ of € 42.8 million:** On April 16, 2019, d’Amico International Shipping S.A. (the “Company” or “DIS”), in relation to its offering of up to 587,270,900 new shares (the “New Shares”) with preferential subscription rights (the “Preferential Subscription Rights”), announced that as at that date it had received subscriptions for 571,266,080 New Shares through the exercise of the relevant Preferential Subscription Rights.

Results of the Rights Subscription Period

During the Preferential Subscription Rights' exercise period, which started on March 25, 2019 and ended on April 16, 2019 (the "**Rights Subscription Period**"), 628,392,688 Preferential Subscription Rights were exercised, representing approximately 97.3% of the total number of Preferential Subscription Rights. Given the ratio of 10 New Shares for 11 Preferential Subscription Rights, the Company issued 571,266,080 New Shares. The New Shares trade on the *Mercato Telematico Azionario* under the ISIN LU0290697514 that is the ISIN of DIS' shares. Any remaining shares not exercised during the Rights Subscription Period were placed through a private placement (the "**Private Placement**").

- **The Board of Directors of d'Amico International Shipping S.A. announced the amendment of the ending date for the private placement, the private placement results and final results of the right issue. Capital increase 100% subscribed and gross proceeds of the offering equal to the US\$ equivalent of € 44 million:** On April 24, 2019, the Board of Directors of d'Amico International Shipping S.A. (the "**Company**" or "**DIS**"), following its offering of up to 587,270,900 new shares (the "**New Shares**") with preferential subscription rights announces the ending, as of that date, of the private placement period for the unsubscribed New Shares (the "**Private Placement**") initially set on May 17, as announced in the press release of April 16, 2019 available on the Investor Relations section of the Company's website, in the area dedicated to the 2019 capital increase. During the Private Placement 16,004,820 New Shares were subscribed (representing an additional capital increase - including share premium - amounting to the US\$ equivalent of € 1,200,361.50). The take up at the Private Placement, together with the take up of approximately 97.3% during the rights subscription period, represents a total take up of 100% for the rights issue offering as a whole. Following the completion of the Private Placement, the Company's share capital amounts now to US\$ 62,051,446.25, divided into 1,241,028,925 shares with no nominal value.
- **Amendment of financial covenants on all bank loans guaranteed by DIS** – The application of IFRS16 from January 1, 2019 had a negative effect of 4.3% on DIS' Net Worth/Total Assets ratio, based on the Company's consolidated financials as at March 31, 2019. To offset the impact of this new accounting standard, before the end of Q1 2019, all of DIS' banks agreed to amend the financial covenants on loans guaranteed by DIS, with a reduction of the minimum threshold for this ratio to 25% from 35% previously. The amended covenant is effective from January 1, 2019.

d'Amico Tankers d.a.c.:

- **Newbuilding vessels:** In January 2019, M/T Cielo di Houston, an 'Eco' new-building LR1 product tanker built by Hyundai Mipo Dockyard Co. Ltd. (South Korea) at their Hyundai Vinashin Shipyard Co. Ltd. in Vietnam, was delivered to the Group.
- **First Japanese Operating Lease Transaction:** In January 2019, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T Cielo di Houston, a 75,000 dwt LR1 product tanker vessel built by Hyundai-Mipo, South Korea (at their Vinashin facility in Vietnam) and delivered in January 2019. The vessel was sold for a consideration of US\$ 38.6 million. This transaction allowed d'Amico Tankers to generate around US\$ 10.2 million in cash, net of commissions and additional costs, relative to financing the vessel through the previously committed loan facility. In addition, through this transaction d'Amico Tankers maintained full control of the Vessel, since a 10.2-year bareboat charter agreement was also concluded with the buyer. Furthermore, d'Amico Tankers has the option to repurchase the vessel, after approximately 5 years and after approximately 7 years of the commencement of the charter period, at a competitive cost of funds.
- **'Time Charter-In' and 'Commercial management' Fleet:** In January 2019, the time-charter-in contract on M/T Freja Hafnia, an MR vessel built in 2006, expired and d'Amico is now acting as commercial manager of the vessel, earning a 2% commission on her gross revenues. In the same month, the management contract on M/T High Beam ended and the Vessel was redelivered to her owners.

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

- **'Time Charter-Out' Fleet:** In March 2019: i) d'Amico Tankers d.a.c. extended its time charter contracts with an oil-major on two of its Handy vessels for 12 months starting from respectively March and May 2019; ii) a leading trading house exercised its option of extending for 6 months a time charter contract for one of d'Amico Tankers' LR1s at an increasing rate, starting from May 2019.
- **Vessel Sale:** In February 2019, DIS announced that DM Shipping d.a.c., a joint venture with the Mitsubishi Group, in which d'Amico Tankers d.a.c. holds a 51% participation, signed a memorandum of agreement for the sale of the M/T High Strength, a 46,800 dwt MR product tanker vessel, built in 2009 by Nakai Zosen Corporation, Japan, for a consideration of US\$ 16.4 million. The Vessel will continue its current time-charter out contract with d'Amico Tankers d.a.c. until October 2019. The vessel was delivered to its new owners on April 2, 2019, allowing DM Shipping to generate as at the same date around US\$ 12.3 million in cash, net of commissions and reimbursement of the Vessel's existing loan.

In March 2019, DIS announced that its subsidiary d'Amico Tankers d.a.c. signed a memorandum of agreement and bareboat charter contract for the sale and leaseback of the M/T High Voyager, a 45,999 dwt medium-range product tanker vessel, built in 2014 by Hyundai-Mipo, South Korea for a consideration of US\$ 25.7 million. This transaction allowed d'Amico Tankers d.a.c. to generate at the vessel's delivery, on April 25, 2019, around US\$ 9.6 million in cash, net of commissions and the reimbursement of the vessel's existing loan. In addition, through this transaction d'Amico Tankers will maintain full control of the vessel, since a 10-year bareboat charter agreement was also concluded with the buyer, with a purchase obligation at the end of the 10th year of the charter period. Furthermore, d'Amico Tankers d.a.c. has the option to repurchase the vessel, at any time starting from the third anniversary of her sale with three months' notice, at a competitive cost of funds.

SIGNIFICANT EVENTS SINCE THE END OF THE PERIOD AND BUSINESS OUTLOOK

d'Amico Tankers d.a.c.:

- **'Time Charter-In' and 'Commercial management' Fleet:** In April 2019, the management contracts on M/T High Glow and M/T High Current ended and these vessels were redelivered to their owners.

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

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

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

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

	As at 31 March 2019				As at 9 May 2019			
	LR1	MR	Handysize	Total	LR1	MR	Handysize	Total
Owned	4.0	13.0	7.0	24.0	4.0	12.0	7.0	23.0
Bareboat chartered*	1.0	7.0	0.0	8.0	1.0	8.0	0.0	9.0
Long-term time chartered	0.0	13.5	0.0	13.5	0.0	14.5	0.0	14.5
Short-term time chartered	0.0	3.0	1.0	4.0	0.0	3.0	1.0	4.0
Total	5.0	36.5	8.0	49.5	5.0	37.5	8.0	50.5

* with purchase obligation

Business Outlook

The IMF stated in their World Economic Outlook (WEO) in April that after strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, due to a variety of factors affecting major economies. China's growth declined following a combination of needed regulatory tightening to rein in shadow banking and an increase in trade tensions with the United States. The euro area economy lost more momentum than expected as consumer and business confidence weakened. As a result of these developments, global growth is now projected to slow from 3.6 percent in 2018 to 3.3 percent in 2019, before returning to 3.6 percent in 2020. Growth for 2018 was revised down by 0.1 percentage point relative to the October 2018 (WEO), reflecting weakness in the second half of the year, and the forecasts for 2019 and 2020 are now marked down by 0.4 percentage point and 0.1 percentage point, respectively.

Global refining throughput fell by 2.5 million b/d in March as heavy maintenance in preparation for IMO 2020, coupled with unplanned outages and accidents hindered the US in particular. Refining throughput is expected to recover, expanding at a healthier rates in the second part of 2019.

OECD oil product stocks amounted to 1.44 billion barrels in February 2019, 30 million barrels less than in the previous month.

According to Clarksons, product tanker demand is projected to grow by 3.6% in 2019, supported by improved arbitrage opportunities, inventory building and growing Middle Eastern and Asian exports. IMO 2020, which led to a longer than usual maintenance season in the first part of the year, should contribute to an increase in refinery throughput and pent-up demand for seaborne transportation of refined products from the second half of 2019.

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

Product Tanker Demand

- The IEA global oil demand growth estimates for 2018 and 2019 are again unchanged at 1.3 million b/d and 1.4 million b/d, respectively. After a slow start to the year, in 2018 OECD growth in oil demand is expected to amount to 0.3 million b/d, with non-OECD growth amounting to 1.1 million b/d. OECD demand fell in 4Q18 and also in 1Q19, for the first time since end-2014, mainly on weaker European numbers, but it is expected to recover, led by the US;
- According to Clarksons, in the product tanker sector dwt demand growth is projected to improve to 3.6% in 2019, supported by the return of some Asian arbitrage opportunities and possible inventory building;
- According to the IEA's Oil Market Outlook 2019 report, global refiners will add 2.7m b/d of primary processing capacity in 2019. The majority of which will be in the East with the Middle East and China adding 500,000 b/d and 1.4 million b/d extra capacity, respectively.
- Due to the low volumes refined in the first part of the year, the IEA estimates average volume growth in 2019 of only 700,000 b/d. Refined volumes are, however, expected to ramp-up over the next few months, peaking in August, with an increase of 4.6 million b/d relative to the March through (+5.7%). Q4 2019 volumes are expected to be on average 1.2 million b/d higher than in the same period last year (+1.5%).
- With the significant refinery capacity additions planned in the Middle East this year, Clarksons expects products shipments from the region to continue to expand firmly, by 9% and 13%, respectively, in 2019 and 2020;
- Asian products exports, which were soft in 2018, are currently expected to expand by a healthy 5% in 2019 and the same percentage in 2020 (Clarksons), with shipments projected to grow from a broad range of countries in the region;

-
- The International Maritime Organisation (IMO) has mandated that from 2020 vessels use marine fuels with less than 0.5% sulphur content outside the Emissions Control Areas (ECA), down from the current limit of 3.5%. Changes in this regulation is likely to lead to a surge in demand for very-low sulphur distillates and gasoil. It is expected to affect products trade patterns, regional refinery runs, storage patterns, and vessel productivity. In the second-half of 2019, refining margins for diesel are expected to rise, and the new low sulphur fuel will start to be refined and distributed to ports worldwide, creating additional demand for seaborne transportation.

Product Tanker Supply

- According to Clarkson's estimates at the beginning of this year, [93] MRs and [14] LR1s were scheduled to be delivered in 2019.
- Actual deliveries in the first quarter amounted to only [21] MRs, compared to 33 scheduled, and 4 LR1s, compared to 6 scheduled;
- Around 5% of the MR and LR1 fleet currently on the water (on a dwt basis) is older than twenty years;
- Shipyards are going through a period of uncertainty. Lack of orders and poor returns are leading to a reduction in global shipyard capacity;
- Scrapping coupled with a subdued order book and limited newbuild ordering should result in low fleet growth over the next two years;
- The International Maritime Organisation's (IMO) regulations that limit sulphur content in marine fuels to 0.5% from January 2020, could result in older less efficient ships being removed from trading as they become uncompetitive and are forced to burn the more expensive low sulphur fuels;
- Compliance with the IMO 2020 regulations can also be achieved through the installation of scrubbers on-board. Dry-docks required for such installations will when possible coincide with special surveys, but would result in longer off-hire periods and reduce the effective supply of vessels;
- Port delays and any increase in the length of voyages, as more cargoes are exported from the Middle East, could reduce the ready supply of tonnage.

D' AMICO INTERNATIONAL SHIPPING GROUP
INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>US\$ Thousand</i>	Q1 2019	Q1 2018
Revenue	91,031	103,509
Voyage costs	(27,173)	(37,189)
Time charter equivalent earnings*	63,858	66,320
Time Charter hire costs	(10,220)	(31,963)
Other direct operating costs	(27,691)	(20,549)
General and administrative costs	(3,422)	(3,960)
Result on disposal of vessels	(107)	238
EBITDA*	22,418	10,086
Depreciation	(8,758)	(9,253)
Depreciation of right-of-use leased asset	(8,480)	-
EBIT*	5,180	833
Net financial income	458	3,099
Net financial (charges)	(11,979)	(7,331)
Share of profit of associate	(18)	2
Reversal of impairment of an equity-invested asset	945	-
Profit / (loss) before tax	(5,414)	(3,397)
Income taxes	(100)	(201)
Net profit / (loss)	(5,514)	(3,598)
<i>The net result is entirely attributable to the equity holders of the Company</i>		
Basic earnings / (loss) per share ⁽¹³⁾	US\$ (0.009)	US\$ (0.006)

*see Alternative Performance Measures on page 10

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>US\$ Thousand</i>	Q1 2019	Q1 2018
Profit / (loss) for the period	(5,514)	(3,598)
<i>Items that may be reclassified subsequently into profit or loss</i>		
Movement of valuation of cash-flow hedges	(1,315)	2,616
Exchange differences in translating foreign operations	(10)	6
Total comprehensive income for the period	(6,839)	(988)
<i>The net result is entirely attributable to the equity holders of the Company</i>		
Basic earnings / (loss) per share	US\$ (0.011)	US\$ (0.002)

¹³ Basic earnings/ loss per share (e.p.s.), have been calculated on an average number of shares outstanding equal to 645,997,998 in the first quarter of 2019 and 645,455,291 in the first quarter of 2018. In Q1 2019 and in Q1 2018 diluted e.p.s. was equal to basic e.p.s..

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>US\$ Thousand</i>	As at 31 March 2019	As at 31 December 2018
ASSETS		
Property, plant and equipment	710,787	911,281
Right-of-use of leased assets	354,174	-
Investments in jointly controlled entities	3,175	3,228
Other non-current financial assets	18,801	9,655
Total non-current assets	1,086,937	924,164
Inventories	12,040	13,492
Receivables and other current assets	47,894	52,163
Other current financial assets	20,242	18,205
Cash and cash equivalents	29,062	31,713
Total current assets	109,238	115,573
TOTAL ASSETS	1,196,175	1,039,737
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital	32,688	65,376
Retained earnings (accumulated losses)	(37,788)	(30,270)
Other reserves	333,332	302,237
Total shareholders' equity	328,232	337,343
Banks and other lenders	325,297	338,622
Liabilities from financial leases	310,790	165,298
Shareholders' long-term loan	-	30,600
Other non-current financial liabilities	7,341	4,998
Total non-current liabilities	643,428	539,518
Banks and other lenders	87,512	91,238
Liabilities from financial leases	44,204	8,369
Shareholders' short-term financing	33,500	1,280
Payables and other current liabilities	51,014	54,013
Other current financial liabilities	8,138	7,876
Current tax payable	147	100
Total current liabilities	224,515	162,876
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,196,175	1,039,737

9 May 2019

On behalf of the Board


Paolo d'Amico
Chairman


Carlos Balestra di Mottola
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>US\$ Thousand</i>	Q1 2019	Q1 2018
Profit / (loss) for the period	(5,514)	(3,598)
Depreciation and amortisation	8,758	9,253
Depreciation of right-of-use leased assets	8,480	-
Current and deferred income tax	100	201
Finance lease cost	4,168	
Other net financial charges (income)	7,010	4,989
Unrealised foreign exchange result	343	(757)
Profit share of equity-accounted investment	18	(2)
Profit on disposal of fixed assets	(107)	(237)
Impairment reversal of a financial asset / v related pty.	(945)	-
Reclassification off-hire against depreciation	1,008	-
Cash flow from operating activities before changes in working capital	23,319	9,849
Movement in inventories	1,453	(302)
Movement in amounts receivable	4,268	(864)
Movement in amounts payable	(3,316)	(3,770)
Taxes paid	(4,168)	64
Net interest (paid)	(53)	(5,143)
Payment of interest portion of lease liability	(4,884)	-
Movement in other financial liabilities	214	593
Movement in share option reserve	(18)	68
Net cash flow from operating activities	16,815	495
Acquisition of fixed assets*	(30,520)	(33,123)
Proceeds from disposal of fixed assets*	-	13,750
Dividend from equity accounted investee	-	83
Interest income from equity accounted investee	(150)	31
Net cash flow from investing activities	(30,670)	(19,259)
Share Capital increase	-	(20)
Other changes in shareholders' equity	(261)	(7)
Shareholders' financing	1,620	-
Movement in other financial receivables / related party	(1,300)	1,750
Net movement in other financial payables	97	1,440
Bank loan repayments	(17,421)	(31,823)
Bank loan draw-down	-	24,849
Proceeds from disposal of assets subsequently leased back*	37,371	27,353
Repayments of principal portion of financial lease	(8,967)	(1,053)
Net cash flow from financing activities	11,139	22,489
Net increase/ (decrease) in cash and cash equivalents	(2,716)	3,725
Cash and cash equivalents net of bank overdrafts at the beginning of the period**	15,120	12,364
Cash and cash equivalents net of bank overdrafts at the end of the period*	12,404	16,089
Cash and cash equivalents at the end of the period**	29,062	28,476
Bank overdrafts at the end of the period	(16,659)	(12,389)

* Refer to note 1 of the current report for a reclassification of amounts relating to tangible assets sold and leased-back

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>US\$ Thousand</i>	Share capital	Retained earnings	Shareholders' contribution	Share premium	Other Reserves		Total
			without issuance of shares		Other	Cash-Flow hedge	
Balance as at 1 January 2019	65,376	(30,270)	-	316,697	(14,791)	331	337,343
IFRS 16 Adjustment	-	(2,004)	-	-	-	-	(2,004)
Balance as at 1 January 2019 adj.IFRS 16	65,376	(32,274)	-	316,697	(14,791)	331	335,339
Share option cost	-	-	-	-	22	-	22
Capital modification	(32,688)	-	32,688	-	-	-	-
Cost of issue	-	-	-	(276)	-	-	(276)
Total comprehensive income	-	(5,514)	-	-	(10)	(1,329)	(6,853)
Balance as at 31 March 2019	32,688	(37,788)	32,688	316,421	(14,779)	(998)	328,232

<i>US\$ Thousand</i>	Share capital	Retained earnings	Share premium	Other Reserves		Total
				Other	Cash-Flow hedge	
Balance as at 1 January 2018	65,322	24,830	316,594	(14,837)	964	392,873
Share option cost	-	-	-	68	-	68
Cost of issue	-	-	(20)	-	-	(20)
Total comprehensive income	-	(3,598)	-	(76)	2,616	(1,058)
Balance as at 31 March 2018	65,322	(21,232)	316,574	(14,845)	3,580	391,863

NOTES

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

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

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

1. ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements present the consolidated results of the parent company, d'Amico International Shipping S.A., and its subsidiaries for the period ended March 31, 2019.

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

Critical Accounting Judgments and Key Estimates

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

Segment Information

d'Amico International Shipping transports refined petroleum products and vegetable oils and operates in only one business segment, Product Tankers. Furthermore, the Group only has one geographical segment, employing all of its vessels worldwide, rather than in specific geographic areas. The Company monitors, evaluates and allocates the Group's resources to one geographical and business unit, operations are run in one single currency – the US\$ – and DIS regards, therefore, the product tankers business as a single segment.

Accounting principles

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

Accounting principles adopted from January 1, 2019

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

IFRS 16 substantially changes the Group's Consolidated Financial Statements, significantly affecting the treatment by lessees of contracts which in previous periods were treated as operating leases. With some exceptions, liability for payments in contracts previously classified as operating leases are now discounted at the lessee's incremental borrowing rate, leading to the recognition of a lease liability and a corresponding right of use asset (amounting to the liability plus the present value of any restoration costs and any incremental costs in entering the lease, as well as any lease payments made prior to commencement of lease, minus any lease incentives already received).

The Company has adopted the modified retrospective approach for transition into IFRS 16, applying the standard from the beginning of the current period, not restating prior year financial information, but recognising an adjustment in equity at the beginning of the current period.

As the impact of IFRS16 on comparability of financial information is high and we are not restating the prior year financial figures, additional disclosures in the notes below were made to explain the difference in period-end and opening balances and results for operating leases, previously accounted for as per IAS 17 and now accounted for as per IFRS 16.

Leasing is a means of gaining access to assets, of obtaining finance and of reducing an entity's exposure to the risk of asset ownership. The new approach to leases results in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, provides greater transparency of a lessee's financial leverage and capital employed. Within the Income Statement, Charter hire costs are replaced with other direct operating costs, interest and depreciation, so key metrics like TCE, EBITDA, EBIT and Net result are changing (please refer to alternative performance measures on page 10). Operating cash-flow is higher as cash payments for the lease liability will be classified within financing activities.

The Company decided to grandfather the definition of a lease on transition and applies the practical expedient considering leases those contracts that were previously identified as leases in accordance with IAS 17, not applying retrospectively IFRS 16 to contracts previously identified as not containing leases in accordance with IAS 17 and applying the IFRS 16 to all contracts, those entered into before and after the date of initial application of the new standard, to establish if such contracts are leases.

Therefore, for contracts previously classified as operating leases under IAS 17, from January 1, 2019, a Right of Use (RoU) asset and a lease liability is recognised, where the lease liability is measured as the present value of remaining lease payments; the discount rate is DIS' (the lessee's) incremental borrowing rate at date of initial application for each of the leasing arrangements, and for DIS' current contracts, this discount rates varies between 5.6% and 9.8%, equivalent to a weighted average of 6.8% for finance leases, between 5.3% and 5.5%, equivalent to a weighted average of 5.3% for operating leases and is of 5.5% for all real-estate leasing. When contracts include optional periods for the charterer, DIS has estimated the remaining term, assuming such options will be exercised, only if at the date of initial application it is reasonably certain to exercise the renewal option and including a termination penalty in the lease liability only if at date of initial application it assumes to exercise the termination option.

For leases previously classified under IAS 17 as finance leases, the RoU assets have been recorded at previous carrying amount of finance lease assets and the lease liabilities the previous carrying amount of finance lease liabilities.

The Company has also elected the practical expedient not to recognise as leases the contracts shorter than 12 months (short-term leases) and those with a value lower than US\$ 5,000 (low-value items). For these contracts, payment are recorded an expense, with no adjustment due to the transition.

The adjustment to Retained Earnings arising from IFRS 16, at the beginning of the application period (January 1, 2019) is negative US\$ 2.0 million.

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

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

Sale and leaseback transactions entered into before the date of initial application are not reassessed to determine whether the sale occurred in accordance with IFRS 15.

For transactions classified as sale and finance leaseback transactions under IAS 17, IFRS 16 did not change the accounting treatment relative to IAS17. For these transactions DIS:

- Accounts for the leaseback in the same way as it accounted for any other finance lease that existed at the date of initial application; and
- Amortises any gain or loss over the lease term.

For transactions classified as sale and operating leaseback transactions under IAS 17, the accounting treatment under IFRS 16 changed, with the new standard requiring companies to:

- Account for the leaseback as the proportion of the previous carrying amount of the asset that relates to the right-of-use retained; and
- Adjust the leaseback right-of-use asset for any deferred gains or losses that relate to off-market terms (e.g. if the fair value for the sale does not equal the fair value of the asset or if the payment of the lease are not at market rates).

As of January 1, 2019, the Group recognized US\$ 354.2 million of right-of-use assets and lease liabilities. The Group's income statement in the first three months of 2019 was impacted by a shift of US\$ 20.2 million from charter hire costs to US\$ 7.5 million in other direct operating costs, US\$ 8.5 million in depreciation of right-of-use leased assets and US\$ 4.2 million in interest expense. As a result of such changes 2019 EBITDA and EBIT were respectively US\$ 12.5 million and US\$ 4.1 million higher than they would have been, and the Profit/loss before tax and Net Result were both US\$ 0.8 million lower than they would have been. Overall, IFRS 16 was cash-flow neutral for the Group.

IFRS 16, at the date of initial application, led to an increase in lease liabilities of US\$ 152.9 million, relative to lease liabilities which would have been recognised at the same date under IAS17.

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

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

Following are details on some of the current Profit and Loss posts, compared with elaborated data showing what would have been the results had not IFRS 16 been applied and data from Q1 2018:

Items of Consolidated of Profit or Loss:

<i>US\$ Thousand</i>	Q1 2019	Q1 2019 without IFRS16 application	Q1 2018
....
Time charter hire costs	(10,220)	(25,430)	(31,963)
Other direct operating costs	(27,691)	(20,211)	(20,549)
General and administrative costs	(3,422)	(3,617)	(3,960)
Result on disposal of vessels	(107)	(107)	238
EBITDA*	22,418	14,493	10,086
Depreciation	(8,758)	(8,758)	(9,253)
Depreciation of right-of-use leased asset	(8,480)	(2,021)	-
EBIT*	5,180	3,714	833
.....
Profit / (loss) before tax	(5,414)	(5,088)	(3,397)
....
Net profit / (loss)	(5,514)	(5,188)	(3,598)

* Please refer to alternative Performance Management on page 10

The full reversal of an onerous contract had a net positive impact of US\$ 0.5 million since this amount pertaining to the next quarters of the current year had to be reversed as indicated by IFRS 16.

Following below are details on some of the current consolidated Statement of Financial Position posts, compared with elaborated data showing what would have been the results had not IFRS 16 been applied and data from Q1 2018:

Consolidated Statement of Financial Position

<i>(US\$ Thousand)</i>	As at 31 March 2019	As at 31 March 2019 without IFRS16 application	As at 31 March 2018
Right-of-use leased assets	354,174	210,231	93,982
.....
Total non-current assets	1,086,937	942,993	850,223
.....
Total assets	1,196,175	1,052,232	1,029,501
Retained earnings	(37,788)	(35,459)	22,792
.....
Shareholders' equity	328,232	330,561	393,574
Non-current liabilities from financial leases	310,790	198,777	88,846
.....
Non-current liabilities	643,428	531,415	452,960
Current liabilities from financial leases	44,204	9,944	4,513
.....
Current liabilities	224,515	190,255	182,967
Total liabilities and shareholders' equity	1,196,175	1,052,232	1,029,501

Cash-flow reclassifications and non-cash items - impact

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

<i>US\$ thousand</i>	Q1 2018 as reported	Reclassification	Q1 2018 adjusted
Acquisition of fixed assets - investing	(61,123)	28,000	(33,123)
Inception of financial lease - financing	28,000	(28,000)	-
Proceeds from disposal of assets - investing	41,103	(27,353)	13,750
Proceeds from disposal of assets subsequently leased back	-	27,353	27,353

Accounting principles, amendments and interpretations not yet effective

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

2. COMMITMENTS AND CONTINGENCIES

Capital commitments


As at March 31, 2019, the Group's capital commitments amounted to US\$ 30.5 million, of which payments over the next 12 months amounted to US\$ 30.5 million

<i>US\$ Million</i>	As at 31 March 2019	As at 31 December 2018
Within one year	30.5	58.2
Between 1 – 3 years	-	-
	30.5	58.2

Capital commitments as at March 31, 2019 relate to the payment for one Hyundai-Mipo dockyard 75,000 dwt Product/chemical tanker newbuilding vessel, the M/T Cielo di Londra.

9 May 2019

On behalf of the Board


Paolo d'Amico
Chairman


Carlos Balestra di Mottola
Chief Financial Officer

The manager responsible for preparing the company's financial reports, Carlos Balestra di Mottola, in his capacity as Chief Financial Officer of the Company, declares that the accounting information contained in this document corresponds to the results documented in the books, accounting and other records of the Company.


Carlos Balestra di Mottola
Chief Financial Officer