d'Amico Società di Navigazione S.p.A.

2012 ANNUAL REPORT

d'Amico

2012 Annual Report

Consolidated and Statutory Financial Statements for the Year Ended 31 December 2012

d'Amico Società di Navigazione S.p.A.

Registered office: Via Siracusa 27, Palermo (Italy)
Head office: Corso d'Italia 35/B, Rome (Italy)
Share capital: Euro 25,000,000, fully paid-in
Tax code, VAT registration and registration number
in the Palermo Companies Register 00768720823

d'Amico Società di Navigazione S.p.A


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Corporate Boards and Officers

Board of Directors

Chairman
Paolo d'Amico [1]

Chief Executive Officer
Cesare d'Amico[1]

Managing Director for Administration, Finance and Control
Roberto Michetti

Director
Giovanni Battista Nunziante

Director
Alfonso Scannapieco

Board of Statutory Auditors

Standing Auditors
Gianfranco Taddeo - *Chairman*
Gian Enrico Barone
Franco Guerrucci

Substitute Auditors
Paolo Taddeo
Renzo Marini

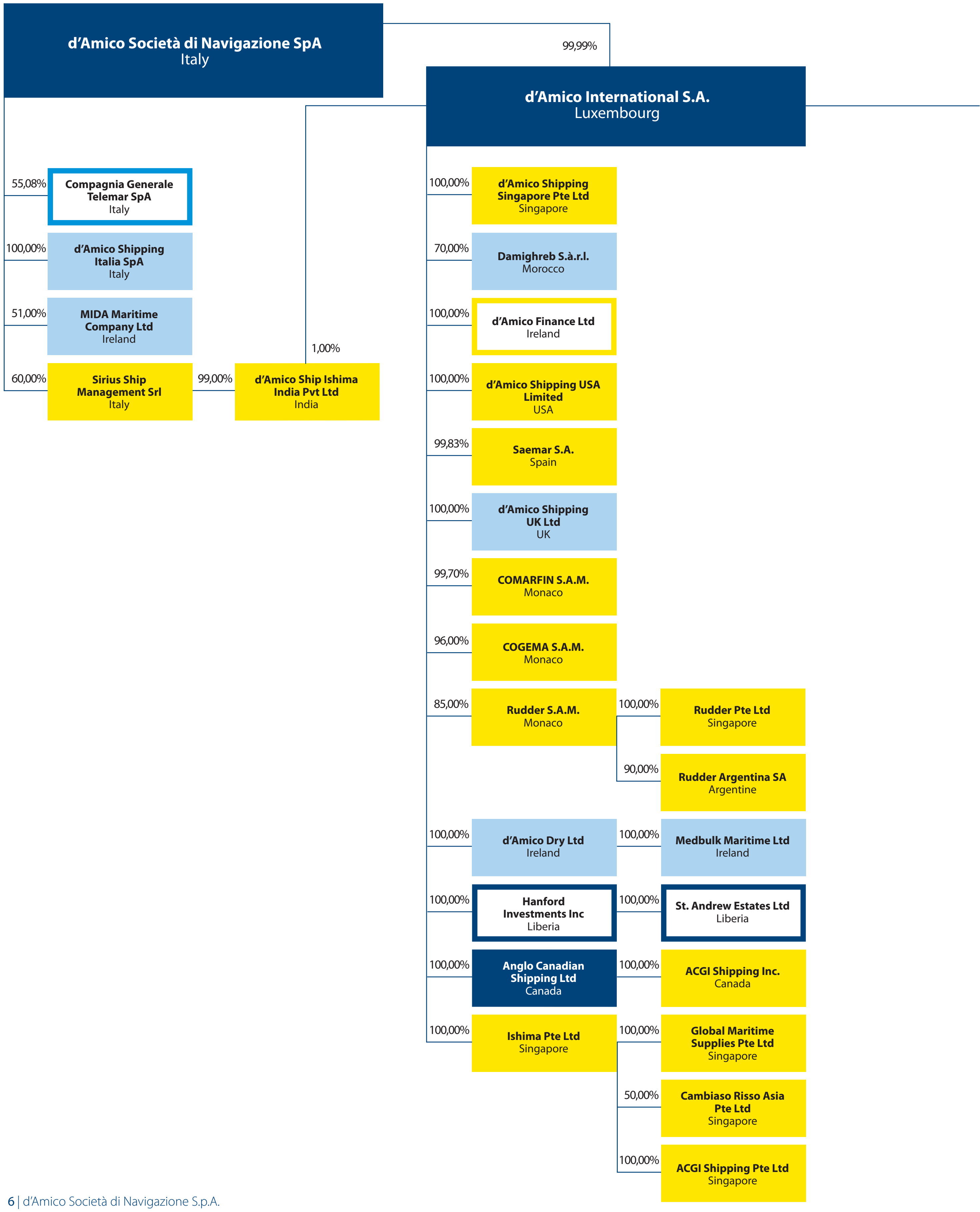
Independent Auditors

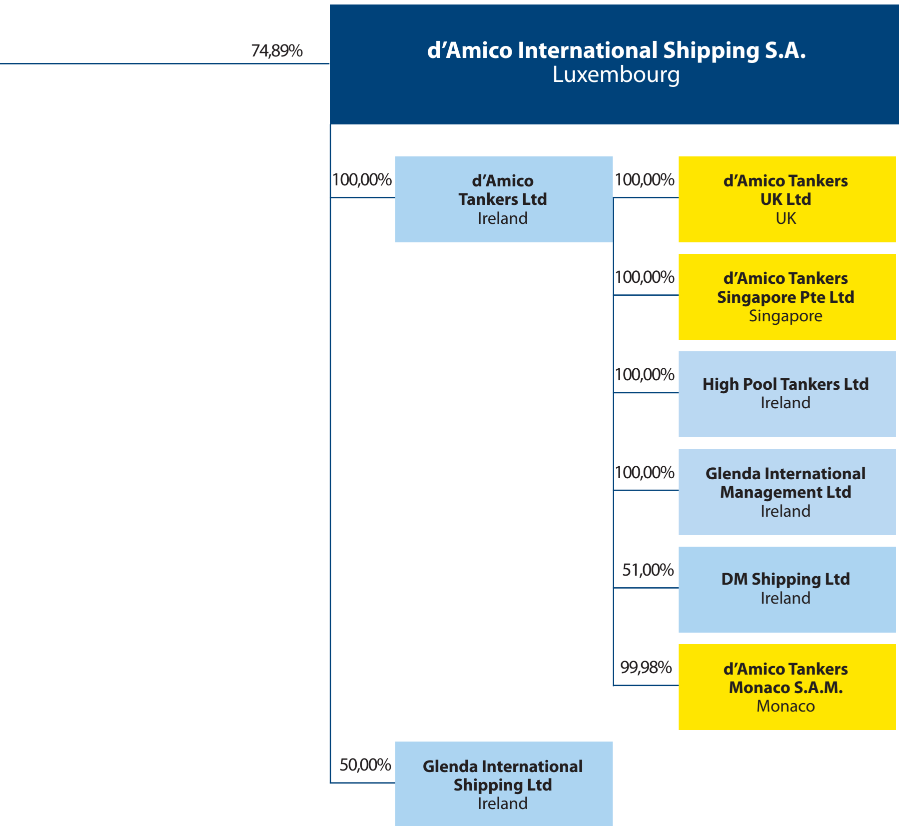
Moore Stephens Concorde S.r.l.

[1] Members of the Executive Committee

Report on Operations

Group Structure





Holding company

Shipping company

Service company

Finance company

Real-estate company

Telecommunications company

d’Amico Società di Navigazione Group

d’Amico Società di Navigazione S.p.A. (“DSN”) is the holding company for a leading global shipping group (hereinafter the “Group”) with operations in dry cargo ships, tankers and auxiliary maritime services. The Group boasts a long tradition as a family business founded in 1936 and has developed a worldwide presence over the years with offices in the most important maritime mercantile centres. Its indirect subsidiary **d’Amico International Shipping S.A.** (“DIS”), a sub-holding company with global shipping operations, specialized in the tanker sector, is listed on the STAR segment of the italian Stock Exchange. Experience, competence and responsibility, in addition to a strong focus on the client, operational safety and protection of the environment, are the d'Amico Group's core values.

Business Areas

Dry cargo and container ships

The Group operates in the **dry-cargo** sector of the shipping market through **d'Amico Dry Limited** and **d'Amico Shipping Italia S.p.A.** ("DSI"). The fleet, a detailed list of which is presented as an annex to this report, comprises both owned and long-term charter vessels. In order to satisfy flexibility needs and seize the opportunities presented by the dry-cargo market, the d'Amico Group also uses ships on short-term charter that do not represent an integral part of its fleet. In further detail, the Group operates in the following segments: Handysize (from 32,000 DWT to 37,000 DWT), Supramax (from 52,000 DWT to 58,000 DWT) and Panamax (from 74,000 DWT to 83,000 DWT). The composition of the fleet of dry-cargo ships was as follows as at 31 December 2012:

	As at 31 December 2012			
Dry cargo	Handysize	Supramax	Panamax	Total
Owned	9.8	6.0	7.0	**22.8**
Chartered	7.0	6.0	9.9	**22.9**
TOTAL	**16.8**	**12.0**	**16.9**	**45.7**

During 2012, d'Amico Dry Limited operated an average of approximately 63.4 vessels (50.47% of which were on short-term charter), while d'Amico Shipping Italia S.p.A. operated an average of approximately 10.6 vessels (approximately 2.45% of which were on short-term charter).

The Group boasts longstanding experience in the transportation globally of bulk cargos, specialising in commodities such as coal, iron ore and grain among other, with its clients among the leaders of their respective industries. Reliability, flexibility and strong long-term relationships are the competitive advantages that the d'Amico Group has established in the dry-cargo business.

The dry-cargo sector also includes the shipping of forest products from Canadian/American North Pacific to various Mediterranean ports under both long-term contracts with the major timber producers and voyage-based contracts that allow the Group to seize the short-term opportunities presented by the market.

A significant portion of the vessels in the d'Amico fleet are employed under "time-charter" (medium-/long-term) contracts, while only the residual vessels are chartered on a "per-voyage" basis (known as the "spot" market).

Tankers

The Groups' tankers activities are carried out by **d'Amico International Shipping SA – "DIS"** (except for a minor share, for which **d'Amico Shipping Italia** is responsible), which, mainly through its subsidiary **d'Amico Tankers Limited**, based in Ireland, operates a fleet with an average age of approximately 6.3 years. The fleet is comprises double-hull vessels with load capacities of 35,000 to 51,000 DWT (Handysize and medium-range product tankers), mainly employed in the transportation of refined petroleum products and vegetable oils, as well as in providing shipping services on a global scale to leading oil and trading companies. In addition, all vessels have been constructed in accordance with IMO (International Maritime Organization) and MARPOL (the International Convention for the Prevention of Pollution from Ships) regulations, the requirements set by the major oil and energy companies and international standards. Pursuant to MARPOL/IMO regulations, cargos such as palm oil, vegetable oil and a range of other chemical products may only be transported by tankers that meet specific requirements ("IMO-classed" vessels). As at 31 December 2012, 66.7% of the vessels in the DIS group fleet were IMO-classed, allowing the Group to transport a wide range of products.

D'Amico Shipping Italia operates in the tanker sector with its 2 Handysize vessels (40,000 DWT) acquired in 2011 directly on the market.

At year-end, the Group's fleet of tankers included **41 vessels**, as shown in the following table:

Tankers	As at 31 December 2012		
	MR	Handysize	Total
Owned	18.0	5.0	**23.0**
Chartered	15.0	3.0	**18.0**
TOTAL	**33.0**	**8.0**	**41.0**

A complete list of tankers, as well as of the entire fleet, as at 31 December 2012, is annexed to this document.

Use of the fleet and partnerships

As at 31 December 2012, d'Amico International Shipping employed 24 vessels directly: 10 MR ("medium-range") product tankers under fixed-term contracts, with 8 MR and 6 Handysize vessels currently employed on the spot market. The Group also employed a part of its vessels under partnership agreements, although to a lesser extent than in previous periods.

High Pool Tankers Limited – a pool formed with JX Shipping Co. Limited, Japan (created by the merger of Nissho Shipping Co. Limited and Yuyo Steamship Co. Limited) and Mitsubishi Corporation. As at 31 December 2012, the pool operated 12 MR product tankers. Through its subsidiary d'Amico Tankers Limited, d'Amico International Shipping is solely responsible for its commercial management, and in particular chartering, naval operations and the associated administrative matters.

GLENDA International Management Limited – a commercial agreement entered into with ST Shipping (Glencore Group) to operate vessels under a single commercial brand, GLENDA. At the end of December 2012, GLENDA International Management Limited operated nine MR tankers, six of which were owned by *GLENDA International Shipping Limited*, a 50-50 joint venture with the Glencore Group. This latter company owns 6 MR product tankers, delivered between August 2009 and February 2011.

DIS is also a party to another joint venture, *DM Shipping Limited*, with Mitsubishi Group. The company in question owns 2 MR vessels, delivered in 2009.

Ship value/impairment

Yearly, the book value of the vessels in the Company's fleet are compared with their estimated market values/recoverable amounts by performing an impairment test. Reviewing the current market situation and the estimated value of the Company's fleet at the end of 2012, the Group has decided, on a prudential basis, to recognize a significant impairment loss on its fleet, which impacted the reporting year's income statement for Euro 89.5 million (USD 115 million). For further details of the procedure, refer to the specific section of the notes to the financial statements.

Maritime services

This segment comprises the provision of auxiliary services for shipping operations. The services rendered benefit not only the d'Amico fleet, but also international clients, and comprise in particular (i) **ship management**, (ii) **maritime telecommunications services**, (iii) **insurance brokerage** and (iv) **bunkering services** (vessel fuel).

Ship management services constitute one of the main lines of business of the Parent Company, **d'Amico Società di Navigazione S.p.A.**, which, in part through other subsidiaries, and **Ishima Pte Limited ("ISHIMA")** in particular, renders services to Group companies and third parties, including:

- technical management (supervision of construction and maintenance projects);
- planning, procurement and management of planned maintenance ("PM");
- crew management (selection, recruitment and management of the compensation of maritime personnel);
- management of quality, safety and environmental protection systems;
- management of onboard information technology systems; and
- management of legal and insurance issues.

Maritime telecommunications services are entrusted to **Compagnia Generale Telemar S.p.A. ("TELEMAR")**, a global leader in the sector in which the Group holds a 55% interest. Such activities include the provision of electronic and satellite communications and navigation systems and support for those systems, as well as the sale of radiotelegraphic traffic. Telemar, which operates through subsidiaries in ten countries, is a strategic partner and agent for the major producers of telecommunications systems and boasts unparalleled expertise in support services for transport and cruise vessels.

Bunkering operations are provided by **Rudder SAM ("RUDDER")** and services are rendered to both Group companies and third parties. The process begins with constant monitoring of the reliability of traders operating in the sector and is founded on longstanding relationships with the oil majors.

Financial and real-estate investments

The d'Amico Group, through its Parent Company, d'Amico Società di Navigazione S.p.A., and the sub-holding company d'Amico International SA (Luxembourg), manages significant financial resources. This line of business, in addition to the management of financial resources, includes the acquisition of qualified equity investments of a strategic nature in financial and industrial companies with a view towards diversification and from a long-term perspective. These activities include, *inter alia*, the investments in:

- *Tamburi Investment Partners S.p.A.* – an independent merchant bank listed on the Milan Stock Exchange and focused on medium-sized Italian companies. The equity interest came to 10.38% as at 31 December 2012;
- *ClubTre S.r.l.* – a investment vehicle the owners of which include Tamburi Investment Partners S.p.A., which holds a 35% interest, and Angelini Partecipazioni Finanziarie S.r.l. and d'Amico Società di Navigazione S.p.A., each of which holds a 32.5% interest. As at 31 December 2012, d'Amico Società di Navigazione S.p.A. had invested a total of Euro 39.0 million. ClubTre S.r.l. holds an interest of more than 6% in Prysmian S.p.A., a global leader in cabling and high-tech systems for energy transmission and telecommunications;
- *Venice Shipping & Logistic S.p.A.* – a company whose main shareholders as at 31 December 2012 were Palladio Finanziaria S.p.A. (56.99%), d'Amico Società di Navigazione S.p.A. (28.44%) and Vega Finanziaria S.p.A. (14.26%). The company was incorporated in September 2009 and engages primarily in investment in the shipping and shipping logistics sectors;
- *Datalogic S.p.A.*, listed on the Milan Stock Exchange, is one of the world's leading producers of bar-code readers, mobile computers for data collection, RFID systems and automatic viewing systems and offers solutions for applications in manufacturing, transport, logistics and retail. The equity interest came to 2.39% as at 31 December 2012.

Following the purchase in June 2011 of a property of 6,000 square metres located in central Rome (Via Paisiello), renovation work on the building began in 2012 and continued into 2013. The investment in the property reached a total of Euro 58.6 million. Of these Euro 35 million were provided through a long term financing arrangement set to mature in 2026.

Organization and Human Resources

As at 31 December 2012, the d'Amico Group employed a workforce of 1,629 employees, of whom 1,049 were seagoing personnel and 580 onshore personnel.

In order to meet the significant challenges presented by the business, human resource management represents one of the key factors to be able to achieve a competitive advantage.

In this regard, company decisions are constantly aimed at developing and consolidating modern HR management policies and procedures (selection, training, performance analysis and incentive system), as well as at achieving a conflict-free organizational environment that naturally has a positive impact on company performance.

In particular, crewing is one of the key factors to safe and efficient use of the fleet. The crewing policy implemented by the Group – which, as is well known, boasts decades of experience in the sector – aims to promote onboard safety and environmental protection, while maintaining conditions of crew efficiency and reliability. Achievement of these goals is founded on three pillars: (i) a meticulous selection process, (ii) thorough training and (iii) a permanent monitoring and assessment system.

Access to highly qualified personnel also requires an effective selection and retention programme. In order to meet these needs fully, the Group has adopted a personnel management selection strategy that has resulted in recent years in the implementation of specific initiatives such as the consolidation of a base of operations on the Indian market through the opening of a new office in Mumbai. This market is known for its ability to supply high-quality crews. The additional representation office in Manila also ensures the presence of the Group in a market of equal importance, namely the Philippines. Specific programmes for officer cadets of Indian and Philippine nationality have been in place for several years and draw on the facilities of d'Amico Ship Ishima in India and the Philippines, directly associated with the company Sirius Ship Management.

The Group boasts excellent retention of its officers: in fact, a significant number of captains have remained with d'Amico for their entire careers after starting out as officer cadets.

The Group continues to attach great importance to its commitment to training and establishing professional growth and development processes for both onshore and seagoing personnel. Crew growth and development is one of the most important objectives to which the Group dedicates its efforts each day.

Lastly, the Group has long established a policy of cooperation with various naval training institutions and academies with the aim of increasing awareness of safety and environmental issues, key priorities for d'Amico.
As part of these initiatives aimed at supporting educational institutions, DSN, along with other important Italian institutional partners, continues and consolidates its commitment to ITS Fondazione G. Caboto, which provides training for specialized technical staff through two-year post-secondary training courses intended for applicants interested in embarking upon an international career in the naval sector. Courses, which combine theoretical study and hands-on training, aim to provide an excellent technical background, granting knowledge of d'Amico's organizational structure, policies, expertise and vision, thus facilitating the possible placement of pupils in positions with the Group.

The efforts devoted in this area also include the Company's continuing focus on sustaining employment levels in the sector by providing incentives and direct support according to a merit-based approach for the younger segments of the population considering jobs in the shipping industry.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d'AMICO

Ship Management

Compliance with international standards

All vessels in the d'Amico fleet are subject to constant monitoring in order to ensure that they comply with IMO (International Maritime Organization) regulations, MARPOL (the International Convention for the Prevention of Pollution from Ships) and the other international standards applicable to the industry. In further detail, each year tankers are required to pass the following examinations conducted by external entities and/or clients:

- inspection and monitoring of compliance with MARPOL standards by the flag state;
- port-state controls, which are inspections of foreign ships to verify that the conditions of the vessel and its equipment comply with the requirements of international conventions and that the vessel is manned and operated in accordance with those rules;
- flag state controls in the country where a ship is registered; and
- vetting inspections by major oil and energy companies such as ExxonMobil, Shell, Total, Glencore, Petrobras, Vitol and Vela, which are some of the Group's established clients.

In order to ensure that its vessels comply with industry standards and regulations, the d'Amico Group has developed and adopted a strict environmental analysis system that involves identifying vessel activities with an impact on the environment (water, air and other elements) and then analyzing which of those interactions might have a significant impact on the environment. The IMO (Inter-Governmental Maritime Organization) is a specialized agency of the United Nations founded in the United Kingdom in 1958 with a specific task: creating and updating a comprehensive regulatory framework of international conventions and recommendations governing every facet of marine shipping, such as safety, environmental and legal concerns, technical co-operation, maritime security and the efficiency of marine transport. These include the MARPOL convention and STCW convention on standards of training for seafarers. MARPOL 73/78 is an international frame convention for the prevention of pollution from ships ("Marpol" stands for marine pollution and "73/78" refers to the years 1973 and 1978), the purpose of which is to preserve the marine ecosystem through the complete elimination of pollution by oil and other harmful substances (e.g., gasoline, jet fuel, kerosene and naphtha). It comprises six annexes, each of which is concerned with preventing a specific form of marine pollution from ships.

Pursuant to specific contracts with various Group companies, the technical management of the vessels comprising the fleet is entrusted to d'Amico Società di Navigazione S.p.A. and, to a lesser extent, Ishima Pte Limited. DSN also provides support in the area of maritime insurance for the fleet and coordinates the Tanker Management and Self-Assessment Programme (TMSA) launched in 2004 by OCIMF (Oil Companies International Marine Forum), in addition to the Safety Quality and Environment (SQE) Management System. Onboard and environmental safety represent top priorities for the Group.

Ship management, coordinated by DSN with the cooperation and supervision of its operating subsidiaries, includes general maintenance-related issues, with the aim of ensuring compliance with applicable naval regulations and classification requirements, while also satisfying the requirements of the vetting procedures applied by the major oil companies. This goal is achieved by supervising maintenance services, promoting vessel efficiency, planning and supervising dry-dock work, purchasing onboard supplies and spare parts and appointing advisors and technical supervisors.

Ship management is based on an integrated SQE (Safety, Quality and Environment) system applied without exception onboard the Group's vessels and in its offices. This system is compliant with the international standards ISO 9001:2008 and ISO 14001:2004, established by the International Organisation for Standardization, and was certified by the international classification society RINA S.p.A. (Registro Italiano Navale) in 2003.

This system has been integrated with the management of Occupational Health and Safety in accordance with standard BSOHSAS 18001:2007, initially applied only to offices and ships flying the Italian flag and then extended to the entire fleet under management in 2011. The policies and procedures implemented onboard its vessels allow the Group to maintain a high standard of operation with a strong emphasis on the safety of all activities performed, the potential environmental impact of its operations and maximum client satisfaction. In order to ensure that offices and vessels closely adhere to the established requirements and to reduce the risk of accidents and environmental impacts to a minimum, the system also calls for systematic periodic controls. The d'Amico Group's sensitivity to these issues, clearly articulated in the Company's mission and vision statement, also implies careful selection and thorough oversight of external suppliers and services.

As part of the further development and improvement of the management system used, in April 2012 d'Amico Società di Navigazione S.p.A., as Parent Company, launched a project entitled "MAXIMS – Making Alignment and Extension of Integrated Management Systems," the purpose of which – starting with an assessment of the existing SQE System and a snapshot of the state of the associated documentation – is to identify, propose and implement extensions of its application within the Company and to other Group companies in order to bring the management system into line with the substantial organizational changes of recent years.
The Group has identified and described all processes involving direct performance of or support for shipping activity, which represent the keystone of the entire management system. Now, with the direct participation of all offices involved, a number of procedures are being introduced, modified and expanded with the aim of supporting the implementation and control of the procedures concerned and allowing constant improvement of the entire system to continue.

The management method adopted, which relies on a process-based approach to organize all activities performed in a clear manner, with points of control, performance measurements, analysis of critical issues and measures for improvement, also allows the d'Amico Group to rank in the upper segment of TMSA, the Tanker Management and Self-Assessment Programme launched in 2004 by OCIMF (Oil Companies International Marine Forum). While not compulsory, TMSA is recommended by the major oil companies in order to encourage shippers to measure, assess and improve their performances on the basis of certain key indicators. Satisfaction of this programme's requirements often represents the basis for developing agreements of a commercial nature, but also drives the pursuit and maintenance of higher safety levels, the prevention of pollution and a drastic reduction in the risk of accidents.

The Group is committed to involving all personnel in achieving the goals it has set for itself by establishing specific training processes, encouraging staff to participate in changes, providing motivation, identifying and disseminating best operating practices and assessing risks in order to create a shared body of practical, cultural knowledge in terms of quality and safety. In this area, the Group has developed programmes for controlling and measuring the performances of various operating segments, which are analyzed on a half-yearly basis with the aim of achieving constant improvement. Particular emphasis has been placed on identifying and managing those factors that have or may have a significant impact on the environment in order to minimize the associated risk and, in particular, to seek to reduce polluting emissions. In further detail, a specific energy efficiency plan for each vessel, the Ship Energy Efficiency Management Plan (SEEMP), has been prepared and is set to be implemented in 2013. Such plans aim to apply technical solutions and operating procedures to reduce consumption and thus limit emissions. Partly in light of these implementations, it has been planned to develop the system further in order to obtain ISO 50001 energy efficiency certification.

Pursuant to standard ISO 14001, and in order to demonstrate the compliance of its vessels and its dedication to respecting the environment, the d'Amico Group has developed and adopted a rigorous approach to environmental analysis based on identifying interactions between vessel activities and the environment (water, air and other elements) and then analyzing which of those interactions might have a significant impact on the environment.

Each year, DSN's SQE team conducts an internal audit (both onboard and ashore) aimed at identifying and analyzing all factors (for example, bunkering and shipping operations, clean-up of oil/chemical products and the loading, transport and unloading of products), products or services that have or may have a significant environmental impact, thereby minimizing risk and seeking to reduce CO_2 emissions. The analysis is based on a wide range of data, such as fuel type, water consumption, measurements of acoustic and electromagnetic pollution, construction data, vessel and plant layouts and maintenance procedures and intervals. The Group also considers indirect environmental aspects related to the activities of third parties such as the disposal of solid waste in dumps and dry-dock work.

Sustainable Development

The d'Amico Group's strategy also calls for designing and then implementing a Corporate Social Responsibility (CSR) Plan, driven by a full awareness of the importance of social and environmental aspects and the recognition of the proper responsibility for contributing to sustainable development.

These programmes consist of principles and policies involving several functions of a company. Some of the milestones of the ship-management policies presented in the foregoing section, such as the system of SQE (Safety, Quality and Environment) procedures, are an integral part of the corporate social responsibility master plan. The section concerning crew management policies demonstrates the importance that the d'Amico Group attaches to its staff's workplace occupation, safety and health conditions.

On the subject of the Group's intended approach to environmentally friendly operation, d'Amico is also developing a Ship Energy Efficiency Management Plan that calls for the application of measures specific to each ship and company for managing and improving their performances in terms of environmental impact.
The Ship Management Plan provides a system of procedures and measures to be adopted both by each company and onboard each specific vessel and deals with the following fundamental issues with the primary aim of reducing CO_2 emissions:

- the Programme for Measuring and Monitoring Ship Efficiency;
- the Voyage Optimization Programme, which includes optimizing the speed, route planning and trim;
- the Propulsion Resistance Management Programme, which refers to hull and propeller resistance;
- the Machinery Optimization Programme, which focuses on engine management and monitoring, in addition to the optimization of lubrication and other machinery and equipment;
- Cargo Handling Optimization (cargo treatment and temperature control); and
- the Energy Conservation Awareness Plan, which calls for onboard and onshore staff training with the aim of familiarizing employees with the company's efficiency programme. At a more specific level, training covers issues such as energy conservation for quarters.

The Company is also launching a process of revising and updating its environmental management procedures and intends to obtain ISO 50001 energy efficiency certification in 2013.

Corporate Governance

Board of Directors

In accordance with the Articles of Association of the Parent Company, d'Amico Società di Navigazione S.p.A., the annual general shareholders' meeting held on 12 June 2012 raised the number of members of the Board of Directors for the three-year period 2012-2014 to five (5), re-electing Chairman Paolo d'Amico and Directors Cesare d'Amico, Roberto Michetti and Giovanni Battista Nunziante, as well as appointing Alfonso Scannapieco as a new director. At the date of this report, the Board of Directors consisted of five directors, three of whom are executive directors and two of whom are a non-executive directors. Their terms of office are set to expire with the approval of the financial statements for the year ending 31 December 2014. The three executive directors are Paolo d'Amico, Cesare d'Amico and Roberto Michetti.

In addition, DSN's Board of Directors, at the meeting held on that same day of 12 June 2012, in revolving the delegation of authority and granting the associated powers of representation to individual directors, resolved to grant Chairman of the Board of Directors Paolo d'Amico and Cesare d'Amico (the latter of whom was re-appointed the Company's Chief Executive Officer) all powers of ordinary and extraordinary administration, along with the associated powers of representation, to be exercised separately between them and with single signing authority, along with the power to delegate third parties, separately between them, to hold the powers of ordinary and extraordinary administration conferred upon them by issuing special powers of attorney, in addition to granting Roberto Michetti certain authorities of a financial nature for the Group activities with respect to transactions of an extraordinary nature, investment policies and financial reporting policies. That same session of the Board of Directors of 12 June 2012, in addition to re-appointing Maurizio Bergamaschi to the office of secretary for the three-year period corresponding to company financial years 2012-2014 pursuant to Art. 20 of the Articles of Association, also appointed the Executive Committee for the three-year period corresponding to company financial years 2012-2014 pursuant to the Articles of Association and Article 2 of the Regulation for the Establishment and Operation of the Executive Committee approved in 2009, appointing Paolo d'Amico and Cesare d'Amico members and granting the Committee authority, within the limits of the law and the Company's Articles of Association, to pass all resolutions concerning:

- the determination of the Company's organizational structure;
- the employment, dismissal, transfer and granting of positions and powers to the executives of d'Amico Società di Navigazione S.p.A. and/or its subsidiaries;
- the definition of the strategic, industrial and financial plans of d'Amico Società di Navigazione S.p.A. and the associated budgets, including at the consolidated level, business plans and updates and/or revisions of such documents;
- the designation of members of the Board of Directors, Executive Committee and Board of Auditors of direct or indirect participated companies and directors and representatives of d'Amico Società di Navigazione S.p.A. within consortia, associations or other entities; and
- the conferral of voting instructions for the participation of representatives of d'Amico Società di Navigazione S.p.A. in the general meetings of investees.

Lastly, on 23 October 2012 the Company's Board of Directors appointed Giovanni Barberis Head of Administration, Finance and Control, granting him all powers of ordinary administration, with the associated power of representation required to perform that function.

Internal control system

Compliance with Legislative Decree No. 231 of 8 June 2001

Legislative Decree No. 231 of 8 June 2001 (hereinafter "Decree 231") introduced administrative liability for companies and entities as a result of specific types of crimes set forth in the Italian Criminal Code (such as crimes against the public administration, corporate crimes, market abuse, etc.) committed and prosecutable in Italy by persons in top-level positions or other employees in the interests or for the benefit of that company or entity. However, Decree 231 provides for a specific form of exemption from such liability if the company or entity has:

- adopted and effectively implemented an appropriate compliance programme that aims to develop an organic, structured system of procedures, rules and controls to be conducted both in advance and after the fact in order to reduce and prevent the risk of commission of the various types of crimes to a material extent, in particular by identifying and drafting a procedure for each of the sensitive activities identified as most at risk of crime as set out in the Italian Penal Code (the "Organization, Management and Control Model" or "Model"); and

- entrusted responsibility for supervising the functioning and observance of the Model, as well as for updating the Model, to a specific body of the entity (the "Supervisory Board") endowed with autonomous powers of initiative, control and spending authority.

In voluntary application of Decree 231, d'Amico Società di Navigazione S.p.A. therefore formally adopted a Model and implemented specific operational procedures for preventing the commission of offences by resolution of the Board of Directors of 29 May 2008. At that same session, the Board of Directors also approved and adopted the Code of Conduct, which sets forth the fundamental ethical principles to which DSN conforms and with which directors, statutory auditors, employees, consultants, partners and, generally, all those who act in the Company's name and on its behalf are required to comply, as well as appointing the Supervisory Board, charged with the following duties:

- supervising the effectiveness of the Model, putting in place control procedures for specific actions or acts carried out by d'Amico Società di Navigazione S.p.A., while also coordinating with the other corporate functions in order to implement better monitoring of activities at risk;
- periodically reviewing the efficiency and adequacy of the Model, ascertaining that the elements provided in the special parts for the various types of crimes are adequate for the requirements of observance of the provisions of Decree 231 and identifying corporate activities in order to update the map of activities at risk;
- evaluating the advisability of updating the Model when necessary to update it in relation to corporate requirements or conditions; and
- ensuring the required information flows, in part by promoting suitable initiatives to raise awareness and improve understanding of the model and co-operating in drawing up and supplementing internal rules.

DSN's Supervisory Board is collegial in form and consists of three members appointed following due assessment and consideration of the following requirements established for such function by Decree 231: autonomous power of initiative, independence, professionalism, consistency of action, absence of conflicts of interest and integrity. All current members, appointed by the Board of Directors on 23 May 2011, will remain in office until the approval of the financial statements for the year ending 31 December 2013. In addition, on 29 January 2009 d'Amico Società di Navigazione S.p.A., by proposal of the Supervisory Board, approved the associated Internal Regulations, which govern the Board's functioning, operating methods of action, rights and duties. On the basis of the periodic reports by the Supervisory Board concerning the implementation, functioning, adequacy and efficacy of the Model, the Board of Directors, after appropriate evaluation, has deemed the Supervisory Board adequate in terms of organizational structure and the powers conferred upon it.

Board of Statutory Auditors

On 12 June 2012, the annual general meeting of the shareholders re-elected for the three-year period 2012-2014 all regular and substitute members of the Board of Statutory Auditors appointed in accordance with the applicable provisions of the Italian Civil Code. Accordingly, their terms of office are set to expire with the approval of these financial statements for the year ended 31 December 2014.

Pursuant to Articles 2397 et seq. of the Italian Civil Code, the Board of Statutory Auditors supervises "compliance with the laws and the articles of association, observance of the principles of sound management and, in particular, the adequacy of the administrative, organizational and accounting system adopted by the company and that system's functioning in practice."

Independent auditors

The approval of these financial statements marks the end of the three-year engagement granted by the annual general shareholders' meeting to Moore Stephens Concorde S.r.l., registered in the Register of Account Auditors instituted pursuant to Article 2 of Legislative Decree No. 39/2010. Accordingly, the next general meeting will be called upon to appoint the independent auditors for the next three years.

Significant Events during the Year

Dry-cargo and container vessels

D'Amico Dry Limited / Controlled fleet – Construction of two vessels *M/n Cielo di Capalbio* and *M/n Cielo di Vaiano*, delivered in the third quarter of 2012, was completed during the year.

D'Amico Dry Limited – Order placed for new four OHBS bulkers (fuel efficient eco-ships) – In May 2012, d'Amico Dry Limited and the Chinese shipbuilder Yangfan entered into construction contracts for four box-shaped open-hatch bulkers of approximately 39,000 DWT, delivery of which is scheduled for between the fourth quarter of 2014 and autumn 2015, at the price of USD 23.65 million each, with an option to purchase up to six similar ships under the same conditions, to be exercised by June 2013. The vessels ordered are double-hull, box-shaped, open-hatch ships fitted with four 30-tonne cranes, a CO_2 fire extinguishing system in the hold, forced hold ventilation and a reinforced hold bottom for the transport of steel coils of up to 25 tonnes in two stacks. In terms of propulsion, the vessels are fitted with a next-generation Man/B&W engine that provides approximately 4,500 KW of continuous power, allowing the vessels to achieve a fully-loaded top speed of approximately 14 knots while consuming approximately 20 tonnes of fuel oil per day. The ships were designed by the Finnish firm Delta Marine. The commercial characteristics (tonnage, draught, hold capacity, speed and consumption), as well as the detailed technical specifications according to which the vessels are to be built, represent the top of the line in the OHBS Handysize segment. Compared to similar bulkers currently in the water, these ships are expected to save from five to six tonnes of fuel per day, permitting a decrease in operating costs of approximately USD 2,500-3,000 per day.

D'Amico Shipping Italia S.p.A. / Controlled fleet – In August 2012 the last ship under a bare-boat charter was returned. Accordingly, at the end of 2012 all ships in the fleet were owned vessels, the number of which has remained unchanged compared to the previous year.

Tankers

D'Amico Tankers Ltd

Ship Purchases: in March 2012 d'Amico Tankers Limited entered into an agreement to purchase the *M/T High Prosperity*, a double-hull medium-range (MR) product tanker built in 2006 by Imabari Shipbuilding Co. Ltd. (Japan) for USD 22.5 million. The charter agreement provided for a purchase option, previously not exercised because it was not economical. Such purchase, where the vessel was delivered to d'Amico Tankers in May 2012,allowed for a decrease of the vessel operating cost.

The *M/T High Seas* and *M/T High Tide*, two newly built medium-range (MR) product tankers, were delivered to d'Amico Tankers Limited by the South Korean shipbuilder Hyundai-Mipo in March and April 2012, respectively.

Sale of a ship: on 25 October 2012 d'Amico Tankers Limited entered into an agreement to sell the *M/T High Wind*, a double-hull medium-range (MR) product tanker built in 1999 by the South Korean shipyard STX for USD 12.2 million. The sale generated a gain of USD 1.5 million, while also reducing the average age of DIS' fleet.

Charter-in fleet: during 2012 three MR product tankers were chartered in by d'Amico Tankers Limited under one year time charters: these were the 2006 built *M/T Freja Hafnia* in January 2012, the 2009 *M/T Eastern Force* in April 2012 and the 2008 built *M/T Torm Hellerup* in May 2012. The latter two have an option to renew for an additional year.

Order for two newly built Eco 40 ShallowMax tankers: In July 2012 d'Amico Tankers Limited entered into contracts with the Korean shipyard Hyundai Mipo Dockyard Co. Ltd. for the construction of two product/chemical tankers (hulls 2385 and 2386 - 40,000 DWT Handysize vessels), the delivery of which is scheduled for early 2014 at the price of USD 30.65 million each, with an option to purchase two additional vessels under the same conditions, to be exercised by the end of 2012 (see below). The two vessels under construction, in addition to being double-hull, operationally flexible and IMO II, belong to a new generation of ships characterized by very low consumption. The design for these new ships, entitled the HMD ECO 40 ShallowMax, is the result of HMD's most recent study aimed at combining low consumption, high efficiency, capacity and draught. These vessels have been designed to save from five to six tonnes of fuel per day, compared to the average for the existing fleet of the same type, allowing for a decrease in operating costs of between USD 2,000 and 4,000 per day at the same speed of 14 knots. In addition, d'Amico Tankers Limited has signed five-year charter contracts for these two vessels with a leading oil company. The rates envisaged in those charter contracts are attractive and allow DIS to increase its fixed coverage percentage.

D'Amico International Shipping – In November 2012 the listed company approved a resolution authorizing the issuance of rights to current shareholders for the purpose of a share capital increase through the issuance of additional maximum number of 209,929,867 new shares at a price of Euro 0.31 each, with the concurrent issuance of free warrants for the subscription of a maximum number of an additional 69,976,622 conversion shares. The above warrants may be exercised at the holder's discretion in January 2014, 2015 or 2016 at the prices of Euro 0.36, 0.40 and 0.46, respectively. Where exercised, the warrants will result in an infusion of additional capital for DIS of approximately Euro 25 to 32 million.
The capital increase was successfully completed in December 2012 with the subscription of 100% of the capital on offer and the receipt of proceeds of USD 85 million, equivalent to approximately Euro 65.1 million. The transaction will allow the listed company to maintain a solid financial structure for the entire duration of its extensive investment plan and take full advantage of the opportunities currently offered by the market.

Maritime services

Ishima Pte Limited – During 2012, the company continued to render ship management services to third parties as well as group companies, while also consolidating the various activities undertaken by its subsidiaries in maritime procurement, insurance brokerage and port services.

Financial and real-estate investments

D'Amico Società di Navigazione S.p.A. – During the year, DSN continued its policy of investing in other equity interests, thereby diversifying its resources to business sectors other than shipping. Specifically, in 2012 such investments include in particular: Venice Shipping & Logistic S.p.A. (Euro 0.8 million) and the private equity fund Sator Private Equity Fund (Euro 1.2 million).

As mentioned in another section of this report, following the significant real-estate investment undertaken in 2011, in 2012 DSN also conducted considerable renovation work that will continue into 2013.


MEDI VENEZIA
IMO 9302774

Financial Performance Analysis – The Group

Summary of 2012 results

The reporting year was characterized by a constantly evolving political and economic scenario. In fact, 2012 was marked by natural disasters and a series of geopolitical crises and unencouraging economic data (such as the continuation of the public debt crisis in Europe, alongside the uncertainty of the political situation in North Africa and the Middle East).

In the tankers sector, the international economic scenario in 2012 showed improvement in the fourth quarter of the year, while remaining uncertain. The measures adopted by the various governments reduced the risks of an intensification of the crisis in the Euro Area and the United States. However, given the continuing decline, a resumption of growth in the Eurozone still seems a distant prospect. In many of the major emerging nations, economic growth was slower than expected, while outperforming that of more developed economies. The recent estimates published in the IMF's *World Economic Outlook* have been revised downwards slightly in order to express the conviction that a future recovery will be more gradual than previously forecast. In the first nine months of the year, tonnage supply exceeded demand in the Western hemisphere. This trend was offset by arbitrage deals, repositioning ships towards the Eastern region. In addition, demand improved in the West following a sharp increase charter rates in the fourth quarter.

The sub-consolidated net loss reported by d'Amico International Shipping in 2012 came to approximately USD 106 million, which, less the aforementioned impairment losses on vessels, stood at USD 21 million, a markedly positive result in comparison to those of the company's major international competitors.

In the dry-cargo sector, 2012 was characterized by a general increase in volumes following a substantial rise in demand for commodities (primarily coal and ferrous materials) on the Chinese market, where extensive arbitrage was conducted involving the prices of the aforementioned commodities and where bulk raw materials imports exceeded steel imports (in detail, tonnage demand was 7% higher than in 2011). Nonetheless, daily rates generally decreased due to an increase in supply of dry cargo vessels due to significant delivery of new vessels in 2012 (a 12% expansion compared to the number of vessels in 2011).

Consequently, the Group's consolidated net loss in 2012 came to Euro 76.0 million (of which Euro 51.2 million is attributable to the Parent Company) although, excluding the aforementioned fleet impairment losses, the Group earned a net profit of approximately Euro 13.5 million.

The performances of the main areas of business in which the d'Amico Group operates, as described above, did not, as expected, permit the Group to repeat the results achieved in the previous year (a net profit of Euro 22.0 million), but current prospects for 2013 are positive, especially in regards to the tankers market.

The operating cash flows generated during the reporting year (Euro 5.6 million), in conjunction with the management of the Group's financial resources, allowed the Group to retain its financial solidity. As at 31 December 2012, despite the significant investments undertaken during the year, the Group's net debt, most of which is medium/long term, came to Euro 174.4 million, whereas shareholders' equity stood at Euro 830.5 million (Euro 928.4 million as at 31 December 2011).

Operating performance

(Thousands of euro)	2012	2011
Revenue	832,121	710,346
Gross operating profit or loss / EBITDA	45,464	102,230
Operating profit or loss / EBIT	(109,129)	49,212
Profit or loss before taxes	(67,631)	29,040
NET PROFIT OR LOSS	**(75,985)**	**21,985**

The 17% increase in **Revenue** in 2012, which came to Euro 832.1 million compared to Euro 710.3 million in the previous period, is not reflected in a corresponding increase in gross operating profit, owing in part to the increase in operating costs, which had a strong impact on the results for 2012.

Obviously, **Operating profit or loss / EBIT** also showed a reversal of the trend compared to 2011 (coming to a loss of Euro 109.1 million) both for the reasons stated above and owing to the impairment loss recognized.

Net financial income of Euro 41.5 million (net financial charges of Euro 20.2 million in 2011) limited the **Loss before taxes** to Euro 67.6 million (compared to a profit before taxes of Euro 29.0 million in the previous year), whereas the **Net loss** for 2012, after the taxes accrued, was Euro 76.0 million (compared to a net profit of Euro 22.0 million in 2011).

Statement of financial position

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
ASSETS		
Non-current assets	965,467	1,016,154
Current assets	506,857	547,959
TOTAL ASSETS	**1,472,324**	**1,564,113**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	830,548	928,434
Non-current liabilities	410,351	417,870
Current liabilities	231,425	217,809
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,472,324**	**1,564,113**

The significant increase in **Non-current assets** (Euro 965.4 million compared to Euro 1,016.2 million at the end of 2011) was due to both investments relating to the fleet of vessels and the financial investments undertaken during the year. As at 31 December 2012, the total balance included, in particular, Euro 771.6 million attributable to the carrying value of owned vessels, Euro 84.6 million attributable to equity investments in companies not subject to consolidation and Euro 88.0 million in real-estate investments.

During 2012, the Group undertook a total of Euro 174.8 million in investments in tangible assets, of which Euro 171.4 million referred to owned vessels, as well as Euro 1.2 million in net financial investments (equity interests).

The components of working capital, such as trade receivables and inventories, in the total amount of Euro 168.1 million, are included among **Current assets**, the balance of which was Euro 506.8 million. That aggregate also includes cash and cash equivalents (cash and short-term treasury investments) of Euro 338.7 million, as commented upon in the analysis of the Group's net indebtedness provided below.

As a consequence of the investments undertaken during the reporting period, the balance of **Non-current liabilities** fell from Euro 417.9 million at the end of 2011 to Euro 410.4 million as at 31 December 2012. The above item refers almost exclusively to payables to banks for loans pertaining to purchases of fleet vessels and real-estate investments undertaken in 2012. **Current liabilities**, which totalled Euro 231.4 million as at 31 December 2012, include, as a part of working capital, short-term trade payables (Euro 109.2 million) and, to a lesser extent, short-term payables to banks (Euro 83.7 million).

Shareholders' equity stood at Euro 830.5 million as at 31 December 2012, compared to Euro 928.4 million at the end of the previous year.

Net financial position

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
Cash and cash equivalents	156,945	184,599
Current financial assets	181,763	166,772
TOTAL CURRENT FINANCIAL ASSETS	**338,708**	**351,371**
Bank loans - current	(87,095)	(36,568)
Other current financial liabilities	(27,975)	(11,252)
TOTAL FINANCIAL LIABILITIES	**(115,070)**	**(47,820)**
NET CURRENT LIQUIDITY / (INDEBTEDNESS)	**223,638**	**303,551**
OTHER NON-CURRENT FINANCIAL ASSETS	**5,866**	**865**
Bank loans - non-current	(384,843)	(401,991)
Other non-current financial liabilities	(19,074)	(8,437)
TOTAL NON-CURRENT FINANCIAL LIABILITIES	**(403,917)**	**(410,428)**
NET NON-CURRENT LIQUIDITY / (INDEBTEDNESS)	**(398,051)**	**(409,563)**
NET LIQUIDITY / (INDEBTEDNESS)	**(174,413)**	**(106,012)**

As at 31 December 2012, the Group had net indebtedness of Euro 174.4 million, compared to net liquidity of Euro 106.0 million as at 31 December 2011. The change was due not only to the significant investments undertaken, but also to the financial performance and the resulting lesser operating cash flows during the reporting period. It should be emphasized that the Group continues to present a financial situation characterized by a high level of financial solidity, with considerable net current liquidity of Euro 223.6 million and a debt structure largely comprising medium-/long-term indebtedness.

Cash flow

(Thousands of euro)	2012	2011
Net cash provided by (used in) operating activities	5,648	71,801
Net cash provided by (used in) investing activities	(110,108)	(158,609)
Net cash provided by (used in) financing activities	76,806	23,106
NET CASH PROVIDED / (USED)	**(27,654)**	**(63,702)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(27,654)**	**(63,702)**
Cash and cash equivalents at the beginning of the period	184,599	248,301
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**156,945**	**184,599**

Cash and equivalents at the end of 2012 were down compared to the initial balance due to the financial performance and investment policy that the Company continued to implement in 2012. The net cash used during 2012 came to Euro 27.6 million. The cash provided by operating and financing activities allowed the Group to undertake net investments of Euro 110.1 million. Cash flows from financing activities include Euro 88.7 million procured by drawing down lines of credit, net of repayments (Euro 39.2 million), as well as changes in other financial assets and liabilities.

Operating Performance by Business Area

Dry-cargo and container vessels

(Thousands of euro)	2012	2011
Revenue	437,824	345,845
Fixed assets (fleet)	361,467	375,305
Investments (fleet)	106,847	57,862

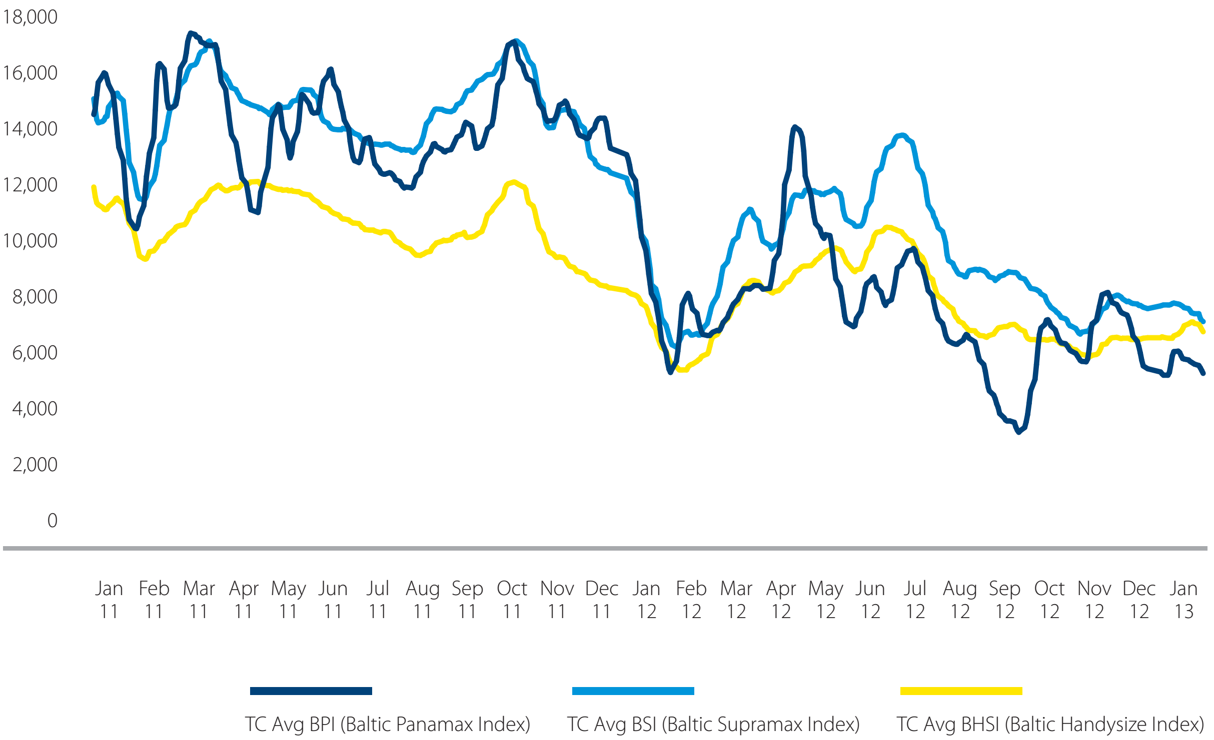
The Euro 437.8 million in revenue deriving from the operation of the fleet of dry-cargo vessels is primarily attributable to d'Amico Dry Limited, d'Amico UK Limited and d'Amico Shipping Italia S.p.A.

As stated above, the dry-cargo sector was significantly conditioned by the high number of vessels placed on the market over these past 12 months. The net result for the year was down compared to the previous year, albeit not to a significant degree, owing to the share of contracts previously concluded at market prices that subsequently proved higher than the annual average.

The carrying amount of fixed assets, corresponding to the 24 owned ships in the fleet (in addition to the six under construction), stood at Euro 361.5 million.

Gross investments stood at Euro 106.8 million in 2012 and were associated with instalments paid to shipyards for vessels under construction and vessels purchased during the year. Those investments also include capitalized dry-dock costs for owned vessels.

Market Overview - Average spot rates for Panamax, Supramax and Handysize vessels



Source: Baltic Exchange

Tankers

(Thousands of euro)	2012	2011
Revenue	266,207	228,559
Fixed assets (fleet)	410,176	453,546
Investments (fleet)	64,611	88,697

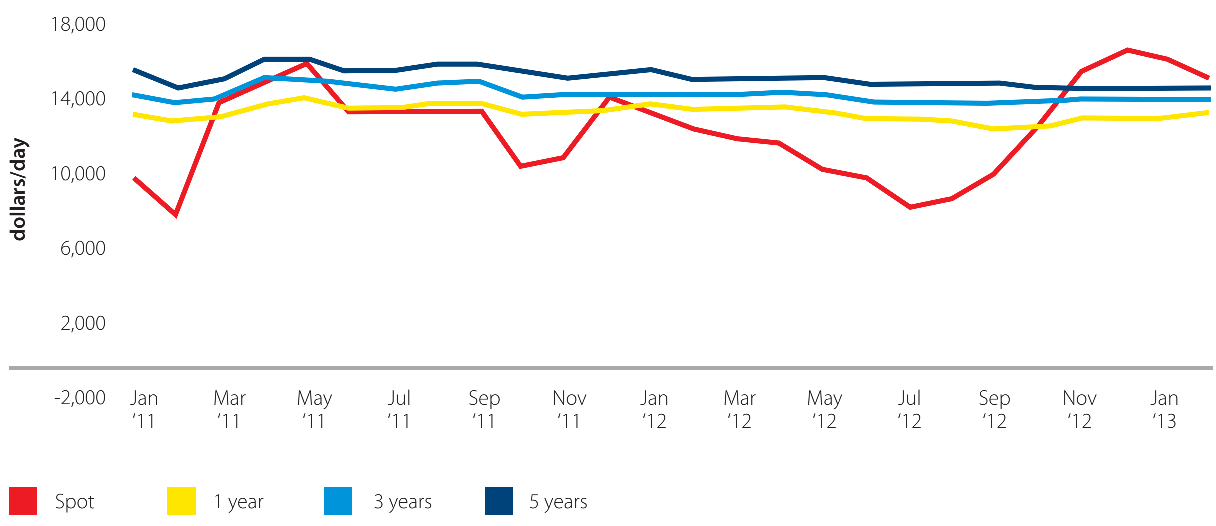
The Euro 266.2 million in revenue deriving from the operation of the fleet of tankers is primarily associated with d'Amico International Shipping S.A. and the part associated with two tankers owned by d'Amico Shipping Italia.

Revenue increased in 2012 compared to the previous year, although the increase in costs offset this factor. However, 2012 presented a reversal of the trend seen in previous years, especially in the fourth quarter of 2012, when there begun to be seen clear, significant signs of improvement that seem to confirm and anticipate current forecasts, according to which the tanker market scenario is expected to improve in coming years. Despite the weak performance of the tanker sector reported throughout 2012, the Group's tankers sector was nonetheless able to generate positive cash flows at an operating level.

The carrying amount of fixed assets (Euro 410.2 million) is represented essentially by the carrying amount of the 23 owned vessels in the fleet (plus the share of the four units under construction).

Gross investments stood at Euro 64.6 million in 2012 and were associated with purchases of two new units and instalments paid to shipyards for the purchase of vessels under construction. Those investments also include capitalized dry-dock costs for owned vessels.

Market Overview – Average TC Rates for MR[2] Product Tankers (US$)



[1] Source: Clarksons Research Services Limited, as of 1° January 2013. Percentage of total product tankers (4,584 vessels). excludes vessels with stainless steel tanks.
[2] Source: Clarkson, January 2013

Maritime services

(Thousands of euro)	2012	2011
Revenue	122,872	135,298

Of the total turnover reported by maritime services, Euro 107.2 million are attributed to Compagnia Generale Telemar S.p.A., which consolidated its market position in 2012. Fuel bunkering operations, conducted by Rudder, contributed Euro 2.5 million to the Group's 2012 revenue. Revenue on ship and crew management on behalf of third parties (associated directly with DSN and Ishima Pte. Limited) came to Euro 13.2 million.

Given the nature of the services rendered, the values of fixed assets and investments in such assets are not especially significant.

Financial and real-estate investments

(Thousands of euro)	2012	2011
Long-term investments	84,592	81,743
Net acquisitions of long-term equity investments	1,210	20,995
Real property	89,023	91,541
Acquisitions of real property	1,101	58,926

Long-term equity investments are investments of a strategic nature in equity interests and other companies. Such investments are undertaken directly by d'Amico Società di Navigazione S.p.A. through the use of available financial resources.

The investments undertaken in 2012 primarily related to the following: Venice Shipping & Logistic S.p.A. (Euro 0.8 million) and the private equity fund Sator Private Equity Fund (Euro 1.2 million).

As in the previous year, the process of managing the portfolio of current financial resources saw the Group invest its liquidity primarily in equities, bonds or bank deposits. Operations of this nature, which are conducted by d'Amico International S.A. and DSN, yielded a total of over Euro 51 million in financial income, primarily deriving from the performance of the Luxembourg subsidiary.

Financial Performance Analysis – d’Amico Società di Navigazione S.p.A.

Operating performance

The following table presents income statement results for the year ended 31 December 2012.

(Thousands of euro)	2012	2011
Dividends	64,575	70,320
Other revenue	11,202	11,622
General and administrative costs and other operating costs	(21,984)	(17,320)
Net financial income / (charges)	(2,328)	973
Income taxes	197	(241)
NET PROFIT	**51,662**	**65,354**

Company activity continued in 2012 with both the management of equity investments and services rendered by the Parent Company to other Group companies.

The dividends collected, for the details of which the reader is referred to the table in the notes, primarily relate to the sums received in 2012 from the subsidiaries d’Amico Shipping Italia S.p.A., d’Amico International S.A. and Compagnia Generale Telemar S.p.A., which, along with the company’s own investing activity involving current financial resources, is responsible for a significant share of the maritime transport operations of the dry-cargo, container and tanker division.

By contrast, operating revenue remained stable and is associated with the services rendered by the Parent Company to other Group companies in the areas of ship management services for vessels in the company fleet and other services of a corporate nature, such as co-ordination and legal counsel, internal auditing and human resource management.

The costs of approximately Euro 22 million include overhead and production costs relating to ship management activity, general and administrative costs and depreciation and amortisation charges for property, plant and equipment and intangible assets. The increase in costs compared to the past, in addition to the normal change in general costs, primarily relates to the recognition of costs associated with income of d’Amico International SA taxed on a pass-through basis, as discussed in detail below.

Financial position

(Thousands of euro)	As at 31 Dec 2012	As at 31 Dec 2011
Non-current assets	260,793	247,367
Current assets	13,062	24,500
TOTAL ASSETS	**273,855**	**271,867**
Shareholders’ equity	226,782	197,151
Non-current liabilities	40,372	38,368
Current liabilities	6,701	36,348
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**273,855**	**271,867**

Non-current assets, apart from the sum of Euro 66 million associated with tangible assets (and, more specifically, real estate property of approximately Euro 64 million), essentially consists of long-term investments (Euro 177 million) and the loans granted to two subsidiaries (Euro 16.7 million). The reader is referred to the notes for the details of the changes during the year. It will be appropriate to mention here only that, as anticipated in the 2011 report, in the first six months of 2012, following the acquisition of a 75% interest in Dumas Immobiliare S.r.l., DSN repaid the interest-free shareholders' loan to the previous shareholder in the amount of approximately Euro 11 million.

Current assets of approximately Euro 13 million include items of a financial nature such as cash and equivalents (Euro 4.3 million) and short-term investments (Euro 6.1 million). The other items relate to trade receivables eligible for collection in 2013.

D’Amico’s total **shareholders’ equity** increased to Euro 226.8 million from Euro 197.2 million in the previous year.

Non-current liabilities (Euro 40.4 million) refer primarily to the share of the finance lease entered into to purchase the Rome office and the loan contracted in connection with the purchase of the property located on Via Paisiello in 2011 that is set to come due beyond 2013. In addition, in connection with this latter loan, the fair-value measurement of the swap contract concluded as a hedge was also recognised among non-current liabilities in the amount of Euro 4.1 million.

Finally, ***Current liabilities*** include the share of loans set to come due in 2013, plus the trade payables that are to

be settled in the near term.
D'Amico Società di Navigazione S.p.A. confirms its solid financial position, and a decrease in cash and other financial assets of approximately Euro 12 million corresponded to a decrease in accounts payable to banks and other lenders of Euro 32 million.

Tax situation

d'Amico is subject to Italian tax law and therefore calculates its direct taxes analytically. In further detail, the accrual for 2012 is positive inasmuch as the change in deferred tax liabilities exceeds the accrual planned for corporate income tax – IRES (estimated tax loss) and IRAP – regional production tax. In addition to direct taxes, d'Amico is subject to taxation "on pass-through basis" with respect to the income earned by its foreign subsidiaries residing in countries with privileged tax regimes (Art. 167, paragraph 1, of the Italian Consolidated Income Tax Act), as well as those residing in other countries (following the change made effective the 2010 incomes) but that fall within the conditions envisaged in paragraph 8-*bis* of the above Article of the Consolidated Income Tax Act. Such taxation may only be avoided if a prior request for a ruling is submitted and approved, a process that d'Amico has completed for several companies in recent years, always with positive results (except in the case to be discussed below). In May 2011, the Company submitted a request for a ruling to avoid the taxation of the incomes attributable to the subsidiary d'Amico International SA and, after various exchanges of correspondence and submissions of additional documentation, in April 2012 a negative response was received to the request, despite the firm conviction that the Luxembourg subsidiary was not among "white-list" companies. In order to avoid any possible repercussions, it was therefore decided to pay the amount corresponding to taxation on a pass-through basis for the 2010 income as well, in the total amount of Euro 1.6 million, while concurrently lodging a petition against the rejection as well as a petition for a refund of the sums paid. At the reporting date, the hearing of both petitions was scheduled for 6 June 2013. In these financial statements, the Company has also set aside taxes "on a pass-through basis" for the income earned by the subsidiary in 2012 in the amount of Euro 1.26 million. Both amounts have been included among general costs, inasmuch as they do not refer to taxes on the income earned by the Company.

Significant Events since the End of the Year and Business Outlook

Tankers

Order for an additional two new eco-design tankers: in March 2013 d'Amico International Shipping S.A. announced that its operating subsidiary d'Amico Tankers Limited (Ireland) and the Korean shipyard Hyundai Mipo Dockyard Co. Ltd. had entered into contracts governing the construction of an additional two new product/chemical tankers (hulls S408 and S409 - 50,000 DWT medium-range vessels), the delivery of which is scheduled for 2014, for the price of USD 29.0 million each. d'Amico Tankers Limited was also offered the opportunity to purchase an additional two new vessels through a purchase option, under similar terms and conditions, that is to be exercised by April 2013. The aforementioned two newly built vessels, designed in accordance with the most recent IMO II MR standards, allow for maximum efficiency in terms of fuel savings. This HMD design is the most advanced in terms of hull shape and propulsion efficiency, which allows the ships to save six to seven tonnes of fuel per day compared to the average for the existing fleet of the same type at the global level. In fact, the ships will have an exceptional energy efficiency design index (EEDI) of 31.5% below the applicable IMO maximum limit of reference and thus will already be in compliance with the index envisaged in phase three of IMO, which will be applied to vessels built after 1 January 2025.

Charter-out fleet: in March 2013 d'Amico Tankers Limited extended three charter contracts with an important oil company, which had been set to expire in 2013, for an additional two years. These contracts will allow DIS further to consolidate its historical relationships with the major global oil companies and have been extended at rates that will allow positive operating cash flows to be generated.

Charter-in fleet: in January 2013 the *M/T High Nefeli*, a medium-range (MR) vessel built in 2003 and chartered by d'Amico Tankers Limited, was returned to its owners.

Also in January 2013, the contract for the *M/T Freja Hafnia*, a medium-range (MR) vessel built in 2006 and delivered to d'Amico Tankers Limited in January 2012 for a charter period of one year, was extended through January 2015.

In February 2013, the *M/T Torm Hellerup*, a medium-range (MR) vessel built in 2008 and delivered to d'Amico Tankers Limited in May 2012 for a charter period of one year, with an option to renew for an additional year, changed its name to the *M/T Hallinden* following a change of ownership.

In February 2013, the contract for the *M/T Eastern Force*, a medium-range (MR) vessel built in 2009 and delivered to d'Amico Tankers Limited in April 2012 for a charter period of one year, was extended through April 2014, with an option to renew for an additional year.

GLENDA International Shipping Limited

Charter-out fleet: Between March and April 2013 GLENDA International Shipping Limited, a 50% joint venture with the Glencore Group, withdrew from the pool six owned vessels managed by GLENDA International Management Limited, chartering three vessels to d'Amico Tankers Limited and two vessels to ST Shipping (Glencore Group).

D'Amico Tankers Ltd

Sale of ships: in May 2013 d'Amico Tankers Limited entered into an agreement to sell the Handysize *M/T Cielo di Londra*, built in 2001 by the South Korean shipyard STX for USD 12.3 million. This sale will reduce the average age of the DIS fleet, while generating a gain of approximately USD 4.5 million in the second quarter, confirming the conservative valuations applied to the DIS fleet. The delivery of the vessel to its new owners is scheduled for the second quarter of 2013 and the effects of the transaction will be recognised during the period concerned.

Charter-in fleet: in April 2013 the *M/T Citrus Express*, a medium-range (MR) vessel built in 2006, was delivered to d'Amico Tankers Limited for a charter period of one year.

In April 2013 the *M/T Carina*, a medium-range (MR) vessel built in 2010, was delivered to d'Amico Tankers Limited for a charter period of three years.

Dry-cargo vessels

Exercise of option for OHBS bulkers (fuel-efficient eco-ships) – In completion of the agreement reached in May 2012, in April 2013 d'Amico Dry Limited exercised a new option for an additional box-shaped open-hatch vessel of approximately 39,000 DWT with the Chinese shipyard Yangfan. Delivery is scheduled for late 2015.

Business outlook

Tankers

Estimates of global demand for oil products in 2013 have been revised slightly downwards to 90.7 million barrels a day following lower projected economic activity according to the IMF. In the most recent edition of the publication *World Economic Outlook*, the International Monetary Fund reduced its estimates of global GDP growth in 2013 from the previous 3.6% to 3.5%.

In the first quarter, the entire oil products market will be influenced by supply issues. Ordinary maintenance work on refineries will influence inventory levels and should effectively sustain oil product prices. The announcement by Hess of the closure of its Port Reading refinery contributed to sustaining the market for refined products, with the ensuing increase in trans-Atlantic charter rates, which in January and February reached the highest levels seen in the period concerned in the past five years.

In early February, imports of refined products to the East Coast increased considerably, reaching approximately 665,000 barrels a day in the first week of the month, compared to approximately 500,000 barrels a day on the average during the period December to January.

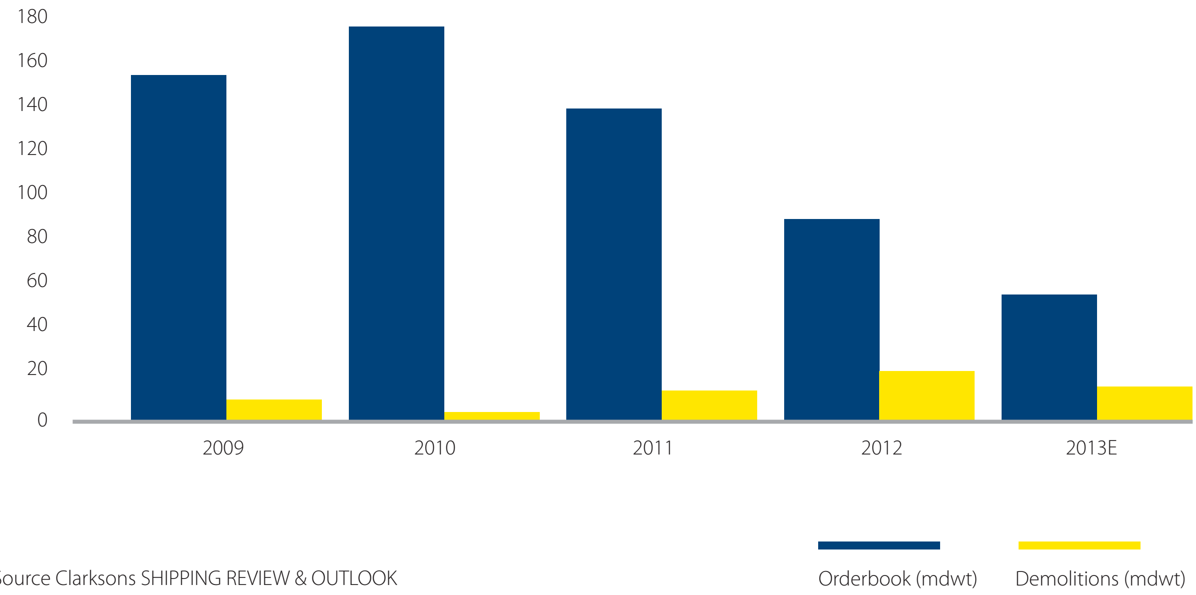
Libyan refineries have yet to resume full operation and will need to import approximately three million tonnes of petrol in 2013 in order to satisfy domestic demand.

Venezuela's refining capacity continues to be severely affected by the suspension of operation of the Amuay refinery (645,000 barrels a day) following the fire and explosion that occurred in late August, which halved output. At present the facility is still not fully operational and the country will probably be forced to import oil products for the rest of the first quarter of 2013.

Refinery activity in the United States declined from the 90% utilization rates of December to 86% in January. In December, U.S. crude oil production reached a monthly record of 15.4 million barrels a day due to the intense export demand from Latin America. Argentina and Brazil imported approximately 350,000 barrels a day in the first half of 2012, compared to approximately 50,000 barrels a day in early 2010.

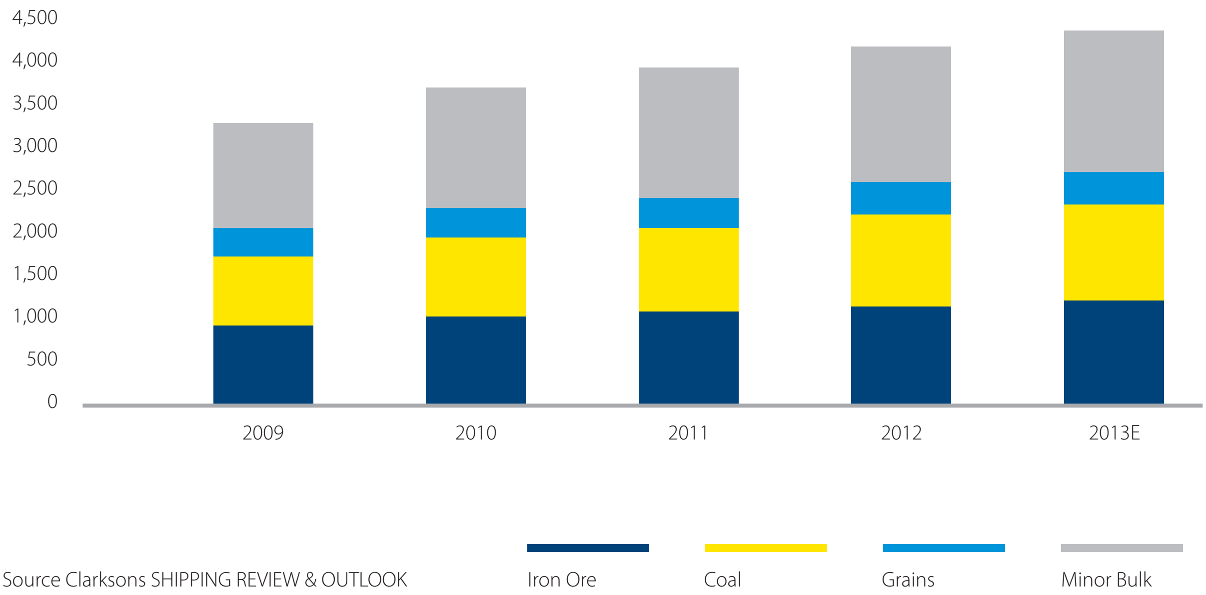
Given the current economic situation, prospects remain weak in the near term. Despite the signs of improvement in China and the United States, the unencouraging economic conditions will probably slow the rise in demand for oil products at the global level. Concerns regarding the current situation of European economies continue to prevail. The long-term prospects are favourable, but a significant increase in demand is contingent upon the current economic scenario, which could impede potential growth. Accordingly, in light of the above, d'Amico International Shipping remains cautious at the beginning of the new quarter.

Dry Cargo Fleet Additions and Demolitions 2009-2013E



Source Clarksons SHIPPING REVIEW & OUTLOOK

Global Major Bulk Trade (2009-2013E)



Source Clarksons SHIPPING REVIEW & OUTLOOK

Dry-cargo vessels

Although there was an increase in demand in the first few months of 2013, short-term expectations for dry-cargo vessel charters do not diverge significantly from the numbers at the end of 2012 and the deliveries scheduled from 2015-2016 have resulted in a downwards revision of medium-/long-term estimates as well.

Despite the recent spike in orders for new units, it is likely that the dry-cargo fleet will gradually expand during the period beyond the next two years, thus laying the foundation for a gradual recovery of the market.

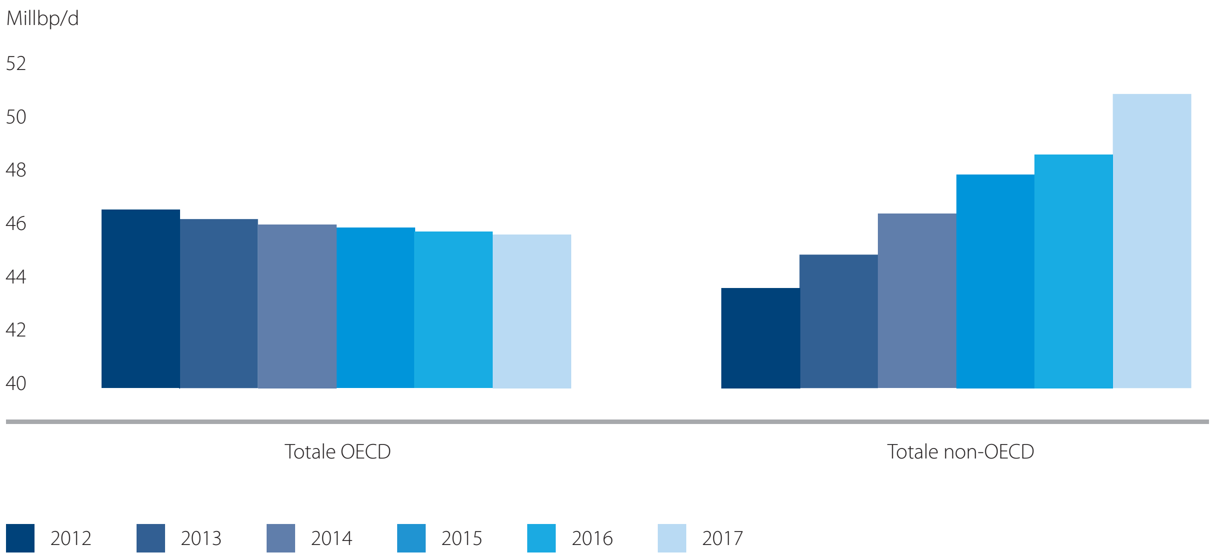
Specifically, following on the approximately 10% growth witnessed over the past twelve months, an increase is expected, although of approximately one-half that level, over the next twelve months. Once this period is over, new ship deliveries should slow significantly, falling from 95 million to 67 million DWT, whereas ship-scrapping volume should remain high at approximately 35 million DWT.

Growth is expected to slow significantly across all segments of activity beginning in 2014, whereas the Panamax sector of the market in particular is projected to grow by approximately 8.5%, with a decrease in values in the near term compared to the market peaks reached in mid-March 2013. The South American grain exportation peak that occurred in early 2013 stimulated the Panamax market (although the same can be said of the Supramax and Handysize segments), although in the second part of the year there will be a slowdown owing both to the constant increase in the number of ships and the decrease in trading volumes in the grain market.

Although 2013 started on a less positive note for the Capesize segment, owing to the modest volumes of trades in the coal market, a partial recovery is expected in the second half of the year, owing both to the gradual improvement in the economy at a global level and the forecast of a recovery in the Chinese market, expected to restore the market to satisfactory values.

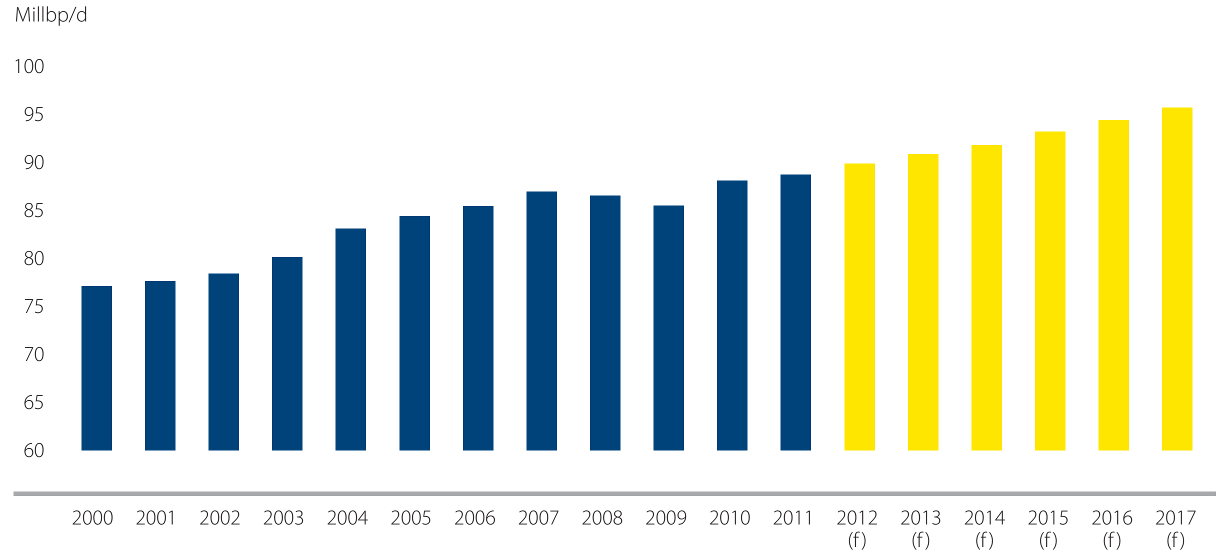
Assuming a relatively stable 2013, expectations for 2014 call for an average of approximately USD 8,000 for Panamax, slightly above USD 9,000 for Supramax, approximately USD 7,500 for Handysize vessels and approximately USD 9,000 for Capesize ships.

Global Oil Demand Growth[1] 2012 – 2017

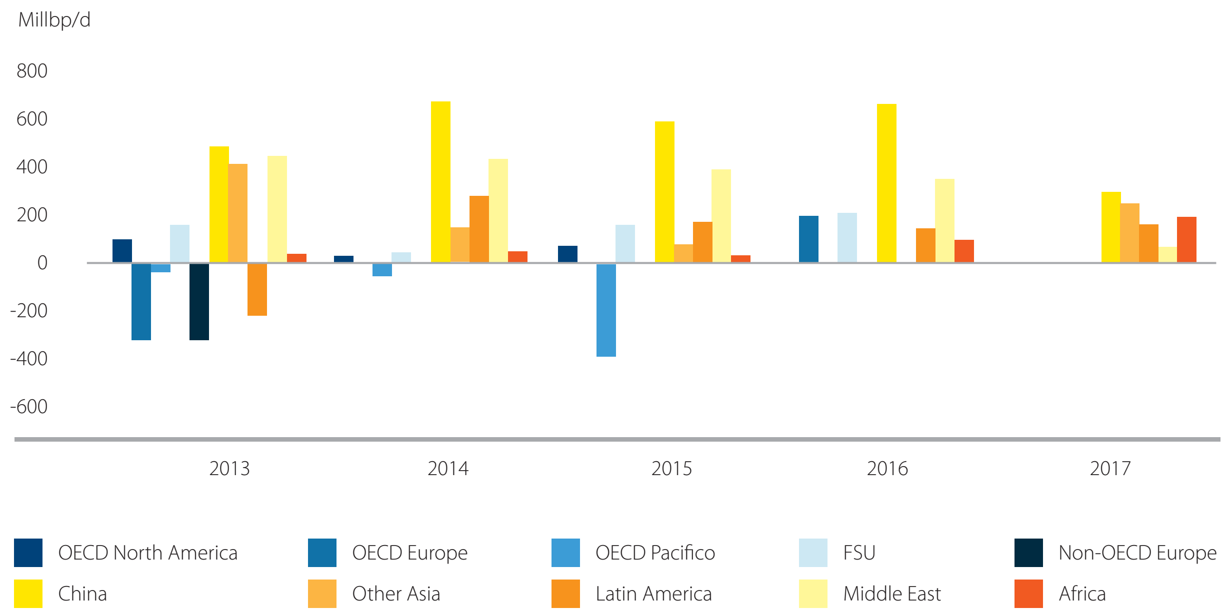


[1] Source: International Energy Agency Medium-Term Oil Market Report, January '13

Global Oil Demand[1] 2000 - 2017



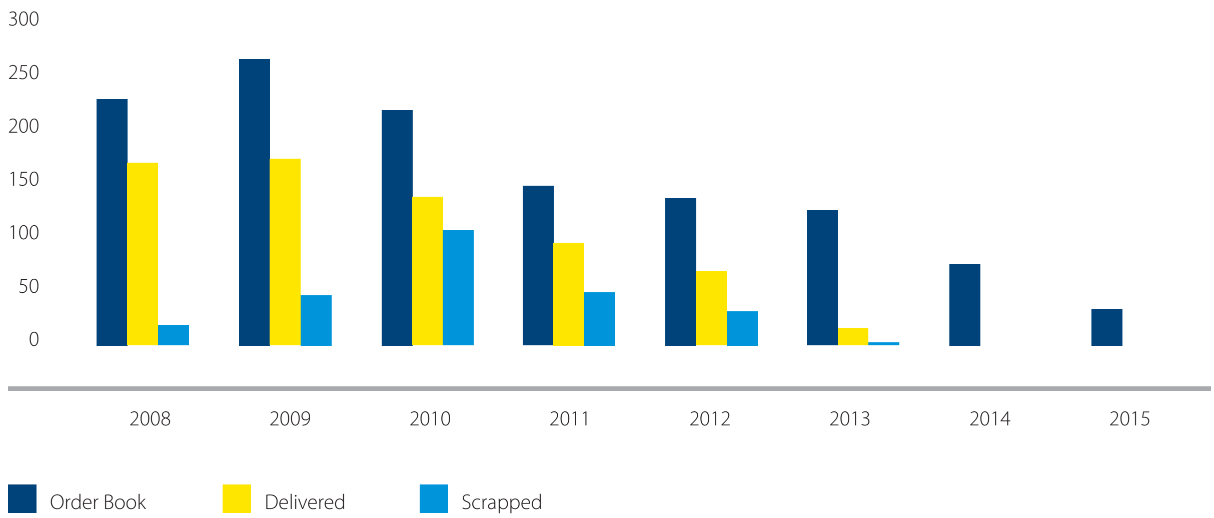
Crude distillation additions and expansion[1]



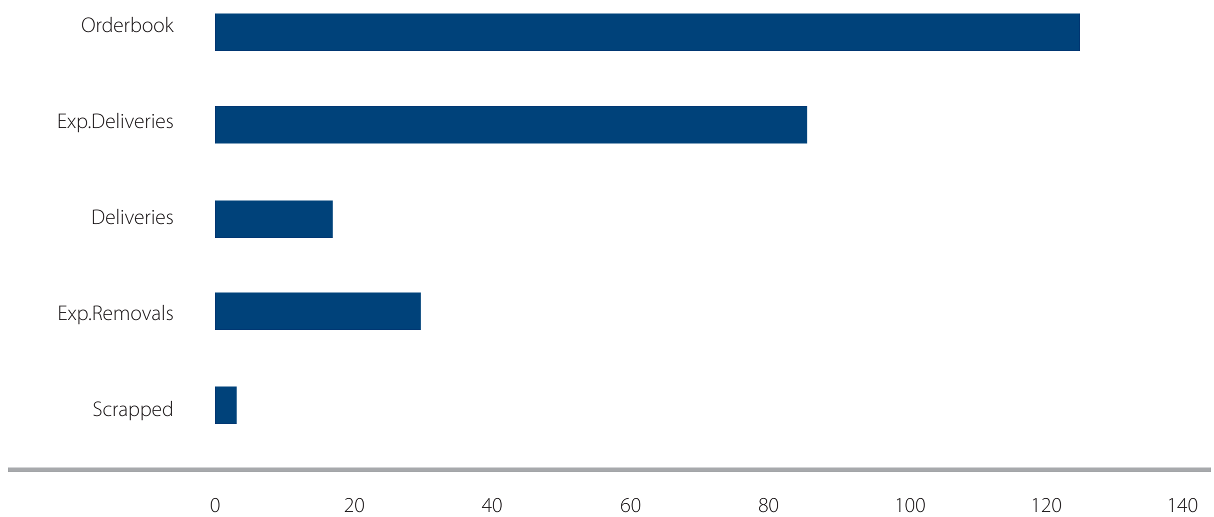
[1] Source: International Energy Agency Medium-Term Oil Market Report, January'13

Medium Range Product Tankers deliveries / scrapping

Net MR[1] fleet growth 2008-2015



Orderbook vs. deliveries – MR[1] Tankers



[1] MR product tankers ranging from 25.000 to 55.000 dwt
Source: Clarkson, ICAP, SSY and Gibson search

Other Information

Treasury shares owned by the parent company

D'Amico Società di Navigazione S.p.A. does not hold any treasury shares, either directly or indirectly.

Research and development

In consideration of the characteristics of the sectors in which it operates, neither d'Amico Società di Navigazione S.p.A. nor the other Group companies engaged in any activity of this sort during the year.

Disclosure concerning derivative instruments

As disclosed in the note entitled "Risk management," the Group is exposed to some financial risks associated with its operations. During the budgeting process, appropriate market levels are identified in the analysis of all implicit risks to as to systematically undertake all measures required to reduce, neutralize or hedge the exposures assumed during the year, while taking account of market conditions and in a manner consistent with estimated business performance. Specific risk control policies and guidelines have been established in order to determine the daily overall contracting limit and delta variation. Proper monitoring of internal control procedures is ensured by our back and front offices. A specific section of the notes presents qualitative and quantitative disclosures on the effect that those risks may have on the Group.

With respect to the disclosure concerning the use of financial instruments required by Article 2428, paragraph 2, point 6-*bis*) of the Italian Civil Code, it should be noted that the following derivative instruments were outstanding as at 31 December 2012:

- forward freight agreements (FFAs) aimed at hedging charter rates for shipping using dry-cargo vessels;
- currency options, forward foreign exchange and futures contracts aimed at hedging against fluctuations of exchange rates and pursuing speculative objectives;
- interest rate swaps (IRSs) intended to convert the fixed-rate portion of the financial indebtedness contracted to floating rate; and
- bunker hedging to hedge fluctuations in the price of fuel for vessels.

Further information regarding the nominal value and fair value of such financial instruments is presented in the notes to the statutory and consolidated financial statements.

Dealings with related parties

For information concerning dealings with associates, the Parent Company and subsidiaries of the Parent Company, please refer to the notes to the statutory and consolidated financial statements.

Privacy – Personal data protection code (pursuant to Legislative Decree 196/2003)

D'Amico Società di Navigazione S.p.A. has chosen to maintain operational readiness of and update the Personal Data Processing Security Plan, although the obligation to draft and update the Plan ceased to apply following the entry into force of Legislative Decree 5/2012, converted into Law 35/2012. In further detail, the Company, upon completing a periodic assessment of the potential critical issues to which personal data processing is exposed, verified the efficacy of all security measures (physical, logical and organizational) already in place to protect data processing, modifying the existing Security Plan as necessary and updating the Register of Data Processors pursuant to Legislative Decree 196/2003 and the associated Technical Specifications. The voluntary update to the Security Plan for 2012 was thus completed in the first quarter of the current year, 2013.

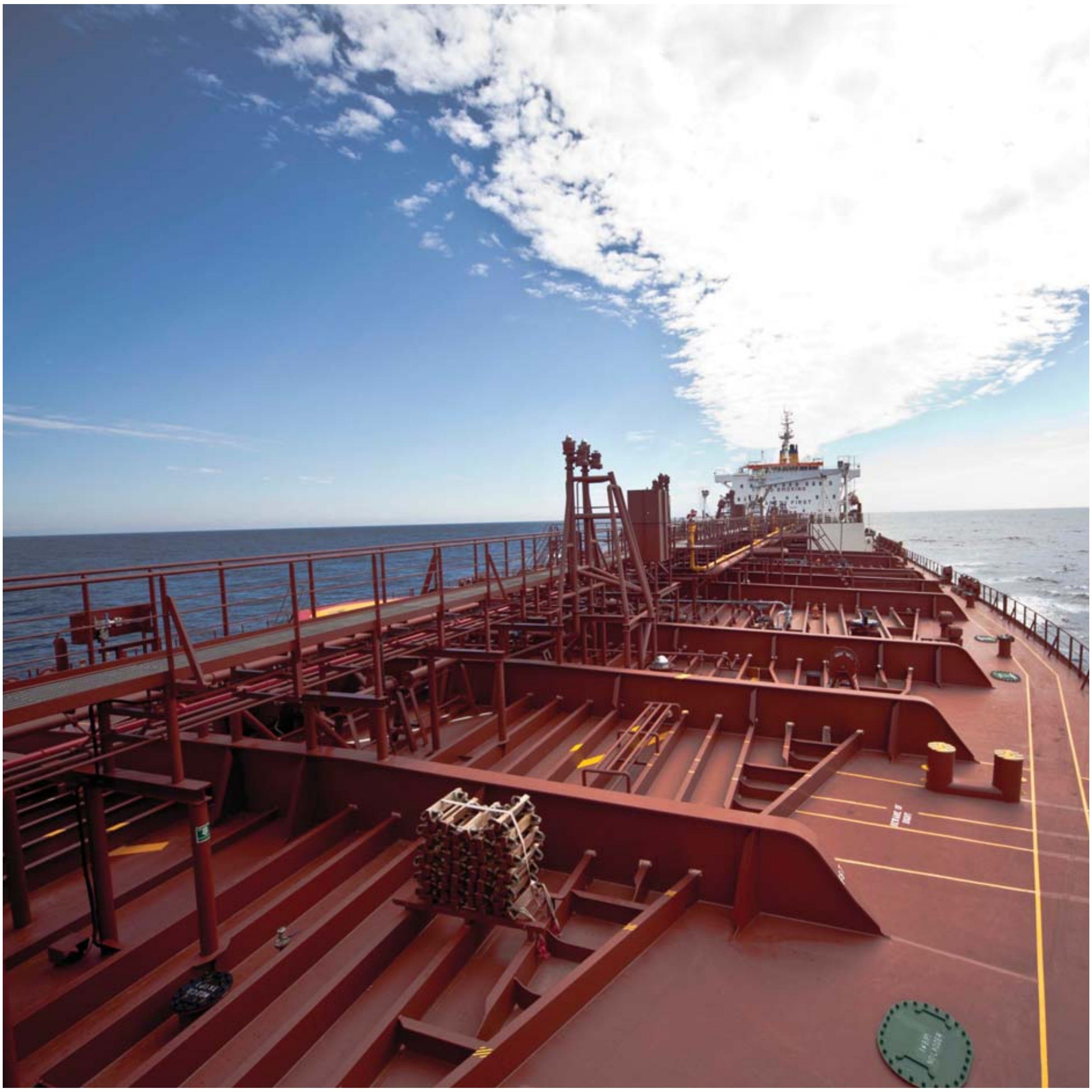
Organization, management and control model (pursuant to Legislative Decree 231/01)

In 2013 the process of implementing the Organization, Management and Control Model adopted by d'Amico Società di Navigazione S.p.A. in 2008 continued on the basis of the results of further analysis of the activity performed by the Company, which formed the basis of an update to the offence commission risk plan ("risk assessment") in 2011. Accordingly, on the one hand, the Supervisory Board confirmed that the Company continues to comply with article 6 of Legislative Decree

231/2001 concerning the implementation of the above Model, drafted on the basis of the Confindustria guidelines, while, on the other, suggesting that the Board of Directors proceed with a further update of the risk assessment – in consideration of the subsequent introduction of new predicate offences to the scope of application of Legislative Decree 231/2001 and changes to company organization – as well as with the resulting update of the Organization, Management and Control Model, to be approved at the next available session.

Management and coordination

D'Amico Società di Navigazione S.p.A. is not subject to management and coordination by other companies or entities and determines its general and operational strategic guidelines in full autonomy. It is currently responsible for management and coordination, pursuant to Articles 2497 et seq. of the Italian Civil Code, solely for d'Amico Shipping Italia S.p.A., a fully-owned subsidiary.




ARMAMENTO SARDO

d’Amico Società di Navigazione Group

Consolidated Financial Statements as at 31 December 2012

d'Amico Società di Navigazione Group

Consolidated Income Statement

(Thousands of euro)	Notes	2012	2011
Revenue	4	832,121	710,346
Operating costs	5	(638,732)	(480,091)
General and administrative costs	6	(149,510)	(143,043)
Income on the disposal of fixed assets	7	1,585	15,018
GROSS OPERATING PROFIT / (LOSS)		**45,464**	**102,230**
Depreciation, amortization and impairment		(154,593)	(53,018)
OPERATING PROFIT / (LOSS)		**(109,129)**	**49,212**
Financial income	8	51,487	3,226
Financial charges	8	(17,942)	(21,772)
Net foreign exchange gains / (losses)	8	7,953	(1,626)
PROFIT / (LOSS) BEFORE TAXES		**(67,631)**	**29,040**
Income taxes	9	(8,354)	(7,055)
NET PROFIT / (LOSS)		**(75,985)**	**21,985**
Attributable to:			
MINORITIES		**(24,464)**	**(2,280)**
PARENT COMPANY		**(51,521)**	**24,265**

Statement of Comprehensive Income

(Thousands of euro)	2012	2011
Net profit / (loss)	(75,985)	21,985
Translation differences on foreign operations	2,769	27,641
Change in the fair value of available-for-sale financial instruments	1,645	645
Effective part of gains/(losses) on hedging instruments	(3,869)	(2,111)
Comprehensive income / (loss)	(75,440)	48,160
Attributable to:		
MINORITIES	**(50,333)**	**918**
PARENT COMPANY	**(25,107)**	**47,242**

The notes presented below are an integral part of these financial statements.

Consolidated Statement of Financial Position

(Thousands of euro)	Notes	2012	2011
ASSETS			
Non-current assets			
Intangible assets	10	8,853	8,642
Tangible assets	11	866,082	924,904
Long-term investments	12	84,592	81,743
Other non-current financial assets	13	5,940	865
TOTAL NON-CURRENT ASSETS		**965,467**	**1,016,154**

(Thousands of euro)	Notes	2012	2011
Current assets			
Inventories	14	58,568	37,671
Trade receivables and other current assets	15	109,581	158,917
Other current financial assets	16	181,763	166,772
Cash and cash equivalents	17	156,945	184,599
TOTAL CURRENT ASSETS		**506,857**	**547,959**
TOTAL ASSETS		**1,472,324**	**1,564,113**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		25,000	25,000
Retained earnings		778,344	804,436
Other reserves		11,568	(18,674)
Net profit / (loss)		(51,521)	24,265
SHAREHOLDERS' EQUITY - PARENT	18	**763,391**	**835,027**
Capital and reserves - Minorities		91,621	95,687
Net profit / (loss) - Minorities		(24,464)	(2,280)
TOTAL SHAREHOLDERS' EQUITY	18	**830,548**	**928,434**
Non-current liabilities			
Provisions for risks and charges	19	670	671
Banks and other lenders	21	384,843	401,991
Provisions for employee benefits	20	4,737	5,322
Other non-current financial liabilities	22	19,074	8,437
Deferred tax liabilities		1,027	1,449
TOTAL NON-CURRENT LIABILITIES		**410,351**	**417,870**
Current liabilities			
Banks and other lenders	21	87,095	36,568
Short-term payables and other current liabilities	23	109,202	167,275
Other current financial liabilities	24	27,975	11,252
Current tax liabilities	25	7,153	2,714
TOTAL CURRENT LIABILITIES		**231,425**	**217,809**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,472,324**	**1,564,113**

The notes presented below are an integral part of these financial statements.

Paolo d'Amico, Chairman

Cesare d'Amico, Chief Executive Officer

Consolidated Statement of Cash Flows

(Thousands of euro)	2012	2011
NET PROFIT / (LOSS)	**(75,985)**	**21,985**
Depreciation, amortization and impairment	148,967	38,186
Current and deferred tax	8,503	7,055
(Financial charges)/Financial income	(8,040)	20,172
Fair value gains on foreign currency translation	(3,023)	10,434
Other non-cash items	(38,694)	3,362
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	**31,728**	**101,194**
Movement in inventories	(20,897)	(5,110)
Movement in short-term amounts receivable	49,336	(3,543)
Movement in short-term amounts payable	(58,073)	5,346
Taxes paid	(4,486)	(5,914)
Interest collected / (paid)	8,040	(20,172)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**5,648**	**71,801**
Acquisition of fixed assets	(125,786)	(206,359)
Disposal/derecognition of fixed assets	15,678	47,750
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(110,108)**	**(158,609)**
Other changes in shareholders' equity	33,026	(547)
Movement in financial assets/liabilities	15,793	(27,465)
Bank loan repayments	(39,243)	(54,372)
Bank loan draw-downs	88,699	137,047
Dividends paid	(21,469)	(31,557)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**76,806**	**23,106**
NET CASH PROVIDED / (USED)	**(27,654)**	**(63,702)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	184,599	248,301
Net cash provided / (used)	(27,654)	(63,702)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**156,945**	**184,599**

The notes presented below are an integral part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

	SHARE CAPITAL	OTHER RESERVES				RETAINED EARNINGS			NET PROFIT OR LOSS	TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
		Trans./ cons. reserve	Cash flow hedging reserve	Fair value meas. reserve	Other reserves	Legal reserve	Non distr. reserve Art. 2426	Retained earnings	Net profit or loss	Total	Minority interests	Total shareholders' equity
31 DEC. 11	**25,000**	**(8,889)**	**(9,408)**	**(377)**		**5,000**	**2,369**	**797,067**	**24,265**	**835,027**	**93,407**	**928,434**
Dividends paid									(20,000)	(20,000)	(1,469)	(21,469)
Allocation of net profit or loss							483	3,782	(4,265)	-		-
Change in minority-interest shareholders' equity											326	326
Comprehensive income or loss		3,378	(4,305)	2,115					(51,521)	(50,333)	(25,107)	(75,440)
Other changes		12,768		(111)	16,397		(738)	(29,619)		(1,303)		(1,303)
31 DEC. 12	**25,000**	**7,257**	**(13,713)**	**1,627**	**16,397**	**5,000**	**2,114**	**771,230**	**(51,521)**	**763,391**	**67,157**	**830,548**

	SHARE CAPITAL	OTHER RESERVES				RETAINED EARNINGS			NET PROFIT OR LOSS	TOTAL	MINORITY INTERESTS	TOTAL SHAREHOLDERS' EQUITY
		Trans./ cons. reserve	Cash flow hedging reserve	Fair value meas. reserve	Other reserves	Legal reserve	Non distr. reserve Art. 2426	Retained earnings	Net profit or loss	Total	Minority interests	Total shareholders' equity
31 DEC. 10	**25,000**	**(11,892)**	**(7,093)**	**(143)**		**5,000**	**1,080**	**681,183**	**127,239**	**820,374**	**96,057**	**916,431**
Dividends paid									(30,000)	(30,000)		(30,000)
Allocation of net profit or loss							1,054	96,185	(97,239)	-		-
Change in minority-interest shareholders' equity											(3,568)	(3,568)
Comprehensive income or loss		6,522	(2,315)	(247)				19,017	24,265	47,242	918	48,160
Other changes		(3,519)		13			235	682		(2,589)		(2,589)
31 DEC. 11	**25,000**	**(8,889)**	**(9,408)**	**(377)**		**5,000**	**2,369**	**797,067**	**24,265**	**835,027**	**93,407**	**928,434**

The notes presented below are an integral part of these financial statements.

Notes

Introduction

D'Amico Società di Navigazione S.p.A. is an Italian joint-stock company that acts as the holding company for the d'Amico Group, which operates in shipping and auxiliary services on a global scale. Within the shipping sector, the d'Amico Group is currently active in the dry cargo and tanker segments, as well as in container shipping, to a limited extent.

In application of the option provided for in Legislative Decree 38 of 28 February 2005, the d'Amico Group's consolidated financial statements as at 31 December 2012 have been prepared in accordance with the IAS/IFRS international accounting principles (hereinafter "IFRSs") endorsed by the European Commission, supplemented by the associated interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee – IFRIC) issued by the International Accounting Standard Board (IASB) and in effect at year-end.

The IFRS accounting principles used to prepare the financial statements presented have been supplemented by the IFRIC interpretations in force at the date of preparation of the consolidated financial statements.

This election, as permitted by applicable current legislation, has been made voluntarily effective financial year 2010.

These consolidated financial statements were approved for publication by the Board of Directors on 12 May 2013.

1. Accounting policies applied

Basis of presentation

These consolidated financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and the notes, in accordance with the provisions of IAS 1 revised. In the income statement, costs have been classified by nature. All revenue and cost items recognized during a given year are presented in two separate statements, the income statement and statement of comprehensive income. The presentation scheme adopted for the statement of financial position is based on a distinction between current and non-current assets and liabilities. Current assets, which include cash and cash equivalents, are those intended to be realized, disposed of or used in the Group's normal operating cycle or the twelve months after year-end; current liabilities are those expected to be extinguished during the normal operating cycle or the twelve months after year-end. The indirect method has been used to prepare the statement of cash flows.

IFRSs have been applied in accordance with the indications provided in the *Framework for the Preparation and Presentation of Financial Statements* and there were no critical situations requiring the use of departures pursuant to IAS 1 revised, paragraph 19. These consolidated financial statements present the comparative figures from the previous year, prepared in accordance with the same accounting principles.

The d'Amico Group has access to adequate resources suited to ensuring that it may continue to operate in the near future. The financial statements have therefore been prepared on a going-concern basis, by applying the historical cost method, with the exception of those line items that are measured at fair value in accordance with IFRSs.

Preparation of the consolidated financial statements required the use of estimates by the management. Estimates are prepared by the management on the basis of the best available information at the date of preparation of the financial statements.

The consolidated financial statements are presented in euro, the Parent Company's functional currency. Unless otherwise indicated, amounts are expressed in thousands of euro.

These financial statements have been legally audited by Moore Stephens Concorde.

The following is a concise presentation of the accounting principles and measurement criteria adopted. Measurement criteria are adopted on a going-concern basis and are based on the principles of accruals-basis accounting, the relevance and significance of accounting information and the prevalence of economic substance over legal form.

Consolidation principles

Subsidiaries

Subsidiaries are entities for which the Group directly or indirectly holds the power to determine financial and operating policies in order to obtain benefits from their operations. Effectively exercisable or convertible potential voting rights are also considered when assessing the existence of control. The financial statements of subsidiaries are included in the consolidated financial statements effective the date on which control begins until the date on which control ceases. The assets and liabilities of the Parent Company and subsidiaries are fully consolidated on a line-by-line basis, and the carrying amounts of the equity investments held by the parent company and consolidated subsidiaries are eliminated against the corresponding share of shareholders' equity.

Associates

Associates are entities over which the Group has a significant influence. Effectively exercisable or convertible potential voting rights are also considered when assessing the existence of significant influence. Such equity investments are recognized at acquisition cost. The Group’s share of net profit or loss is recognized in the consolidated financial statements from the date on which significant influence is obtained until the date such influence ceases. Associates are entities over which the Group has a significant influence, but not control or joint control, of financial and operating policies, as defined by IAS 28 – *Investments in Associates*. If the Group’s share of an associate’s losses exceeds the carrying amount of the equity investment, the value of that investment is reduced to zero and the share of additional losses is not recognized, except to the extent the Group is liable for those losses.

Joint ventures

Joint ventures are entities over whose activities the Group has joint control, as defined in IAS 31 – *Interests in Joint Ventures.* In the consolidated financial statements, the assets, liabilities, revenue and costs of joint ventures are included on a proportional basis according to the Group's interest.

Intra-group transactions

Intra-group balances and transactions and the resulting profits have been eliminated during the preparation of the consolidated financial statements. Unrealized gains and losses associated with intra-group transactions have also been eliminated. Minority interests and the minority share of net profit or loss are presented separately from the shareholders' equity attributable to the Group on the basis of the percentage of net assets attributable to minorities. The Group’s share of any unrealized gains or losses with associates and joint ventures has been eliminated to the extent of the share attributable to the Group.

Foreign currencies

Transactions in foreign currencies are initially recognized at the spot exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the spot exchange rate on the reporting date. Any resulting exchange differences are recognized through the income statement.

In the consolidated financial statements, the income statement items of subsidiaries that do not report in euro are converted at the average exchange rate for the period, whereas assets and liabilities are converted at the spot exchange rate at the reporting date. Exchange differences arising on the translation of financial statements into Euro are recognized directly through the statement of comprehensive income and included in the translation reserve. When the Group disposes of an investment in a foreign operation, and thus relinquishes control, significant influence or joint control of that operation, the total amount of the translation reserve associated with that operation is reclassified to the income statement at the time of the disposal.

Business combinations

Business combinations are accounted for according to the acquisition method. The cost of an acquisition is determined as the sum of the current fair values at the date of exchange of the assets acquired and liabilities assumed by the acquirer, as well as any financial instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the acquisition are recognized in the income statement. The acquiree's assets, liabilities and identifiable potential liabilities are recognized at their fair value, with the exception of a few limited items. The difference between the acquisition cost and the Group' share the fair value of the acquiree's assets, liabilities and identifiable potential liabilities is recognized as goodwill, where positive, or in the income statement, where negative. During first-time adoption of IFRSs, as provided for in the applicable accounting standards, the goodwill generated by acquisitions prior to the date of transition to IFRSs has been maintained at the previous value recorded in that capacity in the most recent financial statements prepared according to the previous accounting principles prior to the date of transition of IASs/IFRSs (31 December 2010). Goodwill is subject to a recoverability analysis with annual frequency or more often if events or circumstances occur that may result in impairment losses. At the acquisition date, any emergent goodwill is allocated to each of the cash-flow generating units that are expected to benefit from the synergistic effects of the acquisition.

Revenue recognition

Transport service revenue is recognized on a percentage-of-completion basis, determined according to the discharge-to-discharge approach for all spot voyages and voyages servicing contracts of affreightment (COAs). According to this approach, freight revenue is recognized by reference to the period from a vessel's departure from its original discharge port to its subsequent destination. The date of departure is defined as the date of the most recent discharge, and the voyage ends at the next discharge (hence "discharge to discharge"). The Group recognizes revenue on voyages in progress at the end of a reporting period on the basis of the state of progress of the voyage at the reporting date with respect to its total estimated duration and intended destination. Revenue from time-charter contracts is recognized in proportion to the charter period as the service is rendered.

Freight contracts include conditions concerning vessel loading and unloading times. According to the contractual terms and conditions agreed upon by the parties to the charter contract, demurrage revenue, recognized when freight service is rendered, represents the estimated compensation for the additional time required to unload a vessel. Demurrage revenue is recognized when the voyage is complete.

The operating subsidiaries of d'Amico International Shipping in the tankers division earn a significant share of their revenue in pools. Total pool revenue is generated by each of the vessels participating in the pools to which the Group is a party. The Group's share of pool revenue depends on the number of days on which the Group's vessels were made available to the pool with respect to the total pool revenue. Pool companies are considered joint ventures. Fully-owned pool legal entities are consolidated line-by-line, but by recognizing the Group's share of revenue net of the share to be attributed to other pool participants. That share of revenue attributable to the other pool partners is concurrently recognized among trade payables.

Revenue on services other than marine transport is recognized according to the fees accrued on the basis of the state of completion of the service.

Voyage costs and other direct operating costs

Voyage costs (port expenses, bunker fuel consumption and commissions) are incurred in connection with the employment of the fleet on the sport market and under COAs. Voyage costs are recognized in the income statement as incurred.

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

General and administrative costs

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

Financial income and charges

Financial income and charges include interest income on short-term investments and interest expenses on borrowings, unrealized and unrealized exchange differences relating to transactions in currencies other than the functional currency and other financial income and charges, such as value adjustments of certain financial instruments not accounted for as hedging instruments. Interest is recognized in the income statement on an accruals basis according to the effective interest method.

Taxation

The taxes owed by the Parent Company, d'Amico Società di Navigazione S.p.A., which operates in sectors other than shipping, are calculated according to taxable income for the year using the local tax rates in effect at the reporting date. Tax charges are determined on the basis of the net profit or loss for the year, adjusted to reflect certain non-taxable or non-deductible item. The tax rates applied are those in effect when the financial statements are prepared. The election for national tax consolidation was not made.

The Group's main companies operating in the marine transport sector are based in Ireland and are subject to the Irish tonnage tax regime. Under the tonnage tax regime, tax liability is not calculated on the analytical basis of income and expenses, as in normal corporate taxation, but rather on the controlled fleet's notional shipping income, which in turn depends on the controlled fleet's total net tonnage. The tonnage tax charge is included within the income tax charge in the consolidated financial statements.

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

Intangible assets

Goodwill

The goodwill deriving from business combinations is measured at cost, net of any cumulative impairment losses. Accordingly, goodwill is not subject to amortization, but rather tested for impairment. Minority interests in the shareholders' equity of an acquiree are measured at their acquisition date fair value or, alternatively, at their share of the carrying amount of the acquiree's net assets. The choice of measurement method is based on the specific transaction.
The goodwill recognized among intangible assets is in effect connected with business combinations and represents the difference between the cost incurred to acquire a company or business unit and the algebraic sum of the fair values assigned at the date of acquisition of the individual assets and liabilities comprising that company or business unit's capital. Since it has an indefinite useful life, goodwill is not subject to systematic amortization but rather impairment testing with at least annual frequency, unless the market and management indicators identified by the Company lead to the belief that it is necessary to perform the test when preparing interim situations as well. For the purposes of conducting impairment testing, the goodwill acquired in a business combination is allocated to the individual cash-generating units (CGUs) or groups of CGUs that are expected to benefit from combination synergies. The CGUs through which the Group operates in the various segments of the market have been identified as the smallest business units that generate cash inflows and are largely independent of the cash inflows generated by other activities or groups of activities.

Other intangible assets

Other purchased or internally generated intangible assets are recognized at cost, including directly attributable auxiliary costs required to render the assets available for use, provided that it is likely that the use of the assets will yield future economic benefits and the cost of the assets may be determined reliably. Such assets, which have finite useful lives, are measured at purchase or production cost and amortized on a straight-line basis according to their estimated useful lives, which are reviewed on at least an annual basis. Any changes are applied prospectively. Amortization begins when an asset becomes available for use. The estimated useful life of assets in this category is considered to be three years.

Tangible assets

Vessels

Owned vessels are carried at historical cost, less accumulated depreciation and any impairment losses. Historical cost includes acquisition costs, as well as other costs directly attributable to the acquisition or construction of the vessel, including interest expenses incurred during the period of construction based on the loans obtained for the vessels.

Depreciation is calculated on a straight-line basis to estimated residual value according to the estimated useful lives of the major components of the vessels. New vessels are generally estimated to have useful lives of 20 years, depending on their specifications and intended use. Residual value is estimated as the lightweight tonnage of each vessel multiplied by the current market scrap value per tonne, which is reassessed every year. Vessel tank coatings are depreciated over ten years and the dry-dock element is depreciated over the period to the next expected dry dock. Residual useful life is estimated at the date of acquisition or delivery from the shipyard and is periodically reassessed.

Vessels under construction (newbuilds) are carried at cost less any identified impairment losses. The cost of newbuilds includes the instalment payments made through the date of delivery and other vessel costs incurred during the construction period, including capitalized interest. Depreciation commences when a vessel is delivered.

Gains or losses on the disposal of vessels are recognized when the risks and rewards of ownership of the vessel have been transferred to the buyer. Such gains or losses are measured as the sale price net of transaction costs and the residual carrying amount of the vessel.

Dry-docking costs

To comply with industry certification or governmental requirements, vessels are required to undergo major inspections or classification (dry-docking) for major repairs and maintenance that cannot be carried out while the vessels are operating. On average, vessels are dry-docked once every 30 months, depending on the type of work and requirements. Dry-docking costs, which may also include some related costs, are capitalized and depreciated on a straight-line basis over the period until the next dry-docking. If the next dry-docking of a vessel is performed less than 30 months from the previous dry-docking, the residual value of the previously capitalized costs is written off.

The initial dry-docking asset for newbuilds and newly purchased vessels is presented and capitalized separately. The cost of such assets is estimated on the basis of the costs required for the next dry-docking.

Aircraft

Interests in aircraft are recognized at acquisition cost and depreciated on a straight-line basis over five years on the basis of possible use and until the residual realizable value has been exhausted.

Buildings and other tangible assets

Owned buildings and other tangible assets are recognized at acquisition cost or fair value and depreciated on a straight-line basis according to their residual useful lives at the following rates:

	Years
Owned properties	33
Furniture, fittings and office equipment	3-8
Leasehold improvements	Term of contract

The estimates of useful life and residual value are periodically revised. Depreciation ends at the date of disposal or reclassification of an asset as held for sale. If an asset subject to depreciation consists of separately identifiable elements the useful lives of which differ significantly from that of the other parts of the asset, depreciation is calculated separately for each of the parts of the asset in application of the component approach principle.

Impairment of tangible and intangible assets

Assets with indefinite useful lives are not subject to depreciation or amortization, but rather are tested for the recoverability of their carrying amounts with at least annual frequency (impairment testing).

Assets subject to depreciation or amortization are assessed for any presence of internal and external indicators supporting impairment losses: where such indicators are found to exist, the asset's recoverable amount is estimated and any excess amount is charged to the income statement.

The recoverable amount is equal to the greater of market value, net of costs to sell, and value in use determined according to a discounted cash flow approach. The discounting rate incorporates the specific risks associated with the asset that have not already been considered among expected cash flows.

Assets that do not generate independent cash flows are tested at the level of cash-generating unit.

If the conditions that resulted in a previously recognized impairment loss cease to apply, the carrying amount of the asset is recovered within the limits of the carrying amount that would have resulted if no impairment loss had been recognized in the previous years. The recovery is recognized in the income statement. By contrast, under no circumstances may previously impaired goodwill be recovered.

In further detail, the values of vessels are periodically reviewed in light of market conditions. The carrying amount of a vessel is tested for impairment whenever circumstances indicate that the carrying amount may not be recovered through the use of the vessel. If there is any indication that this is the case, the recoverable amount of the asset is estimated in order to determine the extent of impairment. Recoverable amount is normally defined as the higher of an asset's fair value less costs to sell and its value in use. An asset's value in use is based on the present value of the estimated future cash flows over the duration of its residual useful life. Write-downs are applied to account for any impairment of vessels. An impairment loss recognized in previous years may subsequently be reversed if the current estimated value in use is higher than at the time the impairment loss was recognized. Management's judgment is critical in assessing whether events have occurred that may impact the carrying amounts of the Company's vessels. Future cash flows are assessed by preparing estimates of future charter rates, operating costs, residual useful life and residual value for each vessel. Such estimates are based on historical trends and future expectations.

Operating leases (charter contracts) and finance leases

Charter-in and charter-out contracts for vessels, where the risks and rewards of ownership are not transferred to the lessee, are treated as operating leases. Lease payments and income are recognized in the income statement on a straight-line basis over the lease term. Contractual obligations for the remaining lease period of charter-in contracts are disclosed as commitments in the notes to the financial statements.

Assets acquired under finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, are initially recognized as assets by the Group at the lower of their fair values or the present value of the minimum payments due, including any sum to be paid to the lessor to exercise the purchase option. The corresponding liability is recognized among financial liabilities. After initial recognition, such assets are measured according to the applicable accounting principles.

Inventories

Inventories are recognized at the lesser of cost and net realizable value. Cost is determined according to the FIFO method and includes the costs of purchasing, producing and transforming items and the costs incurred to bring inventories into their current location and conditions.

Financial instruments

Financial instruments are contracts that give rise to financial assets and liabilities or equity instruments of another entity, as defined in IAS 32 (*Financial Instruments: Presentation*) and IAS 39 (*Financial Instruments: Recognition and Measurement*). Such instruments are measured at their fair values when the Group becomes a party to the contractual provisions of the instrument (the trade date). Liabilities are classified in accordance with the substance of the contractual arrangements from which they arise and the relevant definitions of a financial liability. For contracts negotiated at market price, the fair value of the instrument is equivalent to the purchase cost (nominal value of the transaction).

The external costs and income from transactions directly attributable to negotiation, such as intermediation costs, are included during initial recognition of the instrument, unless measured at fair value. Financial assets are measured at fair value or amortized cost, depending on the characteristics of each instrument. Financial liabilities are measured on the basis of their amortized cost. Only derivative instruments are measured at fair value.

"Fair value" is the amount for which an asset could be exchanged, or a liability discharged, between knowledgeable, willing parties in an arm's-length transaction. Measurement on the basis of amortized cost involves recognizing the asset or liability at the value initially measured, deducting any redemption of equity, increased or decreased by overall depreciation, applying the effective interest method on any difference between the initial value and value at maturity. Such amounts may nonetheless be adjusted to account for impairment or irrecoverability. The effective interest rate is the rate that reduces at source the future contractual cash flows to the net amount of the financial asset or liability. The calculation also includes the external expenses and income directly assigned during initial recognition of the financial instrument.

The Company classifies financial assets to the following categories:

- assets designated at fair value through the income statement;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Management determines the classification of assets when they are initially recognized. The accounting policies adopted for specific assets and liabilities are presented below.

Equity investments and other financial assets

Equity investments in non-consolidated entities, classified for accounting purposes as available-for-sale financial assets, are carried among non-current assets under the item Equity investments and other financial assets and are measured at fair value, or, if fair value cannot be determined reliably, at cost. Gains and losses arising from changes in fair value are recognized directly in shareholders' equity until the equity investments in question are disposed of or become impaired. When either of the foregoing occurs, the total gains or losses previously recognized in shareholders' equity are credited or expensed to the income statement for the period. The original amount is recovered if the grounds for an impairment loss cease to apply in subsequent years.

Held-for-trading financial assets are measured at fair value. Gains and losses arising from changes in the fair value of financial instruments classified as held for trading are recognized in the income statement for the period.

Financial assets and securities possessed with the intention of holding them to maturity ("held-to-maturity") that do not meet the conditions for inclusion among cash and cash equivalents are recognized and derecognized according to the trade date. Such assets are initially recognized at fair value and subsequently measured according to the amortized cost method, less any impairment losses.

The fair value of a financial instrument is determined according to market price quotations or, where such quotations are not available, estimated according to appropriate valuation techniques that make use of up-to-date financial variables employed by market operators, while also taking account of the prices of recent transactions involving similar financial instruments, where possible.

Trade and other short-term receivables

Trade receivables are initially recognized at their face value (which represents the "fair value" of the transaction) and are subsequently measured at amortized cost, net of impairment losses recognized in the income statement where there is objective evidence that an asset has become impaired. Impairment is calculated as the difference between the carrying amount and present value of estimated future cash flows, discounted at the effective interest rate. In the case of short-term trade receivables in particular, given the brief period of time at issue, measurement at amortized cost is equivalent to nominal value, less impairment losses. Impairment losses are recognized when management consider the full recovery of a receivable to be in doubt. If management considers the amounts non-recoverable, then they are written off in their entirety.

Cash and cash equivalents

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

Banks and other lenders

Interest-bearing bank borrowings relating to the financing of vessels and overdrafts are recognized according to the amounts received, net of transaction costs, and are subsequently measured at amortized cost according to the effective interest rate method. The difference between the loan proceeds and nominal value is recognized in the income statement over the term of the loan.

Trade and other payables

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

Derivative financial instruments

Derivative instruments are used to hedge exposure to the following types of risks: (a) interest-rate swaps (IRSs) hedge the risk of fluctuations of interest rates on loans; (b) forward freight agreements (FFAs) hedge charter rates; (c) currency options, forward foreign exchange and futures contracts hedge fluctuations in exchange rates; and (d) bunker swaps hedge fluctuations in the cost of fuel for vessels.

In accordance with IAS 39, all derivative instruments are measured at fair value. They are carried among short-term receivables or other liabilities.

Pursuant to IAS 39, derivative instruments qualify for hedge accounting only when at the inception of the hedge there is a formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which the hedge is designated. When derivative instruments qualify for hedge accounting, the following accounting treatment applies:

Cash flow hedges - These are derivatives to hedge exposure to fluctuations in future cash flows arising in particular from risks relating to changing interest rates on loans or currency risks relating to loans and commitments in foreign currencies. Changes in the fair value of the effective portion of the hedge are recognized in other comprehensive income, whereas the ineffective portion is recognized in the income statement. Hedge effectiveness, i.e. the ability of a hedge to adequately offset fluctuations caused by the hedged risk, is periodically tested, in particular by analyzing the correlation between the fair value of the cash flows from the hedged item and hedging instrument.

Fair value hedges - Hedging instruments fall within this category when used to hedge changes in the fair value of an asset or liability that are attributable to a specific risk. Changes in value related both to the hedged item, in relation to changes caused by the underlying risk, and to the hedging instrument are recognized in the income statement. Any difference, representing the partial ineffectiveness of the hedge, therefore corresponds to the net financial effect.

Changes in the fair value of derivatives that do not qualify for hedge accounting treatment are recognized directly in the income statement.

Financial assets and liabilities measured at fair value are classified into the three hierarchical levels described below according to the relevance of the information (inputs) used in determining their fair values. In further detail:

- level 1: financial assets and liabilities the fair values of which are determined according to unmodified prices quoted on active markets for similar assets or liabilities;
- level 2: financial assets and liabilities the fair values of which are determined on the basis of inputs other than the quoted prices used in level 1, but that may be observed directly or indirectly on the market;
- level 3: financial assets and liabilities the fair values of which are determined on the basis of non-observable market data.

Provisions for employee benefits

Liabilities relating to employee benefits paid in the course of service or thereafter in connection with defined-benefit plans are calculated separately for each plan according to actuarial hypotheses by estimating the amount of the future benefit that has accrued to employees in exchange for services rendered during the current and previous years. That benefit is discounted to determine its present value, while any unrecognized past service costs and the fair value of any plan assets are subtracted from the liabilities. The calculation is performed by an independent actuary using the projected unit credit method. The Group recognizes all actuarial gains and losses deriving from defined-benefit plans directly and immediately in the income statement.

In defined-contribution plans, the entity's obligation is determined according to the contributions owed. Such obligation is limited to the payment of contributions to governmental organizations or a segregated body of assets or legal entity (a "fund").

Provisions for risks and charges

Provisions for risks and charges are recognized to account for costs and expenses the nature of which is fixed and the existence of which is certain or probable, but the amount or date of occurrence of which is not known at the reporting date. Provisions for risks and charges are recognized when the Company has a present obligation as a result of a past event and it is likely that the Company will be required to discharge that obligation, the amount of which can be estimated reliably. Provisions are allocated based on the Directors' best estimate of the costs required to meet the obligation at the reporting date, and are discounted when the effect is significant.

Shareholders' equity

Share capital

Share capital consists of subscribed, paid-in capital. Costs closely correlated with the issuance of shares are classified as reductions in share capital where they consist of costs directly attributable to the capital transaction, net of the deferred tax effect.

Dividends

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

Especially significant aspects and material estimates by the management

In preparing the consolidated financial statements, the Group's Directors are required to make assessments, estimates and assumptions that influence the application of accounting principles and the amounts of assets, liabilities, costs and revenue. Directors' decisions are based on past experience and expectations of the occurrence of future events and are therefore to be considered reasonable. However, it should be noted that, since they are in fact estimates, actual results may differ from the results presented in these financial statements. The process of preparing estimates involves the various business areas. Such estimates and assumptions are revised regularly. Any effects deriving from the revision of accounting estimates are accounted for in the period in which the revision is conducted and the associated subsequent periods.

It is believed that certain accounting principles are particularly significant to comprehension of the financial statements. In this respect, the following is an account of the areas most extensively affected by such procedures, as well as of the assumptions employed by management in the process of assessing the foregoing line items, in accordance with the above-mentioned international accounting principles. The critical element inherent in such estimates is a result of the use of assumptions and/or professional judgments concerning matters that are uncertain by nature.

Fleet carrying amount and recoverability - The carrying amount of the fleet is tested for impairment periodically or wherever circumstances or events required more frequent testing. If it is believed that the carrying amount of the fleet may have become impaired, that amount is written down to its recoverable amount, which is estimated on the basis of future use and disposal, in accordance with the provisions of the most recent company plans. Estimates of such recoverable amounts are believed to be reasonable. However, possible variations in the factors on which the calculation of the foregoing recoverable amounts is based could result in different assessments. The analysis of the recoverability of carrying amounts is unique and requires management to use estimates and assumptions deemed prudent and reasonable in relation to the specific circumstances.

Depreciation period and residual value of the fleet - The fleet is depreciated over its expected useful life of 20 years, considering the residual value determined on the basis of the market price of each vessel per tonne. The fleet's residual value and useful life are revised at least at the end of each period. If expectations differ from previous estimates, the change is considered a change of an accounting estimate. Changes in such estimates may have significant effects on depreciation.

Tax liabilities - Tax liabilities are calculated based on the Group's specific tax situation, determined on the basis of the law in force in the countries where the Group operates. Tax liabilities may be affected by changes in the treatment or assessment of freight revenue, withholding tax on charters, tonnage tax and value-added tax.

Defined-benefit plans - The expenses and liabilities associated with such plans are calculated according to estimates prepared by actuarial consultants who use a combination of statistical and actuarial factors, including statistical data concerning previous years and projections of future costs. Estimation components also include mortality and withdrawal rates, assumptions regarding the future discount rate trend, salary growth rates and an analysis of the year-on-year change in healthcare costs. Such estimates may diverge materially from actual results due to the evolution of economic and market conditions, increases/decreases in withdrawal rates and the length of participants' lives and changes in the effective costs of healthcare.

Leases - Lease contracts are classified as operating or finance leases at the commencement of the contractual period and such classification is not modified thereafter. Classification depends on estimates based on contractual conditions. In such case, the "substance over form" approach is adopted.

Segment information

In accordance with IFRS 8 (*Operating Segments*), since the Parent Company's shares are not listed on regulated markets and there are no ongoing listing processes, detailed disclosure of the sectors in which the Parent Company and its subsidiaries operate (segment information) is not provided in these financial statements. The report on operations contains some figures concerning the individual business areas in which the Group operates, but these do not fall within the scope of IFRS 8.

New accounting principles

Accounting policies adopted

Accounting principles adopted effective 1 January 2012 – There are no new applicable accounting standards with respect to those adopted for the financial statements for the year ended 31 December 2011.

Accounting principles, amendments and interpretations not yet in force and not adopted early by the Company

As at the date of preparation of these financial statements, the following accounting principles and associated interpretations applicable to the Group had been issued and endorsed by Community legislators but had yet to enter into force and/or become mandatory for adoption only in subsequent years:

IAS 1 Amendment *Presentation of Financial Statements*: the amendments to the Standard are aimed at clarifying the presentation of items attributable to other comprehensive income by facilitating the distinction between items depending on whether they may be reclassified to the separate income statement.
The Company will apply this Standard effective 1 January 2013.

IAS 19 Amendment *Employee Benefits*: The amendment eliminates the option to apply the corridor method. Accordingly, all actuarial gains and losses are to be recognized in the statement of comprehensive income immediately. In addition, past service costs are also to be recognized immediately. Finally, net interest expenses, net of the expected return on plan assets, will be replaced by net interest cost figured by applying the interest rate to the net liability.

IFRS 7 – *Financial Instruments: Disclosures – Transfers of Financial Assets:* the Standard prescribes greater disclosure obligations with respect to transactions involving the transfer of financial assets. The amendments in question aim to increase the transparency of exposures to risks associated with the transfer of financial assets where the seller partially retains exposure to such assets. According to these amendments, transfers of financial assets must be disclosed even when they are not uniformly distributed throughout the entire period.

IFRS 10 – *Consolidated Financial Statements*: the Standard enters into effect for financial years beginning on or after 1 January 2014. The Standard established the rules for preparing and presenting consolidated financial statements when an entity controls one or more different entities. The new Standard provides exhaustive guidelines concerning the application of the principle of control, which governs the consolidation of an entity. It also establishes the accounting requirements for preparing the consolidated financial statements, which have remained unchanged with respect to the current IAS 17, *Consolidated and Separate Financial Statements*. However, IAS 27 has been amended to bring it into line with IFRS 10 and applies to the accounting treatment of equity investments in subsidiaries solely in cases of application of IFRS 10.

IFRS 11 *Joint Arrangements*: the Standard enters into effect for financial years beginning on or after 1 January 2014. The accounting Standard applies to all entities that participate in joint control arrangements and will replace IAS 31 *Interests in Joint Ventures*. The accounting treatment depends on the type of joint control arrangement, determined by considering the investor's rights and obligations. With the application of IFRS 11, IAS 28 is modified and renamed *Investments in Associates and Joint Ventures.*

IFRS 12 *Disclosure of Interests in Other Entities*: the Standard enters into effect for financial years beginning on or after 1 January 2014. The Standard requires that information be disclosed concerning the nature of equity investments and the associated risks, as well as the effects of such investments on the financial statements. The required disclosure regards equity investments in subsidiaries, joint arrangements, associates and non-consolidated structured entities.

IFRS 13 *Fair Value Measurement*: the Standard provides indications regarding the determination of fair value where required or permitted by other international accounting standards and contains further disclosure obligations that permit users of financial statements to assess the methods used by entities to conduct fair value measurements and the effects of such measurements on financial results. The Standard will apply to accounting periods beginning on or after 1 January 2013, although early adoption is permitted.

Various other IFRSs have been amended by the Annual Improvements issued in 2012.

There are also some Standards or amendments to existing Standards issued by the IASB or new interpretations by the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval process is still ongoing.

These include:

IFRS 9 *Financial Instruments* – with this Standard, the IASB proposes a significant amendment of the accounting treatment for financial instruments. The final version of this Standard will replace IAS 39. At present, the IASB has amended the requirements concerning the classification and measurement of financial assets currently envisaged in IAS 39 and has published a document regarding the principles for measuring financial instruments at amortized cost and assessing the application of impairment losses. However, the new overall arrangements for financial instruments are subject to discussion as a whole by the various competent bodies and the date of adoption currently cannot be foreseen. The current version of IFRS 9 will be applicable from 1 January 2015, following endorsement by the European Union;

the 2009-2011 improvement process, which calls for improvements to various Standards, including IFRS 1 (*First-time Adoption of International Financial Reporting Standards*), IAS 1 (*Presentation of Financial Statements*), IAS 16 (*Property, Plant and Equipment*), IAS 32 (*Financial Instruments – Presentation*) and IAS 34 (*Interim Financial Reporting*).

2. Risk management

The transactions undertaken by the Group in the course of its operations expose it to a variety of financial risks, and risk management is an integral part of the Group's strategy. The shipping sector is highly sensitive to market fluctuations, which may cause significant variations in freight rates and vessel prices. The overall risk management goal is to reduce the Group's earnings exposure to cyclical fluctuations.

Technical and operational risks

In the shipping sector, the Group is exposed to risk deriving from fluctuations in the costs associated with operating its vessels. The key areas of operating risks are crew, bunkering, dry-docking, repairs and insurance. This type of risk is managed through the following strategies: (i) the **crew policy** is coordinated at the Group level owing to d'Amico's experience in this area (training school and Group companies specialized in training services). This approach allows the Group to achieve synergies and economies of scale between its various business segments, while also assessing whether there are opportunities in the various geographical areas, with the aim of containing costs while also maintaining high crew quality. The Safety & Quality (SQE) Department aims to ensure that vessels and crews operate in full compliance with external requirements such as regulations and certifications; (ii) **bunkering** – the Group enters into swap contracts for petroleum products in connection with its fixed-rate medium/long-term shipping contracts, where deemed appropriate to hedge the risk deriving from future fluctuations in bunker fuel prices; (iii) **dry-dock contracts** – technical management also includes dry-dock work and is coordinated at the Group level, allowing for economies of scale in organizing work and assessing cost/quality levels. The process of managing repair costs is similar. The policy of maintaining a young fleet also contributes to minimizing this risk; (iv) **fleet insurance** - adverse events and incidents of various kinds may occur in the course of vessel operations and may give rise to financial losses, including in light of the international corpus of applicable regulations and treaties. In order to reduce or eliminate the financial risks and/or other types of liability to which the Group may be exposed in such situations, the fleet is insured against various types of risk. The total insurance programme provides extensive cover of risk in relation to the operation of vessels and transport of cargoes, including the risks of personal injury, environmental damage and pollution, third-party casualty and liability, hull and engine damage, total loss and war; and (v) **piracy risk** – as a result of the increase in the number of armed attacks in the waters off the coast of Somalia, and in the Gulf of Aden in particular, two sets of countermeasures have been implemented with the aim of: (a) minimizing risk during transit in the Aden area and increasing voyage safety; and (b) verifying the suitability of the insurance structure currently in place to ensure that events deriving from particular situations enjoy adequate cover. The Group has identified some precautions to be applied to its vessels and certain suppliers. A detailed analysis of the situation has allowed the d'Amico Group to draw up guidelines that all vessels must follow when travelling through areas of risk. Moreover, in order to obtain as much information as possible and remain up-to-date on the issue, websites devoted to the piracy problem are systematically monitored. On the matter of the related insurance issues, it has been determined that main piracy risks are already covered under the existing policies.

Market risk

The Group companies that operate in the shipping sector are exposed to market risk principally in respect of vessels trading on the spot market and earning revenue at current market rates. In particular, when chartering vessels, hire rates may be too high to allow for profit margins on the use of those vessels on the market. Conversely, when chartering out vessels to third parties, hire rates may be too low to ensure an adequate return. The following risk management strategies are applied: (i) for the various segments of the market in which it operates, the Group pursues the goal of chartering vessels at fixed rates for the medium/long term ("hedging") to an extent that permits the percentage of its revenue generated by such contracts to fall between 40% and 60%. The purpose of this arrangement is to ensure that its exposure to the spot market does not exceed 60%, depending on market conditions, rate trends and expectations; (ii) tanker fleet vessels are partially employed in pools. This allows the Group to reduce the impact of specific risks associated with individual vessels; (iii) vessels trade on a worldwide basis to reduce the effect of different market conditions and rates of different routes between the Eastern and Western hemisphere; and (iv) for its tankers, the Group directly or via its pools enters into contracts of affreightment (COAs) at fixed rates, which call for the shipment of an agreed number of future cargoes at fixed rates. The Group normally uses derivative instruments to manage its exposure to spot market rates for its dry-cargo vessels.

Foreign-exchange risk

The Group operates at an international level and in sectors in which transactions are undertaken in various currencies, and is thus exposed to risk deriving from the fluctuation of exchange rates for transactions denominated in certain currencies (such as U.S. dollars, euro and Japanese yen). The exposure to the risk of changes in exchange rates is periodically and systematically assessed, and management of this risk is based on the use of certain derivative instruments in accordance with the Group's policies in this area. In further detail, fair-value and/or cash-flow hedging is primarily undertaken through the use of instruments such as forward contracts and currency options. The purpose of such transactions is to fix the exchange rate at which outstanding and/or projected transactions in foreign currencies are to be recognized. The counterparties to such contracts are a differentiated group of leading financial institutions.

Interest rates

The Group is exposed to interest-rate risk deriving from the fact that interest on its lines of credit and bank deposits accrues at variable rates. Strategies for managing this risk, which aim to achieve a financing structure characterized by a pre-determined, optimal mix of variable and fixed rates, involve the use of derivative instruments such as interest-rate swap (IRS) contracts. Management believe that fixing the interest on a portion of the Group's borrowings will make it easier to predict future interest costs, until a level deemed appropriate to the Group is achieved, thereby allowing it to reduce the risk of significant fluctuations in interest rates. Such transactions are periodically and systematically reviewed and confirmed. Management continuously reviews the interest rates available on the market to ensure that the Group's credit facilities are competitive.

Liquidity risk

The Group is exposed to liquidity risk deriving from the possible mismatch between cash requirements, principally to purchase vessels and repay credit facilities, and operating cash flow. To minimize that risk, the Group maintains adequate credit facilities and standby credit lines in order to respond to any such situations. Management regularly reviews the Group's credit facilities and cash requirements.

Credit risk

The Group is exposed to credit risk resulting from possible default by its counterparties, primarily clients and agents. The policy for managing this risk is based on the following instruments: (i) the client portfolio is analyzed and systematically assessed and outstanding trade receivables are reviewed in a timely manner; (ii) payments to service providers and fuel suppliers are scheduled in such a way as to minimize credit risk, whereas advances paid to shipyards with which orders have been placed to construct ships are covered by appropriate bank performance guarantees; (iii) the Group's policy is to have dealings only with large banks enjoying strong credit ratings specialized in the Group's sectors of operation; and (iv) the Group monitors its overall contractual exposure.

Fraud risk

The Group is exposed to the risk of fraud deriving from the significant volume and value of the transactions undertaken. The following risk-management strategies are adopted to minimize this risk: (i) limits of powers and authority; (ii) controls over bank signing authority; (iii) controls over tendering processes; (iv) the Board of Statutory Auditors supervises the internal control, internal audit and risk management systems; and (v) the Parent Company, d'Amico Società di Navigazione S.p.A., has complied with the provisions of Legislative Decree 231 of 8 June 2001, which provides that companies and entities are liable for certain crimes committed by their directors or employees, by formally adopting the Organization, Management and Control Model prescribed therein, as well as by establishing a Supervisory Board. Decree 231/2001 provides that companies are liable for crimes committed in their interest or to their benefit by persons in "senior" positions. The Decree provides for the implementation of a compliance programme that aims to develop an organic, structured system of procedures, rules and controls to be put into practice both preventively and subsequently in order to reduce and prevent to a material extent the risk of commission of the various types of crimes.

3. Capital

The objectives pursued by the d'Amico Group in managing its capital are:

- to safeguard the Group's ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return for shareholders by

operating on the spot/time-charter market, balancing its level of commercial risk.

In addition to equity, the Company's capital structure principally comprises various lines of credit and bank borrowings. The Group's capital structure is periodically reviewed and, where necessary, adjusted to suit the Group's capital requirements, changes in general economic conditions and industry risk characteristics. In this respect, the Group continuously monitors its capital position on the basis of the assets cover ratio for its borrowings in comparison to the market value of its owned vessels subject to mortgages securing credit facilities. As an additional measure of monitoring risk associated with its debt structure, the Group monitors its debt-to-equity ratio.

4. Revenue

(Thousands of euro)	2012	2011
Marine transport		
• Dry-cargo and container vessels	437,824	345,845
• Tankers	266,207	228,559
Services	128,090	135,942
TOTAL	**832,121**	**710,346**

As mentioned above, the foregoing figures indicate that the Group's core business (85%) involves the use of vessels in the shipping sector (of which 38% involves tankers and 62% dry-cargo vessels), whereas the remainder relates to the services rendered by the Group, chiefly in the maritime sector (principally telecommunications – 13%).

5. Operating costs

(Thousands of euro)	2012	2011
Direct voyage costs	306,069	174,848
Time charter hire costs	222,297	204,281
Other operating costs	110,366	100,962
TOTAL	**638,732**	**480,091**

Operating costs include those typical of the maritime sector. In particular, direct voyage costs are operating costs associated with the use (directly or in partnerships) of fleet vessels on voyages undertaken under spot contracts and COAs (contracts of affreightment). Revenue arising from time-charter contracts does not include direct voyage costs. Such costs relate to bunkering and port expenses.
Time charter hire costs represent the cost of medium-/long-term charter-in contracts for vessels in the Group's fleet.

Other direct operating costs include the costs of seagoing personnel (crews), technical expenses, technical management and quality control and other ship operating costs, such as insurance. The item also includes the operating costs incurred by companies that render maritime services (such as the costs of port services, maritime brokerage and insurance costs).

Personnel

As at 31 December 2012, the Group employed a workforce of 1,049 seagoing personnel and 580 onshore personnel. As at the end of the previous year, the Group employed a workforce of 980 seagoing personnel and 583 onshore personnel. The cost of onshore personnel is included in general and administrative costs. For full information regarding the training of human resources and legal compliance, the reader is referred to the report on operations, in which the subject is discussed in detail.

6. General and administrative costs

(Thousands of euro)	2012	2011
Personnel costs	46,179	47,564
Other general and administrative costs	103,331	95,479
TOTAL	**149,510**	**143,043**

As specified above, the personnel costs presented above refer to administrative personnel not employed on board ships. Other general and administrative costs include consultancy, office operating expenses and other costs of an administrative nature, including those incurred by Telemar to conduct its business. It should be noted this category also includes the emoluments of directors of Group companies in the amount of Euro 7.1 million (Euro 7.5 million in the previous year). For the Parent Company, the costs of emoluments incurred in 2012 amounted to Euro 1.3 million.

7. Income / (expenses) on the disposal of fixed assets

(Thousands of euro)	2012	2011
TOTAL	**1,585**	**15,018**

In the fourth quarter of 2012, the subsidiary d'Amico Tankers sold the *High Wind*, built in 1999, resulting in a positive contribution to earnings for 2012 of approximately Euro 1.1 million. The remainder relates to the capital gain recognized by Telemar following the sale of a property (Euro 321 thousand) and various (natural) eliminations of other office fittings.

8. Financial income, financial charges and foreign-exchange gains / (losses)

(Thousands of euro)	2012	2011
TOTAL	**41,498**	**(20,172)**

The balance of the item is broken down in the following table:

(Thousands of euro)	2012	2011
Financial income		
Bank interest expenses	1,231	1,633
Investment income	49,294	303
Dividend income	962	1,290
TOTAL FINANCIAL INCOME	**51,487**	**3,226**
Financial charges		
Bank interest expenses	(2,339)	(38)
Interest on borrowings	(10,001)	(13,981)
Other financial charges	(5,602)	(7,753)
TOTAL FINANCIAL CHARGES	**(17,942)**	**(21,772)**
Translation differences	7,953	(1,626)
TOTAL FINANCIAL INCOME / (CHARGES)	**41,498**	**(20,172)**

Financial income increased considerably compared to 2011, coming to over Euro 51.5 million, and primarily related to the gains (realized and unrealized) obtained by various Group companies in their financial activity. In further detail, the greatest amounts were generated by d'Amico Dry (approximately Euro 21.7 million), d'Amico International (approximately Euro 13.2 million), d'Amico Finance (approximately Euro 10 million) and d'Amico International Shipping (Euro 3.9 million).

Financial charges refer mainly to interest expenses accrued on bank borrowings contracted to finance various of the Group's fixed assets (as presented in a specific line item). Other financial charges largely pertain to negative results associated with the management of the aforementioned short-term investment portfolios.

Translation differences arise from the recognition of amounts paid and collected during the year and adjustments to items in foreign currencies – other than the functional currency – that continued to be carried at the end of 2012.

9. Income taxes

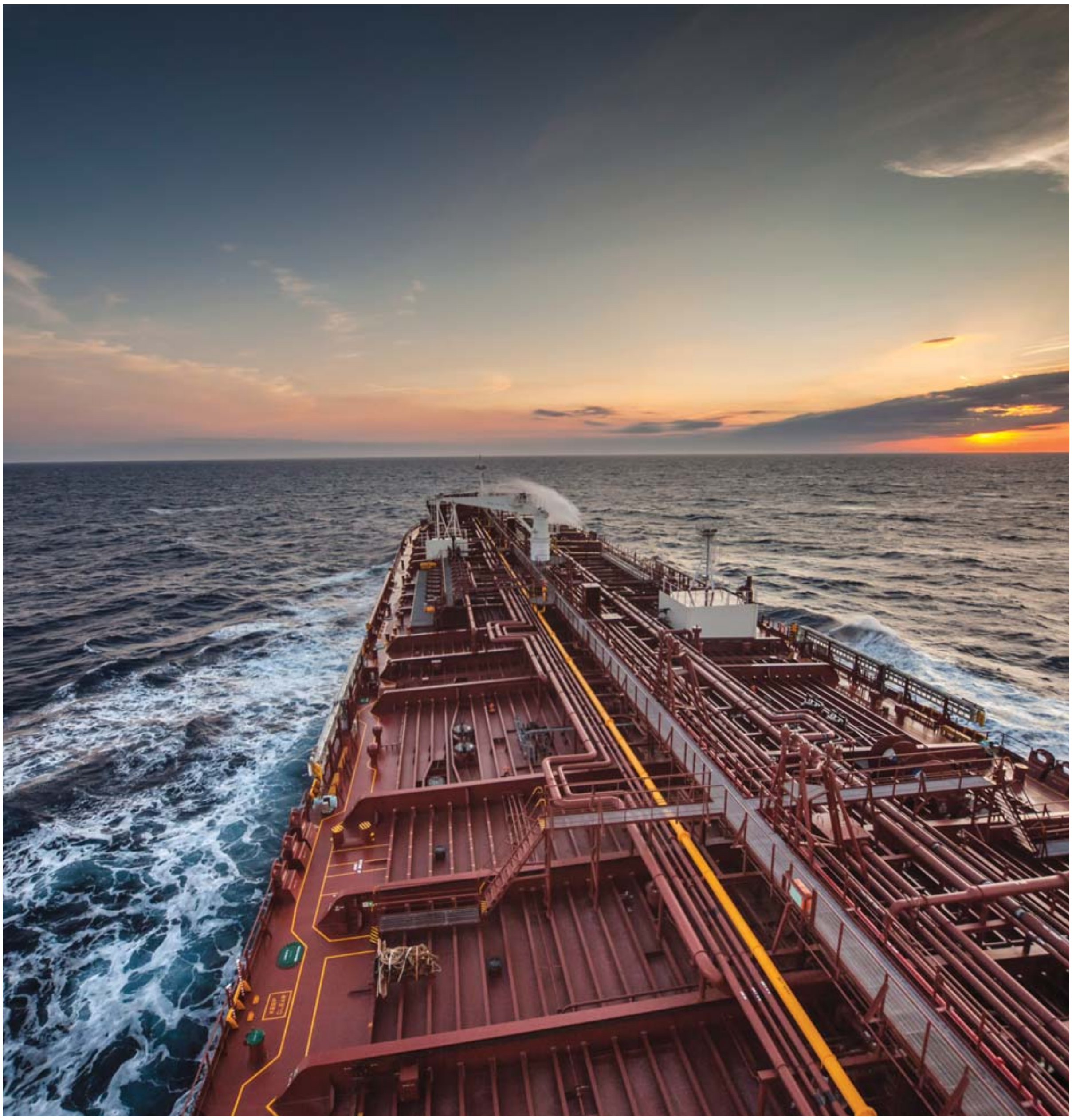
(Thousands of euro)	2012	2011
Current income taxes	8,370	6,800
Prior-year taxes	(21)	(108)
Deferred taxes	5	363
TOTAL	**8,354**	**7,055**

The Group companies that operate in the maritime sector, most of which are based in Italy and Ireland, are subject to the tonnage tax regime, meaning that their taxable profits associated with shipping income are determined on a lump-sum basis according to the tonnage of their vessels. The sums accrued in 2012 for this type of lump-sum taxation alone came to approximately Euro 800 thousand. The residual balance of current income taxes refers to those components of income beyond the scope of the tonnage tax regime, and thus subject to ordinary income tax rates.

The Parent Company is subject to the Italian tax code and the ordinary tax rate that applies to its taxable profit is 27.50%. Differences between the tax charges recognized in the consolidated income statement and the notional tax charge calculated according to the ordinary corporate income tax (IRES) rate in effect in Italy are essentially due to the circumstance that subsidiaries operating in the marine transport sector are subject to the tonnage tax regime. Accordingly, there is not believed to be a need to prepare a detailed statement of reconciliation of actual recognized income taxes and the income taxes calculated according to the rate theoretically applicable to the Parent Company.

Losses carried forward

D’Amico Società di Navigazione S.p.A. has cumulative losses eligible to be carried forward (approximately Euro 2 million) that, on the basis of the tax returns filed, will yield a tax savings of approximately Euro 0.5 million at the time of their use, according to current tax rates. Likewise, within the scope of consolidation the subsidiaries (sub-holding companies) d’Amico International S.A. and d’Amico International Shipping S.A. have a total of Euro 73.8 million in losses eligible to be carried forward. The latter two companies are both resident in Luxembourg and the applicable corporate tax rate is 28.59%.



10. Intangible assets

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**8,853**	**8,642**

The following is an account of movements during the year:

	Goodwill	Consolidation difference	Other assets	Total
Net book value				
AS AT 1 JANUARY 2012	**7,017**	**1,283**	**343**	**8,643**
Additions	466	691	260	1,417
Disposals	(120)		(5)	(125)
Amortization for the year	(534)	(357)	(162)	(1,053)
Other changes			(20)	(20)
Exchange differences	(8)		(1)	(9)
Net book value				
AS AT 31 DECEMBER 2012	**6,821**	**1,617**	**415**	**8,853**

Along with other insignificant values, goodwill originated primarily from the consolidation of the subsidiary Compagnia Generale Telemar S.p.A., the carrying amount of which (Euro 6.2 million) has been specifically assessed. That assessment did not result in the detection any elements that would have required an impairment loss on the carrying amount.

The other intangible assets refer primarily to the software, which is amortized over a period of three years.

11. Tangible assets

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**866,082**	**924,904**

The following table presents changes during 2012 with a comparison with 2011:

	Fleet	Land and buildings	Other assets	Total
Net book value				
AS AT 1 JANUARY 2012	**828,851**	**91,541**	**4,512**	**924,904**
Additions	171,458	1,101	2,233	174,792
Disposals	(66,211)	(1,044)	(307)	(67,562)
Depreciation for the year	(56,605)	(2,383)	(1,767)	(60,755)
Impairment	(87,159)			(87,159)
Other changes		(64)	705	641
Exchange differences	(18,691)	(128)	40	(18,779)
Net book value				
AS AT 31 DECEMBER 2012	**771,643**	**89,023**	**5,416**	**866,082**

	Fleet	Land and buildings	Other assets	Total
Net book value				
AS AT 1 JANUARY 2011	**740,213**	**34,425**	**5,038**	**779,676**
Additions	146,559	58,926	814	206,299
Disposals	(46,105)		(474)	(46,579)
Depreciation for the year	(34,636)	(1,932)	(910)	(37,478)
Other changes	(227)	(97)	279	(27)
Exchange differences	23,047	219	(253)	23,013
Net book value				
AS AT 31 DECEMBER 2011	**828,851**	**91,541**	**4,512**	**924,904**

Tangible assets comprise:

Fleet and vessels under construction

The item includes the costs of acquiring owned vessels and payments to shipyards for vessels under construction. The increases in 2012 relate primarily to the final instalments for the construction of new ships – specifically, the *M/T High Seas* and *M/T High Tide* delivered to d'Amico Tankers in early 2012, as well as the *Cielo di Capalbio* and *Cielo di Vaiano* delivered to d'Amico Dry in the third quarter of 2012 – in addition to the purchase, also in the first part of the year, of the *M/T High Prosperity* by d'Amico Tankers.

In addition to these units "in the water," the increases also include the costs of the fleet's dry-dock programmes and the capitalized amounts of payments to shipyards on the basis of the state of completion of construction work on six dry-cargo vessels (with delivery scheduled for 2015) and four tankers (with delivery scheduled for 2014). As at 31 December 2012, the capitalized amounts of vessels under construction came to Euro 39.3 million.

Impairment test

The net carrying amount of the fleet has been reviewed to determine whether the conditions for an impairment loss had been met. Recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. An asset's value in use is based on the present value of the estimated future cash flows over the duration of its residual useful life.

In order to conduct impairment tests, estimates prepared by management take account of available market information, including figures concerning sales of similar vessels and expectations, based on the following key assumptions: (i) revenue is estimated on the basis of contracts signed and estimates of future rates; (ii) a residual useful life of 20 years; (iii) the projected economic value at the end of the asset's useful life (with the scrap value calculated as USD 400 per tonne); (iv) costs reflect d'Amico's current structure; and (v) figures are discounted at a rate of 6.5%, representative of the Group's current and projected weighted average cost of capital profile, taking account of the current cost of borrowings and the return on equity. The charter rate scenario has been updated with respect to the impairment test conducted for the 2011 financial statements, modifying the discount rate from 6.0% to 6.5%. The Company's management takes account of the fact that such calculations are especially sensitive to changes in key assumptions concerning future charter values and discount rates.

These consolidated financial statements present a total impairment loss of approximately Euro 87 million (USD 115 million) of the book value of the vessels of d'Amico Dry (USD 30 million) and d'Amico Tankers (USD 85 million). The impairment test has been conducted on a going-concern basis.

It should also be noted that, in the event of a change in charter rates of USD 500, with all other calculation parameters remaining unchanged, the result of the impairment test would change by Euro 30.7 million, whereas a 1% change in the discount rate would have entailed a change of Euro 39.9 million.

Land and buildings

This item includes properties used in operations, including those acquired under finance lease, in the possession of the various Group companies. The increases during the year primarily relate to work in progress for the renovation of the property on Via Paisiello, as well as the work to modernize the offices on Corso d'Italia (Rome), also nearing completion, both of which are owned by the Parent Company.

Other assets

Other assets include various items of office equipment, and in particular furniture and fixtures, computers and other electronic machines and motor vehicles. The increases compared to the previous year include normal purchases of industrial equipment (primarily by Telemar) and the aforementioned office fittings.

12. Long-term investments

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**84,592**	**81,743**

The carrying amount of the item refers to certain long-term investments in other enterprises held almost exclusively by the Parent Company, as presented in the following table, which also illustrates changes in such investments during the year and percent interests held as at year-end:

(Thousands of euro)	As at 1 January 2012	Changes Acquisitions/(disposals)	Measurement at FV	As at 31 December 2012	%
Company name					
Tamburi investments Partners S.p.A.	21,258		57	21,315	10.38%
ClubTre S.r.l.	38,969			38,969	32.50%
Datalogic S.p.A.	8,004	52	1,190	9,246	2.40%
Sator S.p.A.	2,800			2,800	1.09%
Sator Private Equity Funds	2,194	1,253		3,447	-
Banca Profilo S.p.A.	368			368	0.22%
Venice Shipping & Logistic S.p.A.	3,040	822		3,862	28.26%
Civita Servizi S.r.l.	1,460			1,460	
Gruppo Banco Popolare	1,438	105	392	1,935	0.09%
Other	2,212	(1,022)		1,190	
TOTAL	**81,743**	**1,210**	**1,639**	**84,592**	

The equity investments presented above are almost exclusively attributable to the Parent Company and relate to non-consolidated investments of a strategic nature in enterprises operating primarily in sectors other than shipping. Those investments have been undertaken through the use of cash in hand.

As shown in the table, in 2012 the largest investments were those in Sator Private Equity funds (for which there is a commitment for a maximum outlay of Euro 10 million) and Venice Shipping & Logistic.

As presented in the report on operations, the following is an account of the most important information regarding the major long-term investments:

- *ClubTre S.r.l.* – the owners of which include Tamburi Investment Partners S.p.A., which holds a 35% interest, and Angelini Partecipazioni Finanziarie S.r.l. and d'Amico Società di Navigazione S.p.A., each of which holds a 32.5% interest. As at 31 December 2012, d'Amico Società di Navigazione S.p.A. had invested a total of Euro 39.0 million. ClubTre S.r.l. holds an interest of more than 6% in Prysmian S.p.A., a global leader in cabling and high-tech systems for energy transmission and telecommunications;
- *Venice Shipping & Logistic S.p.A.* – a company whose main shareholders as at 31 December 2012 were Palladio Finanziaria S.p.A. (56.99%), d'Amico Società di Navigazione S.p.A. (28.44%) and Vega Finanziaria S.p.A. (14.26%). The company was incorporated in September 2009 and primarily engages in investment transactions in the shipping and shipping logistics sectors;
- *Tamburi Investment Partners S.p.A.* – an independent merchant bank listed on the Milan Stock Exchange and focused on medium-sized Italian companies. The equity interest came to 10.38% as at 31 December 2012;
- *Datalogic S.p.A.*, listed on the Milan Stock Exchange, is one of the world's leading producers of bar-code readers, mobile computers for data collection, RFID systems and automatic viewing systems and offers solutions for applications in manufacturing, transport, logistics and retail. The equity interest came to 2.39% as at 31 December 2012.

For comparative purposes, we present the same table with the changes in 2011.

(Thousands of euro)	As at 1 January 2011	Changes Acquisitions/(disposals)	Measurement at FV	As at 31 December 2011	% interest
Company name					
Tamburi investments Partners S.p.A.	16,949	2,485	1,824	21,258	10.38%
ClubTre S.r.l.	26,716	12,253		38,969	32.50%
Datalogic S.p.A.	7,173	1,176	(345)	8,004	2.38%
Sator S.p.A.	2,800			2,800	1.09%
Sator Private Equity Funds	1,991	203		2,194	-
Banca Profilo S.p.A.	675		(307)	368	0.22%
Venice Shipping & Logistic S.p.A.	1,177	1,863		3,040	28.42%
Civita Servizi S.r.l.	905	555		1,460	15.77%
Gruppo Banco Popolare	-	2,635	(1,197)	1,438	0.08%
Other	2,387	(175)		2,212	
TOTAL	**60,773**	**20,995**	**(25)**	**81,743**	

13. Other non-current financial assets

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**5,940**	**865**

Other non-current financial assets include tax credits from previous years. The increase compared to the previous year is related to the accounting treatment by d'Amico International of the warrants convertible into shares of the listed issuer d'Amico International Shipping effective financial year 2014.

14. Inventories

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**58,568**	**37,671**

The amounts presented above mainly consist of Euro 32.7 million in stocks of intermediate fuel oil (IFO) and marine diesel oil (MDO), as well as stores of Luboil on vessels. The residual balance refers to the value of the property under construction owned by Domas (Euro 17.7 million), as well as Euro 8.2 million associated with inventories of work in progress and inventories of raw materials for the consolidated company Telemar.

15. Short-term receivables and other current assets

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
Trade receivables	92,344	149,621
Other receivables	7,894	6,046
Prepayments and accrued income	9,343	3,250
TOTAL	**109,581**	**158,917**

The discrepancies during the year are to be considered normal as a function of revenue performance, as well as working capital dynamics.

16. Current financial assets

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**181,763**	**166,772**

As at 31 December 2012, current financial assets refer solely to short-term investments of liquidity in short-term and/or negotiable securities and instruments. In further detail, the carrying amount includes, at their market values, various portfolios of mutual funds, bonds, equities and other securities, primarily held by d'Amico International S.A., the amount of which increased compared to the previous year, coming to Euro 174.8 million.

17. Cash and cash equivalents

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**156,945**	**184,599**

The item primarily comprises short-term bank deposits in the amount of Euro 156.9 million. The residual balance pertains to cash in hand.

18. Shareholders' equity

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
Share capital	25,000	25,000
Retained earnings	778,344	804,436
Other reserves	11,568	(18,674)
Net profit / (loss)	(51,521)	24,265
SHAREHOLDERS' EQUITY - PARENT	**763,391**	**835,027**
Capital and reserves - Minorities	91,621	95,687
Net profit / (loss) - Minorities	(24,464)	(2,280)
TOTAL SHAREHOLDERS' EQUITY	**830,548**	**928,434**

Share capital

The authorized and paid-in share capital of d'Amico Società di Navigazione S.p.A. came to Euro 25 million and is divided into 10 million shares with a par value of Euro 2.5 each.

Earnings reserves

This item includes the various reserves (the legal reserve, extraordinary reserve and retained earnings reserve) to which net profit has been allocated over the years, net of dividends distributed.

Other reserves

Other reserves include the following items:

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
Cash-flow hedging reserve	(13,713)	(9,408)
Fair-value reserve	1,627	(377)
Translation and consolidation reserve	7,257	(8,889)
Other reserves	16,397	
TOTAL	**11,568**	**(18,674)**

The cash-flow hedging reserve (fair value of derivatives / cash flow hedges) and the fair-value reserve for available-for-sale financial assets include, respectively, the effects of the measurement of cash-flow hedging contracts, recognized among other financial assets and liabilities (notes 13, 16, 22 and 24) and the effects of the measurement of equity investments at fair value (note 12).

The translation and consolidation reserve refers to differences relating to the translation of financial statements in foreign currencies and differences deriving from the elimination of shareholders' equity against the respective equity interests.

"Other reserves" primarily include the reserve created within d'Amico International S.A. following the capital increase by DIS (Euro 15.4 million) in late 2012.

Minority interests

The net profit and shareholders' equity attributable to minorities relate chiefly to Compagnia Generale Telemar S.p.A. (45%), Mida Maritime Company Limited (49%) and d'Amico International Shipping S.A. (25%).

19. Provisions for risks and charges

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**670**	**671**

The item refers to allocations to provisions for risks or litigation relating to certain ongoing labour suits or disputes.

20. Provisions for employee benefits

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
PROVISIONS FOR EMPLOYEE BENEFITS	**4,737**	**5,322**

The following table presents the change in actuarial liabilities during the year and a reconciliation of those actuarial liabilities with the carrying amounts of liabilities as at 31 December 2012:

(Thousands of euro)	As at 31 December 2012
Actuarial liability at the beginning of the year	5,322
Normal cost	367
Financial charges	213
Disbursements	(583)
Unrecognized actuarial gains / (losses)	(582)
RECOGNIZED LIABILITY AS AT YEAR-END	**4,737**

The following is a presentation of the key assumptions employed in preparing an actuarial estimate of the employee-benefit liability as at 31 December 2012:

Severance indemnities	
Discount rate	Euroboxx Index
Inflation rate	2.03%
Staff turnover rate	5%
Mortality rate	ISTAT 2002
End-of-service benefits	
Inflation rate	0%
Discount rate	Euroboxx Index

21. Banks and other lenders

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
Non-current liabilities		
Banks and other lenders	384,843	401,991
Current liabilities		
Banks and other lenders	87,095	36,568
TOTAL	**471,938**	**438,559**

The following table shows outstanding loans:

(Thousands of euro)		As at 31 December 2012		
	Currency	Non-current	Current	Total
Intesa S.Paolo	USD	5,230	985	6,215
Meliorbanca	USD	18,190	1,516	19,706
Credit Agricole	USD	7,405	849	8,254
Credit Agricole	USD	105,471	-	105,471
Mizuho	JPY	23,021	4,645	27,666
Commerbank-Credit Suisse	USD	50,941	4,711	55,652
Mitsubishi UFJ Lease	JPY	15,428	2,262	17,690
ABN Ambro Bank	USD	6,753	1,321	8,074
Unicredit	USD	5,608	910	6,518
Banca Popolare di Lodi	USD	10,027	1,074	11,101
Banca Popolare di Lodi	USD	8,488	910	9,398
Banca Popolare di Lodi	USD	7,390	682	8,072
Compagnie Monegasque de Banque	EUR	-	3,386	3,386
Unicredit Leasing	EUR	1,410	328	1,738
MPS Leasing	EUR	1,786	115	1,901
BNP	YEN	14,928	1,400	16,328
Monte dei Paschi di Siena	USD	18,682	1,516	20,198
Banco Popolare	USD	21,042	2,234	23,276
Credit Agricole DNB	USD	31,006	2,340	33,346
Danish Ship Finance	USD	-	8,644	8,644
JPMorgan	USD	-	15,158	15,158
BSI	EUR	-	20,463	20,463
Banco di Brescia	EUR	31,885	1,410	33,295
Other minor overdrafts		151	10,237	10,388
TOTAL		**384,843**	**87,095**	**471,938**

Bank debt consists largely of medium-/long-term borrowings contracted by companies operating in the shipping industry to purchase fleet vessels. The item includes Euro 255.1 million in floating-rate loans, on which interest is payable with a spread of 45 to 200 basis points over the benchmark, generally the Libor or Euribor. Interest-rate swap (IRS) contracts have been entered into in order to fix the interest rates associated with some of the foregoing loan agreements. The item also includes a total of Euro 216.9 million in fixed-rate loans, which bear interest at rates that range from 2.36% to 5.20%. The remainder (approximately Euro 10 million) is related to bank overdrafts.

No new medium-/long-term loans were contracted in 2012.

Loans are subject to the customary collateral conditions, such as mortgages of the financed property, and some covenants, particularly as regards the ratio of the vessel's market value to the amount of the loan.
Finally, it bears noting that the share of debt set to come due beyond five years is Euro 133.8 million.

22. Other non-current financial liabilities

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**19,074**	**8,437**

The carrying amount includes the share attributable to minorities of the debt incurred by way of shareholder loans carried by the subsidiary Mida Maritime Company Ltd. (Euro 5.3 million) and the subsidiary Domas Immobiliare (Euro 3.7 million), as well as the (negative) changes in the fair value of derivative financial instruments (interest rate swaps) contracted by the Group (Euro 10 million).

23. Short-term payables and other current liabilities

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
Trade payables	87,852	141,404
Other payables	10,259	10,661
Accruals and deferred income	11,091	15,210
TOTAL	**109,202**	**167,275**

Short-term payables and other current liabilities primarily consisted of trade payables structural to the Group's business.

24. Other current financial liabilities

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**27,975**	**11,252**

The item refers primarily to the negative short-term fair value of the hedging derivative instruments used by the Group. For a summary of the derivatives outstanding as at year-end and the fair values of those derivatives, please refer to note 26.

25. Taxes payable

(Thousands of euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**7,153**	**2,714**

The balance essentially consists of current income taxes, including the tonnage tax owed by various Group companies as at year-end.

26. Derivative instruments

The following table specifies the various types of derivative instruments used by the Group and their accounting treatment in the 2012 and 2011 financial statements.

(Thousands of euro) Fair value	31 December 2012 EUR Positive fair value	Negative fair value	31 December 2011 EUR Positive fair value	Negative fair value
Fair value through profit or loss				
Forward charter derivatives / FFAs	-	-	2,337	-
Guarantee transactions	5,361	-		
Forward currency transactions	16,580	-	4,981	-
Currency options	-	(20,297)	-	(1,185)
Interest rate derivatives	-	(1,616)	-	(1,561)
	21,941	**(21,913)**	**7,318**	**(2,746)**
Fair value through equity				
Forward charter derivatives / FFAs	-	(4,421)	-	(60)
Forward bunker purchase derivatives	5,151	-	698	-
Interest rate derivatives	152	(6,259)	-	(12,081)
	5,303	**(10,680)**	**698**	**(12,141)**
	27,244	**(32,593)**	**8,016**	**(14,887)**
Recognized among:				
Other non-current financial assets	3,580	-	-	-
Other non-current financial liabilities	-	(6,259)	-	(2,390)
Other current financial assets	23,592	-	6,771	-
Other non-current financial liabilities	-	(26,262)	-	(11,252)
	27,172	**(32,521)**	**6,771**	**(13,642)**

The fair values of derivative contracts are calculated according to the market quotations supplied by leading counterparties or, in the absence of market information, on the basis of appropriate valuation techniques generally adopted in the finance industry.

During the year, there were no substantial changes in the type of derivative instruments used and the volumes of derivatives transactions undertaken.

The changes in the fair value of the effective portion of hedging derivatives classified as cash-flow hedges are recognized in shareholders' equity (Other reserves) and presented in the statement of comprehensive income, whereas the ineffective portion of the hedge is recognized in the income statement. For hedging instruments defined as fair-value hedges, changes in value associated with both the hedged item (in relation to changes determined by the underlying risk) and the hedging instrument are recognized in the income statement. Any difference, representing the partial ineffectiveness of the hedge, therefore corresponds to the net financial effect.

The fair value of non-hedging derivative contracts (HFT) refers to those contracts that do not meet the formal requirements for hedge accounting treatment according to IFRSs and that have not been formally designated as hedges inasmuch as they have been contracted for amounts corresponding to the overall ("net") exposure, primarily exchange-rate and interest-rate risks, and thus are not attributable to specific commercial or financial transactions. Changes in the fair values of such derivative instruments are recognized directly in the income statement.

27. Information on financial risk

As disclosed in note 2, Risk management, the d'Amico Group is exposed to some financial risks associated with its operations. This section provides qualitative and quantitative disclosure on the effect that those risks may have on the Group.

Market risk

Market price risk is the risk that the value of financial instruments may fluctuate as a result of changes in market prices. The Group's investment portfolio is therefore susceptible to market price risk deriving from uncertainties regarding future prices.

The Group typically employs derivative instruments known as "forward freight agreements" or "FFAs" (the "paper market") to hedge market fluctuations (the "physical market"), as limited to certain voyages by dry-cargo vessels. Management constantly monitors open positions in such instruments. There were no open positions as at 31 December 2012.

In some cases, the Group enters into bunker-hedging or fuel-swap contracts to fix the price of fuel with the aim of mitigating the effect of fluctuations in the price of the fuel used by vessels (known as "bunker fuel"). At the end of 2012, a 5% change in the price of bunker fuel would have resulted in a change in operating costs of Euro 0.3 million.

The Company uses part of its financial resources to invest in current financial assets exposed to the risk of fluctuations in the market prices of securities. A 5% fluctuation in market price at the end of 2012 would have entailed a change in financial items of Euro 10 million. An identical fluctuation of 5% in the market price of securities would have caused an effect of Euro 1.9 million on shareholders' equity reserves and comprehensive income (Euro 1.8 million in 2011) for long-term investments.

Foreign-exchange risk

The Group constantly monitors the currency risk associated with transactions denominated in foreign currencies, primarily by seeking to hedge costs in foreign currencies to the greatest possible extent. Since operating activities, like ship prices, are primarily denominated in U.S. dollars, management is not exposed to significant risk arising from possible fluctuations in the euro/dollar exchange rate.

At year-end, the Group had exposures to Japanese yen, for which the exchange rate does not correspond to equivalent fixed assets, as is instead the case for the U.S. dollar. For these items, relating to financial exposures and hedging instruments, a five percentage point change in the EUR/JPY exchange rate as at 31 December 2012 would have resulted in an impact on the income statement, and thus on financial position, of Euro 12.4 million.

Interest-rate risk

The Group is exposed to interest-rate risk arising from the fact that interest accrued on its credit facilities and bank deposits at variable rates and interest-rate swap (IRS) contracts are measured according to expected future rates. If all other conditions had remained constant, an increase in interest rates of 100 basis points would have resulted in an increase in net financial charges of Euro 1.8 million, whereas a decrease of 100 basis points would have yielded a positive effect of Euro 1 million. As at 31 December 2012, if interest rates had been 1% higher or lower and all other variables had remained constant, the measurement of swaps would have resulted in an increase or decrease in shareholders' equity of Euro 7.4 million. Since such derivative instruments are treated as cash-flow hedges for accounting purposes, there would have been no effect on the income statement.

Credit risk

The Group is exposed to credit risk resulting from possible default by its counterparties, primarily clients. As is common knowledge, shipping activity does not present particular risks, except for short-term receivables associated with demurrage and certain charter expenses. Trade receivables are thoroughly analyzed and, in some cases, subject to impairment. In this regard, the sum of Euro 1.5 million had been provisioned at the end of 2012. The Group holds significant cash deposits with leading, highly rated financial institutions.

Liquidity risk

The Group is exposed to liquidity risk arising from the possible mismatch between cash requirements, principally to purchase vessels, and credit facility repayments and cash flows. Information concerning credit facilities is presented in note 21, while the details of commitments are set out in note 30. Management believes that the currently available funds and major lines of credit, along with the cash provided by operating activities, will allow the Group to satisfy its requirements from investing activities and working capital needs and discharge its obligations to repay its debts at their natural due dates. It bears noting that the share of the debt to banks presented in the financial statements set to come due beyond five years – and thus after 1 January 2018 – came to Euro 133.8 million.

Fair-value risk

Management believe that the fair values of financial assets and liabilities do not diverge significantly from their carrying amounts as at the reporting date.

28. Classification of financial instruments

Financial assets and liabilities measured at fair value are classified into the three hierarchical levels described below according to the relevance of the information (inputs) used in determining their fair values. In further detail:

- level 1: this level includes financial assets and liabilities the fair values of which are determined according to unmodified prices quoted on active markets for similar assets or liabilities;
- level 2: this level includes financial assets and liabilities the fair values of which are determined on the basis of inputs other than the quoted prices used in level 1, but that may be observed directly or indirectly on the market for such assets and liabilities;
- level 3: this level includes financial assets and liabilities the fair values of which are determined on the basis of non-observable market data.

The following table provides a summary of the financial assets and liabilities measured at fair value outstanding as at 31 December 2012, broken down by classification according to the fair-value hierarchy described above:

Type of instrument	Level
Interest-rate swaps	1
Interest-rate swaps, currency options, currency forwards, forward freight agreements and bunker swaps	2

29. Related-party transactions

Dealings between the Company and related parties are objectively determinable and governed by normal market conditions, taking account of the quality of the services rendered. The services rendered in the context of transactions with related parties are provided in the parties' mutual interests and are necessary to the Company's management and organization, as well as functionally linked to the incomes generated by the Company. For "related party" and "transactions with related parties," reference is to be made to the definitions presented in IAS 24 revised – *Related Party Disclosures*. Neither d'Amico Società di Navigazione S.p.A. nor its subsidiaries undertook material transactions with related parties in 2012 or the previous year.

30. Guarantees, commitments and contingencies

As at 31 December 2012, the Group was exposed with respect not only to the items payable presented in the financial statements, but also contracts or obligations of a financial nature assumed over the years.

Investment commitments

The Group's investment commitments amounted to Euro 286 million, of which Euro 28.5 million was associated with payments set to come due in the next 12 months.

(Thousands of euro)	As at 31 Dec 2012	As at 31 Dec 2011
Up to one year	28,508	68,775
From one to five years	257,331	103,822
Beyond five years	-	-
TOTAL	**285,839**	**172,597**

The financial commitments presented above are associated with contracts for four tankers and six dry-cargo vessels. In further detail, the first of these are two Hyundai-Mipo Dockyard 40,000 DWT product/chemical tankers and four Hyundai-Mipo Dockyard 50,000 DWT product/chemical tanker with deliveries set to begin in 2014. The commitments relating to dry-cargo vessels pertain to the construction of two mini-Capesize and four open-hatch bulk carriers, also set to be delivered beginning in 2014.

In addition to the items presented in the table, the Parent Company's commitments also include an additional Euro 6.6 million in commitments ("on call") associated with subscription of additional units of the Sator private equity fund.

Operating leases – chartered-in vessels

As at 31 December 2011, the Group's minimum commitments for operating leases came to Euro 620.7 million, of which Euro 127.8 million was associated with payments in the next 12 months.

(Thousands of euro)	As at 31 Dec 2012	As at 31 Dec 2011
Up to one year	115,206	127,790
From one to five years	256,224	312,015
Beyond five years	127,482	180,926
TOTAL	**498,912**	**620,731**

The amounts presented above also include the values of certain vessels the charter-in agreements for which establish future purchase options for those vessels. The options in question are not eligible for treatment as derivatives. Commitments due beyond five years mature no later than 2021.

Other operating leases

Other operating leases primarily comprise office lease contracts in the amount of slightly more than Euro 5 million.

(Thousands of euro)	As at 31 Dec 2012	As at 31 Dec 2011
Up to one year	1,130	1,583
From one to five years	2,733	4,379
Beyond five years	1,344	502
TOTAL	**5,207**	**6,464**

Ongoing disputes

The Group is currently involved in a number of ongoing commercial disputes concerning both owned and chartered vessels. Most current disputes relate to cargo contamination claims. In addition, there are some collision claims and disputes relating to time-charter contracts. Disputes are mostly covered by insurance provided by P&I Club (a mutual ship-owners club). The Group therefore believes that its financial exposure will be limited to the value of the appropriate insurance policy deductibles.

Tonnage tax deferred taxation

According to the Irish tonnage tax regime, to which the Group's shipping companies resident in Ireland have been admitted, if vessels are sold and not replaced within the specified time limit or the Company fails to continue to comply with the requirements to remain within the regime, the tax authorities may seek to recover the taxes owed under the ordinary regime. No provision has been made for such circumstances, inasmuch as no liability is reasonably expected to arise in this connection.

31. List of companies belonging to the d'Amico Società di Navigazione Group

The following table presents the complete list of Group companies included within the scope of consolidation, along with the following information for each company: the interest held directly and/or indirectly by d'Amico Società di Navigazione S.p.A, the consolidation method adopted, registered office and share capital. Its composition is essentially unchanged compared to the previous year.

Scope of consolidation – 2012

Company name		Consolidation method	City or country	Share capital in euro	% interest held by Parent Company	% interest held by minorities
d'Amico Shipping Italia SpA	(a)	Line-by-line	Palermo	15,000,000	100.0000	0.0000
d'Amico International S.a.	(a)	Line-by-line	Luxembourg	3,115,507	99.9998	0.0002
Cogema S.A.M.	(b)	Line-by-line	Monte Carlo	150,000	95.9998	4.0002
Comarfin S.A.M.	(b)	Line-by-line	Monte Carlo	300,000	99.6998	0.3002
d'Amico Dry Limited	(b)	Line-by-line	Ireland	73,329	99.9998	0.0002
d'Amico Finance Limited	(b)	Line-by-line	Ireland	90,193	99.9998	0.0002
d'Amico Shipping Singapore Pte Ltd	(b)	Line-by-line	Singapore	62,069	99.9998	0.0002
d'Amico Shipping UK Ltd	(b)	Line-by-line	England	49,014	99.9998	0.0002
Hanford Investments Inc.	(b)	Line-by-line	Liberia	1,076	94.9998	5.0002
Saint Andrew Estates Ltd	(c)	Line-by-line	Liberia	530	94.9998	5.0002
Ishima Pte Limited	(b)	Line-by-line	Singapore	620,694	99.9998	0.0002
AGCI Ptel Ltd	(n)	Line-by-line	Singapore	6,207	99.9998	0.0002
Global Maritime Supplies Pte.Ltd	(n)	Line-by-line	Singapore	62,069	99.9998	0.0002
Cambiaso e Risso Asia PteLtd	(n)	Line-by-line	Singapore	129,037	49.9999	50.0001
Rudder S.A.M.	(b)	Line-by-line	Monte Carlo	150,000	84.9998	15.0002
Rudder Pte Ltd	(d)	Line-by-line	Singapore	124,139	84.9998	15.0002
Rudder Argentina SA	(d)	Line-by-line	Argentina	15,417	76.4998	23.5002
Anglo Canadian Shipping Co. Ltd	(b)	Line-by-line	Canada	685,164	99.9998	0.0002
AGCI Shipping Inc.	(e)	Line-by-line	Canada	1,173,135	99.9998	0.0002
Saemar S.a.	(b)	Line-by-line	Spain	72,120	99.8298	0.1702
Medbulk Maritime Limited	(f)	Line-by-line	Ireland	78,822	99.8298	0.1702
Damighreb Mad	(b)	Line-by-line	Morocco	6,636	69.9999	30.0001
d'Amico International Shipping SA	(b)	Line-by-line	Luxembourg	113,650,074	65.0899	34.9101
Glenda International Shipping Ltd	(g)	Proportional	Ireland	152	32.5449	67.4551
d'Amico Tankers Ltd	(g)	Line-by-line	Ireland	100,000	65.0899	34.9101
d'Amico Tankers Monaco sam	(h)	Line-by-line	Monte Carlo	150,000	64.9597	35.0403
d'Amico Tankers UK Ltd	(h)	Line-by-line	UK	37,896	65.0899	34.9101
DM Shipping Ltd	(h)	Proportional	Ireland	75,792	33.1958	66.8042
Glenda International Management Ltd	(h)	Line-by-line	Ireland	2	65.0899	34.9101
High Pool Tankers Limited	(h)	Line-by-line	Ireland	2	65.0899	34.9101
Compagnia Generale Telemar S.p.A.	(a)	Line-by-line	Rome	7,373,675	55.0766	44.9234
Telemar UK Limited	(i)	Line-by-line	England	306,335	55.0766	44.9234
Bay Bridge Services Ltd	(l)	Line-by-line	Hong Kong	978	48.1920	51.8080
Adci International LLC	(i)	Line-by-line	USA	189,859	50.2161	49.7839

Company name		Consolidation method	City or country	Share capital in euro	% interest held by Parent Company	% interest held by minorities
Telemar Usa LLC	(i)	Line-by-line	USA	189,851	38.8951	61.1049
Telemar AB	(i)	Line-by-line	Sweden	687,544	55.0766	44.9234
Telemar Scandinavia AB	(m)	Line-by-line	Sweden	27,966	55.0766	44.9234
Iridium Nordic Ab	(m)	Line-by-line	Sweden	11,652	55.0766	44.9234
Telemar OY AB	(m)	Line-by-line	Finland	16,819	55.0766	44.9234
Telemar Gmbh	(i)	Line-by-line	Germany	28,409	48.4674	51.5326
Telemar Shanghai Ltd	(i)	Line-by-line	China	258,642	44.0613	55.9387
Polar Electronics Norge As	(i)	Line-by-line	Norway	190,938	55.0766	44.9234
Telemar Singapore Pte Ltd	(i)	Line-by-line	Singapore	104,927	55.0766	44.9234
d'Amico Shipping USA Ltd	(b)	Line-by-line	USA	76	99.9998	0.0002
Domas Immobiliaria srl	(a)	Line-by-line	Imperia	258,228	75.0000	25.0000
Mida Maritime Company Limited	(a)	Line-by-line	Ireland	88,020	51.0000	49.0000

(a) Controlled directly
(b) Controlled through d'Amico International
(c) Controlled through Hanford
(d) Controlled through Rudder
(e) Controlled through Anglo Canadian Shipping Co. Ltd.
(f) Controlled through Saemar
(g) Controlled through d'Amico International Shipping
(h) Controlled through d'Amico Tankers
(i) Controlled through Compagnia Generale Telemar
(l) Controlled through Telemar UK
(m) Controlled through Telemar AB
(n) Controlled through Ishima

Equity investments in joint ventures

Joint ventures have been consolidated according to the equity method based on the following amounts expressed in thousands of euro:

Company name	Revenue	Net profit/(loss)	Total assets	Equity
31 December 2012				
Glenda International Shipping Ltd	24,215	(11,519)	206,981	86,989
DM Shipping Ltd	8,805	(4,750)	52,142	(22,154)
31 December 2011				
Glenda International Shipping Ltd	21,664	781	233,495	100,149
DM Shipping Ltd	8,297	(4,729)	68,424	(17,876)

32. Subsequent events

For the disclosures required by Article 2428 of the Italian Civil Code concerning significant events after year-end, please refer to the report on operations.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d'Amico Società di Navigazione

Statutory Financial Statements as at 31 December 2012

d'Amico Società di Navigazione

Separate Income Statement

Euro	Notes	2012	2011
Revenue	4	11,201,618	11,621,818
Direct operating costs	5	(1,116,919)	(1,134,731)
General and administrative costs	6	(18,900,035)	(15,080,435)
GROSS OPERATING PROFIT / (LOSS)		**(8,815,336)**	**(4,593,348)**
Depreciation and amortization		(1,966,578)	(1,200,716)
OPERATING PROFIT / (LOSS)		**(10,781,914)**	**(5,794,064)**
Dividends	7	64,574,979	70,320,225
Other financial income	7	914,308	2,476,798
Financial charges	7	(3,242,626)	(2,062,268)
PROFIT / (LOSS) BEFORE TAXES		**51,464,747**	**64,940,691**
Income taxes	8	196,937	(240,617)
NET PROFIT / (LOSS)		**51,661,684**	**64,700,074**

Statement of Comprehensive Income

Euro	2012	2011
Net profit / (loss)	51,661,684	64,700,074
Effective part of gains/(losses) on fair value accounting for investments (available for sale)	2,115,363	(215,494)
Effective part of gains/(losses) on cash flow hedges	(4,146,352)	-
COMPREHENSIVE INCOME / (LOSS)	**49,630,695**	**64,484,580**

Statement of Financial Position

(Euro)	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Intangible assets	9	131,111	45,831
Tangible assets	10	65,953,963	66,679,656
Long-term investments	11	177,496,375	173,571,004
Other non-current financial assets	12	16,482,118	6,245,946
Other non-current assets	13	729,957	824,898
TOTAL NON-CURRENT ASSETS		**260,793,524**	**247,367,335**
Current assets			
Short-term receivables and other current assets	14	2,656,183	1,770,808
Other current financial assets	15	6,100,065	5,650,362
Cash and cash equivalents	16	4,305,491	17,078,571
TOTAL CURRENT ASSETS		**13,061,739**	**24,499,741**
TOTAL ASSETS		**273,855,263**	**271,867,076**
LIABILITIES			
Shareholders' equity			
Share capital		25,000,000	25,000,000
Earnings reserves		154,876,424	110,176,350
Other reserves		(4,756,378)	(2,725,389)
Net profit / (loss)		51,661,684	64,700,074
TOTAL SHAREHOLDERS' EQUITY	17	**226,781,730**	**197,151,035**
Non-current liabilities			
Provisions for risks and charges	18	669,833	669,833
Banks and other lenders	20	33,264,507	34,990,204
Provisions for employee benefits	19	1,883,681	2,098,956
Deferred-tax liabilities		407,772	609,373
Other non-current financial liabilities	21	4,146,352	
TOTAL NON-CURRENT LIABILITIES		**40,372,145**	**38,368,366**
Current liabilities			
Banks and other lenders	20	1,737,981	31,985,138
Short-term payables and other current liabilities	22	4,963,407	4,362,537
TOTAL CURRENT LIABILITIES		**6,701,388**	**36,347,675**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**273,855,263**	**271,867,076**

The financial statements presented above were approved for publication on 13 May 2013 on behalf of the Board of Directors by:

Paolo d'Amico, Chairman

Cesare d'Amico, Chief Executive Officer

Statement of Cash Flows

(Euro)	2012	2011
NET PROFIT FOR THE PERIOD	**51,661,684**	**64,700,074**
Depreciation and amortization	1,966,578	1,200,716
Current, deferred and pass-through taxation	2,673,057	132,789
Financial charges / (income)	(63,342,967)	(69,615,073)
Changes in the fair value of financial assets	21,750	64,500
Other non-cash items	893,690	397,596
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	**(6,126,208)**	**(3,119,398)**
Movement in amounts receivable	(885,375)	(47,082)
Movement in amounts payable	(1,155,059)	1,059,973
Taxes paid	(1,616,407)	(107,828)
Interest collected / (paid)	(1,232,012)	(705,152)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	**(4,888,853)**	**199,911**
Acquisition of intangible assets	(166,935)	(56,662)
Acquisition of tangible assets	(1,160,355)	(58,901,159)
Acquisition of long-term investments	(2,381,998)	(23,205,726)
Increase in other financial assets	(10,874,326)	(5,873)
Sale/disposal of fixed assets	223,470	1,172,609
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES	**(14,360,144)**	**(80,996,811)**
Financing applied for	0	35,000,000
Movement in other financial payables	(30,300,000)	15,300,000
Bank loan repayments	(1,672,854)	(634,329)
Dividends collected	64,574,979	70,320,225
Dividends paid	(20,000,000)	(30,000,000)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES	**12,602,125**	**89,985,896**
NET CASH PROVIDED / (USED)	**(12,773,080)**	**6,069,598**
Cash and cash equivalents at the beginning of the year	17,078,571	11,008,973
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**4,305,491**	**17,078,571**

Statement of Changes in Shareholders' Equity

Euro	Share capital	Retained earnings	Other reserves CFH reserve	Other reserves Available for sale	Net profit or loss	Total
BALANCE AS AT 31 DEC. 2010	**25,000,000**	**95,589,595**	**-**	**(2,509,895)**	**44,586,755**	**162,666,455**
Dividends					(30,000,000)	(30,000,000)
Allocation of 2010 profit		14,586,755			(14,586,755)	0
Comprehensive income				(215,494)	64,700,074	64,484,580
BALANCE AS AT 31 DEC. 2011	**25,000,000**	**110,176,350**	**0**	**(2,725,389)**	**64,700,074**	**197,151,035**

Euro	Share capital	Retained earnings	Other reserves CFH reserve	Other reserves Available for sale	Net profit or loss	Total
BALANCE AS AT 31 DEC. 2011	**25,000,000**	**110,176,350**	**0**	**(2,725,389)**	**64,700,074**	**197,151,035**
Dividends					(20,000,000)	(20,000,000)
Allocation of 2011 profit		44,700,074			(44,700,074)	0
Comprehensive income			(4,146,352)	2,115,363	51,661,684	49,630,695
BALANCE AS AT 31 DEC. 2012	**25,000,000**	**154,876,424**	**(4,146,352)**	**(610,026)**	**51,661,684**	**226,781,730**

Notes

Introduction

d'Amico Società di Navigazione S.p.A. is an Italian joint-stock company with registered office in Palermo, Italy and head office in Rome, Italy. It holds equity investments in companies responsible for the business sectors in which the d'Amico Group operates both directly and indirectly through sub-holding companies.

These statutory financial statements were approved for publication by the Board of Directors on 13 May 2013.

As permitted by applicable legislation, the Company began on a voluntary basis in 2010 to prepare its financial statements in accordance with international accounting principles (hereinafter International Accounting Standards – IASs and/or International Financial Reporting Standards – IFRSs) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) endorsed by the European Commission (also referred to collectively hereinafter as "IFRSs") and in force at year-end.

1. Accounting policies

Basis of presentation

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in shareholders' equity, statement of cash flows and the notes. In the income statement, costs have been classified by nature. All revenue and cost items recognized during a given year are presented in two separate statements, the income statement and statement of comprehensive income. The presentation scheme adopted for the statement of financial position is based on a distinction between current and non-current assets and liabilities. Current assets, which include cash and cash equivalents, are those intended to be realized, disposed of or used in the Company's normal operating cycle or the 12 months after year-end; current liabilities are those expected to be extinguished during the normal operating cycle or the 12 months after year-end. The indirect method has been used to prepare the statement of cash flows.

IFRSs have been applied in accordance with the indications provided in the *Framework for the Preparation and Presentation of Financial Statements* and there were no critical situations requiring the use of departures pursuant to IAS 1 revised, paragraph 19.

The Company has access to adequate resources suited to ensuring that it may continue to operate in the near future. The financial statements have therefore been prepared on a going-concern basis, by applying the historical cost method, with the exception of those line items that are measured at fair value in accordance with IFRSs.
The financial statements have been presented in euro, the Company's functional currency. The income statement, statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in shareholders' equity have been presented in euro, whereas the figures presented in the notes are in thousands of euro, unless otherwise indicated.

The following is a discussion of accounting policies, applied in a uniform manner to all years presented and to the opening IFRS financial position as at 1 January 2009.

Foreign currencies

Transactions in foreign currencies are initially recognized at the spot exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the spot exchange rate on the reporting date. Any resulting exchange differences are recognized through the income statement. Non-monetary items measured at their historical cost in a foreign currency are converted using the exchange rate in force on the date of recognition of the transaction. Non-monetary items measured at their fair values in foreign currencies are converted using the exchange rate on the date said values are calculated.

Dividends and other income from equity investments

Dividends collected from investees are recognized in the income statement when entitlement to collect them arises. Dividends payable are reported as a movement in shareholders' equity in the period in which they are approved by the general meeting of the shareholders.

Revenue recognition

Service revenue is recognized in reference to the contractually accrued consideration.

Operating costs and general and administrative costs

Operating costs and general and administrative costs are recognized in the income statement as incurred.

Financial income and charges

Financial income and charges include interest income on investments and interest expenses on the borrowings or account overdrafts used, realized and unrealized exchange differences associated with transactions undertaken in currencies other than the functional currency and other financial income and charges. Interest is recognized in the income statement on an accruals basis according to the effective interest method.

Taxation

Taxes are calculated according to the taxable profit for the year by applying the tax rates in force when the financial statements are prepared. Tax charges are determined on the basis of the net profit or loss for the year, adjusted to reflect certain non-exempt or non-deductible elements, and are calculated according to the tax rate in effect when the financial statements are prepared, taking account of any prior-year losses.

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

Intangible assets

Other purchased or internally generated intangible assets are recognized at cost, including directly attributable auxiliary costs required to render the assets available for use, provided that it is likely that the use of the assets will yield future economic benefits and the cost of the assets may be determined reliably. Such assets are measured at purchase or production cost and amortized on a straight-line basis according to their estimated useful lives, which are reviewed on at least an annual basis. Any changes are applied prospectively.
Amortization begins when an asset becomes available for use. The estimated useful lives considered for this category of assets, which consists almost exclusively of software, are three years.

Tangible assets

Buildings and other tangible assets

Owned buildings and other tangible assets are recognized at acquisition cost or fair value and depreciated on a straight-line basis according to their residual useful lives at the following rates:

	Years
Owned properties	33
Furniture and fittings	8.5
Electronic machines	4
Motor vehicles	5
Leasehold improvements	Term of contract (max. of 5)

Tangible assets may also include costs or advances associated with the acquisition of assets that are commissioned after the reporting date. The depreciation of such assets begins to be calculated when the assets are commissioned.

The estimates of useful life and residual value are periodically revised.
Depreciation ends at the date of disposal or reclassification of an asset as held for sale. If an asset subject to depreciation consists of separately identifiable elements the useful lives of which differ significantly from that of the other parts of the asset, depreciation is calculated separately for each of the parts of the asset in application of the component approach principle.

Leases

Assets acquired under finance leases, where substantially all the risks and rewards of ownership are transferred to the Company, are initially recognized as assets by the Company at the lower of their fair values or the present value of the minimum payments due, including any sum to be paid to the lessor to exercise the purchase option. The corresponding liability is recognized among financial liabilities. After initial recognition, such assets are measured according to the applicable accounting principles.

Operating leases are not recognized in the Company's statement of financial position.

Financial instruments

Financial instruments are contracts that give rise to financial assets and liabilities or equity instruments of another entity, as defined in IAS 32 (*Financial Instruments: Presentation*) and IAS 39 (*Financial Instruments: Recognition and Measurement*). Such instruments are measured at their fair values when the Company becomes a party to the contractual provisions of the instrument (the trade date). Liabilities are classified in accordance with the substance of the contractual arrangements from which they arise and the relevant definitions of a financial liability. For contracts negotiated at market price, the fair value of the instrument is equivalent to the purchase cost (nominal value of the transaction).

The external costs and income from transactions directly attributable to negotiation, such as intermediation costs, are included during initial recognition of the instrument, unless measured at fair value. Financial assets are measured at fair value or amortized cost, depending on the characteristics of each instrument. Financial liabilities are measured on the basis of their amortized cost. Only derivative instruments are measured at fair value.

"Fair value" is the amount for which an asset could be exchanged, or a liability discharged, between knowledgeable, willing parties in an arm's-length transaction. Measurement on the basis of amortized cost involves recognizing the asset or liability at the value initially measured, deducting any redemption of equity, increased or decreased by overall depreciation, applying the effective interest method on any difference between the initial value and value at maturity. Such amounts may nonetheless be adjusted to account for impairment or irrecoverability. The effective interest rate is the rate that reduces at source the future contractual cash flows to the net amount of the financial asset or liability. The calculation also includes the external expenses and income directly assigned during initial recognition of the financial instrument.

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

Equity investments and other financial assets

The Company classifies its equity investments as investments in:

- "subsidiaries" for which the investor has the power to determine financial and operational decisions and obtain the benefits thereof;
- "associates" over which the investor exercises significant influence (which is assumed to be the case when the investor may cast at least 20% of the votes in the ordinary general meeting). The item also includes cases of entities subject to joint control (joint ventures); and
- "other companies" for which none of the foregoing requirements has been met.

Equity investments intended for sale, as well as those acquired for the sole purpose of being disposed of within the following twelve months, are classified separately among assets held for sale.

Subsidiaries, joint ventures, associates and other companies, with the exception of those classified as held for sale, are measured at purchase or incorporation cost. Said cost is retained in subsequent financial statements, unless the investment is subject to impairment or recovery following a change in economic purpose or a capital transaction. Equity investments intended for sale are measured at the lesser of cost and fair value less costs to sell.

In further detail:

Equity investment in subsidiaries and associates are initially recognized at cost and adjusted for impairment. If the Company's share of an investee's losses exceeds the carrying amount of its equity investment in that investee and the Company is required or willing to accept liability for such losses, the equity investment is written down to zero and the share of additional losses is set aside to a provision on the liabilities side. If the grounds for the impairment loss cease to apply, the carrying amount of the equity investment is recovered, up to the original cost. That recovery is recognized in the income statement.

Equity investments in other companies are recognized among non-current assets under Equity investments and other financial assets and are measured at fair value or, alternatively, cost, if fair value cannot be determined reliably. Gains and losses arising from changes in fair value are recognized directly in shareholders' equity until the equity investments in question are disposed of or become impaired. When either of the foregoing occurs, the total gains or losses previously recognized in shareholders' equity are credited or expensed to the income statement for the period. The original amount is recovered if the grounds for an impairment loss cease to apply in subsequent years.

Held-for-trading financial assets are measured at fair value. Gains and losses arising from changes in the fair value of financial instruments classified as held for trading are recognized in the income statement for the period.

Financial assets and securities possessed with the intention of holding them to maturity ("held-to-maturity") that do not meet the conditions for inclusion among cash and cash equivalents are recognized and derecognized according to the trade date. Such assets are initially recognized at fair value and subsequently measured according to the amortized cost method, less any impairment losses.

The fair value of a financial instrument is determined according to market price quotations or, where such quotations are not available, estimated according to appropriate valuation techniques that make use of up-to-date financial variables employed by market operators, while also taking account of the prices of recent transactions involving similar financial instruments, where possible.

Trade and other short-term receivables

Trade receivables are initially recognized at their face value (which represents the "fair value" of the transaction) and are subsequently measured at amortized cost, net of impairment losses recognized in the income statement where there is objective evidence that an asset has become impaired. Impairment is calculated as the difference between the carrying amount and present value of estimated future cash flows, discounted at the effective interest rate. In the case of short-term trade receivables in particular, given the brief period of time at issue, measurement at amortized cost is equivalent to nominal value, less impairment losses. Impairment losses are recognized when management consider the full recovery of a receivable to be in doubt. If management considers the amounts non-recoverable, then they are written off in their entirety.

Cash and cash equivalents

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

Banks and other lenders

Bank borrowings relating to the financing of tangible assets and overdrafts are recognized according to the amounts received, net of transaction costs, and are subsequently measured at amortized cost according to the effective interest rate method. The difference between the loan proceeds and nominal value is recognized in the income statement over the term of the loan.

Trade and other payables

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

Derivative instruments

Derivative instruments are used to hedge exposure to interest rate risk (interest rate swaps). Pursuant to IAS 39, derivative instruments qualify for hedge accounting only when at the inception of the hedge there is a formal designation and documentation of the hedging relationship, it is expected that the hedge will be highly effective, its effectiveness may be measured reliably and it will remain highly effective throughout the financial reporting periods for which the hedge is designated. In accordance with IAS 39, all derivative instruments are measured at fair value. When derivative instruments qualify for hedge accounting, the following accounting treatment applies.

Cash flow hedges

These are derivatives aimed at hedging exposure to fluctuations in future cash flows arising in particular from risks relating to changing interest rates on loans and commitments in currencies other than the euro. Changes in the fair value of the effective portion of the hedge are recognized directly in equity and presented in other comprehensive income, whereas the ineffective portion is recognized in the income statement. Hedge effectiveness, i.e. the ability of a hedge to adequately offset fluctuations caused by the hedged risk, is periodically tested, in particular by analyzing the correlation between the fair value of the cash flows from the hedged item and hedging instrument.

Provisions for employee benefits

Liabilities relating to employee benefits paid in the course of service or thereafter in connection with defined-benefit plans are calculated separately for each plan according to actuarial hypotheses by estimating the amount of the future benefit that has accrued to employees in exchange for services rendered during the current and previous years. That benefit is discounted to determine its present value, while any unrecognized past service costs and the fair value of any plan assets are subtracted from the liabilities. The calculation is performed by an independent actuary using the projected unit credit method. The Company recognizes all actuarial gains and losses deriving from defined-benefit plans directly and immediately in the income statement.

In defined-contribution plans, the entity's obligation, which is limited to the payment of contributions to governmental organizations or a segregated body of assets or legal entity (a "fund"), is determined according to the contributions owed.

Provisions for risks and charges

Provisions for risks and charges are recognized to account for costs and expenses the nature of which is fixed and the existence of which is certain or probable, but the amount or date of occurrence of which is not known at the reporting date. Provisions for risks and charges are recognized when the Company has a present obligation as a result of a past event and it is likely that the Company will be required to discharge that obligation, the amount of which can be estimated reliably. Provisions are allocated based on the Directors' best estimate of the costs required to meet the obligation at the reporting date, and are discounted when the effect is significant.

Shareholders' equity

Share capital

Share capital consists of subscribed, paid-in capital. Costs closely correlated with the issuance of shares are classified as reductions in share capital where they consist of costs directly attributable to the capital transaction, net of the deferred tax effect.

Dividends

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

Critical accounting judgments and key estimates

In preparing the financial statements, d'Amico's Directors are required to make assessments, estimates and assumptions that influence the application of accounting principles and the amounts of assets, liabilities, costs and revenue. Directors' decisions are based on past experience and expectations of the occurrence of future events and are therefore to be considered reasonable. However, it should be noted that, since they are in fact estimates, actual results may differ from the results presented in these financial statements. The process of preparing estimates involves the various business areas. Such estimates and assumptions are revised regularly. Any effects deriving from the revision of accounting estimates are accounted for in the period in which the revision is conducted and the associated subsequent periods.

It is believed that certain accounting principles are particularly significant to comprehension of the financial statements. In this respect, the following is an account of the areas most extensively affected by such procedures, as well as of the assumptions employed by management in the process of assessing the foregoing line items, in accordance with the above-mentioned international accounting principles. The critical element inherent in such estimates is a result of the use of assumptions and/or professional judgments concerning matters that are uncertain by nature.

Tax liabilities - Tax liabilities are calculated based on the Company's specific tax situation, determined on the basis of the law in force in the countries where the Company operates.

Defined-benefit plans - The expenses and liabilities associated with such plans are calculated according to estimates prepared by actuarial consultants who use a combination of statistical and actuarial factors, including statistical data concerning previous years and projections of future costs. Estimation components also include mortality and withdrawal rates, assumptions regarding the future discount rate trend, salary growth rates and an analysis of the year-on-year change in healthcare costs. Such estimates may diverge materially from actual results due to the evolution of economic and market conditions, increases/decreases in withdrawal rates and the length of participants' lives and changes in the effective costs of healthcare.

Leases - Lease contracts are classified as operating or finance leases at the commencement of the contractual period and such classification is not modified thereafter. Classification depends on estimates based on contractual conditions. In such case, the "substance over form" approach is adopted.

New accounting principles

Accounting principles adopted from 1 January 2012

There are no new IFRSs (International Financial Reporting Standards) or IFRIC applicable beyond those applied in preparing the financial statements for the year ended 31 December 2011.

Accounting principles, amendments and interpretations not yet in force

As at the date of preparation of these financial statements, the following accounting principles and associated interpretations applicable to the Group had been issued and endorsed by Community legislators but had yet to enter into force and/or become mandatory for adoption only in subsequent years:

IAS 1 Amendment *Presentation of Financial Statements:* the amendments to the Standard are aimed at clarifying the presentation of items attributable to other comprehensive income by facilitating the distinction between items depending on whether they may be reclassified to the separate income statement.
The Company will apply this Standard effective 1 January 2013.

IAS 19 Amendment *Employee Benefits:* The amendment eliminates the option to apply the corridor method. Accordingly, all actuarial gains and losses are to be recognized in the statement of comprehensive income immediately. In addition, past service costs are also to be recognized immediately. Finally, net interest expenses, net of the expected return on plan assets, will be replaced by net interest cost figured by applying the interest rate to the net liability.

IFRS 7 – *Financial Instruments: Disclosures – Transfers of Financial Assets:* the Standard prescribes greater disclosure obligations with respect to transactions involving the transfer of financial assets. The amendments in question aim to increase the transparency of exposures to risks associated with the transfer of financial assets where the seller partially retains exposure to such assets. According to these amendments, transfers of financial assets must be disclosed even when they are not uniformly distributed throughout the entire period.

IFRS 11 *Joint Arrangements:* the Standard enters into effect for financial years beginning on or after 1 January

2014. The accounting Standard applies to all entities that participate in joint control arrangements and will replace IAS 31 *Interests in Joint Ventures*. The accounting treatment depends on the type of joint control arrangement, determined by considering the investor's rights and obligations. With the application of IFRS 11, IAS 28 is modified and renamed *Investments in Associates and Joint Ventures.*

IFRS 12 *Disclosure of Interests in Other Entities:* the Standard enters into effect for financial years beginning on or after 1 January 2014. The Standard requires that information be disclosed concerning the nature of equity investments and the associated risks, as well as the effects of such investments on the financial statements. The required disclosure regards equity investments in subsidiaries, joint arrangements, associates and non-consolidated structured entities.

IFRS 13 *Fair Value Measurement:* the Standard provides indications regarding the determination of fair value where required or permitted by other international accounting standards and contains further disclosure obligations that permit users of financial statements to assess the methods used by entities to conduct fair value measurements and the effects of such measurements on financial results. The Standard will apply to accounting periods beginning on or after 1 January 2013, although early adoption is permitted.

Various other IFRSs have been amended by the Annual Improvements issued in 2012.

There are also some Standards or amendments to existing Standards issued by the IASB or new interpretations by the International Financial Reporting Interpretations Committee (IFRIC) for which the revision and approval process is still ongoing.

These include:

- IFRS 9 *Financial Instruments* – with this Standard, the IASB proposes a significant amendment of the accounting treatment for financial instruments. The final version of this Standard will replace IAS 39. At present, the IASB has amended the requirements concerning the classification and measurement of financial assets currently envisaged in IAS 39 and has published a document regarding the principles for measuring financial instruments at amortized cost and assessing the application of impairment losses. However, the new overall arrangements for financial instruments are subject to discussion as a whole by the various competent bodies and the date of adoption currently cannot be foreseen. The current version of IFRS 9 will be applicable from 1 January 2015, following endorsement by the European Union;

- the 2009-2011 improvement process, which calls for improvements to various Standards, including IFRS 1 (*First-time Adoption of International Financial Reporting Standards*), IAS 1 (*Presentation of Financial Statements*), IAS 16 (*Property, Plant and Equipment*), IAS 32 (*Financial Instruments – Presentation*) and IAS 34 (*Interim Financial Reporting*).

2. Risk management

D'Amico Società di Navigazione S.p.A. is subject to the same type of risks of the other companies belonging to the Group of which it is the Parent Company, whether directly or indirectly through its subsidiaries. Accordingly, the reader is referred to note 22 below, as well as to the notes to the consolidated financial statements.

3. Capital

The objectives pursued by d'Amico Società di Navigazione S.p.A. in managing its capital are:

- to safeguard the Company's ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return for shareholders by operating on the spot/time-charter market, balancing its level of commercial risk.

In addition to equity, the Company's capital structure principally comprises various lines of credit and bank borrowings. The Company's capital structure is periodically reviewed and, where necessary, adjusted to suit the Company's capital requirements, changes in general economic conditions and industry risk characteristics. In this respect, the Company monitors its capital situation continually. As an additional measure of monitoring risk associated with its debt structure, the Company also monitors its debt-to-equity ratio.

4. Revenue

(Euro)	2012	2011
TOTAL	**11,201,618**	**11,621,818**

The revenue presented in the financial statements derives from the services rendered, primarily to Group companies, in the areas of ship management, SQE, legal affairs, information technology and administration.

5. Operating costs

(Euro)	2012	2011
TOTAL	**1,116,919**	**1,134,731**

Operating costs refer to services received and directly associated with the generation of revenue, such as crewing or ship management operations, which are partly outsourced to other Group companies.

6. General and administrative costs

(Euro)	2012	2011
Personnel costs	8,443,657	8,147,952
Other general and administrative costs	10,456,378	6,932,483
TOTAL	**18,900,035**	**15,080,435**

Personnel costs refer to salaries, including pension costs and accruals of end-of-service benefits for personnel in service at year-end. The workforce in service as at 31 December 2012 came to 74 individuals, the same number as in the previous year.

Other costs include compensation for the Company's directors of Euro 1,258,500 (compared to Euro 1,106,000 in the previous year), the costs associated with the Board of Statutory Auditors of Euro 85,611 (Euro 113,584 in 2011) and independent auditing costs of Euro 67 thousand (Euro 52 thousand in 2011). The increase compared to the previous year was due not only to the normal increase in other costs of an administrative nature, but also to the payment of municipal property tax (approximately Euro 300 thousand) and the calculation of pass-through taxation (Euro 2,870 thousand) associated with the income earned by the subsidiary d'Amico International SA, based in Luxembourg. On this latter subject, the reader is referred to the detailed information presented in the report on operations.

7. Dividends, other financial income and financial charges

(Euro)	2012	2011
DIVIDENDS	**64,574,979**	**70,230,225**
Other financial income		
Bank interest	143,274	319,998
Interest on sundry receivables	122,431	138,159
Other income	442,349	257,475
Exchange gains	82,355	1,761,166
Gains on the disposal of equity investments	123,899	-
TOTAL	**914,308**	**2,476,798**
Financial charges		
Interest on borrowings	(1,758,527)	(1,420,561)
Bank interest	(19,536)	(223)
Other financial charges	(117,565)	(7,465)
Losses on equity investments	(372,936)	(314,558)
Financial losses	(21,750)	(234,512)
Exchange losses	(952,312)	(84,949)
TOTAL	**(3,242,626)**	**(2,062,268)**

Dividend income includes the amounts collected and recognized – on a cash basis – in 2012 and is broken down in the following table, which also includes a comparison with the amounts received in 2011:

(Euro)	2012	2011
Subsidiaries		
d'Amico Shipping Italia S.p.A.	10,000,000	48,000,000
d'Amico International S.A.	51,582,720	19,091,671
C.G.Telemar S.p.A.	2,030,574	2,152,408
Sirius	-	30,000
	63,613,294	**69,274,079**
Other companies		
Tamburi Investments Partners S.p.A.	494,375	472,500
Sator SpA	28,000	28,000
Club Tre	227,500	312,000
Datalogic S.p.A.	208,810	183,000
Banca Popolare	-	43,146
Banca Profilo	3,000	7,500
	961,685	**1,046,146**
TOTAL	**64,574,979**	**70,320,225**

Other financial income refers primarily to interest income from banks and other creditors, income deriving from short-term investments in bonds and funds (other income) and foreign exchange gains originating from the differences registered during the year and translation of items of the statement of financial position in foreign currencies still in existence at the exchange rates as at 31 December 2012. Gains on the disposal of equity investments are associated with the liquidation of the associate MS High Wind KG and the sale of the equity investment in Editoriale Mezzogiorno.

Among financial charges, it bears noting that interest on loans is generated by the finance lease contract referring to the head office in Rome and the financing for the property located on Via Paisiello in Rome. Among the other items, it should be noted that losses on equity investments relate to the liquidation of the associate MS Cielo di Parigi KG and the partial waiver of the receivable from Domas Immobiliare to cover the 2011 and 2012 losses, whereas financial losses refer to the impairment of certain warrants in portfolio.

8. Income taxes

(Euro)	2012	2011
Current income taxes		
of which, IRES (corporate income tax)	-	-
of which, IRAP (regional production tax)	20,100	97,100
Adjustment of prior-year taxes	(15,436)	10,728
Deferred taxes	(201,601)	132,789
TOTAL	**(196,937)**	**240,617**

D'Amico Società di Navigazione S.p.A. is subject to the Italian tax code and the ordinary tax rate that applies to its taxable profit is 27.50%.

The following is a statement of reconciliation between charges for taxes recognized in the income statement and the theoretical tax charge calculated on the basis of the ordinary corporate income tax (IRES) rate in force in Italy:

	2012
PROFIT BEFORE TAX	**51,464,747**
Tax adjustments for:	
Reduced taxation of dividends	(62,310,850)
Partial deductibility of costs	5,609,832
Exchange difference due to translation of items in foreign currencies	737,570
Taxable profit or loss	(4,498,701)
Tax charges accrued	-

It should be noted that on the basis of the returns filed to date, the Company presents a total of Euro 2 million in unused prior-year losses (present since tax year 2008). Upon their future use, such prior-year losses will yield a tax savings, calculated according to current tax rates, of approximately Euro 550 thousand.

Deferred tax liabilities arose from the recognition of unrealized positive differences deriving from the translation of accounts receivable in foreign currencies, presented among financial income, which will be taxed only when actually realized. The impact in 2012 is positive inasmuch as measurement at year-end exchange rates entailed an adjustment of the previously accrued amount.

9. Intangible assets

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**131,111**	**45,831**

The amounts of intangible assets refer to software costs, which are amortized over a period of three years. The increase compared to the previous year, net of the amortization charge for the year, relates to software purchases of a recurring nature undertaken during the year.

10. Tangible assets

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**65,953,963**	**66,679,656**

The following table presents changes in tangible assets during the year.

	Land and buildings	Other assets	Total
AS AT 1 JAN. 2012	**65,452,667**	**1,226,989**	**66,679,656**
Additions	1,046,936	113,419	1,160,355
Disposals	-	(1,125)	(1,125)
Depreciation for the year	(1,603,198)	(281,725)	(1,884,923)
AS AT 31 DEC. 2012	**64,896,405**	**1,057,558**	**65,953,963**

Land and buildings include the registered office in Palermo, head office in Rome, property located on Via Paisiello in Rome, purchased in 2011, a warehouse in Genoa and several residential and office units in Rome. The increases during the year primarily relate to work in progress for the renovation of the property on Via Paisiello, as well as the work to modernize the offices on Corso d'Italia (Rome), also nearing completion.

Other assets include furniture and fittings, electronic machines, motor vehicles and office equipment. In addition to the aforementioned, certain purchases of office equipment undertaken in 2012 were recognized as additions to other assets.

Pursuant to article 10 of Law 72/1983, it is hereby specified that tangible assets include the revalued amount of buildings, in the residual amount of Euro 115,995, as a result of the revaluation applied in 1994 following the merger of Segesta Soc. Mob. Fin. S.p.A.

11. Long-term investments

(Euro)	As at 31 December 2012	As at 31 December 2011
TOTAL	**177,496,375**	**173,571,004**

The following is a breakdown of long-term investments by type.

Company name	As at 31 December 2011	Changes Acquisitions/ (disposals)	Measurement at FV	As at 31 December 2012	% interest
Subsidiaries					
d'Amico Shipping Italia S.p.A.	44,976,428			44,976,428	100.00%
d'Amico International S.A.	26,954,779			26,954,779	99.99%
Compagnia Generale Telemar S.p.A.	21,183,807			21,183,807	55.08%
Domas Immobiliare S.r.l.	577,500			577,500	75.00%
Sirius Ship Management S.r.l.	59,578			59,578	60.00%
Mida Maritime Limited	36,706			36,706	51.00%
Other	27,503	75,000		102,503	
	93,816,301	**75,000**	**0**	**93,891,301**	
Associates					
Club 3 S.r.l.	38,968,750			38,968,750	32.50%
Venice Shipping & Logistic S.p.A.	3,039,600	822,000		3,861,600	28.26%
Other	22,000	(22,000)		0	
	42,030,350	**800,000**	**0**	**42,830,350**	
Other companies					
Tamburi investments Partners S.p.A.	21,258,125		56,500	21,314,625	10.38%
Datalogic S.p.A.	8,004,374	52,233	1,190,393	9,247,000	2.40%
Sator S.p.A.	2,800,000			2,800,000	1.09%
Sator Private Equity Fund	2,194,273	1,252,822		3,447,095	-
Civita Servizi S.r.l.	1,460,415			1,460,415	13.85%
Banca Profilo S.p.A.	367,500		450	367,950	0.22%
Gruppo Banco Popolare	1,438,200	104,943	391,913	1,935,056	0.09%
Other	201,466	1,117		202,583	
	37,724,353	**1,411,115**	**1,639,256**	**40,774,724**	
TOTAL	**173,571,004**	**2,286,115**	**1,639,256**	**177,496,375**	

Subsidiaries

The increase in "Other" subsidiaries relates to the amount paid to d'Amico Ship Management Germany, a non-operational company, in view of its liquidation.

Associates

During the year additional investments were made in the associate Venice Shipping & Logistic S.p.A., whereas the two aforementioned German equity investments (Cielo di Parigi KG and High Wind KG) were liquidated.

Other companies

Investments in other companies primarily related to the increased interest in the Sator Private Equity Fund – for which approximately Euro 3.5 million had been paid through 31 December 2012 – by way of partial coverage of the commitment ("on call") relating to the subscription of further interests in the company (as also mentioned below among commitments).

The measurement of those equity investments at fair value, which came to a positive approximately Euro 1.5 million, has been recognized through equity among equity reserves (available-for-sale fair value reserve) and presented in the statement of comprehensive income.

The following table presents total changes in 2011 for comparative purposes only.

Company name	As at 31 December 2010	Changes Acquisitions/ (disposals)	Measurement at FV	As at 31 December 2011	% interest
Subsidiaries					
d'Amico Shipping Italia S.p.A.	44,976,428			44,976,428	100.00%
d'Amico International S.A.	26,954,779			26,954,779	99.99%
Compagnia Generale Telemar S.p.A.	21,183,807			21,183,807	58.02%
Domas Immobiliare S.r.l.	-	577,500		577,500	75.00%
Sirius Ship Management S.r.l.	59,578			59,578	60.00%
Mida Maritime Limited	36,706			36,706	51.00%
Other	27,503			27,503	
	93,238,801	**577,500**	**0**	**93,816,301**	
Associates					
Club 3 S.r.l.	26,716,250	12,252,500		38,968,750	32.50%
Venice Shipping & Logistic S.p.A.	1,177,200	1,862,400		3,039,600	28.26%
Other	22,000			22,000	
	27,915,450	**14,114,900**	**0**	**42,030,350**	
Other companies					
Tamburi investments Partners S.p.A.	16,948,650	2,484,997	1,824,478	21,258,125	10.38%
Datalogic S.p.A.	7,173,467	1,175,951	(345,044)	8,004,374	2.38%
Sator S.p.A.	2,800,000			2,800,000	1.09%
Sator Private Equity Fund	1,990,725	203,548		2,194,273	-
Civita Servizi S.r.l.	904,800	555,615		1,460,415	15.77%
Banca Profilo S.p.A.	675,000		(307,500)	367,500	0.22%
Gruppo Banco Popolare	-	2,634,904	(1,196,704)	1,438,200	0.08%
Other	1,202,001	(1,000,535)		201,466	
	31,694,643	**6,054,480**	**(24,770)**	**37,724,353**	
TOTAL	**152,848,894**	**20,746,880**	**(24,770)**	**173,571,004**	

12. Other non-current financial assets

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**16,482,118**	**6,245,946**

The above balance refers to the receivable from the subsidiary MIDA Maritime Company Ltd, denominated in Japanese yen, as well as the amount paid to the subsidiary Domas Immobiliare S.r.l. in 2012.
The former amount is JPY 622 million (Euro 5.5 million) and has been adjusted to year-end exchange rates. The latter (Euro 10.9 million) relates to the sum paid by way of shareholder loan during the year, net of the waiver to cover the 2011 and 2012 losses.
With regard to the aforementioned receivable in yen, it should be remarked that the exchange-rate risk calculated on a shift in the exchange rate of five percentage points at year-end would have entailed a positive or negative change in measurement of approximately Euro 260 thousand.

13. Other non-current assets

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**729,957**	**824,898**

The item refers solely to sundry taxes receivable

14. Short-term receivables and other non-current assets

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**2,656,183**	**1,770,808**

The foregoing receivables derive from the invoicing of revenue for services rendered according to the contracts in force and are all to be considered set to come due in 2013.

15. Other current financial assets

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**6,100,065**	**5,650,362**

Other current financial assets include short-term investments of liquidity. Except for small movements during the year, the change compared to the previous year is primarily related to measurement at fair value at year-end, which entailed a revaluation of the bonds of Banco Popolare Società Cooperativa A.R.L. by Euro 390 thousand. That amount has been recognized in the specific shareholders' equity reserve, inasmuch as the assets are classified as available for sale.

16. Cash and cash equivalents

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
Bank deposits	4,301,195	17,076,331
Cash	4,296	2,240
TOTAL	**4,305,491**	**17,078,571**

The item is primarily represented by short-term deposits and the change was due to corporate activity and the cash used to undertake investments. The decrease compared to the previous year is illustrated in further detail in the statement of cash flows.

17. Shareholders' equity

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
Share capital	25,000,000	25,000,000
Earnings reserves	154,876,424	110,176,350
Other reserves	(4,756,378)	(2,725,389)
Net profit / (loss)	51,661,684	64,700,074
TOTAL SHAREHOLDERS' EQUITY	**226,781,730**	**197,151,035**

Share capital

The authorized and paid-in share capital of d'Amico Società di Navigazione S.p.A. came to Euro 25 million and was divided into 10 million shares with a par value of Euro 2.50 each.

Earnings reserves

Retained earnings comprise profits retained, net of dividends distributed. It should be noted that as at 31 December 2012 the amount of Euro 2,114,151 was to be considered not available for distribution inasmuch as it derived from revaluations through shareholders' equity and unrealized exchange adjustments applied in previous years. The "realization" of the measurements provisioned in past years and any negative measurements deriving from the 2012 adjustments entailed a decrease in non-distributable amounts of approximately Euro 250 thousand compared to the previous year.

Other reserves

Other reserves include the effects of the measurement at fair value of short- and long-term financial investments undertaken by the Company, as well as the measurement at fair value of the swap contracted to hedge the loan associated with the property on Via Paisiello. The composition of the two reserves is illustrated separately in the statement of changes in shareholders' equity. It should also be noted that a dividend of Euro 20 million (Euro 2.00 per share) was distributed to the shareholders on the 2011 profit.

18. Provisions for risks and charges

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**669,833**	**669,833**

Provisions include allocations for risks or litigation relating to certain ongoing labour suits or disputes. Although the estimated amount of possible risks is less than the amount provisioned, it has been decided to maintain the amount of the provision unchanged on a precautionary basis.

19. Provisions for employee benefits

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**1,883,681**	**2,098,956**

The provision represents the amount allocated and subject to actuarial calculation to account for the liability to employees pursuant to law and labour contracts in force, less the benefits accrued after 1 January 2007, which have been allocated to complementary pension schemes in accordance with Legislative Decree No. 252 of 5 December 2005 (or transferred to the INPS treasury fund). The cited amount also includes the provision set aside for the end-of-service benefits of members of the Board of Directors established in 2006, also discounted as required by international accounting principles.

The following table presents changes in actuarial liabilities in 2012, reconciled with the liabilities presented in the financial statements:

(Euro)	As at 31 Dec 2012
ACTUARIAL LIABILITY AT THE BEGINNING OF THE YEAR	**2,098,956**
Normal cost	280,473
Financial charges	100,255
Disbursements	(497,678)
Unrecognized actuarial (gains) / losses during the period	(98,325)
RECOGNIZED LIABILITY AS AT YEAR-END	**1,883,681**

The main assumptions used in preparing an actuarial estimate of employee-benefit liabilities are in line with the previous year and may be summarized as follows:

Severance indemnities	
Discount rate	Euroboxx Index
Inflation rate	2.03%
Staff turnover rate	5%
Mortality rate	ISTAT 2002

End-of-service benefits	
Discount rate	Euroboxx Index
Inflation rate	2.03%

In accordance with the indications contained in the document PUBLIC STATEMENT – European common enforcement priorities for 2012 financial statement and the ASSIREVI position in its document of 31 January 2013, Bulletin for associates no. 235, the Group has adopted the iBoxx Eurozone Corporates AA 10+ index as the benchmark for determining the annual average discount rate, in continuity with the practice applied in the previous year.

20. Banks and other lenders

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
Non-current payables to financial institutions	33,264,507	34,990,204
Current payables to financial institutions	1,737,981	1,685,138
Other lenders (current)	-	30,300,000
TOTAL	**35,002,488**	**66,975,342**

Payables to financial institutions include the financing of Euro 1.7 million associated with the finance lease agreement entered into with Unicredit Leasing S.p.A. governing the property located at Corso d'Italia 35/b (the location of DSN's head office) and the loan contracted from Banco di Brescia, with a carrying amount of Euro 33.3 million, for the property located in Rome (Via Paisiello), purchased in June 2011, secured by a mortgage on the property concerned. Current payables include the instalments of the loans cited above set to come due in 2013. The portion due beyond years comes to Euro 26,234 thousand and relates solely to the debt contracted with Banco di Brescia.

The interest-bearing loan from the subsidiary d'Amico International S.A., carried at the end of 2011, was repaid in early 2012.

All of the foregoing loans have been contracted in euro.

21. Other non-current financial liabilities

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**4,146,352**	-

The measurement at fair value of the outstanding loan from Banco di Brescia as at 31 December 2012 has been recognized under this item.

22. Short-term payables and other current liabilities

(Euro)	As at 31 Dec 2012	As at 31 Dec 2011
TOTAL	**4,963,407**	**4,362,537**

As at 31 December 2012, short-term payables and other current liabilities consisted of trade payables, in addition to the social-security and tax payables deriving from the Company's role as withholding agent, settled in January 2013.

23. Information on financial risk

As disclosed in note 2, Risk management, the Company is exposed to some financial risks associated with its operations. This section provides qualitative and quantitative disclosures concerning the effect that those risks may have on the Company.

Market risk

Given its role of holding company, the Company is not exposed to market risk bearing directly on its operations.

Foreign-exchange risk

As at 31 December 2012, the Company, with the exception of the loan in Japanese yen contracted by the subsidiary Mida (amount financed of JPY 622.2 million), is not exposed to significant positions payable or receivable in foreign currencies and does not make use of derivative instruments exposed to foreign-exchange risk.

Interest-rate risk

The Company is exposed to interest-rate risk deriving from the fact that interest on its lines of credit, bank deposits and overdrafts (where applicable) accrues at variable rates. As mentioned above, the rate for one of the two loans contracted has been transformed to fixed through an interest rate swap (IRS) contract. The part of the gain or loss arising from the measurement of that instrument at fair value considered a hedge (IAS 39) is recognized in equity and thus in other comprehensive income.

Credit risk

The receivables outstanding as at year-end are essentially claimed from Group companies. There were no past-due items of material amount.

Liquidity risk

The Company is exposed to liquidity risk arising from the possible mismatch between cash requirements and credit facility repayments and cash flows. Information concerning credit facilities is presented in note 19, while the details of commitments are set out in note 23. Management believes that the currently available funds and major lines of credit, along with the cash provided by operating activities, will allow the Company to satisfy its requirements from investing activities and working capital needs and discharge obligations to repay debts at their natural due dates.

Fair-value risk

Management believes that the fair values of financial assets and liabilities do not diverge significantly from their carrying amounts as at the reporting date.

24. Related-party transactions

In the reporting year, as in the previous year, d'Amico Società di Navigazione S.p.A. had dealings with related parties pertaining essentially to service contracts in force with subsidiaries. Such contracts were entered into at normal arm's-length conditions equivalent to those agreed to with independent third parties. The following is a presentation of transactions affecting the income statement undertaken in 2012.

(Thousands of euro)	d'Amico Shipping Italia	Cogema	d'Amico Internat.	d'Amico Finance	d'Amico Internat. Shipping	d'Amico Tankers	Ishima	d'Amico Dry	Mida Maritime
Revenue									
Assistance	4,037	25	100	10	187	3,875	84	2,800	-
Financial	-	-	-	-	-	-	-	-	117

For dividend revenue, please refer to the illustrative table presented in note 7.

(Thousands of euro)	Cogema	d'Amico International	Ishima	d'Amico Ship India	Sirius Shipmanagement
Costs					
Operating/administrative	1,295	-	328	103	613
Financial	-	126	-	-	-

Owing to their nature, given that they derive from long-term contracts, the amounts relating to services rendered in 2012 do not diverge significantly from those reported in the previous year.

The following table presents the balances of the statement of financial position as at 31 December 2012:

(Thousands of euro)	d'Amico Shipping Italia	Cogema	d'Amico International	d'Amico Tankers	Ishima	d'Amico Dry	Mida Maritime	d'Amico Finance Ltd	Domas Immobiliaria srl	Sirius Shipmanagem.	d'Amico Ship India
Receivables											
Trade	-	4	25	873	142	721	-	9	-	-	13
Financial	-	-	-	-	-	-	5,476	-	11,162	-	-
Payables											
Trade	6	1	-	-	91	-	-	-	-	6	-
Financial	-	-	-	-	-	-	-	-	-	-	-

25. Guarantees, commitments and contingencies

Guarantees given

With the exception of several comfort letters issued on behalf of the indirect subsidiary d'Amico Dry Limited, there were no guarantees given to third parties as at 31 December 2012.

Commitments

As at 31 December 2012, in addition to pre-determined principal payments according to the repayment schedule presented among payables to banks and other lenders, the Company is also committed to make the associated interest payments. The amount of the payments still to be made, from 1 January 2013 to the conclusion of the loans, may be estimated at approximately Euro 12.9 million, due almost solely to finance the property located on Via Paisiello in Rome.
In addition, it bears mentioning that the Company, which is committed to pay Sator Private Equity Funds the maximum amount of Euro 10 million, had a residual commitment of approximately Euro 6.5 million as at 31 December 2012.

Ongoing disputes

The Company is currently a party to ongoing legal disputes relating to commercial and labour matters for which ample allocations have been made to provisions for risks and charges. There are no other disputes that may give rise to potential liabilities.

26. Sundry disclosures

As required by applicable legislation, it is hereby disclosed that:
the Company does not hold own shares or shares of parent companies;
no research or development activities were carried out in 2012;
no atypical or unusual transactions were undertaken.

27. Subsequent events

No significant events worthy of mention occurred in the first few months of 2013.


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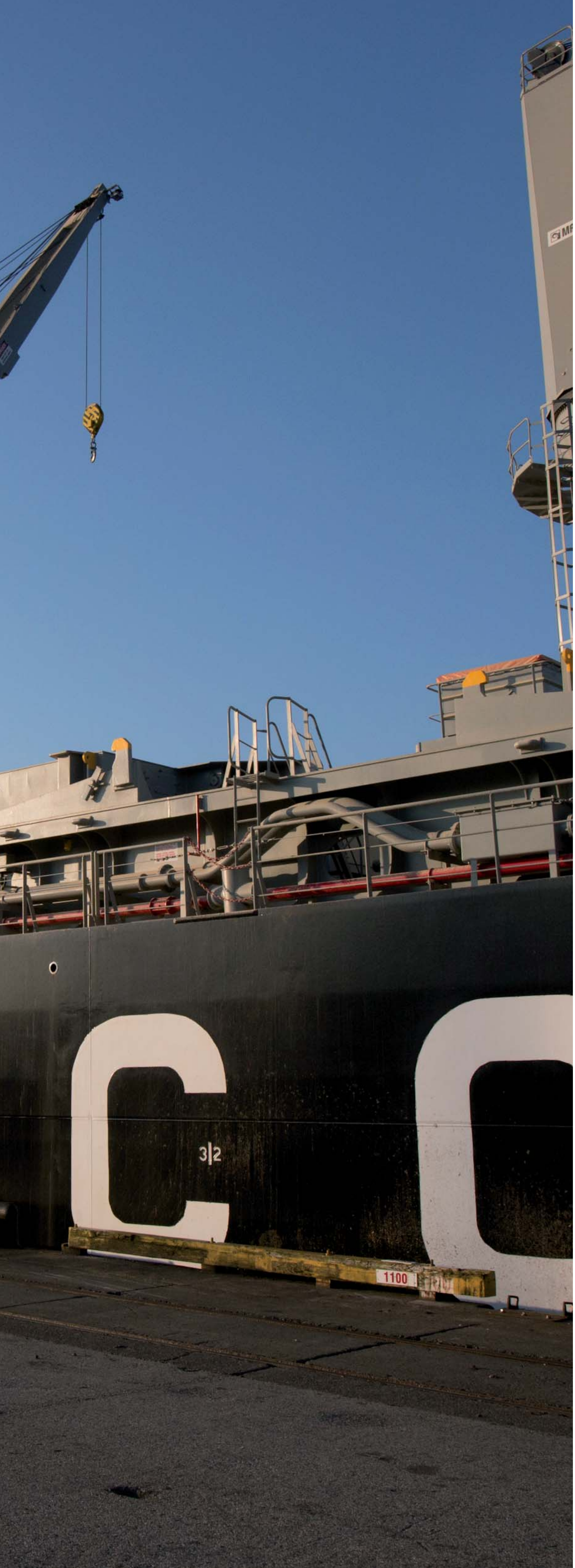

Annexes

Annexes

List of Fleet Vessels as at 31 December 2012

Dry cargo

Name of vessel	Vessel type	Dwt	Year	Company
OWNED				
Medi Sentosa [1]	Panamax	83,690	2008	Mida Maritime Ltd
Medi Lausanne	Panamax	83,002	2006	d'Amico Dry Limited
Medi Hong Kong	Panamax	83,000	2006	d'Amico Shipping Italia SpA
Medi Baltimore	Panamax	76,290	2005	d'Amico Shipping Italia SpA
Medi Venezia	Panamax	76,600	2005	d'Amico Shipping Italia SpA
Medi Vitoria	Panamax	76,616	2004	d'Amico Dry Limited
Medi Cagliari	Panamax	75,500	2004	d'Amico Shipping Italia SpA
Medi Tokio	Panamax	74,356	1999	d'Amico Shipping Italia SpA
Medi Valencia	Handymax	56,000	2008	d'Amico Shipping Italia SpA
Medi Bangkok	Handymax	53,466	2006	d'Amico Dry Limited
Medi Lisbon	Handymax	58,700	2006	d'Amico Dry Limited
Medi Chennai	Handymax	55,862	2005	d'Amico Dry Limited
Medi Shanghai	Handymax	56,000	2005	d'Amico Dry Limited
Medi Nagasaki	Handymax	53,098	2002	d'Amico Dry Limited
Cielo di Vaiano	OHBS	37,000	2012	d'Amico Dry Limited
Cielo di Capalbio	OHBS	37,000	2012	d'Amico Dry Limited
Cielo di Dublino	OHBS	37,000	2011	d'Amico Dry Limited
Cielo di San Francisco	OHBS	37.000	2011	d'Amico Dry Limited
Cielo di Livorno	OHBS	37,277	2008	d'Amico Dry Limited
Cielo di Genova	OHBS	32,353	2005	d'Amico Dry Limited
Cielo di Monfalcone [1]	OHBS	37,420	2002	d'Amico Shipping Italia SpA
Cielo di Vancouver [1]	OHBS	37,420	2002	d'Amico Shipping Italia SpA
Cielo di Casablanca	Containers Carrier	9,950	1998	d'Amico Dry Limited
Cielo di Agadir	Containers Carrier	22,984	1996	d'Amico Dry Limited
CHARTERED				
Medi Salerno	Panamax	81,000	2008	d'Amico Dry Limited
Medi Antwerp	Panamax	76,600	2007	d'Amico Dry Limited
Medi Singapore	Panamax	75,397	2006	d'Amico Dry Limited
Medi Genova	Panamax	75,600	2004	d'Amico Dry Limited
Medi Okinawa	Handymax	56,000	2011	d'Amico Dry Limited
Medi Paestum	Handymax	55,500	2009	d'Amico Dry Limited
Medi Segesta	Handymax	58,000	2009	d'Amico Dry Limited
Medi Firenze	Handymax	58,000	2008	d'Amico Dry Limited
Medi Imabari	Handymax	56,047	2008	d'Amico Dry Limited

Name of vessel	Vessel type	Dwt	Year	Company
CHARTERED				
Cielo di Savona	OHBS	33,225	2008	d'Amico Dry Limited
Cielo di Pisa	OHBS	32,248	2008	d'Amico Dry Limited
Cielo di Tokyo	OHBS	37,296	2008	d'Amico Dry Limited
Cielo di Venezia	OHBS	37,313	2008	d'Amico Dry Limited
Cielo di Amalfi	OHBS	37,322	2007	d'Amico Dry Limited

Name of vessel	Vessel type	Dwt	Expected delivery	Company
NEW BUILDINGS				
Yangfan SBC hull 2284	Handysize	37,000	2014	d'Amico Dry Limited
Yangfan SBC hull 2285	Handysize	37,000	2014	d'Amico Dry Limited
Yangfan SBC hull 2287	Handysize	37,000	2014	d'Amico Dry Limited
Yangfan SBC hull 2288	Handysize	37,000	2014	d'Amico Dry Limited
Medi TBN (Sanoyas/1315)	Mini Capesize	115,000	2015	d'Amico Dry Limited
Medi TBN (Sanoyas/1316)	Mini Capesize	115,000	2015	d'Amico Dry Limited

[1] Chartered to d'Amico Dry.

Product tankers

Name of vessel	Vessel type	Dwt	Year	Company
OWNED				
GLENDA Meryl [2]	MR	47,251	2011	Glenda International Shipping
GLENDA Melissa [2]	MR	47,203	2011	Glenda International Shipping
GLENDA Melody [2]	MR	47,238	2011	Glenda International Shipping
GLENDA Melanie [2]	MR	47,162	2010	Glenda International Shipping
GLENDA Meredith [2]	MR	46,147	2010	Glenda International Shipping
GLENDA Megan [3]	MR	47,147	2009	Glenda International Shipping
High Efficiency [3]	MR	46,547	2009	DM Shipping Ltd
High Strength [3]	MR	46,800	2009	DM Shipping Ltd
High Venture	MR	51,087	2006	d'Amico Tankers Limited
High Courage	MR	46,975	2005	d'Amico Tankers Limited
High Performance	MR	51,303	2005	d'Amico Tankers Limited
High Presence	MR	48,700	2005	d'Amico Tankers Limited
High Priority	MR	46,847	2005	d'Amico Tankers Limited
High Prosperity	MR	48,711	2005	d'Amico Tankers Limited
High Progress	MR	51,303	2005	d'Amico Tankers Limited
High Valor	MR	46,975	2005	d'Amico Tankers Limited
High Endeavour	MR	46,992	2004	d'Amico Tankers Limited
High Endurance	MR	46,992	2004	d'Amico Tankers Limited
High Challenge	MR	46,475	1999	d'Amico Tankers Limited
High Spirit	MR	46,473	1999	d'Amico Tankers Limited
High Tide	MR	51,768	2012	d'Amico Tankers Limited
High Seas	MR	51,768	2012	d'Amico Tankers Limited
Cielo di Milano	Handysize	40,096	2003	d'Amico Shipping Italia SpA
Cielo di Roma	Handysize	40,081	2003	d'Amico Shipping Italia SpA
Cielo di Salerno	Handysize	36,032	2002	d'Amico Tankers Limited
Cielo di Londra	Handysize	35,985	2001	d'Amico Tankers Limited
Cielo di Parigi	Handysize	36,032	2001	d'Amico Tankers Limited
CHARTERED				
High Force	MR	53,603	2009	d'Amico Tankers Limited
High Pearl	MR	48,023	2009	d'Amico Tankers Limited
High Enterprise	MR	45,800	2009	d'Amico Tankers Limited
High Jupiter	MR	51,149	2008	d'Amico Tankers Limited
High Mars	MR	51,149	2008	d'Amico Tankers Limited
High Mercury	MR	51,149	2008	d'Amico Tankers Limited
High Saturn	MR	51,149	2008	d'Amico Tankers Limited
High Glow	MR	46,846	2006	d'Amico Tankers Limited
High Energy	MR	46,874	2004	d'Amico Tankers Limited
High Power	MR	46,874	2004	d'Amico Tankers Limited
High Nefeli	MR	45,976	2003	d'Amico Tankers Limited
Eastern Force	MR	48,056	2009	d'Amico Tankers Limited

Name of vessel	Vessel type	Dwt	Year	Company
CHARTERED				
Torm Hllerup	MR	45,990	2008	d'Amico Tankers Limited
Freja Hafnia	MR	53,700	2006	d'Amico Tankers Limited
Marvel	Handysize	38,603	2008	d'Amico Tankers Limited
Malbec	Handysize	38,499	2008	d'Amico Tankers Limited
Cielo di Guangzhou [4]	Handysize	38,877	2006	d'Amico Tankers Limited

Name of vessel	Vessel type	Dwt	Expected delivery	Company
NEW BUILDINGS				
H # 2385	Handysize	40,000	2014	d'Amico Tankers Limited
H # 2386	Handysize	40,000	2014	d'Amico Tankers Limited
H # 2407	MR	50,000	2014	d'Amico Tankers Limited
H # 2408	MR	50,000	2014	d'Amico Tankers Limited

[2] d'Amico International Shipping owns 50% of GLENDA International Shipping Limited

[3] d'Amico Tankers Limited owns 51% of DM Shipping Limited. Vessels are chartered to d'Amico Tankers Limited

[4] Bare boat contract

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REPORT OF THE AUDITORS
TO THE MEMBERS OF
d'AMICO SOCIETA' di NAVIGAZIONE S.p.A.

ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31ST, 2012

1. We have audited the accompanying Consolidated Financial Statements of d'Amico Società di Navigazione S.p.A. ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at December 31st, 2012 and the consolidated income statement, the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.
These Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards adopted by the European Union, are the responsibility of the Company's Management of d'Amico Società di Navigazione S.p.A.

Our responsibility is to express an opinion on these Financial Statements based on our audit. This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose.
To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

2. Management is responsible for the preparation and fair presentation of these Consolidated Financial Statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

3. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit, which we have conducted in accordance with the international and national standards applicable. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. In our opinion, the Consolidated Financial Statements present fairly, in all material aspects, the consolidated financial position of the Company and the subsidiaries as of December 31st, 2012 and the considered financial performance and cash flows for the year then ended in accordance with Standards reported in this report.

Milano, 15th May 2013

MOORE STEPHENS CONCORDE

Moore Stephens
Concorde
Legal Auditors

Giuseppe A. Barranco
Partner

(English translation from the Italian original report issued in accordance with the Italian practice)

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R. E. A. MI-669647
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FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2012

Auditors' Report
art. 14 of D.Lgs 27th January 2010 n° 39

To the Shareholders of
d'Amico Società di Navigazione S.p.A.

1. We have audited the financial statements of d'Amico Società di Navigazione S.p.A. for the year ended December 31st, 2012 with net equity of € 226.781.730 and net profit of € 51.661.684. These financial statements, prepared in accordance with the International Financial Reporting Standards adopted by the European Union and by the Company, are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the established auditing standards by the National Council of Dottori Commercialisti and Esperti Contabili. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and are reliable taken as a whole. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements as well as assessing the accounting principles used and significant estimates made by the Company's Management. We believe that our audit provides a reasonable basis for our opinion.

As required by the law, the financial statements make reference to the audited comparative figures of previous year for which we refer to our report issued on 9th May 2012 and to the Company's Management notes, which we have examined to express our opinion on the financial statements for the period then ended.

3. In our opinion, the financial statements of d'Amico Società di Navigazione S.p.A. as of December 31st, 2012 comply with the International Financial Reporting Standards adopted by the European Union and accordingly give a true and fair view of the financial position of the Company and the results of its operation for the year then ended.

4. Responsible for the management report, in accordance with the rules of the law, is the Company's Management. Our responsibility is to express an opinion on the consistency of the management report with the financial statements as required by the law. To this we have performed the procedure specified by the PR 001 accounting standard issued by the National Council of Dottori Commercialisti and Esperti Contabili and recommended by the National Commission for the Company and the Stock Exchange (Consob).
In our opinion the management report is consistent with the financial statements of d'Amico Società di Navigazione S.p.A. ended December 31st, 2012.

5. For a better understanding of the financial statements we draw attention to the following:

5.1 The Company has investments in subsidiaries and, in compliance with the legal requirements, has prepared the consolidated financial statements of the Group, which represent an integration of the financial statements in order to give a better information on the financial position and the results of operation of the Company and the Group. The consolidated financial statements have also been examined by us and, together with our audit report, presented to the shareholders meeting for approval.

Milano, 15th May 2013

MOORE STEPHENS CONCORDE

Moore Stephens
Concorde
Legal Auditors

Giuseppe A. Barranco
Partner

(English translation from the Italian original report issued in accordance with the Italian practice)

Board of Statutory Auditors' Report on the Consolidated Financial Statements for the Year Ended 31 December 2012

Shareholders,

The consolidated financial statements of d'Amico Società di Navigazione S.p.A., which as at 31 December 2012 closed with a net loss of Euro 75,985,000 (of which Euro 51,521,000 was attributable to the Group), have been drafted in accordance with the international accounting principles (International Financial Reporting Standards – IFRSs) published by the International Accounting Standard Board (IASB) and adopted by the European Union.

The pertinent information and documentation were made available to us within the legal terms, along with the report on operations.

Considering that the independent auditors are assigned the task of verifying that the consolidated financial statements are compliant with the law and reflect accounting and consolidation records, our surveillance activities have been carried out in compliance with the principles of conduct for boards of statutory auditors issued by Italy's National Councils of Accountants and Bookkeepers, and involved in particular:

- verifying the existence and adequacy within the Company's organizational structure of a function responsible for dealings with subsidiaries and associates;
- reviewing the composition of the Group and its participation ownership structure in order to determine the scope of consolidation and changes with respect to the previous financial statements;
- obtaining information regarding the activity performed by the subsidiaries and on transactions with the significant impact on financial performance and position within the Group through information received from the directors, the independent auditors and the statutory auditors of subsidiaries.

We conducted our review according to the principles laid down by the Italian Council of Chartered Accountants and Accounting Experts. In accordance with those principles, we consistently referred to the provisions of law that govern the consolidated financial statements.

The consolidation principles adopted are compliant with the provisions of IAS 27, and specifically:

- the reporting date of the consolidated financial statements coincides with the balance sheet date of the parent company, and the consolidated financial statements are based on the financial statements of the companies within the scope of consolidation for the year ended on that date;
- the scope of consolidation has been determined, and the participated companies' consolidation principles have been applied in accordance with IFRSs;
- in the preparation of the consolidated financial statements, elements of assets and liabilities have been incorporated in their entirety, whereas accounts payable and receivable and revenue and expenses originating in transactions between companies within the scope of consolidation have been eliminated;
- the financial statements present the facts and information of which the Board of Statutory Auditors became aware in the exercise of its supervisory duties and exercising its powers of control and inspection;
- the Group's report on operations is consistent with the data and results of the consolidated financial statements and provides full information on the Group's financial position and the risks to which the Group is exposed as well as on significant events occurring after the date of end of the year.

The independent auditors have issued a report which shows that the consolidated financial statements as at 31 December 2012 are presented clearly and give a true and fair view of the financial position and results of operations of the d'Amico Group.

On the basis of the controls performed, the Board of Statutory Auditors believes that the consolidated report on operations is accurate and consistent with the consolidated financial statements.

The Board of Statutory Auditors

d'Amico Società di Navigazione S.p.A.
Board of Statutory Auditors' Report on the Financial Statements for the Year Ended 31 December 2012

Shareholders,

The supervisory activity attributed to the Board of Statutory Auditors pursuant to art. 2403 of the Italian Civil Code has been performed in accordance with the principles of conduct recommended by Italy's National Council of Accountants and Accounting Experts.

In this regard, you will recall that Moore Stephen Concorde S.R.L. of Milan has been engaged to provide legal auditing of the accounts and that the Company voluntarily adopted IFRS accounting principles effective financial year 2010.

Accordingly, this report has been drafted pursuant to art. 2429, paragraph 2, of the Italian Civil Code.

We have examined the draft financial statements, including the notes and report on operations prepared by the directors and duly submitted in the Board of Statutory Auditors.

During the year, no single transaction of an atypical or unusual nature were undertaken either with related or third parties.

The Board of Statutory Auditors informs the shareholders that during the year:

- it attended the shareholders' general meeting and the board of directors and executive board meetings, in connection with which, on the basis of the information available, it has not detected any violations of the law or the Articles of Association, transactions of a clearly imprudent, excessively risky nature, transactions in potential conflict of interest or transactions of a sort that might jeopardize the integrity of the Company's assets;
- it obtained information from the directors, during the meetings held, regarding the general operating performance and business outlook, as well as for any transaction of greater relevance, by scope and characteristics, undertaken by the Company (art. 2381 of the Italian Civil Code);
- it acquired and monitored, to the extent of its competence, the adequacy of the organizational system, also through the collection of information from the managers of the principal company functions, and does not have particular remarks to submit;
- it held periodic meetings with the external auditors in charge of the legal auditing of the accounts (Legislative Decree No. 39 of 2010) and with the supervisory board (Legislative Decree No. 231 of 2007), which did not show the existence of facts or irregularities or information requiring specific inquiries or mention in this report;
- during the year, no complaints were received pursuant to art. 2408 of the Italian Civil Code, no petitions were lodged by third parties and no legal opinions were requested or issued.

We have also examined the financial statements as at and for the year ended 31 December 2012 and the criteria used to draft them does not differ from that used for the financial statements of the previous year, particularly in the assessment and continuity of principles. We may therefore assure you that the financial statements have been prepared in a clear manner and provide a truthful and accurate representation of the Company's financial position.

The following are key figures drawn from the financial statements:

Statement of financial position

Euro	As at 31 December 2012
ASSETS	
NON-CURRENT ASSETS	**260,793,524**
CURRENT ASSETS	**13,061,739**
TOTAL ASSETS	**273,855,263**
LIABILITIES	
SHAREHOLDERS' EQUITY	
Share capital	25,000,000
Reserves	150,120,046
Net profit / (loss)	51,661,684
TOTAL SHAREHOLDERS' EQUITY	**226,781,730**
NON-CURRENT LIABILITIES	**40,372,145**
CURRENT LIABILITIES	**6,701,388**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**273,855,263**

Income statement

Euro	As at 31 December 2012
Revenue	11,201,618
Operating and general costs	(20,016,954)
GROSS OPERATING PROFIT / (LOSS)	**(8,815,336)**
Depreciation and amortization	(1,966,578)
OPERATING PROFIT / (LOSS)	**(10,781,914)**
Dividends	64,574,979
Other financial income	914,308
Financial charges	(3,242,626)
PROFIT / (LOSS) BEFORE TAXES	**51,464,747**
Income taxes	196,937
NET PROFIT / (LOSS)	**51,661,684**

To the extent of our competence, we have acquired knowledge and verified the adequacy and functioning of the administrative and accounting system, as its reliability in practice to correctly represent the results of operations by obtaining information from the managers and do not have any finding to report.

The Board of Auditors has verified the system for identifying, monitoring and managing risks in the context of financial reporting aimed at assessing administrative and accounting procedures.

In view of the foregoing and also in consideration of the activity performed by the entity in charge of the legal auditing of accounts, the Board of Statutory Auditors expresses a favourable opinion for the approval by the general meeting of the shareholders of the financial statements for the year ended 31 December 2012, as prepared by the Board of Directors.

The Board of Statutory Auditors

Photos by Federico Soffici of d'Amico Group: page 13, 21, 27, 59, 77, 102-103, 109

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