d'Amico

Annual Report 2016

d'Amico Società di Navigazione S.p.A.

d’Amico Società di Navigazione S.p.A.

2016 Annual Report

CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS

As at 31 December 2016

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BOARD OF DIRECTORS AND AUDITORS

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
Renzo Marini

Substitute auditors
Fabio Casasoli
Roberto Nardi

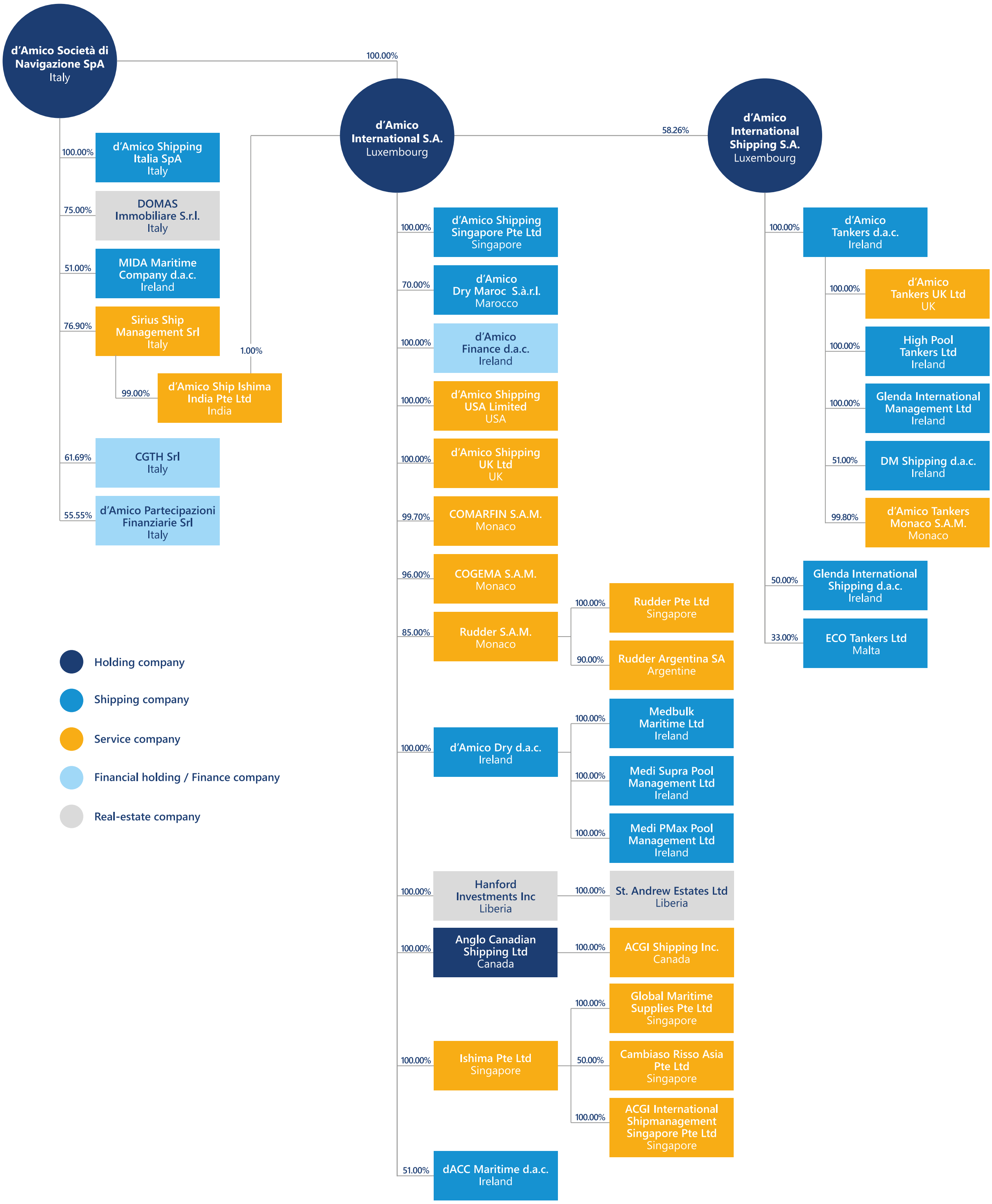
Independent Auditors

PriceWaterhouseCoopers SpA

(1) Members of the Executive Committee

REPORT ON OPERATIONS

GROUP STRUCTURE



d’Amico Società di Navigazione Group

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

SUMMARY OF RESULTS

Income Statement Figures (Thousands of euro)	2016	2015
Consolidated revenue	706,932	966,738
Consolidated costs	(695,931)	(880,611)
Income on the disposal of fixed assets	16,623	5,269
EBITDA	**27,624**	**91,396**
EBIT	**(62,184)**	**25,140**
Net profit or loss	**(92,545)**	**504**
Net profit / (loss) - Minorities	(4,731)	23,097
Group net profit or (loss)	**(87,814)**	**(22,593)**

The 2016 financial statements show a loss of Euro 92.5 million including Euro 4.5 million attributable to minority interests.

BUSINESS AREAS

Dry cargo and container ships

The Group operates in the ***dry-cargo*** sector of the shipping market through **d'Amico Dry, d'Amico Shipping Singapore, d'Amico Shipping Italia S.p.A.** ("DSI"), **d'Amico Dry Maroc S.a.r.l.**, **DACC Maritime and Mida Maritime Company.**
The "List of ships" attached to the financial statements provides a complete list of the ships managed at the end of the year comprising both owned ships and ships on long-term charters. Vessels employed based on "short-term" charters in order to satisfy flexibility needs and seize opportunities presented by the market are not provided, as they do not represent an integral part of the d'Amico Group's fleet.
In further detail, the Group's Business Unit Dry Cargo operates in the following segments: Handysize (from 32,000 DWT to 39,000 DWT), Handymax/Supramax (from 52,000 DWT to 60,000 DWT), Panamax/Kamsarmax/Post-Panamax (from 74,000 DWT to 89,000 DWT) and Minicape (from 100.000 DWT to 120,000 DWT).
The composition of the Dry Cargo fleet was as follows as at 31 December 2016, as reflected in tangible assets:

	As at 31 December 2016					
	Handysize	Supramax	Panamax	Minicape	P/Containers	Total
Owned	**13**	**5 (*)**	**6**	**2**	**3**	**29**
Chartered	**7**	**8**	**6**	**-**	**-**	**21**
TOTAL	**20**	**13**	**12**	**2**	**3**	**50**

(*) the above number includes 50% of four DACC-owned vessels consolidated at Equity.

The raw material segments of the shipping market in which the Group operates globally include the grain, coal and ore sectors, in which the Group boasts longstanding experience, as well as other bulk commodities such as steel products, steel pipes, fertilisers, cement and petcoke.

The presence in different segments and the quality of the fleet, commercial reliability combined with the flexibility of the offered solutions and strong long-term relationships are the competitive advantages that the d'Amico Group has established over the years in the dry-cargo business.

This business also includes the transportation of forestry products from North America to ports on the Mediterranean, as well as from South America (primarily Brazil and Chile) to European and Asian ports. These shipments are based on both long-term contracts with the major timber producers and voyage-based contracts that allow the Group to maximise short-term opportunities presented by the market.

The vessels in the d'Amico fleet are mainly employed under voyage-based contracts, with the residual traffic under "time-charter" (medium-/long-term) contracts.

Tankers

The Group's tanker business is under the control of **d'Amico International Shipping SA**, primarily through its subsidiary **d'Amico Tankers d.a.c.**, based in Ireland, with a fleet with an average age of approximately 7.7 years, compared to a sector average of 10.2 years (source: Clarkson). A small part of the activity was also present in the **d'Amico Shipping Italia** until shortly after mid-2016 when the last "tanker" vessel until then owned by the Italian subsidiary was sold.

As at 31 December 2016, 52.8 vessels were directly employed: 18.8 MR ("Medium Range") and 4 Handysize vessels under fixed-term contracts, whereas 23 MR and 7 Handysize vessels are currently employed on the spot market. The Group also employs some of its vessels through joint ventures.

All of the vessels of the Group have double hulls and are primarily employed in shipping refined petroleum products, by providing maritime shipping services on a global scale to the major oil companies and trading firms. In addition, all vessels comply with IMO (International Maritime Organisation) 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, cargoes such as palm oil, vegetable oil and other chemical products may only be transported by tankers that meet said requirements ("IMO-classed" vessels). As at 31 December 2016, 69% of the tanker fleet's vessels were IMO-classed, allowing the Group to transport a wide range of products described above.

The total of 52.8 vessels at the end of the financial year is summarised in the table below.

Tankers	**As at 31 December 2016**		
	MR	Handysize	Total
Owned	**23,3**	**8,0**	**31,3**
Chartered	**18,5**	**2,0**	**21,5**
Total	**41,8**	**11,0**	**52,8**

Refer to the attachment for the complete list of vessels in the fleet at the end of 2016, broken down by type.

Use of the fleet and partnerships

As at 31 December 2016, the above-mentioned vessels were employed: 18.8 MR ("Medium Range") and 4 Handysize vessels under fixed-term contracts, whereas 23 MR and 7 Handysize vessels were employed on the spot market. The Group also employs some of its vessels through joint ventures.

GLENDA International Shipping d.a.c., a 50%-50% joint venture with the Glencore Group. The joint venture owns 6 MR vessels built between August 2009 and February 2011. Glenda International Shipping charters out three vessels to d'Amico Tankers d.a.c. and three vessels to the Glencore Group.

DM Shipping d.a.c., a 51%-49% joint venture with the Mitsubishi Group. The joint venture owns 2 MR vessels built in July and October 2009, respectively.

Eco Tankers Limited, a joint venture with Venice Shipping & Logistics S.p.A., in which d'Amico International Shipping SA holds an equity interest of 33%. This joint venture owns a 50,000 dwt "eco-design" MR tanker, built by Hyundai-Vinashin Shipyard Co., Ltd and delivered in May 2014. The commercial, technical, and administrative management of the vessel is carried out by companies belonging to the d'Amico Group.

Company fleet: Ship value/Impairment

It is standard practice to compare the carrying amounts of the vessels in the Company's fleet with their estimated market values/recoverable values by performing impairment tests for the various business areas. Based on the market situation of the fleet at the end of the financial year under examination and future projections, the Group decided it was not necessary to record any impairment, as the values shown in the financial statements are considered "recoverable".

Maritime services

Within the Group, certain companies perform preliminary activities to the main shipping business in order to take advantage of synergies. The services rendered benefit not only the d'Amico fleet, but also external clients, and comprise in particular (i) **ship management,** (ii) **maritime telecommunication services,** (iii) **insurance brokerage** and (iv) intermediation in ship fuel purchases ('**bunkering**')..

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 Group companies, and through the indirect subsidiary **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 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 Parent Company holds an interest of slightly more than 55% until November 2016 when the interest was sold to third parties. In this regard, please refer to a specific part of the report for a wider specification of the operation.

Bunkering operations are conducted by **Rudder S.A.M. ("RUDDER")**, also through its subsidiaries in Argentina and Singapore, and the bunkering services provided 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.

Crew management operations are entrusted to **Sirius Ship Management S.r.l. ("SIRIUS")**, including through its subsidiaries, responsible for recruiting, provision of payroll services and training seagoing personnel for both Group companies and third parties.

Financial and real-estate investments

The consolidated financial statements include a series of equity interests in the financial investment sector through the Parent Company d'Amico Società di Navigazione S.p.A. and the sub-holding company d'Amico International S.A. 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. The principal investments are noted below:

- ***Tamburi Investment Partners S.p.A.*** - an independent merchant bank listed on the STAR segment of Borsa Italiana S.p.A. of Milan, focused on purchasing equity interests in Italian and foreign companies. The equity interest held directly and indirectly by d'Amico Società di Navigazione S.p.A. as at 31 December 2016 was 12.08%;

- ***Clubtre S.p.A.*** – a company whose owners include Tamburi Investment Partners S.p.A., which holds a 35% interest, as well as Angelini Partecipazioni Finanziarie S.r.l. and d'Amico Società di Navigazione S.p.A., each with a 22.93% interest. As at 31 December 2016, d'Amico Società di Navigazione S.p.A. had invested a total amount of over Euro 22 million. Clubtre S.p.A. holds as at 30 June 2016 an interest of 5.86% in Prysmian S.p.A., a global leader in cabling and high-tech systems for energy transmission and telecommunications;

- ***TIP-PRE IPO S.p.A.*** – incorporated in 2014 with the purpose of acquiring minority interests in Italian or foreign companies. These interests, in industrial or service sectors, must have the goal of being listed in a regulated stock market within five years. The equity interest is held both directly by the Parent Company and through d'Amico Partecipazioni Finanziarie Srl ("DPF"), for a total of 3.57% of the share capital as at 31 December 2016;

- ***ClubItaly Srl*** – this interest was held through the subsidiary d'Amico Partecipazioni Finanziarie Srl (DPF) for a total amount of over Euro 9 million, corresponding to approximately 7.50% of the share capital. During 2016, the equity investment in ClubItaly was sold with put and call option under the same conditions as it was sold.

- ***Venice Shipping and Logistics S.p.A.*** – a company whose main shareholders as at 31 December 2016 were Palladio Finanziaria S.p.A. (57.13%), d'Amico Società di Navigazione S.p.A. (28.45%) and Vega Finanziaria S.p.A. (14.29%). The company was incorporated in September 2009 and primarily engages in investment transactions in the shipping and shipping logistics sectors.

- ***Asset Italia SpA*** – a new investment management company set up in 2016 where the Parent Company holds a small stake of 3.64% for an invested amount of approximately Euro 700 thousand. It is a five-year investment project and the investments will be decided on the basis of the various market opportunities without the obligation for shareholders to join.

ORGANIZATION AND HUMAN RESOURCES

As at 31 December 2016, d'Amico Group employed a total staff of 1,620, of whom 1,294 were seagoing personnel and 326 onshore personnel.

In 2016, the Group confirmed its strategy and focus on human capital, considering the contribution of these resources (at every level of the organisation) as a fundamental lever for gaining a competitive advantage in the context of the Group's business.

The size of the Group and the complexity of its operations require a constant investment in the professionalism of the personnel for handling effectively the challenges of the business. Company directives are focused on creating a working environment that is motivating, has a positive impact on the organisational environment and, as a result, on the productivity of assets and, by extension, on company results.

The innovations introduced on "people development" systems have led to a more timely planning and delivering of the training initiatives needed to constantly adapt and develop the company's expertise and link these activities to an improvement in business performance and productivity: 58% of the training hours delivered were focused on consolidating managerial and leadership skills by continually consolidating core aspects relating more specifically to shipping issues.
Constant attention is given to the development and retention of key staff in fleet management: a retention rate of 94% for 2016 certainly marks the achievement of an extremely satisfactory result.

In the latter part of 2016, the People Performance Management system (key process for talent management and incentive system) was significantly revised in order to consolidate the process based on the latest and best business practices.

In 2016, the Group structured the incentive system by introducing a stock option plan. The purpose of the plan is to strengthen and improve the participation and correlation between the Group and its executives and key managers with strategic responsibilities. On this regard, the Plan intends to strengthen the alignment of the interests of the persons involved in the Plan (the "Beneficiaries") when the priority objective of value creation for shareholders in the medium to long term is reached, and focus on strategic factors including trend in the price of the Company's shares.
In this sense, the Group continues to implement reward systems that sharply target individual and company performance and compensation policies aimed at fostering an effective pay-for-performance system.

The Company continues to pay a considerable amount of attention to seagoing personnel in accordance with its social responsibility as part of the business strategy. Crewing is one of the key elements in the safe and efficient use of the fleet. The crewing policy implemented by the Group constantly aims to promote on-board safety and environmental protection, while also maintaining conditions of crew efficiency and reliability. Achievement of these objectives is founded upon three pillars: a meticulous selection process, thorough training and a continual monitoring and assessment system for personnel performance. Specifically, the on-the-job assessments of on-board personnel as part of the People Performance Management process, together with other specific and technical skills reporting tools, are an important part of defining individual career development plans.

A considerable effort is made for the growth and professional development of on-board personnel. Growth and development of employees is one of the most important objectives that the Group sets for itself, constantly investing in initiatives that support the promotion of the experience and expertise of resources, while consolidating their profiles with respect to professional issues and emerging managerial issues and laying the foundation for a process of development culminating in onshore positions.

Always with a view to developing the skills and professionalism of the crew, the group started a new project in the last month of 2016 in order to consolidate actual communications, leadership and teamwork on board the fleet.

The Group has a good level of retention, both of onshore personnel and personnel employed on-board ships. A significant number of captains have completed their entire careers with d'Amico, starting out as officer cadets and rising, in some cases, to fill management positions, including in the offices.

Access to highly qualified personnel also requires an effective recruitment and retention programme. In order to meet these needs fully, a resource selection strategy has been adopted, resulting in recent years in the implementation of specific initiatives, such as the consolidation of a base of operations in Mumbai. The Indian market has an established track record as a source of high quality crews. The representation office in Manila also ensures the presence of the Group in an important market, namely the Philippines. In this regard, an important partnership was established in 2016 with a view to strengthening its presence.

An adequate training programme that is always up-to-date and aligned with international requirements, and the expansion of in-house training structures ensure that the necessary professional standards required by the industry are met. In this regard, a rigorous ground and sea training programme has been organised for crew, starting with the pre-embarkation period and extending throughout each officer's entire career. Training capitalises on the knowledge developed within the Company, involving the participation of specialised trainers and senior staff with seagoing experience. In addition, the Group implements a long-standing policy of collaboration with various naval education institutions with the aim of increasing awareness of safety and environmental issues, key priorities for the business.

As part of initiatives aimed at supporting educational institutions, the Group, along with other important Italian institutional partners, has continued and enhanced its commitment to ITS Fondazione G. Caboto, which provides training for specialised technical staff through two-year post-secondary training courses intended for persons interested in starting an international career in the naval sector. Courses, which combine theoretical study and hands-on training, aim to provide an excellent technical background, transferring knowledge of the d'Amico Group's organisational structure, policies, expertise and vision, thus facilitating the placement of students in positions with the Group.

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 Organisation) regulations, MARPOL (the International Convention for the Prevention of Pollution from Ships) and the other international standards applicable to the industry. Specifically, 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 in which a ship is registered; and
- vetting inspections by major oil and energy companies such as Chevron, BP ExxonMobil, Shell, Total, Glencore, Petrobras, Vitol and Vela, which are some of the Group's established clients.

The International Maritime Organisation (IMO) is a specialised agency of the United Nations, established in 1958 in the United Kingdom, with a specific objective: create and update 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 framework 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. ("DSN") and, to a lesser extent, Ishima. 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 "Health, Safety, Quality and Environment Management System" (HSQE), the Integrated Management System that is applied to the entire Group. On-board and environmental safety represent top priorities for the Group.

Ship management, coordinated by DSN with the collaboration 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 on-board supplies and spare parts and appointing advisors and technical supervisors.

Ship management is based on an integrated HSQE (Health, Safety, Quality and Environment) system applied without exception aboard 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 Standardisation, 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 aboard its vessels allow the Group to maintain a high standard of operation with a strong emphasis on the safety of all activities performed, minimizing the potential environmental impact of its operations and maximizing 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 reinforces careful selection and thorough oversight of external suppliers and services.

The management method adopted, which relies on a process-based approach to organise 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 the TMSA programme launched in 2004 by the OCIMF. 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. Satisfying the 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 performance of various operating segments, which are analysed 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 minimise 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 implemented. Such plans aim to apply technical solutions and operating procedures to reduce consumption and thus limit emissions. Also in light of these implementations, further integrations were made to the HSQE system, which in 2014 was certified as compliant with the 50001:2011 standard for energy management. Based on the system developed, procedures and practices are adopted to pursue energy efficiency throughout the entire production chain of the organisation.

Pursuant to standard ISO 14001, and in order to demonstrate the compliance of its vessels and its dedication to respecting the environment, 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 analysing which of those interactions might have a significant impact on the environment. The environmental system is constantly analysed, monitored and updated in order to ensure legal compliance and a focus on improvement.

Each year, DSN's HSQE team conducts an internal audit (both aboard and ashore) aimed at identifying and analysing 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 minimising risk and seeking to reduce CO2 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.

Social responsibility

The d'Amico Group strongly believes not only in strict compliance with governing applicable regulations as well as operating, safety and environmental procedures, but also in contributing to sustainable development.

The d'Amico Group adopted a new social responsibility strategy in recent years. Continuously monitored, this strategy reflects the level of awareness and appreciation of environmental and social issues related to business activities by the d'Amico Group and is an expression of all of the energies and resources that the Group activates to protect the environment and to help persons in need.

The d'Amico Group has always participated in charitable initiatives and events aimed at protecting human life, scientific research and rebuilding after natural disasters.

One of the most important principles pursued by d'Amico is promotion of training and professional development and the range of career options offered to its employees. Moreover, by financing various projects at various training levels, d'Amico lays the groundwork so that students can successfully begin their careers and progress in their chosen field. d'Amico also supports the training of younger generations, offering merit scholarships to students for prestigious masters and post-diploma courses.

d'Amico supports and sponsors art and culture in all forms on a global scale, in order to raise public awareness of social, cultural, economic and environmental issues. The d'Amico Group strives for establishing relations with the various local communities with which it collaborates, by promoting the Made in Italy brand internationally and by favouring at the same time the preservation of the artistic, historic and cultural heritage.

The protection and respect of the environment represent an essential value for d'Amico. The key aspect of d'Amico's business activities is the environment, and in particular, the oceans, and one of the Group's priorities is to care for them. The Group is involved in a series of projects to protect the marine environment from pollution and excessive exploitation. Moreover, the Group adopts and actively facilitates responsible behaviour in relation to the environment.

The d'Amico Group's processes and procedures are often more restrictive than those imposed by governing regulations in all countries. Strategies and policies regarding safety, protecting human life and safeguarding and respecting the environment are reflected in an Integrated Management System for work and safety, quality, environment and energy. This system, which is compliant with the ISM (International Safety Management) code, was certified according to ISO 9001, 14001, 50001, and IHSAS 18001. The system is supplemented by a statement that confirms the use of ISO 26000 as the reference document for incorporating social responsibility, and has received the RINA Best 4 Plus certificate for compliance with all applicable standards.
The Integrated Management System, developed according to a process-based approach, allowed d'Amico to carry out a uniform implementation of the management system, while taking into consideration the specific needs of each of the various sectors in order to optimise possible synergies.
Constant monitoring, rigorous internal audits, detailed analysis of data collected and rapid application of corrective measures have led to continuous improvement in the Group's performance in terms of safety, client satisfaction and environmental protection.

The d'Amico Group has specific and stringent procedures for handling any emergency and for limiting the risk of pollution to the extent possible.

CORPORATE GOVERNANCE

Board of Directors

In accordance with the Company's Articles of Association, as at the date of this Report on Operations, the Board of Directors consists of five (5) directors, of which three are executive and two non-executive, appointed by the Ordinary Shareholders' Meeting on 25 June 2015 for the 2015-2017 three-year period, and therefore, terminating with the approval of the financial statements for the year ending 31 December 2017. The three (3) executive directors are Paolo d'Amico (Chairman), Cesare d'Amico and Roberto Michetti, while the two (2) non-executive directors are Giovanni Battista Nunziante and Alfonso Scannapieco.

On the same date, the Board of Directors thus granted delegated powers and the associated powers of representation to individual directors, resolving 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 powers of a financial nature for the Group with respect to transactions of an extraordinary nature, investment policies and financial reporting policies. That same session, in addition to re-appointing Maurizio Andrea Bergamaschi to the office of secretary for the three-year period corresponding to company financial years 2015/2017 pursuant to Art. 20 of the Articles of Association, also formed an Executive Committee for the three-year period corresponding to company financial years 2015/2017 pursuant to the Articles of Association and Article 2 of the Regulation for the Establishment and Operation of the Executive Committee, 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 organisational 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 strategic, industrial and financial plans of d'Amico Società di Navigazione S.p.A., along with the pertinent separate and consolidated budgets, as well as updates and/or revisions thereof;
- the designation of members of the Board of Directors, Executive Committee and Board of Auditors of direct or indirect investees 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.

Internal control system

Compliance with Legislative Decree N° 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 "Organisation, 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 Ethics, 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.

The Company'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 initiative, independence, professionalism, continuity of action, absence of conflicts of interest and integrity. The current members were appointed by resolution of the Board of Directors of 11 April 2014 for the three-year period 2014/2016, and, thus, until the Board of Directors examines the draft financial statements for the year ending 31 December 2016. This Board is called upon to decide on its possible renewal. The Supervisory Board also set up a specific Internal Regulation of Establishment, approved by the Company's Board of Directors, which governs the functioning, methods of action, rights and related duties. On the basis of the annual reports by the Supervisory Board concerning the activities carried out and in particular the implementation, execution, adequacy and efficacy of Model 231, the Board of Directors, after appropriate evaluation, determines every year the measure of the autonomous, independent budget of this Board for exercising its activities.

At the Supervisory Board's initiative, the Board of Directors on 11 April 2014 approved a new version of the Code of Ethics of the Company recommending the adoption of the contents of the revisions to the code, together with the dissemination and relevant adoption within the d'Amico Group, specifically to the subsidiaries of d'Amico Società di Navigazione S.p.A., which still have not adopted their own Code of Ethics.

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

On 9 June 2015, the Company's Board of Directors approved the update to the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 (the "Model"). Following its approval, various training sessions on Model 231 were held based on a Training Programme proposed by the Supervisory Board and implemented by the Human Resources Department. In the same session, the Board of Directors resolved, on the proposal of the Supervisory Board, to undertake, as soon as possible, an additional risk assessment focusing primarily on the crimes introduced in the scope of application of the aforementioned Decree during 2015. This work was carried out by ad hoc consultants, with the help of the Supervisory Board, during 2016, by updating three Special Parts of Model 231 (regarding environmental, organised and corporate crime). The Board of Directors that will examine these Financial statements for the year ended 31 December 2016 is called upon to approve this Model, and an Action Plan whose implementation is expected to be implemented in the first half of 2017.
Prior to developing the Model, a risk assessment was performed in accordance with a specific methodology for calculating risk, which resulted in the drafting of a new "Risk Plan" that was shared with the relevant functions during 2014.

Board of Statutory Auditors

On 25 June 2015, the Ordinary Shareholders' Meeting partially re-confirmed the membership of the Board of Statutory Auditors for the three-year period 2015/2017, appointing all regular and substitute members in accordance with the applicable provisions of the Italian Civil Code.

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, organisational and accounting system adopted by the company and that system's functioning in practice."

Independent auditors

The Ordinary Shareholders' Meeting held on 14 June 2016 resolved, on the basis of a justified opinion from the Board of Statutory Auditors provided pursuant to Art. 13 of Legislative Decree 39/2010, to confer the engagement for legal auditing of the separate and consolidated financial statements - in the functions described in further detail in the legislation, entered into effect on 7 April 2010, along with the pertinent implementing regulations - for the three-year period 2016/2018 to the auditing firm Coopers S.p.A. of Milan, Via Monte Rosa 91, registered under no. 119644 in the Register of Auditors (instituted pursuant to Art. 2 of Legislative Decree 39/2010), with the term of their engagement thus set to expire upon the approval of the financial statements for the year ending 31 December 2018.

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

The DSN, through a periodic assessment of potential critical issues to which personal data processing is exposed, verifies the efficacy of all security measures (physical, logical and organisational) already in place to protect said data.

As Data Owner, d'Amico Società di Navigazione S.p.A., within the monitoring activities of the privacy organisation system, complies with the regulations of Legislative Decree 196/2003 and subsequent amendments and prepares itself to adopt a group privacy model, on the one hand complying with the regulatory requirements in force but also with the new privacy policy (Regulation (EU) 679/2016). The new group privacy model, and therefore the revision of the current privacy organisational model, will be carried out at the same time the managers and roles for data handling are updated and the handling register and Privacy policy (company binding rules) are formalised. Therefore, an adequate report of the identified categories of relevant individuals is provided as well as the adoption of all security measures to ensure the proper handling of personal data in accordance with the law.

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.

ICT strategy

2016 was a year particularly full of initiatives for the Company in the ICT areas, both in infrastructures and in applications, with the constant aim of renewing, enhancing and increasing business services.
In the systems analysis area, the migration of the Server Farm to a more appropriate third-party infrastructure was completed, in "Infrastructure as a Service" mode, with physical locations in London for primary systems and in Amsterdam for business continuity support that intervenes in case of complete unavailability of the primary structure within a few hours.
In order to maintain compliance with the rules on the management of personal data, this logistics may be revised in the future as a result of the agreements concerning the exit of the United Kingdom from the European Community.
The geographic features of the business, the complete consolidation of IT services and the growing demand for communication require special attention to the connection infrastructure. Therefore, geographic network connections were revised and enhanced by redefining contracts with a new provider, with visible benefits from the point of view of costs as well.
In an operational environment so sensitive to communications, email service is of particular importance, both in terms of effectiveness and in terms of continuity and resilience, in that this is currently the vehicle of all the exchange of information to support the business.
It is also a particularly critical area due to the substantial increase in computer attacks that use it as a vehicle. A new system was then selected to ensure the continuity and security of email.
Important initiatives also affected the application software industry with two highly pervasive projects that characterised the activity for the whole year.
For the first time in its history, the Company has a specialised software to manage all financial and treasury aspects; the project, which has significant organisational and operational implications, crossed the year and is expected to be operational by the first quarter of 2017.

After sixteen years of use, in order to have more effective, efficient and appropriate tools to meet the new market challenges, the software replacement process was started in support of the fleet's operational and commercial management; after a very structured selection process with a massive involvement of all the relevant departments, the contract was established and signed at the end of the year and the system project will extend throughout 2017.
As part of the on-board IT, the novelty of the Condition Based Maintenance project is particularly important: the first Big Data project for the Company, aimed at optimising maintenance activities through the analysis of the status of on-board systems; sure enough, this project is carried out by the Technical Office, but IT implications are extremely important.
In response to the growing requests of the crews, and in order to meet recent trends in terms of "crew welfare", Wi-Fi access points were installed across the fleet available for seafarers for Internet connection; the initiative was highly appreciated, and will be even more appreciated as more powerful satellite communications systems will be available for vessels.
2016 was also characterised by the increasing awareness of the cyber crime threat, which is now no longer considered as sporadic initiatives by bored young geniuses, since the interest and involvement of organised crime in this areas was widely demonstrated; the Company adopted more restrictive standards to ensure a higher level of protection both in terms of technologies and in terms of human behaviour. However, the process is constantly evolving; so further initiatives and investments will have to be implemented in the years to come.

SIGNIFICANT EVENTS DURING THE YEAR

Dry-cargo and container vessels

At the end of 2016, the Group owned 29 vessels, 21 long-term charter vessels and 10 short-term charter vessels, broken down into the following main types of ships: Handy (Open Hatch Box Shaped) of 32,000-39,000 dwt; Supramax (craned and grabs fitted) of 52,000-64,000 dwt, Panamax/Kamsarmax of 76,000-83,000 dwt, Minicape of 117,000 dwt and *container vessels*.

During 2016, in the Handysize sector, two vessels were acquired (Cielo di Tampa and Cielo di Jari) and a long-term charter vessel was delivered (Cielo di Mitsushima). In the Handysize sector, the Company employed 20 vessels at the end of 2016, all open-hatch box-shaped ships, of which 13 were owned, and 7 on long-term charter. The vessels were employed specifically in the following sectors:

- forest products from the West Coast of Canada to the Mediterranean with bimonthly departures and from Brazil to China with monthly departures through a COA of 240,000 Mt of cellulose per year;
- fertilisers (SQM contract, from Chile to the USA and Europe) and from Florida (Mosaic contract) to Brazil through a COA of 9 voyages per year;
- wood pellets with spot contracts to complete forest voyages from Canada to the Mediterranean;
- pipes and steel coils (contracts from the Mediterranean to the USA and from China to South America);
- grain and minor bulk (petcoke, bauxite, soda ash) on worldwide routes;

In the Supramax sector, in 2016 the Group sold a unit (Medi Nagasaki) and acquired two long-term charter vessels (Medi Aero – Tess 58 - and Medi Brisbane – MES 60), and two 51% owned vessels through the J/V DACC (DACC Adriatico and DACC Atlantico – Oshima 60). At the end of 2016, the Group employed 15 vessels of which: 3 were owned, 4 were 51% owned (J/V DACC with Coe Clerici Group) and 8 on long-term charter. During the year, the Group managed a Pool of Supramax (MSPML) by means of which it carried out the commercial activities related to this sector. At the end of the year, the Pool had 22 ships, of which 15 were directly controlled by the Group (including four DACC ships belonging to the J/V between d'Amico and Coeclerici) and 7 owned by third parties participating in the Pool.
The vessels were mainly employed in the following routes:

- coal (COA Glencore and Eastern Energy for transport from Indonesia to Thailand), as well as spot voyages from Indonesia and Australia to China, Thailand and India;
- clinker and cement from Thailand to West Africa;
- grain from the USA, Brazil and Argentina to China, Japan and Europe;
- minor bulk (petcoke, bauxite and nickel ore) from the USA, Colombia, Venezuela and the Philippines to China, Europe and the Mediterranean;
- scrap from the USA and Europe to the Mediterranean.

In the Panamax/Kamsarmax/Post Panamax class, 3 long-term units were delivered (Medi Gladstone and Medi Kazahya – Tess 82, and Medi Chiba – Oshima 82) during 2016 and at the same time Medi Tokyo, Medi Nagasaki and Medi Venezia were commissioned for sale. The vessels employed at the end of 2016 were 12 of which 6 owned and 6 on long-term charter.

The vessels were mainly employed in the following routes:

- coal (COA Jpower from Australia to Japan and time charter / Enel contracts with routes from Indonesia, South Africa, Colombia and the Baltic to Italy, Banpu contract from Indonesia to the Philippines, Mercuria contract from Indonesia to Malaysia), as well as spot voyages from Indonesia and Australia to China, Japan and India, and from Colombia and the Baltic to Europe;
- iron ore from Brazil and Australia to Europe, China and Japan;
- grain from the USA, Brazil and Argentina to China, Japan and Europe;

In the Minicape class, Cielo di Europa of 117,000 dwt (built by Cantieri Sanoyas, employed under time charter with the Oldendorff group together with the twin unit Cielo di Italia) was purchased during 2016.

As for the 3 owned container vessels, Cielo di Casablanca and Cielo di Agadir, were both given under medium-term charters with the French CMA group, whereas Cielo di Rabat worked in Morocco serving the cabotage contract in place with the Danish company Maersk.

During 2016, the Group's main trade counterparties were the following:

- charters: Banpu, Bunge, Cargill, CJ International, Enel, Glencore, Jari, Jpower, Mitsubishi, Mitsui, Mosaic, Noble, RWE, SQM, Toyota, Transgrain;
- brokers:
  - Japan: Trading House (Itochu, Marubeni, Mitsubishi, Mitsui, Sojitz, Sumitomo);
  - Europe: Arrow, Bancosta, Braemar, BRS, Clarkson, Howe Robinson, Ifchor, SSY;
  - USA: Chartering & Freight Services NY, Clarkson N.Y., Icap USA, John F. Dillon N.Y., Midship Miami, SSY N.Y.;
  - Singapore: Bidstet Yamamizu, Clarkson Singapore, ICAP Shanghai, RS Platou Singapore, SSY Singapore;
- shipyards: Oshima shipbuilding, Sanoyas, Tsuneishi, Yangfan Zoushan.

The project for increasing and renewing the fleet of the Business Unit Dry of the Group will continue in the coming years. In 2017, Medi Venezia will be sold and another unit of the Panamax/Kamsarmax class is also expected to be sold and 2 units of 60.000 dwt built by Cantieri Oshima will be acquired; 6 long-term charter units will also be delivered (2 OHBS of 38.000 dwt, 3 Supramax of 60.000 dwt and 1 Kamsarmax Tess 82). In 2018, 4 long-term charter units are expected to be returned (2 OHBS and 2 Panamax), 2 post-panamax units (of 87.000 dwt built by Oshima) and 2 Kamsarmax units (Tess 82) are expected to the acquired in J/V with Mitsui (through the J/V MIDA); 4 long-term charter units will also be delivered (2 Post-panamax Sanoyas of 89.000 dwt, 1 post-panamax Sasebo unit of 85.000 dwt and 1 Supramax Onomichi unit of 60.000 dwt).

Tankers

The following describes the key events for d'Amico Group's tanker activities in 2016, mainly related to d'Amico International Shipping and its subsidiaries:

d'Amico International Shipping:

- **Warrant d'Amico International Shipping 2012-2016 – Third and Last Exercise Period ended in January 2016:** the third and last exercise period of the "Warrant d'Amico International Shipping 2012–2016" was concluded on 29 January 2016. During this third and last exercise period, 17,003,874 warrants were exercised at the price of Euro 0.46 per each ordinary share, reaching a conversion rate of 80% in the third period. In accordance with the terms and conditions of the Warrant Agreement, on 8 February 2016, DIS issued 5,667,958 conversion shares, at the ratio of one conversion share for every three warrants exercised, with the same rights (including the right to any dividends) and characteristics as existing ordinary DIS shares at the issue date. In accordance with the Warrant Agreement, the warrants that were not exercised during the third and last exercise period expired automatically. Following the capital increase at the end of the third and last exercise period, the amount of DIS shares comes to USD 42,851,035.60, divided into 428,510,356 ordinary shares without par value.

d'Amico Tankers d.a.c.:

- **Newly built ships:**

  In January 2016, the M/T High Trust, a new "Eco" MR tanker (50,000 dwt) built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd. at its Vietnamese shipyard Hyundai Vinashin Shipyard Co. Ltd., was delivered to d'Amico Tankers d.a.c. Starting in March 2016, the tanker is used by a leading petroleum company for a three-year charter, at a profitable daily rate.

  In May 2016, the M/T Cielo di Capri, a new "Eco" handysize tanker (39,000 dwt) built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd. at its Vietnamese shipyard Hyundai Vinashin Shipyard Co. Ltd., was delivered to d'Amico Tankers d.a.c. Starting in May 2016, the tanker is used by a leading petroleum company for a 24-35 month charter, at a profitable daily rate.

  In July 2016, the M/T Cielo di Hanoi, a new "Eco" handysize tanker (39,000 dwt) built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd. at its Vietnamese shipyard Hyundai Vinashin Shipyard Co. Ltd., was delivered to d'Amico Tankers d.a.c.

  In October 2016, the M/T Cielo di Salerno, a new "Eco" handysize tanker (39,000 dwt) built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd. at its Vietnamese shipyard Hyundai Vinashin Shipyard Co. Ltd., was delivered to d'Amico Tankers d.a.c.

  In November 2016, the High Wind, a new "Eco" MR tanker (50,000 dwt) built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd. at its Vietnamese shipyard Hyundai Vinashin Shipyard Co. Ltd., was delivered to d'Amico Tankers d.a.c. Starting in December 2016, the tanker is used by a leading petroleum company for a three-year charter, at a profitable daily rate.

Maritime services

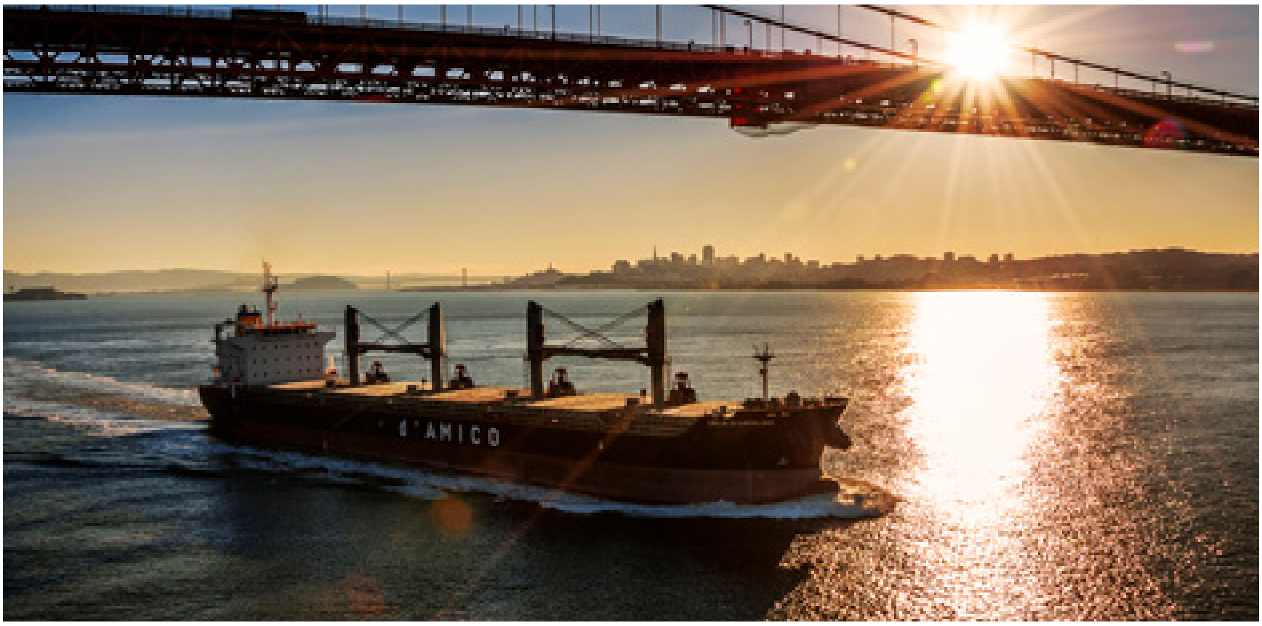
Ishima Pte Limited – This investee in Singapore continues to expand by rendering ship management services to third parties as well as Group companies, while also consolidating the various activities undertaken by its subsidiaries in maritime/insurance brokerage and port services. Also in 2016, Ishima managed on average a fleet of 40 vessels by continuing to supervise an important "New Buildings" programme, 70% of which relates to third-party vessels and 30% Group vessels.

Financial and real-estate investments

d'Amico Società di Navigazione S.p.A. – On 22 November, the investment in Compagnia Generale Telemar, which had been owned by the Parent Company for many years, was entirely sold to third parties.
This investment was always of strategic interest for the synergies of the Group covering maritime traffic services as well as maintenance services of the nautical equipment for all the Company´s vessels. However, the opportunity that came out caused, after months of negotiations, the amount of over Euro 52 million to enter into the company's cash in hand with a registered capital gain of approximately Euro 32 million. Shortly before its disposal, the company CGTH srl was created with deed of demerger dated November 2016: it took over some activities (2 small equity investments), amounting to approximately Euro 900 thousand, which were not sold and continued to be owned by DSN with the same "Telemar" percentage ownership.

Moreover, during the financial year under examination, the change in the investments of DSN in "Other equity interests" was not significant. Changes concerned the increase in equity investments in TIP, of approximately Euro 850 thousand as well as that in Ti.Po. totalling Euro 1 million (including the portion invested by the subsidiary DPF). Net of these investments, the partial reimbursement of reserves by Clubtre of approximately Euro 900 thousand must be considered.

In addition, **d'Amico International S.A.** marginally changed its equity interest in the listed company DIS as a function of the various opportunities presented by the market and the stock's fluctuating performance, changing the ownership stake from 58.784% at the end of 2015 to 58.26% at the end of 2016.



FINANCIAL PERFORMANCE ANALYSIS
The Group

The expectations with which the 2016 financial year started were not met and the “dry” and “tankers” businesses to which the group refers contributed to penalising the 2016 consolidated result.

Thanks to the excellent performance of the tanker sector in 2015, there were grounds for hope for stable charter rates also for 2016. However, already from the first quarter, the market reversed its trend and reached the last quarter of 2016 with the lowest average rates of the financial year.

2016 was a very bad year for the dry-cargo sector. Only starting from the fourth quarter, average charter rates started to increase and the hope of improving the results in the future begins to be more concrete.

Due to the above, the 2016 consolidated financial statements ended with a loss of Euro 87.8 million attributable to the Parent Company to which the minority interests of approximately Euro 4.7 million must be added. Note that last year the consolidated result was basically even with a loss of the Parent Company of approximately Euro 22.6 million.

Operating performance

(Thousands of euro)	2016	2015
Revenue	706,932	966,738
Gross operating profit or loss / EBITDA	27,624	91,396
Operating profit or loss / EBIT	(62,184)	25,140
Profit / (Loss) before taxes	(89,510)	7,134
Consolidated Net profit or (loss)	**(92,545)**	**504**

The figures just presented for turnover show what was said so far on the negative trend of the markets; with regard to the specific “shipping” activity and therefore also net of the impact of revenue of the “Telemar” group, it decreased by approximately 24% from a turnover of Euro 840 million of 2015 to Euro 644 million in 2016. As a result, operating costs also decreased bringing gross operating profit to approximately Euro 27.6 million. In this regard, we specify that the average 2016 USD/EUR exchange rate, the currency in which most of the (shipping) revenues are invoiced does not differ from that of 2015 so the conversion did not contribute to altering the comparison between the two financial years. Amortisation/depreciation and impairment together with the financial items, showing a loss of approximately Euro 27 million closed the financial statements with Euro 92.5 million.

Statement of financial position

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
ASSETS		
Non-current assets	1,534,933	1,524,368
Current assets	391,419	494,835
Total assets	**1,926,352**	**2,019,203**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders’ equity	887,422	978,583
Non-current liabilities	689,015	643,544
Current liabilities	349,915	397,076
Total shareholders' equity and liabilities	**1,926,352**	**2,019,203**

Non-current assets remained essentially unchanged compared to 2015 with tangible assets that include the main part of this financial statement item - which changed mostly due to net differences of investments (+72.7 million) - and the amortisation charge for the year (79.6 million). To this must be added the shift in the net value of 5 vessels, held for sale in 2017, which have been reclassified as current assets. In the financial items as well, the dollar is the most used currency and even here, the rate of exchange in euro as at 31 December 2016 (1.0541) does not differ significantly from that of the end of 2015 (1.0887). Nonetheless, the impact of the conversion contributed to increasing the values shown in euro of approximately Euro 38 million.
For a complete list of the Company's vessels, refer to the list attached to these financial statements, which is broken down by type of ship, and includes details on vessels under construction.
Other long-term assets include the value for real estate (of approximately Euro 75 million down also following the sale of Telemar of approximately Euro 7 million) and long-term investments (equity interests not consolidated on a line-by-line basis or consolidated at equity) of Euro 118.6 million.

Current assets, in addition to the above reclassification, include trade receivables and inventories, for a total of Euro 151 million, cash and cash equivalents of slightly more than Euro 104 million and other financial assets (mainly relating to investments) of approximately Euro 53.6 million.

Non-current liabilities mainly include the long-term portion of loans, amounting to approximately Euro 620 million, and the measurement of financial instruments of approximately Euro 37 million. The remainder consists of provisions (for risks, employees and deferred taxes) and other sundry liabilities. **Current liabilities** include the short-term portion of loans shown above (approximately Euro 95 million), trade payables, taxes payable and other current financial liabilities.

The 2016 **Shareholders' equity**, net of the annual results, increased mainly due to the exchange rate whereas the portion pertaining to minorities decreased mainly due to the exclusion in these financial statements of Telemar.

Net financial position

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Cash and cash equivalents	104,139	145,744
Current financial assets	53,591	143,714
Total current financial assets	**157,730**	**289,458**
Bank loans - current	(228,590)	(218,121)
Other current financial liabilities	(25,087)	(35,234)
Total current financial liabilities	**(253,677)**	**(253,355)**
Net current liquidity / (indebtedness)	**(95,947)**	**36,103**
Other non-current financial assets	**65,413**	**47,317**
Bank loans - non-current	(619,926)	(558,805)
Other non-current financial liabilities	(50,821)	(63,587)
Total non-current financial liabilities	**(670,747)**	**(622,392)**
Net non-current liquidity / (indebtedness)	**(605,334)**	**(575,075)**
Net liquidity / (indebtedness)	**(701,281)**	**(538,972)**

Following the new investments and related new financing, net indebtedness increased considerably to slightly more than Euro 700 million compared to Euro 539 million last year. Net current liquidity obviously reflects the net profit or loss for the year, showing a negative result compared to 2015 and amounting to approximately Euro 96 million of net indebtedness. This indebtedness has been reduced by the cash originating from the Telemar sale for Euro 52 million.

Cash flow

(Thousands of euro)	2016	2015
Net cash provided by / (used in) operating activities	(54,863)	83,159
Net cash provided by / (used in) investing activities	(119,060)	(274,151)
Net cash provided by / (used in) financing activities	132,318	154,078
Net cash provided / (used)	**(41,605)**	**(36,914)**
Net increase / (decrease) in cash and cash equivalents	**(41,605)**	**(36,914)**
Cash and cash equivalents at the beginning of the year	145,744	182,658
Cash and cash equivalents at the end of the year	**104,139**	**145,744**

The cash flows presented above show even more clearly how the operating profit/(loss) penalised the 2016 financial statements and strongly decreased cash and cash equivalents. However, investment policy continued, and cash flow from financing activities partially covered both negative flows by reducing the cash imbalance for 2016 to Euro 41 million.

The following table is presented in the interest of completing consolidated financial information.

	2016	2015
Total debt ratio	117.07%	106.34%
Borrowing ratio	95.62%	79.39%
Equity less non-current assets	647,511	545,785
Equity as percentage of non-current assets	57.82%	64.20%

The total debt ratio shows the increase in liabilities compared to equity both due to the decrease in total debt ratio and to the increase in exposure to banks. Equity as a percentage of non-current assets decreased mainly due to the decrease in 2016 consolidated shareholders' equity.

OPERATING PERFORMANCE

Dry-cargo and container vessels

The year 2016 was the most difficult year for the dry-cargo market in the last twenty years. The impact for the Group's container ships was neutral, as they were previously chartered at rates that covered the related operating and financial costs. For the vessels of the dry-cargo sector, the charter rates were, on average, 10% lower than in 2015 (USD 5,500/day in 2016 compared to USD 6,000/day in 2015, albeit with minimum values of approximately USD 4,500/day for the first half of the year. The primary cause of the weakness in the market was the surplus of tonnage generated in previous years against a consistent decline in demand, mainly related to the slowdown in the Chinese economy, with a resulting drop in ore and coal imports.

The average market spot charter rates in 2016 (based on Baltic Exchange BSHI, BSI, BPI indexes – USD/day) were:

Handy	5,000	(3,400/7,800 January/December)	(5,100 in 2015)
Supramax	5,900	(3,800/9,300 January/December)	(6,600 in 2015)
Panamax	5,400	(2,900/9,900 January/December)	(5,300 in 2015)
Minicape	5,700	(2,600/9,400 January/December)	

As for bulker prices (new-building and second-hand), 2016 experienced a significantly lower trend, with prices of four segments (OHBS, Supramax, Panamax and Minicape) down nearly 10%. The main factors for this decline were the weakness in the charter market as well as the decrease in the prices of new constructions due to the surplus supply by the shipyards.
The sale of M/V Medi Nagasaki, which generated a capital loss of approximately Euro 5 million, also contributed negatively to the sector's negative 2016 result.

Tankers

During the financial year under examination, the tanker market did not meet the 2015 expectations by contributing negatively to the 2016 Group results. These results are mainly due to the weakness experienced by the tanker market in the third quarter and at the beginning of the fourth quarter of 2016, which contributed to penalising all annual charter averages. The average daily spot rate was USD 13,302 in 2016, compared to USD 18,814 in the previous year.

For the tanker sector as well, the operating performance was also penalised by the sale of a vessel (Cielo di Roma of DSI) as well as by some permanent impairments recorded in 2016 on three vessels (owned by the DIS group) classified as "available-for-sale assets", which will be sold in the first half of 2017.

Maritime services

The companies that perform maritime services for both the Group and third parties continued to expand, basically confirming turnover and profit compared to previous years.
Ishima, a company which, along with the Parent Company, provides technical support services on vessels owned by the Group and third parties, closed its financial statements with profit of Euro 2 million.
Rudder also confirmed its contribution to the consolidated result, through its intermediation activities relating to purchases of bunker fuel, performed together with its subsidiaries, with a profit of nearly Euro 1 million. Lastly, Sirius closed its 2016 financial statements with a profit of approximately Euro 200 thousand from its crew management activities.

FINANCIAL PERFORMANCE ANALYSIS
d'Amico Società di Navigazione S.p.A.

Operating performance

The following is a summary of the 2016 figures.

(Thousands of euro)	2016	2015
Dividends	1,099	11,013
Other revenue	15,078	13,819
General and administrative costs and other operating costs	(24,921)	(22,828)
Net financial income / (charges)	30,649	10,247
Income taxes	8	(39)
Net profit / (loss)	**21,913**	**12,212**

The Group's activities during the current year continued with both the management of equity investments and services rendered by the Parent Company to other Group companies.

The dividends collected and recognised on a cash basis relate to the sums received in 2016 from directly held investees, as further explained in the notes.

Operating revenue slightly increased and relates to the services rendered by DSN 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 administrative, legal and insurance assistance, internal auditing, human resource management and IT services.

The costs increased incrementally with inflation and include overhead and production costs relating to ship management activity, general and administrative costs, and depreciation and amortisation charges for tangible and intangible assets

Financial income includes the amount of approximately Euro 32 million relating to the mentioned sale of the equity investment Telemar.

Financial position

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Non-current assets	267,213	283,924
Current assets	67,773	37,220
Total assets	**334,986**	**321,144**
Shareholders' equity	263,899	244,366
Non-current liabilities	41,060	48,084
Current liabilities	30,027	28,694
Total shareholders' equity and liabilities	**334,986**	**321,144**

Non-current assets included tangible assets (mainly buildings of approximately Euro 63.6 million), long-term investments (of Euro 181 million), two loans granted to the subsidiaries Domas (approximately Euro 13 million) and MIDA (approximately Euro 3 million) as well as an amount due from the tax authorities of approximately 4 million. The difference compared to the 2015 figures is mainly due to the sale of Telemar even here.

Current assets included cash and cash equivalents of Euro 20 million, short-term loans with regard to companies of the group of Euro 38.7 million, short-term investments of approximately 2.7 million and trade receivables (all set to come due by the end of next year) for the remaining part.

d'Amico's ***shareholders' equity*** stood at Euro 263 compared to Euro 244.4 million of 2015.

Non-current liabilities included the portion of loans coming due after 2016 relating to the remaining portion of the loan for the purchase of a building in Via Paisiello (Euro 26.8 million). In addition, in connection with the loan relating to the building, the fair value measurement of the swap contract concluded as a hedge was also recognised among non-current liabilities in the amount of approximately Euro 3.6 million. The Termination indemnity provision of Euro 3.3 million and the deferred tax provisions of Euro 7 million are also included here.

Finally, ***current liabilities*** included the "bank" portion of loans set to come due in 2016, as well as bank overdrafts and trade payables that are to be settled in the near term.

The following are some financial position ratios relating to the way in which medium-/long-term investments are financed and the composition of sources of financing.

	2016	**2015**
Total debt ratio	26,94%	31,42%
Borrowing ratio	18,90%	23,82%
Equity less non-current assets (/000)	3.315	39.558
Equity as percentage of non-current assets	98,76%	86,07%

The indebtedness ratio decreased in proportion to the increase in equity compared to bank borrowing. Equity as percentage of non-current assets is almost 100% by virtue of the "balance" between non-current assets and equity.

Tax situation

d'Amico is subject to Italian tax law and therefore calculates its direct taxes analytically. Due to the estimate of a tax loss in the financial year under examination, there was no need to recognise any provisions.

SIGNIFICANT EVENTS SINCE THE END OF THE YEAR AND BUSINESS OUTLOOK

Dry-cargo ships

d'Amico Dry d.a.c.:

- The sale of M/V Cielo di Livorno classified in the 2016 financial statements as "Available-for-sale assets" in accordance with IFRS 5 was defined in January 2017.

- In the first quarter of 2017, a "Sale & Leaseback" agreement was signed with reference to Minicape Cielo d'Europa. The ownership of the vessel is transferred to the purchasing company, which in turns charters the same to d'Amico Dry for a period of 15 years at an agreed rate. Although the legal title, upon finalizing the transaction, passed to the new owners, the arrangement of the trade is such that the discipline of the finance lease applies. Hence, the vessel will not be derecognized and will remain in the Company's books for the duration of the lease.

d'Amico Shipping Italia SpA:

- Last April, the M/N Cielo di Venezia was sold to a third party, for which the MoA was signed in January 2017.

Tankers

d'Amico International Shipping:

- On 3 March 2017, the Extraordinary Shareholders' Meeting of the company decided formally to approve the proposal to amend the articles of association of the company in order to comply with the new Luxembourg Law on Companies, increase the authorised capital and renew for a period of 5 years the authorisation to the Board of Directors to increase the share capital of the company in one or more tranches and limit or eliminate the Right of Option of the existing Shareholders. At the same time, it resolved to set the authorised capital of the company, including the issued capital, to a total amount of USD 100 million, divided into 1 billion shares with no nominal value and to renew, for a period of 5 years, the authorisation to the Board of Directors to increase the share capital of the company in one or more tranches within the aforesaid limits of authorised capital, including the power of the Board of Directors to limit or eliminate, in part or in full, the option rights of existing shareholders.
  The Board of Directors of the company – exercising the powers delegated to the Extraordinary Shareholders' Meeting as outlined above - decided formally to prepare the start of a public offering of rights, in Luxembourg and in Italy, for the shareholders of the company resulting in an increase in the company's share capital by issuing new shares with no nominal value and having the same rights (including, by way of example but not limited to, the right to dividends) as outstanding shares at issue date, up to a maximum of the equivalent in dollars of Euro 35 million (including share premium).

d'Amico Tankers d.a.c.:

- In January 2017, d'Amico Tankers d.a.c. sold MT High Endurance and MT High Endeavour, two medium-range tankers of 46,992 dwt, built in 2004 by South Korean STX (the "Vessels"), to Sea World Tankers, a customer of Sea World Management SAM (the "Purchaser"), for a total of USD 13.5 million each. At the same time, d'Amico Tankers d.a.c. will retain the commercial use of the vessels since it also signed with the Purchaser a four-year time charter contract at an interest rate.

- Always in January 2017, the M/T High Challenge, a new "Eco" MR tanker (50,000 dwt) built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd. at its Vietnamese shipyard Hyundai Vinashin Shipyard Co. Ltd., was delivered to d'Amico Tankers.

- Last February, d'Amico Tankers agreed with the South Korean Hyundai Mipo Dockyard Co. Ltd. to postpone the delivery of the first newly built vessel LR1 (Long Range – 75,000 dwt) from April 2017 to October 2017. This agreement follows up the specific request of a big oil company as well as an important customer of the company, which will charter the vessel with an 18-month time charter contract upon its delivery by Hyundai Vinashin Shipyard Co. Ltd. - Vietnam. At the same time, the estimated delivery dates of the other 5 LR1 vessels under construction at the Vietnamese Hyundai Vinashin Shipyard Co. Ltd. were slightly postponed by approximately 2 months compared to the original programme.

Business outlook

Dry-cargo ships

During the first months of 2017, the market strengthened considerably. The BDI index at the end of March rose to 1300 points, compared to 830 points at the beginning of the year (800 in January 2017). The values of the vessels recovered, gaining approximately 15% compared to the year-end values. At the base of the recovery, the increase in demand especially by China (mainly coal and cereals) followed also by an improvement in demand for major commodities from Southeast Asian countries, the USA and Europe. To date, the 2017 market is expected to improve significantly compared to the 2016 market, especially in the first half of the year, driven by the demand for tonnage to transport coal and grain.

As a result of the demolition work in 2016 and the absence of new orders, the global dry-cargo fleet is expected to increase by about 1% in 2017 and 2018, against an expected increase in demand by 2.0/2.5%, factors that should favour a consolidation of the charter market for the current and subsequent years.
During 2017, the Group took delivery of two long-term Handy Open Hatch Box Shaped vessels Cielo di Iyo and Cielo di Seto. Also in the Handy segment, the group renewed the forestry contract from Brazil to China for another two years and signed a new contract with a producer of cement from Canada (St. Lawarence) for the United States to perform with consecutive trips lasting 5 years.
During 2017, a new pool is expected to start on the Panamax/Kamsarmax/PostPanamax (MPPML) segment after the positive feedback obtained with the Supramax pool.

Tankers

The charters recorded a correction compared to the best levels reached at the end of 2016 / beginning of 2017, returning to rates similar to those reached in the third quarter of last year. The AIE forecasts on the production volumes of refineries in the first quarter of 2017 were revised down to 260,000 barrels a day in January 2017, an annual growth of only 80,000 barrels per day. After a peak in August 2016, stocks of refined products of the OECD industry fell sharply to 80 million barrels a day, equal to 5.1% per year. However, they remain at high levels compared to the historical standards and further reductions are still required to define the appropriate context for a healthier growth in the demand for transporting the refined products. In this regard, a prolonged maintenance of the refineries in spring could help to further cut stocks.

OTHER INFORMATION

Approval of 2016 financial statements

The statutory financial statements of d'Amico Società di Navigazione S.p.A., pursuant to Article 2364, paragraph 2 of the Italian Civil Code and the Articles of Association, shall be submitted for approval by the Shareholders' Meeting within a longer term which, in any event, shall not exceed one hundred and eighty days from the end of the financial year, as resolved by the Company's Board of Directors' meeting on 21 March 2017. The reasons for this postponement lie in the complexity of the Group's structure and different geographical locations of many investees, including foreign investees, which are each subject to their respective domestic law. Data must be received from these investees to form the consolidated financial statement and it is necessary to obtain approval of the financial statements of all the consolidated companies.

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

The Group is exposed to various financial risks relating to its operating activity. During the budgeting process, appropriate market levels are identified in the analysis of all implicit risks so as to systematically undertake all measures required to reduce, neutralise 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.

Although specified in the notes, the risk management method is also presented below, in the interest of clarity, including quantitative and qualitative information relating to the effect that such risks may have on the Group.

Market risk

The Group is exposed to market risk principally in respect of vessels trading on the spot market and earning revenue at market rates. In particular, when a vessel is chartered, rates could be too high to leave a profit margin and, on the contrary, when the vessels are chartered out, rates could be too low to ensure an adequate return. The following risk management strategies are applied: (i) the Group intends to have a fixed-rate contract hedging ranging from 40% to 60% in order to ensure that its exposure to the spot market does not exceed 60%, depending on market conditions, rate trends and expectations; (ii) 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; the Group does not use normally derivative financial instruments to manage its exposure to spot market rates for vessels.

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.

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"). For information purposes, we specify that a decrease of 10% in bunker fuel prices on consumption for the year would have had a positive impact of a figure just under Euro 1 million on the consolidated income statement, while an equivalent increase would have produced an opposite effect.

The Company uses part of its financial resources to invest in current financial assets through portfolios exposed to the risk of fluctuations in the market prices of securities. A 5% fluctuation in market price at the end of the year would have entailed a change in financial items and profit or loss of approximately Euro 1.7 million. A 5% fluctuation in the market prices of real-estate investments would have resulted in an impact of approximately Euro 3 million on equity reserves and other comprehensive income.

Foreign-exchange risk

The Group constantly monitors the currency risk associated with transactions denominated in foreign currencies, primarily by seeking to hedge, to the extent possible, this type of risk. Since operating activities, like ship prices, are primarily denominated in U.S. dollars, for the management there is no significant exposure arising from possible fluctuations in the euro/dollar exchange rate, and the impact would only be visible at the level of individual volumes and not of profit or loss.

In addition to the U.S. dollar, the Group had exposures to Japanese yen, for which foreign-exchange risk does not correspond to equivalent fixed assets. For these items, relating to financial exposures and hedging instruments, a 5 percentage point change in the EUR/JPY exchange rate as at the end of 2016 would have had a negative impact on the income statement, and thus on financial position, of approximately a positive Euro 1.5 million/negative Euro 0.7 million.

Interest-rate risk

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 characterised 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 review the interest rates available on the market to ensure that the Group's credit facilities are competitive. To reduce the risk to the minimum, the Group entered into numerous interest rate swaps to hedge the loans entered into. For this reason, a change in interest rates of 100 basis points would not have resulted in a significant increase/decrease in net financial charges.

Price risk

The Group companies that operate in the shipping sector are exposed to price 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.

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 tools: (i) the client portfolio is analysed 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 minimise 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 specialised in the Group's sectors of operation; and (iv) the Group monitors its overall contractual exposure. All trade receivables are thoroughly analysed and, in some cases, subject to impairment. At the end of the financial year under examination, a total of approximately Euro 2.5 million had been provisioned to cover the accounts receivable presented in the financial statements. The Group also holds considerable cash deposits with leading, highly rated counterparties, and no credit risk is thus foreseeable.

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 in the course of current operations.
The management constantly monitors expected future needs and at the reporting date 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.
Amounts due to banks and other lenders set to come due beyond 5 years came to Euro 196 million. In this regard, reference should be made to Note 22, which presents information concerning loans, and Note 34 concerning the Group's commitments.

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 have been adopted for this area: (i) limits of powers and authority; (ii) controls over bank signing authority; (iii) controls over tendering processes; (iv) where present, checks are carried out by the Board of Statutory Auditors that 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, organisational and accounting system adopted by the company and that system's functioning in practice, (v) the Parent Company d'Amico Società di Navigazione S.p.A. - and several subsidiaries, voluntarily adopted the provisions of Legislative Decree no. 231 of 8 June 2001, which provides that companies and entities are liable for certain crimes committed by their directors or employees in the company's interest and/or advantage, establishing and adopting the Organisation, Management and Control Model prescribed therein, as well as by appointing a Supervisory Board which controls compliance with said Model by the parties involved and the adequacy of the Model to the company situation. That 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.

Fair-value risk

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

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.

Dealing with related parties

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

d'AMICO SOCIETÀ DI NAVIGAZIONE GROUP
CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2016

Consolidated income statement

Euro/000	Notes	FY 2016	FY 2015
Revenue	4	706,932	966,738
Operating costs	5	(618,115)	(792,777)
General and administrative costs	6	(77,816)	(87,834)
Income on the disposal of fixed assets	7	16,623	5,269
Gross operating profit / (loss)		**27,624**	**91,396**
Depreciation, amortisation and impairment	10/11	(89,808)	(66,256)
Operating profit / (loss)		**(62,184)**	**25,140**
Financial income	8	23,811	94,722
Financial charges	8	(54,523)	(116,099)
Exchange gains/(losses)	8	(192)	4,716
Net profit / (loss) of companies valued at equity	8	3,578	(1,345)
Total financial income and charges		**(27,326)**	**(18,006)**
Profit / (Loss) before taxes		**(89,510)**	**7,134**
Income taxes	9	(3,035)	(6,630)
Net profit / (loss)		**(92,545)**	**504**
Attributable to:			
Minorities		**(4,731)**	**23,097**
Parent Company		**(87,814)**	**(22,593)**

Consolidated statement of other comprehensive income

Euro/000	FY 2016	FY 2015
Net profit / (loss)	(92,545)	504
Other components of comprehensive income not to be recycled to the income statement in subsequent periods		
Translation differences on foreign operations	12,834	77,076
Actuarial gain or loss (IAS 19)	(27)	(34)
Tax effects of expenses/income recognised in equity	7	12
Total	**12,814**	**77,054**
Other components of comprehensive income to be recycled to the income statement in subsequent periods		
Change in the fair value of available-for-sale financial instruments	3,453	12,409
Effective part of gains/(losses) on hedging instruments	9,633	4,732
Tax effects of expenses/income recognised in equity	(1)	(3,571)
Total	**13,085**	**13,570**
Comprehensive income / (loss)	**(66,646)**	**91,128**
Attributable to:		
Minorities	**715**	**33,105**
Parent Company	**(67,360)**	**58,023**

Consolidated statement of financial position

Euro/000	Nota	As at 31 December 2016	As at 31 December 2015
ASSETS			
Non-current assets			
Intangible assets	10	726	11,826
Tangible assets	11	1,322,349	1,348,629
Long-term investments	12	127,883	116,596
Non-current finance lease receivables	13	18,562	0
Other non-current financial assets	14	65,413	47,317
Total non-current assets		**1,534,933**	**1,524,368**
Current assets			
Inventories	15	47,642	54,033
Short-term receivables and other current assets	16	103,318	151,344
Current finance lease receivables	13	3,068	0
Other current financial assets	17	53,591	143,714
Cash and cash equivalents	18	104,139	145,744
Available-for-sale assets	19	79,661	0
Total current assets		**391,419**	**494,835**
Total assets		**1,926,352**	**2,019,203**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		25,000	25,000
Retained earnings		658,869	684,507
Other reserves		149,218	130,024
Net profit / (loss)		(87,814)	(22,593)
Shareholders' equity - Parent	20	**745,273**	**816,938**
Capital and reserves - Minorities		146,880	138,548
Net profit / (loss) - Minorities		(4,731)	23,097
Total shareholders' equity	20	**887,422**	**978,583**
Non-current liabilities			
Provisions for risks and charges	21	4,199	323
Banks and other lenders	22	619,926	558,805
Provisions for employee benefits	23	3,706	5,905
Other non-current financial liabilities	24	50,821	63,587
Other non-current liabilities	25	3,206	6,414
Deferred tax liabilities	26	7,157	8,510
Total non-current liabilities		**689,015**	**643,544**
Current liabilities			
Banks and other lenders	22	228,590	218,121
Short-term payables and other current liabilities	27	94,946	139,857
Other current financial liabilities	28	25,087	35,234
Current tax liabilities	29	1,292	3,864
Total current liabilities		**349,915**	**397,076**
Total shareholders' equity and liabilities		**1,926,352**	**2,019,203**

Consolidated statement of cash flows

(Thousands of euro)	2016	2015
Net result	**(92,545)**	**504**
Depreciation, amortisation and impairment	79,870	66,239
Current and deferred tax	3,035	6,630
Financial charges/Financial income	27,326	18,006
Fair value gains on foreign currency translation	(9,956)	(1,813)
Other non-cash items	(12,836)	2,673
Net cash provided by / (used in) operating activities before changes in working capital	**(5,106)**	**92,239**
Changes in inventories	6,391	(2,708)
Changes in receivables and other assets	48,026	10,770
Changes in payables and other liabilities	(62,825)	13,571
Taxes paid	(2,641)	(6,144)
Interest collected / (paid)	(38,708)	(24,569)
Net cash provided by / (used in) operating activities	**(54,863)**	**83,159**
Acquisition of fixed assets	(200,851)	(290,508)
Gains (losses) on disposal/derecognition of fixed assets	81,791	16,357
Net cash provided by / (used in) investing activities	**(119,060)**	**(274,151)**
Other changes in shareholders' equity	(8,204)	7,056
Changes in financial assets/liabilities	103,286	35,171
Bank loan repayments	(249,959)	(180,897)
Change in bank overdrafts	6,616	25,230
Bank loan draw-downs	291,445	278,026
Dividends paid	(10,866)	(10,508)
Net cash provided by / (used in) financing activities	**132,318**	**154,078**
Net cash provided / (used)	**(41,605)**	**(36,914)**
Net increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	145,744	182,658
Change in cash and cash equivalents	(41,605)	(36,914)
Cash and cash equivalents at the end of the year	**104,139**	**145,744**

Consolidated statement of changes in shareholders' equity

	Share capital	Retained earnings	Other reserves	Net result	Total	Minority interests	Total shareholders' equity
31 December 2015	**25,000**	**684,507**	**130,024**	**(22,593)**	**816,938**	**161,645**	**978,583**
Dividends paid		(6,000)			(6,000)	(4,866)	(10,866)
Allocation of net profit or loss		(22,593)		22,593	0		0
Comprehensive income			20,454		20,454	5,445	25,899
Other changes in shareholders' equity		4,927	0		4,927	0	4,927
Change in Group or minority shareholders' equity		(3,232)			(3,232)	(15,344)	(18,576)
Net profit / (loss)				(87,814)	(87,814)	(4,731)	(92,545)
31 December 2016	**25,000**	**657,609**	**150,478**	**(87,814)**	**745,273**	**142,149**	**887,422**

	Share capital	Retained earnings	Other reserves	Net result	Total	Minority interests	Total shareholders' equity
31 December 2014	**25,000**	**727,404**	**50,701**	**(38,260)**	**764,845**	**136,071**	**900,916**
Dividends paid		(10,000)			(10,000)	(580)	(10,580)
Allocation of net profit or loss		(38,260)		38,260	0		0
Comprehensive income			80,615		80,615	10,008	90,623
Other changes in shareholders' equity		824	(1,292)		(468)	(198)	(666)
Change in Group or minority shareholders' equity		4,539			4,539	(6,753)	(2,214)
Net profit / (loss)				(22,593)	(22,593)	23,097	504
31 December 2015	**25,000**	**684,507**	**130,024**	**(22,593)**	**816,938**	**161,645**	**978,583**

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

Paolo d'Amico, Chairman

Cesare d'Amico, Chief Executive Officer

Notes

Introduction

d'Amico Società di Navigazione S.p.A. (hereinafter also the "Company") is an Italian joint-stock company that acts as the holding company for a Group (hereinafter also "d'Amico Group"), which operates in shipping and auxiliary services on a global scale. Within the shipping sector, 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, effective 2010, these consolidated financial statements 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 financial statements. The mandatory information deemed appropriate for providing a true and accurate representation of the Group's financial position, income and cash flow have been prepared. The information for d'Amico Group and the relevant events that occurred during the year and after the year-end closing are explained in the Report on Operations.

In preparing these consolidated financial statements, the same accounting criteria and standards were used, where applicable, that were adopted in preparing in the separate and consolidated financial statements for the year ended 31 December 2015, with the exception of the new accounting standards adopted effective 1 January 2016, as explained below. The IAS/IFRS standards endorsed and in effect as at 31 December 2016 were used in drafting these financial statements, including SIC and IFRIC interpretations.

Effective 2010, the Company has elected, as permitted by applicable legislation, to adopt the aforementioned standards on a voluntary basis.

We also point out that, following the sale of Compagnia Generale Telemar in November 2016, the 2016 consolidated statement of financial position figures consequently decreased; these decreases, when significant, were shown in the relevant sections.
More specifically, on 22 November 2016 (date of loss of control), d'Amico Società di Navigazione SpA sold the shares held in Compagnia Generale Telemar SpA. It should be noted that the income statement data of the Telemar Group for the period from 1 July 2016 until the date of loss of control are not available. Hence for the purposes of drawing up these consolidated financial statements as at 31 December 2016, the costs and revenues of the Telemar Group up to 30 June 2016, and not up to the date of transfer of the shareholding, were included in the consolidated income statement. The consolidated result for the year as at 31 December 2016, net of the effects associated with the sale of Telemar (revenues, costs, financial operations, taxes and capital gains) would have been equal to a loss of approximately Euro 122 million (a loss of Euro 5.4 million as at 31 December 2015).

The activities managed by Telemar are considered residual compared to the Dry and Tankers business (major line of business). The sale transaction does not meet the requirements to be represented as required by IFRS5; the Company therefore fully consolidated the available income statement values (stated above).

These consolidated financial statements were approved for publication by the Board of Directors on 3 May 2017.

1. ACCOUNTING POLICIES APPLIED

Basis of presentation

These consolidated financial statements comprise the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity, and the notes, in accordance with the provisions of IAS 1. In the income statement, costs have been classified by nature. All revenue and cost items recognised 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 realised, 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.

IFRS standards 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, 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.

Where, in the interest of clearer exposition, as envisaged in Article 2423-ter (5) of the Italian Civil Code, it was deemed necessary to reclassify items with respect to the previous year - without impacting the consistency of these financial statements or modifying their overall presentation - such reclassifications are thoroughly illustrated in these notes.

These financial statements were prepared to provide a clear, true, and accurate representation of the financial position and financial result for the year. The situation corresponds to the accounting of the Group's companies, which fully reflects the transactions made during the year, and for which the fundamental principles of the reference accounting standards were applied, in particular:

- accruals principle: the effect of events and transactions is recognised when they occur and not when the related collection or payment takes place;
- going-concern principle: financial statements are prepared under the assumption of operating continuity in the twelve months subsequent to the reporting date. For more information, refer to the section "Information on the objectives of assuming, managing and hedging financial risks pursuant to Art. 2428 of the Italian Civil Code" in the Report on Operations.
- materiality principle: the principle of economic substance over form was applied in recognising operational events in accounting records.

The asset, liability, and equity items were measured using, where necessary, estimates based on reliable elements, previous experience, and all available information at the reporting date.

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

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

These consolidated financial statements include the financial performance and financial position figures as at and for the year ended 31 December 2016 of the companies/entities included within the scope of consolidation (hereinafter the "consolidated entities"), prepared in accordance with IFRS standards. The entities included within the scope of consolidation and the pertinent percent direct or indirect interests held by the Group are presented in Note 35 to these consolidated financial statements.

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. All controlled entities are included within the scope of consolidation effective the date on which control is acquired by the Group. Entities are excluded from the scope of consolidation effective the date on which the Group ceases to exercise control.
Entities the inclusion of which, from the standpoint of operating performance, would be immaterial from both a quantitative and qualitative perspective for a proper representation of the Group's financial performance and financial position are excluded from the scope of line-by-line consolidation.

Subsidiaries are consolidated on a line-by-line basis according to which:

- Assets and liabilities, charges and income are included in full in the consolidated financial statements.

- The carrying amount of equity interests is eliminated against the corresponding share of shareholders' equity of the subsidiaries, assigning the individual elements of the statement of financial position assets and liabilities their current value at the date control was acquired. Any residual positive difference is recognised in the item "Goodwill", while a negative difference is recognised in the income statement.

- The portion of shareholders' equity and profit attributable to minority interests is recognised in the specific financial statement items. According to IFRS, the shareholders' equity of minority interests is calculated based on current values attributed to the assets and liabilities at the date on which control is acquired.

- Dividends, revaluations, write-downs and losses on equity investments in companies included in the scope of consolidation, as well as the gains and losses on intra-group disposals of interests in companies included in the scope of consolidation, are eliminated.

- Profits and losses (for the latter, if they do not represent the effective lower value of the sold asset) resulting from commercial or financial transactions between companies included in the scope of consolidation, which are not directly or indirectly realised through transactions with third parties, are eliminated based on the percentage of ownership.

- Intra-group losses are eliminated if they do not represent impairment.

Associated enterprises and other equity interests

Associated companies are those enterprises in which the Group holds an equity interest in excess of 20% (10% if listed) or enterprises in which the Group holds a lesser interest but wields significant influence. Effectively exercisable or convertible potential voting rights are also considered when assessing the existence of significant influence. Such equity interests are measured according to the equity method. Profits and losses realised between consolidated entities according to the equity method, and other consolidated Group entities, including those subject to line-by-line consolidation, are eliminated. The fair value of the equity investments in portfolio, where the fair value criterion is applicable, is determined in reference to market quotations (bid prices) on the final day of trading of the month of reference of the IFRS situation prepared, or through the use of financial valuation techniques in cases of unlisted instruments.

Joint arrangements

Joint arrangements are entities over whose activities the Group has joint control, as defined in IFRS 11 – Joint Arrangements. The accounting treatment depends on the type of joint arrangement, determined by considering the investor's rights and obligations. In the consolidated financial statements, the assets, liabilities, revenue and costs of joint arrangements are presented on a proportional basis according to the Group's interest, while joint ventures are posted according to the equity method; the share of profits or losses of the investee pertaining to the Group is recognised in the Consolidated income statement; the distributions received from an investee reduce the carrying amount of the equity investment; post-acquisition changes of Other comprehensive income/loss are presented in the Other comprehensive income/loss with a corresponding adjustment to the carrying amount of the equity investment.

When the Group's share in the loss of a joint venture or of an associate is higher than the equity investment of the Group in that joint venture or associate, the Group ceases to recognise its share of future losses. Provisions are made for additional losses and a liability is recognised only to the extent that the Group assumed legal or implicit obligations or made payments on behalf of the joint venture or of the associate. At each reporting date, the Group establishes whether there are objective proofs of permanent impairment of the investment in the associate. If so, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and records the amount under the item "share of profits/(losses) of associates" in the income statement.

Intra-group transactions

Intra-group balances and transactions and the resulting profits have been eliminated during the preparation of the consolidated financial statements. Unrealised 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 unrealised 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 recognised 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 recognised 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 recognised 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 recognised in the income statement. The acquiree's assets, liabilities and identifiable potential liabilities are recognised at their fair value, with the exception of a few limited items. The difference between the acquisition cost and the Group's share the fair value of the acquiree's assets, liabilities and identifiable potential liabilities is recognised as goodwill, where positive, or in the income statement, where negative. 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 recognised on a percentage-of-completion basis, determined according to the discharge-to-discharge approach for all spot voyages and voyages servicing COAs. According to this approach, freight revenue is recognised in 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 recognises 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 recognised 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, recognised when freight service is rendered, represents the estimated compensation for the additional time required to unload a vessel. Demurrage revenue is recognised when the voyage is complete.

Revenue on services other than marine transport are recognised 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 spot market and under COAs. Voyage costs are recognised 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 personnel 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, realised and unrealised 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 recognised 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 elements, and are calculated according to the tax rate 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 recognised for all temporary taxable differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting 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 realised. 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

Goodwil

The goodwill deriving from business combinations is measured at cost, net of any cumulative impairment losses. Accordingly, goodwill is not subject to amortisation, 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 recognised 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 amortisation 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, 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 recognised 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 amortised 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. Amortisation 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

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. If an asset subject to depreciation consists of separately quantifiable elements whose useful lives differ significantly from other parts of the assets, the depreciation is calculated separately for each part of the asset in application of the component approach principle. For new vessels, useful life is estimated at 20 years for dry-cargo and 25 for tankers. Residual value is calculated 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 (new-builds) are carried at cost less any identified impairment losses. The cost of new-builds includes the instalment payments made through the date of delivery and other vessel costs incurred during the construction period, including capitalised interest. Depreciation commences when a vessel is delivered.

Gains or losses on the disposal of vessels are recognised 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 capitalised 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 capitalised costs is written off.

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

Aircraft

Interests in aircraft (held by d'Amico International SA) are recognised at acquisition cost and depreciated on a straight-line basis over five years. As at 31 December 2015, the value had been fully depreciated.

Buildings and other tangible assets

Owned buildings and other tangible assets are recognised 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 whose useful lives differ significantly from other parts of the assets, depreciation is calculated separately for each part of the asset in application of the component approach principle.

Available-for-sale assets

In accordance with IFRS 5, non-current assets (vessels and dry-docking elements) are classified as available for sale if their carrying amount will be recovered through a sale rather than through continuous use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition; moreover, the asset must be actively marketed for sale at a reasonable price compared to its current fair value. The management must be committed to the sale, which must be expected within one year from the classification date of the asset as available for sale.

Where the conditions for classification as available for sale of non-current assets and disposal groups are no longer met, such classification ceases. Non-current assets that are no longer classified as available for sale are revalued at the lowest of the carrying amount prior to the classification as available for sale, adjusted for any depreciations or revaluations that would have been recognised if the asset or disposal group had not been classified as available for sale, and their recoverable amount at the date of the subsequent decision to sell.

Real-estate investments

Real properties held with the aim of earning rent or benefiting from appreciation in value, or for indeterminate future use, are classified as investment properties. They are measured at purchase or construction cost, plus any auxiliary charges, less accumulated depreciation and any impairment losses.

Impairment of tangible and intangible assets

Assets subject to depreciation or amortisation are assessed for any internal and external indicators of impairment loss: 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 selling costs, 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 recognised 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 recognised in previous years. The recovery is recognised 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, calculated using the discounted cash flow method. 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. The realisation value is determined in relation to the individual cash-generating unit (CGU) to which the asset belongs, intended as the group of vessels that could reasonably have an alternative use in commercial business. Hence, the assumptions, valuations and effects of the impairment test are made in reference to the entire group of similar vessels.

An impairment loss recognised in previous years may subsequently be reversed if the current estimated value in use is higher than at the time the impairment loss was recognised. Management's judgement is critical in assessing whether there have been events 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 over multiple years.

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 recognised 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 recognised 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 recognised among financial liabilities. After initial recognition, such assets are measured according to the applicable accounting principles.

Inventories

Inventories are recognised at the lesser of cost and net realisable value. IFO and MDO fuel stocks aboard vessels are recognised at cost, calculated according to the FIFO method.

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 (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 amortised cost, depending on the characteristics of each instrument. Financial liabilities are measured on the basis of their amortised cost. Only derivative instruments are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement on the basis of amortised cost involves recognising the asset or liability at the value initially measured, deducting any redemption of principal, 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.

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.

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

Assets designated at fair value through the income statement
Held-for-trading financial assets are measured at fair value. The fair value of such instruments is determined in reference to their market value (bid price) on the reporting date. The fair value of unlisted instruments is determined through the use of commonly applied financial valuation techniques. Changes in the fair values of instruments classified to this category are recognised immediately in the income statement.

Trade and other short-term receivables
Trade receivables are initially recognised at their face value (which represents the "fair value" of the transaction) and are subsequently measured at amortised cost, net of impairment losses recognised 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 amortised cost is equivalent to nominal value, less impairment losses. Impairment losses are recognised when management consider the full recovery of a receivable to be in doubt. If management consider the amounts non-recoverable, then they are written off in their entirety.

Held-to-maturity investments
Such assets, which are initially recognised at their fair value and subsequently measured at amortised cost, include non-derivative instruments without pre-determined maturities that the Group has the intention and ability to hold to maturity. Instruments with contractual maturities falling the following twelve months are classified among current assets. If there is objective evidence of indicators of impairment, the value of the assets is reduced so that it is equal to the discounted value of future cash flows. Impairment losses identified through impairment tests are recognised in the income statement.
If the grounds for previous impairment losses cease to apply in subsequent periods, the value of the assets is recovered up to the amount that would have resulted from the application of amortised cost if no impairment had been recognised.

Available-for-sale financial assets
Equity investments in non-consolidated enterprises, classified as available-for-sale assets from an accounting standpoint, are recognised among non-current assets under the item "Long-term investments." This category includes financial assets other than derivative instruments specifically designated as classified to that item or not classified to any of the previous items. Such assets are measured at fair value, which is determined in reference to market prices at the annual or interim reporting date, or through financial valuation techniques and models, with changes in value recognised through a specific equity reserve (the "reserve for available-for-sale assets"). The above reserve is reversed to the income statement only when the financial asset is effectively disposed of, or, in the event of decreases, when it is determined that a significant, prolonged decrease in value already recognised

in equity cannot be recovered. Classification as current or non-current depends on management's intentions and the effective marketability of the securities; those expected to be realised within the following 12 months are recognised among current assets.
If there is objective evidence of indicators of impairment, the value of the assets is reduced so that it is equal to the discounted value of future cash flows. Decreases in value previously recognised in the equity reserve are reversed to the income statement. Previous impairment losses are recovered if the circumstances that had resulted in their recognition cease to apply, but only in cases of financial instruments not representing equity.
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.

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 recognised according to the amounts received, net of transaction costs, and are subsequently measured at amortised cost according to the effective interest rate method. The difference between the amount actually collected on the loans and their nominal value is recognised in the income statement over the entire term of the loan.

Trade and other payables
Trade and other payables are measured at amortised 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 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 recognised in other comprehensive income, whereas the ineffective portion is recognised 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 analysing 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 recognised 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 recognised directly in the income statement.

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 unrecognised 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 recognises all actuarial gains and losses deriving from defined-benefit plans in other comprehensive income. For this type of plan, the Company uses the equity option recognition method. As a result of that option, the liabilities posted in the financial statements are thus aligned with those deriving from the actuarial measurement of said liabilities, with full and immediate recognition of actuarial gains and losses, in the period in which they arise, in the statement of comprehensive income under "Revaluation of defined-benefit plans" and a specific equity reserve. Italian termination indemnity (hereinafter, also TFR), accrued as at 31 December 2006, falls under the definition of such plans.

In defined-contribution plans, the entity's obligation, which is limited to the payment of contributions to governmental organisations 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 recognised 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 recognised 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 estimates presented in these financial statements. The process of preparing estimates involves the various business areas. Such estimates and assumptions are revised regularly. By their nature, estimates and assumptions used can vary from one year to the next and, thus, it is possible that in subsequent years the actual values recognised in financial statements may differ, even significantly, following changes in the subjective assessments used. 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 standards. The critical element inherent in such estimates is a result of the use of assumptions and/or professional judgements concerning matters that are uncertain by nature.

The main cases for which the use of subjective assessments by management is required are as follows:

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 20-25 years (depending on the different types of vessels), 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 according to the Group's specific tax situation, determined on the basis of the laws 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 cases, the "substance over form" approach is adopted.

Fair value measurement - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the main/most advantageous market at the measurement date, at the market conditions in force, irrespective of whether the price can be directly recorded or is arrived at using another measurement technique. The fair value of financial instruments is represented by their market price or, if not available, by the value resulting from the adoption of adequate financial measurement models that take account of all the factors used by market participants and the prices obtained in similar transactions actually executed on the market. To obtain a specific fair value measurement, listed prices or information from brokers are used, as well as the regular checking of the adjustments to said measurements and non-observable data, to classify these measurements at the appropriate fair value level. Fair value measurement must consider the greatest possible amount of market data.

To measure fair value, measurement techniques are used based on three levels of elements:

- The first level elements consist of prices listed on active markets for assets and liabilities of the same type;
- The second level elements, different from the listed prices included in the first level, can be directly or indirectly observed for the assets or liabilities examined;
- The third level elements cannot be observed from market data.

When the elements used to determine the fair value of an asset or liability belong to different categories, the fair value measurement is fully classified in the lowest and most important level of the fair value hierarchy. Transfers between levels of the fair value hierarchy are recorded at the end of the accounting period in which the change occurred.

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 principles, amendments and interpretations applicable from 1 January 2016

No new accounting standards were applied in 2016; only changes to existing IFRS standards were taken into consideration.

Accounting principles, amendments and interpretations not yet in force

At the reporting date, the following accounting principles and related interpretations, applicable to the Group, had been issued but were not yet in force:

IFRS 15 – ***Revenue from Contracts with Customers:*** issued by the IASB in May 2014 to bring together rules scattered in various standards and create a framework of basic principles to apply to all categories of transactions, including revenue, substantially requiring that companies recognise revenue at the time the control of the asset or service is transferred to customers, at an amount reflecting the expected consideration, in *five phases*. The approach also requires supplementary information on the nature, amount, timing and certainty of revenue and cash flows arising from contracts with customers. The standard will enter into force in January 2018, but early adoption is permitted. IFRS 15 should not have a significant impact on net assets, the financial position and the results of DIS transactions, but will affect the information presented in the financial statements.

IFRS 9 – ***Financial Instruments:*** issued in July 2014 and not yet endorsed by the EU; should be applied retrospectively from 1 January 2018. The improvements introduced will replace the rules for recognition and measurement of financial instruments contained in IAS 39. More specifically, financial assets will be divided into two categories: those measured at amortised cost and those measured at fair value. The first group will include financial assets whose contractual terms generate cash flows at specific dates that constitute only payment of principle and interest and whose business model consists of holding these assets for the purpose of realising the contractual cash flows. The second group will include all other financial assets (measurement at fair value). While the rules applied to financial liabilities are essentially equal to those set out in IAS 39, amendments to the approach have been introduced regarding the classification to the income statement of changes in the fair value of several debt instruments based on credit risk. This means that changes in the fair value of the liability will be broken down into the amount of the change attributable to the changes in the credit risk of the liability – to be exported to the statement of other comprehensive income – and the remainder of the change in the fair value of the liability, to be posted to the income statement.

IFRS 16 – ***Leasing:*** was issued in January 2016 with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. It establishes principles for the recognition, measurement, presentation and disclosure of leases both for the lessee and for the lessor. For the lessees, IFRS 16 does no longer classify leases as operating or finance, by introducing a single lessee accounting model in which all leases are recognised as financial, subject to some exceptions. This information gives a basis for users of the financial statements to assess the effect that leases have on the statement of financial position, financial performance and statement of cash flows of the entity: in fact, leasing is a means of gaining access to assets, obtaining loans, and reducing the exposure of an entity to the asset property risk. The new approach to leasing will lead to a more faithful representation of the assets and liabilities of a lessee and, together with the expanded disclosure, will increase the financial leverage and the capital used by a lessee. Within the income statement, operating expenses will be replaced by interest and amortisation, so some key indicators such as TCE and EBITDA will change. Operating cash flows will be higher because cash payments for the capital portion of the lease liability will be classified within the financing activities. IFRS 16 will be applied to annual reporting periods beginning on or after 1 January 2019 and, subject to the approval of EU, the Company will apply it from its effective date. After the reporting date, the company has no commitments for operating leases that will fall under the application of this principle.

There are no other standards not yet in force that are expected to have a significant impact on the entity in current or future reference periods and foreseeable future transactions.

2. RISK MANAGEMENT

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

The Company is exposed to the operating risk related to variable costs of the activities of the vessels. The key areas of operating risks are crew, bunkering, dry-docking, repairs and insurance. Risk is managed through the following strategies: (i) the ***crew policy*** is coordinated with the rest of the d'Amico Group in such a way as to achieve synergies and economies of scale, with reference to the consolidated experience in crew management (training school and Group companies specialised in training services) and in search of opportunities available in different areas for maintaining high crew quality, while controlling their cost; the Safety & Quality (SQE) Department, which aims to ensure that vessels and crews operate in full compliance with external requirements such as regulations and certifications, etc.; (ii) DSI does not use derivative instruments to manage its exposure to ***bunker*** fuel prices; (iii) ***Technical management, Dry-dock contracts*** - technical management also includes dry-dock work and is coordinated in the same way with the support of the parent company, allowing for economies of scale in organising vessels in dry-dock and assessing cost/quality levels. The process of managing repair costs is similar. The policy of maintaining a young fleet also contributes to minimising 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, also taking into account the large number of national and international standards, regulations and treaties. In order to reduce or eliminate the financial losses and/or other types of liability to which the Company 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) minimising 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 external contacts/suppliers. A detailed analysis of the situation has allowed DSI and 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, DSI determined that the main piracy risks were already covered under the existing policies, as follows: (a) loss or damage to the vessel due to piracy attacks: this risk is covered by the policy Hull & Machinery, based on the provisions of clause 6.5 "Perils" of the Institute Time Clauses Hulls of 1/10/83, where acts of piracy fall within the identified risks; (b) Surrender – surrender payments tend to be regarded as expenses as part of the "sue and labour" clause for limiting the damage when the insurance is given only on the hull, or as general average (which also applies to transported goods) when the vessels are loaded; (c) Loss of charter: piracy is included under the covered risks, whether or not the ship has suffered damage caused by piracy attacks; (d) Third-party liability insurance: the P&I coverage protects from unjustified claims for damages from third parties, and pays legitimate claims for damages.

Market risk

The three elements of market risk, specifically, foreign-exchange risk, interest-rate risk and price risk, are described below.

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 Group policies. 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 recognised. The counterparties to such contracts are a diverse group of leading financial institutions.

Interest-rate risk

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 characterised 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 review the interest rates available on the market to ensure that the Group's credit facilities are competitive.

Price risk

The Group companies that operate in the shipping sector are exposed to price 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.

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 minimise 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 tools: (i) the client portfolio is analysed 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 minimise 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 specialised 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 have been adopted for this area: (i) limits of powers and authority; (ii) controls over bank signing authority; (iii) controls over tendering processes; (iv) where present, checks are carried out by the Board of Statutory Auditors that 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, organisational and accounting system adopted by the company and that system's functioning in practice, (v) the Parent Company d'Amico Società di Navigazione S.p.A. - and several subsidiaries, voluntarily adopted the provisions of Legislative Decree no. 231 of 8 June 2001, which provides that companies and entities are liable for certain crimes committed by their directors or employees in the company's interest and/ or advantage, establishing and adopting the Organisation, Management and Control Model prescribed therein, as well as by appointing a Supervisory Board which controls compliance with said Model by the parties involved and the adequacy of the Model to the company situation. That 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 asset cover ratios 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)	FY 2016	FY 2015
Shipping	643,686	840,008
Services	63,246	126,730
Total	**706,932**	**966,738**

As mentioned in advance in the report, revenue in 2016 decreased on the previous year and the impact of the average EUR/USD exchange rate, which dropped from 1.1095 in 2015 to 1.10632, was basically irrelevant. Part of the decrease is due to the sale of Telemar whose impact in 2016 amounts to approximately Euro 60 million. In fact, revenues, as well as all costs, also include the part of the income statement produced by the Telemar consolidation pertaining to the consolidation of 2016 (numbers till june 30, 2016).

5. OPERATING COSTS

(Thousands of euro)	2016	2015
Direct operating costs	262,291	397,250
Time charter hire costs	239,669	290,758
Other operating costs	116,155	104,769
Total	**618,115**	**792,777**

Operating costs are the typical costs of the shipping sector (primarily "voyage" costs) associated with the use (directly or in partnerships) of fleet vessels on voyages undertaken under spot contracts and COAs.

Direct operating costs primarily relate to "voyage costs" and fuel purchases (bunker costs of approximately Euro 100 million), port expenses (approximately Euro 98 million) and fee and commission expenses (approximately Euro 51 million). This item also includes direct costs (of approximately Euro 73 million including approximately Euro 64 million related to the Telemar activity) directly related to revenue for "Services" shown in the revenue table (Note 4).

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 mainly include the cost of crew (Euro 63 million). The remaining costs are technical expenses, including technical management and quality control, and other ship operating costs, such as insurance and lubricants.

Personnel

The Group's personnel in service at the end of the year consisted of seagoing personnel of 1,294 and administrative personnel of 326. By comparing numbers with the previous year, the portion of seagoing personnel increased compared to approximately 1,200 in 2015 whereas administrative personnel decreased by approximately 270 only because of the sale of Telemar. The cost of onshore personnel is included in general and administrative costs. For full information regarding legal compliance and the training of human resources, refer to the Report on Operations, in which the subject is discussed in detail.

6. GENERAL AND ADMINISTRATIVE COSTS

(Thousands of euro)	2016	2015
Personnel costs	43,575	59,679
Other general and administrative costs	34,241	28,155
Total	**77,816**	**87,834**

The personnel costs presented in the table above refer to administrative personnel not employed on board ships. Other general and administrative costs include consultancy and office operating expenses. This category also includes the emoluments to directors of Group companies in the amount of Euro 5.2 million. This amount, somewhat lower than that recognised in 2015, includes Euro 1.5 million of emoluments paid to Parent Company directors during 2016. Fees for auditing the financial statements of Group companies amount to Euro 900 thousand, of which Euro 200 thousand was incurred directly by the Parent Company.

7. INCOME ON THE DISPOSAL OF FIXED ASSETS

(Thousands of euro)	2016	2015
Gains on disposal of vessels	(13,259)	5,269
Gains on disposal of Telemar	29,882	-
Total	**16,623**	**5,269**

During 2016, 3 units that contributed to the 2016 consolidated financial statements with the above-mentioned loss were sold to third parties. The table below shows the units sold with their individual sales prices.

Ship		Carrying amount	Sale price	*Gain/Loss*
Cielo di Roma	d'Amico Shipping Italia	15,414	12,881	(2,533)
Medi Tokyo	d'Amico Shipping Italia	8,353	3,100	(5,252)
Medi Nagasaki	d'Amico Dry	9,336	3,862	(5,474)

As mentioned, the capital gain concerns the sale of the Telemar equity investment as per following calculation:

Net price of sale	52.669	A
Telemar net contribution on january 1st 2016	20.633	B
Net result January 1st – june 30th 2016	2.154	C
Gain on disposal	**29.882**	**A-B-C**

8. FINANCIAL INCOME, FINANCIAL CHARGES AND FOREIGN-EXCHANGE GAINS AND LOSSES

(Thousands of euro)	2016	2015
Financial income	23,811	94,722
Financial charges	(54,524)	(116,099)
Exchange differences	(191)	4,716
Result of measurements at equity	3,578	(1,345)
Total	**(27,326)**	**(18,006)**

For better understanding of the amounts recorded, we attach the following table:

(Thousands of euro)	2016	2015
Dividends collected	1,200	1,169
Net bank interest	1,434	617
Interest on borrowings	(33,895)	(23,130)
Net profit/(loss) on investments	5,449	3,105
Other financial items	(4,901)	(3,138)
Exchange differences	(191)	4,716
Result of measurements at equity	3,578	(1,345)
Total	**(27,326)**	**(18,006)**

The above table clearly shows the most massive use of bank loans, the cost of which significantly increased. The changes in other financial items were less significant and mostly physiological in relation to the activity carried out. We also note that the result deriving from measurements at equity, this year positive for Euro 3.5 million, includes the measurement of joint ventures and associates whereas dividends are those collected by the investees not included in the scope of consolidation.

Exchange 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 2016.

9. INCOME TAXES

(Thousands of euro)	2016	2015
Current income taxes	3,044	6,397
Deferred taxes	(9)	233
Total	**3,035**	**6,630**

The table above shows the amounts recorded during the year to account for the taxation of all Group companies. The taxable profit concerned is calculated on a lump-sum basis, according to ship tonnage, for Group companies operating in the shipping sector subject to the tonnage tax system, and on an analytical basis for those income components not subject to that system. The ordinary tax rates in force in each applicable country are applied to such amounts.

It should also be noted that 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 recognised 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 shipping 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 recognised income taxes and the income taxes calculated according to the rate theoretically applicable to the Parent Company.

Losses carried forward

According to the tax returns it has filed to date, d'Amico Società di Navigazione S.p.A. has accumulated prior-year tax losses of approximately Euro 24 million, which, when used, will yield a tax savings of approximately Euro 6 million. 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 73.5 million of losses eligible to be carried forward. In this regard, it bears noting that in Luxembourg, the country of residence of these latter companies, the corporate income tax rate is 28.59%. Deferred tax assets have not been recognised in connection with any of the above tax losses.

10. INTANGIBLE ASSETS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	726	11,826

The following is an account of changes during the year:

Net carrying amount	Goodwill	Other assets	Total
As at 1 January 2016	10,915	911	11,826
Additions	0	47	47
Disposals	(10,659)	(8)	(10,667)
Amortisation for the year	0	(587)	(587)
Exchange differences	27	80	107

Net carrying amount	Goodwill	Other assets	Total
As at 31 December 2016	283	443	726

The 2015 goodwill, which originated primarily from the consolidation of the subsidiary Compagnia Generale Telemar S.p.A., is considerably reduced as a result of the disposal of the equity investment.

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

11. TANGIBLE ASSETS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Fleet	1,239,813	1,254,810
Real Estate	75,429	83,959
Other tangible assets	7,107	9,860
Total tangible assets	**1,322,349**	**1,348,629**

The changes for the year are shown below, broken down by category.

(Thousands of euro)	Fleet	Real Estate	Other assets	Total
Historical cost	1,661,552	105,195	26,781	1,793,528
Depreciation and impairment	(406,742)	(21,236)	(16,921)	(444,899)
Balance as at 31 December 2015	**1,254,810**	**83,959**	**9,860**	**1,348,629**
Additions	197,942	1,725	1,137	200,804
Disposals/Decreases	(118,509)	(7,049)	(2,535)	(128,093)
Reclassified under "Avail. for sale"	(169,777)	0	0	(169,777)
Exchange differences	51,773	0	1,239	53,012
Depreciation	(74,493)	(3,206)	(1,584)	(79,283)
Depreciation transfer	22,080	0	0	22,080
Reclassified under "Avail. for sale"	90,210	0	0	90,210
Exchange differences	(14,223)	0	(1,010)	(15,233)
Historical cost	1,622,981	99,871	26,622	1,749,474
Depreciation and impairment	(383,168)	(24,442)	(19,515)	(427,125)
Balance as at 31 December 2016	**1,239,813**	**75,429**	**7,107**	**1,322,349**

With the comparison to the previous year

(Thousands of euro)	Fleet	Real Estate	Other assets	Total
Historical cost	1,265,081	108,407	19,516	1,393,004
Depreciation and impairment	(329,262)	(20,740)	(14,846)	(364,848)
Balance as at 31 December 2014	**935,819**	**87,667**	**4,670**	**1,028,156**
Additions	284,339	1,408	4,330	290,077
Disposals/Decreases	(25,531)	0	(597)	(26,128)
Exchange differences	137,664	813	1,343	139,820
Reclassifications	0	(5,432)	2,189	(3,243)
Depreciation	(60,831)	(3,046)	(1,799)	(65,676)
Depreciation transfer	14,811	0	477	15,288
Exchange differences	(31,460)	(339)	(1,109)	(32,908)
Reclassifications	0	2,888	355	3,243
Historical cost	1,661,553	105,196	26,781	1,793,530
Depreciation and impairment	(406,742)	(21,237)	(16,922)	(444,901)
Balance as at 31 December 2015	**1,254,811**	**83,959**	**9,859**	**1,348,629**

Tangible assets comprise:

Fleet and vessels under construction

The values presented include both the capitalised costs of owned vessels purchased and payments to shipyards through the reporting date for units under construction delivery of which is scheduled for the next several years. The costs for vessels under construction refer to 10 units (3 dry-cargo and 7 Eco ships) for approximately Euro 30 million. Deliveries are estimated by the end of 2018.
In addition to the above, the item also includes costs relating to the fleet's dry-dock programmes.

For the complete list of vessels managed at the end of 2016 - in service and under construction - refer to the specific table attached to the financial statements.

Impairment testing

The net carrying amount of the fleet, including vessels in dry-dock, 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.

Impairment testing was conducted through the use of the discounted cash flow method, in the unlevered version, applied to the cash flows indicated in business plans approved by the management, projected beyond the express plan forecasting period, using growth rates of no greater than those forecast for the markets in which the individual CGUs operate, with appropriate updates to the parameters applied.
In particular, the CGUs identified and subject to impairment testing by the Company were the "Dry-cargo ships" and the "Tankers", based on the assumption that the individual vessels belonging to the two CGUs do not generate net cash flows independently. The cash flows generated by the identified CGUs are dependent on the cash flows generated by all of the vessels in that CGU. The vessels belonging to a CGU are, in fact, interchangeable, including for commercial and positioning purposes.
It was not deemed necessary to recognise any impairment losses on Company units inasmuch as, on the basis of a comparison of the carrying amounts and the greater of the market value of the asset, net of costs to sell, and its value in use and, where appropriate, an impairment test, the net carrying amounts of fleet vessels were found to be fully recoverable.

In order to conduct impairment tests, estimates prepared by the 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, determined according to quotes from leading industry brokers; (ii) a residual useful life of 20 years for dry-cargo ships and 25 years for tankers; (iii) the projected economic value at the end of the asset's useful life, determined according to the most recent estimates of the fleet's scrap value; (iv) costs reflect d'Amico's current structure; and (v) figures are discounted at a rate of 7.40%, 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 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 continue to present impairment losses, recognised in previous years, on vessels owned by d'Amico Tankers Ltd. and d'Amico Dry Ltd. of approximately Euro 40.5 million. Impairment testing has been conducted on a going-concern basis.

Finally, it should be noted that, in the event of a change in charter rates of USD 500, with all other calculation parameters remaining unchanged, the results of the impairment test would change by Euro 82 million, whereas a 1% change in the discount rate would have entailed a change of Euro 163 million.

Real Estate
This item includes properties used in operations and owned by the various Group companies. The increases during the year primarily relate to renovation works, mainly relating to the property on Via Paisiello (Rome), owned by the Parent Company. The decreases concern only the exit of the Telemar properties from the 2016 consolidated financial statements.

It bears noting that the property located on Via Paisiello, carried at its historical cost of Euro 58.5 million (currently Euro 55 million, after depreciation) and originally acquired to host the Company's offices, is now regarded as an investment property. The use of the property is being changed from "office use" to "residential use", to subsequently sell the resulting apartments. The asset's estimated useful life is 33 years. As stated in the section concerning measurement criteria, the property has been recognised at cost, net of the pertinent depreciation charges. According to the most recent appraisals available, that cost is near the property's market value.

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 change on the previous year, net of depreciation charges, can be considered physiological in relation to the normal turnover of office equipment. There is a decrease of Euro 2.4 million also in this item relating to the 2015 Telemar portion no longer present in the 2016 consolidated financial statements

12. LONG-TERM INVESTMENTS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Equity investments	51,969	56,047
Available-for-sale financial assets	61,281	56,985
Held-to-maturity investments	3,633	3,564
Total	**127,883**	**116,596**

The amounts presented above refer to non-current financial assets for investments consolidated at equity, as well as interests in associates or "other" enterprises, primarily held by the Parent Company.

The following table presents the changes during the year and the percent interests held at year-end.

Company name	As at 31 December 2015	Acquisitions / (Disposals)	Measurement at FV	As at 31 December 2016	Percent interest
Companies evalueted at Equity Method					
Clubtre S.r.l.	27,761	(879)	5,729	32,611	22.93%
Venice Shipping & Logistic S.p.A.	6,073	0	2,453	8,526	28.44%
Eco Tankers Limited	4,137	0	(1,044)	3,093	19.23%
DACC Maritime d.a.c.	0	0	0	0	51.00%
MIDA Maritime Company d.a.c.	0	0	0	0	51.00%
DM Shipping d.a.c.	64	0	(64)	0	29.71%
Cambiaso e Risso Asia Pte Ltd	759	0	50	809	50.00%
	38,794	**(879)**	**7,124**	**45,039**	
Other companies					
Sator S.p.A.	2,800	0	0	2,800	1.13%
Civita Cultura Holding S.r.l.	899	0	0	899	6.33%
Club Italy srl	9,220	0	0	9,220	7.50%
Asset Italia S.p.A.	0	691	0	691	3.64%
TIP-PRE IPO S.p.A.	1,104	1,036	0	2,141	3.26%
Other	3,230	(154)	(896)	2,179	
	17,253	**1,573**	**(896)**	**17,930**	
Available-for-sale financial assets	**As at 31 December 2015**	**Acquisitions / (Disposals)**	**Measurement at FV**	**As at 31 December 2016**	**Percent interest**
Tamburi Investments Partners S.p.A.	56,580	853	3,587	61,020	11.47%
Banca Profilo S.p.A.	405	0	(144)	261	0.22%
	56,985	**853**	**3,443**	**61,281**	
Held-to-maturity investments	**As at 31 December 2015**	**Acquisitions / (Disposals)**	**Measurement at FV**	**As at 31 December 2016**	**Percent interest**
Sator Private Equity Fund	3,564	69	0	3,633	-
	3,564	**69**	**0**	**3,633**	
Total	**116,596**	**1,616**	**9,671**	**127,883**	

The values presented above relate to 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.

The significant equity investments not eliminated in the consolidated financial statements include only the decrease of ClubTre relating to a distribution of reserves that did not entail any profit in the parent company. Note also that a new capital payment was made for TIP-PRE IPO SpA and a new company called Asset Italia SpA was set up in which DSN holds 3.64% of the share capital.
Finally, for listed financial assets, we note the further purchase of TIP shares by means of which the ownership percentage of 11.47% was reached as well as the measurements at fair value made for the same listed TIP and for Banca Profilo SpA of approximately Euro 3.4 million.

As disclosed above in the Report on Operations, the following is an account of the most important information regarding the major long-term investments owned by the Parent Company:

- ***Tamburi Investment Partners S.p.A.*** – an independent merchant bank listed on the STAR segment of Borsa Italiana S.p.A. of Milan, focused on purchasing equity interests in Italian and foreign companies. The equity interest held directly and indirectly by d'Amico Società di Navigazione S.p.A. as at 31 December 2016 was 12.08%;

- ***Clubtre S.r.l.*** – a company whose owners include Tamburi Investment Partners S.p.A., which holds a 35% interest, as well as Angelini Partecipazioni Finanziarie S.r.l. and d'Amico Società di Navigazione S.p.A., each with a 22.93% interest (the remaining interest relates to "own share"). As at 31 December 2016, d'Amico Società di Navigazione S.p.A. had invested a total amount of over Euro 22 million. Clubtre S.r.l. holds as at 30 June 2016 an interest of 5.86% in Prysmian S.p.A., a global leader in cabling and high-tech systems for energy transmission and telecommunications;

- ***TIP-PRE IPO S.p.A.*** – In 2014 the consolidated financial statements were expanded by this new corporation, incorporated during the year with the purpose of acquiring minority interests in Italian or foreign companies. These interests, in industrial or service sectors, must have the goal of being listed in a regulated stock market within five years. The equity interest is held both directly by the Parent Company and through d'Amico Partecipazioni Finanziarie Srl, for a total of 3.57% of the share capital as at 31 December 2016;

- ***ClubItaly S.r.l.*** – this interest was held through the subsidiary d'Amico Partecipazioni Finanziarie Srl for a total amount of over Euro 9 million, corresponding to approximately 7.50% of the share capital. During 2016, the equity investment in ClubItaly was sold with put and call option under the same conditions as it was sold with no impact on the 2016 numbers;

- ***Venice Shipping and Logistics S.p.A.*** – a company whose main shareholders as at 31 December 2016 were Palladio Finanziaria S.p.A. (57.13%), d'Amico Società di Navigazione S.p.A. (28.45%) and Vega Finanziaria S.p.A. (14.29%). The company was incorporated in September 2009 and primarily engages in investment transactions in the shipping and shipping logistics sectors.

- ***Asset Italia S.p.A.*** – a new investment management company set up in 2016 where the Parent Company holds a small stake of 3.64% for an invested amount of approximately Euro 700 thousand. It is a five-year investment project and the investments will be decided on the basis of the various market opportunities without the obligation for shareholders to join.

For comparative purposes, we present the same table with figures for the previous year.

Company name	As at 31 December 2014	Acquisitions/ (Disposals)	Measurement at FV	As at 31 December 2015	Percent interest
Companies Consolidated at Equity Method					
Clubtre S.r.l.	36.352	(9.700)	1,109	27,761	32.50%
Venice Shipping & Logistic S.p.A.	6.247	2.737	(2,912)	6,073	28.44%
Eco Tankers Limited	3.615	0	522	4,137	19.30%
DACC Maritime d.a.c.	6	0	(6)	0	51.00%
MIDA Maritime Company d.a.c.	0	0	0	0	51.00%
DM Shipping	58	0	7	64	29.82%
Cambiaso e Risso Asia	0	917	(158)	759	50.00%
	46.278	**(6.046)**	**(1.438)**	**38.794**	
Other companies					
Sator S.p.A.	2,800	0	0	2,800	1.13%
Civita Cultura S.r.l.	899	0	0	899	8.23%
ClubItaly S.r.l.	9,220	0	0	9,220	7.50%
TIP-PRE IPO S.p.A.	1,104	0	0	1,104	3.26%
Other	3,015	(292)	507	3,230	
	17,038	**(292)**	**507**	**17,253**	
Available-for-sale financial assets					
Tamburi Investments Partners S.p.A.	42,574	1,507	12,499	56,580	11.90%
Banca Profilo S.p.A.	464	0	(59)	405	0.22%
	43,038	**1,507**	**12,440**	**56,985**	
Held-to-maturity investments					
Sator Private Equity Fund	6,244	(2,680)	0	3,564	-
	6,244	**(2,680)**	**0**	**3,564**	
Total	**112,598**	**(7,511)**	**11,509**	**116,596**	

13. NON-CURRENT FINANCE LEASE RECEIVABLES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Non-current finance lease receivables	18,562	0
Current finance lease receivables	3,068	0
Total	**21,630**	**0**

d'Amico Dry d.a.c. signed a bareboat agreement with third parties for the vessel Cielo di Cartagena, for a period of 8 years with an obligation to purchase that may be exercised starting from the fourth year. In substance, the contract is comparable to a finance lease where the company of the Group acts as a lessor. This loan produced a finance income during 2016 of approximately Euro 700 thousand. Moreover, the third-party company made the down payment of an initial instalment of USD 4 million on the future price.

14. OTHER NON-CURRENT FINANCIAL ASSETS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	65,413	47,317

Other non-current financial assets mainly included the receivables due from Group companies consolidated at equity and, thus, not netted in the consolidated figures, specifically, a receivable of d'Amico International due from DACC of Euro 26 million, a receivable of d'Amico Tankers due from the subsidiary DM Shipping of approximately Euro 20 million and a receivable of the Parent Company due from Mida Maritime for slightly over Euro 3 million. The remaining portion includes the tax receivables from prior years (Euro 4.2 million) in the Parent Company's financial statements.

15. INVENTORIES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	47,642	54,033

Year-end inventories consist of stocks of Intermediate Fuel Oil (IFO) and Marine Diesel Oil (MDO), as well as Luboil aboard vessels, of Euro 23.6 million, and the value of the property under construction owned by Domas of Euro 24 million. The divergence from the previous financial year mainly concerns the changing in the consolidation area regarding the Telemar sale (decrease in inventories for slightly less than 9 million).

16. SHORT-TERM RECEIVABLES AND OTHER CURRENT ASSETS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	103,318	151,344

The accounts receivable in this item primarily consist of trade receivables, also including advances to suppliers and prepaid expenses and accrued income as at year-end. Provisions for doubtful receivables are also included as a deduction from this item, amounting to approximately Euro 2.5 million. The decrease deriving from the sale of Telemar can be quantified in approximately Euro 25 million.

17. OTHER CURRENT FINANCIAL ASSETS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	53,591	143,714

Current financial assets refer to short-term investments of liquidity in short-term and/or negotiable securities and instruments mainly relating to various 'portfolios' of mutual funds, bonds, equities and other securities, primarily held by d'Amico International S.a. for a value of over Euro 41 million and by DSN of approximately Euro 2.7 million. The significant decrease compared to the previous year was due to the disposal of some investments to meet the needs of the period. Some derivative instruments (specified in greater detail in Note 30) of Euro 2.3 million and other sundry financial receivables must be added to the above values.

18. CASH AND CASH EQUIVALENTS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	**104,139**	**145,744**

The item primarily comprises short-term bank deposits in the amount of Euro 97 million, while the remainder represents cash.

19. AVAILABLE-FOR-SALE ASSETS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	**79,661**	**0**

Available-for-sale assets concern six vessels that the Group intends to sell during 2017. Four of these units were impaired for a total of Euro 9.5 million and their fair value as at 31 December 2016 is stated net of this impairment. The units in question are five tankers (High Presence, High Priority, High Prosperity, High Endeavour and High Endurance) and dry Medi Venezia.

The fair value of the fleet was measured as "second level", based on information on measurement techniques; the measurement occurs on the basis of broker valuations net of sales costs if lower than the carrying amount. The information envisaged for the third level of fair value cannot be applied to the current measurement.

20. SHAREHOLDERS' EQUITY

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Share capital	25,000	25,000
Retained earnings	658,869	684,507
Other reserves	149,218	130,024
Net profit / (loss)	(87,814)	(22,593)
Shareholders' equity - Parent	**745,273**	**816,938**
Capital and reserves - Minorities	146,880	138,548
Net profit / (loss) - Minorities	(4,731)	23,097
Total shareholders' equity	**887,422**	**978,583**

Share capital

The authorised 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.

Retained earnings

This item includes the various reserves (legal reserve, extraordinary reserve and retained earnings reserve) to which net profit has been allocated over the years, net of dividends distributed. The decrease represents the dividends released by the Parent company, as well as the provision of the profit of the previous year.

Other reserves

Other reserves include the following items:

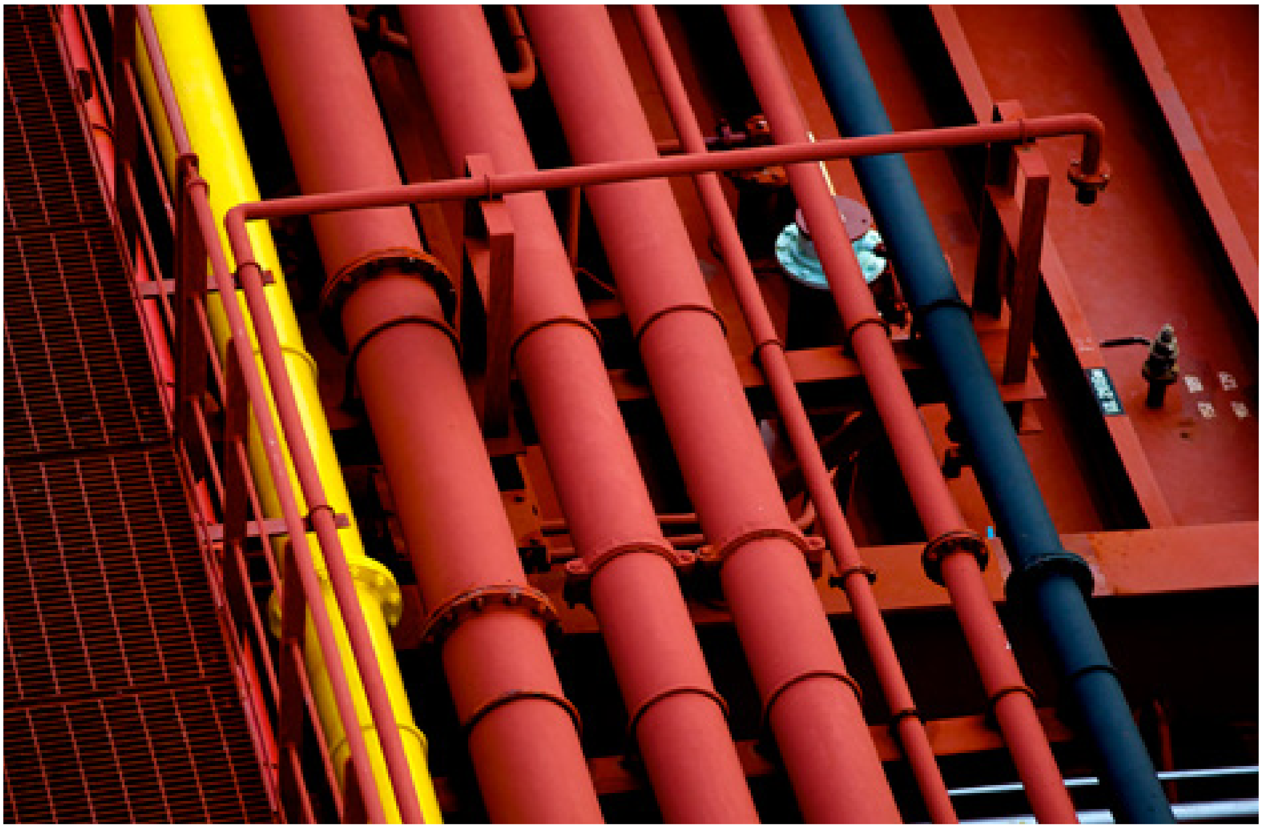
(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Cash-flow hedging reserve	(1,515)	(10,646)
Fair-value reserve	32,161	28,708
Translation and consolidation reserve	125,406	118,775
Comprehensive income taxation reserve	(6,867)	(6,873)
Actuarial gain or loss	33	60
Total	**149,218**	**130,024**

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, recognised among other financial assets and liabilities and the effects of the measurement of available-for-sale financial assets at fair value.

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

Minority interests

The net profit and shareholders' equity attributable to minorities relate primarily to d'Amico International Shipping S.A., whose minority interests amount to approximately 40%.



21. PROVISIONS FOR RISKS AND CHARGES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	4,199	323

The item refers to allocations to provisions for risks or litigation relating to certain ongoing labour suits or disputes that are recognised on a prudential basis. The increase derives from the provision of approximately USD 4 million made by the investee d'Amico Shipping Italia as estimate for settlement of the dispute relating to the pending claim for Cielo di Milano. The Parent Company is involved in a number of tax disputes for which, at the reporting date, there has been a positive outcome to the applications filed. On the basis of these aspects, endorsed by the opinion of external experts (defining this risk as "possible"), no allocation was made.

22. BANKS AND OTHER LENDERS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Non-current liabilities		
Banks and other lenders	619,926	558,805
Current liabilities		
Banks and other lenders	228,590	218,121
Total	**848,516**	**776,926**

The outstanding bank debt at year end mainly refers to medium-/long-term loans granted to the shipping companies to acquire fleet vessel. The account balance includes Euro 191 million in borrowings with variable interest rates, spreads on which range from 100 to 300 basis points on the benchmark, generally the LIBOR or EURIBOR. The total amount of Euro 534 million relates to borrowings for which the risk associated with changes in the benchmark rate has been hedged by entering into interest rate swap (IRS) contracts in order to fix the overall rate associated therewith Such IRS contracts have been entered into with fixed-rate levels in a range from 1.19% to 3.68%. The remainder is related to bank overdrafts and "hot money".

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.

For further details, we attach the following table with the maturities of amounts due to banks by mentioning that "short-term" payables include bank overdrafts of approximately Euro 51 million.

	Within 12 months	1/5 years	Beyond five years	TOTAL
Bank loans	228,590	424,084	195,842	**848,516**

23. PROVISIONS FOR EMPLOYEE BENEFITS

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	**3,706**	**5,905**

The amount presented above refers to the sum provisioned for Italian termination indemnity (TFR) owed to seagoing and administrative personnel in service at the end of 2016, net of advances disbursed and the share accrued prior to 1 January 2007 that has been allocated to complementary pension systems pursuant to Legislative Decree 252 of 5 December 2005 (or transferred to the INPS treasury fund). To this must be added the share of the Italian end-of-service indemnity (TFM) that refers to the amount provisioned as end-of-service indemnity for directors, as approved by the general meetings of the shareholders, for Italian companies. Both amounts are updated in accordance with IAS 19 and the amount subject to discounting was allocated to a specific equity reserve pursuant to that standard.

The following table presents the change in actuarial liabilities during the year and a reconciliation of those actuarial liabilities with the carrying amounts of the liabilities concerned in these financial statements:

(Thousands of euro)	As at 31 December 2016
Actuarial liability at the beginning of the year	**5.905**
Normal cost	388
Financial charges	45
Disbursements	(116)
Actuarial (gains)/losses during the period	28
Portion related to Telemar eliminated	(2,544)
Recognised liability as at year-end	**3,706**

The following is a presentation of the key assumptions employed in preparing an actuarial estimate of the following liabilities:

	31 December 2016
Termination indemnity/End-of-service indemnity	
Discount rate	0.86%
Inflation rate	1.50%
Personnel turnover rate	5%
Mortality rate	IPS55M/IPS55F

24. OTHER NON-CURRENT FINANCIAL LIABILITIES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	**50,821**	**63,587**

The table above mainly includes the measurement of derivative instruments (interest rate swaps) set to come due beyond twelve months contracted by the Group (slightly over Euro 37 million). The change on the previous year derives from the increase in the number of these instruments at year end as well as the result of the measurements at year end. For this liability, reference should be made to the specific table under Note 28.

The balance also includes the share of amounts payable to third parties contracted in the form of shareholders' loans by the subsidiary Domas Immobiliare (approximately Euro 4.4 million) and "put & call" option (in DPF) regarding ClubItaly.

25. OTHER NON-CURRENT LIABILITIES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	3,206	6,414

The year-end balance primarily includes the liability for the acquisition from third parties of two tanker vessels by d'Amico Tankers as well as other liabilities that mature after 31 December 2017.

26. DEFERRED-TAX LIABILITIES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	7,157	8,510

This item includes provisions for deferred taxes, the financial impact of which is deferred to subsequent years. As mentioned above, deferred taxes have not been recognised on prior-year losses carried forward by the various companies inasmuch as it is not certain that profits from which to deduct such losses carried forward will be earned.

27. SHORT-TERM PAYABLES AND OTHER CURRENT LIABILITIES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	94,857	139,857

The accounts payable presented above consist primarily of trade payables, payments to seagoing personnel settled in early 2017 and deferred income present at year-end.
The changes during the year, in addition to approximately Euro 23 million that in 2015 were included in the Telemar group, are to be considered normal as a function of working capital dynamics in addition to the impact of final exchange rates for items expressed in currencies other than the one adopted.

28. OTHER CURRENT FINANCIAL LIABILITIES

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	25,087	35,234

The item primarily refers to hedging derivative instruments for approximately Euro 19 million, used by the Group and set to mature within 12 months. For a summary of the derivatives outstanding as at year-end, please refer to Note 30.

29. TAXES PAYABLE

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Total	1,292	3,864

The balance includes current income taxes allocated by Group companies, including the tonnage tax, where applicable.

30. DERIVATIVE INSTRUMENTS

The following table specifies the various types of derivative instruments used by the Group and the changes in those instruments in 2016.

(Thousands of euro)	As at 31 December 2016		As at 31 December 2015	
FAIR VALUE	*Positive fair value*	*Negative fair value*	*Positive fair value*	*Negative fair value*
Fair value through the income statement				
Forward charter derivatives / FFAs	-	(11,703)	-	(21,344)
Guarantee transactions	-	-	-	-
Forward foreign exchange transactions	-	(662)	-	(10,893)
Currency options	-	(1,660)	-	(4,500)
Forward bunker purchase derivatives	576	-	-	(2,813)
Interest rate derivatives	-	(13,513)	-	-
Deferred revenue on leasing	-	(3,100)	-	(20,904)
	0	**(30,062)**	**0**	**(60,454)**
Fair value through equity				
Foreign exchange and currency transactions	-	-	-	-
Forward bunker purchase derivatives	-	(2,920)	-	(5,979)
Interest rate derivatives	-	(20,097)	-	(22,451)
	-	**(23,017)**	**-**	**(28,430)**
Total	**576**	**(53,655)**	**0**	**(88,884)**

The following specifies the account allocations, compared to the previous years' figures.

(Thousands of euro)	As at 31 December 2016		As at 31 December 2015	
Posted under:				
Other non-current financial assets	1,016	-	0	-
Other non-current financial liabilities	0	(37,233)	0	(59,179)
Other current financial assets	2,329	0	403	0
Other current financial liabilities	0	(19,191)	0	(30,108)
	3,345	**(56,424)**	**403**	**(89,287)**

Financial assets and financial liabilities designated at fair value are classified to level 2 in the hierarchy. In further detail, 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 financial world.

The changes in the fair value of the effective portion of hedging derivatives classified as cash-flow hedges are recognised in shareholders' equity (other reserves) and presented in the statement of comprehensive income, whereas the ineffective portion of the hedge is recognised 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 recognised in the income statement. Any difference, representing the partial ineffectiveness of the hedge, therefore corresponds to the net financial effect.

The changes in the fair value of the effective portion of hedging derivatives classified as cash-flow hedges are recognised in shareholders' equity (other reserves) and presented in the statement of other comprehensive income.

Prospective and retrospective effectiveness tests on the aforementioned instruments were conducted by using the linear regression method, and the results obtained confirmed that the hedging strategy adopted has proved suited to the Company's needs. Consequently, it was not deemed necessary to recognise any allocation for fair value measurement in the income statement.

31. INFORMATION ON FINANCIAL RISK

As disclosed in Note 2 "Risk management", 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

The Group is exposed to market risk principally in respect of vessels trading on the spot market and earning revenue at market rates. In particular, when a vessel is chartered, rates could be too high to leave a profit margin and, on the contrary, when the vessels are chartered out, rates could be too low to ensure an adequate return. The following risk management strategies are applied: (i) the Group intends to have a fixed-rate contract hedging ranging from 40% to 60% in order to ensure that its exposure to the spot market does not exceed 60%, depending on market conditions, rate trends and expectations; (ii) 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; the Group does not use normally derivative instruments to manage its exposure to spot market rates for vessels.

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.

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"). For information purposes, we specify that a decrease of 10% in bunker fuel prices on consumption for the year would have had a positive impact of approximately Euro 600 thousand on the consolidated income statement, while an equivalent increase would have produced an opposite effect.

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 the year would have entailed a change in financial items and profit or loss of approximately Euro 1.7 million. A 5% fluctuation in the market prices of real-estate investments would have resulted in an impact of approximately Euro 3 million on equity reserves and other comprehensive income.

Foreign-exchange risk
The Group constantly monitors the currency risk associated with transactions denominated in foreign currencies, primarily by seeking to hedge, to the extent possible, this type of risk. Since operating activities, like ship prices, are primarily denominated in U.S. dollars, for the management there is no significant exposure arising from possible fluctuations in the euro/dollar exchange rate, and the impact would only be visible at the level of individual volumes and not of profit or loss.

In addition to the U.S. dollar, the Group had exposures to Japanese yen, for which foreign-exchange risk does not correspond to equivalent fixed assets. For these items, relating to financial exposures and hedging instruments, a 5 percentage point change in the EUR/JPY exchange rate as at the end of 2015 would have had a negative impact on the income statement, and thus on financial position, of approximately a positive Euro 1.5 million/negative Euro 0.7 million.

Interest-rate risk
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 characterised 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 review the interest rates available on the market to ensure that the Group's credit facilities are competitive. To reduce the risk to the minimum, the Group entered into numerous interest rate swaps to hedge the loans entered into. For this reason, a change in interest rates of 100 basis points would not have resulted in a significant increase/decrease in net financial charges.

Price risk
The Group companies that operate in the shipping sector are exposed to price 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.

Credit risk
The Group is exposed to credit risk resulting from possible defaults by its counterparties, primarily clients and agents. The policy for managing this risk is based on the following tools: (i) the client portfolio is analysed 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 minimise 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 specialised in the Group's sectors of operation; and (iv) the Group monitors its overall contractual exposure. All trade receivables are thoroughly analysed and, in some cases, subject to impairment. At the end of the financial year under examination, a total of approximately Euro 2.5 million had been provisioned to cover the accounts receivable presented in the financial statements. The Group also holds considerable cash deposits with leading, highly rated counterparties, and no credit risk is thus foreseeable.

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 in the course of current operations.
The management constantly monitors expected future needs and at the reporting date 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.

Amounts due to banks and other lenders set to come due beyond 5 years came to Euro 196 million. In this regard, reference should be made to Note 22, which presents full information concerning loans, and Note 34 concerning the Group's commitments.

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 have been adopted for this area: (i) limits of powers and authority; (ii) controls over bank signing authority; (iii) controls over tendering processes; (iv) where present, checks are carried out by the Board of Statutory Auditors that 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, organisational and accounting system adopted by the company and that system's functioning in practice, (v) the Parent Company d'Amico Società di Navigazione S.p.A. - and several subsidiaries, voluntarily adopted the provisions of Legislative Decree no. 231 of 8 June 2001, which provides that companies and entities are liable for certain crimes committed by their directors or employees in the company's interest and/or advantage, establishing and adopting the Organisation, Management and Control Model prescribed therein, as well as by appointing a Supervisory Board which controls compliance with said Model by the parties involved and the adequacy of the Model to the company situation. That 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.

Fair-value risk

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

32. 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:** 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:** 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:** includes financial assets and liabilities the fair values of which are determined on the basis of non-observable market data.

The Group's financial assets and financial liabilities are measured at fair value according to the first and second levels of the hierarchy described above. In further detail, it should be noted that available-for-sale assets and held-for-trading assets are measured according to the first and second levels depending on the type of market on which they are traded, whereas the fair values of derivatives have been determined with the aid of the pertinent financial institutions.

33. RELATED-PARTY TRANSACTIONS

Costs and revenue associated with transactions between companies within the scope of consolidation are naturally eliminated as part of the consolidation procedures. Such dealings, which are governed by contracts subject to arm's-length conditions, considering the quality of the services rendered, are conducted in the mutual interest of the parties and are necessary to the Company's management and organisation, as well as functionally associated with the income 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. There were no material related-party items deserving of mention in 2016 other than those mentioned above.

34. GUARANTEES, COMMITMENTS AND CONTINGENCIES

At the end of the 2016 financial year, 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.
The following is an account of the amounts concerned, broken down by specific category.

Investment commitments

The Group's investment commitments stood at Euro 287 million at year-end and related to construction contracts in force for various vessels (amounting to a value slightly over USD 300 million) that are expected to be delivered in upcoming years.

The following table presents the amounts broken down by due date.

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Up to one year	130,989	255,625
From one to five years	156,271	364,586
Beyond five years	0	0
Total	**287,260**	**620,211**

In addition to the items presented in the table, the Parent Company's commitments also include approximately Euro 2 million in commitments ("on call") associated with subscription of additional units of the Sator Private Equity Fund.

Operating leases – chartered-in vessels

The Group's commitments for vessel operating charters came to Euro 1,095 million (equal to USD 1,154 million) and also proportionally included the commitments relating to companies consolidated according to the proportional method.

The following is a breakdown by expiration date:

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Up to one year	212,530	182,743
From one to five years	562,562	570,381
Beyond five years	319,599	356,403
Total	**1,094,691**	**1,109,527**

Other operating leases

Other operating leases primarily comprise office lease contracts in the amount of approximately Euro 9 million.

(Thousands of euro)	As at 31 December 2016	As at 31 December 2015
Up to one year	3,728	3,461
From one to five years	4,656	7,364
Beyond five years	732	1,849
Total	**9,116**	**12,674**

Ongoing disputes

The Group, in addition to what has already been mentioned in the report, is 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.

35. LIST OF COMPANIES BELONGING TO THE d'AMICO SOCIETÀ DI NAVIGAZIONE GROUP

The scope of consolidation remained essentially unchanged compared to the previous year. The table below 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, and registered office.

Company name	Consolidation method	City or country	Parent Company consolidation percent	Minorities percent
d'Amico Shipping Italia SpA	Line-by-line	Palermo	100.0000	0.0000
d'Amico International S.a.	Line-by-line	Luxembourg	99.9998	0.0002
Cogema S.A.M.	Line-by-line	Monte Carlo	95.9998	4.0002
Comarfin S.A.M.	Line-by-line	Monte Carlo	99.6998	0.3002
d'Amico Dry d.a.c.	Line-by-line	Ireland	99.9998	0.0002
Medbulk Maritime Limited	Line-by-line	Ireland	99.9998	0.0002
Medi Supra Pool limited	Proportional	Ireland	74.4124	25.5876
d'Amico Finance d.a.c.	Line-by-line	Ireland	99.9998	0.0002
d'Amico Shipping Singapore Pte Ltd	Line-by-line	Singapore	99.9998	0.0002
d'Amico Shipping UK Ltd	Line-by-line	UK	99.9998	0.0002
Hanford Investments Inc.	Line-by-line	Liberia	94.9998	5.0002
Saint Andrew Estates Ltd	Line-by-line	Liberia	94.9998	5.0002
Ishima Pte Limited	Line-by-line	Singapore	99.9998	0.0002
Global Maritime Supplies Pte.Ltd	Line-by-line	Singapore	99.9998	0.0002
Cambiaso e Risso Asia Pte Ltd	Proportional	Singapore	49.9999	50.0001
Rudder S.A.M.	Line-by-line	Monte Carlo	59.4999	40.5001
Rudder Pte Ltd	Line-by-line	Singapore	59.4999	40.5001
Rudder Argentina SA	Line-by-line	Argentina	53.5499	46.4501
Anglo Canadian Shipping Co. Ltd	Line-by-line	Canada	99.9998	0.0002
ACGI Shipping Inc.	Line-by-line	Canada	99.9998	0.0002
ACGI Ptel Ltd	Line-by-line	Singapore	99.9998	0.0002
Cemesa Amarres Barcelona S.a.	Equity	Spain	33.7399	66.2601
d'Amico Dry Maroc Sarl	Line-by-line	Morocco	69.9999	30.0001
d'Amico International Shipping SA	Line-by-line	Luxembourg	59.3315	40.6685
Glenda International Shipping d.a.c.	Proportional	Ireland	29.6657	70.3343
d'Amico Tankers d.a.c.	Line-by-line	Ireland	59.3315	40.6685
d'Amico Tankers Monaco sam	Line-by-line	Monte Carlo	59.0945	40.9055
d'Amico Tankers UK Ltd	Line-by-line	UK	59.3315	40.6685
DM Shipping d.a.c.	Equity	Ireland	30.2591	69.7409
Glenda International Management Ltd	Line-by-line	Ireland	59.3315	40.6685
High Pool Tankers Ltd	Proportional	Ireland	59.3315	40.6685
Eco Tankers Limited	Equity	Malta	19.5794	80.4206
d'Amico Shipping USA Ltd	Line-by-line	USA	99.9998	0.0002
DACC Maritime d.a.c.	Equity	Ireland	50.9999	49.0001
Domas Immobiliaria srl	Line-by-line	Imperia	75.0000	25.0000
d'Amico Partecipazioni Finanziarie srl	Line-by-line	Rome	55.5500	44.4500
d'Amico investimenti srl	Line-by-line	Rome	100.0000	0.0000
Mida Maritime Company d.a.c.	Equity	Ireland	51.0000	49.0000
Clubtre S.r.l.	Equity	Milan	28.3599	71.6401
Venice Shipping and Logistic S.p.A.	Equity	Milan	28.4511	71.5489

Equity investments in joint ventures
The Group holds the following equity investments in joint ventures:

- a 51% equity interest, with equivalent voting rights, in MIDA Maritime Company d.a.c., a joint venture with Mitsui & Co., with headquarters in Ireland.

- a 51% equity interest, with 50% voting rights, in DM Shipping d.a.c., a joint venture with Mitsubishi Group, with headquarters in Ireland.

- a 33% equity interest, with 50% voting rights, in Eco Tankers Limited (Malta), a joint venture with the shipping industry investment firm Venice shipping & Logistics.

- a 51% equity interest, with equivalent voting rights, in DACC Maritime d.a.c., a joint venture with Coeclerici SpA, with headquarters in Ireland.

- a 50% equity interest, with equivalent voting rights, in Cambiaso & Risso Asia Pte Ltd, a joint venture with Cambiaso Risso SpA, with headquarters in Singapore.

Joint ventures have been consolidated according to the equity method based on the following amounts expressed in thousands of euro. The chart includes also the joint operation relating to a 50% equity interest, with equivalent voting rights, in Glenda International Shipping Ltd (proportionally consolidated), a joint venture with Glencore Group, with headquarters in Ireland consolidated on proportional bases.

(Thousands of euro)	Revenue	Net profit/(loss)	Total assets	Shareholders' equity
As at 31 December 2016				
Glenda International Shipping Ltd	29,738	(2,555)	203,763	106,808
DM Shipping Ltd	10,820	59	53,769	(916)
Cambiaso & Risso Pte Ltd	1,299	241	4,337	1,623
DACC Maritime d.a.c.	5,862	(6,450)	107,939	(8,366)
MIDA Maritime Company d.a.c.	0	(702)	5,848	(749)
As at 31 December 2015				
Glenda International Shipping Ltd	26,530	1,395	211,816	105,909
DM Shipping Ltd	10,208	2,972	54,972	(945)
Cambiaso & Risso Pte Ltd	131	317	3,869	1,522
DACC Maritime Limited	2,513	(1,781)	65,894	(1,801)
MIDA Maritime Company d.a.c.	0	14	9,834	(40)

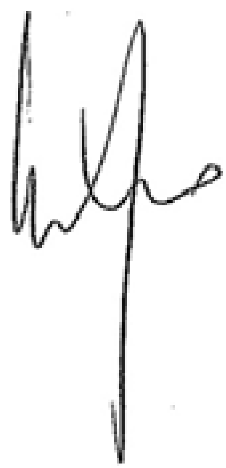
36. SUBSEQUENT EVENTS

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.

37. STATEMENT OF CASH FLOWS

For the most significant changes in the Statement of Cash Flows for the year, refer to the Report on Operation

Rome, 3rd of may 2017



Paolo d'Amico, Chairman

Cesare d'Amico, Chief Executive Officer

d'AMICO SOCIETÀ DI NAVIGAZIONE S.p.A.
STATUTORY FINANCIAL STATEMENTS
As at 31 December 2016

Separate income statement

Euro	Notes	2016	2015
Revenue	4	15,077,718	13,819,429
Direct operating costs	5	(1,678,191)	(1,422,999)
General and administrative costs	6	(20,563,103)	(18,617,242)
Gross operating profit / (loss)		**(7,163,576)**	**(6,220,812)**
Depreciation and amortisation	9/10	(2,679,783)	(2,787,587)
Operating profit / (loss)		**(9,843,359)**	**(9,008,399)**
Dividends	7	1,098,556	11,013,263
Financial income	7	33,289,494	12,465,863
Financial charges	7	(2,640,467)	(2,219,305)
Profit / (Loss) before taxes		**21,904,224**	**12,251,422**
Income taxes	8	8,838	(39,385)
Net profit / (loss)		**21,913,062**	**12,212,037**

Statement of other comprehensive income

Euro	2016	2015
Net profit / (loss)	21,913,062	12,212,037
Other components of comprehensive income not to be recycled to the income statement in subsequent periods		
Actuarial gain or loss (IAS 19)	(29,461)	(45,935)
Tax effects of expenses/income recognised in equity	10,886	12,632
	(18,575)	**(33,303)**
Other components of comprehensive income to be recycled to the income statement in subsequent periods		
Fair value accounting for investments (available for sale)	3,452,600	12,408,753
Effective part of gains/(losses) on cash flow hedges	190,124	576,538
Tax effects of expenses/income recognised in equity	(4,646)	(3,570,955)
	3,638,078	**9,414,336**
Comprehensive income	**25,532,565**	**21,593,070**

Statement of financial position

Euro	Notes	As at 31 December 2016	As at 31 December 2015
ASSETS			
Non-current assets			
Intangible assets	9	155,155	305,935
Tangible assets	10	64,731,518	65,455,540
Long-term investments	11	181,849,924	197,466,445
Other non-current financial assets	12	16,448,576	16,487,089
Other non-current assets	13	4,028,061	4,209,055
Total non-current assets		**267,213,234**	**283,924,064**
Current assets			
Short-term receivables and other current assets	14	6,035,763	6,008,871
Other current financial assets	15	41,507,982	29,692,742
Cash and cash equivalents	16	20,229,014	1,518,849
Total current assets		**67,772,759**	**37,220,462**
Total assets		**334,985,993**	**321,144,526**
LIABILITIES			
Shareholders' equity			
Share capital		25,000,000	25,000,000
Retained earnings		195,273,677	189,061,640
Other reserves		21,711,820	18,092,317
Net profit / (loss)		21,913,062	12,212,037
Total shareholders' equity	17	**263,898,559**	**244,365,994**
Non-current liabilities			
Provisions for risks and charges	18	323,474	323,474
Banks and other lenders	22	26,836,654	34,079,423
Provisions for employee benefits	19	3,310,792	2,886,288
Deferred-tax liabilities	20	6,917,544	6,932,622
Other non-current financial liabilities	21	3,672,099	3,862,222
Total non-current liabilities		**41,060,563**	**48,084,029**
Current liabilities			
Banks and other lenders	22	23,050,148	24,133,541
Short-term payables and other current liabilities	23	6,976,723	4,560,962
Total current liabilities		**30,026,871**	**28,694,503**
Total shareholders' equity and liabilities		**334,985,993**	**321,144,526**

Statement of cash flow

Euro	2016	2015
Net profit for the period	**21,913,062**	**12,212,037**
Depreciation and amortisation	2,679,783	2,781,420
Current, deferred and pass-through taxation	(8,838)	39,385
Financial charges / (income)	156,349	(11,218,889)
Changes in the fair value of financial assets	42,495	(1,740,833)
Other non-cash items	(31,630,788)	(8,032,947)
Net cash provided by / (used in) operating activities before changes in working capital	**(6,847,937)**	**(5,959,827)**
Change in amounts receivable	(26,892)	1,390,472
Change in amounts payable and provisions for Italian termination indemnity	2,426,880	(1,192,970)
Interest collected / (paid)	(1,275,973)	365,922
Net cash provided by / (used in) operating activities	**(5,723,922)**	**(5,396,403)**
Acquisition of intangible assets	(50,178)	(294,476)
Acquisition of tangible assets	(1,754,803)	(1,565,431)
Acquisition of fixed assets and financial assets	(2,460,656)	(4,382,701)
Increase in other financial assets	(11,620,362)	(30,756,640)
Sale/disposal of fixed assets and financial assets	53,547,692	21,900,772
Dividends collected	1,098,556	11,013,263
Net cash provided by / (used in) investing activities	**38,760,249**	**(4,085,213)**
Loans applied for	1,000,000	0
Bank loan repayments	(8,198,889)	(9,404,814)
Change in bank overdrafts	(1,127,273)	10,280,528
Dividends paid	(6,000,000)	(10,000,000)
Net cash provided by / (used in) financing activities	**(14,326,162)**	**(9,124,286)**
Net cash provided / (used)	**18,710,165**	**(18,605,902)**
Cash and cash equivalents at the beginning of the year	1,518,849	20,124,751
Cash and cash equivalents at the end of the year	**20,229,014**	**1,518,849**

Statement of changes in shareholders' equity

Euro	Share capital	Retained earnings	Other reserves	Net profit / (loss)	Total
Balance as at 31 December 2014	**25,000,000**	**182,775,110**	**8,711,284**	**16,286,530**	**232,772,924**
Dividends	0	0	0	(10,000,000)	(10,000,000)
Allocation of 2014 profit	0	6,286,530	0	(6,286,530)	0
Comprehensive income	0	0	9,381,033	12,212,037	21,593,070
Balance as at 31 December 2015	**25,000,000**	**189,061,640**	**18,092,317**	**12,212,037**	**244,365,994**

Euro	Share capital	Retained earnings	Other reserves	Net profit / (loss)	Total
Balance as at 31 December 2015	**25,000,000**	**189,061,640**	**18,092,317**	**12,212,037**	**244,365,994**
Dividends	0	0	0	(6,000,000)	(6,000,000)
Allocation of 2015 profit	0	6,212,037	0	(6,212,037)	0
Comprehensive income	0	0	3,619,503	21,913,062	25,532,565
Balance as at 31 December 2016	**25,000,000**	**195,273,677**	**21,711,820**	**21,913,062**	**263,898,559**

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

Paolo d'Amico, Chairman

Cesare d'Amico, Chief Executive Officer

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.

In application of the option provided for in Legislative Decree 38 of 28 February 2005, effective 2010, the Company's financial statements 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 financial statements.

1. ACCOUNTING POLICIES

Basis of presentation

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in shareholders' equity and the notes. In the income statement, costs have been classified by nature. All revenue and cost items recognised 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 realised, 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.

IFRS standards 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 as at 31 December 2016 were approved on 3 May 2017 by the Board of Directors, which authorised their publication.

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 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 recognised 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 recognised 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 recognised 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 recognised in reference to the contractually accrued consideration.

Operating costs and general and administrative costs

Operating costs and general and administrative costs are recognised 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, realised and unrealised exchange differences associated with transactions undertaken in currencies other than the functional currency and other financial income and charges. Interest is recognised 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 taxes are calculated on the basis of the temporary differences that arise between the value of the assets and liabilities included in the Company's accounting situation and the value attributed to those assets and liabilities for tax purposes. Deferred tax assets and liabilities are measured by applying the tax rate in effect when the temporary differences are expected to be reversed. Deferred tax assets are recognised to the extent it is believed likely that there will be taxable income equal to at least the amount of the differences to be reversed during the years in which the temporary differences concerned are to be reversed. They are charged or credited in the income statement, unless they relate to items charged or credited directly to other comprehensive income, in which case the deferred tax charge is also recognised in other comprehensive income.

Intangible assets

Other purchased or internally generated intangible assets are recognised 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 amortised 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.

Amortisation begins when an asset becomes available for use. The useful life considered for such assets, almost all of which relate to software, is three years.

Tangible assets

Buildings and other tangible assets
Owned buildings and other tangible assets are recognised 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 whose useful lives differ significantly from other parts of the assets, depreciation is calculated separately for each part of the asset in application of the component approach principle.

Real-estate investments

Real properties held with the aim of earning rent or benefiting from appreciation in value, or for indeterminate future use, are classified as investment properties. They are measured at purchase or construction cost, plus any auxiliary charges, less accumulated depreciation and any impairment losses.

Leases

Lease contracts are classified as operating or finance leases at the commencement of the contractual period. Lease classifications are not modified after they have been determined. Classification depends on estimates based on contractual conditions. In such cases, the “substance over form” approach is adopted.

Assets acquired under finance leases, where substantially all the risks and rewards of ownership are transferred to the Company, are initially recognised 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 recognised among financial liabilities. After initial recognition, such assets are measured according to the applicable accounting principles.

Operating leases are not recognised 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 amortised cost, depending on the characteristics of each instrument. Financial liabilities are measured on the basis of their amortised 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 amortised cost involves recognising the asset or liability at the value initially measured, deducting any redemption of principal, increased or decreased by overall amortisation, 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.

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.

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. Interests in joint operations are recognised in the investor's financial statements by posting the elements of the statement of financial position, cash flows and income statement arising from the participation in the agreement.

In particular, the Company classifies other **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.

Financial assets designated at fair value through the income statement
Held-for-trading financial assets are measured at fair value. The fair value of such instruments is determined in reference to their market value (bid price) on the reporting date. The fair value of unlisted instruments is determined through the use of commonly applied financial valuation techniques. Changes in the fair values of instruments classified to this category are recognised immediately in the income statement.

Trade and other short-term receivables
Trade receivables are initially recognised at their face value (which represents the "fair value" of the transaction) and are subsequently measured at amortised cost, net of impairment losses recognised 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 amortised cost is equivalent to nominal value, less impairment losses. Impairment losses are recognised when management consider the full recovery of a receivable to be in doubt. If management consider the amounts non-recoverable, then they are written off in their entirety.

Held-to-maturity investments

These assets, which are initially recognised at their fair value and subsequently measured at amortised cost, include non-derivative instruments without pre-determined maturities that the Company has the intention and ability to hold to maturity. Instruments with contractual maturities falling the following twelve months are classified among current assets. If there is objective evidence of indicators of impairment, the value of the assets is reduced so that it is equal to the discounted value of future cash flows. Impairment losses identified through impairment tests are recognised in the income statement.

If the grounds for previous impairment losses cease to apply in subsequent periods, the value of the assets is recovered up to the amount that would have resulted from the application of amortised cost if no impairment had been recognised.

Available-for-sale financial assets

Equity investments, classified as available-for-sale assets from an accounting standpoint, are recognised among non-current assets under the item “Long-term investments.” This category includes financial assets other than derivative instruments specifically designated as classified to that item or not classified to any of the previous items. Such assets are measured at fair value, which is determined in reference to market prices at the annual or interim reporting date, or through financial valuation techniques and models, with changes in value recognised through a specific equity reserve (the “reserve for available-for-sale assets”). The above reserve is reversed to the income statement only when the financial asset is effectively disposed of, or, in the event of decreases, when it is determined that a significant, prolonged decrease in value already recognised in equity cannot be recovered. Classification as current or non-current depends on management’s intentions and the effective marketability of the securities; those expected to be realised within the following 12 months are recognised among current assets. If there is objective evidence of indicators of impairment, the value of the assets is reduced so that it is equal to the discounted value of future cash flows. Decreases in value previously recognised in the equity reserve are reversed to the income statement. Previous impairment losses are recovered if the circumstances that had resulted in their recognition cease to apply, but only in cases of financial instruments not representing equity.

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.

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 recognised according to the amounts received, net of transaction costs, and are subsequently measured at amortised cost according to the effective interest rate method. The difference between the loan proceeds and nominal value is recognised in the income statement over the term of the loan.

Trade and other payables

Trade and other payables are measured at amortised 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 recognised directly in equity and presented in other comprehensive income, whereas the ineffective portion is recognised 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 analysing 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 recognised 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 recognised directly in the income statement.

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 unrecognised 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. For this type of plan, the Company uses the equity option recognition method. As a result of that option, the liabilities posted in the financial statements are thus aligned with those deriving from the actuarial measurement of said liabilities, with full and immediate recognition of actuarial gains and losses, in the period in which they arise, in the statement of comprehensive income under "Revaluation of defined-benefit plans" and a specific equity reserve. Italian termination indemnity (hereinafter, also TFR), accrued as at 31 December 2006, falls under the definition of such plans.

In defined-contribution plans, the entity's obligation, which is limited to the payment of contributions to governmental organisations 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 recognised 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 recognised 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.

Especially significant aspects and material estimates by the management

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 estimates 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 standards. The critical element inherent in such estimates is a result of the use of assumptions and/or professional judgements concerning matters that are uncertain by nature.

Income taxes- Taxes payable 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 cases, the "substance over form" approach is adopted.

New accounting principles

Accounting principles, amendments and interpretations applicable from 1 January 2016

Accounting principles adopted from 1 January 2016

No new accounting standards were applied in 2016; only changes to existing IFRS standards were taken into consideration.

Accounting principles, amendments and interpretations not yet in force

At the reporting date, the following accounting principles and related interpretations, applicable to the Group, had been issued but were not yet in force:

IFRS 15 – ***Revenue from Contracts with Customers***: issued by the IASB in May 2014 to bring together rules scattered in various standards and create a framework of basic principles to apply to all categories of transactions, including revenue, substantially requiring that companies recognise revenue at the time the control of the asset or service is transferred to customers, at an amount reflecting the expected consideration, in *five phases*. The approach also requires supplementary information on the nature, amount, timing and certainty of revenue and cash flows arising from contracts with customers. The standard will enter into force in January 2018, but early adoption is permitted. IFRS 15 should not have a significant impact on net assets, the financial position and the results of DIS transactions, but will affect the information presented in the financial statements.

IFRS 9 – ***Financial Instruments***: issued in July 2014 and not yet endorsed by the EU; should be applied retrospectively from 1 January 2018. The improvements introduced will replace the rules for recognition and measurement of financial instruments contained in IAS 39. More specifically, financial assets will be divided into two categories: those measured at amortised cost and those measured at fair value. The first group will include financial assets whose contractual terms generate cash flows at specific dates that constitute only payment of principle and interest and whose business model consists of holding these assets for the purpose of realising the contractual cash flows. The second group will include all other financial assets (measurement at fair value). While the rules applied to financial liabilities are essentially equal to those set out in IAS 39, amendments to the approach have been introduced regarding the classification to the income statement of changes in the fair value of several debt instruments based on credit risk. This means that changes in the fair value of the liability will be broken down into the amount of the change attributable to the changes in the credit risk of the liability – to be exported to the statement of other comprehensive income – and the remainder of the change in the fair value of the liability, to be posted to the income statement.

There are no other standards not yet in force that are expected to have a significant impact on the entity in current or future reference periods and foreseeable future transactions.

2. RISK MANAGEMENT

d'Amico Società di Navigazione S.p.A. is subject to the same type of risks as 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 25 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	2016	2015
Total	**15,077,718**	**13,819,429**

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 and insurance, information technology and administration. The increase in revenue compared to 2015 was due to the corresponding increase in productivity almost exclusively towards Group companies. For information purposes only, we note that the average US dollar exchange rate for 2016 (1.10632), the currency in which most of the revenues are invoiced, did not differ from that of the previous year (1.10951).

5. OPERATING COSTS

Euro	2016	2015
Total	**1,678,191**	**1,422,999**

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	2016	2015
Personnel costs	10,581,749	9,349,278
Other general and administrative costs	9,586,330	8,849,915
Other	395,024	418,049
Total	**20,563,103**	**18,617,242**

Personnel costs were normally higher than the previous year and comprise salaries, including pension costs and accruals of end-of-service benefits for personnel in service at year-end. At the end of 2016, employed personnel totalled 73, three less than in 2015.

Other costs also slightly increased during 2016 and include compensation for the Company's directors of approximately Euro 1.5 million (to which the allocation to the Italian end-of-service indemnity fund of approximately Euro 370 thousand is added) as well as the costs of "control" bodies i.e. those of the Board of Statutory Auditors, equal to Euro 76 thousand and independent auditing costs for Euro 180 thousand. The remaining costs are for sundry assistance and advice (Euro 5 million), and other general costs (utilities, travel expenses, maintenance, entertainment expenses) for the balance.

7. DIVIDENDS, OTHER FINANCIAL INCOME AND FINANCIAL CHARGES

Euro	2016	2015
Dividends	**1,098,556**	**11,013,263**
Other financial income		
Bank interest	2,573	14,232
Interest on sundry receivables	475,503	209,705
Other income	32,901	1,841,472
Exchange gains	734,122	2,094,188
Gains on the disposal of equity investments	32,044,395	8,306,266
Total	**33,289,494**	**12,465,863**
Financial charges		
Interest on borrowings - Swap	(1,331,587)	(1,556,133)
Bank and sundry interest	(401,395)	(176,696)
Other financial charges	(92,509)	(48,780)
Losses on equity investments	(144,624)	(183,084)
Financial losses	(81,107)	(6,602)
Exchange losses	(589,245)	(248,010)
Total	**(2,640,467)**	**(2,219,305)**

Income from dividends collected in 2016 by "Other companies" is shown below, compared to the amounts collected in the prior year (which also included dividends collected by subsidiaries for almost Euro 10 million):

Euro	2016	2015
Other companies		
Tamburi Investments Partners S.p.A.	1,018,699	1,018,699
Sator S.p.A.	28,000	56,000
Banca Profilo	9,000	4,500
TIPO pre IPO SpA	42,857	0
	1,098,556	**1,079,199**

The item *Other financial income* includes the amount of over Euro 32 million related to the sale of the equity investment in Compagnia Generale Telemar, which is discussed in detail in the report to the financial statements. The gain on disposal has been calculated as per following numbers (million):

Net price of sale	52,6	A
Telemar Book value	20,6	B
Gain on disposal	**32,0**	**A-B**

We mention among other items interest income from banks and other creditors, proceeds from short-term investments in bonds and funds. In addition, it includes exchange gains, resulting from differences recognised during the year and conversion as at 31 December 2016.

Among *financial charges*, it bears noting that interest on loans is generated by the loan for the property located on Via Paisiello in Rome and by the loan received in 2014 by the then Banco Popolare di Lodi (today Banco BPM) and amounting to slightly more than Euro 1 million for the interest and related swap.

As for the other items, losses on equity investments relate to the partial waiver of the receivable from Domas Immobiliare for coverage of the 2016 losses.

8. INCOME TAXES

Euro	2016	2015
Current income taxes	0	0
Adjustment of prior-year taxes	0	0
Deferred taxes	(8,838)	39,385
Total	**(8,838)**	**39,385**

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 recognised 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:

	FY 2016
Profit / (Loss) before taxes	**21,904,224**
Tax adjustments for:	
Reduced taxation of dividends	(1,043,628)
Sale of "Pex" equity investments	(30,442,175)
Non-deductible interest expense	1,254,905
Partial deductibility of costs	5,166,839
Taxable profit or loss	**(3,159,835)**
Tax charges accrued	**0**

It should be noted that on the basis of the tax returns so far presented, the Company presents approximately Euro 24 million in unused prior-year losses (starting with 2008 income). Upon their future use, these will yield a tax savings, calculated according to current tax rates, of approximately Euro 5.8 million.

Deferred taxes arise from the recognition of fair value gains and losses on the translation of receivables in foreign currency and the measurement of bonds posted in the financial statements, both under financial items. Both items shall be taxed only at the time of their effective realisation.

9. INTANGIBLE ASSETS

	As at 31 December 2016	As at 31 December 2015
Total	**155,155**	**305,935**

The amounts of intangible assets refer to software costs, which are amortised over a period of three years. The difference on the previous year relates to increases due to software purchases undertaken during the year, net of the amortisation charge for the year, as shown in the table below.

	As at 31 December 2016	As at 31 December 2015
Net carrying amount		
As at 1 January 2016	**305,935**	**284,241**
Additions	50,178	294,476
Amortisation for the year	(200,958)	(272,782)
Net carrying amount		
As at 31 December 2016	**155,155**	**305,935**

10. TANGIBLE ASSETS

	As at 31 December 2016	As at 31 December 2015
Total	**64,731,518**	**65,455,540**

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

Euro	Real Estate	Other assets	Total
Historical cost	74,317,286	3,871,233	78,188,520
Depreciation	(10,192,679)	(2,540,300)	(12,732,979)
Balance as at 31 December 2015	**64,124,607**	**1,330,933**	**65,455,540**
Additions	1,725,071	29,732	1,754,803
Disposals/Decreases	0	0	0
Depreciation	(2,201,662)	(277,163)	(2,478,825)
Historical cost	76,042,357	3,900,965	79,943,323
Depreciation	(12,394,341)	(2,817,463)	(15,211,804)
Balance as at 31 December 2016	**63,648,016**	**1,083,502**	**64,731,518**

Real Estate 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 mainly relate to work in progress for the renovation of the property on Via Paisiello, whose completion is scheduled for 2018, as well as the work to modernise the offices on Corso d’Italia (Rome).

Note that the property located on Via Paisiello, carried at its historical cost of Euro 58.5 million (currently Euro 55 million, after depreciation and including capitalised costs until the end of the current financial year) was originally acquired to host the Company's offices, but is now regarded as an investment property. The use of the property is being changed from "office use" to "residential use", to subsequently sell the resulting apartments. This property was posted at cost, net of the related depreciation, and according to the most recent appraisals available, its carrying value is near the property's market value. The asset's estimated useful life is 33 years.

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 2016 were recognised 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, applied in 1994 following the merger of SEGESTA Soc. Mob. Fin. S.p.A. in the residual amount of Euro 115,995.

11. LONG-TERM INVESTMENTS

Euro	As at 31 December 2016	As at 31 December 2015
Equity investments	116,936,056	136,918,036
Available-for-sale financial assets	61,280,700	56,984,450
Held-to-maturity investments	3,633,168	3,563,959
Total	**181,849,924**	**197,466,445**

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

		Changes			
Company name	**As at 31 December 2015**	**Acquisitions /Disposals**	**Measurement at FV**	**As at 31 December 2016**	**Percent interest**
Subsidiaries					
d'Amico Shipping Italia S.p.A.	44,976,428	0	0	44,976,428	100.00%
d'Amico International S.A.	26,954,779	0	0	26,954,779	99.99%
Compagnia Generale Telemar S.p.A.	21,183,807	(21,183,807)	0	0	0.00%
CGTH S.r.l.	0	551,052	0	551,052	61.69%
Domas Immobiliare S.r.l.	577,500	0	0	577,500	75.00%
Sirius Ship Management S.r.l.	134,578	0	0	134,578	77.89%
MIDA Maritime Company d.a.c.	36,706	0	0	36,706	51.00%
d'Amico Partecipazioni Finanziarie S.p.A.	5,393,905	0	0	5,393,905	55.55%
Other	3	10,000	0	10,003	
Associates					
Clubtre S.r.l.	23,256,130	(879,156)	0	22,376,974	22.93%
Venice Shipping & Logistic S.p.A.	9,020,400	0	0	9,020,400	28.44%
Other					
Sator S.p.A.	2,800,000	0	0	2,800,000	1.13%
Civita Cultura Holding S.r.l.	899,157	0	0	899,157	8.23%
Film Master Group S.r.l.	604,643	0	0	604,643	2.78%
Ti.Po. S.p.A.	880,000	828,567	0	1,708,567	2.86%
Asset Italia S.p.A.	0	691,364	0	691,364	3.64%
Other	200,000	0	0	200,000	
Total	**136,918,036**	**(19,981,980)**	**0**	**116,936,056**	
Available-for-sale financial assets					
Tamburi Investments Partners S.p.A.	56,579,600	852,500	3,587,900	61,020,000	11.90%
Banca Profilo S.p.A.	404,850	0	(144,150)	260,700	0.22%
Total	**56,984,450**	**852,500**	**3,443,750**	**61,280,700**	
Held-to-maturity investments					
Sator Private Equity Fund	3,563,959	69,209	0	3,633,168	
Total	**3,563,959**	**69,209**	**0**	**3,633,168**	

Subsidiaries

In addition to what was mentioned in the report on the sale of Compagnia Generale Telemar and of the related demerger of CGTH, we mention among the subsidiaries the increase of Euro 10 thousand related to the establishment of d'Amico Investimenti srl, "dormant" company to date.

The following table presents information regarding investments in subsidiaries. Amounts are in euro rounded to the nearest thousand.

Subsidiaries	**Registered office**	**Reporting date**	**Share capital**	**Shareholders' equity**	**Net profit / (loss)**	**Percent interest**	**Corresponding book equity**	**Carrying amount**
d'Amico Shipping Italia S.p.A.	Palermo	31-Dec	15,000	51,984	(30,649)	100.00%	51,984	44,976
d'Amico International S.A.	Luxembourg	31-Dec	3,900	320,808	11,622	100.00%	320,808	26,955
Domas Immobiliare S.r.l.	Imperia	31-Dec	258	258	0	75.00%	194	578
Sirius Ship Management S.r.l.	Genoa	31-Dec	101	449	128	77.89%	350	135
Mida Maritime Company	Dublin	31-Dec	79	(749)	(701)	51.00%	(382)	37
d'Amico Partec.Finanziarie S.p.A.	Rome	31-Dec	10	9,698	3	55.55%	5,387	5,394

The table above shows no information on CGTH in that the first financial statements will end on 31 December 2017. The carrying amount of equity investments in subsidiaries is usually less than the corresponding fraction of shareholders' equity. No indicator has been found leading to an impairment of these equity investments.

Associates

With reference to the associates, we mention the decrease occurred during the financial year that concerns the partial sale of the equity investment in Clubtre SpA.
Information concerning current investments in associates is presented below. Amounts are in euro rounded to the nearest thousand.

Associates	**Registered office**	**Reporting date**	**Share capital**	**Shareholders' equity**	**Net profit / (loss)**	**Percent interest**	**Corresponding book equity**	**Carrying amount**
Clubtre S.r.l.	Milan	30-Jun	120	114,988	2,825	22.93%	26,367	22,377
Venice Shipping & Logistic S.p.A.	Milan	31-Dec	26,347	34,459	8,624	28.44%	9,800	9,020

Other equity interests

Changes in this item are related to the elimination of small consortium interests on the Company's financial statements for several years.

Available-for-sale financial assets

During the year, the interest in Tamburi Investment Partner further increased through the outlay of approximately Euro 850 million. In addition to this, the equity investment was also positively affected by the positive year-end measurement that increased the carrying amount over Euro 61 million. The investment in Banca Profilo slightly depreciated and the carrying amount was approximately Euro 260 thousand. It is standard practice to allocate the contra-item of this measurement, net of deferred taxes, among shareholders' equity reserves (the available-for-sale fair value reserve) and presented in the statement of other comprehensive income.

Held-to-maturity investments

In 2016, a further small payment was made in the Sator Private Equity Fund for which the amount at year-end amounted to approximately Euro 3.6 million.

12. OTHER NON-CURRENT FINANCIAL ASSETS

Euro	As at 31 December 2016	As at 31 December 2015
Total	16,448,576	16,487,089

The balance shown above regards the receivable due from the subsidiary Domas of approximately Euro 13 million (relating to the existing loan) plus the receivable from Mida (approximately Euro 3.3) to allow the company to make new maritime investments. The year-end balance also includes a small amount of Euro 23 thousand relating to guarantee deposits from third parties.

13. OTHER NON-CURRENT ASSETS

Euro	As at 31 December 2016	As at 31 December 2015
Total	4,028,061	4,209,055

This item refers exclusively to sundry tax receivables and is mainly related to the portion paid for 2010 of taxes on a pass-through basis. In this regard, note that following the appeal submitted by the Company on 15 June 2012 against the rejection of a request for a ruling submitted for d'Amico International SA, and the subsequent application for refund (relating to 2010 taxes) submitted in January 2013, is still pending. As previously noted, through its first-instance judgment of 22 May 2014, the Provincial Tax Commission of Palermo accepted the company's petition and ordered the amounts requested to be refunded. However, on 10 February 2015, the tax authorities notified the Company of its appeal of the aforementioned first-instance judgment of the Commission. At the reporting date of these financial statements, there have been no further developments and the Company is awaiting the summons for the next hearing.

14. SHORT-TERM RECEIVABLES AND OTHER CURRENT ASSETS

Euro	As at 31 December 2016	As at 31 December 2015
Total	6,035,763	6,008,871

The foregoing receivables derive from the invoicing of revenue for services rendered according to the contracts in force, of approximately Euro 4 million, and the VAT receivable of slightly less than Euro 2 million.

15. OTHER CURRENT FINANCIAL ASSETS

Euro	As at 31 December 2016	As at 31 December 2015
Total	41,507,982	29,692,742

The above amount includes the loan made to d'Amico International Sa for a total amount of approximately Euro 35.4 million and to d'Amico Shipping Italia of approximately Euro 3.4 million. These loans are governed by specific master agreements between the parties, set up in compliance with transfer pricing rules and, hence, at normal market conditions. The remaining amount, as in the previous year, concerns assets held for trading and, more specifically, short-term investments of liquidity.

16. CASH AND CASH EQUIVALENTS

Euro	As at 31 December 2016	As at 31 December 2015
Bank deposits	20,222,304	1,512,417
Cash	6,710	6,432
Total	**20,229,014**	**1,518,849**

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 change compared to the previous year is illustrated in further detail in the statement of cash flows.

17. SHAREHOLDERS' EQUITY

Euro	As at 31 December 2016	As at 31 December 2015
Share capital	25,000,000	25,000,000
Retained earnings	195,273,677	189,061,640
Other reserves	21,711,820	18,092,317
Net profit / (loss)	21,913,062	12,212,037
Total shareholders' equity	**263,898,559**	**244,365,994**

The table below shows the items of shareholders' equity broken down by origin, possible use and possible distribution and any uses in the three previous years.

Nature / Description	Amount	Possible use (*)	Available portion	Actual uses in 3 previous years to cover losses	Actual uses in 3 previous years for other reasons
Capital	25,000,000				
Legal reserve	5,000,000	B	5,000,000		
Retained earnings	190,273,677	A, B, C	190,273,677		8,762,998
Other reserves	21,711,820				
Total	**241,985,497**		**195,273,677**		**8,762,998**
Non-distributable portion			284,090		
Residual distributable portion			194,989,587		

(*) A: for capital increases; B: for coverage of losses; C: for distribution to shareholders

Share capital

The authorised, fully 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.

Retained earnings

Retained earnings comprise profits retained, net of dividends distributed. It should be noted that as at 31 December 2016 the amount of Euro 284,090, included in the item, was to be considered not available for distribution in that related to unrealised exchange adjustments applied in previous years.

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 and the actuarial gain or loss reserve (IAS 19 revised). All the measurements mentioned above are shown net of taxation, which is also shown in shareholders' equity.

The following is a breakdown at the end of the year, compared with the 2015 figures.

Euro	As at 31 December 2016	As at 31 December 2015
Revaluation reserve (CFH)	(3,672,098)	(3,862,222)
Fair value reserve (AFS)	32,160,745	28,708,146
Italian term. indemn. actuarial gain or loss reserve	79,536	108,996
Tax on comprehensive income	(6,856,363)	(6,862,603)
	21,711,820	**18,092,317**

During the financial year under examination, a dividend of Euro 6 million (Euro 0.60 per share) was distributed to the shareholders on the 2015 earnings.

18. PROVISIONS FOR RISKS AND CHARGES

Euro	As at 31 December 2016	As at 31 December 2015
Total	**323,474**	**323,474**

Provisions include allocations for risks or litigation relating to certain ongoing labour suits or disputes. During 2016, the amounts provisioned remained unchanged and the remaining amount was deemed appropriate to the maximum presumable risk.

19. PROVISIONS FOR EMPLOYEE BENEFITS

Euro	As at 31 December 2016	As at 31 December 2015
Termination indemnity provision	552,419	537,809
End-of-service indemnity provision	2,758,373	2,348,479
Total	**3,310,792**	**2,886,288**

The termination indemnity 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. The amount shown excludes the benefits accrued after 1 January 2007, which have been allocated to complementary pension schemes in accordance with Legislative Decree 252 of 5 December 2005 (or transferred to the INPS treasury fund).

The same category 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 amounts have been updated in accordance with IAS 19 revised, and the discounted amount has been allocated to a specific equity reserve.

The following table presents changes in actuarial liabilities in 2016, reconciled with the liabilities presented in the financial statements. The actuarial gain or loss has been properly allocated to a specific equity reserve.

Euro	As at 31 December 2016	As at 31 December 2015
Actuarial liability at the beginning of the year	**2,886,288**	**2,497,654**
Normal cost	364,871	374,212
Financial charges	40,121	22,728
Disbursements	(9,949)	(54,241)
Unrecognised actuarial (gains)/losses during the period	29,461	45,935
Recognised liability as at year-end	**3,310,792**	**2,886,288**

The main assumptions used in preparing the actuarial estimate of employee-benefit liabilities are summarised in the table below.

	31 December 2016
Termination indemnity/End-of-service indemnity	
Discount rate	0.86%
Inflation rate	1.50%
Personnel turnover rate	5%
Mortality rate	IPS55M/IPS55F

20. DEFERRED TAX LIABILITIES

Euro	As at 31 December 2016	As at 31 December 2015
Total	6,917,544	6,932,622

This item includes deferred taxes calculated on measurements according to the equity method (available-for-sale, cash flow hedges and actuarial calculations), as well as those on unrealised foreign exchange differences due to adjustment.

21. OTHER NON-CURRENT FINANCIAL LIABILITIES

Euro	As at 31 December 2016	As at 31 December 2015
Total	3,672,099	3,862,222

This section includes measurements of financial instruments relating to the swap on the loan for the property located on Via Paisiello contracted with Banco di Brescia. Please refer to Note 24, which reports the information regarding impacts on these financial statements.

22. BANKS AND OTHER LENDERS

Euro	As at 31 December 2016	As at 31 December 2015
Non-current payables to financial institutions	26,836,654	34,079,423
Current payables to financial institutions	23,050,148	24,133,541
Total	**49,886,802**	**58,212,964**

Payables to financial institutions refer to:

the loans contracted with Banco di Brescia of Euro 28.4 million for the property located in Rome (Via Paisiello), purchased in June 2011, secured by a mortgage on the property concerned;
a loan of Euro 6.6 million contracted in October 2014 with Banco Popolare, which is scheduled to be fully repaid by October 2017.
The current portion of financial payables consists of Euro 8.2 million for the "short-term" portion of the two loans above, as well as Euro 14.8 million from overdrafts.
It should be noted that the portion due beyond five years comes to slightly less than Euro 20 million and relates solely to debts contracted with Banco di Brescia.
The loan from Banco di Brescia is hedged by a specific swap contract. The loan from Banco Popolare and the overdrafts are subject to interest rate risk. In the event of a change in the rate of 1% in 2016, the impact of this risk on the Company's income statement would have led to minimum differences and would not have been material.
All of the foregoing loans have been contracted in Euro.

23. SHORT-TERM PAYABLES AND OTHER CURRENT LIABILITIES

Euro	As at 31 December 2016	As at 31 December 2015
Total	**6,976,723**	**4,560,963**

As at 31 December 2016, 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, whose payment was made in the first months of 2017.

24. DERIVATIVE INSTRUMENTS

Interest rate swaps

As mentioned above, the Company's only outstanding hedge is on the loan (for two different amounts) from Banco di Brescia, providing protection against interest rate fluctuations. This swap is linked to the primary loan with the same maturity (July 2026).

The following tables show the impact of measurements at fair value (net of the tax effect) on the financial statements:

	Change in fair value	Income statement	Cash flow hedge reserve
Hedge accounting	2016	Net financial income / (charges)	
Interest rate swaps	190,123	-	190,123

The above derivative instruments have been classified to the following item:

Euro	As at 31 December 2016	As at 31 December 2015
Liabilities		
Other non-current financial liabilities	3,672,099	3,862,222

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.

The changes in the fair value of the effective portion of hedging derivatives classified as cash-flow hedges are recognised in equity (other reserves) and presented in the statement of other comprehensive income, net of the pertinent tax effect.

The prospective and retrospective effectiveness test on the above instruments was conducted using the linear regression method, and the results achieved confirmed that the hedging strategy adopted has proved suitable for the Company's needs.

Those instruments, contracted in July 2011, have a fixed maturity in April 2026 and a notional amount at year-end of approximately Euro 27.4 million.

25. 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 previously noted, at the end of 2016 the Company had significant exposures in currencies other than the Euro, all in US dollars, related to certain subsidiaries and totalling USD 12 million. Given the nature of the exposures and their maturity, mainly within the next 12 months, the Company determined that it was not necessary to adopt specific hedges or use derivatives to contain foreign-exchange risk.

Interest-rate risk

The Company is exposed to interest-rate risk deriving from the fact that interest on its sundry exposures to banks accrues at variable rates. As mentioned above, the rate for the loan contracted with Banco di Brescia 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 recognised in equity and thus in other comprehensive income. A change in the interest rate of one percentage point on the other items payable shown in these financial statements would not have resulted in a significant difference in the figures on the Company's income statement.

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 22, while the details of commitments are set out in Note 27. 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

Assets quoted on regulated markets are measured at year-end at their market values, and a fluctuation of those values of 5% would have entailed an increase or decrease of approximately Euro 3 million. The Company's management believes that the fair values of financial assets and liabilities do not diverge significantly from their carrying amounts as at the reporting date.

26. 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 2016.

Thousands of euro	d'Amico Shipping Italia	Cogema	d'Amico Internation.	d'Amico Finance	d'Amico Internation. Shipping	d'Amico Tankers	Ishima
Revenue							
Services	3,628	25	240	10	150	7,660	375
Financial Income	124	0	210	0	0	0	0

Thousands of euro	d'Amico Dry	d'Amico Shipping Singapore	ACGI Shipping Singapore	d'Amico Partecip. Finanz.	Sirius Ship Management	Mida Maritime
Revenue						
Services	2,418	174	288	5	12	0
Financial Income	0	0	0	0	0	94

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

Thousands of euro	Cogema	d'Amico Internation.	Ishima	d'Amico Ship Ish. India	Sirius Shipmanag.
Costs					
Operating/administrative	768	0	429	308	885
Financial charges	0	3	0	0	0

The following table presents the balances of the year-end statement of financial position higher than one thousand euros.

Thousands of euro	d'Amico Shipp. Italia	Cogema	d'Amico international	d'Amico international Shipping	d'Amico Tankers Ltd	d'Amico Tankers Uk	d'Amico Tankers Monaco	Ishima
Receivables								
Trade receivables	44	3	-	-	3,279	3	2	125
Financial receivables	3,378	-	35,407	-	-	-	-	-
Payables								
Trade payables	3,226	12	-	2	-	-	-	38

Thousands of euro	d'Amico Dry	Mida Maritime	Domas Immobil. srl	Sirius Shipmanag.	d'Amico Shipp. Singapore	d'Amico Dry Maroc	d'Amico Ship Ishima India	ACGI Shipping Singapore
Receivables								
Trade receivables	377	49	-	-	35	4	5	20
Financial receivables	-	3,338	13,087	-	-	-	-	-
Payables								
Trade payables	32	-	-	4	2	-	21	-

27.GUARANTEES, COMMITMENTS AND CONTINGENCIES

Guarantees given

As at 31 December 2016, the Company granted certain sureties and comfort letters for some of its subsidiaries. These include the surety issued for the subsidiary Domas Immobiliare S.r.l. (Euro 1.7 million) and for the indirect subsidiary d'Amico Tankers d.a.c. to Intesa San Paolo, to guarantee the loan this Italian bank granted to the Irish company for an original amount of USD 75 million (of which USD 60 million remained at the end of 2016).

Commitments

At the end of 2016, the Company's commitments included not only the bank borrowings presented amongst amounts due to banks and other lenders, but also the interest on those loans, which is set to accrue until repayment in full. In addition, in relation to the commitment made by the Company to pay Sator Private Equity Funds a maximum of Euro 10 million, an "on-call" commitment for Euro 2 million remained at the end of 2016.

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.

28. 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 2016;
no atypical or unusual transactions were undertaken.

29. SUBSEQUENT EVENTS

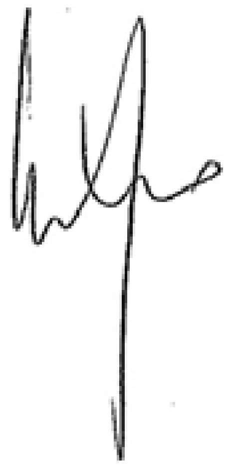
Refer to the Report on Operations for information on the outlook for the near future.

30. BOARD PROPOSAL ON RESULT ALLOCATION

The Board of Directors proposes that the shareholders adopt a resolution to allocate the 2016 result of the Company as follows:

- the amount of EUR 4,000,000 as dividend to be distributed to the shareholders in proportion to the shares held;
- the remaining amount of EUR 17,913,062 as increase of "extraordinary reserve".

Rome, 3rd of May 2017



Paolo d'Amico
Chairman

Cesare d'Amico
Chief Executive Officer

ANNEXES

LIST OF FLEET VESSELS AS AT 31 DECEMBER 2016

Dry Cargo

Name of vessel	Vessel type	Dwt	Year	Company
Owned				
Cielo d'Italia	Mini Capesize	116.900	2015	d'Amico Dry d.a.c.
Cielo d'Europa	Mini Capesize	115.000	2016	d'Amico Dry d.a.c.
Medi Vitoria	Panamax	76.616	2004	d'Amico Dry d.a.c.
Medi Cagliari	Panamax	75.500	2004	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 Lausanne	Panamax	83.002	2006	d'Amico Shipping Singapore Pte Ltd
Medi Hong Kong	Panamax	83.000	2006	d'Amico Shipping Italia SpA
Medi Bangkok	Supramax	53.466	2006	d'Amico Shipping Singapore Pte Ltd
Medi Lisbon	Supramax	58.700	2006	d'Amico Shipping Singapore Pte Ltd
Medi Valencia	Supramax	56.000	2008	d'Amico Shipping Italia SpA
DACC Tirreno[1]	Supramax	60.250	2015	dACC Maritime d.a.c.
DACC Egeo[1]	Supramax	60.250	2015	dACC Maritime d.a.c.
DACC Adriatico[1]	Supramax	60.250	2016	dACC Maritime d.a.c.
DACC Atlantico[1]	Supramax	60.250	2016	dACC Maritime d.a.c.
Cielo di Livorno	Handysize	37.277	2008	d'Amico Dry d.a.c.
Cielo di Dublino	Handysize	37.000	2011	d'Amico Shipping Italia SpA
Cielo di San Francisco	Handysize	37.000	2011	d'Amico Shipping Italia SpA
Cielo di Vaiano	Handysize	37.000	2012	d'Amico Dry d.a.c.
Cielo di Capalbio	Handysize	37.000	2012	d'Amico Dry d.a.c.
Cielo di Tocopilla	Handysize	38.670	2014	d'Amico Dry d.a.c.
Cielo di Monaco	Handysize	38.670	2014	d'Amico Dry d.a.c.
Cielo di Virgin Gorda	Handysize	38.670	2015	d'Amico Dry d.a.c.
Cielo di Valparaiso	Handysize	38.670	2015	d'Amico Dry d.a.c.
Cielo di Cartagena	Handysize	39.202	2015	d'Amico Dry d.a.c.
Cielo di Angra	Handysize	38.670	2015	d'Amico Dry d.a.c.
Cielo di Tampa	Handysize	38.670	2016	d'Amico Dry d.a.c.
Cielo di Jari	Handysize	38.670	2016	d'Amico Dry d.a.c.
Cielo di Agadir	Containers Carrier	22.984	1996	d'Amico Dry d.a.c.
Cielo di Rabat	Containers Carrier	30.200	1997	d'Amico Dry Maroc Sarl
Cielo di Casablanca	Containers Carrier	9.950	1998	d'Amico Dry d.a.c.

[1] d'Amico International S.A. owns 51% of dACC Maritime (consolidated with "equity metod").

[2] Newbuildings under construction by Mida Maritime Company (consolidated with "equity metod").

Name of vessel	Vessel type	Dwt	Year	Company
Chartered				
Medi Genova	Panamax	75.600	2004	d'Amico Dry d.a.c.
Medi Salerno	Panamax	81.000	2008	d'Amico Dry d.a.c.
Medi Matsuura	Panamax	81.500	2015	d'Amico Dry d.a.c.
Medi Sydney	Panamax	81.600	2015	d'Amico Dry d.a.c.
Medi Gladstone	Panamax	81.845	2016	d'Amico Dry d.a.c.
Medi Chiba	Panamax	82.003	2016	d'Amico Dry d.a.c.
Cielo di Amalfi	Handysize	37.322	2007	d'Amico Dry d.a.c.
Cielo di Tokyo	Handysize	37.296	2008	d'Amico Dry d.a.c.
Cielo di Venezia	Handysize	37.313	2008	d'Amico Dry d.a.c.
Medi Paestum	Supramax	55.500	2009	d'Amico Dry d.a.c.
Medi Segesta	Supramax	58.000	2009	d'Amico Dry d.a.c.
Medi Okinawa	Supramax	56.000	2011	d'Amico Dry d.a.c.
Medi Hakata	Supramax	58.078	2014	d'Amico Dry d.a.c.
Medi Aero	Supramax	57.475	2016	d'Amico Dry d.a.c.
Newbuildings	**Vessel type**	**Dwt**	**Expected delivery**	**Company**
Hull 10812	Supramax	60.250	2017	d'Amico Dry d.a.c.
Hull 10813	Supramax	60.250	2017	d'Amico Dry d.a.c.
Hull 10855	Panamax	86.600	2018	d'Amico Dry d.a.c.
Hull 10856	Panamax	86.600	2018	d'Amico Dry d.a.c.
Hull SC301[2]	Panamax	81.600	2018	Mida Maritime Company d.a.c.
Hull SC302[2]	Panamax	81.600	2018	Mida Maritime Company d.a.c.

[1] d'Amico International S.A. owns 51% of dACC Maritime (consolidated with "equity metod").

[2] Newbuildings under construction by Mida Maritime Company (consolidated with "equity metod").

Dry Cargo

Name of vessel	Vessel type	Dwt	Year	Company
Owned				
High Endeavour	MR	46.992	2004	d'Amico Tankers d.a.c.
High Endurance	MR	46.992	2004	d'Amico Tankers d.a.c.
High Courage	MR	46.975	2005	d'Amico Tankers d.a.c.
High Performance	MR	51.303	2005	d'Amico Tankers d.a.c.
High Presence	MR	48.700	2005	d'Amico Tankers d.a.c.
High Priority	MR	46.847	2005	d'Amico Tankers d.a.c.
High Progress	MR	51.303	2005	d'Amico Tankers d.a.c.
High Valor	MR	46.975	2005	d'Amico Tankers d.a.c.
High Venture	MR	51.087	2006	d'Amico Tankers d.a.c.
High Prosperity	MR	48.711	2006	d'Amico Tankers d.a.c.
GLENDA Megan[1]	MR	47.147	2009	Glenda International Shipping d.a.c.
GLENDA Melanie[2]	MR	47.162	2010	Glenda International Shipping d.a.c.
GLENDA Meredith[2]	MR	46.147	2010	Glenda International Shipping d.a.c.
GLENDA Melissa[1]	MR	47.203	2011	Glenda International Shipping d.a.c.
GLENDA Melody[1]	MR	47.238	2011	Glenda International Shipping d.a.c.
GLENDA Meryl[2]	MR	47.251	2011	Glenda International Shipping d.a.c.
High Tide	MR	51.768	2012	d'Amico Tankers d.a.c.
High Seas	MR	51.678	2012	d'Amico Tankers d.a.c.
High Voyager	MR	45.999	2014	d'Amico Tankers d.a.c.
High Fidelity	MR	49.990	2014	d'Amico Tankers d.a.c.
High Sun[3]	MR	49.990	2014	Eco Tankers Limited
High Discovery	MR	50.036	2014	d'Amico Tankers d.a.c.
High Freedom	MR	49.990	2014	d'Amico Tankers d.a.c.
High Trader	MR	49.990	2015	d'Amico Tankers d.a.c.
High Loyalty	MR	49.990	2015	d'Amico Tankers d.a.c.
High Wind	MR	50.000	2016	d'Amico Tankers d.a.c.
High Trust	MR	49.990	2016	d'Amico Tankers d.a.c.
Cielo di Milano	Handysize	40.096	2003	d'Amico Tankers d.a.c.
Cielo di Guangzhou	Handysize	38.877	2006	d'Amico Tankers d.a.c.
Cielo di New York	Handysize	39.990	2014	d'Amico Tankers d.a.c.
Cielo di Gaeta	Handysize	39.990	2014	d'Amico Tankers d.a.c.
Cielo di Ulsan	Handysize	39.060	2015	d'Amico Tankers d.a.c.
Cielo di Salerno	Handysize	39.043	2016	d'Amico Tankers d.a.c.
Cielo di Hanoi	Handysize	39.043	2016	d'Amico Tankers d.a.c.
Cielo di Capri	Handysize	39.043	2016	d'Amico Tankers d.a.c.

[1] d'Amico International Shipping owns 50% of GLENDA International Shipping d.a.c. Vessels are chartered to d'Amico Tankers d.a.c.

[2] d'Amico International Shipping owns 50% of GLENDA International Shipping d.a.c.

[3] d'Amico International Shipping owns 33% of Eco Tankers Limited

[4] d'Amico Tankers d.a.c. owns 51% of DM Shipping d.a.c. Vessels are chartered to d'Amico Tankers d.a.c..

Name of vessel	Vessel type	Dwt	Year	Company
Chartered				
Port Moody	MR	44.999	2002	d'Amico Tankers d.a.c.
Port Said	MR	45.999	2003	d'Amico Tankers d.a.c.
Port Stanley	MR	45.996	2003	d'Amico Tankers d.a.c.
Port Union	MR	46.256	2003	d'Amico Tankers d.a.c.
High Power	MR	46.874	2004	d'Amico Tankers d.a.c.
High Glow	MR	46.846	2006	d'Amico Tankers d.a.c.
Citrus Express	MR	53.688	2006	d'Amico Tankers d.a.c.
Freja Hafnia	MR	53.700	2006	d'Amico Tankers d.a.c.
Freja Baltic	MR	47.548	2008	d'Amico Tankers d.a.c.
High Pearl	MR	48.023	2009	d'Amico Tankers d.a.c.
High Enterprise	MR	45.800	2009	d'Amico Tankers d.a.c.
High Force	MR	53.603	2009	d'Amico Tankers d.a.c.
High Current	MR	46.590	2009	d'Amico Tankers d.a.c.
High Beam	MR	46.646	2009	d'Amico Tankers d.a.c.
High Efficiency[4]	MR	46.547	2009	DM Shipping d.a.c.
High Strength[4]	MR	46.800	2009	DM Shipping d.a.c.
Carina	MR	47.962	2010	d'Amico Tankers d.a.c.
Port Russel	Handysize	37.808	2002	d'Amico Tankers d.a.c.
SW Cap Ferrat I	Handysize	36.032	2002	d'Amico Tankers d.a.c.
Port Stewart	Handysize	38.877	2003	d'Amico Tankers d.a.c.
Newbuildings	**Vessel type**	**Dwt**	**Expected delivery**	**Company**
Hull - S425	MR	50.000	2017	d'Amico Tankers d.a.c.
Hull - S429	LR	75.000	2017	d'Amico Tankers d.a.c.
Hull - S430	LR	75.000	2017	d'Amico Tankers d.a.c.
Hull - S431	LR	75.000	2017	d'Amico Tankers d.a.c.
Hull - S432	LR	75.000	2018	d'Amico Tankers d.a.c.
Hull - S433	LR	75.000	2018	d'Amico Tankers d.a.c.
Hull - S434	LR	75.000	2018	d'Amico Tankers d.a.c.

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INDIPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITORS' REPORT
IN ACCORDANCE WITH ARTICLE 14 OF
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

D'AMICO SOCIETA' DI NAVIGAZIONE SPA

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2016

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
d'Amico Società di Navigazione SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the d'Amico Group, which comprise the statement of financial position as of 31 December 2016, the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of d'Amico Società di Navigazione SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, 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 of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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

PricewaterhouseCoopers SpA

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our audit opinion.

Basis for Qualified Opinion

The d'Amico Group sold the interest held in the company Telemar SpA and in the latter's subsidiaries ("Telemar Group") on 22 November 2016.

As reported in the "Foreword" to the explanatory notes, the income statement figures of the Telemar Group for the period running from 1 July 2016 to the date of loss of control are not available. Therefore, for the purpose of preparing the consolidated financial statements at 31 December 2016, the d'Amico Group included in the consolidated income statement the costs and revenues of the Telemar Group until 30 June 2016 and not up to 22 November 2016.

Furthermore, the d'Amico Group did not provide us with the documentation related to the income statement figures of the Telemar Group for the period from 1 January 2016 to the date of loss of control.

In consequence of the foregoing, we were unable to obtain sufficient appropriate audit evidence about the income statement data of the Telemar Group, included in the consolidated financial statements of the d'Amico Group at 31 December 2016, and to complete all necessary audit procedures required by the auditing standards referred to in the preceding paragraph "Auditors' responsibility".

Qualified opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view of the financial position of the d'Amico Group as at 31 December 2016, and of the result of its operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the consolidated financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of d'Amico Società di Navigazione SpA, with the consolidated financial statements of the d'Amico Group as of 31 December 2016.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the report on operations is consistent with the consolidated financial statements of the d'Amico Group as of 31 December 2016.

Rome, 5 June 2017

PricewaterhouseCoopers SpA

Signed by

Gian Paolo Di Lorenzo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

INDEPENDENT AUDITORS' REPORT
IN ACCORDANCE WITH ARTICLE 14 OF
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

D'AMICO SOCIETA' DI NAVIGAZIONE SPA

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the Shareholders of
d'Amico Società di Navigazione SpA

Report on the financial statements

We have audited the accompanying financial statements of d'Amico Società di Navigazione SpA, which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of d'Amico Società di Navigazione SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers SpA

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of d'Amico Società di Navigazione SpA as of 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

Report on compliance with other laws and regulations

Opinion on the consistency of the report on operations with the financial statements

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which is the responsibility of the directors of d'Amico Società di Navigazione SpA, with the financial statements of d'Amico Società di Navigazione SpA as of 31 December 2016. In our opinion, the report on operations is consistent with the financial statements of d'Amico Società di Navigazione SpA as of 31 December 2016.

Rome, 5 June 2017

PricewaterhouseCoopers SpA

Signed by

Gian Paolo Di Lorenzo
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016
d'Amico Società di Navigazione S.p.A.

Dear Shareholders,

The consolidated financial statements of d'Amico Società di Navigazione S.p.A., for the year 2016, were forwarded to us within the legal time limit, together with the report on operations and the separate financial statements, and have been drawn up in compliance with the international accounting standards (IAS/IFRS).

The task of establishing whether the consolidated financial statements comply with legal provisions and match the accounting and consolidation records is assigned to the Auditing Firm PricewaterhouseCoopers S.p.A. Our supervisory activity was carried out in observance of the principles of conduct issued by the Italian National Council of Chartered Accountants and Accounting Experts and specifically concerned:

- verifying the existence and adequacy of a function within the organisational structure that is responsible for relations with subsidiaries and associates;
- examining the group composition and equity relationships, in order to assess the scope of consolidation and how it has changed compared to the previous years.

After reviewing the consolidated financial statements, we hereby certify:

- that the scope of consolidation and the principles chosen for consolidating the investees comply with IFRS provisions;
- the adequacy of the instructions issued by the Company's competent function, to obtain the data required for consolidation, acknowledging the information provided by subsidiaries and associates;
- the consistency of the Group's Report on Operations with the data and results of the consolidated financial statements, for the purpose of providing extensive information on the Group's operating performance and financial position and on the risks to which it is exposed, as well as on significant events after year end.

The documents examined and their structure do not deviate from the legal provisions governing the drawing up of consolidated financial statements.

In our opinion, the consolidated financial statements as a whole provide a true and fair view of the Group's assets, liabilities, financial position and profit and loss for the year as at 31 December 2016, taking into account the extensive disclosure provided on the Telemar sales transaction.

Lastly, we held meetings with the Auditing Firm on the inspections carried out for the purpose of drawing up its report, which states that the values reported in the consolidated financial statements for the year as at 31 December 2016 are supported by the accounting results of the parent company, the financial statements of the subsidiaries and the information disclosed by them and that they therefore comply with the IFRS and provide a true and fair view of the group's position at year end, taking into account the limitations to the audit procedure, of which they informed us, associated with the Telemar sales transactions.

The Board of Statutory Auditors

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016 *d'Amico Società di Navigazione S.p.A.*

Dear Shareholders,

We examined the financial statements as at 31 December 2016, which the Administrative Body sent to us, along with the accompanying tables, in good time.

Pursuant to Article 2409-bis of the Italian Civil Code and the Articles of Association, the company assigned the statutory audit of the accounts to the Auditing Firm PricewaterhouseCoopers S.p.A.

The report of the Auditing Firm pursuant to Article 14 of Italian Legislative Decree No. 39 of 27 January 2010 on the financial statements as at 31 December 2016 does not contain findings on significant deviations, or adverse opinions or the impossibility of expressing an opinion or requests for additional information and therefore the opinion issued is positive.

The Auditing Firm carried out the procedures specified by the auditing standards (SA Italia).

Supervisory activity pursuant to Article 2403 et seq. Italian Civil Code

Knowledge of the company, assessment of risks and report on duties assigned

In view of the consolidated knowledge that the Board of Statutory Auditors considers to have on the company and with regard to:

- the type of business conducted;
- the organisational and accounting structure;
- the assessment of intrinsic risks and related critical areas;

it was possible to establish that:

- the company's core business has not changed over the year under review and is consistent with the established corporate purpose;
- the organisational structure and the structures' resources are essentially the same and are appropriate to corporate requirements;
- it was ascertained that during 2016 the Company operated in comparable terms with the previous year and our inspections were therefore carried out on this basis.

The Board of Statutory Auditors held meetings with the Supervisory Board (Italian Law 231/2001) and examined its report on 2016 and in particular on the activities performed in relation to the implementation, adequacy and effectiveness of the Organisational Model, especially with regard to the new version of the Code of Ethics.

In terms of timeframe, the activities performed by the Board of Statutory Auditors concerned the entire year and during the year the meetings referred to in Article 2404 of the Italian Civil Code were duly held and documented.

Activity performed

During the year ended 31 December 2016 our activity was based on the provisions of law and the Rules of Conduct for the Board of Statutory Auditors issued by the Italian National Council of Chartered Accountants and Accounting Experts.

More specifically, we monitored compliance with the law and the Articles of Association and observance of principles of sound management.

We participated in the shareholders' meetings and the meetings of the Administrative Body, which were held in compliance with the provisions of the articles of association, legislation and regulations governing their functioning and in relation to which we can reasonably assure that the actions decided on comply with the law and the articles of association and are not manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the Company's assets.

We acquired information on and monitored the adequacy of the administrative and accounting system and its reliability in providing a true and fair view of corporate operations.

We acquired information on and monitored, as far as our authority permits, the adequacy and functioning of the Company's organisational structure, also by gathering information from department managers, and in this regard have no particular observations to make.

In compliance with the provisions of the articles of association, during the year we were regularly informed by the directors on the company performance and its foreseeable outlook.

The Board of Statutory Auditors did not find any atypical and/or unusual transactions.

During the year the Board of Statutory Auditors did not receive any reports pursuant of Article 2408 of the Italian Civil Code or complaints.

Observations on the financial statements

We examined the draft financial statements for the year ended 31 December 2016, which were provided to us within the time limit set forth in Article 2429 of the Italian Civil Code, on the matter of which no observations have been made.

With regard to the financial statements in question, the following additional information was provided:

- The criteria used to value the balance-sheet assets and liabilities were checked and were not found to differ significantly from those adopted in previous years and referenced by Article 2426 of the Italian Civil Code;
- Attention was given to the layout of the draft financial statements and their general compliance with the law in terms of formation and structure and no further observations have been made in this regard;
- It was established that the Report on Operations was drawn up in accordance with the applicable provisions of law. The report refers to relations with group companies, the details of which are provided in the Notes to the Statutory and Consolidated Financial Statements (points 26 and 33) and in this regard no further observations have been made;

- It was established that the financial statements concur with the facts and information gathered through performance of the Board of Statutory Auditors' standard duties and in this regard no further observations have been made;

- The system of "*guarantees, commitments and potential liabilities*" has been explained in detail in the Notes to the Statutory and Consolidated Financial Statements (points 27 and 34).

In drawing up the financial statements, the directors did not derogate from the provisions of law pursuant to Article 2423(4) of the Italian Civil Code.

Observations and proposals regarding approval of the financial statements

Considering the results of the activity carried out and in view of the matters stated above, the Board of Statutory Auditors has found no reasons to oppose the approval of the financial statements as at 31 December 2016 and has no objections to raise on the proposal to refer the allocation of the result for the year to the Shareholders' Meeting.

Rome, 5 June 2017

The Board of Statutory Auditors

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