d'Amico

Annual Report 2017

d'Amico Società di Navigazione S.p.A.

d'Amico Società di Navigazione S.p.A.

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CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS

as at 31 December 2017

Contents

BOARD OF DIRECTORS AND AUDITORS

At May 29th 2018

Board of Directors

Paolo d'Amico[1] – **Chairman**

Cesare d'Amico[1] – **Chief Executive Officer**

Roberto Michetti – **Managing Director for Administration, Finance and Control**

Giovanni Battista Nunziante – **Director**

Alfonso Scannapieco – **Director**

Board of Statutory Auditors

Renzo Marini - **Chairman**

Gian Enrico Barone

Fabio Casasoli

After shareholder's meeting held on May 29th 2018

Board of Directors

Paolo d'Amico[1] – **Chairman**

Cesare d'Amico[1] – **Chief Executive Officer**

Roberto Michetti – **Managing Director for Administration, Finance and Control**

Giovanni Battista Nunziante – **Director**

Alfonso Scannapieco – **Director**

Marco Fiori – **Director**

Board of Statutory Auditors

Gian Enrico Barone - **Chairman**

Fabio Casasoli

Marco Mencagli

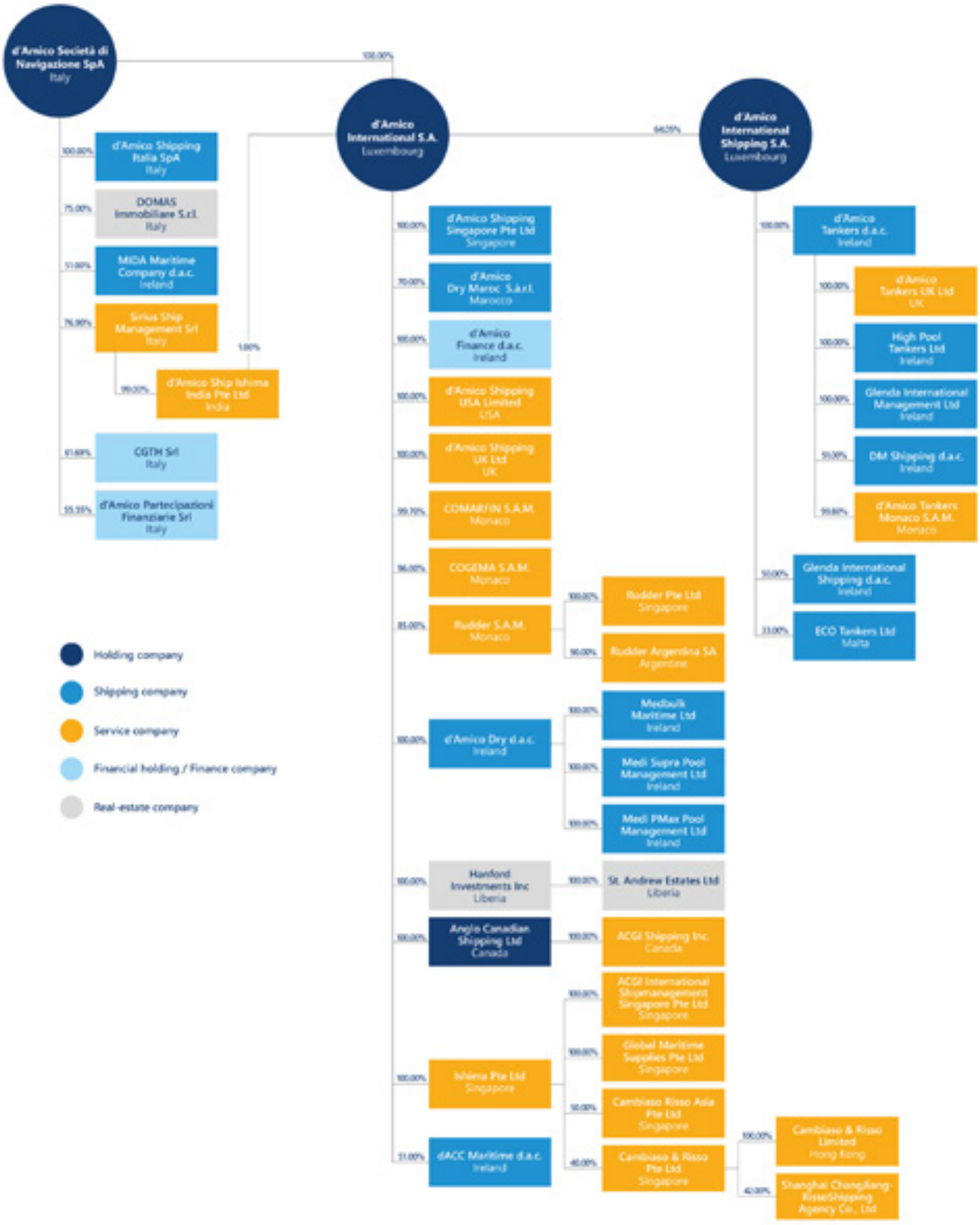
Indipendent Auditors

Axis S.r.l. – Part of MOORE STEPHENS INTERNATIONAL network

(1) Members of Executive Committee

REPORT ON OPERATIONS

Group Structure



as of 31 December 2017

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, specialized in the tanker sector, is listed on the STAR segment of the screen-based market (MTA) organized 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 the d'Amico Group's core values.

Summary of financial results

Income Statement Figures (Thousands of Euros)	2017	2016[R]
Consolidated revenue	678,694	706,932
Consolidated costs	(658,242)	(695,931)
Income on the disposal of fixed assets	20,719	16,623
EBITDA	**41,171**	**27,624**
EBIT	**(35,857)**	**(62,184)**
Net profit or loss	**(53,202)**	**(102,755)**
Net profit / (loss) - Minorities	(8,558)	(4,731)
Group net profit or loss	**(44,644)**	**(98,024)**

The 2017 financial statements show a loss of EUR 53.2 million including EUR 8.6 million attributable to minority interests.

The table also shows the figures for 2016 adjusted for the correct representation of the Company's values calculated with the net equity method and reference should be made to the table in the notes for a better understanding of the amendments made. We highlight that the only accounts affected by this amendment for 2016 are financial assets (from 128 million to 118 million) and the Group's result for the year (from a loss of 88 million to a loss of 98 million).

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 64,000 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 as at 31 December 2017 was as follows:

	As at 31 December 2017					
	Handysize	Supramax	Panamax	Minicape	P/Containers	Total
Owned	**12**	**7 (*)**	**5**	**1**	**3**	**28**
Chartered	**7**	**10**	**7**	**1**	**-**	**25**
TOTAL	**19**	**17**	**12**	**2**	**3**	**53**

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

The dry commodity segment of the shipping market in which the Group operates globally on behalf of primary market operators include the grain, coal and ore sectors, in which the Group boasts longstanding experience, as well as other bulk commodities such as fertilisers, cement and petcoke as well as steel products and steel pipes.
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 and 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 spot 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 and short-term charter 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 S.A.**, primarily through its subsidiary **d'Amico Tankers d.a.c.**, based in Ireland, with a fleet with an average age of approximately 7.5 years, compared to a sector average of 10.7 years (source: Clarkson). All of the vessels have double hulls and are primarily employed in shipping refined petroleum products, 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 a range of other chemical products may only be transported by tankers that meet said requirements ("IMO-classed" vessels). As at 31 December 2017, 68% of the fleet's vessels were IMO-classed, allowing the Group to transport a wide range of products.

Use of the fleet and partnerships

	As at 31 December 2017			
	LR1	MR	Handysize	Totale
Owned	**1**	**18**	**8**	**27**
Chartered	**0**	**26.5**	**2**	**28.5**
Total	**1**	**44.5**	**10**	**55.5**

As highlighted in the table, at 31 December 2017, 55.5 vessels were directly employed (52.8 at 31 December 2016) with a carrying capacity of between 36,000 and 75,000 tons. Referring to the complete list, which indicates the specifications of the vessel used, 3 "MR" units were chartered on a bare-boat basis and were therefore mainteined and crewed by the Group's companies. Finally, we mention that a portion of the owned fleet was employed in joint ventures.

GLENDA International Shipping d.a.c., a 50%-50% joint venture with the Glencore Group. The joint venture owns six MR vessels built between August 2009 and February 2011. Glenda International Shipping currently charters three vessels to d'Amico Tankers Limited 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 two MR vessels built in July and October 2009, respectively, currently chartered to d'Amico Tankers d.a.c.

Eco Tankers Limited, a joint venture with Venice Shipping and 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 vessel is currently chartered to d'Amico Tankers d.a.c. A Group company is responsible for the commercial, technical, and administrative management of the vessel.

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 deemed it necessary to record the impairment of some of its vessels in the amount of around EUR 12 million. A more detailed list of the depreciated assets can be found in the notes.

Maritime services

Within the Group, certain companies perform ancillary 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) **insurance brokerage** and (iii) 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.

Bunkering operations to both Group companies and third parties are conducted by **Rudder S.A.M. ("RUDDER")** and also through its subsidiaries in Argentina and Singapore. 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")** and its subsidiaries which are 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 a long-term vision. 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 2017 was 12.65%;

- ***Clubtre S.p.A.*** – a company whose owners include Tamburi Investment Partners S.p.A., which holds a 24.62% interest, as well as Angelini Partecipazioni Finanziarie S.r.l. and d'Amico Società di Navigazione S.p.A., each with a 16.13% interest. As at 31 December 2017, d'Amico Società di Navigazione S.p.A. had investments for a total amount of over EUR 19 million. Clubtre S.p.A. holds, as at 31 December 2017, an interest of 4% 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 S.r.l. ("DPF"), for a total of 3.57% of the share capital as at 31 December 2017;

- ***ClubItaly S.r.l*** – this interest was held through the subsidiary d'Amico Partecipazioni Finanziarie S.r.l. for a total amount of over EUR 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 2017, were Palladio Finanziaria S.p.A. (57.13%), d'Amico Società di Navigazione S.p.A. (28.45%) and Bianchi Marè Holding S.r.l. (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.*** – this is a new financial investment company established in 2016, with the objective of undertaking long-term investment operations in selected companies through capital increases in each investment and benefiting, in the performance of these activities, from the support of Tamburi Investment Partners S.p.A. The Parent Company owns a 3.59% share in this company, corresponding to an initial investment of around EUR 700 thousand and the result of the operations completed in 2017. 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 2017, d'Amico Group employed a total staff of 1,575, of whom 1,245 were seagoing personnel and 330 onshore personnel.

In 2017 the Group confirmed it strategy and its commitment in human capital, considering the contributions of its staff (at all levels of the organisation) a competitive and distinctive advantage on the market, and aware that significant changes affecting present and future work levels will have a significant impact on employment, on the acquisition of competitive skills as well as on compensation systems.
The size of the Group and the complexity of its operations require a constant investment in the professional advancement of personnel in order to effectively resolve business challenges, all in compliance with Group environment.
Aligned with this strategic view, the Group has confirmed its commitment to the implementation of a policy that sees diversity and inclusion as essential elements of the success of our organisation. The ongoing investment in the development of our employees' skills recognises the value of differences, promoting a comprehensive involvement in every area of the organisation.
In fact, the Group recognises that a culture that promotes diversity and inclusion is actually a driver that promotes the achievement of excellence and of the organisation's success, adding great value to the organisation itself.
Our objective is to create a working environment where every employee can operate at a high standard, also guaranteeing work-life balance programs that support both men and women in balancing their family needs with work responsibilities and participation.

The innovations introduced on "people development" systems have led to more timely planning and delivering of the training initiatives needed to constantly adapt and develop the company's know-how and link these activities to a real improvement in business performance and productivity.
These are initiatives that embrace the use of more advanced technologies and innovation, as well as aiming at the continuous improvement of our personnel's wellbeing, ensure an organisational and procedural structure designed to prevent any possibility of counter-productive behaviour.

We record rather uniform percentages of distribution of the training initiatives in different contexts and sector areas, which point to an ongoing consolidation of technical, managerial and interdisciplinary general skills.

With our constant attention to the development and retention of key staff in fleet management we have achieved a retention rate of 90.7% for 2017, an extremely satisfactory result.

Also for 2017, the Group confirmed its commitment with regard to the Stock Option Plan incentive system. 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 with the priority objective of value creation for shareholders in the medium to long term. The Group continues to implement reward systems that target individual and company performance and compensation policies aimed at fostering an effective pay-for-performance system.

The Company also continues to pay a considerable amount of attention to seagoing personnel in accordance as part of its core 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 promotes 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 permanent monitoring and assessment system. 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.

As required by the amendment to the 2010 Manila IMO STCW Convention, and therefore with a view to developing the skills and professionalism of the crew, the Group completed a training program for marine personnel to consolidate actual communications, leadership and teamwork on board the fleet.

The Group has a good level of retention of 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 onshore management position.

Access to highly qualified on board 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. At this regard, the partnership with a leading local agency has contributed to the strengthening of our presence in the Philippines.
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 consolidated 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.

Social Responsibility

A summary overview of the d'Amico Group's CSR strategy

In the last few years the d'Amico Group has adopted a new social responsibility strategy which reflects the Group's degree of knowledge and awareness of the environmental and social aspects of its activity. Continuously monitored, this strategy is an expression of all the energies and resources that the Group activates to protect the environment and to help persons in need.

The d'Amico Group is committed to respect the applicable regulations (and anticipate future ones) also through the adoption of operative, safety and environmental procedures. This commitment is the main objective of the Integrated management system that manages in the widest sense any strategy and policy in terms of safety, protection and respect for the environment, safety of personnel, quality and energy.

The adoption of an integrated management system derives from the d'Amico Group's choice to demonstrate the extreme importance of the quality of the services to customers, to health and safety at work, to energy efficiency, to environmental conservation and social responsibility, through the adoption of recognised international standards and certifications. The integrated management System, developed according to an approach based on the Company's processes, further allows the d'Amico Group to identify, maintain and improve a dynamic model of organisational management. A set of factors such as ongoing monitoring, adequate measurement of performance indicators, scrupulous execution of internal inspections, in-depth analysis of gathered data and the swift application of corrective measures and improvement initiatives allow the constant improvement of the Company's performance in terms of safety, satisfaction for customers and stakeholders and the protection of the environment.
The flexibility of the integrated management System allows the Group to guarantee compliance with the numerous regulations and laws at national and international levels. This system, which is already compliant with the ISM (International Safety Management) code, was extended to include compliance to the following international standards: 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. The Company has received the RINA'S Best 4 Plus certificate confirming the compliance with all applied standards.

The integrated management system ensures the correct application of all procedures and process for compliance with the 2006 Maritime Labour Convention, which guarantees the respect of the crew from a contractual, health and safety point of view.

Health, safety, quality and environment (HSQE): an objective that goes beyond compliance

Health, safety and quality objectives

The d'Amico Group promotes on-board safety and respect for the environment, with the objective to prevent accidents such as grounding incidents, fires, collisions and spilling of refined liquids. With regard to this, the d'Amico Società di Navigazione S.p.A. offers its assistance in the drafting of insurance cover for the fleet and coordinates the Tanker Management and Self-Assessment (TMSA) program launched in 2004 by the OCIMF (Oil Companies International Marine Forum), and the integrated management system for Health, Safety, Quality and Environment (HSQE) since 2003.

Even though not compulsory, the TMSA program is recommended by the main oil companies as a tool to encourage maritime operators to measure, assess and improve their safety management system against a list of key performance indicators. Furthermore, the program sets some of the best practices for the resolution of problems and the optimisation of performance in terms of safety and the environment. It anticipates the use of electronic control instruments and the measurement of key performance indicators for different areas of the

technical management system. The TMSA program is reviewed every six months. At this regard, the OCIMF has issued a new version of the TMSA, TMSA 3, with the purpose of preserving its significance, reflecting the changes in the legislation and best practices, encouraging a more uniform interpretation of the key performance indicators and directions on best practices, as well as promoting ongoing improvement.
In particular, the new TMSA has introduced updated sector regulations, including the amendments to the 2006 Maritime Labour Convention (Manila Amendments), the polar code and the Ballast Water Management Convention; it has reviewed elements of environmental and energy management (previously environmental management), integrating the OCIMF'S information document on Energy Efficiency and Fuel Management; it has added a new element of maritime safety. d'Amico Società di Navigazione has undertaken all the necessary actions aimed at allowing the migration to the new TMSA program, compulsory from 31 December 2017.

The assessment represents a starting point for an improvement plan aimed at achieving and ensuring high standard levels for safety and environmental protection.

Even before the introduction of the TMSA program, the d'Amico Group promoted internal management procedures in terms of health, safety, quality and environment (HSQE), with the application of an integrated management system on all vessels compliant with the qualitative and environmental ISO 9001:2008 and ISO 14001:2004 standards introduced by the International Organisation for Standardisation, as certified by the international classification company RINA S.p.A. (Registro Italiano Navale) in 2003. ISO has issued new versions of these two standards (ISO 9001:2015 and ISO 14001:2015) with the objective of promoting an improved harmonisation of the various regulative requirements. Compliance with this new Certificate is required by September 2018. The d'Amico Group intends to start the next RINA's revision in April 2018.

In order to promote crew safety, the Group management system also includes the certification of compliance to the international OHSAS 18001 standard, aimed at improving improve health and safety on-board vessels and in any work environment. The ongoing recourse to a detailed risk assessment, together with an effective training of maritime and shore-based personnel, allows the precise examination of every potentially dangerous situation and the adoption of effective preventive measures

Environmental question – the d'Amico Group's fleet quality

All systems and procedures described above have the objective to protect the maritime environment. The Group continues to be committed to promoting a responsible conduct with regard to the environment in relation to its labour force. For the d'Amico Group, protection and respect of the environment represent a mission and are part of the company's values.

In addition to the initiatives described above, having the intent to pursue a continuous improvement and the achievement of greater machinery reliability, a condition-based maintenance (CBM) approach has been adopted, based on specific instruments and software solutions. More specifically, this approach was applied to the main engine's turbocompressors with the objective of identifying imminent faults. This is an application that in turn will promote improved equipment reliability, a reduction in the cost of faults as well as an improvement in the safety of workers.

In fact, each year tankers are required to pass the following examinations conducted by external entities:

- inspection and monitoring of compliance with international rules and regulations 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;

- Vetting inspections by the main companies operating in the oil and energy tanker sector.

On the basis of a vessel management contract, d'Amico Società di Navigazione S.p.A, with the cooperation and supervision of d'Amico Tankers d.a.c. and d'Amico Dry d.a.c., is responsible for the technical management of d'Amico Group's own vessels and vessels charted on a bare-boat basis.

The responsibilities of the vessels' manager include carrying out general maintenance interventions on the vessels, ensuring compliance with regulation requirements and the naval classification company, meeting the vetting procedures applied by the main oil companies, the supervision of maintenance and promotion of vessels' efficiency, the organisation and supervision of dry-dock and repair interventions, the purchasing of supplies and parts, the appointment of supervisors and technical consultants.

Energy efficiency and reduction in emissions

In compliance with the ISO 14001 standard and with the objective of demonstrating its own commitment to protect people and protect the environment, the d'Amico Group measures and analyses the energy consumption of its vessels, building on its previous experience through the implementation of guidelines and general procedures, with the objective to improve energy efficiency and at the same time reduce emissions.
Improving energy savings is one of the most efficient ways of protecting the environment. The Ship Energy Efficiency Management Plan, in accordance with IMO's directions on vessels efficiency, has been applied to the Group's vessels since the start of 2013, with the objective to optimise operative processes and improve profitability through the efficient use of the Company's human resources and assets. The plan represents a guide for all the Group's personnel to improve its fleet's energy saving and operative processes.

The d'Amico Group is committed to:

- Improve energy saving;
- Reduce emissions;
- Invest in clean technologies, with a high energy efficiency, where financially sustainable;
- Reduce the environmental impact of energy consumption;
- Raise awareness among personnel and improve their commitment to reduce energy consumption.

Performance is analysed in the context of the annual revision of the integrated management system. In this context, the d'Amico Società di Navigazione has also obtained the ISO 50001 certification, the new international regulation that recognises management systems committed to energy efficiency.
The Paris agreement on climate changes (2015) dedicated to greenhouse gas emissions, establishes a global action plan aimed at directing the world towards the right way to avoid dangerous climate changes and limiting climate warming to under 2 °C.
The European Union was the first large economy to indicate, in March 2015, its own contribution to the new agreement and is already adopting measures to meet its objective of reducing gas emissions by at least 40% by 2030.

In this context, the EU has issued regulation 2015/757 regarding the monitoring, communication and verification of carbon dioxide emissions generated by ships in journeys between European ports. With regard to this, d'Amico has prepared a specific monitoring and communication plan for each ship and a procedure to provide all the necessary data for monitoring and communication activities. Monitoring will start in January 2018. At the end of

the year, all the data will be verified and included in a report on carbon dioxide emissions which will be presented in 2019 to the European Commission, which will release a specific certificate for each ship.

This is the first step to understand the contribution that the maritime sector can make to the reduction of global emissions.

In 2016 the d'Amico Group's technical direction strengthened the monitoring of ships' performance through a team of dedicated resources and through the adoption of specific on-board instruments (sensors and data platforms) integrated in software such as BMT and RINA Ego. This will significantly contribute to a more accurate analysis of ships' performance to optimise efficiency, bunker fuel saving and the reduction in harmful gas emission.

Ballast water treatment system

Last September the new IMO Convention on ballast water management came into effect. Ballast water contains various organisms, such as marine and coastal flora and fauna, from different areas around the world. If gathered in one place and released in another, some of these organisms could survive and prosper in the new environment; these non-indigenous species could have a sever ecological impact on the environment that receives them, both in economic and public health terms. To prevent the problem of release of invasive species in ballast waters, in 2004 IMO adopted the international Convention for the control and management of ships' ballast water and sediment.

In order to meet the Convention's requirements, the d'Amico Group has set out plans, registers and procedures aiming to guide ships not only to respect regulations but also and above all to guarantee the prevention of this type of pollution.
A dedicated ballast water treatment system has already been installed in more than 80% of the ships owned by the Group, while the installation on the remaining ships is scheduled in the next dry-dock; specific emergency measures are also in place to prevent and react to possible faults and inappropriate operations.

Other projects in support of the environment

The d'Amico Group supports the protection of the maritime environment against pollution and excessive exploitation by participating to various projects. Furthermore, the Group constantly promotes responsible conduct among its own personnel with regard to the environment.
In order to promote and improve the Italian maritime heritage, including its attention to the environment, the d'Amico Group has been supporting the Association of Sea and Navigation Museum Promoters (Onlus) for more than 10 years; it is also very active in providing ongoing support to the Monaco Oceanographic Museum through participation to projects aimed at protecting oceans and their biodiversity, as well as raising awareness among the public on issues relating to the sea.
The d'Amico Group is also a partner of the Italian Navigation Institute. Founded in 1959, this organisation considers itself to be the link between various institutes and companies for the purpose of promoting technical and scientific development in navigation and maritime transport.

Commitment to humanitarian, educational and cultural issues

The d'Amico Group is also at the forefront in supporting solidarity, training and cultural projects in the countries in which it operates.
For the d'Amico Group, solidarity represents a moral obligation. The Group contributes to charity initiatives all over the world to provide assistance to the most needy populations and territories, with a particular attention to the needs of children. Furthermore, the d'Amico Group is always committed to support events that promote

the protection of human life and scientific research, in addition to contributing to the reconstruction of countries, villages and towns affected by natural disasters. The d'Amico Group was the first in line in the reconstruction of a small village in Japan following the 2011 tsunami, after it hit the country's north-west coast. More recently, the d'Amico Group actively helped the inhabitants of the villages in the Khanh Hoa province in Vietnam, when they were severely affected by the devastating "Damrey" typhoon.
The Group also launched "d'Amico Ishima Sea Jewels", a project aimed at organising seminars and activities for the wives of d'Amico's seamen, for the purpose of promoting understanding of issues linked to health, finances and wellbeing. The majority of the wives of the Philippines seamen working on d'Amico ships remain at home to take care of the entire family, caring for school-age children and managing the family budget, while the husbands are on-board the d'Amico's ships.
Thanks to its annual support to the "Save the Children" organisation, the d'Amico Group also contributes to projects focused on health, education and promotion that offer a better future to many children around the world.

Furthermore, the d'Amico Group provides education, professional development and guidance to its own employees and students outside the Group, interested in a career in the maritime sector. By financing various projects at different educational levels, d'Amico contributes to building the basis of a successful career both within and outside the organisation.
In this context, the d'Amico Group makes a contribution towards shaping the future of maritime transport by forming partnerships with different maritime institutes, both at national and international level.

Specifically, the d'Amico Group is one of the founder members of the Istituto Tecnico Superiore (ITS) for Sustainable Mobility - G. Caboto Foundation, a private institute composed of public and private bodies, whose objective is to promote technical and scientific culture in navigation, for the training of specialist technical personnel also employed on the Group's ships.
Recently the d'Amico Group also strengthened its partnership with the Royal Institute of Naval Architects - the British professional association of naval engineers founded in London in 1860 - and with the Naval Engineering Department at the Genoa University (DITEN) with the aim of encouraging and promoting the exchange of technical and scientific information in the planning and building of ships. In this context, more than 10 years ago the three organisations came together to form the "Student Naval Architect Award", assigned to the best student thesis. Every year the d'Amico Group also offers a study/work project bursary to the most deserving student at the IPE Institute in Naples, with the objective of contributing to their professional training.
Furthermore, d'Amico actively participates in the Connecticut Maritime Association, a non-profit sector association that represents people from within the entire maritime transport and trade sector. Through this association, the d'Amico Group supports students who intend to enter the maritime transport sector by awarding prizes to the winners of the CMA Essay Contest, which judges essays on the maritime market submitted by university students.

To maintain a strong link with the territories in which it operates, the d'Amico Group has always supported artistic and cultural events all over the world. In this way the Group also intends to spread Italian culture.
In this context, in 2015 the d'Amico Group launched "The Owner's Cabin" project, a unique residential program which invites artists on board one of the ships travelling around the world, allowing them to produce works inspired by the international maritime transport environment in which they are immersed during their travels on the Group's ships.

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 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 executive directors are Paolo d'Amico (Chairman), Cesare d'Amico and Roberto Michetti, while the two 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 Statutory 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 No. 231 of 8 June 2001

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

- adopted and effectively implemented an appropriate compliance programme that aims to develop an organic, structured system of procedures, rules and controls to be conducted both in advance and after the fact in order to reduce and prevent the risk of commission of the various types of crimes to a material extent, in particular by identifying and drafting a procedure for each of the sensitive activities identified as most at risk of crime as set out in the Italian Penal Code (the "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 the 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 3 May 2017 for the three-year period 2017/2019.The Supervisory Board also set up a specific Internal Regulation of Establishment which governs its 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.

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

On 3 May 2017, the Company's Board of Directors approved the amendments to Special Sections VI, II and III of the Organization, Management and Control Model pursuant to Legislative Decree 231/01 ("Model 231") relating to environmental, corporate and organised crime offences, drawn up following the consultation work carried out by Marsh Risk Consulting Services S.r.l. of Milan - appointed in April 2016 to update the new Risk Assessment Plan. Subsequently the Company initiated, with the support of the Supervisory Body, the activities necessary to overcome the shortcomings identified by this risk assessment through aggregation of results, with reference to each sensitive activity analysed and each control standard, through the preparation of an action plan drawn up through the aggregation of results.
Furthermore, on 20 November 2017 the Board of Directors, prompted by the Supervisory Body, approved the revision of the remaining Model 231 Special Parts not subject to the revision mentioned above on the basis of a joint examination of all the risk assessments pursuant to Legislative Decree no. 231/2001 carried out over time, following the analysis carried out jointly by the Supervisory Body and the function Managers. Specifically, the Special Parts in question are those relating to crimes against the Public Administration (I), crimes relating to stolen goods, money laundering, money self-laundering and use of money, goods and benefits of illicit origin (III), crimes of manslaughter and serious personal injury or grievous bodily harm in violation of preventive occupational safety (V), computer crimes and offences concerning violations of copyrights (VII), crimes for the purpose of terrorism or the breakdown of democratic order (VIII), crimes against the individual (IX), crimes related to the employment of illegal third-world citizens (X) and crimes related to market abuse (XI).
Following these amendments, the Company is initiating, through the Group's Human Resources function and with the support of the Supervisory Body, a new Training Program aimed at the d'Amico Group's employees in 2018 which takes into account all the amendments to Model 231.

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, all expiring with the approval of the these financial statements.

However, following the death of the Chairman of the Board of Statutory Auditors in December 2017, the oldest substitute auditor by right became part of the composition and the role of pro-tempore Chairman passed to the oldest regular auditor. The Annual Shareholders Meeting due to approve these Financial Statements will in any case, however, be called to appoint a new Board of Statutory Auditors for the 2018/2020 financial years.

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

Following the mutually agreed early termination of the statutory audit contract between PricewaterhouseCoopers S.p.A. and the Company for the 2016, 2017 and 2018 financial years on 14 June 2017, on 21 June 2017 the General Shareholders' Meeting assigned the task of the statutory audit for the three-year period covering the 2017, 2018 and 2019 financial years to Axis S.r.l. in Reggio Emilia, Registered at no. 77125 of the Register of Legal Auditors, for the statutory audit of the financial statements and therefore until the approval of the Financial Statements for the year to 31 December 2019.

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 safety 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 safety 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

In 2017 the Group's ICT systems were involved in a series of extensive changes, both in terms of systems and application. The project relating to the installation of a new system for the management of the fleet's trading and operative activities was extended over the entire 2017 year, in accordance with the anticipated timetable and costs, and is now fully functional; therefore operators have at their disposal new and powerful instruments to best deal with competition at a global level.

The new treasury management system has been functional since mid-2017; however, the solution's deployment activities are still on-going on all Group's Companies. The project is expected to be completed by 2018.

In the context of the fleet's management, modernisation activities of the Shipnet platform have been particularly intense throughout 2017, with the passage to a new and drastically renewed version of the product; from the start of 2018 the new system, now ready, will gradually replace the previous one, as the training of on-board and shore-based users is completed.

In the context of the management of human resources, after the closing-down of the internal payroll activity, new software solutions have been introduced for the unified management of all Group's employees; the project was on-going throughout 2017 and the first few months of 2018 will see the start of its operation. Much dedication was also required for the deployment, in all the Group's offices, of the business travel management software, which finally allows a global vision of such a critical aspect in management procedures and one so significant from the point of view of costs.

To guarantee the Group the best IT instruments, and also the greatest efficiency in terms of costs, a project was launched to move some services from the current "Infrastructure as a service" base to a cloud-based environment, so as managed services; at present this change affects electronic mail systems but in 2018 it will also affect the internal portal and file systems.

The communication infrastructure available to the fleet is continuing to evolve: a project with the supplier Marlink has been initiated to supply ships, at least more modern ones, with a dual communication system based on V-Sat and Fleet Broadband technologies which will allow for a better service, with greater continuity and at a better controlled and stable cost.

The whole of 2017, as unfortunately last years, was characterised by the increasing threat of so-called cyber crime; sophisticated monitoring technologies have been adopted both within and outside the Company's network and the process of raising users' awareness continues, in particular in view of the spreading of social engineering techniques, which use very unsophisticated tools from a technological point of view but which are extremely efficient in exploiting human weaknesses. Over the year many guidelines and regulations relating to the maritime environment were also issued, which will require a better organised and "demonstrable" approach to computer fraud prevention in future.

Significant events during the year

Dry-cargo and container vessels

At the end of 2017, the Group owned 28 vessels, 26 long-term charter vessels and 18 short-term charter vessels, broken down into the following main types of ships: Handysize (Open Hatch Box Shaped) of 32,000-39,000 dwt; Supramax (craned and grabs fitted) of 52,000-64,000 dwt, Panamax/Kamsarmax of 74,000-89,000 dwt, Minicape of 117,000 dwt and container vessels.

During 2017, in the Handysize sector, one vessel was sold (Cielo di Livorno), one vessel chartered on a medium term was released (Giulia I) and two long-term charter vessels (Cielo di Iyo and Cielo di Seto) were delivered. In the Handysize sector, the Company employed 19 vessels at the end of 2017, all open-hatch box-shaped ships, of which 12 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 quarterly departures through a COA of 120,000 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 commodities (petcoke, bauxite, soda ash) on worldwide routes.

In the Supramax sector, in 2017 the Group acquired two owned vessels (Medi Roma and Medi Zuoc) and two long-term charter vessels (Medi Astoria and Medi Perth). At the end of 2017, the Group employed 17 equivalent vessels of which: 5 were owned, 4 were 51% owned (J/V DACC with Coeclerici Group) and 10 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 19 were directly controlled by the Group (including four DACC ships belonging to the J/V between d'Amico and Coeclerici) and 3 owned by third parties participating in the Pool.

The vessels were mainly employed in the following routes:

- coal (COA KPC, AVRA, San Miguel for transport from Indonesia to Thailand and the Philippines), as well as spot voyages from Indonesia and Australia to China, Thailand and India;
- clinker and cement from Thailand to West Africa and from Greece to the USA;
- grain from the USA, Brazil and Argentina to China, Japan and Europe;
- minor bulk commodities (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.

With regard to the Panamax/Kamsarmax/Post Panamax sector, during 2017 the Group sold one owned vessel (Medi Venezia), returned one medium-term charter vessel (Medi Genova) and acquired two long-term charter vessels (Medi Newport and Medi Kazahaya). The vessels employed at the end of 2017 were 12 of which 5 owned and 7 on long-term charter.

The vessels were mainly employed on the following routes:

- coal (COA Jpower from Australia to Japan and time charter / Enel and Coeclerici 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.

With regard to the Minicape sector, during 2017 a sale and charter back operation with a Japanese partner was successfully completed; the ownership of the vessels was therefore transferred to the purchasing company who chartered the same to d'Amico Dry for a 15-year period with already agreed competitive charter rates, with the option to purchase from the fourth year of charter.

As for the three 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 2017, the Group's main trade counterparties were the following:

- charters: Avra, Banpu, Bunge, Cargill, CJ International, CMPC, Enel, Glencore, Jari, Jpower, LDC, KPC, Marubeni, Mitsubishi, Mitsui, Mosaic, SQM, San Miguel, Trafigura, 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 and Tsuneishi.

The project to increase and renew the fleet owned by the d'Amico Group's Dry Business Unit will be completed during 2018 and 2019 with the acquisition of 2 Post-Panamax units (87,000 dwt, built by Oshima), 2 Kamsarmax units (Tess 82) in a joint venture with Mitsui (through the joint venture with MIDA Maritime).

Tankers

The following describes the key events for d'Amico Group's tanker activities in 2017, mainly related to d'Amico International Shipping and its investees:

d'Amico International Shipping:

- In the second quarter of 2017, d'Amico International Shipping S.A. (DIS) completed a capital increase by issuing pre-emptive subscription rights for 140,250,109 new shares with the issue of 140,250,109 warrants simultaneously with an issue share price of EUR 0.249. The offer was completely subscribed and generated an income of USD 37.8 million.

- In December 2017, at the end of the First Additional Financial Year Period for "2017-2022 d'Amico International Shipping Warrants", 84,454,853 warrants were exercised at a price per ordinary share of EUR 0.283, generating an additional income of USD 28.4 million. The share capital at the end of the financial year was approximately EUR 54.5 million (USD 65.3 million).

d'Amico Tankers d.a.c.:

- In January 2017, d'Amico Tankers sold M/T High Endurance and M/T 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. The sale of two vessels generated USD 5.2 million in liquidity net of commissions and repayment of loans due on the vessels.

  In May 2017, the company signed an agreement for the charter on a bare-boat basis for the sale and relocation of M/T High Fidelity, a medium-range tanker of 49,990 dwt, built in 2014 by Hyundai-Vinashin Shipyard Co. Ltd., for a total of USD 27.0 million. The operation allowed d'Amico Tankers to generate a liquidity of around USD 11.2 million, net of commissions and the repayment of a loan due on the vessel.

  In July 2017, d'Amico Tankers signed an agreement for the charter on a bare-boat basis for the sale and relocation of M/T High Discovery, a medium-range tanker of 49,990 dwt, built in 2014 by Hyundai-Vinashin Shipyard Co. Ltd., for a total of USD 28.0 million. The operation allowed d'Amico Tankers to generate a liquidity of around USD 10.7 million, net of commissions and the repayment of a loan due on the vessel.

  In September 2017, d'Amico Tankers signed an agreement for the charter on a bare-boat basis for the sale and relocation of sold M/T High Priority, a medium-range tanker of 46,847 dwt, built in 2005 by Nakai Zosen (Japan), for a total of USD 13.0 million. The operation allowed d'Amico Tankers to generate a liquidity of around USD 6.5 million, net of commissions and the repayment of a loan due on the vessel.

  In October 2017, the company signed a memorandum of understanding for the sale of M/T High Prosperity, a medium-range tanker of 48,700 dwt, built in 2006 by Imabari Shipbuilding Co. Ltd. (Japan), for a total of USD 14.245 million. The operation allowed d'Amico Tankers to generate a liquidity of around USD 6.9 million, net of commissions and the repayment of a loan due on the vessel.

  In November 2017, d'Amico Tankers signed a memorandum of understanding for the sale of M/T High Presence, a medium-range tanker of 48,700 dwt, built in 2005 by Imabari Shipbuilding Co. Ltd. (Japan), for a total of USD 14.14 million. Following delivery of the vessel in the first quarter of 2018, the operation will generate a liquidity of USD 7.2 million for d'Amico Tankers, net of commissions and the repayment of a loan due on the vessel.

In December 2017, d'Amico Tankers signed a memorandum of understanding for the charter on a bare-boat basis for the sale and relocation of M/T High Freedom, a medium-range tanker of 49,990 dwt, built in 2014 by Hyundai Mipo (South Korea), for a total of USD 28.0 million. The operation allowed d'Amico Tankers to generate a liquidity of around USD 13.4 million in the first quarter of 2018, net of commissions and the repayment of a loan due on the vessel.

d'Amico Shipping Italia S.p.A.:

- As already highlighted in the previous report, the vessel Cielo di Milano was subject to investigation by the US Coast Guard for the presumed violation of the MARPOL Convention during commercial operations in the port of New York in January 2015. This led to a prosecution where, in February 2016, the United States Government put forward a Plea Agreement whose terms the Company found unacceptable. Following lengthy negotiations with the U.S. Attorney's Office of the State of New Jersey, which lasted the whole of 2017, an agreement was reached on the terms of the Plea Agreement which is, however, still being finalised in March 2018. Estimated costs of the settlement of this matter have been set aside in the Company's financial statements and, therefore, also in the consolidated results.

Maritime services

Ishima Pte Limited – This investments in Singapore continues expand by supplying 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. As also highlighted in the Group's organizational chart, the increase in the insurance activities has led to formation of new subsidiary companies based in Hong Kong and Shanghai. The business remained stable and, also in 2017, a fleet with an average of 40 vessels was managed, including supervision of an important "New Buildings" programme relating mostly to a Group vessels and shortly to third part vessels.

Other equity interests

Apart from what specified under the financial investment entry, in 2017 the Group did not undergo any "structural" changes. The only highlight is that CGTH S.r.l., a company formed in 2016 (with the demerger from Compagnia Generale Telemar) has disposed of shareholdings object of the demerger while **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, increasing the ownership stake to 64.05% (58.26% at the end of 2016).

Financial performance analysis — *The Group*

Operating performances

Thousands of EUR	2017	2016[R]
Revenue	678,694	706,932
Gross operating profit or loss / EBITDA	41,171	27,624
Operating profit or loss / EBIT	(35,857)	(62,184)
Profit / (Loss) before taxes	(48,579)	(99,720)
Net profit or loss	**(53,202)**	**(102,755)**

The results in the table above highlight the improvement in all the individual items of the income statement. The "Revenues" item can also be considered to have improved as the 2016 figures also included the activity deriving from the consolidation of Compagnia Generale Telemar which, in 2017, ceased to be included in the Group's figures. In terms of turnover, we highlight that the average 2017 exchange rate between the Euro and the dollar, the currency used to account for most of the revenue (shipping), has changed compared to the previous financial year, from 1.0541 to 1.1269, so penalising the 2017 total and eroding the net increase in turnover. Finally, depreciations and amortisations, together with the financial items, contribute to the loss for the financial year of around EUR 53 million, against around 103 for the previous financial year.

The market performance in 2017, which will be detailed later, led to clear improvements in profitability compared to those of the previous financial year. Even though the markets have not fully recovered from the weakness experienced in the last few years, both the "dry" and "tankers" activities have shown an improvement in their operating results. EBITDA increased from EUR 27 million in 2016 to a figure slightly over EUR 41 million. These figures also include the fixed assets results that, as explained in more detail in the notes, include both the disposal of some shareholdings and vessels but, even net of these disposal, the net increase is in any case an improvement.

Statement of financial position

Thousands of EUR	As at 30 December 2017	As at 31 December 2016[R]
ASSETS		
Non-current assets	1,406,027	1,524,723
Current assets	372,731	391,419
Total assets	**1,778,758**	**1,916,142**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	801,472	877,212
Non-current liabilities	648,099	689,015
Current liabilities	329,187	349,915
Total shareholders' equity and liabilities	**1,778,758**	**1,916,142**

Non-current assets are mainly composed of tangible assets (EUR 1.1 billion), in turn composed mainly of the "Fleet" item (EUR 1,078 million) and the "Property" item (76 million). Net increases account for around 116 million to which, in addition to the depreciations and amortisations for the financial year, the change in net value of the vessels marked for sale (around 83.7 million) and the impact of the Euro/dollar exchange rate (148 million) must be added. 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.

Current assets include trade receivables and inventories, for a total of EUR 167 million, as well as cash and

equivalents of around EUR 74 million and other financial assets (mainly relating to Euro investments) of EUR 54.6 million. Finally, the value of "Assets available for sale", which also includes the various reclassifications implemented in 2017, has slightly decreased compared to the previous year and stands at around 75 million.

Non-current liabilities mainly include the long-term portion of loans, amounting to approximately EUR 526 million, financial leases for around 77 million and the value of financial instruments of approximately EUR 22 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 EUR 90 million), trade payables, taxes payable and other current financial liabilities.

The 2017 **Shareholders' Equity,** finally, has decreased not only because of the financial result but also following the effect of exchange rates which, as already mentioned, has negatively affected all balance sheet entries.

Net financial position

Thousands of EUR	As at 31 December 2017	As at 31 December 2016[R]
Cash and cash equivalents	73,926	104,139
Current financial assets and leasing	52,007	52,631
Total current financial assets	**125,933**	**156,770**
Bank loans - current	(219,427)	(228,590)
Other current financial liabilities	(18,753)	(25,087)
Total current financial liabilities	**(238,180)**	**(253,677)**
Net current liquidity / (indebtedness)	**(112,247)**	**(96,907)**
Other non-current financial assets	**81,375**	**83,975**
Bank loans - non-current	(526,262)	(619,926)
Other non-current financial liabilities	(113,216)	(50,821)
Total non-current financial liabilities	**(639,478)**	**(670,747)**
Net non-current liquidity / (indebtedness)	**(558,103)**	**(586,772)**
Net liquidity / (indebtedness)	**(670,350)**	**(683,679)**

Net debt has improved compared to the previous financial year mainly in relation to non-current debt, while short-term debt has slightly increased. In terms of reconciliation of financial statements, we specify that the value of Current financial assets and leasing is shown net of the amount relating to tax receivables (4.9 in 2017 and 4.0 in 2016).

Cash flow

Thousands of EUR	2017	2016[R]
Net cash provided by / (used in) operating activities	(26,552)	(54,863)
Net cash provided by / (used in) investing activities	(65,436)	(119,060)
Net cash provided by / (used in) financing activities	61,775	132,318
Net cash provided / (used)	**(30,213)**	**(41,605)**
Net increase / (decrease) in cash and cash equivalents	**(30,213)**	**(41,605)**
Cash and cash equivalents at the beginning of the year	104,139	145,744
Cash and cash equivalents at the end of the year	**73,926**	**104,139**

The result for the year has clearly also affected cash flow, reducing it at the end of the financial year. In any case, significant investment activities (65 million) continued through recourse to financing activities (62 million), and this then created a decrease in net funds availability of around 30 million compared to the figures for 2016.

We highlight that, even though the 2016 figures were reclassified, the figures for the calculation of cash flow have not changed because an increase in the 2016 loss was due to a restatement of non-current assets.

Operating performance

Dry-cargo and container vessels

The dry cargo market has significantly improved in 2017 thanks to an increase in the demand partially able to absorb the excess in tonnage delivered in previous years. The Baltic Dry Index, overall representative for the whole sector, registered an increase of 69% compared to 2016, while the reference indices for the sectors in which the d'Amico Group operates, have increased respectively by 75% (BPI – Baltic Panamax Index), 51% (BSI – Baltic Supramax Index) and 46% (BHSI – Baltic Handysize Index), as highlighted in the graph below.

After a slight decrease in the first part of the first quarter of 2017, the market showed signs of a more structured recovery from March, when "time" and "voyage-based" charters reached the highest levels in the last four years. During the second quarter, the market showed only temporarily sign of weakness in June. During the third and fourth quarters, essential elements of recovery attributable to a significant rebalancing of demand and supply produced a positive trend in a steadily improving market; in particular, economic growth and industrial production positively influenced demand for prime materials; again, China was the main growth engine thanks to a strong domestic market demand for coal and steel. With regard to the tonnage supply, deliveries were less than 40 mdwt, the lowest quantity since 2009 and a reduction of 13% compared to the average for the previous three-year period (2014-2016). In 2016 market difficulties also had an impact on orders of new vessels, bringing the ratio of vessels on order and vessels in operation to the lowest level for the last 15 years.

Thanks to the quality of the d'Amico Group fleet, both in terms of design and in terms of performance, to the flexibility achieved through arbitrage policies and to a consolidated commercial network, the results reached in the spot markets have been well above reference indices; in particular, 16% for the Panamax/Kamsarmax segment, 6% for the Supramax segment and 25% for the Handysize segment.

It is also reported that in 2017 Cielo di Livorno and Medi Venezia were sold, in January and April respectively. These sales only marginally contributed to the 2017 result (for a total negative impact of EUR 500 thousand) as their market values at the end of 2016 had already been discounted.

Tankers

In 2017 the tankers market rates were affected by high stocks of refined products, a reduced trading activity and interruptions in the supply of refined products in the Atlantic basin during the hurricane season.

The yearly time-charter rate, which always represents the best indicator of market expectation in the spot market for the following 12 months, improved throughout 2017, but its growth slowed in the latter part of the third quarter and in January 2018 they stood at USD 13,500 and USD 13,750 per day for conventional MR vessels, and between USD 14,750 and USD 15,000 per day for "Eco" MR vessels.

As already mentioned, several tankers were disposed of in the course of the year. M/T High Endurance, M/T High Endeavour (two MR vessels built in 2004) and M/T High Prosperity (a MR vessels built in 2006) were conclusively transferred to third parties, while M/T High Fidelity, M/T High Discovery (two MR vessels built in 2014) and M/T High Priority (a MR vessel built in 2005) were sold and then leased back. These operations generated a total net gain of EUR 1.7 million.

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 EUR 2.5 million. Subsidiaries of the same company in Singapore also increased their activities, contributing to the improvement of the Group's consolidated financial statements in 2017.
Intermediation activity managed by Rudder with its subsidiaries in relation to bunker fuel purchases was more or less breaking even. Lastly, Sirius closed its 2017 operations with a profit of approximately EUR 140 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 2017 figures.

Thousands of EUR	2017	2016
Dividends	8,979	1,099
Other revenue	14,098	15,078
General and administrative costs and other operating costs	(21,430)	(24,921)
Net financial income / (charges)	10,682	30,649
Income taxes	164	8
Net profit / (loss)	**12,493**	**21,913**

The dividends listed are those actually received during the year and therefore accounted for on a cash basis. Reference is made to the specific notes to the balance sheet for the details of the issuing companies.

Other revenue derives from the Group's activities which during the current year continued with various services rendered to other Group companies. These relate to 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 variation with respect to the previous balance sheet is to be considered purely functional as it also includes the variations of the exchange rate with the American dollar, the currency used to invoice most of the income.

Costs have also shown a decrease, following a corresponding reduction in revenues. These costs include overhead and production costs relating to ship management activity, general and administrative costs, and depreciation and amortization charges for tangible and intangible assets.

Financial activity, which relates to the management of investments and the investment of liquidit assets, has significantly contributed to the result for the financial year. The most relevant item was that relating to the positive result from the sale of shareholdings that in 2017 related to the disposal of the shareholding in Clubtre S.p.A for EUR 10.7 million.

Financial position

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Non-current assets	369,885	267,213
Current assets	40,404	67,773
Total assets	**410,289**	**334,986**
Shareholders' equity	315,086	263,899
Non-current liabilities	32,377	41,060
Current liabilities	62,826	30,027
Total shareholders' equity and liabilities	**410,289**	**334,986**

Non-current assets included tangible assets (mainly buildings of approximately EUR 64.7 million), long-term investments (of EUR 230 million), loans to subsidiaries (approximately EUR 70 million) as well as an amount due from the tax authorities of approximately 5 million. Increases compared to 2016 relate mainly to "Other companies", and reference is made to the relative note for more details of the year's movements.

Current assets included cash and cash equivalents of EUR 4 million, short-term loans with regard to companies of the group of EUR 13.8 million, short-term investments of approximately 13.6 million and trade receivables (all set to come due by the end of next year) for the remaining part.

By virtue of the result for the financial year, ***Shareholders' equity*** of d'Amico stood at EUR 315 million compared to EUR 264 million in 2016.

Non-current liabilities included the portion of loans coming due after 2018 relating to the remaining portion of the loan for the purchase of a building in Via Paisiello (EUR 25.6 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 EUR 3 million. Finally, this item also includes Termination indemnity provisions for EUR 3.7 million.

Finally, ***current liabilities*** included the "bank" portion of loans set to come due in 2018, 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.

	2017	2016
Total debt ratio	30.21%	26.94%
Borrowing ratio	26.31%	18.90%
Equity less non-current assets (/000)	(54,799)	(3,315)
Equity as percentage of non-current assets	85.18%	98.76%

The indebtedness ratio decreased in proportion to the increase in equity compared to bank borrowing. Primary structural balance ratio decreased due to the increase in own funds and fixed assets.

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

Tankers

d'Amico Tankers d.a.c.:

- **"Second-hand owned fleet":** As anticipated earlier, in February 2018 the M/T vessels High Presence and High Freedom were delivered to their new owners. From the time of their respective deliveries the vessels were chartered to d'Amico Tankers d.a.c. through a 10-year bare-boat contract for M/T High Freedom and a six year time-charter contract for M/T High Presence.

- **Fleet under construction:** In January 2018, the M/T Cielo di Rotterdam, a new LR1 "Eco" tanker built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd. at its Vietnamese shipyard Hyundai Vinashin Shipyard Co. Ltd., was delivered.

There are no specific items occurring in 2018 to mention in relation to the "dry" activity.

Business outlook

Dry-cargo ships

It is anticipated that in 2018 coal demand in the Pacific will continue, in particular from China, which has increased imports to meet energy heating needs in winter months. Furthermore, low stocks in India's power stations and the foreseeable increase in energy requirements are expected to support coal imports for internal production. Even though coal demand in Europe continues to decrease, emerging economies in Asia and Africa continue to view coal as a primary energy source to support their own economic development.
Grains demand is expected to continue to grow steadily, as was the case in 2017, as is the demand for other bulk commodities used in different industrial development contexts: exports of bauxite from Africa and Australia will support China's imports. The reduction in steel exports from China could lead to a trend reverse in 2018, linked to an increasing demand mainly from emerging countries with respect to the stabilising of internal demand.

As a result of the demolition work which took place mainly in 2016 and the minimum level of new vessel orders, the global dry-cargo fleet is expected to increase by about 2% in 2018/2019, against an expected increase in demand of 3.5% in 2018 and 3% in 2019/2020, factors that should promote a consolidation of the charter market for the current and subsequent years.

Tankers

Following the hurricanes that hit the Gulf in the United States, a better balance between demand and supply in the Atlantic was achieved. Export of refined petroleum products from the United States has improved from the low levels in September, and has returned to around 5 million barrels per day. The improved balance between tonnage demand and supply led to an increase in charter rates for most of the fourth quarter of 2017, before flattening out towards the end of the year and in the first few months of 2018.

In the Atlantic basin, bad weather was the key factor in January and the start of February 2018, which led to delays in ports, so reducing the number of available vessels. In the eastern hemisphere, at the start of 2018 Asian refineries returned to production after planned maintenance cycles, so contributing to an improvement in the market.

The International Energy Agency recently slightly increased growth projections in oil demand in 2018, to 1.4 million barrels per day (a reduction compared to the expansion in 2017 to 1.6 million barrels per day), on the basis of more optimistic GDP growth estimates for 2018 issued by the IMF.

The tankers market should continue to improve thanks to the slowing down in the growth of vessel supply and the increase in transported volumes, driven by: 1) a strong oil demand, 2) the increase in US exports and 3) high refining and margins in the USA, which promote an increase in exports to the Carribean and Latin America, 4) lower refined petroleum products stocks that, following the significant reductions in the last 18 months, now approach five year averages, 5) the significant increase anticipated by IEA in the US production of shale oil of 1.8 million barrels a day in 2018, contributing to an increased forecast in non-OPEC oil production of 2.4 million barrels per day, which should limit further price increases and should lead eventually to a drop in the oil price.

Other information

Approval of 2017 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 14 March 2018. 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.

Risk management

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) 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.

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 two million Euros (1 million in 2016) on the consolidated income statement, while an equivalent increase would not have had a substantial impact.

The Group 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 in net profit or loss of approximately Euro 1.7 million. With regard to real-estate investments, a fluctuation in market prices, still of 5%, would have resulted in an impact of approximately EUR 5.6 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 the Japanese yen, for which foreign-exchange risk does not correspond to equivalent fixed assets. For exposure to Asian currency, relating to financial exposures and hedging instruments, a 5 percentage point change in the EUR/JPY exchange rate as at the end of 2017 would have had a negative impact on the income statement, and thus on financial position, of approximately a positive EUR 1.6 million/negative EUR 2 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.

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 EUR 2.6 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 EUR 125 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.

Dealings 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.

Rome, 23 April 2018

Paolo d'Amico,
Chairman of the Board of Directors

Cesare d'Amico,
Chief Executive Officer

d'AMICO SOCIETÀ DI NAVIGAZIONE GROUP
CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2017

Consolidated income statement

Euro/000	Notes	FY 2017	FY 2016[R]
Revenue	4	678,694	706,932
Operating costs	5	(596,228)	(618,115)
General and administrative costs	6	(62,014)	(77,816)
Income on the disposal of fixed assets	7	20,719	16,623
Gross operating profit / (loss)		**41,171**	**27,624**
Depreciation, amortisation and impairment	10/11	(77,028)	(89,808)
Operating profit / (loss)		**(35,857)**	**(62,184)**
Financial income	8	32,284	23,811
Financial charges	8	(42,691)	(54,523)
Exchange gains/(losses)	8	(9,190)	(192)
Net profit / (loss) of companies valued at equity	8	6,875	(6,632)
Total financial income and charges		**(12,722)**	**(37,536)**
Profit / (Loss) before taxes		**(48,579)**	**(99,720)**
Income taxes	9	(4,623)	(3,035)
Net profit / (loss)		**(53,202)**	**(102,755)**
Attributable to			
Minorities		**(8,558)**	**(4,731)**
Parent Company		**(44,644)**	**(98,024)**

Consolidated statement of other comprehensive income

Euro/000	Notes	FY 2017	FY 2016[R]
Net profit / (loss)		(53,202)	(102,755)
Other components of comprehensive income not to be recycled to the income statement in subsequent periods			
Translation differences on foreign operations		(77,869)	12,834
Actuarial gain or loss (IAS 19)		(178)	(27)
Tax effects of expenses/income recognised in equity		0	7
Total		**(78,047)**	**12,814**
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		34,473	3,453
Effective part of gains/(losses) on hedging instruments		3,666	9,633
Tax effects of expenses/income recognised in equity		7,667	(1)
Total		**45,806**	**13,085**
Comprehensive income		**(85,443)**	**(76,856)**
Attributable to			
Minorities		**(25,393)**	**21,168**
Parent Company		**(60,050)**	**(98,023)**

Consolidated statement of financial position

Euro/000	Notes	As at 31 December 2017	As at 31 December 2016[R]
ASSETS			
Non-current assets			
Intangible assets	10	2,339	726
Tangible assets	11	1,159,839	1,322,349
Long-term investments	12	162,474	117,673
Non-current finance lease receivables	13	14,306	18,562
Other non-current financial assets	14	67,069	65,413
Total non-current assets		**1,406,027**	**1,524,723**
Current assets			
Inventories	15	49,601	47,642
Short-term receivables and other current assets	16	117,648	103,318
Current finance lease receivables	13	2,851	3,068
Other current financial assets	17	54,078	53,591
Cash and cash equivalents	18	73,926	104,139
Available-for-sale assets	19	74,627	79,661
Total current assets		**372,731**	**391,419**
Total assets		**1,778,758**	**1,916,142**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		25,000	25,000
Retained earnings		565,235	658,869
Other reserves		133,869	149,218
Net profit / (loss)		(44,644)	(98,024)
Shareholders' equity - Parent	20	**679,460**	**735,063**
Capital and reserves - Minorities		130,570	146,880
Net profit / (loss) - Minorities		(8,558)	(4,731)
Total shareholders' equity	20	**801,472**	**877,212**
Non-current liabilities			
Provisions for risks and charges	21	3,605	4,199
Banks and other lenders	22	526,262	619,926
Provisions for employee benefits	23	4,135	3,706
Non-current finance lease receivables	24	77,360	-
Other non-current financial liabilities	25	35,856	50,821
Other non-current liabilities	26	872	3,206
Deferred tax liabilities	27	9	7,157
Total non-current liabilities		**648,099**	**689,015**
Current liabilities			
Banks and other lenders	22	219,427	228,590
Short-term payables and other current liabilities	28	89,519	94,946
Current finance lease receivables	24	3,336	-
Other current financial liabilities	29	15,417	25,087
Current tax liabilities	30	1,488	1,292
Total current liabilities		**329,187**	**349,915**
Total shareholders' equity and liabilities		**1,778,758**	**1,916,142**

Consolidated statements of cash flows

Thousands of EUR	2017	2016[R]
Net profit for the period	**(53,202)**	**(102,755)**
Depreciation and impairment	77,028	79,870
Current and deferred tax	4,623	3,035
Financial charges/Financial income	12,722	37,536
Fair value gains on foreign currency translation	(582)	(9,956)
Other non-cash items	(9,199)	(12,836)
Net cash provided by / (used in) operating activities before changes in working capital	**31,390**	**(5,106)**
Changes in inventories	(1,959)	6,391
Changes in receivables and other assets	(9,857)	48,026
Changes in payables and other liabilities	(3,258)	(62,825)
Taxes paid	(4,260)	(2,641)
Interest collected / (paid)	(38,608)	(38,708)
Net cash provided by / (used in) operating activities	**(26,552)**	**(54,863)**
Acquisition of fixed assets	(165,361)	(200,851)
Gains (losses) on disposal/derecognition of fixed assets	99,925	81,791
Net cash provided by / (used in) investing activities	**(65,436)**	**(119,060)**
Other changes in shareholders' equity	(2,407)	(8,204)
Changes in financial assets/liabilities	(4,054)	103,286
Inception of finance Leases	82,549	0
Repayment of finance Leases	(1,853)	0
Bank loan repayments	(146,966)	(249,959)
Change in bank overdrafts	6,447	6,616
Bank loan draw-downs	132,059	291,445
Dividends paid	(4,000)	(10,866)
Net cash provided by / (used in) financing activities	**61,775**	**132,318**
Net cash provided / (used)	**(30,213)**	**(41,605)**
Net increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	104,139	145,744
Change in cash and cash equivalents	(30,213)	(41,605)
Cash and cash equivalents at the end of the year	**73,926**	**104,139**

Consolidated statements of changes in shareholders' equity

	Share capital	Retained earnings	Other reserves	Net profit	Total	Minority interests	Total shareholders' equity
31 December 2016[R]	**25,000**	**658,869**	**149,218**	**(98,024)**	**735,063**	**142,149**	**877,212**
Dividends paid	-	(4,000)	-	-	(4,000)	-	(4,000)
Allocation of net profit or loss	-	(98,024)	-	98,024	0	-	0
Comprehensive income	-	(57)	(15,349)	-	(15,406)	(16,835)	(32,241)
Other changes in shareholders' equity	-	-	-	-	0	0	0
Change in Group or minority shareholders' equity	-	-	-	(44,644)	(44,644)	(8,558)	(53,202)
Net profit / (loss)	-	8,447	-	-	8,447	5,256	13,703
31 dicembre 2017	**25,000**	**565,235**	**133,869**	**(44,644)**	**679,460**	**122,012**	**801,472**

	Share capital	Retained earnings	Other reserves	Net profit	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 loss	-	(22,593)	-	22,593	0	0	0
Comprehensive income	-	-	20,454	-	20,454	5,445	25,899
Other changes in shareholders' equity	-	6,187	(1,260)	-	4,927	-	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**	**658,869**	**149,218**	**(87,814)**	**745,273**	**142,149**	**887,422**
2016 Result of measurements at equity	-	-	-	(10,210)	(10,210)	-	(10,210)
31 December 2016[R]	**25,000**	**658,869**	**149,218**	**(98,024)**	**735,063**	**142,149**	**877,212**

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 No. 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 2017, with the exception of the new accounting standards adopted effective 1 January 2017, as explained below. The IAS/IFRS standards endorsed and in effect as at 31 December 2017 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.

As it can be seen from the prospectuses, and as mentioned in the report, the 2016 financial statements was adjusted to report in a more correct manner the values relative to companies valued with the equity method. The details of the adjustment made can be found in the notes relating to the items affected (fixed assets and financial results and valuation of net equity and, in consequence, the net equity).

These consolidated financial statements were approved for publication by the Board of Directors on 23 April 2018.

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.

As mentioned in the report on operations, and highlighted in the financial position reported above, the comparative 2016 financial balance sheet was amended with respect to the figures reported in the previous financial year. The amendment related essentially to the valuation of the associated company Clubtre S.p.A. which suffered a EUR 10 million economic devaluation compared to the figures reported last year with the consequent reduction in fixed assets, the entry which included this shareholding. The various specifications of the respective items affected can be found in the appropriate tables.

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.

The 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 2017 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 Italy 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

Goodwill

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

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

Depreciation is calculated on a straight-line basis to estimated residual value according to the estimated useful lives of the major components of the vessels. 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 S.A.) are recognised at acquisition cost and depreciated on a straight-line basis over five years. As at the end of the 2017 financial year, 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 Buildings	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 measurements - 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 2017

No new accounting principles were adopted in 2017.

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,*** applies for accounting periods from 1 January 2018. The principle was elaborated to provide a complete set of principles to represent the nature, amount, timing and uncertainty of revenues and cashflows deriving from contracts with a customer. The principle was founded on five steps to calculate revenues:

1) Identification of the services required by the contract;
2) Determination of the cost of the transaction;
3) Allocation of the cost of the transaction;
4) Measurement of the revenue at the time the obligation for service is satisfied;
5) The principle also requires specific principles to be applied, in case of contractual amendment, for the accounting of contract liabilities as well as reimbursements and guarantees.

The Group undertook a revision of its own contracts and expects that the main probable amendments are the recognition of subsequent revenues on voyage-based charters, based on the load to discharge method, together with a subsequent recognition of revenues on some of the energy production contracts. Management estimates that the effect of these amendments on retained earnings on 1 January 2018 will correspond to an amount not significant in terms of the Group's figures.

IFRS 9 – ***Financial Instruments:*** issued in July 2014 and not yet endorsed by the EU; it 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. Here again, management estimates that the classifications amendments pursuant to IFRS 9 will led to relevant adjustments.

IFRS 16 – ***Leasing*** applies for accounting periods from 1 January 2019, with the possibility of early application on condition that IFRS 15 is also applied.

Changes for lessors, and for lessors of existing financial leases, will be limited. However, the principle will have significant impact on the treatment on the part of lessors of what are currently considered to be operative leases. With some exceptions, the lessors of current operative leases will need to record payables for payments anticipated by the contract, which remain applicable at the rate implicit in the lease (or, if unknown, the lessor's marginal financial rate) and to recognise a corresponding activity for the right of use (of amount equal to the sum of liabilities with the current value of any rehabilitation costs and any marginal costs at the stipulation of the lease, as well any payments made before the start of the lease, less any lease incentives already received).

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) the acquisition of **bunker** by the Group's companies is managed with the support of a company from the same Group (Rudder S.A.M), which has a deep knowledge of the market, with a view to

reduce costs, discrepancies and qualitative issues; (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 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, the various Group societies have 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 believes that fixing the interest on a portion of the Group's borrowings will make it easier to predict future interest costs, up to a level deemed appropriate to the Group, 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 spot markets 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 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.

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 EUR	2017	2016
Shipping	664,090	643,686
Services	14,604	63,246
Total	**678,694**	**706,932**

As anticipated in the report, revenues increased significantly in 2017. The values were however affected by the decrease in the average Euro/dollar exchange rate. In spite of this, the maritime transport activity increased by around 3% while other revenues, net of 2016 values relating to the income statement produced by the Telemar consolidation, remained essentially stable. At this regard we highlight that the average Euro/dollar exchange rate went from 1.106 in 2016 to 1.127, impacting in part, as already mentioned, on volumes for the year.

5. OPERATING COSTS

Thousands of EUR	2017	2016
Direct operating costs	221,458	262,291
Time charter hire costs	264,015	239,669
Other operating costs	110,755	116,155
Total	**596,228**	**618,115**

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 mainly include fuel purchases (bunker costs of approximately EUR 110 million), port/goods expenses (approximately EUR 83 million) and fee and commission expenses (approximately EUR 19 million). In 2016 this item also included direct "Telemar" costs for around EUR 35 million.

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 (EUR 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 1,245 (1,294 in 2016) and administrative personnel of 330 (326 in 2016). 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 EUR	2017	2016
Personnel costs	41,096	43,575
Other general and administrative costs	20,918	34,241
Total	**62,014**	**77,816**

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 EUR 6 million. Among these, the emoluments paid during 2017 to the Parent Company's directors account for a little over EUR 2 million. Fees for auditing the financial statements of Group companies amount to EUR 740 thousand, of which EUR 140 thousand was incurred directly by the Parent Company.

7. INCOME ON THE DISPOSAL OF FIXED ASSETS

Thousands of EUR	2017	2016
Gains on disposal of vessels	1,205	(13,259)
Gains on disposal of equity investments	19,514	29,882
Total	**20,719**	**16,623**

During the year, several units were disposed of: some were permanently transferred to third parties and other leased back. The report gives ample information on all disposals during the year and the list of ships in the annex gives details of the units managed at the end of the year. It should be noted that the amount of 1.2 million in the table is comprised mainly of the capital gains relating to the sale of the High Endurance and the High Endeavour (for around EUR 1.1 million each) net of losses relating to the sale of the High Prosperity (around EUR 600 thousand) and the Medi Venezia (around EUR 500 thousand).

The positive result from the sales of equity interests mainly relates to the capital gain generated by the sale of an interest in Clubtre by the Parent Company (around 10.7 million) and the positive result relating to the sale of the American company ADCI by CGTH (around 8.8 million).

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

Thousands of EUR	2017	2016[R]
Financial income	32,284	23,811
Financial charges	(42,691)	(54,523)
Exchange differences	(9,190)	(192)
Result of measurements at equity	6,875	(6,632)
Total	**(12,722)**	**(37,536)**

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

Thousands of EUR	2017	2016[R]
Dividends collected	1,753	1,200
Net bank interest	(5,639)	1,435
Interest on borrowings	(34,167)	(33,895)
Net profit/(loss) on investments	29,078	5,449
Other financial items	(1,432)	(4,901)
Exchange differences	(9,190)	(192)
Result of measurements at equity	6,875	(6,632)
Total	**(12,722)**	**(37,536)**

The above table clearly shows a very extensive use of bank loans, the cost of which is in line with the previous financial year even if the cost of money for repaying bank overdrafts included in net bank interests has increased. In 2017 the net result of investments was positive and contributed over EUR 29 million to the result for the financial year.

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

The result deriving from the valuations calculated with the equity method in 2016 includes the accounting reclassification mentioned above, increasing the net value of the item in this note to EUR 37.5 million, up from around EUR 27.3 million. The result for 2017 includes the valuations of joint ventures and associates whereas dividends are those collected by the investees not included in the scope of consolidation.

9. INCOME TAXES

Thousands of EUR	2017	2016
Current income taxes	4,758	3,044
Deferred taxes	(135)	(9)
Total	**4,623**	**3,035**

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 24.00%. 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 EUR 30 million, which, when used, will yield tax savings of approximately EUR 7.2 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 EUR 70.5 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 EUR	As at 31 December 2017	As at 31 December 2016
Total	**2,339**	**726**

The following is an account of changes during the year:

Net carrying amount	Goodwill	Other assets	Total
As at 1 January 2017	**280**	**446**	**726**
Additions	0	1,843	1,843
Impairment	(20)	0	(20)
Amortisation for the year	0	(111)	(111)
Exchange differences	(64)	(35)	(99)
Net carrying amount			
As at 31 December 2017	**196**	**2,143**	**2,339**

The goodwill in the balance sheet, slightly adjusted during the year, relates to the Canadian investee Anglo Canadian Shipping Ltd.

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

11. TANGIBLE ASSETS

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Fleet	1,077,957	1,239,813
Real Estate	75,847	75,429
Other tangible assets	6,035	7,107
Total tangible assets	**1,159,839**	**1,322,349**

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

Thousands of EUR	Fleet	Real Estate	Other assets	Total
Historical cost	1,622,982	96,383	21,690	1,741,055
Depreciations and impairments	(383,168)	(20,955)	(14,583)	(418,706)
Balance as at 31 December 2016	**1,239,814**	**75,428**	**7,107**	**1,322,349**
Additions	165,260	3,016	422	168,698
Disposals/Decreases	(53,015)	0	0	(53,015)
Exchange differences	(184,915)	(1,313)	(2,111)	(188,339)
Depreciation and amortisation	(43,192)	(2,349)	(843)	(46,384)
Reclassified under "Avail. for sale"	(83,736)	0	0	(83,736)
Exchange differences	37,741	1,065	1,460	40,266
Historical cost	1,550,312	98,086	20,001	1,668,399
Depreciations and impairments	(472,355)	(22,239)	(13,966)	(508,560)
Balance as at 31 December 2017	**1,077,957**	**75,847**	**6,035**	**1,159,839**

With the comparison to the previous year

Thousands of EUR	Fleet	Real Estate	Other assets	Total
Historical cost	1,661,552	105,195	26,781	1,793,528
Depreciations and impairments	(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 and amortisation	(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
Depreciations and impairments	(383,168)	(24,442)	(19,515)	(427,125)
Balance as at 31 December 2016	**1,239,813**	**75,429**	**7,107**	**1,322,349**

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 7 units (2 dry-cargo and 5 LR) for approximately EUR 81 million. These vessels are expected to be delivered in the 2019 financial year.

The "Fleet" item also includes the values relating to the 3 tankers (High Fidelity, High Discovery e High Priority) and the dry-cargo vessel (Cielo d'Europa) that, as clearly indicated in the report as well as in note 7, were sold in 2017 but chartered on a lease-back basis. For this reason, in accordance with the IAS 17 standard, these charters are treated as "finance leases" and therefore accounted under fixed assets. For further information, we specify that for the 3 tankers are subject to an obligation to purchase to be exercised at the end of the 5th year of charter contract for one of the units and at the end of the 10th year for the other two.

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 2017 - 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 6.86%, 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., still available to the Group, of approximately EUR 34.2 million. Impairment testing has been conducted on a going-concern basis.

Finally, in terms of sensitivity analyses, 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 EUR 80 million, whereas a 1% change in the discount rate would have entailed a change of EUR 99 million.

Real Estate

This item includes properties used in operations and owned by the various Group companies. The increases during the year primarily refer to renovation works, mainly relating to the property on Via Paisiello (Domus Daini) in Rome, owned by the Parent Company.

It bears noting that the property mentioned above, carried at its historical cost of EUR 58.5 million (inclusive of appreciation over the years) with a current book value at the end of the financial year of EUR 56 million (after depreciation) had originally been acquired to host the Company's offices. 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.

12. LONG-TERM INVESTMENTS

Thousands of EUR	As at 31 December 2017	As at 31 December 2016[R]
Equity investments	45,662	52,759
Available-for-sale financial assets	112,846	61,281
Held-to-maturity investments	3,966	3,633
Total	**162,474**	**117,673**

The amounts 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 2016[R]	Acquisitions / (Disposals)	Measurement at FV	As at 31 December 2017	Percent interest
Companies Consolidated at Equity					
Clubtre S.p.A.	22,401	(6,636)	(2,292)	13,475	28.36%
Venice Shipping & Logistic S.p.A.	8,526	0	0	8,526	28.45%
Eco Tankers Limited	3,093	0	(368)	2,725	21.39%
DACC	0	0	43	43	51.00%
MIDA Maritime Company d.a.c.	0	0	0	0	51.00%
DM Shipping	0	0	0	0	33.06%
Cambiaso e Risso Asia Pte Ltd	809	0	(95)	714	50.00%
Cambiaso e Risso Pte Ltd	0	48	174	222	40.00%
Shangai Changjiang-Risso Ltd	0	0	94	94	16.80%
Cambiaso e Risso Limited	0	0	0	0	40.00%
	34,829	**(6,588)**	**(2,444)**	**25,797**	
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%
ClubItaly srl	9,220	0	0	9,220	7.50%
Asset Italia SpA	691	1,836	0	2,527	3.59%
TIP-PRE IPO S.p.A.	2,141	714	0	2,855	3.57%
Other	2,179	(493)	(122)	1,564	
	17,930	**2,057**	**(122)**	**19,865**	

Available-for-sale financial assets	As at 31 December 2016	Acquisitions / (Disposals)	Measurement at FV	As at 31 December 2017	Percent interest
Tamburi Investments Partners S.p.A.	61,020	17,057	34,412	112,489	12.65%
Banca Profilo S.p.A.	261	0	96	357	0.22%
	61,281	**17,057**	**34,508**	**112,846**	

Held-to-maturity investments	As at 31 December 2016	Acquisitions / (Disposals)		As at 31 December 2017
Sator Private Equity Fund	3,633	333	0	3,966
	3,633	**333**	**0**	**3,966**
Total	**117,673**	**12,859**	**21,732**	**162,474**

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.

To be noted among the significant equity investments not eliminated in the consolidated financial statements the decrease of Clubtre relating to a partial disposal of equity interests (such as treasury shares) by the same subsidiary. The sale, having been carried out proportionally by all shareholders, did not alter the equity percentage for the purposes of the consolidated financial statement.

We note also that a new capital payment was made for Asset Italian and one for TIP-PRE IPO SpA. Finally, with regard to the quoted financial activities, we note the additional purchase of TIP shares both through the direct purchase of shares and through the conversion of warrants in the Company's portfolio. The equity percentage at the end of the financial year reached 12.65%.

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 2017 was 12.65%;

- ***Clubtre S.p.A.*** – a company whose owners include Tamburi Investment Partners S.p.A., which holds a 24.62% interest, as well as Angelini Partecipazioni Finanziarie S.r.l. and d'Amico Società di Navigazione S.p.A., each with a 16.13% interest. As at 31 December 2017, d'Amico Società di Navigazione S.p.A. had investments for a total amount of over EUR 19 million. Clubtre S.p.A. holds, as at 31 December 2017, an interest of 4% 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 to include this new limited company, 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 S.r.l. ("DPF"), for a total of 3.57% of the share capital as at 31 December 2017;

- ***ClubItaly S.r.l.*** – this interest was held through the subsidiary d'Amico Partecipazioni Finanziarie S.r.l. for a total amount of over EUR 9 million, corresponding to approximately to a 7.50% interest. During 2016, the equity investment in ClubItaly was sold with a put and call repurchase option at the same conditions as it was sold;

- ***Venice Shipping and Logistics S.p.A.*** – a company whose main shareholders, as at 31 December 2017, were Palladio Finanziaria S.p.A. (57.13%), d'Amico Società di Navigazione S.p.A. (28.45%) and Bianchi Marè Holding S.r.l. (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.*** – this is a new financial investment company established in 2016, with the objective of undertaking long-term investment operations in selected companies through capital increases in each investment and benefiting, in the performance of these activities, from the support of Tamburi Investment Partners S.p.A.

The Parent Company owns a 3.59% interest in this company, corresponding to an initial investment of around EUR 700 thousand and to the result of the operations completed in 2017. 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 2015	Acquisitions / (Disposals)	Measurement at FV	As at 31 December 2016[R]	Percent interest
Companies valued at Equity					
Clubtre S.p.A.	27,761	(879)	(4,481)	22,401	28.36%
Venice Shipping & Logistic S.p.A.	6,073	0	2,453	8,526	28.45%
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)**	**(3,086)**	**34,829**	
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%
ClubItaly S.r.l.	9,220		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					
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					
Sator Private Equity Fund	3,564	69	0	3,633	-
	3,564	**69**	**0**	**3,633**	
Total	**116,596**	**1,616**	**(539)**	**117,673**	

13. NON-CURRENT FINANCE LEASE RECEIVABLES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Non-current finance lease receivables	14,306	18,562
Current finance lease receivables	2,851	3,068
Total	**17,157**	**21,630**

d'Amico Dry d.a.c. signed a bare-boat 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 lender. 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 EUR	As at 31 December 2017	As at 31 December 2016
Total	67,069	65,413

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 EUR 24 million, a receivable of d'Amico Tankers due from the subsidiary DM Shipping of approximately EUR 18 million and a receivable of the Parent Company due from Mida Maritime for slightly over EUR 5.7 million. The remaining portion includes the tax receivables from prior years (EUR 4.2 million) in the Parent Company's financial statements.
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. The variation from the previous year derives mainly from a Parent Company's deferred tax adjustment made in 2017.

15. INVENTORIES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	49,601	47,642

Year-end inventories consist of stocks of Intermediate Fuel Oil (IFO) and Marine Diesel Oil (MDO), as well as Luboil aboard vessels, of EUR 22.6 million, and the value of the property under construction owned by Domas of EUR 27 million.

16. SHORT-TERM RECEIVABLES AND OTHER CURRENT ASSETS

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	117,648	103,318

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 EUR 2.6 million

17. OTHER CURRENT FINANCIAL ASSETS

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	54,078	53,591

Current financial assets refer to short-term investments of liquidity in shares and other short-term securities and/or negotiable instruments mainly relating to various 'portfolios' of mutual funds, bonds, equities and other securities, primarily held by d'Amico International S.a. and by DSN of approximately EUR 44.3 million. Some derivative instruments (specified in greater detail in Note 31) of EUR 4.8 million and other sundry financial receivables must be added to the above values.

18. CASH AND CASH EQUIVALENTS

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	**73,926**	**104,139**

The item primarily comprises short-term bank deposits in the amount of EUR 70.6 million, while the remainder represents cash.

19. AVAILABLE-FOR-SALE ASSETS

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	**74,627**	**79,661**

Available-for-sale assets concern four vessels that the Group intends to sell during 2018. The book value was calculated at fair value at the end of the financial year, impairing the value of vessels whose carrying amount was recorded as higher. This affected four units: 3 tankers (Cielo di Milano, Cielo di Hanoi and Cielo di Salerno) and the dry-cargo vessel Medi Bangkok.

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 EUR	As at 31 December 2017	As at 31 December 2016[R]
Share capital	25,000	25,000
Retained earnings	565,235	658,869
Other reserves	133,869	149,218
Net profit / (loss)	(44,644)	(98,024)
Shareholders' equity - Parent	**679,460**	**735,063**
Capital and reserves - Minorities	130,570	146,880
Net profit / (loss) - Minorities	(8,558)	(4,731)
Total shareholders' equity	**801,472**	**877,212**

Share capital

The authorised and paid-in share capital of d'Amico Società di Navigazione S.p.A. came to EUR 25 million and is divided into 10 million shares with a par value of EUR 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 issued by the Parent company, as well as the provision for the previous year profit.

Other reserves

Other reserves include the following items:

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Cash-flow hedging reserve	2,876	(1,515)
Fair-value reserve	66,634	32,161
Translation and consolidation reserve	63,647	125,406
Comprehensive income taxation reserve	800	(6,867)
Actuarial gain or loss	(88)	33
Total	**133,869**	**149,218**

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.

Net profit / (loss)

As specified, the comparative 2016 Group result was amended following the adjustment of the valuations of the companies calculated with the net equity method, going from a loss of EUR 87.8 to EUR 98 million.

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 36%.

21. PROVISIONS FOR RISKS AND CHARGES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	**3,605**	**4,199**

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 allocation, 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

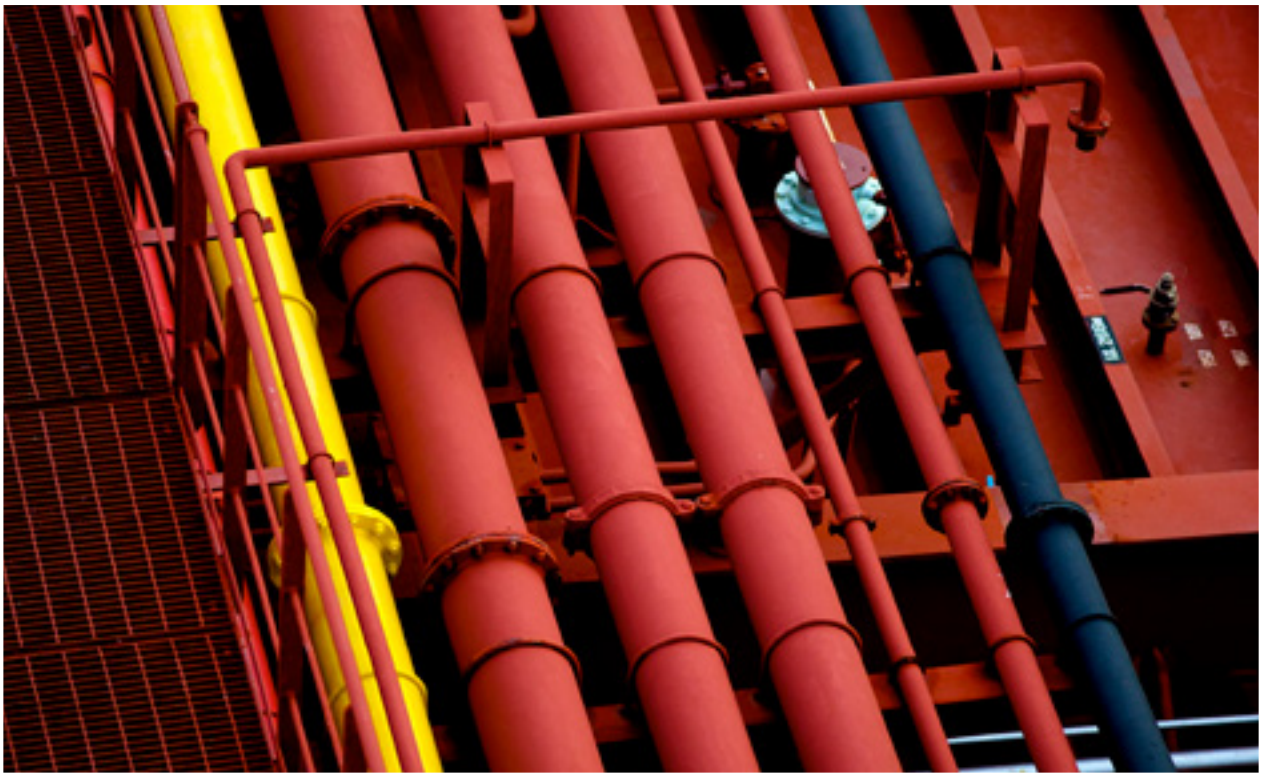
Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Non-current liabilities		
Banks and other lenders	526,262	619,926
Current liabilities		
Banks and other lenders	219,427	228,590
Total	**745,689**	**848,516**

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 EUR 200 million in borrowings with variable interest rates, with margins spreads on a range from 100 to 325 basis points on the benchmark compared to the reference interest rate, generally the LIBOR or EURIBOR. EUR 448 million of the total amount 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 EUR 53.6 million.

	Within 12 months	1/5 years	Beyond five years	TOTAL
Bank loans	219,427	401,694	124,568	**745,689**



23. PROVISIONS FOR EMPLOYEE BENEFITS

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Provisions for employee benefits	**4,135**	**3,706**

The amount above refers to the sum provisioned for Italian termination indemnity (TFR) owed to seagoing and administrative personnel in service at the end of 2017, 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 No. 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 EUR	As at 31 December 2017
Actuarial liability at the beginning of the year	**3,706**
Normal cost	393
Financial charges	30
Disbursements	(172)
Actuarial (gains)/losses during the period	178
Recognised liability as at year-end	**4,135**

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

	As at 31 December 2017
TERMINATION INDEMNITY/END-OF-SERVICE INDEMNITY	
Discount rate	0.52%
Inflation rate	1.50%
Personnel turnover rate	5%
Mortality rate	IPS55M/IPS55F

24. CURRENT FINANCE LEASE RECEIVABLES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Non-current finance lease receivables	77,360	0
Current finance lease receivables	3,336	0
Total	**80,696**	**0**

The amounts reported above relate to vessels in lease back, whose right of use, in accordance to IAS 17, was recorded under tangible assets with a corresponding amount recorded under current liabilities.

25. OTHER NON-CURRENT FINANCIAL LIABILITIES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Totale	35,856	50,821

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 EUR 22 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 29.
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 EUR 4 million) and the DPF's put and call option referring to the shareholding in ClubItaly (9.2 million).

26. OTHER NON-CURRENT LIABILITIES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	872	3,206

The year-end balance primarily includes the various non-commercial liabilities maturing after 31 December 2017.

27. DEFERRED-TAX LIABILITIES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	9	7,157

This item includes provisions for deferred taxes, the financial impact of which is deferred to subsequent years.

28. SHORT-TERM PAYABLES AND OTHER CURRENT LIABILITIES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	89,519	94,946

The accounts payable presented above consist primarily of trade payables, payments to seagoing personnel settled in early 2018 and deferred income present at year-end.

29. OTHER CURRENT FINANCIAL LIABILITIES

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	15,417	25,087

The item primarily refers to provisions for financial interests due at the start of 2018 (EUR 6.4 million) and hedging derivative instruments for around EUR 9.5 million, used by the Group and set to mature within 12 months and other items. For a summary of the derivatives outstanding as at year-end, please refer to Note 31.

30. TAXES PAYABLE

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Total	1,488	1,292

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

31. DERIVATIVE INSTRUMENTS

The following table specifies the various types of derivative instruments used by the Group and the changes in those instruments in 2017.

Thousands of EUR	As at 31 December 2017		As at 31 December 2016	
FAIR VALUE	Eur		Eur	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair value through the income statement				
Forward charter derivatives / FFAs	-	(74)	-	(11,703)
Guarantee transactions	-	-	-	-
Forward foreign exchange transactions	-	-	-	(662)
Currency options	-	-	-	(1,661)
Forward bunker purchase derivatives	-	-	576	-
Interest rate derivatives	-	(14,729)	-	(13,513)
	0	**(14,803)**	**576**	**(27,539)**
Fair value through equity				
Foreign exchange and currency transactions	-	-	-	-
Forward bunker purchase derivatives	-	(3,077)	-	(2,920)
Interest rate derivatives	-	(8,368)	-	(20,097)
	-	**(11,445)**	**-**	**(23,017)**
Total	**0**	**(26,248)**	**576**	**(50,556)**

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

Thousands of EUR	As at 31 December 2017		As at 31 December 2016	
Posted under:				
Other non-current financial assets	720	-	1,016	-
Other non-current financial liabilities	-	(22,325)	-	(34,134)
Other current financial assets	4,857	-	2,329	-
Other current financial liabilities	-	(9,500)	-	(19,191)
	5,577	**(31,825)**	**3,345**	**(53,325)**

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.

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 Group'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 2017 other than those mentioned above.

34. GUARANTEES, COMMITMENTS AND CONTINGENCIES

At the end of the 2017 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 EUR 154 million at year-end and related to construction contracts in force for various vessels (amounting to a value slightly over USD 185 million) that are expected to be delivered in upcoming years.

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

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Up to one year	110,606	130,989
From one to five years	43,776	156,271
Beyond five years	0	0
Total	**154,382**	**287,260**

In addition to the items presented in the table, the Parent Company's commitments also include approximately EUR 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 EUR 1.1 billion (equal to USD 1.3 billion) 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 EUR	As at 31 December 2017	As at 31 December 2016
Up to one year	213,435	212,530
From one to five years	609,687	562,562
Beyond five years	293,588	319,599
Total	**1,116,710**	**1,094,691**

Other operating leases

Other operating leases primarily comprise office lease contracts in the amount of approximately EUR 10.5 million.

Thousands of EUR	As at 31 December 2017	As at 31 December 2016
Up to one year	3,479	3,728
From one to five years	4,585	4,656
Beyond five years	2,436	732
Total	**10,500**	**9,116**

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 S.p.A.	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	59.6900	40.3100
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	99.9998	0.0002
Saint Andrew Estates Ltd	Line-by-line	Liberia	99.9998	0.0002
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	Equity	Singapore	49.9999	50.0001
ACGI International Shipm. Singapore Pte Ltd	Line-by-line	Singapore	99.9998	0.0002
Cambiaso e Risso (Singapore) Pte Ltd	Equity	Singapore	39.9999	60.0001
Cambiaso e Risso (Hong Kong) Limited	Equity	Hong Kong	39.9999	60.0001
Shangai Chang Jiang-Risso Shipping Agency Co. Ltd	Equity	Shangai	16.8000	83.2000
Rudder S.A.M.	Line-by-line	Monte Carlo	84.9998	15.0002
Rudder Pte Ltd	Line-by-line	Singapore	84.9998	15.0002
Rudder Argentina S.A.	Line-by-line	Argentina	76.4998	23.5002
Anglo Canadian Shipping Co. Ltd	Line-by-line	Canada	99.9998	0.0002
ACGI Shipping Inc.	Line-by-line	Canada	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 S.A.	Line-by-line	Luxembourg	64.8254	35.1746
Glenda International Shipping d.a.c.	Proportional	Ireland	32.4127	67.5873
d'Amico Tankers d.a.c.	Line-by-line	Ireland	64.8254	35.1746
d'Amico Tankers Monaco sam	Line-by-line	Monte Carlo	64.5665	35.4335
d'Amico Tankers UK Ltd	Line-by-line	UK	64.8254	35.1746
DM Shipping d.a.c.	Equity	Ireland	33.0610	66.9390
Glenda International Management Ltd	Line-by-line	Ireland	64.8254	35.1746
High Pool Tankers Limited	Proportional	Ireland	64.8254	35.1746
Eco Tankers Limited	Equity	Malta	21.3924	78.6076
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 Immobiliare S.r.l.	Line-by-line	Imperia	75.0000	25.0000
d'Amico Partecipazioni Finanziarie S.r.l.	Line-by-line	Rome	55.5500	44.4500
d'Amico investimenti S.r.l.	Line-by-line	Rome	100.0000	0.0000
Cgth S.r.l.	Line-by-line	Rome	61.6900	38.3100
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, by d'Amico Tankers in DM Shipping d.a.c., a joint venture with Mitsubishi Group, with headquarters in Ireland;
- a 33% equity interest, with 50% voting rights, by DIS 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, by d'Amico International in DACC Maritime d.a.c., a joint venture with Coeclerici SpA, with headquarters in Ireland;
- a 50% equity interest, with equivalent voting rights, by Ishima Pte 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 (apart from the proportionally consolidated Glenda International Shipping) on the basis of the following amounts expressed in thousands of Euros:

As at 31 December 2017 Thousands of EUR	Revenue	Net profit / (loss)	Total assets	Shareholders' equity
Glenda International Shipping Ltd	28,349	(1,907)	194,349	104,884
DM Shipping d.a.c.	10,453	86	53,012	(829)
Eco Tankers Limited	4,793	243	26,188	9,196
Cambiaso & Risso Asia Pte	1,650	507	5,182	1,924
DACC Maritime d.a.c.	12,923	(4,361)	103,292	(12,765)
MIDA Maritime Company d.a.c.	0	(371)	12,042	(768)

As stated, the consolidated financial statements also include a joint operation relating to a 50% equity interest, with equivalent voting rights, in Glenda International Shipping Ltd, a joint venture with Glencore Group, with headquarters in Ireland.

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. We note that the impact of the reclassification in the 2016 financial statements does not significantly change the substance of the financial statements as it related to valuations and did not involve movement of cash. "Cash flows from operating activities before changes in working capital" in fact remains unchanged as, to an increase in the 2016 loss corresponds a similar increase in Financial charges/Financial income, with a neutral effect.

The present financial statements are true and correct and comply with accounting records.

Rome, 23 April 2018

Paolo d'Amico
Chairman of the Board of Directors

Cesare d'Amico
Chief Executive Officer

d'AMICO SOCIETÀ DI NAVIGAZIONE S.p.A.
STATUTORY FINANCIAL STATEMENTS
As at 31 December 2017

Separate income statement

Eur	Notes	2017	2016
Revenue	4	14,097,878	15,077,718
Operating costs	5	(1,926,908)	(1,678,191)
General and administrative costs	6	(17,293,651)	(20,563,103)
Gross operating profit / (loss)		**(5,122,681)**	**(7,163,576)**
Depreciation and amortisation	9/10	(2,209,694)	(2,679,783)
Operating profit / (loss)		**(7,332,375)**	**(9,843,359)**
Dividends	7	8,979,384	1,098,556
Other financial income	7	15,025,621	33,289,494
Financial charges	7	(4,343,946)	(2,640,467)
Profit / (Loss) before taxes		**12,328,684**	**21,904,224**
Income taxes	8	164,039	8,838
Net profit / (loss)		**12,492,723**	**21,913,062**

Statement of other comprehensive income

Eur	2017	2016
Net profit / (loss)	12,492,723	21,913,062
Other components of comprehensive income not to be recycled to the income statement in subsequent periods		
Actuarial gain or loss (IAS 19)	(174,657)	(29,461)
Tax effects of expenses/income recognised in equity	41,918	10,886
	(132,739)	**(18,575)**
Other components of comprehensive income to be recycled to the income statement in subsequent periods		
Effective part of gains/(losses) on fair value accounting for investments (available for sale)	34,472,708	3,452,600
Effective part of gains/(losses) on cash flow hedges	729,700	190,124
Tax effects of expenses/income recognised in equity	300,538	(4,646)
	35,502,946	**3,638,078**
Comprehensive income	**47,862,930**	**25,532,565**

Statement of financial position

Eur	Notes	As at 31 December 2017	As at 31 December 2016
ASSETS			
Non-current assets			
Intangible assets	9	132,463	155,155
Tangible assets	10	65,642,744	64,731,518
Long-term investments	11	229,585,987	181,849,924
Other non-current financial assets	12	69,602,469	16,448,576
Other non-current assets	13	4,921,705	4,028,061
Total non-current assets		**369,885,368**	**267,213,234**
Current assets			
Short-term receivables and other current assets	14	8,554,872	6,035,763
Other current financial assets	15	27,481,506	41,507,982
Cash and cash equivalents	16	4,367,584	20,229,014
Total current assets		**40,403,962**	**67,772,759**
Total assets		**410,289,330**	**334,985,993**
LIABILITIES			
Shareholders' equity			
Share capital		25,000,000	25,000,000
Retained earnings		213,186,739	195,273,677
Other reserves		64,406,642	21,711,820
Net profit / (loss)		12,492,723	21,913,062
Total shareholders' equity	17	**315,086,104**	**263,898,559**
Non-current liabilities			
Provisions for risks and charges	18	22,830	323,474
Banks and other lenders	22	25,664,624	26,836,654
Provisions for employee benefits	19	3,747,360	3,310,792
Deferred-tax liabilities	20	0	6,917,544
Other non-current financial liabilities	21	2,942,398	3,672,099
Total non-current liabilities		**32,377,212**	**41,060,563**
Current liabilities			
Banks and other lenders	22	57,240,423	23,050,148
Short-term payables and other current liabilities	23	5,585,591	6,976,723
Total current liabilities		**62,826,014**	**30,026,871**
Total shareholders' equity and liabilities		**410,289,330**	**334,985,993**

Statement of cash flows

Eur	2017	2016
Net profit for the period	**12,595,916**	**21,913,062**
Depreciation and amortisation	2,209,694	2,679,783
Current, deferred and pass-through taxation	585,488	(8,838)
Financial charges / (income)	(17,366,691)	156,349
Changes in the fair value of financial assets	0	42,495
Other non-cash items	(10,276,849)	(31,630,788)
Net cash provided by / (used in) operating activities before changes in working capital	**(12,252,442)**	**(6,847,937)**
Change in amounts receivable	(3,623,005)	(26,892)
Change in amounts payable and provisions for Italian termination indemnity	(1,696,265)	2,426,880
Interest collected / (paid)	10,713,904	(1,275,973)
Net cash provided by / (used in) operating activities	**(6,857,808)**	**(5,723,922)**
Acquisition of intangible assets	(80,440)	(50,178)
Acquisition of tangible assets	(3,017,788)	(1,754,803)
Acquisition of fixed assets and financial assets	(31,329,867)	(2,460,656)
Variation in other financial assets	(19,864,531)	(11,620,362)
Sale/disposal of fixed assets and financial assets	17,311,477	53,547,692
Dividends collected	8,979,384	1,098,556
Net cash provided by / (used in) investing activities	**(28,001,765)**	**38,760,249**
Loans applied for	30,500,000	1,000,000
Bank loan repayments	(8,242,769)	(8,198,889)
Change in bank overdrafts	844,105	(1,127,273)
Dividends paid	(4,000,000)	(6,000,000)
Net cash provided by / (used in) financing activities	**19,101,336**	**(14,326,162)**
Net cash provided / (used)	**(15,758,237)**	**18,710,165**
Cash and cash equivalents at the beginning of the year	20,229,014	1,518,849
Cash and cash equivalents at the end of the year	**4,470,777**	**20,229,014**

Statement of changes in shareholders' equity

Eur	Share capital	Retained earnings	Other reserves				Net profit / (loss)	Total
			Reserve (CFH)	*Available For Sale*	*IAS 20*	*Tax on comprehensive income*		
Balance as at 31 December 2016	**25,000,000**	**195,273,677**	**(3,672,098)**	**32,160,745**	**79,536**	**(6,856,363)**	**21,913,062**	**263,898,559**
Dividends	-	-	-	-	-	-	(4,000,000)	(4,000,000)
Allocation of 2016 profit	-	17,913,062	-	-	-	-	(17,913,062)	0
Correction for previous year AFS taxation	-	-	-	-	-	7,324,615	-	7,324,615
Comprehensive income	-	-	729,700	34,472,708	(174,657)	342,456	12,492,723	47,862,930
Balance as at 31 December 2017	**25,000,000**	**213,186,739**	**(2,942,398)**	**66,633,453**	**(95,121)**	**810,708**	**12,492,723**	**315,086,104**

Eur	Share capital	Retained earnings	Other reserves				Net profit / (loss)	Total
			Reserve (CFH)	*Available For Sale*	*IAS 20*	*Tax on comprehensive income*		
Balance as at 31 December 2015	**25,000,000**	**189,061,640**	**(3,862,222)**	**28,708,145**	**108,997**	**(6,862,603)**	**12,212,037**	**244,365,994**
Dividends	-	-	-	-	-	-	(6,000,000)	(6,000,000)
Allocation of 2015 profit	-	6,212,037	-	-	-	-	(6,212,037)	0
Comprehensive income	-	-	190,124	3,452,600	(29,461)	6,240	21,913,062	25,532,565
Balance as at 31 December 2016	**25,000,000**	**195,273,677**	**(3,672,098)**	**32,160,745**	**79,536**	**(6,856,363)**	**21,913,062**	**263,898,559**

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 No. 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 these financial statements 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 and for the year ended 31 December 2017 were approved on 23 April 2018 by the Board of Directors, which authorized 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 and depreciation 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 Buildings	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

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 under 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 representative of another entity's capital, 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;
- 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 within the following 12 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 2017

Accounting principles adopted from 1 January 2017

No new accounting standards were applied in 2017. Only changes to existing IFRS standards were taken into consideration.

Accounting standards , amendments and interpretations not yet in force

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

IFRS 15 – ***Revenue from Contracts with Customers*** applies for accounting periods from 1 January 2018. The standard was elaborated to provide a complete set of principles to represent the nature, amount, timing and uncertainty of revenues and cashflows deriving from contracts with a customer. The standard was founded on five steps to calculate revenues:

1) Identification of the services required by the contract;

2) Determination of the cost of the transaction;

3) Allocation of the cost of the transaction;

4) Measurement of the revenue at the time the obligation for service is satisfied;

5) The standard also requires specific principles to be applied, in case of contractual amendment, for the accounting of contract liabilities as well as reimbursements and guarantees.

For the type of Company activity, management anticipates that this amendment will make an absolutely insignificant impact on operating results and on future Company's statement of financial position.

IFRS 9 – ***Financial Instruments:*** issued in July 2014 and not yet endorsed by the EU; it 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. Here again, management estimates do not anticipate that the classifications amendments pursuant to IFRS 9 will lead to relevant adjustments.

IFRS 16 – ***Leasing*** applies for accounting periods from 1 January 2019, with the possibility of early application on condition that IFRS 15 is also applied.

Changes for lessors, and for lessors of existing financial leases, will be limited. However, the principle will have significant impact on the treatment on the part of lessors of what are currently considered to be operating leases. With some exceptions, the lessors of current operating leases will need to record payables for payments anticipated by the contract, which remain applicable at the rate implicit in the lease (or, if unknown, the lessor's marginal financial rate) and to recognise a corresponding activity for the right of use (of amount equal to the sum of liabilities with the current value of any rehabilitation costs and any marginal costs at the stipulation of the lease, as well any payments made before the start of the lease, less any lease incentives already received).
At this regard, we indicate that the Company currently has limited lease commitments with expiry beyond 31 December 2018.

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

Eur	2017	2016
Total	**14,097,878**	**15,077,718**

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 variation with respect to the previous financial year derives from a reduced activity and the reduction in the average exchange rate with the US dollar, the currency used to invoice most revenues, which went from 1.10632 in 2016 to 1.12689 in 2017.

5. OPERATING COSTS

Eur	2017	2016
Total	**1,926,908**	**1,678,191**

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

Eur	2017	2016
Personnel costs	7,998,846	8,730,722
Other general and administrative costs	8,895,469	11,437,357
Other	399,336	395,024
Total	**17,293,651**	**20,563,103**

Personnel costs were reduced compared to the previous financial year. This item includes personnel costs during the financial year (including pension costs and accruals of end-of-service benefits). At the end of 2017, employed personnel totalled 75, two more than the previous year.

Other costs also include compensation for the Company's directors of approximately EUR 2 million (to which the allocation to the Italian end-of-service indemnity fund of approximately EUR 370 thousand is added) as well as the costs of "control" bodies i.e. those of the Board of Statutory Auditors, equal to EUR 77 thousand, and independent auditing costs for EUR 140 thousand. The remaining costs are for sundry assistance and advice (EUR 1.6 million), and other general costs (utilities, travel expenses, maintenance, representation expenses) for the balance.
The reduction compared to 2016 refers mainly to legal costs incurred in relation to the dispute affecting the vessel Cielo di Milano.

7. DIVIDENDS, OTHER FINANCIAL INCOME AND FINANCIAL CHARGES

Eur	2017	2016
Dividends	**8,979,384**	**1,098,556**
Other financial income		
Bank interest	22,951	2,573
Interest on sundry receivables	968,945	475,503
Other income	3,221,058	32,901
Exchange gains	137,608	734,122
Gains on the disposal of equity investments	10,675,059	32,044,395
Total	**15,025,621**	**33,289,494**
Financial charges		
Interest on borrowings - Swap	(1,305,066)	(1,331,587)
Bank and sundry interest	(256,226)	(401,395)
Other financial charges	(183,348)	(92,509)
Losses on equity investments	(151,381)	(144,624)
Financial losses	(65,783)	(81,107)
Exchange losses	(2,382,142)	(589,245)
Total	**(4,343,946)**	**(2,640,467)**

Recognised dividends in 2017 are those collected by "Other companies" as specified below:

Eur	2017	2016
Other companies		
Tamburi Investments Partners S.p.A.	1,231,649	1,018,699
Sator S.p.A.	40,000	28,000
Clubtre S.p.A.	7,706,235	0
Banca Profilo S.p.A.	1,500	9,000
TIP pre-IPO S.p.A.	0	42,857
	8,979,384	**1,098,556**

Under the item "Other financial income", the most significant amounts refer to "Other income" - referring to positive results of various portfolios for around one million and the valuation of warrants at the end of the financial

year of 2.2 million - and the profit on the transfer of interests deriving from the net result of the partial sale of the interest in Clubtre.

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) for the amounts reported below:

Interest on borrowings	**2017**	**2016**
Interest on borrowings - Property	(338,680)	(393,117)
SWAP on borrowings - Property	(683,773)	(722,653)
Interest on borrowings - BPM	(282,613)	(215,817)
	(1,305,066)	**(1,331,587)**

As for the other items, losses on equity investments mainly relate to the partial waiver of the receivable from Domas Immobiliare for coverage of the 2017 losses, while the passive exchange rate differences mainly relate to the adjustment of US dollar loans for some Group companies at the end of the financial year.
Lastly, we note that there commitments for EUR 564 thousand relating to unrealised exchange rate valuation differences are included in the gains and losses.

8. INCOME TAXES

Eur	**2017**	**2016**
Current income taxes	0	0
Adjustment of prior-year taxes	0	0
Deferred taxes	(164,039)	(8,838)
Total	**(164,039)**	**(8,838)**

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 24.00%.

The following is a statement of reconciliation (in thousand of Euros) 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 2017
Profit / (Loss) before taxes	**12,329**
Tax adjustments for:	
Reduced taxation of dividends	(8,530)
Sale of "Pex" equity investments	(10,141)
Partial deductibility of costs	1,451
Taxable profit or loss	**(4,891)**
Tax charges accrued	**0**

It should be noted that on the basis of the tax returns so far presented, the Company presents approximately EUR 30 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 EUR 7.2 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 items shall be taxed only at the time of their effective realisation.

9. INTANGIBLE ASSETS

	As at 31 December 2017	As at 31 December 2016
Total	**132,463**	**155,155**

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 2017	As at 31 December 2016
Net carrying amount		
As at 1 January	**155,155**	**305,935**
Additions	80,440	50,178
Amortisation for the year	(103,132)	(200,958)
Net carrying amount		
As at 31 December	**132,463**	**155,155**

10. TANGIBLE ASSETS

	As at 31 December 2017	As at 31 December 2016
Total	**65,642,744**	**64,731,518**

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

Eur	Land and buildings	Other assets	Total
Historical cost	76,042,357	3,900,965	79,943,322
Depreciation and amortisation	(12,394,341)	(2,817,463)	(15,211,804)
Impairment/recovery	0	0	0
Balance as at 31 December 2016	**63,648,016**	**1,083,502**	**64,731,518**
Additions	2,992,058	25,730	3,017,788
Disposals/Decreases	0	0	0
Depreciation and amortisation	(1,868,447)	(238,115)	(2,106,562)
Historical cost	79,034,415	3,926,695	82,961,110
Depreciation and amortisation	(14,262,788)	(3,055,578)	(17,318,366)
Impairment/recovery	0	0	0
Balance as at 31 December 2017	**64,771,627**	**871,117**	**65,642,744**

Land and buildings include the registered office in Palermo, the head office in Rome, property located on Via Paisiello (Domus Daini) in Rome, 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 in Rome whose completion is scheduled for 2020.

It bears noting that the "Domus Daini" property, carried at its historical cost of EUR 58.5 million, inclusive of appreciation over time, (currently at EUR 56 million, after depreciation and including capitalised costs until the end of the current financial year) was originally acquired to host the Company's offices 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 2017 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 company then known as "SEGESTA Soc. Mob. Fin. S.p.A.") relating to the item "Buildings" in the residual amount of EUR 115,995.

For comparative purposes, we include the same table for the 2016 financial year.

Eur	Land and buildings	Other assets	Total
Historical cost	74,317,286	3,871,233	78,188,520
Depreciation and amortisation	(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 and amortisation	(2,201,662)	(277,163)	(2,478,825)
Historical cost	76,042,357	3,900,965	79,943,323
Depreciation and amortisation	(12,394,341)	(2,817,463)	(15,211,804)
Balance as at 31 December 2016	**63,648,016**	**1,083,502**	**64,731,518**

11. LONG-TERM INVESTMENTS

Eur	As at 31 December 2017	As at 31 December 2016
Equity investments	112,774,131	116,936,056
Available-for-sale financial assets	112,845,450	61,280,700
Held-to-maturity investments	3,966,406	3,633,168
Total	**229,585,987**	**181,849,924**

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

Company name	As at 31 December 2016	Acquisitions / (Disposals)	Measurement at FV	As at 31 December 2017	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	100.00%
CGTH srl	551,052	0	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 Limited	36,706	0	0	36,706	51.00%
d'Amico Partecipazioni Finanziarie S.p.A.	5,393,905	66,660	0	5,460,565	55.55%
Other	10,003	0	0	10,003	
Associates					
ClubTre S.p.A	22,376,974	(6,636,418)	0	15,740,556	28.36%
Venice Shipping & Logistic S.p.A.	9,020,400	0	0	9,020,400	28.45%
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	6.33%
Film Master Group S.r.l.	604,643	0	0	604,643	2.78%
TIP-PRE IPO S.p.A.	1,708,567	571,433	0	2,280,000	2.86%
Asset Italia S.p.A	691,364	1,836,400	0	2,527,764	3.59%
Other	200,000	0	0	200,000	
Total	**116,936,056**	**(4,161,925)**	**0**	**112,774,131**	
Available-for-sale financial assets					
Tamburi Investments Partners S.p.A.	61,020,000	17,056,800	34,411,950	112,488,750	12.65%
Banca Profilo S.p.A.	260,700	0	96,000	356,700	0.22%
Total	**61,280,700**	**17,056,800**	**34,507,950**	**112,845,450**	
Held-to-maturity investments					
Sator Private Equity Fund	3,633,168	333,238	0	3,966,406	
Total	**3,633,168**	**333,238**	**0**	**3,966,406**	

Subsidiaries

The only change for subsidiaries is the increase in capital for d'Amico Partecipazioni Finanziarie which did not alter the percentage of its interest.

The following table presents information regarding investments in subsidiaries. Figures are reported in thousands of Euros.

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	40,192	(6,424)	100.00%	40,192	44,976
d'Amico International S.A.	Luxembourg	31-Dec	3,427	281,968	10,303	100.00%	281,968	26,955
CGTH S.r.l.	Rome	31-Dec	100	9,201	8,308	61.69%	5,676	551
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	587	138	77.89%	457	135
Mida Maritime Company d.a.c.	Ireland	31-Dec	79	(675)	(17)	51.00%	(344)	37
d'Amico Partec.Finanziarie S.p.A.	Rome	31-Dec	10	9,810	(7)	55.55%	5,449	5,461
d'Amico Investimenti S.r.l.	Rome	31-Dec	10	5	(2)	100.00%	5	10

As highlighted in the table, there are cases among subsidiaries where the carrying value is greater than the corresponding portion of net equity. Even though this is an impairment indicator, after analysing individual situations, the management did not deemed necessary to record any impairment as all negative differences were deemed to be recoverable.

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 S.p.A. without however substantially varying the percentage of the interest held. In fact, such a sale was made by all shareholders - with the same percentage of shares held - to the same Clubtre which recorded this purchase in the designated (negative) net equity reserve.

Information concerning current investments in associates is presented below. Figures are reported in thousands of Euros.

Associates	Registered office	Reporting date	Share capital	Shareholders' equity	Net profit or loss	Percent interest	Corresponding book equity	Carrying amount
Clubtre S.p.A	Milan	30-Jun	120	47,503	47,177	28.36%	13,472	15,741
Venice Shipping and Logistic S.p.A.	Milan	31-Dec	26,347	34,459	8,624	28.45%	9,800	9,020

Other equity interests

We note that also in these cases the amounts paid in 2017 did not change the percentage of shares held as these capital increases were made by all shareholders in proportion to the shares held.

Available-for-sale financial assets

During the year, the interest in Tamburi Investment Partner further increased through the outlay of approximately EUR 17 million. This increase was implemented by directly purchasing shares on the market for around EUR 4.6 million and through the conversion of a portion of warrants held by the Company for the value of around EUR 12.4 million.

The measurements at the end of the financial year strongly increased the same interest in Tamburi, arriving at a total value of over EUR 112 million, with an increase also in the interest in Banca Profilo which took the accounting value to around EUR 357 thousand.
As at the time the interest was first recorded, the contra-item of this measurement, net of deferred taxes (calculated with the "pex" option) was allocated to shareholders' equity reserves (the available-for-sale fair value reserve) and presented in the statement of other comprehensive income.
It should also be noted that part of the Company's interest in TIP (16,950,000) was pledge to Banco Popolare as collateral for the medium-term loan of a maximum of EUR 30 million granted by the institute.

Held-to-maturity investments

In 2017, a further small payment was made in the Sator Private Equity Fund for which the amount at year-end amounted to approximately EUR 4 million.

12. OTHER NON-CURRENT FINANCIAL ASSETS

Eur	As at 31 December 2017	As at 31 December 2016
Total	69,602,469	16,448,576

The balance reported above includes existing long-term financial loans to some of the subsidiaries. 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. Detailed information for each individual company can be found in note 26, to which reference is made.

13. OTHER NON-CURRENT ASSETS

Eur	As at 31 December 2017	As at 31 December 2016
Total	4,921,705	4,028,061

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 for which a dispute with the tax office is ongoing. At this regard we note that, at the start of 2018, the appeal presented by the tax office against a judgement of first instance issued by the Tax Commission on 15/06/2012 which had accepted our request for reimbursement (relating in fact to tax for 2010), paid as a precautionary measure for fiscal transparency in relation to revenues of the subsidiary d'Amico International. On 13 February the appeal sentence was filed which confirmed the judgement of first instance, validating the Company's position.
Furthermore, the figures include receivables for deferred taxes, listed under liabilities in 2016, as specified in note 20, for around EUR 900 thousand.

14. SHORT-TERM RECEIVABLES AND OTHER CURRENT ASSETS

Eur	As at 31 December 2017	As at 31 December 2016
Total	8,554,872	6,035,763

The foregoing receivables derive from the invoicing of revenue for services rendered according to the contracts in force, of approximately EUR 6 million, and the VAT receivable of approximately EUR 2.3 million.

15. OTHER CURRENT FINANCIAL ASSETS

Eur	As at 31 December 2017	As at 31 December 2016
Total	**27,481,506**	**41,507,982**

The amount indicated above includes assets held for the purpose of negotiation and more precisely short-term investments of short-term liquidity for around EUR 14.7 million and the short-term loan in place with d'Amico International for around EUR 12.7 million (as already mentioned in note 12).

16. CASH AND CASH EQUIVALENTS

Eur	As at 31 December 2017	As at 31 December 2016
Bank deposits	4,359,658	20,222,304
Cash	7,926	6,710
Total	**4,367,584**	**20,229,014**

The item is primarily represented by short-term deposits and the change was due to corporate activity and the liquidity used for investments and for loans. This item also includes the amount of 2.7 million, deposited in an escrow account, following the sale of Telemar in 2016 which will be repaid in half-yearly instalments, with the last payment due in May 2019. The change compared to the previous year is illustrated in further detail in the statement of cash flows.

17. SHAREHOLDERS' EQUITY

Eur	As at 31 December 2017	As at 31 December 2016
Share capital	25,000,000	25,000,000
Retained earnings	213,186,739	195,273,677
Other reserves	64,406,642	21,711,820
Net profit / (loss)	12,492,723	21,913,062
Total shareholders' equity	**315,086,104**	**263,898,559**

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	208,186,739	A, B, C	208,186,739		
Other reserves	64,406,642	A, B			
Total	**302,593,381**		**213,186,739**		**0**
Non-distributable portion				0	
Residual distributable portion			**213,186,739**		

(*) 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 EUR 25 million and was divided into 10 million shares with a par value of EUR 2.50 each.

Retained earnings

Retained earnings comprise profits retained, net of dividends distributed and, at 31 December 2017, they are all distributable.

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 2016 figures.

Eur	As at 31 December 2017	As at 31 December 2016
Revaluation reserve (CFH)	(2,942,398)	(3,672,098)
Fair value reserve (AFS)	66,633,453	32,160,745
Italian term. indemn. actuarial gain or loss reserve	(95,121)	79,536
Tax on comprehensive income	810,708	(6,856,363)
Total	**64,406,642**	**21,711,820**

During the financial year under examination, a dividend of EUR 4 million (EUR 0.40 per share) was distributed to the shareholders on the 2016 earnings.

18. PROVISIONS FOR RISKS AND CHARGES

Eur	As at 31 December 2017	As at 31 December 2016
Total	**22,830**	**323,474**

Provisions include allocations for risks or litigation relating to certain ongoing labour suits or disputes. The variation in 2017 refers to the finalisation of a dispute for which a provision had been made and accounted for most of this amount at the end of 2016. The remaining part at the end of 2017 represents the (minimal) risk of possible costs for disputes quoted. 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 further allocation was made.

19. PROVISIONS FOR EMPLOYEE BENEFITS

Eur	As at 31 December 2017	As at 31 December 2016
Termination indemnity provision	426,085	552,419
End-of-service indemnity provision	3,321,275	2,758,373
Total	**3,747,360**	**3,310,792**

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 2017, reconciled with the liabilities presented in the financial statements. The actuarial gain or loss has been properly allocated to a specific equity reserve.

Eur	As at 31 December 2017	As at 31 December 2016
Actuarial liability at the beginning of the year	**3,310,792**	**2,886,288**
Normal cost	369,870	364,871
Financial charges	28,340	40,121
Disbursements	(136,301)	(9,949)
Unrecognised actuarial (gains)/losses during the period	174,659	29,461
Recognised liability as at year-end	**3,747,360**	**3,310,792**

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

	As at 31 December 2017
TERMINATION INDEMNITY/END-OF-SERVICE INDEMNITY	
Discount rate	0.52%
Inflation rate	1.50%
Personnel turnover rate	5%
Mortality rate	IPS55M/IPS55F

20. DEFERRED TAX LIABILITIES

Eur	As at 31 December 2017	As at 31 December 2016
Total	**0**	**6,917,544**

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 unrealized foreign exchange differences due to adjustment recognized in the income statement.

21. OTHER NON-CURRENT FINANCIAL LIABILITIES

Eur	As at 31 December 2017	As at 31 December 2016
Total	**2,942,398**	**3,672,099**

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

Eur	As at 31 December 2017	As at 31 December 2016
Non-current payables to financial institutions	25,664,624	26,836,654
Current payables to financial institutions	47,323,513	23,050,148
Other lenders (current)	9,916,910	-
Total	**82,905,047**	**49,886,802**

The non-current loans contracted with credit institutes refer to loans agreed with Banco di Brescia relative to the property located in Rome (Via Paisiello), purchased in June 2011, secured by a mortgage on the property concerned;
The current portion, however, refers to around 1.7 million for the short-term loans mentioned above, to 30 million in the revolving credit line granted by Banco BPM as well as 15.6 million from bank overdrafts.
It should be noted that the portion due beyond five years comes to EUR 18.3 million and relates solely to the debt contracted from 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 2017, 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.

The item "Other lenders" refers to loans received by Group's companies and more precisely by CGTH S.r.l. (7.3 million) and by d'Amico Shipping Italia (2.6 million).

23. SHORT-TERM PAYABLES AND OTHER CURRENT LIABILITIES

Eur	As at 31 December 2017	As at 31 December 2016
Total	**5,585,591**	**6,976,723**

As at 31 December 2017, 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 2018.

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	**2017**	**Net financial income / (charges)**	
Interest rate swap	729,701	-	729,701

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

Eur	As at 31 December 2017	As at 31 December 2016
Liabilities		
Other non-current financial liabilities	2,942,398	3,672,099

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 EUR 25.8 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 2017 the Company had significant exposures in currencies other than the EUR, all in US dollars, related to certain subsidiaries and totalling USD 19 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 EUR 5.6 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 2017.

Thousands of EUR	d'Amico Shipping Italia	Cogema	d'Amico Internation.	d'Amico Finance	d'Amico Internation. Shipping	d'Amico Tankers	Ishima
Revenue							
Services	2,449	25	240	10	150	8,047	397
Financial receivables	18	0	834	0	0	0	0

Thousands of EUR	d'Amico Dry	d'Amico Shipping Singapore	ACGI Shipping Singapore	d'Amico Partecip. Finanz.	Sirius Ship Management	Mida Maritime
Revenue						
Services	2,260	120	319	5	24	0
Financial receivables	0	0	0	0	0	116

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

Thousands of EUR	Cogema	d'Amico Internation.	Ishima	d'Amico Ship Ish. India	Sirius Shipmanag.	CGTH srl	d'Amico Shipping Italia
Costs							
Operating/administrative	670	0	443	441	967	0	0
Financial receivables	0	2	0	0	0	10	2

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

Thousands of EUR	d'Amico Shipp. Italia	Cogema	d'Amico international	d'Amico international Shipping	d'Amico Tankers Ltd	Ishima	d'Amico Dry	Mida Maritime
Receivables								
Trade payables	35	27	120	-	4,582	172	423	62
Financial receivables	-	-	63,714	-	-	-	-	5,656
Payables								
Trade payables	-	-	-	6	-	51	10	-
Financial receivables	2,617	-	-	-	-	-	-	-

Thousands of EUR	Domas Immobil. srl	Sirius Shipmanag.	d'Amico Shipp. Singapore	d'Amico Dry Marocc	d'Amico Ship Ishima India	ACGI Shipping Singapore	CGTH srl	d'Amico Finance Ltd
Receivables								
Trade payables	-	13	128	4	-	11	-	11
Financial receivables	12,935	-	-	-	-	-	-	-
Payables								
Trade payables	-	79	14	-	29	-	-	-
Financial receivables	-	-	-	-	-	-	7,300	-

27. GUARANTEES, COMMITMENTS AND CONTINGENCIES

Guarantees given

As at 31 December 2017, 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. (EUR 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 37.5 million remained at the end of 2017).

Commitments

At the end of 2017, 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 EUR 10 million, an "on-call" commitment for EUR 2 million remained at the end of 2017.

Ongoing legal and tax 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. In addition to what reported in note 13, there are currently a couple of ongoing tax disputes with the Tax Office. Apart from what already mentioned, 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 2017;
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. ALLOCATION OF PROFIT FOR THE FINANCIAL YEAR

The Board of Directors proposes to the Shareholders' Meeting to allocate d'Amico Società di Navigazione S.p.A.'s profit/loss for 2017 as follows:

- the amount of EUR 4,000,000 as dividend to be distributed to shareholders in proportion to the shares owned;
- the remaining amount of EUR 8,492,723 to increase the Extraordinary reserve.

The present financial statements are true and correct and comply with accounting records.

Rome, 23 April 2018

Paolo d'Amico
Chairman of the Board of Directors

Cesare d'Amico
Chief Executive Officer

ANNEXES

List of Fleet Vessels as at 31 December 2017

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.
Medi Vitoria	Panamax	76,616	2004	d'Amico Dry d.a.c.
Medi Cagliari	Panamax	75,500	2004	d'Amico Shipping Italia S.p.A.
Medi Baltimore	Panamax	76,290	2005	d'Amico Shipping Italia S.p.A.
Medi Hong Kong	Panamax	83,000	2006	d'Amico Shipping Italia S.p.A.
Medi Lausanne	Panamax	83,002	2006	d'Amico Shipping Singapore Pte Ltd
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 S.p.A.
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.
Medi Zuoz	Supramax	60,250	2017	d'Amico Dry d.a.c.
Medi Roma	Supramax	60,250	2017	d'Amico Dry d.a.c.
Cielo di Dublino	Handysize	37,000	2011	d'Amico Shipping Italia S.p.A.
Cielo di San Francisco	Handysize	37,000	2011	d'Amico Shipping Italia S.p.A.
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 Sa owns 51% of dACC Maritime (consolidated with "equity method").

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

Name of vessel	Vessel type	Dwt	Year	Company
Chartered				
Cielo d'Europa	Mini Capesize	115,000	2016	d'Amico Dry d.a.c.
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.
Medi Newport	Panamax	81,800	2017	d'Amico Dry d.a.c.
Medi Kazahaya	Panamax	81,600	2017	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 Yokohama	Supramax	57,700	2014	d'Amico Dry d.a.c.
Medi Aero	Supramax	57,475	2016	d'Amico Dry d.a.c.
Medi Brisbane	Supramax	60,000	2016	d'Amico Dry d.a.c.
Medi Astoria	Supramax	61,000	2017	d'Amico Dry d.a.c.
Medi Perth	Supramax	60,000	2017	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.
Cielo di Palermo	Handysize	37,059	2015	d'Amico Dry d.a.c.
Cielo di Mizushima	Handysize	39,388	2016	d'Amico Dry d.a.c.
Cielo Iyo	Handysize	37,000	2017	d'Amico Dry d.a.c.
Cielo Seto	Handysize	37,000	2017	d'Amico Dry d.a.c.

Newbuildings	Vessel type	Dwt	Expected delivery	Company
Medi Serapo	Panamax	86,600	2018	d'Amico Dry d.a.c.
Medi Ginevra	Panamax	86,600	2018	d'Amico Dry d.a.c.
Mida Palmarola [2]	Panamax	81,600	2018	Mida Maritime Company d.a.c.
Mida Egadi [2]	Panamax	81,600	2018	Mida Maritime Company d.a.c.

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

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

Product tankers

Name of vessel	Vessel type	Dwt	Year	Company
Owned				
Cielo Bianco	LR	75,000	2017	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 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.
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 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.
High Challenge	MR	50,000	2017	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. (consolidated with "Equity metod"). Vessels are chartered to d'Amico Tankers d.a.c..

Name of vessel	Vessel type	Dwt	Year	Company
Chartered				
High Priority	MR	46,847	2005	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 Prosperity	MR	48,711	2006	d'Amico Tankers d.a.c.
Port Said	MR	45,999	2003	d'Amico Tankers d.a.c.
SW Southport	MR	46,992	2004	d'Amico Tankers d.a.c.
SW Tropez	MR	46,992	2004	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.
High Adventurer	MR	50,000	2017	d'Amico Tankers d.a.c.
Crimson Pearl	MR	50,000	2017	d'Amico Tankers d.a.c.
Crimson Jade	MR	50,000	2017	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**
Cielo Rosso	LR	75,000	2018	d'Amico Tankers d.a.c.
Cielo di Rotterdam	LR	75,000	2018	d'Amico Tankers d.a.c.
Cielo di Cagliari	LR	75,000	2018	d'Amico Tankers d.a.c.
Cielo di Houston	LR	75,000	2019	d'Amico Tankers d.a.c.
Cielo di Londra	LR	75,000	2019	d'Amico Tankers d.a.c.

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(Translation of the official report drawn up in Italian)
Independent auditor's report
to in article 14 of D.Lgs. 27 January 2010, n. 39

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

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of d'Amico Group (the Group), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of d'Amico Società di Navigazione S.p.A. in accordance with the ethical and independence requirements that are relevant to our audit of the financial statements in Italy. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2016,

were audited by another auditor who, on June 5, 2017 expressed a modified opinion on those consolidated statements. The modification resulting to inability to obtain sufficient appropriate audit evidence about income statement data of the Telemar Group included in the Group consolidated financial statements until November 22, 2016 the date of sale.

Responsibilities of the Board of Directors and Collegio Sindacale for the Consolidated Financial Statements

Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Board of Directors is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the d'Amico Società di Navigazione S.p.A. or to cease operations, or has no realistic alternative but to do so.

Collegio Sindacale is responsible for overseeing the Group's financial reporting process in accordance with the law.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statement

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit's report that includes our opinion. Reasonable assurance is high level assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve, collusion, forgery intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainly exists, related to events or conditions that may cast significant doubt of the Group's ability

to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion to article 14, paragraph 2, letter e), of D.Lgs. 39/10

Board of Director is responsible for the preparation of Group's report on operations as at December 31, 2017, including its consistency with the related consolidated financial statements and its compliance with the law.

We performed procedures in accordance with standard on auditing (SA Italia) n. 720B to express an opinion on the consistency of the report on operations with consolidated financial statements of the Group as at December 31, 2017 and on conformity with law, and to make a statement on any significant error.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Company as at December 31, 2017 and has been prepared in accordance with the law.

With reference to to the declaration pursuant to art. 14, co. 2, letter e) of D.Lgs. 39/10, issued on the basis of the knowledge and understanding of the company and the relative context acquired during the audit, we have nothing to report.

Reggio Emilia, May 14th, 2018

AXIS S.r.l.

Andrea De Marchi

(Partner)

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

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(Translation of the official report drawn up in Italian)
Independent auditor's report
to in article 14 of D.Lgs. 27 January 2010, n. 39

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

Report on the Audit of the financial statements

Opinion

We have audited the financial statements of d'Amico Società di Naviagazione S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of d'Amico Società di Navigazione S.p.A. in accordance with the ethical and independence requirements that are relevant to our audit of the financial statements in Italy. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and Collegio Sindacale for the Financial Statements

Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Board of Directors is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Collegio Sindacale is responsible for overseeing the Company's financial reporting process in accordance with the law.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit's report that includes our opinion. Reasonable assurance is high level assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve, collusion, forgery intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainly exists, related to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going concern;
- evaluate the overall presentation, structure and content of the financial statements,

including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion to article 14, paragraph 2, letter e), of D.Lgs. 39/10

Board of Director is responsible for the preparation of Company's report on operations as at December 31, 2017, including its consistency with the related financial statements and its compliance with the law.

We performed procedures in accordance with standard on auditing (SA Italia) n. 720B to express an opinion on the consistency of the report on operations with Company's financial statements as at December 31, 2017 and on conformity with law, and to make a statement on any significant error.

In our opinion, the report on operations is consistent with the financial statements of the Company as at December 31, 2017 and has been prepared in accordance with the law.

With reference to to the declaration pursuant to art. 14, co. 2, letter e) of D.Lgs. 39/10, issued on the basis of the knowledge and understanding of the company and the relative context acquired during the audit, we have nothing to report.

Reggio Emilia, May 14th, 2018

AXIS S.r.l.

Andrea De Marchi
(Partner)

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

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS *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 2017 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) as well as the interpreations issued in the period by the respective Committees, whose application the Company has opted for (pursuant to Legislative Decree no. 38/2005) since the 2010 financial year.
The task of establishing whether the consolidated financial statements comply with legal provisions and match the accounting and consolidation records (art. 41 of Legislative Decree no. 127/1991) was assigned during the financial year to the independent auditors AXIS S.r.L., part of the "Moore Stephens" international network, following the early consensual termination of the agreement with 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, with reference to Regulation 3.8:

- 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 investee companies comply with the provisions of the quoted international accounting standards;
- 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 with the only notation of the amendmends made to the figures in the previous financial year (2016) for the subsidiary companies' assets for a more correct representation of them, as indicated by the Directors in pages 36 and 37 of the financial statements.
We held meetings with the Independent Auditors on the inspections carried out for the purpose of drawing up its report (pursuant to art. 14 of Legislative Decree no. 29/2010), which states that the values reported in the consolidated financial statements for the year as at 31 December 2017 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 IAS/IFRS and provide a true and fair view of the group's position at year end.

Therefore, for our part, we believe the financial statements are correct and consistent.

Rome, 14 May 2018 **The Board of Statutory Auditors**

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 PURSUANT TO ART. 2429 OF THE ITALIAN CIVIL CODE

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

Dear Shareholders,

the Board of Statutory Auditors has drawn up this report pursuant to article 2429 of the Italian Civil Code, in consideration of the fact that the statutory audit of the financial statements pursuant to art. 14(1) of Legislative Decree no. 39 of 27 January 2010 was assigned during the financial year to the Independent Auditors AXIS S.r.L., with registered office in Reggio Emilia, part of the "Moore Stephens" international network, following the early consensual termination of the agreement with PricewaterhouseCoopers S.p.A.

The administrative body made available, within the time limit allowed by the law and the articles of association, the following documents, approved on 23 April 2018, relating to the financial year ended on 31 December 2017;

- financial statements as at 31 December 2017, complete with notes and financial and capital statements;
- 2017 Annual report and the statutory and consolidated financial statements,

which comply with the IAS/IFRS international accounting standards as well as the interpretations issued in the period by the respective Committees, whose application the Company has opted for (pursuant to Legislative Decree no. 38/2005) since the 2010 financial year.

Supervisory activity pursuant to Article 2429, paragraph 2, of the Italian Civil Code

During the year ended 31 December 2017, 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.

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

We monitored compliance with the law and the Articles of Association and observance of principles of sound management.
During the financial year ended at 31 December 2017, we attended Board of Directors' meetings and Shareholders' meetings in relation to which, on the basis of the information available to us, we did not observe any violations of the law and of the articles of association, nor manifestly imprudent or hazardous operations, or operations in potential conflict of interests or such as to compromise the integrity of the company's assets.
During the meetings we attended, we received from the administration body, information on the general development of the business activity and its likely progress, as well as on operations of significance, in terms of their size or characteristics, carried out by the Company and, on the basis of the information received, we have no particular observations to report.
We had periodical communications with the person responsible for the statutory audit in pursuant to art. 2409-septies of the Italian Civil Code as well as the Supervisory Body in accordance with Legislative Decree no. 231/2001. No irregularities were identified nor did any data emerge that need to be highlight in this report.
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.
We acquired information on and monitored, as far as our authority permits, the adequacy and functioning of the

Company's organisational structure, as well as on its reliability in correctly representing management operations, by gathering information from department managers and the person responsible for the statutory audit and the examination of company documentation, and in this regard have no particular observations to make.
The shareholders did not receive any reports in pursuant to art. 2408 of the Italian Civil Code, nor did the Board of Statutory Auditors issue any opinions required by the law.
In carrying out the supervisory activity described above, no other significant information emerged such as to require their mention in this report.
The periodical audits and the checks carried out on the Company did not identify the implementation of atypical and/or unusual operations with third parties or related parties

Observations on the financial statements

We have examined the financial statements as at 31 December 2017 and, at this regard, we report that:

- the financial statements, together with the 2017 annual report, were delivered to the Board of Statutory Auditors in the time required by the law to be included with this report to the Company;
- as far as we are aware, in drawing up the financial statements, the directors did not derogate from the provisions of law pursuant to Article 2423, paragraph 5, of the Italian Civil Code;
- we have not been asked to express our consent, in pursuant to article 2426 of the Italian Civil Code, with respect to any entries relating to financial assets;
- we have checked the correspondence of the financial statements to the facts and information we are aware of, following the fulfilment of our duties, and in this regard we have no particular observations to make;
- we have examined the report on operations for the financial year to 31 December 2017 issued today, 14 May 2018, by AXIS S.R.L., according to whom (i) "the financial statements provide a true and correct representation of the statement of financial position of the Company as at 31 December 2017, of the income statement and the cash flows statement for the financial year closed on such date, in compliance with the International Financial Reporting Standard adopted by the European Union" and (ii) "the report on operations is consistent with the financial statements of d'Amico Società di Navigazione S.p.A. as at 31 December 2017 and have been drawn up in compliance with the law". With regard to the Annual Report, AXIS S.R.L. also reports that, with reference to the declaration of any possible error as per art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, issued on the basis of the knowledge and understanding of the Company and its relative context, acquired during the audit activity, there are no issues to report.

Observations and proposals regarding approval of the financial statements

In consideration of the results of our activities, the Board of Statutory Audits proposes to the Shareholders' Meeting the approval of the financial statements for the year as at 31 December 2017, as drawn up by the Directors.

The Board of Statutory Auditors agrees with the proposal for the allocation of profit put forward by the Directors.

Lastly, we note that with the approval of these financial statements the mandate assigned to us by the Shareholders' Meetings terminates, as does the mandate for the body responsible for the Company's administration. We thank you for the trust placed in us and we ask for your approval.

Rome, 14 May 2018

The Board of Statutory Auditors

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