Annual Report 2018

d'Amico Società di Navigazione S.p.A.

d'Amico Società di Navigazione S.p.A.

Annual Report 2018

CONSOLIDATED AND STATUTORY FINANCIAL STATEMENTS

as at 31 December 2018

Contents

BOARD OF DIRECTORS AND AUDITORS

Board of Directors

Chairman
Paolo d'Amico[1]

Chief Executive Officer
Cesare d'Amico[1]

Managing Director for Administration, Finance and Control
Roberto Michetti

Director
Giovanni Battista Nunziante

Director
Alfonso Scannapieco

Board of Statutory Auditors

Effective Auditors
Gian Enrico Barone - Chairman
Fabio Casasoli
Marco Mencagli

Alternate Auditors
Roberto Nardi
Franco Guerrucci

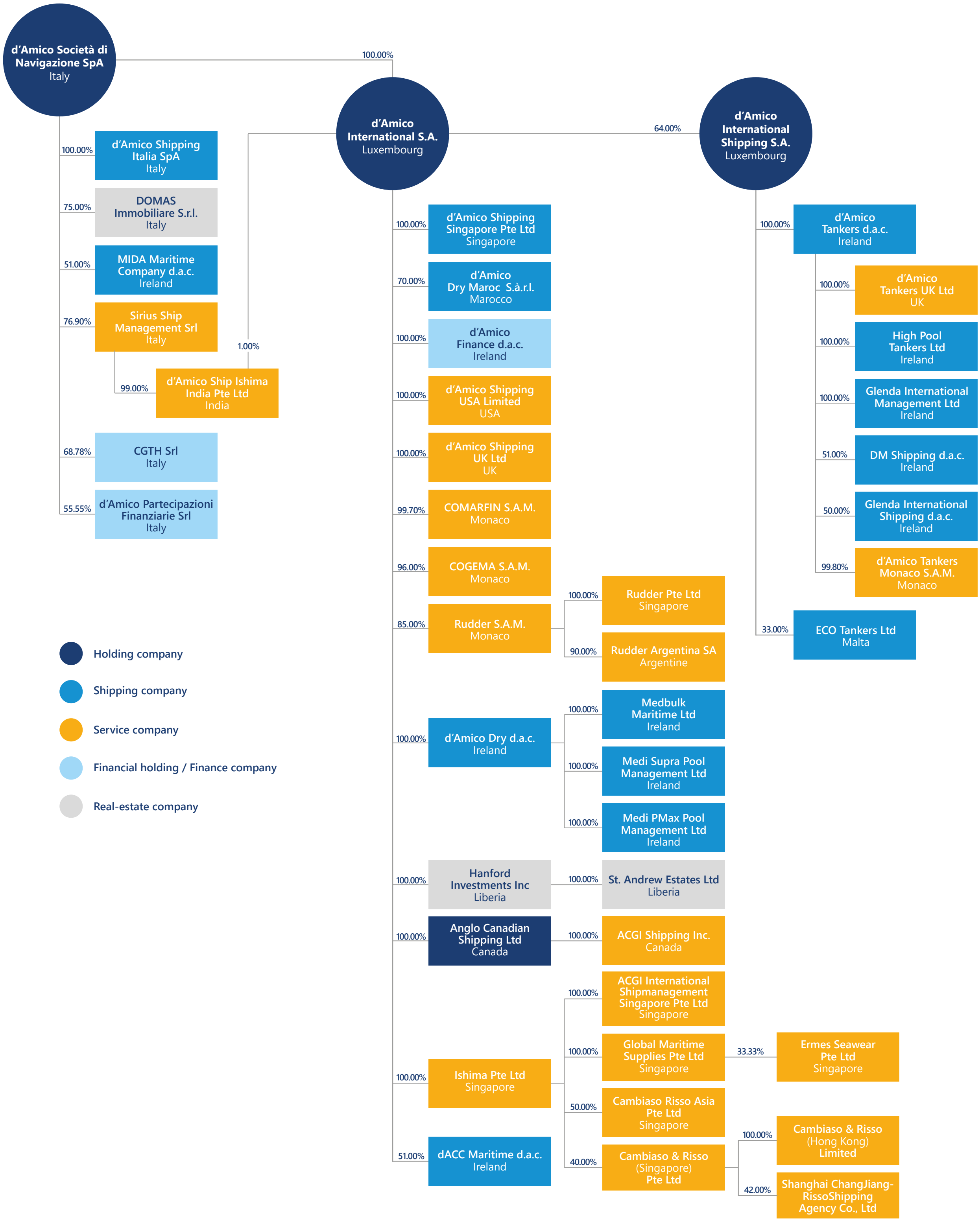
Indipendent Auditors

Axis srl – Part of MOORE STEPHENS INTERNATIONAL network

(1) Members of Executive Committee

REPORT ON OPERATIONS

Group Structure



d’Amico Società di Navigazione Group

d’Amico Società di Navigazione S.p.A. (“DSN”, “Parent Company”, “Company”) is the holding company for a leading global shipping group with operations in dry cargo ships, tankers and auxiliary maritime services. The d’Amico Group (the “Group”) boasts a long and storied tradition as a family business founded in 1936 and has developed a worldwide presence over the years with offices in the most important operating and financial maritime mercantile centres. Its indirect subsidiary **d’Amico International Shipping S.A.** (”DIS”), a Luxembourg sub-holding company with global shipping operations, 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 EUR)	2018	2017
Consolidated revenue	711,038	678,694
Consolidated costs	(681,980)	(658,242)
Income on the disposal of fixed assets	161	20,719
EBITDA	**29,219**	**41,171**
EBIT	**(41,017)**	**(35,857)**
Net profit or loss	**(37,024)**	**(53,202)**
Net profit / (loss) - Minorities	(15,959)	(8,558)
Group net profit or loss	**(21,065)**	**(44,644)**

The year 2018 ended with a loss of EUR 37 million including EUR 16 million attributable to minority interests. The improvement, in addition to the operating income of approximately EUR 9 million net of the results from disposals, is due to financial items and more specifically to the evaluation of “Available-for-sale financial assets”, to which we will make exhaustive explanation.

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**.

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 2018 was as follows:

	As at 31 December 2018					
	Handysize	**Supramax**	**Panamax**	**Minicape**	**P/Containers**	**Total**
Owned	10	6(*)	8(*)	1	1	26
Chartered	8	12	10	1	-	31
TOTAL	**18**	**18**	**18**	**2**	**1**	**57**

(*) the above number includes 50% of four vessels owned by DACC Maritime and 50% of two vessels owned by MIDA Maritime 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.

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

The vessels in the d'Amico "dry" fleet are mainly employed under voyage-based and short-term charter contracts and, depending on market opportunities, also under "time-charter" (medium/long-term) contracts..

Tankers

The Group's tanker business is under the control of **d'Amico International Shipping S.A.** which manages, primarily through its subsidiary d'Amico Tankers d.a.c. (Ireland), with a fleet with an average age of approximately 6.9 years, compared to a sector average of 11.1 years for MR ships (25,000-54,999 Tpl (DWT)) and of 10.2 years for LR1 (55,000-84,999 Tpl (DWT)). 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, and with 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 2018, 81.8% of the fleet's vessels were IMO-classed, allowing the Group to transport a wide range of these refined products.

Use of the fleet and partnerships

	As at 31 December 2018			
	LR1	MR	Handysize	Total
Owned	4	13	7	24
Chartered	0	22.5	0	22.5
Total	**4**	**35.5**	**7**	**46.5**

As highlighted in the table, as at 31 December 2018, 46.5 vessels were directly employed (55.5 as at 31 December 2017) with a carrying capacity of between 36,000 and 75,000 tons. Referring to the complete list, which indicates the specifications of the vessels used, we specify that among the chartered vessels were 7 "MR" units chartered on a bare-boat basis (with obligation to purchase), and were therefore technically operated by the Group's companies. Finally, we mention that a portion of the own fleet was employed in joint ventures.

GLENDA International Shipping d.a.c., a joint venture with the Glencore Group, in which d'Amico Tankers d.a.c. has a 50% interest. The joint venture owns 6 MR vessels built between August 2009 and February 2011. As at 31 December 2018, Glenda International Shipping time charters three vessels to d'Amico Tankers d.a.c. and three vessels to the Glencore Group.

DM Shipping d.a.c. (DMS), a joint venture with the Mitsubishi Group, in which d'Amico Tankers d.a.c. has a 51% interest. The joint venture owns two MR vessels built in July and October 2009 (additional details are provided in Significant events since the end of the year).

Eco Tankers Limited, a joint venture with Venice Shipping and Logistics S.p.A., in which d'Amico International Shipping SA holds an equity investment of 33%. This joint venture owns a 50,000 Tpl (DWT) "eco-design" MR tanker, built by Hyundai-Vinashin Shipyard Co., Ltd and delivered in May 2014. The d'Amico Group is responsible for the commercial, technical, and administrative management of the vessel.

[1] Source: Clarksons Research at 1 January 2019.

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 are conducted by **Rudder S.A.M. ("RUDDER")**, also through its subsidiaries in Argentina and Singapore, and the bunkering services provided are rendered to both Group companies and third parties. The process begins with constant monitoring of the reliability of traders operating in the sector and is founded on longstanding relationships with the oil majors.

Starting from 2017, the entire Crew Management process is under the responsibility of the Crew Director, for crew management, on the subsidiary company **Sirius Ship Management S.r.l. ("SIRIUS")**, which is responsible for recruiting, provision of payroll services and training seagoing personnel for both Group companies and third parties, including through its affiliates.

Financial and real-estate investments

The consolidated financial statements include a series of equity investments in the financial investment sector mainly through the Parent Company d'Amico Società di Navigazione S.p.A. This line of business, in addition to the management of financial resources, includes the acquisition of qualified equity investments of a strategic nature in financial and industrial companies with a view towards diversification and from a long-term perspective. The principal investments are noted below:

- ***Tamburi Investment Partners S.p.A.*** – an independent merchant bank listed on the STAR segment of Borsa Italiana S.p.A. of Milan, focused on purchasing equity investments in Italian and foreign companies. The equity investment held directly by d'Amico Società di Navigazione S.p.A. as at 31 December 2018 was 10.31%, down compared to last year;
- ***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 (28.36% for consolidated purposes considering the company's treasury shares). As at 31 December 2018, d'Amico Società di Navigazione S.p.A. had invested a total amount of over EUR 20 million (equity

investment and loan). Clubtre S.p.A. holds, as at 31 December 2018, an equity investment of 3.9% 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 limited company, incorporated with the purpose of acquiring minority interests in Italian or foreign companies. These equity investments, in industrial or service sectors, must have the goal of being listed in a regulated stock market within five years. The equity investment is held both directly by the Parent Company and through d'Amico Partecipazioni Finanziarie S.r.l. ("DPF"), for a total of 3.26% of the share capital as at 31 December 2018;

- ***ClubItaly S.r.l*** – this equity investment 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.*** – company whose main shareholders as at 31 December 2018 are 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 SpA*** – this is a financial investment company established in 2016 (with the support of "Tamburi"), 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 3.57% equity investment in this company, corresponding to an initial investment of around EUR 700 thousand and to the result of the operations completed in 2018. 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.

By virtue of the change to IFRS9, the company decided to measure at "fair value to Profit & Loss" the investments in listed companies (and hence mainly those in "Tamburi"), recognising the deriving result directly to "Profit & Loss". In this regard, we should recall that until last years these valuations had been recognised at fair value with allocation to specific Shareholders' Equity reserve (FVTOCI). For a more exhaustive representation of the consequences for accounting purposes, please refer to the specific notes.

Organization and human resources

As at 31 December 2018, d'Amico Group employed a total staff of 1,411, of whom 1,081 were seagoing personnel and 330 onshore personnel.

In 2018 the Group confirmed its strategy and its commitment in human capital, considering the contributions of its people (at any level 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 the scenario require a constant investment in the professionalism of personnel in order to effectively handle business challenges, all in compliance with the Group regulatory framework. It is in this strategic view that the Group has confirmed its commitment to the implementation of a policy that sees diversity and inclusions 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 high level of people 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.

This strategic priority is also confirmed by the composition of the nationalities of our people, which reached the number of 28 different nationalities at the end of 2018.

The organisational structure also saw an additional development of its presence in Mumbai in particular for professions such as technical and marine inspectors, ICT support groups, for which the Indian market has proven experience in providing highly professional and qualified personnel with excellent knowledge of the English language.

The Group has implemented various human resources management activities, aimed at strengthening the organisational environment, at promoting a high level of people involvement and designed to maximise and retain talent. These are initiatives that actually embrace the use of more advanced technologies and innovation, as well as aimed at the continuous improvement of our personnel's wellbeing, also ensuring an organisational and procedural structure designed to prevent any possibility of illicit behaviour.

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.

Concerning the use of technology and innovation, the Group developed an information system called "d'Amico People", which uses a global approach to support the management of human resources' activities. The purpose is to have a consolidated HR information system that manages the utilisation of information in real time among all the offices located in different parts of the world.

The "People Performance Management" continues to be a key process for the evaluation of personnel performance, talent management, and for the establishment of a Group incentive system.

Constant attention continues to be given to the development and retention of key staff in fleet management: a retention rate of 81% for 2018, certainly a satisfactory result in line with market standards.

The innovations introduced on "people development" have led to more timely planning and delivery 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. We register a rather uniform percentages of distribution of the training initiatives in different contexts and sector areas, which point to a continuing consolidation of technical, managerial and general interdisciplinary skills.

Particular focus was dedicated to the training of all personnel on the issue of cyber security, directed at developing greater awareness by personnel in the interaction with digital technologies and with the web, thus protecting individuals and the organisation against the risks connected with the network.

The Group confirms its commitment to sustain compensation policies that comprise multiple instruments, consolidating a pay-mix in which the long-term incentive mechanisms consolidate and improve the alignment of managers' initiative to the Group's strategic objectives and therefore to value creation for shareholders in the medium-long term.
In this sense, the Group focuses on refining rewarding systems directed at promoting an effective pay-for-performance condition and progressively integrating benefit systems in the overall management of compensation.

The scope and complexity of the Group and the challenges of the sector in which it operates require working on different communication instruments directed at promoting its image. With a view to strengthening the corporate culture, in 2018 the Group developed a creative project with the objective to graphically representing the Group's main policies in a simple and clear style.

The project was implemented with Istituto Europeo di Design (IED), i.e. an advanced artistic education institution promoting excellence in design and graphic arts. The choice to cooperate with the IED reflects the d'Amico Group's commitment to contribute actively in the development of the younger generations by supporting educational projects.

Social Responsibility

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

In the last few years the d'Amico Group implemented a social responsibility strategy that reflects the 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 be socially responsible.

In September 2015, the UN member States signed the 2030 Agenda for Sustainable Development. At the national level, approval of Legislative Decree no. 254 of 30 December 2016 (implementing Directive 2014/95/EU) regulated the communication of non-financial information and diversity.
For all the above reasons, in 2019 the first Sustainability Report of d'Amico Società di Navigazione will be produced in order to point out how, within the scope of a shared and expressly stated value system, the Corporate Social Responsibility activity of the d'Amico Group comprises strategies, policies and commitments with respect to stakeholders.

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 given to 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

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 ultimate Parent Company of the Group, 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 and ISO 14001 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 regulatory requirements. Compliance with this new Certificate was obtained during the RINA annual revision in July 2018.

In order to promote crew safety, the Group management system also includes the certification of compliance to the OHSAS 18001 international standard, aimed at improving 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.

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 of the Group 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, the ultimate Parent Company of the d'Amico Group, 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 the Group's own vessels and vessels charted on a bare-boat basis.

The responsibilities of the vessels' manager include carrying out general maintenance on the vessels, ensuring compliance with regulation requirements and the Classification Society, 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, the purchasing of supplies and parts, the appointment of supervisors and technical consultants.

Energy efficiency and reduction in emissions

In compliance with the international standard ISO 50001, which recognises the Management System for the promotion of energy efficiency and ISO 14001, the d'Amico Group measures and analyses the energy consumption of its vessels, demonstrating its commitment to protect people and preserve the environment, 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.

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 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 started in January 2018. At the end of the year, all the data shall be verified and included in a report on carbon dioxide emissions, then presented to the European Commission, which will release a specific certificate for each ship. Currently, all the data collected in 2018 are undergoing revision in the Performance Monitoring Department, and they shall be transmitted in accordance with the EU Regulation.

At the same time, the International Maritime Organization (IMO) amended MARPOL Annex VI, introducing, through Resolution MPEC.278 (70), a data collection system for the vessels' fuel consumption. In accordance with the amendments, starting from January 2019, for ships of 5000 tonnes of gross tonnage and above, there is a requirement to collect data for every type of fuel oil used, as well as other additional and specific data, including transported cargo and miles travelled. The aggregate data are transmitted to the country of registration after the end of the calendar year, and the latter, after verifying that the communicated data are in line with the requirements, issues a Declaration of Conformity for the ship. Countries of registration then must load this data in the IMO Ship Fuel Oil Consumption Database and the IMO will have to produce an annual report to the MEPC (Marine Environment Protection Committee), providing a summary of the collected data. The methodology used to collect and communicate the data shall be included in the Second Part of the Ship Energy Efficiency Management Plan (SEEMP).

In 2018, d'Amico revised the SEEMP of all ships, obtaining the Confirmation of Compliance (CoC) from the country of registration, and it is currently implementing the collection and monitoring activities.

These are the first steps to understand the contribution the maritime sector can provide to the reduction of global emissions.

Starting 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.

With a view to continuous improvement, the d'Amico Group joined two partners to build a new digital Operating Centre for the management of its fleet. The new centre will increase data collection from the vessels and will provide additional details on the performance criteria to allow the d'Amico Group to increase the efficiency and safety of the entire fleet.

The project, which officially started in the beginning of May 2018, is an example of a growing trend towards digitisation in the maritime sector. In addition to providing the d'Amico Group with information on which to base strategic business decisions and operating improvements, the level of information provided to the fleets will allow specialist support during emergencies and an efficient predictive maintenance planning to maximise the availability of the vessel, thanks also to the validation of a general configuration of the system and in particular of the design

for monitoring, structure and alarm rules. Once the project is completed, there will be additional opportunities to supplement the systems of other software programmes in the platform, in order to increase efficiency and visibility through the activity of the d'Amico Group.
All aforementioned measures and the activities carried out to enhance and improve efficiency allowed the d'Amico Group to win the 2019 SMART4SEA Energy Efficiency Award, which recognises the organisation that obtained a significant result, progress or contribution in every aspect of energy efficiency in the maritime sector in 2018.

Ballast water treatment system

In September 2017, 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 severe ecological impact on the environment that receives them. 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 and is implementing 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 fleet. All new constructions are fitted with this equipment, while installation on the remaining ships is anticipated in the next dry-dock periods. 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, it constantly promotes responsible conduct among its own personnel with regard to the environment.

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.

In order to promote and improve the Italian maritime culture, 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.

Commitment to humanitarian, educational and cultural projects

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 actively helped the inhabitants of the villages of the Khanh Hoa province in Vietnam, severely affected by the violent typhoon "Damrey" in 2017, and it 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-east coast.

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.

Since 2013, the d'Amico Group has aided Save the Children, supporting emergencies and development projects, in Italy and in the world, thanks to specific programmes for children and through the Christmas campaign.

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.

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.
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 establish 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 "Business of Shipping Competition", which judges essays on the maritime market submitted by university students.

The d'Amico Group believes that its engagement makes the difference, promoting art in its diverse forms. The company supports the world of art and culture to introduce social, cultural, economic and environmental topics to an ever wider audience.

In addition to sponsoring several museums and exhibitions throughout the world, a few years ago 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. In 2018, the Group hosted three young artists on three different ships and they all agreed that they had lived through a unique experience, useful both from the personal and artistic viewpoint.

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 29 May 2018 for the 2018-2020 three-year period, and therefore, terminating with the approval of the financial statements for the year ending 31 December 2020. 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 2018/2020 pursuant to Art. 20 of the Articles of Association, also formed an Executive Committee for the three-year period corresponding to company financial years 2018/2020 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 definition of the strategic, industrial and financial plans of d'Amico Società di Navigazione S.p.A., along with the pertinent separate and consolidated budgets, the business plans 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 ex ante and ex post 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.

Moreover, the company constantly improves the execution of specific oversight activities directed at preventing the perpetration of offences mentioned in Decree no. 231/01 and monitors the need to revise the Model 231. In addition, in 2018 approval was granted for the performance of a new assessment of risks directed at revising the model with some recently introduced offences and at introducing a new procedure for reporting violations and a new anti-corruption policy.

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. The code was revised on 26 November 2018 following the entry into force of Regulation EU 679/2016 ("GDPR") in the "Data Protection" section.

Organisation, management and control model (pursuant to legislative decree no. 231/01)

On 23 April 2018 the Board of Directors resolved to proceed without delay to implement a new ad hoc Risk Plan following the regulatory changes made by the lawmakers in 2017 with the introduction, in particular, among the offences included in Legislative Decree no. 231/01, of Article 25-duodecies on "causing the unlawful entry of foreigners and aiding and abetting illegal immigration" and on "aiding and abetting the illegal permanence of foreigners in the territory of the State"; of Article 25-terdecies "Racism and xenophoby" and with regard to the rules on "Whistleblowing", which introduce the adoption of an internal system for reporting violations, whose regulations entered into force last November, supplementing the provisions of Article 6 paragraph 2-bis of the aforementioned Decree. At the completion of this assessment, when necessary the Organisation, Management and Control Model (hereafter also "Model 231") and the related procedures will be revised.
The Company also initiated, through the Group's Human Resources function and with the support of the Supervisory Board, a new Training Program aimed at the d'Amico Group's employees which takes into account all the amendments to Model 231.

Board of Statutory Auditors

On 29 May 2018, the Ordinary Shareholders' Meeting partially re-confirmed the membership of the Board of Statutory Auditors for the three-year period 2018/2020, appointing regular and substitute members in accordance with the applicable provisions of the Italian Civil Code.

Pursuant to Articles 2403 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 the system's functioning in practice.

Independent Auditors

The Annual Shareholders' Meeting of 21 June 2017 engaged to serve as the independent auditor for the three years 2017, 2018 and 2019, in accordance with Article 13 of Legislative Decree no. 39/2010, Axis S.r.l. of Reggio Emilia, Registered under no. 77125 of the Register of Legal Auditors, for the statutory audit of the financial statements and hence until approval of the Financial Statements as at 31 December 2019.

Data Protection – (in accordance with European Regulation no. 679/2016 as amended)

In 2018, d'Amico Società di Navigazione S.p.A., as Controller, adopted a Data Protection model at the group level that is based on the principles of lawfulness, correctness and transparency of personal data processing, in compliance with the regulatory prescription of European Regulation no. 679/2016 as amended. The group Data Protection model was defined starting from the mapping of the processing work carried out within the d'Amico Group, and of the related categories of data subjects and of the purposes of processing, and it was formalised within the Group Privacy Regulation, containing the Binding Company Regulations for the intercompany transfer of the data subjects' data outside the European Union, approved by the Board of Directors of d'Amico Società di

Navigazione S.p.A. on 23 April 2018, and subsequently transposed by all Group companies included in the Data Protection model.

Within the Group Privacy Regulation, the (internal and external) responsibility profiles were redefined and revised in light of the new Data Protection regulations, with particular reference to internal and external processors and to the persons authorised to perform personal data processing within the d'Amico Group and the rights of the data subjects. The list of processing, complete with all information provided by Article 30 of the Regulation, is formalised in the Record of processing activities.

To assure the correct implementation and revision of the Data Protection model, d'Amico Società di Navigazione S.p.A. has established at its headquarters a Data Protection structure, consisting of a team of experts reporting to a Data Protection Officer, appointed at the group level.

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

The ICT activities for 2018 were characterised on one hand by the refinement of the application systems whose installation designs had been completed the previous year, on the other hand by an intense activity of exploration of new application and system solutions that would allow the Group to increase management quality and concurrently to lower operating costs.

This context includes the coverage extensions of the treasury management software (IT2) to the Italian Companies, completion of the distribution of the automated management of work travel (Sarce) and the extension of the new version of the management software (Shipnet One) to the entire fleet.

Of particular relevance was the project for compliance with the requirements of the new regulations on electronic invoicing, which required a considerable adaptation effort, both in terms of applications and organisation; for 2019, such compliance will have to be extended to all European Companies.

From the systems viewpoint, the migration of our systems to virtualised platforms continues. In addition to the complete migration of the electronic mail services and of the corporate portal, along the entire year a selection was carried out to identify a new supplier with whom the server infrastructure will be allocated, alternatively to the current one (Virtustream), which is no longer satisfactory either in terms of services or of costs; Microsoft's Azure system was selected and the migration activities were planned along the first three quarters of 2019.
By effect of the superposition of the two environments in the migration phase, the consequent economic benefits will be evident from 2020 onwards.

To assure the most prompt and effective support possible to the fleet's ships, a dedicated task force was established that provides help desk services and telematic initiatives at any time of any day of the year.
The service started from early October.

Activity continues on defence against cyber crime threats which unfortunately are showing no signs of abatement; to assure an immediate response to malevolent activities, the Group adopted an SOC (Security Operation Center) service, continuously operated by an outside company.
As a side-effect, cyber crime is also generating a proliferation of regulations and guidelines, many of which require compliance, with the consequent intensification of the internal organisational and regulatory activities.

Significant events during the year

Dry-cargo and container vessels

At the end of 2018, the Group owned 26 vessels, 31 long-term charter vessels and 22 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/Post Panamax of 74,000-89,000 DWT, Minicape of 117,000 DWT and container vessels.

During 2018, in the Handysize sector, two vessels owned by d'Amico Dry were sold (Cielo di Tocopilla and Cielo di Jari), chartered for one year as part of the commercial sale agreement, and two long-term chartered ships were returned (Cielo di Venezia and Cielo di Tokyo). In the Handysize sector, the Company employed 18 vessels at the end of 2018, all open-hatch box-shaped ships, of which 10 were owned, and 8 on long-term charter. The vessels were employed specifically in the following sectors:

- forest products from Chile to the Mediterranean with bimonthly departures (CMPC) and from Brazil to China with monthly departures through a COA of 120,000 Mt of cellulose per year (Jari);
- fertilisers with SQM contract, from Chile to the USA, South Africa and Europe and with Mosaic contract from Florida to Brazil through a COA of 9 voyages per year;
- wood pellets with spot contracts;
- 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 2018 a ship owned by d'Amico Shipping Singapore was sold (Medi Bangkok) and medium-term chartered, and a long-term charter ship was acquired (Medi Portland). At the end of 2018, the Group employed 18 vessels of which: 4 were owned, 4 were 51% owned (J/V DACC with Coeclerici SpA Group through DACC Maritime) and 12 on long-term charter. The Group manages a Pool of Supramax (Medi Supra Pool) by means of which it carries out all commercial activities related to this sector. At the end of the year, the Pool had 22 ships, of which 20 were directly controlled by the Group (including four DACC ships considered at 100% for commercial management purposes) and 2 owned by third parties participating in the Pool.

The vessels were mainly employed on 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.

Regarding the sector of Panamax/Kamsarmax/Post Panamax, during 2018 two new-construction vessels, owned by d'Amico Dry were delivered (Medi Serapo and Medi Ginevra) along with two new-construction vessels (Medi Palmarola and Medi Egadi) owned by MIDA Maritime (in J/V with the Mitsui & Co. Group) which chartered them to d'Amico Dry for commercial employment; 3 long-term charter vessels were acquired (Medi Tokyo, Medi Nagoya and Medi Kyoto) and a long-term charter vessel was returned (Medi Salerno). The vessels employed at the end of 2018 were 18 of which 8 owned and 10 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 and northern Europe, Banpu contract from Indonesia to the Philippines, Mercuria contract from Indonesia to Malaysia), as well as spot voyages from Indonesia / Australia to China, Japan and the Philippines, and from Colombia / 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.

For the container sector, in 2018 the sale of Cielo di Casablanca and of Cielo di Agadir by d'Amico Dry was completed, while Cielo di Rabat operated in Morocco in the service of the cabotage contract in place with the Danish company Maersk.

During 2018, the Group's main trade counterparties were the following:

- charters: AMC, Bunge, Cargill, CMPC, Cofco, Corinth Pipeworks, EGPN, G2Ocean, Goodwill, Invivo, Jari, Jpower, Klaveness, McInnis, Mosaic, Norden, Oldendorff, Pacific Bulk, San Miguel, Trafigura, Western Bulk
- *brokers:*
  - Japan: Trading House (Itochu, Marubeni, Mitsubishi, Mitsui, Sojitz, Sumitomo);
  - Europe: Arrow, Bancosta, Braemar, BRS, Clarkson, Howe Robinson, Ifchor, SSY;
  - USA: Brs 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.

Tankers

In the following paragraphs we described the noteworthy events for the tanker activities of the d'Amico Group in 2018, relating to the listed company d'Amico International Shipping and its investees:

d'Amico International Shipping:

- **Results of the 2017-2022 d'Amico International Shipping Warrants:** on 2 July 2018, the share capital of the company was increased following the conclusion of the first exercise period of the "2017 - 2022 d'Amico International Shipping Warrants" (ISIN code LU1588548724). In the first exercise period, 518,602 Warrants were exercised and consequently 518,602 newly-issued ordinary DIS shares were subscribed at the price of EUR 0.315 each (1 DIS conversion share for each exercised Warrant).

- **Results of the 2017-2022 d'Amico International Shipping Warrants:** on 28 December 2018, the share capital of the company was increased following the conclusion of the second additional exercise period of the "2017 - 2022 d'Amico International Shipping Warrants" (ISIN code LU1588548724). In the second additional exercise period, 24,105 Warrants were exercised and consequently 24,105 newly-issued ordinary DIS shares were subscribed at the price of EUR 0.328 each (1 DIS conversion share for each exercised Warrant).

d'Amico Tankers d.a.c.:

- **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, was delivered.

  In July 2018, the M/T Cielo di Cagliari, a new LR1 "Eco" tanker built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd, was delivered.

  In August 2018, the M/T Cielo Rosso, a new LR1 "Eco" tanker built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd, was delivered.

- **Sales and relocation of vessels**

  In February 2018, the sale of M/T High Presence was defined; the ship is a medium-range tanker of 48,700 DWT, built in 2005 by Imabari Shipbuilding Co. Ltd. (Japan) whose memorandum of understanding had been signed at the end of 2017.

  In February 2018, the company completed the sale and bare-boat of M/T High Freedom, a medium range tanker of 49,990 DWT, built in 2014 by Hyunday Mipo (South Korea). d'Amico Tankers will maintain full control of the ship, as a ten-year charter on a bare-boat basis was also executed with the buyer; the contract provides for a purchase obligation at the end of the charter period.

  In August 2018, M/T Cielo di Milano was sold; it is a handysize tanker of 40,081 DWT, build in 2003 by Shina Shipbuilding (South Korea), formerly owned by d'Amico Shipping Italia SpA.

  In July 2018, the sale and related lease-back of M/T High Trust was completed; it is a medium range tanker of 49,990 DWT, built in 2016 by Hyundai Mipo (South Korea). For this vessel, too, full control will be maintained, since a ten-year charter on a bare-boat basis was also executed with the buyer; the contract provides for a purchase obligation at the end of the tenth year of the charter period.

In October 2018, instead, the sale and related lease-back of M/T High Loyalty was concluded; it is a medium range tanker of 49,990 DWT, built in 2015 by Hyundai Mipo (South Korea). For this vessel, too, a ten-year charter on a bare-boat basis was executed with the buyer; the contract provides for a purchase obligation at the end of the tenth year of the charter period.

Lastly, in December 2018, the sale and related lease-back of M/T High Trader was defined; it is a medium range tanker of 49,990 DWT, built in 2015 by Hyundai Mipo (South Korea) with accompanying ten-year charter on a bare-boat basis, providing for a purchase obligation at the end of the tenth year of the charter period.

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

- As has already been pointed out in past reports, in January 2015 the vessel Cielo di Milano, at the time owned by DSI, was investigated by the US Coast Guard because of an alleged violation of the MARPOL Convention during commercial operations in New York Harbor. The resulting litigation led, in February 2016, the United States Government to make a Plea Agreement proposal, whose terms were deemed unacceptable by the company. Following a long negotiation with the U.S. Attorney's Office ("USAO") of the State of New Jersey, which lasted until the end of 2018, the Plea Agreement was executed in January 2019. Today, 17 April, the Plea Agreement validation hearing is expected to take place, to set the hearing for the handing down of the decision. As is well known, the amount to be paid - i.e. USD 4 million - has already been allocated for accounting purposes in past years.

Maritime services

Ishima Pte Limited – This investee in Singapore which renders 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, continued to increase its productivity in 2018. The business remained stable and, also during 2018, 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.

Equity investments

In 2018, the Group did not undergo substantial changes that would alter its structure. The only changes, highlighted in a dedicated section of the notes, involved minor equity investments. We point out only that **d'Amico International S.A.** slightly decreased its own equity investment in the listed company DIS mostly as a result of the aforementioned conversion of warrants, going from 64.05% at the end of 2017 to 64.00% at the end of 2018.

Financial performance analysis — The Group

As indicated, the operating performance of the Group improved, althought not in line the expectations for 2018. In 2018, the dry market confirmed the positive trend observed in 2017, while the tanker market, after a weak first part, started its recovery with good rates in the final part of the year. Expectations remain positive and the results of the first months of 2019 seem to confirm them.

Operating performance

(Thousands of EUR)	2018	2017
Revenue	711,038	678,694
Gross operating profit or loss / EBITDA	29,219	41,171
Operating profit or loss / EBIT	(41,017)	(35,857)
Profit / (Loss) before taxes	(34,642)	(48,579)
Net profit or loss	**(37,024)**	**(53,202)**

The above numbers point to the increase in turnover, mitigated, however, by the impact of the 2018 average exchange rate of the Euro to the US Dollar, i.e. the currency used to account for most revenue (shipping), which changed from the previous year from 1.269 to 1.1798. EBITDA too, net of the item relating to the sales of the 2017 assets (20.7 million) improved by approximately 9 million from last year. Financial items improved compared to last year as a result of the recognition, by the Parent Company, of “fair value to Profit & Loss” on the listed shares present in the portfolio and more specifically on “TIP” shares. Therefore, the loss for the financial year amounted to approximately EUR 37 million, versus approximately EUR 53 million for the previous financial year.

Statement of financial position

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
ASSETS		
Non-current assets	1,470,688	1,406,027
Current assets	309,551	372,731
Total assets	**1,780,239**	**1,778,758**
SHAREHOLDERS’ EQUITY AND LIABILITIES		
Shareholders’ equity	706,258	801,472
Non-current liabilities	731,567	648,099
Current liabilities	342,414	329,187
Total shareholders’ equity and liabilities	**1,780,239**	**1,778,758**

Non-current assets are mainly composed of tangible assets (EUR 1.3 billion), in turn composed mainly of the “Fleet” item (EUR 1.2 billion) and the “Property” item (EUR 76 million). For a complete list of the Company’s vessels, refer to the list attached to these financial statements, which is broken down by type of ship, and includes details on vessels under construction.

Current assets include trade receivables and inventories, for a total of EUR 170 million, as well as cash and equivalents of around EUR 90 million and other financial assets (mainly relating to investments) of EUR 36 million. Finally, the value of “Assets available for sale”, which also includes the various reclassifications implemented during the year, decreased compared to the previous year and stands at approximately EUR 13.8 million.

Non-current liabilities mainly include the long-term portion of loans, amounting to approximately EUR 520.7 million, financial leases for approximately EUR 169.4 million and the other financial items (including the value of financial instruments of approximately EUR 15.3 million). The remainder consists of provisions (for risks, employees and deferred taxes) and other sundry liabilities. **Current liabilities** include overdrafts and bank loans including the short-term portion of loans shown above (approximately EUR 208 million), trade payables (approximately EUR 110 million), taxes payable and other current financial liabilities.

Lastly, **Shareholder's equity**, partly as a result of the 2018 loss, decreased to approximately EUR 707 million of which EUR 600 million pertaining to the Parent Company.

Net financial position

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Cash and cash equivalents	90,553	73,926
Current financial assets	35,554	52,007
Total current financial assets	**126,107**	**125,933**
Bank loans - current	(208,572)	(219,427)
Other current financial liabilities	(23,119)	(18,753)
TTotal current financial liabilities	**(231,691)**	**(238,180)**
Net current liquidity / (indebtedness)	**(105,584)**	**(112,247)**
Other non-current financial assets	**63,038**	**81,375**
Bank loans - non-current	(520,746)	(526,262)
Other non-current financial liabilities	(201,003)	(113,216)
Total non-current financial liabilities	**(721,749)**	**(639,478)**
Net non-current liquidity / (indebtedness)	**(658,711)**	**(558,103)**
Net liquidity / (indebtedness)	**(764,295)**	**(670,350)**

Net financial indebtedness worsened mainly because of the increase in "Other non-current financial items" relating mostly to "Financial lease liabilities".

Cash flow

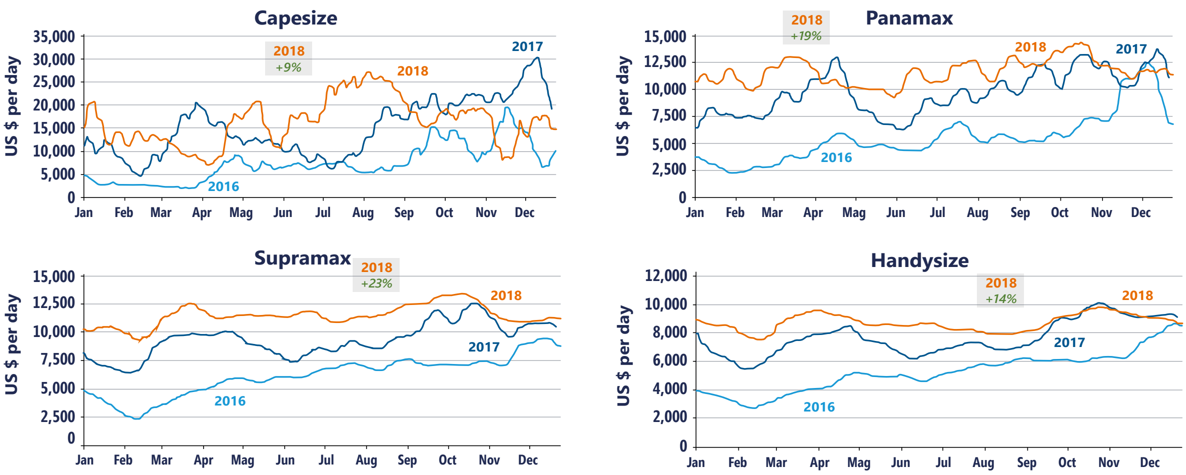
(Thousands of EUR)	2018	2017
Net cash provided by / (used in) operating activities	(16,795)	(26,552)
Net cash provided by / (used in) investing activities	(57,317)	(65,436)
Net cash provided by / (used in) financing activities	90,739	61,775
Change in net cash provided / (used)	**16,627**	**(30,213)**
Net increase / (decrease) in cash and cash equivalents	**16,627**	**(30,213)**
Cash and cash equivalents at the beginning of the year	73,926	104,139
Cash and cash equivalents at the end of the year	**90,553**	**73,926**

The loss for the year negatively affected operating cash flows. Cash flows from financing activities strongly supported group "cash" while also balancing investment activities and ending 2018 with a positive balance of more than EUR 16.6 million.

Operating performance

Dry-cargo and container vessels

In 2018, the dry cargo market confirmed the positive trend noted in 2017 thanks to an increase in demand able to absorb different critical factors for harbour logistics (strikes, congested traffic, weather problems, etc.). The Baltic Dry Index, illustrative for the whole sector, recorded an increase of 18% compared to 2017, while the reference indices for the sectors in which the d’Amico Group operates have increased respectively by 19% (Panamax 4TC average), 23% (Supramax 10TC average) and 14% (Handysize 7TC average), as highlighted in the diagrams below.



Source: Baltic Exchange, d’Amico Dry Cargo Analyst

During the first quarter of 2018 the market confirmed the performance recorded at the end of 2017 thanks to strong demand for iron ore in the Far East and to coal exports in China for inventory replenishment; the start of the export of wheat from South America (February / March), which traditionally contributes to strengthen the market in the second quarter, was accompanied by growing trade tensions between United States and China which inevitably contributed to widespread caution in the market, above all for the Panamax segment. The improvement in the second quarter occurred only at the start of the summer with the increase in electricity demand in Far East. Regarding the Supramax / Handysize segments, nickel exports from Indonesia increased significantly thanks to the removal of some restrictions by the Government and a replacement of some traffic habitually from the United States to China with longer routes from the United States to New Zealand, all factors that contributed to a good performance in the second quarter. The record soy crop in Brazil allowed to prolong exports to the third quarter of 2018 as well, with the contribution of China which, due to the tensions with the United States, concentrated in South America the demand for products for the food and agriculture sector. At the same time, China advanced coal imports to replenish stocks in view of the winter (unlike in 2017), creating the conditions for a market peak in the three segments in which d’Amico operates. The backlash took place in the fourth quarter of the year, with the decrease both in wheat loads from the United States to China as a result of the intensifying trade war between the two countries and coal imports into China thanks to the stocks established during the previous quarters.

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 company was able to exploit the market in its most positive phases, achieving an improvement in the average TCE results, compared to 2017, i.e. 28% for the Capesize segment, 18% for the Panamax/Kamsarmax segment, 24% for the Supramax segment and 20% for the Handysize segment.

Tankers

Regarding the tankers market, in the first nine months of 2018 the market conditions were weak in all its sectors, mostly because of the excess supply of tonnage associated with the weakening trends of demand. The rise in bunker prices during this period limited revenue, contributing to more limited arbitrage opportunities for refined products, in the first place between the Atlantic and Asia, and weighing on the growth of trade in refined products. In the last quarter, the market stabilised considerably, and it led Clarksons to increase the estimated growth in the demand for tanker DWT for 2018 from 2.1% to 2.3%. One of the factors that contributed to market weakness in 2018 is the reduction in imports of refined products in Southeast Asia, which dropped by 8% throughout the year, due in part to the reduction in the arbitrage flows from the West. The decline in shipments in Brazil (which dropped by 18% on an annual basis in the period between January and November 2018) and in Mexico in the first half of the year also negatively affected the overall growth in volumes. Mexican imports recorded a recovery in the second half of the year while Brazilian imports from the United States rallied in the last quarter, increasing by 54% between September and October 2018.

The annual time-charter rate is always the best indicator of expectations in the spot market for the following 12 months. The improvement in the markets in the fourth quarter of 2018 led year-end rates to reach approximately US$ 13,500 per day for conventional MR (non "Eco") and approximately US$ 15,000 per day for "Eco" MR.

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 increasing its profit to approximately EUR 3.2 million. Intermediation activity managed by Rudder with its subsidiaries in relation to bunker fuel purchases ended the year 2018 with the positive sign, contributing positively to the consolidated result. Lastly, Sirius closed its financial statements with a positive result of approximately EUR 233 thousand and continued its activities for the management and training of crews.

Financial performance analysis d’Amico Società di Navigazione S.p.A.

Operating performance

The following is a summary of the 2018 figures:

(Thousands of EUR)	2018	2017
Dividends	7,645	8,979
Revenue	13,611	14,098
General and administrative costs and other operating costs	(21,138)	(21,430)
Net financial income / (charges)	66,726	10,682
Income taxes	(954)	164
Net profit / (loss)	**65,890**	**12,493**

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 financial statements for the details of the issuing companies.

Other revenue derives from the Group’s activities which during the current year continued with invoicing the 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 change with respect to the previous financial statements is mostly due to the change in the exchange rate of the US Dollar, the currency used to invoice most of the revenue.

Costs remained substantially in line with the past year and 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 liquidity, provided a strong, positive contribution to the 2018 results because of the aforementioned change in the valuation of listed securities.

Financial position

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Non-current assets	385,998	369,885
Current assets	24,307	40,404
Total assets	**410,305**	**410,289**
Shareholders’ equity	308,014	315,086
Non-current liabilities	34,087	32,377
Current liabilities	68,204	62,826
Total shareholders’ equity and liabilities	**410,305**	**410,289**

Non-current assets included tangible assets (mainly buildings of approximately EUR 65.7 million), long-term investments (of EUR 238 million), loans to subsidiaries (approximately EUR 77 million) as well as an amount due from the tax authorities of approximately EUR 4 million. The increases compared to 2017 pertain mainly to the capital payment made into the capital of d’Amico International Sa (approximately EUR 22 million) after depreciation and amortisation calculated on the assets and other minor changes.

Current assets included cash and cash equivalents of EUR 1.7 million, short-term loans with regard to companies of the Group of EUR 11.2 million, short-term investments of approximately 2 million, the VAT receivable of approximately EUR 2 million and trade receivables (all set to come due by the end of next year) for the remaining part.

Shareholder's equity of d'Amico reached approximately EUR 308 million versus EUR 315 million of 2017, and changed mainly because of the results of the year and the distribution of the dividend.

Non-current liabilities included the portion of loans coming due after 2018 relating to the remaining portion of the loan for the purchase of the "Domus Daini" building in Rome and to the additional cost for restructuring work (totalling EUR 27 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 2.5 million. This item also includes the termination indemnity provisions for EUR 4.2 million.

Lastly, ***current liabilities*** included the "bank" portion of loans set to come due in 2019, 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.

	2018	2017
Total debt ratio	33.21%	30.21%
Borrowing ratio	29.21%	26.31%
Equity less non-current assets (/000)	(77.984)	(54.799)
Equity as percentage of non-current assets	79.80%	85.18%

The indebtedness ratio increased in proportion to the decrease in equity compared to bank borrowing. Equity as a percentage of non-current assets decreased due to the increase in own funds compared to 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 for current taxes.

Significant events since the end of the year and business outlook

Dry-cargo ships

During the early months of 2019, consistently with Group strategy and with market expectations, the following transactions were completed:

- acquisition from the Coeclerici SpA Group of 49% of JV dACC Maritime, owner of 4 last-generation Supramax vessels built in the Oshima Shipbuilding yard, in Japan, between 2015 and 2016, which will join the d'Amico Dry fleet;
- disposal by d'Amico Shipping Italia of Medi Cagliari built in 2004 and of Medi Baltimore built in 2005 (Panamax vessels) both sold in the first months of 2019.

Tankers

For tankers, in the first months of 2019, the fleet changed as follows:

- in January 2019, the M/T Cielo di Houston, a new LR1 "Eco" tanker was delivered to d'Amico Tankers; the vessel was built by the South Korean shipyard Hyundai Mipo Dockyard Co. Ltd.
- in the current month of April, the investee DM Shipping d.a.c. has just completed the sale of M/T High Strength, a 46,800 DWT MR tanker built in 2009 by Nakai Zosen Corporation (Japan).

d'Amico International Shipping

The extraordinary shareholders' meeting of 11 March resolved, inter alia, the capital increase of the company setting it, including the issued share capital, to a total amount of US$ 87,500,000 comprising 1,750,000,000 shares without par value.

Business outlook

Dry-cargo ships

The trade war between United States and China in 2018 negatively affected the first part of 2019, which saw a significant reduction in wheat cargos in the Atlantic compared to the same period of the previous year. In addition to this, the reduction in coal imports by China and the accident to the dam of the iron mine in Feijao, Brazil, further depressed the market, especially for the Capesize segment.

In February and March, recovery signs were recorded, mostly for the segments in which the d'Amico Group operates (Panamax, Supramax and Handysize), thanks to grain exports from South America (ECSA grain season), to growing interest for coal from India and to the lively demand for minor bulks.

Regarding market expectations for 2019 for the Dry Cargo sector, China was confirmed as the main driver of demand; in March, the target for the Chinese GDP was communicated to be between 6% and 6.5%, thus revised slightly downwards from 6.6% in 2018, but at the same time a stimulus package was put together for the Chinese economy that include a tax cut for enterprises amounting to approximately USD 298 billion, a VAT reduction from 16% to 13% for the manufacturing sector and from 10% to 9% for the construction and transportation sector, and the issue of Bonds dedicated to investments in infrastructure. Expectations on the resumption of negotiations between United States and China and on the resolution of the trade war through agreements that reactivate trading in raw materials (and more) between the two countries directly reflect on trade flows and on the demand for tonnage which we expect to grow by 2.8% in 2019.

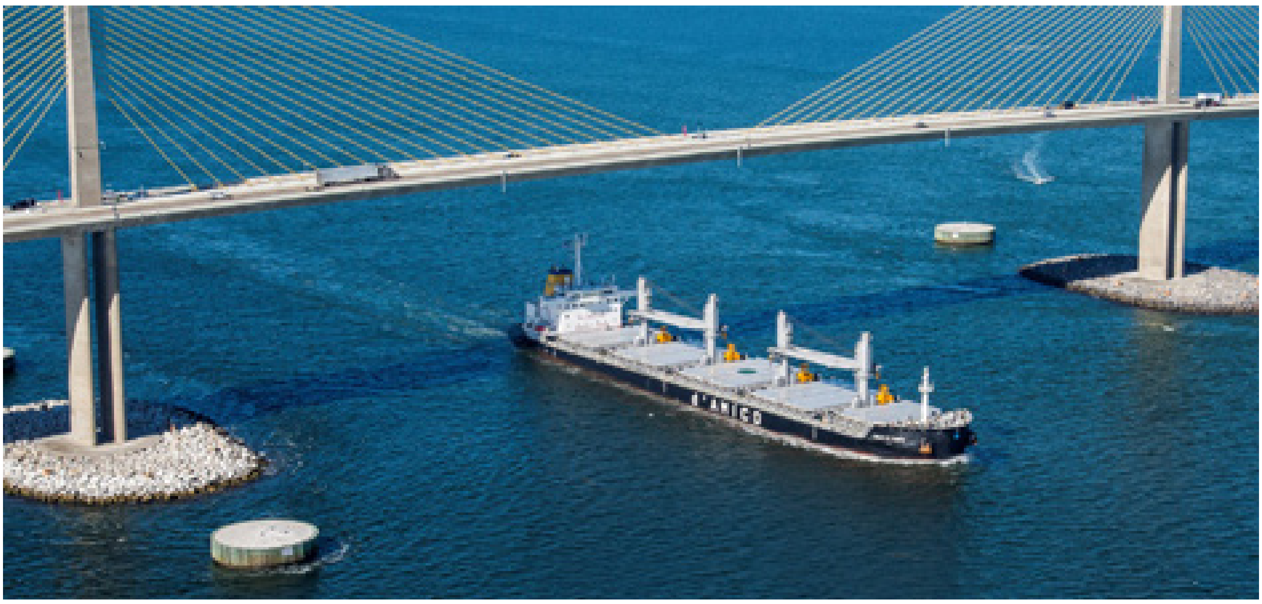
In 2019, the expected growth of the fleet remains under control between 2.5% and 3% thanks in part to the ships taken out of services for the installation of scrubbers in view of 2020, the year when the new sulphur cap will enter into force, i.e. the limit of 0.5% (versus the current 3.5%) to the sulphur content in ship emissions, set by the IMO (International Maritime Organization). Further improving the expectations in this respect, there was a substantial decrease in new ship orders and an increase in demolitions, both because of the challenging market conditions in the first months of 2019 (e.g. in March, 8 Capesize were demolished vs. 18 in 2018 as a whole) and of the high operating costs of the older ship as a result of the aforesaid regulation.

Tankers

According to the IMF in their latest World Economic Outlook ("WEO") of January 2019, the global expansion has weakened, driven by a slowdown in particular in some countries in Europe and Asia. Despite this, healthy global growth of 3.7% is estimated for 2018, in-line with their previous forecast of October 2018. The global economy is projected to grow at 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage points below last October's projections. The global growth forecast for 2019 and 2020 had already been revised downward in the last WEO, partly because of the negative effects of tariff increases enacted in the United States and China earlier that year. The further downward revision since October partly reflects carry over from softer momentum in the second half of 2018 – including in Germany following the introduction of new automobile fuel emission standards and in Italy where concerns about sovereign and financial risks have weighed on domestic demand – but also weakening financial market sentiment.

The International Energy Agency's (IEA) latest estimate for crude oil demand growth in 2018 is unchanged. Growth in Q4 2018 is estimated to have been robust, at 1.4 million b/d year-on-year, and for 2018 as a whole growth was estimated at 1.3 million b/d; China (0.44 million b/d), India (0.21 million b/d) and the US (0.54 million b/d) contributed 1.19 million b/d of the total. Growth in demand in 2019 is expected to be 1.4 million b/d, also unchanged from their last report. It is supported by lower prices and the start-up of petrochemical projects in China and the US. Slowing economic growth will, however, limit any upside.

Q1 2019 rate levels have corrected since the uptick in Q4 2018. Mainly as a result of reduced imports into West Africa and reduced exports from the United States. Month-on-month exports from the US have declined 1 million b/d by mid-February. A number of newbuilding VLCCs and Suezmaxes have been fixed for distillates from Asia to the Western hemisphere hampering arbitrage opportunities for product tankers. According to Clarksons, in the product tanker sector, dwt demand growth is projected to improve to 3.0% in 2019, supported by the return of some Asian arbitrage opportunities and possible inventory building.



Other information

Approval of 2018 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 11 March 2019. 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.

Technical and operational risks

The Group is exposed to numerous operational risks, which may entail unforeseen costs and loss of income. These risks can arise from issues tied to crew selection, to bunkering, to drydock work and repairs, to commercial management, to harbour agencies and towing, navigation and insurance. The Group's risk management practices to contrast these risks include:

(i) the selection of crews for the ships, shipowning companies rely on the support of some Group companies. Since 2017, the Group has strengthened its organisation, establishing a Crew Division, which manages and supervises the crew selection process and all connected functions for the entire Group. The new organizational structure is meant to obtain synergies and economies of scale applying the same policies (training standards, career management, crew employment agreements, wage tables, etc.) to all the Group's crews. All operating and administrative duties are assigned to SIRIUS, a crew recruitment company of the Group, under the responsibility of the Group's Crew Division.

Having the entire crew management function under a single division at the Group level allows to considerably reduce all connected risks, because all applicable procedures are continuously updated and communicated to all managed ships, with prompt implementation of the new rules, in particular those involving safety and environmental protection.

The number of seamen's contracts that are interrupted before their contractual expiration date are constantly monitored, as this is a key performance indicator, with the goal of maintaining this value below 8%. Moreover, the Group aims to reach a retention rate of at least 80%, which is the industry standard.

From a financial standpoint, every year the personnel selection function develops highly accurate budgets for each technically managed ship, with a quarterly analysis of deviations and comparisons with the previous year, so as to provide adequate support to the financial and treasury divisions.

(ii) bunkering for all operational companies is managed by Rudder Sam with the aid of its subsidiaries.

Rudder has a thorough knowledge of the market and, employing a network of reliable suppliers with high standards, it can meet demands throughout the world, to reduce costs and deviations and assure that supplies comply with the most recent ISO standards in force.

A constant supervision of physical deliveries (in terms of times and quantities planned) and the analysis of the quality of bunker samples assure that quantitative and qualitative problems are kept under control.

(iii) harbour agencies and towing are managed through general contracts and are based on a reliable network of agents that operate with high standards, to maximise the efficiency of the turnaround times of the Group's ships in harbours, providing qualified administrative services to the Group's ships and to take advantage of economies of scale.

(iv) travel planning and control are managed to assure a high quality service to charters, through constant focus on compliance with contractual requirements, with the objective of reducing costs and minimising delays.

(v) drydocking and repairs - the management of drydocking and repairs is coordinated by the d'Amico Group, which allows to reach economies of scale and to rely on an adequate reference value for the cost and the quality of these services.

Preferred shipyards, located in key commercial areas, are selected on the basis of criteria such as the quality of the work performed, ISO certifications and other voluntary or mandatory certifications, compliance with ethics principles, the past experience of the d'Amico Group and a list of references.

Drydock work is planned in advance, to assure the necessary spaces and cause the specifications of the work to be defined through an inspection prior to drydocking.

The selection of the drydock work takes into account all costs, including repair costs, the cost of deviation including the cost of the bunker consumed, together with the time required for the repairs.
A representative of the Company is always present on site to monitor the quality of the work performed and the progress of the entire project, ready to manage, in a timely manner, any problem that should emerge.

All the above activities are performed to reduce the risks tied to:

- unavailability of drydock space at the time the ship is taken out of service;
- unforeseen work;
- unforeseen costs and delays;
- verification of punctual delivery to the charter;

To measure performance, the Group has established a key performance indicator, the "Drydock work planning performance", directed at monitoring and controlling costs and delays.

(vi) the Group insurance plan covers a broad range of risks that could arise from ownership and operation of the ships and that could expose the various companies to financial losses. With regard to the operations of the ship and the transportation of goods, the coverage includes the risks of injury, environmental damage and pollution, third party damages and liability, damages to hulls and engines, total loss, risks of war and piracy.

(vii) the piracy risk is a serious problem in the Gulf of Aden, in the Indian Ocean and in the economic area of the Gulf of Guinea, North of 3 degrees North latitude (including Nigeria, Togo and Benin). In this regard, the measures adopted are directed at: (a) minimising risk during transit in the area of the Gulf of Aden to promote safer navigation; (b) verifying the adequacy of the insurance policies currently in place to assure that these risks are appropriately covered. A detailed analysis of the situation has allowed the Group to define the guidelines each ship shall adhere to when it is in the area at risk. Moreover, in order to obtain as much information as possible and remain up-to-date on all issues arisen, websites devoted to the piracy problem are systematically monitored. Concerning insurance coverage, on the basis of an assessment of the risks, the Group ascertained that the main risks tied to piracy are duly covered by means of: (a) insurance for loss of charter, which covers the Company for the loss of income resulting from physical damages to the ship caused by piracy attacks (risk covered by the Hull & Machinery policy); (b) insurance for kidnapping and ransom, which covers the risks of kidnapping, unlawful detention, hijacking; (c) insurance for loss of charter due to piracy, which covers payment of the charter during the period of detention by pirates; (d) third party civil liability, included in the P&I coverage.

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 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.

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 EUR 700 thousand (2 million in 2017) on the consolidated income statement, while an equivalent increase would not have had any substantial impacts.

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 EUR 2 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 million on equity reserves and in the income statement.

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 US 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 US Dollar, the Group operates also with the Japanese yen, for which foreign-exchange risk does not correspond to equivalent fixed assets. For exposure to the 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 2018 would have had a negative impact on the income statement, and thus on financial position, of approximately a positive EUR 3.7 million/negative EUR 3.5 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 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 reviews 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 3 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 fulfil 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 100.8 million. In this regard, reference should be made to note 22, which presents information concerning loans, and note 34 concerning the Group's commitments.

Prevention of corruption & bribery

The Group is exposed to the risk of fraud deriving from the significant volume and value of the transactions undertaken. To minimise these risks, the Company has adopted the following risk management policy:

(i) Limitation of powers and delegations set for any natural person (e.g. powers of attorney limited in the subject, limited amount for transactions);

(ii) Controls on banking signature powers (e.g. principle of dual control for specific transactions);

(iii) Controls on tendering processes;

(iv) Monitoring compliance with regulations pertaining to travel, board, lodging and entertainment;

(v) Continuous internal communication on compliance, advances and training;

(vi) Joint supervision of the audit function, of the Board of Statutory Auditors and of the Supervisory Board;

(vii) Managers' commitment at all levels;

(viii) Adoption of the Code of Ethics (the "Code") which includes the main rules of behaviour directed at reducing and preventing to a significant extent the risk of perpetration of the different types of offences, including fraud. On 11 April 2014, the Board of Directors approved a revised version of the Code;

(ix) Adoption of a compliance programme ("Organisational management and control model" or "Model 231") directed at defining an organic and structured system of procedures, rules and controls to be implemented both preventively (ex ante) and subsequently (ex post), to reduce and prevent the risk of perpetration of offences (including corruption) per Legislative Decree no. 231/2001 of 8 June 2001 ("Decree 231") and establishment of the Supervisory Board, an internal supervisory body with the function of monitoring the effective implementation of Model 231 and its constant updating.

For the Group, it is of the utmost importance to act professionally, correctly, honestly and ethically in all transactions and commercial dealings wherever the Company operates (or expects to operate), implementing and applying effective systems to combat corruption; it means avoiding corruption in any form, including bribes, and comply with the anti-corruption laws of each country in which the Group operates, and promoting a "zero tolerance" approach to corrupting actions, including those of consultants, agents or contractors.

Essentially, all Group employees are responsible for preventing, detecting and reporting bribes and other forms of corruption; they are also expected to avoid any activity that could entail, or suggest, a violation of the anti-corruption policy. Implementation of specific measures ensures that all cases of suspected corruption are managed consistently and, regardless of whether an investigation corroborates their existence, there will be no retaliation or negative circumstances for the person who reports a possible case of violation: in the Human Resources division of the d'Amico Group, an anti-corruption reporting system using a dedicated e-mail address has been implemented.

Similarly, no employee of any Group company will be subjected to retaliation or negative consequences for refusing to adopt an unlawful conduct or for reporting, in good faith, violations of the applicable anti-corruption rules and regulations.

Compliance with the anti-corruption policy is verified with various methods, including by way of non-limiting example actively monitoring expense reimbursement and gift tracking systems, reports produced by the available corporate instruments, internal and external controls, self-assessments, reports of potential violations and/or other feedback to the Human Resources division, which is the policy owner.

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, 17 April 2019

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 2018

Consolidated income statement

Euro/000	Notes	FY 2018	FY 2017
Revenue	4	711,038	678,694
Operating costs	5	(613,774)	(596,228)
General and administrative costs	6	(68,206)	(62,014)
Income on the disposal of fixed assets	7	161	20,719
Gross operating profit / (loss)		**29,219**	**41,171**
Depreciation, amortisation and impairment	10/11	(70,236)	(77,028)
Operating profit / (loss)		**(41,017)**	**(35,857)**
Financial income	8	65,378	32,284
Financial charges	8	(61,195)	(42,691)
Exchange gains/(losses)	8	2,859	(9,190)
Net profit / (loss) of companies valued at equity	8	(667)	6,875
Net profit / (loss) of companies valued at equity		**6,375**	**(12,722)**
Profit / (Loss) before taxes		**(34,642)**	**(48,579)**
Income taxes	9	(2,382)	(4,623)
Net profit / (loss)		**(37,024)**	**(53,202)**
Attributable to			
Minorities		**(15,959)**	**(8,558)**
Parent Company		**(21,065)**	**(44,644)**

Consolidated statement of other comprehensive income

Euro/000	FY 2018	FY 2017
Net profit / (loss)	(37,024)	(53,202)
Other components of comprehensive income not to be recycled to the income statement in subsequent periods		
Translation differences on foreign operations	24,019	(77,869)
Actuarial gain or loss (IAS 19)	(49)	(178)
Tax effects of expenses/income recognised in equity	0	0
Total	**23,970**	**(78,047)**
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	0	34,473
Effective part of gains/(losses) on hedging instruments	(100)	3,666
Tax effects of expenses/income recognised in equity	(80)	(80)
Total	**(180)**	**45,806**
Comprehensive income	**(13,234)**	**(85,443)**
Attributable to		
Minorities	**(10,859)**	**(40,799)**
Parent Company	**(2,375)**	**(44,644)**

Consolidated statement of financial position

Euro/000	Notes	As at 31 December 2018	As at 31 December 2017
ASSETS			
Non-current assets			
Intangible assets	10	1,917	2,339
Tangible assets	11	1,260,757	1,159,839
Long-term investments	12	144,976	162,474
Non-current finance lease receivables	13	13,013	14,306
Other non-current financial assets	14	50,025	67,069
Total non-current assets		**1,470,688**	**1,406,027**
Current assets			
Inventories	15	47,776	49,601
Short-term receivables and other current assets	16	121,859	117,648
Current finance lease receivables	13	2,545	2,851
Other current financial assets	17	33,009	54,078
Cash and cash equivalents	18	90,553	73,926
Available-for-sale assets	19	13,809	74,627
Total current assets		**309,551**	**372,731**
Total assets		**1,780,239**	**1,778,758**
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity			
Share capital		25,000	25,000
Reserves		594,887	699,104
Net profit / (loss)		(21,065)	(44,644)
Shareholders’ equity - Parent	20	**598,822**	**679,460**
Capital and reserves - Minorities		123,395	130,570
Net profit / (loss) - Minorities		(15,959)	(8,558)
Total shareholders’ equity	20	**706,258**	**801,472**
Non-current liabilities			
Provisions for risks and charges	21	4,098	3,605
Banks and other lenders	22	520,746	526,262
Provisions for employee benefits	23	4,570	4,135
Non-current finance lease liabilities	24	169,474	77,360
Other non-current financial liabilities	25	31,529	35,856
Other non-current liabilities	26	939	872
Deferred tax liabilities	27	211	9
Total non-current liabilities		**731,567**	**648,099**
Current liabilities			
Banks and other lenders	22	208,572	219,427
Short-term payables and other current liabilities	28	109,728	89,519
Current finance lease liabilities	24	8,055	3,336
Other current financial liabilities	29	15,064	15,417
Current tax liabilities	30	995	1,488
Total current liabilities		**342,414**	**329,187**
Total shareholders' equity and liabilities		**1,780,239**	**1,778,758**

Consolidated statement of cash flows

(Thousands of EUR)	2018	2017
Net profit for the period	**(37,024)**	**(53,202)**
Depreciation, amortisation and impairments	70,236	77,028
Current and deferred tax	2,382	4,623
Financial charges/Financial income	(6,375)	12,722
Fair value gains on foreign currency translation	1,424	(582)
Other non-cash items	(64,623)	(9,199)
Net cash provided by / (used in) operating activities before changes in working capital	**(33,980)**	**31,390**
Changes in inventories	1,825	(1,959)
Changes in receivables and other assets	(2,612)	(9,857)
Changes in payables and other liabilities	52,397	(3,258)
Taxes paid	(1,056)	(4,260)
Interest collected / (paid)	(33,369)	(38,608)
Net cash provided by / (used in) operating activities	**(16,795)**	**(26,552)**
Acquisition of fixed assets	(228,863)	(165,361)
Gains (losses) on disposal/derecognition of fixed assets	171,546	99,925
Net cash provided by / (used in) investing activities	**(57,317)**	**(65,436)**
Other changes in shareholders' equity	(2,846)	(2,407)
Changes in financial assets/liabilities	53,884	(4,054)
Finance leases	98,690	82,549
Finance lease repayments	(4,271)	(1,853)
Bank loan repayments	(206,672)	(146,966)
Change in bank overdrafts	(5,565)	6,447
Bank loan draw-downs	164,584	132,059
Dividends paid	(7,065)	(4,000)
Net cash provided by / (used in) financing activities	**90,739**	**61,775**
Change in net cash provided / (used)	**16,627**	**(30,213)**
Net increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	73,926	104,139
Change in cash and cash equivalents	16,627	(30,213)
Cash and cash equivalents at the end of the year	**90,553**	**73,926**

Consolidated statement of changes in shareholders’ equity

	Share capital	Retained earnings	Other reserves	Net profit	Total	Minority interests	Total shareholders' equity
31 December 2017	**25,000**	**565,235**	**133,869**	**(44,644)**	**679,460**	**122,012**	**801,472**
IFRS 15 Adjustment		**(2,382)**			**(2,382)**		**(2,382)**
Balance 1 January 2018	**25,000**	**562,853**	**133,869**	**(44,644)**	**677,078**	**122,012**	**799,090**
Dividends paid		(4,000)			(4,000)	(3,065)	(7,065)
Allocation of net profit or loss		(44,644)		44,644	0		0
Comprehensive income			18,690		18,690	5,100	23,790
Other changes in shareholders’ equity		(4,912)	(66,969)		(71,881)		(71,881)
Change in Group or minority shareholders’ equity					0	(652)	(652)
Net profit / (loss)				(21,065)	(21,065)	(15,959)	(37,024)
31 December 2018	**25,000**	**509,297**	**85,590**	**(21,065)**	**598,822**	**107,436**	**706,258**

	Share capital	Retained earnings	Other reserves	Net profit	Total	Minority interests	Total shareholders' equity
31 December 2016	**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
Change in Group or minority shareholders’ equity		8,447			8,447	5,256	13,703
Net profit / (loss)				(44,644)	(44,644)	(8,558)	(53,202)
31 December 2017	**25,000**	**565,235**	**133,869**	**(44,644)**	**679,460**	**122,012**	**801,472**

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 standards (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 standards used to prepare these financial statements 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 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 2018, as explained below. The IAS/IFRS standards endorsed and in effect as at 31 December 2018 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.

These consolidated financial statements were approved for publication by the Board of Directors on 17 May 2019.

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 other comprehensive income. The presentation scheme adopted for the statement of financial position is based on a distinction between current and non-current assets and liabilities. Current assets, which include cash and cash equivalents, are those intended to be realised, disposed of or used in the Group's normal operating cycle or the twelve months after year-end; current liabilities are those expected to be extinguished during the normal operating cycle or the twelve months after year-end. The indirect method has been used to prepare the statement of cash flows.

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

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 standards 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 2018 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 percentages of direct or indirect ownership 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 investments 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 equity investments 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 investments

Associated companies are those enterprises in which the Group holds an equity investment 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 investments 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 is 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 other comprehensive income and included in the translation reserve. When the Group disposes of an equity 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 in 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

Revenue is recognised in accordance with IFRS 15; the standard was promulgated to provide a complete set of principles to represent the nature, amount, timing and uncertainty of revenues and cash flows deriving from contracts with a customer. IFRS 15 replaces IAS 18, IAS 11 and the pertinent references in other standards, and the underlying principle of risks and benefits prescribed by IAS 18 is replaced by the valuation of the time when control over the goods or services is transferred.

Adoption of IFRS 15 causes, with respect to IAS 18, a postponement of the time when the revenue on voyage-based charters is recognised, changing from the "discharge to discharge" method to the "load to discharge" method, with the consequent later recognition of the revenue; in accordance with IFRS 15, the costs incurred to position the ship in the loading harbour shall be capitalised as contractual costs and amortised at the time of recognition of the revenue, which means that the costs to move the ship from the last discharge harbour to the subsequent loading harbour ("ballast costs") are capitalised at the end of the ballast trip and amortised during the subsequent travel with cargo, from the loading harbour to the discharge harbour.

All revenue deriving from transportation services are recognised on the basis of the percentage of completion. This percentage is determined according to the "load-to-discharge" approach for all spot voyages and voyages servicing contracts of affreightment (COAs). According to this method, transport revenue is recognised along the period between the departure of a ship from the original loading harbour to the subsequent discharge harbour (load to discharge).

For voyages ongoing at the end of a reporting period, the Group recognises a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the reporting date. Revenue is estimated on the basis of the expected duration and of the destination of the voyage. Revenue from time-charter contracts is recognised in proportion to the charter period, in relation to the service rendered.

Demurrage income

Freight contracts include conditions concerning the time available for vessel loading and unloading. Demurrage income, recognised over time, represent the estimated consideration for the additional time necessary to unload the vessel. Demurrage income is an additional variable consideration, whose potential amount is estimated; any provision will be included in IFRS 9 requirements and therefore it will be posted separately.

Application of IFRS 15 is based on five steps in revenue recognition:

1) Identification of the contract;

2) Identification of the performance obligations prescribed by the contract: it has been observed that an impact would arise solely on the revenue from spot contracts for the transportation of refined products from the loading harbour to the unloading harbour; the application of IFRS 15 does not influence time charter base revenue because it refers to another accounting standard.

3) Determination of the price of the transaction: on spot voyages, which are carried out through voyage charter contracts, the prices of the transaction are equivalent to the product between the spot charter fees and the quantity of goods transported, at the time of completion of the transaction. Demurrage represents an additional sum due by the charter, which arises when the ship takes a longer time to load and/or unload the good than the voyage charter contract establishes; in the contract there is no financial element, therefore the Company does not employ the practical expedient provided by the standard;

4) Allocation of the price of the transaction to the performance obligation: the allocation is based on the load-to-discharge method.

5) Recognition of the revenue when a performance obligation is met: revenue recognition is based on the load-to-discharge method. The revenue is recognised over time, based on the duration of the spot voyage. Recognition of the variable consideration: demurrage income is considered variable consideration and depends on the demurrage fee and on the agreed delay; the performance is invoiced at the discharge harbour.
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: the repositioning is necessary for the ship to be able to meet its performance obligation (without any additional benefit deriving from the repositioning). Repositioning costs can be capitalised before loading if they meet all three of the following conditions: 1. they are directly tied to a contract; 2. they generate or increase resources to be used in meeting the obligations prescribed by the contract; 3. they are expected to be recovered.

Direct voyage costs and other direct operating costs

Direct voyage costs (port expenses, channel transit, bunker fuel consumption and commissions) pertain to the use of the fleet on the spot market and for COA (contract of affreightment) contracts and they are recognised when they are incurred, based on the corresponding standard IFRS 15.

Time-charter hire rates paid for chartering vessels are charged to the income statement on an accruals basis. Operating expenses relating to the ships, e.g. the crew costs, repairs, spare parts, stocks, insurance, commercial and technical expenses, are allocated to the income statement when they are incurred. The cost of lubricants is based on consumption during 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.

INFORMATION UNDER ARTICLE 1 PARAGRAPH 125 OF LAW NO. 124 OF 4 AUGUST 2017

We specify that, with reference to Article 1 paragraph 125 of Law no. 124/2017, Group companies did not receive any subsidy while, by effect of Article 3-quater of Law no. 12/2019, it is pointed out that only d'Amico Shipping Italia SpA benefited from aid in reference to the measures per Law no. 30/98.

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 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 taking into consideration all temporary taxable differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available in the future 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 the 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 certifications 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 asset is estimated on the basis of the costs required for the next dry-docking.

Aircraft

Interests in an aircraft (held by d'Amico International Sa) are recognised at acquisition cost and depreciated on a straight-line basis over five years. As at the end of the 2018 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 properties	33
Furniture, fittings and office equipment	3-8
Leasehold improvements	Term of contract

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

Available-for-sale assets

In accordance with IFRS 5, non-current assets (vessels) 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.

Immediately prior to this classification, assets are revalued in accordance with the Group's accounting standards; subsequently, they are recognised at the lower value between their carrying amount and the fair value net of the cost of sale. The assets classified as available for sale are not subject to amortisation and depreciation. The write-downs with respect to the initial classification as available for sale and subsequent gains or losses deriving from the revaluation are posted in the income statement. No gains exceeding the total write-down are recognised.

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 not to sell.

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 real-estate investments. 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 particular, 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)

Charter-in and charter-out contracts for vessels, in which substantially all risks and rewards of ownership are transferred to the lessee, are treated as operating leases, and the costs and revenue of the transaction are recognised in the income statement on a straight line basis along the duration of the contract. Contractual obligations for the remaining lease period of charter-in contracts are disclosed as commitments in the notes to the financial statements.

Financial leases

Ship chartering agreements stipulated following a sale transaction (lease-back contract), operated by the companies of the Group, where substantially all risks and revenue connected with economic ownership are maintained, are recognised in the Statement of financial position as financial leases in accordance with IAS 17. Leased assets are measured at the start of the lease agreement at the lower value between the present value of the minimum payments prescribed by that agreement and the fair value of the assets, plus every connected expense incurred by the lessee. To determine the present value, the implied interest rate of the lease is considered as the discount factor. The depreciation of leased assets is based on the shorter period between the duration of the lease and the useful life of the asset, except if it is reasonably certain that ownership will pass to the lessee (in which case it is based on the useful life of the asset). The useful life corresponds to the life applied to comparable owned assets.

Financial lease liabilities are recognised in the Statement of financial position while the interest of lease payments is allocated in the income statement.

Inventories

These are the stocks of Intermediate Fuel Oil (IFO), Marine Diesel Oil (MDO) and lubricants aboard the ships. The stocks of IFO and MDO fuels and lubricants aboard vessels are recognised at cost, calculated according to the FIFO method.

Financial assets and liabilities

Financial assets are measured at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income. Measurement at amortised cost can take place when the company has a business model directed at holding the financial asset to collect contractual cash flows, if such cash flows are realised on specific dates and constitute only the payment of principal and interest. When the requirements for the measurement of the financial assets at amortised cost are met, but the business model also comprises the sale of these instruments, financial assets are measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit or loss.

Differently from the model of the incurred losses provided by IAS 39, in IFRS 9 the exposure of impairment moves to a model based on the expectation of an impairment of receivables. Impairment requirements are applied to financial assets measured at amortised cost and at fair value through other comprehensive income, recording the expected impairment on receivables upon initial recognition on the basis of those expected in 12 months, or, if a significant increase of the credit risk of the financial asset is observed, the impairment loss is based on the losses expected along the entire duration thereof. For impairment, a three-step approach is applied: the first step (impairment of receivables expected in 12 months) is applicable when there is no significant increase of the credit risk, therefore the expected impairment losses of the receivables are recognised and revised at every reporting date and the position is posted at its gross value; in the second step, an impairment of the receivable is forecast and recognised along its duration because of the increase of the credit risk, however the position continues to be posted at its gross value; the last step considers an impairment of the receivable expected along its duration, therefore the subsequent impairment of the receivable and of the interest is posted at its net value.

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

Equity investments in subsidiaries and associates

Equity investments in subsidiaries and in associates are recognised at the historical cost adjusted for any impairment. Any positive differences, arisen at the time of the purchase, between the purchase cost and the fair value of the net assets acquired by the Company are therefore included in the carrying amount of the investments. It these investments are deemed to be permanently impaired, the impairment loss is recognised directly in the income statement. If this impairment is subsequently eliminated or reduced, the corresponding amount is reversed and recorded in the income statement up to the value initially recognised as the cost of the investment.

Equity investments in other companies and other financial assets

- Unqualified equity investments in companies listed on regulated markets: equity investments are measured at fair value and the profit or loss is recognised in the income statement.
- Unqualified equity investments in companies not listed on regulated markets: equity investments are measured at cost because it represents the best estimate of fair value.
- Unqualified equity investments in funds not listed on regulated markets: equity investments in the funds are measured at fair value and the profit or loss is recognised in the income statement.

Receivables

Receivables are initially measured at their arm's length value (which represents the fair value of the transaction); subsequently, they are measured at amortised cost, net of impairment losses and the bad debt provision. The impairment is recognised in the income statement if there is objective proof of the impairment of the receivable. Impairment is calculated as the difference between the carrying amount and present value of estimated future cash flows, discounted at the effective interest rate originally applicable to the asset. In the case of short-term trade receivables in particular - given the brief period of time - measurement at amortised cost is equivalent to nominal value, less impairment losses.

Expected impairments of receivables are calculated and are based on the measurement of the impairment of the receivable expected along its duration, adopting the simplified approach, and determined at the initial recognition and subsequently adjusted for any changes in expectations. From 1 January 2018 onwards, in accordance with IFRS 9 the impairment loss is measured with reference to the expected impairments of receivables associated with its trade receivables recorded at amortised cost and at fair value through other comprehensive income. The Company applies the simplified approach allowed by IFRS 9, which requires the recognition of the impairment losses of receivables expected along their duration starting from the initial recognition of the receivables, however the impairment methodology applied depends on whether the credit risk has increased significantly or not. In the assessment of the credit risk and of expected losses, the management considers a default risk and its probability for each set payment window. The ongoing assessment of risk increases takes place comparing the probability of default at the time of the assessment with that at the time of the last estimate. The management takes into consideration a rebuttable assumption on the maturity of the receivables, where each class of days represents an indicator of increase of the (rate of) risk of default used by the Group.

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.

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 other comprehensive income under "Revaluation of defined-benefit plans" and in 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 shareholders' meeting.

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 standards 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 in the associated subsequent periods.

It is believed that certain accounting standards are particularly significant to understand 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 require 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.

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

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

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

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

Segment information

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

New accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2018

Starting from 1 January 2018, new accounting standards were adopted.

IFRS 15 – **Revenue from Contracts with Customers.** The standard was elaborated to provide a complete set of principles to represent the nature, amount, timing and uncertainty of revenues and cash flows 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.

Impact on the financial statements

The impact of the adoption of IFRS 15, Revenue from contracts with customers, on the financial statements of the Group and more specifically on retained earnings, is explained below.

Thousands of EUR	Retained earnings
31 December 2017	565,235
IFRS 15 Adjustment	(2,382)
Adjusted balance as at 1 January 2018	562,853

If IFRS 15 had not been applied, Short term receivables and other current assets for the year ended as at 31 December 2018 would give rise to the following situation:

Thousands of EUR	31-Dec-18 as reported (IFRS 15)	Effect of IFRS 15	31 December 2018 if IFRS 15 had not been applied
Contractual receivables under IFRS 15	23,028	(23,028)	0
Contractual assets under IFRS 15	14,469	(14,469)	0
Other contractual receivables - time charter	8,810	(8,810)	0
Other trade receivables	49,976	(49,976)	0
Short-term trade receivables	0	97,145	97,145
Bad debt provision	(2,949)	0	(2,949)
Other receivables due, advances, accrued income and prepaid expenses	22,248	0	22,248
Advances, accrued income and prepaid expenses	6,277	0	6,277
Total short term receivables and other current assets	**121,859**	**862**	**122,721**
Retained earnings	**509,331**	**862**	**510,193**

IFRS 9 – Financial Instruments. This principle replaces IAS 39 and pertains to the recognition, valuation and derecognition of financial assets and liabilities, the impairment of financial assets and the accounting for hedge instruments.

The Company took into consideration its financial assets measured at amortised cost or at fair value through other comprehensive income: from the changes to classification due to IFRS 9, the following adjustments arose:

- As at 31 December 2017, the company held unqualified equity investments in listed companies available for sale measured at fair value and gains and losses were recognised in the statement of other comprehensive income. As at 1 January 2018, the company reclassified the Available for Sale reserve, after the related tax effect, to the result for the year; the equity investments were then classified as Unqualified equity investments in listed companies on regulated markets.
- As at 31 December 2017, the company held a financial receivable from the subsidiary DOMAS Immobiliare S.r.l. recognised at amortised cost. As at 1 January 2018, the company, in light of the new IFRS 9, redetermined, based on the credit risk of the subsidiary, the recoverable value of the receivable, adjusting the shareholders' equity at that date; since the amount is not significant, the comparative data were changed.

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 16 – **Leases** will enter info force for accounting periods from 1 January 2019, with the possibility of early application.

Leasing is a means of gaining access to assets, obtaining loans, and reducing the exposure of an entity to the asset ownership risk. The new approach to leasing will lead to a more faithful representation of the assets and liabilities of a lessee and, together with the expanded disclosure, will increase the financial leverage and the capital used by a lessee. Within the income statement, operating expenses will be replaced by interest and amortisation, so some key indicators such as TCE and EBITDA will change. Operating cash flows will be higher because cash payments for the lease liability will be classified within the financing activities. IFRS 16 will be applied to annual reporting periods beginning on or after 1 January 2019 and the Group will apply it from its effective date.

While changes for lessors, and for lessors of existing financial leases, will be limited, the standard will have significant impact on the treatment on the part of lessors of what are currently treated as operating leases. With some exceptions, the lessors of current operating leases will need to record payables for payments provided for 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 leased asset (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).

Based on the existing operating lease commitments, the directors estimate that as at 31 December 2018 an additional lease assets of approximately EUR 420 million would be recognised along with an equal increase in lease liabilities.

There are no other standards not yet in force that are expected to have a significant impact on the company 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 Group is exposed to numerous operational risks, which may entail unforeseen costs and loss of income. These risks can arise from issues tied to crew selection, to bunkering, to drydock work and repairs, to commercial management, to harbour agencies and towing, navigation and insurance. The Group's risk management practices to contrast these risks include:

(i) the selection of crews for the ships, shipowning companies rely on the support of some Group companies.
Since 2017, the Group has strengthened its organisation, establishing a Crew Division, which manages and supervises the crew selection process and all connected functions for the entire Group. The new organizational structure is meant to obtain synergies and economies of scale applying the same policies (training standards, career management, crew employment agreements, wage tables, etc.) to all the Group's crews. All operating and administrative duties are assigned to SIRIUS, a crew recruitment company of the Group, under the responsibility of the Group's Crew Division.
Having the entire crew management function under a single division at the Group level allows to considerably reduce all connected risks, because all applicable procedures are continuously updated and communicated to all managed ships, with prompt implementation of the new rules, in particular those involving safety and environmental protection.

The number of seamen's contracts that are interrupted before their contractual expiration date are constantly monitored, as this is a key performance indicator, with the goal of maintaining this value below 8%. Moreover, the Group aims to reach a retention rate of at least 80%, which is the industry standard.

From a financial standpoint, every year the personnel selection function develops highly accurate budgets for each technically managed ship, with a quarterly analysis of deviations and comparisons with the previous year, so as to provide adequate support to the financial and treasury divisions.

(ii) bunkering for all operational companies is managed by Rudder Sam with the aid of its subsidiaries.

Rudder has a thorough knowledge of the market and, employing a network of reliable suppliers with high standards, it can meet demands throughout the world, to reduce costs and deviations and assure that supplies comply with the most recent ISO standards in force.

A constant supervision of physical deliveries (in terms of times and quantities planned) and the analysis of the quality of bunker samples assure that quantitative and qualitative problems are kept under control.

(iii) harbour agencies and towing are managed through general contracts and are based on a reliable network of agents that operate with high standards, to maximise the efficiency of the turnaround times of the Group's ships in harbours, providing qualified administrative services to the Group's ships and to take advantage of economies of scale.

(iv) travel planning and control are managed to assure a high quality service to charters, through constant focus on compliance with contractual requirements, with the objective of reducing costs and minimising delays.

(v) drydocking and repairs - the management of drydocking and repairs is coordinated by the d'Amico Group, which allows to reach economies of scale and to rely on an adequate reference value for the cost and the quality of these services.

Preferred shipyards, located in key commercial areas, are selected on the basis of criteria such as the quality of the work performed, ISO certifications and other voluntary or mandatory certifications, compliance with ethics principles, the past experience of the d'Amico Group and a list of references.

Drydock work is planned in advance, to assure the necessary spaces and cause the specifications of the work to be defined through an inspection prior to drydocking.

The selection of the drydock work takes into account all costs, including repair costs, the cost of deviation including the cost of the bunker consumed, together with the time required for the repairs.
A representative of the Company is always present on site to monitor the quality of the work performed and the progress of the entire project, ready to manage, in a timely manner, any problem that should emerge.

All the above activities are performed to reduce the risks tied to:

- unavailability of drydock space at the time the ship is taken out of service;
- unforeseen work;
- unforeseen costs and delays;
- verification of punctual delivery to the charter;

To measure performance, the Group has established a key performance indicator, the "Drydock work planning performance", directed at monitoring and controlling costs and delays.

(vi) the Group insurance plan covers a broad range of risks that could arise from ownership and operation of the ships and that could expose the various companies to financial losses. With regard to the operations of the ship and the transportation of goods, the coverage includes the risks of injury, environmental damage and pollution, third party damages and liability, damages to hulls and engines, total loss, risks of war and piracy.

(vii) the piracy risk is a serious problem in the Gulf of Aden, in the Indian Ocean and in the economic area of the Gulf of Guinea, North of 3 degrees North latitude (including Nigeria, Togo and Benin). In this regard, the measures adopted are directed at: (a) minimising risk during transit in the area of the Gulf of Aden to promote safer navigation; (b) verifying the adequacy of the insurance policies currently in place to assure that these risks are appropriately covered. A detailed analysis of the situation has allowed the Group to define the guidelines each ship shall adhere to when it is in the area at risk. Moreover, in order to obtain as much information as possible and remain up-to-date on all issues arisen, websites devoted to the piracy problem are systematically monitored. Concerning insurance coverage, on the basis of an assessment of the risks, the Group ascertained that the main risks tied to piracy are duly covered by means of: (a) insurance for loss of charter, which covers the Company for the loss of income resulting from physical damages to the ship caused by piracy attacks (risk covered by the Hull & Machinery policy); (b) insurance for kidnapping and ransom, which covers the risks of kidnapping, unlawful detention, hijacking; (c) insurance for loss of charter due to piracy, which covers payment of the charter during the period of detention by pirates; (d) third party civil liability, included in the P&I coverage.

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 US Dollar, 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.

Prevention of corruption & bribery

The Group is exposed to the risk of fraud deriving from the significant volume and value of the transactions undertaken. To minimise these risks, the Company has adopted the following risk management policy:

(i) Limitation of powers and delegations set for any natural person (e.g. powers of attorney limited in the subject, limited amount for transactions);

(ii) Controls on banking signature powers (e.g. principle of dual control for specific transactions);

(iii) Controls on tendering processes;

(iv) Monitoring compliance with regulations pertaining to travel, board, lodging and entertainment;

(v) Continuous internal communication on compliance, advances and training;

(vi) Joint supervision of the audit function, of the Board of Statutory Auditors and of the Supervisory Board;

(vii) Managers' commitment at all levels;

(viii) Adoption of the Code of Ethics (the "Code") which includes the main rules of behaviour directed at reducing and preventing to a significant extent the risk of perpetration of the different types of offences, including fraud. On 11 April 2014, the Board of Directors of DIS approved a revised version of the Code;

(ix) Adoption of a compliance programme ("Organisational management and control model" or "Model 231") directed at defining an organic and structured system of procedures, rules and controls to be implemented both preventively (ex ante) and subsequently (ex post), to reduce and prevent the risk of perpetration of offences (including corruption) per Legislative Decree no. 231/2001 of 8 June 2001 ("Decree 231") and establishment of the Supervisory Board, an internal supervisory body with the function of monitoring the effective implementation of Model 231 and its constant updating.

For the Group, it is of the utmost importance to act professionally, correctly, honestly and ethically in all transactions and commercial dealings wherever the Company operates (or expects to operate), implementing and applying effective systems to combat corruption; it means avoiding corruption in any form, including bribes, and comply with the anti-corruption laws of each country in which the Group operates, and promoting a "zero tolerance" approach to corrupting actions, including those of consultants, agents or contractors.

Essentially, all Group employees are responsible for preventing, detecting and reporting bribes and other forms of corruption; they are also expected to avoid any activity that could entail, or suggest, a violation of the anti-corruption policy. Implementation of specific measures ensures that all cases of suspected corruption are managed consistently and, regardless of whether an investigation corroborates their existence, there will be no retaliation or negative circumstances for the person who reports a possible case of violation: in the Human Resources division of the d'Amico Group, an anti-corruption reporting system using a dedicated e-mail address has been implemented.

Similarly, no employee of any Group company will be subjected to retaliation or negative consequences for refusing to adopt an unlawful conduct or for reporting, in good faith, violations of the applicable anti-corruption rules and regulations.

Compliance with the anti-corruption policy is verified with various methods, including by way of non-limiting example actively monitoring expense reimbursement and gift tracking systems, reports produced by the available corporate instruments, internal and external controls, self-assessments, reports of potential violations and/or other feedback to the Human Resources division, which is the policy owner.

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)	2018	2017
Shipping	690,825	664,090
Services	20,213	14,604
Total	**711,038**	**678,694**

The revenue for the year substantially increased compared to last year, also taking into account that the average exchange rate, which changed from 1.127 in 2017 to 1.1798 in 2018, reduced this increase. For "shipping" revenue, this increase is approximately 4%, while the other revenue increased by approximately 38%.

5. OPERATING COSTS

(Thousands of EUR)	2018	2017
Direct operating costs	215,441	221,458
Time charter hire costs	291,666	264,015
Other operating costs	106,667	110,755
Total	**613,774**	**596,228**

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 118 million), port/goods expenses (approximately EUR 73 million) and fee and commission expenses (approximately EUR 21 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 62 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 at the end of the year consisted of seagoing personnel of 1,081 (1,245 in 2017) and administrative personnel of 330 (like in 2017). 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)	2018	2017
Personnel costs	42,060	41,096
Other general and administrative costs	26,146	20,918
Total	**68,206**	**62,014**

As stated previously, the personnel costs presented 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, amounting to slightly more than EUR 6 million, of which EUR 2.5 million relate to costs for the directors of the Parent Company. Fees for auditing the financial statements of Group companies amount to EUR 616 thousand, of which EUR 128 thousand was incurred directly by the Parent Company. The increase in "other" general costs pertains mainly to the impairment of the inventories for the building under construction, owned by Domas, carried out in 2018. This impairment loss was considered necessary to make the carrying amount match the market value.

7. INCOME ON THE DISPOSAL OF FIXED ASSETS

(Thousands of EUR)	2018	2017
Gains on disposal of vessels	161	1,205
Gains on disposal of equity investments	-	19,514
Total	**161**	**20,719**

During the year, several units were disposed of: some were leased back, others were definitively sold to third parties. The value of these ships had already been adjusted to match sale values and allocated to a specific "Held for sale" item. For this reason, the income results relating to these sales are small in size. The ships disposed of are the tankers High Presence and Cielo di Milano and the dry-cargo ships Cielo di Casablanca, Cielo di Jari, Cielo di Agadir, Cielo di Tocopilla and Medi Bangkok.

Merely for comparison purposes, we specify that the 2017 results related to the capital gains/losses relating to the sale of 4 ships and to the positive result related to the sale of an interest in Clubtre by the Parent Company plus the positive result relating to the sale of the American company ADCI by CGTH.

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

(Thousands of EUR)	2018	2017
Financial income	65,378	32,284
Financial charges	(61,196)	(42,691)
Exchange differences	2,860	(9,190)
Result of measurements at equity	(667)	6,875
Total	**6,375**	**(12,722)**

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

(Thousands of EUR)	2018	2017
Dividends collected	2,292	1,753
Net bank interest	(13,220)	(5,639)
Interest on borrowings	(32,351)	(34,167)
Net profit/(loss) on investments	62,000	29,078
Other financial items	(14,539)	(1,432)
Exchange differences	2,860	(9,190)
Result of measurements at equity	(667)	6,875
Total	**6,375**	**(12,722)**

As the above figures show, use of "short-term" bank loans considerably increased, with the related cost rising to approximately EUR 13.2 million while the cost on medium-long term "loans" decreased slightly.
The net results of the investment were positive and contributed nearly EUR 62 million to the result for the financial year. This item includes the amount of EUR 68.4 million which relates to the accounting through profit and loss (FVTPL) of the fair value relating to the available-for-sale financial assets and more specifically to the Tamburi Investments Partners S.p.A. shares held by the Parent Company. In this regard, we should recall that until last year these shares had been recognised at fair value with allocation to specific Shareholders' Equity reserve (FVTOCI) while, starting from this year, by virtue of the change of the IFRS 9, the value changes will be allocated directly to the income statement.

The other financial items pertain mainly to the impairment losses of two Group companies (Glenda International Shipping and dACC Maritime), carried out in the financial statements of the individual parent companies for a total amount of EUR 14 million.

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 measurements at equity includes the measurement 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)	2018	2017
Current income taxes	3,119	4,758
Deferred taxes	(737)	(135)
Total	**2,382**	**4,623**

The table above shows the amounts recorded during the year to account for the taxation of all Group companies. The taxable base 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 theoretical 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 34 million, which, when used, will yield tax savings of approximately EUR 8.2 million. Within the scope of consolidation, the subsidiaries (sub-holding companies) d'Amico International S.A. and d'Amico International Shipping S.A. together have a total of approximately EUR 50 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 2018	As at 31 December 2017
Total	**1,917**	**2,339**

The following is an account of changes during the year:

Net carrying amount	Goodwill	Other assets	Total
As at 1 January 2018	**196**	**2,143**	**2,339**
Additions	0	449	449
Amortisation for the year	0	(924)	(924)
Exchange differences	(16)	69	53
Net carrying amount			
As at 31 December 2018	**180**	**1,737**	**1,917**

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 2018	As at 31 December 2017
Fleet	1,178,667	1,077,957
Real Estate	76,417	75,847
Other tangible assets	5,673	6,035
Total tangible assets	**1,260,757**	**1,159,839**

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

(Thousands of EUR)	Fleet	Land and buildings	Other assets	Total
Historical cost	1,550,312	98,086	20,001	1,668,399
Depreciation 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**
Additions	224,950	2,775	689	228,414
Disposals/Decreases	(166,715)	0	(509)	(167,224)
Reclassified under "Avail. for sale"	(19,031)	0	0	(19,031)
Reclassified from "Avail. for sale"	48,908	0	0	48,908
Depreciation	(61,223)	(2,346)	(675)	(64,244)
Depreciation transfer	23,771	0	0	23,771
Exchange differences	50,050	141	132	50,323
Historical cost	1,608,612	102,030	21,327	1,731,969
Depreciation and impairments	(429,945)	(25,613)	(15,654)	(471,212)
Balance as at 31 December 2018	**1,178,667**	**76,417**	**5,673**	**1,260,757**

With the comparison to the previous year

(Thousands of EUR)	Fleet	Real Estate	Other assets	Total
Historical cost	1,622,982	96,383	21,690	1,741,055
Depreciation 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)
Depreciation	(43,192)	(2,349)	(843)	(46,384)
Reclassified under "Avail. for sale"	(83,736)	0	0	(83,736)
Exchange differences	(147,174)	(248)	(651)	(148,073)
Historical cost	1,550,312	98,086	20,001	1,668,399
Depreciation 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**

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. Of the latter, as at 31 December 2018, two (tankers) remain to be delivered by 2019, whose amount in the financial statements is equal to approximately EUR 33 million.

The “Fleet” item also includes the values relating to the 7 tankers and two dry-cargo vessels that, as clearly indicated in the report as well as in note 7, were sold in 2018 and 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 recall that the aforementioned 7 tankers are subject to an obligation to purchase to be exercised at the end of the 10th year of the charter contract (except for the High Priority whose obligation expires at the end of the 5th year).

For the changes to the “available for sale” item, we mention that d’Amico Tanker decided to withdraw from the market and continue to use two vessels it intended to sell in 2018 and more specifically M/T Cielo di Salerno and M/T Cielo di Hanoi, therefore the corresponding value increased the “fleet” item in 2018. On the contrary, the vessels Medi Cagliari and Medi Baltimore, sold in 2019 by d’Amico Shipping Italia, were allocated under the “available for sale” item in these financial statements and hence subtracted from the “fleet” item.
The write-down of these two ships, equal to slightly more than EUR 5 million, was correctly inserted under the income statement item “Depreciation, amortisation and impairments”, while it is not present in this table because it was reclassified in “Available-for-sale assets”. For this reason, the item “Depreciation, amortisation and impairments” will be higher by approximately EUR 5 million. For the same reason, the amount reclassified as “available for sale” in the above tables will differ from the one posted in the financial statements.

This item also includes the costs related to the fleet’s dry-dock programmes.
For the complete list of vessels managed at the end of 2018 - 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 6.98%, representative of the company'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 various years, on owned vessels, totalling approximately EUR 22 million. Impairment testing has been conducted on a going-concern basis.

For information purposes, we should stress 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 approximately EUR 98 million, whereas a 1% change in the discount rate would have entailed a change of EUR 108 million. In both cases, the values of the fleet would have been considered "recoverable".

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 "Domus Daini" in Rome, owned by the Parent Company.

It bears noting that this property, carried at its historical cost of EUR 58.5 million, inclusive of appreciation over time, (currently at EUR 57.7 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. The carrying amount of the property, thus determined, approximates the market value, based on the most recent appraisals.

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)	2018	2017
Equity investments	43,200	45,662
Unqualified equity investments listed on regulated markets and other financial assets	101,776	116,812
Total	**144,976**	**162,474**

The amounts above refer to non-current financial assets for investments consolidated at equity, as well as equity investments 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 2017	Acquisitions / Disposals	Measurement at FV	As at 31 December 2018	Percent interest
Companies consolidated at equity					
Clubtre S.r.l.	13,472	0	(2,193)	11,279	28.36%
Venice Shipping & Logistic S.p.A.	8,526	0	(1,368)	7,158	28.45%
Eco Tankers Limited	2,726	0	93	2,819	21.39%
dACC Maritime d.a.c.	43	0	2	45	51.00%
MIDA Maritime Company d.a.c.	0	0	0	0	51.00%
DM Shipping d.a.c	0	0	0	0	33.06%
Cambiaso e Risso Asia Pte Ltd	714	0	34	747	50.00%
Cambiaso e Risso Pte Ltd	222	0	25	248	40.00%
Cambiaso and Risso Limited-Hong Kong	94	0	(94)	0	16.80%
Shangai Changjiang-Risso Ltd	0	0	0	0	40.00%
	25,797	**0**	**(3,501)**	**22,296**	
Other companies					
Sator S.p.A.	2,800	0	0	2,800	1.13%
Civita Cultura Holding S.r.l.	899	(576)	0	323	2.27%
ClubItaly srl	9,220	0	0	9,220	7.50%
Asset Italia SpA	2,528	0	0	2,528	3.57%
TIP-PRE IPO S.p.A.	2,854	0	0	2,854	3.26%
Other	1,564	1,612	3	3,179	
	19,865	**1,036**	**3**	**20,904**	
Unqualified equity investments listed on regulated markets and other financial assets					
Tamburi Investments Partners S.p.A.	112,489	(17,057)	1,861	97,293	10.31%
Banca Profilo S.p.A.	357	0	(90)	267	0.22%
Sator Private Equity Fund	3,966	250	0	4,216	-
	116,812	**(16,807)**	**1,771**	**101,776**	
Total	**162,474**	**(15,771)**	**(1,727)**	**144,976**	

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.

Among the exposed equity investments not eliminated in the consolidated financial statements, we mention the change in the "TIP" shareholding which, as a result of the partial sale carried out last December, brought the percentage of ownership to 10.31%.

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 investments in Italian and foreign companies. The equity investment held directly by d'Amico Società di Navigazione S.p.A. as at 31 December 2018 was 10.31%, down compared to last year;

- ***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 (28.36% for consolidated purposes considering the company's treasury shares). As at 31 December 2018, d'Amico Società di Navigazione S.p.A. had invested a total amount of over EUR 20 million (equity investment and loan). Clubtre S.p.A. holds, as at 31 December 2018, an equity investment of 3.9% 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 with the purpose of acquiring minority interests in Italian or foreign companies. These equity investments, in industrial or service sectors, must have the goal of being listed in a regulated stock market within five years. The equity investment is held both directly by the Parent Company and through d'Amico Partecipazioni Finanziarie S.r.l. ("DPF"), for a total of 3.26% of the share capital as at 31 December 2018;

- ***ClubItaly S.r.l.*** – this equity investment 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.*** – company whose main shareholders as at 31 December 2018 are 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 financial investment company established in 2016 (with the support of "Tamburi"), 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 3.57% equity investment in this company, corresponding to an initial investment of around EUR 700 thousand and to the result of the operations completed in 2018. 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 2016	Acquisitions / Disposals	Measurement at FV	As at 31 December 2017	Percent interest
Companies consolidated at equity					
Clubtre S.r.l.	32,611	(6,636)	(12,502)	13,472	28.36%
Venice Shipping & Logistic S.p.A.	8,526	0	0	8,526	28.45%
Eco Tankers Limited	3,093	0	(368)	2,726	21.39%
dACC Maritime d.a.c.	0	0	43	43	51.00%
MIDA Maritime Company d.a.c.	0	0	0	0	51.00%
DM Shipping d.a.c	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%
	45,039	**(6,588)**	**(12,654)**	**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	2,528	3.59%
TIP-PRE IPO S.p.A.	2,141	714	0	2,854	3.26%
Other	2,179	(493)	(122)	1,564	
	17,930	**2,057**	**(122)**	**19,865**	
Unqualified equity investments listed on regulated markets and other financial assets					
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%
Sator Private Equity Fund	3,633	333	0	3,966	-
	64,914	**17,390**	**34,508**	**116,812**	
Total	**127,883**	**12,859**	**21,732**	**162,474**	

13. FINANCE LEASE RECEIVABLES

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Non-current finance lease receivables	13,013	14,306
Current finance lease receivables	2,545	2,851
Total	**15,558**	**17,157**

The amounts shown in the table refer to the "bare boat" agreement which d'Amico Dry d.a.c. signed 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.
We further specify that the share of non-current debt set to come due beyond five years is EUR 4.5 million.

14. OTHER NON-CURRENT FINANCIAL ASSETS

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	50,025	67,069

Other non-current financial assets mainly include 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 18.5 million and one of the Parent Company due from Mida Maritime for slightly over EUR 8.5 million. For the remaining portion, we mention the financial receivable of approximately EUR 9.2 million of d'Amico Partecipazioni Finanziarie in relation to the "Put&Call" agreement for Clubitaly mentioned above, as well as the amount relating to some the tax receivables from prior years (approximately EUR 4 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.

15. INVENTORIES

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	47,776	49,601

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, which, as specified above, was written down by EUR 4 million to match its market value.

16. SHORT-TERM RECEIVABLES AND OTHER CURRENT ASSETS

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	121,859	117,648

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 3 million.

For the purposes of the application of the new IFRS 15, its specification for the year 2018 is set out below.

(Thousands of EUR)	As at 31 December 2018
Contractual receivables under IFRS 15	23,028
Contractual assets under IFRS 15	14,469
Other contractual receivables - time charter	8,810
Other receivables due, advances, accrued income and prepaid expenses	49,976
Bad debt provision	(2,949)
Advances, accrued income and prepaid expenses	28,525
Total	**121,859**

17. OTHER CURRENT FINANCIAL ASSETS

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	33,009	54,078

Current financial assets refer mainly to loans to companies consolidated at equity, whose values then are not eliminated and amount to approximately EUR 23.3 million. The remaining part relates to investments of liquidity in short-term and/or negotiable securities and instruments mainly relating to various portfolios of mutual funds, bonds, equities and other securities, held by d'Amico International S.a. and by d'Amico Società di Navigazione S.p.A. for a value of approximately EUR 4.5 million as well as some derivative financial instruments (better specified in note 31) of approximately EUR 4 million and other various financial receivables.

18. CASH AND CASH EQUIVALENTS

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	90,553	73,926

The item primarily comprises short-term bank deposits in the amount of EUR 83.3 million, while the remainder represents cash. This includes the last instalment (approximately EUR 900 thousand) deposited in an escrow account, consequent to the sale of Telemar carried out in 2016 which will be freed in May 2019.

19. AVAILABLE-FOR-SALE ASSETS

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	13,809	74,627

Available-for-sale assets pertain to two ships that were sold by d'Amico Shipping Italia in 2019 and more specifically Medi Cagliari (sold in March) and Medi Baltimore (sold in April). The posted 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. We also point out here that the amount reported in note 11 as "reclassified under available for sale" differs from the amount set out herein because of the impairment losses applied for a total value of over EUR 5 million.

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 2018	As at 31 December 2017
Share capital	25,000	25,000
Retained earnings	509,297	565,235
Other reserves	85,590	133,869
Net profit / (loss)	(21,065)	(44,644)
Shareholders' equity - Parent	**598,822**	**679,460**
Capital and reserves - Minorities	123,395	130,570
Net profit / (loss) - Minorities	(15,959)	(8,558)
Total shareholders' equity	706,258	801,472

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 established by the Parent Company, as well as the allocation of previous year result.

Other reserves

Other reserves include the following items:

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Cash-flow hedging reserve	2,688	2,876
Fair value reserve	0	66,634
Translation and consolidation reserve	82,414	63,647
Comprehensive income taxation reserve	649	800
Actuarial gain or loss	(161)	(88)
Total	**85,590**	**133,869**

The cash-flow hedging reserve (fair value of derivatives / cash-flow hedges) includes the effects of the measurement of cash-flow hedging derivative contracts, recognized among other financial assets and liabilities.
As stated, the fair value reserve of available-for-sale financial assets, present until last year, no longer exists because the fair value for the purpose of the present year was recognised directly in the income statement.

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 investments.

Net profit / (loss)

The result for the year, totalling a loss for EUR 37,024,000 is divided between the Parent Company's share of approximately EUR 21 million and minority interests' share, amounting to approximately EUR 16 million.

Minority interests

The result 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 2018	As at 31 December 2017
Total	**4,098**	**3,605**

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 amount 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 2018	As at 31 December 2017
Non-current liabilities		
Banks and other lenders	520,746	526,262
Current liabilities		
Banks and other lenders	208,572	219,427
Total	**729,318**	**745,689**

The outstanding bank debt at year end mainly refers to loans granted to the shipping companies to acquire fleet vessel. The account balance includes EUR 557 million in the aforesaid borrowings with variable interest rates, spreads on which range from 100 to 325 basis points on the benchmark LIBOR. EUR 406 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 relates to bank overdrafts, "hot money" and "overdrafts" totalling approximately EUR 104 million and some loans on various properties, mainly on "Domus Daini" owned by the Parent Company, amounting to nearly EUR 29 million.

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 50 million.

	Within 12 months	1/5 years	Beyond five years	TOTAL
Bank loans	208,572	419,959	100,787	**729,318**

23. PROVISIONS FOR EMPLOYEE BENEFITS

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Provisions for employee benefits	**4,570**	**4,135**

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 2018, 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). The share of the Italian end-of-service indemnity (TFM) must be added. The TFM 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 presented in these financial statements:

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Actuarial liability at the beginning of the year	**4,135**	**3,706**
Normal cost	424	393
Financial charges	21	30
Disbursements	(59)	(172)
Actuarial (gains)/losses during the period	49	178
Recognised liability as at year-end	**4,570**	**4,135**

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

	As at 31 December 2018
TERMINATION INDEMNITY/END-OF-SERVICE INDEMNITY	
Discount rate	0.78%
Inflation rate	1.50%
Personnel turnover rate	5%
Mortality rate	IPSMF 55

24. FINANCE LEASE LIABILITIES

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Non-current finance lease payables	169,474	77,360
Current finance lease payables	8,055	3,336
Total	**177,529**	**80,696**

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 financial liabilities.

25. OTHER NON-CURRENT FINANCIAL LIABILITIES

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	**31,529**	**35,856**

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 15 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 equity investment in ClubItaly (EUR 9.2 million) as well as other financial items of approximately EUR 2.6 million.

26. OTHER NON-CURRENT LIABILITIES

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	**939**	**872**

The year-end balance primarily includes the various non-commercial liabilities maturing after 31 December 2018.

27. DEFERRED TAX LIABILITIES

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	**211**	**9**

This item includes net 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 2018	As at 31 December 2017
Total	**109,728**	**89,519**

The accounts payable presented above consist primarily of trade payables, payments to seagoing personnel settled in early 2019 and deferred income present at year-end.

29. OTHER CURRENT FINANCIAL LIABILITIES

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Total	**15,064**	**15,417**

The item primarily comprises provisions for financial interests due at the start of 2019 (EUR 6.7 million) and hedging derivative instruments (approximately EUR 7.4 million), used by the Group and set to mature within 12 months and other smaller 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 2018	As at 31 December 2017
Total	**995**	**1,488**

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

31. DERIVATIVE INSTRUMENTS

Below are specified the various types of derivative instruments used by the Group with their accounting allocation and the change relative to the year 2017.

(Thousands of EUR)	As at 31 December 2018		As at 31 December 2017	
FAIR VALUE	Eur		Eur	
	Positive fair value	*Negative fair value*	*Positive fair value*	*Negative fair value*
Fair value through profit or loss				
Forward charter derivatives / FFAs	0	(1,905)	0	(74)
Interest rate derivatives	0	(9,592)	0	(14,729)
	0	**(11,497)**	**0**	**(14,803)**
Fair value through equity				
Foreign Exchange and currency transactions	0	(6,541)	0	(3,077)
Forward bunker purchase derivatives	0	(6,272)	0	(8,368)
Interest rate derivatives	5	0	0	0
	5	**(12,813)**	**0**	**(11,445)**
Total	**5**	**(24,310)**	**0**	**(26,248)**
Posted under:				
Other non-current financial assets	706	0	720	0
Other non-current financial liabilities	0	(19,391)	0	(22,325)
Other current financial assets	4,155	0	4,857	0
Other current financial liabilities	0	(9,775)	0	(9,500)
	4,861	**(29,166)**	**5,577**	**(31,825)**

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 value of which is determined according to unmodified prices quoted on active markets for similar assets or liabilities;
- **Level 2:** includes financial assets and liabilities the fair value of which is 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 value of which is 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 Group. 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 deserving to be mentioned in 2018 other than those mentioned above.

34. GUARANTEES, COMMITMENTS AND CONTINGENCIES

At the end of the 2018 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 approximately EUR 50.8 million at year-end and related to construction contracts in force for the last two vessels to be delivered in 2019.

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

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Up to one year	50,830	110,606
From one to five years	0	43,776
Beyond five years	0	0
Total	**50,830**	**154,382**

In addition to the items presented in the table, the Parent Company's commitments also include approximately EUR 1.7 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 approximately EUR 1 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 2018	As at 31 December 2017
Up to one year	195,865	213,435
From one to five years	592,659	609,687
Beyond five years	223,322	293,588
Total	**1,011,846**	**1,116,710**

Other operating leases

Other operating leases primarily comprise office lease contracts in the amount of approximately EUR 12.2 million.

(Thousands of EUR)	As at 31 December 2018	As at 31 December 2017
Up to one year	3,349	3,479
From one to five years	6,783	4,585
Beyond five years	2,067	2,436
Total	**12,199**	**10,500**

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. In addition, we should point out that there are some pending tax disputes involving the Parent Company which, by virtue of the related risk of loss and taking account the small amounts involved, decided not to proceed with any allocation to provisions.

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	70.7626	29.2374
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
Ermes Seawear Pte Ltd	Equity	Singapore	33.3299	66.6701
Cambiaso e Risso Asia Pte Ltd	Equity	Singapore	49.9999	50.0001
ACGI International Shipm. Singapore Ptel 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 SA	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	64.0017	35.9983
Glenda International Shipping d.a.c.	Proportional	Ireland	32.0008	67.9992
d'Amico Tankers d.a.c.	Line-by-line	Ireland	64.0017	35.9983
d'Amico Tankers Monaco sam	Line-by-line	Monte Carlo	63.7460	36.2540
d'Amico Tankers UK Ltd	Line-by-line	UK	64.0017	35.9983
DM Shipping d.a.c.	Equity	Ireland	32.6409	67.3591
Glenda International Management Ltd	Line-by-line	Ireland	64.0017	35.9983
High Pool Tankers Limited	Proportional	Ireland	64.0017	35.9983
Echo Tankers Limited	Equity	Malta	21.1206	78.8794
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 srl	Line-by-line	Rome	55.5500	44.4500
d'Amico investimenti srl	Line-by-line	Rome	100.0000	0.0000
Cgth srl	Line-by-line	Rome	68.7800	31.2200
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:

As at 31 December 2018, the Group holds the following equity investments in joint ventures:

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

(Thousands of EUR)	Revenue	Net profit / (loss)	Total assets	Shareholders' equity
As at 31 December 2018				
Glenda International Shipping Ltd	24,369	754	170,288	97,334
DM Shipping Ltd	9,695	(11,682)	33,907	(763)
Eco Tankers Limited	4,063	(19)	22,598	8,466
Cambiaso & Risso Asia Pte	1,404	274	5,310	1,617
dACC Maritime d.a.c.	11,646	(3,930)	95,092	(11,752)
MIDA Maritime Company d.a.c.	4,272	(391)	49,971	(1,110)

As stated, the consolidated financial statements also include a joint operation relating to a 50% equity investment, with equivalent voting rights, in Glenda International Shipping Ltd, a joint venture with Glencore Group, with headquarters in Ireland. Lastly, we should mention that DACC is in liquidation and the posted numbers are those relating to the last financial statements presented.

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.

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

Rome, 17 April 2019

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 2018

Separate income statement

Eur	Notes	2018	2017
Revenue	4	13,610,793	14,097,878
Operating costs	5	(1,792,555)	(1,926,908)
General and administrative costs	6	(17,275,586)	(17,293,651)
Gross operating profit / (loss)		**(5,457,348)**	**(5,122,681)**
Depreciation, amortisation and impairment	9/10	(2,069,314)	(2,209,694)
Operating profit / (loss)		**(7,526,662)**	**(7,332,375)**
Dividends	7	7,644,903	8,979,384
Other financial income	7	72,002,572	15,025,621
Financial charges	7	(5,276,376)	(4,343,946)
Profit / (Loss) before taxes		**66,844,437**	**12,328,684**
Income taxes	8	(954,631)	164,039
Net profit / (loss)		**65,889,806**	**12,492,723**

Statement of other comprehensive income

Eur	2018	2017
Net profit / (loss)	65,889,806	12,492,723
Other components of comprehensive income not to be recycled to the income statement in subsequent periods		
Actuarial gain or loss (IAS 19)	(65,922)	(174,657)
Tax effects of expenses/income recognised in equity	15,821	41,918
	(50,101)	**(132,739)**
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)	0	34,472,708
Effective part of gains/(losses) on cash-flow hedges	399,597	729,700
Tax effects of expenses/income recognised in equity	(95,903)	300,538
	303,694	**35,502,946**
Comprehensive income	**66,143,399**	**47,862,930**

Statement of financial position

Eur	Notes	As at 31 December 2018	As at 31 December 2017
ASSETS			
Non-current assets			
Intangible assets	9	92,718	132,463
Tangible assets	10	66,437,624	65,642,744
Long-term investments	11	238,153,567	229,585,987
Other non-current financial assets	12	77,320,316	69,602,469
Other non-current assets	13	3,993,665	4,921,705
Total non-current assets		**385,997,890**	**369,885,368**
Current assets			
Short-term receivables and other current assets	14	9,233,642	8,554,872
Other current financial assets	15	13,383,180	27,481,506
Cash and cash equivalents	16	1,690,414	4,367,584
Total current assets		**24,307,236**	**40,403,962**
Total assets		**410,305,126**	**410,289,330**
LIABILITIES			
Shareholders' equity			
Share capital		25,000,000	25,000,000
Retained earnings		219,179,462	213,186,739
Other reserves		(2,054,921)	64,406,642
Net profit / (loss)		65,889,806	12,492,723
Total shareholders' equity	17	**308,014,347**	**315,086,104**
Non-current liabilities			
Provisions for risks and charges	18	22,830	22,830
Banks and other lenders	22	27,085,150	25,664,624
Provisions for employee benefits	19	4,233,678	3,747,360
Deferred tax liabilities	20	202,850	0
Other non-current financial liabilities	21	2,542,801	2,942,398
Total non-current liabilities		**34,087,309**	**32,377,212**
Current liabilities			
Banks and other lenders	22	62,875,060	57,240,423
Short-term payables and other current liabilities	23	5,328,410	5,585,591
Total current liabilities		**68,203,470**	**62,826,014**
Total shareholders' equity and liabilities		**410,305,126**	**410,289,330**

Statement of cash flows

Eur	2018	2017
Net profit for the period	**65,889,806**	**12,492,723**
Depreciation, amortisation and impairment	2,069,314	2,209,694
Current, deferred and pass-through taxation	954,631	585,488
Financial charges / (income)	(7,743,799)	(17,366,691)
Other non-cash items	(67,942,447)	(10,276,849)
Net cash provided by / (used in) operating activities before changes in working capital	**(6,772,495)**	**(12,355,635)**
Change in amounts receivable	(678,782)	(3,623,005)
Change in amounts payable and provisions for Italian termination indemnity	(1,420,938)	(1,696,265)
Interest collected / (paid)	1,973,014	10,713,904
Net cash provided by / (used in) operating activities	**(6,899,201)**	**(6,961,001)**
Acquisition of intangible assets	(12,260)	(80,440)
Acquisition of tangible assets	(2,812,189)	(3,017,788)
Acquisition of fixed assets and financial assets	(22,699,036)	(31,329,867)
Variation in other financial assets	(6,942,743)	(19,864,531)
Sale/disposal of fixed assets and financial assets	17,021,283	17,311,477
Dividends collected	7,644,903	8,979,384
Net cash provided by / (used in) investing activities	**(7,800,042)**	**(28,001,765)**
Loans applied for	23,065,000	30,500,000
Bank loan repayments	(1,620,456)	(8,242,769)
Change in bank overdrafts	(5,422,471)	844,105
Dividends paid	(4,000,000)	(4,000,000)
Net cash provided by / (used in) financing activities	**12,022,073**	**19,101,336**
Change in net cash provided / (used)	**(2,677,170)**	**(15,861,430)**
Cash and cash equivalents at the beginning of the year	4,367,584	20,229,014
Cash and cash equivalents at the end of the year	**1,690,414**	**4,367,584**

Statement of changes in shareholders' equity

Eur	Share capital	Retained earnings	Other reserves				Other reserves	Net profit / (loss)	Total
			Reserve (CFH)	*Available For Sale*	*IAS 20*	*Tax on comprehensive income*			
Balance as at 31 December 2017	**25,000,000**	**213,186,739**	**(2,942,398)**	**66,633,453**	**(95,121)**	**810,708**	**64,406,642**	**12,492,723**	**315,086,104**
Dividends							0	(4,000,000)	(4,000,000)
Allocation of 2017 profit		8,492,723					0	(8,492,723)	0
Other changes		(2,500,000)		(66,633,453)		(81,703)	(66,715,156)		(69,215,156)
Comprehensive income			399,597		(65,922)	(80,082)	253,593	65,889,806	66,143,399
Balance as at 31 December 2018	**25,000,000**	**219,179,462**	**(2,542,801)**	**0**	**(161,043)**	**648,923**	**(2,054,921)**	**65,889,806**	**308,014,347**

Eur	Share capital	Retained earnings	Other reserves				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)**	**21,711,820**	**21,913,062**	**263,898,559**
Dividends							0	(4,000,000)	(4,000,000)
Allocation of 2016 profit		17,913,062					0	(17,913,062)	0
AFS taxation correction for previous years						7,324,615	7,324,615		7,324,615
Comprehensive income			729,700	34,472,708	(174,657)	342,456	35,370,207	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**	**64,406,642**	**12,492,723**	**315,086,104**

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 and head office in Rome. 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 standards (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 standards 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 other 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 other 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 2018 were approved on 17 April 2019 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 other 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 in foreign currencies and measured at their fair value 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 shareholders' meeting.

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.

INFORMATION UNDER ARTICLE 1 PARAGRAPH 125 OF LAW NO. 124 OF 4 AUGUST 2017

We specify that, with reference to Article 1 paragraph 125 of Law no. 124/2017, the company did not receive any subsidy.

Financial income and charges

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

Taxation

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

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

Intangible assets

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

Tangible assets

Buildings and other tangible assets

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

	Years
Owned properties	33
Furniture and fittings	8,5
Electronic machines	4
Motor vehicles	5
Leasehold improvements	Term of contract (max. of 5)

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

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

Real-estate investments

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

Operating leases

Charter-in and charter-out contracts, in which, essentially, all costs and rewards of ownership are not transferred to the lessee, are treated for accounting purposes as operating leases, and the costs and revenue of the transaction are recognised in the income statement on a straight line basis along the duration of the contract.

Financial assets and liabilities

Financial assets are measured at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income. Measurement at amortised cost can take place when the company has a business model directed at holding the financial asset to collect contractual cash flows, if such cash flows are realised on specific dates and constitute only the payment of principal and interest. When the requirements for the measurement of the financial assets at amortised cost are met, but the business model also comprises the sale of these instruments, financial assets are measured at fair value through other comprehensive income. All other financial assets are measured at fair value through profit or loss.

Differently from the model of the incurred losses provided by IAS 39, in IFRS 9 the exposure of impairment moves to a model based on the expectation of an impairment of receivables. Impairment requirements are applied to financial assets measured at amortised cost and at fair value through other comprehensive income, recording the expected impairment on receivables upon initial recognition on the basis of those expected in 12 months, or, if a significant increase of the credit risk of the financial asset is observed, the impairment loss is based on the losses expected along the entire duration thereof. For impairment, a three-step approach is applied: the first step (impairment of receivables expected in 12 months) is applicable when there is no significant increase of the credit risk, therefore the expected impairment losses of the receivables are recognised and revised at every reporting date and the position is posted at its gross value; in the second step, an impairment of the receivable is forecast and recognised along its duration because of the increase of the credit risk, however the position continues to be posted at its gross value; the last step considers an impairment of the receivable expected along its duration, therefore the subsequent impairment of the receivable and of the interest is present at its net value.

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

Equity investments in subsidiaries and associates

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

Equity investments in subsidiaries and in associates are recognised at the historical cost adjusted for any impairment.

Any positive differences, arisen at the time of the purchase, between the purchase cost and the fair value of the net assets acquired by the Company are therefore included in the carrying amount of the investments. It these investments are deemed to be permanently impaired, the impairment loss is recognised directly in the income statement. If this impairment is subsequently eliminated or reduced, the corresponding amount is reversed and recorded in the income statement up to the value initially recognised as the cost of the investment.

Equity investments in other companies and other financial assets

• **Unqualified equity investments in companies listed on regulated markets:** equity investments are measured at fair value and the profit or loss is recognised in the income statement.

• **Unqualified equity investments in companies not listed on regulated markets:** equity investments are measured at cost because it represents the best estimate of fair value.

• **Unqualified equity investments in funds not listed on regulated markets:** equity investments in the funds are measured at fair value and the profit or loss is recognised in the income statement.

Receivables

Receivables are initially measured at their arm's length value (which represents the fair value of the transaction); subsequently, they are measured at amortised cost, net of impairment losses and the bad debt provision. The impairment is recognised in the income statement if there is objective proof of the impairment of the receivable. Impairment is calculated as the difference between the carrying amount and present value of estimated future cash flows, discounted at the effective interest rate originally applicable to the asset. In the case of short-term trade receivables in particular - given the brief period of time - measurement at amortised cost is equivalent to nominal value, less impairment losses.

Expected impairments of receivables are calculated and are based on the measurement of the impairment of the receivable expected along its duration, adopting the simplified approach, and determined at the initial recognition and subsequently adjusted for any changes in expectations. From 1 January 2018 onwards, in accordance with IFRS 9 the impairment loss is measured with reference to the expected impairments of receivables associated with its trade receivables recorded at amortised cost and at fair value through other comprehensive income. The Company applies the simplified approach allowed by IFRS 9, which requires the recognition of the impairment losses of receivables expected along their duration starting from the initial recognition of the receivables, however the impairment methodology applied depends on whether the credit risk has increased significantly or not. In the assessment of the credit risk and of expected losses, the management considers a default risk and its probability for each set payment window. The ongoing assessment of risk increases takes place comparing the probability of default at the time of the assessment with that at the time of the last estimate. The management takes into consideration a rebuttable assumption on the maturity of the receivables, where each class of days represents an indicator of increase of the (rate of) risk of default used by the Group.

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 other comprehensive income under "Revaluation of defined-benefit plans" and in 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 standards 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 standards are particularly significant to understand 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.

New accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2018

Accounting standards adopted from 1 January 2018

The following accounting standards entered into force starting from 1 January 2018.

IFRS 15 – ***Revenue from Contracts with Customers.*** The standard was elaborated to provide a complete set of principles to represent the nature, amount, timing and uncertainty of revenues and cash flows 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.

The impacts for the company deriving from the application of this new standard are considered non-existent.

IFRS 9 – ***Financial Instruments:*** issued in July 2014 and 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 statement of other comprehensive income 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.

Impact on the financial statements

The impact of the adoption of IFRS 9, Financial Instruments, on the financial statements of the Company, is explained below.

L'IFRS 9 replaces IAS 39 and pertains to the recognition, valuation and derecognition of financial assets and liabilities, the impairment of financial assets and the accounting for hedge instruments.

The Company took into consideration its financial assets measured at amortised cost or at fair value through other comprehensive income: from the changes to classification due to IFRS 9, the following adjustments arose:

- As at 31 December 2017, the company held unqualified equity investments in listed companies available for sale measured at fair value and gains and losses were recognised in the statement of other comprehensive income. As at 1 January 2018, the company reclassified the Available for Sale reserve, after the related tax effect, to the result for the year; the equity investments were then classified as Unqualified equity investments in listed companies on regulated markets.

- As at 31 December 2017, the company held a financial receivable from the subsidiary DOMAS Immobiliare S.r.l. recognised at amortised cost. As at 1 January 2018, the company, in light of the new IFRS 9, redetermined, based on the credit risk of the subsidiary, the recoverable value of the receivable, adjusting the shareholders' equity at that date; since the amount is not significant, the comparative data were changed.

Accounting standards, amendments and interpretations endorsed but not yet in force

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 standard 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 provided for 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).
In this regard, we point out that the Company currently has operating lease commitments with expiry after 2019 for some motor cars and for some "electronic machines".

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)	2018	2017
Total	13,610,793	14,097,878

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 deviation from last year relates mostly to the different (average) accounting exchange rate of the services, as the services themselves remained substantially in line with 2017. In this regard, we point out that the 2018 exchange rate EUR/USD amounted to 1.1798, while last year it was 1.12689.

5. OPERATING COSTS

(Eur)	2018	2017
Total	1,792,555	1,926,908

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)	2018	2017
Personnel costs	8,007,027	7,998,846
Other general and administrative costs	8,858,270	8,895,469
Other	410,215	399,336
Total	**17,275,512**	**17,293,651**

Personnel costs remained in line with those of 2017. This item includes personnel costs during the financial year (including pension costs and accruals of end-of-service benefits). At the end of the year, employed personnel totalled 74, one less than the previous year.

Other costs also include compensation for the Company's directors of approximately EUR 2.5 million (including the allocation to the Italian end-of-service indemnity fund) as well as the costs of "control" bodies i.e. those of the Board of Statutory Auditors, equal to EUR 71 thousand, and independent auditing costs for EUR 128 thousand. The remaining costs are for sundry assistance and advice (EUR 1.5 million), and other general costs (utilities, travel expenses, maintenance, representation expenses) for the balance.

7. DIVIDENDS, OTHER FINANCIAL INCOME AND FINANCIAL CHARGES

(Eur)	2018	2017
Dividends	**7,644,903**	**8,979,384**
Other financial income		
Bank interest	5,180	22,951
Interest on sundry receivables	1,746,354	968,945
Other income	68,709,900	3,221,058
Exchange gains	1,290,740	137,608
Gains on the disposal of equity investments	250,398	10,675,059
Total	**72,002,572**	**15,025,621**
Financial charges		
Interest on borrowings - Swap	(1,553,957)	(1,305,066)
Bank and sundry interest	(400,475)	(256,226)
Other financial charges	(164,861)	(183,348)
Losses on equity investments	(418,085)	(151,381)
Financial losses	(2,442,497)	(65,783)
Exchange losses	(296,501)	(2,382,142)
Total	**(5,276,376)**	**(4,343,946)**

Recognised dividends in 2018 are those collected by the following companies:

(Eur)	2018	2017
Subsidiaries		
CGTH S.r.l.	5,502,400	0
	5,502,400	0
Other companies		
Tamburi Investments Partners S.p.A.	1,417,499	1,231,649
Sator S.p.A.	8,000	40,000
Clubtre S.p.A.	709,507	7,706,235
Banca Profilo S.p.A.	7,497	1,500
	2,142,503	**8,979,384**
Total	**7,644,903**	**8,979,384**

Among "Other financial income", we point out that the amount of EUR 68.7 million relates (for EUR 68.4 million) to the accounting in the income statement (FVTPL) of the fair value relating to unqualified equity investments listed on regulated markets, more specifically to the shares of Tamburi Investments Partners S.p.A. In this regard, we should recall that until last year these shares had been recognised at fair value with allocation to specific Shareholders' Equity reserve (FVTOCI) while, starting from this year, by virtue of the change of the IFRS 9, the value changes will be allocated directly to the income statement (FVTPL).

Among "Charges", it bears noting that interest on loans is generated by the loan for the "Domus Daini" property in Rome and by the loan received from Banco BPM for the amounts listed below:

Interest on borrowings	**2018**	**2017**
Interest on borrowings - Property	(342,535)	(338,680)
SWAP on borrowings - Property	(627,720)	(683,773)
Interest on borrowings - BPM	(583,702)	(282,613)
	(1,553,957)	**(1,305,066)**

For the "Financial losses" item, we point out that the amount of EUR 2.4 million pertains mainly to the impairment of the financial receivable existing with the subsidiary "Domas Immobiliare" (EUR 1.5 million) and to the fair value measurement both of the TIP warrants and of the Banca Profilo shares (for the latter, as for the Tamburi shares, until 2017 the fair value was allocated to Shareholders' Equity).

8. INCOME TAXES

(Eur)	**2018**	**2017**
Current income taxes	0	0
Deferred taxes	954,631	(164,039)
Total	**954,631**	**(164,039)**

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 thousands 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 2018
Profit / (Loss) before taxes	**66,844**
Tax adjustments for:	
Reduced taxation of dividends (pex)	(7,263)
Adjustment to fair value measurement of securities	(68,405)
Adjustment for doubtful debts	(1,500)
Partial deductibility of costs	1,323
Taxable profit or loss	**(9,001)**
Tax charges accrued	**0**

It should be noted that on the basis of the tax returns so far presented, the Company presents over EUR 34 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 8.2 million.

Deferred taxes arise mainly from the recognition of the fair value measurement of unqualified equity investments listed on regulated markets and from fair value gains and losses on the translation of receivables in foreign currency.

Both items shall be taxed only at the time of their effective realisation.

9. INTANGIBLE ASSETS

	As at 31 December 2018	As at 31 December 2017
Total	**92,718**	**132,463**

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.

	2018	2017
Net carrying amount		
As at 1 January	**132,463**	**155,155**
Additions	12,260	80,440
Amortisation for the year	(52,005)	(103,132)
Net carrying amount		
As at 31 December	**92,718**	**132,463**

10. TANGIBLE ASSETS

	As at 31 December 2018	As at 31 December 2017
Total	**66,437,624**	**65,642,744**

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

Eur	Land and buildings	Other assets	Total
Historical cost	79,034,415	3,926,695	82,961,110
Depreciation	(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**
Additions	2,775,348	36,841	2,812,189
Disposals/Decreases	0	0	0
Depreciation	(1,867,843)	(149,466)	(2,017,309)
Exchange differences	0	0	0
Historical cost	81,809,763	3,963,536	85,773,299
Depreciation	(16,130,631)	(3,205,044)	(19,335,675)
Impairment/recovery	0	0	0
Balance as at 31 December 2018	**65,679,132**	**758,492**	**66,437,624**

Land and buildings include the registered office in Palermo, the head office in Rome, the "Domus Daini" property in Rome (located in Via Paisiello), 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 57.7 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 company is considering changing the use of the property from "office" 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.

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 2018 were recognised as additions to other assets.

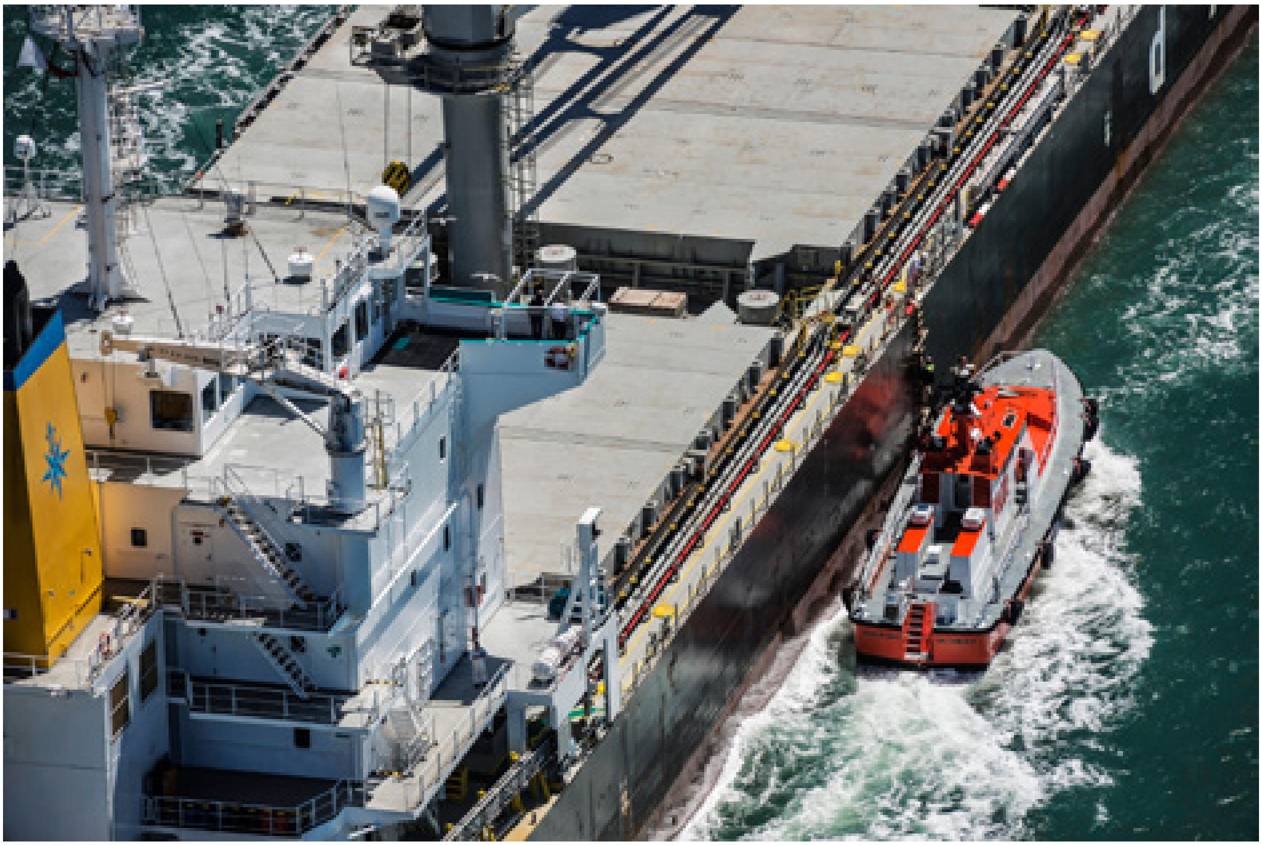
Pursuant to Article 10 of Law 72/1983, it is hereby specified that tangible assets include the revaluation (applied in 1994 following the merger of the company then known as "SEGESTA Soc. Mob. Fin. S.p.A.") relating to the item "Buildings" in the residual amount of EUR 115,995.

For comparative purposes, we include the same table for the 2017 financial year.

Eur	Land and buildings	Other assets	Total
Historical cost	76,042,357	3,900,965	79,943,322
Depreciation	(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	(1,868,447)	(238,115)	(2,106,562)
Exchange differences	0	0	0
Historical cost	79,034,415	3,926,695	82,961,110
Depreciation	(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**

11. LONG-TERM INVESTMENTS

(Eur)	As at 31 December 2018	As at 31 December 2017
Equity investments	136,377,228	112,774,131
Unqualified equity investments listed on regulated markets and other financial assets	101,776,339	116,811,856
Total	**238,153,567**	**229,585,987**



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

Company name	As at 31 December 2017	Acquisitions / Disposals	Measurement at FV	As at 31 December 2018	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	21,884,653	0	48,839,432	100.00%
CGTH S.r.l.	551,052	566,250	0	1,117,302	68.78%
Domas Immobiliare S.r.l.	577,500	0	0	577,500	75.00%
Sirius Ship Management S.r.l.	134,578	0	0	134,578	77.89%
Mida Maritime Company d.a.c.	36,706	0	0	36,706	51.00%
d'Amico Partecipazioni Finanziarie S.p.A.	5,460,565	0	0	5,460,565	55.55%
Other	10,003	0	0	10,003	
Associates					
Clubtre S.p.A	15,740,556	0	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	(576,360)	0	322,797	2.27%
Società Italia Enterteinment Network S.p.A.	604,643	1,928,554	0	2,533,197	9.41%
TIP-PRE IPO S.p.A.	2,280,000	0	0	2,280,000	2.86%
Asset Italia S.p.A.	2,527,764	0	0	2,527,764	3.57%
Other	200,000	(200,000)	0	0	
Total	**112,774,131**	**23,603,097**	**0**	**136,377,228**	
Unqualified equity investments listed on regulated markets and other financial assets					
Tamburi Investments Partners S.p.A.	112,488,750	(17,056,800)	1,861,050	97,293,000	10.31%
Banca Profilo S.p.A.	356,700	0	(90,000)	266,700	0.22%
Sator Private Equity Fund	3,966,406	250,233	0	4,216,639	
Total	**116,811,856**	**(16,806,567)**	**1,771,050**	**101,776,339**	
Total	**229,585,987**	**6,796,530**	**1,771,050**	**238,153,567**	

Subsidiaries

Subsidiaries changed as a result of a payment into the reserves account in the shareholders' equity of d'Amico International of approximately EUR 22 million and a small increase of the equity investment in CGTH srl.

The following table presents information regarding equity 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	34,092	(8,043)	100.00%	34,092	44,976
d'Amico International S.A.	Luxembourg	31-Dec	3,590	321,774	(1,430)	100.00%	321,774	48,839
CGTH S.r.l.	Rome	31-Dec	100	1,271	70	68.78%	874	1,117
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	820	233	77.89%	639	135
Mida Maritime Company d.a.c.	Ireland	31-Dec	73	(1,110)	(403)	51.00%	(566)	37
d'Amico Partec. Finanziarie S.p.A.	Rome	31-Dec	10	9,803	(7)	55.55%	5,446	5,461
d'Amico Investimenti S.r.l.	Rome	31-Dec	10	3	(2)	100.00%	3	10

As highlighted in the table, there are cases among subsidiaries where the carrying value is greater than the corresponding portion of shareholders' 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

Information concerning current equity investments in associates, which in 2018 did not change, is presented below. Figures are reported in thousands of Euros. For a correct comparison, the percentages in the following tables are shown in relation to the actual share held in the investees instead of the shareholding shown in the database of companies.

Associates	Registered office	Reporting date	Share capital	Shareholders' equity	Net profit	Percent interest	Corresponding book equity	Carrying amount
Clubtre S.p.A	Milan	30-Jun	120	39,771	2,781	28.36%	11,279	15,741
Venice Shipping & Logistic S.p.A.	Milan	31-Dec	26.347	31,567	709	28.45%	8,981	9,020

Other equity investments

Among "others", we mention that the reduction of the shares in Civita Cultura Holding and the increase in the Film Master Group are closely correlated. The increase was carried out both through the sale, by Civita, of a part of its shares and through the conversion of the bonds previously in the possession of the company.

Unqualified equity investments listed on regulated markets and other financial assets

During the year, a part (2.34%) of the Tamburi Investment Partner shares was disposed of, for a total amount of over EUR 17 million with a minimal negative contribution to the 2018 result of approximately EUR 38 thousand. The increase to fair value, recognised, as mentioned, directly as a financial gain, caused the carrying amount to reach approximately EUR 97.3 million. All of the Company's TIP shares (16,950,000) were pledged to Banco Popolare as collateral for the medium-term loan of a maximum of EUR 50 million granted by the institute.
The change to the fair value for the investment in Banca Profilo instead lead to a write-down recognised among the financial expenses of the year.

In 2018, lastly, a further small payment was made in the Sator Private Equity Fund for which the amount at year-end amounted to approximately EUR 4.2 million.

12. OTHER NON-CURRENT FINANCIAL ASSETS

(Eur)	As at 31 December 2018	As at 31 December 2017
Total	77,320,315	69,602,469

The balance reported above includes existing long-term financial loans to some of the subsidiaries. The one with the subsidiary Domas was written down also by virtue of the new IFRS 9, attributing a part of it (EUR 2.5 million) to the prior year - and hence to the reserves - and a part (EUR 1.5 million) to the result for the year.

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 2018	As at 31 December 2017
Total	3,993,665	4,921,705

This item refers exclusively to sundry tax receivables and it is mainly related to the portion of taxes paid prudentially (on a pass-through basis) by the company in relation to the 2010 income of the subsidiary d'Amico International. In this regard we recall that, after the filing of the appeal decision (February 2018) which confirmed the first degree decision confirming the reasons of the Company (Tax Commission on 15 June 2012) and allowing our application for refund (relating to the 2010 tax), last August the Italian Inland Revenue appealed before the Court of Cassation, so we are currently waiting for the final decision.

14. SHORT-TERM RECEIVABLES AND OTHER CURRENT ASSETS

(Eur)	As at 31 December 2018	As at 31 December 2017
Total	9,233,642	8,554,872

The foregoing receivables derive from the invoicing of revenue for services rendered according to the contracts in force, of approximately EUR 7 million, and the VAT receivable of approximately EUR 2 million.

15. OTHER CURRENT FINANCIAL ASSETS

(Eur)	As at 31 December 2018	As at 31 December 2017
Total	13,383,180	27,481,506

The amount indicated above includes assets held for trading and more specifically investments of short-term liquidity for approximately EUR 2 million and the short-term loans in place with investees of the Group.

16. CASH AND CASH EQUIVALENTS

(Eur)	As at 31 December 2018	As at 31 December 2017
Bank deposits	1,684,160	4,359,658
Cash	6,254	7,926
Total	**1,690,414**	**4,367,584**

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 includes the last instalment (approximately EUR 900 thousand) deposited in an escrow account, consequent to the sale of Telemar carried out in 2016 which will be freed in May 2019. The change in cash compared to the previous year is illustrated in further detail in the statement of cash flows.

17. SHAREHOLDERS' EQUITY

(Eur)	As at 31 December 2018	As at 31 December 2017
Share capital	25,000,000	25,000,000
Retained earnings	219,179,462	213,186,739
Other reserves	(2,054,921)	64,406,642
Net profit / (loss)	65,889,806	12,492,723
Total shareholders' equity	**308,014,347**	**315,086,104**

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	214,179,462	A, B, C	214,179,462		
Other reserves	(2,054,921)				
Total	**242,124,541**		**219,179,462**	**0**	**0**
Non-distributable portion			0		
Residual distributable portion			**219,179,462**		

(*) 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, as at 31 December 2018, they are all distributable.

Other reserves

Other reserves include the effects of the measurement at fair value of the swap contracted to hedge the loan associated with the property on Via Paisiello (Domus Daini) 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 2017 figures.

(Eur)	As at 31 December 2018	As at 31 December 2017
Revaluation reserve (CFH)	(2,542,801)	(2,942,398)
Fair value reserve (AFS)	0	66,633,453
Actuarial gain or loss reserve for termination indemnity	(161,043)	(95,121)
Tax on comprehensive income	648,923	810,708
Total	**(2,054,921)**	**64,406,642**

In the above table, it is evident that the "AFS" reserve was reduced to zero and the fair value of the measurements of "Available-for-sale assets" was allocated directly to the income statement.

During the financial year under examination, a dividend of EUR 4 million (EUR 0.40 per share) was distributed to the shareholders on the 2017 earnings.

18. PROVISIONS FOR RISKS AND CHARGES

(Eur)	As at 31 December 2018	As at 31 December 2017
Total	**22,830**	**22,830**

After the utilisations of the previous years for various disputes which have since been closed, the remaining portion was left prudentially allocated for (minimal) risks relating to some possible litigation cases. The 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 2018	As at 31 December 2017
Termination indemnity provision	424,973	426,085
End-of-service indemnity provision	3,808,705	3,321,275
Total	**4,233,678**	**3,747,360**

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

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

(Eur)	As at 31 December 2018	As at 31 December 2017
Actuarial liability at the beginning of the year	**3,747,360**	**3,310,792**
Normal cost		369,870
Financial charges		28,340
Disbursements		(136,301)
Unrecognised actuarial (gains)/losses during the period	65,922	174,659
Recognised liability as at year-end	**4,233,678**	**3,747,360**

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

	As at 31 December 2018
TERMINATION INDEMNITY/END-OF-SERVICE INDEMNITY	
Discount rate	0.78%
Inflation rate	1.50%
Personnel turnover rate	5%
Mortality rate	IPSMF 55

20. DEFERRED TAX LIABILITIES

(Eur)	As at 31 December 2018	As at 31 December 2017
Total	202,850	0

This item includes the deferred taxes calculated on the fair value of available-for-sale assets and on the exchange rate differences due to adjustment (both recorded in the income statement) as well as those on "Cash Flow Hedge" measurements and on the actuarial calculation (recognised in shareholders' equity).

21. OTHER NON-CURRENT FINANCIAL LIABILITIES

(Eur)	As at 31 December 2018	As at 31 December 2017
Total	2,542,801	2,942,398

This section includes measurements of financial instruments relating to the swap on the loan obtained for the purchase of the property located in Rome (Domus Daini), entered into 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 2018	As at 31 December 2017
Non-current payables to financial institutions	27,085,150	25,664,624
Current payables to financial institutions	61,925,060	47,323,513
Other lenders (current)	950,000	9,916,910
Total	**89,960,210**	**82,905,047**

The "non-current" loans contracted with credit institutes refer to loans agreed with Banco di Brescia relative to the property located in Rome (for the purchase and for the ongoing restructuring work), purchased in June 2011, secured by a mortgage on the property concerned.
The "current" portion, however, refers to slightly less than EUR 1.7 million for the short-term loans mentioned above, to 50 million in the revolving credit line granted by Banco BPM (increased in 2018) as well as slightly more than EUR 10 million from bank overdrafts.
Of the "non-current" part, the portion due beyond five years comes to EUR 19 million and relates solely to payables due to Banco di Brescia.
As stated, the loan from Banco di Brescia (for the purchase of the property) is "hedged" by a specific swap contract while the loan for the "work in progress" on the same property was contractually set to fixed interest. 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 2018, 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.

"Other lenders" refers to the loan received from CGTH srl.

23. SHORT-TERM PAYABLES AND OTHER CURRENT LIABILITIES

(EUR)	As at 31 December 2018	As at 31 December 2017
Total	5,328,410	5,585,591

As at 31 December 2018, 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 2019.

24. DERIVATIVE INSTRUMENTS

Interest rate swaps

As mentioned above, the Company's outstanding hedge is on the loan 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 table shows 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	2018	Net financial income / (charges)	
Interest rate swaps	399,597	-	399,597

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

(EUR)	As at 31 December 2018	As at 31 December 2017
Liabilities		
Other non-current financial liabilities	2,542,801	2,942,398

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 shareholders' 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-of approximately EUR 24.2 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 2018 the Company had significant exposures in currencies other than the Euro, all in US Dollars, related to certain subsidiaries and totalling USD 9.5 million. Given the nature of the exposures, 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 as hedge (IAS 39) is recognised in shareholders' 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 fulfil 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 5% fluctuation of those values would have entailed an increase or decrease of approximately EUR 4.9 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 2018.

(Thousands of EUR)	d'Amico Shipping Italia	Cogema	d'Amico Internation.	d'Amico Finance	d'Amico Internation. Shipping	d'Amico Tankers	Ishima
Revenue							
Assistance	2,085	25	240	10	150	7,610	501
Financial	9	0	1,395	0	0	0	0

(Thousands of EUR)	d'Amico Dry	d'Amico Shipp. Singapore	ACGI Shipping Singapore	d'Amico Partecipaz. Finanziarie	Sirius Ship Management	Mida Maritime
Revenue						
Assistance	2,444	85	283	5	24	105
Financial	0	0	0	0	0	341

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	231	564	972	0	0
Financial	0	0	0	0	0	34	39

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
Receivables						
Trade receivables	1,296	10	0	19	2,235	57
Financial receivables	3,500	0	254	0	0	0
Payables						
Trade payables	41	0	0	1	0	23
Financial payables	0	0	0	0	0	0

(Thousands of EUR)	d'Amico Dry	Mida Maritime	Sirius Shipmanag.	d'Amico Shipp. Singapore	d'Amico Dry Marocc	d'Amico Ship Ishima India	CGTH srl
Receivables							
Trade receivables	1,894	0	10	23	6	2	0
Financial receivables	0	196	0	0	0	0	0
Payables							
Trade payables	30	0	168	21	0	54	0
Financial payables	0	0	0	0	0	0	45

27. GUARANTEES, COMMITMENTS AND CONTINGENCIES

Guarantees given

As at 31 December 2018, 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 12 million) and for the indirect subsidiary d'Amico Tankers d.a.c. to guarantee the loan granted by Intesa San Paolo to the Irish company for an original amount of USD 75 million (of which USD 22.5 million remained at the end of 2018) and the one granted to d'Amico Dry to guarantee a loan issued by the same Italian bank for approximately EUR 17.5 million.

Commitments

At the end of 2018, 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 1.5 million remained at the end of 2018.

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 treasury shares or shares of parent companies;
no research or development activities were carried out in 2018;
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 SpA's profit for 2018, amounting to EUR 65,889,806, to non-distributable reserve.

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

Rome, 17 April 2019

Paolo d'Amico
Chairman of the Board of Directors

Cesare d'Amico
Chief Executive Officer

ANNEXES

List of Fleet Vessels as at 31 December 2018

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 Serapo	Panamax	86,600	2018	d'Amico Dry d.a.c.
Medi Ginevra	Panamax	86,600	2018	d'Amico Dry d.a.c.
Medi Palmarola[1]	Panamax	81,600	2018	Mida Maritime Company d.a.c.
Medi Egadi[1]	Panamax	81,600	2018	Mida Maritime Company d.a.c.
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[2]	Supramax	60,250	2015	dACC Maritime d.a.c.
DACC Egeo[2]	Supramax	60,250	2015	dACC Maritime d.a.c.
DACC Adriatico[2]	Supramax	60,250	2016	dACC Maritime d.a.c.
DACC Atlantico[2]	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 Gaspesie	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 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 Rabat	Containers Carrier	30,200	1997	d'Amico Dry Maroc Sarl

[1] d'Amico S.p.A. owns 51% of Mida Maritime Company (consolidated with "equity method").

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

Dry cargo

Name of vessel	Vessel type	Dwt	Year	Company
Chartered				
Cielo d'Europa	Mini Capesize	115,000	2016	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 Chiba	Panamax	82,003	2016	d'Amico Dry d.a.c.
Medi Gladstone	Panamax	81,845	2016	d'Amico Dry d.a.c.
Medi Kazahaya	Panamax	81,600	2017	d'Amico Dry d.a.c.
Medi Newport	Panamax	81,800	2017	d'Amico Dry d.a.c.
Medi Kyoto	Panamax	88,500	2018	d'Amico Dry d.a.c.
Medi Nagoya	Panamax	81,600	2018	d'Amico Dry d.a.c.
Medi Tokyo	Panamax	88,500	2018	d'Amico Dry d.a.c.
Medi Bangkok	Supramax	63,466	2006	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 Manila	Supramax	57,000	2014	d'Amico Shipping Singapore Pte Ltd
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.
Medi Portland	Supramax	60,000	2018	d'Amico Dry d.a.c.
Cielo di Amalfi	Handysize	37,322	2007	d'Amico Dry d.a.c.
Cielo di Pisa	Handysize	32,248	2008	d'Amico Dry d.a.c.
Cielo di Palermo	Handysize	37,059	2013	d'Amico Dry d.a.c.
Cielo di Tocopilla	Handysize	38,670	2014	d'Amico Dry d.a.c.
Cielo di Mizushima	Handysize	39,388	2016	d'Amico Dry d.a.c.
Cielo di Yari	Handysize	38,670	2016	d'Amico Dry d.a.c.
Cielo di Iyo	Handysize	37,000	2017	d'Amico Dry d.a.c.
Cielo di Seto	Handysize	37,000	2017	d'Amico Dry d.a.c.

Product tankers

Name of vessel	Vessel type	Dwt	Year	Company
Owned				
Cielo di Cagliari	LR1	75.000	2018	d'Amico Tankers d.a.c.
Cielo Rosso	LR1	75.000	2018	d'Amico Tankers d.a.c.
Cielo di Rotterdam	LR1	75.000	2018	d'Amico Tankers d.a.c.
Cielo Bianco	LR1	75.000	2017	d'Amico Tankers d.a.c.
High Challenge	MR	50.000	2017	d'Amico Tankers d.a.c.
High Wind	MR	50.000	2016	d'Amico Tankers d.a.c.
High Voyager	MR	45.999	2014	d'Amico Tankers d.a.c.
High Tide	MR	51.768	2012	d'Amico Tankers d.a.c.
High Seas	MR	51.768	2012	d'Amico Tankers d.a.c.
GLENDA Melissa [1]	MR	57.203	2011	Glenda International Shipping d.a.c.
GLENDA Meryl [2]	MR	47.251	2011	Glenda International Shipping d.a.c.
GLENDA Melody [1]	MR	47.238	2011	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 Megan [2]	MR	47.147	2009	Glenda International Shipping d.a.c.
High Venture	MR	51.087	2006	d'Amico Tankers d.a.c.
High Performance	MR	51.303	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 Courage	MR	46.975	2005	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.
Cielo di Ulsan	Handysize	39.060	2015	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 Guangzhou	Handysize	38.877	2006	d'Amico Tankers d.a.c.
Bare Boat Chartered				
High Trust	MR	49.990	2016	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 Freedom	MR	49.990	2014	d'Amico Tankers d.a.c.
High Discovery	MR	50.036	2014	d'Amico Tankers d.a.c.
High Fidelity	MR	49.990	2014	d'Amico Tankers d.a.c.
High Priority	MR	46.847	2005	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.

Product tankers

Name of vessel	Vessel type	Dwt	Year	Company
Chartered				
High Leader	MR	50.000	2018	d'Amico Tankers d.a.c.
High Navigator	MR	50.000	2018	d'Amico Tankers d.a.c.
High Explorer	MR	50.000	2018	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.
Carina	MR	47.962	2010	d'Amico Tankers d.a.c.
High Efficiency [3]	MR	46.547	2009	DM Shipping d.a.c.
High Strength [3]	MR	46.800	2009	DM Shipping d.a.c.
Freja Baltic	MR	47.548	2008	d'Amico Tankers d.a.c.
High Prosperity	MR	48.711	2006	d'Amico Tankers d.a.c.
High SD Yihe	MR	48.700	2005	d'Amico Tankers d.a.c.
SW Southport I	MR	46.992	2004	d'Amico Tankers d.a.c.
SW Tropez	MR	46.992	2004	d'Amico Tankers d.a.c.
Freja Hafnia	MR	53.712	2006	d'Amico Tankers d.a.c.
High Power	MR	46.874	2004	d'Amico Tankers d.a.c.
SW Cap Ferrat I	Handysize	36,032	2002	d'Amico Tankers d.a.c.
Newbuildings		***Dwt***	***Expected delivery***	
Cielo di Houston	LR1	75,000	2019	d'Amico Tankers d.a.c.
Cielo di Londra	LR1	75,000	2019	d'Amico Tankers d.a.c.

[3] 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..

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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, 2018, 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, 2018 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.

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, 2018, 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, 2018 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, 2018 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, 10 May 2019

AXIS S.r.l.

Andrea De Marchi

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, 2018, 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, 2018 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, 2018, 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, 2018 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, 2018 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, 10 May 2019

AXIS S.r.l.

Andrea De Marchi

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 2018, were forwarded to us within the legal time limit, together with the annual report and the separate financial statements, and have been drawn up in compliance with the IAS/IFRS international accounting standards and with the interpretations issued in the period by the respective Committees, which the company opted to apply (under Legislative Decree no. 38/2005) starting from the year 2010.

The task of establishing whether the consolidated financial statements comply with legal provisions and match the accounting and consolidation records (Article 41 of Legislative Decree no. 127/1991) is assigned to the Auditing Firm AXIS S.r.L., which is a part of the "Moore Stephens" international network.

The Board of Statutory Auditors oversees, in accordance with Q.3.8 CNCEC/2018, compliance with the regulations pertaining to the preparation of the consolidated financial statements and it prepared the present report on a voluntary basis, not being obligated to do so by law.

The Auditing Firm AXIS S.r.L. with which the Board of Statutory Auditors had regular exchanges of information, issued its own Report on 10 May, with the following judgement: "We have audited the consolidated financial statements of the d'Amico Group (the Group), consisting of the statement of financial position as at 31 December 2018, of the statement of comprehensive income, of the statement of changes in shareholders' equity, of the statement of cash flows for the year ended on said date and of the notes to the financial statements which also include the summary of the most significant accounting standards applied.
In our judgement, the consolidated financial statements provide a truthful and fair representation of the Group's financial position as at 31 December 2018, of the income and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards adopted by the European Union."
As reported by the Directors, the Consolidated Financial Statements were prepared on a going concern basis.
The Explanatory Notes to the Consolidated Financial Statements provide the necessary information about the scope of consolidation, on the consolidation criteria adopted and on the assessments made and they also adequately illustrate the financial position, income and cash flow of the d'Amico Group (the Group) as well as the business performance, providing significant data concerning the consolidated companies.
Upon examining the aforesaid Explanatory Notes, the information and the clarifications obtainable match the content of the consolidated financial statements.
The documents examined and the information obtained do not deviate from the legal provisions governing the drawing up of consolidated financial statements.

The shareholders' meeting shall take into account the consolidated financial statements and its supplements only for information purposes, since they are not subject to approval.

Rome, 10 May 2019

The Board of Statutory Auditors

Mr. Gian Enrico Barone

Mr. Fabio Casasoli

Mr. Marco Mencagli

REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 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 prepares the present report pursuant to Article 2429 of the Italian Civil Code, inasmuch as the engagement to audit the accounts under Article 13, first paragraph, of Legislative Decree no. 39 of 27 January 2010 is assigned to the Audit Firm AXIS S.r.L., with its headquarters in Reggio Emilia and included in the "Moore Stephens" international network.
The administrative body made available, in the longer period allowed by the articles of association and by the law, the following documents approved on 17 April 2019, relating to the year ended 31 December 2018:

- draft financial statements as at 31 December 2018, consisting of: Income statement, Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in shareholders' equity and the Notes;
- 2018 annual report of the consolidated and statutory financial statements.

These documents are in compliance with the IAS/IFRS international accounting standards and with the interpretations issued in the period by the respective Committees, which the company opted to apply (under Legislative Decree no. 38/2005) starting from the year 2010.

Report on the supervisory activity pursuant to Article 2429, Paragraph 2, of the Ital-ian Civil Code

During the year ended 31 December 2018 our activity was based on the provisions of law, with reference also to the Rules of Conduct for the Boards 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 year ended 31 December 2018, we attended the meetings of the Board of Directors and the Shareholders' Meetings in relation to which, on the basis of available in-formation, we did not observe violations of the law and of the articles of association, or transactions that were manifestly imprudent, foolhardy, in potential conflict of interest or such as to compromise the integrity of corporate assets.

We acquired from the administrative body, during the meetings held, information about the general performance of the company and its outlook, as well as about transactions of major relevance, for their dimensions or characteristics, carried out by the company and, based on the information acquired, we have no particular observations to report.

We had periodic discussions with the independent auditor in accordance with Article 2409-septies of the Italian Civil Code and with the Supervisory Board under Legislative Decree no. 231/2001, from which no reprehensible actions emerged, nor relevant data and information that should be highlighted herein.

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 report.

We acquired information on and monitored, as far as our authority permits, the adequacy and functioning of the administrative-accounting system, as well as its reliability to correctly represent corporate operations, by obtaining information from those in charge of the functions and from the person in charge of auditing the accounts and examining corporate documents, and in this regard we have no particular observations to report.

No reports from shareholders under Article 2408 of the Italian Civil Code were received, nor did the Board of Statutory Auditors issue opinions prescribed by law.
There were no reports pursuant of Article 2409 of the Italian Civil Code.
In the course of the supervisory activity, as described above, no other significant event emerged that should be mentioned herein.
The periodic audits and the checks carried out at the company did not bring to light the execution of atypical and/or unusual transactions with third parties or related parties.

Observations on the financial statements

We examined the financial statements as at 31 December 2018 and with respect to them we report that:

- the financial statements, together with the 2018 annual report, were delivered to the Board of Statutory Auditors in time to be filed within the terms prescribed by law, together with the present report, at the registered office of the company;
- we verified the correspondence of the financial statements with the events and information of which we have knowledge as a result of the performance of our duties and we have no observation in this regard;
- we have viewed the report on the separate financial statements as at 31 December 2018 issued today, 10 May 2019, by AXIS S.R.L., in whose judgement (i) *"the separate financial statements provide a truthful and fair representation of the Company's financial position as at 31 December 2018, of the income and cash flows for the year ended on that date in accordance with the International Financial Reporting Standards 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 2018 and it is prepared in accordance with the law"*.

With regard to the annual report issued by the directors, AXIS S.R.L. also reports that, with reference to the statement per Article 14, paragraph 2, letter d), of Legislative Decree no. 39/2010 issued on the basis of the knowledge and understanding of the company and of the related context acquired in the course of the audit activities, there are no errors to report.

Observations and proposals regarding approval of the financial statements

Considering the results of the activity we carried out, the Board of Statutory Auditors deems that there are no reasons not to approve the financial statements as at 31 December 2018, as prepared and proposed by the Board of Directors.
In view of the above, concerning the proposal of the Board of Directors for the re-sult for the year, the Board of Statutory Auditors has no observations to make, considering that the decision rests with the Shareholders' Meeting.

Rome, 10 May 2019

The Board of Statutory Auditors

Mr. Gian Enrico Barone

Mr. Fabio Casasoli

Mr. Marco Mencagli

d'Amico Società di Navigazione S.p.A.

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