

**d'Amico International Shipping S.A.**

*société anonyme*

Registered office: 25C, boulevard Royal, L-2449 Luxembourg

R.C.S. Luxembourg: B-124.790

(the “**Company**”)

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**Report of the Board of Directors**

to the Extraordinary General Meeting of Shareholders of the Company  
to be held on 11 March 2019

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Dear shareholders,

The Board of Directors of the Company has prepared this report in connection with the extraordinary general meeting of shareholders of the Company (the “**Extraordinary General Meeting of Shareholders**”) convened to resolve on the following agenda:

**AGENDA**

- (i) *To reduce the accounting value of each share of the issued share capital of the Company from its current amount of ten cents of a dollar of the United States of America (USD 0.10) per share to five cents of a dollar of the United States of America (USD 0.05) per share without cancellation of any shares in issue nor repayment on any share nor off-setting of any losses; to allocate an amount corresponding to the resulting reduction of the share capital of an amount of thirty-two million six hundred eighty-seven thousand nine hundred one dollars of the United States of America and twenty-five cents (USD 32,687,901.25) to a special capital account (apport en capitaux propres non rémunéré par des titres) of an amount of thirty-two million six hundred eighty-seven thousand nine hundred one dollars of the United States of America and twenty-five cents (USD 32,687,901.25), which is part of the premium accounts of the Company and the amount of which (i) can be used in the same way as the amounts allocated to the premium account or (ii) can be reintegrated into the share capital by means of passing of an appropriate shareholders’ resolution adopted in compliance with the quorum and majority rules for an amendment of the articles of association of the Company; to set the amount of the issued share capital from its current amount of sixty-five million three hundred seventy-five thousand eight hundred two dollars*

*and fifty cents of the United States of America (USD 65,375,802.50) to the amount of thirty-two million six hundred eighty-seven thousand nine hundred one dollars of the United States of America and twenty-five cents (USD 32,687,901.25) and to pass resolutions to that effect, including the required amendments of article 5 of the Company's articles of association.*

- (ii) To increase and renew, on the basis of a report by the Board of Directors, the existing authorised corporate capital from its present amount of one hundred million dollars of the United States of America (USD 100,000,000) divided into one billion (1,000,000,000) shares with no nominal value to eighty-seven million five hundred thousand dollars of the United States of America (USD 87,500,000) divided into one billion seven hundred fifty million (1,750,000,000) shares with no nominal value and to renew with immediate effect, for a new period of five (5) years, the authorisation of the Board of Directors to increase the capital in one or several tranches within the limits of the renewed authorised capital, as well as the authorisation of the Board of Directors to limit or cancel, in full or partially, the preferential subscription right of existing shareholders and to pass resolutions to that effect, including the required amendment of article 5 of the Company's articles of association.*
- (iii) To grant all powers to the Board of Directors to implement the resolutions passed on the aforementioned items of the agenda of the meeting.*

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The Board of Directors submits to the shareholders a proposal to carry out an adjustment and renewal of the issued and authorised share capital of the Company with a view to facilitating possible future capital increases of the Company as may further be considered by the Company within the next five (5) years.

This report has been drafted taking into account the information duties prescribed under the laws of Luxembourg and Italy (Italy being the sole European Union Member State in which the shares of the Company are listed on a regulated market).

In particular, the information hereby provided aims at fulfilling the information duties prescribed by article 72 (as well as by the relevant Annex 3A) of the Consob Regulation no. 11971 of 14 May 1999 (as amended by means of the following modifications) in order to illustrate and explain to the shareholders of the Company the subjects and the reasons of the proposed agenda.

The fulfilment of such information duties required by Italian law is carried out on the basis of the existing information which is provided on the basis of the "principle of equivalence" pursuant to article 114 of the Consob Regulation no. 11971.

## 1. Reduction of the share capital by reduction of the accounting value

### 1.1. Reasons for the proposal under item 1 of the agenda.

With the relatively low trading price compared to the accounting value of the shares, it will be useful for the future capital increase by the Company to adjust the articles of association of the Company as regards the accounting value of the shares in issue given the possible issuance of new shares at an amount less than the accounting value of the shares is otherwise quite complex.

Thus, in relation to item 1 of the agenda, the Board of Directors is proposing to the Extraordinary General Meeting of Shareholders to reduce the accounting value of each share of the issued share capital of the Company from its current amount of ten cents of dollar of the United States of America (USD 0.10) per share to five cents of dollar of the United States of America (USD 0.05) per share. It is proposed that such reduction of the accounting value be made without cancellation of any shares in issue nor repayment on any share.

It is proposed to allocate an amount corresponding to the resulting aggregate reduction of the accounting value of thirty-two million six hundred eighty-seven thousand nine hundred one dollars of the United States of America and twenty-five cents (USD 32,687,901.25) to a special capital account (*apport en capitaux propres non rémunéré par des titres*) of an amount of thirty-two million six hundred eighty-seven thousand nine hundred one dollars of the United States of America and twenty-five cents (USD 32,687,901.25).

It is explained that the special capital account (*apport en capitaux propres non rémunéré par des titres*) would be part of the premium accounts of the Company and that in accordance with the last paragraph of article 5 of the articles of association of the Company, the amount of such capital account (i) can be used in the same way as the amounts allocated to the premium account or (ii) can be reintegrated into the share capital by means of passing of an appropriate shareholders' resolution adopted in compliance with the quorum and majority rules for an amendment of the articles of association of the Company.

This amount may in addition be reintegrated into the share capital by means of passing of an appropriate shareholders' resolution adopted in compliance with the quorum and majority rules for an amendment of the articles of association of the Company.

It is proposed that the issued share capital will consequently be reduced from its current amount of sixty-five million three hundred seventy-five thousand eight hundred two dollars of the United States of America (USD 65,375,802.50) to the amount of thirty-two million six hundred eighty-seven thousand nine hundred one dollars of the United States of America and twenty-five cents (USD 32,687,901.25) and that article 5 of the articles of association of the Company be amended accordingly.

### **1.2. Information on shareholders' withdrawal rights.**

Neither Luxembourg law nor the Company's articles of association offer shareholders who do not approve the proposed amendments of article 5 of the articles of association of the Company in line with item 1 of the agenda and should such proposed amendments be approved by the Extraordinary General Meeting of Shareholders, the possibility to withdraw from the Company by tendering their shares for purchase to the Company.

### **1.3. Comparison between the existing first paragraph of article 5 of the articles of association of the Company and the proposed new first paragraph of article 5.**

A table has been inserted below for the purpose of comparing the first paragraph of article 5 of the articles of association as currently in force with the proposed new text of this paragraph following the approval of the proposed amendments under item 1 of the agenda.

<b>Existing paragraph 1 of article 5</b>	<b>Proposed new text of paragraph 1 of article 5</b>
The issued capital of the Company is fixed at sixty-five million three hundred seventy-five thousand eight hundred two dollars of the United States of America (USD 65,375,802.50) divided into six hundred fifty-three million seven hundred fifty-eight thousand twenty-five (653,758,025) shares with no nominal value.	The issued capital of the Company is fixed at thirty-two million six hundred eighty-seven thousand nine hundred one dollars of the United States of America and twenty-five cents (USD 32,687,901.25) divided into six hundred fifty-three million seven hundred fifty-eight thousand twenty-five (653,758,025) shares with no nominal value.

## **2. Renewal and amendment of the authorised capital and of the limitation or cancelation of preferential subscription rights**

### **2.1. Reasons for the proposal under item 2 of the agenda.**

In relation to item 2 of the agenda, the Board of Directors provided the following explanations to the shareholders in accordance with article 420-26 (5) of the Luxembourg law of 10 August 1915 on commercial companies, as amended.

As at the date of this report, and therefore prior to any reduction of the accounting value of the shares as proposed above, the authorised capital of the Company is fixed at one hundred million dollars of the United States of America (USD 100,000,000.-) divided into one billion (1,000,000,000) shares with no nominal value in accordance with article 5 of the current articles of association of the Company.

Such article provides that the Board of Directors is authorised and empowered within the limits of the authorised capital to:

- (i) realise for any reason whatsoever including for defensive reasons any increase of the corporate capital in one or several successive tranches, following, as the case may be, the exercise of the subscription and/or conversion rights granted by the Board of Directors within the limits of the authorised capital under the terms and conditions of warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments issued from time to time by the Company, by the issuing of new shares, with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner;
- (ii) determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares; and
- (iii) remove or limit the preferential subscription right of the shareholders in case of issue of shares against payment in cash.

It is proposed to renew and increase the above authorisations granted with immediate effect to the Board of Directors for a new period of five (5) years.

It is also proposed that the limit of the authorised capital of the Company be amended from its current amount of one hundred million dollars of the United States of America (USD 100,000,000.-) divided into one billion (1,000,000,000) shares with no nominal value to eighty-seven million five hundred thousand dollars of the United States of America (USD 87,500,000) divided into one billion seven hundred fifty million (1,750,000,000) shares with no nominal value.

It is also proposed that, pursuant to the renewed authorisation, the Board of Directors be authorised and empowered within the limits of the authorised capital to:

- 1.1 realise for any reason whatsoever including for defensive reasons any increase of the corporate capital in one or several successive tranches, following, as the case may be, the exercise of the subscription and/or conversion rights granted by the Board of Directors within the limits of the authorised capital under the terms and conditions of warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments issued from time to time by the Company, by the issuing of new shares, with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner;
- 2.1 determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares; and
- 3.1 remove or limit the preferential subscription right of the shareholders in case of issue against payment in cash of shares, warrants (which may be separate or attached to

shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments.

## **2.2. Reasons for possible future capital increase(s).**

The proposed renewal of and the amendment to the authorised capital are proposed with a view to facilitating possible future capital increases of the Company as may further be considered by the Company within the next five (5) years.

The Company's possible future capital increases could serve a variety of needs as may arise over time. These needs could allow the Company to raise new financial resources and will enable the Company to manage its immediate and future capital expenditure needs and working capital requirements and to seize potential acquisition opportunities.

## **2.3. Timing of future possible capital increase(s).**

In addition to the commitments arising out of the warrants of the Company already in issue, and depending on the circumstances prevailing at the time, the Board of Directors will decide if and when to proceed with a capital increase within the framework of the authorised capital.

It cannot be ruled out that, if the circumstances so warrant at such time, a capital increase could take place within the next six (6) months, which would also trigger an extraordinary warrant exercise period in accordance with article 3.3.1 of the terms and conditions of the d'Amico International Shipping Warrants 2017 – 2022. However, the Board of Directors will continually monitor the merits of proceeding with a capital increase throughout the entire duration of the authorised capital.

## **2.4. Criteria for the determination of the issue price of the shares.**

When determining the issue price of shares to be created under the authorised capital, the Board of Directors will ensure that the issue price will correspond at least to the accounting value of the shares to be newly issued, increased by such amount as the Board of Directors considers appropriate for the issue of such new shares, in view notably of ensuring that the issue price be set in accordance with any and all provisions governing existing equity instruments issued by the Company.

The Board of Directors considers that it is in the interest of the Company and its shareholders that the Board of Directors be authorised to issue additional shares within the limits of an amended authorised share capital of eighty-seven million five hundred thousand dollars of the United States of America (USD 87,500,000) divided into one billion seven hundred fifty million (1,750,000,000) with no nominal value, as well as to limit or cancel, in full or partially, the preferential subscription right of existing shareholders if needed.

## 2.5. Information on shareholders' withdrawal rights.

Neither Luxembourg law nor the Company's articles of association offer shareholders who do not approve the proposed amendments of article 5 of the articles of association of the Company in line with item 2 of the agenda and should such proposed amendments be approved by the Extraordinary General Meeting of Shareholders, the possibility to withdraw from the Company by tendering their shares for purchase to the Company.

## 2.6 Existing underwriting and/or guarantee commitment.

At the date of the drafting of this Report, the controlling shareholder d'Amico International S.A., subject to the possible future approval of any capital increases by the competent bodies of the Company and to such capital increases being offered on a preferential basis to existing eligible shareholders, irrevocably undertook to vote in favour of the proposal to be made at the Extraordinary General Meeting of Shareholders regarding the authorization to the board of directors for the renewal and increase of the authorized share capital. The undertakings of d'Amico International S.A. are binding on it.

## 2.7 Comparison between the existing paragraphs 3 and 4 of article 5 of the articles of association of the Company and the proposed new paragraphs 3 and 4 of article 5.

A table has been inserted below for the purpose of comparing paragraphs 3 and 4 of article 5 of the articles of association of the Company as currently in force with the proposed new text of these paragraphs following the approval of the proposed amendments under item 2 of the agenda.

Existing paragraphs 3 and 4 of article 5	Proposed new text of paragraphs 3 and 4 of article 5
<p>The authorised capital of the Company is set at <b>one hundred million dollars of the United States of America (USD 100,000,000.-)</b> divided into <b>one billion (1,000,000,000)</b> shares with no nominal value.</p> <p>During a period of five (5) years from the date of the resolution adopted on <b>3 March 2017</b> to renew and increase the authorised capital pursuant to this Article, the Board of Directors is hereby authorised and empowered within the limits of the authorised capital to (i) realise for any reason whatsoever including, for defensive reasons, any issue in one or several successive tranches of (a) any subscription and/or conversion rights, including warrants (which may</p>	<p>The authorised capital of the Company is set at <b>eighty-seven million five hundred thousand dollars of the United States of America (USD 87,500,000)</b> divided into one billion seven hundred fifty million (1,750,000,000) shares with no nominal value.</p> <p>During a period of five (5) years from the date of the resolution adopted on <b>11 March 2019</b> to renew and increase the authorised capital pursuant to this Article, the Board of Directors is hereby authorised and empowered within the limits of the authorised capital to (i) realise for any reason whatsoever including, for defensive reasons, any issue in one or several successive tranches of (a) any subscription and/or</p>

<p>be issued separately or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments (the "Share Rights") as well as (b) new shares, with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner; (ii) determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares; and (iii) remove or limit the preferential subscription right of the shareholders in case of issue against payment in cash of shares, warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments. The shares to be issued upon exercise of any Share Rights may be issued beyond the initial authorized capital period of five (5) years as long as the Share Rights were issued within the relevant initial authorized capital period of five (5) years.</p>	<p>conversion rights, including warrants (which may be issued separately or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments (the "Share Rights") as well as (b) new shares, with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner; (ii) determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares; and (iii) remove or limit the preferential subscription right of the shareholders in case of issue against payment in cash of shares, warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments. The shares to be issued upon exercise of any Share Rights may be issued beyond the initial authorized capital period of five (5) years as long as the Share Rights were issued within the relevant initial authorized capital period of five (5) years.</p>
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## **Conclusion**

In consideration of the Board of Directors' analysis that the proposals outlined in this report and reflected in the resolutions to be submitted to the Extraordinary General Meeting of Shareholders are in the interests of the Company and its shareholders, the Board of Directors recommends that the shareholders approve the proposals by voting in favour of the resolutions submitted to the meeting.

Luxembourg, 8 February 2019

On behalf of the Board of Directors

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Mr. Paolo d'Amico

Chairman of the Board and CEO