

**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 2 October 2012

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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**

- 1 To reduce, on the basis of a special report by the Board of Directors, the accounting value of each share of the issued share capital of the Company from its current amount of one dollar of the United States of America (USD 1.-) per share to ten cents of a dollar of the United States of America (USD 0.10) per share without cancellation of any shares in issue nor repayment on any share; to allocate an amount corresponding to the resulting reduction of the share capital of an amount of one hundred thirty-four million nine hundred fifty-four thousand nine hundred sixteen dollars of the United States of America and thirty cents (USD 134,954,916.30) to a special capital account (*apport en capitaux propres non rémunéré par des titres*) of an amount of one hundred thirty-four million nine hundred fifty-four thousand nine hundred sixteen dollars of the United States of America and thirty cents (USD 134,954,916.30), having the same characteristics as the premium account 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 one hundred forty-nine million nine hundred forty-nine thousand nine hundred and seven dollars of the United States of America (USD 149,949,907) to the amount of fourteen million nine hundred ninety-four thousand nine hundred ninety dollars of the United States of America and seventy cents (USD 14,994,990.70) and to pass resolutions to that effect, including the required amendments of article 5 of the Company's articles of association.
- 2 To amend, on the basis of a special report by the Board of Directors, the authorised corporate capital from its present amount of two hundred million dollars of the United States of America (USD 200,000,000.-) divided into two hundred million (200,000,000) shares with no nominal value to fifty million dollars of the United States of America (USD 50,000,000.-) divided into five hundred million (500,000,000) shares with no nominal value and to renew, for a 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 amended 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.

- 3 To grant power 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 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.**

Any capital increase envisaged by the Company triggers the necessity to also adjust the articles of association of the Company as regards the accounting value of the shares in issue given that the trading price of the shares is lower than the current accounting value of the shares and that Luxembourg law prohibits the issuance of new shares at an amount less than the accounting value of the shares.

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 one dollar of the United States of America (USD 1.-) per share to ten cents of a dollar of the United States of America (USD 0.10) 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 one hundred thirty-four million nine hundred fifty-four thousand nine hundred sixteen dollars of the United States of America and thirty cents (USD 134,954,916.30) to a special capital account (*apport en capitaux propres non rémunéré par des titres*) of an amount of one hundred thirty-four million nine hundred fifty-four thousand nine hundred sixteen dollars of the United States of America and thirty cents (USD 134,954,916.30).

It is explained that the special capital account (*apport en capitaux propres non rémunéré par des titres*) would have the same characteristics as the premium account 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 may be used to provide for the payment of any shares which the Company may repurchase from its shareholders, to offset any net realised losses, to make distributions to the shareholders in the form of a dividend or to allocate funds to the legal reserve.

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 would be consequently reduced from its current amount of one hundred forty-nine million nine hundred forty-nine thousand nine hundred and seven dollars of the United States of America (USD 149,949,907) to the amount of fourteen million nine hundred ninety-four thousand nine hundred ninety dollars of the United States of America and seventy cents (USD 14,994,990.70) 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.

Existing paragraph 1 of article 5	Proposed new text of paragraph 1 of article 5
The issued capital of the Company is fixed at one hundred forty-nine million nine hundred forty-nine thousand nine hundred and seven dollars of the United States of America (USD 149,949,907) divided into one hundred forty-nine million nine hundred forty-nine thousand nine hundred and seven (149,949,907) shares with no nominal value.	The issued capital of the Company is fixed at fourteen million nine hundred ninety-four thousand nine hundred ninety dollars of the United States of America and seventy cents (USD 14,994,990.70) divided into one hundred forty-nine million nine hundred forty-nine thousand nine hundred and seven (149,949,907) 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 32-3 (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 two hundred million dollars of the United States of America (USD 200,000,000.-) divided into two hundred million (200,000,000) 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.

Such authorisations which were granted to the Board of Directors for a period ending 5 (five) years after the date of publication of the deed of incorporation of the Company in the *Mémorial C, Recueil des Sociétés et Associations* have expired on 30 March 2012.

It is now proposed to renew the above authorisations granted to the Board of Directors for a new period expiring five (5) years after the publication of the minutes of the Extraordinary General Meeting of Shareholders in the *Mémorial C, Recueil des Sociétés et Associations*.

It is also proposed that the limit of the authorised capital of the Company be amended from its current amount of two hundred million dollars of the United States of America (USD 200,000,000.-) divided into two hundred million (200,000,000) shares with no nominal value to fifty million dollars of the United States of America (USD 50,000,000.-) divided into five hundred million (500,000,000) shares.

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.

Coherently with the strategy historically pursued by the Company, the possible future capital increases could represent another relevant milestone in its path of continuous growth and expansion in its traditional markets.

Proceeds from future capital increases, if decided, could serve a variety of the Company's needs as may arise over time. These needs could include, but are not limited to, renewing the Company's fleet through the purchase of new product tankers (thereby allowing the Company to be well positioned for a market recovery benefitting, at that point, from an improved structure of charter rates and, on the assets side, an increase in the values of the vessels), strengthening the financial structure of the Company, seizing acquisition opportunities and other general corporate purposes.

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

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. 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 fifty million dollars of the United States of America (USD 50,000,000.-) divided into five hundred million (500,000,000) shares with no nominal value.

## **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, undertook to subscribe, from time to time and under terms and conditions to be determined by the Company, to the new shares to be offered in any such capital increases, as well

as any other financial instruments with subscription and/or conversion rights into shares, at least pro-rata to its shareholding at such time, by lawfully exercising the preferential subscription rights which would be granted to it, by no later than the third Luxembourg business day before the end of the period determined by the Company for the exercise of preferential subscription rights under any such capital increases with preferential subscription rights. The undertakings of d'Amico International S.A. will remain valid during the duration of the authorised capital and will expire at the end of the period of five years as from the date of publication of the resolutions of the Extraordinary General Meeting of Shareholders in the Luxembourg Official Gazette.

**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>In addition to the issued capital, there exists an authorised capital which is set at two hundred million dollars of the United States of America (USD 200,000,000.-) divided into two hundred million (200,000,000) shares with no nominal value.</p> <p>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. This authorisation is valid during a period ending 5 (five) years after the date of publication of these Articles of Association, in the <i>Mémorial</i> and it may be renewed by a resolution of the general meeting of shareholders adopted in compliance with the quorum and majority rules set by these Articles of Association or, as the case may be, by the Laws for any amendment of these</p>	<p>The authorised capital of the Company is set at fifty million dollars of the United States of America (USD 50,000,000.-) divided into five hundred million (500,000,000) shares with no nominal value.</p> <p>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 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. This authorisation is valid during a period ending 5 (five) years after the date of publication of the minutes of the extraordinary general meeting of shareholders held on 2 October 2012 in the <i>Mémorial C, Recueil des Sociétés et</i></p>

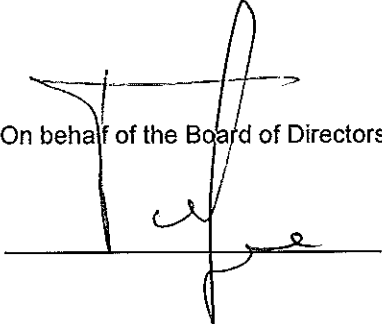
Articles of Association.	<i>Associations</i> and it may be renewed by a resolution of the general meeting of shareholders adopted in compliance with the quorum and majority rules set by these Articles of Association or, as the case may be, by the Laws for any amendment of these Articles of Association.
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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, 29 August 2012

On behalf of the Board of Directors



Mr. Paolo d'Amico  
Chairman of the Board