d’Amico International Shipping: Strong Product Tanker Market Delivers Record 2022 Results

in International Shipping News 10/03/2023

The Board of Directors of d’Amico International Shipping S.A., a leading international marine transportation company operating in the product tanker market, today examined and approved the Company’s draft 2022 full year statutory and consolidated financial results.

MANAGEMENT COMMENTARY

Paolo d’Amico, Chairman and Chief Executive Officer of d’Amico International Shipping commented:

‘It is my pleasure to report that in 2022 DIS delivered the best financial result in its history, with a Net profit of US$ 134.9 million, compared with a Net loss of US$ (37.3) million posted in 2021. This improvement relative to the previous year is attributable to the very strong product tanker market we have been benefiting from since the end of the first quarter of 2022. In fact, DIS achieved a daily spot TCE rate of US$ 31,758 in 2022 vs. US$ 11,004 in 2021. At the same time, DIS had 34.0% of its employment days covered at an average daily TCE rate of US$ 15,925 in 2022 (2021: 47.5% coverage at an average daily rate of US$ 15,194). Thus, the Company achieved a total blended daily TCE (spot and time-charter) of US$ 26,376 in 2022 compared with US$ 12,996 achieved in 2021. During the year, DIS intentionally refrained from increasing its contract coverage, to increase its spot exposure in a rapidly rising market with strong fundamentals. Thus, our results in the last quarter of the year were exceptionally strong, as we achieved a blended rate on spot and time-charter contracts of US$ 38,294 during the period (Q4 2021: US$ 13,165), resulting in a Net profit of US$ 72.1 million (Q4 2021: Net loss of US$ (8.3) million).

Looking at the product tanker market, after a rather weak start of the year, due to a temporary increase in Covid cases and the consequent restrictions to mobility implemented by several countries around the world, the product tanker market began to rapidly improve towards the end of Q1, as economies gradually reopened following the lifting of such restrictions. In addition, starting from the end of the first quarter, the outbreak of the war in Ukraine has been having a significant impact on the tanker markets, mostly due to inefficiencies, arising from suboptimal trading patterns and an increase in activities such as transhipments, as well as an increase in average distances sailed, as Europe sources from further away oil and refined products previously imported from Russia, which in turn finds buyers in more distant locations in Asia, mainly China and India. According to the IEA, EU imports of Russian oil declined from 4.1 million b/d in February 2022 to 2.2 million b/d in December 22 and 1.3 million b/d in January 2023 and the EU’s share of Russian oil exports slipped to 16% in January 2023, compared to 50% in February 2022. In addition, the EU embargo on Russian product imports that came into force on February 5, 2023, is expected to result in much deeper declines and an additional ~1 mb/d of products will have to find new homes. In this scenario, it is reasonable to expect the EU will increase in 2023 its product imports from refineries in Asia and the Middle East, boosting product tankers’ ton-mile demand. Despite the uncertain macroeconomic environment and the current recessionary risks, especially in Europe and the US, the product tanker market is expected to remain strong in the coming months and quarters. In fact, any potential decrease in demand in these regions should be more than outweighed by an increase in consumption in Asia and especially in China, as it reopens its economy.

We remain very positive also on the longer-term outlook for our industry, as we see very positive fundamentals both on the demand and the supply side. The secular dislocation of refinery capacity further away from key consuming centres (Europe, USA, Australia) to mainly the Far East and the Middle East, will be extremely beneficial for product tankers’ ton-mile demand. In addition, tonnage supply growth is expected to be very limited in the coming years and in the segments we operate in (MRs and LR1s), currently estimated by Clarksons at only 0.6% for 2023 (after a very modest 1.4%

increase in 2022), amongst the lowest levels ever recorded. Also, according to Clarksons, the orderbook to fleet ratio of the segments we operate in currently stands at 3.2% and more than 35.5% of the existing tonnage is older than 15 years (measured in dwt). However, there is very limited ordering activity today, as market players are extremely reluctant to order given high newbuilding costs, emissions-regulation uncertainty, and limited yard availability for deliveries over the next two years (orders placed now would be delivered only in 2025). In addition, the increasing number and scope of environmental regulations imposed by international bodies, such as the IMO and the EU, could lead to a further acceleration in the scrapping of old, less efficient tankers and might force some of these vessels to slow-steam to reduce emissions.

In 2022, DIS continued to pursue its long-term strategic goal of strengthening its financial structure. As at the end of 2022, the ratio between our net financial position (excluding IFRS 16) to fleet market value was of only 36.0%, compared with 60.4% at the end of 2021 and 72.9% at the end of 2018. In a cyclical and capital-intensive business such as ours, we regard the strategic and operational flexibility deriving from a strong balance sheet and a low breakeven as crucial success factors. That is why we plan to continue deleveraging our balance sheet also in 2023, mainly through the gradual exercise of the remaining purchase options on DIS' bareboat-in vessels. In 2022, d'Amico International Shipping was finally able to reap some of the fruits of the key investment, financing, and commercial decisions taken in recent years. I am proud of the remarkable results we have achieved, and I am confident DIS is extremely well positioned to take full advantage of the current strong markets, thanks to our modern, top-quality and fuel-efficient fleet; our well-balanced, adaptable and proven commercial strategy; and our strong balance sheet. I am very grateful to our remarkably talented teams onshore and ashore for their strong commitment to DIS. Their tireless efforts and dedication through the last very challenging years, played a crucial role in moulding DIS into a strong and successful group we are all proud to be part of. On behalf of the Board of Directors, I would also like to thank our Shareholders for their continued trust, and I am confident we will continue to achieve attractive returns for many years to come. In this regard, following the great performance we achieved in 2022 and with the objective of returning capital to the Shareholders, whilst preserving the financial health of the Company, DIS' Board of Directors proposed a gross dividend distribution, to be approved by its Shareholders at the upcoming annual general meeting, of US$ 22.0 million (US$0.0153 per issued and outstanding share, net of applicable withholding taxes)."

Carlos Balestra di Mottola, Chief Financial Officer of d'Amico International Shipping commented:

'In 2022, thanks to a very strong product tanker market, we posted our best financial result ever (excluding non-recurring items), with a Net profit of US$ 134.9 million, compared with a Net loss of US$ (37.3) million in 2021. Adjusted net result (excluding non-recurring financial items, as well as the asset impairments and the net effects of IFRS 16 from both periods) was of US$ 137.6 million in 2022 compared with US$ (29.1) million recorded in the previous year. Thanks to a well-executed commercial strategy, the last quarter of the year was particularly strong, allowing us to achieve a Net profit of US$ 72.1 million vs. a Net loss of US$ (8.3) million recorded in the same period of the previous year. In terms of spot performance, DIS was able to achieve a daily TCE rate of US$ 31,758 in 2022 vs. US$ 11,004 in 2021. Last year our contract coverage represented 34.0% of our employment days at a daily average TCE rate of US$ 15,925. Therefore, our total daily average TCE rate (which includes both spot and time-charter contracts) was of US$ 26,376 in 2022 vs. US$ 12,996 in 2021.

DIS' EBITDA amounted to US$ 226.6 million in 2022 vs. US$ 64.3 million in 2021 and DIS' operating cash flow was positive for US$ 147.8 million in 2022, compared with US$ 31.8 million in the prior year.

Thanks to the strong freight markets of 2022 and in the first half of 2020, as well as to the deleveraging plan implemented in the last few years, through vessel disposals and equity capital increases, DIS can now benefit from the strategic and operational flexibility deriving from a strong balance sheet, a comfortable liquidity position and a very modern fleet. As at the end of 2022, DIS had a Net Financial Position (NFP) of US$ 409.9 million and Cash and cash equivalents of US$ 117.9 million vs. a NFP of US$ 520.3 million at the end of 2021. DIS' NFP (excluding IFRS16 effects) to FMV ratio was of 36.0% at the end of 2022 vs. 60.4% at the end of 2021 (65.9% at the end of 2020, 64.0% at the end of 2019 and 72.9% at the end of 2018). We plan to continue deleveraging and lowering our breakeven in 2023, exercising some of the remaining purchase options on our bareboat-in vessels.

These options are very flexible as they allow us to acquire the ships with three months' notice from the first purchase option exercise date and they are currently all in the money.
During 2022 and at the very beginning of 2023, we have been very active in the sale and purchase market through: i) the disposal of the two oldest vessels of our fleet, in line with DIS' strategic goal of owning and operating a very modern and 'eco' fleet; ii) the acquisition of the full control of Glenda International Shipping d.a.c, a JV with one of our long-term business partners which owned four MR vessels, at very attractive terms; iii) the exercise of our purchase options on two top-quality time chartered-in vessels at a price significantly lower than their current market value; iv) the exercise of purchase options on two modern bareboat chartered-in vessels, further reducing DIS' financial leverage and breakeven costs.
In 2022, we also significantly reduced our refinancing risk. Between the end of 2021 and the very beginning of 2022, we refinanced in full all the bank debt, which was due to mature in 2022, and between July and October 2022 we refinanced all our bank debt maturing in 2023, at very competitive terms. Currently, only a small portion of our bank debt matures in 2024 and 2025. In addition, starting from Q3 2022 the previous leasing arrangements on the High Discovery and High Fidelity were replaced with new ones, with ten-year terms, at a substantially lower cost.
DIS has no remaining newbuilding CAPEX, having fully completed its US$ 755 million long-term investment plan in eco newbuilding tankers, in 2019. In 2023, DIS' investments relate to the exercise of the purchase option for the M/T High Explorer (a time-chartered-in vessel), as well as to US$ 14.5 million for maintenance purposes, including the installation of scrubbers on two of our vessels.
Thanks to our well executed long-term strategy, d'Amico International Shipping is today stronger and healthier than ever and I would like to thank our employees for their efforts and all our Stakeholders for their trust and support throughout the negative cycle we experienced in the last few years. With a modern and mainly 'eco' fleet, a proven commercial strategy, significant technical know-how and a very strong balance sheet, I firmly believe we have laid strong foundations for long-term success.'

FINANCIAL REVIEW

SUMMARY OF THE RESULTS IN THE FOURTH QUARTER AND TWELVE MONTHS OF 2022

The product tanker market has strengthened significantly since the onset of the war in Ukraine in February 2022, and remained at historically high levels throughout the year. The sanctions that gradually came into force in 2022 and self-sanctioning by many important operators, les to a redirection of trade flows out of Russia. In particular, India increased imports of Russian crude from under 200 thousand b/d prior to the invasion of Ukraine to almost 1.8 million b/d by the end of 2022. China, which was already an important importer of crude oil from Russia also increased its imports over the same period, from just under 1.0 million b/d to around 1.6 million b/d by the end of last year.
The same importers of Russian crude ramped up exports of refined product towards Europe last year. Combined exports of middle distillates to Europe from China and India averaged 166 thousand b/d in 2021, but surged to 403 thousand b/d in Q4 2022, reaching a record 493 thousand b/d in December 2022. The Middle East also increased exports of refined products to Europe from an average of 532 thousand b/d in 2021 to 702 thousand b/d in 2022.
In addition to the above-mentioned changes in trade patterns and the associated increase in tonne-miles, the market last year benefitted generally from an increase in inefficiencies, as a large portion of the refined products exported by Russia was involved in transhipment activities before arriving at final destination.
Despite higher imports from these other locations, Europe continued importing high volumes of refined products from Russia last year. The G7 price caps and EU sanctions on exports of Russian refined products that came into force on 5 February 2023, are likely to stimulate a rerouting also of Russian refined products towards other countries, with Europe having to replace the lost Russian cargoes, with imports from more distant locations. The initial indications are that Russian exports of refined products are being redirected mostly to North Africa and Turkey. North Africa in particular increased imports of Russian diesel from insignificant levels (less than 10 thousand b/d) to around 250 thousand b/d in February 2023.
Freight markets in the last quarter of last year was especially strong and were impacted by a front loading of imports by Europe in anticipation of the sanctions which were going to come into force in February 2023, as well as higher volumes out of China, due to an important increase in government-allocated export quotas to local refineries.

The one-year time-charter rate is always the best indicator of spot market expectations and as at the end of December 2022 was assessed at around US$ 28,000 per day for a conventional MR2, with an Eco MR2 assessed at a premium of around US$ 4,000 per day.
In 2022, DIS recorded a Net profit of US$ 134.9 million vs. a Net loss of US$ (37.3) million posted in 2021. Such positive variance is attributable to a much stronger product tanker market relative to the prior year. Excluding results on disposal and non-recurring financial items, as well as the asset impairment and the effects of IFRS 16, DIS' Net result would have amounted to US$ 137.6 million in 2022 compared with US$ (29.1) million recorded in the previous year. In Q4 2022, DIS posted a Net profit of US$ 72.1 million vs. a Net loss of US$ (8.3) million registered in the fourth quarter of last year. Excluding results on disposal and non-recurring financial items, as well as the asset impairment and the effects of IFRS 16, DIS' Net result would have amounted to US$ 69.6 million in Q4 2022 compared with US$ (6.5) million recorded in Q4 2021.
DIS generated an EBITDA of US$ 226.6 million in 2022 vs. US$ 64.3 million achieved in 2021 (US$ 91.3 million in Q4 2022 vs. US$ 16.4 million in Q4 2021), whilst its operating cash flow was positive for US$ 147.8 million in 2022 compared with US$ 31.8 million generated in the previous year.
In terms of spot performance, DIS achieved a daily spot rate of US$ 31,758 in 2022 vs. US$ 11,004 in 2021, due to the much stronger market relative to the previous year. In the fourth quarter of the year, DIS' daily spot rate was of US$ 42,751 vs. US$ 12,055 achieved in Q4 2021.
At the same time, 34.0% of DIS' total employment days in 2022, were covered through 'time-charter' contracts at an average daily rate of US$ 15,925 (2021: 47.5% coverage at an average daily rate of US$ 15,194). A good level of time charter coverage is one of the pillars of DIS' commercial strategy and allows it to mitigate the effects of the spot market volatility, securing a certain level of earnings and cash generation even throughout negative cycles. DIS' total daily average rate (which includes both spot and time-charter contracts) was of US$ 26,376 in 2022 compared with US$ 12,996 achieved in 2021 (Q4 2022: US$ 38,294 vs.
Q4 2021: US$ 13,165).

OPERATING PERFORMANCE

Time charter equivalent earnings were of US$ 330.0 million in 2022 vs. US$ 174.1 million in 2021. In detail, DIS realized a daily average spot rate of US$ 31,758 in 2022 compared with US$ 11,004 in 2021 and of US$ 42,751 in Q4 2022 compared with US$ 12,055 in the same period of last year.
In 2022, DIS maintained a good level of 'coverage'[1] (fixed-rate contracts), securing an average of 34.0% (2021: 47.5%) of its available vessel days at a daily average fixed rate of US$ 15,925 (2021: US$ 15,194)
In addition to securing revenue and supporting the operating cash flow generation, these contracts enabled DIS to strengthen its historical relationships with the main oil majors.
DIS' total daily average TCE (Spot and Time Charter)[2] was of US$ 26,376 in 2022 vs. US$ 12,996 in 2021 (Q4 2022 US$ 38,294 vs. Q4 2021 US$ 13,165).
Bareboat charter revenue was of US$ 4.8 million in 2022 vs. US$ 0.9 million in 2021, and it relates to the bareboat charter out contract started in October 2021 on one of d'Amico Tankers d.a.c.'s LR1 vessels.
Time charter hire costs. IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019 and has been adopted by the Company. IFRS 16 substantially changes the Group's Consolidated Financial Statements, significantly affecting the treatment by lessees of contracts which in previous periods were treated as operating leases. With some exceptions, liabilities for payments on contracts previously classified as operating leases are now discounted at the lessee's incremental borrowing rate, leading to the recognition of a lease liability and a corresponding right of use asset (amounting to the liability plus the present value of any restoration costs and any incremental costs in entering the lease, as well as any lease payments made prior to commencement of the lease, minus any lease incentives already received). Therefore, starting from 1 January 2019, 'time-charter hire costs' includes only time-charter contracts whose residual term is shorter than 12 months as at that date or for contracts starting later, whose duration is shorter than 12 months from their commencement date. The application of IFRS16 reduced 'charter hire costs' by US$ 48.0 million in 2022 and by US$ 49.6 million in 2021, as within the Income Statement, these costs were replaced with other direct operating costs, interest, and depreciation. Excluding the effect of IFRS 16, DIS' 'time-charter hire costs' would have amounted to US$ (51.2) million in 2022 compared with US$ (53.0) million in 2021. In 2022, DIS operated a slightly lower

number of chartered-in vessels (9.6 equivalent ships) relative to the prior year (10.2 equivalent ships).
Other direct operating costs mainly consist of crew, technical and luboil expenses relating to the operation of owned vessels, together with insurance expenses for both owned and chartered-in vessels. The adjustment to 'other direct operating costs' arising from the application of IFRS 16 increases such expenses by US$ 21.7 million in 2022 (US$ 22.5 million increase in 2021), as within the Income Statement, time-charter hire costs are replaced by other direct operating costs, interest, and depreciation. Excluding the effects of IFRS 16, DIS' 'other direct operating costs' would have amounted to US$ (64.4) million in 2022 vs. US$ (68.6) million in 2021. In 2022, the Company operated a smaller fleet of owned and bareboat vessels relative to the prior year (2022: 26.1 vs. 2021: 27.9). DIS constantly monitors its operating costs, while focusing on crew with appropriate skills, high SQE (Safety, Quality & Environment) standards and full compliance with very stringent market regulations. Maintaining a 'top-quality' fleet represents an essential part of DIS' vision and strategy.
General and administrative costs amounted to US$ (15.5) million in 2022 vs. US$ (14.0) million in 2021. These costs relate mainly to onshore personnel, together with office costs, consultancies, travel expenses and others.
Result on disposal of vessel was negative for US$ (3.2) million in 2022 vs. US$ (2.1) million in the prior year. The amount refers to the amortisation of the net deferred result on all vessels sold and leased back in the previous years. In addition, the amount for 2022 includes US$ (1.3) million negative charge related to the termination of the bareboat charter contract for the MT High Voyager (whose purchase option was exercised by d'Amico Tankers in the last quarter of the year).
EBITDA was of US$ 226.6 million in 2022 compared with US$ 64.3 million in 2021 (US$ 91.3 million in Q4 2022 vs. US$ 16.4 million in Q4 2021), reflecting the better freight markets experienced in 2022.
Depreciation, impairment, and impairment reversal amounted to US$ (60.9) million in 2022 vs. US$ (71.2) million in 2021. The amount for 2022 includes: i) an impairment of US$ (2.1) million on an MR vessel (M/T High Priority) owned by d'Amico Tankers d.a.c., whose sale was announced in Q1 2022 and finalized in Q2 2022. In accordance with IFRS 5, this vessel was classified as 'asset held for sale' at the end of Q1 2022, with the difference between its fair value less cost to sell and its book value charged to the Income Statement; ii) an impairment reversal of US$ 2.0 million on two MR vessels (M/T High Seas and M/T High Tide), whose fair value as at December 31 2022 was greater than their book value at the same date. The amount for 2021 included US$ (6.4) million impairment booked on two vessels owned by d'Amico Tankers d.a.c., one of which (M/T High Venture) was sold in the last quarter of that year, whilst the other one (M/T High Valor) was sold in January 2022 and classified as 'asset held for sale' (in accordance with IFRS 5) at the end of the period, with the difference between its fair value less cost to sell and its book value charged to the Income Statement.
EBIT was of US$ 165.7 million in 2022 compared with US$ (6.9) million in 2021.
Net financial income was of US$ 2.8 million in 2022 vs. US$ 2.0 million 2021. The 2022 amount comprises mainly US$ 2.3 million unrealized gain in relation to the ineffective part of DIS' interest rate swap agreements, as well as bank interest income on funds held with financial institutions on deposit and current accounts. The 2021 amount comprises mainly US$ 1.7 million unrealized gain in relation to the ineffective part of DIS' interest rate swap agreements, US$ 0.4 million commercial foreign exchange gain, as well as bank interest income on funds held with financial institutions on deposit and current accounts.
Net financial charges amounted to US$ (33.2) million in 2022 vs. US$ (32.0) million in 2021. The 2022 amount comprises mainly US$ (29.6) million in interest expenses and amortized financial fees due on DIS' bank loan facilities, actual expenses on interest rate swaps and interest on lease liabilities, as well as net realised loss on derivative instruments of US$ (1.1) million (US$ (1.1) million realized loss on foreign exchange derivative instruments used for hedging purposes, US$ (0.5) million realized loss on freight derivative instruments, US$ 0.5 million realized gain arising from the closing of some interest rate swaps), and US$ (2.5) million negative impact arising from the termination of the lease contracts on High Fidelity and High Discovery. The amount recorded in 2021 included US$ (31.7) million in interest expenses and amortized financial fees due on DIS' bank loan facilities, actual expenses on interest rate swaps and interest on lease liabilities, as well as US$ (0.2) million of realized losses on freight derivative instruments and foreign exchange derivative instruments used for hedging purposes.
DIS recorded a Profit before tax of US$ 135.3 million in 2022 vs. a loss of US$ (36.8) million in 2021.

Income taxes amounted to US$ (0.4) million in 2022, in line with the amount of last year.
DIS recorded a Net profit of US$ 134.9 million in 2022 vs. a Net loss of US$ (37.3) million in 2021 and a Net profit of US$ 72.1 million in the last quarter of 2022 vs. a Net loss of US$ (8.3) million in the same period of the previous year. Excluding results on disposals and non-recurring financial items from 2022 (US$ (4.5) million3) and from 2021 (US$ 0.7 million4), as well as the asset impairments (US$ (0.1) million in 2022 and US$ (6.4) million in 2021) and the net effects of IFRS 16 from both periods (US$ 1.8 million in 2022 and US$ (1.0) million in 2021), DIS' Net result would have amounted to US$ 137.6 million in 2022 compared with US$ (29.1) recorded in the previous year. Excluding the result on disposals and non- recurring financial items from Q4 2022 (US$ (0.1) million) and from the same period of 2021 (US$ 0.8 million), as well as the asset impairments (US$ 2.0 million in Q4 2022 and US$ (0.7) million in Q4 2021), and the net effects of IFRS 16 from both periods (US$ 0.6 million in Q4 2022 and US$ US$ (0.4) million Q4 2021), DIS' Net result would have amounted to US$ 69.6 million in Q4 2022 compared with US$ (6.5) million recorded in the same period of the previous year.

CASH FLOW AND NET INDEBTEDNESS

In 2022, DIS' net cash flow was of US$ 81.8 million vs. US$ (18.9) million in 2021.
Cash flow from operating activities was positive, amounting to US$ 147.8 million in 2022 vs. US$ 31.8 million in 2021.
DIS' Net debt as at 31 December 2022 amounted to US$ 409.9 million compared to US$ 520.3 million as at 31 December 2021. Due to the application of IFRS 16 these balances include from 1 January 2019 an additional lease liability amounting to US$ 39.8 million as at the end of December 2022 vs. US$ 80.5 million as at the end of 2021. The net debt (excluding the IFRS16 effect) / fleet market value ratio was of 36.0% as at 31 December 2022 vs. 60.4% as at 31 December 2021 (65.9% as at 31 December 2020, 64.0% as at the end of 2019 and 72.9% as at the end of 2018).

SIGNIFICANT EVENTS OF THE PERIOD

In 2022, the main events for the d'Amico International Shipping Group were the following:
D'AMICO INTERNATIONAL SHIPPING S.A.:
•Fifth and last exercise period of DIS' Ordinary shares warrants 2017-2022: On 17 May 2022, d'Amico International Shipping S.A. confirmed that the holders of "d'Amico International Shipping's Warrants 2017 – 2022", ISIN code n. LU1588548724 (the "Warrants") could apply for their Warrants to be exercised on any Banking Day (days on which banks in Luxembourg and in Italy are generally open for business as defined in the terms and conditions of the Warrants) starting from 1st June, 2022 until 30th June, 2022, both dates included (the "Fifth Exercise Period"), with the right to subscribe for newly issued ordinary shares of DIS admitted to trading on the Euronext STAR Milan segment of the Milan Stock exchange, organized and managed by Borsa Italiana, each without par value and with the same rights and features as DIS' ordinary shares outstanding at the issue date (the "Warrant Shares"), in the ratio of one (1) ordinary DIS share for one (1) Warrant exercised. After the termination of the Fifth Exercise Period, the unexercised Warrants were considered expired and can no longer be exercised. The exercise price for the Fifth Exercise Period amounted to EUR 0.412 (zero point four hundred and twelve Euros) per Warrant Share.
•Capital increase following the fifth exercise period of DIS' Ordinary shares warrants 2017-2022: on 4 July 2022 following the completion of the Fifth Warrants exercise period, in which 10,000 Warrants were exercised, leading to the issuance of 10,000 new ordinary shares, the Company's share capital amounted to US$ 62,053,278.45, divided into 1,241,065,569 shares with no nominal value. The remaining 55,215,905 Warrants not exercised by the deadline of 30 June 2022 expired, becoming invalid for all purposes.
D'AMICO TANKERS D.A.C.:
Refinancing of two leases: In July 2022, d'Amico Tankers d.a.c. exercised its purchase options on the existing bareboat charter contracts for MT High Discovery (a 49,990 dwt medium-range product tanker vessel built in 2014 by Hyundai-Mipo, South Korea), for a consideration of US$ 20.3 million, and for MT High Fidelity (a 49,990 dwt medium-range product tanker vessel built in 2014 by Hyundai-Vinashin Shipyard Co. Ltd., Vietnam), for a consideration of US$ 19.2 million. In addition, d'Amico Tankers refinanced the two vessels with new 10-year leases (bareboat charter contracts), with a purchase obligation at the end of the contract, and purchase options starting from the second anniversary date for MT High Discovery and the third anniversary date for MT High Fidelity.
Refinancing of the bank debt maturing in 2023, related to four vessels through a new sustainability-linked loan: In July 2022, d'Amico Tankers d.a.c. signed a US$ 82.0 million 5-year term facility with

ING and Skandinaviska Enskilda Banken (SEB), to refinance the bank loans maturing in 2023 on MT Cielo di Cagliari, MT Cielo Rosso, MT Cielo di Rotterdam, and MT Cielo di New York. For this new sustainability- linked loan, the margin is adjusted based on the CO2 emissions of d'Amico Tankers' fleet and associated AER (annual efficiency ratio) indicator, relative to the AER trajectory established by the Poseidon Principles for the type of vessels controlled by our Subsidiary. ING is acting as the Agent and the Sustainability Coordinator of this facility.
Refinancing of the bank debt related to three MR vessels, maturing in 2023: In July 2022, d'Amico Tankers d.a.c. secured the refinancing of the loan related to three of its MR vessels maturing in 2023, with their related balloons. In detail:
•d'Amico Tankers signed a US$ 25.2 million 7-year term loan facility with Danish Ship Finance A/S, to refinance the bank loans maturing in 2023 on MT High Seas and MT High Tide. This new loan was drawn down and the current financing reimbursed in July 2022.
•d'Amico Tankers signed an agreement with Tokyo Century Corporation to extend in direct continuation and for a further 4.5 years from its previous maturity in January 2023, the existing loan on MT High Challenge, with an amount then outstanding of US$ 13.8 million.
Refinancing of the bank debt related to five MR vessels: In September 2022, d'Amico Tankers d.a.c. signed a new US$ 54.2 million 5-year term loan facility with Credit Agricole Corporate and Investment Bank and ING aimed at refinancing the loans related to the following five vessels:
•MT Cielo di Capri, a 39,043 dwt handysize product tanker vessel built in 2016 by Hyundai-Vinashin Shipyard Co. Ltd., Vietnam, and whose previous bank debt matured in May 2023. The new loan facility related to this vessel was drawn down at the beginning of October 2022.
•MT Glenda Melissa, MT Glenda Meryl, MT Glenda Melody, MT Glenda Melanie, four 47,200 dwt MR vessels built between 2010 and 2011 by Hyundai-Mipo, South Korea, all formerly owned by Glenda International Shipping d.a.c.. The new loan facility related to these four vessels was drawn down in September 2022.
New bank debt financing related to the acquisition of an MR vessel: In December 2023, d'Amico Tankers d.a.c. signed a new US$ 20 million 5-year term loan facility with Skandinaviska Enskilda Banken (SEB) to finance the acquisition of MT High Adventurer.
Acquisition of the full control in GLENDA International Shipping d.a.c.: In August 2022, d'Amico Tankers d.a.c. gained control of 100% of Glenda International Shipping d.a.c. ("Glenda" or "the JV") through the redemption of the shares ("the Redemption") owned by Topley Corporation ("Topley", part of the Glencore Group) in the JV for a consideration of US$ 27.4 million. Prior to the transaction Topley owned a participation of 50% in Glenda International Shipping. The vessels owned at the time by Glenda International Shipping were the following MRs:
•GLENDA Melissa, 47,203 dwt, built in 2011, by Hyundai Mipo, South Korea;
•GLENDA Meryl, 47,251 dwt, built in 2011, by Hyundai Mipo, South Korea;
•GLENDA Melody, 47,238 dwt, built in 2011, by Hyundai Mipo, South Korea;
•GLENDA Melanie, 47,162 dwt, built in 2010, by Hyundai Mipo, South Korea.
Prior to the Redemption of the shares, the bank loans related to these vessels were fully reimbursed. In
September 2022, d'Amico Tankers d.a.c. acquired these vessels from Glenda.
'Time Charter-Out' Fleet: In January 2022, d'Amico Tankers d.a.c. extended a time charter-out contract with an oil-major for one of its MR vessels for 12 months, starting from January 2022; and it extended another time charter-out contract with a reputable counterparty for one of its Handy-size vessels for 6 months, starting from January 2022.
In September 2022, d'Amico Tankers d.a.c. extended a time charter-out contract with an oil-major for one of its LR1 vessels for 12 months, starting from October 2022.
In October 2022, d'Amico Tankers d.a.c. fixed a time charter-out contract with an oil-major for one of its LR1 vessels for a period of between 10 to 12 months, starting from December 2022.
In November 2022 d'Amico Tanker d.a.c. fixed a time charter-out contract with an oil major for one of its MR vessels for 12 months, starting from November 2022.
Vessel Sale: In April 2022, d'Amico Tankers d.a.c. signed a memorandum of agreement for the sale of the M/T High Priority, a 46,847 dwt MR product tanker vessel, built in 2005 by Nakai Zosen, Japan, for a consideration of US$ 9.2 million.
Exercise of the purchase option on a TC-in MR vessels: In September 2022, d'Amico International Shipping S.A. announced that its operating subsidiary d'Amico Tankers d.a.c. exercised its purchase option on the M/T High Adventurer, a 50,000 dwt MR product tanker vessel, built in 2017 by

Onomichi Dockyard Co., Japan, for a consideration of JPY 4.1 billion (equivalent to approximately US$ 30.4 million); this vessel's delivery occurred in December 2022.
Exercise of the purchase option on a bareboat chartered MR vessel: In December 2022, d'Amico International Shipping S.A. announced that its operating subsidiary d'Amico Tankers d.a.c. exercised its purchase option on the M/T High Voyager, a 45,999 dwt MR product tanker vessel, built in 2014 by Hyundai Mipo, South Korea, for a consideration of US$ 20.8 million; this vessel's delivery occurred in January 2023.
HIGH POOL TANKERS D.A.C.:
'Time Charter-Out' Fleet: In April 2022, High Pool Tankers d.a.c. fixed a time charter-out contract with a reputable counterparty for one of its MR vessels for 6 months, starting in June 2022.
SIGNIFICANT EVENTS SINCE THE END OF THE PERIOD AND BUSINESS OUTLOOK
'Time Charter-Out' Fleet: In January 2023, d'Amico Tankers d.a.c. fixed a time charter-out contract with an oil-major for one of its handysize vessels for a minimum of 11 months and a maximum of 13 months, starting from January 2023.
In February 2023, d'Amico Tankers d.a.c. fixed a time charter-out contract with a leading trading-house for one of its handysize vessels for 12 months, starting from February 2023. In the same month, d'Amico Tankers d.a.c. fixed a time charter-out contract with another leading trading-house for one of its MR vessels for 12 months, starting from April 2023.
Exercise of the purchase option on a TC-in MR vessels: In January 2023, d'Amico International Shipping S.A. announced that its operating subsidiary d'Amico Tankers d.a.c. exercised its purchase option on the M/T High Explorer, a 50,000 dwt MR product tanker vessel, built in 2018 by Onomichi Dockyard Co., Japan, for a consideration of JPY 4.1 billion (equivalent to approximately US$ 30.0 million) and with delivery expected in May 2023.
Exercise of the purchase option on a bareboat chartered MR vessel: In January 2023, d'Amico International Shipping S.A. announced that its operating subsidiary d'Amico Tankers d.a.c. exercised its purchase option on the M/T High Freedom, a 49,999 dwt MR product tanker vessel, built in 2014 by Hyundai Mipo, South Korea, for a consideration of US$ 20.1 million and with delivery expected in April 2023.
Dividend distribution: the Board of Directors of d'Amico International Shipping proposes to the Shareholders a dividend to be paid in cash of US$ 22,011,953.96 (US$ 18,710,160.87 net, after deducting the 15% applicable withholding tax), corresponding to US$ 0.0153 net of withholding taxes, per issued and outstanding share (treasury shares are not entitled to dividends). The dividends will be paid out of the distributable reserves, including the share premium reserve. The dividend is subject to the approval of DIS' Shareholders at the 2023 Annual General Meeting and has not been included as a liability in these financial statements.
The profile of d'Amico International Shipping's vessels on the water is summarized as follows:
BUSINESS OUTLOOK
The key drivers that should affect the product tankers' freight markets and d'Amico International Shipping's performance are (i) the growth in global oil supply, (ii) refinery margins and throughput, (iii) demand for refined products, (iv) the structure of forward prices for both crude oil and refined petroleum products, (v) the product tankers' fleet growth rate, (vi) the efficiency of the fleet due to factors such as congestion, transhipments, and average sailing speeds and (vii) average sailing distances and ballast to laden ratios. Some of the factors that should continue supporting the current strong markets are detailed below:
Product Tanker Demand
•According to the IEA's February Oil Market Report, following the Arctic freeze in the US at the end of last year, US refinery throughput fell by 1.5 million b/d from their post-pandemic peak of 16.4 million b/d in November '22 and is not expected to reach that level again before April-May 2023. Chinese runs have also moderated since the spike in November 2022.
•According to IEA's February report, world oil demand will climb by 2.0 million b/d in 2023 to reach 101.9 million b/d. The Asia-Pacific region (+1.6 million b/d), fuelled by a resurgent China (+900 kb/d), will be the main growth driver. Looking at demand growth by refined product, it will be led mostly by jet/kerosene, whose consumption is expected to rise by 1.1 million b/d this year, to reach 7.2 million b/d, equivalent to 90% of 2019 levels.
•In their February report, the IEA expects refinery runs to increase on average by 1.8 million b/d in d 2023, up from 80.3 million b/d in 2022. Most of the net increase comes from East of Suez as Russian run-cuts offset gains elsewhere in the Atlantic Basin. If all refinery startups materialise as

expected, there should be sufficient capacity to meet refined product demand this year, even with the expectations of lower Russian product exports.
•According to IEA's February report, oil supply is expected to increase by 1.2 million b/d in 2023, much less than the anticipated increase in oil demand. The oil market is expected to be slightly oversupplied in Q1 '23, balanced in Q2 '23, and swing to an important deficit in the second half of the year.
•Oil supply growth in 2023 will be driven by the US (+1.0 million b/d), Brazil (+0.3 million b/d), Norway (+0.1 million b/d) and Canada (+0.1 million b/d). Overall non-OPEC volume is expected to increase by
1.8 million b/d, compensated by an OPEC decline of 590 thousand b/d, with Russian output expected to decline by 1.0 million b/d. Given this scenario it is likely that oil prices will be well supported in 2023 and that OPEC+ will have to step-up production in the second half of the year to rebalance the market.
•According to Clarksons' January 2023 outlook, seaborne products trade volumes are projected to increase by approximately 4% in 2023, on the back of oil demand gains, with new refineries in the Middle East in particular expected to drive regional export growth. However, the market is experiencing significant shifts in product trade patterns and inefficiencies arising from the sanctions being imposed on Russian exports of refined products, which from the 5th February 2023 includes also those from the EU. Clarksons therefore expects total products tonne-mile trade to increase by around 11.2% in 2023, to be followed by a robust 8.3% expansion in 2024.
•In the longer-term, recovering demand and structural shifts in the location of refineries are likely to continue boosting long-haul product trades.

Product Tanker Supply

•At the beginning of the year, Clarksons estimated 67 MRs and LR1s would have been delivered in 2022; only 57 such vessels were delivered.
•Trading inefficiencies, as transhipments of cargoes and ballast to laden ratios increased, have been one of the factors reducing fleet productivity and contributing to the strong freight markets since the onset of the war in Ukraine.
•In their January 2023 outlook, Clarksons estimated the product tanker fleet will grow by only 0.4% in 2023.
•Despite the strong freight markets, 23 vessels in the MR and LR1 sector have been scrapped in 2022.
•According to Clarksons, as at February 2023, 7.5% of the MR and LR1 fleet was over 20 years old (in dwt), whilst the current order book in these segments represented only 3.2% of the current trading fleet (in dwt). As at the same date, 35.5% of the MR and LR1 fleet (in dwt) was more than 15 years old, and this percentage should continue rising fast over the coming years.
•The IMO's 2030 and 2050 targets for reducing greenhouse gas emissions are high on the shipping agenda. Many owners and banks now require 'green recycling' of vessels in line with EU and IMO conventions, while the EU is set to include shipping in its Emissions Trading Scheme. Furthermore, important cargo charterers including oil majors such as Shell and Total, as well as leading trading houses such as Trafigura, have recently signed the Sea Cargo Charter with the aim of disclosing the CO_2 emissions of the vessels they operate and reducing these in line with the IMO targets. From January 2023 operators are required to measure their vessels' energy efficiency existing ship index (EEXI), reflecting their technical efficiency and their carbon intensity indicator (CII), assessing how efficiently they are managed. Both measures aim to cut emissions progressively from 2023 to 2030. The expected technological change required to meet the increasingly demanding environmental regulations is reducing appetite for new building orders, since such vessels could be obsolete soon after delivery. Furthermore, the increase in new building costs and decrease in yard availability is also negatively affecting the appetite for new orders.

Full Report
Source: d'Amico International Shipping