

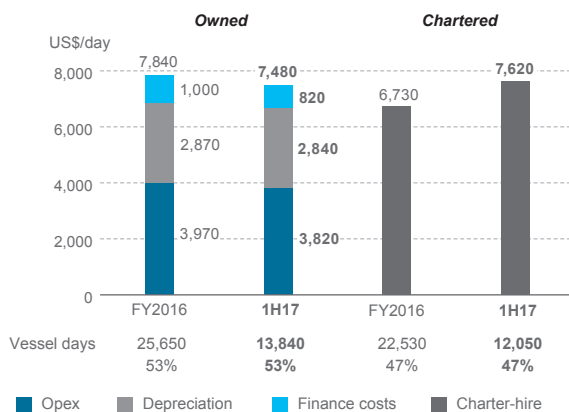
Analysis of Daily Vessel Costs

The cost of owning and operating dry bulk ships is the major component of our Group's total costs, and our ability to maintain good control of our "daily vessel costs" has a significant bearing on our operating margins and our financial performance overall. We provide below a short analysis of our daily vessel costs for a better understanding of their components and development.

Handysize Daily Vessel Costs

Blended US\$7,550 (FY2016: US\$7,320)

(excluding overheads)



Opex – The daily opex element of our vessel costs decreased 4% for Handysize and 8% for Supramax mainly due to scale benefits and procurement cost efficiencies.

Depreciation – Our depreciation costs were substantially unchanged.

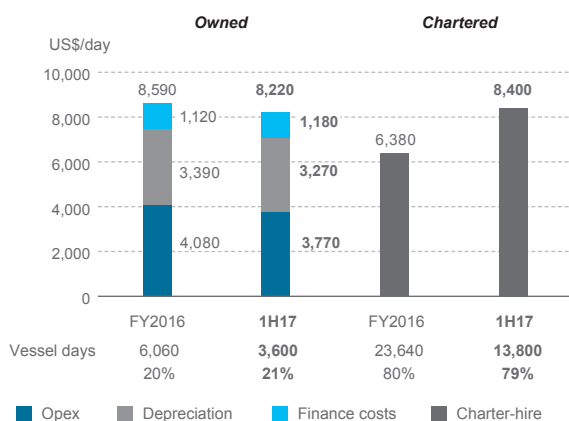
Finance costs – Our owned Handysize vessels' daily P/L and cash finance costs were US\$820 and US\$760 respectively, and our Supramax daily P/L and cash finance costs were US\$1,180 and US\$1,090 respectively. The difference between the P/L and cash finance costs reflects the difference between the coupon and effective interest rate of our convertible bonds. Our Handysize daily finance costs reduced compared to 2016 while Supramax daily finance costs increased. This was due to the allocation of more convertible bonds interest to this vessel type as more Supramax owned newbuildings delivered.

Charter-hire – Our chartered Handysize vessels' daily P/L and cash charter-hire costs were US\$7,620 and US\$8,310 respectively, and our Supramax daily P/L and cash charter-hire costs were US\$8,400 and US\$8,630 respectively. The difference between the P/L and cash charter-hire costs mainly reflects the write-back of onerous contract provisions made in 2014 relating to the 2017 element of our charter commitments.

Supramax Daily Vessel Costs

Blended US\$8,360 (FY2016: US\$6,830)

(excluding overheads)



Chartered-in days represented 47% and 79% of our total Handysize and Supramax vessel days respectively. Our Handysize and Supramax chartered-in days increased 12% to 12,050 days (2016: 10,720 days) and 22% to 13,800 days (2016: 11,330 days) respectively. Our Supramax fleet benefitted in the weak market from its larger proportion of low-cost short-term chartered-in ships and the redelivery of more expensive vessels.

Daily cash cost – Our average blended owned and chartered daily cash cost excluding overheads was US\$6,310 (2016: US\$6,010) for our Handysize fleet and US\$7,850 (2016: US\$5,940) for our Supramax fleet.

Overheads – Our dry bulk direct staff overheads and office costs, along with all overheads categorised as indirect overheads, was maintained at US\$25.6 million (2016: US\$25.6 million) despite operating more ships. Spread across our vessel days, the aggregate overheads translated into a daily cost of US\$590 (2016: US\$680) per ship per day.

The Group's total administrative expenses (including those of our remaining towage activities) amounted to US\$26.2 million (2016: US\$27.4 million). The year-on-year saving of US\$1.2 million reflects a range of cost-saving initiatives undertaken during the period.

During the period, we secured 760 Handysize vessel days (2016: 1,630 days) and 300 Supramax vessel days (2016: 200 days) via variable-rate, inward charters with rates linked to the Baltic Handysize and Supramax indices. These index-linked vessels represented 6% and 2% of our chartered Handysize and Supramax vessel days respectively.

Our fleet of owned dry bulk vessels experienced on average 0.6 days (FY2016: 2.6 days) of unplanned technical off-hire per vessel during the period.

