

Group Performance Review

This Group Performance Review comprises a presentation of our income statement adjusted to provide readers with a better understanding of the key dynamics of a shipping business, more consistent with the way we review our performance in our internal management reporting.

US\$ Million	Note	Six months ended 30 June		
		2020	2019	Change*
Revenue		681.5	767.1	-11%
Bunker, port disbursement & other voyage costs		(351.6)	(360.5)	+2%
Time-charter equivalent ("TCE") earnings	1	329.9	406.6	-19%
Owned vessel costs				
Operating expenses	2	(83.2)	(80.1)	-4%
Depreciation	3	(66.7)	(60.1)	-11%
Net finance costs	4	(16.4)	(16.5)	+1%
Charter costs				
Non-capitalised charter costs	5	(142.6)	(200.1)	+29%
Capitalised charter costs	5	(17.4)	(19.1)	+9%
Operating performance before overheads		3.6	30.7	-88%
Adjusted total G&A overheads	6	(30.0)	(30.5)	+2%
Taxation and others		(0.2)	(0.8)	+75%
Underlying loss		(26.6)	(0.6)	>-100%
Vessel impairment	7	(198.2)	-	
Closed out gain on fuel price spread hedge	8	7.4	-	
Unrealised derivative (expenses)/income	9	(4.0)	8.6	
Disposal loss of assets held for sale		(1.0)	-	
Net write-back of disposal cost provision		-	0.2	
(Loss)/profit attributable to shareholders		(222.4)	8.2	>-100%
EBITDA		79.2	101.1	-22%
Net profit margin		(33%)	1%	-34%
Return on average equity employed		(18%)	1%	-19%

* In our tabulated figures, positive changes represent an improving result and negative changes represent a worsening result.

EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; and net unrealised derivative income and expenses.

Notes

- Total time-charter equivalent ("TCE") earnings decreased by 19% reflecting weaker market conditions during the period.
- Total operating expenses of our owned vessels increased by 4% as our owned fleet expanded.
- Depreciation of our owned vessels increased by 11% as our owned fleet expanded and additional costs were incurred for installation of ballast water treatment systems and scrubbers.
- Net finance costs are substantially unchanged.
- Non-capitalised charter costs comprise the cost of short-term charters with a term of 12 months or less and the non-lease portion of long-term charters with a term of over 12 months. Capitalised charter costs comprise depreciation of right-of-use assets and interest expenses on lease liabilities relating to the lease portion of long-term charters with a term of over 12 months. Overall charter costs reduced due to weaker market conditions during the period.
- Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount is substantially unchanged.
- As a result of the significant reduction in market freight rates and the uncertain market outlook, a one-off non-cash impairment on the Group's Handysize core fleet was provided.
- Since 2018, the Group has entered into bunker swap contracts to lock in the prevailing future fuel price spread between low and high sulphur fuel for a portion of the estimated fuel consumption on a number of Supramax vessels that have been fitted with scrubbers. As the spread has reduced significantly, all contracts were closed out in the first half of 2020 locking in the gain on the position.
- The unrealised derivative expenses mainly represents the negative mark-to-market on our regular bunker swap contracts.