GROUP PERFORMANCE REVIEW

In the first half of 2022, we generated our best interim results ever. Our results benefited from significantly higher average TCE earnings compared to the same period last year, strong operating activity results, and a competitive cost structure. We delivered an underlying profit of US$457.5 million, a net profit of US$465.1 million and an EBITDA of US$566.9 million, yielding an exceptionally strong return on equity of 48%.

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.

		Six months ended 30 June		
US$ Million	Note	**2022**	2021	Change*
Revenue		**1,722.8**	1,142.0	+51%
Bunker, port disbursement & other voyage costs		**(497.3)**	(429.8)	-16%
Time-charter equivalent ("TCE") earnings	1	**1,225.5**	712.2	+72%
Owned vessel costs				
Operating expenses	2	**(112.6)**	(90.3)	-25%
Depreciation	3	**(71.3)**	(57.9)	-23%
Net finance costs	4	**(9.8)**	(15.0)	+35%
Chartered vessel costs				
Non-capitalised charter costs	5	**(509.0)**	(348.4)	-46%
Capitalised charter costs	5	**(23.2)**	(15.5)	-50%
Operating performance before overheads		**499.6**	185.1	+>100%
Adjusted total G&A overheads	6	**(41.8)**	(34.1)	-23%
Taxation and others		**(0.3)**	(0.6)	+50%
Underlying profit		**457.5**	150.4	+>100%
Unrealised derivative income	7	**13.5**	6.9	
Reversal of vessel impairment		**–**	3.7	
Net disposal gain of vessels	8	**10.9**	1.1	
Incentives and fees for conversion of convertible bonds	9	**(15.8)**	–	
Provisions	10	**(1.0)**	(2.0)	
Profit attributable to shareholders		**465.1**	160.1	+>100%
EBITDA		**566.9**	244.6	+>100%
Net profit margin		**27%**	14%	+13%
Return on average equity (annualised)		**48%**	28%	+20%

* 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 unrealised derivative income and expenses.

Notes

1. Total time-charter equivalent ("TCE") earnings increased significantly mainly reflecting strong dry bulk freight rates during the period.
2. Total operating expenses of our owned vessels increased by 25% as a result of continued high crew travel cost and other pandemic-related expenses.
3. Depreciation of our owned vessels increased by 23% mainly as a result of the reversal of an impairment provision of our Handysize fleet in December 2021.
4. Net finance costs decreased by 35% mainly due to lower borrowings.
5. 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. The significant increase in overall charter costs is in line with the strong market.
6. Adjusted total G&A overheads comprise the total G&A overheads and the interest on lease liabilities of other PP&E. The amount increased by 23% primarily due to increased staff costs.
7. Unrealised derivative income mainly represents the positive mark-to-market on our regular bunker swap contracts.
8. The net disposal gain relates to the disposal of our smaller, older Handysize vessels.
9. Incentives and fees relate to the incentivised conversion offer to our convertible bondholders in May 2022.
10. Provisions relate to potential operational costs and claims.