GROUP PERFORMANCE REVIEW

During the first half of this year, our underlying profit was negatively impacted as market freight rates declined. We generated daily earnings that outperformed the BHSI and BSI and continued to maintain good control of our vessel operating costs. We generated an underlying profit of US$76.2 million, a net profit of US$85.3 million and an EBITDA of US$189.1 million, yielding an annualised return on equity of 9%.

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	**2023**	2022	Change*
Revenue		**1,148.1**	1,722.8	–33%
Bunker, port disbursement & other voyage costs		**(506.7)**	(497.3)	–2%
Time-charter equivalent ("TCE") earnings	1	**641.4**	1,225.5	–48%
Owned vessel costs				
Operating expenses	2	**(103.6)**	(112.6)	+8%
Depreciation	3	**(73.9)**	(71.3)	–4%
Net finance costs	4	**(2.2)**	(9.8)	+78%
Chartered vessel costs				
Non-capitalised charter costs	5	**(315.0)**	(509.0)	+38%
Capitalised charter costs	5	**(32.8)**	(23.2)	–41%
Operating performance before overheads		**113.9**	499.6	–77%
Adjusted total G&A overheads	6	**(37.3)**	(41.8)	+11%
Taxation and others		**(0.4)**	(0.3)	–33%
Underlying profit		**76.2**	457.5	–83%
Disposal gain of vessels	7	**8.8**	10.9	
Unrealised derivative income		**0.3**	13.5	
Incentives and fees for conversion of convertible bonds		**–**	(15.8)	
Provisions		**–**	(1.0)	
Profit attributable to shareholders		**85.3**	465.1	–82%
EBITDA		**189.1**	566.9	–67%
Net profit margin		**7%**	27%	–20%
Return on average equity (annualised)		**9%**	48%	–39%

* 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 decreased mainly reflecting declined market freight rates during the period.
2. Total operating expenses of our owned vessels decreased by 8% as a result of lower crew travel cost and other pandemic-related manning costs after lifting of Covid-related restrictions.
3. Depreciation of our owned vessels increased by 4% primarily due to acquisition of Supramax vessels during the period.
4. The decrease of net finance costs by 78% was the combined effect of lower average borrowings, and higher interest income and interest expenses as a result of increased interest rates.
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 decrease in overall charter costs is in line with the weak freight 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 decreased by 11% primarily due to decreased staff costs.
7. The disposal gain mainly relates to the disposal of our smaller, older Handysize vessels.