



**GOLDEN OCEAN™**

**Results Q4 - 2013**

February 25, 2014

# Agenda

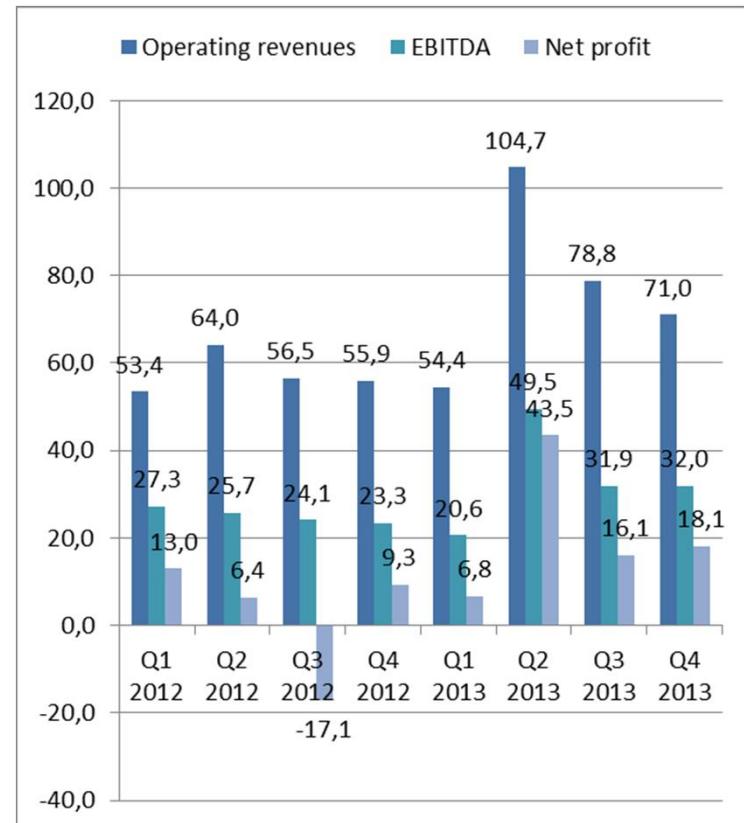


- Highlights
- Financials
- Operations
- Macro Update
- Q&A



# Highlights

- GOGL results Q4 2013
  - EBITDA: \$32.0 million
  - Profit: \$18.1 million
  - Earnings per share: \$0.04
- GOGL results 2013
  - Profit: \$ 84.5 million
- GOGL declares a dividend of \$0.025 for Q4 2013
- Received \$14.1 million up-front payment from one charterer
- GOGL issued a \$200 million Convertible Bond in January 2014
- GOGL purchased three 2012-built kamsarmax vessels in February 2014





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# Financials

Per Heiberg, Acting CFO Golden Ocean Management AS

# Profit & Loss



## Key figures:

(in thousands of \$)

|                                | 2013<br>Oct-Dec | 2013<br>Jul-Sep |
|--------------------------------|-----------------|-----------------|
| <b>Operating revenue</b>       | <b>70 998</b>   | <b>78 764</b>   |
| Vessel voyage expenses         | -14 809         | -21 063         |
| Vessel operating expenses      | -11 882         | -12 260         |
| Charter hire expenses          | -15 306         | -16 063         |
| Administrative expenses        | -2 604          | -3 013          |
| Depreciation and amortisation  | -10 031         | -9 814          |
| Other gain/ (losses net)       | 5 578           | 5 495           |
| <b>Operating profit</b>        | <b>21 945</b>   | <b>22 046</b>   |
| Interest income                | 207             | 374             |
| Interest expense               | -4 954          | -4 807          |
| Interest swap                  | 651             | -2 420          |
| Other financial items          | 434             | 929             |
| Taxation                       | -174            | 0               |
| <b>Profit for the period</b>   | <b>18 108</b>   | <b>16 122</b>   |
| <b>Profit attributable to:</b> |                 |                 |
| Owners of the parent           | 17 985          | 15 407          |
| Non-controlling interest       | 122             | 715             |
| <b>Profit for the period</b>   | <b>18 108</b>   | <b>16 122</b>   |

- Operating revenues down due to lower activity on trading, which is partly off set by higher market rates on owned vessels trading spot
- Voyage related expences and charter hire expences correspondingly lower
- Opex slightly lower
- Other gain is unchanged. Profit on FFA and bunkers is down, but profit from Joint Ventures is up. The latter includes the profit from sale of Golden Azalea.
- Positive MtM change on interest rate swaps
- Profit for the period 2 mill higher than in Q3

# Balance Sheet



(in thousands of \$)

|   | 2013             | 2012             |
|---|------------------|------------------|
|   | Dec 31           | Dec 31           |
| <b>ASSETS</b>                                       |                  |                  |
| Vessels and equipment, net                          | 667 788          | 611 517          |
| Vessels held under finance leases, net              | 130 795          | 140 217          |
| Vessels under construction                          | 16 144           | 116 082          |
| Investment in Joint Venture                         | 17 419           | 1 248            |
| Other assets  | 11 323           | 8 026            |
| <b>Total non-current assets</b>                     | <b>843 469</b>   | <b>877 090</b>   |
| Cash and cash equivalents                           | 98 841           | 112 537          |
| Trade receivables and other current assets          | 36 270           | 20 427           |
| Refundable instalments for cancelled newbuildings   | 192 976          | 100 325          |
| Available-for-sale financial assets                 | 16 916           | -                |
| <b>Total current assets</b>                         | <b>345 002</b>   | <b>233 289</b>   |
| <b>Non-current assets held for sale</b>             |                  |                  |
| <b>Total assets</b>                                 | <b>1 188 471</b> | <b>1 110 379</b> |
| <b>EQUITY AND LIABILITIES</b>                       |                  |                  |
| Equity attributable to equity holders of the parent |                  |                  |
| Share capital                                       | 44 726           | 44 726           |
| Additional paid in capital                          | 99 156           | 99 156           |
| Other reserves                                      | 23 551           | 16 635           |
| Retained earnings                                   | 457 823          | 377 288          |
| Non-controlling interest                            | 1 108            | 491              |
| <b>Total Equity</b>                                 | <b>626 364</b>   | <b>538 296</b>   |
| Long term debt                                      | 319 605          | 324 432          |
| Obligations under finance leases                    | 110 416          | 118 055          |
| Other long term liabilities                         | 1 903            | 2 205            |
| <b>Total non-current liabilities</b>                | <b>431 924</b>   | <b>444 693</b>   |
| Current Liabilities                                 |                  |                  |
| Long-term debt - current portion                    | 84 414           | 68 733           |
| Obligations under finance leases – current portion  | 7 370            | 6 837            |
| Other current liabilities                           | 38 399           | 51 820           |
| <b>Total current liabilities</b>                    | <b>130 183</b>   | <b>127 390</b>   |
| <b>Total liabilities and shareholders' equity</b>   | <b>1 188 471</b> | <b>1 110 379</b> |

- Vessels and equipment increased by delivery of Golden Diamond
- Vessels under construction contain only payments on Supramaxes
- Investment in Joint Ventures reduced by sale of Golden Azalea and financing of Golden Opus
- Payment on Jinhaiwan contracts classified as short term receivables
- Financial assets include shares in KLC and Greenship
- Debt on cancelled contracts classified as short term

**Equity ratio ~ 52,7 %**



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# Operations

Per Heiberg, Acting CFO Golden Ocean Management AS

# Vessels: Deliveries and charters



- Golden Diamond, the second vessel bought from Pipavav in May 2013, was delivered to the Company in October 2013
- Golden Azalea, a 2010 built Handysize owned in a JV together with a cargo owner was sold and delivered to new owner in November 2013
- In December 2013 the Company received \$14.1 million in prepayment of hire from one charterer relating to three vessels
- In February 2014 the Company purchased three 2012 Korean built 81,500 dwt Kamsarmaxes in an enblock transaction. The vessels will be delivered to the Company during April 2014
  - One on index + 13% until Q2-2016
  - One on Time Charter until Q4-2014 at 15,881 \$/d net
  - One will be open at the end of June 2014

# Open positions on sailing vessels



## Capesize exposure - Sailing vessels Core Fleet\*

|                                | 2014   | 2015  | 2016  |
|--------------------------------|--------|-------|-------|
| Total vessel days              | 2 176  | 2 459 | 2 466 |
| Open vessel days               | 1 805  | 2 456 | 2 462 |
| Open position (%)              | 83 %   | 100 % | 100 % |
| Average net rate on fixed days | 19 557 | na    | na    |
| No of vessels                  | 8      | 8     | 8     |

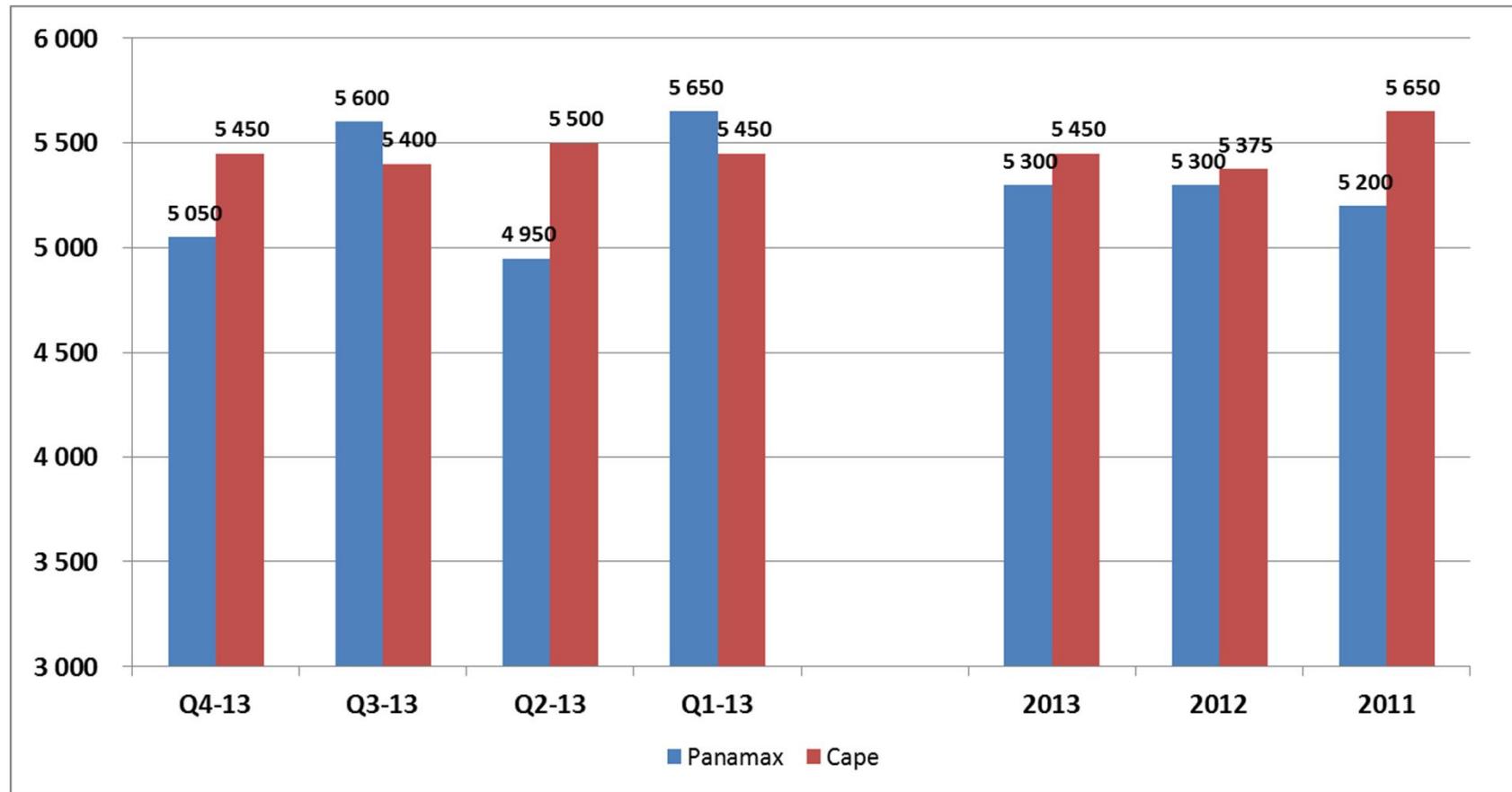
## Panamax exposure - Sailing vessels Core Fleet\*\*

|                                | 2014   | 2015   | 2016   |
|--------------------------------|--------|--------|--------|
| Total vessel days              | 7 011  | 7 909  | 7 509  |
| Open vessel days               | 4 177  | 5 503  | 5 359  |
| Open position (%)              | 60 %   | 70 %   | 71 %   |
| Average net rate on fixed days | 17 843 | 20 808 | 21 060 |
| No of vessels                  | 23     | 23     | 23     |

\* Capesize: MV Golden Magnum and Golden Opus included with 50%

\*\* Panamax: 3 new kamsarmaxes included from end April 2014

# Vessel operating expenses

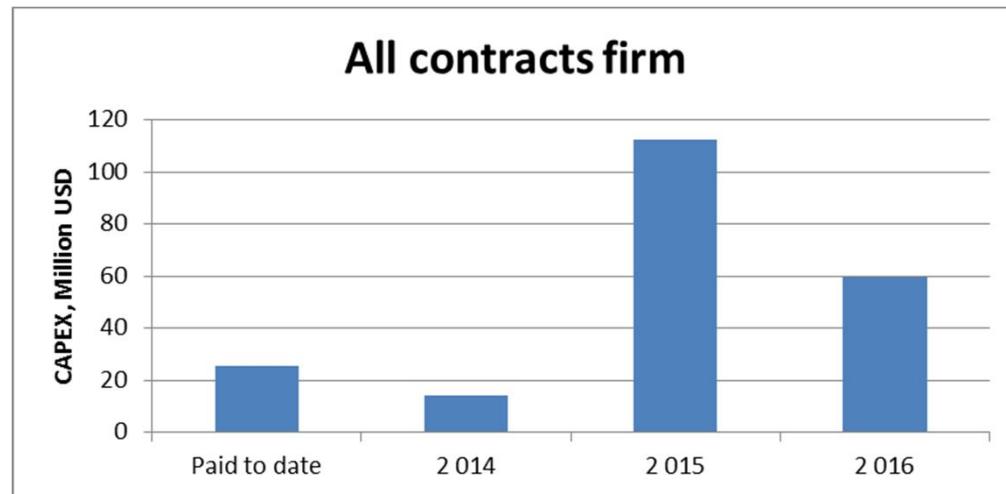


Based on 16 Panamax/Kamsarmax and 6 Capesize vessels

# Newbuildings: Delivery schedule supramax vessels



| Yard             | Vessels | Contracted out | Open | Delivery                 |
|------------------|---------|----------------|------|--------------------------|
| JMU (Japan)      | 2       | 0              | 2    | Q1-15                    |
| Chengxi, (China) | 6       | 0              | 6    | Q1-Q2/2015<br>Q1-Q2/2016 |



- Total newbuilding program consist of 8 Supramaxes
- Steel cutting commenced on the JMU vessels in Q1-2014
- None of the newbuildings are financed
- Strong interest from financial institutions for financing of the vessels

# Jinhaiwan situation



- All nine contracts cancelled
  - USD 175.3 million in installments to be refunded
  - USD 43.2 million in debt on the installements
- Positive awards received on the three first contracts
  - The awards declare that the Company had the right to cancel
  - Seeking Final Award for the right to repayment
- The six other contracts are in various stages of the arbitration process. Hearing on all arbitrations will commence during Q1-2014
- The Board is confident that the Company has a strong case on all arbitrations

# Corporate transactions



- The Joint Venture owning Golen Opus obtained financing of the vessel in Q4-13 and the proceeds was used to repay shareholders loan to the owners
- Greenship Bulk Trust
  - In October the Company invested USD 10 million in Greenship Bulk Trust by participation in their latest Private Placement
  - Current market value is appr. \$12.5 million
- Korea Line Corporation
  - In October KLC used their option under the rehabilitation plan to repay the long term debt. The Company received USD 1.1 million
  - The Company currently own 170,042 shares, which is booked in the Balance Sheet at market value. Current market value of the shares is appr. \$ 4.0 million
- Convertible Bond
  - In January the Company issued a \$200 million Convertible Bond with a 5 year tenor
  - Coupon of 3,07% p.a
  - Current Conversion Price is 2.86 \$/share
  - Full dividend protection for Bond holders



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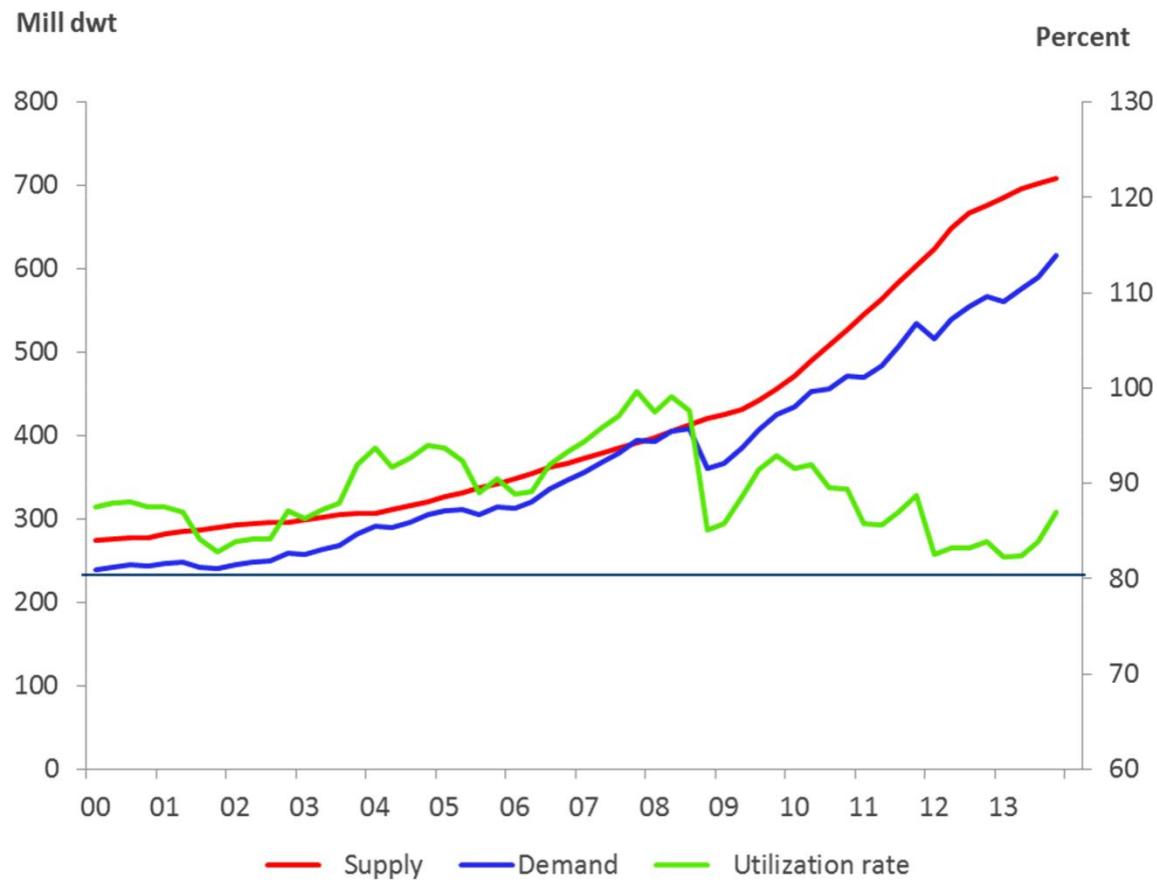
# Macro Update

Herman Billung, CEO Golden Ocean Management AS

# Dry Bulk Market fundamentals



## Supply, demand and utilization rate - dry bulk ships 10,000 dwt +



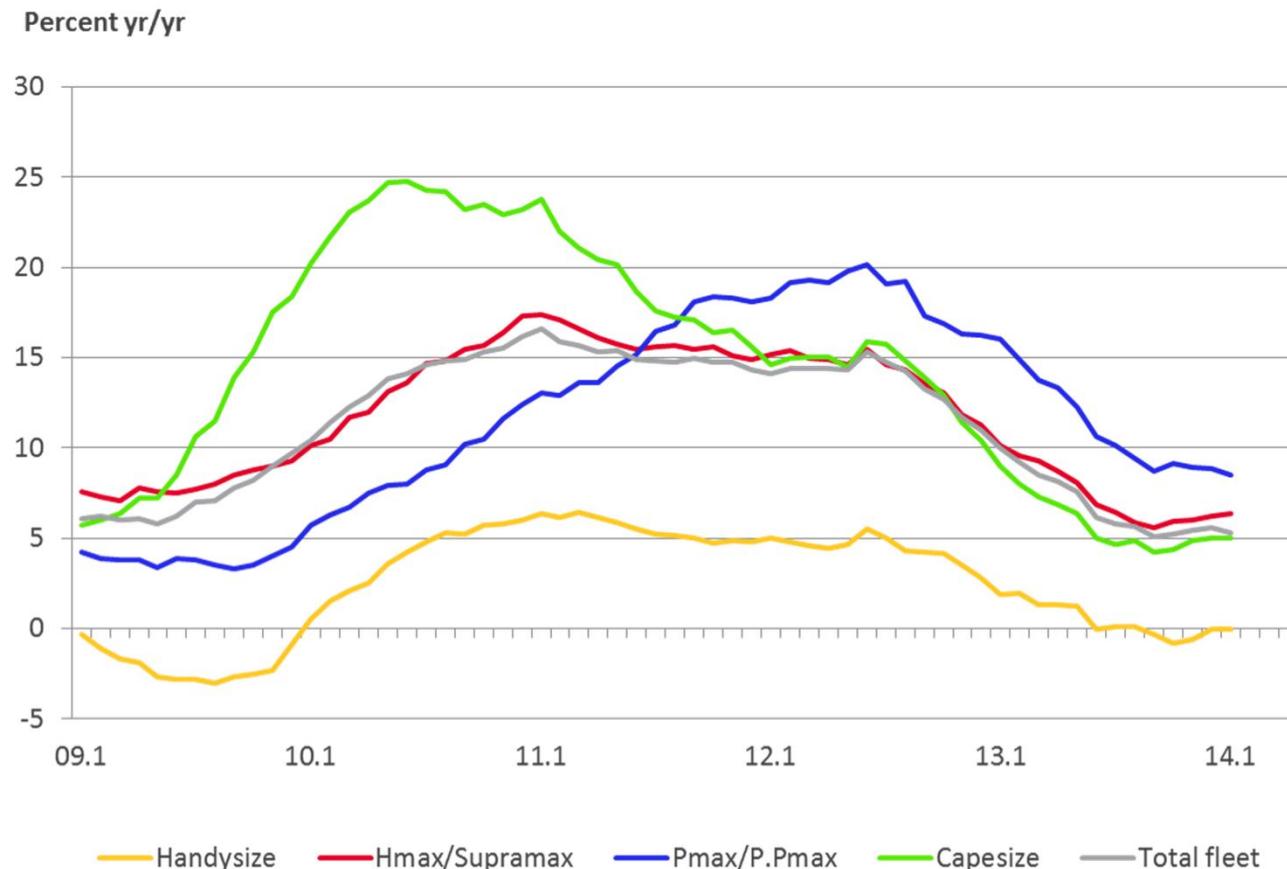
| Year                          | 2012       | 2013       |
|-------------------------------|------------|------------|
| Deliveries (dwt)              | 98         | 59         |
| Removals (dwt)                | 33         | 22         |
| % change prev yr              | 12.4       | 7.9        |
| <b>Tonnage demand : %</b>     |            |            |
| Ton miles                     | 5.3        | 6.9        |
| Congestion                    | -0.4       | 0.4        |
| Other productivity            | 2.4        | 1.9        |
| <b>Total tonnage demand</b>   | <b>7.3</b> | <b>9.1</b> |
| <b>Fleet utilization rate</b> |            |            |
| Yearly average in %           | 83.7       | 84.9       |

Source: RS Platou Economic Research

# The underlying fleet growth is slowing...



Net fleet growth by segment from 2009

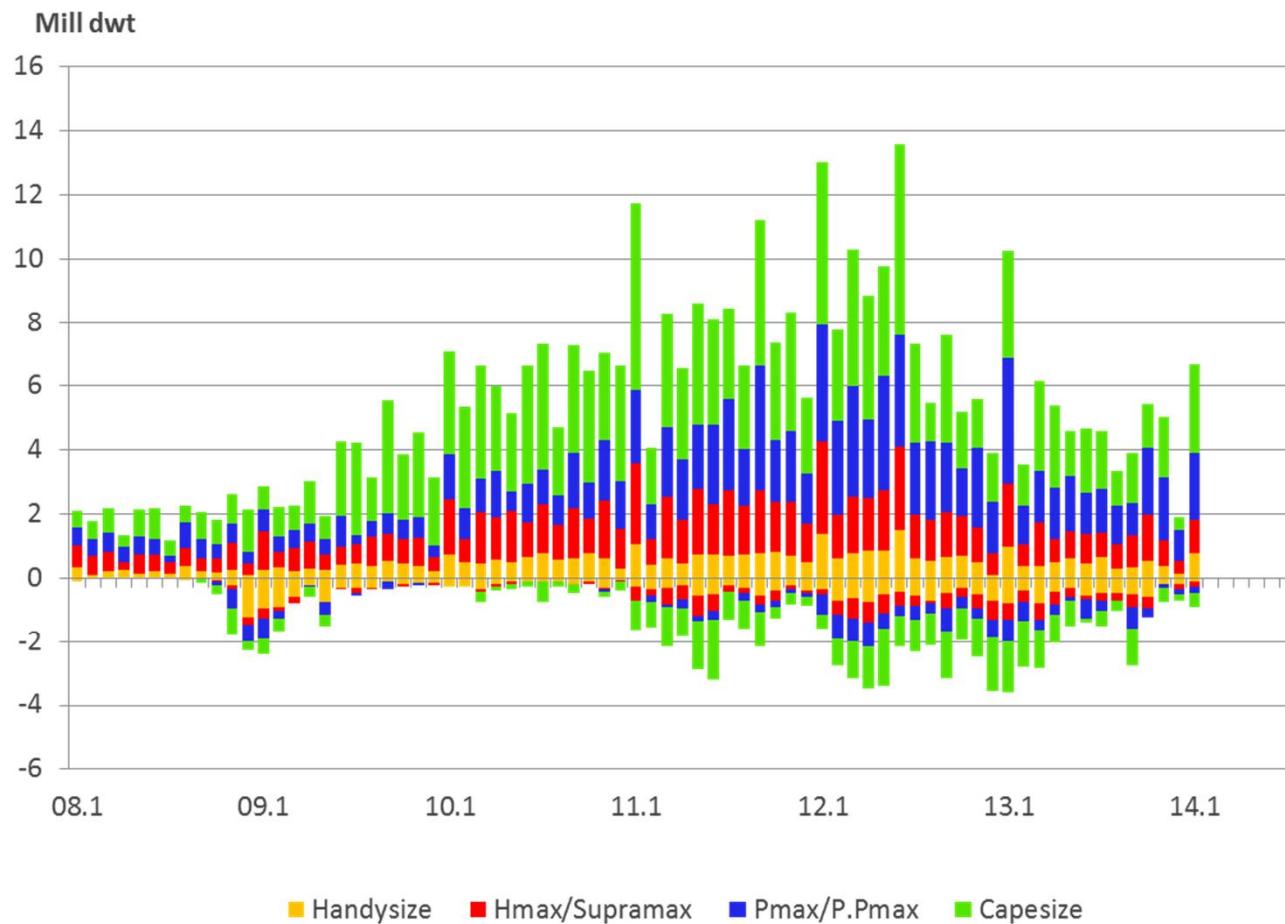


Source: RS Platou Economic Research

# Bulk Carrier fleet trend...



## Deliveries and scrapping of bulk carriers



Deliveries 2013-12 mos: 59.0 mdwt

Scraping 2013-12 mos: 22.4 mdwt

Source: RS Platou Economic Research

# Dry Bulk fleet trend...



## Deliveries, additional orders and estimated scrapping



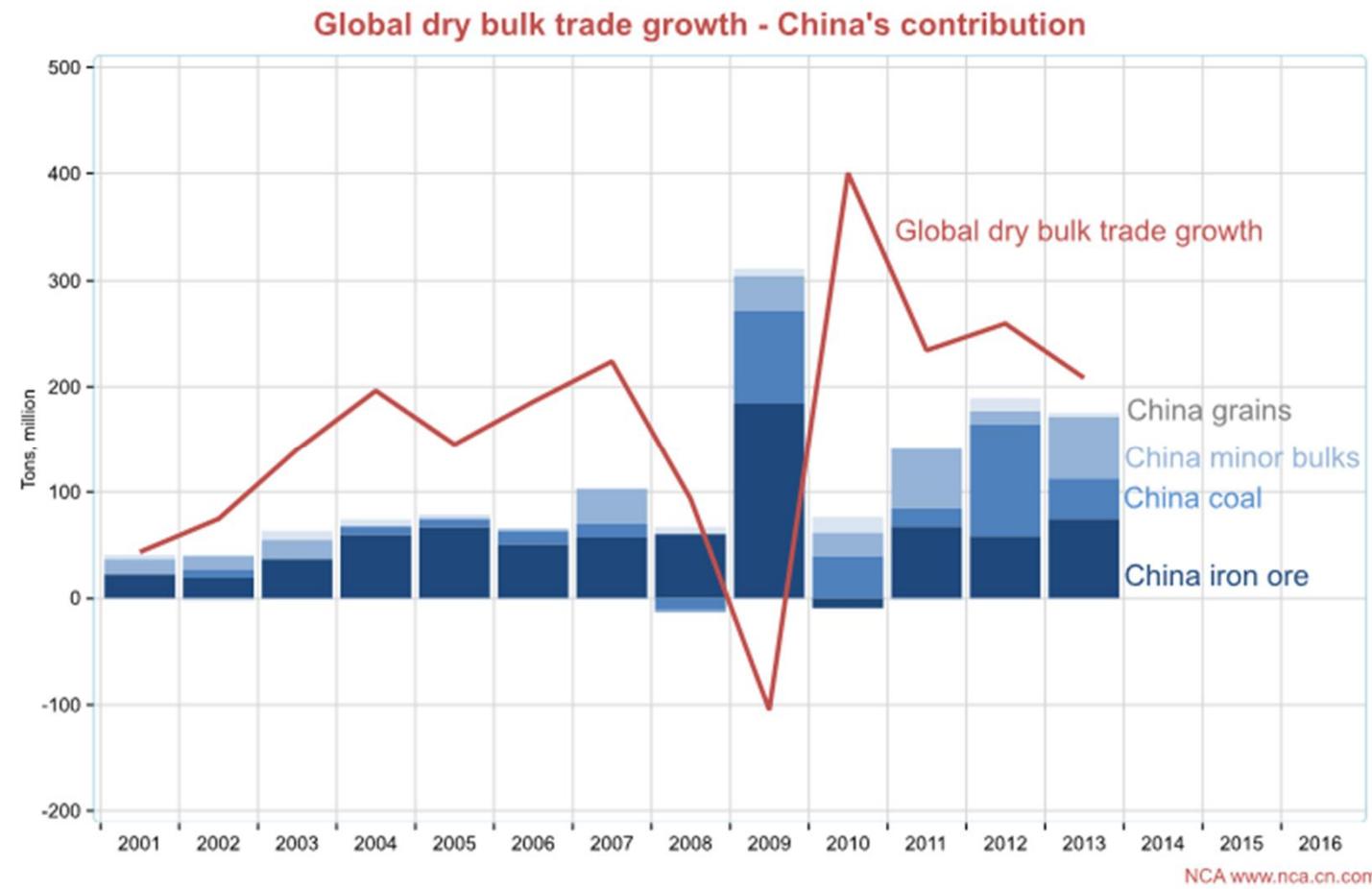
Source: RS Platou Economic Research

However, despite China's overall slowing economy, China's impact on global dry bulk freight demand has never been higher than in 2013 (disregard 2009).



In 2013, China contributed roughly 83% to the increase in global dry bulk trade.

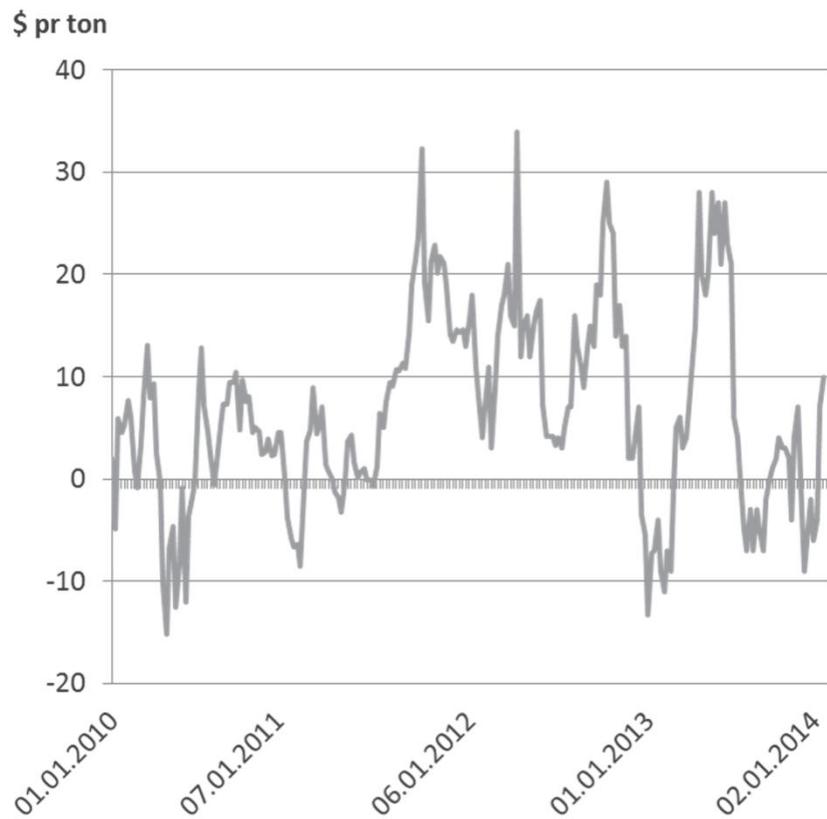
Of these volumes:  
Iron ore: 36%  
Coal: 18%  
Minor Bulks: 27%  
(short distance)  
Grains: 2%



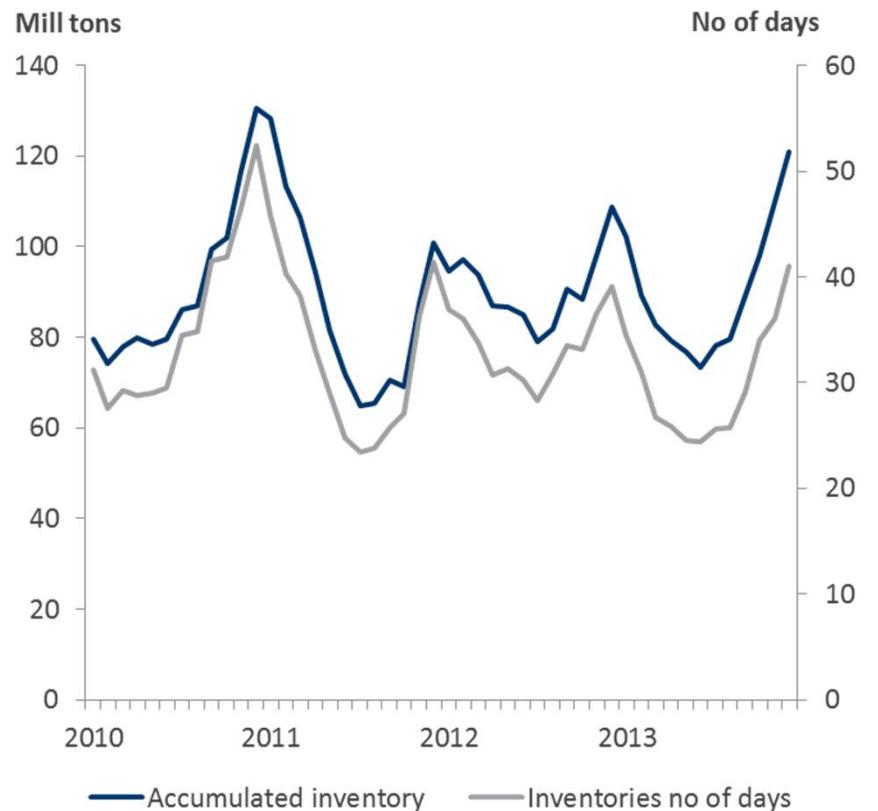
# China's iron ore market



Iron ore price spread domestic China vs world market



Iron ore inventories



Source: RS Platou Economic Research

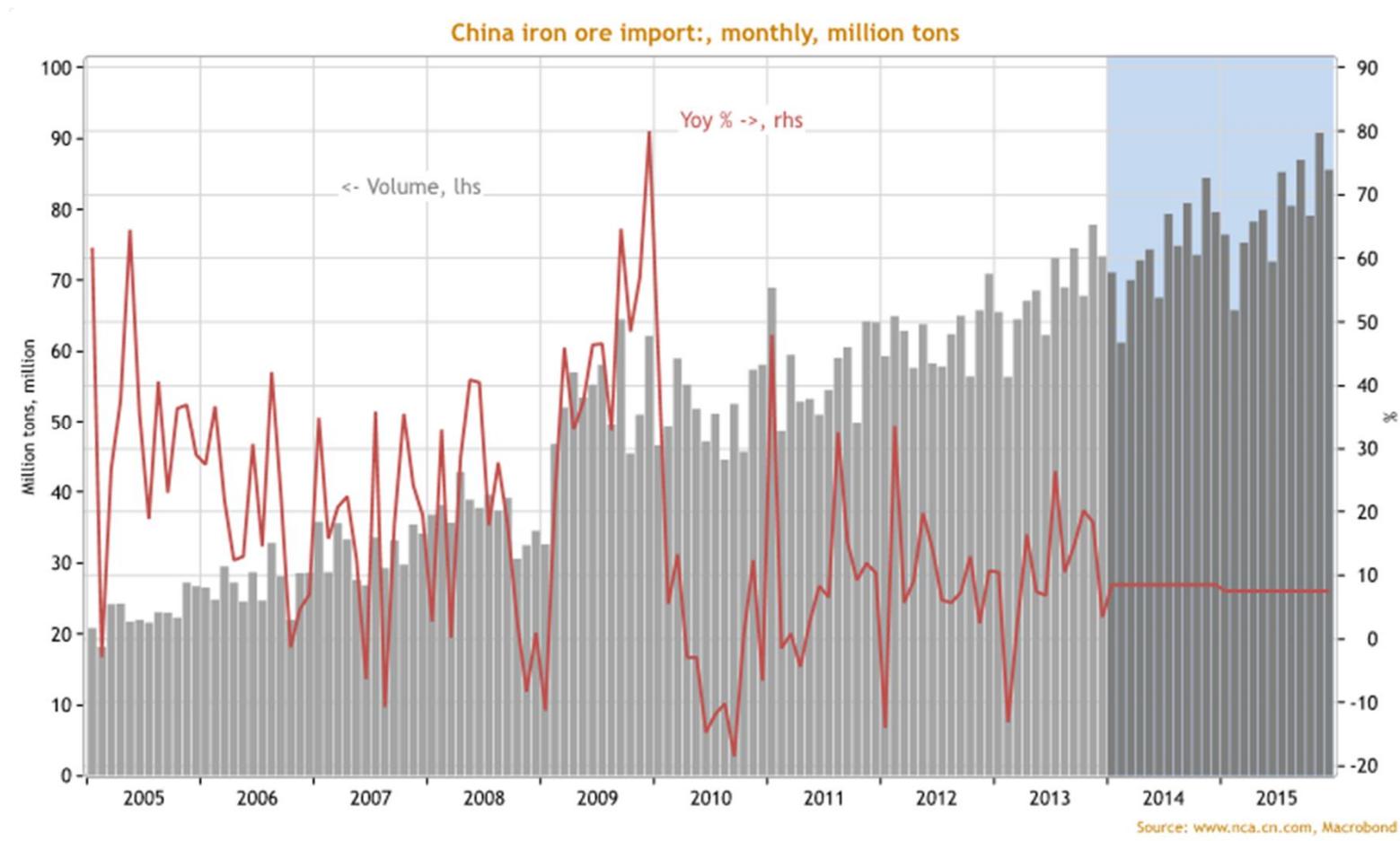
# Iron ore production capacity expansion



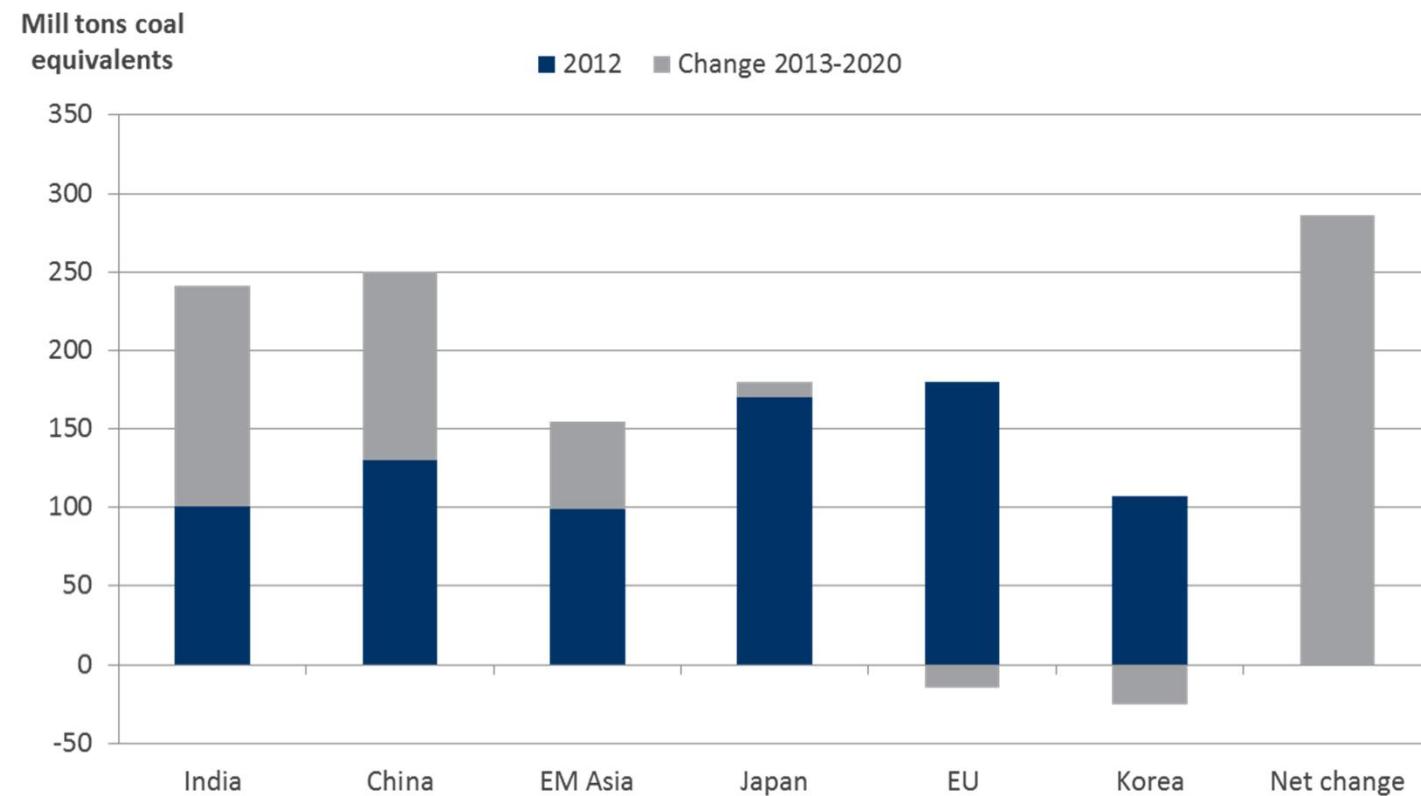
Likely increase in iron ore production capacity as of January 1, 2014 – mill tons per year

|      | <b>Australia</b> | <b>Brazil</b> | <b>Other</b> | <b>Total</b> |
|------|------------------|---------------|--------------|--------------|
| 2013 | 51               | 0             | 10           | 61           |
| 2014 | 55               | 20            | 5            | 80           |
| 2015 | 50               | 30            | 7            | 87           |
| 2016 | 55               | 40            | 15           | 110          |
| 2017 | 50               | 40            | 12           | 102          |

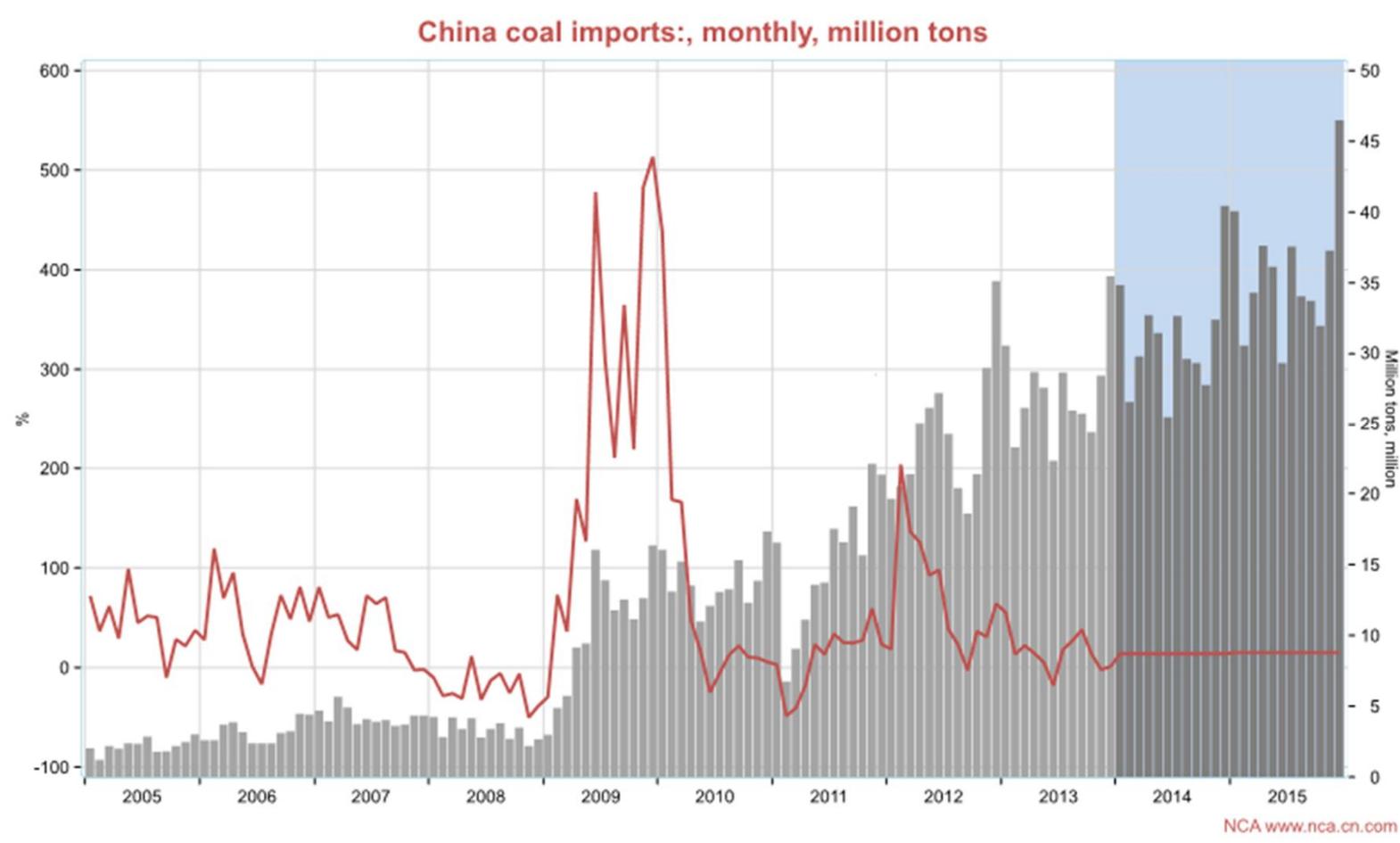
Despite a slow growth in China's steel production in 2014 and 2015, we expect iron ore imports to be strong; growing 8.5% in 2014 (reaching 890 million tons) and 7.5% in 2015.(reaching 960 million tons)



## Major net importers of coal in the New Policies Scenario



China's coal imports rose 13.3% last year and reached 327 million tons. We believe coal imports to China will grow an additional 14% in 2014 (to 375 million tons) and 15% in 2015 (to 430 million tons)

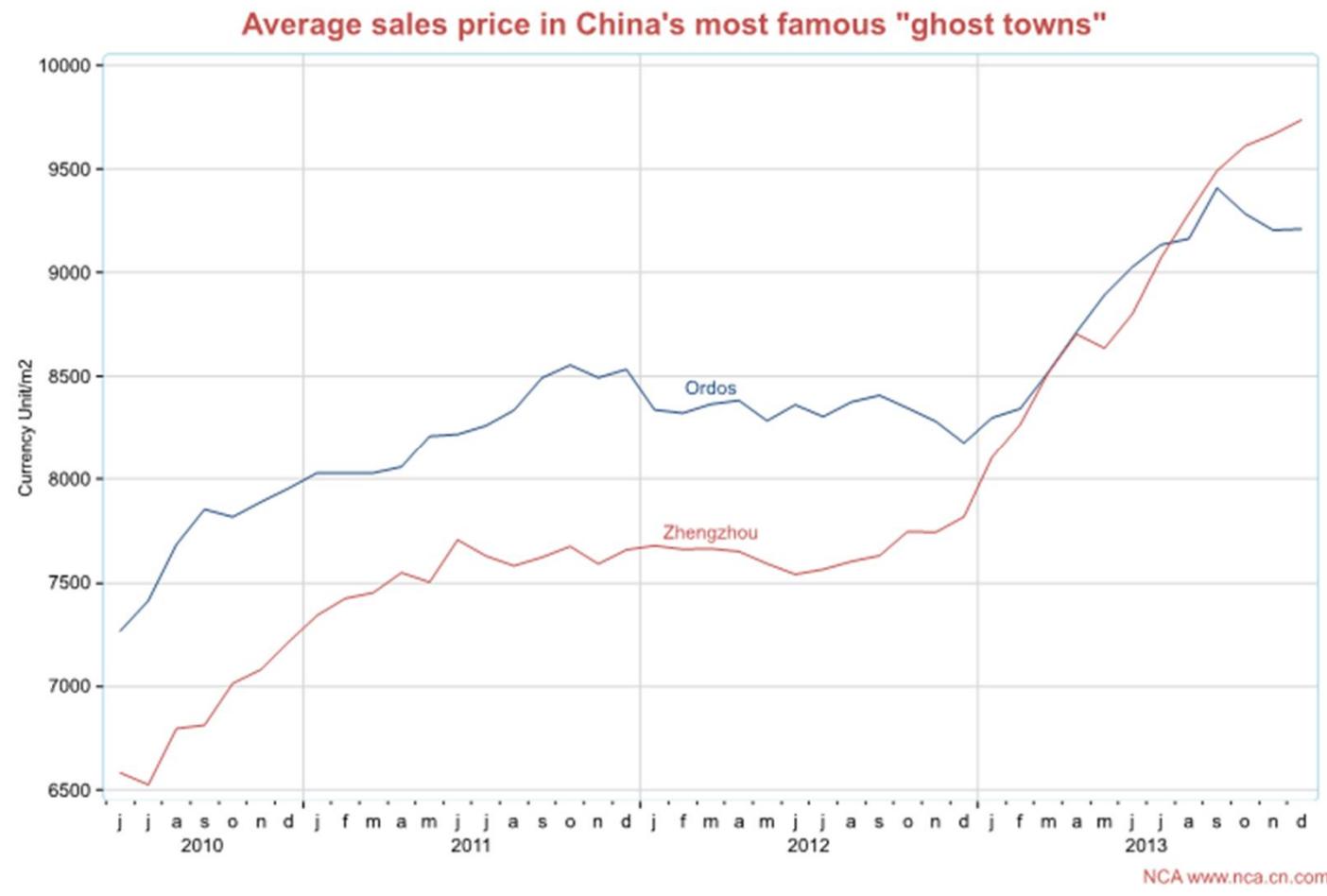


# China environmental politics can support dry bulk demand...

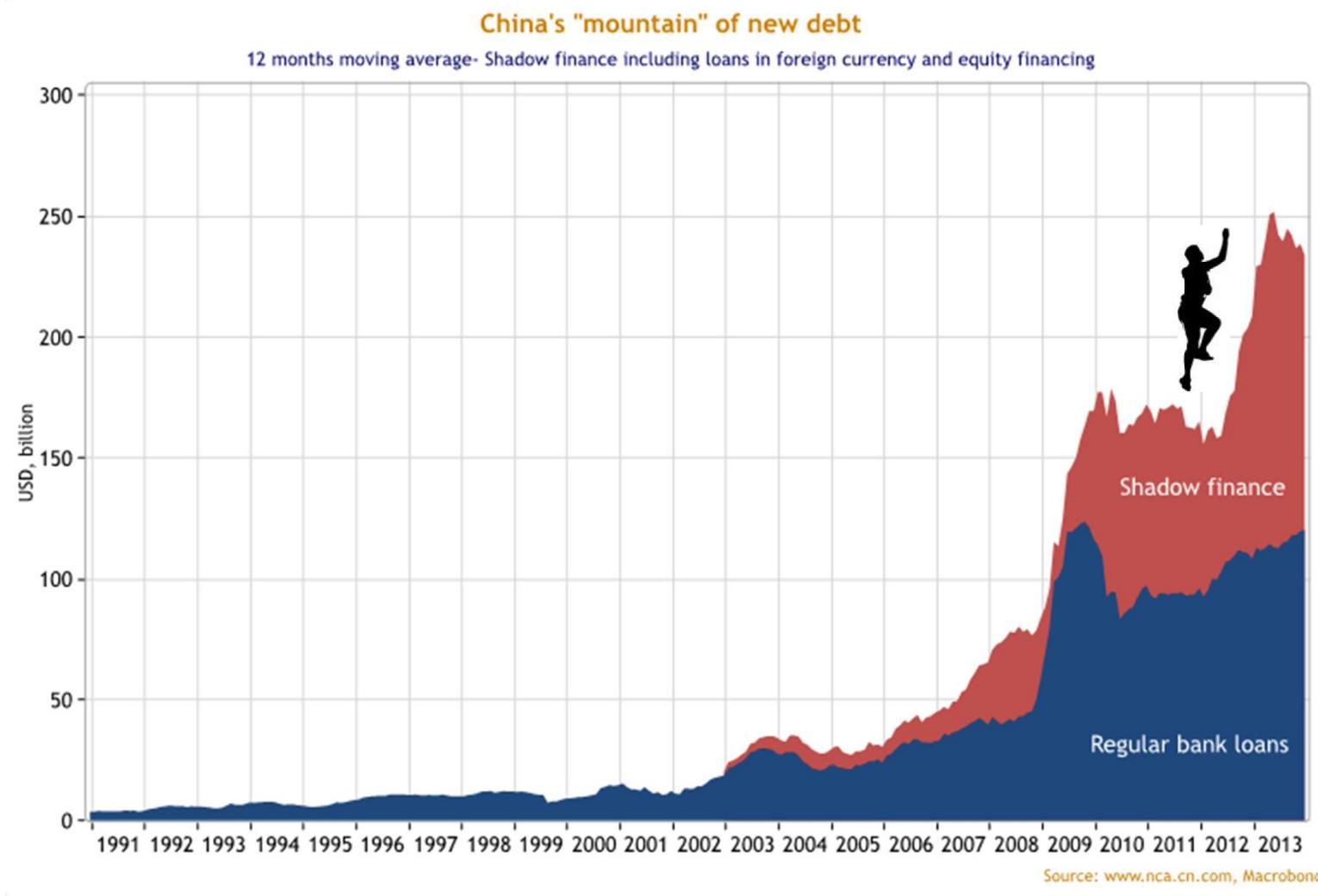


- Stronger focus on air pollution in China. Local industries will probably face stronger restrictions, among others, also the mining sector. A large part of Chinese mining in iron ore and coal are located in the Hebei area which is not very far from Beijing. Mining of low quality iron ore consume huge amounts of coal for heating in order to refine the ore to a high quality concentrate.
- Stronger restrictions in local mining will result in higher Chinese import demand and thereby support a quicker expansion of iron ore production capacities in Australia, Brazil and Africa. Demand for Capesizes might therefore to a larger degree be driven by available supply of iron ore on the world market than only pure underlying growth in steel demand.
- A Capesize vessel can transport around 1 mill tons per year, i.e. for one million ton extra seaborne trade in iron ore, one extra ship is needed.

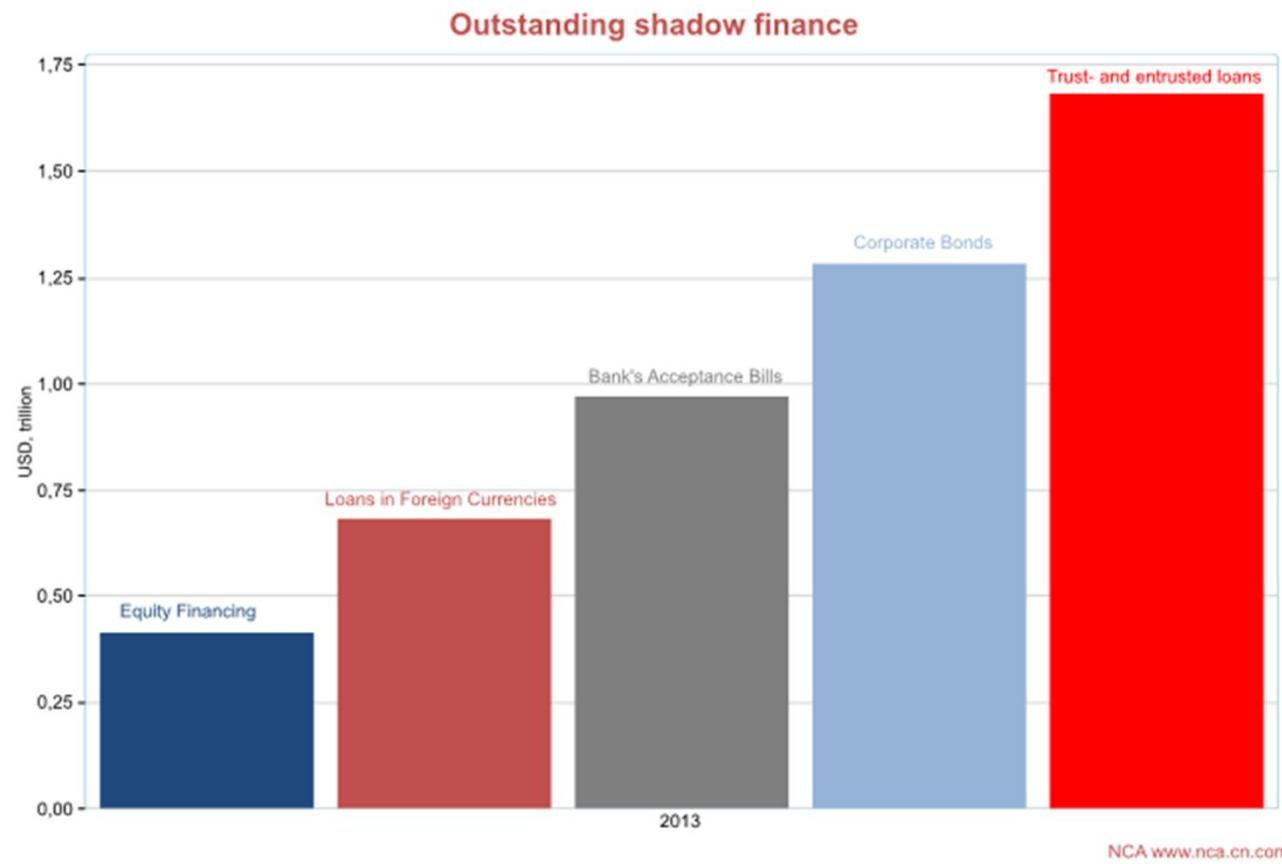
In China's most notorious "Ghost Towns", prices rose quite substantially last year. UP 12.6% in Ordos, which we for sure know does NOT have a housing shortage problem. This is likely a proof that some of last year's property price increases in China was driven by speculation.



Local governments in China have been very active lending money in the unregulated “shadow finance” market, which now account for approximately half of all new debt in China. Growth in regulated lending has been kept in check over the last four years, shadow financing has exploded

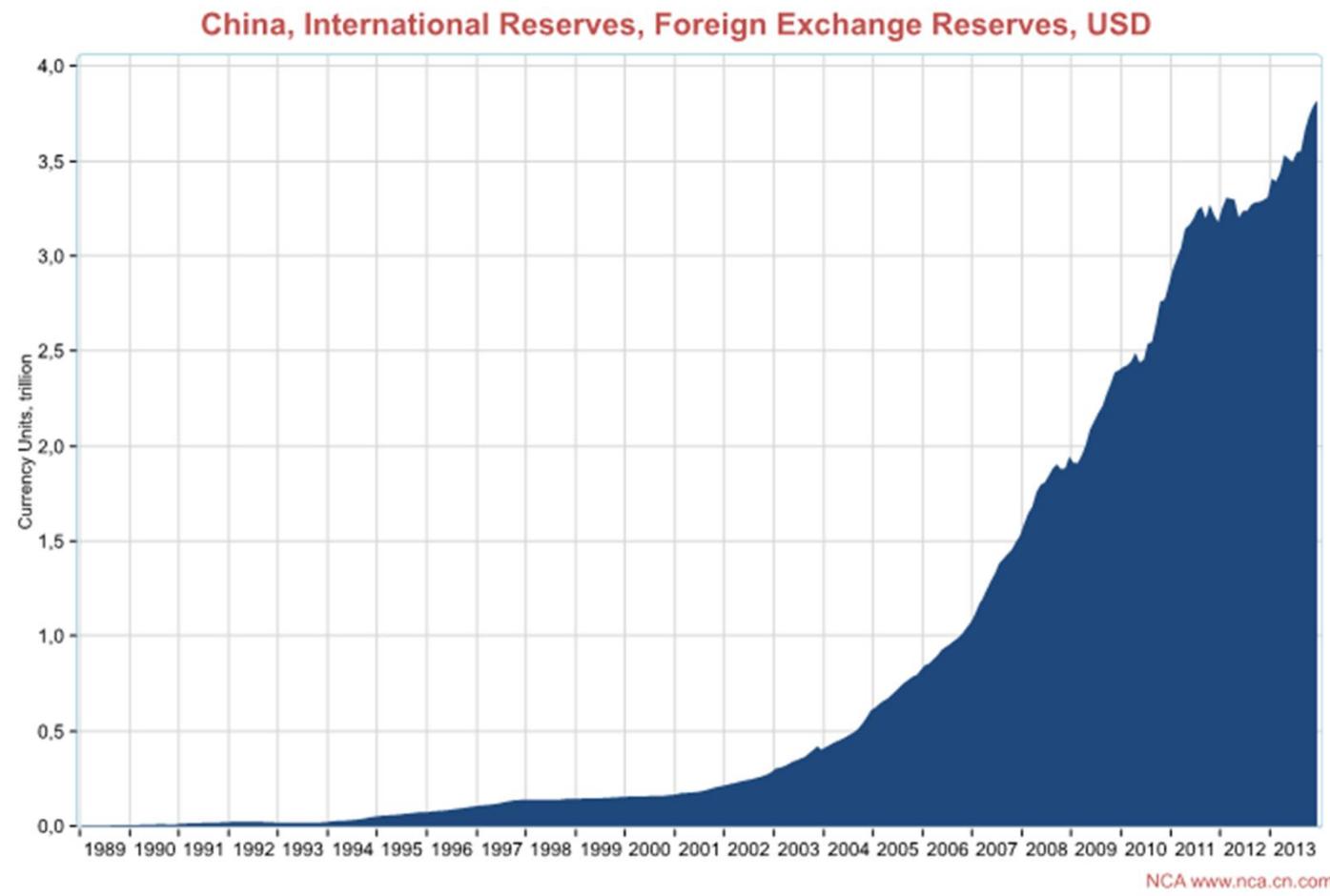


Total outstanding shadow finance liabilities surpassed USD 5trln last year



Trust loans and entrusted loans constitute a large share of China's shadow banking system. In total more than USD 1.68trln are outstanding. A default in one of these wealth management products can dramatically change investor's perceived risk, and create a wave of investors demanding back their funds. The central government will likely have to step in.

We believe Beijing likely is artificially keeping the default ratio low, constantly rolling over debt. This can last for a while, but not indefinitely. Chinese authorities have enough power to clean up once, but in the aftermath of such a clean-up, credit growth will have to drop substantially



China's government has abundant financial resources. USD 3800bn in currency reserves, and ownership in 117 State Owned Enterprises, of which 77 are on the Fortune Global 500 index.



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# Q & A





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Thank you for your attention !

