



GOLDEN OCEAN™

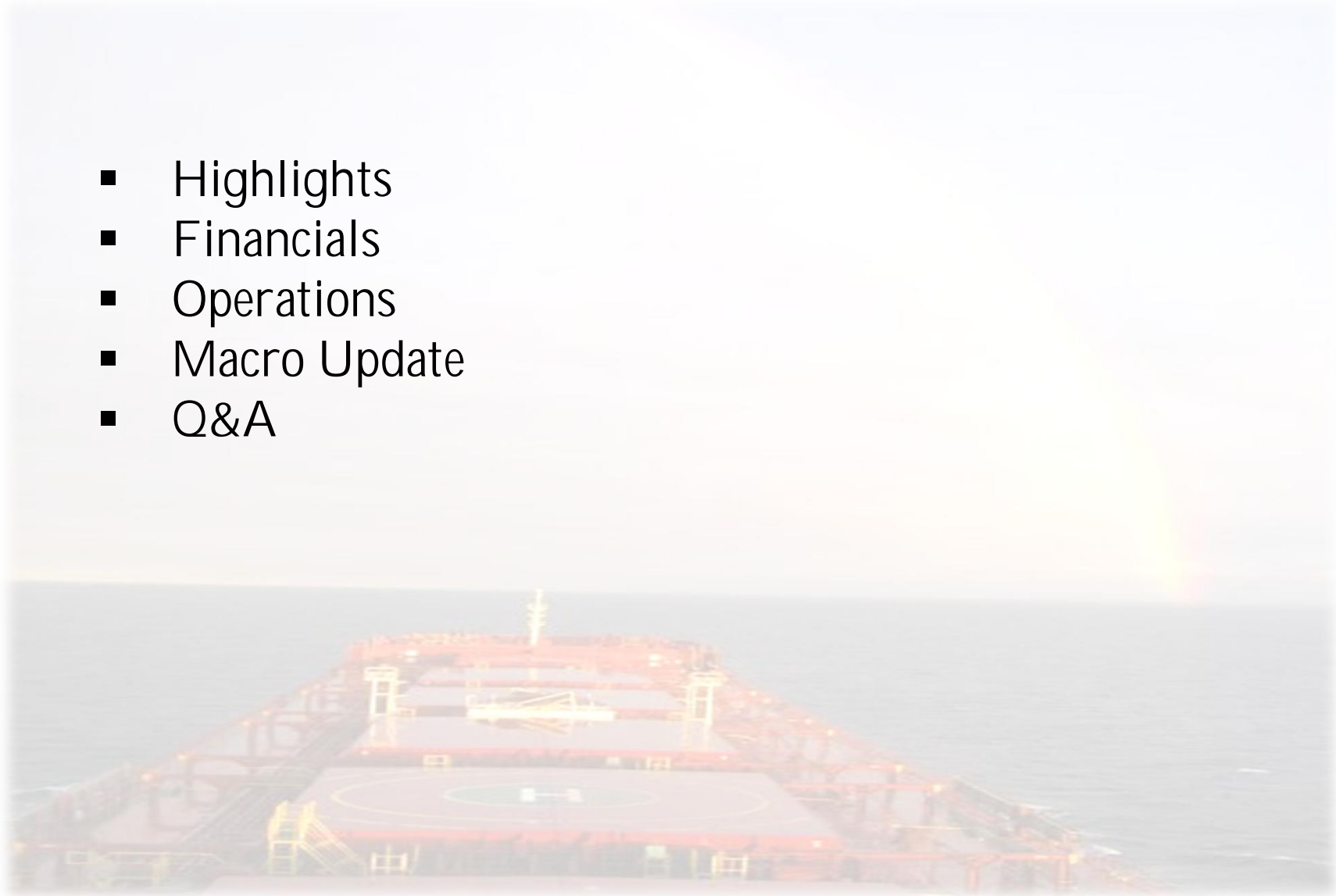
Results Q2 - 2014

August 27, 2014

# Agenda



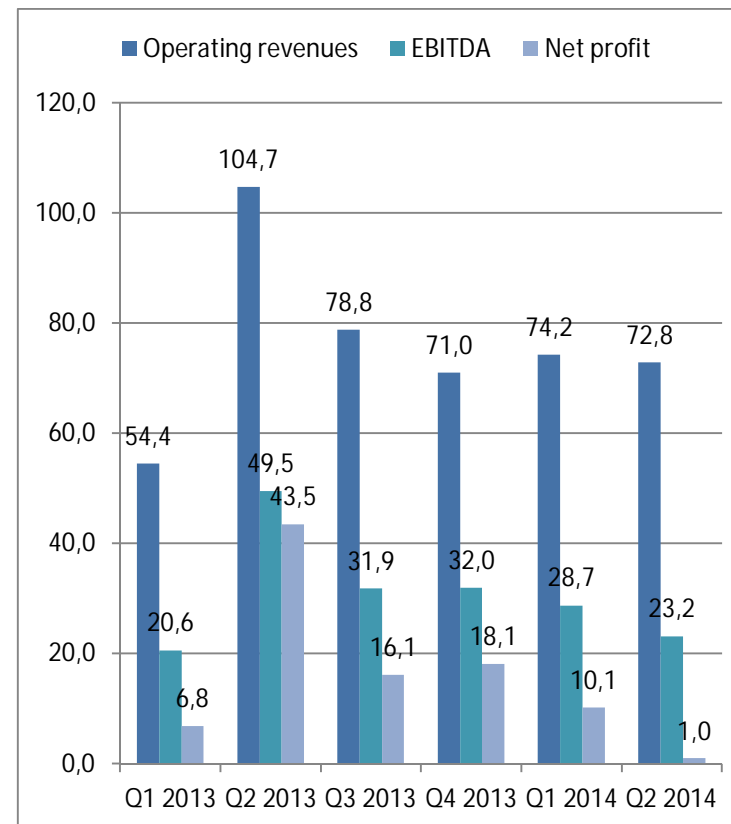
- Highlights
- Financials
- Operations
- Macro Update
- Q&A



# Highlights



- GOGL results Q2 2014
  - EBITDA: \$23.2 million
  - Profit: \$1.0 million
  - Earnings per share at par
- GOGL declares a dividend of \$0.025 for Q2 2014
- GOGL took delivery of four vessels in the second quarter
- GOGL received refund from Jinhaiwan for two contracts in the second quarter and one contract in July 2014





# Financials

Birgitte Ringstad Vartdal, CFO Golden Ocean Management AS

# Profit & Loss



Key figures:

(in thousands of \$)

	2014 Apr-Jun	2014 Jan-Mar
Operating revenue	72 800	74 195
Vessel voyage expenses	-21 842	-22 260
Vessel operating expenses	-14 308	-12 037
Charter hire expenses	-13 206	-17 735
Administrative expenses	-2 788	-2 784
Depreciation and amortisation	-12 185	-10 333
Other gain/ (losses net)	2 523	9 360
Operating profit	10 994	18 406
Interest income	412	183
Interest expense	-8 283	-7 125
Interest swap	-3 396	-1 712
Other financial items	1 299	395
Profit for the period	1 026	10 147
Profit attributable to:		
Owners of the parent	1 307	10 262
Non-controlling interest	-281	-115
Profit for the period	1 026	10 147

- Received \$5.3 million for default on charter contract
- Net voyage results are down mainly due to lower market in Q2 vs Q1
- Gain on Jinhaiwan of \$10.5 million offset by negative MtM on FFAs of \$8.5 million
- Negative MtM on interest rate swaps
- Profit from sale of KLC shares (previously under OCI)

# Balance Sheet



(in thousands of \$)	2014 Jun 30	2013 Dec 31
<b>ASSETS</b>		
Vessels and equipment, net	833 370	667 788
Vessels held under finance leases, net	126 145	130 795
Vessels under construction	26 694	16 144
Investment in Joint Venture	9 937	17 419
Other assets	8 883	8 588
<b>Total non-current assets</b>	<b>1 005 029</b>	<b>840 734</b>
Cash and cash equivalents	133 335	98 841
Trade receivables and other current assets	40 673	39 005
Refundable installments for cancelled newbuildings	149 477	192 976
Available-for-sale financial assets	15 478	16 916
<b>Total current assets</b>	<b>338 964</b>	<b>347 737</b>
Non-current assets held for sale		
<b>Total assets</b>	<b>1 343 993</b>	<b>1 188 471</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the parent		
Share capital	44 731	44 726
Additional paid in capital	99 187	99 156
Other reserves	50 227	23 551
Retained earnings	442 757	457 823
Non-controlling interest	212	1 108
<b>Total Equity</b>	<b>637 115</b>	<b>626 364</b>
Long term debt	492 094	319 605
Obligations under finance leases	107 174	110 416
Other long term liabilities	1 753	1 903
<b>Total non-current liabilities</b>	<b>601 021</b>	<b>431 924</b>
Current Liabilities		
Long-term debt - current portion	66 144	84 414
Obligations under finance leases – current portion	7 195	7 370
Other current liabilities	32 519	38 399
<b>Total current liabilities</b>	<b>105 857</b>	<b>130 183</b>
<b>Total liabilities and shareholders' equity</b>	<b>1 343 993</b>	<b>1 188 471</b>

- Vessels and equipment increased by taking delivery of 4 vessels in Q2
- Refundable installments reduced by cash received in Q2, adjusted for increase in value of receivable
- Reduced short term debt due to repayment of debt related to two Jinhaiwan contracts

**Equity ratio ~ 47 %**



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# Operations

Birgitte Ringstad Vartdal, CFO Golden Ocean Management AS

# Vessels: Deliveries and charters



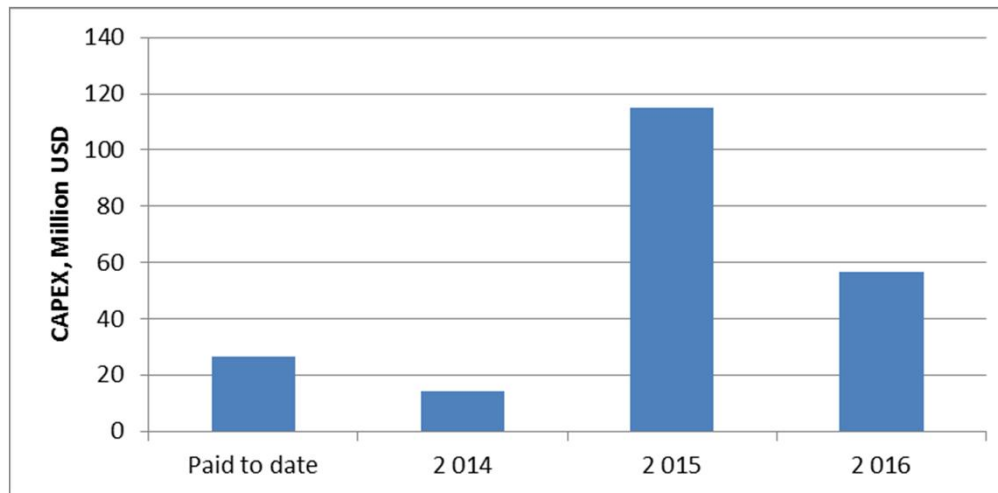
- The Company took in April and May 2014 delivery of the three Kamsarmax vessels purchased in February 2014
- In April 2014 the Company bought a resale ice class Panamax vessel to be named Golden Ruby. The vessel is a sister vessel to the Pipavav ice class Panamax vessels and was delivered to the Company in May 2014.
- The Company will redeliver Golden Kiji in September 2014



# Newbuildings: Delivery schedule supramax vessels

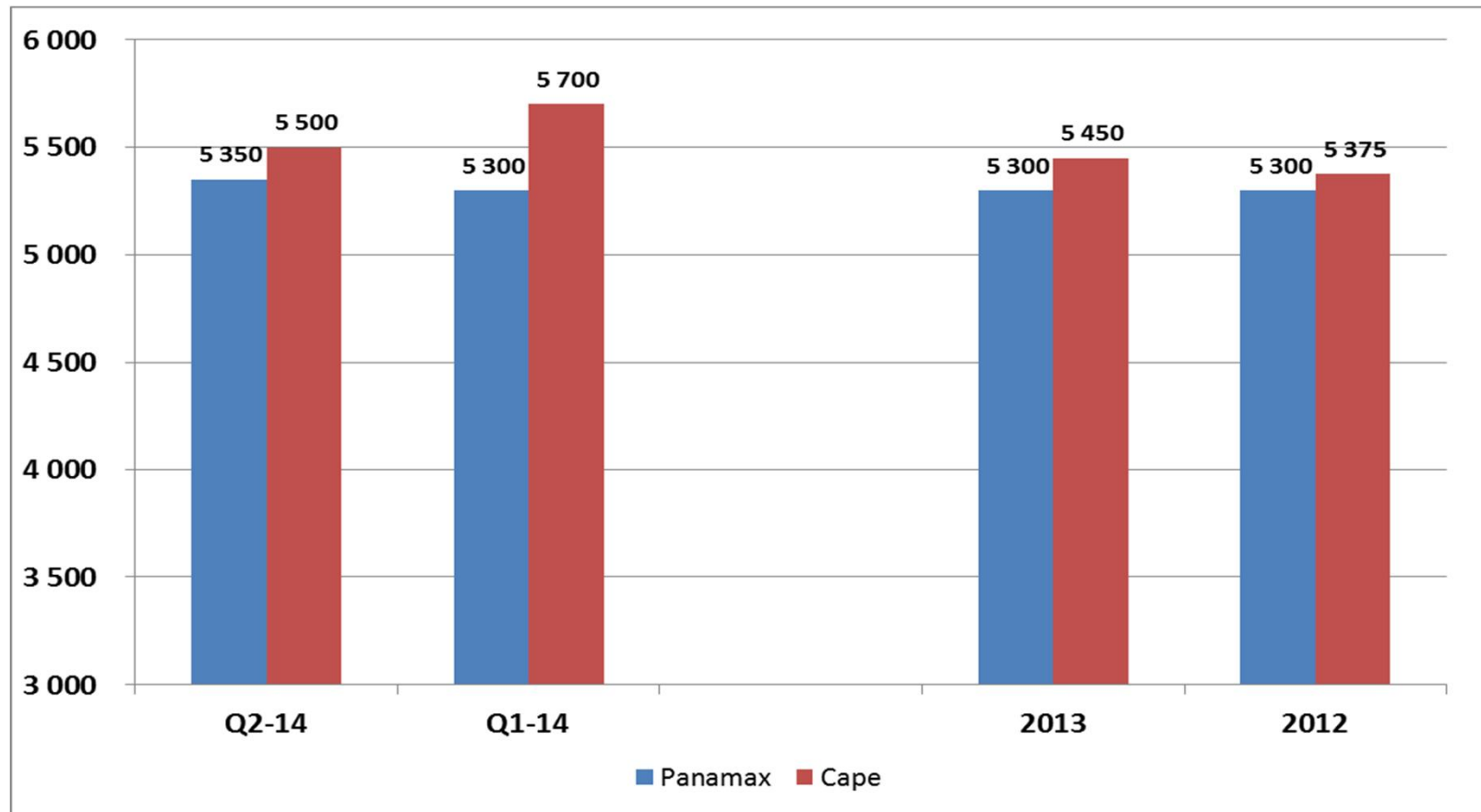


Yard	Vessels	Contracted out	Open	Delivery
JMU (Japan)	2	0	2	Q1-15
Chengxi (China)	6	0	6	Q1-Q2/2015 Q1-Q2/2016



- No payments in Q2
- No changes since last report
- Total newbuilding program consist of 8 Supramaxes
- Steel cutting commenced on the JMU vessels and two of the Chengxi vessels
- Newbuildings with delivery 2015 to be financed end of this year

# Vessel operating expenses



- Based on 20 Panamax/Kamsarmax and 7 Capesize vessels
- Five vessels have been docked in 1H 2014 and an additional three vessels are due for docking in 2014

# Open positions on sailing vessels



## Capesize exposure - Sailing vessels Core Fleet \*

	2014	2015	2016
Total vessel days	996	2 635	2 642
Open vessel days	765	2 629	2 638
Open position (%)	77 %	100 %	100 %
Average net rate on fixed days	16 784	na	na
No of vessels	8	8	8

## Panamax exposure - Sailing vessels Core Fleet

	2014	2015	2016
Total vessel days	3 087	7 676	7 343
Open vessel days	1 863	5 544	5 300
Open position (%)	60 %	72 %	72 %
Average net rate on fixed days	13 496	19 459	21 060
No of vessels	24	23	23

\* Golden Opus included with 50%

# Jinhaiwan situation



- Development in all nine arbitrations
  - Three final awards obtained, payment received
  - Six preliminary awards obtained
  - Pursued appeal for two awards to High Court in London
  - Applied for leave to appeal to High Court in London for four awards
  - Expect decision within next three to four months whether leave to appeal is granted
- The Board is confident that the Company has a strong case on all arbitrations

MUSD	Installment	Interest accrued as per awards	Debt	Net cash	Booked PnL in Q2	Book Value end Q2
Received Q2	45,8	10,4	20,4	35,8	3,5	
Received Q3	38,65	8,7	11,55	35,8	3,5	47,3
Remaining	90,8	11,5	11,25	91,05	3,5	102,3
Total	175,25	30,6	43,2	162,65	10,5	149,5

# Corporate transactions



- The Company received refund of \$5.3 million in relation to a default on a charter contract for Golden Feng
- Close to one third of the shares in Korea Line Corporation was sold in the second quarter of 2014, to a net proceed of \$1.4 million usd
- During the second quarter the Company reduced the volume on the interest rate hedges
- The Company will delist from the secondary listing on SGX. This does not affect the Company's presence in the Asian shipping market.

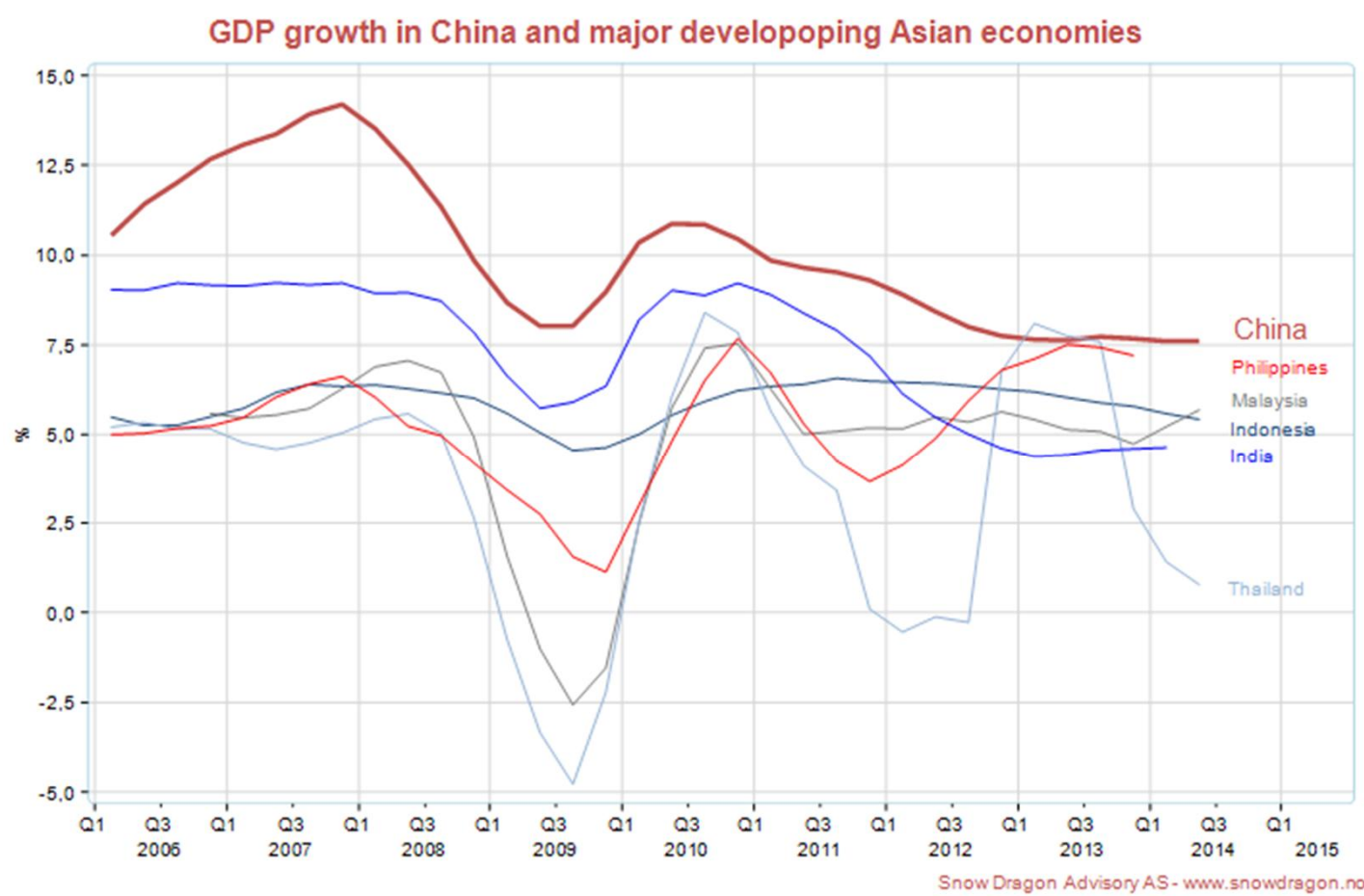


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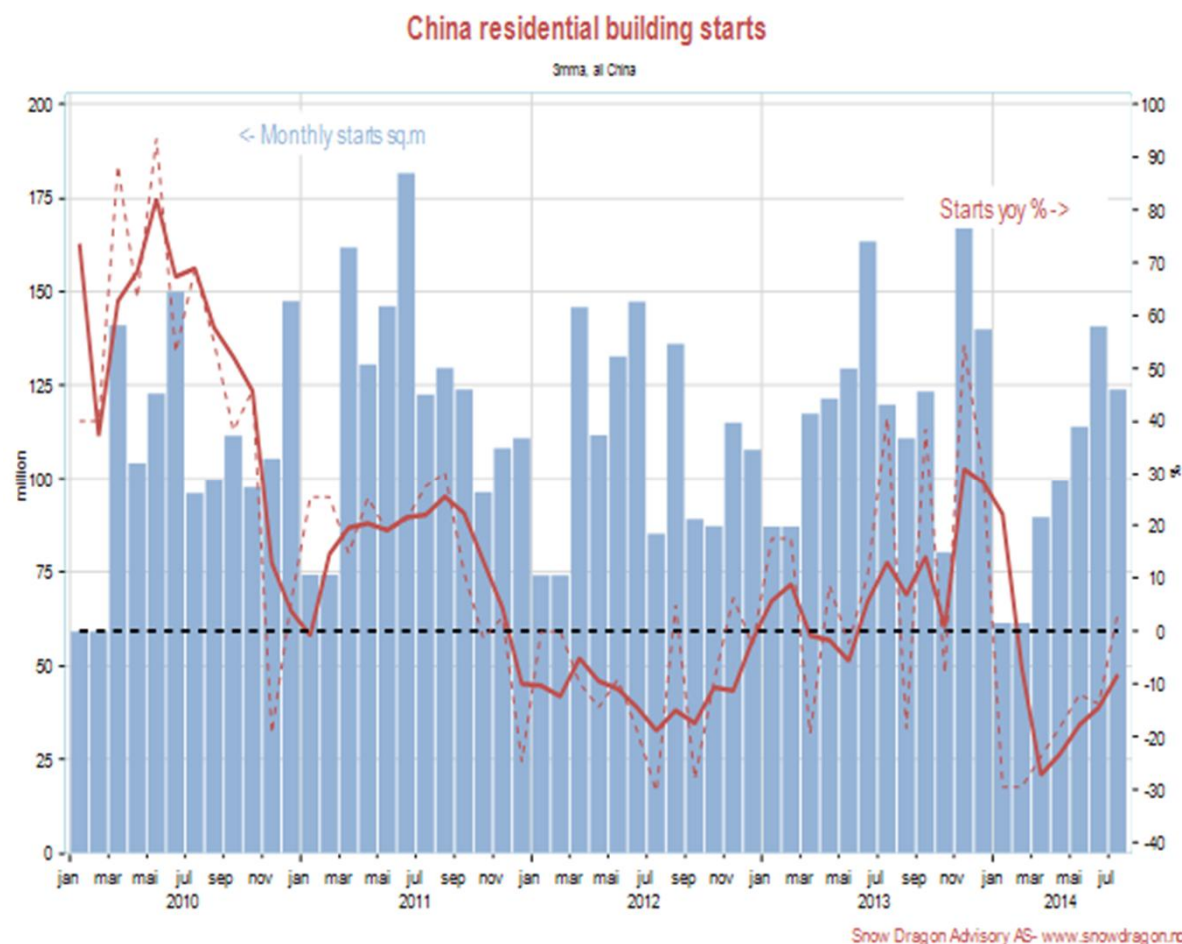
# Macro Update

Herman Billung, CEO Golden Ocean Management AS

The Chinese economy has continued moving the same direction as earlier in the year, but grew slightly faster in Q2 (7.5%) compared to Q1 (7.4%).



In the property market, there has been a positive turnaround in housing starts over the last few months, with starts in July actually up by 3.4% yoy.

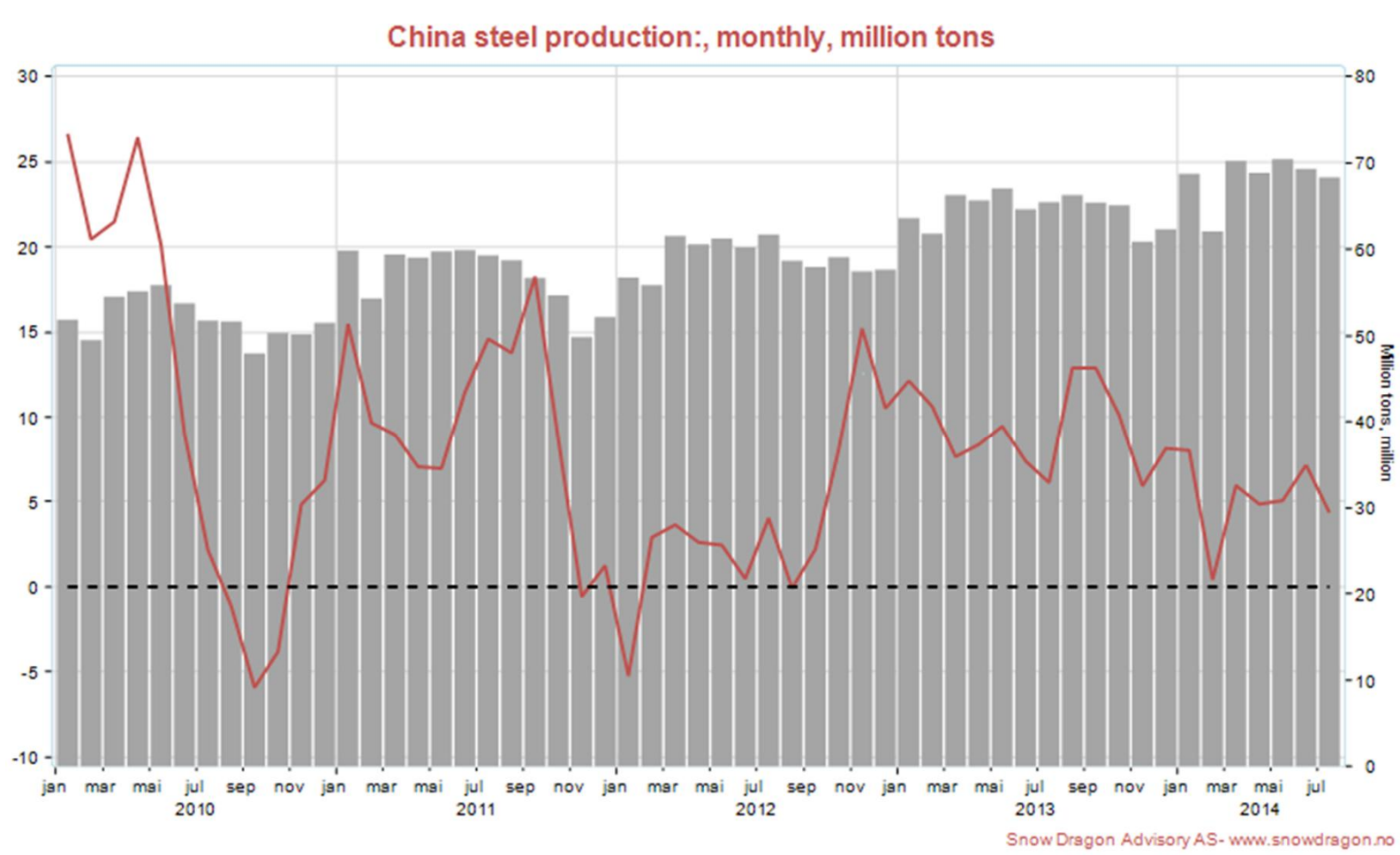




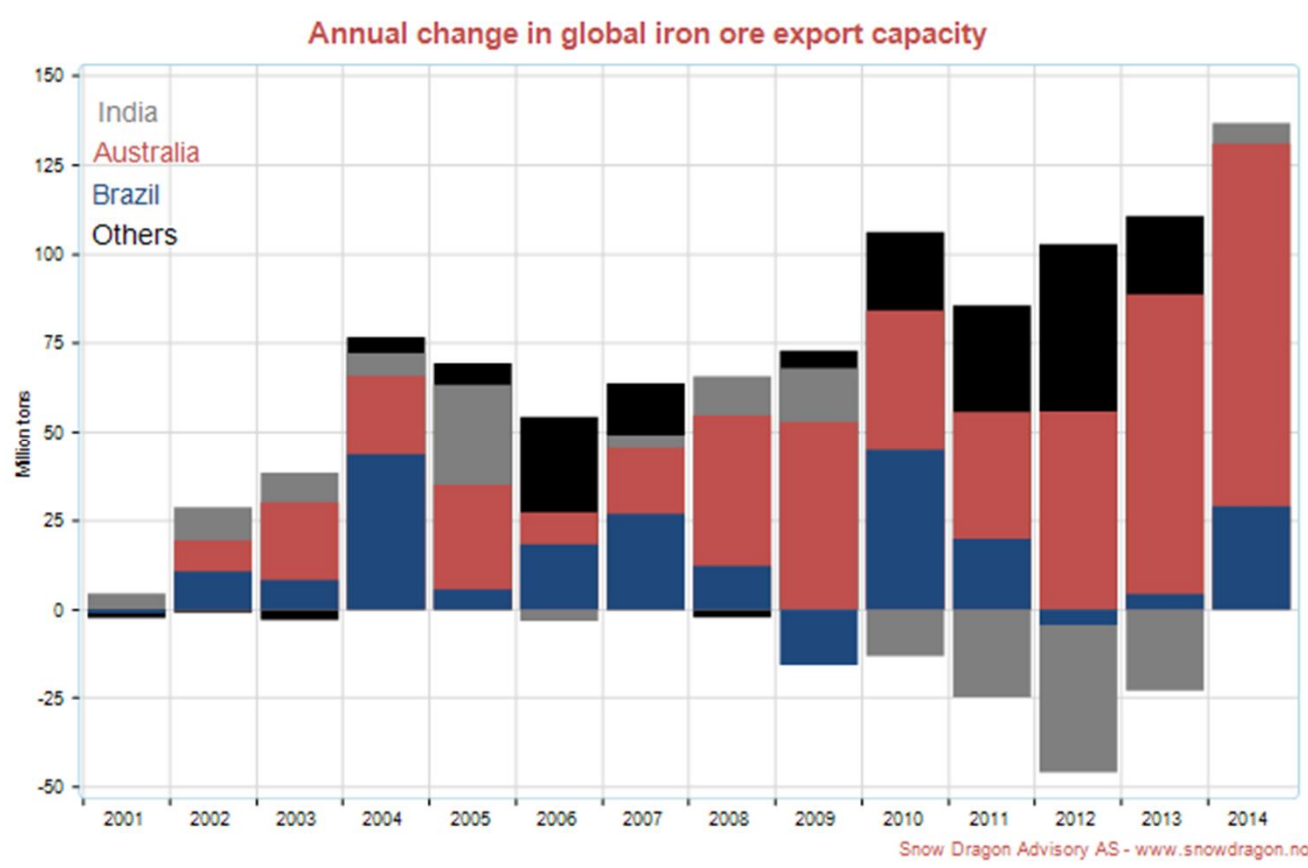
Prices however, have not moved in a positive direction, with accelerating month-on-month declines in most cities. This suggest the sentiment has not improved markedly over the last few months, despite efforts by both central and local authorities to improve the market.



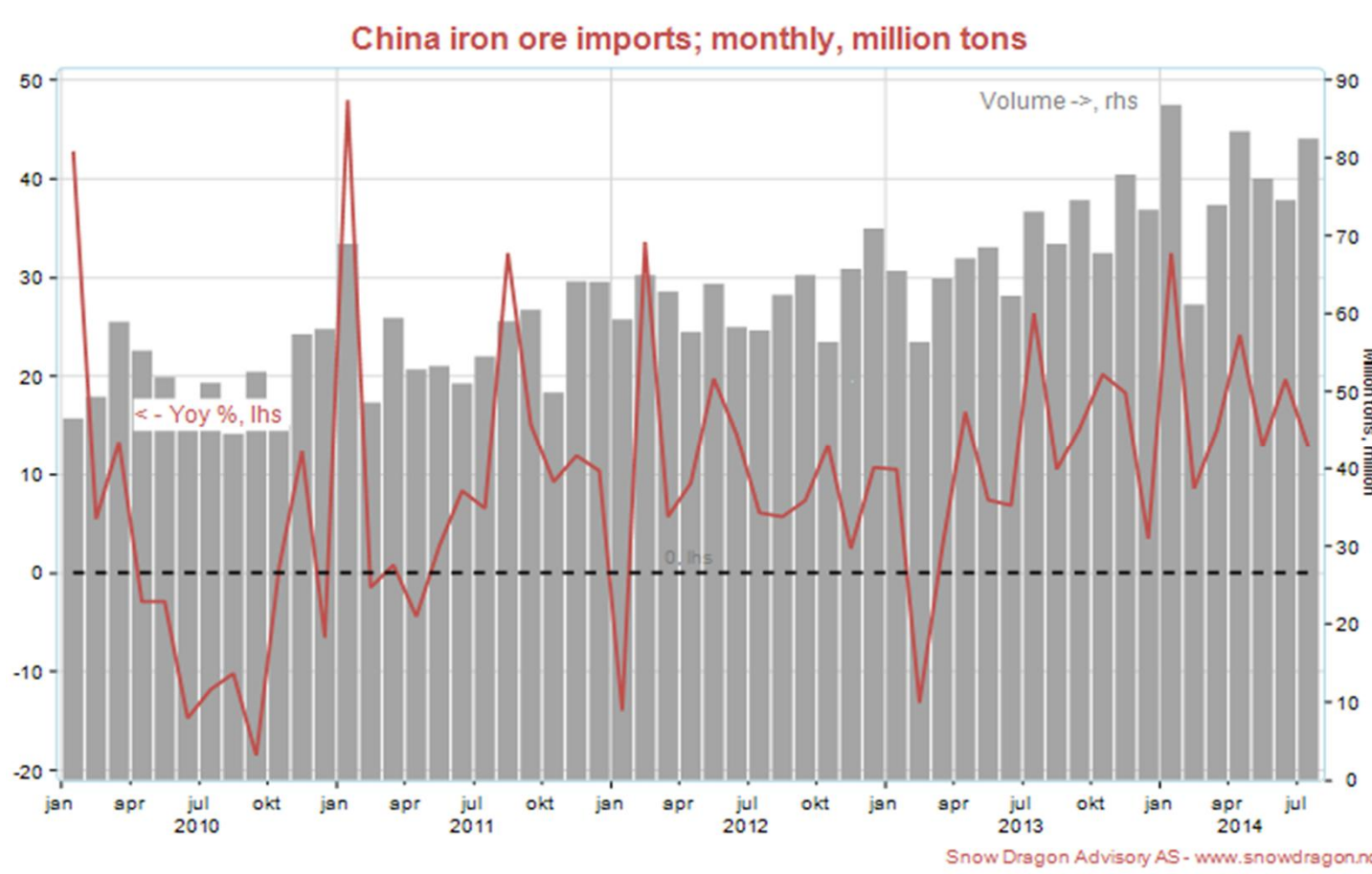
However: Even though up to 40% of China's steel goes to the relatively weak real estate market, steel production is up 5.1% ytd.



Relatively strong growth in steel production, coupled with a record increase in iron ore supply in (primarily) Australia.... -



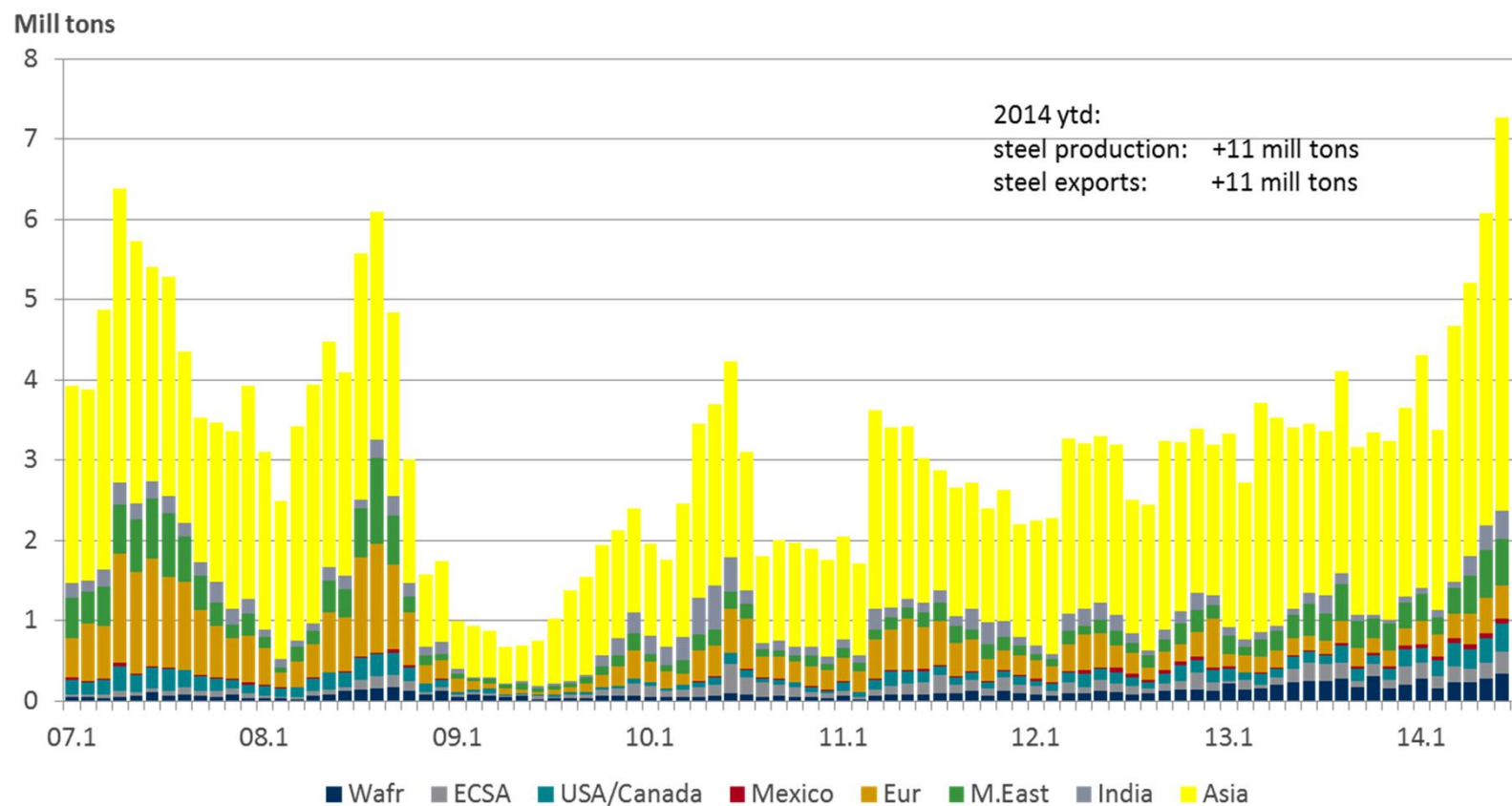
... has given an impressive increase in iron ore imports to China in 2014; thus far imports are up 18% as of July, with an annualized level of 925 million tons, above our estimate at the start of the year of 890 million tons.



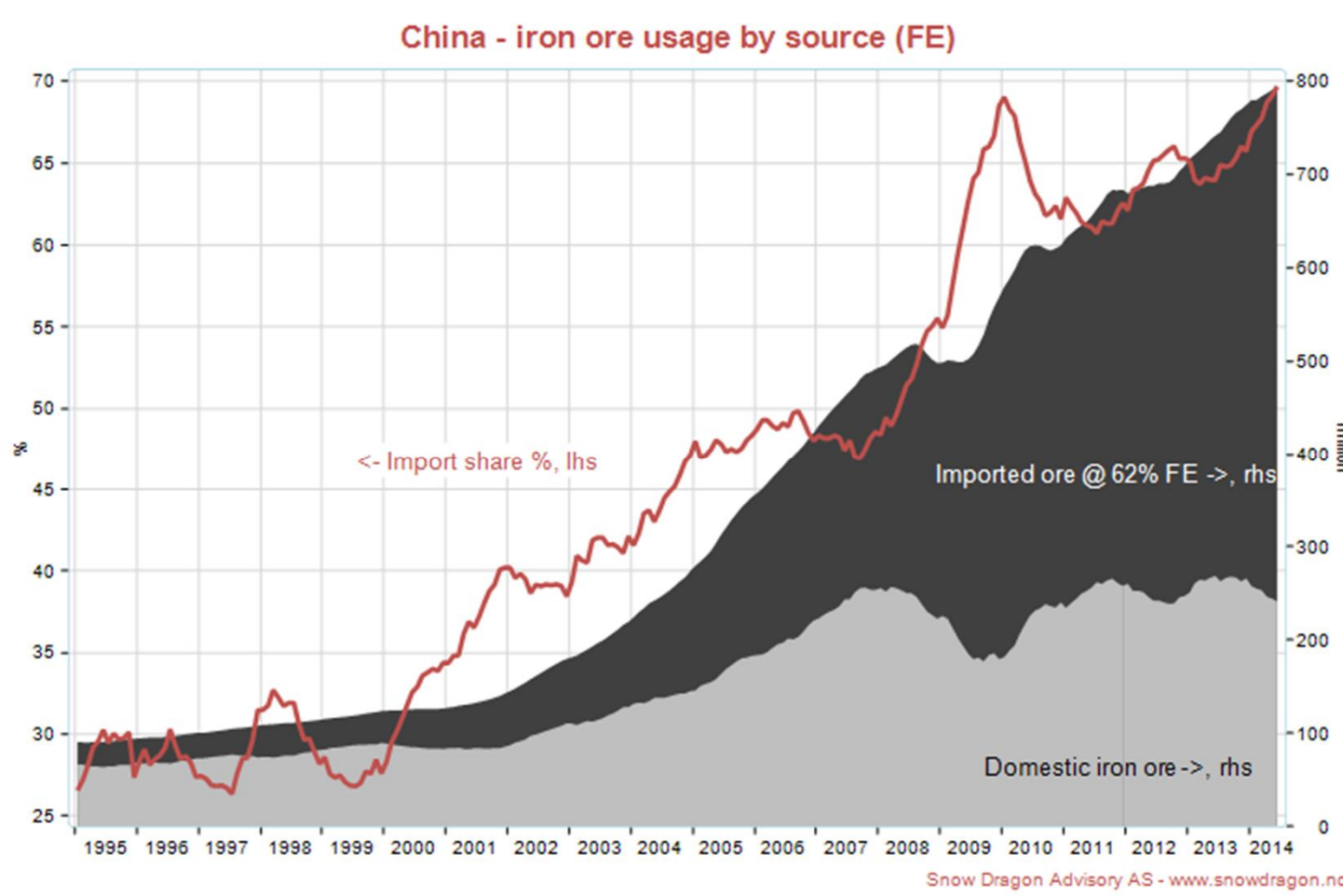
# Chinese steel exports



## By destination – monthly shipments



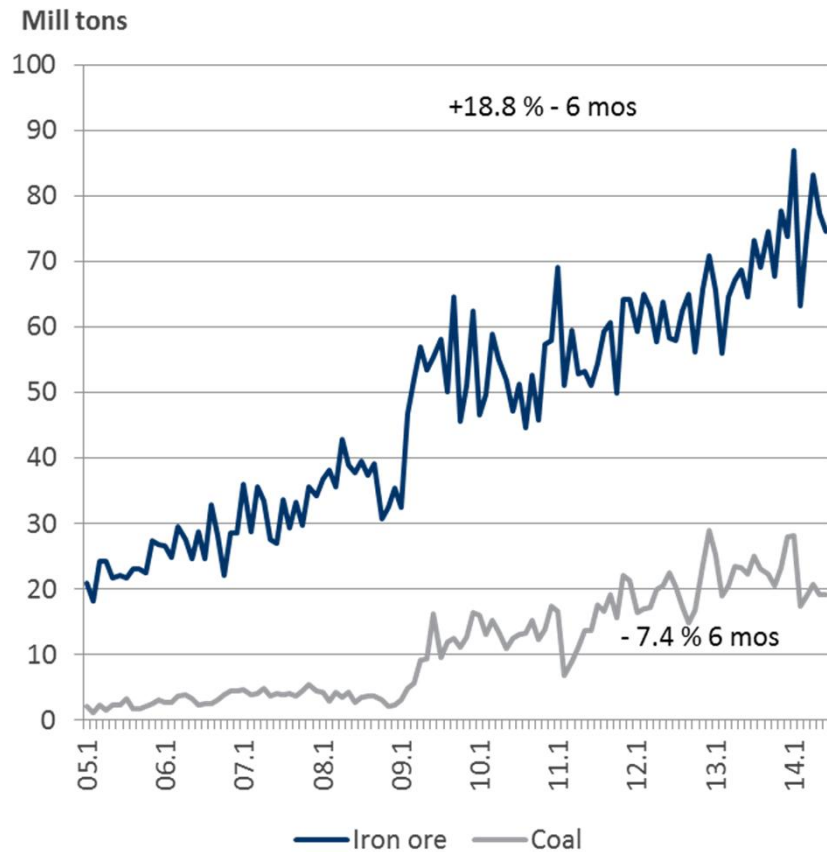
Low domestic iron ore prices is reducing domestic production, and imports now account for 70% of the steel balance, up from 65% in 2013.



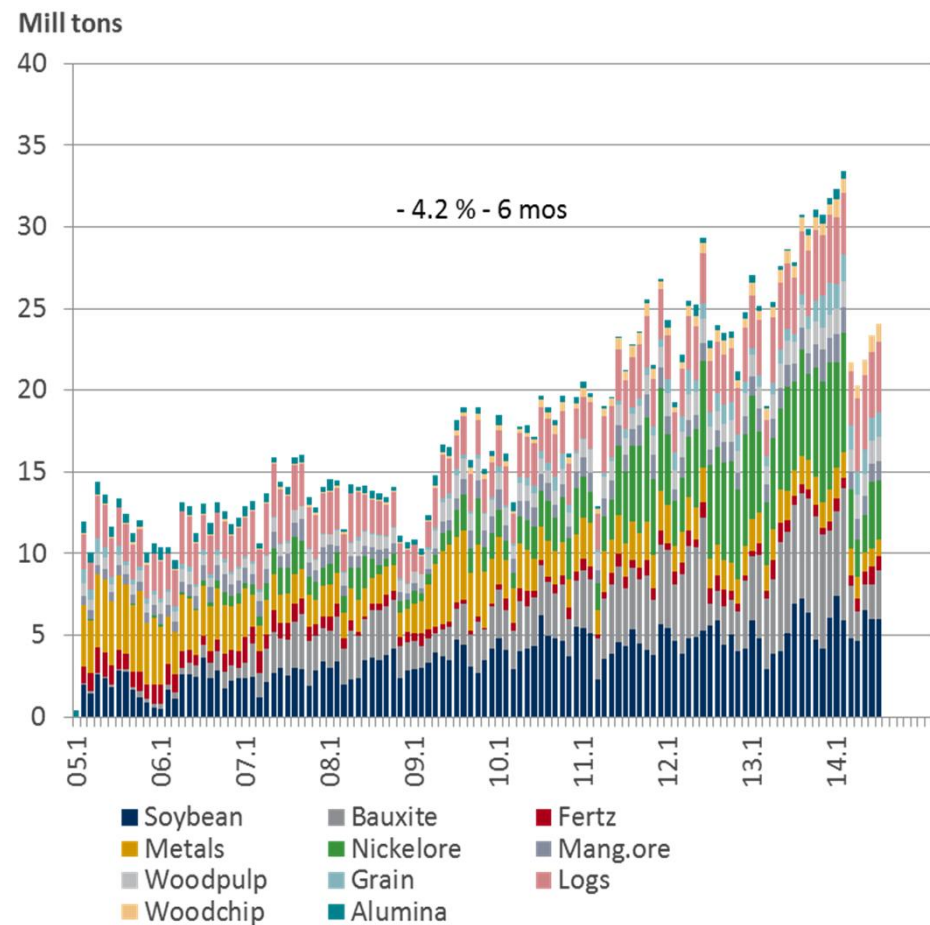
# China –dry bulk imports - + 8.2 % yoy during first half



## Iron ore and coal

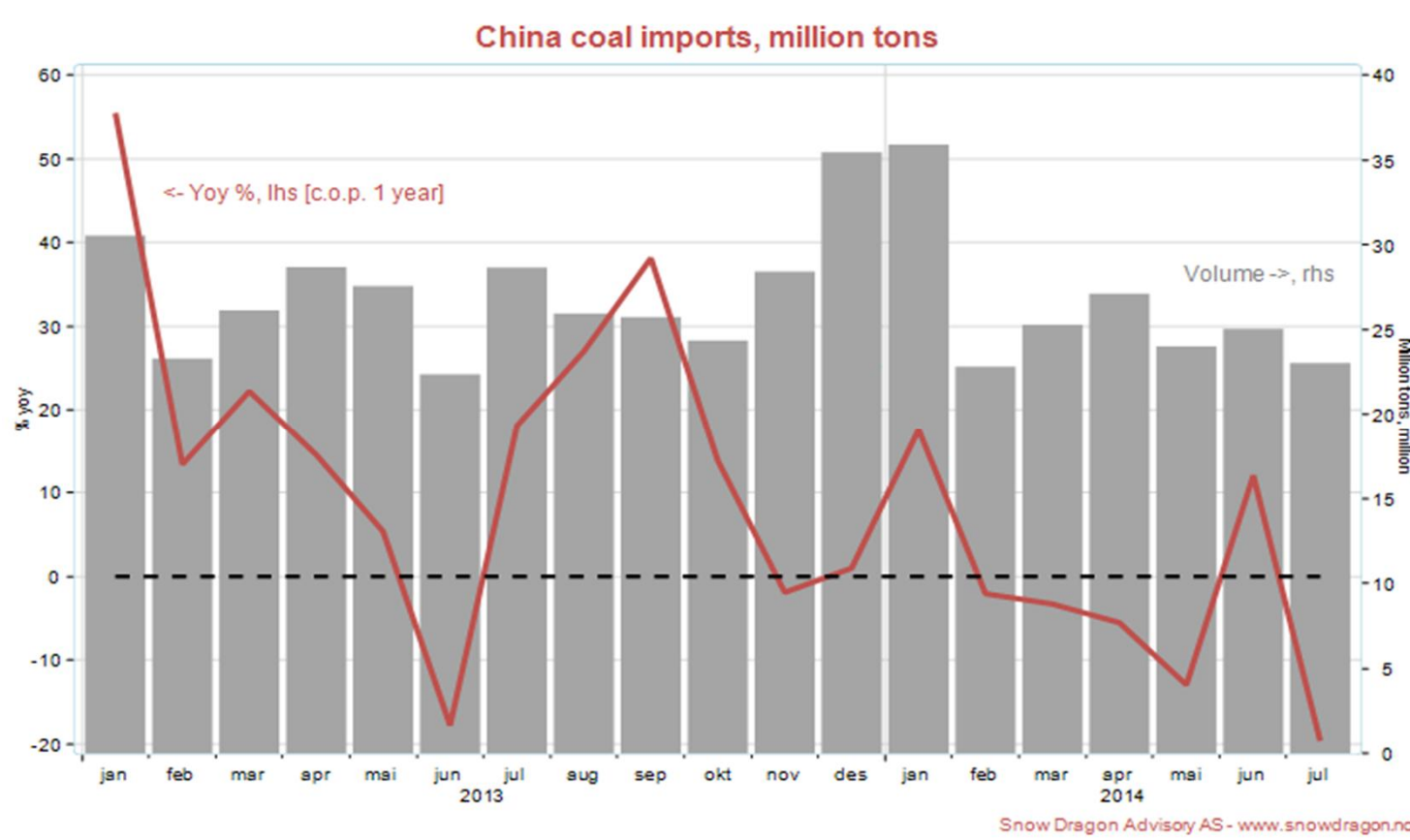


## Other commodities





The big disappointment in 2014, and the primary reason for the weak market, is coal. Chinese coal imports in July 2014 were down 19.6% yoy, and for the first seven months of the year overall imports are down 2.2%. Compared to consensus expectations of growth of around 13% this year, Chinese coal imports are now some 30 million tons below expectations, which on an annualized basis translates into the carrying capacity of around 50 capesize vessels or 100 panamaxes.

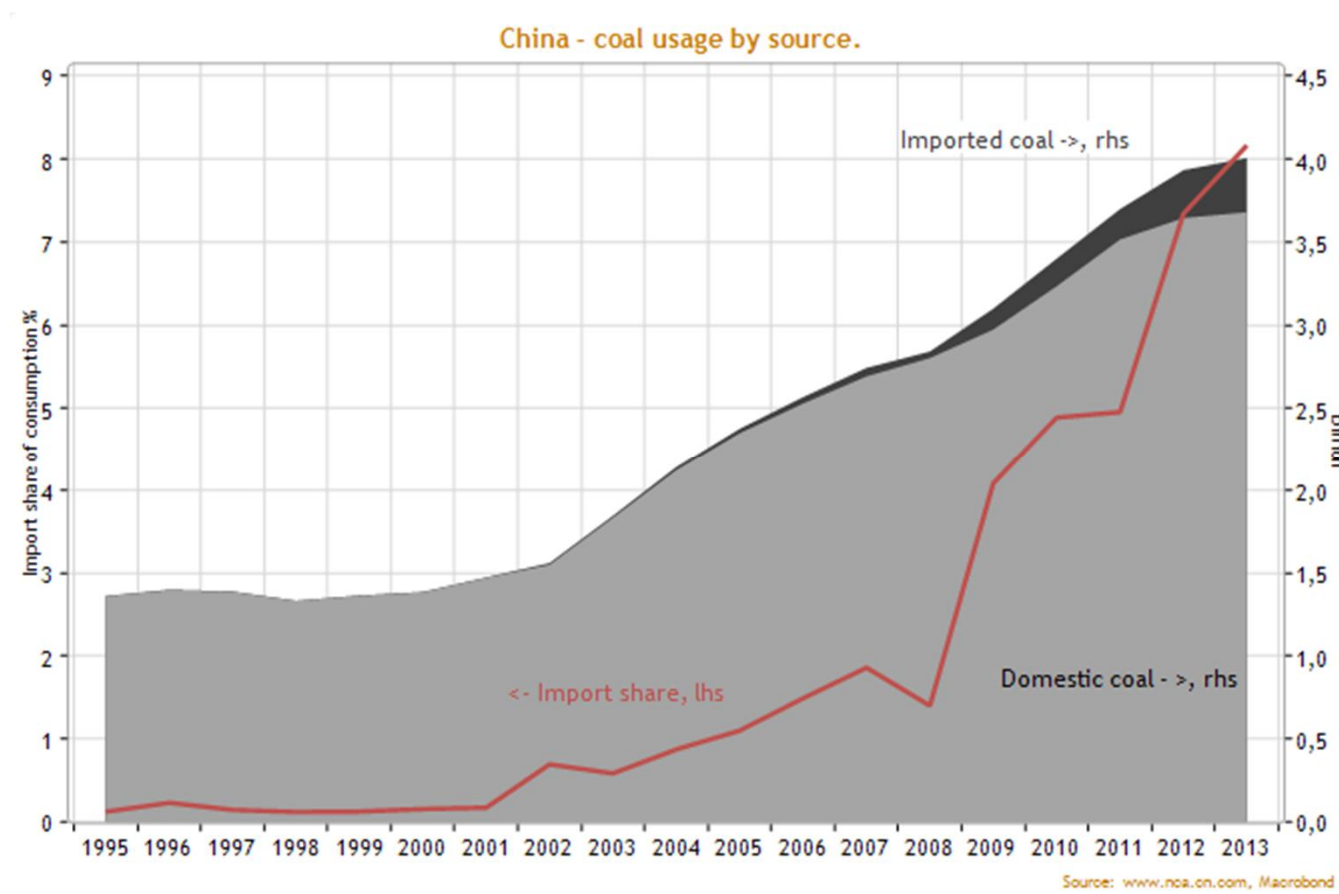




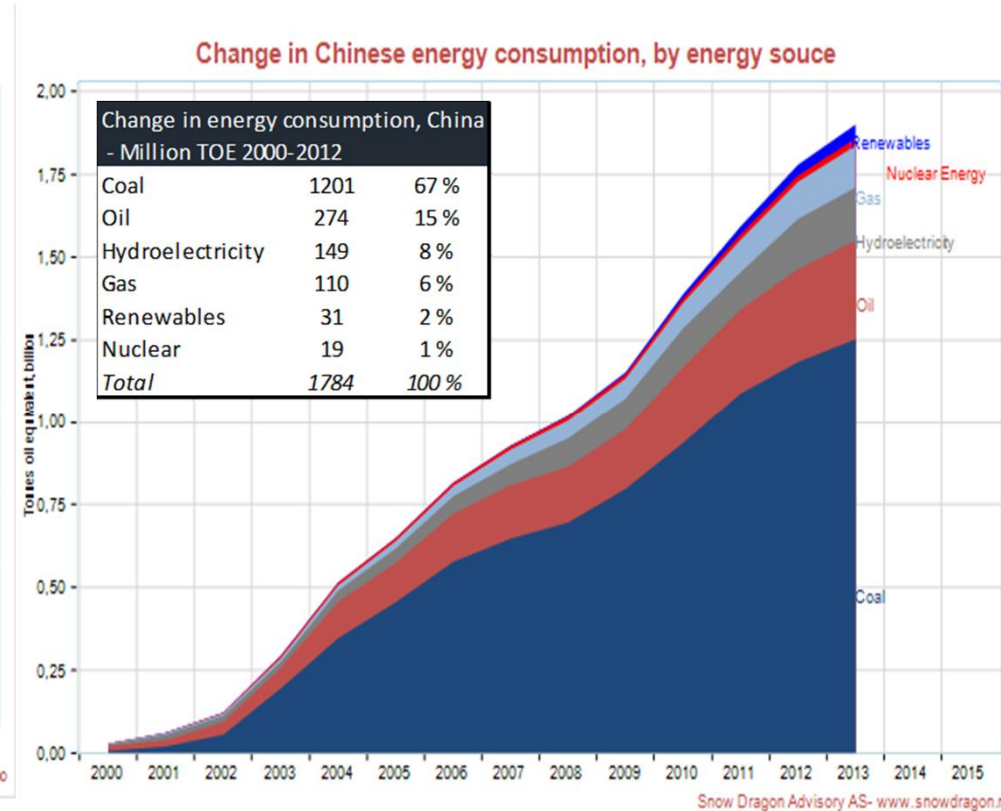
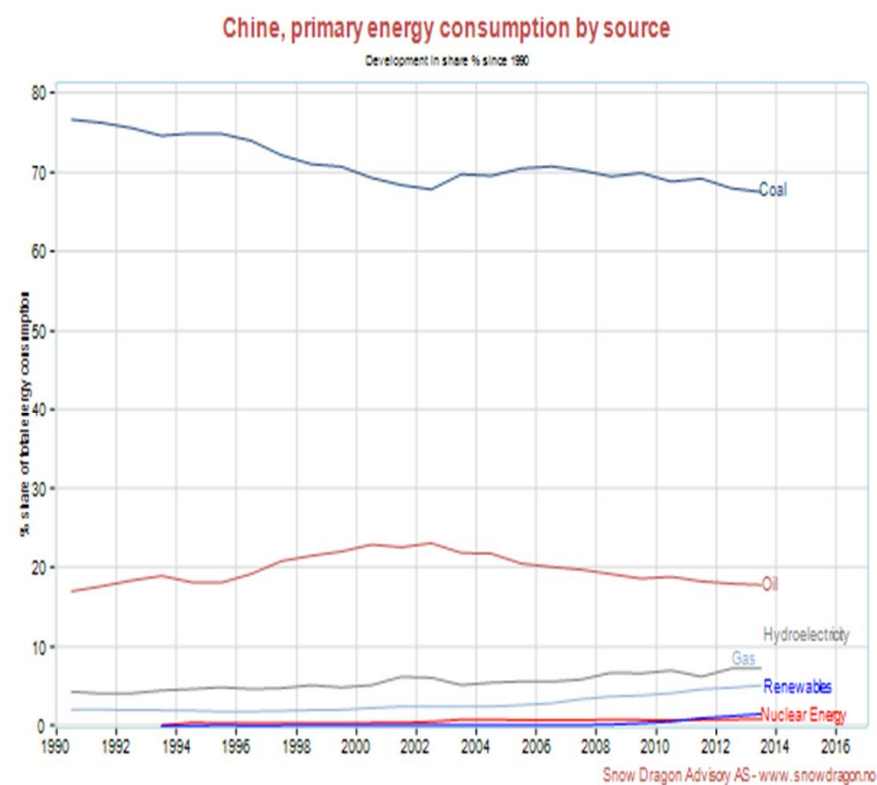
Coal prices have continued falling in China, and are now down 17% from a year ago, and down 42% compared to 2011. According to the China Coal Association, more than 70% of China's coal companies are currently making losses.



Coal imports only contributed 8% to overall coal supply in China last year, illustrating the sensitivity in the market. If the destocking process is over, coupled with domestic coal production cuts and continued strong demand, coal imports should resurrect in H2/2014.



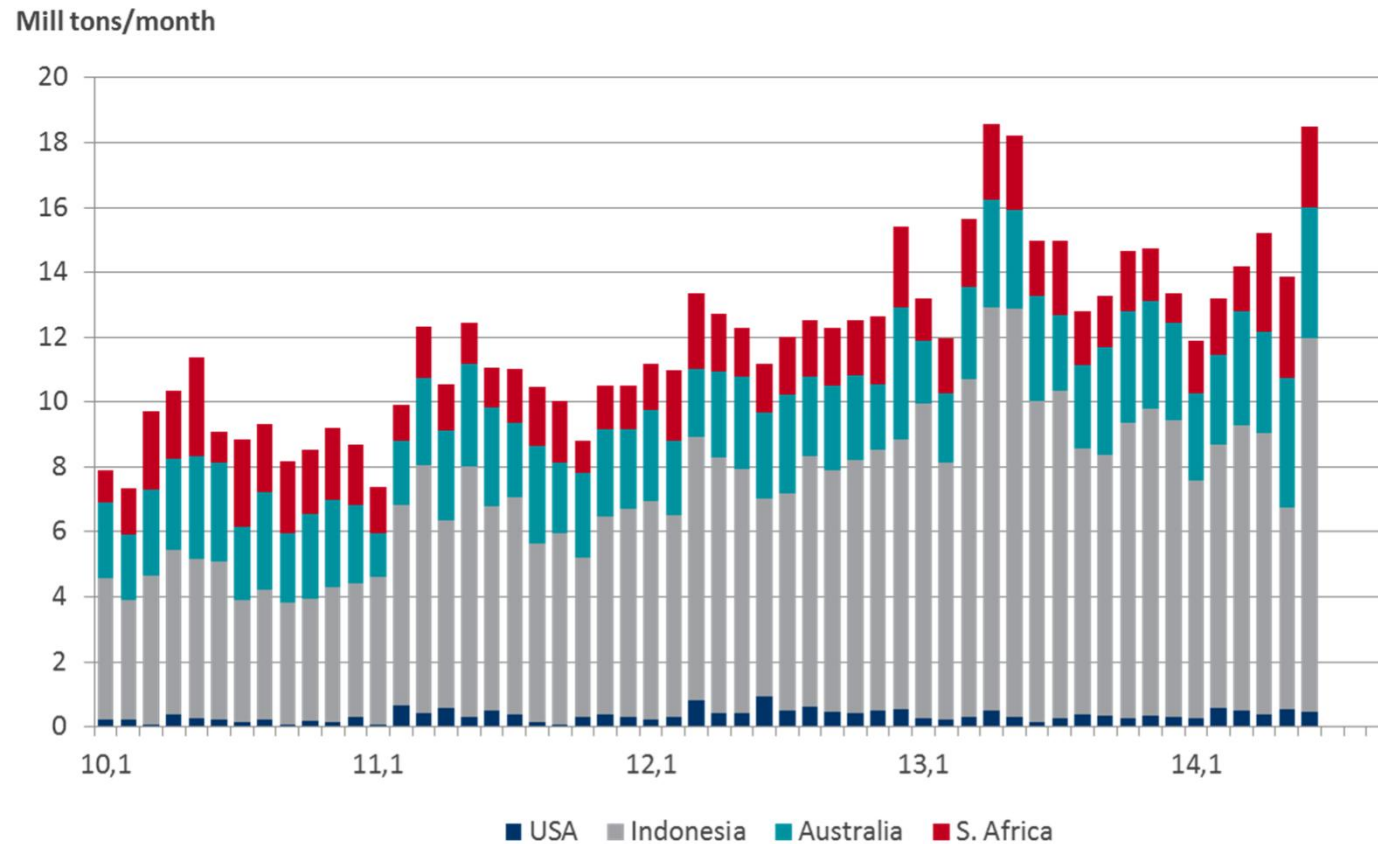
The energy mix in China has not changed markedly over the last 24 years, 67% of the rise in energy demand has been covered by coal since the year 2000..



# India a stronger growth factor for dry bulk trade going forward



## Indian coal imports by source



# Dry Bulk fleet trend...

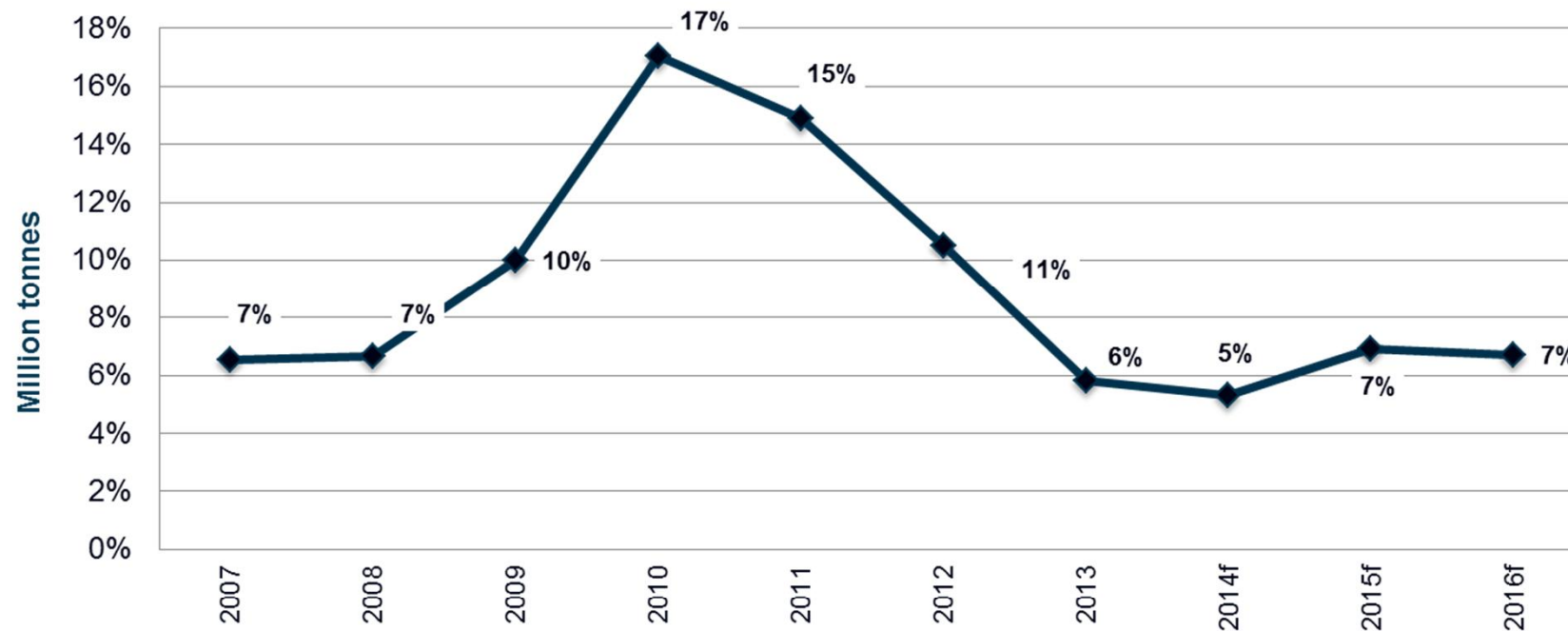


## Deliveries, additional orders and estimated scrapping



# Annual average expected fleet growth

*Dry bulk fleet growth*

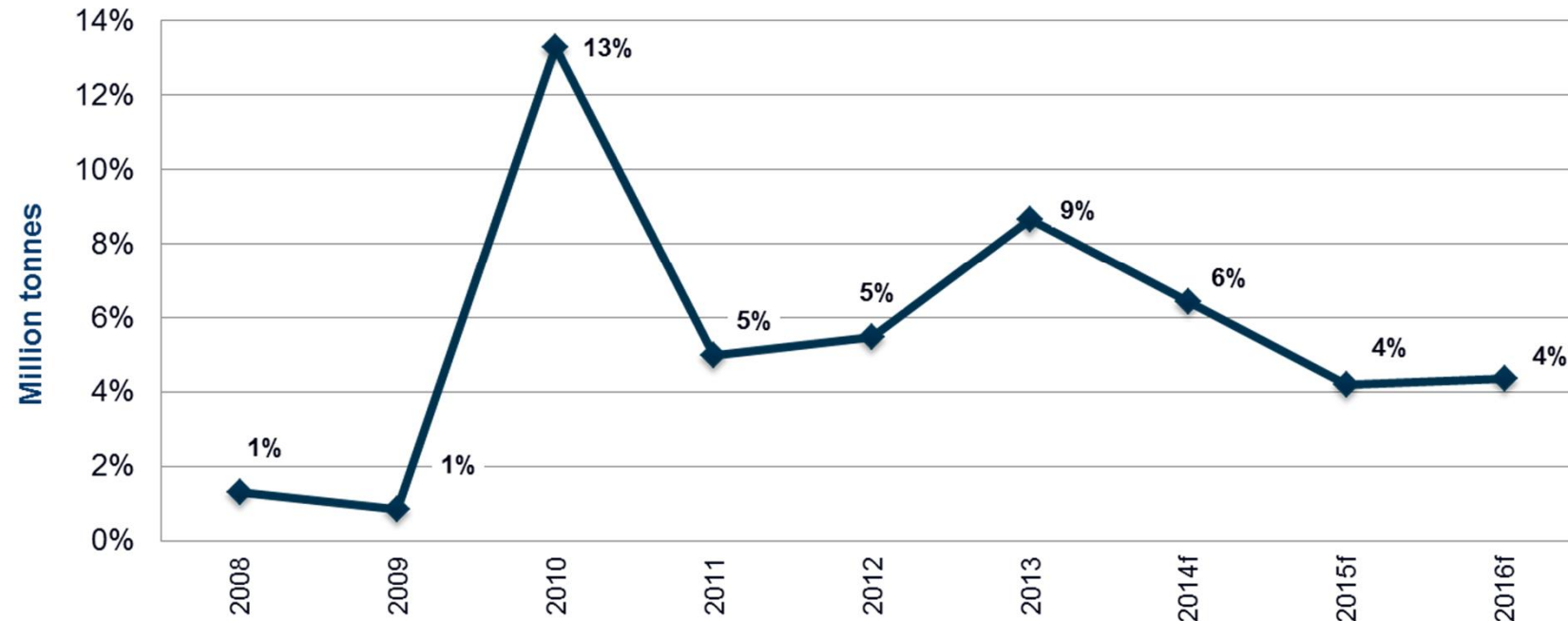


CAGR	Handysize	Handymax	Panamax	Capesize	TOTAL
2008-2010	3.2%	13%	7.7%	16.8%	<b>11.2%</b>
2011-2013	1.7%	12.3%	11.2%	11.8%	<b>10.3%</b>
2014(f)-2016(f)	3.3%	8.8%	5.2%	6.5%	<b>6.3%</b>

Source: Clarksons

# While seaborne demand remain robust

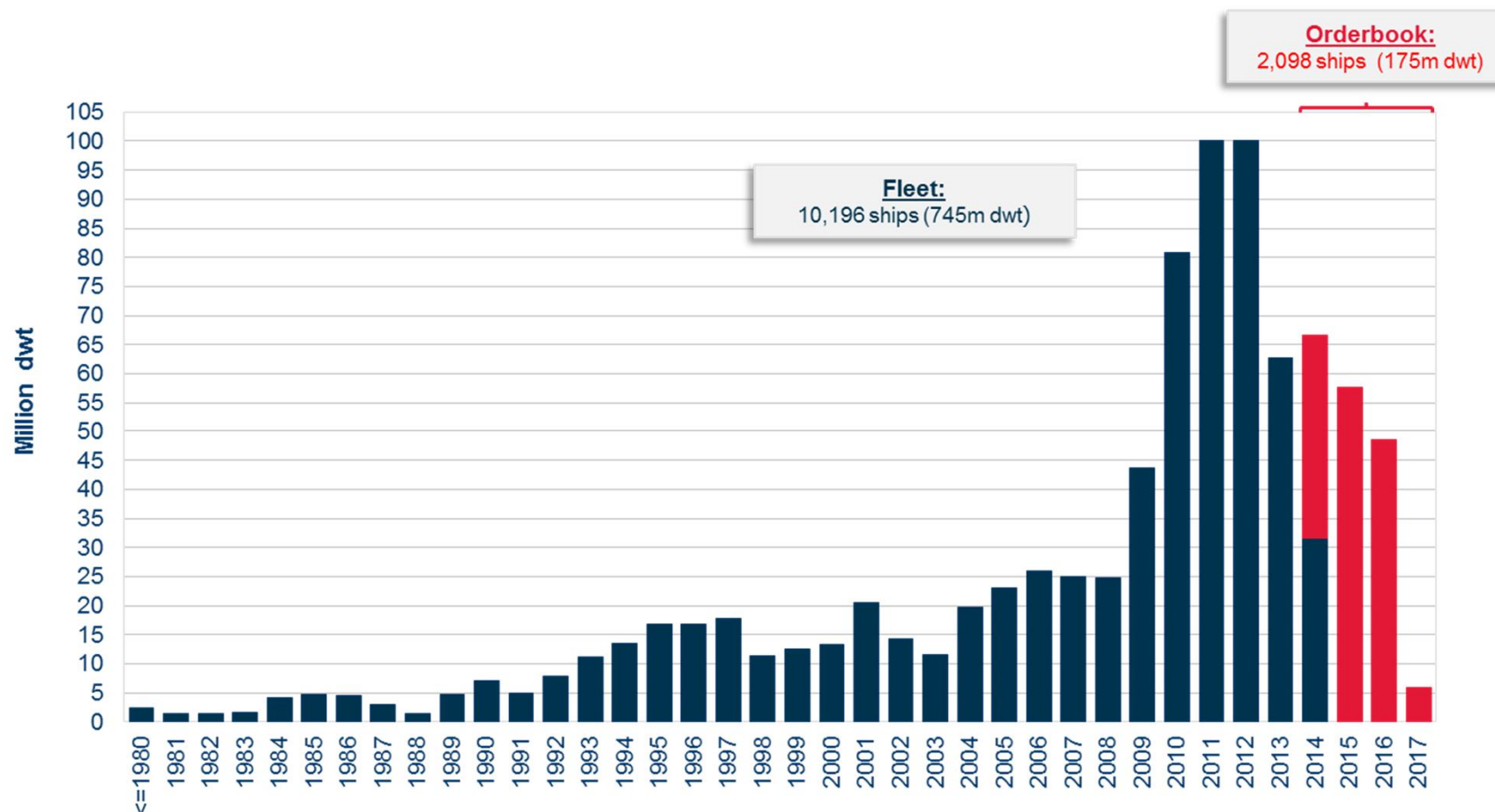
*Dry bulk seaborne trade growth*



CAGR	Iron Ore	Coal	Agriculture related	Construction related	Other	TOTAL
2008-2010	9.3%	6.1%	3.3%	-0.1%	3.5%	<b>5.0%</b>
2011-2013	7%	7.4%	2.3%	7%	3.2%	<b>6.4%</b>
2014-2016(f)	7.8%	3.5%	5.0%	3.1%	2.4%	<b>5.0%</b>

# Dry bulk fleet profile

*Dry bulk fleet and orderbook according to year of build*



*Fleet and orderbook as on 1 July 2014*

Source: Clarksons



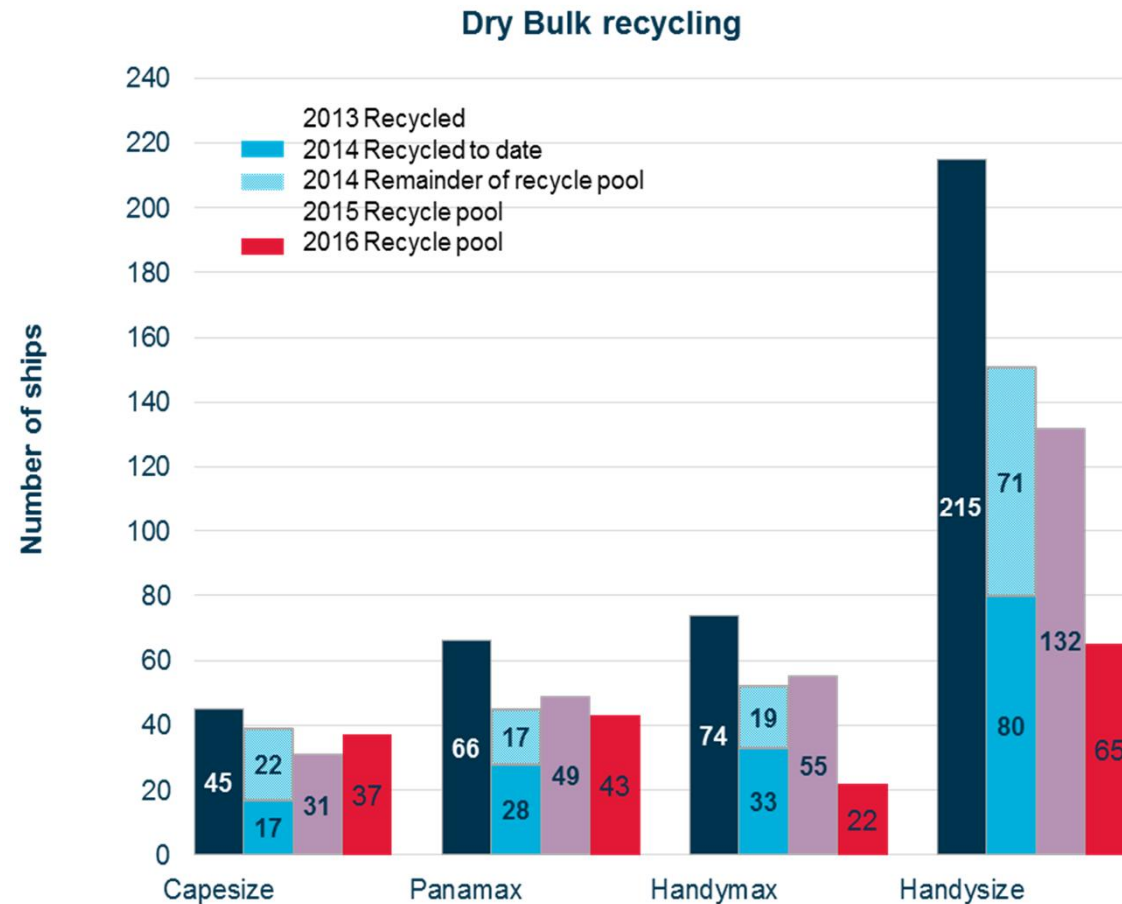
# Demolition increase when the market slows



Demolition normally weakens as earnings improve and vice versa.

Elder tonnage due for 5-year special surveys – technically obsolete?

Conversions (previously VLCC) reaching 5-year special survey - end of contract?

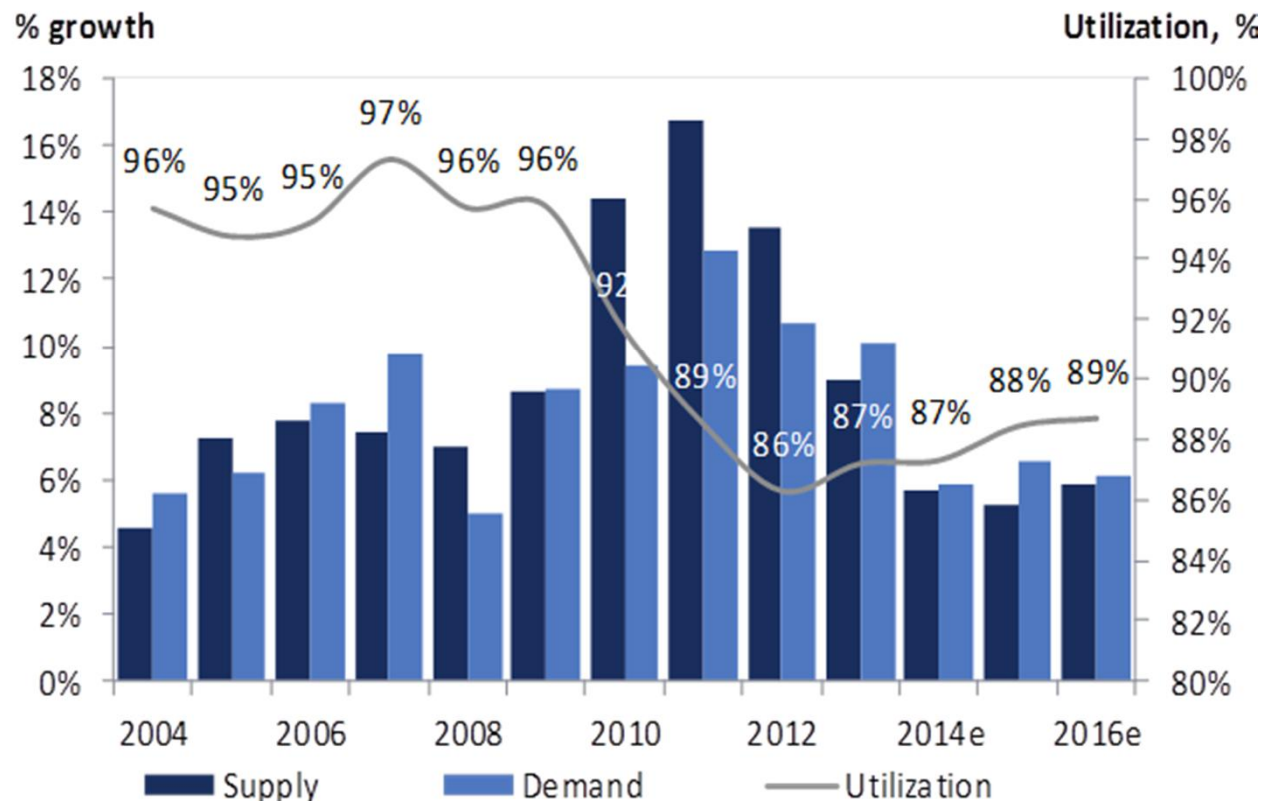


*The recycle pools are based on the upcoming special 5-year survey schedule . 4<sup>th</sup> Survey for Capesizes, 5<sup>th</sup> for Panamax and 6<sup>th</sup> for other sectors*

# Overall market should tighten, but less than previously expected



## Supply /demand development



- ▶ We continue to see a firmer market, but see slightly lower utilization on more orders than previously expected
- ▶ Although we have added some vessels with '16 deliveries on top of current orderbook, there is always a risk of new orders surfacing

	USD/d	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e	2016e	10yr	10yr
															ex	super cycle
Cape	"	69,000	50,000	45,000	117,000	105,000	42,000	33,000	16,000	8,000	15,000	18,400	25,800	25,800	50,000	34,800
Pmax	"	36,000	25,000	24,000	57,000	49,000	19,000	25,000	14,000	8,000	9,600	9,500	15,000	15,900	26,700	20,100
Smax	"	31,000	24,000	23,000	48,000	41,000	17,000	22,000	14,000	9,000	10,400	10,800	14,400	14,900	23,900	18,800
Hsize	"	19,000	17,000	14,000	30,000	29,000	11,000	16,000	11,000	8,000	8,200	8,400	10,200	11,000	16,300	13,000

Source: Pareto Research



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Q & A





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Thank you for your attention !

