



GOLDEN OCEAN™

**Results Q2 - 2016**

August 24, 2016

## Forward-Looking Statements

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- Highlights
- Financials
- Fleet and newbuildings
- Macro Update
- Q&A



# Highlights Q2-16



- The Company reports a net loss of \$39.2 million and a loss per share of \$0.37 for the second quarter of 2016 and a net loss of 107.5 million for the first half of 2016.
- In June 2016, the Company agreed with one yard to postpone delivery of six newbuildings with 7 to 9 months for each newbuilding
- In August 2016, the company effected a 1-for-5 reverse share split in order to comply with Nasdaq regulations



# Profit & Loss



	2016 Apr - Jun	2016 Jan-Mar	2016 Jan-Jun
<i>(in thousands of \$)</i>			
<b>Operating revenues</b>	<b>55 569</b>	<b>45 010</b>	<b>100 579</b>
Gain on sale of newbuildings and amortization of deferred gain	65	101	166
Operating expenses			
Voyage expenses	16 224	21 718	37 942
Ship operating expenses	25 574	25 093	50 667
Charter hire expense	15 911	11 009	26 920
Administrative expenses	3 861	3 025	6 886
Impairment loss on vessels and newbuildings	985	0	985
Provision for uncollectible receivables	0	1 800	1 800
Depreciation	15 848	14 946	30 794
<b>Total operating expenses</b>	<b>78 403</b>	<b>77 591</b>	<b>155 994</b>
<b>Net operating loss</b>	<b>-22 769</b>	<b>-32 480</b>	<b>-55 249</b>
Other income (expenses)			
Interest income	574	257	831
Interest expense	-11 038	-9 314	-20 352
Impairment loss on marketable securities	0	-10 050	-10 050
Loss on derivatives	-4 937	-12 884	-17 821
Equity results of associated companies, including impairment	116	-3 068	-2 952
Other financial items	-1 182	-657	-1 839
<b>Total other expenses</b>	<b>-16 467</b>	<b>-35 716</b>	<b>-52 183</b>
Tax expense	20	-40	-20
<b>Net loss</b>	<b>-39 216</b>	<b>-68 236</b>	<b>-107 452</b>

- Revenues net of voyage expenses and charterhire expenses increased by \$11.2 million compared to Q1-16
- Ship operating expenses relatively stable. The company have strong focus on operational costs
- Impairment taken on Golden Lyderhorn in Q2-16. Expect marginal impact on the Q3 result
- Further MtM loss on interest rate hedges impacts the result with \$6.8 million
- Small gain on bunkers hedges
- Net result better than Q1-16 due to improved market conditions

# Balance sheet



	2016 Jun 30	2015 Dec 31
<i>(in thousands of \$)</i>		
<b>ASSETS</b>		
<i>Short term</i>		
Cash and cash equivalents	210 773	102 617
Restricted cash	15 779	351
Other current assets	89 559	100 692
<i>Long term</i>		
Restricted cash	54 129	48 521
Vessels, net	1 764 813	1 488 205
Vessels under capital lease, net	6 880	8 354
Newbuildings	188 609	338 614
Other long term assets	73 770	85 516
<b>Total assets</b>	<b>2 404 312</b>	<b>2 172 870</b>
<b>LIABILITIES AND EQUITY</b>		
<i>Short term</i>		
Current portion of long-term debt and obligations under capital lease	14 601	36 129
Other current liabilities	57 382	43 905
<i>Long term</i>		
Long-term debt and obligations under capital lease	1 067 983	925 647
Other long term liabilities	8 385	8 540
Equity	1 255 961	1 158 649
<b>Total liabilities and equity</b>	<b>2 404 312</b>	<b>2 172 870</b>

- \$280.7 million in cash including cash classified as restricted
- Decrease of \$42.9 million during the quarter
- Vessels increased with \$36 million following delivery of Golden Fulham and ordinary depreciation
- No bank debt classified as Short Term
- Debt increased with debt on delivered newbuilding
- Equity declined by \$39.8 million following the negative result for the quarter

- In May 2016, the Company took delivery of the Capesize, *Golden Fulham*, built at JMU in Japan
  - Final installment of \$41.1 million was paid at delivery and \$25 million was drawn in debt
- In May 2016, the owner of Golden Lyderhorn exercised their option to sell the vessel to Golden Ocean
  - Put option price was \$9.5 million, net of Sellers Credit
- In July 2016 the Company agreed to sell Golden Lyderhorn to an unrelated third party at a price of \$3.5 million
  - The vessel was delivered to new owners on August 22, 2016

	Capesize	Kamsarmax /Panamax	Iceclass Panamax	Ultramax
Sailing	22	8	10	5
Newbuilding	9	-	-	3
BB/TC in + JV	8/2 + 1(JV)	1	-	1
Total	42	9	10	9

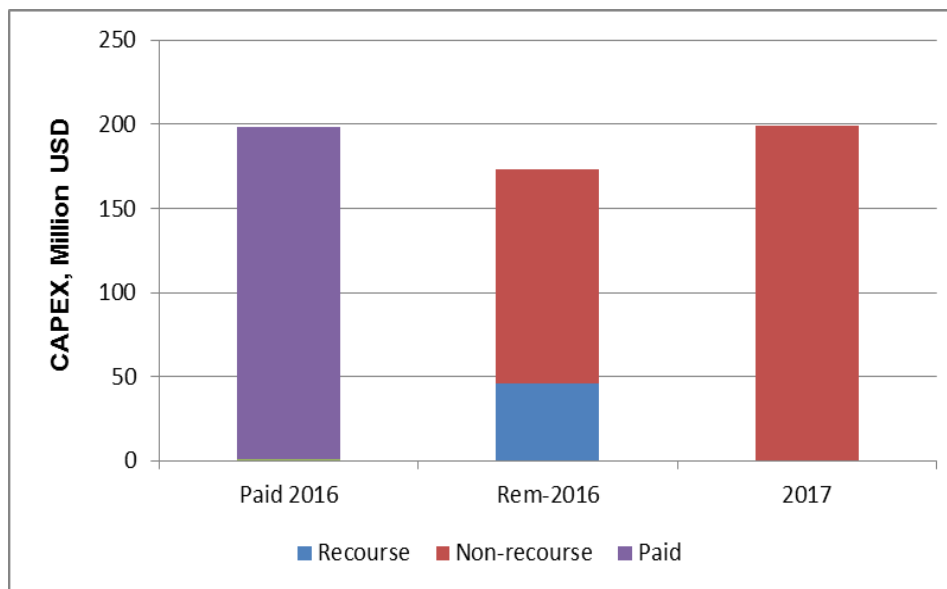
## Employment

- 10 capesizes on index-linked long term TC-out
- Four Kamsarmax vessels on long term TC-out at fixed rate
- Two Panamax vessels on long term TC out. One of the contracts expires within the next twelve months
- Remaining fleet trading spot
  - Cape fleet included in Capesize Chartering RSA agreement
- Golden Lyderhorn delivered to new owner August 22, 2016



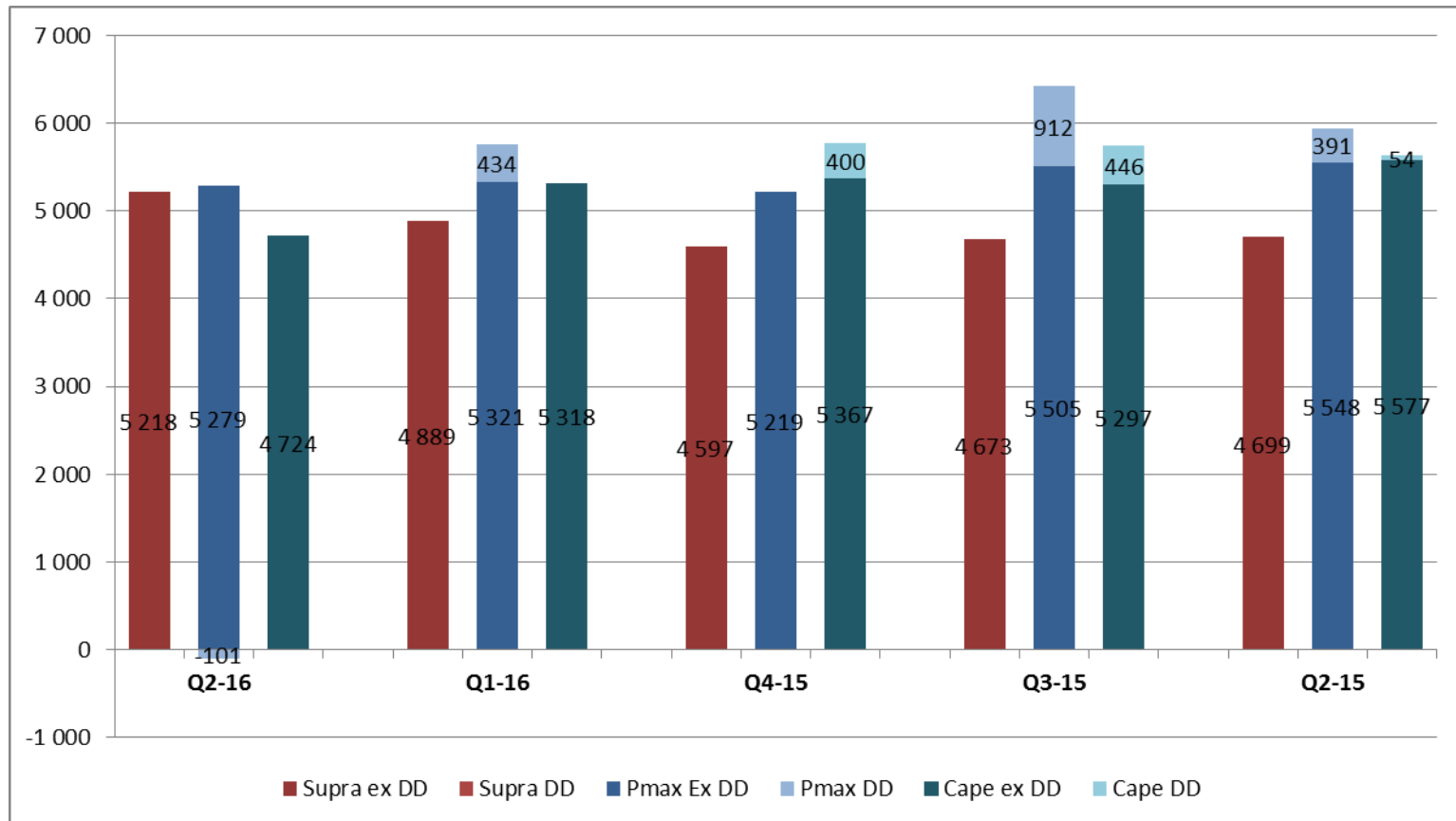
# Newbuildings

Type of vessel	2016	2017
Capesize	2	6
Supramax	3	-
Capesize (Sold)	1	-



- Took delivery of Golden Fulham in May 2016
- Six Capesizes agreed postponed to between Q1- and Q4-17. Seven to nine months on each.
- Remaining recourse capex relates mainly to one vessel that is sold
- In negotiations for further postponements
- All remaining Capesize newbuildings are financed
- The three Supramax vessels are unfinanced

# Vessel operating expenses



- Based on 5 Supramaxes, 20 Panamax/Kamsarmax and 29 Capesize
- One vessel docked in Q1, two more to be docked during 2016



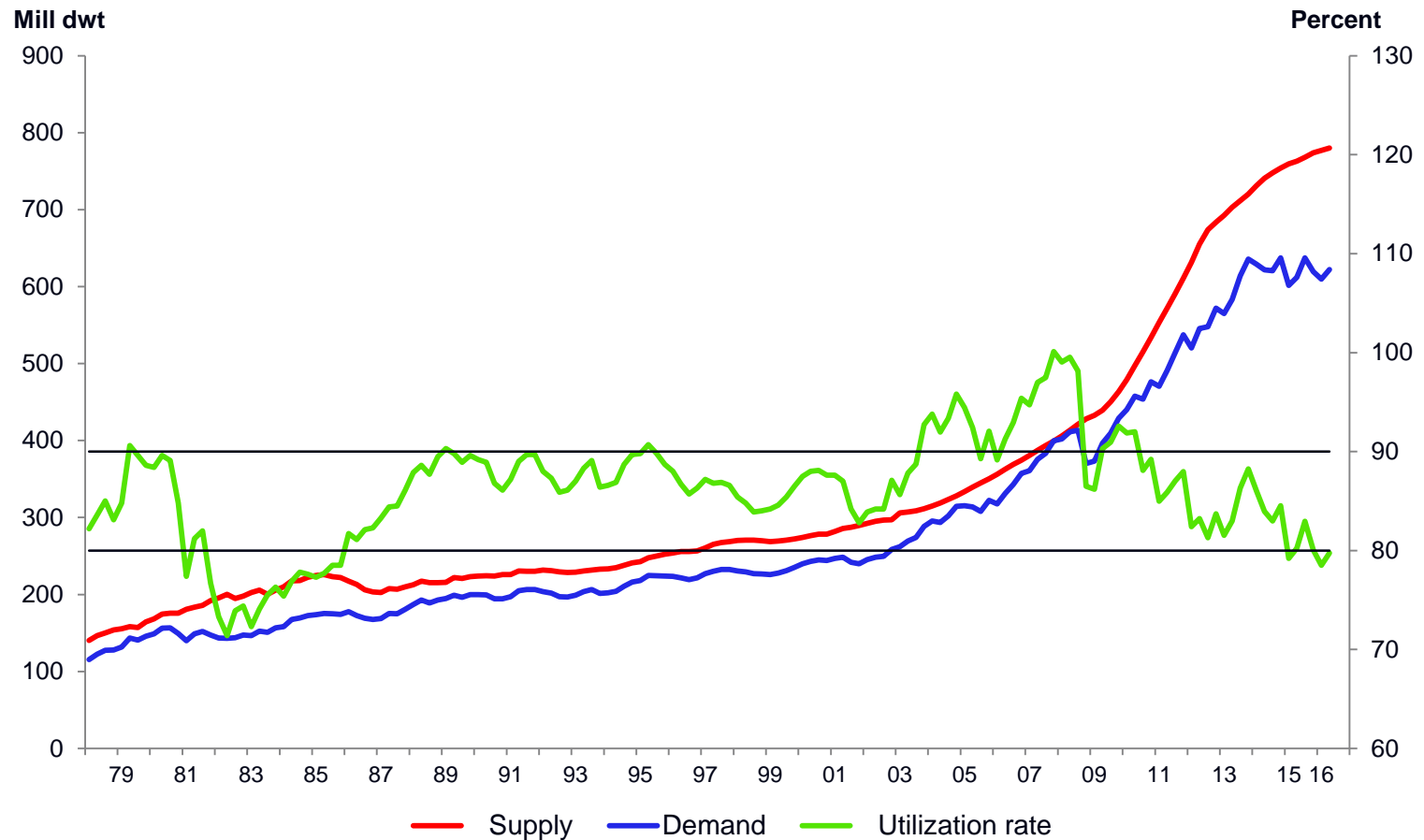
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# Macro Update

Birgitte Ringstad Vartdal, CEO Golden Ocean Management AS

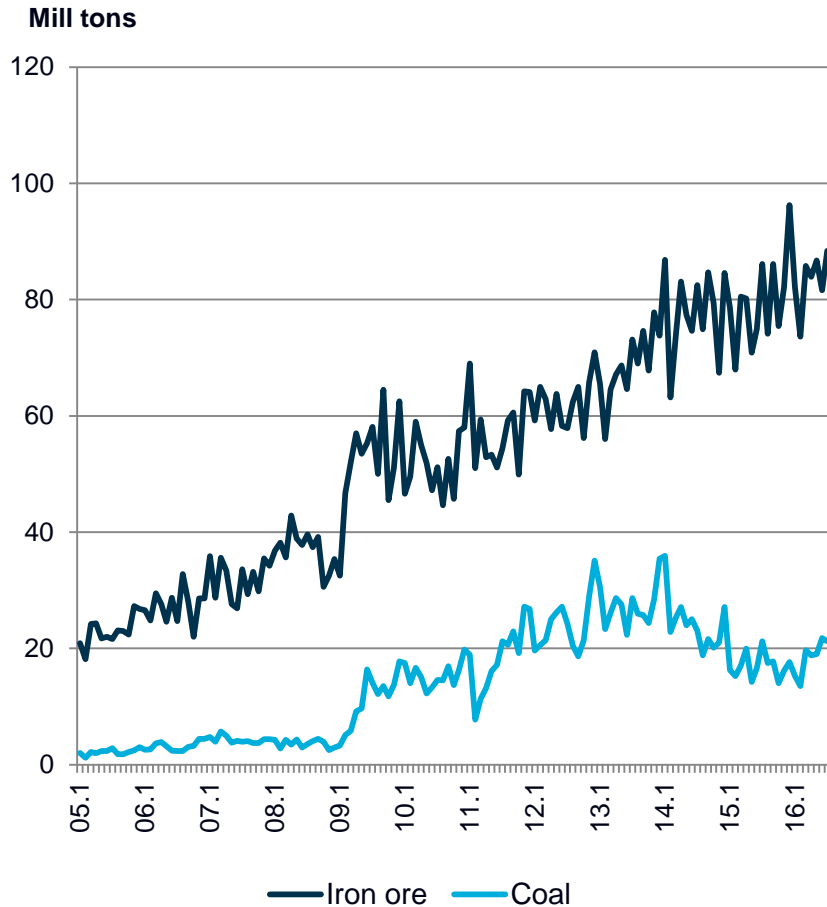
# Dry Bulk Market fundamentals

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

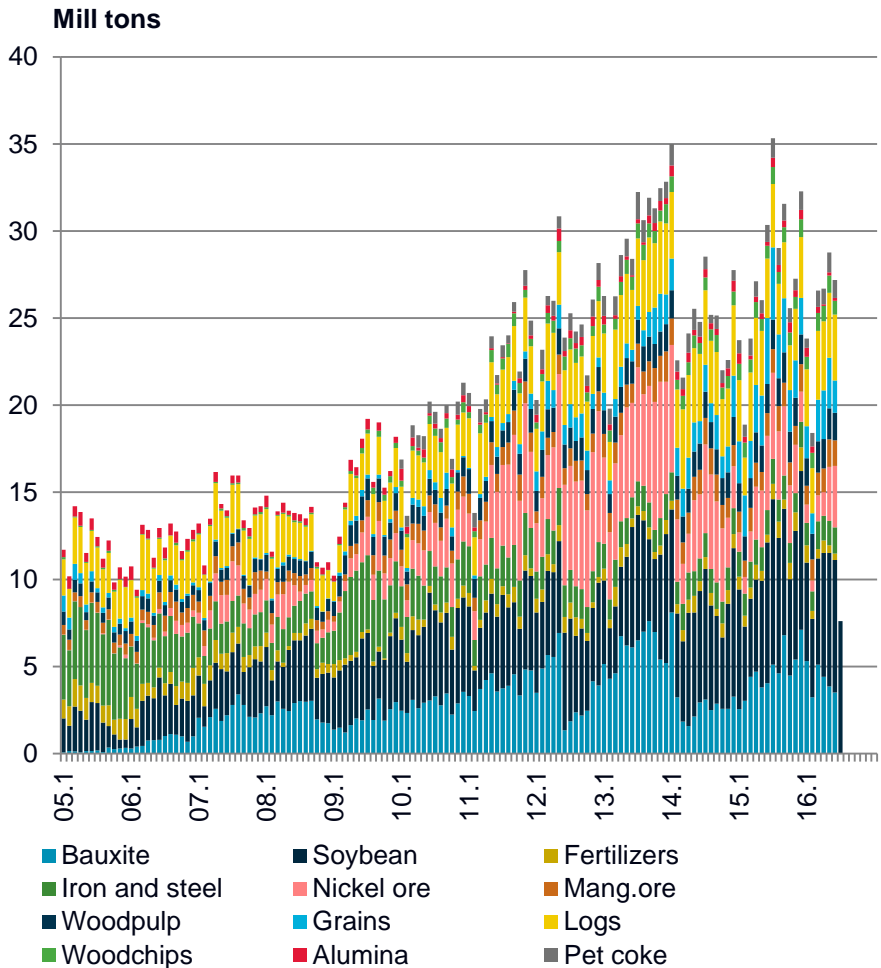


# China – dry bulk imports recover

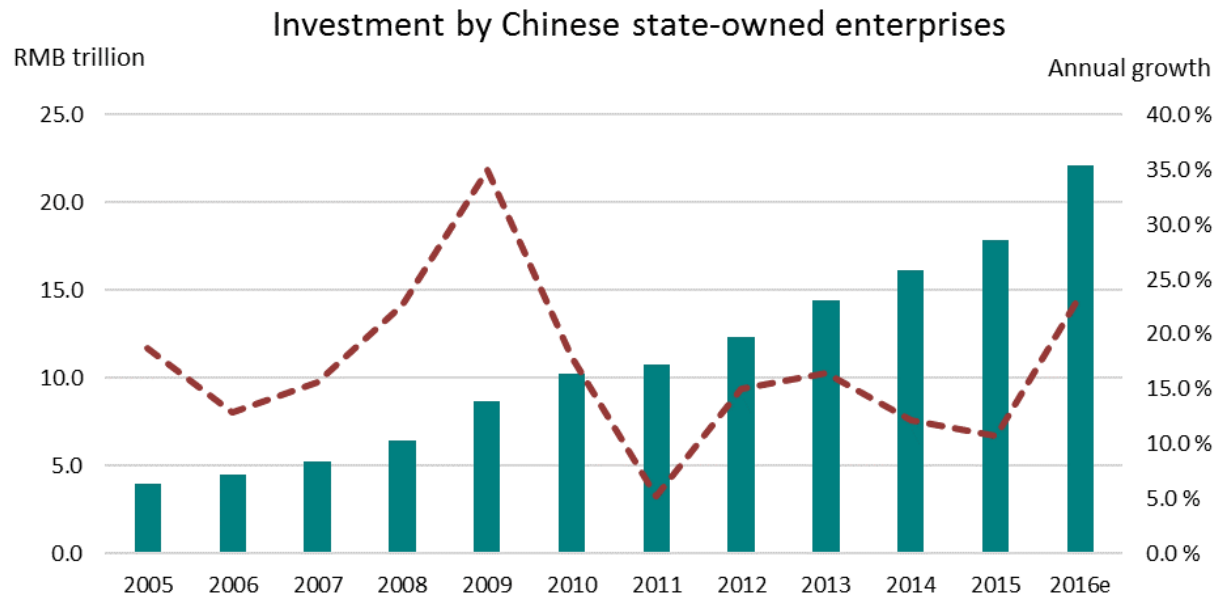
## Iron ore and coal



## Other commodities



# Chinese state-owned enterprises stepping up investments



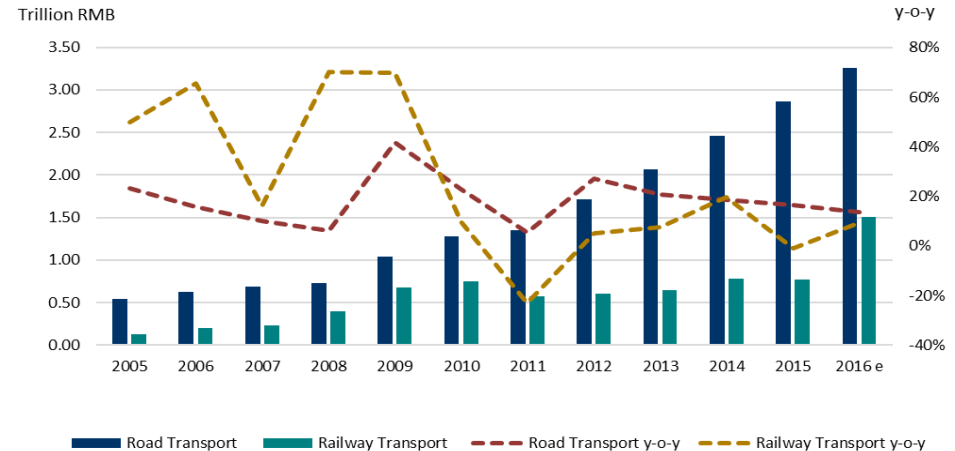
- The Chinese stimulus package, unveiled in Q1 2016, is expected to account for 5-7% of Chinese GDP, meaning up to 5 trillion RMB
- Chinese authorities are currently stepping up efforts to revive economic growth, fearing a fallout in the second biggest trade partner, EU
- State-owned enterprises are stepping up investments at the strongest pace since 2008-'09, running at almost 25% increase compared to last year

# Chinese stimulus package targeting infrastructure, real estate

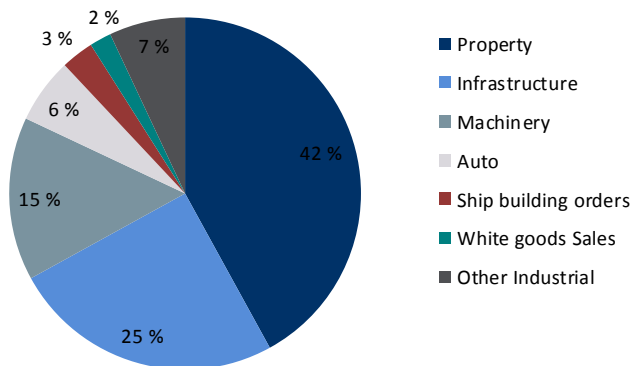


- Infrastructure investments are high on the agenda; Spending on roads and railways is up by 14% and 10%, respectively, during the first seven months of 2016 compared to last year
- Public investment on real estate is also being revived, growing by 6% in 1H 2016 y-o-y
- The investments are highly steel-intensive, impacting positively on demand for steel:

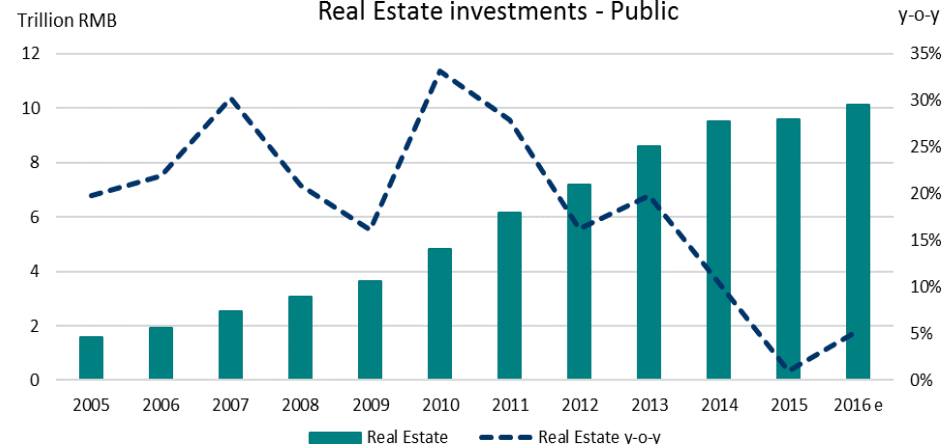
Infrastructure Investments - Public



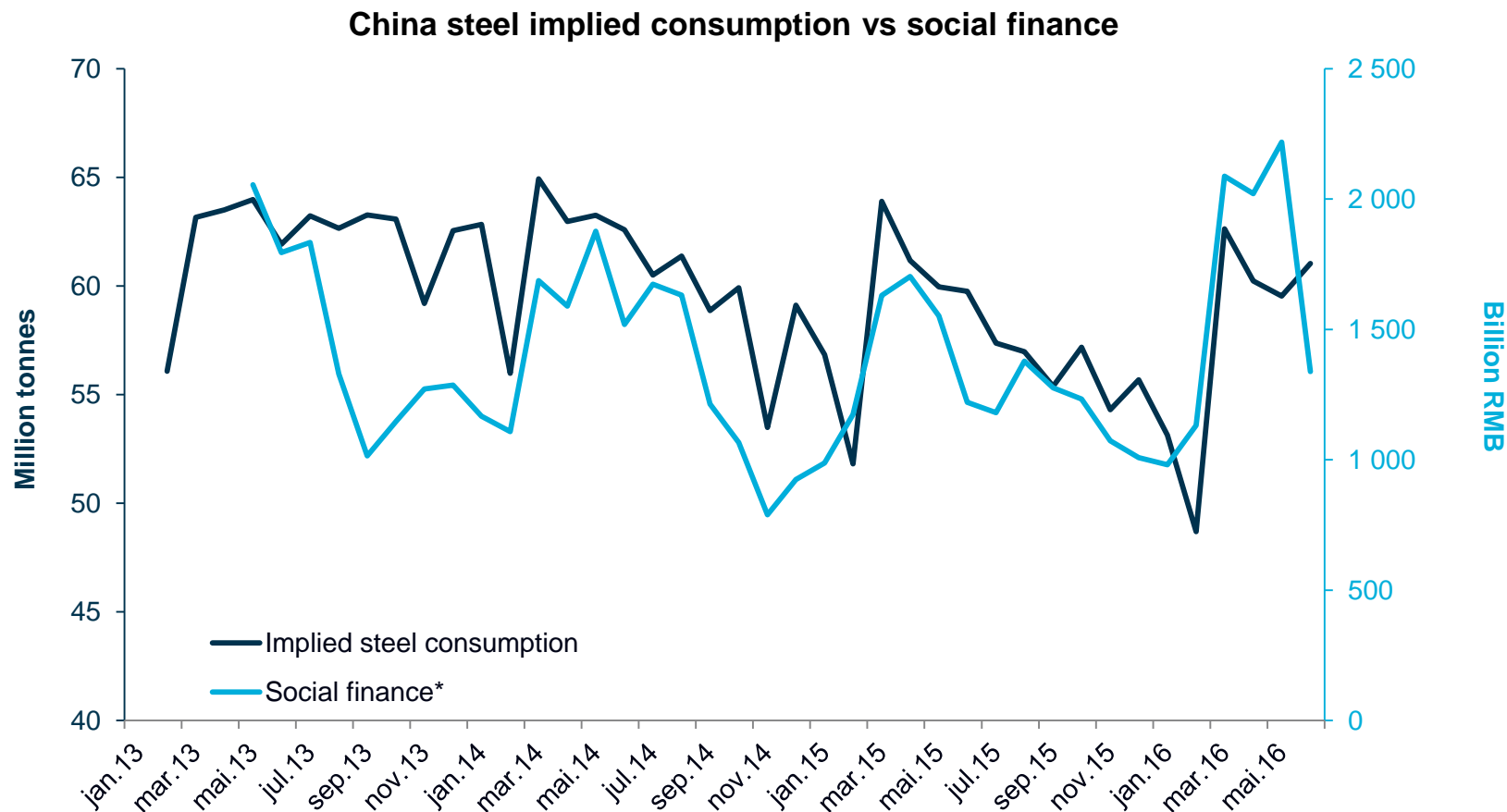
Steel by sector



Real Estate investments - Public



# China steel consumption vs Government spending

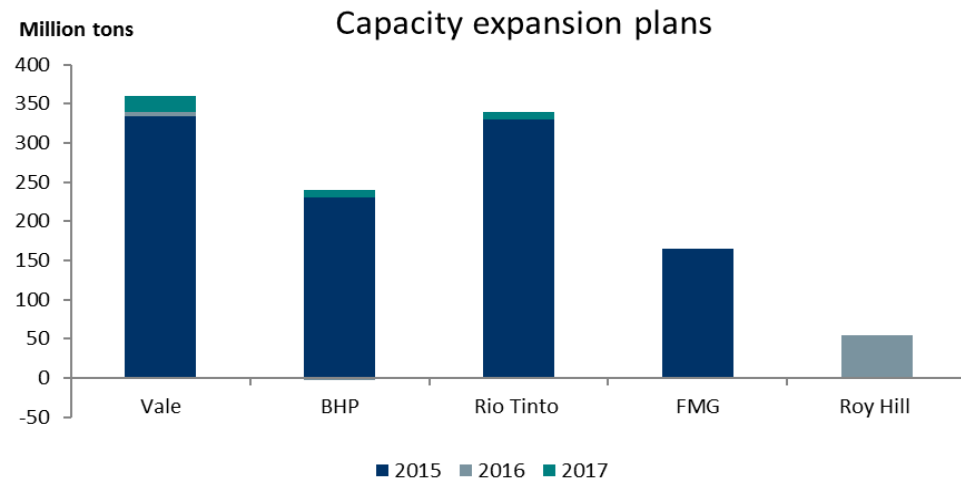
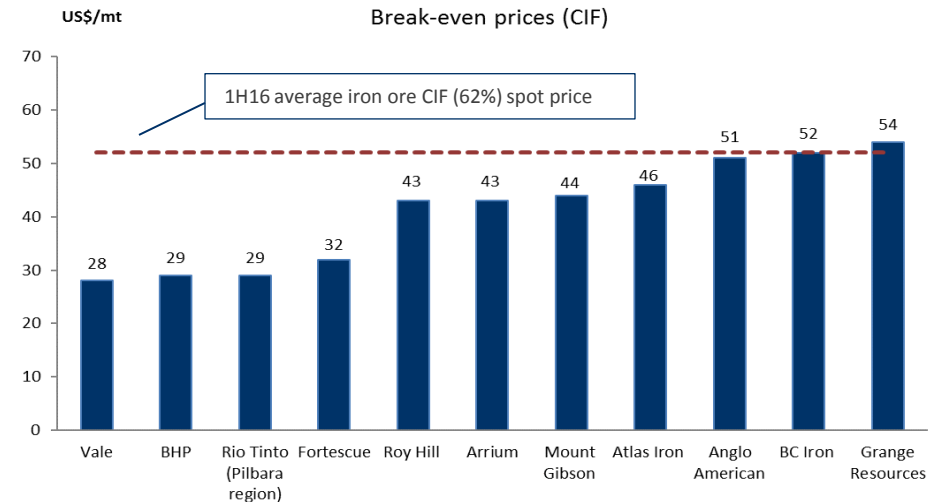


\* 3month moving average, 3 month lag

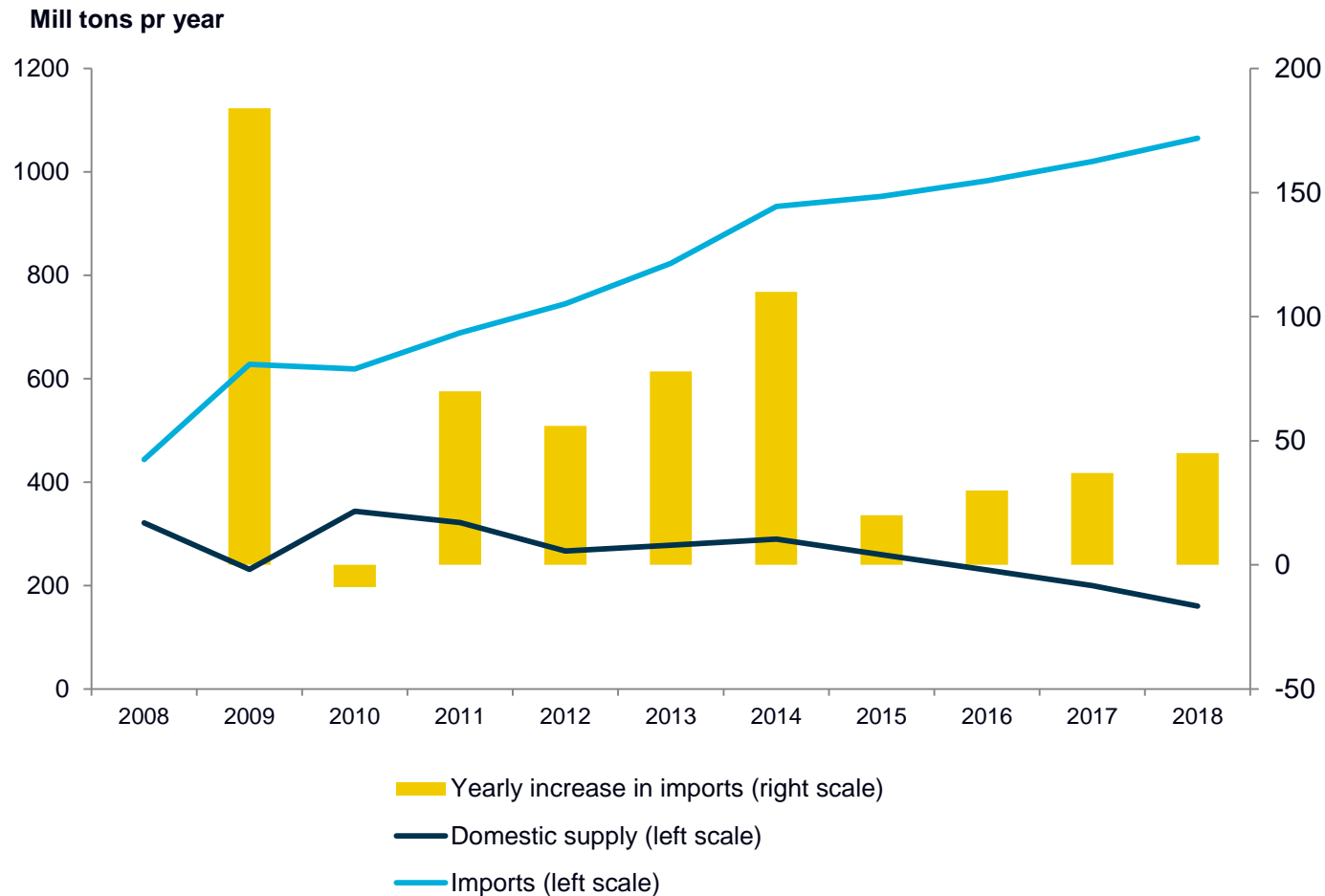


# Most miners are selling iron ore with profit again

- Australia and Brazil are increasing their share of the Chinese market, now accounting for 85% of all iron ore exports to China
- Both Australia and Brazil are expected to continue winning market share in China
- Most overseas miners are producing with profit on today's iron ore spot price, currently being in the high US\$50/t
- Higher prices will be undermined by more supply coming in 2H 2016 from Rio Tinto, BHP Billiton and Vale, pressuring high-cost producers in China

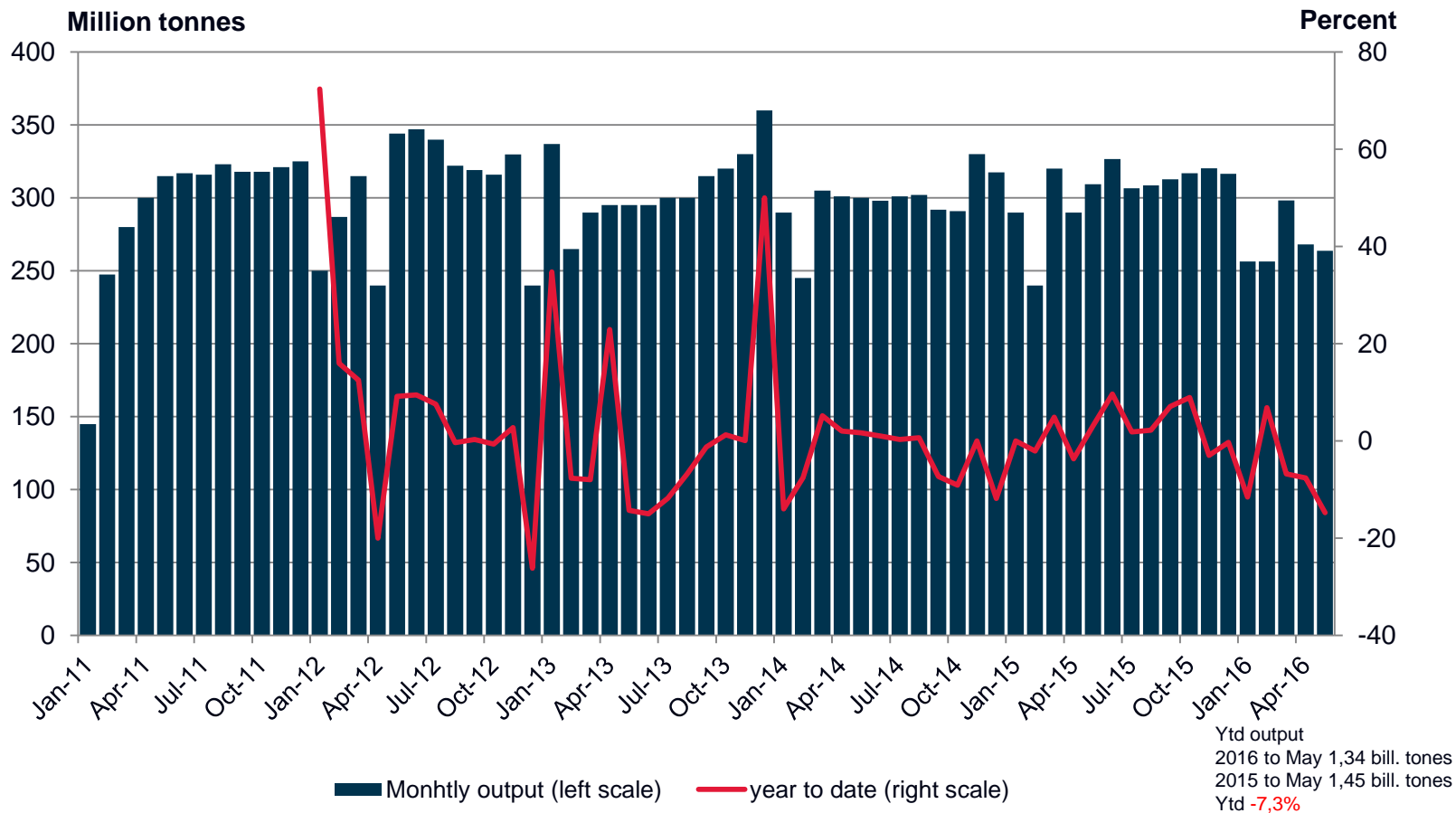


## Chinese iron ore production vs iron ore imports



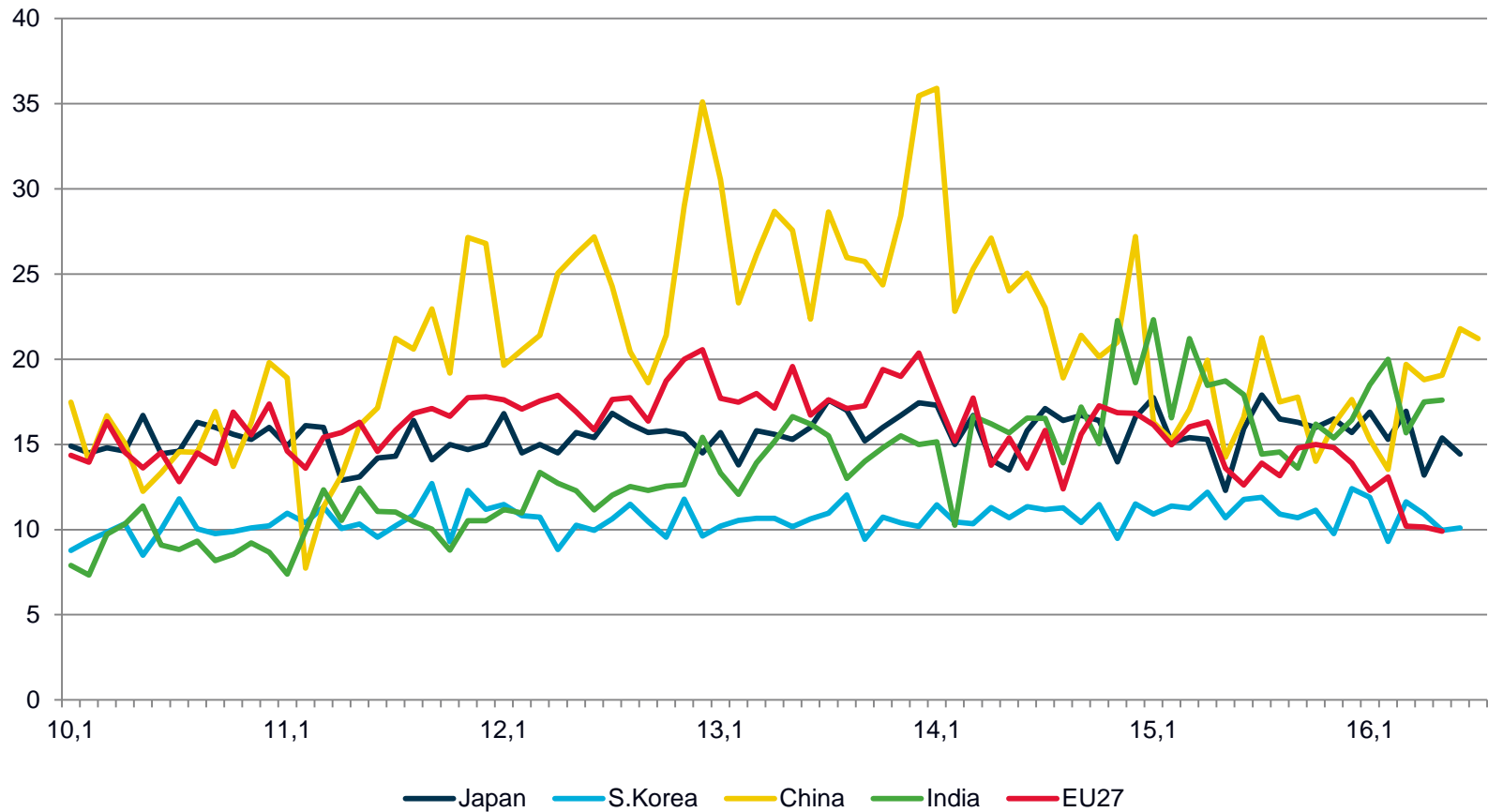
# Chinese coal – on its way down

## Chinese domestic monthly coal production (million tonnes)



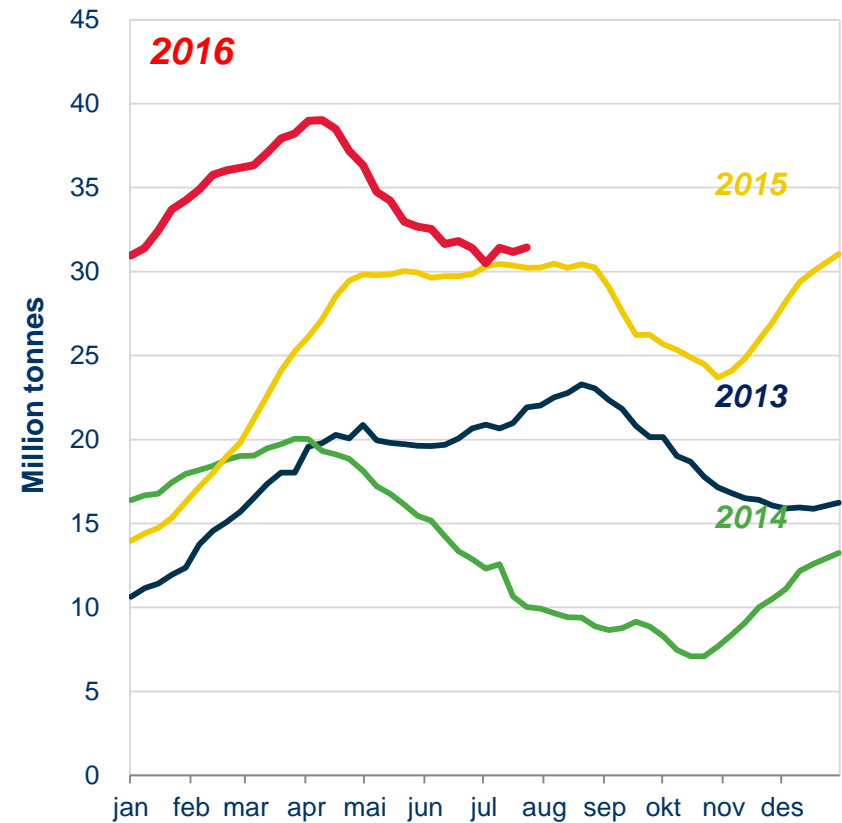
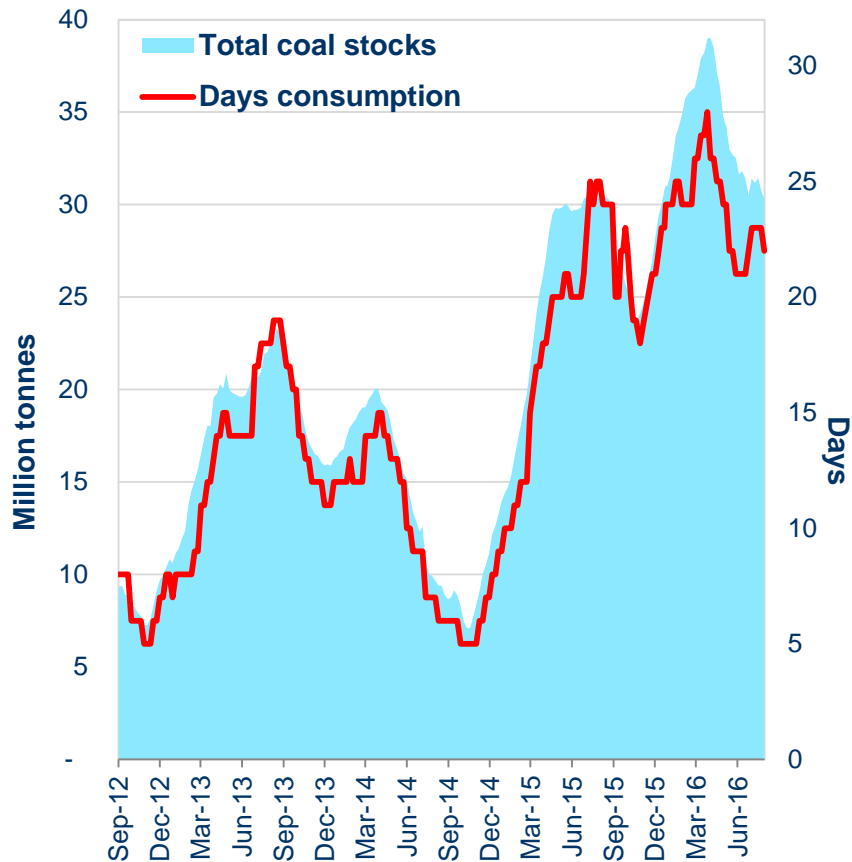
## Seaborne imports by major importing countries

Mill tons



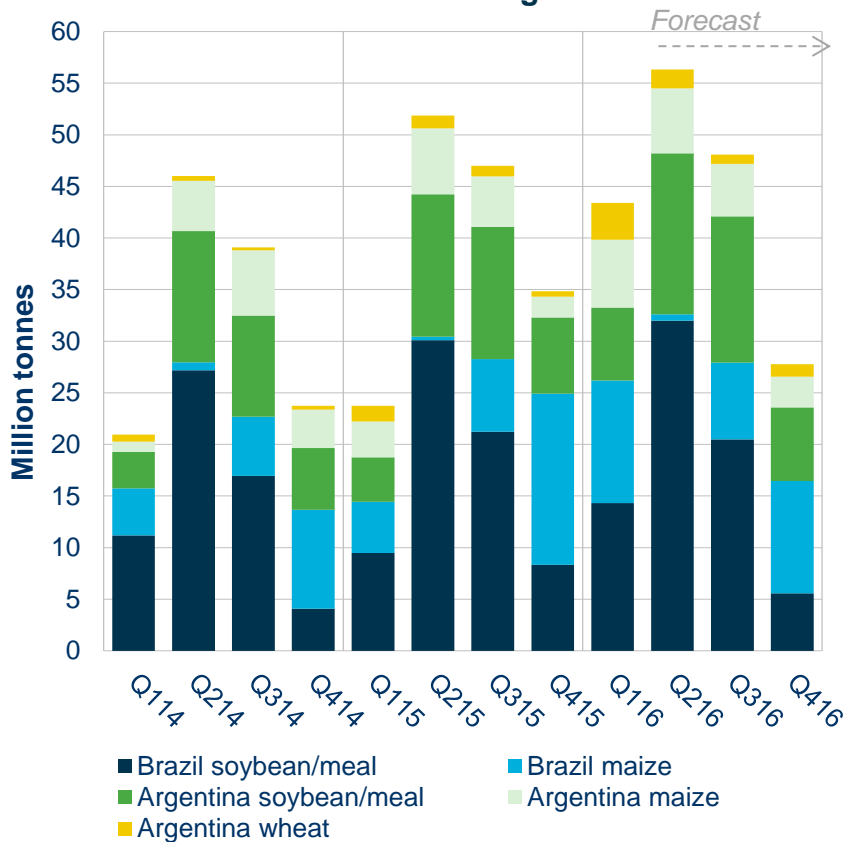
# India coal stocks high

## India coal stocks at all thermal power stations

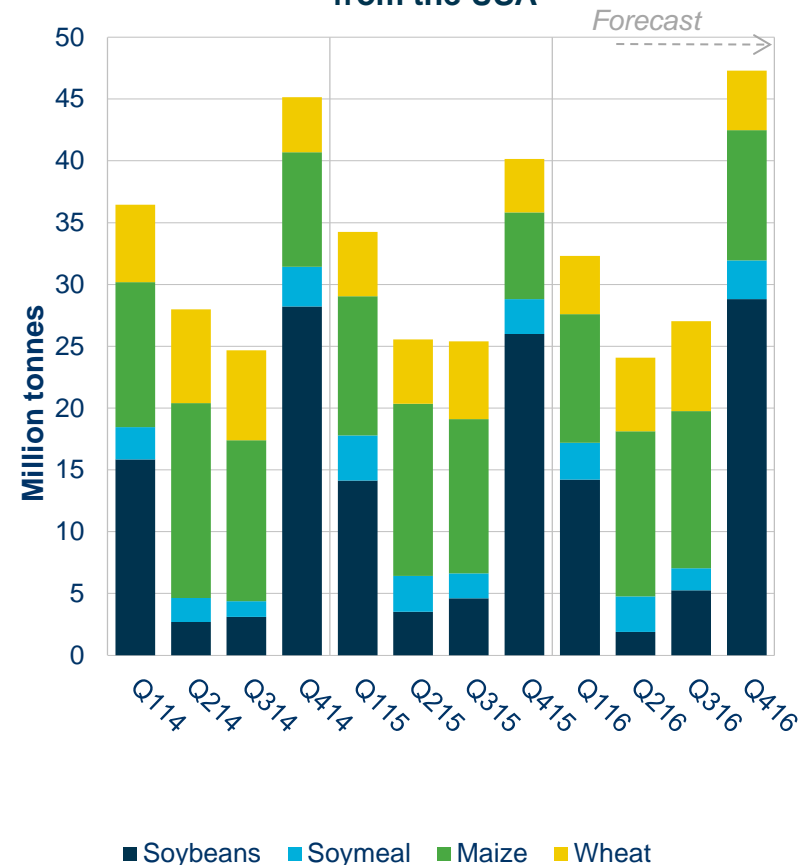


# Grain seasonality: Latin America vs. the US

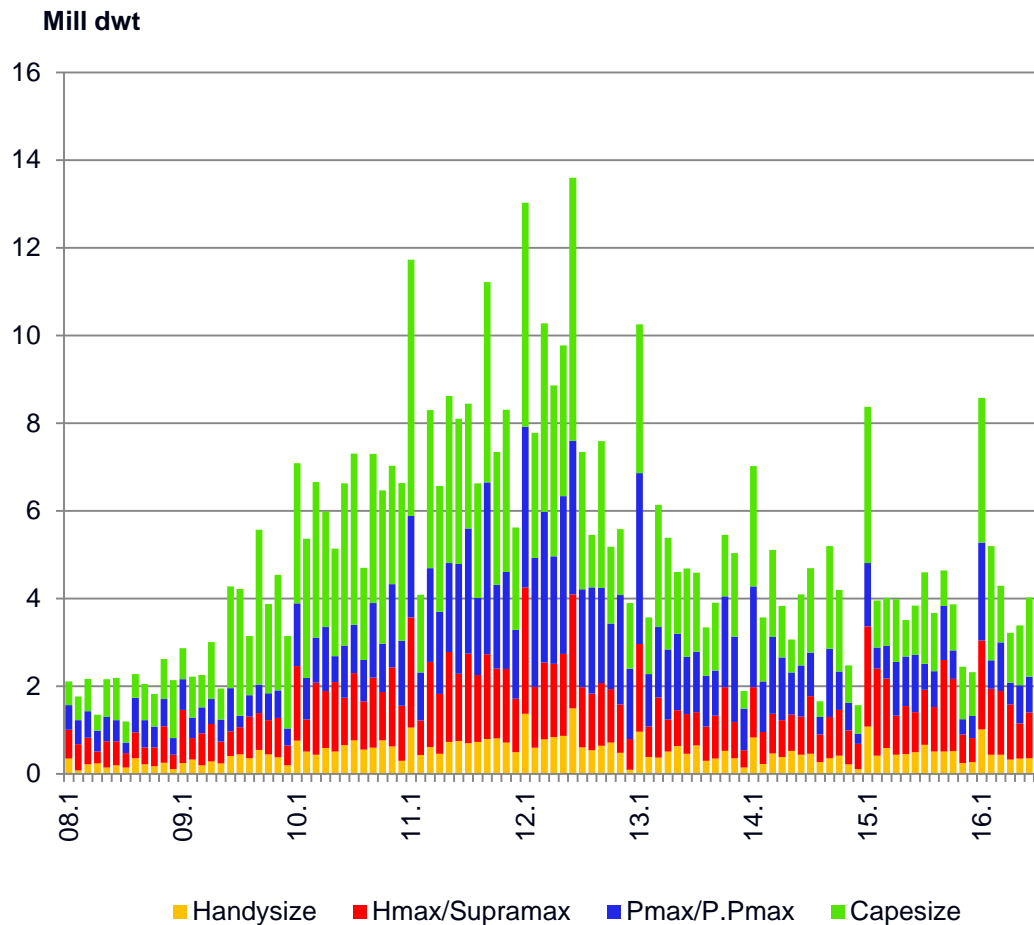
**Soybean/meal, maize and wheat exports from Brazil and Argentina**



**Soybean/meal, maize and wheat exports from the USA**



## Deliveries of Bulk Carriers



### Dry Bulk fleet deliveries

- **Total delivered 2016 (end July) = 31.5 m dwt**
- Handysize (10-39,999dwt) = 3.2 m dwt
- Hmax/Supramax (40-64,999dwt) = 8.9 m dwt
- Pmax/Kamsar (65-84,999dwt) = 6.2 m dwt
- Post-Panamax (85-119,999dwt) = 0.8 m dwt
- Capesize (120,000dwt +) = 12.4 m dwt

# Chinese yard performance the key factor to output

## Dry bulk deliveries by Yard country

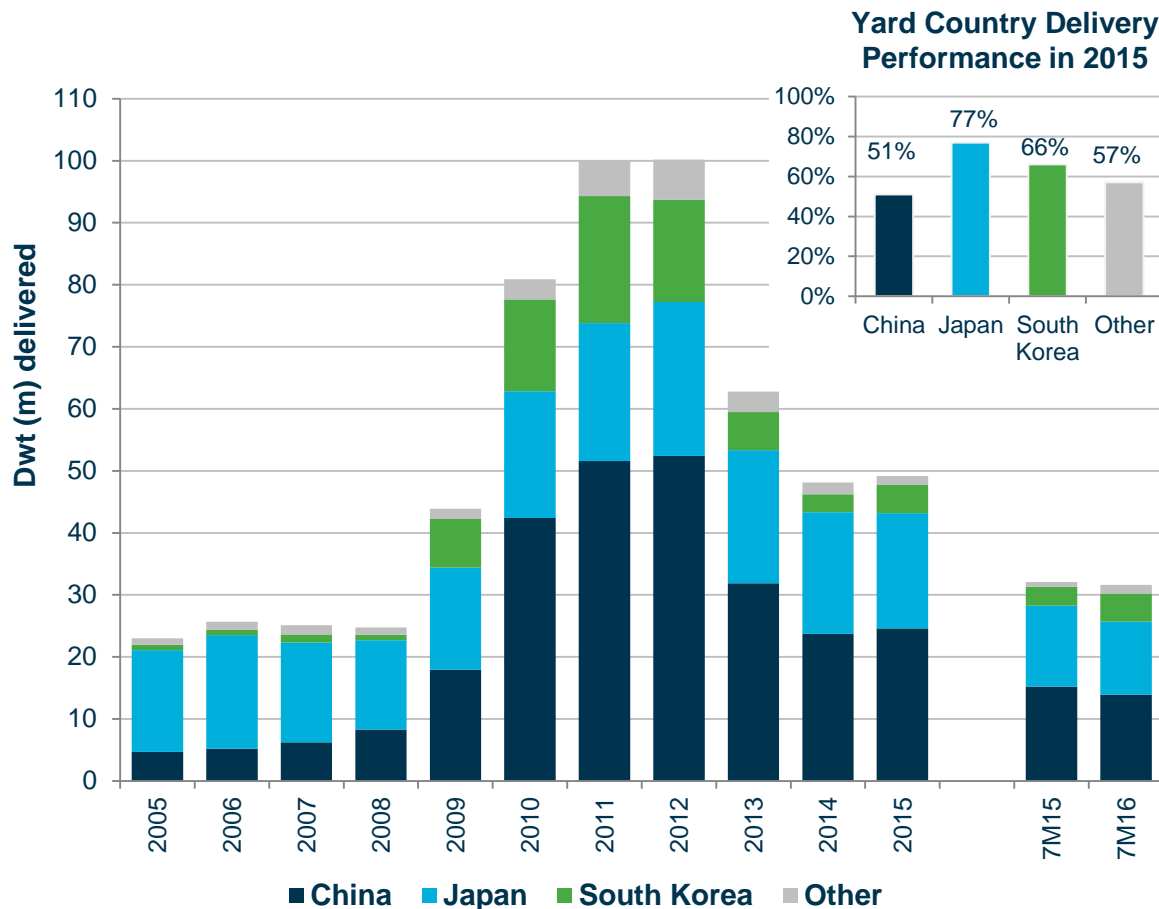


**2015 Deliveries = 49.2 dwt**  
(10-Year average = 53m dwt)

- Japan delivered 18.5m dwt  
(10-Year average = 19m dwt)
- China delivered 24.6m dwt  
(10-Year average = 24.5m dwt)
- S Korea delivered 4.5m dwt  
(10-Year average = 7m dwt)
- Other yards delivered 1.4m dwt  
(10-Year average = 2.6m dwt)

### Orderbook 2016

China = 708 / 59.2m dwt  
Japan = 327 / 22.6m dwt  
S Korea = 41 / 7m dwt  
Other = 52 / 3.3m dwt





# Slippage at Chinese yards is high

Chinese Yard performance according to Chinese and Foreign owned orders for 2016



## China 2015 Delivery Performance

### On Chinese orders

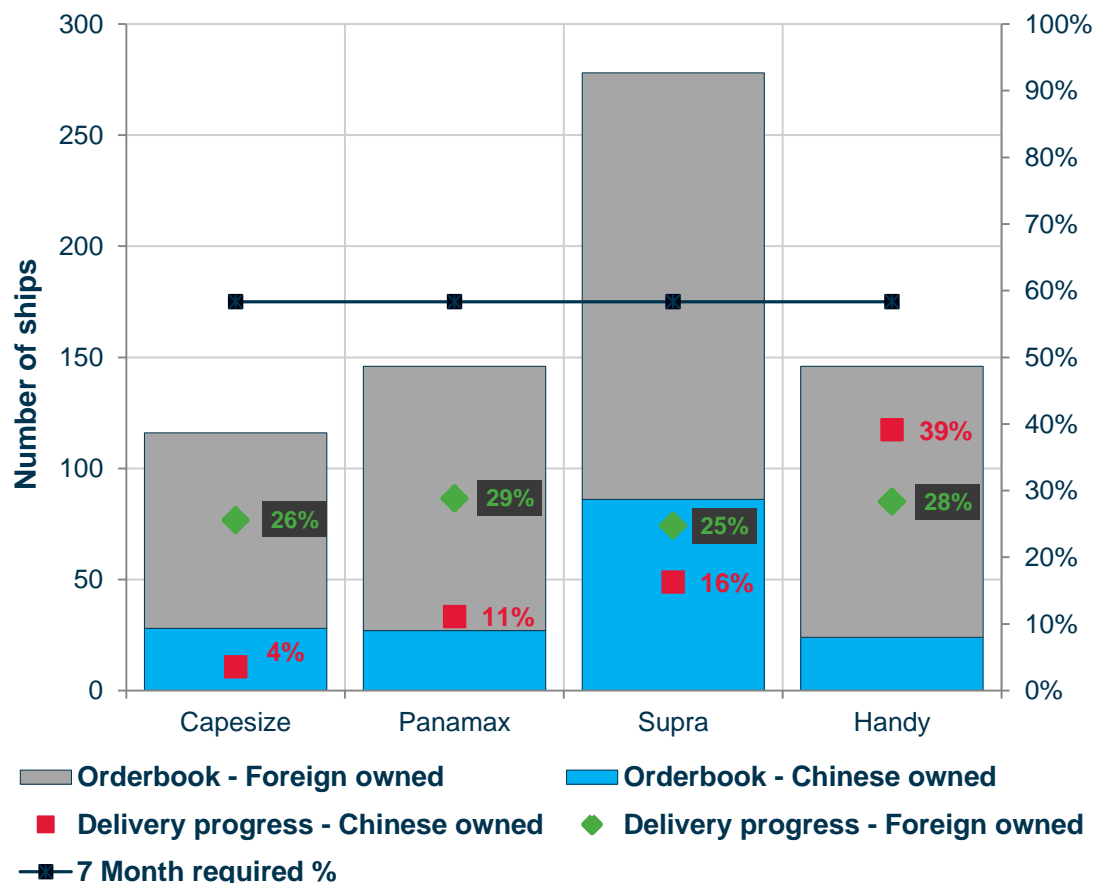
- Capesize = 92%
- Panamax = 22%
- Supramax = 34%
- Handysize = 81%

### On Foreign orders

- Capesize = 49%
- Panamax = 49%
- Supramax = 64%
- Handysize = 56%

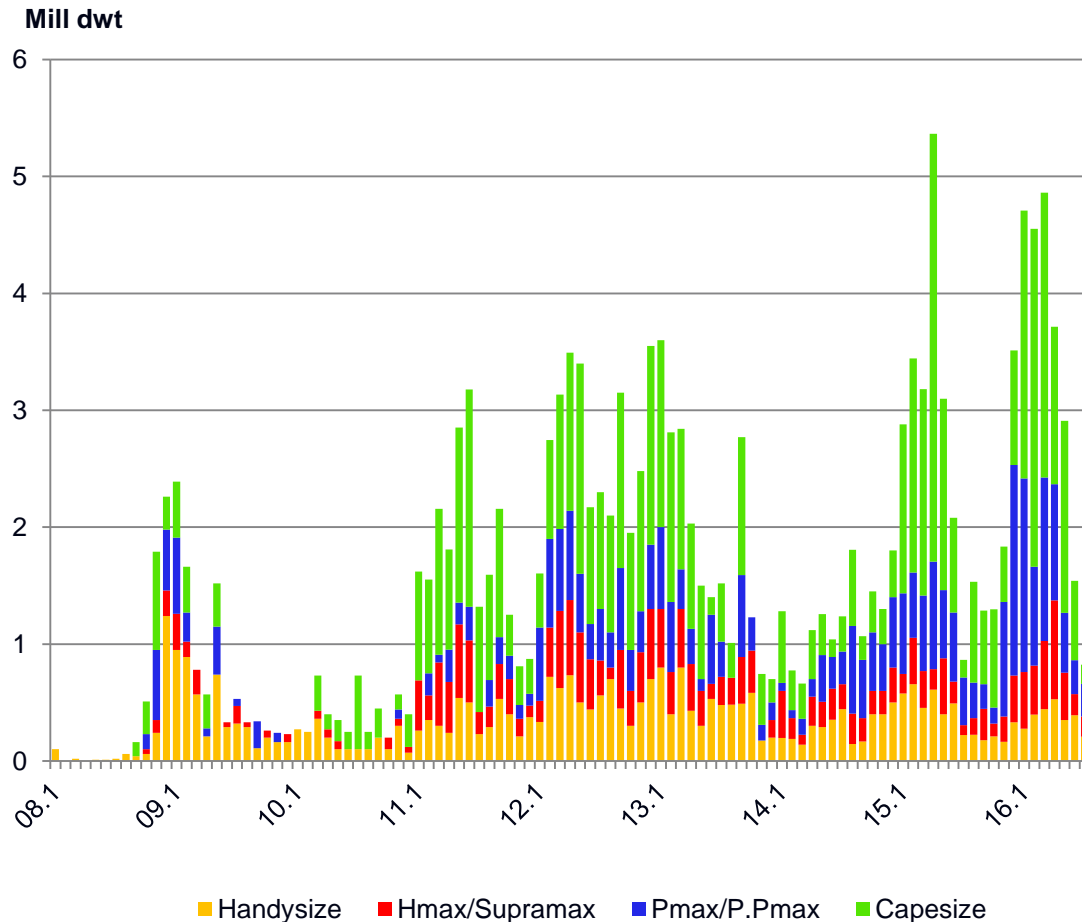
## 2016 Progress

- Delivery progress on ship exports are between **25% and 29%**.
- Delivery progress for domestic market is between **4% and 40%**.
- 7-Month annualised required delivery 58%.



# Dry Bulk Carrier demolition trend

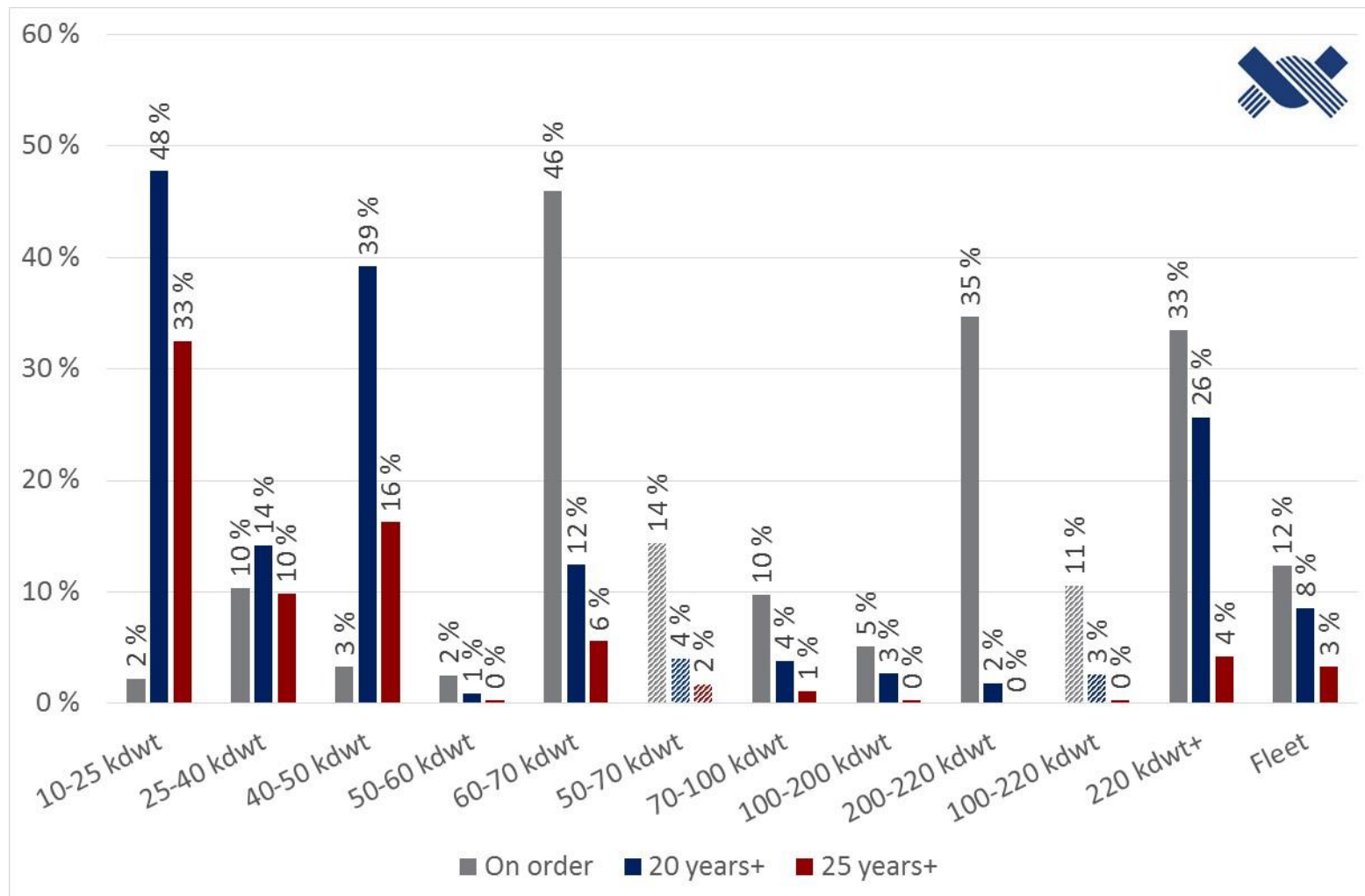
## Bulk Carriers sold for scrapping



### Dry Bulk fleet demolition

- **Scrapped ytd 2016 (end July) = 23.1 m dwt**
- Handysize (10-39,999dwt) = 2.6 m dwt
- Hmax/Supramax (40-64,999dwt) = 3.1 m dwt
- Pmax/Kamsar (65-84,999dwt) = 5.9 m dwt
- Post-Panamax (85-119,999dwt) = 0.1 m dwt
- Capesize (120,000dwt +) = 11.5 m dwt

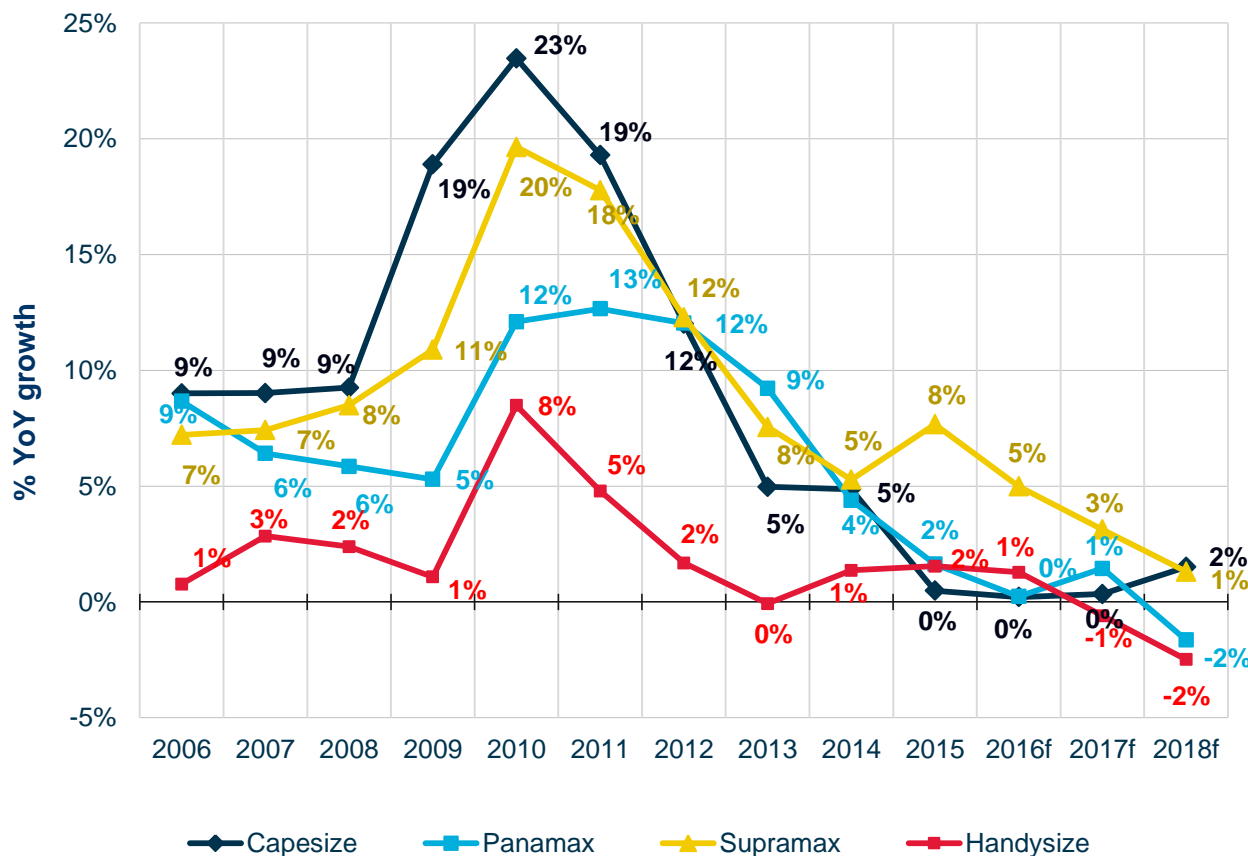
## Order books and age profile



# Fleet growth per asset class

## Annual fleet growth scenario per main dry bulk sector

- Supramax has the largest orderbook
- Panamax has the smallest orderbook
- Older ships that get demolished are smaller than the new deliveries
- Average size scrapped vs delivered
  - Capes 187k vs 195k
  - Pmax 71k vs 82k
  - Smax 45k vs 60k
  - Hsize 26k vs 36k



**Tonnage balance will slowly improve on supply growth heading towards zero and expected demand growth.**

## Upside potential

- Stronger growth in imports to China due to stimuli and/or price arbitrage
- More cancellation and slippage at yards
- Higher scrapping due to low market or new regulations
- Stronger growth in other Asia with demand for coal and steel

## Downside risk

- Reduced steel production and further slowdown in economic growth
- Higher replacement of coal to other energy sources
- Lower scrapping if rates above OPEX



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# Q & A





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Thank you for your attention !

