



GOLDEN OCEAN™

**Results Q2 - 2017**

August 17, 2017

## Forward-Looking Statements

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- *In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry bulk market, changes in our operating expenses, including bunker prices, drydocking and insurance costs, the market for our vessels, availability of financing and refinancing, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events or acts by terrorists, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.*
- *Certain shipping, steel, Chinese and global industry information, statistics and charts contained herein have been derived from several sources. You are hereby advised that such industry data, charts and statistics have not been prepared specifically for inclusion in these materials and Golden Ocean has not undertaken any independent investigation to confirm the accuracy or completeness of such information*



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# Company update

- The Company reports a net loss of \$12.0 million and loss per share of \$0.10 for the second quarter of 2017
  - *An improvement of \$5.9 million compared with a net loss of \$17.9 million for the first quarter of 2017*
  - *An improvement of \$27.2 million compared with a net loss of \$39.2 million for the second quarter of 2016*
- Adjusted EBITDA in the second quarter was \$29.7 million, compared with adjusted EBITDA of \$17.5 million in the first quarter of 2017 and negative adjusted EBITDA of \$0.8 million in the second quarter of 2016
- Completed the acquisitions of 16 modern dry bulk vessels in ship-for-share transactions in exchange for 17.8 million shares and the assumption of \$285.2 million in debt
  - *13 vessels delivered in the second quarter and three in July 2017*
- Joint venture company agreed to the sale of Golden Opus for \$28.9 million, resulting in estimated net cash proceeds of approximately \$6 million in the third quarter



# Profit & Loss



<i>(in thousands of \$)</i>	<i>Q2 2017</i>	<i>Q1 2017</i>
<b>Operating revenues</b>		
Time charter revenues	50,095	35,081
Voyage charter revenues	49,551	46,270
Other revenues	36	624
<b>Total operating revenues</b>	<b>99,682</b>	<b>81,975</b>
<b>Gain (loss) on sale of assets and amortization of deferred gains</b>	<b>64</b>	<b>64</b>
<b>Other operating income (expenses)</b>	<b>1,149</b>	<b>1,844</b>
<b>Operating expenses</b>		
Voyage expenses	28,567	26,444
Ship operating expenses	31,317	27,291
Charter hire expense	13,313	16,141
Administrative expenses	3,515	2,613
Depreciation	19,239	16,746
<b>Total operating expenses</b>	<b>95,951</b>	<b>89,235</b>
<b>Net operating income/(loss)</b>	<b>4,944</b>	<b>(5,352)</b>
<b>Other income (expenses)</b>		
Interest income	483	347
Interest expense	(14,394)	(12,724)
Gain/(Loss) on derivatives	(3,772)	(23)
Equity results of associated companies, including impairment	283	(39)
Other financial items	519	(65)
<b>Total other (expenses) income, net</b>	<b>(16,881)</b>	<b>(12,504)</b>
Tax expense	24	23
<b>Net income/ (loss)</b>	<b>(11,961)</b>	<b>(17,879)</b>
Earnings (loss) per share: basic and diluted	\$(0.10)	\$(0.17)
Adjusted EBITDA	29,741	17,458
TCE per day	12,237	11,304

- Operating revenues, including other operating income, less voyage expenses (TCE) increased by \$14.9 million in the second quarter compared to the previous quarter, primary due to improved freight rates and to a \$5.4 million contribution from recently acquired vessels
- Ship operating expenses are up by \$4.0 million compared to the previous quarter, mainly due to vessel additions
- Interest expenses up mainly driven by assumed debt related to newly acquired vessels
- US interest rates decreased in second quarter leading to a loss on interest rate swaps

# Balance Sheet

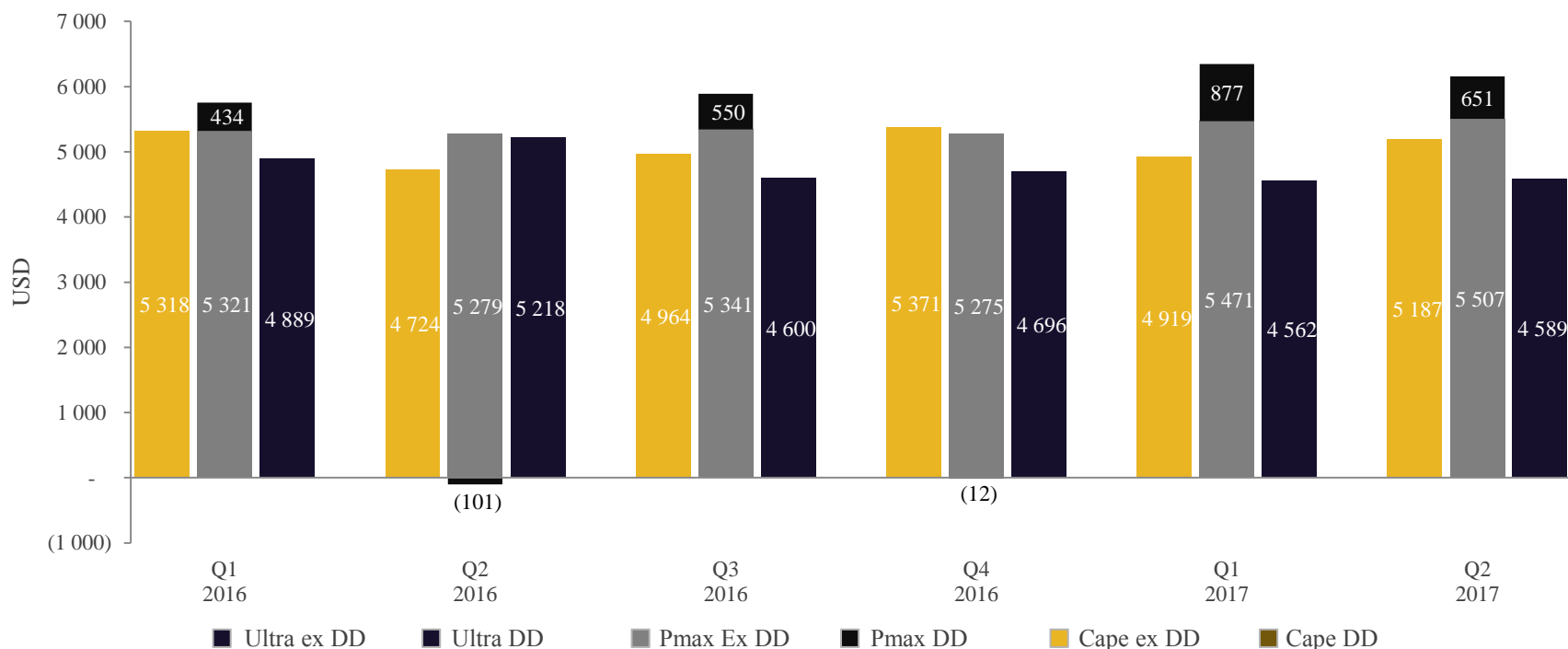


<i>(in thousands of \$)</i>	<i>Q2</i>	<i>Q1</i>
	<i>2017</i>	<i>2017</i>
<b>ASSETS</b>		
<b>Short term</b>		
Cash and cash equivalents	122,699	209,331
Restricted cash	4,361	413
Other current assets	107,963	99,883
<b>Long term</b>		
Restricted cash	64,168	56,378
Vessels, net	2,243,448	1,918,719
Vessels under capital lease, net	2,512	2,735
Newbuildings	126,506	116,746
Other long term assets	58,413	61,395
<b>Total assets</b>	<b>2,730,070</b>	<b>2,465,600</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Short term</b>		
Current portion of long-term debt	-	54,045
Current portion of obligations under capital lease	5,043	4,949
Other current liabilities	51,898	45,274
<b>Long term</b>		
Long-term debt	1,287,498	1,057,143
Obligations under capital lease	10,125	11,418
Other long term liabilities	8,136	8,174
<b>Equity</b>	<b>1,367,370</b>	<b>1,284,597</b>
<b>Total liabilities and equity</b>	<b>2,730,070</b>	<b>2,465,600</b>

- \$191.3 million in cash including cash classified as restricted, a decrease of \$74.9 million from March 31, 2017
- Net cash used in financing activities was \$69.8 million, including deferred debt repayments of \$54.0 million, and \$14.5 million in down-payments on bank debt related to newly acquired vessels
- Paid pre-delivery installments for two newbuilding vessels of in total \$9.8 million
- 13 vessels delivered to the company in second quarter. The acquisition cost of the vessels primarily comprised 14,950,000 shares of the Company, and \$241.9 million in assumed debt financing prior to down-payment
- Long-term debt increased by \$230.3 million in the second quarter of 2017 primarily as a result of new bank debt financing of the 11 vessels delivered from Quintana. In addition, the Company entered into a \$22.5 million seller's credit with affiliates of Hemen Holding Limited

## Maintaining competitive OPEX levels

- Fully-burdened Opex includes dry docking and management fees
- Two vessels dry docked in second quarter of 2017 and two more commenced dry docking at the end of the quarter
- Start-up cost for the newly acquired vessels contributed to slightly higher cost in \$ per day terms in this quarter
- G&A net of management fees of about \$11 million per year gives a cost of \$480 per day per vessel for the owned fleet, and estimated to be approximately \$400 per day following deliveries of the recently-acquired vessels



## Recent deliveries

- Completed the acquisitions of 14 modern dry bulk vessels from Quintana in ship-for-share transactions
  - 14.5 million shares issued and \$262.7 million in debt assumed as consideration
  - 11 vessels delivered in the second quarter and the remaining three delivered in July 2017
- Took delivery of two Panamax ice-class vessels in June acquired from Hemen, in ship-for-share transactions
  - 3.3 million shares issued and \$22.5 million seller's credit assumed

## Remaining newbuildings

- All remaining six Capesize newbuildings are scheduled to be delivered in 2018 and are financed with \$25 million per vessel
- Paid installments of \$9.8 million in the second quarter of 2017
- Remaining capex to be paid at delivery in first quarter 2018. The total cash requirement, net of available financing will be \$24 million

## Sale of assets

- Golden Opus sold by the Joint Venture at a price of \$28.9 million. Expected cash contribution following the sale is approximately \$6 million

## Remaining newbuilding CAPEX (*non-recourse*)





Young, fuel efficient fleet with average age of ~4 years

## Fleet profile

	Capesize	Post-Panamax	Panamax	Iceclass Panamax	Ultramax	Total
Golden Ocean Fleet	38	3	14	12	9	76
Newbuilding	6	-	-	-	-	6
<b>Total</b>	<b>44</b>	<b>3</b>	<b>14</b>	<b>12</b>	<b>9</b>	<b>82</b>

## Chartering profile

- 10 Capesize vessels on index-linked long term TC-out
- Four Panamax vessels on long term TC out at fixed rate
- Remaining fleet is trading spot, in spot pools or on short term charters expiring within six to nine months

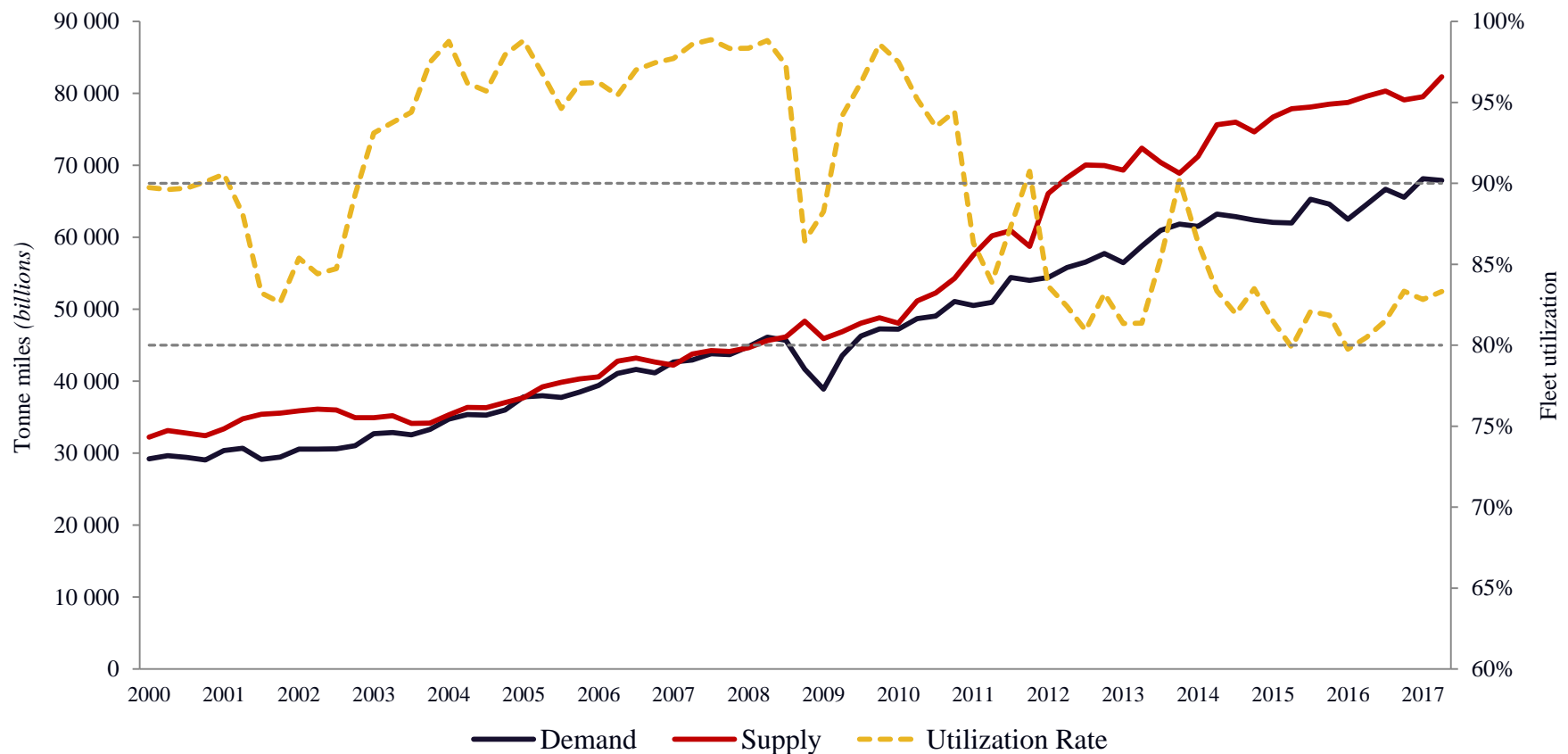


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# Dry bulk market

Utilization continues to increase, coming off of historically low levels

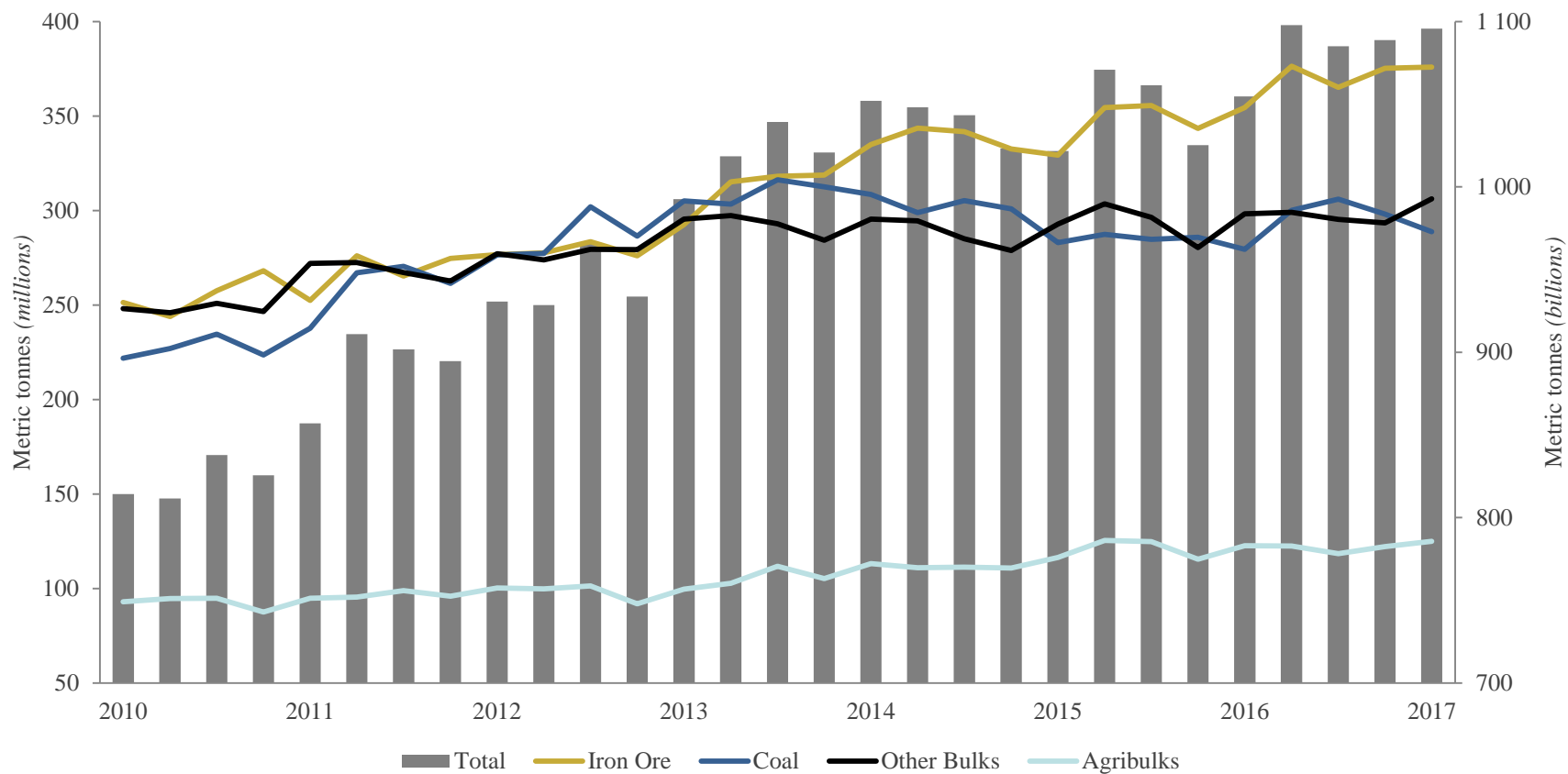
Supply, demand and utilization rate - dry bulk ships 10,000 dwt +



# Seaborne Trade Highest Second Quarter Volume Observed

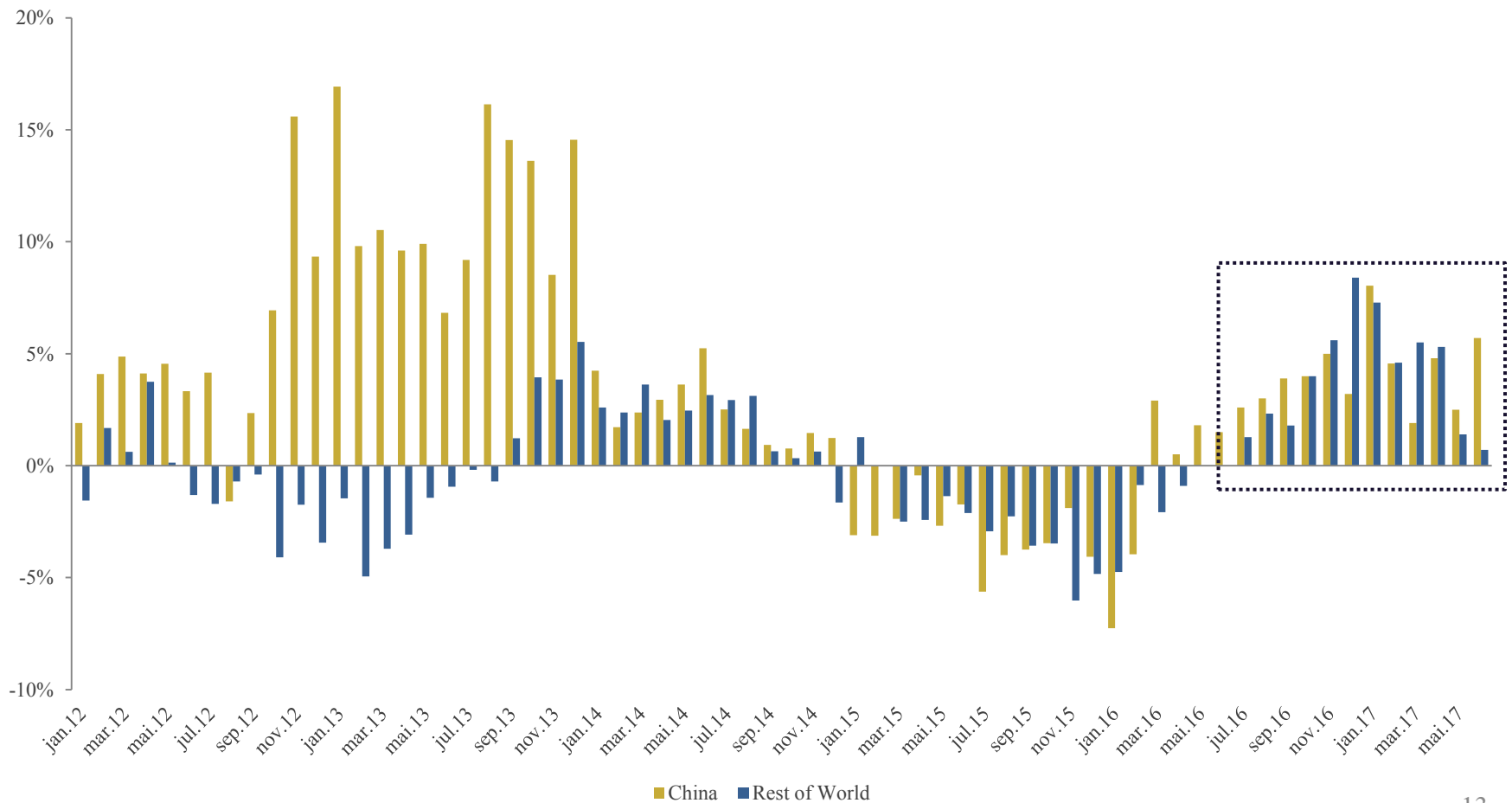


## Seaborne trade of dry bulk commodities (*major importers*)



# World Steel Production Trends Intact

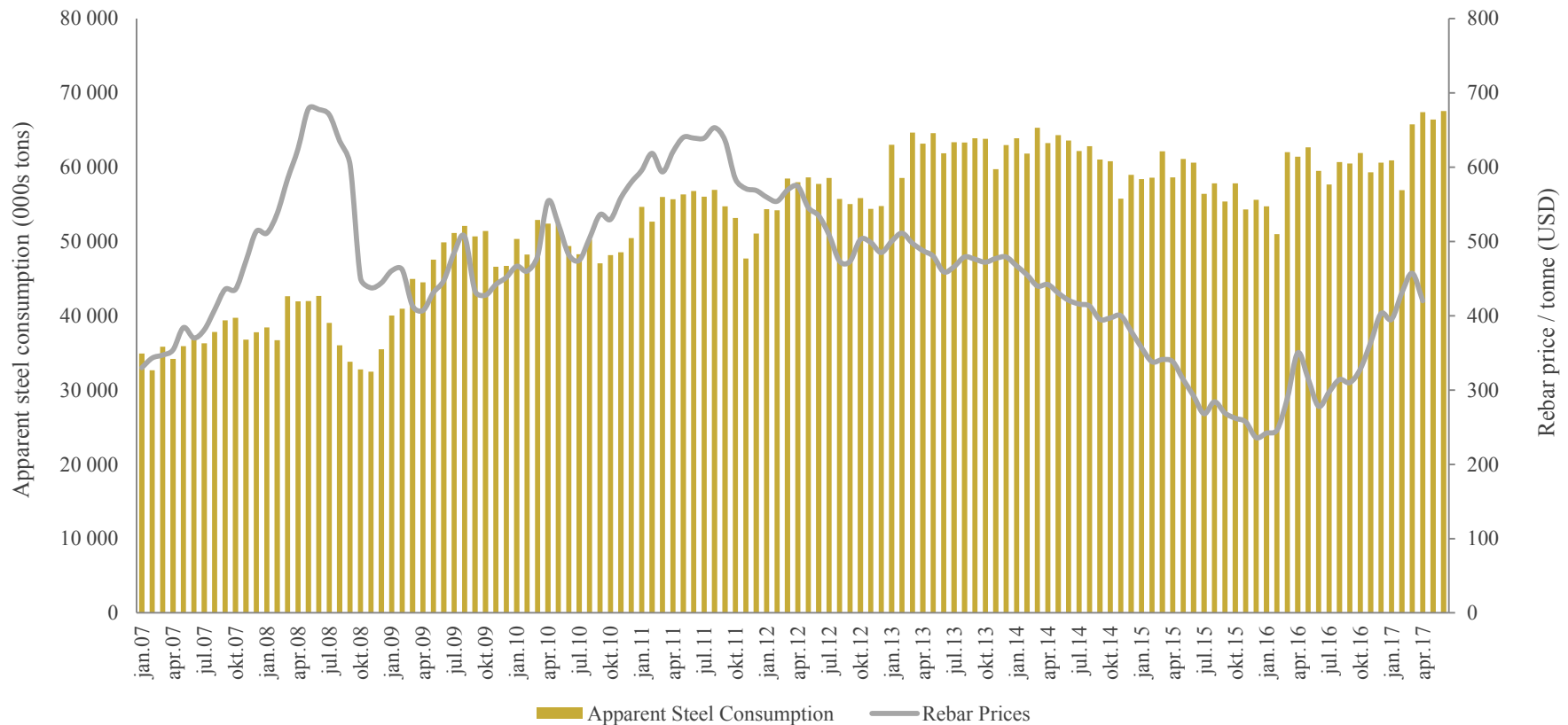
## Annual change in steel production



# Chinese Apparent Steel Demand Remains at Strong Levels



## Chinese apparent steel consumption & rebar prices



# Chinese Steelmaking Margins Support Demand



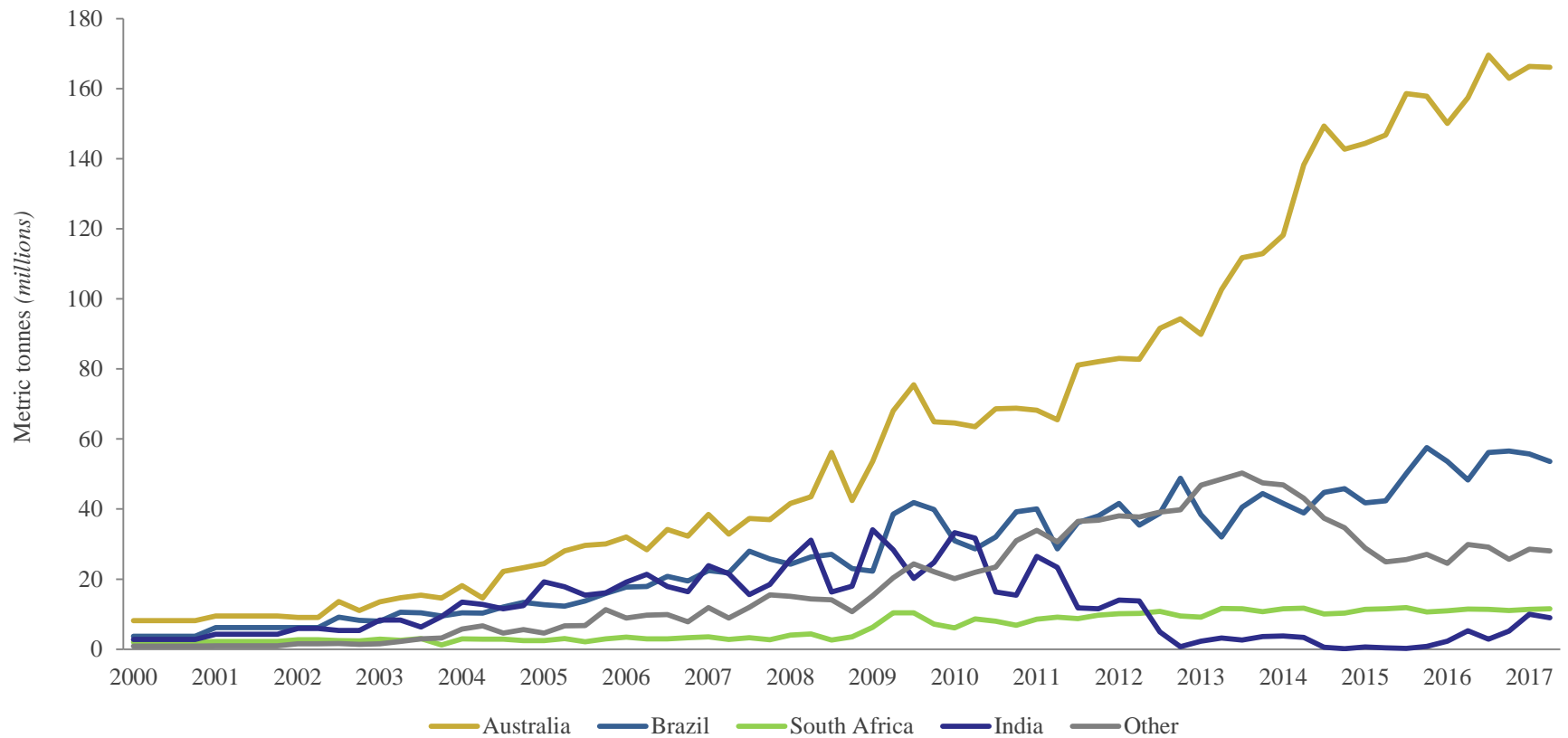
*Gross profit (steel price minus cost of coking coal and iron ore; all prices spot)*



# Australia and Brazil Remain Major Iron Ore Exporters



Iron ore exports by region



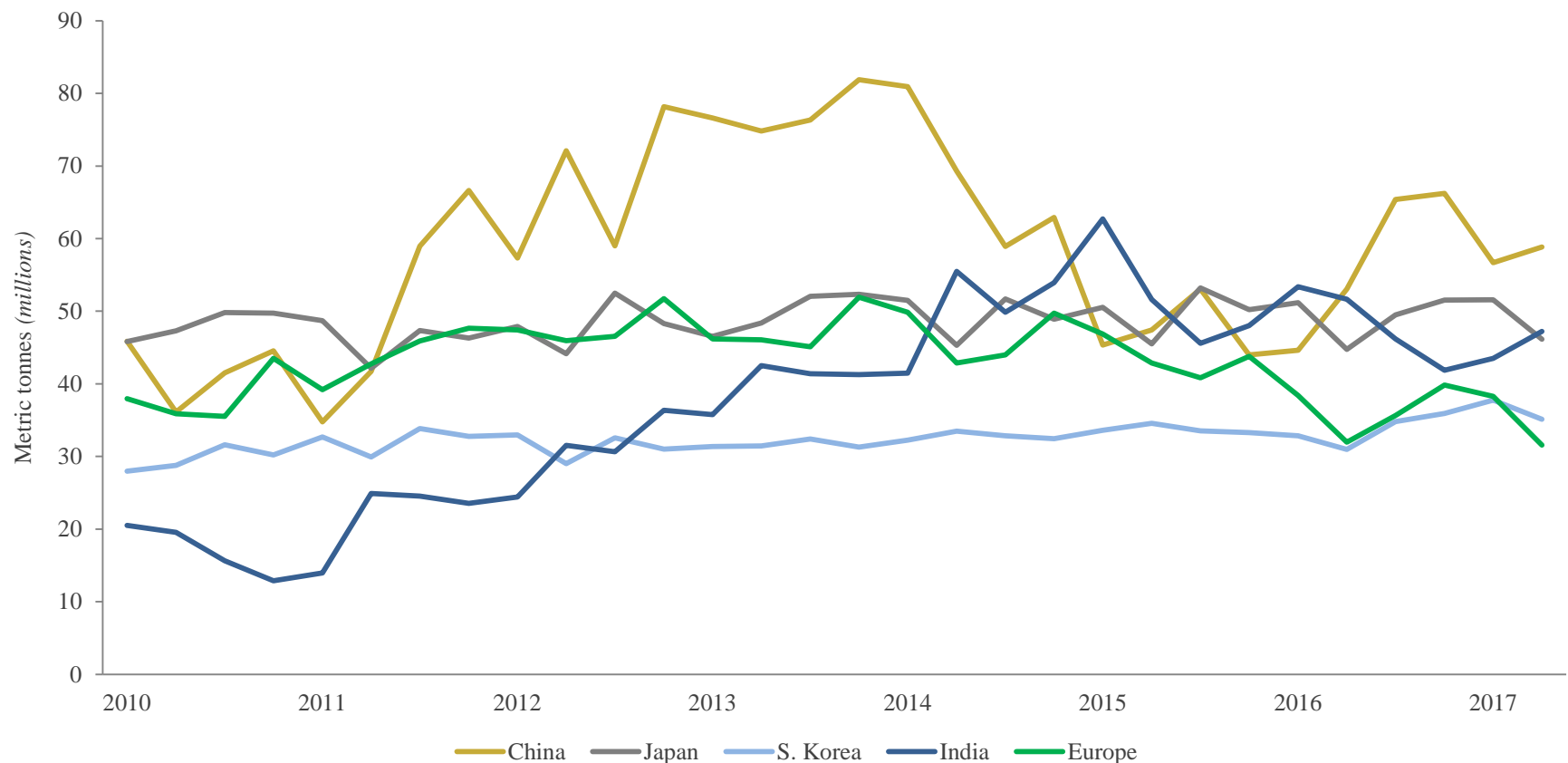


# Coal Imports Continue at Healthy Levels



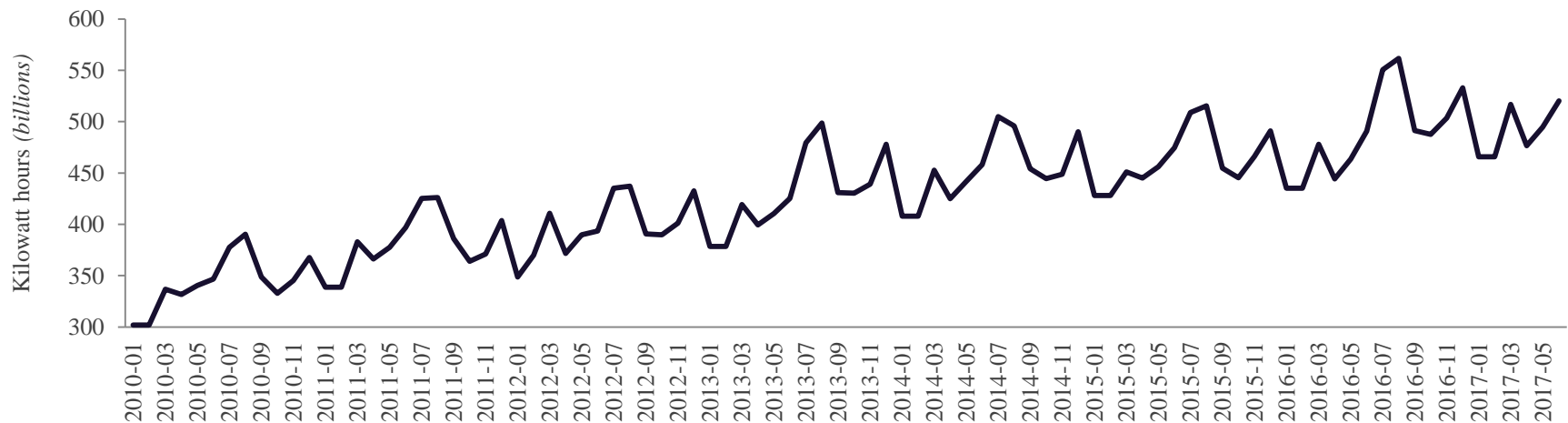
Improvements have come primarily from Asia

## Seaborne coal imports by major importing countries

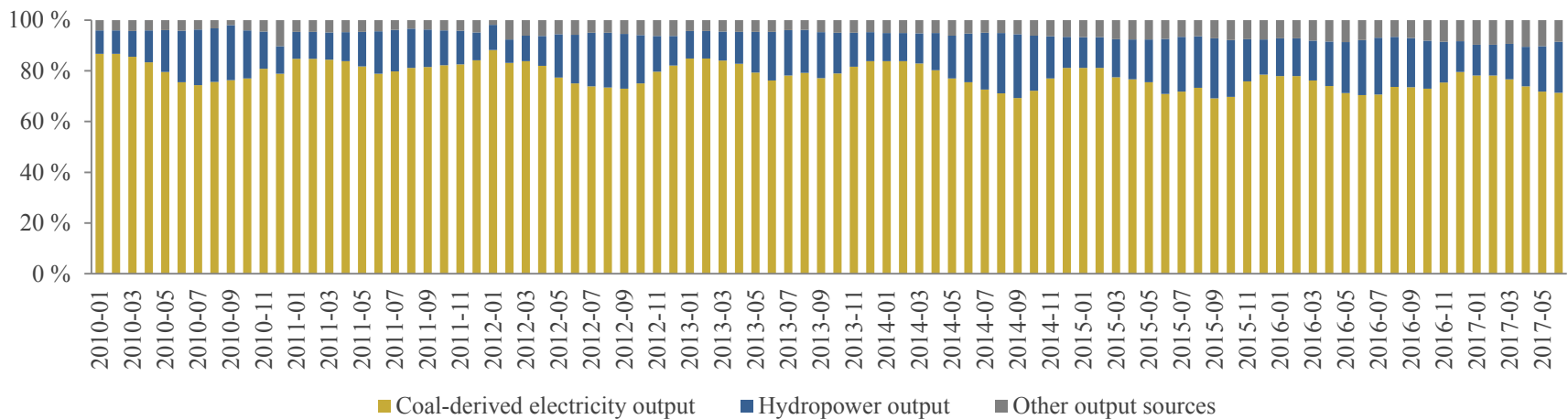


# Strong Electricity Consumption Supports Coal Demand

## Chinese electricity output



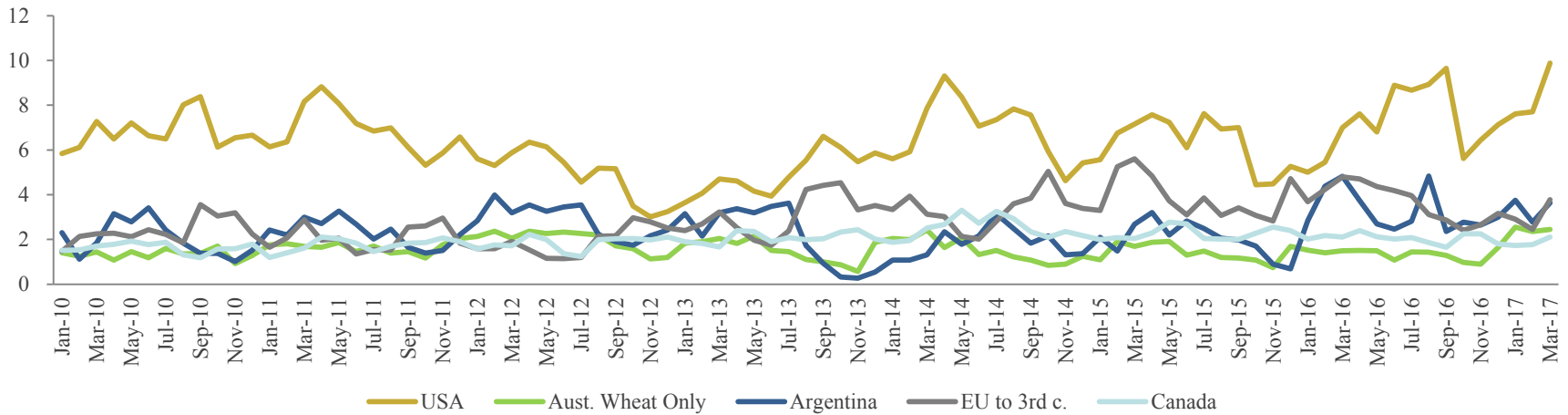
## Chinese electricity output by source



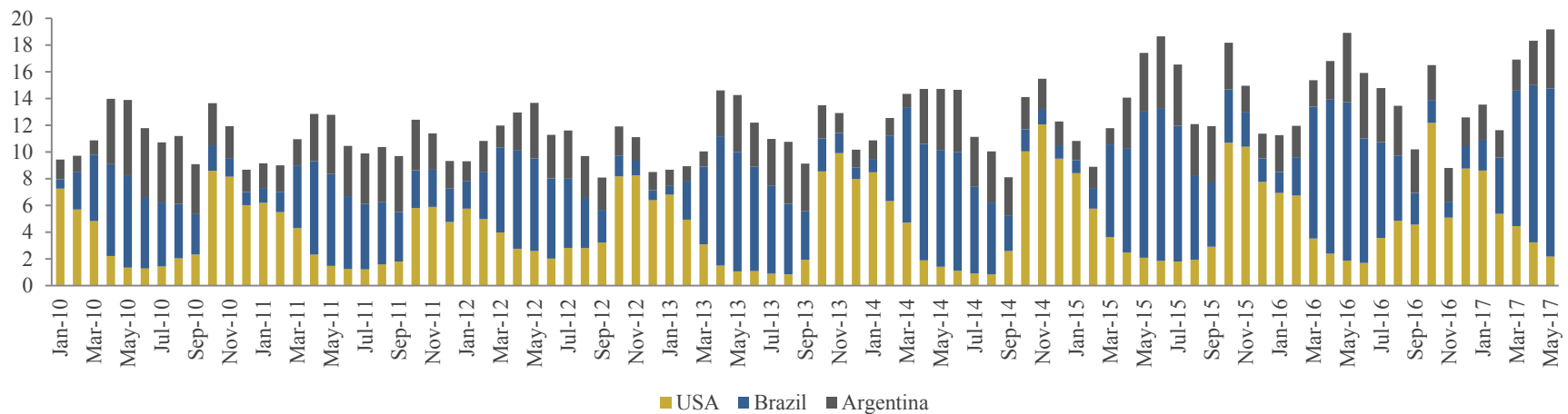
# Grain Exports had a Strong Start to the Year



## Grain exports by source



## Soybean and soybean meal exports by source

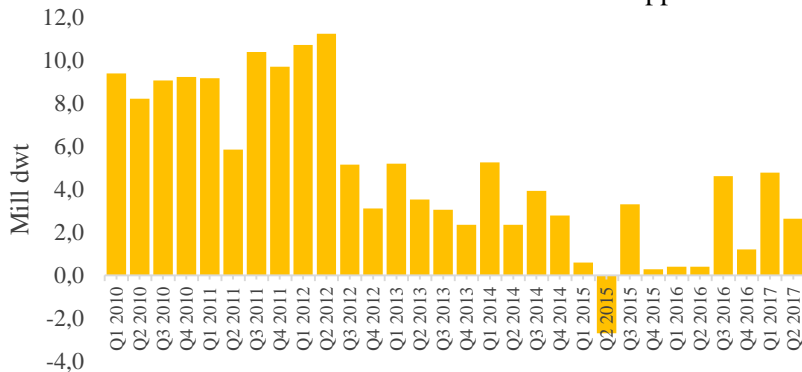


# Deliveries Slowed Following First Quarter Surge



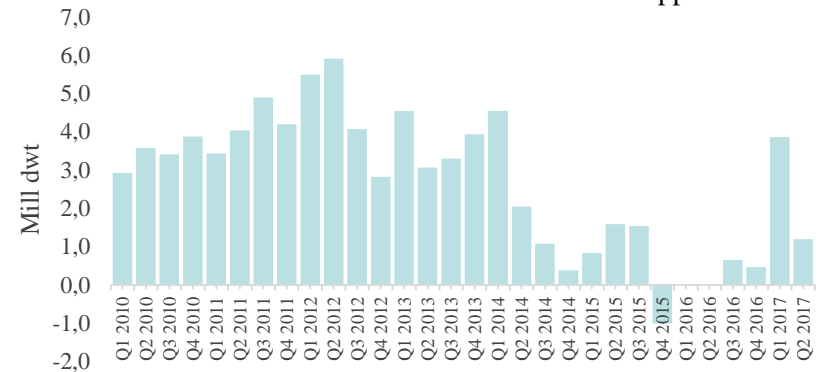
## Capesize

LTM Delivered: 18.8m dwt  
LTM Scrapped: 5.6m dwt



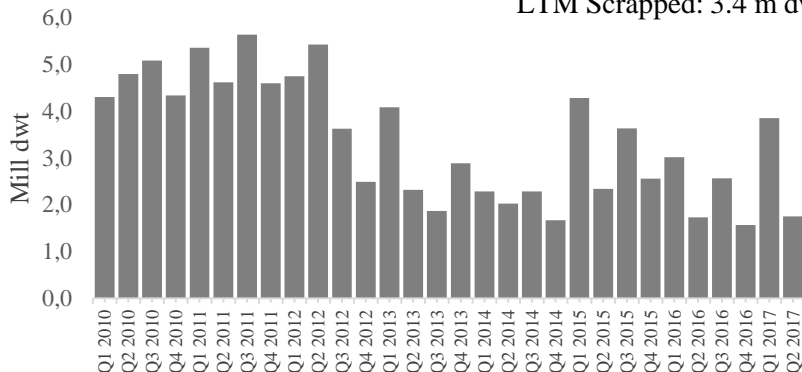
## Panamax / Post-Panamax

LTM Delivered: 10.0m dwt  
LTM Scrapped: 3.8m dwt



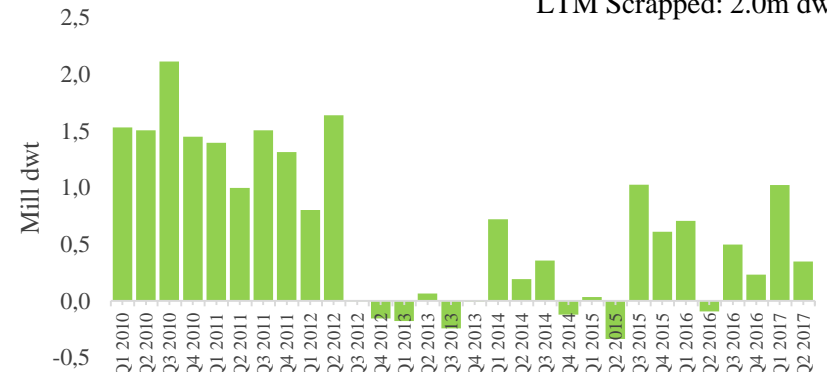
## Handymax / Supramax

LTM Delivered: 13.2m dwt  
LTM Scrapped: 3.4 m dwt



## Handysize

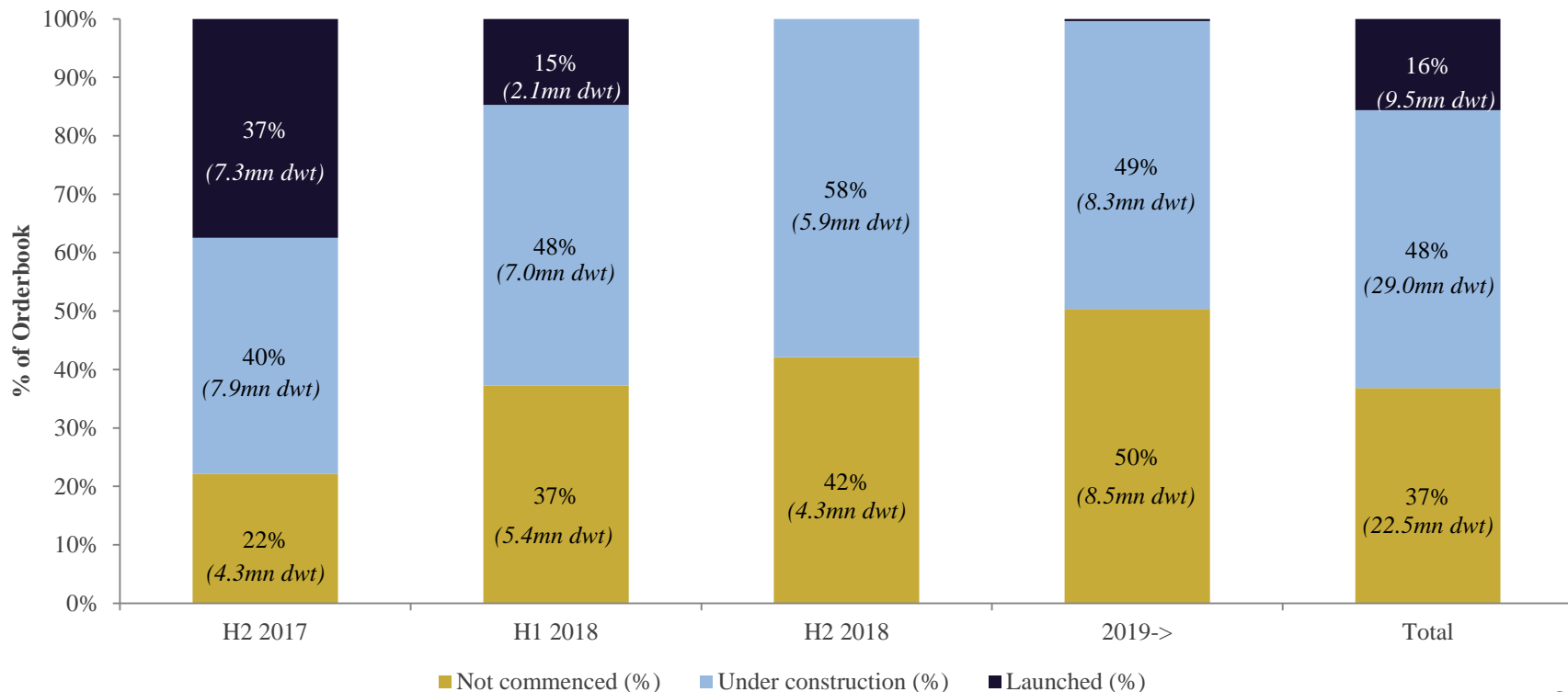
LTM Delivered: 4.1m dwt  
LTM Scrapped: 2.0m dwt



# Downside Case for Supply Growth

- Construction has not even commenced on 22% of the orders (in dwt) scheduled for delivery within end of H2 2017
- Further delays of deliveries are likely based on progress in production

Status of orderbook

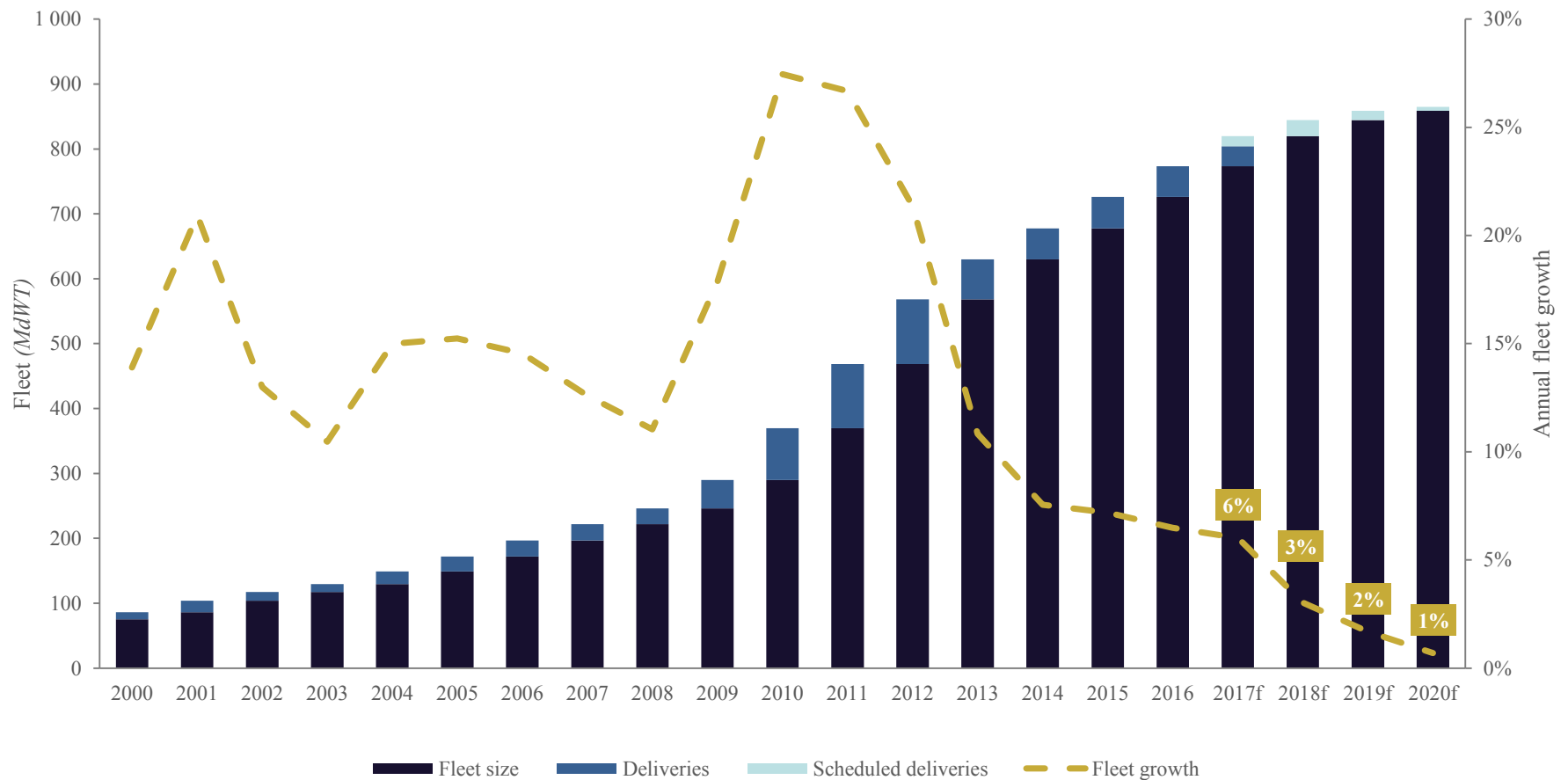


# Fleet Growth is Rapidly Declining



Forecast fleet growth is at its lowest point ever

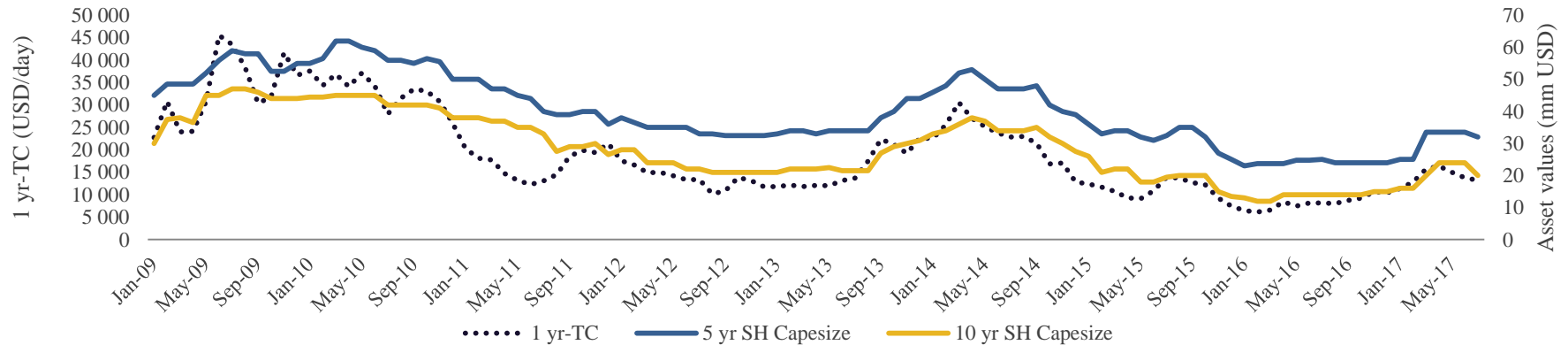
*Fleet growth (assumes no scrapping or new ordering)*



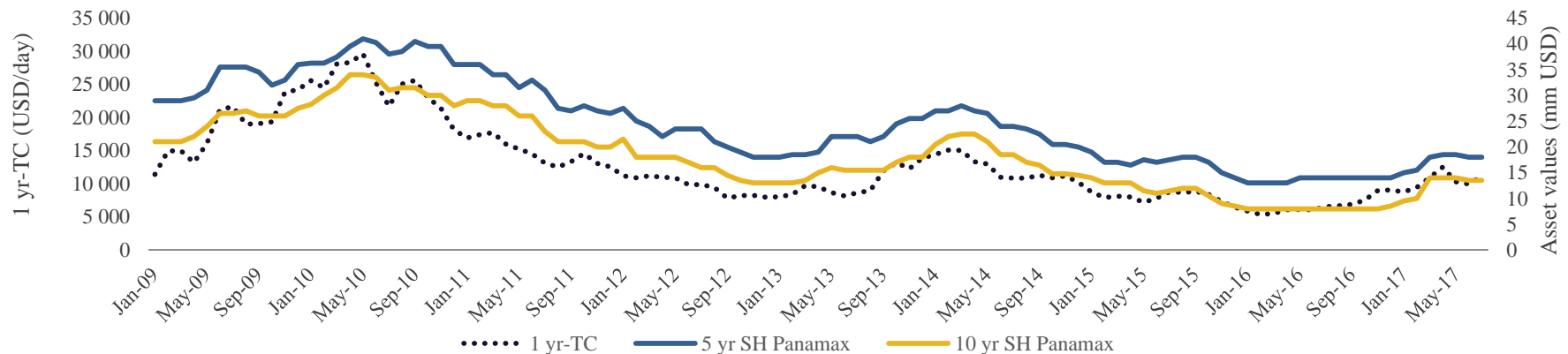
# S&P Prices Stable (yet still low) Following Strong Increases



## Capesize values and earnings



## Panamax values and earnings



## Market has performed according to expectations as supply/demand balance improves

### Upside potential

- Continued strong imports to China due to strong demand of steel and positive steel margins
- Coal imports continue to compensate for increasing electricity demand
- Global growth accelerates, driving increases in steel and energy demand
- Slower fleet growth due to limited new ordering
- New regulations and higher investment costs leads to higher scrapping

### Downside risks

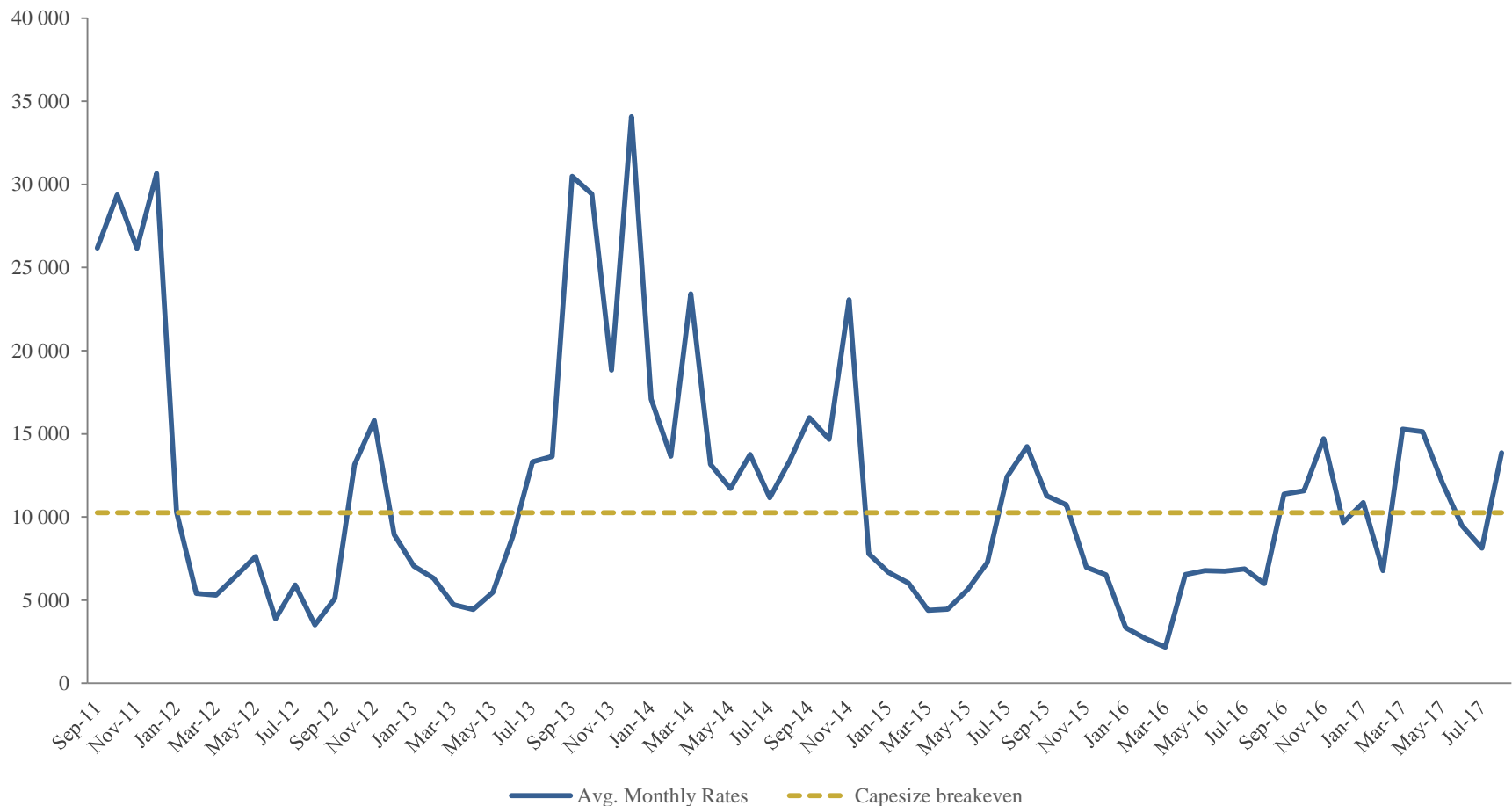
- Change in Chinese policy regarding thermal electricity production to curb pollution
- Credit tightening in China slowing down economy and leading to lower demand for steel and energy
- High stock piles of iron ore
- New ordering motivated by new regulations and narrowing spreads to newbuilding prices

Expect to see stronger second half of 2017, but still with rate volatility in the near term.  
Longer term fundamentals stronger as long as new ordering is minimal.



## Breakeven levels well below historical rate environment

Historical Capesize rates vs. breakeven levels



Source: Baltic Exchange; Company estimates; breakeven rate excludes debt repayment

Note: Historical Capesize rates displays average of the 4 T/C routes for Baltic Index, 172,000mn\$/Day and through Jan 2014 and average of 5 T/C Routes for Capesize Index \$/Day thereafter



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Q & A



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**Thank you for your attention!**