



GOLDEN OCEAN™

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RESULTS Q3 - 2018

November 20, 2018

# FORWARD LOOKING STATEMENTS



- Matters discussed in this presentation may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements, which include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. Words such as "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements. The forward-looking statements in this presentation are based upon various assumptions. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections. The information set forth herein speaks only as of the date hereof, and we disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this communication.
- 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



# HIGHLIGHTS



- The Company reports **net income of \$35.3 million** and earnings per share of \$0.24 for the third quarter of 2018, compared with net income of \$9.0 million and earnings per share of \$0.06 for the second quarter of 2018
- Adjusted **EBITDA** in the third quarter was **\$78.8 million**, compared with \$54.0 million in the second quarter of 2018 and \$40.4 million in the third quarter 2017
- **Declared the first four options to install exhaust gas scrubbers** on Capesize vessels in addition to previously announced contracts to install scrubbers on 16 Capesize vessels
- **Completed the sale of the Panamax vessel Golden Eminence** to an unrelated third party
- **Average TCE rate for the fleet was \$17,730 per day** in the third quarter of 2018, compared with \$15,215 per day in the second quarter of 2018
- **Increased charter coverage** for both Panamax and Capesize vessels
- Announces a cash **dividend of \$0.15** per share for the third quarter

# PROFIT & LOSS

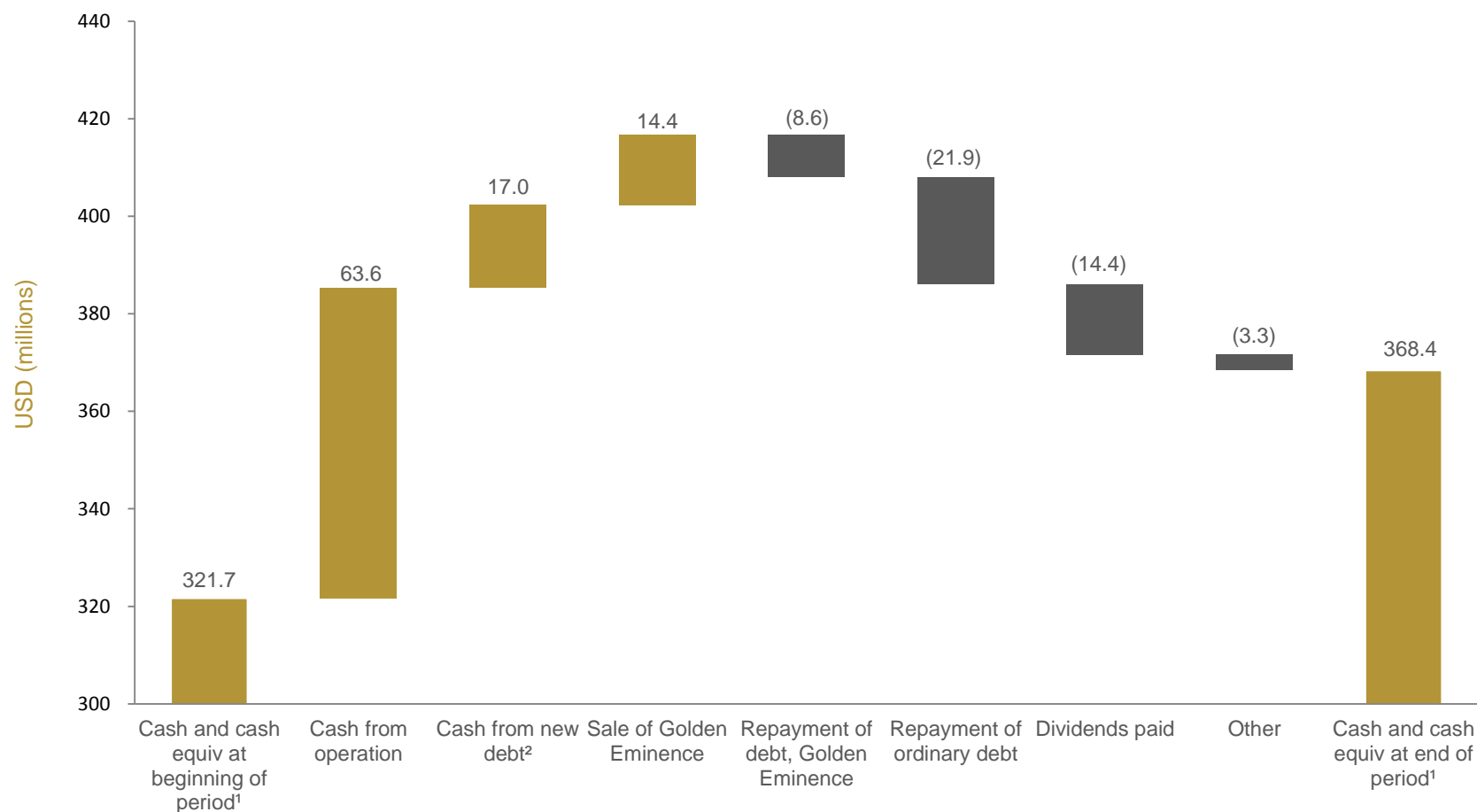


(in thousands of \$)	Q3 2018	Q2 2018	Quarterly Variance
Operating revenues	190,006	143,991	46,014
Voyage expenses	(54,533)	(32,603)	(21,930)
<b>Net revenues</b>	<b>135,473</b>	<b>111,388</b>	<b>24,084</b>
Ship operating expenses	(36,699)	(39,150)	2,451
Administrative expenses	(3,621)	(3,688)	67
Charter hire expenses	(21,022)	(19,056)	(1,966)
Depreciation / impairment	(23,345)	(24,437)	1,093
Other gains (losses)	65	64	1
<b>Net operating expenses</b>	<b>(84,622)</b>	<b>(86,267)</b>	<b>1,646</b>
<b>Net operating income (loss)</b>	<b>50,851</b>	<b>25,121</b>	<b>25,730</b>
Net financial expenses	(17,287)	(17,447)	161
Derivatives and other financial income (loss)	1,734	1,319	414
<b>Net income before taxation (loss)</b>	<b>35,298</b>	<b>8,993</b>	<b>26,305</b>
Income Tax expense	13	13	-
<b>Net income (loss)</b>	<b>35,285</b>	<b>8,980</b>	<b>26,305</b>
Earnings (loss) per share: basic and diluted	\$0.24	\$0.06	0,18
<b>Adjusted EBITDA</b>	<b>78,846</b>	<b>54,046</b>	<b>24,803</b>
<b>TCE per day</b>	<b>17,730</b>	<b>15,215</b>	<b>2,515</b>

# CASH FLOW DURING THE QUARTER



Q3 2018



<sup>1</sup> INCLUDES RESTRICTED CASH

<sup>2</sup> THE REMAINING \$17.0 MILLION OF THE PREVIOUSLY ANNOUNCED \$120 MILLION FACILITY WAS DRAWN IN JULY 2018

# BALANCE SHEET

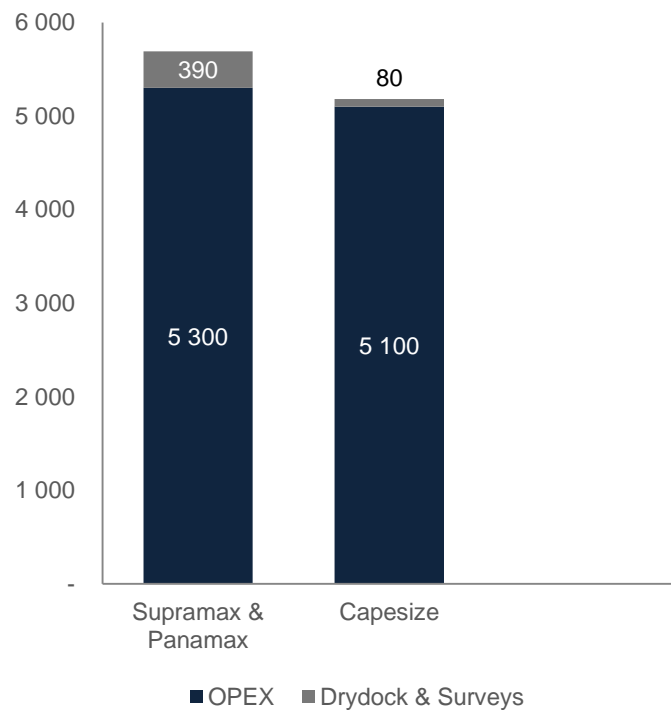


(in thousands of \$)	Q3 2018	Q2 2018	Quarterly Variance
<b>ASSETS</b>			
<b>Short term</b>			
Cash and cash equivalents (incl. restricted cash)	312,772	265,505	47,267
Other current assets	162,274	148,057	14,217
<b>Long term</b>			
Restricted cash	55,633	56,156	(523)
Vessels (incl. newbuildings and held-for-sale)	2,429,561	2,467,064	(37,503)
Other long term assets	38,875	40,745	(1,870)
<b>Total assets</b>	<b>2,999,115</b>	<b>2,977,526</b>	<b>21,589</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Short term</b>			
Current portion of long term debt and capital lease	250,394	236,900	13,494
Other current liabilities	82,494	73,067	9,427
<b>Long term</b>			
Long term debt and capital lease	1,134,754	1,156,833	(22,079)
Other long term liabilities	7,501	7,723	(222)
<b>Equity</b>	<b>1,523,972</b>	<b>1,503,003</b>	<b>20,969</b>
<b>Total liabilities and equity</b>	<b>2,999,115</b>	<b>2,977,526</b>	<b>21,589</b>

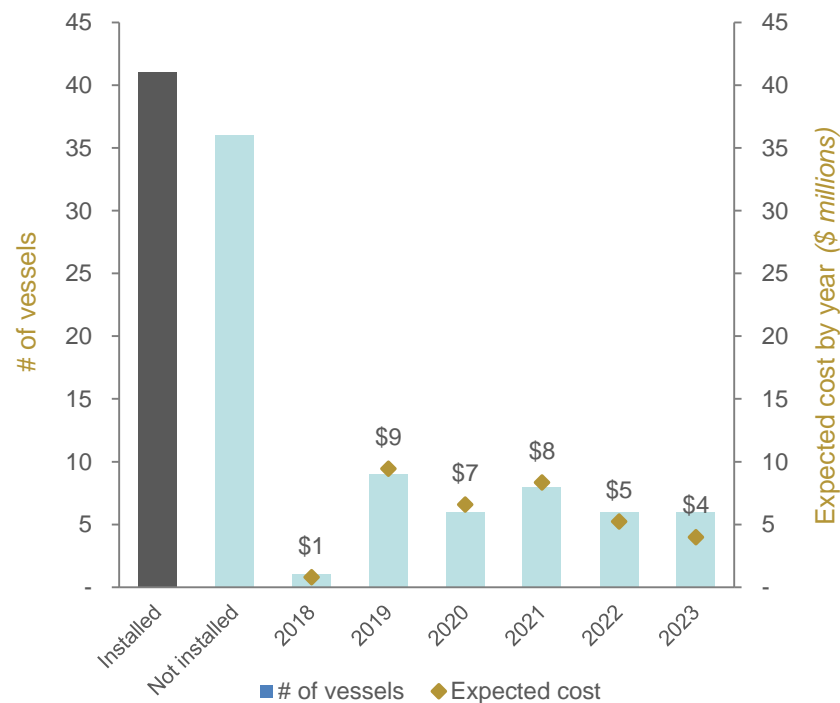
# MODERN, EFFICIENT FLEET

- Fully-burdened Opex includes dry docking and management fees
- Five vessels dry docked year to date, and one more to be docked later this year
- Average fleet age of ~5 years and majority of the fleet designed with fuel-efficient engines and ballast water treatment systems
- Additional advantage to be gained through scrubber installations

## OPERATING EXPENSES (YTD 2018)



## BWTS INSTALLATION SCHEDULE

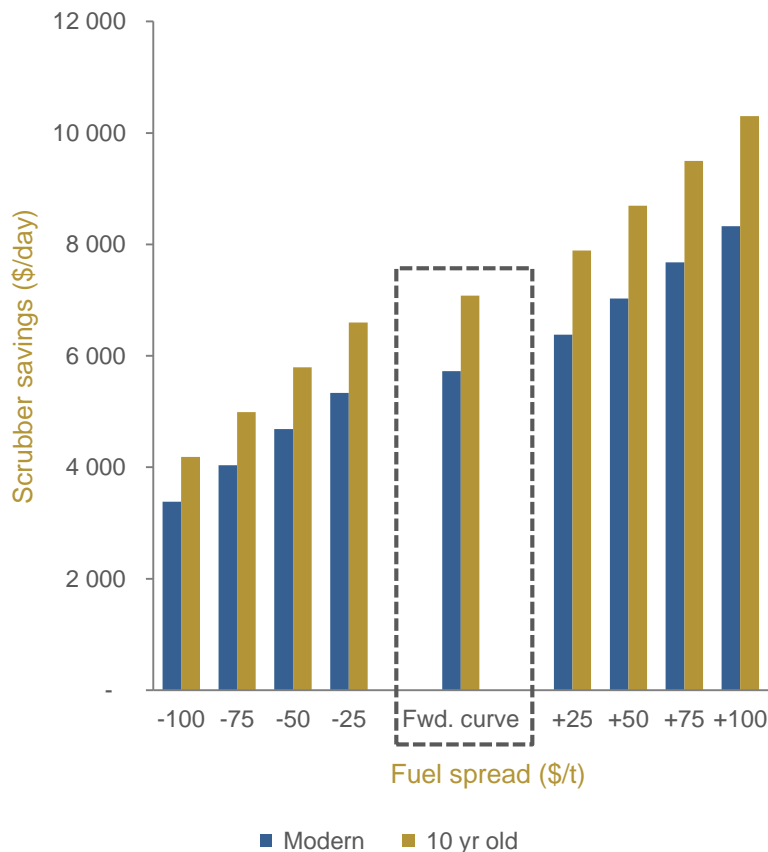




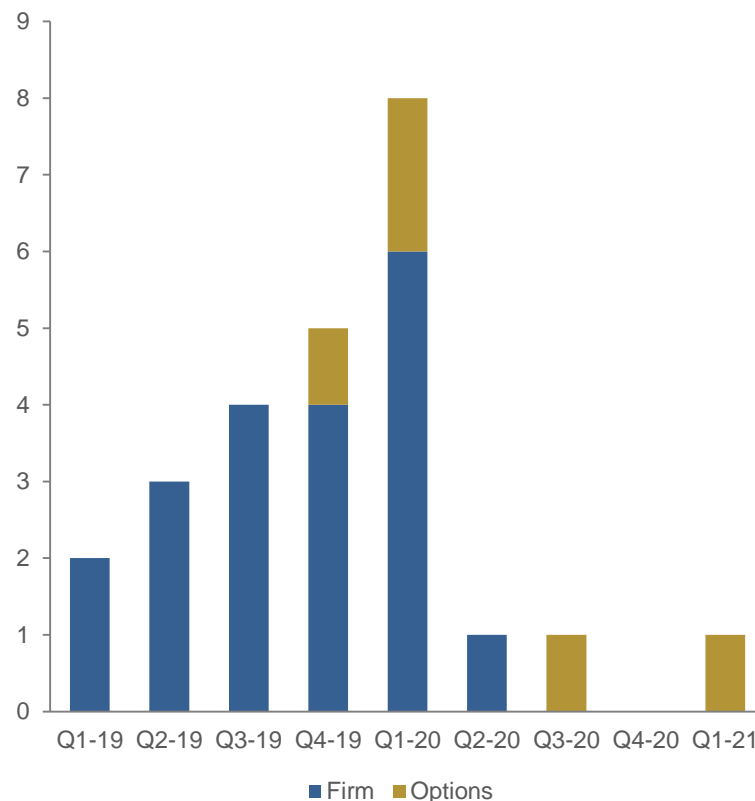
# SCRUBBERS FURTHER INCREASE COMPETITIVE ADVANTAGE UNDER NEW SULPHUR CAPS

- Golden Ocean's fleet of Capesize vessels has an average age of just 4 years
- The Company signed contracts to install 20 exhaust gas scrubbers on Capesize vessels with options for five additional vessels; installations to coincide with scheduled dry docks in 2019 and 2020
- Strategic investment decision creates a further competitive advantage as new regulations on sulphur emissions come into effect in 2020

## POTENTIAL SCRUBBER ADVANTAGE



## SCRUBBER INSTALLATION SCHEDULE

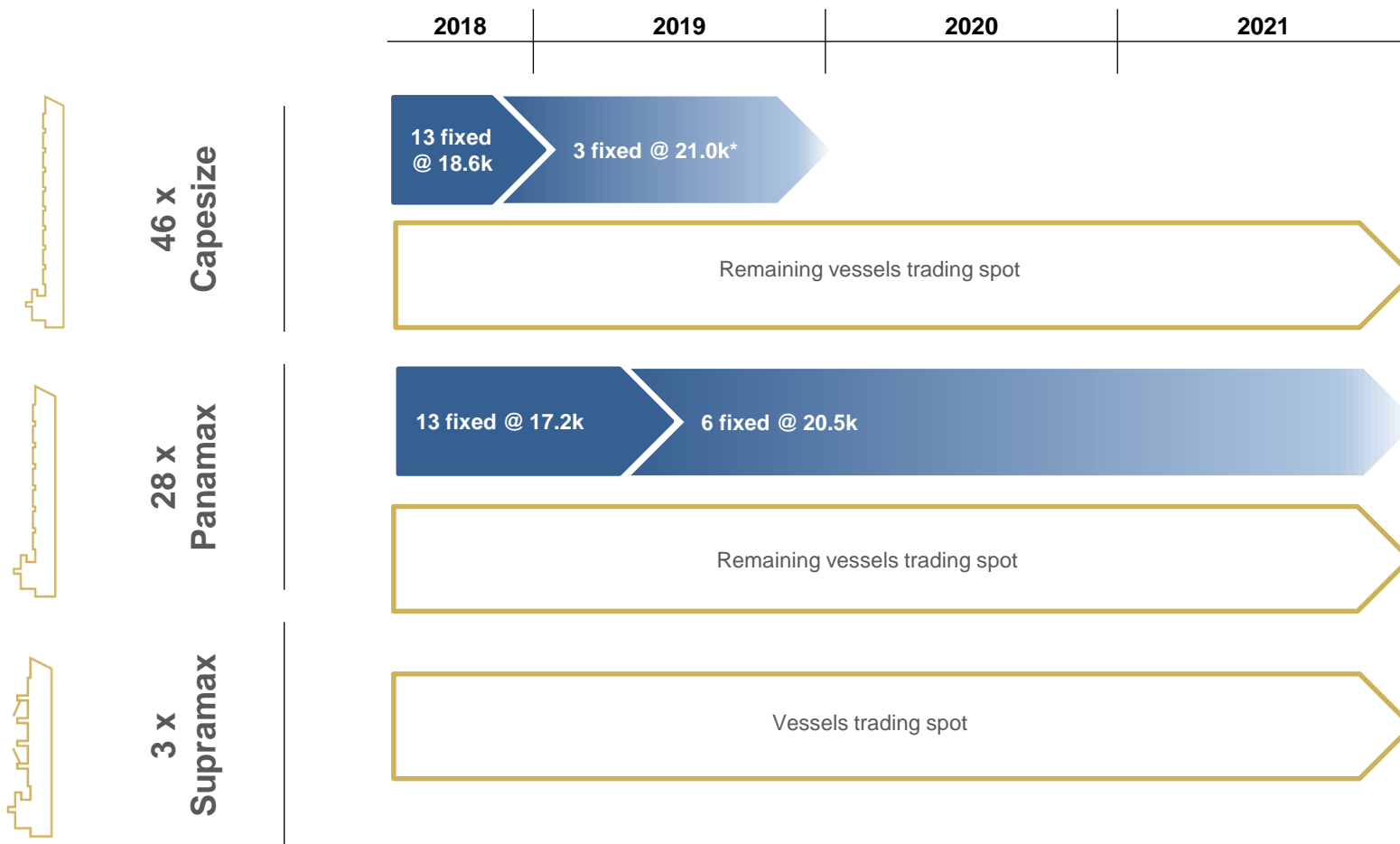


NOTE: COMPLIANT FUEL PRICE ESTIMATED 1:2 FO:GASOIL BLEND; ASSUMES MODERN AND 10 YR OLD VESSELS CONSUME 9,500 AND 11,750 MT, RESPECTIVELY, OF FUEL ANNUALLY

# FLEET DEPLOYMENT

Opportunistic chartering strategy with significant operating leverage

## CHARTERING PROFILE

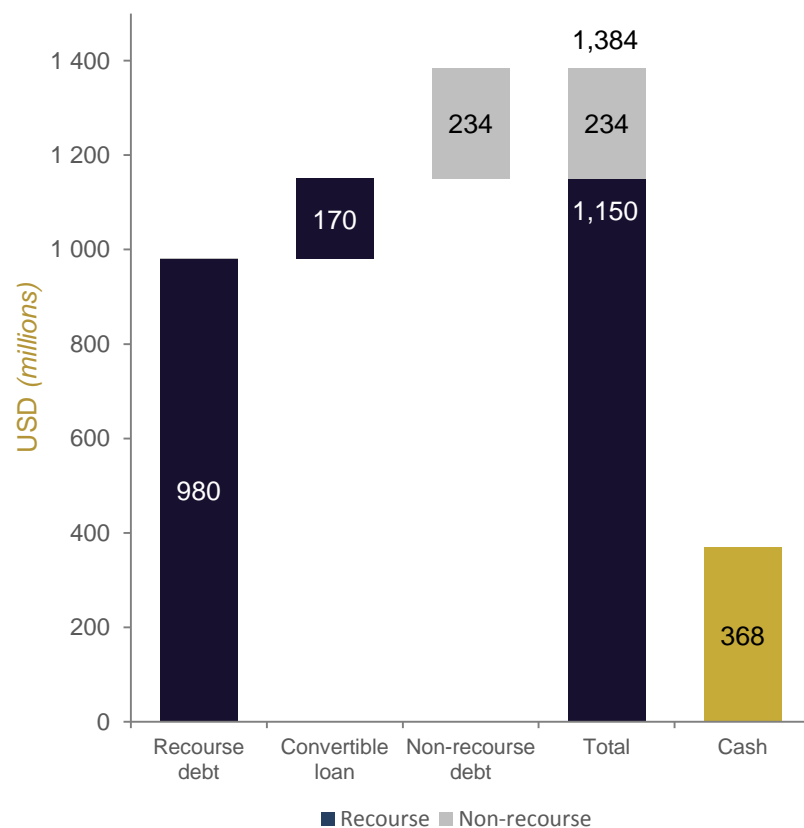


NOTE: CHARTERING PROFILE AS OF NOV 2018; SIX PANAMAX CHARTERS EXPIRE BETWEEN JANUARY 2020 AND DECEMBER 2021.

\*IN ADDITION FIVE CAPE SIZE VESSELS HAVE FLOOR / CEILING CONTRACTS FOR 2019 AND 2020

# CREDIT FACILITIES

## CREDIT FACILITY SUMMARY<sup>(1)</sup>



## RECOURSE DEBT

### Selected covenants

- Ordinary amortization of \$16.6 million per quarter
- 135% MVC
- Convertible Bond matures in January 2019

## NON-RECOURSE DEBT

### Selected covenants through July 1, 2019

- No regular amortization payments
- Cash sweep mechanism
- 105% MVC

### Selected covenants post July 1, 2019

- Amortization payments resume
- 125 - 135% MVC

(1) BASED ON SEPTEMBER 30, 2018 FIGURES



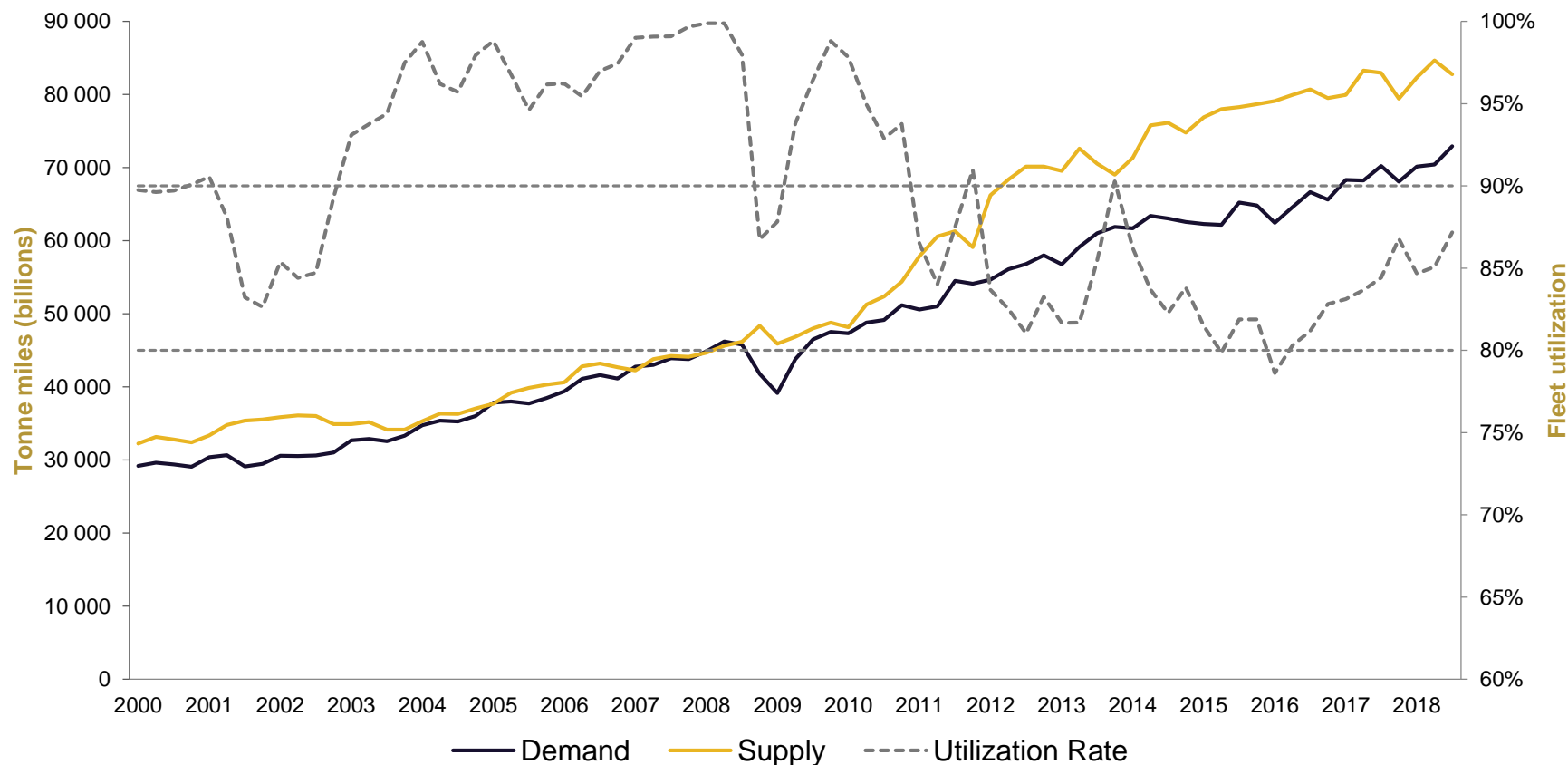
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## DRY BULK MARKET UPDATE

# DRY BULK SUPPLY / DEMAND & UTILIZATION

Utilization continued to improve in the third quarter and averaged ~87% in the quarter

## SUPPLY, DEMAND AND UTILIZATION RATE - DRY BULK SHIPS 10,000 DWT +

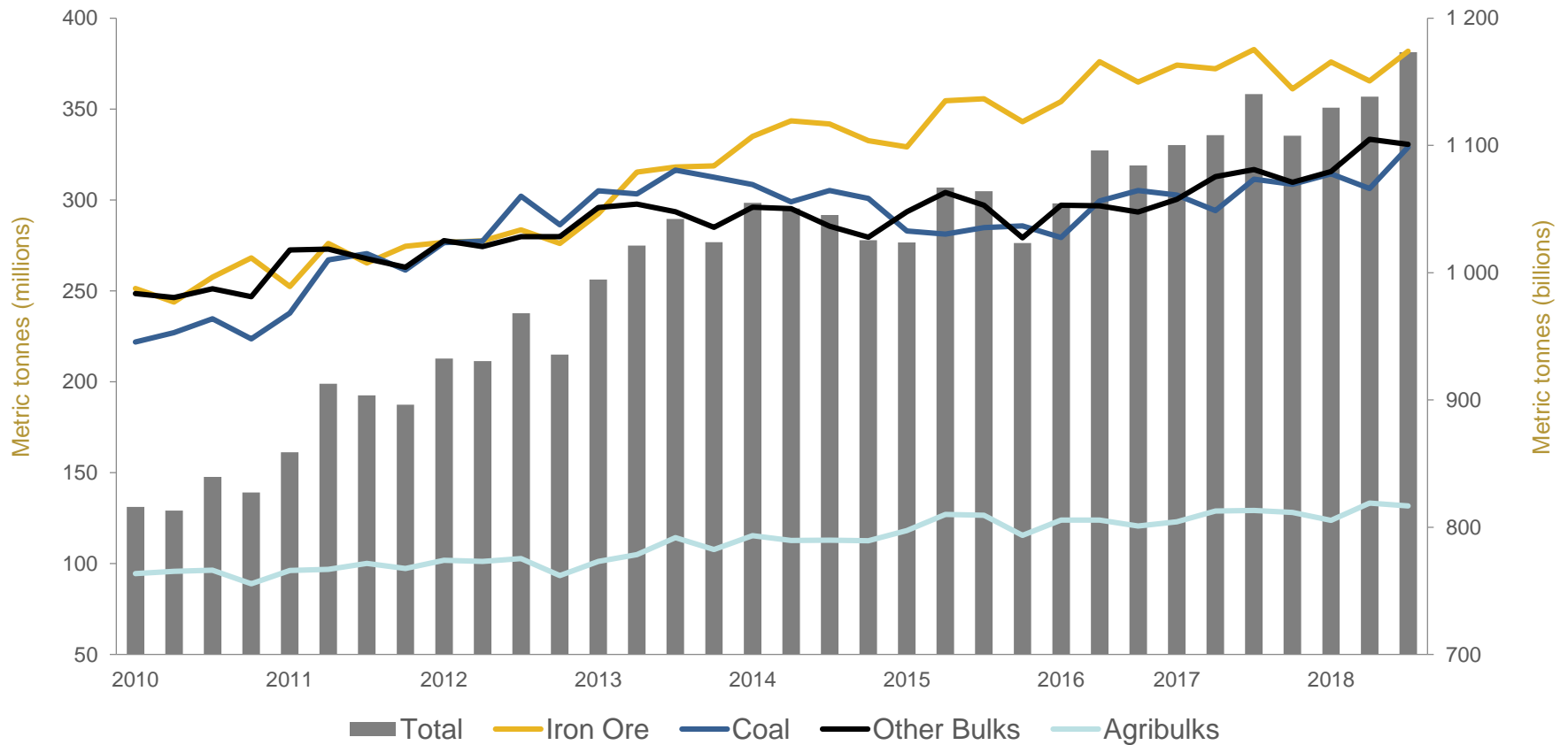




# GROWTH IN SEABORNE TRADE CONTINUED

Total global dry bulk trade reached record levels in the third quarter

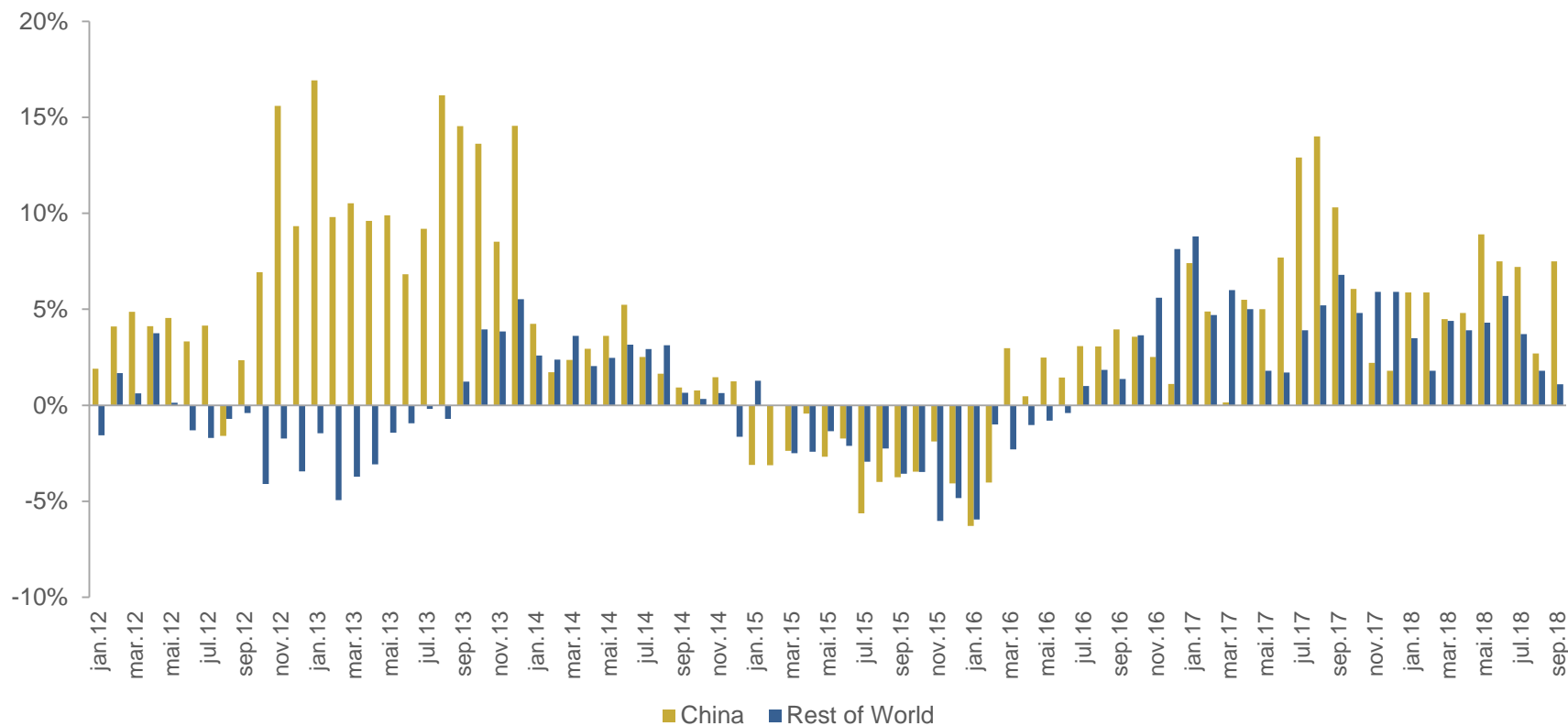
## SEABORNE TRADE OF DRY BULK COMMODITIES (MAJOR IMPORTERS)



# WORLD STEEL PRODUCTION TRENDS

Chinese steel production remained strong, offsetting a slight decline in other parts of the world

## ANNUAL CHANGE IN STEEL PRODUCTION

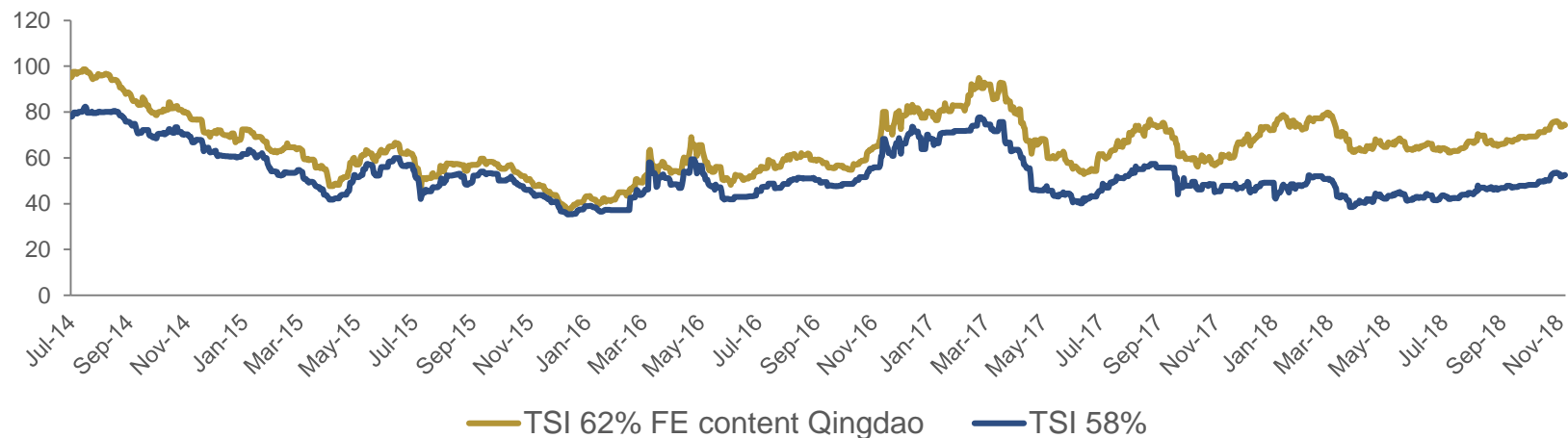


# IRON ORE PRICES STEADY DESPITE DECLINES IN STEEL PRICES AND MARGINS

GROSS PROFIT (STEEL PRICE MINUS COST OF COKING COAL AND IRON ORE; ALL PRICES SPOT)

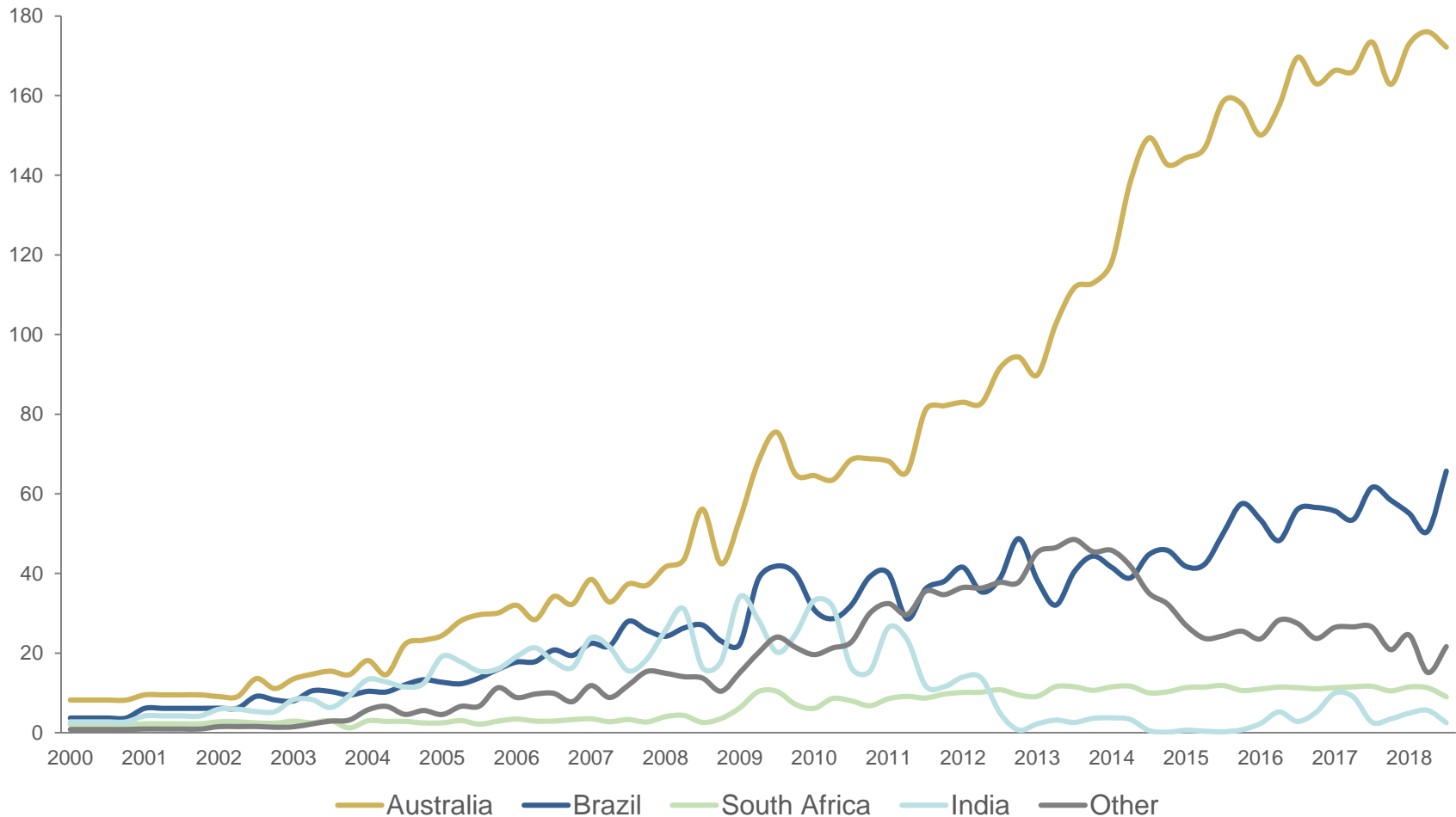


## IRON ORE PRICE DIFFERENTIALS



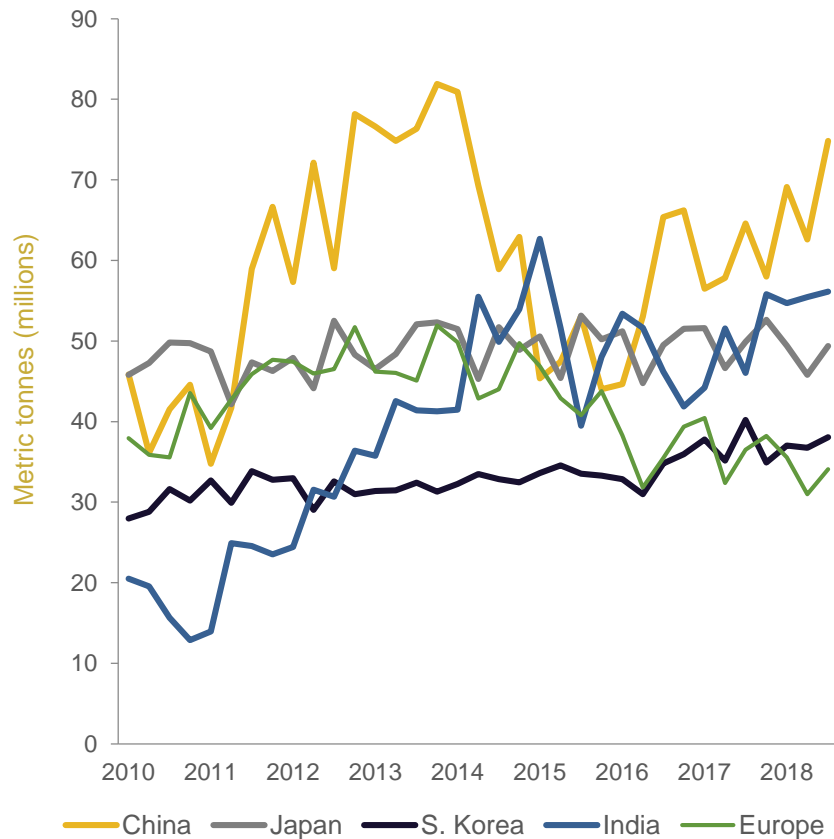
# AUSTRALIA AND BRAZIL REMAIN MAJOR IRON ORE EXPORTERS

## QUARTERLY EXPORTED IRON ORE VOLUMES PER COUNTRY

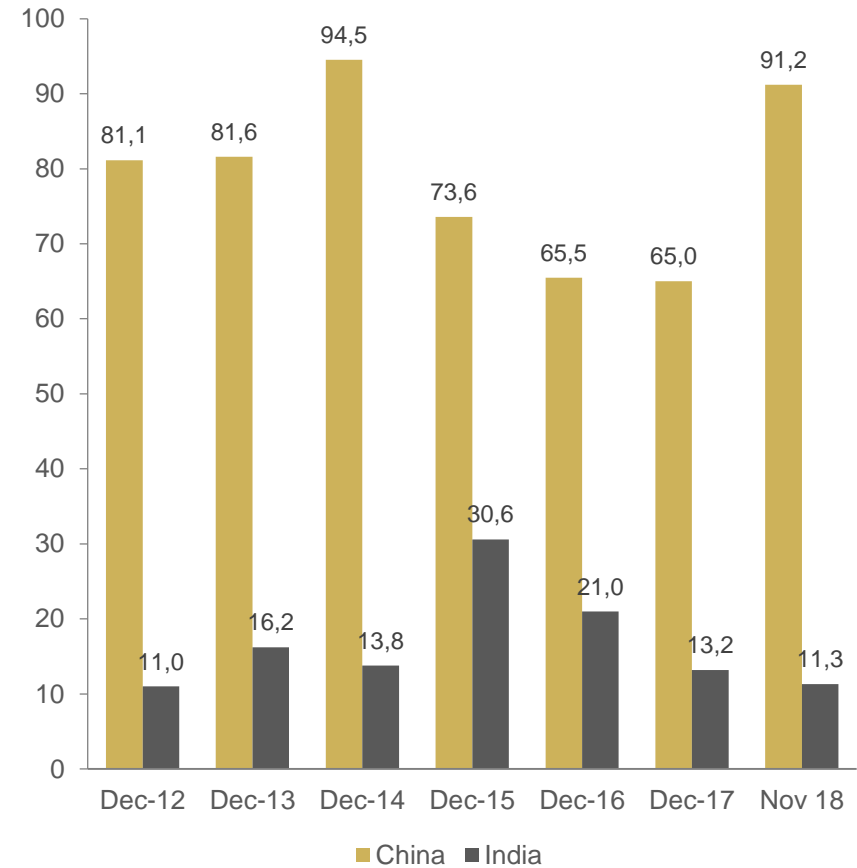


# COAL DEMAND REMAINS HIGH, BUT INVENTORY BUILDS REPRESENT SHORT-TERM OVERHANG

## COAL IMPORTS BY MAJOR IMPORTERS



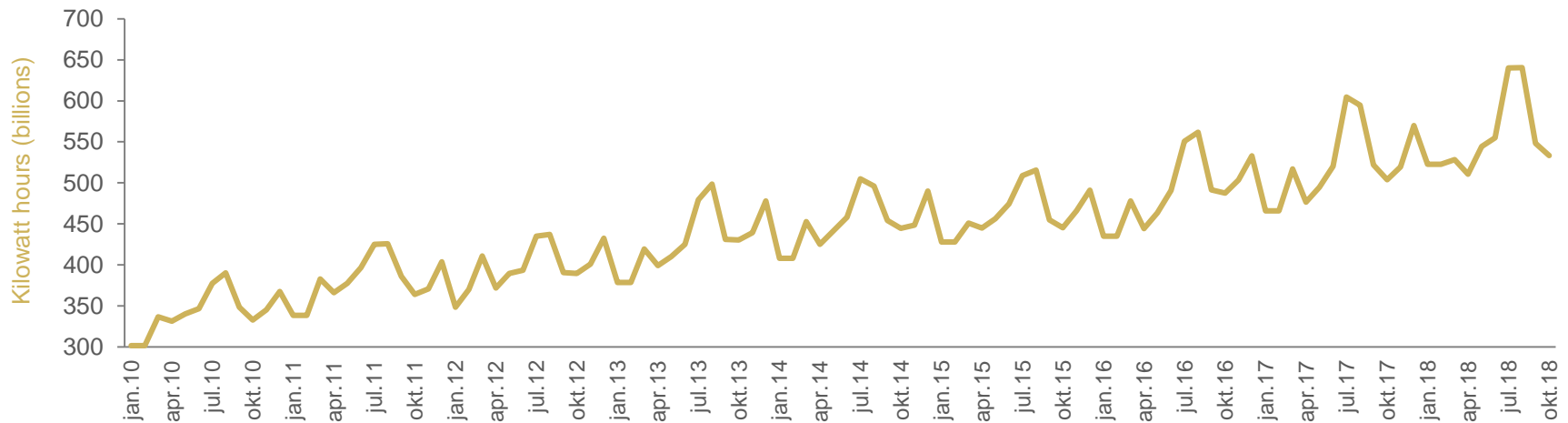
## CHINA AND INDIA COAL INVENTORIES



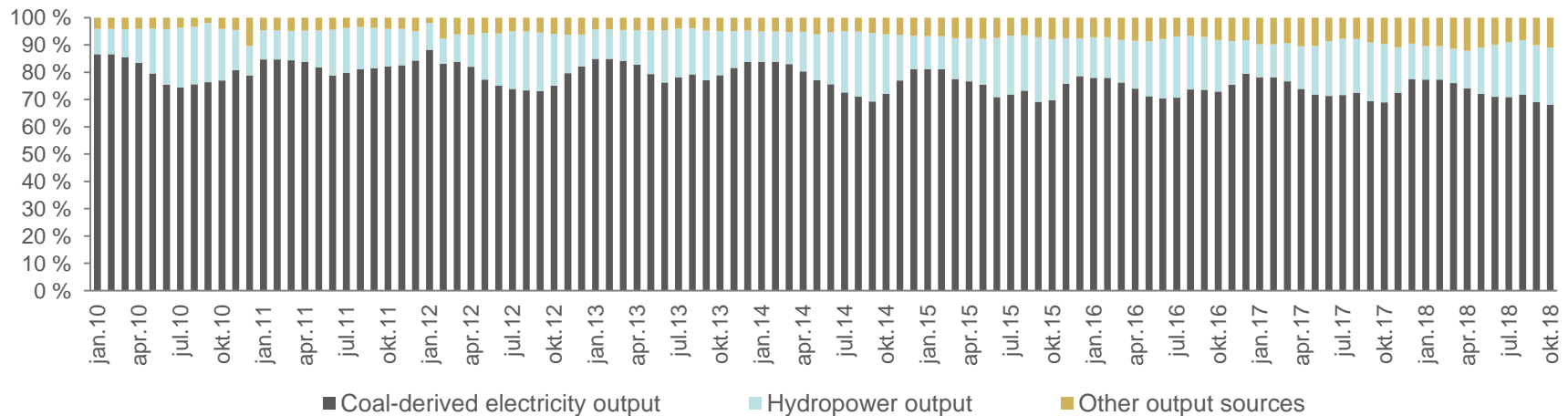


# CONTINUED YEAR OVER YEAR GROWTH IN ELECTRICITY CONSUMPTION SUPPORTS COAL DEMAND

## CHINESE ELECTRICITY OUTPUT



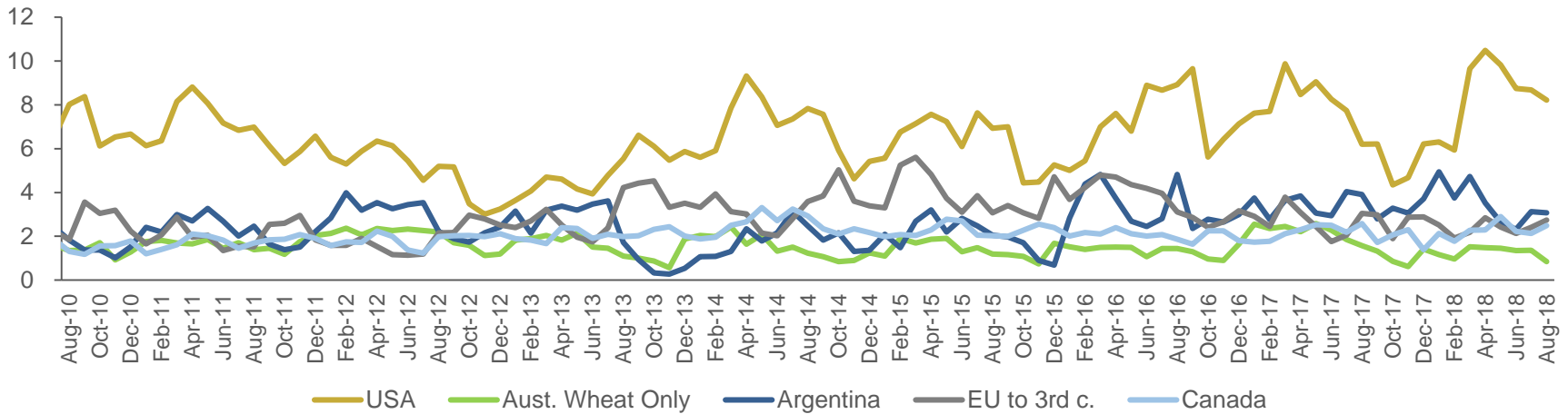
## CHINESE ELECTRICITY OUTPUT BY SOURCE



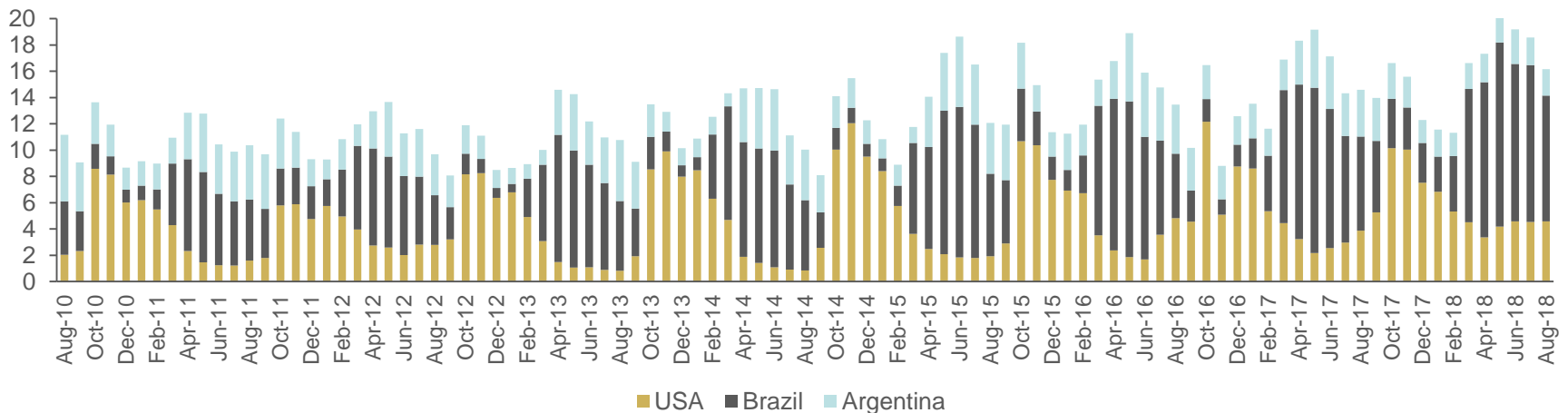
# U.S. GRAIN EXPORTS WERE STRONG, BUT HAVE BEEN DISRUPTED BY TRADE TENSIONS; TOTAL VOLUMES GROWING YOY



## GRAIN EXPORTS BY SOURCE



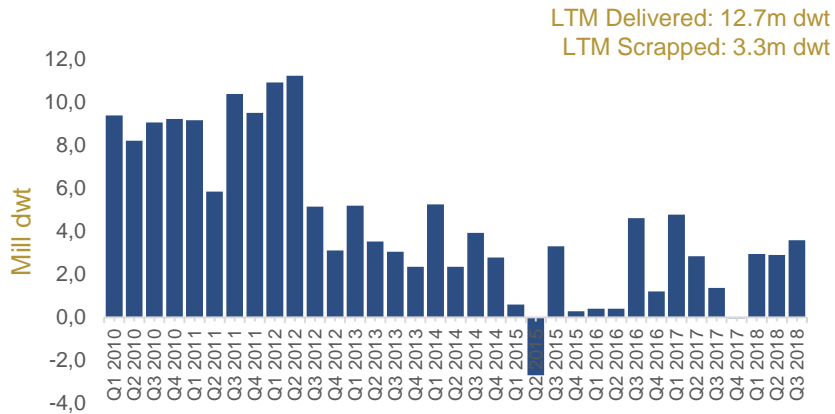
## SOYBEAN AND SOYBEAN MEAL EXPORTS BY SOURCE



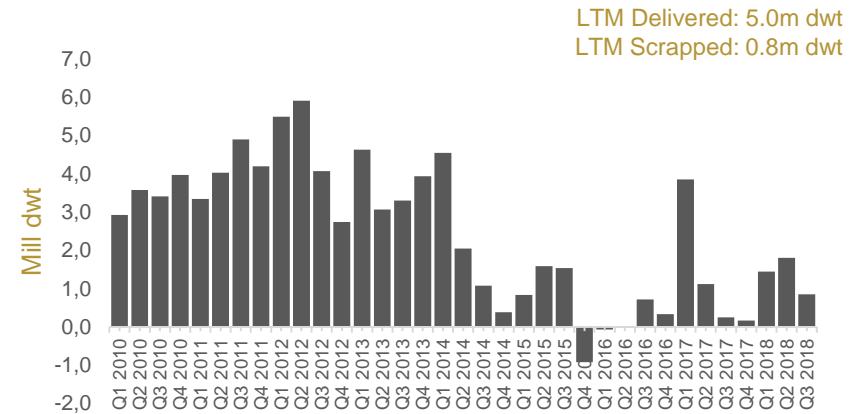
# ZERO NET FLEET GROWTH QUARTER OVER QUARTER



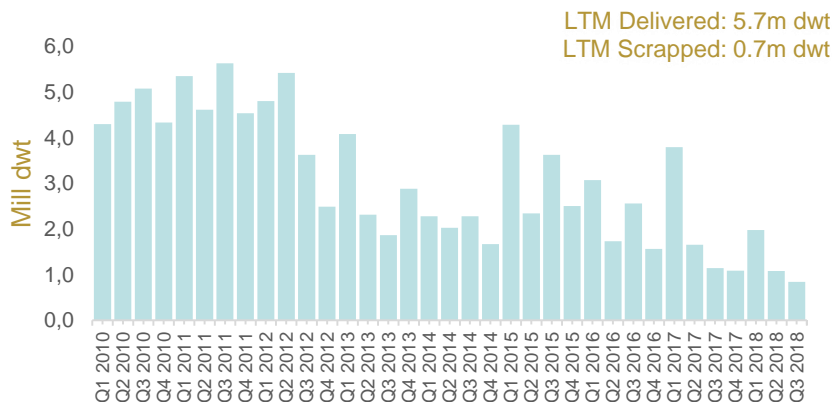
## CAPE SIZE



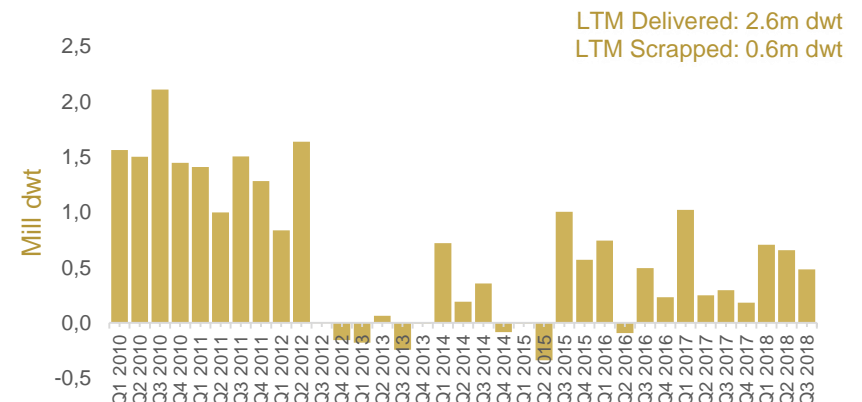
## PANAMAX / POST-PANAMAX



## HANDYMAX / SUPRAMAX



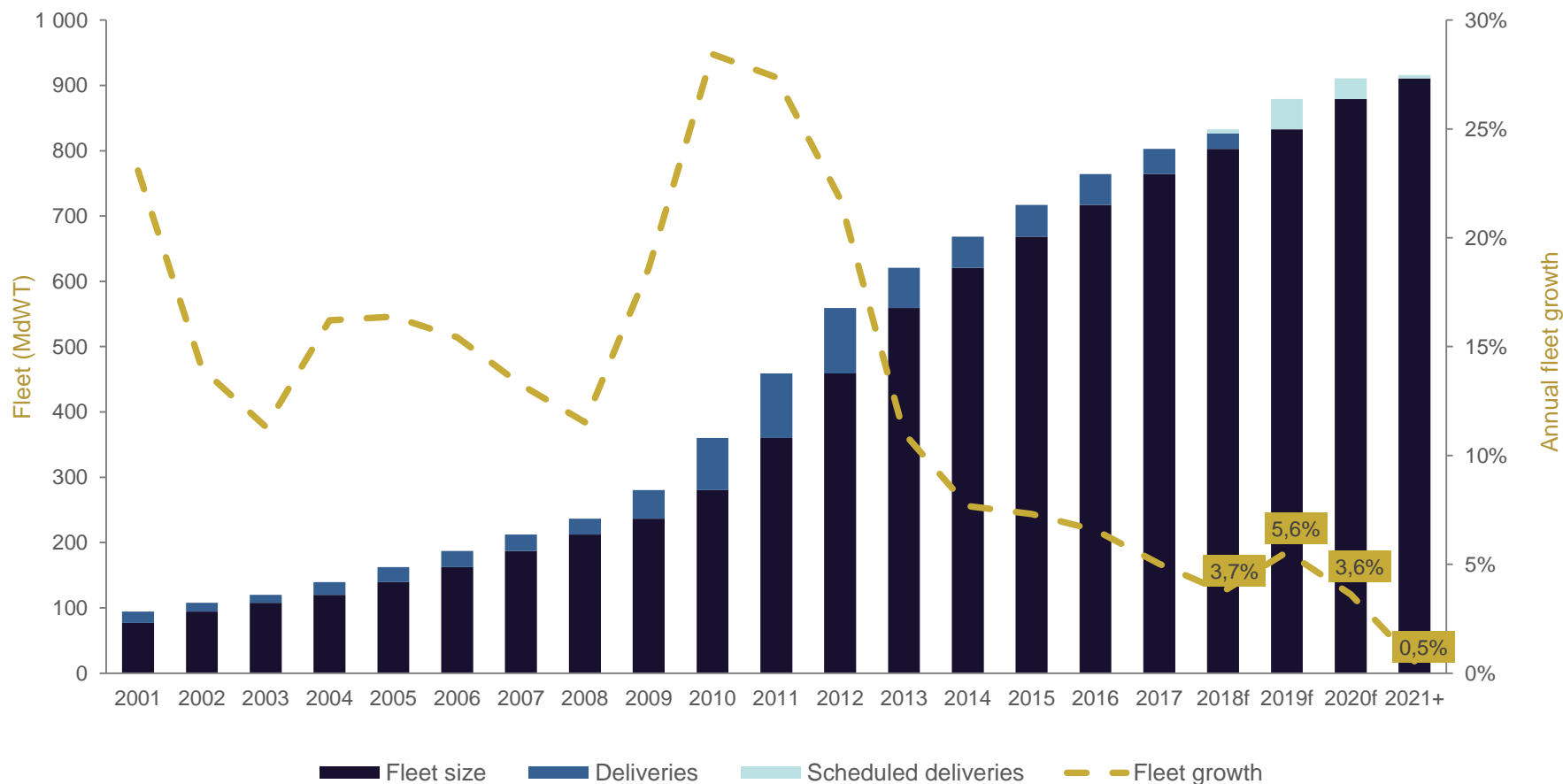
## HANDYSIZE



# PROJECTED FLEET GROWTH IS MODERATE

Some 2018 deliveries pushed out to 2019; despite new ordering observed, any additional capacity from now expected to be placed in 2021 or later

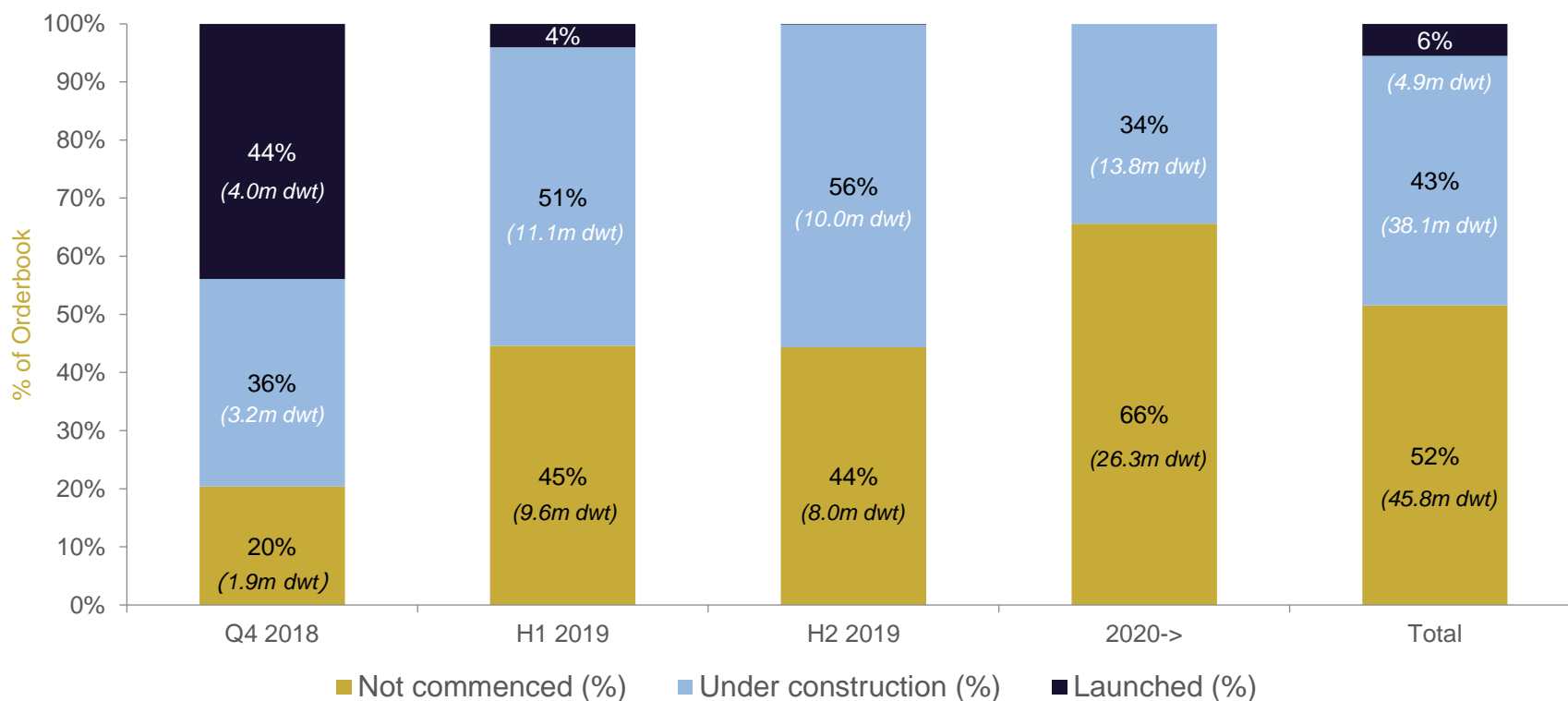
## FLEET GROWTH (ASSUMES NO SCRAPPING OR NEW ORDERING)



# DOWNSIDE CASE FOR SUPPLY GROWTH

Continued slippage is expected as ~37% of vessels scheduled for delivery by the end of H1 2019 have not even commenced construction

## STATUS OF ORDERBOOK

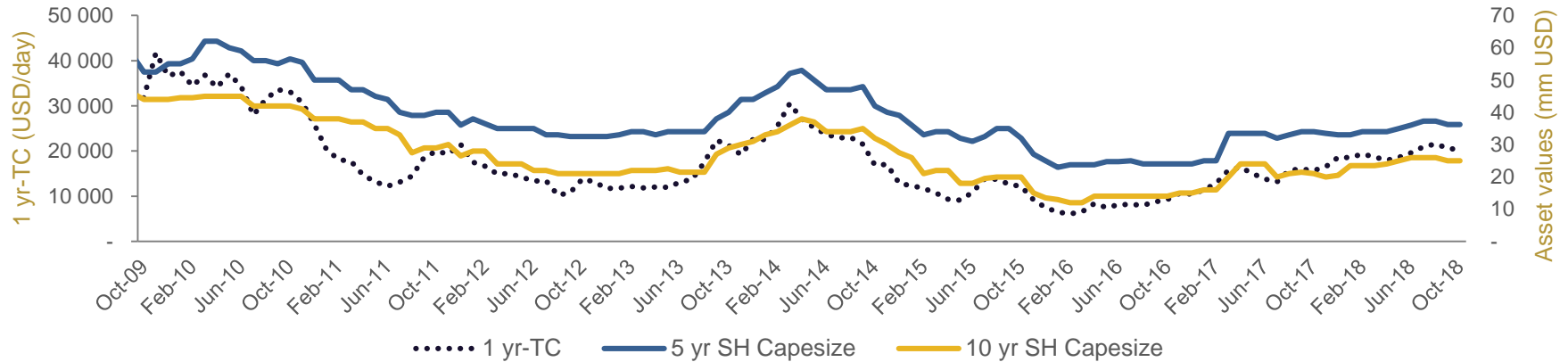




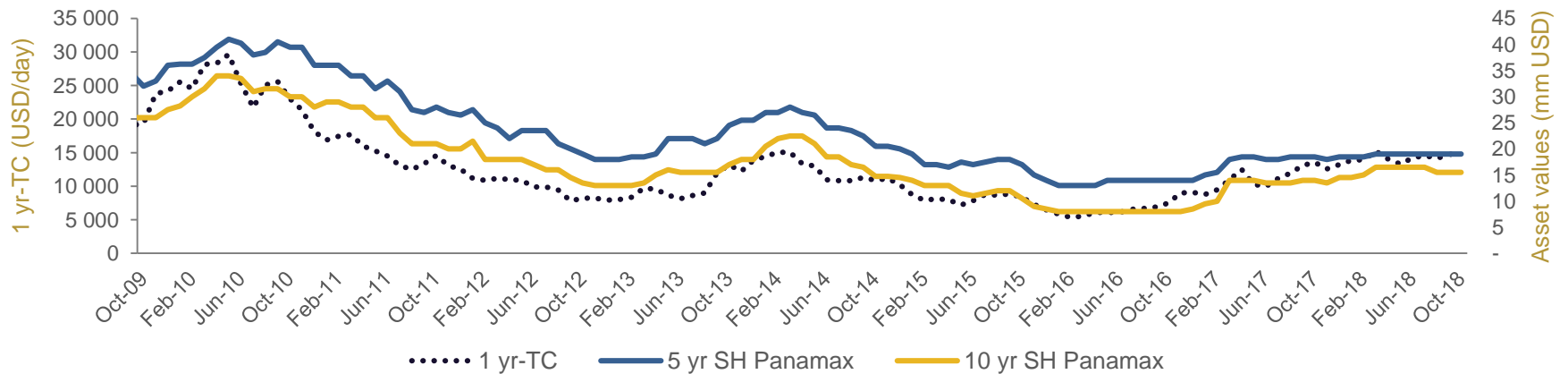
# S&P PRICES IMPROVE FOR MODERN VESSELS WITH NOTABLE PREMIUM TO OLDER TONNAGE



## CAPE SIZE VALUES AND EARNINGS



## PANAMAX VALUES AND EARNINGS





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## OUTLOOK AND STRATEGY

# RELATIVELY BALANCED MARKET DESPITE HIGH VOLATILITY DUE TO TRADE TENSIONS AND SHORT TERM FACTORS

## UPSIDE POTENTIAL

- China implements additional stimulus measures to offset potential impact of tariffs
- Increased tonne-miles if additional iron ore capacity comes from Brazil
- Easing of trade tensions reduces market uncertainty and also brings US soybean trade back to normal levels
- Removal of older vessels ahead of BWTS and sulphur emissions regulations
- More tonne-miles due to longer sailing distances as demand increases in Asia replace European demand

## DOWNSIDE RISKS

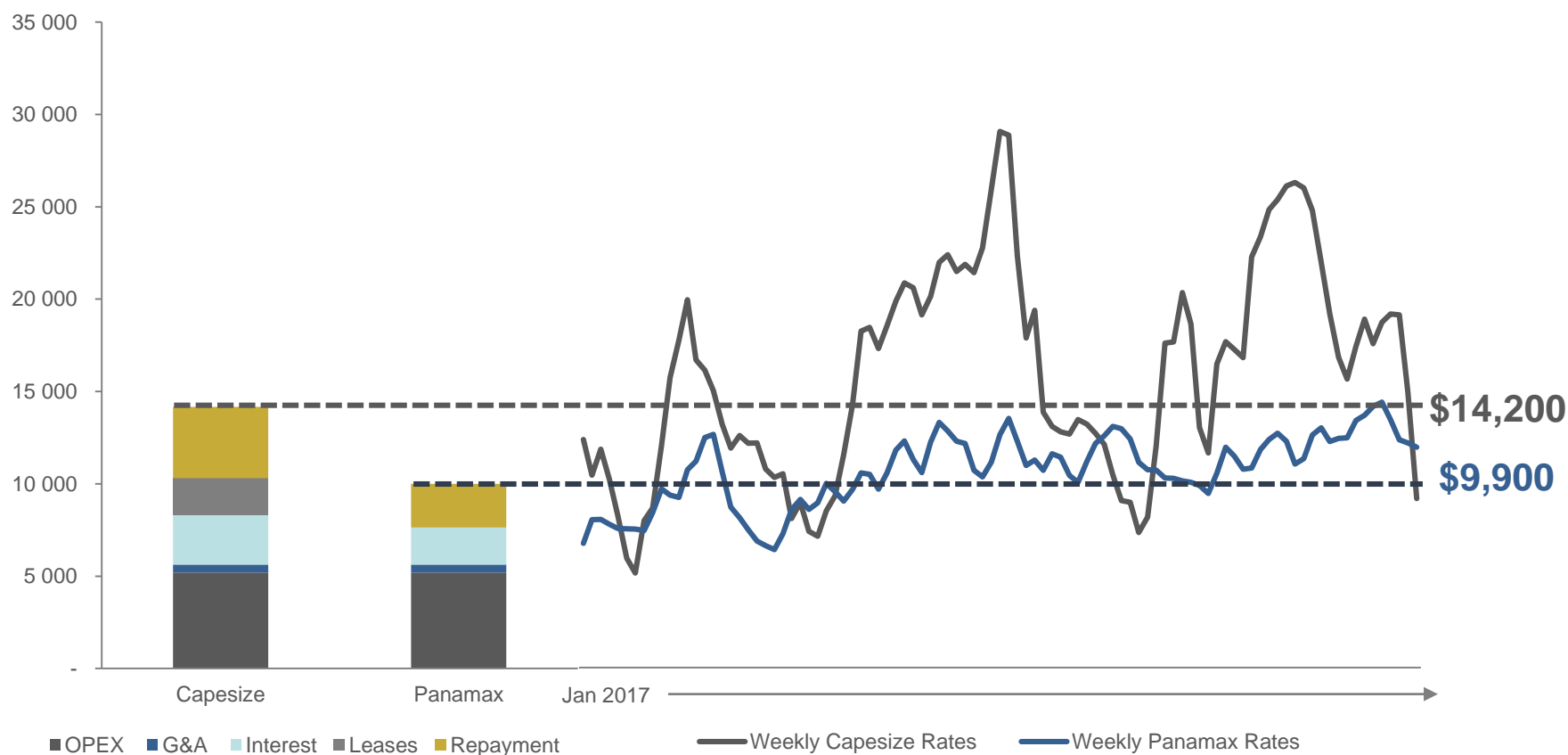
- Trade tensions reduce global trade
- Increase use of scrap steel and draw down of iron ore inventories in China
- Lower steel margins impact import / export volumes
- Economic activity decreases in China, leading to lower consumption of steel and energy
- New ordering increases fleet growth expectations for 2020+
- Valemax share of order book will add volatility

# COMPETITIVE CASH COST DRIVE EARNINGS AND PROTECTS DOWNSIDE



- Fully-burdened Opex includes dry docking and management fees
- G&A net of management fees are estimated to be approximately \$450 per day in 2018 on a fully delivered fleet of 77 vessels
- Average margin above LIBOR on bank financing is competitive at ~2.3% and majority of bank debt has 20 year profile (adjusted for year of age)

## CASH BREAK EVEN LEVELS VS. INDEXES<sup>(1)</sup>



(1) ESTIMATED CASH BREAK-EVEN LEVELS AT TODAY'S INTEREST LEVEL, INCLUDING FULL CASH-SWEEP FOR NON-RECOURSE DEBT AND EXCLUDING PROFITABLE CHARTERS WHICH WILL REDUCE THE CASH BREAK-EVEN FROM THESE LEVELS

SOURCE: CLARKSON'S



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## QUESTIONS & ANSWERS



THANK YOU FOR YOUR ATTENTION!



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