GOLDEN OCEAN™

# RESULTS Q1 - 2019

May 22, 2019

# FORWARD LOOKING STATEMENTS

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- 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 loss of $7.5 million** and net loss per share of $0.05 for the first quarter of 2019, compared with net income of $23.6 million and earnings per share of $0.16 for the fourth quarter of 2018

- Adjusted **EBITDA** in the first quarter of 2019 was **$36.0 million**, compared with $70.4 million in the fourth quarter of 2018

- Refinanced the non-recourse loans for 14 vessels, reducing interest expense and cash break even levels

- Invested in Singapore Marine, a newly-established dry bulk operator

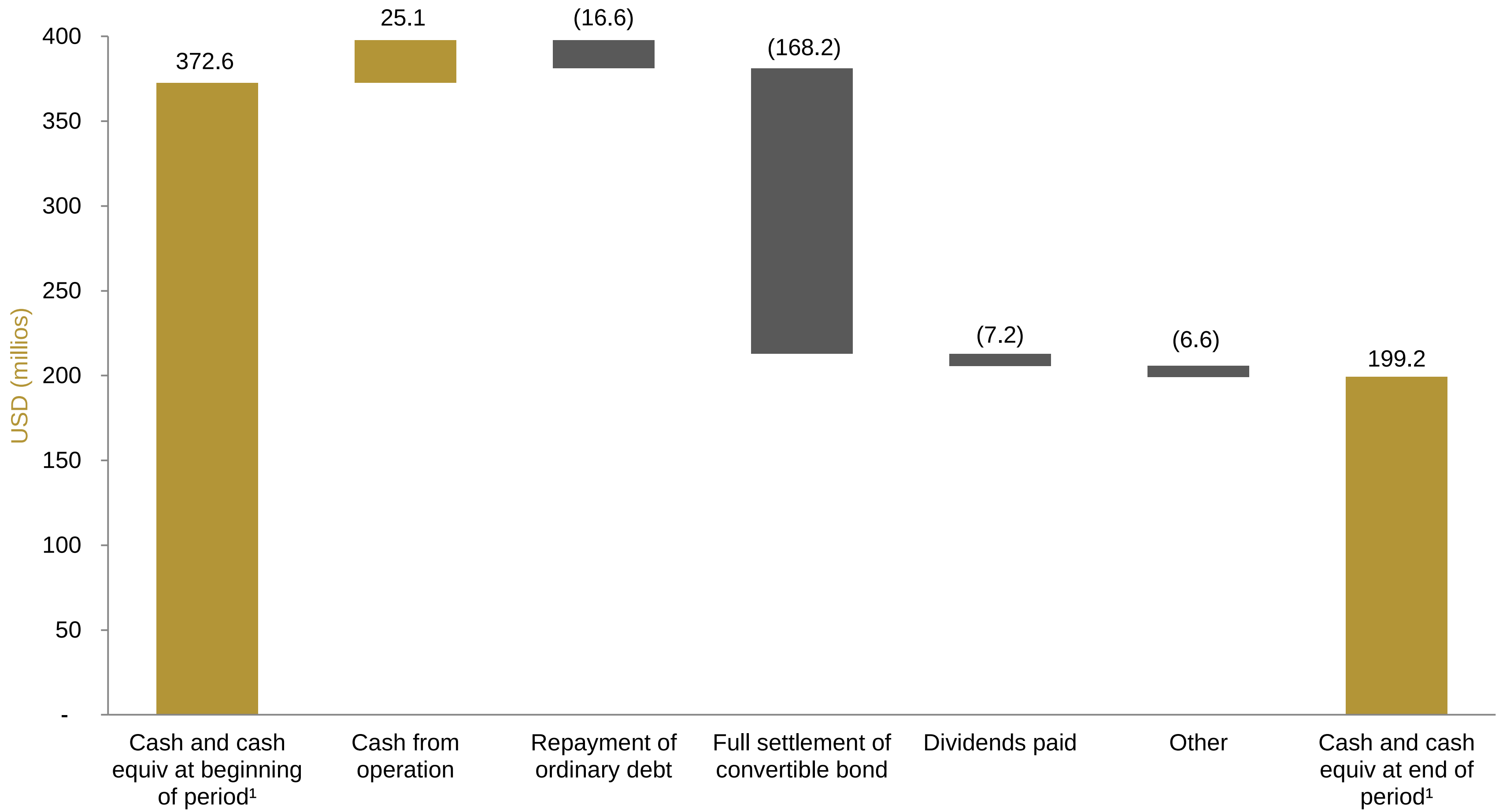
- Announces a cash **dividend of $0.025** per share for the first quarter of 2019

# PROFIT & LOSS

| (in thousands of $) | Q1 2019 | Q4 2018 | Quarterly Variance |
|---|---|---|---|
| Operating revenues | 126,956 | 177,175 | (50,219) |
| Voyage expenses | (34,199) | (44,059) | 9,860 |
| **Net revenues** | **92,757** | **133,116** | **(40,359)** |
| Ship operating expenses | (42,111) | (38,497) | (3,614) |
| Administrative expenses | (3,530) | (3,728) | 198 |
| Charter hire expenses | (15,788) | (24,992) | 9,204 |
| Depreciation / impairment | (22,875) | (23,333) | 458 |
| Other gains (losses) | - | 65 | (65) |
| **Net operating expenses** | **(84,304)** | **(90,485)** | **6,181** |
| **Net operating income (loss)** | **8,453** | **42,631** | **(34,178)** |
| Net financial expenses | (15,320) | (16,895) | 1,575 |
| Derivatives and other financial income (loss) | (560) | (1,956) | 1,396 |
| **Net income before taxation (loss)** | **(7,427)** | **23,780** | **(31,207)** |
| Income Tax expense | 38 | 194 | (156) |
| **Net income (loss)** | **(7,465)** | **23,586** | **(31,051)** |
| Earnings (loss) per share: basic and diluted | ($0.05) | $0.16 | ($0.21) |
| **Adjusted EBITDA** | **36,021** | **70,416** | **(34,395)** |
| **TCE per day** | **13,131** | **17,525** | **(4,394)** |

# CASH FLOW DURING THE QUARTER

## Q1 2019




[1] INCLUDES RESTRICTED CASH

# BALANCE SHEET

| (in thousands of $) | Q1 2019 | Q4 2018 | Quarterly Variance |
|---|---|---|---|
| **ASSETS** | | | |
| **Short term** | | | |
| Cash and cash equivalents (incl. restricted cash) | 153,036 | 325,624 | (172,588) |
| Other current assets | 132,252 | 135,611 | (3,359) |
| **Long term** | | | |
| Restricted cash | 46,115 | 46,981 | (866) |
| Vessels (incl. newbuildings and held-for-sale) | 2,384,506 | 2,406,456 | (21,950) |
| Operating leases, right of use assets, net | 201,124 | - | 201,124 |
| Other long term assets | 19,992 | 36,684 | (16,692) |
| **Total assets** | **2,937,025** | **2,951,354** | **(14,329)** |

| | | | |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Short term** | | | |
| Current portion of long term debt and capital lease | 311,379* | 477,413 | (166,034) |
| Current portion of operating leases | 22,072 | - | 22,072 |
| Other current liabilities | 64,616 | 64,087 | 529 |
| **Long term** | | | |
| Long term debt and capital lease | 857,287 | 879,063 | (21,776) |
| Non-current portion of operating lease obligations | 170,976 | - | 170,976 |
| Other long term liabilities | - | 7,278 | (7,278) |
| **Equity** | 1,510,695 | 1,523,512 | (12,817) |
| **Total liabilities and equity** | **2,937,025** | **2,951,354** | **(14,329)** |

*INCLUDES $81.7 MILLION RELATED TO NON-RECOURSE LOAN FACILITIES WHICH WERE REFINANCED IN APRIL AND MAY 2019

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# RECENT UPDATES TO CREDIT FACILITIES

### Extended $420 million debt facility

- Maturity for facility financing 14 vessels extended by three years
- Separate tranche added for up to 11 scrubber installations
- Each scrubber financed with up to $3 million
- Repaid over three years, starting January 2020
- Extension and scrubber tranche at same terms and covenants as existing facility

### Refinanced debt facilities totaling $221.1 million

- Three non-recourse facilities financing 14 vessels replaced by two new facilities with more favorable terms:

**$93.75 million for 5 vessels**

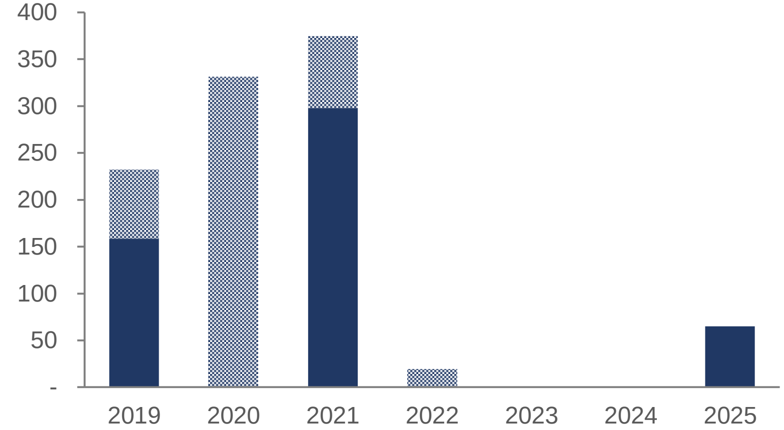
- Five year tenor
- 19 year profile
- Margin of LIBOR + 215 bps

**$131.79 million for 9 vessels**

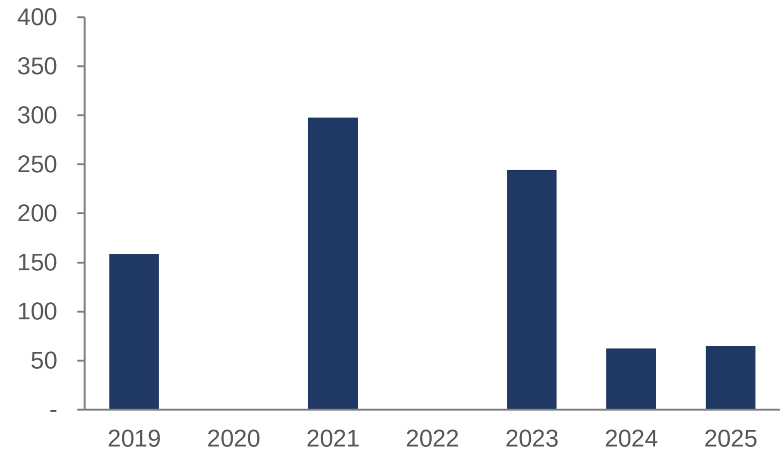
- Five year tenor
- 19 year profile
- Margin of LIBOR + 210 bps

- Fully guaranteed by GOGL and covenants aligned with remaining debt
- Lower margin and longer profile reduce cash break even for the 14 vessels with 1,300 $/d and 200 $/d for the entire fleet

## DEBT MATURITIES BEFORE REFINANCING




## DEBT MATURITIES AFTER REFINANCING

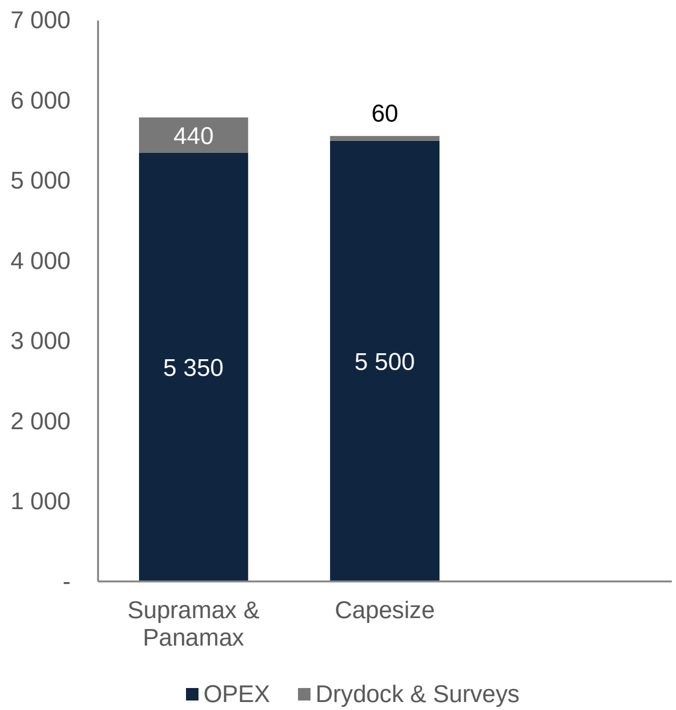



NOTE: $93.75MN FACILITY IS FULL DRAWN; DOCUMENTATION COMPLETED FOR $131.79MN FACILITY

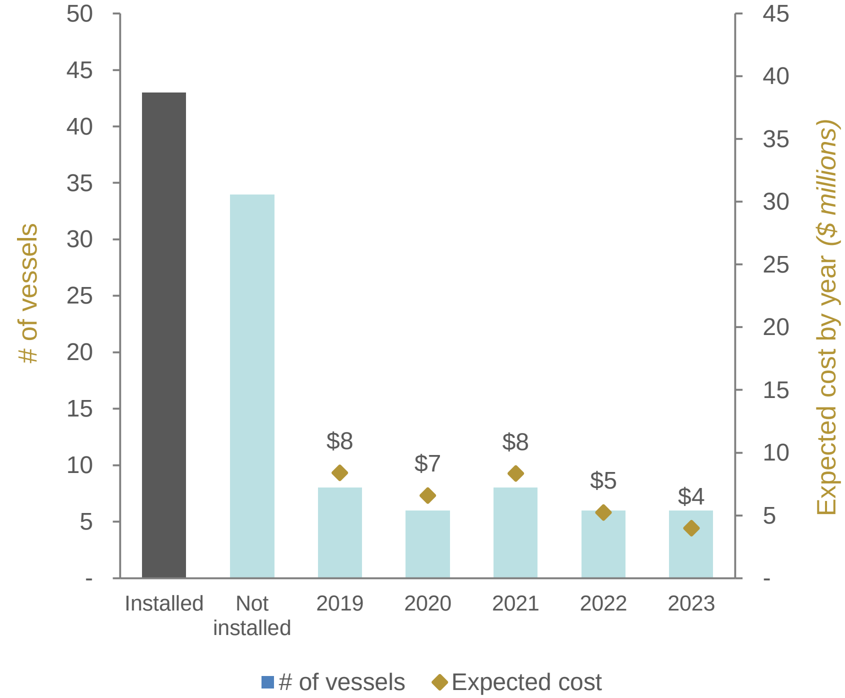
# MODERN, EFFICIENT FLEET

- Fully-burdened Opex includes dry docking and management fees
- One vessel completed dry dock in Q1 2019, which included installation of BWTS
- Additional 18 vessels, two Panamax and 16 Capesize vessels, are scheduled for dry-dock in 2019
- Average fleet age of less than six 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 2019)




## BWTS INSTALLATION SCHEDULE



# SCRUBBERS FURTHER INCREASE COMPETITIVE ADVANTAGE UNDER NEW SULPHUR CAPS

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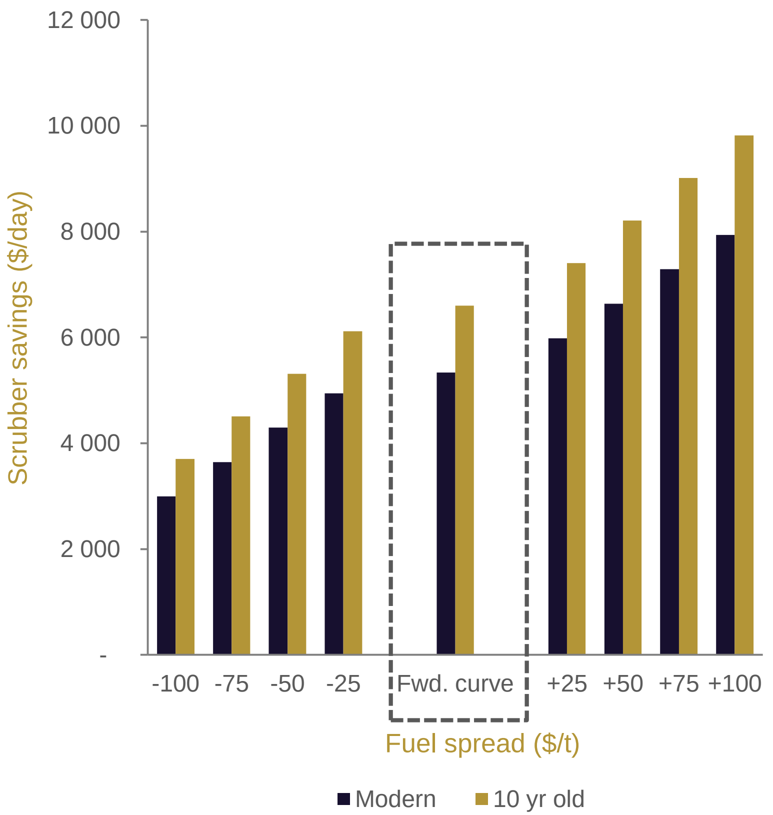
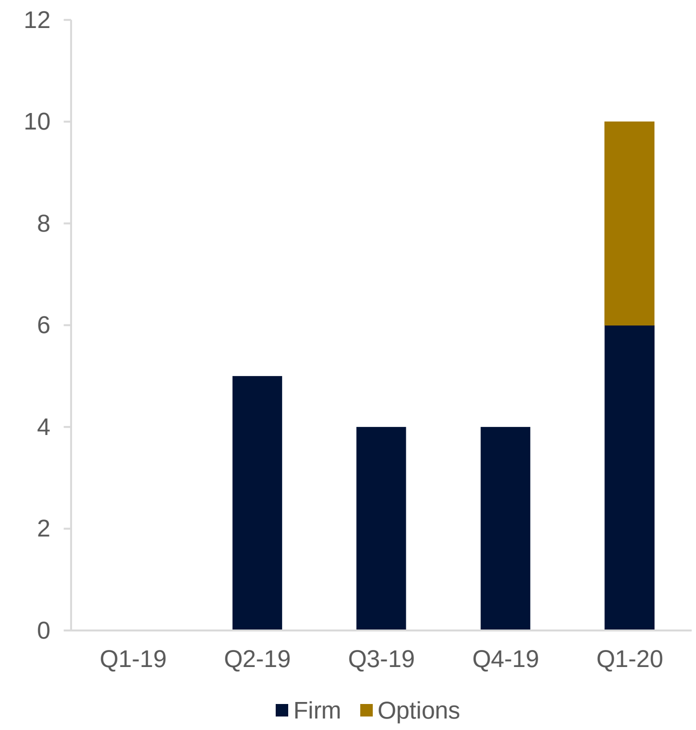
- Golden Ocean's fleet of Capesize vessels has an average age of less than six years
- The Company signed contracts to install 19 exhaust gas scrubbers on Capesize vessels with options for four additional vessels; installations to coincide with scheduled dry docks in 2019 and 2020
- Strategic investment decision creates a further competitive advantage as new regulations on sulphur emissions come into effect in 2020

## POTENTIAL SCRUBBER ADVANTAGE




## SCRUBBER INSTALLATION SCHEDULE

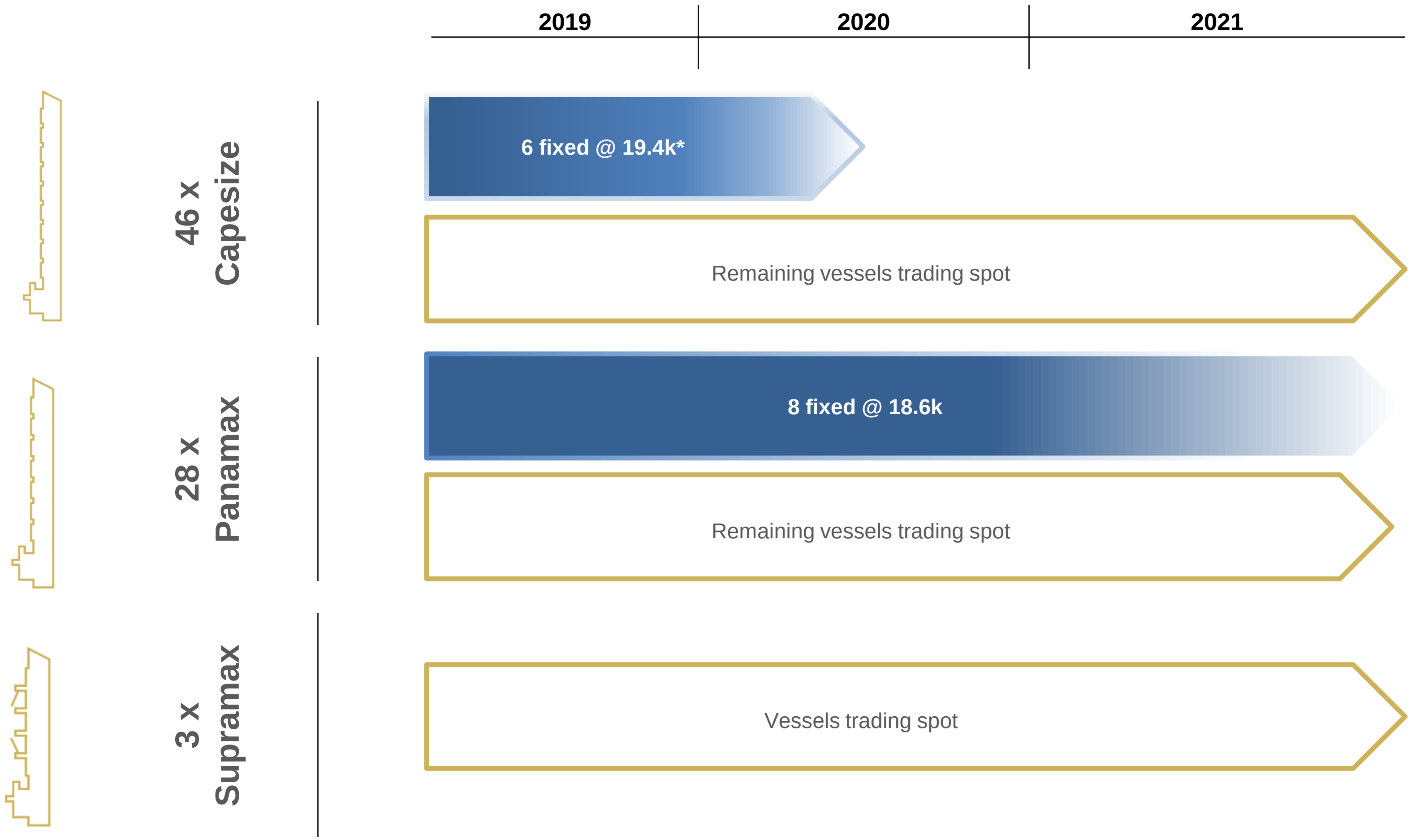



NOTE: COMPLIANT FUEL PRICE ESTIMATED 1:2 FO:GASOIL BLEND; ASSUMES MODERN AND 10 YR OLD VESSELS CONSUME 9,500 AND 11,750 MT, RESPECTIVELY, OF FUEL ANNUALLY

# FLEET DEPLOYMENT

Opportunistic chartering strategy with significant operating leverage

## CHARTERING PROFILE



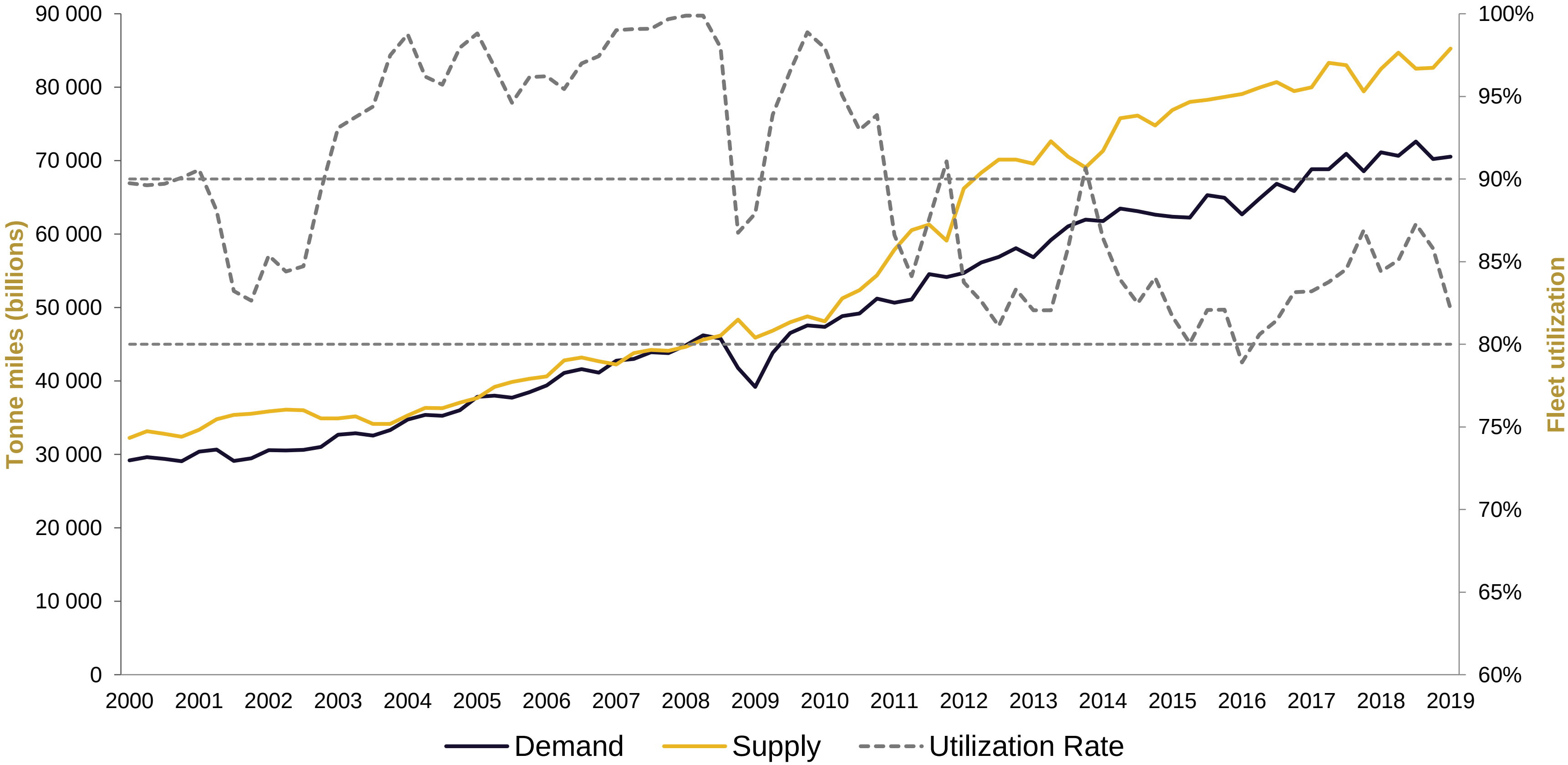

NOTE: CHARTERING PROFILE AS OF MAY 2019; EIGHT PANAMAX CHARTERS EXPIRE BETWEEN END OF 2019 AND END OF 2021.
*IN ADDITION FIVE CAPESIZE VESSELS HAVE FLOOR / CEILING CONTRACTS FOR 2019 AND TWO VESSELS FOR 2020

# DRY BULK MARKET UPDATE

# DRY BULK SUPPLY / DEMAND & UTILIZATION

Utilization declined to ~82% in the first quarter as seasonal weakness was more pronounced following normal q1 fleet growth, easing up of congestion and shorter trade routes

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

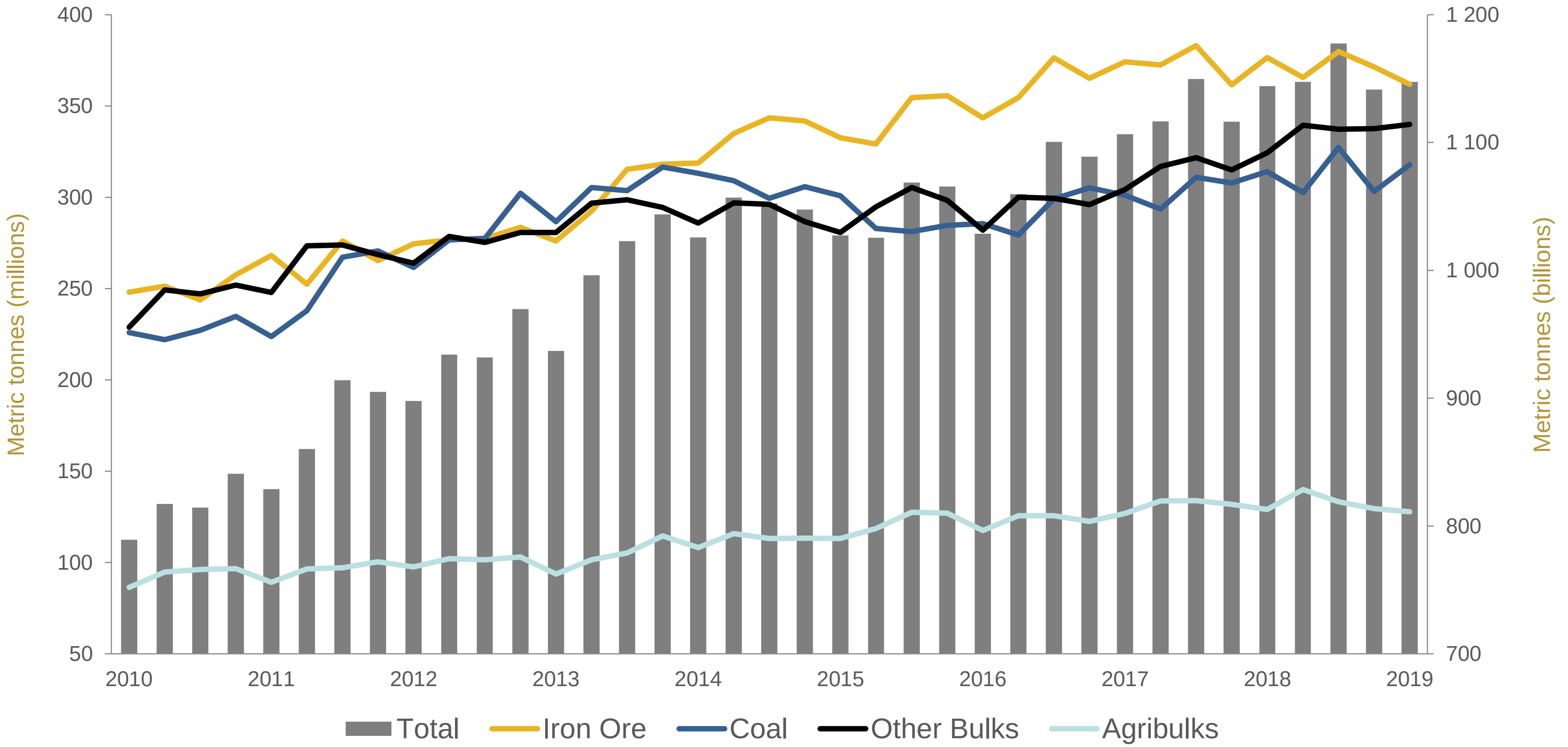



SOURCE: MARITIME ANALYTICS

# LOSS OF IRON ORE EXPORTS REFLECTED IN VOLUMES

Volumes grew slightly year-over-year despite ~15mn metric tonne decrease in iron ore volumes

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




SOURCE: MARITIME ANALYTICS

# DECLINE IN BRAZIL IRON ORE PRODUCTION WILL BE REFLECTED IN Q2 2019 EXPORT FIGURES

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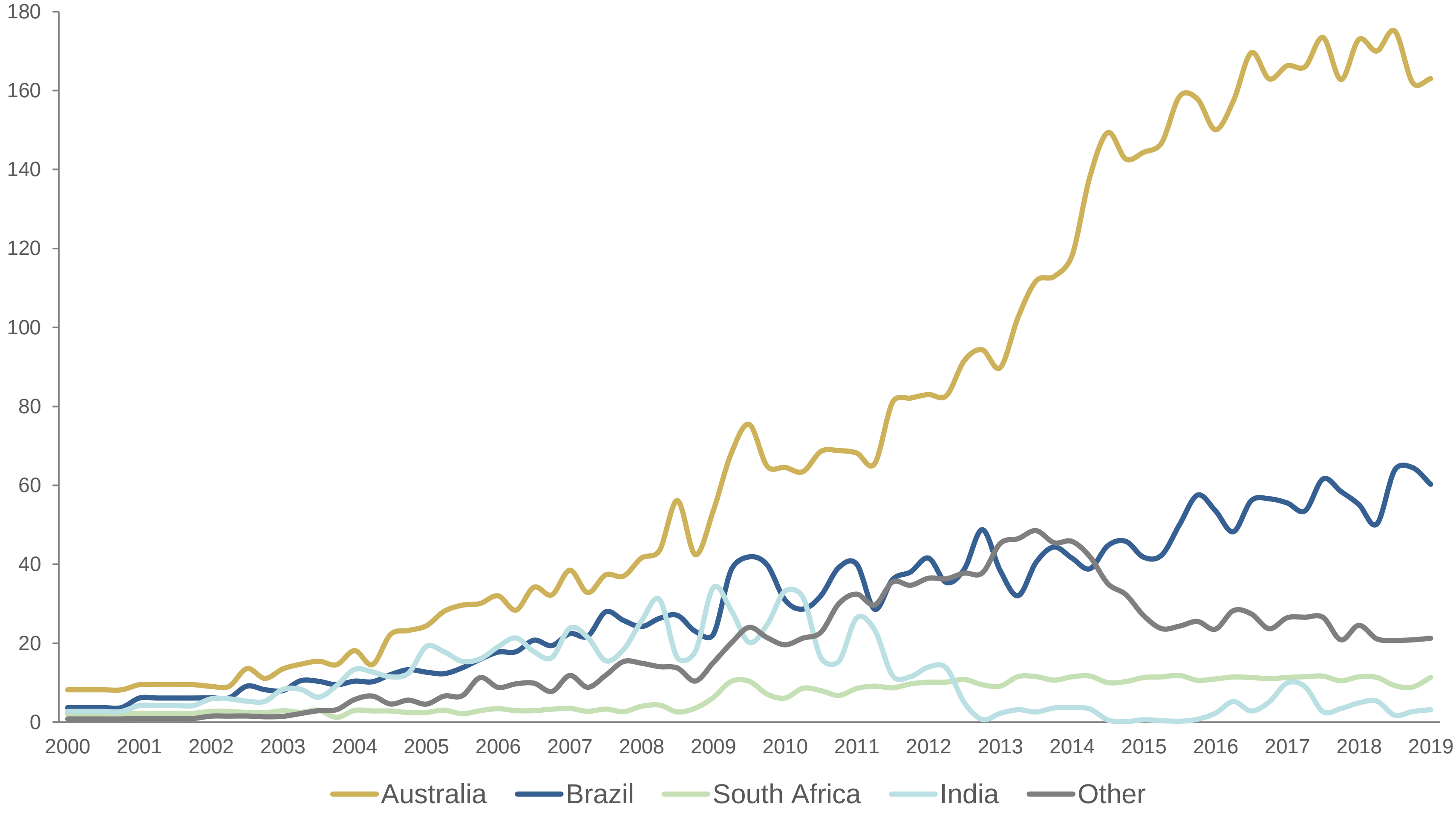
## QUARTERLY EXPORTED IRON ORE VOLUMES PER COUNTRY




SOURCE: MARITIME ANALYTICS; DISPLAYS VOLUMES BY QUARTER; 2019 PRODUCTION BASED ON CURRENTLY AVAILABLE MARKET ESTIMATES

# STEEL MARGINS HAVE STABILIZED SINCE THE START OF THE YEAR DESPITE INCREASE IN IRON ORE PRICES

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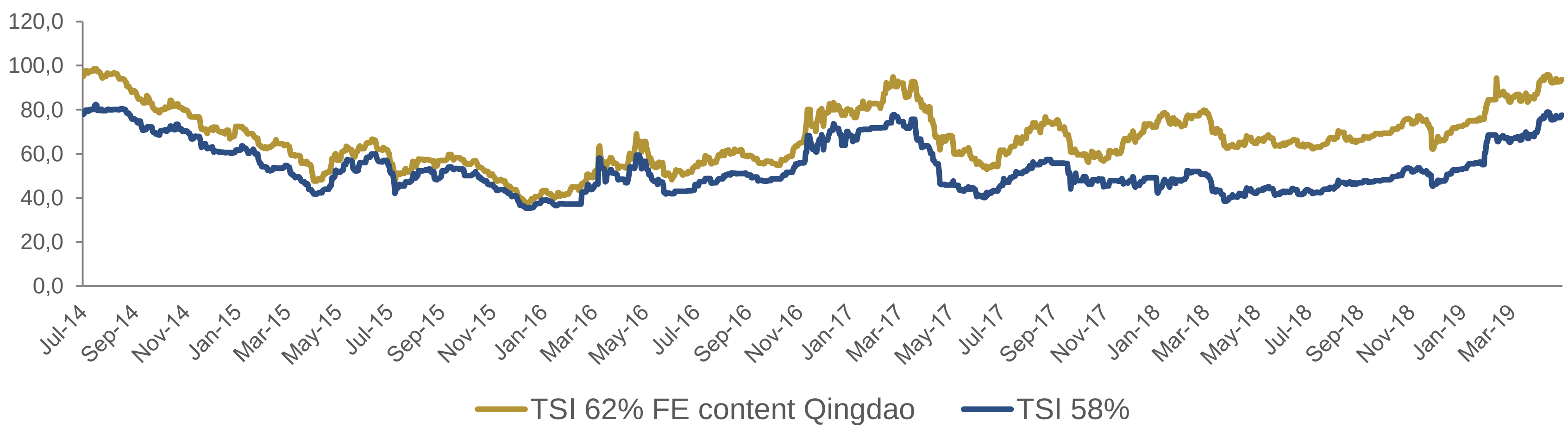
## GROSS PROFIT (STEEL PRICE MINUS COST OF COKING COAL AND IRON ORE; ALL PRICES SPOT)


## IRON ORE PRICE DIFFERENTIALS

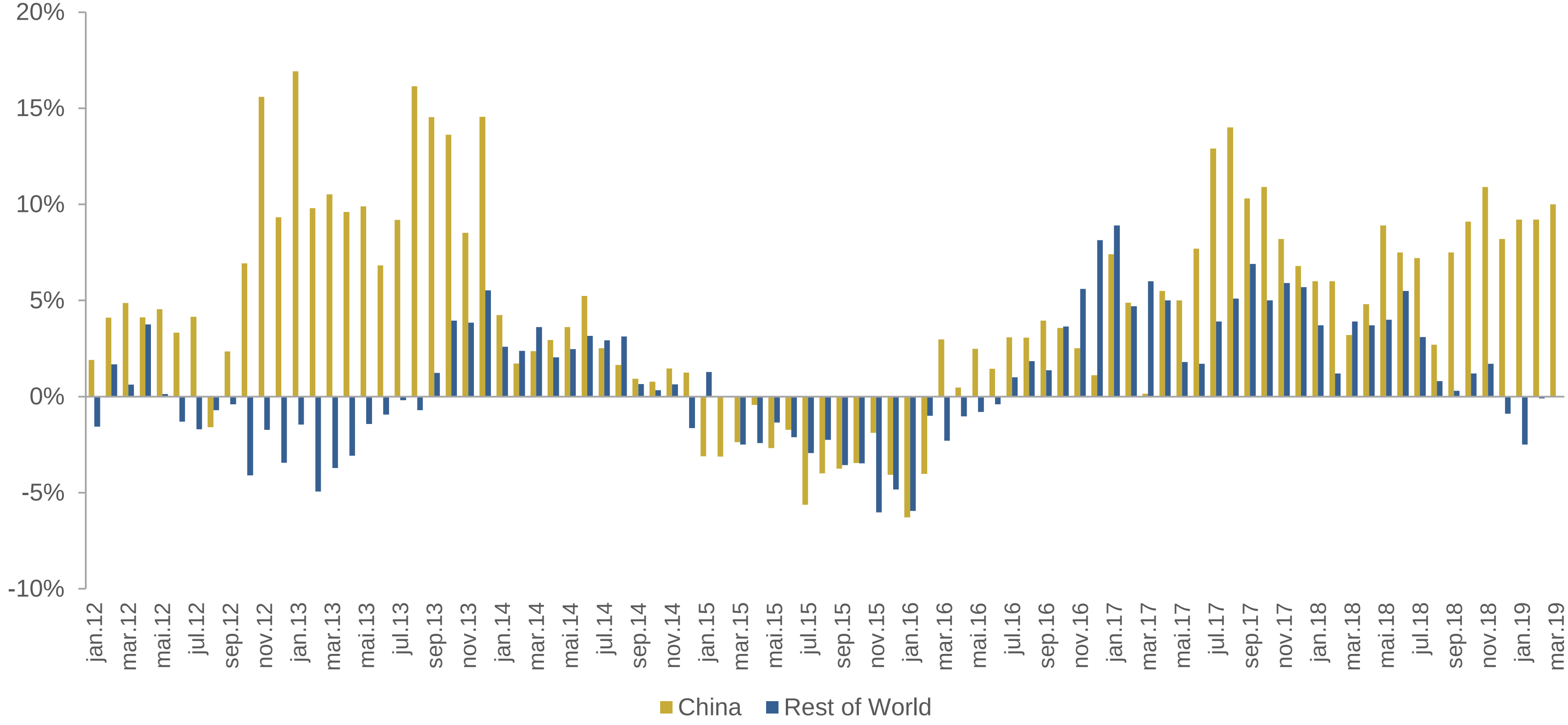



SOURCE: SSY, STORMGEO, NENA ANALYTICS

# WORLD STEEL PRODUCTION TRENDS

Chinese steel production growth remained strong, while the rest of the world was unchanged year over year

## ANNUAL CHANGE IN STEEL PRODUCTION




SOURCE: SSY

# INDIAN COAL IMPORTS HAVE GROWN EACH OF THE PAST FIVE QUARTERS AND ARE UP 15% YEAR-OVER-YEAR

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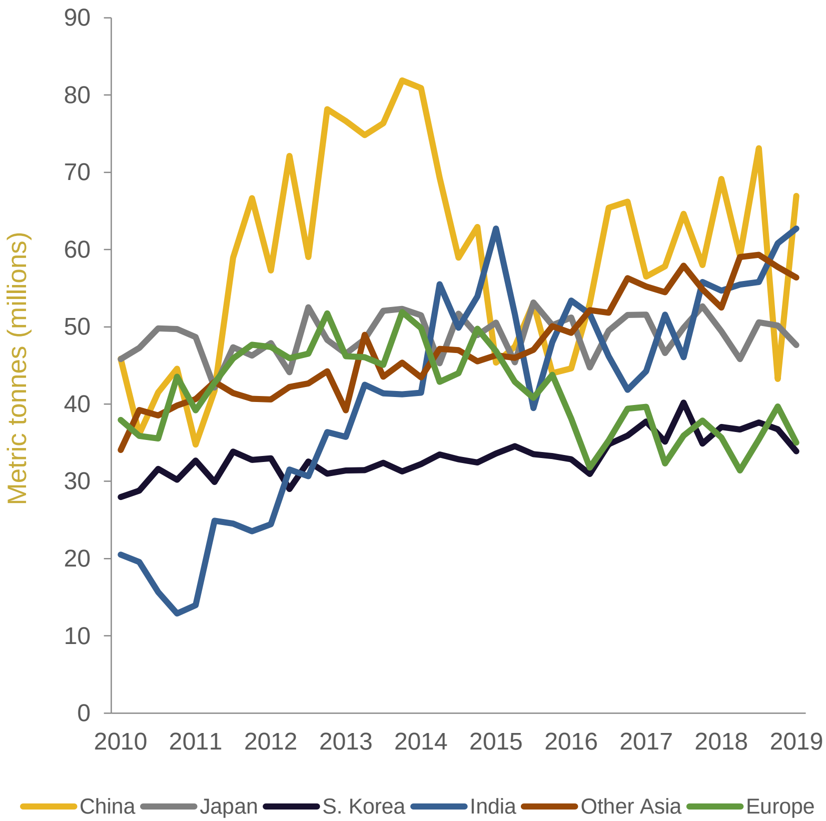
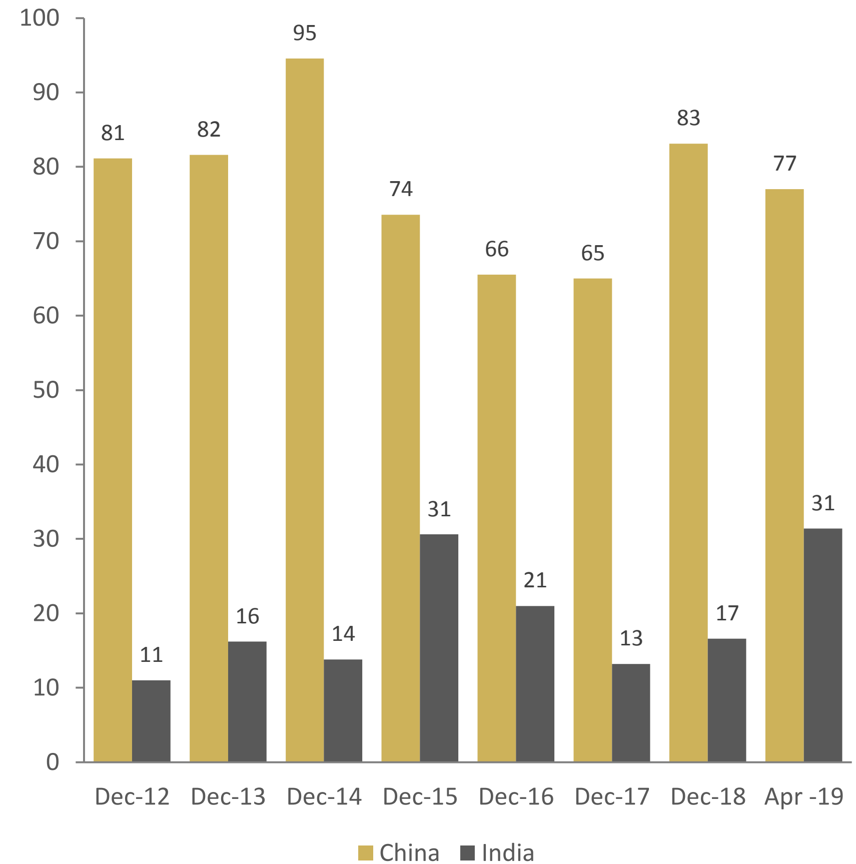
## COAL IMPORTS BY MAJOR IMPORTERS




## CHINA AND INDIA COAL INVENTORIES




SOURCE: MARITIME ANALYTICS, COMMODORE RESEARCH

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

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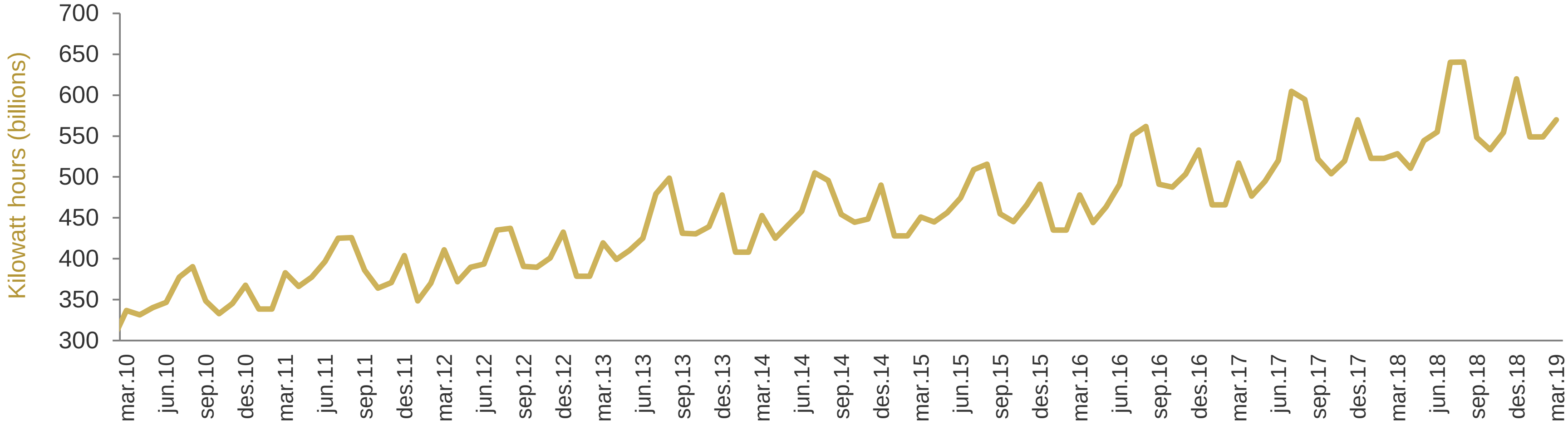
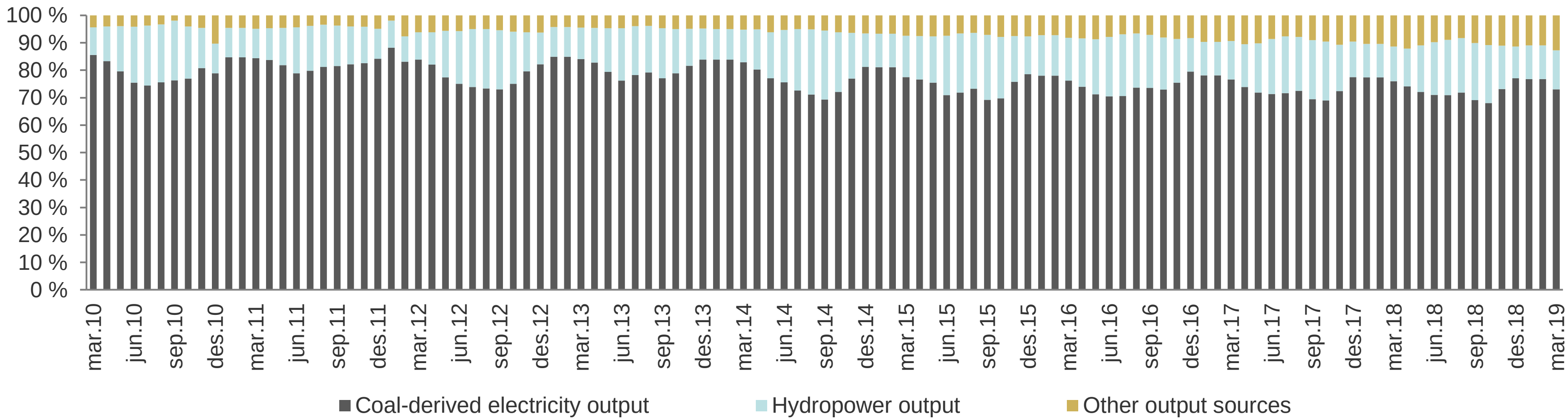
## CHINESE ELECTRICITY OUTPUT




## CHINESE ELECTRICITY OUTPUT BY SOURCE




SOURCE: COMMODORE RESEARCH / NARIONAL BUREAU OF STATISTICS OF CHINA

# U.S. GRAIN EXPORTS CONTINUE TO BE DISRUPTED BY TRADE TENSIONS

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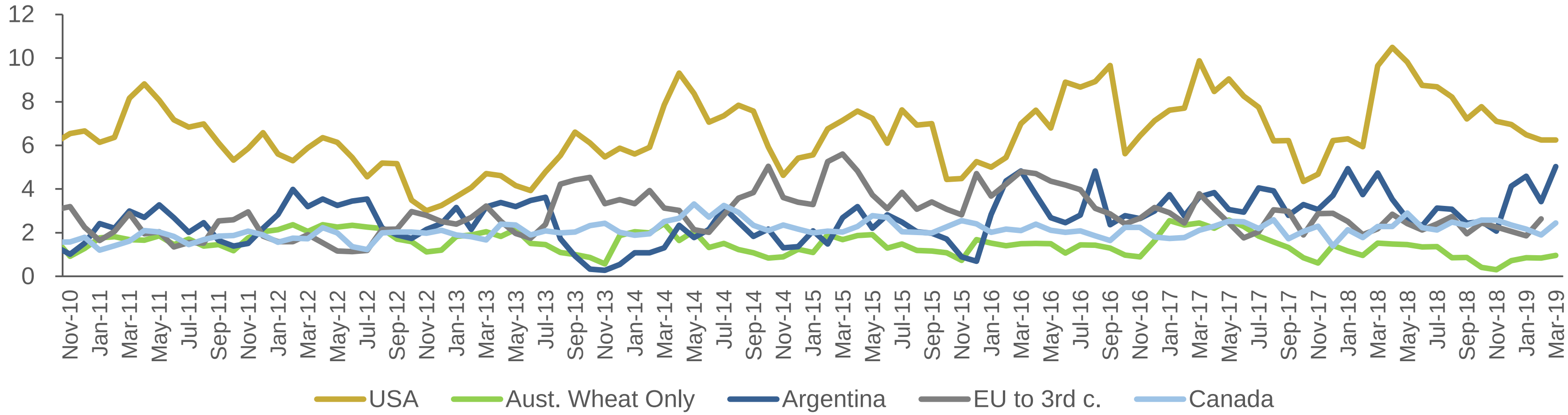
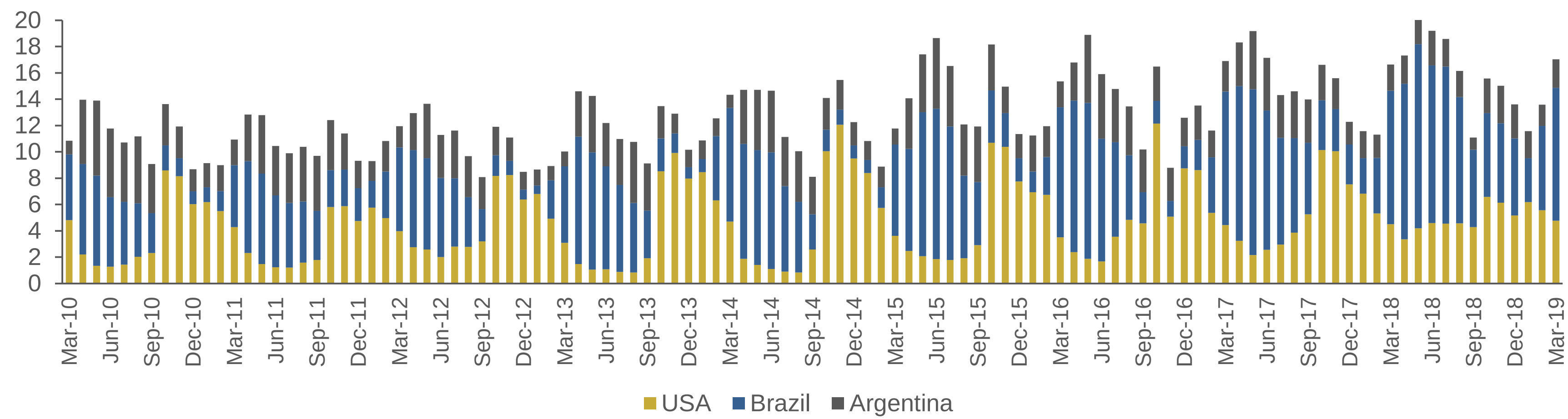
## GRAIN EXPORTS BY SOURCE



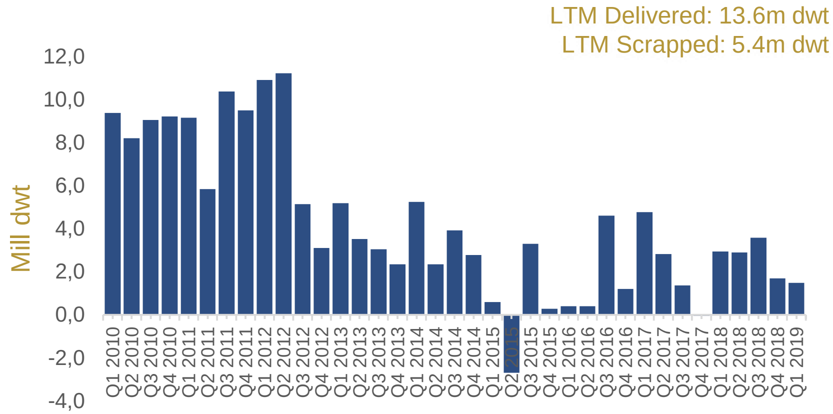

## SOYBEAN AND SOYBEAN MEAL EXPORTS BY SOURCE



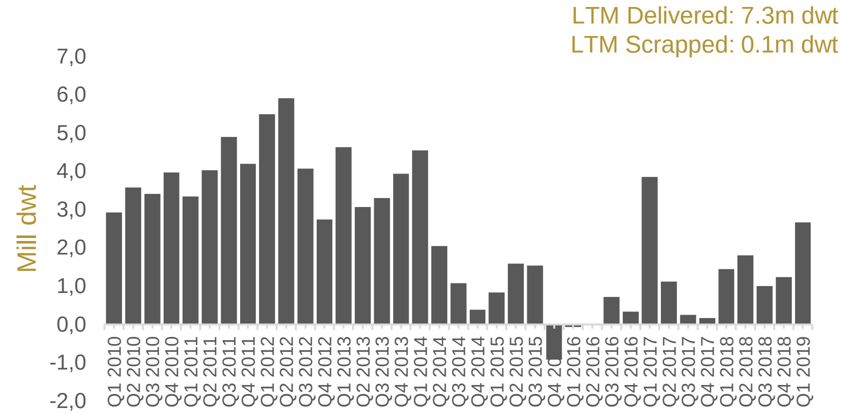

SOURCE: FEARNRESEARCH

# CAPESIZE FLEET GROWTH SLOWING AS SCRAPPING ACCELERATES

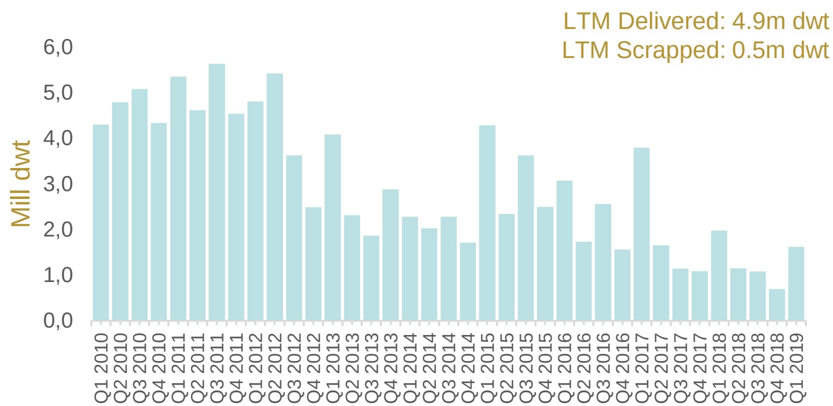
## CAPESIZE



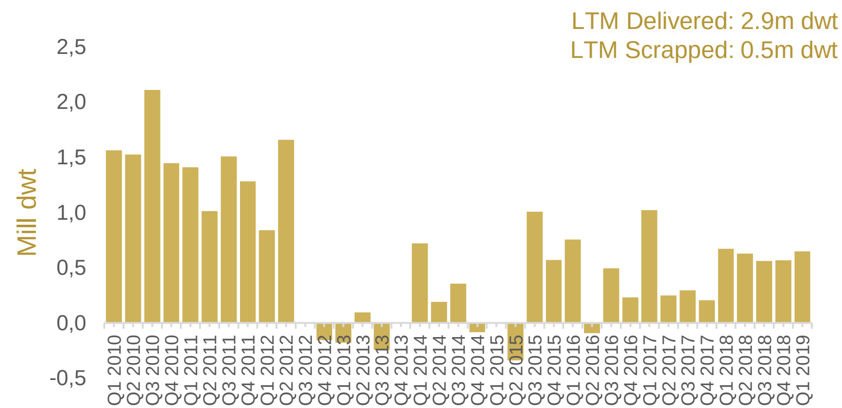

## PANAMAX / POST-PANAMAX




## HANDYMAX / SUPRAMAX




## HANDYSIZE

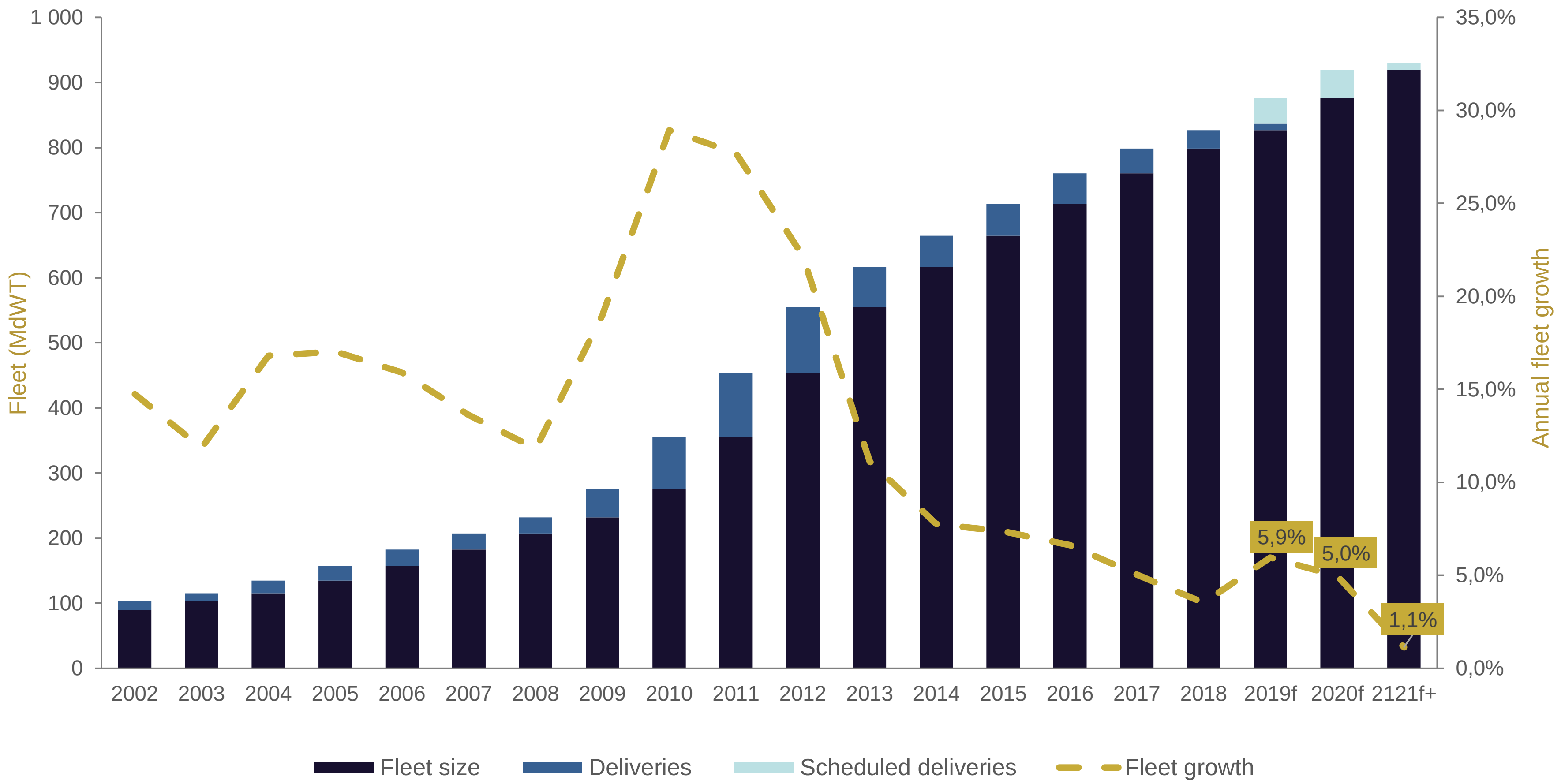



SOURCE: CLARKSONS PLATOU

# PROJECTED FLEET GROWTH IS MODERATE VERSUS HISTORCAL LEVELS

High likelihood that some 2019 deliveries are cancelled or pushed out to 2020; limited ordering and scrapping ahead of regulations is expected

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

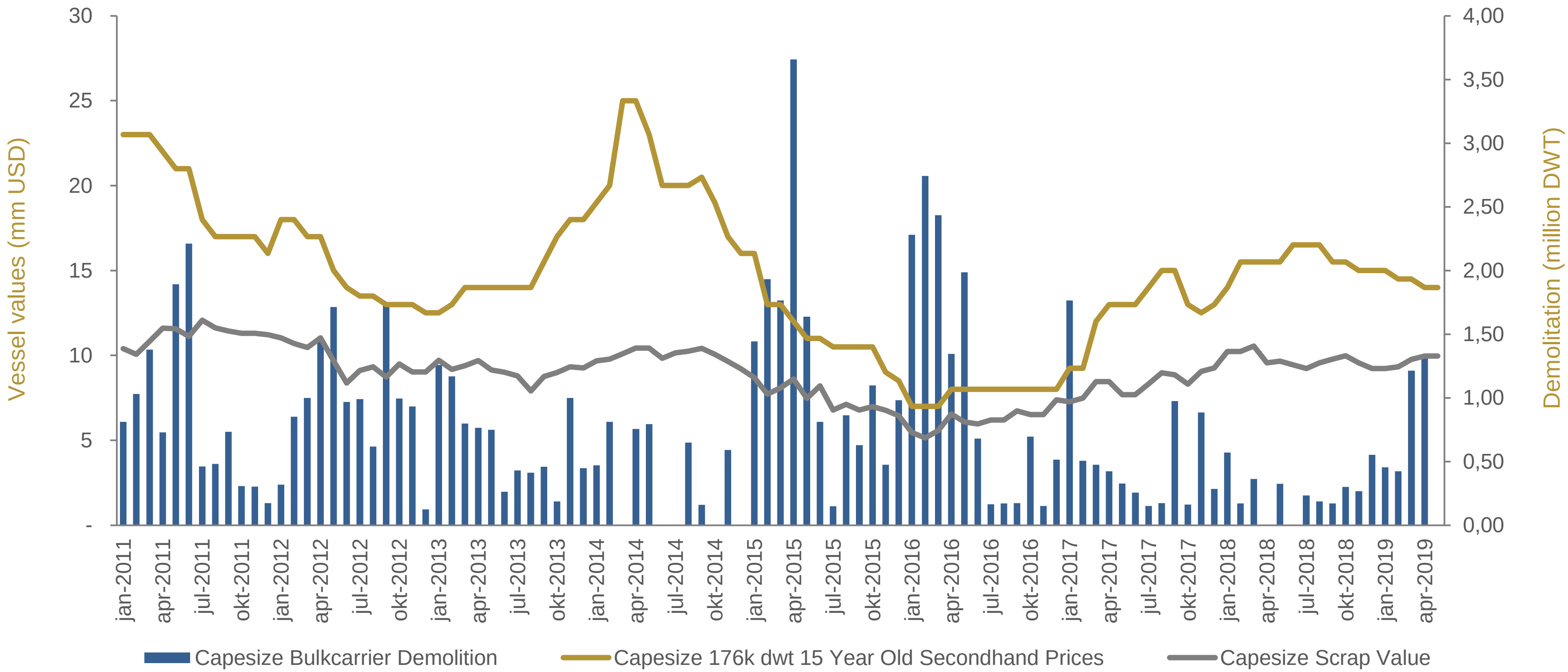



SOURCE: SSY

# DEMOLITION ACTIVITY HAS INCREASED

Demolition has increased in 2019 driven by weaker of freight rates and reduced differential between resale prices and scrap value

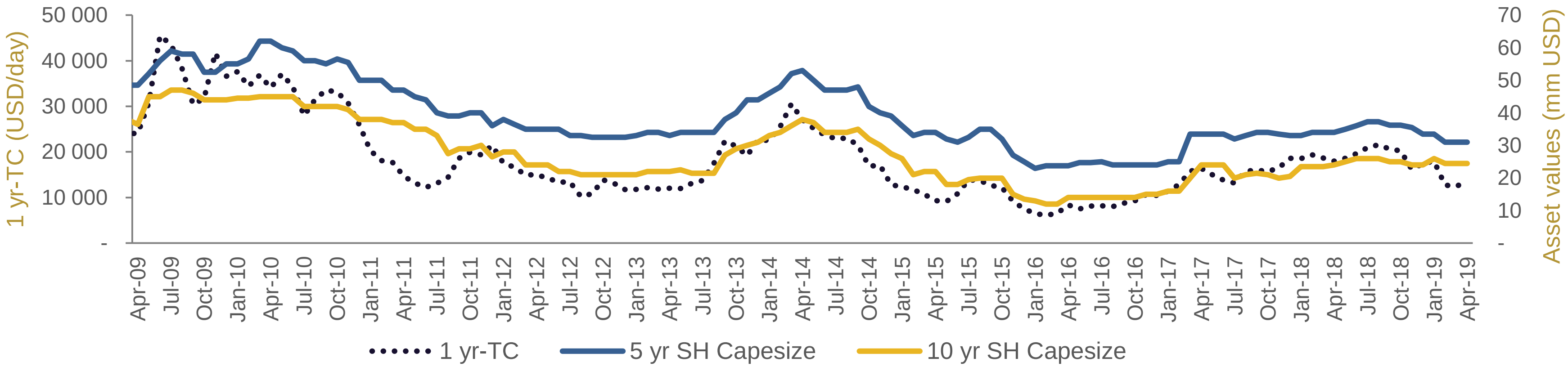
## CAPESIZE DEMOLITION AND VESSEL VALUES



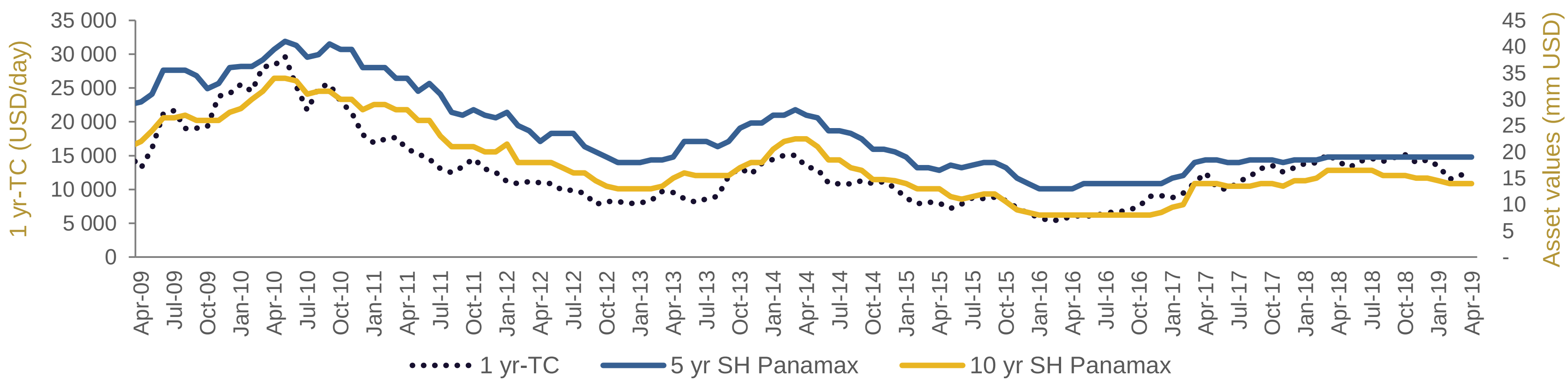

SOURCE: CLARKSONS

# S&P PRICES TRENDING DOWN, ACTIVITY REMAINS LIMITED

## CAPESIZE VALUES AND EARNINGS




## PANAMAX VALUES AND EARNINGS

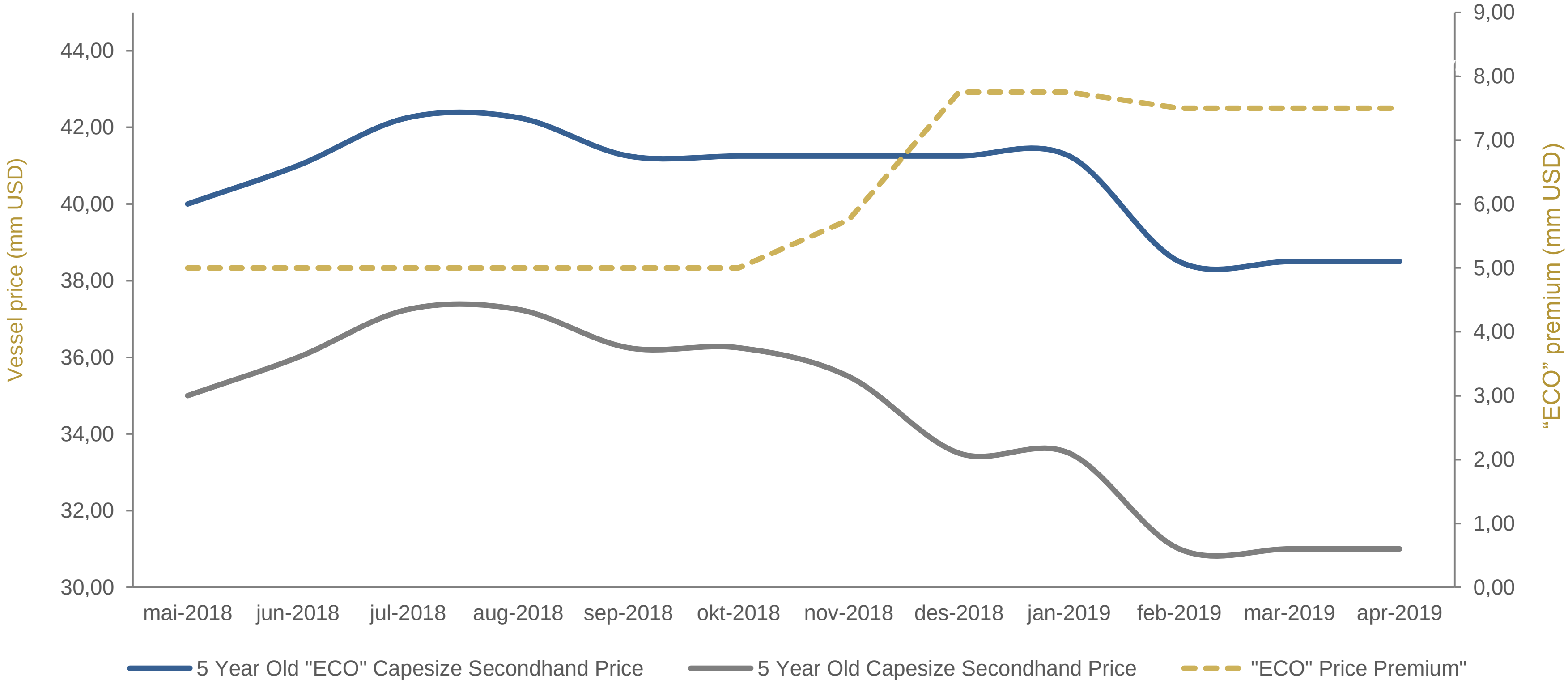



SOURCE: CLARKSONS PLATOU

# INCREASING PREMIUM FOR MODERN VESSELS

"ECO" vessel premium has increased while older vessels lose value as fuel price is set to become an even more important factor in 2020

## CAPESIZE DEMOLITION AND VESSEL VALUES




SOURCE: CLARKSONS

# OUTLOOK AND STRATEGY

# MARKET UNCERTAINTY AND VOLATILITY HAS FORCED CORRECTIVE ACTION AND RESTRAINT

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## UPSIDE POTENTIAL

- China implements additional stimulus measures to support growth and/or offset potential impact of tariffs
- Iron ore supply comes back, lowering iron ore prices and reversing stock drawdowns
- Trade tensions ease, removing significant uncertainty and returning US soybean trade to normal levels
- Coal imports to China rebound as restrictions are lifted and imports to India and Other Asia continue to grow
- Older vessels are scrapped ahead of investments required to meet BWTS or remain economical following sulphur emissions regulations
- Effective capacity is constrained ahead of IMO 2020 due to cleaning of fuel tanks, availability of fuel and offhire for scrubber installations

## DOWNSIDE RISKS

- Longer term reduction of iron ore volumes from Brazil if Vale is not able to recoup production losses
- Unresolved trade tensions cause global trade to slow
- Economic activity decreases in China, leading to lower consumption of steel and coal
- Reduced amount of coal in the energy mix in China and other countries
- Slippage removed from the orderbook and fleet size grows materially
- Valemax share of order book increases market volatility

# COMPETITIVE CASH COST DRIVE EARNINGS AND PROTECTS DOWNSIDE

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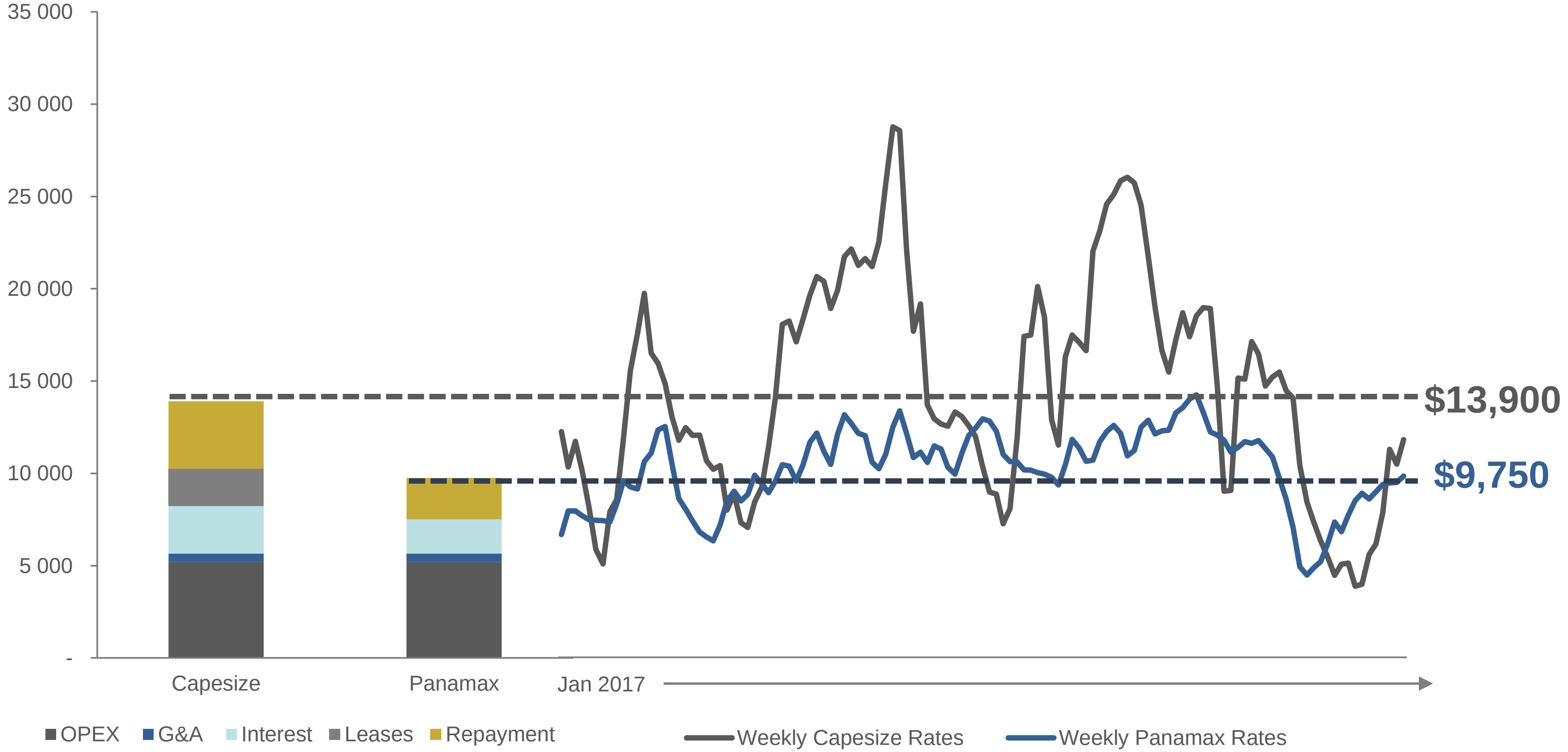
- Fully-burdened Opex includes dry docking and management fees
- G&A net of management fees are estimated to be approximately $450 per day on a fleet of 77 vessels
- Average margin above LIBOR on bank financing is competitive at ~2.3% and majority of bank debt has 20 year profile (adjusted for year of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

## CASH BREAKEVEN LEVELS VS. INDEXES(1)




(1) ESTIMATED CASH BREAKEVEN LEVELS AT TODAYS INTEREST LEVEL, EXCLUDING PROFITABLE CHARTERS WHICH WILL REDUCE THE CASH BREAKEVEN FROM THESE LEVELS

SOURCE: CLARKSONS

# QUESTIONS & ANSWERS

# THANK YOU FOR YOUR ATTENTION!

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