

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.  
For the fiscal year ended December 31, 2019
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Date of event requiring this shell company report \_\_\_\_\_

Commission file number

000-29106

**Golden Ocean Group Limited**

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Bermuda

(Jurisdiction of incorporation or organization)

Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda

(Address of principal executive offices)

James Ayers, Telephone: (1) 441 295 6935, Facsimile: (1) 441 295 3494,  
Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act

<i>Title of each class</i>	<i>Trading Symbol</i>	<i>Name of each exchange on which registered</i>
Common Shares, Par Value \$0.05 Per Share	GOGL	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

*143,277,697 Common Shares, Par Value \$0.05 Per Share*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes

No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this annual report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995, or the PSLRA, provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements 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.

We are taking advantage of the safe harbor provisions of the PSLRA and are including this cautionary statement in connection therewith. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. This annual report includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. When used in this document, the words "believe," "expect," "anticipate," "estimate," "intend," "plan," "targets," "projects," "likely," "will," "would," "could," "seeks," "potential," "continue," "contemplate," "possible," "might," "forecasts," "may," "should" and similar expressions or phrases may identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. 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. As a result, you are cautioned not to rely on any forward-looking statements.

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 among other things:

- our future operating or financial results;
- our continued borrowing availability under our debt agreements and compliance with the covenants contained therein;
- changes in credit risk with respect to our counterparties on contracts;
- the failure of contract counterparties to meet their obligations;
- the impact of the expected discontinuance of LIBOR after 2021 on interest rates of our debt that reference LIBOR;
- our ability to procure or have access to financing, our liquidity and the adequacy of cash flows for our operations;
- fluctuations in the contributions of our joint ventures to our profits and losses;
- our ability to successfully employ our dry bulk vessels;
- changes in our operating expenses, including bunker prices, fuel prices (including increased costs for low sulfur fuel), dry docking, crewing and insurance costs;
- the adequacy of our insurance to cover our losses;
- our ability to replace our operating leases on favorable terms, or at all;
- our ability to fund future capital expenditures and investments in the construction, acquisition and refurbishment of our vessels (including the amount and nature thereof and the timing of completion of vessels under construction, the delivery and commencement of operation dates, expected downtime and lost revenue);
- planned, pending or recent acquisitions, business strategy and expected capital spending or operating expenses, including drydocking, surveys, upgrades and insurance costs;
- risks associated with any future vessel construction;
- our expectations regarding the availability of vessel acquisitions and our ability to complete acquisition transactions planned;
- our ability to renew our time charters when they expire or to enter into new time charters;
- competition within our industry and our ability to compete effectively for charters with companies with greater resources;
- the loss of a large customer or significant business relationship;
- the potential for technological innovation to reduce the value of our vessels and charter income derived therefrom;
- the impact of an interruption in or failure of our information technology and communications system upon our ability to operate;
- vessel breakdowns and instances of off-hire;
- potential conflicts of interest involving members of our board of directors and senior management;
- our ability to attract, retain and motivate key employees;
- work stoppages or other labor disruptions by our employees or the employees of other companies in related industries;

- potential liability from pending or future litigation;
- the impact of government inquiries and investigations;
- the arrest of our vessels by maritime claimants;
- government requisition of our vessels during a period of war or emergency;
- potential exposure or loss from investment in derivative instruments;
- the highly cyclical nature of the industry that we operate in;
- general dry bulk shipping market trends, including fluctuations in charter hire rates and vessel values;
- changes in supply and demand in the dry bulk shipping industry, including the market for our vessels and the number of newbuildings under construction;
- the strength of world economies;
- stability of Europe and the Euro;
- fluctuations in interest rates and foreign exchange rates;
- governmental claims against us;
- our compliance with complex laws, regulations, including environmental laws and regulations and the U.S. Foreign Corrupt Practices Act of 1977;
- changes in seaborne and other transportation;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- the impact of public health threats and outbreaks of other highly communicable diseases;
- general domestic and international political and geopolitical conditions;
- the impact of adverse weather and natural disasters;
- any further changes in U.S. trade policy that could trigger retaliatory actions by affected countries;
- potential disruption of shipping routes due to accidents or political events;
- acts of piracy on ocean-going vessels, terrorist attacks and international hostilities and instability;
- the current outbreak of the coronavirus COVID-19; and
- other factors discussed in "Item 3. Key Information - D. Risk Factors."

We caution readers of this report not to place undue reliance on these forward-looking statements, which speak only as of their dates. Except to the extent required by applicable law or regulation, we undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

*On October 7, 2014, Knightsbridge Shipping Limited, or Knightsbridge, and Golden Ocean Group Limited, or the Former Golden Ocean, entered into an agreement and plan of merger, or the Merger Agreement, pursuant to which the two companies agreed to merge, or the Merger, with Knightsbridge serving as the surviving legal entity. The Merger was completed on March 31, 2015, and the name of Knightsbridge was changed to Golden Ocean Group Limited. The Merger has been accounted for as a business combination using the acquisition method of accounting, with us selected as the accounting acquirer. See "Item 4. Information on the Company - A. History and Development of the Company" for more information.*

*Throughout this report, unless the context otherwise requires, "Golden Ocean," the "Company," "we," "us" and "our" refer to Golden Ocean Group Limited and its subsidiaries.*

*The term deadweight ton, or dwt, is used in describing the capacity or size of vessels. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry.*

*We own and operate dry bulk vessels of the following sizes:*

- *Newcastlemax, which are vessels with carrying capacities of between 200,000 dwt and 210,000 dwt;*
- *Capsize, which are vessels with carrying capacities of between 105,000 dwt and 200,000 dwt;*
- *Panamax, which are vessels with carrying capacities of between 65,000 and 105,000 dwt; and*
- *Ultramax, which are vessels with carrying capacities of between 55,000 and 65,000 dwt.*

*Unless otherwise indicated, all references to "USD", "US\$" and "\$" in this report are to, and amounts are presented in, U.S. dollars.*

*Unless otherwise indicated, all share and per share amounts disclosed in this report give retroactive effect to the one-for-five reverse stock split effected on August 1, 2016, for all periods presented.*

#### A. SELECTED FINANCIAL DATA

Our selected statement of operations data with respect to the fiscal years ended December 31, 2019, 2018 and 2017, and our selected balance sheet data as of December 31, 2019 and 2018, have been derived from our consolidated financial statements included herein and should be read in conjunction with such statements and the notes thereto. The selected statement of operations data with respect to the fiscal years ended December 31, 2016 and 2015 and the selected balance sheet data as of December 31, 2017, 2016 and 2015 have been derived from our consolidated financial statements not included herein.

On January 1, 2019, we adopted ASC 842 Leases which revises the accounting for leases. We adopted the new accounting standard using the modified retrospective transition approach, which allowed us to recognize a cumulative effect adjustment to the opening balance of accumulated deficit in the period of adoption rather than restate our comparative prior year periods. Refer to Note 3 of "Item 18. Financial Statements" for additional information related to the adoption of this standard.

We adopted the provisions of ASC 606 Revenue from Contracts with Customers on January 1, 2018 using the modified retrospective approach. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2018. The adoption of the standard in 2018 has not materially affected the comparability of the information in the selected table to previous years.

The following table should also be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the consolidated financial statements and notes thereto included herein. Our accounts are maintained in U.S. dollars. All share and per share amounts disclosed in the table below give retroactive effect to the one-for-five reverse stock split effected on August 1, 2016, for all periods presented. In addition as of January 1, 2016, we changed the presentation of debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the related debt rather than as an asset. The change has been retrospectively applied for all periods presented.

	<b>Fiscal year ended December 31,</b>				
	<b>2019</b>	2018	2017	2016	2015
<i>(in thousands of \$, except shares, per share data and ratios)</i>					
<b>Statement of Operations Data:</b>					
Total operating revenues	<b>705,799</b>	656,070	460,023	256,863	190,238
Total operating expenses	<b>603,973</b>	514,308	413,517	328,366	414,363
Net operating (loss) income	<b>100,656</b>	145,013	50,075	(70,258)	(234,913)
<b>Net income (loss)</b>	<b>37,189</b>	84,535	(2,348)	(127,711)	(220,839)
Earnings (loss) per share: basic (\$)	<b>\$0.26</b>	\$0.59	(\$0.02)	(\$1.34)	(\$7.30)
Earnings (loss) per share: diluted (\$)	<b>\$0.26</b>	\$0.59	(\$0.02)	(\$1.34)	(\$7.30)
Dividends per share (\$)	<b>\$0.33</b>	\$0.45	\$0.00	\$0.00	\$0.00
<b>Balance Sheet Data (at end of year):</b>					
Cash and cash equivalents	<b>88,931</b>	305,352	309,029	212,942	102,617
Long term restricted cash	<b>58,864</b>	46,981	54,845	53,797	48,521
Newbuildings	—	—	105,727	180,562	338,614
Vessels and equipment, net	<b>2,340,753</b>	2,406,456	2,215,003	1,758,939	1,488,205
Finance leases, right of use assets, net	<b>193,987</b>	1,165	2,061	2,956	8,354
Operating leases, right of use assets, net	<b>54,853</b>	—	—	—	—
Total assets	<b>2,966,057</b>	2,951,354	2,870,058	2,361,623	2,172,870
Current portion of long-term debt	<b>87,787</b>	471,764	109,671	—	20,380
Current portion of obligations under finance lease	<b>17,502</b>	5,649	5,239	4,858	15,749
Current portion of obligations under operating lease	<b>14,377</b>	—	—	—	—
Long-term debt	<b>1,026,083</b>	877,278	1,134,788	1,058,418	908,116
Obligations under finance lease	<b>151,206</b>	1,786	7,435	12,673	17,531
Obligations under operating lease	<b>42,010</b>	—	—	—	—
Share capital	<b>7,215</b>	7,215	7,111	5,299	1,727
<b>Total equity</b>	<b>1,513,391</b>	1,523,512	1,494,049	1,238,719	1,158,649
Common shares outstanding	<b>143,277,697</b>	143,827,697	142,197,697	105,965,192	34,535,128
<b>Other Financial Data:</b>					
Equity to assets ratio (percentage) <sup>(1)</sup>	<b>51.0 %</b>	51.6 %	52.1 %	52.5 %	53.3 %
Debt to equity ratio <sup>(2)</sup>	<b>0.8</b>	0.9	0.8	0.9	0.8
Price earnings ratio <sup>(3)</sup>	<b>22.4</b>	10.4	(407.5)	(3.5)	(0.7)
Time charter equivalent income <sup>(4)</sup>	<b>536,604</b>	513,960	363,061	188,851	134,547
Time charter equivalent rate <sup>(5)</sup>	<b>16,779</b>	16,530	13,436	8,478	10,185

(1) Equity to assets ratio is calculated as total equity divided by total assets.

(2) Debt to equity ratio is calculated as total interest bearing current and long-term liabilities divided by total equity.

(3) Price earnings ratio is calculated using the year end share price divided by basic (loss) earnings per share. Historical periods have been adjusted for the 5 to 1 reverse split completed in August 2016.

- (4) A reconciliation of time charter equivalent income, or TCE income, to total operating revenues as reflected in the consolidated statements of operation is as follows:

<i>(in thousands of \$)</i>	2019	2018	2017	2016	2015
Total operating revenues	<b>705,799</b>	656,070	460,023	256,863	190,238
Add: Amortization of favorable charter party contracts	<b>18,732</b>	18,733	19,333	27,277	23,714
Add: Other operating income	<b>(1,170)</b>	2,991	3,881	945	—
Less: Bareboat charter revenue *	—	—	—	2,399	—
Less: Other revenues	<b>1,669</b>	1,797	1,247	3,949	1,306
Net time and voyage charter revenues	<b>721,692</b>	675,997	481,990	278,737	212,646
Less: Voyage expenses & commission	<b>185,088</b>	162,037	118,929	89,886	78,099
Time charter equivalent income	<b>536,604</b>	513,960	363,061	188,851	134,547

Consistent with general practice in the shipping industry, we use TCE income as a measure to compare revenue generated from a voyage charter to revenue generated from a time charter. We define TCE income as operating revenues less voyage expenses and commission plus amortization of time charter party out contracts. Under time charter agreements, voyage costs, such as bunker fuel, canal and port charges and commissions, are borne and paid by the charterer whereas under voyage charter agreements, voyage costs are borne and paid by the owner. TCE income is a common shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters and time charters) under which the vessels may be employed between the periods. TCE income, a non-U.S. GAAP measure, provides additional meaningful information in conjunction with operating revenues, the most directly comparable U.S. GAAP measure, because it assists management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance, regardless of whether a vessel has been employed on a time charter or a voyage charter. For further information regarding the fleet deployment, refer to "Item 5. Operating and Financial Review and Prospects - A. Operating Results."

\* In 2016, we received \$2.4 million in respect of claims for unpaid charter hire owed under bareboat charters of two VLCCs. The receipt was recorded as bareboat charter revenue as it related to services previously rendered under such terms. This amount was received as full and final settlement for the claims. For the purpose of determining our 2016 TCE income, this amount was excluded from the calculation as it relates to vessels sold in prior years.

- (5) Time charter equivalent rate, or TCE rate, represents the weighted average daily TCE income of our entire operating fleet.

<i>(in thousands of \$, except for TCE Rate and days)</i>	2019	2018	2017	2016	2015
Time charter equivalent income	<b>536,604</b>	513,960	363,061	188,851	134,547
Fleet available days	<b>32,872</b>	31,356	27,323	22,397	13,330
Fleet offhire days	<b>(892)</b>	(264)	(301)	(121)	(120)
Fleet onhire days	<b>31,980</b>	31,092	27,022	22,276	13,210
Time charter equivalent rate	<b>16,779</b>	16,530	13,436	8,478	10,185

TCE rate is a measure of the average daily income performance, following alignment of the revenue streams resulting from operation of the vessels under voyage or spot charters and time charters, as detailed in footnote 5 above. Our method of calculating TCE rate is determined by dividing TCE income by onhire days during a reporting period. Onhire days are calculated on a vessel by vessel basis and represent the net of available days and offhire days for each vessel (owned or chartered in) in our possession during a reporting period. Available days for a vessel during a reporting period is the number of days the vessel (owned or chartered in) is in our possession during the period. By definition, available days for an owned vessel equal the calendar days during a reporting period, unless the vessel is delivered by the yard during the relevant period whereas; available days for a chartered-in vessel equal the tenure in days of the underlying time charter agreement, pro-rated to the relevant reporting period if such tenure overlaps more than one reporting periods. Offhire days for a vessel during a reporting period is the number of days the vessel is in our possession during the period but is not operational as a result of unscheduled repairs, scheduled dry docking or special or intermediate surveys and lay-ups, if any.



## **B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

## **C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

## **D. RISK FACTORS**

The following summarizes the risks that may materially affect our business, financial condition or results of operations. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or the trading price of our securities.

### **Risks Related to Our Industry**

*Charter hire rates for dry bulk vessels are volatile and may decrease in the future, which may adversely affect our earnings, revenue and profitability and our ability to comply with our loan covenants.*

Substantially all of our revenues are derived from a single market, the dry bulk segment, and therefore our financial results depend on chartering activities and developments in this segment. The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The dry bulk charter market, from which we derive and plan to continue to derive our revenues, has only recently begun to recover after experiencing a prolonged period of historically low rates. The degree of charter hire rate volatility among different types of dry bulk vessels has varied widely, and time charter and spot market rates for dry bulk vessels have in the recent past declined below operating costs of vessels. The Baltic Dry Index, or BDI, an index published by the Baltic Exchange Limited of shipping rates for 20 key dry bulk routes, fell 97% from a peak of 11,793 in May 2008 to a record low of 290 in February 2016. While the BDI has since increased from the low levels in 2016, it has declined significantly in recent months and there can be no assurance that the dry bulk charter market will recover.

Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried on water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in charter rates are also unpredictable. Since we charter our vessels principally in the spot market, we are exposed to the cyclical and volatility of the spot market. Spot market charter hire rates may fluctuate significantly based upon available charters and the supply and demand for seaborne shipping capacity, and we may be unable to keep our vessels fully employed in these short-term markets. Alternatively, charter rates available in the spot market may be insufficient to enable our vessels to operate profitably. A significant decrease in charter rates would also affect asset values and adversely affect our profitability, cash flows and our ability to pay dividends.

Furthermore, a significant decrease in charter rates would cause asset values to decline and we may have to record an impairment charge in our consolidated financial statements which could adversely affect our financial results. Because the market value of our vessels may fluctuate significantly, we may also incur losses when we sell vessels, which may adversely affect our earnings. If we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings. For instance, during the year ended December 31, 2018 and 2017, we recorded impairment losses of \$1.1 million in each year respectively, related to sale of vessels. No sale of vessels were made in 2019.

Factors that influence demand for vessel capacity include:

- supply of and demand for energy resources, commodities, and semi-finished and finished consumer and industrial products;
- changes in the exploration or production of energy resources, commodities, and semi-finished and finished consumer and industrial products;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities, and semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;

- global and regional economic and political conditions and developments, including armed conflicts and terrorist activities, trade wars, tariffs, embargoes and strikes;
- disruptions and developments in international trade, such as resulted from the dam collapse in Brazil in 2019;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;
- currency exchange rates;
- the weather; and
- diseases and viruses, affecting livestock and humans

Demand for our dry bulk oceangoing vessels is dependent upon economic growth in the world's economies, seasonal and regional changes in demand, changes in the capacity of the global dry bulk fleet and the sources and supply of dry bulk cargo transported by sea. The capacity of the global dry bulk vessels fleet seems likely to increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. As such, adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Factors that influence the supply of vessel capacity include:

- number of newbuilding orders and deliveries;
- the number of shipyards and ability of shipyards to deliver vessels;
- port and canal congestion;
- scrapping of older vessels;
- speed of vessel operation;
- vessel casualties; and
- number of vessels that are out of service or laid up.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance costs, insurance coverage costs, the efficiency and age profile of the existing dry bulk fleet in the market, and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

***Global economic conditions may negatively impact the dry bulk shipping industry.***

In the current global economy, operating businesses are faced with tightening credit, weak demand for goods and services, and weak international liquidity conditions. There has similarly been a general decline in the willingness by banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline. In particular, lower demand for dry bulk cargoes as well as diminished trade credit available for the delivery of such cargoes have historically led to decreased demand for dry bulk vessels, creating downward pressure on charter rates and vessel values. Any weakening in global economic conditions may have a number of adverse consequences for dry bulk and other shipping sectors, including, among other things:

- low charter rates, particularly for vessels employed on short-term time charters or in the spot market;
- decreases in the market value of dry bulk vessels and limited second-hand market for the sale of vessels;
- limited financing for vessels;
- widespread loan covenant defaults; and
- declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The occurrence of one or more of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

***The over-supply of dry bulk vessel capacity may depress charter rates, which has and may continue to limit our ability to operate our dry bulk vessels profitably.***

The supply of dry bulk vessels has outpaced vessel demand growth over the past few years, thereby causing downward pressure on charter rates. As of December 31, 2019, newbuilding orders have been placed for approximately 9.7% of the existing fleet

capacity according to industry sources whilst the scrapping rate of the dry bulk fleet is uncertain. If the supply of dry bulk vessels is not fully absorbed by the market, charter rates may be negatively affected.

***We are dependent on spot charters and any decrease in spot charter rates in the future may adversely affect our earnings.***

We currently operate most of our vessels in the spot market, exposing us to fluctuations in spot market charter rates. We may also employ any additional vessels that we acquire or take delivery of in the spot market.

Although the number of vessels in our fleet that participate in the spot market will vary from time to time, we anticipate that a significant portion of our fleet will participate in this market. As a result, our financial performance will be significantly affected by conditions in the dry bulk spot market and only our vessels that operate under fixed-rate time charters may, during the period such vessels operate under such time charters, provide a fixed source of revenue to us.

Historically, the dry bulk markets have been volatile as a result of the many conditions and factors that can affect the price, supply of and demand for dry bulk capacity. Weak global economic trends may further reduce demand for transportation of dry bulk cargoes over longer distances, which may materially affect our revenues, profitability and cash flows. The spot charter market may fluctuate significantly based upon supply of and demand for vessels and cargoes. The successful operation of our vessels in the competitive spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is volatile and there have been periods when spot rates have declined below the operating cost of vessels. If future spot charter rates decline, then we may be unable to operate our vessels trading in the spot market profitably, or meet our obligations, including payments on indebtedness. Furthermore, as charter rates for spot charters are fixed for a single voyage, which may last up to several weeks during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

***We may not be able to obtain financing on terms acceptable to us or at all, which may negatively impact our business.***

The ability to obtain money from the credit markets has become more difficult as many lenders have increased interest rate margins, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt, and in some cases ceased to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

***Risks involved with operating ocean-going vessels could affect our business and reputation, which could have a material adverse effect on our results of operations and financial condition.***

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- loss of life or harm to seamen,
- an accident involving a vessel resulting in damage to the asset or a total loss of the same,
- a marine disaster,
- terrorism,
- piracy or robbery,
- environmental accidents,
- cargo and property losses and damage, and
- business interruptions caused by mechanical failure, human error, war, political action in various countries, labor strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable dry bulk operator.

***World events, political instability, terrorist attacks, international hostilities and global public health threats could affect our operations and financial results.***

Past terrorist attacks, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the current political instability in the Middle East and the South China Sea region and other geographic countries and areas, geopolitical events,

such as the withdrawal of the U.K. from the European Union, or "Brexit," terrorist or other attacks, and war (or threatened war) or other international hostilities, such as those between the United States and North Korea. Terrorist attacks such as those in Paris on November 13, 2015, Manchester on May 22, 2017, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in the Middle East, including increased tensions between the U.S. and Iran, as well as the presence of U.S. or other armed forces in Iraq, Afghanistan, Syria and various other regions, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. As a result of the above, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. Additionally, Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

In January 2020, in response to certain perceived terrorist activity, the United States launched an airstrike in Baghdad that killed a high-ranking Iranian general, increasing hostilities between the U.S. and Iran. This attack or further escalations between the U.S. and Iran that may follow, could result in retaliation from Iran that could potentially affect the shipping industry, through increased attacks on vessels in the Strait of Hormuz (which already experienced an increased number of attacks on and seizures of vessels in 2019), or by potentially closing off or limiting access to the Strait of Hormuz. Any restriction on access to the Strait of Hormuz, or increased attacks on vessels in the area, could negatively impact our earnings, cash flow and results of operations.

In the past, political instability has also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia.

In addition, public health threats, such as the COVID-19 ("Coronavirus"), influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, could adversely impact our operations, the timing of completion of outstanding or future newbuilding and scrubber installation projects, as well as the operations of our customers.

Any of these occurrences could have a material adverse impact on our future performance, results of operations, cash flows and financial position.

***Outbreaks of epidemic and pandemic diseases and governmental responses thereto could adversely affect our business.***

Our operations are subject to risks related to outbreaks of infectious diseases. For example, the recent outbreak of Coronavirus, a virus causing potentially deadly respiratory tract infections originating in China, has already and may continue to negatively affect economic conditions and the demand for dry bulk shipping regionally as well as globally and otherwise impact our operations and the operations of our customers, suppliers and other stakeholders. Governments in affected countries are imposing travel bans, quarantines and other emergency public health measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus' outbreak. As a result of these measures, our vessels may not be able to call on ports, and crewmembers may be restricted from embarking and disembarking in ports, located in regions affected by Coronavirus. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore we cannot predict the impact it may have on our future operations and the health of our employees, which could be material and adverse.

***The U.K.'s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.***

In June 2016, a majority of voters in the U.K. elected to withdraw from the EU in a national referendum (informally known as "Brexit"), a process that the government of the U.K. formally initiated in March 2017. Since then, the U.K. and the EU have been negotiating the terms of a withdrawal agreement, which was approved in October 2019 and ratified in January 2020. The U.K. formally exited the EU on January 31, 2020, although a transition period remains in place until December 2020, during which the U.K. will be subject to the rules and regulations of the EU while continuing to negotiate the parties' relationship going forward, including trade deals. There is currently no agreement in place regarding the aftermath of the withdrawal, creating significant uncertainty about the future relationship between the U.K. and the EU, including with respect to the laws and regulations that will apply as the U.K. determines which EU-derived laws to replace or replicate following the withdrawal. Brexit has also given rise to calls for the governments of other EU member states to consider withdrawal. These developments and uncertainties, or the perception that any of them may occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress

economic activity and restrict our access to capital, which could have a material adverse effect on our business and on our consolidated financial position, results of operations and our ability to pay distributions. Additionally, Brexit or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Brexit contributes to considerable uncertainty concerning the current and future economic environment. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets.

***We face risks attendant to changes in economic and regulatory conditions around the world.***

We face risks attendant to changes in economic environments, changes in interest rates, instability in the banking and securities markets and trade regulation around the world, among other factors. Major market disruptions and adverse changes in market conditions and regulatory climate in China, the United States, the European Union and worldwide may adversely affect our business or impair our ability to borrow amounts under credit facilities or any future financial arrangements.

Additionally, a further economic slowdown in the Asia-Pacific region, especially in China, could negatively affect global economic markets and the market for dry bulk shipping. Chinese dry bulk imports have accounted for the majority of global dry bulk transportation growth annually over the last decade, with recent demand growth driven by stronger iron ore and coal imports into China. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The growth rate of China's GDP for the year ending December 31, 2019, decreased to 6.1% as compared to 6.6% for the year ending December 31, 2018, and continues to remain below pre-2008 levels. China and other countries in the Asia Pacific region may continue to experience slowed or even negative economic growth in the future including as a result of the Coronavirus or other public health threats. Our financial condition and results of operations, as well as our future prospects, would likely be hindered by a continuing or worsening economic downturn in any of these countries or geographic regions. Furthermore, there is a rising threat of a Chinese financial crisis resulting from massive personal and corporate indebtedness and "trade wars". In late 2019, the International Monetary Fund warned that continuing trade tensions, including significant tariff increases, between the United States and China are expected to result in a 0.5% cumulative reduction of global GDP in 2020. We cannot assure you that the Chinese economy will grow in the future or that global GDP will not be affected beyond the IMF's initial forecast.

Over the past several years, the credit markets in the United States and Europe have remained contracted, deleveraged and less liquid, and the U.S. federal and state governments and European authorities have implemented governmental action and/or new regulation of the financial markets and may implement additional regulations in the future. Global financial markets have been, and continue to be, disrupted and volatile. Potential adverse developments in the outlook for the United States or European countries, or market perceptions concerning these and related issues, could reduce the overall demand for dry bulk cargoes and for our service, which could negatively affect our financial position, results of operations and cash flow.

Further, governments may turn and have turned to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States and China have implemented certain increasingly protective trade measures which have been somewhat mitigated by the recent trade deal (first phase trade agreement) between U.S. and China which requires the purchase of over USD 50 billion of Chinese energy products including crude oil. Additionally, in March 2018, President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally and dry bulk shipping specifically and in January 2019, the United States announced sanctions against Venezuela, which may have an effect on its oil output and in turn affect global oil supply. There have also been continuing trade tensions, including significant tariff increase, between the United States and China. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, particularly the Asia-Pacific region, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations, financial condition and our ability to pay any cash distributions to our stockholders.

Trade actions initiated by the U.S. imposing tariffs on imports have been met with retaliatory tariffs by other countries, adding a level of tension and uncertainty to the global economic environment. In November 2018, the U.S., Mexico and Canada executed the U.S.-Mexico-Canada Agreement, or the USMCA, the successor agreement to the North American Free Trade

Agreement, or NAFTA. The agreement includes the imposition of tariffs on vehicles that do not meet regional raw material (steel and aluminum), part and labor content requirements. The agreement was ratified by the U.S. in January 2020.

While global economic conditions have generally improved, renewed adverse economic and governmental factors, together with the concurrent volatility in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition and cash flows and could cause the price of our common shares to decline. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for our services and could also adversely affect our ability to obtain financing on acceptable terms or at all.

***Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.***

The Chinese economy differs from the economies of western countries in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, bank regulation, currency and monetary policy, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a “planned economy.” Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five year state plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a “market economy” and enterprise reform. Limited price reforms were undertaken with the result that prices for certain commodities are principally determined by market forces. In addition, economic reforms may include reforms to the banking and credit sector and may produce a shift away from the export-driven growth model that has characterized the Chinese economy over the past few decades. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. The level of imports to and exports from China could be adversely affected by the failure to continue market reforms or changes to existing pro-export economic policies. For example, China imposes a tax for non-resident international transportation enterprises engaged in the provision of services of passengers or cargo, among other items, in and out of China using their own, chartered or leased vessels. The regulation may subject international transportation companies to Chinese enterprise income tax on profits generated from international transportation services passing through Chinese ports. This tax or similar regulations, such as the recently promoted environmental taxes on coal, by China may result in an increase in the cost of raw materials imported to China and the risks associated with importing raw materials to China, as well as a decrease in any raw materials shipped from our charterers to China. This could have an adverse impact on our charterers’ business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. The level of imports to and exports from China may also be adversely affected by changes in political, economic and social conditions (including a slowing of economic growth) or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, internal political instability, changes in currency policies, changes in trade policies and territorial or trade disputes. A decrease in the level of imports to and exports from China could adversely affect our business, operating results and financial condition.

***We conduct a substantial amount of business in China. The legal system in China has inherent uncertainties that could have a material adverse effect on our business, financial condition and results of operations.***

The Chinese legal system is based on written statutes and their legal interpretation by the Standing Committee of the National People’s Congress. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, there is a general lack of internal guidelines or authoritative interpretive guidance and because of the limited number of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels that are either chartered to Chinese customers or that call to Chinese ports and our vessels being built at Chinese shipyards, and could have a material adverse effect on our business, results of operations and financial condition.

***Acts of piracy on ocean-going vessels could adversely affect our business.***

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in particular the Gulf of Aden off the coast of Somalia and the Gulf of Guinea region off Nigeria, which have experienced increased incidents of piracy in 2019. Sea piracy incidents continue to occur, increasingly on the West Coast of

Africa, with dry bulk vessels and tankers particularly vulnerable to such attacks. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping. The perception that our vessels are potential piracy or terrorist targets could have a material adverse impact on our business, financial condition and results of operations.

Further, if these piracy attacks occur in regions in which our vessels are deployed that insurers characterize as "war risk" zones or by the Joint War Committee as "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain, if available at all. In addition, crew costs, including costs that may be incurred to the extent we employ on-board security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

***The instability of the Euro or the inability of countries to refinance their debts could have a material adverse effect on our revenue, profitability and financial position.***

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism, or the ESM, which was activated by mutual agreement, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries entered into force in May 2013. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the Euro. An extended period of adverse development in the outlook for European countries, including the adverse economic impact of the Coronavirus could reduce the overall demand for our services. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, results of operations and cash flow.

***If our vessels call on ports located in countries that are subject to restrictions, sanctions or embargoes imposed by the U.S. government, the European Union, the United Nations or other governments, it could lead to monetary fines or adversely affect our reputation and the market for our shares of common stock and its trading price.***

While none of our vessels called on ports located in countries subject to U.S. sanctions during 2019, and we intend to comply with all applicable sanctions and embargo laws and regulations, our vessels may call on ports located in these countries from time to time on charterers' instructions in the future, and there can be no assurance that we will maintain such compliance, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

Current or future counterparties of ours may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the United States, the EU, and/or other international bodies as a result of the annexation of Crimea by Russia in March 2014. If we determine that such sanctions require us to terminate existing or future contracts to which we or our subsidiaries are party or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm. Currently, we do not believe that any of our existing counterparties are affiliated with persons or entities that are subject to such sanctions.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common shares may adversely affect the price at which our common shares trade. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments

of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our common shares may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

***Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and net income.***

The hull and machinery of every commercial vessel must be certified as being "in class" by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. We expect our vessels to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection.

Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts of the vessel. Vessels under fifteen years of age can waive dry docking on intermediate inspections in order to increase available days and decrease capital expenditures, provided the vessel is inspected underwater. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Compliance with the above requirements may result in significant expense. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***Climate change and greenhouse gas restrictions may adversely impact our operations and markets, and may cause us to incur substantial costs and to procure low-sulfur fuel oil directly on the wholesale market for storage at sea and onward consumption on our vessels.***

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. More specifically, on October 27, 2016, the International Maritime Organization's Marine Environment Protection Committee announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from 3.5% currently to 0.5% as of the beginning of January 1, 2020. Since January 1, 2020, ships must either remove sulfur from emissions or buy fuel with low sulfur content, which may lead to increased costs and supplementary investments for ship owners. The interpretation of "fuel oil used on board" includes use in main engine, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are available around the world but at a higher cost; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position. Additional or new conventions, laws and regulations may be adopted that could require, among others, the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Currently, 15 of our vessels are equipped with scrubbers and as of January 1, 2020 we have transitioned to burning IMO compliant fuels. We continue to evaluate different options in complying with IMO and other rules and regulations. We expect that our fuel costs and fuel inventories will increase in 2020 as a result of these sulfur emission regulations. Low sulfur fuel is more expensive than standard marine fuel containing 3.5% sulfur content and may become more expensive or difficult to obtain as a result of increased demand. If the cost differential between low sulfur fuel and high sulfur fuel is significantly higher than anticipated, or if low sulfur fuel is not available at ports on certain trading routes, it may not be feasible or competitive to operate our vessels on certain trading routes without installing scrubbers or without incurring deviation time to obtain compliant fuel. Scrubbers may not be available to be installed on such vessels at a favorable cost or at all if we seek them at a later date. Further there is a risk that if the fuel spread between high sulphur fuel oil ("HSFO") and very low sulphur fuel oil ("VLSFO") continues to shrink, and therefore the alternative cost related to scrubber investments may increase.



Fuel is a significant, if not the largest, expense in our shipping operations when vessels are under voyage charter and is an important factor in negotiating charter rates. Our operations and the performance of our vessels, and as a result our results of operations, cash flows and financial position, may be negatively affected to the extent that compliant sulfur fuel oils are unavailable, of low or inconsistent quality, if de-bunkering facilities are unavailable to permit our vessels to accept compliant fuels when required, or upon occurrence of any of the other foregoing events. Costs of compliance with these and other related regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability at the time of charter negotiation. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

While we carry cargo insurance to protect us against certain risks of loss of or damage to the procured commodities, we may not be adequately insured to cover any losses from such operational risks, which could have a material adverse effect on us. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash.

In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which required adopting countries to implement national programs to reduce emissions of certain gases, or the Paris Agreement (discussed further below), a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Adverse effects upon the shipping industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services. The increased focus on environmental, social and corporate governance (ESG) may cause lenders to withdraw from financing vessels within our industry. In addition, the physical effects of climate change, including changes in weather patterns, extreme weather events, rising sea levels, scarcity of water resources, may negatively impact our operations.

***We are subject to complex laws and regulations, including environmental laws and regulations, which can adversely affect our business, results of operations and financial condition.***

Our operations will be subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to European Union regulations, the U.S. Oil Pollution Act of 1990, or OPA, requirements of the U.S. Coast Guard, or USCG, and the U.S. Environmental Protection Agency, or EPA, the U.S. Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Air Act, or CAA, the U.S. Clean Water Act, or CWA, the International Maritime Organization, or IMO, International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended and replaced by the 1992 protocol, and generally referred to as CLC, the IMO International Convention on Civil Liability for Bunker Oil Pollution Damage of 2001, or the Bunker Convention, the IMO International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally referred to as MARPOL, including the designation of Emission Control Areas, or ECAs thereunder, the IMO International Convention for the Safety of Life at Sea of 1974, as from time to time amended and generally referred to as the SOLAS Convention, the IMO's International Safety Management Code, or "ISM Code", the IMO International Convention on Load Lines of 1966, as from time to time amended, the U.S. Maritime Transportation Security Act of 2002, or MTSA, and the IMO 2020 regulations.

Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. Compliance with such laws and regulations may require us to obtain certain permits or authorizations prior to commencing operations. Failure to obtain such permits or authorizations could materially impact our business results of operations and financial conditions by delaying or limiting our ability to accept charterers. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents.

A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability, without regard to whether we were negligent or at

fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could also result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, including punitive damages, and could harm our reputation with current or potential charterers of our vessels. We will be required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Regulations relating to ballast water discharge may adversely affect our revenues and profitability. The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the IOPP renewal survey, existing vessels constructed before September 8, 2017, must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ships constructed on or after September 8, 2017 are to comply with the D-2 standards upon delivery. We currently have 29 vessels in our fleet constructed prior to September 8, 2017 that do not have ballast water management systems installed and will need such systems installed on the first upcoming IOPP renewal in order to be D-2 compliant. Costs in order to become D-2 compliant for these vessels may be substantial and adversely affect our revenues and profitability.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit ("VGP") program and U.S. National Invasive Species Act ("NISA") are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018, requires that the EPA develop national standards of performance for approximately 30 discharges, similar to those found in the VGP within two years. By approximately 2022, the U.S. Coast Guard must develop corresponding implementation, compliance and enforcement regulations regarding ballast water. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs.

***If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.***

The operation of our vessels is affected by the requirements set forth in the ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code, we may be subject to increased liability, or may invalidate existing insurance or decrease available insurance coverage for our affected vessels, and such failure may result in a denial of access to, or detention in, certain ports.

***Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow.***

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the "sister ship" theory of liability applies, such as South Africa, a claimant may arrest the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. In countries with "sister ship" liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

***The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.***

Our vessels may call in ports where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims or restrictions which could have an adverse effect on our business, financial condition, results of operations and cash flows.

***Governments could requisition our vessels during a period of war or emergency resulting in a loss of earnings.***

A government of a vessel's registry could requisition for title or seize one or more of our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer

at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***Technological innovation and quality and efficiency requirements from our customers could reduce our charterhire income and the value of our vessels.***

Our customers have a high and increasing focus on quality and compliance standards with their suppliers across the entire supply chain, including the shipping and transportation segment. Our continued compliance with these standards and quality requirements is vital for our operations. The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new dry bulk vessels are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels and the resale value of our vessels could significantly decrease. This could have an adverse effect on our results of operations, cash flows, financial condition and ability to pay dividends.

### **Risks Related to Our Business**

***The market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and cause us to incur a loss if we sell vessels following a decline in their market value.***

The fair market values of dry bulk vessels, including our vessels, have generally experienced high volatility and may decline in the future. The fair market value of our vessels may continue to fluctuate depending on the following factors:

- general economic and market conditions affecting the shipping industry;
- the balance between the supply and demand of ships of a certain type;
- competition from other shipping companies;
- the availability of ships of the required size and design;
- the availability of other modes of transportations;
- cost of newbuildings;
- shipyard capacity;
- governmental or other regulations;
- age of vessels;
- prevailing level of charter rates;
- the need to upgrade secondhand and previously owned vessels as a result of charterer requirements, and
- technological advances in vessel design or equipment or otherwise.

During the period a vessel is subject to a charter, we might not be permitted to sell it to take advantage of increases in vessel values without the charterer's consent. If we sell a vessel at a time when ship prices have fallen, the sale may be at less than the vessel's carrying amount in our financial statements, with the result that we could incur a loss and a reduction in earnings. During the years ended December 31, 2018 and 2017, we recorded an impairment loss of \$1.1 million in each year respectively, related to the sale of vessels. No sale of vessels were made in 2019 or any impairment losses recorded. The carrying values of our vessels are reviewed whenever events or changes in circumstances indicate that the carrying amount of the vessel may no longer be recoverable. We assess recoverability of the carrying value by estimating the future net cash flows expected to result from the vessel, including eventual disposal. If the future net undiscounted cash flows and the estimated fair market value of the vessel are less than the carrying value, an impairment loss is recorded equal to the difference between the vessel's carrying value and fair value. Any impairment charges incurred as a result of declines in charter rates and other market deterioration could negatively affect our business, financial condition or operating results or the trading price of our common shares.

In addition, if we determine at any time that a vessel's future useful life and earnings require us to impair its value in our financial statements, this would result in a charge against our earnings and a reduction of our shareholders' equity. If the fair market values of our vessels decline, we may not be in compliance with certain covenants contained in our secured credit facilities, which may result in an event of default. In such circumstances, we may not be able to refinance our debt or obtain additional financing acceptable to us or at all. Further, if we are not able to comply with the covenants in our secured credit facilities, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet.

Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of acquisition may increase and this could adversely affect our business, results of operations, cash flow and financial condition.

***We may require additional capital in the future, which may not be available on favorable terms, or at all.***

Depending on many factors, including market developments, our future earnings, value of our assets and expenditures for any new projects, we may need additional funds. We cannot guarantee that we will be able to obtain additional financing at all or on terms acceptable to us. If adequate funds are not available, we may have to reduce expenditures for investments in new and existing projects, which could hinder our growth, prevent us from realizing potential revenues from prior investments and have a negative impact on our cash flows and results of operations.

***We are highly leveraged, which could significantly limit our ability to execute our business strategy and has increased the risk of default under our debt obligations.***

As of December 31, 2019, we had \$1,122.1 million of outstanding indebtedness under our credit facilities and debt securities, of which \$87.8 million was classified as current portion of long-term debt. We cannot assure you that we will be able to generate cash flow in amounts that is sufficient to satisfy these obligations. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans or sell our assets. In addition, debt service payments under our credit facilities may limit funds otherwise available for working capital, capital expenditures, payment of cash distributions and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our credit facilities, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders

Our credit facilities impose operating and financial restrictions on us that limit our ability, or the ability of our subsidiaries party thereto, as applicable, to:

- pay dividends and make capital expenditures;
- incur additional indebtedness, including the issuance of guarantees;
- create liens on our assets;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- sell our vessels;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

In addition, our loan agreements, which are secured by liens on our vessels, contain various financial covenants. Among those covenants are requirements that relate to our financial position, operating performance and liquidity. For example, there are financial covenants that require us to maintain (i) an equity ratio fixing a minimum value of adjusted equity that is based, in part, upon the market value of the vessels securing the loans, (ii) minimum levels of free cash, (iii) positive working capital, and (iv) a minimum value, or loan-to-value, covenant, which could require us to post collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings decrease below a required level.

The market value of dry bulk vessels is likewise sensitive to, among other things, changes in the dry bulk market, with vessel values deteriorating in times when dry bulk rates are falling or anticipated to fall and improving when charter rates are rising or anticipated to rise. Such conditions may result in us not being in compliance with our loan covenants. In such a situation, unless our lenders are willing to provide further waivers of covenant compliance or modifications to our covenants, or would be willing to refinance our indebtedness, we may have to sell vessels in our fleet and/or seek to raise additional capital in the equity markets in order to comply with our loan covenants. Furthermore, if the value of our vessels deteriorates significantly, we may have to record an impairment adjustment in our financial statements, which would adversely affect our financial results and further hinder our ability to raise capital. The fair market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and cause us to incur a loss if we sell vessels following a decline in their market value.

If we are not in compliance with our covenants and are not able to obtain covenant waivers or modifications, our lenders could require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels in our fleet, or they could accelerate our indebtedness, any of which would impair our ability to continue to conduct our business. If our indebtedness is accelerated, we might not be able to refinance our debt or obtain additional financing and could lose our vessels if our lenders foreclose on

their liens. In addition, if we find it necessary to sell our vessels at a time when vessel prices are low, we will recognize losses and a reduction in our earnings, which could affect our ability to raise additional capital necessary for us to comply with our loan agreements.

Furthermore, certain of our credit facilities contain a cross-default provision that may be triggered by a default under one of our other credit facilities. A cross-default provision means that a default on one loan would result in a default on certain of our other loans. Because of the presence of cross-default provisions in certain of our credit facilities, the refusal of any one lender under our credit facilities to grant or extend a waiver could result in certain of our indebtedness being accelerated, even if our other lenders under our credit facilities have waived covenant defaults under the respective credit facilities. If our secured indebtedness is accelerated in full or in part, it would be very difficult for us to refinance our debt or obtain additional financing and we could lose our vessels securing our credit facilities if our lenders foreclose their liens, which would adversely affect our ability to conduct our business.

***We may be unable to successfully compete with other vessel operators for charters, which could adversely affect our results of operations and financial position.***

The operation of dry bulk vessels and transportation of dry bulk cargoes is extremely competitive. Competition for the transportation of dry bulk cargoes by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Through our operating subsidiaries, we compete with other vessel owners, and, to a lesser extent, owners of other size vessels. The dry bulk market is highly fragmented. Due in part to the highly fragmented market, competitors with greater resources could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer. Although we believe that no single competitor has a dominant position in the markets in which we compete, we are aware that certain competitors may be able to devote greater financial and other resources to their activities than we can, resulting in a significant competitive threat to us. As a result, we cannot assure you that we will be successful in finding continued timely employment of our existing vessels.

***Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.***

We operate our dry bulk vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. The dry bulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the Northern Hemisphere. The celebration of Chinese New Year in the first quarter of each year, also results in lower volumes of seaborne trade into China during this period. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. This seasonality may result in quarter-to-quarter volatility in our revenues and operating results, which could affect our ability to pay dividends, if any, in the future.

***A drop in spot charter rates may provide an incentive for some charterers to default on their charters.***

When we enter into a time charter, charter rates under that charter may be fixed for the term of the charter. Nine of our vessels are currently on a fixed rate time charters with longer duration of more than eleven months from the date of this annual report. If the spot charter rates or short-term time charter rates in the dry bulk shipping industry become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, which would affect our ability to comply with our loan covenants and operate our vessels profitably. If we are not able to comply with our loan covenants and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

***Our fixed rate time charters may limit our ability to benefit from any improvement in charter rates, and at the same time, our revenues may be adversely affected if we do not successfully employ our vessels on the expiration of our charters.***

Nine of our vessels are currently on a fixed rate time charters with longer duration of more than eleven months from the date of this annual report. Although our fixed rate time charters generally provide reliable revenues, they also limit the portion of our fleet available for spot market voyages during an upswing in the dry bulk industry cycle, when spot market voyages might be more profitable. By the same token, we cannot assure you that we will be able to successfully employ our vessels in the future or renew our existing charters at rates sufficient to allow us to operate our business profitably or meet our obligations. A decline in charter or spot rates or a failure to successfully charter our vessels could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.***

We have entered, and may enter in the future, into various contracts, including charter parties with our customers, loan agreements with our lenders, and vessel management, pooling arrangements, newbuilding contracts and other agreements with other entities, which subject us to counterparty risks. The ability of each of the counterparties to perform its obligations under a contract with us or contracts entered into on our behalf will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the shipping sector, the overall financial condition of the counterparty, charter rates received for our vessels and the supply and demand for commodities. Should a counterparty fail to honor its obligations under any such contract, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, in depressed market conditions, charterers may have incentive to renegotiate their charters or default on their obligations under charters. Should a charterer in the future fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure on the spot market or on charters may be at lower rates, depending on the then existing charter rate levels, compared to the rates currently being charged for our vessels. In addition, if the charterer of a vessel in our fleet that is used as collateral under one or more of our loan agreements defaults on its charter obligations to us, such default may constitute an event of default under our loan agreements, which may allow the bank to exercise remedies under our loan agreements. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations, cash flows and compliance with covenants in our loan agreements.

***Our ability to obtain additional debt financing may be dependent on the performance of our then existing charterers and their creditworthiness.***

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources required to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at anticipated costs or at all may materially affect our results of operations and our ability to implement our business strategy.

***Our financing arrangements have floating interest rates, which could negatively affect our financial performance as a result of interest rate fluctuations.***

As certain of our current financing agreements have, and our future financing arrangements may have, floating interest rates, typically based on LIBOR, movements in interest rates could negatively affect our financial performance.

In order to manage our exposure to interest rate fluctuations, we may from time to time use interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can however be given that the use of these derivative instruments, if any, may affectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position.

***Volatility in the London Interbank Offered Rate, or LIBOR, could affect our profitability, earnings and cash flow.***

LIBOR may be volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of disruptions in the international markets. At times when we have loans outstanding which are based on LIBOR, the interest rates borne by such loan facilities fluctuate with changes in LIBOR, and this would affect the amount of interest payable on our debt, which, in turn, could have an adverse effect on our profitability, earnings and cash flow. Due in part to uncertainty relating to the LIBOR calculation process in recent years, it is likely that LIBOR will be phased out in the future. As a result, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are required to agree to such a provision in future loan agreements, our lending costs could increase significantly, which would also have an adverse effect on our profitability, earnings and cash flow.

In addition, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the ‘‘FCA

Announcement’). The Alternative Reference Rate Committee, a committee convened by the U.S. Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or “SOFR.” The impact of such a transition from LIBOR to SOFR could be significant for us.

We are unable to predict the effect of the FCA Announcement or other reforms, whether currently enacted or enacted in the future. They may result in the phasing out of LIBOR as a reference rate. The impact of such transition away from LIBOR could be significant for us because of the number of our financing arrangements that are linked to LIBOR and our substantial indebtedness. The outcome of reforms may result in increased interest expense to us, may affect our ability to incur debt on terms acceptable to us and may result in increased costs related to amending our existing debt instruments, which could adversely affect our business, results of operations and financial condition.

***Certain of our directors, executive officers and major shareholders may have interests that are different from the interests of our other shareholders.***

Certain of our directors, executive officers and major shareholders may have interests that are different from, or are in addition to, the interests of our other shareholders. In particular, Hemen Holding Limited, or Hemen, a company indirectly controlled by trusts established by Mr. Fredriksen, our director, for the benefit of his immediate family and certain of its affiliates, may be deemed to beneficially own approximately 36.1% of our issued and outstanding common shares.

Hemen is also a principal shareholder of a number of other large publicly traded companies involved in various sectors of the shipping and oil services industries, or the Hemen Related Companies. In addition, certain of our directors, including Mr. Lorentzon, Mr. Fredriksen, Mr. O’Shaughnessy and Mrs. Laurin, also serve on the boards of one or more of the Hemen Related Companies, including but not limited to, Frontline Ltd. (NYSE:FRO), or Frontline, SFL Corporation Ltd. (NYSE:SFL), or SFL, Archer Limited (OSE:ARCHER) and Flex LNG Ltd. (OSE:FLNG), or FLEX. There may be real or apparent conflicts of interest with respect to matters affecting Hemen and other Hemen Related Companies whose interests in some circumstances may be adverse to our interests.

To the extent that we do business with or compete with other Hemen Related Companies for business opportunities, prospects or financial resources, or participate in ventures in which other Hemen Related Companies may participate, these directors and officers may face actual or apparent conflicts of interest in connection with decisions that could have different implications for us. These decisions may relate to corporate opportunities, corporate strategies, potential acquisitions of businesses, newbuilding acquisitions, inter-company agreements, the issuance or disposition of securities, the election of new or additional directors and other matters. Such potential conflicts may delay or limit the opportunities available to us, and it is possible that conflicts may be resolved in a manner adverse to us or result in agreements that are less favorable to us than terms that would be obtained in arm’s-length negotiations with unaffiliated third-parties.

***We continue to undergo a leadership transition and this transition, along with the possibility that we may in the future be unable to retain and recruit qualified key executives, key employees or key consultants, may delay our development efforts or otherwise harm our business.***

On November 21, 2019, we announced that Birgitte Ringstad Vartdal decided to step down from her role as CEO of Golden Ocean Management AS. Ms. Vartdal stepped down as CEO on November 30, 2019 and was available to the Company until the end of February 2020. Ola Lorentzon, the current Chairman of our Board of Directors, serves as our interim CEO until a full-time CEO is named. While we have confidence in our remaining senior management team, including members of the Company’s Board of Directors, the uncertainty inherent in this ongoing leadership transition may be difficult to manage, may cause concerns from third parties with whom we do business, and may increase the likelihood of turnover of other key officers and employees. In addition, our future development and prospects depend to a large degree on the experience, performance and continued service of its senior management team, including the new CEO and members of our Board of Directors. Retention of these services or the identification of suitable replacements cannot be guaranteed. There can be no guarantee that the services of the current Directors and senior management team will be retained, or that suitably skilled and qualified individuals can be identified and employed, which may adversely impact our ability to commercial and financial performance. The loss of the services of any of the Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on our commercial and financial performance as well. If we are unable to hire, train and retain such personnel in a timely manner, our operations could be delayed and our ability to grow our business will be impaired and the delay and inability may have a detrimental effect upon our performance.

***We are dependent on the success and profitability of the pools in which our vessels operate.***

We are party to the pooling arrangements pursuant to which the profitability of our vessels operating in these vessel pools is dependent upon the pool managers’ and other pool participants’ ability to successfully implement a profitable chartering

strategy, which could include, among other things, obtaining favorable charters and employing vessels in the pool efficiently in order to service those charters. As of the date of this annual report, 30 of our vessels operate under a revenue sharing agreement or pool arrangement ("RSA"). If vessels from other pool participants that enter into pools in which we participate are not of comparable design or quality to our vessels, or if the owners of such other vessels negotiate for greater pool weightings than those obtained by us, this could negatively impact the profitability of the pools in which we may participate or our profitability or dilute our interest in the pool's profits.

Further, in addition to bearing charterer credit risk indirectly, we may also face credit risk from our pool managers and other pool participants. Not all pool managers or pool participants will necessarily provide detailed financial information regarding their operations. As a result, pool manager and other pool participant risk is largely assessed on the basis of the reputation of our pool managers and other pool participants in the market, and even on that basis, there is no assurance that they can or will fulfill their obligations under the contracts we may enter into with them. As such, pool managers and other pool participants may fail to fulfill their obligations to us. Should a pool manager or other pool participant fail to honor its obligations under agreements with us, we may have to withdraw our vessels from the pool and it may be difficult to secure substitute employment for our vessels, and any new charter arrangements we secure on the spot market, on time charters or in alternative pooling arrangements may be at lower rates or on less favorable terms, depending on the then existing charter rate levels, compared to the rates currently being charged for our vessels, and other market conditions. If our pool managers or other pool participants fail to meet their obligations to us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We may not be able to implement our strategy successfully.***

Our long term intention is to renew and grow our fleet through selective acquisitions of dry bulk tonnage. Our business plan will therefore depend upon our ability to identify and acquire suitable vessels to grow our fleet in the future and successfully employ our vessels.

Growing any business by acquisition presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel and managing relationships with customers and suppliers. In addition, competition from other companies, many of which may have significantly greater financial resources than us, may reduce our acquisition opportunities or cause us to pay higher prices. We cannot assure you that we will be successful in executing our plans to establish and grow our business or that we will not incur significant expenses and losses in connection with these plans. Our failure to effectively identify, purchase, develop and integrate any vessels could impede our ability to establish our operations or implement our growth successfully. Our acquisition growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

- fail to realize anticipated benefits, such as cost savings or cash flow enhancements;
- incur or assume unanticipated liabilities, losses or costs associated with any vessels or businesses acquired, particularly if any vessel we acquire proves not to be in good condition;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur debt to finance acquisitions; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

***Purchasing and operating secondhand vessels may result in increased drydocking costs and vessels off-hire, which could adversely affect our earnings.***

Our long term business strategy also includes growth through the acquisition of previously owned vessels. Even following a physical inspection of secondhand vessels prior to purchase, we do not have the same knowledge about their condition and cost of any required (or anticipated) repairs than we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels prior to purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. Also, when purchasing previously owned vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. The average age of our dry bulk vessel fleet is approximately six and a half years. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine and hull technology.



Governmental regulations, safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. As a result, regulations and standards could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***New vessels may experience initial operational difficulties and unexpected incremental start-up costs.***

New vessels, during their initial period of operation, have the possibility of encountering structural, mechanical and electrical problems as well as unexpected incremental start-up costs. Typically, the purchaser of a newbuilding will receive the benefit of a warranty from the shipyard for newbuildings, but we cannot assure you that any warranty we obtain will be able to resolve any problem with the vessel without additional costs to us and off-hire periods for the vessel. Upon delivery of a completed newbuilding from a shipyard, we may incur operating expenses above the incremental start-up costs typically associated with such a delivery and such expenses may include, among others, additional crew training, consumables and spares.

***The operation of dry bulk vessels involves certain unique operational risks.***

The operation of dry bulk vessels has certain unique operational risks. With a dry bulk vessel, the cargo itself and its interaction with the ship can be a risk factor. By their nature, dry bulk cargoes are often heavy, dense and easily shifted, and react badly to water exposure. In addition, dry bulk vessels are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold), and small bulldozers. This treatment may cause damage to the dry bulk vessel. Dry bulk vessels damaged due to treatment during unloading procedures may be more susceptible to a breach at sea. Hull breaches in dry bulk vessels may lead to the flooding of their holds. If a dry bulk vessel suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the dry bulk vessel's bulkheads leading to the loss of the dry bulk vessel. These risks may also impact the risk of loss of life or harm to our crew.

If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent these events. Any of these circumstances or events could negatively impact our business, financial condition or results of operations. In addition, the loss of any of our vessels could harm our crew and our reputation as a safe and reliable vessel owner and operator.

***Rising fuel, or bunker, prices may adversely affect our profits.***

Since we primarily employ our vessels in the spot market, we expect that fuel, or bunkers, will typically be the largest expense in our shipping operations for our vessels. While we believe that we can transfer increased cost to the customer, and will experience a competitive advantage as a result of increased bunker prices due to the greater fuel efficiency of our vessels compared to the average global fleet, changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, including as a result of the imposition of sulfur oxide emissions limits in 2020 under new regulations adopted by the International Maritime Organization, or the IMO, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail. Fuel may therefore become much more expensive in the future and we might not be able to fully recover this increased cost through our charter rates.

***Operational risks and damage to our vessels could adversely impact our performance.***

Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather and other acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy, labor strikes, boycotts and other circumstances or events. These hazards may result in death or injury to persons, loss of revenues or property, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships and market disruptions, delay or rerouting.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover at all or in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels

may be forced to travel to a drydocking facility that is not conveniently located relative to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect our business and financial condition.

Further, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss, which could negatively impact our business, financial condition, results of operations and cash flows.

***A cyber-attack could materially disrupt our business.***

We rely on information technology systems and networks in our operations and administration of our business. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

***Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and cause disruption of our business.***

International shipping is subject to security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Under the U.S. Maritime Transportation Security Act of 2002, or MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities. These security procedures can result in delays in the loading, offloading or trans-shipment and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers. Future changes to the existing security procedures may be implemented that could affect the dry bulk sector. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods uneconomical or impractical. These additional costs could reduce the volume of goods shipped, resulting in a decreased demand for vessels and have a negative effect on our business, revenues and customer relations.

***Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties and an adverse effect on our business.***

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, or U.S. Foreign Corrupt Practices Act, and other anti-bribery legislation. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

***Incurrence of expenses or liabilities may reduce or eliminate distributions.***

The amount and timing of cash distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the payment of distributions, restrictions in our financing agreements and other factors. We could also incur other expenses or contingent liabilities that would reduce or eliminate the cash available for distribution by us as cash distributions. In addition, the declaration and payment of cash distributions is subject at all times to the discretion of our Board. We cannot assure you that it will pay cash distributions.

***We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.***

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, shareholder litigation, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent which may have a material adverse effect on our financial condition.

***If we do not set aside funds and are unable to borrow or raise funds for vessel replacement at the end of a vessel's useful life, our revenue will decline, which would adversely affect our business, results of operations and financial condition.***

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations and financial condition would be adversely affected. Any funds set aside for vessel replacement will not be available for cash distributions.

***We may not have adequate insurance to compensate us if our vessels are damaged or lost.***

In the event of a casualty to a vessel or other catastrophic event, we rely on our insurance to pay the insured value of the vessel or the damages incurred. We procure insurance for our fleet against those risks that we believe companies in the shipping industry commonly insure. These insurances include hull and machinery insurance, protection and indemnity insurance, which include environmental damage and pollution insurance coverage, and war risk insurance. We can give no assurance that we will be adequately insured against all risks and we cannot guarantee that any particular claim will be paid, even if we have previously recorded a receivable or revenue in respect of such claim. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions, which may increase our costs or lower our revenues.

We cannot assure you that we will be able to obtain adequate insurance coverage for our vessels in the future or renew our existing policies on the same or commercially reasonable terms, or at all. For example, more stringent environmental regulations have in the past led to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that our insurance policies will cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies may be subject to limitations and exclusions, which may increase our costs or lower our revenues, thereby possibly having a material adverse effect on our business, results of operations, cash flows and financial condition.

***We may be subject to calls because we obtain some of our insurance through protection and indemnity associations.***

We may be subject to increased premium payments, or calls, if the value of our claim records, the claim records of our fleet managers, and/or the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability (including pollution-related liability) significantly exceed projected claims. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows and financial condition. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them.

***We are a holding company, and depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.***

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. Our ability to satisfy our financial obligations in the future depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, we may not be able to satisfy our financial obligations.

***The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.***

We are incorporated under the laws of Bermuda and conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

***Because we are a Bermuda exempted company, our shareholders may have less recourse against us or our directors than shareholders of a U.S. company have against the directors of that U.S. Company.***

Because we are a Bermuda company, the rights of holders of our common shares will be governed by Bermuda law and our memorandum of association and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders in other jurisdictions, including with respect to, among other things, rights related to interested directors, amalgamations, mergers and acquisitions, takeovers, the exculpation and indemnification of directors and shareholder lawsuits.

Among these differences is a Bermuda law provision that permits a company to exempt a director from liability for any negligence, default, or breach of a fiduciary duty except for liability resulting directly from that director's fraud or dishonesty. Our bye-laws provide that no director or officer shall be liable to us or our shareholders unless the director's or officer's liability results from that person's fraud or dishonesty. Our bye-laws also require us to indemnify a director or officer against any losses incurred by that director or officer resulting from their negligence or breach of duty, except where such losses are the result of fraud or dishonesty. Accordingly, we carry directors' and officers' insurance to protect against such a risk.

In addition, under Bermuda law, the directors of a Bermuda company owe their duties to that company and not to the shareholders. Bermuda law does not, generally, permit shareholders of a Bermuda company to bring an action for a wrongdoing against the company or its directors, but rather the company itself is generally the proper plaintiff in an action against the directors for a breach of their fiduciary duties. Moreover, class actions and derivative actions are generally not available to shareholders under Bermuda law. These provisions of Bermuda law and our bye-laws, as well as other provisions not discussed here, may differ from the law of jurisdictions with which shareholders may be more familiar and may substantially limit or prohibit a shareholder's ability to bring suit against our directors or in the name of the company. Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. However, generally a derivative action will not be permitted where there is an alternative action available that would provide an adequate remedy. Any property or damages recovered by derivative action go to the company, not to the plaintiff shareholders. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company or that the company be wound up.

It is also worth noting that under Bermuda law, our directors and officers are required to disclose to our board any interests they have in any material contract entered into by our company or any of its subsidiaries. Our directors and officers are also required to disclose their material interests in any corporation or other entity which is party to a material contract with our company or any of its subsidiaries. A director who has disclosed his or her interests in accordance with Bermuda law may participate in any meeting of our board, and may vote on the approval of a material contract, notwithstanding that he or she has an interest.

***United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences to United States shareholders.***

A foreign corporation will be treated as a "passive foreign investment company", or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income". For purposes of these tests, "passive income" includes cash distributions, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in

connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income". United States shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we are or that we have been since the beginning of our 2004 taxable year, or that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering and voyage chartering activities as services income, rather than rental income. Accordingly, we believe that our income from these activities does not constitute "passive income", and the assets that we own and operate in connection with the production of that income do not constitute assets that produce, or are held for the production of, "passive income".

Although there is no direct legal authority under the PFIC rules addressing our method of operation there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or the IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority that characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States shareholders will face adverse United States federal income tax consequences. Under the PFIC rules, unless those shareholders make an election available under United States Internal Revenue Code of 1986, as amended, or the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation-United States Federal Income Tax Considerations"), such shareholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common shares.

***We may have to pay tax on United States source income, which would reduce our earnings.***

Under the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, may be subject to a 4% United States federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

We believe that we and each of our subsidiaries qualified for this statutory tax exemption for our taxable year ending on December 31, 2019 and we will take this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption for future taxable years and thereby become subject to United States federal income tax on our United States source shipping income. For example, we would no longer qualify for exemption under Section 883 of the Code for a particular taxable year if certain non-qualified shareholders with a 5% or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. It is possible that we could be subject to this rule for our taxable year ending on or after December 31, 2020. Due to the factual nature of the issues involved, there can be no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 of the Code for any taxable year, we, or our subsidiaries, could be subject during those years to an effective 2% United States federal income tax on gross shipping income derived during such a year that is attributable to the transport of cargoes to or from the United States. The imposition of this tax would have a negative effect on our business. However, the amount of our shipping income that would be subject to this tax has historically not been material.

***Our share price may be highly volatile and future sales of our common shares could cause the market price of our common shares to decline.***

Our common shares commenced trading on the NASDAQ Global Select Market in February 1997 and currently trade under the symbol "GOGL". Beginning on April 7, 2015, our shares have traded on the Oslo Stock Exchange, or the OSE, under the ticker code "GOGL". We cannot assure you that an active and liquid public market for our common shares will continue. The market price of our common shares has historically fluctuated over a wide range and may continue to fluctuate significantly in response

to many factors, such as actual or anticipated fluctuations in our operating results, changes in financial estimates by securities analysts, economic and regulatory trends, general market conditions, rumors and other factors, many of which are beyond our control. If the volatility in the broad stock market worsens, it could have an adverse effect on the market price of our common shares and impact a potential sale price if holders of our common shares decide to sell their shares.

***Future issuance of shares or other securities may dilute the holdings of shareholders and could materially affect the price of our common shares.***

It is possible that we may in the future decide to offer additional shares or other securities in order to secure financing for new projects, in connection with unanticipated liabilities or expenses or for any other purposes. Any such additional offering could reduce the proportionate ownership and voting interests of holders of our common shares, as well as our earnings per share and our net asset value per share, and any offering by us could have a material adverse effect on the market price of our common shares.

***Because our offices and most of our assets are outside the United States, you may not be able to bring suit against us, or enforce a judgment obtained against us in the United States.***

Our executive offices, administrative activities and assets are located outside the United States. As a result, it may be more difficult for investors to effect service of process within the United States upon us, or to enforce both in the United States and outside the United States judgments against us in any action, including actions predicated upon the civil liability provisions of the federal securities laws of the United States.

***As an exempted company incorporated under Bermuda law, our operations may be subject to economic substance requirements.***

The Economic Substance Act 2018 and the Economic Substance Regulations 2018 of Bermuda (the “Economic Substance Act” and the “Economic Substance Regulations”, respectively) became operative on December 31, 2018. The Economic Substance Act applies to every registered entity in Bermuda that engages in a relevant activity and requires that every such entity shall maintain a substantial economic presence in Bermuda. Relevant activities for the purposes of the Economic Substance Act are banking business, insurance business, fund management business, financing business, leasing business, headquarters business, shipping business, distribution and service centre business, intellectual property holding business and conducting business as a holding entity.

The Bermuda Economic Substance Act provides that a registered entity that carries on a relevant activity complies with economic substance requirements if (a) it is directed and managed in Bermuda, (b) its core income-generating activities (as may be prescribed) are undertaken in Bermuda with respect to the relevant activity, (c) it maintains adequate physical presence in Bermuda, (d) it has adequate full time employees in Bermuda with suitable qualifications and (e) it incurs adequate operating expenditure in Bermuda in relation to the relevant activity.

A registered entity that carries on a relevant activity is obliged under the Bermuda Economic Substance Act to file a declaration in the prescribed form (the “Declaration”) with the Registrar of Companies (the “Registrar”) on an annual basis.

If we fail to comply with our obligations under the Bermuda Economic Substance Act or any similar law applicable to us in any other jurisdictions, we could be subject to financial penalties and spontaneous disclosure of information to foreign tax officials in related jurisdictions and may be struck from the register of companies in Bermuda or such other jurisdiction. Any of these actions could have a material adverse effect on our business, financial condition and results of operations.

## **ITEM 4. INFORMATION ON THE COMPANY**

### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

#### *History*

On September 18, 1996, we were incorporated in Bermuda under the name Knightsbridge Tankers Limited as an exempted company pursuant to the Bermuda Companies Act 1981. In October 2014, we changed our name to Knightsbridge Shipping Limited. Following the completion of the Merger on March 31, 2015, we changed our name to Golden Ocean Group Limited. Our registered and principal executive offices are located at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda, and our telephone number at this location is +1 (441) 295-6935. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The

address of the SEC's internet site is [www.sec.gov](http://www.sec.gov). None of the information contained on these websites is incorporated into or forms a part of this annual report.

Our common shares currently trade on the NASDAQ Global Select Market and the OSE under the ticker code "GOGL".

We are engaged primarily in the ownership and operation of dry bulk vessels. We operate through subsidiaries located in Bermuda, Liberia, the Marshall Islands, Norway, and Singapore. We are also involved in the charter, purchase and sale of vessels.

#### *Historical business purpose and the Merger*

We were originally established for the purpose of owning and operating five very large crude oil carriers, or VLCCs. However, we expanded our business to the dry bulk segment from 2009 and onwards by acquiring second hand vessels and by entering into newbuilding contracts. Between 2007 and 2013, we sold our five VLCCs and subsequently discontinued our crude oil tanker operations. In 2014, we made significant expansion in the dry bulk segment by acquiring 29 special purpose companies, or SPCs, from Frontline 2012 Ltd, or Frontline 2012, each owning a dry bulk newbuilding, all of which were delivered to us between 2014 and 2018.

On October 7, 2014, we and the Former Golden Ocean entered into the Merger Agreement. The Merger was approved by our shareholders and the shareholders of the Former Golden Ocean at separate special general meetings held on March 26, 2015. In addition, our shareholders approved the adoption of the Amended and Restated Bye-laws. As of March 31, 2015, and following completion of the Merger, we owned 47 vessels and had 25 vessels under construction.

#### *Our Acquisitions, Disposals and Newbuildings*

We entered into the following acquisitions and disposals in 2017, 2018, 2019 and 2020 (to date):

In January 2017, we took delivery of the *Golden Virgo* and the *Golden Libra*, two Ultramax newbuilding vessels.

In February 2017, we took delivery of the *Golden Surabaya* and the *Golden Savannah*, two Capesize newbuilding vessels.

In March 2017, we agreed to acquire 14 vessels comprised of one Newcastlemax, five Capsize, and eight Panamax vessels in the Quintana Acquisition (*Gayle*, *Golden Houston*, *Golden Kaki*, *Golden Amreen*, *Golden Anastasia*, *Golden Myrtaia*, *Golden Deb*, *Golden Sue*, *Golden Kennedy*, *Golden Jake*, *Golden Arion*, *Golden Ioanari*, *Golden Keen* and *Golden Shea*). The aforementioned vessels were delivered between April and July 2017. In March 2017, we also agreed, to acquire two 2017 built Panamax vessels from affiliates of Hemen, with the vessels subsequently renamed *Golden Amber* and *Golden Opal* and delivered in June 2017.

In September 2017, we took delivery of the *Golden Nimbus*, a Capesize newbuilding vessel and entered into agreements to sell to an unrelated third party the following six Ultramax vessels: *Golden Libra*, *Golden Virgo*, *Golden Aries*, *Golden Gemini*, *Golden Taurus* and *Golden Leo*. The vessels were delivered to their new owner in the fourth quarter of 2017.

In October 2017, we agreed to acquire two Capesize vessels from affiliates of Hemen. The *Golden Behike* was delivered in November 2017 and the *Golden Monterrey* was delivered in January 2018.

In January and February 2018, we took delivery of the *Golden Cirrus*, *Golden Arcus*, *Golden Cumulus*, *Golden Incus* and *Golden Calvus*, five Capesize newbuilding vessels.

In August 2018, we sold the *Golden Eminence*, a Panamax vessel, to an unrelated third party.

## **B. BUSINESS OVERVIEW**

We are an international shipping company that owns and operates a fleet of dry bulk vessels, comprising of Newcastlemax, Capesize, Panamax and Ultramax vessels. Our vessels transport a broad range of major and minor bulk commodities, including ores, coal, grains and fertilizers, along worldwide shipping routes. Our vessels operate in the spot and time charter markets.

As of March 12, 2020, we owned 67 dry bulk vessels. Each vessel is owned and operated by one of our subsidiaries and is flagged either in the Marshall Islands, Hong Kong, Panama, or Bahamas. In addition, we had 12 vessels chartered-in (of which seven and one are chartered in on finance leases and operating leases, respectively, from SFL, three chartered in on operating

leases from unrelated third parties and one chartered in on a finance lease from an unrelated third party). 9 of our vessels are chartered-out on fixed rate time charters, 16 of our vessels are chartered out on index linked rate time charters and the remaining 54 vessels operate in the spot market, of which 30 vessels participate under RSAs.

We own various vessel owning and operating subsidiaries. Our operations take place substantially outside of the United States. Our subsidiaries, therefore, own and operate vessels that may be affected by changes in foreign governments and other economic and political conditions. Our vessels operate worldwide and as a result, our management does not, and did not, evaluate performance by geographical region because this information is not meaningful.

The dry bulk shipping industry is highly cyclical, experiencing volatility in profitability, vessel values and freight rates. Freight rates are strongly influenced by the supply of dry bulk vessels and the demand for dry bulk seaborne transportation.

### **Our Business Strategy**

Our business strategy is to operate a diversified fleet of dry bulk vessels with flexibility to adjust our market exposure depending on existing factors such as charter rates, newbuilding costs, vessel resale and scrap values and vessel operating expenses resulting from, among other things, changes in the supply of and demand for dry bulk capacity. We may adjust our exposure through time charters, voyage charters, bareboat charters, sale and leasebacks, sales and purchases of vessels, newbuilding contracts and acquisitions. Our intention is to renew and grow our fleet through selective acquisitions.

#### *Capesize Chartering Ltd*

In February 2015, Capesize Chartering Ltd, or CCL, a joint venture company was incorporated and in January 2016, the joint venture partners, Golden Ocean, Bocimar International NV, C Transport Holding Ltd and Star Bulk Carriers Corp, entered into a RSA. The purpose of the joint venture is to combine and coordinate the chartering services of all the parties for their participating Capesize dry bulk vessels that are intended to trade on the spot market and ultimately achieve improved scheduling ability and with the overall aim of enhancing economic efficiencies. Each participating vessel owner continues to be responsible for the operating, accounting and technical management of its respective vessels. We currently include 26 of our Capesize vessels and one of our Newcastlemax vessels in the RSA.

### **Management Structure**

Overall responsibility for the oversight of the management of our company and its subsidiaries rests with our Board. We operate management services through Golden Ocean Group Management (Bermuda) Ltd, our subsidiary incorporated in Bermuda, which in turn subcontracts services to Golden Ocean Management AS and Golden Ocean Shipping Co. Pte. Ltd., our subsidiaries incorporated in Norway and Singapore, respectively. Our principal financial officer is employed by Golden Ocean Management AS. Our principal commercial officer is employed by Golden Ocean Shipping Co. Pte. Ltd. The Board defines the scope and terms of the services to be provided, including day-to-day operations by the aforementioned subsidiaries, and requires that it be consulted on all matters of material importance and/or of an unusual nature and, for such matters, provides specific authorization to personnel to act on our behalf.

#### *Technical Supervision Services*

We receive technical supervision services from Frontline Management (Bermuda) Limited, or Frontline Management. Pursuant to the terms of the agreement, Frontline Management receives a management fee per vessel per year. This fee is subject to annual review. Frontline Management performs also newbuilding supervision on our behalf and charges us for costs incurred in relation to the supervision. Technical operations and crewing of all owned vessels are outsourced to several leading ship management companies.

### **Seasonality**

The dry bulk trade has a history of tracking seasonal demand fluctuations. As China is the most significant market for dry bulk shipping, the public holidays in relation to the Chinese New Year during the first quarter usually results in a decrease in market activity during this period. Also, in the last few years, adverse weather conditions in the Southern Hemisphere, which often occur during the first quarter, have had a negative impact on iron ore and coal exports from Australia and iron ore exports from Brazil.

Grain has traditionally had the greatest impact on the seasonality in the dry bulk market, particularly during the peak demand seasons, which occurs during the second quarter in the Southern Hemisphere and at the end of the third quarter and throughout the fourth quarter in the Northern Hemisphere. The growth of iron ore and coal transportation over the last decade, however, has diminished the relative importance of grain to the dry bulk transportation industry. Since iron ore, like most other



commodities, has moved from fixed price agreements between shippers and receivers to spot pricing, short term price fluctuations have had an impact on iron ore trading by reducing normal seasonal patterns. Other factors, however, such as weather and port congestion still impact market volatility.

## **Customers**

For the year ended December 31, 2019, no customer accounted for 10 percent or more of our consolidated revenues. For the years ended December 31, 2018 and 2017, one customer accounted for 10 percent or more of our consolidated revenues in the amounts of \$65.8 million and \$59.7 million, respectively.

## **Competition**

The market for international seaborne dry bulk transportation services is highly fragmented and competitive. Seaborne dry bulk transportation services are generally provided by independent ship-owner fleets. In addition, many owners and operators in the dry bulk sector pool their vessels together on an ongoing basis, and such pools are available to customers to the same extent as independently owned and operated fleets. Competition for charters in the dry bulk market is intense and is based upon price, location, size, age, condition and acceptability of the vessel and its manager. Competition is also affected by the availability of other size vessels to compete in the trades in which we engage. Charters are to a large extent brokered through international independent brokerage houses that specialize in finding the optimal ship for any particular cargo based on the aforementioned criteria. Brokers may be appointed by the cargo shipper or the ship owner.

## ***Environmental and Other Regulations in the Shipping Industry***

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard (“USCG”), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

## ***International Maritime Organization***

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the “IMO”), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as “MARPOL,” the International Convention for the Safety of Life at Sea of 1974 (“SOLAS Convention”), and the International Convention on Load Lines of 1966 (the “LL Convention”). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to drybulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO

in September of 1997; new emission standards, titled IMO-2020, took effect on January 1, 2020.

In 2013, the IMO's Marine Environmental Protection Committee, or the "MEPC," adopted a resolution amending MARPOL Annex I Condition Assessment Scheme, or "CAS." These amendments became effective on October 1, 2014, and require compliance with the 2011 International Code on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers, or "ESP Code," which provides for enhanced inspection programs. We may need to make certain financial expenditures to comply with these amendments.

#### *Air Emissions*

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of "volatile organic compounds" from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The Marine Environment Protection Committee, or "MEPC", adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships were adopted and took effect on March 1, 2020. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

Sulfur content standards are even stricter within certain "Emission Control Areas," or ("ECAs"). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1% m/m. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. Other areas in China are subject to local regulations that impose stricter emission controls. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency ("EPA") or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NOx) standards in ECAs will go into effect. Under the amendments, Tier III NOx standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NOx produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NOx in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built on or after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in 2010. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection commencing on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans ("SEEMPS"), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index ("EEDI"). Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

### *Safety Management System Requirements*

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the “LLMC”) sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that our vessels are in substantial compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention and in particular the ISM Code, our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that our managers have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel’s management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. Our managers have obtained applicable documents of compliance for their offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificate are renewed as required.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers (GBS Standards).

Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code (“IMDG Code”). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements. Amendments which took effect on January 1, 2020 also reflect the latest material from the UN Recommendations on the Transport of Dangerous Goods, including (1) new provisions regarding IMO type 9 tank, (2) new abbreviations for segregation groups, and (3) special provisions for carriage of lithium batteries and of vehicles powered by flammable liquid or gas.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (“STCW”). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

The IMO’s Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the “Polar Code”). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

Furthermore, recent action by the IMO’s Maritime Safety Committee and United States agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity

threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is expected to enhance the industry cybersecurity environment.

### *Pollution Control and Liability Requirements*

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in 2004. The BWM Convention entered into force on September 9, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention (IOPP) renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the ballast water, must be approved in accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72's amendments to the BWM Convention took effect, making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard. Under these amendments, all ships must meet the D-2 standard by September 8, 2024. Costs of compliance with these regulations may be substantial.

Once mid-ocean ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "Bunker Convention") to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where the CLC or the Bunker Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

### *Anti-Fouling Requirements*

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the "Anti-fouling Convention." The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the

Anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

### *Compliance Enforcement*

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

### **United States Regulations**

#### *The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act*

The U.S. Oil Pollution Act of 1990 (“OPA”) established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all “owners and operators” whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.’s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define “owner and operator” in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are “responsible parties” and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

- (i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (ii) injury to, or economic losses resulting from, the destruction of real and personal property;
- (iv) loss of subsistence use of natural resources that are injured, destroyed or lost;
- (iii) net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- (v) lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- (vi) net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of \$1,200 per gross ton or \$997,100 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident as required by law where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or

operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We comply and plan to comply going forward with the USCG's financial responsibility regulations by providing applicable certificates of financial responsibility.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico resulted in additional regulatory initiatives or statutes, including higher liability caps under OPA, new regulations regarding offshore oil and gas drilling, and a pilot inspection program for offshore facilities. However, several of these initiatives and regulations have been or may be revised. For example, the U.S. Bureau of Safety and Environmental Enforcement's ("BSEE") revised Production Safety Systems Rule ("PSSR"), effective December 27, 2018, modified and relaxed certain environmental and safety protections under the 2016 PSSR. Additionally, the BSEE amended the Well Control Rule, effective July 15, 2019, which rolled back certain reforms regarding the safety of drilling operations, and the U.S. President proposed leasing new sections of U.S. waters to oil and gas companies for offshore drilling. The effects of these changes are currently unknown. Compliance with any new requirements of OPA and future legislation or regulations applicable to the operation of our vessels could impact the cost of our operations and adversely affect our business.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

We currently maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

#### *Other United States Environmental Initiatives*

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA requires states to adopt State Implementation Plans, or SIPs, some of which regulate emissions resulting from vessel loading and unloading operations which may affect our vessels.

The U.S. Clean Water Act ("CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" ("WOTUS"), thereby expanding federal authority under the CWA. Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of "waters of the United States." The proposed rule was published in the Federal Register on February 14, 2019 and was subject to public comment. On October 22, 2019, the agencies published a final rule repealing the 2015 Rule defining "waters of the United States" and recodified the regulatory text that existed prior to 2015 Rule. The final rule became effective on December 23, 2019.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters.

The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act (“VIDA”), which was signed into law on December 4, 2018 and replaces the 2013 Vessel General Permit (“VGP”) program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act (“NISA”), such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under Clean Water Act (CWA), requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance, and enforcement regulations within two years of EPA’s promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent (“NOI”) or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required. Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

### ***European Union Regulations***

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in the Baltic, the North Sea and the English Channel (the so called “SOx-Emission Control Area”). As of January 2020, EU member states will also have to ensure that ships in all EU waters, except the SOx-Emission Control Area, use fuels with a 0.5% maximum sulfur content or comply with the new IMO 2020 regulations through the use of scrubbers.

### ***International Labour Organization***

The International Labor Organization (the “ILO”) is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 (“MLC 2006”). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships 500 gross tons or engaged in international trade and flying the flag of a Member and operating from a port, or between ports, in another country. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

### ***Greenhouse Gas Regulation***

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping

emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement, but on June 1, 2017, the U.S. President announced that the United States intends to withdraw from the Paris Agreement, which provides for a four-year exit process, meaning that the earliest possible effective withdrawal date cannot be before November 4, 2020. The timing and effect of such action has yet to be determined.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies “levels of ambition” to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol’s second period from 2013 to 2020. Starting in January 2018, large ships over 5,000 gross tonnage calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA’s plan to cut greenhouse gas emissions, and in August 2019, the Administration announced plans to weaken regulation for methane emissions. The EPA or individual U.S. states could enact environmental regulations that would affect our operations.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or certain weather events.

### ***Vessel Security Regulations***

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 (“MTSA”). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facilities Security Code (“the ISPS Code”). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate (“ISSC”) from a recognized security organization approved by the vessel’s flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship’s identity, position, course, speed and navigational status; on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore; the development of vessel security plans; ship identification number to be permanently marked on a vessel’s hull; a continuous synopsis record kept onboard showing a vessel’s history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship’s identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and compliance with flag state security certification requirements.



The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden and Arabian Sea area, and off the coast of Nigeria, including the Gulf of Guinea. Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP4 industry standard.

### **Inspection by Classification Societies**

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers contracted for construction on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by all the applicable Classification Societies (e.g., American Bureau of Shipping, Lloyd's Register of Shipping).

A vessel must undergo annual surveys, intermediate surveys, drydockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be drydocked every 30 to 36 months for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, drydocking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

### **Risk of Loss and Liability Insurance**

#### ***General***

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

#### ***Marine Insurance***

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our fleet.

#### ***Protection and Indemnity Insurance***

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or "P&I Associations", and covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and

other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or “clubs.”

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world’s commercial tonnage and have entered into a pooling agreement to reinsure each association’s liabilities. The International Group’s website states that the Pool provides a mechanism for sharing all claims in excess of US\$ 10 million up to, currently, approximately US\$ 8.2 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group.

### C. ORGANIZATIONAL STRUCTURE

See Exhibit 8.1 for a list of our significant subsidiaries.

### D. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes key information about our fleet as of March 12, 2020:

Vessel	Built	DWT	Flag	Type of Employment <sup>(1)</sup>
<b>Newcastlemax - Owned</b>				
Golden Gayle	2011	206,565	MI	Index linked time charter <sup>(2)</sup>
Golden Scape	2016	211,112	HK	Spot market with RSA
Golden Swift	2016	211,112	HK	Spot market
		<b>628,789</b>		
<b>Capesize - Owned</b>				
Golden Feng	2009	169,232	MI	Spot market with RSA
Golden Shui	2009	169,333	MI	Spot market with RSA
Golden Myrtalia	2011	177,979	MI	Spot market with RSA
Golden Anastasia	2014	179,189	MI	Spot market with RSA
Golden Houston	2014	181,214	MI	Spot market with RSA
Golden Kaki	2014	180,560	MI	Spot market with RSA
KSL Salvador	2014	180,958	HK	Index linked time charter
KSL San Francisco	2014	181,066	HK	Index linked time charter
KSL Santiago	2014	181,020	HK	Spot market with RSA
KSL Santos	2014	181,055	HK	Spot market with RSA
KSL Sapporo	2014	180,960	HK	Spot market with RSA
KSL Seattle	2014	181,015	HK	Spot market with RSA
KSL Singapore	2014	181,062	HK	Index linked time charter
KSL Sydney	2014	181,009	HK	Time charter (expires February 2021)
Golden Amreen	2015	179,337	MI	Spot market with RSA
Golden Aso	2015	182,472	HK	Spot market with RSA
Golden Finsbury	2015	182,418	HK	Spot market with RSA
Golden Kathrine	2015	182,486	HK	Spot market with RSA
KSL Sakura	2015	181,062	HK	Index linked time charter
KSL Seoul	2015	181,010	HK	Spot market with RSA
KSL Seville	2015	181,003	HK	Spot market with RSA
KSL Stockholm	2015	181,043	HK	Index linked time charter
Golden Barnet	2016	180,355	HK	Time charter (expires November 2020)
Golden Behike	2016	180,491	MI	Index linked time charter
Golden Bexley	2016	180,228	HK	Index linked time charter
Golden Fulham	2016	182,610	HK	Spot market with RSA

Golden Monterrey	2016	180,491	MI	Index linked time charter
Golden Nimbus	2017	180,504	MI	Spot market with RSA
Golden Savannah	2017	181,044	HK	Index linked time charter
Golden Surabaya	2017	181,046	HK	Index linked time charter
Golden Arcus	2018	180,478	MI	Index linked time charter
Golden Calvus	2018	180,521	MI	Index linked time charter
Golden Cirrus	2018	180,487	MI	Index linked time charter
Golden Cumulus	2018	180,499	MI	Index linked time charter
Golden Incus	2018	180,511	MI	Index linked time charter
		<b>6,305,748</b>		

#### **Capesize - Operating Lease - Related Party, SFL**

KSL China	2013	179,109	MI	Spot market with RSA
		<b>179,109</b>		

#### **Capesize - Finance Lease - Related Party, SFL**

Battersea	2009	169,500	MI	Spot market with RSA
Belgravia	2009	169,500	MI	Spot market with RSA
Golden Magnum	2009	179,788	HK	Spot market with RSA
Golden Beijing	2010	176,000	HK	Spot market with RSA
Golden Future	2010	176,000	HK	Spot market with RSA
Golden Zhejiang	2010	175,834	HK	Spot market with RSA
Golden Zhoushan	2011	175,834	HK	Spot market with RSA
		<b>1,222,456</b>		

#### **Panamax - Operating Lease - Unrelated Third Party**

Admiral Schmidt	2019	103,000	BA	Spot market
Vitus Bering	2019	103,000	BA	Spot market
		<b>206,000</b>		

#### **Panamax - Owned**

Golden Shea	2007	76,939	MI	Spot market
Golden Ice	2008	75,500	HK	Spot market
Golden Opportunity	2008	75,750	HK	Spot market
Golden Saguenay	2008	75,500	HK	Spot market
Golden Strength	2009	75,500	HK	Spot market
Golden Empress	2010	79,463	HK	Time charter (expires December 2021)
Golden Endeavour	2010	79,454	HK	Time charter (expires October 2020)
Golden Arion	2011	82,188	MI	Spot market
Golden Endurer	2011	79,474	HK	Time charter (expires November 2020)
Golden Enterprise	2011	79,463	HK	Spot market
Golden Ioanari	2011	82,188	MI	Spot market
Golden Jake	2011	82,188	MI	Spot market
Golden Suck	2011	74,849	HK	Spot market
Golden Daisy	2012	81,507	MI	Spot market
Golden Ginger	2012	81,487	MI	Spot market
Golden Keen	2012	81,586	MI	Spot market
Golden Rose	2012	81,585	MI	Spot market
Golden Bull	2012	75,000	HK	Time charter (expires July 2020)

Golden Brilliant	2013	74,500	HK	Spot market
Golden Diamond	2013	74,186	HK	Spot market
Golden Pearl	2013	74,186	HK	Spot market
Golden Sue	2013	84,943	MI	Time charter (expires March 2021)
Golden Deb	2014	84,943	MI	Time charter (expires March 2021)
Golden Ruby	2014	74,052	HK	Spot market
Golden Kennedy	2015	83,789	MI	Time charter (expires May 2020)
Golden Amber	2017	74,500	MI	Spot market
Golden Opal	2017	74,231	MI	Spot market
		<b>2,118,951</b>		
<b>Panamax - Finance Lease, Third party</b>				
Golden Eclipse	2010	<b>79,600</b>	HK	Spot market
<b>Ultramax - Owned</b>				
Golden Cecilie	2015	60,263	HK	Spot market with RSA
Golden Cathrine	2015	60,000	HK	Spot market with RSA
		<b>120,263</b>		
<b>Supramax - Operating Lease, Third party</b>				
Golden Hawk	2015	<b>58,000</b>	PAN	Spot market with RSA

1. RSA: Revenue sharing agreement or pool arrangement
2. This charterparty contains a minimum (floor) and maximum (ceiling) rate structure

#### Key to Flags:

MI – Marshall Islands, HK – Hong Kong, PAN - Panama, BA - Bahamas.

Other than our interests in the vessels described above, we do not own or lease any other material physical properties, except for related party leases of our office space in Singapore and in Oslo.

#### ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

##### A. OPERATING RESULTS

###### Overview

The following discussion should be read in conjunction with "Item 3. Selected Financial Data", "Item 4. Information on the Company" and the audited Consolidated Financial Statements and Notes thereto included herein.

As of December 31, 2019, we owned 67 dry bulk vessels. In addition, we had 12 vessels chartered-in (of which seven and one are chartered in on finance leases and operating leases, respectively from SFL, three chartered in on operating leases from unrelated third parties and one chartered in on a finance lease from an unrelated third party). Our owned vessels are owned and operated by one of our subsidiaries and are flagged either in the Marshall Islands, Hong Kong, Bahamas or Panama. As of December 31, 2019, 11 of our vessels were chartered-out on fixed rate time charters, 16 of our vessels were chartered out on index linked rate time charters, 52 vessels operated in the spot market, of which 29 vessels participated in RSAs.

## Fleet Changes

Refer to "Item 4. Information on the Company-A. History and Development of the Company" for a discussion on acquisitions and disposals of vessels during the years ended December 31, 2019, 2018, and 2017. A summary of the changes in the vessels that we own and chartered in under long term operating and finance leases for the years ended December 31, 2019, 2018 and 2017 is summarized below.

	2019	2018	2017
<b>Newcastlemax</b>			
At start of period	3	3	2
Acquisitions and newbuilding deliveries	—	—	1 a
At end of period	3	3	3
<b>Capesize</b>			
At start of period	43	37	29
Acquisitions and newbuilding deliveries	—	6 g	9 b
Disposals	—	—	—
Chartered in/owned by joint venture	—	—	(1) c
At end of period	43	43	37
<b>Panamax</b>			
At start of period	28	29	19
Acquisitions and newbuilding deliveries	—	—	10 d
Disposals	—	(1) h	—
Chartered in/owned by joint venture	2 i	—	—
At end of period	30	28	29
<b>Ultramax</b>			
At start of period	3	3	7
Acquisitions and newbuilding deliveries	—	—	2 e
Disposals	—	—	(6) f
At end of period	3	3	3
<b>Total</b>			
At start of period	77	72	57
Acquisitions and newbuilding deliveries	—	6	22
Disposals	—	(1)	(6)
Chartered in/owned by joint venture	2	—	(1)
	79	77	72

- a. Delivery of one vessel (*Golden Gayle*) acquired from Quintana.
- b. (i) Delivery of two newbuildings (*Golden Surabaya* and *Golden Savannah*), (ii) delivery of five vessels (*Golden Kaki*, *Golden Amreen*, *Golden Myrtalia*, *Golden Anastasia* and *Golden Houston*) acquired from Quintana, (iii) delivery of one newbuilding (*Golden Nimbus*), and (iv) delivery of one vessel (*Golden Behike*) acquired from affiliates of Hemen.
- c. Disposal of one vessel (*Golden Opus*) sold by the joint venture company to an unrelated third party.
- d. Delivery of eight vessels (*Golden Sue*, *Golden Kennedy*, *Golden Shea*, *Golden Ioanari*, *Golden Arion*, *Golden Deb*, *Golden Jake*, *Golden Keen*) from Quintana and two vessels (*Golden Amber* and *Golden Opal*) from Hemen.
- e. Delivery of two newbuildings (*Golden Virgo* and *Golden Libra*).
- f. Disposal of six vessels (*Golden Gemini*, *Golden Libra*, *Golden Leo*, *Golden Virgo*, *Golden Taurus* and *Golden Aries*) to an unrelated third party.
- g. (i) Delivery of five newbuildings (*Golden Arcus*, *Golden Cirrus*, *Golden Cumulus*, *Golden Incus* and *Golden Calvus*) and (ii) delivery of one vessel (*Golden Monterrey*) acquired from affiliates of Hemen.
- h. Disposal of one vessel (*Golden Eminence*) to an unrelated third party.
- i. Time charter-in of two vessels (*Vitus Bering* and *Admiral Schmidt*) from an unrelated third party.

## Summary of Fleet Employment

As discussed below, as at December 31, 2019, our vessels operated under time charters or voyage charters.

A time charter agreement is a contract entered into by an owner and a charterer whereby the charterer is entitled to the use of a vessel for a specific period of time for a specified daily fixed or index-linked rate of hire. Under a time charter agreement, voyage costs, such as bunker fuel and port charges, are borne and paid by the charterer. In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption. An index-linked rate usually refers to freight rate indices issued by the Baltic Exchange, such as the Baltic Capesize Index and the Baltic Panamax Index. These rates are based on actual charter hire rates under charter entered into by market participants, as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers.

A voyage or spot charter agreement is a contract entered into by an owner and a charterer whereby a charterer is entitled to the use of a vessel to transport commodities between specified geographical locations at a specified freight rate per ton. Under voyage charter agreements, voyage costs are borne and paid by the owner. In the voyage charter market, rates are also influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and redelivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region with ports where vessels load cargo are generally quoted at lower rates, because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Several of our vessels may trade under revenue sharing arrangements or pools that are primarily exposed to the spot market. As of December 31, 2019, we included 25 of our Capesize vessels and one of our Newcastlemax vessels in the RSA with CCL and our three Ultramax vessels traded in C Transport Holding Ltd's pool for Supramax vessels.

	As of December 31,					
	2019		2018		2017	
	Number of vessels	Percentage of fleet	Number of vessels	Percentage of fleet	Number of vessels	Percentage of fleet
<b>Newcastlemax</b>						
Spot	1	33.3 %	1	33.3 %	—	— %
Spot with RSA <sup>(1)</sup>	1	33.3 %	—	— %	1	33.3 %
Time charter	—	— %	1	33.3 %	1	33.3 %
Index linked time charter	1	33.3 %	1	33.3 %	1	33.3 %
	<b>3</b>	<b>100.0 %</b>	<b>3</b>	<b>100.0 %</b>	<b>3</b>	<b>100.0 %</b>
<b>Capesize</b>						
Spot	—	— %	1	2.3 %	1	2.8 %
Spot with RSA <sup>(2)</sup>	25	58.1 %	22	51.2 %	18	48.6 %
Time charter	3	7.0 %	9	20.9 %	4	10.8 %
Index linked time charter	15	34.9 %	11	25.6 %	14	37.8 %
	<b>43</b>	<b>100.0 %</b>	<b>43</b>	<b>100.0 %</b>	<b>37</b>	<b>100.0 %</b>
<b>Panamax</b>						
Spot	22	73.3 %	20	71.4 %	24	82.8 %
Spot with RSA	—	— %	—	— %	—	— %
Time charter	8	26.7 %	7	25.0 %	5	17.2 %
Index linked time charter	—	— %	1	3.6 %	—	— %
	<b>30</b>	<b>100.0 %</b>	<b>28</b>	<b>100.0 %</b>	<b>29</b>	<b>100.0 %</b>
<b>Ultramax</b>						
Spot	—	— %	—	— %	—	— %
Spot with RSA <sup>(3)</sup>	3	100.0 %	3	100.0 %	3	100.0 %
Time charter	—	— %	—	— %	—	— %
Index linked time charter	—	— %	—	— %	—	— %
	<b>3</b>	<b>100.0 %</b>	<b>3</b>	<b>100.0 %</b>	<b>3</b>	<b>100.0 %</b>
<b>Total</b>						
Spot	23	29.1 %	22	28.6 %	25	34.7 %
Spot with RSA	29	36.7 %	25	32.5 %	22	30.6 %
Time charter	11	13.9 %	17	22.1 %	10	13.9 %
Index linked time charter	16	20.3 %	13	16.8 %	15	20.8 %
	<b>79</b>	<b>100.0 %</b>	<b>77</b>	<b>100.0 %</b>	<b>72</b>	<b>100.0 %</b>

- (1) The *Golden Swift* traded under a Newcastlemax RSA in 2017 which was terminated in 2018. In 2019 *Golden Scope* has been traded under the CCL RSA.
- (2) 25 of our Capesize vessels traded under the CCL RSA.
- (3) Our 3 Ultramax vessels traded in the C Transport Holding Ltd's Supramax pool.

Below is an overview as of December 31, 2019 of our vessels on time charter contracts that had a minimum initial contract duration of more than one year:

Vessel Type	Vessel Name	Dwt	Net Rate	Expiry (min period)
Capesize	KSL Sydney	181,009	25,000	February 2021
Capesize	KSL Seoul	181,010	17,000	February 2020
Capesize	Golden Barnet	180,355	20,500	November 2020
Panamax	Golden Empress	79,463	24,000	December 2021
Panamax	Golden Endeavour	79,454	19,500	October 2020
Panamax	Golden Endurer	79,474	24,000	November 2020
Panamax	Golden Bull	75,000	12,350	June 2020
Panamax	Golden Sue	84,943	14,840	March 2020
Panamax	Golden Deb	84,943	12,500	March 2020
Panamax	Golden Kennedy	83,789	15,650	May 2020
Panamax	Golden Eclipse	79,600	29,500	February 2020

Refer to "Item 4. Information on the Company - D. Property Plant and Equipment" for a summary of key information of our fleet as of the date of this report. In addition, from time to time we may also enter into Forward Freight Agreements, or FFA, to hedge our exposure to the charter market for a specified route and period of time. Please see Note 28 to our Consolidated Financial Statements included herein for additional information on our financial instruments.

In January 2015, we entered into an agreement with RWE Supply & Trading GmbH, a wholly owned subsidiary of RWE AG (a major European energy company), to charter out a total of fifteen Capesize vessels on long term, index-linked contracts. In September 2015, the parties agreed to amend the terms to ten Capesize vessels at five years with charterer's option to extend for an additional two and a half years, instead of fifteen Capesize vessels at five-year terms. During 2015, eight vessels were delivered to RWE and the remaining two vessels were delivered in 2016. These charters are considered long term since their duration exceeds one year, however they have not been included in the table above as the time charter revenue earned on these is variable due to the index-linked daily time charter rate and therefore comparable to charter revenue earned in the spot market.

### Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Management believes that the following accounting policies are the most critical in fully understanding and evaluating our reported financial results as they require a higher degree of judgment in their application resulting from the need to make estimates about the effect of matters that are inherently uncertain. See also Note 2 to the audited Consolidated Financial Statements included herein for details of all significant accounting policies.

### Revenue and expense recognition

Our shipping revenues are primarily generated from time charters and voyage charters. In a time charter, the vessel is hired by the charterer for a specified period of time in exchange for consideration which is based on a daily hire rate. Generally, the charterer has the discretion over the ports visited, shipping routes and vessel speed. The contract/charter party generally provides typical warranties regarding the speed and performance of the vessel. The charter party generally has some owner protective restrictions such as that the vessel is sent only to safe ports by the charterer and carries only lawful or non hazardous cargo. In a time charter contract, where we charter the ship out to a charterer, we are responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges, canal tolls during the hire period. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to us. The charterer generally pays the charter hire in advance of the upcoming contract period. The time charter contracts are considered operating leases because (i) the vessel is an identifiable asset (ii) we do not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use. Time charter contracts are accounted for under ASC 842 Leases in 2019 and under ASC



840 Leases in 2018 and 2017, respectively, and revenues are recorded over the term of the charter. When a time charter contract is linked to an index, we recognize revenue for the applicable period based on the actual index for that period.

In a voyage charter contract, the charterer hires the vessel to transport a specific agreed-upon cargo for a single voyage. The consideration for such a contract is determined on the basis of a freight rate per metric ton of cargo carried or occasionally on a lump sum basis. The charterer is responsible for any short loading of cargo or "dead" freight. The voyage charter party generally has standard payment terms of 90 or 95% freight paid within three to five days after completion of loading. The voyage charter party generally has a "demurrage" or "despatch" clause. As per this clause, the charterer reimburses us for any potential delays exceeding the allowed laytime as per the charter party clause at the ports visited, which is recorded as demurrage revenue. Conversely, the charterer may be given credit if the loading/discharging activities happen within a shorter period than the allowed laytime, which is despatch and results in a reduction in revenue. Estimates and judgments are required in ascertaining the most likely outcome of a particular voyage and actual outcomes may differ from estimates. In a voyage charter contract, the performance obligations begin to be satisfied once the vessel begins loading the cargo.

We have determined that our voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified period. Therefore, the performance obligation is met evenly as the voyage progresses, and the revenue is recognized on a straight line basis over the voyage days from the commencement of loading to completion of discharge.

The voyage charters generally have variable consideration in the form of demurrage or despatch, which is recognized as we satisfy the performance obligations under the contract. We estimate demurrage or despatch at contract inception using either the expected value or most likely amount approaches. Such estimate is reviewed and updated over the term of the voyage charter contract.

In a voyage contract, we bear all voyage related costs such as fuel costs, port charges and canal tolls. To recognize costs incurred to fulfill a contract as an asset, the following criteria shall be met: (i) the costs relate directly to the contract, (ii) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future and (iii) the costs are expected to be recovered. The costs incurred during the period prior to commencement of loading the cargo, primarily bunkers, are deferred as they represent setup costs and recorded as a current asset and are subsequently amortized on a straight-line basis as we satisfy the performance obligations under the contract. Costs incurred to obtain a contract, such as commissions, are also deferred and expensed over the same period. Costs related to the voyage which are incurred during the period between loading and discharging the cargo, are expensed as incurred.

Several of our Capesize vessels operate under a pool arrangement for Capesize vessels with Capesize Chartering Ltd, or CCL. Revenues and expenses for our own vessels generated through this pool arrangement are presented gross. We consider ourselves the principal under the charterparties with the customers for the vessels that operate under this pool arrangement, primarily because we consider ourselves to have control over the service to be transferred for the customer under the charterparties. CCL, as pool manager, calculates the total pool revenues, pool expenses and pool results based on each participant's reported results. Based on the aggregated pool results as defined under the pool agreement and a pre-determined pool key, reflecting a vessel's earning capacity, CCL calculates and allocates a pool result for each vessel. The difference between the calculated pool result for our own vessels and the actual result from the charter party with the third party customer is a settlement amount with CCL. This settlement amount allocated under the pool arrangement, is presented as other operating income (expenses), net, in our consolidated statements of operations.

Our Ultramax vessels operate under a revenue sharing agreement, or RSA, for Supramax vessels managed by C Transport Holding Ltd, or CTM. Under this RSA, CTM performs both commercial and operational functions related to the contracts with the third party customers. CTM as manager, records all revenues and voyage expenses for all vessels under the arrangement which include vessels owned by third parties. The revenues and voyage expenses are pooled together, allocated and the net result is distributed to each participant under the arrangement in accordance with an agreed-upon formula. Under this RSA, CTM also operates and therefore controls the use of our owned vessels included under the arrangement. As a result, the RSA for our vessels with CTM is considered to meet the definition of a lease. We account for the transactions with CTM as variable rate operating leases and recognize revenues for the applicable period based on the net amount to be distributed by CTM.

Other revenues primarily comprise revenues earned from the commercial management of related party vessels. Other revenues are recognized on an accruals basis as the services are provided and performance obligations are met.

On January 1, 2018, we adopted the provisions of ASC 606 Revenue from Contracts with Customers using the modified retrospective approach. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2018. Prior to the adoption of ASC 606 Revenue from Contracts with Customers, voyage revenues were recognized ratably over the estimated length of each voyage and, therefore, were

allocated between reporting periods based on the relative transit time in each period. Voyage expenses were recognized as incurred. We used a discharge-to-discharge basis in determining percentage of completion for all voyage charters whereby we recognize revenue ratably from when product is discharged (unloaded) at the end of one voyage to when it is discharged after the next voyage. However, we did not recognize revenue if a charter was not contractually committed to by a customer and us, even if the vessel discharged its cargo and was sailing to the anticipated load port on its next voyage.

### **Vessels and depreciation**

Vessels are stated at cost less accumulated depreciation. Depreciation is calculated based on cost less estimated residual value, using the straight-line method, over the useful life of each vessel. The useful life of each vessel is deemed to be 25 years. The residual value is calculated by multiplying the lightweight tonnage of the vessel by the market price of scrap per tonne. The market price of scrap per tonne is calculated as the 10-year average, up to the date of delivery of the vessel, across the three main recycling markets (Far East, Indian sub-continent and Bangladesh). Residual values are reviewed annually.

### **Impairment of vessels and right of use assets**

The carrying values of our vessels and right of use assets, if any, may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates. Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of vessels and right of use assets that are held and used by us are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular vessel or and right of use assets may not be fully recoverable. Indicators of impairment are identified based on a combination of factors which include amongst other, development of second hand vessel values based on external appraisals of our ships, development of forward freight rates, spot rates and operating cash flow. We assess recoverability of the carrying value of each asset on an individual basis by estimating the future undiscounted cash flows expected to result from the asset and eventual disposal. If the future net undiscounted cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. Fair value is estimated based on values achieved for the sale/purchase of similar vessels and external appraisals. In addition, vessels and right of use assets to be disposed of or held for sale are reported at the lower of carrying amount and fair value less estimated costs to sell.

In developing estimates of future cash flows, we must make assumptions about future performance, with significant assumptions being related to charter rates, ship operating expenses, utilization, drydocking requirements, residual value and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. Specifically, in estimating future charter rates, management takes into consideration rates currently in effect for existing time charters and estimated daily time charter equivalent rates for each vessel class for the unfixed days over the estimated remaining lives of each of the vessels. The estimated daily time charter equivalent rates used for unfixed days are based on a combination of (i) forward freight market rates and (ii) estimate of implied charter rates based on the broker values received from third party brokers. The implied rate is a calculated rate for each vessel based on the charter rate the vessel would need to achieve, given our estimated future operating costs and discount factors that once discounted would equate to the average broker values. We then use the resultant undiscounted cash flows in our model. Recognizing that the transportation of dry bulk cargoes is cyclical and subject to significant volatility based on factors beyond our control, management believes the use of estimates based on the combination of internally forecasted rates and calculated average rates as of the reporting date to be reasonable. We believe that the estimated future undiscounted cash flows expected to be earned by each of our vessels over their remaining estimated useful life will exceed the vessels' carrying value as of December 31, 2019, and accordingly, have not recorded an impairment charge.

Estimated outflows for operating expenses and drydocking requirements are based on historical and budgeted costs and are adjusted for assumed inflation. Finally, utilization is based on historical levels achieved and estimates of a residual value are consistent with the pattern of scrap rates used in management's evaluation of salvage value.

The more significant factors that could impact management's assumptions regarding cash flows include (i) loss or reduction in business from significant customers, (ii) unanticipated changes in demand for transportation of dry bulk cargoes, (iii) greater than anticipated levels of newbuilding orders or lower than anticipated levels of vessel scrapings, and (iv) changes in rules and regulations applicable to the dry bulk industry, including legislation adopted by international organizations such as the IMO and the European Union or by individual countries. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by a significant degree. If charter rates were to remain at depressed levels future assessments of vessel impairment would be adversely affected.

### **Our Fleet – Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels**

In "Critical Accounting Policies – Impairment of long-lived assets", we discuss our policy for impairing the carrying values of our vessels and newbuildings. During the past few years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels' carrying value, even though we would not impair those vessels' carrying value under the accounting impairment policy, due to the belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on the values achieved for the sale/purchase of similar vessels and appraised valuations and are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future basic market value of the vessels or prices that we could achieve if we were to sell them.

The table set forth below indicates the carrying value of each of our owned vessels as of December 31, 2019 and 2018:

<b>Vessel Type</b>	<b>Vessel Name</b>	<b>Built</b>	<b>Dwt</b>	<b>2019 (\$ millions)</b>	<b>2019 (\$ millions)</b>
Newcastlemax	Golden Scape	2016	211,112	61.8 *	64.9 *
Newcastlemax	Golden Swift	2016	211,112	61.1 *	63.5 *
Newcastlemax	Golden Gayle	2011	206,565	28.9	30.1
Capesize	Golden Feng	2009	169,232	33.0 *	30.2 *
Capesize	Golden Shui	2009	169,333	33.0 *	30.2 *
Capesize	KSL Salvador	2014	180,958	57.3 *	59.7 *
Capesize	KSL San Francisco	2014	181,066	54.4 *	56.7 *
Capesize	KSL Santiago	2014	181,020	57.2 *	56.2 *
Capesize	KSL Santos	2014	181,055	57.6 *	56.6 *
Capesize	KSL Sapporo	2014	180,960	56.4 *	58.8 *
Capesize	KSL Seattle	2014	181,015	56.1 *	58.5 *
Capesize	KSL Singapore	2014	181,062	56.1 *	58.5 *
Capesize	KSL Sydney	2014	181,000	60.1 *	59.2 *
Capesize	KSL Sakura	2015	181,062	54.9 *	57.2 *
Capesize	KSL Seoul	2015	181,010	55.1 *	57.4 *
Capesize	KSL Stockholm	2015	181,055	55.5 *	57.8 *
Capesize	KSL Seville	2015	181,062	54.6 *	56.9 *
Capesize	Golden Kathrine	2015	182,486	55.9 *	58.2 *
Capesize	Golden Aso	2015	182,472	56.8 *	59.1 *
Capesize	Golden Finsbury	2015	182,418	45.2 *	47.0 *
Capesize	Golden Barnet	2016	180,355	48.4 *	50.4 *
Capesize	Golden Bexley	2016	180,209	48.3 *	50.2 *
Capesize	Golden Fulham	2016	182,000	46.5 *	48.3 *
Capesize	Golden Amreen	2015	179,337	34.1	35.3
Capesize	Golden Anastasia	2014	179,189	36.0	33.8
Capesize	Golden Behike	2016	180,491	37.8	39.2
Capesize	Golden Houston	2014	181,214	31.7	32.8
Capesize	Golden Kaki	2014	181,214	36.4	34.3
Capesize	Golden Monterrey	2016	180,491	40.5	42.0
Capesize	Golden Myrtalia	2011	177,979	23.7	24.5
Capesize	Golden Nimbus	2017	180,000	47.0 *	48.6 *
Capesize	Golden Savannah	2017	181,044	57.9 *	60.1 *
Capesize	Golden Surabaya	2017	181,046	57.7 *	59.9 *
Capesize	Golden Cumulus	2018	180,499	47.6 *	49.3

Capesize	Golden Cirrus	2018	180,487	47.6 *	49.2
Capesize	Golden Incus	2018	180,611	47.5 *	49.1
Capesize	Golden Calvus	2018	180,521	47.4 *	49.1
Capesize	Golden Arcus	2018	180,478	47.5 *	49.2
Panamax	Golden Ice	2008	75,500	13.1 *	13.7 *
Panamax	Golden Opportunity	2008	75,500	13.1 *	13.7 *
Panamax	Golden Saguenay	2008	75,500	13.0 *	13.6 *
Panamax	Golden Strength	2009	75,500	14.5 *	14.6 *
Panamax	Golden Suek	2011	74,849	15.6 *	16.2
Panamax	Golden Bull	2012	75,000	16.6 *	17.2
Panamax	Golden Brilliant	2013	74,500	18.1 *	18.8 *
Panamax	Golden Diamond	2013	74,500	18.2 *	18.9 *
Panamax	Golden Pearl	2013	74,186	18.2 *	18.9 *
Panamax	Golden Ruby	2014	74,052	19.9 *	20.0 *
Panamax	Golden Sue	2013	84,943	22.5 *	22.7 *
Panamax	Golden Deb	2013	84,943	23.2 *	23.4
Panamax	Golden Shea	2007	76,937	10.7	11.3
Panamax	Golden Kennedy	2015	83,789	23.0	23.9
Panamax	Golden Opal	2017	74,231	20.8 *	20.9
Panamax	Golden Amber	2017	74,500	19.9	20.6
Panamax	Golden Empress	2010	79,463	14.5	15
Panamax	Golden Endeavour	2010	79,454	14.5	15
Panamax	Golden Endurer	2011	79,474	15.2	15.9
Panamax	Golden Enterprise	2011	79,463	15.2	15.9
Panamax	Golden Daisy	2012	81,507	17.8	18.5
Panamax	Golden Ginger	2012	81,487	17.8	18.5
Panamax	Golden Rose	2012	81,585	17.8	18.5
Panamax	Golden Jake	2011	81,827	16.8	17.6
Panamax	Golden Arion	2011	82,188	16.8	17.5
Panamax	Golden Ioanari	2011	81,827	16.2	16.9
Panamax	Golden Keen	2012	81,586	17.8	18.6
Ultramax	Golden Cecilie	2015	60,263	22.2	23.1
Ultramax	Golden Cathrine	2015	60,000	22.2	23.1
				2,339.8	2,404.5

\*Indicates vessels for which we believe, as of December 31, 2019 and/or 2018, the basic charter-free market value is lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceed their December 31, 2019 and 2018 aggregate basic charter-free market value by approximately \$386.6 million and \$329.0 million, respectively. We believe that the estimated future undiscounted cash flows expected to be earned by each of these vessels over its remaining estimated useful life, exceed each of these vessel's carrying value as of December 31, 2019 and 2018, respectively, and accordingly, we have not recorded an impairment charge. The aggregate carrying value of our total fleet exceeds the aggregate basic charter-free market value by approximately \$324 million as of December 31, 2019 (December 31, 2018: \$224 million).

We refer you to the risk factor entitled "The fair market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and cause us to incur a loss if we sell vessels following a decline in their market value".

### Factors Affecting Our Results

The principal factors which affect our results of operations and financial position include:

- the earnings from our vessels;
- gains (losses) from the sale of assets and amortization of deferred gains;
- other operating income (expenses), net
- ship operating expenses;
- impairment losses on vessels;
- administrative expenses;
- depreciation;
- interest expense;
- share of results of associated companies; and
- changes in fair value of our financial instruments.

We derive our earnings from time charters, voyage charters and revenue sharing arrangements. As of December 31, 2019, 52 of our 79 vessels, which are owned or leased in by us, were employed in the voyage charter market or on short term time charters of less than a year. The dry bulk industry has historically been highly cyclical, experiencing volatility in profitability, vessel values and freight rates.

Gains and losses on the sale of vessels are recognized when the vessel has been delivered and all risks have been transferred and are determined by comparing the net proceeds received with the carrying value of the vessel.

Revenues generated through RSAs are presented gross when we are considered the principal under the charter parties with the net income allocated under the RSA presented as other operating income, net.

Ship operating costs are the direct costs associated with running a vessel and include crew costs, vessel supplies, repairs and maintenance, drydockings, lubricating oils, insurance and management fees.

An impairment loss on a vessel is recognized when the vessel's carrying value exceeds the estimated future net undiscounted cash flows expected to be earned over the remaining estimated useful life of the vessel, or exceeds the estimated net sales proceeds when the vessel is classified as held for sale.

Administrative expenses are comprised of general corporate overhead expenses, including personnel costs, property costs, audit fees, legal and professional fees, stock option expenses and other general administrative expenses. Personnel costs include, among other things, salaries, pension costs, fringe benefits, travel costs and health insurance.

Depreciation, or the periodic costs charged to our income for the reduction in usefulness and long-term value of our vessels, is also related to the number of vessels we own or lease. We depreciate the cost of vessels we own, less their estimated residual value, over their estimated useful life on a straight-line basis. We depreciate the cost of vessels held under finance lease over the term of the lease. No charge is made for depreciation of vessels under construction until they are delivered.

Interest expense relates to vessel specific debt facilities and finance leases. Interest expense depends on our overall borrowing levels and may significantly increase when we acquire vessels or on the delivery of newbuildings. Interest expense may also change with prevailing interest rates, although the effect of these changes may be reduced by interest rate swaps or other derivative instruments.

Our marketable equity securities are investments in equity securities with readily determinable fair values. These investments are measured at fair value and any resulting unrealized gains and losses are recorded in the consolidated statement of operations.

None of our derivatives qualify for hedge accounting and changes in fair values are recognized in the Consolidated Statement of Operations.

Share of results from associated companies is accounted for under equity method of accounting.

## **Inflation**

Although inflation has had a moderate impact on our vessel operating expenses and corporate overhead, management does not consider inflation to be a significant risk to direct costs in the current and foreseeable economic environment. It is anticipated that insurance costs, which have risen over the last three years, may continue to rise moderately over the next few years. Dry bulk cargo transportation is a specialized area and the number of vessels is increasing. There will therefore be an increased demand for qualified crew and this has and will continue to put inflationary pressure on crew costs. However, in a shipping

downturn, costs subject to inflation can usually be controlled because shipping companies typically monitor costs to preserve liquidity and encourage suppliers and service providers to lower rates and prices in the event of a downturn.

## Year ended December 31, 2019 compared with year ended December 31, 2018

### Operating revenues

We currently operate most of our vessels in the spot market, exposing us to fluctuations in spot market charter rates. As a result, our shipping revenues and financial performance are significantly affected by conditions in the dry bulk spot market, and any decrease in spot charter rates may adversely affect our earnings. In addition, the mix of charters between spot or voyage charters and time charters also affects our revenues and voyage expenses.

<i>(in thousands of \$)</i>	2019	2018	Change
Time charter revenues	299,946	331,469	(31,523)
Voyage charter revenues	404,184	322,804	81,380
Other revenues	1,669	1,797	(128)
Total operating revenues	705,799	656,070	49,729

Time charter revenues decreased by \$31.5 million in 2019 compared with 2018, primarily due to:

- a decrease of \$39.9 million primarily following a reduction in time charter activity for our owned vessels as more vessels were trading on voyage charters in 2019 compared with 2018.

This was partially offset by:

- an increase of \$8.4 million primarily attributable to an increase of short-term chartered-in vessels that traded on time charters during the period.

Voyage charter revenues increased by \$81.4 million in 2019 compared with 2018, primarily due to:

- an increase of \$48.1 million following an increase in average freight rates for our owned vessels trading on voyage charter, and in particular for our Capesize vessels, in 2019 compared with 2018, and
- an increase of \$33.3 million attributable to an increase of short-term chartered-in vessels that traded on voyage charters during the period.

Other revenues decreased by \$0.1 million in 2019 compared with 2018 following a reduction in commercial management services.

### Gain (loss) on sale of assets and amortization of deferred gains

<i>(in thousands of \$)</i>	2019	2018	Change
Net gain (loss) on sale of vessels	—	2	(2)
Amortization of deferred gains	—	258	(258)
<b>Gain (loss) on sale of assets and amortization of deferred gains</b>	<b>—</b>	<b>260</b>	<b>(260)</b>

The decrease in gain on sale of assets and amortization of deferred gains is due to a decrease in amortization of deferred gains on the sale and lease back transaction of eight vessels with SFL in 2015 as a result of the adoption of ASC 842 Leases on January 1, 2019. Upon adoption of ASC 842, the remaining balance of deferred gain was recognized as an opening balance adjustment to accumulated deficit. See also “Note 3, Recently Issued Accounting Standards” to the consolidated financial statements in this report.

In 2018, we sold the *Golden Eminence*, a Panamax vessel, and recognized an insignificant gain following an impairment loss of \$1.1 million as described below.

### Other operating income (expenses), net

<i>(in thousands of \$)</i>	2019	2018	Change
Other operating income (expenses), net	(1,170)	2,991	(4,161)

The amount under Other operating income (expenses), net is the settlement amount with CCL related to the difference between the calculated pool result for our own vessels and the actual result from the charter party with the third party customer. The decrease in income in 2019 compared with 2018 is a result of our vessels trading on relatively higher earning voyages as compared to the other pool partner's vessels trading under the RSA. Therefore, based on the aggregated pool results as defined under the pool agreement and a pre-determined pool key, reflecting a vessel's earning capacity, we have compensated the pool in 2019 compared with 2018.

### ***Voyage expenses and commission***

<i>(in thousands of \$)</i>	<b>2019</b>	2018	Change
Voyage expenses and commission	<b>185,088</b>	162,037	23,051

Voyage expenses and commission increased by \$23.1 million in 2019 compared with 2018, primarily due to:

- an increase of \$20.9 million attributable to vessels that were in our fleet through the duration of both periods and was driven by an increase of \$15.6 million in bunker expenses primarily as a result of increased bunker consumption and an increase of \$5.3 million in port expenses as a result of a higher number of port calls in 2019 compared with 2018. Both of these factors were influenced by a change in trading pattern in the first half of 2019 compared with 2018 following the accident at the Brumadinho dam in Brazil that severely impacted iron ore production and exports out of Brazil to China and resulted in shorter voyages on average during this period, and
- an increase of \$2.2 million due to more short-term chartered-in vessels trading on voyage charters in the period.

### ***Ship operating expenses***

<i>(in thousands of \$)</i>	<b>2019</b>	2018	Change
Ship operating expenses	<b>193,138</b>	151,626	41,512

Ship operating expenses increased by \$41.5 million in 2019 compared with 2018 primarily due to:

- an increase of \$20.1 million as a result of the adoption of ASC 842 and the presentation of the non-lease component, or service element, from charter hire expenses to ship operating expenses for vessels chartered in on time charter during the 12 months ended December 31, 2019,
- an increase of \$13.7 million in dry docking expenses due to more vessels being dry docked,
- an increase of \$1.7 million related to a full year of ship operating expenses for the five Capesize newbuildings delivered to us during the first half of 2018, and
- an increase of \$6.0 million related to running ship operating expenses, primarily spare parts and repairs, correlating with the increased number of vessels dry docked in 2019 compared with 2018.

### ***Charter hire expenses***

<i>(in thousands of \$)</i>	<b>2019</b>	2018	Change
Charter hire expenses	<b>117,779</b>	92,712	25,067

Charter hire expenses increased by \$25.1 million in 2019 compared with 2018 primarily due to:

- an increase of \$42.5 million due to an increase in short-term charter-in activity from third parties,
- an increase of \$1.3 million incurred for the eight vessels chartered in from SFL, and
- an increase of \$2.3 million incurred for the MV Admiral Schmidt and the Vitus Bering two vessels chartered in long-term charters.

This was partially offset by:

- a decrease of \$20.1 million as a result of the adoption of ASC 842 and the presentation of the non-lease component, or service element, from charter hire expenses to ship operating expenses for vessels chartered in on time charter during the 12 months ended December 31, 2019, and
- a decrease of \$0.9 million related to the Golden Hawk lease.

### ***Administrative expenses***

<i>(in thousands of \$)</i>	2019	2018	Change
Administrative expenses	14,123	14,705	(582)

Administrative expenses decreased by \$0.6 million in 2019 as compared to 2018 primarily due to a decrease in personnel related expenses of \$0.5 million and other administrative expenses of \$0.1 million.

#### **Impairment loss on vessels**

<i>(in thousands of \$)</i>	2019	2018	Change
Impairment loss on vessels	—	1,080	(1,080)

In April 2018, we entered into an agreement to sell the *Golden Eminence*, a Panamax vessel, to an unrelated third party for \$14.7 million, gross, and we recognized a \$1.1 million impairment loss in connection with the sale. No impairments have been recorded in the 2019.

#### **Depreciation**

<i>(in thousands of \$)</i>	2019	2018	Change
Depreciation	93,845	92,148	1,697

Depreciation expenses increased by \$1.7 million in 2019 as compared to 2018, primarily due to:

- an increase of \$1.1 million primarily related to a full year of depreciation on the five Capesize newbuildings delivered to us during the first half of 2018, and
- an increase of \$0.6 million related to vessels that have installed ballast water treatment system and/or scrubber during 2019.

#### **Interest income**

<i>(in thousands of \$)</i>	2019	2018	Change
Interest income	4,434	7,576	(3,142)

Interest income decreased by \$3.1 million in 2019 compared with 2018 primarily due to a decrease in the cash balance during 2019 and a decrease in the credit interest rate level, both for the cash held on time deposit and the cash held in our bank accounts.

#### **Interest expense**

<i>(in thousands of \$)</i>	2019	2018	Change
Interest on floating rate debt	55,570	55,893	(323)
Interest on fixed rate debt	430	5,418	(4,988)
Finance lease interest expense	300	707	(407)
Commitment fees	351	232	119
Amortization of fair value adjustment of the convertible bond	813	10,019	(9,206)
Amortization of deferred charges	2,083	1,501	582
Related party interest expense	—	1,338	(1,338)
	59,547	75,108	(15,561)

Interest expense decreased by \$15.6 million in 2019 compared with 2018, primarily due to:

- a decrease of \$9.2 million due to amortization of the fair value adjustment of our Convertible Bond and a decrease of \$5.0 million of fixed rate interest debt following full repayment of the Convertible Bond at maturity in January 2019,
- a decrease of \$1.3 million of interest on related party debt following the prepayment of the related party seller credit loans of \$65.5 million as part of the refinancing of these loans in 2018,
- a decrease of \$0.4 million in finance lease interest following a reduction of our outstanding finance obligation related to Golden Eclipse. Seven of the Capesize leases from SFL were reclassified from operating lease to finance lease in



December 2019, however the finance lease interest expense for these vessels will affect the interest expense from 2020 and onwards, and

- a decrease of \$0.3 million on our floating rate debt primarily due to a reduction in the LIBOR and a decrease in the average outstanding debt.

These factors were partially offset by:

- an increase of \$0.6 million of amortization of deferred charges as a result of increased debt issuance costs from the amendment of the \$420.0 million loan facility and the new \$93.75 million, \$131.79 million and \$155.3 million loan facilities entered into in 2019, and
- an increase of \$0.1 million in commitment fees during 2019.

#### **Equity results of associated companies**

<i>(in thousands of \$)</i>	<b>2019</b>	2018	Change
Equity results of associated companies	<b>505</b>	512	(7)

Equity results of associated companies decreased by \$7,000 in 2019 compared to 2018 primarily related to decreased earnings from trading activity in one of our joint venture companies.

#### **Gain (loss) on derivatives**

<i>(in thousands of \$)</i>	<b>2019</b>	2018	Change
Gain (loss) on derivatives	<b>(9,960)</b>	11,165	(21,125)

The loss on derivatives increased by \$21.1 million in 2019 compared with 2018 primarily due to a negative development in the fair value of our USD denominated interest rate swaps, bunker derivatives and forward freight derivatives of \$16.5 million, \$1.2 million and \$4.2 million, respectively. This was partially offset by increased gain from our foreign currency derivatives of \$0.8 million.

#### **Gain (loss) on marketable equity securities**

<i>(in thousands of \$)</i>	<b>2019</b>	2018	Change
Gain (loss) on marketable equity securities	<b>1,828</b>	(4,043)	5,871

The gain on marketable equity securities in 2019 relates to our investment in Scorpio Bulkers Inc., or "SALT", a dry bulk shipping company listed on the New York Stock Exchange, measured at fair value, with changes in the fair value recognized in the Consolidated Statements of Operations.

#### **Other financial items**

<i>(in thousands of \$)</i>	<b>2019</b>	2018	Change
Other financial items	<b>(490)</b>	(348)	(142)

"Other financial items" was negative \$0.5 million in 2019 compared with negative \$0.3 million in 2018, primarily due to:

- an increase in foreign exchange losses of \$1.2 million, and
- an increase in bank charges and fees of \$0.2 million

This was partially offset by:

- financial income of \$1.3 million mainly related to cash dividends and dividend shares received from our investment in SALT.

For the discussion of our operating results in 2018 compared with 2017, we refer to Item 5 Operating Results included in our annual report on Form 20-F for the year ended December 31, 2018, which was filed with the U.S. Securities and Exchange Commission on March 22, 2019.

#### **Recently Issued Accounting Standards**

Refer to Note 3 of "Item 18. Financial Statements".

## **B. LIQUIDITY AND CAPITAL RESOURCES**

We operate in a capital-intensive industry and have historically financed our purchase of vessels through a combination of equity capital and borrowings from commercial banks, as well as issuance of convertible bonds. Our ability to generate adequate cash flows on a short and medium term basis depends substantially on the trading performance of our vessels in the market. Periodic adjustments to the supply of and demand for dry bulk vessels cause the industry to be cyclical in nature.

We expect continued volatility in market rates for our vessels in the foreseeable future with a consequent effect on our short and medium term liquidity.

Our funding and treasury activities are conducted within corporate policies to increase investment returns while maintaining appropriate liquidity for our requirements. Cash and cash equivalents are held primarily in U.S. dollars with some balances held in Norwegian Kroner, Euro and Singapore dollars.

Our short-term liquidity requirements relate to payment of operating costs (including drydocking), installation of scrubbers and ballast water treatment systems on certain of our vessels, funding working capital requirements, repayment of bank loans, lease payments for our chartered in fleet and maintaining cash reserves against fluctuations in operating cash flows and payment of cash distributions. Sources of short-term liquidity include cash balances, restricted cash balances, short-term investments available financing under our \$420.0 million loan facility for scrubber installations and receipts from customers. Restricted cash balances are primarily related to the minimum cash covenant in our loan agreements and to margin calls on derivative positions or minor amounts secured for tax payments or for claims processes.

As of December 31, 2019 and 2018, we had cash and cash equivalents of \$88.9 million and \$305.4 million, respectively. In addition, as of December 31, 2019 and 2018, we had total restricted cash balances of \$74.3 million and \$67.3 million, respectively. As of December 31, 2019, restricted cash included cash balances of \$64.1 million (December 2018: \$66.7 million), which are required to be maintained by the financial covenants in our loan facilities.

As of December 31, 2019, we had committed to install scrubbers on 13 vessels with an estimated remaining financial commitment of \$14.9 million, excluding installation costs. As of December 31, 2019, we had firm commitments to install ballast water treatment systems on 7

of our vessels with an estimated financial commitment, excluding installation costs, of \$2.6 million due in 2019.

Other significant transactions subsequent to December 31, 2019, impacting our cash flows include the following:

- In January 2020, we made a \$1.0 million shareholder loan to the joint venture company with Frontline and Trafigura,
- In January 2020, we received \$17.5 million from SFL related to the modification of seven leases to finance the installation of scrubbers on these vessels, and
- In February 2020, we drew down the remaining available financing of \$18.0 million under the \$420.0 million loan facility.

We believe that our working capital, cash on hand and borrowings under our current facilities will be sufficient to fund our requirements for, at least, the 12 months from the date of this annual report.

### ***Medium to Long-term Liquidity and Cash Requirements***

Our medium and long-term liquidity requirements include funding the equity portion of investments in new or replacement vessels and repayment of bank loans. Potential additional sources of funding for our medium and long-term liquidity requirements include new loans, refinancing of existing arrangements, equity issues, public and private debt offerings, vessel sales, sale and leaseback arrangements and asset sales.

### **Cash Flows**

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated.

<i>(in thousands of \$)</i>	2019	2018	2017
Net cash provided by operating activities	<b>158,431</b>	186,546	93,795
Net cash used in investing activities	<b>(73,050)</b>	(141,195)	(17,452)
Net cash (used in) provided by financing activities	<b>(294,742)</b>	(44,730)	28,587
Net change in cash, cash equivalents and restricted cash	<b>(209,361)</b>	621	104,930
Cash, cash equivalents and restricted cash at beginning of period	<b>372,605</b>	371,984	267,054
<b>Cash, cash equivalents and restricted cash at end of period</b>	<b>163,244</b>	372,605	371,984

### *Net cash provided by operating activities*

We have significant exposure to the spot market as only 13 of our vessels traded on long term fixed rate time charter contracts during 2019, and at the date of this report we have nine vessels currently on a fixed rate time charters with longer duration of more than 11 months. From time to time we may also enter into Forward Freight Agreements, or FFA, to hedge our exposure to the charter market for a specified route and period of time. See "Item 5. Operating and Financial Review and Prospects" for further information of our FFA positions as of December 31, 2019. As a substantial part of our fleet trade on either voyage charters or index linked time charter contracts, we are significantly exposed to the spot market. Therefore, our reliance on the spot market contributes to fluctuations in cash flows from operating activities as a result of its exposure to highly cyclical dry bulk charter rates. TCE represents operating revenues less other income and voyage expenses. TCE is therefore impacted by both movements in operating revenues, as determined by market freight rates, and voyage expenses, which are primarily comprised of bunker expenses, port charges and canal tolls. Any increase or decrease in the average TCE rates earned by our vessels will have a positive or negative comparative impact, respectively, on the amount of cash provided by operating activities, and as a result any increase or decrease in the average rates earned by our vessels in periods subsequent to December 31, 2019, compared with the actual rates achieved during 2019, will as a consequence have a positive or negative comparative impact on the amount of cash provided by operating activities.

Net cash provided by operating activities in the year ended December 31, 2019 was \$158.4 million compared with \$186.5 million and \$93.8 million in the year ended December 31, 2018 and December 31, 2017, respectively. Net cash provided by operating activities was primarily impacted by: (i) overall market conditions as reflected by TCE income of our fleet, (ii) the size and composition of our fleet that we own, lease and charter-in, (iii) changes in operating assets and liabilities including impact of whether our vessels are operated under time charters or voyage charters as revenues from time charters are generally received monthly or bi-weekly in advance while revenues from voyage charters are received on negotiated terms for each voyage, normally 90/95% after completed loading and the remaining after completed discharge, (iv) changes in net cash interest expense as a result of outstanding debt and changes in LIBOR, (v) the number of vessels dry docking in a period and (vi) change in other operating items.

The decrease in net cash provided by operating activities of \$28.1 million in the year ended December 31, 2019 compared with the year ended December 31, 2018 was primarily driven by (i) impact by overall market conditions as reflected by reduced TCE income of \$29.8 million attributable to vessels that were in our fleet through the duration of both periods, (ii) \$7.3 million positive result related to our fleet composition, primarily due to a full year results of five Capesize newbuildings delivered to us in 2018, and change in short-term trading activity, (iii) net positive effect of \$10.8 million from change in operating assets and liabilities, (iv) positive effect of \$9.3 million as a result of reduced net interest costs, (v) a decrease of \$13.7 million related to more vessels being dry docked in 2019 and (vi) a negative change of \$12.0 million in other operating items.

The increase in net cash provided by operating activities of \$92.7 million in the year ended December 31, 2018 compared with the year ended December 31, 2017 was primarily driven by (i) impact by overall market conditions as reflected by increased TCE income of \$40.2 million attributable to vessels that were in our fleet through the duration of both periods, (ii) \$76.0 million positive result related to the increase in our fleet, primarily as a result of the Quintana Acquisition and acquisition of vessels from affiliates of Hemen, and change in short-term trading activity, (iii) net negative effect of \$8.1 million from change in operating assets and liabilities, (iv) negative effect of \$11.8 million as a result increased net interest costs, (v) a decrease of \$1.5 million related to increased dry docking costs and (vi) a negative change of \$2.1 million in other operating items.

Based on the current level of operating expenses, debt repayments, interest expenses and general and administrative costs, the average cash break-even rates on a TCE basis are (i) approximately \$14,200 per day for our Capesize vessels and (ii) approximately \$9,900 per day for our Panamax vessels. As of March 10, 2020, average market spot rates year to date were as follows: Non-scrubber fitted Capesize vessels approximately \$4,800 per day, scrubber fitted Capesize vessels approximately \$9,800 per day and non-scrubber fitted Panamax vessels approximately \$5,600 per day.

### ***Net cash used in investing activities***

Net cash used in investing activities was \$73.1 million in 2019 and was comprised mainly of additions to vessels and equipment of \$44.1 million related to installations of scrubbers and ballast water treatment systems. In addition, we made a \$19.5 million investment in Singapore Marine and made a \$10.7 million shareholder loan to the company. These amounts were partially offset by the following:

- net sale proceeds of \$1.1 million from marketable securities;
- and dividends received of \$0.2 million in total.

Net cash used in investing activities was \$141.2 million in 2018 and was comprised mainly of additions to newbuildings, vessels and equipment of \$158.2 million, of which most was in respect of five Capesize newbuilding contracts completed during the year. This amount was partially offset by the following:

- net sale proceeds of \$14.4 million in respect of one Panamax vessel sold during the year,
- payments received from seller credit receivable of \$1.9 million, and
- net sale proceeds from marketable securities and dividends received of \$0.8 in total.

Net cash used in investing activities was \$17.5 million in 2017 and was comprised mainly of additions to newbuildings, vessels and equipment of \$159.5 million, of which most was in respect of 10 newbuilding contracts, five of which were delivered during the year. This amount was partially offset by the following:

- net sale proceeds of \$134.2 million in respect of six Ultramax vessels sold during the year,
- net distributions from associated companies of \$6.6 million, and
- distributions from marketable securities of \$1.6 million.

### ***Net cash related to financing activities***

Net cash used in financing activities in 2019 was \$294.7 million and was primarily a result of debt repayments of \$621.2 million. This amount included the repayment at maturity of the net outstanding amount of \$168.2 million under our convertible bond. In addition, we prepaid the outstanding debt under our three non-recourse loan facilities of \$222.1 million and \$155.4 million under the \$284.0 million which loan facilities were refinanced with the new \$93.75 million, \$131.79 million and \$155.3 million loan facilities. Ordinary installments paid under our loan facilities were \$75.5 million. In 2019, we made dividend distributions of \$46.6 million, finance lease repayments of \$5.7 million, share repurchases of \$5.5 million and debt fees paid of \$6.7 million. These items were partially offset by loan drawdowns of \$389.9 million and proceeds of \$1.1 million from stock options exercised during the year.

Net cash used in financing activities in 2018 was \$44.7 million and was primarily a result of debt repayments of \$241.8 million, dividend distributions of \$64.9 million, finance lease repayments of \$5.2 million, share repurchases of \$1.9 million and debt fees paid of \$1.2 million. These items were partially offset by loan drawdowns of \$270.0 million and proceeds of \$0.3 million from share issuance related to stock options exercised during the year.

Net cash provided by financing activities in 2017 was \$28.6 million and was primarily a result of our two equity offerings of an aggregate of 16,372,505 new ordinary shares that generated net proceeds of \$122.3 million, and loan drawdowns of \$75.0 million. These items were partially offset by debt repayments of \$163.8 million, finance lease repayments of \$4.9 million, and debt fees paid of \$0.3 million.

### ***Borrowing Activities***

In February 2019, we extended our \$420.0 million term loan facility for 14 vessels by three years from June 2020 to June 2023 at LIBOR plus a margin of 2.5% and upsized the facility to partially finance the installation of scrubbers on up to 11 vessels. Each scrubber installation may be financed with up to \$3 million in a separate tranche to be repaid over three years, commencing January 1, 2020.

In May 2019, we entered into two new credit facilities, one for \$93.75 million and one for \$131.79 million, to refinance our obligations under the three non-recourse loan facilities, \$102.7 million credit facility, \$73.4 million credit facility and \$80.2 million credit facility, which financed the 14 vessels acquired from Quintana Shipping Ltd. in 2017. In connection with this refinancing, we prepaid the outstanding debt under the three non-recourse loan facilities of \$222.1 million. In November 2019, we refinanced our \$284.0 million loan facility that financed 15 vessels and was scheduled to mature in December 2019. A new

\$155.3 million term loan facility was entered into with six reputable shipping banks, five of which were part of the group of banks for the \$284.0 million facility. In connection with this refinancing, we prepaid the outstanding debt under the \$284.0 million facility of \$155.4 million.

**\$93.75 million credit facility**

This facility has a five-year tenor and a 19-year age adjusted amortization profile. The facility bears interest of LIBOR plus a margin of 2.15%. Repayments are made on a quarterly basis from third quarter of 2019 onward. All tranches under the facility mature in second quarter of 2024, with a balloon payment of in total \$62.5 million. During 2019, \$3.3 million was repaid and there was no available undrawn amount.

**\$131.79 million credit facility**

This facility has a five-year tenor and a 19-year age adjusted amortization profile. The facility bears interest of LIBOR plus a margin of 2.10%. Repayments are made on a quarterly basis from third quarter of 2019 onward. All tranches under the facility mature in second quarter of 2024, with a balloon payment of in total \$75.6 million. During 2019, \$5.9 million was repaid and there was no available undrawn amount.

**\$155.3 million loan facility**

This facility bears interest of LIBOR plus a margin of 2.10%. Repayments are made on a quarterly basis from first quarter of 2020 onward. All tranches under the facility mature in fourth quarter of 2024, with a balloon payment of in total \$93.8 million. During 2019, nil was repaid and there was no available undrawn amount.

**\$120.0 million term loan facility**

In May 2018, we entered into a \$120.0 million term loan facility to refinance 10 vessels and repay \$58.3 million due under the \$34.0 million term loan facility and the \$82.5 million term loan facilities with maturity in 2018 and prepay the full outstanding amounts under our related party seller credit loans of \$65.5 million. This facility bears interest of LIBOR plus a margin of 2.25%. Repayments are made on a quarterly basis from third quarter of 2018 onward. All tranches under the facility mature in April 2025, with a balloon payment of in total \$65.1 million. During 2019, \$8.1 million (2018: \$4.1 million) was repaid and there was no available, undrawn amount.

**\$420.0 million term loan facility**

In June 2014, we entered into a term loan facility of up to \$420.0 million, dependent on the market values of the vessels at the time of draw down, consisting of 14 tranches of up to \$30.0 million to finance, in part, 14 newbuilding vessels. Each tranche is repayable by quarterly installments based on a 20-years profile from the delivery date of each vessel and all amounts outstanding shall be repaid on June 30, 2020. The facility has an interest rate of LIBOR plus a margin of 2.5%. In January 2016, following an accelerated repayment to comply with the minimum value covenant as of December 31, 2015, the quarterly repayment schedule was amended to \$5.2 million, in total, for all 14 tranches. As described above, in February 2019, we extended our \$420 million term loan facility for 14 vessels by three years from June 2020 to June 2023 at LIBOR plus a margin of 2.5% and upsized the facility to partially finance the installation of scrubbers on up to 11 vessels.

During 2019, \$20.6 million (2018: \$20.6 million) was repaid and we drew down \$9 million related to our financing of three scrubber installations (2018: nil). As of December 31, 2019, \$320.2 million (2018: \$331.8 million) was outstanding under this facility and there was \$24.0 million of undrawn financing under the facility. The facility is secured by 14 (2018: 14) of our Capesize vessels.

**\$425.0 million senior secured post-delivery term loan facility**

In February 2015, we entered into a senior secured post-delivery term loan facility of up to \$425.0 million, depending on the market values of the vessels at the time of draw down, to partially finance 14 newbuilding vessels. The facility was initially divided into 12 tranches of \$30.0 million and two tranches of \$32.5 million. Each tranche was originally repayable in quarterly payments of 1/80 of the drawn down amount and all amounts outstanding are to be repaid on the final maturity date of March 31, 2021. The loan bore interest at LIBOR plus a margin of 2.0%. In December 2015, the loan agreement was amended and the minimum level of the loan to value was increased from 55% to 70%. The margin was also amended to 2.20% plus LIBOR and the quarterly repayments changed from 1/80 to 1/64 of the drawn down amount. The amendment also allowed us to substitute the optional additional borrowers with another of our wholly owned subsidiaries.

During 2019, \$24.7 million (2018: \$23.7 million) was repaid. As of December 31, 2019, \$322.5 million (2018: \$347.2 million) was outstanding under this facility and there was no available, undrawn amount. At December 31, 2019, this facility was secured by 14 (2018: 14) of our Capesize vessels.

See Note 20 to the audited Consolidated Financial Statements included herein for additional details of loan facilities.

### *Covenants*

Our loan agreements contain loan-to-value clauses, which could require us to post additional collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings under each of such agreements decrease below required levels. In addition, our loan agreements contain certain financial covenants, including the requirement to maintain a certain level of free cash, positive working capital as defined in the loan agreements and a value adjusted equity covenant. Under our debt facilities, the aggregate value of the collateral vessels shall not fall below 135% of the loan outstanding, depending on the facility. We need to maintain free cash of the higher of \$20 million or 5% of total interest bearing debt, maintain positive working capital and maintain a value adjusted equity of at least 25% of value adjusted total assets.

Restricted cash includes cash balances that are required to be maintained by the financial covenants in our loan facilities. Failure to comply with any of the covenants in the loan agreements could result in a default, which would permit the lender to accelerate the maturity of the debt and to foreclose upon any collateral securing the debt. Under those circumstances, we might not have sufficient funds or other resources to satisfy its obligations.

As of December 31, 2019, we were in compliance with all of the financial and other covenants contained in our loan agreements.

### *Equity Issuances*

In 2018, we issued 75,000 shares in relation to our 2016 share option plan and received proceeds of \$0.3 million.

In December 2017, we issued 60,000 shares in relation to our 2016 share option plan and received \$0.3 million in proceeds.

In October 2017, we issued 7,764,705 new common shares at \$8.50 per share in a public offering, raising gross proceeds of \$66 million. In March 2017, we issued 8,607,800 new common shares in a public offering, raising gross proceeds of approximately \$60 million. In total, the net proceeds from the two equity offerings were \$122.3 million, comprising \$126.0 million gross proceeds from the placement net of issue costs of \$3.7 million.

See Note 25 to the audited Consolidated Financial Statements included herein for additional details of share issuances in exchange for vessel acquisitions.

### *Subsequent and Other Events*

On November 21, 2019, we announced that Birgitte Ringstad Vartdal decided to step down from her role as CEO of Golden Ocean Management AS. Ms. Vartdal stepped down as CEO on November 30, 2019 and was available to the Company until the end of February 2020. Ola Lorentzon, the current Chairman of our Board of Directors, serves as our interim CEO until a full-time CEO is named.

In January 2020, the joint venture agreement with Frontline and companies in the Trafigura Group to establish a leading global supplier of marine fuels was completed. As a result, we took a 10 percent interest in the joint venture company. We also made a \$1.0 million shareholder loan to the joint venture company.

## **C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

We do not undertake any significant expenditure on research and development and have no significant interests in patents or licenses.

## **D. TREND INFORMATION**

Dry bulk market conditions improved for the fourth consecutive year in 2019, based on data reported from the Baltic Exchange despite the impact of unforeseen events that negatively impacted the market. The start of 2019 was characterized by rapidly deteriorating conditions following a tragic accident at the Brumadinho dam in Brazil that severely impacted iron ore production and quickly changed sentiment and the outlook for iron ore volumes in 2019. Despite this unanticipated event, iron ore export reductions in Australia and the impact of trade tensions between the United States and China, the dry bulk market proved resilient in 2019. According to industry sources, global fleet utilization (calculated as total demand in tonne miles transported divided by total available fleet capacity) was on average 85.4% in 2019, unchanged relative to 2018 despite the market disruptions described below.

According to the Baltic Exchange, average earnings, on a TCE basis, for a Capesize were \$18,025 per day for 2019 compared with \$16,529 per day for 2018. For a Panamax average earnings for 2019 were \$12,429 per day compared with \$13,008 per day in 2018, and for a Supramax vessel average earnings were \$9,948 per day in 2019 compared with \$11,487 per day in 2018.

Global steel production grew by 3.3% in 2019, led by strong Chinese steel production growth of 8.3%, which offset a 1.7% decline in production from the rest of the world. Steel production growth in China was led by the property market as well as stimulus-driven infrastructure spending that drove production to record levels. While profitability of steel mills came under pressure, it was sufficient to encourage greater capacity utilization and output. China's share of global steel production continued to increase, reaching a level equal to 53.3% of total global production. Steel stockpiles, which had increased significantly at the start of 2019 declined over the course of the year before again rebounding in the last two months of the year. Following the emergence of the Coronavirus, industrial activity came to a quick halt in early 2020, and inventories are again at elevated levels despite a significant decline in imports. The outbreak of the Coronavirus is a very negative development for Chinese steel demand as it has already led to reduced demand from automotive and construction industries.

In 2019, iron ore export volumes were significantly impacted by the tragic accident at the Brumadinho dam in Brazil, which led to other regional production halts and a decrease in production capacity that has still not yet been fully restored. After growing for nine consecutive years, Brazilian iron ore exports declined by 12.7% in 2019. Australian exports remained relatively unchanged compared to 2018 despite significant production outages. As iron ore is primarily transported on Capesize vessels, the impact was both sudden and severe and resulted in a period of significant market weakness that lasted for several months. A rapid increase in exports from Brazil at the start of the second half of 2019 led to a sharp recovery in rates, which was exacerbated by logistical issues at ports in Brazil that led to port congestion and related inefficiencies. Brazil production remains curtailed thus far in 2020 relative to expectations at the start of 2019.

Transported volumes of coal remained relatively unchanged in 2019 compared with 2018. A 20.8% annual decline in coal imports to Europe was more than offset by increases in imports of 8.3% and 9.4% to China and India, respectively. Chinese imports declined by 50% in the fourth quarter of 2019 compared to the prior quarter as the Chinese government introduced an import ban for the third consecutive year as the fourth quarter progressed. This followed a strong third quarter of 2019 that saw Chinese coal imports reach record levels of 85.4 million tons compared to the 42.7 million tons imported in the following quarter. Despite a sharp reduction in coal imports, Chinese electricity production increased by 6.3% in the fourth quarter of the year compared to the same period in 2018, driven primarily by an increase in thermal power and increased by 5.4% in 2019 compared to 2018. Chinese domestic coal production increased towards the end of the year to meet power generation requirements. Thermal energy has a strong and consistent position in the Chinese electricity mix and electricity from thermal coal power plants accounted for 72% of total Chinese electricity production in 2019 compared to 73% in 2018.

Transportation of agribulks grew by approximately 3.4% year-over-year in 2019, although growth was limited to the first half of the year. Volumes declined by 2.5% in the first half of 2019 compared to the same period in the prior year due to the ongoing trade dispute between the U.S. and China before increasing by 9.5% in the second half of 2019 compared to the second half of 2018 as the South America harvest season began to bring additional volumes to the market.

Should market weakness persist for a prolonged period of time, the likelihood of vessel scrapping will gradually increase. According to industry sources, 7.8 million dwt in total was scrapped during 2019, which represents 1.0% of the fleet at the start of the year. Scrapping activity was particularly elevated during the first three months of the year against the backdrop of a weak market environment brought about by the disruption in iron ore trade following the tragic accident in Brazil. Following the swift change in market sentiment at the start of 2020 due to the emergence of the Coronavirus, which coincided with the implementation of low sulphur fuel regulations that reduce the economic viability of older, less fuel efficient vessels, we are again observing an increase in scrapping activity. Any prolonged period of market weakness may compel owners of older and more inefficient vessels to remove them from operation.

The global fleet of dry bulk vessels amounted to 845.4 million dwt at the end of 2019 compared with 821.5 million dwt at the end of 2018. Total deliveries of newbuildings amounted to 41.3 million dwt in 2019, which is equivalent to 5.0% fleet growth from the start of the year. As of the end of 2019, the total orderbook was approximately 9.7% of the capacity on the water. Vessels scheduled for delivery in 2020 is estimated to be 5.9% of the sailing fleet. A portion of these vessels are not expected to be delivered in 2020 as shipyards and related supply chains have delayed the resumption of normal operations due to travel restrictions and other factors brought about by the Coronavirus. This may result in deliveries being spread out over an extended period of time, which would ease the impact of supply growth and allow time for growth to be partially offset by vessel scrapping.

Asset prices for Capesize vessels decreased over the course of 2019 while prices of Panamax vessels remained relatively unchanged compared to 2018. Values of older vessels decreased significantly as compared to new vessels with more efficient fuel propulsion systems as owners began to place a premium on modern vessels ahead of the expected impact of the new sulphur limits on fuel prices. The second-hand market was less active than in prior years following the drop in rates in the first half of 2019 and some uncertainty about the implementation of IMO 2020. Newbuilding prices have remained consistent for most of 2019, although the pace of contracting was significantly lower than each of 2017 and 2018 and declined as the year progressed. Similar to 2018, most of the recent orders have been placed by leasing companies rather than owners.

## E. OFF-BALANCE SHEET ARRANGEMENTS

We are not subject to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition.

## F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

At December 31, 2019, we had the following contractual obligations:

<i>(in thousands of \$)</i>	Payment due by period				
	Total	Less than one year	1-3 years	3-5 years	More than 5 years
Floating rate debt	1,122,148	87,787	424,122	543,120	67,119
Operating lease obligations <sup>1</sup>	56,386	14,377	27,367	5,109	9,533
Finance lease obligations <sup>2</sup>	168,708	17,502	45,231	37,988	67,987
Scrubber commitments <sup>3</sup>	14,900	14,900	—	—	—
Ballast water treatment system commitments <sup>4</sup>	2,600	2,600	—	—	—
Interest on floating rate debt <sup>5</sup>	186,924	43,118	66,111	54,279	23,416
Interest on operating lease obligations <sup>1</sup>	8,520	2,610	3,078	1,543	1,289
Interest on finance lease obligations <sup>2</sup>	45,203	9,994	16,062	11,044	8,103
<b>Total contractual cash obligations</b>	<b>1,605,389</b>	<b>192,888</b>	<b>581,971</b>	<b>653,083</b>	<b>177,447</b>

- As of December 31, 2019, we had four vessels under operating leases, one of which was with SFL and three with unrelated third parties. The operating lease obligation for the SFL vessels excludes the purchase option exercisable at the end of the ten-year minimum term to buy back the vessel together with the seven finance leased vessels en-bloc for an aggregate \$112.0 million and excludes the additional three years of hire that are at SFL's option. It is also net of the \$7,000 per day that SFL pays to us for operating costs. The table above does not reflect the contingent profit sharing arrangement with SFL. See also Notes 10 and 27 to our audited Consolidated Financial Statements included herein.
- As of December 31, 2019, we held eight vessels under finance leases. This included seven vessels leased from SFL which were modified in December 2019. As a result of the modification, these leases were re-classified from operating leases to finance leases. The finance lease obligation for the SFL vessels excludes the purchase option exercisable at the end of the ten-year minimum term to buy back the vessels together with the one operating leased vessel en-bloc for an aggregate \$112.0 million and excludes the additional three years of hire that are at SFL's option. It is also net of the \$7,000 per day that SFL pays to us for operating costs. The table above does not reflect the contingent profit sharing arrangement with SFL. See also Notes 10 and 27 to our audited Consolidated Financial Statements included herein.
- As of December 31, 2019, we had firm scrubber commitments of \$14.9 million, excluding installation cost.



4. As of December 31, 2019, we had firm commitments to install ballast water treatment system on seven of our vessels with an estimated financial commitment of \$2.6 million, excluding installation cost.
5. Interest on floating rate debt was calculated using the three month USD LIBOR plus the agreed margin applicable for each of our credit facilities and the respective outstanding principal as of December 31, 2019.

## G. SAFE HARBOR

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this report.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the names and positions of our directors and executive officers.

Name	Age	Position
Ola Lorentzon	70	Director, Chairman and interim Chief Executive Officer
Ulrika Laurin	49	Director and Audit Committee member
John Fredriksen	75	Director
Marius Hermansen	41	Director
James O'Shaughnessy	56	Director and Audit Committee Chairman
Per Heiberg	53	Chief Financial Officer of Golden Ocean Management AS
Thomas Semino	46	Chief Commercial Officer of Golden Ocean Shipping Co Pte. Ltd.

Certain biographical information about each of our directors and executive officers is set forth below.

**Ola Lorentzon** is currently Chairman of the Board and has served as a director on the Board since September 18, 1996, Chairman since May 26, 2000 and our Chief Executive Officer from May 5, 2010 until March 31, 2015. Since the resignation of our previous Chief Executive Officer, Birgitte Ringstad Vartdal, in November 2019, Mr. Lorentzon has served as our interim Chief Executive Officer until a full-time Chief Executive Officer is named. Mr. Lorentzon is also a director of Frontline, Flex and Erik Thun AB. Mr. Lorentzon was the Managing Director of Frontline Management AS, a subsidiary of Frontline, from April 2000 until September 2003.

**John Fredriksen** was a director of the Former Golden Ocean and was appointed a director on the Board following the completion of the Merger. Mr. Fredriksen is the Chairman, President and a director of Frontline. Mr. Fredriksen has established trusts for the benefit of his immediate family that indirectly control Hemen.

**Marius Hermansen** was appointed a director of the Board in September 2019. Mr. Hermansen serves as Chief Operating Officer for Seatankers Group. Mr. Hermansen started out his career as a trainee with AP Moller-Maersk and went on to work over 10 years at Fearnleys Shipbrokers. Mr. Hermansen currently serves as a Director and Chairman of Avance Gas Holding Ltd., Director in Golden Ocean Group Limited, and as Chairman for Dess Aquaculture Shipping AS. Mr. Hermansen was educated at the Norwegian School of Economics (NHH) in Bergen, Norway.

**Ulrika Laurin** was appointed a director of the Board on September 21, 2018. Mrs. Laurin has served as the Executive Chairman of ship-owning company Anglo-Atlantic Steamship Co. Ltd. and the Chairman of Laurin Shipping AB, an international ship-management company. She has served as the Chief Financial Officer of Anglo-Atlantic Steamship Co. Ltd. and as Commercial Manager of Laurin Maritime (UK) Ltd. Prior to that, Mrs. Laurin worked with fund manager Tufton Oceanic Ltd. and with management consultant Karlöf & Partners. Mrs. Laurin holds a Master of Science degree in Economics and Business Administration from the Stockholm School of Economics.

**James O'Shaughnessy** was appointed a director of the Board on September 21, 2018. Mr. O'Shaughnessy served as Executive Vice President, Chief Accounting Officer and Corporate Controller of Axis Capital Holdings Limited since March 26, 2012. Prior to that Mr. O'Shaughnessy has amongst other served as Chief Financial Officer of Flagstone Reinsurance Holdings and as Chief Accounting Officer and Senior Vice President of Scottish Re Group Ltd., and Chief Financial Officer of XL Re Ltd. at XL Group plc. Mr. O'Shaughnessy received a Bachelor of Commerce degree from University College, Cork, Ireland and is both a Fellow of the Institute of Chartered Accountants of Ireland and an Associate Member of the Chartered Insurance Institute of the UK. Mr. O'Shaughnessy earned a Master's Degree in Accounting from University College Dublin.

**Per Heiberg** has served as Chief Financial Officer of Golden Ocean Management AS since April 2016. Mr. Heiberg has been with the Company since July 2005, and his previous position was Vice President of Finance. Prior to joining Golden Ocean, he served as Back Office Officer for Electrabel Nordic. Mr. Heiberg also held several positions within Statkraft, including as Controller and Market Analyst. Mr. Heiberg holds a Bachelor's degree in administration and economics from the University College of Southeast Norway.

**Thomas Semino** has served as Chief Commercial Officer of Golden Ocean Shipping Co Pte. Ltd. since November 2016. Prior to joining Golden Ocean Mr. Semino was Head of Dry Freight in Vitol S.A., has previously been Managing Director of Ocean Freight in Bunge S.A., and also has background from Cargill S.A. and Coeclerici Spa. Mr. Semino has a law degree in Maritime Law from Universita' degli Studi di Genova.

## **B. COMPENSATION**

During the year ended December 31, 2019, we paid aggregate cash compensation of approximately \$1.9 million and an aggregate amount of approximately \$48 thousand for pension and retirement benefits to our directors and executive officers. In addition, we recognized stock compensation expense of approximately \$0.5 million in respect to options granted to our executive officers in November 2016. The initial exercise price of these options was \$4.20 per option and has been subsequently reduced by the amount of dividends paid after the date of grant. Current exercise price is \$3.38 per option at the date of this annual report.

See Note 26 to our audited Consolidated Financial Statements included herein for information pertaining to the 2016 Share Option Plan, or the 2016 Scheme, which permits share options to be granted to directors, officers and employees of the Company and its subsidiaries.

## **C. BOARD PRACTICES**

In accordance with our Amended and Restated Bye-laws, the number of directors shall be such number not less than two as our shareholders by Ordinary Resolution may from time to time determine. We currently have five directors.

As provided in the Amended and Restated Bye-Laws, each director shall hold office until the next Annual General Meeting following his or her election or until his or her successor is elected. Our officers are elected by the Board and shall hold office for such period and on such terms as the Board may determine.

We have established an audit committee comprised of Mr. O'Shaughnessy and Mrs. Laurin. The audit committee is responsible for assisting the Board with its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications and independence, and the performance of our internal audit functions. Mr. O'Shaughnessy is the Chairperson of the Audit Committee and the Audit Committee Financial Expert.

There are no service contracts between us and any of our directors providing for benefits upon termination of their employment.

## **Board practices and exemptions from the NASDAQ corporate governance rules**

As a foreign private issuer, we are exempt from certain requirements of the NASDAQ Global Select Market that are applicable to U.S. domestic companies because we follow our home country (Bermuda) practice, which is permitted under the NASDAQ corporate governance rules. For a listing and further discussion of how our corporate governance practices differ from those required of U.S. companies listed on the NASDAQ Global Select Market, please see "Item 16G. Corporate Governance" of this annual report.

## **D. EMPLOYEES**

As of December 31, 2019, we employed 37 people in our offices in Oslo and Singapore. We contract with independent ship managers to manage and operate our vessels.

## E. SHARE OWNERSHIP

As of March 12, 2020, the beneficial interests of our Directors and officers in our common shares were as follows:

<b>Director or Officer</b>	<b>Common Shares of \$0.05 each</b>	<b>Percentage of Common Shares Outstanding</b>
Ola Lorentzon	16,877	(1)
Marius Hermansen	—	—
Ulrika Laurin	50,000	(1)
John Fredriksen <sup>(2)</sup>	—	—
Thomas Semino	—	—
Per Heiberg	15,000	(1)
James O'Shaughnessy	—	—

1. Less than 1%.
2. Hemen may be deemed to beneficially own 51,722,010 of our common shares. In addition, Hemen holds TRS agreements with underlying exposure to 4,905,000 of our common shares. See "Item 7. Major Shareholders and Related Party Transactions - A. Major Shareholders" below. Hemen, a Cyprus holding company, is indirectly controlled by trusts established by Mr. Fredriksen, for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the common shares held by Hemen, except to the extent of his voting and dispositive interest in such common shares. Mr. Fredriksen has no pecuniary interest in the shares held by Hemen.

### Share Option Scheme

#### 2016 Share Option Plan

Details of options to acquire our common shares by our directors and officers under the 2016 Scheme as of March 12, 2020, were as follows:

<b>Director or Officer</b>	<b>Number of outstanding options</b>		<b>Exercise price</b>	<b>Expiration Date</b>
	<b>Total</b>	<b>Vested</b>		
Per Heiberg	100,000	100,000	USD 3.38	November 2021
Thomas Semino	50,000	50,000	USD 3.38	November 2021
Marius Hermansen	45,000	45,000	USD 3.38	November 2021

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. MAJOR SHAREHOLDERS

The following table presents certain information as of March 12, 2020 regarding the ownership of our common shares with respect to each shareholder whom we know to beneficially own more than 5% of our outstanding common shares.

<b>Owner</b>	<b>Number of shares owned</b>	<b>Percentage owned</b>
Hemen Holding Limited <sup>(1,2)</sup>	51,722,010	36.1 %
Folketrygdfondet AS <sup>(2,3)</sup>	7,638,154	5.3 %

(1) Hemen may be deemed to beneficially own 1,270,657 of our common shares beneficially owned by Frontline. The Frontline shares are included in the 51,722,010 shares that Hemen may be deemed to beneficially own. In addition, Hemen holds TRS agreements with underlying exposure to 4,905,000 of our common shares. Hemen, a Cyprus holding company, is indirectly controlled by trusts established by Mr. Fredriksen, for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the common shares held by Hemen, except to the extent of his voting and dispositive interest in such shares of common stock. Mr. Fredriksen has no pecuniary interest in the shares held by Hemen.

(2) Percentage amount based on 143,277,697 which is 144,272,697 issued common shares, adjusted for 995,000 treasury shares as of March 12, 2020.

(3) The beneficial ownership is based on the latest available filing made with the Commission on Schedule 13G/A on February 12, 2020, which reported sole voting and dispositive power over the shares by Folketrygdfondet AS. The business address of Folketrygdfondet AS as reported on the Schedule 13G/A filed with the Commission on February 12, 2020 is Haakon VII's Gate 2, P.O. Box 1845 Vika, 0123 Oslo, Norway.

Our major shareholders have the same voting rights as our other shareholders. No corporation or foreign government owns more than 50% of our outstanding common shares. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

## **B. RELATED PARTY TRANSACTIONS**

See Note 27 to our audited Consolidated Financial Statements included herein.

## **C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

See Item 18.

#### **Legal Proceedings**

We are a party, as plaintiff or defendant, to several lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the operation of our vessels, in the ordinary course of business or in connection with our acquisition activities. We believe that the resolution of such claims will not have a material adverse effect on our operations or financial condition.

To the best of our knowledge, there are no other legal or arbitration proceedings existing or pending which have had or may have significant effects on our financial position or profitability and no such proceedings are pending or known to be contemplated.

#### **Dividend Distribution Policy**

The amount and timing of any dividend distributions in the future will depend, among other things, on our compliance with covenants in our credit facilities, earnings, financial condition, cash position, Bermuda law affecting the dividend distributions, restrictions in our financing agreements and other factors. In addition, the declaration and payment of dividend distributions is subject at all times to the discretion of our Board.

## **B. SIGNIFICANT CHANGES**

None.

## **ITEM 9. THE OFFER AND LISTING**

As at the date of this Annual Report, the Company had 143,277,697 common shares outstanding, which includes an adjustment of 995,000 treasury shares. Our common shares have been quoted on the NASDAQ Global Select Market, or NASDAQ, since our initial public offering in February 1997 and traded under the ticker symbol "VLCCF". Following the completion of the Merger with the former Golden Ocean on March 31, 2015, our common shares began trading under the new ticker symbol "GOGL" on NASDAQ since April 1, 2015.

In April 2015, we obtained a secondary listing on the OSE. Trading in our common shares on the OSE commenced on April 1, 2015.

## **ITEM 10. ADDITIONAL INFORMATION**

### **A. SHARE CAPITAL**

Not applicable.

### **B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

Our Amended and Restated Bye-Laws were adopted at the Special General Meeting held on March 26, 2015.

To see the full text of our Memorandum of Association and Amended and Restated Bye-Laws, please see Exhibits 1.1 and 1.4 attached to our Annual Report on Form 20-F for the year ended December 31, 2014 filed with the Commission on April 29, 2015, and is hereby incorporated by reference into this Annual Report.

#### **Purpose**

The purposes and powers of the Company are set forth in Items 6 and 7(a) through (h) of our amended Memorandum of Association and by reference to the Second Schedule of the Companies Act. These purposes include exploring, drilling, moving, transporting and refining petroleum and hydro-carbon products, including oil and oil products; acquiring, owning, chartering, selling, managing and operating ships and aircraft; the entering into of any guarantee, contract, indemnity or suretyship to assure, support, secure, with or without the consideration or benefit, the performance of any obligations of any person or persons; and the borrowing and raising of money in any currency or currencies to secure or discharge any debt or obligation in any manner.

There are no limitations on the right of non-Bermudians or non-residents of Bermuda to hold or vote our common shares.

#### **Voting Rights**

The holders of our common shares will be entitled to one vote per share on each matter requiring the approval of the holders of the common shares. At any annual or special general meeting of shareholders where there is a quorum, a simple majority vote will generally decide any matter, unless a different vote is required by express provision of the Amended and Restated Bye-Laws or Bermuda law.

The Companies Act and our Amended and Restated Bye-Laws do not confer any conversion or sinking fund rights attached to our common shares.

#### **Preemptive Rights**

Bermuda law does not provide a shareholder with a preemptive right to subscribe for additional issues of a company's shares unless, and to the extent that, the right is expressly granted to the shareholder under the bye-laws of a company or under any contract between the shareholder and the company.

Holders of our common shares do not have any preemptive rights pursuant to the Amended and Restated Bye-Laws.

#### **Repurchase of Shares**

Subject to the Companies Act, the Memorandum of Association and the Amended and Restated Bye-Laws, our Board may from time to time repurchase any common shares for cancellation or to be held as treasury shares.

Holders of our common shares, however, do not have any right to require the Company to purchase their shares pursuant to the Amended and Restated Bye-Laws.

#### **Redemption of Preference Shares**

The Company may with the approval of the shareholders issue preference shares which are redeemable at the option of the Company or the holder, subject to the Companies Act, the Memorandum of Association and the Amended and Restated Bye-Laws.

#### **Call on Shares**

Pursuant to the Amended and Restated Bye-Laws, the Board may from time to time make calls upon our shareholders in respect of any moneys unpaid on their shares.

### **Reduction of Share Capital**

Subject to the Companies Act, the Memorandum of Association and the Amended and Restated Bye-Laws, the shareholders may by resolution authorize the reduction of the Company's issued share capital or any capital redemption reserve fund or any share premium account in any manner.

### **Dividend and Other Distributions**

Under the Companies Act, a company may, subject to its bye-laws and by resolution of the directors, declare and pay a dividend, or make a distribution out of contributed surplus, provided there are reasonable grounds for believing that after any such payment (a) the company will be solvent and (b) the realizable value of its assets will be greater than its liabilities.

The Amended and Restated Bye-Laws provide that the Board from time to time may declare cash dividends or distributions out of contributed surplus to be paid to the shareholders according to their rights and interests including such interim dividends as appear to be justified by the position of the Company.

### **Board of Directors**

The Amended and Restated Bye-Laws provide that the Board shall consist of not less than two members and shall at all times comprise a majority of directors who are not residents in the United Kingdom or Norway. Our shareholders may change the number of directors by the vote of shareholders representing a simple majority of the total number of votes which may be cast at any annual or special general meeting, or by written resolution. Each director is elected at an annual general meeting of shareholders for a term commencing upon election and each director shall serve until re-elected or their successors are appointed on the date of the next scheduled annual general meeting of shareholders. The Amended and Restated Bye-Laws do not permit cumulative voting for directors.

Subject to the Companies Act, the Amended and Restated Bye-Laws permit our directors to engage in any transaction or arrangement with us or in which we may otherwise be interested. Additionally, as long as our director declares the nature of his or her interest at the first opportunity at a meeting of the Board, he or she shall not by reason of his office be accountable to us for any benefit which he or she derives from any transaction to which the Amended and Restated Bye-Laws permit him or her to be interested.

Our directors are not required to retire because of their age and are not required to be holders of our common shares.

### **Removal of Directors and Vacancies on the Board**

Under the Companies Act, any director may be removed, with or without cause, by a vote of the majority of shareholders if the bye-laws so provide. A company may remove a director by specifically convening a special general meeting of the shareholders. The notice of any such special general meeting must be served on the director concerned no less than fourteen (14) days before the special general meeting. The affected director is entitled to be heard at that special general meeting.

The Amended and Restated Bye-Laws provide that directors may be removed, with or without cause, by a vote of the shareholders representing a majority of the votes present and entitled to vote at a special general meeting called for that purpose. The notice of any such special general meeting must be served on the director concerned no less than 14 days before the special general meeting and he or she shall be entitled to be heard at that special general meeting.

Any director vacancy created by the removal of a director from our Board at a special general meeting may be filled by the election of another director in his place by a majority vote of the shareholders entitled to vote at the special general meeting called for the purpose of removal of that director, or in the absence of such election, by the Board. The Board may fill casual vacancies so long as quorum of directors remains in office. Each director elected to the Board to fill a vacancy shall serve until the next annual general meeting of shareholders and until a successor is duly elected and qualified or until such director's resignation or removal.

### **Quorum and Action by the Board of Directors**

The Amended and Restated Bye-Laws provide that at any meeting of the Board (which must be held outside of the United Kingdom or Norway), the presence of the majority of the Board, unless otherwise fixed, constitutes a quorum for the transaction of business and that when a quorum is present, the acts of a majority of the directors present at any meeting shall be the acts of the Board, except as may be otherwise specified by Bermuda law or the Amended and Restated Bye-Laws. A quorum shall not be present unless a majority of directors present are neither resident in Norway nor physically located or resident in the United Kingdom.

A resolution in writing signed by all directors for the time being entitled to receive notice of a meeting of the Board shall be as valid and effectual as a resolution passed at a meeting of the Board.

A meeting of the Board or committee appointed by the Board shall be deemed to take place at the place where the largest group of participating directors or committee members has assembled or, if no such group exists, at the place where the chairman of the meeting participates. In no event shall the place where the largest group of participating directors or committee members has assembled or, if no such group exists, the place where the chairman of the meeting participates, be located in the United Kingdom. The Board or relevant committee shall use its best endeavors to ensure that any such meeting is not deemed to have been held in Norway, and the fact that one or more directors may be present at such teleconference by virtue of his being physically in Norway shall not deem such meeting to have taken place in Norway.

### **Duties of Directors and Officers; Limitation of Liability**

Under Bermuda law, directors and officers shall discharge their duties in good faith and with that degree of diligence, care and skill which reasonably prudent people would exercise under similar circumstances in like positions. In discharging their duties, directors and officers may rely upon financial statements of the company represented to them to be correct by the president or the officer having charge of its books or accounts or by independent accountants.

The Companies Act provides that a company's bye-laws may include a provision for the elimination or limitation of liability of a director to the company or its shareholders for any loss arising or liability attaching to him by virtue of any rule of law in respect to any negligence, default, breach of any duty or breach of trust of which the director may be guilty of; provided that such provision shall not eliminate or limit the liability of a director for any fraud or dishonesty he may be guilty of.

The Amended and Restated Bye-Laws limit the liability of our directors and officers to the fullest extent permitted by the Companies Act.

### **Director Indemnification**

Bermuda law permits the bye-laws of a Bermuda company to contain a provision indemnifying the company's directors and officers for any loss arising or liability attaching to him or her by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the officer or person may be guilty, save with respect to fraud or dishonesty. Bermuda law also grants companies the power generally to indemnify directors and officers of a company, except in instances of fraud and dishonesty, if any such person was or is a party or threatened to be made a party to a threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a director and officer of such company or was serving in a similar capacity for another entity at such company's request.

The Amended and Restated Bye-Laws provide that each director, alternate director, officer, person or member of a board committee, if any, resident representative, and his or her heirs, executors or administrators, collectively, Indemnitees, will be indemnified and held harmless out of our assets to the fullest extent permitted by Bermuda law against all liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him or her as such director, alternate director, officer, person or committee member or resident representative. The restrictions on liability, indemnities and waivers provided for in the Amended and Restated Bye-Laws do not extend to any matter that would render the same void under the Companies Act. In addition, each Indemnitee shall be indemnified out of our assets against all liabilities incurred in defending any proceedings, whether civil or criminal, in which judgment is given in such Indemnitee's favor, or in which he or she is acquitted.

Under the Amended and Restated Bye-Laws, shareholders have further agreed to waive any claim or right of action they may have at any time against any Indemnitee on account of any action taken by such Indemnitee or the failure of such Indemnitee to take any action in the performance of his or her duties with or for the Company with the exception of any claims or rights of action arising out of fraud or dishonesty

## **Shareholder Meetings**

Under the Companies Act, an annual general meeting of the shareholders shall be held for the election of directors on any date or time as designated by or in the manner provided for in the bye-laws and held at such place within or outside Bermuda as may be designated in the bye-laws. Any other proper business may be transacted at the annual general meeting.

Under the Companies Act, any meeting that is not the annual general meeting is called a special general meeting, and may be called by the Board or by such persons as authorized by the company's memorandum of association or bye-laws. Under the Companies Act, holders of one-tenth of a company's issued common shares may also call special general meetings. At such special general meeting, only business that is related to the purpose set forth in the required notice may be transacted. Additionally, under Bermuda law, a company may, by resolution at a special general meeting, elect to dispense with the holding of an annual general meeting for (a) the year in which it is made and any subsequent year or years; (b) for a specified number of years; or (c) indefinitely.

Under the Companies Act, notice of any general meeting must be given not less than five (5) days before the meeting and shall state the place, date and hour of the meeting and, in the case of a special general meeting, shall also state the purpose of such meeting and the that it is being called at the direction of whoever is calling the meeting. Under Bermuda law, accidental failure to give notice will not invalidate proceedings at a general meeting.

*Annual General Meetings.* The Amended and Restated Bye-Laws provide that the Board may fix the date, time and place of the annual general meeting within or without Bermuda (but never in the United Kingdom or Norway) for the election of directors and to transact any other business properly brought before the meeting.

*Special General Meetings.* The Amended and Restated Bye-Laws provide that special general meetings may be called by the Board and when required by the Companies Act (*i.e.* by holders of one-tenth of a company's issued common shares through a written request to the Board).

*Notice Requirements.* The Amended and Restated Bye-Laws provide that we must give not less than five (5) days notice before any annual or special general meeting.

## **Quorum of Shareholders**

Under the Companies Act, where the bye-laws so provide, a general meeting of the shareholders of a company may be held with only one individual present if the requirement for a quorum is satisfied and, where a company has only one shareholder or only one holder of any class of shares, the shareholder present in person or by proxy constitutes a general meeting.

Under the Amended and Restated Bye-Laws, quorum at annual or special general meetings shall be constituted by two or more shareholders either present in person or represented by proxy. If we only have one shareholder, then one shareholder present in person or proxy shall constitute the necessary quorum.

## **Shareholder Action without a Meeting**

Under the Companies Act, unless the company's bye-laws provide otherwise, any action required to or that may be taken at an annual or general meeting can be taken without a meeting if a written consent to such action is signed by the necessary majority of the shareholders entitled to vote with respect thereto.

The Amended and Restated Bye-Laws provide that, except in the case of the removal of auditors and directors, anything which may be done by resolution may, without an annual or special general meeting be done by resolution in writing, signed by a simple majority of all the shareholders or their proxies (or such greater majority required by the Companies Act).

## **Shareholder's Rights to Examine Books and Records**

Under the Companies Act, any shareholder, during the usual hours of business, may inspect, for a purpose reasonably related to his or her interest as a shareholder, and make copies of extracts from the share register, and minutes of all general meetings.

## **Amendments to Memorandum of Association**

Under Bermuda law, a company may, by resolution passed at an annual or special general meeting of shareholders, alter the provisions of the memorandum of association. An application for alteration can only be made by (i) holders of not less in the



aggregate than 20% in par value of a company's issued share capital, (ii) by holders of not less in the aggregate than 20% of the company's debentures entitled to object to alterations to the memorandum, or (iii) in the case a company that is limited by guarantee, by not less than 20% of the shareholders.

### **Variation in Shareholder Rights**

Under Bermuda law, if at any time a company has more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, the rights attached to any class of share may be varied with (i) the consent in writing of the holders of 75% in nominal value of the issued shares of that class, or (ii) the sanction of a resolution passed at a separate general meeting of holders of the shares of the class at which a quorum consisting of at least two persons holding or representing of one-third of the issued shares of the relevant class is present.

The Amended and Restated Bye-Laws may be amended from time to time in the manner provided for in the Companies Act.

### **Vote on Amalgamations, Mergers, Consolidations and Sales of Assets**

Under the Companies Act, any plan of merger or amalgamation must be authorized by the resolution of a company's shareholders and must be approved by a majority vote of three-fourths of those shareholders voting at such special general meeting. Also, it is required that a quorum of two or more persons holding or representing more than one-third (1/3) of the issued and outstanding common shares of the company on the Record Date are in attendance in person or by proxy at such special general meeting.

There are no provisions in our Amended and Restated Bye-Laws addressing such matters.

### **Appraisal and Dissenters Rights**

Under Bermuda law, in the event of an amalgamation or a merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the special general meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

### **Derivative Actions**

Class actions and derivative actions are generally not available to shareholders under Bermuda law. Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company, or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. However, generally a derivative action will not be permitted where there is an alternative action available that would provide an adequate remedy. Any property or damages recovered by derivative action go to the company, not to the plaintiff shareholders. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company or that the company be wound up.

A statutory right of action is conferred on subscribers to shares of a Bermuda company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement contained in the prospectus, but this confers no right of action against the Bermuda company itself. In addition, subject to any limitations that may be contained in the company's bye-laws, a shareholder may bring a derivative action on behalf of the company to enforce a right of the company (as opposed to a right of its shareholders) against its officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

The Amended and Restated Bye-Laws contain provisions whereby each shareholder (i) agrees that the liability of our officers shall be limited, (ii) agrees to waive any claim or right of action such shareholder might have, whether individually or in the right of the Company, against any director, alternate director, officer, person or member of a committee, resident representative or any of their respective heirs, executors or administrators for any action taken by any such person, or the failure of any such person to take any action, in the performance of his or her duties, or supposed duties, to the Company or otherwise, and (iii) agrees to allow us to indemnify and hold harmless our officers and directors in respect of any liability attaching to such

officer and director incurred by him or her as an officer or director of the Company. The restrictions on liability, indemnity and waiver do not extend to any liability of an officer or director for fraud or dishonesty.

## **Liquidation**

Under Bermuda Law, in the event of our liquidation, dissolution or winding up, the holders of common shares are entitled to share in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

## **C. MATERIAL CONTRACTS**

Attached as exhibits to this Annual Report are the contracts we consider to be both material and not in the ordinary course of business. Descriptions of these contracts are included within "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Vessel Transactions" and "Item 5. Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Equity Issuances." Other than these contracts, we have no material contracts other than those entered in the ordinary course of business.

## **D. EXCHANGE CONTROLS**

The Bermuda Monetary Authority, or the BMA, must give permission for all issuances and transfers of securities of a Bermuda exempted company like ours, unless the proposed transaction is exempted by the BMA's written general permissions. We have received general permission from the BMA to issue any unissued common shares and for the free transferability of our common shares as long as our common shares are listed on an "appointed stock exchange". Our common shares are listed on the NASDAQ Global Select Market, which is an "appointed stock exchange". Our common shares may therefore be freely transferred among persons who are residents and non-residents of Bermuda.

Although we are incorporated in Bermuda, we are classified as a non-resident of Bermuda for exchange control purposes by the BMA. Other than transferring Bermuda Dollars out of Bermuda, there are no restrictions on our ability to transfer funds into and out of Bermuda or to pay dividends to U.S. residents who are holders of common shares or other non-residents of Bermuda who are holders of our common shares in currency other than Bermuda Dollars.

In accordance with Bermuda law, share certificates may be issued only in the names of corporations, individuals or legal persons. In the case of an applicant acting in a special capacity (for example, as an executor or trustee), certificates may, at the request of the applicant, record the capacity in which the applicant is acting. Notwithstanding the recording of any such special capacity, we are not bound to investigate or incur any responsibility in respect of the proper administration of any such estate or trust.

We will take no notice of any trust applicable to any of our shares or other securities whether or not we had notice of such trust.

As an "exempted company", we are exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians, but as an exempted company, we may not participate in certain business transactions including: (i) the acquisition or holding of land in Bermuda (except that required for its business and held by way of lease or tenancy for terms of not more than 21 years) without the express authorization of the Bermuda legislature; (ii) the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000 without the consent of the Minister of Finance of Bermuda; (iii) the acquisition of any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government of Bermuda or by a public authority in Bermuda; or (iv) the carrying on of business of any kind in Bermuda, except in so far as may be necessary for the carrying on of its business outside Bermuda or under a license granted by the Minister of Finance of Bermuda.

The Bermuda government actively encourages foreign investment in "exempted" entities like us that are based in Bermuda but do not operate in competition with local business. In addition to having no restrictions on the degree of foreign ownership, we are subject neither to taxes on our income or dividends nor to any exchange controls in Bermuda. In addition, there is no capital gains tax in Bermuda, and profits can be accumulated by us, as required, without limitation. There is no income tax treaty between the United States and Bermuda pertaining to the taxation of income other than applicable to insurance enterprises.

## **E. TAXATION**

The following discussion summarizes the material United States federal income tax, Bermuda tax and Liberian tax consequences to United States Holders, as defined below, of the purchase, ownership and disposition of common shares. This

summary does not purport to deal with all aspects of United States federal income taxation and Bermuda taxation that may be relevant to an investor's decision to purchase our common shares, nor any tax consequences arising under the laws of any state, locality or other foreign jurisdiction.

### **United States Federal Income Tax Considerations**

In the opinion of Seward & Kissel LLP, our United States counsel, the following are the material United States federal income tax consequences to us of our activities and to United States Holders of our common shares. The following discussion of United States federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, all of which are subject to change, possibly with retroactive effect. Except as otherwise noted, this discussion is based on the assumption that we will not maintain an office or other fixed place of business within the United States.

### **Taxation of Our Shipping Income: In General**

We anticipate that we will derive substantially all of our gross income from the use and operation of vessels in international commerce and that this income will principally consist of freights from the transportation of cargoes, charter hire from time or voyage charters and the performance of services directly related thereto, which is referred to herein as "shipping income".

Shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50% derived from sources within the United States. Shipping income attributable to transportation that both begins and ends in the United States will be considered to be 100% derived from sources within the United States. We are not permitted by law to engage in transportation that gives rise to 100% United States source income.

Shipping income attributable to transportation exclusively between non-United States ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to United States federal income tax.

Based upon our current and anticipated shipping operations, our vessels will operate in various parts of the world, including to or from United States ports. Unless exempt from United States federal income taxation under Section 883 of the Code, or Section 883, we will be subject to United States federal income taxation, in the manner discussed below, to the extent our shipping income is considered derived from sources within the United States.

### **Application of Section 883**

Under the relevant provisions of Section 883, we will be exempt from United States federal income taxation on its United States source shipping income if:

- i. We are organized in a "qualified foreign country", which is one that grants an equivalent exemption from taxation to corporations organized in the United States in respect of the shipping income for which exemption is being claimed under Section 883, and which is referred to herein as the "country of organization requirement"; and
- ii. We can satisfy any one of the following two ownership requirements for more than half the days during the taxable year:
  - Our stock is "primarily and regularly" traded on an established securities market located in the United States or a qualified foreign country (such as NASDAQ Global Select Market, on which our common shares trade), which is referred to herein to as the "Publicly-Traded Test"; or
  - more than 50% of our stock, in terms of value, is beneficially owned by one or more "qualified shareholders" which, as defined, includes individuals who are residents of a qualified foreign country or foreign corporations that satisfy the country of organization requirement and the Publicly-Traded Test.

The United States Treasury Department has recognized Bermuda, our country of incorporation, as a qualified foreign country. In addition, the United States Treasury Department has recognized each of Liberia, the Marshall Islands, Hong Kong and Panama, the countries of incorporation of our vessel-owning subsidiaries, as a qualified foreign country. Accordingly, we and our vessel owning subsidiaries satisfy the country of organization requirement.

Therefore, our eligibility for exemption under Section 883 is wholly dependent upon being able to satisfy one of the stock ownership requirements.

For our 2019 taxable year, we believe that we satisfied the Publicly-Traded Test since our common shares were "primarily and regularly" traded on the NASDAQ Global Select Market, which is an "established securities market" in the United States within the meaning of the Treasury Regulation under Section 883 of the Code, and intends to take this position on its 2019 United States income tax returns. However, we can provide no assurance that we will continue to be able to satisfy these requirements for any future taxable years.

Under the Treasury Regulations, stock of a corporation will be considered to be "primarily traded" on an established securities market in a country (such as NASDAQ Global Select) if the number of shares of such class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares of such class that are traded during that taxable year on established securities markets in any other single country. Currently, our common shares are primarily traded on the NASDAQ Global Select Market for purposes of the "primarily traded" test.

Under the Treasury Regulations, stock of a corporation will be considered to be "regularly traded" on an established securities market if one or more classes of stock of the corporation representing more than 50% of the total combined voting power of all classes of stock entitled to vote and of the total value of the stock of the corporation are listed on such market during the taxable year. Since our common shares, which constitute more than 50% of the total combined voting power and total value of our stock, are listed on the NASDAQ Global Select Market, we will satisfy the listing requirement.

It is further required that, with respect to each class of stock relied upon to meet the listing threshold, (i) such class of stock is traded on the market, other than in de minimis quantities, on at least 60 days during the taxable year or 1/6 of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. We believe we will satisfy the foregoing trading frequency and trading volume tests. Even if this were not the case, the Treasury Regulations provide that the foregoing trading frequency and trading volume tests will be deemed satisfied if, as we expect to be the case with our common shares, such class of stock is traded on an established securities market in the United States, such as the NASDAQ Global Select Market, and such stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of our stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class of stock are owned, actually or constructively, under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of the outstanding shares of such class of stock, which we refer to as the 5 Percent Override Rule.

For purposes of determining the persons that own 5% or more of our common shares, or "5% Shareholders," the Treasury Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC, as having a 5% or more beneficial interest in our common shares. The Treasury Regulations further provide that an investment company identified on an SEC Schedule 13G or Schedule 13D filing that is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes. We currently do not believe that 5% Shareholders controlled more than 50% of the voting power or value of our common shares for more than half of the days in the 2019 taxable year, and therefore, we should not run afoul of the 5 Percent Override Rule. for our most recently taxable year. There can be no assurance that we will continue to satisfy the requirements of the Publicly-Traded Test, including not triggering the 5 Percent Override Rule, in future taxable years.

### **Taxation in Absence of Section 883 Exemption**

To the extent the benefits of Section 883 are unavailable with respect to any item of United States source income, our United States source shipping income, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, which is referred to herein as the "4% gross basis tax regime". Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being derived from United States sources, the maximum effective rate of United States federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime. Historically, the amount of this tax would not have been material.

### **Gain on Sale of Vessels**

Regardless of whether we qualify for exemption under Section 883, we will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United

States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel by us will be considered to occur outside of the United States.

### **Taxation of United States Holders**

The following is a discussion of the material United States federal income tax considerations relevant to an investment decision by a United States Holder, as defined below, with respect to the common shares. This summary is not intended to be applicable to all categories of investors, such as dealers in securities, traders in securities that elect the mark-to-market method of accounting, banks, thrifts or other financial institutions, insurance companies, regulated investment companies, tax-exempt organizations, United States expatriates, persons that hold common shares as part of a straddle, conversion transaction or hedge, persons who own, directly or constructively, 10% or more of our outstanding stock, persons deemed to sell common shares under the constructive sale provisions of the United States Internal Revenue Code of 1986, as amended, or the Code, United States Holders whose "functional currency" is other than the United States dollar, persons required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an "applicable financial statement", persons subject to the "base erosion and anti-avoidance" tax, or holders subject to the alternative minimum tax, each of which may be subject to special rules. In addition, this discussion is limited to persons who hold common shares that are listed on the NASDAQ Global Select Market as "capital assets" (generally, property held for investment) within the meaning of Code Section 1221. This summary does not contain a detailed description of all the United States federal income tax consequences to United States Holders in light of their particular circumstances and does not address the Medicare tax on net investment income, or the effects of any state, local or non-United States tax laws. You are encouraged to consult your own tax advisor concerning the overall tax consequences arising in your own particular situation under United States federal, state, local or foreign law of the ownership of common shares.

As used herein, the term "United States Holder" means a beneficial owner of common shares that is a (i) United States individual citizen or resident, (ii) United States corporation or other United States entity taxable as a corporation, (iii) estate, the income of which is subject to United States federal income taxation regardless of its source, or (iv) trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (b) the trust has in effect a valid election to be treated as a United States person for U.S. federal income tax purposes.

If a partnership holds common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding common shares, you are encouraged to consult your own tax advisor regarding the United States federal income tax consequences of owning an interest in a partnership that holds common shares.

### **Distributions**

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to common shares to a United States Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of the United States Holder's tax basis in its common shares on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not generally be entitled to claim a dividends-received deduction with respect to any distributions they receive from us.

Dividends paid on common shares to a United States Holder which is an individual, trust or estate (a "United States Non-Corporate Holder") will generally be treated as "qualified dividend income" that is taxable to such shareholder at preferential United States federal income tax rates provided that (1) common shares are readily tradable on an established securities market in the United States (such as the NASDAQ Global Select Market on which the common shares are listed); (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which we do not believe we are, have been since the beginning of our 2004 taxable year, or will be); (3) the United States Non-Corporate Holder has owned common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend; and (4) certain other requirements are met. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a United States Holder.

If we pay an "extraordinary dividend" on our common shares (generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis (or fair market value in certain circumstances) in the common shares) that is treated

as "qualified dividend income," then any loss derived by a United States Individual Holder from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

### **Sale, Exchange or other Disposition of Our Common Shares**

Assuming we do not constitute a passive foreign investment company for any taxable year, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other disposition and the United States Holder's tax basis in the common shares. Such gain or loss will be capital gain or loss and will be treated as long-term capital gain or loss if the United States Holder's holding period in the common shares is greater than one year at the time of the sale, exchange or other disposition. Long-term capital gains of a United States Non-Corporate Holder are taxable at preferential United States federal income tax rates. A United States Holder's ability to deduct capital losses is subject to certain limitations.

Special rules may apply to a United States Holder who purchased shares before 2004 and did not make a timely QEF election or a mark-to-market election (as discussed below). Such United States Holders are encouraged to consult their tax advisors regarding the United States federal income tax consequences to them of the disposal of our common shares.

### **Passive Foreign Investment Company Status and Significant Tax Consequences**

Special United States federal income tax rules apply to a United States Holder that holds stock in a foreign corporation classified as a passive foreign investment company, or a PFIC, for United States federal income tax purposes. In general, we will be treated as a PFIC with respect to a United States Holder if, for any taxable year in which such holder held our common shares, either;

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of the assets held by us during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiary corporations in which it owns at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we are treated under specific rules as deriving its rental income in the active conduct of a trade or business.

We were a PFIC for United States federal income tax purposes through our 2003 taxable year. United States Holders who held our common shares prior to the 2004 taxable year are encouraged to consult their tax advisors regarding the proper tax treatment of any dispositions of common shares and any distributions by us.

Based on our past and current operations and future projections, we do not believe that we were, are or will be a PFIC with respect to any taxable year, other than the taxable years ending prior to its 2004 taxable year. Our belief is based principally on the position that, for purposes of determining whether we are a PFIC, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities should constitute services income, rather than rental income. Correspondingly, we believe that such income does not constitute passive income, and the assets that we or our wholly-owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, do not constitute assets that produce, or are held for the production of, passive income for purposes of determining whether we are a PFIC.

Although there is no direct legal authority under the PFIC rules, we believe that there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or the IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, in the absence of any legal authority specifically relating to the Code provisions governing PFICs, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in such a manner as to avoid being classified as a PFIC with respect to any taxable year, there can be no assurance that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder makes an election to treat us as a "Qualified Electing Fund", which is referred to herein as a "QEF election". As an alternative to making a QEF election, a United States Holder should be able to elect to mark-to-market our common shares, which is referred to herein as a "Mark-to-Market election."

### **Taxation of United States Holders Making a Timely QEF Election**

If a United States Holder makes a timely QEF election, which United States Holder is referred to herein as an "Electing United States Holder", the Electing United States Holder must report each year for United States federal income tax purposes its pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing United States Holder, regardless of whether or not distributions were received from us by the Electing United States Holder. The Electing United States Holder's adjusted tax basis in the common shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing United States Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the common shares. A United States Holder will be eligible to make a QEF election with respect to its common shares only if we provide the United States Holder with annual tax information relating to us. There can be no assurance that we will provide such tax information on an annual basis.

### **Taxation of United States Holders Making a "Mark-to-Market" Election**

Alternatively, if we were to be treated as a PFIC for any taxable year and, as anticipated, the common shares are treated as "marketable stock", a United States Holder would be allowed to make a Mark-to-Market election with respect to our common shares. If that election is made, the United States Holder generally would include as ordinary income in each taxable year that we are a PFIC the excess, if any, of the fair market value of the common shares at the end of the taxable year over such holder's adjusted tax basis in the common shares. The United States Holder would also be permitted an ordinary loss for each such tax year in respect of the excess, if any, of the United States Holder's adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the Mark-to-Market election. A United States Holder's tax basis in its common shares would be adjusted to reflect any such income or loss amount. In any taxable year that we are a PFIC, gain realized on the sale, exchange or other disposition of the common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder.

### **Taxation of United States Holders Not Making a Timely QEF or Mark-to-Market Election**

Finally, if we were to be treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a Mark-to-Market election for that year, who is referred to herein as a "Non-Electing United States Holder", would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing United States Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing United States Holder in the three preceding taxable years, or, if shorter, the Non-Electing United States Holder's holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of the common shares. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing United States Holders' aggregate holding period for the common shares;
- the amount allocated to the current taxable year and any taxable years before we became a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of the common shares. If a Non-Electing United States Holder who is an individual dies while owning the common shares, the successor of such deceased Non-Electing United States Holder generally would not receive a step-up in tax basis with respect to such stock.

### **PFIC Annual Filing Requirements**

If we were to be treated as a PFIC, a United States Holder will generally be required to file an information return on an IRS Form 8621 with respect to its ownership of our common stock.

### **United States Federal Income Taxation of "Non-U.S. Holders"**

A beneficial owner of our common shares that is not a United States Holder (and not an entity treated as a partnership) is referred to herein as a "Non-U.S. Holder". If you are a partner in a partnership (or an entity or arrangement treated as a partnership for United States federal income tax purposes) holding common shares, you should consult your own tax advisor regarding the tax consequences to you of the partnership's ownership of common shares.

#### *Distributions*

Distributions we pay to a Non-U.S. Holder will not be subject to United States federal income tax or withholding tax if the Non-U.S. Holder is not engaged in a United States trade or business. If the Non-U.S. Holder is engaged in a United States trade or business, our distributions will generally be subject to United States federal income tax, on a net income basis at the regular graduated rates, to the extent they constitute income effectively connected with the Non-U.S. Holder's United States trade or business. However, distributions paid to a Non-U.S. Holder that is engaged in a trade or business may be exempt from taxation under an income tax treaty if the income arising from the distribution is not attributable to a United States permanent establishment maintained by the Non-U.S. Holder. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items.

#### *Sale, Exchange or Other Disposition of Common Shares*

Non-U.S. Holders will generally not be subject to U.S. federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares unless: (i) the gain is "effectively connected" with the Non-U.S. Holder's conduct of a trade or business in the United States or, if the Non-U.S. Holder is entitled to the benefits of an applicable U.S. income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States or (ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the common shares, including dividends on the underlying common shares and the gain from the sale, exchange or other disposition of the common shares that is "effectively connected" with the conduct of that U.S. trade or business, will generally be subject to U.S. federal income tax in the same manner as discussed in the previous section relating to the U.S. federal income taxation of United States Holders. In addition, in the case of a corporate Non-U.S. Holder, such Non-U.S. Holder's earnings and profits that are attributable to the "effectively connected" income, subject to certain adjustments, may be subject to an additional U.S. federal branch profits tax at a rate of 30% or at a lower rate as may be specified by an applicable U.S. income tax treaty.

### **Backup Withholding and Information Reporting**

In general, dividend payments, or other taxable distributions, made within the United States to a holder of common shares will be subject to information reporting requirements. Such payments will also be subject to "backup withholding" if paid to a non-corporate United States Holder who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he has failed to report all interest or dividends required to be shown on his United States federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

If a holder sells his common shares to or through a United States office of a broker, the payment of the proceeds is subject to both United States information reporting and backup withholding unless the holder establishes an exemption. If a holder sells his common shares through a non-United States office of a non-United States broker and the sales proceeds are paid to the holder outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, including a payment made to a holder outside the United States, if the holder sells his common shares through a non-United States office of a broker that is a United States person or has some other contacts with the United States, unless the broker has documentary evidence in its records that the holder is not a United States person and certain other conditions are met, or the holder otherwise establishes an exemption.



Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an applicable IRS Form W-8.

Backup withholding is not an additional tax. Rather, a taxpayer generally may obtain a refund of any amounts withheld under backup withholding rules that exceed the taxpayer's income tax liability by filing a refund claim with the IRS.

### **Other U.S. Information Reporting Obligations**

Individuals who are United States Holders (and to the extent specified in applicable Treasury Regulations, certain United States entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury Regulations). Specified foreign financial assets would include, among other assets, the common shares, unless the common shares are held through an account maintained with a United States financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual United States Holder (and to the extent specified in applicable Treasury Regulations a United States entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of United States federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. United States Holders (including United States entities) are encouraged consult their own tax advisors regarding their reporting obligations under this legislation.

### **Bermuda Taxation**

As of the date of this annual report, we are not subject to taxation under the laws of Bermuda and distributions to us by our subsidiaries also are not subject to any Bermuda tax. As of the date of this document, there is no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by non-residents of Bermuda in respect of capital gains realized on a disposition of the Company's common shares or in respect of distributions by us with respect to the Company's common shares. This does not, however, apply to the taxation of persons ordinarily resident in Bermuda. Bermuda holders should consult their own tax advisors regarding possible Bermuda taxes with respect to dispositions of, and distributions on, the Company's common shares.

The Minister of Finance in Bermuda has granted the Company a tax exempt status until March 31, 2035, under which no income taxes or other taxes (other than duty on goods imported into Bermuda and payroll tax in respect of any Bermuda-resident employees) are payable by us in Bermuda. If the Minister of Finance in Bermuda does not grant a new exemption or extend the current tax exemption, and if the Bermudian Parliament passes legislation imposing taxes on exempted companies, we may become subject to taxation in Bermuda after March 31, 2035.

Currently, there are no withholding taxes payable in Bermuda on dividends distributed by us to our shareholders.

### **Liberian Taxation**

Under the Consolidated Tax Amendments Act of 2010, our Liberian subsidiaries should be considered non-resident Liberian corporations which are wholly exempted from Liberian taxation effective as of 1977.

## **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

## **G. STATEMENT BY EXPERTS**

Not applicable.

## **H. DOCUMENTS ON DISPLAY**

We are subject to the informational requirements of the Exchange Act. In accordance with these requirements, we file reports and other information with the Commission. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the Commission 100 F Street, N.E., Room 1580 Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800)

SEC-0330, and you may obtain copies at prescribed rates from the public reference facilities maintained by the Commission at its principal office in Washington, D.C. 20549. The Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. In addition, documents referred to in this annual report may be inspected at our principal executive offices at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda HM 08.

## I. SUBSIDIARY INFORMATION

Not applicable.

### ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We interpret market risk as the risk arising from fluctuations in interest rates, foreign currency exchange rates, commodity prices and other factors affecting the rate, index or price of an underlying financial instrument.

#### *Interest Rate Risk*

We are exposed to interest rate fluctuations primarily due to our floating interest rate bearing long term debt. The international dry bulk industry is a capital-intensive industry, which requires significant amounts of financing, typically provided in the form of secured long-term debt. Our current bank financing agreements bear floating interest rates, typically three-month USD LIBOR. Significant adverse fluctuations in floating interest rates could adversely affect our operating and financial performance and our ability to service our debt.

From time to time, we may take positions in interest rate derivative contracts to manage the risk associated with fluctuations in interest payments resulting from fluctuations of the underlying floating interest rates of our long-term debt. Adverse fluctuations in floating interest rates could adversely affect our free cash position as we may be required to secure cash as collateral, under our interest rate derivative contracts.

We are exposed to credit risk in the event of non-performance by the counterparties of our interest rate derivative contracts. In order to mitigate the credit risk, we enter into derivative transactions with counterparties, usually well-established banks, which have reliable credit ratings. The possibility of a counterparty contractual non-performance event to materialize is considered remote and hence, the credit risk is considered minimal.

Our variable rate borrowings as of December 31, 2019, net of the amount subject to interest rate swap agreements, amounted to \$1,113.9 million compared to \$1,185.3 million as of December 31, 2018 and bear interest at LIBOR plus a margin.

#### *Interest Rate Swap Agreements*

Our swaps are intended to reduce the risk associated with fluctuations in interest rates payments whereby and as of December 31, 2019, the floating rate on a notional principal amount of \$500 million (December 31, 2018: \$500 million) was swapped to fixed rate.

As at December 31, 2019 and 2018, the carrying value of the derivatives which represents their fair value is as follows:

<i>(in thousands of \$)</i>	<b>2019</b>	2018
Interest rate swaps - asset positions	<b>1,569</b>	5,424
Interest rate swaps - liability positions	<b>9,259</b>	—

As at December 31, 2019 and 2018, the weighted average fixed interest rate for our portfolio of interest rate swaps was 1.98% and 2.01%, respectively.

During 2019, we recorded a net loss on interest rate swaps of \$10.9 million in the consolidated statement of operations, which resulted from realized gain (interest expense) of \$2.2 million offset by unrealized loss of \$13.1 million (change in the fair value). During 2018, we recorded a net gain on interest rate swaps of \$5.6 million in the consolidated statement of operations, which resulted from realized gain (interest expense) of \$1.1 million and unrealized gain of \$4.5 million (change in the fair value).

As at December 31, 2019, our estimated interest expense until the maturity of our floating-rate long term debt based on the applicable three-month USD LIBOR plus the relevant margin of applicable to each of our floating-rate credit facilities is tabled below. The table below also sets forth the sensitivity of our estimated interest expense to a 100 basis point increase in the applicable three-month USD LIBOR.

<i>(in thousands of \$)</i>	<b>Estimated interest expense</b>	<b>Estimated interest expense - increase of 100 basis points in floating rate</b>	<b>Sensitivity</b>
2020	43,118	54,312	11,194
2021	34,999	45,260	10,261
2022	31,111	40,421	9,310
2023	28,354	36,732	8,378
2024	25,925	33,465	7,540
Thereafter	23,417	30,075	6,658
	<b>186,924</b>	<b>240,265</b>	<b>53,341</b>

#### *Foreign Currency Risk*

The majority of our transactions, assets and liabilities are denominated in United States dollars, our functional currency. However, we incur expenditure in currencies other than the functional currency, mainly in Norwegian kroner, Euro and Singapore dollars. There is a risk that currency fluctuations in transactions incurred in currencies other than the functional currency will have a negative effect on the value of our cash flows. We may enter into foreign currency swaps to mitigate such risk exposures. The counterparties to such contracts are major banking and financial institutions. Credit risk exists to the extent that the counterparties are unable to perform under the contracts but this risk is considered remote as the counterparties are, in our opinion, well established banks.

#### *Foreign currency Swap Agreements*

As of December 31, 2019, we had contracts to swap USD to NOK for a notional amount of \$2.6 million in addition to contracts to swap USD to EUR for a notional of \$6.1 million. As of December 31, 2018, we had contracts to swap USD to NOK for a notional amount of \$5.1 million in addition to contracts to swap USD to EUR for a notional of \$23.9 million. As of December 31, 2019, the fair value of our swaps was a payable of \$1.1 million (2018: payable of \$0.5 million). In 2019, we recorded total net gain on our foreign currency swaps of \$0.2 million (2018: loss of \$0.6 million).

#### *Inflation*

Inflation has only a moderate effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase operating, voyage, general and administrative, and financing costs.

#### *Commodity Price Risk*

Fuel costs represent the largest component of our voyage expenses. An increase in the price of fuel may adversely affect our profitability if these increases cannot be passed onto customers. The price and supply of fuel is unpredictable and fluctuates as a result of events outside our control, including geo-political developments, supply and demand for oil and gas, actions by members of OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations.

#### *Bunker Swap Agreements*

From time to time we may enter into contracts of affreightment and time charter contracts with fixed bunker prices on redelivery. We are exposed to fluctuations in bunker prices, when the contracts of affreightment and time charter contracts are based on an assumed bunker price for the trade. There is no guarantee that a bunker swap agreement removes all the risk from the bunker exposure, due to possible differences in location and timing of the bunkering between the physical and financial position. The counterparties to such contracts are major banking and financial institutions, and fuel suppliers. Credit risk exists to the extent that the counter parties are unable to perform under the contracts but this risk is considered remote as the counter parties are, in our opinion, usually well established banks or other well known institutions in the market.

As of December 31, 2019, we had outstanding bunker swap agreements for about 4.2 thousand metric tonnes (December 31, 2018: 14.0 thousand metric tonnes). As of December 31, 2019, the fair value of our bunker swaps was a receivable of \$26 thousand and a payable of \$13 thousand (2018: receivable of \$0.4 million and a payable of \$0.8 million). In 2019, we recorded total net loss on our bunker swaps of \$0.3 million (2018: net gain of \$0.9 million).

#### *Spot Market Rate Risk*

The cyclical nature of the dry bulk shipping industry causes significant increases or decreases in the revenue that we earn from our vessels, particularly those vessels that operate in the spot market, participate in pools or RSAs that are concentrated in the spot market.

*Forward Freight Agreements*

From time to time we may take positions in freight derivatives, mainly through forward freight agreements, or FFAs. Generally freight derivatives may be used to hedge a vessel owner's exposure to the charter market for a specified route and period of time. By taking positions in FFA or other derivative instruments, we could suffer losses in the settling or termination of these agreements. This could adversely affect our results of operation and cash flow. FFA are settled on a daily basis through reputable clearing houses and also include a margin maintenance requirement based on marking the contract to market.

In 2019, we recorded a net gain on our portfolio of FFA of \$1.1 million (2018: net gain of \$5.3 million).

Please see Note 28 to our Consolidated Financial Statements included herein for additional information on our financial instruments.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15. CONTROLS AND PROCEDURES

#### a) Disclosure Controls and Procedures

Management assessed the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this annual report as of December 31, 2019. Based upon that evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective as of the evaluation date.

#### b) Management's annual report on internal control over financial reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) promulgated under the Securities Exchange Act of 1934.

Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted the evaluation of the effectiveness of the Company's internal controls over financial reporting using the control criteria framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report entitled Internal Control-Integrated Framework (2013).

Our management with the participation of our principal executive officer and principal financial officer assessed the effectiveness of the design and operation of our internal controls over financial reporting pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as of December 31, 2019. Based upon that evaluation, our management with the participation of our principal executive officer and principal financial officer concluded that our internal controls over financial reporting are effective as of December 31, 2019.

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers AS, an independent registered public accounting firm, as stated in their report which appears herein.

#### c) Attestation report of the registered public accounting firm

The independent registered public accounting firm that audited the consolidated financial statements, PricewaterhouseCoopers AS, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, appearing under Item 18, and such report is incorporated herein by reference.

**d) Changes in internal control over financial reporting**

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16. [Reserved]**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The Board has determined that Mr. O'Shaughnessy, who is an independent director, is our audit committee's financial expert.

**ITEM 16B. CODE OF ETHICS**

We have adopted a code of ethics that applies to all entities controlled by us and all of our employees, directors, officers and agents. We have posted a copy of our code of ethics on our website at [www.goldenocean.bm](http://www.goldenocean.bm). We will provide any person, free of charge, a copy of our code of ethics upon written request to our registered office.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Our principal accountant for 2019 and 2018 was PricewaterhouseCoopers AS. The following table sets forth for the two most recent fiscal years the fees paid or accrued for audit and services provided by PricewaterhouseCoopers AS.

<i>(in thousands of \$)</i>	<b>2019</b>	2018
Audit Fees (a)	<b>864</b>	1,000
Audit-Related Fees (b)	—	—
Tax Fees (c)	—	—
All Other Fees (d)	—	—
<b>Total</b>	<b>864</b>	1,000

**(a) Audit Fees**

Audit fees represent professional services rendered for the audit of our annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements.

**(b) Audit-Related Fees**

Audit-related fees consisted of assurance and related services rendered by the principal accountant related to the performance of the audit or review of our financial statements which have not been reported under Audit Fees above.

**(c) Tax Fees**

Tax fees represent fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.

**(d) All Other Fees**

All other fees include services other than audit fees, audit-related fees and tax fees set forth above.

Our Board has adopted pre-approval policies and procedures in compliance with paragraph (c)(7)(i) of Rule 2-01 of Regulation S-X that require the Board to approve the appointment of our independent auditor before such auditor is engaged and approve each of the audit and non-audit related services to be provided to us by such auditor under such engagement. All services provided by the principal auditor in 2019 and 2018 were approved by our Board pursuant to the pre-approval policy.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Programs</b>
January 2019 (1)	125,000	\$6.25	125,000	5,430,000
May 2019 (1)	175,000	\$4.86	175,000	5,255,000
June 2019 (1)	50,000	\$5.29	50,000	5,205,000
August 2019 (1)	25,000	\$5.50	25,000	5,180,000
September 2019 (1)	100,000	\$5.80	100,000	5,080,000
October 2019 (1)	380,000	\$5.63	380,000	4,700,000

(1) In December 2018, we announced a share buy-back program to purchase up to 6,000,000 of our common shares. The buy-back program ended on December 20, 2019. On December 20, 2019, we announced that our Board of Directors renewed the share buy-back program for one year, authorizing the purchase of up to 6,000,000 of our common shares. The renewed buy-back program ends on December 18, 2020. The maximum amount to be paid per share is \$9 or the equivalent in NOK if shares are purchased on the Oslo Stock Exchange. During the year of 2019, we acquired an aggregate of 855,000 shares in open market transactions. As of the date of this report, we have bought back an aggregate of 1,300,000 shares pursuant to the program and used 305,000 of these treasury shares to settle options in connection with our 2016 Share Option Plan.

See Note 25 to our audited Consolidated Financial Statements included herein for more information.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Pursuant to the NASDAQ listing standards available to foreign private issuers, we are not required to comply with all of the corporate governance practices followed by U.S. companies under the NASDAQ listing standards. The significant differences between our corporate governance practices and the NASDAQ standards applicable to listed U.S. companies are set forth below.

*Independence of Directors.* NASDAQ requires that a U.S. listed company maintain a majority of independent directors. We are exempt from certain NASDAQ requirements regarding independence of directors. Consistent with Bermuda law, our board of directors is not required to be composed of a majority of independent directors. Currently, two of the five members of our board of directors are independent in accordance with NASDAQ rules.

*Executive Sessions.* NASDAQ requires that independent directors meet regularly in executive sessions at which only independent directors are present. We intend to hold executive sessions at which only independent directors are present at least twice a year.

*Nomination of Directors.* NASDAQ requires that independent directors select or recommend nominees for directors. As permitted under Bermuda law and our bye-laws, we do not currently require that independent directors select or recommend nominees for directors. Our board of directors, consisting of both independent and non-independent directors, is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees.

*Audit Committee.* NASDAQ requires, among other things, that a listed U.S. company have an audit committee consisting solely of independent directors who also satisfy the requirements of SEC Rule 10A-3 and who can read and understand fundamental financial statements. NASDAQ also requires that the audit committee have at least three members. As permitted under Bermuda law and our bye-laws, our audit committee consists of two members who currently meet the independence requirements of SEC Rule 10A-3.

*Compensation Committee.* NASDAQ requires that a listed U.S. company have a compensation committee composed solely of independent directors and having at least two members. NASDAQ requires that the compensation committee must determine,

or recommend to the full board for determination, the compensation of the chief executive officer and all other executive officers. As permitted under Bermuda law and our bye-laws, we do not currently have a compensation committee and compensation of executive officers is not required to be determined by a committee composed of independent members.

*Related Party Transactions.* NASDAQ requires that a listed U.S. company conduct appropriate review and oversight of all related party transactions for potential conflict of interest situations on an ongoing basis by the company's audit committee or another independent body of the board of directors. As permitted under Bermuda law and our bye-laws, our directors are not prohibited from being a party to, or otherwise interested in, any transaction or arrangement with us or in which we are otherwise interested, provided that the director makes proper disclosure of same as required by our bye-laws and Bermuda law.

*Proxy Materials.* NASDAQ requires that a listed U.S. company solicit proxies and provide proxy statements for all shareholder meetings. Such company must also provide copies of its proxy solicitation to NASDAQ. As permitted under Bermuda law and our bye-laws, we do not currently solicit proxies or provide proxy materials to NASDAQ. Our bye-laws also require that we notify our shareholders of meetings no less than five (5) days before the meeting.

*Share Issuance.* In lieu of obtaining shareholder approval prior to the issuance of securities or the adoption of equity compensation plans or material amendments to such equity compensation plans, consistent with Bermuda law and our bye-laws, our board of directors approves share issuances and the adoption of and material amendments to equity compensation plans.

*Quorum.* NASDAQ rules provide that the minimum quorum requirement for a meeting of shareholders is 33 1/3% of the outstanding common shares. The Company follows applicable Bermuda laws with respect to quorum requirements. The Company's quorum requirement is set forth in its bye-laws, which provide that a quorum for the transaction of business at any meeting of shareholders is two or more shareholders either present in person or represented by proxy. If we only have one shareholder, then one shareholder present in person or proxy shall constitute the necessary quorum.

#### **ITEM 16H MINE SAFETY DISCLOSURES**

Not applicable.



### PART III

#### ITEM 17. FINANCIAL STATEMENTS

Not applicable.

#### ITEM 18. FINANCIAL STATEMENTS

The following financial statements listed below and set forth on pages F-1 through F-46 are filed as part of this annual report:

##### Consolidated Financial Statements of Golden Ocean Group Limited

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Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017	F-4
Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017	F-5
Consolidated Balance Sheets as of December 31, 2019 and 2018	F-6
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Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017	F-10
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## ITEM 19. EXHIBITS

<b>Number</b>	<b>Description of Exhibit</b>
<a href="#">1.1</a>	<a href="#">Memorandum of Association (1)</a>
<a href="#">1.2</a>	<a href="#">Certificate of Name Change (3)</a>
<a href="#">1.3</a>	<a href="#">Certificate of Change of Share Capital (3)</a>
<a href="#">1.4</a>	<a href="#">Amended and Restated Bye-Laws (3)</a>
<a href="#">2.1</a>	<a href="#">Form of Common Share Certificate (4)</a>
<a href="#">2.2</a>	<a href="#">Description of Securities</a>
<a href="#">4.1</a>	<a href="#">2010 Equity Incentive Plan (2)</a>
<a href="#">4.2</a>	<a href="#">Registration Rights Agreement by and between Knightsbridge, Frontline 2012 Ltd. and Hemen Holding Limited, dated April 23, 2014 (5)</a>
<a href="#">4.3</a>	<a href="#">2016 Share Option Scheme(6)</a>
<a href="#">8.1</a>	<a href="#">Significant Subsidiaries</a>
<a href="#">12.1</a>	<a href="#">Certification of the Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended</a>
<a href="#">12.2</a>	<a href="#">Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended</a>
<a href="#">13.1</a>	<a href="#">Principal Executive Officer Certifications pursuant to 18 U.S.C. Section 1350 as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">13.2</a>	<a href="#">Principal Financial Officer Certifications pursuant to 18 U.S.C. Section 1350 as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">15.1</a>	<a href="#">Consent of Independent Registered Public Accounting Consent of Independent Registered Public Accounting Firm</a>
<a href="#">15.2</a>	<a href="#">Consent of Seward &amp; Kissel LLP</a>
101	INS XBRL Instance Document
<a href="#">101</a>	<a href="#">SCH XBRL Taxonomy Extension Schema</a>
<a href="#">101</a>	<a href="#">CAL XBRL Taxonomy Extension Schema Calculation Linkbase</a>
<a href="#">101</a>	<a href="#">DEF XBRL Taxonomy Extension Schema Definition Linkbase</a>
<a href="#">101</a>	<a href="#">LAB XBRL Taxonomy Extension Schema Label Linkbase</a>
<a href="#">101</a>	<a href="#">PRE XBRL Taxonomy Extension Schema Presentation Linkbase</a>

- (1) *Incorporated by reference from our Registration Statement on Form F-3 (File No. 333-164007) filed with the Commission on December 24, 2009.*
- (2) *Incorporated by reference from Exhibit No. 2 of our Report on Form 6-K filed September 27, 2010.*
- (3) *Incorporated by reference from our Annual Report on Form 20-F filed with the Commission on April 29, 2015.*
- (4) *Incorporated by reference from Amendment No. 1 to our Registration Statement on Form 8-A filed with the Commission on August 1, 2016.*
- (5) *Incorporated by reference to Exhibit E of the Schedule 13D (File No. 005-50787) filed with the Commission on May 5, 2014.*
- (6) *Incorporated by reference from our Annual Report on Form 20-F filed with the Commission on April 5, 2017.*

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

GOLDEN OCEAN GROUP LIMITED

/s/ Per Terje Heiberg  
Per Terje Heiberg  
Principal Financial Officer  
Dated: March 12, 2020

## Consolidated Financial Statements of Golden Ocean Group Limited

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Golden Ocean Group Limited

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Golden Ocean Group Limited and its subsidiaries (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### ***Changes in Accounting Principles***

As discussed in Note 3 to the consolidated financial statements the Company changed the manner in which it accounts for leases in 2019, and the manner in which it accounts for marketable securities and the manner it accounts for revenue from contracts with customers in 2018.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under item 15(b) of Golden Ocean Group Limited's Annual Report on Form 20-F. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Assessment of impairment indicators for owned vessels and right of use assets*

As described in Notes 2, 10, 16 and 17 to the consolidated financial statements, the Company's Vessels and equipment, net, Finance leases, right of use assets, net and Operating leases, right of use assets, net, were USD 2,340,753 thousand, USD 193,987 thousand and USD 54,853 thousand as of December 31, 2019. Management assesses the carrying values of the vessels and right of use assets for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Indicators of impairment are identified based on a combination of factors which includes significant management's judgments and assumptions such as development of second hand vessel values based on external appraisals of the ships, development of forward freight rates, spot rates and operating cash flows.

The principal considerations for our determination that performing procedures relating to the assessment of impairment indicators for owned vessels and right of use assets is a critical audit matter are that there was significant judgment by management when assessing the impairment indicators, which in turn led to a high degree of auditor judgment, effort and subjectivity in performing procedures and evaluating audit evidence obtained relating to management's significant assumptions, such as development of second hand vessel values based on external appraisals of the ships, development of forward freight rates, spot rates and operating cash flows.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment indicator assessment for owned vessels and right of use assets including controls over development of second hand vessel values based on external appraisals of the ships, development of forward freight rates, spot rates and operating cash flows. These procedures also included, among others, testing management's process for assessing impairment indicators; testing the completeness, accuracy, and relevance of underlying data and evaluating the significant assumptions used by management. Evaluating management's assumptions related to development of second hand vessel values based on appraisals of the ships, development of forward freight rates, spot rates and operating cash flows involved (i) testing the assumptions used in the assessment to external data, (ii) evaluating management's assessment of the indicators and (iii) testing whether the assumptions were consistent with evidence obtained in other areas of the audit and third party industry information.

/s/ PricewaterhouseCoopers AS

Oslo, Norway  
March 12, 2020

We have served as the Company's auditor since 2010.

**Golden Ocean Group Limited**  
**Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017**  
*(in thousands of \$, except per share data)*

	2019	2018	2017
<b>Operating revenues</b>			
Time charter revenues	299,946	331,469	233,007
Voyage charter revenues	404,184	322,804	225,769
Other revenues	1,669	1,797	1,247
<b>Total operating revenues</b>	<b>705,799</b>	<b>656,070</b>	<b>460,023</b>
<b>Gain (loss) on sale of assets and amortization of deferred gains</b>	<b>—</b>	<b>260</b>	<b>(312)</b>
<b>Other operating income (expenses), net</b>	<b>(1,170)</b>	<b>2,991</b>	<b>3,881</b>
<b>Operating expenses</b>			
Voyage expenses and commission	185,088	162,037	118,929
Ship operating expenses	193,138	151,626	132,198
Charter hire expenses	117,779	92,712	70,673
Administrative expenses	14,123	14,705	12,558
Impairment loss on vessels	—	1,080	1,066
Depreciation	93,845	92,148	78,093
<b>Total operating expenses</b>	<b>603,973</b>	<b>514,308</b>	<b>413,517</b>
<b>Net operating income (loss)</b>	<b>100,656</b>	<b>145,013</b>	<b>50,075</b>
<b>Other income (expenses)</b>			
Interest income	4,434	7,576	2,207
Interest expense	(59,547)	(75,108)	(59,840)
Share of results of associated companies	505	512	4,620
Gain (loss) on derivatives	(9,960)	11,165	145
Gain (loss) on marketable equity securities	1,828	(4,043)	—
Other financial items	(490)	(348)	501
<b>Net other income (expenses)</b>	<b>(63,230)</b>	<b>(60,246)</b>	<b>(52,367)</b>
<b>Net income (loss) before income taxes</b>	<b>37,426</b>	<b>84,767</b>	<b>(2,292)</b>
Income tax expense	237	232	56
<b>Net income (loss)</b>	<b>37,189</b>	<b>84,535</b>	<b>(2,348)</b>
Per share information:			
Earnings (loss) per share: basic and diluted	\$ 0.26	\$ 0.59	\$ (0.02)

*The accompanying notes are an integral part of these consolidated financial statements.*

**Golden Ocean Group Limited**  
**Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018 and 2017**  
*(in thousands of \$, except per share data)*

	2019	2018	2017
<b>Comprehensive income, net</b>			
<b>Net income (loss)</b>	<b>37,189</b>	84,535	(2,348)
<i>Net changes related to marketable securities</i>			
Unrealized gain	—	—	3,036
<b>Other comprehensive income</b>	<b>—</b>	<b>—</b>	<b>3,036</b>
<b>Comprehensive income, net</b>	<b>37,189</b>	84,535	688

*The accompanying notes are an integral part of these consolidated financial statements.*



**Golden Ocean Group Limited**  
**Consolidated Balance Sheets as of December 31, 2019 and 2018**  
*(in thousands of \$)*

	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	88,931	305,352
Restricted cash	15,449	20,272
Marketable securities	13,861	12,033
Trade accounts receivable, net	45,635	27,650
Other current assets	31,498	26,667
Related party receivables	5,180	3,990
Derivative instruments receivables	3,876	9,449
Inventories	28,235	28,154
Prepaid expenses	6,335	6,127
Voyages in progress	21,929	2,808
Favorable charter party contracts	12,148	18,732
<b>Total current assets</b>	<b>273,077</b>	<b>461,234</b>
Restricted cash	58,864	46,981
Vessels and equipment, net	2,340,753	2,406,456
Finance leases, right of use assets, net	193,987	1,165
Operating leases, right of use assets, net	54,853	—
Favorable charter party contracts	4,073	16,221
Investments in associated companies	21,483	1,658
Related party receivables	10,700	—
Other long term assets	8,267	17,639
<b>Total assets</b>	<b>2,966,057</b>	<b>2,951,354</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	87,787	471,764
Current portion of finance lease obligations	17,502	5,649
Current portion of operating lease obligations	14,377	—
Derivative instruments payables	10,455	1,294
Related party payables	3,970	—
Trade accounts payables	12,402	7,752
Accrued expenses	44,739	26,643
Other current liabilities	42,135	28,398
<b>Total current liabilities</b>	<b>233,367</b>	<b>541,500</b>
<b>Long-term liabilities</b>		
Long-term debt	1,026,083	877,278
Non-current portion of finance lease obligations	151,206	1,786
Non-current portion of operating lease obligations	42,010	—
Other long term liabilities	—	7,278
<b>Total liabilities</b>	<b>1,452,666</b>	<b>1,427,842</b>
<b>Commitments and contingencies</b>		
<b>Equity</b>		

Share capital (Shares issued: 2019: 144,272,697. 2018: 144,272,697 Outstanding shares: 2019: 143,277,697 shares. 2018: 143,827,697 shares. All shares are issued and outstanding at par value \$0.05)	<b>7,215</b>	7,215
Treasury shares	<b>(5,669)</b>	(2,643)
Additional paid in capital	<b>715</b>	233
Contributed capital surplus	<b>1,739,834</b>	1,786,451
Accumulated deficit	<b>(228,704)</b>	(267,744)
<b>Total equity</b>	<b>1,513,391</b>	1,523,512
<b>Total liabilities and equity</b>	<b>2,966,057</b>	2,951,354

*The accompanying notes are an integral part of these consolidated financial statements.*

**Golden Ocean Group Limited**  
**Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017**  
*(in thousands of \$)*

	2019	2018	2017
<b>Net income (loss)</b>	<b>37,189</b>	<b>84,535</b>	<b>(2,348)</b>
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:			
Depreciation	93,845	92,148	78,093
Amortization of deferred charges	2,083	1,501	1,415
(Gain) loss on sale of assets and amortization of deferred gains	—	(260)	312
Impairment loss on vessels	—	1,080	1,066
Share option expenses	482	537	576
Share of results of associated companies	(505)	(512)	(4,620)
Dividends received from associated companies	150	1,096	256
Amortization of charter party-out contracts	18,732	18,733	19,333
Amortization of charter party-in contracts	—	(672)	(672)
Amortization of other fair value adjustments, net, arising on the Merger	813	10,019	10,360
Mark to market (gain) loss on derivatives	14,733	(6,700)	(1,851)
Mark to market (gain) loss on marketable securities	(1,828)	4,043	—
Provision for onerous contracts	(299)	299	29
Non-cash lease expense	(4,351)	(3,553)	(2,925)
Other	(1,332)	1,621	(951)
<i>Changes in operating assets and liabilities, net:</i>			
Trade accounts receivable	(18,241)	(4,760)	(8,608)
Related party balances	2,751	(4,730)	1,281
Other receivables	(4,827)	(2,553)	(14,034)
Inventories	(81)	(8,012)	(2,188)
Voyages in progress	(19,121)	6,254	(5,064)
Prepaid expenses	(208)	2,226	(2,063)
Trade accounts payables	4,649	2,352	2,519
Accrued expenses	18,096	2,289	6,543
Other current liabilities	15,701	(10,435)	17,336
<b>Net cash provided by operating activities</b>	<b>158,431</b>	<b>186,546</b>	<b>93,795</b>
<b>Investing activities</b>			
Dividends from associated companies	—	45	7,300
Dividends received from marketable equity securities	176	101	1,606
Payments received from seller credit receivable	—	1,875	—
Purchase of investment in associated companies	(19,470)	—	(1,000)
Loan advance to related parties	(10,700)	—	—
Additions to newbuildings	—	(147,855)	(152,130)
Purchase of vessels and equipment	(44,118)	(10,381)	(7,418)
Proceeds from sale of vessels	—	14,357	134,190
Proceeds from sale of marketable securities	1,062	663	—
<b>Net cash used in investing activities</b>	<b>(73,050)</b>	<b>(141,195)</b>	<b>(17,452)</b>
<b>Financing activities</b>			
Proceeds from long-term debt	389,894	270,000	75,000

Repayment of long-term debt	(621,235)	(241,789)	(163,770)
Repayment of finance leases	(5,650)	(5,239)	(4,858)
Debt fees paid	(6,727)	(1,200)	(308)
Net proceeds from share issuance	—	304	122,523
Share repurchases	(5,504)	(1,894)	—
Net proceeds from share distributions	1,097	—	—
Distributions to shareholders	(46,617)	(64,912)	—
<b>Net cash provided by (used in) financing activities</b>	<b>(294,742)</b>	<b>(44,730)</b>	<b>28,587</b>
<b>Net change in cash, cash equivalents and restricted cash</b>	<b>(209,361)</b>	<b>621</b>	<b>104,930</b>
<b>Cash, cash equivalents and restricted cash at beginning of year</b>	<b>372,605</b>	<b>371,984</b>	<b>267,054</b>
<b>Cash, cash equivalents and restricted cash at end of year</b>	<b>163,244</b>	<b>372,605</b>	<b>371,984</b>
<b>Supplemental disclosure of cash flow information:</b>			
Interest expenses paid	60,676	73,068	55,920
Income taxes paid	61	10	4

Details of non-cash investing and financing activities in the year ended December 31, 2019, 2018 and 2017 are given in Note 30.

*The accompanying notes are an integral part of these consolidated financial statements.*

**Golden Ocean Group Limited**  
**Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017**  
*(in thousands of \$, except number of shares)*

	2019	2018	2017
<b>Number of shares outstanding</b>			
Balance at beginning of year	143,827,697	142,197,697	105,965,192
Shares issued	—	2,075,000	36,232,505
Repurchases of shares	(855,000)	(445,000)	—
Distribution of treasury shares	305,000	—	—
Balance at end of year	143,277,697	143,827,697	142,197,697
<b>Share capital</b>			
Balance at beginning of year	7,215	7,111	5,299
Shares issued	—	104	1,812
Balance at end of year	7,215	7,215	7,111
<b>Treasury shares</b>			
Balance at beginning of year	(2,643)	—	—
Repurchases of shares	(4,756)	(2,643)	—
Distribution of treasury shares	1,730	—	—
Balance at end of year	(5,669)	(2,643)	—
<b>Additional paid in capital</b>			
Balance at beginning of year	233	454,694	201,864
Shares issued	—	17,540	252,254
Stock option expense	482	537	576
Reclassified to contributed surplus	—	(472,538)	—
Balance at end of year	715	233	454,694
<b>Contributed capital surplus</b>			
Balance at beginning of year	1,786,451	1,378,824	1,378,824
Distributions to shareholders	(46,617)	(64,912)	—
Reclassified from additional paid in capital	—	472,538	—
Balance at end of year	1,739,834	1,786,451	1,378,824
<b>Other comprehensive income</b>			
Balance at beginning of year	—	5,323	2,287
Other comprehensive income, net	—	—	3,036
Adjustment on adoption of changes in ASC 825	—	(5,323)	—
Balance at end of year	—	—	5,323
<b>Accumulated deficit</b>			
Balance at beginning of year	(267,744)	(351,903)	(349,555)
Adjustment on adoption of ASC 606	—	(5,698)	—
Adjustment on adoption of changes in ASC 825	—	5,323	—
Adjustment on adoption of ASC 842	2,485	—	—
Loss on distributed treasury shares	(634)	—	—
Net (loss) income	37,189	84,535	(2,348)
Balance at end of year	(228,704)	(267,744)	(351,903)
<b>Total equity</b>	<b>1,513,391</b>	<b>1,523,512</b>	<b>1,494,049</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**Golden Ocean Group Limited**  
**Notes to Consolidated Financial Statements**

**1. ORGANIZATION AND BUSINESS**

***Historical Structure of the Company***

We were incorporated as Knightsbridge Tankers Limited in Bermuda as an exempted company under the Bermuda Companies Act of 1981 on September 18, 1996. We were originally established for the purpose of owning and operating five very large crude oil carriers, or VLCCs. However, we expanded our business to the dry bulk segment from 2009 and onwards by acquiring second hand vessels and by entering into newbuilding contracts. Between 2007 and 2013, we sold our five VLCCs and subsequently discontinued our crude oil tanker operations. In 2014, we made significant expansion in the dry bulk segment by acquiring 29 special purpose companies, or SPCs, from Frontline 2012 Ltd, or Frontline 2012, each owning a dry bulk newbuilding, all of which were delivered to us between 2014 and 2018.

On October 7, 2014, we entered into an agreement and plan of merger, or the Merger Agreement, with Golden Ocean Group Limited, or the Former Golden Ocean, a dry bulk shipping company based in Bermuda and listed on the Oslo Stock Exchange, or the OSE, pursuant to which the two companies agreed to merge, with us as the surviving company, or the Merger. The Merger was completed on March 31, 2015. As of March 31, 2015, and following completion of the Merger, we owned 47 vessels and had 25 vessels under construction.

Prior to entering into the Merger Agreement, we changed our name to Knightsbridge Shipping Limited and we subsequently changed our name to Golden Ocean Group Limited following completion of the Merger.

Our common shares commenced trading on the NASDAQ Global Select Market in February 1997 and currently trade under the symbol "GOGL". We obtained a secondary listing on the OSE in April 2015.

In 2017, we acquired 16 dry bulk vessels in transactions where we issued in aggregate 17.8 million consideration shares and assumed bank debt and seller credit loans of \$285.2 million. Of the 16 acquired vessels, 14 were acquired from subsidiaries of Quintana Shipping Ltd., or Quintana, and two Panamax vessels were acquired from affiliates of Hemen Holding Limited, or Hemen. Also in 2017, we entered into agreements to acquire two Capesize vessels from Hemen at an aggregated purchase price of \$86.0 million. As settlement of the purchase price for the vessels, we issued in aggregate 4.0 million consideration shares, paid \$9.0 million in cash and assumed seller's credit loans of \$43.0 million with an affiliate of Hemen.

***Business***

We own and operate dry bulk carriers of primarily four sizes: Newcastlemax vessels, which are between 200,000 and 210,000 dwt, Capesize vessels, which are between 105,000 and 200,000 dwt, Panamax vessels, which are vessels between 65,000 and 105,000 dwt, and Ultramax vessels, which are between 55,000 and 65,000 dwt. We operate through subsidiaries located in Bermuda, Liberia, Norway and Singapore. We are also involved in the charter, purchase and sale of vessels.

As of December 31, 2019, we owned 67 dry bulk vessels. In addition, we had 12 vessels chartered-in (of which seven and one are chartered in on finance leases and operating leases, respectively, from SFL Corporation Ltd., or SFL, three chartered in on operating leases from unrelated third parties and one chartered in on a finance lease from an unrelated third party). Our owned vessels are owned and operated by one of our subsidiaries and are flagged either in the Marshall Islands, Hong Kong, Bahamas or Panama.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the assets and liabilities of us and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

**Use of estimates**

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: judgements involved in identifying performance obligations in revenue contracts, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation, impairment of assets, the amount of uncollectible accounts and accounts receivable, the amount to be paid for certain liabilities, including contingent liabilities, the amount of costs to be capitalized in connection with the

construction of newbuildings and the determination of useful life of our vessels. Actual results could differ from those estimates.

### **Fair values**

We have determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that we could realize in a current market exchange. Estimating the fair value of assets acquired and liabilities assumed in a business combination requires the use of estimates and significant judgments, among others, the following: the market assumptions used when valuing acquired time charter contracts, the expected revenues earned by vessels held under finance lease and the operating costs (including dry docking costs) of those vessels and the discount rate used in cash flow based valuations. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

### **Reporting and functional currency**

Our functional currency is the United States dollar as all revenues are received in United States dollars and a majority of our expenditures are made in United States dollars. We and our subsidiaries report in United States dollars.

### **Foreign currency**

Transactions in foreign currencies during the year are translated into United States dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

### **Revenue and expense recognition**

#### *Revenue Recognition*

Our shipping revenues are primarily generated from time charters and voyage charters. In a time charter, the vessel is hired by the charterer for a specified period of time in exchange for consideration which is based on a daily hire rate. Generally, the charterer has the discretion over the ports visited, shipping routes and vessel speed. The contract/charter party generally provides typical warranties regarding the speed and performance of the vessel. The charter party generally has some owner protective restrictions such as that the vessel is sent only to safe ports by the charterer and carries only lawful or non hazardous cargo. In a time charter contract, where we charter the ship out to a charterer, we are responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges, canal tolls during the hire period. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to us. The charterer generally pays the charter hire in advance of the upcoming contract period. The time charter contracts are considered operating leases because (i) the vessel is an identifiable asset (ii) we do not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use. Time charter contracts are accounted for under ASC 842 leases and revenues are recorded over the term of the charter. When a time charter contract is linked to an index, we recognize revenue for the applicable period based on the actual index for that period.

In a voyage charter contract, the charterer hires the vessel to transport a specific agreed-upon cargo for a single voyage. The consideration for such a contract is determined on the basis of a freight rate per metric ton of cargo carried or occasionally on a lump sum basis. The charterer is responsible for any short loading of cargo or "dead" freight. The voyage charter party generally has standard payment terms of 90 or 95% freight paid within three to five days after completion of loading. The voyage charter party generally has a "demurrage" or "despatch" clause. As per this clause, the charterer reimburses us for any potential delays exceeding the allowed laytime as per the charter party clause at the ports visited, which is recorded as demurrage revenue. Conversely, the charterer may be given credit if the loading/discharging activities happen within a shorter period than the allowed laytime, which is despatch and results in a reduction in revenue. Estimates and judgments are required in ascertaining the most likely outcome of a particular voyage and actual outcomes may differ from estimates. In a voyage charter contract, the performance obligations begin to be satisfied once the vessel begins loading the cargo.

We have determined that our voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified period. Therefore, the performance obligation is met evenly as the voyage progresses, and the revenue is recognized on a straight line basis over the voyage days from the commencement of loading to completion of discharge.

The voyage charters generally have variable consideration in the form of demurrage or despatch, which is recognized as we satisfy the performance obligations under the contract. We estimate demurrage or despatch at contract inception using either the expected value or most likely amount approaches. Such estimate is reviewed and updated over the term of the voyage charter contract.

In a voyage contract, we bear all voyage related costs such as fuel costs, port charges and canal tolls. To recognize costs incurred to fulfill a contract as an asset, the following criteria shall be met: (i) the costs relate directly to the contract, (ii) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future and (iii) the costs are expected to be recovered. The costs incurred during the period prior to commencement of loading the cargo, primarily bunkers, are deferred as they represent setup costs and recorded as a current asset and are subsequently amortized on a straight-line basis as we satisfy the performance obligations under the contract. Costs incurred to obtain a contract, such as commissions, are also deferred and expensed over the same period. Costs related to the voyage which are incurred during the period between loading and discharging the cargo, are expensed as incurred.

Several of our Capesize vessels operate under a pool arrangement for Capesize vessels with Capesize Chartering Ltd, or CCL. Revenues and expenses for our own vessels generated through this pool arrangement are presented gross. We consider ourselves the principal under the charterparties with the customers for the vessels that operate under this pool arrangement, primarily because we consider ourselves to have control over the service to be transferred for the customer under the charterparties. CCL, as pool manager, calculates the total pool revenues, pool expenses and pool results based on each participant's reported results. Based on the aggregated pool results as defined under the pool agreement and a pre-determined pool key, reflecting a vessel's earning capacity, CCL calculates and allocates a pool result for each vessel. The difference between the calculated pool result for our own vessels and the actual result from the charter party with the third party customer is a settlement amount with CCL. This settlement amount allocated under the pool arrangement, is presented as other operating income (expenses), net, in our consolidated statements of operations.

Our Ultramax vessels operate under a revenue sharing agreement, or RSA, for Supramax vessels managed by C Transport Holding Ltd, or CTM. Under this RSA, CTM performs both commercial and operational functions related to the contracts with the third party customers. CTM as manager, records all revenues and voyage expenses for all vessels under the arrangement which include vessels owned by third parties. The revenues and voyage expenses are pooled together, allocated and the net result is distributed to each participant under the arrangement in accordance with an agreed-upon formula. Under this RSA, CTM also operates and therefore controls the use of our owned vessels included under the arrangement. As a result, the RSA for our vessels with CTM is considered to meet the definition of a lease. We account for the transactions with CTM as variable rate operating leases and recognize revenues for the applicable period based on the net amount to be distributed by CTM.

Other revenues primarily comprise revenues earned from the commercial management of related party vessels. Other revenues are recognized on an accruals basis as the services are provided and performance obligations are met.

On January 1, 2018, we adopted the provisions of ASC 606 Revenue from Contracts with Customers using the modified retrospective approach. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2018. Prior to the adoption of ASC 606 Revenue from Contracts with Customers, voyage revenues were recognized ratably over the estimated length of each voyage and, therefore, were allocated between reporting periods based on the relative transit time in each period. Voyage expenses were recognized as incurred. We used a discharge-to-discharge basis in determining percentage of completion for all voyage charters whereby we recognize revenue ratably from when product is discharged (unloaded) at the end of one voyage to when it is discharged after the next voyage. However, we did not recognize revenue if a charter was not contractually committed to by a customer and us, even if the vessel discharged its cargo and was sailing to the anticipated load port on its next voyage.

#### **Charter hire expense**

Charter hire expense is charged to the consolidated statement of operations on a straight-line basis over the lease term.

#### **Contingent rental expense (income)**

Any contingent elements of rental expense (income), such as profit share or interest rate adjustments included in our leases, are recognized when the contingent conditions have materialized.

#### **Gain (loss) on sale of assets and amortization of deferred gains**

Gain (loss) on sale of assets and amortization of deferred gains include losses from the sale of vessels and in 2018 and 2017, respectively, the amortization of deferred gains. Gains (losses) from the sale of assets are recognized when the vessel has been delivered and all risks have been transferred and are determined by comparing the proceeds received with the carrying value of the vessel. A deferred gain arose under ASC 840 when we entered into a sale-leaseback transaction regarding a vessel and we



did not relinquish the right to substantially all of the remaining use of the vessel. This deferred gain was amortized in proportion to the gross rental payments over the minimum term of the lease. With reference to Note 3 Recently issued accounting standards and as a result of the adoption of ASC 842, the remaining balance of deferred gain related to the sale and leaseback transaction of eight vessels with SFL in 2015 was recognized as an opening balance adjustment to accumulated deficit.

### **Drydocking**

Normal vessel repair and maintenance costs are expensed when incurred. We recognize the cost of a drydocking at the time the drydocking takes place, applying the "expense as incurred" method.

### **Impairment of vessels and right of use assets**

The carrying values of our vessels and right of use assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. Indicators of impairment are identified based on a combination of factors which include amongst other, development of second hand vessel values based on external appraisals of our ships, development of forward freight rates, spot rates and operating cash flow. If impairment indicators exist, we assess the recoverability of the carrying value of each asset on an individual basis by estimating the future undiscounted cash flows expected to result from the asset and eventual disposal. If the future net undiscounted cash flows are less than the carrying value of the asset an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount and fair value less estimated costs to sell.

Fair value is estimated based on values achieved for the sale/purchase of similar vessels and external appraisals. In addition, vessels to be disposed of by sale are reported at the lower of their carrying amount or fair value less estimated costs to sell.

### **Interest expense**

Interest costs are expensed as incurred except for interest costs that are capitalized. For any newbuildings that are constructed, we capitalize interest expenses are capitalized during construction of newbuildings based on accumulated expenditures for the applicable project at our current rate of borrowing. The capitalization of interest expenses ceases when the newbuilding is considered substantially completed. The amount of interest expense capitalized in an accounting period shall be determined by applying an interest rate (the "capitalization rate") to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period are based on the rates applicable to borrowings outstanding during the period. We do not capitalize amounts beyond the actual interest expense incurred in the period. As of December 31, 2019 and 2018, we did not have any newbuildings under construction.

### **Earnings per share**

Basic earnings per share is computed based on the income available to common stockholders and the weighted average number of shares outstanding. Treasury shares are weighted for the portion of the period they are outstanding. Diluted earnings per share includes the effect of the assumed conversion of potentially dilutive instruments.

### **Cash and cash equivalents**

All demand and time deposits and highly liquid, low risk investments with original maturities of three months or less at the date of purchase are considered equivalent to cash.

### **Restricted cash**

Restricted cash comprises collateral deposits for derivative trading, and the minimum balance that must be maintained at all times in accordance with our loan agreements with various banks.

### **Marketable securities**

Our marketable securities are investments in equity securities with readily determinable fair values. These investments are measured at fair value and any resulting unrealized gains and losses are recorded in the consolidated statement of operations. Prior to the adoption of ASU 2016-01 Financial instruments on January 1, 2018, our marketable securities were considered to be available-for-sale securities and as such are carried at fair value. Any resulting unrealized gains and losses were recorded as a separate component of other comprehensive income in equity unless the securities were considered to be other than temporarily impaired, in which case unrealized losses were recorded in the consolidated statement of operations as impairment loss on marketable securities. The cost of available for sale securities was calculated on an average cost basis.

### **Derivatives**

Our derivative instruments include interest-rate swaps, foreign currency swaps, forward freight agreements and bunker derivatives. These derivatives are considered to be economic hedges. However, none of these derivative instruments have been designated as hedges for accounting purposes. These transactions involve the conversion of floating rates into fixed rates over

the life of the transactions without changes in the fair values are recognized as assets or liabilities. Changes in the fair value of these derivatives are recorded in Gain (loss) on derivatives in our consolidated statement of operations. Cash outflows and inflows resulting from economic derivative contracts are presented as cash flows from operations in the consolidated statement of cash flows.

### **Financial instruments**

In determining the fair value of our financial instruments, we use a variety of methods and assumptions that are based on market conditions and risks, including determining the impact of nonperformance risks, existing at each balance sheet date. For the majority of financial instruments, including most derivatives and long-term debt, standard market conventions and techniques such as options pricing models are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

### **Receivables**

Trade receivables, other receivables and long term receivables are presented net of allowances for doubtful balances. If trade accounts receivable become uncollectible, they are charged as an operating expense. Losses from uncollectible receivables are accrued when collection of the invoiced revenues is not assured. We make a judgment with regards to whether or not this should be recognized as income and if collection is not reasonably assured, no revenue will be recognized until cash has been received. These conditions are considered in relation to individual receivables or in relation to groups of similar types of receivables.

Interest income on interest bearing receivables is recognized on an accrual basis using prevailing contractual interest rates.

### **Inventories**

Inventories, which are comprised principally of fuel and lubricating oils, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### **Vessels, newbuildings and depreciation**

Vessels are stated at cost less accumulated depreciation. Newbuildings represent the accumulated costs to the balance sheet date which we have paid by way of purchase installments and other capital expenditures together with capitalized interest and associated finance costs. Depreciation is calculated based on cost less estimated residual value, using the straight-line method, over the useful life of each vessel. For vessels under construction ("Newbuildings") no charge for depreciation is made until the vessel is available for use. The useful life of each vessel is deemed to be 25 years. The residual value is calculated by multiplying the lightweight tonnage of the vessel by the market price of scrap per tonne. The market price of scrap per tonne is calculated as the 10 year historical average up to the date we take ownership of the vessel, across the three main recycling markets (Far East, Indian sub-continent and Bangladesh). Residual values are reviewed annually.

### **Finance leases**

We charter in certain vessels and equipment under leasing agreements. Leases of vessels and equipment where we have substantially all the risks and rewards of ownership are classified as finance leases and we recognize on the balance sheet the right to use those assets and a corresponding liability. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We make significant judgements and assumptions to estimate our incremental borrowing rate that a lessee would have to pay to borrow on a 100% collateralized basis over a term similar to the lease term and in an amount equal to the lease payments in a similar economic environment. We perform the following steps in estimating our incremental borrowing rate: (i) gather observable debt yields of our recently issued debt facilities; and (ii) make adjustments to the yields of the actual debt facilities to reflect changes in collateral level, terms, the risk-free interest rate, and credit ratings. Each lease payment is allocated between liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is expensed to the Consolidated Statement of Operations over the lease period.

Depreciation of vessels and equipment under finance lease is included within "Depreciation" in the Consolidated Statement of Operations. Vessels and equipment under finance lease are depreciated on a straight-line basis over the vessels' remaining economic useful life or on a straight-line basis over the expected term of the lease if shorter.

### **Operating leases**

Our operating leases relate to vessels, offices and equipment under leasing agreements that do not meet the criteria to be classified as finance leases. We recognize on the balance sheet the right to use those assets and a corresponding liability in respect of all material lease contracts with a duration, or lease term, of 12-months or above. Similar to our finance leases, the discount rate used for calculating the cost of the operating leases is the incremental cost of borrowing. The amortization of right of use assets relating to operating leased vessels is presented under charter hire expenses in the statement of operations. For our

time charter-in contracts, a non-lease component, or service element has been determined which is reported under ship operating expenses. We make significant judgements and assumptions to separate the lease component from the non-lease component of our time chartered-in vessels. For purposes of determining the standalone selling price of the vessel lease and technical management service components of our time charters, we have concluded that the residual approach would be the most appropriate method to use given that vessel lease rates are highly variable depending on shipping market conditions, the duration of such charters, and the age of the vessel. We believe that the standalone transaction price attributable to the technical management service component is more readily determinable than the price of the lease component and, accordingly, the price of the service component is estimated and the residual transaction price is attributed to the vessel lease component.

The amortization of right of use assets relating to office leases is reported under administrative expenses in the statement of operations. In relation to our operating leases, prior periods were not restated to reflect recording of the right of use asset/liability related to these leases. Refer also to Note 3 Recently issued accounting standards and the adoption of ASC 842 Leases on January 1, 2019.

#### **Value of long term charter contracts**

We account for the fair value of acquired long term charter contracts, as either a separate asset or liability. The fair value is calculated as the net present value of the difference in cash flows arising over the period of the contract when the expected cash flows from the contract are compared to expected cash flows from comparable contracts at the acquisition date. An asset is recorded for contracts, which are favorable to us and a liability has been recorded for contracts, which are unfavorable to us.

The amortization of time charter out contracts is recorded and presented under time charter revenues and the amortization of time charter-in contracts is amortized and presented under charter hire expenses in the consolidated statement of operations. Upon adoption of ASC 842 Leased on January 1, 2019, the unfavorable value of the Golden Hawk operating lease acquired as part of the merger or business combination in 2015 was adjusted to the corresponding right of use asset. Refer also to Note 3 Recently issued accounting standards and the adoption of ASC 842 Leases on January 1, 2019.

#### **Equity method investments**

Investments in companies over which we have the ability to exercise significant influence but do not control are accounted for using the equity method. We record our investments in equity-method investees in the consolidated balance sheets as "Investment in associated companies" and our share of the investees' earnings or losses in the consolidated statements of operations as "Share of results of associated companies". The excess, if any, of purchase price over book value of our investments in equity method investees is included in the accompanying consolidated balance sheets in "Investment in associated companies".

The carrying values of equity method investments are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may no longer be recoverable. Such indicators may include depressed spot rates and depressed second hand vessel values. We assess recoverability of the carrying value of each individual equity method investments by estimating the fair value of the net assets of the company. An impairment loss is recorded equal to the difference between the investments carrying value and fair value. Fair value of investment is estimated based on values achieved for the sale/purchase of similar vessels and appraised valuations of the investments underlying assets.

#### **Deferred charges**

Loan costs, including debt arrangement fees, are capitalized and amortized on a straight-line basis over the term of the relevant loan. The straight line basis of amortization approximates the effective interest method. If a loan is repaid early, any unamortized portion of the related deferred charges is charged against income in the period in which the loan is repaid. Amortization of deferred charges is included in interest expense. Debt issuance costs are presented in the balance sheet as a direct deduction from the carrying amount of the related debt.

#### **Distributions to shareholders**

Distributions to shareholders are applied first to retained earnings. When retained earnings are not sufficient, distributions are applied to the contributed capital surplus account.

#### **Stock-based compensation**

Stock based compensation represents the cost of vested and non-vested shares and share options granted to employees and to directors, for their services, and is included in "General and administrative expenses" in the consolidated statements of operations. The fair value of share options grants is determined with reference to option pricing models, and depends on the terms of the granted options. The fair value is recognized as compensation expense over the requisite service period for all

awards that vest based on the 'straight-line method' which treats such awards as a single award and results in recognition of the cost ratably over the entire vesting period.

### **Comprehensive income**

The statement of comprehensive income presents the change in equity (net assets) during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by shareholders and distributions to shareholders. Reclassification adjustments are presented out of other comprehensive income on the face of the statement in which the components of other comprehensive income are presented or in the notes to the financial statements. The Company follows the provisions of ASC 220 "Comprehensive Income", and presents items of net income (loss), items of other comprehensive income ("OCI") and total comprehensive income in two separate and consecutive statements.

## **3. RECENTLY ISSUED ACCOUNTING STANDARDS**

### **Accounting Standards Updates, not yet adopted**

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The standard adds an impairment model known as the current expected credit loss ("CECL") model that is based on expected losses rather than incurred losses. Under the new guidance, an entity is required to recognize as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. Unlike the incurred loss models under existing standards, the CECL model does not specify a threshold for the recognition of an impairment allowance. Rather, an entity will recognize its estimate of expected credit losses for financial assets as of the end of the reporting period. Credit impairment will be recognized as an allowance or contra-asset rather than as a direct write-down of the amortized cost basis of a financial asset. However, the carrying amount of a financial asset that is deemed uncollectible will be written off in a manner consistent with existing standards. In addition, for financial guarantees in the scope of ASC 326, entities must measure the expected credit losses arising from the contingent aspect under the CECL model in addition to recognizing the liability for the noncontingent aspect of the guarantee under ASC 460, *Guarantees*. A standalone liability representing the amount that it expects to pay on the guarantee related to expected credit losses is required for the contingent aspect. Financial assets measured at fair value through net income are scoped out of CECL. The ASU requires a cumulative-effect adjustment to the retained earnings as of the beginning of the first reporting period in which the guidance is effective. Periods prior to the adoption date that are presented for comparative purposes are not to be adjusted. In November 2018, the FASB issued ASU 2018-19, *Financial Instruments – Credit losses* (ASC 326), which clarifies that operating lease receivables are not within the scope of ASC 326 and should instead be accounted for under the new leasing standard, ASC 842. The standard is effective for us, and we will adopt the standard from January 1, 2020. Based on our current portfolio of financial assets, we expect to recognize an immaterial cumulative-effect increase to the accumulated deficit as of January 1, 2020.

In August 2018, the FASB issued ASU No. 2018-13, Fair value measurement (Topic 820), which is intended to streamline the disclosure requirements on fair value measurements. Disclosures such as the amounts of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and the valuation process for Level 3 fair value measurements were removed. Additional disclosures such as disclosure about changes in unrealized gains and losses included in the other comprehensive income for Level 3 fair value measurements, the range and weighted average of significant unobservable inputs used for Level 3 fair value measurements are required to be reported by the public entities. The accounting update is effective January 1, 2020 and the adoption of the accounting standard is not expected to have any material impact on our consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808), to provide clarity on when transactions between entities in a collaborative arrangement should be accounted for under the new revenue standard, ASC 606. In determining whether transactions in collaborative arrangements should be accounted under the revenue standard, the update specifies that entities shall apply unit of account guidance to identify distinct goods or services and whether such goods and services are separately identifiable from other promises in the contract. The accounting update also precludes entities from presenting transactions with a collaborative partner which are not in scope of the new revenue standard together with revenue from contracts with customers. The accounting update is effective January 1, 2020 and the adoption of the accounting standard is not expected to have any material impact on our consolidated financial statements.

### **Accounting Standards Updates, recently adopted**

On January 1, 2019, we adopted ASC 842 Leases which revises the accounting for leases. Under the new lease standard, lessees are required to recognize a right-of-use asset and a lease liability for substantially all leases. The new lease standard requires

lessees and lessors to classify most leases as either financing or operating using principles similar to previous lease accounting. The income statement recognition is similar to previous lease accounting and is based on lease classification. The accounting applied by a lessor under the new guidance is substantially equivalent to previous lease accounting guidance.

We adopted the new accounting standard using the modified retrospective transition approach, which allowed us to recognize a cumulative effect adjustment to the opening balance of accumulated deficit in the period of adoption rather than restate our comparative prior year periods. As a lessee, we currently have three major categories of leases - chartered-in vessels, vessels under finance lease and office leases. The adoption of the new accounting standard resulted in the recognition of operating lease right-of-use assets of \$205.3 million and related lease liabilities for operating leases of \$198.5 million in Total Assets and Total Liabilities, respectively. Upon adoption of ASC 842, the right-of-use asset for operating leases was based on the lease liability. In addition an adjustment was made to reclassify \$10.9 million, net, related to deferred rent and prepaid rent. The right-of-use asset for the Golden Hawk lease was also adjusted with \$4.1 million relating to an unfavorable value of this contract that was previously recognized as part of a business combination. A deferred gain of \$2.5 million from a sale and leaseback transaction in 2015 was recognized as a cumulative-effect adjustment to Total Equity on our Consolidated Balance Sheet on January 1, 2019.

In connection with the adoption of ASC 842, we elected the package of practical expedients for all our leases that permits us not to (i) reassess whether any expired or existing contracts are or contain leases; (ii) reassess the lease classification for any expired or existing leases and (iii) reassess initial direct costs for any existing leases. Additionally, we elected not to use the practical expedient of hindsight in determining the lease term and the practical expedient pertaining to land easements as it is not applicable to us.

Prior to January 1, 2019, we recognized lease expense in accordance with then-existing U.S. GAAP ("prior GAAP"). Because both ASC 842 and prior GAAP generally recognize operating lease expenses on a straight-line basis over the term of the lease arrangement, there were no material differences between the timing and amount of lease expenses recognized under the two accounting methodologies during 2019, 2018 and 2017. However, as we have not applied the practical expedient allowed under the transition guidance of ASC 842 to not separate the lease and non-lease components related to a lease contract and to account for them instead as a single lease component for the purposes of the recognition and measurement requirements of ASC 842, we have a change in presentation in 2019 compared to 2018 and 2017. For vessels chartered in on time charter, we have presented \$20.1 million of the non-lease component, or service element, under ship operating expenses as opposed to charter hire expenses in 2019.

We have also elected as an accounting policy not to apply the provisions of ASC 842 to short term leases (i.e., leases with an original term of 12-months or less). As a result, we recognize the lease payments in the income statement on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The accounting policy election for short-term leases is made by class of underlying asset to which the right of use relates.

The adoption of the new accounting standard has not had any material impact for the accounting of our one and only finance lease arrangement which we had as of January 1, 2019.

In determining the appropriate discount rate to use in calculating the present value of our contractual lease payments, we make significant judgments and assumptions to estimate the incremental borrowing rate as the rate implicit in our leases cannot be readily determined. The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow on a 100% collateralized basis over a term similar to the lease term and amount equal to the lease payments in a similar economic environment.

For arrangements where we are the lessor, the adoption of the new lease standard did not have a material impact on our financial statements as all of our leases are operating leases. For our contracts where we are the lessor, we have elected the practical expedient to not separate non-lease components from the associated lease component and, instead, to account for these components as a single component if both of the following are met: (1) the timing and pattern of transfer of the non-lease component(s) and associated lease component are the same and (2) the lease component, if accounted for separately, would be classified as an operating lease. Revenues from contracts where the non-lease component is the predominant component are accounted for under ASC 606. When a lessor, lease revenue for fixed lease payments is recognized over the lease term on a straight-line basis and lease revenue for variable lease payments is recognized in the period in which the changes in facts and circumstances on which the variable lease payments are based occur. Initial direct costs are expensed over the lease term on the same basis as lease revenue. See also "Note 7, Operating Revenues" and "Note 10, Operating Leases" for additional disclosures on our operating lease arrangements.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, and Derivatives and Hedging, which changes the classification of certain equity-linked financial instruments with down round features. As a result, a free standing equity-linked financial instrument or an embedded conversion option would not be accounted for as a derivative liability at fair value as a result of existence of a down round feature. For freestanding equity classified financial instruments, the amendment requires the entities to recognize the effect of the down round feature when triggered in its earnings per share calculations. The Standard was effective for fiscal years beginning after December 15, 2018. The adoption of this accounting standard has not had any material impact on our consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging, which is intended to align the results of the cash flow and fair value hedge accounting with the risk management activities of an entity. The amendments expand the hedge accounting for both financial and non-financial risk components and they reduce the operational burden of applying hedge accounting. The amendment enables the financial statements to reflect accurately the intent and outcome of its hedging strategies. The standard requires a modified retrospective transition method in which we will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the consolidated balance sheet as of the date of adoption. The Standard was effective for fiscal years beginning after December 15, 2018. The adoption of this accounting standard has not had any material impact on our consolidated financial statements as we do not apply hedge accounting of our derivatives.

#### **4. INCOME TAXES**

##### **Bermuda**

We are incorporated in Bermuda. Under current Bermuda law, we are not required to pay taxes in Bermuda on either income or capital gains. We have received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, we will be exempted from taxation until March 31, 2035.

##### **United States**

We do not accrue U.S. income taxes as we are not engaged in a U.S. trade or business and are exempted from a gross basis tax under Section 883 of the U.S. Internal Revenue Code. A reconciliation between the income tax expense resulting from applying the U.S. Federal statutory income tax rate and the reported income tax expense has not been presented herein as it would not provide additional useful information to users of the financial statements as our net income is subject to neither Bermuda nor U.S. tax.

##### **Singapore**

We are eligible and participate under the Maritime Sector Incentive-Approved International Shipping Enterprise (MSI- AIS) award in Singapore. All qualified shipping income derived from the shipping activity in our Singapore subsidiary is exempt from taxation for the duration of our MSI-AIS approval. The MSI-AIS approval was in June 2015 for a period of ten years.

##### **Other Jurisdictions**

Our subsidiary in Norway is subject to income tax. The tax paid by our subsidiary in Norway is not material.

We do not have any unrecognized tax benefits, material accrued interest or penalties relating to income taxes. Based upon review of applicable laws and regulations, and after consultation with counsel, we do not believe we are subject to material income taxes in any jurisdiction.

#### **5. SEGMENT INFORMATION**

Our chief operating decision maker, or the CODM, measures performance based on our overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and we only have one reportable segment.

Our vessels operate worldwide and therefore management does not evaluate performance by geographical region as this information is not meaningful.

For the year ended December 31, 2019, no customer accounted for 10 percent or more of our consolidated revenues. For the years ended December 31, 2018 and 2017, one customer accounted for 10 percent or more of our consolidated revenues in the amounts of \$65.8 million and \$59.7 million, respectively.

#### **6. EARNINGS PER SHARE**

The components of the numerator and the denominator in the calculation of basic and diluted earnings per share are as follows:

<i>(in thousands of \$)</i>	2019	2018	2017
Net income (loss)	37,189	84,535	(2,348)

<i>(in thousands)</i>	2019	2018	2017
Weighted average number of shares outstanding - basic	143,505	144,132	125,019
Dilutive impact of stock options	94	302	—
Weighted average number of shares outstanding - diluted	143,599	144,434	125,019

The exercise of share options using the treasury stock method was dilutive in 2019 and 2018, however they were anti-dilutive in 2017. As a result, in 2017, 324,338 shares were excluded from the denominator for calculation purposes.

Our convertible bond, which was repaid in January 2019, was anti-dilutive as of December 31, 2018 and 2017 using the if-converted method. As of December 31, 2018 and 2017, 2,345,216 and 2,264,173 shares, respectively, were convertible under the convertible bond.

In 2019 and 2018, we acquired a total of 855,000 and 445,000 own shares, respectively, which have been weighted for the portion of the period they were outstanding. As a result, the treasury shares reduced the weighted average number of shares outstanding by 767,836 shares in 2019 and by 10,466 shares in 2018.

## 7. OPERATING REVENUES

The following table shows the revenues earned from time charters, voyage charters and other revenues for the year ended December 31, 2019, 2018 and 2017:

<i>(in thousands of \$)</i>	2019	2018	2017
Time charter revenues	299,946	331,469	233,007
Voyage charter revenues	404,184	322,804	225,769
Other revenues	1,669	1,797	1,247
<b>Total operating revenues</b>	<b>705,799</b>	<b>656,070</b>	<b>460,023</b>

In 2019, 2018 and 2017, we recognized a total of \$26.8 million, \$16.6 million and \$9.8 million, respectively, in demurrage which is included under voyage charter revenues. Most of our voyage contracts are considered service contracts which fall under the provisions of ASC 606 because we, as the shipowner, retain control over the operations of the vessel such as directing the routes taken or the vessel speed. However, some of our voyage charter contracts could be considered to contain a lease. A voyage charter contains a lease component if the contract (i) specifies a specific vessel asset; and (ii) has terms that allow the charterer to exercise substantive decision-making rights, which have an economic value to the charterer and therefore allow the charterer to direct how and for what purpose the vessel is used. When a lessor, we have elected the practical expedient for our time charter contracts and voyage charter contracts that qualify as leases to not separate the non-lease component, or service element, from the lease. Furthermore, ASC 842 requires us to account for the combined component in accordance with ASC 606 revenues from contracts with customers if the non-lease components are the predominant components. Under this guidance we have assessed that the lease components were the predominant component for all of our time charter contracts. Furthermore, for certain of our voyage charter contracts the lease components were the predominant components.

<i>(in thousands of \$)</i>	Lease	Non- lease	Total
Time charter revenues	299,946	—	299,946
Voyage charter revenues	30,093	374,091	404,184
Other revenues	—	1,669	1,669
<b>Total operating revenues</b>	<b>330,039</b>	<b>375,760</b>	<b>705,799</b>

Certain voyage expenses are capitalized between the previous discharge port, or contract date if later, and the next load port and amortized between load port and discharge port. \$27.9 million of contract assets were capitalized in the year ended December 31, 2019 under "Other current assets", of which \$22.0 million was amortized up to December 31, 2019, leaving a remaining balance of \$5.9 million. \$2.3 million of contract assets were amortized in 2019 in relation to voyages in progress at the end of December 31, 2018. In 2018, we amortized an aggregate of \$21.3 million of capitalized voyage expenses, or contract assets classified as other current assets. No impairment losses related to capitalized fulfillment costs were recognized in any of the periods.

As of December 31, we reported trade accounts receivable and the following contract assets in relation to our contracts with customers, including contracts containing lease components where the non-lease component was the predominant component and the revenues where therefore accounted for under ASC 606:

<i>(in thousands of \$)</i>	<b>2019</b>	2018
Voyages in progress (contract assets)	<b>17,966</b>	2,808
Trade accounts receivable	<b>31,293</b>	27,650
Other current assets (capitalized fulfillment costs)	<b>5,905</b>	2,289
<b>Total</b>	<b>55,164</b>	32,747

In 2019 we revised our classification of unbilled demurrage to voyages in progress which in prior periods were included under trade accounts receivable. As of December 31, 2019 and 2018 this amount was \$16.0 million and \$6.1 million, respectively. As of December 31, 2019, we recorded \$15.2 million in total deferred charter revenue for consideration received or unearned revenue related to ongoing voyages at period end. In 2019, we recognized \$12.6 million in revenue, which was deferred as at December 31, 2018, as the performance obligations were met.

Total revenues for 2019, 2018 and 2017 relating to our owned vessels that were under the CCL RSA or arrangements where we are considered the principal were \$263.5 million, \$236.5 million and \$195.4 million, respectively. In addition to these amounts, we retained or paid a net pro/contra amount based on a net settlement of our relative share of the pool results. The net pro/contra amounts relating to the pool arrangements where we were considered the principal were net negative \$1.2 million, \$3.0 million and \$3.9 million, respectively, for 2019, 2018 and 2017. These amounts are presented under the line item "other operating income (expenses), net".

Total lease revenues for 2019, 2018 and 2017 relating to our owned vessels that were under the CTM Supramax RSA and which have been accounted for as operating leases were \$11.9 million \$13.2 million and \$24.1 million, respectively.

## **8. GAIN (LOSS) ON SALE OF ASSETS AND AMORTIZATION OF DEFERRED GAINS**

<i>(in thousands of \$)</i>	<b>2019</b>	2018	2017
Net gain (loss) on sale of vessels	—	2	(570)
Amortization of deferred gains	—	258	258
	—	260	(312)

Upon adoption of ASC 842, the remaining balance of deferred gain of \$2.5 million related to the sale and leaseback transaction of eight vessels with SFL in 2015 was recognized as an opening balance adjustment to accumulated deficit on January 1, 2019.

In 2018, we entered into an agreement to sell the *Golden Eminence*, a Panamax vessel, to an unrelated third party for \$14.7 million, gross, and we recognized an insignificant gain subsequent of a previous impairment loss in connection with the sale.

In September 2017, we entered into agreements to sell six Ultramax vessels (*Golden Libra*, *Golden Virgo*, *Golden Taurus*, *Golden Gemini*, *Golden Aries* and *Golden Leo*). In the fourth quarter of 2017, we agreed to a partial settlement for one of these vessels in the form of consideration shares in the buyer. In the aggregate, the consideration received consisted of \$135.1 million in cash and 910,802 consideration shares in the buyer. The value of the consideration shares in the buyer was \$7.4 per share at the date of completion of the sale. The six vessels were delivered in the fourth quarter of 2017 and we recorded a net loss of \$0.6 million upon completion of the sales.

## **9. IMPAIRMENT OF VESSELS**



In 2018, we entered into an agreement to sell the *Golden Eminence*, a Panamax vessel, to an unrelated third party for \$14.7 million, gross. We recognized a \$1.1 million impairment loss in connection with the sale and classified the vessel as held for sale as of June 30, 2018. The vessel was delivered to its new owner in August 2018.

In 2017, we entered into agreements to sell six Ultramax vessels for a gross sale price of \$142.5 million, consisting of \$135.1 million in cash and 910,802 consideration shares in the buyer. We recorded an impairment loss of \$1.1 million, corresponding to the difference between the carrying value and estimated fair value of the vessels based on the sales agreements.

## 10. OPERATING LEASES

As of December 31, 2019, we leased in one (2018: eight vessels) from SFL and three vessels (2018: one vessel) from third parties, all of which are classified as operating leases. Additionally, as of December 31, 2019 and 2018, respectively, we had two operating leases for our offices in Oslo and Singapore. All of these leases had an initial duration above 12 months. Refer to Note 3 Recently Issued Accounting Standards for information related to the adoption of ASC 842 on January 1, 2019.

During 2019 we had eight Capesize vessels leased from SFL which were classified as operating leases up until December 2019. In December 2019, seven of the eight charters were amended which resulted in a lease modification whereby these seven leases were remeasured and re-classified to finance leases as of December 31, 2019. With reference to Note 27 Related Party Transactions, these contracts were a result of a sale and leaseback transaction with SFL for eight Capesize vessels agreed in 2015. These vessels were sold en-bloc for an aggregate price of \$272.0 million. The vessels were delivered to SFL in the third quarter of 2015 and were time chartered-in by one of our subsidiaries for a period of ten years. The daily time charter rate for these eight charters is \$17,600, of which \$7,000 is for operating expenses (including dry docking costs) up until the second quarter of 2022 when the daily time charter rate will be reduced to \$14,900 until the expiration of the contracts. In addition, 33% of our aggregate profit from revenues above the daily time charter rate for all eight vessels are calculated and paid on a quarterly basis to SFL. The daily hire payments will be adjusted if the actual three month LIBOR should deviate from a base LIBOR of 0.4% per annum. For each 0.1% point increase/decrease in the interest rate level, the daily charter hire will increase or decrease by \$50 per day in the first seven years and \$25 per day in the remaining three years. This resulted in an average daily rate of \$18,626 in 2019 and we incurred \$0.8 million in profit share in 2019 (\$0.2 million in 2018 and 2017, respectively). We have a purchase option of \$112 million en-bloc after 10 years since inception of the leases in 2015. If such option is not exercised, SFL has the option to extend the charters by three years at a daily time charter rate of \$14,900 per day. The lease term for these vessels has been determined to be 13 years. Contingent or variable lease expense was recorded in 2019, 2018 and 2017 as an increase in charter hire expense of \$3.0 million, \$2.6 million and \$1.2 million, respectively.

For the seven charters with SFL that were amended in December 2019, we received in January 2020 a funding of \$2.5 million per vessel to finance the scrubber investments, which will be paid by us, on these vessels. In addition, the daily time charter rate for these vessels increased by \$1,535 from January 1, 2020 to June 30, 2025. The profit share mechanism will not be adjusted with the increased rate.

For the Ultramax vessel, *Golden Hawk*, the daily rate is \$13,200 until the expiration of the fixed term of the contract in the first quarter of 2022. Based on an agreement that reduced the daily rate to \$11,200 from \$13,200 for a two year period from February 20, 2016 to February 20, 2018, we will pay to the lessor \$1.75 million on or about February 20, 2022 to compensate for the reduced charter hire. However, if the 6-T/C Baltic Exchange Supramax Index exceeds the daily rate of \$13,200, any such excess will be paid to the lessor up to \$1.75 million in the aggregate, and any such payments will reduce the amount of payment due on or about February 20, 2022 by a corresponding amount. As of December 31, 2019, no such index linked compensation had been paid.

In 2019, we took delivery of the MV *Admiral Schmidt* and the *Vitus Bering*. Both vessels are 2019-built 103,000 dwt ice-class vessels, chartered in on time charter for a firm period of three years, with four annual options exercisable by us to extend the lease. The contracts have been determined to be operating leases with a lease term of three years, respectively. The gross hire is determined based on a weighted average of the Baltic Panamax Index (BPI 4TC) and the Baltic Capesize Index (BCI 5TC) with a floor of \$9,000 per day.

Total expense for operating leases was \$66.0 million in 2019 (2018: \$71.8 million), which included \$31.5 million for short-term leases (2018: \$37.3 million). Total cash paid in respect of operating leases was \$70.1 million in 2019 (2018: \$82.7 million). The weighted average discount rate in relation to our operating leases was 6.03% and the weighted average lease term was 6.9 years in 2019. Following the lease modification of the seven leases from SFL as described above, the weighted average discount rate in relation to our operating leases was 5.04% and the weighted average lease term was 2.2 years as of December 31, 2019.

Our right of use assets for long-term operating leases were as follows:

	SFL Leases	Golden Hawk Lease	Admiral Schmidt and Vitus Bering Leases	Office Leases	Total
<i>(in thousands of \$)</i>					
Balance at January 1, 2019 on adoption of ASC 842	198,405	3,844	—	3,079	205,328
Additions	3,545	—	27,607	—	31,152
Amortization	(16,159)	(1,041)	(2,190)	(419)	(19,809)
Impact of modification of operating leases	(161,818)	—	—	—	(161,818)
<b>December 31, 2019</b>	<b>23,973</b>	<b>2,803</b>	<b>25,417</b>	<b>2,660</b>	<b>54,853</b>

In 2019, we recorded a total of \$3.5 million in installation costs of ballast water equipment on the corresponding right of use assets for the SFL leases.

Our lease obligations for long-term operating leases were as follows:

	SFL Leases	Golden Hawk Lease	Admiral Schmidt and Vitus Bering Leases	Office Leases	Total
<i>(in thousands of \$)</i>					
Balance at January 1, 2019 on adoption of ASC 842	185,816	9,567	—	3,079	198,462
Additions	—	—	27,607	—	27,607
Repayments	(18,949)	(2,343)	(2,190)	(419)	(23,901)
Impact of modification of operating leases	(145,797)	—	—	—	(145,797)
Foreign exchange translation	—	—	—	16	16
December 31, 2019	21,070	7,224	25,417	2,676	56,387
Current portion	2,511	2,478	8,953	435	14,377
Non-current portion	18,559	4,746	16,464	2,241	42,010

*Charter hire and office rent expense*

The future minimum operating lease expense payments under our non-cancelable fixed rate operating leases as of December 31, 2018 are as follows:

<i>(in thousands of \$)</i>	
2019	35,613
2020	35,709
2021	35,613
2022	32,590
2023	28,177
Thereafter	110,357
	<b>278,059</b>

The future lease payments under our non-cancelable operating leases as of December 31, 2019 are as follows:

(in thousands of \$)

2020	16,990
2021	18,694
2022	11,735
2023	3,356
2024	3,313
Thereafter	10,818
Total minimum lease payments	64,906
Less: Imputed interest	(8,519)
Present value of operating lease liabilities	56,387

The future minimum operating lease expense payments are based on the contractual cash outflows under non-cancelable contracts. The charter hire expense recognition is based upon the straight-line basis, net of amortization of unfavorable time charter contracts.

As of December 31, 2019, the future rental payments include \$3.1 million (2018: \$3.6 million) in relation to office rent costs and \$61.8 million (2018: \$274.5 million) in relation to charter hire costs for leased in vessels.

#### *Rental income*

As of December 31, 2019, we leased out 11 vessels on fixed time charter rates (2018 : 17 vessels) and 16 vessels (2018 : 13 vessels) on index-linked time charter rates to third parties with initial periods ranging between one year and ten years. All of these leases are classified as operating leases.

The future operating lease receipts under our non-cancelable fixed rate operating leases as of December 31, 2019 are as follows:

(in thousands of \$)

2020	54,791
2021	850
2022	—
2023	—
2024	—
Thereafter	—
	55,641

As of December 31, 2019, the cost and accumulated depreciation of the 27 vessels which were leased out to third parties, were \$1,235.1 million and \$155.1 million, respectively.

As of December 31, 2018, the cost and accumulated depreciation of the 30 vessels which were leased out to third parties, were \$1,375.7 million and \$134.4 million, respectively.

## **11. CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

As of December 31, 2019, 2018 and 2017, the following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

<i>(in thousands of \$)</i>	2019	2018	2017
Cash and cash equivalents	88,931	305,352	309,029
Short term restricted cash	15,449	20,272	8,110
Long term restricted cash	58,864	46,981	54,845
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	163,244	372,605	371,984

Amounts included in short-term and long-term restricted cash include primarily cash balances that are required to be maintained by the financial covenants in our loan facilities. Under our recourse debt facilities, we need to maintain free cash of the higher of \$20 million or 5% of total interest bearing debt. In addition, short-term restricted cash includes amounts required to be set aside by our margin calls on derivative positions and minor amounts secured for tax payments or for claims processes.

## 12. MARKETABLE EQUITY SECURITIES

Our marketable securities are equity securities at readily determinable fair value.

<i>(in thousands of \$)</i>	2019	2018
Balance at start of year	12,033	16,300
Disposals during the year	—	(224)
Unrealized gain (loss), net	1,828	(4,043)
Balance at end of year	13,861	12,033

Our marketable equity securities consist of an investment in Scorpio Bulkers Inc., a dry bulk shipping company listed on the New York Stock Exchange. In 2018, we sold 26,700 shares in our investment for an aggregate of \$0.2 million.

## 13. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivables are stated net of a provision for doubtful accounts. Movements in the provision for doubtful accounts in the three years ended December 31, 2019 are summarized as follows:

<i>(in thousands of \$)</i>	
Balance at December 31, 2016	952
Additions charged to income	462
Deductions credited to trade receivables	(768)
Balance at December 31, 2017	646
Additions charged to income	81
Deductions credited to trade receivables	(390)
Balance at December 31, 2018	337
Additions charged to income	594
Deductions credited to trade receivables	(337)
<b>Balance at December 31, 2019</b>	<b>594</b>

## 14. OTHER CURRENT ASSETS

<i>(in thousands of \$)</i>	2019	2018
Capitalized fulfillment costs	6,334	2,289
Agent receivables	4,433	4,383
Advances	701	1,055
Claims receivables	810	579
Bunker receivables on time charter-out contracts	5,827	16,606
Other receivables	13,393	1,755
	<b>31,498</b>	<b>26,667</b>

Other receivables are presented net of allowances for doubtful accounts amounting to nil and nil as of December 31, 2019 and December 31, 2018.

## 15. VALUE OF CHARTER PARTY CONTRACTS

The value of charter-out contracts is summarized as follows:

<i>(in thousands of \$)</i>	2019	2018	2017
Opening balance	34,953	53,686	76,099
Acquired time charter contracts from Quintana	—	—	(3,080)
Amortization charge	(18,732)	(18,733)	(19,333)
Total	16,221	34,953	53,686
Less: current portion	(12,148)	(18,732)	(18,732)
Non-current portion	4,073	16,221	34,954

Value of the charter party contracts relates primarily to contracts acquired as part of the Merger. Also, in connection with the acquisition of vessels from Quintana in 2017, we acquired certain time charter-out contracts. The contracts were valued to net negative \$3.1 million and were fully amortized as of December 31, 2017. Time charter revenues in 2019, 2018 and 2017 have been reduced by \$18.7 million, \$18.7 million and \$19.3 million, respectively, as a result of the amortization of charter-out contracts.

As of December 31, 2019, the remaining value of these charter-out contracts will be amortized as follows:

<i>(in thousands of \$)</i>	
2020	12,148
2021	4,073
Thereafter	—
	16,221

The value of charter-in contracts was related to the *Golden Hawk* operating lease acquired as part of the merger or business combination in 2015, and was classified under other current liabilities and other non-current liabilities, is summarized as follows:

<i>(in thousands of \$)</i>	2019	2018	2017
Opening balance	—	4,798	5,470
Amortization of unfavorable time charter-in contract	—	(672)	(672)
Total	—	4,126	4,798
Less: current portion	—	(672)	(672)
Non-current portion	—	3,454	4,126

As a result of the adoption of ASC 842 on January 1, 2019, the unfavorable value of \$4.1 million of the *Golden Hawk* operating lease was recognized as an opening balance adjustment to the corresponding right of use asset. In 2018 and 2017, charter hire expenses was reduced by \$0.7 million and \$0.7 million, respectively, as a result of the amortization of the unfavorable value related to this time charter-in contract.

## 16. VESSELS AND EQUIPMENT, NET

<i>(in thousands of \$)</i>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Balance at December 31, 2017	2,398,654	(183,651)	2,215,003
Additions	44,562	—	44,562
Disposals	(16,170)	1,813	(14,357)
Transfer from newbuildings	253,581	—	253,581
Impairment loss	(1,080)	—	(1,080)
Depreciation	—	(91,253)	(91,253)
Balance at December 31, 2018	2,679,547	(273,091)	2,406,456
Additions	27,247	—	27,247
Disposals	—	—	—
Depreciation	—	(92,950)	(92,950)
<b>Balance at December 31, 2019</b>	<b>2,706,794</b>	<b>(366,041)</b>	<b>2,340,753</b>

At December 31, 2019, we owned three Newcastlemaxes, 35 Capesizes, 27 Panamaxs and two Ultramaxs (at December 31, 2018: three Newcastlemaxes, 35 Capesizes, 27 Panamaxs and two Ultramaxs).

In 2019, we capitalized in total \$4.7 million in relation to the installation of ballast water treatment system and \$22.5 million in relation to the installation of scrubbers.

In April 2018, we entered into an agreement to sell the Golden Eminence, a Panamax vessel, for \$14.7 million with delivery in August 2018. An impairment loss of \$1.1 million was recognized related to the sale of the vessel. Refer also to Note 9 Impairment of vessels.

In October 2017 and with reference to Note 27 Related party transactions, we agreed to acquire two modern Capesize vessels from Hemen, our largest shareholder. The second of the two vessels was delivered to us in January 2018 and we capitalized \$43.4 million in purchase price for the vessel.

Total depreciation expense was \$93.0 million, \$92.1 million and \$78.1 million in 2019, 2018 and 2017, respectively.

## 17. VESSELS UNDER FINANCE LEASE, NET

As of December 31, 2019, we held eight vessels under finance lease (December 31, 2018: one vessel). The lease for Golden Eclipse had an initial term of 10 years. In addition and with reference to Note 10 Operating Leases, seven of the eight Capesize charters with SFL were amended in December 2019 and resulted in a lease modification whereby these seven leases were remeasured and re-classified to finance leases as of December 31, 2019. The amendments included a funding of \$2.5 million per vessel to be received in January 2020 which will finance the scrubber investments paid by us on these vessels. In addition, the daily time charter rate for these vessels will increase by \$1,535 from January 1, 2020 to June 30, 2025. The profit share mechanism will not be adjusted with the increased rate.

Our right of use asset for our finance leases were as follows:

<i>(in thousands of \$)</i>	
Balance at December 31, 2017	2,061
Depreciation	(896)
Balance at December 31, 2018	1,165
Impact of modification of operating leases	193,717
Depreciation	(895)
<b>Balance at December 31, 2019</b>	<b>193,987</b>

Our lease obligations for our finance leases were as follows:

	SFL Leases	Golden Eclipse Lease	Total
<i>(in thousands of \$)</i>			
Balance at January 1, 2019	—	7,435	7,435
Repayments	—	(5,650)	(5,650)
Impact of modification of operating leases	166,923	—	166,923
December 31, 2019	166,923	1,785	168,708
Current portion	15,717	1,785	17,502
Non-current portion	151,206	—	151,206

The weighted average discount rate in relation to our SFL finance leases was 6.3% and the weighted average lease term was 8.6 years as of December 31, 2019.

The outstanding obligations under finance leases at December 31, 2019 are payable as follows:

<i>(in thousands of \$)</i>	
2020	27,496
2021	32,236
2022	29,057
2023	24,481
2024	24,550
Thereafter	76,091
Minimum lease payments	213,911
Less: imputed interest	(45,203)
Present value of obligations under finance leases	168,708

As of December 31, 2019, we had the following purchase options:

<i>(in thousands of \$)</i>	Purchase option exercise date	Purchase option amount
Eight SFL Capesize leases, en-bloc purchase option	2025	112,000
Golden Eclipse	April 2020	33,550

## 18. EQUITY METHOD INVESTMENTS

As at December 31, the Company had the following participation in investments that are recorded using the equity method:

<i>(% of ownership)</i>	2019	2018
Singapore Marine Pte. Ltd. ("Singapore Marine")	17.87 %	—
United Freight Carriers LLC. ("UFC")	50.00 %	50.00 %
Seateam Management Pte. Ltd. ("Seateam")	22.19 %	22.19 %
Capesize Chartering Ltd. ("CCL")	25.00 %	25.00 %

Movements in equity method investments for the years ended December 31, 2019 and 2018 are summarized as follows:

<i>(in thousands of \$)</i>	<b>Singapore Marine</b>	<b>UFC</b>	<b>Seateam</b>	<b>Others</b>	<b>Total</b>
At December 31, 2017	—	1,448	794	45	2,287
Distributions received from associated companies	—	(825)	(271)	(45)	(1,141)
Share of income / (loss)	—	149	363	—	512
At December 31, 2018	—	772	886	—	1,658
Purchase of additional stake	19,470	—	—	—	19,470
Distributions received from associated companies	—	(150)	—	—	(150)
Share of income / (loss)	87	405	13	—	505
At December 31, 2019	19,557	1,027	899	—	21,483

The following tables include summarized financial information provided by the equity investees including information for significant equity affiliates and the reconciliation of such information to the consolidated financial statements shown below:

<i>(in thousands of \$)</i>	<b>Singapore Marine</b>		<b>UFC</b>		<b>Seateam</b>		<b>Others</b>		<b>Total</b>	
	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018	<b>2019</b>	2018
Current assets	<b>691,126</b>	—	<b>2,104</b>	1,785	<b>14,640</b>	13,233	—	—	<b>707,870</b>	15,018
Non current assets	<b>4,069</b>	—	—	—	<b>4,407</b>	412	—	—	<b>8,476</b>	412
Total assets	<b>695,195</b>	—	<b>2,104</b>	1,785	<b>19,047</b>	13,645	—	—	<b>716,346</b>	15,430
Current liabilities	<b>545,545</b>	—	<b>49</b>	239	<b>11,974</b>	9,631	—	—	<b>557,568</b>	9,870
Long-term liabilities	<b>40,000</b>	—	—	—	<b>3,018</b>	24	—	—	<b>43,018</b>	24
Stockholders' equity	<b>109,650</b>	—	<b>2,055</b>	1,544	<b>4,055</b>	3,990	—	—	<b>115,760</b>	5,534
Percentage of ownership in equity investees	17.9%		50%		22.2%		—			
Equity investment of associated companies	<b>19,594</b>	—	<b>1,027</b>	772	<b>900</b>	886	—	—	<b>21,521</b>	1,658
Consolidation and reconciling adjustments:										
Other	<b>(37)</b>	—	—	—	<b>(1)</b>	—	—	—	<b>(38)</b>	—
Investment in equity investees	<b>19,557</b>	—	<b>1,027</b>	772	<b>899</b>	886	—	—	<b>21,483</b>	1,658



<i>(in thousands of \$)</i>	Singapore Marine			UFC			Seateam		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Total operating revenue	564,609	—	—	8,080	10,956	7,413	9,565	9,536	8,815
Gain sale of vessel	—	—	—	—	—	—	—	—	—
Total operating expense	(561,746)	—	—	(7,257)	(10,589)	(5,914)	(9,450)	(7,886)	(7,063)
Net operating (loss) income	2,863	—	—	823	367	1,499	115	1,650	1,752
Net (loss) income	371	—	—	811	297	1,654	66	1,626	1,633
Percentage of ownership in investees	17.87%			50%			22.19%		
Equity in net income (loss) of associated companies	66	—	—	405	149	827	15	363	362
<i>Consolidation and reconciling adjustments:</i>									
Other	21	—	—	—	—	—	(2)	—	(42)
Equity in net income (loss) of associated companies	87	—	—	405	149	827	13	363	320
	Others*			Total					
	2019	2018	2017	2019	2018	2017			
Total operating revenue	—	—	3,817	582,254	20,492	20,045			
Gain sale of vessel	—	—	7,166	—	—	7,166			
Total operating expense	—	—	(3,324)	(578,453)	(18,475)	(16,301)			
Net operating (loss) income	—	—	7,659	3,801	2,017	10,910			
Net (loss) income	—	—	6,945	1,248	1,923	10,232			
Equity in net income (loss) of associated companies	—	—	3,473	486	512	4,662			
<i>Consolidation and reconciling adjustments:</i>									
Other	—	—	—	19	—	(42)			
Equity in net income (loss) of associated companies	—	—	3,473	505	512	4,620			

\*CCL and Golden Opus, calculation based on a percentage range between 25% and 50%

In 2019, we made an equity investment in Singapore Marine Pte Ltd. ("Singapore Marine"), a dry bulk freight operator, for a total of \$19.5 million representing an ownership of 17.87%. Based on a combination of factors of influence, which include share ownership, board representation and voting rights, we determined that we obtained significant influence over the investee when we made an additional investment in the company in August 2019. We have recorded our share of the results from Singapore Marine from the time we obtained significant influence. In addition, we fully amortized in 2019 a basis difference allocated to short-term contracts made by Singapore Marine. We have also provided a \$10.7 million subordinated shareholder loan with a five-year term to Singapore Marine.

In 2017, Golden Opus Inc., or Golden Opus, sold its only asset (the vessel MV Golden Opus) to an unrelated third party and repaid its outstanding bank debt. Following these transactions, Golden Opus distributed \$7.3 million in cash to each of the two joint venture partners, respectively. In 2018 Golden Opus was dissolved. Our ownership in Golden Opus was 50%.

In 2019, cash dividends received from equity method investees amounted to \$0.2 million (2018: \$1.1 million, 2017: \$7.6 million).

## 19. OTHER LONG TERM ASSETS

<i>(in thousands of \$)</i>	2019	2018
Deferred tax asset	—	119
Prepaid charter hire (straight-lining of lease expense)	—	12,588
Capitalized project costs	<b>8,267</b>	4,932
<b>Other long term assets</b>	<b>8,267</b>	17,639

The prepaid charter hire (straight-lining of lease expense) under other long-term assets related to the eight vessels that were sold in 2015 and leased back from SFL. Under ASC 840 we straight lined the total charter hire expense over the lease term of 13 years. As a result of the adoption of ASC 842 on January 1, 2019, the prepaid charter hire balance was reclassified to the right-of-use assets for these corresponding operating leases. Refer also to Notes 10 Operating Leases and 27 Related Party Transactions for additional information for these leases.

In 2019 and 2018, we capitalized costs of \$8.3 million and \$4.9 million in relation to installation costs for scrubber and ballast water treatment systems in progress, respectively.

## 20. DEBT

<i>(in thousands of \$)</i>	2019	2018
\$155.3 million term loan	<b>155,355</b>	—
\$93.75 million term loan	<b>90,463</b>	—
\$131.79 million term loan	<b>125,872</b>	—
\$284.0 million term loan	—	168,320
\$420.0 million term loan	<b>320,159</b>	331,795
\$425.0 million term loan	<b>322,502</b>	347,154
\$102.7 million term loan	—	94,225
\$73.4 million term loan	—	60,199
\$80.2 million term loan	—	67,669
\$120.0 million term loan	<b>107,797</b>	115,932
Total U.S. dollar denominated floating rate debt	<b>1,122,148</b>	1,185,294
U.S. dollar denominated fixed rate debt	—	167,382
Deferred charges	<b>(8,278)</b>	(3,634)
Total debt	<b>1,113,870</b>	1,349,042
Less: current portion	<b>(87,787)</b>	(471,764)
	<b>1,026,083</b>	877,278

Movements in 2019 and 2018 are summarized as follows:

<i>(in thousands of \$)</i>	Floating rate debt	Fixed rate debt	Deferred charges	Total
Balance at December 31, 2017	1,069,538	178,856	(3,935)	1,244,459
Loan repayments	(154,244)	(22,049)	—	(176,293)
Loan draw downs	270,000	—	—	270,000
Amortization of purchase price adjustment	—	10,019	—	10,019
Convertible bond loss on extinguishment	—	556	—	556
Amortization of capitalized fees and expenses	—	—	301	301
Balance at December 31, 2018	1,185,294	167,382	(3,634)	1,349,042
Loan repayments	(453,040)	(168,195)	—	(621,235)
Loan draw downs	389,894	—	—	389,894
Amortization of purchase price adjustment	—	813	—	813
Capitalization of debt issuance cost, net of amortization	—	—	(4,644)	(4,644)
<b>Balance at December 31, 2019</b>	<b>1,122,148</b>	<b>—</b>	<b>(8,278)</b>	<b>1,113,870</b>

### **New \$93.75 million and \$131.79 million loan facilities**

In May 2019, we entered into two new credit facilities, one for \$93.75 million and one for \$131.79 million, to refinance our obligations under the three non-recourse loan facilities, \$102.7 million credit facility, \$73.4 million credit facility and \$80.2 million credit facility, which financed the 14 vessels acquired from Quintana Shipping Ltd. in 2017. In connection with this refinancing, we prepaid the outstanding debt under the three non-recourse loan facilities of \$222.1 million.

### **New \$155.3 million loan facility**

In November 2019, we refinanced our \$284.0 million loan facility that financed 15 vessels and was scheduled to mature in December 2019. A new \$155.3 million term loan facility was entered into with six reputable shipping banks, five of which were part of the group of banks for the \$284.0 million facility. In connection with this refinancing, we prepaid the outstanding debt under the \$284.0 million facility of \$155.4 million.

### **\$93.75 million credit facility**

This facility has a five-year tenor and a 19-year age adjusted amortization profile. The facility bears interest of LIBOR plus a margin of 2.15%. Repayments are made on a quarterly basis from third quarter of 2019 onward. All tranches under the facility mature in second quarter of 2024, with a balloon payment of in total \$62.5 million. During 2019, \$3.3 million was repaid and there was no available undrawn amount.

### **\$131.79 million credit facility**

This facility has a five-year tenor and a 19-year age adjusted amortization profile. The facility bears interest of LIBOR plus a margin of 2.10%. Repayments are made on a quarterly basis from third quarter of 2019 onward. All tranches under the facility mature in second quarter of 2024, with a balloon payment of in total \$75.6 million. During 2019, \$5.9 million was repaid and there was no available undrawn amount.

### **\$155.3 million loan facility**

This facility bears interest of LIBOR plus a margin of 2.10%. Repayments are made on a quarterly basis from first quarter of 2020 onward. All tranches under the facility mature in fourth quarter of 2024, with a balloon payment of in total \$93.8 million. During 2019, nil was repaid and there was no available undrawn amount.

### **\$120.0 million term loan facility**

In May 2018, we entered into a \$120.0 million term loan facility to refinance 10 vessels and repay \$58.3 million due under the \$34.0 million term loan facility and the \$82.5 million term loan facilities with maturity in 2018 and prepay the full outstanding amounts under our related party seller credit loans of \$65.5 million. This facility bears interest of LIBOR plus a margin of 2.25%. Repayments are made on a quarterly basis from third quarter of 2018 onward. All tranches under the facility mature in April 2025, with a balloon payment of in total \$65.1 million. During 2019, \$8.1 million (2018: \$4.1 million) was repaid and there was no available, undrawn amount.

### **\$420.0 million term loan facility**

In June 2014, we entered into a term loan facility of up to \$420.0 million, dependent on the market values of the vessels at the time of draw down, consisting of 14 tranches of up to \$30.0 million to finance, in part, 14 newbuilding vessels. Each tranche is repayable by quarterly installments based on a 20-years profile from the delivery date of each vessel and all amounts outstanding shall be repaid on June 30, 2020. The facility has an interest rate of LIBOR plus a margin of 2.5%. In January 2016, following an accelerated repayment to comply with the minimum value covenant as of December 31, 2015, the quarterly repayment schedule was amended to \$5.2 million, in total, for all 14 tranches.

In February 2019, we extended our \$420 million term loan facility for 14 vessels by three years from June 2020 to June 2023 at LIBOR plus a margin of 2.5% and upsized the facility to partially finance the installation of scrubbers on up to 11 vessels. Each scrubber installation may be financed with up to \$3 million in a separate tranche to be repaid over three years, commencing January 1, 2020.

During 2019, \$20.6 million (2018: \$20.6 million) was repaid and we drew down \$9 million related to our financing of three scrubber installations (2018: nil). As of December 31, 2019, \$320.2 million (2018: \$331.8 million) was outstanding under this facility and there was \$24.0 million of undrawn financing under the facility. The facility is secured by 14 (2018: 14) of our Capesize vessels.

### **\$425.0 million senior secured post-delivery term loan facility**

In February 2015, we entered into a senior secured post-delivery term loan facility of up to \$425.0 million, depending on the market values of the vessels at the time of draw down, to partially finance 14 newbuilding vessels. The facility was initially divided into 12 tranches of \$30.0 million and two tranches of \$32.5 million. Each tranche was originally repayable in quarterly

payments of 1/80 of the drawn down amount and all amounts outstanding are to be repaid on the final maturity date of March 31, 2021. The loan bore interest at LIBOR plus a margin of 2.0%. In December 2015, the loan agreement was amended and the minimum level of the loan to value was increased from 55% to 70%. The margin was also amended to 2.20% plus LIBOR and the quarterly repayments changed from 1/80 to 1/64 of the drawn down amount. The amendment also allowed us to substitute the optional additional borrowers with another of our wholly owned subsidiaries.

During 2019, \$24.7 million (2018: \$23.7 million) was repaid. As of December 31, 2019, \$322.5 million (2018: \$347.2 million) was outstanding under this facility and there was no available, undrawn amount. At December 31, 2019, this facility was secured by 14 (2018: 14) of our Capesize vessels.

### **Financial covenants**

Our loan agreements contain loan-to-value clauses, which could require us to post additional collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings under each of such agreements decrease below required levels. In addition, the loan agreements contain certain financial covenants, including the requirement to maintain a certain level of free cash, positive working capital as defined in the loan agreement and a value adjusted equity covenant. Under our debt facilities, the aggregate value of the collateral vessels shall not fall below 135% of the loan outstanding, depending on the facility. We need to maintain free cash of at least \$20 million or 5% of total interest bearing debt, maintain positive working capital and maintain a value adjusted equity of at least 25% of value adjusted total assets.

With regards to free cash, we have covenanted to retain at least \$64.1 million of cash and cash equivalents as at December 31, 2019 (December 31, 2018: \$66.7 million) and this is classified under restricted cash. In addition, none of our vessel owning subsidiaries may sell, transfer or otherwise dispose of their interests in the vessels they own without the prior written consent of the applicable lenders unless, in the case of a vessel sale, the outstanding borrowings under the credit facility applicable to that vessel are repaid in full. Failure to comply with any of the covenants in the loan agreements could result in a default, which would permit the lender to accelerate the maturity of the debt and to foreclose upon any collateral securing the debt. Under those circumstances, we might not have sufficient funds or other resources to satisfy our obligations.

As of December 31, 2019 and December 31, 2018, we were in compliance with our covenants.

### **U.S. Dollar Denominated Fixed Rate Debt**

#### **3.07% Convertible Bonds due 2019**

In January 2014, the Former Golden Ocean issued a \$200 million convertible bond with a 5 year tenor and coupon of 3.07% per year, payable bi-annually in arrears. The convertible bond, which was repaid in full on January 30, 2019, had no regular repayments. At the time of the Merger, we assumed the convertible bond and the conversion price was adjusted based on the exchange ratio in the Merger. The fair value of the convertible bond was determined to be \$161.2 million at the time of the Merger based on the quoted price of 80.6%. The difference of \$38.8 million, was amortized over the remaining life of the bond so as to maintain a constant effective rate so that the convertible bond would have a value of \$200 million on maturity, adjusted for any bond repurchases. In 2018, we acquired a total of \$22.4 million (2017: \$9.4 million) in nominal value of our outstanding convertible bond at an average price of 97.96% of par value, reducing the outstanding convertible debt balance with an aggregate amount of \$31.8 million as of December 31, 2018. As a result of these transactions we recognized a loss of \$0.6 million in 2018, which was presented under other financial items. During 2019, \$0.8 million (2018: \$10.0 million, 2017: \$9.5 million) of the fair value adjustment was amortized and recorded as interest expense.

### **Deferred charges**

Debt issuance costs of \$8.3 million at December 31, 2019 (2018: \$3.6 million) are presented as a deduction from the carrying value of our debt.

The outstanding debt as of December 31, 2019 is repayable as follows:

(in thousands of \$)

2020	87,787
2021	360,987
2022	63,136
2023	288,750
2024	254,369
Thereafter	67,119
	1,122,148
Deferred charges	(8,278)
	1,113,870

### Assets pledged

As of December 31, 2019, 67 vessels (2018: 67 vessels) with an aggregate carrying value of \$2,339.9 million (2018: \$2,404.5 million) were pledged as security for our floating rate debt.

### Weighted average interest

The weighted average interest rate related our floating rate debt (margin excluding LIBOR) as of December 31, 2019 and 2018 was 2.26% and 2.43%, respectively.

## 21. ACCRUED EXPENSES

(in thousands of \$)	2019	2018
Voyage expenses	17,997	10,223
Ship operating expenses	20,741	7,546
Administrative expenses	1,196	1,200
Tax expenses	117	76
Interest expenses	4,688	7,598
	44,739	26,643

## 22. OTHER CURRENT LIABILITIES

(in thousands of \$)	2019	2018
Deferred charter revenue	28,171	20,011
Deferred gain on sale and leaseback	—	258
Unfavorable charter party-in contracts	—	672
Payroll and employee tax accruals	714	548
Bunker obligations on time charter out contracts	1,599	331
Other current liabilities	11,651	6,578
	42,135	28,398

See also Note 24 Other long-term liabilities for additional information for the accounting of the deferred gain on sale and leaseback on eight vessels leased from SFL and the unfavorable value of the Golden Hawk operating lease acquired as part of the merger or business combination in 2015, upon adoption of ASC 842 Leased on January 1, 2019.

## 23. DERIVATIVE INSTRUMENTS PAYABLE AND RECEIVABLE

Our derivative instruments are not designated as hedging instruments and are summarized as follows:

<i>(in thousands of \$)</i>	2019	2018
Interest rate swaps	1,569	5,424
Foreign currency swaps	27	—
Bunker derivatives	25	433
Forward freight agreements	2,255	3,592
<b>Asset Derivatives - Fair Value</b>	<b>3,876</b>	<b>9,449</b>

<i>(in thousands of \$)</i>	2019	2018
Interest rate swaps	9,259	—
Foreign currency swaps	349	536
Bunker derivatives	14	758
Forward freight agreements	833	—
<b>Liability Derivatives - Fair Value</b>	<b>10,455</b>	<b>1,294</b>

During 2019, 2018 and 2017, the following were recognized and presented under “Gain (loss) on derivatives” in the consolidated statement of comprehensive income:

<i>(in thousands of \$)</i>		2019	2018	2017
Interest rate swaps	Interest income (expense)	2,163	1,089	(1,705)
	Unrealized fair value gain (loss)	(13,114)	4,474	1,225
Foreign currency swaps	Realized gain (loss)	(1,139)	(494)	204
	Unrealized fair value gain (loss)	1,353	(59)	25
Forward freight agreements	Realized gain (loss)	3,245	1,687	(517)
	Options	(2,171)	3,592	—
Bunker derivatives	Realized gain (loss)	(635)	1,584	622
	Unrealized fair value gain (loss)	338	(708)	291
		<b>(9,960)</b>	<b>11,165</b>	<b>145</b>

#### 24. OTHER LONG TERM LIABILITIES

<i>(in thousands of \$)</i>	2019	2018
Deferred gain on sale and leaseback	—	2,227
Other long-term liabilities	—	5,051
	—	7,278

The decrease in deferred gain on sale and leaseback was a result of the adoption of ASC 842 Leases on January 1, 2019. Upon adoption of ASC 842, the remaining balance of deferred gain related to the sale and leaseback transaction of eight vessels with SFL in 2015 was recognized as an opening balance adjustment to accumulated deficit.

Other long-term liabilities included unfavorable value of the Golden Hawk operating lease acquired as part of the merger or business combination in 2015 and deferred charter hire related to the same contract. Upon adoption of ASC 842, the remaining balance for these items was recognized as an opening balance adjustment to the corresponding right of use asset.

See also Note 3 Recently Issued Accounting Standards and Note 10 Operating Leases for additional information related to these contracts.

#### 25. SHARE CAPITAL, TREASURY SHARES AND DIVIDENDS

Authorized share capital:

<i>(in thousands of \$ except per share amount)</i>	2019	2018
200 million common shares of \$0.05 par value	10,000	10,000

In September 2018, at our Annual General Meeting, or AGM, the shareholders approved to increase our authorized share capital from \$7,500,000 divided into 150,000,000 common shares of \$0.05 par value to \$10,000,000 divided into 200,000,000 common shares of \$0.05 par value. The AGM also approved to reduce our share premium account to nil, and to credit the amount resulting from the reduction to our contributed surplus account. As a result, \$472.5 million in additional paid in capital was reclassified to contributed surplus in 2018.

Issued and outstanding number of shares:

<i>(number of shares of \$0.05 each)</i>	<b>2019</b>	2018
Issued shares: Balance at start of year	<b>144,272,697</b>	142,197,697
Shares issued:		
- Issue of consideration shares to Hemen	—	2,000,000
- Settlement of options	—	75,000
Issued shares: Balance at the end of year	<b>144,272,697</b>	144,272,697
Outstanding number of shares: Balance at start of year	<b>143,827,697</b>	142,197,697
Shares issued:	—	2,075,000
- Repurchases of shares	<b>(855,000)</b>	(445,000)
- Distribution of treasury shares	<b>305,000</b>	—
Outstanding number of shares: Balance at end of year	<b>143,277,697</b>	143,827,697

With reference to Note 16 and Note 27, we issued 2,000,000 considerations shares in relation to delivery of one vessel in January 2018. In 2018, we issued in total 75,000 shares and received \$0.3 million in proceeds in relation to our 2016 share option plan.

In 2019 and 2018, we acquired an aggregate of 855,000 and 445,000 of our own shares, respectively, in open market transactions under our share buy-back program. The shares were acquired on the Oslo Stock Exchange. As of December 31, 2019, we have repurchased a total of 1,300,000 shares under our share buy-back program, and following a distribution of 305,000 shares in connection with our 2016 Share Option Plan, we held 995,000 treasury shares (December 31, 2018: 445,000 treasury shares).

In 2019, 2018 and 2017, we paid \$46.6 million, \$64.9 million and nil in dividends to our shareholders, respectively, corresponding to a dividend per share of \$0.33, \$0.45 and nil. Refer to "Note 31 Subsequent events" for any subsequent dividend declarations.

As of December 31, 2019, 143,277,697 common shares were outstanding (December 31, 2018: 143,827,697 common shares), which includes an adjustment for treasury shares of 995,000 and 445,000, respectively.

## **26. SHARE OPTIONS**

### **2016 Share Option Plan:**

In November 2016, the Board approved the adoption of the 2016 Share Option Plan, or the "2016 Plan". The 2016 Plan permits share options to be granted to directors, officers and employees, or the Option holders, of the Company and its subsidiaries. The plan has a 10 year term effective November 2016, unless otherwise determined by the Board. The share options entitle the Option holders to subscribe for common shares at a price per share equal to the exercise price as determined by the Board on the date the share options are granted. The share options have no voting or other shareholder rights.

On November 10, 2016, the Board approved the issue of 700,000 share options to senior management in accordance with the terms of the 2016 Plan at an exercise price of \$4.20, adjusted for any distribution of dividends made before the relevant options are exercised. The share options have a five years term and vest over a three years period equally at a rate of 1/3 of the number of share options granted on each annual anniversary of the date of grant, subject to the option holder continuing to provide services to the Company from the grant date through the applicable vesting date.

The fair value of the share options granted on November 10, 2016 under the 2016 Scheme was calculated on the Black-Scholes method. The significant assumptions used to estimate the fair value of the share options are set out below:

- *Grant Date:* November 10, 2016.

- *Expected Term:* Given the absence of expected dividend payments and that the exercise price is adjustable for any distribution of dividends made before the relevant options are exercised, we expect that it is reasonable for holders of the granted options to avoid early exercise of the options. As a result, we assumed that the expected term of the options is their contractual term.
- *Expected Volatility:* We used the historical volatility of the common shares to estimate the volatility of the prices of the shares underlying the share options. The final expected volatility estimate, which is based on historical share price volatility for the period from the Merger on March 31, 2015 to the grant date on November 10, 2016, was 71%.
- *Expected Dividends:* The share options exercise price is adjustable for distribution of dividend before the share options are exercised. We assumed that the expected dividend is nil based on the dividend restrictions in the loan agreements in 2016.
- *Dilution Adjustment:* The number of share options is considered immaterial as compared to the number of shares outstanding and no dilution adjustment was incorporated in the valuation model.
- *Risk-free Rate:* We used the five-year US Government bond risk-free yield-to-maturity rate of 1.55% as of November 10, 2016 as an estimate for the risk-free rate to match the expected five year term of the share options.
- *Expected Forfeitures:* We expect that there will be no forfeitures of non-vested shares options during the terms.

The following table summarizes the unvested option activity for the year ended December 31, 2019 and 2018:

	Number of options		Weighted Average Exercise Price	Weighted Average Grant date Fair Value
	Management	Total		
Outstanding as of December 31, 2017 - Unvested	466,667	466,667	\$4.20	\$2.47
Granted	—	—		
Exercised	75,000	75,000	\$4.02	\$2.47
Exercisable	318,333	318,333	\$3.75	\$2.47
Forfeited	20,000	20,000	\$3.75	\$2.47
<b>Outstanding as of December 31, 2018 - Unvested</b>	<b>226,667</b>	<b>226,667</b>	<b>\$3.75</b>	<b>\$2.47</b>
Granted	—	—		
Exercised	305,000	305,000	\$3.61	\$2.47
Exercisable	240,000	240,000	\$3.43	\$2.47
Forfeited	—	—	—	—
<b>Outstanding as of December 31, 2019 - Unvested</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

The following table summarizes certain information about the options outstanding as of December 31, 2019 and 2018:



Options Outstanding and Unvested, December 31, 2019				Options Outstanding and Exercisable, December 31, 2019		
Weighted Average Exercise Price of Outstanding Options	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
\$3.43	—	\$0.00	0	240,000	\$3.43	0

  

Options Outstanding and Unvested, December 31, 2018				Options Outstanding and Exercisable, December 31, 2018		
Weighted Average Exercise Price of Outstanding Options	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
\$3.75	226,667	\$3.75	0.86	318,333	\$3.75	0.86

For the year ended December 31 2019 and 2018 the share based compensation was \$0.5 million and \$0.5 million, respectively, and are included in "Administrative expenses" in the consolidated statement of operations. In 2019, we settled the exercise of 305,000 share options by distributing the same amount of treasury shares. With reference to Note 25, we issued 75,000 shares in 2018 as a result of the exercise of share options in 2018.

As at December 31, 2019 and 2018, the estimated cost relating to non-vested share options not yet recognized was nil and \$0.5 million, respectively.

With reference to Note 31 and declaration of dividends in February 2020, the exercise price has been adjusted to \$3.38 per share.

## 27. RELATED PARTY TRANSACTIONS

We transact business with the following related parties, consisting of companies in which Hemen and companies associated with Hemen have a significant interest: Frontline Ltd and its subsidiaries (referred to as "Frontline"), SFL and Seatankers Management Co. Ltd and companies affiliated with it (referred to as "Seatankers"). We may also transact business with our associated companies.

### SFL

In April 2015, we agreed to a sale and leaseback transaction with SFL for eight Capesize vessels. These vessels were sold en-bloc for an aggregate price of \$272.0 million. The vessels were delivered to SFL in the third quarter of 2015 and were time chartered-in by one of our subsidiaries for a period of ten years. We have a purchase option of \$112 million en-bloc after ten years and, if such option is not exercised, SFL will have the option to extend the charters by three years at \$14,900 per day. Refer to Note 10 Operating Leases and Note 17 Vessels under Finance Leases for additional information related to these contracts.

We are the commercial manager for 14 (2018: 14) dry bulk and 14 (2018: 14) container vessels owned and operated by SFL. Pursuant to the management agreements, we receive \$125 per day per vessel for managing seven of the 14 dry bulk vessels and \$75 per day per vessel for managing the remaining seven dry bulk vessels (2018: \$125 per day per vessel for managing the seven dry bulk vessels, 2017: \$125 per day per vessel for managing the seven dry bulk vessels) and \$75 per day per vessel for managing the fourteen container vessels (2018: \$75 per day per vessel for managing the 14 container vessels, 2017: \$75 per day per vessel for managing the 8 container vessels).

### Seatankers

We are the commercial manager of 15

(2018: 14

) dry bulk vessel owned and operated by Seatankers. Pursuant to the management agreements, we receive \$125 (2018: \$125, 2017: \$125) per day per vessel for managing the dry bulk vessels. From time to time we may also charter in dry bulk vessel owned by Seatankers on short term time charters.

### **Capesize Chartering**

In February 2015, Capesize Chartering Ltd, or CCL, a joint venture company was incorporated and in January 2016, the joint venture partners, Golden Ocean, Bocimar International NV, C Transport Holding Ltd and Star Bulk Carriers Corp, entered into a RSA. The purpose of the joint venture is to combine and coordinate the chartering services of all the parties for their participating Capesize dry bulk vessels that are intended to trade on the spot market and ultimately achieve improved scheduling ability and with the overall aim of enhancing economic efficiencies. Each participating vessel owner continues to be responsible for the operating, accounting and technical management of its respective vessels. As of December 31, 2019, 25 of our Capesize vessels and one of our Newcastlemax vessels were included in the RSA.

### **United Freight Carriers**

United Freight Carriers LLC, or UFC, is a dry cargo vessel operator and logistics service provider that primarily focuses its activity around smaller bulk carriers with deadweight of up to 50,000 tonnes.

### **Singapore Marine**

With reference to Note 18, in 2019 we made an equity investment in Singapore Marine, a dry bulk freight operator of which we have determined to have significant influence.

### **Management Agreements**

#### *Technical Supervision Services*

We receive technical supervision services from Frontline Management. Pursuant to the terms of the agreement, Frontline Management receives an annual management fee of \$27,928 per vessel (2018: \$30,336 per vessel). This fee is subject to annual review.

#### *Ship Management*

The ship management of our vessels is provided by external ship managers, except for 20 (2018: 21) vessels, which is provided by SeaTeam Management Pte. Ltd, or Seateam, a company in which we own 22.2% and is a subsidiary of Frontline.

#### *Other Management Services*

We aim to operate efficiently through utilizing Frontline or other companies with the same main shareholder and these costs are allocated based on a cost plus mark-up model. We receive services in relation to sales and purchase activities, bunker procurement and administrative services in relation to the corporate headquarter. We may also provide certain financial management services to companies with the same main shareholder.

### **Acquisition of vessels from affiliates of Hemen**

In October 2017, we agreed to acquire two Capesize vessels from affiliates of Hemen, our largest shareholder, at an aggregated purchase price of \$86.0 million. As settlement of the purchase price for each vessel, the Company entered into a seller's credit loan with an affiliate of Hemen for 50% of the purchase price of each vessel. The remaining part of the purchase price was to be settled with an aggregate of \$9.0 million of cash and 4,000,000 of newly-issued common shares of the Company; 2,000,000 shares was to be issued upon the delivery of each vessel. In November 2017, one of the vessels, *Golden Behike*, was delivered to us and 2,000,000 shares were issued to satisfy the purchase price. The second vessel, *Golden Monterrey*, was delivered to us in January 2018 and 2,000,000 shares were issued to satisfy the purchase price.

In March 2017, we entered into agreements to acquire two Panamax vessels from Hemen. In exchange for the two Panamax vessels acquired from affiliates of Hemen, subsequently renamed *Golden Amber and Golden Opal* and delivered in June 2017,

we issued an aggregate of 3.3 million shares as consideration to Hemen and assumed seller's credits of an aggregate of \$22.5 million.

#### **Seller's credits from affiliates of Hemen**

In connection with the acquisition of the two Panamax vessels from affiliates of Hemen in 2017, we assumed an aggregate of \$22.5 million in debt under seller's credit agreements, non-amortizing until June 2019 and with an interest rate of LIBOR plus a margin of 3.0%. Also, in connection with the agreements to acquire two Capesize vessels from Hemen in October 2017, we entered into non-amortizing seller's credit loans of \$43.0 million in total with affiliates of Hemen corresponding to 50% of the purchase price of each vessel. Each loan bore interest at LIBOR plus a margin of 3.00% per annum and with maturity three years after delivery of each vessel. In 2018 and in connection with our \$120.0 million term loan facility, we prepaid the full outstanding amounts of \$65.5 million under our related party seller credit loans.

#### **Shareholder loan to Singapore Marine**

In 2019, we provided Singapore Marine with a \$10.7 million subordinated shareholder loan, non-amortizing, with a five-year term. The loan bears interests equivalent to the 12-month LIBOR plus a margin of 2%.

A summary of net amounts charged by related parties in 2019, 2018 and 2017 is as follows:

<i>(in thousands of \$)</i>	2019	2018	2017
Frontline	3,402	3,687	4,210
SFL	37,069	29,484	27,977
Seateam	3,636	3,783	3,103
Seatankers	8,708	12,325	9,696
Golden Opus	—	—	1,286
CCL	1,154	62	57
Hemen	—	1,338	634
	<b>53,969</b>	<b>50,679</b>	<b>46,963</b>

Net amounts charged by related parties comprise general management and commercial management fees, charter hire, settlement with CCL, interest costs and technical supervision fees.

A summary of net amounts charged to related parties in 2019, 2018 and 2017 is as follows:

<i>(in thousands of \$)</i>	2019	2018	2017
SFL	894	793	738
Seatankers	665	681	933
Northern Drilling	50	28	—
CCL	—	2,557	3,368
	<b>1,609</b>	<b>4,059</b>	<b>5,039</b>

Net amounts charged to related parties mainly comprise commercial management and general management fees and settlement with CCL.

A summary of balances due from related parties as of December 31, 2019 and 2018 is as follows:

<i>(in thousands of \$)</i>	2019	2018
CCL	—	6
Frontline	3,886	3,192
UFC	—	163
SFL	—	91
Seatankers	1,294	538
	<b>5,180</b>	<b>3,990</b>

A summary of short-term balances owed to related parties as of December 31, 2019 and 2018 is as follows:

<i>(in thousands of \$)</i>	2019	2018
CCL	2,060	—
Frontline	1,284	—
SFL	618	—
Other	8	—
	3,970	—

As at December 31, 2019 and December 31, 2018, receivables and payables with related parties mainly comprise unpaid fees for services rendered from and to related parties. In addition to the balances stated above, we have recorded operating lease liabilities and finance lease liabilities related to the eight vessels chartered from SFL. Refer to Note 10 Operating leases and Note 17 Vessels under finance lease, net for additional information.

Hemen owned \$124.4 million of the Convertible Bond which was fully repaid at maturity in January 2019. In 2018, we issued an aggregate of 2,000,000 shares to Hemen in connection with a vessel acquisition.

We have periodically issued share options as disclosed in Notes 26 of these consolidated financial statements.

## 28. FINANCIAL ASSETS AND LIABILITIES

### Interest rate risk management

Our interest rate swaps are intended to reduce the risk associated with fluctuations in interest rates payments. As of December 31, 2019, we have interest rate swaps whereby the floating rate on a notional principal amount of \$500 million (December 31, 2018: \$500 million) are swapped to fixed rate. Credit risk exists to the extent that the counter parties are unable to perform under the swap contracts but this risk is considered remote as the counter parties are well established banks, which may also participate in loan facilities to which the interest rate swaps are related.

Our interest rate swap contracts as at December 31, 2019 of which none are designated as hedging instruments are summarized as follows:

<i>(in thousands of \$)</i>	Notional Amount	Inception Date	Maturity Date	Fixed Interest Rate
Receiving floating, pay fixed	50,000	February 2015	February 2020	1.93 %
Receiving floating, pay fixed	100,000	October 2019	October 2025	2.51 %
Receiving floating, pay fixed	50,000	February 2015	February 2020	1.92 %
Receiving floating, pay fixed	50,000	August 2017	August 2025	2.41 %
Receiving floating, pay fixed	50,000	August 2017	August 2025	2.58 %
Receiving floating, pay fixed	50,000	February 2017	February 2022	1.90 %
Receiving floating, pay fixed	50,000	April 2017	April 2022	1.86 %
Receiving floating, pay fixed	50,000	August 2019	August 2024	1.39 %
Receiving floating, pay fixed	50,000	September 2019	September 2024	1.29 %
	500,000			

### Forward freight agreements

We take positions from time to time in the freight forward (FFA) market, either as a hedge to a physical contract or as a speculative position. All such contracts are cleared through what we consider reputable clearing houses. Credit risk exists to the extent that our counterparties are unable to perform under the FFA contracts but this risk is considered remote as well as participants post collateral security for their positions.

As of December 31, 2019 we had FFA options structured as zero cost collars equivalent to two Capesize vessels in 2020 with an average ceiling of \$30,500 per day and a floor of \$15,250 per day. In addition, we have sold two FFA call options for 2020 for a total of 720 days at an average of \$21,000 per day. In addition, as of December 31, 2019, we had long positions through FFA of net 695 days, net 120 days and net 120 days with maturity in 2020, 2021 and 2022 respectively.

### Bunker derivatives

We enter into cargo contracts from time to time. We are therefore exposed to fluctuations in bunker prices, as the cargo contract price is based on an assumed bunker price for the trade. To hedge the risk of fluctuating bunker prices, we sometimes enter into bunker swap agreements. There is no guarantee that the hedge removes all the risk from the bunker exposure, due to possible differences in location and timing of the bunkering between the physical and financial position. The counterparties to such contracts are major banking and financial institutions. Credit risk exists to the extent that the counter parties are unable to perform under the bunker contracts but this risk is considered remote as the counter parties are usually what we consider well established banks or other well known institutions in the market.

As of December 31, 2019 and December 31, 2018, we had outstanding bunker swap agreements for about 4.2 and 14.0 thousand metric tonnes, respectively.

### Foreign currency risk

The majority of our transactions, assets and liabilities are denominated in United States dollars, our functional currency. However, we incur expenditure in currencies other than the functional currency, mainly in Norwegian Kroner and Singapore Dollars for personnel costs and administrative expenses, and Euro for some of our scrubber equipment investments. There is a risk that currency fluctuations in transactions incurred in currencies other than the functional currency will have a negative effect of the value of our cash flows. Due to the exposure of currency fluctuations we may enter into foreign currency swaps to mitigate such risk exposures. The counterparties to such contracts are what we consider major banking and financial institutions. Credit risk exists to the extent that the counter parties are unable to perform under the contracts but this risk is considered remote as the counter parties are what we consider well established banks.

As of December 31, 2019, we had contracts to swap USD to NOK for a notional amount of \$2.6 million in addition to contracts to swap USD to EUR for a notional of \$6.1 million. As of December 31, 2018, we had contracts to swap USD to NOK for a notional amount of \$5.1 million in addition to contracts to swap USD to EUR for a notional of \$23.9 million.

### Fair values

The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The same guidance requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

- Level 1: Quoted market prices in active markets for identical assets or liabilities;
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;
- Level 3: Unobservable inputs that are not corroborated by market data.

In addition, ASC 815, “*Derivatives and Hedging*” requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position.

The carrying value and estimated fair value of our financial instruments at December 31, 2019 and December 31, 2018 are as follows:

<i>(in thousands of \$)</i>	<b>2019 Fair Value</b>	<b>2019 Carrying Value</b>	<b>2018 Fair Value</b>	<b>2018 Carrying Value</b>
<b>Assets</b>				
Cash and cash equivalents	88,931	88,931	305,352	305,352
Restricted cash	74,314	74,314	67,252	67,252
Marketable securities	13,861	13,861	12,033	12,033
Related party shareholder loan	10,700	10,700		
Derivative assets	3,876	3,876	9,449	9,449
<b>Liabilities</b>				
Long term debt - floating	1,122,148	1,122,148	1,185,294	1,185,294
Short term debt - convertible bond	—	—	167,359	167,382
Derivative liabilities	10,455	10,455	1,294	1,294

The fair value hierarchy of our financial instruments is as follows:

<i>(in thousands of \$)</i>	<b>2019 Fair Value</b>	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	<b>88,931</b>	88,931	—	—
Restricted cash	<b>74,314</b>	74,314	—	—
Marketable equity securities	<b>13,861</b>	13,861	—	—
Related party shareholder loan	<b>10,700</b>	—	10,700	—
Derivative assets	<b>3,876</b>	—	3,876	—
<b>Liabilities</b>				
Long term debt - floating	<b>1,122,148</b>	—	1,122,148	—
Short term debt - convertible bond	—	—	—	—
Derivative liabilities	<b>10,455</b>	—	10,455	—

<i>(in thousands of \$)</i>	<b>2018 Fair Value</b>	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	<b>305,352</b>	305,352	—	—
Restricted cash	<b>67,252</b>	67,252	—	—
Marketable equity securities	<b>12,033</b>	12,033	—	—
Derivative assets	<b>9,449</b>	—	9,449	—
<b>Liabilities</b>				
Long term debt - floating	<b>1,185,294</b>	—	1,185,294	—
Short term debt - convertible bond	<b>167,359</b>	—	167,359	—
Derivative liabilities	<b>1,294</b>	—	1,294	—

There have been no transfers between different levels in the fair value hierarchy in 2019 and 2018.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The carrying value of cash and cash equivalents, which are highly liquid, approximate fair value.
- Restricted cash and investments – the balances relate entirely to restricted cash and the carrying values in the balance sheet approximate their fair value.
- Floating rate debt - the carrying value in the balance sheet approximates the fair value since it bears a variable interest rate, which is reset on a quarterly basis.
- Convertible bond - quoted market prices are not available, however the bonds are traded "over the counter" and the fair value of bonds is based on the market price on offer at the year end.
- Shareholder loan - the carrying value in the balance sheet approximates the fair value since it bears a variable interest rate, which is reset on an annual basis.
- Marketable securities - are listed equity securities for which the fair value is based on quoted market prices.
- Derivatives - are based on the present value of the estimated future cash flows that we would receive or pay to terminate the agreements at the balance sheet date.

#### **Assets Measured at Fair Value on a Nonrecurring Basis**

During the year ended December 31, 2019, none of our assets were measured at fair value on a nonrecurring basis.

During the year ended December 31, 2018, the following assets were measured at fair value on a nonrecurring basis:

- The value of the *Golden Eminence*, a Panamax vessel, classified as held for sale, was measured at fair value. The fair value was based on level three inputs and the expected market values based on sales agreements.

### **Assets Measured at Fair Value on a Recurring Basis**

Marketable securities are equity securities in Scorpio Bulkers Inc. and for which the fair value as at the balance sheet date is the aggregate market value based on quoted market prices (level 1).

The fair value (level 2) of interest rate swap, currency swap, bunker and freight derivative agreements is the present value of the estimated future cash flows that we would receive or pay to terminate the agreements at the balance sheet date, taking into account, as applicable, fixed interest rates on interest rate swaps, current interest rates, forward rate curves, current and future bunker prices and the credit worthiness of both us and the derivative counterparty.

### **Concentrations of risk**

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with Skandinaviska Enskilda Banken and DnB ASA. However, we believe this risk is remote, as these financial institutions are established and reputable establishments with no prior history of default. We do not require collateral or other security to support financial instruments subject to credit risk.

## **29. COMMITMENTS AND CONTINGENCIES**

We insure the legal liability risks for our shipping activities with Assuranceforeningen SKULD and Assuranceforeningen Gard Gjensidig, both mutual protection and indemnity associations. We are subject to calls payable to the associations based on our claims record in addition to the claims records of all other members of the associations. A contingent liability exists to the extent that the claims records of the members of the associations in the aggregate show significant deterioration, which result in additional calls on the members.

As of December 31, 2019, we have eight vessels held under finance lease and four vessels held under operating lease. Refer to Note 10 Operating leases and Note 17 Vessels under finance lease, net for additional information.

We sold eight vessels to SFL in 2015 and leased them back on charters for an initial period of ten years. We have a purchase option of \$112 million en-bloc after ten years and, if such option is not exercised, SFL will have the option to extend the charters by three years at \$14,900 per day.

As of December 31, 2019, we had committed to install scrubbers on 13 vessels with an estimated remaining financial commitment of \$14.9 million, excluding installation costs.

As of December 31, 2019, we had firm commitments to install ballast water treatment systems on 7 of our vessels with an estimated financial commitment, excluding installation costs, of \$2.6 million due in 2020.

With reference to Note 31 and the joint venture company between us, Frontline and companies in the Trafigura Group, we have made available a \$20 million guarantee to support the operations of the joint venture company.

## **30. SUPPLEMENTAL INFORMATION**

In 2017, we agreed to acquire two Capesize vessels from affiliates of Hemen at an aggregated purchase price of \$86.0 million. As settlement of the purchase price for each vessel, we entered into a seller's credit loan with an affiliate of Hemen for 50% of the purchase price of each vessel. The remaining part of the purchase price was to be settled with an aggregate of \$9.0 million of cash and 4,000,000 of newly-issued common shares of the Company; 2,000,000 shares was to be issued upon the delivery of each vessel. In November 2017, one of the vessels was delivered to us and 2,000,000 shares were issued, a seller's credit of \$21.5 million assumed and \$4.5 million in cash was paid to satisfy the purchase price. In January 2018, we took delivery of the second Capesize vessel and issued 2,000,000 common shares to Hemen to satisfy the purchase price. We also assumed a \$21.5 million seller's credit and paid \$4.5 million in cash as part of the consideration for the vessel.

In 2017, we entered into an agreement with Quintana to acquire 14 vessels. As consideration, we issued an aggregate of 14.5 million common shares to Quintana and assumed the vessels' corresponding debt of approximately \$262.7 million. The aggregate of 14.5 million common shares issued in consideration for the acquired vessels were issued gradually upon delivery of each of the vessels. All vessels were delivered to us in 2017.

In 2017, we also entered into an agreement with affiliates of Hemen to acquire two Panamax vessels. As consideration, we issued an aggregate of 3.3 million common shares to Hemen and assumed seller's credits of an aggregate of \$22.5 million with

an affiliate of Hemen. The aggregate of 3.3 million common shares issued in consideration for the acquired vessels were issued gradually upon delivery of each of the vessels. The two vessels were delivered to us in 2017.

### **31. SUBSEQUENT EVENTS**

In January 2020, the joint venture agreement with Frontline and companies in the Trafigura Group to establish a leading global supplier of marine fuels was completed. The joint venture company will act as the exclusive purchaser of marine fuels for Trafigura, Golden Ocean and Frontline, as well as certain entities affiliated with Hemen, Golden Ocean and Frontline's largest shareholder. As a result, we took a 10 percent interest in the joint venture company. We also made a \$1.0 million shareholder loan to the joint venture company.

In February 2020, our Board of Directors determined to pay a cash dividend to our shareholders of \$0.05 per share.