

# FRONTLINE



Fourth Quarter Presentation February 2020

MATTERS DISCUSSED IN THIS DOCUMENT MAY CONSTITUTE FORWARD-LOOKING STATEMENTS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 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.

FRONTLINE DESIRES TO TAKE ADVANTAGE OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND IS INCLUDING THIS CAUTIONARY STATEMENT IN CONNECTION WITH THIS SAFE HARBOR LEGISLATION. THE WORDS "BELIEVE," "ANTICIPATE," "INTENDS," "ESTIMATE," "FORECAST," "PROJECT," "PLAN," "POTENTIAL," "MAY," "SHOULD," "EXPECT" "PENDING" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS.

THE FORWARD-LOOKING STATEMENTS IN THIS DOCUMENT 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 FRONTLINE'S RECORDS AND OTHER DATA AVAILABLE FROM THIRD PARTIES. ALTHOUGH FRONTLINE BELIEVES 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 FRONTLINE'S CONTROL, YOU CANNOT BE ASSURED THAT FRONTLINE WILL ACHIEVE OR ACCOMPLISH THESE EXPECTATIONS, BELIEFS OR PROJECTIONS. The information set forth herein speaks only as of the dates specified and FRONTLINE UNDERTAKES NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENT TO CONFORM THE STATEMENT TO ACTUAL RESULTS OR CHANGES IN EXPECTATIONS OR CIRCUMSTANCES.

IMPORTANT FACTORS THAT, IN FRONTLINE'S VIEW, COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION: THE STRENGTH OF WORLD ECONOMIES AND CURRENCIES, GENERAL MARKET CONDITIONS, INCLUDING FLUCTUATIONS IN CHARTERHIRE RATES AND VESSEL VALUES, CHANGES IN DEMAND IN THE TANKER MARKET, INCLUDING BUT NOT LIMITED TO CHANGES IN OPEC'S PETROLEUM PRODUCTION LEVELS AND WORLD WIDE OIL CONSUMPTION AND STORAGE, CHANGES IN FRONTLINE'S OPERATING EXPENSES, INCLUDING BUNKER PRICES, DRYDOCKING AND INSURANCE COSTS, THE MARKET FOR FRONTLINE'S VESSELS, AVAILABILITY OF FINANCING AND REFINANCING, ABILITY TO COMPLY WITH COVENANTS IN SUCH FINANCING ARRANGEMENTS, FAILURE OF COUNTERPARTIES TO FULLY PERFORM THEIR CONTRACTS WITH US, CHANGES IN GOVERNMENTAL RULES AND REGULATIONS OR ACTIONS TAKEN BY REGULATORY AUTHORITIES, POTENTIAL LIABILITY FROM PENDING OR FUTURE LITIGATION, GENERAL DOMESTIC AND INTERNATIONAL POLITICAL CONDITIONS, POTENTIAL DISRUPTION OF SHIPPING ROUTES DUE TO ACCIDENTS OR POLITICAL EVENTS, VESSEL BREAKDOWNS, INSTANCES OF OFF-HIRE AND OTHER IMPORTANT FACTORS. FOR A MORE COMPLETE DISCUSSION OF THESE AND OTHER RISKS AND UNCERTAINTIES ASSOCIATED WITH FRONTLINE'S BUSINESS, PLEASE REFER TO FRONTLINE'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING, BUT NOT LIMITED TO, ITS ANNUAL REPORT ON FORM 20-F.

THIS PRESENTATION IS NOT AN OFFER TO PURCHASE OR SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE OR SELL, ANY SECURITIES OR A SOLICITATION OF ANY VOTE OR APPROVAL.

- Net income of \$108.8 million, or \$0.55 per diluted share for the fourth quarter of 2019.
- Excludes \$8.7 million due in relation to the five charter-in and charter-out agreements with Trafigura.
- Frontline declared a cash dividend of \$0.40 per share.

Reported earnings basis load to discharge

	<b>Q4 2019</b>	<b>Q1 2020 est.</b>	<b>% done</b>
VLCC	\$58,000	\$90,300	83%
Suezmax	\$38,200	\$71,900	75%
LR2/Aframax	\$29,800	\$36,300	72%

- In the final process of signing sale-and-leaseback agreement of \$544.0 million with ICBC.
- Signed a loan facility of up to \$42.9 million with Credit Suisse In November 2019.
- Obtained a commitment for of up to \$62.5 million from Crédit Agricole in February 2020

# Income Statement

## Q4 2019

(in thousands of \$ except per share data)

	2019 Oct - Dec	2019 Jul - Sep	2019 Jan-Dec
<b>Total operating revenues</b>	<b>337 999</b>	<b>187 640</b>	<b>957 322</b>
<b>Other operating gain (loss)</b>	<b>(1 388)</b>	<b>3 841</b>	<b>3 422</b>
Voyage expenses and commission	113 826	93 480	395 482
Contingent rental income (expense)	1 203	(1 255)	(2 607)
Ship operating expenses	42 349	44 233	157 007
Charter hire expenses	2 164	2 063	8 471
Administrative expenses	13 123	11 016	45 019
Depreciation	32 302	29 829	117 850
<b>Total operating expenses</b>	<b>204 967</b>	<b>179 366</b>	<b>721 222</b>
<b>Net operating income</b>	<b>131 644</b>	<b>12 115</b>	<b>239 522</b>
Interest income	490	342	1 506
Interest expense	(24 694)	(23 082)	(94 461)
Unrealized gain (loss) on marketable securities	758	677	1 737
Share of result of associated company	(1 129)	-	1 681
Foreign currency exchange gain (loss)	(476)	623	(26)
Gain (loss) on derivatives	2 228	(2 615)	(10 069)
Other non-operating items	289	22	403
<b>Net income (loss) before income taxes and non-controlling interest</b>	<b>109 110</b>	<b>(9 950)</b>	<b>140 293</b>
Income tax expense	(272)	(18)	(307)
<b>Net income (loss)</b>	<b>108 838</b>	<b>(9 968)</b>	<b>139 986</b>
Net (income) loss attributable to non-controlling interest	(17)	6	(14)
<b>Net income (loss) attributable to the Company</b>	<b>108 821</b>	<b>(9 962)</b>	<b>139 972</b>
Diluted earnings (loss) per share attributable to the Company (\$)	<b>0,55</b>	<b>(0,06)</b>	<b>0,78</b>
Diluted earnings (loss) per share attributable to the Company (\$) adj	<b>0,54</b>	<b>(0,06)</b>	<b>0,82</b>
Net Income (loss) adj*	106 965	(9 992)	146 625
EBITDA adj*	163 121	42 943	358 344

## Notes

- Q4 2019 total operating revenues (net of voyage expenses) of \$224 million
- Q4 2019 EBITDA adj. for non-cash items of \$163 million
- Q4 2019 net income of \$108.8 million equivalent to 55 cent per share
- \$8.7 million of profit and accrued profit share in relation to the five charter-in and charter-out agreements with Trafigura not recognized in net income
- Q4 2019 net income adj. for non-cash items of \$106.9 million equivalent to 54 cent per share
- Non-cash items for Q4 2019:
  - \$0.8 million unrealized gain on marketable securities
  - \$2.2 million gain on derivatives
  - \$1.1 million loss on interest in FMSI

Note: Earnings per share is based on 197,069 and 179,906 weighted average shares (in thousands) outstanding for Q4 2019 and Q3 2019, respectively  
 \*See Appendix 1 for reconciliation to nearest comparable GAAP figures

# Balance Sheet

As of December 31, 2019

<i>(in millions \$)</i>	2019 Dec 31	2019 Sept 30	2018 Dec 31
<b>Assets</b>			
<b>Current assets</b>			
Cash	177	109	68
Marketable securities	11	10	9
Other current assets	260	198	231
<b>Non-current assets</b>			
Newbuildings	46	30	52
Vessels	3 021	3 041	2 578
Goodwill	112	112	112
Other long-term assets	70	88	26
<b>Total assets</b>	<b>3 698</b>	<b>3 588</b>	<b>3 078</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Short term debt	439	129	120
Obligations under finance and operational lease	288	294	12
Other current liabilities	121	103	82
<b>Non-current liabilities</b>			
Long term debt	1 254	1 594	1 610
Obligations under finance and operational lease	84	87	88
Other long-term liabilities	1	1	1
Frontline Ltd. stockholders' equity	1 510	1 380	1 164
<b>Total liabilities and stockholders' equity</b>	<b>3 698</b>	<b>3 588</b>	<b>3 078</b>

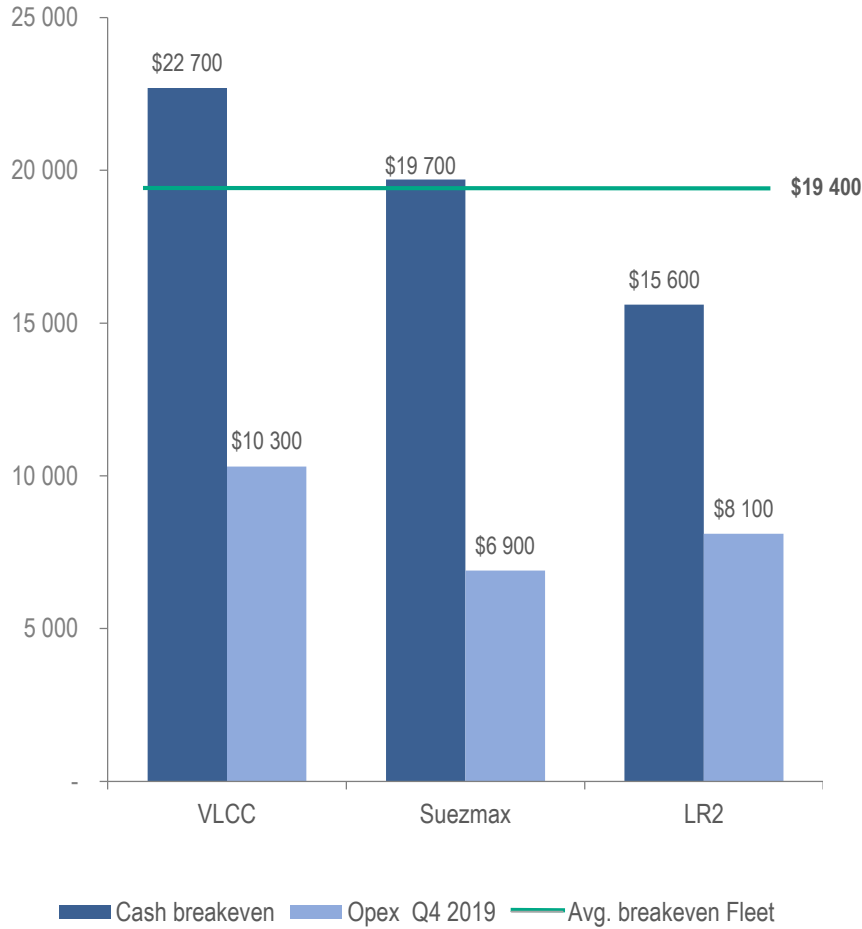
## Notes

- \$343 million in cash and equivalents, including undrawn amount of unsecured facility, marketable securities and minimum bank requirements
- \$302 million in remaining newbuilding Capex and \$234 million in estimated bank debt capacity
- Final process of signing the \$554 million sale and leaseback with ICBCCL to finance the cash amount payable upon closing of the 10 Suezmax tankers on March 16, 2020
- Signed senior secured loan facility of up to \$42.9 million
- Obtained commitments for senior secured loan facility of up to \$62.5 million
- Average margin of bank debt is LIBOR + 185 bps as per 31.12.19 and LIBOR + 195 bps following the new borrowing of \$659.4 million as mentioned above
- Short term debt include \$309 million debt maturity of the \$500.1 million facility in Dec 2020, which is expected to be refinanced

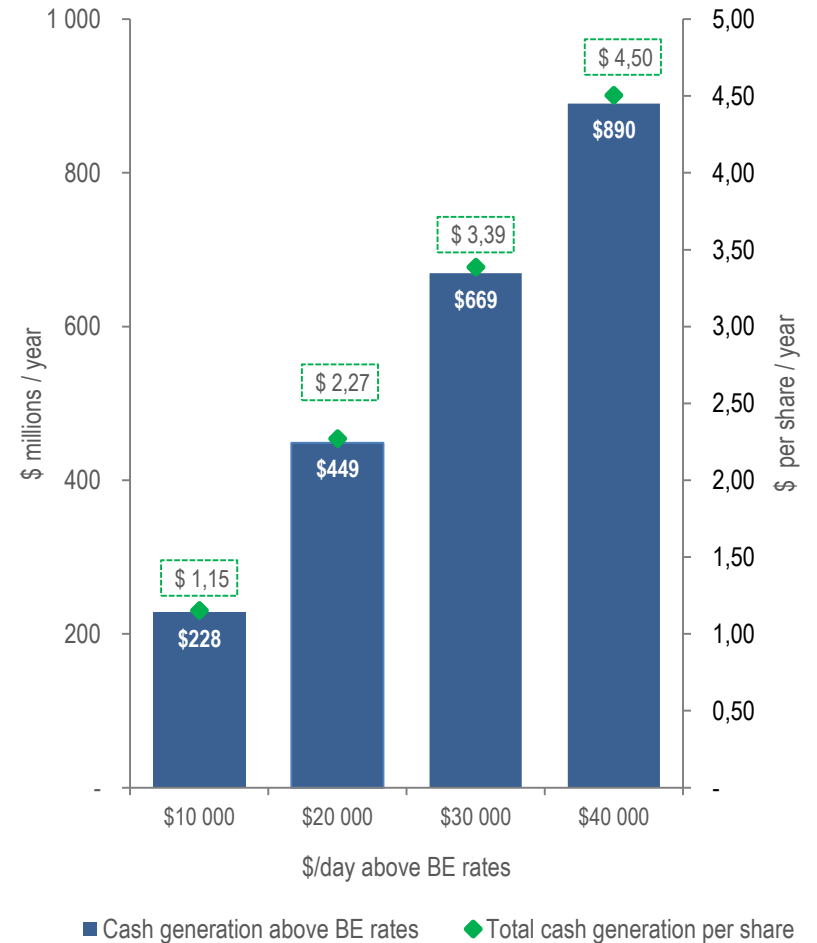
# Cash Breakeven and Cash Generation Potential

Well positioned to generate significant cash flow

### Daily cash breakeven and OPEX

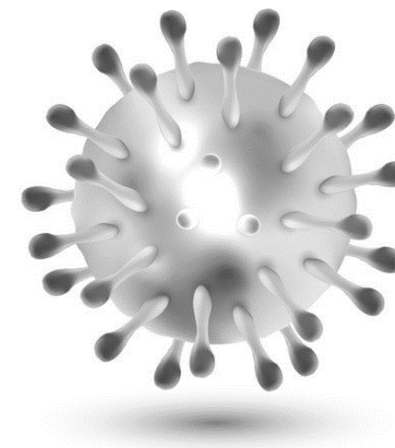


### Cash sensitivity above breakeven levels

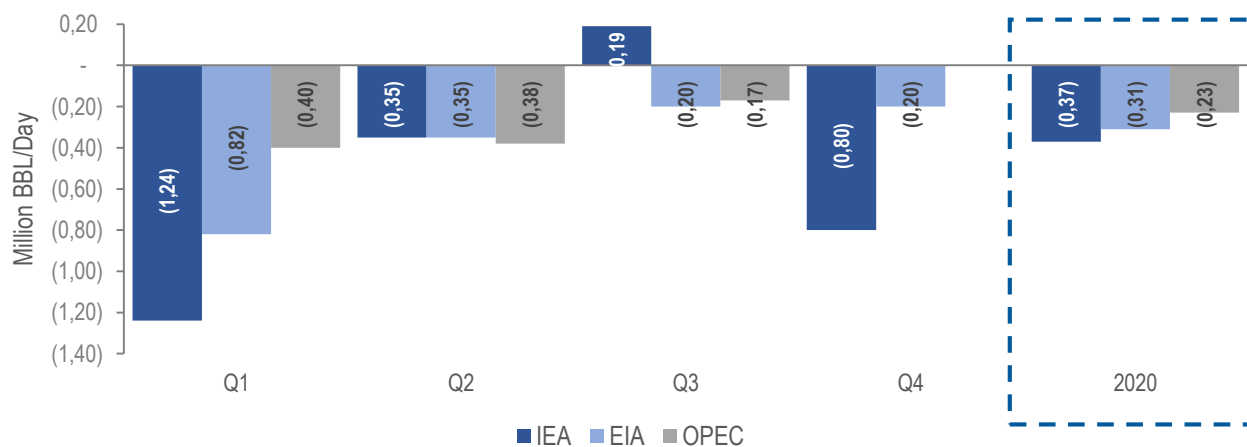


Note: Daily cash breakeven in USD based on estimate for the remainder of 2020

- Strong negative market effects created by the coronavirus
- Effects likely to be temporary rather than permanent
- Hard to predict when sentiment and markets return
- When it happens, these key fundamentals still in place
  - ✓ *Oil demand turn healthy*
  - ✓ *US Gulf to Asia volumes grow*
  - ✓ *Owners of modern tonnage see increased benefits*
  - ✓ *IMO 2020 is still there and working*
  - ✓ *The fleet growth continues to slow*



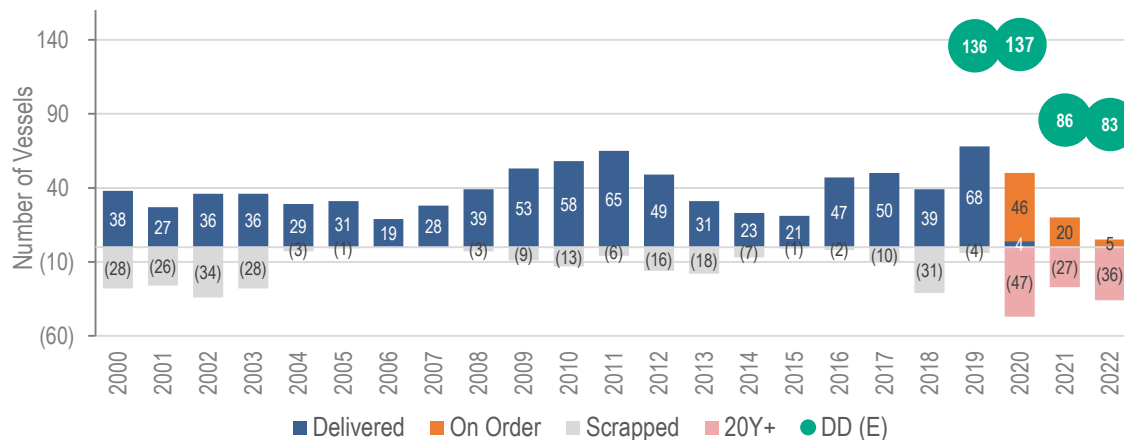
## Revisions to world oil demand



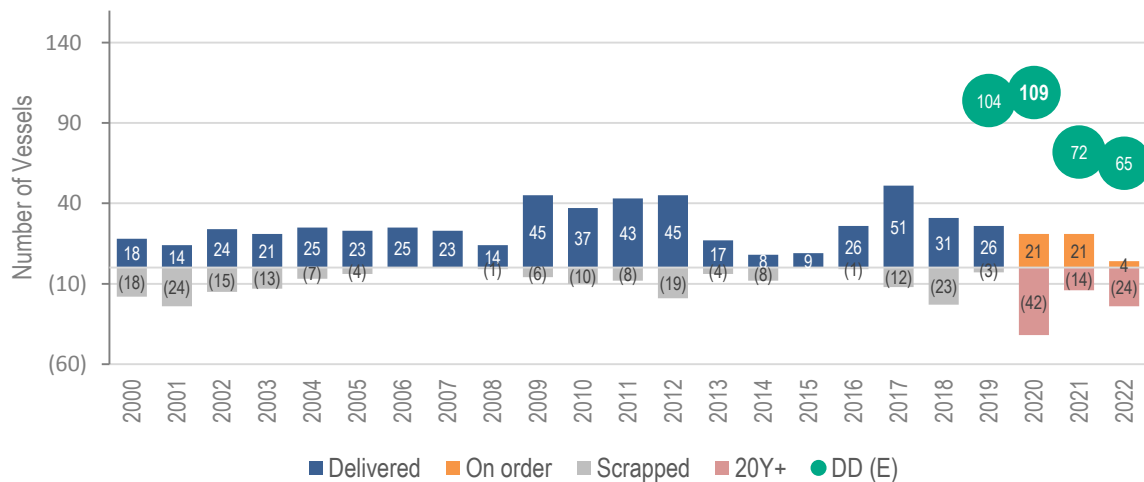
# Global fleet capacity is slowing

## Few new orders and an aging fleet

### VLCC fleet



### Suezmax fleet



### Commentary

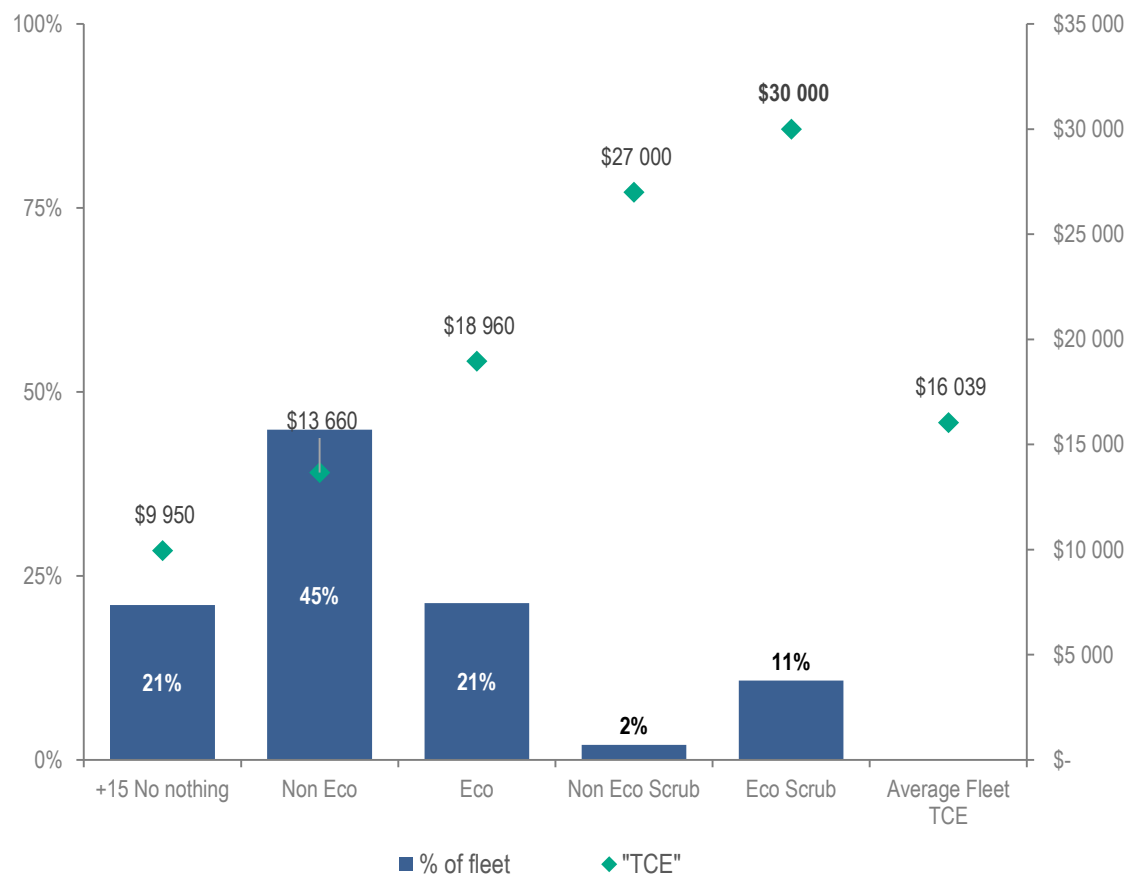
- Fleet growth has always been the key freight market balance
- Very few orders placed recently, order book in % of fleet record low
- Growing number of ships reaching key age barriers
- Dry docking activity high; scrubber work extending times
- Coronavirus in China severely hitting yards workforce and supply of spares



# IMO 2020 Actually Did Happen

Earnings differences widening depending on fuel

## VLCC economics



## Commentary

- The vast majority of the fleet is not scrubber fitted
- Freight is priced on supply/demand of available ships
- Owners returns differentiate vastly
- Floor likely set by the majority of the fleet – near opex
- Large regional differences in price and availability of compliant fuel
- Frontline reaping the benefits of the TFG joint venture

- **Frontlines potential demonstrated in 4<sup>th</sup> quarter results and first quarter guidance.**
- **The company's position and earnings potential is unquestionable.**
- **When markets normalize, the tanker market may resume Q419 trajectory.**
- **Currently the market headwinds remain strong and we are cautious for the near future.**



## Questions & Answers

---





[www.frontline.bm](http://www.frontline.bm)



**Appendix 1  
Reconciliation**

(Millions \$ except per share)

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	YTD 2019	Q4 2018	FULL YEAR 2018
<b>Total operating revenues net of voyage expenses</b>							
Total operating revenues	338	188	193	238	957	217	742
Voyage expenses	(114)	(282)	(91)	(98)	(584)	(95)	(377)
Total operating revenues net of voyage expenses	224	(94)	103	141	374	122	365
<b>Net income adj.</b>							
Net income (loss) attributable to the Company	109	(10)	1	40	140	25	(9)
Add back:							
Loss on termination of vessel lease, net of cash paid	0	0	0	0	0	0	6
Unrealized loss on marketable securities	0	0	0	1	1	5	6
share of losses of associated company	1	0	0	0	1	1	0
Loss on derivatives	0	3	6	4	12	5	5
Less:							
Gain on sale of shares	0	0	0	0	0	0	(1)
Gain on termination of lease	0	0	0	0	0	(9)	(16)
Share of results of associated company	0	(2)	(1)	0	(3)	(0)	(0)
Unrealized gain on marketable securities	(1)	(1)	(2)	0	(3)	0	(2)
Release of accrued dry docking expense	0	0	0	0	0	0	(2)
Gain on derivatives	(2)	0	0	0	(2)	0	(9)
Net income adj.	107	(10)	4	46	147	26	(23)
<i>(in thousands)</i>							
Weighted average number of ordinary shares (basic)	181 068	173 282	170 069	169 821	173 579	169 813	169 810
Weighted average number of ordinary shares (diluted)	197 069	179 906	170 069	169 821	179 315	169 813	169 810
<i>(in \$)</i>							
Basic (loss) earnings per share adjusted for certain non-cash charges	0.59	-0.06	0.02	0.27	0.84	0.15	0.00
Diluted (loss) earnings per share adjusted for certain non-cash charges	0.54	-0.06	0.02	0.27	0.84	154.89	-0.14
<b>EBITDA adj.</b>							
Net income attributable to the Company	109	(10)	1	40	140	25	(9)
Add back:							
Interest expense	25	23	23	23	94	23	93
Depreciation	32	30	28	27	118	28	123
Income tax expense	0	0	0	0	0	0	0
Net income attributable to the non-controlling interest	0	0	0	0	0	0	0
share of losses of associated company	1	0	0	0	1	0	0
Loss on termination of vessel lease, net of cash paid	0	0	0	0	0	0	6
Unrealized loss on marketable securities	0	0	0	1	1	5	6
Loss on derivatives	0	3	6	4	12	5	5
Less:							
Gain on termination of lease	0	0	0	0	0	(9)	(16)
Unrealized gain on marketable securities	(1)	(1)	(2)	0	(3)	0	(2)
Release of accrued dry docking expense	0	0	0	0	0	0	(2)
Share of results of associated company	0	(2)	(1)	0	(3)	0	0
Gain on sale of shares	0	0	0	0	0	0	(1)
Gain on derivatives	(2)	0	0	0	(2)	0	(9)
EBITDA adj.	163	43	56	96	358	78	193

This presentation describes: total operating revenues net of voyage expenses, net income attributable to the Company adjusted for certain non-cash items ("Net income adj.") and related per share amounts and Earnings Before Interest, Tax, Depreciation & Amortisation adjusted for the same non-cash items ("EBITDA adj."), which are not measures prepared in accordance with US GAAP ("non-GAAP").

We believe the non-GAAP financial measures presented in this press release provides investors with a means of evaluating and understanding how the Company's management evaluates the Company's operating performance.

These non-GAAP financial measures should not be considered in isolation from, as substitutes for, nor superior to financial measures prepared in accordance with GAAP.