

# FRONTLINE



First Quarter Presentation May 2020

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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 \$165.3 million, or \$0.84 per diluted share for the first quarter of 2020.
- Net income of \$179.3 million, adjusted for certain non-cash items, or \$0.91 per diluted share for the first quarter of 2020.
- Figures above excludes \$7.1 million of net cash receipts and profit share in relation to the five Suezmax tankers on charter-in and charter-out agreement
- Frontline declares a cash dividend of \$0.70 per share.

Reported earnings basis load to discharge

	Q1 2020	Q2 2020 est.	% done
VLCC	\$74,800	\$92,500	75%
Suezmax	\$57,800	\$69,500	63%
LR2/Aframax	\$31,200	\$50,200	53%

- Closed the \$544.0 million ICBCL facility to finance the 10 Suezmaxes from Trafigura.



# Income Statement

## Q1 2020

*(in thousands of \$ except per share data)*

	2020 Jan - Mar	2019 Oct - Dec	2019 Jan-Dec
<b>Total operating revenues</b>	411 819	337 999	957 322
<b>Other operating gain (loss)</b>	11 333	(1 388)	3 422
Voyage expenses and commission	123 301	113 826	395 482
Contingent rental income (expense)	4 736	1 203	(2 607)
Ship operating expenses	40 965	42 349	157 007
Charter hire expenses	2 039	2 164	8 471
Administrative expenses	11 355	13 123	45 019
Depreciation	32 306	32 302	117 850
<b>Total operating expenses</b>	<b>214 702</b>	<b>204 967</b>	<b>721 222</b>
<b>Net operating income</b>	<b>208 450</b>	<b>131 644</b>	<b>239 522</b>
Interest income	480	490	1 506
Interest expense	(22 634)	(24 694)	(94 461)
Unrealized gain (loss) on marketable securities	(5 397)	758	1 737
Share of results of associated company	1 234	(1 129)	1 681
Foreign currency exchange loss	(1 100)	(476)	(26)
Gain (loss) on derivatives	(15 846)	2 228	(10 069)
Other non-operating items	152	289	403
<b>Net income before income taxes and non-controlling interest</b>	<b>165 339</b>	<b>109 110</b>	<b>140 293</b>
Income tax expense	(8)	(272)	(307)
<b>Net income</b>	<b>165 331</b>	<b>108 838</b>	<b>139 986</b>
Net income attributable to non-controlling interest	-	(17)	(14)
<b>Net income attributable to the Company</b>	<b>165 331</b>	<b>108 821</b>	<b>139 972</b>
Diluted earnings per share attributable to the Company (\$)	0,84	0,55	0,78
Diluted earnings per share attributable to the Company (\$) adj	0,91	0,54	0,82
Weighted average number of ordinary shares (in thousands) (basic)	189 427	181 068	173 579
Weighted average number of ordinary shares (in thousands) (diluted)	197 764	197 069	179 315
Net Income (loss) adj*	179 306	106 965	146 625
EBITDA adj*	234 254	164 250	359 473

## Notes

- Q1 2020 total operating revenues (net of voyage expenses) of \$289 million
- Q1 2020 EBITDA adj. for non-cash items of \$234 million
- Q1 2020 net income of \$165.3 million equivalent to 84 cent per share
- \$7.1 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
- Q1 2020 net income adj. for non-cash items of \$179.3 million equivalent to 91 cent per share
- Non-cash items for Q1 2020:
  - \$5.4 million unrealized loss on marketable securities
  - \$15.8 million loss on derivatives
  - \$4.2 million gain on termination of lease
  - \$1.2 million gain related to our equity method investments
  - \$1.8 million gain on settlement of claim

# Balance Sheet

As of March 31, 2020

<i>(in millions \$)</i>	2020 Mar 31	2019 Dec 31
<b>Assets</b>		
<b>Current assets</b>		
Cash	231	177
Marketable securities	6	11
Other current assets	263	260
<b>Non-current assets</b>		
Newbuildings	67	46
Vessels	3 299	3 021
Goodwill	112	112
Other long-term assets	20	70
<b>Total assets</b>	<b>3 998</b>	<b>3 698</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Short term debt	494	439
Obligations under finance and operational lease	10	288
Other current liabilities	136	121
<b>Non-current liabilities</b>		
Long term debt	1 683	1 254
Obligations under finance and operating lease	61	84
Other long-term liabilities	9	1
Frontline Ltd. stockholders' equity	1 604	1 510
<b>Total liabilities and stockholders' equity</b>	<b>3 998</b>	<b>3 698</b>

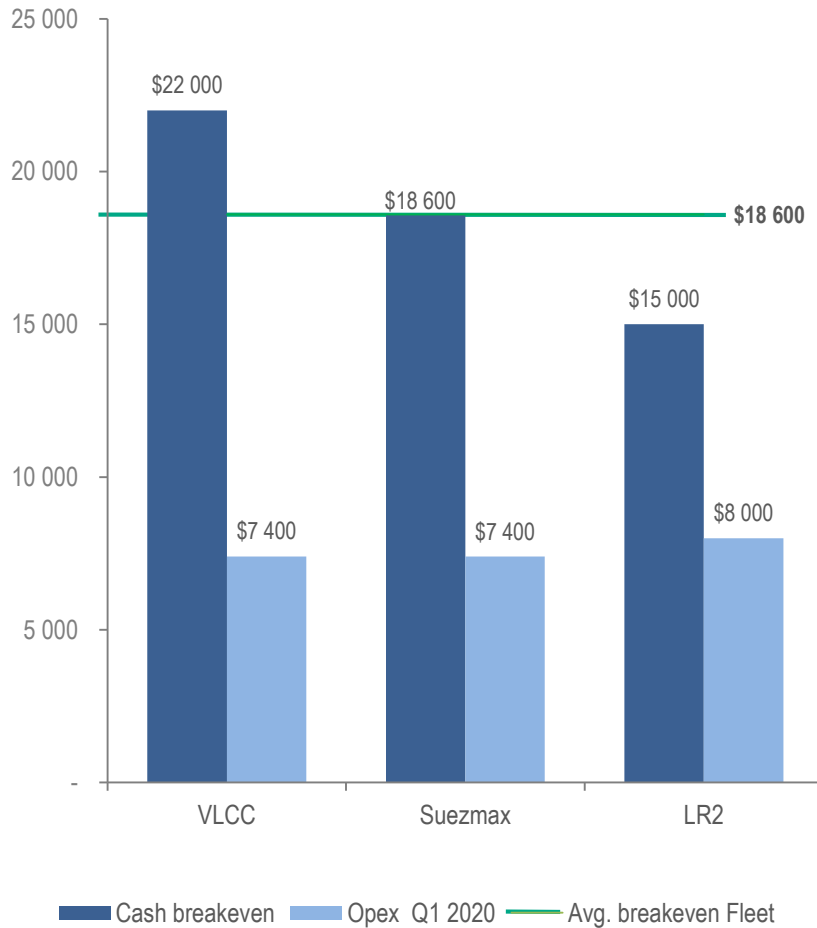
## Notes

- \$392 million in cash and cash equivalents, including undrawn amount of unsecured facility, marketable securities and minimum cash requirements bank as per 31.03.20
- \$282 million in remaining newbuilding Capex and \$239 million in estimated bank debt capacity as per 31.03.20
- Signed a \$544 million sale and leaseback agreement with ICBCCL to finance the cash amount payable upon closing of the 10 Suezmax tankers, which took place on March 16, 2020
- Signed two senior secured term loan facilities of up to \$112.5 million
- Repaid \$60 million of the \$275 million senior unsecured facility in April 2020. Up to \$215 million remains available following the repayment
- Short term debt include \$309.6 million debt maturity of the \$500.1 million facility in Dec 2020, which is expected to be refinanced and \$39.8 million debt maturity of the \$60.6 million facility in March 2021, which was refinanced in May 2020.

# Cash Breakeven and Cash Generation Potential

Well positioned to generate significant cash flow

### Daily cash breakeven and OPEX

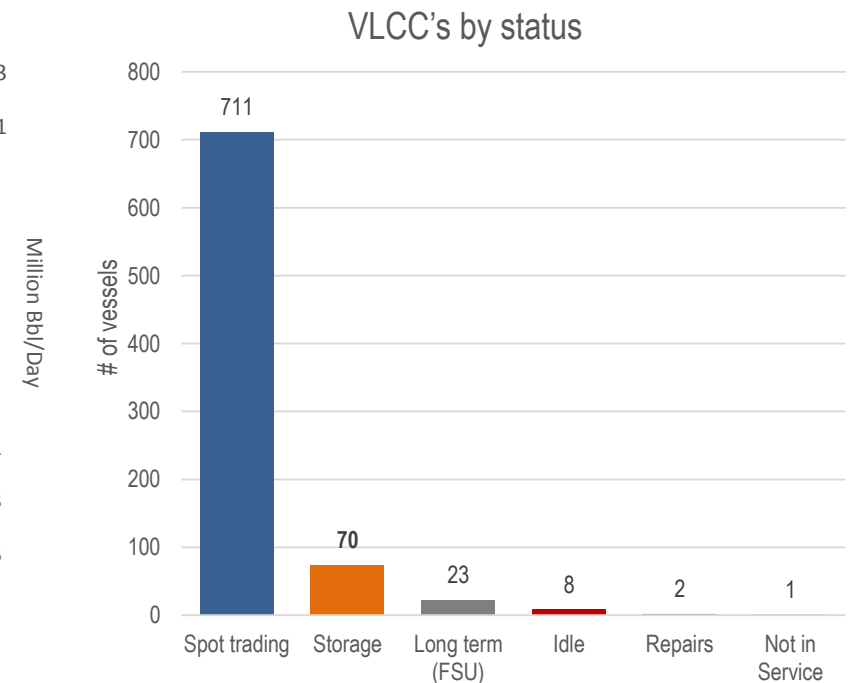
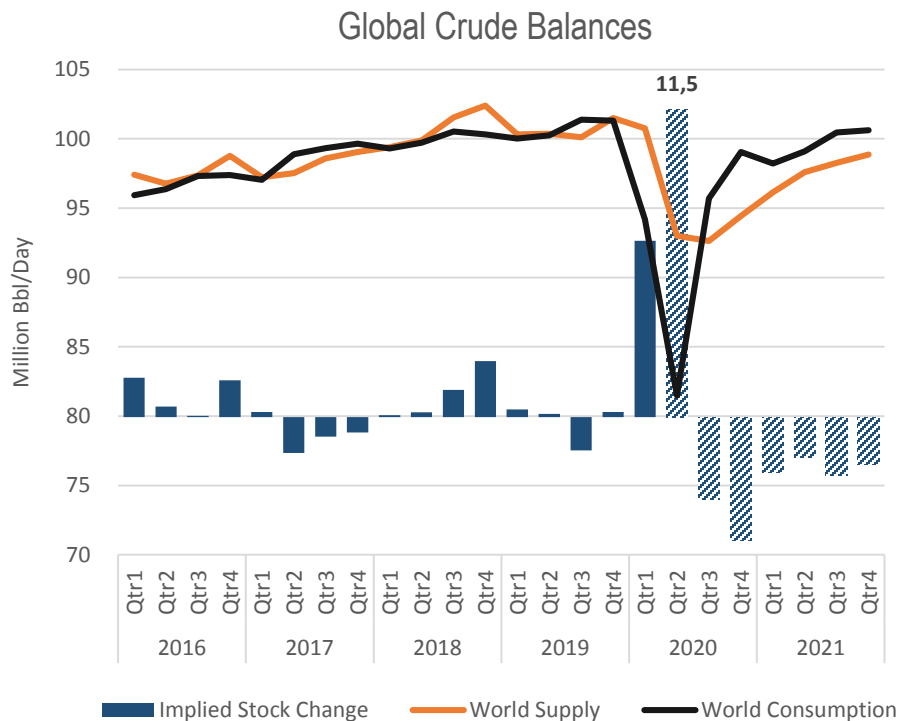


### Cash sensitivity above breakeven levels



Note: Daily cash breakeven in USD based on estimate for the remainder of 2020. Cash generation 365 days from 1. April 2020 and adjusted for NB deliveries

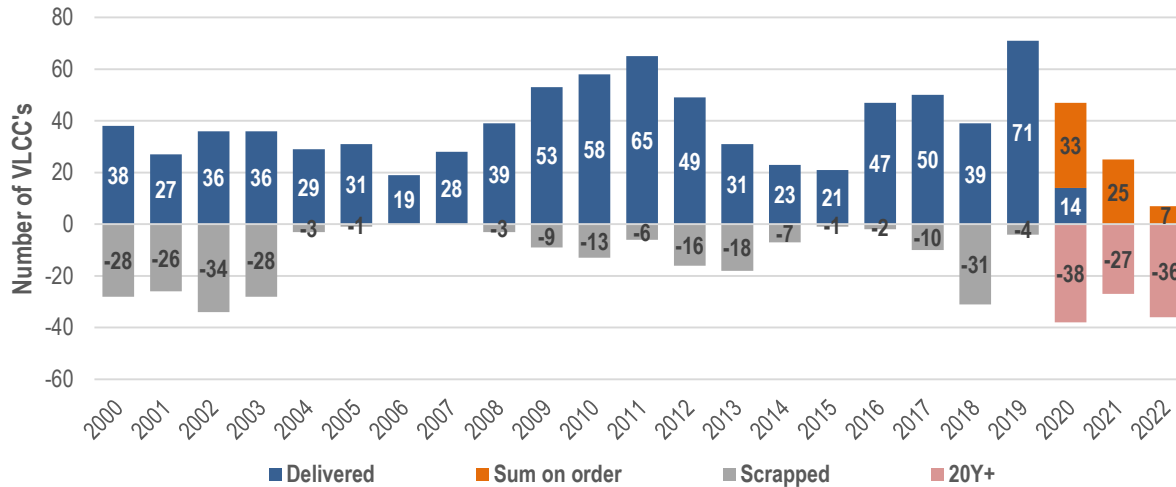
- Freight markets affected by Covid-19 demand shock and OPEC+ price war and cut
- Initially freight demand rose due to volume increasing, then demand for storage took lead
- The oil demand drop was historic, a temporary super-contango created
- Oil on water went to record highs, up 19% YTD, both floating storage and logistical disruptions in play
- The pace at which the global economy recovers will dictate freight going forward



# Global fleet capacity continue to slow

Basic market metrics favorable, low order books and aging fleet

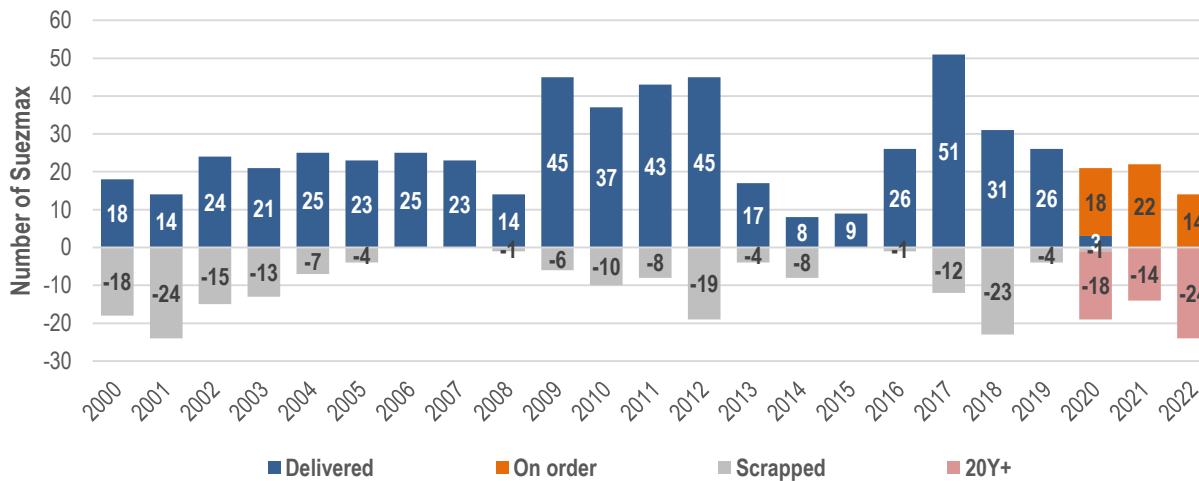
## VLCC fleet



## Commentary

- Fleet growth is always key to freight market balance
- Few orders placed recently, order book in % of fleet at record low
- 24% of the VLCC fleet above 15 years this year
- Fleet supply has not looked this promising since 1997

## Suezmax fleet



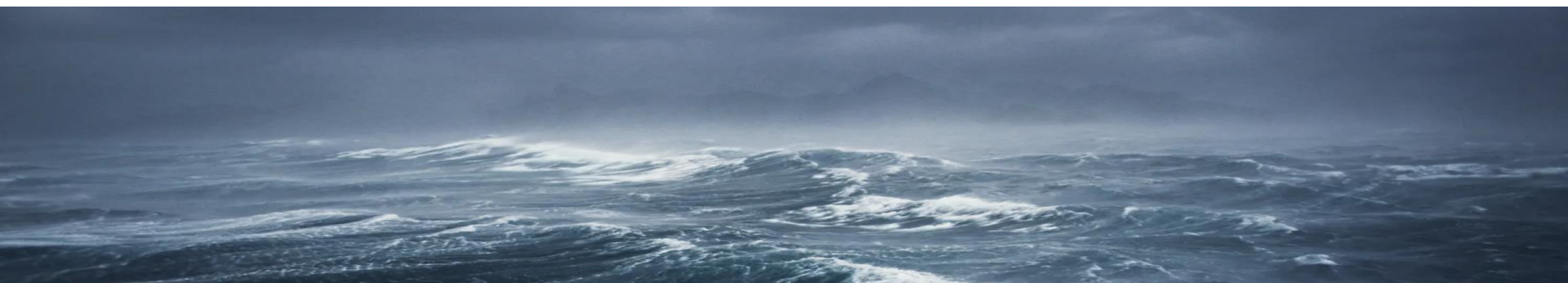


# Present Tanker Market and Outlook

- Oil demand has been 'suppressed' rather than 'destroyed'
- Recent production cuts have been immediate and real
- Oil demand recovery has surprised in recent weeks, Chinese gasoline demand above 2019 figures
- Asia leads the way on demand recovery, US likely to recover faster than Europe
- Currently we estimate around 200 m/b floating storage and we might be close to peak
- We are likely to see an unwind of floating storage in 2H 2020
- We could see production cuts reverse as early as during 2H 2020, it all depends on demand
- Volatility expected to continue going forward, very much like the year so far

*Earnings so far this year have been extraordinary and all focus is currently on inventory drawdowns and production cuts. Fleet delays are not getting much attention, but it is real through congestion, storage, dry-docking's, and future supply sits at 25 year lows. 'All to play for' is our motto for the balance of 2020.*

***Frontline enjoys the youngest fleet and lowest breakeven levels in the history of the company.***



## Questions & Answers

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



## Appendix 1

### Reconciliation

(Million \$ except per share)

	Q1 2020	Q4 2019	YTD 2019
<b>Total operating revenues net of voyage expenses</b>			
Total operating revenues	412	338	957
Voyage expenses	(123)	(114)	(584)
Total operating revenues net of voyage expenses	289	224	374
<b>Net income adj.</b>			
Net income attributable to the Company	165	109	140
Add back:			
Unrealized loss on marketable securities	5	0	1
Share of losses of associated company	0	1	1
Loss on derivatives	16	0	12
Less:			
Gain on termination of lease (net of cash received)	(4)	0	0
Share of results of associated company	(1)	0	(3)
Gain on settlement of claim	(2)	0	0
Unrealized gain on marketable securities	0	(1)	(3)
Gain on derivatives	0	(2)	(2)
<b>Net income adj.</b>	<b>179</b>	<b>107</b>	<b>147</b>
<i>(in thousands)</i>			
Weighted average number of ordinary shares (basic)	189 427	181 068	173 579
Weighted average number of ordinary shares (diluted)	197 764	197 069	179 315
<i>(in \$)</i>			
Basic earnings per share adjusted for certain non-cash items	0,95	0,59	0,84
Diluted earnings per share adjusted for certain non-cash items	0,91	0,54	0,84
<b>EBITDA adj.</b>			
Net income attributable to the Company	165	109	140
Add back:			
Interest expense	23	25	94
Depreciation	32	32	118
Income tax expense	0	0	0
Net income attributable to the non-controlling interest	0	0	0
share of losses of associated company	0	1	1
Unrealized loss on marketable securities	5	0	1
Loss on derivatives	16	0	12
Less:			
Gain on termination of lease (net of cash received)	(4)	0	0
Unrealized gain on marketable securities	0	(1)	(3)
Gain on settlement of claim	(2)	0	0
Share of results of associated company	(1)	0	(3)
Gain on derivatives	0	(2)	(2)
<b>EBITDA adj.</b>	<b>234</b>	<b>164</b>	<b>359</b>

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.