

# FRONTLINE



Third Quarter Presentation Nov 2021

# Forward Looking Statements

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.

Reported earnings basis load to discharge

	Q3 2021	Q4 2021 est.	% done
<b>VLCC</b>	<b>\$10,500</b>	\$21,600	79%
<b>Suezmax</b>	<b>\$7,900</b>	\$17,900	72%
<b>LR2 / Aframax</b>	<b>\$10,700</b>	\$16,000	64%



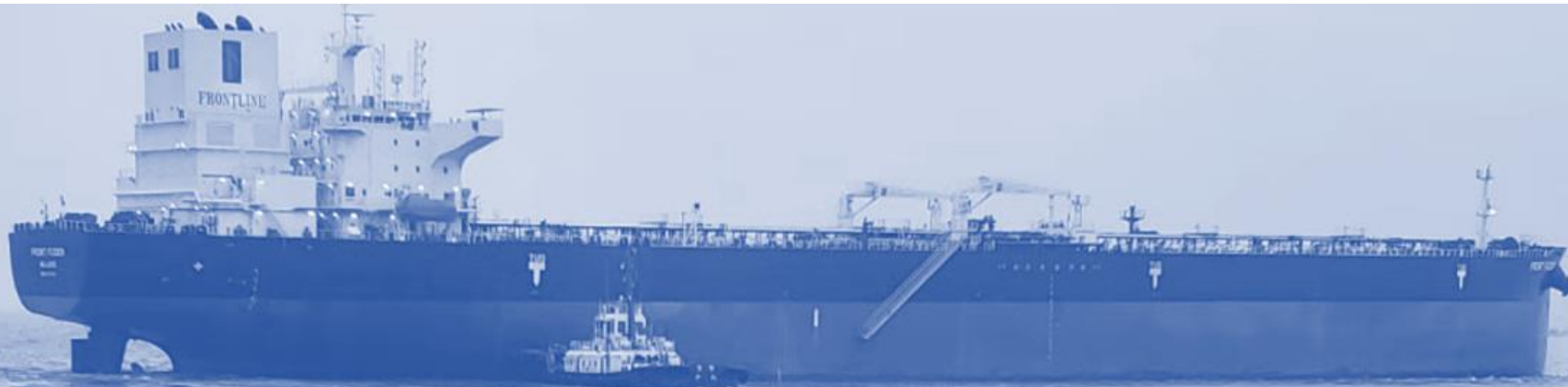
**VLCC**  
**Suezmax**  
**LR2 / Aframax**



- Net loss of \$33.2 million, or \$0.17 per diluted share
- Adjusted net loss of \$35.9 million, or \$0.18 per diluted share



- Entered into term loan facilities and obtained financing commitments for a total amount of up to \$507.0 million to partially finance the acquisition of two 2019 built VLCCs and six VLCC newbuilding contracts
- Extended the terms of its senior unsecured revolving credit facility of up to \$275.0 million with an affiliate of Hemen Holding Ltd. by 12 months to May 2023
- Entered into an agreement to sell four of its scrubber-fitted LR2 tankers built in 2014 and 2015 for an aggregate sale price of \$160.0 million. The transaction is expected to generate net cash proceeds of approximately \$67.0 million.



# Income Statement – Highlights

	2021 Jul - Sep	2021 Apr - Jun	2020 Jan - Dec
<i>(in thousands of \$ except per share data)</i>			
<b>Total operating revenues (net of voyage expenses)</b>	<b>68,961</b>	<b>79,955</b>	<b>868,089</b>
Other operating gain	278	596	29,902
Contingent rental (income) expense	(991)	(961)	14,568
Ship operating expenses	45,562	48,727	183,063
Charter hire expenses	-	322	9,557
Administrative expenses	6,452	7,947	44,238
<b>EBITDA</b>	<b>20,730</b>	<b>25,422</b>	<b>627,018</b>
<b>EBITDA adj (*)</b>	<b>16,777</b>	<b>27,641</b>	<b>632,407</b>
Interest expense	(15,222)	(14,654)	(72,160)
<b>Net income</b>	<b>(33,206)</b>	<b>(26,631)</b>	<b>412,875</b>
<b>Net income adj (*)</b>	<b>(35,914)</b>	<b>(23,192)</b>	<b>421,602</b>
<b>Diluted earnings per share</b>	<b>(0.17)</b>	<b>(0.13)</b>	<b>2.09</b>
<b>Diluted earnings per share adjusted</b>	<b>(0.18)</b>	<b>(0.12)</b>	<b>2.13</b>

## Adjustment items for Q3 2021:

- \$0.2 million gain on marketable securities
- \$1.2 million gain on derivatives
- \$1.3 million amortization of acquired time charters

Note: Diluted earnings per share is based on 198,028 and 197,692 weighted average shares (in thousands) outstanding for Q3 2021 and Q2 2021, respectively

\*See Appendix 1 for reconciliation to nearest comparable GAAP figures



# Balance Sheet - Highlights

	2021 Sep 30	2021 Jun 30	2020 Dec 31
<i>(in millions \$)</i>			
<b>Assets</b>			
Cash	122	142	190
Other current assets	198	190	189
<b>Non-current assets</b>			
Vessels and newbuildings	3,524	3,526	3,418
Goodwill	112	112	112
Prepaid consideration	18	-	-
Other long-term assets	13	12	10
<b>Total assets</b>	<b>3,988</b>	<b>3,982</b>	<b>3,918</b>
<b>Liabilities and Equity</b>			
Short term debt and current portion of long term debt	167	326	167
Obligations under finance and operational lease	9	9	12
Other current liabilities	92	92	102
<b>Non-current liabilities</b>			
Long term debt	2,092	1,891	1,969
Obligations under finance and operating lease	46	49	53
Other long-term liabilities	1	1	4
Noncontrolling interest	(0)	(0)	(0)
Frontline Ltd. stockholders' equity	1,583	1,614	1,612
<b>Total liabilities and stockholders' equity</b>	<b>3,988</b>	<b>3,982</b>	<b>3,918</b>

## Notes

- \$190 million in cash and cash equivalents, including undrawn amount of unsecured facility, marketable securities and minimum cash requirements bank as per 30.09.21
- Frontline's remaining NB and vessel acquisition Capex of \$659.4 million as per September 30, 2021 is fully funded by \$540.4 million in estimated debt capacity and \$118.2 million in cash raised through ATM and the sale of four LR2 tankers.
- No debt maturities until 2023



# Cash Breakeven and Cash Generation Potential

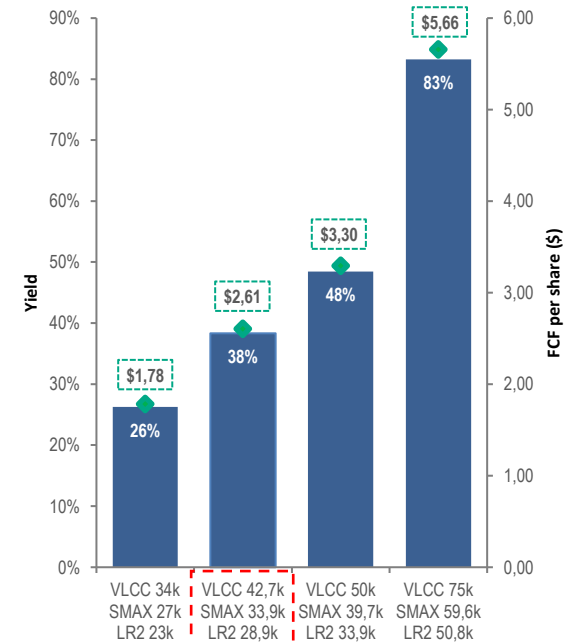
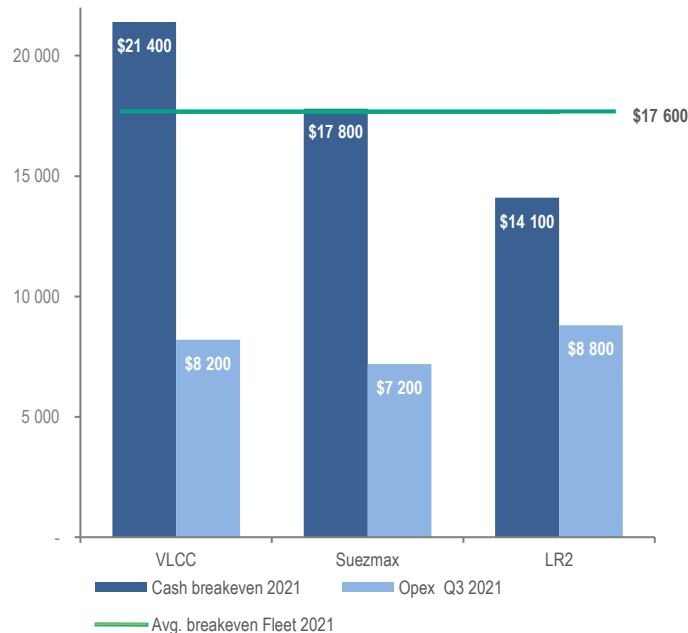
Low cash breakeven levels provide significant operating leverage & protect our cash flows during periods of market weakness



Highly attractive terms on the new financings, reduce our borrowing cost and industry leading cash break even rates



Huge cash generation potential – Free Cash Flow Yield (%) and Free Cash Flow per share (\$) indicates strong potential return



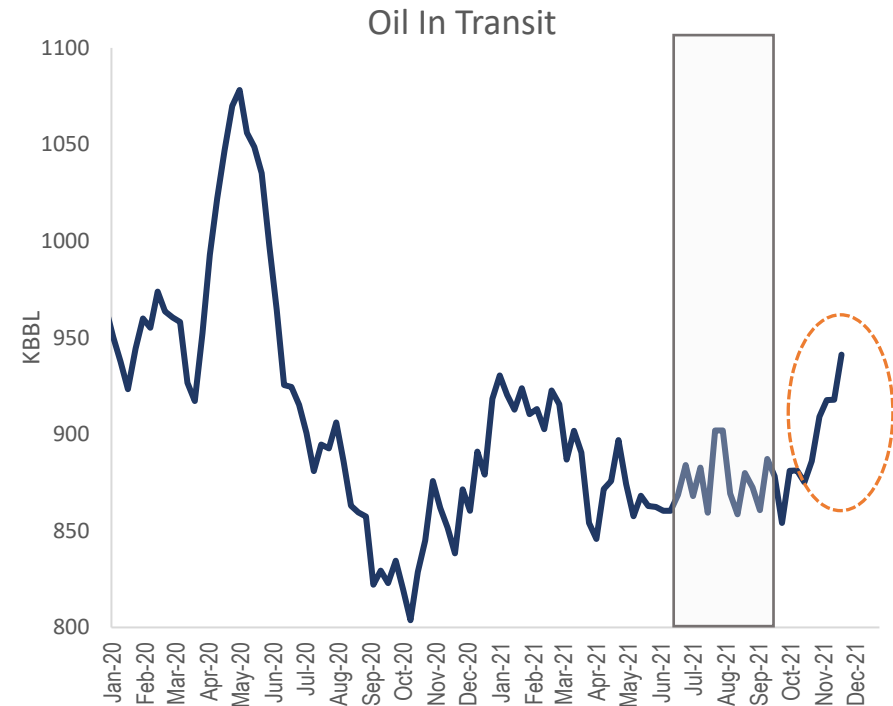
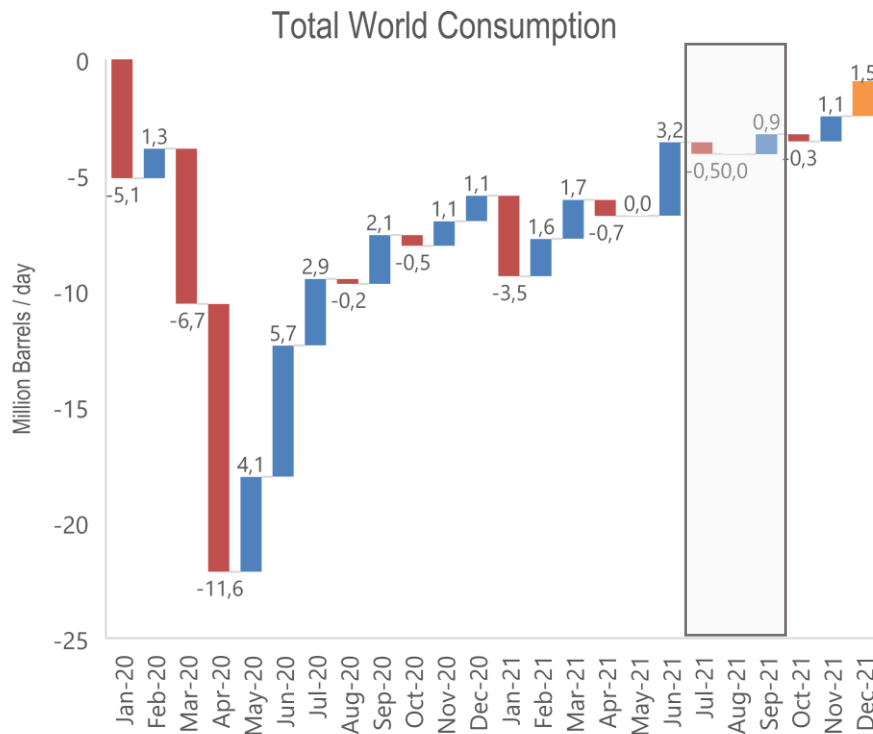
Note: Daily cash breakeven in USD based on estimate for remainder of 2021.

Free cash flow / yield (yearly) based on current fleet and closing price on 26<sup>th</sup> Nov. 2021. TCE rates based on Clarkson Research for the period 2000-2021 (Nov.), and used same relative performance as historical average between the three segments. Also adjusted for Eco / Scrubber.

Avg. historical earnings for Non-Eco vessels for the period 2000-2021 (Nov)  
Source: Clarkson Research

## Tanker rates bottomed at the seasonally weakest point (*in a 'normal' year*)

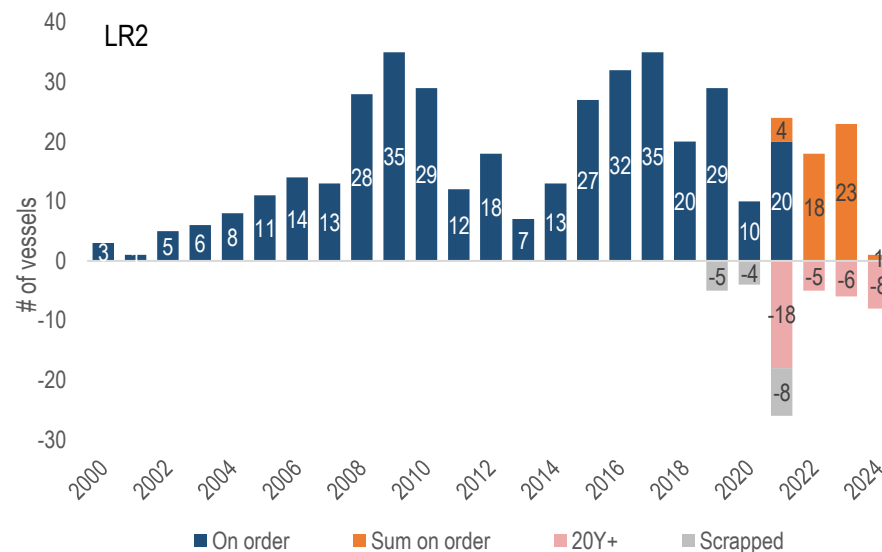
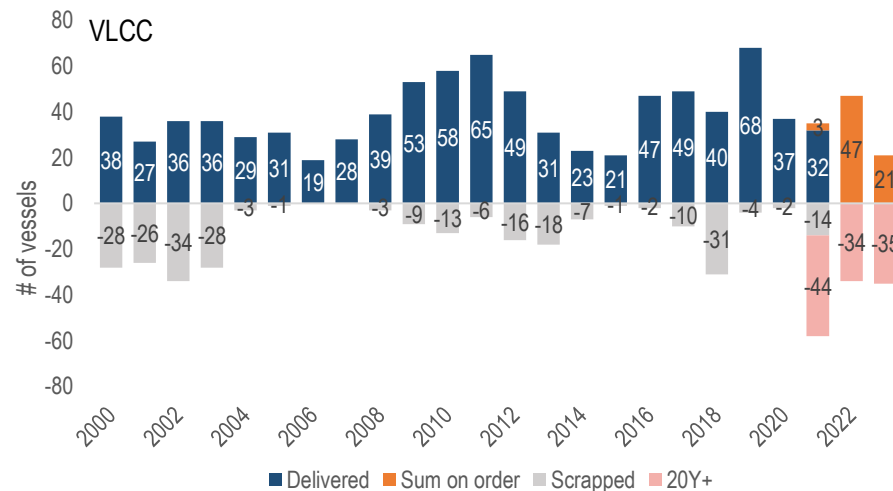
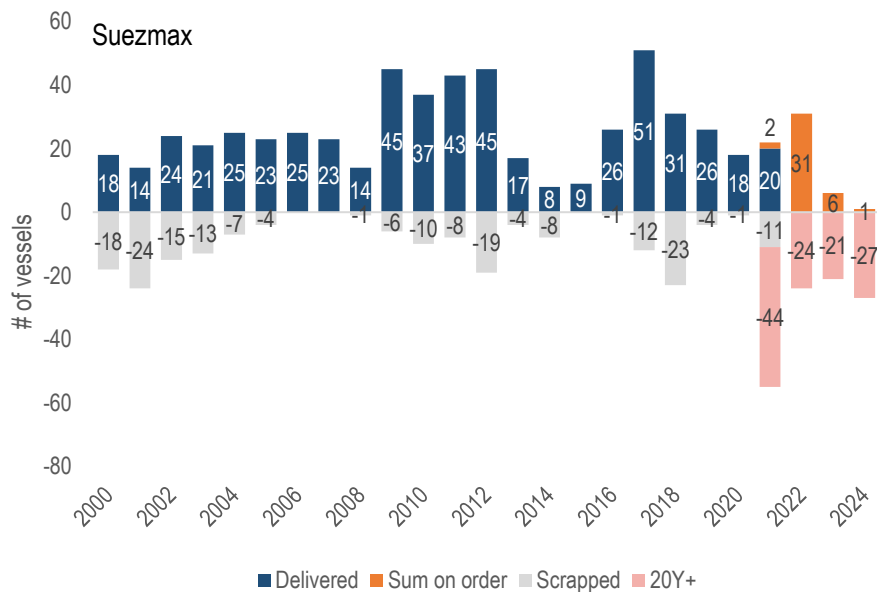
- Global oil consumption averaged 98.6 million bbl/day in Q3-21, up 1.9 mbd from Q2-21. Supply averaged 96.8 million bbl/day hence the world continued to draw 1.8 mbd of inventories
- OPEC+ supply rose an average of 1.4 mbd compared to Q2-21, and key OPEC suppliers came out of peak demand towards the end of the period.
- Strong demand growth in North America and greater Europe, whilst Asian demand recovery was muted also in the third quarter
- Oil and energy prices volatile in Q3-21, but performed strongly as the quarter came to an end



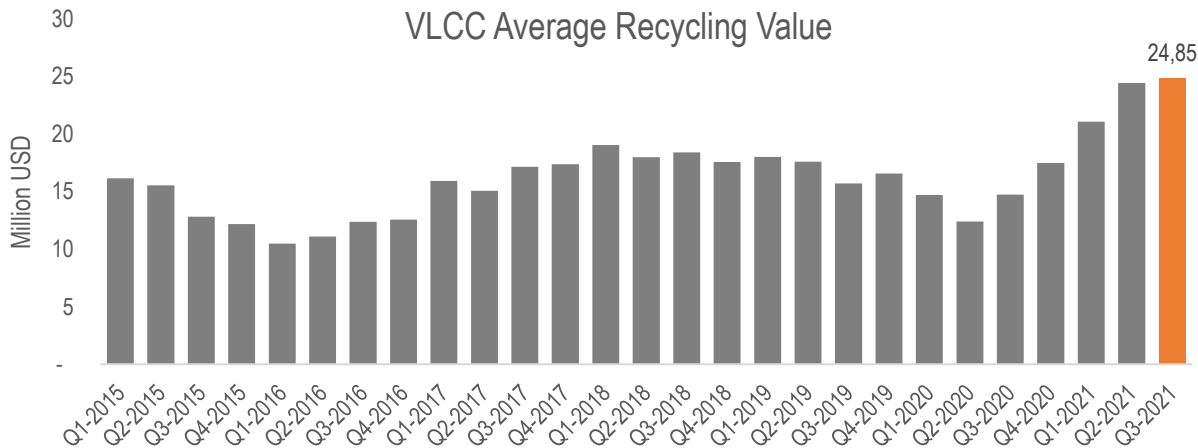
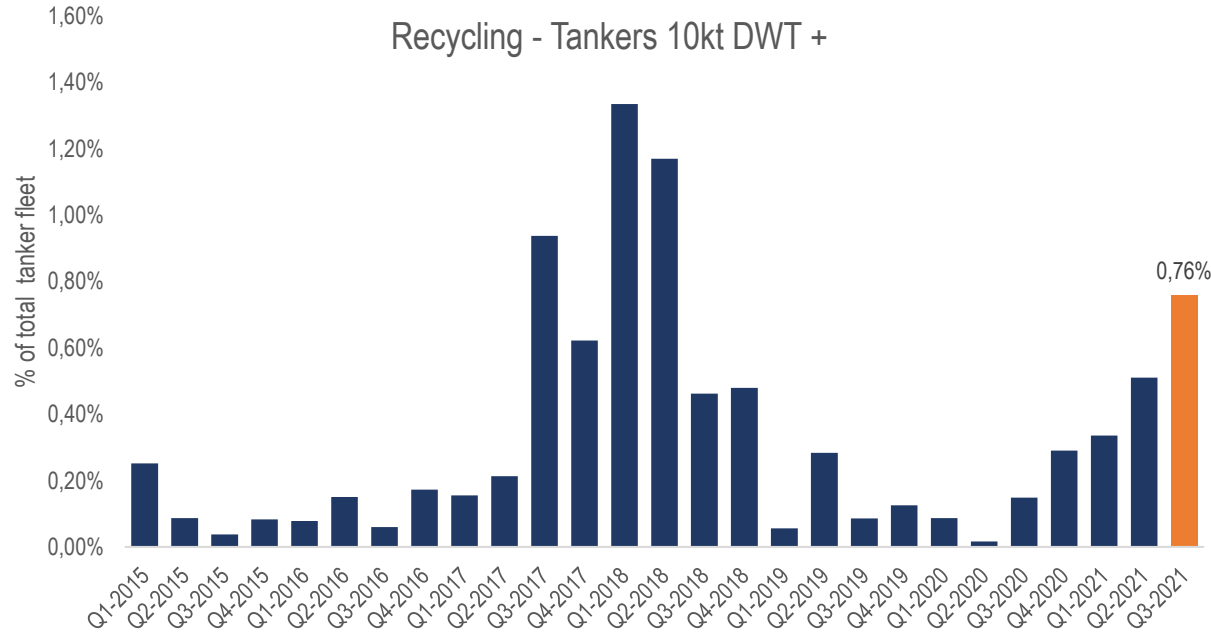
# Tanker Orderbooks

## Tanker orderbooks are shrinking as vessels deliver

- Q3-21 saw 1 Suezmax order and 8 LR2/Aframax orders.
- Delivery window for ordering a significant number of tankers is now even limited for 2024....
- 2023 is destined to show few VLCC and Suezmax delivered
- Newbuilding prices are indicated at very high levels, as a combination of high steel prices and low availability prevails. Ordering now becomes a bet on steel prices in 2023....
- VLCC orderbook is now at 71 units, 113 VLCC's will be above or pass 20 years in the same period, for Suezmax we are at 41 units and 116 passing 20 years on same metrics



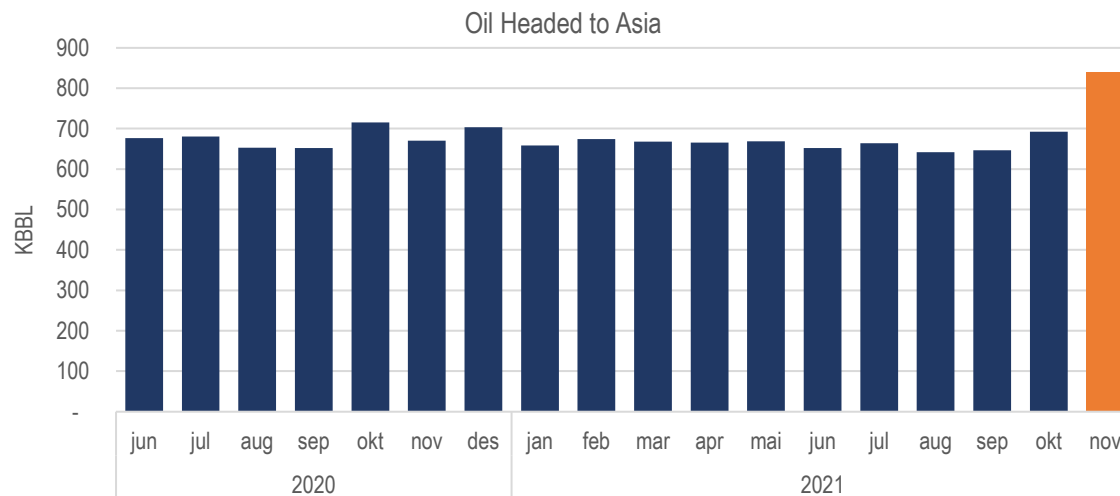
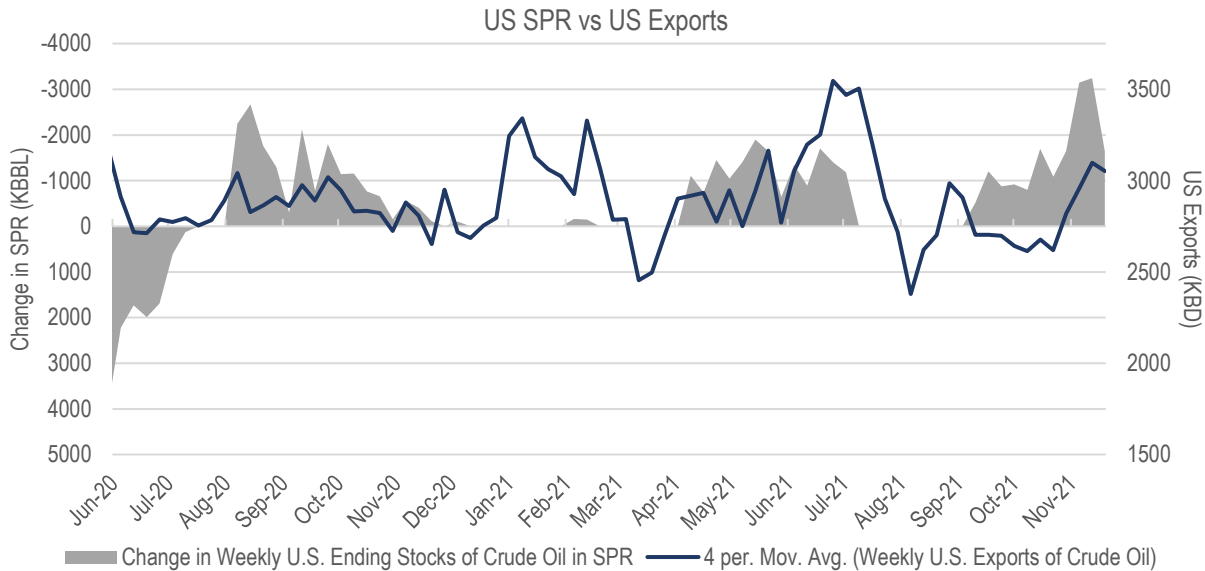
With record high recycle-steel prices, activity is finally accelerating



## Commentary

- Recycling activity has picked up during 2021.
- 2017-2018 was the last big period for vessel retirement, Q3-21 alone 0,76% of the global tanker fleet was sold for recycling.
- We believe this trend will continue; the aging fleet is severely challenged in the spot market.
- Alternative use opportunities for older tankers, typically storage or conversion, virtually non existing currently.
- 15 VLCC, 11 Suezmax, 18 Aframax and 8 LR2's are reported sold for demolition year to date. Broadly speaking ~2% of existing fleet.

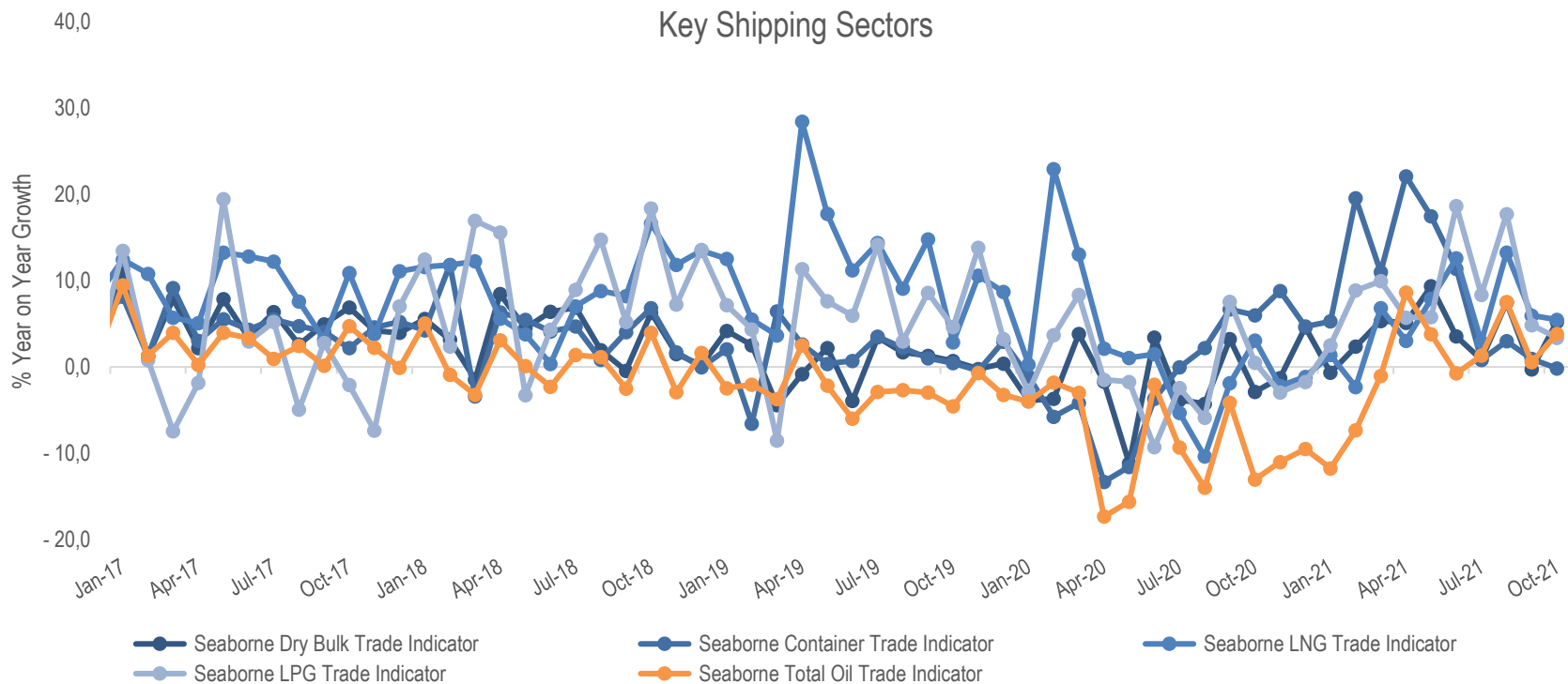
## Potential impact of coordinated SPR releases



### Commentary

- US has released volume from their SPR on a few occasions the last 18 months.
- Despite US inventories being below 5-year averages, the country is not short crude oil.
- After the recent releases, one has observed slightly higher exports with a significant part of the volume going to Asia, particularly in Oct and Nov-21
- China, India, South Korea and Japan have pledged to join US effort and release from SPR but apart from India, none have been specific on volume.
- The Asian countries are far more sensitive to severe supply disruptions having limited domestic production capacity.
- The Northern Asia are facing record high energy prices as they head into winter.

- Demand, and supply of oil continues to rise, but the Omicron version now clouding the outlook
- Tanker markets have recovered since Q3-21, but still challenged by oil supply not fully at pre pandemic levels
- Tanker recycling finally starting to make an impact on vessel supply
- US SPR releases, OPEC+ strategy going forward and resumed Iran nuclear talks – lots of moving parts!
- Oil in transit continue to rise, energy prices at record highs as the northern hemisphere is heading in to winter.
- Frontline’s financial commitments are now fully funded, with reduced over all funding cost and we are well positioned as the story of this market unfolds.



## Questions & Answers

---





FRONTLINE

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



## Appendix 1 Reconciliation

(Million \$ except per share)

	Q3 2021	Q2 2021	Q1 2021	FY 2020
<b>Total operating revenues net of voyage expenses</b>				
Total operating revenues	172	170	194	1,221
Voyage expenses	(103)	(90)	(87)	(353)
<b>Total operating revenues net of voyage expenses</b>	<b>69</b>	<b>80</b>	<b>107</b>	<b>868</b>
<b>Net income (loss) adj.</b>				
Net income (loss) attributable to the Company	(33)	(27)	29	413
Add back:				
Loss on marketable securities	—	—	—	5
Share of losses of associated company	—	1	—	6
Loss on derivatives	—	5	—	22
Less:				
Gain on sale of subsidiary	—	—	—	(7)
Gain on termination of lease (net of cash received)	—	—	—	(4)
Share of results of associated company	—	—	—	(1)
Gain on settlement of claim	—	—	—	(2)
Gain on marketable securities	—	(1)	(3)	(3)
Gain on derivatives	(1)	—	(16)	(3)
Amortization of acquired time charters	(1)	(1)	(1)	(4)
<b>Net income (loss) adj.</b>	<b>(36)</b>	<b>(23)</b>	<b>9</b>	<b>422</b>
<i>(in thousands)</i>				
Weighted average number of ordinary shares (basic)	198,028	197,692	197,692	195,637
Weighted average number of ordinary shares (diluted)	198,028	197,692	197,775	197,808
<i>(in \$)</i>				
Basic earnings (loss) per share adjusted for certain non-cash items	(0.18)	(0.12)	0.04	2.16
Diluted earnings (loss) per share adjusted for certain non-cash items	(0.18)	(0.12)	0.04	2.13
<b>EBITDA adj.</b>				
Net income (loss) attributable to the Company	(33)	(27)	29	413
Add back:				
Interest expense	15	15	15	72
Depreciation and amortization	37	36	36	139
Income tax benefit (expense)	—	—	—	—
Net income attributable to the non-controlling interest	—	—	—	—
Share of losses of associated company	—	1	—	6
Loss on marketable securities	—	—	—	5
Loss on derivatives	—	5	—	22
Less:				
Gain on sale of subsidiary	—	—	—	(7)
Gain on termination of lease (net of cash received)	—	—	—	(4)
Gain on marketable securities	—	(1)	(3)	(3)
Gain on settlement of claim	—	—	—	(2)
Share of results of associated company	—	—	—	(1)
Gain on derivatives	(1)	—	(16)	(3)
Amortization of acquired time charters	(1)	(1)	(1)	(4)
<b>EBITDA adj.</b>	<b>17</b>	<b>28</b>	<b>59</b>	<b>632</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.