FRONTLINE LTD /
Form 6-K
November 23, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO
RULE 13A-16 OR 15D-16 UNDER THE SECURITIES
EXCHANGE ACT OF 1934

For the nine months ended September 30, 2018

Commission File Number: 001-16601

FRONTLINE LTD.
(Translation of registrant's name into English)

Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F [X]   Form 40-F [   ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ________.

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ________.

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached hereto as Exhibit 1 to this Report on Form 6-K are the unaudited condensed consolidated interim financial statements and related Management's Discussion and Analysis of Financial Condition and Results of Operations of Frontline Ltd. (the "Company") for the nine months ended September 30, 2018.

This Report on Form 6-K is hereby incorporated by reference into the Company's Registration Statements on Form F-3, filed with the Commission on June 11, 2015 (File No. 333-204884) and on April 10, 2017 (File No. 333-217238).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	FRONTLINE LTD. (registrant)
Dated: November 23, 2018	By: /s/ Inger M. Klemp Name: Inger M. Klemp Title: Principal Financial Officer

EXHIBIT 1

FRONTLINE LTD.

As used herein, "we," "us," "our", "Frontline" and "the Company" all refer to Frontline Ltd.. This management's discussion and analysis of financial condition and results of operations should be read together with the discussion included in the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2017.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Nine Months Ended September 30, 2018

General

As of September 30, 2018, the Company’s fleet consisted of 63 vessels, with an aggregate capacity of approximately 12.2 million DWT:

(i) 46 vessels owned by the Company (12 VLCCs, 16 Suezmax tankers, 18 LR2/Aframax tankers);
(ii) five VLCCs that are under capital leases;
(iii) one VLCC that is recorded as an investment in finance lease;
(iv) two VLCCs chartered in from an unrelated third party;
(v) nine vessels that are under the Company’s commercial management (three VLCCs, two Suezmax tankers, two LR2 tankers and two Aframax oil tankers)

Furthermore, the Company has two VLCC newbuildings under construction, both expected to be delivered in January 2019.

As of September 30, 2018, the Company had entered into a time charter-out contract for one LR2 tanker with expiry in Q1 2019 at an average rate of $17,300 per day.

Fleet changes

(number of vessels)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	Year ended December 31, 2017
VLCCs			
At start of period	20	21	21
Other acquisitions/newbuilding deliveries	2	3	3
Disposal/lease termination	(4)	(2)	(2)
Chartered-in/ redelivered	1	(2)	(2)
At end of period	19	20	20
Suezmax tankers			
At start of period	16	14	14
Other acquisitions/newbuilding deliveries	—	6	6
Disposal/lease termination	—	(2)	(2)
Chartered-in/ redelivered	—	(2)	(2)
At end of period	16	16	16
LR2/Aframax tankers			
At start of period	17	11	11
Other acquisitions/newbuilding deliveries	1	6	6
Disposal/lease termination	—	—	—
Chartered-in/ redelivered	—	—	—
At end of period	18	17	17
MR tankers			
At start of period	—	3	3
Other acquisitions/newbuilding deliveries	—	—	—
Disposal/lease termination	—	—	—
Chartered-in/ redelivered	—	(2)	(3)
At end of period	—	1	—
Total			
At start of period	53	49	49
Other acquisitions/newbuilding deliveries	3	15	15
Disposal/lease termination	(4)	(4)	(4)
Chartered-in/ redelivered	1	(6)	(7)
At end of period	53	54	53

(1) The table above excludes vessels commercially managed on behalf of third parties and related parties and also the vessel recorded as an investment in finance lease.

Results of Operations

Amounts included in the following discussion are derived from our unaudited condensed consolidated financial statements for the nine months ended September 30, 2018 and September 30, 2017.

Total operating revenues and voyage expenses and commissions

(in thousands of $)	2018	2017
Time charter revenues	20,568	88,501
Voyage charter revenues	485,847	363,448
Finance lease interest income	1,009	1,360
Other income	17,792	14,437
Total operating revenues	525,216	467,746
Voyage expenses and commissions	283,063	179,950

Time charter revenues decreased by $67.9 million in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 primarily due to the redelivery of vessels from time charters back on to voyage charters, a small reduction as a result of a lower rate achieved on one vessel and the redelivery of one chartered in vessel in August 2017. This was offset by a small increase in time charter revenues as a result of a small number of short term charters entered into in the nine months ended September 30, 2018.

Voyage charter revenues increased by $122.4 million in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 primarily due to the delivery of 18 newbuildings since January 1, 2017 and the net reduction in vessels trading under time charters. These factors were partially offset by a decrease in the market rates, the redelivery of eight vessels chartered in under long-term leases from Ship Finance and the net reduction in vessels chartered in under operating leases.

The finance lease interest income in the nine months ended September 30, 2018 relates to the investment in finance lease, which was acquired upon the merger in 2015 with Frontline 2012 Ltd ("the Merger").

Other income primarily comprises the income earned from the commercial management of related party and third party vessels and newbuilding supervision fees derived from related parties and third parties. The increase in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 was primarily due to a loss of $1.0 million booked on a commercial management profit share arrangement in the nine months ended September 30, 2017 and an increase in commissions in the nine months ended September 30, 2018.

Voyage expenses and commissions increased by $103.1 million in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 primarily due to the delivery of 18 newbuildings since January 1, 2017, the net reduction in vessels trading under time charters and an increase in bunker prices. These factors were partially offset by a decrease due to the termination of the long-term charters on eight vessels leased from Ship Finance and the net reduction in vessels chartered in under operating leases.

Other operating gains

(in thousands of $)	2018	2017
Gain on termination of vessel leases	1,382	2,378
Loss on pool arrangements	(143)	—
Other operating gains	1,239	2,378

In March 2017, the lease with Ship Finance for the 1998-built VLCC Front Century was terminated. The Company recorded a gain on this lease termination of $20.6 million in the first quarter of 2017.

In May and June 2017, the lease with Ship Finance International Ltd ("Ship Finance") for the Suezmax Front Brabant and the VLCC Front Scilla were terminated. The Company recorded a loss on the Front Brabant lease

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termination of $4.9 million, and a loss on the Front Scilla lease termination of $7.3 million in the second quarter of 2017.

In July 2017, the Company agreed with Ship Finance to terminate the long-term charter for the 1997 built Suezmax tanker Front Ardenne upon the sale and delivery of the vessel by Ship Finance to an unrelated third party. The charter with Ship Finance terminated in August. The Company agreed to make a compensation payment to Ship Finance of $4.8 million for the termination of the charter. The Company recorded a loss on termination, including this termination payment, of $5.8 million in the nine months ended September 30, 2017.

In February 2018, the Company agreed with Ship Finance to terminate the long-term charter for the 1998-built VLCC Front Circassia upon the sale and delivery of the vessel by Ship Finance to an unrelated third party. The charter with Ship Finance terminated in February and the charter counter party Frontline Shipping Limited ("FSL"); a non recourse subsidiary of the Company; has agreed to pay a compensation of approximately $8.9 million for the termination of the charter to Ship Finance, which has been recorded as an interest-bearing note payable by FSL. The Company has recorded a loss on termination, including this termination payment, of $5.8 million in the nine months ended September 30, 2018.

In July 2018, the Company agreed with Ship Finance to terminate the long-term charter for the VLCC Front Page, Front Stratus and Front Serenade upon the sale and delivery of the vessels by Ship Finance to an unrelated third party. The charters with Ship Finance terminated in July, August and September, 2018 respectively and the Company has agreed to pay a compensation of approximately $10.125 million for the termination of the three charters to Ship Finance, which has been recorded as interest-bearing notes payable by the Company. Payments of principal and interest are to be made in equal monthly amounts, such that the notes are fully repaid on final maturity. The notes carry an interest of 7.5% per annum and will be fully repaid in 2025, 2025 and 2024 respectively. These terminations have reduced obligations under capital leases by approximately $92.1 million. The Company has recorded a gain on termination, including the termination payment, of $7.2 million in the nine months ended September 30, 2018. In July 2018, the Company entered into an agreement with the unrelated third party to provide the commercial management of these three vessels.

In the nine months ended September 30, 2018 a loss on pool arrangements of $0.1 million was recognized.

Contingent rental income

(in thousands of $)	2018	2017
Contingent rental income	(18,026)	(19,191)

Contingent rental income in the nine months ended September 30, 2018 relates to the eight charter party contracts with Ship Finance and is due to the fact that the actual profit share payable in the nine months ended September 30, 2018 of nil was $18.0 million less than the amount accrued in the lease obligation payable when the leases were recorded at fair value at the time of the Merger. In the nine months ended September 30, 2017 the actual profit share payable of $5.6 million was $19.2 million less than the amount accrued in the lease obligation payable when the leases were recorded at fair value at the time of the Merger. The decrease in contingent rental income is due to a decrease in the amount payable to Ship Finance as a result of the reduction in the number of vessels leased in from Ship Finance. These amounts are treated as non-cash items in the Consolidated Statement of Cash Flows for the nine months ended September 30, 2018 and September 30, 2017.

Ship operating expenses

(in thousands of $)	2018	2017
Ship operating expenses	98,160	102,334

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Ship operating expenses are the direct costs associated with running a vessel and include crew costs, vessel supplies, repairs and maintenance, dry docking expenses, lubricating oils and insurance.

Ship operating expenses decreased in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 primarily due to a reduction in the number of vessels drydocking, from seven in the nine months ended September 30, 2017 to one in the same period in 2018. Furthermore the dry docking expense on the one vessel docked in 2018 was offset by the release of a $2.1 million accrual carried since the time of the merger. This accrual related to the one dry docking that occurred in the period. Additionally the termination of the long-term charters on eight vessels leased from Ship Finance since January 1, 2017 further reduced operating expenses. These factors were partially offset by an increase in costs due to the delivery of 18 newbuildings since January 1, 2017.

Charter hire expenses

(in thousands of $)	2018	2017
Charter hire expenses	16,135	17,715

Charter hire expense decreased in the nine months ended September 30, 2018 as compared with the nine months ended September 30, 2017 primarily due to the reduction in the number of vessels chartered in under operating leases and back-to-back charters.

Impairment loss on vessels

(in thousands of $)	2018	2017
Impairment loss on vessels	—	21,247

In the nine months ended September 30, 2017, the company recorded a non-cash impairment loss of $21.2 million in relation to two Suezmax tankers (Front Ardenne and Front Brabant) and two VLCC tankers (Front Scilla and Front Circassia). No impairments were recorded for the corresponding period in 2018.

Administrative expenses

(in thousands of $)	2018	2017
Administrative expenses	27,989	28,719

Administrative expenses for the nine months ended September 30, 2018 were comparable to the nine months ended September 30, 2017.

Depreciation

(in thousands of $)	2018	2017
Depreciation	94,270	105,360

Depreciation expense decreased in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 primarily due to the termination of the long-term charters since January 1, 2017 on eight vessels chartered in from Ship Finance, plus a general reduction in depreciation expenses on all vessels chartered from Ship Finance due to an impairment loss recorded in the fourth quarter of 2017 which reduced the net book values of all of these vessels. These factors were offset by an increase in depreciation expense of approximately $17.3 million due to the delivery of 18 newbuildings since January 1, 2017.

Interest income

(in thousands of $)	2018	2017
Interest income	556	338

Interest income in the nine months ended September 30, 2018 and the nine months ended September 30, 2017 relates solely to interest received on bank deposits.

Interest expense

(in thousands of $)	2018	2017
Interest expense	(70,314)	(49,745)

Interest expense increased in the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 primarily due to the draw down of loans in relation to the delivery of 18 newbuildings since January 1, 2017, including an increase in expense due to the movements in interest rates. This is partially offset by a decrease in finance lease interest expense as a result of the termination of the long-term charters of eight vessels leased from Ship Finance since September 30, 2017.

Gain on sale of securities

(in thousands of $)	2018	2017
Gain on sale of securities	1,026	1,184

In the nine months ended September 30, 2018, the Company sold its remaining 4.7 million shares of DHT Holdings Inc. ("DHT"), for proceeds of $17.8 million, recognizing a gain on sale of $1.0 million in the income statement.

In the nine months ended September 30, 2017 the Company sold 5.9 million shares in DHT for proceeds of $26.0 million, recognizing a gain on sale of $1.2 million in the income statement.

Unrealized gain on marketable securities

(in thousands of $)	2018	2017
Unrealized gain on marketable securities	1,911	—

On January 1, 2018, the Company adopted the targeted improvements to ASC 825 Recognition and Measurement of Financial Assets and Liabilities. The Company has adopted the new guidance using the modified retrospective method, with no changes recognized in the prior year comparatives and a cumulative catch up adjustment recognized in the opening retained deficit. As a result of the adoption of this guidance the Company is required to recognize the movement in the fair value of Marketable Securities in the Consolidated Statement of Operations. The Company has recognized a decrease in the retained deficit of $2.9 million upon adoption, and has recognized a unrealized gain of $1.9 million in the Consolidated Statement of Operations in relation to the movement in the fair value of its Marketable Securities in the nine months ended September 30, 2018.

Gain (loss) on derivatives

(in thousands of $)	2018	2017
Gain (loss) on derivatives	8,925	(3,084)

The gain on derivatives in the nine months ended September 30, 2018 and the loss in the nine months ended September 30, 2017 primarily relates to interest rate swap agreements as a result of movements in interest rates.

Other non-operating items

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(in thousands of $)	2018	2017
Other non-operating items	94	1,151

Other non-operating items primarily comprise bank charges and dividends received on marketable securities.

Net income attributable to non-controlling interest

(in thousands of $)	2018	2017
Net income attributable to non-controlling interest	(372)	(378)

Net income attributable to non-controlling interest in the nine months ended September 30, 2018 and September 30, 2017 is primarily attributable to the non-controlling interests in the results of Seateam Management Pte. Ltd ("Seateam").

Critical Accounting Policies and Estimates

Impairment Assessment of Goodwill

We allocate the cost of acquired companies to the identifiable tangible and intangible assets and liabilities acquired, with the remaining amount being classified as goodwill. Our future operating performance may be affected by potential impairment charges related to goodwill. Goodwill is not amortized, but reviewed for impairment annually, or more frequently if impairment indicators arise. Impairment of goodwill in excess of amounts allocable to identifiable assets and liabilities is determined using a two-step approach, initially based on a comparison of the fair value of the reporting unit to the book value of its net assets; if the fair value of the reporting unit is lower than the book value of its net assets, then the second step compares the implied fair value of the Company's goodwill with its carrying value to measure the amount of the impairment. The Company has one reporting unit for the purpose of assessing potential goodwill impairment and has selected September 30 as its annual goodwill impairment testing date. The process of evaluating the potential impairment of goodwill and intangible assets is highly subjective and requires significant judgment at many points during the analysis.

Our test for potential goodwill impairment is a two-step approach. We estimate the fair value of the Company based on its market capitalization plus a control premium and compare this to the carrying value of its net assets. Control premium assumptions require judgment and actual results may differ from assumed or estimated amounts. If the carrying value of the Company's net assets exceeds its estimated fair value, the second step of the goodwill impairment analysis requires us to measure the amount of the impairment loss. An impairment loss is calculated by comparing the implied fair value of the goodwill to its carrying amount. The implied fair value of goodwill is calculated in the same manner as the goodwill recognized in a business combination. That is, the Company determines the fair value of assets and liabilities of the reporting unit (including any unrecognized intangible assets excluding goodwill) as if the reporting unit had been acquired in a business combination. The excess of the fair value of a reporting unit over the amounts determined for its assets and liabilities is the implied fair value of goodwill.

The Company's market capitalization at September 30, 2018 was $986.6 million (based on a share price of $5.81) and the Company has calculated the fair value of the Company to be approximately $1,282.6 million, based on a control premium of 30%, compared to its carrying value of approximately $1,138.4 million. As the fair value of the Company was above the carrying value, the Company concluded that it was not required to complete the second step of the goodwill impairment analysis and there was no requirement for an impairment.

If our stock price declines, or if our control premium declines, without a corresponding decline in the fair value of underlying assets and liabilities the implied value of goodwill might decrease even further which could result in impairments of some or all of the $112.5 million of goodwill. A share price of $5.16 per share at the end of the third quarter would have required the Company to complete the second step of the goodwill impairment test. A control premium of 15% at the end of the third quarter would have required the Company to perform the second step of the goodwill impairment test. Control premium assumptions require judgment and actual results may differ from assumed or estimated amounts. The Company believes that the control premium may be attributable, in part or in whole, to the expected synergies from combining the operations of the Company and an acquirer, particularly in respect of the benefits of operating an enlarged oil tanker fleet and assembled workforce as well as being able to take advantage of an expected reduction in costs from an expansion in scale. Events or circumstances may occur that could negatively impact our stock price, including changes in our anticipated revenues and profits and our ability to execute on our strategies. An impairment could have a material effect on our consolidated balance sheet and results of operations.

Liquidity and Capital Resources

We operate in a capital intensive industry and have historically financed our purchase of tankers and other capital expenditures through a combination of cash generated from operations, equity capital and borrowings from commercial banks. 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. Historically, market rates for charters of our vessels have been volatile. Periodic adjustments to the supply of and demand for oil and product tankers causes 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 British Pounds, Euros, Norwegian Kroner and Singapore Dollars.

Our short-term liquidity requirements relate to payment of operating costs (including drydocking), funding working capital requirements, repayment of debt financing, payment of newbuilding instalments, lease payments for our chartered-in fleet, contingent rental expense and maintaining cash reserves against fluctuations in operating cash flows. Sources of short-term liquidity include cash balances, short-term investments and receipts from our customers. Revenues from time charters are generally received monthly or fortnightly in advance while revenues from voyage charters are received upon completion of the voyage.

As of September 30, 2018, and December 31, 2017, we had cash and cash equivalents of $68.6 million, and $104.1 million, respectively. As of September 30, 2018, and December 31, 2017, we had restricted cash balances of $2.6 million, and $0.7 million, respectively. Restricted cash does not include cash balances of $38.6 million (December 2017: $74.0 million), which represents 50% (December 2017: 100%) of the cash required to be maintained by the financial covenants in our loan agreements. The Company is permitted to satisfy up to 50% of the cash requirement by maintaining a committed undrawn credit facility with a remaining availability of greater than 12 months. Furthermore, Frontline Shipping Limited, a wholly owned subsidiary of the Company and the chartering counterparty with Ship Finance with respect to the remaining five VLCCs leased from them, has agreed to certain dividend restrictions as a result of the amendment of the terms of the long term charter agreements in May 2015. In order to make or pay any dividend or other distribution to the Company, Frontline Shipping Limited shall demonstrate a cash buffer of $2.0 million per vessel both prior to and following such payment, and following payment of the next monthly hire due plus any profit share accrued under the agreement. As at September 30, 2018, the cash held by Frontline Shipping Limited of $2.3 million (December 31, 2017: $8.9 million), may solely be used for vessel operations, payment of hire to Ship Finance or other amounts incurred under the charters and Charter Ancillary Agreement, including the settlement of interest and principal due on any notes payable and any other amounts incurred in the ordinary course of business. These amounts are included in "Cash and cash equivalents". At the end of the period ending September 30, 2018 one month of hire remains unpaid.

Our medium and long-term liquidity requirements include payment of newbuilding instalments, funding the equity portion of investments in new or replacement vessels and repayment of bank loans. 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.

As of September 30, 2018, the remaining commitments for our two VLCC newbuilding contracts amounted to $112.5 million, of which we expect $1.3 million to be paid by the Company in 2018 and $111.2 million to be paid by the Company in 2019. The commitment includes exhaust gas cleaning systems ("EGCS") on both newbuildings. As of September 30, 2018 the Company has committed bank financing in place to finance delivery of the Company's remaining newbuildings and estimates loan amounts of $55.3 million to be drawn in 2018 and $55.3 million to be drawn in 2019, respectively

In June 2018, the Company entered into memorandum of agreement ("MOA") to acquire a 20% ownership interest in Feen Marine Scrubbers Inc. ("FMSI"), a leading manufacturer of EGCS. As of September 30, 2018, the Company has committed to the installation of EGCS on six vessels, with a financial commitment of $9.0 million, of which $4.0 million is due in 2018 and $5.0 million is due in 2019. The Company has also agreed with Ship Finance to share the cost of installation of EGCS equally on two VLCCs chartered from them. The Company's commitment on these vessels is $1.6 million.

In the nine months ended September 30, 2018, the Company drew down $130.0 million from its senior unsecured revolving credit facility of up to $275.0 million with an affiliate of Hemen Holding Ltd (the "Credit Facility"). In August 2018, the Company repaid $39.0 million of this facility. The amount can be redrawn at any time should the Company require. In November 2018 the Company extended the terms of the Credit Facility by 12 months. Following

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the extension, the Credit Facility is repayable in November 2020. $94.0 million remains available and undrawn as at September 30, 2018. In October 2018, the Company repaid $10.0 million under the Credit Facility.
In the nine months ended September 30, 2018, the Company drew down $32.0 million from its facility of up to $321.6 million, provided by China Exim Bank in connection with one LR2/Aframax tanker delivered in the period. The facility is fully drawn down as of September 30, 2018.
In the nine months ended September 30, 2018, the Company drew down $54.9 million and $54.9 million respectively from its two senior secured term loan facilities in amounts of up to $110.5 million with Credit Suisse. The facilities were used to partially finance two of our VLCCs delivered in the period.

In July, the Company announced it had entered into an Equity Distribution Agreement dated July 24, 2018, with Morgan Stanley & Co. LLC for the offer and sale of up to $100.0 million of common shares of the Company through an at-the-market offering ("ATM"). The filing of the ATM is an opportunistic move from the Company. We have not sold any shares under the ATM.

In October 2018, the Company announced FSL has agreed with Ship Finance to terminate the long term charter for one VLCC, Front Ariake, upon the sale and delivery of the vessel by Ship Finance to an unrelated third party. Frontline has agreed to a total compensation payment to Ship Finance of $3.375 million for the termination of the charter, which will be paid by Frontline in the form of a promissory note. Payments of principal and interest are to be made in equal monthly amounts, such that the note amortizes to nil on final maturity. The note carries an interest of 7.5% per annum. The note is due for final repayment in November 2023. Frontline and FSL will be released from all of their other respective obligations in relation to the vessel. The termination will reduce obligations under capital lease by approximately $25.2 million. The Company expects to record a gain on termination of approximately $3.5 million in the fourth quarter of 2018. Front Ariake was delivered to its new owner on October 9, 2018.
In November 2018, the Company ordered EGCS for a further 12 vessels from FMSI with a combined financial commitment of $13.9 million. This follows the Company’s previously announced commitment to order six EGCS with additional fixed price options from FMSI. In total, the Company has thus far committed to install 20 EGCS, including two EGCS being installed on the Company’s two newbuildings.

Cash Flows
The following summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2018.
Net cash provided by operating activities
Net cash provided by operating activities in the nine months ended September 30, 2018 was $11.5 million compared with $120.3 million in the nine months ended September 30, 2017. Our reliance on the spot market contributes to fluctuations in cash flows from operating activities as a result of its exposure to highly cyclical tanker rates. Any increase or decrease in the average TCE rates earned by our vessels in periods subsequent to September 30, 2018, compared with the actual TCE rates achieved during the nine months ended September 30, 2018, will have a positive or negative comparative impact, respectively, on the amount of cash provided by operating activities. We estimate that average daily total cash cost break even TCE rates for the remainder of 2018 will be approximately $22,400, $18,600 and $16,400 for our owned and leased VLCCs, Suezmax tankers, and LR2/Aframax tankers, respectively. These are the daily rates our vessels must earn to cover budgeted operating costs, estimated interest expenses and scheduled loan principal repayments, bareboat hire and corporate overhead costs. These rates do not take into account capital expenditures and contingent rental expense.
Net cash used in investing activities
Net cash used in investing activities of $189.9 million in the nine months ended September 30, 2018 comprised mainly of additions to newbuildings of $204.1 million, in respect of five newbuilding contracts, three of which were delivered

during the period. Furthermore there was a $6.0 million cash outflow in relation to the Company's investment in FMSI in the third quarter. These amounts were partially offset by the following:

- $17.8 million received from the sale of the remaining 4.7 million shares of DHT and;
- finance lease payments received of $2.5 million in respect of the investment in finance lease.

Net cash provided by financing activities

Net cash provided by financing activities in the nine months ended September 30, 2018 of $144.8 million was primarily a result of loan drawdowns of $273.9 million. This was partially offset by:

- debt repayments of $120.8 million;
- capital lease repayments of $8.0 million and;
- dividends paid to minority interests of $0.4 million.

Debt restrictions

The Company's loan agreements contain loan-to-value clauses, which could require the Company 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 contains certain financial covenants, including the requirement to maintain a certain level of free cash, positive working capital and a value adjusted equity covenant. Restricted cash does not include cash balances of $38.6 million (December 2017: $74.0 million), which represents 50% (December 2017: 100%) of the cash required to be maintained by the financial covenants in our loan agreements. The Company is permitted to satisfy up to 50% of the cash requirement by maintaining a committed undrawn credit facility with a remaining availability of greater than 12 months. These cash amounts are included in "Cash and cash equivalents". 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, the Company might not have sufficient funds or other resources to satisfy its obligations.

We believe that cash on hand and borrowings under our current and expected credit facilities will be sufficient to fund our requirements for, at least, the twelve months from the date of this interim report.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The Company is exposed to the impact of interest rate changes primarily through its floating-rate borrowings that require the Company to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect operating margins, results of operations and ability to service debt. The Company uses interest rate swaps to reduce its exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with its floating-rate debt. The Company is exposed to the risk of credit loss in the event of non-performance by the counterparty to the interest rate swap agreements.

As of September 30, 2018, $1,552.8 million of the Company's outstanding debt was at variable interest rates and the outstanding debt, net of the amount subject to interest rate swap agreements, was $1,374.9 million. Based on this, a one percentage point increase in annual LIBOR interest rates would increase its annual interest expense by approximately $13.7 million, excluding the effects of capitalization of interest.

Currency Risk

The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, its functional currency. Certain of its subsidiaries report in Norwegian Kroner, Singapore Dollars or British Pounds and risks of two kinds arise as a result: a transaction risk, that is, the risk that currency fluctuations will have an effect on the value of cash flows; and a translation risk, which is the impact of currency fluctuations in the translation of foreign operations and foreign assets and liabilities into U.S. dollars in the consolidated financial statements.

Inflation
Inflation has only a moderate effect on the Company's 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.

Interest Rate Swap Agreements
In February 2013, Frontline 2012 entered into six interest rate swaps with Nordea Bank whereby the floating interest rate on an original principal amount of $260 million of the then anticipated debt on 12 MR product tanker newbuildings was switched to fixed rate. These newbuildings were subsequently financed from the $466.5 million term loan facility. In February 2016, the Company entered into an interest rate swap with DNB whereby the floating interest on notional debt of $150.0 million was switched to fixed rate. The fair value of these swaps at September 30, 2018 was a receivable of $12.7 million (December 2017: receivable of $4.5 million). Credit risk exists to the extent that the counterparty is unable to perform under the contracts, but this risk is considered remote as the counterparty is a bank, which participates in the loan facility to which the interest rate swaps are related. The Company recorded a gain on these interest swaps of $8.9 million in the nine months ended September 30, 2018 (nine months ended September 30, 2017: loss of $3.1 million).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this report and the documents incorporated by reference may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements, which include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Frontline Ltd. and its subsidiaries, or the Company, 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. This report 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, and are not intended to give any assurance as to future results. When used in this documents, the words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions, terms or phrases may identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and 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. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to these important factors and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in the supply and demand for vessels comparable to ours, changes in world wide oil production and consumption and storage, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, the market for the Company's vessels, availability of financing and refinancing, our ability to obtain financing and comply with the restrictions and other covenants in our financing arrangements, availability of skilled workers and the related labor costs, compliance with governmental, tax, environmental and safety regulation, any non-compliance with the

U.S. Foreign Corrupt Practices Act of 1977 (FCPA) or other applicable regulations relating to bribery, general economic conditions and conditions in the oil industry, effects of new products and new technology in our industry, the failure of counter parties to fully perform their contracts with us, our dependence on key personnel, adequacy of insurance coverage, our ability to obtain indemnities from customers, changes in laws, treaties or regulations, the volatility of the price of our ordinary shares; our incorporation under the laws of Bermuda and the different rights to relief that may be available compared to other countries, including the United States, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents, political events or acts by terrorists, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission or Commission.

We caution readers of this report not to place undue reliance on these forward-looking statements, which speak only as of their dates. 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. Please see our Risk Factors in Item 3 of the Company's Annual Report on Form 20-F for the year ended December 31, 2017, filed with the Commission on March 19, 2018 for a more complete discussion of these and other risks and uncertainties.

FRONTLINE LTD.
INDEX TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Frontline Ltd.
Condensed Consolidated Statements of Operations for the nine months ended September 30, 2018 and September 30, 2017
(in thousands of $, except per share data)

	2018	2017
Operating revenues		
Time charter revenues	20,568	88,501
Voyage charter revenues	485,847	363,448
Finance lease interest income	1,009	1,360
Other income	17,792	14,437
Total operating revenues	525,216	467,746
Other operating gains	1,239	2,378
Voyages expenses and commissions	283,063	179,950
Contingent rental income	(18,026)	(19,191)
Ship operating expenses	98,160	102,334
Charter hire expense	16,135	17,715
Impairment loss on vessels	—	21,247
Administrative expenses	27,989	28,719
Depreciation	94,270	105,360
Total operating expenses	501,591	436,134
Net operating income	24,864	33,990
Other income (expenses)		
Interest income	556	338
Interest expense	(70,314)	(49,745)
Gain on sale of securities	1,026	1,184
Foreign currency exchange (loss) gain	(853)	223
Unrealized gain on marketable securities	1,911	—
Gain (loss) on derivatives	8,925	(3,084)
Other non-operating items	94	1,151
Net other expenses	(58,655)	(49,933)
Net loss before income taxes and non-controlling interest	(33,791)	(15,943)
Income tax expense	(97)	(109)
Net loss	(33,888)	(16,052)
Net income attributable to non-controlling interest	(372)	(378)
Net loss attributable to the Company	(34,260)	(16,430)
Basic and diluted loss per share attributable to the Company ($)	(0.20)	(0.10)
Cash dividends per share declared ($)	—	0.15

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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Frontline Ltd.
Condensed Consolidated Statements of Comprehensive Income for the nine months ended September 30, 2018 and September 30, 2017
(in thousands of $)

	2018	2017
Comprehensive income		
Net loss	(33,888)	(16,052)
Unrealized gain from marketable securities	—	2,589
Foreign currency translation income	903	153
Other comprehensive income	903	2,742
Comprehensive loss	(32,985)	(13,310)
Comprehensive income attributable to non-controlling interest	372	378
Comprehensive loss attributable to the Company	(33,357	