COMFORT SYSTEMS USA INC
Form S-8
May 02, 2013

As filed with the Securities and Exchange Commission on May 2, 2013

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-8

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COMFORT SYSTEMS USA, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**76-0526487** (I.R.S. Employer Identification No.)
675 Bering Drive, Suite 400 **Houston, Texas 77057** (Address of Principal Executive Offices)	**77057** (Zip Code)

Comfort Systems USA, Inc. 2012 Equity Incentive Plan

(FULL TITLE OF THE PLAN)

Brian E. Lane
President and Chief Executive Officer
Comfort Systems USA, Inc.
675 Bering Drive, Suite 400
Houston, Texas 77057
(Name and address of agent for service)

(713) 830-9600

(Telephone number, including area code, of agent for service)

with copies of communications to:

Trent McKenna, Esq.
General Counsel
Comfort Systems USA, Inc.
675 Bering Drive, Suite 400
Houston, Texas 77057
(713) 830-9600
(713) 830-9696 (fax)

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

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	o

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CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value $0.01 per share	5,100,000	$ 12.20(2)	$ 62,220,000(2)	$ 8,486.81

(1) Pursuant to Rule 416(a) under the Securities Act of 1933, this Registration Statement also registers an indeterminate number of shares of common stock, par value $0.01 per share (the Common Stock), of Comfort Systems USA, Inc. as may be issued to prevent dilution resulting from share splits, share dividends, or similar transactions.

(2) The proposed maximum offering price per share and the proposed maximum aggregate offering price have been estimated solely for the purpose of calculating the registration fee pursuant to paragraphs (c) and (h)(1) of Rule 457 under the Securities Act of 1933, based upon the average of the high and low prices of the Common Stock as reported by the New York Stock Exchange on May 1, 2013 (within five (5) business days prior to filing this Registration Statement).

PART I

INFORMATION REQUIRED IN THE SECTION 10(A) PROSPECTUS

This Registration Statement on Form S-8 (this Registration Statement) relates to the Comfort Systems USA, Inc. 2012 Equity Incentive Plan (the Plan). With respect to the Plan, the documents containing the information specified in Part I of Form S-8 will be sent or given to participants in the Plan as specified by Rule 428(b)(1) under the Securities Act of 1933, as amended (the Securities Act). In accordance with the introductory note to Part I of Form S-8, such documents will not be filed with the Securities and Exchange Commission (the Commission). These documents and the documents incorporated by reference pursuant to Item 3 of Part II hereof, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE

Comfort Systems USA, Inc., a Delaware company (the Company), hereby incorporates by reference into this registration statement (the Registration Statement) the following documents:

- the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, filed on February 28, 2013;
- the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, filed on May 1, 2013;
- the Company s Forms 8-K dated January 11, 2013, February 28, 2013, March 12, 2013, March 22, 2013, and May 1, 2013; and
- the description of the Company s common stock, par value $.01 per share, contained in the Company s Form 8-A, filed on May 19, 1997.

All documents filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the filing date of this Registration Statement and prior to the filing of a post-effective amendment to this

Registration Statement which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents.

The Company will provide, without charge, to each participant of the Plan, upon written or oral request of such person, a copy (without exhibits, unless such exhibits are specifically incorporated by reference) of any or all of the documents incorporated by reference pursuant to this Item 3. All such requests should be directed to Comfort Systems USA, Inc., 675 Bering Drive, Suite 400, Houston, Texas 77057, Attention: General Counsel, phone number (713) 830-9600.

The documents incorporated by reference herein contain forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, the risks identified in the respective documents incorporated by reference.

ITEM 4. DESCRIPTION OF SECURITIES

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law (the DGCL) permits a corporation to indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action.

In an action brought to obtain a judgment in the corporation s favor, whether by the corporation itself or derivatively by a stockholder, the corporation may only indemnify for expenses, including attorney s fees, actually and reasonably incurred in connection with the defense or settlement of such action, and the corporation may not indemnify for amounts paid in satisfaction of a judgment or in settlement of the claim. In any such action, no indemnification may be paid in respect of any claim, issue or matter as to which such person shall have been adjudged liable to the corporation except as otherwise approved by the Delaware Court of Chancery or the court in which the claim was brought. In any other type of proceeding, the indemnification may extend to judgments, fines and amounts paid in settlement, actually and reasonably incurred in connection with such other proceeding, as well as to expenses.

The statute does not permit indemnification unless the person seeking indemnification has acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation and, in the case of criminal actions or proceedings, the person had no reasonable cause to believe his conduct was unlawful. The statute contains additional limitations applicable to criminal actions and to actions brought by or in the name of the corporation. The determination as to whether an employee or agent (who is not then a director or officer of the corporation) seeking indemnification has met the required standard of conduct may be made by any person or persons having authority to act on the matter. The determination as to whether a director or officer seeking indemnification has met the required standard will be made (1) by a majority vote of a quorum of disinterested members of the board of directors, (or a committee thereof) (2) by independent legal counsel in a written opinion, if such a quorum does not exist or if the disinterested directors so direct, or (3) by the stockholders.

The Company s Certificate of Incorporation and Bylaws requires the Company to indemnify its directors and officers to the fullest extent permitted by Section 145 of the DGCL. In addition, the Company maintains liability insurance for its directors and officers.

ITEM 7. EXEMPTION FROM REGISTRATION

Not Applicable.

ITEM 8. EXHIBITS

4.1 Second Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company s Registration Statement on Form S-1 (File No. 333-24021), filed with the SEC on June 2, 1997).

4.2 Certificate of Amendment dated May 21, 1998 of the Company (incorporated by reference to Exhibit 3.2 of the Company s Annual Report on Form 10-K filed with the SEC on March 31, 1999).

4.3 Certificate of Amendment dated July 9, 2003 of the Company (incorporated by reference to Exhibit 3.3 of the Company s Annual Report on Form 10-K filed with the SEC on February 27, 2004).

4.4 Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company s current report on Form 8-K filed with the SEC on March 26, 2012).

5.1* Opinion of Trent T. McKenna, General Counsel, Comfort Systems USA, Inc.

23.1* Consent of Ernst & Young.

23.2* Consent of Trent T. McKenna (included in Exhibit 5.1).

24.1* Power of Attorney (included on the signature page hereto).

99.1 Comfort Systems USA, Inc. 2012 Equity Incentive Plan (incorporated by reference to Appendix A of the Company s Schedule 14A filed with the SEC on April 9, 2012).

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* Filed herewith

ITEM 9. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however , that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-8 and has duly authorized this Registration Statement to be signed on its behalf by the undersigned, in the City of Houston, State of Texas on May 2, 2013.

COMFORT SYSTEMS USA, INC.

By: /s/ Brian E. Lane
Brian E. Lane
President and Chief Executive Officer

We, the undersigned directors and officers of Comfort Systems USA, Inc., constitute and appoint Brian E. Lane or Trent T. McKenna, or either of them, our true and lawful attorneys and agents, to do any and all acts and things in our name and on our behalf in our capacities as directors and officers, and to execute any and all instruments for us and in our names in the capacities indicated below, which said attorneys and agents, or either of them, may deem necessary or advisable to enable said corporation to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the filing of this Registration Statement, including specifically without limitation, power and authority to sign for any of us, in our names in the capacities indicated below, any and all amendments hereto; and we do each hereby ratify and confirm all that the said attorneys and agents, or either of them, shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated**.**

Signature	Title	Date
/s/ William F. Murdy William F. Murdy	Chairman of the Board	May 2, 2013
/s/ Brian E. Lane Brian E. Lane	President, Chief Executive Officer, and Director	May 2, 2013
/s/ William George William George	Executive Vice President and Chief Financial Officer	May 2, 2013
/s/ Julie S. Shaeff Julie S. Shaeff	Senior Vice President and Chief Accounting Officer	May 2, 2013
/s/ Darcy G. Anderson Darcy G. Anderson	Director	May 2, 2013
/s/ Herman E. Bulls Herman E. Bulls	Director	May 2, 2013
/s/ Alfred J. Giardinelli, Jr. Alfred J. Giardinelli, Jr.	Director	May 2, 2013
/s/ Alan P. Krusi	Director	May 2, 2013

Alan P. Krusi		
/s/ Franklin Myers Franklin Myers	Director	May 2, 2013
/s/ James H. Schultz James H. Schultz	Director	May 2, 2013
/s/ Constance E. Skidmore Constance E. Skidmore	Director	May 2, 2013
/s/ Vance W. Tang Vance W. Tang	Director	May 2, 2013
/s/ Robert D. Wagner, Jr. Robert D. Wagner, Jr.	Director	May 2, 2013

EXHIBIT INDEX

Exhibit No .	**Description**
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5.1*	Opinion of Trent T. McKenna, General Counsel, Comfort Systems USA, Inc.
23.1*	Consent of Ernst & Young.
23.2*	Consent of Trent T. McKenna (included in Exhibit 5.1).
24.1	Power of Attorney (included on signature page to this Registration Statement).
99.1	Comfort Systems USA, Inc. 2012 Equity Incentive Plan (incorporated by reference to Appendix A of the Company s Schedule 14A filed with the SEC on April 9, 2012).

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* Filed herewith.

Forward-Looking Statements

Matters discussed in this press release may constitute forward-looking statements. 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. Words, such as, but not limited to "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 press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. 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 the control of Frontline, Frontline cannot assure you that they will achieve or accomplish these expectations, beliefs or projections. The information set forth herein speaks only as of the date hereof, and Frontline disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this communication.

The Board of Directors
Frontline Ltd.
Hamilton, Bermuda
May 30, 2017

Questions should be directed to:
Robert Hvide Macleod: Chief Executive Officer, Frontline Management AS
+47 23 11 40 84
Inger M. Klemp: Chief Financial Officer, Frontline Management AS
+47 23 11 40 76

FRONTLINE LTD.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATED INCOME STATEMENT	2018	2017	2017
(in thousands of $)	Jan-Mar	Jan-Mar	Jan-Dec
Total operating revenues	169,621	177,127	646,326
Other operating gain (loss)	(6,116)	20,565	2,381
Voyage expenses and commission	89,039	55,184	259,334
Contingent rental (income) expense	(6,695)	(3,769)	(26,148)
Ship operating expenses	34,733	30,624	135,728
Charter hire expenses	2,317	9,773	19,705
Impairment loss on vessels and vessels under capital lease	—	21,247	164,187
Impairment loss on goodwill	—	—	112,821
Administrative expenses	9,548	8,568	37,603
Depreciation	31,791	35,280	141,748
Total operating expenses	160,733	156,907	844,978
Net operating income (loss)	2,772	40,785	(196,271)
Interest income	140	126	588
Interest expense	(21,602)	(15,024)	(69,815)
Gain on sale of shares	1,026	771	1,061
Unrealised gain (loss) on marketable securities	(311)	—	—
Foreign currency exchange gain (loss)	(608)	77	(55)
Gain (loss) on derivatives	5,085	(178)	(753)
Other non-operating items	(44)	554	1,213
Net income (loss) before income taxes and non-controlling interest	(13,542)	27,111	(264,032)
Income tax expense	(14)	(30)	(290)
Net income (loss)	(13,556)	27,081	(264,322)
Net (income) loss attributable to non-controlling interest	(85)	(61)	(539)
Net income (loss) attributable to the Company	(13,641)	27,020	(264,861)
Basic earnings per share attributable to the Company ($)	(0.08)	0.16	(1.56)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2018	2017	2017
(in thousands of $)	Jan-Mar	Jan-Mar	Jan-Dec
Net income (loss)	(13,556)	27,081	(264,322)
Unrealized gain (loss) from marketable securities	—	6,010	1,901
Unrealized gain (loss) from marketable securities reclassified to statement of operations	—	—	(571)
Foreign exchange gain (loss)	162	59	158
Other comprehensive income (loss)	162	6,069	1,488
Comprehensive income (loss)	(13,394)	33,150	(262,834)
Comprehensive (income) loss attributable to non-controlling interest	85	61	539
Comprehensive income (loss) attributable to the Company	(13,479)	33,089	(263,373)
Comprehensive income (loss)	(13,394)	33,150	(262,834)

FRONTLINE LTD.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATED BALANCE SHEETS	Mar 31	Dec 31
(in thousands of $)	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	111,769	104,145
Restricted cash	1,655	741
Marketable securities	2,423	19,231
Marketable securities pledged to creditors	10,020	10,272
Other current assets	194,665	187,225
Total current assets	320,532	321,614
Non-current assets		
Newbuildings	33,504	79,602
Vessels and equipment, net	2,550,763	2,342,130
Vessels under capital lease, net	226,042	251,698
Investment in finance lease	19,204	21,782
Goodwill	112,452	112,452
Other long-term assets	9,486	4,450
Total non-current assets	2,951,451	2,812,114
Total assets	3,271,983	3,133,728
LIABILITIES AND EQUITY		
Current liabilities		
Short term debt	121,324	113,078
Current portion of obligations under capital lease	37,329	43,316
Other current liabilities	97,185	65,606
Total current liabilities	255,838	222,000
Non-current liabilities		
Long term debt	1,625,630	1,467,074
Obligations under capital lease	231,201	255,700
Other long-term liabilities	1,372	1,325
Total non-current liabilities	1,858,203	1,724,099
Commitments and contingencies		
Equity		
Frontline Ltd. equity	1,157,536	1,187,308
Non-controlling interest	406	321
Total equity	1,157,942	1,187,629
Total liabilities and equity	3,271,983	3,133,728

FRONTLINE LTD.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of $)	2018 Jan-Mar	2017 Jan-Mar	2017 Jan-Dec
OPERATING ACTIVITIES			
Net income (loss)	(13,556)	27,081	(264,322)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of deferred charges	32,394	35,688	143,661
Other operating loss (gain)	6,116	(20,565)	(2,378)
Contingent rental (income) expense	(6,695)	(3,769)	(26,148)
Impairment loss on vessels and vessels under capital lease	—	21,247	164,187
Impairment loss on Goodwill	—	—	112,821
(Gain) on sale of shares	(1,026)	(771)	(1,061)
Unrealised (gain) loss on marketable securities	311	—	—
(Gain) loss on derivatives	(5,018)	(139)	(93)
Other, net	1,064	770	1,953
Change in operating assets and liabilities	(1,545)	20,242	1,865
Net cash provided by operating activities	12,045	79,784	130,485
INVESTING ACTIVITIES			
Additions to newbuildings, vessels and equipment	(186,171)	(246,755)	(713,560)
Finance lease payments received	2,471	2,356	9,745
Purchase of DHT shares	—	(46,100)	(46,100)
Proceeds from the sale of DHT shares	17,757	7,104	27,412
Net cash (used in) provided by investing activities	(165,943)	(283,395)	(722,503)
FINANCING ACTIVITIES			
Proceeds from debt	191,881	189,475	683,532
Repayment of debt	(26,245)	(16,840)	(83,951)
Repayment of capital leases	(3,200)	(16,460)	(31,854)
Lease termination payments	—	—	(19,006)
Debt fees paid	—	(1,620)	(3,495)
Dividends paid	—	(25,883)	(51,401)
Net cash provided by (used in) financing activities	162,436	128,672	493,825
Net change in cash and cash equivalents and restricted cash	8,538	(74,939)	(98,193)
Cash and cash equivalents and restricted cash at start of period	104,886	203,079	203,079
Cash and cash equivalents and restricted cash at end of period	113,424	128,140	104,886

FRONTLINE LTD.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of $ except number of shares)	2018 Jan-Mar	2017 Jan-Mar	2017 Jan- Dec
NUMBER OF SHARES OUTSTANDING			
Balance at beginning and end of period	169,809,324	169,809,324	169,809,324
SHARE CAPITAL			
Balance at beginning and end of period	169,809	169,809	169,809
ADDITIONAL PAID IN CAPITAL			
Balance at beginning of period	197,399	195,304	195,304
Stock compensation expense	338	709	2,095
Balance at end of period	197,737	196,013	197,399
CONTRIBUTED CAPITAL SURPLUS			
Balance at beginning of period	1,090,376	1,099,680	1,099,680
Cash dividends	—	—	(9,304)
Balance at end of period	1,090,376	1,099,680	1,090,376
OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of period	2,227	739	739
Adjustment on adoption of changes in ASC 825	(2,896)	—	—
Other comprehensive income (loss)	162	6,069	1,488
Balance at end of period	(507)	6,808	2,227
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period	(272,503)	34,069	34,069
Net income (loss) attributable to the Company	(13,641)	27,020	(264,861)
Adjustment on adoption of ASC 606	(16,631)	—	—
Adjustment on adoption of changes in ASC 825	2,896	—	—
Cash dividends	—	(25,497)	(41,711)
Balance at end of period	(299,879)	35,592	(272,503)
EQUITY ATTRIBUTABLE TO THE COMPANY	1,157,536	1,507,902	1,187,308
NON-CONTROLLING INTEREST			
Balance at beginning of period	321	168	168
Net income (loss) attributable to non-controlling interest	85	61	539
Dividend paid to non-controlling interest	—	(387)	(386)
Balance at end of period	406	(158)	321
TOTAL EQUITY	1,157,942	1,507,744	1,187,629

FRONTLINE LTD.
SELECTED NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Frontline Ltd. (the "Company" or "Frontline") is a Bermuda based shipping company engaged primarily in the ownership and operation of oil and product tankers. The Company's ordinary shares are listed on the New York Stock Exchange and the Oslo Stock Exchange.

2. ACCOUNTING POLICIES

Basis of accounting
The condensed consolidated financial statements are stated in accordance with accounting principles generally accepted in the United States. The condensed consolidated financial statements do not include all of the disclosures required in the annual and interim consolidated financial statements, and should be read in conjunction with the Company's annual financial statements included in the Company's Annual Report on Form 20-F for the year ended December 31, 2017, which was filed with the Securities and Exchange Commission on March 19, 2018.

Significant accounting policies
The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017, with the exception of certain changes noted below.

In the first quarter of 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers. The Company has determined that under the new standard voyage charter revenue will continue to be recognized over time, however the period over which it is recognized will change from discharge-to-discharge to load-to-discharge. The Company believes that performance obligations under a voyage charter begin to be met from the point at which a cargo is loaded until the point at which a cargo is discharged. While this represents a change in the period over which revenue is recognized, the total voyage results recognized over all periods would not change. The new guidance also specifies revised treatment for certain contract related costs, being either incremental costs to obtain a contract, or cost to fulfill a contract. Under the new guidance, certain voyage expenses incurred between signing the charter party and arrival at loading port, have been deferred and amortized during the charter period. The Company has elected to apply the modified retrospective approach. Upon adoption, the Company recognized a cumulative effect of $16.6 million as an increase in the opening balance of retained deficit as of January 1, 2018. Prior periods have not been retrospectively adjusted.
On January 1, 2018, the Company adopted the targeted improvements to ASC 825-10 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 mark to market loss of $0.3 million in the Consolidated Statement of Operations in relation to the movement in the fair value of its Marketable Securities in the first quarter of 2018.

In the first quarter of 2018, the Company adopted ASU No. 2016-18, Statement of cash flows: Restricted Cash. The new standard requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company adopted the amendments of the standard using a retrospective transition method to each period presented. As a result, amounts generally described as restricted cash in prior periods are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

3. EARNINGS PER SHARE

The components of the numerator and the denominator in the calculation of basic earnings per share are as follows:

	2018	2017	2017
(in thousands of $)	Jan-Mar	Jan-Mar	Jan-Dec
Net income attributable to the Company	(13,641)	27,020	(264,861)
(in thousands)			
Weighted average number of ordinary shares	169,809	169,809	169,809

4. OTHER OPERATING GAIN (LOSS)

In February 2018, the Company agreed with Ship Finance International Limited ("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 Frontline; 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 termination has reduced obligations under capital leases by approx. $20.6 million. The Company has recorded a loss on termination, including this termination payment, of $5.8 million in the first quarter of 2018.

5. NEWBUILDINGS

In January 2018, the Company took delivery of the VLCC newbuildings Front Empire and Front Princess and the LR2 newbuilding Front Polaris.

6. DEBT

The Company drew down $32.0 million in the three months ended March 31, 2018 from its $321.6 million term loan facility with China Exim Bank in connection with one LR2/Aframax tanker delivered in the period.

The Company drew down $54.9 million in the three months ended March 31, 2018 from its $110.5 million term loan facility with Credit Suisse in connection with one VLCC delivered in the period.

The Company drew down $54.9 million in the three months ended March 31, 2018 from its second $110.5 million term loan facility with Credit Suisse in connection with one VLCC delivered in the period.

The Company drew down $50.0 million in the three months ended March 31, 2018 from its senior unsecured facility of up to $275.0 million with an affiliate of Hemen Holding Ltd. In February 2018 the Company extended the terms of the facility by 12 months. Following the extension, the facility is repayable in May 2019. $135.0 million remains available and undrawn as at March 31, 2018.

The Company has recorded debt issuance costs (i.e. deferred charges) of $11.6 million at March 31, 2018 as a direct deduction from the carrying amount of the related debt.

7. MARKETABLE SECURITIES

In March 2018, the Company sold 1.3 million shares in GOGL for proceeds of $10.4 million. At the same time the Company entered into a forward contract to repurchase 1.3 million shares in GOGL in June 2018 for $10.4 million. The transaction has been accounted for as a secured borrowing, with the shares retained in marketable securities and a liability recorded within debt for $10.3 million.

In the first quarter of 2018, the Company sold its remaining 4.7 million shares of DHT Holdings Inc., recognizing a gain on disposal of $1.0 million in the income statement.

8. SHARE CAPITAL

The Company had an issued share capital at March 31, 2018 of $169,809,324 divided into 169,809,324 ordinary shares (December 31, 2017: $169,809,324 divided into 169,809,324 ordinary shares) of $1.00 par value each.

9. RELATED PARTY TRANSACTIONS

The Company's most significant related party transactions are with Ship Finance, a company under the significant influence of the Company's largest shareholder. The Company leased eight of its vessels from Ship Finance at March 31, 2018 and pays Ship Finance profit share based on the earnings of these vessels. Profit share arising in the three months ended March 31, 2018 was zero, which was $6.7 million less than the amount accrued in the lease obligations payable when the leases were recorded at fair value at the time of the merger with Frontline 2012.

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. See Note 4. for further details.

In the three months ended March 31, 2018 the Company drew down $50.0 million from its senior unsecured loan facility of up to $275.0 million facility with an affiliate of Hemen Holding Ltd. See Note 6.

Amounts earned from other related parties comprise office rental income, technical and commercial management fees, newbuilding supervision fees, freights, corporate and administrative services income and interest income. Amounts paid to related parties comprise primarily rental for office space and guarantee fees.

10. COMMITMENTS AND CONTINGENCIES

As of March 31, 2018, the Company's newbuilding program was comprised of two VLCCs. As of March 31, 2018, total instalments of $32.9 million had been paid and the remaining commitments amounted to $130.6 million, of which $75.0 million is due in 2018 and $55.6 million is due in 2019, respectively.