




# **FRONTLINE LTD.**

**Presentation  
2nd Quarter Results**



# Corporate Matters

- Amalgamation approved and finalized
- Delivery taken of three Suezmaxes and a VLCC
- Financing secured on the above vessels
- Cambridge Tankers acquired
- Withdrawal of high yield financing
- All ships ISM certified within time
- Y2K under review
- ICB loan facility extended till 9/99
- SK-agreement extended, new BP-charter
- AGM Oct 19 - proposal for reversed split 10:1



## Cambridge Tankers - Impact on Frontline

- Frontline acquired 100% of the shares in 3 holding companies, Golden State Holdings, Ltd., Windsor Holdings, Ltd., and California Petroleum Transport Corp. for a total consideration of USD 9.5m
- Each of the three holding companies' loans/liabilities are non-recourse to Frontline, effectively the investment should be regarded as 3 separate options
- The projects have a positive cash-flow, however, the funds are not possible to dividend out until the end of the project. Due to this constraint it may be viable to refinance the projects.
- The projects should also give Frontline the opportunity to establish closer relationships with two oil majors.
- Net results Q2 - \$250', still some accounting issues to be settled due to different lease structures



# Considerations behind cancellation of public debt offering

- Frontline's forecasted cash-flow will increase the Group's cash-holding over the next years.
- A possible solution to the ICB issue would release cash.
- Therefore, it would not be in the best interest of the Group and the shareholders to borrow 10-year "bullet" with a coupon of 8.5-9.5 %.
- Negative market development.



# Accounting issues

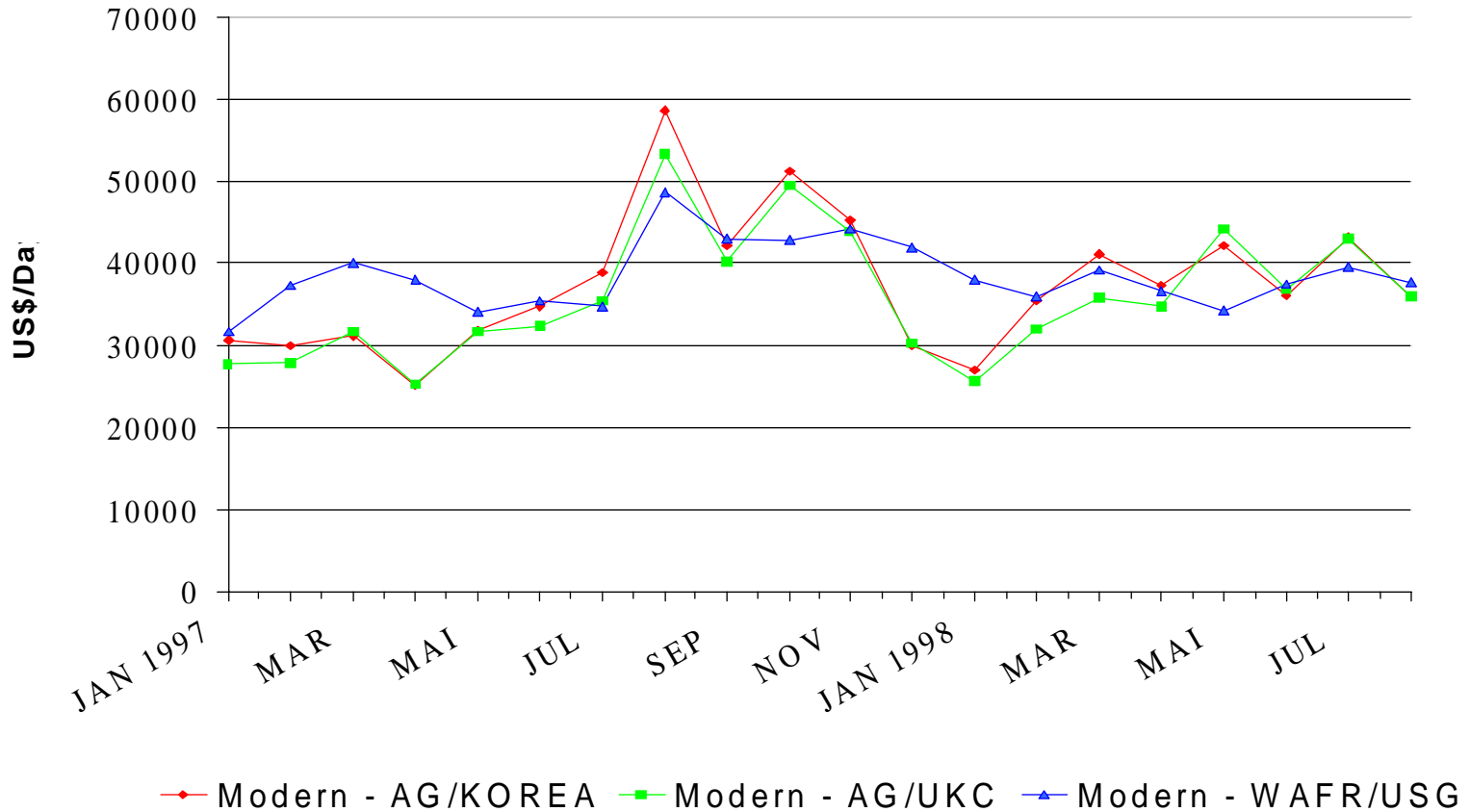
- ICB holding valued at SEK 72.5/120 per share
- Amalgamation May 11
  - Results from Nov '97 restated - no minority
- Cambridge consolidated from May 12
- 5 single purpose VLCC newbuilding companies included from Q2, interest accrued capitalized

# Profit and Loss (I)

<b>1997</b>	<b>1998</b>		<b>1998</b>	<b>1997</b>	<b>1997</b>
<b>Apr-June</b>	<b>Apr-June</b>		<b>Jan-June</b>	<b>Jan-June</b>	<b>Jan-Dec</b>
59 451	67 778	Freight revenues	138 138	116 666	259 695
-15 158	-15 337	Voyage expenses	-33 001	-30 466	-62 498
<b>44 293</b>	<b>52 441</b>	<b>Net operating revenues</b>	<b>105 137</b>	<b>86 200</b>	<b>197 197</b>
0	222	Gain from sale of vessels	222	0	0
-8 365	-13 765	Ship operating expenses	-28 103	-21 113	-48 076
-6 870	-3 401	Charterhire expenses	-7 168	-12 010	-25 734
-5 248	-2 672	Administrative expenses	-4 323	-6 799	-11 190
<b>23 810</b>	<b>32 825</b>	<b>Operating profit before depreciation</b>	<b>65 765</b>	<b>46 278</b>	<b>112 197</b>
-14 514	-11 640	Depreciation	-23 304	-28 323	-56 721
<b>9 296</b>	<b>21 185</b>	<b>Operating profit after depreciation</b>	<b>42 461</b>	<b>17 955</b>	<b>55 476</b>

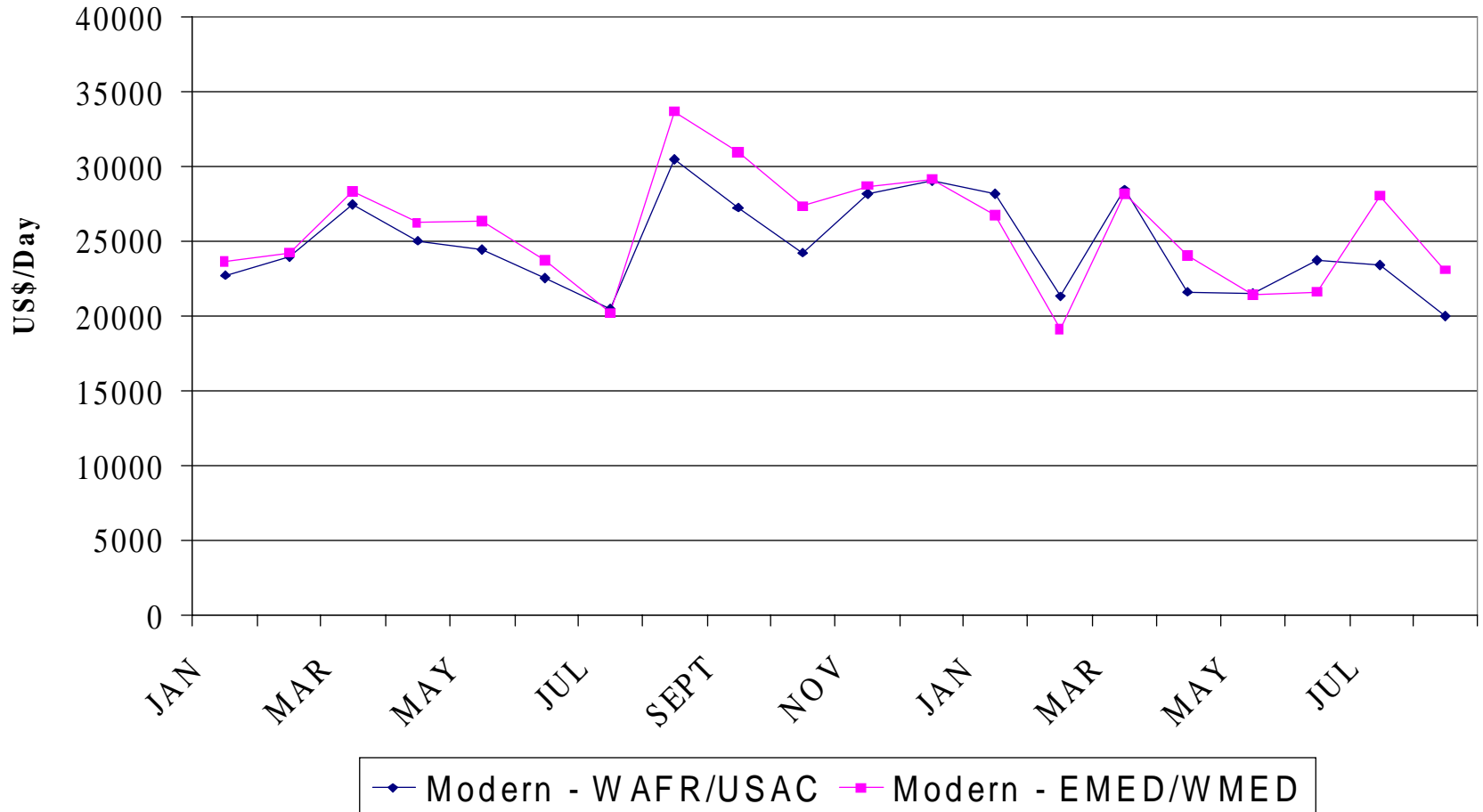
# VLCC Trades

## TC per day Jan 1997 - Aug 1998



# Suezmax Trades

## TC per day Jan 1997 - Aug 1998






## Income on time charter basis\*

<b>Q2 97</b>	<b>Q2 98</b>		<b>1H 97</b>	<b>1H98</b>	<b>1997</b>
26.300	37.200	<i>VLCC</i>	25.300	33.300	32.700
25.000	26.200	<i>Suezmax</i>	25.100	25.800	24.800
27.700	24.000	<i>OBO</i>	26.500	25.700	25.500

\*Basis = Calendar days minus offhire.

Figures are after deduction for broker commission.



# Chartering policy and fleet strategy

- Status :
  - VLCC contract - new contract with BP
  - VLCC contract - SK Corp (Yukong) - Korea market related extended
  - VLCC contract - Tonen AG - Japan market related
  - OBO - Hadeed
  - Lillo - T/C to BP until 2002. Rate USD 26.000 + p/d.
  - Statoil - “gentlemans agreement”
  - Cambridge vessels all on long term charters
- Strategy / Action :
  - Overall strategy - 50 % long term charter coverage. Seek more market related business
  - Coverage through financial tanker futures.
  - Coordinate chartering activities with OMI (Alliance Chartering).



## Operating expenses per vessel per day 1H 1998\*

	<b>Regular</b>		<b>D/D</b>		<b>E/O</b>		<b>Total</b>
<i>Suezmax</i>	5887	+	700	+	759	=	7346
<i>OBO</i>	5889	+	700			=	6589
<i>VLCC</i>	6626	+	900	+	2057	=	9583

E/O : Suez - redundancy LOF 851'

VLCC - Lord/Lady 375' + 1522'

\*) Before gen.&adm.



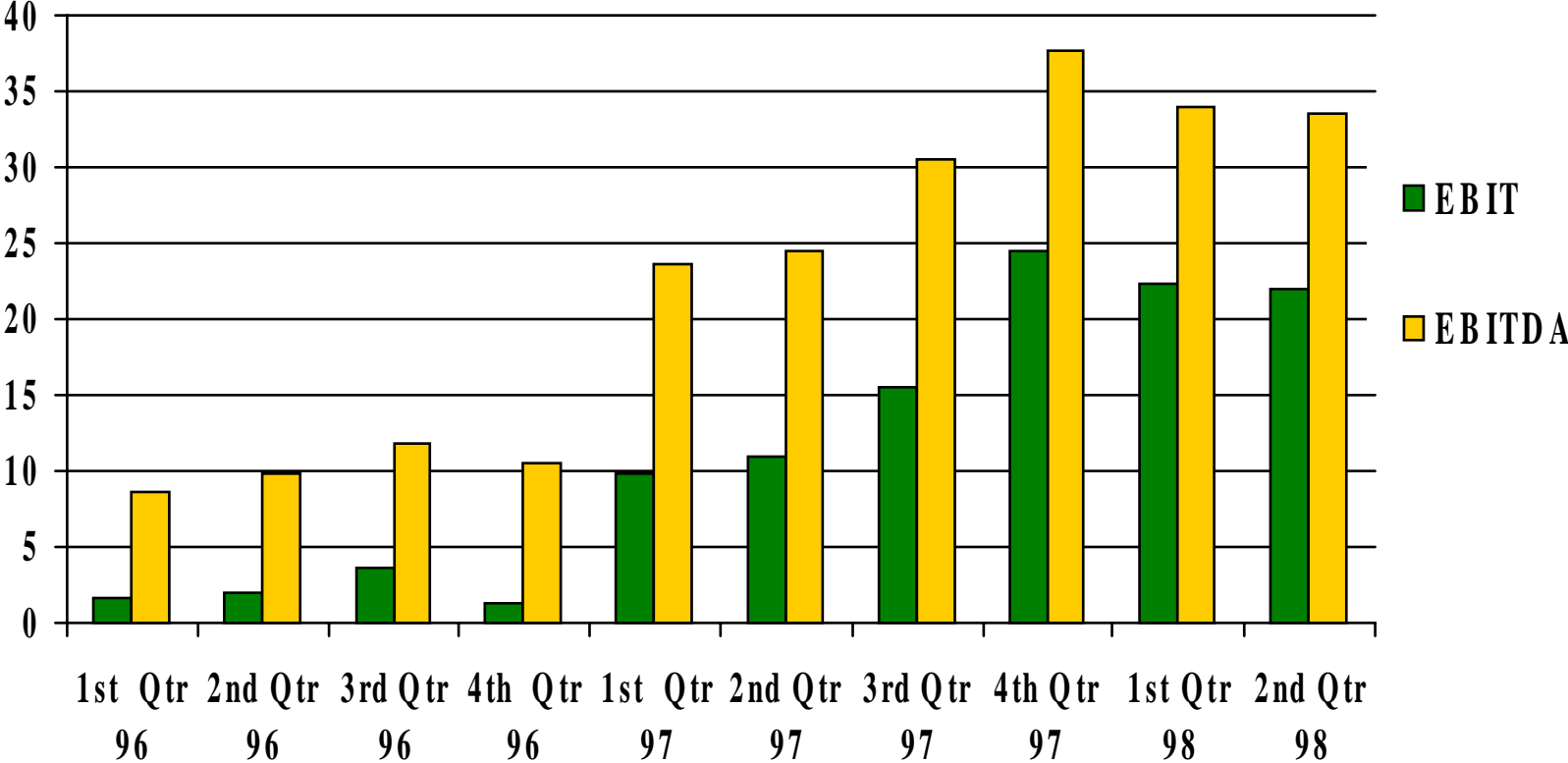
## Offhire (incl. D/D) 1998

	<b>Q2</b>	<b>Q1</b>
Offhire	41	20
of which d/d	31 <sup>1)</sup>	0

<sup>1)</sup> Lord/Lady

Forthcoming d/d: Pride 3/98, Splendour 4/98, Highness and Emperor 1/99

# EBIT/EBITDA Development



# Profit and Loss (II)

1997 Apr-June	1998 Apr-June		1998 Jan-June	1997 Jan-June	1997 Jan-Dec
1 156	610	Interest income	1 628	1 837	3 126
0	5 282	Interest income, restricted cash	5 282	0	0
0	2 621	Finance lease interest receivable	2 621	0	0
-10 003	-12 946	Interest expense	-27 559	-20 088	-45 945
0	-7 968	Interest expenses on term and serial notes	-7 968	0	0
0	5 324	Dividends	5 324	0	0
1 143	737	Results from associated companies	1 793	2 286	4 598
-224	-122	Other financial items	269	0	183
<b>-7 928</b>	<b>-6 463</b>	<b>Net financial items</b>	<b>-18 611</b>	<b>-15 965</b>	<b>-38 038</b>

# Profit and Loss (III)

<b>1997 Apr-June</b>	<b>1998 Apr-June</b>		<b>1998 Jan-June</b>	<b>1997 Jan-June</b>	<b>1997 Jan-Dec</b>
<i>1 368</i>	<i>14 723</i>	<i>Income before taxes</i>	<i>23 851</i>	<i>1 990</i>	<i>17 438</i>
<i>-2</i>	<i>0</i>	<i>Taxes</i>	<i>0</i>	<i>-3</i>	<i>-43</i>
<i>1 366</i>	<i>14 723</i>	<i>Net profit/loss after tax</i>	<i>23 851</i>	<i>1 987</i>	<i>17 395</i>
		<i>Earnings per Share (USD)</i>			
<i>0.004</i>	<i>0.03</i>	<i>Basic and diluted</i>	<i>0.05</i>	<i>0.006</i>	<i>0.05</i>
<i>321 619 557</i>	<i>461 068 609</i>	<i>Average number of shares</i>	<i>461 066 109</i>	<i>321 619 557</i>	<i>361 885 086</i>

# Balance Sheet - Assets

(USD 1000)	1998 June 30	1997 June 30	1997 December 31
<b>Assets</b>			
<b>Short term</b>			
Cash and bank deposits	105 995	55 567	86 870
Restricted cash	433 934	0	0
Marketable securities	135 201	24	187 231
Current portion of net investment in DFL	17 573	0	0
Other current assets	39 706	35 883	33 602
<b>Long term</b>			
Net investment in DFL	217 348	0	0
Newbuildings	230 249	0	48 474
Vessels under capital lease	16 569	0	0
Vessel and equipment, net	999 611	803 427	970 590
Associated companies	2 778	4 755	3 754
Deferred charges and other assets	12 473	1 659	2 603
<b>Total assets</b>	<b>2 211 437</b>	<b>901 315</b>	<b>1 333 124</b>



# Newbuilding program

Dwt

## *SUEZMAX NEWBUILDINGS*

N/B 1181 Front Sun	Hyundai	Jan - 00	153 000
N/B 1182 Front Sky	Hyundai	Apr - 00	153 000

## *VLCC NEWBUILDINGS*

N/B 1107 Front Champion	Hyundai	Jan - 99	308 000
N/B 1127 Front Chief	Hyundai	Jan - 99	308 000
N/B 1150 Front Commander	Hyundai	Apr - 99	308 000
N/B 1151 Front Crown	Hyundai	Jun - 99	308 000

N/B Golden State Petro 1	Samsung	Feb- 99	308 500
N/B Golden State Petro 2	Samsung	Jul - 99	308 500
N/B Windsor 1	Samsung	Des - 99	304 500
N/B Windsor 2	Samsung	Jun - 00	304 500
N/B Windsor 3	Samsung	Aug - 00	304 500
N/B Windsor 4	Samsung	Nov - 00	304 500

# Balance sheet - Liabilities and equity

(USD 1000)	1998 June 30	1997 June 30	1997 December 31
Short term			
Interest payable	26 676	0	0
Current portion of serial notes	18 160	0	0
Short term interest bearing debt	156 915	51 233	247 072
Other current liabilities	36 255	37 267	35 757
Long term			
Term notes	484 100	0	0
Serial notes	259 260	0	0
Long term interest bearing debt	737 730	476 932	526 078
Other long term liabilities	1 844	0	4 933
Stockholders' equity	490 497	335 883	519 284
Total stockholders' equity and liabilities	2 211 437	901 315	1 333 124

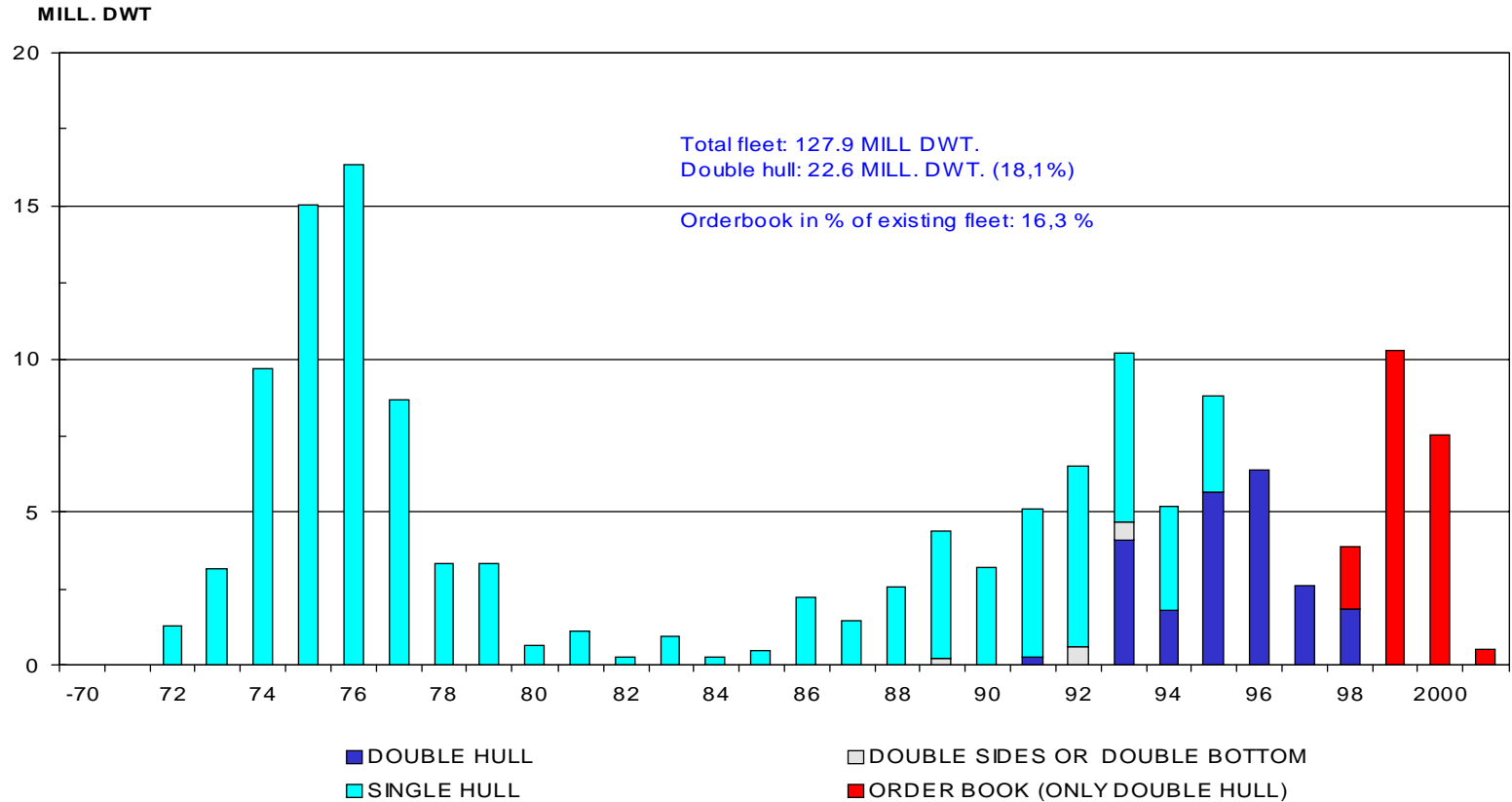


## Short term interest bearing debt Q2 98

(USD 1000)

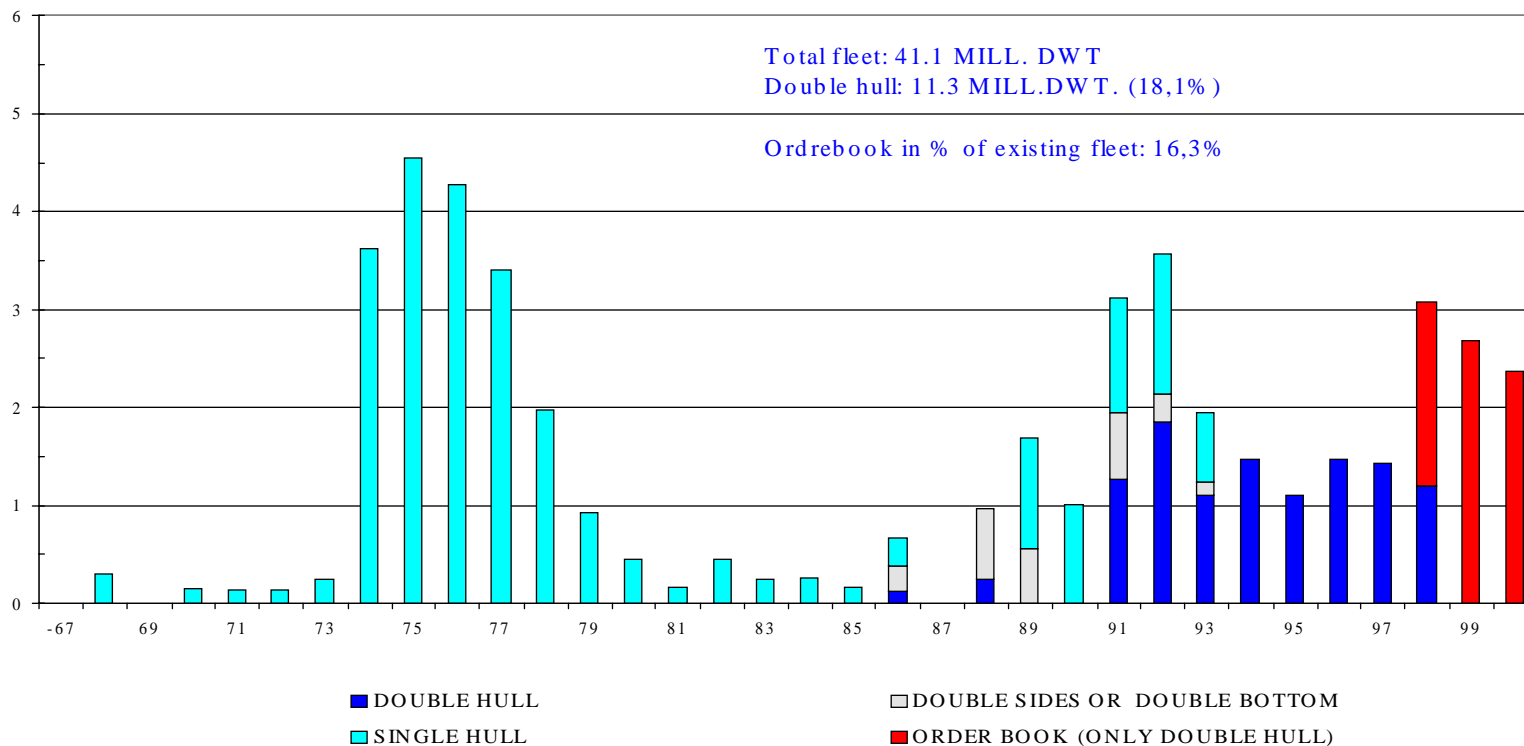
Short term portion of mortgage debt	66.800
ICB loan facility	80.000
Overdraft facility	<u>10.000</u>
	156.800

# VLCC by building year and type of hull as per 1 July 1998



# Suezmax by building year and type of hull as per 1 July 1998

MILL.DWT





## Frontline's cash break-even (b/e) rates

	<b>Cash b/e</b>	<b>Installments</b>
<i>VLCC</i>	27.000	10.500
<i>Suezmax</i>	17.600	6.400
<i>OBO</i>	19.900	7.900



# Appendix

# Cambridge Tankers (cont.)

- Golden State Holdings Ltd.
  - 2 VLCCs 02/99 + 07/99 Samsung
  - Fixed charter term : 8 years
  - Charterhire : 27,199/28,500
  - Notes offering : Serial USD 51.7m due 2000-2006  
(AA 6.3 - 6.8%)  
Term USD 127.1m due 2007-2019  
(BBB, 8.04%)
  - Charter : Chevron Shipping





## Cambridge Tankers (cont.)

- Windsor Holdings Ltd
  - 4 VLCCs 12/99, 6/00, 8/00, 11/00 Samsung
  - Fixed charter : 9/9.5/10/10.5 years
  - Charter hire : 24,895/market
  - Notes offering : Serial USD 111.7m due 2000-2010 (AA 6.2- 6.7%)  
Term USD 239.1m due 2010 - 2021 (BBB 7.84%)
  - Charter : BP Shipping



## Cambridge Tankers (cont.)

- California Petroleum Transport Corporation.
  - 4 Suezmax (3 d/h) 2/92, 3/93, 8/93, 10/94 Ishibras / IHI
  - Fixed charter : 20 (early termination options after year 9)
  - Charterhire : Full pay-out charter
  - Notes offering : Serial USD 167.5m due 1996 - 2006 (AA 6.7 -7.6%)  
Term USD 117.9m due 2004 - 2015 (A - 8.52%)
  - Charter : Chevron Shipping



# Shareholders per 25 August 1998

Hemen Holding Ltd.	243.84	52.9%
Odin Norden	27.84	6.0%
Odin Norge	16.11	3.5%
Brown Brothers Harriman	13.80	3.0%
SE - Banken	8.96	1.9%
Chase Nominees	4.84	1.0%
Storebrand Livsforsikring	4.42	1.0%
Hafslund Invest	3.59	0.8%
Morgan Guaranty Trust	2.83	0.6%
Chase Manhattan Bank	2.81	0.6%
<u>Other Shareholders</u>	<u>132.4</u>	<u>29.65%</u>
Total	461.07	100.0%