

## **Frontline Ltd. Bermuda Interim Report January - March 2000**

- The tanker market turned in the first quarter 2000 and is showing increasing strength.
- Frontline adds 4 VLCCs and 3 Suezmaxes to the fleet through acquisitions and newbuilding deliveries.
- Agreement signed for the restructuring of Golden Ocean with the aim to consolidate Golden Ocean's 14 VLCCs.
- Fundamentals point towards a continued healthy market and strong earnings improvement in the second quarter.
- Frontline strives for further tanker market consolidation.

### **FIRST QUARTER RESULTS**

Frontline reports net income of \$1.0 million for the first quarter of 2000, compared with net income of \$4.3 million for the first quarter of 1999. Earnings before interest, tax, depreciation and amortisation (EBITDA) for the quarter, including earnings from associated companies were \$41.1 million (1999 quarter: \$47.2 million). The average daily time charter equivalents ("TCEs") earned by the VLCCs, Suezmax tankers, and Suezmax OBO carriers were \$21,300, \$20,300 and \$18,900, respectively, (1999 quarter: \$29,700, \$21,100 and \$20,600, respectively). The reduction in freight revenues, operating costs, charterhire expenses and depreciation compared with the first quarter of 1999 are due to the inclusion in the first quarter of 1999 of four VLCCs in the ICB fleet which were sold in the latter part of 1999.

Net other expenses for the quarter were \$20.4 million (1999 quarter: \$15.5 million). Interest expense is unchanged from the first quarter of 1999; the repayment of debt associated with the acquisition of ICB has been offset by the drawdown of additional debt associated with the further expansion of the fleet throughout 1999 and the first quarter of 2000. Approximately 45% of Frontline's debt has been hedged through interest swaps with maturity of more than one year.

Earnings per share for the quarter were \$0.02, (1999 quarter: \$0.09). On February 25, 2000, the Company issued a total of 7,850,000 shares in two capital transactions discussed below, resulting in 68,811,860 shares outstanding at March 31, 2000 and a weighted average number of shares outstanding for the quarter of 63,981,091 (as at March 31, 1999 and for the quarter then ended: 46,106,860). Cashflow per share for the quarter was \$0.32, compared with \$0.61 for the same quarter in 1999.

The comparative results for the quarter ended March 31, 1999 have been restated to include the results of ICB Shipping AB on a consolidated basis.

### **THE MARKET**

The first quarter of the year was affected by OPEC's quota cuts, which were maintained until the OPEC meeting on March 25 when it was decided to increase production by approximately 1.7 million barrels per day.

Suezmax rates, in spite of the quota cuts, started to pick up in the last weeks of 1999, rising from about \$15,000 per day to a level in excess of \$20,000 per day. Relatively healthy rates for Suezmaxes were maintained, with some variations, throughout the quarter. The rates were supported by market reaction after the sinking of the 23 year old tanker Erika in December 1999. This incident caused major European charterers to impose stricter chartering standards that have generally excluded older Suezmax tankers from the Mediterranean and Atlantic trades. Suezmax rates have improved further in the second quarter and ships are currently fixed just below \$30,000 per day.

The VLCC rates lagged behind Suezmax rates and stayed just over \$20,000 per day, increasing slightly through the quarter. Only after the quota increase in March did the market pick up but from then on the development has been very strong. Currently the rates are above \$40,000 per day in all major VLCC trade lanes, with single fixtures yielding over \$50,000 per day. The growing number of backhaul cargoes from West Africa to the Far East has increased average earnings for VLCCs through reduction of ballasting time. This has particularly benefited the Tankers International pool, which has sufficient market presence to take full advantage of the backhaul trading possibilities.

14 VLCCs and 8 Suezmaxes were scrapped in the first quarter equalling the number of newbuilding VLCCs and Suezmaxes delivered from shipyards. Shipyards booked new orders for 13 VLCCs and 10 Suezmaxes in the period. The positive development in newbuilding prices and secondhand prices experienced in the second half of 1999 have continued into 2000.

### **CORPORATE AND OTHER MATTERS**

In February 2000 Frontline took delivery of the Front Sky and the Front Archer and in April the Company took delivery of the Front Sun, the final Suezmax newbuildings in the Company's current program. All vessels have been financed by traditional bank financing.

In February 2000, the Company issued 3,500,000 ordinary shares at NOK 57.50 per share in a Private Placement to institutional investors. At the same time, \$30 million of the Metrogas Loan was converted to equity, resulting in the issuance of 4,350,000 ordinary shares at an issue price of NOK 57.50 per share. Metrogas offered 2,000,000 of the shares to certain existing shareholders of the Company by means of a Secondary Offering.

In March 2000, Frontline entered into a joint venture with Euronav Luxembourg SA and Overseas Shipholding Group Inc. to acquire the 1993 built VLCC M/T Toba. Frontline has taken a 40 per cent interest in the vessel, which, once acquired on March 9, 2000, was renamed M/T Front Tobago and entered into the Tankers VLCC pool.

Also in March, 2000 Frontline entered into an agreement with Wilh. Wilhelmsen ASA to buy the two 1993-built VLCCs, M/T Tartar and M/T Tarim. The agreed purchase price of \$45 million per ship will be paid by \$62 million in cash and through the issuance of 2,957,500 Frontline shares at a price of NOK 80.00 per share. The first vessel was delivered to Frontline on May 23, 2000 and entered into the Tankers pool. The second vessel will be taken over by Frontline in June 2000 and will also be entered into the Tankers pool.

On May 25, 2000 Frontline signed a term sheet with the Golden Ocean Group Limited ("Golden Ocean"), under which the parties have agreed to propose a joint plan for a financial restructuring of Golden Ocean. Golden Ocean holds interest in 14 VLCCs and 10 bulk carriers and filed for a Chapter 11 restructuring in the Bankruptcy Court for the District of Delaware on January 14, 2000. Frontline has committed to pay up to \$33.0 million in cash, or to issue up to 4.1 million shares and 1.9 million warrants in Frontline valued to \$48.4 million to take over all unsecured debt and all upstream guarantees.

On May 25, 2000 the Company issued 3,000,000 ordinary shares at \$10.15 per share in a Private Placement to institutional investors. The proceeds of this issue will be used to part finance the acquisition of an ex-Golden Ocean newbuilding VLCC to be named M/T Front Tina, which is scheduled to be delivered to the Company on June 1, 2000. Total number of shares outstanding after completion of the private placement and the Tarim/Tartar transaction will be 74,769,360.

The Board wants to assure shareholders that Frontline will continue its work for consolidation in the tanker market. As a market leader in the industry, it is Frontline's responsibility to evaluate structures, which can increase the financial return in the industry and thereby generate an improved return to our shareholders. In addition to growing Frontline through acquisitions and mergers, it is of major importance to increase the number of owners who participate in the VLCC and Suezmax Pools (Tankers International and Alliance). Through larger pools we will be able to increase the trading flexibility, reduce the ballast voyages, and improve the cost structure further.

## **OUTLOOK**

The balance between supply and demand has developed in tanker owners' favour at the start of the year 2000. The March increase in the OPEC production quota generated growing demand for oil transportation. Expectations are for a further increase in oil production throughout the year, driven by favourable development in most major economies. Scrapping of vessels in 1999 contributed to an improved balance as did the restrictions imposed on older tonnage, particularly after the tanker Erika incident.

Going forward, the current order book of approximately 15 % of the total fleet does not cause a threat to market balance compared with the estimates for gradually increasing oil production and the current age profile of the tanker fleet. The Board supports the research which indicates that global oil demand will absorb another 1.0 million barrels increase in OPEC production in the second half of this year, plus another 1.5 million barrels next year. Combined with a modest delivery schedule for VLCCs during the next 18 months, it is likely that the positive development in the freight market as well as in the asset values will continue. Due to the current tight supply / demand balance it is not unlikely that the spot market in the next 18 months will experience temporary periods with very strong freight rates. Based on the T/C charter earnings Frontline has achieved so far in the second quarter, which has been in excess of \$35,000 per day for VLCCs and \$27,000 for Suezmaxes incl. OBO's, the Board expects a strong improvement in earnings for the second quarter as well as the full year..

May 31, 2000  
The Board of Directors  
Frontline Ltd.  
Hamilton, Bermuda

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## FRONTLINE GROUP FIRST QUARTER REPORT (UNAUDITED)

<b>INCOME STATEMENT</b> <i>(in thousands of \$)</i>	<b>2000</b> <b>Jan-Mar</b>	<b>1999</b> <b>Jan-Mar</b> <i>(restated)</i>	<b>1999</b> <b>Jan-Dec</b>
Freight revenues	94,655	114,441	369,876
Voyage expenses	(25,510)	(31,392)	(116,662)
<b>Net operating revenues</b>	<b>69,145</b>	<b>83,049</b>	<b>253,214</b>
Gain (loss) from sale of assets	463	207	(37,779)
Ship operating expenses	18,772	24,414	92,708
Charterhire expenses	8,181	9,576	31,719
Administrative expenses	2,203	2,562	11,783
<b>Operating income before depreciation and amortisation</b>	<b>40,452</b>	<b>46,704</b>	<b>79,225</b>
Depreciation and amortisation	19,689	23,680	91,435
<b>Operating income (loss) after depreciation and amortisation</b>	<b>20,763</b>	<b>23,024</b>	<b>(12,210)</b>
Interest income	697	1,864	7,561
Interest expense	(20,704)	(20,703)	(88,728)
Share of results from associated companies	693	482	3,067
Other financial items	(435)	3,352	(840)
<b>Income (loss) before taxes and minority interest</b>	<b>1,014</b>	<b>8,019</b>	<b>(91,150)</b>
Minority interest	-	3,604	4,245
Taxes	-	100	(9)
<b>Net income after tax</b>	<b>1,014</b>	<b>4,315</b>	<b>(86,896)</b>
<b>Earnings (loss) per Share (\$) - basic and diluted</b>	<b>0.02</b>	<b>0.09</b>	<b>(1.76)</b>

<b>Income on timecharter basis (\$ per day per ship)*</b>			
VLCC	21,300	29,700	20,000
Suezmax	20,300	21,100	16,700
Suezmax OBO	18,900	20,600	16,800

\* Basis = Calendar days minus off-hire. Figures after deduction of broker commission

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2000</b> <b>Mar 31</b>	<b>1999</b> <b>Mar 31</b> <i>(restated)</i>	<b>1999</b> <b>Dec 31</b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	86,056	200,408	66,267
Marketable securities	17,463	15,000	10,867
Other current assets	57,861	71,309	60,613
<i>Long term</i>			
Newbuildings	12,119	58,466	32,777
Vessel and equipment, net	1,601,976	1,720,696	1,523,112
Investment in associated companies	6,025	19,834	16,274
Goodwill	12,030	7,505	12,203
Deferred charges and other long-term assets	5,079	5,476	4,680
<b>Total assets</b>	<b>1,798,609</b>	<b>2,098,694</b>	<b>1,726,793</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term interest bearing debt	157,054	191,684	116,814
Other current liabilities	42,868	53,759	52,398
<i>Long term</i>			
Long term interest bearing debt	956,221	1,104,437	962,880
Other long term liabilities	20,867	13,490	18,450
Minority interest	4,372	151,526	18,951
Stockholders' equity	617,227	583,798	557,300
<b>Total liabilities and stockholders' equity</b>	<b>1,798,609</b>	<b>2,098,694</b>	<b>1,726,793</b>

## Frontline Ltd.

<i>Vessel</i>	<i>Manager</i>	<i>Flag</i>	<i>Built</i>	<i>S.Dwt</i>	<i>Yard</i>
<b>Suezmax Tankers</b>					
Polytrader (40%)	RMS	NOR	1978	126 000	Uddevalla
Polytraveler (35%)	RMS	NOR	1979	126 000	Uddevalla
Front Birch	Acomarit	NIS	1991	152 000	Daewoo
Front Maple	Acomarit	NIS	1991	152 000	Daewoo
Granite	Wallem	BS	1991	142 000	Split
Lillo	ITM	LIB	1991	147 253	AESA
Front Emperor	Acomarit	SING	1992	147 273	AESA
Front Sunda	Wallem	NIS	1992	142 000	Split
*Marble (0%)	Wallem	BS	1992	142 000	Split
Front Comor	Wallem	NIS	1993	142 000	Split
Front Spirit	Acomarit	NIS	1993	147 273	AESA
Front Pride	Acomarit	LIB	1993	149 686	Mitsui
Front Splendour	Acomarit	NIS	1995	149 745	Mitsui
Front Glory	Acomarit	NIS	1995	149 834	Mitsui
Front Fighter	V.Ships	NIS	1998	153 328	Hyundai
Front Hunter	V.Ships	NIS	1998	153 344	Hyundai
Front Warrior	V.Ships	BS	1998	153 409	Hyundai
Kim Jacob (T/C)	V.Ships	SING	1998	158 000	Daewoo
Mindanao	V.Ships	SING	1998	158 000	Daewoo
Front Sky	V.Ships	BS	2000	159 999	Hyundai
Front Archer	Farsund	NIS	2000	152 980	Hyundai
Front Sun	V.Ships	BS	2000	159 998	Hyundai
*Sonangol Girassol (0%)	Wallem	BS	2000	158 000	Daewoo
*Sonangol Luanda (0%)	Wallem	BS	2000	158 000	Daewoo
*Hull No. 5154 (0%)	Wallem	BS	2001	158 000	Daewoo
<b>OBO</b>					
Front Breaker	ITM	NIS	1991	169 177	Daewoo
Front Climber	Acomarit	SING	1991	169 178	Hyundai
Front Driver	Acomarit	NIS	1991	169 177	Hyundai
Front Guider	Acomarit	SING	1991	169 142	Daewoo
Front Leader	Acomarit	SING	1991	169 381	Daewoo
Front Rider	Acomarit	SING	1992	169 718	Hyundai
Front Striver	Acomarit	SING	1992	169 204	Daewoo
Front Viewer	ITM	SING	1992	169 381	Daewoo
<b>VLCC</b>					
Front Sabang	Wallem	SING	1990	285 000	Daewoo
Vanadis	Wallem	SING	1990	285 000	Daewoo
Front Highness	Acomarit	SING	1991	284 420	Hyundai
Front Lady	Acomarit	SING	1991	284 420	Hyundai
Front Lord	Acomarit	SING	1991	284 420	Hyundai
Front Duke	Acomarit	SING	1992	284 420	Hyundai
Front Duchess	Acomarit	SING	1993	284 480	Hyundai
Front Tobago (40%)	V.Ships	LIB	1993	260 619	IHI
Front Tarim	ITM	LIB	1993	300 364	Hitachi
Front Tartar	ITM	LIB	1993	306 902	Sumitomo
Front Century	ITM	BS	1998	311 189	Hyundai
Front Champion	ITM	BS	1998	311 286	Hyundai
Front Chief	ITM	BS	1999	311 224	Hyundai
Front Commander	Acomarit	BS	1999	311 168	Hyundai
Front Crown	Acomarit	BS	1999	311 176	Hyundai

\* Vessels commercially managed by Frontline Management AS