

## **Frontline Ltd. Bermuda Interim Report April - June 2000**

- Frontline reports Second Quarter EBITDA of \$77.6 million and net income of \$34.7 million.
- The tanker market soared in the second quarter and is currently at levels not experienced since the 1970's.
- Frontline adds 3 VLCCs and 1 Suezmax to its fleet in the second quarter through acquisitions and newbuilding deliveries.
- Bankruptcy court approval obtained for Frontline's disclosure statement for restructuring of Golden Ocean and Frontline's restructuring plan recommended by Golden Ocean and by the official Creditors Committee.
- Fundamentals point towards a continued healthy market and strong earnings.
- Frontline expects doubling of net income in third quarter compared to second quarter.

### **SECOND QUARTER AND SIX MONTH RESULTS**

The Board of Frontline is pleased to report net income of \$34.7 million in the second quarter of 2000. This compares with a loss of \$13.5 million in the second quarter of 1999. This result reflects the strong improvement in the tanker market that started in the first quarter of 2000 and continues to date. Earnings before interest, tax, depreciation, and amortisation (EBITDA) for the quarter, including earnings from associated companies were \$77.6 million, compared with \$27.5 million for the 1999 period. The average daily time charter equivalents ("TCEs") earned by the VLCCs, Suezmax tankers, and Suezmax OBO carriers were \$36,100, \$27,700 and \$26,800, respectively, (1999 - \$17,800, \$17,000 and \$16,800, respectively). Total operating costs have decreased as the successful implementation of a cost reduction program is recognised over the increased fleet. Depreciation expense has decreased due to inclusion in the second quarter of 1999 of four VLCCs in the ICB fleet which were sold in the latter part of 1999, combined with the fact that these VLCCs, plus the other eight vessels in the ICB fleet, were being depreciated over a twenty year expected life. This was amended to twenty five years with effect from the fourth quarter of 1999. Administrative expenses have increased primarily due to the operation of the Tankers International Pool, with costs of approximately \$700,000 included in the second quarter. This quarter was the first full quarter during which the Company's VLCCs operated in the Tankers International Pool.

Net other expenses for the quarter were \$21.9 million (1999 - \$17.5 million) as the average debt level increased with fleet expansion.

Basic earnings per share for the quarter were \$0.49, (1999 – loss of \$0.29). A total of 9,957,500 ordinary shares were issued during the second quarter of 2000 as a result of the various transactions discussed below, resulting in 78,769,360 shares outstanding at June 30, 2000 and a weighted average number of shares outstanding for the quarter of 71,434,745 (as at June 30, 1999 and for the quarter then ended - 46,106,860). Cashflow per share for the quarter was \$0.78, compared with \$0.22 for the same quarter in 1999.

For the first six months of 2000, the Company incurred net income of \$35.7 million (1999 - net loss of \$9.2 million) and EBITDA of \$118.8 million (1999 - \$74.7 million). The average daily TCEs earned by the VLCCs, Suezmax tankers, and Suezmax OBO carriers were \$29,000, \$24,300 and \$22,800 respectively, compared with \$22,600, \$18,700 and \$18,700 in the first six months of 1999.

Net other expenses for the first half of 2000 were \$42.4 million (1999 - \$33.0 million). Earnings per share for the 2000 year to date were \$0.53 (1999 – loss of \$0.20) and cashflow per share was \$1.13 (1999 - \$0.83).

The comparative results for the 1999 periods presented have been restated to include the results of ICB Shipping AB on a consolidated basis.

## **THE MARKET**

The tanker market continued to improve in the second quarter. After stable rates around USD 30-35,000 per day for the VLCC market and USD 25-30,000 per day for Suezmax in most of the quarter, rates improved significantly by the end of the quarter.

After a weak 1999, the tanker fleet had reduced slightly through scrapping of older vessels and slow newbuilding deliveries. As transportation demand picked up in 2000 as a result of OPEC's increase in production, the balances swung in favour of tanker owners and charter rates improved steeply. The trend from the second quarter has continued into the current quarter. Second-hand values and newbuilding prices have improved through the year and the trend continues. In the first six months of this year 19 VLCCs and 13 Suezmaxes were scrapped. 22 VLCCs and 14 Suezmaxes were delivered from shipyards in the same period.

## **CORPORATE AND OTHER MATTERS**

On April 12, 2000, Frontline took delivery of the Front Sun, the fifth and final Suezmax newbuilding in the Company's current program. On May 23, 2000 and June 14, 2000, Frontline took delivery of the 1993-built VLCCs, Front Tartar and Front Tarim, respectively, pursuant to the previously announced agreement with Wilh. Wilhelmsen ASA. A total of 2,975,000 ordinary shares of Frontline were issued at NOK 80.00 each for the acquisition of these vessels. Both vessels have been entered into the Tankers International Pool.

On June 1, 2000 the Company took delivery of the ex-Golden Ocean newbuilding VLCC, Front Tina. The acquisition of the Front Tina was part-financed by a Private Placement to institutional investors of 3,000,000 ordinary shares at \$10.20 per share that was completed on May 25, 2000.

In June 2000 the Company entered into an agreement with Euronav to acquire two Suezmax tankers, Ardenne and Brabant for a total price of \$95.0 million. The vessels will be taken over by Frontline in September 2000.

On June 20, 2000, the Company issued 4,000,000 ordinary shares at a price of NOK 104.5 per share in a private placement to a group of international institutional investors. Part of the \$48.5 million proceeds of the issue will be used to part finance the acquisition of the Ardenne and Brabant.

During the second quarter and through July, Frontline continued its attempts to gain acceptance of its plan for the financial restructuring of the Golden Ocean Group ("Golden Ocean"). On August 4, 2000 the bankruptcy court in Wilmington, Delaware approved Frontline's disclosure statement for restructuring of Golden Ocean. Frontline's restructuring plan was also recommended to the court by the debtor, Golden Ocean Group Ltd., and by the official Creditors Committee. The proposal for restructuring will now be distributed to the bondholders for voting. Frontline has through its own bond position and through a lock-up agreement already secured support from two thirds of the unsecured claims.

On August 15, 2000, the bankruptcy court approved a proposal to appoint Frontline as the manager of Golden Ocean's operations with immediate effect. The final confirmation hearing for the restructuring plan is scheduled to be held in Wilmington on September 15, 2000. A full take-over of Golden Ocean would increase Frontline's controlled fleet to 29 VLCCs and 28 Suezmaxes, and would add 10 modern bulkcarriers to the fleet.

## **OUTLOOK**

The fundamentals for the tanker market are encouraging. Oil demand is strong, on the back of favourable economic development in important consumption areas. Incremental oil supply will come out of the Middle East Gulf area where most of the world's spare production capacity is located - Increased Middle East Gulf production favours tanker owners through long transport distances. The global order book for delivery of tankers this year and the following years is modest compared with requirement for replacement of tankers coming to the end of their service life due to age and tightening regulations. The risk for over-ordering is limited in the near term. Vessels ordered today will only get delivered in two years time or later. Continued strong demand for oil transportation will keep tanker utilisation rates high. In the third quarter to date, daily TCE rates for Frontline's VLCCs and Suezmaxes have averaged approximately USD 44,000 and USD 40,000 respectively. Based on the earnings achieved so far in the third quarter the Board is confident that net income for the third quarter will show an improvement of more than 100 per cent compared to the second quarter.

August 21, 2000  
The Board of Directors  
Frontline Ltd.  
Hamilton, Bermuda

Questions should be directed to:

Contact: Tor Olav Trøim: Director  
+47 23 11 40 00

Ola Lorentzon, Managing Director, Frontline Management AS  
+47 23 11 40 00

Tom E. Jebsen: CFO Frontline Management AS  
+47 23 11 40 00

## FRONTLINE GROUP UNAUDITED SECOND QUARTER REPORT

1999 Apr-Jun <i>(restated)</i>	2000 Apr-Jun	INCOME STATEMENT <i>(in thousands of \$)</i>	2000 Jan-Jun	1999 Jan-Jun <i>(restated)</i>	1999 Jan-Dec <i>(audited)</i>
85,004	133,681	Freight revenues	228,336	199,445	369,876
(25,619)	(24,730)	Voyage expenses	(50,240)	(57,011)	(116,662)
<b>59,385</b>	<b>108,951</b>	<b>Net operating revenues</b>	<b>178,096</b>	<b>142,434</b>	<b>253,214</b>
-	-	Gain (loss) from sale of assets	463	207	(37,779)
22,393	21,245	Ship operating expenses	40,017	46,807	92,708
7,669	8,453	Charterhire expenses	16,634	17,245	31,719
2,674	3,005	Administrative expenses	5,208	5,236	11,783
<b>26,649</b>	<b>76,248</b>	<b>Operating income before depreciation and amortisation</b>	<b>116,700</b>	<b>73,353</b>	<b>79,225</b>
23,664	21,041	Depreciation and amortisation	40,730	47,344	91,435
<b>2,985</b>	<b>55,207</b>	<b>Operating income (loss) after depreciation and amortisation</b>	<b>75,970</b>	<b>26,009</b>	<b>(12,210)</b>
1,754	804	Interest income	1,501	3,618	7,561
(20,573)	(23,131)	Interest expense	(43,835)	(41,276)	(88,728)
818	1,374	Share of results from associated companies	2,067	1,300	3,067
1,291	413	Other financial items	(22)	4,643	(840)
<b>(13,725)</b>	<b>34,667</b>	<b>Income (loss) before taxes and minority interest</b>	<b>35,681</b>	<b>(5,706)</b>	<b>(91,150)</b>
158	-	Minority interest	-	(3,446)	4,245
(100)	-	Taxes	-	-	(9)
<b>(13,467)</b>	<b>34,667</b>	<b>Net income (loss)</b>	<b>35,681</b>	<b>(9,152)</b>	<b>(86,896)</b>
<b>(0.29)</b>	<b>0.49</b>	<b>Earnings (loss) per Share (\$)</b>	<b>0.53</b>	<b>(0.20)</b>	<b>(1.76)</b>

		Income on timecharter basis (\$ per day per ship)*			
17,80	36,1	VLCC	29,000	22,600	20,000
17,00	27,7	Suezmax	24,300	18,700	16,700
16,80	26,8	Suezmax OBO	22,800	18,700	16,800

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

BALANCE SHEET <i>(in thousands of \$)</i>	2000 Jun 30	1999 Jun 30 <i>(restated)</i>	1999 Dec 31 <i>(audited)</i>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and bank deposits	106,939	178,554	66,267
Marketable securities	17,116	24,000	10,867
Other current assets	89,201	63,795	60,613
<i>Long term</i>			
Newbuildings	-	60,401	32,777
Vessel and equipment, net	1,800,842	1,687,692	1,523,112
Investment in associated companies	6,783	2,163	16,274
Goodwill	11,857	1,491	12,203
Deferred charges and other long-term assets	18,819	13,486	4,860
<b>Total assets</b>	<b>2,051,557</b>	<b>2,031,582</b>	<b>1,726,793</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term interest bearing debt	131,379	56,140	116,814
Other current liabilities	46,271	204,825	52,398
<i>Long term</i>			
Long term interest bearing debt	1,091,065	1,079,043	962,880
Other long term liabilities	20,611	14,656	18,450
Minority interest	4,372	105,824	18,951
Stockholders' equity	757,859	571,094	557,300
<b>Total liabilities and stockholders' equity</b>	<b>2,051,557</b>	<b>2,031,582</b>	<b>1,726,793</b>

## Frontline Ltd.

<i>Vessel</i>	<i>Manager</i>	<i>Flag</i>	<i>Built</i>	<i>Dwt</i>	<i>Yard</i>
<b><i>Suezmax Tankers</i></b>					
Polytrader (40%)	Rasmussen MS	NOR	1978	126 000	Uddevalla
Polytraveller (35%)	Rasmussen MS	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
Ardenne	V.Ships	LIB	1997	153 000	Hyundai
Brabant	V.Ships	LIB	1998	153 000	Hyundai
Front Fighter	V.Ships	NIS	1998	153 328	Hyundai
Front Hunter	V.Ships	NIS	1998	153 344	Hyundai
Front Warrior	Cardston/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><i>Suezmax OBOs</i></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><i>VLCCs</i></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	Cardston/ITM	BS	1998	311 189	Hyundai
Front Champion	Cardston/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
Front Tina	V.Ships	LIB	2000	298 500	Kawasaki

\* Vessels commercially managed by Frontline Management AS

\*\* Ownership transfer to Frontline to take place in September 2000