

## **Frontline Ltd. Bermuda Interim Report July - September 2000**

- Frontline reports Third Quarter EBITDA of \$141.3 million and net income of \$97.0 million.
- The tanker market remained strong throughout the third quarter.
- Fundamentals point towards a continued healthy market and strong earnings.
- Frontline's Plan of Reorganisation for Golden Ocean is confirmed by the Bankruptcy Court during the third quarter and is declared effective in early October.

### **THIRD QUARTER AND NINE MONTH RESULTS**

The Board of Frontline is pleased to report a record net income of \$97.0 million in the third quarter of 2000: the best quarterly result ever announced by the Company. This represents a 180 per cent increase over the immediately preceding quarter. Earnings before interest, tax, depreciation, and amortisation (EBITDA) for the quarter, including earnings from associated companies were \$141.3 million, compared with a loss of \$14.9 million for the comparable 1999 period. Basic earnings per share for the quarter were \$1.23 (1999 – loss of \$1.28). Cashflow per share for the quarter was \$1.51, compared with \$(0.76) for the same quarter in 1999. This result reflects the strong tanker market that prevailed throughout the third quarter of 2000. In the third quarter of 1999, in addition to the market being very significantly weaker, the restated results include the loss on the sale of four VLCCs in the transaction to take control of ICB Shipping AB (“ICB”).

The average daily time charter equivalents (“TCEs”) earned by the VLCCs, Suezmax tankers, and Suezmax OBO carriers were \$52,000, \$41,100 and \$41,200, respectively, (1999 - \$19,400, \$14,100 and \$15,300, 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 third 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 decreased due to the inclusion of costs associated with the operation of ICB in the 1999 quarter. Administrative expenses in the third quarter of 2000 include approximately \$500,000 relating to the Tankers International Pool and a further \$300,000 relating to social costs arising from the employee share option plans.

Net interest expenses for the quarter were \$22.0 million (1999 - \$22.5 million). This has decreased from \$22.3 million the second quarter of 2000. There was no new debt drawdown in the third quarter and a total of \$58 million of debt was repaid. Interest has been incurred for a full quarter on the new vessel debt drawdown in the second quarter, offsetting the reduction from debt repaid.

During the third quarter, the Company issued 68,700 ordinary shares to acquire Golden Ocean Senior Notes and 129,635 shares were issued on the exercise of warrants to acquire the Company's shares. The Company acquired and cancelled 430,000 of its own shares pursuant to a call option. At September 30, 2000, 78,537,524 ordinary shares were outstanding and the weighted average number of shares outstanding for the quarter was 78,804,371 (as at September 30, 1999, 59,051,860 and for the quarter then ended - 46,247,567).

For the first nine months of 2000, the Company earned net income of \$132.7 million (1999 - net loss of \$68.3 million) and EBITDA of \$260.1 million (1999 - \$59.7 million).

Net interest expense was \$64.3 million (1999 - \$60.1 million). Earnings per share for the 2000 year to date are \$1.86 (1999 - loss of \$1.48) and cashflow per share was \$2.74 (1999 - \$0.07).

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 has showed increasing strength through the year to date. A significant rate improvement towards the end of the second quarter continued through the third quarter. Suezmax rates dipped temporarily in August but recovered again in September. At the end of the period Suezmaxes earned TCEs of over \$50,000 per day and VLCCs over \$60,000 per day.

The prime driver has been the sharp increase in OPEC oil production starting with the quota increase in April. The increased production added to the effect of a supply and demand balance created by scrapping of older tonnage in 1999 and the first half of 2000 and to the tightening of age and quality requirements imposed by charters after the Erika oil spill in late 1999.

The positive trend from the beginning of the year has continued into the fourth quarter. Second-hand values and newbuilding prices have continued to increase. In the first nine months of the year 26 VLCCs and 16 Suezmaxes were scrapped. 34 VLCCs and 19 Suezmaxes were delivered from shipyards in the same period.

## **CORPORATE AND OTHER MATTERS**

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. 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 were used to part finance the acquisition of the Ardenne and Brabant. The balance of the price was paid by traditional bank financing. The vessels, renamed Front Ardenne and Front Brabant, were taken over by Frontline in October 2000.

In October 2000, Frontline also acquired a 1993-built VLCC, which was named Front Ace and on delivery to the Company was placed in the Tankers International Pool. This vessel was acquired for \$53 million from a related party, such price being based on three independent valuations less a \$1 million discount. This acquisition has been part-financed by traditional bank financing.

Throughout the third quarter, 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 Frontline Plan was distributed to the bondholders for voting and 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 Frontline Plan was approved by creditors and confirmed by the Bankruptcy Court on September 15, 2000. On October 10, 2000, all conditions precedent were satisfied and Frontline declared the Plan effective. This take-over of Golden Ocean increases Frontline's controlled fleet to 30 VLCCs and 29 Suezmax tankers, and brings 10 modern bulkcarriers to the fleet.

## **OUTLOOK**

The Board is pleased that the large financial and personnel resources which have been invested in the build-up of Frontline during the last four years now seems to pay off to the benefit of our shareholders.

Strong oil demand backed by favourable demand development in important consumption areas continues to drive the tanker market. In the absence of spare capacity in other areas, the additional barrels will be produced in the Middle East with a consequential increase in tonnage demand. The tanker order book for delivery during the next two years is modest and no significant newbuilding capacity is available before 2003. The new rules proposed by the IMO for barring older tonnage from further trading could cause the removal from the trading fleet of about a third of currently existing Suezmaxes and VLCCs in the years 2002 through 2005.

In the fourth quarter Frontline has substantial capital commitments linked to the payment for Golden Ocean. In addition to the payment to the unsecured creditors and administrative claimants, Frontline will also use liquidity to refinance some of the existing mortgage debt in Golden Ocean. After the final payment for Golden Ocean, Frontline presently has no significant future capital expenditure commitments.

The Board is continuously evaluating opportunities to expand the company further. A well priced equity is a major condition for such a growth. Based on the price level indicated for sale of modern tonnage it is the Board's view that the current share price does not reflect a significant premium to the underlying value of the assets. This clearly limits the economical basis for growing the company through ship for share issues. In the event the Board does not find what it considers to be attractive deals, the Board will recommend to the shareholders that a significant part of the free cash generated will be distributed to the equityholders in the form of an organised tender buy-back program or, alternatively, a dividend. The Board is encouraged by the good share liquidity in the trading of Frontline shares on the Oslo Stock Exchange. The limited trading of the ADR on the Nasdaq National Market is, however, a concern. In order to improve the trading in the U.S. the Board is currently considering an application for listing of Frontline's ordinary shares on the New York Stock Exchange.

Market factors governing the tanker industry look fundamentally positive in a short and medium perspective. Tanker rates in the first part of the fourth quarter point to an improvement over the third quarter and the Board is confident that the net income for the last quarter of the year will substantially exceed that of the third quarter.

November 6, 2000  
The Board of Directors  
Frontline Ltd.  
Hamilton, Bermuda

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## FRONTLINE GROUP UNAUDITED THIRD QUARTER REPORT

1999 Jul-Sep (restated)	2000 Jul-Sep	INCOME STATEMENT (in thousands of \$)	2000 Jan-Sep	1999 Jan-Sep (restated)	1999 Jan-Dec (audited)
83,560	197,058	Freight revenues	425,394	283,005	369,876
(26,394)	(22,902)	Voyage expenses	(73,142)	(83,405)	(116,662)
<b>57,166</b>	<b>174,156</b>	<b>Net operating revenues</b>	<b>352,252</b>	<b>199,600</b>	<b>253,214</b>
(37,986)	-	Gain (loss) from sale of assets	463	(37,779)	(37,779)
24,755	23,025	Ship operating expenses	63,042	71,562	92,708
6,636	8,385	Charterhire expenses	25,019	23,881	31,719
3,386	3,275	Administrative expenses	8,483	8,622	11,783
<b>(15,597)</b>	<b>139,471</b>	<b>Operating income (loss) before depreciation and amortisation</b>	<b>256,171</b>	<b>57,756</b>	<b>79,225</b>
24,102	22,343	Depreciation and amortisation	63,073	71,446	91,435
<b>(39,699)</b>	<b>117,128</b>	<b>Operating income (loss) after depreciation and amortisation</b>	<b>193,098</b>	<b>(13,690)</b>	<b>(12,210)</b>
1,490	2,223	Interest income	3,724	5,108	7,561
(23,957)	(24,181)	Interest expense	(68,016)	(65,233)	(88,728)
656	1,868	Share of results from associated companies	3,935	1,956	3,067
(5,387)	(55)	Other financial items	(77)	(744)	(840)
<b>(66,897)</b>	<b>96,983</b>	<b>Income (loss) before taxes and minority interest</b>	<b>132,664</b>	<b>(72,603)</b>	<b>(91,150)</b>
7,704	-	Minority interest	-	4,258	4,245
-	-	Taxes	-	-	(9)
<b>(59,193)</b>	<b>96,983</b>	<b>Net income (loss)</b>	<b>132,664</b>	<b>(68,345)</b>	<b>(86,896)</b>
<b>\$(1.28)</b>	<b>\$1.23</b>	<b>Earnings (loss) per Share (\$)</b>	<b>\$1.86</b>	<b>\$(1.48)</b>	<b>\$(1.76)</b>

Income on timecharter basis (\$ per day per ship)*					
19,400	52,000	VLCC	37,700	21,400	20,000
14,100	41,100	Suezmax	30,200	17,100	16,700
15,300	41,200	Suezmax OBO	29,000	17,600	16,800

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

BALANCE SHEET (in thousands of \$)	2000 Sep 30	1999 Sep 30 (restated)	1999 Dec 31 (audited)
<b>ASSETS</b>			
<i>Short term</i>			
Cash and bank deposits	136,807	204,765	66,267
Marketable securities	23,888	22,000	10,867
Other current assets	113,704	55,314	60,613
<i>Long term</i>			
Newbuildings	-	23,181	32,777
Vessel and equipment, net	1,778,857	1,594,814	1,523,112
Investment in associated companies	8,651	1,858	16,274
Goodwill	11,782	11,566	12,203
Deferred charges and other long-term assets	18,366	10,657	4,860
<b>Total assets</b>	<b>2,092,055</b>	<b>1,924,155</b>	<b>1,726,793</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term interest bearing debt	140,614	247,437	116,814
Other current liabilities	52,728	53,721	52,398
<i>Long term</i>			
Long term interest bearing debt	1,023,271	1,005,982	962,880
Other long term liabilities	18,449	16,233	18,450
Minority interest	4,372	29,519	18,951
Stockholders' equity	852,621	571,263	557,300
<b>Total liabilities and stockholders' equity</b>	<b>2,092,055</b>	<b>1,924,155</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	NIS	1993	149,686	Mitsui
Front Splendour	Acomarit	NIS	1995	149,745	Mitsui
Front Glory	Acomarit	NIS	1995	149,834	Mitsui
Front Ardenne	V.Ships	NIS	1997	153,000	Hyundai
Front Brabant	V.Ships	NIS	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	NIS	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 Ace	Wallem	LIB	1993	275,000	Hitachi

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

## Golden Ocean

<i>Vessel</i>	<i>Manager</i>	<i>Flag</i>	<i>Built</i>	<i>Dwt</i>	<i>Yard</i>
<b>Drybulk</b>					
Golden Protea	Wallem	PH	1998	45,725	Tsuneishi
Golden Aloe	Wallem	PH	1998	45,726	Tsuneishi
Cos Hero	Cosco (b/b)	PH	1999	47,725	Tsuneishi
Golden Daisy (50%)	Samartzis	PH	1998	47,183	Oshima
Golden Rose (50%)	Samartzis	PH	1998	47,183	Oshima
Golden Disa	Wallem	PH	1999	75,462	Hitachi
Golden Nerina	Wallem	PH	1999	75,484	Hitachi
Channel Alliance	Wallem	PH	1996	171,978	NKK
Channel Navigator	Wallem	PH	1997	172,058	NKK
Channel Poterne	Wallem	PH	1997	172,091	NKK
<b>VLCCs</b>					
Golden Stream	Thome	PA	1995	275,616	Hitachi
Golden Fountain (50%)	Thome	PA	1995	301,665	Hitachi
Navix Astral	Sammy (b/b)	PA	1996	275,644	Hitachi
New Vanguard	Ming Wah (b/b)	HK	1998	300,058	Hitachi
New Vista	Ming Wah (b/b)	HK	1998	300,149	Hitachi
Golden Victory	Thome	PA	1999	305,155	Hitachi
New Circassia (50%)	Euronav (b/b)	PA	1999	306,009	MHI
Pacific Lagoon (45%)	Thome	PA	1999	305,839	MHI
Opalia	Shell (b/b)	IoM	1999	302,193	KHI
Stena Commerce	Stena	PA	1999	300,144	Hitachi
Stena Comanche	Stena	PA	1999	300,133	Hitachi
Stena Commodore	Stena	BER	2000	298,620	Hitachi
Oscilla	Shell (b/b)	IoM	2000	302,193	KHI