

The logo for Frontline, featuring a stylized vertical bar above the word "FRONTLINE" in a serif font.

FRONTLINE

*Status June 2001:*  
**Weakness as Expected –  
more Money ahead**



# The Fleet



<b>VLCC</b>		
9	100% Owned	S/S
13*	100% Owned	D/D
6 N/B	100% Owned	D/D
11	JV Owned	
<u>2 N/B</u>	<u>JV Owned</u>	
41	VLCCs	



<b>SUEZ</b>		
8	100 % Owned	S/S
13*	100 % Owned	D/D
<u>2 N/B</u>	<u>100 % Owned</u>	<u>D/D</u>
23	Suezmaxes	



<b>SUEZ OBO</b>		
8	100% Owned	D/D

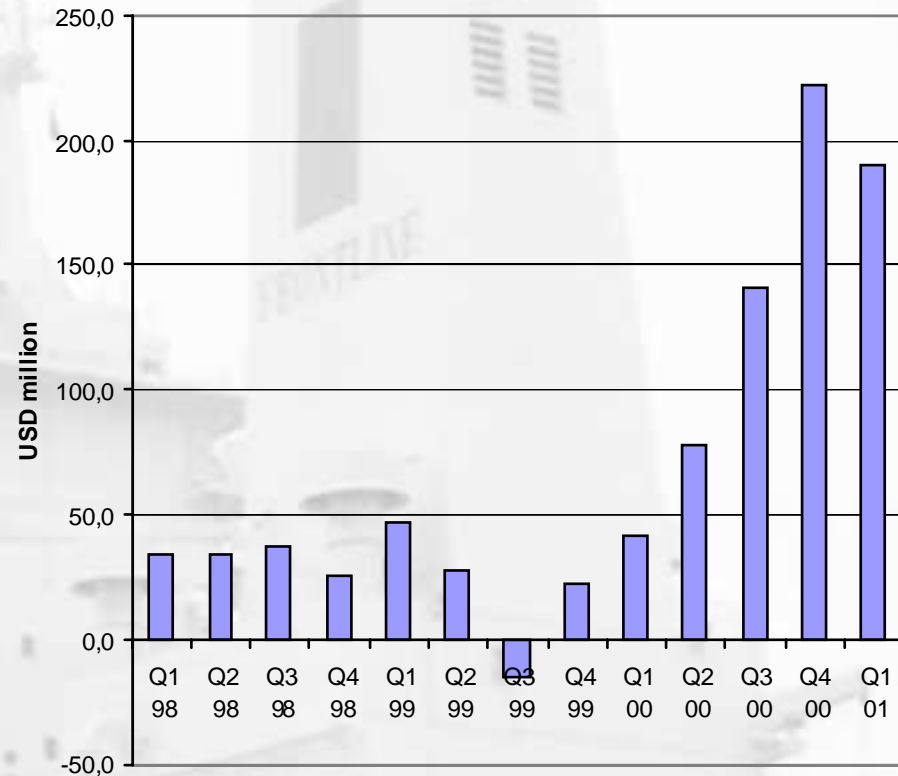
**TOTAL**  
72 ships  
17.3 million dwt.  
Average age 5.8 years

# Profit & Loss

## P & L

USD million	Q1 2001	Q1 2000	2000
Net operating revenues	222,1	69,1	599,9
Gain/loss on sale of vessels	0,7	0,5	1,2
Total expenses	40,1	29,2	132,1
Operating profit before depreciation (EBITDA)	182,7	40,4	469,0
Depreciation	29,3	19,7	92,9
Operating profit (EBIT)	153,4	20,7	376,1
Financial items	9,8	-19,7	-62,2
Net profit (loss) before min. & taxes	163,2	1,0	313,9
Minority	-1,4	0,0	0,0
Net profit (loss)	161,7	1,0	313,9
EPS (USD)	2,10	0,02	4,28
Dividend (USD)	1,00	0,00	0,00

## EBITDA

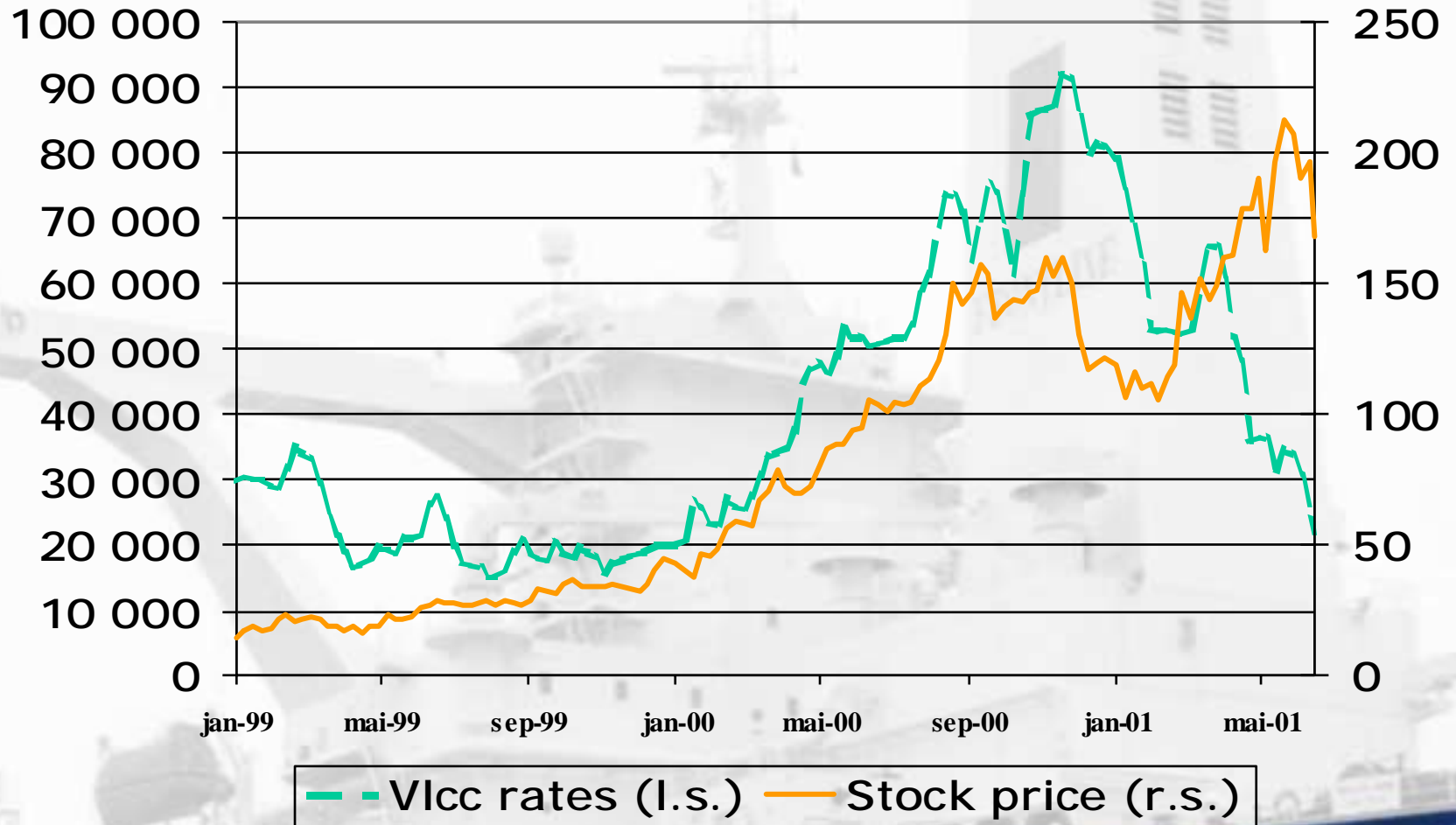


# Main Corporate Events 2<sup>nd</sup> Quarter

- Suezmax M/T "Front Archer" sold.
- Three VLCCs acquired from Golden Ocean bankruptcy remotes thrusts, further two to come.
- Dividend payout of USD 1.00 per share.
- Eliminating of totally 3.6 million shares so far in 2001 through warrant and share buy-back.
- Acquisition of Mosvold Shipping through public bid.
- Subsequent acquisition of remaining 47 % of Mosvold VLCC Newbuilding K/S + sale of old Mosvold VLCC.
- Joint venture between Frontline, OSG and Euronav acquires 4 VLCC + 2 VLCC newbuildings from Bergesen.
- NYSE listing expected in July.

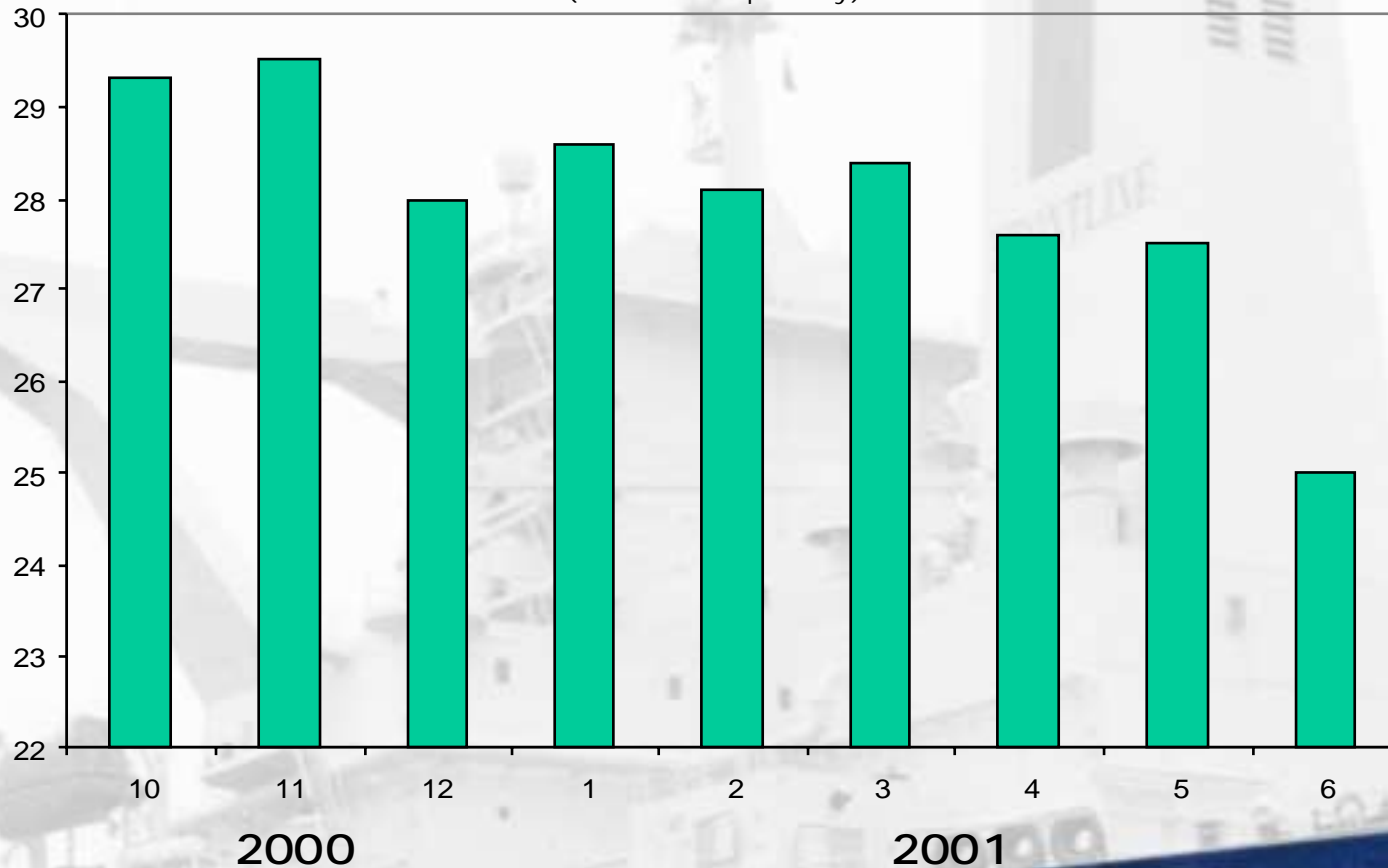
# An unusual behaviour

WS Rates vs. Frontline Share Price



# What Caused the Downfall in Rates?

OPEC CRUDE PRODUCTION  
MONTHLY 2000-2001  
(mill. barrels per day)

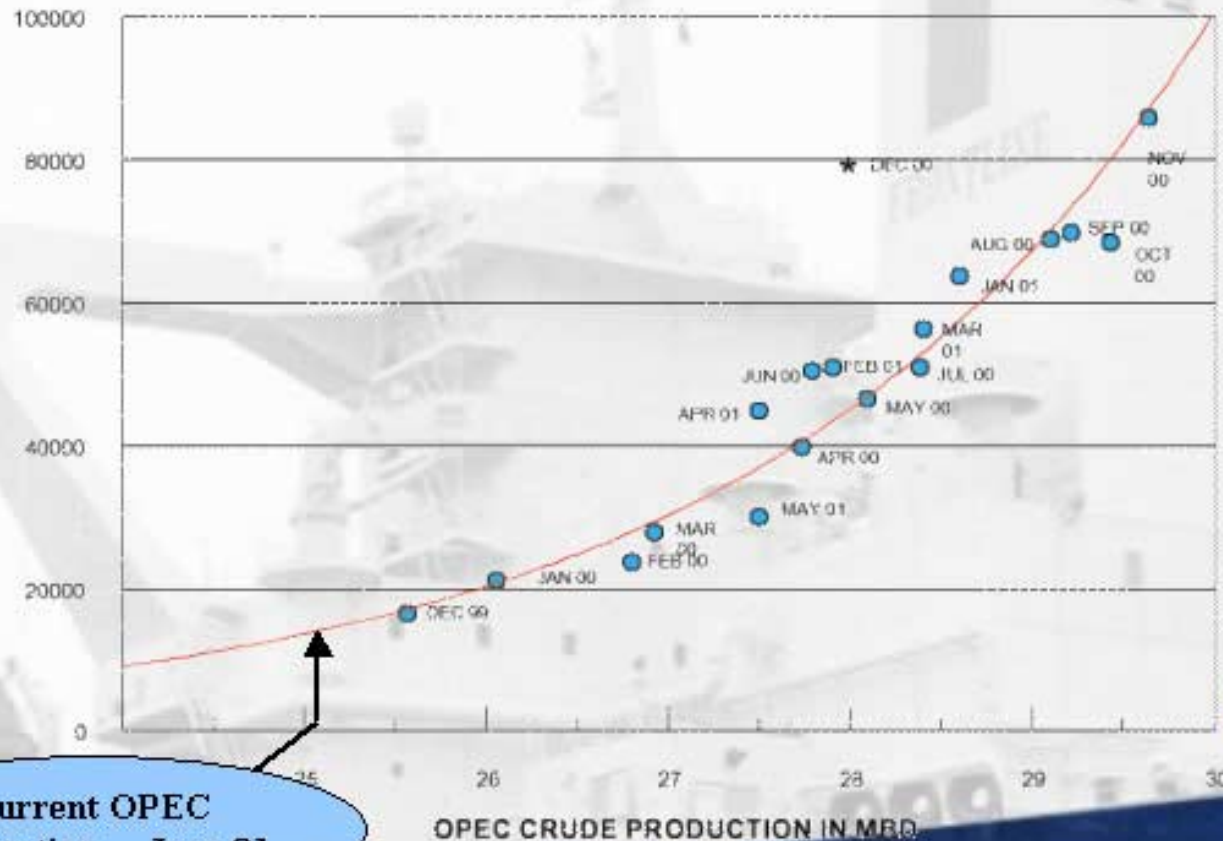


# Fall in rates – A natural consequence

*"The mathematical solution to the multimillion \$ question"*

CORRELATION BETWEEN OPEC OUTPUT AND VLCC RATES  
MONTHLY DEC 1999-MAY 2001

VLCC SPOT RATES \$/DAY



Current OPEC  
production – June 01



R.S. Platou  
Economic Research

# The "Floor" Works

## **Frontline Thesis :**

"If rates for modern VLCCs get lower than USD 30,000 per day, old tankers will make operating losses. This will, combined with the limitation in remaining life created by the new IMO rules, force scrapping and push market back to equilibrium again within limited time."

## **The 2001 Test :**

- Rates went through the USD 30,000 per day "Floor" in May.
- Totally 4 VLCCs were removed from market in Jan – April period.
- Totally 14 VLCCs have been sold for scrap, tied up for conversion or declared total loss in May and so far in June.



# The Phase Out

IMO AGREEMENT APRIL 2001

## PHASE OUT SCHEME FOR SINGLE HULL TANKERS

BASED ON FLEET AS AT MAY 2001 – MILL DWT

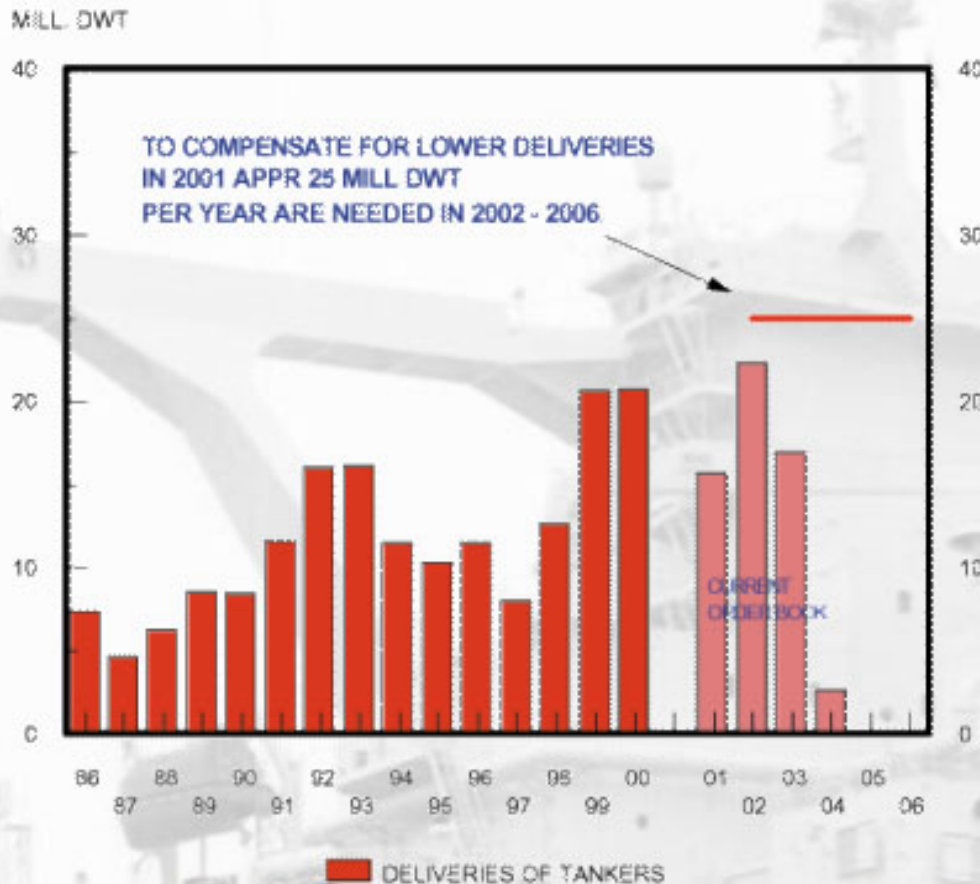
	PANAMAX*	AFRAMAX	SUEZMAX	VLCC	TOTAL
2003	0.6	1.5	1.0	2.5	5.6
2004	0.1	3.0	3.6	10.5	17.2
2005	0.9	3.0	4.9	21.1	29.9
2006	2.0	2.5	2.7	6.3	13.5
2007	2.8	5.6	0.5	1.7	10.6
<b>2003-07</b>	<b>6.4</b>	<b>15.6</b>	<b>12.7</b>	<b>42.1</b>	<b>76.8</b>
<b>% OF EXIST FLEET</b>	<b>40 %</b>	<b>28 %</b>	<b>30 %</b>	<b>33 %</b>	<b>31 %</b>

\* Panamax defined as tankers between 50,000 and 70,000 dwt.

# Need for new tankers ?

WHAT IS TOO MUCH?

## DELIVERIES OF NEW TANKERS



## NEED FOR REPLACEMENT OF OLD TANKERS

ACCORDING TO THE RECENT IMO/MEPC 46 AGREEMENT 85 MILL DWT MUST BE REMOVED FROM THE FLEET WITHIN JAN 2007 IE AN ANNUAL AVERAGE OF 15 MILL DWT PER YEAR OR 13 MILL DWT PER YEAR OF NEWBUILDINGS.

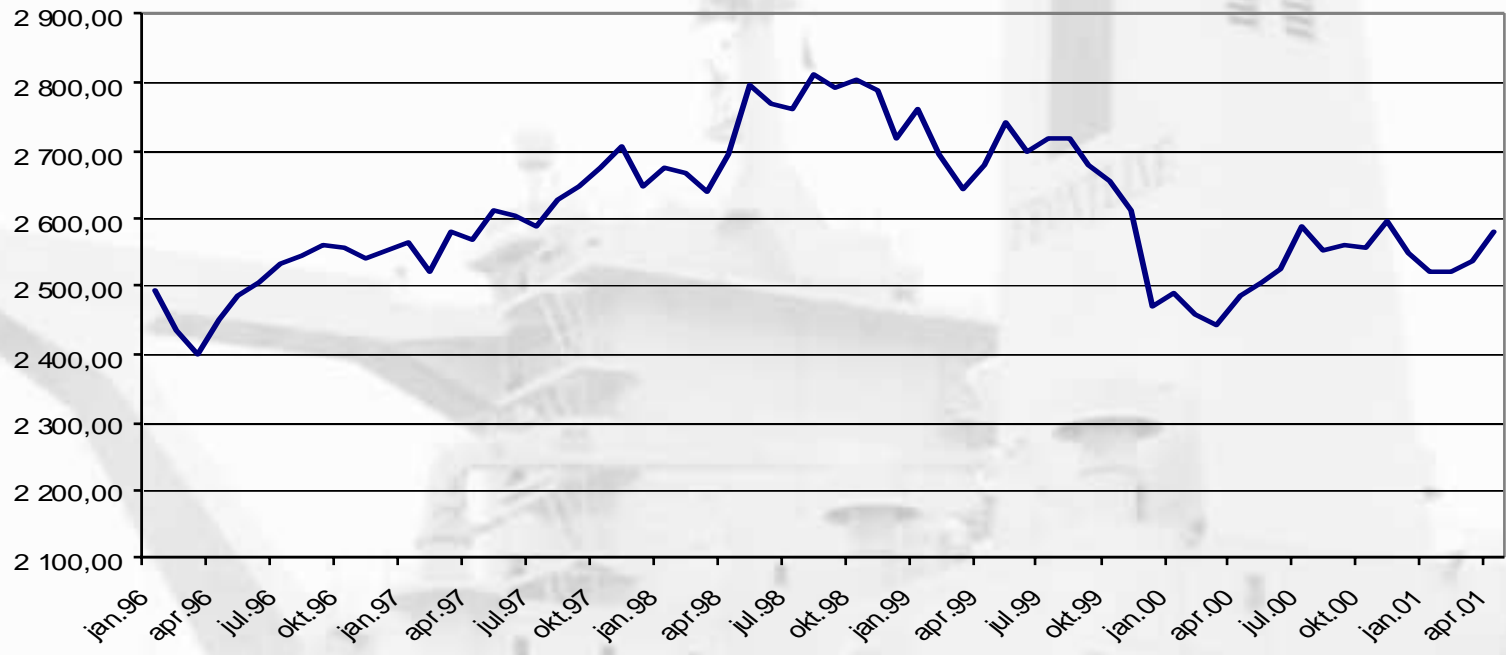
## TO COVER OIL TRADE GROWTH

BASED ON 3.7% ANNUAL GROWTH IN TONNAGE DEMAND SOME 10 MILL DWT PER YEAR ARE REQUIRED. (2.7% PA IN 1990s)



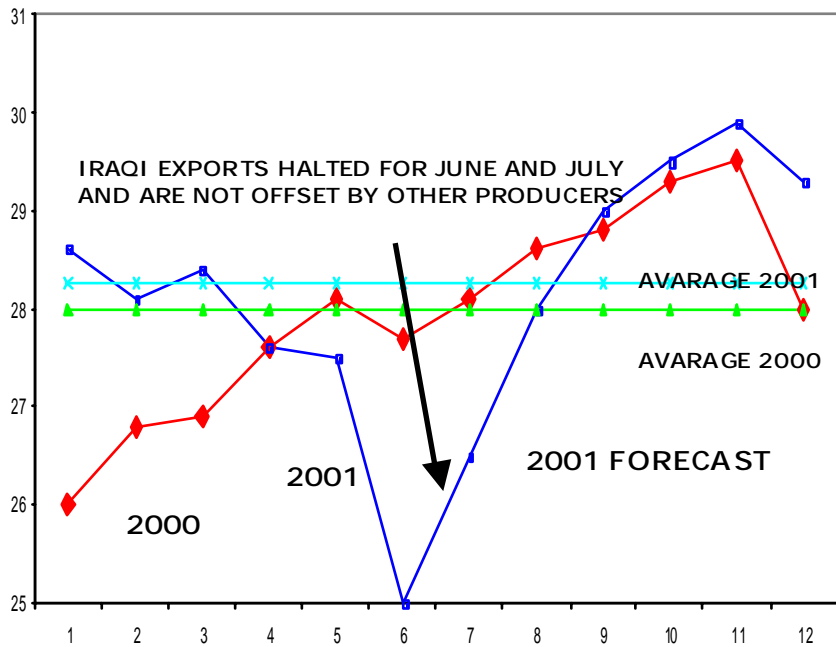
R.S. Platou  
Economic Research a.s.

# OECD Oil Inventories



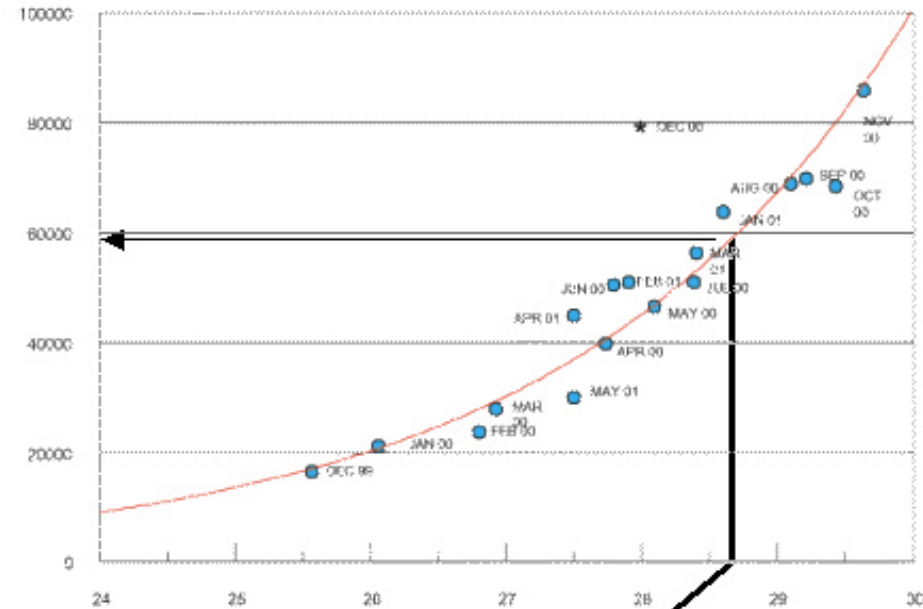
# Where do we go from here ?

OPEC CRUDE INCL. ESTIMATE 2001 2nd HALF  
MONTHLY 2000-2001



CORRELATION BETWEEN OPEC OUTPUT AND VLCC RATES  
MONTHLY DEC 1999 - MAY 2001

VLCC SPOT RATES \$/DAY



Estimated average  
prod. level 2001 2nd half

# What if the VLCC market is USD 30,000 per day, and.....

- **Saudi Crude Export replaces Iraqi Crude Export :**
  - Utilisation of the tanker fleet will increase with close to 2 %, and push freight rates up with approximately USD 9,000 per day.
- **30 ships are scrapped immediately:**
  - Freight rates will subsequently increase with USD 14,000 per day. Based on a USD 3 million per ship scrapping premium the remaining owners will make back a "scrapping fund" in less than 20 days.
- **OPEC adjusts seasonal production with +/- 2 million barrels :**
  - Average yearly freight rate increases with USD 11,000 per day as a function of the introduced volatility in the production level.

# Frontline's relative pricing

Company	Ticker	6.19.01 Price	Shares Out	Market Cap.	Total Debt	Cash & Equiv.	TEV	Book Equity	Debt/Cap	Dividend Yield
Frontline Ltd. (1)	FRONY	\$18,40	76,9	1415,3	\$1 863,9	\$175,5	\$3 103,7	\$1 170,5	61 %	5 %
OMI Corporation (1)	OMM	5,86	67,1	393,4	380,6	9,3	764,6	310,6	55 %	0 %
Teekay Shipping Corporation (1)	TK	41,38	39,4	1 630,5	1 108,7	134,2	2 604,9	1 234,8	47 %	2 %
Overseas Shipholding Group (2)	OSG	30,00	34,2	1 025,3	1 066,5	123,5	1 968,3	796,9	57 %	2 %

	EBITDA (MM)			Earnings Per Share			Cash Flow Per Share			NAV
	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E	
Frontline Ltd.	\$467,8	\$615,8	\$730,0	\$4,26	\$5,05	\$6,30	\$5,53	\$6,81	\$8,32	\$20,45
OMI Corporation	104,1	144,5	199,6	1,16	1,35	1,95	1,48	1,78	2,46	\$5,98
Teekay Shipping Corporation	427,8	576,8	599,5	6,86	9,75	10,62	9,40	13,04	14,16	\$35,95
Overseas Shipholding Group	226,4	230,5	250,9	2,04	3,12	3,14	3,66	4,84	5,16	NA

	TEV/EBITDA			Price/Earnings			Price/Cash Flow			Price/NAV
	2000	2001E	2002E	2000	2001E	2002E	2000	2001E	2002E	
Frontline Ltd.	6,6x	5,0x	4,3x	4,3x	3,6x	2,9x	3,3x	2,7x	2,2x	90 %
OMI Corporation	7,3x	5,3x	3,8x	5,1x	4,3x	3,0x	4,0x	3,3x	2,4x	98 %
Teekay Shipping Corporation	6,1x	4,5x	4,3x	6,0x	4,2x	3,9x	4,4x	3,2x	2,9x	115 %
Overseas Shipholding Group	8,7x	8,5x	7,8x	14,7x	9,6x	9,6x	8,2x	6,2x	5,8x	NA
<b>Average Tanker</b>	<b>7,2x</b>	<b>5,8x</b>	<b>5,1x</b>	<b>7,5x</b>	<b>5,5x</b>	<b>4,8x</b>	<b>5,0x</b>	<b>3,8x</b>	<b>3,3x</b>	<b>101 %</b>
<b>Average Offshore Drilling</b>	<b>18,1x</b>	<b>8,9x</b>	<b>6,0x</b>	<b>30,2x</b>	<b>17,1x</b>	<b>10,5x</b>	<b>16,1x</b>	<b>9,5x</b>	<b>6,3x</b>	<b>190 %</b>
<b>Average Offshore Transportation</b>	<b>11,9x</b>	<b>7,0x</b>	<b>5,4x</b>	<b>25,6x</b>	<b>15,2x</b>	<b>9,8x</b>	<b>12,4x</b>	<b>7,5x</b>	<b>5,7x</b>	<b>NA</b>

(1) RBC Dain Rauscher Wessels Estimates

(2) UBS Warburg Estimates; (Total debt includes deferred taxes)

**Significant lower priced than competitors**

# Conclusion - A mathematical simplification of Frontline?

OPEC PROD (mill barrels)	VLCC DAYRATE	SUEZMAX DAYRATE	NET PROFIT
27,0	\$30,000	\$22,000	USD 180 MILL
28,3	\$50,000	\$35,000	USD 400 MILL
29,5	\$80,000	\$55,000	USD 840 MILL

## ShippingBabes Launches Support Group for Ship Owners whose Companies John Fredriksen has Taken Over

*"Everyone is at a different place in life, and when you can meet up with others who are sharing a similar situation it is indeed comforting, if not extremely encouraging."*



ShippingBabes announced today the launch of the ShippingBabes ex Shipowner Support Group! SBSSG. Our new support group will offer information on attachment disorder, help and advice on letting go, counseling on broker abandonment and group bonding experiences with fellow ex-shipowners, real life testimonials and sessions with other owners who have faced the similar trauma of fleet loss and the pain of seeing the word "Front" attached to their beloved ships on brokers fixture reports.



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