



Q3 2001 RESULTS  
14 November 2001



# The Fleet

33 + 8 N/B VLCCs



- š Oldest ship from 1990
- š Average age – 6.1 years – Industry Average 12.5 years.

- š Percentage double hull tonnage : 66 % - Industry Average 40 %

- š Market share of modern spot market incl. Pool participators : Approximately 35-40 %



22 Suezmaxes

8 Suezmax OBOs



**= 17 million dwt. or approximately 112 million barrels transport capacity.**

# Main events 2001

- Acquired VLCCs Edinburgh and Dundee together with OSG (50.1 / 49.9% j/v) in Feb / March.
- Sold Tarim and Tartar in April.
- Announced authorisations to buy back remaining warrants, increased level for buy back of shares to 7,500,000 and established an Equity Swap Line to acquire up to 3,500,000 shares. In total 5,327,145 shares acquired, whereof 3,927,145 are cancelled.
- Placed NOK denominated commercial paper.
- Suezmax M/T Front Archer sold.
- Four VLCC's acquired from Golden Ocean bankruptcy remotes trusts, further one to come.
- Dividend payout of \$US 1.00 per share in May, further \$US 0.40 payout in September and \$US 0.10 in December.
- 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 3 VLCC's + 2 VLCC newbuildings from Bergesen.
- Listed on the New York Stock Exchange on August 6, 2001.

# Main events 3Q 2001

- Established an Equity Swap Line to acquire up to 3,500,000 shares. In total 1,460,000 shares acquired under this programme.
- Suezmax M/T Front Archer and VLCC T/T Mosocean sold.
- One VLCC's acquired from Golden Ocean bankruptcy remotes trusts, further one to come.
- Dividend payout of \$US 0.40 payout in September and \$US 0.10 in December.
- Joint venture between Frontline, OSG and Euronav acquires 3 VLCC's + 2 VLCC newbuildings from Bergesen.
- Listed on the New York Stock Exchange on August 6, 2001.
- Delivery of Suezmaxes Front Melody in August and Front Symphony in October.
- Compulsory acquisition of Mosvold shareholders finished.

# Change in accounting policy

## Drydocking policy

- In the third quarter of 2001, Frontline has changed its accounting policy for drydockings. Effective January 1, 2001 Frontline will recognise the cost of a drydocking at the time the drydocking takes place, that is, it will apply the "expense as incurred" method.
- As a consequence of this change, the YTD figures as at 30.09.01 are restated.
- Net effect of this change in accounting policy is a release of the drydocking accruals that have been accrued in the balance sheet and a credit to the income statement in an amount of US\$32.3 million.

## Edinburgh /Dundee

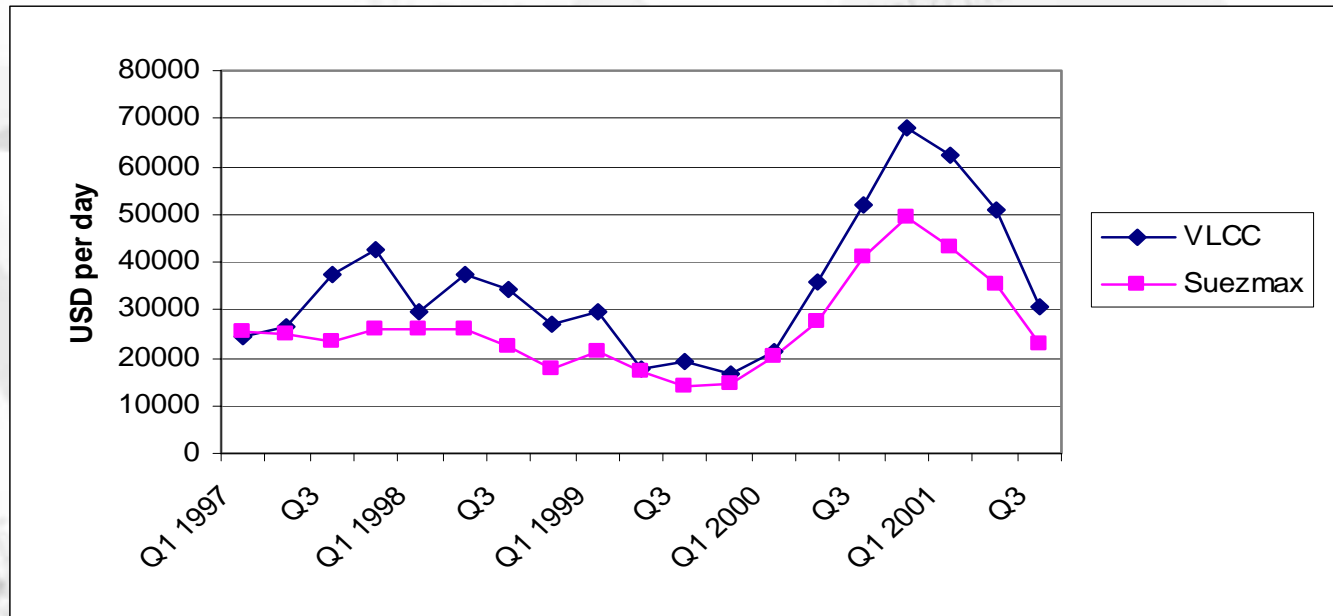
- Frontline has changed the accounting treatment for the SPC's owning vessels Edinburgh and Dundee from booking these companies on a consolidated basis (with a minority), to booking them according to the equity method (in line with the other associated companies).
- As a consequence of this, YTD figures as at 30.09.01 are restated.

# Profit & Loss

Q3 00	Q3 01 USD million	9M 2001	9M 2000	2000
174,2	132,4	537,8	352,3	599,9
0,0	18,8	34,8	0,5	1,2
34,7	44,5	129,3	96,5	132,1
139,5	106,8	443,3	256,2	469,0
	before depreciation (EBITDA)			
22,3	31,1	89,3	63,1	92,9
117,1	75,6	354,1	193,1	376,1
-20,1	-36,1	-47,1	-60,4	-62,2
97,0	39,5	307,0	132,7	313,9
0,0	0,0	0,0	0,0	0
	0,3	0,3		
	0,0	32,3		
97,0	39,3	339,0	132,7	313,9
	Net profit (loss)			
1,23	0,51	4,41	1,86	4,28
	Dividend (USD)	1,50	0,00	0,00

# Income on time charter basis (USD / day)

Q3 00	Q3 01		9M 2001	9M 2000	2000
52 000	30 800	VLCC	47 600	37 700	46 300
41 100	23 100	Suezmax	34 100	30 200	35 500
41 200	23 000	Suezmax OBO	31 900	29 000	33 300



# Income on time charter basis

Q3 00	Q3 01	USD'000s	9M 2001	9M 2000
71 749	50 035	VLCC	214 353	138 016
67 907	42 073	Suezmax	181 590	142 302
30 227	16 133	Suezmax OBO	65 372	63 140

Trading days minus off hire				
Q3 00	Q3 01		9M 2001	9M 2000
1 378	1 625	VLCC	4 504	3 659
1 651	1 818	Suezmax	5 324	4 720
736	703	Suezmax OBO	2 052	2 174



# Total expenses

<b>Q3 2000</b>	<b>Q3 2001</b>	<b>USD million</b>	<b>9M 2001</b>	<b>9M 2000</b>
<b>23,0</b>	<b>32,2</b>	<b>Ship oper. exp.</b>	<b>89,6</b>	<b>63,0</b>
<b>8,4</b>	<b>10,5</b>	<b>Charterhire exp.</b>	<b>31,5</b>	<b>25,0</b>
<b>3,3</b>	<b>1,8</b>	<b>Adm. exp.</b>	<b>8,1</b>	<b>8,5</b>

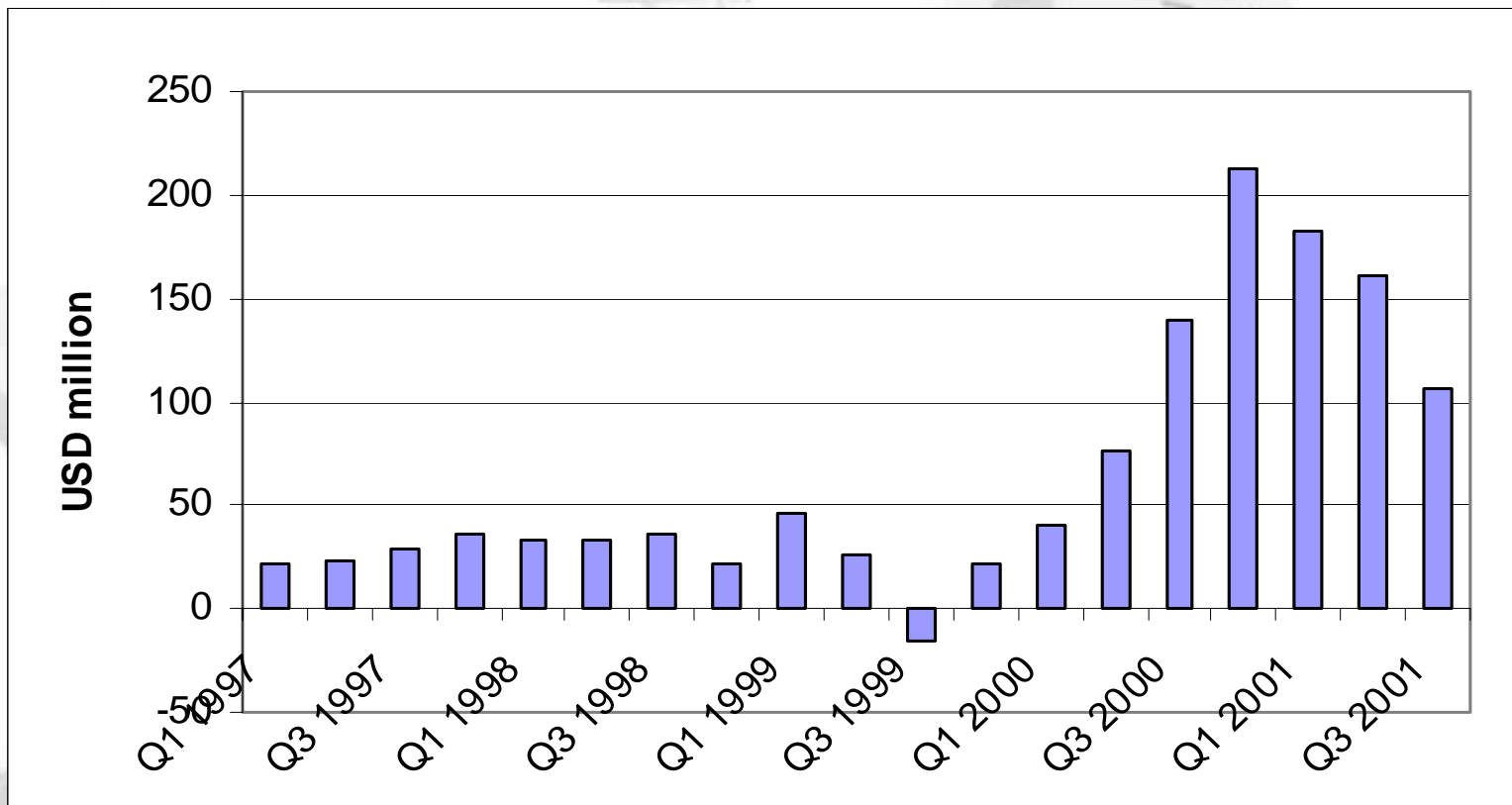
# Operating expenses (USD / day)

	Q3 2001 Opex	Q3 2001 d/d costs	9M 2001 Opex	9M 2001 d/d costs	Budget 2001	Total 2000
VLCC	6 023	285	<b>6 031</b>	<b>104</b>	7 024	6 940
Suezmax	5 443	559	<b>5 143</b>	<b>744</b>	6 017	5 476
Suezmax OBO	7 200	838	<b>6 730</b>	<b>1 826</b>	7 664	6 246

# Off balance sheet vessels = Charter hire

- Front Century
- Front Champion
- Front Warrior
- Kim Jacob
- Golden Victory

# EBITDA



# Financial items

Q3 2000	Q3 2001	USD million	9M 2001	9M 2000	2000
174,2	132,4	Net operating revenues	537,8	352,3	599,9
0,0	18,8	Gain / loss on sale of vessels	34,8	0,5	1,2
34,7	44,5	Total expenses	129,3	96,5	132,1
139,5	106,8	Operating profit before depreciation (EBITDA)	443,3	256,2	469,0
22,3	31,1	Depreciation	89,3	63,1	92,9
117,1	75,6	Operating profit (EBIT)	354,1	193,1	376,1
-20,1	-36,1	Financial items	-47,1	-60,4	-62,2
97,0	39,5	Net profit (loss) before min. & taxes	307,0	132,7	313,9
0,0	0,0	Minority	0,0	0,0	0
	0,3	Taxes	0,3		
	0,0	Cumulative effect of change in acc. principle	32,3		
97,0	39,3	Net profit (loss)	339,0	132,7	313,9
1,23	0,51	EPS	4,41	1,86	4,28
	2,2	Interest income	10,1		
	-21,9	Interest expense	-70,9		
	0,7	Share of result in assoc	16,0		
	-7,5	Other financial items	-11,6		
	-9,6	Foreign currency gain	9,3		

# Associated companies

	<u>Debt outstanding</u>
•Rasmussen K/S parts	nil
•Front Tobago (40%) partners OSG and Euronav	17,2
•Ariake (33%), partner OSG and Euronav	55,0
•Sakura (33%), partner OSG and Euronav	55,0
•Ichiban (33%), partner OSG and Euronav	52,5
•Hull 4982 and Hull 4983 (33%), partner OSG and Euronav	nil
•Edinburgh (50,1%), partner OSG	32,7
•Dundee (50,1%), partner OSG	32,7
•Golden Fountain (50%) partner Euronav	38,1
•New Circassia (50%) partners Ropner and Runcinan	59,7
•Pacific Lagoon (50%) partner Euronav	59,6
•Golden Daisy (50%) partner Samartzis	16,0
•Golden Rose (50%) partner Samartzis	<u>16,2</u>
<i>USD 167,0 million is Yen denominated</i>	
Total =	<u>434,7</u>

# Balance sheet - Assets

USD million

	Q3 2001	Q3 2000	2000
<b>Short term</b>			
Cash and Bank deposits	117,4	136,8	116,1
Marketable securities	0,3	23,9	4,0
Other current assets	96,6	113,7	172,8
			Trade rec./Voyages 75,3 Prepayment/inventory 16,6 Other 0,4
<b>Long term</b>			
Newbuildings	101,0	0,0	36,3
Vessels and equipment, net	2 502,8	1 778,9	2363,3
Associated companies	98,6	8,7	27,4
Goodwill	14,2	11,8	12,8
Deferred charges and other assets	16,9	18,3	46,6
			Frontline 39,0 Mosvold 53,5 Option to buy Oscilla 8,4
			Oscilla 9,9 Other 7,0
<b>Total assets</b>	<b>2 947,6</b>	<b>2 092,0</b>	<b>2779,4</b>

# Balance sheet - Assets

USD million	Q3 2001	Q3 2000	2000
<b>Short term</b>			
Cash and cash equivalents	117,4	136,8	116,1
Marketable securities	0,3	23,9	4
Other current assets	96,6	113,7	172,8
<b>Long term</b>			
Newbuildings and vessel purchase options	101,0	0,0	36,3
Vessels and equipment, net	2 502,8	1 778,9	2363,3
Investment in associated companies	98,6	8,7	27,4
Goodwill	14,2	11,8	12,8
Deferred charges and other long-term assets	16,9	18,3	46,6
<b>Total assets</b>	<b>2 947,6</b>	<b>2 092,0</b>	<b>2779,4</b>

FL	2064,6
GOGL	339,2

GOGL includes 2 capes, 1 handy and 4 VLs

GOGL Capital lease 105,0

includes 1 cape, 2 handys and 2 panmax



# Balance sheet - Liabilities

USD million	Q3 2001	Q3 2000	2000
<b>Short term</b>			
Short term interest bearing debt	223,9	140,6	212,8
Other current liabilities	70,5	52,7	77,6
<b>Long term</b>			
Long term interest bearing debt	1 331,1	1 023,3	1 331,4
Other long term liabilities	104,0	18,4	123,7
Minority	6,1	4,4	4,5
Stockholder's equity	1 212,0	852,6	1 029,5
<b>Total stockholders' equity and liab.</b>	<b>2 947,6</b>	<b>2 092,1</b>	<b>2 779,4</b>

Yen denominated debt \$ 220,1 million

# Cash flow

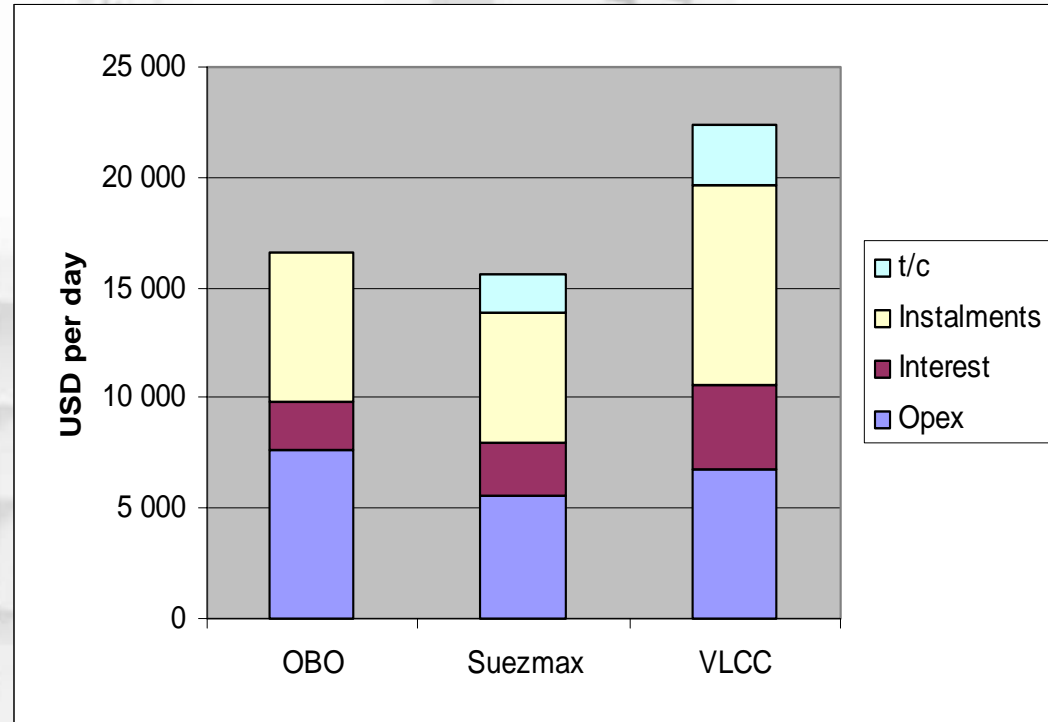
	Q3 01	9M 2001
Net income	39,3	339,0
Depreciation/amortization of goodwill	31,1	89,3
Adjustments to reconcile net income to net cash provided by operating activities	-2,1	-83,7
Changes in operating assets and liabilities	19,4	69,8
<b>Net cash flow from operating activities</b>	<b>87,7</b>	<b>414,4</b>
<b>Net cash flow from investing activities</b>	<b>-51,3</b>	<b>-266,9</b>
<b>Net cash flow from financing activities</b>	<b>-49,1</b>	<b>-146,3</b>
<b>Net cash flow</b>	<b>-12,7</b>	<b>1,3</b>
Cash at beginning of quarter/year	130,1	116,1
Cash at end of quarter	117,4	117,4
<b>Net increase (decrease)</b>	<b>-12,7</b>	<b>1,3</b>

# Cash Break Even

- The main element of the financial strategy has been to create a Company which from a cash point of view can sustain three bad years of trading without major rearrangements of the balance sheet.

- Based on Frontline's modern fleet and the aging overall fleet the bad case scenario has been constructed around the rate level necessary to keep old tonnage alive, i.e. VLCC rates of approx. USD 15,000 per day and Suezmax rates of approx. USD 10,000 per day

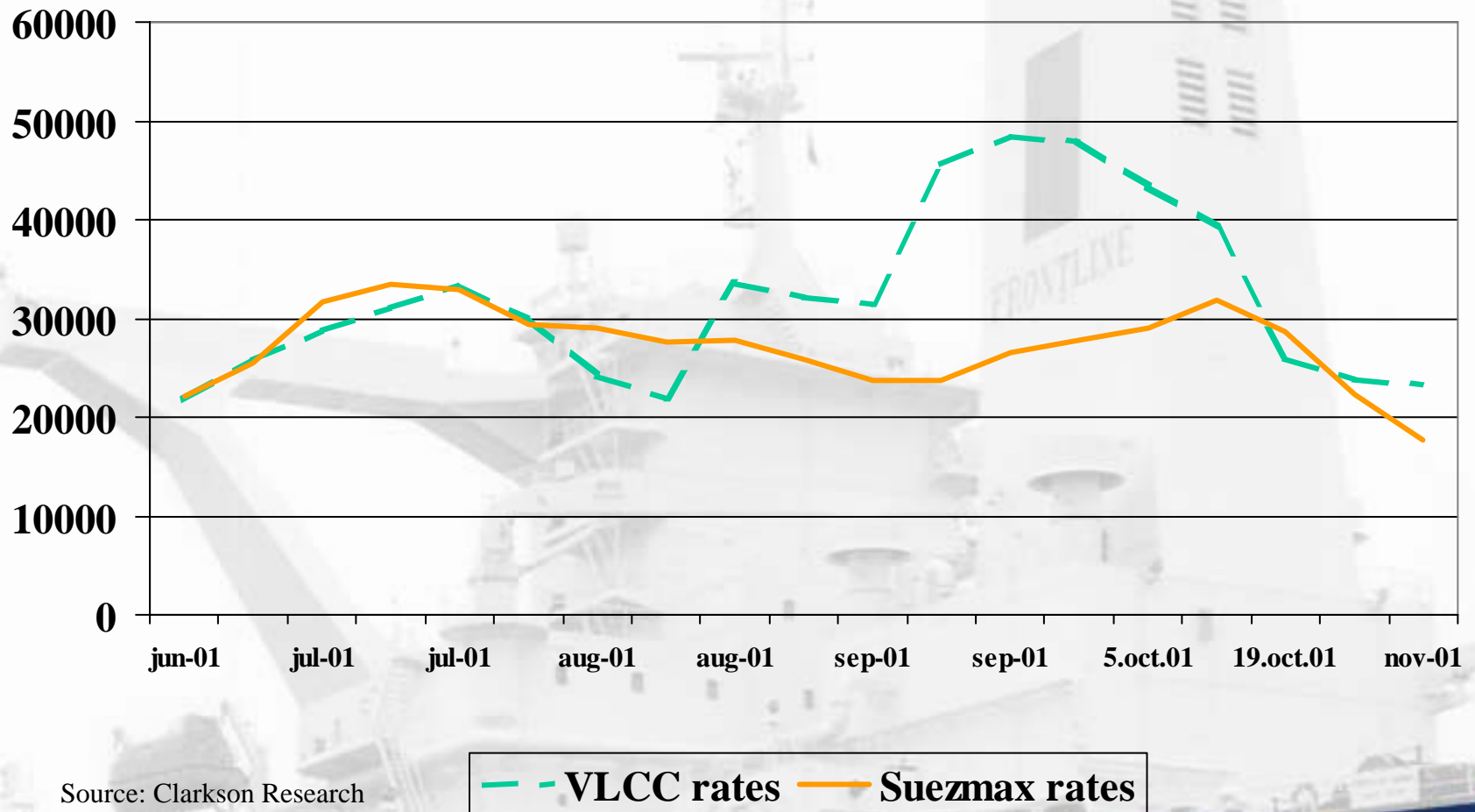
Current Frontline vessels  
excl. corporate debt and  
G&A



# Breakeven rates (USD / day)

	Cash Vessel B/E	P&L Vessel B/E
VLCC	22 400	20 200
Suezmax	15 600	14 600
Suezmax OBO	16 600	16 900

# WS Rates

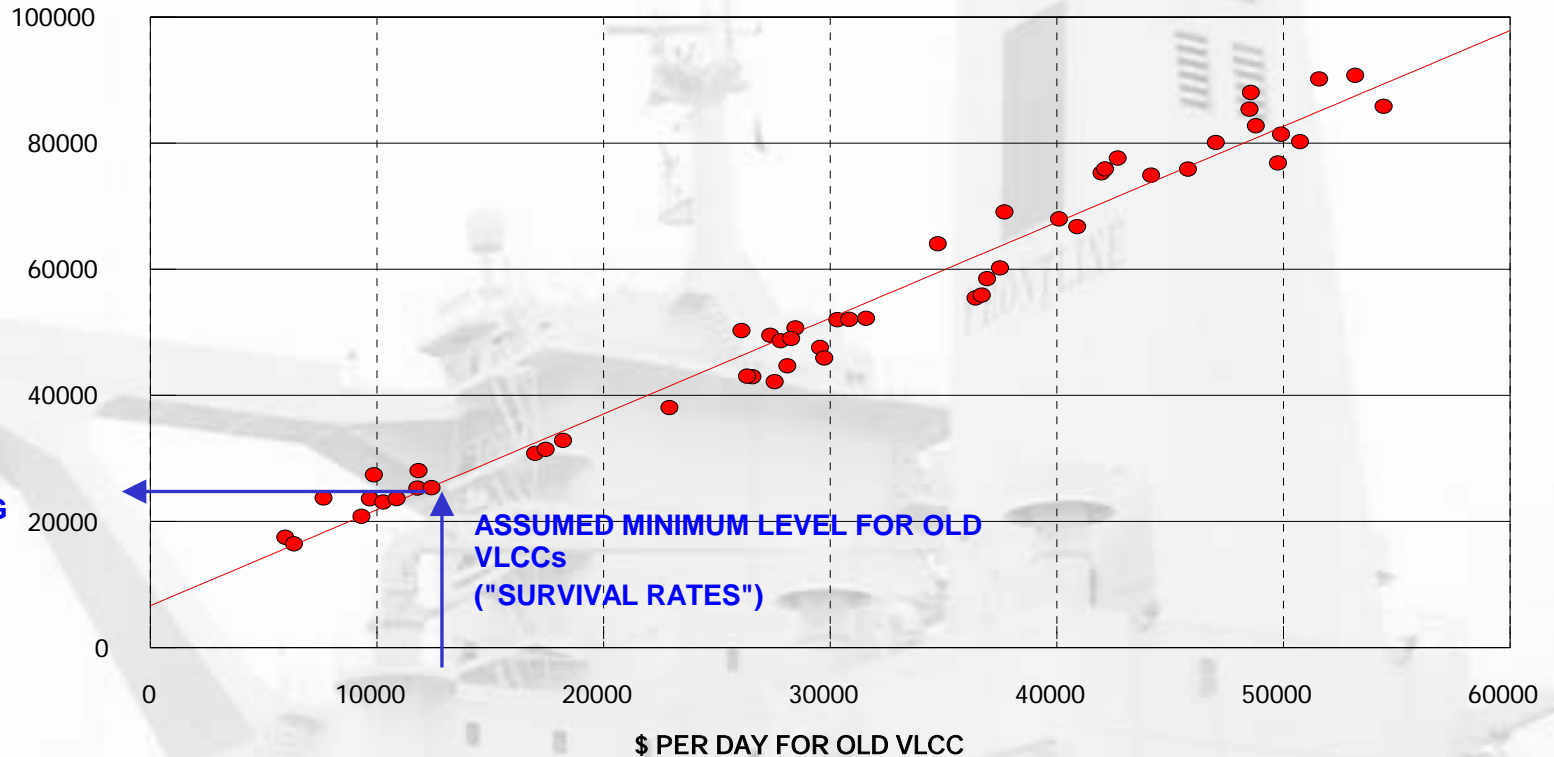


Source: Clarkson Research  
Studies 2001

# The downside protection

CORRELATION BETWEEN RATES FOR MODERN AND RATES FOR OLD VLCCs  
WEEKLY 2000

\$ PER DAY FOR MODERN VLCC



Modern VLCC rate = USD 30.000 p/d

Suezmax rate = USD 23.000 p/d

Net Income Frontline = USD 130 million

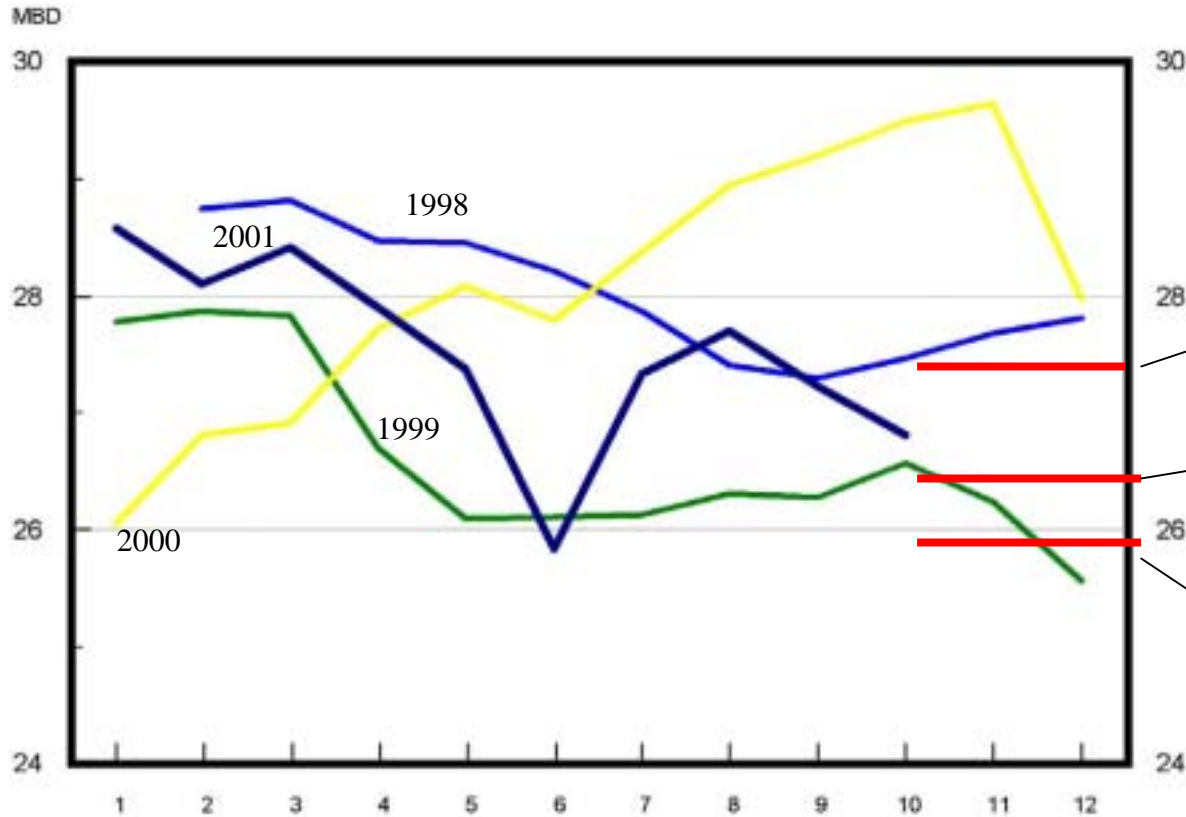
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# The macro trend

- OPEC has implemented several quote reductions in 2001.
- OPEC is contemplating further reductions for its November meeting but question is – do they accept to give up market share to increase price?
- The fleet balance is still reasonable and a modest demand increase will increase charter rates.
- Winter market expected to increase charter rates seasonally.
- Scrapping of old tonnage is gaining momentum in current pessimistic rate environment.

# OPEC CRUDE PRODUCTION

1998-2001

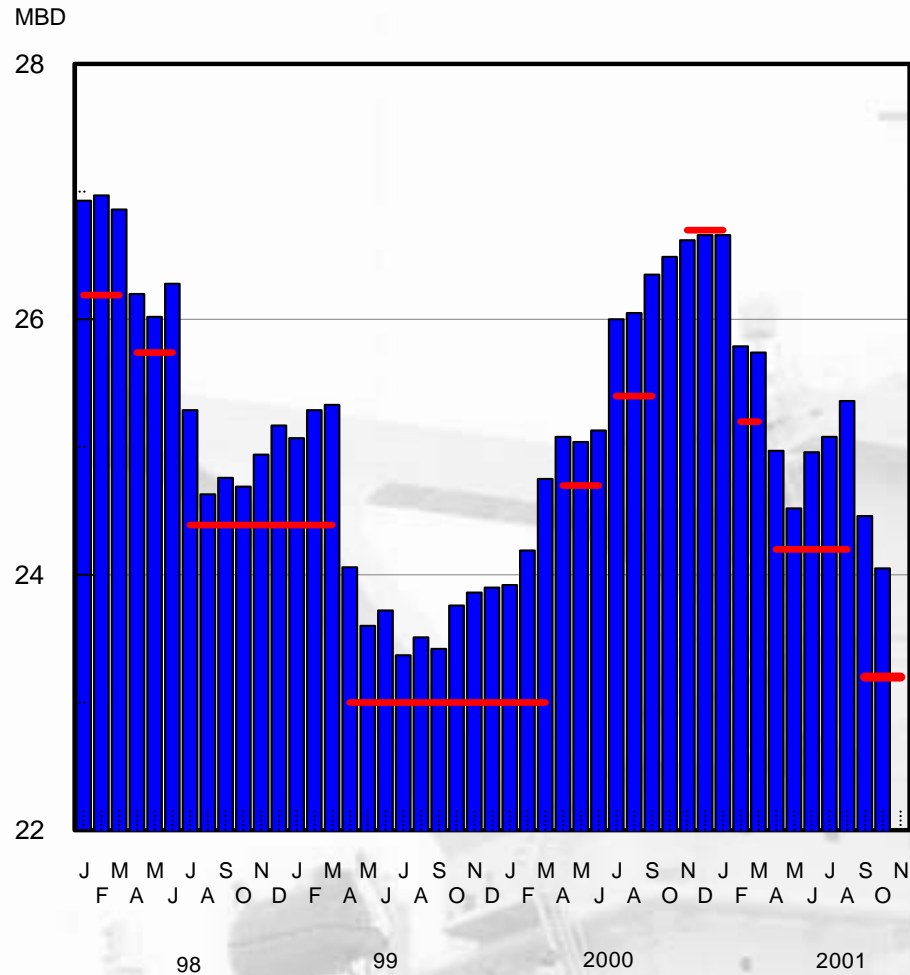


- Call on OPEC according to JP Morgan in Q4
- Call on OPEC according to US DOE in Q4
- Call on OPEC according to IEA in Q4



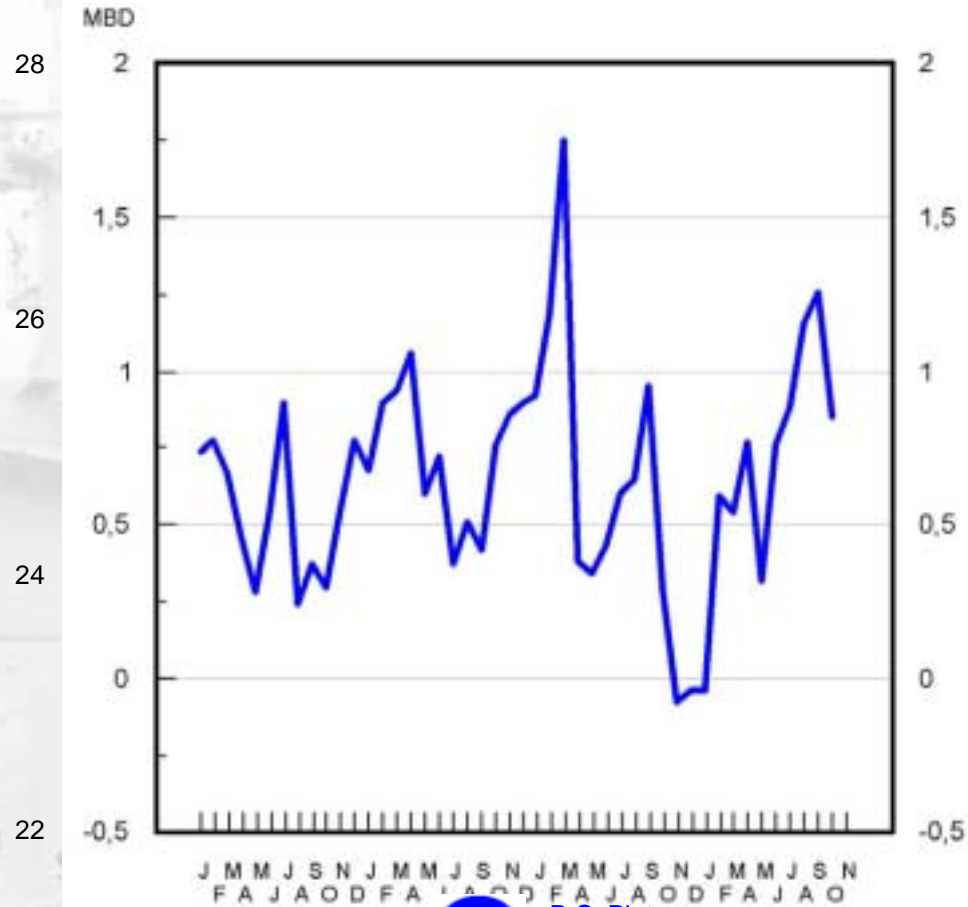
# OPEC OUTPUT AND TARGETS 1998-2001

EXCL IRAQ



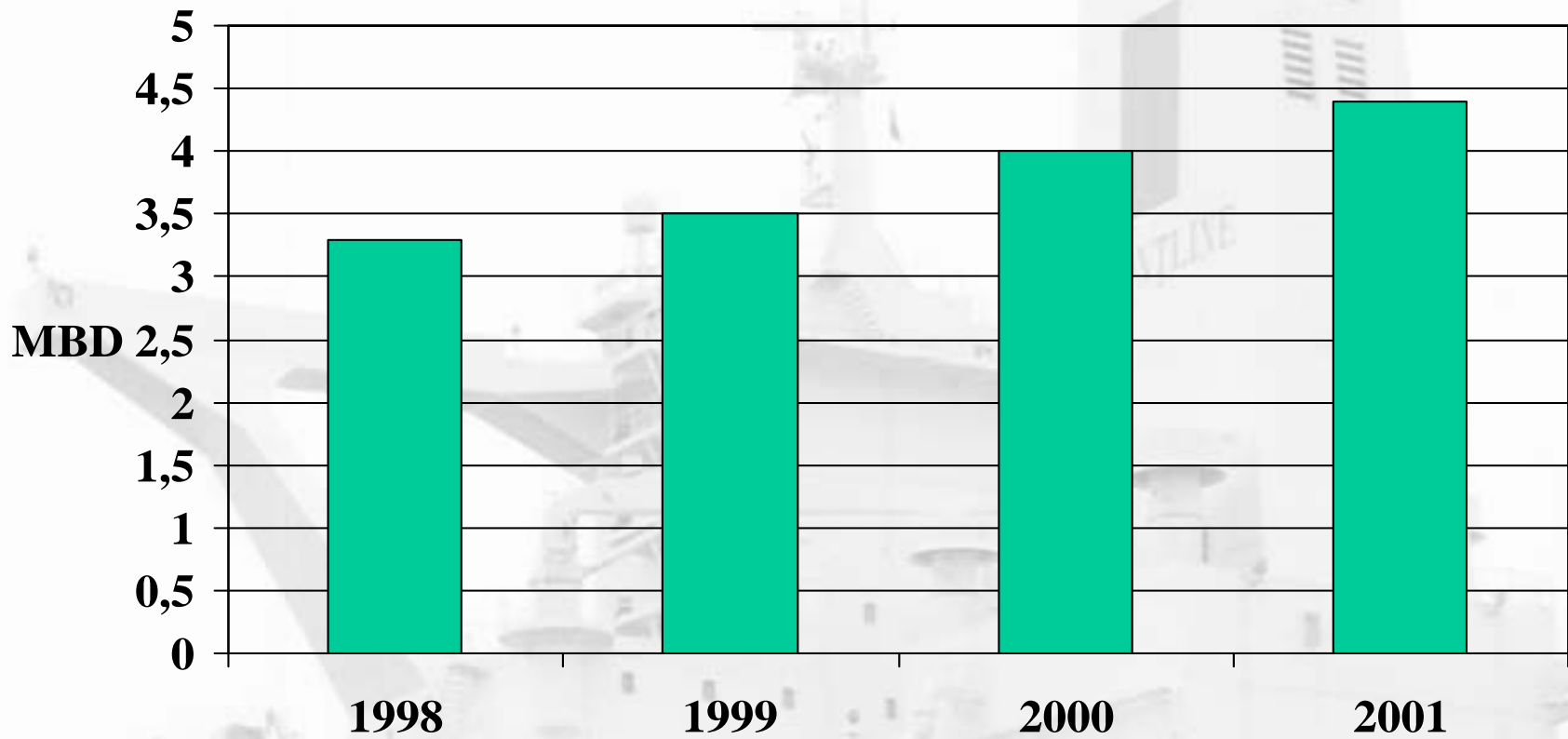
# OPEC OVERPRODUCTION 1998-2001 MONTHLY

EXCL IRAQ

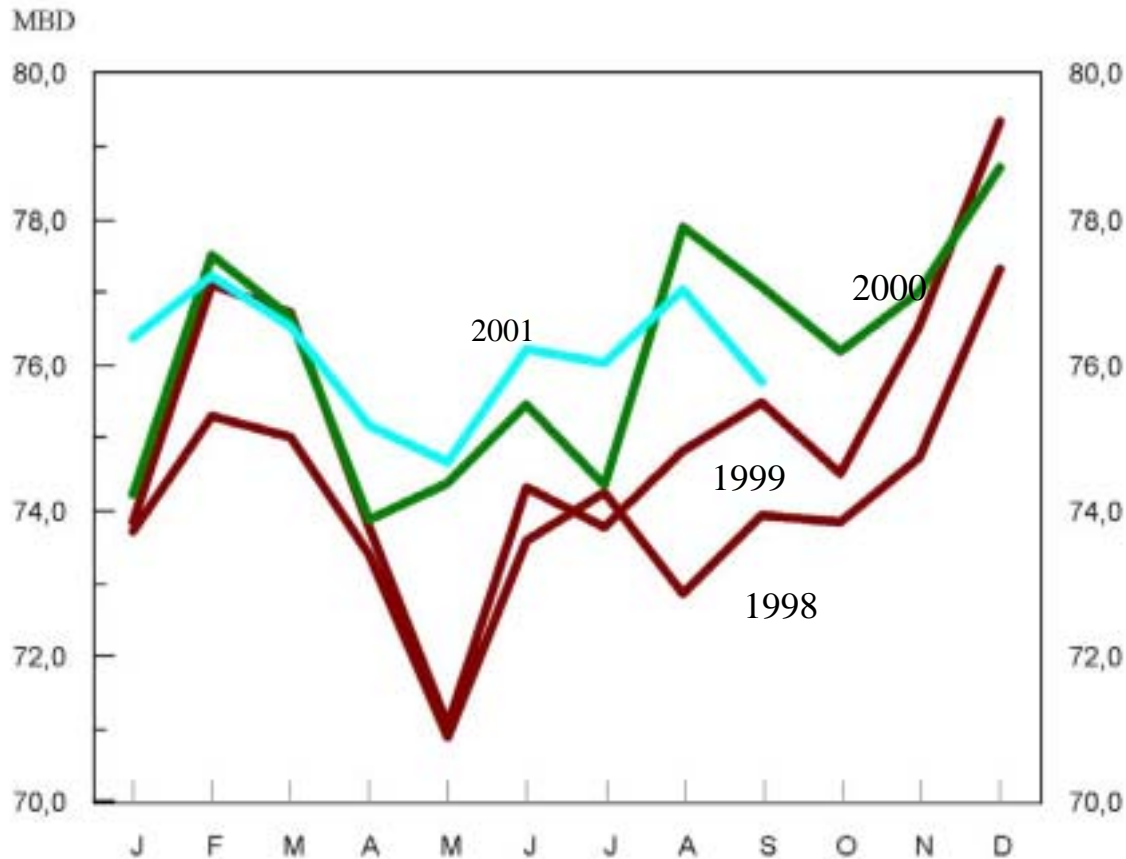


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# Net FSU Exports



## WORLD OIL CONSUMPTION 1998-2001



World oil consumption for the first nine months is 0.7% up from same period last year.

US consumption in the same period was up 0.2%. Sep was down 4%.

Western Europe up 0.2% Jan-Sep

Japan down 1.3% Jan-Sep

Other Asia was -0.4% in the first eight months

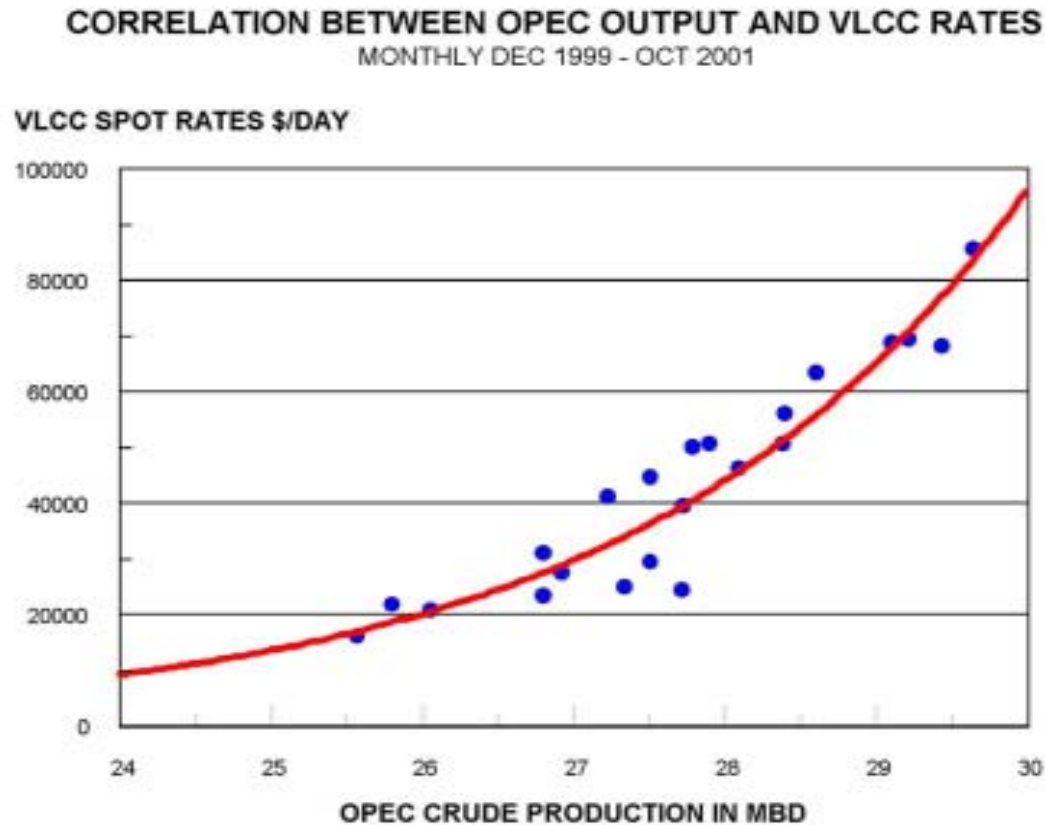


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## Estimated call on OPEC 2002

	Q102	Q202	Q302	Q402	Average
<b>JP Morgan</b>	<b>26.6</b>	<b>25.8</b>	<b>27.1</b>	<b>27.7</b>	<b>26.8</b>
<b>IEA</b>	<b>25.6</b>	<b>24.7</b>	<b>26.2</b>	<b>27.2</b>	<b>25.9</b>
<b>US DOE</b>	<b>27.2</b>	<b>24.8</b>	<b>25.4</b>	<b>26.5</b>	<b>26.0</b>

”The mathematical solution to the multimillion \$ question”



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# Supply VLCC's / Suezmaxes

(No. of vessels)

	<b>VLCC's</b>	<b>Suezmaxes</b>
<u>Building year</u>		
1973 or earlier	9	8
1974-75	34	22
1976-77	52	27
1978-80	17	19
1981 or later	328	222
Fleet as at 01.11.01	<b>440</b>	<b>298</b>
<u>On order</u>		
-Dec. 2001	7	12
2002	42	20
2003	31	26
2004+	9	9
Total on order 2001-2004	<b>89</b>	<b>67</b>