

The logo for Frontline, featuring the word "FRONTLINE" in a serif font with a small square icon above the letter "O".

FRONTLINE

# Q4 2001 RESULTS

## 26 February 2002



[www.frontline.bm](http://www.frontline.bm)

# The Fleet

34 + 7 N/B VLCCs



24 Suezmaxes



8 Suezmax OBOs



- Oldest ship from 1990
- Average age – 6.2 years – Industry Average 12.1 years.
- Percentage double hull tonnage : 68 % - Industry Average 44 %
- Market share of modern spot market incl. Pool participators : Approximately 40 %

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

# Main events first three quarters 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 6,137,145 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 remote trusts.
- Dividend payout of USD 1.00 per share in May, USD 0.40 payout in September and USD 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 2001 - Q4

- Transfer of six VLCCs and an option for one further VLCC from Golden Ocean to Frontline, i.e. Navix Astral, New Vanguard, New Vista, Golden Fountain, New Circassia, Pacific Lagoon and Oscilla.
- Sale of three of the Company's VLCCs to German K/G's promoted by Dr. Peters GmbH. The vessels were delivered to new owners before year end. The vessels are chartered back on 13 year charter arrangements, including an option for the Company to buy back each of the vessels at the end of the charter period.

The sales increased the Company's cash position with approximately USD 124 million.

- Secured financing of the Newbuilding program except for two N/B's to be delivered in late 2002 and 2003.
- Repaid commercial paper program in an amount of appx. USD 26 million.
- Sold Mosocean and taken delivery of Front Eagle in early January 2002.
- Acquired 1,798,600 shares under the Equity Swap Line in Q4 2001. In total 2,225,000 are acquired as per today.
- Frontline secures 5 year T/C agreement with Shell France for one VLCC.
- Dividend payout USD 0.20 in March 2002.

# Accounting issues

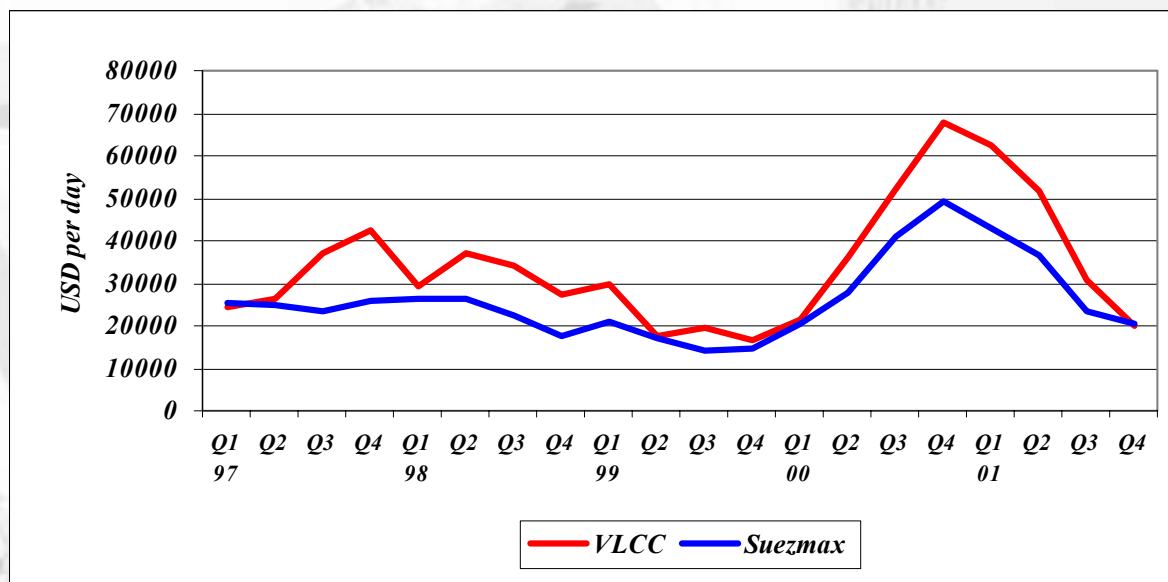
- **Drydocking policy**
- **Employee Stock Options repriced**
- **Edinburgh /Dundee**
- **Depreciation single hulls - 2017**
- **Swaps**
- **Equity Swap Line**
- **Capital leases**
- **Operational leases**

# Profit & Loss

Q4 00	Q4 01	USD million	2 001	2000
249,5	109,6	Net operating revenues	647,3	599,9
0,7	0,8	Gain / loss on sale of vessels	35,6	1,2
37,4	47,2	Total expenses	176,5	132,1
212,8	63,1	Operating profit before depreciation (EBITDA)	506,5	469,0
29,8	32,5	Depreciation	121,7	92,9
183,0	30,7	Operating profit (EBIT)	384,8	376,1
-1,8	13,2	Financial items	-33,9	-62,2
181,3	43,9	Net profit (loss) before min. & taxes	350,8	313,9
0	0,2	Taxes	0,4	0
-	-	Cum. effect of change in acc. principle	32,3	-
181,2	43,7	Net profit (loss)	382,7	313,9
2,29	0,57	EPS	4,99	4,28

# Income on time charter basis

Q4 00	Q4 01	USD/day	2 001	2000
67 900	19 900 VLCC		40 800	46 300
49 500	20 600 Suezmax		30 700	35 500
46 300	20 300 Suezmax OBO		28 900	33 300



# Income on time charter basis

Q4 00	Q4 01	USD'000s	2001	2 000
98 830	30 849	VLCC	243 886	236 846
90 138	39 197	Suezmax	220 787	232 439
33 336	14 062	Suezmax OBO	79 435	96 476

Trading days minus off hire

Q4 00	Q4 01		2001	2 000
1 457	1 548	VLCC	5 973	5 116
1 823	1 905	Suezmax	7 195	6 542
720	694	Suezmax OBO	2 746	2 894

# Total expenses

<b>Q4 2000</b>	<b>Q4 2001</b>	<b>USD million</b>	<b>2001</b>	<b>2000</b>
<b>23,0</b>	<b>31,8</b>	<b>Ship oper. exp.</b>	<b>121,5</b>	<b>88,5</b>
<b>8,4</b>	<b>10,3</b>	<b>Charterhire exp.</b>	<b>41,9</b>	<b>34,4</b>
<b>3,3</b>	<b>5,1</b>	<b>Adm. exp.</b>	<b>13,2</b>	<b>9,3</b>

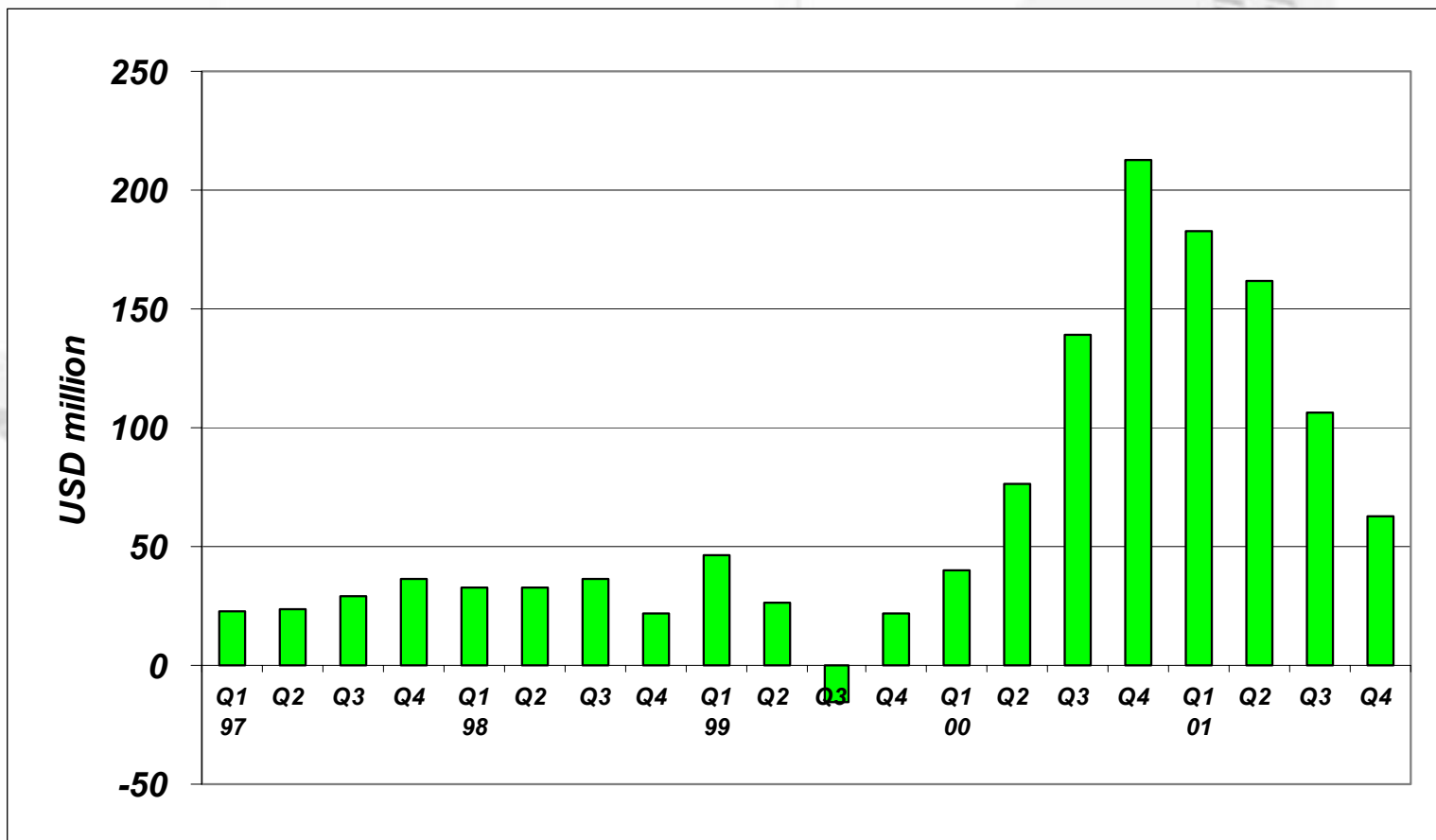
# Ship operating expenses (USD/day)

	Q4 01 Opex incl. d/d costs	<b>2001</b> <b>Opex incl.</b> <b>d/d costs</b>	Budget 2001	Total 2000	Total 1999
VLCC	6 819	<b>6 339</b>	7 024	6 940	6 828
Suezmax	5 254	<b>5 706</b>	6 017	5 476	5 976
Suezmax OBO	10 156	<b>8 996</b>	7 664	6 246	6 385

# Off balance sheet vessels

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

# EBITDA



# Financial items

Q4 00	Q4 01	USD million	2 001	2000
249,5	109,6	Net operating revenues	647,3	599,9
0,7	0,8	Gain / loss on sale of vessels	35,6	1,2
37,4	47,2	Total expenses	176,5	132,1
212,8	63,1	Operating profit before depreciation (EBITDA)	506,5	469,0
29,8	32,5	Depreciation	121,7	92,9
183,0	30,7	Operating profit (EBIT)	384,8	376,1
-1,8	13,2	Financial items	-33,9	-62,2
181,3	43,9	Net profit (loss) before min. & taxes	350,8	313,9
0,0	0,2	Taxes	0,4	0,0
-	-	Cum. effect of change in acc. principle	32,3	-
181,2	43,7	Net profit (loss)	382,7	313,9
2,29	0,57	EPS	4,99	4,28
	2,8	Interest income	12,9	
	-20,9	Interest expenses	-91,8	
	6.4	Share of results in associates	22,3	
	19,0	Foreign currency gain/loss	28,3	
	5,9	Other financial items	-5,7	

# Associated companies

	<u>Debt outstanding</u>	<u>Our share</u>
•Rasmussen K/S parts	nil	nil
•Front Tobago (40%) partners OSG and Euronav	16,5	6,6
•Ariake (33%), partner OSG and Euronav	54,1	17,9
•Sakura (33%), partner OSG and Euronav	54,1	17,9
•Ichiban (33%), partner OSG and Euronav	51,4	17,0
•Hull 4982 and Hull 4983 (33%), partner OSG and Euronav	nil	nil
•Edinburgh (50,1%), partner OSG	30,6	15,3
•Dundee (50,1%), partner OSG	30,6	15,3
•Golden Fountain (50%) partner Euronav	35,5	17,8
•New Circassia (50%) partners Ropner and Runcinan	53,6	26,8
•Pacific Lagoon (50%) partner Euronav	53,5	26,75
•Golden Daisy (50%) partner Samartzis	14,4	7,2
•Golden Rose (50%) partner Samartzis	14,5	7,25
<i>USD 149,1 million is Yen denominated, our share is USD 74,6 million</i>		
Total =	<u>408,8</u>	<u>175,8</u>

# Balance sheet - Assets

USD million	2001	2000							
<b>Short term</b>									
Cash and Bank deposits	186,4	116,1							
Marketable securities	1,2	4,0							
Other current assets	85,1	172,8	<table border="1"> <tr> <td>Trade rec./voyage in progress</td> <td>62,8</td> </tr> <tr> <td>Prepaym / inventory</td> <td>13,3</td> </tr> <tr> <td>Other</td> <td>9,0</td> </tr> </table>	Trade rec./voyage in progress	62,8	Prepaym / inventory	13,3	Other	9,0
Trade rec./voyage in progress	62,8								
Prepaym / inventory	13,3								
Other	9,0								
<b>Long term</b>									
Newbuildings	102,8	36,3	<table border="1"> <tr> <td>Frontline</td> <td>30,7</td> </tr> <tr> <td>Mosvold</td> <td>63,7</td> </tr> <tr> <td>Oscilla</td> <td>8,4</td> </tr> </table>	Frontline	30,7	Mosvold	63,7	Oscilla	8,4
Frontline	30,7								
Mosvold	63,7								
Oscilla	8,4								
Vessels and equipment, net	2 514,2	2 363,3							
Associated companies	109,9	27,4							
Goodwill	14,0	14,4	<table border="1"> <tr> <td>Oscilla</td> <td>9,1</td> </tr> <tr> <td>Other</td> <td>5,6</td> </tr> </table>	Oscilla	9,1	Other	5,6		
Oscilla	9,1								
Other	5,6								
Def. charges and other assets	14,7	46,6							
<b>Total assets</b>	<b>3 028,3</b>	<b>2 781,0</b>							

# Balance sheet - Assets

USD million	2001	2000
<b>Short term</b>		
Cash and Bank deposits	186,4	116,1
Marketable securities	1,2	4,0
Other current assets	85,1	172,8
<b>Long term</b>		
Newbuildings	102,8	36,3
Vessels and equipment, net	2 514,2	2 363,3
Associated companies	109,9	27,4
Goodwill	14,0	14,4
Def. charges and other assets	14,7	46,6
<b>Total assets</b>	<b>3 028,3</b>	<b>2 781,0</b>

<b>FL</b>	<b>2285,7</b>
<b>GOGL</b>	<b>234,6</b>
<b>FL Capital lease 213,3 includes 3 VLs</b>	
<b>GOGL includes 2 capes, 1 handy and 2 VLs</b>	
<b>GOGL Capital lease</b>	<b>103,9</b>
<b>includes 1 cape, 2 handys and 2 panmax</b>	

# Balance sheet - Liabilities

USD million	2001	2000	
<b>Short term</b>			
Short term interest bearing debt	214,0	212,8	Corporate loans 9,0 Ship mortgage loans "core FL" 130.6 GOGL 53.6 Credit lines/commercial paper 20.9
Other current liabilities	82,0	77,6	Corporate loans 22.5 Ship Mortgage loans (core FL) 1,093.7 GOGL 61.7
<b>Long term</b>			
Long term interest bearing debt	1 177,9	1 331,4	FL capital leases 204.2 GOGL capital leases 79.5 Other 11.5
Other long term liabilities	295,1	123,7	
Minority	6,8	6,1	
Stockholder's equity	1 252,4	1 029,5	
<b>Total stockholders' equity and liab.</b>	<b>3 028,3</b>	<b>2 781,0</b>	

Yen denominated debt \$ 196.3 million

# The macro trend

- Global recovery now expected in summer/autumn 2002.
- Oil demand forecasts are being raised.
- The fleet balance is still reasonable and a modest demand increase will increase charter rates.
- Scrapping of old tonnage is gaining momentum in current pessimistic rate environment.

# Estimated oil demand/supply 2002

	Avg. 01	Q102	Q202	Q302	Q402	Avg. 02
<b>Demand*</b>	<b>76.3</b>	<b>76.9</b>	<b>75.5</b>	<b>77.5</b>	<b>78.4</b>	<b>77.1</b>
<b>Supply*</b>	<b>76.7</b>	<b>75.5</b>	<b>74.8</b>	<b>77.1</b>	<b>77.7</b>	<b>76.3</b>

**\*)Based on JP Morgan estimates as of Feb. 22, 2002**

# Oil production

	2000	2001	2002	Change 2000 - 2002
Canada	2,68	2,73	2,88	0,2
Mexico	3,45	3,56	3,59	0,14
USA	8,11	8,11	8,15	
Argentina	0,82	0,84	0,81	
Brazil	1,50	1,61	1,72	0,22
Colombia	0,71	0,62	0,59	-0,12
Ecuador	0,41	0,42	0,43	
Denmark	0,37	0,35	0,34	
Norway	3,32	3,41	3,40	
UK	2,60	2,44	2,50	-0,1
Oman	0,96	0,98	0,95	
Syria	0,54	0,54	0,52	
Yemen	0,54	0,54	0,52	
Australia	0,82	0,73	0,69	-0,13
Brunei	0,20	0,19	0,18	
China	3,25	3,30	3,33	
India	0,79	0,78	0,77	
Malaysia	0,81	0,77	0,77	
Vietnam	0,32	0,32	0,34	
Angola	0,75	0,73	0,85	
Egypt	0,80	0,72	0,69	-0,11
Gabon	0,33	0,30	0,29	
<b>Total</b>	<b>34,08</b>	<b>33,99</b>	<b>34,31</b>	
Other / smaller prod		2,00	2,05	
Refinery proc gain		1,90	2,00	
Non OPEC supply ex FSU		37,90	38,20	

Source: JP Morgan

20

# Oil production

	2000	2001	2002	Change 2000 - 2002
Russia	6,54	7,09	7,40	0,86
Kazakhstan	0,75	0,80	0,90	0,15
Other FSU	<b>0,75</b>	<b>0,80</b>	<b>0,83</b>	
FSU	8,04	8,69	9,13	
OPEC NGL / Condensate		2,90	3,10	
Call on OPEC crude		26,80	26,60	
Stockbuild		0,40	-0,80	
OPEC crude		27,20	25,80	

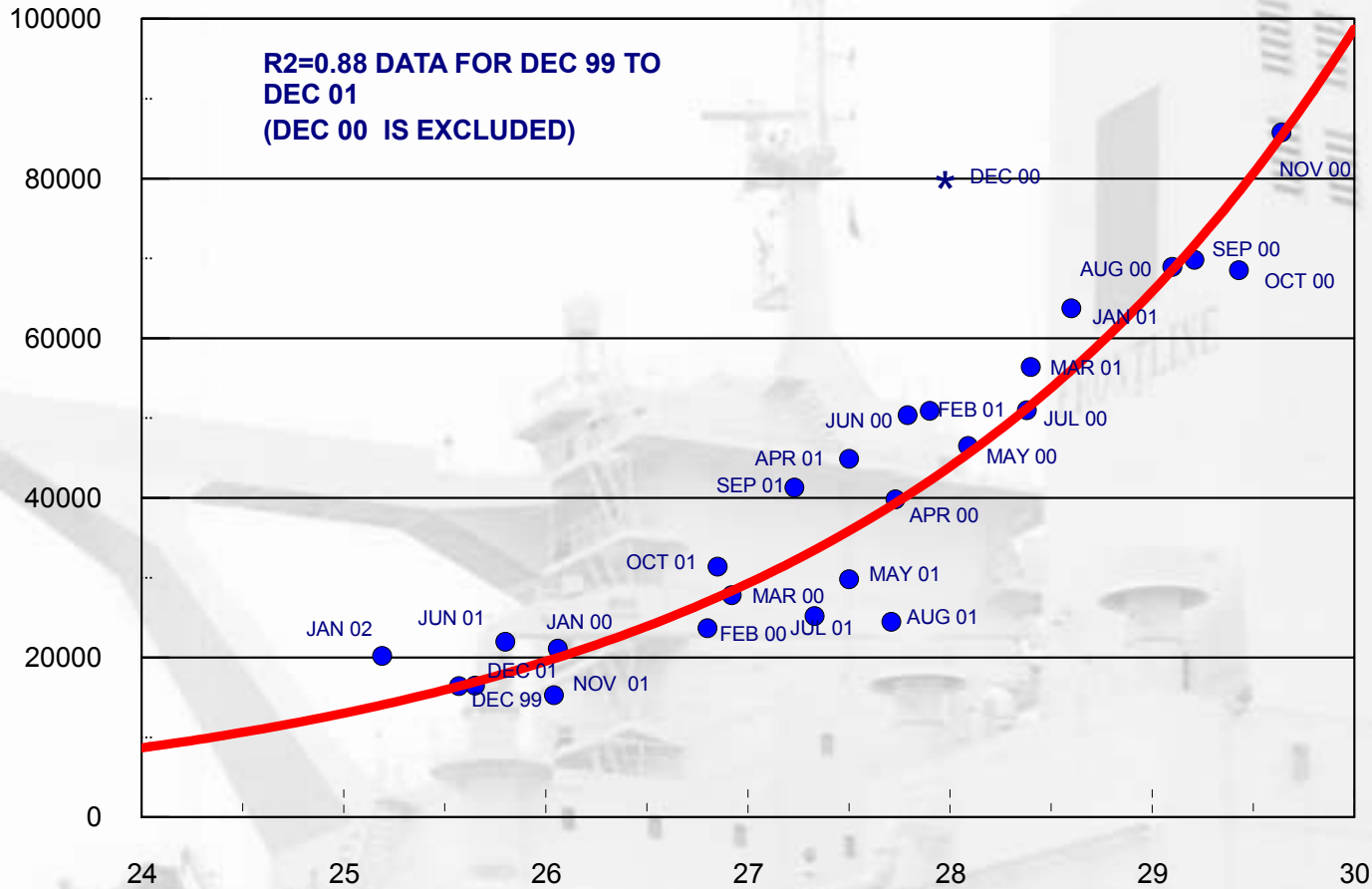
# Estimated call on OPEC 2002

	Avg. 01Q102	Q202	Q302	Q402	Avg. 02	
<b>JP Morgan</b>	<b>26.8</b>	<b>26.5</b>	<b>25.4</b>	<b>27.0</b>	<b>27.4</b>	<b>26.6</b>
<b>IEA*)</b>	<b>26.2</b>	<b>25.6</b>	<b>24.5</b>	<b>25.4</b>	<b>26.9</b>	<b>25.6</b>
<b>US DOE*)</b>	<b>26.2</b>	<b>26.3</b>	<b>24.1</b>	<b>24.9</b>	<b>25.9</b>	<b>25.3</b>

# CORRELATION BETWEEN OPEC OUTPUT AND VLCC RATES

MONTHLY DEC 1999 - JAN 2002

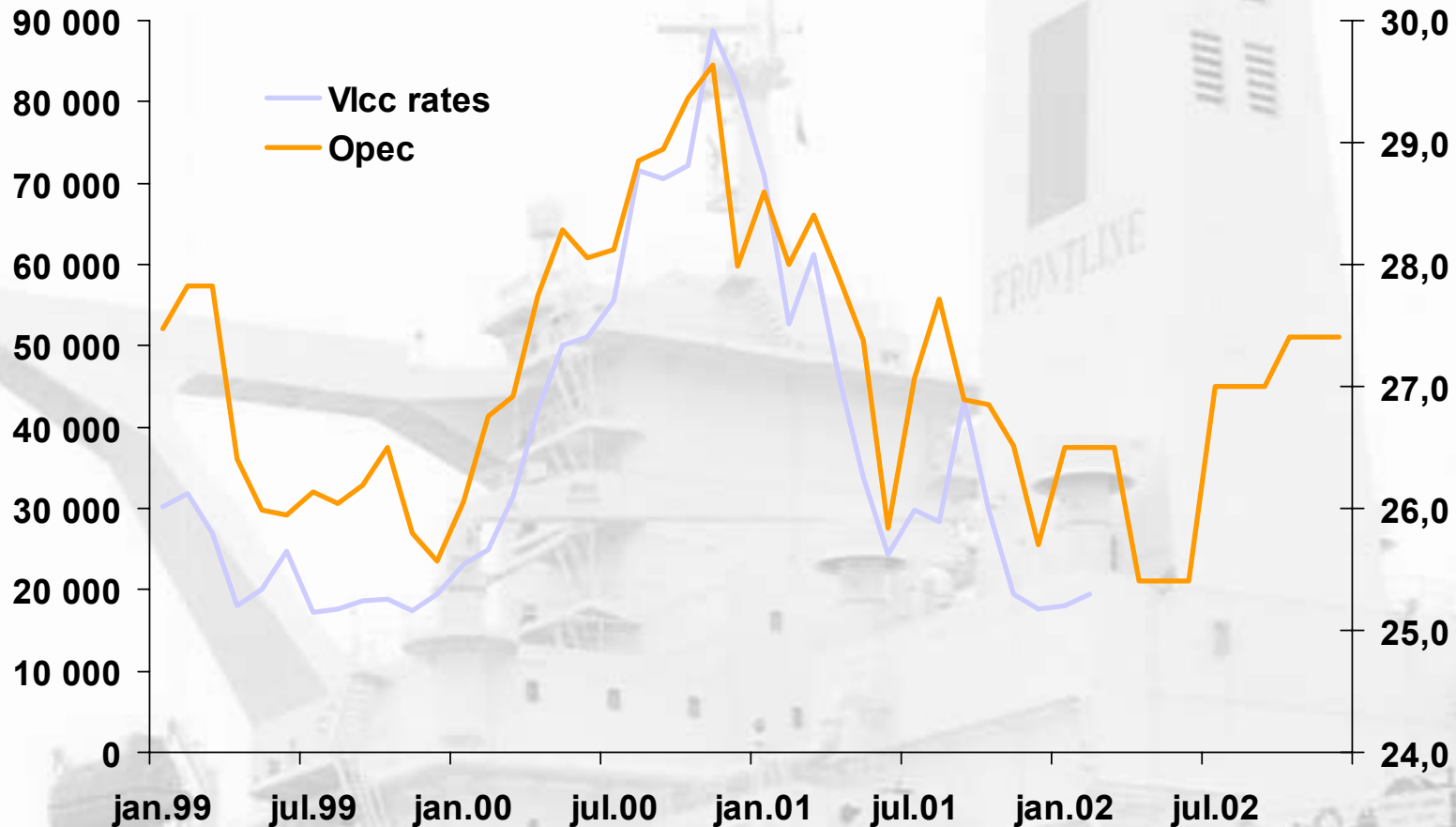
## VLCC SPOT RATES \$/DAY



Source: R.S.Platou

OPEC CRUDE PRODUCTION IN MBD

# Correlation between OPEC production and VLCC rates



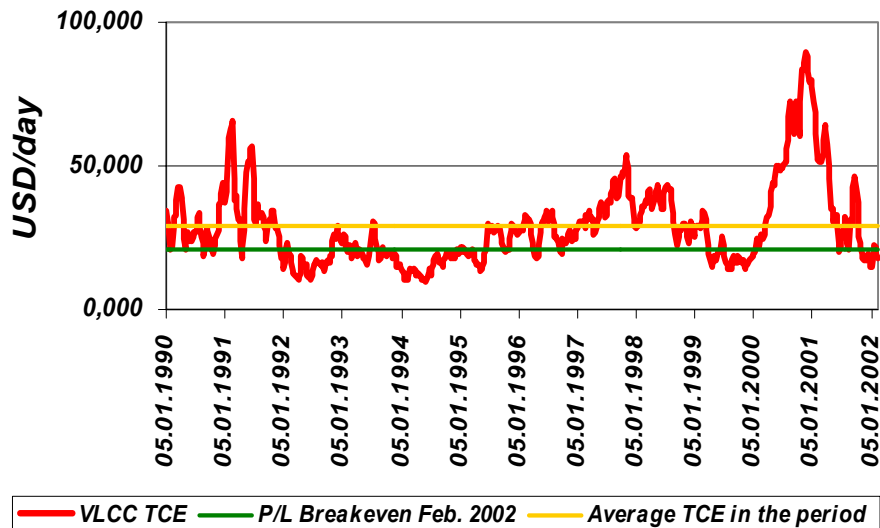
Source: Pareto, JP Morgan for OPEC estimates  
2002

# Breakeven rates (USD / day)

	Cash Breakeven	P/L Breakeven
<b>VLCC</b>	<b>22 650</b>	<b>21 150</b>
<b>Suezmax</b>	<b>14 400</b>	<b>13 400</b>
<b>Suezmax OBO</b>	<b>14 330</b>	<b>14 650</b>

# Breakeven requirements are very low

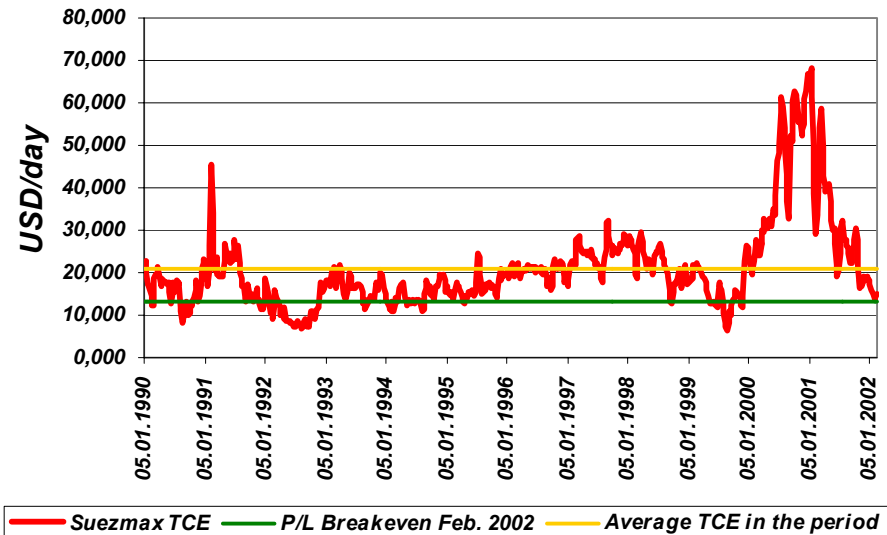
## VLCC TCE versus P/L Breakeven



Average TCE VLCC's in the period 1990-Feb. 2002 is USD 28,896 per day, as compared to P/L breakeven Feb. 2002 of USD 21,150 per day and cash B/E of USD 22,650 per day.

Source: Clarkson Studies

## Suezmax TCE versus P/L Breakeven



Average TCE Suezmax in the period 1990-Feb. 2002 is USD 20,909 per day, as compared to P/L Breakeven Feb. 2002 of USD 13,400 per day and cash B/E of USD 14,400 per day.

# Difference in TCE – old/modern VLCCs

Needed daily cash to cover expenses:

Daily op ex	8000
D/D res / upgrading (USD 2 million per 2.5 years)	2200
Cash cover	<u>10200</u>
TC modern VLCC	21000
- difference extra speed / consumption TT	-9000
- tech offhire 20 days extra	-700
- commercial offhire 50 days	-1700
Effective TC old TT	<u>9600</u>

# Supply VLCC's / Suezmaxes

(No. of vessels)

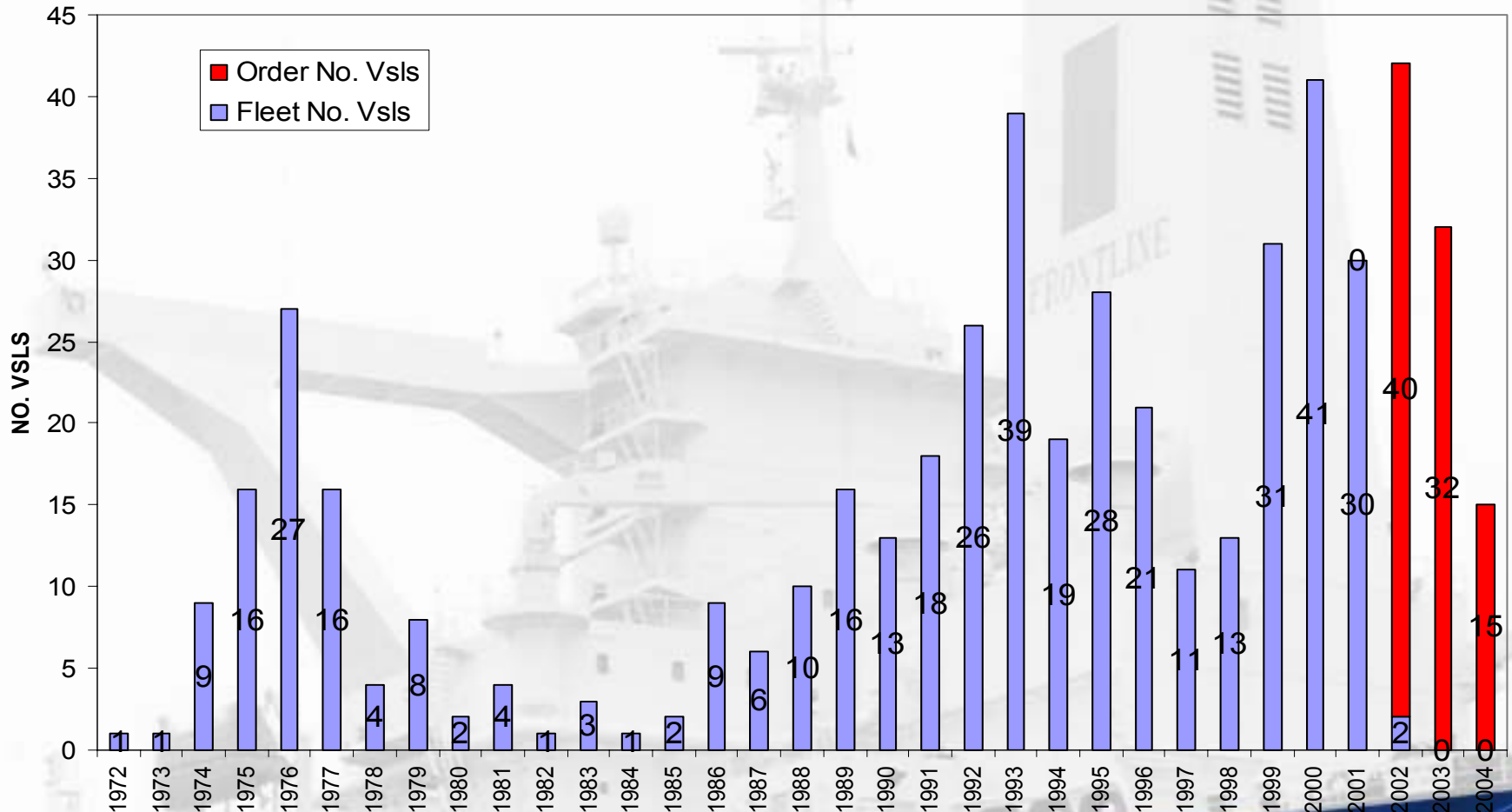
<u>Building year</u>	Of which		
	VLCC's	ULCC's*)	Suezmaxes
	200,00-320,000 dwt	320,000 + dwt	120,000-200,000 dwt
1973 or earlier	2		1
1974-75	25	4	14
1976-77	43	20	19
1978-80	14	8	17
1981 or later	344	3	219
<b>Fleet as at Feb 2002</b>	<b>428</b>	<b>35</b>	<b>270</b>
<u>On order</u>			
2002	40		24
2003	32		29
2004+	15		9
<b>Total on order 2001-2004</b>	<b>87</b>		<b>62</b>

\*) Each ULCC representing an average of 400,000 Dwt

Source: P.F.Bassøe

# Newbuildings versus scrapping candidates

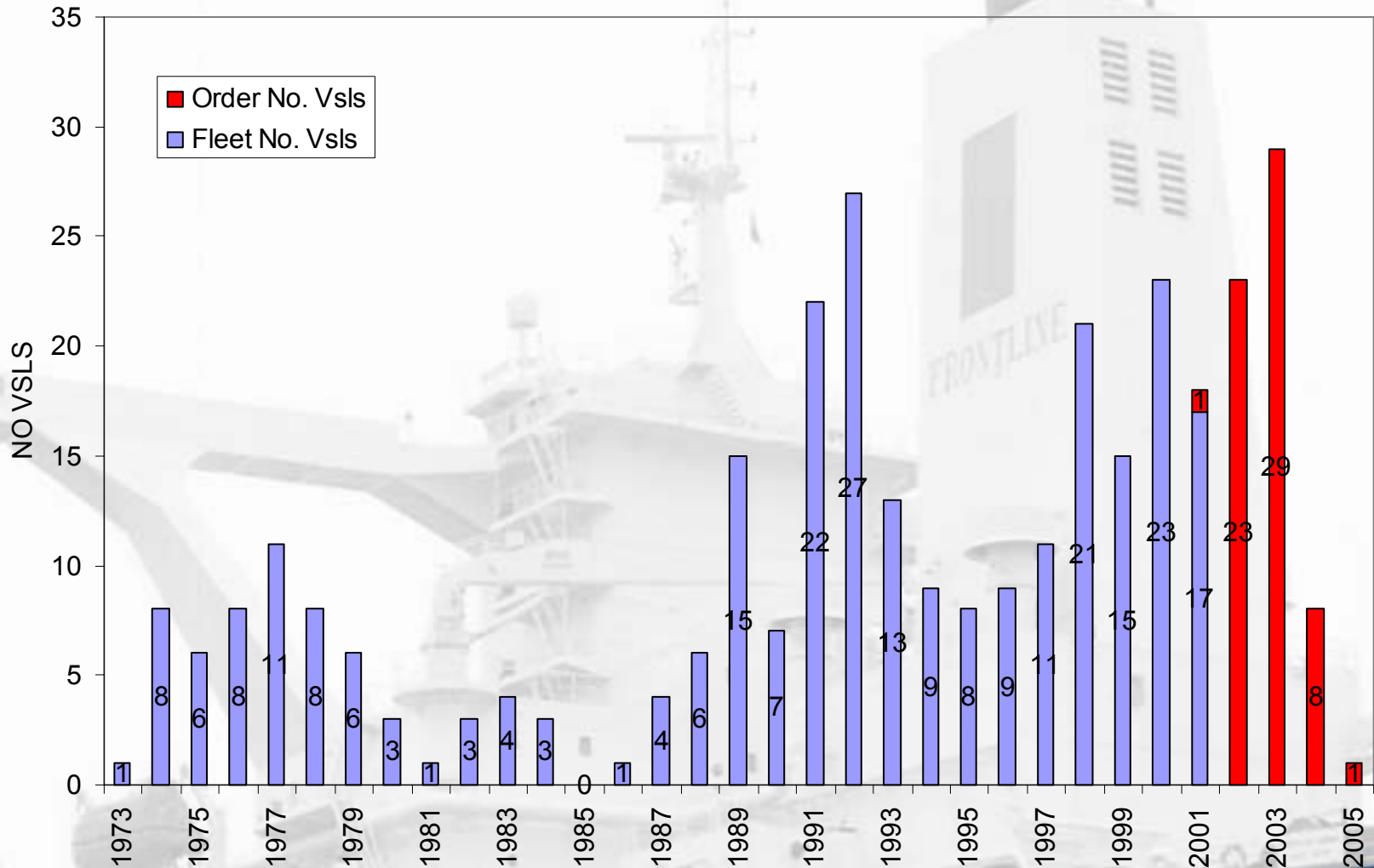
## VL/ULCC AGE DISTRIBUTION



Source: P.F. Bassoe

# Newbuildings versus scrapping candidates

SUEZMAX AGE DISTRIBUTION (NO. VSLS)



Source: P.F. Bassøe

# Going forward

- Frontline will continue to develop the pooling cooperations organized within Tankers International and Alliance Chartering.
- The Tankers International pool is by far the biggest single provider of VLCC tonnage to the market and is expected to include more than 70 VLCCs on completion of delivery of the newbuilding programs of the pool partners (today 55 vessels).
- Alliance Chartering includes 42 vessels as at 31.12.01 (more than 20% of the modern suezmax fleet).
- Frontline will take delivery of the remaining 7 N/B's under the N/B programme, 6 in 2002 and 1 in 2003.
- Pragmatic look at dividend / buy back / M&A activities.