

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

FRONTLINE

# Q1 2002 RESULTS

## 21 May 2002



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

# The Fleet

36 + 5 N/B VLCCs



24 Suezmaxes



8 Suezmax OBOs



- Oldest ship from 1990
- Average age – 6.4 years – Industry Average 12.1 years.
- Percentage double hull tonnage : 69 % - Industry Average 44 %

= 17.7 million dwt. or approximately 118 million barrels transport capacity.

# Main events 2002 – Q1

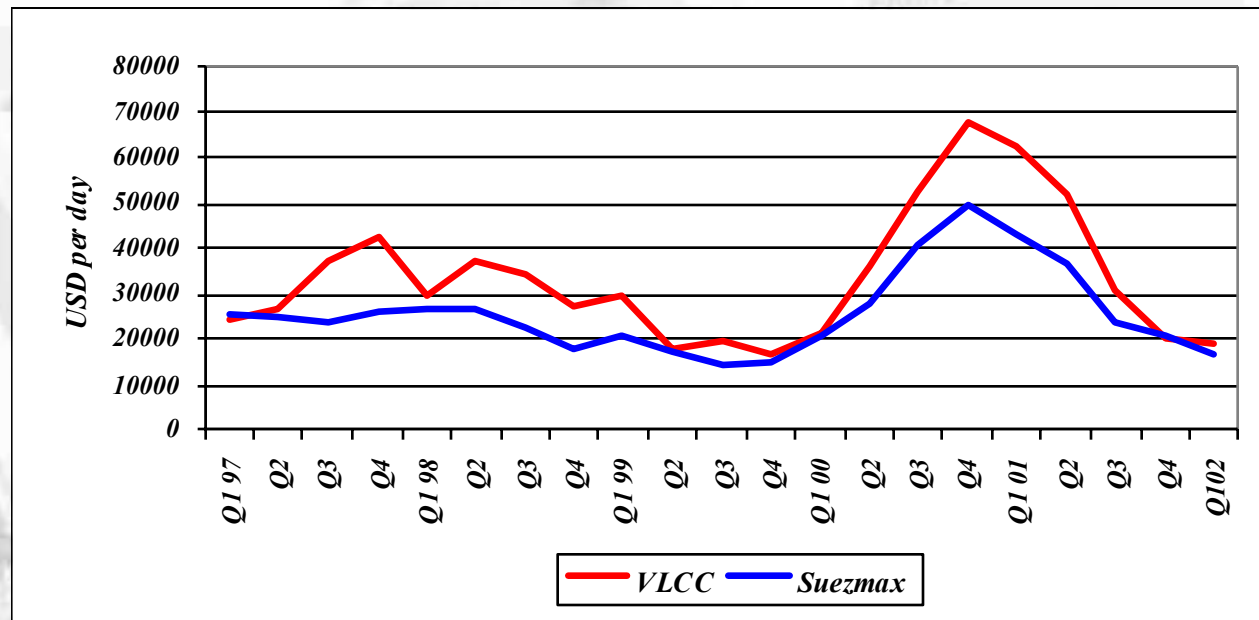
- Sold Mosocean and taken delivery of Front Eagle in early January, Tanabe in late February and Front Serenade in late March 2002.
- The delivery instalment for Front Serenade was financed out of cash with bank financing of \$50 million drawn down after quarter end.
- Acquired 125,000 shares under the Equity Swap Line in Q1 2002. In total 2,460,000 are acquired as per today at an average price of NOK 75.01.
- Frontline secured 5 year T/C agreement with Shell France for one VLCC.
- Dividend payout USD 0.20 for Q4 2001 in March 2002
- Four vessels were transferred from GOGU to Frontline late March 2002 and were refinanced from Yen denominated capital leases to \$47.25 million bank debt with a discount on the refinancing of \$6 million being recorded on the balance sheet.

# Profit & Loss

USD million	Q1 02	Q1 01	2 001
Net operating revenues	94,9	219,1	647,3
Gain / loss on sale of vessels	0,0	0,7	35,6
Total expenses	39,1	38,3	176,5
Operating profit before depreciation (EBITDA)	55,8	181,5	506,5
Depreciation	34,0	28,9	121,7
Operating profit (EBIT)	21,8	152,6	384,8
Financial items	-7,0	7,3	-33,9
Net profit (loss) before min. & taxes	14,9	159,9	350,8
Taxes	0	0	0,4
Cum. effect of change in acc. principle	0	32,3	32,3
Net profit (loss)	14,9	192,3	382,7
EPS	0,19	2,49	4,99

# Income on time charter basis

USD/day	Q1 02	Q1 01	2 001
VLCC, spot	18 900	62 100	40 800
VLCC, T/C and B/B vessels	28 300	-	-
Suezmax	16 500	43 000	30 700
Suezmax OBO	18 000	39 400	28 900
Drybulks	10 000	10 900	10 900



# Ship operating expenses (USD/day)

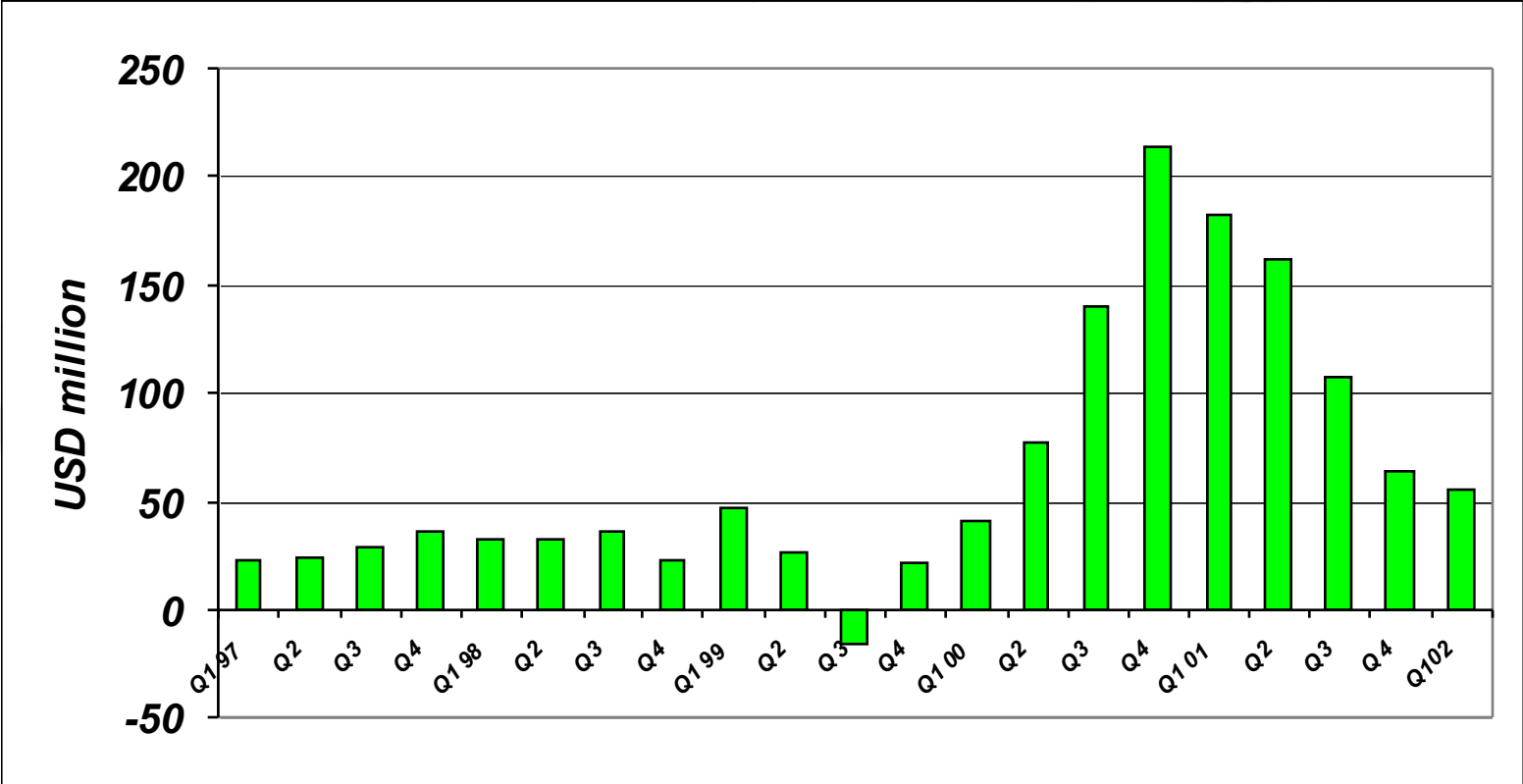
	Q1 02 Opex incl. d/d costs	Budget 2002	Total 2001 Opex incl. d/d costs	Total 2000	Total 1999
VLCC	6 916	6 283	6 339	6 940	6 828
Suezmax	4 701	5 560	5 706	5 476	5 976
Suezmax OBO	5 503	5 973	8 996	6 246	6 385

Number of vessels drydocked this quarter was 1

Coming quarter a number of 4 vessels are expected to be drydocked

Operating expenses are before G&A

# EBITDA



# Financial items

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Interest income	2,6	4,7
Interest expense	-17,8	-26,8
Share of results in assoc.	1,0	10,9
Other financial items	5,5	-4,2
Foreign currency gain	1,7	22,3



# Associated companies

- Rasmussen K/S parts
- Front Tobago (40%) partners OSG and Euronav
- Ariake (33%), partner OSG and Euronav
- Sakura (33%), partner OSG and Euronav
- Ichiban (33%), partner OSG and Euronav
- Tanabe (33%), partner OSG and Euronav
- Hull 4983 (33%), partner OSG and Euronav
- Edinburgh (50,1%), partner OSG
- Dundee (50,1%), partner OSG
- Golden Fountain (50%) partner Euronav
- New Circassia (50%) partners Ropner and Runciman
- Pacific Lagoon (50%) partner Euronav
- Golden Daisy (50%) partner Samartzis
- Golden Rose (50%) partner Samartzis

*USD 144,3 million is Yen denominated,  
our share is USD 72,1 million*

<u>Debt</u> <u>outstanding</u>	<u>Our</u> <u>share</u>	<u>Guarantee</u> <u>liability</u>
nil	nil	nil
15,6	6,3	2,4
53,3	17,7	4,8
53,3	17,7	4,8
50,3	16,7	5,6
52,5	17,3	5,8
nil	nil	nil
30,6	15,3	4,6
30,6	15,3	4,6
34,0	17,0	34,0
52,1	26,1	52,1
51,8	26,0	51,8
14,0	7,0	14,0
14,1	7,1	14,1
<b>Total =</b>	<b>452,1</b>	<b>189,7</b>
	<b>198,6</b>	

# JPY exposure and interest exposure of short term + long term debt and capital leases

<b>Yen denominated debt/capital leases</b>	<b>31.03.2002</b>	<b>31.12.2001</b>	<b>Change</b>
Consolidated	128 822	196 272	-67 450
Associated companies, our share	72 118	74 566	-2 448
<b>Total</b>	<b>200 940</b>	<b>270 838</b>	<b>-69 898</b>
<b>Floating debt</b>	<b>31.03.2002</b>	<b>31.12.2001</b>	<b>Change</b>
Consolidated	1 069 818	996 782	73 036
Associated companies, our share	189 631	175 742	13 890
<b>Total</b>	<b>1 259 450</b>	<b>1 172 524</b>	<b>86 926</b>
<b>Total debt/capital leases</b>	<b>31.03.2002</b>	<b>31.12.2001</b>	<b>Change</b>
Consolidated	1 683 408	1 692 741	-9 333
Associated companies, our share	189 631	175 742	13 890
<b>Total</b>	<b>1 873 039</b>	<b>1 868 483</b>	<b>4 556</b>

# Balance sheet - Assets

USD million	Q1 02	Q1 01	2001	
<b>Short term</b>				
Cash and Bank deposits	81,6	206,4	186,4	The delivery instalment for Front Serenade was financed out of cash with bank financing of \$50 million drawn after quarter end
Marketable securities	1,1	0,8	1,2	Trade rec./voyage in progress 58,1
Other current assets	95,1	123,9	90,4	Prepaym / inventory 19,4 Other 17,6
<b>Long term</b>				
Newbuildings	62,1	57,7	102,8	Oscilla 8.4
Vessels and equipment, net	2 623,1	2 334,7	2 514,2	
Associated companies	116,6	59,1	109,9	Oscilla 8.9 Other 6.7
Goodwill	11,9	14,2	14,0	
Def. charges and other assets	15,6	43,7	15,0	
<b>Total assets</b>	<b>3 007,1</b>	<b>2 840,6</b>	<b>3 033,8</b>	

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<b>Total assets</b>	<b>3 007,1</b>	<b>2 840,6</b>	<b>3 033,8</b>

FL	2 464,8
GOGL	158,4
FL Capital lease 209,3 includes 3 VLs	
GOGL includes 2 capes, 1 handy and 1 VL	
GOGL Capital lease	29,5
includes 1 cape	

# Balance sheet - Liabilities

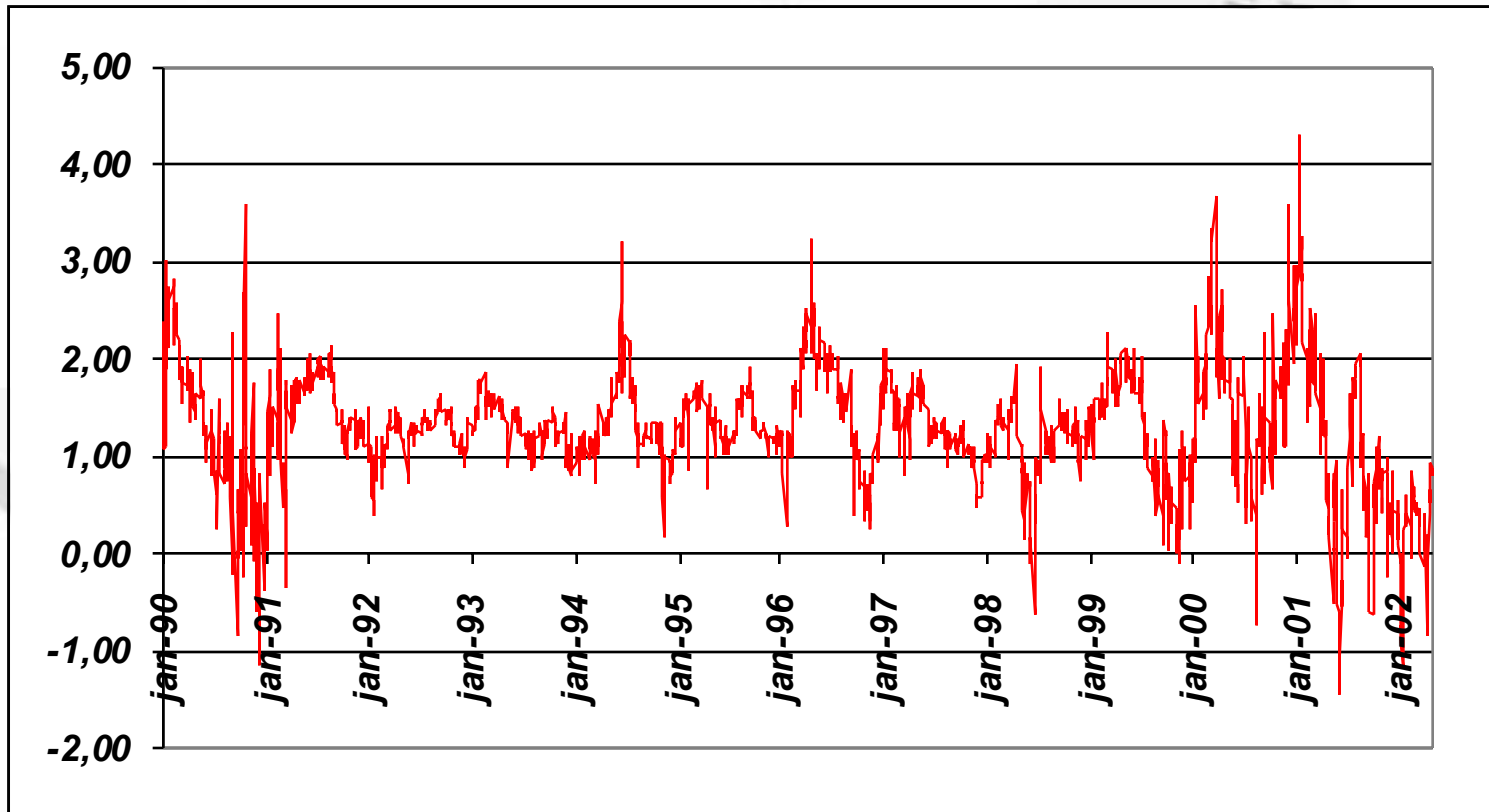
USD million	Q1 02	Q1 01	2001		
<b>Short term</b>					
Short term interest bearing debt	266,4	211,9	214,0	Corporate loans	4,5
Other current liabilities	55,1	57,5	87,5	Ship mort loans core FL	136,1
				Sh term loan dry bulks	47,3
				GOGL	53,6
				Cr.lines / comm.paper	25,0
<b>Long term</b>					
Long term interest bearing debt	1 182,4	1 270,0	1 177,9	Corporate loans	11,3
Other long term liabilities	248,7	92,5	295,1	Sh mort loans core FL	1 111,7
Minority	0,6	6,1	6,8	GOGL	59,5
Stockholder's equity	1 253,9	1 202,5	1 252,4	FL Capital lease	201,9
				GOGL cap lease	20,6
				Other	26,1
<b>Total stockholders' equity and liab.</b>	<b>3 007,1</b>	<b>2 840,6</b>	<b>3 033,8</b>		

Yen denominated debt 129 million

# The macro trend

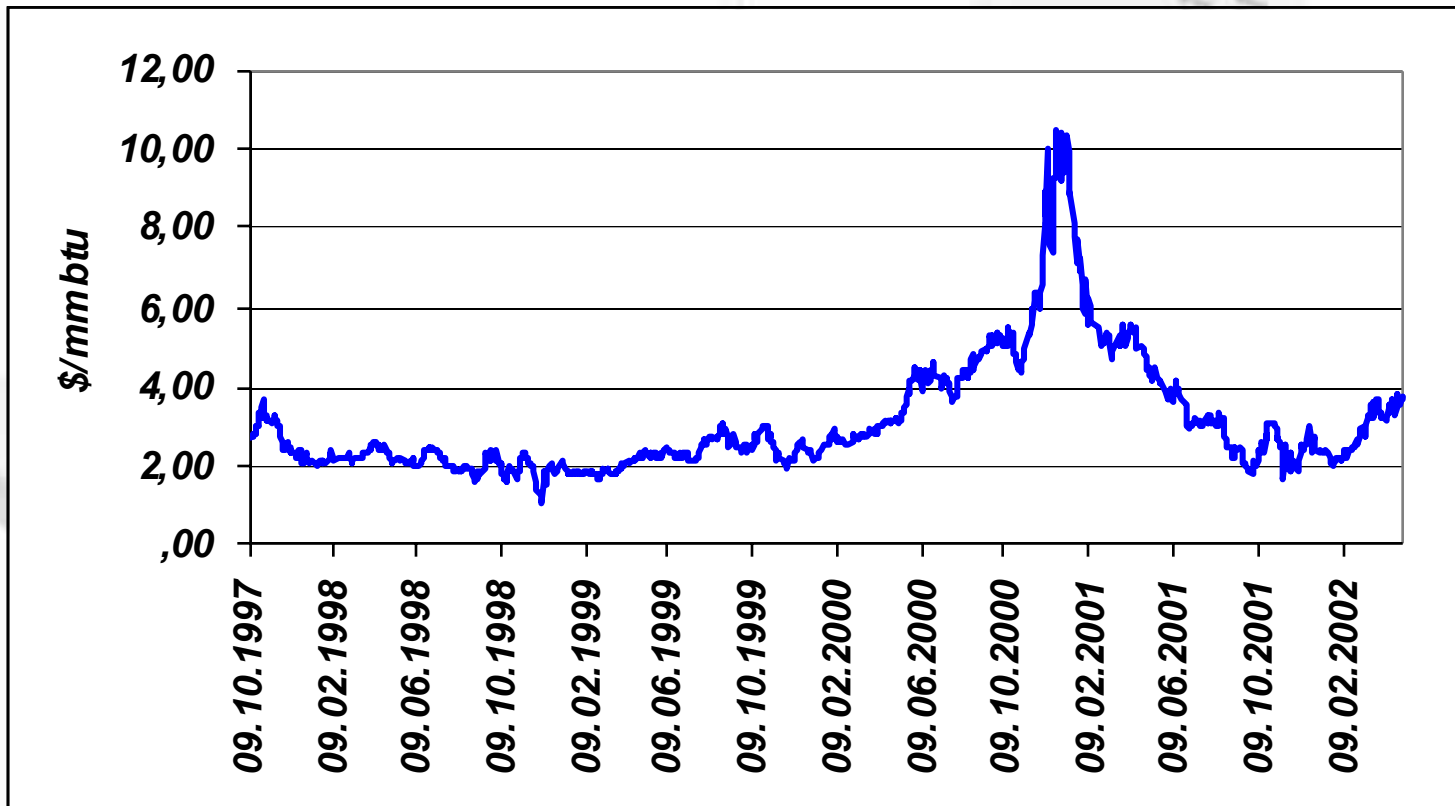
- Opec production is at 10-year low.
- Oil inventories are heading for new lows if Opec continues the low production level.
- World economic recovery is expected to come in second half of 2002.
- Oil demand forecasts are being raised in second half of 2002 in line with the world economic recovery.
- Opec will have to increase its production.
- The fleet balance is still reasonable and a modest demand increase will increase charter rates.
- Scrapping of old tonnage is continuing at a high level in current pessimistic rate environment.
- =>the above should lead to an increase in freight rates in second half of 2002

# WTI-Brent



Source: J P Morgan

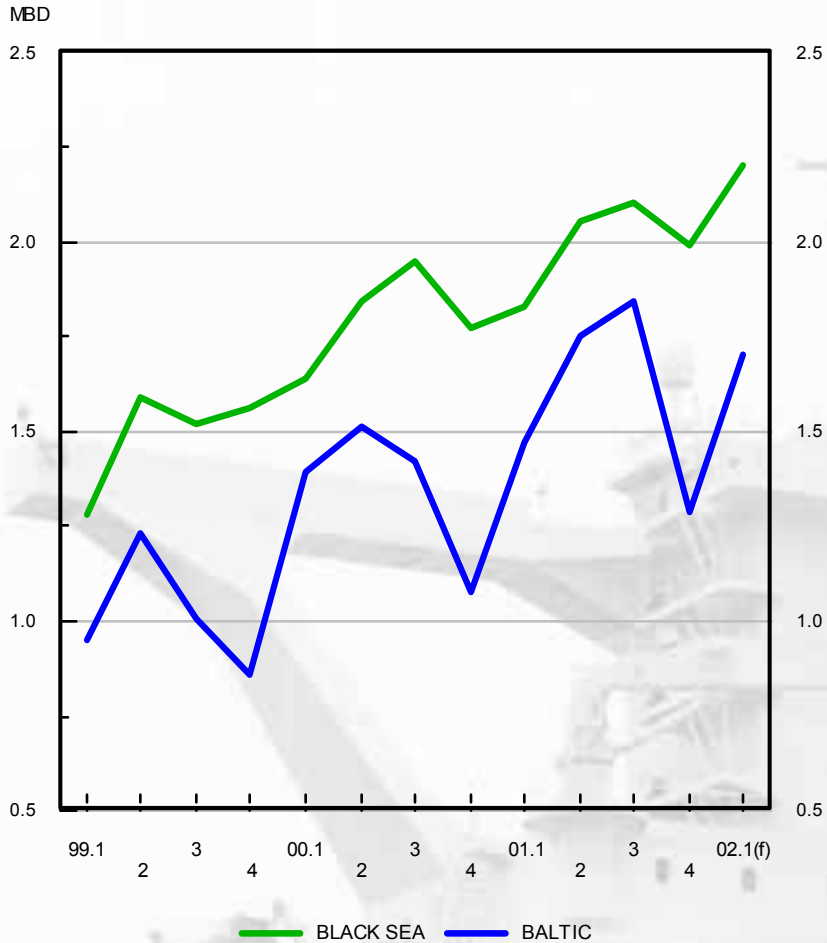
# NYMEX Henry Hub natural gas



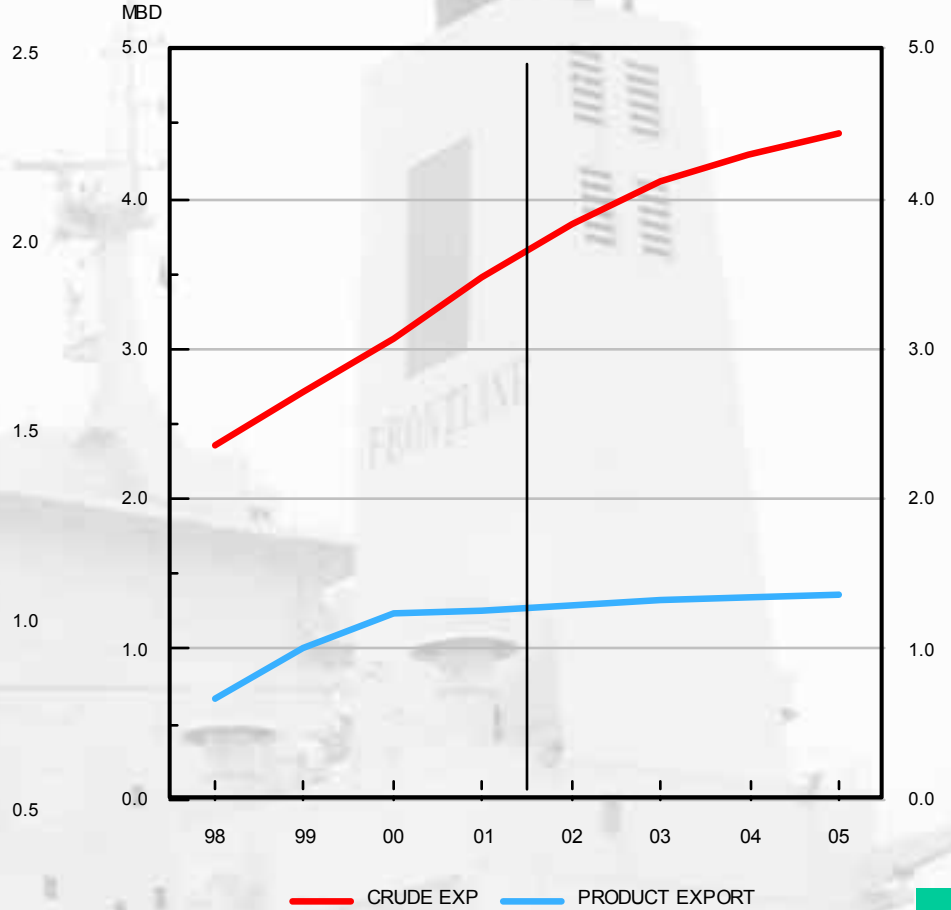
Source: J P Morgan



# SEABORNE OIL EXPORTS FROM FSU QUARTERLY 1999-2002



# FSU OIL EXPORTS 1998-2005

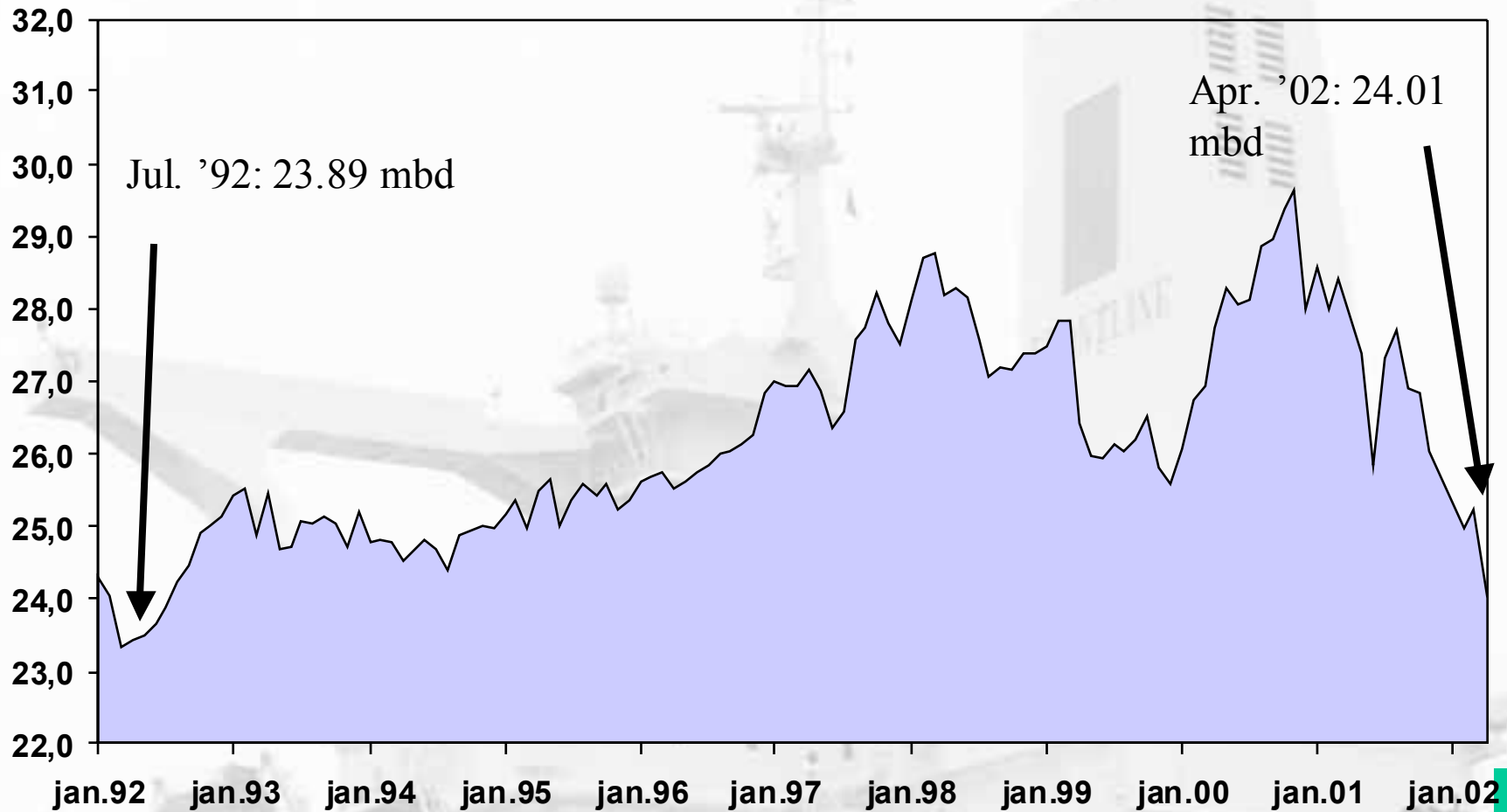


SOURCE: CREDIT SUISSE



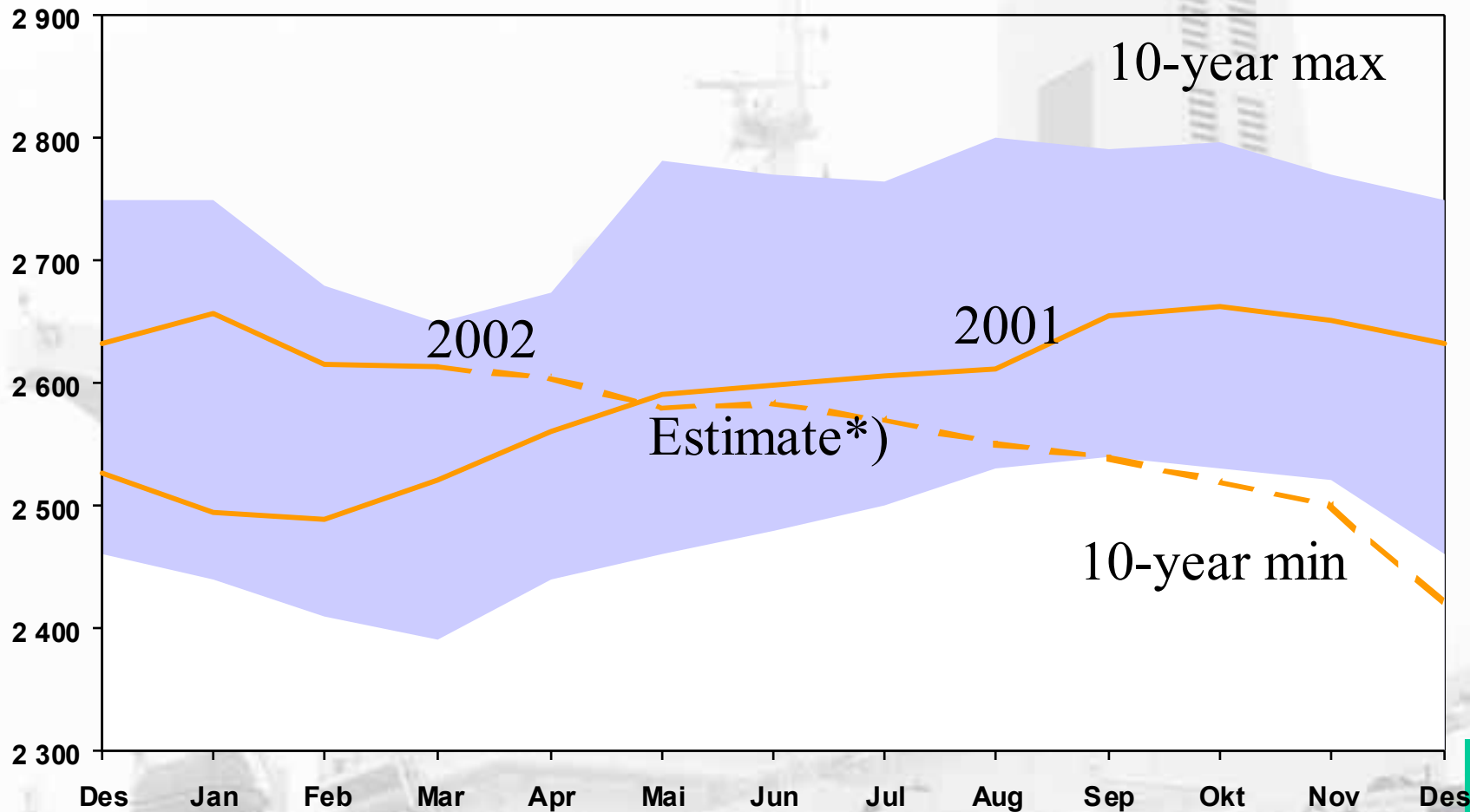
R.S. Platau  
Economic Research & Consulting

# Opec production, incl. Iraq (mbd)



Source: P F Bassøe

# Commercial oil inventories, OECD, mb



Source: P F Bassøe

\*) Estimate assumes flat Opec production

# Estimated call on OPEC 2002

	Avg. 01Q102	Q202	Q302	Q402	Avg. 02	
<b>JP Morgan</b>	<b>26,7</b>	<b>26,1</b>	<b>25,7</b>	<b>27,1</b>	<b>27,7</b>	<b>26,7</b>
<b>IEA</b>	<b>26,3</b>	<b>25,2</b>	<b>24,8</b>	<b>25,8</b>	<b>26,6</b>	<b>25,6</b>
<b>US DOE</b>	<b>26,4</b>	<b>26,4</b>	<b>24,6</b>	<b>25,2</b>	<b>26,2</b>	<b>25,5</b>

JP Morgan estimates as of May 15, 2002. IEA and DOE as of May, 2002.

# Estimated call on OPEC 2003

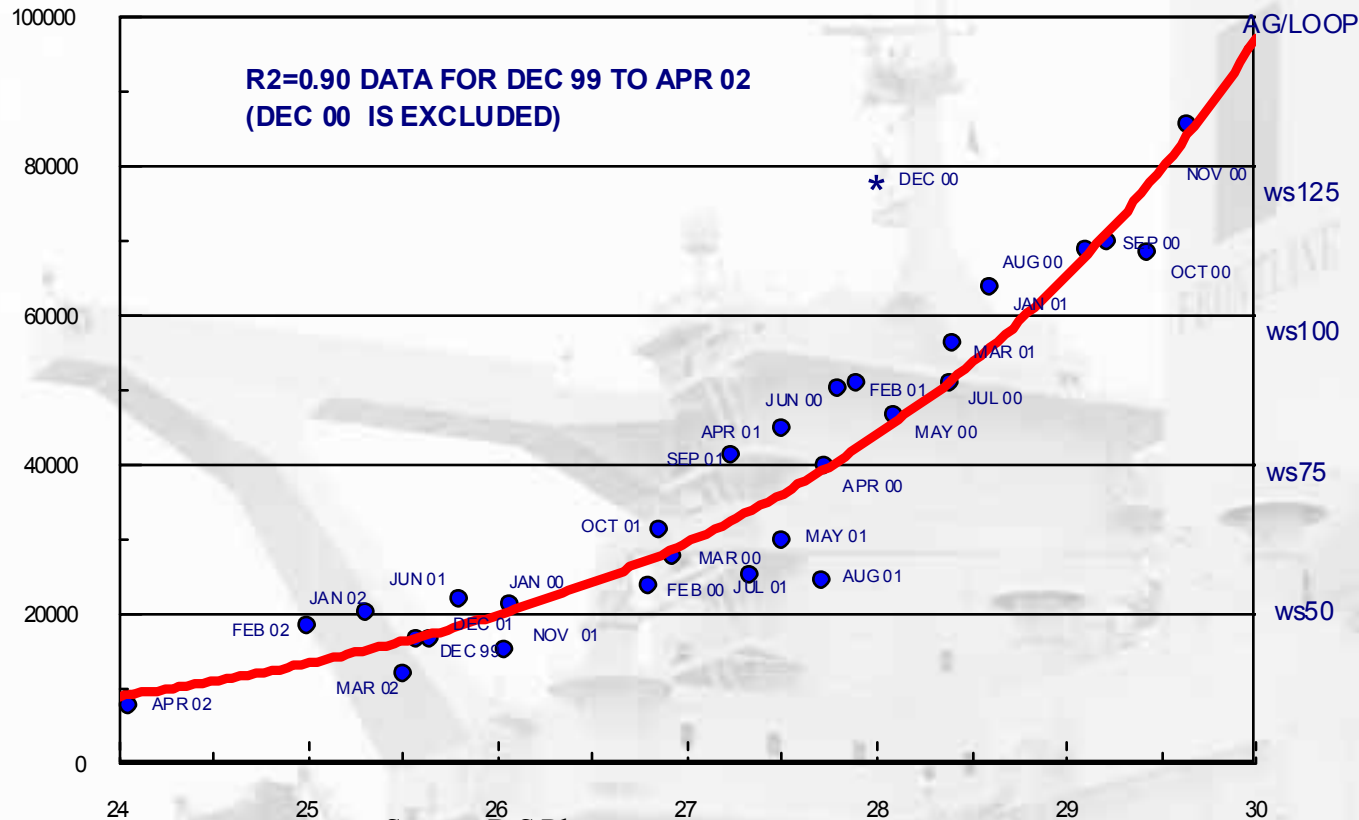
	Avg. 02Q103	Q203	Q303	Q403	Avg. 03	
<b>JP Morgan</b>	<b>26,7</b>	<b>26,8</b>	<b>26,0</b>	<b>27,7</b>	<b>28,6</b>	<b>27,3</b>
<b>US DOE</b>	<b>25,5</b>	<b>26,9</b>	<b>24,6</b>	<b>25,3</b>	<b>26,3</b>	<b>25,8</b>

IEA has not yet released projections for 2003.

# OPEC DECIDES VLCC RATES

## CORRELATION BETWEEN OPEC OUTPUT AND VLCC RATES MONTHLY DEC 1999 - APR 2002

VLCC SPOT RATES \$/DAY



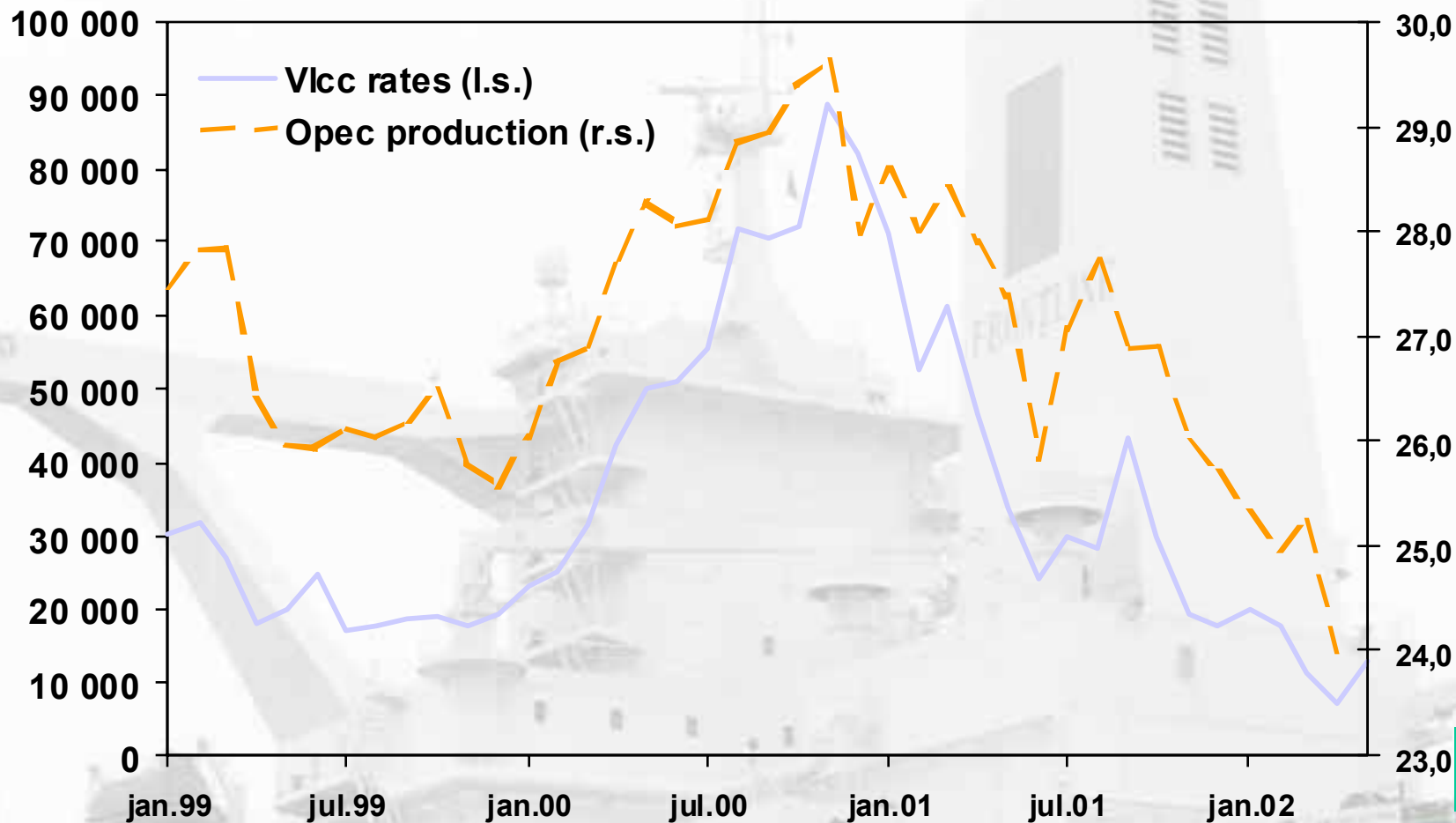
OPEC OUTPUT FELL FROM 29.6 MBD IN NOV 2000 TO 24.9 MBD IN FEB 2002 - A COMBINATION OF CYCLICAL AND SEASONAL CORRECTIONS. IN APRIL OPEC PRODUCTION FELL FURTHER TO 24.0 MBD DUE TO IRAQI EXPORT EMBARGO.

AS A RESULT RATES DECLINED FROM \$85,000 TO LESS THAN \$20,000 PER DAY

THE ACTIVE VLCC FLEET WAS UNCHANGED IN THE SAME PERIOD.

Source: R.S. Platou  
OPEC CRUDE PRODUCTION IN MBD

# Correlation between OPEC production and VLCC rates



Source: Bassøe/IEA

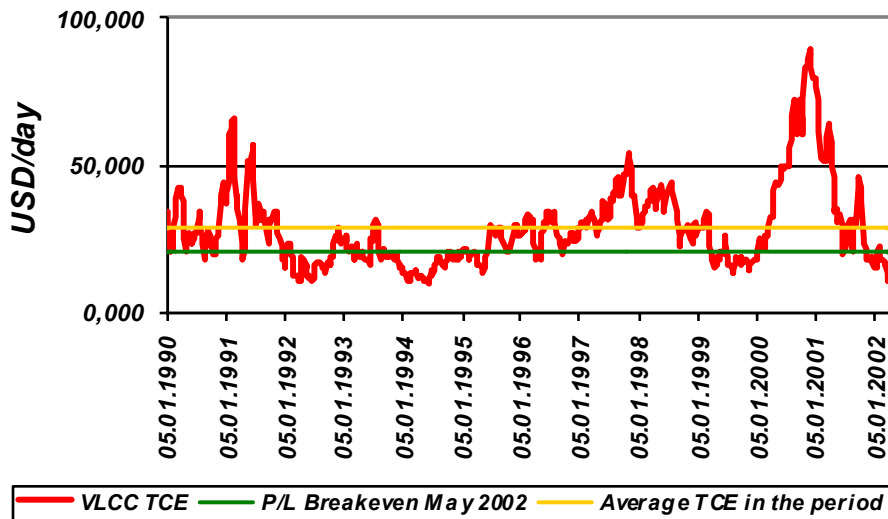
# Breakeven rates (USD / day)

	Cash Breakeven	P/L Breakeven
<b>VLCC</b>	<b>22 350</b>	<b>20 850</b>
<b>Suezmax</b>	<b>14 840</b>	<b>13 400</b>
<b>Suezmax OBO</b>	<b>14 220</b>	<b>14 540</b>



# Breakeven requirements are very low

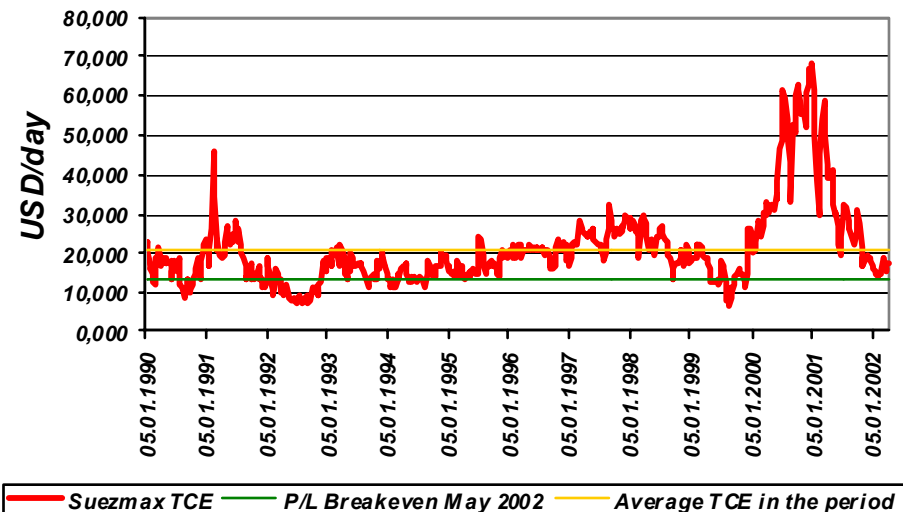
## VLCC TCE versus P/L Breakeven



Average TCE VLCC's in the period 1990-10 May 2002 is USD 28,609 per day, as compared to P/L breakeven May 2002 of USD 20,850 per day and cash B/E of USD 22,350 per day.

Source: Clarkson Studies

## Suezmax TCE versus P/L Breakeven



Average TCE Suezmax in the period 1990-10 May 2002 is USD 20,812 per day, as compared to P/L Breakeven May 2002 of USD 13,400 per day and cash B/E of USD 14,840 per day.

# Supply VLCC's / Suezmaxes

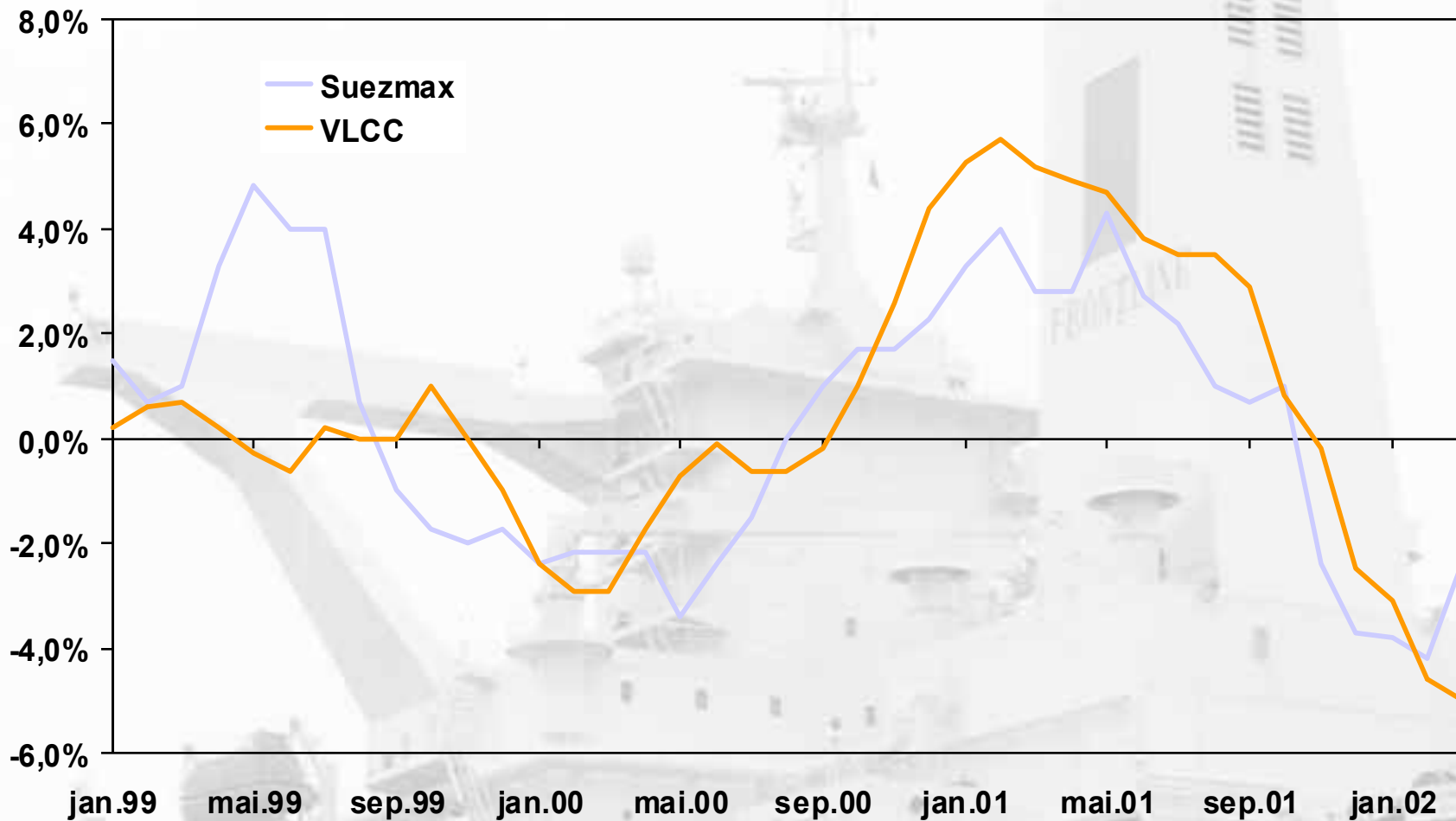
(No. of vessels)

Building year	VLCC's	Of which ULCC's*)	Suezmaxes
	200,00-320,000 dwt	320,000 + dwt	120,000-200,000 dwt
1973 or earlier	2		1
1974-75	15	2	14
1976-77	34	14	19
1978-80	13	8	17
1981 or later	351	5	226
Fleet as at May 14, 2002	<b>415</b>	<b>29</b>	<b>277</b>
On order			
2002	28	2	19
2003	35		31
2004+	16		12
Total on order 2001-2004	<b>79</b>	<b>2</b>	<b>62</b>

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

Source: P.F.Bassøe

# VLCC and Suezmax fleet development (year-on-year growth)



Source: P F Bassøe

# Going forward

- Frontline will continue to develop it's position as the world leading tanker company with focus on modern Suezmax and VLCC tonnage.
- Frontline will continue to act as a consolidator within a highly fragmented industry.
- Frontline will continue focusing on having a cost effective operation.
- Frontline will take delivery of the remaining 5 N/B's under the N/B programme, 4 in 2002 and 1 in 2003.
- Pragmatic look at dividend / buy back / M&A activities.

# Appendixes



# Income on time charter basis

USD'000s	Q1 02	Q1 01	2001
<b>VLCC, spot</b>	<b>27 896</b>	<b>92 907</b>	<b>243 886</b>
<b>VLCC, T/C vessels</b>	<b>7 532</b>	<b>-</b>	<b>-</b>
<b>VLCC, B/B vessels T/C equivalent</b>	<b>9 483</b>	<b>-</b>	<b>-</b>
<b>Suezmax</b>	<b>30 975</b>	<b>75 577</b>	<b>220 787</b>
<b>Suezmax OBO</b>	<b>12 524</b>	<b>27 281</b>	<b>79 435</b>

Trading days minus off hire	Q1 02	Q1 01	2001
<b>VLCC, spot</b>	<b>1 477</b>	<b>1 439</b>	<b>5 973</b>
<b>VLCC, T/C vessels</b>	<b>242</b>	<b>-</b>	<b>-</b>
<b>VLCC, B/B vessels</b>	<b>360</b>	<b>-</b>	<b>-</b>
<b>Suezmax</b>	<b>1 881</b>	<b>1 758</b>	<b>7 195</b>
<b>Suezmax OBO</b>	<b>695</b>	<b>693</b>	<b>2 746</b>

# Total expenses

USD million	Q1 02	Q1 01	2001
Ship oper. exp.	26,9	26,1	121,5
Charterhire exp.	9,8	10,6	41,9
Adm. exp.	2,4	3,5	13,2

# Off balance sheet vessels

- Front Century
- Front Champion
- Front Warrior
- Kim Jacob (t/c until Dec. 2002)
- Golden Victory



# Estimated oil demand/supply 2002

	Avg. 01	Q102	Q202	Q302	Q402	Avg. 02
<b>Demand*</b>	<b>76.2</b>	<b>76.7</b>	<b>75.6</b>	<b>77.5</b>	<b>78.7</b>	<b>77.1</b>
<b>Supply*</b>	<b>76.7</b>	<b>75.9</b>	<b>74.6</b>	<b>76.5</b>	<b>77.7</b>	<b>76.1</b>

**\*)Based on JP Morgan estimates as of May 15, 2002**

# Oil production

	2000	2001	2002	Change 2000 - 2002
Canada	2,68	2,74	2,87	0,19
Mexico	3,45	3,56	3,61	0,16
USA	8,11	8,10	8,11	
Argentina	0,82	0,84	0,81	
Brazil	1,50	1,61	1,72	0,22
Colombia	0,71	0,62	0,58	-0,13
Ecuador	0,41	0,42	0,42	
Denmark	0,37	0,35	0,34	
Norway	3,35	3,42	3,39	
UK	2,60	2,44	2,46	-0,14
Oman	0,96	0,98	0,96	
Syria	0,54	0,54	0,52	
Yemen	0,54	0,54	0,52	
Australia	0,82	0,72	0,69	-0,13
Brunei	0,20	0,19	0,18	
China	3,25	3,30	3,32	
India	0,79	0,78	0,77	
Malaysia	0,81	0,77	0,77	
Vietnam	0,32	0,32	0,33	
Angola	0,75	0,74	0,87	
Egypt	0,80	0,72	0,69	-0,11
Gabon	0,33	0,30	0,29	
Total	34,11	34,00	34,22	
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

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# Oil production

	2000	2001	2002	Change 2000 - 2002
Russia	6,54	7,11	7,46	0,92
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	8,71	9,19	
OPEC NGL / Condensate		3,00	3,00	
Call on OPEC crude		26,70	26,80	
Stockbuild		0,40	-0,80	
OPEC crude		27,20	25,70	

Source: JP Morgan

# Difference in TCE – old/modern VLCCs

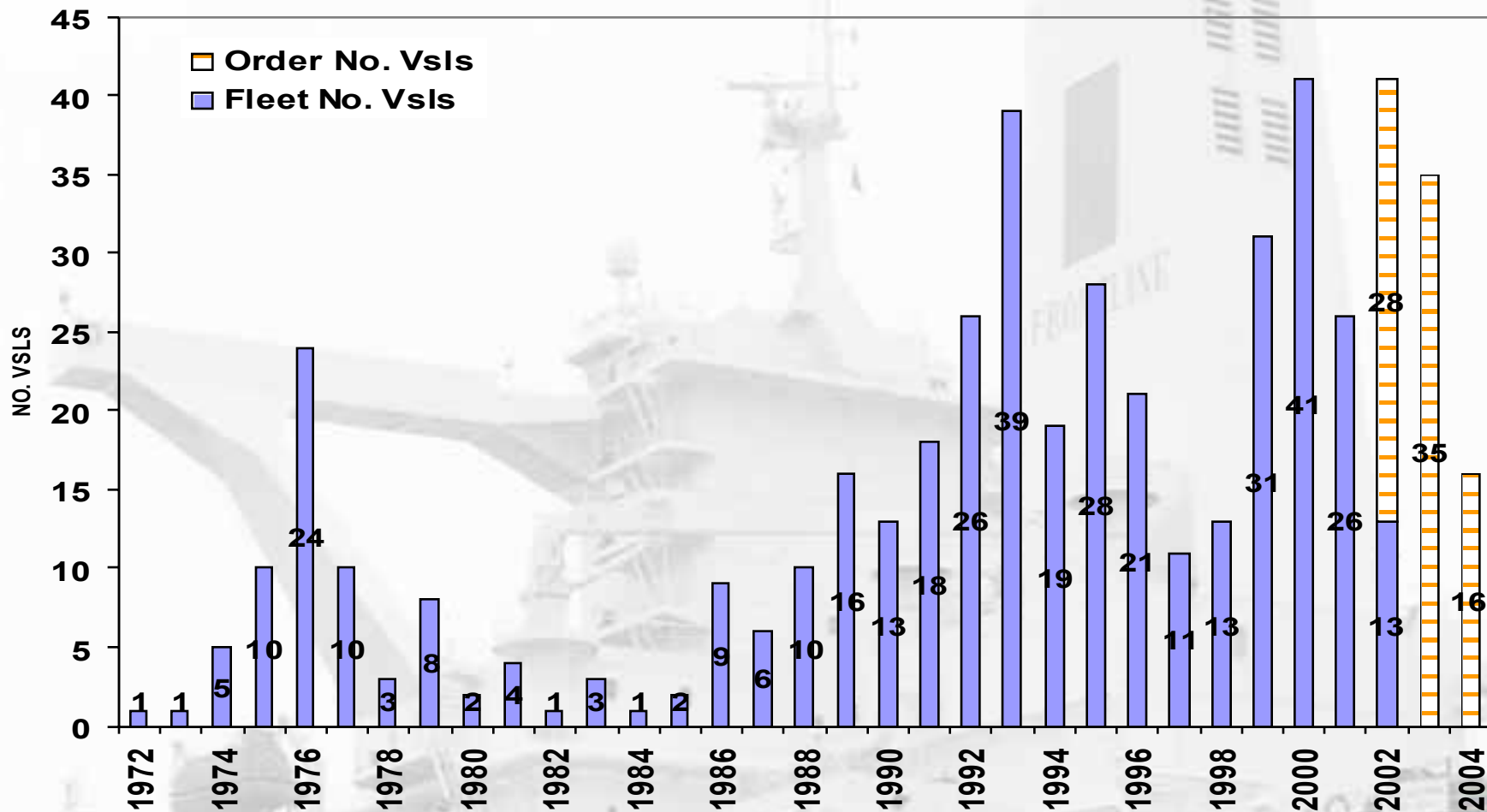
Needed daily cash to cover expenses:

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>

# Newbuildings versus scrapping candidates

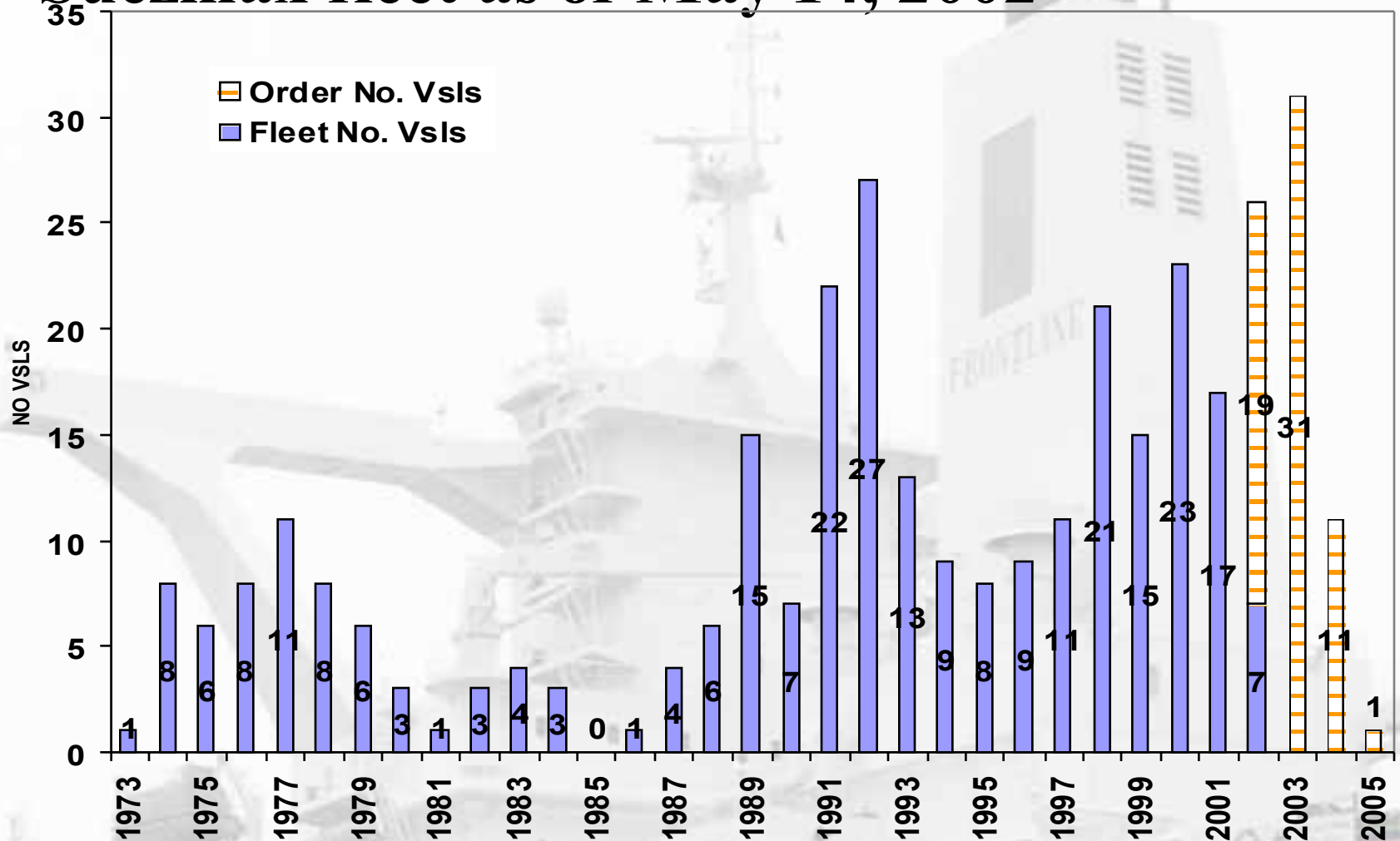
## VL/ULCC fleet as of May 14, 2002



Source: P.F. Bassoe

# Newbuildings versus scrapping candidates

## Suezmax fleet as of May 14, 2002



Source: P.F. Bassøe