

"A Floating Cash Machine"



Frontline Presentation

NYSE : FRO

OSE : FRO

Lehman European Oil Company Seminar

17th March 2003

The Frontline Story

Year	Party	Acquired	Oil Tankers	Shares	Value USD Mill.
1996	Frontline AB	7			
1996	Goldtech	1	Yes	Yes	49
1996	Bilspedition	1	Yes	Yes	49
1996	Seatankers	6			357
1997	Hyundai New buildings	10			650
1997	London Overseas Freighters	3	Yes	Yes	155
1998	Seatankers	1		Yes	42
1998	Alliance Chartering				
1998	Independent Tankers	10			770
1999	ICB Shipping	8	Yes	Yes	260
1999	Mosvold Farsund	1	Yes	Yes	45
2000	Wilh. Wilhelmsen	2	Yes	Yes	90
2000	NYK Front Tobago	1		Yes	37
2000	Golden Ocean Front Tina	1		Yes	74
2000	Euronav	2		Yes	95
2000	Golden Ocean Ltd.	13	Yes	Yes	990
2001	Sasebo New buildings	2			106
2001	Hitachi New buildings	3			224
2001	Mosvold Shipping	3	Yes	Yes	244
2001	Bergesen Ships	5			399
	Total Ships	80			4 636

This is what you get I

Suezmax fleet = 1 million barrel fleet

<i>Vessel</i>	<i>Built</i>	<i>Dwt</i>	<i>Yard</i>	<i>DH dwt</i>
<i>Suezmax Tankers</i>				
Front Birch	1991	152 000	Daewoo	SH
Front Maple	1991	152 000	Daewoo	SH
Front Granite	1991	142 031	Split	SH
Front Lillo	1991	147 143	AESA	SH
Front Emperor	1992	147 273	AESA	SH
Front Sunda	1992	142 031	Split	SH
*Marble (0%)	1992	142 031	Split	SH
Front Comor	1993	142 031	Split	SH
Front Spirit	1993	147 273	AESA	SH
Front Pride	1993	149 686	Mitsui	DH
Front Splendour	1995	149 745	Mitsui	DH
Front Glory	1995	149 834	Mitsui	DH
Front Ardenne	1997	153 000	Hyundai	DH
Front Brabant	1998	153 000	Hyundai	DH
Front Fighter	1998	153 328	Hyundai	DH
Front Hunter	1998	153 344	Hyundai	DH
Front Warrior (0%, t/c)	1998	153 409	Hyundai	DH
Mindanao	1998	158 000	Daewoo	DH
Front Sky	2000	159 999	Hyundai	DH
Front Sun	2000	159 998	Hyundai	DH
*Sonangol Girassol (0%)	2000	159 057	Daewoo	DH
*Sonangol Luanda (0%)	2000	159 178	Daewoo	DH
*Sonangol Kizomba (0%)	2001	159 165	Daewoo	DH
Front Melody	2001	150 500	Sasebo	DH
Front Symphony	2001	150 000	Sasebo	DH
<i>Suezmax OBOs</i>				
Front Breaker	1991	169 381	Daewoo	DH
Front Climber	1991	169 178	Hyundai	DH
Front Driver	1991	169 177	Hyundai	DH
Front Guider	1991	169 142	Daewoo	DH
Front Leader	1991	169 381	Daewoo	DH
Front Rider	1992	169 718	Hyundai	DH
Front Striver	1992	169 204	Daewoo	DH
Front Viewer	1992	169 381	Daewoo	DH

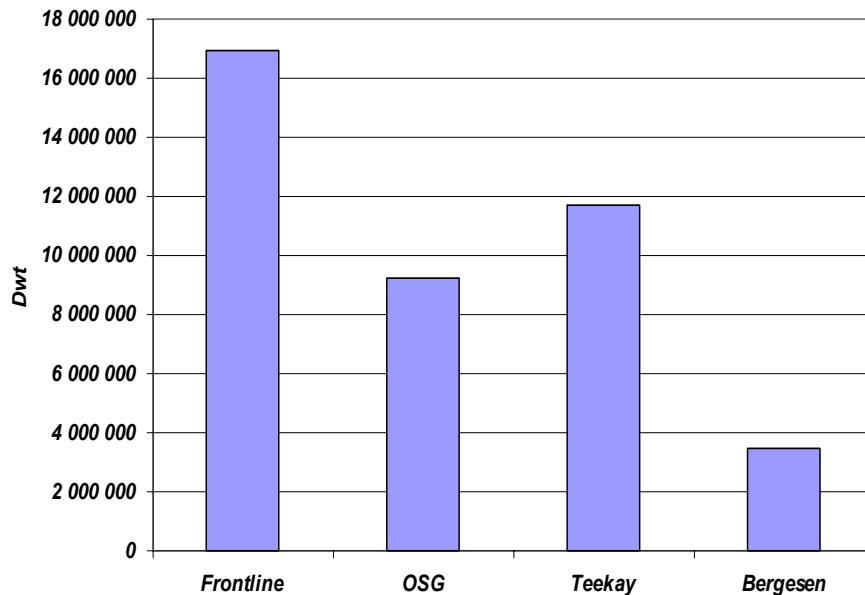
This is what you get II

VLCC fleet = 2 million barrels fleet

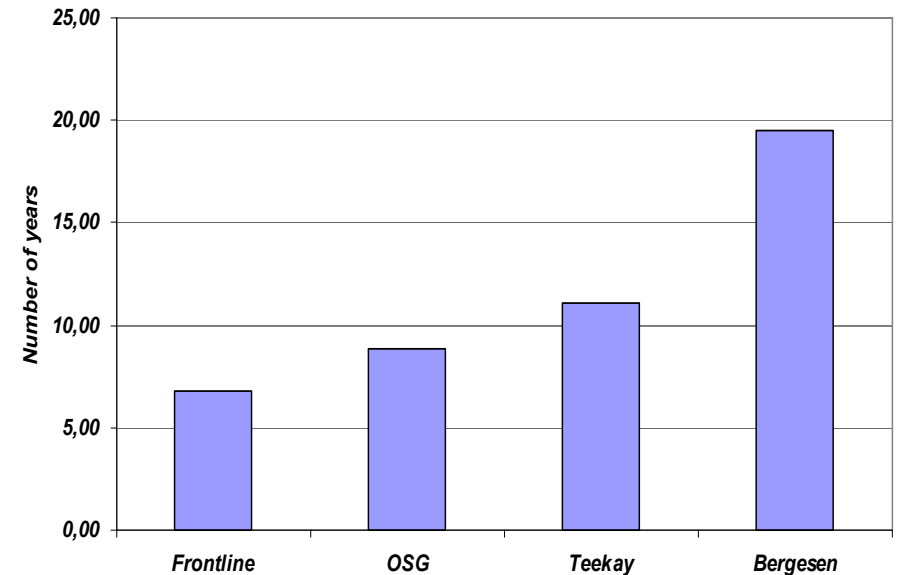
<i>Vessel</i>	<i>Built</i>	<i>Dwt</i>	<i>Yard</i>	<i>DH dwt</i>
VLCCs				
Front Sabang	1990	285 715	Daewoo	SH
Front Vanadis	1990	285 782	Daewoo	SH
Front Highness	1991	284 420	Hyundai	SH
Front Lady	1991	284 420	Hyundai	SH
Front Lord	1991	284 420	Hyundai	SH
Front Duke	1992	284 420	Hyundai	SH
Front Duchess	1993	284 480	Hyundai	SH
Front Ace	1993	275 546	Hitachi	SH
Front Tobago (40%)	1993	260 619	IHI	SH
Dundee (50.1%)	1993	302 432	Daewoo	DH
Edinburgh (50.1%)	1993	302 493	Daewoo	DH
Golden Stream	1995	275 616	Hitachi	SH
Golden Fountain (50%)	1995	301 665	Hitachi	SH
Navix Astral	1996	275 644	Hitachi	SH
New Vanguard	1998	300 058	Hitachi	DH
Front Century (0%, t/c)	1998	311 189	Hyundai	DH
New Vista	1998	300 149	Hitachi	DH
Front Champion (0%, t/c)	1998	311 286	Hyundai	DH
Front Chief (0%, t/c)	1999	311 224	Hyundai	DH
New Circassia (50%)	1999	306 009	MHI	DH
Pacific Lagoon (50%)	1999	305 839	MHI	DH
Front Commander (0%, t/c)	1999	311 168	Hyundai	DH
Front Crown (0%, t/c)	1999	311 176	Hyundai	DH
Opalia	1999	302 193	Kawasaki	DH
Front Commerce	1999	300 144	Hitachi	DH
Front Comanche	1999	300 133	Hitachi	DH
Front Commodore	2000	298 620	Hitachi	DH
Oscilla	2000	302 193	Kawasaki	DH
Front Tina	2000	298 500	Kawasaki	DH
Ichiban (33.3%)	2000	298 552	Hitachi	DH
British Pioneer (0%, t/c)	2000	307 000	Samsung	DH
British Progress (0%, t/c)	2000	307 000	Samsung	DH
British Purpose (0&, t/c)	2000	307 000	Samsung	DH
British Pride (0%, t/c)	2000	307 000	Samsung	DH
Ariake (33.3%)	2001	298 530	Hitachi	DH
Sakura I (33.3%)	2001	298 530	Hitachi	DH
Front Eagle	2002	309 064	Samsung	DH
Tanabe (33.3%)	2002	296 000	Hitachi	DH
Front Serenade	2002	299 152	Hitachi	DH
Hakata (33.3%)	2002	296 000	Hitachi	DH
Front Stratus	2002	298 500	Hitachi	DH
Front Falcon	2002	308 000	Samsung	DH
Front Page	2002	298 500	Hitachi	DH
Hull No. 1412 tbn Front Hawk	July 2003	308 000	Samsung	DH

A unique fleet in size and age

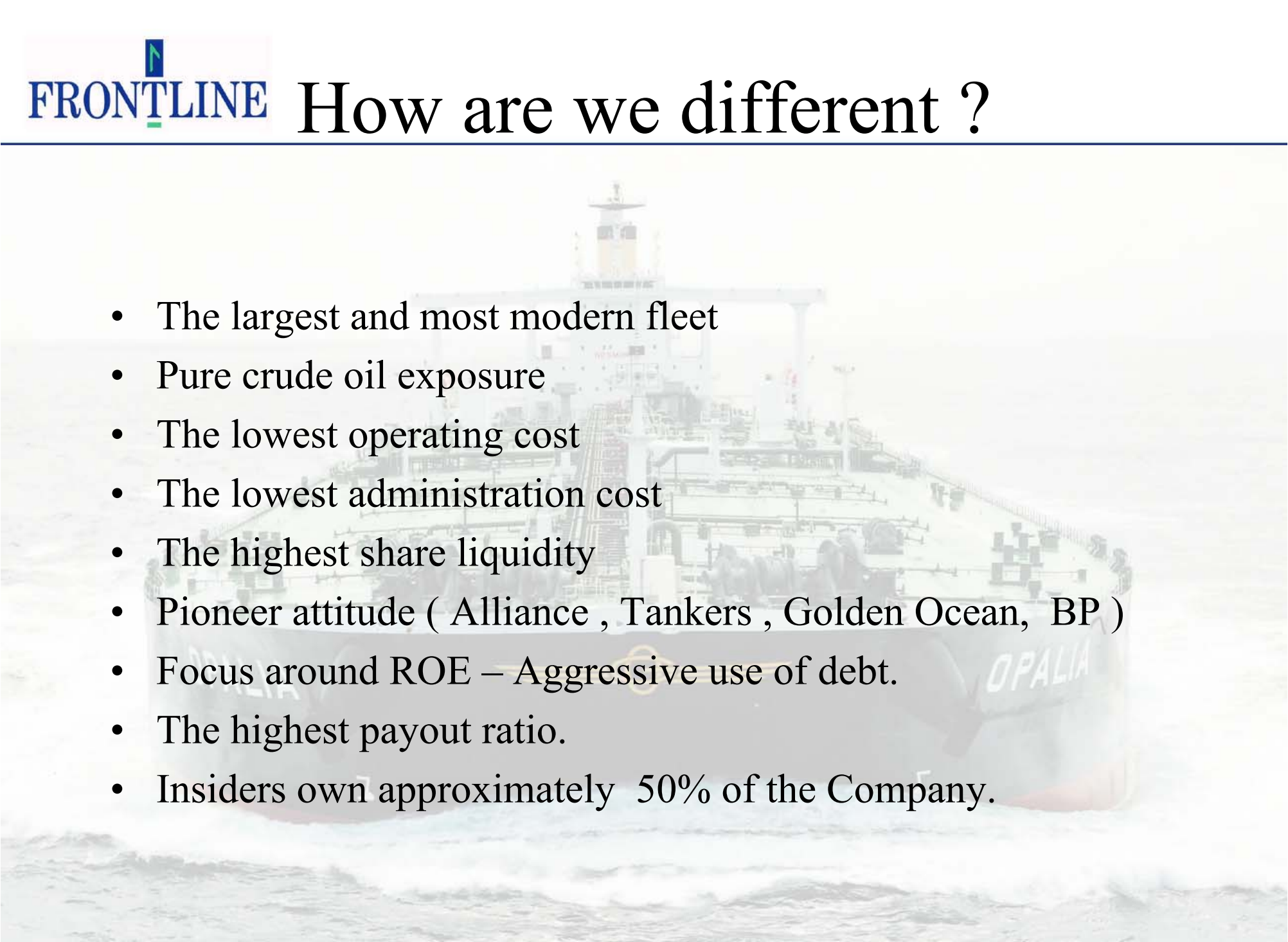
Tanker fleet (incl. 100% JVs) in dwt



Average age of tanker fleet



How are we different ?

- The largest and most modern fleet
 - Pure crude oil exposure
 - The lowest operating cost
 - The lowest administration cost
 - The highest share liquidity
 - Pioneer attitude (Alliance , Tankers , Golden Ocean, BP)
 - Focus around ROE – Aggressive use of debt.
 - The highest payout ratio.
 - Insiders own approximately 50% of the Company.
- 
- A large oil tanker ship, the OPALIA, is shown at sea. The ship is white with a dark hull and has the name "OPALIA" visible on the side. The ship is moving through the water, creating a wake. The background is a hazy, overcast sky.

Profit & Loss 2002

Q4 01	Q4 02	USD million	2 002	2001
109,6	159,4	Net operating revenues	429,0	647,3
0,8	-1,5	Gain / loss on sale of vessels	-4,3	35,6
47,2	51,7	Total expenses	187,1	176,5
63,1	106,1	Operating profit before depreciation (EBITDA)	237,6	506,5
32,5	36,2	Depreciation	139,9	121,7
30,7	69,9	Operating profit (EBIT)	97,7	384,8
13,2	-2,9	Financial items	-90,5	-33,9
43,9	67,0	Net profit (loss) before min. & taxes	7,2	350,8
0,2	0,0	Taxes	0,0	0,4
0,0	0,0	Cumulative effect of change in accounting principle	-14,1	32,3
43,7	67,1	Net profit (loss)	-6,9	382,7
0,57	0,88	EPS before cumulative effect of change in accounting principle	0,09	4,57
		Cumulative effect of change in accounting principle	-0,18	0,42
0,57	0,88	EPS	-0,09	4,99

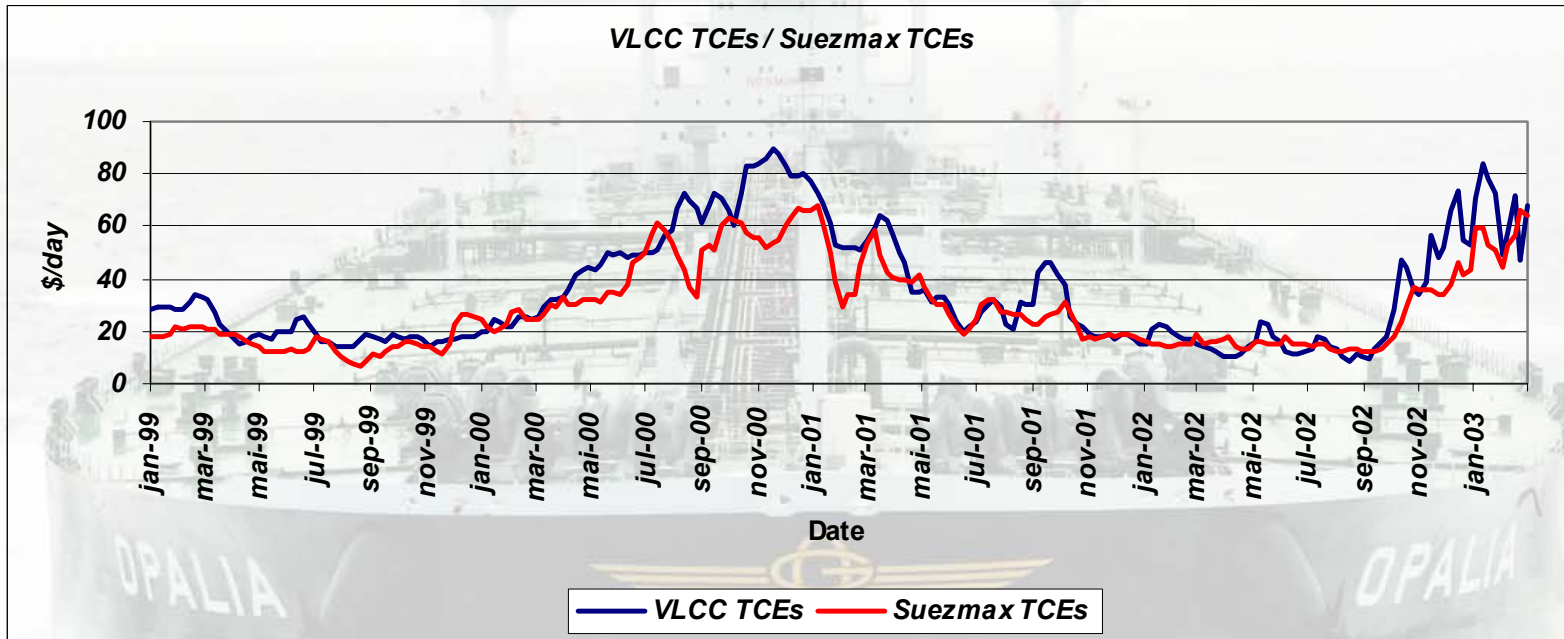
Balance Sheet

Assets	2002	2 001	Liabilities/Equity	2002	2 001
USD million					
Short term			Short term		
Cash and Bank deposits	100,3	189,3	Short term interest bearing debt	167,8	227,6
Marketable securities	0,3	1,2	Other current liabilities	74,6	87,5
Other current assets	132,8	87,5			
Long term			Long term		
Newbuildings	27,4	102,8	Long term interest bearing debt	1 277,7	1 164,4
Vessels and equipment, net	2 638,1	2 514,2	Other long term liabilities	287,7	295,1
Associated companies	119,3	109,9	Minority	0,0	6,8
Goodwill	0,0	14,0	Stockholder's equity	1 228,2	1 252,4
Deferred charges and other assets	17,7	15,0			
Total assets	3 035,9	3 033,8	Total stockholders' equity and liab.	3 035,9	3 033,8

The Market



The Recent Developments



The Explanation I

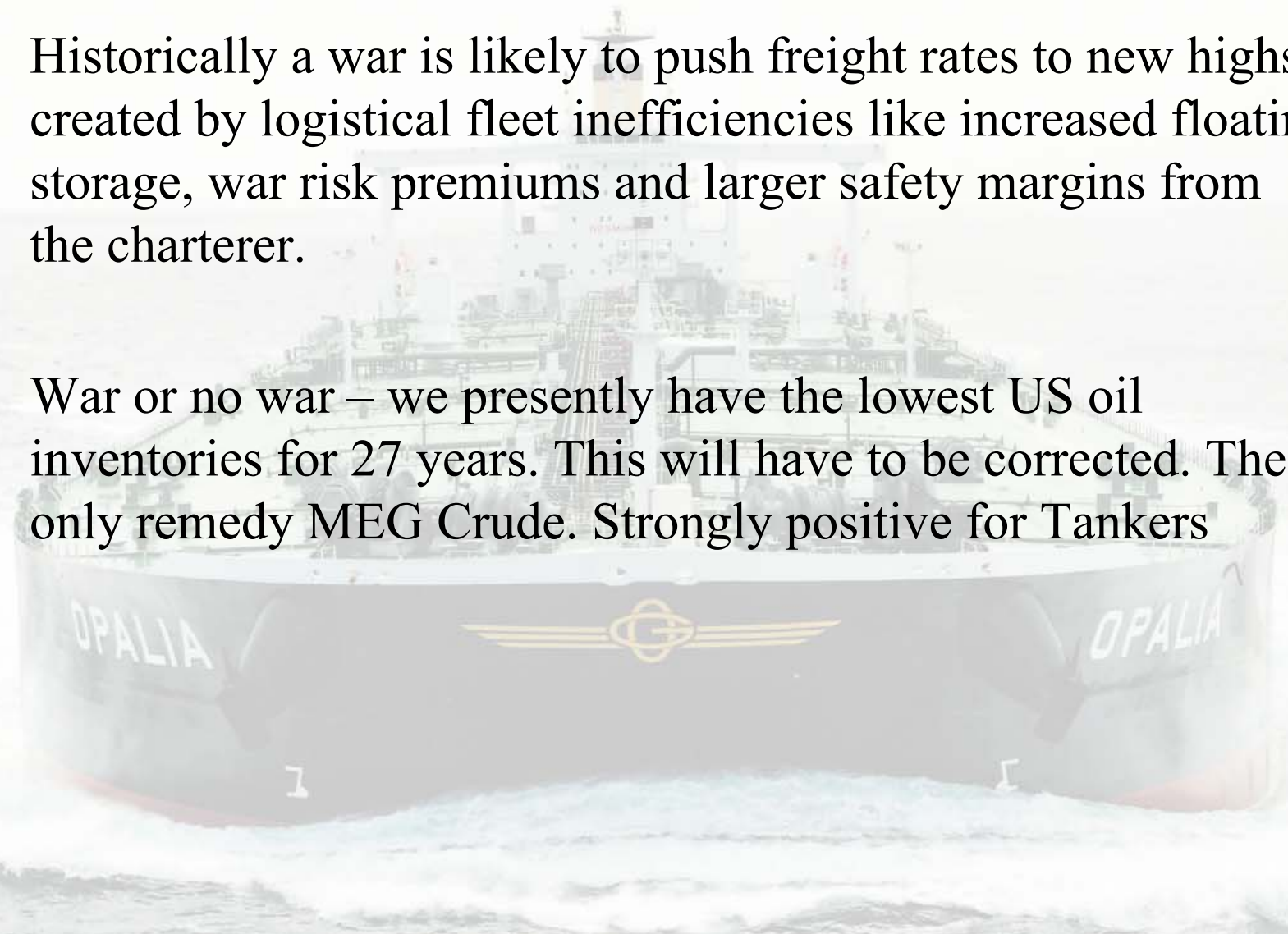
- Start-up August 2002
 - Low OPEC production
 - Low inventory levels
 - VLCC fleet smaller than when market peaked in 2000.
 - Development September – October
 - Increased seasonal demand
 - Weather shutdown of production US Gulf
 - Strong growth in Asia (India, China, Korea, Taiwan)
 - Japan / Korea nuclear shutdown
 - Positive refinery margin in US
 - Rapidly falling oil inventories
 - Dollar weakened against Won / Yen
 - Met by increased OPEC production – Higher Rates
- 
- A large oil tanker ship, the OPALIA, is shown sailing on the ocean. The ship is dark-colored with a white superstructure and a yellow and red stripe along the hull. The name "OPALIA" is visible on the side of the hull. The ship is moving from left to right, leaving a white wake behind it.

The Explanation II

- The second stage of the recovery November-March
 - More forward fixing by oil companies
 - Iraq situation
 - Venezuela strike
 - **M/T Prestige - accident**
 - Cold weather
 - High gas prices
 - Large crack spreads
 - Combined these factors have pushed freight market to new highs and oil prices over USD 30 /bbls
- 
- A large oil tanker ship, the M/T OPALIA, is shown at sea. The ship is dark-colored with a white superstructure and a yellow logo on the hull. The name "OPALIA" is visible on the side of the hull. The ship is moving through the water, creating a white wake.

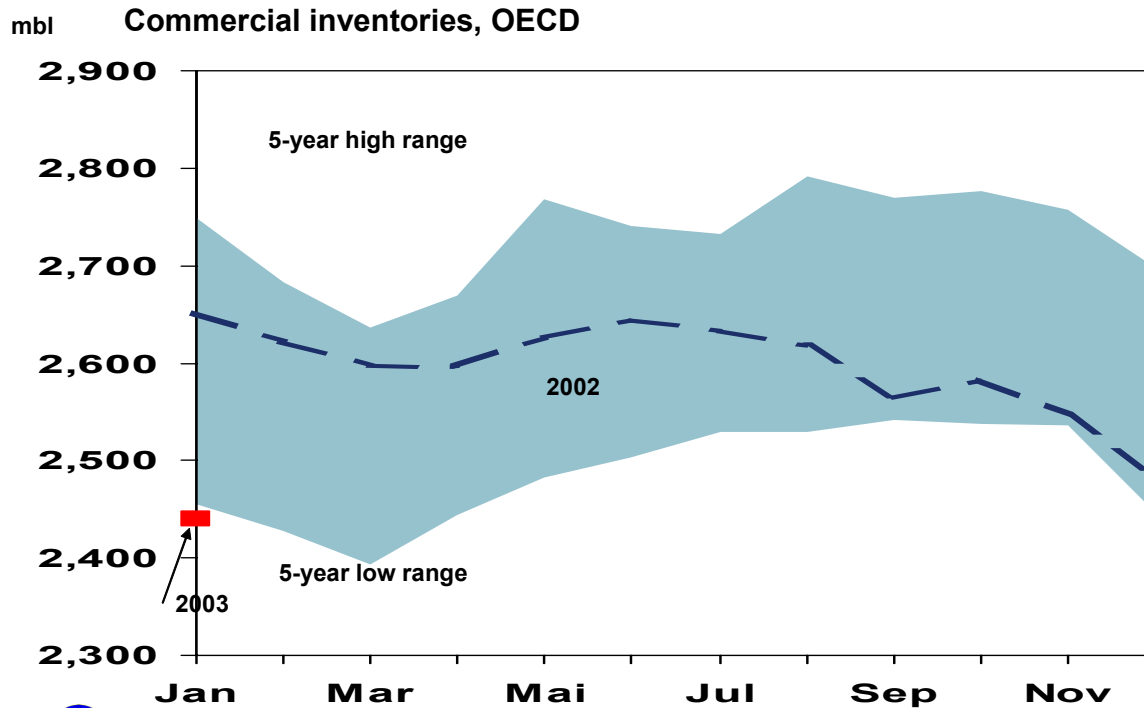
The War Case

- Historically a war is likely to push freight rates to new highs created by logistical fleet inefficiencies like increased floating storage, war risk premiums and larger safety margins from the charterer.
- War or no war – we presently have the lowest US oil inventories for 27 years. This will have to be corrected. The only remedy MEG Crude. Strongly positive for Tankers



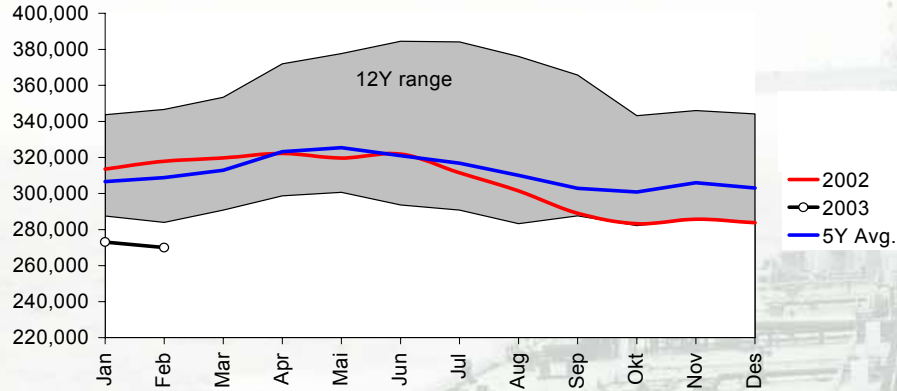
The Inventory Situation

Oil inventories – OECD



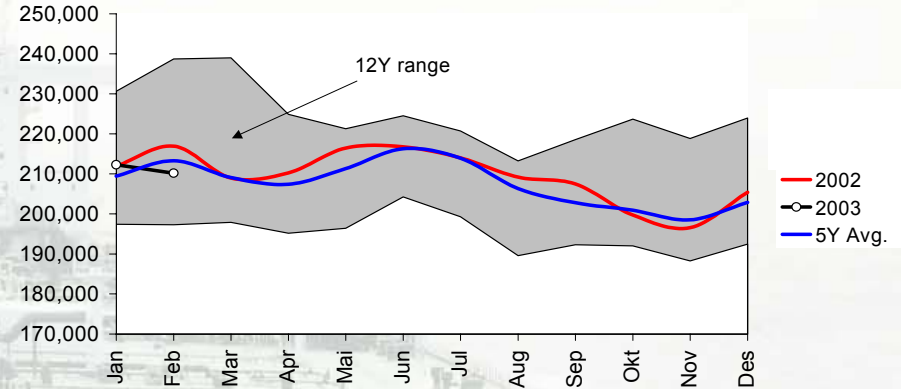
US Petroleum Stocks – Seriously Low

API crude stocks 1990-2003 (avg. month)



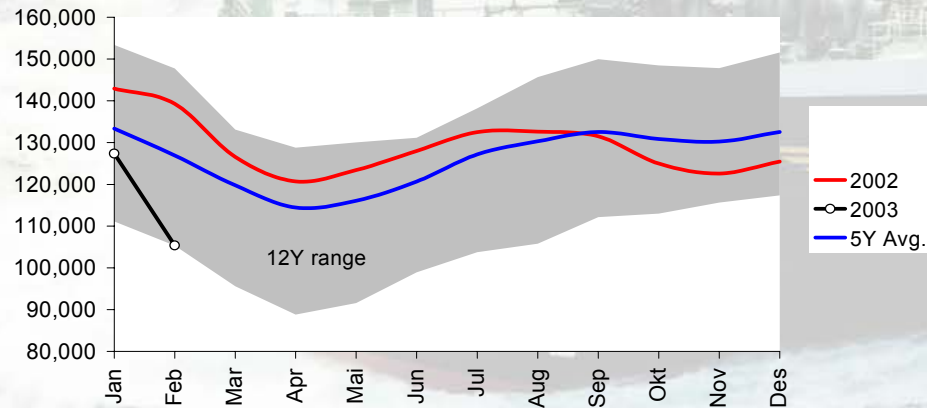
Source: API, Bloomberg

API gasoline stocks (avg. month)



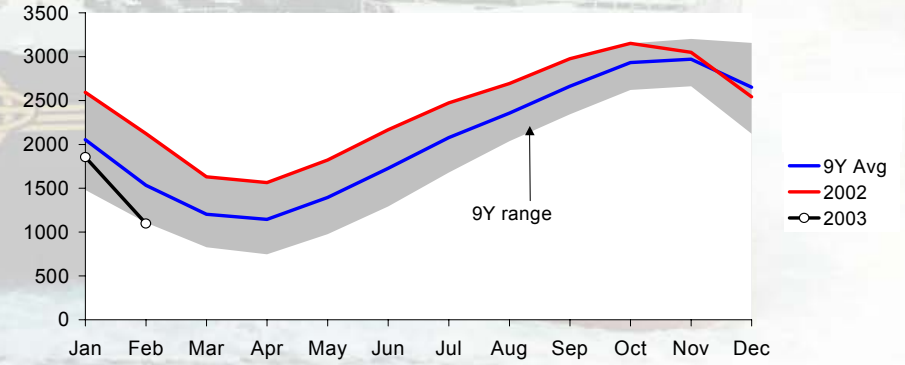
Source: API, Bloomberg

API distilled fuel stocks (avg. month)



Source: API, Bloomberg

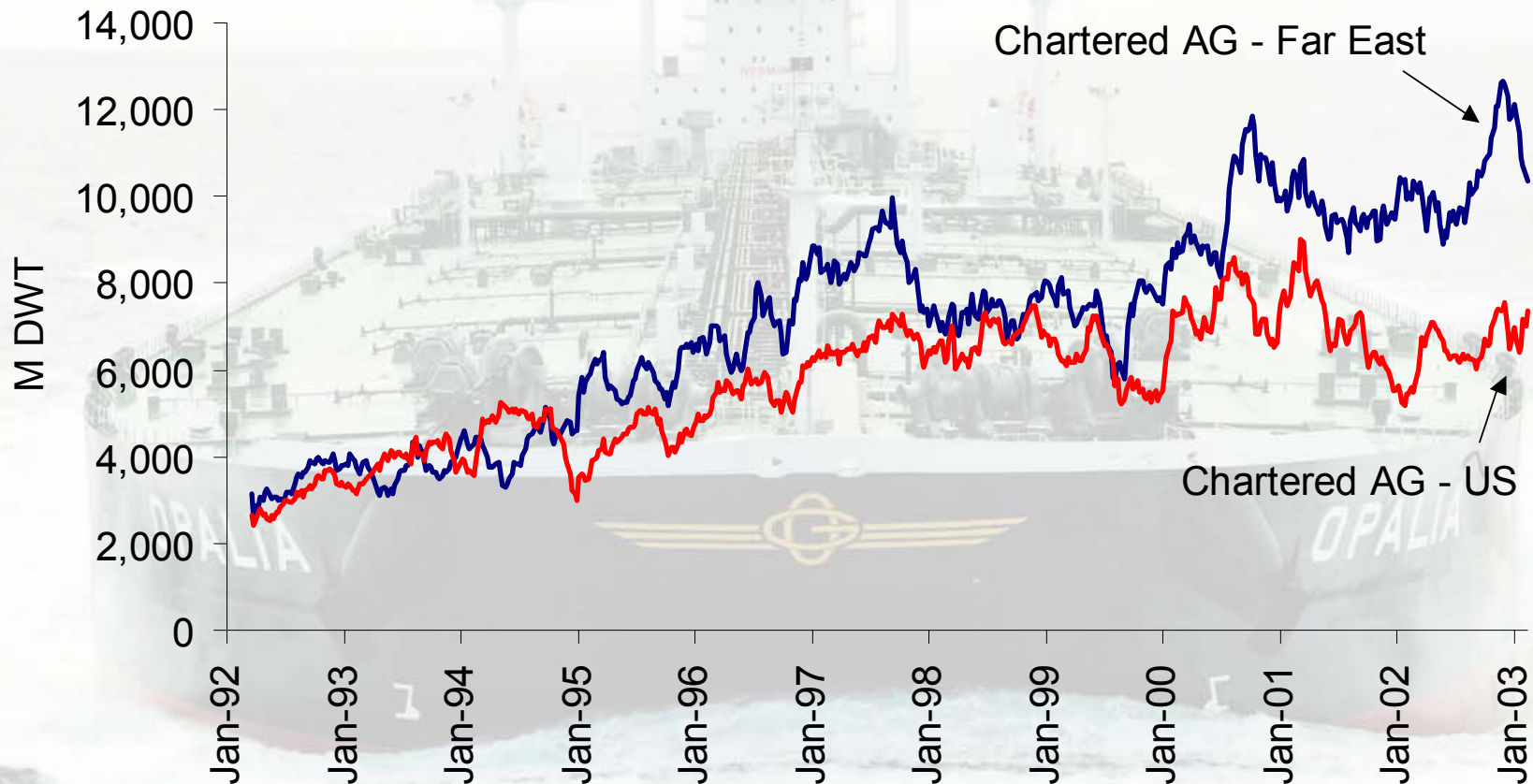
US Natural Gas Storage 1994-03



Source: Bloomberg

Far East Started – US to Follow

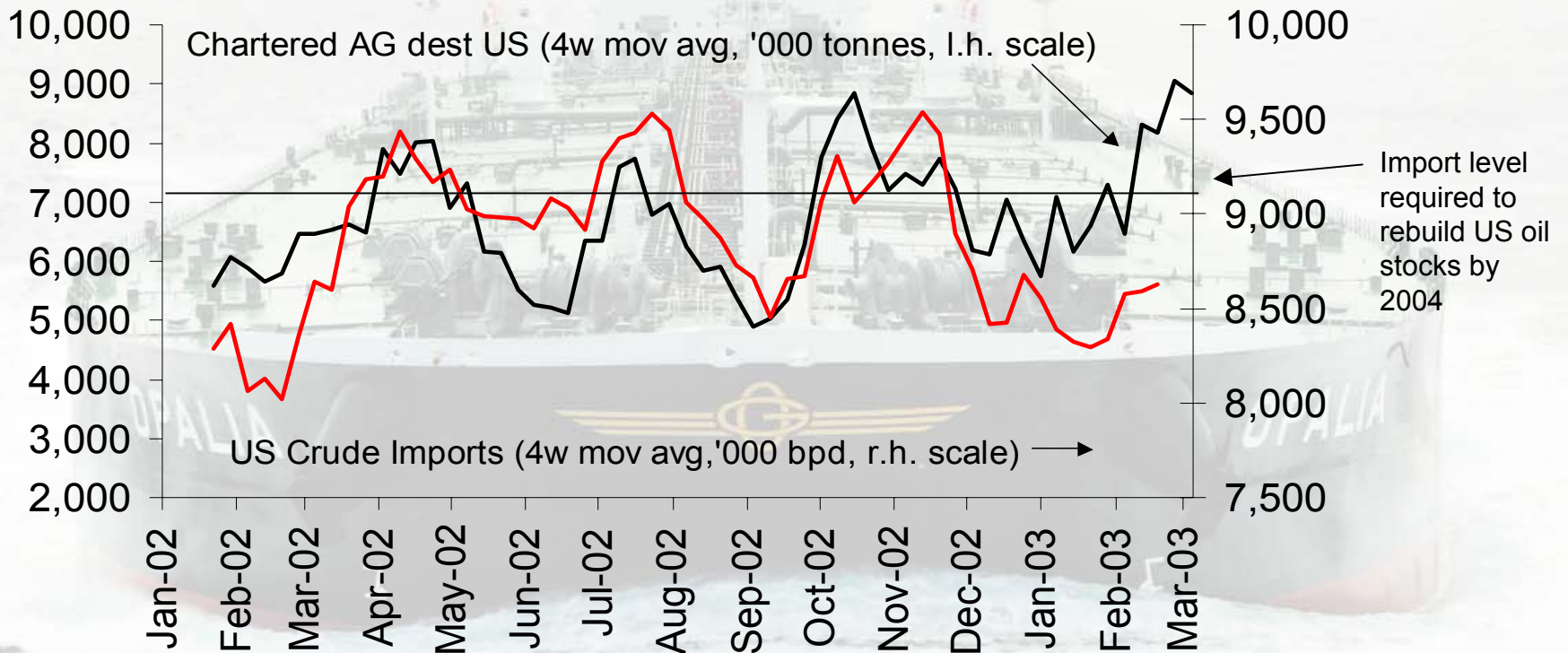
Chartered AG destination Far East vs US
(3m rolling averages)



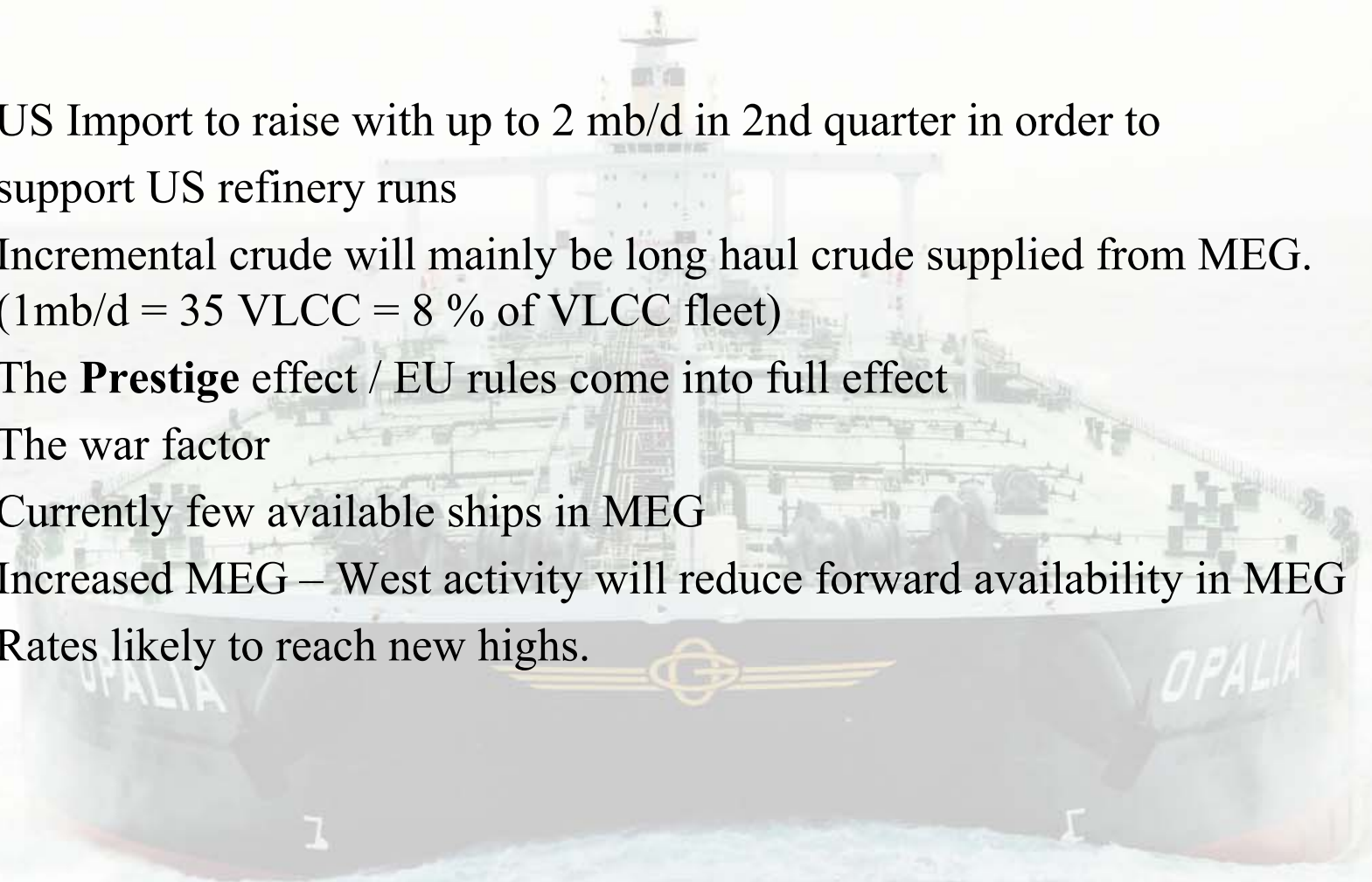
The proof of rising US crude imports

US imports are on the rise and the current activity level is consistent with US crude imports above 9mbd. This level must be sustained for up to 22 months to normalize the US oil inventory situation. Current activity levels represent no blip.

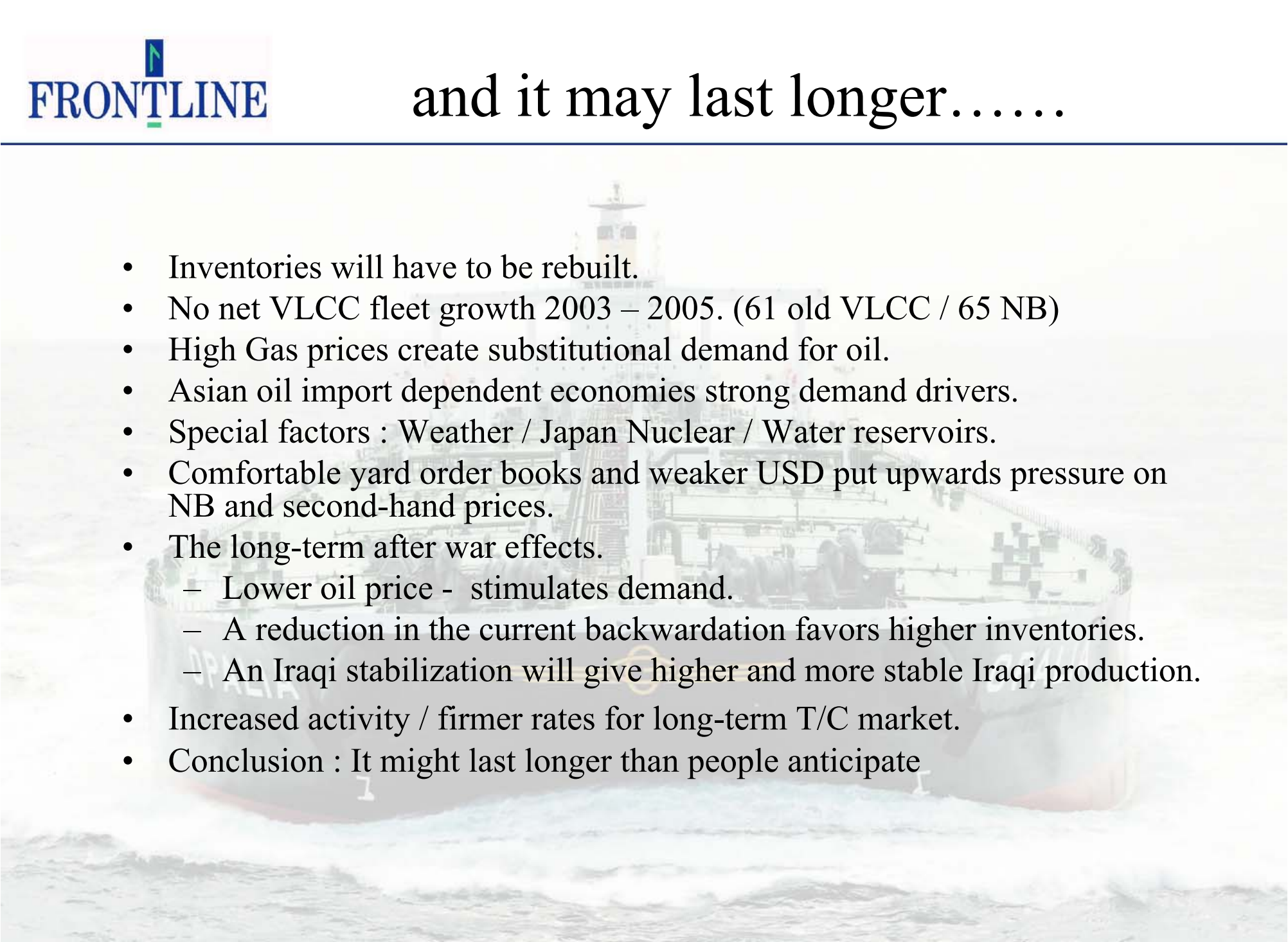
**Chartered AG destination US
vs Imported Crude US (API figures) (5W lag)**



- US Import to raise with up to 2 mb/d in 2nd quarter in order to support US refinery runs
- Incremental crude will mainly be long haul crude supplied from MEG. (1mb/d = 35 VLCC = 8 % of VLCC fleet)
- The **Prestige** effect / EU rules come into full effect
- The war factor
- Currently few available ships in MEG
- Increased MEG – West activity will reduce forward availability in MEG
- Rates likely to reach new highs.



and it may last longer.....

- 
- A large oil tanker ship is shown in the background, sailing on the ocean. The ship is white with a dark hull and has a complex superstructure. The name "SPALIA" is visible on the side of the ship. The ship is moving from left to right, leaving a white wake behind it.
- Inventories will have to be rebuilt.
 - No net VLCC fleet growth 2003 – 2005. (61 old VLCC / 65 NB)
 - High Gas prices create substitutional demand for oil.
 - Asian oil import dependent economies strong demand drivers.
 - Special factors : Weather / Japan Nuclear / Water reservoirs.
 - Comfortable yard order books and weaker USD put upwards pressure on NB and second-hand prices.
 - The long-term after war effects.
 - Lower oil price - stimulates demand.
 - A reduction in the current backwardation favors higher inventories.
 - An Iraqi stabilization will give higher and more stable Iraqi production.
 - Increased activity / firmer rates for long-term T/C market.
 - Conclusion : It might last longer than people anticipate

The Frontline Arguments



1. The Current Market

Voyage Estimate

Front Pride

Phila-Escravos-Phila

Cargo: 130000 mts Crude

WS: 200

Total days: 33,95

T/C per day 54475

USD 54.475

Voyage Estimate

Front Symphony

August-Ceyhan-Augusta

Cargo: 140000 mts Crude

WS: 265

Total days: 10,07

T/C per day: 158798

USD 158.798

Voyage Estimate

Front Champion

Rotterdam-Ras Tanura-Rotterdam

Cargo: 280000 mts Crude

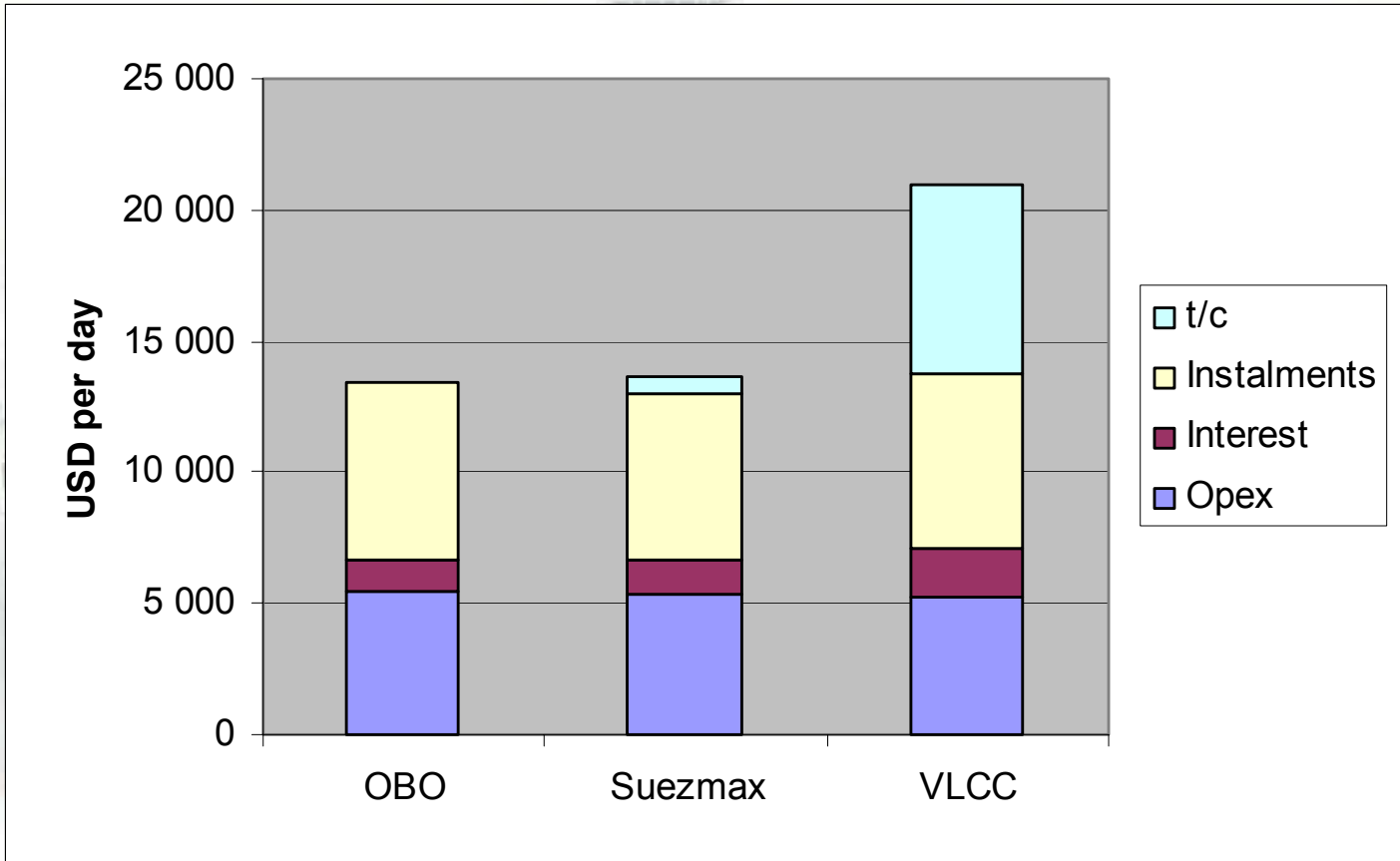
WS: 127,5

Total days: 56,61

T/C per day: 90713

USD 90.713

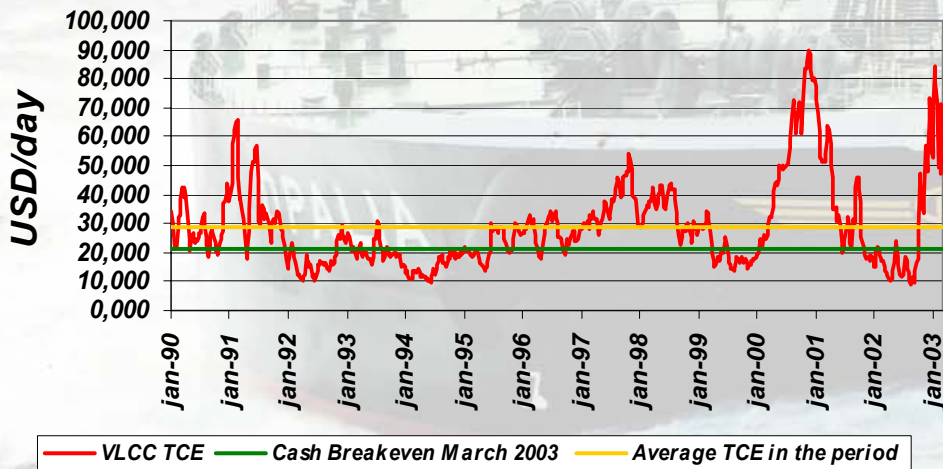
2. Low Cash Breakeven



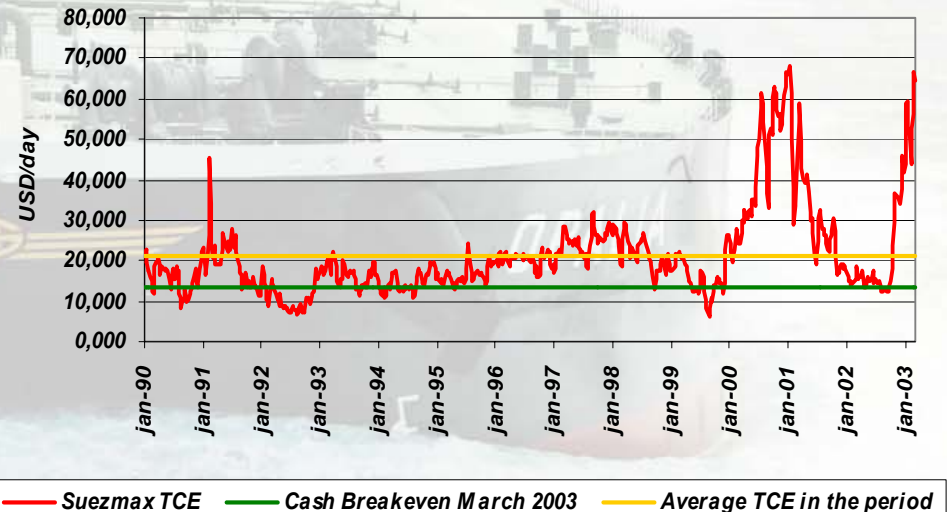
3. History

The average TCE rate for the last 12 years is USD 29.100 p/day for VLCCs and USD 21.400 p/day for suezmaxes. Based on these rates for the rest of the year the Company will make a Net Income in 2003 in excess of USD 300 mill.

VLCC TCE versus Cash Breakeven



Suezmax TCE versus Cash Breakeven



4. The Exposure

NAV Development

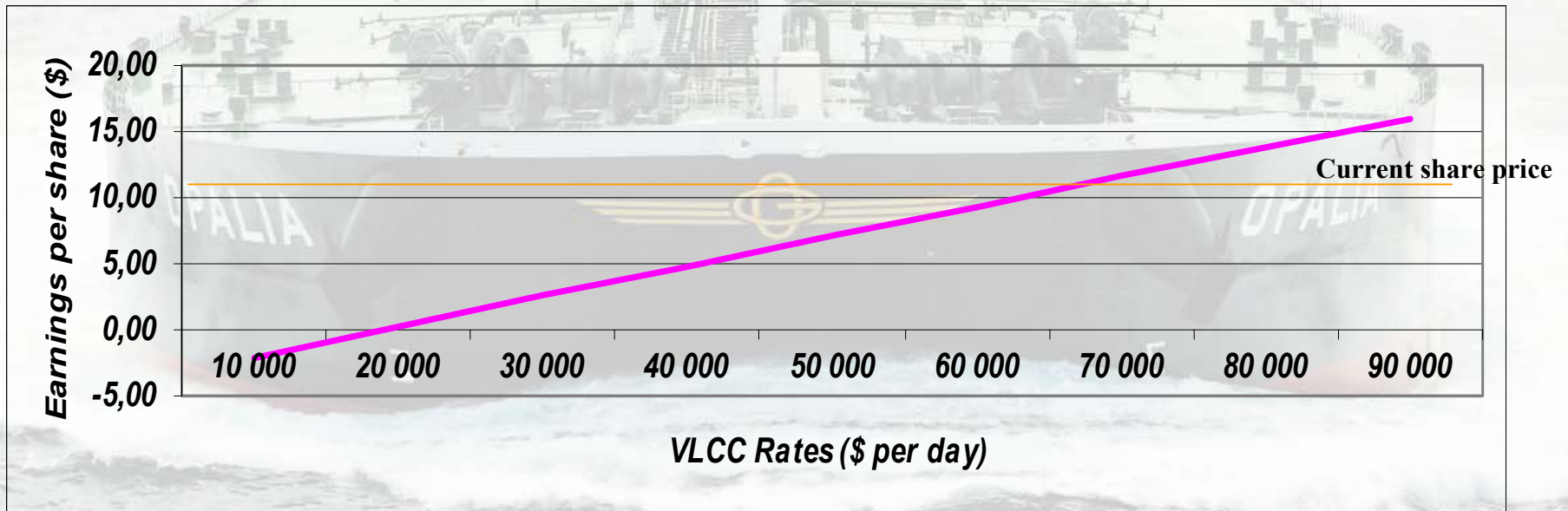
+/- 10 % in ship prices

+/- USD 4 per share

One Quarter TCE 55'/40'

+ USD 3 per share

The Earnings Sensitivity



5. A Changed Company

	2000- 2002	2003
Vessels	38	72
Cash (\$ mill.)	65	160
Cap.Ex (\$ mill.)	1.700	59
Net Cap Ex. (\$ mill.)	700	2
Corporate debt (\$ mill.)	150	0
VLCC B/E (\$/day)	24.100	20.900
Suezmax B/E (\$/day)	18.200	13.600
Market Cap (\$ mill)	1.900*	870

*) May 2001

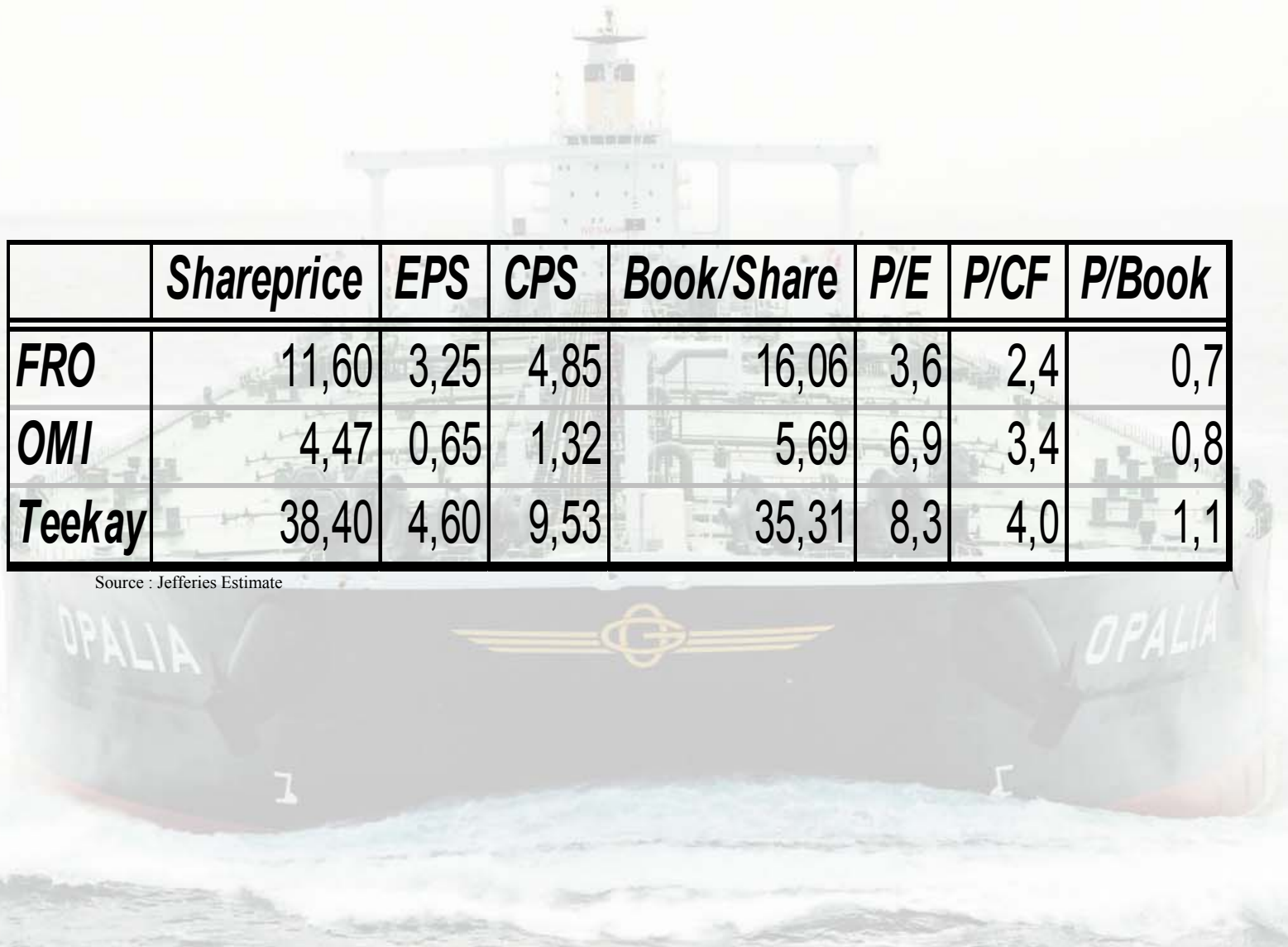
6. A Dividend Story

- Frontline has a minimum cash requirement in the loan agreements of approximately USD 80 million.
- The management feels that financial flexibility is achieved with a cash position of between USD 150 - 200 million.
- This position is reached in the Q1 -2003.
- Total net committed future Cap ex as of 31.03.03 is USD 2 million.
- All excess cash flow can be freely distributed to shareholders.
- To achieve a 10 % direct yield on the existing market cap Frontline will need VLCC rates of \$24,600, and Suezmax rates of \$17,300.
- A 20 % yield can be supported with VLCC rates of \$28,300 and Suezmax rates of \$21,000.
- Remember historic 12 year average T/C rates VLCC 29,100, Suezmax 21,400.

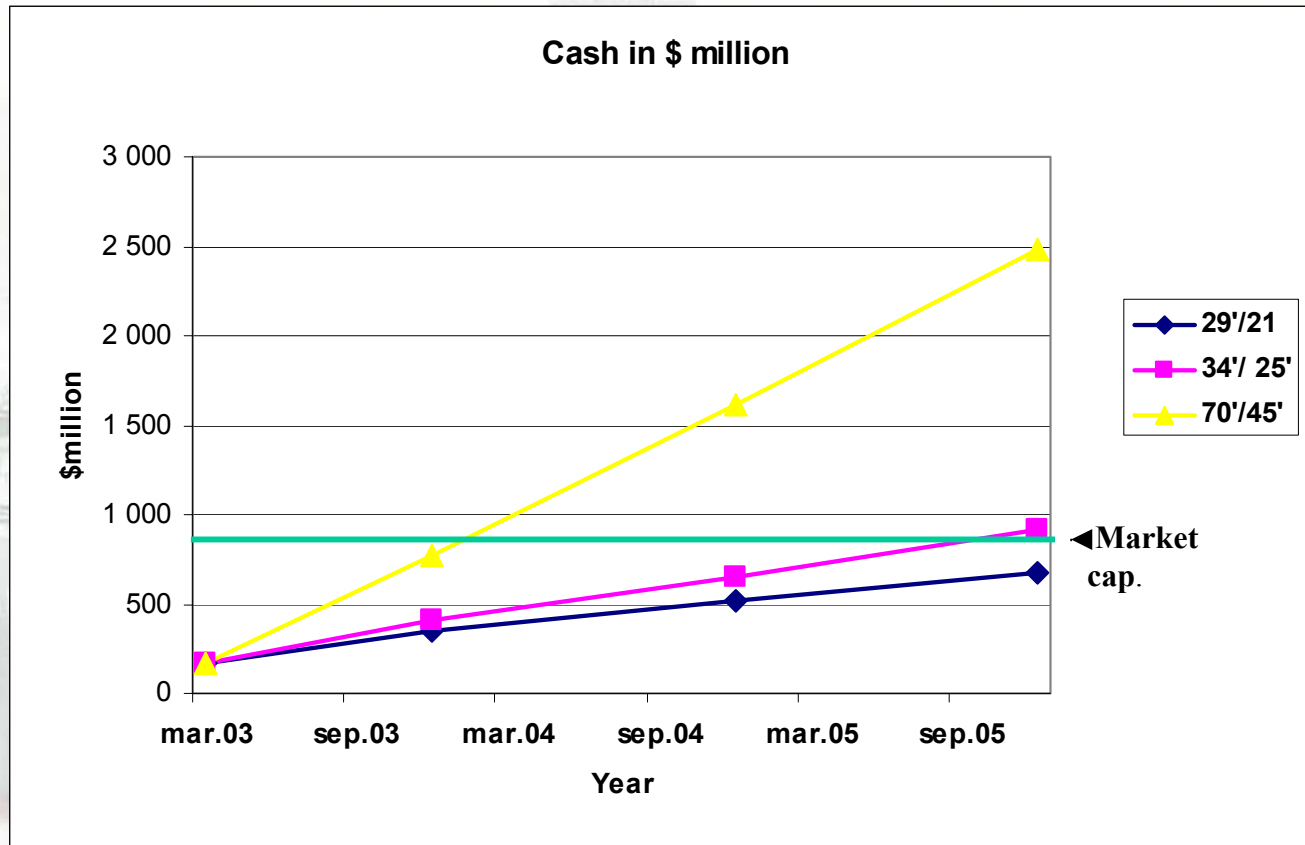
7. Pricing

	<i>Shareprice</i>	<i>EPS</i>	<i>CPS</i>	<i>Book/Share</i>	<i>P/E</i>	<i>P/CF</i>	<i>P/Book</i>
<i>FRO</i>	11,60	3,25	4,85	16,06	3,6	2,4	0,7
<i>OMI</i>	4,47	0,65	1,32	5,69	6,9	3,4	0,8
<i>Teekay</i>	38,40	4,60	9,53	35,31	8,3	4,0	1,1

Source : Jefferies Estimate



8. Cash Development



9. A Floating Cash Machine

An illustrative Calculation Exercise

T/C Rates [USD/day]	70 000	45 000
Cash Break Even [USD/day]	20 900	13 600
No of vessels exposed	35	29
Daily Cash Generation [USD]	1 693 950	910 600
Total [USD/day]		2 604 550

1. *Corporate earnings to be adjusted for charter in / out.*
2. *Daily scheduled debt repayment is close to USD 500.000 per day.*
3. *Current market :*

<i>VLCC 90.000 USD/day</i>	<i>Suez 55.000 USD/day</i>
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