

A Very Large Cash Creator (VLCC) The Frontline Investment Case 2003



Presentation at Marine Money Seminar in New York June 17-18, 2003

1. The Fleet



38 + 1 N/B VLCCs incl. 9 J/Vs
Equals 34.4 vessels on a 100% basis
Cash B/E USD 20,696 p/d

Oldest ship from 1990

Average age: 7.2 years
Industry average 10.0 years

Double hull tonnage: 70 %
Industry average 57 %



19 Suezmaxes
Cash B/E USD 13,523 p/d



8 Suezmax OBOs
Cash B/E USD 13,277 p/d



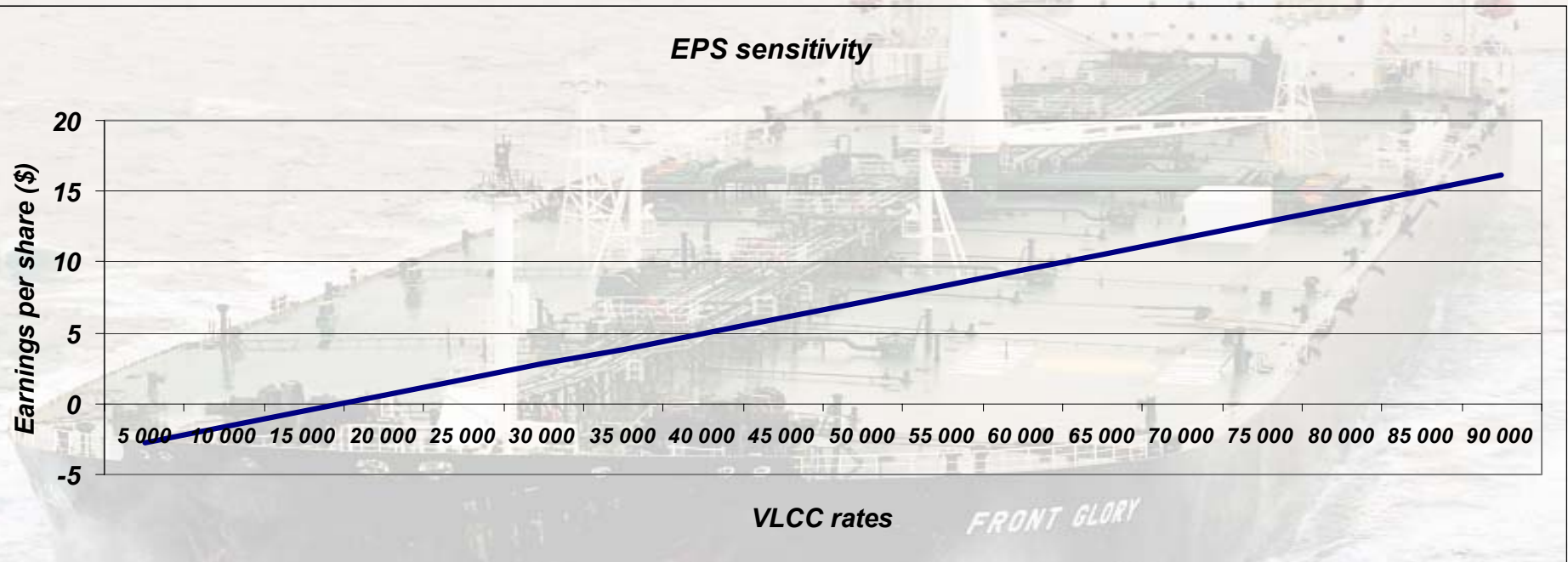
= 16.0 million dwt. or approximately 105 million barrels transport capacity.

2. The Results

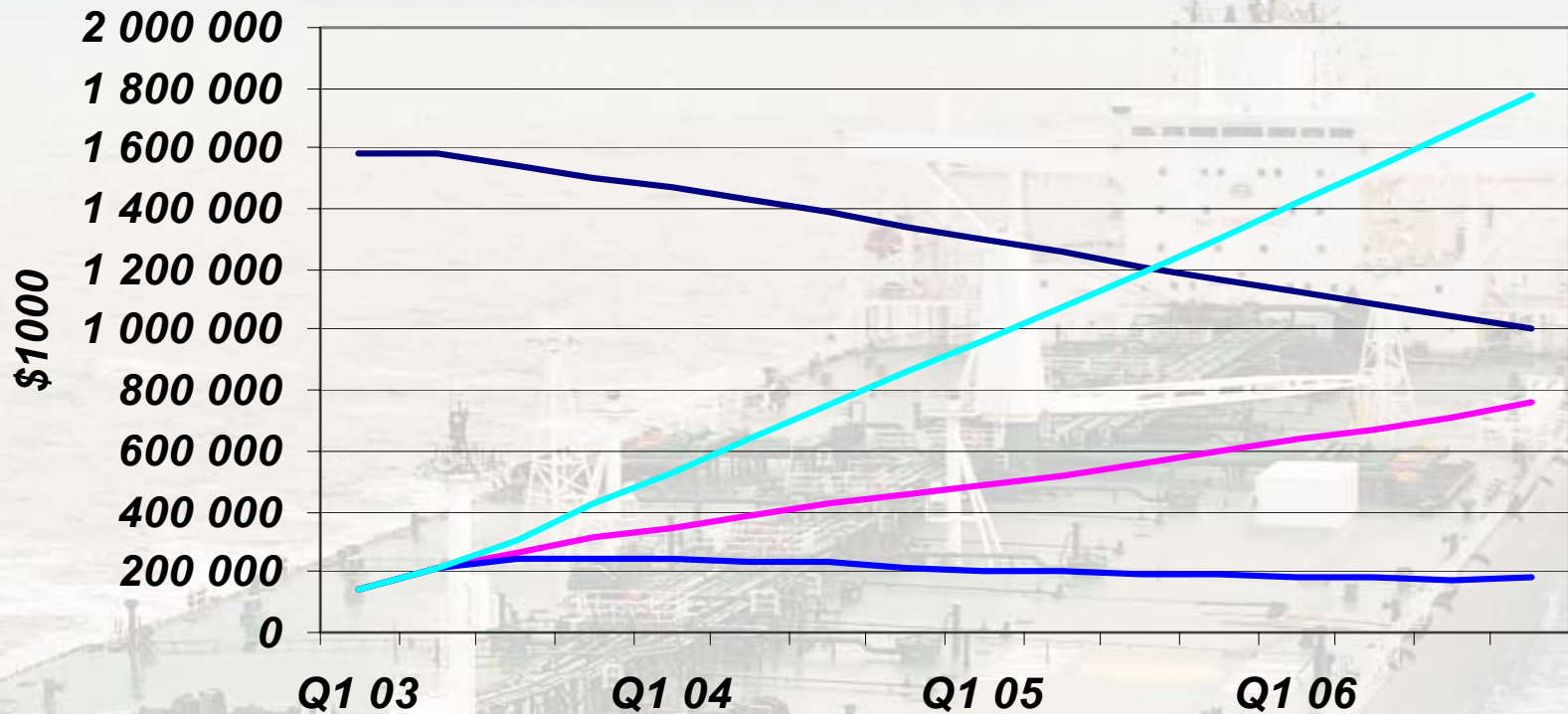
USD million	Q1 03	Q1 02	2002
Net operating revenues	258,9	94,8	429,0
Gain / loss on sale of vessels	0,5	0,0	-4,3
Total expenses	53,7	39,0	187,1
Operating profit before depreciation (EBITDA)	205,8	55,8	237,6
Depreciation	36,2	34,0	139,9
Operating profit (EBIT)	169,6	21,8	97,7
Financial items	8,0	-7,8	-90,5
Net profit (loss) before min. & taxes	177,6	14,0	7,2
Taxes	0,0	0,0	0,0
Cumulative effect of change in accounting principle	-	-14,1	-14,1
Net profit (loss)	177,6	-0,1	-6,9
EPS before cumulative effect of change in accounting principle	2,32	0,18	0,09
Cumulative effect of change in accounting principle	-	-0,18	-0,18
EPS	2,32	-	-0,09
Dividend per share	1,00	0,05	0,20

3. The unproportional upside / downside

	Lowest rates		Highest rates	
	Financial year	Quarter	Financial year	Quarter
	1999	Q4 99	2000	Q4 00
VLCC	20 000	16 700	46 300	67 900
Suezmax	16 700	14 500	35 500	49 500
Net income per year (\$million)	24,5	-30,3	472,2	843



4. A Changing Company



- Gross interest bearing debt incl. capital leases (excl. GOGL)
- Cash at VLCC / Suexmax rates of \$29,400 / \$ 21,700 (excl. GOGL)
- Cash at VLCC / Suezmax cash B/E rates of \$20,696 / \$13,523 (excl. GOGL)
- Cash at VLCC / Suezmax rates of 45,000 / 35,000 (excl. GOGL)

5. The Frontline Dividend Strategy

An old strategy

*“A cow for her milk, / A hen for her eggs,
And a stock, by heck, / For her dividends.
An orchard for fruit, / Bees for their honey,
And stocks, besides, / For their dividends.”*

- The theory of Investment Value -Williams 1930s

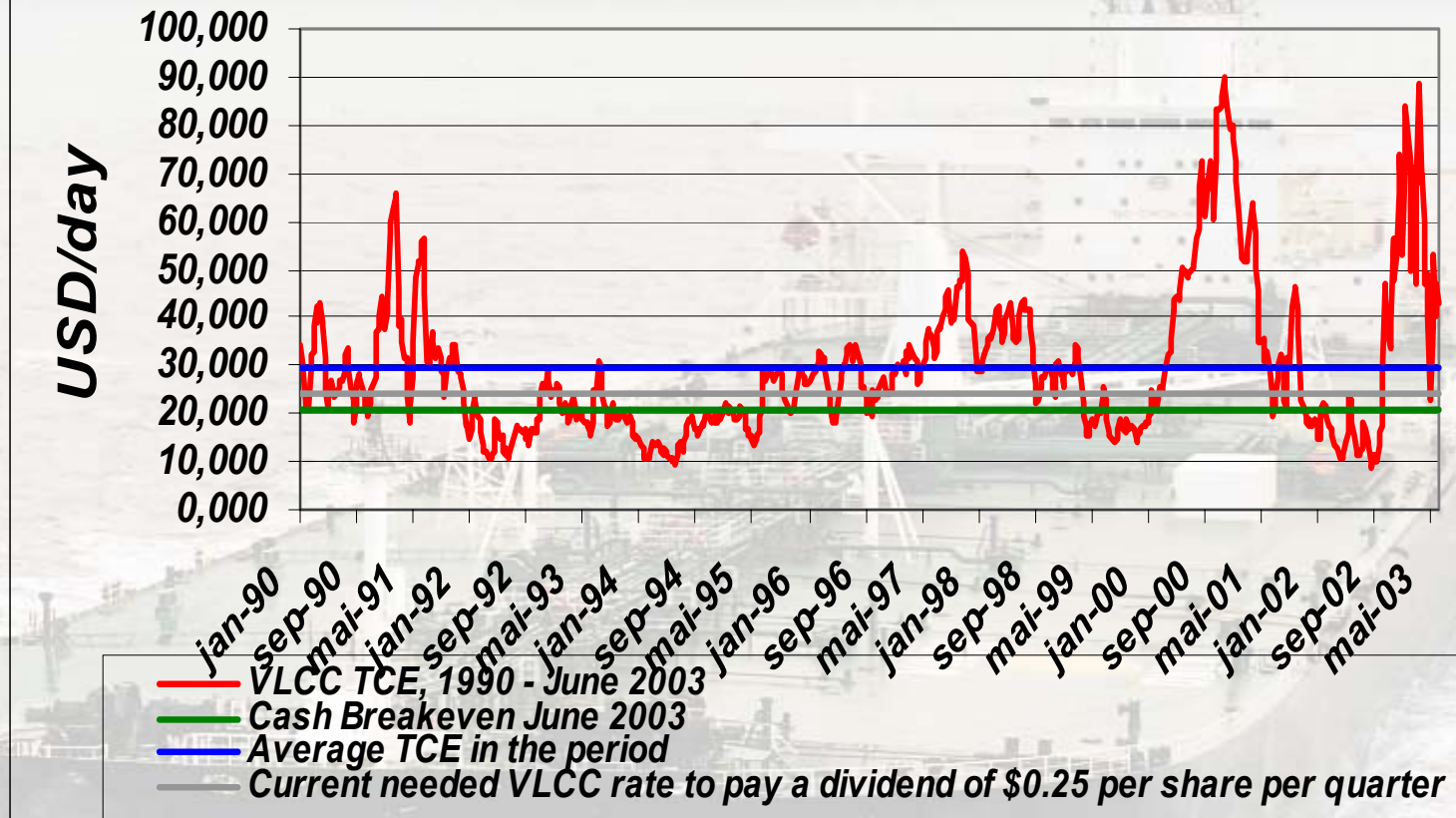
*“The prime purpose of a business corporation is to pay dividend
to its owners.”*

- Graham & Dodd -1920s

FRONT GLORY

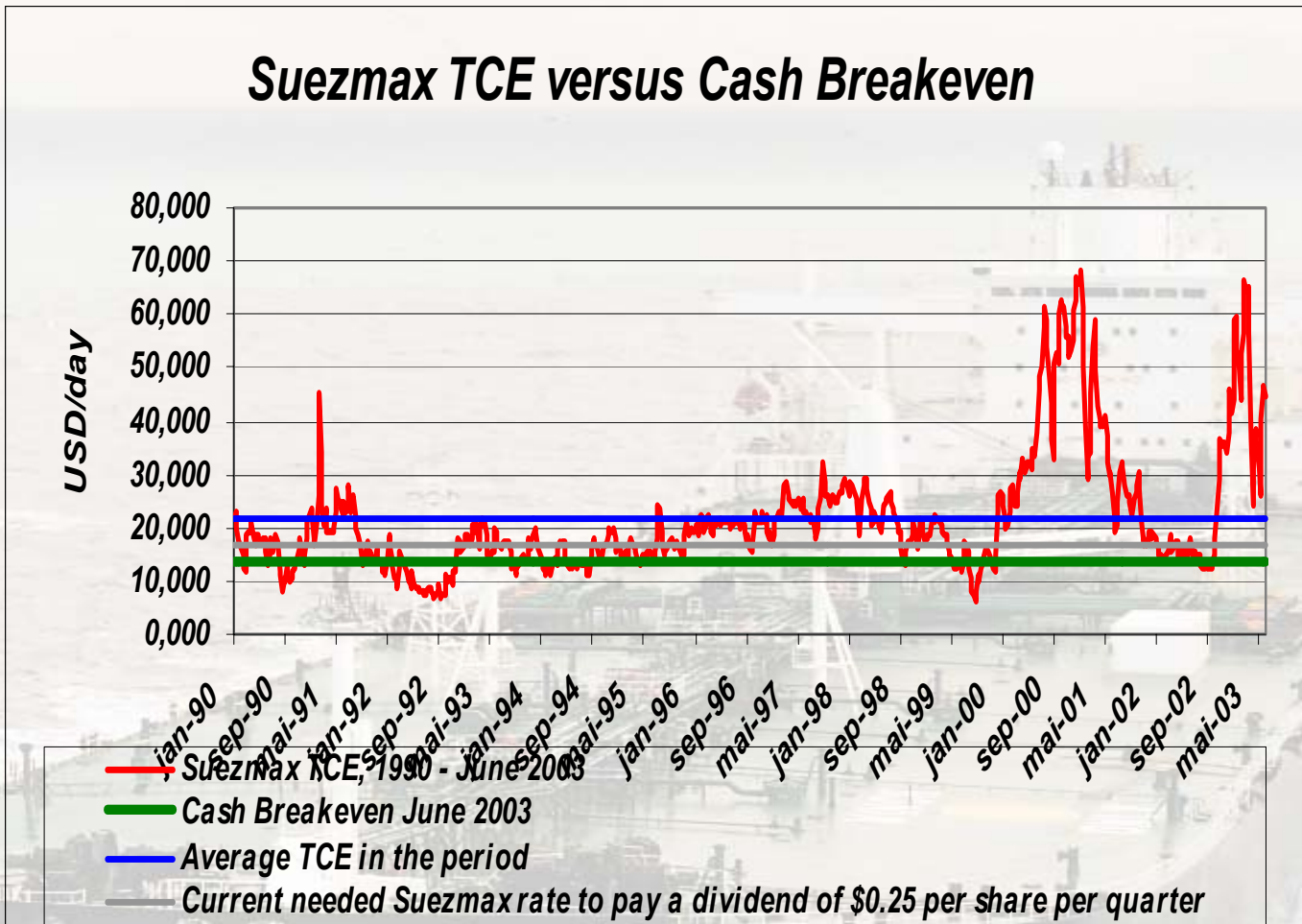
5. The VLCC Cash

VLCC TCE versus Cash Breakeven



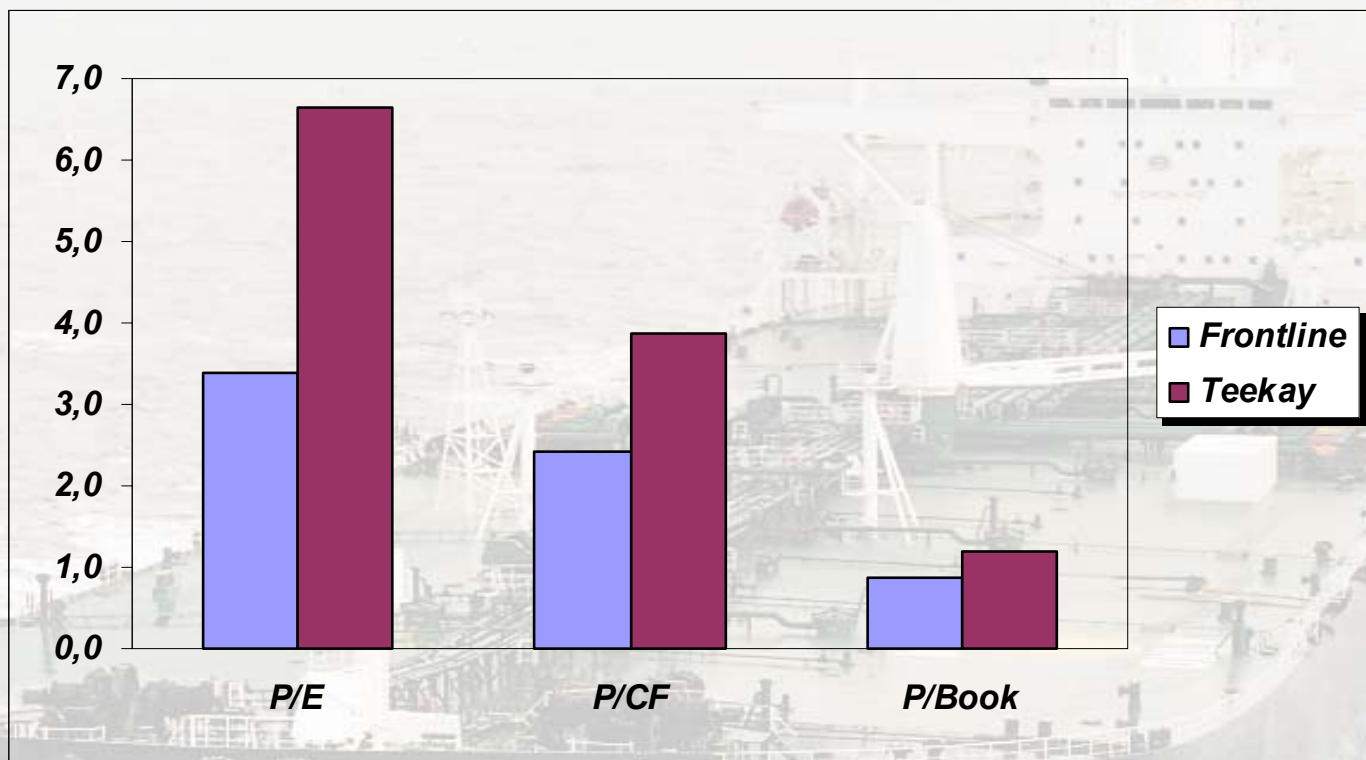
Average TCE VLCC's in the period 1990 – June 6, 2003 was USD 29,400 per day, as compared to Frontline cash B/E of USD 20,696 per day in June 2003.

5. The Suezmax Cash



Average TCE Suezmax in the period 1990 – June 6, 2003 was USD 21,700 per day, as compared to Frontline cash B/E of USD 13,523 per day in June 2003.

6. The TK / Frontline Argument



Source: Estimates Jefferies based on share price June 13, 2003 of \$15.95 for Frontline and \$43.35 for Teekay

Bad News to the Bears

• You have predicted the downfall of the tanker market since the market took off in September 2002. Maybe it is time to accept that there currently is a tight supply / demand balance. Looking forward one year consider the following.

- Current market highly profitable.
- Historic low world wide oil inventories
- New EU rules accepted – IMO discussion underway
- High Gas prices + Nuclear shutdowns create fuel switching
- Strong Asian oil demand
- Election in Venezuela / Instability Nigeria
- VLCC Scrapping - likely to match deliveries until end 2004
- Increased Iraqi production.
- Another "normal" winter
- Increased seasonal demand
- Limited tonnage west lately will influence storage next two months.
- Future market predicts VLCC rates USD35-40,000 for rest of the year.
- **Still Bearish ??????????**