


**Presentation of  
Q1 2004 results,  
May 28, 2004**



# Agenda

- **Introduction**
  - **Partial spin-off of Ship Finance International Limited**
  - **Corporate financial status**
  - **Market update – outlook**
  - **Other**
- 
- A large oil tanker ship, the "FRONT ARDENNE", is shown sailing on the ocean. The ship is dark-colored with a red hull. The name "FRONT ARDENNE" is visible on the side of the ship. The background is a faded, light-colored image of the ship and the sea.

# The Fleet



35 VLCCs incl. 2 J/Vs  
 Equals 33.9 vessels on a 100% basis  
 Cash B/E USD 21,878 p/d



19 Suezmaxes  
 Cash B/E USD 15,961 p/d



8 Suezmax OBOs  
 Cash B/E USD 16,018 p/d

- Oldest ship from 1990
- Average age: 8.2 years
- Industry average: 8.4 years
- Double hull tonnage: 70%
- Industry average: 61%

**= 15.1 million dwt. or approximately 95 million barrels transport capacity.**

# Main events Q1 / Q2 2004

- Break up of 6 JVs – Frontline keeps 3 vessels,
- A dividend of \$4.50 per share for Q4 2003 was paid out in March,
- Draw down of USD 1,058 million facility,
- FRO-options on CBOE,
- ITC option declared,
- The registration statement for the Senior Notes declared effective by the SEC on May 25, 2004
- SFIL to be listed at NYSE June 17, 2004

# Partial Spin-off of Ship Finance and USD 5,- dividend per share

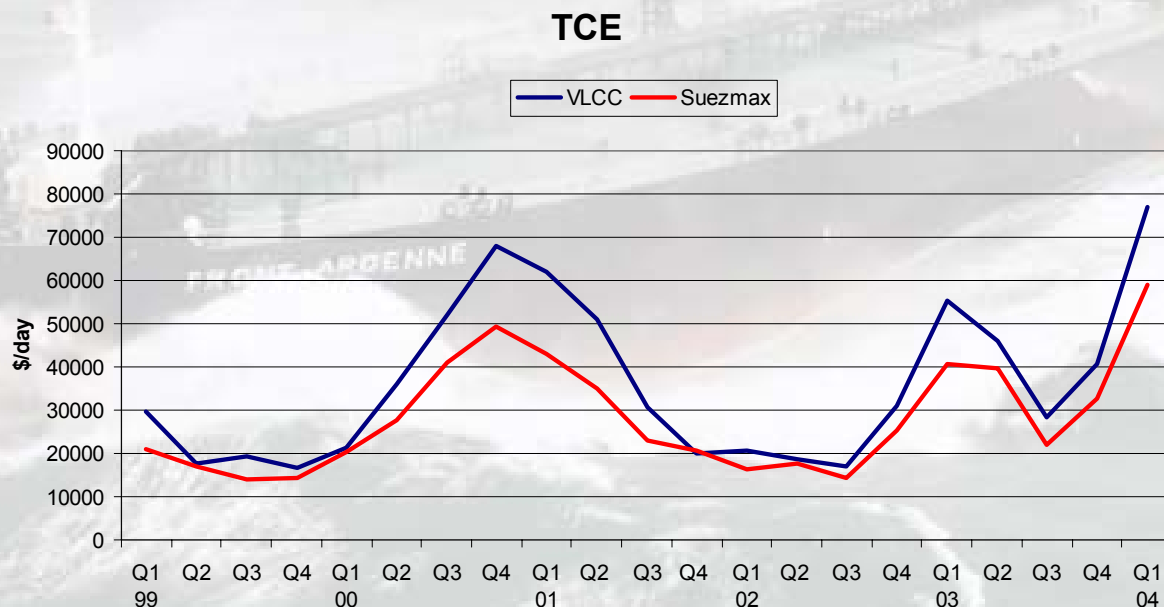
- Frontline to distribute approximately 25% of Ship Finance International's common shares to Frontline's common shareholders in a partial spin-off,
- Each Frontline shareholder will receive one share in Ship Finance International for every four shares in Frontline held,
- Dividend USD 5.00 per Frontline share
- The record date for the distributions will be June 7, 2004,
- The distribution date is expected to be June 16, 2004,
- The ex-dividend date at OSE will be June 3, 2004,
- The ex-dividend date at NYSE will be June 17, 2004 at which date the Ship Finance International common shares will commence trading under the ticker symbol "SFL",

# Profit & Loss

<b>INCOME STATEMENT</b> <i>(in thousands of \$)</i>	<b>2004</b> <b>Jan-Mar</b>	<b>2003</b> <b>Jan-Mar</b>	<b>2003</b> <b>Jan-Dec</b>
	<i>(restated)</i>		
<b>Total operating revenues</b>	<b>450 636</b>	<b>338 612</b>	<b>1 140 818</b>
Gain (loss) from sale of assets	244	493	436
Voyage expenses	81 760	79 670	323 598
Ship operating expenses	30 713	26 840	117 604
Charter hire expenses	11 884	23 547	81 009
Administrative expenses	6 115	3 263	17 889
<b>Operating income before depreciation</b>	<b>320 408</b>	<b>205 785</b>	<b>601 154</b>
Depreciation	45 183	35 359	146 907
<b>Operating income after depreciation</b>	<b>275 225</b>	<b>170 426</b>	<b>454 247</b>
Interest income	7 962	2 708	9 185
Interest expense	-53 815	-18 470	-75 097
Share of results from associated companies	2 863	17 165	38 723
Other financial items	-13 698	6 843	33 264
Foreign currency exchange gain (loss)	-4 104	1 007	-17 193
<b>Income before taxes</b>	<b>214 433</b>	<b>179 679</b>	<b>443 129</b>
Taxes	-	-2	3
Cumulative effect of change in accounting principle	-	-	33 767
<b>Net income (loss)</b>	<b>214 433</b>	<b>179 681</b>	<b>409 359</b>
<b>Earnings per Share (\$)</b>			
EPS before cumulative effect of change in accounting principle	\$2.91	\$2.35	\$5.92
Cumulative effect of change in accounting principle	-	-	\$(0.45)
EPS	\$2.91	\$2.35	\$5.47

# Income on time charter basis

	Q1 2004	Q1 2003	2003	2002
VLCC, spot , T/C and B/B vessels	74 900	55 400	42 300	22 500
VLCC, spot	83 515	60 500	44 877	21 000
VLCC, T/C and B/B vessels	35 936	35 600	32 517	27 900
Suezmax	59 100	40 800	33 900	18 400
Suezmax OBO	26 100	42 400	31 900	17 700

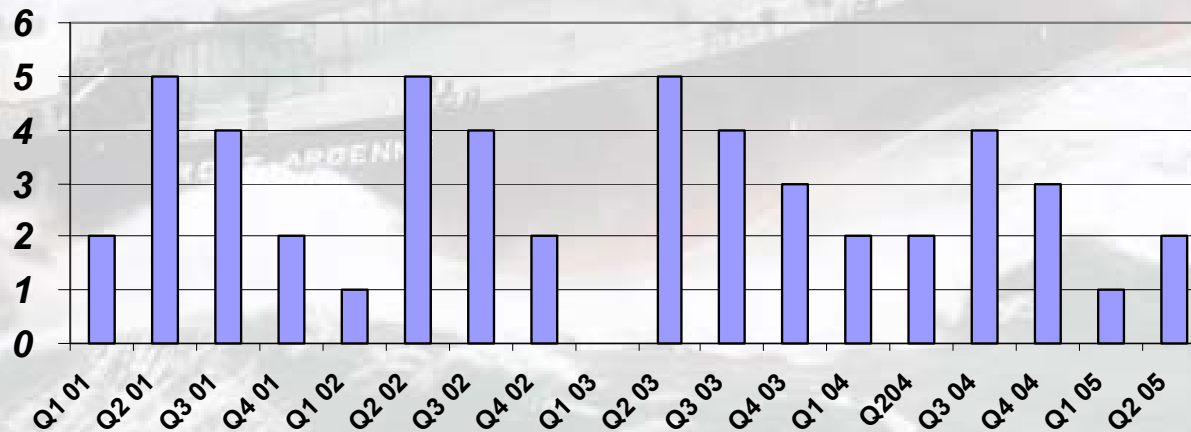


# Ship operating expenses (USD/day)

**Q1 04      2003**

Total fleet	5 817	5 816
Off hire (days)	21	303

*No. of vessels drydocked or expected to be*



# Total expenses

USD million	Q1 2004	Q1 2003	2003
Voyage expenses	81,8	79,7	323,6
Ship operating expenses	30,7	26,8	117,6
Charterhire expenses	11,9	23,5	81,0
Administrative expenses	6,1	3,3	17,9

# Balance sheet - Assets

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2004</b> <b>Mar 31</b>	<b>2003</b> <b>Mar 31</b> <i>(restated)</i>	<b>2003</b> <b>Dec 31</b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	285 325	139 984	121 726
Restricted cash	571 858	9 194	894 350
Other current assets	229 070	193 265	181 851
<i>Long term</i>			
Newbuildings and vessel purchase options	8 370	35 019	8 370
Vessels and equipment, net	2 316 654	2 345 498	2 165 239
Vessels under capital lease, net	753 580	260 366	765 126
Investment in finance leases	120 958	-	120 894
Investment in associated companies	12 888	136 687	173 329
Deferred charges and other long-term assets	42 829	18 417	32 651
<b>Total assets</b>	<b>4 341 532</b>	<b>3 138 430</b>	<b>4 463 536</b>

Trade rec./	
Voyages in progress	144.0
Prepayment/inventory	44.8
Investment in finance leases	15.5
Other	24.7

FL/SFIL Cons.	2,177.2
ITC cons.	139.4
ITC includes 6 VLCCs and 4 Suez	
GOGL includes 2 capes and 1 handy	
FL/SFIL Cons.	451.4
ITC Cons.	302.2

# Balance sheet - Liabilities

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2004</b> <b>Mar 31</b>	<b>2003</b> <b>Mar 31</b> <i>(restated)</i>	<b>2003</b> <b>Mar 31</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term interest bearing debt	138 763	163 702	191 131
Current portion of obligations under capital leases	20 446	13 481	20 138
Other current liabilities	107 431	63 608	100 827
<i>Long term</i>			
Long term interest bearing debt	2 115 341	1 218 222	2 091 286
Obligations under capital leases	748 718	256 747	753 823
Other long term liabilities	65 643	26 717	50 913
Stockholders' equity	1 145 190	1 395 953	1 255 418
<b>Total liabilities and stockholders' equity</b>	<b>4 341 532</b>	<b>3 138 430</b>	<b>4 463 536</b>

FL / SFIL Cons.	100.5
ITC Cons.	38.3
FL / SFIL cons.	1,557.2
ITC Cons.	558.1
FL capital lease	453.2
ITC Capital lease	295.5

## Yen denominated debt/capital leases

Consolidated	162 122
Associated companies, our share	0
<b>Total</b>	<b>162 122</b>

## Floating debt

Consolidated	438 684
Associated companies, our share	2 704
<b>Total</b>	<b>441 388</b>

## Total debt / capital leases

Consolidated	3 023 268
Associated companies, our share	2 704
<b>Total</b>	<b>3 025 972</b>

## Before spin-off of SFIL:

VLCC	21 878
Suezmax	15 961
Suezmax OBO	16 018

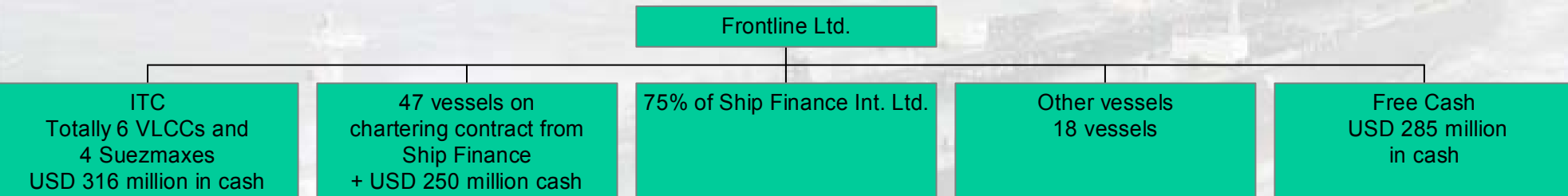
## After spin off of SFIL:

VLCC	26 879
Suezmax	20 574
Suezmax OBO	19 924

Sensitivity +/- 1000 USD p.d. = 24 cents per share

- **All interests related to the 47 vessels are transferred**
- **Economics have functioned since January 1, 2004**
- **Swapped USD 500 million at 3.4% for 5 years**
- **Profit split in Q1 estimated to be USD 20 million based on Feb/March effectiveness**
- **Working on expansion plans in co-operation with Frontline, and considering same with third-party shipowners even in other segments**
- **The registration statement for the Senior Notes declared effective by the SEC on May 25, 2004**

# What is Frontline now?

A diagram showing the organizational structure of Frontline Ltd. At the top is a teal box labeled "Frontline Ltd.". Below it, five teal boxes are arranged horizontally, each connected to the top box by a vertical line and a horizontal line. The boxes contain the following information: "ITC: Totally 6 VLCCs and 4 Suezmaxes, USD 316 million in cash"; "47 vessels on chartering contract from Ship Finance + USD 250 million cash"; "75% of Ship Finance Int. Ltd."; "Other vessels: 18 vessels"; and "Free Cash: USD 285 million in cash".

Frontline Ltd.

ITC  
Totally 6 VLCCs and  
4 Suezmaxes  
USD 316 million in cash

47 vessels on  
chartering contract from  
Ship Finance  
+ USD 250 million cash

75% of Ship Finance Int. Ltd.

Other vessels  
18 vessels

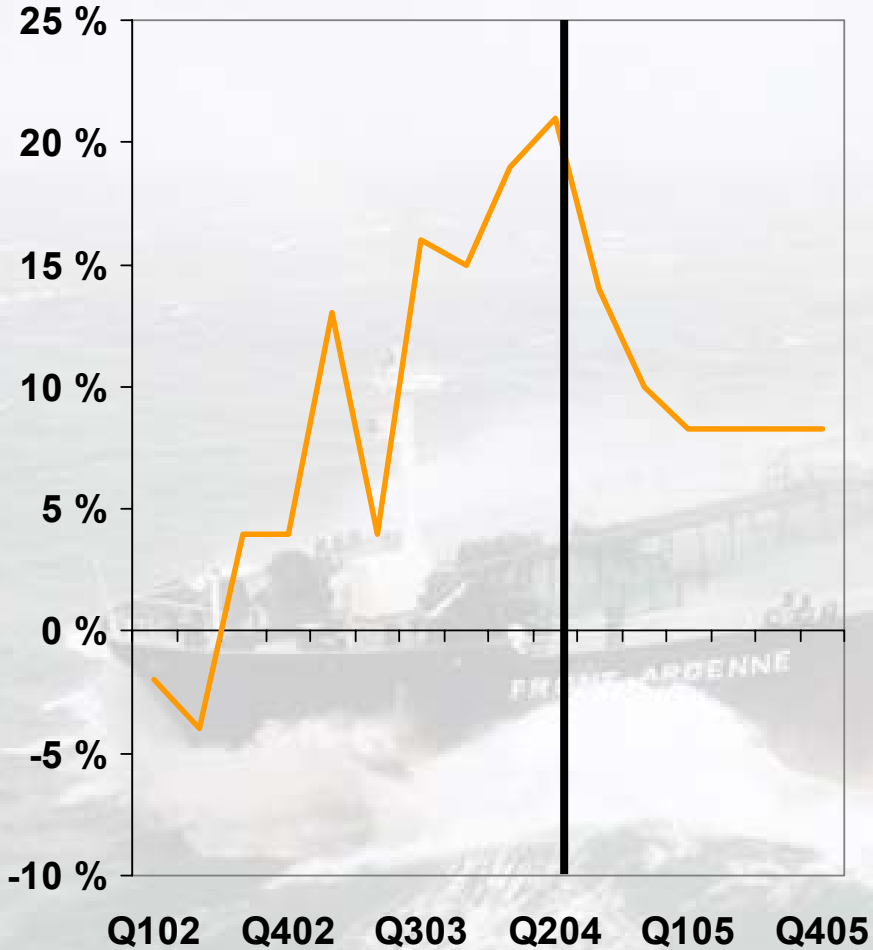
Free Cash  
USD 285 million  
in cash

## Demand

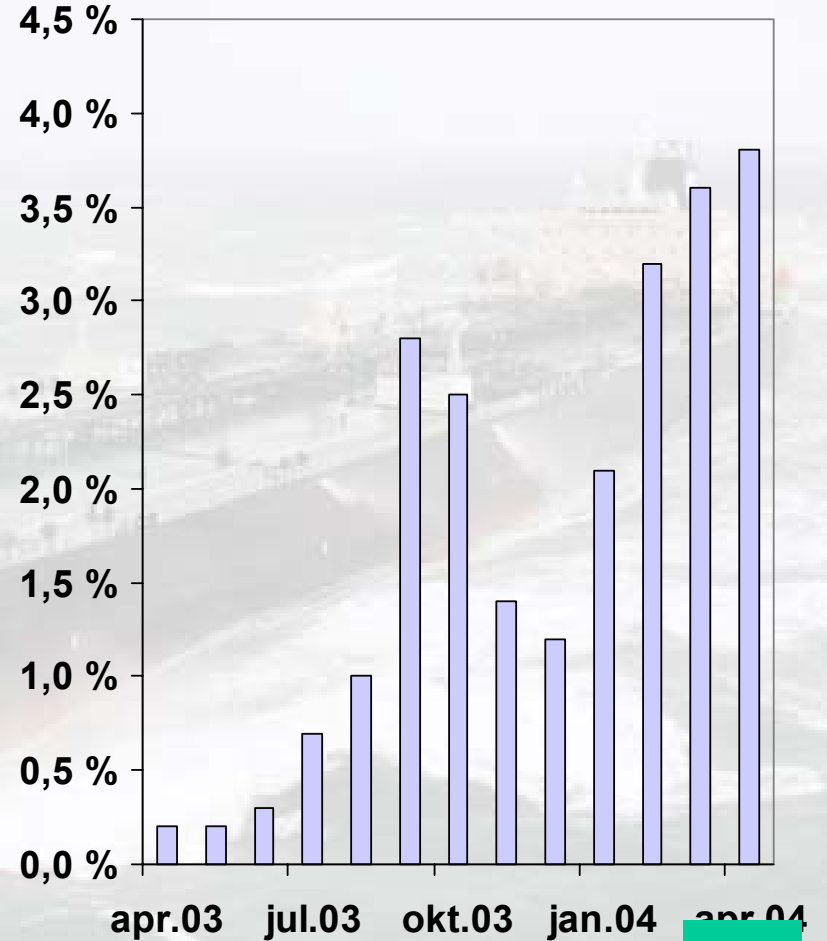
- Chinese oil demand
  - Expanded by nearly 1 mb/d in Q1 and is expected to rise even faster in Q2
- US Gasoline demand
  - Soaring demand for transportation fuels
- World oil demand
  - Forecast 2004: 80,6 mb/d!

# Main drivers

**Chinese Oil demand**

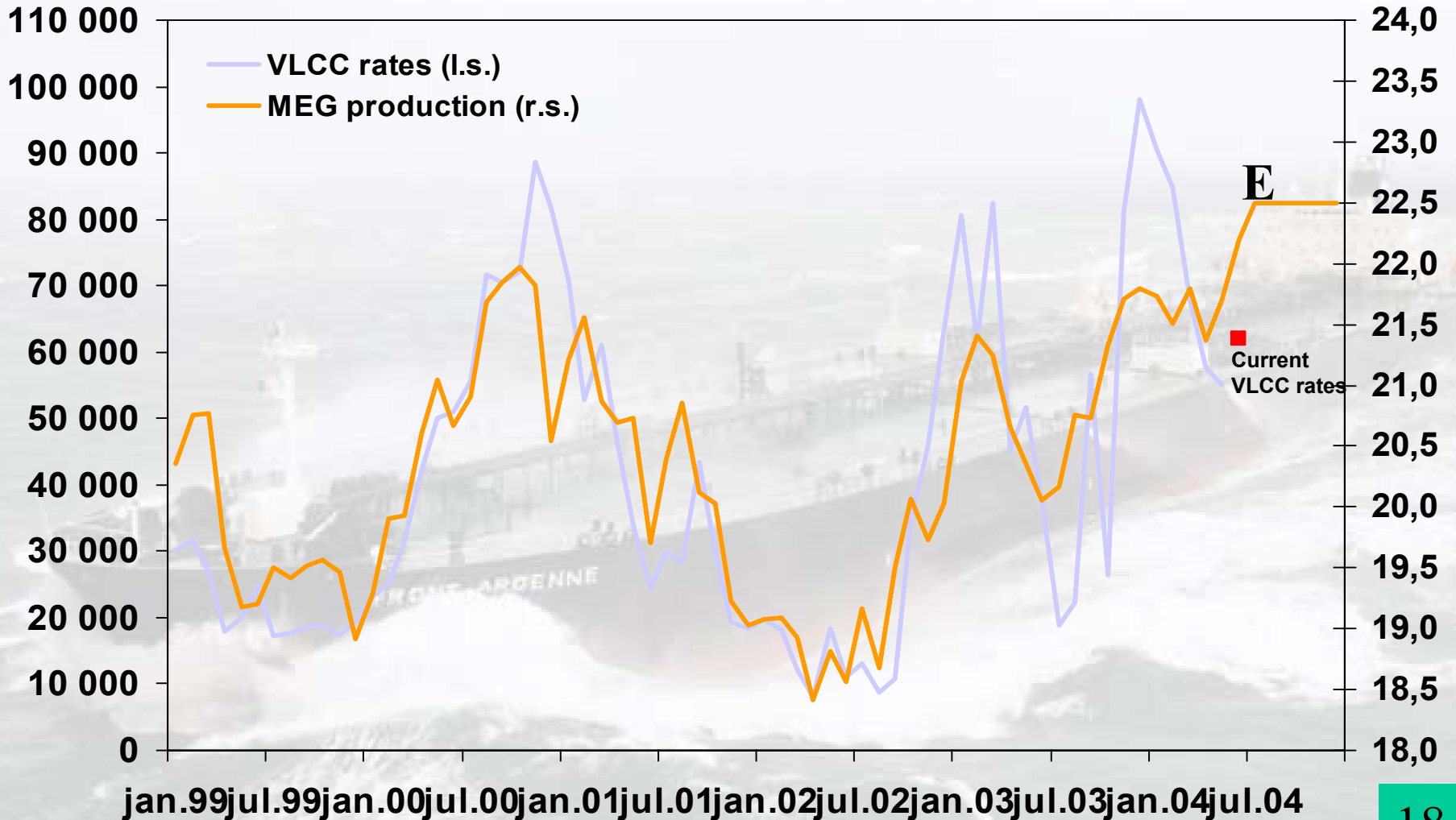


**US gasoline demand**



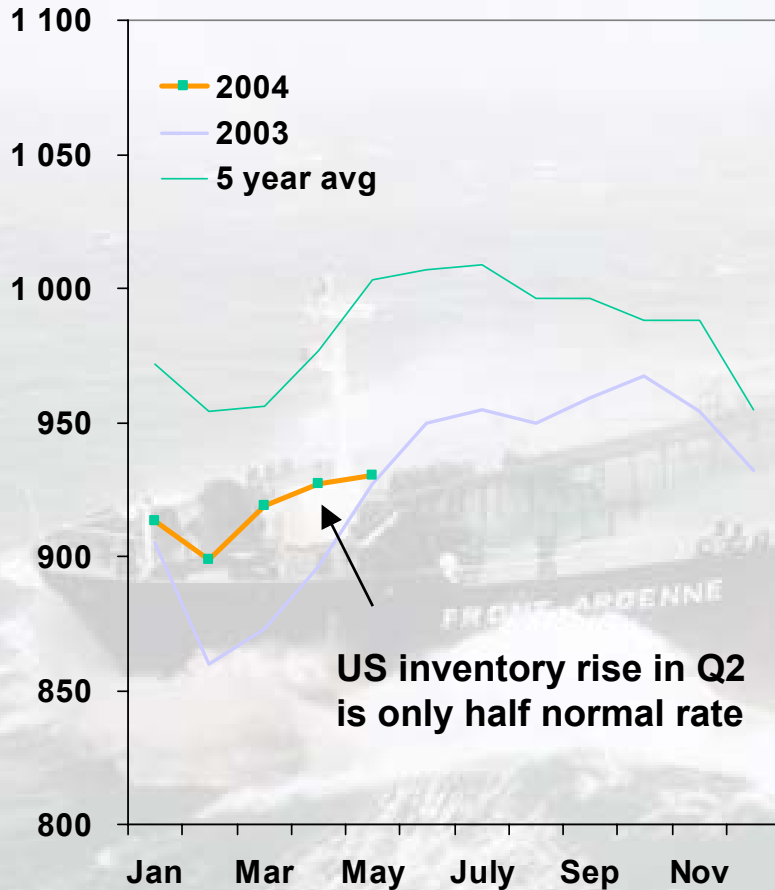
# MEG production likely to hit new all-time high

MEG production, ex Iraq Ceyhan vs. VLCC rates

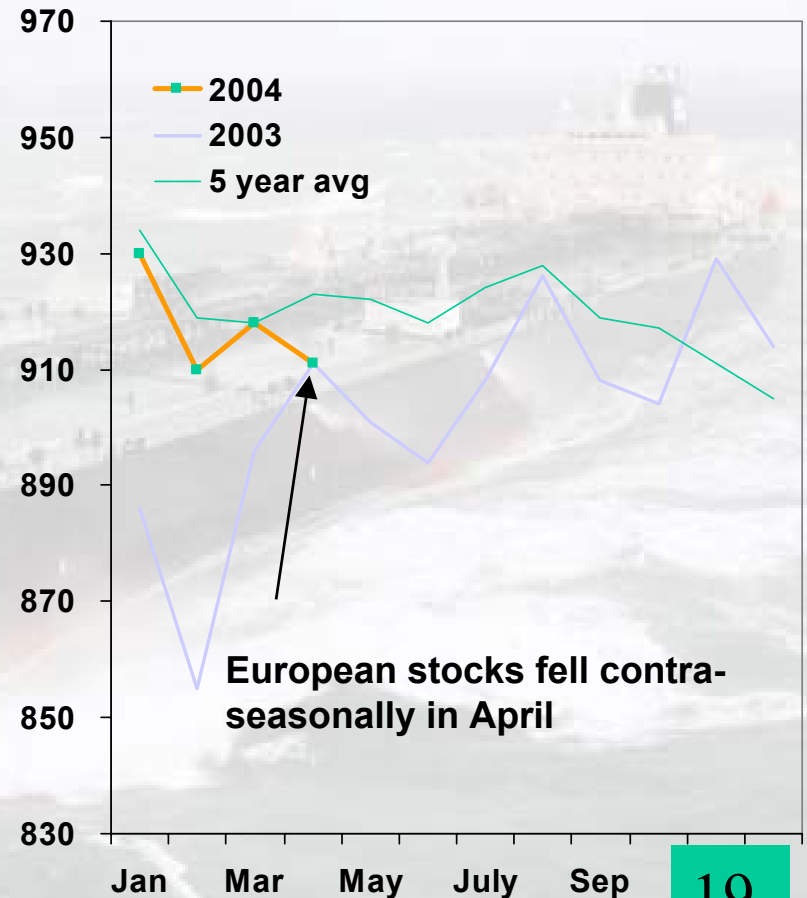


# Oil inventories

### US commercial oil inventories



### European inventories

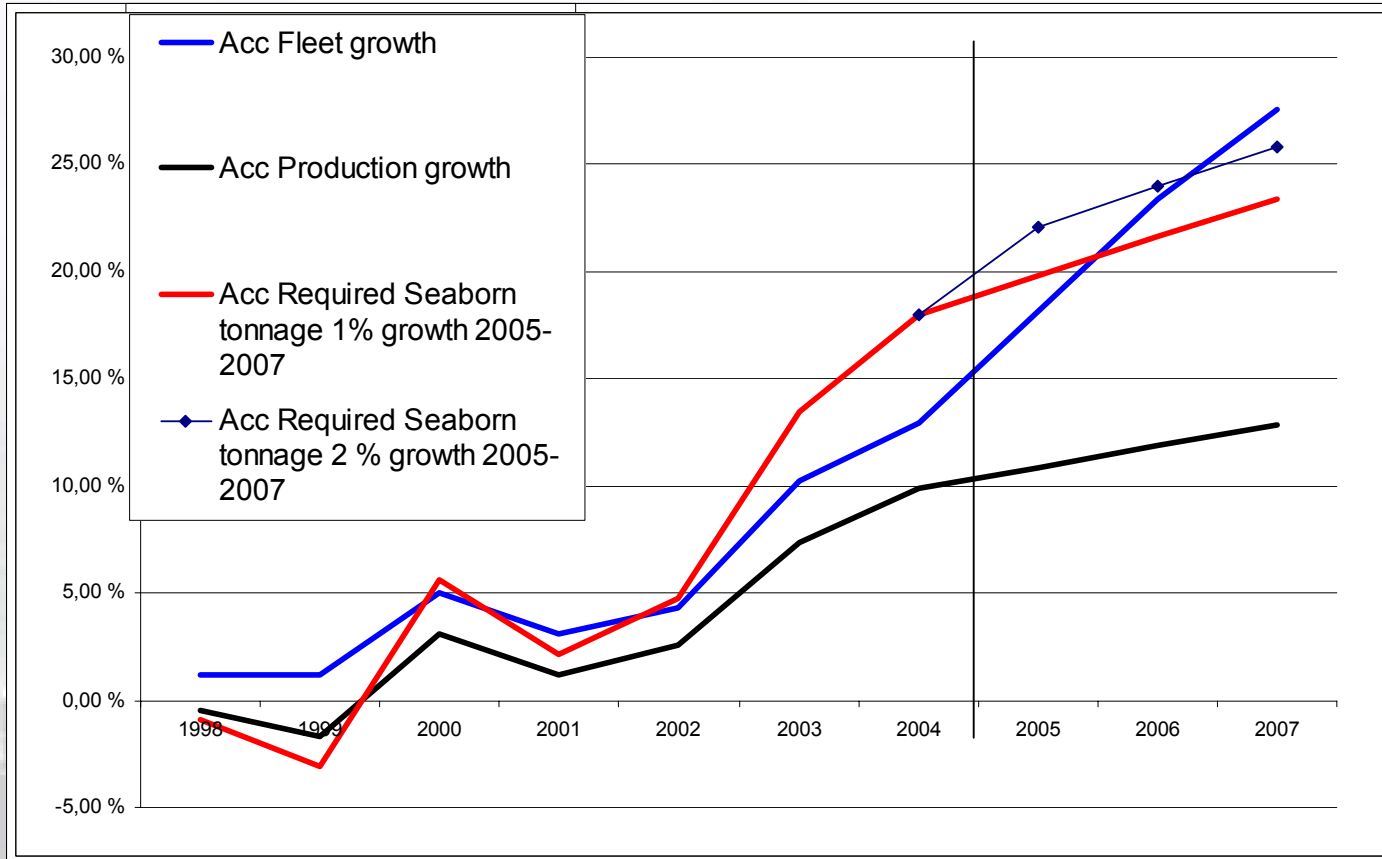


- **IMO**
  - Restricted trading for single hull vessels
  - Poor fleet utilization
- **New Buliding**
  - Yard capacity basically covered up to 2007
- **Fuel trade**
  - VLCC/SMAX CONT/MEG

# Fleet Balance 2

- Approximately 43% of the world oil production is seaborne and the majority of the increase in oil production is seaborne trade, i.e. 2% increased oil production will require approximately 4% fleet growth.
- Ton mile Issue  
Reduced production out of Venezuela, Alaska and North Sea are replaced by long haul voyages out of MEG

# Tonnage vs Oil production



**Assumptions :**

- 43 % of global oil production is seaborne, 80% of the increase in oil production is seaborne
- 1 % increase in global oil production in 2005-2007
- Fleet growth = Current order books less scrapping

# Appendixes



# Balance sheet ITC

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2004</b> <b>mar.31</b>	<b>2003</b> <b>Dec 31</b>
<b>ASSETS</b>		
<i>Short term</i>		
Cash and cash equivalents	9 608	9 727
Restricted cash	306 995	323 807
Other current assets	21 434	18 494
<i>Long term</i>		
Vessels and equipment, net	139 415	141 017
Vessels under capital lease, net	302 163	305 431
Investment in finance leases	120 958	120 894
Deferred charges and other long-term assets	7 269	7 512
<b>Total assets</b>	<b>907 843</b>	<b>926 881</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Short term</i>		
Short term interest bearing debt	38 305	37 805
Other current liabilities	24 038	35 431
<i>Long term</i>		
Long term interest bearing debt	558 115	566 915
Obligations under capital leases	295 506	295 560
Stockholders' equity	-8 122	-8 830
<b>Total liabilities and stockholders' equity</b>	<b>907 843</b>	<b>926 881</b>

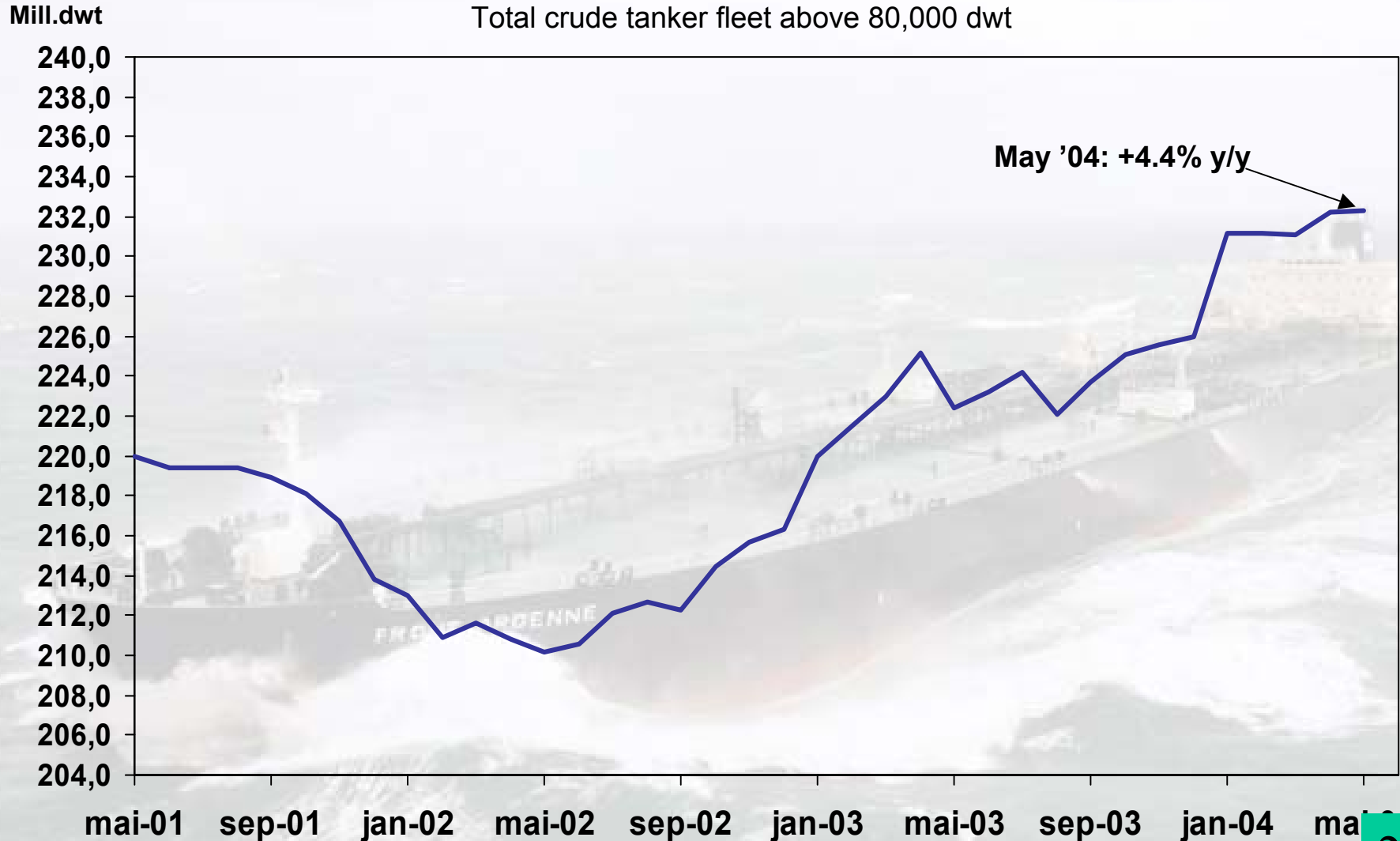
# Supply VLCC's / Suezmaxes

(No. of vessels)

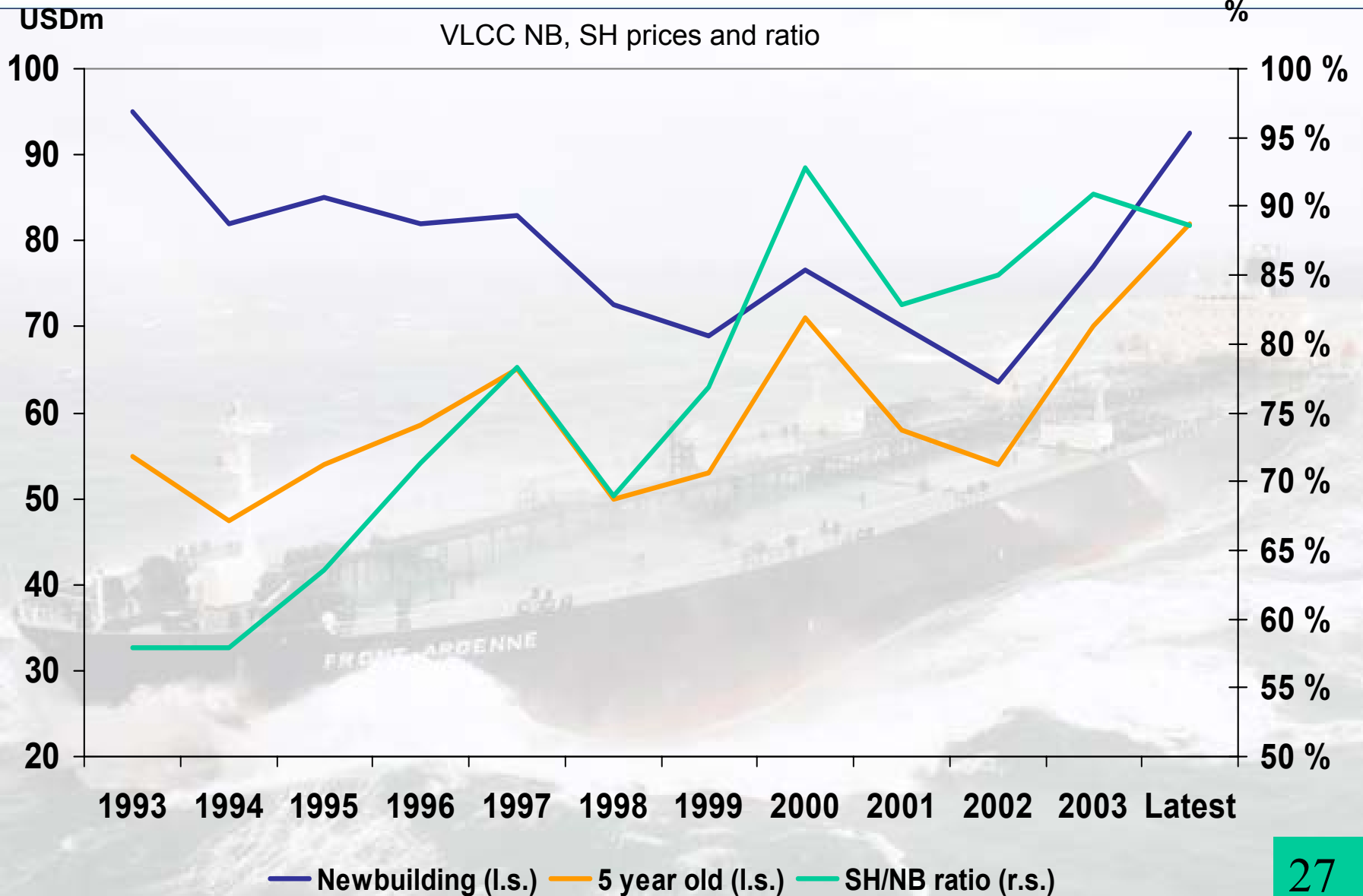
Building year	VLCC's	Of which	
	200,000+ dwt	ULCC's*) 320,000 + dwt	Suezmaxes 120,000-200,000 dwt
1973 or earlier	0	0	0
1974-75	2	0	5
1976-77	6	0	8
1978-80	4	3	10
1981 or later	422	7	280
<b>Fleet as at May 24, 2004</b>	<b>434</b>	<b>10</b>	<b>303</b>
<u>On order</u>			
2004	25		14
2005	28		30
2006	15		19
2007+	15		19
<b>Total on order 2004-2007</b>	<b>83</b>	<b>0</b>	<b>82</b>

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

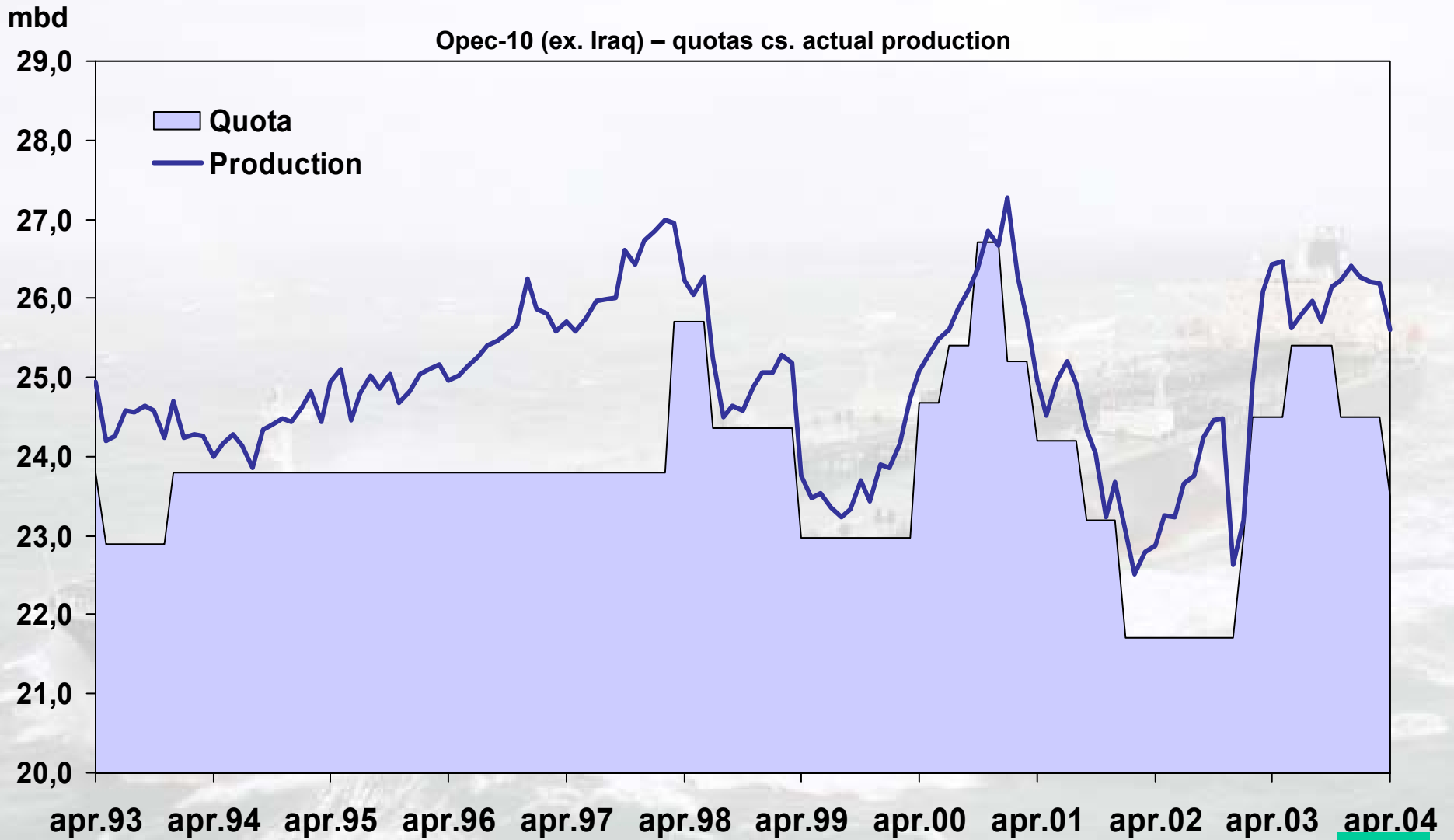
# Fleet development – total crude tanker fleet



# Trends in tanker values



# OPEC-10: Production vs. quotas



# Estimated call on OPEC 2004

	Avg.03	Q104	Q204	Q304	Q404	Avg. 04
<b>IEA</b>	26,1	27,1	24,8	26,2	27,5	26,4
<b>US DOE</b>	26,8	26,8	26,2	27,3	28,2	27,1
<b>*</b>						
<b>Barclays Capital</b>	26,6	27,8	26,4	27,5	29,6	27,8
<b>Stockbuild</b>	0,5	0,2	1,1	0,2	-1,2	0,1
<b>Opec crude</b>	27,1	28,0	27,4	27,7	28,4	27,9

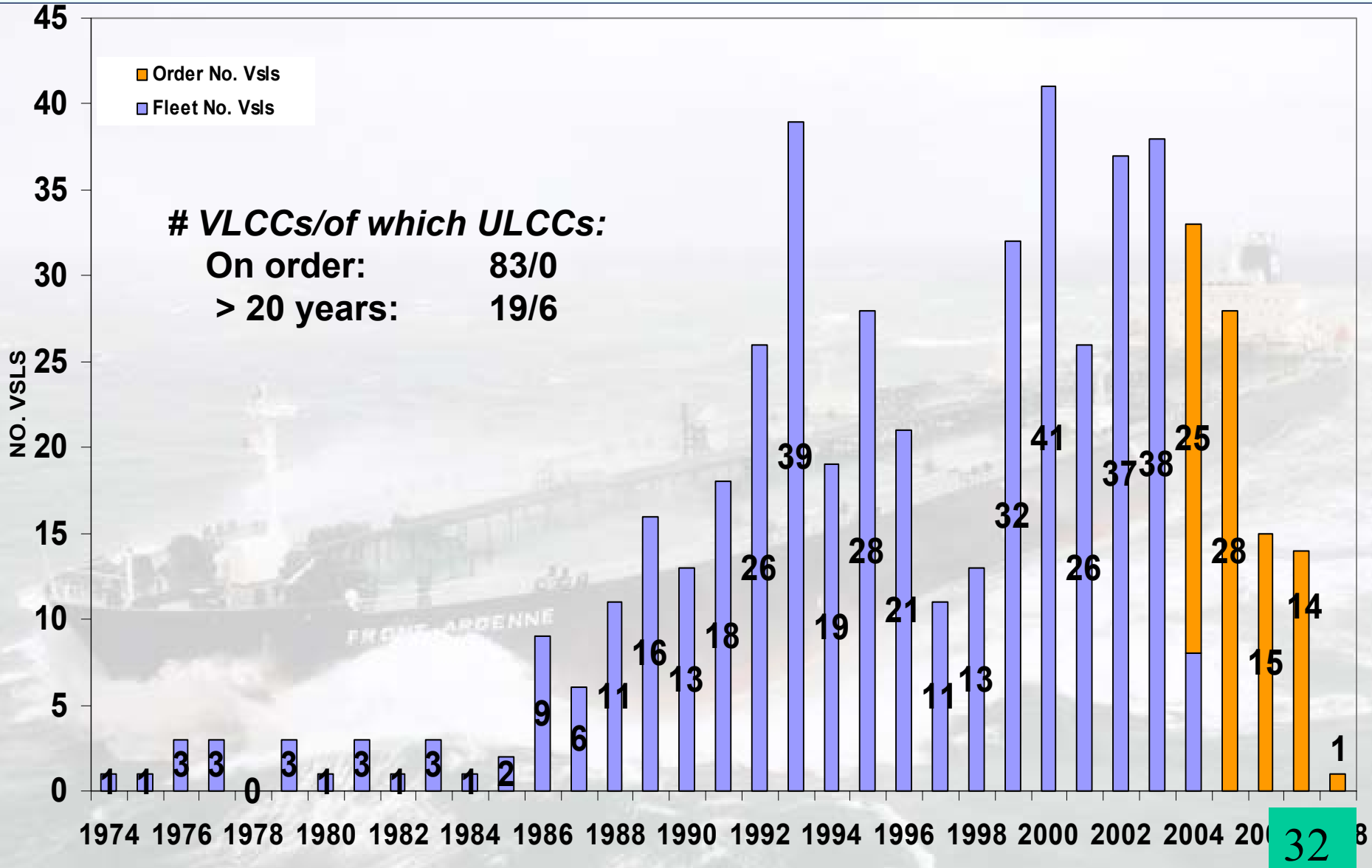
Source: Barclays Capital estimates as of May 26, 2004. IEA and DOE as of May, 2004.

**Table 1**  
**WORLD OIL SUPPLY AND DEMAND**  
(million barrels per day)

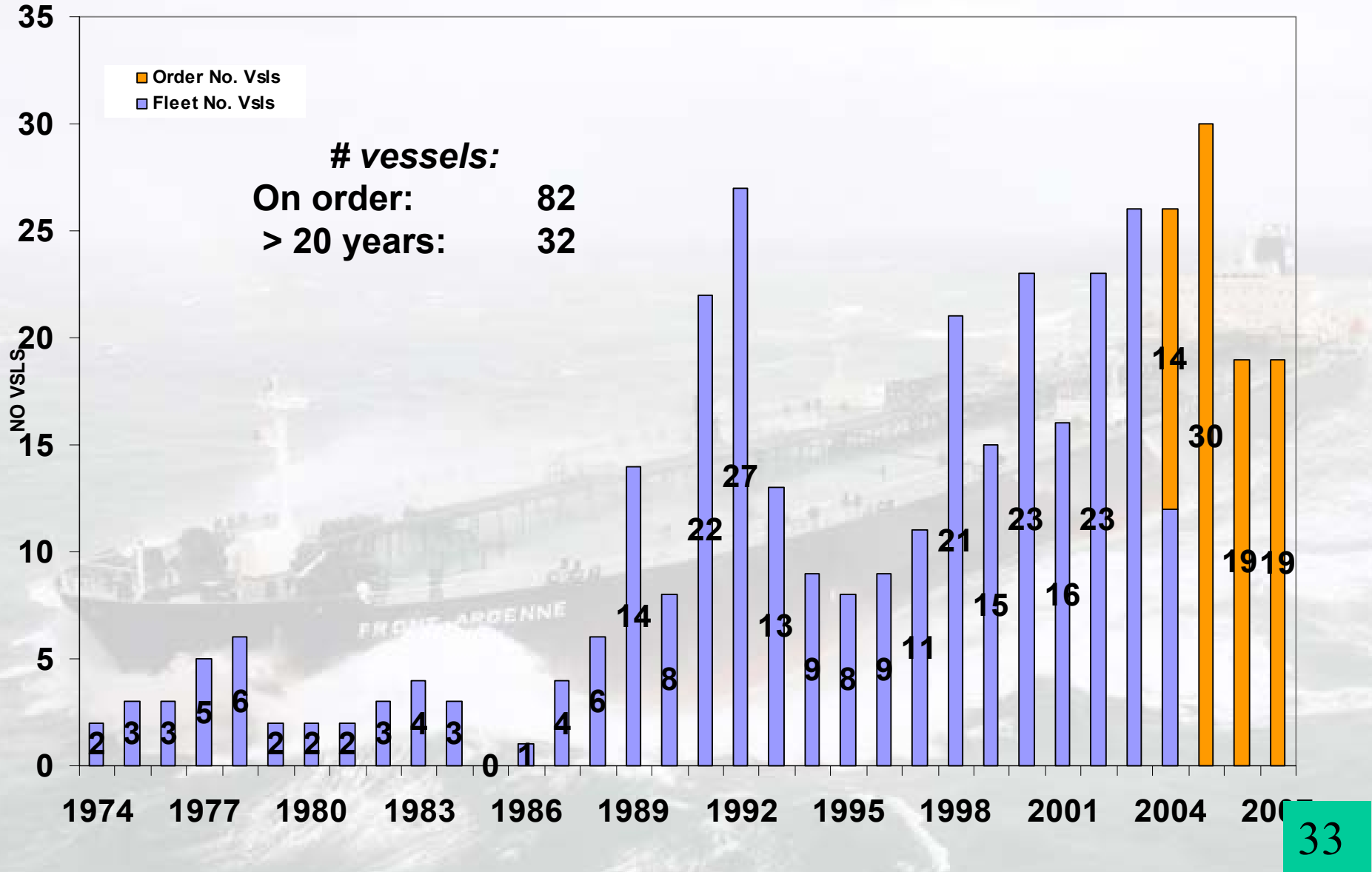
	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
<b>OECD DEMAND</b>																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.2	24.9	24.9	24.6	25.0	24.4	25.3	25.3	25.0
Europe	15.1	15.3	15.2	14.7	15.2	15.3	15.1	15.2	15.0	15.3	15.5	15.2	15.5	15.2	15.4	15.7	15.5
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.0	8.6	9.2	7.9	7.9	8.9	8.5
<b>Total OECD</b>	<b>47.8</b>	<b>47.8</b>	<b>48.2</b>	<b>46.3</b>	<b>47.5</b>	<b>48.9</b>	<b>47.8</b>	<b>49.4</b>	<b>47.2</b>	<b>48.0</b>	<b>49.4</b>	<b>48.5</b>	<b>49.7</b>	<b>47.5</b>	<b>48.7</b>	<b>50.0</b>	<b>49.0</b>
<b>NON-OECD DEMAND</b>																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.8	3.1	3.4	3.9	3.6	3.5	3.2	3.4	3.8	3.5
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	6.2	6.3	6.2	6.3	6.2
Other Asia	7.4	7.6	7.6	7.7	7.6	7.9	7.7	7.7	7.7	7.8	8.3	7.9	8.1	8.2	8.2	8.6	8.3
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.6	4.8	4.7	4.7	4.6	4.7	4.9	4.8	4.7
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.2	5.0	5.3	5.3	5.2	5.4	5.4	5.6	5.5	5.5
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.6	2.7	2.7
<b>Total Non-OECD</b>	<b>28.4</b>	<b>29.0</b>	<b>28.8</b>	<b>28.9</b>	<b>29.1</b>	<b>30.1</b>	<b>29.3</b>	<b>29.8</b>	<b>28.9</b>	<b>30.3</b>	<b>31.5</b>	<b>30.2</b>	<b>31.2</b>	<b>31.2</b>	<b>31.6</b>	<b>32.5</b>	<b>31.6</b>
<b>Total Demand<sup>1</sup></b>	<b>76.2</b>	<b>76.8</b>	<b>77.0</b>	<b>75.3</b>	<b>76.7</b>	<b>79.1</b>	<b>77.0</b>	<b>79.2</b>	<b>76.1</b>	<b>78.4</b>	<b>80.9</b>	<b>78.7</b>	<b>81.0</b>	<b>78.7</b>	<b>80.2</b>	<b>82.5</b>	<b>80.6</b>

<b>OECD SUPPLY</b>																	
North America	14.3	14.4	14.6	14.6	14.4	14.4	14.5	14.7	14.5	14.7	14.8	14.7	14.7	14.7	14.7	14.9	14.7
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.3	6.2
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
<b>Total OECD</b>	<b>21.9</b>	<b>21.8</b>	<b>22.1</b>	<b>22.1</b>	<b>21.4</b>	<b>21.9</b>	<b>21.9</b>	<b>22.1</b>	<b>21.3</b>	<b>21.4</b>	<b>21.8</b>	<b>21.7</b>	<b>21.7</b>	<b>21.5</b>	<b>21.3</b>	<b>21.8</b>	<b>21.6</b>
<b>NON-OECD SUPPLY</b>																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.0	11.2	11.3	11.1
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.4	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.7	2.7	2.7	2.8	2.7
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	3.9	4.0	4.0	4.1	4.0
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	2.0	1.9	1.9	1.8	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.2	3.1	3.3	3.4	3.5	3.6	3.4
<b>Total Non-OECD</b>	<b>22.5</b>	<b>23.2</b>	<b>24.0</b>	<b>24.2</b>	<b>24.7</b>	<b>24.7</b>	<b>24.4</b>	<b>24.9</b>	<b>25.1</b>	<b>25.6</b>	<b>26.1</b>	<b>25.5</b>	<b>26.3</b>	<b>26.5</b>	<b>26.7</b>	<b>27.2</b>	<b>26.7</b>
Processing Gains <sup>2</sup>	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
<b>Total Non-OPEC</b>	<b>46.1</b>	<b>46.7</b>	<b>47.9</b>	<b>48.1</b>	<b>47.8</b>	<b>48.5</b>	<b>48.1</b>	<b>48.9</b>	<b>48.2</b>	<b>48.7</b>	<b>49.8</b>	<b>48.9</b>	<b>49.8</b>	<b>49.8</b>	<b>49.9</b>	<b>50.8</b>	<b>50.1</b>
<b>OPEC</b>																	
Crude <sup>3</sup>	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8	27.9				
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.1	4.1	4.2	4.1
<b>Total OPEC</b>	<b>30.7</b>	<b>30.2</b>	<b>28.3</b>	<b>27.7</b>	<b>28.9</b>	<b>29.3</b>	<b>28.6</b>	<b>29.9</b>	<b>29.8</b>	<b>30.4</b>	<b>31.6</b>	<b>30.5</b>	<b>31.9</b>				
<b>Total Supply<sup>4</sup></b>	<b>76.7</b>	<b>76.9</b>	<b>76.2</b>	<b>75.8</b>	<b>76.7</b>	<b>77.7</b>	<b>76.6</b>	<b>78.8</b>	<b>78.1</b>	<b>79.2</b>	<b>81.4</b>	<b>79.4</b>	<b>81.8</b>				

# VL/ULCC fleet - age profile

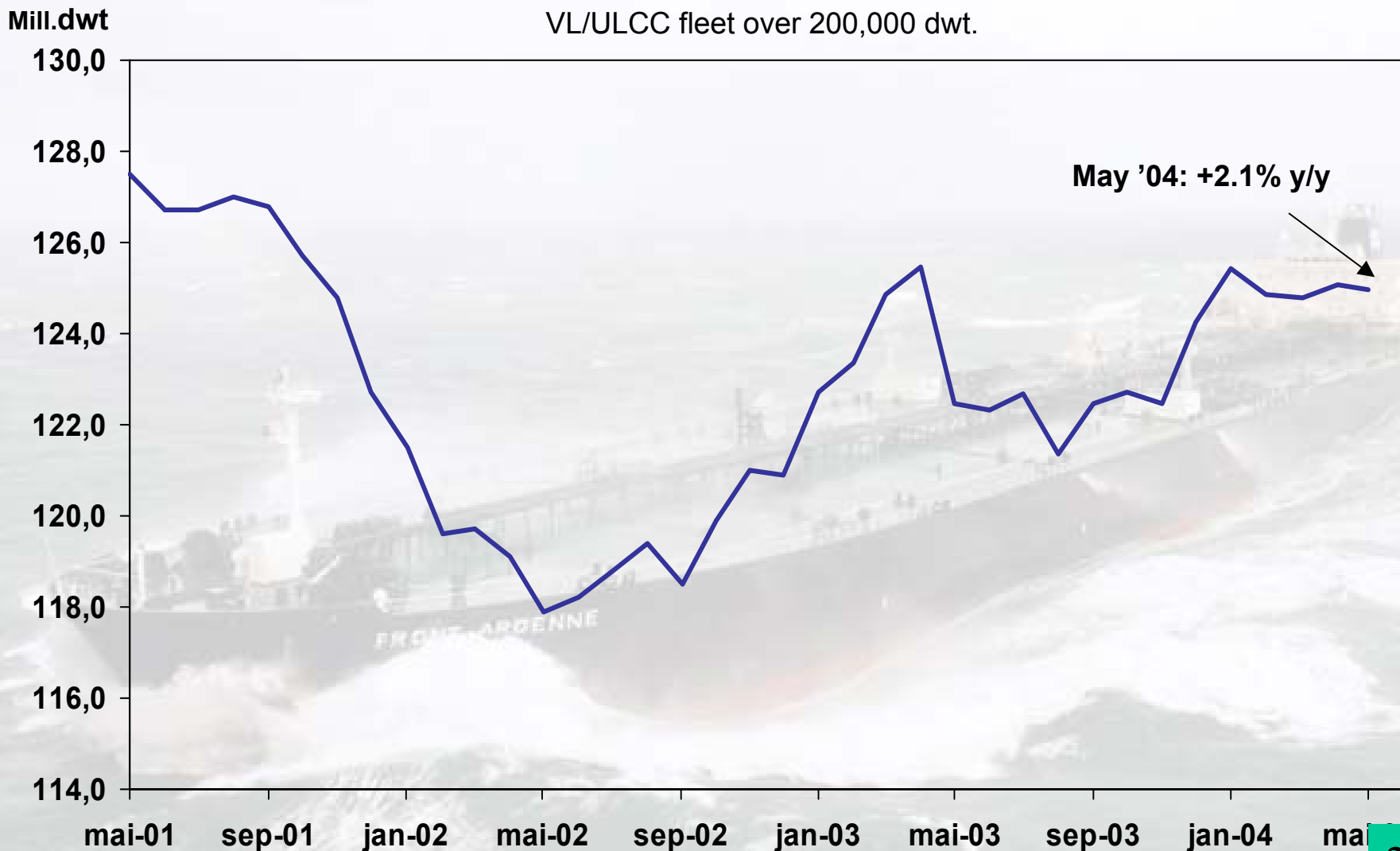


# Suezmax fleet – age profile



33

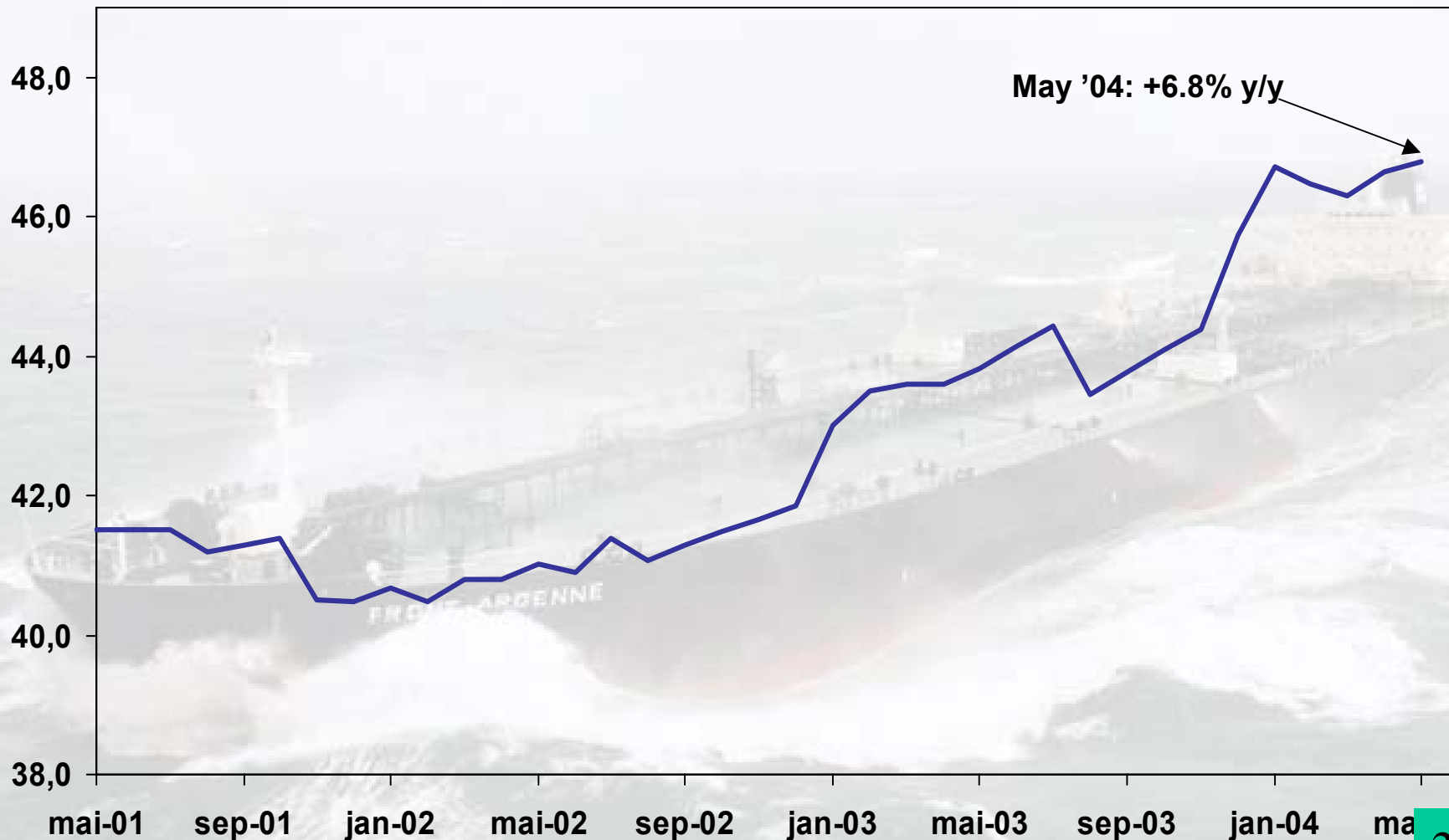
# Fleet development - VLCC/ULCC



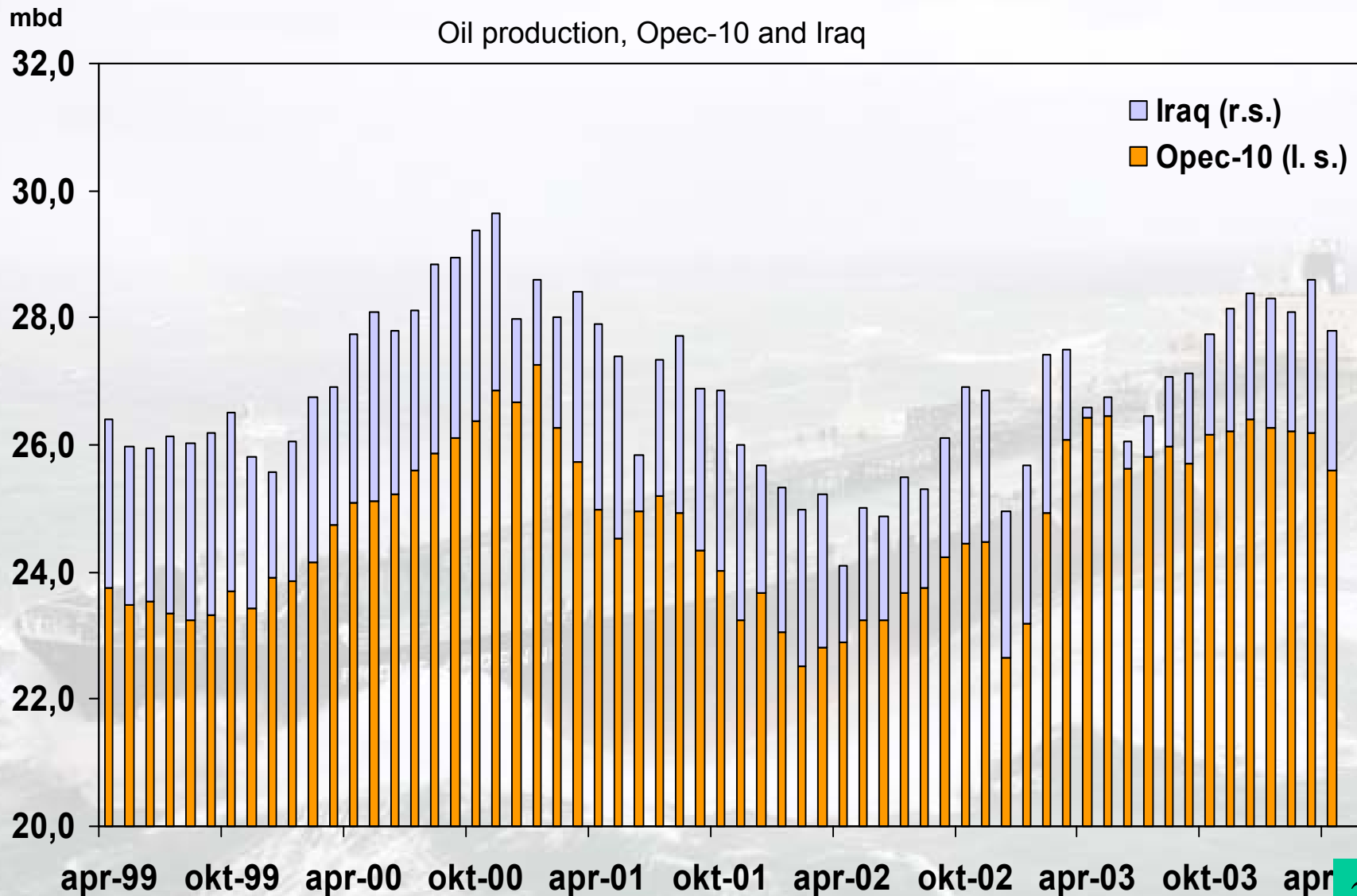
# Fleet development - Suezmax

Mill.dwt

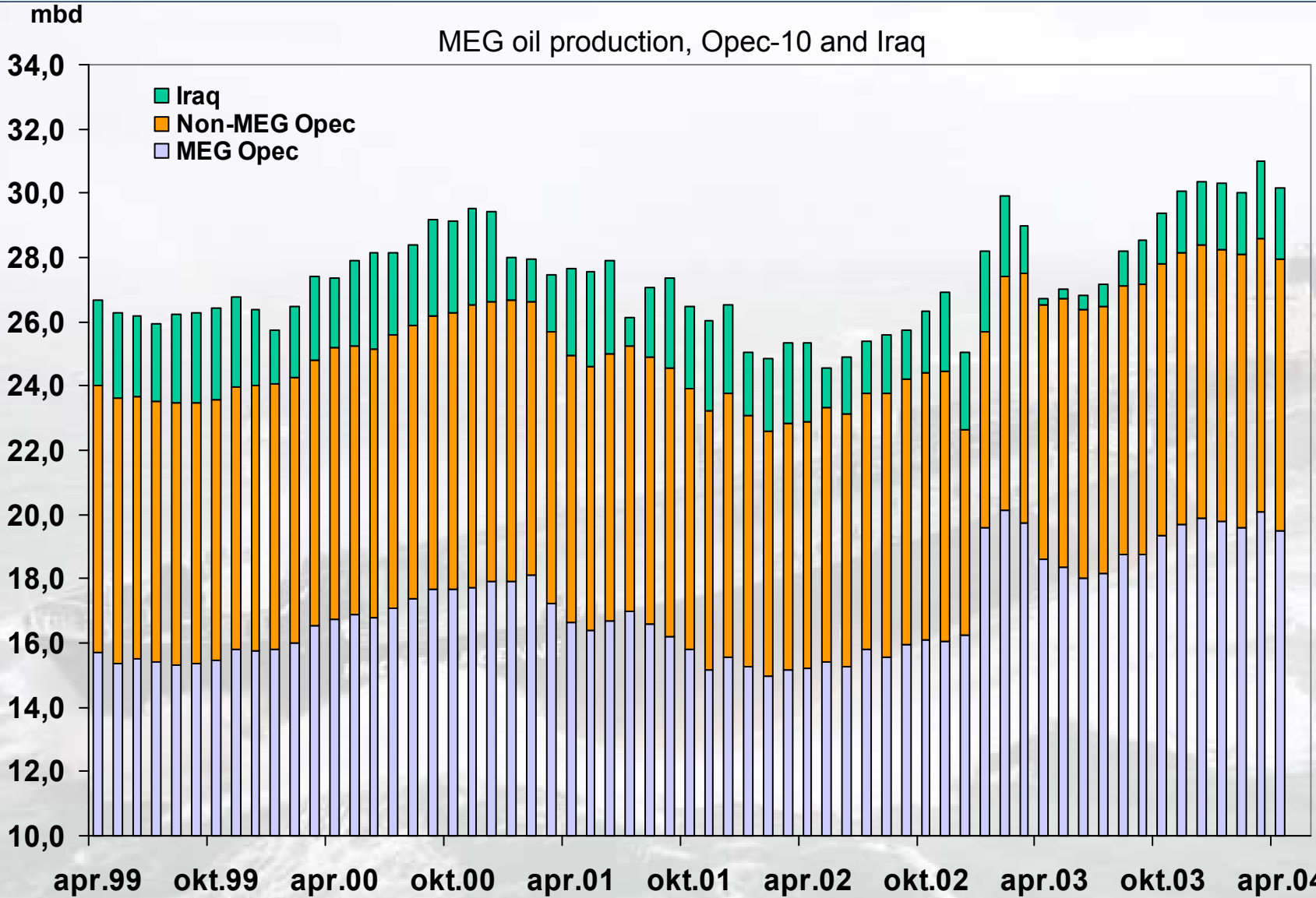
Suezmax fleet, 120-200,000 dwt.



# Opec production

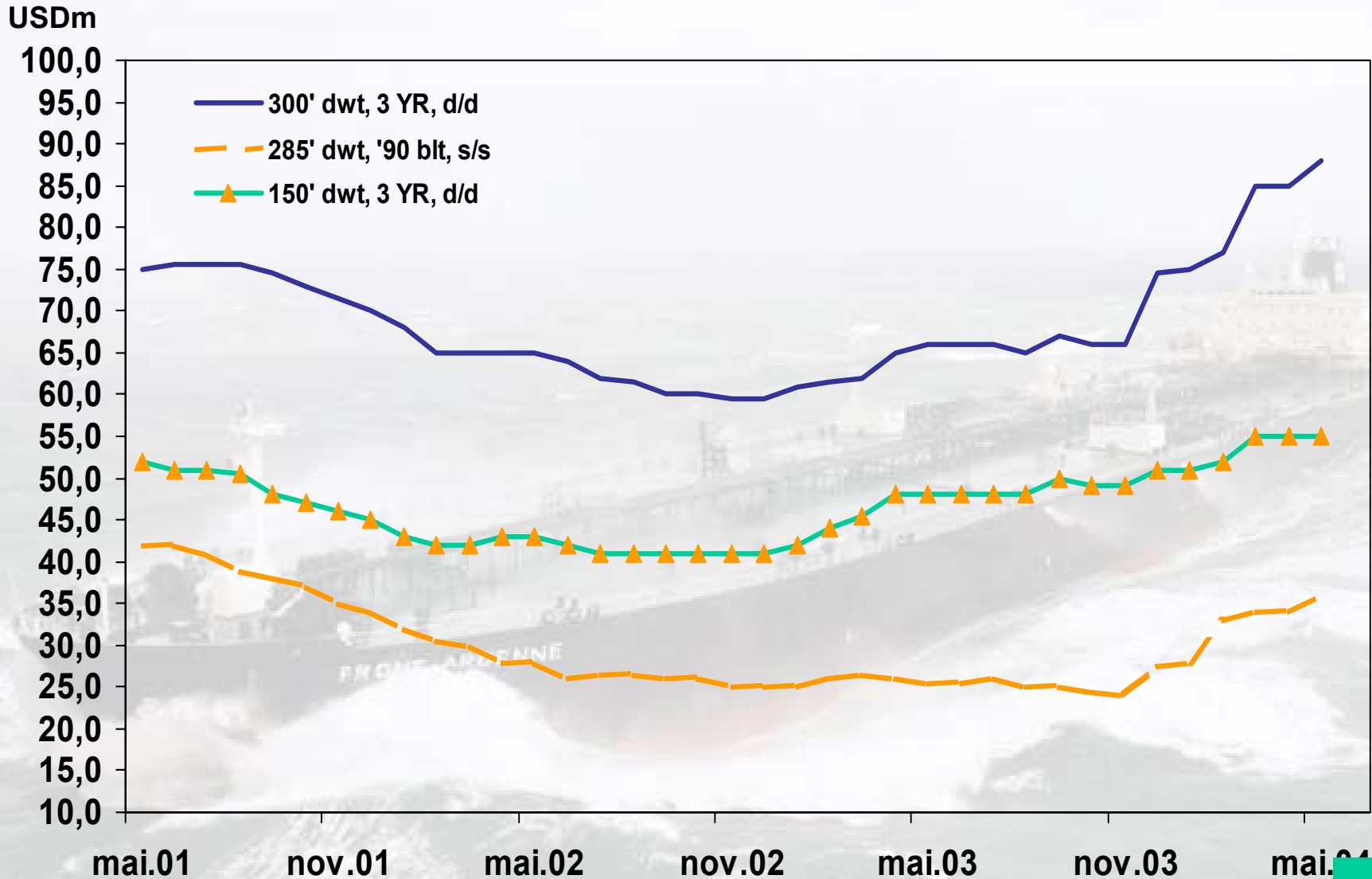


# MEG Opec vs. Non-MEG Opec and Iraq



MEG-Opec; Saudi Arabia, Iran, Kuwait, UAE, Qatar, Neutral Zone

# Tanker price trends



Source: Bassøe, monthly report

Values based on Buyers' assumed highest cash price dependent on spec. and condition