Q2 2010 Results

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Agenda

- Second Quarter 2010 Highlights and Transactions
- Financial Review
- Newbuildings
- Market Update
- Outlook
- Q & A

Highlights and transactions

- Completion of private placement of $225 million of convertible bonds (April)
- Delivery of two Suezmax newbuildings from Rongsheng
  - Hull H1018 – Front Odin, 12 May 2010
  - Hull H1026 – Front Njord, 12 August 2010
- Delivery of two VLCC newbuildings from SWS
  - Hull H2419 – Front Cecilie, 10 June 2010
  - Hull H2420 – Front Signe, 9 August 2010
- Acquisition of two 2009 built VLCCs
  - Front Eminence delivered 18 May, 2010
  - Front Endurance delivered 28 June, 2010
  - Secured long term financing of 70% of the purchase price

Highlights and transactions

- Ordering of two 156,900 dwt Suezmax newbuildings with expected delivery in February and May 2013 and securing options for two similar Suezmax newbuildings (June)

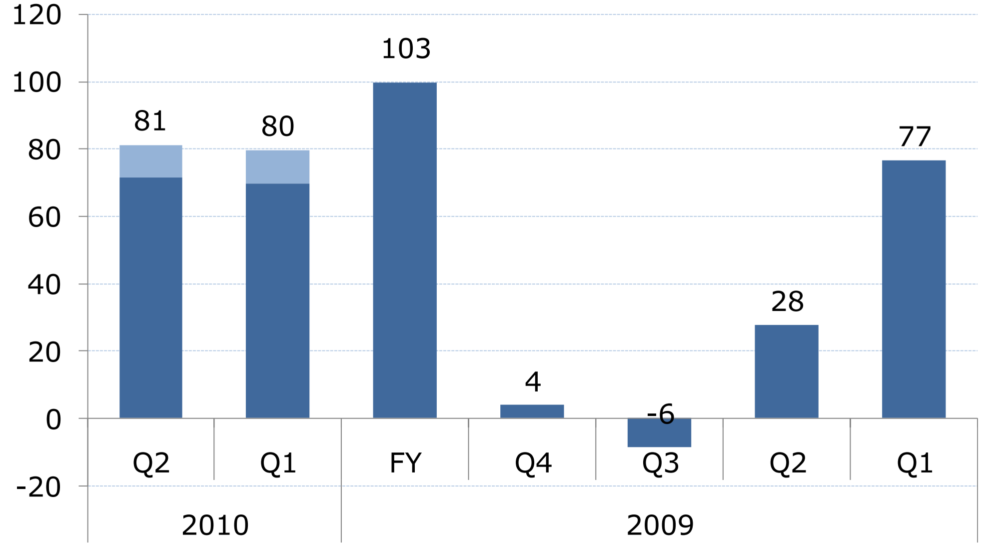
- Front Duke redelivered from time charter and subsequently entered into a bareboat charter until end-2012

- Extention of charter-in periods until 2013 for the following vessels:
  - Front Melody (Suezmax)
  - Front Symphony (Suezmax)
  - Front Tina (VLCC)
  - Front Commodore (VLCC)

Financial Highlights

Q2 2010 results

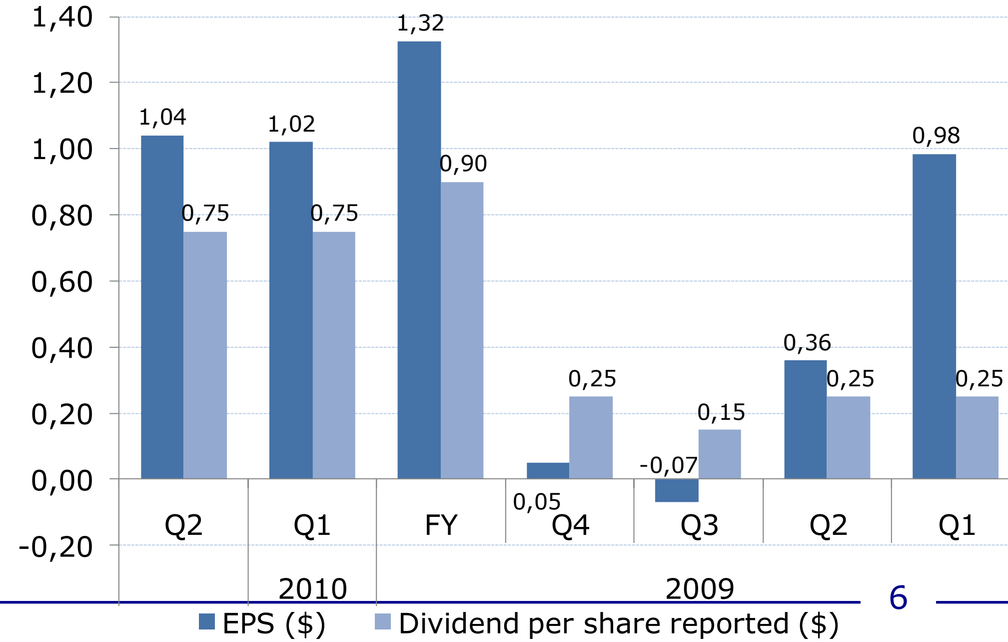
- Net income: $81.3m
- EPS: $1.04
- Net income excl. gain: $71.6m
- EPS excl. gain: $0.92



Dividend declared per share Q2: $0.75

Share price NYSE 25 Aug. 2010: $26.69

- Market cap: $2,078m

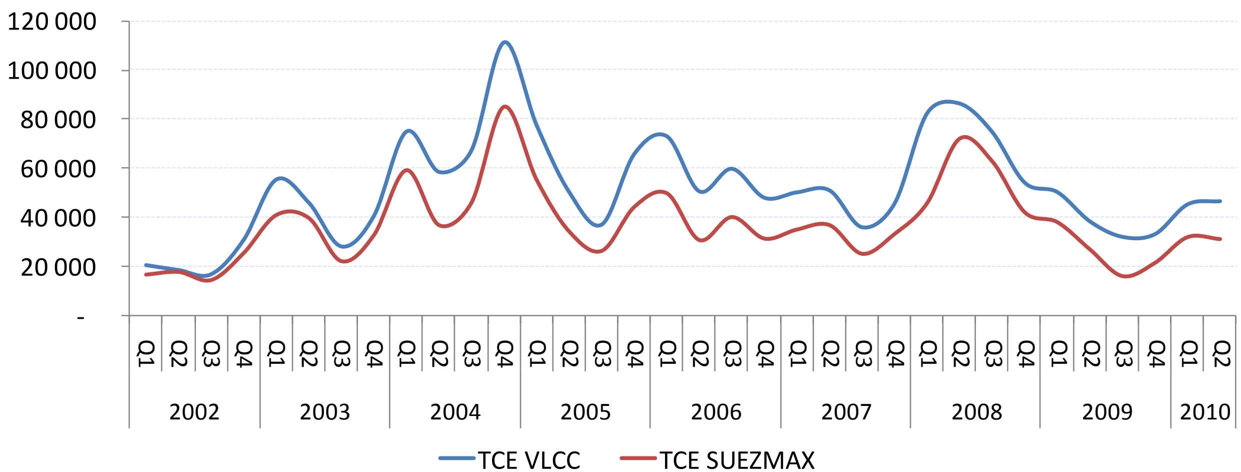


Income Statement

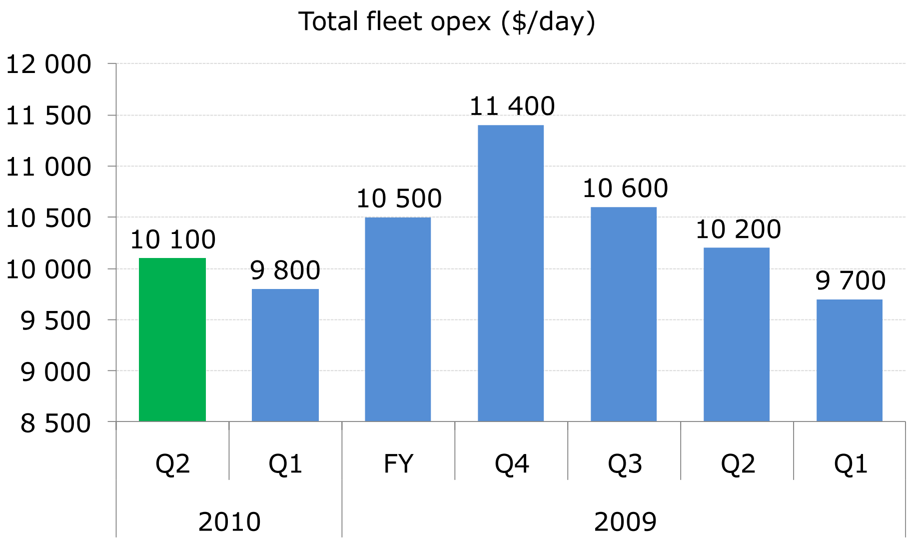
2009 Apr-Jun	2010 Apr-Jun	**CONDENSED CONSOLIDATED INCOME STATEMENTS** *(in thousands of $)*	2010 Jan-Jun	2009 Jan-Jun	2009 Jan-Dec (audited)
281,536	**356,116**	**Total operating revenues**	**687,939**	**638,137**	**1,133,286**
-	9,664	Gain on sale of assets and amortization of deferred gains	19,481	-	3,061
48,691	76,227	Voyage expenses and commission	144,161	112,884	219,375
8,016	11,430	Profit share expense	22,745	22,503	33,018
50,794	47,169	Ship operating expenses	92,540	99,407	206,381
45,218	52,498	Charterhire expenses	96,398	97,194	169,503
7,016	7,637	Administrative expenses	15,513	15,271	30,647
59,667	52,841	Depreciation	105,894	117,783	237,313
219,402	**247,802**	**Total operating expenses**	**477,251**	**465,042**	**896,237**
62,134	**117,978**	**Net operating income**	**230,169**	**173,095**	**240,110**
5,551	3,900	Interest income	7,976	11,624	22,969
(40,131)	(37,555)	Interest expense	(73,066)	(80,751)	(160,988)
(101)	(112)	Share of results from associated companies	(285)	(265)	(544)
(325)	167	Foreign currency exchange gain (loss)	181	(434)	(346)
1,262	(2,833)	Other non-operating items	(2,625)	2,423	4,632
28,390	**81,545**	**Net income before taxes and noncontrolling interest**	**162,350**	**105,692**	**105,833**
(48)	(55)	Taxes	(104)	(46)	(361)
28,342	**81,490**	**Net income**	**162,246**	**105,646**	**105,472**
(572)	(184)	Net income attributable to noncontrolling interest	(1,252)	(1,258)	(2,771)
27,770	**81,306**	**Net income attributable to Frontline Ltd.**	**160,994**	**104,388**	**102,701**
$0.36	**$1.04**	**Basic earnings per share ($)**	**$2.07**	**$1.34**	**$1.32**

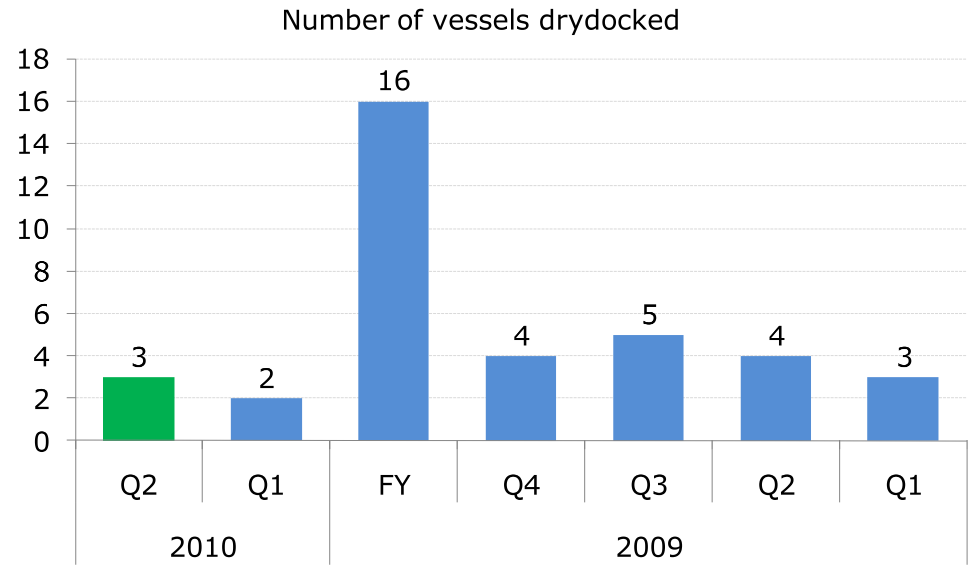
Income on time charter basis

	2010			2009		
$/day	YTD	Q2	Q1	FY	Q2	Q1
VLCC Spot DH	**49 700**	**50 020**	**49 200**	**38 000**	**38 700**	**56 200**
VLCC Spot SH	23 200	22 100	23 600	23 800	28 300	28 200
VLCC Spot	48 600	49 500	47 500	36 900	37 700	53 700
VLCC whole fleet	46 000	46 600	45 300	38 300	38 400	50 300
VLCC Spot excl. floating charter	51 600	51 900	54 000			
Suezmax Spot DH	**30 400**	**30 300**	**30 600**	**23 200**	**24 400**	**38 300**
Suezmax Spot SH	7 300	N/A	8 700	9 100	13 100	18 200
Suezmax Spot	29 800	30 100	29 500	22 500	23 800	37 300
Suezmax whole fleet	31 400	31 000	31 800	25 300	26 800	37 900
Gemini Suezmax pool	30 300	29 800	30 900			
OBO	47 800	47 700	47 900	43 000	42 700	44 200

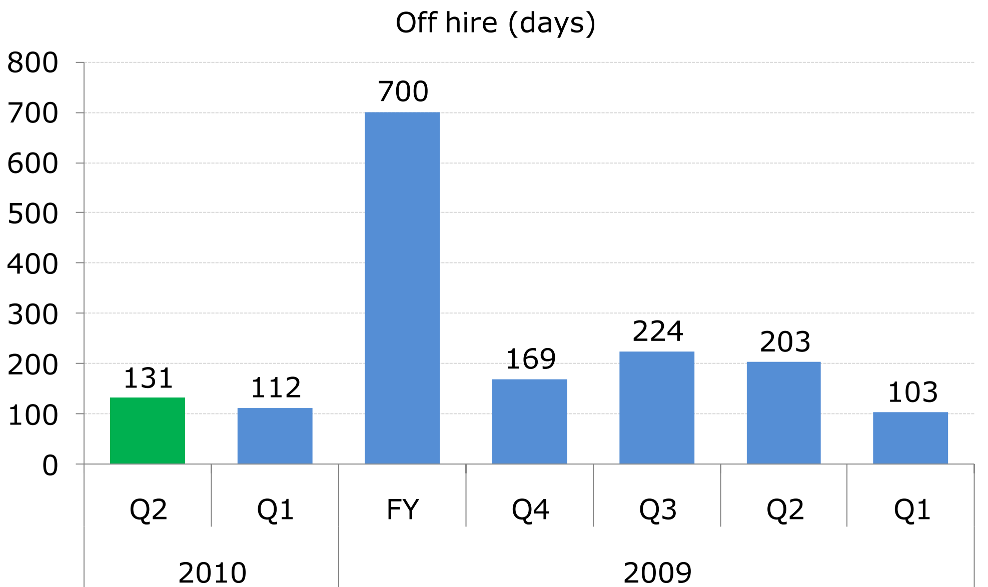


Ship operating expenses/Off-hire





- Tentative drydock schedule/no. of vessels
  - Q3-10: 2



Balance sheet

Balance sheet (in $ million)	**2010** **Jun. 30**	**2010** **Mar. 31**	**2009** **Dec. 31**
Cash	169	86	83
Restricted cash	236	224	430
Other Current assets	345	400	271
Long term assets:			
Restricted cash	69	68	70
Vessels	2 782	2 446	2 419
Newbuildings	278	351	414
Other long term assets	88	85	29
Total assets	**3 967**	**3 658**	**3 715**
Current liabilities	514	554	605
Long term liabilities	2 626	2 298	2 359
Noncontrolling interest	11	10	9
Frontline Ltd. stockholders' equity	816	796	741
Total liabilities and stockholders' equity	**3 967**	**3 658**	**3 715**

Cash Cost Breakeven

Estimated Cash cost breakeven rates 2010 ($/day)

VLCC	30,900
Suezmax	26,400
Suezmax OBO	24,500

Comments to B/E rates:

- Included in cash B/E rates are: BB hire/installments & interest loans + opex and admin. costs.
- B/E rates exclude vessels on short term TC-in, vessels on BB-out, capex. and balloon repayments on loans.

Newbuildings

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Newbuildings Overview

- Total newbuilding program end Q2-10 after cancellations and restructuring approx. $799.7m
  - Five VLCCs and three Suezmax tankers.
  - Financial exposure limited to $601.7m (three VLCCs and three Suezmax tankers + $54m).

- Installments paid per end Q2-10: $246.4m (Q1-10: $313m including H1018 and H2419)
  - Remaining installments to be paid approx. $355.3m
  - H1026 “Front Njord” and H2420 “Front Signe” were delivered in August 2010. Remaining installments to be paid excl. these vessels approx. $268.9m.

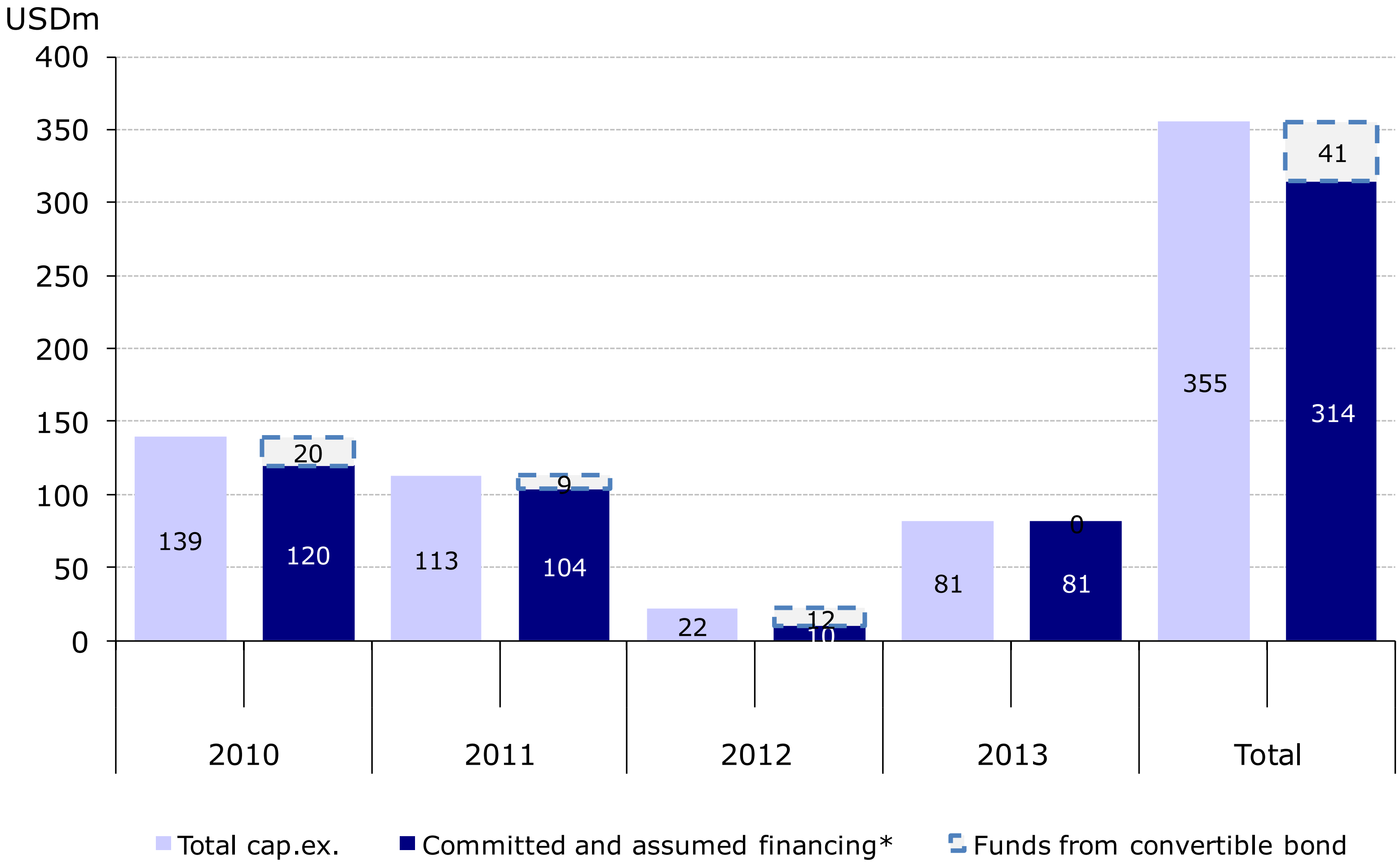
Financing

- 80% of contract price for first two VLCCs from Waigaoqiao and four Suezmax tankers from Rongsheng
  - $334m outstanding debt per end Q2-10
  - Remaining to be drawn: $39.6m in August 2010

- 70% of contract price for last two VLCCs from Waigaoqiao
  - $109.8m outstanding debt per end Q2-10
  - Remaining to be drawn: $36.6m in August 2010

- The newbuildings for delivery in 2011-2013 currently unfinanced.
  - Assumed financing approx. 70% of market values

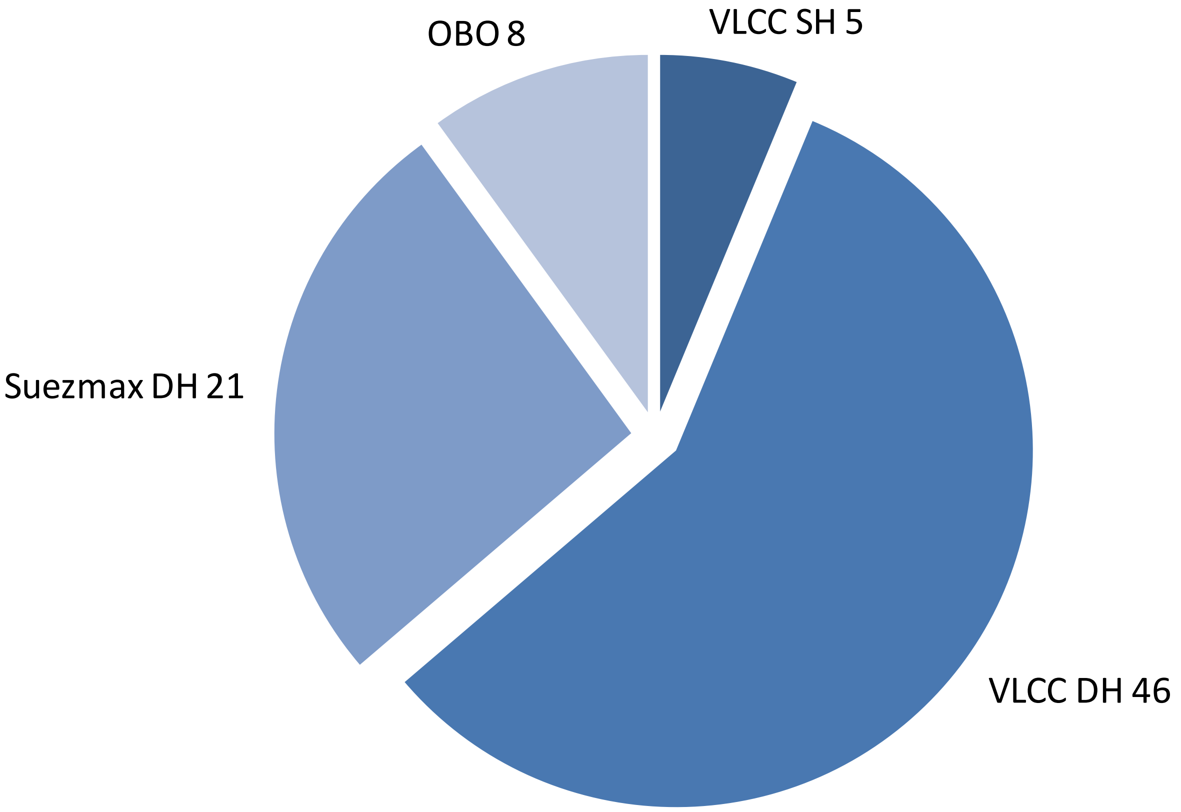
Capital Expenditures



*Assumed financing for the unfinanced NBs approx. 70% of market value

Frontline Fleet

Incl. vessels on commercial management & ITCL, excl. newbuildings



Total: 80

DH: Double Hull, SH: Single Hull

Frontline Fleet

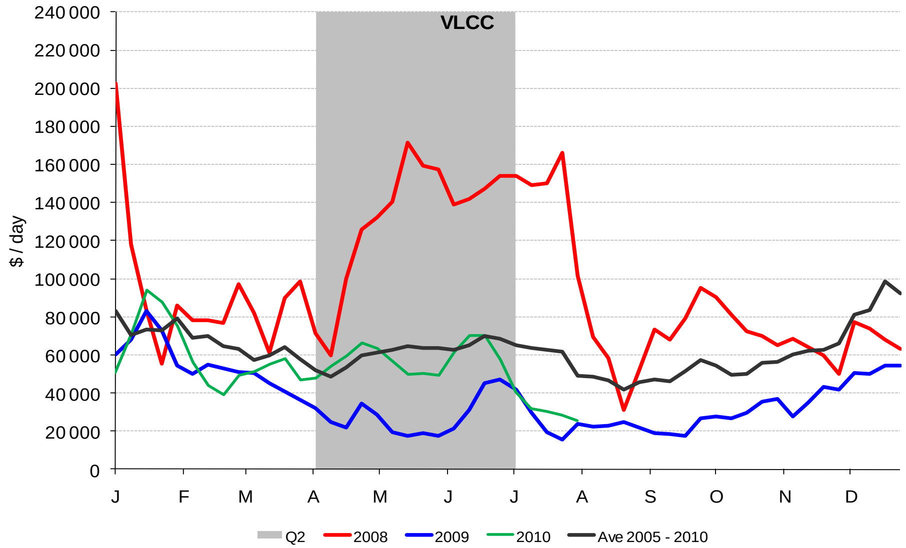
		2010			VESSELS AS PER **END** 2011		
		No. of vessels (current)	Av. TC Coverage (2010)	Av. Net TC/BB Rate $/day (2010)	No. of vessels	Av. TC Coverage (year)	Av. Net TC/BB Rate ($/day)
VLCC	DH	34	14 %	46 300	31	8 %	47 700
	SH	1	77 %	41 100			
	SH/DS on BB-out	4	94 %	15 800 *	2	100 %	16 300
	Newbuildings	4			2		
Suezmax	DH	18	14 %	37 100	18	6 %	38 500
	OBO	8	96 %	47 500	8	63 %	49 900
	Newbuildings	2			2		
ITCL	VLCC DH	6	100 %		6	100 %	
	Suezmax DH	3	100 %		3	100 %	
Com. Mng.	VLCC DH	6			6		

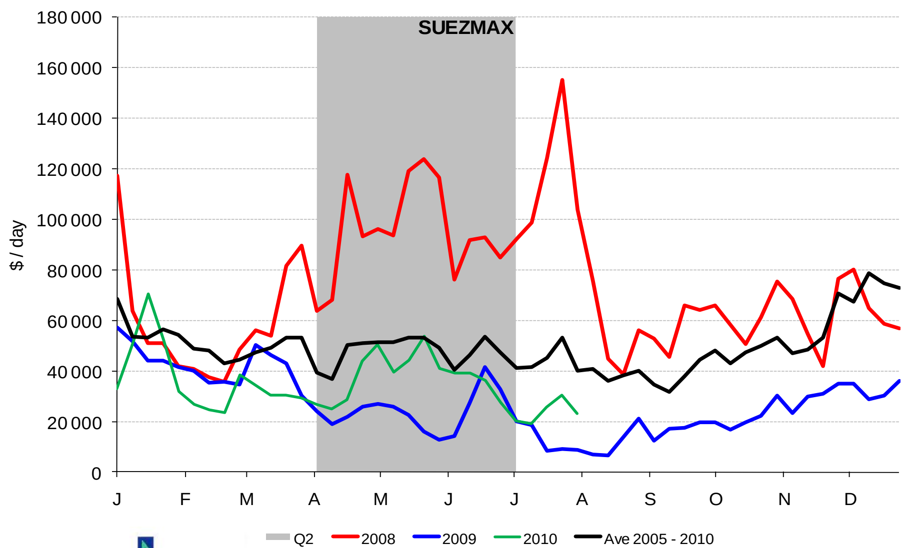
*Bareboat rate

Total Fleet (ex. Newbuildings & SH BB)	76	28 %	45 500	72	17 %	48 000
Total Fleet (ex. Newbuildings, incl. SH BB)	80	34 %		74	22 %	
Total Fleet (ex. Newbuildings, incl. SH BB & floating rate charters)		45 %			35 %	

- The TC/BB rates exclude profit split.

Earnings & Market Factors





Q2 – Average Market earnings

- VLCC : $54.500/day
- Suezmax : $32.700/day

Market Movers

- Fewer newbuilding deliveries than expected for Q2
  - VLCC: 12 del. Vs. 18 estimated
  - Suezmax: 8 del. Vs. 14 estimated
- Storage: Around 50 DH VLCCs in Q2
- China's oil demand at record levels with 9.4 mill b/d
  - Up 420 kb/d from Q110
  - Slight decrease going into Q310
- OPEC production up 500.000 b/d from Q2 2009
  - Down 80 kb/d from Q1 2010
- Global Oil Demand up 2.7 mb/d from Q2 2009
  - Up 510.000 b/d from Q1 2010
- Iran situation

Single hull fleet

- VLCC : 55 Removals: 8
- Suezmax : 23 Removals: 3

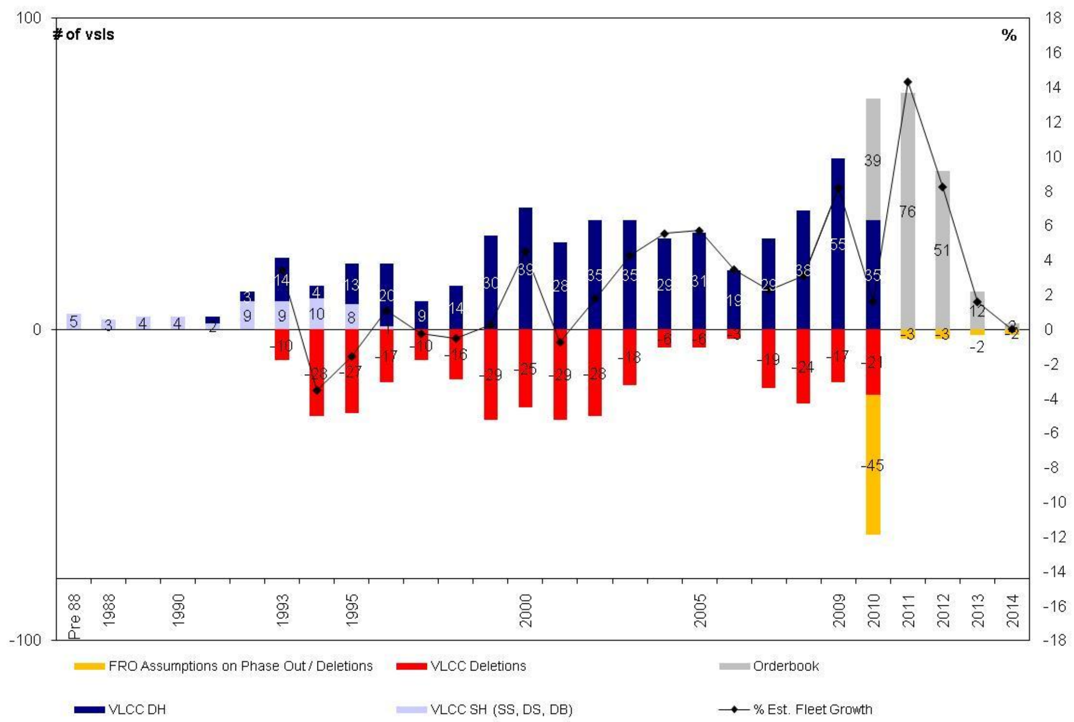
Source: Fearnleys, IEA, Clarksons

VLCC Fleet

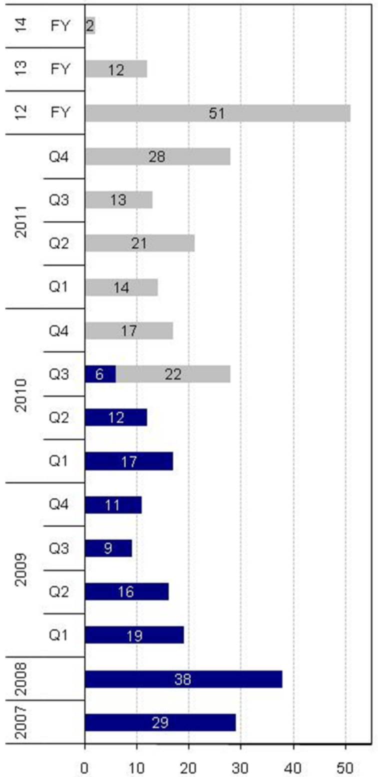
Fleet

Current Fleet	**537**	**Orderbook**	**180**
DH Fleet	**482**	**Deliveries 2010**	**74**
SH (DS, DB, SS) Fleet	**55**	**Deliveries 2011**	**76**

Current fleet & Orderbook



Delivery Schedule



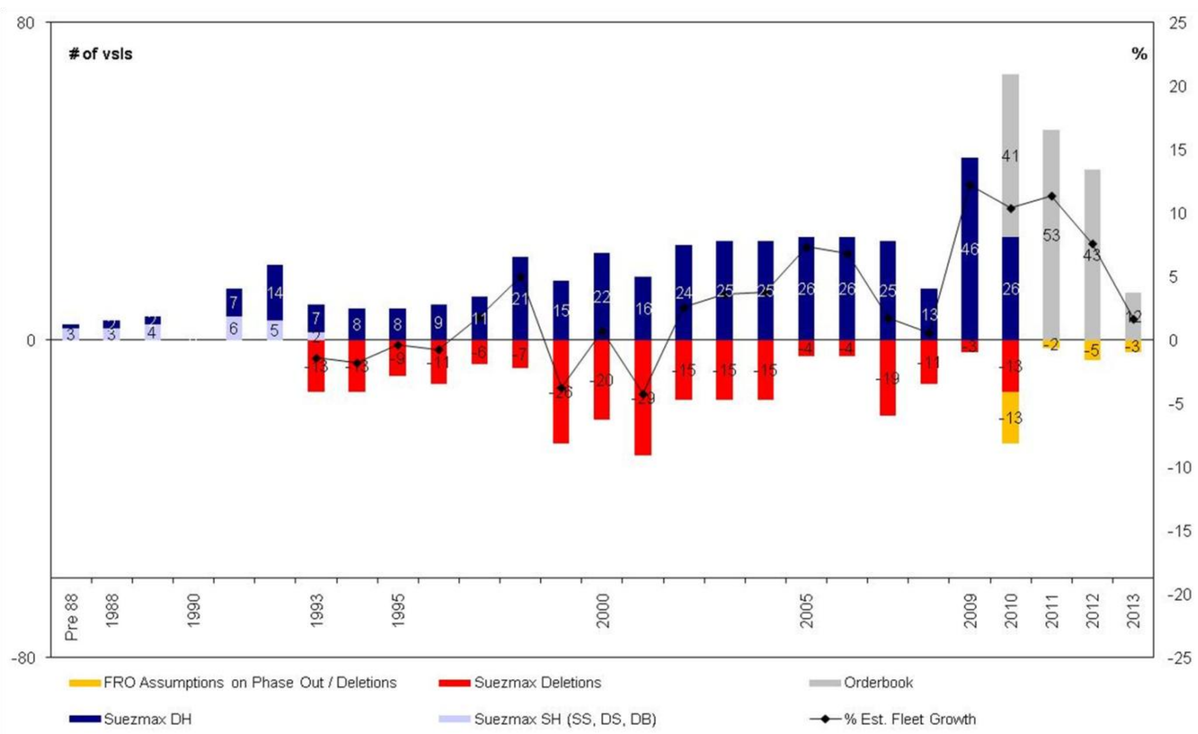
Source: Fearnleys August 2010

Suezmax Fleet

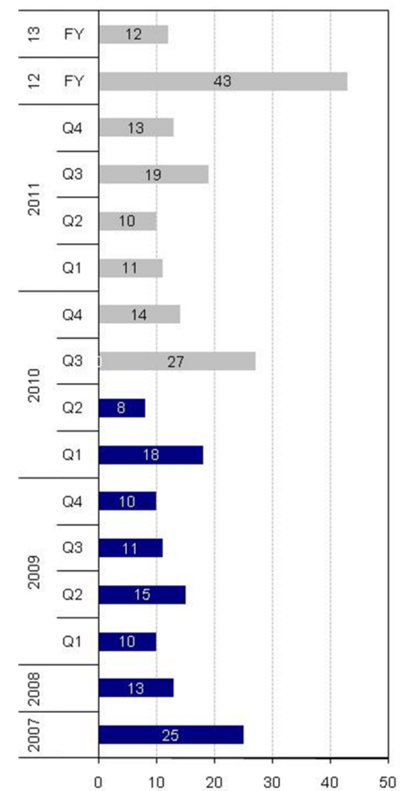
Fleet

Current Fleet	406	Orderbook	151
DH Fleet	383	Deliveries 2010	67
SH (DS, DB, SS)	23	Deliveries 2011	53

Current fleet & Orderbook



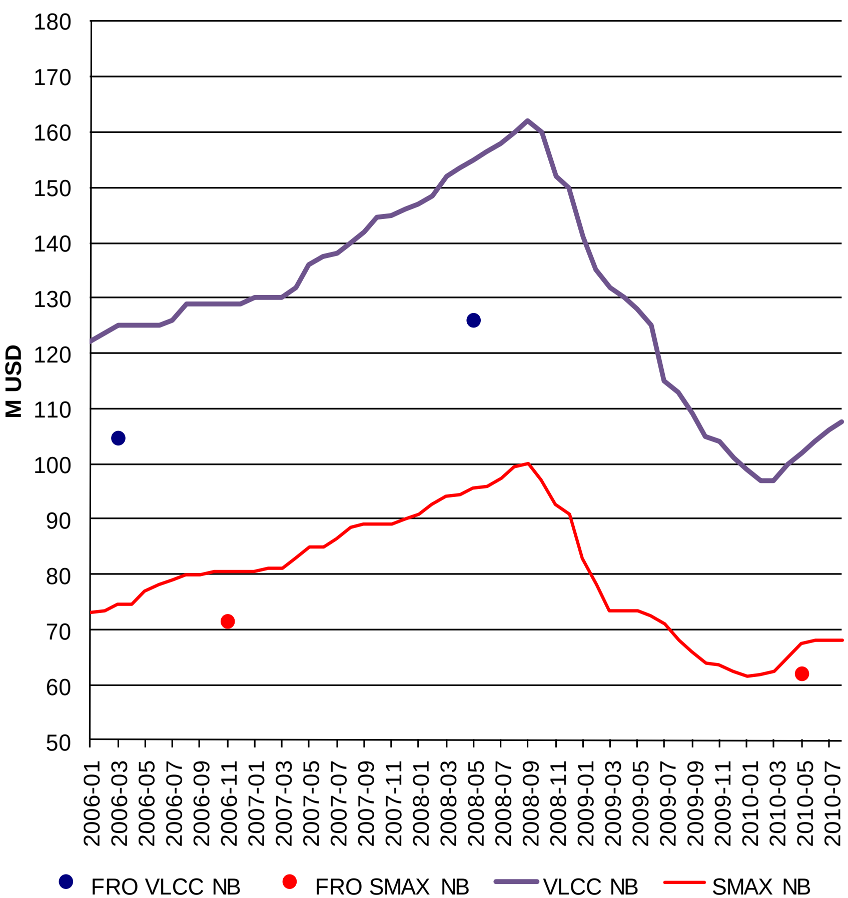
Delivery Schedule



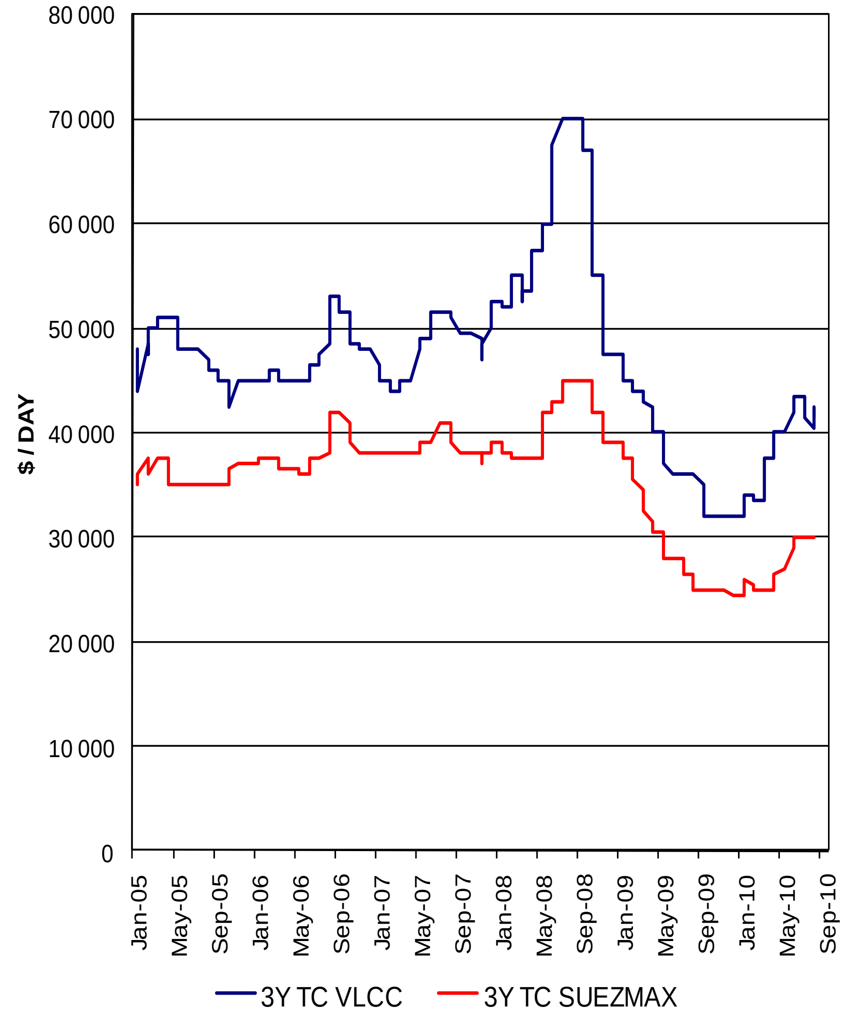
Source: Fearnleys August 2010

Rates

NEWBUILDING

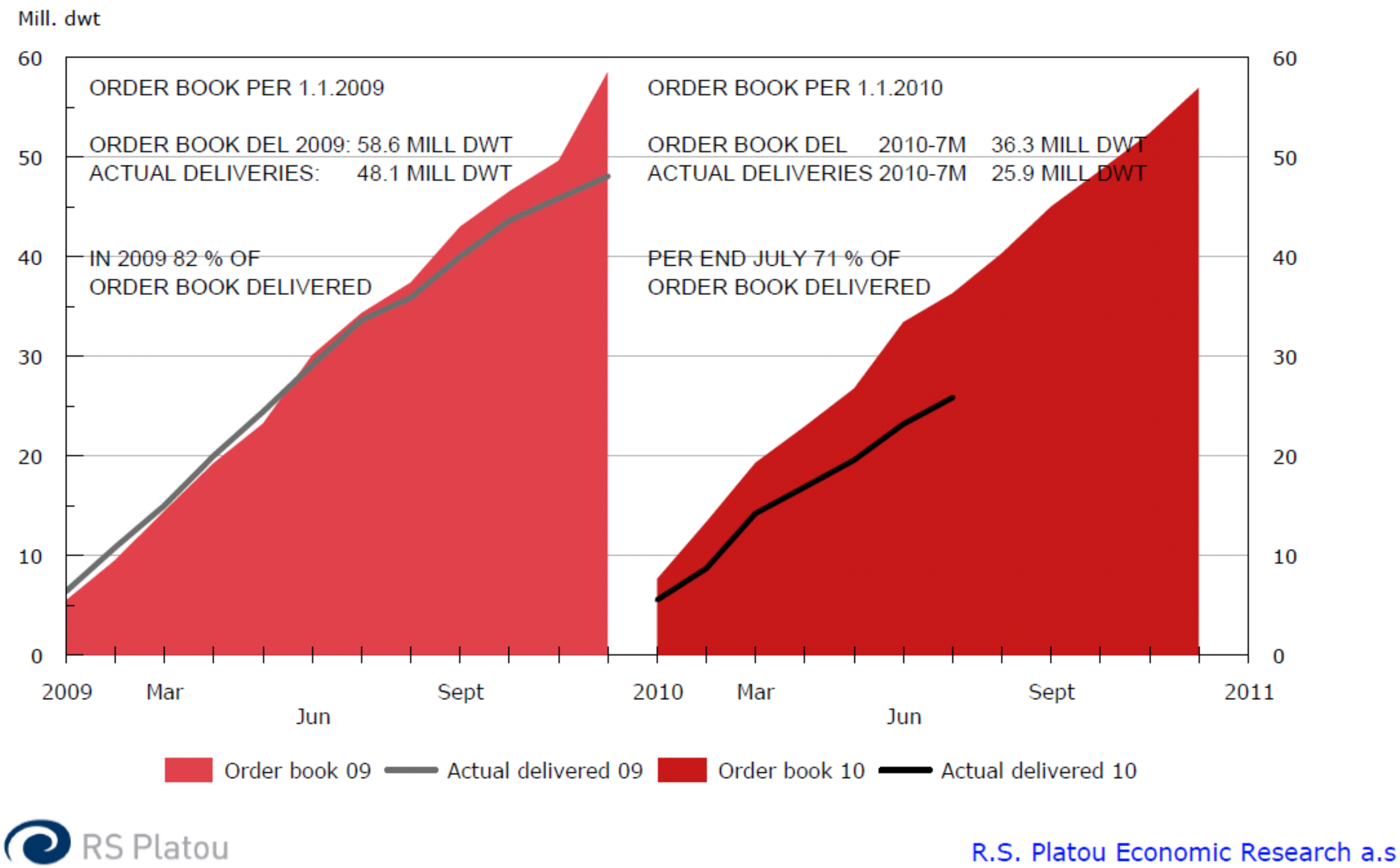


TC MARKET



Source: Clarksons

Actual deliveries



2009	VLCC	Suezmax
Estimate	68	73
Actual	55	46

Source: RS Platou, 5/8 2010, Fearnleys

Waiting

- One waiting day at Fujairah is equal to abt. 0,4 ws points (on a regular PG- Singapore voyage) which by the way in today's market is an approximate $11,000/day voyage over 26 days.
- You could thus wait for abt. 20 days and still make the same voyage return if the market increases by 10 ws points!

Outlook

FLEET

- Modest fleet growth in 2010 for VLCC
- 87.6% utilization for the total tanker fleet 1^{st} half 2010
- Floating storage still of essence
- About 50% of single hulls untradeable
- Orderbook still large but container and offshore market back in fashion – taking away yard space.

WORLD

- Chinese oil consumption increasing (14% in July)
- World oil demand increased ½ mill b/d from Q1 2010
- China increasing their imports from the Atlantic
  - …decreasing from the MEG

FRONTLINE

- Increased charter coverage (both fixed and floating)
- Decreased cash breakeven rates for Q3
- Outperforming peers

Source: IEA, Platou Monthly 7-2010

Questions?
(It’s not dead… - only resting)

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