

**Presentation of  
Q4 2003 results,  
March 1, 2004**



# Agenda

- **Introduction**
- **Corporate financial status**
- **Ship Finance International Limited**
- **Market update – outlook**
- **Other**

# 1. The Fleet



35 VLCCs incl. 2 J/Vs  
 Equals 33.9 vessels on a 100% basis  
 Cash B/E USD 21,424 p/d



19 Suezmaxes  
 Cash B/E USD 15,929 p/d



8 Suezmax OBOs  
 Cash B/E USD 15,984 p/d

- Oldest ship from 1990
- Average age: 8.0 years
- Industry average: 8.6 years
- Double hull tonnage: 70 %
- Industry average: 61.1%

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

# Main events Q4 2003

- Ship Finance International Limited was formed in October 2003 as a wholly owned subsidiary of Frontline Ltd.
- A dividend of \$1.30 per share for Q3 2003 was paid out in December,
- Front Hawk sold in Q4 2003,
- Ship Finance International Limited issued USD 580 million in 8.5% 10 year Senior Notes in December 2003
- Ship Finance International Limited negotiated terms for a USD 1,058 million bank facility

# Profit & Loss

Q4 2002 Oct-Dec (restated)	Q4 2003 Oct-Dec	USD million	2003 Jan-Dec	2002 Jan-Dec (audited)
<b>158,6</b>	<b>187,0</b>	<b>Net operating revenues</b>	<b>817,2</b>	<b>416,5</b>
-2,0	-2,7	Gain (loss) from sale of vessels	0,4	-1,2
51,4	60,5	Total expenses	216,5	182,7
<b>105,2</b>	<b>123,9</b>	<b>Operating income before depreciation</b>	<b>601,2</b>	<b>232,6</b>
36,0	38,7	Depreciation	146,9	136,9
<b>69,2</b>	<b>85,2</b>	<b>Operating income (loss) after depreciation</b>	<b>454,2</b>	<b>95,7</b>
-3,8	-14,8	Financial items	-11,1	-88,5
<b>65,4</b>	<b>70,5</b>	<b>Income (loss) before taxes and minority interest</b>	<b>443,1</b>	<b>7,1</b>
0,0	0,0	Taxes	0,0	0,0
-	-	- Cumulative effect of change in accounting principle	-	-14,1
-0,3	-	- Discontinued operations	-	-1,9
<b>65,1</b>	<b>70,5</b>	<b>Net income (loss)</b>	<b>443,1</b>	<b>-8,9</b>
<b>Basic Earnings (loss) Per Share Amounts (\$)</b>				
EPS from continuing operations before cumulative effect of				
<b>0,85</b>	<b>0,96</b>	change in accounting principle	<b>5,92</b>	<b>0,09</b>
<b>0,85</b>	<b>0,96</b>	EPS	<b>5,92</b>	<b>-0,12</b>

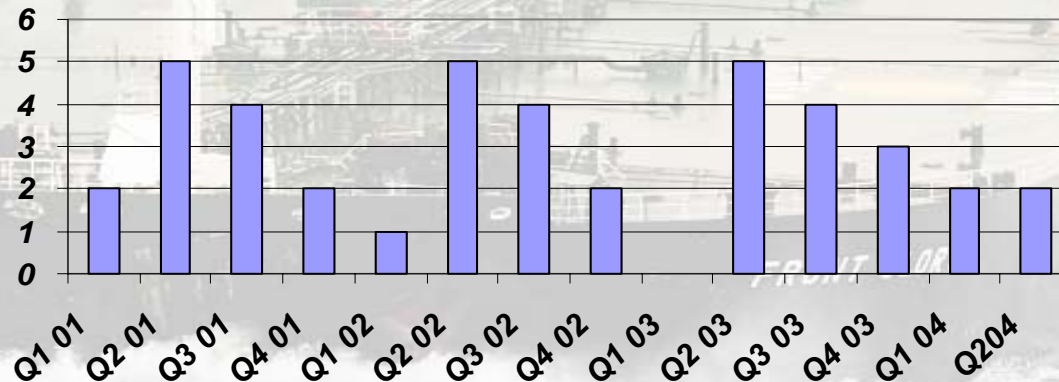
# Income on time charter basis

Q4 2002	Q4 2003		2003	2002
30 900	40 600	VLCC, spot , T/C and B/B vessels	42 300	22 500
31 400	42 788	VLCC, spot	44 877	21 000
28 600	31 210	VLCC, T/C and B/B vessels	32 517	27 900
25 300	32 600	Suezmax	33 900	18 400
24 200	27 900	Suezmax OBO	31 900	17 700

# Ship operating expenses (USD/day)

	Q4 03	2003
Total fleet	6 106	5 816
Off hire (days)	63	303

*No. of vessels drydocked or expected to be*



# Total expenses

Q4 02	Q4 03 USD million	2003	2002
26,9	30,8 Ship operating expenses	117,6	109,3
21,4	22,0 Charterhire expenses	81,0	60,6
3,1	7,6 Administrative expenses	17,9	12,8

# Financial items

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0,0	0,0	Taxes	0,0	0,0
-	-	- Cumulative effect of change in accounting principle	-	-14,1
-0,3	-	- Discontinued operations	-	-1,9
<b>65,1</b>	<b>70,5</b>	<b>Net income (loss)</b>	<b>443,1</b>	<b>-8,9</b>
5,2	1,7	Interest income	9,2	13,0
-17,4	-22,0	Interest expense	-75,1	-71,3
-0,9	6,6	Share of results from associated companies	38,7	-10,7
12,6	4,0	Other financial items	33,3	-8,6
-3,4	-5,1	Foreign currency exchange gain (loss)	-17,2	-10,9

# Balance sheet - Assets

USD million	2003 Dec 31	2002 Dec 31 (audited)
<b>Short term</b>		
Cash and cash equivalents	681,1	100,3
Other current assets	160,6	132,7
<b>Long term</b>		
Newbuildings and vessel purchase options	18,4	27,4
Vessels and equipment, net	2 441,3	2 638,1
Investment in associated companies	212,6	119,3
Deferred charges and other long-term assets	31,4	16,9
<b>Total assets</b>	<b>3 545,3</b>	<b>3 034,7</b>

# Associated companies

As at 31.12.03 (figures in USD million)	Debt outstanding	Our share	Guarantee liability	Our share of cash and net working capital
•Front Tobago (40%) partners OSG and Euronav	7,2	2,9	2,4	3,1
•Ariake (50,1%), partners OSG	40,0	20,0	4,7	4,1
•Sakura (50,1%), partners OSG	40,0	20,0	4,7	3,1
•Tanabe (50,1%), partners OSG	0,0	0,0	0,0	0,6
•Hakata (50,1%), partners OSG	0,0	0,0	0,0	0,6
•Edinburgh (50,1%), partner OSG	0,0	0,0	0,0	1,6
•Dundee (50,1%), partner OSG	0,0	0,0	0,0	1,7
•Golden Fountain (50%) partner Euronav	26,1	13,0	26,1	2,0
<b>Total =</b>	<b>113,3</b>	<b>56,0</b>	<b>37,9</b>	<b>16,8</b>

# Balance sheet - Liabilities

USD million	2003 Dec 31	2002 Dec 31 (audited)
<b>Short term</b>		
Short term interest bearing debt	153,3	167,8
Other current liabilities	94,5	92,0
<b>Long term</b>		
Long term interest bearing debt	1 524,4	1 277,7
Obligations under capital lease	458,3	259,5
Other long term liabilities	25,6	10,8
Stockholder's equity	1 289,2	1 227,0
<b>Total liabilities and stockholders' equity</b>	<b>3 545,3</b>	<b>3 034,7</b>

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

<b>Yen denominated debt/capital leases</b>	<b>31.12.2003</b>	<b>30.09.2003</b>
Consolidated	157 210	164 949
Associated companies, our share	4 714	4 851
Total	161 924	169 800
<b>Floating debt</b>	<b>31.12.2003</b>	<b>30.09.2003</b>
Consolidated	953 095	1 061 823
Associated companies, our share	55 991	118 239
Total	1 009 086	1 180 062
<b>Total debt/capital leases</b>	<b>31.12.2003</b>	<b>30.09.2003</b>
Consolidated	2 156 097	1 692 129
Associated companies, our share	55 991	118 239
Total	2 212 088	1 810 369

# Off balance sheet vessels (charter hire vessels)

- Front Century
- Front Champion
- Front Warrior
- Golden Victory



# Statement of Cashflows

2002	2003	STATEMENT OF CASHFLOWS	2003	2002
Oct-Dec	Oct-Dec	(in thousands of \$)	Jan-Dec	Jan-Dec
(restated)				(audited)
		<b>OPERATING ACTIVITIES</b>		
65,102	70,477	Net income (loss)	443,126	-8,899
		Adjustments to reconcile net income to net cash provided by operating activities		
36,949	38,654	Depreciation and amortisation	146,907	142,154
3,779	6,078	Unrealised foreign currency exchange (gain) loss	17,955	14,176
1,466	2,7	Gain or loss on sale of assets	-436	4,337
873	-6,609	Results from associated companies	-38,723	10,711
-3,19	-3,729	Adjustment of financial derivatives to market value	-28,18	7,495
-	-	Change in accounting principle	-	14,142
1,968	1,477	Other, net	2,377	1,968
-57,666	-13,176	Change in operating assets and liabilities	-18,343	-44,059
<b>49,281</b>	<b>95,872</b>	<b>Net cash provided by operating activities</b>	<b>524,683</b>	<b>142,025</b>
		<b>INVESTING ACTIVITIES</b>		
-179,089	-	Additions to newbuildings, vessels and equipment	-356,927	-376,844
-9,944	-74,882	Advances to associated companies, net	-90,147	-20,01
-	-	Purchase of minority interest	-	-6,822
103,661	83,461	Proceeds from sale of assets	459,625	177,902
<b>-85,372</b>	<b>8,579</b>	<b>Net cash provided by (used in) investing activities</b>	<b>12,515</b>	<b>-225,774</b>
		<b>FINANCING ACTIVITIES</b>		
153,336	563,271	Proceeds from long-term debt, net of fees paid	661,092	380,294
-144,055	-117,598	Repayments of long-term debt	-465,313	-341,959
-25,945	-4,511	Repayment of capital leases	-13,134	-92,838
68,167	-	Additions to capital leases	218,844	68,167
-	-96,19	Dividends paid	-338,033	-19,117
-	3,766	Issue of shares, net	-19,876	223
<b>51,503</b>	<b>348,738</b>	<b>Net cash provided by (used in) financing activities</b>	<b>43,58</b>	<b>-5,23</b>
<b>15,412</b>	<b>453,189</b>	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>580,778</b>	<b>-88,979</b>
<b>84,886</b>	<b>227,887</b>	<b>Cash and cash equivalents at start of period</b>	<b>100,298</b>	<b>189,277</b>
<b>100,298</b>	<b>681,076</b>	<b>Cash and cash equivalents at end of period</b>	<b>681,076</b>	<b>100,298</b>

# Breakeven rates (USD / day)

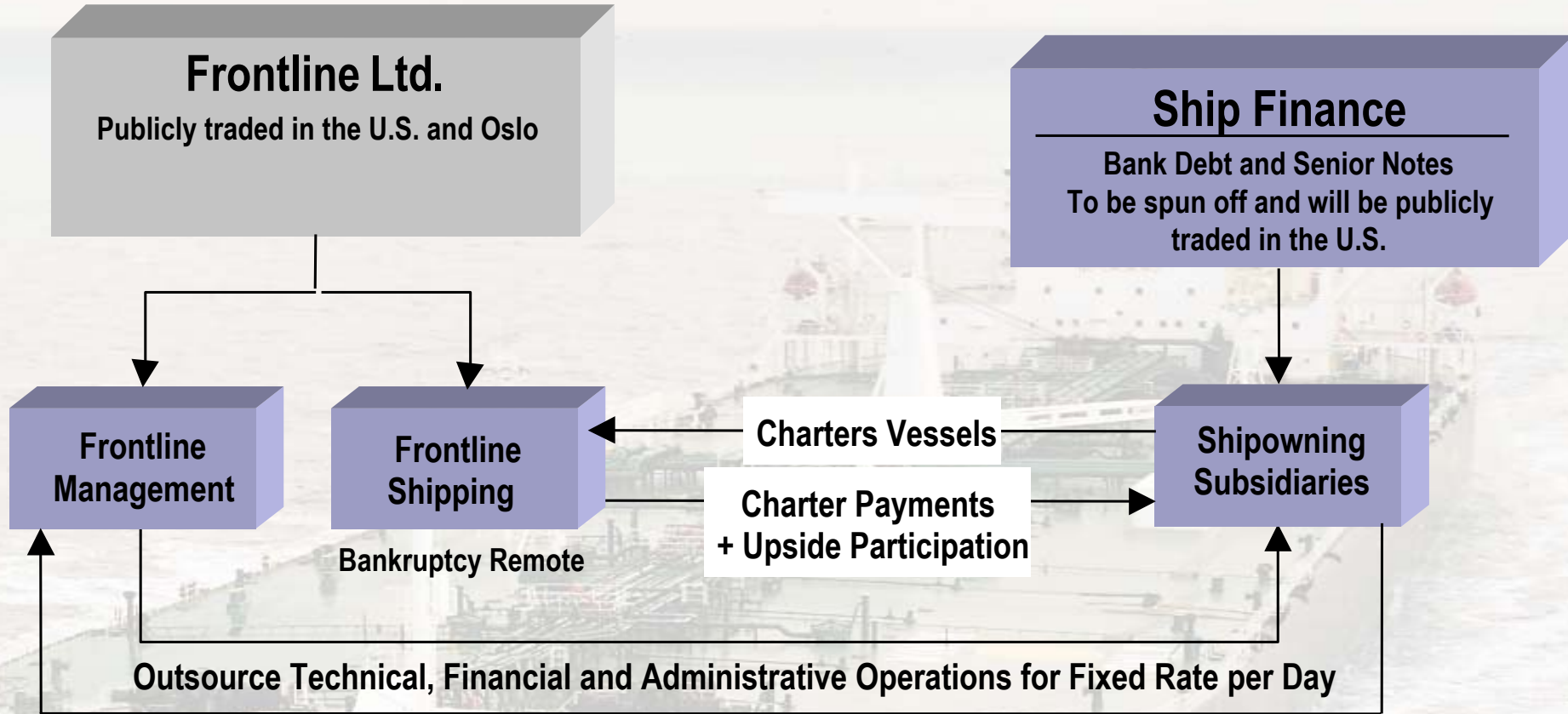
A large oil tanker ship, the FRONT GLORY, is shown at sea. The ship is dark-colored with a white superstructure. The name 'FRONT GLORY' is visible on the side of the hull. The ship is moving through the water, creating a white wake.

	Cash Breakeven	P/L Breakeven
<b>VLCC</b>	<b>21 424</b>	<b>23 619</b>
<b>Suezmax</b>	<b>15 929</b>	<b>16 787</b>
<b>Suezmax OBO</b>	<b>15 984</b>	<b>16 752</b>

# Ship Finance International Limited



# The New Frontline



# Transaction Rationale

- Observation

- Due to high industry cyclicality, shipping companies have typically traded at low valuation multiples

- Solution

- Create value by bifurcating the business
  - Ship Finance - asset-based, stable cash flow company, with significant upside potential
  - Frontline Ltd. - growth company with shipping industry characteristics
- Other industries, characterized by long-lived assets, have performed similar transactions

- Target

- Continued consolidation of the tanker market by efficiently utilizing vehicles that appeal to different investor profiles

# Key Elements of Ship Finance

- Ship Finance International Limited (SFIL) was founded in October 2003 as a 100% owned subsidiary of Frontline Ltd.
- SFIL made an agreement to purchase 47 vessels from Frontline Ltd. for \$2,108 million and lease them back to Frontline Shipping Limited (100% owned FL Ltd. Subsidiary) on charters with a duration of 90% of remaining useful life of the vessels
- Senior Notes in an amount of \$580 million was closed in December 2003. The funds were put on escrow until SFIL has completed the purchase of at least 45 vessels,
- SFIL's revenue stream is fixed time charter payments from 47 vessels
  - Initial rate of \$25,575 for a VLCC and \$21,100 for a Suezmax
  - Bonus payment of 20% of dayrates achieved in excess of the initial rates
  - Non-cancelable except for constructive total loss

- Charter payments supported by a \$250 million cash balance at Frontline Shipping
  - Distributions to Frontline are prohibited if cash is below \$250 million
- All technical management and operations will be subcontracted to Frontline Management at a fixed turnkey rate of \$6,500 per day per vessel
  - The management services will be guaranteed by Frontline
  - Limited operational risk
- \$1,058 million bank facility arranged by Citibank and Nordea was raised and closed Feb. 17, 2004
  - Interest rate of LIBOR + 1.25%
  - An amount of USD 500 million is swapped at fixed interest rate 3.4%
- The escrow Senior Notes funds were released Feb. 27, 2004

## 4Q : Strong Market forces

- Extreme volatility in VLCC and Smax market
- Historical record fixing levels in Smax segment – Bospurus congestions
- Strong increase in estimates for world oil demand , IEA adjusts growth estimates to 3.5% increase for 2003
- Strong Crude Oil Indicators : Middle East Exports exceeds 23 mbd , and US imports passes 10 mbd in last week of October. US inventory still low.
- Strong increase in values , yards quoting for 2007
- IMO agrees on phase out
- Earnings figures reflect the time lag from 3Q fixing.

# Supply VLCC's / Suezmaxes

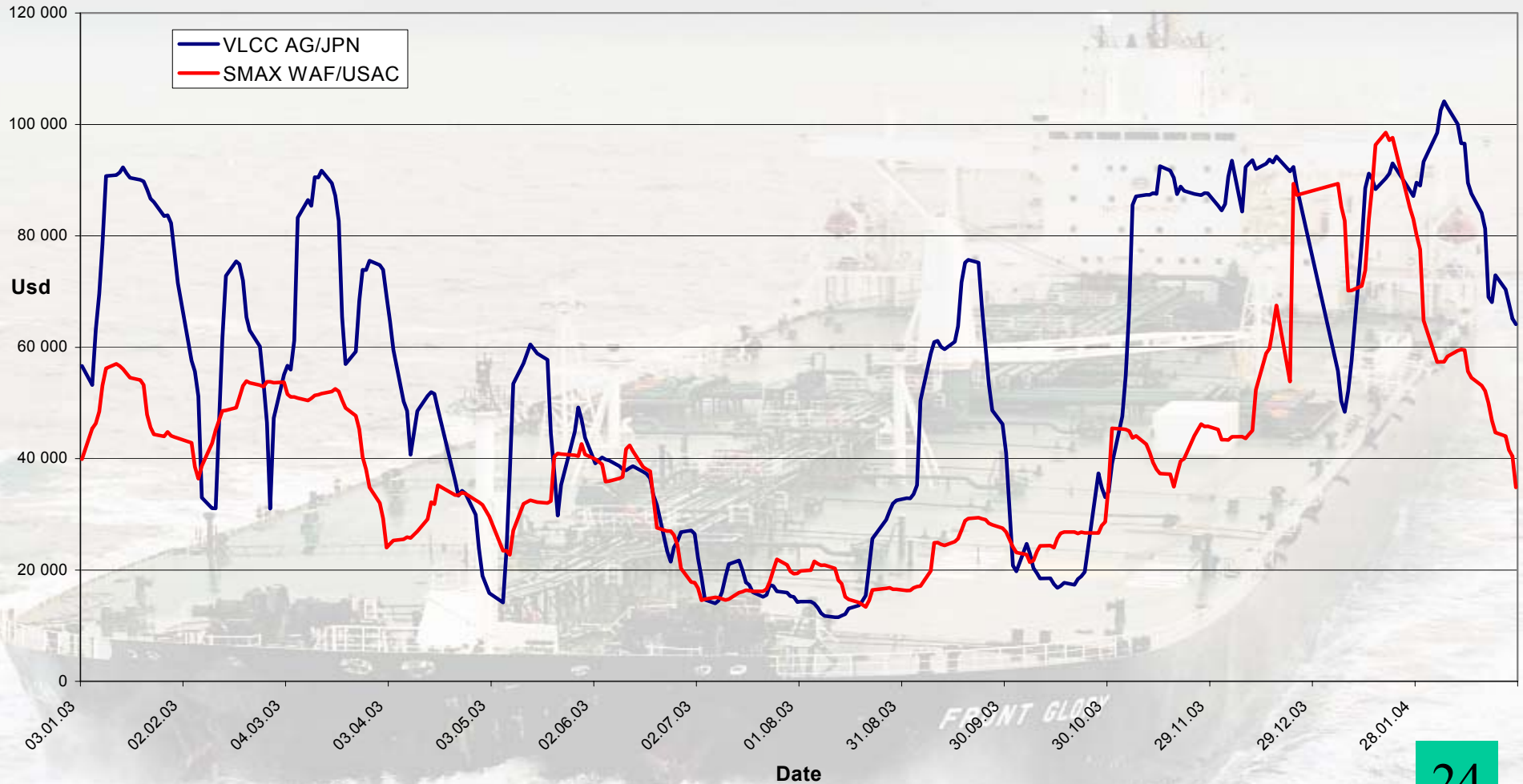
(No. of vessels)

Building year	VLCC's 200,000+ dwt	Of which	
		ULCC's*) 320,000 + dwt	Suezmaxes 120,000-200,000 dwt
1973 or earlier	0	0	0
1974-75	2	0	8
1976-77	8	1	8
1978-80	5	4	11
1981 or later	417	7	275
<b>Fleet as at February 20, 2004</b>	<b>432</b>	<b>12</b>	<b>302</b>
<u>On order</u>			
2004	29		18
2005+	52		55
<b>Total on order 2004-2007</b>	<b>81</b>	<b>0</b>	<b>73</b>

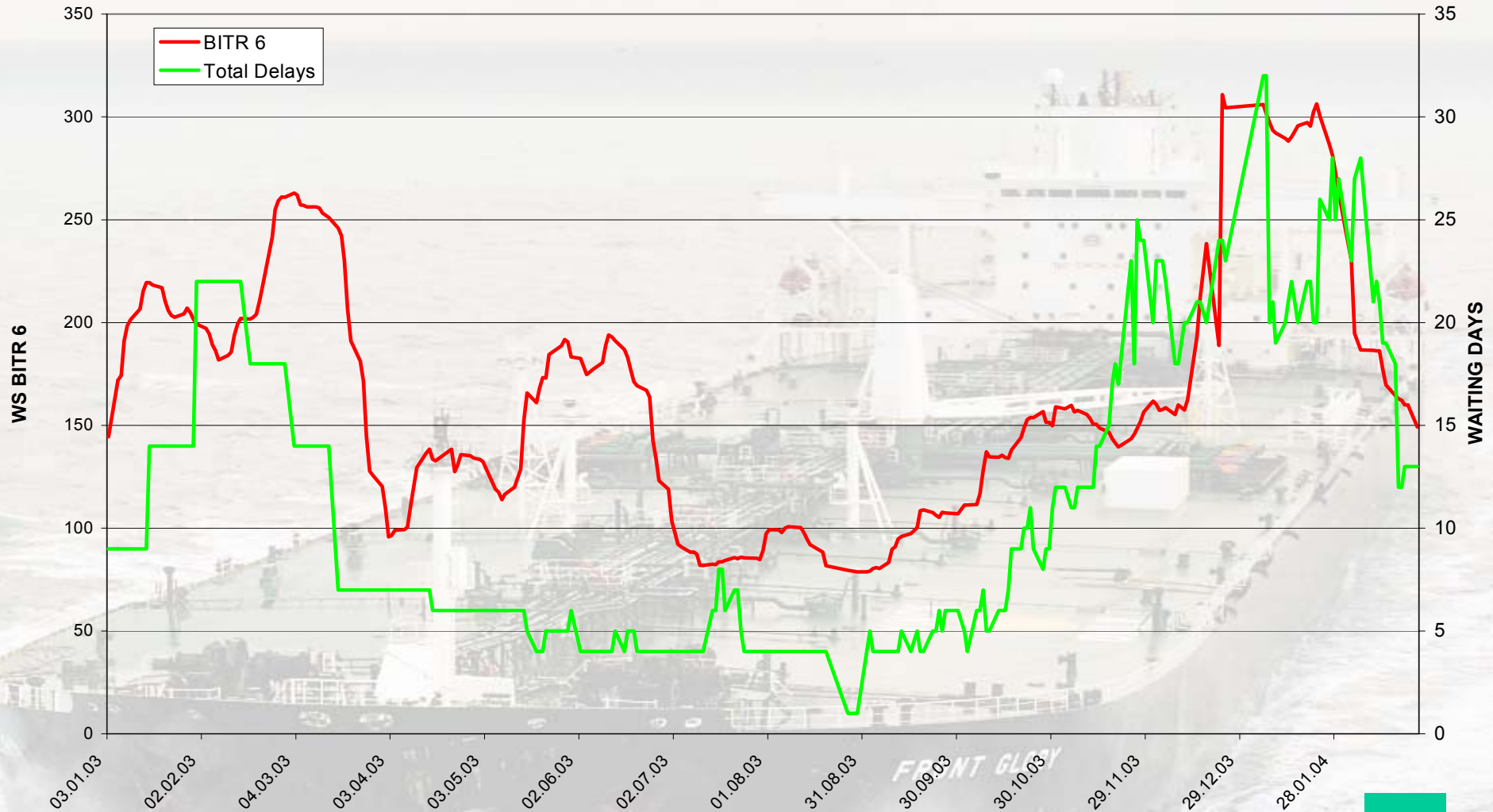
\*) Each ULCC representing an average of 400,000 Dwt

Source: P.F.Bassøe

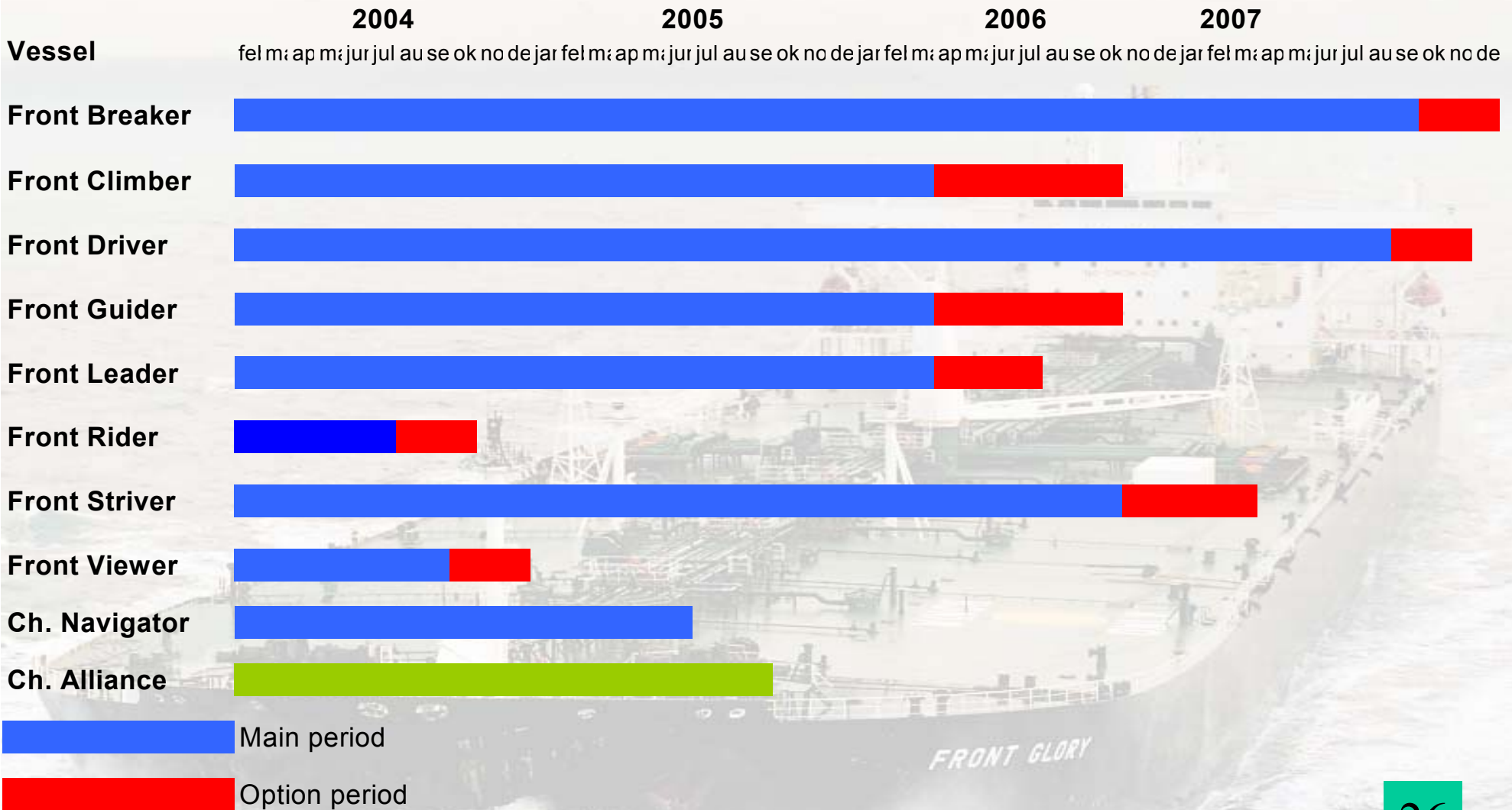
# VLCC and SMAX Bitr rates 2003/ 04



# Bosphorus : Crunching Smax capacity



# Dry bulk Period Coverage



- Another Quarter with volatility
- Traditional 2Q strong dip in rates unlikely to occur ;
  - Strong estimates for 2004 from major agencies, IEA estimates growth in demand of 1.6% , close to 30% from China
  - US : High refinery utilization and margins , strong imports of gasoline, high natural gas prices are all good indicators. Imports 1 mnb / d higher that 1 year ago. More oil is needed before driving season
  - Opec : 31 USD/ b oil , OPEC will still produce more than 27 m /bbls /d ( presently 28 m/ bbls /d)
  - China : Continued strong growth
- Trend : More long haul oil ; examples : Alaska oil are being replaced by AG oil, presently strong trade of Fuel Oil from Eur to Far East. Bottleneck for Russia oil.
- Still limited NB deliveries short end
- Main threat is Macro shock

## Company Issues going forward

- Spot market focus for VLCC and SMAX
- 4 BP VLCCs; time chartered through 2003 and redelivered in Dec./Jan
- Renewal of Cargo Contract with BP under discussions.
- Shell deal is being phased in during March / April
- Unwind OSG JV VLCC's ; unchanged exposure
- Commercial and Technical management for 5 Knightsbridge VLCC

