Frontier Oil Reports Strong Second Quarter 2004 Results

HOUSTON, Aug 5, 2004 /PRNewswire-FirstCall via COMTEX/ -- Frontier Oil Corporation (NYSE: FTO) announced net income of $49.5 million, or $1.81 per diluted share, for the quarter ended June 30, 2004, a substantial improvement from the net loss of $992,000, or $0.04 per share, for the second quarter of 2003. Net income of $49.5 million earned in the second quarter of 2004 was the second highest quarterly earnings achieved by Frontier, trailing only the record $78.9 million net income earned in the second quarter of 2001.

(Logo: http://www.newscom.com/cgi-bin/prnh/20010411/FTOLOGO)

The most recent quarter's results benefited from strong gasoline and diesel crack spreads, wide crude oil differentials and outstanding operations. Gasoline crack spreads averaged $14.23 per barrel in the second quarter 2004 compared to $7.24 per barrel in the second quarter of 2003. The diesel crack spread averaged $7.39 per barrel in the second quarter of 2004, almost double the $3.91 per barrel in the second quarter of 2003. The WTI/WTS crude oil differential averaged $3.29 per barrel for the second quarter 2004, well above the $2.52 per barrel average since we acquired the El Dorado Refinery in November of 1999. Similarly, the light/heavy crude oil differential averaged $8.81 per barrel for the second quarter 2004, well above the five-year average of $5.21 per barrel. Total crude charge for the second quarter 2004 averaged approximately 158,400 barrels per day compared to 156,200 barrels per day in the second quarter 2003 and significantly higher than the 135,200 barrels per day of crude charge in the first quarter 2004.

Frontier's Chairman, President and CEO, James Gibbs, commented, "We are very pleased with the second best quarter in our history. We recovered quickly from our operational problems in the first quarter and were able to capture the strong margins in the second quarter. Looking forward, we will continue to improve our capitalization, review possible acquisitions and pursue potential strategic alliances with heavy crude oil producers. Our July product crack spreads and crude differentials were at or above five-year highs for July and we are optimistic about the remainder of the third quarter."

Frontier's balance sheet benefited from the outstanding quarter. The Company's cash flow before changes in working capital of $80.6 million was applied to debt reduction and working capital investment. Frontier's cash balance was $88.1 million as of June 30, 2004, up from $62.6 million at March 31, 2004. In addition, borrowings under the working capital facility were reduced by $40.5 million. Total debt outstanding at the end of the second quarter 2004 was $208.3 million, comprised of $39.5 million borrowed under the Company's revolving credit facility and $168.8 million in long-term debt. Net cash provided by operating activities was $78.9 million in the second quarter of 2004, compared to $19.3 million for the same period of 2003.

For the six months ended June 30, 2004, Frontier recorded net income of $45.7 million, or $1.68 per diluted share, compared to a net loss of $4.7 million, or $0.18 per share, for the six months ended June 30, 2003.

The second quarter results include an after-tax inventory gain of approximately $5.7 million, or $0.21 per share, compared to a loss of $3.5 million, or $0.14 per share, for the same period of 2003. The six months ended June 30, 2004 include an after-tax inventory gain of $14.7 million, or $0.54 per share, compared to a gain of $1.6 million, or $0.06 per share, for the six-month period ended June 30, 2003.

Conference Call

A conference call is scheduled for today, August 5, 2004, at 11:00 a.m. eastern time, to discuss the financial results. To access the call, please dial (800) 289-0544. For those individuals outside the United States, please call (913) 981-5533. A recorded replay of the call may be heard through August 19 by dialing (888) 203-1112 (international callers (719) 457-0820) and entering the code 575715. In addition, the real-time conference call and a recorded replay will be webcast by PR Newswire. To access the call or the replay via the Internet, go to http://www.frontieroil.com and register from the Investor Relations page of the site.

Frontier operates a 110,000 barrel-per-day refinery located in El Dorado, Kansas, and a 46,000 barrel-per-day refinery located in Cheyenne, Wyoming, and markets its refined products principally along the eastern slope of the Rocky Mountains and in other neighboring plains states. Information about the Company may be found on its web site http://www.frontieroil.com .

This press release includes "forward-looking statements" as defined by the Securities and Exchange Commission. Such

statements are those concerning strategic plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward- looking statements. These statements are based on certain assumptions made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

FRONTIER OIL CORPORATION

	Six Months Ended June 30		Three Months Ended June 30	
	2004	2003	2004	2003
INCOME STATEMENT DATA ($000's except per share)				
Revenues	$1,273,236	$1,032,797	$735,904	$533,413
Refining operating costs	1,154,854	999,242	634,981	512,627
Selling and general expenses	13,846	9,794	7,171	5,116
Merger termination and legal costs	3,663	0	376	0
Operating income before depreciation (EBITDA) (A)	100,873	23,761	93,376	15,670
Depreciation	15,762	14,031	7,943	7,071
Operating income	85,111	9,730	85,433	8,599
Interest expense and other financing costs	11,805	17,946	5,949	10,520
Interest income	(405)	(1,014)	(204)	(641)
Gain on involuntary conversion of assets	(594)	0	(594)	0
Provision (Benefit) for income taxes	28,572	(2,510)	30,813	(288)
Net income (loss)	$45,733	$(4,692)	$49,469	$(992)
Net income (loss) per diluted (basic) share	$1.68	$(0.18)	$1.81	$(0.04)
Average shares outstanding (000's)	27,224	25,897	27,313	25,929
OTHER FINANCIAL DATA ($000's)				
Cash flow before changes in working capital	$85,143	$9,003	$80,573	$6,345
Working capital changes	(23,525)	(9,027)	(1,697)	12,970
Net cash provided (used) by operating activities	61,618	(24)	78,876	19,315
Net cash used by investing activities	(28,320)	(19,563)	(11,739)	(12,956)
OPERATIONS				
Consolidated Operations (bpd)				
Total charges	162,484	159,297	172,951	173,610
Gasoline yields	80,625	79,863	86,782	85,056
Diesel yields	51,188	51,087	54,917	59,324
Total sales	160,050	158,141	171,460	171,215

Refinery operating margin information ($ per bbl)				
Refined products revenue	$43.88	$36.03	$47.27	$34.24
Raw material, freight and other costs	35.99	31.40	37.42	29.74
Operating expenses excluding depreciation	3.65	3.51	3.28	3.16
Refinery depreciation	0.52	0.49	0.49	0.45
Light/Heavy crude spread ($ per bbl) (B)	$8.49	$6.97	$8.81	$6.56
WTI/WTS Differential ($ per bbl)	3.09	2.78	3.29	3.19

BALANCE SHEET DATA ($000's)	At June 30, 2004	At March 31, 2004
Cash, including cash equivalents	$88,086	$62,634
Working capital	91,786	21,390
Revolving Capital Facility	39,500	80,000
Total long-term debt	168,796	168,742
Shareholders' equity	216,846	165,592

(A) EBITDA represents income before interest expense, interest income, income tax, and depreciation and amortization. EBITDA is not a calculation based upon generally accepted accounting principles; however, the amounts included in the EBITDA calculation are derived from amounts included in the consolidated financial statements of the Company. EBITDA should not be considered as an alternative to net income or operating income, as an indication of operating performance of the Company or as an alternative to operating cash flow as a measure of liquidity. EBITDA is not necessarily comparable to similarly titled measures of other companies. EBITDA is presented here because it enhances an investor's understanding of Frontier's ability to satisfy principal and interest obligations with respect to Frontier's indebtedness and to use cash for other purposes, including capital expenditures. EBITDA is also used for internal analysis and as a basis for financial covenants. Frontier's EBITDA for the six and three months ended June 30, 2004 and 2003 is reconciled to net income as follows:

	Six Months Ended June 30		Three Months Ended June 30	
	2004	2003	2004	2003
	(In Thousands)			
Net income (loss)	$45,733	$(4,692)	$49,469	$(992)
Add provision (benefit) for income taxes	28,572	(2,510)	30,813	(288)
Add interest expense and other financing costs	11,805	17,946	5,949	10,520
Subtract interest income	(405)	(1,014)	(204)	(641)
Subtract gain on involuntary conversion of assets	(594)	0	(594)	0
Add depreciation and amortization	15,762	14,031	7,943	7,071
EBITDA	$100,873	$23,761	$93,376	$15,670

(B) Average light/heavy crude oil spread is the differential between the benchmark average West Texas Intermediate (WTI) crude priced at

Cushing, Oklahoma and the heavy crude oil priced delivered to the Cheyenne Refinery. The light/heavy spread has been restated in prior periods using WTI as the light crude oil in order to be comparable with the WTI/WTS spread reported for the El Dorado Refinery.

SOURCE Frontier Oil Corporation

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