Frontier Oil Reports 2003 Fourth Quarter and Year End Results

HOUSTON, Feb 11, 2004 /PRNewswire-FirstCall via COMTEX/ -- Frontier Oil Corporation (NYSE: FTO) announced net income of $4.1 million, or $0.15 per diluted share, for the fourth quarter ended December 31, 2003, compared to net income of $3.0 million, or $0.11 per diluted share, for the same period of 2002. For the year ended December 31, 2003, Frontier recorded net income of $3.2 million, or $0.12 per diluted share, compared to net income of $1.0 million, or $0.04 per diluted share, for the year ended December 31, 2002.

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

Included in the fourth quarter are pre-tax expenses of $5.2 million, after-tax expenses of $3.2 million, or $0.12 per share, related to the terminated Holly Corp. merger and the associated pending lawsuit. The trial is scheduled to begin in late February 2004 in Delaware Chancery Court. Included in the results for the year ended December 31, 2003 are pre-tax expenses of $26.8 million, after-tax expenses of $16.5 million, or $0.61 per share, related to the terminated merger. Expenses related to the termination of the Holly merger include $8.7 million of merger termination and legal fees and $18.8 million in interest expense and financing costs offset by $752,000 in interest income.

EBITDA(A) for the fourth quarter of 2003 was $22.5 million compared to $18.1 million for the same period of 2002. For the year ended 2003, EBITDA totaled $80.7 million compared to $55.2 million for the twelve months ended 2002.

During the fourth quarter, Frontier benefited from excellent crude oil spreads. The light/heavy crude oil spread was $7.66 per barrel in the fourth quarter of 2003 compared to $6.31 per barrel for the fourth quarter of 2002, and the WTI/WTS crude oil spread was $2.71 per barrel for the fourth quarter of 2003 compared to $1.73 per barrel for the same period of 2002. For the twelve months ended December 31, 2003, the light/heavy spread averaged $7.10 per barrel compared to $4.77 per barrel for the same period of 2002. The WTI/WTS differential was $2.68 per barrel for the twelve-month period of 2003 compared to $1.36 per barrel for the year ended December 31, 2002.

Frontier's Chairman, President and CEO, James Gibbs, commented, "From an operating standpoint, 2003 was an excellent year in which income before taxes, excluding merger costs(B) was approximately $33.0 million, or $1.22 per share. Furthermore, despite an 18-day crude unit turnaround at El Dorado in March during a high margin period, we set a total charge record of 165,628 barrels per day for the year. Unfortunately, due to the terminated merger with Holly and the related merger costs(B), our income before taxes was offset by $26.8 million, or $0.99 per share. We are eagerly awaiting a conclusion to this matter. Looking forward, we are encouraged by the strength of crude oil differentials and are exploring several opportunities to leverage this ongoing trend."

On January 19, 2004, the Company reported a fire in the furnaces of the coking unit at its Cheyenne Refinery and expected the coker to be out of service for approximately 30 days. Fortunately, no serious injuries occurred as a result of the fire. Frontier replaced one of the furnaces and is completing repairs on the other and expects the coking unit to return to service in mid-February 2004. The Company had previously scheduled a distillate hydrotreater and naphtha hydrotreater turnaround in Cheyenne for late March 2004, but has accelerated the start of the turnaround to begin in mid-February in order to minimize lost production. This turnaround is expected to last 16 days. As a result of the fire and the turnaround, Frontier expects total crude charge for the first quarter at the Cheyenne Refinery to average 35,000 barrels per day, of which approximately 81% will be heavy crude. However, for the year, the Company expects to recover almost all of the production lost in the first quarter.

The fourth quarter results include an after-tax inventory gain of approximately $6.7 million, or $0.25 per share, compared to a loss of ($3.0) million, or ($0.11) per share, for the same period of 2002. Year-end 2003 results include a first in first out (FIFO) inventory gain of $4.4 million, or $0.16 per share, compared to a gain of $19.0 million, or $0.71 per share, for the year ended December 31, 2002.

Conference Call

A conference call is scheduled for today, February 11, 2004, at 11:00 a.m. EST, to discuss the financial results. To access the call, please dial (800) 838-4403. For those outside the U.S., please call (973) 317-5319. A replay may be heard through February 25, 2004 by dialing (800) 428-6051 and entering the passcode 333626. To access the call or the replay via the Internet, go to www.frontieroil.com and register on the Investor Relations page.

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 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

	Twelve Months Ended December 31		Three Months Ended December 31	
	2003	2002	2003	2002
INCOME STATEMENT DATA ($000's except per share)				
Revenues	$2,170,503	$1,813,750	$542,943	$531,558
Refining operating costs	2,061,178	1,740,908	510,718	508,679
Selling and general expenses	19,890	17,611	4,964	4,790
Merger termination and legal costs	8,739	0	4,786	0
Operating income before depreciation (EBITDA)(A)	80,696	55,231	22,475	18,089
Depreciation	28,832	27,332	7,645	6,979
Operating income	51,864	27,899	14,830	11,110
Interest expense and other financing costs	28,746	27,613	7,997	6,874
Merger financing termination costs, net	18,039	0	407	0
Interest income	(1,109)	(1,802)	(202)	(415)
Income before income taxes	6,188	2,088	6,628	4,651
Provision for income taxes	2,956	1,060	2,526	1,686
Net income	$3,232	$1,028	$4,102	$2,965
Net income per diluted share	$0.12	$0.04	$0.15	$0.11
Diluted average shares outstanding (000's)	26,991	26,934	27,068	26,813
OTHER FINANCIAL DATA ($000's)				
Cash flow before changes in working capital	$19,917	$33,050	$(11,072)	$12,991
Working capital changes	(25,922)	17,772	(24,250)	30,758
Net cash provided (used) by operating activities	(6,005)	50,822	(35,322)	43,749
Net cash provided (used) by investing activities	(34,300)	(37,117)	(7,544)	(6,729)
Net cash provided (used)				

by financing activities	(7,539)	(5,336)	770	(31,339)
BALANCE SHEET DATA ($000's)				
Cash, including cash equivalents	$64,520	$112,364		
Working capital	38,621	108,253		
Short-term and current debt	45,750	0		
Total long-term debt	168,689	207,966		
Shareholders' equity	169,277	168,258		
OPERATIONS				
Operations (bpd)				
Total charges	165,628	163,816	166,347	162,361
Gasoline yields	83,449	84,645	87,937	94,564
Diesel yields	53,156	53,436	53,059	55,140
Total sales	165,667	166,532	169,233	175,888
Refinery operating margins information ($ per sales bbl)				
Refined products revenue	$35.88	$29.82	$34.95	$32.74
Raw material, freight and other costs	30.77	25.71	29.51	28.51
Operating expenses excluding depreciation	3.31	2.93	3.30	2.93
Refinery depreciation	0.47	0.44	0.49	0.43
Light/heavy crude oil spread ($ per bbl) (C)	$7.10	$4.77	$7.66	$6.31
WTI/WTS Differential ($ per bbl)	2.68	1.36	2.71	1.73

KEY TERMS: bpd = barrels per day; bbl = barrel

(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 each of the twelve months and three months ended December 31, 2003 and 2002 is reconciled to net income as follows:

	Twelve Months Ended December 31		Three Months Ended December 31	
	2003	2002	2003	2002
	(In thousands)			
Net income	$3,232	$1,028	$4,102	$2,965
Add provision for income taxes	2,956	1,060	2,526	1,686
Add interest expense and other financing costs	28,746	27,613	7,997	6,874

Add merger financing termination costs, net	18,039	0	407	0
Subtract interest income	(1,109)	(1,802)	(202)	(415)
Add depreciation and amortization	28,832	27,332	7,645	6,979
EBITDA	$80,696	$55,231	$22,475	$18,089

(B) Merger costs consist of merger termination and legal costs, and merger financing termination costs, net of merger escrow account interest income. Income before taxes, excluding merger costs is income before taxes adding back merger costs. Income before taxes, excluding merger costs is not a calculation based upon generally accepted accounting principles; however the amounts included in the calculation are derived from amounts included in the consolidated financial statements of the Company. Income before taxes, excluding merger costs 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. Income before taxes, excluding merger costs is presented here because it enhances an investor's and management's understanding of Frontier's operational results and provides a better comparison to prior year operations. Income before taxes, excluding merger cost is reconciled below to income before taxes for December 31, 2003:

	Twelve Months Ended December 31, 2003 (In thousands)
Income before taxes	$6,188
Add merger financing termination costs, net	18,039
Add merger termination and legal costs	8,739
Subtotal Merger Costs	26,778
Income before taxes, excluding merger costs	$32,966
Diluted shares	26,991
Merger costs per share	$0.99
Income before taxes, excluding merger costs per share	$1.22

(C) 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.

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