



FRONTLINE LTD.

The process of streamlining a tanker company.

**Investor presentation
December 1997**



Our Ambition

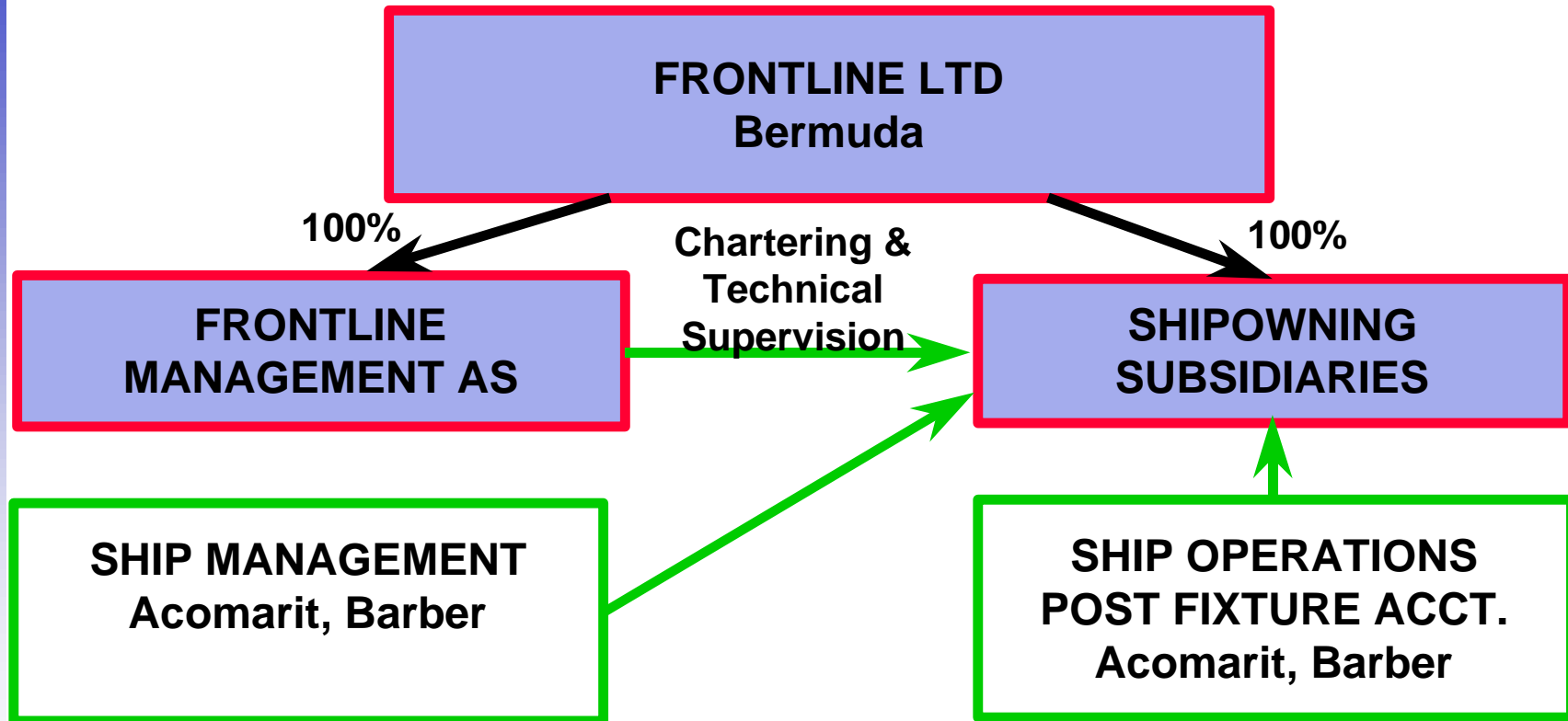
To make Frontline the natural choice for institutional investors who want to invest in the large tanker market.



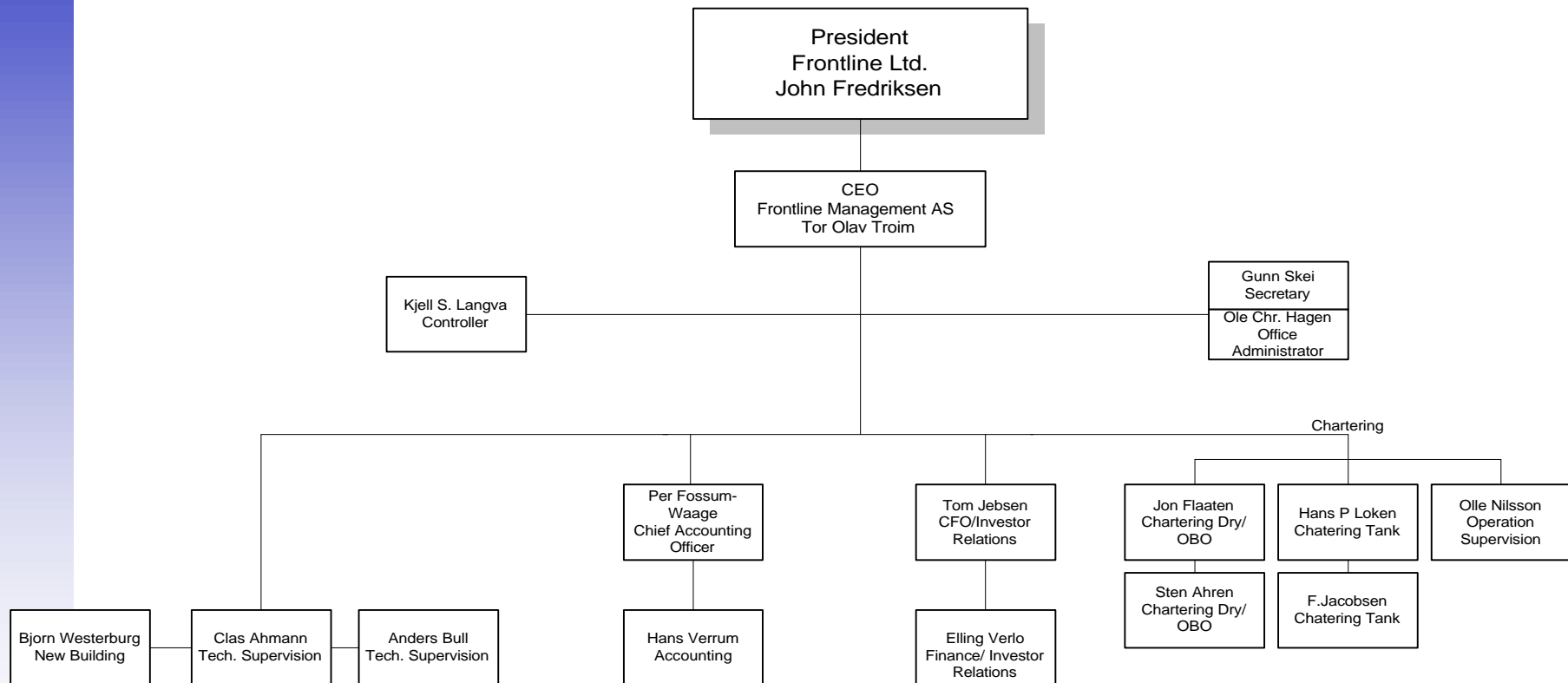
Critical factors in order to accomplish our ambition

- Consistent strategy and focus.
- Homogenous fleet.
- Cost competitive and professional operation.
- Strong relations to the investor market.
- Good stock trading liquidity.
- Aggressive and opportunistic investment strategy.
- Focus on EBITDA contribution
- Solid financial base - credibility in the banking market
- Size

Corporate Structure



Frontline Organization





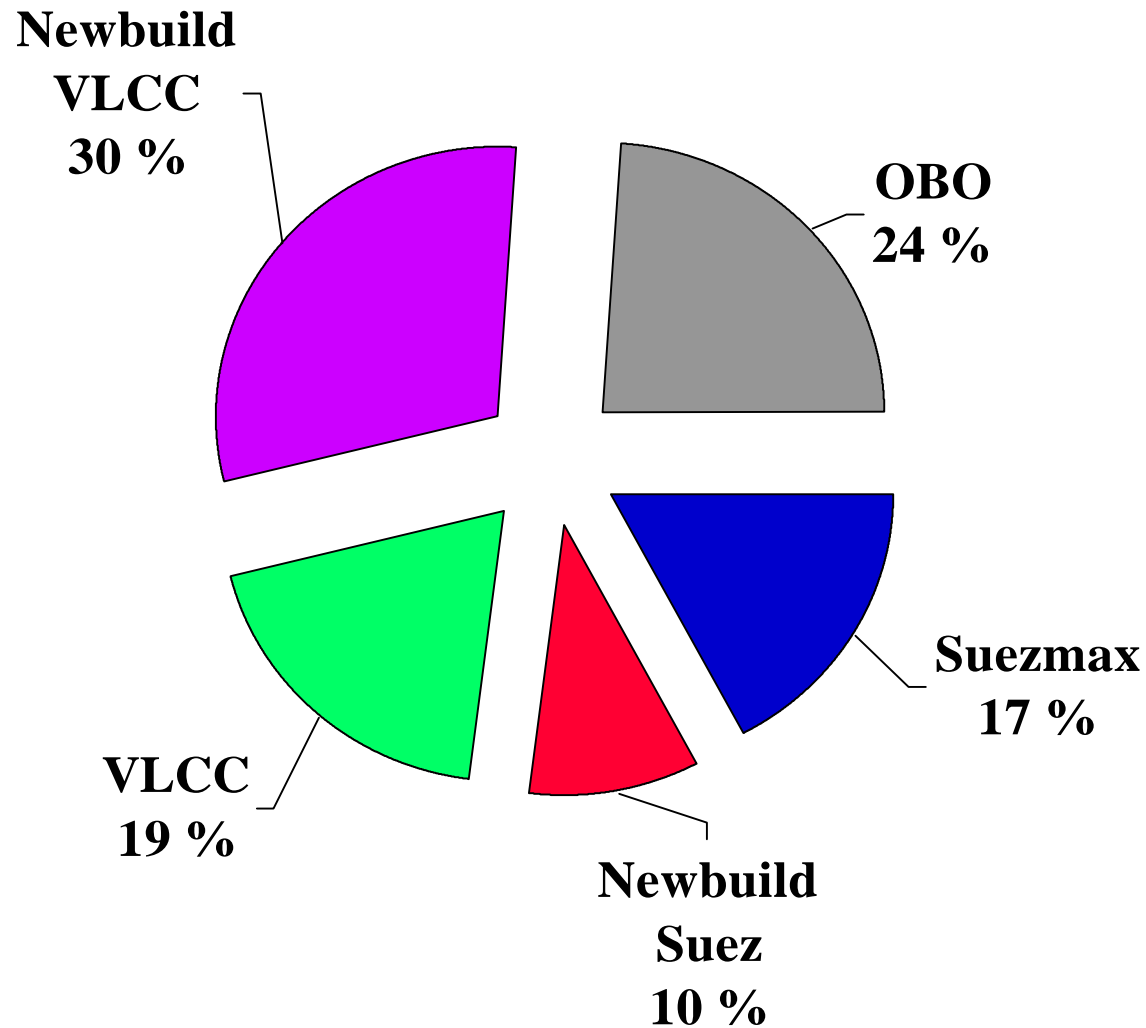
Owned Tonnage

	<u>Built</u>	<u>Dwt</u>		<u>Built</u>	<u>Dwt</u>
<i>SUEZMAX OBO</i>			<i>SUEZMAX TANKERS</i>		
Front Breaker	1991	169 000	Lillo	1991	147 000
Front Climber	1991	169 000	Front Emperor	1992	147 000
Front Driver	1991	169 000	Front Spirit	1993	147 000
Front Guider	1991	169 000	London Pride	1993	150 000
Front Leader	1991	169 000	London Splendour	1995	150 000
Front Rider	1992	169 000	London Glory	1995	150 000
Front Striver	1992	169 000	Polytrader (35%)	1978	126 000
Front Viewer	1992	169 000	Polytraveller (40%)	1979	126 000
<i>VLCC TANKERS</i>			<i>ON CHARTER</i>		
Front Highness	1991	284 000	Glen Maye	1994	150 000
Front Lady	1991	284 000	Algarrobo	1984	156 000
Front Lord	1991	284 000			
Front Duke	1992	284 000			
Front Duchess	1993	284 000			

Newbuilding program

	<u>Yard</u>	<u>Delivery</u>	<u>dwt</u>
<i>SUEZMAX NEWBUILDINGS</i>			
N/B 1078 (Firm)	Hyundai	Jun - 98	153 000
N/B 1079 (Firm)	Hyundai	Jul - 98	153 000
N/B 1087 (Firm)	Hyundai	Aug - 98	153 000
<i>VLCC NEWBUILDINGS</i>			
N/B 1106 (Option)	Hyundai	Aug - 98	308 000
N/B 1107 (Option)	Hyundai	Jan - 99	308 000
N/B 1127 (Option)	Hyundai	Feb - 99	308 000
N/B 1150 (Option)	Hyundai	Apr - 99	308 000
N/B 1151 (Option to be finalised)	Hyundai	Jul - 99	308 000
N/B 1169 (Option to be finalised)	Hyundai	Sep - 99	308 000

Fleet Exposure including new building program based on % of values

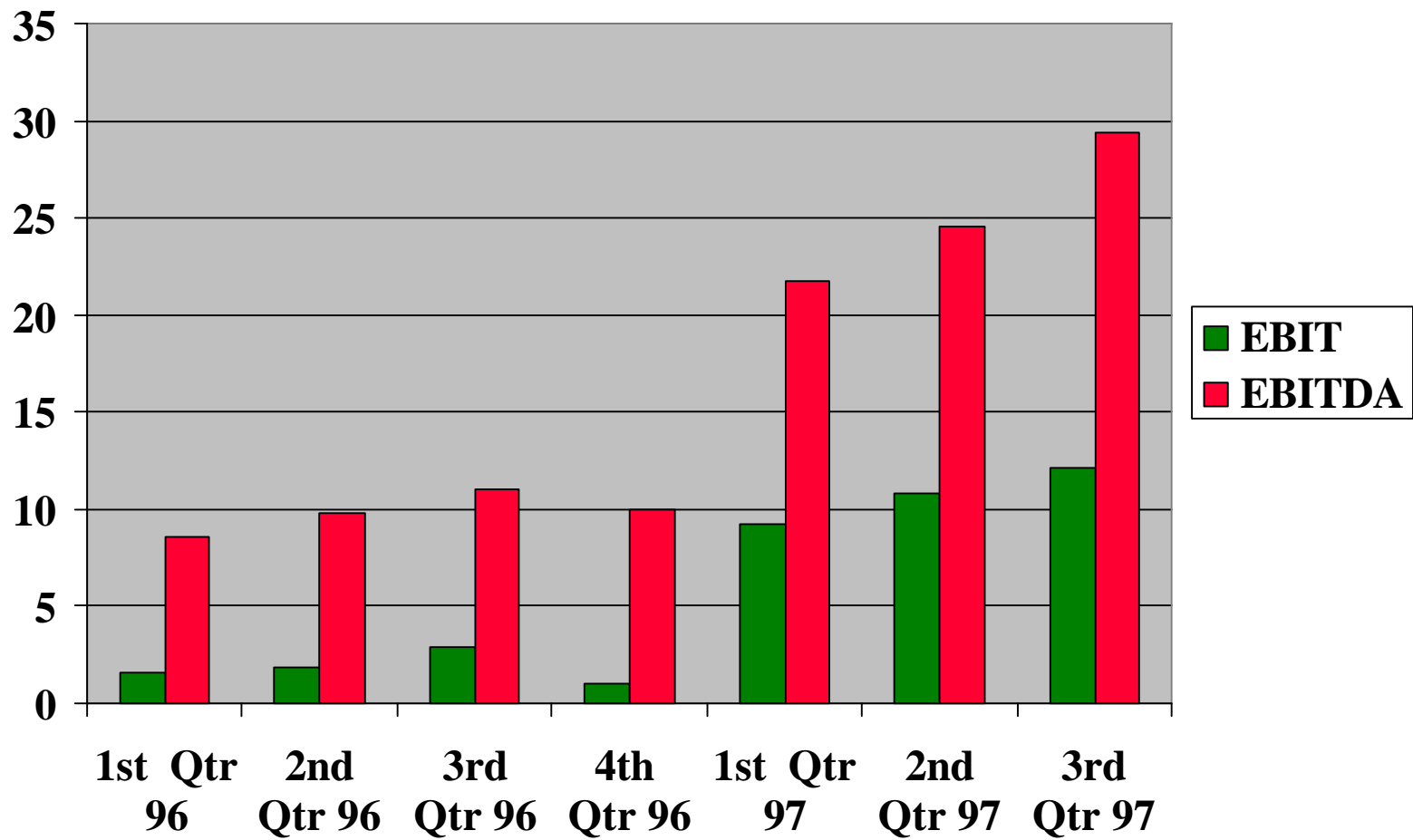


Results first three quarters 1996 -1997

	<u>MUSD</u>	
	<u>1997</u>	<u>1996</u>
Net sales	179	133
Voyage expenses	<u>-43</u>	<u>-50</u>
Income on time charter basis	136	83
Gain on sale of ships	0	3
Ship operating expenses	-33	-25
Charterhire expenses	-19	-27
Administrative expenses	<u>-9</u>	<u>-5</u>
Operating income	75	29
Depreciation on ships	-43	-24
Financial items	<u>-24</u>	<u>-15</u>
Net profit	<u>8</u>	<u>-10</u>



EBIT - EBITDA Development





Balance Sheet

September 30, 1997

	1997	1996
	<u>M USD</u>	<u>M USD</u>
Current assets & overdrafts	92	92
Other assets	6	0
Associated companies	222	3
Ships	<u>873</u>	<u>409</u>
	1 193	504
Other short term liabilities	149	31
Ship loans	528	317
Stockholders' equity	<u>516</u>	<u>156</u>
	1 193	504
Equity/assets ratio	43%	31%
Equity per share USD	3.78	3,72

Frontline post amalgamation

	Frontline 30.09.97	L.O.F. Purchase	L.O.F. 30.09.97	Sale Panamax	Amalgam. company	Repay debt	Amalam. company II
Curr. assets	92	-20	29	51	152	-73	79
Other assets	6	93	3		9		9
Ass. comp.	222		0		222		222
Vessels	873		201	-51	1 023		1 023
Total assets	1 193	73	233	0	1 406	-73	1 333
S. t. liabilities	149	73	22		244	-73	171
L. t. debt	528		92		620		620
Equity	516		119		542		542
Tot. D&E	1 193	73	233	0	1 406	-73	1 333



Calculations 1998

- Assumptions :

- VLCC USD 37.000 per day
- OBO USD 29.000 per day
- Suez USD 27.000 per day

- Results :

- EBITDA USD 173 mill.
- Net finance USD -48 mill.
- Depreciation USD -55 mill.
- **Net income** **USD 57 mill.**

NB For illustration purposes only

Estimated Break Even Levels 1997

(USD/day)	<u>Income</u>	<u>Cash</u>	<u>Jan -sept</u> <u>1997</u>	<u>3rd Qtr</u> <u>1997</u>
OBO	22,300	20,600	25,800	27,100
VLCC	25,450	26,200	29,300	37,300
Suezmax	19,500	19,200	23,300	23,300

Figures include:

Daily operating costs

Interest

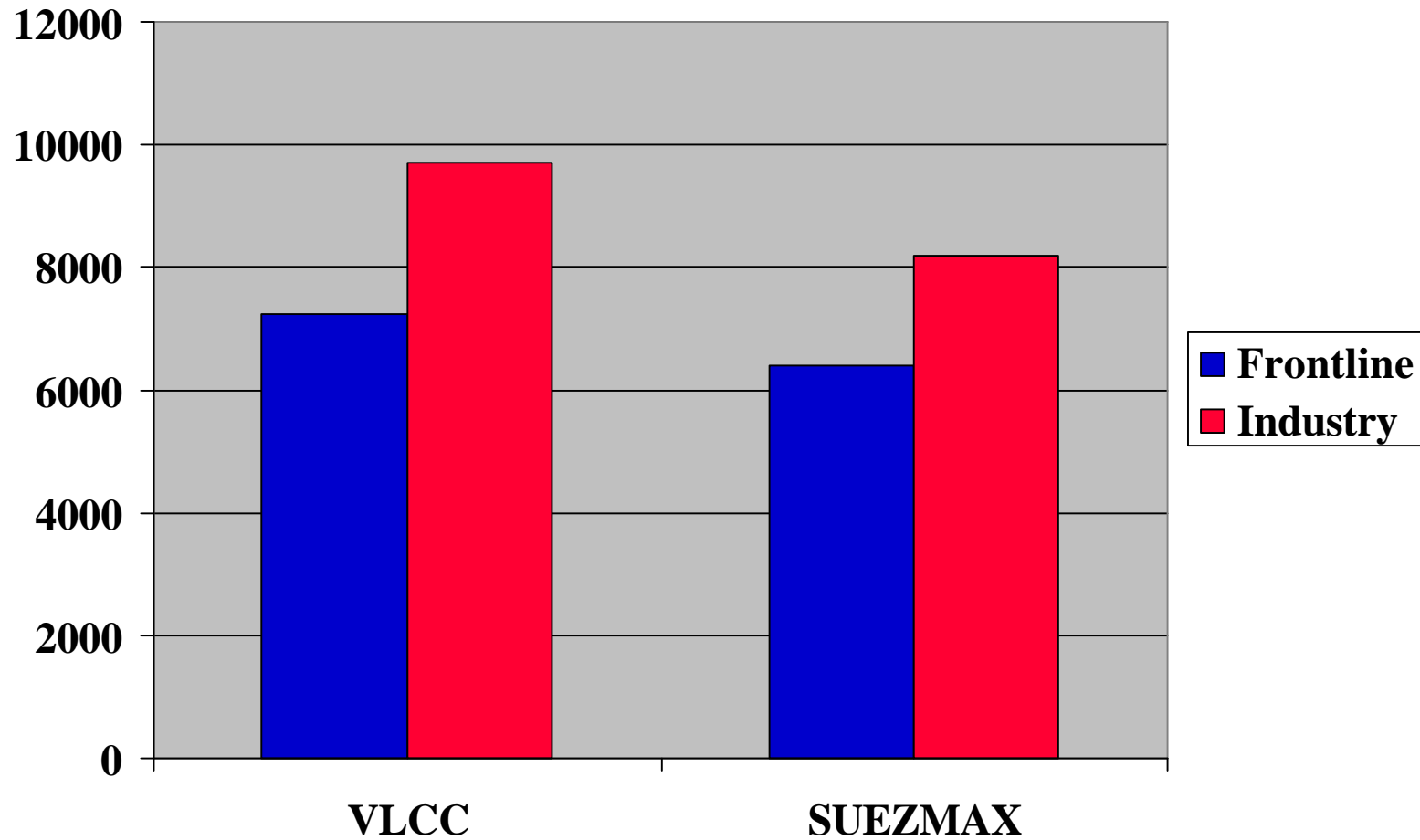
Depreciation/Amortization

Drydocking provisions/expenses



Frontline - a cost efficient shipowner

Operating cost per day USD





Equity need for newbuilding financing

- *Scenario : Frontline takes delivery of 3 Suezmax + 6 VLCC new buildings without raising further equity.*

Assumptions :

- T/C VLCC USD 37,000 per day.
- T/C Suezmax USD 27,000 per day.
- T/C OBO USD 29,000 per day.
- Bank financing Suezmax USD 35.0 mill.per ship.
- Bank financing VLCC USD 50.0 mill.per ship.
- 2nd priority VLCC USD 14.5 mill per ship.

Result :

- Equity injected in new buildings USD 125 mill.
- Repayment of existing debt USD 125 mill.
- Increased cash position USD 30 mill.



London & Overseas Freighters Ltd.

- Integrated shipowning company established in 1948, redomeciled to Bermuda in 1992.
- Company listed on NASDAQ and London Stock Exchange.
- Assets : 3 * Panmax (1982 - 1983) + 3 * Suezmax (1993 - 1995)
- The board recommended sale of the company in February 1997.
- LOF received proposals from 10 interested entities.
- Frontline achieved an exclusive negotiating position from July 1997.
- Market capitalisation of LOF based on Frontline's bid USD 117 mill.
- Implicit fleet value as of 30/9 - 97 USD 197 mill.
- Three Panmax sold to Pegasus for USD 51 mill. Delivery before year end.
- LOF's operation in London will cease.
- LOF's Bermuda office will continue its operation in Frontline's name.
- Suezmaxes will be reflagged, recrewed and commercial management taken over by Frontline.
- Frontline has as of end October acquired 80 % of the LOF shares, and representatives have a majority position on the Board.
- Completion of merger including combined listing in New York is expected in January 1998.

L.O.F. - Amalgamation structure




Frontline Shares	136 701 507	L.O.F. shares	73 725 816
Exchange ratio	3,263527	L.O.F. shares tendered	58 810 070
		L.O.F. post tendered	14 915 746

	<u>Frontline</u>	<u>L.O.F.</u>	<u>Pro Forma total</u>
Shares	446 129 106	14 915 746	461 044 852
Options	0	2 910 000	2 910 000
Warrants	26 000 000	1 245 588	27 245 588
Fully diluted	472 129 106	19 071 334	491 200 440
Ownership	96,12%	3,88%	100%



ICB Shipping AB - Status

- Frontline has invested USD 215 mill in ICB Shipping AB. Frontline owns 52 % of the share capital, and controls 32 % of the votes. The investment is financed with USD 98 mill. in ordinary bank financing.
- ICB is well managed and well positioned to benefit from the positive development in the tanker market.
- Frontline has given a cash offer for all outstanding shares in ICB. The offer is fully financed and remains open.
- The shareholder meeting in ICB has approved the acquisition of Astro Tankers. Frontline will oppose the transaction legally. The completion of the transaction is dependent on various subjects.
- Frontline can through their share position effectively block any further capital issues in ICB. Frontline can also effectively block a re-domiciliation of ICB.
- Frontline will record the ICB investment according to equity accounting or cost method. ICB's board has estimated a net result of USD 68 mill for 1998. If recording the ICB investment according to the equity method, the current ownership and financing cost will result in a profit of approx. USD 28 mill. in 1998.



ICB Shipping AB - Strategy

- **Main strategy :**
Extend current bid until bid is successful. Then complete take over.
- **Alternative strategy :**
Oppose Astro transaction legally - Work for influence.
- **If not successful legally:**
 - a.) Work for VLCC de-merger / break up solution.
 - b.) Remain long term shareholder. Work for equal voting rights.
 - c.) If price is right sell the shares, and invest the proceeds in new investments with better expected returns.
- **Most important:**
Get investors attention back to “Core Frontline”
The ICB investment accounts for only approx. 12% of Frontlines gross balance sheet including options



What we have accomplished since 1996

- Frontline's strategy has been focused on tanker business, the loss making bulker operation has been closed.
- The current tanker fleet has increased from 8 to 19 units.
- Cost of financing has been reduced, additional banks have supported the company.
- Cost cutting plan which will cut at least USD 15 mill. has been implemented.
- Company is redomiciled to Bermuda, and thereby free of tax and costly crew regulations in the future.
- New management function has been established in Oslo, top officers recruited. Stockholm office is closed down.
- The company's listing has changed from Stockholm to Oslo, expected New York listing in January 1998.
- Trading liquidity in the stock has increased from USD 135' to USD 3,000' per day.
- 3 firm Suezmax + 6 optional VLCC newbuilding contracts have been signed.
- USD 176 mill. has been raised in new equity, increased support from large institutional investors.
- The merger with London & Overseas is almost completed.
- Frontline has become the largest shareholder in ICB.
- Company has returned to profit.



Plan for 1998

- Complete LOF transaction and list Frontline in New York.
- Work for long term solution regarding ICB investment.
- Consider debt offering as alternative to additional equity issue.
- Renegotiate terms of existing financing.
- Improve results from chartering.
- Build up industrial relationship to charterer's - generate contract business.
- Strengthen Frontline's image in the US - investor market.
- Evaluate fleet composition.
- Enjoy market.



Why Frontline ?

- Unique fleet composition.
- Focused and consistent strategy.
- Shareholder orientated company.
- Good trading liquidity in the stock.
- Interesting leverage - combined with moderate cash break even rates.
- Strong cash flow.
- Timing orientated investment strategy.
- Low cost operator.
and most important of all



Why Frontline ?

- **The development in the tanker market.**