



Frontline Ltd.

The ICB solution, and the way ahead
Presentation in OSLO September 24 - 1999

www.frontline.bm



Agenda

- ICB Shipping Transaction
- Frontline Status
- The Suezmax segment
- The Tanker Market



Frontline & ICB - History

September 1997:

Frontline launches a bid, valued at SEK 115 per share. The offer was termed hostile by ICB's board. Frontline acquires 52% of the capital.

September - October 1997:

Frontline raised USD 159 million in cash during the fall 1997 to finance the ICB and LOF acquisition.

October 1997:

To counter Frontline's offer, ICB announced a merger with Astro Tankers, Angelicoussis' private arm.

November 1997:

Through legal action Frontline is able to stop the ICB - Astro merger attempt.



History (cont.)

May 1998:

Preliminary deal to split ICB is concluded, but never completed.

December 1998:

Holding increased to 57%.

April 1999:

A special investigator concludes in a preliminary report that the ICB board is personally responsible for misuse of corporate funds.

Frontline buys Hightree and Capital positions and thereby increases holding to 69%.

May 1999 - Sep 1999 :

Discussions with ICB's board.

September 23:

Final solution.



Main terms in the agreement

- Frontline acquires 5,858,710 shares for a total consideration of USD 61 million. Price paid SEK 72.58 per B-share, SEK 112.58 per A-share.
- ICB sells 4 VLCCs Irian, Ambon, Flores and Mindoro for USD 189 million. ICB repays mortgage debt totalling USD 170 million.
- ICB sells interest in Stockholm Chartering, exclusivity agreement terminated.
- All disputes to be terminated.
- Frontline to take board control in ICB.



ICB Fleet

→ Total assessed value USD 449 mill.

| | | DWT | Built |
|----------|---------|---------|-------|
| Sabang | VLCC | 285,000 | 1990 |
| Vanadis | VLCC | 285,000 | 1990 |
| Irian | VLCC | 285,000 | 1992 |
| Ambon | VLCC | 285,000 | 1992 |
| Flores | VLCC | 285,000 | 1995 |
| Mindoro | VLCC | 300,000 | 1995 |
| Maple | Suezmax | 152,000 | 1991 |
| Birch | Suezmax | 152,000 | 1991 |
| Granite | Suezmax | 142,000 | 1991 |
| Sunda | Suezmax | 142,000 | 1992 |
| Comor | Suezmax | 142,000 | 1993 |
| Mindanao | Suezmax | 158,000 | 1998 |

← To be sold to
ACOL for
USD 189 mill.



ICB Assets Post Take-over

- 2 VLCCs built 1990
- 6 Suezmaxes built 1991-98
- 805,000 shares in Knightsbridge Tankers Ltd, plus management function
- 50% of Suezmax FSO (delivered May 1999)
- Sonangol Letter of intent
- Kim Jacob (Suez 1998) on three year charter back at USD 24,000 per day
- Total mortgage debt (based on 30-06 figures) after sale to ACOL: USD 187 million
- Total cash per 30-06: USD 117 million



ICB Balance Sheet (USD mill.)

| | <i>Book 30.06.99</i> | <i>New ICB B/S Value Adj.</i> |
|--|----------------------|-------------------------------|
| Cash | 117 | 131 |
| Other current assets | 34 | 34 |
| Vessels | 520 | 260 |
| Other fixed assets | 9 | 9 |
| Shares and participations, other assets | 24 | 26 |
| Total assets | 704 | 460 |
| Short term debt | 40 | 20 |
| Other current liabilities | 26 | 23 |
| Long term debt | 317 | 167 |
| Shareholders equity | 321 | 250 |
| Total liabilities and shareholders equity | 704 | 460 |



The Benefits of the Solution

- Increased market position in the Suezmax segment.
- Direct access to cashflow and assets.
- Reduced overhead and operating cost on ICB Fleet.
- Ultimately - significant reduction of short term liabilities in Frontline.
- Knightsbridge + ITC = Interesting opportunity.
- Frontline will capitalise on ICB's organisation.
- The deal proves Frontlines role as a serious market consolidator, and gives us financial flexibility and time to develop Frontline further.



Frontline Fleet

Suezmax:

| | | | | | |
|-----------------|--------|---------|---------------------|--------|---------|
| Maple | 1991 | 152,000 | Mindanao | 1998 | 158,000 |
| Birch | 1991 | 152,000 | N/B Front Sky | jan.00 | 153,000 |
| Granite | 1991 | 142,000 | N/B Front Sun | apr.00 | 153,000 |
| Lillo | 1991 | 147,000 | Polytrader (40%) | 1978 | 126,000 |
| Sunda | 1992 | 142,000 | Polytraveller (35%) | 1979 | 126,000 |
| Front Emperor | 1992 | 147,000 | Suezmax OBO: | | |
| Front Spirit | 1993 | 147,000 | Front Breaker | 1991 | 169,000 |
| Comor | 1993 | 142,000 | Front Climber | 1991 | 169,000 |
| Front Pride | 1993 | 150,000 | Front Guider | 1991 | 169,000 |
| Front Glory | 1995 | 150,000 | Front Driver | 1991 | 169,000 |
| Front Splendour | 1995 | 150,000 | Front Leader | 1991 | 169,000 |
| Front Fighter | mai.98 | 153,000 | Front Rider | 1992 | 169,000 |
| Front Hunter | jun.98 | 153,000 | Front Striver | 1992 | 169,000 |
| Front Warrior | jul.98 | 153,000 | Front Viewer | 1992 | 169,000 |



Frontline Fleet (cont.)

VLCC:

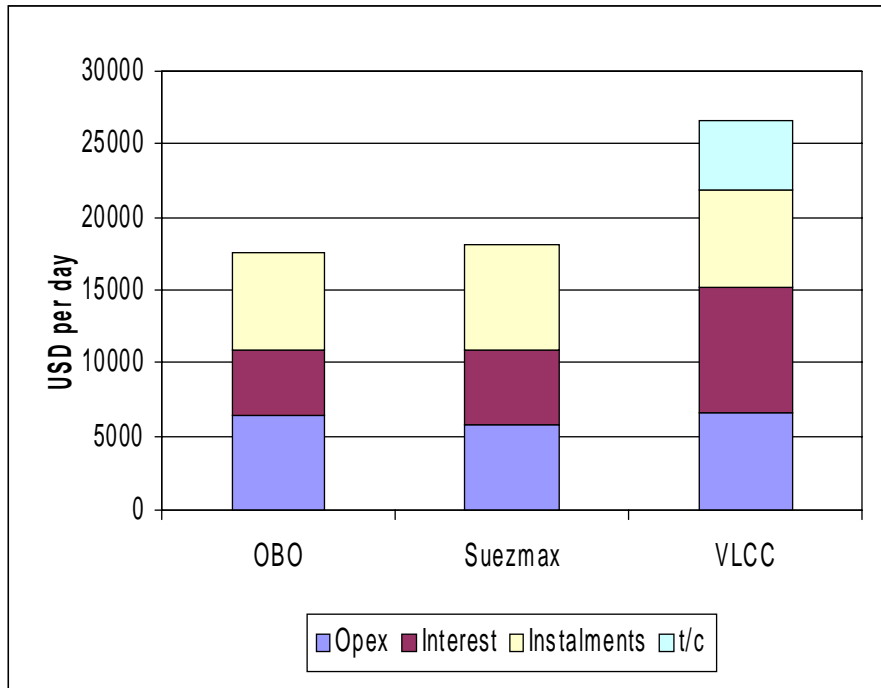
| | | |
|-----------------|--------|---------|
| Sabang | 1990 | 285,000 |
| Vanadis | 1990 | 285,000 |
| Front Highness | 1991 | 284,000 |
| Front Lady | 1991 | 284,000 |
| Front Lord | 1991 | 284,000 |
| Front Duke | 1992 | 284,000 |
| Front Duchess | 1993 | 284,000 |
| Front Century | jul.98 | 308,700 |
| Front Champion | jan.99 | 308,700 |
| Front Chief | jan.99 | 308,700 |
| Front Commander | jul.99 | 308,700 |
| Front Crown | sep.99 | 308,700 |

Total fleet 7.7 mill.dwt

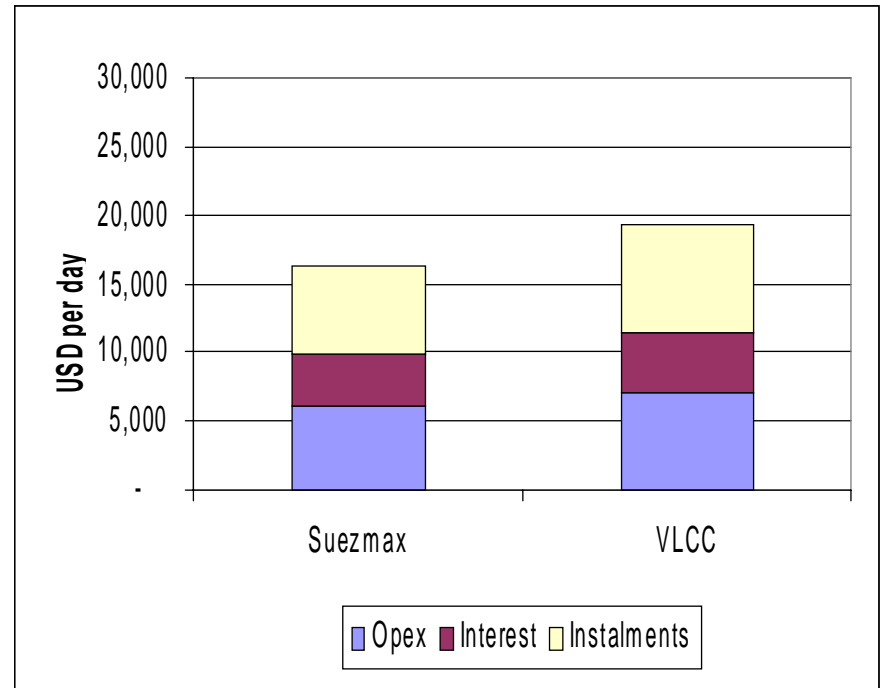


Cash Break Even

Frontline vessels



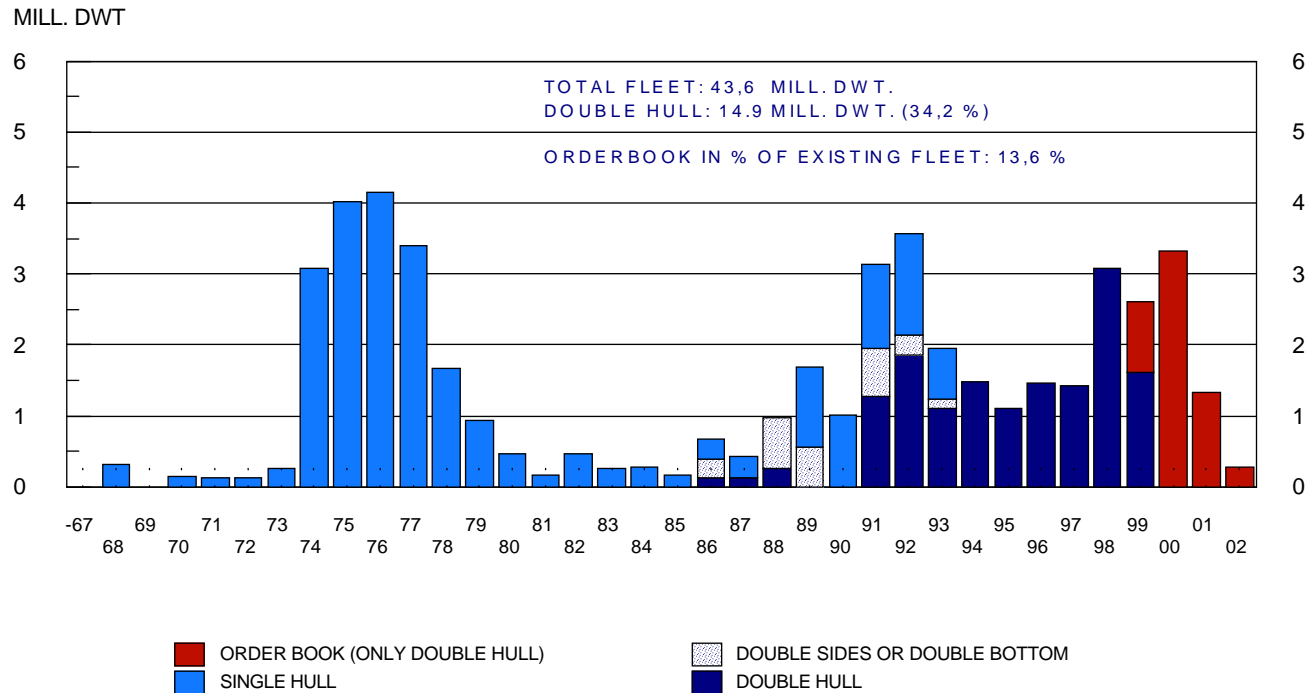
ICB vessels





The Suezmax Fleet

SUEZMAX TANKERS BY BUILDING YEAR AND TYPE OF HULL
AS AT 1.7.99



SUEZMAX DEFINED AS 120-200,000 DWT



Suezmax Owners

| | <i>No. of ships</i> |
|--|----------------------------|
| Total Suezmax fleet 01.01.99 | 311 |
| Owned by Oil Companies/Producers etc. | 95 |
| Independent owners | 216 |
| Fixed 2001 and later | 50 |
| Unfixed / Spot | 166 |
| Independent built 1976 and earlier in spot | 77 |
| Built after 1976 in spot market | 89 |
| Out of which in Frontline / Alliance | 29 |
| Represent in % of spot tonnage | 32.6 % |

Includes N/B, excludes Shuttle employment



Alliance/Frontline Market Position

| Owner | After 1990 | Before 1990 | Total |
|-----------------|-------------------|--------------------|--------------|
| Frontline / ICB | 25 | 0 | 25 |
| Dynacom | 0 | 10 | 10 |
| Knock | 7 | 1 | 8 |
| Metrofin | 7 | 0 | 7 |
| OMI | 5 | 2 | 7 |
| Tapias | 3 | 4 | 7 |
| Thenamaris | 5 | 2 | 7 |
| Livanos | 5 | 1 | 6 |
| Essar | 6 | 0 | 6 |
| Keystone | 0 | 6 | 6 |
| OSG | 0 | 6 | 6 |
| Sovcomflot | 6 | 0 | 6 |
| N&T | 4 | 1 | 5 |
| Total | 73 | 33 | 106 |



The Tanker Market Status

- Some Observations :
- The tanker market showed healthy rates until OPEC reduced production in April 1999.
- Current production level will most likely lead to physical shortage of oil in 2nd quarter 2000.
- Good global economic prospects.
- Current rates under operating cost for old tonnage.
- Scrapping surprisingly low, but the underlying trend is rising.
- The fall in N/B prices and Second-hand prices has flattened out, some positive price developments.
- Approximately 80 Suezmaxes becomes untradeable to US after 31/12/99.



The Market development 2000-2001

- Our view:
- The turning point of the tanker rates will be linked to OPEC's decision to increase production. Such a decision will have to be taken between November 1999 and March 2000.
- N/B and Second-hand prices for tanker tonnage will show a positive development as a function of the YEN / WON development and a comfortable order-backlog for the yards.
- Room for positive surprises in the Suezmax segment spurred by market consolidation, phase out of 1974 - 1976 tonnage and new Ceyhan pipeline.
- Best estimates for TCE rates in 2000 :
 - VLCC 27.000 per day.
 - Suezmax 22.000 per day.



“The way ahead”

- Complete the full take over of ICB within 4 - 6 months.
- Increase the size of Alliance Chartering with another 10 vessels within the next year.
- Co-ordinate VLCC chartering with other VLCC owners.
- Develop more COA oriented business.
- Complete implementation of “Sharp Knife”.
- Seek financing solutions which boosts the liquidity and / or reduce Cash break even.
- Seek new consolidation opportunities. Be focused on return on existing equity.
- Develop Knightsbridge / ITC product(s).