Frontline Ltd.

“The Hard Facts”

Presentation to NFF 17.03.99

www.frontline.bm

History

Frontline 1996

- In 1996 Frontline was an unfocused commodity shipping company with ownership in 6 modern Suezmax OBO Carriers, a dry bulk operation and a relatively expensive ship operation and overhead.

We Had a Vision

- To make Frontline into a world leading tanker company with focus on modern Suezmax and VLCC tonnage.
- To create enough critical mass to offer the major charterers a high degree of flexibility, and thereby get the contract coverage which ultimately increases the fleet’s earnings.
- To act as a consolidator within a highly fragmented industry.
- To have a cost effective operation.
- To make Frontline the natural choice for institutional investors who wanted to invest in the large tanker market.

- **To make money and create value.**

What Did We Do ?

- The Company was re domiciled from Sweden to Bermuda. The Swedish office was closed down, a new organization set up in Oslo.
- Listing of the company's shares has changed from Stockholm to Oslo, London and New York.
- All drybulk exposure was terminated.
- Five VLCC's, two Suezmaxes, and two Suezmax OBOs was acquired in two different private placements.
- Frontline launched unsuccessful bid for ICB Shipping AB. Frontline ends up owning close to 60 % of ICB.
- Frontline launched successful bid for London & Overseas Freighters. Acquired three modern Suezmaxes and sold three Panmaxes.

What Did We Do ?

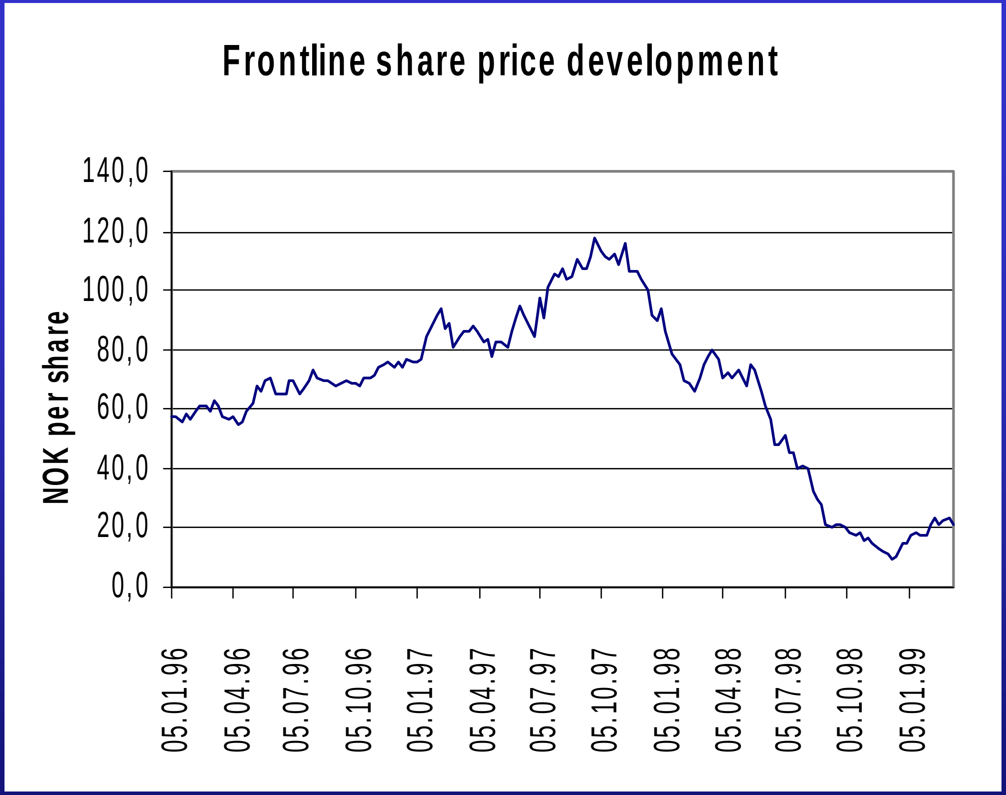
- Five Suezmax and five VLCC newbuilding contracts signed with Hyundai. Three Suezmaxes and three VLCCs already delivered.
- Two VLCC N/Bs sold to German K/Gs including leases back.
- Alliance Chartering established together with OMI.
- Totally USD 159 mill raised in cash private placements. In addition USD 226 mill raised in ship for shares for exchanges.
- Totally USD 1520 mill. raised under different bank financing facilities.
- Major charter agreement signed with BP Shipping.
- Acquired the equity interest in three charter deals with Chevron and BP. The deals include ownership of six VLCC newbuildings and four modern Suezmaxes.

What Did We Not Do ?

Ref : TradeWinds March 12 - 1999

Sponsor the Australian synchronized swim-team.

How Did it Go ?

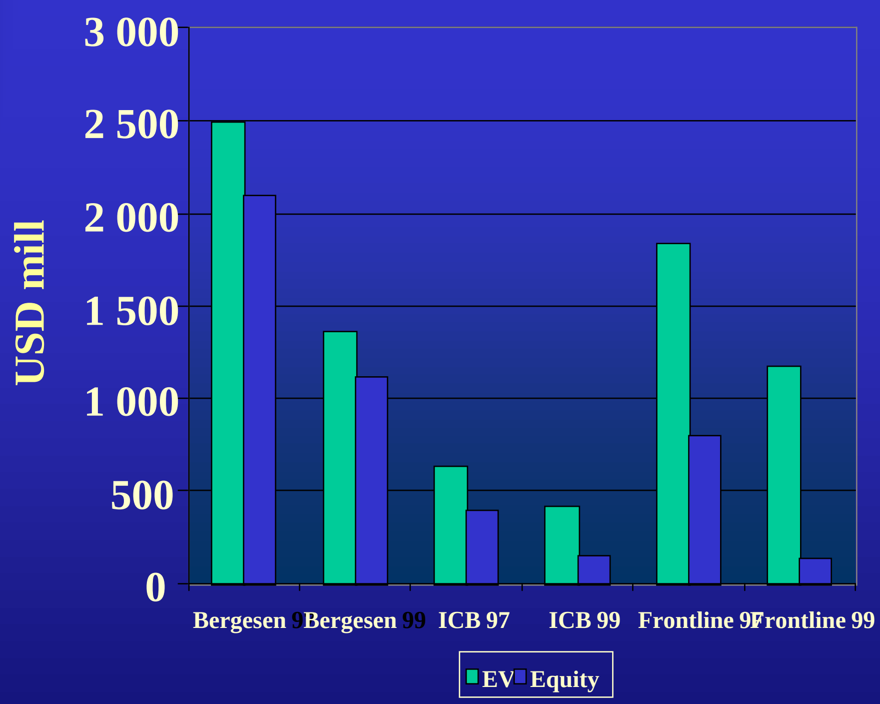


Item	***USD mill.***
Market Cap 1996	110
Equity raised Cash	159
Equity raised Ship	226
Retained Earnings	30
Total Equity	525
Current Market Cap	118
Lost Equity	**407**

Why Did it Go that Way ?

- **The Investors' sentiment changed as a result of :**
  - The Asian Crises.
  - The Ordering
  - The falling newbuilding prices caused by weaker WON and YEN.
  - The Stalemate in ICB.
  - The Leverage.

Frontline Compared to Others



- Development in equity:
  - ICB - 61 %
  - Bergesen - 47 %
  - Frontline - 83 %
- Development in EV :
  - ICB - 35 %
  - Bergesen - 45 %
  - Frontline - 35 %
- Conclusion : Leverage caused the weak performance of the Frontline stock.


STATUS

Profit & Loss (I)

(USD 1000)	1998	1997
Net operating revenues	**203 860**	**197 197**
Gain (loss) on sale of vessels	-1 514	0
Total expenses	78 232	85 000
Operating profit before depreciation (EBITDA)	**124 113**	**112 197**
Depreciation	51 659	56 721
Operating profit (EBIT)	**72 454**	**55 476**
Financial items	45 426	38 038
Net profit	**26 998**	**17 395**

Income on Time Charter Basis 1998*

	1998	1997
VLCC	31 800	32 700
Suezmax	22 400	24 800
OBO	21 800	25 500

* Basis: Calendar days minus off-hire.
Figures are after deduction for broker commissions

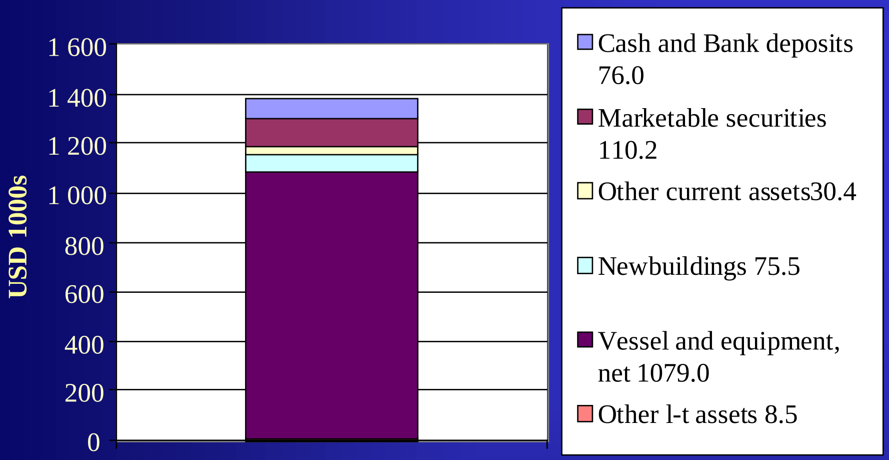
Operating Expenses per Vessel per Day 1997-98* and Budget 1999

	Total 1997	Running Cost	D/D	Total 1998	Budget 1999
VLCC	6 700	6 654	900	7 554	7 145
Suezmax	7 500	5 657	700	6 357	6 139
OBO	7 000	6 020	700	6 720	6 739

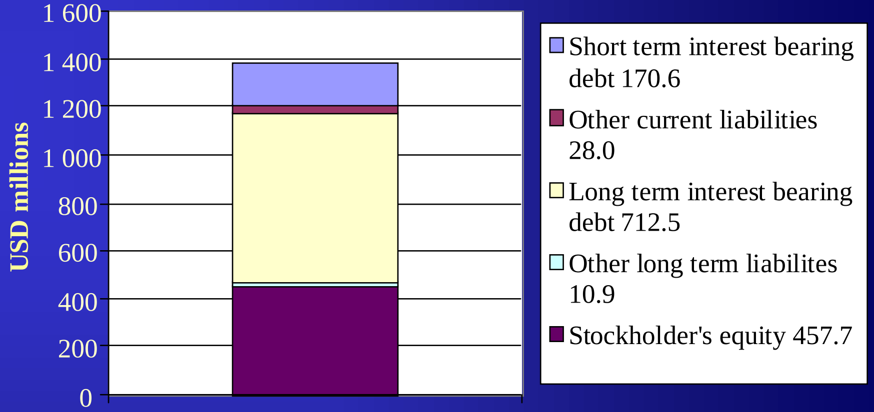
*) Before gen&adm, which is budgeted at USD 500 per day

Balance Sheet Dec 31, 1998

ASSETS



LIAB. & STOCKHOLDERS' EQUITY



Impairment Test

Acid test:

“The net carrying value exceeds net cash flows undiscounted and without interest“

- Lillo:
- Bookvalue USD 35.5m
- Net income after opex USD 12.500 per day
- Remaining life 17.5 years
- Net cash flow USD 77.7m
-

Fleet Overview

	Trading	New builds	Lease	ITC	ICB
VLCC	6	2	2	6	6
Suezmax	9	2		4	7
Suezmax OBO	8				
Total	23	4	2	10	13
			Total =	39	52

Current Frontline trading	5 345 600
Frontline incl. ITC and share of ICB	10 370 160

Chartering Policy and Fleet Strategy

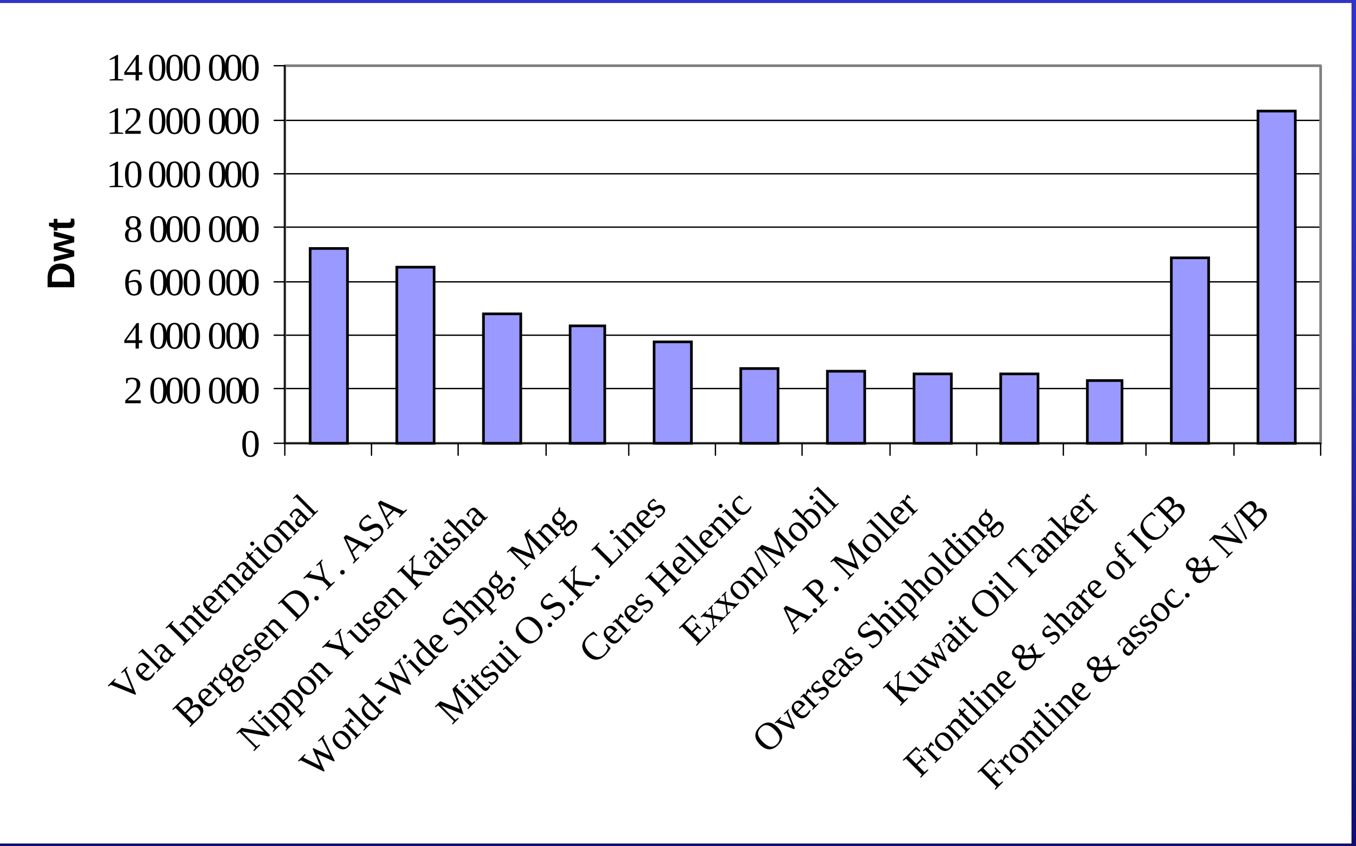
Status :

VLCC - contract with BP
VLCC - SK Corp (Yukong) - Korea market related extended
VLCC - Tonen - Japan market related
VLCC - LG Caltex - Korea market related
OBO - Hadeed
“Lillo” - T/C to BP until 12/2001. Rate USD 26,000 + p/d.
Suez - Coastal

Strategy / Action :

Overall strategy - 50 % long term charter coverage. Seek more market related business
Turn Alliance into a Pool - invite new members
“Market fleet not vessels”

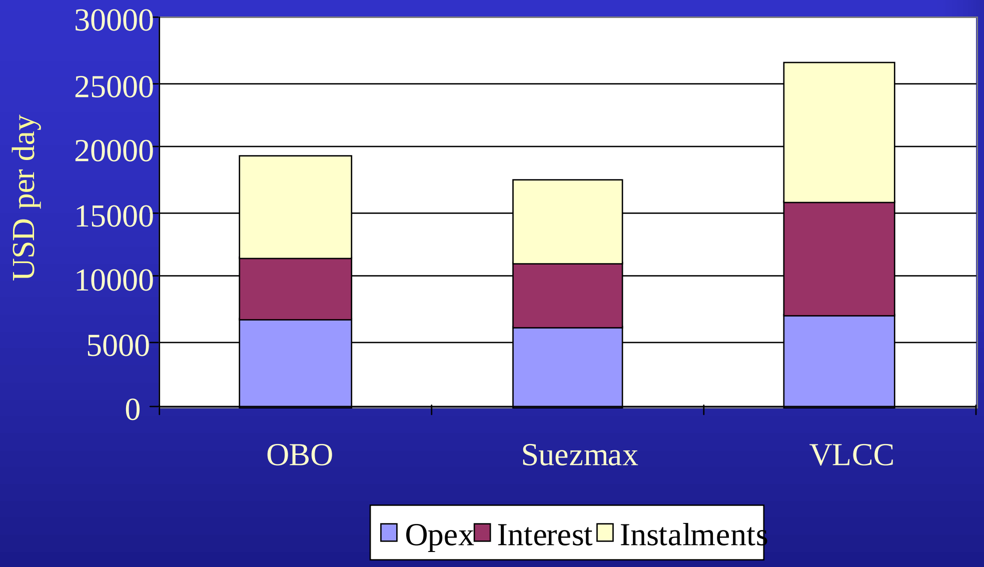
Leading Players



Cash Break Even

- The main financial strategy has been to create a Company which from a cash point of view can sustain three bad years of trading without major rearrangements of the balance sheet.

- Based on Frontline's modern fleet and the aging overall fleet the bad case scenario has been constructed around the rate level necessary to keep old tonnage alive, i.e. VLCC rates of approx. USD 15,000 per day and Suezmax rates of approx. USD 10,000 per day.



Front Century and Champion Sale lease back with German KGs

- Sale gross USD 81.5 million, 1% commission
- Bareboat back (deal structured as time charter where Frontline receives fixed op.ex.fee):

year 1-3	23,800
year 4-6	24,300
year 7-10	25,300
year 11	17,900
year 12	14,000

- Structure 8+2+1+1 year for lessor
- Frontline call option on vessel from 2004.
- Lessor has put option at USD 15 million at end 2010.
- Accounting treatment: operational lease
- Cost of capital if call option exercised 8.7%, and if put option exercised 4.5%
- Frontline has first refusal on sale of KG parts

Shareholders

	As per December 31, 1997	%	As per March 16, 1999	%
1	Hemen Holding Limited	46,62	Hemen Holding Limited	56,62
2	Odin Norden	4,95	Odin Norden	5,63
3	Morgan Stanley & Co	4,14	Odin Norge	3,66
4	Brown Brothers Harriman & Co	2,99	Hafslund Invest	1,96
5	Odin Norge	2,74	Storebrand Livsforsikring P980	1,68
6	Skandinaviska Enskilda Banken	2,02	Den norske Bank	0,97
7	Morgan Guaranty Trust Co.	1,94	Loki	0,96
8	Chase Manhattan Bank	1,85	Kristiansands Tankrederi	0,86
9	Storebrand Livsforsikring	1,74	Skandinaviska Enskilda Banken	0,81
10	Chase Manhattan Bank	1,28	Gironde	0,72
11	Chase Nominees Limited	1,05	Odin Maritim	0,71
12	State Street Bank & Trust	0,87	Naustneset	0,63
13	Delphi Norge	0,86	Morgan Guaranty	0,62
14	Statoils Pensjonskasse	0,79	UBS AG-EX	0,42
15	Avanse Kapital	0,68	Wilhelmsen Lines	0,39
16	K-Kapital	0,68	DnB Real Vekst	0,37
17	Boston Safe Department	0,66	DnB 20	0,33
18	Vesta Forsikring	0,65	Toluma	0,32
19	Remaining shareholders	23,49	Remaining shareholders	22,34
		100,00		100,00

Observation 1: The institutional investors abandoned the ship

Observation 2: “Shipowners” remained on board

Observation 3: The 6th largest shareholder holds shares valued to approx. USD 1 mill.

Other

- Project “Sharp Knife”
- Interest exposure
- Y2K
- ITC
- Our Swedish daughter “ICB Shipping AB”
- Alliance Chartering Ltd.


Future
FRONT DUKE

The Future

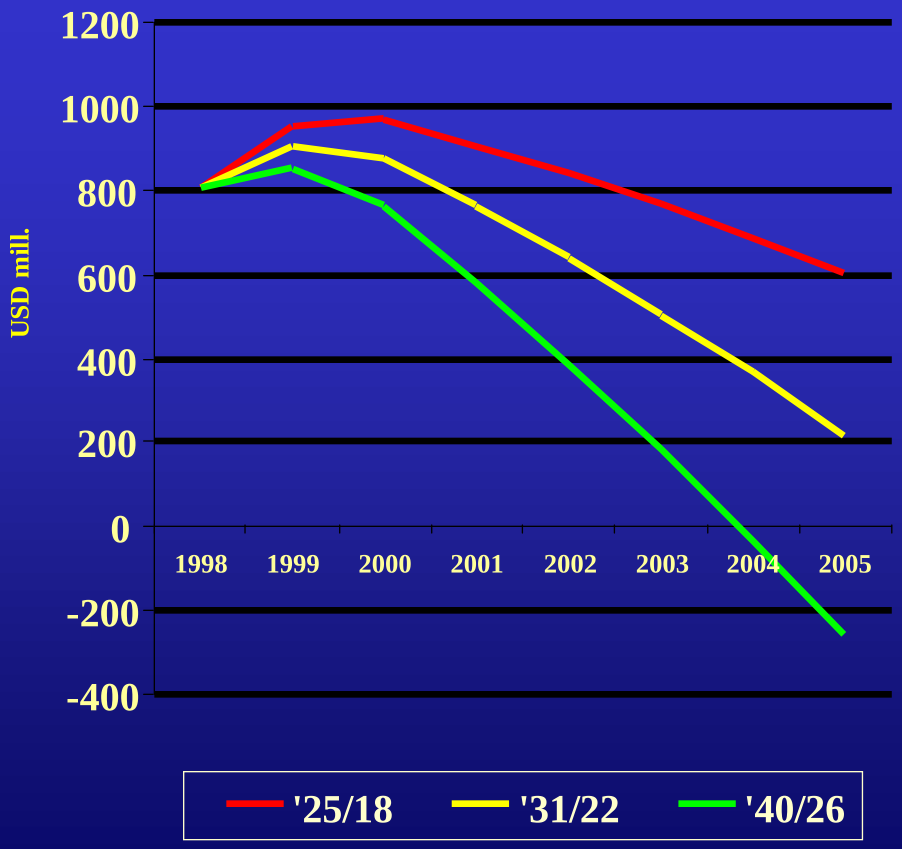
- *"Frontline is well positioned for a positive market development, but does the company have enough "flexibility" if market remains bad for a period of time. In addition I am afraid of the fact that too many ships have been ordered."*

  An Institutional Investor, March 1999.

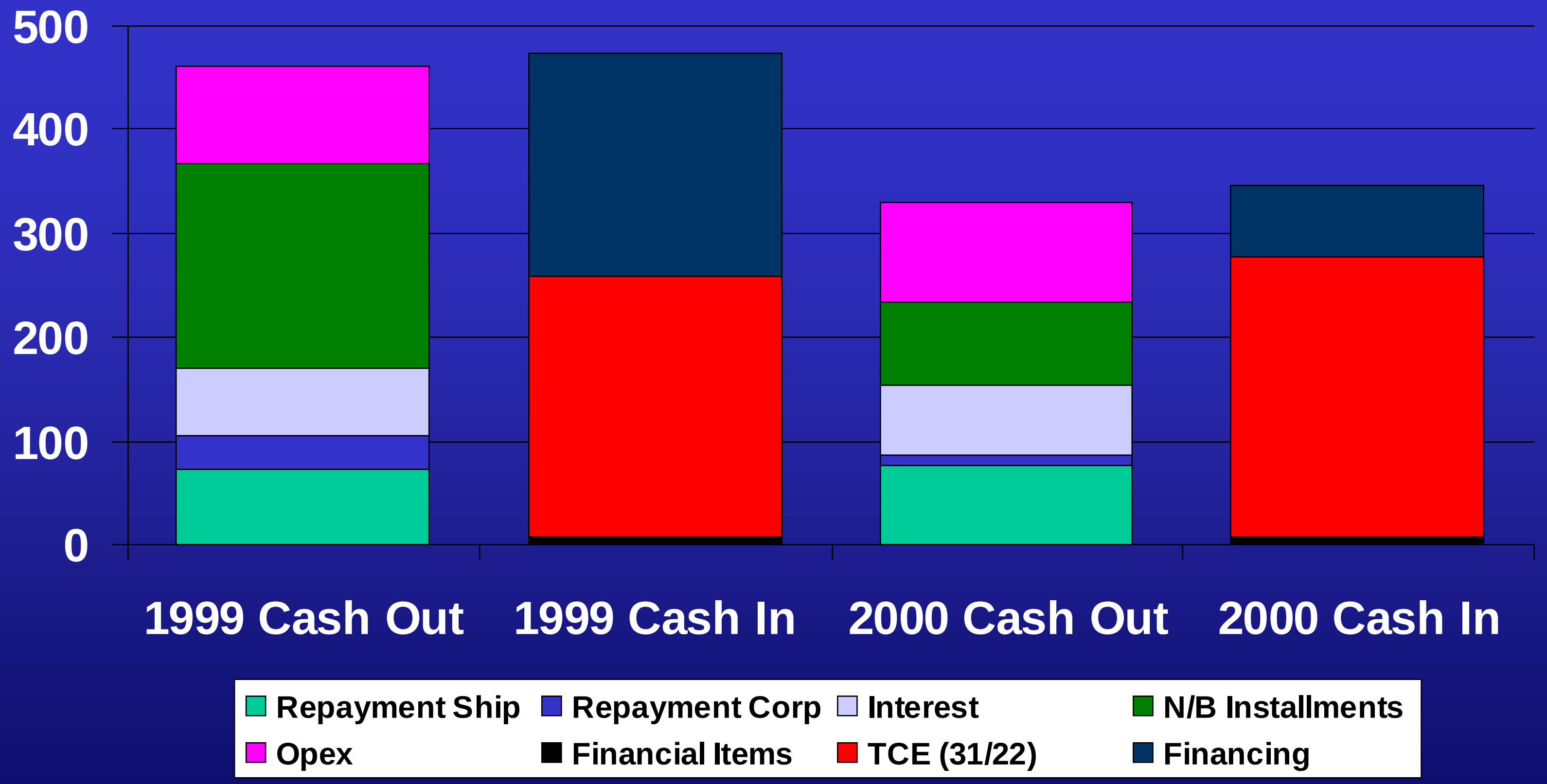
- *Our Interpretation : Flexibility = Solidity and Liquidity*

Leverage / Solidity

- Graph shows development in net debt in Frontline under different VLCC and Suezmax T/C earnings projections.
- Book Value of fleet in year 2005: USD 972 mill.
- Total fleet in 2005 29 units, average age less than 10 years.
- Assumed no solution to USD 228 mill. investment in ICB Shipping AB.

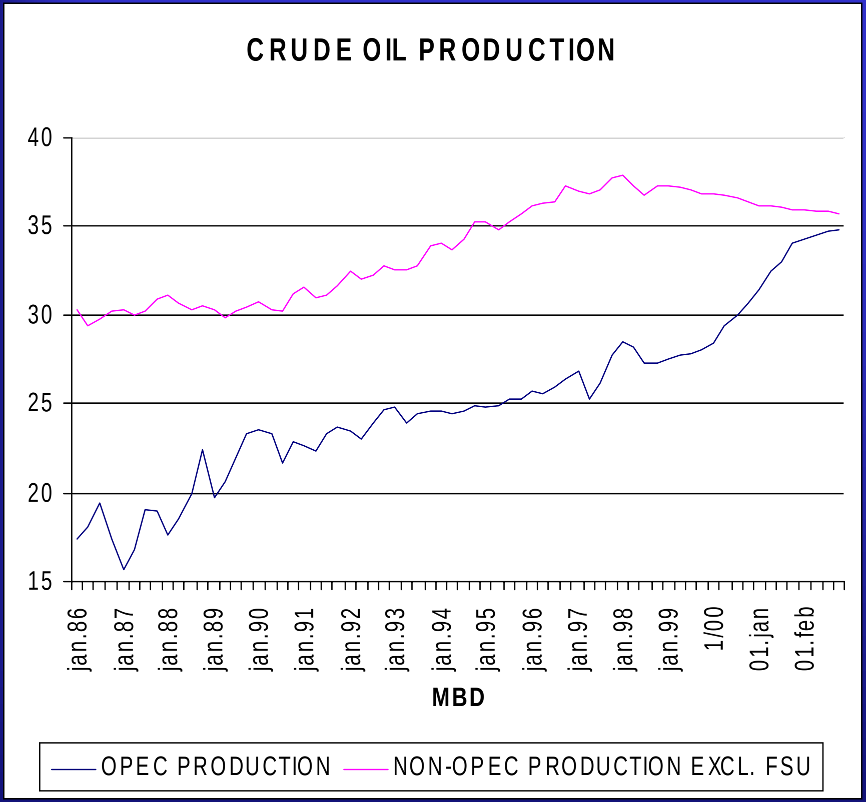


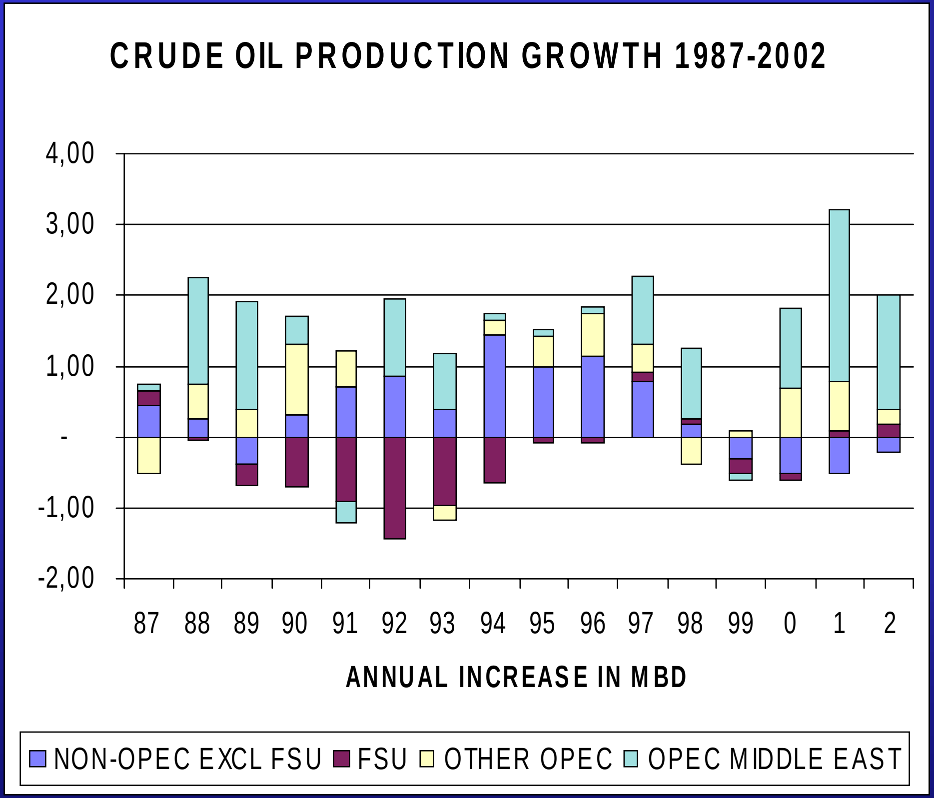
Cash In / Outflow 1999 / 2000



Thumb rule : +/- USD 1,000 p/d in TCE aggregates to slightly less than USD 10 mill. per year.

AG or not AG, that's the Question





Remember 1 million barrels per day AG - USG employs 45 VLCCs

Source : R.S. Platou Economic Research a.s.

Too Many Ships Ordered ?

	1990-97	***2000-2005***
• VLCC Demand	+2.5 %	+ 2.5 / 8.0 %
• VLCC Demand Dwt	+2.5 MDWT	+2.5 / 9.0 MDWT
• VLCC Scrapping	- 4.9 MDWT	-7 / 8 MDWT
• VLCC Need for N/B	+7.4 MDWT	+ 9.5 / 17 MDWT
• VLCC Deliveries	+6.9 MDWT	99: 10.1 MDWT 00: 11.1 MDWT

Source : R.S. Platou Economic Research a.s.

A Number Exercise Shows Value Creation

- **Assumptions :**
  - TCE VLCC USD 31.000
  - TCE Suez USD 22.000
  - Fleet value = BV.
  - ICB Investment = USD 228 mill.
  - No fleet changes
  - No equity issues
  - Shareprice 99 = USD 2.95