ANNUAL REPORT 2000

FRONTLINE

Frontline Ltd. is a major, Bermuda based, tanker company. The fleet, which is the largest and most modern in the world, consists of: 32 Suezmax tankers (of which 8 are combination carriers and 1 is a newbuilding on order) 41 VLCC tankers (of which 8 are newbuildings on order) - totalling 17 million dead weight tons. Through the corporate transactions undertaken over the last five years, Frontline has emerged as the leading tanker company within the VLCC and Suezmax segments.

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Frontline's mission is to provide its customers with a more flexible and reliable transport alternative, and use this flexibility to develop unique industrial relations that will give material benefits operationally, as well as financially, to our customers as well as to Frontline, its shareholders and its employees.

FINANCIAL

HIGHLIGHTS

The year 2000 is the best year for the tanker industry since 1973. Frontline reports $313.9 million in net income.

FIVE-YEAR FINANCIAL HIGHLIGHTS

(in millions of $, except otherwise indicated)	**2000**	1999	1998	1997	1996
INCOME STATEMENT DATA					
Net operating revenues	**599.9**	253.2	203.9	197.2	110.5
Net operating income before depreciation	**469.0**	79.2	124.1	112.2	38.9
- of which, (loss) gain on sale of vessels	**1.2**	(37.8)	(1.5)	-	6.2
Net operating (loss) income after depreciation	**376.1**	(12.2)	72.5	55.5	5.1
Net other expenses (incl. finan. items)	**62.2**	78.9	40.6	32.6	19.1
Net (loss) income before taxes	**313.9**	(86.9)	31.9	22.8	(14.0)
PROFITABILITY RATIOS					
Return on capital employed (%)	**18.9**	0.1	6.5	6.2	1.7
Return on stockholders’ equity (%)	**39.6**	(15.2)	5.6	5.2	(5.7)
YEAR END FINANCIAL POSITION					
Total assets	**2,781.0**	1,726.8	1,505.4	1,369.8	921.1
Liquid assets	**103.5**	65.5	74.0	86.9	58.0
Unutilized overdraft facilities	**-**	-	-	-	11.0
Net indebtedness	**1,550.4**	1,014.2	809.0	686.3	504.0
Stockholders' equity	**1,029.5**	557.3	583.6	556.0	327.7
Equity/assets ratio (%)	**37.0**	32.3	38.8	40.6	35.6
Debt/equity ratio	**1.6**	1.9	1.5	1.4	1.7
Interest cover	**4.3**	0.0	1.5	1.4	0.6
INVESTMENTS					
Net investments	**496.9**	(175.5)	144.0	482.6	411.9
PER SHARE DATA *(in $, except number of shares)*					
Stockholders' equity	**13.19**	9.14	12.66	12.06	10.18
Stockholders' equity, fully diluted	**13.15**	9.14	12.66	12.06	10.18
EPS Basic	**4.28**	(1.76)	0.69	0.63	(0.92)
EPS Diluted	**4.27**	(1.76)	0.69	0.63	(0.92)
Market price at year end	**13.46**	5.35	1.91	12.5	10.70
Dividend	**-**	-	-	-	-
P/E ratio	**3.14**	neg.	2.8	19.8	neg.
Outstanding shares as at 31.12. (mill.)	**78.1**	61.0	46.1	46.1	32.2
Average number of shares (mill.)	**73.4**	49.5	46.1	36.2	14.9

Per share data are adjusted for the 1 : 3.2635 exchange and 10 : 1 reverse stock split.
Capital Employed: Total assets minus non-interest bearing liabilities.
Debt/Equity Ratio: Interest bearing current and long-term liabilities, divided by stockholders’ equity.
Earnings per Share: Net income (loss), divided by the average number of shares outstanding during the year.
Earnings per Share Fully Diluted: Net income (loss), divided by the average number of shares outstanding, including potentially dilutive instruments.
Equity/Assets Ratio: Stockholders’ equity divided by total assets.
Interest Cover: Net income (loss) before interest expenses divided by interest expense.
Net Indebtedness: Interest bearing liabilities minus liquid assets.
Net Investments: Investments in fixed assets minus the sales proceeds from divested fixed assets.
P/E Ratio: Price/earnings ratio. Year end share price divided by Earnings per Share.
Return on Capital Employed: Net income (loss) before interest expense, as a percentage of average capital employed.
Return on Stockholders’ Equity: Net income (loss), as a percentage of average stockholders’ equity.
Stockholders’ Equity per Share: Stockholders’ equity divided by the numbers of shares.

FLEET

Vessel	Manager	Flag	Built	Dwt	Yard
SUEZMAX TANKERS					
Polytrader (40%)	Rasmussen MS	NIS	1978	126 000	Uddevalla
Polytraveller (35%)	Rasmussen MS	NOR	1979	126 000	Uddevalla
Front Birch	Acomarit	NIS	1991	152 000	Daewoo
Front Maple	Acomarit	NIS	1991	152 000	Daewoo
Front Granite	Wallem	NIS	1991	142 000	Split
Front Lillo	ITM	NIS	1991	147 253	AESA
Front Emperor	Acomarit	SING	1992	147 273	AESA
Front Sunda	Wallem	NIS	1992	142 000	Split
*Marble (0%)	Wallem	BS	1992	142 000	Split
Front Comor	Wallem	NIS	1993	142 000	Split
Front Spirit	Acomarit	NIS	1993	147 273	AESA
Front Pride	Acomarit	NIS	1993	149 686	Mitsui
Front Splendour	Acomarit	NIS	1995	149 745	Mitsui
Front Glory	Acomarit	NIS	1995	149 834	Mitsui
Front Ardenne	V.Ships	NIS	1997	153 000	Hyundai
Front Brabant	V.Ships	NIS	1998	153 000	Hyundai
Front Fighter	V.Ships	NIS	1998	153 328	Hyundai
Front Hunter	V.Ships	NIS	1998	153 344	Hyundai
Front Warrior	Cardston/V.Ships	BS	1998	153 409	Hyundai
Kim Jacob (T/C)	V.Ships	SING	1998	158 000	Daewoo
Mindanao	V.Ships	SING	1998	158 000	Daewoo
Front Sky	V.Ships	NIS	2000	159 999	Hyundai
Front Sun	V.Ships	NIS	2000	159 998	Hyundai
*Sonangol Girassol (0%)	Wallem	BS	2000	158 000	Daewoo
*Sonangol Luanda (0%)	Wallem	BS	2000	158 000	Daewoo
*Sonangol Kizomba (0%)	Wallem	BS	2001	158 000	Daewoo
Front Melody	Wallem	LIB	2001	150 000	Sasebo
Hull No. S478			Oct.01	150 000	Sasebo

** Vessels commercially managed by Frontline Management AS.*

SUEZMAX OBOS					
Front Breaker	ITM	NIS	1991	169 177	Daewoo
Front Climber	Acomarit	SING	1991	169 178	Hyundai
Front Driver	Acomarit	NIS	1991	169 177	Hyundai
Front Guider	Acomarit	SING	1991	169 142	Daewoo
Front Leader	Acomarit	SING	1991	169 381	Daewoo
Front Rider	Acomarit	SING	1992	169 718	Hyundai
Front Striver	Acomarit	SING	1992	169 204	Daewoo
Front Viewer	ITM	SING	1992	169 381	Daewoo

VLCCs					
Front Sabang	Wallem	SING	1990	285 000	Daewoo
Vanadis	Wallem	SING	1990	285 000	Daewoo
Front Highness	Acomarit	SING	1991	284 420	Hyundai
Front Lady	Acomarit	SING	1991	284 420	Hyundai
Front Lord	Acomarit	SING	1991	284 420	Hyundai
Front Duke	Acomarit	SING	1992	284 420	Hyundai
Front Duchess	Acomarit	SING	1993	284 480	Hyundai
Front Ace	Wallem	LIB	1993	275 000	Hitachi
Front Tobago (40%)	V.Ships	LIB	1993	260 619	IHI

Vessel	Manager	Flag	Built	Dwt	Yard
VLCCs					
Dundee (50.1%)	ITM	LIB	1993	302 432	Daewoo
Edinburgh (50.1%)	ITM	LIB	1993	302 493	Daewoo
Front Century	Cardston/ITM	BS	1998	311 189	Hyundai
Front Champion	Cardston/ITM	BS	1998	311 286	Hyundai
Front Chief	ITM	BS	1999	311 224	Hyundai
Front Commander	Acomarit	BS	1999	311 168	Hyundai
Front Crown	Acomarit	BS	1999	311 176	Hyundai
Opalia	Shell (b/b)	IoM	1999	302 193	Kawasaki
Front Commerce	Acomarit	LIB	1999	300 144	Hitachi
Front Comanche	ITM	LIB	1999	300 133	Hitachi
Front Commodore	ITM	BM	2000	298 620	Hitachi
Front Tina	V.Ships	LIB	2000	298 500	Kawasaki
Front Ichiban (33.3%)	Thome	BS	2000	296 000	Hitachi
Front Ariake (33.3%)	Thome	BS	2001	296 000	Hitachi
Front Sakura (33.3%)	Thome	BS	2001	296 000	Hitachi
Hull No. 1384			Nov.01	308 000	Samsung
Hull No. 4982 (33.3%)			Mar.02	296 000	Hitachi
Hull No. 4978			Apr.02	298 500	Hitachi
Hull No. 4983 (33.3%)			Jul.02	296 000	Hitachi
Hull No. 4979			Aug.02	298 500	Hitachi
Hull No. 1402			Aug.02	308 000	Samsung
Hull No. 4980			Oct.02	298 500	Hitachi
Hull No. 1412			Jul.03	308 000	Samsung

GOLDEN OCEAN FLEET LIST

DRYBULK					
Golden Protea	Wallem	PH	1998	45 725	Tsuneishi
Golden Aloe	Wallem	PH	1998	45 726	Tsuneishi
Cos Hero	Cosco (b/b)	PH	1999	45 725	Tsuneishi
Golden Daisy (50%)	Samartzis	PH	1998	47 183	Oshima
Golden Rose (50%)	Samartzis	PH	1998	47 183	Oshima
Golden Disa	Wallem	PH	1999	75 462	Hitachi
Golden Nerina	Wallem	PH	1999	75 484	Hitachi
Channel Alliance	Wallem	PH	1996	171 978	NKK
Channel Navigator	Wallem	PH	1997	172 058	NKK
Channel Poterne	Wallem	PH	1997	172 091	NKK

VLCCs					
Golden Stream	Thome	PA	1995	275 616	Hitachi
Golden Fountain (50%)	Thome	PA	1995	301 665	Hitachi
Navix Astral	Sammy (b/b)	PA	1996	275 644	Hitachi
New Vanguard	Ming Wah (b/b)	HK	1998	300 058	Hitachi
New Vista	Ming Wah (b/b)	HK	1998	300 149	Hitachi
Golden Victory	Thome	PA	1999	305 155	Hitachi
New Circassia (50%)	Euronav (b/b)	PA	1999	306 009	MHI
Pacific Lagoon (50%)	Thome	PA	1999	305 839	MHI
Oscilla	Shell (b/b)	IoM	2000	302 193	Kawasaki

The Frontline fleet is the **LARGEST** tanker fleet in the world

...and the most **MODERN** - average age 6 years

Report of the Board of Directors

The year 2000 marked the start of what the Board considers will be several interesting and profitable years for the tanker industry. The year is the best year for the tanker industry since 1973. The Company reports $313.9 million in net income, which compares to a loss of $86.9 million in 1999. Frontline continued to pursue its expansion strategy during the year, finishing its existing newbuilding programme with three deliveries, acquiring seven more vessels, and acquiring the Golden Ocean Group Limited ("Golden Ocean") which comprised 23 vessels of which 13 are VLCCs. This expansion has continued into 2001 with the announcement of a second newbuilding programme, the acquisition of Mosvold Shipping Limited ("Mosvold") and the acquisition of seven vessels and newbuildings in co-operation with partners in Tankers International. The Board is pleased to see the Company's shares listed on the New York Stock Exchange from August 6, 2001, and considers this move an important element in its capital finance strategy.

RESULTS

Net operating income before interest, taxation and depreciation, including earnings from associated companies (EBITDA) was $481.8 million (1999 – $82.3 million). The increase is explained by the increase in fleet size during the year combined with a strong increase in trading results as explained below. Golden Ocean was acquired on October 10, 2000 and has been consolidated into the Company's accounts from that date.

TIMECHARTER EARNINGS (TCE) PER DAY

(in $)	**2000**	1999	1998	1997	1996
VLCC	**46,300**	20,000	31,800	32,700	27,700
Suezmax	**35,500**	16,700	22,400	24,800	26,800
Suezmax OBO	**33,300**	16,800	21,800	25,500	23,000

Average daily operating costs, including provisions for drydockings, were $6,900, $5,500 and $6,200 for the VLCCs, the Suezmaxes and the Suezmax OBOs respectively, compared to $6,800, $6,000 and $6,400 in 1999. Administrative expenses decreased during the year due to the closing of the Stockholm office in 2000.

Charterhire expenses increased due to the inclusion for a full year of the Front Warrior, which was sold to a German KG in late 1999, and the addition of Golden Victory from October 2000 in connection with the Golden Ocean acquisition. Charterhire expense was $34.4 million compared to $31.7 million in 1999.

Depreciation increased to $92.9 million (1999 - $91.4 million), the minor increase is explained by the fact that the increase in fleet size was offset by the change in the estimated remaining economic useful lives of the vessels acquired in the ICB acquisition from 20 to 25 years and the sale of four ICB vessels in late 1999.

Net other expenses decreased to $(62.2) million from $(78.9) million in 1999. The reduction is explained by the increase in shares in results from associated companies, which increased to $12.8 million (1999 - $3.1 million) due to the increase in number of joint ventures with the acquisition of Front Tobago and the five joint venture vessels in Golden Ocean. Further in 2000, the Company recorded a foreign exchange gain of $14.6 million (1999 – negative $1.1 million) arising primarily in connection with the Yen financing of certain vessels in the Golden Ocean fleet. Total Yen debt including the Company’s share of Yen debt in associated companies at year end 2000 was $327.3 million basis exchange rate 114.47.

Net interest expense was $89.3 million compared with $81.2 million in 1999. The Company had total debt outstanding of $1,544 million at year end 2000, compared with $1,080 million at year end 1999. In addition, the company had a total of $110 million of obligations under capital leases. All of the latter amount and $314 million of the total debt are related to Golden Ocean and these have impacted the accounts from October 10 onwards. The Company’s average interest rate on its US dollar denominated debt was 7.81 per cent (1999 – 7.17 per cent), and for the Yen denominated debt was 2.74 per cent. The Company has traditionally hedged a large part of its interest exposure through interest rate swaps and fixed rate loans, this was at year end 38 per cent of total debt outstanding including capital lease debt (1999 – 45 per cent).

MARKET

The last three years have been dramatically influenced by the Asian crisis and the effect of OPEC first producing more crude than the market could absorb, then limiting production drastically, and then increasing production again in 2000. Early 2000 OPEC production quotas had been reduced to 23.0 million barrels per day ("mbpd"). With the implementation of the Vienna pact in March 2000 and with increases throughout the year the quotas ended the year at 26.7 mbpd. Since then quotas have been reduced to the current 24.2 mbpd.

OPEC’s willingness to streamline production to demand and thereby hinder build up of crude inventories is a change in that organisation’s strategy and has lead to large swings in tanker freight rates. This is exemplified by Frontline’s VLCCs which earned $16,700 per day on a TCE basis in the fourth quarter of 1999 and $67,900 per day during the same period in 2000.

The average daily TCE rates for the year is calculated by RS Platou Shipbrokers to be $53,400 per day (1999 - $19,600) for a modern VLCC and $40,300 per day (1999 – $16,000) for a modern Suezmax. The higher rates reported by Platou for 2000 compared to Frontline's are explained by the time lag effect in a rising market. Rates for older vessels were reported as $33,100 for VLCCs (1999 - $11,000) and $19,400 per day for Suezmaxes (1999 – $11,400). This is explained mainly by the higher fuel consumption due to less efficient engines and more waiting time recorded for older vessels due to charterers' preferences. The improved freight market lead to a reduction in the number of vessels scrapped. While 36 VLCCs and 26 Suezmaxes were scrapped in 1999, 25 VLCCs and 20 Suezmaxes were scrapped in 2000. So far in 2001, 21 VLCCs and 15 Suezmaxes have been scrapped or removed from trading.

Newbuilding prices have exhibited a similar pattern to the freight market over the last few years. Prices for VLCCs were approximately $82-84 million in early 1998 before plummeting to $65-66 million in late 1999, albeit with hardly any ordering activity at the lower levels. Since then, prices have risen steadily and currently stand at $75-76 million. Newbuildings ordered today will generally not be delivered until 2004.

FLEET DEVELOPMENT

In February 2000, Frontline took delivery of the Suezmaxes Front Sky and Front Archer and in April the Front Sun, all from Hyundai Heavy Industries. During the spring, Frontline acquired the second hand VLCCs Front Tobago, Front Tarim and Front Tartar and also took delivery of the newbuilding Front Tina from Kawasaki Heavy Industries. In October a further three vessels, the VLCC Front Ace and the Suezmaxes Front Ardenne and Front Brabant, were acquired. All the mentioned second-hand vessels are built in the 1990s.

In connection with the Golden Ocean acquisition in October, the Company gained control over 23 vessels, consisting of 13 VLCCs and ten drybulk vessels. The drybulk vessels are not considered part of core assets.

At year end the Frontline fleet consisted of 28 VLCCs, 23 Suezmaxes and 8 Suezmax OBOs in addition to the drybulk vessels in Golden Ocean. The figures include wholly and partially owned vessels and vessels chartered in through capital and operational leases.

Since year end, Frontline has announced a newbuilding programme which initially consisted of two Suezmaxes and three VLCCs. With the acquisition of Mosvold in May the programme was increased by three VLCCs. In addition, in June Frontline acquired interests in a further two VLCC newbuildings together with partners Euronav Luxembourg S.A ("Euronav") and Overseas Shipholding Group ("OSG"), bringing the programme to ten vessels with a contract value of $698 million. Frontline has also acquired five second hand VLCCs together with partners in 2001, and has during the same period sold three wholly owned vessels as described in more detail in note 27 to the Consolidated Financial Statements. Including these vessels, the tanker fleet has a total size of 15.1 million dwt on a pro rata basis, which places Frontline as the largest tanker company in the world. The average age of the tanker fleet is 5.9 years and 66 per cent of the vessels are double hull.

OPERATIONS

Frontline has a strategy of extensive outsourcing. At year end 2000, 26 people were employed at the Company's offices in Bermuda, Oslo and London. Ship management, crewing and accounting services are provided by a number of independent and competing suppliers. Currently Frontline's vessels have full Russian, full Indian or full Filipino crews, or combinations of these nationalities.

As mentioned above, 66 per cent of the Company's vessels are double hull. Both the current newbuilding programme and the one finalised in April 2000, incorporate a high degree of environmental safety features. Enhanced corrosion protection and maintenance friendly solutions have been included to ensure a maximum lifetime and high operating reliability.

During the year 3 vessels were drydocked. Offhire during the year was 61 days, of which 16 days was related to the mentioned drydockings.

Frontline has continued to operate almost all of its vessels under the marketing arrangements established in 1998-99. The Suezmax marketing co-operation with OMI Corp., Alliance Chartering ("Alliance"), currently handles 40 vessels, of which all but one are trading in the spot market. Alliance is the largest operator of Suezmax vessels worldwide. The world's Suezmax fleet consists of approximately 310 vessels as of August 2001. If one disregards pre 1985-built vessels, which have limited ability to trade in the North Atlantic due to the OPA 90 prohibiting entrance to the United States, and further eliminates shuttle tankers and vessels controlled by oil companies, 130 vessels can be considered to comprise the spot market.

The cooperation for the VLCCs, the Tankers International pool ("Tankers"), consist of Frontline and partners A.P. Møller, Euronav, OSG and Reederei "Nord" Klaus E. Oldendorff. Currently, Tankers controls 54 vessels of which all but three are operating in the spot market. Its market share is similar to what Alliance has in the Suezmax segment.

It is the Board's view that through their size, Alliance and Tankers have each a unique ability to service its customers in combination with a high utilization of the fleet, and thereby secure the profitability of the partners' fleets and our shareholders' investment in Frontline.

FINANCING

As discussed in the 1999 report, the Company entered into agreements with its banks and main shareholder in 1999 to bridge a period of non-compliance of equity ratio covenants in certain loan agreements. The Company rectified this breach during 2000 and repaid the final amounts under the subordinated loan in August 2000. This is discussed in detail under Notes 19 and 23.

The Company has continued to finance new projects with a combination of bank debt and equity. During the first half of 2000, $102.5 million was raised to cover the equity portion of certain projects as discussed below. Since June 2000 the Company's cash from operations has been more than sufficient to finance all new equity requirements. The Company has also since September 2000 acquired shares and warrants for a total consideration of $65.6 million, and paid a dividend of $77 million in May 2001.

The Golden Ocean Group was acquired in October 2000. The total acquisition price paid was approximately $63.0 million. This was financed through issuance of shares for $19.5 million and the rest from surplus cash. The acquisition of Golden Ocean was conducted so that the loans held by Golden Ocean's subsidiaries are non-recourse to Frontline. This implies that any guarantees on behalf of a Golden Ocean subsidiary are issued only by Golden Ocean and/or other Golden Ocean subsidiaries. Frontline's exposure to Golden Ocean is therefore limited to $15 million injected as equity, a $50 million term loan and a $10 million revolving credit facility provided to Golden Ocean.

In early spring 2001 the Company announced that it was making an application to list its ordinary shares on the New York Stock Exchange ("NYSE"), concurrent with delisting from the NASDAQ National Market and terminating its ADR programme. The listing on NYSE started on August 6, 2001, and the listing is considered Frontline's primary listing. Immediately preceeding this NYSE listing the Company filed an F-3 (popularly termed a "shelf registration") with the SEC. This enables the Company to issue securities on short notice in connection with acquisitions and financings amongst other purposes. The listing is expected to enhance Frontline's presence in the US capital markets and the share liquidity in the US market.

CORPORATE AFFAIRS

The main event in 2000 was the acquisition of Golden Ocean. In March, Frontline acquired an initial 16 per cent of a $296 million Senior Notes issue; two months earlier Golden Ocean had filed for Chapter 11 bankruptcy protection in the United States. At the time of the first acquisition the Company announced its intention to acquire full control over Golden Ocean, and started negotiations with the creditors committee. By August, Frontline's restructuring plan was approved by the bankruptcy court in Delaware and a month later the creditors had approved the same. On 10 October 2000 Frontline lifted all subjects and gained full control.

In February 2000, $24 million was raised in cash through a private placement by issuing 3,500,000 shares at NOK 57.50 per share. At the same time $30 million of the Metrogas loan was converted into 4,350,000 shares at NOK 57.50 per share. A pro rata share of the Metrogas shares were offered to the other Frontline shareholders and warrantholders. The cash raised was used to part finance the acquisition of the 1993-built VLCC Front Tobago. At the same time Frontline sold its 50 per cent interest in the FSO Okha, a sale that generated $15 million in cash.

In late March 2000, Frontline reached an agreement with Wilh.Wilhelmsen (WW) whereby the Company acquired two 1993-built VLCCs for a total consideration of $90 million. WW received 2,957,500 shares issued at NOK 80 per share and $62 million in cash.

In May 2000, $30 million in cash was raised through a private placement by issuing 3,000,000 shares at $10.15 per share. The cash raised was used to part finance the newbuilding VLCC Front Tina. In June 2000, an additional $48.5 million in cash was raised in a private placement by issuing 4,000,000 shares at NOK 104.50 per share. The funds raised in June were to be partly utilized to acquire the Suezmaxes Front Ardenne and Front Brabant.

In connection with takeover of Golden Ocean in October 2000, part of the acquisition was financed through issuance of 1,245,998 shares at $15.65 per share. At the same time Frontline acquired 430,000 of its own shares pursuant to a call option. Since late November 2000, the Company has continuously acquired its own shares, and during the period up until year end 1,719,845 shares were acquired. At year end 78,068,811 shares were outstanding.

In connection with the merger with London & Overseas Freighters in May 1998, 26,000,000 million warrants to acquire 2,600,000 shares were issued. Since late 2000 and up to the expiry date of 11 May 2001 warrants have been converted to 424,766 shares. During this period Frontline acquired 20,650,619 warrants at an average price of NOK 4.86.

Since year end Frontline has acquired another 2,207,300 shares. Together with the effect of warrants converted 76,912,566 shares were outstanding as of 30 June 2001. Frontline's main shareholder, Hemen Holding Limited, and its affiliates currently control 45.0 per cent of the share capital. The next ten largest shareholders control 24.8 per cent of the capital. Currently 80.5 per cent of the share capital is listed on the Oslo Stock Exchange ("OSE"). The turnover ratio during 2000 was 160 per cent. During 2000 the Company has continuously been amongst the most traded companies on OSE.

THE FUTURE

Frontline's mission is to provide its customers with a flexible and reliable transport alternative, and use this flexibility to develop unique industrial relations that will give material benefits operationally, as well as financially, to our customers as well as to our shareholders.

As stated in previous annual reports, to achieve the mission stated above, the Board sees Frontline acting as a consolidator within a highly fragmented industry. This will take place through acquisitions, mergers and market co-operations, the latter preferably in the form of pool arrangements. All three of these elements have been employed repeatedly over the last five years. In 2000, 33 vessels were added to the fleet, of which 23 were tankers. So far in 2001, eight vessels have been acquired, three sold and ten newbuilding contracts signed.

To achieve such an expansion it has been of utmost importance to develop a positive relationship with the equity market. This secures making its shares attractive as payment and is also important for relationships towards banks and other providers of debt instruments. Frontline's strategy is based on achieving a substantial fleet size as described, only investing in post 1990-built Suezmax and VLCC size vessels, low overall operating and administrative costs, unique flexibility for clients, and a small and dynamic organization.

The fundamentals in the tanker industry are positive for the coming five years. The International Maritime Organisation (IMO) has agreed subject to member countries' ratification to accelerate the phase out of single hull vessels. Demand for crude oil is expected to level off in 2001 due to the slow down in the world economy, but by early 2002 demand should pick up again. While new field developments may increase production in markets closer to consuming areas, this will still take some time. Most of current spare capacity is located amongst OPEC members around the Persian Gulf which is advantageous since this implies long distance transportation. Shipyards' newbuilding orderbooks are generally filled until early 2004.

Given that OPEC's current strategy is to limit build-ups of crude inventories amongst consuming countries, the strong (seasonal) fluctuations in the freight markets experienced over the last few years are expected to continue. The market is considered well balanced and industry expectations are that at every down turn a substantial number of older vessels will be scrapped. This will in turn lead to periods of stronger earnings.

The Board is confident that the size achieved over the last few years will enable the Company to generate superior returns. Profits will continue to be returned to shareholders in the form of dividends and share buy-backs. At the same time the Board will continue to pursue new opportunities.

Hamilton, Bermuda
August 13, 2001

John Fredriksen
Director, President,
Chairman and CEO

Tor Olav Trøim
Director and
Vice President

A. Shaun Morris
Director

James Bodi
Director

Shareholder Policy

Frontline's long-term policy is to maximise shareholders' return on capital, by investments in its core business, the VLCC and Suezmax segments of the tanker market.

Frontline has in the past had a policy of not paying dividends, principally due to the need to guard the equity ratio during the course of the $650 million newbuilding programme.

However, due to the strong market in late 2000 and the beginning of 2001 and the results achieved, Frontline decided to pay a dividend of $1.00 for the first time in the second quarter of 2001 and will pay a dividend of $0.40 in the third quarter of 2001.

Frontline will seek to establish dividend payment on a regular basis. Through a high regular payout ratio the Board expects to broaden the investment communities' interest in cyclical shares.

SHARE PRICE DEVELOPMENT

Frontline Ltd. was first listed on the Oslo Stock Exchange ("OSE") on July 8, 1997. Prior to this Frontline was listed on the Stockholm Stock Exchange ("SSE"). After a series of ship-for-shares issues, the company was controlled by Hemen Holding Limited, and ultimately listed on OSE. In 1997 Frontline reached an agreement with London & Overseas Freighters ("LOF") to amalgamate. The transaction was completed in May 1998, with LOF as the surviving entity. LOF was renamed Frontline Ltd., and each shareholder in Frontline received 3.2635 LOF shares and 0.1902 LOF warrants, in exchange for one old Frontline share.

Frontline strives to sustain high trading volume in its securities. Trading volume indeed increased substantially after the transfer from SSE to OSE, as predicted. In 2000 118.1 million shares were traded, equal to an annual turnover ratio of 160 per cent, relative to total average number of outstanding shares.

Through the amalgamation with LOF Frontline achieved listing on the London Stock Exchange ("LSE") and NASDAQ. On August 3, 2001 the Company delisted its American Depositary Receipts ("ADRs") from the Nasdaq National Market. On August 6, 2001 the Company's ordinary shares were listed and began trading on the New York Stock Exchange ("NYSE").

SHARES AND CAPITAL STOCK

Frontline has as of mid-August 2001 76,407,566 shares outstanding, each with a par value of $2.50. The capital stock amounts to $191,018,915 which is an increase of $38,614,265.- from year end 1999. All shares carry equal voting and dividend rights.

In connection with the merger with London & Overseas Freighters in May 1998, 26,000,000 million warrants to acquire 2,600,000 shares were issued. Since late 2000 and up to the expiry date of 11 May 2001 warrants have been converted to 424,766 shares. During this period Frontline acquired 20,650,619 warrants at an average price of NOK 4.86.

Since November 2000 and up to Mid-August 2001, the Company has also bought back and cancelled a total of 3,927,145 of its own shares at an average price of NOK 126, pursuant to a current Board authority to acquire up to 7,500,000 shares.

The changes in Frontline's capital stock are presented in a separate table.

SHAREHOLDER STRUCTURE

At year end 2000 Frontline had approx. 5,700 shareholders of record (5,928 in 1999). Frontline's major shareholder is Hemen Holding Limited, which is indirectly controlled by Frontline's Chairman, John Fredriksen. Hemen Holding Limited controlled by year end 44.0 per cent of the total number of outstanding shares. The equivalent figure for 1999 was 52.3 per cent. The shareholder structure, as per December 31, 2000, is presented in a separate table.

REPORTING OF FINANCIAL FIGURES AND RESULTS

Frontline emphasises that information on the Company's performance is released promptly to our shareholders and the relevant stock markets. In addition to the Annual Report, results are published on a quarterly basis and press releases are issued to cover other important events. Frontline holds regular meetings with investors and analysts in Oslo, London and New York.

Financial and other information, as well as filings with the Securities and Exchange Commission (SEC) are currently available at our homepage http://www.frontline.bm/. In addition information is accessible at Hugin on http://www.huginonline.com/.

SHAREHOLDERS IN FRONTLINE LTD. AS OF DECEMBER 31, 2000

Name/entity	*Shares*	*%*
Hemen Holding Limited	28,904,249	37.02%
Meisha Inc.(affiliated to Hemen)	5,481,120	7.02%
Morgan Stanley & Co. Inc.	5,457,568	6.99%
State Street Bank & Trust Co.	3,404,558	4.36%
The Bank of New York	2,974,491	3.81%
Chase Manhattan Bank	1,263,009	1.62%
Odin Norden	1,154,451	1.48%
Goldman Sachs & Co.	1,096,900	1.41%
Odin Norge	1,073,367	1.37%
Storebrand Livsforsikring AS	1,047,575	1.34%
Fidelity Advisor Small Cap Fund	1,000,000	1.28%
Wilh Wilhelmsen ASA	924,582	1.18%
Chase Manhattan Bank	871,597	1.12%
Hafslund Invest AS	800,000	1.02%
Gjensidige Nor Spareforsikring	767,561	0.98%
Vital Forsikring ASA	726,741	0.93%
Bank of New York, Brussels Branch	591,600	0.76%
Aksjefondet Gambak	480,800	0.62%
Orkla ASA	472,800	0.61%
Chase Manhattan Bank	405,982	0.52%
Remaining Shareholders	19,169,860	24.56%
Total	78,068,811	100.00%

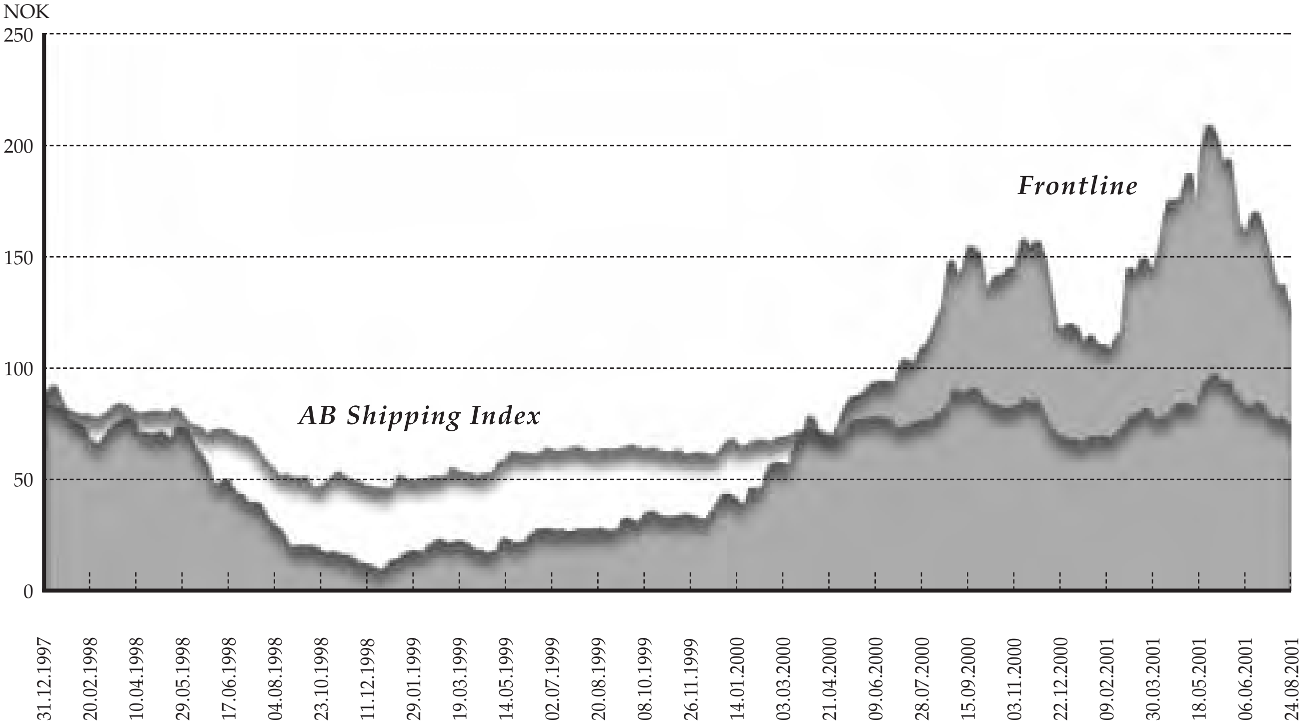
Shareholder Policy (continued)

CHANGES IN FRONTLINE'S CAPITAL STOCK

Year	Month	Transaction	No. of shares issued	Tot. number of shares [1]
1998		Options exercised	10 000	461 068 609
1998	Oct.	Reverse spilt 1 : 10	-414 961 749	46 106 860
1999	Sept.	Cash issue	4 715 000	50 821 860
1999	Sept.	Conversion of debt	8 230 000	59 051 860
1999	Dec.	Non-cash issue	1 910 000	60 961 860
2000	Jan.-Feb.	Cash issue	3 500 000	64 461 860
2000	Jan.-Feb.	Conversion of debt	4 350 000	68 811 860
2000	Apr.-June	Non-cash issue	2 957 500	71 769 360
2000	May	Cash issue	3 000 000	74 769 360
2000	June	Cash issue	4 000 000	78 769 360
2000	Sept.	Share buyback	-430 171	78 339 189
2000	Oct.	Non-cash issue	1 245 998	79 585 187
2000	July-Dec.	Exercise of warrants	203 469	79 788 656
2000	Dec.	Share buyback	-1 719 845	78 068 811
2001	Jan.-Feb.	Share buyback	-1 167 300	76 901 511
2001	Feb.-March	Exercise of warrants	163 555	77 065 066
2001	Feb.-March	Exercise of share options	73 750	77 138 816
2001	March	Share buyback	-220 000	76 918 816
2001	March-May	Exercise of warrants	253 000	77 171 816
2001	May	Share buyback	-200 000	76 971 816
2001	May	Exercise of share options	40 750	77 012 566
2001	June-Aug.	Share buyback	-620 000	76 392 566
2001	Aug.	Exercise of share options	15 000	76 407 566

[1] Each share has a par value of $2.50 after a share consolidation of ten shares of $0.25 par value each to one share of $2.50 par value each on October 26, 1998

FRONTLINE VS ALFRED BERG SHIPPING INDEX 1998 - AUGUST 2001



NB: AB Shipping Index has been rebased to Frontline.

Source: Alfred Berg Research, Datastream.

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Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FRONTLINE LTD.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and changes in stockholders' equity present fairly, in all material respects, the financial position of Frontline Ltd. at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Golden Ocean Group Limited, a wholly-owned subsidiary, which statements reflect total assets of approximately $535.1 million at December 31, 2000 and total revenues of approximately $23.1 million for the period from October 10, 2000 (date of acquisition) to December 31, 2000. In addition, we did not audit the financial statements of ICB Shipping AB, a wholly-owned subsidiary, which is reflected in the financial statements referred to above on a consolidated basis as of and for the year ended December 31, 1999 and using the equity method of accounting as of and for the year ended December 31, 1998. The financial statements of ICB Shipping AB reflect total assets of approximately $462.5 million as of December 31, 1999 and total revenues of approximately $125.8 million for the year ended December 31, 1999, in conformity with generally accepted accounting principles in Sweden. The Company's net investment in ICB Shipping AB was approximately $196.4 million at December 31, 1998, and the share in results from ICB Shipping AB for the year ended December 31, 1998 was approximately $14.2 million, in conformity with generally accepted accounting principles in the United States. We have audited adjustments necessary to convert the 1999 ICB Shipping AB financial statements to accounting principles generally accepted in the United States. The financial statements of Golden Ocean Group Limited and ICB Shipping AB were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Golden Ocean Group Limited and ICB Shipping AB, is based solely on the reports of the other auditors and our audit of the adjustments necessary for a presentation in accordance with generally accepted accounting principles in the United States. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

PriceWaterhouseCoopers DA

Oslo, Norway
June 12, 2001

Consolidated Statements of Operations

For the years ended December 31, 2000, 1999, and 1998

(in thousands of $, except per share data)	**2000**	1999	1998 *(restated)*
Operating revenues			
Time charter revenues	**31,590**	29,880	14,575
Bareboat charter revenues	**8,753**	-	-
Voyage charter revenues	**656,917**	339,996	255,830
Voyage expenses and commission	**(97,316)**	(116,662)	(66,545)
Net operating revenues	**599,944**	253,214	203,860
Gain (loss) on sale of assets	**1,160**	(37,779)	(1,514)
Operating expenses			
Ship operating expenses	**88,455**	92,708	55,586
Charterhire expenses	**34,351**	31,719	14,889
Administrative expenses	**9,326**	11,783	7,757
Total operating expenses	**132,132**	136,210	78,232
Net operating income before depreciation	**468,972**	79,225	124,114
Depreciation and amortisation	**92,880**	91,435	51,659
Net operating income (loss) after depreciation	**376,092**	(12,210)	72,455
Other income (expenses)			
Interest income	**6,858**	7,561	2,998
Interest expense	**(96,174)**	(88,728)	(59,320)
Share in results from associated companies	**12,817**	3,067	12,985
Foreign currency exchange gain (loss)	**14,563**	(1,123)	669
Other financial items	**(248)**	283	2,096
Net other expenses	**(62,184)**	(78,940)	(40,572)
Net income (loss) before income taxes and minority interest	**313,908**	(91,150)	31,883
Minority interest	-	4,245	-
Income taxes	**41**	(9)	30
Net income (loss)	**313,867**	(86,896)	31,853
Earnings (loss) per share			
Basic	**$ 4.28**	$ (1.76)	$ 0.69
Diluted	**$ 4.27**	$ (1.76)	$ 0.69

See accompanying Notes that are an integral part of these Consolidated Financial Statements

Consolidated Balance Sheets

As of December 31, 2000 and 1999

(in thousands of $)	**2000**	1999
ASSETS		
Current Assets		
Cash and cash equivalents	**103,514**	65,467
Restricted cash	**12,580**	800
Marketable securities	**3,713**	10,867
Trade accounts receivable	**95,769**	12,528
Other receivables	**35,252**	15,765
Inventories	**11,190**	14,280
Voyages in progress	**22,259**	14,412
Prepaid expenses and accrued income	**8,372**	3,628
Total current assets	**292,649**	137,747
Newbuildings and vessel purchase options	**36,326**	32,777
Vessels and equipment, net	**2,254,921**	1,523,112
Vessels and equipment under capital lease, net	**108,387**	-
Investment in associated companies	**27,361**	16,274
Deferred charges	**5,836**	4,680
Other long-term assets	**41,123**	-
Goodwill	**14,385**	12,203
Total assets	**2,780,988**	1,726,793
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	**212,767**	116,814
Current portion of obligations under capital leases	**7,888**	-
Trade accounts payable	**10,610**	8,001
Accrued expenses	**40,777**	37,880
Deferred charter revenue	**2,577**	-
Provisions for drydocking	**11,440**	6,517
Other current liabilities	**4,332**	-
Total current liabilities	**290,391**	169,212
Long-term liabilities		
Long-term debt	**1,331,372**	962,880
Obligations under capital leases	**101,875**	-
Provisions for drydocking	**19,727**	16,562
Other long-term liabilities	**2,063**	1,888
Total liabilities	**1,745,428**	1,150,542
Commitments and contingencies		
Minority interest	**6,070**	18,951
Stockholders' equity		
Share capital	**195,172**	152,405
Additional paid in capital	**576,677**	462,474
Warrants and options	**7,662**	9,333
Accumulated other comprehensive (loss)	**(3,579)**	(6,603)
Retained earnings (accumulated deficit)	**253,558**	(60,309)
Total stockholders' equity	**1,029,490**	557,300
Total liabilities and stockholders' equity	**2,780,988**	1,726,793

See accompanying Notes that are an integral part of these Consolidated Financial Statements

Consolidated Statements of Cash Flows

For the years ended December 31, 2000, 1999 and 1998

(in thousands of $, except number of shares)	**2000**	1999	1998 *(restated)*
OPERATING ACTIVITIES			
Net income (loss)	**313,867**	(86,896)	31,853
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortisation	**92,880**	91,435	51,659
Amortisation of deferred charges	**1,005**	2,922	3,021
(Gain) loss from sale of assets	**(1,160)**	37,199	1,125
Share in results from associated companies	**(12,817)**	(3,067)	(12,985)
Unrealised foreign exchange gain	**(14,794)**	-	-
Other, net	**(1,552)**	-	(2,532)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Trade accounts receivable	**(80,758)**	(2,676)	(2,710)
Other receivables	**(19,489)**	1,521	1,089
Inventories	**3,560**	(4,915)	(1,351)
Voyages in progress	**(7,847)**	(1,153)	1,072
Prepaid expenses and accrued income	**(1,903)**	2,049	5,208
Trade accounts payable	**(7,866)**	(1,824)	1,513
Accrued expenses	**2,972**	2,805	(5,001)
Deferred charter revenue	**(2,019)**	-	-
Provisions for drydocking	**6,858**	7,158	2,408
Other, net	**645**	1,928	(4,777)
Net cash provided by operating activities	**271,582**	46,486	69,592
INVESTING ACTIVITIES			
Maturity (placement) of restricted cash	**(4,648)**	1,116	(1,916)
Additions to newbuildings, vessels and equipment	**(435,980)**	(200,736)	(352,003)
Proceeds from sale of vessels and equipment	**1,315**	239,043	211,954
Acquisition of businesses (net of cash acquired)	**(41,912)**	126,000	-
Investment in associated companies	**(3,993)**	4,210	(10,430)
Investment in marketable securities	**(983)**	-	-
Investment in debt	**(38,553)**	-	-
Dividends received from associated companies	**2,346**	3,246	8,048
Proceeds from sales of other assets	**25,490**	2,653	392
Net cash provided by (used in) investing activities	**(496,918)**	175,532	(143,955)
FINANCING ACTIVITIES			
Proceeds from long-term debt	**384,690**	505,875	327,849
Repayments of long-term debt and debentures	**(209,711)**	(679,210)	(265,211)
Payment of obligations under capital leases	**(1,990)**	-	-
Debt fees paid	**(2,161)**	(3,068)	(1,113)
Cash dividends paid	**-**	(4,714)	-
Purchase of minority interest	**(12,020)**	(104,148)	-
Proceeds from issuance of equity	**104,575**	54,680	2
Net cash (used in) provided by financing activities	**263,383**	(230,585)	61,527
Net increase (decrease) in cash and cash equivalents	**38,047**	(8,567)	(12,836)
Cash and cash equivalents at beginning of year	**65,467**	74,034	86,870
Cash and cash equivalents at end of year	**103,514**	65,467	74,034
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalised interest	**92,954**	94,633	60,944
Income taxes paid	**26**	-	31

See accompanying Notes that are an integral part of these Consolidated Financial Statements

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2000, 1999 and 1998

(in thousands of $, except number of shares)	**2000**	1999	1998 *(restated)*
NUMBER OF SHARES OUTSTANDING			
Balance at beginning of year	**60,961,860**	46,106,860	46,105,860
Shares issued	**19,256,967**	14,855,000	1,000
Shares bought back	**(2,150,016)**	-	-
Balance at end of year	**78,068,811**	60,961,860	46,106,860
SHARE CAPITAL			
Balance at beginning of year	**152,405**	115,267	115,265
Shares issued	**48,142**	37,138	2
Shares bought back	**(5,375)**	-	-
Balance at end of year	**195,172**	152,405	115,267
ADDITIONAL PAID IN CAPITAL			
Balance at beginning of year	**462,474**	435,932	435,932
Shares issued	**134,005**	26,542	-
Shares bought back	**(19,802)**	-	-
Balance at end of year	**576,677**	462,474	435,932
WARRANTS AND OPTIONS			
Balance at beginning of year	**9,333**	9,333	9,333
Options and warrants exercised or expired	**(1,671)**	-	-
Balance at end of year	**7,662**	9,333	9,333
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	**(6,603)**	(3,545)	746
Other comprehensive income (loss)	**3,024**	(3,058)	(4,291)
Balance at end of year	**(3,579)**	(6,603)	(3,545)
RETAINED EARNINGS (ACCUMULATED DEFICIT)			
Balance at beginning of year	**(60,309)**	26,587	(5,266)
Net income (loss)	**313,867**	(86,896)	31,853
Balance at end of year	**253,558**	(60,309)	26,587
Total Stockholders' Equity	**1,029,490**	557,300	583,574
COMPREHENSIVE INCOME (LOSS)			
Net (loss) income	**313,867**	(86,896)	31,853
Unrealised holding gains (losses)	**3,138**	(2,843)	-
Unrealised holding (losses) gains in associated companies	**-**	-	(3,013)
Foreign currency translation	**(114)**	(215)	(1,278)
Other comprehensive income (loss)	**3,024**	(3,058)	(4,291)
Comprehensive income (loss)	**316,891**	(89,954)	28,122

See accompanying Notes that are an integral part of these Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. GENERAL

Frontline Ltd. (the "Company" or "Frontline") is a Bermuda based shipping company engaged primarily in the ownership and operation of oil tankers, including oil/bulk/ore ("OBO") carriers. The Company operates tankers of two sizes: very large crude carriers ("VLCCS") which are between 200,000 and 320,000 deadweight tons ("dwt"), and Suezmaxes, which are vessels between 120,000 and 170,000 dwt. In addition, through a corporate acquisition completed in October 2000, the Company has acquired a fleet of dry bulk carriers that includes Capesize, Panamax and Handymax bulkers as well as interests in 14 VLCCs. The Company operates through subsidiaries and partnerships located in Bermuda, Liberia, Norway, Panama, Singapore and Sweden. The Company is also involved in the charter, purchase and sale of vessels.

The Company has its origin in Frontline AB, which was founded in 1985, and which was listed on the Stockholm Stock Exchange from 1989 to 1997. In May 1997, a decision was made to redomicile Frontline AB from Sweden to Bermuda and to list its shares on the Oslo Stock Exchange. The change of domicile was executed through a share for share exchange offer from the then newly formed Frontline Ltd. in Bermuda. Frontline Ltd. was incorporated under the laws of Bermuda on April 29, 1997 for the purpose of succeeding to the business of Frontline AB and, commencing in June 1997, the shares in Frontline AB were exchanged for shares in Frontline. The ordinary shares of Frontline were thereafter listed on the Oslo Stock Exchange and delisted from the Stockholm Stock Exchange.

In September 1997 Frontline initiated an amalgamation with London & Overseas Freighters Limited ("LOF"). This process was completed in May 1998. In the business combination (discussed in detail below), which left LOF as the surviving company, Frontline's shareholders exchanged Frontline shares for LOF shares and LOF was subsequently renamed Frontline Ltd. As a result of this transaction, Frontline became listed on the London Stock Exchange and on the NASDAQ National Market in addition to its listing on the Oslo Stock Exchange. LOF originally commenced operations in 1948 as a U.K. company ("LOF plc") and was listed on the London Stock Exchange in 1950. LOF was incorporated under the laws of Bermuda on June 12, 1992 for the purpose of succeeding to the business of LOF plc. In November 1993, the shares of LOF were listed on the Nasdaq National Market in the form of American Depositary Shares ("ADSs"), each ADS representing ten LOF shares.

In December 1999, Frontline entered into an agreement with five other shipowners, A.P. Møller, Euronav Luxembourg SA, Osprey Maritime Ltd., Overseas Shipholding Group Inc. and Reederei "Nord" Klaus E. Oldendorff to establish a Marshall Islands corporation, Tankers International LLC ("Tankers"), to operate a pool of their respective VLCC fleets. Tankers commenced operations on February 1, 2000 with an initial fleet of 39 modern VLCCs. With the exception of the VLCCs committed to term charters, all of the Company's VLCCs are operated in the Tankers pool.

Business combinations and Acquisitions

London & Overseas Freighters Limited

On September 22, 1997, LOF announced that it had entered into an Agreement and Plan of Amalgamation (the "Amalgamation Agreement") with Frontline, providing for a business combination in a three-step transaction. On September 29, 1997, pursuant to the Amalgamation Agreement, Frontline commenced a cash tender offer (the "Offer") for at least 50.1 per cent and up to 90 per cent of the outstanding LOF ordinary shares and American Depositary Shares ("ADSs") for a price of $1.591 per ordinary share (or $15.91 per ADS). The Offer expired on October 28, 1997 and effective November 1, 1997 Frontline had acquired approximately 79.74 per cent of the outstanding LOF ordinary shares. (see Note 24).

In the second step, which was completed on May 11, 1998, Frontline amalgamated (the "Amalgamation") with Dolphin Limited, a Bermuda subsidiary of LOF. Each ordinary share of Frontline was cancelled in consideration for which the stockholders of Frontline received (i) 3.2635 (restated to 0.32635) ordinary shares of LOF and (ii) 0.1902 (restated to 0.01902) of a newly issued warrant ("Frontline Warrants") to purchase one LOF ordinary share.

In the third step of the combination, in order to combine the assets and liabilities, LOF purchased the assets and liabilities of Frontline which were vested in the amalgamated company at fair market value in exchange for a promissory note. LOF is the legally surviving entity in this business combination and has been renamed Frontline Ltd. with effect from May 11, 1998. Frontline is treated as the accounting acquirer and the transaction treated as a reverse acquisition. For the purposes of these financial statements, the Amalgamation has been recorded with effect from November 1, 1997 and the results of LOF have been consolidated from that date. The share capital of the Company has been restated accordingly to reflect the transaction. For periods on or after May 11, 1998, the term Company refers to Frontline Ltd. (formerly London & Overseas Freighters Limited).

ICB Shipping AB (publ)

On September 1, 1997, Frontline announced its intention to submit an offer to acquire all of the shares of ICB Shipping AB (publ) (“ICB”). The final form of the offer was an offer to acquire all of the shares of ICB (the “ICB Shares”) in exchange for SEK 130 in cash for each of the A-shares and SEK 115 in cash for each of the B-shares. The total acquisition price was estimated to be $423 million, financed primarily by a US $300 million loan facility (“ICB facility”) with Chase Manhattan Bank (“Chase”). Through the tender offer, by October 1997 Frontline acquired 51.7 per cent of the outstanding shares of ICB at a purchase price of approximately $215 million. However, the shares purchased, 14,428,078 Class B shares and 148,663 Class A shares, provided Frontline with only 31.4 per cent of the ICB voting rights. On January 8, 1998, Frontline withdrew its bid for the remaining outstanding shares of ICB. During 1998, Frontline made further purchases of ICB Shares in the market and at December 31, 1998 had 34.2 per cent of the voting power.

On September 23, 1999, pursuant to an agreement (the “ICB Agreement”), Frontline acquired ICB Shares previously owned by the so-called "A group" consortium including those controlled by board members of ICB and ICB shares controlled by the Angelicoussis family. In connection with the ICB Agreement, four of the VLCCs owned by ICB, were sold to a company controlled by the Angelicoussis family. As a result of the acquisitions, Frontline increased its shareholding in ICB to approximately 90 per cent of the capital and 93 per cent of the voting rights. In October 1999, a new Board of Directors was appointed in ICB and is consequently controlled by Frontline. In December 1999, Frontline commenced a compulsory acquisition for the remaining shares in ICB and ICB was delisted from the Stockholm Stock Exchange.

In the two year period prior to September 1999, Frontline was unable to control, or exercise significant influence over, ICB. Accordingly, the Company previously accounted for its investment in ICB as an available-for-sale security in accordance with SFAS 115. As a result of Frontline acquiring control over ICB, the Company’s financial statements have been restated. For the years ended December 31, 1997 and 1998, the investment in ICB is accounted for in accordance with the equity method. As a result, net income increased by $5.4 million and $4.9 million from amounts previously reported for the years ended December 31, 1997 and 1998, respectively.

For the year ended December 31, 1999, ICB has been consolidated with effect from January 1, 1999. In connection with the ICB Agreement, four of the VLCCs owned by ICB, were sold to companies controlled by the Angelicoussis family. This sale has resulted in Frontline recognising a loss on sale of vessels of $37.9 million in its consolidated statement of operations for the year ended December 31, 1999. Twenty employees of ICB have been made redundant as the result of the acquisition by Frontline and severance costs of approximately $1.4 million have been incurred in the year ended December 31, 1999. These costs are included in the determination of the purchase price of ICB.

Golden Ocean Group Limited

On October 10, 2000, Frontline took control of Golden Ocean Group Limited (“Golden Ocean”), a shipping group which holds interest in 14 VLCCs and 10 bulk carriers. On the same date Golden Ocean emerged from bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. Most of the delivered tonnage of Golden Ocean is presently employed on medium to long term charters.

On January 14, 2000, Golden Ocean and its fellow subsidiaries, Golden Ocean Tankers Limited and Channel Rose Holdings Inc. (together the “Debtors”) filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code with the Clerk of the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), and through this protection received an exclusive period of up to 120 days to file a Plan of Reorganisation. In February, March and April 2000, Frontline acquired a portion of Golden Ocean US$ 291 million Senior Notes due in August 2001. As one of Golden Ocean’s largest creditors, Frontline announced that it would seek to be actively involved in the reorganisation process. On June 6, 2000, the Bankruptcy Court terminated Golden Ocean’s exclusive period to file a plan of reorganisation, thereby permitting any party in interest to propose a plan.

On July 7, 2000, Frontline filed a proposed plan of reorganisation (the “Plan of Reorganisation”) and disclosure statement (the “Disclosure Statement”) with the Bankruptcy Court which set forth the manner in which claims against and equity interests in the Debtors would be treated. Two other competing plans were filed within the time limit defined by the Bankruptcy Court. On August 4, 2000 the Bankruptcy Court approved on Frontline’s Disclosure Statement and on August 14, 2000 approved the appointment of Frontline as manager of Golden Ocean’s operations with immediate effect. The Plan of Reorganisation was approved by an overwhelming majority of holders of claims entitled to vote and was confirmed at a hearing on September 15, 2000.

On October 10, 2000 the Plan of Reorganisation became effective and Frontline acquired the entire share capital of Golden Ocean. The total acquisition price paid, including amounts paid to settle allowed claims, was approximately $63.0 million, including 1,245,998 shares issued at a price of $15.65 per share. The acquisition of Golden Ocean has been accounted for using the purchase method. (See Note 11 and Note 24). Eighteen employees of Golden Ocean have been made redundant as the result of the acquisition by Frontline and severance costs of approximately $2.1 million have been incurred by Golden Ocean in the year ended December 31, 2000. These costs were included in the determination of the reorganised balance sheet and not in the determination of the purchase price.

2. ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. Investments in companies in which the Company directly or indirectly holds more than 50 per cent of the voting control are consolidated. For the year ended December 1, 1999, ICB has been consolidated with effect from January 1, 1999. For the year ended December 31, 2000, Golden Ocean has been consolidated with effect from October 10, 2000. All intercompany balances and transactions have been eliminated on consolidation.

Investments in companies in which the Company holds between 20 per cent and 50 per cent of an ownership interest, and over which the Company exercises significant influence, are accounted for using the equity method. The Company's financial statements have been restated for the years ended December 31, 1997 and 1998 to reflect the application of the equity method for the investment in ICB. The investment in ICB was previously accounted for as an available-for-sale security in accordance with SFAS 115 prior to this restatement (see Note 1). The Company records its investments in equity-method investees on the consolidated balance sheets as "Investment in associated companies" and its share of the investees' earnings or losses in the consolidated statements of operations as "Share in results from associated companies". The excess, if any, of the purchase price over the book value basis of the Company's investment in an equity method investee is included in the accompanying consolidated balance sheets in "Investment in associated companies".

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current period.

Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, all demand and time deposits and highly liquid, low risk investments with original maturities of three months or less are considered equivalent to cash.

Marketable Securities

Marketable equity securities held by the Company are considered to be available-for-sale securities and as such are carried at fair value with resulting unrealised gains and losses, net of deferred taxes if any, recorded as a separate component of other comprehensive income in stockholders' equity.

Inventories

Inventories, which comprise principally of fuel and lubricating oils, are stated at the lower of cost and market value. Cost is determined on a first-in, first-out basis.

Vessels and equipment

The cost of the vessels less estimated residual value is depreciated on a straight-line basis over the vessels' remaining economic useful lives. In the fourth quarter of 1997, management determined that the useful life of its vessels was 25 years rather than 20 years from date of construction, as previously estimated. Other equipment is depreciated over its estimated residual life, which approximates five years.

The vessels obtained through the acquisition of ICB have been depreciated on a straight-line basis over the vessels' remaining economic useful lives, which was determined to be 20 years. In the fourth quarter of 1999, management determined that the useful life of these vessels was 25 years rather than 20 years, as previously estimated. A change in accounting estimate was recognised to reflect this decision, resulting in a decrease in depreciation expense and consequently increasing net income by $1.8 million and basic and diluted earnings per share by $0.04, for 1999.

Vessels and equipment under capital lease

The Company bareboat charters in certain vessels under agreements that are classified as capital leases. Depreciation of vessels under capital lease is calculated in the same manner as for owned vessels and included within depreciation and amortisation expense in the Statement of Operations.

Newbuildings and vessel purchase options

The carrying value of the vessels under construction ("Newbuildings") represents the accumulated costs to the balance sheet date which the Company has had to pay by way of purchase instalments and other capital expenditures together with capitalised loan interest and associated finance costs. No charge for depreciation is made until the vessel is put into operation.

Vessel purchase options are capitalised at the time option contracts are acquired or entered into. The Company reviews expected future cash flows, which would result from exercise of each option contract on a contract by contract basis to determine whether the carrying value of the option is recoverable. If the expected future cash flows are less than the carrying value of the option plus further costs to delivery, provision is made to write down the carrying value of the option to the recoverable amount. The carrying value of each option payment is written off as and when the Company adopts a formal plan not to exercise the option. Purchase price payments are capitalised and the total of the option payment, if any, and purchase price payment is transferred to cost of vessels, net upon exercise of the option and delivery of the vessel to the Company.

Impairment of long-lived assets

Long-lived assets that are held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount and fair value less estimated costs to sell.

Deferred charges

Loan costs, including debt arrangement fees, are deferred and amortised on a straight-line basis over the term of the relevant loan. The straight line basis of amortisation approximates the effective interest method in the Company's statement of operations. Amortisation of loan costs is included in interest expense.

Revenue and expense recognition

Revenues and expenses are recognised on the accrual basis. Revenues are generated from freight billings, time charter and bareboat charter hires. The operating results of voyages in progress are estimated and recorded pro-rata on a per day basis in the consolidated statements of operations. Probable losses on voyages are provided for in full at the time such losses can be estimated. Time charter and bareboat charter revenues are recorded over the term of the charter as service is provided.

The operating revenues and voyage expenses of the vessels operating in the Tankers pool, and certain other pool arrangements, are pooled and net operating revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The same revenue and expenses principles stated above are applied in determining the pool net operating revenues.

Drydocking provisions

Normal vessel repair and maintenance costs are charged to expense when incurred. Provisions for future drydocking costs are accrued and charged to expense on a pro-rata basis over the period to the next drydocking. Such provisions are based on estimates made by management of expected cost and length of time between drydockings.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired in business acquisitions accounted for under the purchase method. Goodwill is presented net of accumulated amortisation and is being amortised over a period of approximately 17 years.

Derivatives

The Company enters into interest rate swap transactions from time to time to hedge a portion of its exposure to floating interest rates. These transactions involve the conversion of floating rates into fixed rates over the life of the transactions without an exchange of underlying principal. Hedge accounting is used to account for these swaps provided certain hedging criteria are met. The differential between the derivative and the underlying hedged item is accrued as interest rates change and recognised as an adjustment to interest expense. The related amount receivable from or payable to counterparties is included in accrued interest income or expense, respectively. The fair values of the interest rate swaps are not recognised in the financial statements.

Hedge accounting is applied where the derivative reduces the risk of the underlying hedged item and is designated at inception as a hedge with respect to the hedged item. Additionally, the derivative must result in payoffs that are expected to be inversely correlated to those of the hedged item. Derivatives are measured for effectiveness both at inception and on an ongoing basis.

If a derivative ceases to meet the criteria for hedge accounting, any subsequent gains and losses are currently recognised in income. If a hedging instrument is sold or terminated prior to maturity, gains and losses continue to be deferred until the hedged instrument is recognised in income. Accordingly, should a swap be terminated while the underlying debt remains outstanding, the gain or loss is adjusted to the basis of the underlying debt and amortised over its remaining useful life.

The Company has from time to time entered into forward freight contracts in order to hedge exposure to the spot market for certain trade routes. These transactions involve entering into a contract to provide a theoretical voyage at an agreed rate. The fair values of the forward freight contracts are recognised in the financial statements.

Other than the forward freight contracts discussed above, the Company has not entered into any derivative contracts for speculative or trading purposes.

Foreign currencies

The Company’s functional currency is the U.S. dollar as all revenues are received in U.S. dollars and a majority of the Company’s expenditures are made in U.S. dollars. The Company reports in U.S. dollars. Most of the Company’s subsidiaries report in U.S. dollars. For subsidiaries that maintain their accounts in currencies other than U.S. dollars, the Company uses the current method of translation whereby the statements of operations are translated using the average exchange rate and the assets and liabilities are translated using the year end exchange rate. Foreign currency translation gains or losses are recorded as a separate component of other comprehensive income in stockholders’ equity.

Transactions in foreign currencies during the year are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

Stock-based compensation

Under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", disclosures of stock-based compensation arrangements with employees are required and companies are encouraged, but not required, to record compensation costs associated with employee stock option awards, based on estimated fair values at the grant dates. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 ("APB 25") "Accounting for Stock Issued to Employees" and has disclosed the required pro forma effect on net income and earning per share as if the fair value method of accounting as prescribed in SFAS 123 had been applied.

Earnings per share

Basic EPS is computed based on the income (loss) available to common stockholders and the weighted average number of shares outstanding for basic EPS. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments (see Note 6).

Comprehensive income

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. (See Statement of Changes in Stockholders’ Equity).

3. ADOPTION OF NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities" ("FAS 133"). SFAS 133 as amended by FAS 138, establishes accounting and reporting standards for derivative instruments and hedging activities. It requires an entity to recognise all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company adopted SFAS 133 in the first quarter of fiscal year 2001 and upon initial adoption recognised the fair value of its derivatives as assets of $0.4 million and liabilities of $0.6 million. A gain of $0.3 million was recognised in income and a charge of $0.5 million made to other comprehensive income.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101, as amended, summarises certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in the financial statements. The Company adopted SAB 101 in the fourth quarter of fiscal 2000. The adoption of SAB 101 has not had a material effect on the Company's operations or financial position.

4. SEGMENT INFORMATION

The Company has two reportable segments: tankers, including oil bulk ore carriers, and dry bulk carriers. Prior to the acquisition of Golden Ocean in 2000, the Company had one reportable segment. Segment results are evaluated based on income from vessel operations before general and administrative expenses. The accounting policies used in the reportable segments are the same as those followed in the preparation of the Company's consolidated financial statements.

Information about the Company's reportable segments as of and for the year ended December 31, 2000 follows:

(in thousands)	Tankers	Dry Bulk Carriers	Total
2000			
Net operating revenues	591,805	8,065	599,870
Ship operating expenses	85,868	2,129	87,997
Depreciation and amortisation	90,297	1,952	92,249
Share in results from associated companies	11,273	1,544	12,817
Vessels and equipment, net	2,176,303	77,727	2,254,030
Vessels under capital lease	-	108,387	108,387
Investment in associated companies	26,420	941	27,361
Total assets	2,451,589	192,808	2,644,397
Expenditure for vessels	468,575	-	468,575

Reconciliations of reportable segments information to the Company's consolidated totals follows:

(in thousands of $)	2000
Net operating revenues	
Total net operating revenues for reportable segments	599,870
Other net operating revenues	74
Total consolidated net operating revenues	599,944
Assets	
Total assets for reportable segments	2,644,397
Assets not attributed to segments	136,591
Total consolidated assets	2,780,988

5. TAXATION

Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2016.

United States
The Company does not accrue U.S. income taxes as, in the opinion of U.S. counsel, the Company is not engaged in a U.S. trade or business and is exempted from a gross basis tax under Section 883 of the U.S. Internal Revenue Code.

A reconciliation between the income tax expense resulting from applying the U.S. Federal statutory income tax rate and the reported income tax expense has not been presented herein as it would not provide additional useful information to users of the financial statements as the Company's net income is subject to neither Bermuda nor U.S. tax.

Other Jurisdictions
Certain of the Company's subsidiaries in other jurisdictions including Norway, Singapore, Sweden and the United Kingdom are subject to taxation in their respective jurisdictions. The tax paid by subsidiaries of the Company which are subject to taxation is not material.

The tax charge for the year comprises:

(in thousands of $)	**2000**	1999	1998
Current tax	41	(9)	30
Deferred tax	-	-	-
	41	(9)	30

Temporary differences and carryforwards which give rise to deferred tax assets, liabilities and related valuation allowances are as follows:

(in thousands of $)	**2000**	1999
Deferred tax asset – non current		
Pension liabilities	**13**	22
Tax loss carryforwards	**19,285**	17,496
Valuation allowance	**(19,298)**	(17,518)
Net deferred tax asset (liability)	**-**	**-**

As of December 31, 2000, 1999 and 1998, the Company had $68,875,000, $62,485,000 and $15,431,000 of net operating loss carryforwards, respectively. The loss carryforward can be utilised only against future taxable income for the respective subsidiary. Frontline AB accounts for a total of $43,280,000 as at December 31, 2000 and ICB accounts for a total of $25,334,000 as of December 31, 2000. These net operating losses do not have an expiration date. The Company's deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realised in the future.

6. EARNINGS PER SHARE

The computation of basic EPS is based on the weighted average number of shares outstanding during the year. The computation of diluted EPS assumes the foregoing and the exercise of stock options and warrants using the treasury stock method (see Note 21). Earnings per share, for the year ended December 31, 1998 has been restated to reflect the change in the accounting treatment of the investment in ICB (see Note 1).

The components of the numerator for the calculation of basic EPS and diluted EPS are as follows:

(in thousands of $)	**2000**	1999	1998
			(restated)
Net income (loss) available to stockholders	**313,867**	(86,896)	31,853

The components of the denominator for the calculation of basic EPS and diluted EPS are as follows:

(in thousands of $)	**2000**	1999	1998
Basic earnings per share:			
Weighted average number of ordinary shares outstanding	**73,391**	49,486	46,107
Diluted earnings per share:			
Weighted average number of ordinary shares outstanding	**73,391**	49,468	46,107
Warrants and stock options	**173**	-	30
	73,564	49,468	46,137

7. LEASES

Rental expense

Charter hire payments to third parties for contracted in vessels are accounted for as operating leases. The Company is also committed to make rental payments under operating leases for office premises. The future minimum rental payments under the Company's non-cancellable operating leases, are as follows:

Year ending December 31, *(in thousands of $)*	
2001	44,454
2002	45,246
2003	36,520
2004	36,704
2005	37,409
2006 and later	31,743
Total minimum lease payments	232,076

Total rental expense for operating leases was $34,823,000, $31,912,000 and $15,403,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Rental income

The minimum future revenues to be received on time charters, bareboat charters and other contractually committed income as of December 31, 2000 are as follows:

Year ending December 31,	Yen revenues		Dollar revenues	Total
(in thousands of ¥ and $)	(in ¥)	($ equivalent)		
2001	2,398,000	20,949	71,879	92,828
2002	2,398,000	20,949	47,696	68,645
2003	2,398,000	20,949	43,954	64,903
2004	2,405,000	21,007	44,513	65,520
2005	2,398,000	20,949	43,304	64,253
2006 and later	13,442,000	117,427	97,936	215,363
Total minimum lease revenues	**25,439,000**	222,230	349,282	571,512

The cost and accumulated depreciation of the vessels leased to a third party at December 31, 2000 were approximately $518.3 million and $27.4 million, respectively, and at December 31, 1999 were approximately $86.7 million and $36.5 million, respectively.

8. MARKETABLE SECURITIES

Marketable securities held by the Company are equity securities considered to be available-for-sale securities.

(in thousands of $)	**2000**	1999
Cost	**3,418**	13,710
Gross unrealised gain	**702**	-
Gross unrealised loss	**(407)**	(2,843)
Fair value	**3,713**	10,867

The unrealised loss on marketable securities, including a component of foreign currency translation, included in comprehensive income decreased by $295,000 for the year ended December 31, 2000 (1999 – loss of $2,843,000).

(in thousands of $)	**2000**	1999	1998
Proceeds from sale of available-for-sale securities	**10,089**	2,653	392
Realised gain (loss)	**(1,186)**	580	389

The cost of sale of available-for-sale marketable securities is calculated on an average costs basis.

9. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are presented net of allowances for doubtful accounts amounting to $800,000 and $500,000 for the years ended December 31, 2000 and 1999, respectively.

10. OTHER RECEIVABLES

(in thousands of $)	**2000**	1999
Agent receivables	**1,761**	9,575
Due from related party	**20,000**	-
Due on sale of marketable securities	**4,101**	-
Short-term debt receivable	**6,418**	-
Other receivables	**2,972**	6,190
	35,252	15,765

Other receivables are presented net of allowances for doubtful accounts amounting to $nil for each of the years ended December 31, 2000 and 1999.

11. NEWBUILDINGS AND VESSEL PURCHASE OPTIONS

(in thousands of $)	**2000**	1999
Newbuildings	**-**	32,777
Vessel purchase options	**36,326**	-
	36,326	32,777

In connection with the acquisition of Golden Ocean, the Company obtained certain options and obligations to acquire vessels. The Company has options to purchase the VLCCs Stena Commerce and Stena Comanche. The options are exercisable at any time until December 2004. The purchase prices for each vessel are equal to 50 per cent of the outstanding mortgage debt under three joint loan agreements between lenders and the vessels' owning companies. The options must be exercised simultaneously. As at December 31, 2000 the outstanding mortgage debt of the Stena Commerce and Stena Comanche's owning companies amounted to $116,400,439 plus ¥6,019,417,615 (equivalent to $52,585,111). Of this total debt outstanding, $25,774,680 is due to the Company at December 31, 2000. This amount is included in other long-term assets (see Note 16). This debt was acquired at a discount of approximately 50 per cent from one of the lenders in September 2000. The fair value assigned to these options in the purchase accounting for Golden Ocean was $27,956,000, calculated by reference to the discounted debt acquired by the Company.

The Company has an option to purchase the vessel Stena Commodore. The option is exercisable at any time until February 2005. The purchase price is equal to the outstanding mortgage debt under three loan agreements between lenders and the vessel's owning company. As at December 31, 2000 the outstanding mortgage debt of the Stena Commodore's owning company amounted to $59,631,955 plus ¥2,901,682,103 (equivalent to $25,348,843). The fair value assigned to this option in the purchase accounting for Golden Ocean was $nil. The fair value is calculated as the difference between the fair of the vessel and the mortgage debt outstanding.

On October 24, 2000 the Company simultaneously exercised its options to acquire the Stena Commerce, Stena Comanche and Stena Commodore. The owning companies of the vessels disagree with management's interpretation of the option agreements with regard to strike price and the Company's right or otherwise to specify time and place for delivery of the vessels. The matter has been referred to arbitration. At the balance sheet date the arbitration had not been concluded. On May 3, 2001 the Company entered into an agreement in connection with the dispute and arbitration relating to the Company's options to purchase the VLCCs Stena Commerce, Stena Comanche and Stena Commodore. The Company took delivery of the Stena Commerce on May 4, 2001, the Stena Comanche on May 18, 2001 and the delivery of Stena Commodore is scheduled for June 8, 2001.

The Company has an obligation to purchase the VLCC Opalia on expiry of its current charter, which is for two years from November 1999 with an optional further two years. The purchase price is equal to 100% of the outstanding mortgage debt under three loan agreements between lenders and the vessel's owning company. As at December 31, 2000 the outstanding mortgage debt of the Opalia's owning company amounted to $60,320,740 plus ¥2,162,981,284 (equivalent to $18,895,617). The fair value assigned to this option in the purchase accounting for Golden Ocean was $nil. The fair value is calculated as the difference between the fair of the vessel and the mortgage debt outstanding.

The Company has both an obligation and an option to purchase the VLCC Oscilla on expiry of a five-year time charter, which commenced in March 2000. The purchase price is equal to the outstanding mortgage debt under four loan agreements between lenders and the vessel's owning company. As at December 31, 2000 the outstanding mortgage debt of the Oscilla's owning company amounted to $60,005,600 plus ¥1,247,525,412 (equivalent to $10,898,274). Included in this amount is debt of $12,475,000 due to the Company. The fair value assigned to this option and obligation in the purchase accounting for Golden Ocean was $8,370,000. The fair value is calculated as the difference between the fair of the vessel and the mortgage debt outstanding.

12. VESSELS AND EQUIPMENT, NET

(in thousands of $)	**2000**	1999
Cost	**2,684,603**	1,861,004
Accumulated depreciation	**(429,682)**	(337,892)
Net book value at end of year	**2,254,921**	1,523,112

Included in the above amounts as at December 31, 2000 and 1999 is equipment with a net book value of $904,000 and $561,000, respectively. Interest capitalised in the cost of newbuildings amounted to $400,000 and $3,163,000 in 2000 and 1999, respectively.

13. VESSELS UNDER CAPITAL LEASE, NET

(in thousands of $)	**2000**	1999
Cost	**109,500**	-
Accumulated depreciation	**(1,113)**	-
Net book value at end of year	**108,387**	-

The outstanding obligations under capital leases are payable as follows:

Year ending December 31, *(in thousands of $ and ¥)*	(in ¥)	($ equivalent)
2001	1,203,000	10,510
2002	1,217,000	10,632
2003	1,231,000	10,756
2004	1,246,000	10,883
2005	1,261,000	11,012
2006 and later	8,053,000	70,350
Minimum lease payments	14,211,000	124,143
Less imputed interest	1,646,000	14,380
Present value of obligations under capital leases	12,565,000	109,763

14. INVESTMENT IN ASSOCIATED COMPANIES

At December 31, 2000, the Company has the following participation in investments that are recorded using the equity method:

	Percentage
K/S Rasmussen Teamship A/S III	35%
K/S Rasmussen Teamship A/S II	40%
Front Tobago Inc.	40%
Golden Lagoon Corporation	50%
Golden Fountain Corporation	50%
Golden Tide Corporation	50%
Middleburg properties Ltd.	50%
Reese Development Inc.	50%
Alliance Chartering LLC	50%

With the exception of Alliance Chartering LLC, the equity method investees are engaged in the ownership and operation of oil tankers or dry bulk carriers. At December 31, 1998, the investment in ICB has been included in the restated consolidated financial statements of Frontline as an investment in associated companies.

Summarised balance sheet information of the Company's equity method investees is as follows:

(in thousands of $)	**2000**	1999
Current assets	**25,614**	24,164
Noncurrent assets	**280,872**	86,213
Current liabilities	**16,750**	28,302
Non current liabilities	**229,242**	59,109

Summarised statement of operations information of the Company's equity method investees is as follows:

(in thousands)	**2000**	1999	1998
Net operating revenues	**54,722**	14,432	50,100
Net operating income	**32,093**	9,846	43,934
Net income	**43,843**	8,686	28,244

15. DEFERRED CHARGES

Deferred charges represent debt arrangement fees that are capitalised and amortised on a straight-line basis to interest expense over the life of the debt instrument. The deferred charges are comprised of the following amounts:

(in thousands of $)	**2000**	1999
Debt arrangement fees	**12,971**	10,810
Accumulated amortisation	**(7,135)**	(6,130)
	5,836	4,680

16. OTHER LONG-TERM ASSETS

(in thousands of $)	**2000**	1999
Long-term debt receivable	**38,533**	-
Other	**2,590**	-
	41,123	**-**

Included in long-term debt receivable are amounts due to the Company from third party entities that own vessels over which the Company has purchase options or obligations (see Note 11).

17. GOODWILL

Goodwill is stated net of related accumulated amortisation as follows:

(in thousands of $)	**2000**	1999
Goodwill	**16,009**	12,737
Accumulated amortisation	**(1,624)**	(534)
	14,385	12,203

18. ACCRUED EXPENSES

(in thousands of $)	**2000**	1999
Voyage expenses	**8,689**	10,947
Ship operating expenses	**13,631**	12,046
Administrative expenses	**786**	1,430
Interest expense	**12,446**	11,054
Taxes	**43**	565
Other	**5,182**	1,838
	40,777	37,880

19. DEBT

(in thousands of $)	**2000**	1999
US Dollar denominated floating rate debt (LIBOR + 0.485% to 3.50%) due through 2013	**1,303,307**	904,464
Yen denominated floating rate debt (LIBOR + 1.30% to 1.50%) due through 2011	**136,172**	-
Fixed rate debt 8.00% due through 2005	**93,250**	168,510
	1,532,729	1,072,974
Credit facilities	**11,410**	6,720
Total debt	**1,544,139**	1,079,694
Less: short-term and current portion of long-term debt	**(212,767)**	(116,814)
	1,331,372	962,880

The outstanding debt as of December 31, 2000 is repayable as follows:

Year ending December 31, *(in thousands of $)*	
2001	212,767
2002	231,811
2003	293,532
2004	120,345
2005	107,783
2006 and later	577,901
Total debt	1,544,139

The weighted average interest rate for debt which is denominated in US dollars, as of December 31, 2000 was 7.81per cent (1999 – 7.17 per cent). The weighted average interest rate for Yen denominated debt as of December 31, 2000 was 2.74 per cent.

Certain of the fixed rate debt and the floating rate debt are collateralised by ship mortgages and, in the case of some debt, pledges of shares by each guarantor subsidiary. Our existing financing agreements impose operation and financing restrictions on us which may significantly limit or prohibit, among other things, our ability to incur additional indebtedness, create liens, sell capital shares of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, enter into time or consecutive voyage charters or pay dividends without the consent of our lenders. In addition, our lenders may accelerate the maturity of indebtedness under our financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including our failure to comply with any of the covenants contained in our financing agreements. Various debt agreements of the Company contain certain covenants which require compliance with certain financial ratios. Such ratios include equity ratio covenants, minimum value clauses, and minimum free cash restrictions. As of December 31, 2000 and 1999, the Company complied with the debt covenants of its various debt agreements.

The number of outstanding convertible debenture share certificates (“Debentures”) in the Company’s subsidiary, Frontline AB, amounted to $nil as of December 31, 2000 and 1999. The face value of each certificate was SEK 10. The conversion period was from June 25, 1992 to July 30, 1999 and all outstanding debentures were repaid on loan maturity on August 24, 1999. The Debentures were convertible into shares at a conversion price of SEK 35 per share. Annual interest of 9 per cent was payable annually on June 24 and on the maturity date.

Metrogas Holdings (“Metrogas”), a company related to the Company’s Chairman, had outstanding as of December 31, 1999 a specific loan of $54.0 million (1999 – $54.0 million) (the “Metrogas Loan”) provided to the Company. The Metrogas Loan was converted to a separate long-term financing facility during 1999, as described below.

As of December 31, 1998, the Company did not comply with the equity ratio covenants in a number of the loan agreements. During 1999, management initiated discussions with the Company’s lending banks with the purpose of lowering the breached covenant requirements in such loan agreements at least until January 1, 2001. The requested changes were made with the intention of making the Company’s financing arrangements more flexible in the event of a prolonged negative market scenario, including falling second-hand prices. Included in the request for changes was a proposal to subordinate the $89.0 million loan Metrogas Loan to loans given by the Company’s lending banks. In addition, the proposal included reclassifying the Metrogas Loan as equity for the purposes of calculating the Company’s equity ratio.

As of July 13, 1999, the discussions with Metrogas and the Company’s lending banks were finalised and the Company and Metrogas signed a Subordinated Convertible Loan Facility Agreement. Accordingly, the Company has received acceptance of reduced covenant levels from all but one of the Company's 19 lending banks. This one bank, however, is subject to the authority of the majority lenders, who have agreed to accept lower covenant levels until January 1, 2001. The aforementioned bank has since been replaced.

The Metrogas loan was repaid in three tranches during 1999 and 2000. In October 1999 $35 million were converted into shares in the Company; and in February 2000 $30 million were converted into shares in the Company, as described in note 21. In August 2000 the remaining $24 million plus interest accrued was repaid.

The acquisition of Golden Ocean was conducted so that the loans held by Golden Ocean's subsidiaries are non-recourse to Frontline. This implies that any guarantees on behalf of a Golden Ocean subsidiary are issued only by either Golden Ocean and/or other Golden Ocean subsidiaries. Frontline's exposure to Golden Ocean is therefore limited to $15 million injected as equity, a $50 million term loan and a $10 million revolving credit facility provided by Frontline to Golden Ocean.

20. SHARE CAPITAL

The issued and fully paid share capital of the Company has been restated for all periods presented to reflect the Amalgamation as described in Note 1 and the reverse stock split described below.

Authorised share capital:

(in thousands of $)	**2000**	1999
125,000,000 ordinary shares of $2.50 each (1999 – 100,000,000)	**312,500**	250,000

Issued and fully paid share capital:

(in thousands of $, except share numbers)	**2000**	1999
78,068,811 ordinary shares of $2.50 each (1999 – 60,961,860)	**195,172**	152,405

The Company's ordinary shares are listed on the Oslo Stock Exchange and the London Stock Exchange. The Company's ordinary shares trade on the Nasdaq National Market in the form of ADSs. Each ADS represents one ordinary share.

Of the authorised and unissued ordinary shares at December 31, 2000, 2,591,732 are reserved for issue pursuant to subscription under warrants which can be exercised at any time up to May 11, 2001 and 319,000 are reserved for issue pursuant to subscription under options granted under the Company's share option plans. As at December 31, 2000, except for the shares which would be issued on the exercise of the warrants and the options, no unissued share capital of the Company is under option or is conditionally or unconditionally to be put under option.

In connection with the Amalgamation, at a stockholder meeting on May 11, 1998 an increase in the authorised share capital of the Company to $250,000,000, divided into 100,000,000 ordinary shares of $2.50 each, was approved. On May 11, 1998, the Company issued 44,612,536 shares pursuant to the Amalgamation described in Note 1.

On October 19, 1998, at the Annual General Meeting of the Company, the stockholders approved a share consolidation of ten shares of $0.25 par value each to one share of $2.50 par value each. This reverse stock split was effective October 26, 1998. The number of shares authorised, issued and outstanding, earnings per share and share options and warrants disclosed have been restated for all periods presented accordingly.

On August 21, 2000, at the Annual General Meeting of the Company, the stockholders approved an increase in the Company's authorised share capital from 100,000,000 Ordinary Shares of $2.50 par value each to 125,000,000 Ordinary Shares of $2.50 par value each.

On September 30, 1999, the Company issued 4,715,000 ordinary shares in a private placement with five financial institutions at NOK 33.00 per share (with gross proceeds of approximately $20 million) to strengthen the equity base of the Company. Also on September 30, 1999, $35 million of the $89 million Metrogas subordinated loan facility was converted to equity by the issuance of 8,230,000 shares at an issue price of NOK 33.00 per share. In connection with this conversion, Metrogas offered $15 million of the resulting ordinary shares to existing Frontline shareholders and warrant holders, excluding US persons.

On December 20, 1999 the Company issued 1,910,000 ordinary shares at a price of NOK 37.00 per share in connection with the acquisition of a Suezmax newbuilding. Frontline had a one year call option to buy back 430,000 of these shares for NOK 37.00

per share plus 10 per cent interest per annum compensation. In September 2000, Frontline exercised its call option and bought back these 430,000 shares. In accordance with Bermuda law, these shares were cancelled on acquisition by the Company.

On February 25, 2000, the Company issued 3,500,000 ordinary shares at NOK 57.50 per share in a private placement to institutional shareholders. At the same time, $30 million of the Metrogas Loan was converted to equity, resulting in the issuance of 4,350,000 ordinary shares at an issue price of NOK 57.50 per share. In connection with this conversion, Metrogas offered 2,000,000 of the resulting ordinary shares to existing Frontline shareholders and warrant holders, excluding US persons.

On March 30, 2000 Frontline entered into an agreement with Wilh. Wilhelmsen ASA to buy the two 1993-built VLCCs, Tartar and Tarim. The agreed purchase price of $45 million per ship was paid by $62 million in cash and through the issuance of 2,957,500 Frontline shares. The shares were issued at NOK 80.00 per share.

On May 25, 2000 the Company issued 3,000,000 ordinary shares at $10.15 per share in a private placement to a group of international institutional investors. The proceeds of the issue were used to part finance the acquisition of a newbuilding VLCC, subsequently named Front Tina.

On June 20, 2000, the Company issued 4,000,000 ordinary shares at a price of NOK 104.5 per share in a private placement to a group of international institutional investors. Part of the proceeds of the issue were used to part finance the acquisition of two secondhand Suezmax tankers, subsequently named Front Ardenne and Front Brabant.

On July 17, 2000, the Company issued 68,700 ordinary shares in connection with the acquisition of Golden Ocean Bonds.

On August 31, 2000 and September 15, 2000, the Company issued 73,529 and 51,029 ordinary shares respectively, pursuant to subscriptions under warrants that could be exercised at any time up to December 31, 2003 (see Note 19).

In the period from September through to the end of December 2000, the Company issued a total of 8,211 ordinary shares pursuant to subscriptions under warrants that can be exercised at any time up to May 11, 2001 (see Note 19).

On October 16, 2000, the Company issued 1,245,998 ordinary shares in connection with the acquisition of Golden Ocean.

In December 2000, the Company bought back and cancelled a total of 1,719,845 of its ordinary shares in a number of separate market transactions. These share buybacks were made within a Board of Directors authority to buy back up to 3,500,000 ordinary shares.

On December 6, 1996, the Company's Board of Directors adopted a Shareholder Rights Plan (the "Plan"). The Company adopted the Plan to protect shareholders against unsolicited attempts to acquire control of the Company that do not offer an adequate price to all shareholders or are otherwise not in the best interests of the Company and its shareholders. Under the Plan, each shareholder of record on December 20, 1996 received one right for each ordinary share held, and each registered holder of outstanding warrants received one right for each ordinary share for which they are entitled to subscribe. Each right entitles the holder to purchase from the Company one-quarter of an ordinary share at an initial purchase price of $1.50. The rights will become exercisable and will detach from the ordinary shares a specified period of time after any person has become the beneficial owner of 20 per cent or more of the Company's ordinary shares.

If any person becomes the beneficial owner of 20 per cent or more of the Company's ordinary shares, each right will entitle the holder, other than the acquiring person, to purchase for the purchase price, that number of ordinary shares having a market value of up to eight times the purchase price.

If, following an acquisition of 20 per cent or more of the Company's ordinary shares, the Company is involved in certain amalgamations or other business combinations or sells or transfers more than 50 per cent of its assets or earning power, each right will entitle the holder to purchase for the purchase price ordinary shares of the other party to the transaction having a market value of up to eight times the purchase price.

The Company may redeem the rights at a price of $0.001 per right at any time prior to a specified period of time after a person has become the beneficial owner of 20 per cent or more of its ordinary shares. The rights will expire on December 31, 2006, unless earlier exchanged or redeemed.

A number of the Company's bank loans contain a clause that prohibits dividend payments without the approval from the lending banks.

21. WARRANTS AND SHARE OPTION PLANS

At the effective date of the Amalgamation, Frontline recorded warrants to purchase 124,558 shares (restated from 1,245,588) of LOF and options to purchase 288,000 shares (restated from 2,880,000) of LOF. These warrants and share options have been recorded at fair value, calculated using the Black-Scholes option pricing model, as an adjustment to the purchase price on the acquisition of LOF. These warrants entitle the holder to subscribe for one ordinary share in the Company at a price of £4.00 and are exercisable at any time up to December 31, 2003. During 2000, all of these warrants were exercised.

Pursuant to the terms of the Amalgamation Agreement, warrants to purchase 2,600,000 shares (restated from 26,000,000) in the Company were granted on the date of Amalgamation. These warrants have been recorded at an estimated fair value at November 1, 1997 using the Black-Scholes option pricing model. These warrants entitle the holder to subscribe for one ordinary share in the Company at a price of $15.91 and are exercisable at any time up to May 11, 2001.

The following summarises the warrant transactions:

	Number of Shares
Warrants outstanding at December 31, 1998	2,724,558
Exercised	-
Warrants outstanding at December 31, 1999	2,724,558
Exercised or cancelled	(132,826)
Warrants outstanding at December 31, 2000	2,591,732

The Company has in place a Bermuda Share Option Plan (the "Bermuda Plan") and a United Kingdom Share Option Plan (the "U.K. Plan"). Under the terms of the plans, the exercise price for the share options may not be less than the average of the fair market value of the underlying shares for the three dealing days before the date of grant. The number of shares granted under the plans may not in any ten year period exceed 7 per cent of the issued share capital of the Company. No consideration is payable for the grant of an option.

Under the Bermuda Plan, options may be granted to any director or eligible employee of the Company or subsidiary. Options are exercisable for a maximum period of nine years following the first anniversary date of the grant.

The following summarises the share options transactions relating to the Bermuda Plan:

(in thousands, except per share data)	Shares	Weighted average exercise price
Options outstanding at December 31, 1997	129	$ 14.45
Options outstanding at December 31, 1998	129	$ 14.45
Granted	300	$ 5.53
Cancelled	(16)	$ 12.58
Options outstanding at December 31, 1999	413	$ 7.89
Granted	15	$ 6.92
Cancelled	(109)	$ 14.77
Options outstanding at December 31, 2000	319	$ 5.50

Options exercisable at:		
December 31, 1998	129	$ 14.45
December 31, 1999	113	$ 14.71
December 31, 2000	4	$ 13.21

Under the U.K. Plan, options may be granted to any full-time director or employee of the Company or subsidiary. Options are only exercisable during the period of seven years following the third anniversary date of the grant.

The following summarises the share options transactions relating to the U.K. Plan:

(in thousands, except per share data)	Shares	Weighted average exercise price
Options outstanding at December 31, 1997	159	£ 8.61
Exercised	(1)	£ 7.28
Cancelled	(144)	£ 8.57
Options outstanding at December 31, 1998	14	£ 9.11
Exercised	-	-
Cancelled	(12)	£ 9.42
Options outstanding at December 31, 1999	2	£ 7.28
Exercised	2	£ 7.28
Cancelled	-	-
Options outstanding at December 31, 2000	-	-
Options exercisable at:		
December 31, 1998	12	£ 9.42
December 31, 1999	-	-
December 31, 2000	-	-

The weighted average fair value of options granted under the Bermuda Plan in the year ended December 31, 2000 was $3.27. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for the grant in the year ended December 31, 2000: risk free interest rate of 6.6 per cent; expected life of three years, expected volatility of 63 per cent, expected dividend yield of zero per cent.

The options outstanding under the Bermuda Plan as at December 31, 2000 have exercise prices between $5.07 and $13.82 and outstanding at December 31, 1999 have exercise prices between $5.32 and $15.00. The options that are not presently exercisable vest on January 1, 2001. The options outstanding under the Bermuda Plan as at December 31, 2000 have a weighted average contractual life of 3.1 years.

At December 31, 2000 there were no options remaining outstanding under the U.K. Plan. The options outstanding under the U.K. Plan at December 31, 1999 have an exercise price of £7.28 and a weighted average contractual life of 6.1 years.

The Company has recorded no compensation expense for the issuance of share options. The share options assumed in connection with the Amalgamation with LOF have been treated as an adjustment to the purchase price. Had the compensation costs for these plans been determined consistent with the fair value method recommended in SFAS 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

(in thousands of $, except per share data)	**2000**	1999	1998 (restated)
Net income			
As reported	**313,867**	(86,896)	31,853
Pro-forma	**313,818**	(87,679)	31,853
Basic earnings (loss) per share			
As reported	**$ 4.28**	$ (1.76)	$ 0.69
Pro-forma	**$ 4.28**	$ (1.77)	$ 0.69
Diluted earnings (loss) per share			
As reported	**$ 4.27**	$ (1.76)	$ 0.69
Pro-forma	**$ 4.27**	$ (1.77)	$ 0.69

22. FINANCIAL INSTRUMENTS

Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has a portfolio of swaps that swap floating rate interest to fixed rate, which from a financial perspective hedge interest rate exposure. The Company does not hold or issue instruments for speculative or trading purposes. The counterparties to such contracts are The Chase Manhattan Bank, Citibank N.A., Christiania Bank og Kreditkasse, Credit Agricole Indosuez, Deutsche Schiffsbank AG, Midland Bank and Skandinaviska Enskilda Banken. Credit risk exists to the extent that the counterparties are unable to perform under the contracts.

The Company manages its debt portfolio with interest rate swap agreements in U.S. dollars to achieve an overall desired position of fixed and floating interest rates. The Company has entered into the following interest rate swap transactions involving the payment of fixed rates in exchange for LIBOR:

Principal *(in thousands of $)*	Inception Date	Maturity Date	Fixed Interest Rate
$50,000	February 1998	February 2003	5.685%
$25,000	August 1998	August 2003	5.755%
$25,000	August 1998	August 2003	5.756%
$50,000	February 1998	February 2003	5.775%
$50,000	March 1998	February 2003	5.885%
$35,532 reducing quarterly to $34,051	May 1997	May 2001	6.840%
$14,000 reducing semi-annually to $13,000	September 1996	November 2001	6.790%
$59,845	March 1998	March 2006	7.290%
$64,099	September 1998	August 2008	7.490%

As at December 31, 2000, the notional principal amounts subject to such swap agreements was $373,476,000 (1999 – $293,672,000).

Foreign currency risk
The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. Certain of the Company's subsidiaries report in Sterling, Swedish kronor or Norwegian kroner and risks of two kinds arise as a result: a transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Company's cash flows; and a translation risk, the impact of adverse currency fluctuations in the translation of foreign operations and foreign assets and liabilities into U.S. dollars for the Company's consolidated financial statements. Certain of the Company's subsidiaries have Yen denominated long-term debt of ¥15,587,000,000 and charter contracts denominated in Yen with contracted payments as set forth in note 7. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cashflows. The Company has not entered into derivative contracts for either transaction or translation risk. Accordingly, such risk may have an adverse effect on the Company's financial condition and results of operations.

Forward freight contracts
The Company may enter into forward freight contracts in order to manage its exposure to the risk of movements in the spot market for certain trade routes. Market risk exists to the extent that spot market fluctuations have a negative effect on the Company's cash flows and consolidated statements of operations.

Fair Values
The carrying value and estimated fair value of the Company's financial instruments at December 31, 2000 and 1999 are as follows:

(in thousands of $)	**2000**	**2000**	1999	1999
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Non-Derivatives:				
Cash and cash equivalents	**103,514**	**103,514**	65,467	65,467
Restricted cash	**12,580**	**12,580**		
Marketable securities	**3,713**	**3,713**	10,867	10,867
Short-term debt	**212,767**	**212,767**	116,814	116,814
Long-term debt	**1,331,372**	**1,331,372**	962,880	962,880
Derivatives:				
Interest rate swap transactions	**-**	**(210)**	-	5,787
Forward freight contracts	**-**	**-**	-	-

The carrying value of cash and cash equivalents, which are highly liquid, is a reasonable estimate of fair value.

The estimated fair value of marketable securities is based on the quoted market price of these or similar instruments when available. The estimated fair value for long-term debt is considered to be equal to the carrying value since it bears variable interest rates which are reset on a quarterly basis.

Fair value of interest rate swaps is estimated by taking into account the cost of entering into interest rate swaps to offset the Company's outstanding swaps.

Fair value of forward freight contracts is estimated by taking into account the cost of entering into forward freight contracts to offset the Company's outstanding contracts.

Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with the Bank of America N.A., Skandinaviska Enskilda Banken, Nordlandsbanken, Den norske Bank and Christiania Bank og Kreditkasse. However, the Company believes this risk is remote as these banks are high credit quality financial institutions.

The majority of the vessels' gross earnings are receivable in U.S. dollars. In 2000, 1999 and 1998, no customer accounted for more than 10 per cent or more of freight revenues.

23. RELATED PARTY TRANSACTIONS

Management believes transactions with related parties are under terms similar to those that would be arranged with other parties.

During 1996, 1997 and January 1998, Frontline received options to assume newbuilding contracts for the construction and purchase of five Suezmax tankers at the Hyundai Heavy Industries Co. Ltd. shipyard in South Korea for delivery in 1998 and 2000 from single-ship owning companies (the "Suezmax Newbuilding Companies") affiliated with Hemen Holding Ltd. ("Hemen"). Hemen is the Company's largest shareholder and is indirectly controlled by Mr. John Fredriksen, Chairman and Chief Executive Officer of the Company. The first three of the Suezmax tankers were delivered during 1998. The remaining two vessels were delivered in February and April, 2000.

During 1997, Frontline received options to assume from other Hemen affiliated parties, five newbuilding contracts for the construction and purchase of five VLCC tankers. These options were exercised in March 1998. The first two VLCC newbuildings were delivered in 1998, the third in January 1999 and the remaining two were delivered in mid 1999.

In May 1998, the Company acquired control of three shipowning and/or leasing structures which are organised in a non-recourse entity, Independent Tankers Corporation ("ITC"). The Company acquired ITC for $9.5 million. The Company's investment in ITC was subsequently sold to Hemen for $9.5 million with effect from July 1, 1998. The acquisition and sale of ITC are treated as occurring on the same date for accounting purposes as a result of the common control relationship between the Company and Hemen. The results of ITC are therefore not consolidated in the Company's financial statements for any period in 1998. The Company has remained as the manager of the underlying assets and has received a five year fair value call option to buy back ITC.

In June 1998, the Company obtained a loan of $87.5 million from Metrogas, the Metrogas Loan, to finance the acquisition of the five VLCC newbuilding contracts described above. This loan bears interest at the rate of 6.75 per cent per annum. At December 31, 1998, an amount of $89 million was outstanding in respect of the Metrogas Loan, including interest accrued thereon. In the year ended December 31, 1998, the Metrogas Loan bore interest at the rate of 6.75 per cent. Interest expense recorded by the Company in 1998 in respect of this loan was $3,780,772. On September 30, 1999, $35 million of the $89 million Metrogas Loan was converted to equity by the issuance of 8,230,000 shares at an issue price of NOK 33.00 per share. In connection with this conversion, Metrogas offered $15 million of the resulting ordinary shares to existing Frontline shareholders and warrant holders, excluding US persons. In connection with this secondary offering by Metrogas, Frontline bore costs of the offering of $15,000. At December 31, 1999, an amount of $56.7 million was outstanding in respect of the Metrogas Loan, including interest accrued thereon. On February 25, 2000, $30 million of the Metrogas Loan was converted to equity, resulting in the issuance of 4,350,000 ordinary shares at an issue price of NOK 57.50 per share. In connection with this conversion, Metrogas offered 2,000,000 of the resulting ordinary shares to existing Frontline shareholders and warrant holders, excluding US persons. In August 2000, the outstanding principal amount of $24.0 on the Metrogas Loan was repaid in full, together with $4.3 million accrued thereon. In the years ended December 31, 2000 and 1999, the Metrogas Loan bore interest at the rate of 8.0 per cent and the Company incurred interest costs of $1.6 million and $5.4 million, respectively, of which $2.7 million was expensed in 1999.

In addition to the lending arrangement described above, Hemen affiliated parties have, during 1998 and 1999, provided additional short term financing to the Company. Such financing bore interest at a rate of between 6.75 and 8.8 per cent per annum in 2000 and 6.75 per cent in both 1999 and 1998. Interest expense recorded by the Company in 2000 in respect of such financing was $1,095,380 (1999 - $428,291, 1998 - $550,803).

In September 2000 Frontline acquired a 1993-built VLCC, which was named Front Ace from a company affiliated with Hemen. This vessel was acquired for a price of $53 million which was based on three independent valuations less a $1 million discount compared to appraised market value.

On December 5, 2000, a subsidiary of Frontline made a short-term loan of $20 million to World Shipholding Ltd., a company affiliated with Hemen. This loan was repaid in full on February 6, 2001 together with fees and interest of $349,680, of which $115,000 was recorded by the Company in 2000 and $234,680 will be recorded in 2001.

On December 28, 2000, the Company and Overseas Shipholding Group Inc. (OSG) entered into an agreement with Osprey Maritime Ltd. (Osprey) to acquire the two VLCCs Golar Edinburgh and Golar Dundee. The agreement was signed on behalf of a joint venture company to be owned 50.1 per cent by the Company and 49.9 per cent by OSG. The purchase price for the vessels, which were delivered in the first quarter of 2001 was $53 million each. At December 31, 2000, World Shipholding Ltd. held more than 50 per cent of the shares in Osprey. In February, 2001, World Shipholding Ltd. took control of Osprey.

24. ACQUISITIONS

On October 10, 2000, Frontline took control of Golden Ocean pursuant to a Plan of Reorganisation (See Note 1). The total acquisition price paid, including amounts paid to settle allowed claims, was approximately $63.0 million, including 1,245,998 shares issued at a price of $15.65 per share. The cash component of the acquisition was funded primarily from working capital. The acquisition of Golden Ocean has been accounted for using the purchase method. Prior to the effective date of acquisition, Golden Ocean adopted fresh-start reporting in accordance with the provisions of Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). The application of the provisions of SOP 90-7 resulted in the preparation of a reorganised balance sheet at October 10, 2000, concurrent with the emergence from bankruptcy protection. The difference between the purchase price and the net assets acquired, has been recorded as goodwill. This goodwill is being amortised over the average remaining life of the identifiable long-term assets acquired which is approximately 22 years.

In September 1999, Frontline acquired shares in ICB sufficient to provide voting control of the company. This acquisition followed a tender offer which commenced in September, 1997 and further acquisitions of ICB Shares in 1998 and in the first half of 1999 (see Note 1). The acquisition of ICB was primarily funded by loans from Chase. The investment in ICB in 1997 and 1998 was originally accounted for as an available-for-sale security in accordance with SFAS 115. Following Frontline obtaining control of ICB, the financial statements for 1997 and 1998 have been restated and the investment accounted for using the equity method. The results of ICB have been consolidated with effect from January 1, 1999. For the period from the initial acquisition of ICB Shares in 1997 to September 30, 1999, the principles of step-by-step acquisition accounting have been applied. At each step of the acquisition, the purchase price has been allocated to the net assets acquired based on their estimated fair values. The difference between the purchase price at each step, and the net assets acquired, has been assigned to the identifiable long-term assets of ICB or has been recorded as goodwill, as appropriate.

Effective November 1, 1997, Frontline acquired 79.74 per cent of the outstanding Ordinary Shares of LOF for approximately $93.5 million in cash (see Note 1). The acquisition was primarily funded by a loan from Chase. In 1997, the results of LOF were consolidated with effect from the date of acquisition. The acquisition has been accounted for using the purchase method of accounting. Accordingly, the total purchase price has been allocated to the net assets acquired based on their estimated fair values. The difference between the total purchase price and net assets acquired was deducted from the assigned value of the three Suezmax vessels which comprise the identifiable long-term assets of LOF. The subsequent gain realised on the sale of LOF's Panamax tankers was reflected as an adjustment to the purchase price.

The following table reflects unaudited pro-forma combined results of operations of the Company on the basis that the acquisitions of ICB had taken place at January 1, 1998:

(in thousands of $, except per share data)	1998
Net operating revenues	316,910
Net income	52,099
Basic and diluted earnings per share	1.13

In management's opinion, the adoption of fresh-start accounting in the financial statements of Golden Ocean means that any presentation of unaudited pro-forma combined results of operations would not provide any meaningful information to the readers of these financial statements and no presentation has been made accordingly. In management's opinion, the unaudited pro-forma combined results of operations are not indicative of the actual results that would have occurred had the acquisition of ICB been consummated at the beginning of 1998 or of future operations of the combined companies.

25. COMMITMENTS AND CONTINGENCIES

Assets Pledged

(in thousands of $)	**2000**	1999
Ship mortgages	**1,569,848**	1,001,669
Restricted bank deposits	**12,580**	800
	1,582,428	1,002,469

Other Contractual Commitments

When newbuilding contracts were executed for the tankers Front Melody, which was sold in 1992, and Front Rhapsody, which was sold in 1993, Frontline also signed an agreement to finance a peseta denominated loan in a foreign bank. Under the agreements, Frontline was required to make a peseta denominated deposit in the same bank. The deposits were being used to fulfil the payment commitments on the loan agreements. The deposits carried a higher interest rate than the loans. In 2000 this arrangement expired. The balance of the deposits at December 31, 1999 was $0.1 million. These balances were contractual commitments, since the Company's only risk was the interest rate gap between loans and deposits.

The Company insures the legal liability risks for its shipping activities with Assuranceforeningen SKULD, Sveriges Ängfartygs Assurans Förening (The Swedish Club), and the United Kingdom Mutual Steamship Assurance Association (Bermuda), all mutual protection and indemnity associations. As a member of these mutual associations, the Company is subject to calls payable to the associations based on the Company's claims record in addition to the claims records of all other members of the associations. A contingent liability exists to the extent that the claims records of the members of the associations in the aggregate show significant deterioration, which result in additional calls on the members.

The Company's subsidiary, Golden Ocean Group Limited, has guaranteed the yen and dollar long-term borrowings of associated companies for amounts of ¥17,152,359,010, which is equivalent to $149,841,522, and $25,074,130 at December 31, 2000.

Certain of the Company's subsidiaries have contractual commitments to participate in the profits and losses of the time charterer's subcharters of the vessel Channel Poterne and in the profits only of the vessels New Vanguard, New Vista, Channel Alliance and Golden Victory. An associated company participates in the time charterer's profits and losses on subcharters of the vessel Pacific Lagoon. Another associated company participates in the charterer's profits on subcharters of the vessel New Circassia. Revenues or expenses arising from these arrangements have been accrued to the balance sheet date.

The charterers of certain of the Company's vessels have contractual rights to participate in the profits on sale of those five vessels. In the case of the Channel Poterne, Channel Alliance and Cos Hero, the charterer is entitled to 50% of the profit realised on any qualifying sale. The Channel Alliance may only be sold if the profit from the sale will exceed $1.0 million. The Cos Hero may only be sold if the profit from sale will exceed $3.0 million. Profit is defined as sale proceeds less debt outstanding in the relevant profit share agreements. If the New Vanguard or New Vista are sold, the charterer is entitled to claim up to $1 million to cover losses incurred on subcharters of the vessel. These vessels may only be sold after the second anniversary of delivery. Any remaining profit is to be split 60:40 in favour of the owner.

Certain charterers of the Company's vessels hold purchase options denominated in yen to purchase the Channel Poterne, Golden Daisy, Golden Rose, Golden Aloe, Golden Protea, Golden Disa, Golden Nerina and Navix Astral. All of the purchase options reduce on a sliding scale over the term of the related charter and are at strike prices which are in excess of the related debt on the vessel. The option to purchase the Channel Poterne is exercisable at any time. All other options are exercisable at any time after the end of the seventh year of the charter. The Golden Daisy and Golden Rose are owned by associated companies.

26. SUPPLEMENTAL INFORMATION

Non-cash investing and financing activities included the following:

(in thousands of $)	**2000**	1999	1998 *(restated)*
Unrealised appreciation (depreciation) on investments			
Recorded directly to equity	**295**	(2,843)	(3,013)
In connection with purchase of fixed assets:			
Shares issued	**28,000**	9,000	-
Acquisition of businesses:			
Assets acquired, including goodwill	**533,685**	652,008	-
Liabilities assumed and incurred	**470,674**	391,257	-
Conversion of equity method investment in ICB	**-**	236,051	-
Minority interest recorded	**-**	150,700	
Shares issued	**20,350**	-	-

27. SUBSEQUENT EVENTS

In February 2001, Frontline entered into five newbuilding contracts. Two Suezmaxes were ordered with the Sasebo Shipyard in Japan for delivery in August and October 2001, and three VLCCs were ordered with Hitachi for delivery in April, August and October 2002. The total newbuilding project will have a cost of approximately $330 million. The three VLCC contracts were negotiated and entered into by Seatankers Management Co. Ltd., an affiliated party of Hemen. Seatankers has through historic ties a very close relationship with Hitachi. The contracts were transferred to the Company based on a contract price of $72.5 million per vessel plus technical extras of approximately $1.2 million.

On March 14, 2001 the Company announced that it intends to apply for listing of its ordinary shares on the New York Stock Exchange. Concurrently with an NYSE listing, Frontline's ADRs will no longer be traded on the Nasdaq National Market.

On March 20, 2001 the Company announced that it had entered into Memoranda of Agreement to sell two 1993-built VLCCs, Front Tartar and Front Tarim for a total price of $104 million. The Front Tartar was delivered to the purchaser on April 24, 2001 and the Front Tarim on April 26, 2001.

In the period from January 1, 2001 to May 31, 2001 the Company bought back 1,587,300 of its own shares. Warrants to acquire 416,555 shares were exercised during this period and the Company bought warrants to acquire approximately 2,065,015 of its shares. All remaining outstanding warrants expired on May 11 2001. At May 31, 2001 77,012,566 ordinary shares of the Company were outstanding.

On April 23, 2001, Frontline announced an offer for all of the shares of Mosvold Shipping Limited ("Mosvold"), a Bermuda company whose shares are listed on the Oslo Stock Exchange. Through a combination of shares acquired and acceptances of the offer, as at May 31 2001, Frontline controlled 97 per cent of the shares of Mosvold. Mosvold owns two mid-70s-built VLCCs and three newbuilding contracts for VLCCs to be delivered, one in each of 2001, 2002 and 2003.

On May 8, 2001, the Company announced a dividend of $1.00 per share, payable to holders of record as of May 21, 2001. The dividend was paid on June 7, 2001.

On May 14, 2001 the Company announced that it had entered into a Memorandum of Agreement to sell the 2000-built Suezmax tanker, Front Archer. The vessel is expected to be delivered to the buyer in July or August 2001.

In May 2001, the Company issued NOK 330 million ($36 million) in commercial paper. The proceeds were used to part finance the retirement of some yard debt with a nominal value $50.75 million. The Company has hedged the NOK exposure. The commercial paper has 6 and 12 months maturity, and given the hedging interest is at Libor plus a margin.

On June 5, 2001, the Company announced that it would participate with a 33 per cent interest in a consortium, which will be established to buy 4 VLCCs from Bergesen for a total price of $321 million. The remaining interest in the joint venture will be taken up by other partners in the Tankers International Pool. The ships will be financed through the joint venture.

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