FRONTLINE

Prospectus relating to:

1. a private placement of 3,500,000 shares at NOK 57.50 per share (all of which have been placed), and
2. the conversion by Metrogas Holdings Inc. of USD 30 million of its subordinated loan into 4,350,000 new shares (at a conversion price of NOK 57.50 per share), and
3. a secondary offering by Metrogas Holdings Inc. of 2,000,000 of these shares to Qualified Holders (as defined herein) at a price of NOK 57.50 per share, with an acceptance period from 29 March to 4 April 2000.

Managers:

Fearnley Fonds

Christiania Markets

Prospectus dated 27 March 2000

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1. The prospectus

Definitions and abbreviations

Company definitions

Frontline, the Company	Frontline Ltd., a company registered on Bermuda.
Frontline Management	Frontline Management AS, a wholly-owned subsidiary of the Company registered in Norway.
Hemen...	Hemen Holding Limited, the largest shareholder of the Company.
Greenwich.....................................	Greenwich Holdings Ltd., the largest shareholder of Hemen.
Metrogas.......................................	Metrogas Holdings Inc., a company controlled by Hemen.
ICB	ICB Shipping AB (Publ), a company registered in Sweden which is now a wholly-owned subsidiary of the Company.
LOF	London & Overseas Freighters Limited, a former name of the Company.
Alliance...	Alliance Chartering, a cooperation between Frontline and OMI Corp.
Tankers	Tankers International LLC, a pooling arrangement organised as a limited liability company.
Golden Ocean	Golden Ocean Limited, a company registered on Bermuda.
ITC	Independent Tankers Corporation, a wholly-owned subsidiary of Hemen.
Knightsbridge	Knightsbridge Tankers Limited, a company registered on Bermuda.

Definitions relating to the Secondary Offering

Conversion....................................	The conversion by Metrogas of USD 30 million of its subordinated loan to the Company into 4,350,000 shares.
Offered Shares	Up to 2,000,000 shares of the Company offered by Metrogas to Qualified Holders on the terms set out herein.
Purchase Rights	Rights issued to Qualified Holders to purchase the Offered Shares.
Acceptance Period	29 March to 4 April 2000, both dates inclusive.
Purchase Price	NOK 57.50 per Offered Share.
Qualified Holders	Persons who (i) had their holding of shares and/or warrants of Frontline registered in VPS on the Record Date and (ii) who are not Hemen nor affiliated with Hemen and (iii) who do not have a U.S. address. Persons holding physical certificates and/or ADRs of Frontline are not registered in VPS and are therefore not Qualified Holders.
Record Date	25 February 2000.
Secondary Offering........................	The offering hereby of the Offered Shares to the Qualified Holders.

Other terms

Private Placement	The private placement as described herein of 3,500,000 shares of Frontline at a subscription price of NOK 57.50 per share, all of which shares have been placed.
NOK	Norwegian Kroner
USD	United States Dollars

VPS.. The Norwegian Central Securities Depositary (Verdipapirsentralen), a certificateless, computerised securities registration system.

Relevant maritime terms

Reference is made to Appendix 3 - "Glossary of shipping terms".

Important information

This prospectus has been prepared in connection with the conversion of USD 30 million of Metrogas' subordinated loan to Frontline into 4,350,000 ordinary shares in Frontline, the secondary offering by Metrogas to Qualified Holders of 2,000,000 of the shares received through the Conversion, and the private placement by Frontline of 3,500,000 ordinary shares.

This prospectus has been controlled by and registered with the Oslo Stock Exchange in accordance with the Norwegian Stock Exchange Regulations, Section 18-1, and the Norwegian Securities and Trading Act, Section 5-1.

A Swedish prospectus containing abbreviated versions of certain sections of this prospectus has been registered with the Swedish Financial Supervisory Authority in accordance with Chapter 2, §4 of the Financial Instruments Trading Act (1991:980). The Swedish prospectus and this prospectus will be sent out to all shareholders with address in Sweden.

Except for the registration of this prospectus with the Oslo Stock Exchange, no action has been taken to permit the distribution of this prospectus in any jurisdiction where action would be required for such purposes. Accordingly, this prospectus may not be used for the purpose of an offer or solicited in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised.

The shares offered in the Secondary Offering shall not be offered, sold or otherwise delivered outside Norway to the extent that this would be illegal pursuant to prevailing jurisdiction, or would require compliance with particular rules.

Any dispute regarding this prospectus shall be governed by Norwegian law and legal decisions shall be made by Norwegian courts alone.

The Secondary Offering is being made only to investors who qualify as non-U.S. persons ("Non-U.S. Persons") outside the United States pursuant to Regulation S promulgated under the United States Securities Act of 1933, as amended. Accordingly, offers and sales will not be made either to (i) holders of the Company's American Depositary Receipts (ADRs) or (ii) holders of the Company's shares with addresses in the United States. Each purchaser of the shares offered hereby will be deemed in making its purchase to have represented that it is a Non-U.S. Person as defined in Regulation S, and to have acknowledged and agreed with the following restrictions which will apply to the shares:

THE SHARES ISSUED IN CONNECTION WITH THE CONVERSION OF DEBT INTO SHARES AND THE SHARES ISSUED PURSUANT TO THE PRIVATE PLACEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THEY MAY NOT BE SOLD OR OFFERED FOR SALE WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS UNLESS THE SHARES HAVE BEEN REGISTERED UNDER THE ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT IS AVAILABLE.

Information contained in this prospectus

The Board of Directors

This prospectus is prepared in connection with the private placement of 3,500,000 shares, the conversion of USD 30 million of the Company's subordinated debt to Metrogas Holdings Inc. into 4,350,000 shares and the secondary offering of 2,000,000 of the shares received by Metrogas Holdings Inc. in the Conversion to the Qualified Holders. The Board of Directors of Frontline Ltd. confirms that the information contained in this prospectus is, to the best of their knowledge, correct and in accordance with the facts and contains no omissions which are likely to alter the import of this prospectus. Market evaluations and future prospects are based on best judgement.

Hamilton, Bermuda
27 March 2000
The Board of Directors of Frontline Ltd.

John Fredriksen Chairman	Tor Olav Trøim	A. Shaun Morris	Timothy J. Bridges

Selling shareholder

We, the undersigned, being the only directors of Metrogas Holdings Inc. do hereby confirm that, as of the date hereof, Metrogas Holdings Inc. is the owner of 4,375,658 ordinary shares of USD 2.50 par value in Frontline Ltd.

We further confirm that Metrogas Holdings Inc. is willing to sell up to 2,000,000 of these shares to the Qualified Holders of shares and warrants in Frontline Ltd. on the terms and conditions set forth in the prospectus issued by the Board of Directors of Frontline Ltd. on 27 March 2000.

We confirm that the number of shares offered for sale will be blocked in favour of Fearnley Fonds ASA until all Qualified Holders accepting the offer to buy the same have received their shares.

We confirm that we are not aware of any material information relevant to the evaluation of Frontline Ltd. for investment purposes beyond what has been included in the prospectus.

Piraeus, Greece
27 March 2000
The Board of Directors of Metrogas Holdings Inc.

Annita Hadjipaschali Chairman	Petrus Vrontakis	Smaro Julia

The Managers

Fearnley Fonds ASA and Christiania Markets have assisted the Board and Management of Frontline Ltd. in the preparation of this prospectus. Fearnley Fonds ASA and Christiania Markets have conducted their work based on information made available by the Company. Fearnley Fonds ASA and Christiania Markets cannot provide any guarantee as to the completeness or accuracy of the contents of the prospectus, nor can they accept any financial or legal liability for decisions made on the basis of information contained herein.

As per 22 March 2000, Fearnley Fonds ASA owned 0 shares and 0 warrants of Frontline Ltd., while Christiania Markets owned 601 shares and 0 warrants of Frontline Ltd.

Oslo, Norway
27 March 2000

Fearnley Fonds ASA	Christiania Markets

2. Executive summary

Frontline is a major tanker company based on Bermuda. Frontline's tanker fleet, which is one of the largest and most modern in the world, consists of 13 owned or controlled VLCCs and 30 owned or controlled Suezmax tankers (including newbuildings), of which 8 are Suezmax OBOs. Frontline's tanker fleet has a total cargo capacity of 7.9 million dwt. Since 1996, Frontline has emerged as a leading tanker company within the VLCC and Suezmax segments. The Company's aim is to provide its customers with flexible and reliable transportation services, and to use this flexibility to develop industrial relations that will give benefits to the customers as well as the Company.

Since 1996, Frontline has been actively involved in consolidation of the tanker industry and has, as part of this, carried out a series of corporate transactions which can be summarised as follows:

- 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. Hemen became the largest shareholder of Frontline AB in 1996. In May 1997, a decision was made at the general meeting in Frontline AB to change its domicile 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.
- During 1996 and 1997, Frontline acquired 7 tankers and options to take over 10 newbuilding contracts from companies related to Hemen. All of the newbuilding options have been exercised.
- In September 1997 Frontline initiated a merger with LOF. The process was completed in May 1998. In the merger, 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, through an ADR-scheme, on NASDAQ in addition to its listing on the Oslo Stock Exchange. Through the merger, Frontline's fleet was increased by three Suezmax tankers and three Panamax tankers, the latter immediately being divested.
- In September 1997, Frontline submitted an offer to acquire all outstanding shares in the Swedish listed tanker company ICB. The offer resulted in a complex ownership situation which was resolved in September 1999, when it was agreed that Frontline could acquire control in ICB and that four of ICB's VLCC tankers should be sold to a company formed by former shareholders of ICB. Frontline's fleet increased by two VLCCs and six Suezmax tankers. By consolidating ICB, Frontline was able to repay the debt incurred in the acquisition and to strengthen its balance sheet. Frontline is in the process of coordinating the activities of ICB and Frontline into the existing Frontline organisation.

Frontline has also entered into cooperation agreements with other shipowning companies for the purpose of coordinating the marketing of the companies' tanker fleets. These agreements can be summarised as follows:

- Alliance is a cooperation in practice between Frontline and OMI Corp. for the chartering of the companies' Suezmax tankers. Alliance maintains a significant share in the Suezmax market segment, and it is the parties' belief that the cooperation has been successful in improving the employment of the ships as well as increasing service to its clients. Alliance currently employs a total fleet (including committed newbuildings) of 39 Suezmax tankers, and is seeking to expand by adding new partners.
- Tankers is a pooling arrangement entered into between A.P. Møller, Frontline, Euronav, Overseas Shipholding Group, Osprey Maritime and Reederei "Nord" Klaus E. Oldendorff. Tankers has been established to pool the companies' VLCC fleets and became operational in February 2000. Tankers employs a total fleet (including committed newbuildings) of up to 55 VLCCs.

On 25 February 2000, the Board of Frontline approved two capital transactions, the Private Placement and the Conversion, as set out below:

- In the Private Placement, the Company issued 3,500,000 new shares to a limited group of investors at an issue price of NOK 57.50, corresponding to approximately USD 24 million.
- In the Conversion, the Company accepted an offer from Metrogas to convert USD 30,000,000 of its subordinated loan into 4,350,000 shares, using a conversion price of NOK 57.50. It was agreed with Metrogas that 2,000,000 of these shares should be offered hereby to holders of shares and warrants in Frontline who (i) had their shares and warrants registered in VPS on 25 February 2000 and (ii) are not Hemen or affiliated with Hemen and (iii) do not have a US address.

The combined transaction will increase Frontline's equity by USD 54 million and will improve the liquidity by USD 24 million. The proceeds from the transaction will be used to strengthen the Company financially, finance the Company's interest in the acquisition of the 1993-built VLCC "Front Tobago", and fund future growth.

3. Invitation to purchase shares in Frontline

In a meeting of the Company's board of directors on 25 February 2000, it was decided to accept an offer from Metrogas to convert USD 30 million of its subordinated loan of USD 54 million to Frontline into shares in the Company. Metrogas is a company controlled by Hemen. On 25 February 2000, Hemen and affiliated companies held approximately 52 per cent of the outstanding shares in Frontline (assuming full exercise of all outstanding warrants). The Conversion was executed at NOK 57.50 per share, resulting in an issue of 4,350,000 new shares in the Company.

At the meeting it was also decided to execute a private placement of approximately USD 24 million through the issue of 3,500,000 new shares in the Company. The subscription price was set at NOK 57.50 per share. These shares were placed with a group of institutional investors, some of which had shareholding positions in the Company prior to the placement.

Prior to the Private Placement and the Conversion, the Company had 60,961,860 shares and warrants exercisable into 2,724,558 shares outstanding. The Private Placement and the Conversion has increased the number of shares to 68,811,860, corresponding to a share capital of USD 172,029,650. The Board's decisions to increase the share capital by a total of USD 19,625,000 through the issue of 7,850,000 new shares as required by the Conversion and the Private Placement was made under an authority granted to the board of directors by the General Meeting on 11 May 1998, where it was resolved to increase the authorised share capital to USD 250,000,000.

In connection with the Conversion, it was agreed that Metrogas shall offer a right to purchase up to 2,000,000 of the shares received in the Conversion to Qualified Holders in proportion to their holding of Frontline shares and warrants as of the Record Date.

In defining the Qualified Holders, Metrogas and the Company have excluded, in addition to Hemen and shareholders affiliated with Hemen, (i) holders of shares and warrants who do not have their shares and warrants registered in VPS, and (ii) holders of shares and warrants who have their address in the U.S. and certain other jurisdictions. Approximately 98 per cent of all shares and 95 per cent of all warrants are registered in VPS. Metrogas and the Company believe that significant additional costs would have been incurred if the Secondary Offer should have been made to holders of shares and warrants in the U.S. and the other jurisdictions which have been excluded.

The Board of Frontline has been authorised by Metrogas to organize the Secondary Offering on its behalf. The purchase price in the Secondary Offering is identical to the price applied in the Conversion. The Qualified Holders will, as a consequence of the Secondary Offering, have the opportunity to maintain their approximate relative ownership position in the Company.

The shares received by Metrogas as a consequence of the Conversion correspond to approximately 7 per cent of the total number of Frontline shares outstanding assuming full exercise of all outstanding warrants. Accordingly, Qualified Holders of shares and warrants are hereby offered a right to purchase one Offered Share for each whole multiple of 14.3 shares or each whole multiple of 143 warrants held on the Record Date.

Based on the above, 2,000,000 shares in the Company are offered by Metrogas to Qualified Holders, on the terms and conditions set forth in this prospectus. The purchase price is NOK 57.50 per share.

Hamilton, Bermuda
27 March 2000

The Board of Directors of Frontline Ltd.

4. The private placement and the conversion

The Private Placement

Resolution

In a meeting of the Company's board of directors on 25 February 2000 it was decided to execute a private placement to raise USD 24 million through the issue of 3,500,000 new shares at a subscription price of NOK 57.50 per share. The shares were placed with a group of institutional investors, some of which had shareholding positions in the Company prior to the placement. Through the Private Placement, the Company's share capital increased by USD 8,750,000.

Purpose

The purpose of the Private Placement was to raise new equity which will be used to strengthen the Company financially, finance the Company's interest in the acquisition of the 1993-built VLCC "Front Tobago", and fund future growth.

Allotment

Allotment of shares in the Private Placement was made discretionary by the board of directors.

Settlement

The proceeds from the Private Placement were made available to the Company at the same time as the new shares were transferred to the investors in the form of physical share certificates. The physical share certificates are being exchanged for VPS shares and transferred to the investors' VPS accounts upon registration of this prospectus with the Oslo Stock Exchange.

The Conversion

Resolution

In a meeting of the Company's board of directors on 25 February 2000 it was decided to accept an offer from Metrogas to convert USD 30 million of its subordinated loan of USD 54 million to Frontline into shares in the Company. The conversion price was set at NOK 57.50 per share, and the Conversion therefore resulted in the issue of 4,350,000 new shares. Through the Conversion, the Company's share capital increased by USD 10,875,000.

Purpose

The purpose of the Conversion was to strengthen the Company financially.

Settlement

The Conversion was executed on 25 February 2000. The new shares issued in connection with the Conversion were transferred to Metrogas in the form of physical share certificates. The physical share certificates are being exchanged for VPS shares and transferred to Metrogas' VPS account upon registration of this prospectus with the Oslo Stock Exchange.

Common information for the Private Placement and the Conversion

The shares

The shares issued in the Private Placement and the Conversion are ordinary shares of the Company and rank equally with other shares of Frontline in every respect, including the right to dividends (if any) for the financial year 1999. The shares are registered in VPS with securities registration number ISIN BMG3682E1194.

Issue premium

The issue premium will be accounted for as additional paid in capital.

Authority to issue shares

The Company has an authorised share capital of USD 250,000,000. The unissued shares are at the disposal of the Board, which may offer, allot, grans options over or otherwise dispose for such consideration as the Board may determine, except that they may not be issued at a discount to their par value.

Background for share price applied

The share price applied in the Private Placement and the Conversion was based on the closing price on the Oslo Stock Exchange on 25 February 2000.

Share capital

Prior to the Private Placement and the Conversion, the Company had an issued share capital of USD 152,404,650, divided into 60,961,860 shares with a par value of USD 2.50, and warrants exercisable into 2,724,558 shares. After the Private Placement and the Conversion, the issued share capital is USD 172,029,650, divided into 68,811,860 shares with a par value of USD 2.50.

Managers

Fearnley Fonds ASA and Christiania Markets are managers for the Private Placement.

Expenses

The Company will pay all expenses in connection with the Private Placement and the Conversion and all Metrogas' expenses in connection with the Secondary Offering. These expenses are currently expected to be as follows, assuming that all of the Offered Shares are purchased:

- Fearnley Fonds ASA (Oslo) will be entitled to a fee of NOK 3.2 million as manager of the Private Placement and the Secondary Offering.
- Christiania Markets (Oslo) will be entitled to a fee of NOK 2.4 million as manager of the Private Placement and the Secondary Offering.
- The law firm Wiersholm, Mellbye & Bech (Oslo) will be entitled to a fee of approximately NOK 100,000 for legal assistance.

Fees to managers are mainly calculated as a percentage of the proceeds to Frontline from the Private Placement and of the proceeds to Metrogas from the Secondary Offering. Fees to legal advisors are based on hourly rates.

In addition, the Company will cover all printing and distribution as well as VPS and bank expenses incurred in respect of the Secondary Offering.

5. Terms and instructions for the secondary offering

The Secondary Offering

The Qualified Holders are hereby offered to purchase 2,000,000 shares of Frontline on the terms set out below. The shares are offered by Metrogas. Any shares that are not purchased by Qualified Holders in the Secondary Offering will be retained by Metrogas.

Purchase rights

The Qualified Holders have been granted a right to purchase shares in Frontline in proportion to their holding of Frontline shares and/or warrants on the Record Date.

Qualified Holders are granted 1 Purchase Right for each share and 1 Purchase Right for each whole multiple of 10 warrants held on the Record Date. The shares offered in the Secondary Offering correspond to approximately 7 per cent of the total number of shares not held by Hemen and affiliated parties prior to the Private Placement and the Conversion (assuming full exercise of all outstanding warrants). Accordingly, each whole multiple of 14.3 Purchase Rights gives the right to purchase one share in the Secondary Offering. No fractional shares will be offered. Unused Purchase Rights have no value after the end of the subscription period.

Record date

The Record Date is 25 February 2000. Trades executed on this date with ordinary settlement in the VPS system are included.

Purchase price

The purchase price in the Secondary Offering has been fixed at NOK 57.50 per share, equivalent to the price applied in the Conversion as well as the subscription price in the Private Placement. The price was set on the basis of the closing price of Frontline's shares on the Oslo Stock Exchange on 25 February 2000.

Purchase form

The number of Purchase Rights and the number of shares each holder of shares and warrants is entitled to purchase will be stated on the purchase form that is being sent out to the Qualified Holders together with this prospectus.

Instructions for completing the purchase form

Qualified Holders who intend to purchase the Offered Shares must complete the purchase form in accordance with the instructions printed on the form. The number of shares that each Qualified Holder wishes to purchase must be filled in and can not exceed the number that he/she is entitled to. The purchase form must be completed by valid signature. Norwegian Qualified Holders must also indicate a bank account to be debited for an amount corresponding to the shares being purchased.

Purchase period and purchase offices

The purchase forms for the Secondary Offering must be delivered during the period 29 March to 4 April 2000 to one of the offices below:

Fearnley Fonds ASA Grev Wedels plass 9 P.O. Box 1158 Sentrum N-0107 Oslo Facsimile +47-22936360	Christiania Markets Middelthuns gt. 17 P.O. Box 1166 Sentrum N-0107 Oslo Facsimile +47-22690509

Frontline reserves the right to reject any purchase forms which are not correctly completed or which arrive later than 17:00 Oslo time on the last of the days indicated above.

Registration and transferability of purchase rights

The Purchase Rights are registered in VPS and have been allocated securities registration number ISIN XL 001 0002661 (for Norwegian Qualified Holders) and XL 001 0002588 (for non-Norwegian Qualified Holders).

The rights of each Qualified Holder will be evidenced by the Purchase Rights only. The Purchase Rights can not be sold or transferred. The Purchase Rights must be utilised during the Purchase Period as they will cease to have any value thereafter.

Allotment

Allotment of the shares in the Secondary Offering will only be made to Qualified Holders who have correctly completed and delivered their purchase forms. Oversubscriptions will be disregarded.

Payment

Norwegian Qualified Holders must authorise the Company's registrar to withdraw from their bank account an amount corresponding to the number of shares purchased. The account number must be indicated on the purchase form. It is expected that the bank account will be debited on 7 April 2000.

Non-Norwegian Qualified Holders will receive a settlement notice by mail. The settlement notice will specify a bank account to which payment shall be made and a settlement date. The notice will be sent on or about 7 April 2000. It is expected that the settlement date shall be 12 April 2000.

Metrogas reserves the right to sell shares which have not been paid for on the settlement date without giving the purchaser prior notice and/or to claim compensation from the purchaser for any loss incurred. An interest rate of 12 per cent p.a. will be charged from the settlement date on late payments.

Settlement

The Secondary Offering proceeds will be made available to Metrogas at the same time as the shares purchased by Qualified Holders are transferred to their accounts with the VPS. This will take place shortly after payment has been made.

The shares

The shares offered in the Secondary Offering are ordinary shares of the Company and rank equally with other shares of Frontline in every respect, including the right to dividends (if any) for the financial year 1999. The shares are registered in VPS with securities registration number ISIN BMG3682E1194.

Frontline's shares are listed at the Oslo Stock Exchange, the London Stock Exchange and, through ADRs, on NASDAQ. The shares offered in the Secondary Offering are registered in the VPS and will, unless further action is taken by the recorded holder thereof, only be tradable at the Oslo Stock Exchange.

Expenses

See chapter 4 "Description of the private placement and the conversion" for a description of the expenses expected to be incurred.

No commission will be charged the Qualified Holders who participate in the Secondary Offering. All Qualified Holders that participate in the Secondary Offering must, however, cover their own transaction costs in the settlement of the Secondary Offering and any expenses relating to their own advice.

Managers

Fearnley Fonds ASA and Christiania Markets are managers for the Secondary Offering.

6. Company overview

Company information

The name of the Company is Frontline Ltd. Frontline is a Bermuda company subject to the Bermuda Companies Act 1981. The organisation number of the Company is EC-17460. The main addresses of the Company are:

Frontline Ltd.
Mercury House, 101 Front Street
P.O. Box HM 1593
Hamilton HM GX, Bermuda
Phone: + 1 441 295 6935
Fax: + 1 441 295 3494
Homepage: www.frontline.bm
E-mail: frontline@front.bm

Frontline Management AS
Bryggegaten 3
P.O. Box 1327 Vika
N-0112 Oslo, Norway
Phone: + 47 23 11 40 00
Fax: + 47 23 11 40 40
Homepage: www.frontmgt.no

History and background

Frontline is a major Bermuda based shipping company with focus on the ownership and operation of VLCC and Suezmax tankers. The tanker fleet, which is one of the largest and most modern in the world, consists of 13 owned or controlled VLCCs and 30 owned or controlled Suezmax tankers (including newbuildings), of which 8 are Suezmax OBOs. The fleet has a total cargo capacity of 7.9 million dwt. Since 1996, Frontline has emerged as a leading tanker company within the VLCC and Suezmax segments. The Company's aim is to provide its customers with flexible and reliable transportation services, and to use this flexibility to develop industrial relations that will give benefits to the customers as well as to the Company.

Since 1996, Frontline has been actively involved in consolidation of the tanker industry and has, as part of this, carried out a series of corporate transactions which can be summarised as follows:

- 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. Hemen became the largest shareholder of Frontline AB in 1996. In May 1997, a decision was made at the general meeting in Frontline AB to change its domicile 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.
- During 1996 and 1997, Frontline acquired 7 tankers and options to take over 10 newbuilding contracts from companies related to Hemen. All of the newbuilding options have been exercised.
- In September 1997 Frontline initiated a merger with LOF. This process was completed in May 1998. In the merger, 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, through an ADR-scheme, on NASDAQ in addition to its listing on the Oslo Stock Exchange. Through the merger, Frontline's fleet was increased by three Suezmax tankers and three Panamax tankers, the latter immediately being divested.
- In September 1997, Frontline submitted an offer to acquire all outstanding shares in the Swedish listed tanker company ICB. The transaction resulted in a complex ownership situation which was resolved in September 1999, when it was agreed that Frontline could acquire control in ICB and that four of ICB's VLCC tankers should be sold to a company formed by former shareholders of ICB. Frontline's fleet increased by two VLCCs and six Suezmax tankers. By consolidating ICB, Frontline was able to repay the debt incurred in the acquisition and to strengthen its balance sheet. Frontline is in the process of coordinating the activities of ICB and Frontline into the existing Frontline organisation.

Frontline has also entered into cooperation agreements with other shipowning companies for the purpose of coordinating the marketing of the companies' tanker fleets. These agreements can be summarised as follows:

- Alliance is a cooperation in practice between Frontline and OMI Corp. for the chartering of the companies' Suezmax tankers. Alliance maintains a significant share in the Suezmax market segment, and it is the parties' belief that the cooperation has been successful in improving the employment of the ships as well as increasing service to its clients. Alliance currently employs a total fleet (including committed newbuildings) of 39 Suezmax tankers, and is seeking to expand by adding new partners.

- Tankers is a pooling arrangement entered into between A.P. Møller, Frontline, Euronav, Overseas Shipholding Group, Osprey Maritime and Reederei “Nord” Klaus E. Oldendorff. Tankers has been established to pool the companies’ VLCC fleets and became operational in February 2000. Tankers employs a total fleet (including committed newbuildings) of up to 55 VLCCs.

As a result of the acquisitions of vessels and shipping companies, Frontline has established itself as a world leader in the international seaborne transportation of crude oil, with one of the world’s largest modern fleets of VLCC and Suezmax tankers and Suezmax OBO carriers. Frontline is committed to providing quality transportation services to all its customers and to developing and maintaining long-term relationships with the major charterers of tankers.

The Company’s fleet is one of the most modern fleets of tankers and OBO carriers in the world, comprised of vessels with an average age of 5.8 years versus an estimated industry average of more than 13 years.

Frontline has focused on two fleet segments, VLCCs and Suezmax tankers, with focus on modern tonnage. As part of its Suezmax fleet, 8 ships are constructed as OBO carriers which are able to alternate between different cargoes on an ongoing basis. Frontline believes that its OBO carriers offer a competitive advantage.

Strategy

The Company’s strategy is to provide the customers with a flexible and reliable transportation service, and use this flexibility to develop industrial relations that will give benefits to the customers as well as the Company. Frontline’s business strategy is primarily based upon the following principles:

(i) emphasising operational safety and quality maintenance for all of its vessels;
(ii) complying with all current and proposed environmental regulations;
(iii) outsourcing technical operations and crewing;
(iv) achieving low operational costs of vessels;
(v) achieving high utilisation of its vessels;
(vi) securing competitive financing arrangements; and
(vii) developing relationship to main charterers.

Increasing global environmental concerns have created a demand in the petroleum products/crude oil seaborne transportation industry for vessels that are able to conform to the stringent environmental standards currently being imposed throughout the world. All of Frontline’s OBO carriers and all of its Suezmax and VLCC tankers built since 1995 are constructed with double hull.

Employment of the Company’s fleet

All of the Company’s VLCCs are employed through Tankers, a pool company employing VLCCs only. Tankers mainly employs ships in the spot market, although it also from time to time enters into COAs and time charters. Revenues to each shipowner who participates in Tankers are calculated on the basis of the pool’s total earnings and the tonnage committed into Tankers by the shipowner.

Most of the Company’s Suezmax tankers and all of its Suezmax OBOs are employed through Alliance. Alliance mainly employs ships in the spot market, although it also from time to time enters into COAs and time charters. Revenues to each shipowner who participates in Alliance is based on the actual earnings from the ships contributed into Alliance by the shipowner. Two of the Suezmax tankers contributed by Frontline into Alliance, “Lillo” and “Granite”, are chartered on time charters. Part of the employment for Frontline’s Suezmax OBOs is secured by a COA with a steel mill in Saudi Arabia for transport of iron ore from Norway. The contract is for three-year periods, subject to renewal, and currently secures employment for 1.5 ship per year.

Two part owned Suezmax tankers which are employed outside of Alliance, “Polytrader” and “Polytraveller”, are chartered to Navion ASA until April 2001 and January 2003, respectively.

Operations

Frontline Management, a wholly-owned subsidiary of Frontline, supports Frontline in the implementation of its decisions. Frontline Management is responsible for the commercial management of Frontline's shipowning subsidiaries, including chartering and insurance.

Frontline has a strategy of extensive outsourcing. Ship management, crewing and accounting services are provided by a number of independent and competing suppliers.

- Frontline's vessels are managed by independent ship management companies. Pursuant to management agreements, each of the independent ship management companies provides operations, ship maintenance, crewing, technical support, shipyard supervision and related services to Frontline. A central part of Frontline's strategy is to benchmark operational performance and cost level amongst the Company's shipmanagers.
- Independent ship managers provide crewing for Frontline's vessels. Currently, most vessels are crewed with full Russian crews, while others have full Indian or full Filipino crews, or combinations of these nationalities.
- The accounting management services for each of the shipowning subsidiaries of Frontline are provided by the ship managers and Seabridge Management Services PTE Ltd., a wholly-owned subsidiary of ICB.

Insurance is arranged for the Company's vessels in line with applicable regulations and standard industry practice. In accordance with such regulations and practice, the Company maintains marine hull and machinery and war risks insurance, which includes the risk of actual or constructive total loss, and protection and indemnity insurance with mutual assurance associations. The Company from time to time carries insurance covering the loss of hire resulting from marine casualties in respect of some of its vessels.

Frontline's fleet

The following table sets forth the fleet owned and/or operated by Frontline.

Vessel	Manager	Flag	Built	dwt	Shipyard	Ownership
SUEZMAX TANKERS						
Polytrader	RMS	Norway	1978	127,545	Uddevalla	40 %
Polytraveller	RMS	Norway	1979	127,545	Uddevalla	35 %
Front Maple	Acomarit	Liberia	1991	152,000	Daewoo	100 %
Front Birch	Acomarit	Liberia	1991	152,000	Daewoo	100 %
Granite	Wallem	Bahamas	1991	142,000	Daewoo	100 %
Lillo	ITM	Liberia	1991	140,554	AESA	100 %
Front Emperor	Acomarit	Singapore	1992	147,273	AESA	100 %
Front Sunda	Wallem	Liberia	1992	142,000	Split	100 %
* Marble	Wallem	Bahamas	1992	142,000	Split	0 %
Front Comor	Wallem	Liberia	1993	142,000	Split	100 %
Front Spirit	Acomarit	Liberia	1993	147,273	AESA	100 %
Front Pride	Acomarit	Liberia	1993	149,686	Mitsui	100 %
Front Splendour	Acomarit	NIS	1995	149,745	Mitsui	100 %
Front Glory	Acomarit	NIS	1995	149,834	Mitsui	100 %
Front Fighter	V. Ships	Liberia	1998	153,000	Hyundai	100 %
Front Hunter	V. Ships	Liberia	1998	153,328	Hyundai	100 %
Front Warrior (t/c)	Cardston/V. Ships	Liberia	1998	153,000	Hyundai	0 %
Kim Jacob (t/c)	-	-	1998	158,000	Daewoo	0 %
Mindanao	V. Ships	Singapore	1998	158,000	Daewoo	100 %
Okha (FSO)	Wallem	Bahamas	1999	158,000	Daewoo	50 %
Front Archer	Farsund	NIS	2000	152,980	Hyundai	100 %
Front Sky	V. Ships	Bahamas	2000	159,999	Hyundai	100 %
Front Sun	V. Ships	Bahamas	2000	159,998	Hyundai	100 %
* Sonangol Girassol	Wallem	Bahamas	2000	158,000	Daewoo	0 %
* Sonangol Luanda	Wallem	Bahamas	2000	158,000	Daewoo	0 %
* Hull no. 5154	Wallem	Bahamas	2000	158,000	Daewoo	0 %
SUEZMAX OBOs						
Front Breaker	ITM	NIS	1991	169,146	Daewoo	100 %
Front Climber	Acomarit	Singapore	1991	169,146	Hyundai	100 %
Front Driver	Acomarit	NIS	1991	169,146	Hyundai	100 %

Front Guider	Acomarit	Singapore	1991	169,146	Daewoo	100 %
Front Leader	Acomarit	Singapore	1991	169,146	Daewoo	100 %
Front Rider	Acomarit	Singapore	1992	169,146	Hyundai	100 %
Front Striver	Acomarit	Singapore	1992	169,204	Daewoo	100 %
Front Viewer	ITM	Singapore	1992	169,146	Daewoo	100 %
VLCCs						
Front Sabang	Wallem	Singapore	1990	285,000	Daewoo	100 %
Vanadis	Wallem	Singapore	1990	285,000	Daewoo	100 %
Front Highness	Acomarit	Singapore	1991	284,317	Hyundai	100 %
Front Lady	Acomarit	Singapore	1991	284,497	Hyundai	100 %
Front Lord	Acomarit	Singapore	1991	284,497	Hyundai	100 %
Front Duke	Acomarit	Singapore	1992	284,420	Hyundai	100 %
Front Duchess	Acomarit	Singapore	1993	284,480	Hyundai	100 %
Front Tobago	V. Ships	Liberia	1993	260,619	IHI	40 %
Front Century (t/c)	Cardston/ITM	Liberia	1998	311,189	Hyundai	0 %
Front Champion (t/c)	Cardston/ITM	Liberia	1998	311,286	Hyundai	0 %
Front Chief	ITM	Liberia	1999	311,224	Hyundai	100 %
Front Commander	Acomarit	Bahamas	1999	311,168	Hyundai	100 %
Front Crown	Acomarit	Bahamas	1999	311,168	Hyundai	100 %

*) Ships under commercial management by Frontline Management

Classification status

All of Frontline's vessels have been certified as "In Class" in accordance with applicable regulations.

Ships under management for ITC

In May 1998 Frontline announced the acquisition, through its subsidiary ITC, of three holding companies from Cambridge Partners for USD 9.5 million. These companies control four modern Suezmaxes and two VLCCs chartered to Chevron, and two VLCCs and newbuilding contracts for two VLCCs which will be chartered to British Petroleum. All charter parties are for a minimum of eight years. It became apparent to the Board that a considerable amount of the Company's shareholders and lenders had problems assessing the risk of this transaction. The requirement to consolidate ITC weakened Frontline's balance sheet from an accounting perspective even though ITC's USD 762 million bond debt was non-recourse to Frontline. To avoid this, Frontline decided to sell ITC to Hemen. Frontline will remain manager for ITC's assets against management compensation and also has a 5-year fair value call option to buy back the shares in ITC.

Ships under management for German KGs

In December 1998, Frontline sold two 1998-built VLCCs ("Front Century" and "Front Champion") to two German KGs (limited partnerships). In December 1999, a 1998-built Suezmax tanker ("Front Warrior") was sold in a similar transaction. The transactions involved Frontline taking the vessels on an 8 years lease-back with option on the buyer's side to extend the charters for 2+1+1 years. Frontline has the right to extend the charters for 5 one year periods, provided the buyer's first option is exercised. Frontline has options to buy the vessels and the buyer has the options to sell the vessels to Frontline at certain prices and periods in time.

Ships under management for Knightsbridge

Frontline has the management function for Knightsbridge, a company listed on NASDAQ which controls five VLCCs (built 1995-96) which are chartered to Shell International Petroleum Company Limited. Frontline also has a 2.0 per cent ownership interest in Knightsbridge.

Further expansion of the fleet

The Company believes that fleet size in the industrial shipping sector is increasingly important in negotiating terms with major clients and charterers. The Company believes that a large fleet of high-quality VLCCs, Suezmaxes and Suezmax OBOs will enhance its ability to obtain flexible terms from suppliers and shipbuilders and to produce cost savings in chartering and operations.

Based on these considerations, the Company intends to look for further opportunities to expand its fleet, either in cooperation with other shipowners or through acquisition of additional VLCCs and Suezmax tankers for its own account. Frontline believes that VLCC and Suezmax freight rates and market values will support such expansion.

Due to the ageing profile of the existing world fleet, enforcement of environmental regulations and customer demand, the Company believes that there will be increased demand for modern VLCCs and Suezmax tankers needed to carry the world oil trade during the early 2000s. As a result, opportunities exist for selective investment in secondhand VLCC and Suezmax tankers built in the 1990s which are in good operating condition, with prospects to yield operating profits and capital gains over the next several years. Although VLCC freight rates and market values are volatile, the Company believes that investment in such VLCC and Suezmax tankers in today's market carries a limited amount of downside risk while offering the prospect of significant upside potential.

As part of its vessel acquisition policy, the Company conducts a physical inspection of each tanker and examines its construction, prior ownership, operating history and classification records.

Under its current newbuilding program, Frontline has one newbuilding left for a Suezmax tanker to be delivered in April 2000. Late 1999, Frontline acquired a newbuilding contract for a Suezmax tanker ("Front Archer"), delivered in February 2000 in exchange for shares and resumption of contract obligations. In February 2000, the Company acquired the 1993-built VLCC "Toba" (renamed "Front Tobago") which has subsequently been placed in a separate limited liability company where Frontline owns 40 per cent and where two of Frontline's partners in Tankers, OSG and Euronav, participate with 30 per cent each.

Investment in Golden Ocean

As per 8 March 2000, Frontline had acquired notes with a total par value of USD 46.75 million of the USD 296 million Senior Notes due August 2001 issued by Golden Ocean. The notes were acquired at an average price of approximately 11 per cent of par value.

Golden Ocean is a shipping group which controls 17 VLCCs built after 1995, five of which are currently under construction, and 11 modern bulk carriers. Most of the delivered tonnage is employed on medium-term and long-term charters.

Golden Ocean filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in January 2000 and has through this protection been given a period of up to 135 days to file a petition for reorganisation. It is likely that any restructuring solution will give the holders of notes a new debt instrument as well as a majority equity stake in Golden Ocean.

Frontline views the limited investment in Golden Ocean as an opportunity to consolidate ownership in the tanker industry. As one of the largest creditors of Golden Ocean, Frontline will seek to be actively involved in the restructuring process, and will also be prepared to act as manager for Golden Ocean.

Frontline is currently not planning further acquisitions of notes of Golden Ocean, but could be prepared, alone or with industry partners, to advance new cash into Golden Ocean in the form of new equity or new debt instruments if this can be arranged on terms acceptable to Frontline. Golden Ocean will need to raise equity financing for the five VLCCs currently under construction in Japan and for working capital purposes.

Customers

Customers of Frontline include major oil companies, refined petroleum products traders, government agencies and various other entities. During 1999, no single customer accounted for more than 10 per cent of Frontline's consolidated revenues.

Offices, employees and properties

Frontline has offices in Bermuda, Oslo, Korea and London. A total of 29 persons are currently employed in these locations. In addition, Frontline's subsidiary ICB Shipping AB has offices in Stockholm and Singapore which are in the process of being closed down.

Frontline Management leases office space in Oslo from Sea Shipping AS, a company controlled by Frontline's main shareholder, at market rates. Frontline leases office space in Bermuda and London.

Organisation

Frontline is organised as a holding company with ships owned in single purpose shipowning companies which are direct subsidiaries. Frontline Management, a wholly-owned subsidiary, undertakes management functions.

Legal proceedings

Frontline is a party, as plaintiff or defendant, to several lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims arising from the operation of its vessels. The Board of Directors of Frontline believes that the resolution of such claims will not have a material adverse effect on Frontline's operations or financial condition.

7. Five-year financial summary

(USD millions, except where indicated)	1999	1998	1997	1996	1995
Income statement data					
Freight revenues	369.9	270.4	259.7	178.2	197.2
Net operating income before depreciation	79.2	124.1	112.2	38.9	53.8
- of which, (loss) gain on sale of vessels	-37.8	-1.5	-	6.2	-
Net operating income after depreciation	-12.2	72.5	55.5	5.1	22.2
Net other expenses (incl. financial items)	78.9	40.6	38.0	19.1	19.6
Net income before taxes	-91.2	31.9	17.4	(14.0)	2.6
Profitability ratios					
Return on capital employed (%)	-0.2	6.5	5.8	1.7	5.9
Return on stockholders’ equity (%)	-16.0	5.5	4.1	-5.5	1.7
Year end financial position					
Total assets	1,726.8	1,505.4	1,369.8	921.1	549.9
Liquid assets	66.3	74.0	86.9	58.0	68.2
Unutilised overdraft facilities	-	-	-	11.0	11.0
Net indebtedness	1,013.4	809.1	686.3	504.0	285.1
Stockholders' equity	557.3	583.6	556.0	327.7	165.7
Equity/assets ratio (%)	32.3	38.8	40.6	35.6	30.1
Debt/equity ratio	1.9	1.5	1.4	1.7	2.2
Interest cover	0.0	1.5	1.5	0.6	1.1
Investments					
Net investments	336.1	149.3	482.6	411.9	35.6
Per share data (in USD, except number of shares)					
Stockholders' equity per share	9.14	9.93	11.30	10.30	11.90
Stockholders' equity per share, fully diluted	9.14	9.93	11.30	10.70	12.40
Earnings per Share, Basic	-1.76	0.59	0.48	(0.92)	0.20
Earnings per Share, Fully Diluted	-1.76	0.59	0.48	(0.92)	0.20
Market price at year end	5.35	1.91	12.50	10.70	7.80
Dividend	-	-	-	-	-
P/E ratio	neg.	3.2	25.0	neg.	39.0
Outstanding shares on 31 December (million)	61.0	46.1	46.1	32.2	14.1
Average number of shares (million)	49.5	46.1	36.2	14.9	14.1

Comments

- Figures for 1995-1996 are based on audited figures. Figures for 1997-1998 are based on audited figures which have been restated and which differ from the figures presented in the Company’s annual report for 1998, which is enclosed hereto as Appendix 2. The restated figures are unaudited. Figures for 1999 are unaudited.
- Per share data are adjusted in accordance with standard adjustment factors.

Definitions

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, Basic .... Net income (loss), divided by the average number of shares outstanding in each year.

Earnings per Share, Fully Diluted............. Net income (loss), divided by the average number of shares after full conversion of the debenture loan. Since this loan will no longer be converted it is disregarded from 1997. The outstanding warrants and options have not been taken into consideration.

Equity/assets ratio .... Stockholders' equity divided by total assets.

Interest cover .... Net income (loss) before interest expense 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.

General

The Company's financial statements are prepared in accordance with US GAAP. The statements for 1995-1997 were originally prepared in accordance with Swedish GAAP and have been converted for information purposes.

Frontline has in previous reports for the period from 4th quarter 1997 up to 3rd quarter 1999 included its investment in ICB according to the cost method. US GAAP requires restatement of previously reported Frontline financial statements for the mentioned periods to reflect the step acquisition of ICB. ICB has been included according to the equity method for periods to 31 December 1998 and on a consolidated basis from 1 January 1999. The figures for 1997-1998 are therefore based on audited figures which have subsequently been restated, the latter still unaudited. Figures for 1999 are unaudited.

The Company has elected to account for its stock-based compensation arrangements under APB 25. In accordance with APB 25 no expense of granting the options is recognised at the time of grant. At the time when the options are exercised the proceeds are accounted for as paid-in share capital and additional paid-in capital.

Comments on the income statement

1999 versus 1998

Total freight revenues increased by 37 per cent in 1999 to USD 369.9 million from USD 270.4 million in 1998. This increase reflects the increase in the size of the fleet due to deliveries of newbuildings during 1998-99 and the consolidation of ICB, offset by lower trading results in all sectors in which the Company operates, due to the state of the tanker market. The average daily TCEs earned by VLCCs, Suezmax tankers, and Suezmax OBO carriers were USD 20,700, USD 16,700 and USD 16,800 respectively compared with USD 31,800, USD 22,400 and USD 21,800 for 1998. Total days technical off-hire, including drydockings, were 170 compared to 135 in 1998. In 1999 the Company sold one Suezmax and four VLCCs recording a net loss on the sales of USD 37.8 million. In 1998 the Company sold two VLCCs and one woodchip carrier, recording a net loss on the sales of USD 1.5 million.

For 1999, earnings before interest, tax, depreciation and amortization, including earnings from associated companies were USD 82.3 million, compared with USD 137.1 million for the comparable period in 1998. The result reflects the lower trading results which were only partly offset by a larger fleet.

Operating expenses (voyage expenses, ship operating expenses, charter hire on account of chartered in vessels and general and administrative costs) increased by 75 per cent to USD 252.9 million from USD 144.8 million in 1998. Average daily operating costs, including provisions for drydockings, decreased for all segments as the benefits of the cost reduction program were realised. The average daily operating costs were USD 6,800, USD 6,000 and USD 6,400 for the VLCCs, the Suezmaxes and Suezmax OBOs respectively, compared to USD 7,600, USD 6,400 and USD 6,700 for 1998. Administrative expenses increased due to ICB being consolidated in 1999. As the latter's Stockholm office is closed down in early 2000, costs are expected to decrease. As percentage of revenues, operating expenses increased from 54 per cent in 1998 to 68 per cent in 1999.

Depreciation increased 77 per cent from USD 51.7 million in 1998 to USD 91.4 million in 1999, due to the consolidation of ICB and the additional vessels delivered in 1998-99. Net other expenses for 1999 were USD 78.9 million compared to USD 40.6 million in 1998. The increase is due to the consolidation of ICB which leads to higher debt levels and lower income from associated companies, and the increased debt levels due to the newbuildings delivered during 1998-99. The average rate of interest of the debt at year-end 1999 was 7.2 per cent compared to 7.0 per cent in 1998.

Net loss for the year amounted to 86.9 million compared to a net income of USD 31.8 million for 1998, which equals USD (1.76) per share compared to USD 0.69 per share in 1998.

1998 versus 1997

Total freight revenues increased by 4 per cent in 1998 to USD 270.4 million from USD 259.7 million in 1997. This increase reflects the increase in the size of the fleet, offset by lower trading results in all sectors in which the Company operates, due to the state of the tanker market. The average daily TCEs earned by the VLCCs, Suezmax tankers, and Suezmax OBO carriers were USD 31,800, USD 22,400 and USD 21,800 compared with USD 32,700, USD 24,800 and USD 25,500 for 1997. The total days technical offhire, including drydockings, were 135 compared with 122 in 1997. In 1998, the Company sold two VLCCs and one woodchip carrier, thereby recording a net loss on the sales of USD 1.5 million.

For 1998, earnings before interest, tax, depreciation and amortization, including earnings from associated companies were USD 137.1 million, compared with USD 122.2 million for the comparable period in 1997. This result reflects the contribution of the expanded fleet and reduced administrative expenses, offset by lower trading results in all sectors in which the Company operates.

Operating expenses (voyage expenses, ship operating expenses, charter hire on account of chartered in vessels and general and administrative costs) decreased by 2 per cent to USD 144.8 million in 1998 from USD 147.5 million in 1997. Average daily operating costs, including provisions for drydockings, decreased for the Suezmax and Suezmax OBO fleets in 1998 as the benefits of a new ship management and the cost reduction programme were realized. The average daily operating costs of the VLCCs, Suezmax tankers, and OBOs, including dry-docking and insurance costs, were USD 7,600, USD 6,400 and USD 6,700 in 1998 compared with USD 6,700, USD 7,500 and USD 7,000 for 1997. The increase in the average daily operating costs of the VLCCs reflects expenditure on structural maintenance for two of the older vessels. Administrative expenses decreased primarily due to a non-recurring charge for re-domiciling costs in 1997. In 1998, the Company undertook a further cost reduction programme and aims to reduce operating costs by an additional USD 500 to USD 750 per vessel per day. As a percentage of revenues, operating expenses decreased from 57 per cent in 1997 to 54 per cent in 1998.

Depreciation decreased by 9 per cent from USD 56.7 million in 1997 to USD 51.7 million in 1998 due to the change in the depreciation schedule for the fleet from 20 to 25 years in the fourth quarter of 1997. Net other expenses for 1998 were USD 40.6 million compared to USD 32.6 million for 1997. This increase reflects the increased average level of debt associated with the fleet expansion. The average rate of interest of the debt at year end 1998 was 7.0 per cent.

Net income for the year amounted to USD 31.9 million compared to USD 22.8 million for 1997, which is equal to USD 0.69 per share compared to USD 0.63 per share in 1997.

1997 versus 1996

As part of its fleet expansion program, during 1997 Frontline acquired options to purchase a third Suezmax and four VLCC newbuilding contracts. During 1997, Frontline's vessels operated in both the spot market and the long term charter market.

Total freight revenues from vessels increased by 46 per cent to USD 259.7 million in 1997 from USD 178.2 million in 1996, due to an increase in the capacity of Frontline's fleet and improved charter rates. Operating expenses (voyage expenses, ship operating expenses, charter hire on account of chartered in vessels and general and administrative costs) increased by 1 per cent to USD 147.5 million in 1997 from USD 145.5 million in 1996. The change in operating expenses consisted of a increase in ship operating expenses of USD 13.2 million due to an increase in the number of vessels owned, a decrease in charter hire expenses on account of chartered in vessels of USD 8.9 million due to a reduction in the number of vessels chartered-in, and an increase in general and administrative costs of USD 3.0 million primarily due to restructuring costs in connection with the redomicilation of

Frontline from Sweden to Bermuda. As a percentage of revenues, operating expenses decreased from 82 per cent in 1996 to 57 per cent during 1997. As a result, operating income before interest, tax, depreciation and amortisation, including earnings from associated companies, increased by 214 per cent to USD 122.2 million in 1997 from USD 38.9 million in 1996.

Depreciation and amortisation charges increased by 68 per cent to USD 56.7 million in 1997 from USD 33.8 million in 1996 due to the purchase of vessels in late 1996. Operating income after depreciation increased more than tenfold to USD 55.5 for 1997 from USD 5.1 for 1996.

Interest and other income increased by 71 per cent to USD 32.6 million in 1997 from USD 19.1 million in 1996. Interest and finance expenses increased by 88 per cent to USD 42.6 million in 1997 from USD 22.6 million in 1996 due to higher debt levels in connection with the financing of vessels acquired in late 1996. Consequently, net income increased to USD 22.8 million in 1997 as compared to a loss of USD 14.0 million in 1996.

1996 versus 1995

During 1996, Frontline expanded its fleet by acquiring five VLCCs, one Suezmax tanker and two OBO carriers. Further, Frontline obtained options on newbuilding contracts for two Suezmax tankers to be delivered during 1998. In addition, Frontline sold two small OBO carriers in 1996.

In 1996, Frontline operated in a balanced tanker market. A modest increase in global demand for refined petroleum products in the main consuming areas coupled with increased operating costs influenced its overall financial performance.

Total freight revenues from vessels decreased by 10 per cent to USD 178.2 million in 1996 from USD 197.2 million in 1995, mainly due to the reduction in number of vessels chartered in. The decrease was partially offset by revenues from an increase in Frontline’s fleet reflecting vessels acquired in late 1996. Operating expenses (voyage expenses, ship operating expenses, charter hire on account of chartered in vessels and general and administrative costs) increased by 2 per cent to USD 145.5 million in 1996 from USD 143.4 million in 1995. The change consisted of an increase in ship operating expenses of USD 4.8 million due to an increase in the number of ships owned, a decrease in charter hire expenses on account of chartered in vessels of USD 9.8 million due to a reduction in the number of vessels chartered-in, and an increase in general and administrative costs of USD 1.6 million. As a percentage of revenues, operating expenses increased to 82 per cent in 1996 from 73 per cent in 1995. In 1996, Frontline recorded a gain of USD 6.2 million on sale of the two smaller OBO carriers, no gains or losses from vessel disposals were recorded in 1995. As a result, operating income before depreciation and amortisation (EBITDA) decreased by 28 per cent to USD 38.9 million in 1996 from USD 53.8 million in 1995.

Depreciation and amortisation charges increased by 26.6 per cent to USD 40.0 million in 1996 from USD 31.6 million in 1995, as a result of the increase in the fleet due to the acquisition of vessels in late 1996. Accordingly, operating income after depreciation (EBIT) decreased by 77.7 per cent to USD 5.1 million in 1996 from USD 22.2 million in 1995.

Interest and other income decreased by 3 per cent to USD 19.1 million in 1996 from USD 19.6 million in 1995, primarily due to lower cash balances. Consequently, Frontline incurred a loss of USD 14.0 million in 1996 as compared to a profit of USD 2.6 million in 1995.

Freight market review

Since 1995, the average daily earnings of the tankers and OBOs in Frontline’s fleet, measured in time charter equivalent rates, have been as follows:

TCE rates per day (in USD)	**1999**	**1998**	**1997**	**1996**	**1995**
VLCC	20,000	31,800	32,700	27,700	n.a.
Suezmax	16,700	22,400	24,800	26,800	26,900
Suezmax OBO	16,800	21,800	25,500	23,000	24,700

The Company estimates that its cash breakeven TCE rates (the rates required to cover cash costs and to service debt) for 2000 will be approximately USD 24,500 for the VLCCs, USD 18,500 for the Suezmax tankers, and USD 19,500 for the Suezmax OBOs.

Comments on the balance sheet

At year-end 1999, Frontline had total interest bearing debt of USD 1,080 million. The sale and leaseback of the two VLCCs and one Suezmax tanker to German KGs are, in accordance with US GAAP, accounted for as operational leases. By converting the financing of these two VLCCs and the one Suezmax tanker from regular bank financing to sale and lease back, Frontline was able to free a substantial amount of cash and thereby improve its liquidity position. The acquisition and subsequent sale of three long term lease structures organised under the ITC, are treated as occurring on the same date for accounting purposes and therefore the results of ITC are not consolidated for any period in Frontline's financial statements.

The book equity per Frontline share as of 31 December 1999 amounted to USD 9.14 per share. It should be noted that a ship by ship valuation of the Frontline fleet would produce an undervaluation compared to the book value of the fleet. However, based on expected cash flows over the remaining life of the assets, the Board has concluded that it is neither necessary nor appropriate to write down the value of the fleet.

Financing arrangements

In Notes to Consolidated Financial Statements for 1998, number 14 "Debt" and 18 "Financial Instruments", information about the Company's financial arrangement as per 31 December 1998 is given. In the sections below, information is updated to reflect current financing arrangements.

The fixed rate debt and certain of the floating rate debt are secured by ship mortgages and, in the case of some debt, pledges of shares by each guarantor subsidiary. Various debt agreements of the Company contain certain covenants, which among other things limit the payment of dividend and require compliance with certain financial ratios. Such ratios include equity ratio covenants, minimum value clauses, and minimum free cash restrictions.

As per 31 December 1998, the Company did not comply with the equity ratio covenants in a number of the loan agreements. The following steps were taken to resolve this situation:

- The Company initiated discussions with its lending banks with the purpose of lowering the covenant requirements in these loan agreements at least until 1 January 2001. The changes were requested in order to make the Company's financing arrangements more flexible in the event of a prolonged negative market scenario, including falling second-hand prices.
- It was proposed to subordinate a USD 89 million loan by Metrogas to loans by the Company's lending banks. It was also negotiated that Metrogas should subordinate its claim for payment under the loan to the rights of the lending banks.

An agreement with Metrogas and the Company's lending banks was completed on 13 July 1999, by which the Company received acceptance of reduced covenant levels from its lending banks.

The loan by Metrogas has been reduced from USD 89 million to USD 24 million by conversion of debt into new shares of Frontline. On 30 September 1999, the Board of Frontline accepted an offer by Metrogas to convert debt of USD 35 million into 8,230,000 shares (of which 3,500,000 shares were offered to other shareholders), using a conversion price of NOK 33 per share. On 25 February 2000, the Board of Frontline accepted an offer by Metrogas to convert debt of USD 30 million into 4,350,000 shares (of which 2,000,000 shares are offered herewith to other shareholders), using a conversion price of NOK 57.50 per share. In both instances, Metrogas has offered to other shareholder to purchase shares in order to maintain their relative ownership.

Another company controlled by Hemen, Karalee Holdings S.A, has extended short term loans to Frontline on market terms pursuant to a revolving credit facility agreement.

In May 1999, Greenwich (a company indirectly controlled by the Company's chairman) extended a loan in the amount of USD 15.7 million to the Company. This loan was expanded to USD 25 million during the summer of 1999. All proceeds were used to buy shares in ICB, finally bringing the shareholding to 68 per cent of the share capital and 44 per cent of the votes.

In September 1999, in connection with the acquisition of the A-group's shares in ICB, Frontline refinanced the loan given by Greenwich as mentioned above, and outstanding loans under facilities given by Chase and Carnegie. The new loan, which was in the amount of USD 135 million, was underwritten by four of Frontline's lead banks. The new loan was a 12-month bridge facility.

In December 1999, Frontline offered to buy-out the remaining shareholders in ICB at the same prices as the A-group's shares were acquired for. At the same time Frontline initiated the process of requesting compulsory acquisition for the same shares. Frontline also repaid the bridge facility discussed above. Shortly thereafter Frontline refinanced six of the ICB vessels through a USD 130 million facility provided by a syndicate lead by Christiania Bank and Bank of Nova Scotia. For the last two of the eight vessels owned by ICB, Frontline got the banks' consent to continue the loans attached to those vessels.

The two Suezmax newbuildings delivered in February are financed through regular bank financing. Financing for the vessel to be delivered in April is established.

Frontline owns 40% of a single-purpose company that owns the VLCC "Front Tobago". The vessel is financed through regular bank financing. In addition Frontline has provided for USD 5 million as its share of the single purpose company's equity. The loan is on non-recourse basis.

The Company's instalment plan is described in the table below.

Year ending 31 December	Instalment (USD thousand)
2000	116,814
2001	133,716
2002	191,762
2003	254,706
2004	72,469
2005 and later	310,227
Total	**1,079,694**

Investments

The Company has made and/or committed to the following investments in 2000:

Type	Amount (USD million)
Ship investments	154.5
Acquisition of minority interests in ICB	12.5
Investment in Golden Ocean	5.1
Total	**172.1**

Of the investments specified above, only the investment in one ship remains with the amount of USD 52 million. The Company currently has no further identified investment plans. Additional investments may however be decided on short notice.

Inflation

Although inflation has had a moderate impact on operating expenses, drydocking expenses and corporate overhead, management does not consider inflation to be a significant risk to direct costs in the current and foreseeable economic environment. In addition, in a shipping downturn, costs subject to inflation can usually be controlled because shipping companies typically monitor costs to preserve liquidity and encourage suppliers and service providers to lower rates and prices. However, in the event that inflation becomes a significant factor in the world economy, inflationary pressures could result in increased operating and financing costs.

Operating currency

The international tanker industry's functional currency is the U.S. dollar and, as a result, virtually all of Frontline's revenues are in U.S. dollars. Until June 1997, general and administrative expenses were incurred in Swedish Kroner, and thereafter in Norwegian Kroner, due to establishing Frontline Management AS in Oslo, Norway, while a significant portion of the operating expenses are incurred in U.S. dollars and, to a lesser extent, other currencies. Frontline does not routinely hedge its foreign exchange exposure.

Liquidity and capital resources

The liquidity requirements of Frontline relate to servicing its debt, funding the equity portion of investments in vessels, funding working capital and maintaining cash reserves against fluctuations in operating cash flow. As per 31 December 1999 Frontline's cash and bank deposits amounted to USD 66 million.

The Company believes that its liquid resources are sufficient in light of (i) the current positive prospects for the tanker market, (ii) the fact that its newbuilding program will be completed in April 2000, and (iii) the Company's ability to raise new equity in the capital markets.

Frontline operates in a capital intensive industry requiring extensive investment in revenue producing assets. Funds invested are raised mainly from debt issuance and Frontline's internally generated funds. When ordering newbuildings, the equity portion of the investment is usually paid in instalments, commencing one to three years in advance of delivery, for 20 per cent to 60 per cent of the vessel purchase price.

Interest rate risk management

In Notes to Consolidated Financial Statements for 1998, number 18 "Interest rate risk management", information about the financial instruments is given. This reflects the current interest hedging since no swaps have been acquired in 1999 or 2000.

Effect of the Private Placement and the Conversion

The Private Placement and the Conversion will have a combined effect of increasing Frontline's equity by USD 54 million and reducing its debt by USD 30 million. The liquidity will be increase by USD 24 million.

8. Market conditions

The Company's market position

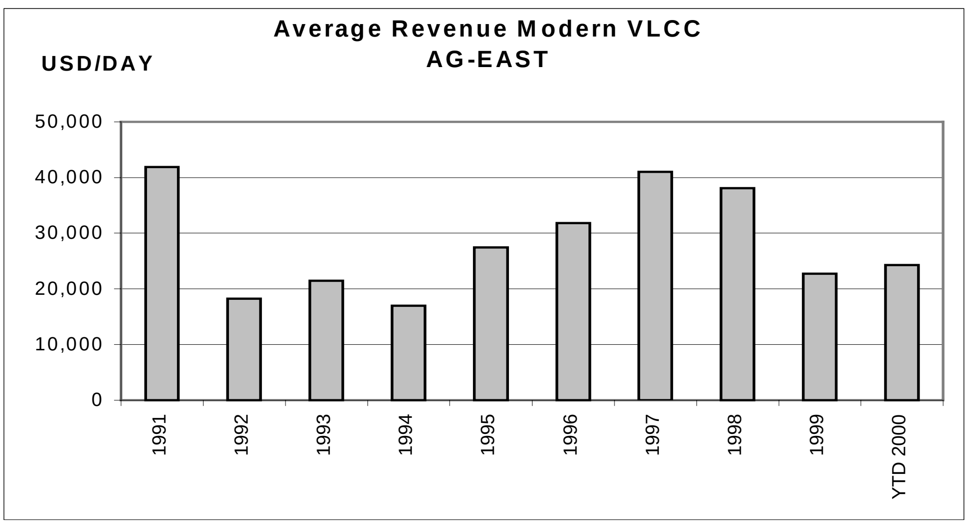
Frontline's fleet consists of VLCCs, Suezmax tankers and Suezmax OBOs. These classes of tonnage currently account for 46 per cent, 37 per cent and 17 per cent respectively of the Company's owned and long-term chartered fleet, measured in terms of dwt.

The Suezmax OBOs are generally employed in trades that are based on fixed dry bulk legs and spot market oriented tanker legs. A significant portion of the dry bulk cargoes are secured by evergreen contracts, and the Company expects that similar contracts will also be available in the future. As a consequence, these vessels - like the VLCCs and Suezmax tankers - are mainly exposed to the tanker market. Reflecting the Company's exposure, the presentation below will focus on the tanker market.

Market information is based on data by Fearnresearch unless specified otherwise.

Rate development and status

The tanker market has, in general terms, been characterized by oversupply of tonnage since the mid-1970s, when a large tanker fleet was built in response to a strong market at the time. Since then, rates have only occasionally been on a level that could justify the construction cost of tonnage, and profitability in the industry has generally been low. The chart below illustrates the average spot rates for modern VLCCs (on time-charter equivalent basis) for a particular trading route, Arabian Gulf to the Far East, over the last 10 years.



The chart shows a market improvement in freight rates from 1994 to 1997, indicating an improving balance between supply and demand of tankers. Since then, new tanker deliveries together with a stagnant demand development has resulted in a softer market development. During recent years, rates have only been sufficient to justify current newbuilding prices in the period 1996 to 1998[1].

Due to large oil inventories and a weak oil price development in late 1998 and early 1999, OPEC member countries decided to impose restraints on their oil production. Several non-OPEC countries followed with additional cuts, giving total cuts of approximately 2 million barrels per day. The production cuts reduced the amount of oil to transport and thus reduced demand for tankers. The effect of the reduced demand was strongest for the large tankers which trade on the longest hauls. The production cut has also had the effect that the oil price, and thus the price of bunkers which is an important cost element for shipowners, has increased significantly.

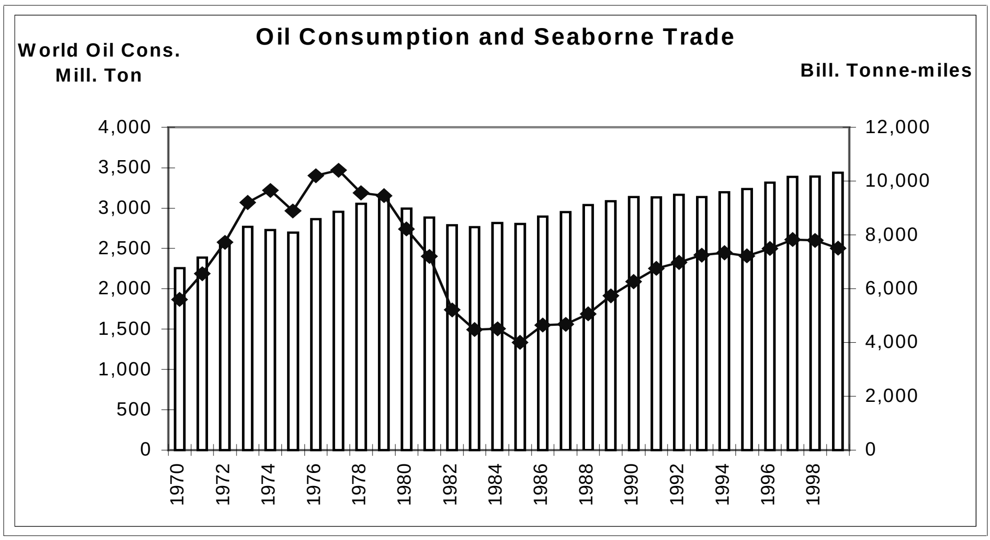
[1] Calculation based on newbuilding price of USD 70 million, operating costs of USD 9,000 per day, 25 year lifetime, scrap value of USD 120/lwt, and WACC of 10 per cent, which gives a break-even rate of USD 30,500 per day of TCE basis.

Although some consolidation has taken place, the tanker market is fragmented with many suppliers and charterers. No single market participant, or group of participants, has a dominant or controlling position in the market. No single shipowner accounts for more than 5 per cent of the world tanker fleet. Freight rates fluctuate sharply both in the short and long term, and are difficult to predict, as they are influenced by a multitude of factors.

Demand for tankers

Large and medium-size tankers are primarily used for transportation of crude oil from the largest producing regions (Arabian Gulf, West Africa, North Sea) to the consuming regions (Far East Asia, North America, Continental Europe). These trades are characterized by large volumes and relatively long transport distances, which gives large tankers economies of scale.

Tanker demand is a product of the volumes that are transported, and the distance that the oil is carried. The term normally used to illustrate tanker demand is "ton-miles" which takes into account both factors. Over the last years, volumes have increased while transport distances have been reduced, resulting in a relatively stable tanker demand. Transportation distances were significantly reduced in 1999 due to the oil production cuts. The global oil consumption (in columns, on left axis) and ton-mile development (dotted line, on right axis) is described in the following chart. Each of the underlying factors are described in more detail below.



Oil consumption

Oil is the world's most important source of energy, accounting for approximately 40 per cent of the world's total energy consumption. Hence, the consumption of oil is closely tied to global economic development. When the world economy has shown favourable growth figures, especially in emerging economies, global consumption of oil (excluding the former Soviet Union) has also increased. Countries in the Far East and South America have emerged as major oil consumers, along with the more developed economies in North America and Europe.

An important factor for the growth in oil demand is the oil price itself. High oil prices may reduce overall oil demand and increase the use of alternative energy sources, particularly if a high oil price is sustained over time.

Availability of oil continues to be high, with the global proven reserves amounting to about 37.5 years of production at current production rates[2]. Reserves are particularly high in the Arabian Gulf region, but significant proven and probable reserves also exist in several other regions. World total proven reserves is still increasing year by year.

Several oil analysts and consultants prepare predictions of future energy and oil demand. Most long-term predictions for crude oil indicate a demand growth of 1.4-2.0 per cent annually. Future demand for crude oil will depend on several factors, including economic growth, availability of other energy sources, relative prices of oil to other energy sources, etc.

[2] Source: BP 1998

Trade developments

The pattern of oil shipments has undergone major changes during the last three decades. During the 1960s, the Arabian Gulf emerged as the world's largest exporting region of oil. This created long transport distances since most importing regions are located far from the Arabian Gulf. However, since the mid-1970s and the two oil crises, other regions have also developed significant oil production and export, most notably the North Sea, West Africa, Latin and South America, and South East Asia. These markets are located closer to consuming regions and hence require shorter transportation distances.

The market has gradually been divided into producers in and around the Atlantic that have increasingly replaced the Arabian Gulf as suppliers to Western markets, while Arabian Gulf shipments now mainly go eastwards.

Traditionally, VLCCs and ULCCs have mainly been used for trading out of the Arabian Gulf. During the last years, VLCCs have entered into other oil exporting markets including West Africa and the North Sea, which in the past have been served mainly by Suezmax and Aframax tonnage. Similarly, Suezmax tonnage has entered into cross-North Sea, Mediterranean and Caribbean trades, which traditionally have been served by smaller tonnage (mainly Aframax).

Future trading patterns will depend on where the added production will take place to satisfy increased demand for oil. If a rapid growth in production in areas like the North Sea and the Caribbean Sea cannot be maintained, then it is likely that the Arabian Gulf will capture a larger part of future oil production. This will imply an increase in transportation distances and hence tanker demand.

Pipelines are an alternative and therefore a threat to crude shipments. The cost of laying ocean pipelines has fallen in recent years. The Company is aware of projects under planning, and which may be realised in 10 years time, to build pipelines from Azerbaijan to the Mediterranean Sea and from Sakhalin in Russia to Japan. The Company does, however, not envisage any other new developments significantly changing today's trading pattern.

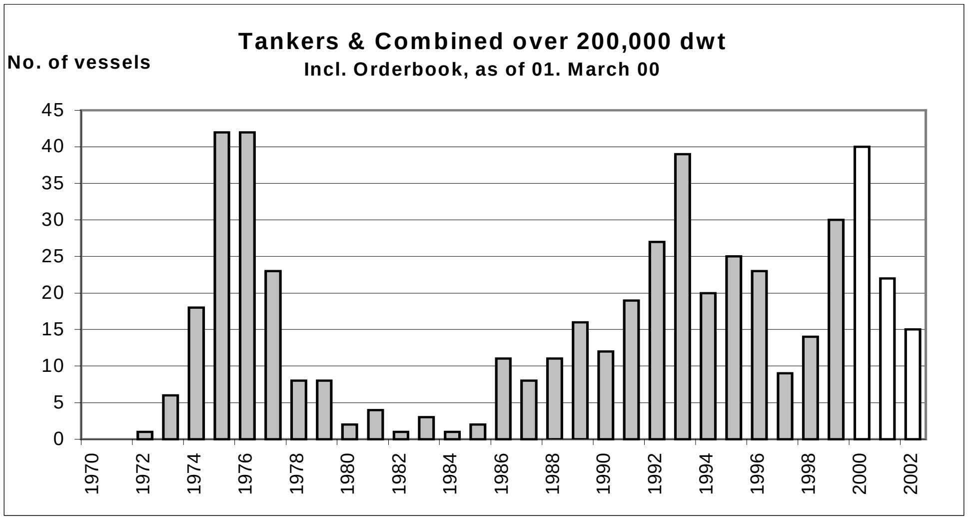
Supply of tankers

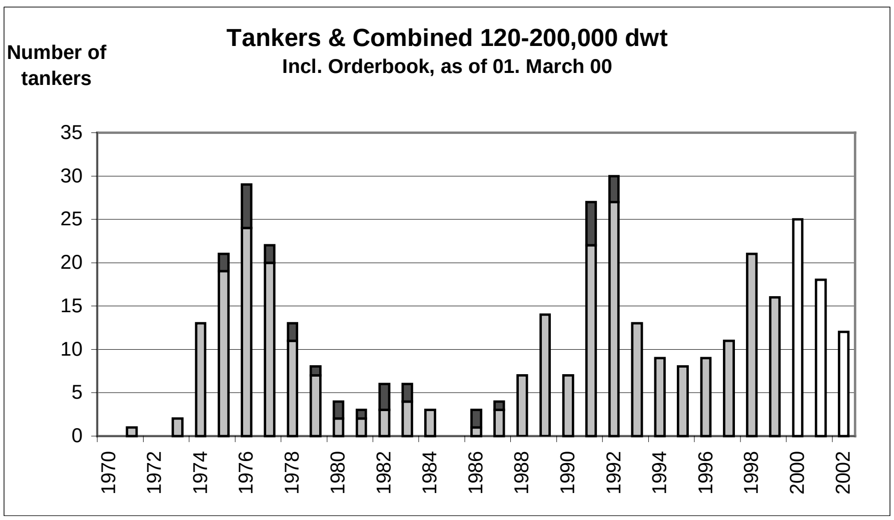
Current fleet and age structure

The world fleet of large and medium-size tankers (ULCCs, VLCCs and Suezmax) consists of 718 tankers sized 120,000 dwt and above, with a total capacity of about 166.3 million dwt. In addition, there are 36 OBOs in the same size category, but some of these are only certified to trade in dry bulk.

Owing to the low rates in the late 1970s and 1980s, there were built few tankers in the period from 1978 to 1985. Accordingly, the tanker fleet has a relatively unbalanced age structure with many old units and relatively many modern units, but few units aged 12-18 years. The average age of the current fleet of VLCCs and Suezmax tankers is about 13.3 years.

The age structure of the existing VLCCs and Suezmax fleet and the current orderbook is illustrated in the following charts.





IMO regulations and OPA 90

The maritime industries are regulated by national law as well as by international conventions under administration of IMO, which is effectively binding on all operators within international shipping. In order to reduce the risk of oil spills from tankers, a convention has been agreed whereby all large tankers reaching the age of 25 years must be equipped (or retrofitted, if necessary) with segregated ballast tanks (SBT) or employ hydrostatically balanced loading (HBL). HBL implied a reduced cargo intake with about 5-12 per cent, whereas retrofitting of SBT implies an investment of USD 4-8 million. Several charterers do not accept HBL vessels.

During 2000, about 42 VLCCs and 18 Suezmax tankers will reach the age of 25 years. In 2001 another 42 VLCCs and 24 Suezmax tankers will reach the same age, and the corresponding figures for 2002 are 23 and 20. It is expected that the measures required for continuing trading will imply scrapping of some or several of these tankers. Even if no scrapping takes place, the IMO regulations will imply a reduction in cargo intake and off-hire for the old tankers. In addition, OPA 90 has an age limit for vessels trading in U.S. waters and to U.S. ports. From 1 January 2000, only tankers aged 23 or younger are accepted to such ports.

Scrapping

The lifetime of a tanker depends on construction, maintenance, and market conditions. Old tankers are normally scrapped due to poor market prospects and/or when maintenance and repair costs are considered to be to high to keep the vessel trading, normally at 20 to 30 years of age.

During 1999, a total of 36 VLCCs and ULCCs and 26 Suezmax tankers were scrapped, which was the highest figure in several years. A total of 13 VLCCs and ULCCs and 6 Suezmax tankers have been scrapped during the first two months of 2000. The relatively high scrapping activity reflects a weak tanker market, high bunker prices (which affect older turbine-driven tankers more than newer motor-driven tankers), and a marked preference by charterers to charter modern tonnage.

As per 1 March 2000 there were about 132 VLCCs and ULCCs and 88 Suezmax tankers built in 1977 and earlier, accounting for about 31 per cent of the world fleet of VLCCs and ULCCs and 28 per cent of the Suezmax fleet. The freight market development over the next years will determine when these vessels will be scrapped, but when the vessels pass 30 years, they will face extremely limited trading flexibility since most of the worlds oil exporting/importing countries have ratified IMO regulations. Utilizing the old vessels in FPSO/FSO or storage business is, however, still an option.

Newbuilding orders

As per 1 March 2000 the orderbook for tankers sized 120,000 dwt and above consisted of 125 vessels, divided into 55 vessels of 120,000-200,000 dwt and 80 vessels above 200,000 dwt. For vessels over 200,000 dwt, the orderbook amounts to approximately 18.8 per cent of the existing fleet. For Suezmaxes, the orderbook is 16.7 per cent of the existing fleet.

9. Board of directors, management and auditors

Board of directors and management

Frontline has the following directors and executive officers:

Name	*Year born*	*Domicile*	*Position*
John Fredriksen	1944	Larnaca, Cyprus	Chairman, President and Chief Executive Officer
Tor Olav Trøim	1963	Oslo, Norway	Director and Vice President
A. Shaun Morris	1960	Hamilton, Bermuda	Director
Timothy J. Bridges	1963	Hamilton, Bermuda	Director
Ola Lorentzon	1949	Oslo, Norway	Managing Director, Frontline Management (appointed)
Tom E. Jebsen	1957	Oslo, Norway	Chief Financial Officer, Frontline Management
Kate Blankenship	1965	Hamilton, Bermuda	Company Secretary and Chief Accounting Officer

John Fredriksen has been the Chairman, President and Chief Executive Officer of the Company since November 1997. He was previously the Chairman and Chief Executive Officer of Frontline AB. Mr. Fredriksen has served for over six years as a director of Sea Tankers Management Co. Ltd., a ship operating company and an affiliate of the Company's principal shareholder. Mr. Fredriksen indirectly controls Hemen and affiliated companies, which prior to the Conversion owned 31,896,923 shares and 13,054,471 warrants in the Company. After the Private Placement, Conversion and Secondary Offering, Hemen and affiliated companies will own (assuming all Offered Shares are purchased) 34,246,923 shares and 13,054,471 warrants in the Company.

Tor Olav Trøim has been Vice-President and a director of the Company since November 1997. He previously served as Deputy Chairman of Frontline from July 1997, and was a director of Frontline AB from July 1996. He is currently the Managing Director of Frontline Management, but will resign from this position when Ola Lorentzon assumes the position in April 2000. Mr. Trøim also serves as a consultant to Sea Tankers. He is a director of Aktiv Kapital ASA and Northern Offshore ASA, both Norwegian publicly listed companies. From 1992 to 1996, Mr. Trøim was Managing Director and a board member of DNO AS, a Norwegian oil company. Mr. Trøim owns 70,000 shares in the Company.

A. Shaun Morris has been a non-executive director of the Company since November 1997. Mr. Morris has been a Partner at Appleby, Spurling & Kempe since April 1995, after joining the firm in 1988 as an associate, where he specializes in corporate/commercial law. Mr. Morris does not have ownership interests in the Company.

Timothy J. Bridges has been a non-executive director of the Company since June 1999. He has been an attorney at Appleby, Spurling & Kempe since April 1996. During the period May 1993 through March 1996, Mr. Bridges was an attorney at Wilde Sapte, a United Kingdom law firm, and for approximately four years prior thereto, he was an attorney with the United Kingdom law firm of Norton Rose. Mr. Bridges does not have ownership interests in the Company.

Ola Lorentzon was appointed Managing Director of Frontline Management in February 2000 and will assume the position from April 2000. Mr. Lorentzon has been Chief Executive Officer and a director of ICB Shipping AB (Publ) from 1986. He has served as Deputy Chairman and Chief Executive Officer of Knightsbridge from 1997. Mr. Lorentzon is and has been director of various Swedish and international shipping interest organisations. Mr. Lorentzon does not have ownership interests in the Company.

Tom E. Jebsen has served as Chief Financial Officer of Frontline Management since June 1997. From December 1995 until June 1997, Mr. Jebsen served as Chief Financial Officer of Tschudi & Eitzen Shipping ASA, a publicly traded Norwegian shipowning company. From 1991 to December 1995, Mr. Jebsen served as Vice President of Dyno Industrier ASA, a publicly traded Norwegian industrial company. Mr. Jebsen is a director of Assuranceforeningen Skuld and Hugin AS, an information services company. Mr. Jebsen owns 3,325 shares and 20,000 options in the Company.

Kate Blankenship is Secretary of the Company and Chief Accounting Officer. Mrs. Blankenship joined the Company in 1994. Prior to joining the Company, she was a Manager with KPMG Peat Marwick in Bermuda. She is a member of the Institute of Chartered Accountants in England and Wales. Mrs. Blankenship owns 24,000 options in the Company.

In accordance with the Bye-laws of the Company the number of Directors shall be such number not less than two as the Company by Ordinary Resolution may from time to time determine and each Director shall hold office until the next annual general meeting following his election or until his successor is elected.

Employee option plan

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.

The total outstanding options under the UK plan are 2,000, and under the Bermuda plan 413,000.

In December 1999 the Company's board of directors approved the grant of employee share options in respect of 300,000 shares of the Company pursuant to the Bermuda plan. 250,000 of the shares reserved for issue have been granted to employees of the Company and its subsidiaries, while the remaining 50,000 are reserved for future employees. The main terms of the options granted are as follows:

- The option period is 3 years.
- The options vest on 1 January 2000 and are exercisable in the period between 1 January 2001 and 31 December 2002.
- The subscription price for the exercise of the options will be NOK 44.50.
- No premium was payable for the grant of the options.

Auditors

PricewaterhouseCoopers DA, Oslo, has been auditors of Frontline and Frontline Management since 1997. For 1996, Frontline AB was audited by PricewaterhouseCoopers AB, Stockholm.

Remuneration

During the year ended 31 December 1999, the Company paid to its directors aggregate cash compensation of USD 225,000. The CEO of Frontline was paid USD 150,000 which is included in the amount above. For 1999, total audit remuneration for the auditors of Frontline Ltd amounted to USD 616,000 and consultation fees to same USD 118,000.

Transactions with related parties

In Notes to Consolidated Financial Statements for 1998, number 19 "Related party transactions", information about significant transactions is given. With the exception of the information provided therein and as described elsewhere in this prospectus, no significant business transactions have taken place, or are at hand, between Frontline and its directors or management. The Company has not given any loans to, nor provided guarantees on behalf of, any such persons.

10. Share capital and shareholder matters

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 does not expect to pay dividends in the near term, principally due to its present commitments under the USD 650 million newbuilding programme, consisting of five VLCCs and five Suezmax tankers delivered 1998-2000, of which one Suezmax tanker remains to be delivered at a cost of USD 52 million. Frontline believes that return on capital, over time, will be primarily realised through appreciation in the share price.

Financial reporting

Frontline emphasises that information on the Company's performance is released promptly to the shareholders and the relevant stock markets according to the prevailing rules, including rules of the Oslo Stock Exchange. In addition to the Annual Report, results will be published on a quarterly basis and press releases will be 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 are currently available at the Company's homepages www.frontline.bm and www.frontmgt.no on the Internet. In addition, information is accessible through the financial information provider Hugin on www.huginonline.com.

Shares and share capital

The authorised share capital amounts to USD 250,000,000, divided into 100,000,000 shares with a par value of USD 2.50. The Company's authorised share capital has not yet been issued in full. The unissued shares are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose for such consideration as the Board may determine, except that they may not be issued at a discount from their par value.

As per 25 February 2000, prior to the Private Placement and conversion of debt, Frontline had an issued share capital of USD 152,404,650, divided into 60,961,860 shares with a par value of USD 2.50.

Following the Private Placement of 3,500,000 shares and the Conversion into 4,350,000 shares, the issued share capital is USD 172,029,650, divided into 68,811,860 shares with a par value of USD 2.50. The capital is fully paid.

All issued shares carry the right to attend and vote in the Company's shareholder meetings, and carry the right to dividends (if any). There is no restriction on the number of shares to be voted for by any shareholder or proxy holder in a shareholders' meetings. The Company's Bye-laws do not contain restrictions on the trading or transfer of the shares, with the exception of Bye-law 34, under which the Board shall reject the registration of transactions which cause the total shareholding by residents of certain jurisdictions (including Norway) to exceed 50 per cent. Under Bermuda law, shares do not carry pre-emptive rights.

There is no convertible debt outstanding other than the remaining loan from Metrogas of USD 30 million, which can only be called for conversion by the Company at its maturity and not by Metrogas.

In Notes to Consolidated Financial Statements for 1998, number 16 "Share Capital" and 17 "Warrants and Share Option Plans", more information about the share capital and the board's authority to issue further shares is given. The options outstanding under current option plans is 415,000, of which 2,000 are covered by the "U.K. Plan" and 413,000 by the "Bermuda plan".

As per 24 March 2000, the Company owns 171 Frontline shares.

Warrants

As per 25 February 2000 there were 27,245,580 warrants outstanding, exercisable into 2,724,558 shares in the Company. Of these warrants, 26,000,000 were issued in connection with the amalgamation with LOF in 1998. Each whole multiple of 10 such warrants gives the right to subscribe for one share at USD 15.91 per share. The expiry date for these warrants is 11 May 2001, and the warrants can be exercised at any time up to this date. As for the remaining 1,245,588 warrants, which were issued in connection with the refinancing of LOF in 1988, each whole multiple of 10 such warrants gives the right to subscribe for one share at GBP 4.00 per share. The expiry date for these warrants is 31 December 2003.

The rights of holders of warrants are regulated by a warrant agreement, the main terms of which are as follows: (i) Holders of warrants shall have the exercise price of their warrants adjusted in the event of payment of dividends to shareholders in Frontline, split or reverse split of shares, or other similar events; (ii) Holders of warrants shall have similar rights as holders of the corresponding number of shares in the event of an offering of shares in the Company; and (iii) Holders of warrants shall have similar rights as holders of the corresponding number of shares in the event of a merger or similar event.

Assuming full exercise of all outstanding warrants, the number of shares outstanding would increase from 68,811,860, being the number of shares outstanding after the Private Placement and the Conversion, to 71,536,418.

The warrants are not listed on any stock exchange, and the Company is not aware of significant trading in these securities.

As per 24 March 2000, the Company owns 465 Frontline warrants.

Registration of the shares and warrants

Companies with securities listed on the Oslo Stock Exchange are required by Norwegian law to register their listed securities with the VPS system. In order to achieve compatibility between the requirements of Bermuda law as to the registration and transfer of securities and the VPS system, all shares and warrants in the Company traded on the Oslo Stock Exchange are, for the purpose of Bermuda law, entered in the register of members of the Company in Bermuda in the name of Christiania Bank, which holds such shares as nominee for investors. For the purpose of the VPS system, Christiania Bank acts as the operator of the Company's VPS-subregister, and investors are entered in the VPS system as owners of shares and warrants. Investors registered as owners of shares in the VPS system are entitled to exercise, through Christiania Bank as their nominee, all rights of ownership relating to the shares, including all voting rights. Under the VPS registration system, all shareholders who have a Norwegian address and/or have supplied the VPS with details of their Norwegian bank account will receive dividends converted to Norwegian kroner. This also applies to foreign banks who have supplied VPS with details of their LORO account with a Norwegian bank. Shareholders who have a non-Norwegian address and who have not supplied VPS with details of a Norwegian bank account will receive dividends in U.S. dollars.

The investors holding shares in the VPS-subregister may at any time demand that their holding of shares be transferred from the VPS system to the register of members of the Company in Bermuda in place of Christiania Bank. Any shareholder that is transferred to the Company's register of members in Bermuda will not be entitled to have his shares registered in the VPS. Shares not registered in the VPS system cannot be traded on the Oslo Stock Exchange.

Christiania Bank og Kreditkasse ASA, Verdipapirservice, acts as registrar for the shares and warrants of Frontline in VPS. The shares are registered with ISIN BMG3682E1277 and the warrants are registered with ISIN BMG3682E1194. As per 25 February 2000, approximately 98 per cent of the total number of shares and 95 per cent of the total number of warrants of the Company were registered in VPS.

Changes in Frontline's share capital

Year	Transaction	New shares	Change in share capital (USD)	Shares outstanding	Share capital (USD)
1997	Redomiciliation	98,201,507	98,201,507	98,201,507	98,201,507
1997	Cash issue	10,000,000	10,000,000	108,201,507	108,201,507
1997	Cash issue	21,000,000	21,000,000	129,201,507	129,201,507
1997	Non-cash issue	3,000,000	3,000,000	132,201,507	132,201,507
1997	Cash issue	4,500,000	4,500,000	136,701,507	136,701,507
1997	Split 3.2635:1	-	-21,434,355	461,058,609	115,264,652
1998	Options exercised	10,000	2,500	461,068,609	115,267,152
1998	Reverse split 1:10	-	-	46,106,860	115,267,152
1999	Cash issue	4,715,000	11,787,500	50,821,860	127,054,650
1999	Conversion of debt	8,230,000	20,575,000	59,051,860	147,629,650

1999	Non-cash issue	1,910,000	4,775,000	60,961,860	152,404,650
2000	Cash issue	3,500,000	8,750,000	64,461,860	161,154,650
2000	Non-cash issue	4,350,000	10,875,000	68,811,860	172,029,650

Shareholders as per 25 February 2000

The shareholders registered in VPS as per 25 February 2000, prior to the Private Placement and the Conversion, are presented below. Approximately 98 per cent of the total number of shares are registered among approximately 4,300 shareholders in VPS. In addition, approximately 0.5 per cent of the shares are registered among approximately 1,800 shareholder in the Company's UK register, and approximately 1 per cent is registered among holders of ADRs for trading on NASDAQ.

Shareholders	Shares	Per cent
Hemen Holding Limited	24,815,603	40.7
Meisha Inc. (affiliated to Hemen)	5,481,120	9.0
Odin Norden	3,048,849	5.0
Odin Norge	2,089,203	3.4
Morgan Stanley & Co. Inc.	1,835,116	3.0
Song Mist Shipping Limited (affiliated to Hemen)	1,600,000	2.6
Hafslund Invest AS	1,322,469	2.2
Astrup Fearnley AS	1,300,000	2.1
Storebrand Livsforsikring AS	1,128,400	1.9
Orkla ASA	1,000,000	1.6
Venturos Holding AS	955,000	1.6
Glastad Capital AS	955,000	1.6
Gironde-A/S	883,333	1.4
Vital Forsikring ASA	811,400	1.3
Citibank (Luxembourg) S.A.	400,000	0.7
Spetalen, Øystein Stray	397,801	0.7
Brown Brothers Harriman & Co.	348,800	0.6
Skandinaviska Enskilda Banken	314,095	0.5
Vår Livsforsikring AS	277,625	0.5
Christiania Markets	268,030	0.4
Total, 20 largest shareholders	49,231,844	80.8
Others	11,730,016	19.2
Total	**46,106,860**	**100.0**

Shareholders agreements

The Board in Frontline is not aware of any shareholders agreements between shareholders in Frontline.

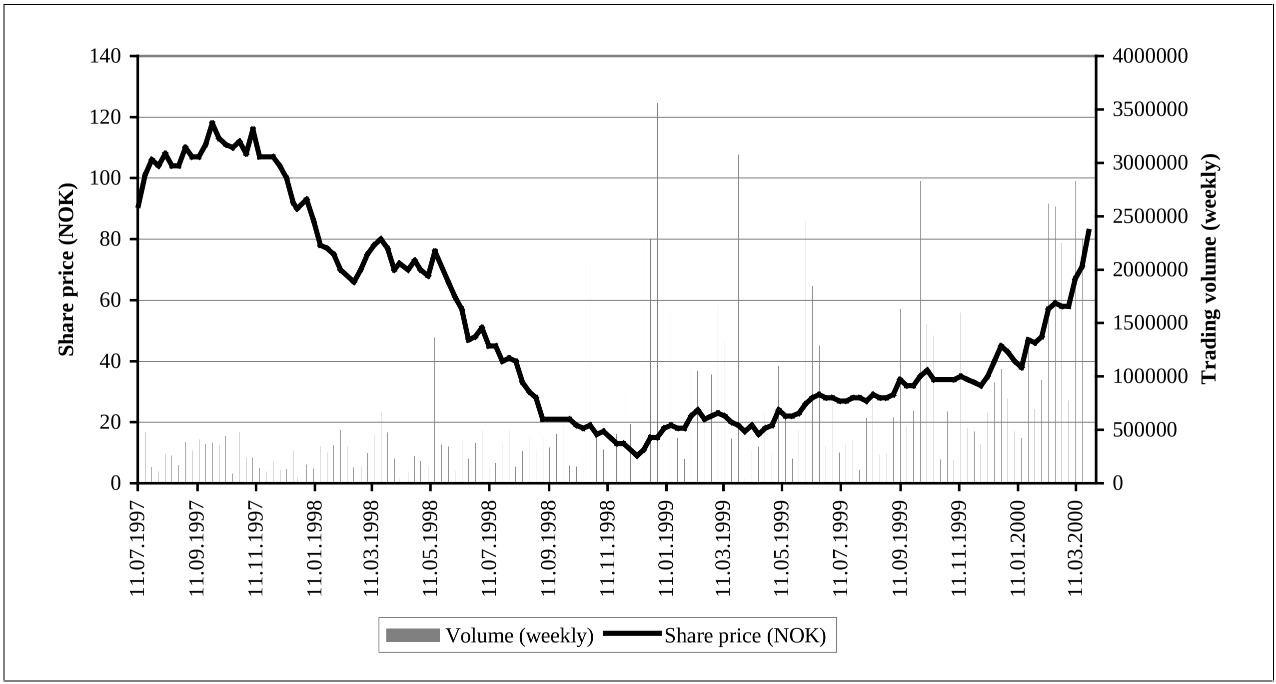
Description of the main shareholder

Frontline's major shareholder is Hemen, which is indirectly controlled by Frontline's Chairman, John Fredriksen, through the Cyprus based shipping company Greenwich. Hemen's current main activity is ownership of Frontline shares. As per 25 February 2000, Hemen and affiliated parties held approximately 52 per cent of the shares in Frontline, assuming full exercise of all outstanding warrants. Following the Private Placement and Secondary Offering on same date, Hemen will hold approximately 50 per cent of the shares in Frontline, assuming full exercise of all outstanding warrants and exercise by all Qualified Holders of their Purchase Rights.

Greenwich was established in 1986. Since then, it built up one of the largest modern tanker fleets among the world's independent shipping companies. This tanker fleet was transferred to Frontline in 1996. In addition to its investment in tanker shipping through Frontline, the Greenwich group has holdings in modern gas vessels, offshore units, ITC and older ULCC vessels. Greenwich has concentrated its modern tanker operations in Frontline Ltd.

Share price development

The chart below illustrates the share price development and the weekly trading volume on the Oslo Stock Exchange since trading commenced in 1997. Total turnover of shares on the Oslo Stock Exchange in 1999 was 42.8 million shares, corresponding to 87 per cent of the average number of shares outstanding.


Share price (NOK)
Trading volume (weekly)
Volume (weekly)
Share price (NOK)
140
120
100
80
60
40
20
0
4000000
3500000
3000000
2500000
2000000
1500000
1000000
500000
0
11.07.1997
11.09.1997
11.11.1997
11.01.1998
11.03.1998
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11.05.1999
11.07.1999
11.09.1999
11.11.1999
11.01.2000
11.03.2000

11. Risk factors

Frontline's operation

Frontline owns various shipowning and operating subsidiaries. Frontline's subsidiaries own and operate vessels which may be affected by changes in government policies and other economic and political conditions. Frontline is engaged primarily in transporting crude oil and oil products and, in addition, raw materials like coal and iron ore. Frontline's VLCCs are specifically designed for the transportation of crude oil and, due to their size, are normally used only to transport crude oil from the Middle East Gulf to the Far East, Northern Europe, the Caribbean and to LOOP. The Suezmax tankers are similarly designed for world-wide trading, but the trade for these vessels is mainly in the Atlantic Basin. Historically, the tanker industry has been highly cyclical, with attendant volatility in profitability and asset values resulting from changes in the supply of and demand for tanker capacity. Frontline's OBO carriers are specifically designed to carry oil or dry cargo and may be used to transport either oil or dry cargo on any voyage. The supply of tanker and OBO capacity is influenced by the number of new vessels built, the number of older vessels scrapped, converted, laid up and lost, the efficiency of the world tanker or OBO fleet and government and industry regulation of maritime transportation practices. The demand for tanker and OBO capacity is influenced by global and regional economic conditions, increases in industrial production and demand for crude oil and petroleum products, the proportion of world oil output supplied by Middle Eastern and other producers, political changes, armed conflicts (including wars in the Middle East) and changes in seaborne and other transportation patterns. The demand for OBO capacity is in addition influenced by increases and decreases in the production and demand for raw materials such as iron ore and coal. In particular, demand for Frontline's tankers and its services in transporting crude oil and petroleum products and dry cargoes has been dependent upon world and regional markets. Any decrease in shipments of crude oil or raw materials in world markets could have a material adverse effect on Frontline's earnings. Historically, these markets have been volatile as a result of, among other things, general economic conditions, prices, environmental concerns, weather and competition from alternative energy sources. Because many factors that influence on the supply of and demand for tankers and OBO carriers are unpredictable, the nature, timing and degree of changes in industry conditions are also unpredictable.

More than 90 per cent of Frontline's vessels by tonnage operate on a spot charter basis or under contracts of affreightment. If time charters are not available at satisfactory rates when vessels are acquired or when the time charters for Frontline's existing vessels expire, the proportion of its vessels on spot charter may increase. Although spot chartering is not unusual in the tanker industry, the spot charter market is highly competitive and spot charter rates are subject to significant fluctuations based upon tanker and oil supply and demand. Successful operation of a vessel in the spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time waiting for charters, and "ballast legs" or the time spent travelling unladen to pick up cargo. There is no assurance that future spot charters will be available at rates that will be sufficient to enable Frontline's vessels trading in the spot charter market to be operated profitably. In addition, bunkering (fuel oil) charges, which account for a substantial portion of the operating costs of VLCCs (and smaller tankers) and generally reflect prevailing oil prices, are subject to sharp fluctuations. Some of Frontline's OBO carriers currently transport dry cargo during the ballast leg of their voyage. Frontline intends to continue to employ such OBO carriers in this manner where economically expedient.

Less than 10 per cent of Frontline's vessels currently operate under time charters. There is no assurance that any of the existing time charters or contracts of affreightment will be renewed or, if renewed, will be renewed at satisfactory rates. If, upon the expiration of the existing time charters or contracts of affreightment, Frontline is unable to obtain time charters or voyage charters or contracts of affreightment at rates equivalent to those received under the current time charters or contracts of affreightment, there may be an adverse effect on Frontline's operating results, cash flow from operations and liquidity. The availability of time charters and voyage charters and the rates available at such future dates will depend on the market conditions prevailing at such times, and it is not possible to predict at this time the effect on Frontline of any renewal or non-renewal of the time charters or contracts of affreightment.

Restrictions in debt agreements

Frontline's existing financing agreements impose operational and financing restrictions on Frontline which affect, and in many respects significantly limit or prohibit, among other things, the ability of Frontline and its subsidiaries 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 its lenders. Frontline's financing arrangements also contain maintenance covenants with respect to the market value of Frontline vessels and other collateral relative to indebtedness. The financial institutions may accelerate the maturity of indebtedness under such financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including the failure of Frontline to comply with any of these covenants. Under any of these circumstances, there is no assurance that Frontline will have sufficient funds or other resources to satisfy all of its obligations. Frontline currently believes that it is in compliance with all such covenants.

Purchase and operation of tanker vessels

Frontline intends to continue to purchase secondhand modern VLCCs and Suezmax tankers in pursuit of its strategy to be one of the world's leading seaborne transporters of crude oil. The supply of such vessels is limited and their prices fluctuate with demand. There is no assurance that any such vessels will meet Frontline's quality requirements or are available at prices Frontline considers reasonable. In addition, sellers of secondhand VLCC and Suezmax vessels typically provide very limited warranties with respect to the conditions of the vessels in comparison to warranties available for a newbuilding. While Frontline intends to inspect carefully any secondhand vessels prior to purchase, any such inspection would normally not provide Frontline with as much knowledge as to the condition of the vessels as Frontline would possess if the vessel had been built for it and operated by it during the life of the vessel.

Newbuildings

Frontline currently has on order one Suezmax tanker for delivery in 2000 and may in the future order further newbuildings or acquire existing newbuilding contracts. Frontline's business strategy with respect to such orders is based primarily on its expectation that on the delivery dates for such ships the demand for Frontline's newbuildings will have increased at a greater rate than the supply of similar ships. There can be no assurance that ship supply will decrease or that demand will increase.

Market value of vessels

The market value of tankers can be expected to fluctuate, depending upon general economics and market conditions affecting the tanker industry and competition from other shipping companies, types and sizes of vessels, and other methods of transportation. At many times market conditions in the tanker industry have affected the market values of Frontline's vessels negatively. There can be no assurance that the market value of Frontline's vessels will not decline in the future.

Competition

The market for international seaborne transportation of crude oil and the other businesses in which Frontline operates are highly fragmented and competitive. Through its operating subsidiaries, Frontline competes with other VLCC, Suezmax and OBO owners (including major oil companies as well as independent companies), and, to a lesser extent, owners of vessels of other size classes. Competition for charters is intense and is based upon such factors as price, location, size, age, condition and acceptability of the vessel. Frontline's market share is insufficient to enforce any degree of pricing discipline in the market in which Frontline competes. There can be no assurance that Frontline's competitive position will not erode in the future.

Environmental and other regulation

Many of Frontline's operating subsidiaries are subject to regulation and supervision in the various states and other jurisdictions in which they trade, operate and conduct business. Amendments to such regulations, from time to time, may adversely affect the business of Frontline's operating subsidiaries in such jurisdictions. The operations of Frontline are affected by changing environmental protection laws and other regulations, compliance with which may entail significant expenses, including expenses for ship modifications and changes in operational procedures.

Subject to the discussion below and to the fact that the kind of permits, licences and certificates required for the operation of the vessels owned by the Company will depend upon a number of factors, the Company believes that it has been and will be able to obtain all permits, licenses and certificates material to the conduct of its business.

Among the regulations deemed to have particular impact on the Company's business are the following:

- IMO - the International Convention on Civil Liability for Oil Pollution Damage ("CLC"). Under the CLC, a vessel's registered owner is liable for pollution damage caused in the territorial water of a contracting state by discharge of oil. The liability is limited to an amount which is fixed on a regular basis. The right to limit liability is forfeited in certain cases, including when the spill is caused by the owner's intentional or reckless conduct.
- IMO - design regulations. In 1992, IMO adopted new requirements to prevent pollution from tankers. The regulations impose design requirements for tankers older than 25 years (with stricter regulations for tankers older than 30 years) which in most cases cause significant investments and/or reduced cargo capacity when tankers reach such age. Tankers contracted after 1993 were required to be constructed with double hulls or other approved design. In addition, the regulations imposed enhanced inspection requirements.
- OPA-90 - U.S. Oil Pollution Act 1990. OPA-90 imposes regulations on tankers operating in U.S. waters, and establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. In particular, OPA-90 provides for virtually unlimited liability for owners, operators and charterers for oil pollution accidents in the United States. OPA-90 requires owners and operators to establish with the U.S. Coast Guard evidence of financial responsibility to meet their potential strict liability limit under OPA-90. The Company currently maintains evidence of financial responsibility through commercial providers of such evidence. Under OPA-90, new tankers operating in U.S. waters must be built with double hulls. Tankers built prior to OPA-90 and not complying with the design requirements must be phased out from trading in U.S. waters over a 20-year period (1995-2015) based on certain criteria. Special regulations apply for tankers that discharge at LOOP only. OPA-90 also requires owners and operators to file emergency response plans with the U.S. Coast Guard.
- IMO - International Ship Management ("ISM") Code. In 1998, IMO adopted the ISM Code whereby shipowners and bareboat charterers are required to develop an extensive safety management system.

In complying with IMO and OPA-90 regulations, Frontline and other tanker owners generally have been forced to incur additional costs. Additional laws and regulations may be adopted which may limit the ability of Frontline to do business or increase its cost of doing business and which may have a material adverse effect on the operations of Frontline. In particular, the Company believes that certain U.S. states, the EC and certain other countries are considering stricter technical and operational requirements for tankers. This may include restrictions on treatment of ballast water and the EU adopting similar legislation to OPA-90.

Frontline maintains insurance coverage currently in the amount of USD 1,000 million per occurrence for liability for pollution, spillage or leakage of oil or oil products for each of its vessels, which is the amount currently available to the Company in the insurance market on commercially reasonable terms. The liability resulting from a catastrophic spill could exceed the insurance coverage available, in which event there could be a material adverse effect on the Company.

Risk of loss / Insurance

The business of the Company is affected by a number of risks, including mechanical failure of the vessels, collisions, property loss to the vessels, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labour strikes. In addition, the operation of any ocean-going vessel is subject to the inherent possibility of catastrophic marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

The Company believes that its current insurance coverage is adequate to protect against the accident-related risks involved in the conduct of its business and that it maintains appropriate levels of environmental damage and pollution insurance coverage, consistent with applicable regulations and standard industry practice. However, there is no assurance that such insurance will continue to be available at rates deemed reasonable by the Company or will be sufficient to cover any losses incurred by Frontline or the cost of any claims asserted against Frontline or will cover the loss of revenue resulting from a vessel being removed from operations. In the event that claims were asserted against Frontline, its vessels could be subjected to attachment or other judicial process.

Reliance on senior management

Frontline relies on the services of John Fredriksen, its Chairman, President and Chief Executive Officer, and on Frontline Management for the day-to-day arrangement of the operations of Frontline and its subsidiaries pursuant to the terms of a management agreement between Frontline and Frontline Management. If alternate management services had to be arranged, such event could have a short-term adverse effect on Frontline's business and prospects.

Dividends

Frontline has not paid a dividend since its incorporation. Due to the highly cyclical nature of the crude oil and oil products tanker industry, there is no assurance that there will be sufficient or available funds for payment of dividends.

Possible volatility of market price

The market price of Frontline's shares could be affected by, among other things, fluctuations in the prices of oil and oil products and in the charter rates for, or resale values of, vessels. Historically, the crude oil and oil products tanker markets and the markets for the oil products that such vessels carry have been highly volatile and subject to significant changes.

12. Taxation

Tax position of the Company

Bermuda

The Company will not be subject to Bermuda income tax, profit tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax. The Company has received a 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. Income tax, profit tax, withholding tax, capital gains tax and capital transfer tax will not apply to shareholders of the Company, other than shareholders resident in Bermuda.

As a company exempted from tax in Bermuda, Frontline is liable to pay an annual fee based on the Company's assessable capital. The fee will amount to a maximum of USD 25,000.

Norway

The wholly owned Norwegian subsidiary Frontline Management AS is subject to Norwegian income tax on its world-wide income. The relationship between Frontline Ltd. and Frontline Management AS will be governed by separate agreements on a commercial basis, and set on an arm's length principle.

Sweden

The wholly owned subsidiary Frontline AB and ICB Shipping AB is subject to Swedish income tax on their world wide income.

Taxation of Norwegian shareholders

Each individual shareholder is recommended to obtain advice on his/her tax position. The summary below is meant to give general comments only, but must be carefully examined in each individual case.

Net wealth tax

Individual shareholders are subject to net wealth tax in Norway on shares in foreign companies. Listed shares in foreign companies are valued at 100 per cent of the stock exchange price at 1 January in the assessment year. The marginal net wealth tax is presently 1.1 per cent.

Dividends

Dividends distributed from a foreign company to Norwegian shareholders are taxable as ordinary income at a flat rate of 28 per cent. Possible withholding tax paid by the shareholders in the foreign country is deductible. At present, there are no withholding taxes payable in Bermuda on any dividend distributions.

Gains and losses

For shareholders residing in Norway, any sale of Shares in the company might result in either a taxable capital gain or a deductible capital loss. This applies irrespective of the length of time the Shares are held. These gains/losses are then taken into account when assessing income for income tax purposes. The tax rate for such income is currently 28 per cent. The adjustment of cost price regulations (RISK) does not apply to Shares in foreign companies. A FIFO principle will apply, implying that the shares that are acquired first are deemed to be sold first.

Controlled Foreign Company legislation (NOKUS)

If Norwegian tax resident shareholders directly or indirectly at the beginning and at the end of each fiscal year own or control 50 per cent or more of the issued share capital of Frontline Ltd., such shareholders will be taxed in Norway on their deemed pro rata share of the Company's profit. Frontline will also be considered a NOKUS company if Norwegian shareholders own or control more than 60 per cent of the shares at the end of the year. Any loss may, according to certain rules, be deducted from profits from the Company over the next ten years. Such a change in the basis of Norwegian taxation of shareholders resident in Norway will not affect the Norwegian tax position of the Company or shareholders not resident in Norway.