ANNUAL REPORT 1999

Frontline Ltd. is a major, Bermuda based, tanker company. The fleet, which is the largest and most modern in the world, consists of:

28 Suezmax tankers
(of which 8 are combination carriers)

16 VLCC tankers

totalling **9.2** million deadweight tons

Through the corporate transactions undertaken over the last four years, Frontline has emerged as the leading tanker company within the VLCC and Suezmax segments. Frontline's mission is to provide its customers with a more flexible and reliable transport alternative, and use this flexibility to develop unique industrial relations that will give material benefits operationally, as well as financially, to our customers as well as to our shareholders.

FRONTLINE

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Five-year Financial Highlights

(in millions of $, except otherwise indicated)	**1999**	1998 *(restated)*	1997 *(restated)*	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 (loss) income after depreciation	**(12.2)**	72.5	55.5	5.1	22.2
Net other expenses (incl. finan. items)	**78.9**	40.6	32.6	19.1	19.6
Net (loss) income	**(86.9)**	31.9	22.8	(14.0)	2.6
PROFITABILITY RATIOS					
Return on capital employed (%)	**0.1**	6.5	6.2	1.7	5.9
Return on stockholders' equity (%)	**(15.2)**	5.6	5.2	(5.7)	1.7
YEAR END FINANCIAL POSITION					
Total assets	**1,726.8**	1,505.4	1,369.8	921.1	549.9
Liquid assets	**65.5**	74.0	86.9	58.0	68.2
Unutilized overdraft facilities	**-**	-	-	11.0	11.0
Net indebtedness	**1,014.2**	809.0	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
INVESTMENTS					
Net investments	**184.5**	144.0	482.6	411.9	35.6
PER SHARE DATA *(in $, except number of shares)*					
Stockholders' equity	**9.14**	12.66	12.06	10.18	11.75
Stockholders' equity, fully diluted	**9.14**	12.66	12.06	10.18	12.40
EPS Basic	**(1.76)**	0.69	0.63	(0.92)	0.20
EPS Diluted	**(1.76)**	0.69	0.63	(0.92)	0.20
Market price at year end	**5.35**	1.91	12.50	10.70	7.80
Dividend	**-**	-	-	-	-
P/E ratio	**neg.**	2.8	19.8	neg.	39.0
Outstanding shares as at 31.12. (mill.)	**61.0**	46.1	46.1	32.2	14.1
Average number of shares (mill.)	**49.5**	46.1	36.2	14.9	14.1

Per share data are adjusted for the 1 : 3.2635 exchange and 10 : 1 reverse stock split.

Capital Employed: Total assets minus non-interest bearing liabilities.
Debt/Equity Ratio: Interest bearing current and long-term liabilities, divided by stockholders' equity.
Earnings per Share: Net income (loss), divided by the average number of shares outstanding during the year.
Earnings per Share Fully Diluted: Net income (loss), divided by the average number of shares after full conversion of the debenture loan. Since this loan will no longer be converted it is disregarded in 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 expenses divided by interest expense.
Net Indebtedness: Interest bearing liabilities minus liquid assets.
Net Investments: Investments in fixed assets minus the sales proceeds from divested fixed assets.
P/E Ratio: Price/earnings ratio. Year end share price divided by Earnings per Share.
Return on Capital Employed: Net income (loss) before interest expense, as a percentage of average capital employed.
Return on Stockholders' Equity: Net income (loss), as a percentage of average stockholders' equity.
Stockholders' Equity per Share: Stockholders' equity divided by the numbers of shares.

The Frontline fleet is the

largest

tanker fleet in the world


The Frontline fleet
is the most
modern
tanker fleet in the world
– average age
6 years
FRONT COMMANDER

Frontline's Fleet List as at July 2000

Vessel	Manager	Flag	Built	Dwt	Yard
SUEZMAX TANKERS					
Polytrader (40%)	Rasmussen MS	NOR	1978	126 000	Uddevalla
Polytraveller (35%)	Rasmussen MS	NOR	1979	126 000	Uddevalla
Front Birch	Acomarit	NIS	1991	152 000	Daewoo
Front Maple	Acomarit	NIS	1991	152 000	Daewoo
Granite	Wallem	BS	1991	142 000	Split
Lillo	ITM	LIB	1991	147 253	AESA
Front Emperor	Acomarit	SING	1992	147 273	AESA
Front Sunda	Wallem	NIS	1992	142 000	Split
*Marble (0%)	Wallem	BS	1992	142 000	Split
Front Comor	Wallem	NIS	1993	142 000	Split
Front Spirit	Acomarit	NIS	1993	147 273	AESA
Front Pride	Acomarit	LIB	1993	149 686	Mitsui
Front Splendour	Acomarit	NIS	1995	149 745	Mitsui
Front Glory	Acomarit	NIS	1995	149 834	Mitsui
**Ardenne		LIB	1997	153 000	Hyundai
**Brabant		LIB	1998	153 000	Hyundai
Front Fighter	V.Ships	NIS	1998	153 328	Hyundai
Front Hunter	V.Ships	NIS	1998	153 344	Hyundai
Front Warrior	Cardston/V.Ships	BS	1998	153 409	Hyundai
Kim Jacob (T/C)		SING	1998	158 000	Daewoo
Mindanao	V.Ships	SING	1998	158 000	Daewoo
Front Sky	V.Ships	BS	2000	159 999	Hyundai
Front Archer	Farsund	NIS	2000	152 980	Hyundai
Front Sun	V.Ships	BS	2000	159 998	Hyundai
*Sonangol Girassol (0%)	Wallem	BS	2000	158 000	Daewoo
*Sonangol Luanda (0%)	Wallem	BS	2000	158 000	Daewoo
*Hull No. 5154 (0%)	Wallem	BS	2001	158 000	Daewoo
SUEZMAX OBOs					
Front Breaker	ITM	NIS	1991	169 177	Daewoo
Front Climber	Acomarit	SING	1991	169 178	Hyundai
Front Driver	Acomarit	NIS	1991	169 177	Hyundai
Front Guider	Acomarit	SING	1991	169 142	Daewoo
Front Leader	Acomarit	SING	1991	169 381	Daewoo
Front Rider	Acomarit	SING	1992	169 718	Hyundai
Front Striver	Acomarit	SING	1992	169 204	Daewoo
Front Viewer	ITM	SING	1992	169 381	Daewoo
VLCCs					
Front Sabang	Wallem	SING	1990	285 000	Daewoo
Front Vanadis	Wallem	SING	1990	285 000	Daewoo
Front Highness	Acomarit	SING	1991	284 420	Hyundai
Front Lady	Acomarit	SING	1991	284 420	Hyundai
Front Lord	Acomarit	SING	1991	284 420	Hyundai
Front Duke	Acomarit	SING	1992	284 420	Hyundai
Front Duchess	Acomarit	SING	1993	284 480	Hyundai
Front Tobago (40%)	V.Ships	LIB	1993	260 619	IHI
Front Tarim	ITM	LIB	1993	300 364	Hitachi
Front Tartar	ITM	LIB	1993	306 902	Sumitomo
Front Century	Cardston/ITM	BS	1998	311 189	Hyundai
Front Champion	Cardston/ITM	BS	1998	311 286	Hyundai
Front Chief	ITM	BS	1999	311 224	Hyundai
Front Commander	Acomarit	BS	1999	311 168	Hyundai
Front Crown	Acomarit	BS	1999	311 176	Hyundai
Front Tina	V.Ships	LIB	2000	298 500	Kawasaki

* Vessels commercially managed by Frontline Management AS
** Ownership transfer to Frontline to take place in September 2000

Report of the Board of Directors

The close of the calendar year 1999 marked the end of the latest recession in the shipping industry. This market, combined with recorded losses on the sale of four vessels as part of the ICB transaction have led to Frontline reporting a loss of $86.9 million for the year. Despite the bad market, Frontline continued to pursue its expansion strategy. During the year, Frontline gained control of ICB Shipping AB ("ICB"), took delivery of a further three vessels under its newbuilding programme, and acquired a new-building contract from another shipowner as part of the Company's efforts to consolidate the industry. These efforts have continued into 2000 with the delivery of the last two vessels in the newbuilding programme, the acquisition of a further six vessels and an investment in Golden Ocean.

RESULTS

Due to the successful take-over of ICB, the 1998 and 1997 financial statements of Frontline have been restated. For these years the investment in ICB has been accounted for according to the equity method. For 1999, ICB has been fully consolidated.

Net operating income before interest, taxation and depreciation, including earnings from associated companies (EBITDA) was $82.3 million (1998 – $137.1 million). Most of the decrease is explained by the loss on sale of four VLCCs, which were owned by ICB and sold as part of the agreed take-over of that company. Further, the result reflects the contribution of the expanded fleet, offset by lower trading results in both sectors in which Frontline operates.

Average daily operating costs, including provisions for drydockings, decreased for all sizes of vessels as the benefits of Frontline's cost reduction programme were realised. The average daily operating costs were $6,800, $6,000 and $6,400 for the VLCCs, the Suezmaxes and the Suezmax OBOs respectively, compared to $7,600, $6,400 and $6,700 in 1998. Administrative expenses increased due to ICB being consolidated in 1999. As ICB's Stockholm office was closed down in early 2000, costs are expected to decrease.

Charterhire expenses increased due to the chartering-in of the two VLCCs sold to German KGs in late 1998, plus the inclusion of the vessel Kim Jacob chartered in by ICB. Further, the vessel Front Warrior was sold to a German KG in late 1999. Charterhire expense was $31.7 million compared to $14.9 million in 1998.

Depreciation increased to $91.4 million (1998 – 51.7 million), the increase is due to the inclusion of the ICB fleet and the five and three newbuildings delivered during 1998 and 1999 respectively.

Net other expenses increased from $53.6 million in 1998 to $82.0 million in 1999. The increase reflects the inclusion of ICB's debt and interest payment, in addition to the increased level of debt due to the delivery of vessels during 1998 and 1999 as explained below. The average rate of interest on the debt at year end 1999 amounted to 7.2 per cent (1998 – 7.0 per cent).

Net loss for the year was $86.9 million (1998 - net profit $31.9 million), equal to $(1.76) per share (1998 - $0.69). $45.9 million is linked to the consolidation of ICB. The Board proposes no dividend for 1999.

The sale and leasebacks of the four vessels to German KGs are accounted for as operating leases in accordance with US GAAP. At December 31, 1999, Frontline had total interest bearing debt of $1,079.7 million. Fluctuations in interest rates are hedged through interest rate swaps. For the period 2000-2003 approximately 45 per cent of outstanding loans are hedged.

TIMECHARTER EARNINGS (TCE) PER DAY

(in $)	**1999**	1998	1997	1996
VLCC	**21,300**	31,800	32,700	27,700
Suezmax	**20,300**	22,400	24,800	26,800
Suezmax OBO	**18,900**	21,800	25,500	23,000

MARKET

The last two years have been influenced by the Asian crisis and the effect of OPEC first producing more crude oil than the market could absorb, then limiting production drastically. The Asian crisis also led to a weakening of the Asian currencies followed by a dramatic fall in newbuilding prices, which in turn led to a parallel fall in second hand prices.

The tanker market held up reasonably well early in 1998. However, in March 1998 the inventory build-up had become too large and oil prices plummeted, at which time OPEC introduced the Riyadh pact which committed OPEC producers to lower production volumes. This was followed by the Amsterdam and Hague pacts in June 1998 and March 1999; in total OPEC reduced its output from 27.0 million barrels per day to 23.0 million. During this period the oil price reached a low of $9.14 per barrel in December 1998.

The introduction of the Hague pact in early 1999 occurred at the time of the seasonally weak spring tanker market. Average rates on a timecharter equivalent ("TCE") basis for Frontline's VLCCs fell from $29,100 per day in the first quarter of 1999 to $17,800 per day in the second quarter. For the Suezmaxes, the rates fell from $20,500 per day to $17,000 in the same periods. The rates continued to weaken during the second half of 1999, and did not improve until the beginning of 2000.

Average daily TCE rate for the year is calculated by RS Platou Shipbrokers as $19,900 (1998 - $31,300) per day for a modern VLCC and $15,900 per day (1998 - $20,500) for a modern Suezmax. Rates for older vessels were even lower, $11,300 per day (1998 - $22,200) for VLCCs and $11,200 per day (1998 - $15,500) for Suezmaxes. This is explained mainly by the higher fuel consumption due to less efficient engines. The weakening rates resulted in substantial scrapping activity in late 1999 and early 2000. A total of 36 VLCCs and 26 Suezmaxes were scrapped in 1999 compared to 15 and 11 respectively, in 1998. The high scrapping activity continued into 2000, with 19 VLCCs and 17 Suezmaxes being scrapped during the first six months.

The increase in OPEC production levels through the implementation of the Vienna pact in March 2000 and the second increase in June, have brought OPEC's production level back to 25.5 million barrels per day. Removal of older tonnage and increased production of crude oil have lead to drastically increasing freight rates for crude oil tonnage. Rates for the second quarter 2000 average around $35,500 per day for modern VLCCs and $27,500 per day for modern Suezmaxes, and the trend is still positive.

Newbuilding prices exemplified by VLCCs plummeted from $82-84 million in early 1998 to $65-66 million in late 1999, albeit with hardly any ordering activity at the lower levels. Since then prices have risen to $72-73 million. Newbuildings ordered today would not be delivered until year 2003. Currently, secondhand prices are well in excess of implicit parity pricing, which reflects the market perception of strong markets in the coming years.

FLEET DEVELOPMENT

In January 1999, Frontline took delivery of the VLCC Front Chief from Hyundai Heavy Industries. The sister vessels, Front Commander and Front Crown, were delivered in July and September. In connection with the full acquisition of ICB in September, Frontline acquired two of ICB's VLCCs and six Suezmaxes. All of the vessels are built in the 1990s. Four of the VLCCs in ICB were at the same time sold to a group of shareholders in ICB.

At year end the Frontline fleet consisted of 12 VLCCs, 16 Suezmaxes and eight Suezmax OBOs. All vessels were fully owned except for four vessels, which are chartered in. Further, Frontline owned a share in three vessels. Since year end Frontline has increased its fleet by another nine vessels as described in detail in Note 23 to the Consolidated Financial Statements. Including these vessels, the fleet has a total size of 9.2 million dwt, which places Frontline as the largest tanker company in the world.

OPERATIONS

Frontline has a strategy of extensive outsourcing. Ship management, crewing and accounting services are provided by a number of independent and competing suppliers. At offices in Oslo, London, Bermuda and Ulsan a total of 28 people were employed by year end 1999. Ship managers provide crewing for Frontline's vessels, currently with full Russian, full Indian or full Filipino crews, or combinations of these nationalities.

During 1998 Frontline established a joint venture with OMI Corp., Alliance Chartering (Alliance), which handles the companies' Suezmax fleets. Alliance is the largest operator of Suezmax vessels worldwide. After two years of operation, the joint venture is considered a success, and the partners have been able to bring in additional tonnage through chartering-in and by securing commercial management for a number of vessels. As of July 2000, Alliance handles 40 vessels of which all but two are trading in the spot market. The world's Suezmax fleet consists of approximately 307 vessels. If one disregards pre-1980 built vessels, which have limited ability to trade in the North Atlantic basin due to OPA 90 prohibiting entrance to the United States, and further eliminate shuttle tankers and vessels controlled by the oil companies, 110 vessels can be considered to comprise the spot market. It is the Board's view that through its size, Alliance has a unique ability to service its customers in combination with a high utilisation of the fleet, and thereby secure the profitability of the partners' fleets and our shareholders' investment in Frontline.

In December 1999, Frontline announced together with A.P.Møller, Euronav, Overseas Shipholding Group, Osprey Maritime and Reederei "Nord" Klaus E. Oldendorff the agreement to establish Tankers International LLC ("Tankers") to pool their post 1990 built VLCCs. The pool started up during the first quarter of 2000 and is considered a success. Currently, Tankers controls 48 vessels of which all but four are trading in the spot market. Its market share is similar to what Alliance has in the Suezmax market.

Frontline's fleet is one of the most modern in the world. Of the 44 wholly-owned vessels, 29 vessels are of double-hull construction. The latest newbuilding programme, which was finished with the delivery of the Front Sun in April 2000, incorporates a high degree of environmental safety features. Enhanced corrosion protection and maintenance friendly solutions have been included to ensure a maximum lifetime and high operating reliability.

FINANCING

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

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

In connection with the subordination of the Metrogas Loan, Frontline and some of its lending banks agreed a reduction of the annual instalment profile by $8 million.

In December 1998 and March and July 1999, the three remaining VLCC newbuildings were financed through traditional bank financing. In June 1999, the Company signed a loan agreement for refinancing the vessel Lillo.

In September 1999, a bridge loan facility to acquire the remaining minority shares in ICB was put in place. This loan was repaid in December 1999, at the same time Frontline refinanced six of the vessels acquired through the ICB transaction.

In December 1999, Frontline sold the vessel, Front Warrior, to a German KG in a sale and leaseback transaction.

In February 2000, financing was secured on the last two Suezmax newbuildings. At the same time, financing was secured through another bank for a Suezmax newbuilding acquired from the Mosvold Farsund Group. In March 2000, financing was arranged for a joint venture in which Frontline controls 40 per cent, to acquire a secondhand VLCC. In May 2000, the Company financed two VLCCs acquired from Wilh.Wilhelmsen. At the same time, a separate financing was arranged for the financing of a newbuilding taken over from the Golden Ocean Group.

As of December 31, 1999, the Company complied with the debt covenants of its various debt agreements. The market has experienced tightening of credit over the last few years. On the other hand, the fact that Frontline has finalised its $650 million newbuilding programme which was taken on without committed financing and the improved market conditions for its trading have more than countered this effect. It is expected that the Company will comply with all covenants when the lower covenant levels expire on January 1, 2001.

During 1999 and the first half of 2000, the Company has issued equity in a number of transactions as described in detail below. During the period from September 1999 to June 2000, $122.5 million has been raised in cash, shares for $37 million have been issued in connection with ship for shares and cash transactions, and $65 million of the Metrogas Loan has been converted, leaving $24 million outstanding.

CORPORATE AFFAIRS

In April and May 1999, Frontline increased its holding in ICB from 57 per cent of the capital to 69 per cent. During the summer months, Frontline was finally able to reach an agreement with the other main group of shareholders ("A-group"). In late September the Company acquired the A-group’s shares in ICB thereby increasing its holding in ICB to approximately 90 per cent of the capital and votes. As part of the deal, four VLCCs were sold out of ICB to a new company established by the A-group. In December, Frontline offered to acquire the remaining shares in ICB at the same time as the Company initiated a compulsory redemption process. At the time of writing Frontline controls in excess of 98 per cent of the capital and votes in ICB.

In connection with the transaction in September, Frontline did a private placement, issuing 4,715,000 shares at NOK 33 per share. At the same time, $35 million of the Metrogas Loan was converted into 8,230,000 shares at NOK 33 per share. Metrogas, which is an affiliate of Frontline’s Chairman, offered a pro rata amount of these shares to all shareholders and warrantholders, not affiliated to it and based outside the United States and United Kingdom, in a secondary offering.

In October 1999, Frontline reached an agreement with the Mosvold Farsund Group whereby the Company acquired one Suezmax newbuilding contract for $45.5 million. The price was settled by issuing 1,910,000 shares at NOK 37.00 per share and $36 million in cash. The mentioned transactions increased the share capital to $152,404,650 and the number of shares to 60,961,860 at December 31, 1999.

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

In early March 2000, Frontline announced that it had acquired bonds in Golden Ocean Group Limited (“GOG”), a shipping company that has filed for Chapter 11 protection in the United States, and that the Company would seek to be actively involved in the restructuring process. GOG currently consists of 13 VLCCs all built since 1995, 3 VLCC newbuildings, and 4 Capesize, 2 Panamax and 4 Handysize bulkcarriers. At the time of writing Frontline owns 36 per cent of the $291 million of outstanding bonds. Frontline filed its plan for a reorganisation of GOG with the Bankruptcy Court on July 7, and currently there is one other contender.

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

In May 2000, $30 million in cash was raised through a private placement by issuing 3,000,000 shares at $10.15 per share. The cash raised was used to part finance the newbuilding VLCC Front Tina, which Frontline took over from GOG due to the latter's inability to raise the financing required. In June 2000, an additional $48.5 million in cash was raised in a private placement by issuing 4,000,000 shares at NOK 104.50 per share. The funds raised in June are to be partly utilised to acquire two Suezmaxes from Euronav for $95 million and for further expansion of the Company.

Through the transactions discussed above, Frontline's share capital has increased to $196,923,400, consisting of 78,769,360 shares of par value $2.50 each. Frontline's main shareholder, Hemen Holding Limited, and its affiliates currently control 43.9 per cent of the share capital. The next ten largest shareholders control 26.1 per cent of the capital. Currently 97.5 per cent of the share capital is listed on the Oslo Stock Exchange ("OSE"). The turnover ratio during 1999 was 88 per cent. During 2000, the Company has been included in the OBX index, which consists of the 20 most traded shares on the OSE.

THE FUTURE

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

To achieve the mission stated above, the Board sees Frontline acting as a consolidator within a highly fragmented industry. This can take place through acquisitions, mergers and market co-operation, the latter preferably in the form of pool arrangements. All three of these elements have been employed repeatedly by the Company over the last four years. An important element helping the Company achieve this is the fact that Frontline has managed to make its shares attractive as payment consideration.

Currently the Golden Ocean transaction is the most interesting corporate transaction in which Frontline is involved. However, the Company will continue to pursue other potential corporate transactions. If Frontline's bid for GOG succeeds, the deal will be structured as a non-recourse transaction. This means that only the money invested in the GOG holding company, which is perceived to be $70 million, will be at risk.

When Hemen Holding took a material share position in Frontline AB in 1996, a new strategy was initiated for the Company. The strategy was to position Frontline to benefit from the much needed renewal of the world's tanker fleet. This was to be done through investments in post 1990 built VLCC and Suezmax tonnage. Low overall operating costs, unique flexibility for clients, a dynamic organisation, a positive relationship to the equity market and an aggressive consolidation were the major elements in the new strategy.

Frontline has followed this strategy loyally. The development until the latter part of 1997 showed that the Company was on the right track. The freight market improved and secondhand prices rose. At that time the economic downturn in Asia occurred, which weakened the Asian currencies and lowered newbuilding prices as well as secondhand prices. The effect of the Asian crises was partly dampened by another factor, a very aggressive OPEC production strategy. The combination of these two factors did eventually lead to a large stock build-up of oil, which forced OPEC into a production cut strategy as described above. This had severe negative effects for our freightmarket and rates went as low as to operating cost level in the second half of 1999.

The above lead to an unsatisfactory return on investment for Frontline shareholders during the period from 1997 to 1999. However, the two-year downturn has not changed the fundamental case the Board focused around when they implemented the new strategy in 1996. The weak market over the last two years has reduced new ordering, increased scrapping and will most likely lead to a stronger and longer upturn in the market than what the Board anticipated in 1997. During the weak period Frontline has pursued an aggressive growth strategy which has put the Company in a better position than in 1997.

The fundamentals in the tanker market are very positive for the coming two to three years. The shipyards' newbuilding orderbooks are fixed until early 2003. Further, given continuous healthy growth in the world economy, demand for crude oil will continue to increase. The fact that the spare capacity amongst oil producing countries is located almost exclusively around the Arabian Gulf, is also advantageous since this implies demand for long distance transportation. Finally the overhang of old vessels means that there will have to be a considerable amount of scrapping during the coming years.

The Board is confident about the prospect to generate a superior return to our shareholders in the coming years. Year 2000 will be a turnaround year, which is likely to be the best financial year in Frontline's history. It is time to harvest from the large investments, which have been made during the last three years, and which has transformed Frontline into the world's largest and most modern tanker company.

However, even today's market offers opportunities. Frontline's shareholders shall be assured that the Board aggressively evaluates all new opportunities in order to improve our company and the return to our shareholders further.

Hamilton, Bermuda
July 14, 2000

John Fredriksen *Director, President, Chairman and CEO*	Tor Olav Trøim *Director and Vice-President*
A. Shaun Morris *Director*	Timothy J. Bridges *Director*

Shareholder Policy

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

Over the last few years, Frontline has not paid any dividends, principally due to the need to guard the equity ratio during the course of the $650 million newbuilding programme. The latter is now finalised with the delivery of the Front Sun in April 2000. Frontline will in the future consider dividend payment as an important element in the Company's capital market strategy. However, Frontline believes that return on capital, over time, will be primarily realised through appreciation in the share price.

SHARE PRICE DEVELOPMENT

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

Frontline strives to sustain high trading volume in its securities. Trading volume indeed increased substantially after the transfer from SSE to OSE, as predicted, and the shares have been traded every day since the OSE listing in 1997. In 1999, 42,189,000 shares were traded (adjusted for splits), equal to an annual turnover ratio of 88 per cent, relative to total number of outstanding shares.

Through the amalgamation with LOF Frontline achieved listing on the London Stock Exchange ("LSE") and the Nasdaq National Market. However, as 97.5 per cent of the outstanding shares are listed at OSE, trading volume in these markets is low. Frontline will consider means for improving the current status of the listings at LSE and NASDAQ.

Frontline's ticker code is "FRO" at OSE and LSE, and "FRONY" at the Nasdaq National Market.

SHARES AND CAPITAL STOCK

Frontline has as of July 14, 2000, 78,769,360 shares of $2.50 par value each outstanding. The capital stock amounts to $196,923,400, which is an increase of $ 81,656,248 from year-end 1998. All shares carry equal voting and dividend rights. The changes in Frontline's capital stock are presented in a separate table.

SHAREHOLDER STRUCTURE

At year-end 1999 Frontline had 5,928 shareholders (6,671 in 1998). Frontline's major shareholder is Hemen Holding Limited, which is indirectly controlled by Frontline's Chairman, John Fredriksen. At December 31, 1999, Hemen Holding Limited controlled 52.3 per cent of the total number of outstanding shares. The equivalent figure for 1998 was 53.0 per cent. The shareholder structure and distribution of shares, as per December 31, 1999, are presented in separate tables.

REPORTING OF FINANCIAL FIGURES AND RESULTS

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

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

SHAREHOLDERS IN FRONTLINE LTD. AS OF DECEMBER 31, 1999

Name/entity	*Shares*	*%*
Hemen Holding Limited	24,815,603	40.71
Meisha Inc. (affiliated to Hemen)	5,481,120	8.99
Odin Norden Aksjefondet	3,048,849	5.00
Morgan Stanley & Co. Inc.	2,792,416	4.58
Odin Norge Aksjefondet	2,019,203	3.31
Mega Tankers International Newbuilding AS	1,910,000	3.13
Song Mist Shipping Limited (affiliated to Hemen)	1,600,000	2.62
Hafslund Invest AS	1,322,469	2.17
Astrup Fearnley AS	1,300,000	2.13
Storebrand Livsforsikring AS	1,128,400	1.85
Orkla ASA	1,000,000	1.64
Gironde ASA	883,333	1.45
Vital Forsikring ASA	811,400	1.33
K - Avkastning Aksjefondet	700,000	1.15
Skandinaviska Enskilda Banken	448,277	0.74
Citibank (Luxembourg) SA	412,000	0.68
Christiania Markets	290,515	0.48
Det Stavangerske Dampskipsselskap AS	264,925	0.43
Vår Livsforsikring AS	262,625	0.43
Bankers Trust Company	220,984	0.36
Valhall Invest AS	220,000	0.36
Vesta Liv AS	203,083	0.33
Odin Maritime	190,000	0.31
Terra Aksjefond Norge	190,000	0.31
Remaining Shareholders	9,446,658	15.50
Total	60,961,860	100.00

DISTRIBUTION OF SHARES AS OF DECEMBER 31, 1999

Range from - to	Shareholders		Shares	
	No.	%	No.	%
1-9,999	5,755	97.08	3,484,543	5.72
10,000-99,999	134	2.26	3,587,545	5.88
100,000-999,999	28	0.47	7,471,712	12.26
More than 1,000,000	11	0.19	46,418,060	76.14
Total	5,928	100.00	60,961,860	100.00

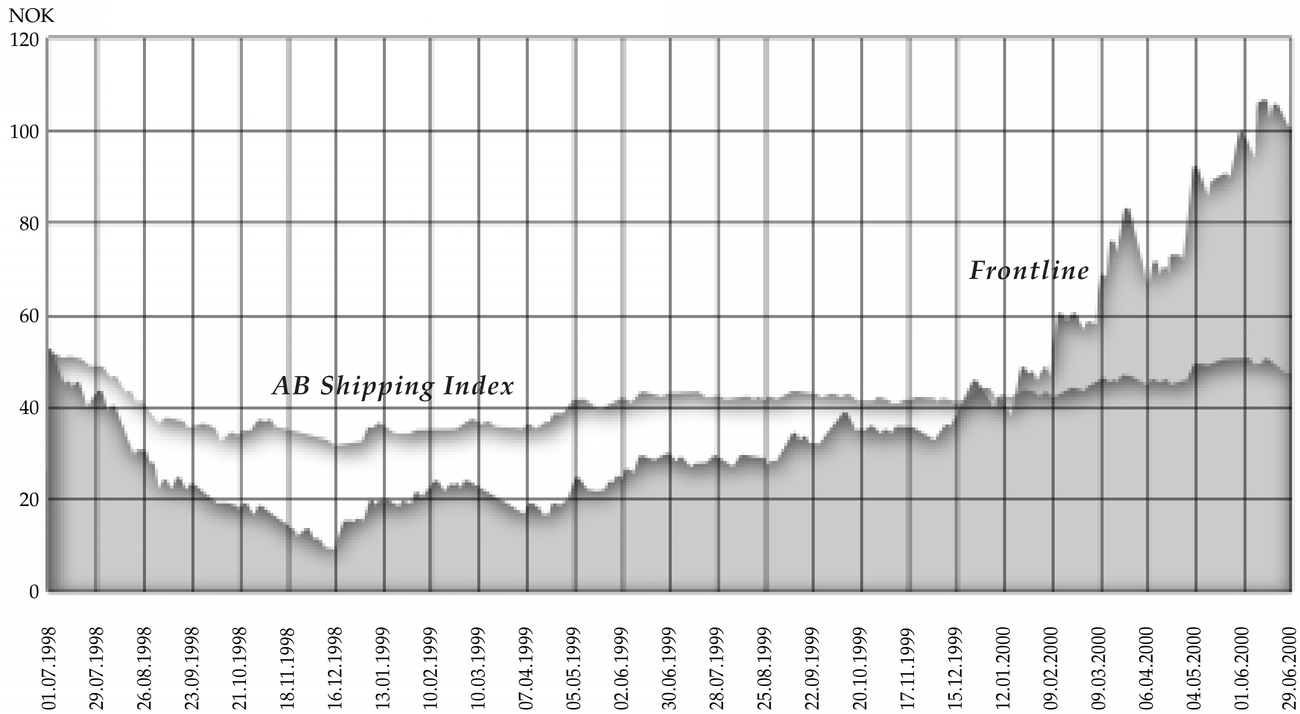
CHANGES IN FRONTLINE'S CAPITAL STOCK

Year	Transaction	Total number of shares	Capital stock 1)
1998	Options exercised	461,068,609	115,267,152
1998	Reverse split 1 : 10	46,106,860	115,267,152
1999	Cash issue 2)	50,821,860	127,054,650
1999	Conversion of debt 3)	59,051,860	147,629,650
1999	Non-cash issue 4)	60,961,860	152,404,650
2000	Cash issue 5)	64,461,860	161,154,650
2000	Non-cash issue 6)	68,811,860	172,029,650
2000	Cash issue 7)	71,769,360	179,423,400
2000	Non-cash issue 8)	74,769,360	186,923,400
2000	Cash issue 9)	78,769,360	196,923,400

1) US dollars.
2) Strengthening the equity.
3) Capital transaction to increase Frontline's future financial flexibility.
4) In connection with the acquisition of a ship.
5) Capital transaction to increase Frontline's future financial flexibility.
6) Capital transaction to increase Frontline's future financial flexibility.
7) In connection with the acquisition of two ships.
8) In connection with the acquisition of a ship.
9) In connection with the acquisition of two ships.

Shareholder Policy (continued)

FRONTLINE VS ALFRED BERG SHIPPING INDEX JULY 1998 – JUNE 2000



NB: AB Shipping Index has been rebased to Frontline.

Source: Alfred Berg Research, Datastream.

Index to Consolidated Financial Statements

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FRONTLINE LTD.

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and changes in stockholders' equity present fairly, in all material respects, the consolidated financial position of Frontline Ltd. at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of ICB Shipping AB, the investment in which is reflected in the financial statements referred to above on a consolidated basis as of and for the year ended December 31, 1999 and using the equity method of accounting as of and for each of the two years in the period ended December 31, 1998. The financial statements of ICB Shipping AB reflect total assets of approximately $462.5 million as of December 31, 1999 and total revenues of approximately $125.8 million for the year ended December 31, 1999, in conformity with generally accepted accounting principles in Sweden. The Company's net investment in ICB Shipping AB was approximately $196.4 million and $175.1 million at December 31, 1998 and 1997, respectively, and the share in results from ICB Shipping AB for the years ended December 31, 1998 and 1997 was approximately $14.2 million and $20.0 million, respectively, in conformity with generally accepted accounting principles in the United States. Those statements were audited by other auditors whose reports thereon have been furnished to us. We have audited adjustments necessary to convert the 1999 ICB Shipping AB financial statements to generally accepted accounting principles in the United States. Our opinion expressed herein, insofar as it relates to the amounts included for ICB Shipping AB, is based solely on the reports of the other auditors and our audit of the adjustments necessary for a presentation in accordance with generally accepted accounting principles in the United States. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers DA

Oslo, Norway
June 28, 2000

Consolidated Statements of Operations

For the years ended December 31, 1999, 1998 and 1997

(in thousands of $, except per share data)	**1999**	1998 *(restated)*	1997 *(restated)*
Operating revenues			
Freight revenues	**369,876**	270,405	259,695
Voyage expenses	**(116,662)**	(66,545)	(62,498)
Net operating revenues	**253,214**	203,860	197,197
(Loss) gain on sale of vessels	**(37,779)**	(1,514)	-
Operating expenses			
Ship operating expenses	**92,708**	55,586	48,076
Charterhire expenses	**31,719**	14,889	25,734
Administrative expenses	**11,783**	7,757	11,190
Total operating expenses	**136,210**	78,232	85,000
Net operating income before depreciation	**79,225**	124,114	112,197
Depreciation and amortisation	**91,435**	51,659	56,721
Net operating (loss) income after depreciation	**(12,210)**	72,455	55,476
Other income (expenses)			
Interest income	**7,561**	2,998	3,126
Interest expense	**(88,728)**	(59,320)	(45,945)
Share in results from associated companies	**3,067**	12,985	9,997
Other financial items	**(840)**	2,765	183
Net other expenses	**(78,940)**	(40,572)	(32,639)
Net (loss) income before income taxes and minority interest	**(91,150)**	31,883	22,837
Minority interest	**4,245**	-	-
Income taxes	**(9)**	30	43
Net (loss) income	**(86,896)**	31,853	22,794
Earnings (loss) per share			
Basic and diluted	**$ (1.76)**	$ 0.69	$ 0.63

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

Consolidated Balance Sheets

As of December 31, 1999 and 1998

(in thousands of $)	**1999**	1998 *(restated)*
ASSETS		
Current Assets		
Cash and cash equivalents	**65,467**	74,034
Restricted cash	**800**	1,916
Marketable securities	**10,867**	-
Trade accounts receivable	**12,528**	7,683
Other receivables	**15,765**	5,545
Inventories	**14,280**	6,813
Voyages in progress	**14,412**	8,844
Prepaid expenses and accrued income	**3,628**	1,554
Total current assets	**137,747**	106,389
Newbuildings	**32,777**	75,681
Vessels and equipment, net	**1,523,112**	1,078,956
Investment in associated companies	**16,274**	239,887
Deferred charges	**4,680**	4,501
Goodwill	**12,203**	-
Total assets	**1,726,793**	1,505,414
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	**116,814**	170,551
Trade accounts payable	**8,001**	7,724
Accrued expenses	**37,880**	18,414
Deferred charter revenue	**-**	81
Provisions for drydocking	**6,517**	1,733
Total current liabilities	**169,212**	198,503
Long-term liabilities		
Long-term debt	**962,880**	712,470
Provisions for drydocking	**16,562**	9,615
Other long-term liabilities	**1,888**	1,252
Total liabilities	**1,150,542**	921,840
Commitments and contingencies		
Minority interest	**18,951**	-
Stockholders' equity		
Share capital	**152,405**	115,267
Additional paid in capital	**462,474**	435,932
Warrants and options	**9,333**	9,333
Accumulated other comprehensive income	**(6,603)**	(3,545)
Retained earnings (accumulated deficit)	**(60,309)**	26,587
Total stockholders' equity	**557,300**	583,574
Total liabilities and stockholders' equity	**1,726,793**	1,505,414

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

Consolidated Statements of Cash Flows

For the years ended December 31, 1999, 1998 and 1997

(in thousands of $, except number of shares)	**1999**	1998 *(restated)*	1997 *(restated)*
OPERATING ACTIVITIES			
Net (loss) income	**(86,896)**	31,853	22,794
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortisation	**91,435**	51,659	56,721
Amortisation of deferred charges	**2,922**	3,021	247
Loss (gain) from sale of vessels	**37,779**	1,514	(985)
Gain on sale of marketable securities	**(580)**	(389)	(894)
Loss on repurchase of outstanding debentures	**-**	-	723
Share in results from associated companies	**(3,067)**	(12,985)	(9,997)
Other, net	**-**	(2,532)	972
Changes in operating assets and liabilities:			
Trade accounts receivable	**(2,676)**	(2,710)	2,235
Other receivables	**1,521**	1,089	(1,829)
Inventories	**(4,915)**	(1,351)	1,228
Voyages in progress	**(1,153)**	1,072	(115)
Prepaid expenses and accrued income	**2,049**	5,208	(3,094)
Trade accounts payable	**(1,824)**	1,513	1,458
Accrued expenses	**2,805**	(5,001)	(1,383)
Provisions for drydocking	**7,158**	2,408	(1,835)
Other, net	**1,928**	(4,777)	1,203
Net cash provided by operating activities	**46,486**	69,592	67,449
INVESTING ACTIVITIES			
Maturity (placement) of restricted cash	**1,116**	(1,916)	-
Additions to newbuildings, vessels and equipment	**(200,736)**	(352,003)	(51,772)
Proceeds from sale of vessels and equipment	**239,043**	211,954	50,610
Acquisition of businesses (net of cash acquired)	**126,000**	-	(69,646)
Purchase of goodwill	**(6,091)**	-	-
Investment in associated companies	**4,210**	(10,430)	(220,592)
Dividends received from associated companies	**3,246**	8,048	4,424
Proceeds from sales of marketable securities	**2,653**	392	3,677
Net cash provided by (used in) investing activities	**175,532**	(143,955)	(283,299)
FINANCING ACTIVITIES			
Proceeds from long-term debt	**505,875**	327,849	257,784
Repayments of long-term debt and debentures	**(679,210)**	(265,211)	(176,700)
Debt fees paid	**(3,068)**	(1,113)	(1,862)
Cash dividends paid	**(4,714)**	-	-
Purchase of minority interest	**(104,148)**	-	-
Proceeds from issuance of equity	**54,680**	2	165,495
Net cash (used in) provided by financing activities	**(230,585)**	61,527	244,717
Net (decrease) increase in cash and cash equivalents	**(8,567)**	(12,836)	28,867
Cash and cash equivalents at beginning of year	**74,034**	86,870	58,003
Cash and cash equivalents at end of year	**65,467**	74,034	86,870
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid, net of capitalised interest	**94,633**	60,944	40,834
Income taxes paid	**-**	31	15

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

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 1999, 1998 and 1997

(in thousands of $, except number of shares)	**1999**	1998 *(restated)*	1997 *(restated)*
NUMBER OF SHARES OUTSTANDING			
Balance at beginning of year	**46,105,860**	46,105,860	32,161,955
Shares in Frontline AB not exchanged	**-**	-	(113,894)
LOF minority shares	**-**	-	1,493,324
Shares issued and options/warrants exercised	**14,855,000**	1,000	12,564,475
Balance at end of year	**60,961,860**	46,106,860	46,105,860
SHARE CAPITAL			
Balance at beginning of year	**115,267**	115,265	80,405
Shares in Frontline AB not exchanged	**-**	-	(285)
LOF minority shares	**-**	-	3,734
Shares issued and options/warrants exercised	**37,138**	2	31,411
Balance at end of year	**152,405**	115,267	115,265
ADDITIONAL PAID IN CAPITAL			
Balance at beginning of year	**435,932**	435,932	275,331
Shares issued and options/warrants exercised	**26,542**	-	148,262
LOF minority shares	**-**	-	20,025
Warrants issued on Amalgamation	**-**	-	(7,686)
Balance at end of year	**462,474**	435,932	435,932
WARRANTS AND OPTIONS			
Balance at beginning of year	**9,333**	9,333	-
Options and warrants assumed on Amalgamation	**-**	-	1,647
Warrants issued on Amalgamation	**-**	-	7,686
Balance at end of year	**9,333**	9,333	9,333
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance at beginning of year	**(3,545)**	746	24
Other comprehensive income	**(3,058)**	(4,291)	722
Balance at end of year	**(6,603)**	(3,545)	746
RETAINED EARNINGS (ACCUMULATED DEFICIT)			
Balance at beginning of year	**26,587**	(5,266)	(28,060)
Net (loss) income	**(86,896)**	31,853	22,794
Balance at end of year	**(60,309)**	26,587	(5,266)
Total Stockholders' Equity	**557,300**	583,574	555,450
COMPREHENSIVE INCOME			
Net (loss) income	**(86,896)**	31,853	22,794
Unrealised holding (losses) gains	**(2,843)**	-	162
Unrealised holding (losses) gains in associated companies	**-**	(3,013)	621
Foreign currency translation	**(215)**	(1,278)	(61)
Other comprehensive income	**(3,058)**	(4,291)	722
Comprehensive income	**(89,954)**	28,122	22,956

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

Notes to Consolidated Financial Statements

1. GENERAL

Frontline Ltd. (the "Company") is a holding company for investments in a number of subsidiaries engaged primarily in the ownership and operation of oil tankers and oil/bulk/ore ("OBO") carriers. The Company operates vessels of two sizes: very large crude carriers ("VLCCS") which are between 200,000 and 320,000 deadweight tons ("dwt"), and Suezmaxes, which are vessels between 120,000 and 160,000 dwt. The Company operates through subsidiaries and partnerships located in Bermuda, Liberia, Norway, Panama, Singapore and Sweden. The Company is also involved in the charter, purchase and sale of vessels.

Frontline Ltd. (formerly London & Overseas Freighters Limited ("LOF") originally commenced operations in 1948 as a U.K. company ("LOF plc") and was listed on the London Stock Exchange in 1950. The Company was incorporated under the laws of Bermuda on June 12, 1992 for the purpose of succeeding to the business of LOF plc. In November 1993, the shares of LOF were listed on the Nasdaq National Market in the form of American Depositary Shares ("ADSs"), each ADS representing ten LOF shares. On May 11, 1998, LOF completed a business combination, as described below, with another Bermuda company, Frontline Ltd. ("Frontline"). LOF, the surviving entity, was renamed Frontline Ltd. effective from that date. Frontline commenced operations in 1985 as a Swedish company listed on the Stockholm Stock Exchange in 1989 ("Frontline AB"). Frontline was incorporated under the laws of Bermuda on April 29, 1997 for the purpose of succeeding to the business of Frontline AB and, commencing in June 1997, the shares in Frontline AB were exchanged for shares in Frontline. The ordinary shares of Frontline were thereafter listed on the Oslo Stock Exchange and delisted from the Stockholm Stock Exchange.

Business combinations and Acquisitions

London & Overseas Freighters Limited

On September 22, 1997, LOF announced that it had entered into an Agreement and Plan of Amalgamation (the "Amalgamation Agreement") with Frontline, providing for a business combination in a three-step transaction. On September 29, 1997, pursuant to the Amalgamation Agreement, Frontline commenced a cash tender offer (the "Offer") for at least 50.1 per cent and up to 90 per cent of the outstanding LOF ordinary shares and American Depositary Shares ("ADSs") for a price of $1.591 per ordinary share (or $15.91 per ADS). The Offer expired on October 28, 1997 and effective November 1, 1997 Frontline had acquired approximately 79.74 per cent of the outstanding LOF ordinary shares. (see Note 21).

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

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

ICB Shipping AB (publ)

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

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

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

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

2. ACCOUNTING POLICIES

Basis of accounting

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

Investments in companies in which the Company holds between 20 per cent and 50 per cent of an ownership interest, and over which the Company exercises significant influence, are accounted for using the equity method. The Company's financial statements have been restated for the years ended December 31, 1997 and 1998 to reflect the application of the equity method for the investment in ICB. The investment in ICB was previously accounted for as an available-for-sale security in accordance with SFAS 115 prior to this restatement (see Note 1). The Company records its investments in equity-method investees on the consolidated balance sheets as "Investment in associated companies" and its share of the investees' earnings or losses in the consolidated statements of operations as "Share in results from associated companies". The excess of the purchase price over the book value basis of the Company's investment in an equity method investee is included in the accompanying consolidated balance sheets in "Investment in associated companies". This goodwill or fair value adjustment is being amortised over a period of approximately 17 years in the accompanying consolidated statements of operations in "Share of results from associated companies".

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

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

Cash and cash equivalents

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

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

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

Vessels and equipment
The cost of the vessels less estimated residual value is depreciated on a straight-line basis over the vessels' remaining economic useful lives. In the fourth quarter of 1997, management determined that the useful life of its vessels was 25 years rather than 20 years from date of construction, as previously estimated. A change in accounting estimate was recognised to reflect this decision, resulting in a decrease in depreciation expense and consequently increasing net income by $3.6 million and basic and diluted earnings per share by $0.01, for 1997. Other equipment is depreciated over its estimated residual life, which approximates five years.

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

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

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

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

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

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

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

Derivatives

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

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

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

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

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

Foreign currencies

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

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

Stock-based compensation

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

Earnings per share

Basic EPS is computed based on the income (loss) available to common stockholders and the weighted average number of shares outstanding for basic EPS. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments (see Note 5).

Comprehensive income

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

3. ADOPTION OF NEW ACCOUNTING STANDARDS

SFAS No. 133, "Accounting for Derivatives and Hedging Activities", is effective from January 1, 2001 for the Company and requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company is assessing the impact that the adoption of SFAS No. 133 will have on the Company's consolidated financial statements.

4. TAXATION

Bermuda

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

United States

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

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

Other Jurisdictions

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

The tax charge for the year comprises:

(in thousands of $)	**1999**	1998	1997
Current tax	(9)	30	43
Deferred tax	-	-	-
	(9)	30	43

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

(in thousands of $)	**1999**	1998 *(restated)*
Deferred tax liability - current	**-**	-
Deferred tax liability – non current	**-**	-
Deferred tax asset – current		
Accrued liabilities	**-**	-
Convertible debenture	**-**	191
Deferred tax asset – non current		
Pension liabilities	**22**	13
Tax loss carryforwards	**17,496**	4,321
Valuation allowance	**(17,518)**	(4,525)
Net deferred tax asset (liability)	**-**	-

As of December 31, 1999, 1998 and 1997, the Company had $62,485,000, $15,431,000 and $46,993,000 of net operating loss carryforwards, respectively. The loss carryforward can be utilised only against future taxable income for the respective subsidiary. Frontline AB and ICB account for a total of $14,433,000 and $47,765,000 as of December 31, 1999, respectively. These net operating losses do not have an expiration date. The Company's deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realised in the future.

5. EARNINGS PER SHARE

The computation of basic EPS is based on the weighted average number of shares outstanding during the year. The computation of diluted EPS assumes the foregoing and the exercise of stock options and warrants using the treasury stock method (see Note 18). Earnings per share, for the years ended December 31, 1997 and 1998 have been restated to reflect the change in the accounting treatment of the investment in ICB (see Note 1).

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

(in thousands of $)	**1999**	1998 *(restated)*	1997 *(restated)*
Net income (loss) available to stockholders	**(86,896)**	31,853	22,794

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

(in thousands)	**1999**	1998	1997
Basic earnings per share:			
Weighted average number of ordinary shares outstanding	**49,468**	46,107	36,189
Diluted earnings per share:			
Weighted average number of ordinary shares outstanding	**49,468**	46,107	36,189
Warrants and stock options	**-**	30	84
	49,468	46,137	36,273

6. LEASES

Rental expense

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

Year ending December 31, *(in thousands of $)*	
2000	33,560
2001	33,517
2002	33,517
2003	24,559
2004	24,361
2005 and later	54,845
Total minimum lease payments	204,359

Total rental expense for operating leases was $31,912,000, $15,403,000 and $26,323,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

Rental income

The minimum future revenues to be received on time charters and other contractually committed income as of December 31, 1999 are as follows:

Year ending December 31, *(in thousands of $)*	
2000	25,675
2001	8,879
2002	-
2003	-
2004	-
2005 and later	-
Total minimum lease revenues	34,554

The cost and accumulated depreciation of the vessels leased to a third party at December 31, 1999 were approximately $86.7 million and $36.5 million, respectively, and at December 31, 1998 were approximately $54.3 million and $18.7 million, respectively.

In addition to the minimum lease revenues disclosed above, the Company has a one year market related timecharter with BP Amoco plc ("BP") for one of the Company's VLCCs.

7. MARKETABLE SECURITIES

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

(in thousands of $)	**1999**	1998 *(restated)*
Cost	**13,710**	-
Gross unrealised gain	**-**	-
Gross unrealised loss	**(2,843)**	-
Fair value	**10,867**	-

The unrealised loss on marketable securities, including a component of foreign currency translation, included in comprehensive income increased by $2,843,000 for the year ended December 31, 1999 (1998 - $nil).

8. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are presented net of allowances for doubtful accounts amounting to $500,000 for each of the years ended December 31, 1999 and 1998.

9. OTHER RECEIVABLES

(in thousands of $)	**1999**	1998
Agent receivables	**9,575**	3,661
Other receivables	**6,190**	1,884
	15,765	5,545

Other receivables are presented net of allowances for doubtful accounts amounting to $nil for each of the years ended December 31, 1999 and 1998.

10. VESSELS AND EQUIPMENT

(in thousands of $)	**1999**	1998
Cost	**1,861,004**	1,336,307
Accumulated depreciation	**(337,892)**	(257,351)
Net book value at end of year	**1,523,112**	1,078,956

Included in the above amounts as at December 31, 1999 and 1998 is equipment with a net book value of $561,000 and $594,000, respectively. Interest capitalised in the cost of newbuildings amounted to $3,163,000 and $8,332,000 in 1999 and 1998, respectively.

11. INVESTMENT IN ASSOCIATED COMPANIES

At December 31, 1999, the Company has the following participation in investments that are recorded using the equity method:

	Percentage
K/S Rasmussen Teamship A/S II	40%
K/S Rasmussen Teamship A/S III	35%
Floating Storage Inc. SA	50%
Alliance Chartering LLC	50%

At December 31, 1998 and 1997, the investment in ICB has been included in the restated consolidated financial statements of Frontline as an investment in associated companies.

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

(in thousands of $)	**1999**	1998
Current assets	**24,164**	157,842
Noncurrent assets	**86,213**	588,887
Current liabilities	**29,587**	58,422
Non current liabilities	**57,824**	336,000

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

(in thousands of $)	**1999**	1998	1997
Net operating revenues	**14,432**	50,100	56,491
Net operating income	**9,846**	43,934	50,539
Net income	**8,686**	28,244	48,983

12. DEFERRED CHARGES

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

(in thousands of $)	**1999**	1998
Debt arrangement fees	**10,810**	7,781
Accumulated amortisation	**(6,130)**	(3,208)
	4,680	4,501

13. GOODWILL

Goodwill is stated net of related accumulated amortisation as follows:

(in thousands of $)	**1999**	1998
Goodwill	**12,737**	-
Accumulated amortisation	**(534)**	-
	12,203	-

14. ACCRUED EXPENSES

(in thousands of $)	**1999**	1998
Voyage expenses	**10,947**	4,232
Ship operating expenses	**12,046**	6,679
Administrative expenses	**1,430**	685
Interest expense	**11,054**	5,298
Taxes	**565**	15
Other	**1,838**	1,505
	37,880	18,414

15. DEBT

(in thousands of $)	**1999**	1998
Floating rate debt (LIBOR + 0.70% to 3.50%) due through 2009	**904,464**	840,658
Fixed rate debt 6.75% to 8.00% due through 2002	**168,510**	18,833
	1,072,974	859,491
Convertible debenture loan and credit facilities	**6,720**	23,530
Total debt	**1,079,694**	883,021
Less: short-term and current portion of long-term debt	**(116,814)**	(170,551)
	962,880	712,470

The outstanding debt as of December 31, 1999 is repayable as follows:

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

The weighted average interest rate for debt all of which is denominated in US dollars, as of December 31, 1999 was 7.17 per cent (1998 – 7.2 per cent).

Included in long-term debt is an amount of $40 million which is due to be refinaced in February 2000. However, the Company had obtained committed long-term refinancing of this amount at December 31, 1999.

Certain of the fixed rate debt and 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 of December 31, 1999, the Company complied with the debt covenants of its various debt agreements.

Metrogas Holdings ("Metrogas"), a company related to the Company's Chairman, had outstanding as of December 31, 1999 a specific loan of $54.0 million (1998 - $89.0 million) (the "Metrogas Loan") provided to the Company. The Metrogas Loan was converted to a separate long-term financing facility during 1999, as described below.

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

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

The number of outstanding convertible debenture share certificates ("Debentures") in the Company's subsidiary, Frontline AB, amounted to nil and 2,654,540 as of December 31, 1999 and 1998, respectively. The face value of each certificate is SEK 10. The conversion period was from June 25, 1992 to July 30, 1999 and all outstanding debentures were repaid on loan maturity on August 24, 1999. The Debentures were convertible into shares at a conversion price of SEK 35 per share. Annual interest of 9 per cent was payable annually on June 24 and on the maturity date. During 1997, Frontline acquired Debentures with a face value of SEK 182,655,574, and at December 31, 1997 held Debentures with a face value of SEK 183,810,574. Frontline paid approximately $24 million for the repurchase of Debentures and recorded a loss of approximately $0.7 million. Frontline acquired further Debentures with face value SEK 666,048 in 1998 and recorded a gain (loss) of $nil. In June 1998, convertible debentures held by the Company with face value SEK 184,462,124 were cancelled.

16. SHARE CAPITAL

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

Authorised share capital:

(in thousands of $)	**1999**	1998
100,000,000 ordinary shares of $2.50 each	**250,000**	250,000

Issued and fully paid share capital:

(in thousands of $)	**1999**	1998
60,961,860 ordinary shares of $2.50 each (1998 – 46,106,860)	**152,405**	115,267

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

Of the authorised and unissued ordinary shares, 124,558 are reserved for issue pursuant to subscription under warrants which can be exercised at any time up to December 31, 2003, 2,600,000 are reserved for issue pursuant to subscription under warrants which can be exercised at any time up to May 11, 2001 and 415,000 are reserved for issue pursuant to subscription under options granted under the Company's share option plans. As at December 31, 1999, except for the shares which would be issued on the exercise of the warrants and the options, and the shares under option as described below, no unissued share capital of the Company is under option or is conditionally or unconditionally to be put under option.

On December 20, 1999 the Company issued 1,910,000 ordinary shares at a price of NOK 37.00 per share in connection with the acquisition of a Suezmax newbuilding. Frontline has a one year call option to buy back 430,000 of these shares for NOK 37.00 per share plus 10 per cent interest per annum compensation.

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

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

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

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

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

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

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

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

17. WARRANTS AND SHARE OPTION PLANS

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

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

The following summarises the warrant transactions:

	Number
Warrants assumed on Amalgamation	124,558
Warrants issued on Amalgamation	2,600,000
Exercised	-
Warrants outstanding at December 31, 1997	2,724,558
Exercised	-
Warrants outstanding at December 31, 1998	2,724,558
Exercised	-
Warrants outstanding at December 31, 1999	2,724,558

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

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

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

(in thousands, except per share data)	Shares	Weighted average exercise price
Assumed on Amalgamation	129	$ 14.45
Exercised	-	-
Cancelled	-	-
Options outstanding at December 31, 1997	129	$ 14.45
Exercised	-	-
Cancelled	-	-
Options outstanding at December 31, 1998	129	$ 14.45
Granted	300	$ 5.53
Exercised	-	-
Cancelled	(16)	$ 12.58
Options outstanding at December 31, 1999	413	$ 7.89
Options exercisable at:		
December 31, 1997	121	$ 14.63
December 31, 1998	129	$ 14.45
December 31, 1999	113	$ 14.71

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

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

(in thousands, except per share data)	Shares	Weighted average exercise price
Assumed on Amalgamation	159	£ 8.61
Exercised	-	-
Cancelled	-	-
Options outstanding at December 31, 1997	159	£ 8.61
Exercised	(1)	£ 7.28
Cancelled	(144)	£ 8.57
Options outstanding at December 31, 1998	14	£ 9.11
Exercised	-	-
Cancelled	(12)	£ 9.42
Options outstanding at December 31, 1999	2	£ 7.28
Options exercisable at:		
December 31, 1997	135	£ 8.73
December 31, 1998	12	£ 9.42
December 31, 1999	-	-

The weighted average fair value of options granted under the Bermuda Plan in the year ended December 31, 1999 was $2.61. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for the grant in the year ended December 31, 1999: risk free interest rate of 6.6 per cent; expected life of three years, expected volatility of 63 per cent, expected dividend yield of zero per cent.

The options outstanding under the Bermuda Plan as at December 31, 1999 and December 31, 1998 have exercise prices between $5.32 and $15.00. The options that are not presently exercisable vest on January 1, 2001. The options outstanding under the Bermuda Plan as at December 31, 1999 have a weighted average contractual life of 5.6 years.

The options outstanding under the U.K. Plan at December 31, 1999 have an exercise price of £7.28. The options that are not presently exercisable vest three years from the date of grant, being February 5, 2000. The options outstanding under the U.K. Plan as at December 31, 1999 have a weighted average contractual life of 6.1 years.

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

(in thousands of $, except per share data)	**1999**	1998 *(restated)*	1997 *(restated)*
Net income			
As reported	**(86,896)**	31,853	22,794
Pro-forma	**(87,679)**	31,853	22,794
Earnings (loss) per share			
As reported	**$ (1.76)**	$ 0.69	$ 0.63
Pro-forma	**$ (1.77)**	$ 0.69	$ 0.63

18. FINANCIAL INSTRUMENTS

Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company does not hold or issue instruments for speculative or trading purposes. The counterparties to such contracts are Chase, Citibank N.A., Christiania Bank og Kreditkasse, Midland Bank and Skandinaviska Enskilda Banken. Credit risk exists to the extent that the counterparties are unable to perform under the contracts.

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

Principal *(in thousands of $)*	Inception Date	Maturity Date	Fixed Interest Rate
$10,000	May 1996	May 2000	5.56%
$50,000	February 1998	February 2003	5.685%
$25,000	August 1998	August 2003	5.755%
$25,000	August 1998	August 2003	5.756%
$50,000	February 1998	February 2003	5.775%
$50,000	March 1998	February 2003	5.885%
$20,000	May 1998	May 2000	5.90%
$41,454 reducing quarterly to $34,051	May 1997	May 2001	6.84%
$6,218	December 1991	November 2000	6.97%
$16,000 reducing semi-annually to $13,000	September 1996	November 2001	6.79%

As at December 31, 1999, the notional principal amounts subject to such swap agreements was $293,672,000 (1998 - $441,223,000).

Foreign currency risk

The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. Certain of the Company's subsidiaries report in Sterling, Swedish kronor or Norwegian kroner and risks of two kinds arise as a result: a transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Company's cash flows; and a translation risk, the impact of adverse currency fluctuations in the translation of foreign operations and foreign assets and liabilities into U.S. dollars for the Company's consolidated financial statements. The Company has not entered into derivative contracts for either transaction or translation risk. Accordingly, such risk may have an adverse effect on the Company's financial condition and results of operations.

Forward freight contracts

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

Fair Values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 1999 and 1998 are as follows:

(in thousands of $)	**1999 Carrying Value**	**1999 Fair Value**	1998 Carrying Value	1998 Fair Value
Non-Derivatives:				
Cash and cash equivalents	**65,467**	**65,467**	74,034	74,034
Marketable securities	**10,867**	**10,867**	-	-
Short-term debt	**116,814**	**116,814**	170,551	170,551
Long-term debt, including convertible debt	**962,880**	**962,880**	712,470	712,470
Derivatives:				
Interest rate swap transactions	**-**	**5,787**	-	(7,136)
Forward freight contracts	**-**	**-**	-	-

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

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

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

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

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

The majority of the vessels' gross earnings are receivable in U.S. dollars. In 1997 one customer accounted for 10 per cent or more of freight revenues. In 1998 and 1999, no customer accounted for more than 10 per cent or more of freight revenues.

19. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

20. ACQUISITIONS

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

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

The following table reflects unaudited pro-forma combined results of operations of the Company on the basis that the acquisitions of ICB and LOF had taken place at January 1, 1998 and 1997, respectively:

(in thousands of $)	1998	1997
Net operating revenues	316,910	234,585
Net income	52,099	19,734
Basic and diluted earnings per share	1.13	0.43

In management's opinion, the unaudited pro-forma combined results of operations are not indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of 1997 and 1998 or of future operations of the combined companies.

21. COMMITMENTS AND CONTINGENCIES

Assets pledged

(in thousands of $)	**1999**	1998
Ship mortgages	**1,001,669**	691,859
Chattel mortgages and other assets pledged	**-**	80,152
Restricted bank deposits	**800**	1,916
	1,002,469	773,927

Other Contractual Commitments
When newbuilding contracts were executed for the tankers Front Melody, which was sold in 1992, and Front Rhapsody, which was sold in 1993, Frontline also signed an agreement to finance a peseta denominated loan in a foreign bank. Under the agreements, Frontline was required to make a peseta denominated deposit in the same bank. The deposits are being used to fulfil the payment commitments on the loan agreements. The deposits carry a higher interest rate than the loans. The balance was $0.1 million and $0.7 million as of December 31, 1999 and 1998 respectively. These balances are contractual commitments, since the Company's only risk is the interest rate gap between loans and deposits. The loan agreements specify assignment of future operating revenue of vessels for the benefit of the lender. The assignment applies only in case of default under the loan agreements.

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

22. SUPPLEMENTAL INFORMATION

Non-cash investing and financing activities included the following:

(in thousands of $)	**1999**	1998 *(restated)*	1997 *(restated)*
Unrealised appreciation (depreciation) on investments Recorded directly to equity	**(2,843)**	(3,013)	783
In connection with purchase of fixed assets:			
Shares issued	**9,000**	-	-
Acquisition of businesses:			
Assets acquired, including goodwill	**652,008**	-	248,407
Liabilities assumed and incurred	**391,257**	-	139,177
Conversion of equity method investment in ICB	**236,051**	-	-
Minority interest recorded	**150,700**		
Shares issued	**-**	-	37,937
Options and warrants assumed	**-**	-	1,647
Cash paid (acquired)	**(126,000)**	-	69,646

23. SUBSEQUENT EVENTS

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

On February 7, 2000, the Company signed a loan agreement to finance the fourth and fifth Suezmax newbuildings, the Front Sky and the Front Sun. The loan is in the amount of $62 million, being $31 million per vessel, and is secured by first preferred ship mortgages on each vessel. Concurrent with the delivery of the Front Sky and Front Sun, respectively, the Company also signed two loan agreements for $22.5 million each, such loans being secured by second priority ship mortgages. The loans relating to the Front Sky, were drawndown on February 10, 2000, and the loans relating to the Front Sun were drawndown on April 12, 2000, their respective delivery dates.

On February 7, 2000, the Company signed a loan agreement to finance the delivery of the Suezmax newbuilding, the Front Archer. The loan is in the amount of $32 million and is secured by a first priority statutory ship mortgage on the vessel. This vessel was acquired pursuant to a transaction with the Mosvold Farsund Group under which Frontline acquired the Suezmax newbuilding contract for a purchase price of $45.5 million. This purchase price was part financed by the issuance of 1,910,000 Frontline ordinary shares in December 1999 as described in Note 16. The Front Archer was delivered to the Company on February 15, 2000.

On February 25, 2000, the Company issued 3,500,000 ordinary shares at NOK 57.50 per share in a private placement to institutional shareholders. At the same time, $30 million of the Metrogas Loan was converted to equity, resulting in the issuance of 4,350,000 ordinary shares at an issue price of NOK 57.50 per share. Hemen Holding offered 2,000,000 of the shares to certain existing shareholders of the Company (other than US persons) by means of a secondary offering. As a result of this transaction, as at March 31, 2000, the total ordinary shares outstanding increased to 68,811,860.

In March 2000, Frontline entered into a joint venture with Euronav Luxembourg SA and Overseas Shipholding Group Inc. to acquire the 1993 built VLCC Toba for $37.25 million. Frontline has taken a 40 per cent interest in the vessel, which once acquired on March 9, 2000 was renamed Front Tobago and entered into the Tankers VLCC pool.

On March 30, 2000 Frontline entered into an agreement with Wilh. Wilhelmsen ASA to buy the two 1993-built VLCCs, Tartar and Tarim. The agreed purchase price of $45 million per ship has been paid by $62 million in cash and through the issuance of 2,957,500 Frontline shares. The shares were issued at NOK 80.00 per share. Under the agreement, Frontline has given a price guarantee for the shares issued. This guarantee becomes effective if Frontline's share price six months after the date of issuance of the shares to Wilhelmsen is under NOK 80.00. In such an event, Frontline has, agreed to compensate Wilhelmsen for the difference between NOK 80.00 and the Frontline share price at that time. This guarantee is released if Frontline's share price in the period before this date has been over NOK 90.00 for more than 20 trading days. Tartar and Tarim were delivered to Frontline on May 23, 2000 and June 14, 2000, respectively and entered into the Tankers pool. On May 22, 2000, the Company signed a loan agreement to finance the delivery of the Tartar and Tarim. The loan is in the amount of $62 million, being $31 million per vessel, and is secured by first preferred ship mortgages on each vessel.

In March 2000, Frontline entered into an agreement to sell its 50 per cent share in Floating Storage Inc. SA, which was acquired as a part of the ICB acquisition. This sale generated a gain of $2.2 million.

In February, March and April 2000, Frontline acquired Golden Ocean Group Limited ("Golden Ocean") US$ 291 million Senior Notes due in August 2001 and at June 13, 2000 held Senior Notes with a face amount of $76.8 million. Golden Ocean is a shipping group which holds interest in 14 VLCCs and 10 bulk carriers. Most of the delivered tonnage is presently employed on medium to long term charters. Golden Ocean filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code, on January 14, 2000, and through this protection received an exclusive period of up to 120 days to file a Plan of Reorganisation. As one of Golden Ocean's largest creditors, Frontline announced that it would seek to be actively involved in the reorganisation process.

On May 25, 2000, the Company and Golden Ocean signed a term sheet (the "Frontline/Golden Ocean Term Sheet") relating to a Proposed Joint Plan of Reorganisation (the "Joint Plan") for Golden Ocean. Upon the effective date of the Golden Ocean Plan, Golden Ocean would become a wholly-owned subsidiary of Frontline. The Official Committee of Unsecured Creditors of Golden Ocean announced that it would fully support and would be a co-proponent of the Joint Plan. The Frontline/Golden Ocean Term Sheet provided for a payment to all unsecured creditors in Golden Ocean including the holders of Golden Ocean Senior Notes. Pursuant to the Frontline/Golden Ocean Term Sheet, Frontline committed to pay up to $33.0 million in cash, or to issue up to 4.1 million shares and 1.9 million warrants in Frontline valued to $48.4 million to take over all unsecured debt and all upstream guarantees. These amounts do not include a takeout of the $77.75 million Golden Ocean debt currently controlled by Frontline. The old share capital would, according to the Frontline/Golden Ocean Term Sheet, be cancelled while new share capital will be injected by Frontline. In addition, the Frontline/Golden Ocean Term Sheet provided for the release of upstream guarantees in favour of the holders of Golden Ocean Senior Notes. During the negotiations over the Frontline/Golden Ocean Term Sheet, another bidder, Bentley Investments S.A. ("Bentley") took control of Golden Ocean's Board of Directors and caused Golden Ocean to withdraw its support of, and object to, the approval of the Frontline/Golden Ocean Term Sheet.

On June 6, 2000, the Bankruptcy Court in the Golden Ocean bankruptcy case terminated Golden Ocean's exclusive period to file a plan of reorganisation, which permits any party in interest to propose a plan. The Court ruled that all plans and related disclosure statements must be filed by close of business June 30, 2000. The Court set July 13, 2000 for a hearing on the adequacy of each disclosure statement filed by a plan proponent.

Also at the June 6, 2000, hearing, with Frontline's consent, Bentley replaced Frontline as debtor-in-possession lender to Golden Ocean, by paying Frontline the outstanding balance of the loan, plus interest, fees and expenses, with Frontline reserving all rights to final payment of its expenses, premiums owing to it.

On May 25, 2000 Frontline entered into an agreement pursuant to which Frontline acquired the VLCC newbuilding, Kawasaki 1638, from Golden Ocean for $73.8 million. The vessel, Front Tina, was delivered to Frontline on June 7, 2000 and entered the Tankers VLCC pool. Golden Ocean has an option to repurchase the Front Tina at a purchase price equal to the Company's actual cost for the vessel (including related financing and legal expenses) plus $2.5 million. The option is exercisable during the period which expires on the earlier of December 1, 2000 and the date on which a plan of reorganisation relating to Golden Ocean that is sponsored or financed by the Company becomes effective. If such effectiveness does not occur by October 1, 2000, the option shall expire on January 1, 2001. If Golden Ocean exercises the option, the parties will enter into an approximately six month time charter at the rate of $31,250 per day. In May, 2000, the Company signed a loan agreement to assist in financing the delivery of the Front Tina. The loan is in the amount of $50 million and is secured by a first preferred ship mortgage on the vessel.

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

In June, 2000 the Company entered into an agreement with Euronav to acquire two Suezmax tankers, Ardenne and Brabant for a total price of $95.0 million. The vessels will be taken over by Frontline in September 2000.

On June 20, 2000, the Company issued 4,000,000 ordinary shares at a price of NOK 104.5 per share in a private placement to a group of international institutional investors. Part of the proceeds of the issue will be used to part finance the acquisition of the Ardenne and Brabant. The remaining portion of the proceeds will be used to fund further acquisitions of vessels in the Suezmax and VLCC tanker market.

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