FRONTLINE LTD /
Form 20-F
July 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)
[_] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission file number 0-22704

Frontline Ltd
(Exact name of Registrant as specified in its charter)

Frontline Ltd.
(Translation of Registrant's name into English)

Bermuda
(Jurisdiction of incorporation or organisation)

Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda
(Address of principal executive offices)

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Ordinary Shares, $2.50 Par Value	New York Stock Exchange

Securities registered or to be registered pursuant to section 12(g) of the Act.

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Ordinary Shares, $2.50 Par Value

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

76,466,566 Ordinary Shares, $2.50 Par Value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [_]

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [_] Item 18 [X]

INDEX TO REPORT ON FORM 20-F

PART I PAGE

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS.....4

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE.....4

ITEM 3. KEY INFORMATION.....4

ITEM 4. INFORMATION ON THE COMPANY.....11

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS.....28

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.....36

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.....39

ITEM 8. FINANCIAL INFORMATION.....41

ITEM 9. THE OFFER AND LISTING.....41

ITEM 10. ADDITIONAL INFORMATION.....43

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.....45

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.....46

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES.....47

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.....47

ITEM 15. CONTROLS AND PROCEDURES.....47

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS.....48

ITEM 18. FINANCIAL STATEMENTS.....48

ITEM 19. EXHIBITS 49

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this document may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Frontline Ltd., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the tanker market, including changes in demand resulting from changes in OPEC's petroleum production levels and world wide oil consumption and storage, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected income statement data of the Company with respect to the fiscal years ended December 31, 2002, 2001 and 2000 and the selected balance sheet data of the Company with respect to the fiscal years ended December 31, 2002 and 2001 have been derived from the Company's Consolidated Financial Statements included herein and should be read in conjunction with such statements and the notes thereto. The selected income statement data with respect to the fiscal years ended December 31, 1999 and 1998 and the selected balance sheet data with respect to the fiscal years ended December 31, 2000, 1999 and 1998 has been derived from consolidated financial statements of the Company not included herein. The selected financial data with respect to the fiscal years ended December 31, 2001 and 2000 has been restated to reflect the adoption of Financial Accounting Standard 144 by the Company on January 1, 2002. The selected financial data with respect to the fiscal years ended December 31, 1998 has been restated to reflect the treatment of ICB Aktiebolag (publ), or ICB, as an investment accounted for in accordance with the equity method. Our treatment of ICB is discussed in more detail in Item 4.A of this Annual Report. The following table should also be read in conjunction with Item 5. "Operating and Financial Review and Prospects" and the Company's Consolidated Financial Statements and Notes thereto included herein.

	Fiscal Year Ended		
	2002	2001 (restated)	20 (restate
(in thousand of $, except Ordinary Shares, per Ordinary Share data and ratios)			
Income Statement Data:			
Net operating revenues	$ 416,521	$ 628,186	$ 595,4
Net operating income (loss)	$ 95,676	$ 375,420	$ 374,2
Net income (loss) from continuing operations before income taxes and minority interest	$ 7,150	$ 330,551	$ 305,9
Net income (loss) from continuing operations before cumulative effect of change in accounting principle	$ 7,172	$ 330,107	$ 305,9
Discontinued operations	$ (1,929)	$ 21,076	$ 7,9
Cumulative effect of change in accounting principle	$ (14,142)	$ 31,545	$
Net (loss) income	$ (8,899)	$ 382,728	$ 313,8
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle per Ordinary Share			
- basic	$ 0.09	$ 4.30	$ 4.
- diluted	$ 0.09	$ 4.29	$ 4.
Earnings (loss) per Ordinary Share			
- basic	$ (0.12)	$ 4.99	$ 4.
- diluted	$ (0.12)	$ 4.98	$ 4.
Cash dividends paid per Ordinary Share	$ 0.25	$ 1.50	$

Balance Sheet Data (at end of year):			
Cash and cash equivalents	$ 92,078	$ 178,176	$ 103,5
Newbuildings and vessel purchase options	$ 27,405	$ 102,781	$ 36,3
Vessels and equipment, net	$ 2,373,329	$ 2,196,959	$ 2,254,9
Vessels under capital lease, net	$ 264,902	$ 317,208	$ 108,3
Investments in associated companies	$ 119,329	$ 109,898	$ 27,3
Total assets	$ 3,034,743	$ 3,033,774	$ 2,780,9
Short-term debt and current portion of long-term debt	$ 167,807	$ 227,597	$ 212,7
Current portion of obligations under capital lease	$ 13,164	$ 17,127	$ 7,8
Long-term debt	$ 1,277,665	$ 1,164,354	$ 1,331,3
Obligations under capital lease	$ 259,527	$ 283,663	$ 101,8
Share capital	$ 191,166	$ 191,019	$ 195,1
Stockholders' equity	$ 1,226,973	$ 1,252,401	$ 1,029,4
Ordinary Shares outstanding	76,466,566	76,407,566	78,068,8
Cash Flow Data			
Cash provided by operating activities	$ 142,025	$ 477,607	$ 271,5
Cash provided by (used in) investing activities	$ (222,893)	$ (103,782)	$ (508,9
Cash provided by (used in) financing activities	$ (5,230)	$ (299,163)	$ 275,4
Other Financial Data			
Return on capital employed (percentage) (1)	2.9%	14.7%	18
Equity to assets ratio (percentage) (2)	40.5%	41.3%	37
Debt to equity ratio (3)	1.4	1.4	1
Price earnings ratio (4)	neg.	2.1	3

Footnotes

(1) Return on capital employed is calculated as net income (loss) before cumulative effect of change in accounting principle, interest expense and foreign exchange gains (losses), as a percentage of average capital employed.

(2) Equity to assets ratio is calculated as total stockholders' equity divided by total assets.

(3) Debt to equity ratio is calculated as total interest bearing current and long-term liabilities, including obligations under capital leases, divided by stockholders' equity.

(4) Price earnings ratio is calculated using the closing year end share price divided by basic Earnings per Share.

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable

D. RISK FACTORS

We are engaged primarily in transporting crude oil and oil products. The following summarises some of the risks that may materially affect our business, financial condition or results of operations. Please note, in this section, "we", "us" and "our" all refer to the Company and its subsidiaries.

The cyclical nature of the tanker industry may lead to volatile changes in charter rates and vessel values which may adversely affect our earnings

Historically, the tanker industry has been highly cyclical, with volatility in profitability and asset values resulting from changes in the supply of and demand for tanker capacity. If the tanker market is depressed in the future our earnings and available cash flow may decrease. Our ability to recharter our vessels on the expiration or termination of their current spot and time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the tanker market. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products.

The factors affecting the supply and demand for oil tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. The factors that influence demand for tanker capacity include:

- demand for oil and oil products;
- global and regional economic conditions;
- the distance oil and oil products are to be moved by sea; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of tanker capacity include:

- the number of newbuilding deliveries;
- the scrapping rate of older vessels;
- the number of vessels that are out of service; and
- national or international regulations that may effectively cause reductions in the carrying capacity of vessels or early obsolescence of tonnage.

We are highly dependent on spot oil voyage charters. Any decrease in spot charter rates in the future may adversely affect our earnings

The majority of our vessels currently operate on a spot charter basis or under contracts of affreightment under which we carry an agreed upon quantity of cargo over a specified route and time period. Although spot chartering is common in the tanker industry, the spot charter market is highly competitive and spot charter rates may fluctuate significantly based upon tanker and oil supply and demand. The successful operation of our vessels in the spot charter market depends upon, among other things, obtaining profitable spot charters and minimising, to the extent possible, time spent waiting for charters and time spent travelling unladen to pick up cargo. We cannot assure you that future spot charters will be available at rates sufficient to enable our vessels trading in the spot market to operate profitably. In addition, bunkering, or fuel, charges that account for a substantial portion of the operating costs, and generally reflect prevailing oil prices, are subject to sharp fluctuations.

Our revenues experience seasonal variations that may affect our income

We operate our tankers in markets that have historically exhibited seasonal variations in demand and, therefore, charter rates. Tanker markets are typically stronger in the winter months in the northern hemisphere due to increased oil consumption. In addition, unpredictable weather patterns in the winter months tend to disrupt vessel scheduling. The oil price volatility resulting from these factors has historically led to increased oil trading activities and demand for vessels. The change in demand for vessels may affect the charter rates that we receive.

Because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels which may adversely affect our earnings

The fair market value of vessels may increase and decrease depending on the following factors:

- general economic and market conditions affecting the shipping industry;
- competition from other shipping companies;
- types and sizes of vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental or other regulations;
- prevailing level of charter rates; and
- technological advances.

If we sell a vessel at a time when ship prices have fallen, the sale may be at less than the vessel's carrying amount on our financial statements, with the result that we could incur a loss and a reduction in earnings. In addition, if we determine at any time that a vessel's future limited useful life and earnings require us to impair its value on our financial statements, that could result in a charge against our earnings and the reduction of our shareholder's equity. It is possible that the market value of our vessels will decline in the future.

If we violate environmental laws or regulations, the resulting liability may adversely affect our earnings and financial condition

Our operations are subject to extensive regulation designed to promote tanker safety, prevent oil spills and generally protect the environment. Local, national and foreign laws, as well as international treaties and conventions, can subject us to material liabilities in the event that there is a release of petroleum or other hazardous substances from our vessels.

For example, the United States Oil Pollution Act of 1990, or OPA, provides that owners, operators and bareboat charterers are strictly liable for the discharge of oil in U.S. waters, including the 200 nautical mile zone off the U.S. coasts. OPA provides for unlimited liability in some circumstances, such as a vessel operator's gross negligence or willful misconduct. However, in most cases OPA limits liability to the greater of $1,200 per gross ton or $10 million per vessel. OPA also permits states to set their own penalty limits. Most states bordering navigable waterways impose unlimited liability for discharges of oil in their waters. The International Maritime Organization, or IMO, has adopted a similar liability scheme that imposes strict liability for oil spills, subject to limits that do not apply if the release is caused by the vessel owner's intentional or reckless conduct.

U.S. law, the law in many of the nations in which we operate, and international treaties and conventions that impact our operations, also establish strict rules governing vessel safety and structure, training, inspections, financial assurance for potential cleanup liability and other matters. These requirements can limit our ability to operate, and substantially increase our operating costs. The U.S. has established strict deadlines for phasing-out single-hull oil tankers, and both the IMO and the European Union have adopted similar phase-out periods.

Under OPA, with certain limited exceptions, all newly built or converted tankers operating in United States waters must be built with double hulls conforming to particular specifications. Tankers that do not have double hulls are subject to structural and operational measures to reduce oil spills and the ability to operate these vessels in United States waters will be phased out between 1995 and 2015 according to size, age, hull configuration and place of discharge unless retrofitted with double hulls. In addition, OPA specifies annual inspections, vessel manning, equipment and other construction requirements that are in various stages of development, applicable to new and to existing vessels.

The IMO has approved an accelerated time-table for the phase-out of single-hull oil tankers. The new regulations, which took effect in September 2002, require the phase-out of most single-hull oil tankers by 2015 or earlier, depending on

the age of the tanker and whether it has segregated ballast tanks. Under the new regulations, the maximum permissible age for single-hull tankers after 2007 will be 26 years, as opposed to 30 years under current regulations. Also, more stringent maritime safety rules are also more likely to be imposed world-wide as a result of the oil spill in November 2002 relating to the loss of the m.t. Prestige. The m.t. Prestige was a 26-year old single-hull tanker owned by a company not affiliated with us. The m.t. Prestige disaster could lead to proposals to accelerate the phasing out of single-hull tankers.

These requirements can affect the resale value or useful lives of our vessels. In addition, violations of applicable requirements or a catastrophic release from one of our vessels could have a material adverse impact on our financial condition and results of operations.

Competition

The operation of tankers and transportation of crude and petroleum products and the other businesses in which we operate are extremely competitive. Through our operating subsidiaries we compete with other oil tanker and dry bulk carrier owners (including major oil companies as well as independent companies), and, to a lesser extent, owners of other size vessels. Our market share currently is insufficient to enforce any degree of pricing discipline in the markets in which we compete. It is possible that our competitive position will erode in the future.

Our debt service obligations could affect our ability to incur additional indebtedness or engage in certain transactions

Our existing financing agreements impose operational and financing restrictions on us which may significantly limit or prohibit, among other things, our ability to incur additional indebtedness, create liens, sell capital shares of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, enter into time or consecutive voyage charters or pay dividends without the consent of our lenders. In addition, our lenders may accelerate the maturity of indebtedness under our financing agreements and foreclose on the collateral securing the indebtedness upon the occurrence of certain events of default, including our failure to comply with any of the covenants contained in our financing agreements, not rectified within the permitted time. For instance, declining vessel values could lead to a breach of covenants under our financing agreements. If we are unable to pledge additional collateral or obtain waivers from our lenders, our lenders could accelerate our debt and foreclose on our vessels.

An increase in interest rates could materially and adversely affect our financial performance

At December 31, 2002 we had total long-term debt outstanding of $1,445.5 million, of which $1,424.9 million is floating rate debt. The Company uses interest rate swaps to manage interest rate risk. As at December 31, 2002 the Company's interest rate swap arrangements effectively fix the Company's interest rate exposure on $352.7 million of floating rate debt. The maximum exposure to the interest rate fluctuations is $1,072.2 million at December 31, 2002. If interest rates rise significantly, that could materially and adversely affect our results of operations.

Fluctuations in the yen could affect our earnings

Certain of our vessels obtained through our acquisition of Golden Ocean Group Limited in 2000, have charters and financing arrangements that require payments of principal and interest or charter hire in Yen. While many of the charters for the dry bulk vessels that we acquired through Golden Ocean require the charterers to pay in Yen so as to cover related Yen denominated debt service,

the charterers may also pay a significant part of the charter hire in Dollars. As we have not hedged our Yen exposure against the Dollar, a rise in the Yen could have an adverse impact on our financial condition and results of operations.

We may be unable to attract and retain key management personnel in the tanker industry, which may negatively impact the effectiveness of our management and our results of operation

Our success depends to a significant extent upon the abilities and efforts of our senior executives, and particularly John Fredriksen, our Chairman and Chief Executive Officer, and Tor Olav Troim, our Vice-President, for the management of our activities and strategic guidance. While we believe that we have an experienced management team, the loss or unavailability of one or more of our senior executives, and particularly Mr. Fredriksen or Mr. Troim, for any extended period of time could have an adverse effect on our business and results of operations.

Risks involved with operating ocean-going vessels could affect our business and reputation, which would adversely affect our revenues

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- marine disaster;
- piracy;
- environmental accidents;
- cargo and property losses or damage; and
- business interruptions caused by mechanical failure, human error, war, terrorism, piracy, political action in various countries, labour strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable tanker operator.

We may not have adequate insurance to compensate us if our vessels are damaged or lost

We procure insurance for our fleet against those risks that we believe the shipping industry commonly insures against. These insurances include hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance coverage, and war risk insurance. We can give no assurance that we are adequately insured against all risks. We may not be able to obtain adequate insurance coverage at reasonable rates for our fleet in the future. Additionally, our insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs or lower our revenue.

An increase in costs could materially and adversely affect our financial performance

Our vessel operating expenses depend on a variety of factors including crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs, many of which are beyond our control and affect the entire shipping industry. Some of these costs, primarily insurance and enhance security measures implemented after September 11, 2001, are increasing. The terrorist attack of the VLCC Limburg in Yemen during October 2002 has resulted in even more emphasis on security and pressure on insurance rates. If costs continue to rise, that could materially and adversely affect our results of

operations.

Maritime claimants could arrest our tankers, which could interrupt our cash flow

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay a significant amount of money to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our ships.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes her owner. Also, a government could requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels would negatively impact our revenues.

Our operations outside the United States expose us to global risks that may interfere with the operation of our vessels

We are an international company and primarily conduct our operations outside of the United States. Changing economic, regulatory, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered affect us. Hostilities or other political instability in regions where our vessels trade could affect our trade patterns and adversely affect our operations and performance. The terrorist attacks against targets in the United States on September 11, 2001 and the military response by the United States may increase the likelihood of acts of terrorism worldwide. Acts of terrorism, regional hostilities or other political instability, as shown by the attack on the Limburg in Yemen in October 2002, could adversely affect the oil trade and reduce our revenue or increase our expenses.

Terrorist attacks, such as the attacks on the United States on September 11, 2001, and other acts of violence or war may affect the financial markets and our business, results of operations and financial condition.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the United States' continuing response to these attacks, as well as the threat of future terrorist attacks, continues to cause uncertainty in the world financial markets. The recent conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets, including the energy markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

Future terrorist attacks, such as the attack on the m.t. Limburg in October 2002, may also negatively affect our operations and financial condition and directly impact our vessels or our customers. Future terrorist attacks could result in increased volatility of the financial markets in the United States and

globally and could result in an economic recession in the United States or the world. Any of these occurrences could have a material adverse impact on our operating results, revenue, and costs.

Because we are a foreign corporation, you may not have the same rights that a shareholder in a U.S. corporation may have

We are a Bermuda corporation. Our memorandum of association and bye-laws and the Bermuda Companies Act 1981, as amended, govern our affairs. Investors may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction. In addition, our executive officers, administrative activities and assets are located outside the United States. As a result, it may be more difficult for investors to effect service of process within the United States upon us, or to enforce both in the United States and outside the United States judgments against us in any action, including actions predicated upon the civil liability provisions of the federal securities laws of the United States.

We may have to pay tax on United States source income, which would reduce our earnings

Under the United States Internal Revenue Code of 1986, or the Code, a portion of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, may be subject to a 4% United States federal income tax on 50% of the gross shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the U.S., unless that corporation is entitled to a special tax exemption under the Code which applies to the international shipping income derived by some non-United States corporations. We believe that we and each of our subsidiaries qualify for this statutory tax exemption for the year ended December 31, 2002.

However, due to the absence of final Treasury regulations or other definitive authority concerning some aspects of this tax exemption under the relevant provisions of the Code and to the factual nature of the issues involved, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to this statutory tax exemption for any taxable year, we or our subsidiaries could be subject for those years to an effective 4% United States federal income tax on the portion of the income we or our subsidiaries derive during the year from United States sources. The imposition of this taxation could have an adverse effect on our profitability.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The Company

We are Frontline Ltd., a Bermuda based shipping company that is engaged primarily in the ownership and operation of oil tankers. We were incorporated in Bermuda on June 12, 1992 (Company No. EC-17460). Our registered and principal executive offices are located at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, HM 08, Bermuda, and our telephone number is +1 (441) 295-6935.

We are engaged primarily in the ownership and operation of oil tankers, including oil/bulk/ore, or OBO carriers. We operate tankers of two sizes: very large crude carriers, or VLCCs, which are between 200,000 and 320,000 deadweight tons, or dwt, and Suezmaxes, which are vessels between 120,000 and 170,000 dwt. In addition, through a corporate acquisition completed in October 2000, we acquired a fleet of ten dry bulk carriers that included Capesize, Panamax and Handymax size bulkers. We operate through subsidiaries and partnerships located

in Bermuda, Liberia, Norway, Panama, Singapore and Sweden. We are also involved in the charter, purchase and sale of vessels. Since 1996, we have emerged as a leading tanker company within the VLCC and Suezmax size sectors of the market.

We have our origin in Frontline AB, which was founded in 1985, and which was listed on the Stockholm Stock Exchange from 1989 to 1997. In May 1997, Frontline AB was redomiciled from Sweden to Bermuda and its shares were listed on the Oslo Stock Exchange. The change of domicile was executed through a share for share exchange offer from the then newly formed Frontline Ltd., or Old Frontline, in Bermuda. Old 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 Old Frontline. The ordinary shares of Old Frontline were thereafter listed on the Oslo Stock Exchange and delisted from the Stockholm Stock Exchange.

In September 1997, Old Frontline initiated an amalgamation with London & Overseas Freighters Limited ("LOF"), also a Bermuda company. This process was completed in May 1998. In the business combination (discussed below), which left LOF as the surviving company, Old Frontline's shareholders exchanged Old Frontline shares for LOF shares and LOF was subsequently renamed Frontline Ltd. As a result of this transaction, Frontline became listed on the London Stock Exchange and on the NASDAQ National Market (in the form of American Depositary Shares, or ADSs, represented by American Depositary Receipts, or ADRs) in addition to its listing on the Oslo Stock Exchange.

In July 2001 the Company gave notice of termination of the ADR program to the Bank of New York as Depositary. The ADR program was terminated on October 5, 2001 and the ADSs were delisted from the Nasdaq National Market on August 3, 2001. The Company's Ordinary Shares began trading on the NYSE on August 6, 2001. With this listing, Frontline became one of the few companies to list its shares directly on three international securities exchanges.

Business Acquisitions and Combinations

Amalgamation with London & Overseas Freighters Limited

On September 22, 1997, LOF and Frontline announced that they had entered into an Agreement and Plan of Amalgamation, that we refer to as the Amalgamation Agreement, 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 for at least 50.1 per cent and up to 90 per cent of the outstanding LOF Ordinary Shares and ADSs for a price of $15.91 per Ordinary Share. The tender offer expired on October 28, 1997, and effective November 1, 1997 Frontline acquired approximately 79.74 per cent of the outstanding LOF Ordinary Shares.

In the second step, Frontline amalgamated 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) 0.32635 Ordinary Shares of LOF and (ii) 0.01902 of a newly issued warrant 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. The stockholders' equity of the Company has been restated accordingly to reflect the transaction.

Acquisition of ICB

In September 1997, Frontline made a public offer to acquire all of the shares of

ICB Shipping AB (publ), or ICB. Through a 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. The shares purchased 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.

In September 1999, pursuant to an agreement, that we refer to as 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 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.

Through the acquisition of ICB, Frontline, through an indirect subsidiary, has taken over responsibility for the management of Knightsbridge Tankers Limited, or Knightsbridge, a company whose shares are listed on the Nasdaq National Market under the symbol "VLCCF". Knightsbridge owns five VLCCs (built 1995-96) which are chartered to Shell International Petroleum Company Limited. Knightsbridge reports to the US Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934. The Company has an ownership interest of less than half of one per cent in Knightsbridge as of April 30, 2003.

Acquisition of Golden Ocean Group Limited

In October 2000, Frontline took control of Golden Ocean Group Limited, or Golden Ocean, a shipping group which then held interests in 14 VLCCs and 10 bulk carriers. On the same date Golden Ocean emerged from bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code.

In January 2000, Golden Ocean and its fellow subsidiaries, Golden Ocean Tankers Limited and Channel Rose Holdings Inc., which we refer to collectively as the Debtors, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code with the Clerk of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). In July 2000, Frontline filed a proposed plan of reorganisation (the "Plan of Reorganisation") and disclosure statement (the "Disclosure Statement") with the Bankruptcy Court which set forth the manner in which claims against and equity interests in the Debtors would be treated. On August 4, 2000 the Bankruptcy Court approved Frontline's Disclosure Statement and on August 14, 2000 approved the appointment of Frontline as manager of Golden Ocean's operations with immediate effect. The Plan of Reorganisation was approved by an overwhelming majority of holders of claims entitled to vote and was confirmed at a hearing on September 15, 2000.

On October 10, 2000 the Plan of Reorganisation became effective and Frontline acquired the entire share capital of Golden Ocean. The total acquisition price paid, including amounts paid to settle allowed claims, was approximately $63.0

million, including 1,245,998 Frontline ordinary shares issued at a price of $15.65 per share. The acquisition of Golden Ocean has been accounted for using the purchase method.

Acquisition of Mosvold Shipping Limited

In April 2001, the Company announced an offer for all of the shares of Mosvold Shipping Limited, or Mosvold, a Bermuda company whose shares were listed on the Oslo Stock Exchange. Through a combination of shares acquired and acceptances of the offer, Frontline acquired 97 per cent of the shares of Mosvold. The remaining three per cent of the shares of Mosvold were acquired during 2001 through a compulsory acquisition. Through the purchase of Mosvold the Company acquired two mid-70s built VLCCs and three newbuilding contracts for VLCCs. The two mid-70s built VLCCs have subsequently been sold by the Company. The first two of the newbuildings were delivered in 2002 and the third is due for delivery in July 2003.

B. BUSINESS OVERVIEW

We are a world leader in the international seaborne transportation of crude oil. Our tanker fleet, which is one of the largest and most modern in the world, consists of 32 owned, part-owned or controlled VLCCs and 28 owned, part-owned or controlled Suezmax tankers, of which 8 are Suezmax OBOs. In addition, we have three wholly owned dry bulk carriers, being two Capesize and one Handymax size carriers. We also charter in eleven modern VLCCs and one modern Suezmax tanker. At May 31, 2003 we also have one newbuilding VLCC on order and have a purchase option to acquire a further VLCC.

In 2002, we took delivery of five wholly-owned double-hulled VLCC newbuildings, and two new double-hulled VLCCs in which we have a 33.33 per cent interest. We also acquired five dry bulk carriers that we had previously chartered in under capital leases. These five dry bulk carriers were subsequently sold in 2002. We also sold our 50 per cent interest in two joint ventures that each owned a dry bulk carrier. In addition, in 2002 we sold and leased back one of the 2002 built VLCCs that we took delivery of earlier in the year.

In 2003 to date, we have acquired two Suezmax tankers, built in 1979 and 1978, respectively, in which we previously held 40 per cent and 35 per cent interests, respectively. These vessels have subsequently been sold.

The fleet that we operate has a total tonnage of approximately 17 million dwt, and our tanker vessels have an average age of 7 years compared with an estimated industry average of over 10 years. We believe that our vessels comply with the most stringent of generally applicable environmental regulations for tankers.

We own various vessel owning and operating subsidiaries. Our operations take place substantially outside of the United States. Our subsidiaries, therefore, own and operate vessels which may be affected by changes in foreign governments and other economic and political conditions. We are engaged primarily in transporting crude oil products and, in addition, raw materials like coal and iron ore. Our VLCCs are specifically designed for the transportation of crude oil and, due to their size, are primarily used to transport crude oil from the Middle East Gulf to the Far East, Northern Europe, the Caribbean and the Louisiana Offshore Oil Port, or LOOP. Our Suezmax tankers are similarly designed for worldwide trading, but the trade for these vessels is mainly in the Atlantic Basin. Historically, the tanker industry has been highly cyclical, with attendant volatility in profitability and asset values resulting from changes in the supply of and demand for tanker capacity. Our OBO carriers are specifically designed to carry oil or dry cargo and may be used to transport either oil or dry cargo on any voyage. When freight rates in both the oil and dry cargo markets are equivalent OBO carriers are operated most profitably transporting oil on one leg of the voyage and dry cargo on the other leg of a voyage. The

supply of tanker and OBO capacity is influenced by the number of new vessels built, the number of older vessels scrapped, converted, laid up and lost, the efficiency of the world tanker or OBO fleet and government and industry regulation of maritime transportation practices. The demand for tanker and OBO capacity is influenced by global and regional economic conditions, increases and decreases in industrial production and demand for crude oil and petroleum products, the proportion of world oil output supplied by middle eastern and other producers, political changes and armed conflicts (including wars in the Middle East) and changes in seaborne and other transportation patterns. The demand for OBO capacity is, in addition, influenced by increases and decreases in the production and demand for raw materials such as iron ore and coal. In particular, demand for our tankers and our services in transporting crude oil and petroleum products and dry cargoes has been dependent upon world and regional markets. Any decrease in shipments of crude oil or raw materials in world markets could have a material adverse effect on our earnings. Historically, these markets have been volatile as a result of, among other things, general economic conditions, prices, environmental concerns, weather and competition from alternative energy sources. Because many factors influencing the supply of and demand for tankers and OBO carriers are unpredictable, the nature, timing and degree of changes in industry conditions are also unpredictable.

We are committed to providing quality transportation services to all of our customers and to developing and maintaining long term relationships with the major charterers of tankers. Increasing global environmental concerns have created a demand in the petroleum products/crude oil seaborne transportation industry for vessels that are able to conform to the stringent environmental standards currently being imposed throughout the world. Our fleet of modern single hull VLCCs may discharge crude oil at LOOP until the year 2015, and our modern single hull Suezmax tankers may call at U.S. ports until the year 2010 under the phase-in schedule for double hull tankers presently prescribed under OPA.

The tanker industry is highly cyclical, experiencing volatility in profitability, vessel values and freight rates. Freight rates are strongly influenced by the supply of tanker vessels and the demand for oil transportation.

The charter rates for tankers started to decline in the second half of 2001 as a result of a general slowdown in the global economy and as a result of OPEC's decision to cut production levels in order to maintain oil prices in the OPEC band of $22 to $28 per barrel. The negative trend continued into 2002 and rates remained low through a large part of the year. The tanker market showed no improvement in 2002 until the beginning of fourth quarter when a seasonal increase in demand and a requirement for restocking enticed OPEC countries to increase production. The strike in Venezuela in December 2002, resulted in the loss of short-haul oil to the United States and this lost production needed to be replaced from more distant suppliers. Rates ended the year at above $50,000 per day for Suezmaxes and approximately $100,000 per day for VLCCs. Despite the rate improvement in the last quarter, average time charter equivalent spot earnings in the market for the entire year for Suezmaxes were approximately $20,000 per day compared with just over $30,000 per day in 2001 and for VLCCs were approximately $22,000 per day compared with $34,000 per day in 2001. The weak market in 2001 and 2002 resulted in the scrapping, conversion or total loss of 48 elderly Suezmaxes and 78 VLCCs in that two year period.

The Company's three remaining dry bulk vessels are fixed on medium to long-term bareboat or time charters, which expire in 2003, 2005 and 2014.

Our business strategy is primarily based upon the following principles:

o emphasising operational safety and quality maintenance for all of our

vessels;
- complying with all current and proposed environmental regulations;
- outsourcing technical operations and crewing;
- controlling operational costs of vessels;
- owning one of the most modern and homogeneous fleets of tankers in the world;
- achieving high utilisation of our vessels;
- achieving competitive financing arrangements; and
- developing and maintaining relationships with major oil companies and industrial charterers.

After having delivered their cargo, spot market vessels typically operate in ballast, meaning that they are not carrying cargo until they are rechartered. It is the time element associated with these ballast legs that we seek to minimise by efficiently chartering our OBO carriers and tankers. We seek to maximise earnings in employing vessels in the spot market, under time charters or under Contracts of Affreightment, or COAs.

In December 1999, the Company, together with A.P. Moller, Euronav Luxembourg SA, Osprey Maritime Ltd., Overseas Shipholding Group, Inc and Reederei "Nord" Klaus E. Oldendorff agreed to form Tankers International LLC, or Tankers to pool the commercial operation of the participating companies' modern VLCC fleets. Tankers mainly employs vessels in the spot market, although it also from time to time enters into COAs and time charters. Revenues to each shipowner who participates in Tankers are calculated on the basis of the pool's total earnings and the tonnage committed into Tankers by the shipowner. In July 2002 we withdrew from Tankers and only the VLCCs in certain of the joint ventures to which the Company is a party, remain in the pool. The commercial operations of our other VLCCs has been brought back in-house under our direct management.

Since 1998 Frontline and OMI Corporation, a major international shipping company, have combined Suezmax tanker fleets for commercial purposes and created Alliance Chartering LLC, or Alliance. Alliance currently markets 41 Suezmax tankers, the majority of which are employed in the Atlantic Basin. Alliance's control of this large modern fleet of Suezmaxes has enabled it to strengthen relationships with a number of customers. These arrangements may allow Alliance the opportunity to increase its Suezmax fleet utilisation through backhauls when cargo is available (that is, transporting cargo on the return trip when a ship would normally be empty) which would improve vessel earnings. Alliance mainly employs vessels in the spot market, although it also from time to time enters into COAs and time charters. Revenues to each shipowner who participates in Alliance are based on the actual earnings from the vessels contributed to Alliance by the shipowner.

Similar to structures commonly used by other shipping companies, our vessels are all owned by, or chartered to, separate subsidiaries or associated companies. Frontline Management AS, or Frontline Management, and Frontline Management (Bermuda) Limited, both wholly-owned subsidiaries of the Company, support us in the implementation of our decisions. Frontline Management is responsible for the commercial management of our shipowning subsidiaries, including chartering and insurance. Each vessel owned by the Company is registered under the Bahamas, French, Hong Kong, Liberian, Philippines, Singaporean, Norwegian, Isle of Man or Panamanian flag.

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

- Our vessels are managed by independent ship management companies. Pursuant to management agreements, each of the independent ship management companies provides operations, ship maintenance, crewing, technical support, shipyard supervision and related services to Frontline. A central part of our

strategy is to benchmark operational performance and cost level amongst our ship managers.

- Independent ship managers provide crewing for our vessels. Currently, our vessels are crewed with Russian, Ukranian, Baltic, Indian and Filipino officers and crews, or combinations of these nationalities.
- The accounting management services for each of our shipowning subsidiaries are provided by the ship managers.

Importance of Fleet Size

We believe that fleet size in the industrial shipping sector is important in negotiating terms with major clients and charterers. We believe that a large, high-quality VLCC and Suezmax fleet will enhance our ability to obtain competitive terms from suppliers and shipbuilders and to produce cost savings in chartering and operations.

Seasonality

Historically, oil trade and therefore charter rates increased in the winter months and eased in the summer months as demand for oil in the Northern Hemisphere rose in colder weather and fell in warmer weather. The tanker industry in general is less dependent on the seasonal transport of heating oil than a decade ago as new uses for oil and oil products have developed, spreading consumption more evenly over the year.

Customers

Our customers include major oil companies, petroleum products traders, government agencies and various other entities. During each of the years ended December 31, 2002, 2001 and 2000, no single customer accounted for 10 per cent or more of our consolidated freight revenues.

Competition

The market for international seaborne crude oil transportation services is highly fragmented and competitive. Seaborne crude oil transportation services generally are provided by two main types of operators: major oil company captive fleets (both private and state-owned) and independent shipowner fleets. In addition, several owners and operators pool their vessels together on an ongoing basis, and such pools are available to customers to the same extent as independently owned and operated fleets. Many major oil companies and other oil trading companies, the primary charterers of the vessels owned or controlled by the Company, also operate their own vessels and use such vessels not only to transport their own crude oil but also to transport crude oil for third party charterers in direct competition with independent owners and operators in the tanker charter market. Competition for charters is intense and is based upon price, location, size, age, condition and acceptability of the vessel and its manager. Competition is also affected by the availability of other size vessels to compete in the trades in which the Company engages.

Risk of Loss and Insurance

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

Frontline Management is responsible for arranging for the insurance of our vessels in line with standard industry practice. In accordance with that

practice, we maintain marine hull and machinery and war risks insurance, which includes the risk of actual or constructive total loss, and protection and indemnity insurance with mutual assurance associations. From time to time we carry insurance covering the loss of hire resulting from marine casualties in respect of some of our vessels. Currently, the amount of coverage for liability for pollution, spillage and leakage available to us on commercially reasonable terms through protection and indemnity associations and providers of excess coverage is $1 billion per vessel per occurrence. Protection and indemnity associations are mutual marine indemnity associations formed by shipowners to provide protection from large financial loss to one member by contribution towards that loss by all members.

We believe that our current insurance coverage is adequate to protect us against the accident-related risks involved in the conduct of our business and that we maintain appropriate levels of environmental damage and pollution insurance coverage, consistent with standard industry practice. However, there is no assurance that all risks are adequately insured against, that any particular claims will be paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

Inspection by a Classification Society

Every commercial vessel's hull and machinery is "classed" by a classification society authorised by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of such classification society and complies with applicable rules and regulations of the country of registry of the vessel and the international conventions to which that country is a member. Our vessels have all been certified as "in class."

Each vessel is inspected by a surveyor of the classification society every year, every two and a half years and every four to five years. Should any defects be found, the classification surveyor will issue a "recommendation" for appropriate repairs which have to be made by the shipowner within the time limit prescribed.

Environmental and Other Regulations

International conventions and national, state and local laws and regulations of the jurisdictions where our fleet operates or is registered significantly affect the ownership and operation of our vessels. We believe we are currently in substantial compliance with applicable environmental and regulatory laws regarding the ownership and operation of our vessels. However, because existing laws may change or new laws may be implemented, we cannot predict the ultimate cost of complying with all applicable requirements or the impact they will have on the resale value or useful lives of our vessels. Future non-compliance could require us to incur substantial costs or to temporarily suspend operation of our vessels.

We believe the heightened environmental and quality concerns of insurance underwriters, regulators and charterers are leading to greater inspection and safety requirements on all vessels and creating an increasing demand for modern vessels that are able to conform to the stricter environmental standards. We maintain high operating standards for our vessels that emphasizes operational safety, quality maintenance, continuous training of our crews and officers and compliance with United States and international regulations. Our vessels are subject to both scheduled and unscheduled inspections by a variety of governmental and private entities, each of which may have unique requirements. These entities include the local port authorities such as the Coast Guard, harbour master or equivalent, classification societies, flag state administration or country of registry, and charterers, particularly terminal operators and major oil companies which conduct frequent vessel inspections. Each of these entities may have unique requirements that we must comply with.

Environmental Regulation--IMO

The United Nation's International Maritime Organization, or IMO, has adopted regulations that set forth pollution prevention requirements for tankers. These regulations, which have been implemented in many jurisdictions in which our tankers operate, provide, in part, that:

- 25-year old tankers must be of double-hull construction or of a mid-deck design with double-sided construction unless:

  (1) they have wing tanks or double-bottom spaces not used for the carriage of oil which cover at least 30% of the length of the cargo tank section of the hull or bottom; or

  (2) they are capable of hydrostatically balanced loading, which means that they are loaded in such a way that if the hull is breached, water flows into the tanker, displacing oil upwards instead of into the sea

- 30-year old tankers must be of double-hull construction or mid-deck design with double-sided construction.

Also under IMO regulations, a tanker must be of double-hull construction or a mid-deck design with double-sided construction, or be of another approved design ensuring the same level of protection against oil pollution, if the tanker:

- is the subject of a contract for a major conversion or original construction on or after July 6, 1993;

- commences a major conversion or has its keel laid on or after January 6, 1994; or

- completes a major conversion or is a newbuilding delivered on or after July 6, 1996.

The IMO recently adopted regulations that require the phase-out of most single hull tankers by 2015 or earlier, depending on the age of the vessel and whether or not it complies with requirements for protectively located segregated ballast tanks. Under these new regulations, which became effective in September 2002, the maximum permissible age for single hull tankers after 2007 will be 26 years. The new regulations also provide for increased inspection and verification requirements.

The IMO's International Safety Management Code, or ISM Code, also affects our operations. The ISM Code requires the party with operational control of a vessel to develop a safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. All of our vessel managers are certified as approved ship managers under the ISM Code.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with ISM Code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a Document of Compliance, issued by each flag state, under the ISM Code. All of our vessels and their operators have received ISM certification.

Non-compliance with the ISM Code and other IMO regulations may subject the vessel owner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in

a tankers denial of access to, or detention in, some ports. Both the U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, as the case may be.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on the operation of oil tankers. As a result of the oil spill in November 2002 from the loss of the m.t. Prestige, it is likely that more stringent maritime safety rules will be imposed by the IMO and other regulatory agencies in the future. The m.t. Prestige was a 26 year old single hulled tanker owned and operated by a company that is not affiliated with us.

Environmental Regulation--OPA/CERCLA

The U.S. Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for environmental protection and cleanup of oil spills. OPA affects all owners and operators whose vessels trade with the U.S. or its territories or possessions, or whose vessels operate in the waters of the U.S., which include the U.S. territorial waters and the two hundred nautical mile exclusive economic zone of the U.S. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which also impacts our operations, applies to the discharge of hazardous substances whether on land or at sea.

Under OPA, vessel owners, operators and bareboat or "demise" charterers are "responsible parties" who are liable regardless of fault, individually and as a group, for all containment costs, clean-up costs and for other damages arising from oil spills from their vessels. These other damages may include injury to natural resources and real and personal property, loss of subsistence use of natural resources, the loss of taxes, rents, royalties, profits and earnings capacity resulting from an oil spill and the cost of public services necessitated by an oil spill. These "responsible parties" are not liable under OPA if the spill results solely from the act or omission of a third party, an act of God or an act of war. OPA limits a responsible party's liability to the greater of $1,200 per gross ton or $10 million per vessel over 3,000 gross tons, subject to adjustment for inflation.

CERCLA, which applies to owners and operators of vessels, contains a liability regime similar to OPA and provides for cleanup, removal and natural resource damages. Liability under CERCLA is limited to the greater of $300 per gross ton or $5 million. These limits of liability do not apply, however, where the incident is caused by violation of applicable U.S. federal safety, construction or operating regulations, or by the responsible party's gross negligence or wilful misconduct. These limits do not apply if the responsible party fails or refuses to report the incident or to co-operate and assist in connection with the substance removal activities. OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. We believe that we are in substantial compliance with OPA, CERCLA and all applicable state regulations in the ports where our vessels will call.

OPA requires owners and operators of vessels to establish and maintain with the Coast Guard evidence of financial responsibility sufficient to meet the limit of their aggregate potential strict liability under OPA and CERCLA. Under the regulations, evidence of financial responsibility may be demonstrated by insurance, surety bond, self-insurance or guaranty. Under OPA regulations, an owner or operator of more than one tanker must demonstrate evidence of financial responsibility for the entire fleet in an amount equal only to the financial responsibility requirement of the tanker having the greatest maximum liability under OPA/CERCLA. Owners or operators of tankers operating in the waters of the U.S. must also file vessel response plans with the Coast Guard, and their tankers are required to operate in compliance with their Coast Guard approved

plans.

Under OPA, with limited exceptions, all newly built or converted tankers operating in U.S. waters must be built with double-hulls. Existing vessels that do not comply with the double-hull requirement must be phased out over a 20-year period beginning in 1995 based on size, age and place of discharge, unless retrofitted with double-hulls. Notwithstanding the phase-out period, OPA currently permits existing single-hull tankers to operate until the year 2015 if their operations within U.S. waters are limited to discharging at the Louisiana Offshore Oil Port or unloading with the aid of another vessel, a process referred to as lightering, within authorized lightering zones more than 60 miles off-shore.

Environmental Regulation--Other

Although the United States is not a party to these conventions, many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969 and the Convention for the Establishment of an International Fund for Oil Pollution of 1971. Under these conventions, and depending on whether the country in which the damage results is a party to the 1992 Protocol to the International Convention on Civil Liability for Oil Pollution Damage, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Under an amendment that will come into effect November 1, 2003 for vessels of 5,000 to 140,000 gross tons (a unit of measurement for the total enclosed spaces within a vessel), liability will be limited to approximately $6.1 million plus $858 for each additional gross ton over 5,000. For vessels of over 140,000 gross tons, liability will be limited to approximately $122.1 million. The current maximum amount is approximately $81.2 million. The right to limit liability is forfeited under the International Convention on Civil Liability for Oil Pollution Damage where the spill is caused by the owner's actual fault and under the 1992 Protocol where the spill is caused by the owner's intentional or reckless conduct. In jurisdictions where the International Convention on Civil Liability for Oil Pollution Damage has not been adopted, various legislative schemes or common law governs, and liability is imposed either on the basis of fault or in a manner similar to that convention. We believe that our P&I insurance covers the liability under the plan adopted by the IMO.

Partly in response to the oil spill caused by the sinking of the tanker Prestige, a single hulled tanker owned by an entity that is not affiliated with us, in November 2002, the European Union proposed new regulations in March of 2003 that would, among other things, place a ban on the transportation of heavy oil grades in all single-hull tankers loading or discharging at European Union ports. These regulations also accelerate the phase-out schedule of all single hull vessels. The European Union Parliament is scheduled to meet in July 2003, to ratify these new regulations. Several European Union nations have already implemented an absolute ban on single hull tankers carrying fuel oil and heavy oil grades. Spain has banned single hull tankers over 5,000 dwt and carrying such cargo from entering her ports as of January 1, 2003. Italy has announced that similar measures applicable to single hull tankers over 15 years of age will be implemented during the first half of 2003, and Spain, France and Portugal have prohibited single hull tankers carrying such cargoes from passing through their 200-mile economic exclusion zones since December, 2002.

In addition, most U.S. states that border a navigable waterway have enacted laws that impose strict liability for clean-up costs and damages resulting from a discharge of oil or a release of a hazardous substance. As permitted by OPA, these state laws may provide for unlimited liability for oil spills occurring within their boundaries.

C. ORGANIZATIONAL STRUCTURE

Our vessels are all owned by, or chartered to, separate subsidiaries, associated companies or joint ventures. The following table sets out the details of our significant subsidiaries and equity interests as of May 31, 2003:

Name	Vessel/Activity	Country of Incorporation	Ownership Percentage
Granite Shipping Co. Ltd.	Front Granite	Bahamas	100%
Frontline Management (Bermuda) Ltd	Management company	Bermuda	100%
ICB Shipping (Bermuda) Limited	Management company	Bermuda	100%
Mosvold Shipping Limited	Holding company	Bermuda	100%
Golden Current Limited	Opalia	Isle of Man	100%
Ariake Transport Corporation	Ariake	Liberia	33.33%
Bonfield Shipping Ltd.	Front Driver	Liberia	100%
Dundee Navigation SA	Dundee	Liberia	50.1%
Edinburgh Navigation SA	Edinburgh	Liberia	50.1%
Fourways Marine Limited	Front Spirit	Liberia	100%
Front Ardenne Inc.	Front Ardenne	Liberia	100%
Front Brabant Inc.	Front Brabant	Liberia	100%
Front Eagle Corporation	Front Eagle	Liberia	100%
Front Falcon Inc	Front Falcon	Liberia	100%
Front Glory Shipping Inc.	Front Glory	Liberia	100%
Front Pride Shipping Inc.	Front Pride	Liberia	100%
Front Saga Inc	Front Page	Liberia	100%
Front Serenade Inc.	Front Serenade	Liberia	100%
Front Splendour Shipping Inc.	Front Splendour	Liberia	100%
Front Stratus Inc.	Front Stratus	Liberia	33.33%
Front Tobago Inc.	Front Tobago	Liberia	40%
Golden Aquarian Corporation	Cos Hero	Liberia	100%
Golden Bayshore Shipping Corporation	Navix Astral	Liberia	100%
Golden Channel Corporation	Front Commodore	Liberia	100%
Golden Estuary Corporation	Front Comanche	Liberia	100%
Golden Fjord Corporation	Front Commerce	Liberia	100%
Golden Fountain Corporation	Golden Fountain	Liberia	50%
Golden Hilton Shipping Corporation	Channel Navigator	Liberia	100%
Golden Lagoon Corporation	Pacific Lagoon	Liberia	50%
Golden Ocean Tankers Limited	Holding Company	Liberia	100%
Golden President Shipping Corporation	Channel Alliance	Liberia	100%
Golden Seaway Corporation	New Vanguard	Liberia	100%
Golden Sound Corporation	New Vista	Liberia	100%
Golden Strait Corporation	Golden Victory	Liberia	100%
Golden Stream Corporation	Golden Stream	Liberia	100%
Golden Tide Corporation	New Circassia	Liberia	50%
Hitachi Hull # 4983 Corporation	Hakata	Liberia	33.33%
Ichiban Transport Corporation	Ichiban	Liberia	33.33%
Katong Investments Ltd.	Front Breaker	Liberia	100%
Kea Navigation Ltd	Front Melody	Liberia	100%
Langkawi Shipping Ltd.	Front Birch	Liberia	100%
Millcroft Maritime SA	Front Champion	Liberia	100%
Neon Shipping SA	Front Sun	Liberia	100%
Otina Inc.	Front Tina	Liberia	100%
Optimal Shipping SA	Front Symphony	Liberia	100%
Pablo Navigation SA	Front Chief	Liberia	100%
Patrio Shipping Ltd.	Front Hunter	Liberia	100%
Quadrant Marine Inc.	Front Sky	Liberia	100%

Rakis Maritime SA	Front Fighter	Liberia	100%
Ryan Shipping Corporation	Front Warrior	Liberia	100%
Saffron Rose Shipping Limited	Front Crown	Liberia	100%
Sakura Transport Corporation	Sakura I	Liberia	33.33%
Sea Ace Corporation	Front Ace	Liberia	100%
Sibu Shipping Ltd.	Front Maple	Liberia	100%
South West Tankers Inc	Front Sunda	Liberia	100%
Tokyo Transport Corporation	Tanabe	Liberia	33.33%
Tidebrook Maritime Corporation	Front Commander	Liberia	100%
Ultimate Shipping Ltd.	Front Century	Liberia	100%
West Tankers Inc.	Front Comor	Liberia	100%
Frontline Management AS	Management company	Norway	100%
Puerto Reinosa Shipping Co SA	Front Lillo	Panama	100%
Aspinall Pte Ltd.	Front Viewer	Singapore	100%
Blizana Pte Ltd.	Front Rider	Singapore	100%
Bolzano Pte Ltd.	Mindanao	Singapore	100%
Cirebon Shipping Pte Ltd.	Front Vanadis	Singapore	100%
Fox Maritime Pte Ltd.	Front Sabang	Singapore	100%
Front Dua Pte Ltd.	Front Duchess	Singapore	100%
Front Empat Pte Ltd.	Front Highness	Singapore	100%
Front Enam Pte Ltd.	Front Lord	Singapore	100%
Front Lapan Pte Ltd.	Front Climber	Singapore	100%
Front Lima Pte Ltd.	Front Lady	Singapore	100%
Front Tiga Pte Ltd.	Front Duke	Singapore	100%
Front Tujuh Pte Ltd.	Front Emperor	Singapore	100%
Front Sembilan Pte Ltd.	Front Leader	Singapore	100%
Rettie Pte Ltd.	Front Striver	Singapore	100%
Transcorp Pte Ltd.	Front Guider	Singapore	100%

D. PROPERTY, PLANT AND EQUIPMENT

The Company's Vessels

We operate a substantially modern fleet of tankers consisting of 43 VLCCs, 21 Suezmax tankers and eight Suezmax OBO carriers. In addition, we have one newbuilding contract and a purchase option to acquire one VLCC tanker. We also have three dry bulk carriers. The following table sets forth the fleet that we operate:

TANKER FLEET
Owned Tonnage

Vessel	Built	Approximate Dwt.	Construction	Flag	E
VLCCs					
Front Sabang	1990	286,000	Single-hull	SG	Sp
Front Vanadis	1990	286,000	Single-hull	SG	Sp
Front Highness	1991	284,000	Single-hull	SG	Sp
Front Lady	1991	284,000	Single-hull	SG	Sp
Front Lord	1991	284,000	Single-hull	SG	Sp
Front Duke	1992	284,000	Single-hull	SG	Sp
Front Duchess	1993	284,000	Single-hull	SG	Sp

Front Tobago (40%)	1993	261,000	Single-hull	LIB	Tan
Front Edinburgh (50.1%)	1993	302,000	Double-side	LIB	Tan
Front Dundee (50.1%)	1993	302,000	Double-side	LIB	Tan
Front Ace	1993	275,000	Single-hull	LIB	Sp
Golden Fountain (50%)	1995	302,000	Single-hull	PAN	Sp
Golden Stream	1995	276,000	Single-hull	PAN	Sp
Navix Astral	1996	276,000	Single-hull	PAN	Bareboa
New Vanguard	1998	300,000	Double-hull	HK	Bareboa
New Vista	1998	300,000	Double-hull	HK	Bareboa
New Circassia (50%)	1999	306,000	Double-hull	PAN	Sp
Opalia	1999	302,000	Double-hull	IoM	Bareboa
Pacific Lagoon (50%)	1999	306,000	Double-hull	PAN	Sp
Front Comanche	1999	300,000	Double-hull	FRA	Tim
Front Commerce	1999	300,000	Double-hull	LIB	Tim
Front Tina	2000	298,000	Double-hull	LIB	Sp
Front Commodore	2000	299,000	Double-hull	LIB	Sp
Ichiban (33.33%)	2000	299,000	Double-hull	BA	Tan
Ariake (33.33%)	2001	299,000	Double-hull	BA	Tan
Sakura I (33.33%)	2001	299,000	Double-hull	BA	Tan
Front Serenade	2002	299,000	Double-hull	LIB	Sp
Tanabe (33.33%)	2002	296,000	Double-hull	BA	Tan
Hakata (33.33%)	2002	296,000	Double-hull	BA	Tan
Front Stratus	2002	299,000	Double-hull	LIB	Sp
Front Falcon	2002	308,000	Double-hull	BA	Sp
Front Page	2002	299,000	Double-hull	LIB	Sp
Hull No. 1412	2003	308,000	Double-hull	BA	

Suezmax OBO Carriers

Front Breaker	1991	169,000	Double-hull	NIS	Sp
Front Climber	1991	169,000	Double-hull	SG	Sp
Front Driver	1991	169,000	Double-hull	NIS	Sp
Front Guider	1991	169,000	Double-hull	SG	Sp
Front Leader	1991	169,000	Double-hull	SG	Sp
Front Rider	1992	169,000	Double-hull	SG	Sp
Front Striver	1992	169,000	Double-hull	SG	Sp
Front Viewer	1992	169,000	Double-hull	SG	Sp

Suezmaxes

Front Lillo	1991	147,000	Single-hull	NIS	Sp
Front Birch	1991	152,000	Double-side	NIS	Sp
Front Maple	1991	152,000	Double-side	NIS	Sp
Front Granite	1991	142,000	Single-hull	NIS	Sp
Front Emperor	1992	147,000	Single-hull	SG	Sp
Front Sunda	1992	142,000	Single-hull	NIS	Sp
Front Spirit	1993	147,000	Single-hull	NIS	Sp
Front Comor	1993	142,000	Single-hull	NIS	Sp
Front Pride	1993	150,000	Double-hull	NIS	Sp
Front Glory	1995	150,000	Double-hull	NIS	Sp
Front Splendour	1995	150,000	Double-hull	NIS	Sp
Front Ardenne	1997	153,000	Double-hull	NIS	Sp
Front Brabant	1998	153,000	Double-hull	NIS	Tim
Mindanao	1998	158,000	Double-hull	SG	Sp
Front Fighter	1998	153,000	Double-hull	NIS	Sp
Front Hunter	1998	153,000	Double-hull	NIS	Sp
Front Sun	2000	160,000	Double-hull	NIS	Sp
Front Sky	2000	160,000	Double-hull	NIS	Sp
Front Melody	2001	150,000	Double-hull	NIS	Sp
Front Symphony	2001	150,000	Double-hull	NIS	Sp

Chartered In Tonnage

Vessel	Built	Approximate Dwt	Construction	Flag	E
VLCCs					
Front Century	1998	311,000	Double-hull	BA	Sp
Front Champion	1998	311,000	Double-hull	BA	Sp
Front Chief	1999	311,000	Double-hull	BA	Tim
Front Commander	1999	311,000	Double-hull	BA	Sp
Front Crown	1999	311,000	Double-hull	BA	Sp
Golden Victory	1999	305,000	Double-hull	PAN	Sp
British Pioneer	1999	307,000	Double-hull	IoM	Sp
British Pride	2000	307,000	Double-hull	IoM	Sp
British Progress	2000	307,000	Double-hull	IoM	Sp
British Purpose	2000	307,000	Double-hull	IoM	Sp
Front Eagle	2002	309,000	Double-hull	LIB	Sp
Suezmax					
Front Warrior	1998	153,000	Double-hull	BA	Sp

DRY BULK FLEET
Owned Tonnage

Vessel	Built	Approximate Dwt.	Construction	Flag	E
Capesize					
Channel Alliance	1996	172,000	Single-hull	PHI	Tim
Channel Navigator	1997	172,000	Single-hull	PHI	Tim
Handymax					
Cos Hero	1999	46,000	Single-hull	PAN	Bareboa

Key to Flags:

BA - Bahamas, HK - Hong Kong, IoM - Isle of Man, LIB - Liberia, NIS - Norwegian International Ship Register, PAN - Panama, PHI - Philippines, SG - Singapore, FRA - France.

Other than its interests in the vessels described above, we do not own any material physical properties. We lease office space in Hamilton, Bermuda from an unaffiliated third party. Frontline Management leases office space, at market rates, in Oslo, Norway from Sea Shipping AS, a company indirectly affiliated with Hemen Holding Ltd, or Hemen, our principal shareholder. One of our subsidiaries leases office space in London, England from an unaffiliated third party.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

The following discussion should be read in conjunction with Item 3 "Selected Financial Data" and the Company's audited Consolidated Financial Statements and Notes thereto included herein.

The Company's principal focus and expertise are to serve major integrated oil companies and other customers that require transportation of crude oil and oil products cargoes. The Company's tanker fleet, which is one of the largest and most modern in the world, consists of 32 owned, part-owned or controlled VLCCs and 28 owned, part-owned or controlled Suezmax tankers, of which 8 are Suezmax OBOs. In addition, the Company has three wholly owned dry bulk carriers. The Company also charters in seven modern VLCCs and one modern Suezmax tanker on medium-term charters and four modern VLCCs on short-term charters. At May 31, 2003, the Company also has one newbuilding contract and has a purchase option to acquire one VLCC tanker.

In 2002, the Company took delivery of five wholly-owned newbuilding double-hull VLCCs and two newbuilding double-hulled VLCCs in which the Company has a 33.33 per cent interest. In addition, the Company acquired five dry bulk carriers that it had previously chartered in under capital leases; these dry bulk carriers were subsequently sold in 2002. In 2002 the Company sold a portion of its dry bulk operations. These disposals have been recorded as discontinued operations in 2002 and the consolidated statements of operations for the years ended December 31, 2001 and 2000 have been restated in accordance with the requirements of Statement of Financial Accounting Standard No. 144.

In 2002, the Company also sold one VLCC to a German KG structure and leased this vessel back on a charter for a period of eight years with the option on the buyer's side to extend the charter for a further three years followed by a further two years. The charter provides that the Company has the option to acquire the relevant vessel at certain dates in the future and gives the buyer the option to sell the vessel to the Company in 2014. This sale and leaseback transaction has been accounted for as a capital lease and the vessel and associated lease liability has been recognised on the Company's balance sheet.

In 2001, the Company took delivery of two wholly-owned Suezmax newbuildings, and three new double-hulled VLCCs in which the Company has a 33.33 per cent interest. In 2001, the Company also took delivery of four 1999 and 2000 built VLCCs on which had it had purchase options. In addition, through its acquisition of Mosvold, it acquired two mid 1970s built VLCCs and three newbuilding contracts for VLCCs. The two mid-1970s built VLCCs have subsequently been sold by the Company. The first two newbuildings were delivered in January and October 2002, respectively and the third is due for delivery in July 2003.

In 2001, the Company sold two 1993-built VLCCs and a 2000 built Suezmax tanker. The Company also sold three VLCCs to German KG structures and leased these vessels back on charters each for a period of eight years with the option on the buyer's side to extend the charter for a further three years followed by a further two years. Each charter provides that the Company has the option to acquire the relevant vessels at certain dates in the future and gives the buyer the option to sell the vessel to the Company in 2014. These sale and leaseback transactions have been accounted for as capital leases and the vessels and associated lease liabilities have been recognised on the Company's balance sheet.

The Company's vessels are operated under either time charters, bareboat charters, voyage charters or COAs. A time charter is a contract for the use of a vessel for a specific period of time. A voyage charter is a contract for the use of a vessel for a specific voyage. Under a time charter, the charterer pays substantially all of the vessel voyage costs. Under a bareboat charter the charterer pays substantially all of the vessel voyage and operating costs. Under a voyage charter, the vessel owner pays such costs. Vessel voyage costs are

primarily fuel and port charges. Accordingly, for equivalent profitability, charter income under a voyage charter would be greater than that under a time charter to take account of the owner's payment of the vessel voyage costs. However, net operating revenues would be equal. In order to compare vessels trading under different types of charters, it is standard industry practice to measure the revenue performance of a vessel in terms of average daily time charter equivalent earnings, or TCEs. For voyage charters, this is calculated by dividing net operating revenues by the number of days on charter. Days spent offhire are excluded from this calculation.

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 mainly employs ships in the spot market, although it also from time to time enters into COAs and time charters. Revenues to each shipowner who participates in Tankers are calculated on the basis of the pool's total earnings and the tonnage committed to Tankers by the shipowner. In July 2002, the Company withdrew from Tankers and only the VLCCs in certain of the joint ventures to which the Company is a party, remain in the pool.

In 1998, in order to increase the Company's market share in the Suezmax trades and increase trading flexibility, the Company and OMI Corporation, a major international shipping company, combined Suezmax tanker fleets for commercial purposes and created Alliance Chartering LLC, or Alliance. Alliance currently markets 41 Suezmax tankers. Alliance mainly employs ships in the spot market, although it also from time to time enters into COAs and time charters. Revenues to each shipowner who participates in Alliance are based on the actual earnings from the ships contributed into Alliance by the shipowner.

Market Overview

The tanker industry is highly cyclical, experiencing volatility in profitability, vessel values and freight rates. In particular, freight and charter rates are strongly influenced by the supply of tanker vessels and the demand for oil transportation.

The charter rates for tankers started to decline in the second half of 2001 as a result of a general slowdown in the global economy and as a result of OPEC's decision to cut production levels in order to maintain oil prices in the OPEC band of $22 to $28 per barrel. The negative trend continued into 2002 and rates remained low through a large part of the year. The tanker market showed no improvement in 2002 until the beginning of fourth quarter when a seasonal increase in demand and a requirement for restocking enticed OPEC countries to increase production. The strike in Venezuela in December 2002, resulted in the loss of short-haul oil to the United States and this lost production needed to be replaced from more distant suppliers. Rates ended the year at above $50,000 per day for Suezmaxes and approximately $100,000 per day for VLCCs. Despite the rate improvement in the last quarter, average time charter equivalent spot earnings in the general tanker market for the entire year for Suezmaxes were approximately $20,000 per day compared with just over $30,000 per day in 2001 and for VLCCs were approximately $22,000 per day compared with $34,000 per day in 2001. The weak market in 2001 and 2002 resulted in the scrapping, conversion or total loss of 48 elderly Suezmaxes and 78 VLCCs in that two year period.

The following table sets out the daily TCEs earned by the Company's tanker fleet over the last five years:

	2002	2001	2000	1999	1998
(in $ per day)					
VLCC	22,500	40,800	46,300	20,000	31,800

Suezmax	18,400	30,700	35,500	16,700	22,400
Suezmax OBO	17,700	28,900	33,300	16,800	21,800

The Company's fleet of dry bulk carriers are all fixed on medium to long-term bareboat or time charters. These arrangements provide sufficient cash flows to cover the debt service on this fleet.

Inflation

Although inflation has had a moderate impact on operating expenses, drydocking expenses and corporate overheads, management does not consider inflation to be a significant risk to direct costs in the current and foreseeable economic environment. In addition, in a shipping downturn, costs subject to inflation can usually be controlled because shipping companies typically monitor costs to preserve liquidity and encourage suppliers and service providers to lower rates and prices. It is expected that insurance costs, which have risen considerably in 2002, will continue to increase in the next few years. However, the Company expects to be protected against the full impact of such increases due to the fact that it has fixed certain parts of its premium for multiple years. In the event that inflation becomes a significant factor in the world economy, inflationary pressures could result in increased operating and financing costs.

Change in Accounting Policies

In 2001, the Company changed its accounting policy for drydockings. Prior to 2001, provisions for future drydockings were accrued and charged to expense on a pro-rata basis over the period to the next scheduled drydockings. Since January 1, 2001 the Company has recognised the cost of a drydocking at the time the drydocking takes place, that is it applies the "expense as incurred" method. The expense as incurred method is considered by management to be a more reliable method of recognising drydocking costs as it eliminates the uncertainty associated with estimating the cost and timing of future drydockings. The cumulative effect of this change in accounting principle is shown separately in the consolidated statements of operations for the year ended December 31, 2001 and resulted in a credit to income of $31.5 million in 2001. The cumulative effect of this change as of January 1, 2001 on the Company's consolidated balance sheet was to reduce total liabilities by $32.3 million. Assuming the "expense as incurred" method had been applied retroactively, the pro forma income before cumulative effect of change in accounting principle for 2000 and 1999 would have been increased by $6.3 million and $7.0 million, or $0.09 and $0.14 per basic and diluted share, respectively.

In June 2001, the FASB approved SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS No. 142 applies to all acquired intangible assets whether acquired singly, as part of a group, or in a business combination. SFAS No. 142 superseded APB Opinion No. 17, "Intangible Assets". This statement is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 requires that goodwill and indefinite lived intangible assets will no longer be amortized but will be reviewed annually for impairment. Intangible assets that are not deemed to have an indefinite life will continue to be amortised over their useful lives. At December 31, 2001, the Company had unamortised goodwill of $14.1 million. The Company adopted SFAS 142 effective January 1, 2002 and recorded an impairment charge of $14.1 million for the unamortised goodwill on that date that is shown separately in the consolidated statement of operations as a cumulative effect of change in accounting principle. The valuation of the fair value of the reporting unit used to assess the recoverability of goodwill was a combination of independent third party valuations and the quoted market price.

As of January 1, 2001, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS 133"). Certain hedge relationships met the hedge criteria prior to SFAS

133, but do not meet the criteria for hedge accounting under SFAS 133. The Company adopted SFAS 133 in the first quarter of fiscal year 2001 and upon initial adoption recognised the fair value of its derivatives as assets of $0.4 million and liabilities of $0.6 million. A gain of $0.3 million was recognised in income and a charge of $0.5 million made to other comprehensive income. On January 1, 2002, the Company discontinued hedge accounting for two interest rate swaps previously accounted for as cash flow hedges. This resulted in a balance of $4.1 million being frozen in accumulated other comprehensive income as at that date and this will be reclassified to the income statement over the life of the underlying instrument.

Recently Issued Accounting Standards

In August 2001, the FASB approved SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS No. 143 requires the fair value of a legal liability related to an asset retirement be recognized in the period in which it is incurred. The associated asset retirement costs must be capitalized as part of the carrying amount of the related long-lived asset and subsequently amortized to expense. Subsequent changes in the liability will result from the passage of time (interest cost) and revision to cash flow estimates. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002, effective January 1, 2003 for the Company. Management does not expect that the adoption of SFAS No. 143 will have a material effect on the Company's results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force Issue No. 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Management does not expect that the adoption of SFAS No. 146 will have a material effect on the Company's results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123". This Statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. This Statement also amends the disclosure provisions of FASB Statement No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This Statement also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial statements. This statement is effective for fiscal years ending after December 15, 2002 and interim periods beginning after December 15, 2002. The Company does not expect the adoption of SFAS No. 148 to have a material effect on the Company's results of operations or financial position.

In November 2002, the FASB issued Interpretation 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under the guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations does not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to

guarantees issued or modified after December 31, 2002. The Company is currently evaluating the impact of Interpretation 45 on the Company's results of operations and financial position.

In January 2003, the FASB issued Interpretation 46, Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has a number of arrangements which may be variable interest entities under the provisions of FIN 46. The company has entered into agreements to lease certain vessels. These five VLCCs are held by special purpose entities, which were established and are owned by independent third parties who provide financing through debt and equity participation. These leases are accounted for as operating leases, and the lease payments are charged to operating income. Under current accounting principles generally accepted in the United States, the assets and the related obligations are excluded from the consolidated balance sheet, and the special purpose entities are not consolidated. At December 31, 2002, the original cost to the lessor of the assets under such arrangements was approximately $360 million. Certain of these leases contain residual value guarantees that give the third party owners the option to put the vessel to the company. The price of these put options are significantly lower than the expected market value of the vessels on the exercise date however under FIN 46, certain conditions exist which may indicate these entities are variable interest entities. At December 31, 2002, the company's residual value guarantees associated with these leases, which represent the maximum exposure to loss, are $56.8 million. The Company has both an obligation and an option to purchase the VLCC Oscilla on expiry of a five-year time charter, which commenced in March 2000. Oscilla is owned and operated by an unrelated entity. If the Company has exercised its option at December 31, 2002, the cost to the Company of the Oscilla would have been approximately $57 million and the maximum exposure to loss is $18.6 million. On July 1, 2003, the Company's subsidiary Golden Ocean Group Limited, purchased a call option to acquire all of the shares of Independent Tankers Corporation ("ITC") from Hemen Holding Ltd, a related party, for a total consideration of $4.0 million plus 4 per cent interest per year. ITC operates a total of six VLCCs and four Suezmax tankers, which are on long-term charters to BP and Chevron. Golden Ocean paid $10.0 million for the option, which expires on July 1, 2010. The total book value of ITC's consolidated assets at December 31, 2002 was approximately $960 million and the Company's maximum exposure to loss is $10 million. The Company is in the process of making the determination as to whether the aforementioned arrangements are variable interest entities.

Critical Accounting Policies

The preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States 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. The following is a discussion of the accounting policies applied by the Company that are considered to involve a

higher degree of judgement in their application. See Note 2 to the Company's audited Consolidated Financial Statements included herein for details of all of the Company's material accounting policies.

Revenue Recognition

Revenues are generated from freight billings, time charter and bareboat charter hires. Time charter and bareboat charter revenues are recorded over the term of the charter as service is provided. Under a voyage charter the revenues and associated voyage costs are recognised rateably over the estimated duration of the voyage. The operating results of voyages in progress at a reporting date are estimated and recognised pro-rata on a per day basis. Probable losses on voyages are provided for in full at the time such losses can be estimated. Amounts receivable or payable arising from profit sharing arrangements are accrued based on the estimated results of the voyage recorded as at the reporting date.

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

Vessels and Depreciation

The cost of the Company's vessels is depreciated on a straight-line basis over the vessels' remaining economic useful lives. Management estimates the useful life of the Company's vessels to be 25 years. This is a common life expectancy applied in the shipping industry. With effect from April 2001, the IMO implemented new regulations that result in the accelerated phase-out of single hull vessels. As a result of this, the Company has re-evaluated the estimated useful life of its single hull vessels and determined this to be either 25 years or the vessel's anniversary date in 2017, whichever comes first. As a result, the estimated useful lives of six of the Company's vessels were reduced in the fourth quarter of 2001. If the estimated economic useful life is incorrect, or circumstances change such that the estimated economic useful life has to be revised, an impairment loss could result in future periods.

The vessels 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 assessing the recoverability of the vessels' carrying amounts, the Company must make assumptions regarding estimated future cash flows. These assumptions include assumptions about the spot market rates for vessels, the operating costs of our vessels and the estimated economic useful life of our vessels. In making these assumptions the Company refers to historical trends and performance as well as any known future factors. Factors we consider important which could effect recoverability and trigger impairment include significant underperformance relative to expected operating results, new regulations that change the estimated useful economic lives of our vessels and significant negative industry or economic trends.

Results of Operations

Year ended December 31, 2002 compared with the year ended December 31, 2001 Total net operating revenues decreased by 34 per cent to $416.5 million in 2002 compared with $628.2 million in 2001. In 2002, the Company took delivery of five wholly-owned double-hulled VLCCs and two double-hulled VLCCs in which the Company has a 33.33 per cent interest. In addition, the Company sold five dry bulk carriers and sold its 50 per cent interest in two joint ventures, each owning a dry bulk carrier. However, the decrease in net operating revenues primarily reflects the significantly weaker tanker market experienced in 2002. The annual average daily TCEs earned by the Company's VLCCs, Suezmax tankers,

and Suezmax OBO carriers for 2002 year were $22,500, $18,400 and $17,700, respectively, compared with $40,800, $30,700 and $28,900, respectively in 2001.

Vessel operating expenses, which include drydocking costs, decreased six per cent to $109.3 million from $116.3 million in 2001. This decrease is a result of a cost saving exercise in 2002. The average daily operating costs, including drydockings, of the Company's VLCCs, Suezmax tankers and Suezmax OBO carriers was $6,300, $5,600 and $5,700 respectively compared with $6,300, $5,700 and $9,000 in 2001. In 2001, 12 of our vessels drydocked compared with 15 in 2002.

Charterhire expenses increased to $60.6 million in 2002 from $41.9 million in 2001, principally due to the inclusion in the second half of the year of four additional vessels on short-term charters from BP Shipping Ltd., the shipping arm of BP Plc.

Administrative expenses decreased two per cent to $12.8 million in 2002 from $13.0 million in 2001. Administrative expenses are reported net of fee income of $3.6 million and $3.2 million for 2002 and 2001, respectively. Included in fee income was $0.8 million and $0.5 million received from related parties for 2002 and 2001, respectively. In 2001, the Company recorded a non-cash charge of $1.2 million in connection with employee stock options. In 2002, this charge was reduced to $0.5 million. Offsetting this reduction were increased administrative expenses due to an increase in the number of employees.

Depreciation and amortisation increased 17 per cent from $117.2 million in 2001 to $136.9 million in 2002. The increase relates to the acquisition of five new vessels in 2002 and the impact for a full year of the reduced expected useful life for six of the Company's vessels following the implementation of IMO regulations in 2001.

Net interest expense for 2002 was $58.3 million, a decrease of 24 per cent compared with $77.0 million in 2001. Interest income was unchanged at $13.0 million for both 2001and 2002. Interest expense decreased from $90.0 million in 2001 to $71.3 million in 2002. At December 31, 2002 the Company had $1,424.9 million of floating rate debt and the decrease in the interest expense reflects the benefit of lower interest rates throughout 2002.

The share in result of associated companies decreased from earnings of $22.3 million in 2001 to a loss of $10.7 million in 2002. Certain of the associated companies in which the Company has investments, have Yen denominated long-term debt. In 2002 the loss is due to a combination of lower revenues and the Yen strengthened against the U.S. Dollar with the resulting unrealised foreign exchange loss included within the share in results of associated companies.

The Company incurred a foreign currency exchange loss of $10.9 million in 2002 compared with a gain of $15.5 million in 2001, as a result of the strengthening of the Yen against the US Dollar from 131.14 at December 31, 2001 to 118.54 at December 31, 2002. At December 31, 2002, the Company has Yen debt (including Yen denominated capital leases) of Yen 13.1 billion, compared with Yen 25.7 billion at December 31, 2001.

The charge for other financial items increased from $5.7 million in 2001 to $8.6 million in 2002. In both years, other financial items consists primarily of market value adjustment on derivatives following the adoption of SFAS No. 133 on January 1, 2001. In September 2001 the Company established a twelve month facility for a Stock Indexed Total Return Swap Programme or Equity Swap Line with the Bank of Nova Scotia, or BNS, whereby the latter acquires shares in the Company, and the Company carries the risk of fluctuations in the share price of those acquired shares. In 2001 the mark to market valuation of the Equity Swap Line resulted in a credit to income of $4.4 million. This was offset by a charge of $9.8 million in connection with the market value adjustments on interest rates swaps. In 2002 the Company incurred a $4.0 million charge relating to the

market value adjustment on the Company's Equity Swap Line and a $3.0 million charge relating to the market value adjustments for interest rate swaps.

Net income from continuing operations before income taxes and before the cumulative effect of change in accounting principle was $7.2 million in 2002 compared with $330.6 million in 2001. In 2002, the Company sold a portion of its dry bulk operations and these disposals have been recorded as a charge of $1.9 million for discontinued operations.

The Company adopted FAS 142 effective January 1, 2002 and recognised an impairment loss on goodwill of $14.1 million that is shown separately in the consolidated statement of operations as a cumulative effect of change in accounting principle. Net income for 2002 before the cumulative effect of change in accounting principle was $5.2 million and earnings per share were $0.07.

Year ended December 31, 2001 compared with the year ended December 31, 2000 Total net operating revenues increased by five per cent to $628.2 million in 2001 compared with $595.4 million 2000. This reflects an increase due to a full years contribution in 2001 from the vessels acquired through the purchase of Golden Ocean. In 2000, Golden Ocean was only consolidated with effect from October 2000. Offsetting the increase due to the expanded fleet, was a decrease due to lower average earnings in the tanker market. The annual average daily TCEs earned by the VLCCs, Suezmax tankers, and Suexmaz OBO carriers trading in the spot market were $40,800, $30,700 and $28,900 in 2001 respectively, compared with $46,300, $35,500 and $33,300 in 2000.

Vessel operating expenses, which include drydocking costs, increased 34 per cent to $116.3 million from $86.8 million in 2000. This increase is explained by the inclusion of Golden Ocean for the full year in 2001. The average daily operating costs, including drydockings, of the Company's VLCCs, Suezmax tankers and Suezmax OBO carriers was $6,300, $5,700 and $9,000 respectively compared with $6,900, $5,500 and $6,200 in 2000. The increase in daily operating costs for the Suezmax OBO carriers in 2001 is due to seven of the eight vessels being dry docked during 2001. Fluctuations in the other vessel size operating expenses are within expected ranges.

Charterhire expenses increased to $41.9 million in 2001 from $34.4 million in 2000, again due to the inclusion of vessels acquired through the purchase of Golden Ocean for the full year in 2001.

Administrative expenses have increased 39 per cent to $13.0 million in 2001 from $9.3 million in 2000. This reflects an increase in the number of employees, general corporate activity and also a $1.2 million non-cash charge in connection with employee stock options.

Depreciation and amortisation increased 28 per cent from $91.8 million in 2000 to $117.2 million in 2001. The increase relates to the acquisition of new vessels and the inclusion of Golden Ocean for the full year in 2001. The implementation of IMO regulations reduced the expected useful life for six of the Company's vessels, which resulted in increased depreciation of $0.5 million in 2001 for those vessels.

Net interest expense for 2001 was $77.0 million compared with $88.8 million in 2000, a decrease of 13 per cent. This decrease reflects the benefit of lower interest expense on debt as interest rates fell during 2001 and increased interest income arising from higher average cash balance. The Company had total long-term debt outstanding of $1,391.2 million at December 31, 2001, compared with $1,544.1 million at December 31, 2000. In addition the Company had a total amount of $300.8 million of obligations under capital leases at December 31, 2001, compared with $109.8 million at December 31, 2000.

The share in result of associated companies increased 74 per cent from $12.8

million in 2000 to $22.3 million due to the inclusion of the associated companies acquired as part of Golden Ocean for the full year in 2001. Certain of the associated companies in which the Company has investments, have Yen denominated long-term debt. In 2001, the Yen weakened against the U.S. Dollar and the resulting unrealised foreign exchange gain is included within the share in results of associated companies.

The increase in the foreign exchange gain from $7.9 million in 2000 to $15.5 million in 2001 also reflects the weakening of the Yen and the $15.5 million represents the unrealised gain in subsidiaries that have Yen denominated long-term debt.

The charge for other financial items increased from $0.2 million in 2000 to $5.7 million in 2001 that is attributable to the market value adjustment on derivatives following the adoption of SFAS No. 133 on January 1, 2001. In 2001 the Company has incurred a charge of $9.8 million in connection with the market value adjustments on interest rates swaps and a credit to income of $4.4 million for the mark to market valuation of the Equity Swap Line.

Net income from continuing operations before income taxes and before the cumulative effect of change in accounting principle was $330.6 million in 2001 compared with $306.0 million in 2000. The net result of discontinued operations was net income of $21.1 million in 2001 compared with $8.0 million in 2000.

In 2001, the Company changed its accounting policy for drydockings. Prior to 2001, provisions for future drydockings have been accrued and charged to expense on a pro-rata basis over the period to the next scheduled drydockings. Effective January 1, 2001 the Company recognised the cost of a drydocking at the time the drydocking takes place, that is, we apply the "expense as incurred" method. The expense as incurred method is considered by management to be a more reliable method of recognising drydocking costs as it eliminates the uncertainty associated with estimating the cost and timing of future drydockings. The cumulative effect of this change in accounting principle resulted in a credit to income of $31.5 million in 2001. The cumulative effect of this change as of January 1, 2001 on the Company's consolidated balance sheet was to reduce total liabilities by $32.3 million.

Liquidity and Capital Resources

The Company operates in a capital intensive industry and has historically financed its purchase of tankers and other capital expenditures through a combination of cash generated from operations, equity capital and borrowings from commercial banks. The liquidity requirements of the Company relate to servicing its debt, funding the equity portion of investments in vessels, funding working capital requirements and maintaining cash reserves against fluctuations in operating cash flows. Revenues from time charters and bareboat charters are received monthly or fortnightly in advance while revenues from voyage charters are received upon completion of the voyage.

The Company's funding and treasury activities are conducted within corporate policies to maximise investment returns while maintaining appropriate liquidity for the Company's requirements. Cash and cash equivalents are held primarily in U.S. dollars with some balances held in Japanese Yen, British Pound and Norwegian Kroner.

As of December 31, 2002, 2001 and 2000, the Company had cash and cash equivalents of $92.1 million, $178.2 million and $103.5 million, respectively. The Company generated cash from operations of $142.0 million in 2002, compared with $477.6 million in 2001 and $271.6 million in 2000. Net cash used in investing activities in 2002 was $222.9 million compared with $103.8 million in 2001. In 2000 the Company used net cash in investing activities of $509.0 million. In 2002 investing activities consisted primarily of $376.8 million paid

for vessel acquisitions and $21.8 million investment in associated companies. The latter related principally to joint ventures through which the Company acquired one third interests in two vessels. Offsetting these invested amounts was proceeds of $177.9 million arising on the sale of assets. In 2002 the Company sold five 1997-1999 built dry bulk carriers and its 50 per cent interests in two joint ventures, each owning a 1998-built dry bulk carrier. The Company also sold one VLCC to a German KG structure and leased the vessel back on charter for a period of eight years with the option on the buyer's side to extend the charter for a further three years followed by a further two years. In 2001, investing activities consisted primarily of payments for vessel acquisitions, totalling $386.1 million, $64.7 million to acquire Mosvold and $60.0 million investment in associated companies. The latter related principally to joint ventures through which the Company acquired one-third interests in five vessels and 50.1 per cent interest in two vessels. Offsetting these invested amounts was proceeds of $400.1 million arising on the sale of assets. In 2001 the Company sold two 1993-built VLCCs and a 2000 built Suezmax tanker. In 2001, the Company sold three VLCCs to German KG structures and leased these vessels back on charters each for a period of eight years with the option on the buyer's side to extend the charter for a further three years followed by a further two years. In 2000, investing activities consisted primarily of payments for vessel acquisitions, totalling $436.0 million, the investment in Golden Ocean and the investment of $38.6 million in debt of companies connected with Golden Ocean.

In the Company's opinion, working capital is sufficient for the Company's present requirements.

Cash used in financing activities was $5.2 million in 2002 compared with cash used in financing activities of $299.2 million in 2001 and cash provided by financing activities of $275.4 million in 2000. In 2002 there was $341.9 million in principal repayments, $24.7 million payment for capital lease obligations, $19.1 million paid as dividends and $383.8 million proceeds from long-term debt. In 2001 there was $460.7 million in principal repayments, $10.3 million payment for capital lease obligations, $115.2 million paid as dividends, $44.8 million for the repurchase of the Company's shares, $8.5 million from the issuance of new equity and $324.9 million proceeds from long-term debt. At December 31, 1999 the Company had outstanding a specific loan of $54.0 million from Metrogas Holdings, or Metrogas, a company related to the Company's Chairman. In 2000 proceeds from long-term debt were $384.7 million, repayments of debt were $209.7 million, of which $24 million related to repayment of the amount outstanding on the Metrogas Loan and the balance related to traditional bank financing of vessels. The Company generated $104.6 million in 2000 through private placements of its equity and through the exercise of warrants.

The Company had total long-term debt outstanding of $1,445.5 million at December 31, 2002 compared with $1,392.0 million at December 31, 2001. At December 31, 2002 $11.5 million of this debt was at a fixed rate of 8 per cent (2001 - $31.5 million). The Company is exposed to various market risks, including interest rates and foreign currency fluctuations. The Company uses interest rate swaps to manage interest rate risk. As at December 31, 2002 the Company's interest rate swap arrangements effectively fix the Company's interest rate exposure on $352.7 million of floating rate debt (2001 - $362.8 million). The interest rate swap agreements expire between February 2003 and August 2008.

The Company has entered into forward freight agreements for trading purposes in order to manage its exposure to the risk of movements in the spot market for certain trade routes and, to some extent, speculative purposes. Market risk exists to the extent that spot market fluctuations may have a negative effect on the Company's cash flows and consolidated statements of operations. See Item 11. "Quantitative and Qualitative Disclosures about Market Risk".

In February 2002 and July 2002 the Company acquired a 33 per cent interest in each of two joint ventures, each of which acquired a 2002-built VLCC for

approximately $78.5 million. At the same time, $52.5 million bank financing was secured for each of the joint ventures.

In 2002 the Company took delivery of five vessels, Front Eagle, Front Serenade, Front Stratus, Front Page and Front Falcon. In January 2002, the Company obtained bank financing for Front Eagle, for a total amount of $50 million. In March 2002 the Company obtained bank financing for a total sum of $170 million for the Front Serenade, Front Straus and Front Falcon. In August 2002 the Company obtained bank financing for a total sum of $50 million for Front Page.

In February 2001 the Company acquired a 50.1 per cent interest in each of two joint ventures, each of which acquired a 1993-built VLCC for approximately $53.0 million. At the same time, $70 million financing was secured for these joint ventures.

In 2001 the Company took delivery of four vessels that it had acquired through the exercise of purchase options; Front Commerce, Front Commodore, Front Comanche and Opalia. In April 2001, the Company obtained bank financing for Front Commerce and Front Commodore, for a total amount of $110 million. In May 2001 the Company obtained bank financing for a total sum of $59 million for the Front Comanche and in July 2001 obtained bank financing for a total sum of $50 million for Opalia.

In August 2001, bank financing of $75.0 million was secured for the delivery of the two newbuilding Suezmax tankers, Front Melody and Front Symphony.

During 2000, 2001 and 2002, the Company issued equity in a number of transactions. In February 2000, the Company issued 3,500,000 ordinary shares in a private placement at NOK 57.50 per share to raise approximately $24 million in equity. At the same time $30 million of the Metrogas Loan was converted to equity through the issuance of 4,350,000 ordinary shares at NOK 57.50 per share, leaving $24 million plus interest outstanding. The outstanding balance on the Metrogas Loan was repaid in full in August 2000.

In March 2000, the Company issued 2,957,500 ordinary shares at NOK 90.00 per share to finance part of the acquisition of two VLCCs from Wilh. Wilhelmsen ASA. In May 2000, the Company issued 3,000,000 ordinary shares at $10.15 per share in a private placement to raise approximately $30 million in equity. The proceeds of the issue were used to part finance the acquisition of a newbuilding VLCC, Front Tina. In June, 2000, the Company raised approximately $46.8 million through the issuance of 4,000,000 ordinary shares at a price of NOK 104.50 per share in a private placement to a group of international institutional investors. The proceeds from these equity issues have been used for specific vessel acquisitions and general corporate working capital requirements.

In 2000, the Company issued 124,558 ordinary shares pursuant to subscriptions under warrants that could be exercised at any time up to December 31, 2003 and issued a total of 8,211 ordinary shares pursuant to subscriptions under warrants that could be exercised at any time up to May 11, 2001. During 2001, the Company issued 129,500 shares in connection with the exercise of employee share options and issued 416,555 ordinary shares pursuant to subscriptions under warrants that could be exercised at any time up to May 11, 2001. During 2002, the Company issued 59,000 shares in connection with the exercise of employee share options.

In September 2000, the Company bought back and cancelled 430,000 of its ordinary shares at NOK 39.45 per share. These shares were related to an option the Company secured in connection with issuing 1,910,000 shares as part consideration for a Suezmax newbuilding contract. Further, in 2000 and 2001, the Company bought back and cancelled a total of another 1,719,845 and 2,207,300 of its ordinary shares, respectively, in a number of separate market transactions. The total consideration paid was NOK 200 million and NOK 295 million in 2000 and 2001, respectively (equivalent to $21.9 million and $32.8 million converted at

the rates on the transaction dates).

As of December 31, 2002, 2001 and 2000, the Company complied with the debt covenants of its various debt agreements. The acquisition of Golden Ocean was conducted so that the loans held by Golden Ocean's subsidiaries were non-recourse to Frontline. This implies that any guarantees on behalf of a Golden Ocean subsidiary were issued only by either Golden Ocean and or other Golden Ocean subsidiaries. Frontline's exposure to Golden Ocean is therefore limited to $15 million injected as equity, a $50 million term loan and a $10 million revolving credit facility provided by Frontline to Golden Ocean. As of December 31, 2002 the amounts outstanding under the term loan and revolving credit facility were $nil and $nil, respectively.

At December 31, 2001, a 100 per cent owned subsidiary of Golden Ocean, Golden Stream Corporation, was party to a loan agreement with Griffin Shipping Inc., or Griffin. The amount outstanding under this loan agreement was $48.1 million, which was fully repayable on March 30, 2002. Golden Stream Corporation failed to repay the loan on the due date. This situation gave rise to substantial doubt as to the ability of Golden Ocean to continue to operate as a going concern as at December 31, 2001. Griffin did not declare a default under the loan agreement and in the fourth quarter of 2002, a satisfactory agreement was reached with Griffin, Golden Stream Corporation was restructured and the vessel was refinanced. As a result of the restructuring and refinancing, Golden Stream Corporation is owned in a non-recourse subsidiary where Frontline has guaranteed, and partly provided, the first $28 million of debt.

The Company has guaranteed the yen and dollar long-term borrowings of associated companies for amounts of $176.4 million, including (Y)14.3 billion, which is equivalent to $121.0 million at December 31, 2002.

In 2001, the Company received an adverse decision from the Swedish Administrative Court of Appeal with respect to a tax dispute with the Swedish tax authorities relating to ICB. The dispute arises from a limited partnership in which ICB invested, and which sold a vessel on the exercise of a purchase option by a third party in 1990. The Swedish tax authorities assessed an "exit" tax on ICB and the other members of the limited partnership and also sought to tax ICB and the other members for income earned by the partnership. ICB has contested these assessments. The Swedish Administrative Court of Appeal upheld a decision by a County Administrative Court finding ICB liable for these assessments. Including accrued interest, the taxes found due by the court total approximately SEK 93 million, or $10.6 million at the exchange rate prevailing at December 31, 2002. ICB is appealing this judgement.

Contractual Commitments

Through the purchase of Mosvold Shipping Limited in May 2001, the Company acquired three VLCC newbuilding contracts. The first two of the newbuildings were delivered in 2002 and at December 31, 2002 the Company had a non-cancellable contract for the construction of the remaining one newbuilding tanker, scheduled for delivery in July 2003. The total contract price for this newbuilding is $74.2 million. At December 31, 2002, the Company had paid contractual instalments of $14.8 million and is committed to make further instalments of $59.4 million, of which it is estimated approximately $12 million will be financed from working capital. Bank financing has been arranged for this vessel.

At December 31 2002, the Company had outstanding debt of $1,445.5 million which is repayable as follows:

Year ending December 31, (in thousands of $)	
2003	167,807

2004	169,529
2005	266,080
2006	312,142
2007	134,871
2008 and later	395,043
Total debt	1,445,472

At December 31 2002, the Company had eight vessels that were sold by the Company at various times during the period from November 1999 to December 31, 2002, and leased back on charters that range for periods of eight to ten years with options on the lessors' side to extend the charters for periods that range up to five years. Four of these vessels are accounted for as operating leases and four as capital leases a discussed below. The Company has purchase options at certain specified dates and the lessor has options to put the vessels to the Company at the end of the lease terms for all of these eight vessels. The total amount that the Company would be required to pay under these put options with respect to the operating leases is $56.8 million.

At December 31 2002, the outstanding obligations for the four vessels under capital leases are payable as follows:

Year ending December 31, (in thousands of $)	
2003	33,359
2004	33,576
2005	34,479
2006	35,078
2007	35,077
2008 and later	248,150
Minimum lease payments	419,719
Less imputed interest	(147,028)
Present value of obligations under capital leases	272,691

Off-Balance Sheet Financing

In 1998 and 1999, the Company entered into a total of three sale and leaseback transactions with German KG structures. In addition, one of the vessels obtained through the acquisition of Golden Ocean was also sold and leased back prior to the Company's acquisition of Golden Ocean. The minimum terms of these leases range up to eight years. The leases of these vessels are being accounted for as operating leases. The Company has also entered into short-term charters for four VLCCs, each for a period of approximately one year. The future minimum rental payments under the Company's non-cancellable operating leases, are as follows:

Year ending December 31, (in thousands of $)	
2003	66,639
2004	36,400
2005	36,958
2006	37,058
2007	18,551
2008 and later	--
Total minimum lease payments	195,606

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Information concerning each director and executive officer of the Company is set forth below.

Name	Age	Position
John Fredriksen	59	Chairman, Chief Executive Officer, President and Director
Tor Olav Troim	40	Vice-President and Director
A. Shaun Morris	43	Director
Tammy Richardson	31	Director
Kate Blankenship	38	Chief Accounting Officer and Company Secretary
Ola Lorentzon	53	Managing Director of Frontline Management
Tom E. Jebsen	45	Chief Financial Officer of Frontline Management
Jon Christian Syvertsen	41	Deputy Managing Director of Frontline Management
Oscar Spieler	42	Technical Director of Frontline Management

Certain biographical information about each of the directors and executive officers of the Company is set forth below.

John Fredriksen has been the Chairman of the Board, Chief Executive Officer, President and a director of the Company since November 3, 1997. He was previously the Chairman and Chief Executive Officer of Old Frontline. Mr. Fredriksen has served for over eight years as a director of Seatankers Management Co. Ltd. ("Seatankers"), a ship operating company and an affiliate of the Company's principal shareholder. Mr. Fredriksen indirectly controls Hemen. Mr. Fredriksen is a director of Golar LNG Limited, a Bermuda company listed on the Oslo Stock Exchange and the NASDAQ National Market, which is indirectly controlled by Mr. Fredriksen.

Tor Olav Troim has been Vice-President and a director of the Company since November 3, 1997. He previously served as Deputy Chairman of Frontline from July 4, 1997, and was a director of Old Frontline from July 1, 1996. Until April, 2000 Mr. Troim was the Chief Executive Officer of Frontline Management, a company which supports the Company in the implementation of decisions made by the Board of Directors. Mr. Troim also serves as a consultant to Seatankers and since May 2000, has been a director and Vice-Chairman of Knightsbridge. He is a director of Aktiv Inkasso ASA and Northern Oil ASA, both Norwegian Oslo Stock Exchange listed companies and Northern Offshore Ltd., a Bermuda company listed on the Oslo Stock Exchange. Prior to his service with Frontline, from January 1992, Mr. Troim served as Managing Director and a member of the Board of Directors of DNO AS, a Norwegian oil company. Mr. Troim has served as a director of Golar LNG Limited since May 2001.

A. Shaun Morris has been a non-executive director of the Company since November 3, 1997. Mr. Morris has been a Partner at Appleby, Spurling & Kempe since April 1995, after joining the firm in 1988 as an associate, where he specialises in corporate/commercial law.

Tammy Richardson has been a non-executive director of the Company since June 21, 2002. Ms. Richardson has been an attorney at Appleby Spurling & Kempe since 1998 where she specialises in corporate/commercial law.

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

Chartered Accountants in England and Wales. Mrs. Blankenship has been Chief Financial Officer of Knightsbridge since April 2000 and Secretary of Knightsbridge since December 2000.

Ola Lorentzon has been Managing Director of Frontline Management since April 2000. Mr. Lorentzon has also been a director of Knightsbridge since September 18, 1996. He was Vice Chairman of Knightsbridge from September 18, 1996 until May 2000 when he took over as Chairman. Until 2000, Mr. Lorentzon was a director of The Swedish Protection and Indemnity Club (SAAF), Swedish Ships Mortgage Bank and The Swedish Shipowners' Association, Deputy Chairman of the Liberian Shipowners Council and a member of the International Association of Tanker Owners (Intertanko) Council.

Tom E. Jebsen has served as Chief Financial Officer of Frontline Management since June 1997. From December 1995 until June 1997, Mr. Jebsen served as Chief Financial Officer of Tschudi & Eitzen Shipping ASA, a publicly traded Norwegian shipowning company. From 1991 to December 1995, Mr. Jebsen served as Vice President of Dyno Industrier ASA, a publicly traded Norwegian explosives producer. Mr. Jebsen is also a director of Assuranceforeningen Skuld and Hugin ASA, an internet company.

Jon Syvertsen has served as Deputy Managing Director and head of commercial activities of Frontline Management AS since August 2001. From July 2000 until July 2001, Mr. Syvertsen served as Chief Investment Officer of Ulltveit-Moe Gruppen AS, a Norwegian based shipowning and marine equipment producer. From August 1997 until June 2001, Mr. Syvertsen served as Managing director of Umoe Technology Services. Mr Syvertsen has served as Chairman of the Board of Umoe Schat Harding AS , world leader in life boats and cruise tender boats.

Oscar Spieler has served as Technical Director of Frontline Management AS since November 1999. From 1995 until 1999, Mr. Spieler served as Fleet Manager for Bergesen, a major Norwegian gas tanker and VLCC owner. From 1986 to 1995, Mr. Spieler worked with the Norwegian classification society DNV, working both with shipping and offshore assets.

B. COMPENSATION

During the year ended December 31, 2002, the Company paid to its directors and executive officers (nine persons) aggregate cash compensation of $1,362,655 and an aggregate amount of $163,889 for pension and retirement benefits.

During the year ended December 31, 2002, the Company granted to the Directors and officers options to acquire, in the aggregate 80,000 Ordinary Shares of the Company. These options have an exercise price of $11.75 at March 31, 2003 and expire on June 3, 2007. These options were granted under the Bermuda Employee Share Option Plan described below.

C. BOARD PRACTICES

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

The officers of the Company are elected by the Board of Directors as soon as possible following each Annual General Meeting and shall hold office for such period and on such terms as the Board may determine.

There are no service contracts between the Company and any of our Directors providing for benefits upon termination of their employment or service.

D. EMPLOYEES

As of December 31, 2002, the Company and its subsidiaries employed approximately 40 people in their respective offices in Bermuda and Oslo. The Company contracts with independent ship managers to manage and operate its vessels.

E. SHARE OWNERSHIP

The beneficial interests of our Directors and officers in the Ordinary Shares of the Company as of June 30, 2003, were as follows:

Director or Officer	Ordinary Shares of $2.50 each	Percentage of Ordinary Shares Outstanding
John Fredriksen*	35,079,053	45.87%
Tor Olav Troim	194,934	**
Tammy Richardson	--	--
A. Shaun Morris	--	--
Kate Blankenship	14,000	**
Ola Lorentzon	--	--
Tom E. Jebsen	22,057	**
Jon Christian Syvertsen	--	--
Oscar Spieler	14,000	**

* Includes Ordinary Shares held by Hemen Holding Ltd. and other companies indirectly controlled by Mr. John Fredriksen.
** Less than one per cent

Details of share options held by the Company's Directors and officers at June 30, 2003 are set out in the following table:

Director or Officer	Number of Ordinary Shares Subject to Option	Exercise Price per Ordinary Share	Expiration Date
John Fredriksen	--	--	--
Tor Olav Troim	--	--	--
Tammy Richardson	--	--	--
A. Shaun Morris	--	--	--
Kate Blankenship	2,000	$10.92	November 8, 2004
	1,000	$10.58	October 31, 2005
	1,000	$8.83	February 5, 2007
	9,000	NOK 96.33	January 22, 2006
	15,000	$10.70	June 3, 2007
Ola Lorentzon	40,000	NOK 35.33	March 15, 2004
	18,000	NOK 96.33	January 22, 2006
	20,000	$10.70	June 3, 2007
Tom E. Jebsen	7,500	NOK 96.33	January 22, 2006
	15,000	$10.70	June 3, 2007
Jon Syvertsen	15,000	$10.70	June 3, 2007
Oscar Spieler	9,000	NOK 96.33	January 22, 2006
	15,000	$10.70	June 3, 2007

At June 30, 2003 the Norwegian Kroner:US Dollar exchange rate was NOK 7.2537:$1.00

The options held by the directors and officers have all been granted under the Bermuda Employee Share Option Plan discussed below.

As of June 30, 2003, 470,300 of the authorised and unissued Ordinary Shares were reserved for issue pursuant to subscription under options granted under the Company's share option plans.

The Company maintains a Bermuda Employee Share Option Plan, the Bermuda Plan and a United Kingdom Employee Share Option Plan, the U.K. Plan. Under the terms of the plans, the exercise price for the 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 exceed seven per cent of the issued share capital of the Company. No consideration is payable for the grant of an option. The exercise prices for the options are reduced by any dividends declared after the date of grant.

Under the Bermuda Plan, options may be granted to any director or employee of the Company or any subsidiary. Options are only exercisable during a maximum period of nine years following the first anniversary date of the grant or upon the termination of the option holder from employment with the Company.

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

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

The Company is indirectly controlled by another corporation (see below). The following table presents certain information regarding the current ownership of the Ordinary Shares with respect to (i) each person who is known by the Company to own more than five per cent of the Company's outstanding Ordinary Shares; and (ii) all directors and officers as a group as of June 30, 2003.

	Ordinary Shares	
Owner	Amount	Per cent
Hemen Holding Ltd. and associated companies (1)	35,079,053	47.74%
All Directors and Officers as a group (nine persons) (2)	35,324,044	48.08%

(1) Hemen Holding Ltd. is a Cyprus holding company indirectly controlled by Mr. John Fredriksen, who is the Chairman and Chief Executive Officer of the Company.
(2) Includes Ordinary Shares held by Hemen Holding Ltd. and associated companies indirectly controlled by Mr. John Fredriksen.

At both June 2002 and June 2001 Hemen Holding Ltd. and associated companies held 45.22% of the Company's Ordinary Shares.

The Company's major shareholders have the same voting rights as other shareholders of the Company.

As at April 30, 2003, 3,406,409 of the Company's Ordinary Shares were held by 36 holders of record in the United States.

No corporation or foreign government owns more than 50% of the Company's outstanding Ordinary Shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

B. RELATED PARTY TRANSACTIONS

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

In February 2001, the Company acquired newbuilding contracts for the construction and purchase of three VLCC tankers at the Hitachi shipyard in Japan for delivery in 2002 from Seatankers, a company affiliated with Hemen. These contracts were acquired for the original contract price of $72 million each plus $0.5 million per contract. The first two of the newbuildings were delivered in 2002.

In the years ended December 31, 2002 and 2001, Frontline provided services to Seatankers. These services include management support and administrative services including services to a newbuilding project known as the Uljanik Project. In the years ended December 31, 2002 and 2001, the Company has earned management fee income from Seatankers of $253,762 and $277,855, respectively. As at December 31, 2002 and 2001 amounts of $141,359 and $314,923, respectively were due from Seatankers in respect of these fees and for the reimbursement of costs incurred on behalf of Seatankers.

In the year ended December 31, 2002, Frontline has provided management support and administrative services to Osprey. In the year ended 31 December 2002 management fees of $42,000 have been earned from Osprey and as at December 31, 2002 an amount of $18,000 was due from Osprey in respect of these fees and for the reimbursement of costs incurred on the Company's behalf by Osprey. At December 31, 2002, an amount of $103,838 was due to Osprey in respect of Tankers pool distributions due to Osprey that were received by the Company.

In the years ended December 31, 2002 and 2001, Frontline has provided services to Golar LNG Limited. Osprey, which is controlled by World Shipholding, holds 50.01 per cent of Golar LNG. The services provided include management support, corporate services and administrative services. In the years ended 31 December 2002 and 2001, management fees from Golar LNG of $391,153 and $258,960, respectively have been earned by the Company. As at December 31 2002 and 2001, an amount of $86,343 and $547,966, respectively were due from Golar LNG in respect of these fees and for the reimbursement of costs incurred on behalf of Golar LNG.

In the year ended December 31, 2002, Frontline has provided management support and administrative services to Northern Offshore Limited, Northern Offshore is controlled by Osprey. In the year ended 31 December 2002 management fees of $173,724 have been earned from Northern Offshore and as at December 31, 2002 an amount of $31,071 was due from Northern Offshore.

C. INTERESTS OF EXPERTS AND COUNSEL

Not Applicable

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18.

Legal Proceedings

The Company is a party, as plaintiff or defendant, to several lawsuits in various jurisdictions for demurrage, damages, off-hire and other claims and commercial disputes arising from the operation of its vessels, in the ordinary course of business or in connection with its acquisition activities. The Company's management believes that the resolution of such claims will not have a material adverse effect on the Company's operations or financial condition.

Dividend Policy

Prior to May 2001, the Company had not paid regular quarterly or annual dividends since 1997 and it had been the Company's policy since that time to pay dividends only when considered appropriate by the Company's Board of Directors. On May 8, 2001, the Company announced a dividend of $1.00 per share, payable to holders of record as of May 21, 2001 and has paid the following dividends in 2001, 2002 and 2003.

Record Date	Payment Date	Amount per Share
May 21, 2001	June 7, 2001	$1.00
August 23, 2001	September 5, 2001	$0.40
November 22, 2001	December 5, 2001	$0.10
March 13, 2002	March 20, 2002	$0.20
May 31, 2002	June 12, 2002	$0.05
March 10, 2003	March 24, 2003	$0.15
May 20, 2003	June 6, 2003	$1.00

On May 8, 2003, the Company announced that it was seeking to adopt a policy that provided a more predictable minimum dividend stream and has consequently adopted a dividend policy whereby the Company will seek to have a future quarterly dividend of $0.25 per share, equivalent to $1.00 per share per annum. On May 8, 2003 the Company also announced a dividend of $1.00 per share, representing a $0.25 ordinary dividend and a $0.75 special dividend, payable June 6, 2003. On June 9, 2003 the Company announced a special dividend of $1.00 per share, payable July 7, 2003.

The timing and amount of dividends, if any, is at the discretion of the Company's Board of Directors and will depend upon the Company's results of operations, financial condition, cash requirements, restrictions in financing arrangements and other relevant factors.

B. SIGNIFICANT CHANGES

Not Applicable

ITEM 9. THE OFFER AND LISTING

Not applicable except for Item 9.A. 4. and Item 9. C.

The Company's Ordinary Shares are traded on the New York Stock Exchange ("NYSE"), the Oslo Stock Exchange ("OSE") and on the London Stock Exchange ("LSE") under the symbol "FRO".

The Company's ADSs, each of which represents one Ordinary Share, were traded on the Nasdaq National Market under the symbol "FRONY" until August 3, 2001 when the ADSs were delisted. In March 2001 the Company announced its intention to list the Ordinary Shares on the New York Stock Exchange and in July 2001 gave notice of termination of the ADR program to the Bank of New York as Depositary. The ADR program was terminated on October 5, 2001. The Company's Ordinary Shares began trading on the NYSE on August 6, 2001.

The New York Stock Exchange is the Company's "primary listing". As an overseas company with a secondary listing on the LSE, the Company is not required to comply with certain listing rules applicable to companies with a primary listing on the LSE. The listing on the OSE is also a secondary listing. The Company's Ordinary Shares have been thinly traded on the London Stock Exchange since 1999.

The following table sets forth, for the five most recent fiscal years, the high and low prices for the Ordinary Shares on the NYSE and OSE and the high and low

prices for the ADSs as reported by the Nasdaq National Market.

	NYSE		OSE		NASDAQ	
	High	Low	High	Low	High	Low
Fiscal year ended December 31						
2002	$13.05	$3.19	NOK 108.50	NOK 25.90	--	--
2001	$15.45	$6.55	NOK 215.50	NOK 59.50	$24.50	$11.563
2000	--	--	NOK 164.00	NOK 37.00	$18.250	$3.938
1999	--	--	NOK 45.00	NOK 16.00	$4.250	$3.000
1998	--	--	NOK 92.00	NOK 8.00	$14.500	$3.125

The following table sets forth, for each full financial quarter for the two most recent fiscal years, the high and low prices of the Ordinary Shares on the NYSE and the OSE, and the high and low prices for the ADSs as reported by the Nasdaq National Market.

	NYSE		OSE		NASDAQ	
	High	Low	High	Low	High	Low
Fiscal year ended December 31, 2002						
First quarter	$12.50	$9.05	NOK 108.50	NOK 81.50	--	--
Second quarter	$13.05	$8.79	NOK 108.50	NOK 64.00	--	--
Third quarter	$9.76	$3.19	NOK 73.50	NOK 25.90	--	--
Fourth quarter	$9.41	$4.06	NOK 69.00	NOK 28.50	--	--
Fiscal year ended December 31, 2001						
First quarter	--	--	NOK 159.50	NOK 104.00	$18.188	$11.563
Second quarter	--	--	NOK 215.50	NOK 157.00	$24.50	$17.00
Third quarter	$15.45	$8.85	NOK 176.00	NOK 78.50	$19.05	$14.35
Fourth quarter	$10.50	$6.55	NOK 93.00	NOK 59.50	--	--

The following table sets forth, for the most recent six months, the high and low prices for the Ordinary Shares on the NYSE and OSE.

	NYSE		OSE	
	High	Low	High	Low
May 2003	$14.80	$10.00	NOK 100.00	NOK 69.50
April 2003	$12.51	$10.50	NOK 93.00	NOK 73.50
March 2003	$11.70	$9.75	NOK 86.00	NOK 71.50
February 2003	$10.89	$8.93	NOK 76.00	NOK 61.50
January 2003	$12.54	$9.14	NOK 87.50	NOK 61.00
December 2002	$9.41	$6.90	NOK 69.00	NOK 49.60

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not Applicable

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum of Association of the Company has previously been filed as Exhibit 3.1 to the Company's Registration Statement on Form F-1, (Registration No. 33-70158) filed with the Securities and Exchange Commission on October 13, 1993, and is hereby incorporated by reference into this Annual Report.

On October 26, 2001, the Company adopted revised Bye-laws. These Amended and Restated Bye-Laws of the Company as adopted by shareholders on October 26, 2001 are filed as Exhibit 1.4 to the Company's Annual Report on Form 20-F for the year ended December 31, 2001.

The action necessary to change the rights of holders of the stock and the conditions governing the manner in which annual general meetings and extraordinary meetings if shareholders are invoked, including the conditions of admission, are described in the Company's Bye-laws.

The Company's Bye-laws contain certain restrictions with respect to the registration of shares which are summarised below:

(i) The Board may decline to register the transfer of any share held through the Verdipapirsentralen, or VPS, the computerised central share registry maintained in Oslo, Norway, for bodies corporate whose shares are listed for trading on the OSE, if the registration of such transfer would be likely, in the opinion of the Board, to result in fifty per cent or more of the aggregate issued share capital of the Company or shares of the Company to which are attached fifty per cent or more of the votes attached to all outstanding shares of the Company being held or owned directly or indirectly, (including, without limitation, through the VPS) by a person or persons resident for tax purposes in Norway (or such other jurisdiction as the Board may nominate from time to time).

(ii) If fifty per cent or more of the aggregate issued share capital of the Company or shares to which are attached fifty per cent or more of the votes attached to all outstanding shares of the Company are found to be held or owned directly or indirectly (including, without limitation, through the VPS) by a person or persons resident for tax purposes in Norway (or such other jurisdiction as the Board may nominate from time to time), other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in the VPS, the Board shall make an announcement to such effect through the OSE, and the Board and the Registrar shall thereafter be entitled and required to dispose of such number of shares of the Company or interests therein held or owned by such persons as will result in the percentage of the aggregate issued share capital of the Company held or owned as aforesaid being less than fifty per cent.

The Company has in place a Shareholders Rights Plan that would have the effect of delaying, deferring, preventing a change in control of the Company. The Shareholders Rights Plan has been filed as part of the Form 8-A filed with the Securities and Exchange Commission on December 9, 1996, and is hereby incorporated by reference into this Annual Report.

C. MATERIAL CONTRACTS

None

D. EXCHANGE CONTROLS

The Company is classified by the Bermuda Monetary Authority as a non-resident of Bermuda for exchange control purposes.

The transfer of Ordinary Shares between persons regarded as resident outside Bermuda for exchange control purposes may be effected without specific consent under the Exchange Control Act of 1972 and regulations thereunder and the issuance of Ordinary Shares to persons regarded as resident outside Bermuda for exchange control purposes may be effected without specific consent under the Exchange Control Act of 1972 and regulations thereunder. Issues and transfers of

Ordinary Shares involving any person regarded as resident in Bermuda for exchange control purposes require specific prior approval under the Exchange Control Act of 1972.

The owners of Ordinary Shares who are ordinarily resident outside Bermuda are not subject to any restrictions on their rights to hold or vote their shares. Because the Company has been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on its ability to transfer funds in and out of Bermuda or to pay dividends to U.S. residents who are holders of Ordinary Shares, other than in respect of local Bermuda currency.

As an "exempted company", the Company is exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudians.

E. TAXATION

Bermuda currently imposes no tax (including a tax in the nature of an income, estate duty, inheritance, capital transfer or withholding tax) on profits, income, capital gains or appreciations derived by, or dividends or other distributions paid to U.S. Shareholders of Ordinary Shares. Bermuda has undertaken not to impose any such Bermuda taxes on U.S. Shareholders of Ordinary Shares prior to the year 2016 except in so far as such tax applies to persons ordinarily resident in Bermuda.

There is no income tax treaty between the United States and Bermuda pertaining to the taxation of income except in the case of insurance enterprises. There also is no estate tax treaty between the United States and Bermuda.

F. DIVIDENDS AND PAYING AGENTS

Not Applicable

G. STATEMENT BY EXPERTS

Not Applicable

H. DOCUMENTS ON DISPLAY

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements the Company files reports and other information with the Securities and Exchange Commission. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the Commission at its principal office in Washington, D.C. 20549. The SEC maintains a website (http://www.sec.gov.) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, documents referred to in this annual report may be inspected at the Company's headquarters at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda.

I. SUBSIDIARY INFORMATION

Not Applicable

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various market risks, including interest rates, spot market rates for vessels and foreign currency fluctuations. The Company uses interest rate swaps to manage interest rate risk. The Company has entered into

forward freight agreements and futures for trading purposes in order to manage its exposure to the risk of movements in the spot market for certain trade routes and, to some extent, for speculative purposes. The Company has not entered into any other derivative instruments for speculative purposes.

The exposure to interest rate risk relates primarily to its debt and related interest rate swaps. The majority of this exposure is the floating rate debt, which totalled $1,424.9 million at December 31, 2002 (2001: $1,348.6 million). The Company has entered into interest rate swap agreements to manage its exposure with interest rates by locking in fixed interest rates from floating rates. At December 31, 2002, there were eight swaps with a total notional principal of $352.7 million (2001 - eight swaps with notional principal of $362.8 million). The swap agreements have various maturity dates from February 2003 to August 2008, and the Company would have an expense of $4.1 million if it were to terminate the agreements as of December 31, 2002 (2001 - expense of $4.9 million). The maximum exposure to the interest rate fluctuations is $1,072.2 million at December 31, 2002 (2001: $985.8 million). A one per cent change in interest rates would increase (decrease) the interest expense by $10.7 million per year as of December 31, 2002 (2001: $9.8 million).

The fair market value of the fixed rate debt on the balance sheet was $13.3 million as of December 31, 2002 (2001: $33.5 million). If the interest rate was to increase (decrease) by one per cent with all other variables remaining constant, the market value of the fixed rate debt would decrease (increase) by approximately $0.1million (2001: $0.6 million).

In September 2001 the Company established a facility for a Stock Indexed Total Return Swap Programme or Equity Swap Line with BNS, whereby the latter acquires shares in the Company and the Company carries the risk of fluctuations in the share price of those acquired shares. BNS is compensated at their cost of funding plus a margin. At December 31, 2002 BNS had acquired a total of 2,695,000 shares under the Programme. A ten per cent change in the Company's share price would increase (decrease) the other financial items expense by $2.4 million as of December 31, 2002 (2001: $2.5 million).

Market risk in relation to forward freight agreements and futures exists to the extent that spot market fluctuations have a negative effect on the Company's cash flows and consolidated statements of operations. As at December 31, 2002, the notional principal amounts subject to such forward freight contracts and futures contracts was $31.3 million. A ten per cent change in the market rate would increase (decrease) other financial items expense by $3.4 million as of December 31, 2002.

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, which is the impact of adverse currency fluctuations in the translation of foreign operations and foreign assets and liabilities into U.S. dollars for the Company's consolidated financial statements. Certain of the Company's subsidiaries, and associated companies in which the Company has investments, have Yen denominated long-term debt and charter contracts denominated in Yen. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cashflows. At December 31, 2002, the Company had Yen denominated long-term debt, including capital leases, of (Y)13.1 billion and its share of Yen denominated long-term debt in associate companies was (Y)7.2 billion (2001 - (Y)25.7 billion and (Y)9.8 billion, respectively). The Company has not entered into forward contracts for either transaction or translation risk, which may have an adverse effect on the Company's financial condition and results of operations.

ITEM 12. DESCRIPTION OF SECURITIES

Not Applicable

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

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. In addition, in connection with the Amalgamation, the Company issued in the aggregate 47,212,536 rights to Frontline's shareholders (44,612,536 of which were attached to the Ordinary Shares issued and 2,600,000 of which were attached to the Ordinary Shares underlying the New Warrants issued). The rights generally may not detach from the related Ordinary Shares. 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. The Plan was amended as of October 29, 1997 to provide that Frontline's purchase of Ordinary Shares pursuant to its tender offer in connection with its acquisition of LOF would not result in the rights becoming exercisable.

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 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% 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.

In connection with the Company's one-for-ten reverse stock split in October 1998, the rights were adjusted pursuant to the Plan, so that there are currently ten rights attached to each outstanding Ordinary Share.

ITEM 15. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Within the 90 days prior to the date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule

13a-14. Based upon that evaluation, the principal executive officers and principal financial officers concluded that the Company's disclosure controls and procedures are effective in alerting them timely to material information relating to the Company required to be included in the Company's periodic SEC filings.

(b) Changes in internal controls

There have been no significant changes in our internal controls or in other factors that could have significantly affected those controls subsequent to the date of our most recent evaluation of internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 16. RESERVED

PART III

ITEM 17. FINANCIAL STATEMENTS

Not Applicable

ITEM 18. FINANCIAL STATEMENTS

The following financial statements listed below and set forth on pages F-1 through F-35 are filed as part of this annual report:

Financial Statements for Frontline Ltd.

Index to Consolidated Financial Statements	F-1
Report of Independent Auditors	F-2
Report of Independent Accountants	F-3
Report of Independent Accountants	F-4
Consolidated Statements of Operations for the years ended December 31, 2002, 2001 and 2000	F-5
Consolidated Balance Sheets as of December 31, 2002 and 2001	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 2002, 2001 and 2000	F-7
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2002, 2001 and 2000	F-8
Notes to Consolidated Financial Statements	F-9

Report of Independent Auditors

To the Board of Directors
and Stockholders of Frontline Ltd.

In our opinion, based on our audit and the report of other auditors, the accompanying consolidated balance sheet and the related consolidated statements of operations, cash flows and changes in stockholders' equity present fairly, in all material respects, the financial position of Frontline Ltd. and its

subsidiaries at December 31, 2002 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Golden Ocean Group Limited, a wholly-owned subsidiary, which statements reflect total assets of $87.9 million at December 31, 2002 and total revenues of approximately $22.3, million for the year ended December 31, 2002. The financial statements of Golden Ocean Group Limited were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Golden Ocean Group Limited, is based solely on the report of the other auditors. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements the company adopted Statement of Financial Accounting Standard No. 142 on January 1, 2002. As discussed in Note 27 to the financial statements, the Company adopted Statement of Financial Accounting Standard No. 144 on January 1, 2002.

PricewaterhouseCoopers
Hamilton, Bermuda

June 24, 2003, except for Notes 3, 27 and 28 for which the date is July 14, 2003

Report of Independent Accountants

To the Board of Directors
and Stockholders of Frontline Ltd.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows and changes in stockholders' equity present fairly, in all material respects, the financial position of Frontline Ltd. and its subsidiaries at December 31, 2001 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Golden Ocean Group Limited, a wholly-owned subsidiary, which statements reflect total assets of approximately $283.9 and $535.1 million at December 31, 2001 and 2000 and total revenues of approximately $82.1 and $23.1 million for the period ended December 31, 2001 and for the period from October 10, 2000 (date of acquisition) to December 31, 2000. The financial statements of Golden Ocean Group Limited were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Golden Ocean Group Limited, is based solely on the report of the other auditors. The report of the auditors of Golden Ocean Group Limited includes an explanatory paragraph regarding substantial doubt about Golden Ocean Group Limited's ability to continue as a going concern. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit

to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for drydocking costs in 2001.

PricewaterhouseCoopers DA

Oslo, Norway
June 28, 2002, except for Note 27 for which the date is July 14, 2003

Golden Ocean Group Limited
Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GOLDEN OCEAN GROUP LIMITED

We have audited the accompanying consolidated balance sheets of Golden Ocean Group Limited and subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2002 and 2001 and the period from October 10, 2000 to December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Golden Ocean Group Limited and subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years ended December 31, 2002 and 2001 and the period from October 10, 2000 to December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 20 to the financial statements, the Company ceased accruing drydock costs with effect from January 1, 2001

Moore Stephens
Chartered Accountants
London, England
February 19, 2003

Frontline Ltd.
Consolidated Statements of Operations for the years ended
December 31, 2002, 2001 and 2000
(in thousands of $, except per share data)

	2002	2001 (restated)	20 (restate
Operating revenues			
Time charter revenues	30,385	44,655	27,0
Bareboat charter revenues	31,924	32,016	8,7
Voyage charter revenues	489,286	639,807	656,9
Voyage expenses and commission	(135,074)	(88,292)	(97,3
Net operating revenues	416,521	628,186	595,4
Gain (loss) on sale of assets	(1,228)	35,620	1,1
Operating expenses			
Ship operating expenses	109,286	116,291	86,8
Charterhire expenses	60,634	41,858	34,3
Administrative expenses	12,806	13,012	9,3
Total operating expenses	182,726	171,161	130,5
Net operating income before depreciation and amortisation	232,567	492,645	466,0
Depreciation and amortisation	136,891	117,225	91,7
Net operating income after depreciation and amortisation	95,676	375,420	374,2
Other income (expenses)			
Interest income	13,042	12,951	6,8
Interest expense	(71,311)	(89,952)	(95,6
Share in results from associated companies	(10,711)	22,317	12,8
Foreign currency exchange gain (loss)	(10,932)	15,524	7,8
Other financial items, net	(8,614)	(5,709)	(2
Net other expenses	(88,526)	(44,869)	(68,3
Net income from continuing operations before income taxes	7,150	330,551	305,9
Income taxes	(22)	444	
Net income from continuing operations before cumulative effect of change in accounting principle	7,172	330,107	305,9
Discontinued operations	(1,929)	21,076	7,9
Cumulative effect of change in accounting principle	(14,142)	31,545	
Net (loss) income	(8,899)	382,728	313,8
Earnings (loss) per share:			
Basic earnings per share from continuing operations before cumulative effect of change in accounting principle	$0.09	$4.30	$4.
Diluted earnings per share from continuing operations before cumulative effect of change in accounting principle	$0.09	$4.29	$4.
Basic earnings per share before cumulative effect of change in accounting principle	$0.07	$4.57	$4.
Diluted earnings per share before cumulative effect of change in accounting principle	$0.07	$4.56	$4.
Basic earnings per share	$(0.12)	$4.99	$4.
Diluted earnings per share	$(0.12)	$4.98	$4.

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

Frontline Ltd.
Consolidated Balance Sheets as of December 31, 2002 and 2001
(in thousands of $)

	2002	2001
ASSETS		
Current Assets		
Cash and cash equivalents	92,078	178,176
Restricted cash	8,220	11,101
Marketable securities	42	1,159
Trade accounts receivable	37,091	55,157
Other receivables	10,898	4,920
Inventories	28,723	11,310
Voyages in progress	49,221	8,293
Prepaid expenses and accrued income	6,342	3,391
Derivative instruments receivable amounts	390	4,411
Total current assets	233,005	277,918
Newbuildings and vessel purchase options	27,405	102,781
Vessels and equipment, net	2,373,239	2,196,959
Vessels and equipment under capital lease, net	264,902	317,208
Investment in associated companies	119,329	109,898
Deferred charges	5,659	5,061
Other long-term assets	11,204	9,900
Goodwill	--	14,049
Total assets	3,034,743	3,033,774
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Short-term debt and current portion of long-term debt	167,807	227,597
Current portion of obligations under capital leases	13,164	17,127
Trade accounts payable	7,717	6,994
Accrued expenses	40,324	35,543
Deferred charter revenue	1,067	1,567
Mark to market valuation of derivatives	17,442	14,723
Other current liabilities	12,300	11,505
Total current liabilities	259,821	315,056
Long-term liabilities		
Long-term debt	1,277,665	1,164,354
Obligations under capital leases	259,527	283,663
Other long-term liabilities	10,757	11,478
Total liabilities	1,807,770	1,774,551
Commitments and contingencies		
Minority interest	--	6,822
Stockholders' equity		
Share capital	191,166	191,019
Additional paid in capital	552,241	552,166
Accumulated other comprehensive loss	(9,498)	(11,864)
Retained earnings	493,064	521,080

Total stockholders' equity	1,226,973	1,252,401
Total liabilities and stockholders' equity	3,034,743	3,033,774

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

Frontline Ltd.
Consolidated Statements of Cash Flows for the years ended
December 31, 2002, 2001 and 2000
(in thousands of $)

	2002	2001	
Operating activities			
Net income (loss)	(8,899)	382,728	313
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortisation	139,855	121,725	92
Amortisation of deferred charges	2,299	2,233	1
(Gain) loss from sale of assets	4,337	(35,620)	(1
Share in results from associated companies	10,711	(22,321)	(12
Unrealised foreign exchange gain	14,176	(29,148)	(14
Change in accounting principle	14,142	(32,339)	
Adjustment of derivatives to market value	7,495	5,404	
Other, net	1,968	(2,297)	(1
Changes in operating assets and liabilities, net of effect of acquisitions:			
Trade accounts receivable	18,066	40,612	(80
Other receivables	(6,118)	25,921	(19
Inventories	(17,413)	(120)	3
Voyages in progress	(40,928)	13,966	(7
Prepaid expenses and accrued income	(2,951)	4,979	(1
Trade accounts payable	723	1,290	(7
Accrued expenses	4,781	(5,234)	2
Deferred charter revenue	(500)	(1,010)	(2
Provisions for drydocking	--	--	6
Other, net	281	6,838	
Net cash provided by operating activities	142,025	477,607	271
Investing activities			
Maturity (placement) of restricted cash	2,881	1,479	(4
Additions to newbuildings, vessels and equipment	(376,844)	(386,130)	(435
Proceeds from sale of vessels and equipment	177,902	400,111	1
Acquisition of businesses (net of cash acquired)	--	(64,656)	(41
Investment in associated companies	(21,790)	(60,003)	(3
Investment in marketable securities	--	--	
Investment in debt	--	--	(38
Dividends received from associated companies	1,780	2,314	2
Purchase of minority interest	(6,822)	--	(12
Proceeds from sales of other assets	--	3,103	25
Net cash provided by (used in) investing activities	(222,893)	(103,782)	(508
Financing activities			

Proceeds from long-term debt	383,828	324,890	384
Repayments of long-term debt and debentures	(341,959)	(460,725)	(209
Payment of obligations under capital leases	(24,671)	(10,337)	(1
Debt fees paid	(3,534)	(1,459)	(2
Cash dividends paid	(19,117)	(115,206)	
Repurchase of shares and warrants	--	(44,814)	
Proceeds from issuance of equity	223	8,488	104
Net cash (used in) provided by financing activities	(5,230)	(299,163)	275
Net increase (decrease) in cash and cash equivalents	(86,098)	74,662	38
Cash and cash equivalents at beginning of year	178,176	103,514	65
Cash and cash equivalents at end of year	92,078	178,176	103
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalised interest	73,161	96,202	92
Income taxes paid	2,203	11	

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

Frontline Ltd.
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2002, 2001 and 2000
(in thousands of $, except number of shares)

	2002	2001	2000
NUMBER OF SHARES OUTSTANDING			
Balance at beginning of year	76,407,566	78,068,811	60,961,860
Shares issued	59,000	546,055	19,256,967
Shares bought back	--	(2,207,300)	(2,150,016)
Balance at end of year	76,466,566	76,407,566	78,068,811
SHARE CAPITAL			
Balance at beginning of year	191,019	195,172	152,405
Shares issued	147	1,365	48,142
Shares bought back	--	(5,518)	(5,375)
Balance at end of year	191,166	191,019	195,172
ADDITIONAL PAID IN CAPITAL			
Balance at beginning of year	552,166	576,677	462,474
Shares issued	75	7,123	134,005
Shares bought back and warrants exercised or expired	--	(31,634)	(19,802)
Balance at end of year	552,241	552,166	576,677
WARRANTS AND OPTIONS			
Balance at beginning of year	--	7,662	9,333
Options and warrants exercised or expired	--	(7,662)	(1,671)
Balance at end of year	--	--	7,662

ACCUMULATED OTHER COMPREHENSIVE LOSS			
Balance at beginning of year	(11,864)	(3,579)	(6,603)
Other comprehensive income (loss)	2,366	(8,285)	3,024
Balance at end of year	(9,498)	(11,864)	(3,579)
RETAINED EARNINGS			
Balance at beginning of year	521,080	253,558	(60,309)
Net income (loss)	(8,899)	382,728	313,867
Dividends paid	(19,117)	(115,206)	--
Balance at end of year	493,064	521,080	253,558
Total Stockholders' Equity	1,226,973	1,252,401	1,029,490
COMPREHENSIVE INCOME (LOSS)			
Net income (loss)	(8,899)	382,728	313,867
Unrealised holding gains (losses)	1,553	(8,255)	3,138
Foreign currency translation and other	813	(30)	(114)
Other comprehensive income (loss)	2,366	(8,285)	3,024
Comprehensive income (loss)	(6,533)	374,443	316,891

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

1. GENERAL

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

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

In September 1997, Frontline initiated an amalgamation (the "Amalgamation")

with London & Overseas Freighters Limited ("LOF"). This process was completed in May 1998. In the business combination, which left LOF as the surviving company, Frontline's shareholders exchanged Frontline shares for LOF shares and LOF was subsequently renamed Frontline Ltd. As a result of this transaction, Frontline became listed on the London Stock Exchange and on the NASDAQ National Market in addition to its listing on the Oslo Stock Exchange. LOF originally commenced operations in 1948 as a U.K. company ("LOF plc") and was listed on the London Stock Exchange in 1950. LOF was incorporated under the laws of Bermuda on June 12, 1992 for the purpose of succeeding to the business of LOF plc. On August 3, 2001 the Company delisted its ADSs from the Nasdaq National Market and the ADR program was terminated on October 5, 2001. The Company's ordinary shares were listed on the New York Stock Exchange on August 6, 2001.

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. In July 2002, the Company withdrew from Tankers and only the VLCCs in certain of the joint ventures to which the Company is a party, remain in the pool.

Business combinations and Acquisitions

ICB Shipping AB (publ)

In September 1997, Frontline made a public offer to acquire all of the shares of ICB Shipping AB (publ) ("ICB"). 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. The shares purchased 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. In the latter half of 1999 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 ICB consequently was 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.

Golden Ocean Group Limited

In October 2000, Frontline took control of Golden Ocean Group Limited ("Golden Ocean"), a shipping group which held interests in 14 VLCCs and 10 bulk carriers. On the same date Golden Ocean emerged from bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code.

In January 2000, Golden Ocean and its fellow subsidiaries, Golden Ocean Tankers Limited and Channel Rose Holdings Inc. (together the "Debtors") filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code with the Clerk of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). In July 2000, Frontline filed a proposed plan of reorganisation (the "Plan of Reorganisation") and disclosure statement (the "Disclosure Statement") with the Bankruptcy Court which set forth the manner in which claims against and equity interests in the Debtors would be treated. On August 4, 2000 the Bankruptcy Court approved Frontline's Disclosure Statement and on August 14, 2000 approved the appointment of Frontline as manager of Golden Ocean's operations with immediate effect. The Plan of Reorganisation was approved by an

overwhelming majority of holders of claims entitled to vote and was confirmed at a hearing on September 15, 2000.

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

Mosvold Shipping Limited

In April 2001, the Company announced an offer for all of the shares of Mosvold Shipping Limited ("Mosvold"), a Bermuda company whose shares were listed on the Oslo Stock Exchange. Through a combination of shares acquired and acceptances of the offer, Frontline acquired 97 per cent of the shares of Mosvold. The remaining 3 per cent of the shares of Mosvold were acquired during 2001 through a compulsory acquisition. Through the purchase of Mosvold the Company acquired two mid-70s built VLCCs and three newbuilding contracts for VLCCs. The two mid-70s built VLCCs have subsequently been sold by the Company. The first two of the newbuildings were delivered in 2002 and third is due for delivery in July 2003.

The total acquisition price paid for Mosvold was approximately $70.0 million and the acquisition has been accounted for using the purchase method. (See Note 24). Thirty employees of Mosvold were made redundant as the result of the acquisition by Frontline and severance costs of approximately $0.3 million were incurred by Mosvold in the year ended December 31, 2001. These severance costs are included in the statement of operations and not in the determination of the purchase price of Mosvold.

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, unless the Company is unable to control the investee. For the year ended December 31, 2000, Golden Ocean has been consolidated with effect from October 10, 2000. For the year ended December 31 2001, Mosvold has been consolidated with effect from May 15, 2001. 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 records its investments in equity-method investees on the consolidated balance sheets as "Investment in associated companies" and its share of the investees' earnings or losses in the consolidated statements of operations as "Share in results from associated companies". The excess, if any, of the purchase price over the book value basis of the Company's investment in an equity method investee is included in the accompanying consolidated balance sheets in "Investment in associated companies". Two companies in which the Company owns 50.1 per cent have been accounted for

using the equity method as the Company is not able to exercise control.

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' estimated remaining economic useful lives. The estimated economic useful life of the Company's double hull vessels is 25 years and for single hull vessels is either 25 years or the vessel's anniversary date in 2017, whichever comes first. Other equipment is depreciated over its estimated remaining useful life, which approximates five years.

With effect from April 2001, the International Maritime Organisation implemented new regulations that result in the accelerated phase-out of single hull vessels. As a result of this, the Company has re-evaluated the estimated useful life of its single hull vessels and determined this to be either 25 years or the vessel's anniversary date in 2017 whichever comes first. As a result, the estimated useful lives of six of the Company's vessels were reduced in the fourth quarter of 2001. A change in accounting estimate was recognised to reflect this decision, resulting in an increase in depreciation expense and consequently decreasing net income by $0.5 million and basic and diluted earnings per share by $0.01, for 2001.

Vessels and equipment under capital lease

The Company bareboat charters in certain vessels under agreements that are classified as capital leases. Depreciation of vessels under capital lease is included within depreciation and amortisation expense in the Statement of Operations. Vessels under capital lease are depreciated on a straight-line basis over the vessels' remaining economic useful lives, based on a 25 year useful life, or on a straight-line basis over the term

of the lease. The method applied is determined by the criteria by which the lease has been assessed to be a capital lease.

Newbuildings and vessel purchase options

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

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

Impairment of long-lived assets

The carrying value of long-lived assets that are held and used by the Company are reviewed whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount and fair value less estimated costs to sell.

Deferred charges

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

Revenue and expense recognition

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

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

revenue and expenses principles stated above are applied in determining the pool net operating revenues.

Drydocking provisions

Normal vessel repair and maintenance costs are charged to expense when incurred.

In 2001, the Company changed its accounting policy for drydockings. Prior to 2001, provisions for future drydockings were accrued and charged to expense on a pro-rata basis over the period to the next scheduled drydockings. Effective January 1, 2001 the Company recognises the cost of a drydocking at the time the drydocking takes place, that is it applies the "expense as incurred" method. The expense as incurred method is considered by management to be a more reliable method of recognising drydocking costs as it eliminates the uncertainty associated with estimating the cost and timing of future drydockings. The cumulative effect of this change in accounting principle is shown separately in the consolidated statements of operations for the year ended December 31, 2001 and resulted in a credit to income of $31.5 million in 2001. The cumulative effect of this change as of January 1, 2001 on the Company's consolidated balance sheet was to reduce total liabilities by $32.3 million.

Assuming the "expense as incurred" method had been applied retroactively, the pro forma income and earnings per share before cumulative effect of change in accounting principle for 2000 would have been as follows:

(in thousands of $)	2000
Net income (loss) as previously reported	313,867
Pro forma effect of retroactive application of change in accounting principle	6,281
Pro forma net income (loss)	320,148
Basic earnings per share as previously reported	$4.28
Diluted earnings per share as previously reported	$4.27
Pro forma effect of retroactive application of change in accounting principle	$0.09
Pro forma basic earnings per share	$4.37
Pro forma diluted earnings per share	$4.36

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 until December 31, 2001 was being amortised over a period of approximately 17 years. As of January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") and recorded an impairment charge of $14.1 million for the unamortised goodwill on that date that is shown separately in the consolidated statement of operations as a cumulative effect of change in accounting principle. The valuation of the fair value of the reporting unit used to assess the recoverability of goodwill, was a combination of independent third party valuations and the quoted market price of the Company's shares. Supplemental comparative disclosure as if this accounting change had been retroactively applied is as follows:

(in thousands of $, except per share data)	2002	2001	2000
Net income (loss)			
As reported	(8,899)	382,728	313,867
Goodwill amortisation	--	764	1,090
Adjusted net income (loss)	(8,899)	383,492	314,957
Basic earnings (loss) per share			
As reported	$(0.12)	$4.99	$4.28
Goodwill amortisation	$ --	$0.01	$0.01
Adjusted basic earnings (loss) per share	$(0.12)	$5.00	$4.29
Diluted earnings (loss) per share			
As reported	$(0.12)	$4.98	$4.27
Goodwill amortisation	$ --	$0.01	$0.01
Adjusted diluted earnings (loss) per share	$(0.12)	$4.99	$4.28

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. As of January 1, 2001, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS 133"). Certain hedge relationships met the hedge criteria prior to SFAS 133, but do not meet the criteria for hedge accounting under SFAS 133. The Company adopted SFAS 133 in the first quarter of fiscal year 2001 and upon initial adoption recorded certain transition adjustments resulting in recognising the fair value of its derivatives as assets of $0.4 million and liabilities of $0.6 million. A gain of $0.3 million was recognised in income and a charge of $0.5 million made to other comprehensive income. On January 1, 2002, the Company discontinued hedge accounting for two interest rate swaps previously counted for as cash flow hedges. This resulted in a balance of $4.1 million being frozen in accumulated other comprehensive income as at that date and this will be reclassified to the income statement over the life of the underlying hedged instrument.

Pre-SFAS 133 Adoption

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. When hedge accounting is applied, the differential between the derivative and the underlying hedged item is accrued as interest rates change and recognized as an adjustment to interest expense. The related amount receivable from or payable to counterparties is included in accrued interest income or expense, respectively. Prior to January 1, 2001, the fair values of the interest rate swaps are not recognized in the financial statements.

If a derivative ceases to meet the criteria for hedge accounting, any subsequent gains and losses are currently recognized 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 recognized 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 amortized over its remaining useful life.

Post-SFAS 133 Adoption

SFAS 133, as amended by SFAS 137 "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No.133" and SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133", requires an entity to recognize all derivatives as either assets or liabilities on the balance sheet and measure these instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In order to qualify for hedge accounting under SFAS 133, certain criteria and detailed documentation requirements must be met.

The Company has from time to time entered into forward freight contracts in order to hedge exposure to the spot market for certain trade routes and in some cases, for speculative purposes. 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 as assets or liabilities with the change in fair values recognised in the consolidated statements of operations.

The Company has established a facility for a Stock Indexed Total Return Swap Programme or Equity Swap Line (See Note 20) whereby the conterparty acquires shares in the Company, and the Company carries the risk of fluctuations in the share price of those acquired shares. The fair value of the Equity Swap is recognised as an asset or liability with the change in fair values recognised in the consolidated statements of operations.

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

Financial Instruments

In determining fair value of its financial instruments, the company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives and long-term debt, standard market conventions and techniques such as options pricing models are used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realised.

Foreign currencies

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

Transactions in foreign currencies during the year are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates

of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

Stock-based compensation

In accordance with Accounting Principles Board Opinion No. 25 ("APB 25") "Accounting for Stock Issued to Employees" the compensation cost for stock options is recognised as an expense over the service period based on the excess, if any, of the quoted market price of the stock at the grant date of the award or other measurement date, over the exercise price to be paid to acquire the stock.

In 2002 and 2001, the Company has recorded compensation expense of $0.5 million and $1.2 million, respectively in connection with share options issued in 2002 and prior years. The Company had previously recorded no compensation expense for the issuance of share options in 2000. 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 2002, 2001 and 2000:

(in thousands, except per share data)	2002	2001	2000
Net income (loss)			
As reported	(8,899)	382,728	313,867
Add: Compensation expenses as reported	481	1,184	--
Compensation expense determined under fair value based method for all awards	(1,711)	(1,314)	(49)
Adjusted net income (loss), fair value based method for all awards	(10,129)	382,598	313,818
Basic earnings (loss) per share			
As reported	$(0.12)	$4.99	$4.28
SFAS 123 adjusted	$(0.13)	$4.99	$4.28
Diluted earnings (loss) per share			
As reported	$(0.12)	$4.98	$4.27
SFAS 123 adjusted	$(0.13)	$4.98	$4.27

Earnings per share

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

3. RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2001, the FASB approved SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS No. 143 requires the fair value of a legal liability related to an asset retirement be recognized in the period in which it is incurred. The associated asset retirement costs must be capitalized as part of the carrying amount of the related long-lived asset and subsequently amortized to expense. Subsequent changes in the liability will result from the passage of time (interest cost) and revision to cash flow estimates. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002, effective January 1, 2003 for the Company. Management does not expect that the adoption of SFAS

No. 143 will have a material effect on the Company's results of operations or financial position.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force Issue No. 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Management does not expect that the adoption of SFAS No. 146 will have a material effect on the Company's results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure an amendment of FASB Statement No. 123". This Statement amends FASB Statement No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. This Statement also amends the disclosure provisions of FASB Statement No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This Statement also amends APB Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial statements. This statement is effective for fiscal years ending after December 15, 2002 and interim periods beginning after December 15, 2002. The Company does not expect the adoption of SFAS No. 148 to have a material effect on the Company's results of operations or financial position.

In November 2002, the FASB issued Interpretation 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The Interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under the guarantee and must disclose that information in its interim and annual financial statements. The provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor's obligations does not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The Company's disclosure of guarantees is included in Note 25 of the Notes to Financial Statements. The Company is currently evaluating the impact of Interpretation 45 on the Company's results of operations and financial position.

In January 2003, the FASB issued Interpretation 46, Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period

beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company has a number of arrangements which may be variable interest entities under the provisions of FIN 46. The company has entered into agreements to lease certain vessels. These five VLCCs are held by special purpose entities, which were established and are owned by independent third parties who provide financing through debt and equity participation. These leases are accounted for as operating leases, and the lease payments are charged to operating income. Under current accounting principles generally accepted in the United States, the assets and the related obligations are excluded from the consolidated balance sheet, and the special purpose entities are not consolidated. At December 31, 2002, the original cost to the lessor of the assets under such arrangements was approximately $360 million. Certain of these leases contain residual value guarantees that give the third party owners the option to put the vessel to the company. The price of these put options are significantly lower than the expected market value of the vessels on the exercise date however under FIN 46, certain conditions exist which may indicate these entities are variable interest entities. At December 31, 2002, the company's residual value guarantees associated with these leases, which represent the maximum exposure to loss, are $56.8 million. The Company has both an obligation and an option to purchase the VLCC Oscilla on expiry of a five-year time charter, which commenced in March 2000. Oscilla is owned and operated by an unrelated entity. If the Company has exercised its option at December 31, 2002, the cost to the Company of the Oscilla would have been approximately $57 million and the maximum exposure to loss is $18.6 million. On July 1, 2003, the Company's subsidiary Golden Ocean Group Limited, purchased a call option to acquire all of the shares of Independent Tankers Corporation ("ITC") from Hemen Holding Ltd, a related party, for a total consideration of $4.0 million plus 4 per cent interest per year. ITC operates a total of six VLCCs and four Suezmax tankers, which are on long-term charters to BP and Chevron. Golden Ocean paid $10.0 million for the option, which expires on July 1, 2010. The total book value of ITC's consolidated assets at December 31, 2002 was approximately $960 million and the Company's maximum exposure to loss is $10 million. The Company is in the process of making the determination as to whether the aforementioned arrangements are variable interest entities.

4. SEGMENT INFORMATION

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

Information about the Company's reportable segments as of and for each of the years ended December 31, 2002, 2001 and 2000 follows:

(in thousands of $)	Tankers	Dry Bulk Carriers	Total
2002			
Net operating revenues	405,668	10,597	416,265
Ship operating expenses	106,255	3,031	109,286
Depreciation and amortisation	133,486	3,331	136,817

Share in results from associated companies	9,855	856	10,711
Discontinued operations	--	1,929	1,929
Vessels and equipment, net	2,300,875	71,065	2,371,940
Vessels under capital lease	264,902	--	264,902
Investment in associated companies	119,328	--	119,328
Total assets	2,852,029	73,975	2,926,004
Expenditure for vessels	376,844	--	376,844

(in thousands of $)	Tankers	Dry Bulk Carriers	Total
2001			
Net operating revenues	614,961	13,225	628,186
Ship operating expenses	113,812	2,477	116,289
Depreciation and amortisation	112,200	3,331	115,5311
Share in results from associated companies	17,494	3,519	21,013
Discontinued operations	--	21,074	21,074
Vessels and equipment, net	2,121,356	74,396	2,195,752
Vessels under capital lease	213,320	103,887	317,207
Investment in associated companies	102,683	4,459	107,142
Total assets	2,776,814	185,751	2,962,565
Expenditure for vessels	396,841	--	396,841

(in thousands of $)	Tankers	Dry Bulk Carriers	Total
2000			
Net operating revenues	591,805	3,522	595,327
Ship operating expenses	85,868	522	83,390
Depreciation and amortisation	90,297	839	91,136
Share in results from associated companies	11,273	1,544	12,817
Discontinued operations	--	7,956	7,956
Vessels and equipment, net	2,176,303	77,727	2,254,030
Vessels under capital lease	--	108,387	108,387
Investment in associated companies	26,420	941	27,361
Total assets	2,451,589	192,808	2,644,397
Expenditure for vessels	468,575	--	468,575

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

(in thousands of $)	2002	2001	2000
Net operating revenues			
Total net operating revenues for reportable segments	416,265	628,186	595,327
Other net operating revenues	256	--	74
Total consolidated net operating revenues	416,521	628,186	595,401
Assets			
Total assets for reportable segments	2,926,004	2,962,565	2,644,397
Assets not attributed to segments	108,739	71,209	136,591
Total consolidated assets	3,034,743	3,033,774	2,780,988

==========

5. TAXATION

Bermuda

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

United States

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

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

Other Jurisdictions

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

The tax charge for the year comprises:

(in thousands of $)	2002	2001	2000
Current tax	(22)	444	41
Deferred tax	--	--	--
	(22)	444	41

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

(in thousands of $)	2002	2001
Deferred tax asset - non current	156	116
Pension liabilities	--	--
Tax loss carryforwards	5,828	11,207
Valuation allowance	(5,672)	(11,091)
Net deferred tax asset (liability)	--	--

As of December 31, 2002, 2001 and 2000, the Company had $20,815,000, $39,610,000 and $68,875,000 of net operating loss carryforwards, respectively. In 2002 and 2001, the tax loss carryforwards have been utilised to offset taxable income in Sweden. The loss carryforward can be utilised only against future taxable income for the respective subsidiary. Frontline AB accounts for a total of $19,385,000 as at December 31, 2002 and ICB Shipping AB accounts for a total of $1,212,000 as of December 31, 2002. These net operating losses do not have an expiration date. The Company's deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realised in the future.

6. EARNINGS PER SHARE

The computation of basic EPS is based on the weighted average number of shares outstanding during the year. The computation of diluted EPS assumes the foregoing and the exercise of stock options and warrants using the treasury stock method (see Note 21).

The components of the numerator for the calculation of basic EPS and diluted EPS for net income from continuing operations and net income are as follows:

(in thousands of $)	2002	2001	2000
Net income from continuing operations after tax before cumulative effect of change in accounting principle	7,172	330,107	305,910
Discontinued operations	(1,929)	21,076	7,957
Cumulative effect of change in accounting principle	(14,142)	31,545	--
Net income (loss) available to stockholders	(8,899)	382,728	313,867

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

(in thousands)	2002	2001	2000
Basic earnings per share:			
Weighted average number of ordinary shares outstanding	76,456	76,714	73,391
Diluted earnings per share:			
Weighted average number of ordinary shares outstanding	76,456	76,714	73,391
Warrants and stock options	52	181	173
	76,508	76,895	73,564

Basic EPS and diluted EPS for discontinued operations and basic EPS for the cumulative effect of change in accounting principle are as follows:

Basic and diluted earnings per share for discontinued operations	$(0.02)	$0.27	$0.11
Basic earnings per share for cumulative effect of change in accounting principle	$(0.19)	$0.42	$ -

7. LEASES

Rental expense

Charter hire payments to third parties for certain 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 $)

2003	66,639
2004	36,400
2005	36,958
2006	37,058
2007	18,551
2008 and later	--
Total minimum lease payments	195,606

Total rental expense for operating leases was $61,429,000, $42,376,000 and $34,823,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

Rental income

The minimum future revenues to be received on time charters, bareboat charters and other contractually committed income as of December 31, 2002 are as follows:

Year ending December 31,	Yen revenues	Dollar revenues		Total
(in thousands of(Y)and $)	(in(Y))	($ equivalent)		
2003	992,800	8,375	41,923	50,298
2004	995,520	8,398	35,741	44,139
2005	992,800	8,375	34,313	42,688
2006	992,800	8,375	31,003	39,378
2007	992,800	8,375	19,790	28,165
2008 and later	3,829,780	32,308	8,300	40,608
Total minimum lease revenues	8,796,500	74,206	171,070	245,276

The cost and accumulated depreciation of the vessels leased to a third party at December 31, 2002 were approximately $432.7 million and $37.2 million, respectively, and at December 31, 2001 were approximately $354.2 million and $14.6 million, respectively.

8. MARKETABLE SECURITIES

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

(in thousands of $)	2002	2001
Cost	51	1,874
Gross unrealised gain	--	2
Gross unrealised loss	(9)	(717)
Fair value	42	1,159

The net unrealised loss on marketable securities, including a component of foreign currency translation, included in comprehensive income increased by $6,000 for the year ended December 31, 2002 (2001 - increase in net unrealised loss of $1,010,000).

(in thousands of $)	2002	2001	2000
Proceeds from sale of available-for-sale securities	--	3,101	10,089
Realised gain (loss)	(984)	717	(1,186)

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

9. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are presented net of allowances for doubtful accounts amounting to $800,000 for each of the years ended December 31, 2002 and 2001, respectively.

10. OTHER RECEIVABLES

(in thousands of $)	2002	2001
Agent receivables	5,773	1,973
Due from related parties	179	--
Other receivables	4,946	2,947
	10,898	4,920

Other receivables are presented net of allowances for doubtful accounts amounting to $nil for each of the years ended December 31, 2002 and 2001.

11. NEWBUILDINGS AND VESSEL PURCHASE OPTIONS

(in thousands of $)	2002	2001
Newbuildings	19,035	94,411
Vessel purchase options	8,370	8,370
	27,405	102,781

The carrying value of newbuildings represents the accumulated costs to the balance sheet date, which the Company has paid by way of purchase installments, and other capital expenditures together with capitalised loan interest. Interest capitalised in the cost of newbuildings amounted to $1,902,000 and $3,035,000 in 2002 and 2001, respectively. The Company took delivery of five newbuildings during 2002.

The Company has both an obligation and an option to purchase the VLCC Oscilla on expiry of a five-year time charter, which commenced in March 2000. The purchase price is equal to the outstanding mortgage debt under four loan agreements between lenders and the vessel's owning company. As at December 31, 2002 the outstanding mortgage debt of the Oscilla's owning company amounted to $43,013,215 plus (Y)759,454,316 (equivalent to $6,406,735). (2001 - $44,372,526 plus (Y)763,259,970 (equivalent to $5,820,192). Included in this amount at December 31, 2002 is debt of $10,191,000 due to the Company (2001 - $9,103,000). The fair value assigned to this option and obligation in the purchase accounting for Golden Ocean was $8,370,000. The fair value was calculated at the time of purchase as the difference between the fair value of the vessel and the mortgage debt

outstanding.

12. VESSELS AND EQUIPMENT, NET

(in thousands of $)	2002	2001
Cost	3,117,687	2,692,512
Accumulated depreciation	744,448	(495,553)
Net book value at end of year	2,373,239	2,196,959

Included in the above amounts as at December 31, 2002 and 2001 is equipment with a net book value of $1,459,000 and $836,000, respectively. Depreciation expense for vessels and equipment was $139.9 million, $115.6 million and $90.7 million for the years ended December 31, 2002, 2001 and 2000, respectively, including amounts recorded in discontinued operations.

13. VESSELS UNDER CAPITAL LEASE, NET

At December 31 2002, the Company had four vessels under capital leases (2001 - eight vessels under capital lease, of which four were acquired by the Company and subsequently sold in 2002). These leases are for terms that range from eight to ten years. One of these vessels was sold by the Company in 2002 and leased back on a charter for a period of eight years with the option on the lessor's side to extend the charter for a further three years followed by a further two years. Three of the vessels under capital leases were sold by the Company in 2001 and leased back on charters each for a period of eight years with the option on the lessor's side to extend the charter for a further three years followed by a further two years. The Company has purchase options at certain specified dates and the lessor has options to put the vessels on the Company at the end of the lease terms for all of the four vessels under capital lease.

(in thousands of $)	2002	2001
Cost	282,325	323,659
Accumulated depreciation	(17,423)	(6,451)
Net book value at end of year	264,902	317,208

Depreciation expense for vessels under capital lease was $16.6 million, $5.3 million and $1.1 for the years ended December 31, 2002, 2001 and 2000, respectively.

The outstanding obligations under capital leases are payable as follows:

Year ending December 31, (in thousands of $)	
2003	33,359
2004	33,576
2005	34,479
2006	35,078
2007	35,077
2008 and later	248,150
Minimum lease payments	419,719

Less imputed interest	(147,028)
Present value of obligations under capital leases	272,691

14. INVESTMENT IN ASSOCIATED COMPANIES

At December 31, 2002, the Company has the following participation in investments that are recorded using the equity method:

	Percentage
K/S Rasmussen Teamship A/S III	35.00%
K/S Rasmussen Teamship A/S II	40.00%
Front Tobago Inc	40.00%
Golden Lagoon Corporation	50.00%
Golden Fountain Corporation	50.00%
Golden Tide Corporation	50.00%
Alliance Chartering LLC	50.00%
Dundee Navigation SA	50.10%
Edinburgh Navigation SA	50.10%
Ariake Transport Corporation	33.33%
Sakura Transport Corporation	33.33%
Ichiban Transport Corporation	33.33%
Tokyo Transport Corporation	33.33%
Hitachi Hull No 4983 Ltd.	33.33%

With the exception of Alliance Chartering LLC, the equity method investees are engaged in the ownership and operation of oil tankers or dry bulk carriers.

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

(in thousands of $)	2002	2001
Current assets	54,347	40,242
Noncurrent assets	637,543	546,868
Current liabilities	67,158	45,855
Non current liabilities	602,807	491,396

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

(in thousands of $)	2002	2001	2000
Net operating revenues	68,694	62,338	54,722
Net operating income	22,481	32,050	32,093
Net income (loss)	(14,250)	40,004	43,843

Summarised balance sheet information of the Company's subsidiaries accounted for using the equity method is as follows:

(in thousands of $)	2002	2001
Current assets	8,377	6,557
Noncurrent assets	93,397	99,341
Current liabilities	53,296	12,475

Non current liabilities	44,948	87,996

Summarised statement of operations information of the Company's subsidiaries accounted for using the equity method is as follows:

(in thousands of $)	2002	2001	2000
Net operating revenues	13,947	19,948	--
Net operating income	3,259	10,587	--
Net income (loss)	(1,899)	5,428	--

15. DEFERRED CHARGES

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

(in thousands of $)	2002	2001
Debt arrangement fees	17,436	14,190
Accumulated amortisation	(11,777)	(9,129)
	5,659	5,061

16. OTHER LONG-TERM ASSETS

(in thousands of $)	2002	2001
Long-term debt receivable	10,191	9,025
Other	1,013	875
	11,204	9,900

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

17. GOODWILL

Goodwill is stated net of related accumulated amortisation as follows:

(in thousands of $)	2002	2001
Goodwill	14,142	17,561
Accumulated amortisation	(14,142)	(3,512)
	--	14,049

The Company adopted SFAS 142 effective January 1, 2002 and recorded an impairment charge of $14.1 million for the unamortised goodwill on that date (see Note 2).

18. ACCRUED EXPENSES

(in thousands of $)	2002	2001
Voyage expenses	3,258	3,667
Ship operating expenses	27,501	18,591
Administrative expenses	3,948	1,979
Interest expense	5,483	6,044
Taxes	134	2,233
Other	--	3,029
	40,324	35,543

19. DEBT

(in thousands of $)	2002	2001
US Dollar denominated floating rate debt (LIBOR + 0.485% to 2.75%) due through 2011	1,314,183	1,238,952
Yen denominated floating rate debt (LIBOR + 1.125% to 1.313%) due through 2011	110,718	109,640
Fixed rate debt 0% due through 2005	2,000	2,000
Fixed rate debt 8.00% due through 2005	11,250	31,500
	1,438,151	1,382,092
Credit facilities	7,321	9,859
Total debt	1,445,472	1,391,951
Less: short-term and current portion of long-term debt	(167,807)	(227,597)
	1,277,665	1,164,354

The outstanding debt as of December 31, 2002 is repayable as follows:

Year ending December 31, (in thousands of $)	
2003	167,807
2004	169,529
2005	266,080
2006	312,142
2007	134,871
2008 and later	395,043
Total debt	1,445,472

The weighted average interest rate for the floating rate debt denominated in US dollars was 3.93 per cent as of December 31, 2002 (2001 - 4.41 per cent). The weighted average interest rate for the floating rate debt denominated in Yen was 1.27 per cent as of December 31, 2002 (2001 - 1.37 per cent). These rates take into consideration related interest rate swaps.

Certain of the fixed rate debt and the floating rate debt are collateralised by ship mortgages and, in the case of some debt, pledges of shares by each guarantor subsidiary. The Company's existing financing agreements impose operation and financing restrictions on the Company which may significantly limit or prohibit, among other things, the Company's ability to incur additional indebtedness, create liens, sell capital shares

of subsidiaries, make certain investments, engage in mergers and acquisitions, purchase and sell vessels, enter into time or consecutive voyage charters or pay dividends without the consent of our lenders. In addition, our lenders may accelerate the maturity of indebtedness under our financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of default, including our failure to comply with any of the covenants contained in our financing agreements. Various debt agreements of the Company contain certain covenants which require compliance with certain financial ratios. Such ratios include equity ratio covenants, minimum value clauses, and minimum free cash restrictions. As of December 31, 2002 and 2001, the Company complied with all the debt covenants of its various debt agreements.

The acquisition of Golden Ocean was conducted so that the loans held by Golden Ocean's subsidiaries are non-recourse to Frontline. This implies that any guarantees on behalf of a Golden Ocean subsidiary are issued only by either Golden Ocean and or other Golden Ocean subsidiaries. Frontline's exposure to Golden Ocean is therefore limited to $15 million injected as equity, a $50 million term loan and a $10 million revolving credit facility provided by Frontline to Golden Ocean. As of December 31, 2002 the amounts outstanding under the term loan and revolving credit facility was $nil and $nil, respectively (2001 - $2.49 million and $nil, respectively).

At December 31, 2001, a 100 per cent owned subsidiary of Golden Ocean, Golden Stream Corporation was party to a loan agreement with Griffin Shipping Inc. ("Griffin"). The amount outstanding under this loan agreement was $48,068,000, which was fully repayable on March 30, 2002. Golden Stream Corporation failed to repay the loan on the due date. This situation gave rise to substantial doubt as to the ability of Golden Ocean to continue to operate as a going concern as at December 31, 2001. Griffin did not declare a default under the loan agreement and in the fourth quarter of 2002, a satisfactory agreement was reached with Griffin, Golden Stream Corporation was restructured and the vessel was refinanced. As a result of the restructuring and refinancing in 2002, Golden Stream Corporation is owned in a non-recourse subsidiary of Frontline where Frontline has guaranteed, and partly provided, the first $28 million of debt.

20. SHARE CAPITAL

Authorised share capital:

(in thousands of $)	2002	2001
125,000,000 ordinary shares of $2.50 each	312,500	312,500

Issued and fully paid share capital:

(in thousands of $, except share numbers)	2002	2001
76,466,566 ordinary shares of $2.50 each (2001 - 76,407,566)	191,166	191,019

The Company's ordinary shares are listed on the New York Stock Exchange, the Oslo Stock Exchange and the London Stock Exchange. The Company's ordinary shares traded on the Nasdaq National Market in the form of ADSs until August 3, 2001. Each ADS represented one ordinary share. On August 3, 2001 the Company delisted its ADSs from the Nasdaq National Market and the ADR program was terminated on October 5, 2001. The Company's ordinary

shares were listed on the New York Stock Exchange on August 6, 2001.

Of the authorised and unissued ordinary shares at December 31, 2002, 546,800 are reserved for issue pursuant to subscription under options granted under the Company's share option plans. As at December 31, 2002, except for the shares which would be issued on the exercise of the options, no unissued share capital of the Company is under option or is conditionally or unconditionally to be put under option.

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

In 2002 the Company issued 59,000 shares in connection with the exercise of employee share options. During 2001 the Company issued 129,500 shares in connection with the exercise of employee share options and issued 416,555 ordinary shares pursuant to subscriptions under warrants that could be exercised at any time up to May 11, 2001 (see Note 21).

In 2000 and 2001, the Company bought back and cancelled a total of 1,719,845 and 2,207,300 of its Ordinary Shares, respectively, in a number of separate market transactions. These share buybacks were made within a Board of Directors authority to buy back up to 7,500,000 ordinary shares. In 2000 the Company also acquired 430,000 of its Ordinary Shares over which it held a call option acquired in 1999.

In September 2001 the Company established a twelve month facility for a Stock Indexed Total Return Swap Programme or Equity Swap Line with the Bank of Nova Scotia ("BNS"), whereby the latter acquires shares in the Company, and the Company carries the risk of fluctuations in the share price of those acquired shares. BNS is compensated at their cost of funding plus a margin. In 2002, the term of the Equity Swap Line was extended until February 2004. At December 31, 2002 and 2001, BNS had acquired a total of 2,695,000 and 2,100,000 Frontline shares under the Programme, respectively.

A number of the Company's bank loans contain a clause that permit dividend payments subject to the Company meeting certain equity ratio and cash covenants immediately after such dividends being paid.

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 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% 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.

In connection with the Company's one-for-ten reverse stock split, the rights were adjusted pursuant to the Plan, so that there are currently ten rights attached to each outstanding Ordinary Share.

21. WARRANTS AND SHARE OPTION PLANS

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 were recorded at an estimated fair value at November 1, 1997 using the Black-Scholes option pricing model. These warrants entitled the holder to subscribe for one ordinary share in the Company at a price of $15.91 and were exercisable at any time up to May 11, 2001. On May 11, 2001 any warrants that had not been exercised expired.

The following summarises the warrant transactions:

	Number of Shares
Warrants outstanding at December 31, 2000	2,591,732
Exercised or cancelled	(2,591,732)
Warrants outstanding at December 31, 2001	--
Exercised or cancelled	--
Warrants outstanding at December 31, 2002	--

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 set on the grant of 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. In 2001, the Bermuda Plan was amended to provide that the exercise price set on the grant can subsequently be adjusted so that dividends paid after the date of grant will be deducted from the exercise price.

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

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

(in thousands, except per share data)	Shares	Weighted average exercise price

Options outstanding at December 31, 1999	413	$7.89
Granted	15	$6.92
Cancelled	(109)	$14.77
Options outstanding at December 31, 2000	319	$5.50
Granted	194	$11.76
Exercised	(130)	$3.49
Cancelled	(23)	$11.76
Options outstanding at December 31, 2001	360	$7.71
Granted	252	$11.90
Exercised	(59)	$4.47
Cancelled	(6)	$11.90
Options outstanding at December 31, 2002	547	$11.24
Options exercisable at:		
December 31, 2000	4	$13.21
December 31, 2001	190	$4.07
December 31, 2002	187	$8.09

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.

At December 31, 2002 and 2001 there were no options remaining outstanding under the U.K. Plan.

The weighted average fair value of options granted under the Bermuda Plan in the year ended December 31, 2002, 2001 and 2000 was $6.80, $6.79 and $3.27, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model using the following weighted average assumptions:

	2002	2001	2000
Risk free interest rate	2.8%	4.9%	6.6%
Expected life	5 years	5 years	3 years
Expected volatility	64%	60%	63%
Expected dividend yield	0%	0%	0%

The options outstanding under the Bermuda Plan as at December 31, 2002 have exercise prices between $4.12 and $14.97. The exercise prices are reduced by any dividends declared after the date of grant. The options that were not exercisable at December 31, 2002, vest over a period from January 2003 to June 2005. The options outstanding under the Bermuda Plan as at December 31, 2002 have a weighted average contractual life of 4.85 years.

22. FINANCIAL INSTRUMENTS

Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company has a portfolio of swaps that swap floating rate interest to fixed rate, which from a financial perspective hedge interest rate exposure. The Company does not hold or issue instruments for speculative or trading purposes. The counterparties to such contracts are J.P. Morgan Chase, Nordea Bank Norge, Credit Agricole Indosuez, Deutsche Schiffsbank, Midland Bank (HSBC), Den norske 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	Inception Date	Maturity Date	Fixed Interest Rate
(in thousands of $)			
$50,000	January 2001	January 2006	5.635%
$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	March 2003	5.885%
$49,338 reducing monthly to $29,793	March 1998	March 2006	7.288%
$53,352 reducing monthly to $17,527	September 1998	August 2008	7.490%

As at December 31, 2002, the notional principal amounts subject to such swap agreements was $352,690,000 (2001 - $362,828,000).

Foreign currency risk

The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. Certain of the Company's subsidiaries report in Sterling, Swedish kronor or Norwegian kroner and risks of two kinds arise as a result: a transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Company's cash flows; and a translation risk, the impact of adverse currency fluctuations in the translation of foreign operations and foreign assets and liabilities into U.S. dollars for the Company's consolidated financial statements. Certain of the Company's subsidiaries have Yen denominated long-term debt which as of December 31, 2002 stood at Yen 8,026,764,056 and charter contracts denominated in Yen with contracted payments as set forth in Note 7. Certain associated companies also have Yen denominated debt, the Company's share of this debt amounted to Yen 7,172,940,136 as December 31, 2002. There is a risk that currency fluctuations will have a negative effect on the value of the Company's cashflows. The Company has not entered into derivative contracts for either transaction or translation risk. Accordingly, such risk may have an adverse effect on the Company's financial condition and results of operations.

Forward freight contracts

The Company may enter into forward freight contracts and futures 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.

As at December 31, 2002, the notional principal amounts subject to such forward freight contracts and futures contracts was $31,264,000.

Fair Values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2002 and 2001 are as follows:

(in thousands of $)	2002 Carrying Value	2002 Fair Value	2001 Carrying Value	2001 Fair Value
Non-Derivatives:				
Cash and cash equivalents	92,078	92,078	178,176	178,176
Restricted cash	8,220	8,220	11,101	11,101
Marketable securities	262	262	1,159	1,159
Short-term debt and current portion of long-term debt	167,807	167,807	227,597	227,597
Long-term debt	1,277,665	1,277,665	1,164,354	1,164,354
Derivatives:				
Interest rate swap transactions	(16,894)	(16,894)	(14,723)	(14,723)
Equity swap Line	390	390	4,412	4,412
Forward freight contracts	(548)	(548)	-	-

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

The estimated fair value of marketable securities is based on the quoted market price of these or similar instruments when available.

The estimated fair value for floating rate long-term debt is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. The estimated fair value for fixed rate long-term debt is considered to be equal to the carrying value due to its company specific nature and the lack of a market in such debt.

The 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.

The fair value of the Equity Swap Line (see Note 20) is based on the quoted market price of the Company's shares held by the Bank of Nova Scotia minus the acquisition cost of those shares.

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

Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with the Bank of America N.A., Skandinaviska Enskilda Banken, BNP Paribas, Den norske Bank and Nordea Bank Norge. 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 2002, 2001 and 2000, no customer accounted for 10 per cent or more of freight revenues.

23. RELATED PARTY TRANSACTIONS

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 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.

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

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

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

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

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

In February 2001, the Company acquired newbuilding contracts for the construction and purchase of three VLCC tankers at the Hitachi shipyard in Japan for delivery in 2002 from Seatankers Management Co. Ltd, a company affiliated with Hemen. These contracts were acquired for the original

contract price of $72 million each plus $0.5 million per contract. These three newbuildings were delivered in 2002.

In the years ended December 31, 2002 and 2001, Frontline provided services to Seatankers. These services include management support and administrative services including services to a newbuilding project known as the Uljanik Project. In the years ended December 31, 2002 and 2001, the Company has earned management fee income from Seatankers Ltd of $253,762 and $277,855, respectively. As at December 31, 2002 and 2001 an amount of $141,359 and $314,923, respectively were due from Seatankers Ltd in respect of these fees and for the reimbursement of costs incurred on behalf of Seatankers Ltd.

In the year ended December 31, 2002, Frontline has provided management support and administrative services to Osprey. In the year ended 31 December 2002 management fees of $42,000 have been earned from Osprey and as at December 31, 2002 an amount of $18,000 was due from Osprey in respect of these fees and for the reimbursement of costs incurred on the Company's behalf by Osprey. At December 31, 2002, an amount of $103,838 was due to Osprey in respect of Tankers pool distributions due to Osprey that were received by the Company.

In the years ended December 31, 2002 and 2001, Frontline has provided services to Golar LNG Limited. Osprey, which is controlled by World Shipholding, holds 50.01 per cent of Golar LNG. The services provided include management support, corporate services and administrative services. In the years ended 31 December 2002 and 2001, management fees from Golar LNG of $391,153 and $258,960, respectively have been earned by the Company. As at December 31 2002 and 2001, an amount of $86,343 and $547,966, respectively were due from Golar LNG in respect of these fees and for the reimbursement of costs incurred on behalf of Golar LNG.

In the year ended December 31, 2002, Frontline has provided management support and administrative services to Northern Offshore Limited, Northern Offshore is controlled by Osprey. In the year ended 31 December 2002 management fees of $173,724 have been earned from Northern Offshore and as at December 31, 2002 an amount of $31,071 was due from Northern Offshore.

24. ACQUISITIONS

In April 2001, the Company announced an offer for all of the shares of Mosvold Shipping Limited ("Mosvold"), a Bermuda company whose shares were listed on the Oslo Stock Exchange. Through a combination of shares acquired and acceptances of the offer, as at May 31 2001, Frontline controlled 97 per cent of the shares of Mosvold. The remaining 3 per cent of the shares of Mosvold were acquired during 2001 through a compulsory acquisition. The total acquisition price paid was approximately $70.0 million. The difference between the purchase price and the net assets acquired, has been assigned to the identifiable long-term assets of Mosvold.

On October 10, 2000, Frontline took control of Golden Ocean pursuant to a Plan of Reorganisation (See Note 1). The total acquisition price paid, including amounts paid to settle allowed claims, was approximately $63.0 million, including 1,245,998 shares issued at a price of $15.65 per share. The cash component of the acquisition was funded primarily from working capital. The acquisition of Golden Ocean has been accounted for using the purchase method. Prior to the effective date of acquisition, Golden Ocean adopted fresh-start reporting in accordance with the provisions of Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" ("SOP 90-7"). The application of the provisions of SOP 90-7 resulted in the preparation of a reorganised balance sheet at October 10, 2000, concurrent with the emergence from

bankruptcy protection. The difference between the purchase price and the net assets acquired, has been recorded as goodwill.

The following table reflects unaudited pro-forma combined results of operations of the Company on the basis that the acquisition of Mosvold had taken place at January 1, 2000:

(in thousands of $, except per share data)	2001 (unaudited)	2000 (unaudited)
Net operating revenues	655,527	616,367
Net income	384,453	319,883
Basic earnings per share	$5.01	$4.36
Diluted earnings per share	$5.00	$4.35

In management's opinion, the adoption of fresh-start accounting in the financial statements of Golden Ocean means that the presentation of unaudited pro-forma combined results of operations would not provide meaningful information to the readers of these financial statements and no presentation has been made accordingly.

25. COMMITMENTS AND CONTINGENCIES

Assets Pledged

(in thousands of $)	2002	2001
Ship mortgages	2,238,905	2,195,752
Restricted bank deposits	8,220	11,101
	2,247,125	2,206,853

Other Contractual Commitments

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

The Company has guaranteed the yen and dollar long-term borrowings of associated companies for amounts of $176.4 million, including (Y)14.3 billion, which is equivalent to $121.0 million at December 31, 2002.

Certain of the Company's subsidiaries have contractual rights to participate in the profits of the vessels New Vanguard, New Vista and Channel Alliance. Revenues arising from these arrangements have been accrued to the balance sheet date.

The charterers of three of the Company's vessels have contractual rights to participate in the profits on sale of those vessels. In the case of the Cos Hero, the charterer is entitled to 50 per cent of the profit realised on any qualifying sale. The Cos Hero may only be sold if the profit from sale will exceed $3.0 million. Profit is defined as sale proceeds less debt outstanding in the relevant profit share agreements. If the New Vanguard or New Vista are sold, the charterer is entitled to claim up to $1 million to cover losses incurred on subcharters of the vessel. Any remaining profit is

to be split 60:40 in favour of the owner.

The charterer of the Company's vessel, Navix Astral, holds a purchase option denominated in yen to purchase the vessel. The purchase option reduces on a sliding scale over the term of the related charter and is at a strike price that is in excess of the related debt on the vessel. The option is exercisable at any time after the end of the seventh year of the charter.

At December 31, 2002, the Company had eight vessels that were sold by the Company at various times during the period from November 1999 to December 31, 2002, and leased back on charters that range for periods of eight to ten years with options on the lessors' side to extend the charters for periods that range up to five years. Four of these charters are accounted for as capital leases and four are accounted for as operating leases. The Company has purchase options at certain specified dates and the lessor has options to put the vessels on the Company at the end of the lease terms for all of these eight vessels. The total amount that the Company would be required to pay under these put options with respect to the operating leases is $56.8 million.

At December 31, 2002 the Company had a non-cancellable contract for the construction of one newbuilding tanker, scheduled for delivery in July 2003. At December 31, 2002, the Company is committed to make further instalments of $59.4 million under this contract, of which it is estimated approximately $12 million will be financed from working capital. Bank financing has been arranged for this vessel.

In 2001, the Company received an adverse decision from the Swedish Administrative Court of Appeal with respect to a tax dispute with the Swedish tax authorities relating to ICB. The dispute arises from a limited partnership in which ICB invested, and which sold a vessel on the exercise of a purchase option by a third party in 1990. The Swedish tax authorities assessed an "exit" tax on ICB and the other members of the limited partnership and also sought to tax ICB and the other members for income earned by the partnership. ICB has contested these assessments. The Swedish Administrative Court of Appeal upheld a decision by a County Administrative Court finding ICB liable for these assessments. Including accrued interest, the taxes found due by the court total approximately SEK 90 million, or $10.6 million at the exchange rate prevailing at December 31, 2002 ($8.5 million at the exchange rate prevailing at December 31, 2001). ICB is appealing this judgement. In the event that the appeal is not successful, the tax will be accounted for as an adjustment to the purchase price of ICB.

26. SUPPLEMENTAL INFORMATION

Non-cash investing and financing activities included the following:

(in thousands of $)	2002	2001	2000
Unrealised appreciation (depreciation) on investments			
Recorded directly to equity	(54)	(7,960)	295
In connection with purchase of fixed assets:			
Shares issued	--	--	28,000
Acquisition of businesses:			
Assets acquired, including goodwill	--	83,403	533,685
Liabilities assumed and incurred	--	14,033	470,674

Minority interest recorded	--	1,152	--
Shares issued	--	--	20,350

27. DISCONTINUED OPERATIONS

During the year ended December 31, 2002, the Company sold a portion of its dry bulk operations which has been recorded as discontinued operations. These activities have been previously been reported in the dry bulk carriers segment (See Note 4).

The following table presents the information required by FAS 144 in respect of discontinued operations:

(in thousands of $)	2002	2001	2000
Carrying amount of assets disposed of	95,548	--	--
Carrying amount of debt or lease retired	70,215	--	--
Amounts recorded in discontinued operations			
Net operating revenues	12,505	19,159	4,543
Net income (loss) before cumulative effect of change in accounting principle	(1,929)	20,280	7,957
Gain (loss) on disposal	(3,109)	--	--

28. SUBSEQUENT EVENTS

On February 24, 2003, the Board declared a dividend of $0.15 per share, to be paid on or about March 24, 2003.

In January 2003, the Company acquired the Suezmax tankers, Polytrader and Polytraveller. These vessels were owned by K/S Rasmussen Teamship A/S II and K/S Rasmussen Teamship A/S III in which the Company has a 40 percent and 35 per cent interest, respectively. The Company subsequently sold the two vessels at the end of March 2003.

On May 8, 2003, the Company declared a dividend of $1.00 per share to be paid on or about June 6, 2003.

On June 9, 2003, the Company announced that it had agreed to sell two 2000 built Suezmax tankers, the Front Sun and the Front Sky to OMI Corporation ("OMI"), for $49.25 million per vessel, consisting of $43.25 million cash and one million shares of OMI common stock valued at $6.00 per share, with a share price guarantee from OMI at $5.70 over a six month period. Frontline will pay to OMI any shortfall of time charter equivalent earnings per vessel below an average of $20,000 per day for one year from delivery. Delivery of the vessels to OMI is expected to occur in the third quarter of 2003.

On June 9, 2003, the Company announced that it had agreed to sell two of the Company's 2001 built Suezmax tankers, the Front Melody and Front Symphony, to two German K/Gs promoted by Dr. Peters GmbH. The vessels are expected delivered to their new owners in June 2003. The vessels will be chartered back on 12.5 years time charter arrangement, including options for the Company to buy back the vessels at the end of the charter period.

On June 9, 2003, the Company announced that it had agreed with partners Euronav Luxembourg SA (Euronav) and Overseas Shipholding Group, Inc. ("OSG") to swap interests in six joint venture companies, which each own a VLCC. The agreements will result in the Company selling its interest in the vessel Pacific Lagoon to Euronav; acquiring, jointly with OSG, Euronav's interest in the Ariake and Sakura I increasing its share in such vessels to

50.1 per cent each; and exchanging its interest in the Ichiban (33.33 per cent) with Euronav for a portion of Euronav's interest in the Tanabe and Hakata increasing its interest in these vessels to 50.1 per cent each.

On June 9, 2003, the Company announced that it had decided to exercise the Company's call option on the Frontline shares held by the Bank of Nova Scotia (see Note 20). The transaction involves 3,070,000 shares, which will be acquired at a cost of $8.97 per share. The shares acquired as a result will immediately be cancelled, bringing the number of issued and outstanding ordinary shares of the Company to 73,473,066. The transaction effectively terminates the current BNS facility.

On June 9, 2003, the Company declared a dividend of $1.00 per share to be paid on or about July 7, 2003.

On July 1, 2003 the Company's subsidiary Golden Ocean Group Limited, entered into an option agreement with Hemen. The option agreement gives Golden Ocean the right to acquire all of the shares of Independent Tankers Corporation ("ITC") from Hemen for a total consideration of $4.0 million plus 4 per cent interest per year. ITC owns a total of six VLCCs and four Suezmax tankers, which are on long-term charters to BP and Chevron. Golden Ocean paid $10.0 million for the option, which expires on July 1, 2010. The total book value of ITC's consolidated assets at December 31, 2002 was approximately $960 million.

ITEM 19. EXHIBITS

Number	Description of Exhibit
1.1*	Memorandum of Association of the Company, incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form F-1, Registration No. 33-70158 filed on October 12, 1993 (the "Original Registration Statement").
1.4*	Amended and Restated Bye-Laws of the Company as adopted by shareholders on October 26, 2001, incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2001, filed on July 1, 2002.
2.1*	Form of Ordinary Share Certificate, incorporated by reference to Exhibit 4.1 of the Original Registration Statement.
2.2*	Form of Deposit Agreement dated as of November 24, 1993, among Frontline Ltd. (F/K/A London & Overseas Freighters Limited), The Bank of New York as Depositary, and all Holders from time to time of American Depositary Receipts issued thereunder, including form of ADR, incorporated by reference to Exhibit 4.2 of the Original Registration Statement.
2.3*	Form of Deposit Agreement dated as of November 24, 1993, as amended and restated as of May 29, 2001, among Frontline Ltd. (F/K/A London & Overseas Freighters Limited), The Bank of New York as Depositary, and all Holders from time to time of American Depositary Receipts issued thereunder, including form of ADR, incorporated by reference to Exhibit 2 of the Company's Annual Report on Form 20-F, filed on June 13, 2001 for the fiscal year ended December 31, 2000.

2.4*	Rights Agreement (the "Rights Agreement") between the Company and the Bank of New York incorporated by reference to Exhibit 1.3 of the Company's Registration Statement on Form 8-A, File No.0-22704 filed on December 9, 1996.
2.5*	Amendment No. 1 to the Rights Agreement incorporated by reference to Exhibit 4.3 of the Amalgamation Registration Statement.
2.6*	The Subregistrar Agreement related to the registration of certain securities issued by Frontline Ltd. in the Norwegian Registry of Securities between Frontline Ltd. and Christiania Bank og Kreditkasse ASA together with the Form of Warrant Certificate and Conditions attaching thereto, incorporated by reference to Exhibit 1.1 of the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 1998.
4.1*	Form of United Kingdom Share Option Plan, incorporated by reference to Exhibit 10.1 of the Original Registration Statement.
4.2*	Form of Bermuda Share Option Plan, incorporated by reference to Exhibit 10.2 of the Original Registration Statement.
4.3*	The Subordinated Convertible Loan Facility Agreement USD 89,000,000 dated July 13, 1999, between Frontline Ltd. as Borrower and Metrogas Holdings Inc. as Lender, incorporated by reference to Exhibit 2.1 of the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 1998.
4.4*	Master Agreement, dated September 22, 1999, among Frontline AB and Frontline Ltd (collectively "FL"), Acol Tankers Ltd. ("Tankers"), ICB Shipping AB ("ICB"), and Ola Lorentzon (the "Agent"), incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 1999.
8.1	Subsidiaries of the Company.
99.1	Certification of the Principal Executive Officer
99.2	Certification of the Principal Financial Officer
99.3	Certification of the Principal Accounting Officer
99.4	Certifications under Section 906 of the Sarbanes-Oxley act of 2002

* Incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorised.

Frontline Ltd.

(Registrant)

Date July 15, 2003 By /s/ Kate Blankenship

Kate Blankenship
Company Secretary and Chief Accounting Officer

02089.0009 #416646